

MTY GROUP (TSX: MTY) franchises and operates quick-service and casual dining restaurants under over 80 different banners in Canada, the United States and internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts in quick-service restaurants and making acquisitions and strategic alliances that have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 7,236 locations, the many flavours of the MTY Group have the key to responding to the different tastes and needs of consumers today and tomorrow.



SECOND QUARTER HIGHLIGHTS

- Non-cash impairment charge of \$120.3 million related to property, plant and equipment, intangible assets and goodwill
- Net loss attributable to shareholders of \$99.1 million or (\$4.01) per share
- System sales of \$670.7 million, down 19% compared to Q2-19
- 2,757 restaurants closed during the quarter, resulting in 138,931 business days lost during the quarter; 1,470 were still closed at quarter end, and 573 remain closed as of the date of this press release, which represents less than 8% of the network
- Amended existing credit facility with more flexible financial covenants for the next four quarters
- Management initiatives resulting in a reduction of recurring controllable expenses of \$10.1 million for Q2
- EBITDA of \$18.2 million, down 47% compared to Q2-19
- Free cash flows of \$28.9 million despite dramatic impact of COVID-19
- Repurchased and cancelled 364,774 shares for a total consideration of \$18.9 million year-to-date
- Cash on hand of \$49.9 million as at May 31, 2020

MTY

Toronto Stock Exchange Symbol

\$28.81

Price as at July 10, 2020

High: \$66.89 Low: \$16.58

(52 weeks ended July 10, 2020)

24,706,461

Number of Shares Outstanding
(July 9, 2020)

A WORD FROM MANAGEMENT

Our second quarter presented important operational challenges brought on by the COVID-19 pandemic, with the temporary closure of 2,757 locations at peak level and dramatically reduced sales for many of the locations that remained in operation. While our locations are now gradually re-opening, overall customer traffic remains affected by various local regulations and changes in consumer behavior resulting from work-from-home policies as well as new habits created by shelter-in-place measures that were in effect for a considerable amount of time. During the quarter, we were successful in negotiating an amendment to our existing credit facility that will provide more financial flexibility going forward and reduces the uncertainty related to our capital structure. Very early on in the COVID-19 pandemic, we took decisive actions, implementing a range of measures destined to financially help our franchisees who were facing an abrupt halt in their business. As a result, we had to also implement drastic cost reduction measures which resulted in the quarter's recurring controllable expenses decreasing by more than \$10 million. Although the level at which we reduced our operations is not sustainable in the long run, we will continue to aggressively manage our cash liquidity and adjust to the volatile market conditions.

With the important decline in system sales, EBITDA decreased by 47% to \$18.2 million. As an indicator, MTY's network lost a total of 138,931 days of operations. Papa Murphy's "take'n'bake" concept had very good traction in the context of COVID-19 and its contribution to consolidated EBITDA was significant. To assist our franchisees in this crisis, we deferred the payment of royalties until September 2020 for an amount of \$7.3 million. With the uncertainty created by COVID-19 and the impact on impairment indicators, we recorded a non-cash impairment charge of \$120.3 million during the quarter.

With cash on hand at the end of the quarter just shy of \$50.0 million, over \$190.0 million available on our credit facilities, and more flexibility provided by our amended financial covenants, MTY remains in a solid financial position to execute its recovery plan and eventually pursue its growth strategy. Over the next few quarters, our primary focus is to re-open restaurants and provide customers with a safe and friendly environment and optimize the profitability of our restaurants despite the limits and restrictions.

Eric Lefebvre
Chief Executive Officer
July 10, 2020

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except per share information and margin)

	Quarters ended May 31, (unaudited)		Six-month periods ended May 31, (unaudited)	
	2020	2019 not restated for IFRS 16	2020	2019 not restated for IFRS 16
System sales ⁽¹⁾	670,700	832,300	1,670,200	1,520,100
Revenues	97,808	125,571	248,588	232,868
EBITDA ⁽¹⁾	18,213	34,145	59,250	62,521
EBITDA margin % ⁽¹⁾	18.6%	27.2%	23.8%	26.8%
Income before taxes	(118,299)	24,555	(94,159)	43,741
Net loss (income) attributable to shareholders	(99,126)	19,337	(80,118)	34,085
Cash flows from operations	19,207	21,077	50,187	47,834
Cash flows from operations per diluted share ⁽¹⁾	0.78	0.84	2.02	1.90
Free cash flows ⁽¹⁾	28,926	21,767	59,664	46,681
EPS basic	(4.01)	0.76	(3.23)	1.35
EPS diluted	(4.01)	0.76	(3.23)	1.35

⁽¹⁾ This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section in the Management's Discussion and Analysis.

RECENT EVENT

- On June 29, 2020, MTY announced the renewal of its normal course issuer bid

5-YEAR FINANCIAL REVIEW

(in thousands of Canadian dollars, except per share information, margin and number of locations)

	Trail. 12 months ⁽²⁾	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽²⁾⁽³⁾	2016 ⁽²⁾⁽³⁾
System Sales ⁽¹⁾	3,769,900	3,619,800	2,782,500	2,302,000	1,480,000
Revenues	566,662	550,942	412,346	276,083	191,275
EBITDA ⁽¹⁾	144,124	147,395	124,851	93,726	65,841
EBITDA margin % ⁽¹⁾	25.4%	26.8%	30.3%	33.9%	34.4%
Net income	(36,442)	77,736	96,187	49,854	54,867
EPS diluted	(1.51)	3.08	3.95	2.32	2.73
Number of locations	7,236	7,373	5,984	5,469	5,681

⁽¹⁾ This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section in the Management's Discussion and Analysis.

⁽²⁾ Figures have not been restated for IFRS 16.

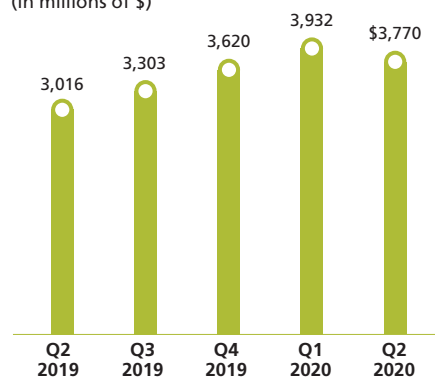
⁽³⁾ Figures have not been restated for IFRS 15.

MOST RECENT ACQUISITIONS

Brands	Date	Percentage of ownership	Number of franchised locations	Number of corporate locations
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group")	December 2019	70%	20	3
Allô! Mon Coco	July 2019	100%	40	—
Yuzu Sushi	July 2019	100%	129	—
Papa Murphy's	May 2019	100%	1,301	103
South Street Burger	March 2019	100%	24	13

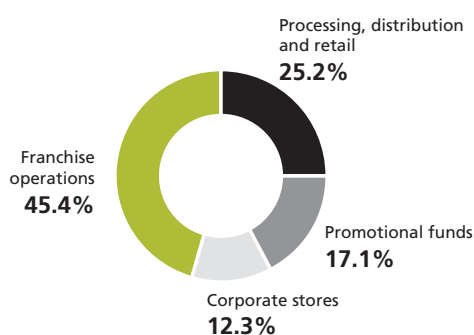
SYSTEM SALES TRAILING 12 MONTHS

(in millions of \$)



PRODUCT CATEGORIES

(in % of Q2 Revenue, excluding interco)



STOCK PERFORMANCE



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