



# INVESTOR PRESENTATION

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JULY 2020



# Forward-looking Statements



GROUPE  
**MTY**  
GROUP

This presentation may contain written and oral statements that constitute forward-looking statements. These forward-looking statements may involve, but are not limited to, comments with respect to our business or financial objectives, our strategies or future actions, our targets, expectations for our financial condition or our outlook for our operations and future earn-out and additional equity interest obligations.

Forward looking statements are not guarantees of future results, performance, achievements or developments and actual results, performance, achievements or developments may differ materially from those in the forward-looking statements as a result of various factors, including downturns in general economic conditions, consolidation and globalisation of the industry, the highly competitive nature of the quick service restaurant industry, the greater resources available to much larger global players, low entry barriers for new competitors, our ability to successfully integrate our acquired and to-be-acquired businesses and the retention of key management personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict accurately and many of which are beyond our control.

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, we cannot assure that the expectations will prove to have been correct. Accordingly you should not place undue reliance on forward-looking statements. In particular, forward-looking statements do not reflect the potential impact of any merger or acquisitions or other business combinations or divestitures that may be announced or completed after such statements are made. Reference should be made to the most recent annual Management's Discussion and Analysis for an in-depth description of major risk factors.

## Non-IFRS Measures

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”). MTY uses earnings before interest, taxes, depreciation and amortization (“EBITDA”), because this measure enables management to assess the Company’s operational performance. The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago, and system sales, which represents the total net sales of the franchised and corporate restaurants of its network.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with GAAP and may not be comparable to those presented by other companies. These non-GAAP measures are intended to provide additional information about the performance of MTY, and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with GAAP.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believe that certain investors and analysts use EBITDA to measure a company’s ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, system sales and same-store sales growth provides additional information to investors about the performance of the network that is not available under GAAP. These measures are components in the determination of short-term incentive compensation for some employees.

This presentation should be read in conjunction with the Company’s financial statements and the notes thereto and the Management Discussion and Analysis (MD&A).

## Adoption of IFRS 16, Leases

Effective December 1, 2019, the Company implemented IFRS 16, Leases, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. Please refer to the section Changes in accounting policies in the Management's Discussion and Analysis for further details.

# Agenda

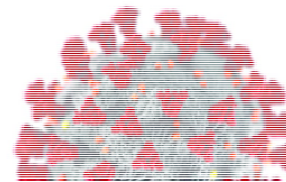
GROUPE  
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INVESTMENT  
THESIS



OVERVIEW OF  
MTY GROUP



UPDATE ON  
COVID-19



MARKET  
OVERVIEW



STRATEGY AND  
FUTURE GROWTH



FINANCIAL  
TRENDS



Q2-2020  
RESULTS



APPENDIX  
(Historical Data)





# INVESTMENT THESIS

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# Investment Thesis

GROUP  
**MTY**  
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- Proven consolidator with disciplined acquisition strategy
- Track record of growth
- Strong cash flow generation ability
- Recurring revenue streams in the franchising segment
- Diversified portfolio of over 80 brands
- Knowledgeable and committed team
- Well positioned for more acquisitions





## OVERVIEW OF MTY GROUP

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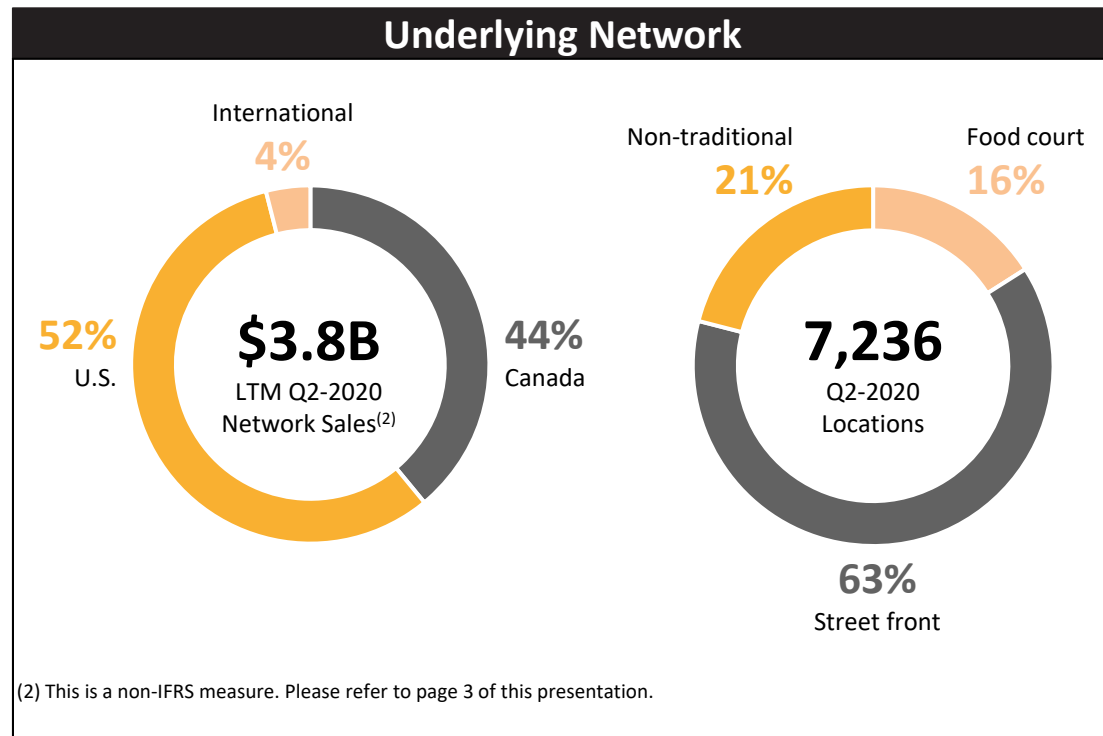
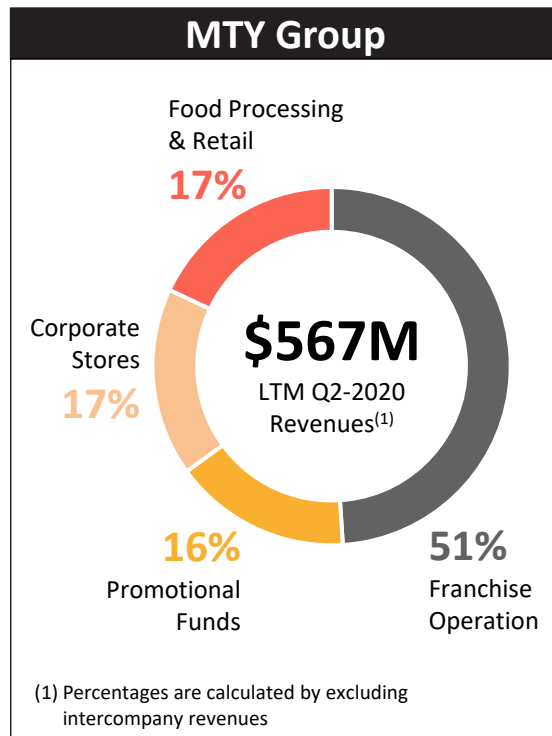




# MTY Group at a Glance

GROUPE  
**MTY**  
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Franchises and operates quick-service and casual dining restaurants under  $\approx 80$  brands



Ticker

**MTY**

Market Cap.

**\$720M**

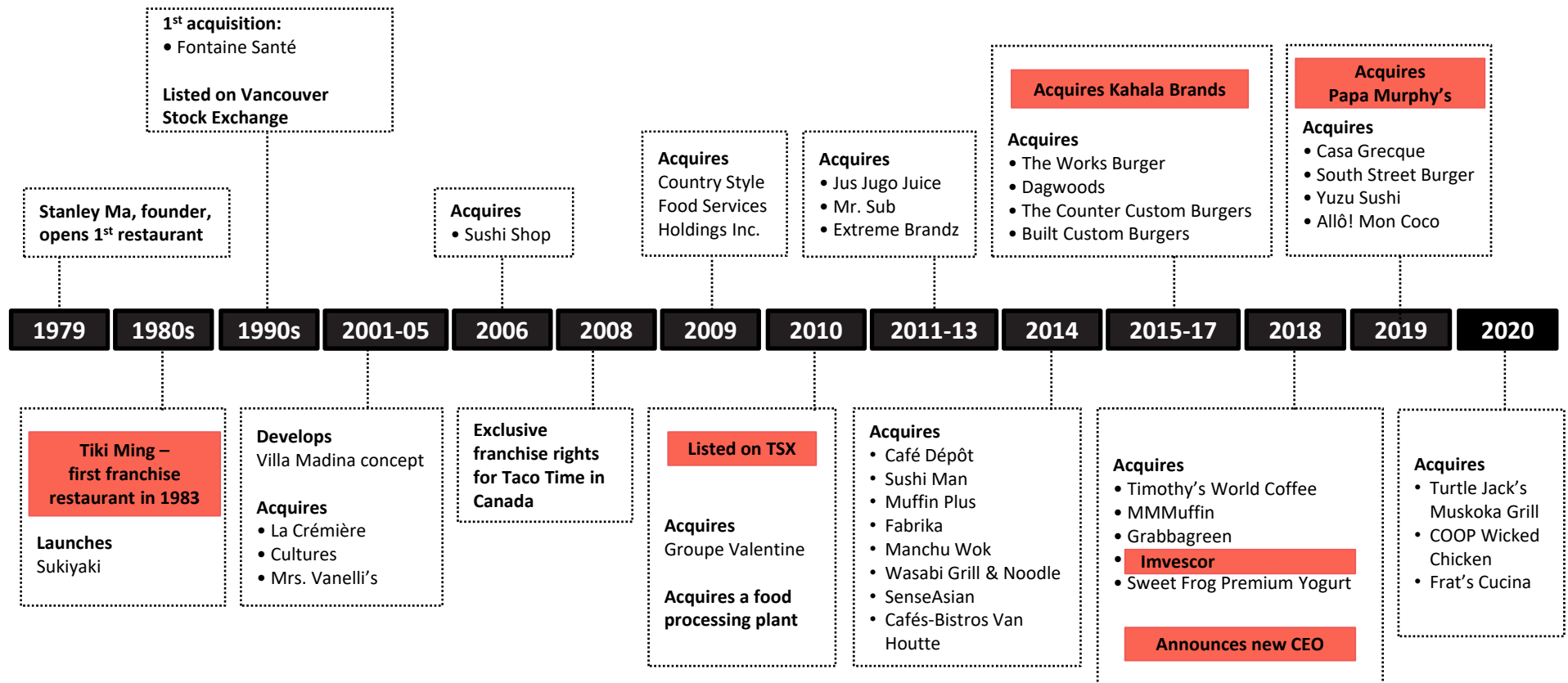
Brands

**$\approx 80$**

As at July 15, 2020

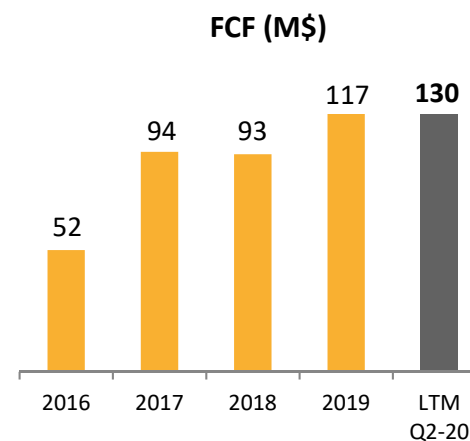
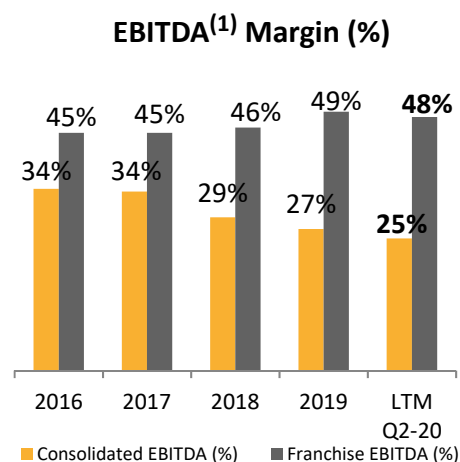
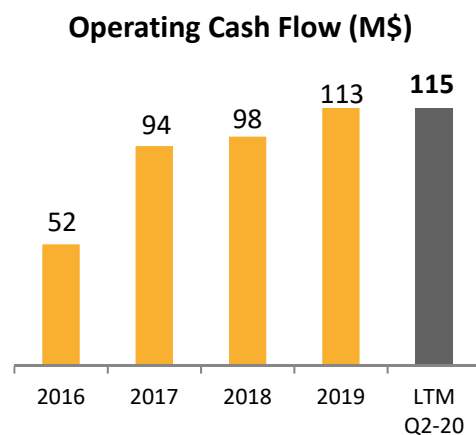
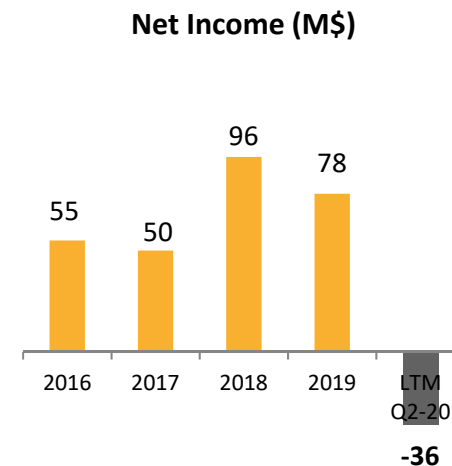
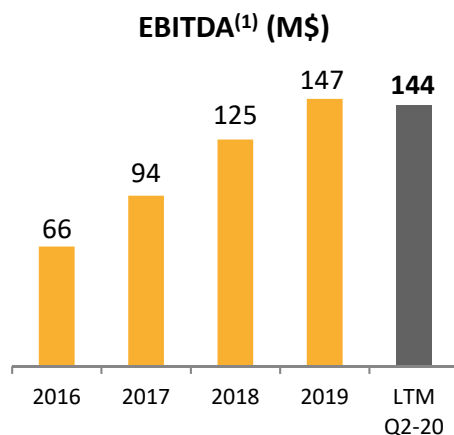
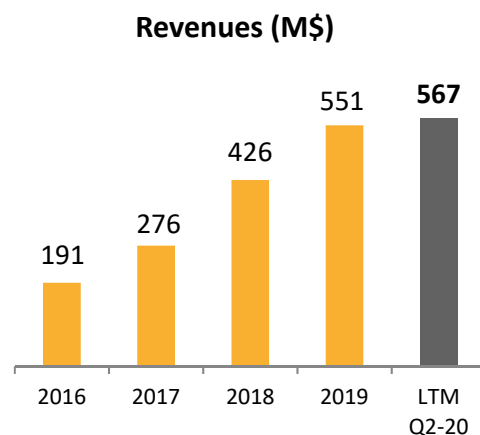
# Milestones in ~40-Year History


  
**GROUPE**  
**MTY**  
**GROUP**



# Track Record of Growth

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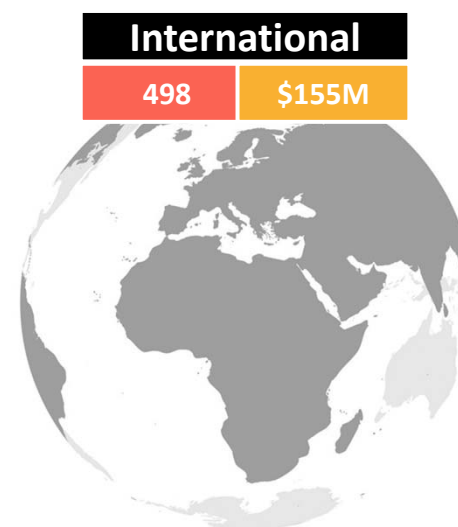
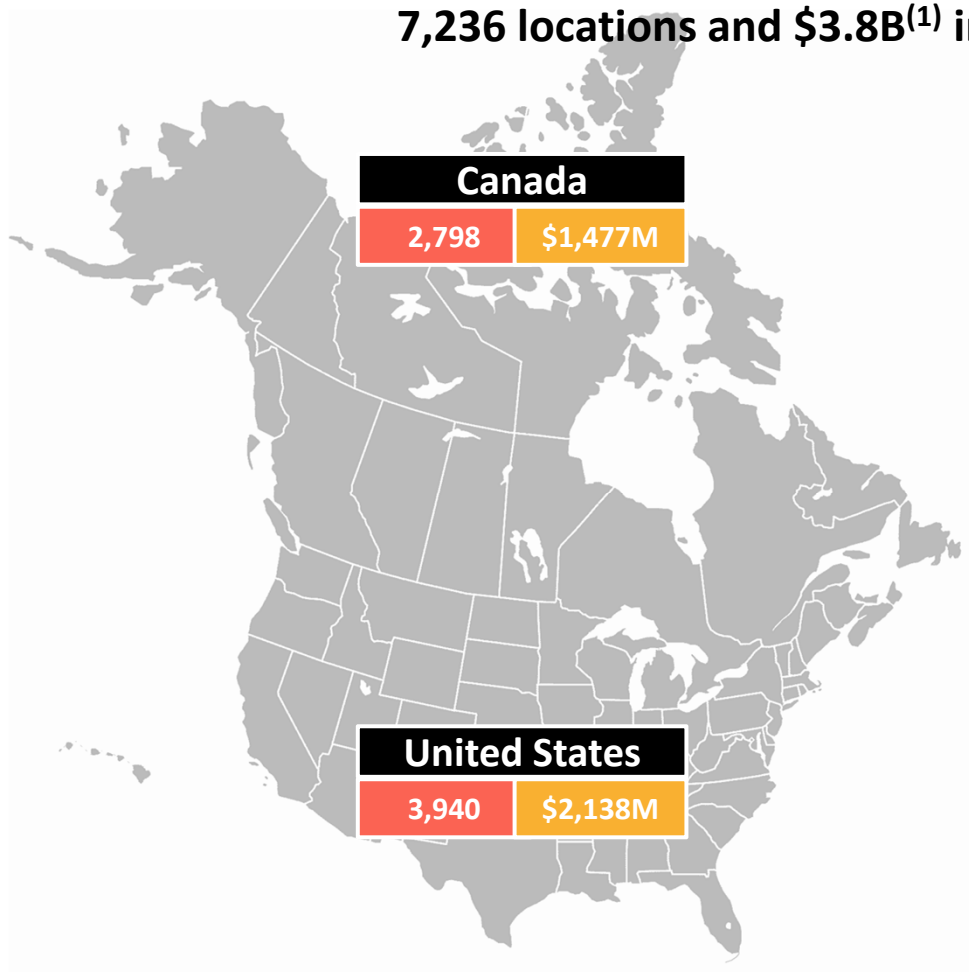
(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.

- Note: 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.
- Note: 2016-2019 figures have not been restated for IFRS 16.

# International Network in 39 Countries

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7,236 locations and \$3.8B<sup>(1)</sup> in Sales as at LTM Q2-2020

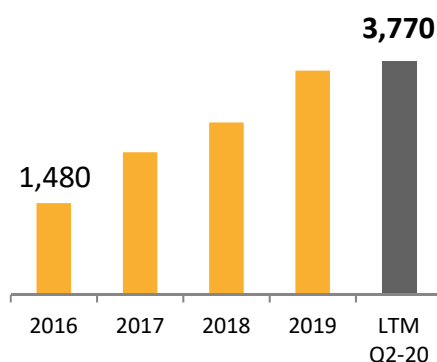


(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.

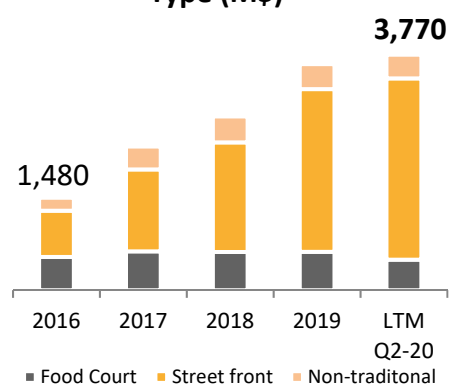
# Network Evolution

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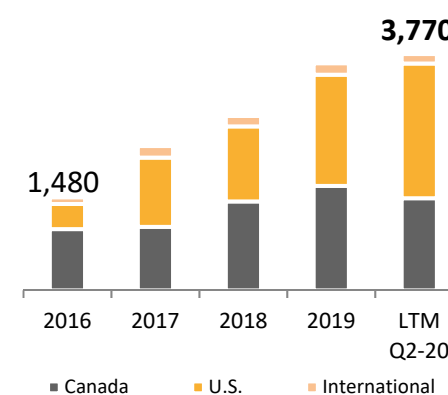
Network Sales (M\$)<sup>(1)</sup>



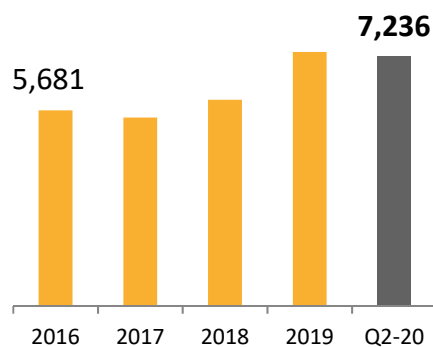
Network Sales by Type (M\$)<sup>(1)</sup>



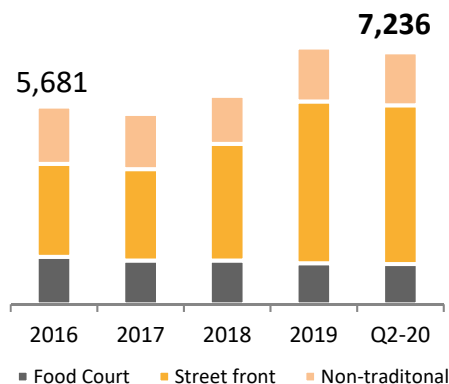
Network Sales by Geography (%)<sup>(1)</sup>



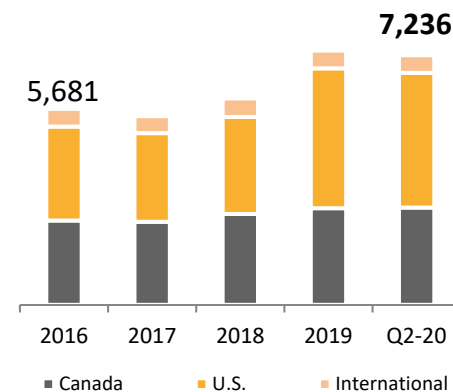
Number of Locations



Locations by Type



Locations by Geography



(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.

# Growing by Acquisitions

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## MTY has realized over 50 acquisitions since 1999

### 1999-2005

- Fontaine Santé/Veggirama
- La Crémère
- Croissant Plus
- Cultures
- Thai Express
- Mrs. Vanelli's
- TCBY – Canadian master franchise right

### 2006-2010

- Yogen Früz – Canadian master franchise right
- Sushi Shop
- Koya Japan
- Sushi Shop – existing franchise locations
- Tutti Frutti
- Taco Time – Canadian master franchise rights
- Country Style Food Services Holdings Inc.
- Groupe Valentine inc.

### 2011-2015

- Jugo Juice
- Mr. Submarine
- Koryo Korean BBQ
- Mr. Souvlaki
- SushiGo
- Extreme Pita
- PurBlendz
- Mucho Burrito
- ThaiZone
- Madisons
- Café Dépôt
- Muffin Plus
- Sushi-Man
- Fabrika
- Van Houtte Café Bistros – perpetual franchising license
- Manchu Wok
- Wasabi Grill & Noodle
- Sense Asian
- Big Smoke Burger

### 2016

#### Kahala Brands Ltd

Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie's New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry

#### BF Acquisition Holdings, LLC

- Baja Fresh Mexican Grill
- La Salsa Fresh Mexican Grill
- La Dinerie

### 2017

- Steak Frites St-Paul
- Giorgio Ristorante
- The Works Gourmet Burger Bistro
- Houston Avenue Bar & Grill
- Industria Pizzeria & Bar
- Dagwoods Sandwiches and Salads
- The Counter Custom Burgers
- Built Custom Burgers

### 2018

#### Imvescor Restaurant Group

Baton Rouge, Pizza Delight, Scores, Toujours Mikes and Ben & Florentine

- Grabbagreen
- Timothy's World Coffee
- Mmmuffins

### 2019

#### Papa Murphy's

- Casa Grecque
- South Street Burger
- Yuzu Sushi
- Allô! Mon Coco

### 2020

- Turtle Jack's Muskoka Grill
- COOP Wicked Chicken
- Frat's Cucina



# Diversified Portfolio of Over 80 Brands

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## Protects MTY from shifts in customer preferences

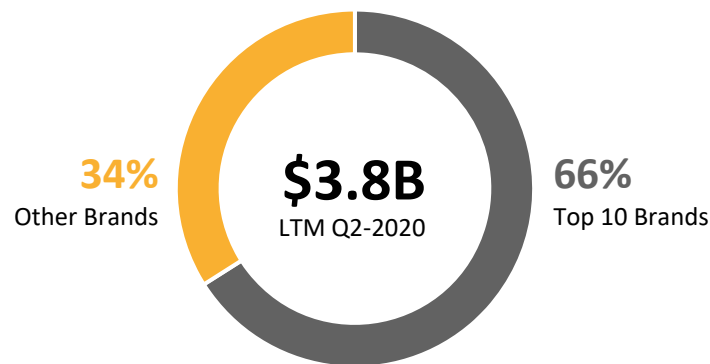
| Asian & Indian   | Frozen treats & smoothies  | American   |
|--|--|--|
|    <br>   <br>   <br>     |    <br>  <br>   <br>  |    <br>   <br>   <br>     |
| Sandwiches & Salads  | Mediterranean  | Italian  |
|   <br>  <br>    |  <br>    |   <br>      |
| Breakfast  | Mexican  | Coffee   |
|  <br>    |  <br>    |   <br>     |

# Strong Brands Make Up a Large Part of Portfolio

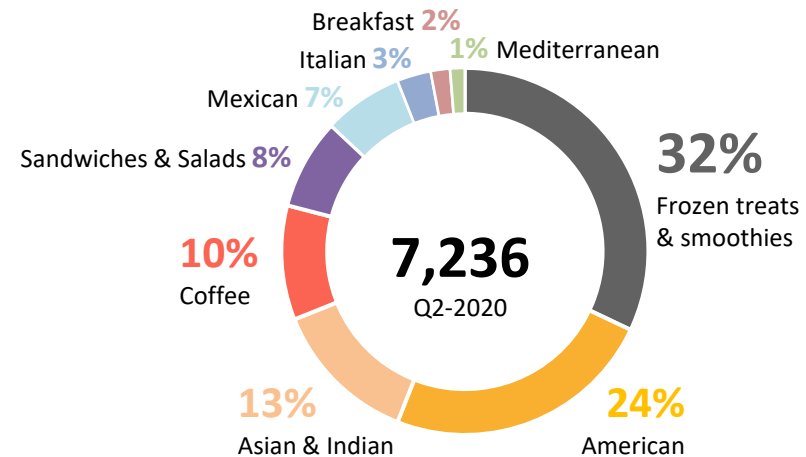
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**MTY**  
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MTY ranks 21<sup>st</sup> among Canada's Top 100 foodservice operators<sup>(1)</sup>

Top 10 brands represent  
62% of Network Sales<sup>(2)</sup>



Frozen treats & smoothies represent  
32% of locations



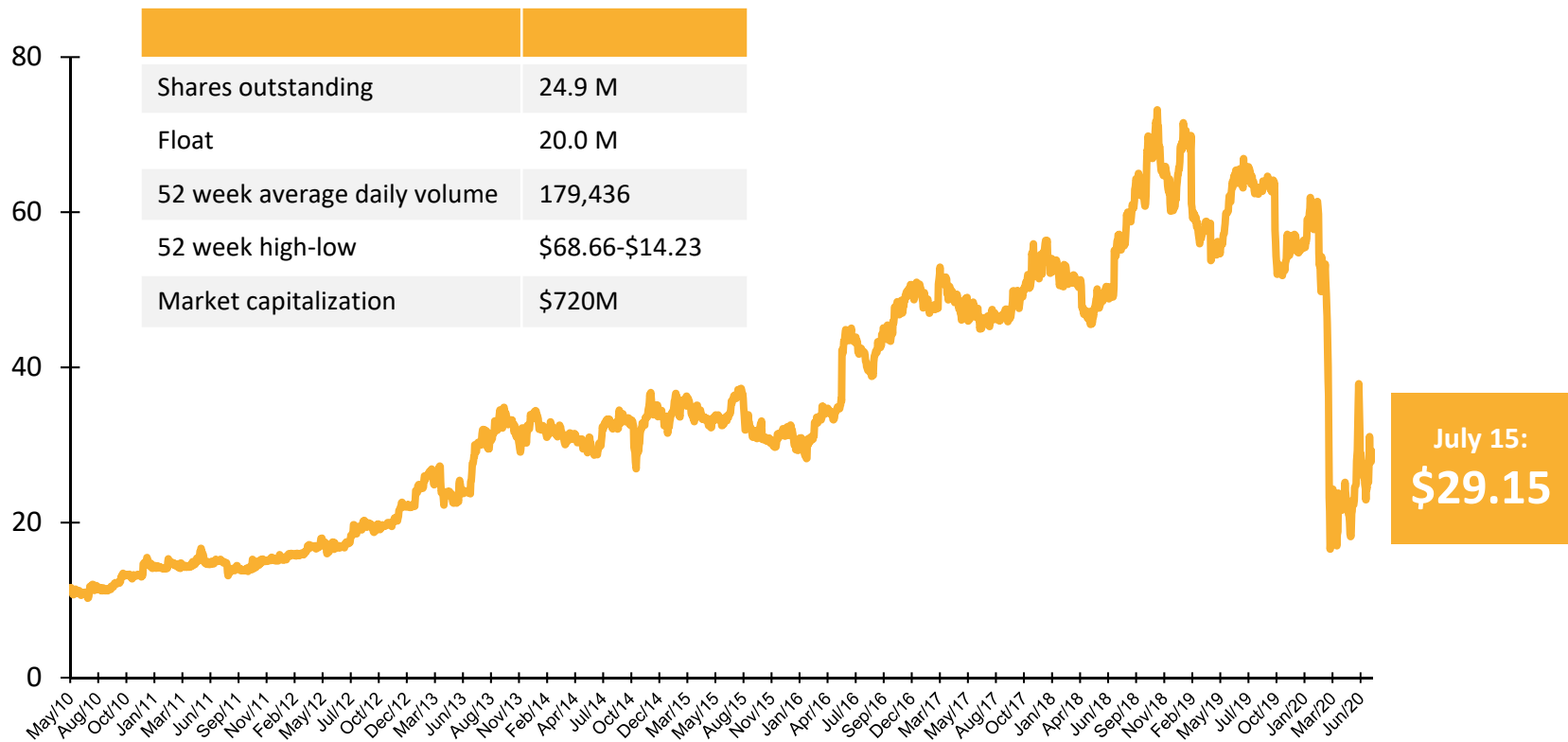
(1) Source: Foodservice and Hospitality, The Annual Top 100 Report, May 2018

(2) This is a non-IFRS measure. Please refer to page 3 of this presentation.

# Stock Price Performance Since Listed on TSX

GROUP  
**MTY**  
GROUP

**Management and the Board own 23% of shares**



Source: Yahoo Finance. Transactions on the TSX only.

# Knowledgeable and Committed Management Team

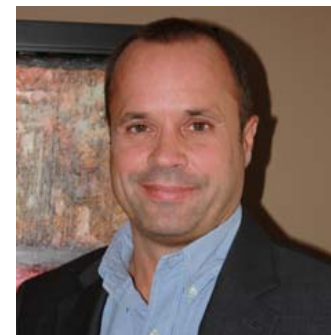
GRUPE  
**MTY**  
GROUP



**Eric Lefebvre**  
Chief Executive Officer



**Renée St-Onge**  
Chief Financial Officer



**Jason Brading**  
COO Quick Service  
Restaurants



**Marie Line Beauchamps**  
COO Casual Dining  
Restaurants



**Marc Benzacar**  
COO Fast Casual  
Restaurants

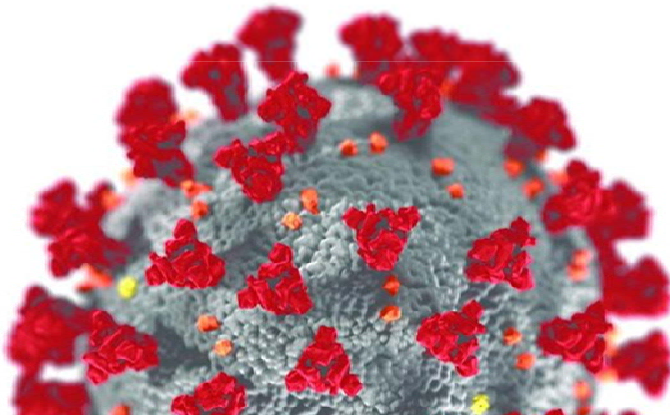


**Jeff Smith**  
COO US Market



## UPDATE ON COVID-19

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# COVID-19 Update – As at July 10, 2020



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**There continues to be significant uncertainty in the market related to COVID-19**

## Q2-20 Facts

- MTY's network lost a total of 138,931 days of combined operations in Q2-20 with a total of 2,757 locations temporarily closing or operating on revised hours
- 1,470 locations still closed at the end of Q2-20
- Customer traffic continued to be impacted
- Recurring controllable expenses decreased by more than \$10M in Q2-20 (not sustainable)

## Measures taken in Q2-20

- Implemented a series of measures in an attempt to help franchisees and ensure the safety and well being of employees, guests and partners
- Amended its existing credit facility with more flexible financial covenants for the next 4 quarters
- Implemented temporary cost and cash spending reduction measures

## Outlook

- There is uncertainty as to whether a second wave of the disease will result in sheltering measures being reinforced and the halt once again of the market
- The majority of the brands in MTY's portfolio will continue to be impacted negatively for the coming months
- MTY expects that the number of affected locations will continue to fluctuate in response to the rapidly-changing environment, with a corresponding effect on customer traffic volumes and revenue at these locations
- 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





## MARKET OVERVIEW

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# General Market Conditions

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Current environment is highly competitive in terms of value and innovation



Pressure caused by minimum wage increases on margins and prices



Significant consolidation is taking place both in the U.S. and in Canada



Delivery and meal kits are causing a shift in market



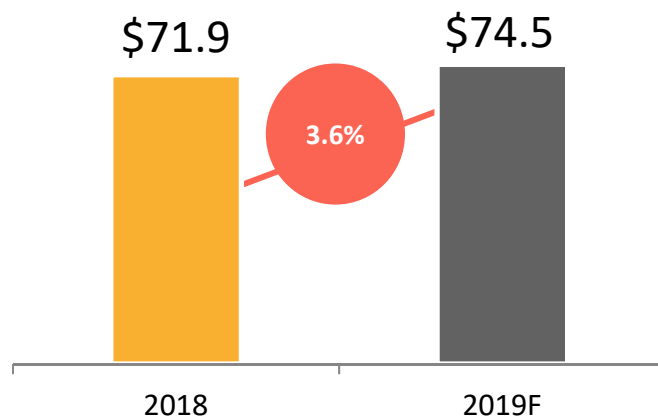
Loyalty programs integration to be part of the experience

# Market Size by Sales

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**MTY**  
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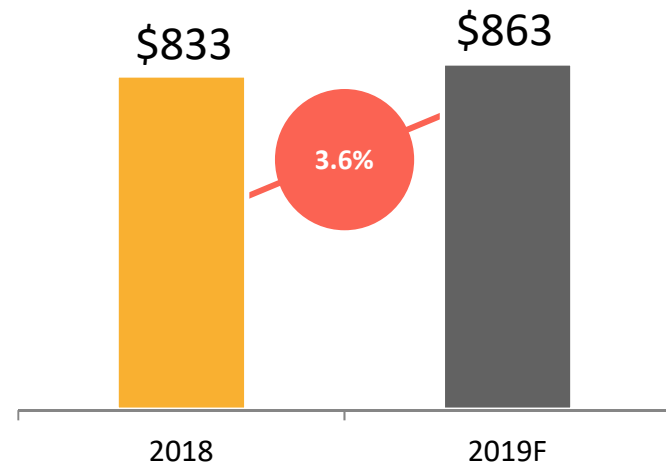
**MTY has less than 1% market share in North America**

## Commercial Foodservice Sales in Canada (in billions of C\$)



Source: Restaurants Canada, Foodservice Industry Forecast, 2019-2023

## Restaurant Industry Sales in the U.S. (in billions of \$US)



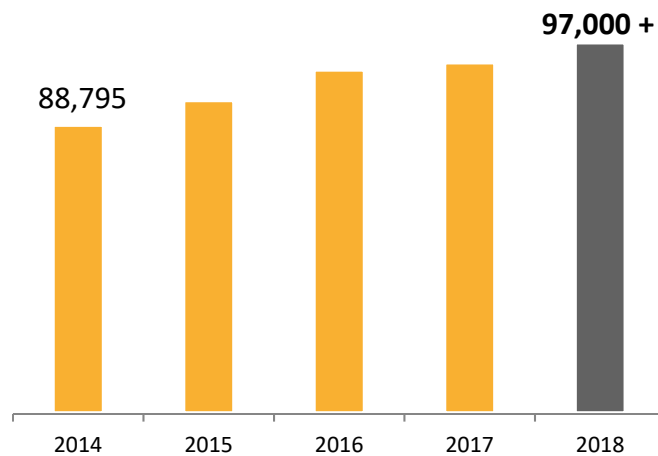
Source: <https://www.nrn.com/sales-trends/us-restaurant-sales-reach-record-863b-2019-nra-says>

# Market Size by Number of Restaurants

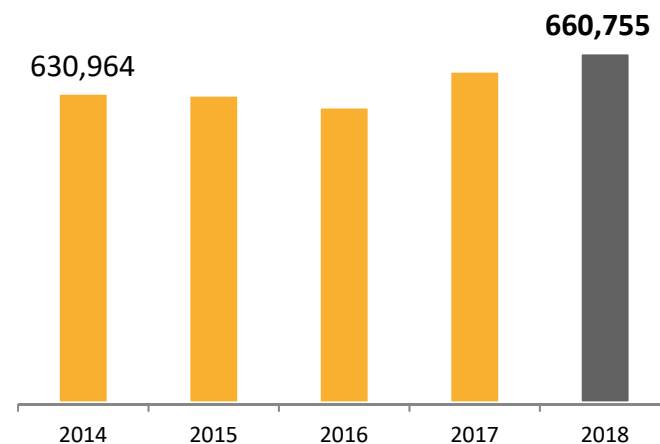
GROUPE  
**MTY**  
GROUP

## Number of restaurants constantly growing

Commercial Foodservice Units (Canada)



Establishments in U.S. Fast Food Industry



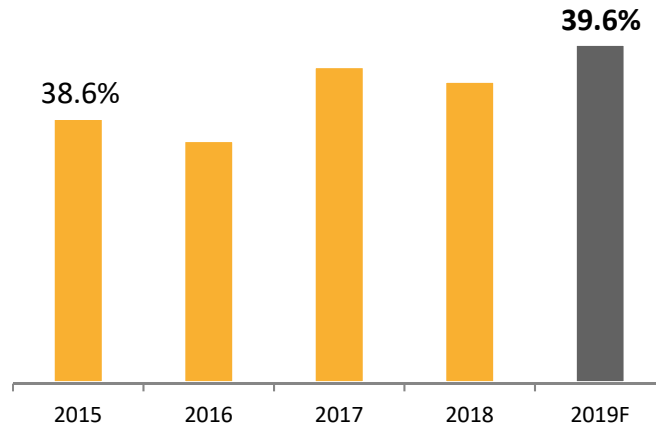
Sources: Restaurants Canada, Industry Key Facts; <https://www.statista.com/statistics/244616/number-of-qsr-fsr-chain-independent-restaurants-in-the-us/>

# Market Size by Food Dollars Spent in Restaurants

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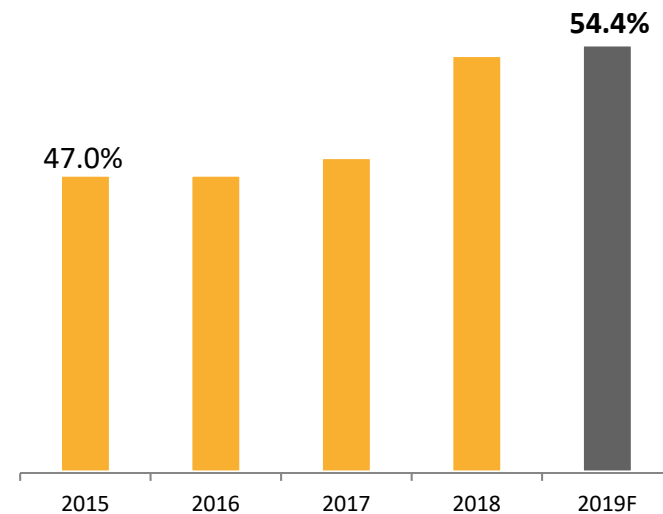
**Proportion of food dollars spent in restaurants on the rise in Canada  
but still way below that of the U.S.**

**% Spent of food \$ (Canada)**



Source: Restaurants Canada, Foodservice Industry Forecast, 2019-2023

**% Spent of food \$ (U.S.)**

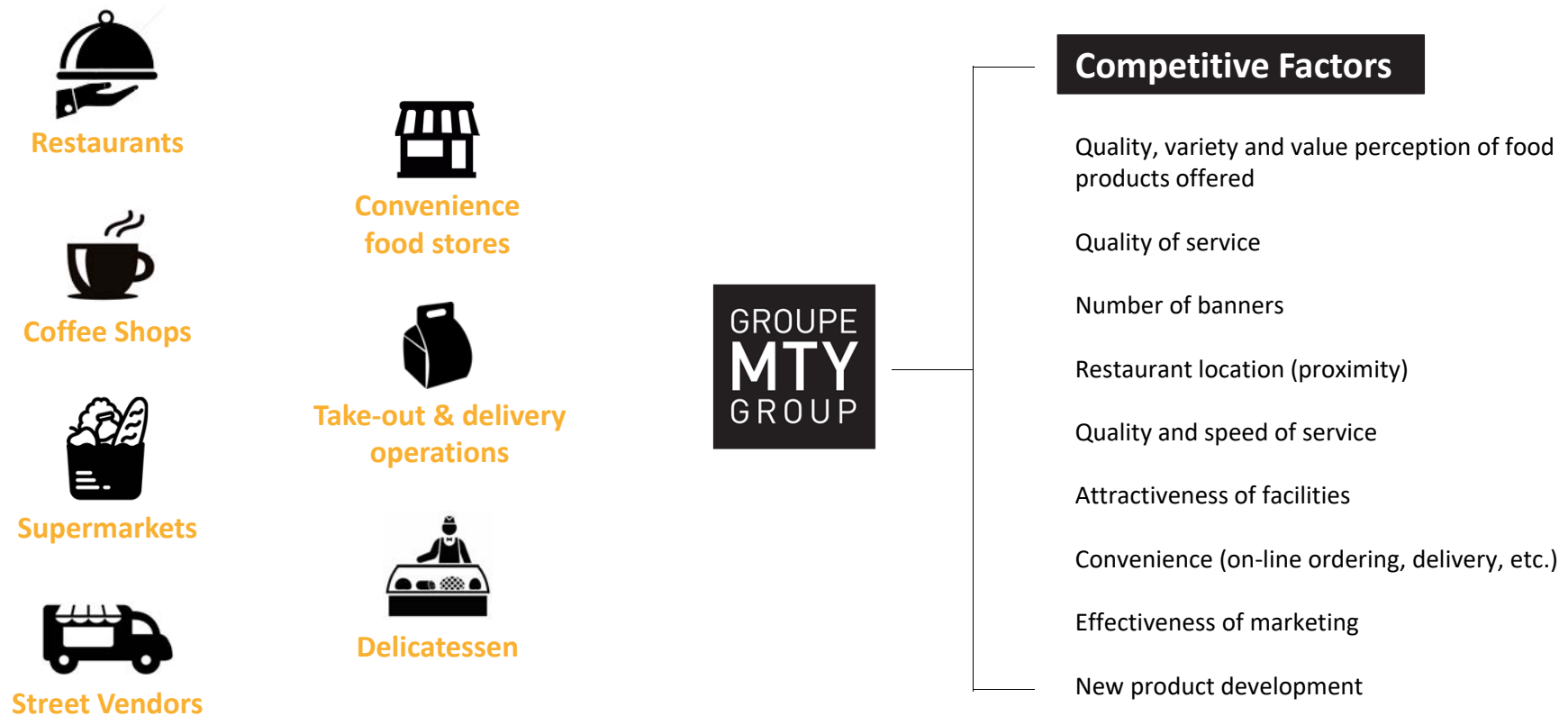


Source: United States Department of Agriculture:  
<https://www.ers.usda.gov/data-products/ag-and-food-statisticscharting-the-essentials/food-prices-and-spending/>

# Highly Competitive Industry with Low Barriers to Entry

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MTY Competes with a variety of players in each of its local markets





# MTY Key Success Factors

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## MTY Effectively Responds to Consumer Needs



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### MTY Competitive Advantages

Preparation often in front of customers enhances perception of freshness and quality

Presence in shopping malls, on main arteries, office towers, etc.

80 banners, often with multiple banners in one given location to capture customers' food dollars

Decentralized approach to innovation provides a wide array of novelties

Affordable meals usually around \$10

Bonapp for technology-driven consumers

New dedicated team to develop and promote retail and production operations



## STRATEGY & FUTURE GROWTH

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# Growth Strategy – Increasing Market Share

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## LEVERAGING

our solid platforms to expand throughout North America

## FOCUSING

on high-quality of revenues that are recurring in nature

## IMPROVING

MTY's digital presence via new applications, on-line functionalities and integration of our gift card and loyalty platforms



## DEVELOPPING

our Canadian brands in the U.S.

## SEEKING

international Master franchise opportunities

## UPGRADING

the image of our concepts and innovating with new menu offerings

# Growth Strategy – Acquisitions

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## REINFORCING

Canadian platform by regions

## LEVERAGING

our U.S. platform to integrate acquisitions

## PROVIDING

additional depth and breadth in offering

## PAYING FAIR PRICE

for good quality earning potential

## ACCESSING

a wide range of target sizes and concept maturity

## TRANSACTIONS

Immediately accretive from an EBITDA<sup>(1)</sup> standpoint



Strong reputation for  
paying a 'fair' price



Experienced  
integration team



Vendor's awareness  
of MTY's appetite



Increased capabilities  
given increased size of  
the organization

(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.



## FINANCIAL TRENDS

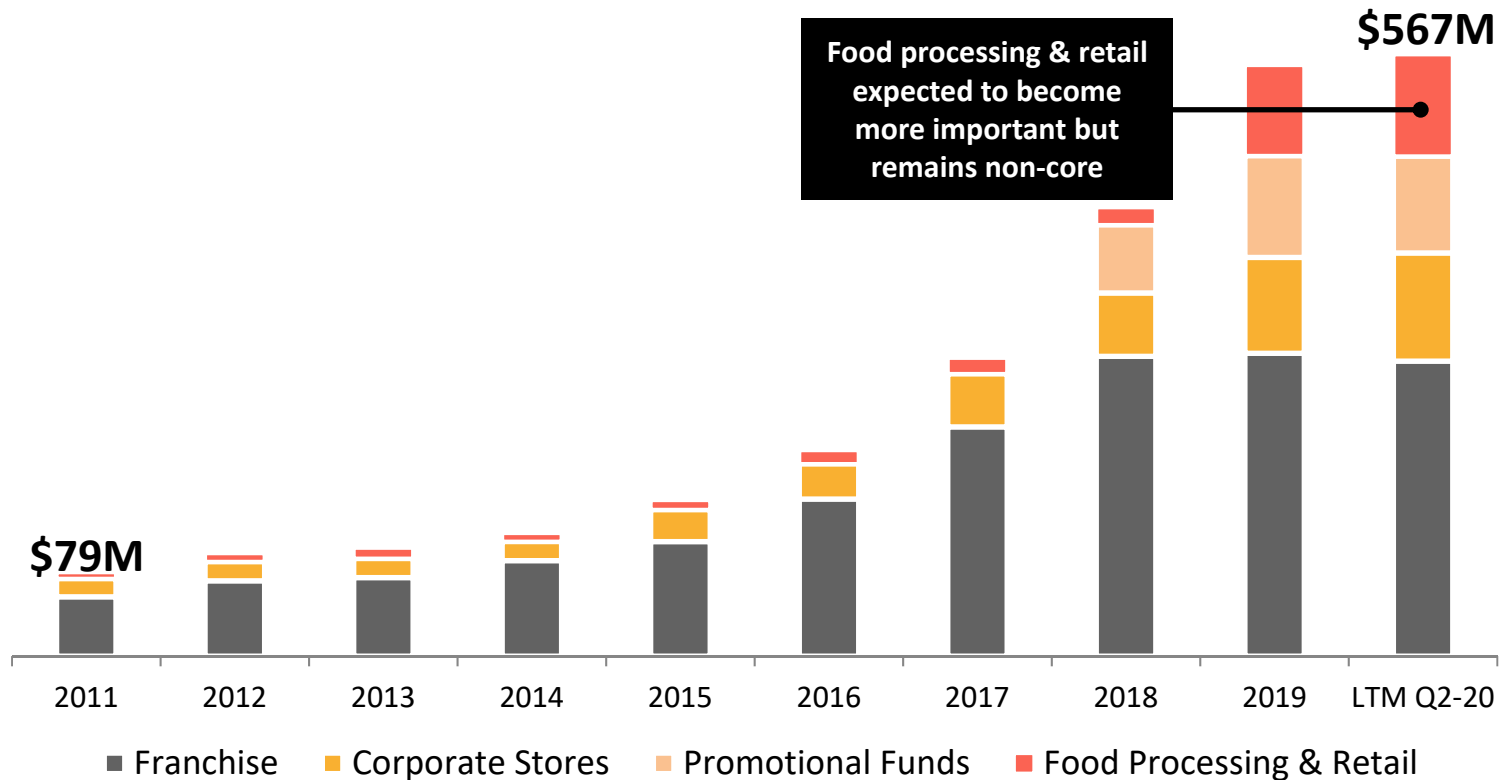
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## Diversifying Product Mix

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### Consistent growth in revenue in our core franchising operations



Note: Total revenues include interco.

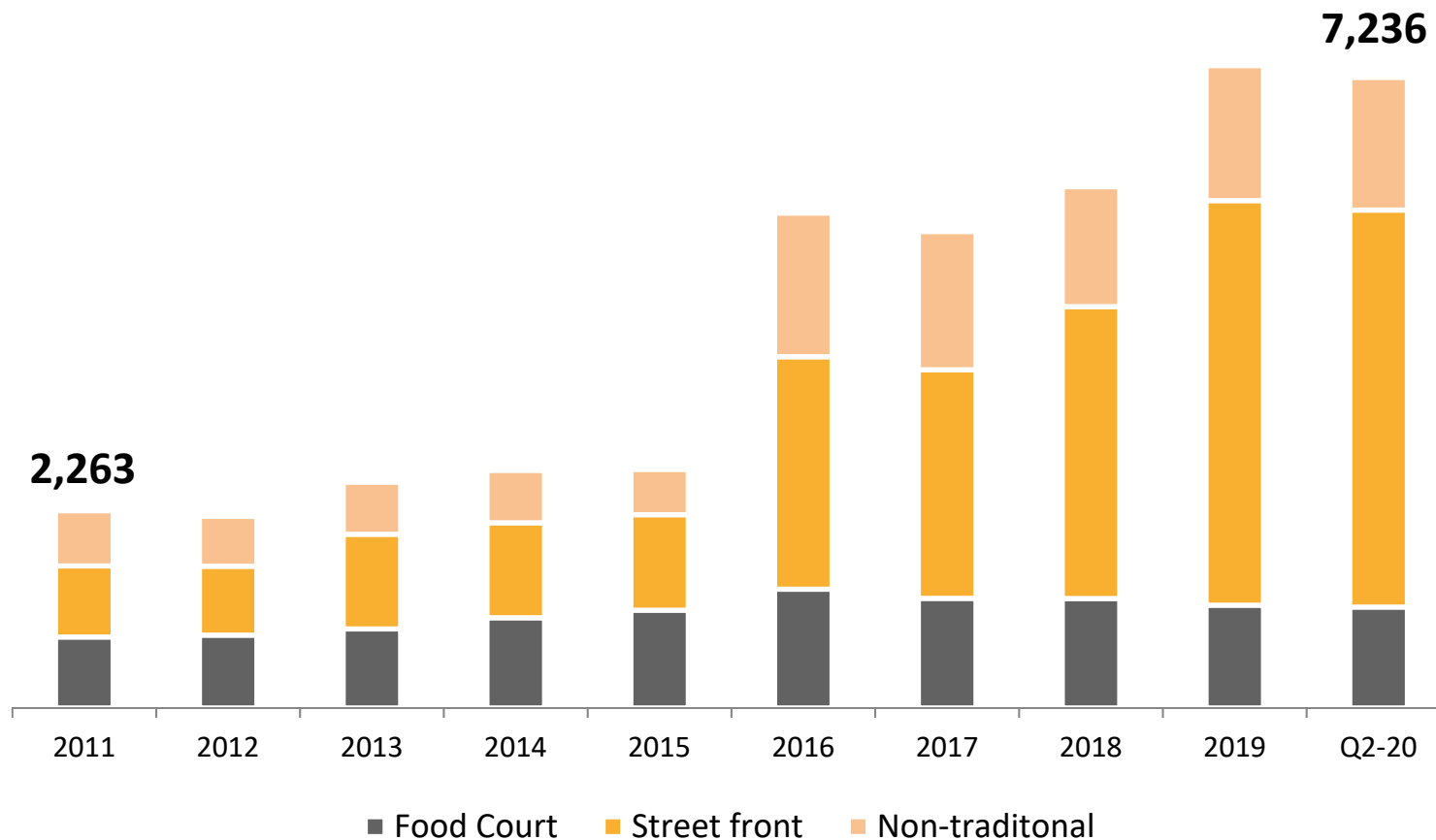
\* 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.



## Growing Street Front & Non-Traditional Locations

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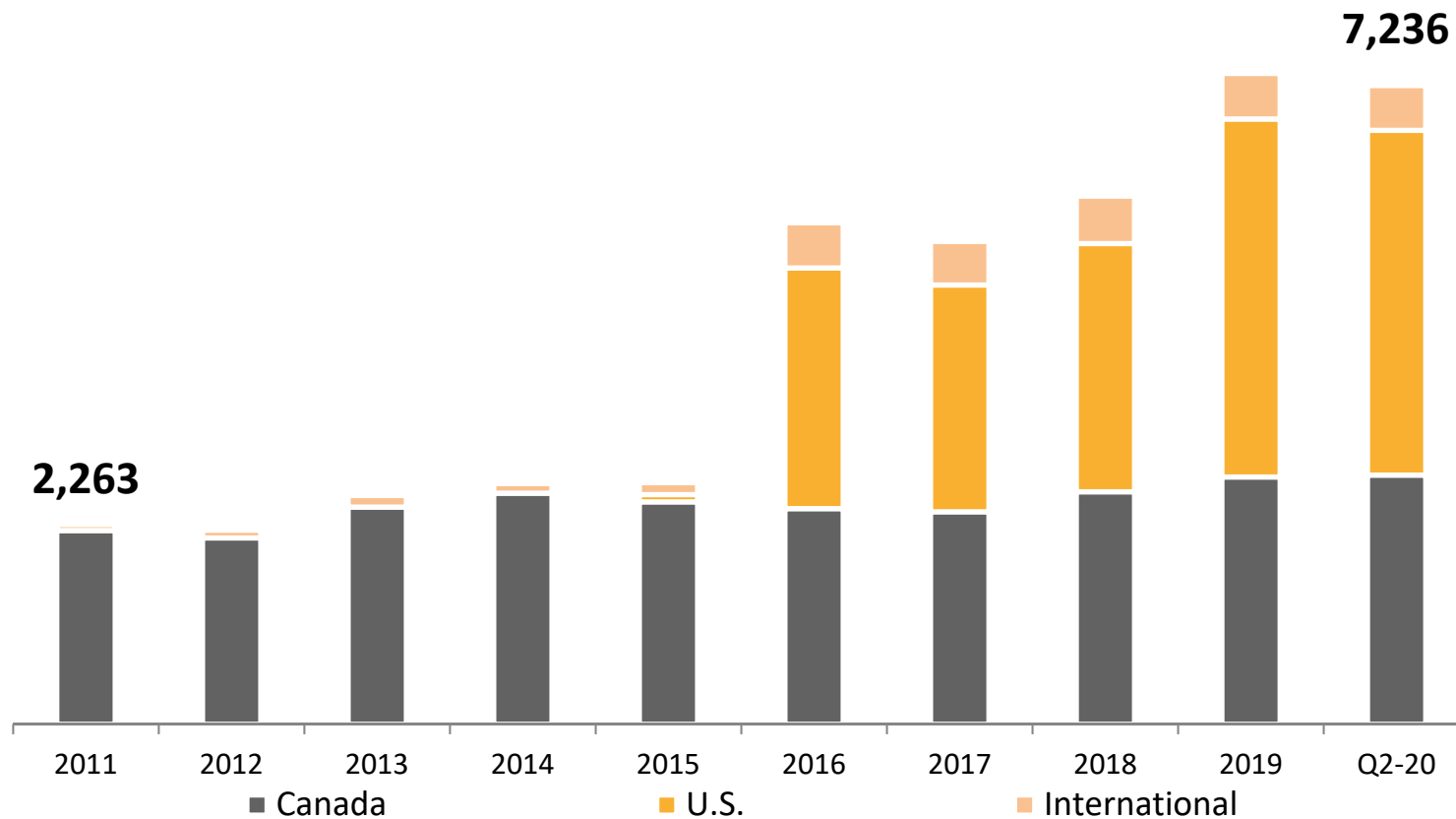
Food courts not prone to grow, reflecting shopping center limited growth



## Continuing to Penetrate the U.S. Market

GRUPE  
**MTY**  
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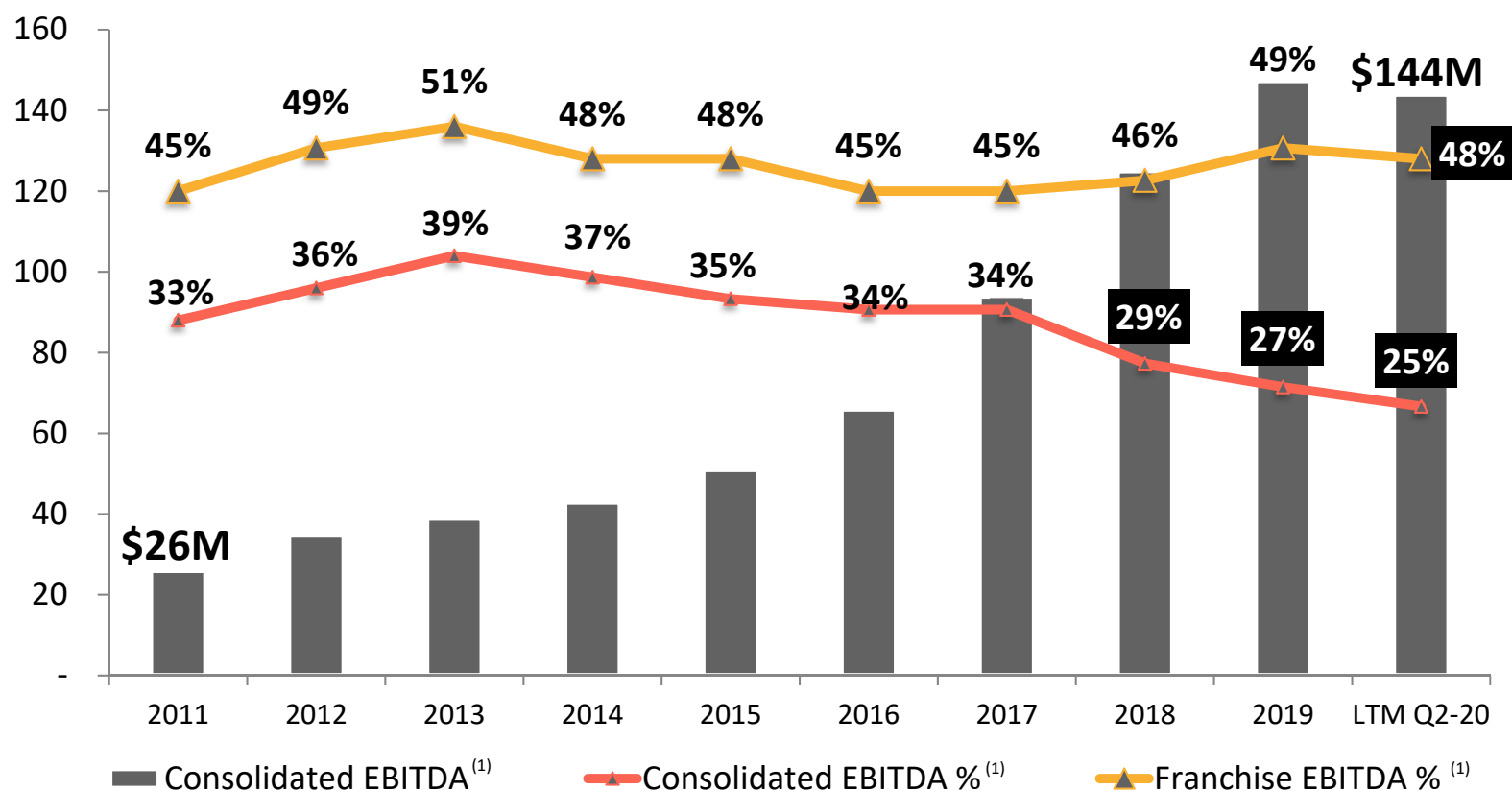
Over 50% of locations are in the U.S. following Papa Murphy's acquisition



# Growing EBITDA<sup>(1)</sup> Consistently

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EBITDA<sup>(1)</sup> is primarily driven by the franchising segment



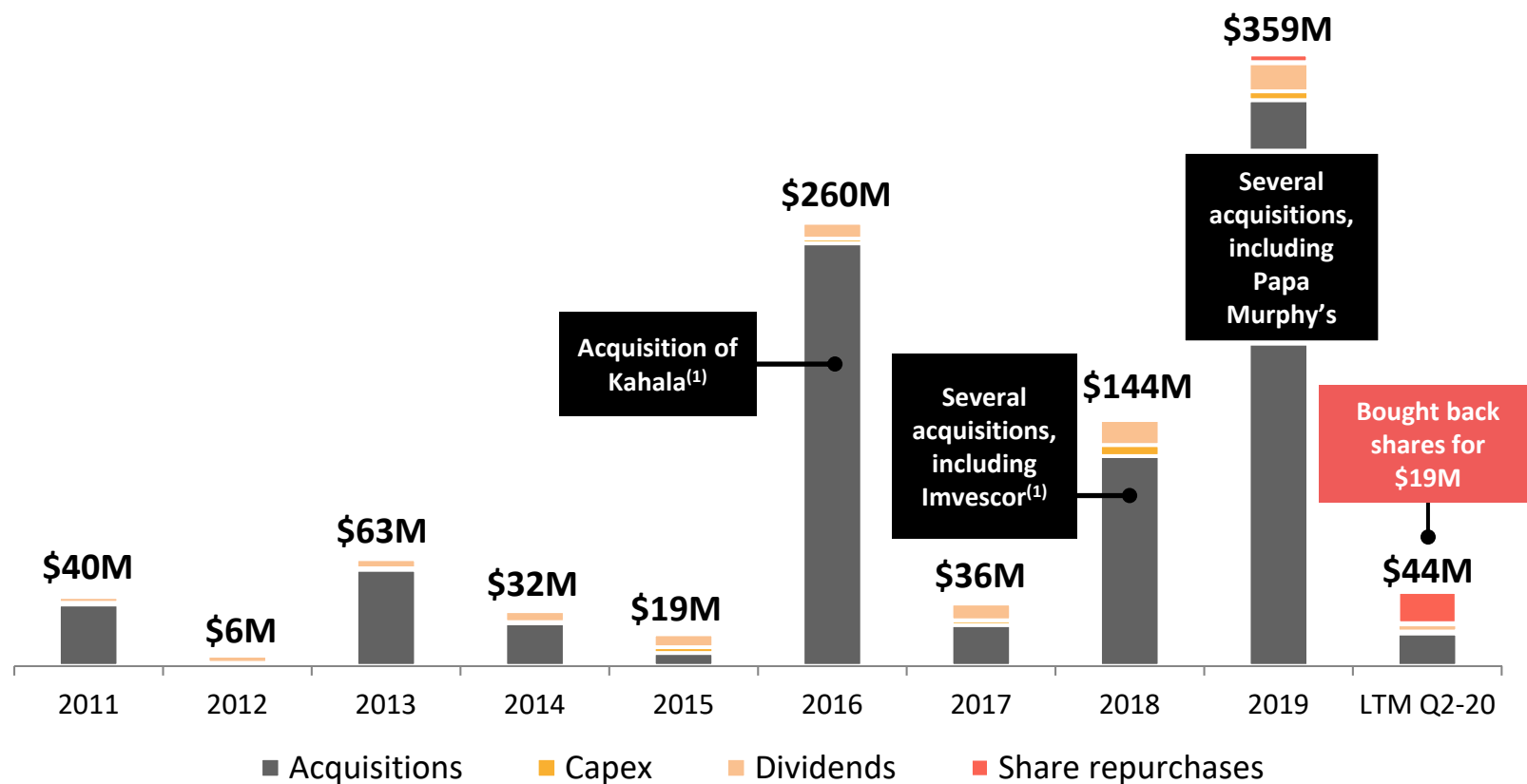
(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.

- Note: 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.
- Note: 2011-2019 figures have not been restated for IFRS 16.

# Deploying Capital Mainly for Acquisitions

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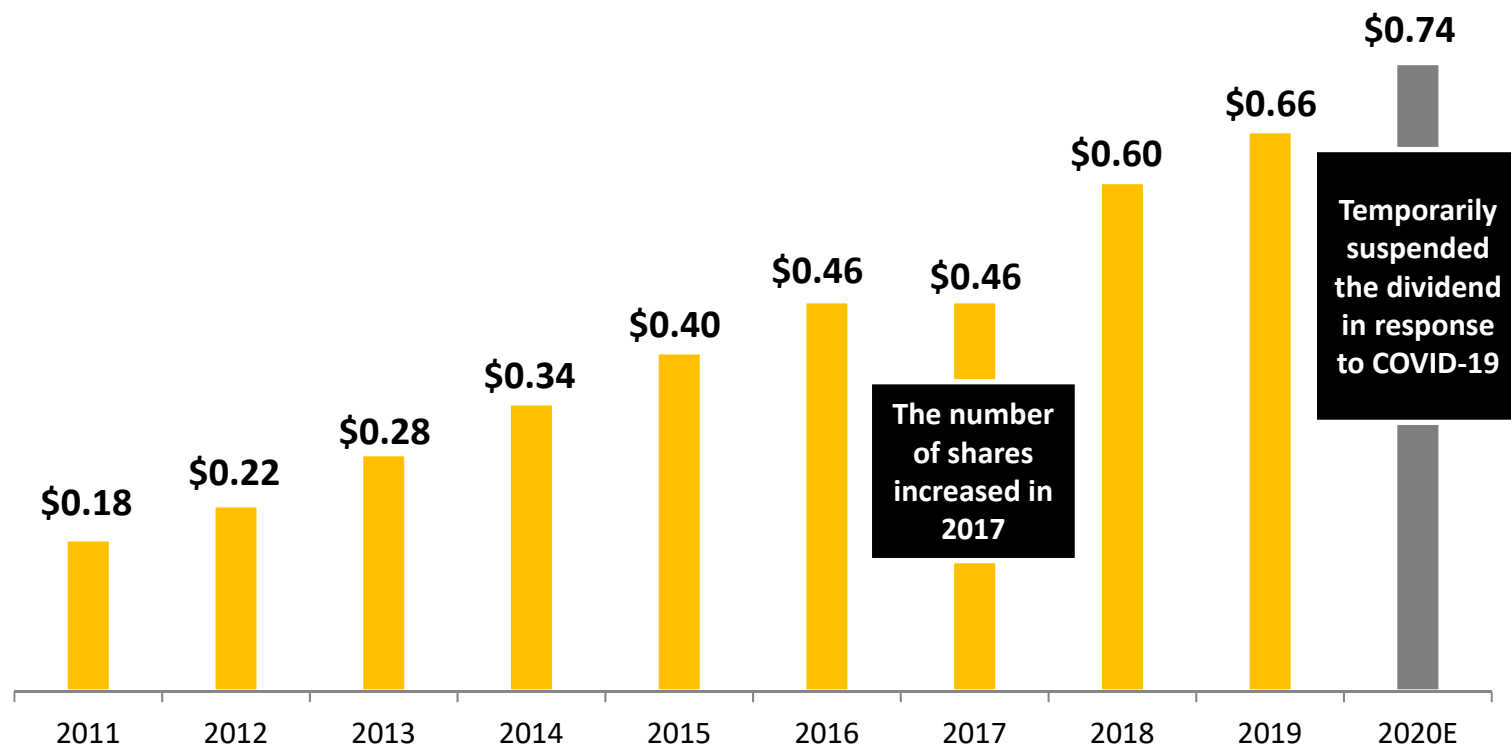
Not a capital intensive business



(1) Net cash outflow only.

# Increasing Dividends Consistently

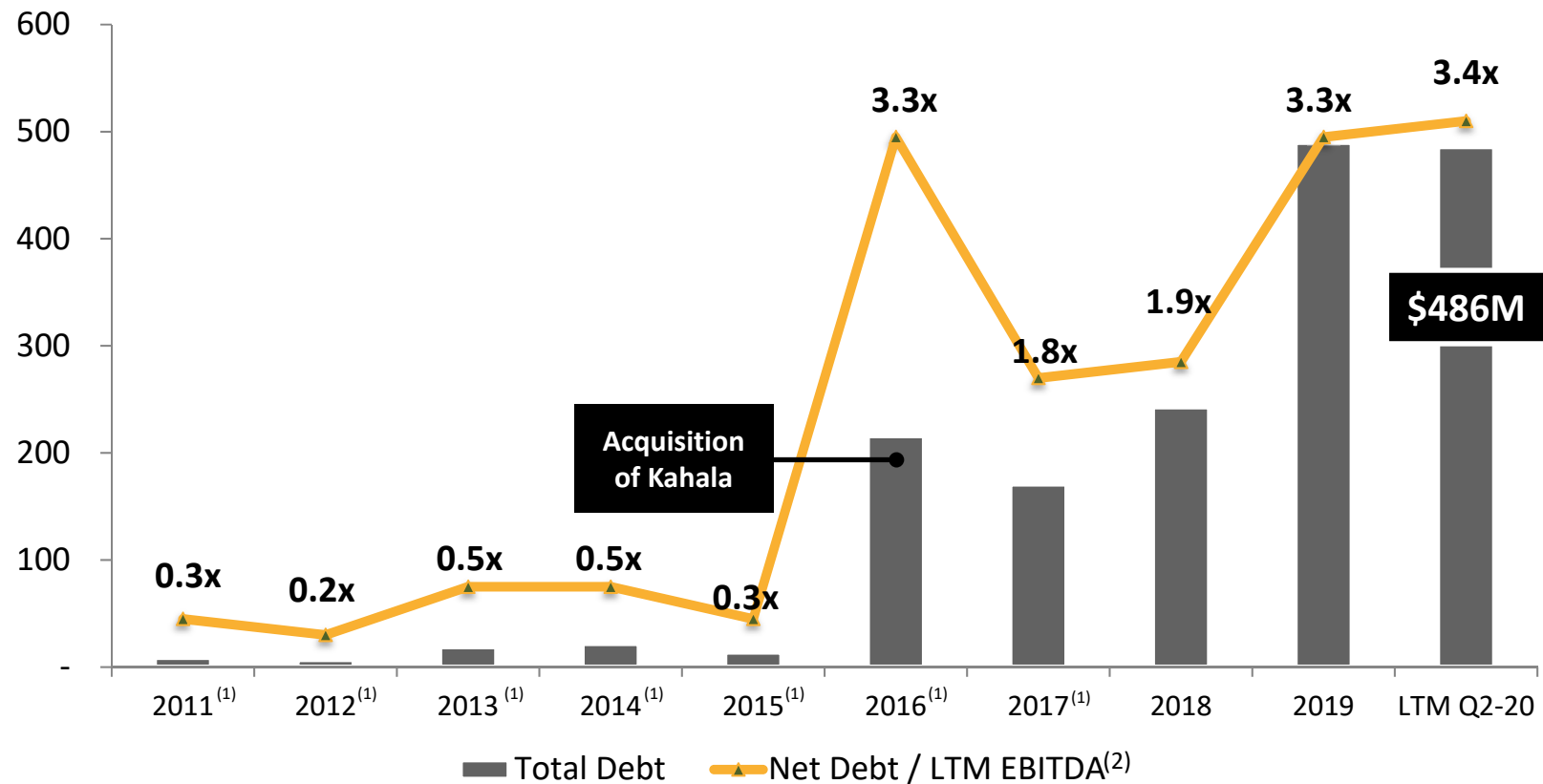
Dividend typically represents 15-20% of FCF<sup>(1)</sup>



(1) FCF is EBITDA less taxes and interest. EBITDA is a non-IFRS financial measure. Please refer to page 3 of this presentation.

# Optimizing Financing Structure

## Maintaining a solid balance sheet



(1) On a total debt basis.

(2) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.

\* 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.



## Q2 2020 RESULTS

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# Typical Seasonality of MTY Results

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Network sales<sup>(1)</sup> fluctuate with the seasons

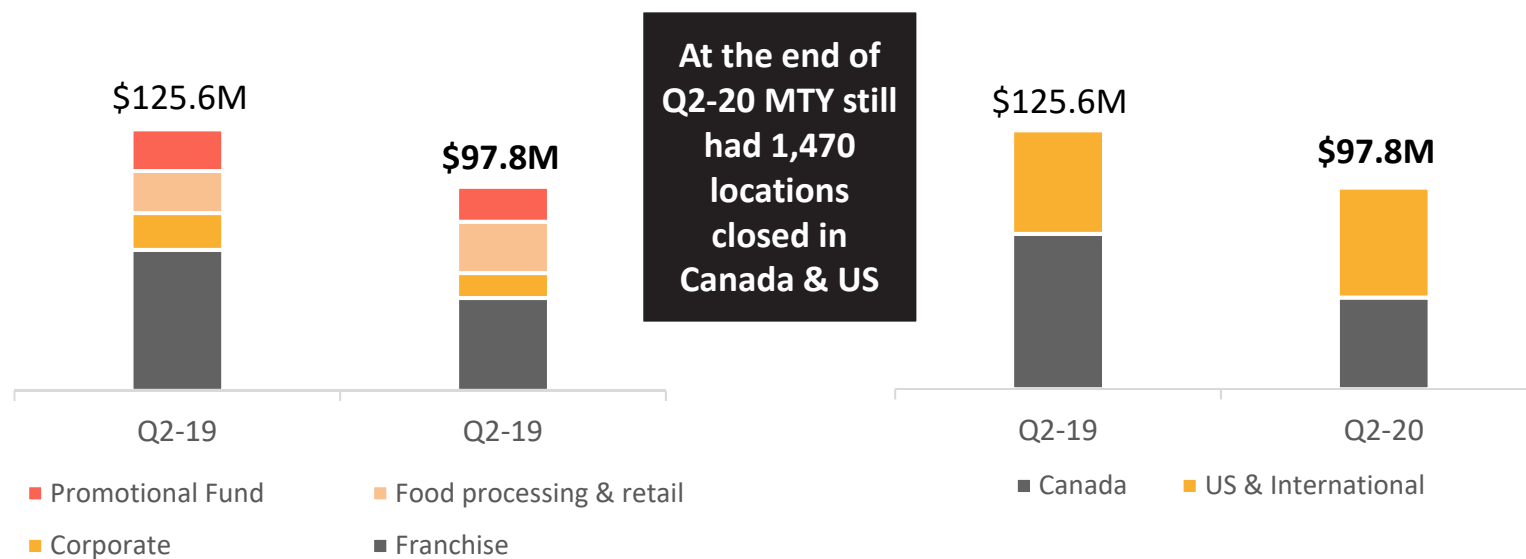
|                                     | Q1<br>Dec-Jan-Feb  | Q2<br>March-Apr-May   | Q3<br>June-July-Aug   | Q4<br>Sept-Oct-Nov  |
|-------------------------------------|--|---|---|---|
|                                     | Winter   | Spring  | Summer  | Fall  |
| Sales for Frozen treats & smoothies | SOFT   | STRONG  | STRONGEST   | SOFT  |
| Sales for Papa Murphy's             | STRONG   | STRONG  | SOFT  | STRONGEST   |
|                                     | <p>Food court sales are higher during December because of Holiday shopping</p>  | <br> | <p>Higher street front sales</p> <p>Higher sales from food courts</p>  | <p>Halloween is the biggest sales day for Papa Murphy's</p>  |

(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.

## Q2-20 Revenues decreased due to COVID-19

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**Food processing & retail increased 25% due to higher consumer spending in grocery stores**



Note: Revenues include interco.

\* Q2-2019 figures have not been restated to reflect the adoption of IFRS 16.

## Q2-20 EBITDA<sup>(1)</sup> decreased due to COVID-19

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GROUP

**Acquisitions contributed \$9.4M in the second quarter**



(1) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.

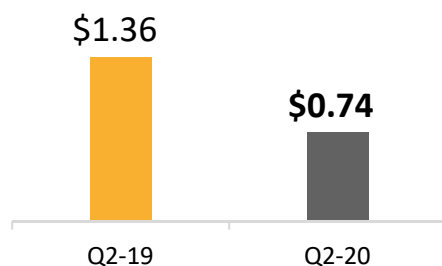
\* Q2-2019 figures have not been restated to reflect the adoption of IFRS 16.

## Q2-20 Profitability decreased due to COVID-19

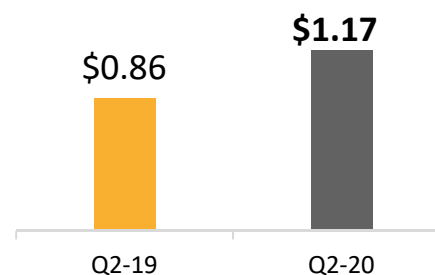
GRUPE  
**MTY**  
GROUP

Free cash flows amounted to \$28.9M in Q2-20, up 33% due to the refranchising of two groups of Papa Murphy's corporate locations in the quarter

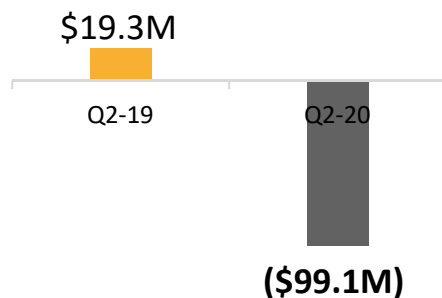
EBITDA/share



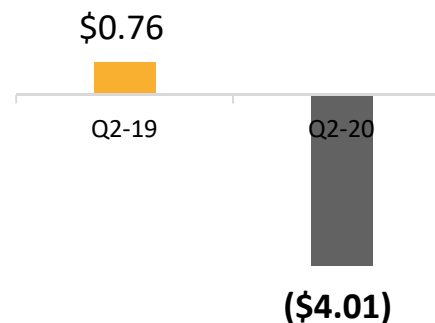
FCF/share



Net income



EPS



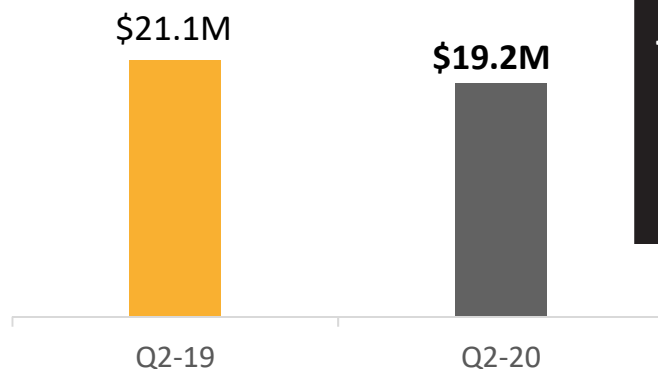
\* Q2-2019 figures have not been restated to reflect the adoption of IFRS 16.

## Q2-20 Cash Flow from Operations & Use of Cash

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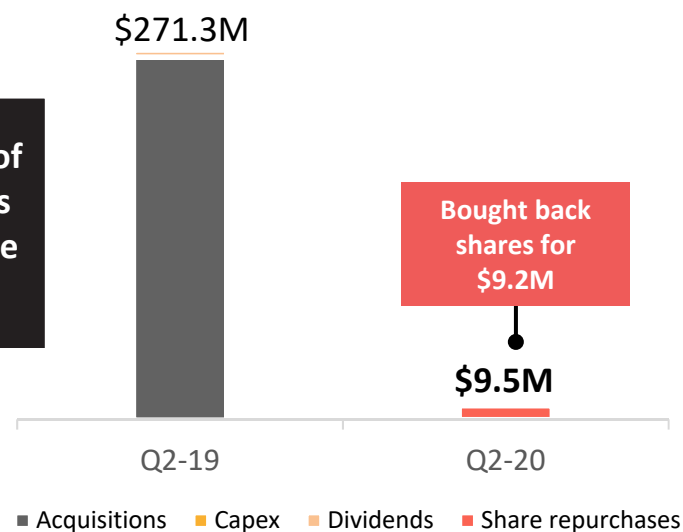
**The decline in cash flows generated from operations was limited by strict working capital management to preserve liquidities**

Cash Flow from Operations



The payment of dividends was suspended due to COVID-19

Use of Cash

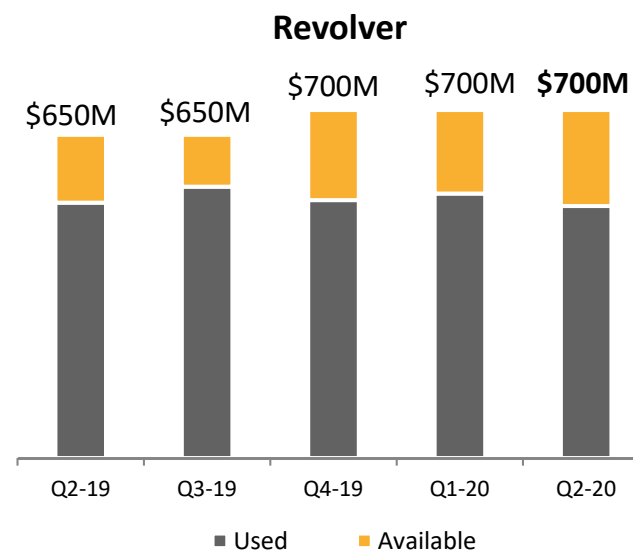
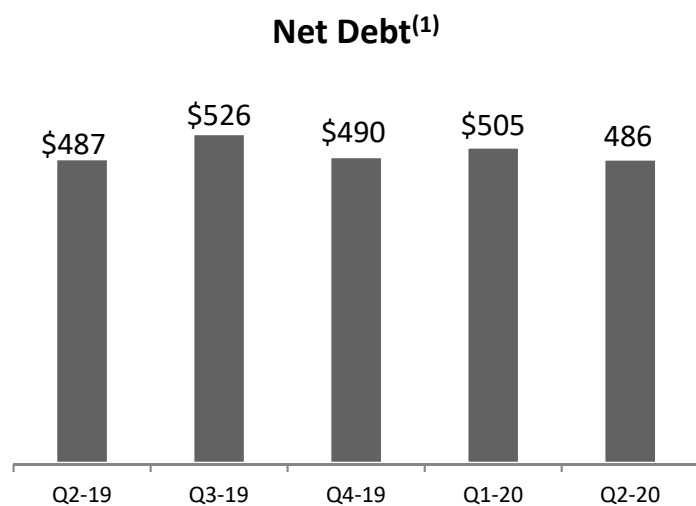


\* Q2-2019 figures have not been restated to reflect the adoption of IFRS 16.

## Q2-20 Healthy Financial Position

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**In Q2-20 MTY amended its existing credit facility with more flexible financial covenants for the next four quarters**

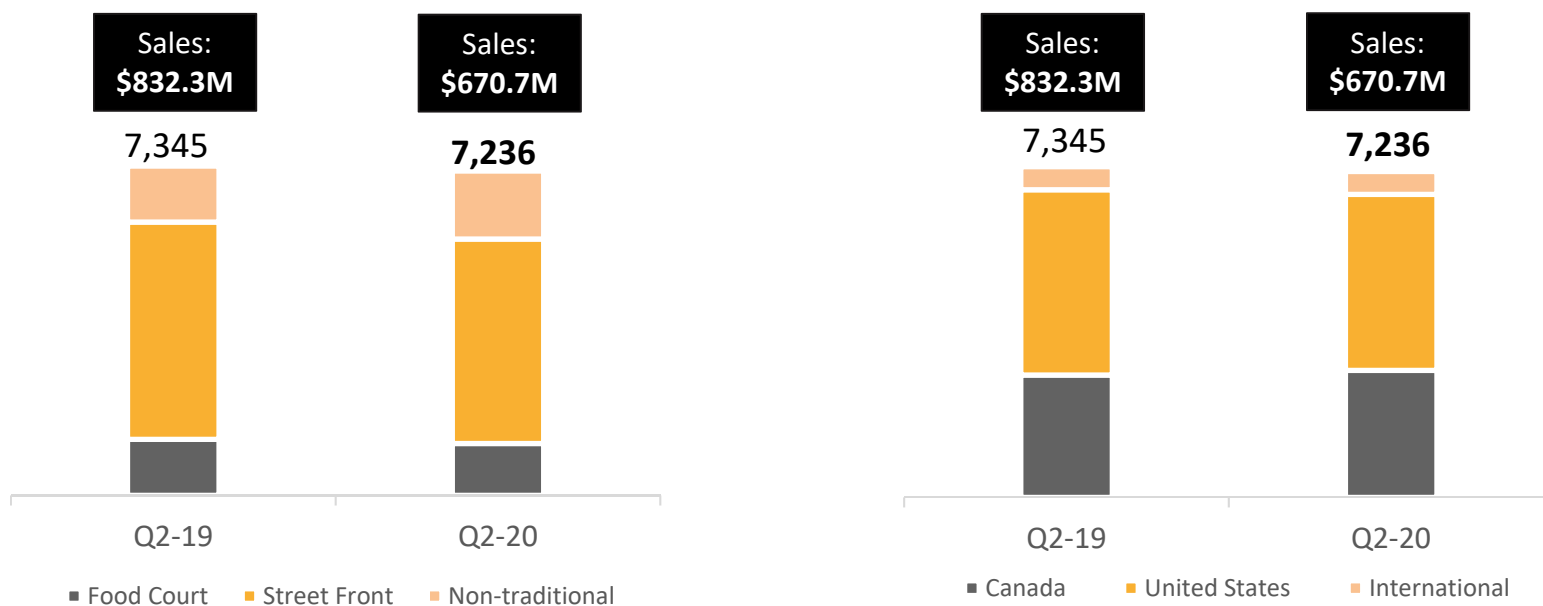


(1) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.

## Q2-20 Network Locations and Network Sales<sup>(1)</sup>

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**Network locations and Network sales<sup>(1)</sup> decreased due to COVID-19**



(1) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.



## Q2-20 Network Location Evolution


  
**GROUPE**  
**MTY**  
**GROUP**

**Net location closures represent on average 1% of total locations**

|   | <b>Q2-19</b> | <b>Q3-19</b> | <b>Q4-19</b> | <b>Q1-20</b> | <b>Q2-20</b> |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Beginning of period</b>                        | <b>5,941</b> | <b>7,345</b> | <b>7,441</b> | <b>7,373</b> | <b>7,300</b> |
| Opened  | 75           | 84           | 84           | 53           | 48           |
| Closed  | (115)        | (157)        | (152)        | (149)        | (111)        |
| Acquired  | 1,444        | 169          | -            | 23           | -            |
| JV closed   | -            | -            | -            | -            | (1)          |
| <b>End of period</b>                              | <b>7,345</b> | <b>7,441</b> | <b>7,373</b> | <b>7,300</b> | <b>7,236</b> |
| <b>Net</b>  | <b>1,404</b> | <b>96</b>    | <b>(68)</b>  | <b>(73)</b>  | <b>(64)</b>  |
| <b>Net closures as a % of number of locations</b> | <b>0.7%</b>  | <b>1.0%</b>  | <b>0.9%</b>  | <b>1.3%</b>  | <b>0.9%</b>  |



# APPENDIX 1

## Historical Data

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# Income Statement - 5-Year Financial Summary



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| (thousands of \$, except margin and EPS) | 2019 <sup>(2)</sup> | 2018 <sup>(2)</sup> | 2017 <sup>(2) (3)</sup> | 2016 <sup>(2) (3)</sup> | 2015 <sup>(2) (3)</sup> |
|--|---------------------|---------------------|-------------------------|-------------------------|-------------------------|
| Sales                                    | 550,942             | 412,346             | 276,083                 | 191,275                 | 145,203                 |
| EBITDA <sup>(1)</sup>                    | 147,395             | 124,851             | 93,726                  | 65,841                  | 50,682                  |
| <i>EBITDA margin %<sup>(1)</sup></i>     | <i>26.8%</i>        | <i>30.3%</i>        | <i>33.9%</i>            | <i>34.4%</i>            | <i>34.9%</i>            |
| Net income                               | 77,736              | 96,187              | 49,854                  | 54,867                  | 26,223                  |
| EPS - diluted                            | 3.08                | 3.95                | 2.32                    | 2.73                    | 1.36                    |

(1) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.

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

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

# Financial Position - 5-Year Financial Summary



GROUPE  
**MTY**  
GROUP

| (thousands of \$, except ratio)                         | 2019      | 2018 <sup>(3)</sup> | 2017 <sup>(3)</sup> | 2016    | 2015    |
|---|-----------|---------------------|---------------------|---------|---------|
| Total assets  | 1,648,768 | 1,239,520           | 859,241             | 852,650 | 225,387 |
| Total debt <sup>(1)</sup>                               | 489,913   | 243,312             | 171,354             | 216,417 | 14,256  |
| Shareholders' equity                                    | 664,748   | 609,614             | 316,828             | 310,184 | 166,654 |
| Total debt to trailing 12-month EBITDA <sup>(1,2)</sup> | 3.3x      | 1.9x                | 1.8x                | 3.3x    | 0.3x    |

(1) For 2016 to 2019, net debt and net debt to trailing 12-month EBITDA.

(2) This is a non-IFRS financial measure. Please refer to page 3 of this presentation.

(3) Figures have been restated for IFRS 15.

## Network - 5-Year Financial Summary



GROUPE  
**MTY**  
GROUP

|   | 2019  | 2018  | 2017  | 2016  | 2015  |
|---|-------|-------|-------|-------|-------|
| Network sales <sup>(1)</sup> (millions of \$) | 3,620 | 2,783 | 2,302 | 1,480 | 1,066 |
| Locations                                     | 7,373 | 5,984 | 5,469 | 5,681 | 2,738 |

(1) This is a non-IFRS measure. Please refer to page 3 of this presentation.



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