

GRUPE  
**MTY**  
GROUP

# INVESTOR PRESENTATION

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JULY 2021



# Forward-looking Statements



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-GAAP 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 revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges) plus its share of net profit (loss) of a joint venture accounted for using the equity method (“adjusted EBITDA”), because this measure enables management to assess the Company’s operational performance. The Company also discloses system sales, which represents the total net sales of the franchised and corporate restaurants of its network, digital sales, which represents sales made by customers through online ordering platforms and free cash flows (“FCF”) which represents the sum total cash flows from operating activities less capital expenditures.

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 adjusted 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 digital 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.

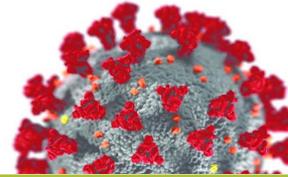
# Agenda



INVESTMENT  
THESIS



OVERVIEW OF  
MTY GROUP



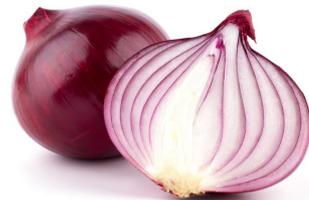
UPDATE ON  
COVID-19



MARKET  
OVERVIEW



STRATEGY AND  
FUTURE GROWTH



FINANCIAL  
TRENDS



Q2-2021  
RESULTS



APPENDIX  
(Historical Data)

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# INVESTMENT THESIS

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# Investment Thesis

- 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



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# OVERVIEW OF MTY GROUP

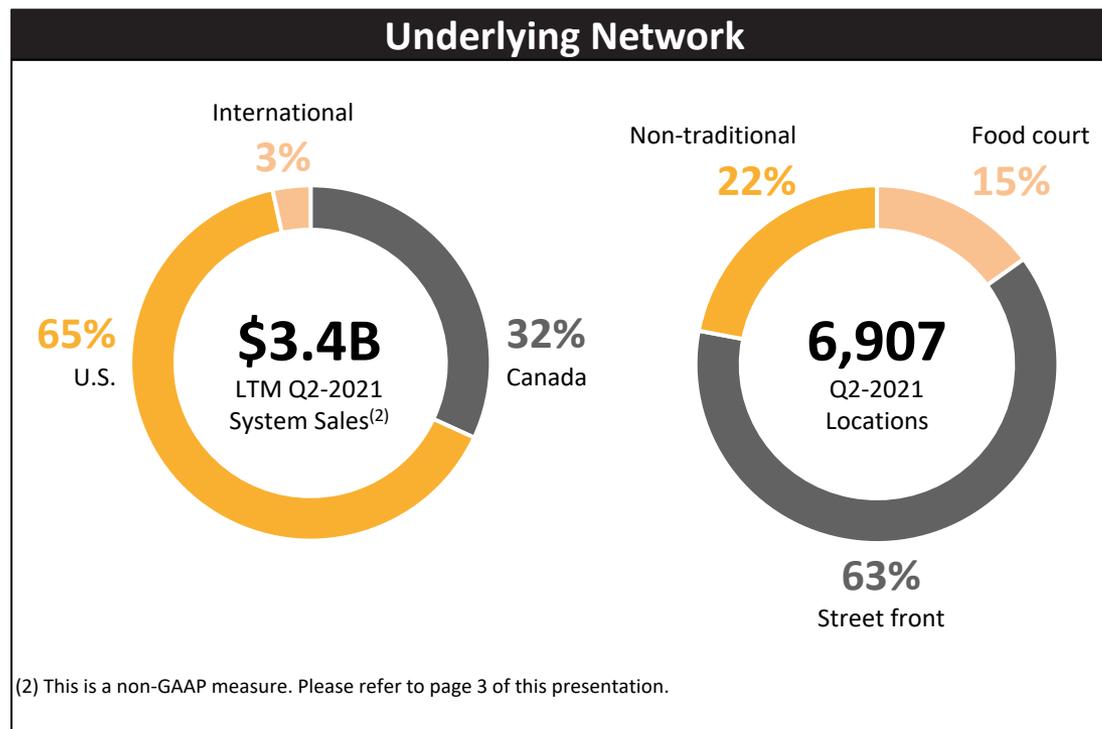
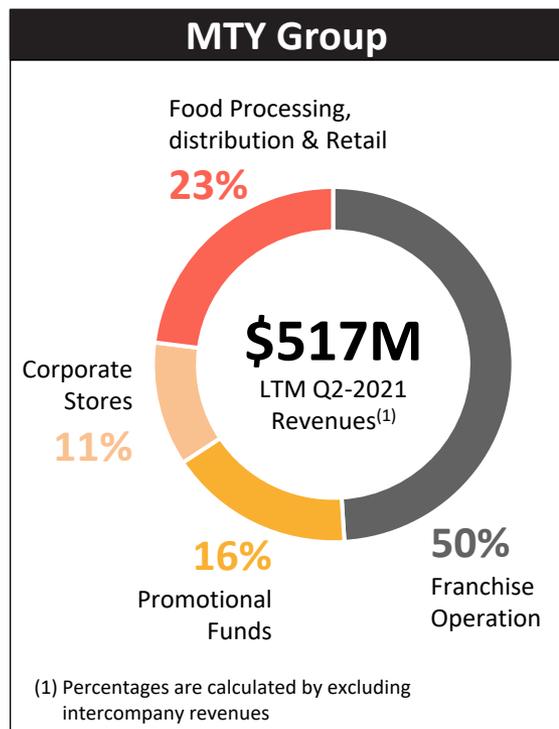
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# MTY Group at a Glance



Franchises and operates quick-service and casual dining restaurants over  $\approx 80$  brands



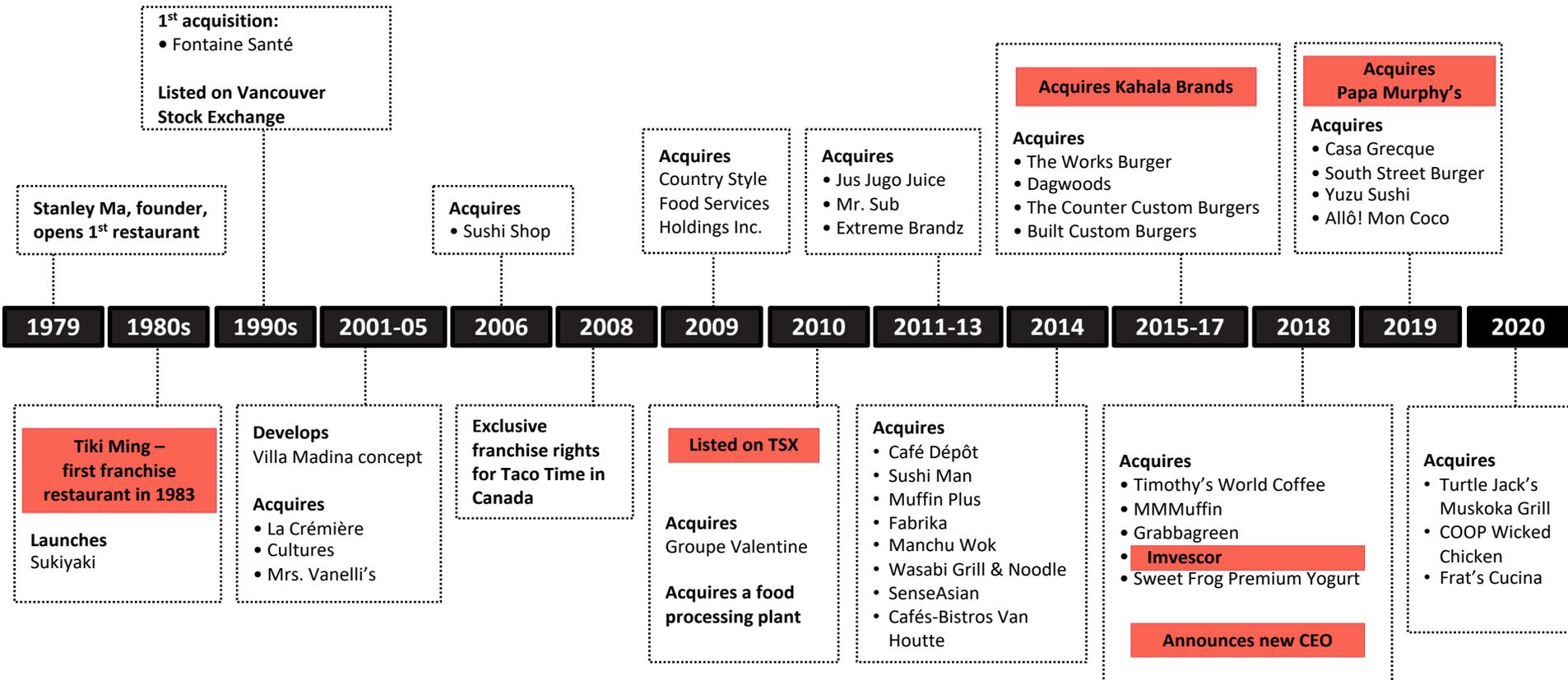
Ticker **MTY**

Market Cap. **\$1.6B**

Brands  **$\approx 80$**

As at July 9, 2021

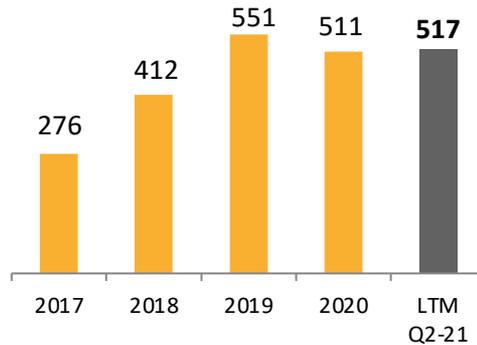
# Milestones in ~40-Year History



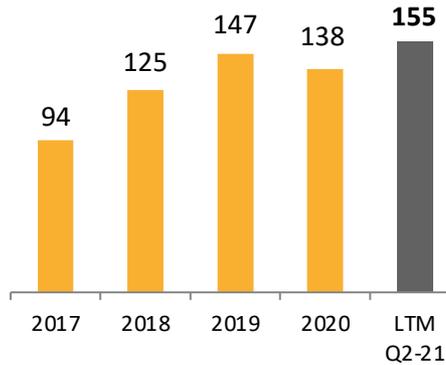
# Track Record of Growth



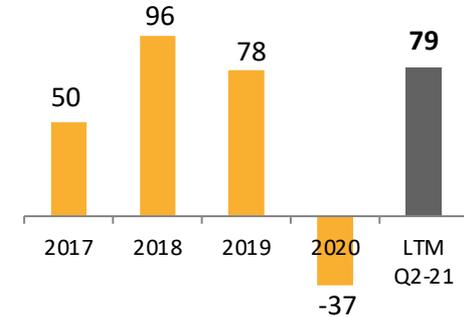
**Revenues (M\$)**



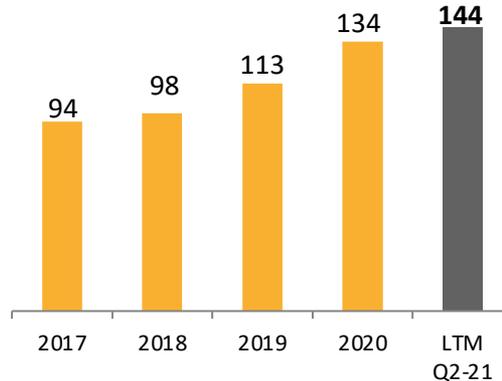
**Adjusted EBITDA<sup>(1)</sup> (M\$)**



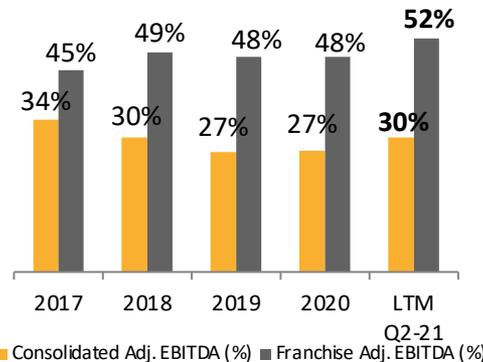
**Net Income (M\$)**



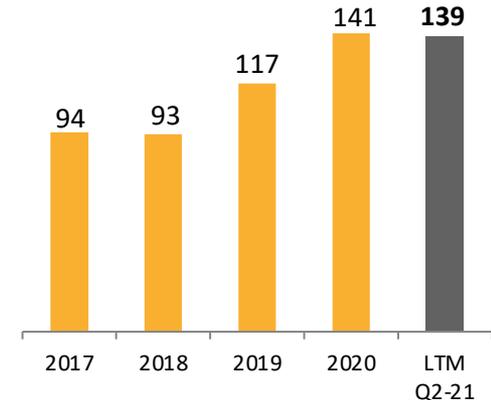
**Operating Cash Flow (M\$)**



**Adjusted EBITDA<sup>(1)</sup> Margin (%)**



**FCF<sup>(1)</sup> (M\$)**

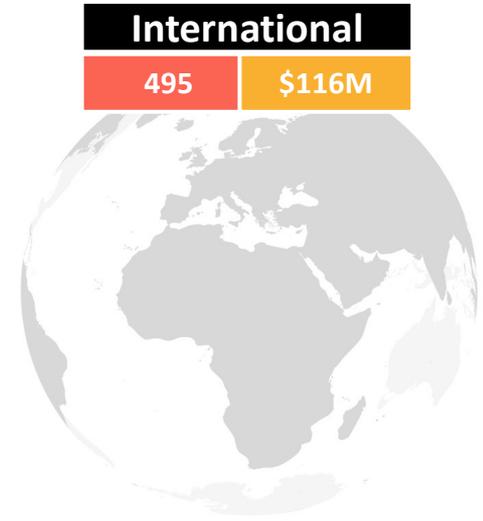
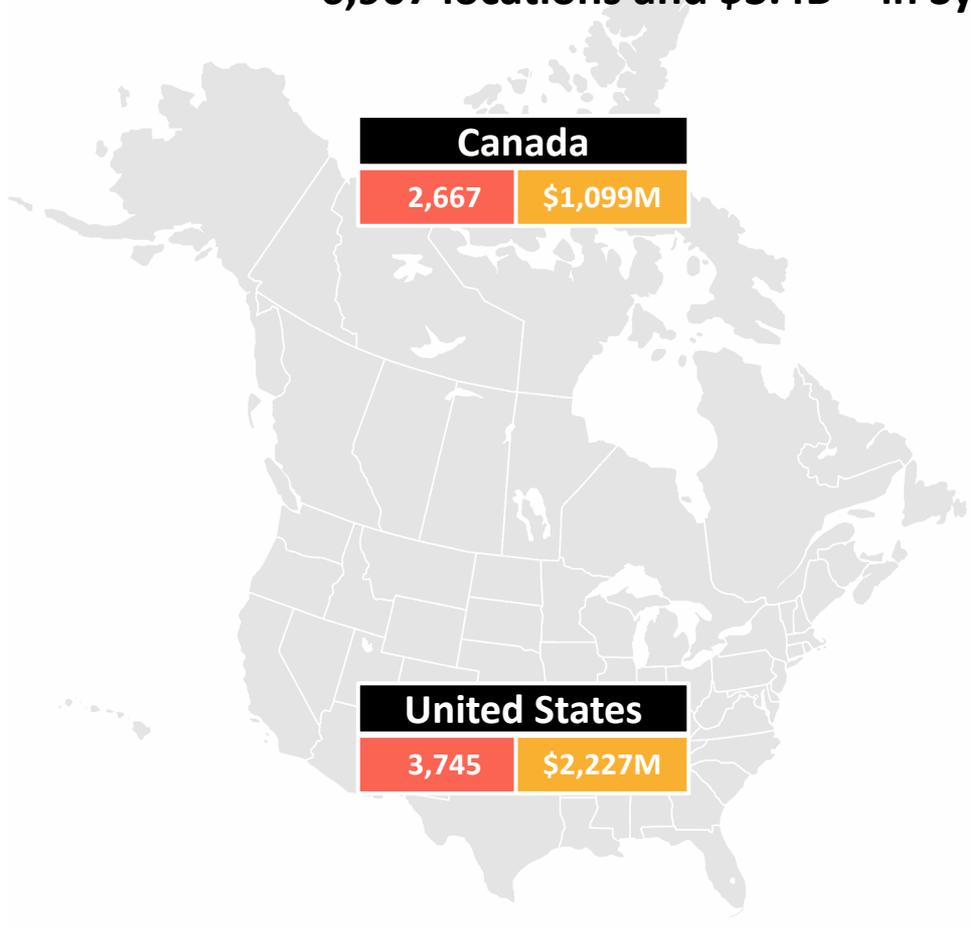


(1) This is a non-GAAP measure. Please refer to page 3 of this presentation.  
 • Note: 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.  
 • Note: 2017-2019 figures have not been restated for IFRS 16.

# International Network in 37 Countries



**6,907 locations and \$3.4B<sup>(1)</sup> in System Sales as at LTM Q2-2021**

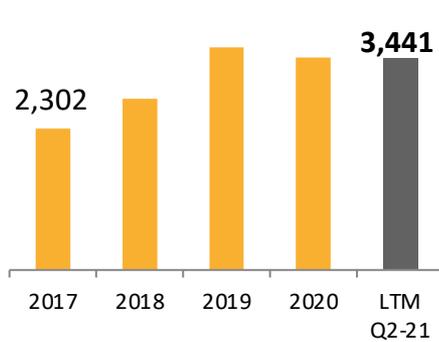


(1) This is a non-GAAP measure. Please refer to page 3 of this presentation.

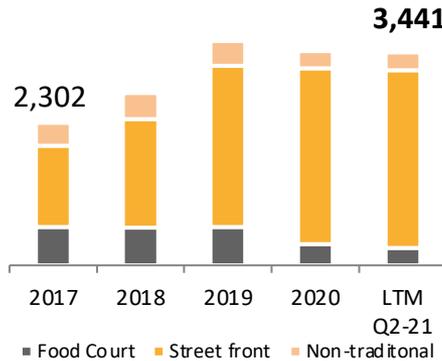
# Network Evolution



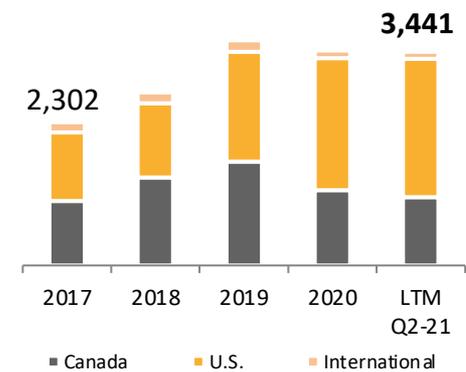
System Sales (M\$)<sup>(1)</sup>



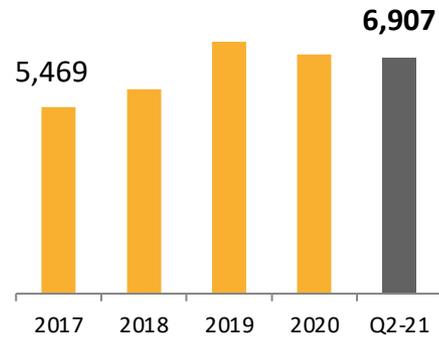
System Sales by Type (M\$)<sup>(1)</sup>



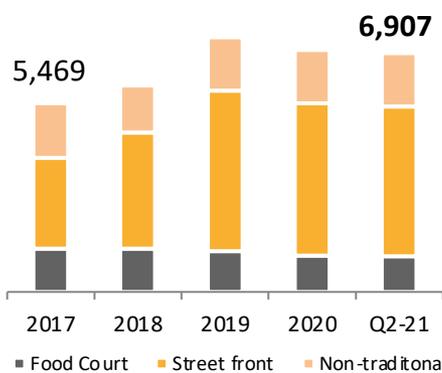
System Sales by Geography (M\$)<sup>(1)</sup>



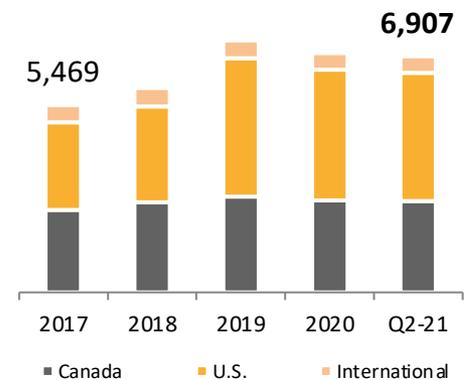
Number of Locations



Locations by Type



Locations by Geography



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

# Growing by Acquisitions



## 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 Fruze – 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 Diperie

### 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



## Protects MTY from shifts in customer preferences

### Asian & Indian

### Frozen treats & smoothies

### American

### Sandwiches & Salads

### Mediterranean

### Italian

### Breakfast

### Mexican

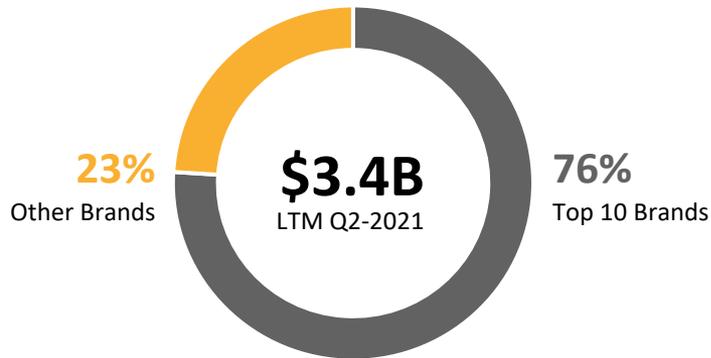
### Coffee

# Strong Brands Make Up a Large Part of Portfolio

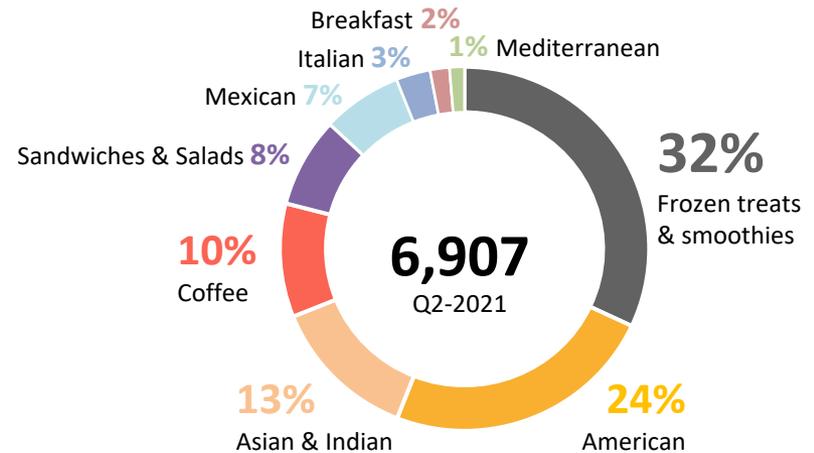


## MTY ranks 3<sup>rd</sup> among Canada's Top 100 foodservice operators<sup>(1)</sup>

Top 10 brands represent  
76% of System Sales<sup>(2)</sup>



Frozen treats & smoothies represent  
32% of locations



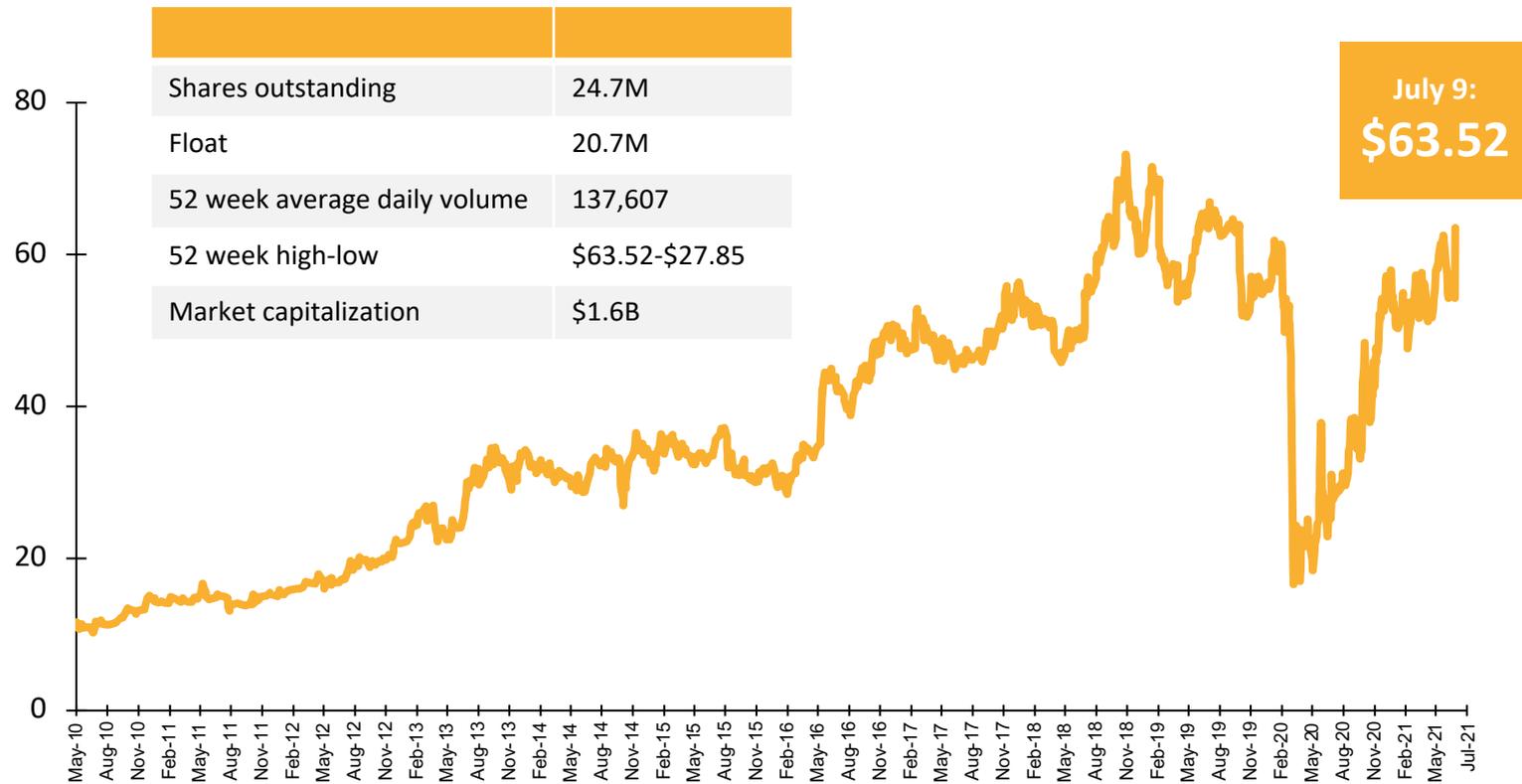
(1) Source: Foodservice and Hospitality, The Annual Top 100 Report, June 2019

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

# Stock Price Performance Since Listed on TSX



**As at July 9, management and the Board own 19% of shares**



Source: Yahoo Finance. Transactions on the TSX only.

# Knowledgeable and Committed Management Team



**Eric Lefebvre**  
Chief Executive Officer



**Renée St-Onge**  
Chief Financial Officer



**Jason Brading**  
COO Quick Service  
Restaurants



**Marie Line Beauchamps**  
COO Casual Dining  
Restaurants



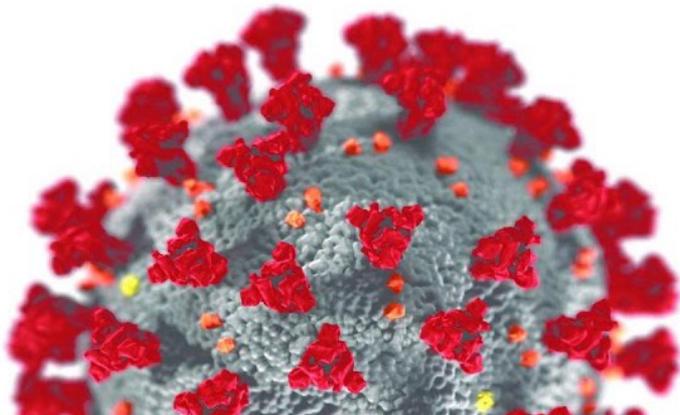
**Marc Benzacar**  
COO Fast Casual  
Restaurants



**Jeff Smith**  
COO US Market

# UPDATE ON COVID-19

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# COVID-19 Update – As at July 9, 2021



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

### Q2-21 Facts

- MTY's network lost a total of 38,300 days of combined operations in Q2-21 with a total of 977 locations temporarily closing
- 359 locations still closed at the end of Q2-21 and 258 locations remain closed as at July 9.
- Recurring controllable expenses increased by more than \$3M in Q2-20

### Measures in place since Q2-20

- 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 in Q2-20 and Q2-21
- Implemented temporary cost and cash spending reduction measures
- Over the last twelve months, focused capital allocation on paying down debt and preparing MTY for the moment the pandemic dissipates

### Outlook

- 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, the primary focus is to re-open restaurants and provide customers with a safe and friendly environment and optimize the profitability of the restaurants despite the limits and restrictions
- **MTY restored its dividend payment and renewed its NCIB until July 2022. With regards to potential acquisitions, MTY remains active and is in a strong position to take advantage of opportunities if attractive targets become available.**

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# MARKET OVERVIEW

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# General Market Conditions



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



Digital marketing and data driven initiatives replacing traditional media



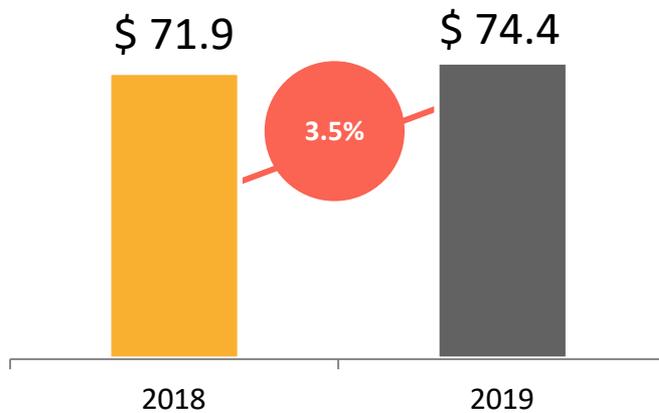
Digital online ordering innovation critical success factor

# Market Size by Sales



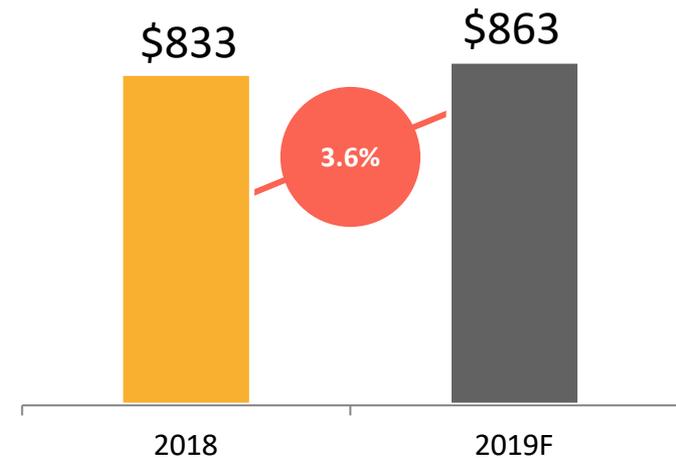
## MTY has less than 1% market share in North America

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



Source: Restaurants Canada, Foodservice Facts, 2020

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



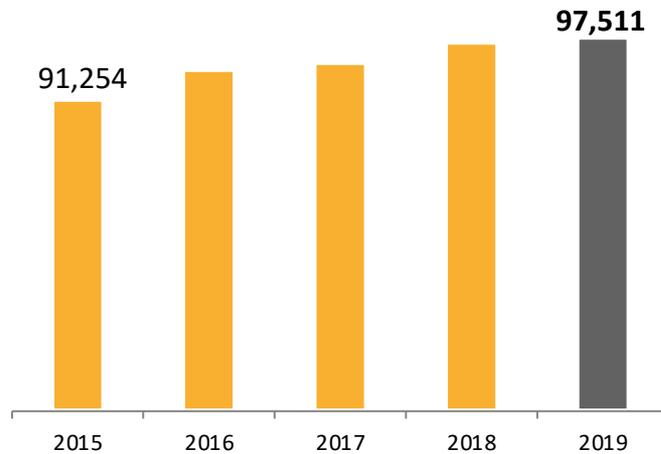
Source: <https://www.nrn.com/sales-trends/us-restaurant-sales-reach-record-863b-2019-nra-says>

# Market Size by Number of Restaurants

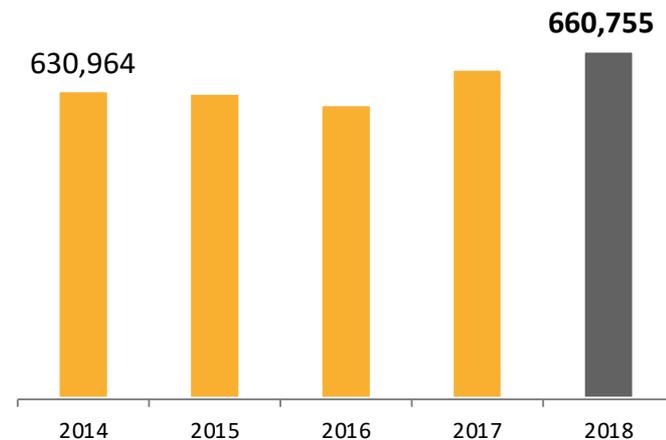


## Number of restaurants constantly growing

Commercial Foodservice Units (Canada)



Establishments in U.S. Fast Food Industry



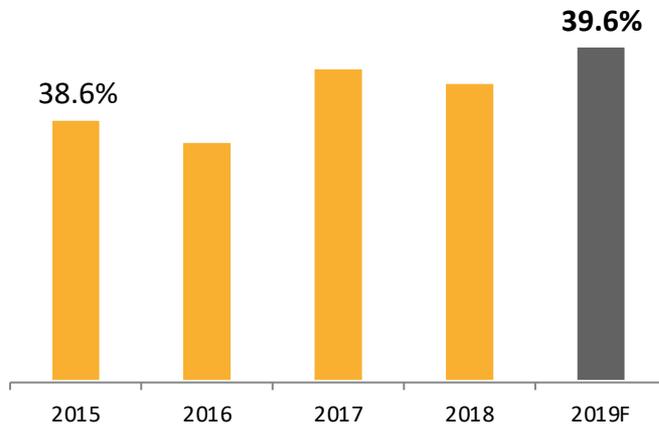
Sources: Restaurants Canada, Industry Key Facts; <https://www.statista.com/statistics/244616/number-of-qsr-fsr-chain-independent-restaurants-in-the-us/>

# Market Size by Food Dollars Spent in Restaurants



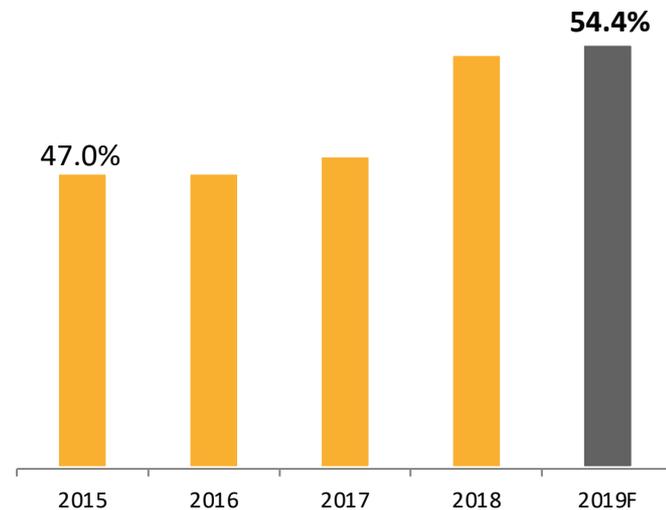
**Proportion of food dollars spent in restaurants on the rise in Canada but still way below that of the U.S.**

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



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

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

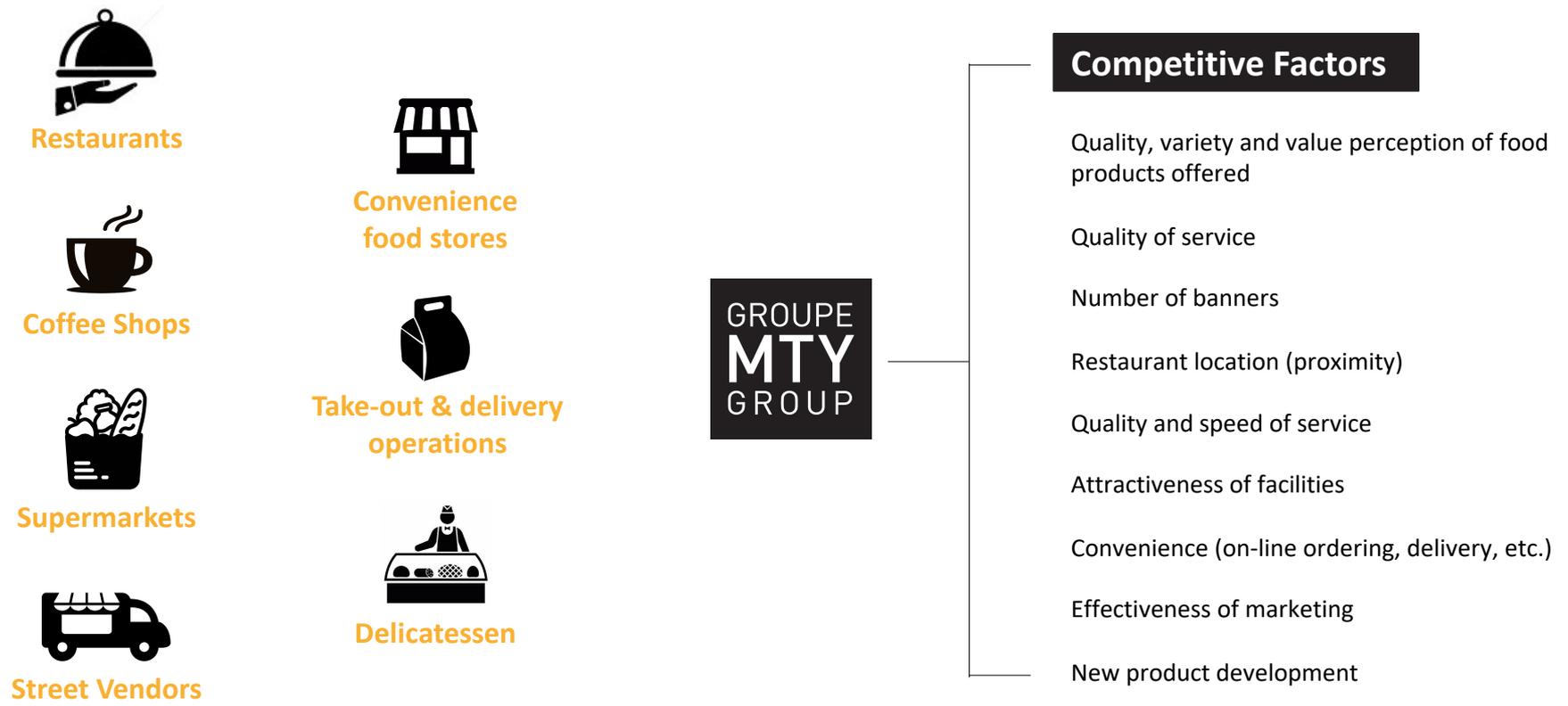


Source: United States Department of Agriculture:  
<https://www.ers.usda.gov/data-products/ag-and-food-statisticscharting-the-essentials/food-prices-and-spending/>

# Highly Competitive Industry with Low Barriers to Entry



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



# MTY Key Success Factors



## MTY effectively responds to consumer needs



### MTY Competitive Advantages

- Preparation often in front of customers enhances perception of freshness and quality
- 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
- Online ordering 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



## 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



## 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.

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# FINANCIAL TRENDS

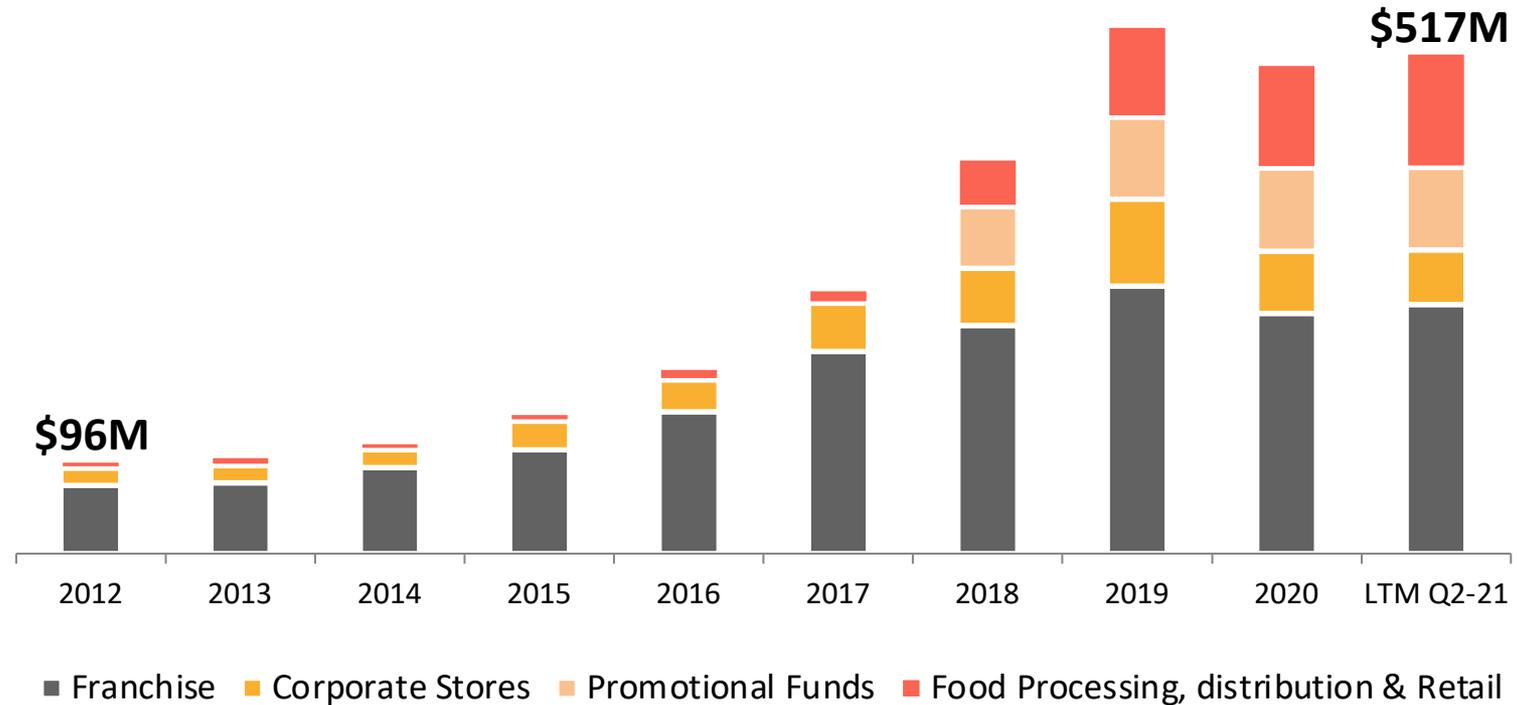
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# Diversifying Product Mix



**Consistent growth in revenue in our core franchising operations.  
Retail segment is also seeing rapid growth.**



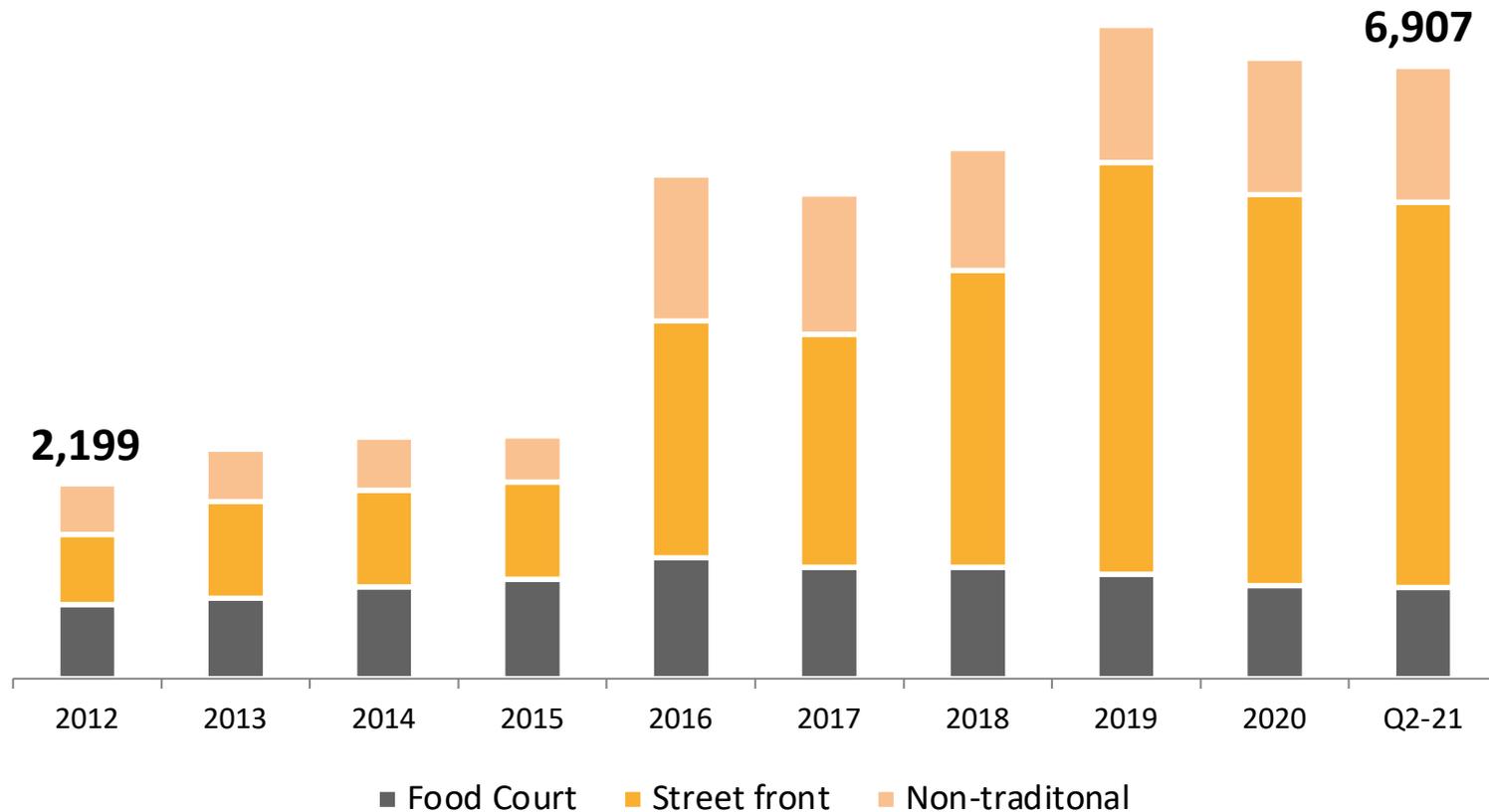
Note: Total revenues include interco.

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

# Growing Street Front & Non-Traditional Locations



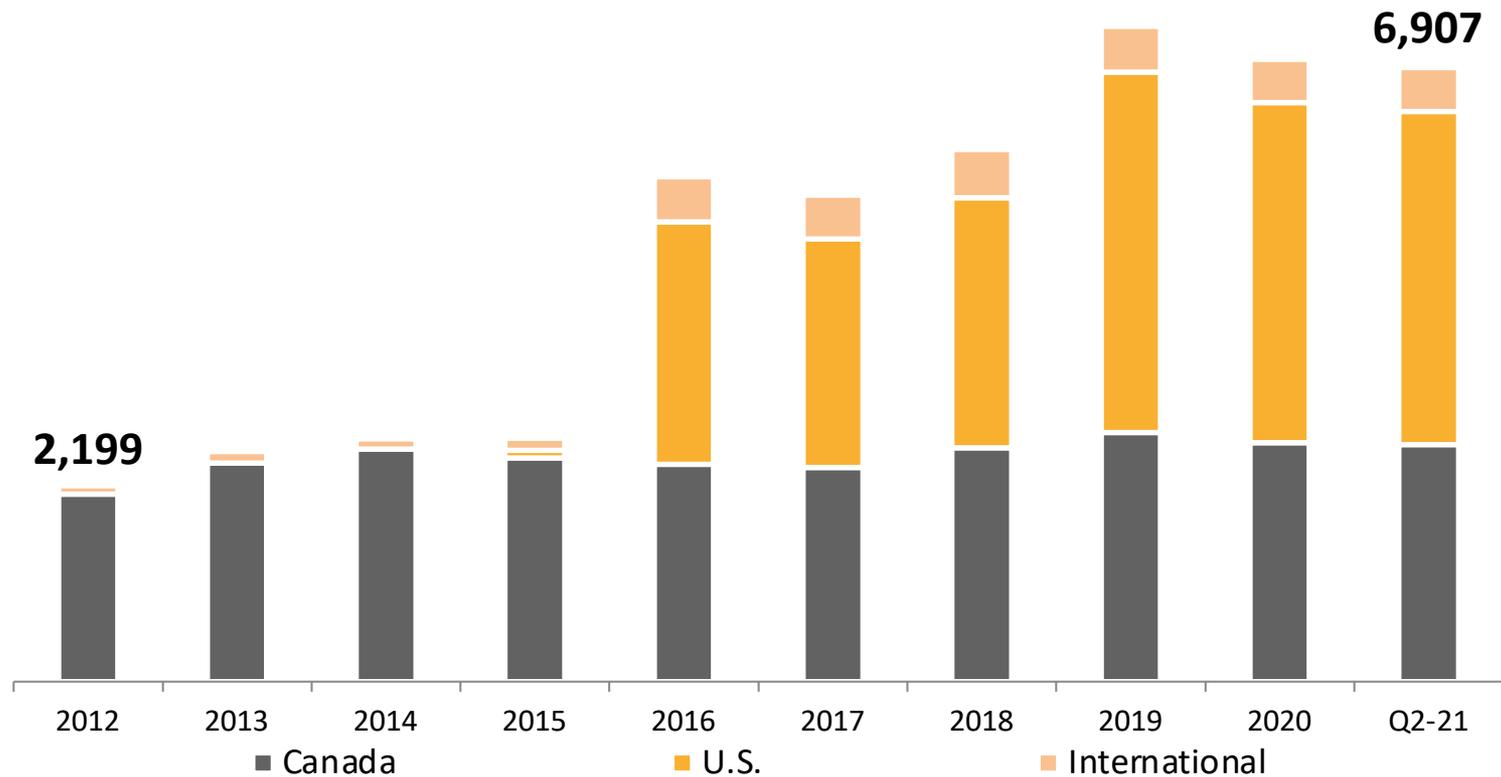
Food courts not prone to grow, reflecting shopping center limited growth



# Continuing to Penetrate the U.S. Market

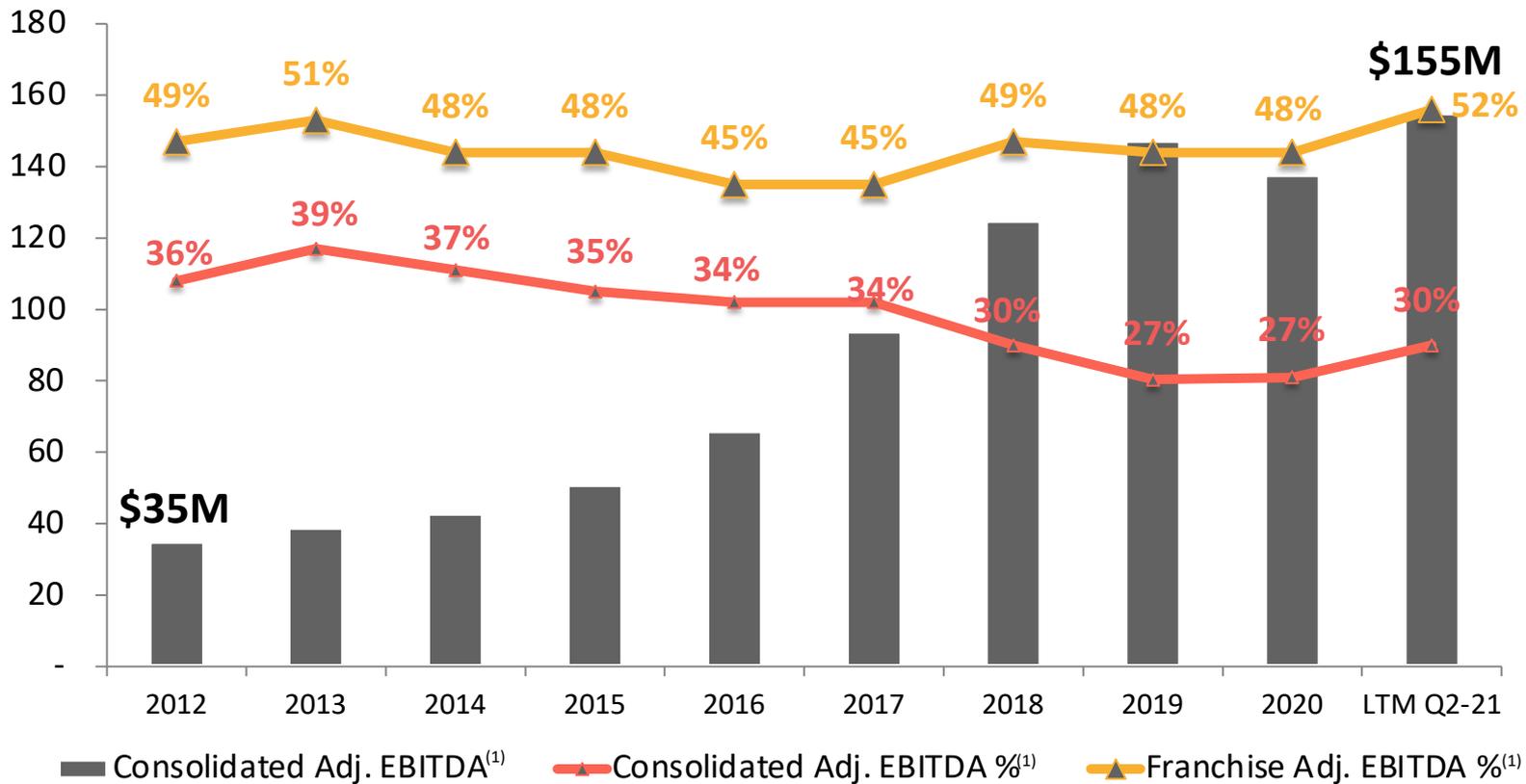


Over 50% of locations are in the U.S. following Papa Murphy's acquisition



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

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



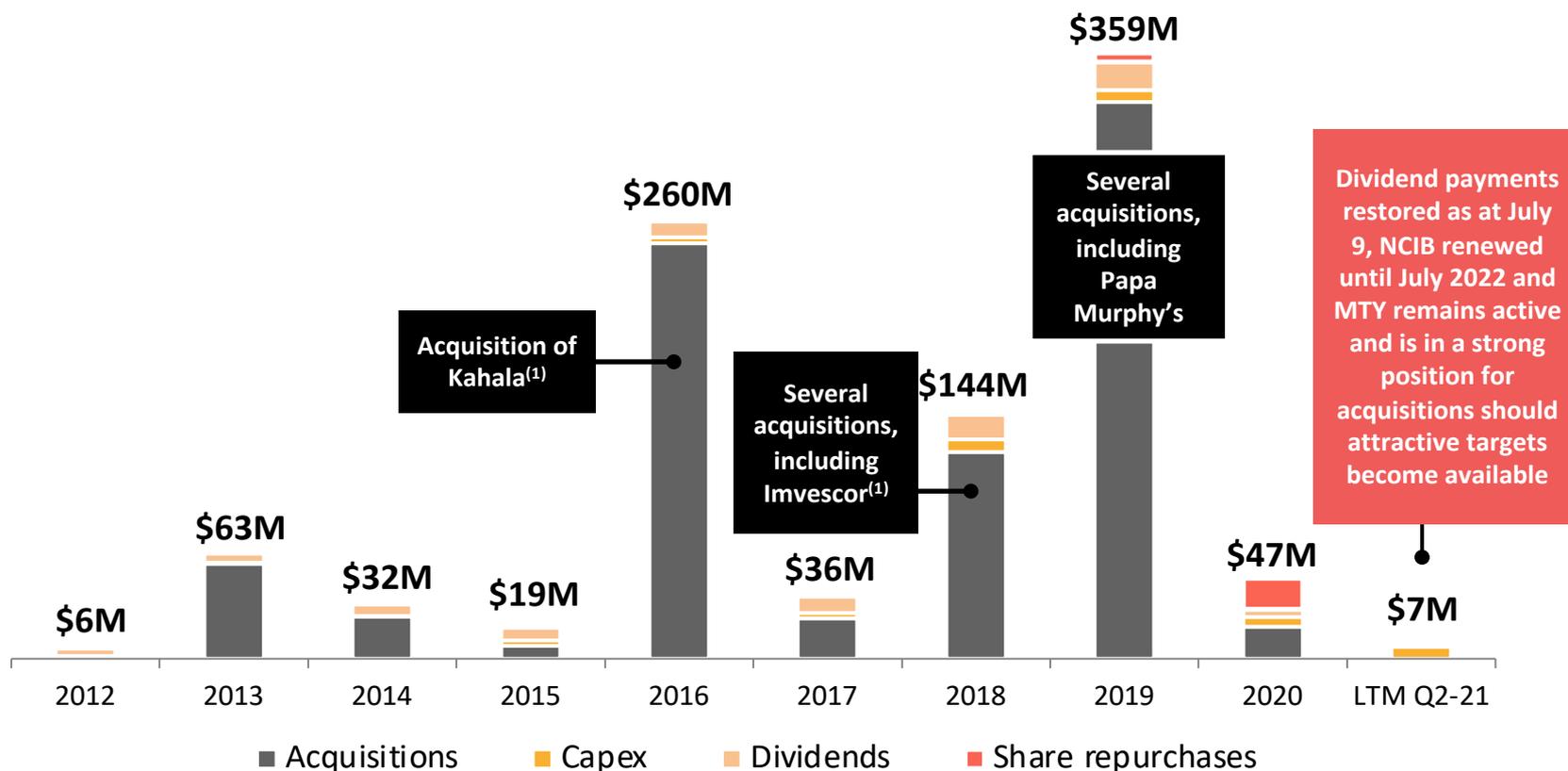
(1) This is a non-GAAP measure. Please refer to page 3 of this presentation.

- Note: 2018 & 2019 figures have been restated to reflect the adoption of IFRS 15.
- Note: 2012-2019 figures have not been restated for IFRS 16.

# Deploying Capital Mainly for Acquisitions



## Not a capital intensive business



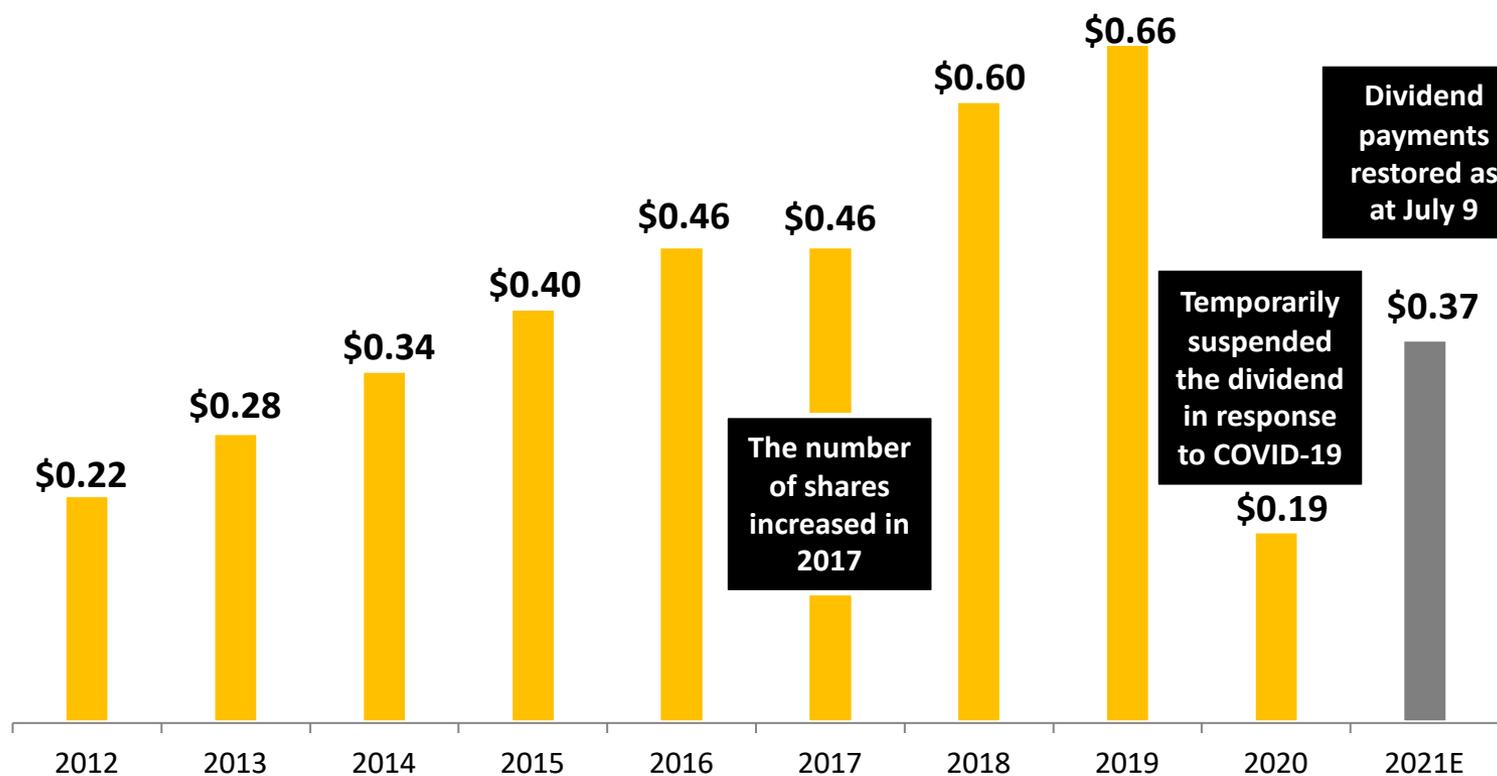
Dividend payments restored as at July 9, NCIB renewed until July 2022 and MTY remains active and is in a strong position for acquisitions should attractive targets become available

(1) Net cash outflow only.

# Increasing Dividends Consistently



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

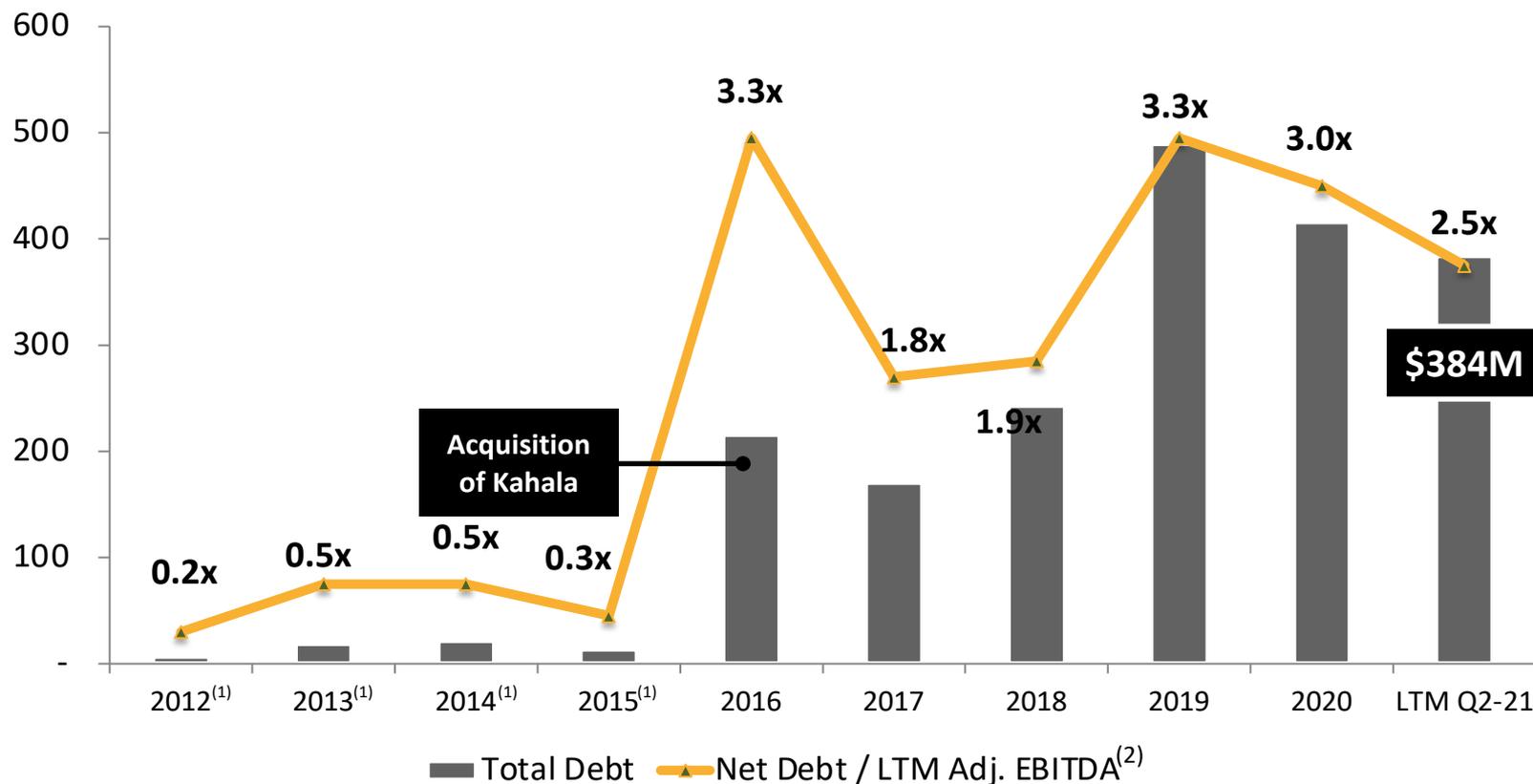


(1) FCF is adjusted EBITDA less taxes and interest. Adjusted EBITDA is a non-GAAP financial measure. Please refer to page 3 of this presentation.

# Optimizing Financing Structure



## Maintaining a solid balance sheet



(1) On a total debt basis.

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

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

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## Q2 2021 RESULTS

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# Typical Seasonality of MTY Results



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

	<b>Q1</b> Dec-Jan-Feb	<b>Q2</b> March-Apr-May	<b>Q3</b> June-July-Aug	<b>Q4</b> 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

Food court sales are higher during December because of Holiday shopping



Higher street front sales

Higher sales from food courts



Halloween is the biggest sales day for Papa Murphy's

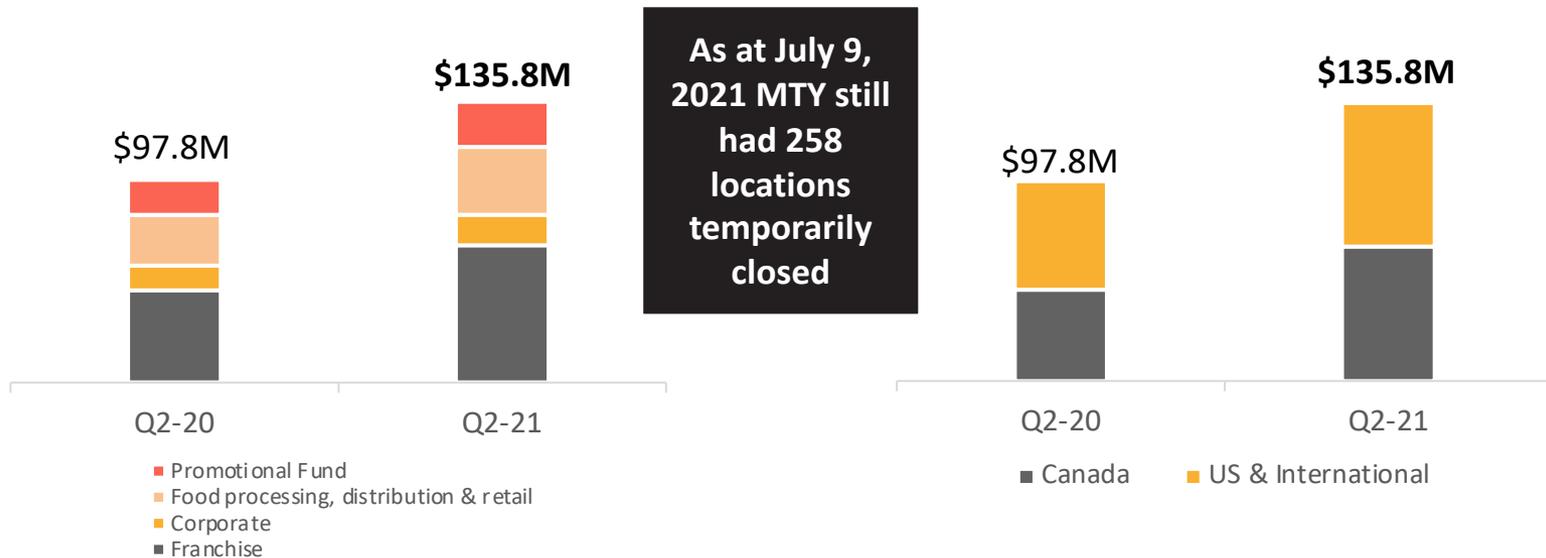


(1) This is a non-GAAP measure. Please refer to page 3 of this presentation.

# Q2-21 Revenues improved on severely impacted Q2-20



**Food processing, distribution & retail increased 33% due to higher consumer spending in grocery stores, new SKUs, and the expansion into new provinces**

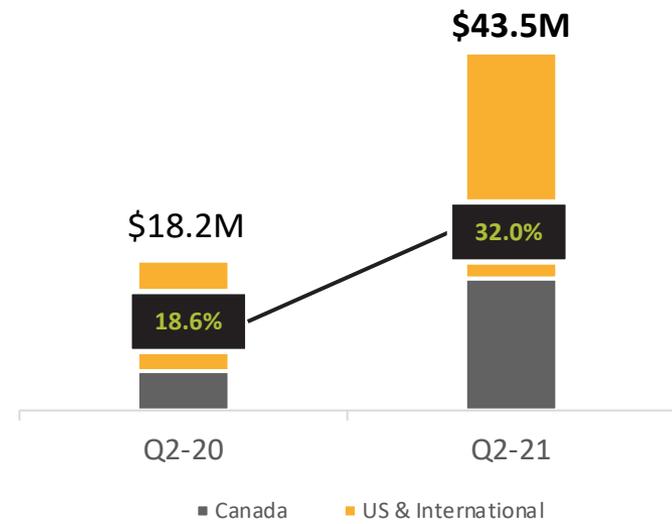
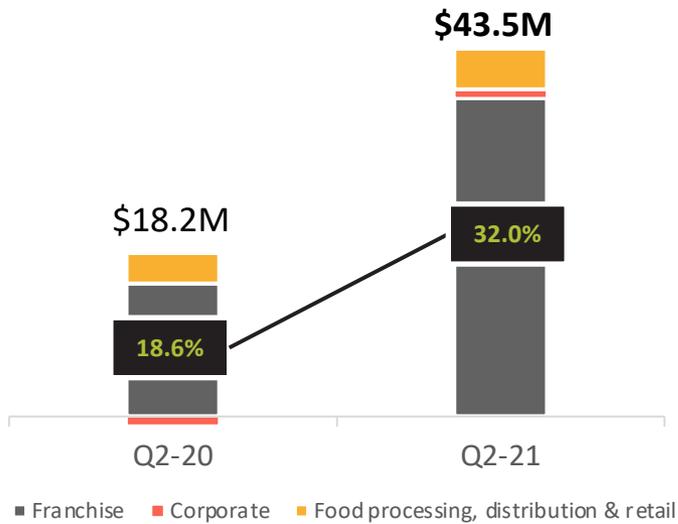


Note: Revenues include interco.

# Q2-21 Adjusted EBITDA<sup>(1)</sup> more than doubled



US & international segment generated \$15.3M of organic growth

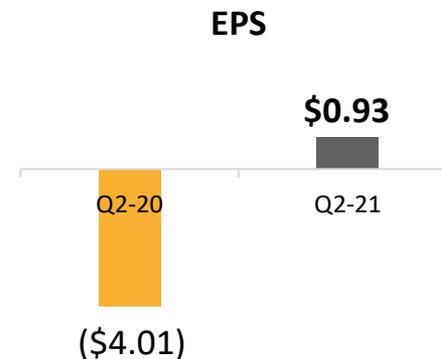
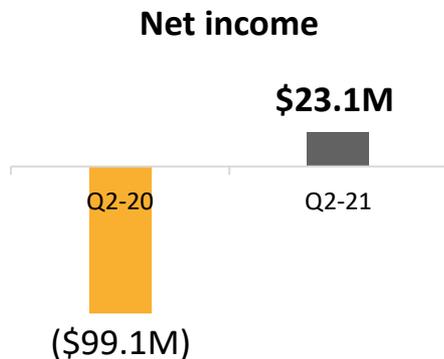
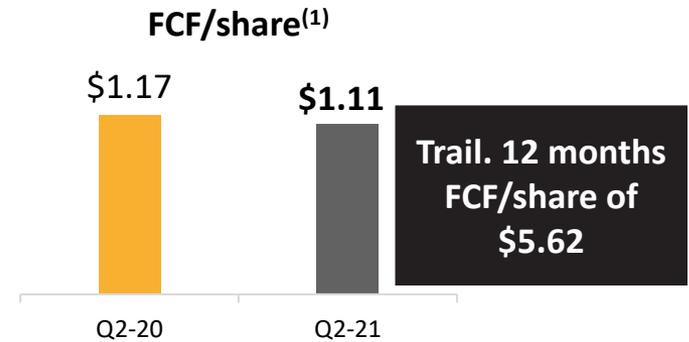
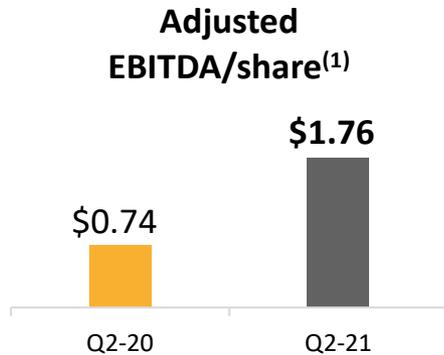


(1) This is a non-GAAP financial measure. Please refer to page 3 of this presentation.

# Q2-21 Profitability increased



Free cash flows amounted to \$27.5M in Q2-21 following strict capital management to preserve liquidity

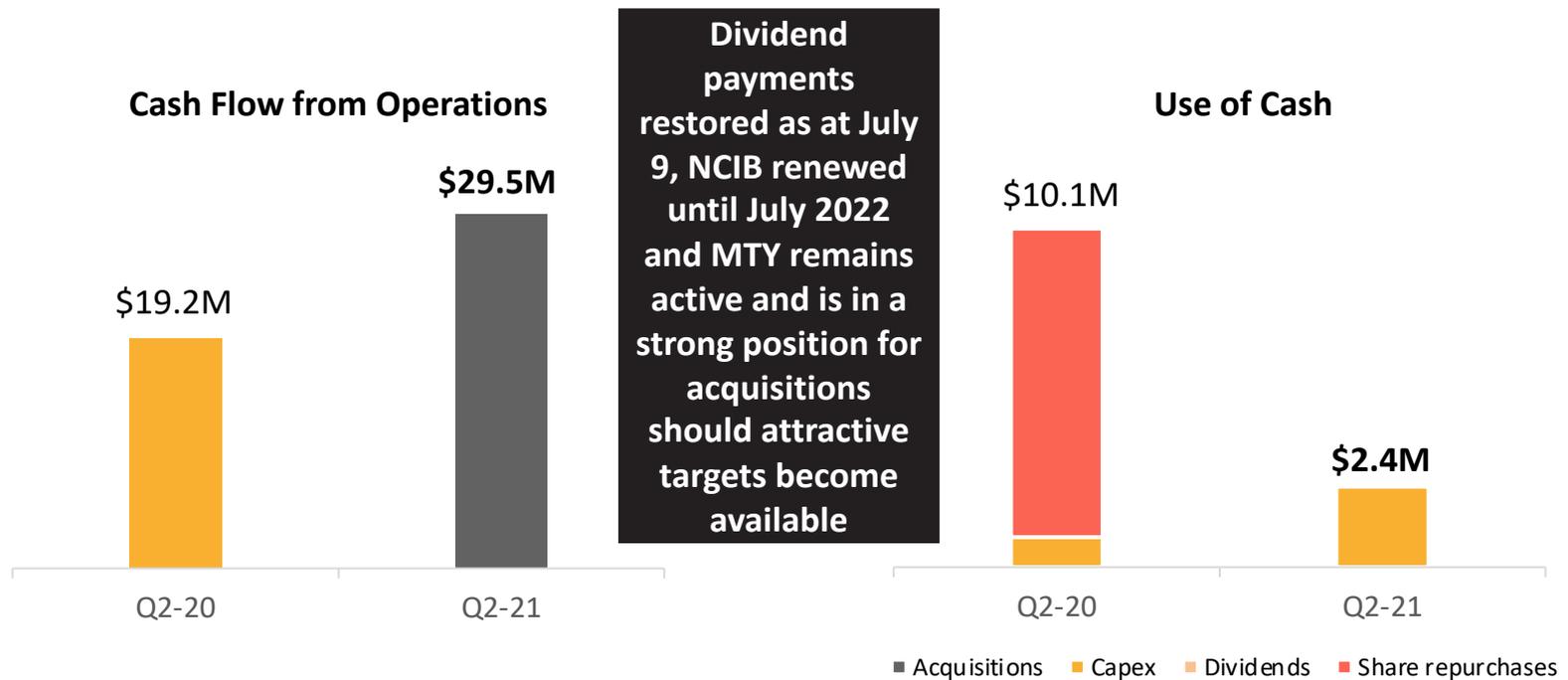


(1) This is a non-GAAP financial measure. Please refer to page 3 of this presentation.

# Q2-21 Cash Flow from Operations & Use of Cash



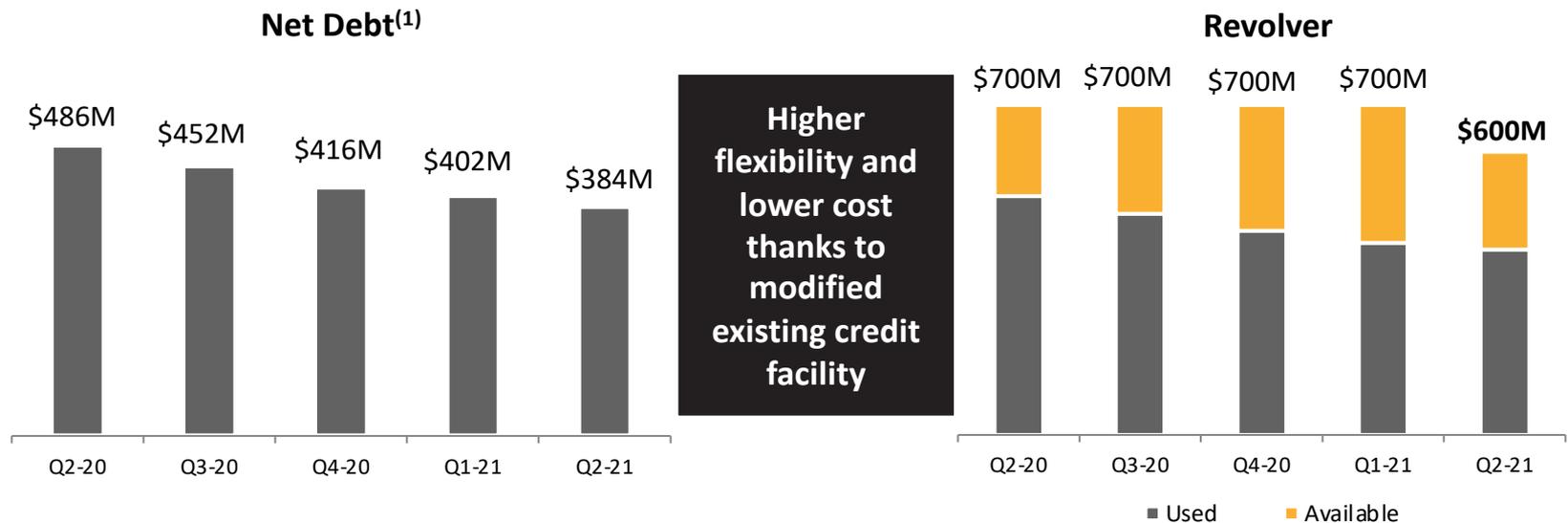
Despite the duration of the pandemic, MTY generated cash flow from operating activities of \$29.5M



# Q2-21 Healthy Financial Position



Despite the impacts of COVID-19, MTY continued to improve its financial position with \$41.5M of cash on hand and \$207M available on its credit facilities



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

# Valuation Conundrum

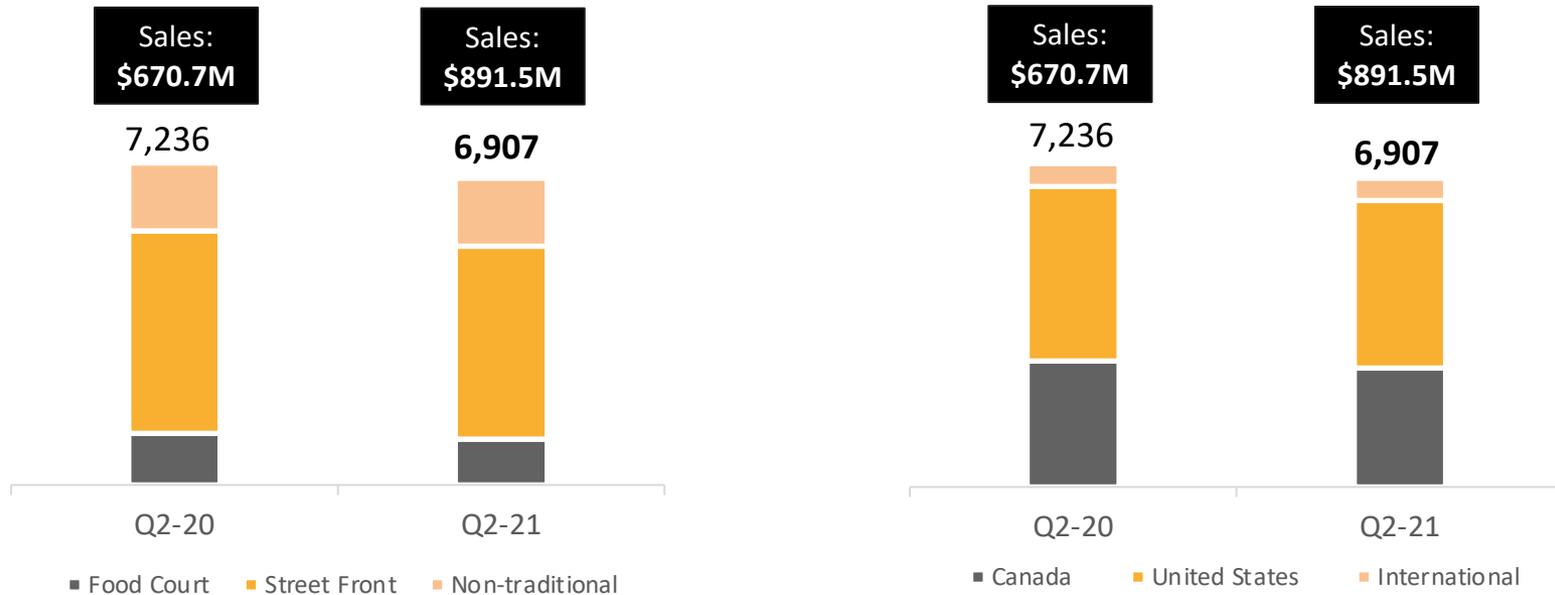
Bloomberg & Factset do not account for subleases which significantly overstates our valuation

Calculations based on Q2-21 data (in thousand except stock price)	Bloomberg / Factset	MTY
Stock price (end of period)	\$60.45	\$60.45
# shares	24,706	24,706
<b>Market cap.</b>	<b>\$1,493,506</b>	<b>\$1,493,506</b>
LTD	406,107	406,107
Current LTD	19,972	19,972
(less cash)	(41,531)	(41,531)
<b>Net debt (excl. leases)</b>	<b>\$384,548</b>	<b>\$384,548</b>
Lease liabilities	412,648	412,648
Current lease liabilities	107,126	107,126
<b>Net debt (incl. leases)</b>	<b>\$904,322</b>	<b>\$904,322</b>
Finance lease receivables	n/a	346,908
Current finance lease receivables	n/a	92,306
<b>Total finance lease receivables</b>	<b>n/a</b>	<b>\$439,214</b>
<b>Net debt</b>	<b>\$904,322</b>	<b>\$465,108</b>
<b>Enterprise value</b>	<b>\$2,397,828</b>	<b>\$1,958,614</b>
LTM EBITDA	154,687	154,687
LTM FCF	138,785	138,785
<b>EV / EBITDA</b>	<b>15.5x</b>	<b>12.7x</b>
<b>EV / FCF</b>	<b>17.3x</b>	<b>14.1x</b>

# Q2-21 Network Locations and System Sales<sup>(1)</sup>



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



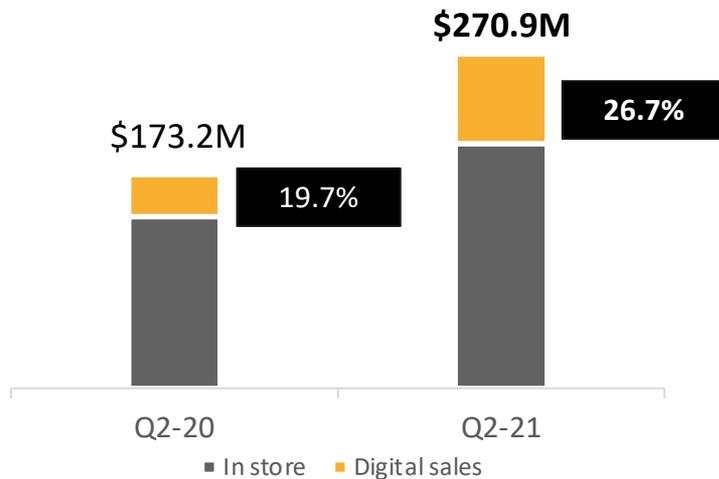
(1) This is a non-GAAP financial measure. Please refer to page 3 of this presentation.

# Q2-21 In Store Sales<sup>(1)</sup> vs Digital Sales<sup>(1)</sup>

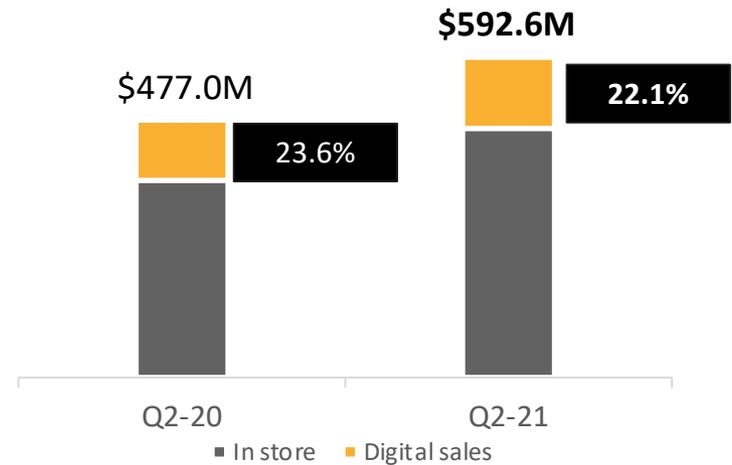


**Consumer shifts to online ordering and delivery accelerated due to COVID-19.  
Digital sales<sup>(1)</sup> represents 23.5% of total system sales**

**Canada – In store vs digital sales**



**USA – In store vs digital sales**



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

## Q2-21 Network Location Evolution



Quarterly net location closures represent on average 1% of total locations. Closed fewer locations in Q2'21 than in Q2'20 despite the pandemic and heavy restrictions.

	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
Beginning of period	7,300	7,236	7,123	7,001	6,949
Opened	48	45	39	41	61
Closed	(111)	(157)	(161)	(92)	(103)
Acquired	-	-	-	-	-
JV closed	(1)	(1)	-	(1)	-
End of period	7,236	7,123	7,001	6,949	6,907
Net	(64)	(113)	(122)	(52)	(42)
Net closures as a % of number of locations	0.9%	1.6%	1.7%	0.7%	0.6%

# APPENDIX 1

## Historical Data

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# Income Statement - 5-Year Financial Summary



(thousands of \$, except margin and EPS)	2020	2019 <sup>(2)</sup>	2018 <sup>(2)</sup>	2017 <sup>(2)</sup> (3)	2016 <sup>(2)</sup> (3)
Revenues	511,117	550,942	412,346	276,083	191,275
Adjusted EBITDA <sup>(1)</sup>	137,819	147,395	124,851	93,726	65,841
<i>Adjusted EBITDA margin %<sup>(1)</sup></i>	<i>27.0%</i>	<i>26.8%</i>	<i>30.3%</i>	<i>33.9%</i>	<i>34.4%</i>
Net income (loss)	(36,895)	77,736	96,187	49,854	54,867
EPS - diluted	(1.50)	3.08	3.95	2.32	2.73

(1) This is a non-GAAP 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



(thousands of \$, except ratio)	2020	2019	2018 <sup>(2)</sup>	2017 <sup>(2)</sup>	2016
Total assets	2,013,697	1,648,801	1,239,520	859,241	852,650
Net debt	416,240	489,913	243,312	171,354	216,417
Shareholders' equity	581,755	664,748	609,614	316,828	310,184
Net debt to trailing 12-month Adjusted EBITDA <sup>(1)</sup>	3.0x	3.3x	1.9x	1.8x	3.3x

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

(2) Figures have been restated for IFRS 15.

# Network - 5-Year Financial Summary



	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
System sales <sup>(1)</sup> (millions of \$)	3,459	3,620	2,783	2,302	1,480
Locations	7,001	7,373	5,984	5,469	5,681

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



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