Management's Discussion and Analysis
For the three and nine months ended August 31, 2020
Key highlights

- **Adjusted EBITDA[1] of $43.4 million in the quarter, up 4% compared to Q3-19**
- **Cash flows from operating activities of $38.6 million despite dramatic impact of COVID-19**
- **Net income attributable to shareholders of $22.9 million in the quarter, or $0.93 per share**
- **System sales[1] of $897.5 million, down 17% compared to Q3-19**
- **52,900 business days were lost during the quarter. 1,470 restaurants were temporarily closed at the beginning of the quarter with 364 still temporarily closed at quarter end. 339 remain temporarily closed as at the date of this press release, which represents less than 5% of the network.**
- **Management initiatives resulting in a reduction of recurring controllable expenses of $10.0 million for Q3-20**
- **Repurchased and cancelled 364,774 shares for a total consideration of $18.9 million year-to-date**
- **Non-cash impairment charge of $120.3 million taken in the second quarter related to property, plant and equipment, intangible assets and goodwill**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Management’s Discussion and Analysis
For the three and nine months ended August 31, 2020

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company’s condensed interim consolidated financial statements for the three and nine-month periods ended August 31, 2020 and the audited consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2019.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2019.

This MD&A was prepared as at October 8, 2020. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR’s website at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

This MD&A and, in particular but without limitation, the sections of this MD&A entitled “Near-Term Outlook”, “Same-Store Sales” and “Contingent Liabilities”, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2020. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company’s expectations as at October 8, 2020 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management’s current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes. In addition, the impact of COVID-19 on the operational cash flows and financial condition of the industry in which the Company operates and on the Company itself continues to evolve and any forward-looking information set forth herein with respect to such matters is subject to change and actual impact may differ from expectations in a material way.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on October 8, 2020. Refer, in particular, to the section of this MD&A entitled “Risks and Uncertainties” for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and information on contingent liabilities and contingent assets provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the duration and impact of the COVID-19 pandemic, its impact on the ability to re-open locations as well as on consumer demand upon re-opening and its macro-economic impact; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates or borrowing rates; foodborne illness; operational constraints, government orders and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from the expectations expressed in or implied by these forward-looking statements are discussed in this MD&A.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after October 8, 2020. The financial impact of these transactions and non-recurring and other special items can be complex and depend on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting the business.

CORE BUSINESS

Founded in 1979 MTY franchises and operates quick service, fast casual and casual dining restaurants. MTY aims to be the franchisor of choice in North America and offers the market a range of offering through its many brands. MTY currently operates under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, 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, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Houston Avenue Bar & Grill and Industria Pizzeria + Bar, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, La Boite Verte, Eat Pure, Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina.

As at August 31, 2020, MTY had 7,123 locations in operation, of which 6,989 were franchised or under operator agreements, 21 are operated through the joint venture and the remaining 113 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities, grocery stores, and food-truck carts.

MTY has developed several quick service restaurant concepts: Tiki-Ming (Chinese cuisine) was its first banner, followed by Sukiyaki (a Japanese delight), Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori, O'Burger, Tosto, La Boite Verte and Eat Pure.

Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turnkey projects, rent, supplies, finished products and equipment sold.

Revenues from corporate-owned locations include sales generated from corporate-owned locations. Corporate-owned location expenses include the costs incurred to operate corporate-owned locations.

Promotional funds contributions are based on a percentage of gross sales as reported by the franchisees. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely in promotional and marketing-related costs for specific restaurant banners.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenues from the sale of retail products under various brand names, which are sold at various retailers. The Company also generates revenue from its distribution centers that serve primarily the Valentine and Casa Grecque franchisees.

ADOPTION OF NEW ACCOUNTING STANDARD

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, Leases. The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes International Accounting Standards ("IAS") 17, Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and right-of-use assets and lease liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value assets). Lease-related expenses previously recorded in operating expenses, primarily as occupancy costs will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. Lease-related revenues previously recorded in rental revenue will be recorded as finance income. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows, but it does not cause a difference in the amount of cash transferred between the parties of a lease. Although the standard did not change the accounting for most lessors significantly, it does change the manner in which intermediate lessors determine the classification of sublease arrangements between operating and finance leases. Under IFRS 16, this assessment is determined relative to whether the sublease transfers significant risks and rewards of the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers. The guidance allows for either a full retrospective or modified retrospective transition method. The Company has selected to apply the modified retrospective transition method. Further, the Company has selected to apply the practical expedients to (i) grandfather the assessment of which transactions are leases; (ii) the use of the provision for onerous leases as an alternative to performing an impairment review; (iii) recognition exemption of short-term and low value leases; and (iv) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The financial statements reflect the application of IFRS 16 beginning in fiscal 2020, while the financial statements for prior periods were prepared under the guidance of the previous standard. For further information, please see section "Changes in Accounting Policies" further in this MD&A.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS. Definitions of all non-GAAP measures can be found in the supplemental information section of this MD&A. The non-GAAP measures used within the context of this MD&A do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures provide investors with a supplemental measure of the operating performance and financial position and thus highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP measures.

HIGHLIGHTS OF SIGNIFICANT EVENTS

COVID-19

In December 2019, a novel strain of coronavirus was reported to have surfaced, later to be renamed COVID-19. The spread of this virus caused business disruption beginning in March 2020, due to the closure or modified operating hours in certain restaurants, and traffic decline in Canada, the US and Internationally.

Further while the disruption is currently expected to come in waves, there is uncertainty around the duration of the pandemic, its medium to longer term impact on the economy and the rules that will apply to MTY's restaurants as sheltering measures are gradually reduced. The impact of the virus and the efforts to stop it impact MTY and many of its franchisees materially.

The third quarter was met with the gradual lifting of restrictive public health measures which allowed restaurants within the network to slowly resume normal operations. While the pandemic persists, MTY continues to focus on the health and safety of its customers, employees and franchisees as well as supporting restaurants across its network. The government-imposed restrictions and public health authorities evolving response to COVID-19 continue to impact MTY. On October 1, many restaurants in MTY's Canadian network were forced to operate as delivery and take-out options only as a result of a resurgence of COVID-19 cases in the province of Quebec. Quebec represents 18.5% of total third quarter network system sales and 52.7% of the third quarter Canadian system sales. These new government-imposed restrictions will continue to impact the health of the network and the Company expects that other territories will not be immune to a resurgence of COVID-19 cases. As a result, 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. The majority of the brands in MTY's portfolio will continue to be impacted negatively for the coming months. As at August 31, 2020, MTY had 364 locations temporarily closed with many of those open operating at reduced capacity. During the months of June, July and August, MTY's network lost a total of 52,907 days (38,488 in Canada and 14,419 in the US) of combined operations with a total of 1,470 locations temporarily closed at the beginning of the quarter. Locations that are still temporarily closed are mostly located in mall locations, office towers and non-traditional locations such as airports, gyms and universities.

Since March, MTY has put into place a series of measures in an attempt to help franchisees and ensure the safety and well-being of its employees, guests and partners:

- Postponed the collection of royalties from franchisees for a period of time;
- Helped franchisees with the Canada Emergency Commercial Rent Assistance ("CECRA") program application;
- Put in new safety measures within its network of restaurants such as increased cleaning frequency, the use of face shields or masks and gloves, the installation of plexiglass at service counters and the suspension of certain practices like the use of reusable cups, in order to minimize risk;
- Signed partnership with aggregators to help facilitate the delivery of food offerings;
- Invested and enhanced online ordering technologies to improve the customer experience for many of the brands and help facilitate take-out, curbside pick-up and delivery orders;
- Implemented a work from home policy.

The Company also continues to make efforts to preserve capital resources during this challenging and unpredictable time:

- Participated in Canada Emergency Wage Subsidy ("CEWS");
- Capital and operational spending was reduced to a minimum.

For the third quarter, MTY's condensed interim consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Additional expected credit losses on accounts receivable, loans receivable and finance lease receivables were taken;
- Provisions for closed stores, and related litigations and disputes were increased to reflect new risks;
- Changes to lease liabilities and lease receivables were made to reflect changes in lease payment terms.

Further information on these changes can be found in the August 31, 2020 condensed interim consolidated financial statements.

Acquisition of Turtle Jack’s Muskoka Grill, COOP Wicked Chicken and Frat’s Cucina

On December 3, 2019, one of the Company’s wholly owned subsidiaries completed its acquisition of a 70% interest in a joint venture that acquired Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat’s Cucina (together “Tortoise Group”), three casual dining concepts operating in the province of Ontario, for a consideration of $27.1 million, which includes a deferred contingent consideration amounting to $5.2 million, an obligation for the premium to repurchase its partner in a joint venture of $2.8 million and cash consideration of $19.1 million. The Company has recorded its interest as a long-term receivable. The Company has guaranteed liabilities of the joint venture amounting to $7.9 million, which are payable to Tortoise Group, upon the repurchase of the 30% joint venture partner. At closing, there was 20 franchised restaurants in operation and three corporate-owned stores.

DESCRIPTION OF RECENT ACQUISITIONS

On December 3, 2019, one of the Company’s wholly owned subsidiaries completed its acquisition of a 70% interest in a joint venture that acquired Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat’s Cucina (together “Tortoise Group”), three casual dining concepts operating in the province of Ontario, for a consideration of $27.1 million, which includes a deferred contingent consideration amounting to $5.2 million, an obligation for the premium to repurchase its partner in a joint venture of $2.8 million and cash consideration of $19.1 million. The Company has recorded its interest as a long-term receivable. The Company has guaranteed liabilities of the joint venture amounting to $7.9 million, which are payable to Tortoise Group, upon the repurchase of the 30% joint venture partner. At closing, there was 20 franchised restaurants in operation and three corporate-owned stores.

On July 19, 2019, the Company’s Canadian operations completed its acquisition of the assets of Allô! Mon Coco for a total consideration of $30.7 million. A total of approximately $24.1 million was paid on closing, financed from MTY’s cash on hand and existing credit facility, while $0.2 million in net liability was assumed and $7.1 million was held back in the form of contingent consideration and holdbacks. At closing, there was 40 franchised restaurants in operation.

On July 15, 2019, the Company’s Canadian operations completed its acquisition of the assets of Yuzu Sushi for a total consideration of $27.6 million. A total of approximately $25.4 million was paid on closing, financed from MTY’s cash on hand and existing credit facility and $2.2 million was held back in the form of contingent consideration. At closing, there were 129 franchised restaurants in operation.

On May 23, 2019, the Company, through the merger of a wholly owned US subsidiary with Papa Murphy’s Holdings Inc. (“PM”), acquired all the outstanding shares of PM. The total consideration for the transaction was $255.2 million. At closing, PM operated 1,301 franchised and 103 corporate-owned stores in the US, Canada and United Arab Emirates.

On March 21, 2019 the Company acquired the assets of South Street Burger for a total consideration of approximately $4.9 million. A total of approximately $4.1 million was paid on closing, financed from MTY's cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $0.7 million was held back. At closing, there were 24 franchised restaurants and 13 corporate restaurants in operation.

On December 10, 2018, the Company completed its acquisition of most of the assets of Casa Grecque for a total consideration of $22.0 million, of which $20.9 million was financed from MTY’s cash on hand and existing credit facilities, while $0.2 million in net liabilities was assumed and $1.3 million was held back.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

(in thousands $, except system sales, # of locations & EPS)	Quarters ended November 2018 [(1)]	February 2019 [(1)]	May 2019 [(1)]	August 2019 [(1)]	November 2019 [(1)]	February 2020	May 2020	August 2020
System sales[(2 & 3)]	$706.4	$687.8	$832.3	$1,076.2	$1,023.5	$999.5	$670.7	$897.5
# of locations	5,984	5,941	7,345	7,441	7,373	7,300	7,236	7,123
Revenue [(4)]	$116,488	$107,297	$125,571	$161,290	$156,784	$150,780	$97,808	$135,366
Adjusted EBITDA[(2)]	$32,994	$28,376	$34,145	$41,847	$43,027	$41,037	$18,213	$43,388
Normalized Adjusted EBITDA [(2)]	$33,062	$28,376	$38,182	$42,077	$43,027	$41,037	$18,213	$43,388
Net income (loss) attributable to owners	$13,240	$14,748	$19,337	$22,902	$20,688	$19,008	($99,126)	$22,932
Total comprehensive income (loss) attributable to owners	$20,801	$10,657	$32,476	$10,469	$22,887	$26,476	($80,422)	($10,691)
Earnings (loss) per share	$0.53	$0.59	$0.76	$0.91	$0.83	$0.76	($4.01)	$0.93
Earnings (loss) per diluted share	$0.53	$0.58	$0.76	$0.91	$0.83	$0.76	($4.01)	$0.93
Free cash flows[(2)]	$27,458	$24,914	$21,767	$26,680	$43,577	$30,738	$28,926	$37,078

(1) *Excludes impact of IFRS 16.*
(2) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(3) *In millions $.*
(4) *May, August and November 2019 amounts have been restated to reflect a change in presentation for retail promotional deductions.*

SEGMENT NOTE DISCLOSURE

Management monitors and evaluates the Company's results based on geographical segments; these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss, which is equal to revenue less operating expenses. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include franchising, corporate store, food processing, retail and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED AUGUST 31, 2020

Revenue

During the first nine months of 2020, the Company's total revenue decreased to $384.0 million, from $394.1 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	August 31, 2020 ($ millions)	August 31, 2019 ($ millions)	Variation
Canada	Franchise operation	77.9	104.4	(25%)
	Corporate stores	14.3	29.4	(51%)
	Food processing, distribution and retail [1]	79.5	65.6	21%
	Promotional funds	22.4	31.6	(29%)
	Intercompany transactions	(1.2)	(1.9)	N/A
Total Canada		192.9	229.1	(16%)
US & International	Franchise operation	111.8	99.4	12%
	Corporate stores	35.2	31.9	10%
	Food processing, distribution and retail	3.5	3.1	13%
	Promotional funds	42.2	30.8	37%
	Intercompany transactions	(1.6)	(0.2)	N/A
Total US & International		191.1	165.0	16%
Total operating revenues		**384.0**	**394.1**	**(3%)**

[1] *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

Canada revenue analysis:

Revenues from franchise locations in Canada decreased by 25%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, first nine months of 2019	104.4
Decrease in recurring revenue streams	(30.1)
Increase in initial franchise fees, renewal fees and transfer fees	0.5
Decrease in turnkey, sales of material to franchisees and rent revenues	(2.9)
Decrease in gift card breakage income	(0.2)
Increase due to impact of IFRS 16 on rent revenue	1.0
Increase due to the acquisitions	5.4
Other non-material variations	(0.2)
Revenues, first nine months of 2020	77.9

The decrease to franchising revenues was mostly due to the negative impact of the pandemic. Year-to-date system sales when excluding acquisitions dropped 27% compared to prior year mostly as a result of COVID-19. As at August 31, 2020, the Company still had 190 locations temporarily closed in Canada.

Revenue from corporate-owned locations decreased by 51% to $14.3 million year-to-date. The decrease is mostly due to the temporary and permanent closure of some corporate locations as well as the impact of reduced sales resulting from government restrictions imposed during the pandemic.

Food processing, distribution and retail revenues increased by 21% mainly as a result of higher consumer spending in grocery stores while restaurants were closed during the pandemic. The launch of new products in the retail division as well as expansion into new provinces also helped generate new sales channels.

The promotional fund revenue decrease of 29% fluctuated in line with the decrease in system sales of 27%. This was partially offset by the new promotional revenues generated by the brands acquired in the last year.

US & International revenue analysis:

Revenues from franchise locations in the US and International increased by 12%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, first nine months of 2019	99.4
Decrease in recurring revenue streams	(18.2)
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Increase in sales of material and services to franchisees	1.7
Decrease in gift card breakage income	(1.3)
Increase due to impact of IFRS 16 on rent revenue	0.1
Increase due to acquisitions	27.2
Impact of variation in foreign exchange rates	1.6
Other non-material differences	0.9
Revenues, first nine months of 2020	111.8

For the US, franchising revenues increased due to the acquisition of Papa Murphy's. Excluding the acquisition, franchising revenues would have decreased by $14.8 million mostly due to the negative impact of the pandemic. Year-to-date system sales when excluding acquisitions dropped 16% compared to prior year mostly as a result of COVID-19. As at August 31, 2020, the Company still had 174 locations temporarily closed in the US and Internationally.

The increase of $3.3 million in corporate-owned location revenues is mainly due to the impact of corporate stores acquired through the acquisition of Papa Murphy's. This accounts for $15.6 million. This was mostly offset by the reduction in corporate store sales for locations that were permanently or temporarily closed as a result of the pandemic.

The increase in promotional funds of $11.4 million is due to the acquisition of Papa Murphy's. Papa Murphy's acquisition contributed to an additional $14.5 million in promotional funds. This was offset by the decrease caused by COVID-19.

Cost of sales and other operating expenses

During the first nine months of 2020, operating expenses decreased by 3% to $281.8 million, down from $289.8 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	August 31, 2020 ($ millions)	August 31, 2019 ($ millions)	Variation
Canada	Franchise operation	43.4	49.5	(12%)
	Corporate stores	14.1	30.7	(54%)
	Food processing. distribution and retail (1)	70.7	58.1	22%
	Promotional funds	22.4	31.6	(29%)
	Intercompany transactions	(2.8)	(2.1)	N/A
Total Canada		147.8	167.8	(12%)
US & International	Franchise operation	55.3	58.7	(6%)
	Corporate stores	36.5	32.5	12%
	Promotional funds	42.2	30.8	37%
Total US & International		134.0	122.0	10%
Total cost of sales and other operating expenses		**281.8**	**289.8**	**(3%)**

(1) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $6.1 million or 12%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, first nine months of 2019	49.5
Decrease in recurring non-controllable expenses	(3.4)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(8.2)
Increase in expected credit loss provision	1.5
Increase due to acquisitions	2.1
Decrease due to impact of IFRS 16 on rent expense	(2.2)
Increase due to impact of IFRS 16 on impairment of lease receivables	2.7
Other non-material differences	1.4
Cost of sales and other operating expenses, first nine months of 2020	43.4

In response to COVID-19, management was able to take certain actions to reduce expenditures within the organization resulting in the overall reduction of $8.2 million in controllable expenses. This is primarily due to reductions in wages, professional fees and travel expenses. Non-controllable expenses also decreased by $3.4 million, which fluctuated in line with the reduction in revenues.

The variations of expenses from corporate stores, food processing, distribution and retail as well as promotional funds expense activities were tightly correlated to the related revenues.

US & International cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in the US & International decreased by $3.4 million or 6%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, first nine months of 2019	58.7
Decrease in recurring non-controllable expenses	(3.3)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(9.7)
Increase in expected credit loss provision	2.0
Increase due to acquisitions	10.6
Decrease due to impact of IFRS 16 on rent expense	(3.5)
Impact of variation in foreign exchange rates	0.4
Other non-material differences	0.1
Cost of sales and other operating expenses, first nine months of 2020	55.3

Operating expenses decreased by $3.4 million mostly due to a reduction in controllable expenses of $9.7 million. This reduction in controllable expenses was due to reductions in wages, professional fees, franchising and travel expenses all of which were reduced as part of cost reduction initiatives put into place in response to COVID-19. Non-controllable expenses also decreased by $3.3 million partially due to a reduction in gift card program costs during the period.

The variations from corporate stores and promotional funds fluctuated in correlation to the related revenues.

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) (1)

Nine-month period ended August 31, 2020

(In millions $)	Canada	US & International	Total
Revenues	192.9	191.1	384.0
Expenses	147.8	134.0	281.8
Net profit in joint venture	0.5	—	0.5
Adjusted EBITDA	45.6	57.1	102.7
Adjusted EBITDA as a % of Revenue	24%	30%	27%

Nine-month period ended August 31, 2019

(In millions $)	Canada (2)	US & International	Total
Revenues	229.1	165.0	394.1
Expenses	167.8	122.0	289.8
Adjusted EBITDA	61.3	43.0	104.3
Adjusted EBITDA as a % of Revenue	27%	26%	26%

Below is a summary of performance segmented by product/service:

Nine-month period ended August 31, 2020

(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	189.7	49.5	83.0	64.6	(2.8)	384.0
Expenses	98.7	50.6	70.7	64.6	(2.8)	281.8
Net profit in joint venture	0.5	—	—	—	—	0.5
Adjusted EBITDA	91.5	(1.1)	12.3	—	—	102.7
Adjusted EBITDA as a % of Revenue	48%	N/A	15%	N/A	N/A	27%

Nine-month period ended August 31, 2019

(In millions $)	Franchise	Corporate	Processing, distribution and retail (2)	Promotional funds	Intercompany transactions	Total
Revenues	203.8	61.3	68.7	62.4	(2.1)	394.1
Expenses	108.2	63.2	58.1	62.4	(2.1)	289.8
Adjusted EBITDA	95.6	(1.9)	10.6	—	—	104.3
Adjusted EBITDA as a % of Revenue	47%	N/A	15%	N/A	N/A	26%

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(2) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Adjusted EBITDA [1], first nine months of 2019	61.3	43.0	104.3
Variance in recurring revenues and expenses	(21.3)	(7.2)	(28.5)
Increase in initial franchise fees, renewal fees and transfer fees	0.5	0.4	0.9
Increase in expected credit loss provision	(1.6)	(2.0)	(3.6)
Variance due to acquisitions	3.0	15.8	18.8
Variance due to impact of IFRS 16 on rent revenue & expense	5.6	6.3	11.9
Variance due to impact of IFRS 16 on impairment of lease receivables	(2.7)	(0.1)	(2.8)
Variance due to net impact of joint venture	0.5	—	0.5
Impact of variation in foreign exchange rates	—	1.3	1.3
Other non-material differences	0.3	(0.4)	(0.1)
Adjusted EBITDA [1], first nine months of 2020	45.6	57.1	102.7

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Total adjusted EBITDA for the nine-month period ended August 31, 2020 was $102.7 million, a decrease of 2% compared to the same period last year. The impacts of COVID-19 are the primary reason for the decrease offset mainly by the 2019 acquisitions.

Excluding IFRS 16, Canada contributed 46% of total adjusted EBITDA and a year-over-year decrease of $18.6 million. This decrease of 30% was mostly due to the decrease in recurring revenues, which resulted from the effects of the pandemic, including the temporary closures of restaurants and the decrease in customer traffic in the locations remaining open. The decrease was also partially due to an increase of $1.6 million in expected credit loss provisions resulting from higher collection risk. These losses were partially offset by acquisitions, which contributed $3.0 million in additional adjusted EBITDA.

The US & International adjusted EBITDA, excluding IFRS 16 grew by 18% mainly as a result of the acquisition of Papa Murphy's. Papa Murphy's contributed to $15.8 million in adjusted EBITDA growth. This again was offset by the decrease in recurring revenues resulting from the negative impacts of the pandemic.

Net income (loss)

For the nine-month period ended August 31, 2020, a net loss attributable to owners of $57.2 million was recorded or $2.31 per share ($2.31 per diluted share) compared to net income of $57.0 million or $2.26 per share ($2.26 per diluted share) last year. The decrease was primarily due to impairment indicators being identified during the second quarter, resulting from the adverse impact of COVID-19, which resulted in a non-cash impairment charge of $120.3 million to the Company's property plant and equipment, intangible assets and goodwill.

Calculation of Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) and Normalized Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Normalized Adjusted EBITDA) (1)

(in thousands)	**Period ended August 31, 2020**	**Period ended August 31, 2019**
Income (loss) before taxes	(64,831)	72,495
Depreciation – property, plant and equipment and right-of-use assets	13,094	2,556
Amortization – intangible assets	22,863	21,323
Interest on long-term debt	13,002	11,949
Net interest expense on leases	1,896	—
Impairment charge – right-of-use assets	3,121	—
Impairment charge – property, plant and equipment, intangible assets and goodwill	120,266	958
Unrealized and realized foreign exchange gain	(2,631)	(407)
Interest income	(269)	(558)
Gain on de-recognition/lease modification of lease liabilities	(2,848)	—
Loss (gain) on disposal of property, plant and equipment, assets held for sale and intangible assets	169	(1,685)
Revaluation of financial liabilities recorded at fair value through profit and loss	(1,194)	(2,263)
Adjusted EBITDA	**102,638**	**104,368**
Transaction costs related to acquisitions	—	4,267
Normalized Adjusted EBITDA	**102,638**	**108,635**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $10.5 million as a result of the addition of right-of-use assets associated with IFRS 16.

Interest on long-term debt increased by $1.1 million as a result of higher drawings on the revolving credit facility during the first nine months of 2020.

The acquisition of 70% of Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina, is being accounted for as a joint venture and MTY therefore presents its net profit only on its condensed interim consolidated statement of income. The joint venture is being accounted for under the equity method and the Company's percentage share of the profits or losses and movements in other comprehensive income of the Company are being recorded as a separate line but is included in the adjusted EBITDA numbers presented above.

Under the new IFRS 16 standard, MTY must now record net interest expenses on leases, depreciation on right-of-use assets, impairment charge on right-of-use assets and gain or loss on the de-recognition/lease modification of lease liabilities. Since MTY applied a modified retrospective approach on transition, the 2019 results have not been restated. For further guidance on this, please refer to the "Changes in Accounting Policies" section of this MD&A.

The gain on de-recognition/lease modification of lease liabilities of $2.8 million is due to the early termination of a few long-term leases by the landlords for which MTY had subsidized the sublease at a loss.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2020

Revenue

During the third quarter of 2020, the Company's total revenue decreased to $135.4 million, from $161.2 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	August 31, 2020 ($ millions)	August 31, 2019 ($ millions)	Variation
Canada	Franchise operation	26.8	36.6	(27%)
	Corporate stores	3.7	10.8	(66%)
	Food processing. distribution and retail [(1)]	29.3	24.8	18%
	Promotional funds	7.7	10.9	(29%)
	Intercompany transactions	(0.3)	(0.8)	N/A
Total Canada		67.2	82.3	(18%)
US & International	Franchise operation	42.2	42.2	0%
	Corporate stores	10.2	21.4	(52%)
	Food processing. distribution and retail	1.7	1.0	70%
	Promotional funds	14.6	14.3	2%
	Intercompany transactions	(0.5)	—	N/A
Total US & International		68.2	78.9	(14%)
Total operating revenues		**135.4**	**161.2**	**(16%)**

(1) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

<u>Canada revenue analysis:</u>

Revenues from franchise locations in Canada decreased by 27%. Several factors contributed to the variation, as listed below:

	$ millions
Revenues, third quarter of 2019	36.6
Decrease in recurring revenue streams	(11.5)
Decrease in turnkey, sales of material to franchisees and rent revenues	(1.0)
Increase due to impact of IFRS 16 on rent revenue	0.3
Increase due to the acquisitions	1.4
Other non-material variations	1.0
Revenues, third quarter of 2020	26.8

The decrease in franchising revenues was mostly due to the negative impact of the pandemic. For the three-month period ended August 31, 2020, system sales, when excluding acquisitions, dropped 36% compared to prior year mostly as a result of COVID-19. As at August 31, 2020, the Company still had 190 locations temporarily closed in Canada.

Revenue from corporate-owned locations decreased by 66% to $3.7 million during the quarter. The decrease is mostly due to the temporary or permanent closure of some corporate locations as well as the impact of reduced sales resulting from government restrictions imposed during the pandemic.

Food processing, distribution and retail revenues increased by 18% mainly as a result of higher consumer spending in grocery stores while restaurants were closed during the pandemic. The launch of new products in the retail division as well as expansion into new provinces also helped generate new sales channels.

The promotional fund revenue decrease of 29% fluctuated in line with the decrease in system sales. This was offset by the new promotional revenues generated by the brands acquired in the last year.

US & International revenue analysis:

Revenues from franchise locations in the US and International were stable but varied accordingly, as listed below:

	$ millions
Revenues, third quarter of 2019	42.2
Decrease in recurring revenue streams	(3.4)
Increase in initial franchise fees, renewal fees and transfer fees	0.5
Increase in the sales of material and services to franchisees	3.1
Decrease in gift card breakage income	(0.5)
Impact of variation in foreign exchange rates	0.6
Other non-material differences	(0.3)
Revenues, third quarter of 2020	42.2

Similar to Canada, the negative impact of the pandemic caused a decrease in franchising revenues. For the third quarter, system sales dropped 7% compared to prior year mostly as a result of COVID-19. As at August 31, 2020, the Company still had 174 locations temporarily closed in the US and Internationally.

The decrease of $11.2 million in corporate-owned location revenues is partly due to the permanent closure of some corporate locations as well as the franchising of three portfolios of corporately-owned Papa Murphy's locations.

Cost of sales and other operating expenses

During the third quarter of 2020, operating expenses decreased by 23% to $92.2 million, down from $119.4 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**August 31, 2020 ($ millions)**	**August 31, 2019 ($ millions)**	**Variation**
Canada	Franchise operation	14.4	16.7	(14%)
	Corporate stores	3.2	10.7	(70%)
	Food processing. distribution and retail [(1)]	26.1	22.1	18%
	Promotional funds	7.7	10.9	(29%)
	Intercompany transactions	(1.8)	(0.8)	N/A
Total Canada		49.6	59.6	(17%)
US & International	Franchise operation	15.5	24.1	(36%)
	Corporate stores	11.5	21.4	(46%)
	Promotional funds	14.6	14.3	2%
	Intercompany transactions	1.0	—	N/A
Total US & International		42.6	59.8	(29%)
Total cost of sales and other operating expenses		**92.2**	**119.4**	**(23%)**

(1) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $2.3 million or 14%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, third quarter of 2019	16.7
Decrease in recurring non-controllable expenses	(2.6)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(3.8)
Increase in expected credit loss provision	0.5
Increase due to acquisitions	0.2
Decrease due to impact of IFRS 16 on rent expense	(0.7)
Increase due to impact of IFRS 16 on impairment of lease receivables	2.0
Other non-material differences	2.1
Cost of sales and other operating expenses, third quarter of 2020	14.4

For the quarter, management was able to take certain actions to reduce expenditures within the organization resulting in the overall reduction of $3.8 million in recurring controllable expenses, most of which was due to reductions in wages. Non-controllable expenses also decreased by $2.6 million, mostly due to a reduction in turnkey projects.

The variations of expenses from corporate stores, food processing, distribution and retail as well as promotional funds expense activities were tightly correlated to the related revenues.

US & International cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in the US & International decreased by $8.6 million or 36%. Several factors contributed to the variation, as listed below:

	$ millions
Cost of sales and other operating expenses, third quarter of 2019	24.1
Decrease in recurring non-controllable expenses	(2.0)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(6.2)
Increase in expected credit loss provisions	1.3
Decrease due to impact of IFRS 16 on rent expense	(0.5)
Other non-material differences	(1.2)
Cost of sales and other operating expenses, third quarter of 2020	15.5

Operating expenses decreased by $8.6 million mostly due to a reduction in controllable expenses of $6.2 million. This reduction in controllable expenses was due to reductions in wages, professional fees, franchising and travel expenses all of which were reduced as part of cost reduction initiatives put into place in response to COVID-19. Non-controllable expenses also decreased by $2.0 million partially due to a reduction in gift card program costs during the period.

The variations from corporate stores and promotional funds fluctuated in correlation to the related revenues.

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) [(1)]

Three-month period ended August 31, 2020			
(In millions $)	Canada	US & International	Total
Revenues	67.2	68.2	135.4
Expenses	49.6	42.6	92.2
Net profit in joint venture	0.2	—	0.2
Adjusted EBITDA	17.8	25.6	43.4
Adjusted EBITDA as a % of Revenue	26%	38%	32%

Three-month period ended August 31, 2019			
(In millions $)	Canada [2]	US & International	Total
Revenues	82.3	78.9	161.2
Expenses	59.6	59.8	119.4
Adjusted EBITDA	22.7	19.1	41.8
Adjusted EBITDA as a % of Revenue	28%	24%	26%

Below is a summary of performance segmented by product/service:

Three-month period ended August 31, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	69.0	13.9	31.0	22.3	(0.8)	135.4
Expenses	29.9	14.7	26.1	22.3	(0.8)	92.2
Net profit in joint venture	0.2	—	—	—	—	0.2
Adjusted EBITDA	39.3	(0.8)	4.9	—	—	43.4
Adjusted EBITDA as a % of Revenue	57%	N/A	16%	N/A	N/A	32%

Three-month period ended August 31, 2019						
(In millions $)	Franchise	Corporate	Processing, distribution and retail [2]	Promotional funds	Intercompany transactions	Total
Revenues	78.8	32.2	25.8	25.2	(0.8)	161.2
Expenses	40.8	32.1	22.1	25.2	(0.8)	119.4
Adjusted EBITDA	38.0	0.1	3.7	—	—	41.8
Adjusted EBITDA as a % of Revenue	48%	N/A	14%	N/A	N/A	26%

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(2) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Adjusted EBITDA [1], third quarter of 2019	22.7	19.1	41.8
Variance in recurring revenues and expenses	(6.4)	5.6	(0.8)
Increase in expected credit loss provision	(0.4)	(1.3)	(1.7)
Variance due to acquisitions	1.1	—	1.1
Variance due to impact of IFRS 16 on rent revenue & expense	1.8	2.0	3.8
Variance due to impact of IFRS 16 on impairment of lease receivables	(2.0)	(0.1)	(2.1)
Variance due to net impact of joint venture	0.2	—	0.2
Impact of variation in foreign exchange rates	—	0.7	0.7
Other non-material differences	0.8	(0.4)	0.4
Adjusted EBITDA [1], third quarter of 2020	17.8	25.6	43.4

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Total adjusted EBITDA for the quarter ended August 31, 2020 was $43.4 million, an increase of 4% compared to the same period last year. Excluding the impact of IFRS 16, adjusted EBITDA for the three-month period would have been $18.0 million and $23.7 million in Canada and the US & International, respectively. Excluding IFRS 16, total adjusted EBITDA would have been stable when compared to 2019 at $41.7 million.

Excluding IFRS 16, Canada contributed 43% of total adjusted EBITDA and a decrease for the quarter of $4.7 million. This decrease of 21% was mostly due to the decrease in recurring revenues resulting from the effects of the pandemic including the temporary closures of restaurants and the decrease in customer traffic in the locations remaining open.

Excluding IFRS 16, the US & International adjusted EBITDA increased by 24%. The increase is mostly the result of cost control measures put into place as a result of the pandemic.

Net income

For the three-month period ended August 31, 2020, net income attributable to owners of $22.9 million or $0.93 per share ($0.93 per diluted share) was recorded compared to net income of $22.9 million or $0.91 per share ($0.91 per diluted share) last year. Net income remained stable when compared to last year as a result of a reduction of operating expenditures in response to the pandemic and contribution from the US & International segment as described above.

Calculation of Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) and Normalized Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Normalized Adjusted EBITDA) (1)

(in thousands)	**Quarter ended August 31, 2020**	**Quarter ended August 31, 2019**
Income before taxes	29,328	28,754
Depreciation – property, plant and equipment and right-of-use assets	4,469	1,020
Amortization – intangible assets	7,316	7,676
Interest on long-term debt	3,522	5,264
Net interest expense on leases	619	—
Impairment charge – right-of-use assets	1,511	—
Unrealized and realized foreign exchange gain	(2,146)	(35)
Interest expense (income)	100	(319)
Gain on de-recognition/lease modification of lease liabilities	(323)	—
Gain on disposal of property, plant and equipment and intangible assets	(203)	(119)
Revaluation of financial liabilities recorded at fair value through profit and loss	(805)	(394)
Adjusted EBITDA	**43,388**	**41,847**
Transaction costs related to acquisitions	—	230
Normalized Adjusted EBITDA	**43,388**	**42,077**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $3.4 million as a result of the addition of right-of-use assets associated with IRFS 16.

Under the new IFRS 16 standard, MTY must now record net interest expenses on leases, depreciation on right-of-use assets, impairment charge on right-of-use assets and gain or loss on the de-recognition/lease modification of lease liabilities. Since MTY applied a modified retrospective approach on transition, the 2019 results have not been restated. For further guidance on this, please refer to the "Changes in Accounting Policies" section of this MD&A.

Interest on long-term debt decreased by $1.7 million as a result of repayments made on the credit facility over the course of the past 12 months.

CONTRACTUAL OBLIGATIONS

The obligations pertaining to the long-term debt and the minimum net rentals for the leases are as follows:

(in millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	108.5	—	—	—	—	—	—
Long-term debt (1)	5.2	2.1	12.2	473.9	—	—	3.3
Interest on long-term debt (2)	5.6	5.6	11.1	0.9	—	—	—
Net lease liabilities	7.9	7.9	13.0	11.0	8.8	7.4	26.7
Total contractual obligations	**127.2**	**15.6**	**36.3**	**485.8**	**8.8**	**7.4**	**30.0**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the August 31, 2020 interim condensed consolidated financial statements. Long-term debt includes interest-bearing loans related to acquisitions, promissory notes, contingent consideration on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions, non-interest-bearing contract cancellation fees and interest rate swap.*

(2) *When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.*

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2020, the amount held in cash totaled $43.8 million, a decrease of $6.9 million since the end of the 2019 fiscal period.

During the first quarter, MTY paid $4.6 million in dividends to its shareholders. The dividend payment was suspended for the second and third quarters. The Company also repurchased and cancelled 364,774 (2019 – nil) of its shares for $18.9 million through its normal course issuer bid ("NCIB") during the first nine months of 2020.

During the nine-month period ended August 31, 2020, cash flows generated by operating activities were $88.8 million, compared to $75.1 million in 2019. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $105.7 million in cash flows, compared to $105.7 million in 2019.

The revolving credit facility has an authorized amount of $700.0 million (November 30, 2019 – $700.0 million), of which $469.0 million was drawn at August 31, 2020 (November 30, 2019 – $518.9 million).

The facility has the following financial covenants:

- The Debt-to-EBITDA ratio must be less than or equal to the following:
    - 4.25:1.00 for the financial quarter ending on May 31, 2020
    - 4.50:1.00 for the financial quarters ending August 31, 2020 and November 30, 2020
    - 4.25:1.00 for the period beginning on December 1, 2020 and ending on May 30, 2021
    - 3.50:1.00 as at May 31, 2021 and thereafter.
- The interest and rent coverage ratio must be at 2.00:1.00 at all times.

Until May 31, 2021, the credit agreement also contains various limitations on distributions and on the usage of the proceeds from the disposal of assets. The main limitations on distributions impose restrictions on the issuance of dividends and the repurchase of MTY's common shares through its NCIB process until such time as the debt-to-EBITDA falls below 3.50:1.00.

The revolving facility is repayable without penalty with the balance due on the date of maturity September 23, 2022.

At quarter end, the Company was in compliance with the covenants of the credit agreement.

LOCATION INFORMATION

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

Number of locations:

	Three months ended August 31		Nine months ended August 31	
	2020	2019	**2020**	2019
Franchises, beginning of the period	**7,077**	7,164	**7,229**	5,919
Corporate-owned, beginning of period				
Canada	**50**	55	**50**	42
US	**87**	126	**94**	23
Joint venture	**22**	—	—	—
Total, beginning of the period	**7,236**	7,345	**7,373**	5,984
Opened during the period	**45**	84	**146**	219
Closed during the period	**(157)**	(157)	**(417)**	(406)
Acquired during the period	**—**	169	**—**	1,644
Joint venture acquired during the period	**—**	—	**23**	—
Joint venture closed during the period	**(1)**	—	**(2)**	—
Total, end of the period	**7,123**	7,441	**7,123**	7,441
Franchises, end of the period			**6,989**	7,278
Corporate-owned, end of the period				
Canada			**35**	50
US			**78**	113
Joint venture			**21**	—
Total, end of the period			**7,123**	7,441

The Company's network opened 146 locations (70 in Canada, 56 in the US and 20 International) for the nine-month period of 2020. For the third quarter, 45 locations were opened (26 in Canada, 12 in the US and seven International).

During the first nine months of 2020, the Company's network closed 417 locations (175 in Canada, 209 in the US and 33 International). Of the locations closed during the quarter, 54% were located on street front, 22% in malls and office towers and 24% in other non-traditional formats. For the quarter, 157 locations were closed (72 in Canada, 76 in the US and nine International).

As at August 31, 2020, the Company's network had a total of 364 locations temporarily closed as a result of COVID-19. Of these temporarily closed locations, 190 are in Canada, 132 in the US and the remaining 42 Internationally. As at October 8, 2020, MTY has 339 temporarily closed. Although these locations are expected to reopen, MTY expects more locations to potentially temporarily close and the timing of these re-openings is uncertain.

The chart below provides the breakdown of MTY's locations and system sales by type:

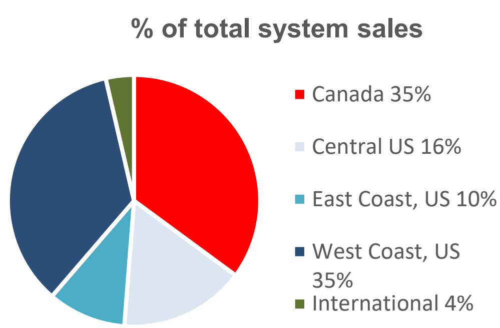
Location type	% of location count August 31		% of system sales Nine months ended August 31	
	2020	2019	**2020**	2019
Shopping mall & office tower food courts	**15%**	16%	**10%**	18%
Street front	**63%**	63%	**81%**	70%
Non-traditional format	**22%**	21%	**9%**	12%

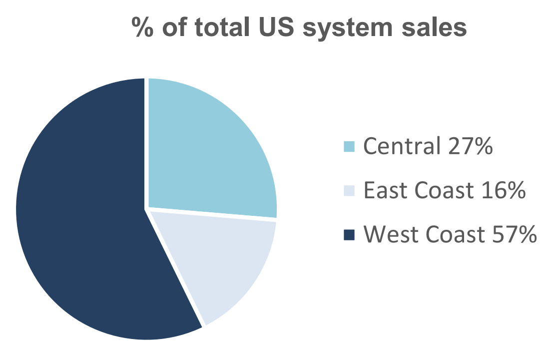
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Nine months ended	
Geographical location	August 31		August 31	
	2020	2019	**2020**	2019
Canada	**39%**	38%	**35%**	48%
US	**54%**	55%	**61%**	47%
International	**7%**	7%	**4%**	5%

In Canada, Quebec had the largest portion of total system sales with 19% followed by Ontario with 10%. In the US, only the states of California and Washington exceeded 10% of the total system sales for the year followed by Oregon, which contributed to the network's sales with 9% of total system sales.

The geographical distribution of system sales is as follows:





The breakdown by the types of concepts for the system sales is as follows:

Concept type	% of location count		% system sales Nine months ended	
	August 31		August 31	
	2020	2019	**2020**	2019
Quick Service Restaurant (QSR)	**83%**	85%	**73%**	65%
Fast Casual	**10%**	9%	**12%**	13%
Casual Dining	**7%**	6%	**15%**	22%

System sales

During the three and nine-month periods ended August 31, 2020, MTY's network generated $897.5 million and $2,567.7 million respectively in sales. The breakdown of system sales by quarter is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2020	425.2	530.5	43.8	**999.5**
First quarter of 2019	374.5	269.6	43.7	**687.8**
Variance	14%	97%	0%	**45%**
Second quarter 2020	173.2	477.0	20.5	**670.7**
Second quarter 2019	413.7	374.9	43.7	**832.3**
Variance	(58%)	27%	(53%)	**(19%)**
Third quarter 2020	302.6	566.2	28.7	**897.5**
Third quarter 2019	439.1	586.9	50.2	**1,076.2**
Variance	(31%)	(4%)	(43%)	**(17%)**
Year-to-date 2020	901.0	1,573.7	93.0	**2,567.7**
Year-to-date 2019	1,227.3	1,231.4	137.6	**2,596.3**
Variance	(27%)	27%	(32%)	**(1%)**

For the third quarter of 2020, systems sales decreased by 17% compared to prior year while the year-to-date sales decreased by 1% from last year. The three-month period decrease is mainly due to the impacts of COVID-19. The split of the third quarter sales on a month to date basis is as follows:

(millions of $)	Canada	US	International	**TOTAL**
June 2020	83.6	195.0	7.7	**286.3**
June 2019	150.6	196.4	16.9	**363.9**
Variance	(44%)	(1%)	(54%)	**(21%)**
July 2020	105.9	196.9	10.3	**313.1**
July 2019	142.1	205.0	16.1	**363.2**
Variance	(25%)	(4%)	(36%)	**(14%)**
August 2020	113.1	174.3	10.7	**298.1**
August 2019	146.4	185.5	17.2	**349.1**
Variance	(23%)	(6%)	(38%)	**(15%)**

Excluding the sales generated from acquisitions, the third quarter sales by month are as follows:

(millions of $)	Canada	US	International	**TOTAL**
June 2020	75.1	195.0	7.7	**277.8**
June 2019	150.6	196.4	16.9	**363.9**
Variance	(50%)	(1%)	(54%)	**(24%)**
July 2020	93.2	196.9	10.3	**300.4**
July 2019	134.5	205.0	16.1	**355.6**
Variance	(31%)	(4%)	(36%)	**(16%)**
August 2020	108.9	174.3	10.7	**293.9**
August 2019	146.4	185.5	17.2	**349.1**
Variance	(26%)	(6%)	(38%)	**(16%)**

The overall movement in sales is distributed as follows:

(millions of $)	Three-months sales ended August 31 Canada	US	International	TOTAL	Nine-months sales ended August 31 Canada	US	International	TOTAL
Reported sales – third quarter of 2019	439.1	586.9	50.2	**1,076.2**	1,227.3	1,231.4	137.6	**2,596.3**
Net increase in sales generated by concepts acquired during the last 21 months	23.2	—	—	**23.2**	82.1	519.3	—	**601.4**
Net decrease resulting from negative impact of the pandemic and the temporary and permanent restaurant closures	(159.7)	(30.4)	(22.3)	**(212.4)**	(408.4)	(201.0)	(47.0)	**(656.4)**
Cumulative impact of foreign exchange variation	—	9.7	0.8	**10.5**	—	24.0	2.4	**26.4**
Reported sales – third quarter of 2020	302.6	566.2	28.7	**897.5**	901.0	1,573.7	93.0	**2,567.7**

Due to the severe impact of COVID-19 on the sales of the network, system sales for the first nine months of 2020 decreased by 1%. MTY started the quarter with 1,470 temporarily closed locations because of COVID-19, of which 364 were still closed as at August 31, 2020. This resulted in a total of 52,907 days of lost business. Of the closed locations, 190 were in Canada, 132 in the US and 42 were internationally located.

The acquisitions realized partially offset the second and third quarter declines. Papa Murphy's represents 86% of the total sales generated by the new acquisitions for the nine-month period ended August 31, 2020. Year-to-date, a weaker Canadian dollar relative to the US dollar also increased sales and resulted in a favorable variation of $26.4 million in reported sales.

Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 31% and 17% respectively of the total sales of MTY's network during the first three quarters. Year-to-date, Taco Time, Thai Express and Baja Fresh Mexican Grill are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same-Store Sales

Due to the impacts of COVID-19 and the number of locations that have closed temporarily, providing same-store sales information could be misleading as what would be presented would not be a fair representation of the Company's royalty earning potential and would also not be a fair indication of the health of the network. Management directs investors to system sales as a better indication.

Management continues to expect system sales and same-store sales to be impacted for the fourth quarter. Although the Company had great momentum prior to COVID-19, current world events will continue to have a drastic impact on both system and same-store sales in the quarters to come. The Company does expect however that results will eventually return to normal.

CAPITAL STOCK INFORMATION

Stock options

As at August 31, 2020, there were 400,000 options outstanding and 44,444 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange under the ticker symbol "MTY". From December 1, 2019 to August 31, 2020, MTY's share price fluctuated between $16.58 and $61.88. On August 31, 2020, MTY's shares closed at $34.12.

Capital stock

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at October 8, 2020, the Company's issued and outstanding capital stock consisted of 24,706,461 shares (November 30, 2019 – 25,071,235) and 400,000 issued and outstanding stock options (November 30, 2019 – 400,000). During the nine-month period ended August 31, 2020, MTY repurchased 364,774 shares for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 29, 2020, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2020 and will end on July 2, 2021 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,235,323 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and nine months ended August 31, 2020, the Company repurchased and cancelled a total of nil and 364,774 common shares, respectively (2019 – nil and nil, respectively), under the current NCIB, at a weighted average price of nil and $51.72 per common share, respectively, for a total consideration of nil and $18.9 million, respectively (2019 – nil and nil, respectively). For the three and nine months ended August 31, 2020, an excess of nil and $14.3 million, respectively (2019 – nil and nil, respectively) of the shares repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SEASONALITY

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the US market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during winter seasons such as Papa Murphy's, which typically does better during winter months. The Company expects seasonality and weather conditions to be a factor in the quarterly variation of its results. Sales have been historically above average during May to August due to its frozen treat category. The Company expects that this seasonality will be somewhat offset by the sale of the take-and-bake pizza's at Papa Murphy's, which usually sells better when the temperature is cooler. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2020, the normal seasonal trends might be affected by the shifts in consumer behavior caused by the pandemic or government regulations.

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company is involved in legal claims associated with its current business activities. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment. Contingent liabilities are disclosed as provisions on the interim consolidated statement of financial position.

Included in provisions are the following amounts:

(In thousands $)	**August 31, 2020**	November 30, 2019
	$	$
Litigations, disputes and other contingencies	**2,233**	11,474
Closed stores	**249**	1,947
	2,482	13,421

The provision for litigation, disputes and other contingencies represents management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines. The majority of provisions as of November 30, 2019 were the result of pre-acquisition provisions acquired as part of a business acquisition. These provisions were settled as of August 31, 2020.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision.

The provisions also varied in part due to foreign exchange fluctuations related to the US subsidiaries.

LEASE AGREEMENT GUARANTEES

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements was $14.8 million as at August 31, 2020 (November 30, 2019 - $15.1 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at August 31, 2020, the Company has accrued $1.8 million (November 30, 2019 - nil) with respect to these guarantees.

RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel and directors during the periods was as follows:

(In thousands $)	**Three months ended August 31**		**Nine months ended August 31**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Short-term benefits	**620**	468	**1,930**	1,931
Share based payment	**223**	141	**731**	464
Board member fees	**19**	24	**56**	60
Total remuneration of key management personnel	**862**	633	**2,717**	2,455

Key management personnel is composed of the Company's CEO, COO's and CFO. The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its Chair of the Board of Directors, who controls 19.77% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	Three months ended August 31		Nine months ended August 31	
(In thousands $)	**2020**	2019	**2020**	2019
	$	$	**$**	$
Short-term benefits	**122**	131	**378**	362
Share based payment	**—**	6	**8**	16
Consulting services	**—**	—	**—**	38
Total remuneration of individuals related to key management personnel	**122**	137	**386**	416

The Company has entered into a consulting agreement with one of its joint venture associates to perform corporate business development and management consulting services, and paid consulting fees to this associate of less than $0.1 million and $0.1 million for the three and nine-month periods ended August 31, 2020, respectively (2019 – nil and nil, respectively). The Company has a current receivable due from its joint venture associate of $0.2 million as at August 31, 2020 (November 30, 2019 – nil).

CHANGES IN ACCOUNTING POLICIES

Policies applicable beginning December 1, 2019

Impact of the application of IFRS 16, Leases

On December 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The Company has not restated the comparatives for the 2019 financial year as permitted under the specific transitional provisions in the standard. The impact from the new leasing standard is therefore recognized in the opening balance sheet on December 1, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, Leases, and its associated interpretive guidance. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and corresponding lease liability at the commencement of all leases (subject to limited exceptions for short-term leases and leases of low-value assets). Lease-related expenses previously recorded in operating expenses, primarily as occupancy costs will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. When the Company is the lessor, lease-related revenues previously recorded in rental revenue will be recorded as finance income. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's condensed interim consolidated statements of cash flows, but it does not cause a difference in the amount of cash transferred between the parties of a lease. Although the standard did not change the accounting for most lessors significantly, it does change the manner in which the intermediate lessor determines the classification of sublease arrangements between operating and finance leases. Under IFRS 16, this assessment is determined relative to whether the sublease transfers significant risks and rewards of the right-of-use asset.

In applying IFRS 16 for the first time, the Company has elected to use the following practical expedients permitted by the standard:

- the Company has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standards (IAS 17 and International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 4, Determining whether an Arrangement Contains a Lease);
- the use of the provision for onerous leases as an alternative to performing an impairment review;
- the right to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;

- the accounting for operating leases with a remaining lease term of less than 12 months as at December 1, 2019 as short-term leases and leases for which the underlying asset is of low value;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

<u>Impact on lessee accounting</u>

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company;

- recognized right-of-use assets and lease liabilities in the condensed interim consolidated statements of financial position, initially measured at the present value of future lease payments;
- recognized depreciation of right-of-use assets and interest on lease liabilities in the condensed interim consolidated statements of income; and
- separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the condensed interim consolidated statements of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses, primarily as occupancy costs in the condensed interim consolidated statements of income.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases that had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at December 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on December 1, 2019 was 2.749%.

The following table reconciles the operating lease commitments as at November 30, 2019 to the opening balance of lease liabilities as at December 1, 2019:

(in thousands $)	$
Operating lease commitments disclosed as at November 30, 2019	**648,445**
Discounted using the Company's incremental borrowing rate at December 1, 2019	(52,507)
Short-term leases and leases of low-value assets	(16,228)
Adjustments as a result of a different treatment of extension and termination options	34,478
Other	(3,109)
Lease liabilities recognized as at December 1, 2019	**611,079**

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and impairment relating to that lease recognized in the condensed interim consolidated statements of financial position as at December 1, 2019.

<u>Impact on lessor accounting</u>

As a lessor, leases are still classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. The Company is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For finance subleases, the Company derecognizes the right-of-use asset relating to the head lease that is transferred to the sublessee and recognizes a finance lease receivable in the sublease. Any difference between the right-of-use asset and finance lease receivable is recognized as a gain or loss in the consolidated statements of income. As the intermediate lessor, the Company retains the lease liability on the head lease in its consolidated statement of financial position. During the term of the sublease, the Company recognizes both finance income on the sublease and interest expense on the head lease.

As a result of this change, the Company has reclassified most of its sublease arrangements as finance leases. As required by IFRS 9, Financial Instruments, an allowance for expected credit loss has been recognized on the finance lease receivables.

Financial impact of initial application of IFRS 16
The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

(in thousands $)	**As previously reported under IAS 17 November 30, 2019**	**IFRS 16 transition adjustments**	**December 1, 2019**
	$	$	**$**
Assets			
Current assets			
Current portion of finance lease receivables	**—**	98,256	**98,256**
Prepaid expenses and deposits	**9,284**	(1,972)	**7,312**
Finance lease receivables	**—**	428,165	**428,165**
Right-of-use assets	**—**	68,838	**68,838**
Liabilities			
Current liabilities			
Provisions	**13,163**	(1,274)	**11,889**
Current portion of deferred revenue and deposits	**18,761**	(2,089)	**16,672**
Current portion of lease liabilities	**—**	111,414	**111,414**
Lease liabilities	**—**	499,665	**499,665**
Deferred income taxes	**158,430**	(3,737)	**154,693**
Reserves			
Retained earnings	**353,300**	(10,692)	**342,608**

IFRIC 23, Uncertainty over income tax treatments

In June 2017, the IASB released IFRIC 23, Uncertainty over Income Tax Treatments, which addresses how to determine the taxable profit (loss), tax basis, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, Income Taxes. It specifically considers whether tax treatments should be considered independently or collectively and assumptions for taxation authorities' examinations with regard to taxable profit (loss), tax bases, unused tax losses, unused tax credits or tax rates.

IFRIC 23 was adopted effective December 1, 2019 and resulted in no significant adjustment.

JOINT ARRANGEMENTS

Joint arrangements are arrangements in which the Company exercises joint control as established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns. When the Company has the rights to the net assets of the arrangement, the arrangement is classified as a joint venture and is accounted for using the equity method. When the Company has rights to the assets and obligations for the liabilities relating to an arrangement, the arrangement is classified as a joint operation and the Company accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profits or losses and movements in other comprehensive income of the investee. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Company does not recognize further losses unless it will incur obligations or make payments on behalf of the joint ventures.

Unrealized gains resulting from transactions with joint ventures are eliminated, to the extent of the Company's share in the joint venture. For sales of products or services from the Company to its joint ventures, the elimination of unrealized profits is considered in the carrying value of the investment in equity accounted investees in the condensed interim consolidated statement of financial position and in the share in profit or loss of equity accounted investees in the condensed interim consolidated statement of income.

COVID-19 ACCOUNTING IMPLICATIONS ON LEASES

In response to the COVID-19 pandemic, the IASB has issued amendments to IFRS 16 to allow entities to not account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

The Company has adopted this amendment and applied the practicable expedient to all eligible rent concessions. The Company has recognized for both the three and nine-month periods ended August 31, 2020, negative variable lease payments of $0.2 million (2019 – nil and nil, respectively) as part of rent expense, presented in Cost of goods sold and rent in Note 13 of the financial statements.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended August 31, 2020 and have not been applied in preparing the consolidated financial statements.

The following standards may have a material impact on the consolidated financial statements of the Company:

Standard	Issue date	Effective date for the Company	Impact
IFRS 3, Business Combinations	October 2018	December 1, 2020	In assessment

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted. The Company will adopt these amendments on December 1, 2020.

RISKS AND UNCERTAINTIES

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the US, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependent on maintaining the current franchise system, which is subject to many factors including but not limited to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

MTY could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic, including arising from various strains of avian flu or swine flu, such as H1N1, or COVID-19, particularly if located in regions from which the Company derives a significant amount of revenue or profit. The occurrence of such an outbreak or other adverse public health developments could materially disrupt the business and operations. Such events could also significantly impact the industry and cause a temporary closure of restaurants, which could severely disrupt MTY's or the Company's franchisees' operations and have a material adverse effect on the business, financial condition and results of operations.

At this time, the Company is unable to accurately predict the future impact that the pandemic will have on the results of operations, due to uncertainties including the severity of the disease, the duration of the outbreak, and further actions that may be taken by governmental authorities to contain the virus or to treat its impact. However, while it is premature to accurately predict the ultimate impact of these developments, the Company expects the results for the fourth quarter ending November 30, 2020 to be impacted with potential continuing adverse impacts beyond November 30, 2020.

In addition, the operations could be disrupted if any of MTY's employees or employees of MTY's business partners were suspected of having the avian flu or swine flu, or other illnesses such as hepatitis A, norovirus or coronavirus, since this could require the Company or business partners to quarantine some or all of such employees or disinfect the restaurant facilities. Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. It is possible that outbreaks could reach pandemic levels. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. Because poultry is a menu offering for many of the Company's Concepts, this would likely result in lower revenues and profits to both MTY and franchisee partners. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. MTY could also be adversely affected if government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect the business and operating results.

Please refer to the November 30, 2019 Annual Information Form for further discussion on all risks and uncertainties.

ECONOMIC ENVIRONMENT RISK

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In case of turmoil in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in certain regions in which it operates. Exposure to heath epidemics and pandemics, such as the current COVID-19, are a risk to the Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The Company has determined that the fair values of its financial assets and financial liabilities with short-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying amount of other financial instruments as at August 31, 2020 and November 30, 2019. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

The classification, carrying value and fair value of financial instruments are as follows:

(in thousands $)	**August 31, 2020**		November 30, 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**5,264**	**5,264**	7,145	7,145
Finance lease receivables	**470,655**	**470,655**	—	—
Financial liabilities				
Long-term debt (1)	**479,941**	**489,660**	531,196	542,147

(1) Excludes promissory notes, contingent considerations on acquisition, interest rate swap and obligations to repurchase non-controlling interests.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the interim consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Loans receivable and Finance lease receivables – The carrying amount for these financial instruments approximates fair value due to the short-term maturity of these instruments and/or the use of market interest rates.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Interest rate swap

The Company holds an interest rate swap that is contracted to a fixed rate on a notional amount of $100.0 million and that matures in July 21, 2021. The fair value of this interest rate swap amounted to $1.6 million (2019 – nil). The Company has classified this as level 2 in the fair value hierarchy.

For the three and nine-month periods ended August 31, 2020, a fair value remeasurement gain of $0.2 million and a loss of $1.6 million was recorded for this interest rate swap, respectively (2019 – nil and nil, respectively).

Cross currency interest rate swap

On August 28, 2020, The Company entered a floating to floating 1-month cross currency interest rate swap. A fair value of nil was recorded as at August 31, 2020 (November 30, 2020 – nil).

Receive-Notional	Receive-rate	Pay-Notional	Pay-rate
US$230.8 million	2.41%	CA$305.0 million	2.56%

Fair value hierarchy

(in thousands $)	Level 3 **August 31, 2020**	 November 30, 2019
Financial liabilities	**$**	$
Promissory notes for Houston Avenue Bar & Grill	**—**	329
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**2,895**	2,738
Contingent considerations on acquisitions and joint venture interest	**7,470**	3,874
Non-controlling interest buyback options	**1,077**	2,513
Obligation to repurchase partner in a joint venture	**3,233**	—
Financial liabilities	**14,675**	9,454

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at August 31, 2020.

Credit risk

Credit risk arises from cash and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with credit-worthy financial institutions.

The Company's credit risk is also primarily attributable to its trade receivables, loans receivables and finance lease receivables. The amounts disclosed in the interim consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that no particular concentration of credit risks exists due to the geographic diversity of its customers across Canada and the US and the procedures in place for managing these risks.

In response to COVID-19, the Company took additional expected credit loss provisions on its finance lease receivables. During the quarter ended August 31, 2020, we did not observe a significant deterioration of our receivable portfolio that required a significant increase in credit loss provisions. Although the credit risk associated with the pandemic is still challenging to reasonably forecast given its uncertainty, the expected credit losses were adjusted to reflect management's best estimate.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility, which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. Of the credit facility, $469.0 million (November 30, 2019 – $518.9 million) was used as at August 31, 2020. A 100 basis points increase in the bank's prime rate would result in additional interest of $4.7 million per annum (November 30, 2019 – $5.2 million) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption, such as the current pandemic, or a lack of liquidity. The

Company actively maintains its credit facility to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at August 31, 2020, the Company had an authorized revolving credit facility for which the available amount may not exceed $700.0 million (November 30, 2019 – $700.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at August 31, 2020:

(in millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	108.5	108.5	108.5	—	—	—
Long-term debt (1)	496.2	496.7	5.2	2.1	12.2	477.2
Interest on long-term debt	23.2	23.2	5.6	5.6	11.1	0.9
Lease liabilities	557.8	588.5	66.9	66.8	108.3	346.5
Total contractual obligations	**1,185.7**	**1,216.9**	**186.2**	**74.5**	**131.6**	**824.6**

(1) *When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.*

NEAR-TERM OUTLOOK

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to ensure the well-being and safety of its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may have on its operations, franchisees, partners and service to MTY's customers. Please refer to section "Highlights of Significant Events" for further details on actions taken in response to COVID-19.

In the very short term, management's primary focus is to reopen the restaurants that have been temporarily closed as a result of the pandemic and to rebuild customer confidence by implementing proper safety measures and adjusting the way customers are served. Even after the pandemic is over, customer consumption patterns may shift temporarily or permanently from those traditionally witnessed and MTY will have to adapt to new customer behaviours. Management believes the Company will be able to regain customer confidence in the brands and restore the positive momentum it saw in the first quarter of 2020. The Company's focus, after the pandemic, will still be on innovation, quality of food and customer service in each of the outlets and maximizing the value offered to customers.

The restaurant industry will remain more than ever challenging in the future as customer consumption patterns change and management believes that the focus on the food offering, innovation, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offerings to consumers.

CONTROLS & PROCEDURES

Disclosure controls and procedures

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized and reported within the time periods specified in securities legislation.

In the third quarter ended August 31, 2020, we did not make any significant changes in, nor take any significant corrective actions regarding our internal controls or other factors that could significantly affect such internal controls. The CEO and CFO periodically review the Company's disclosure controls and procedures for effectiveness and conduct an evaluation each quarter. As of the end of the third quarter, the CEO and CFO were satisfied with the effectiveness of the Company's disclosure controls and procedures.

Internal controls over financial reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the Company's internal control over financial reporting that occurred during the period beginning on June 1, 2020 and ended on August 31, 2020, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of Controls and Procedures

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that the control system can prevent or detect all error or fraud. Finally, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity's operating environment or deterioration in the degree of compliance with policies or procedures.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's consolidated financial statements. For the period ended August 31, 2020, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 0% of the Company's current liabilities, 0% of long-term liabilities, 0% of the Company's revenues and 0% of the Company's net loss.

"*Eric Lefebvre*"

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Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA, CA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the US	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
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	July 2016	100%	2,839	40

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Houston Avenue Bar & Grill and Industria Pizzeria + Bar	June 2017	80%	12	—
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina	December 2019	70%	20	3

Definition of non-GAAP measures

The following non-GAAP measures can be found in the analysis of the MD&A:

Adjusted EBITDA	Represents revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit of a joint venture accounted for using the equity method. See reconciliation of adjusted EBITDA to Income before taxes on page 13 and 18.
Normalized Adjusted EBITDA	Normalized EBITDA is adjusted EBITDA before transaction costs related to acquisitions. See reconciliation of adjusted EBITDA to Income before taxes on page 13 and 18.
Free Cashflow	Represents the sum total cashflows from operating activities less capital expenditures.
Same-store sales	Comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.
System sales	System sales are sales of all existing restaurants including those that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Free cash flows [(1)] loop to cash flows provided by operating activities

(in thousands$)	November 2018	February 2019	May 2019	August 2019	November 2019	February 2020	May 2020	August 2020
	Quarters ended							
Cash flows provided by operating activities	30,514	26,757	21,077	27,220	37,897	30,980	19,207	38,624
Additions to property, plant and equipment	(3,808)	(1,954)	(1,212)	(809)	(1,191)	(1,119)	(316)	(1,764)
Additions to intangible assets	(182)	(64)	(231)	(458)	(1,383)	(649)	(618)	(63)
Proceeds on disposal of property, plant and equipment, assets held for sale and intangible assets	934	175	2,133	727	8,254	1,526	10,653	281
Free cash flows [(1)]	27,458	24,914	21,767	26,680	43,577	30,738	28,926	37,078

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*

System Sales [(1)] to reported royalties

(millions of $)	Nine-months sales ended August 31, 2020						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	14.3	886.7	901.0	35.2	1,631.5	1,666.7	**2,567.7**
Franchise royalty income as a % of franchise sales	—	4.91%	—	—	4.86%	—	N/A
Reported royalties	—	43.5	—	—	79.3	—	**122.8**

(millions of $)	Nine-months sales ended August 31, 2019						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	29.4	1,197.9	1,227.3	35.2	1,333.8	1,369.0	**2,596.3**
Franchise royalty income as a % of franchise sales	—	5.18%	—	—	5.20%	—	N/A
Reported royalties	—	62.1	—	—	69.3	—	**131.4**

(millions of $)	Three-months sales ended August 31, 2020						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	3.7	298.9	302.6	12.9	582.0	594.9	**897.5**
Franchise royalty income as a % of franchise sales	—	5.20%	—	—	5.19%	—	N/A
Reported royalties	—	15.5	—	—	30.2	—	**45.7**

(millions of $)	Three-months sales ended August 31, 2019						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	10.8	428.3	439.1	35.2	601.9	637.1	**1,076.2**
Franchise royalty income as a % of franchise sales	—	5.14%	—	—	5.35%	—	N/A
Reported royalties	—	22.0	—	—	32.2	—	**54.2**

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*