GROUPE MTY GROUP

Management's Discussion and Analysis
For the year ended November 30, 2020
Key highlights

- **Net income attributable to shareholders of $20.1 million in the quarter, or $0.81 per share, stable compared to Q4-19.**
- **Adjusted EBITDA(1) of $35.2 million in the quarter, down 18% compared to Q4-19.**
- **Free cash flows(1) per diluted share increased by 2% compared to Q4-19, to reach $1.78**
- **Cash flows from operating activities of $44.8 million, up 18% compared to Q4-19, despite duration of COVID-19 pandemic.**
- **Long-term debt repayments of $37.6 million for the quarter.**
- **System sales(1) of $891.4 million, down 13% compared to Q4-19. Papa Murphy's and Cold Stone Creamery had combined organic growth of $49.9 million in the quarter.**
- **Fourth quarter digital sales(1) represents 17.5% and 25.2% of total system sales for Canada and the USA respectively in 2020 compared to 4.1% and 12.2% in Q4-19. This was driven by changes in consumer spending habits and increased investments in online ordering and third party delivery options.**
- **30,222 business days were lost during the quarter. 364 restaurants were temporarily closed at the beginning of the quarter with 338 still temporarily closed at quarter end. 408 remain temporarily closed as at the date of this press release, which represents less than 6% of the network.**
- **Management initiatives resulting in a reduction of recurring controllable expenses of $2.1 million for Q4-20**

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

Management's Discussion and Analysis
For the fiscal year ended November 30, 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 consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2020.

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 February 17, 2021. 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 February 17, 2021 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 February 17, 2021. 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 February 17, 2021. 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, 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, 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, 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 and COOP Wicked Chicken.

As at November 30, 2020, MTY had 7,001 locations in operation, of which 6,867 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.

In the wake of COVID-19, MTY has also launched multiple ghost kitchens in existing restaurant locations. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

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 a business disruption beginning in March 2020, due to government and health authority imposed restrictions and changes in customer behavior in Canada, the US and Internationally.

Further while the disruption continues 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 continuous changed. The impact of the virus and the efforts to stop it impact MTY and many of its franchisees materially.

Although 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 within Canada and the USA, the fourth quarter saw new restrictions imposed in the Canadian network as a second wave of the virus spread. 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. During the fourth quarter, 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 provinces. These new government-imposed restrictions continue to impact the health of the network. 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 November 30, 2020, MTY had 338 locations temporarily closed with many of those open operating at reduced capacity. During the months of September, October and November, MTY's network lost a total of 30,222 days (21,161 in Canada and 9,061 in the US) of combined operations with a total of 364 locations temporarily closed at the beginning of the quarter and a second wave of restrictions being imposed in Canada throughout the fourth 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 and Canada Emergency Rent Subsidy ("CERS") applications;
- 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") and CERS;
- Capital and operational spending was reduced to a minimum.

For the fourth quarter, MTY's consolidated financial statements have been impacted with respect to the following as a result of government-imposed restrictions:

- Additional expected credit losses on finance lease receivables were taken;
- Impairment of right-of-use assets and corporate store capital assets were recorded;
- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms.

Further information on these changes can be found in the November 30, 2020 consolidated financial statements.

NCIB Renewal

On June 29, 2020, the Company announced the renewal of the normal course issuer bid ("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 fiscal year ended November 30, 2020, the Company repurchased and cancelled a total of 364,774 common shares at a weighted average price of $51.72 per common share, for a total consideration of $18.9 million. For the year, an excess of $14.3 million of the shares repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

Until May 31, 2021, the credit agreement amendment contains various limitations on distributions. The main limitations on distributions impose restrictions on 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 ratio.

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 $26.1 million. The consideration includes a deferred contingent consideration amounting to $4.1 million, an obligation for the repurchase of its partner in a joint venture of $2.9 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 $26.1 million. The consideration includes a deferred contingent consideration amounting to $4.1 million, an obligation for the repurchase of its partner in a joint venture of $2.9 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 SELECT ANNUAL INFORMATION

(in thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2020**	**Year ended November 30, 2019**
Total assets	2,013,697	1,648,801
Total long-term financial liabilities	447,654	536,058
Operating revenue	511,117	550,942
Adjusted EBITDA [(2)]	137,819	147,395
(Loss) income before taxes	(51,949)	97,997
Income before taxes, excluding impairment charges and reversals	75,168	100,616
Net (loss) income attributable to owners	(37,108)	77,675
Total comprehensive (loss) income attributable to owners	(49,726)	76,489
Cash flows from operations	133,652	112,951
Cash flows from operation per diluted share	5.40	4.48
Free cash flows [(2)]	140,652	116,938
Net (loss) income per share - basic	(1.50)	3.09
Net (loss) income per share - diluted	(1.50)	3.08
Dividends paid on common stock	4,633	16,713
Dividends per common share	0.185	0.66
Weighted daily average number of common shares	24,755,351	25,145,210
Weighted average number of diluted common shares	24,755,351	25,186,483

[(1)] See section “Definition of non-GAAP measures” found in the Supplemental Information section for definition.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

(in thousands $, except system sales, # of locations & EPS)	Quarters ended							
	February 2019 [1]	**May 2019** [1]	**August 2019** [1]	**November 2019** [1]	**February 2020**	**May 2020**	**August 2020**	**November 2020**
System sales [2 & 3]	687.8	832.3	1,076.2	1,023.5	999.5	670.7	897.5	891.4
# of locations	5,941	7,345	7,441	7,373	7,300	7,236	7,123	7,001
Revenue [4]	107,297	125,571	161,290	156,784	150,780	97,808	135,366	127,163
Adjusted EBITDA [2]	28,376	34,145	41,847	43,027	41,037	18,213	43,388	35,181
Normalized Adjusted EBITDA [2]	28,376	38,182	42,077	43,027	41,037	18,213	43,388	35,181
Net income (loss) attributable to owners	14,748	19,337	22,902	20,688	19,008	(99,126)	22,932	20,078
Total comprehensive income (loss) attributable to owners	10,657	32,476	10,469	22,887	26,476	(80,422)	(10,691)	14,911
Net income (loss) per share	0.59	0.76	0.91	0.83	0.76	(4.01)	0.93	0.81
Net income (loss) per diluted share	0.58	0.76	0.91	0.83	0.76	(4.01)	0.93	0.81
Free cash flows [2]	24,914	21,767	26,680	43,577	30,738	28,926	37,078	43,910
Free cash flows per diluted share [2]	1.06	0.84	1.08	1.74	1.24	0.78	1.56	1.78

(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 FISCAL YEAR ENDED NOVEMBER 30, 2020

Revenue

During the 2020 fiscal year, the Company's total revenue decreased to $511.1 million from $550.9 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2020 ($ millions)	November 30, 2019 ($ millions) [(1)]	Variation
Canada	Franchise operation	105.6	146.6	(28%)
	Corporate stores	18.4	39.1	(53%)
	Food processing, distribution and retail	104.2	91.5	14%
	Promotional funds	30.4	42.5	(28%)
	Intercompany transactions	(4.6)	(4.2)	N/A
Total Canada		254.0	315.5	(19%)
US & International	Franchise operation	152.2	138.8	10%
	Corporate stores	46.3	51.2	(10%)
	Food processing, distribution and retail	4.6	4.2	10%
	Promotional funds	56.4	43.0	31%
	Intercompany transactions	(2.4)	(1.8)	N/A
Total US & International		257.1	235.4	9%
Total operating revenues		**511.1**	**550.9**	**(7%)**

[(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 28%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenues, 2019 fiscal year	146.6
Decrease in recurring revenue streams	(42.5)
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Decrease in turnkey, sales of material to franchisees and rent revenues	(5.9)
Decrease in gift card breakage income	(0.2)
Increase due to impact of IFRS 16 on rent revenue	1.2
Increase due to acquisitions	5.4
Other non-material variations	0.6
Revenues, 2020 fiscal year	105.6

The decrease to franchising revenues was mostly due to the negative impact of the pandemic. Year-to-date system sales when excluding acquisitions dropped 33% compared to prior year mostly as a result of COVID-19. At November 30, 2020, the Company still had 197 locations temporarily closed in Canada.

Revenue from corporate-owned locations decreased by 53% to $18.4 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 14% 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. In 2020, 147 products were sold in the Canadian retail market compared to 102 in 2019.

The promotional fund revenue decrease of 28% fluctuated in line with the decrease in system sales. 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 10%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenues, 2019 fiscal year	138.8
Decrease in recurring revenue streams	(15.6)
Increase in initial franchise fees, renewal fees and transfer fees	0.7
Increase in sales of material and services to franchisees	0.1
Decrease in gift card breakage income	(1.7)
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 variations	1.0
Revenues, 2020 fiscal year	152.2

For the US, franchising revenues increased due to the acquisition of Papa Murphy's. Excluding the acquisition, franchising revenues would have decreased by $13.8 million mostly due to the negative impact of the pandemic. Year-to-date system sales when excluding acquisitions dropped 11% compared to prior year mostly as a result of COVID-19. At November 30, 2020 the Company still had 141 locations temporarily closed in the US and Internationally.

The decrease of $4.9 million in corporate-owned location revenues is mainly due to reduction in corporate store sales for locations that were permanently or temporarily closed as a result of the pandemic as well as Papa Murphy's corporately owned locations that were converted into franchises.

The increase in promotional funds of $13.4 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 2020 fiscal year, operating expenses decreased by 7% to $373.8 million, down from $403.5 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2020 ($ millions)**	**November 30, 2019 ($ millions) (1)**	**Variation**
Canada	Franchise operation	56.6	68.4	(17%)
	Corporate stores	17.7	40.7	(57%)
	Food processing, distribution and retail	92.5	81.2	14%
	Promotional funds	30.4	42.5	(28%)
	Intercompany transactions	(2.5)	(3.0)	N/A
Total Canada		194.7	229.8	(15%)
US & International	Franchise operation	78.9	79.3	(1%)
	Corporate stores	48.3	54.4	(11%)
	Promotional funds	56.4	43.0	31%
	Intercompany transactions	(4.5)	(3.0)	N/A
Total US & International		179.1	173.7	3%
Total cost of sales and other operating expenses		**373.8**	**403.5**	**(7%)**

(1) *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions and a reclassification between franchise operations and corporate stores subdivisions.*

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $11.8 million or 17%. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, 2019 fiscal year	68.4
Decrease in recurring non-controllable expenses	(6.5)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(10.7)
Increase in expected credit loss provision	1.3
Increase due to acquisitions	2.1
Decrease due to impact of IFRS 16 on rent expense	(2.8)
Increase due to impact of IFRS 16 on impairment of lease receivables	3.4
Other non-material variations	1.4
Cost of sales and other operating expenses, 2020 fiscal year	56.6

In response to COVID-19, management was able to take certain actions to reduce expenditures within the organization resulting in the overall reduction of $10.7 million in controllable expenses. This is primarily due to reductions in wages, professional fees and travel expenses. Non-controllable expenses also decreased by $6.5 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 $0.4 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, 2019 fiscal year	79.3
Decrease in recurring non-controllable expenses	(3.4)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(8.0)
Increase in expected credit loss provision	2.0
Increase due to acquisitions	10.6
Variation due to intercompany transactions	1.2
Decrease due to impact of IFRS 16 on rent expense	(4.2)
Impact of variation in foreign exchange rates	0.7
Other non-material variations	0.7
Cost of sales and other operating expenses, 2020 fiscal year	78.9

Operating expenses decreased by $0.4 million mostly due to a reduction in controllable expenses of $8.0 million and was offset by the increase due to the acquisition of Papa Murphy's of $10.6 million and an increase in expected credit losses of $2.0 million as a result of the pandemic. The 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 $3.4 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)]

Fiscal year ended November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenues	254.0	257.1	511.1
Expenses	194.7	179.1	373.8
Net profit in joint venture	0.5	—	0.5
Adjusted EBITDA	59.8	78.0	137.8
Adjusted EBITDA as a % of Revenues	24%	30%	27%

Fiscal year ended November 30, 2019			
(In millions $)	Canada	US & International	Total
Revenues	315.5	235.4	550.9
Expenses	229.8	173.7	403.5
Adjusted EBITDA	85.7	61.7	147.4
Adjusted EBITDA as a % of Revenues	27%	26%	27%

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

Fiscal year ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	257.8	64.7	108.8	86.8	(7.0)	511.1
Expenses	135.5	66.0	92.5	86.8	(7.0)	373.8
Net profit in joint venture	0.5	—	—	—	—	0.5
Adjusted EBITDA	122.8	(1.3)	16.3	—	—	137.8
Adjusted EBITDA as a % of Revenues	48%	N/A	15%	N/A	N/A	27%

Fiscal year ended November 30, 2019						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	285.4	90.3	95.7	85.5	(6.0)	550.9
Expenses [(2)]	147.7	95.1	81.2	85.5	(6.0)	403.5
Adjusted EBITDA	137.7	(4.8)	14.5	—	—	147.4
Adjusted EBITDA as a % of Revenues	48%	N/A	15%	N/A	N/A	27%

(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 reclassification between franchise operations and corporate stores subdivisions.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Adjusted EBITDA [(1)], fiscal year of 2019	85.7	61.7	147.4
Variance in recurring revenues and expenses	(31.9)	(5.9)	(37.8)
Increase in initial franchise fees, renewal fees and transfer fees	0.4	0.7	1.1
Increase in expected credit loss provision	(1.5)	(2.0)	(3.5)
Variance due to acquisitions	3.0	15.8	18.8
Variance due to impact of IFRS 16 on rent revenue & expense	7.5	8.2	15.7
Variance due to impact of IFRS 16 on impairment of lease receivables	(3.4)	(0.2)	(3.6)
Variance due to net impact of joint venture	0.5	—	0.5
Impact of variation in foreign exchange rates	—	0.9	0.9
Other non-material variations	(0.5)	(1.2)	(1.7)
Adjusted EBITDA [(1)], fiscal year of 2020	59.8	78.0	137.8

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

Total adjusted EBITDA for the year ended November 30, 2020 was $137.8 million, a decrease of 6% 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 44% of total adjusted EBITDA and a year-over-year decrease of $30.0 million. This decrease of 35% 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 $1.5 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 13% 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 year ended November 30, 2020, a net loss attributable to owners of $37.1 million was recorded or $1.50 per share ($1.50 per diluted share) compared to net income of $77.7 million or $3.09 per share ($3.08 per diluted share) last year. The decrease was primarily due to impairments taken during the year resulting from the adverse impact of COVID-19, which resulted in a non-cash impairment charge of $122.8 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 $)	**Year ended November 30, 2020**	**Year ended November 30, 2019**
(Loss) income before taxes	(51,949)	97,997
Depreciation - property, plant and equipment and right-of-use assets	16,998	4,023
Amortization - intangible assets	30,876	29,185
Interest on long-term debt	16,756	17,649
Net interest expense on leases	2,481	—
Impairment charge - right-of-use assets	4,291	—
Impairment charge - property, plant and equipment, intangible assets and goodwill	122,826	2,619
Unrealized and realized foreign exchange gain	(3,230)	(402)
Interest income	(408)	(856)
Gain on de-recognition/lease modification of lease liabilities	(2,890)	—
Loss (gain) on disposal of property, plant and equipment and intangible assets	466	(2,341)
Revaluation of financial liabilities recorded at fair value through profit and loss	1,602	(931)
Loss on settlement of promissory notes	—	452
Adjusted EBITDA	**137,819**	**147,395**
Transaction costs related to acquisitions	—	4,267
Normalized Adjusted EBITDA	**137,819**	**151,662**

(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 $13.0 million as a result of the addition of right-of-use assets associated with IFRS 16.

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 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 standards, 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 $2.9 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 NOVEMBER 30, 2020

Revenue

During the fourth quarter of 2020, the Company's total revenue decreased to $127.1 million from $156.8 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2020 ($ millions)	November 30, 2019 ($ millions) (1)	Variation
Canada	Franchise operation	27.7	42.2	(34%)
	Corporate stores	4.1	9.7	(58%)
	Food processing, distribution and retail	24.8	25.9	(4%)
	Promotional funds	8.0	10.9	(27%)
	Intercompany transactions	(3.4)	(2.3)	N/A
Total Canada		61.2	86.4	(29%)
US & International	Franchise operation	40.4	39.4	3%
	Corporate stores	11.1	19.3	(42%)
	Food processing, distribution and retail	1.1	1.1	(0%)
	Promotional funds	14.2	12.2	16%
	Intercompany transactions	(0.8)	(1.6)	N/A
Total US & International		66.0	70.4	(6%)
Total operating revenues		**127.2**	**156.8**	**(19%)**

(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 34%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenues, fourth quarter of 2019	42.2
Decrease in recurring revenue streams	(12.4)
Decrease in initial franchise fees, renewal fees and transfer fees	(0.1)
Decrease in turnkey, sales of material to franchisees and rent revenues	(3.0)
Increase due to impact of IFRS 16 on rent revenue	0.2
Other non-material variations	0.8
Revenues, fourth quarter of 2020	27.7

The decrease in franchising revenues was mostly due to the negative impact of the pandemic. For the three-month period ended November 30, 2020, system sales, when excluding acquisitions, dropped 33% compared to prior year mostly as a result of COVID-19. At November 30, 2020, the Company still had 137 locations temporarily closed in Canada.

Revenue from corporate-owned locations decreased by 58% to $4.1 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 decreased by 4% compared to last year. Distribution revenues decreased by $2.6 million as a result of COVID-19, partially offset by a $1.5 million growth from retail sales channel. The launch of new products in the retail division as well as expansion into new provinces contributed to the increase in retail sales. In 2020, 147 products were sold in the retail market compared to 102 in 2019.

The promotional fund revenue decrease of 27% 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 increased by $1.0 million but varied accordingly, as listed below:

	(In millions $)
Revenues, fourth quarter of 2019	39.4
Variance in recurring revenue streams	2.6
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Decrease in sales of material and services to franchisees	(1.6)
Decrease in gift card breakage income	(0.4)
Other non-material variations	0.1
Revenues, fourth quarter of 2020	40.4

For the fourth quarter, system sales increased by 4% for US locations, while International locations decreased by 40% compared to prior year. Robust system sales growth of a few brands in the US and International portfolio offset the impact of COVID-19 and a decrease in sales and material. As at November 30, 2020, the Company still had 141 locations temporarily closed in the US and Internationally.

The decrease of $8.2 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.

Promotional fund revenues grew by 16% during the quarter, outpacing the 3% increase in franchising revenues. This higher increase is due to the higher promotional fund and COOP contributions of the brands that have performed the best during the quarter, while brands with lower contributions have had weaker performances.

Cost of sales and other operating expenses

During the fourth quarter of 2020, operating expenses decreased by 19% to $92.0 million, down from $113.8 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2020 ($ millions)**	**November 30, 2019 ($ millions) [(1)]**	**Variation**
Canada	Franchise operation	14.6	18.9	(23%)
	Corporate stores	3.6	10.0	(64%)
	Food processing, distribution and retail	21.8	23.1	(6%)
	Promotional funds	8.0	10.9	(27%)
	Intercompany transactions	(1.1)	(0.9)	N/A
Total Canada		46.9	62.0	(24%)
US & International	Franchise operation	22.2	20.7	7%
	Corporate stores	11.8	21.9	(46%)
	Promotional funds	14.2	12.2	16%
	Intercompany transactions	(3.1)	(3.0)	N/A
Total US & International		45.1	51.8	(13%)
Total cost of sales and other operating expenses		**92.0**	**113.8**	**(19%)**

[(1)] *Prior year amounts have been restated to reflect a change in presentation for retail promotional deductions and a reclassification between franchise operations and corporate stores subdivision.*

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $4.3 million or 23%. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, fourth quarter of 2019	18.9
Decrease in recurring non-controllable expenses	(3.1)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(2.5)
Decrease in expected credit loss provision	(0.2)
Decrease due to impact of IFRS 16 on rent expense	(0.6)
Increase due to impact of IFRS 16 on impairment of lease receivables	0.7
Other non-material variations	1.4
Cost of sales and other operating expenses, fourth quarter of 2020	14.6

For the quarter, management continued to take actions to reduce expenditures within the organization resulting in the overall reduction of $2.5 million in recurring controllable expenses, most of which was due to reductions in wages. Non-controllable expenses also decreased by $3.1 million 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 increased by $1.5 million or 7%. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, fourth quarter of 2019	20.7
Increase in recurring non-controllable expenses	0.7
Increase in recurring controllable expenses including wages, professional and consulting services and other office expenses	0.4
Variation due to intercompany transactions	1.2
Decrease due to impact of IFRS 16 on rent expense	(1.3)
Increase due to impact of IFRS 16 on impairment of lease receivables	0.3
Impact of variation in foreign exchange rates	0.1
Other non-material variations	0.1
Cost of sales and other operating expenses, fourth quarter of 2020	22.2

During the quarter, operating expenses increased by $1.5 million mostly due to an increase in non-controllable expenses, consulting and professional services and variation of intercompany expenses This was partially offset by IFRS 16 impact on rent expense.

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 November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenues	61.2	66.0	127.2
Expenses	46.9	45.1	92.0
Adjusted EBITDA	14.3	20.9	35.2
Adjusted EBITDA as a % of Revenues	23%	32%	28%

Three-month period ended November 30, 2019			
(In millions $)	Canada	US & International	Total
Revenues	86.4	70.4	156.8
Expenses	62.0	51.8	113.8
Adjusted EBITDA	24.4	18.6	43.0
Adjusted EBITDA as a % of Revenues	28%	26%	27%

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

Three-month period ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	68.1	15.2	25.9	22.2	(4.2)	127.2
Expenses	36.8	15.4	21.8	22.2	(4.2)	92.0
Adjusted EBITDA	31.3	(0.2)	4.1	—	—	35.2
Adjusted EBITDA as a % of Revenues	46%	N/A	16%	N/A	N/A	28%

Three-month period ended November 30, 2019						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	81.6	29.0	27.0	23.1	(3.9)	156.8
Expenses	39.6	31.9	23.1	23.1	(3.9)	113.8
Adjusted EBITDA	42.0	(2.9)	3.9	—	—	43.0
Adjusted EBITDA as a % of Revenues	51%	N/A	14%	N/A	N/A	27%

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

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Adjusted EBITDA [1], fourth quarter of 2019	24.4	18.6	43.0
Variance in recurring revenues and expenses	(10.5)	2.0	(8.5)
Variance in initial franchise fees, renewal fees and transfer fees	(0.1)	0.3	0.2
Variance in expected credit loss provision	0.1	(0.1)	—
Variance due to impact of IFRS 16 on rent revenue & expense	1.9	2.0	3.9
Variance due to impact of IFRS 16 on impairment of lease receivables	(0.7)	(0.3)	(1.0)
Impact of variation in foreign exchange rates	—	(0.3)	(0.3)
Other non-material variations	(0.8)	(1.3)	(2.1)
Adjusted EBITDA [1], fourth quarter of 2020	14.3	20.9	35.2

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

Total adjusted EBITDA for the quarter ended November 30, 2020 was $35.2 million, a decrease of 18% compared to the same period last year. Adjusted EBITDA excluding the impacts of IFRS 16 for the three-month period would have been $13.1 million and $19.2 million in Canada and the US & International, respectively and would have decreased by 25% when compared to 2019 at $43.0 million. The impacts of COVID-19 are the primary reason for the decrease offset mainly by the 2019 acquisitions.

Excluding IFRS 16, Canada contributed 41% of total adjusted EBITDA and a decrease for the quarter of $11.3 million. This decrease of 46% 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 combined

In the US & International, adjusted EBITDA excluding IFRS 16 would have increased by $0.6 million. The increase is mostly a result of cost control measures put into place as a result of the pandemic, offset by the impact of foreign exchange.

Net income

For the three-month period ended November 30, 2020, net income attributable to owners of $20.1 million or $0.81 per share ($0.81 per diluted share) was recorded compared to net income of $20.7 million or $0.83 per share ($0.83 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) [(1)]

(In thousands $)	Quarter ended November 30, 2020	Quarter ended November 30, 2019
(Loss) income before taxes	12,882	25,502
Depreciation - property, plant and equipment and right-of-use assets	3,904	1,467
Amortization - intangible assets	8,013	7,862
Interest on long-term debt	3,754	5,700
Net interest expense on leases	585	—
Impairment charge - right-of-use assets	1,170	—
Impairment charge - property, plant and equipment, intangible assets and goodwill	2,560	1,661
Unrealized and realized foreign exchange gain	(599)	5
Interest income	(139)	(298)
Gain on de-recognition/lease modification of lease liabilities	(42)	—
Loss (gain) on disposal of property, plant and equipment and intangible assets	297	(656)
Revaluation of financial liabilities recorded at fair value through profit and loss	2,796	1,332
Loss on settlement of promissory notes	—	452
Adjusted EBITDA	**35,181**	**43,027**

(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 $2.4 million as a result of the addition of right-of-use assets associated with IFRS 16.

Under the new IFRS 16 standards, 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 $1.9 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	111.4	—	—	—	—	—	—
Long-term debt (1)	4.2	6.3	442.1	4.8	—	—	3.5
Interest on long-term debt (2)	4.9	4.9	8.2	—	—	—	—
Net lease liabilities	6.5	6.5	12.5	10.8	8.7	6.8	25.2
Total contractual obligations	**127.0**	**17.7**	**462.8**	**15.6**	**8.7**	**6.8**	**28.7**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the November 30, 2020 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 November 30, 2020, the amount held in cash totaled $44.3 million, a decrease of $6.4 million since the end of the 2019 fiscal period.

During the first quarter of 2020, MTY paid $4.6 million in dividends to its shareholders. The dividend payment was suspended for the remainder of the 2020 fiscal year. The Company also repurchased and cancelled 364,774 (2019 – nil) of its shares for $18.9 million through its NCIB during the 2020 fiscal year.

During the year, cash flows generated by operating activities were $133.7 million, compared to 113.0 million in 2019. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $141.9 million in cash flows, compared to $149.2 million in 2019.

The revolving credit facility has an authorized amount of $700.0 million (November 30, 2019 – $700.0 million), of which $433.0 million was drawn at November 30, 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 November 30, 2020, 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 November 30		Twelve months ended November 30	
	2020	2019	**2020**	2019
Franchises, beginning of the period	**6,989**	7,278	**7,229**	5,919
Corporate-owned, beginning of period				
Canada	**35**	50	**50**	42
US	**78**	113	**94**	23
Joint venture	**21**	—	**—**	—
Total, beginning of the period	**7,123**	7,441	**7,373**	5,984
Opened during the period	**39**	84	**185**	303
Closed during the period	**(161)**	(152)	**(578)**	(558)
Acquired during the period	**—**	—	**—**	1,644
Joint venture acquired during the period	**—**	—	**23**	—
Joint venture closed during the period	**—**	—	**(2)**	—
Total, end of the period	**7,001**	7,373	**7,001**	7,373
Franchises, end of the period			**6,867**	7,229
Corporate-owned, end of the period				
Canada			**37**	50
US			**76**	94
Joint venture			**21**	—
Total, end of the period			**7,001**	7,373

The Company's network opened 185 locations (89 in Canada, 70 in the US and 26 International) for the year ended November 30, 2020. For the fourth quarter, 39 locations were opened (19 in Canada, 14 in the US and six International).

During the year ended November 30, 2020, the Company's network closed 578 locations (260 in Canada, 276 in the US and 42 International). Of the locations closed during the quarter, 52% were located on street front, 25% in malls and office towers and 23% in other non-traditional formats. For the quarter, 161 locations were closed (85 in Canada, 68 in the US and eight International).

As at November 30, 2020, the Company's network had a total of 338 locations temporarily closed as a result of COVID-19. Of these temporarily closed locations, 197 are in Canada, 108 in the US and the remaining 33 Internationally. As at February 17, 2021, MTY has 408 temporarily closed. Although these locations are expected to reopen, the timing of these re-openings is uncertain.

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

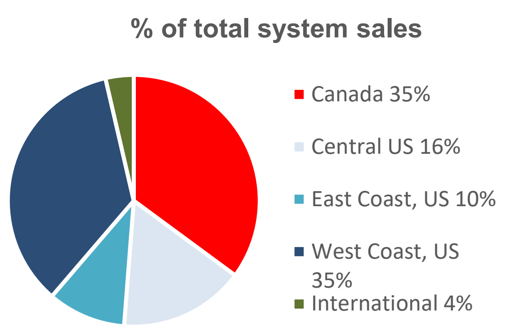
Location type	% of location count November 30		% of system sales 12 months ended November 30	
	2020	2019	**2020**	2019
Shopping mall & office tower food courts	**15%**	16%	**10%**	17%
Street front	**63%**	63%	**82%**	72%
Non-traditional format	**22%**	21%	**8%**	11%

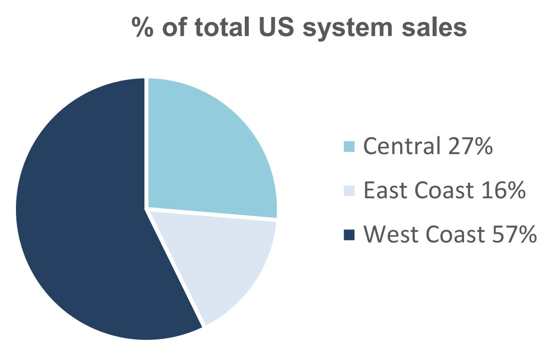
The geographical breakdown of MTY's locations and system sales is as follows:

Geographical location	% of location count November 30 2020	% of location count November 30 2019	% of system sales 12 months ended November 30 2020	% of system sales 12 months ended November 30 2019
Canada	**38%**	38%	**35%**	46%
US	**55%**	55%	**61%**	49%
International	**7%**	7%	**4%**	5%

In Canada, Quebec had the largest portion of total system sales with 18% followed by Ontario with 9%. In the US, only the state of California exceeded 10% of the total system sales for the year followed by Washington, which contributed to the network's sales with 6% 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 November 30 2020	% of location count November 30 2019	% system sales 12 months ended November 30 2020	% system sales 12 months ended November 30 2019
Quick Service Restaurant (QSR)	**83%**	84%	**73%**	67%
Fast Casual	**10%**	10%	**12%**	12%
Casual Dining	**7%**	6%	**15%**	21%

System sales

During the three and twelve-month periods ended November 30, 2020, MTY's network generated $891.4 million and $3,459.1 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%)**
Fourth quarter 2020	305.7	556.8	28.9	**891.4**
Fourth quarter 2019	439.1	536.5	47.9	**1,023.5**
Variance	(30%)	4%	(40%)	**(13%)**
Year-to-date 2020	1,206.7	2,130.5	121.9	**3,459.1**
Year-to-date 2019	1,666.4	1,767.9	185.5	**3,619.8**
Variance	(28%)	21%	(34%)	**(4%)**

For the fourth quarter of 2020, systems sales decreased by 13% compared to prior year while the year-to-date sales decreased by 4% from last year. The three-month period decrease is mainly due to the impacts of the second wave of restrictions across Canada. The split of the fourth quarter sales on a month to date basis is as follows:

(millions of $)	Canada	US	International	**TOTAL**
September 2020	124.5	188.9	9.6	**323.0**
September 2019	153.6	184.5	20.9	**359.0**
Variance	(19%)	2%	(54%)	**(10%)**
October 2020	87.2	199.5	9.9	**296.6**
October 2019	141.5	193.9	13.6	**349.0**
Variance	(38%)	3%	(27%)	**(15%)**
November 2020	94.0	168.4	9.4	**271.8**
November 2019	144.0	158.1	13.4	**315.5**
Variance	(35%)	7%	(30%)	**(14%)**

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

(millions of $)	Canada	US	International	**TOTAL**
September 2020	119.8	188.9	9.6	**318.3**
September 2019	153.6	184.5	20.9	**359.0**
Variance	(22%)	2%	(54%)	**(11%)**
October 2020	84.6	199.5	9.9	**294.0**
October 2019	141.5	193.9	13.6	**349.0**
Variance	(40%)	3%	(27%)	**(16%)**
November 2020	90.9	168.4	9.4	**268.7**
November 2019	144.0	158.1	13.4	**315.5**
Variance	(37%)	7%	(30%)	**(15%)**

The overall movement in sales is distributed as follows:

(millions of $)	Three-months sales ended November 30 Canada	US	International	TOTAL	Twelve-months sales ended November 30 Canada	US	International	TOTAL
Reported sales – 2019	439.1	536.5	47.9	**1,023.5**	1,666.5	1,775.0	178.3	**3,619.8**
Net increase in sales generated by concepts acquired during the last 24 months	10.4	—	—	**10.4**	92.5	519.3	—	**611.8**
Net change resulting from the impact of the pandemic and the temporary and permanent restaurant closures	(143.8)	(27.8)	(18.8)	**(190.4)**	(552.3)	(240.2)	(58.7)	**(851.2)**
Cold Stone Creamery and Papa Murphy's organic growth	—	49.9	—	**49.9**	—	54.3	—	**54.3**
Cumulative impact of foreign exchange variation	—	(1.8)	(0.2)	**(2.0)**	—	22.1	2.3	**24.4**
Reported sales – 2020	305.7	556.8	28.9	**891.4**	1,206.7	2,130.5	121.9	**3,459.1**

Due to the severe impact of COVID-19 on the sales of the network, system sales for the twelve-month period ended November 30, 2020, decreased by 4%. MTY started the quarter with 364 temporarily closed locations because of COVID-19, of which 338 were still closed as at November 30, 2020. This resulted in a total of 30,222 days of lost business. Of the closed locations, 197 were in Canada, 108 in the US and 33 were internationally located.

The acquisitions realized partially offset the system sales decline. Papa Murphy's represents 85% of the total sales generated by the new acquisitions for the twelve-month period ended November 30,2020. Year-to-date, a weaker Canadian dollar relative to the US dollar also increased sales and resulted in a favorable variation of $24.4 million in reported sales.

During the fourth quarter, new openings opened in the last 24 months increased system sales by $7.7 million and $5.6 million in Canada and the US respectively.

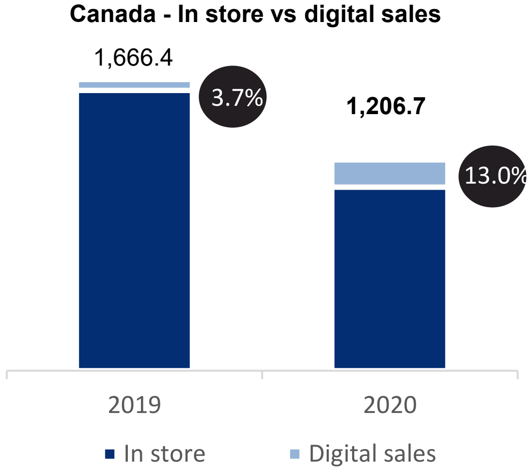
Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 31% and 18% respectively of the total sales of MTY's network for the twelve-month period ended November 30, 2020. Year-to-date, Taco Time, Thai Express and Baja 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.

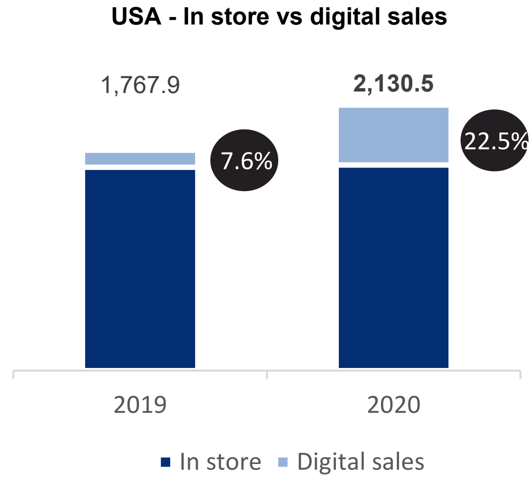
System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes;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

Digital sales

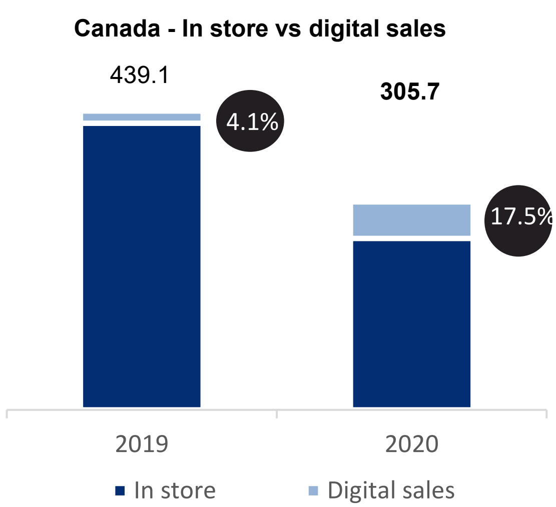
The pandemic has accelerated consumer shifts to online ordering and delivery. Digital sales grew to $636.4 million from $199.2 million the year before, for the year ended November 30, 2020 and represented 19% of sales. The digital sales pertained to delivery sales, which have benefited from the Company's increased investments in online ordering and third party delivery options.

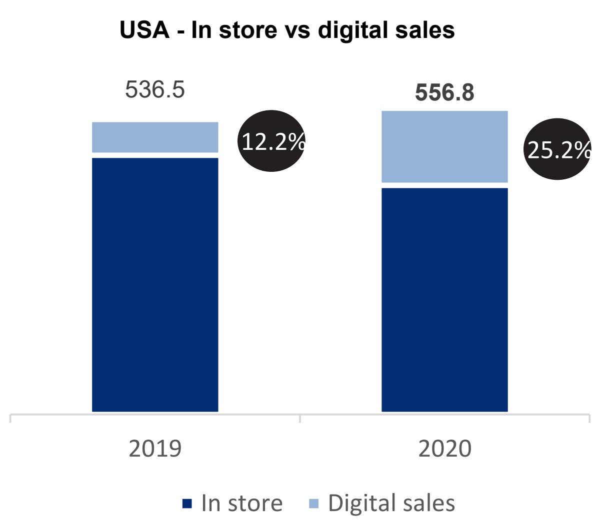
System sales versus digital sales breakdown is as follows for fiscal years ended November 30:





Digital sales for the fourth quarter increased to reach 22.5% of total system sales compared to 8.5% the year before. The breakdown for the fourth quarter is as follows:





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 into the first half of fiscal 2021. 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 November 30, 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 November 30, 2020, MTY's share price fluctuated between $14.23 and $62.82. On November 30, 2020, MTY's shares closed at $51.65.

Capital stock

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

As at February 17, 2021, the Company's issued and outstanding capital stock consisted of 24,706,461 shares (November 30, 2019 – 25,071,235) and 400,000 granted and outstanding stock options (November 30, 2019 – 400,000). During the twelve-month period ended November 30, 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 twelve months ended November 30, 2020, the Company repurchased and cancelled a total of nil and 364,774 common shares, respectively (2019 – 98,543 and 98,543, respectively), under the current NCIB, at a weighted average price of nil and $51.72 per common share respectively (2019 – $53.04 and $53.04 per common share respectively), for a total consideration of nil and $18.9 million, respectively (2019 – $5.2 million and $5.2 million respectively).). For the three and twelve months ended November 30, 2020, an excess of nil and $14.3 million, respectively (2019 – $4.0 million and $4.0 million, respectively) of the shares repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

Until May 31, 2021, the credit agreement amendment contains various limitations on distributions. The main limitations on distributions impose restrictions on 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 ratio.

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 $)	**2020**	2019
	$	$
Litigations, disputes and other contingencies	**2,878**	11,474
Closed stores	**187**	1,947
	3,065	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 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 $13.3 million as at November 30, 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 November 30, 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.

Remuneration of key management personnel

The remuneration of key management personnel and directors during the years ended November 30, 2020 and 2019 was as follows:

(In thousands $)	**2020**	2019
	$	$
Short-term benefits	**2,619**	2,497
Share-based payments	**963**	657
Board member fees	**75**	75
Total remuneration of key management personnel	**3,657**	3,229

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:

(In thousands $)	**2020**	2019
	$	$
Short-term benefits	**505**	494
Share-based payments	**10**	22
Consulting services	**—**	38
Total remuneration of individuals related to key management personnel	**515**	554

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 $0.2 million for the year ended November 30, 2020 (2019 – nil). The Company has a current net receivable due from its joint venture associate of $0.1 million as at November 30, 2020 (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 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.

Impact on lessee accounting

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 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 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 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 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 consolidated statements of financial position as at December 1, 2019.

Impact on lessor accounting

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**

COVID-19 accounting implications on leases

In response to the COVID-19 pandemic, in May 2020 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 negative variable lease payments of $0.6 million (2019 – nil) as part of rent expense, presented in Cost of goods sold and rent in note 29 of the consolidated financial statements.

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.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Impairment of long-lived assets

The Company assesses whether there are any indicators of impairment for all long-lived assets at each reporting period date. In addition, management is required to use judgement in determining the grouping of assets to identify CGU; the determination is done based on management's best estimation of what constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year ended November 30, 2020, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment of property, plant and equipment, franchise rights and trademarks

The Company performs at least annually an impairment test of its trademarks. The recoverable amounts of the Company's assets are generally estimated based on value-in-use calculations using a discounted cash flow approach as this was determined to be higher than fair value less cost of disposal, except for certain corporate store assets for which fair value less cost of disposal was higher than their value in use. The fair value less cost of disposal of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment.

Discount rates are based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account.

During the years ended November 30, 2020 and 2019, the Company recognized impairment charges on its franchise rights and trademarks (note 18 of the consolidated financial statements). The total impairment of $51.7 million (2019 – $1.7 million) represents a write-down of the carrying value to the fair value of the trademarks and franchise rights. The fair value was determined using significant unobservable inputs such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy.

During the years ended November 30, 2020 and 2019, the Company also recognized impairment charges on its property, plant and equipment. The cumulative impairment on property, plant and equipment of $3.2 million (2019 – $1.0 million) represents a write-down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, which was higher than their value in use.

These calculations take into account our best estimate of future cash flows, using previous year's cash flows for each CGU to extrapolate a CGU's future performance to the earlier of the termination of the lease (if applicable) or five years and a terminal value is calculated beyond this period, assuming no growth to the cash flows of previous periods. A cash flow period of five years was used as predictability for periods beyond this cannot be estimated with reasonable accuracy.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount in use of the goodwill unit to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the goodwill unit and a suitable discount rate in order to calculate present value.

During the year ended November 30, 2020, the Company recognized impairment charges of $68.0 million on its goodwill (note 18 consolidated financial statements). During the year ended November 30, 2019, no impairment charge on goodwill was required.

Provisions

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes provisions for onerous contracts, litigations and disputes and contingencies.

Gift card liabilities

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

Supplier contributions

The Company recognizes certain revenues based on estimated considerations to be received from suppliers. These estimates are based on historical patterns of purchase and earned revenues.

Impact of 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.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the consolidated financial statements. These estimates, judgments and assumptions are subject to change.
The 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;
- Expected credit losses on lease guarantees were taken as new provisions;
- Impairment testing on property, plant and equipment and right-of-use assets were carried out resulting in impairments;
- Impairment testing on franchise rights, trademarks and goodwill were carried out and material impairments were recorded;
- Provisions for closed stores, and related litigations and disputes were increased to reflect new risks;
- Additional fair value adjustment on the $100,000 credit facility interest rate swap resulting from the decrease in Canadian borrowing rate;
- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense for the year ending November 30, 2020 of $6.8 million (2019 – nil) resulting from the Canadian Employment Wage Subsidies; and
- Reduction in rent expense for the year ending November 30, 2020 of $0.2 million (2019 – nil) resulting from the Canadian Emergency Rent Subsidies.

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 November 30, 2020 and have not been applied in preparing these consolidated financial statements.

The following standards or amendments, with the exception of the amendments to IFRS 3, IFRS 9, IAS 39 and IFRS 7, 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	No impact
IFRS 9, Financial Instruments IAS 39, Financial Instruments: Recognition and Measurement IFRS 7, Financial Instruments: Disclosures	September 2019	December 1, 2020	No impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020 & July 2020	December 1, 2023	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 the amendments on December 1, 2020.

IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In September 2019, the IASB published *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* as a first reaction to the potential effects the Interbank offered rates ("IBOR") reform could have on financial reporting. Recent market developments have brought into question the long-term viability of the IBOR benchmarks. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 and IAS 39, which require forward-looking analysis. There are also amendments to IFRS 7 regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments to IFRS 9, IAS 39 and IFRS 7 are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The Company will adopt the amendments on December 1, 2020.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

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 2021 fiscal year to be impacted with potential continuing adverse impacts beyond this.

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, 2020 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 receivables, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2020 and 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 $)		**2020**		2019
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**4,760**	**4,760**	7,145	7,145
Finance lease receivables	**468,127**	**468,127**	—	—
Financial liabilities				
Long-term debt [(1)]	**443,852**	**453,397**	531,196	542,147

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

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 and monitoring procedures.

Fair value of recognized financial instruments

Promissory notes issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar

In 2019, the Company settled and cancelled four of the six promissory notes that were recorded as part of the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar and recorded a loss of $0.5 million.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company, with respect to these promissory notes. These notes are subject to significant unobservable inputs such as discount rates and projected revenues and EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of nil on the fair value, as at November 30, 2020 (2019 – $0.1 million).

A fair value re-measurement gain of $0.1 million was recorded for these promissory notes for the year ended November 30, 2020 (2019 – gain of $1.9 million).

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Yuzu Sushi, Allô! Mon Coco and investment in Tortoise Group, contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings and are repayable in August 2021 for Yuzu Sushi and December 2022 for Tortoise Group. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis. The contingent considerations for Allô! Mon Coco were repaid during the year ended November 30, 2020 for a total repayment amount of $0.9 million.

A fair value re-measurement loss of $1.0 million was recorded for the contingent considerations for the year ended November 30, 2020 (2019 – loss of $0.2 million).

Obligations to repurchase non-controlling interests

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value which is remeasured at each reporting period.

A fair value remeasurement loss of $0.2 million (2019 – gain of nil) was recorded for this non-controlling interest obligation.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value which is remeasured at each reporting period.

A discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company with respect to this obligation. The non-controlling interest buyback obligation is subject to significant unobservable inputs such as a discount rate and projected EBITDA. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2020 (2019 – nil).

A fair value re-measurement gain of $1.5 million (2019 – loss of nil) was recorded for this non-controlling interest obligation.

Obligation to repurchase partner in a joint venture

The Company, in conjunction with the acquisition of its 70% interest in a joint venture that acquired Tortoise Group, entered into an agreement to acquire the remaining 30% interest by December 2025. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of $0.1 million on the carrying amount as at November 30, 2020 (2019 – nil).

A fair value remeasurement loss of $0.5 million (2019 – nil) was recorded for this obligation to repurchase a partner in a joint venture.

Interest rate swap

The Company holds an interest rate swap that is contracted to a fix rate on a notional amount of $100.0 million and is maturing in July 21, 2021. The fair value of this interest rate swap amounted to $1.2 million (2019 – nil) and the Company recorded a fair value remeasurement loss of $1.6 million for the year ended November 30, 2020 (2019 – loss of $0.7 million). The Company has classified this as level 2 in the fair value hierarchy.

Cross currency interest rate swap

On November 30, 2020, the Company entered two floating to floating 1-month cross currency interest rate swaps. A fair value of nil was recorded as at November 30, 2020 (2019 – nil).

Receive-Notional	Receive-rate	Pay-Notional	Pay-rate
US$137.6 million	2.44%	CA$180.0 million	2.45%
US$95.4 million	1.85%	CA$125.0 million	1.94%

Fair value hierarchy	**Level 3**	
(In thousands $)	**2020**	2019
	$	$
Promissory notes for Houston Avenue Bar & Grill	**—**	329
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**2,928**	2,738
Contingent considerations on acquisitions and investment in a joint venture	**8,075**	3,874
Non-controlling interest buyback options	**1,171**	2,513
Obligation to repurchase partner in a joint venture	**3,364**	—
Financial liabilities	**15,538**	9,454

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2020.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the 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 the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the US, which limits the concentration of credit risk.

The credit risk on the Company's loans receivable is similar to that of its accounts receivable.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's US and foreign operations use the U.S. dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in US dollars, other working capital items and financial obligations from its US operations. As at November 30, 2020, the long-term debt denominated in USD is not exposed to foreign exchange risk as a result of two cross currency interest rate swaps.

Fluctuations in USD exchange rates are deemed to have minimal risk as they are mostly offset by the stand-alone operations of the Company's US entities.

As at November 30, 2020, the Company has the following financial instruments denominated in foreign currencies:

(in thousands $)		**2020**		2019
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**4,437**	**5,753**	5,194	6,902
Accounts receivable	**645**	**836**	253	337
Financial liabilities				
Accounts payable and deposits	**(85)**	**(110)**	(33)	(44)
Net financial assets	**4,997**	**6,479**	5,414	7,195

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$0.3 million (2019 – profit of C$0.3 million) on the consolidated statements of income and comprehensive income.

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. $433.0 million (2019 – $518.9 million) of the credit facility was used as at November 30, 2020. A 100 basis points increase in the bank's prime rate would result in additional interest of $4.3 million per annum (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 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 November 30, 2020, the Company had an authorized revolving credit facility for which the available amount may not exceed $700.0 million (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 November 30, 2020:

(In millions $)	Carrying amount	Contractual cash flows	0 - 6 Months	6 - 12 Months	12 - 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	111.4	111.4	111.4	—	—	—
Long-term debt (1)	460.5	460.9	4.2	6.3	442.1	8.3
Interest on long-term debt	n/a	18.0	4.9	4.9	8.2	—
Lease liabilities	558.7	574.5	63.2	63.2	109.6	338.5
Total contractual obligations	**1,130.6**	**1,164.8**	**183.7**	**74.4**	**559.9**	**346.8**

(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 adapt to the changes for 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

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. It should include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at November 30, 2020, have concluded that the Company's disclosure controls and procedures were effective.

Internal controls over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of November 30, 2020. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

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 CEO and CFO, 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 November 30, 2020, these SPEs represent less than 0.1% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.1% of the Company's current liabilities, less than 0.1% of long-term liabilities, less than 0.1% of the Company's revenues and less than 0.1% 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,	July 2016	100%	2,839	40

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Planet Smoothie, Maui Wowi and Pinkberry				
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 14 and 20.
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 14 and 20.
Free Cash flow	Represents the sum total cash flows 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.
Digital sales	Digital sales are sales made by customers through online ordering platforms.
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 $)	February 2019	May 2019	August 2019	November 2019	February 2020	May 2020	August 2020	November 2020
Cash flows provided by operating activities	26,757	21,077	27,220	37,897	30,980	19,207	38,624	44,841
Additions to property, plant and equipment	(1,954)	(1,212)	(809)	(1,191)	(1,119)	(316)	(1,764)	(998)
Additions to intangible assets	(64)	(231)	(458)	(1,383)	(649)	(618)	(63)	(97)
Proceeds on disposal of property, plant and equipment, assets held for sale and intangible assets	175	2,133	727	8,254	1,526	10,653	281	164
Free cash flows (1)	**24,914**	**21,767**	**26,680**	**43,577**	**30,738**	**28,926**	**37,078**	**43,910**

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

System Sales (1) to reported royalties

(millions of $)	Canada			US & International			
Sales year ended November 30 2020	Corporate	Franchised	Total	Corporate	Franchised	Total	TOTAL
System sales (1)	18.4	1,188.3	1,206.7	46.3	2,206.1	2,252.4	**3,459.1**
Franchise royalty income as a % of franchise sales	—	4.86%	—	—	4.87%	—	N/A
Reported royalties	—	57.8	—	—	107.3	—	**165.1**

(millions of $)	Canada			US & International			
Sales year ended November 30 2019	Corporate	Franchised	Total	Corporate	Franchised	Total	TOTAL
System sales (1)	39.1	1,627.3	1,666.4	51.2	1,902.2	1,953.4	**3,619.8**
Franchise royalty income as a % of franchise sales	—	5.19%	—	—	5.11%	—	N/A
Reported royalties	—	84.5	—	—	97.2	—	**181.7**

(millions of $)	Three-months sales ended November 30, 2020						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	4.1	301.6	305.7	11.1	574.6	585.7	**891.4**
Franchise royalty income as a % of franchise sales	—	4.74%	—	—	4.87%	—	N/A
Reported royalties	—	14.3	—	—	28.0	—	**42.3**

(millions of $)	Three-months sales ended November 30, 2019						
	Canada			US & International			
	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	9.7	429.4	439.1	19.3	565.1	584.4	**1023.5**
Franchise royalty income as a % of franchise sales	—	5.21%	—	—	4.94%	—	N/A
Reported royalties	—	22.4	—	—	27.9	—	**50.3**

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