



Source: MTY Food Group Inc.

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**PRESS RELEASE
FOR IMMEDIATE PUBLICATION**

MTY REPORTS 2020 FOURTH QUARTER AND ANNUAL RESULTS

- Free cash flows⁽¹⁾ for Q4-20 of \$43.9 million, up 1% compared to Q4-19; on a per diluted share basis, free cash flows were \$1.78 per share in the quarter, compared to \$1.74 a year before.
- For fiscal year 2020, free cash flows were \$140.7 million, up 20% compared to 2019; on a per diluted share basis, free cash flows for 2020 reached \$5.68, compared to \$4.64 in 2019.
- Adjusted EBITDA⁽¹⁾ for Q4-20 decreased 18% to reach \$35.2 million; adjusted EBITDA⁽¹⁾ for 2020 down 6% to \$137.8 million.
- Long-term debt repayments of \$37.6 million for the quarter.
- Net income attributable to shareholders for Q4-20 at \$20.1 million or \$0.81 per share.
- System sales⁽¹⁾ of \$891.4 million in Q4-20, compared to \$1,023.5 million in Q4-19; on a geographical basis, system sales increased 4% in the United States and decreased 30% and 40% respectively for Canada and for International locations.
- Digital sales⁽¹⁾ in Q4-20 more than doubled compared to Q4-19, now representing 22.5% of system sales.
- The MTY network counted 7,001 locations at year end, including 338 that were temporarily closed as a result of restrictions imposed by various authorities. During the fourth quarter, the network lost over 30,000 days of business because of temporary closures.
- As at February 17, 2021, there were 408 locations still temporarily closed.

(1) This is a non-GAAP measure. Please refer to the "Non-GAAP Measures" section at the end of this press release.

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

Montreal, February 18, 2021 – MTY Food Group Inc. ("MTY", "MTY Group" or the "Company") (TSX: MTY), one of the largest franchisors and operators of multiple restaurant concepts worldwide, reported its results for the fourth quarter and year ended November 30, 2020.

"2020 was unquestionably marked by its share of challenges for MTY but the resilience of our franchisees, team and business model as well as the strong performance of our brands was affirmed and ultimately allowed us to achieve record levels of cash flow from operations and free cash flows. In light of the unique circumstances of the past year, we focused our capital allocation priorities on debt reduction, repaying a total of \$109 million, shoring up our balance sheet and building a treasure chest for the future. Our ability to adapt was also showcased in our response to the rapid pandemic-induced consumer shift to online ordering and delivery. To this end, we expanded our third-party delivery partnerships and developed and further enhanced our brands' online ordering platforms. There was a major acceleration in the proportion of sales generated digitally, which represented 22.5% of system sales in the fourth quarter" stated Eric Lefebvre, Chief Executive Officer of MTY.

“While evolving regional COVID-19 restrictions impacted our Q4 system sales, which were down 13% year-over-year, our adjusted EBITDA reached \$35 million. This performance was spearheaded by our two largest brands, Cold Stone Creamery and Papa Murphy’s, as well as by the continuing measures implemented to manage our expense levels. To put things in perspective, over 30,000 business days were lost during the quarter while approximately 5% of the network was temporarily closed and many of the operating restaurants were doing so in a very limited capacity.

We enter our 2021 fiscal year in a solid financial position with \$44.3 million of cash on hand and over \$265 million available on our credit facilities. With an improving balance sheet, we remain attentive to M&A opportunities that may emerge in the post-pandemic market and environment. Our road to recovery in upcoming quarters remains closely tied to the lifting of COVID-19 restrictions. We spent the past year adapting our operations, marketing strategy and sales channels to a new and evolving business environment, which in many ways has positioned MTY more strongly for the future,” concluded Mr. Lefebvre.

Financial Highlights (in thousands of \$, except per share information)	Q4-2020	Q4-2019 (not restated for IFRS 16)	2020	2019 (not restated for IFRS 16)
Revenues	127,163	156,784	511,117	550,942
Adjusted EBITDA ⁽¹⁾	35,181	43,027	137,819	147,395
Net income (loss) attributable to shareholders	20,078	20,688	(37,108)	77,675
Cash flows from operations	44,841	37,897	133,652	112,951
Free cash flows ⁽¹⁾	43,910	43,577	140,652	116,938
Free cash flows per diluted share ⁽¹⁾	1.78	1.74	5.68	4.64
EPS basic	0.81	0.83	(1.50)	3.09
EPS diluted	0.81	0.83	(1.50)	3.08
System sales ⁽¹⁾	891,400	1,023,500	3,459,100	3,619,800
Digital sales ⁽¹⁾	193,900	83,100	636,400	199,200

(1) This is a non-GAAP measure. Please refer to the “Non-GAAP Measures” section at the end of this press release.

FOURTH QUARTER RESULTS

Network:

- At the end of the period, MTY’s network had 7,001 locations in operation, of which 113 were corporate, 6,867 were franchised and 21 were joint ventures. The geographical split of MTY’s locations remained relatively steady as compared to the fourth quarter of 2019 with 55% in the United States, 38% in Canada and 7% International.
- System sales were down 13% from the same period in 2019, reaching \$891.4 million. The quarter was impacted heavily by a second wave of restrictions related to the COVID-19 pandemic in Quebec and Ontario. US system sales for the fourth quarter increased 4%, while Canada and International system sales decreased by 30% and 40% respectively. Additional restrictions recently imposed in some jurisdictions have caused some restaurants that had re-opened to close again.

- At the end of the quarter, 338 locations were temporarily closed because of the pandemic. As at February 17, 2021, 408 locations remained temporarily closed. The increase in temporary closures is the result of more government restrictions imposed by some provinces in Canada in late December.

Financial:

- Cash flows from operations increased 18% to \$44.8 million during the quarter.
- The Company's revenue decreased 19%, from \$156.8 million to \$127.2 million, mainly due to the impact of the COVID-19 pandemic.
- Adjusted EBITDA decreased 18% to \$35.2 million, compared to \$43.0 million for the same period last year. Excluding the favourable impact of IFRS 16, adjusted EBITDA would have been \$32.3 million.
- Net income attributable to shareholders was \$20.1 million, or \$0.81 per share (\$0.81 per diluted share), as compared to \$20.7 million, or \$0.83 per share (\$0.83 per diluted share), for the same period last year.

2020 RESULTS

Network:

- System sales were down 4% compared to 2019, reaching \$3,459.1 million. The decrease is primarily attributable to the restrictions related to the COVID-19 pandemic. Excluding the contribution of recent acquisitions, sales would have decreased 21% compared to 2019.
- Digital sales in 2020 grew to \$636.4 million, or 19% of system sales, compared to \$199.2 million or 6% in 2019. The COVID-19 pandemic accelerated consumer shifts to online ordering and delivery.
- During the year, MTY's network opened 185 locations (303 in 2019) and closed 578 (558 in 2019). The Company also added 23 locations via an investment in a joint venture; 2 of those locations closed during the year.

Financial:

- The Company's revenue decreased 7%, from \$550.9 million to \$511.1 million, mainly due to the impact of the pandemic.
- Adjusted EBITDA decreased 6% to \$137.8 million, as compared to the record-high of \$147.4 million posted in 2019.
- Net loss attributable to shareholders was \$37.1 million, or \$1.50 per share (\$1.50 per diluted share), as compared to net income of \$77.7 million, or \$3.09 per share (\$3.08 per diluted share), in 2019.

LIQUIDITY AND CAPITAL RESOURCES

- In 2020, 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.
- In 2020, the Company used its cash to pay down \$109.1 million of its long-term debt, invested in a joint venture that had acquired assets of Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group") for a cash consideration of \$19.1 million and repurchased and cancelled shares for \$18.9 million. It paid \$4.6 million in dividends to its shareholders but, as of the second quarter, the payment of dividends to its shareholders was suspended due to the COVID-19 pandemic.

- As at November 30, 2020, the Company had \$44.3 million of cash on hand, and a long-term debt of \$460.5 million mainly in the form of bank facilities and holdbacks on acquisition.

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, as well as the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to determine what impact it may have on the Company's long-term financial performance. However, MTY is taking the necessary steps to mitigate the potential consequences on its operations, franchisees, partners and service to MTY's customers. Please refer to the "Highlights of Significant Events" section in the Company's MD&A for further details on actions taken in response to COVID-19.

In the very short term, management's primary focus is on reopening 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. After the pandemic is over, there may be a temporary or permanent shift in customer consumption patterns from those traditionally experienced and MTY will have to adapt. 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 experience, and customer service in each of the outlets, thereby maximizing the value offered to customers.

The restaurant industry will remain more challenging than ever in the future as customer consumption patterns change and the competitive landscape shifts. Management believes that, by focusing on the food offering, innovation, a seamless customer experience in store or off premise, consistency and store design, MTY's restaurants will be well-positioned to face the challenges that will arise. Given the difficult context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its consumer offering.

For further details, please refer to the MD&A.

CONFERENCE CALL

The MTY Group will hold a conference call to discuss these results on February 18, 2021, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 3099028. This recording will be available on Thursday, February 18, 2021 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Thursday, February 25, 2021.

ABOUT MTY FOOD GROUP INC.

MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 80 different banners in Canada, the United States and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 7,001 locations, the many flavours of the MTY Group hold the key to responding to the different tastes and needs of today's consumers as well as those of tomorrow.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA (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), system sales, digital sales and free cash flows are widely accepted financial indicators but are not a measurement determined in accordance with International Financial Reporting Standards ("IFRS") and may not be comparable to those presented by other companies. The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Refer to the "Compliance with International Financial Reporting Standards" section of the Company's MD&A.

FORWARD-LOOKING STATEMENTS

Certain information in this Press Release may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors, which may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. This includes statements regarding the impacts that the novel COVID-19 pandemic may have on our future operations as found in this release. When used in this Press Release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this Press release. Except as required by law, the Company assumes no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's MD&A, which can be found on SEDAR at www.sedar.com.

Note to readers: The MD&A, the consolidated financial statements and notes thereto for the fourth quarter and year ended November 30, 2020 are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.