GROUPE MTY GROUP

Management's Discussion and Analysis
For the three months ended February 28, 2021
Key highlights

- **Free cash flows[1] per diluted share decreased by 1% compared to Q1-20 to reach $1.23.**
- **Cash flows from operating activities of $31.3 million, up by 1% compared to Q1-20, despite duration of COVID-19 pandemic.**
- **Adjusted EBITDA[1] of $32.6 million in the quarter, down 20% compared to Q1-20.**
- **US & International segment adjusted organic EBITDA growth of $4.7 million.**
- **Net income attributable to shareholders of $13.4 million in the quarter, or $0.54 per share, down from $19.0 million, or $0.76 per share, in Q1-20.**
- **Long-term debt repayments of $29.1 million for the quarter.**
- **System sales[1] of $761.1 million, down 24% compared to Q1-20. System sales down 48% in Canada, 4% in US and 32% Internationally. Excluding impact of foreign exchange, US system sales generated positive organic growth for a second quarter in a row.**
- **First quarter digital sales[1] represent 31% and 29% of total system sales for Canada and the US, respectively in the quarter compared to 5% and 14% in Q1-20.**
- **338 restaurants were temporarily closed at the beginning of the quarter with 321 still temporarily closed at quarter end. 302 remain temporarily closed as at the date of this press release, which represents less than 5% of the network.**
- **1,705 locations were closed one or more days during the quarter, representing 57,100 lost business days.**
- **Management initiatives resulting in a reduction of recurring controllable expenses of $6.3 million when compared to Q1-20.**

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

Management's Discussion and Analysis
For the three months ended February 28, 2021

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's condensed interim consolidated financial statements for the period ended February 28, 2021 and the audited 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, 2020.

This MD&A was prepared as at April 8, 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 2021. 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 April 8, 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 April 8, 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, other pandemics and 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 April 8, 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

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 February 28, 2021, MTY had 6,949 locations in operation, of which 6,816 were franchised or under operator agreements, 20 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 and expenses from corporate owned locations include sales generated and cost incurred from their operations.

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 a variety of retailers. The Company also generates revenue from its distribution centers that serve primarily the Valentine and Casa Grecque franchisees.

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 (“generally accepted accounting principles”) 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

During the first quarter of 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. A second wave to hit Canada resulted in additional government and health authority imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures and continues to impact 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 continuously changed. The impact of the virus and the efforts to stop it impact MTY and many of its franchisees materially.

The first quarter of 2021 was met with the roll out of the COVID-19 vaccinations; however, the pace did not outweigh the impact of the second wave and variants. While in some areas of our network there have been signs of recovery, others were faced with stringent restrictions mirroring the start of the pandemic. MTY remains resilient and 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 first 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 February 28, 2021, MTY had 321 locations temporarily closed with many of those open operating at reduced capacity. During the months of December, January and February, MTY’s network lost over 57,100 days (approximately 47,600 in Canada and 9,500 in the US) of combined operations with a total of 1,705 locations closed one or more days during the quarter and a second wave of restrictions being imposed in Canada throughout the first quarter. Locations that are still temporarily closed are mostly located in malls, office towers and non-traditional locations such as airports, gyms and universities.

Since March 2020, 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 program, the Canada Emergency Rent Subsidy (“CERS”) and the Canada Emergency Wage Subsidy (“CEWS”) 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 agreements 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 the CEWS and CERS programs;
- Capital and operational spending was reduced to a minimum.

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

- Impairment testing on right-of-use assets related to closed stores was carried out, resulting in impairment charges;
- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense for the three-month period ending February 28, 2021 of $1.8 million (2020 – nil) resulting from the CEWS;
- Reduction in rent expense for the three-month period ending February 28, 2021 of $0.5 million (2020 – nil) resulting from the CERS; and
- Reduction in current income tax provision for the three-month period ending February 28, 2021 of $0.2 million (2020 – nil) resulting from the Internal Revenue Service’s Employee Retention Credit.

Further information on these changes can be found in the February 28, 2021 condensed interim consolidated financial statements.

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 an investment in a joint venture. 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 were 20 franchised restaurants in operation and three corporate-owned stores.

SUMMARY OF QUARTERLY FINANCIAL INFORMATION

(in thousands $, except system sales, # of locations & EPS)	Quarters ended							
	May 2019 [(1)]	**August 2019** [(1)]	**November 2019** [(1)]	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**
System sales [(2 & 3)]	832.3	1,076.2	1,023.5	999.5	670.7	897.5	891.4	761.1
# of locations	7,345	7,441	7,373	7,300	7,236	7,123	7,001	6,949
Revenue [(4)]	125,571	161,290	156,784	150,780	97,808	135,366	127,163	118,960
Adjusted EBITDA [(2)]	34,145	41,847	43,027	41,037	18,213	43,388	35,181	32,637
Normalized Adjusted EBITDA [(2)]	38,182	42,077	43,027	41,037	18,213	43,388	35,181	32,637
Net income (loss) attributable to owners	19,337	22,902	20,688	19,008	(99,126)	22,932	20,078	13,397
Total comprehensive income (loss) attributable to owners	32,476	10,469	22,887	26,476	(80,422)	(10,691)	14,911	(953)
Net income (loss) per share	0.76	0.91	0.83	0.76	(4.01)	0.93	0.81	0.54
Net income (loss) per diluted share	0.76	0.91	0.83	0.76	(4.01)	0.93	0.81	0.54
Free cash flows [(2)]	21,767	26,680	43,577	30,738	28,926	37,078	43,910	30,300
Free cash flows per diluted share [(2)]	0.86	1.06	1.74	1.23	1.17	1.50	1.78	1.23

(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 THREE MONTHS ENDED FEBRUARY 28, 2021

Revenue

During the first quarter of 2021, the Company's total revenue decreased to $119.0 million, from $150.8 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	February 28, 2021 ($ millions)	February 29, 2020 ($ millions)	Variation
Canada	Franchise operation	18.4	36.7	(50%)
	Corporate stores	3.4	8.4	(60%)
	Food processing, distribution and retail	28.7	26.0	10%
	Promotional funds	5.9	10.7	(45%)
	Intercompany transactions	(0.4)	(0.6)	N/A
Total Canada		56.0	81.2	(31%)
US & International	Franchise operation	38.1	39.2	(3%)
	Corporate stores	10.3	15.1	(32%)
	Food processing, distribution and retail	1.2	1.2	(0%)
	Promotional funds	14.0	14.7	(5%)
	Intercompany transactions	(0.6)	(0.6)	N/A
Total US & International		63.0	69.6	(9%)
Total operating revenues		**119.0**	**150.8**	**(21%)**

Canada revenue analysis:

Revenues from franchise locations in Canada decreased by 50%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenues, first quarter of 2020	36.7
Decrease in recurring revenue streams	(15.9)
Decrease in initial franchise fees, renewal fees and transfer fees	(0.4)
Decrease in turnkey, sales of material to franchisees and rent revenues	(1.8)
Other non-material variations	(0.2)
Revenues, first quarter of 2021	18.4

The decrease to franchising revenues was mostly due to the negative impact of the pandemic. Year-to-date system sales dropped 48% compared to prior year mostly as a result of COVID-19. At February 28, 2021, the Company still had 195 locations temporarily closed in Canada.

Revenue from corporate-owned locations decreased by 60% to $3.4 million during the quarter. 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-imposed restrictions.

Food processing, distribution and retail revenues increased by 10% 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 the first quarter of 2021, 147 products were sold in the Canadian retail market compared to 109 in 2020.

The promotional fund revenue decrease of 45% fluctuated in line with the decrease in system sales.

US & International revenue analysis:

Revenues from franchise locations in the US and International decreased by 3%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenues, first quarter of 2020	39.2
Decrease in recurring revenue streams	(1.5)
Increase in sales of material and services to franchisees	1.3
Decrease in gift card breakage income	(0.3)
Impact of variation in foreign exchange rates	(1.2)
Other non-material variations	0.6
Revenues, first quarter of 2021	38.1

The decrease to franchising revenues was mostly due to the negative impact of the pandemic. Year-to-date system sales dropped 6% compared to prior year mostly as a result of COVID-19. At February 28, 2021 the Company still had 126 locations temporarily closed in the US and Internationally. The decrease was partially offset by an increase in sales of material and services to franchisees which stems primarily from the franchise point-of-sale ("POS") update program put in place late in 2020.

The decrease of $4.8 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 promotional fund revenue decrease of 5% fluctuated in line with the decrease in system sales.

Cost of sales and other operating expenses

During the first quarter of 2021, operating expenses decreased by 22% to $86.2 million, down from $110.1 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**February 28, 2021 ($ millions)**	**February 29, 2020 ($ millions) (1)**	**Variation**
Canada	Franchise operation	11.1	16.9	(34%)
	Corporate stores	3.0	8.2	(63%)
	Food processing, distribution and retail	26.0	23.4	11%
	Promotional funds	5.9	10.7	(45%)
	Intercompany transactions	(0.5)	(0.6)	N/A
Total Canada		45.5	58.6	(22%)
US & International	Franchise operation	17.0	21.9	(22%)
	Corporate stores	10.2	15.5	(34%)
	Promotional funds	14.0	14.7	(5%)
	Intercompany transactions	(0.5)	(0.6)	N/A
Total US & International		40.7	51.5	(21%)
Total cost of sales and other operating expenses		**86.2**	**110.1**	**(22%)**

(1) *Prior year amounts have been restated to reflect a reclassification between franchise operations and corporate store subdivisions.*

Canada cost of sales and other operating expenses analysis:

Cost of sales and other operating expenses from franchise locations in Canada decreased by $5.8 million or 34%. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, first three months of 2020	16.9
Decrease in recurring non-controllable expenses	(2.8)
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(2.7)
Increase in expected credit loss provision	0.2
Decrease due to impact of IFRS 16 on rent expense	(0.2)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(0.2)
Other non-material variations	(0.1)
Cost of sales and other operating expenses, first three months of 2021	11.1

In response to COVID-19, management was able to take certain actions to reduce expenditures within the organization resulting in the overall reduction of $2.7 million in controllable expenses. This is primarily due to reductions in wages, professional fees and travel expenses. Non-controllable expenses also decreased by $2.8 million, which fluctuated in line with the reduction in revenues.

The variations of expenses from corporate stores and promotional funds expense activities were tightly correlated to the related revenues.

Food processing, distribution and retail cost increased due to increases in revenues but also as a result of a retroactive environmental contribution rates adjustment during the quarter that required a cumulative adjustment.

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 $4.9 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Cost of sales and other operating expenses, first quarter of 2020	21.9
Increase in recurring non-controllable expenses	1.3
Decrease in recurring controllable expenses including wages, professional and consulting services and other office expenses	(4.1)
Decrease in expected credit loss provision	(0.8)
Decrease due to impact of IFRS 16 on rent expense	(0.1)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(0.4)
Impact of variation in foreign exchange rates	(0.8)
Cost of sales and other operating expenses, first quarter of 2021	17.0

Operating expenses decreased by $4.9 million mostly due to a reduction in controllable expenses of $4.1 million and a decrease in expected credit losses of $1.3 million on accounts and leases receivable. The decrease in expected credit losses stems from reversals of provisions taken at the onset of the pandemic and from the collection of postponed royalties to franchisees and as well timeliness of collections.

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 increase of $1.3 million stems from the franchise POS update program and tightly correlates with revenues.

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 February 28, 2021			
(In millions $)	Canada	US & International	Total
Revenues	56.0	63.0	119.0
Expenses	45.5	40.7	86.2
Net loss in joint venture	(0.2)	—	(0.2)
Adjusted EBITDA	10.3	22.3	32.6
Adjusted EBITDA as a % of Revenues	18%	35%	27%

Three-month period ended February 29, 2020			
(In millions $)	Canada	US & International	Total
Revenues	81.2	69.6	150.8
Expenses	58.6	51.5	110.1
Net profit in joint venture	0.3	—	0.3
Adjusted EBITDA	22.9	18.1	41.0
Adjusted EBITDA as a % of Revenues	28%	26%	27%

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

Three-month period ended February 28, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	56.5	13.7	29.9	19.9	(1.0)	119.0
Expenses	28.1	13.2	26.0	19.9	(1.0)	86.2
Net loss in joint venture	(0.2)	—	—	—	—	(0.2)
Adjusted EBITDA	28.2	0.5	3.9	—	—	32.6
Adjusted EBITDA as a % of Revenues	50%	4%	13%	N/A	N/A	27%

Three-month period ended February 29, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenues	75.9	23.5	27.2	25.4	(1.2)	150.8
Expenses [(2)]	38.8	23.7	23.4	25.4	(1.2)	110.1
Net profit in joint venture	0.3	—	—	—	—	0.3
Adjusted EBITDA	37.4	(0.2)	3.8	—	—	41.0
Adjusted EBITDA as a % of Revenues	49%	N/A	14%	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 store subdivisions.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Adjusted EBITDA [(1)], first quarter of 2020	22.9	18.1	41.0
Variance in recurring revenues and expenses	(12.0)	2.6	(9.4)
Variance in initial franchise fees, renewal fees and transfer fees	(0.4)	—	(0.4)
Variance in expected credit loss provision	(0.1)	0.8	0.7
Variance due to impact of IFRS 16 on rent revenue & expense	0.1	0.5	0.6
Variance due to impact of IFRS 16 on impairment of lease receivables	0.2	0.4	0.6
Variance due to net impact of joint venture	(0.5)	—	(0.5)
Impact of variation in foreign exchange rates	—	(0.5)	(0.5)
Other non-material variations	0.1	0.4	0.5
Adjusted EBITDA [(1)], first quarter of 2021	10.3	22.3	32.6

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

Total adjusted EBITDA for the period ending February 28, 2021 was $32.6 million, a decrease of 20% compared to the same period last year. The impacts of COVID-19 are the primary reason for the decrease.

Canada contributed 32% of total adjusted EBITDA and a year-over-year decrease of $12.6 million. This decrease of 55% 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 US & International adjusted EBITDA grew by 23% mainly from cost control measures put in place which was partially offset by the decrease in recurring revenues resulting from the negative impacts of the pandemic.

Net income

For the three months ended February 28, 2021, a net income attributable to owners of $13.4 million was recorded, or $0.54 per share ($0.54 per diluted share) compared to net income attributable to owners of $19.0 million or $0.76 per share ($0.76 per diluted share) last year. The decrease was primarily due to the adverse impact of COVID-19 on the Company's results.

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

(In thousands $)	**Quarter ended February 28, 2021**	**Quarter ended February 29, 2020**
Income before taxes	17,600	24,140
Depreciation - property, plant and equipment and right-of-use assets	3,889	3,841
Amortization - intangible assets	7,287	7,155
Interest on long-term debt	3,263	5,178
Net interest expense on leases	572	602
Impairment charge - right-of-use assets	453	227
Unrealized and realized foreign exchange (gain) loss	(1,347)	100
Interest (income) expense	(82)	(182)
Gain on de-recognition/lease modification of lease liabilities	(72)	—
(Gain) loss on disposal of property, plant and equipment and assets held for sale	(143)	173
Revaluation of financial liabilities recorded at fair value through profit and loss	1,217	(197)
Adjusted EBITDA	**32,637**	**41,037**

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

Other income and expenses

Interest on long-term debt decreased by $1.9 million as a result of repayments made on the revolving credit facility over the course of the last 12 months.

The stronger Canadian dollar relative to the US dollar resulted in unrealized foreign exchange gains of $1.3 million on intercompany loans during the quarter ended February 28, 2021.

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	115.5	—	—	—	—	—	—
Long-term debt [1]	15.1	5.8	417.2	—	—	3.5	—
Interest on long-term debt [2]	4.9	4.9	8.2	—	—	—	—
Net lease liabilities	7.4	7.4	13.6	12.4	10.5	8.9	27.5
Total contractual obligations	**142.9**	**18.1**	**439.0**	**12.4**	**10.5**	**12.4**	**27.5**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the February 28, 2021 condensed interim 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 February 28, 2021, the amount held in cash totaled $39.0 million, a decrease of $5.3 million since the end of the 2020 fiscal period.

During the first quarter of 2021, MTY did not pay any dividends to its shareholders. The dividend payment has been suspended since the second quarter of 2020.

During the three-month period ended February 28, 2021, cash flows generated by operating activities were $31.3 million, compared to $31.0 million in 2020. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $34.4 million in cash flows, compared to $41.1 million in 2020.

The revolving credit facility has an authorized amount of $700.0 million (November 30, 2020 – $700.0 million), of which $407.0 million was drawn at February 28, 2021 (November 30, 2020 – $433.0 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 Company's credit agreement 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 normal course issuer bid ("NCIB") process. The limitations restrict the Company's distributions if it exceeds a debt-to-EBITDA ratio of 3.50:1.00.

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

At February 28, 2021, 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:

	February 28, 2021	February 29, 2020
Franchises, beginning of the period	**6,867**	7,229
Corporate-owned, beginning of the period		
Canada	**37**	50
US	**76**	94
Joint venture	**21**	—
Total, beginning of the period	**7,001**	7,373
Opened during the period	**41**	53
Closed during the period	**(92)**	(149)
Joint venture acquired during the period	**—**	23
Joint venture closed during the period	**(1)**	—
Total, end of the period	**6,949**	7,300
Franchises, end of the period	**6,816**	7,140
Corporate-owned, end of the period		
Canada	**38**	45
US	**75**	92
Joint venture	**20**	23
Total, end of the period	**6,949**	7,300

The Company's network opened 41 locations (18 in Canada, 10 in the US and 13 Internationally) for the first quarter of 2021.

During the first quarter of 2021, the Company's network closed 93 locations (45 in Canada, 43 in the US and 5 Internationally). Of the locations closed during the quarter, 53% were located on street front, 28% in malls and office towers and 19% in other non-traditional formats.

As at February 28, 2021, the Company's network had a total of 321 locations temporarily closed as a result of COVID-19. Of these temporarily closed locations, 195 are in Canada, 122 in the US and the remaining 4 Internationally. As at April 9, 2021, MTY has 302 temporarily closed locations. 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:

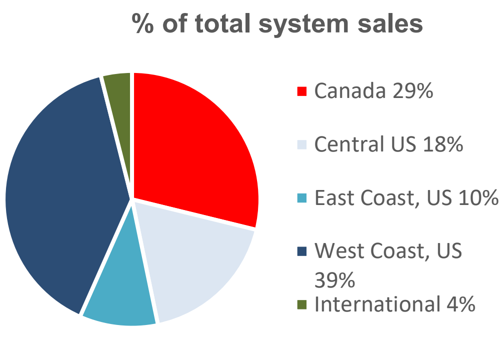
	% of location count		% of system sales Three months ended	
Location type	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
Shopping mall & office tower food courts	**15%**	16%	**8%**	15%
Street front	**63%**	63%	**84%**	75%
Non-traditional format	**22%**	21%	**8%**	10%

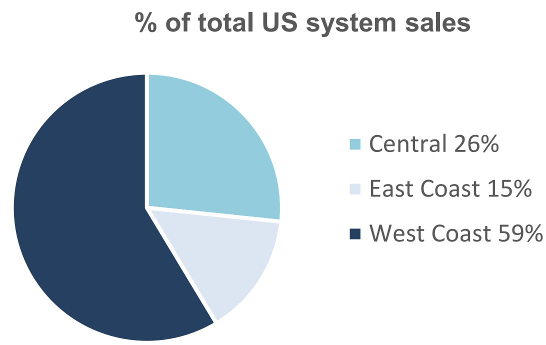
The geographical breakdown of MTY's locations and system sales is as follows:

Geographical location	% of location count		% of system sales Three months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Canada	**39%**	39%	**29%**	43%
US	**54%**	54%	**67%**	53%
International	**7%**	7%	**4%**	4%

In Canada, Quebec had the largest portion of total system sales with 14% followed by Ontario with 7%. In the US, only the state of California exceeded 10% of the total system sales for the period followed by Washington and Oregon, which contributed to the network's sales with 7% and 6% of total system sales respectively.

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		% of system sales Three months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Quick Service Restaurant	**83%**	83%	**78%**	68%
Fast Casual	**10%**	10%	**13%**	12%
Casual Dining	**7%**	7%	**9%**	20%

System sales

During the three-month period ended February 28, 2021, MTY's network generated $761.1 million in sales. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2021	219.4	511.8	29.9	**761.1**
First quarter of 2020	425.2	530.5	43.8	**999.5**
Variance	(48%)	(4%)	(32%)	**(24%)**

For the first quarter of 2021, systems sales decreased by 24% compared to prior year. The three-month period decrease is mainly due to the impacts of the second wave of restrictions across Canada. The split of the first quarter sales on a monthly basis is as follows:

(millions of $)	Canada	US	International	**TOTAL**
December 2020	83.2	168.3	11.4	**262.9**
December 2019	165.2	172.9	16.3	**354.4**
Variance	(50%)	(3%)	(30%)	**(26%)**
January 2021	64.7	179.9	9.6	**254.2**
January 2020	129.8	185.3	14.6	**329.7**
Variance	(50%)	(3%)	(34%)	**(23%)**
February 2021	71.5	163.6	8.9	**244.0**
February 2020	130.2	172.3	12.9	**315.4**
Variance	(45%)	(5%)	(31%)	**(23%)**

The overall movement in sales is distributed as follows:

	Three month sales ended February 28			
(million of $)	Canada	US	International	**TOTAL**
Reported sales - 2020	425.2	530.5	43.8	**999.5**
Net change resulting from the impact of the pandemic and the temporary and permanent restaurant closures	(205.8)	(51.2)	(12.3)	**(269.3)**
Cold Stone Creamery and Papa Murphy's organic growth	—	52.7	—	**52.7**
Cumulative impact of foreign exchange variation	—	(20.2)	(1.6)	**(21.8)**
Reported sales - 2021	219.4	511.8	29.9	**761.1**

Due to the severe impact of COVID-19 on the sales of the network, system sales for the three-month period ended February 28, 2021 decreased by 24%. MTY started the quarter with 338 temporarily closed locations because of COVID-19, of which 321 were still closed as at February 28, 2021. This resulted in over 57,100 days of lost business. Of the closed locations, 195 were in Canada, 122 in the US and 4 were internationally located.

During the first quarter, a stronger Canadian dollar relative to the US dollar also decreased sales and resulted in an unfavorable variation of $21.8 million in reported sales. The reduction in system sales caused primarily by the pandemic and the foreign exchange rate was partially offset by the positive organic growth generated by Cold Stone Creamery and Papa Murphy's.

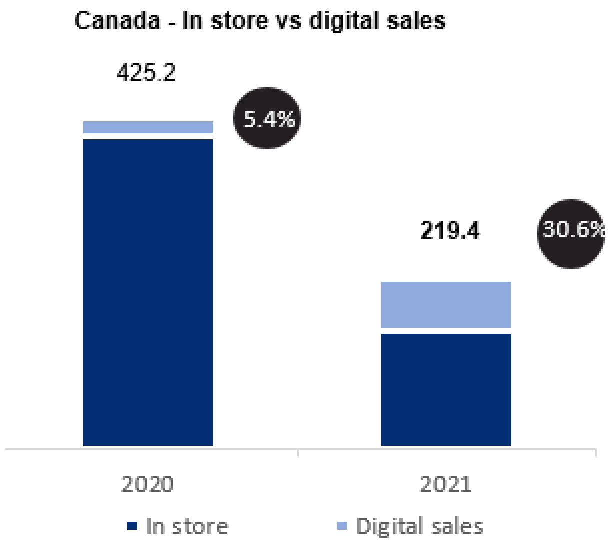
Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 37% and 19% respectively of the total sales of MTY's network for the three-month period ended February 28, 2021. Taco Time, Thai Express and Sushi Shop are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

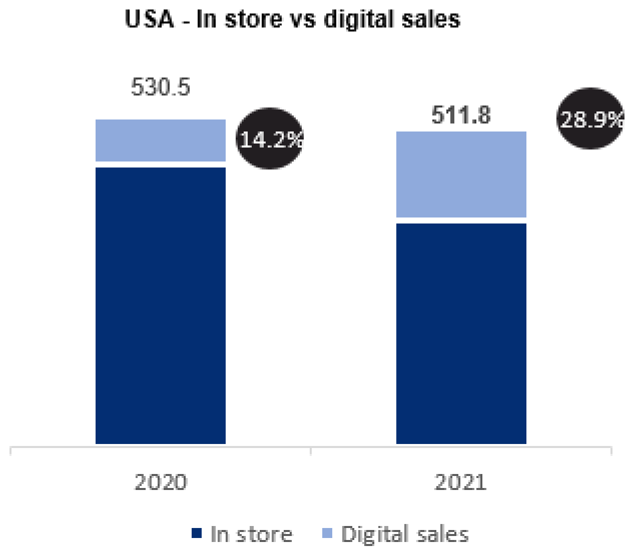
System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes;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

Digital sales

The pandemic has accelerated consumer shifts to online ordering and delivery. For the three-month period ended February 28, 2021, digital sales grew to $215.2 million from $98.4 million the year before and represented 29% 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 the three months ended February 28, 2021 and February 29, 2020:





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 February 28, 2021, there were 400,000 options outstanding and 44,444 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2020 to February 28, 2021, MTY's share price fluctuated between $47.66 and $57.95. On February 28, 2021, MTY's shares closed at $50.70.

Capital stock

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

As at April 8, 2021, the Company's issued and outstanding capital stock consisted of 24,706,461 shares (November 30, 2020 – 24,706,461) and 400,000 granted and outstanding stock options (November 30, 2020 – 400,000). During the three-month period ended February 28, 2021, MTY did not repurchase any 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 months ended February 28, 2021, the Company repurchased and cancelled a total of nil common shares (2020 – 181,044 common shares) under the current NCIB, at a weighted average price of nil per common share (2020 – $53.36 per common share), for a total consideration of nil (2020 – $9.7 million). An excess of nil (2020 – $7.4 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 issuance of dividends and the repurchase of MTY's common shares through its NCIB process. The limitations restrict the Company's distributions if it exceeds a debt-to-EBITDA ratio of 3.50:1.00.

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. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2021, 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 condensed interim consolidated statement of financial position.

Included in provisions are the following amounts:

(In thousands $)	**February 28, 2021**	November 30, 2020
	$	$
Litigations, disputes and other contingencies	**1,624**	2,878
Closed stores	**119**	187
	1,743	3,065

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 is $13.4 million as at February 28, 2021 (November 30, 2020 - $13.3 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at February 28, 2021, the Company has accrued $1.8 million (November 30, 2020 - $1.8 million) 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 and directors

The remuneration of key management personnel and directors during the three-month periods ended was as follows:

(In thousands $)	**February 28, 2021**	February 29, 2020
	$	$
Short-term benefits	**670**	737
Share-based payments	**239**	268
Board member fees	**19**	19
Total remuneration of key management personnel and directors	**928**	1,024

Key management personnel is composed of the Company's CEO, COOs 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 conditions.

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 $)	**February 28, 2021**	February 29, 2020
	$	$
Short-term benefits	**128**	131
Share-based payments	**6**	6
Total remuneration of individuals related to key management personnel	**134**	137

The Company has entered into a consulting agreement with one of its joint venture associates to perform corporate business development and management consulting services, and paid consulting fees to this associate of less than $0.1 million for the three-month period ended February 28, 2021 (2020 – less than $0.1 million). The Company has a current net receivable due from its joint venture associate of $0.3 million as at February 28, 2021 (November 30, 2020 – net receivable of $0.1 million).

CHANGES IN ACCOUNTING POLICIES

Policies applicable beginning December 1, 2020

IFRS 3, Business Combinations

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3. 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 were adopted effective December 1, 2020 and did not result in any adjustment.

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, International Accounting Standard ("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 were adopted effective December 1, 2020 and resulted in no significant adjustment.

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 February 28, 2021 and have not been applied in preparing these condensed interim consolidated financial statements.

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

Standard	Issue date	Effective date for the Company	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

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 is currently materially and adversely affected by the outbreak of COVID-19. Such 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 could continue to impact the Company in the future. The occurrence of such an outbreak or other adverse public health developments can and could continue to 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 a pandemic, including that of COVID-19, 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 can and could continue to be disrupted if any of MTY's employees or employees of MTY's business partners were suspected of having COVID-19, the avian flu or swine flu, or other illnesses such as hepatitis A, and other variants of the 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. 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 health epidemics and pandemics, such as the current COVID-19, are a risk to the Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

FINANCIAL INSTRUMENTS

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

The Company has determined that the fair values of its financial assets and financial liabilities with short-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and deposits. The table below shows the fair value and the carrying amount of other financial instruments as at February 28, 2021 and November 30, 2020. 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 $)	**February 28, 2021**		November 30, 2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans receivable	**4,576**	**4,576**	4,760	4,760
Finance lease receivables	**460,467**	**460,467**	468,127	468,127
Financial liabilities				
Long-term debt (1)	**425,273**	**425,494**	443,852	453,397

(1) Excludes promissory notes, contingent consideration on acquisitions, interest rate swap, cross currency interest rate swaps, credit facility financing costs and obligations to repurchase non-controlling interests

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

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

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

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

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 on July 21, 2021. The fair value of this interest rate swap amounted to $0.7 million (November 30, 2020 – $1.2 million) and the Company recorded a fair value remeasurement loss of less than $0.1 million for the three-month period ended February 28, 2021 (2020 – gain of $0.2 million). The Company has classified this as level 2 in the fair value hierarchy.

Cross currency interest rate swap

On February 26, 2021, the Company entered a floating to floating 1-month cross currency interest rate swap. A fair value of nil was recorded as at February 28, 2021 (November 30, 2020 – nil).

Receive-Notional	Receive-rate	Pay-Notional	Pay-rate
US$241.7 million	2.37%	CA$305.0 million	2.45%

Fair value hierarchy	**Level 3**	
(In thousands $)	**February 28, 2021**	November 30, 2020
	$	$
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**2,980**	2,928
Contingent consideration on acquisitions and investment in a joint venture	**8,865**	8,075
Non-controlling interest buyback options	**1,383**	1,171
Obligation to repurchase partner in a joint venture	**3,500**	3,364
Financial liabilities	**16,728**	15,538

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 February 28, 2021.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the condensed interim consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that 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.

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. $407.0 million (November 30, 2020 – $433.0 million) of the credit facility was used as at February 28, 2021. A 100 basis points increase in the bank's prime rate would result in additional interest of $4.1 million per annum (November 30, 2020 – $4.3 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 February 28, 2021, the Company had an authorized revolving credit facility for which the available amount may not exceed $700.0 million (November 30, 2020 – $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 February 28, 2021:

(In millions $)	Carrying amount	Contractual cash flows	0 - 6 Months	6 - 12 Months	12 - 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	115.5	115.5	115.5	—	—	—
Long-term debt [(1)]	441.4	441.6	15.1	5.8	417.2	3.5
Interest on long-term debt	n/a	14.8	4.7	4.7	5.4	—
Lease liabilities	551.6	612.9	63.5	63.5	115.5	370.4
Total contractual obligations	**1,108.5**	**1,184.8**	**198.8**	**74.0**	**538.1**	**373.9**

[(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

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

In the first quarter ended February 28, 2021, we did not make any significant changes in, nor take any significant corrective actions regarding our internal controls or other factors that could significantly affect such internal controls. The

CEO and CFO periodically review the Company's DC&P for effectiveness and conduct an evaluation each quarter. As of the end of the first quarter, the CEO and CFO were satisfied with the effectiveness of the Company's DC&P.

Internal controls over financial reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the Company's internal control over financial reporting that occurred during the period beginning on December 1, 2020 and ending on February 28, 2021, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of Controls and Procedures

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

.

Limitation on scope of design

The Company's management, with the participation of its 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 February 28, 2021, 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, 0.3% of the Company's revenues and less than 0.1% of the Company's net income.

"*Eric Lefebvre*"

____

Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

"Renee St-Onge"

____

Renee St-Onge, CPA, CA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

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

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

Definition of non-GAAP measures

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

Adjusted EBITDA	Represents revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit (loss) of a joint venture accounted for using the equity method. See reconciliation of adjusted EBITDA to Income before taxes on page 11.
Adjusted organic EBITDA	Defined as EBITDA before non-recurring costs, foreign exchange and acquisitions that have occurred within the last 24 months and is not comparable year-over-year.
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

	Three months ended							
(In thousands $)	**May 2019**	**August 2019**	**November 2019**	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**
Cash flows provided by operating activities	21,077	27,220	37,897	30,980	19,207	38,624	44,841	31,307
Additions to property, plant and equipment	(1,212)	(809)	(1,191)	(1,119)	(316)	(1,764)	(998)	(1,213)
Additions to intangible assets	(231)	(458)	(1,383)	(649)	(618)	(63)	(97)	(47)
Proceeds on disposal of property, plant and equipment, assets held for sale and intangible assets	2,133	727	8,254	1,526	10,653	281	164	253
Free cash flows [1]	**21,767**	**26,680**	**43,577**	**30,738**	**28,926**	**37,078**	**43,910**	**30,300**

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

System Sales [1] to reported royalties

	Sales for the three months ended February 28, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	3.3	216.1	219.4	10.3	531.4	541.7	**761.1**
Franchise royalty income as a % of franchise sales	—	4.81%	—	—	5.02%	—	**N/A**
Reported royalties	—	10.4	—	—	26.7	—	**37.1**

	Sales for the three months ended February 29, 2020						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	8.4	416.8	425.2	15.1	559.2	574.3	**999.5**
Franchise royalty income as a % of franchise sales	—	5.02%	—	—	4.97%	—	**N/A**
Reported royalties	—	20.9	—	—	27.8	—	**48.7**

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