



Source: MTY Food Group Inc.

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**PRESS RELEASE
FOR IMMEDIATE PUBLICATION**

MTY REPORTS THIRD QUARTER 2021 RESULTS

- Adjusted EBITDA⁽¹⁾ of \$49.7 million in the quarter, compared to \$43.4 million in Q3-20.
- Cash flows from operating activities of \$46.6 million, up by 21% compared to Q3-20, despite duration of COVID-19 pandemic.
- Free cash flows per diluted share⁽²⁾ increased by 23% compared to Q3-20 to reach \$1.84, in part due to higher adjusted EBITDA.
- Net income attributable to shareholders of \$24.3 million in the quarter, or \$0.98 per diluted share, up from a net income attributable to shareholders of \$22.9 million, or \$0.93 per diluted share, in Q3-20.
- Long-term debt repayments of \$35.2 million for the quarter.
- System sales⁽³⁾ of \$1,016.2 million, up 13% compared to Q3-20. System sales up 29% in Canada, 5% in the US and 7% Internationally.
- Third quarter digital sales⁽³⁾ represent 16% and 21% of total system sales for Canada and the US, respectively compared to 15% and 25% in Q3-20.
- 359 restaurants were temporarily closed at the beginning of the quarter and 164 at the end of the quarter. 139 remain temporarily closed as at the date of this press release.
- 456 locations were closed one or more days during the quarter, representing approximately 19,300 lost business days.
- Quarterly dividend restored with payment of \$0.185 per share on August 13, 2021.

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

(2) This is a non-GAAP ratio. Please refer to "Non-GAAP Ratios" section at the end of this press release.

(3) This is a supplementary financial measure. Please refer to "Supplementary financial measures" section at the end of this press release.

Montreal, October 8, 2021 – MTY Food Group Inc. ("MTY", "MTY Group" or the "Company") (TSX: MTY), franchisors and operators of multiple restaurant concepts worldwide, reported today its results for the third quarter ended August 31, 2021.

"We are highly encouraged by our financial results in the third quarter of 2021, which was marked by solid double-digit percentage increases in system sales (+13%), adjusted EBITDA (+15%) and cash flows from operating activities (+21%)," stated Eric Lefebvre, Chief Executive Officer of MTY. "This strong financial performance reflects a rebound in customer traffic for many of our brands. It was realized in a difficult context of lingering supply-chain issues, labour shortages and the continuing impact of the COVID-19 pandemic, as shown by the business days lost due to temporary closures (19,300)."

"On the strength of record free cash flows, an improved financial situation, and a positive outlook for our business, we now have more options in terms of our capital allocation strategy," Mr. Lefebvre added. "During the third quarter, we lowered our long-term debt by an additional \$35.2 million in repayments, restored our quarterly dividend with a payment of \$0.185 per share and renewed our NCIB share buyback program. Looking ahead, our long-term strategic plan

remains to deliver organic growth, while searching for accretive acquisition targets at the right price and with the right attributes.”

Financial Highlights (in thousands of \$, except per share information)	Q3-2021	Q3-2020	9 Months 2021	9 Months 2020
Revenue	150,801	135,366	405,618	383,954
Adjusted EBITDA ⁽¹⁾	49,673	43,388	125,791	102,638
Adjusted EBITDA per diluted share ⁽²⁾	2.00	1.76	5.09	4.14
Net income (loss) attributable to shareholders	24,337	22,932	60,762	(57,186)
Cash flows from operations	46,553	38,624	107,401	88,811
Free cash flows ⁽¹⁾	45,601	37,078	103,398	96,742
Free cash flows per diluted share ⁽²⁾	1.84	1.50	4.17	3.91
EPS basic	0.99	0.93	2.46	(2.31)
EPS diluted	0.98	0.93	2.46	(2.31)
System sales ⁽³⁾	1,016,200	897,500	2,668,800	2,567,700
Digital sales ⁽³⁾	185,500	184,100	604,100	429,400

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THIRD QUARTER RESULTS

Network:

- At the end of the period, MTY’s network had 6,848 locations in operation, of which 6,701 were franchised or under operator agreements, 23 were operated through the joint venture and 124 were operated by MTY. The geographical split of MTY’s locations remained steady as compared to the third quarter of 2020 with 54% in the US, 39% in Canada and 7% International.
- System sales were up 13% from the same period in 2020, reaching \$1,016.2 million. The casual dining concept contributed to \$47.8 million of the increase and represented a 45% increase year-over-year. The increase was partially offset by a \$43.4 million unfavourable variation in CAD/USD foreign exchange rates.
- Digital sales in North America were \$185.5 million in the third quarter, compared to \$184.2 million the year before.
- At the end of the quarter, 164 locations were still temporarily closed because of the COVID-19 pandemic. Of the closed locations, 118 were in Canada, 16 in the US and 30 were Internationally located. During the quarter, 456 locations were temporarily closed for at least one day, resulting in approximately 19,300 business days lost. As at October 8, 2021, 139 locations remained temporarily closed.

Financial:

- Cash flows from operations increased 21% to \$46.6 million, compared to \$38.6 million for the third quarter of last year.

- The Company's revenues improved 11%, from \$135.4 million to \$150.8 million, mainly due to Canadian sales growth in malls and office towers which outperformed prior year sales with increases of 43% and 68% respectively, as well as an increase of 45% in the casual dining concept.
- Adjusted EBITDA increased 15% to \$49.7 million, compared to \$43.4 million for the third quarter of last year. Major brands such as Cold Stone, SweetFrog, Baton Rouge, Thai Express, Sushi Shop and Mikes to name a few greatly outperformed prior year as mall and street locations generated year-over-year growth of 42% and 26% respectively. The network's overall scalability through cost management also allowed margins to increase to 59% for the franchising division.
- Net income attributable to shareholders was \$24.3 million, or \$0.99 per share (\$0.98 per diluted share), as compared to \$22.9 million, or \$0.93 per share (\$0.93 per diluted share), for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

- In the third quarter of 2021, cash flows generated by operating activities were \$46.6 million, compared to \$38.6 million for the same period last year. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated \$46.0 million in cash flows, compared to \$45.5 million for the third quarter of 2020.
- In the third quarter of 2021, the Company reimbursed \$35.2 million of its long-term debt.
- As at August 31, 2021, the Company had \$56.4 million of cash on hand, and a long-term debt of \$387.3 million mainly in the form of bank facilities and holdbacks on acquisitions.

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" of the Company's Management's Discussion and Analysis of the financial position and financial performance (the "MD&A") for further details on actions taken in response to COVID-19.

Despite the lingering impacts of the pandemic and the obvious obligations to address the related short-term challenges, management's focus is now shifting back to a longer-term growth perspective. Sales are back to pre-pandemic levels for many of the brands and progressing in the right direction for the others. The restaurant industry will remain challenging in the future, with labour shortages and supply chain disruptions being felt across the network, adding to the existing pressure of competing in a market approaching saturation. Management believes however that the brands' continued focus on innovation, product quality, innovation, consistency and store design combined with the adjustments made during the pandemic to adjust to new customer expectations positions the network well for the future.

Before the pandemic, MTY's objectives were to generate organic growth while actively seeking potential accretive acquisitions. Those objectives have not changed and remain at the center of MTY's actions. To the extent possible, MTY's teams are focused on helping franchise partners generate positive same-store sales, open new locations of existing concepts and ultimately achieve their profitability objectives. The individual success of franchisees is the basis for the success of MTY for the years to come.

Given the Company's capital allocation since the onset of the pandemic and the amount of debt that was repaid since, the Company is financially well positioned to seize acquisition opportunities that are presented to management.

However, despite its appetite to make associations and grow its network, the Company will remain disciplined in its search for the right acquisition targets, at the right price and with the right attributes. For further details, please refer to the Company's MD&A.

CONFERENCE CALL

The MTY Group will hold a conference call to discuss these results on October 8, 2021, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-514-400-4402 (Montreal or overseas) or 1-800-399-9540 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-770-2030 and entering the passcode 4629934. This recording will be available on Friday, October 8, 2021 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, October 15, 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 US 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 6,848 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 MEASURES

Adjusted EBITDA (net income (loss), excluding income tax, all other income (expenses), interest, depreciation and amortization, and impairment charges), and free cash flows (sum total cash flows from operating activities less capital expenditures) are widely accepted financial indicators but are not a measurement determined in accordance with International Financial Reporting Standards and may not be comparable to those presented by other companies. The Company believes that non-GAAP measures are useful because they are consistent with the indicators management uses internally to measure the Company's performance, and they 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. Refer to the "Compliance with International Financial Reporting Standards" section of the Company's MD&A.

NON-GAAP RATIOS

Management discloses non-GAAP ratios as they have been identified as relevant metrics to evaluate the performance of the Company. These include Adjusted EBITDA per diluted share (Adjusted EBITDA divided by diluted shares) and free cash flows per diluted share (free cash flows divided by diluted shares).

SUPPLEMENTARY FINANCIAL MEASURES

Management discloses supplementary financial measures as they have been identified as relevant metrics to evaluate the performance of the Company. These include system sales (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) and digital sales (sales made by customers through online ordering platforms).

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 the Company's 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 condensed interim consolidated financial statements and notes thereto for the three and nine-month periods ended August 31, 2021, are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.