Management's Discussion and Analysis
For the year ended November 30, 2021
Key highlights

- **Adjusted EBITDA[1] of $42.8 million in the quarter, compared to $35.2 million in Q4-20.**
- **Cash flows from operating activities of $31.9 million in the quarter.**
- **Free cash flows per diluted share[2] reached $1.44.**
- **Net income attributable to shareholders of $24.9 million in the quarter, or $1.00 per diluted share, up from a net income attributable to shareholders of $20.1 million, or $0.81 per diluted share, in Q4-20.**
- **Long-term debt repayments of $22.7 million for the quarter.**
- **System sales[3] of $962.5 million, up 8% compared to Q4-20. System sales up 24% in Canada and 12% Internationally, down 1% in the US due to unfavourable impact of foreign exchange variation.**
- **164 restaurants were temporarily closed at the beginning of the quarter and 82 at the end of the quarter.**
- **Although temporary closures increased during the first quarter of 2022 due to additional government mandated restrictions, as at February 16, 2022, only 71 locations remained temporarily closed, a decrease of 11 since November 30, 2021.**
- **259 locations were closed one or more days during the quarter, representing approximately 9,500 lost business days.**
- **Repurchased and cancelled 36,600 shares for a total consideration of $2.2 million in Q4-21.**
- **Quarterly dividend payment of $0.185 per share on November 15, 2021.**
- **Acquisition of Küto Comptoir à Tartares in December 2021.**

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

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

[3] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Management's Discussion and Analysis
For the fiscal year ended November 30, 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 consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2021.

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 February 16, 2022. 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 February 16, 2022 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on February 16, 2022. 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 February 16, 2022. 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, 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, Turtle Jack's Muskoka Grill and COOP Wicked Chicken.

As at November 30, 2021, MTY had 6,719 locations in operation, of which 6,603 were franchised or under operator agreements, 23 were operated through the joint venture and the remaining 93 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. Over the last 40 years, MTY has developed several restaurant concepts, including Tiki-Ming, which was the first concept it franchised. Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

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.

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 revenue from its distribution centers that serve primarily the Valentine and Casa Grecque franchisees. Furthermore, the Company generates revenues from the sale of retail products under various brand names, which are sold at a variety of retailers.

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, non-GAAP ratios and supplemental financial measures can be found in the supplemental information section of this MD&A. The non-GAAP measures, non-GAAP ratios and supplemental financial 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. The Company believes that non-GAAP measures, non-GAAP ratios and supplemental financial measures are useful because they are consistent with the indicators management uses internally to measure the Company's performance, to prepare operating budgets and to determine components of executive compensation. The Company also believes that these measures are used by securities analysts, investors and other interested parties and that these measures allow them to compare the Company's operations and financial performance from period to period and provide them 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 year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the United States ("US") continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As at November 30, 2021, MTY had 82 locations temporarily closed due to the pandemic, with many of those open operating with some restrictions. During the months of September, October and November of 2021, MTY's network lost approximately 9,500 days (approximately 8,000 in Canada and 1,500 in the US) of combined operations with a total of 259 locations closed one or more days during the quarter. Locations that are still temporarily closed are mostly located in malls, office towers and non-traditional locations such as airports, gyms and universities.

As previously reported, MTY is continuing its measures set out in 2020 to continually assist franchisees and ensure the safety and well-being of its employees, guests, and partners. Management continues to adapt and respond to the challenges presented by the current pandemic and monitors on a regular basis capital and operational spending to manage cash flows and ensure continued liquidity in the face of these uncertainties.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense, presented in Wage and rent subsidies as part of Operating expenses in the consolidated financial statements, for the year ending November 30, 2021, of $4.1 million (2020 – $6.8 million) resulting from the Canada Emergency Wage Subsidy, and of $0.3 million (2020 – nil) resulting from the Employee Retention Credit available to US taxpayers under the Coronavirus Aid, Relief and Economic Security Act; and
- Reduction in rent expense, presented in Wage and rent subsidies as part of Operating expenses in the consolidated financial statements for the year ending November 30, 2021, of $1.4 million (2020 – $0.2 million) resulting from the Canada Emergency Rent Subsidy.

Further information on these changes can be found in the November 30, 2021 consolidated financial statements.

DESCRIPTION OF RECENT ACQUISITION

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 ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2021**	**Year ended November 30, 2020**
Total assets	1,904,594	2,013,697
Total long-term financial liabilities	347,612	447,654
Revenue	551,903	511,117
Income (loss) before taxes	112,072	(51,949)
Net income (loss) attributable to owners	85,639	(37,108)
Total comprehensive income (loss) attributable to owners	77,673	(49,726)
Cash flows from operations	139,299	133,652
Net income (loss) per share – basic	3.47	(1.50)
Net income (loss) per share – diluted	3.46	(1.50)
Dividends paid on common stock	9,141	4,633
Dividends per common share	0.370	0.185
Weighted daily average number of common shares	24,704,866	24,755,351
Weighted average number of diluted common shares	24,745,131	24,755,351

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	Year ended November 30, 2021	Year ended November 30, 2020
Adjusted EBITDA [(1)]	168,622	137,819
Income before taxes, excluding impairment charges and reversals [(1)]	119,525	75,168
Cash flows from operations per diluted share [(2)]	5.63	5.40
Free cash flows [(1)]	139,001	140,652

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

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
Revenue	150,780	97,808	135,366	127,163	118,960	135,857	150,801	146,285
Net income (loss) attributable to owners	19,008	(99,126)	22,932	20,078	13,397	23,028	24,337	24,877
Total comprehensive income (loss) attributable to owners	26,476	(80,422)	(10,691)	14,911	(953)	(7,588)	52,026	34,188
Net income (loss) per share	0.76	(4.01)	0.93	0.81	0.54	0.93	0.99	1.01
Net income (loss) per diluted share	0.76	(4.01)	0.93	0.81	0.54	0.93	0.98	1.00
Cash flows provided by operating activities	30,980	19,207	38,624	44,841	31,307	29,541	46,553	31,898

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	Quarters ended							
	February 2020	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
System sales [1 & 2]	999.5	670.7	897.5	891.4	761.1	891.5	1,016.2	962.5
# of locations	7,300	7,236	7,123	7,001	6,949	6,907	6,848	6,719
Adjusted EBITDA [3]	41,037	18,213	43,388	35,181	32,637	43,481	49,673	42,831
Free cash flows [3]	30,738	28,926	37,078	43,910	30,300	27,497	45,601	35,603
Free cash flows per diluted share [4]	1.23	1.17	1.50	1.78	1.23	1.11	1.84	1.44

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.
(2) In millions $.
(3) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
(4) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.

SEGMENT NOTE DISCLOSURE

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

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2021

Revenue

During the 2021 fiscal year, the Company's total revenue increased to $551.9 million, from $511.1 million a year earlier. Revenue for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	107.3	105.6	2%
	Corporate stores	19.4	18.4	5%
	Food processing, distribution and retail	125.0	104.2	20%
	Promotional funds	32.2	30.4	6%
	Intercompany transactions	(3.7)	(4.6)	N/A
Total Canada		280.2	254.0	10%
US & International	Franchise operation	167.2	152.2	10%
	Corporate stores	40.2	46.3	(13%)
	Food processing, distribution and retail	5.0	4.6	9%
	Promotional funds	61.2	56.4	9%
	Intercompany transactions	(1.9)	(2.4)	N/A
Total US & International		271.7	257.1	6%
Total revenue		**551.9**	**511.1**	**8%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2020 fiscal year	105.6
Increase in recurring revenue streams [1]	3.9
Decrease in initial franchise fees, renewal fees and transfer fees	(0.7)
Decrease in turnkey, sales of material to franchisees and rent revenues	(0.4)
Other non-material variations	(1.1)
Revenue, 2021 fiscal year	107.3

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The franchising segment in Canada benefitted from the re-opening of restaurants and gradual lifting of government-imposed restrictions, despite vaccine passport requirements in some provinces. System sales increased by 4.5% compared to prior year, which correlates to the increase in recurring revenue streams. This was partially offset by a decline in turnkey revenues. As at November 30, 2021, the Company still had 64 locations temporarily closed in Canada (2020 – 197 locations).

Revenue from corporate-owned locations increased by 5% to $19.4 million year-to-date. The increase is due to the gradual lifting of government-imposed restrictions, despite vaccine passport requirements in some provinces as well as an increase in the number of corporate restaurants held over the course of the year.

Food processing, distribution and retail revenues increased by 20%. The increase is partially explained by the re-opening of restaurants, which has increased sales in our distribution and food processing channels. The impact of increased consumer spending in grocery stores that has continued throughout the waves of the pandemic, coupled with the launch of new products in the retail division, as well as expansion into new provinces, also helped generate new sales channels. In 2021, 181 products were sold in the Canadian retail market, compared to 147 in 2020.

The promotional fund revenue increase of 6% is partly due to the 4.5% increase in system sales compared to prior year as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 10%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2020 fiscal year	152.2
Increase in recurring revenue streams [1]	21.4
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Increase in sales of material and services to franchisees	3.0
Increase in gift card breakage income	0.3
Impact of variation in foreign exchange rates	(9.2)
Other non-material variations	(0.8)
Revenue, 2021 fiscal year	167.2

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The franchising segment benefited from the reopening and lifting of government-imposed restrictions in most of the states compared to 2020. Despite 18 US & International locations temporarily closed as at November 30, 2021, year-to-date system sales increased by 5.3% compared to prior year. Sales of material and services to franchisees also increased by $3.0 million, stemming primarily from the sale of equipment to franchisees. This was partially offset by an unfavourable impact of $9.2 million due to an unfavourable variation in the foreign exchange rate.

The decrease of $6.1 million in corporate-owned location revenues is explained by the sale of several Papa Murphy's corporately-owned locations that were converted into franchises as well as the negative impact of foreign exchange rates amounting to $2.9 million.

The promotional fund revenue increase of 9% is partly due to the increase in system sales as well as the impact of the various contribution rates.

Operating expenses

During the 2021 fiscal year, operating expenses increased by 2% to $382.6 million, from $373.8 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	50.4	56.6	(11%)
	Corporate stores	17.3	17.7	(2%)
	Food processing, distribution and retail	114.0	92.5	23%
	Promotional funds	32.2	30.4	6%
	Intercompany transactions	(1.8)	(2.5)	N/A
Total Canada		212.1	194.7	9%
US & International	Franchise operation	71.4	78.9	(10%)
	Corporate stores	41.7	48.3	(14%)
	Promotional funds	61.2	56.4	9%
	Intercompany transactions	(3.8)	(4.5)	N/A
Total US & International		170.5	179.1	(5%)
Total operating expenses		**382.6**	**373.8**	**2%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased by $6.2 million or 11%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2020 fiscal year	56.6
Increase in non-controllable expenses [(1)]	2.0
Decrease in turnkey cost, cost of sale of material and services to franchisees and rent	(3.3)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.5
Decrease in expected credit loss provision	(1.9)
Decrease due to impact of IFRS 16 on rent expense	(0.8)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(4.7)
Operating expenses, 2021 fiscal year	50.4

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Non-controllable expenses increased by $2.0 million compared to prior year due to a decrease in wage subsidies. The $3.3 million decrease in turnkey costs and cost of material and services to franchisees and rent is the impact of $1.8 million lease guarantee provision recorded at the onset of the pandemic with the remaining $1.5 million explained by a decrease in turnkeys' costs that are correlated with the decrease in revenues as well as a decrease in rent. Controllable expenses increased by $2.5 million, mostly due to an increase in wages, which was partially offset by a decrease in professional and consulting services. During the year, expenses were also favourably impacted by: higher expected credit loss provisions taken in the prior year at the onset of the pandemic; and reversals of expected credit loss provisions on accounts receivable and lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

Corporate store expenses for the year were favorably impacted by rent subsidies received from the government offset by an increase in operating expenses due to the gradual lifting of government-imposed restrictions as well as an increase in the number of corporate restaurants held over the course of the year.

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 first quarter that required a cumulative adjustment.

Promotional funds expense activities were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by $7.5 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2020 fiscal year	78.9
Increase in non-controllable expenses [1]	1.8
Increase in cost of sale of material and services to franchisees and rent	4.1
Decrease in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	(2.8)
Decrease in expected credit loss provision	(2.4)
Decrease due to impact of IFRS 16 on rent expense	(0.5)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(2.6)
Impact of variation in foreign exchange rates	(4.7)
Other non-material variations	(0.4)
Operating expenses, 2021 fiscal year	71.4

[1] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The non-controllable expenses increase of $1.8 million stems from an increase in royalties paid to area developers. The $4.1 million increase in cost of sale of material and services to franchises and rent is primarily from the sale of equipment to franchisees, which is correlated with revenues, as well as an increase in rent expense and the costs related to the sale of gift cards.

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. Expenses were also favourably impacted by: higher expected credit loss provisions taken in the prior year at the onset of the pandemic; and reversals of expected credit loss provisions on accounts receivable and lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

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

Segment profit (loss) and Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") [1]

Fiscal year ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	280.2	271.7	551.9
Operating expenses	212.1	170.5	382.6
Segment profit	68.1	101.2	169.3
Segment profit as a % of Revenue	24%	37%	31%
Segment profit	68.1	101.2	169.3
Net loss in joint venture	(0.7)	—	(0.7)
Adjusted EBITDA	67.4	101.2	168.6
Adjusted EBITDA as a % of Revenue [2]	24%	37%	31%

Fiscal year ended November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenue	254.0	257.1	511.1
Operating expenses	194.7	179.1	373.8
Segment profit	59.3	78.0	137.3
Segment profit as a % of Revenue	23%	30%	27%
Segment profit	59.3	78.0	137.3
Net profit in joint venture	0.5	—	0.5
Adjusted EBITDA	59.8	78.0	137.8
Adjusted EBITDA as a % of Revenue [2]	24%	30%	27%

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

Fiscal year ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	274.5	59.6	130.0	93.4	(5.6)	551.9
Operating expenses	121.8	59.0	114.0	93.4	(5.6)	382.6
Segment profit	152.7	0.6	16.0	—	—	169.3
Segment profit as a % of Revenue	56%	1%	12%	N/A	N/A	31%
Segment profit	152.7	0.6	16.0	—	—	169.3
Net loss in joint venture	(0.7)	—	—	—	—	(0.7)
Adjusted EBITDA	152.0	0.6	16.0	—	—	168.6
Adjusted EBITDA as a % of Revenue [(2)]	55%	1%	12%	N/A	N/A	31%

Fiscal year ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	257.8	64.7	108.8	86.8	(7.0)	511.1
Operating expenses	135.5	66.0	92.5	86.8	(7.0)	373.8
Segment profit (loss)	122.3	(1.3)	16.3	—	—	137.3
Segment profit (loss) as a % of Revenue	47%	N/A	15%	N/A	N/A	27%
Segment profit (loss)	122.3	(1.3)	16.3	—	—	137.3
Net profit in joint venture	0.5	—	—	—	—	0.5
Adjusted EBITDA	122.8	(1.3)	16.3	—	—	137.8
Adjusted EBITDA as a % of Revenue [(2)]	48%	N/A	15%	N/A	N/A	27%

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

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2020 fiscal year	59.3	78.0	137.3
Variance in recurring revenues and expenses [1]	0.3	23.3	23.6
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	2.9	(1.1)	1.8
Variance in initial franchise fees, renewal fees and transfer fees	(0.7)	0.3	(0.4)
Variance in nonrecurring non-controllable expenses [1]	(1.2)	0.3	(0.9)
Variance in expected credit loss provision	2.3	2.4	4.7
Variance due to impact of IFRS 16 on rent revenue & expense	1.0	(0.1)	0.9
Variance due to impact of IFRS 16 on impairment of lease receivables	4.7	2.6	7.3
Impact of variation in foreign exchange rates	—	(4.1)	(4.1)
Other non-material variations	(0.5)	(0.4)	(0.9)
Segment profit, 2021 fiscal year	68.1	101.2	169.3
Adjusted EBITDA [2], 2020 fiscal year	59.8	78.0	137.8
Variances in segment profit	8.8	23.2	32.0
Variance due to net impact of joint venture	(1.2)	—	(1.2)
Adjusted EBITDA [2], 2021 fiscal year	67.4	101.2	168.6

(1) See section “Definition of supplementary financial measures” found in the Supplemental Information section for definition.

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

Total segment profit for the year ended November 30, 2021, was $169.3 million, an increase of 23% compared to the same period last year. Total adjusted EBITDA for the same period was $168.6 million, an increase of 22% compared to the same period last year. The loosening of COVID-19 restrictions in both geographic segments and positive system sales growth as well as the decrease in expected credit loss provisions are the primary reasons for the increase.

Canada contributed 40% of total adjusted EBITDA and a year-over-year increase of $7.6 million. This increase of 13% was mostly due to an increase in recurring revenues, which stems from higher systems sales, as well as the impact of one-time lease guarantee provisions taken in 2020, the reversals of expected credit loss provisions and lower professional and consulting fees.

The US & International adjusted EBITDA grew by 30% mainly from an increase in recurring revenue, in conjunction with cost reduction measures put in place and reversals of expected credit loss provisions on accounts receivable and lease receivables.

Net income (loss)

For the year ended November 30, 2021, a net income attributable to owners of $85.6 million was recorded, or $3.47 per share ($3.46 per diluted share) compared to a net loss attributable to owners of $37.1 million or $1.50 per share ($1.50 per diluted share) last year. The increase was primarily due to a non-cash impairment charge to the Company’s property, plant and equipment, intangible assets and goodwill of $122.8 million recorded in the prior year. This compares to a non-cash net impairment charge of $5.9 million to the Company’s property, plant and equipment and intangible assets recorded in the current year.

Calculation of Adjusted EBITDA [1]

(In thousands $)	Year ended November 30, 2021	Year ended November 30, 2020
Income (loss) before taxes	112,072	(51,949)
Depreciation – property, plant and equipment and right-of-use assets	16,174	16,998
Amortization – intangible assets	28,442	30,876
Interest on long-term debt	10,111	16,756
Net interest expense on leases	2,295	2,481
Impairment charge – right-of-use assets	1,550	4,291
Net impairment charge – property, plant and equipment, intangible assets and goodwill	5,903	122,826
Unrealized and realized foreign exchange loss (gain)	300	(3,230)
Interest income	(198)	(408)
Gain on de-recognition/lease modification of lease liabilities	(1,319)	(2,890)
(Gain) loss on disposal of property, plant and equipment and assets held for sale	(3,549)	466
Revaluation of financial liabilities recorded at fair value through profit and loss	(3,034)	1,602
Other income	(125)	—
Adjusted EBITDA	**168,622**	**137,819**

[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 $6.6 million as a result of repayments made on the revolving credit facility over the course of the last 12 months and the positive impact of cross-currency interest rate swaps.

The Company recorded a gain on disposal of property, plant and equipment of $3.5 million during the year ended November 30, 2021, mostly resulting from the disposal of two portfolios of Papa Murphy's corporately-owned locations in the US that were converted into franchises upon completion of the sale. This compares to a loss on disposal of property, plant and equipment and assets held for sale of $0.5 million in the prior year.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2021

Revenue

During the fourth quarter of 2021, the Company's total revenue increased to $146.3 million, from $127.2 million a year earlier. Revenue for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	33.7	27.7	22%
	Corporate stores	5.9	4.1	44%
	Food processing, distribution and retail	34.6	24.8	40%
	Promotional funds	9.6	8.0	20%
	Intercompany transactions	(2.7)	(3.4)	N/A
Total Canada		81.1	61.2	33%
US & International	Franchise operation	39.7	40.4	(2%)
	Corporate stores	9.4	11.1	(15%)
	Food processing, distribution and retail	1.3	1.1	18%
	Promotional funds	15.2	14.2	7%
	Intercompany transactions	(0.4)	(0.8)	N/A
Total US & International		65.2	66.0	(1%)
Total revenue		**146.3**	**127.2**	**15%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 22%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2020	27.7
Increase in recurring revenue streams [1]	6.3
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	0.4
Other non-material variations	(0.9)
Revenue, fourth quarter of 2021	33.7

[1] *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

The increase to franchising revenues was mostly attributable to the recovery from the onset of the second wave and increased government-imposed restrictions in the fourth quarter of 2020. Malls and office towers outperformed prior year with sales growth of 41% and 58%, respectively, while street-front locations had a year-over-year growth of 21%. Street-front locations had the largest increase in the casual dining division, with a quarterly sales increase of 36%. The network's digital sales also continued to rise, reaching $60.6 million during the quarter, compared to $53.7 million in the same period last year.

Revenue from corporate-owned locations increased by 44% to $5.9 million during the quarter. The increase is mostly due to the re-opening of corporate locations in the fourth quarter compared to their temporary closures in the same period last year as a result of the onset of the second wave in the fourth quarter of 2020.

Food processing, distribution and retail revenues increased by 40% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by our processing and distribution centers. The year-over-year improvement is the result of increased restaurant sales during the quarter, which is a driver for this segment.

The promotional fund revenue increase of 20% is partly due to the increase in system sales, which increased by 24%, as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International decreased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2020	40.4
Increase in recurring revenue streams [(1)]	1.8
Increase in initial franchise fees, renewal fees and transfer fees	0.3
Decrease in sales of material and services to franchisees	(0.2)
Impact of variation in foreign exchange rates	(1.7)
Other non-material variations	(0.9)
Revenue, fourth quarter of 2021	39.7

(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

Despite the overall decrease in franchising revenues, mostly due to the unfavourable impact of variation in foreign exchange rates, recurring revenue streams were higher compared to the same period last year, partially attributable to the momentum in the recovery from the pandemic, with the removal of government-imposed restrictions in key states and territories. For the three-month period ended November 30, 2021, excluding the impact of foreign exchange rates, system sales increased by 4% compared to prior year. California, the largest territory in the US network, also saw an increase of 7% compared to prior year.

The decrease of $1.7 million in corporate-owned location revenues is due to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 7% is partly due to the impact of the various contribution rates.

Operating expenses

During the fourth quarter of 2021, operating expenses increased by 12% to $103.2 million, up from $92.0 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2021 ($ millions)	November 30, 2020 ($ millions)	Variation
Canada	Franchise operation	13.8	14.6	(5%)
	Corporate stores	5.8	3.6	61%
	Food processing, distribution and retail	32.0	21.8	47%
	Promotional funds	9.6	8.0	20%
	Intercompany transactions	(0.5)	(1.1)	N/A
Total Canada		60.7	46.9	29%
US & International	Franchise operation	19.2	22.2	(14%)
	Corporate stores	10.7	11.8	(9%)
	Promotional funds	15.2	14.2	7%
	Intercompany transactions	(2.6)	(3.1)	N/A
Total US & International		42.5	45.1	(6%)
Total operating expenses		**103.2**	**92.0**	**12%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased by $0.8 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2020	14.6
Increase in non-controllable expenses [1]	0.8
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	0.1
Increase in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	0.4
Increase in expected credit loss provision	0.3
Decrease due to impact of IFRS 16 on rent expense	(0.5)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(1.5)
Other non-material variations	(0.4)
Operating expenses, fourth quarter of 2021	13.8

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

Non-controllable expenses increased by $0.8 million compared to prior year due to a decrease in wage subsidies. Cost of sales and materials to franchisees overall increased, correlated with revenues, and were offset by a decrease in turnkey costs and rent.

Controllable expenses increased by $0.4 million as, in 2020, management took certain actions to reduce expenditures within the organization, many of which were scaled down as the segment recovers, which has resulted in the increase in recurring controllable expenses. The quarter also saw the reversals of expected credit loss provisions on lease receivables, which stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

The variations of expenses from corporate stores were tightly correlated to the related revenues and partially offset by the impact of wage and rent subsidies received from the government.

Food processing, distribution and retail costs exceeded related revenue growth due to current supply chain costs and wage increases.

The variations of promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by $3.0 million. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2020	22.2
Increase in non-controllable expenses [1]	0.1
Decrease in cost of sale of material and services to franchisees and rent	(0.1)
Increase in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	0.2
Decrease in expected credit loss provision	(0.2)
Decrease due to impact of IFRS 16 on rent expense	(0.3)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(1.3)
Impact of variation in foreign exchange rates	(0.9)
Other non-material variations	(0.5)
Operating expenses, fourth quarter of 2021	19.2

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.

Operating expenses for the fourth quarter decreased by $3.0 million, mostly due to the unfavourable variation in foreign exchange rates, as well as a reduction in expected credit losses on accounts receivable and lease receivables. The decrease in expected credit losses stems from a change in the assessment of the collection risk and better than expected collection from franchisees.

The decrease of $1.2 million in corporate-owned location revenues is due to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises.

The variation from promotional funds fluctuated in correlation to the related revenues.

Segment profit (loss) and Adjusted EBITDA [1]

Three-month period ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	81.1	65.2	146.3
Operating expenses	60.7	42.5	103.2
Segment profit	20.4	22.7	43.1
Segment profit as a % of Revenue	25%	35%	29%
Segment profit	20.4	22.7	43.1
Net loss in joint venture	(0.3)	—	(0.3)
Adjusted EBITDA	20.1	22.7	42.8
Adjusted EBITDA as a % of Revenue [2]	25%	35%	29%

Three-month period ended November 30, 2020			
(In millions $)	Canada	US & International	Total
Revenue	61.2	66.0	127.2
Operating expenses	46.9	45.1	92.0
Segment profit	14.3	20.9	35.2
Segment profit as a % of Revenue	23%	32%	28%
Segment profit	14.3	20.9	35.2
Net profit in joint venture	—	—	—
Adjusted EBITDA	14.3	20.9	35.2
Adjusted EBITDA as a % of Revenue [2]	23%	32%	28%

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

Three-month period ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	73.4	15.3	35.9	24.8	(3.1)	146.3
Operating expenses	33.0	16.5	32.0	24.8	(3.1)	103.2
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Segment profit (loss) as a % of Revenue	55%	N/A	11%	N/A	N/A	29%
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Net loss in joint venture	(0.3)	—	—	—	—	(0.3)
Adjusted EBITDA	40.1	(1.2)	3.9	—	—	42.8
Adjusted EBITDA as a % of Revenue (2)	55%	N/A	11%	N/A	N/A	29%

Three-month period ended November 30, 2020						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	68.1	15.2	25.9	22.2	(4.2)	127.2
Operating expenses	36.8	15.4	21.8	22.2	(4.2)	92.0
Segment profit (loss)	31.3	(0.2)	4.1	—	—	35.2
Segment profit (loss) as a % of Revenue	46%	N/A	16%	N/A	N/A	28%
Segment profit (loss)	31.3	(0.2)	4.1	—	—	35.2
Net profit in joint venture	—	—	—	—	—	—
Adjusted EBITDA	31.3	(0.2)	4.1	—	—	35.2
Adjusted EBITDA as a % of Revenue (2)	46%	N/A	16%	N/A	N/A	28%

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

(2) *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2020	14.3	20.9	35.2
Variance in recurring revenues and expenses [1]	4.8	0.7	5.5
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	0.3	(0.1)	0.2
Variance in initial franchise fees, renewal fees and transfer fees	0.2	0.3	0.5
Variance in nonrecurring non-controllable expenses [1]	(0.8)	—	(0.8)
Variance in expected credit loss provision	(0.3)	0.2	(0.1)
Variance due to impact of IFRS 16 on rent revenue & expense	0.4	—	0.4
Variance due to impact of IFRS 16 on impairment of lease receivables	1.5	1.3	2.8
Impact of variation in foreign exchange rates	—	(0.4)	(0.4)
Other non-material variations	—	(0.2)	(0.2)
Segment profit, fourth quarter of 2021	20.4	22.7	43.1
Adjusted EBITDA [2], fourth quarter of 2020	14.3	20.9	35.2
Variances in segment profit	6.1	1.8	7.9
Variance due to net impact of joint venture	(0.3)	—	(0.3)
Adjusted EBITDA [2], fourth quarter of 2021	20.1	22.7	42.8

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

Total segment profit for the three-month period ending November 30, 2021, was $43.1 million, up by 22% compared to the same period last year. Total adjusted EBITDA for the same period was $42.8 million, up by 22% compared to the same period last year. Canada contributed 47% of total adjusted EBITDA and a year-over-year increase of $5.8 million while the US & International adjusted EBITDA increased by 9% or $1.8 million. Major brands such as Cold Stone, SweetFrog, Baton Rouge, Thai Express and Sushi Shop, to name a few, greatly outperformed prior year as mall and street locations generated year-over-year growth of 31% and 4%, respectively. The network's overall scalability through cost management also allowed margins to increase to 55% for the franchising division, from 45% the year before.

Net income

For the three months ended November 30, 2021, a net income attributable to owners of $24.9 million was recorded, or $1.01 per share ($1.00 per diluted share) compared to net income attributable to owners of $20.1 million or $0.81 per share ($0.81 per diluted share) last year.

Calculation of Adjusted EBITDA [1]

(In thousands $)	Quarter ended November 30, 2021	Quarter ended November 30, 2020
Income before taxes	33,831	12,882
Depreciation – property, plant and equipment and right-of-use assets	4,073	3,904
Amortization – intangible assets	6,962	8,013
Interest on long-term debt	1,724	3,754
Net interest expense on leases	561	585
Impairment charge – right-of-use assets	628	1,170
Net impairment charge – property, plant and equipment, intangible assets and goodwill	549	2,560
Unrealized and realized foreign exchange loss (gain)	1,758	(599)
Interest expense (income)	(40)	(139)
Gain on de-recognition/lease modification of lease liabilities	(465)	(42)
(Gain) loss on disposal of property, plant and equipment and assets held for sale	(2,487)	297
Revaluation of financial liabilities recorded at fair value through profit and loss	(4,153)	2,796
Other income	(110)	—
Adjusted EBITDA	**42,831**	**35,181**

(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 $2.0 million because 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 an unfavourable variation in the foreign exchange on intercompany loans. The Company recorded unrealized foreign exchange losses of $1.8 million on intercompany loans during the quarter ended November 30, 2021.

The Company recorded a gain on disposal of property, plant and equipment of $2.5 million in the fourth quarter, related to the sale of several Papa Murphy's corporately-owned locations that were converted into franchises, compared to a loss of $0.3 million in the same period last year.

The Company also recognized a gain on revaluation of financial liabilities recorded at fair value of $4.2 million in the fourth quarter related to its contingent consideration on investment in a joint venture and to its obligation to repurchase a partner in a joint venture. This compares to a loss of $2.8 million in the same period last year, primarily attributable to its contingent considerations on acquisitions and investment in a joint venture.

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	119.5	—	—	—	—	—	—
Long-term debt [1]	13.7	—	2.0	345.0	1.4	—	—
Interest on long-term debt [2]	2.9	2.9	5.7	2.3	—	—	—
Net lease liabilities [3]	6.3	6.3	11.3	9.7	8.8	7.9	22.3
Total contractual obligations	**142.4**	**9.2**	**19.0**	**357.0**	**10.2**	**7.9**	**22.3**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. 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 and non-interest-bearing contract cancellation fees.*

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

(3) *Net lease liabilities include the total undiscounted lease payments of leases, offset by finance lease receivables and operating subleases.*

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2021, the amount held in cash totaled $61.2 million, an increase of $16.9 million since the end of the 2020 fiscal period.

During the third and fourth quarters of 2021, MTY paid $9.1 million in dividends to its shareholders. The dividend payment had previously been suspended since the second quarter of 2020. The Company also repurchased and cancelled 36,600 (2020 – 364,774) of its shares for $2.2 million (2020 – $18.9 million) through its normal course issuer bid ("NCIB") during the 2021 fiscal year.

During the year ended November 30, 2021, cash flows generated by operating activities were $139.3 million, compared to $133.7 million in 2020. Excluding the variation in non-cash working capital items, income taxes, interest paid and other, operations generated $170.1 million in cash flows, compared to $141.9 million in 2020.

The revolving credit facility has an authorized amount of $600.0 million (November 30, 2020 – $700.0 million), of which $345.0 million was drawn as at November 30, 2021 (November 30, 2020 – $433.0 million).

Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt to EBITDA ratio [1] that must be less than or equal to 3.50:1.00;
- a debt to EBITDA ratio [1] that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150.0 million; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

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

The revolving credit facility is repayable without penalty with the balance due on the date of maturity April 22, 2024.

As at November 30, 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:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Franchises, beginning of the period	**6,701**	6,989	**6,867**	7,229
Corporate-owned, beginning of the period				
Canada	**42**	35	**37**	50
US	**82**	78	**76**	94
Joint venture	**23**	21	**21**	—
Total, beginning of the period	**6,848**	7,123	**7,001**	7,373
Opened during the period	**60**	39	**218**	185
Closed during the period	**(189)**	(161)	**(489)**	(578)
Joint venture opened or acquired during the period	**—**	—	**3**	23
Joint venture closed during the period	**—**	—	**(1)**	(2)
Disposed of during the period	**—**	—	**(13)**	—
Total, end of the period	**6,719**	7,001	**6,719**	7,001
Franchises, end of the period			**6,603**	6,867
Corporate-owned, end of the period				
Canada			**42**	37
US			**51**	76
Joint venture			**23**	21
Total, end of the period			**6,719**	7,001

The Company's network opened 221 locations for the year ended November 30, 2021 (2020 – 185 locations opened and 23 joint venture locations acquired). For the fourth quarter of 2021, the Company's network opened 60 locations (2020 – 39 locations). The geographical breakdown is as follows:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Canada	**27**	19	**102**	112
US	**24**	14	**73**	70
International	**9**	6	**46**	26
Opened or acquired	**60**	39	**221**	208

During the year ended November 30, 2021, the Company's network closed 490 locations (2020 – 578 locations and 2 locations through the joint venture). Of the locations closed during the period, 49% were located on street front, 23% in malls and office towers and 28% in other non-traditional formats. For the fourth quarter of 2021, the Company's network closed 189 locations (2020 – 161 locations). Of the locations closed during the quarter, 46% were located on street front, 26% in malls and office towers and 28% in other non-traditional formats. The geographical breakdown is as follows:

	Three months ended November 30,		Twelve months ended November 30,	
	2021	2020	**2021**	2020
Canada	**68**	85	**205**	262
US	**95**	68	**229**	276
International	**26**	8	**56**	42
Closed	**189**	161	**490**	580

As at November 30, 2021, the Company's network had a total of 82 locations temporarily closed as a result of COVID-19 (November 30, 2020 – 338 locations). Of these temporarily closed locations, 64 are in Canada (November 30, 2020 – 197 locations), 9 in the US (November 30, 2020 – 108 locations) and the remaining 9 are located Internationally (November 30, 2020 – 33 locations). As at February 16, 2022, MTY has 71 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:

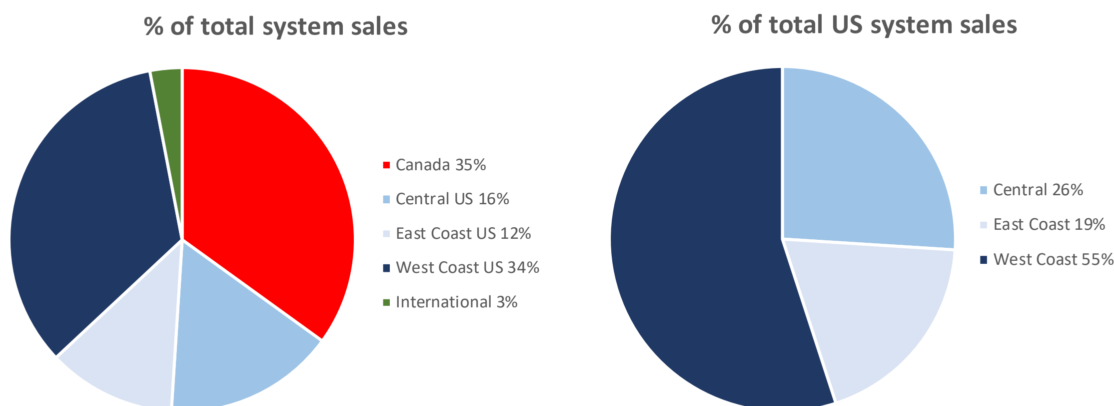
	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Location type	**2021**	2020	**2021**	2020
Shopping mall & office tower food courts	**14%**	15%	**9%**	10%
Street front	**64%**	63%	**82%**	82%
Non-traditional format	**22%**	22%	**9%**	8%

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

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Geographical location	**2021**	2020	**2021**	2020
Canada	**39%**	38%	**35%**	35%
US	**54%**	55%	**62%**	61%
International	**7%**	7%	**3%**	4%

In Canada, Quebec had the largest portion of total system sales with 18% followed by Ontario with 9%. In the US, only the state of California exceeded 10% of US system sales for the period, followed by Washington and Oregon, which contributed to the network's sales with 10% and 8% of US 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:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Concept type	**2021**	2020	**2021**	2020
Quick service restaurant	**83%**	83%	**73%**	73%
Fast casual	**10%**	10%	**13%**	12%
Casual dining	**7%**	7%	**14%**	15%

System sales

During the three and twelve-month periods ended November 30, 2021, MTY's network generated $962.5 million and $3,631.3 million in sales, respectively. 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%)**
Second quarter of 2021	270.9	592.3	28.3	**891.5**
Second quarter of 2020	173.2	477.0	20.5	**670.7**
Variance	56%	24%	38%	**33%**
Third quarter of 2021	391.3	594.2	30.7	**1,016.2**
Third quarter of 2020	302.6	566.2	28.7	**897.5**
Variance	29%	5%	7%	**13%**
Fourth quarter of 2021	378.9	551.3	32.3	**962.5**
Fourth quarter of 2020	305.7	556.8	28.9	**891.4**
Variance	24%	(1%)	12%	**8%**
Year-to-date 2021	1,260.5	2,249.6	121.2	**3,631.3**
Year-to-date 2020	1,206.7	2,130.5	121.9	**3,459.1**
Variance	4%	6%	(1%)	**5%**

The overall movement in sales is distributed as follows:

	Three month sales ended November 30				Twelve month sales ended November 30			
(millions of $)	Canada	US	International	TOTAL	Canada	US	International	**TOTAL**
Reported sales – 2020	305.7	556.8	28.9	891.4	1,206.7	2,130.5	121.9	**3,459.1**
Net variance in system sales	73.2	20.6	4.7	98.5	53.8	258.5	6.3	**318.6**
Cumulative impact of foreign exchange variation	—	(26.1)	(1.3)	(27.4)	—	(139.4)	(7.0)	**(146.4)**
Reported sales – 2021	378.9	551.3	32.3	962.5	1,260.5	2,249.6	121.2	**3,631.3**

System sales for the three-month period ended November 30, 2021 increased by 8% mainly due to the impacts of government-imposed restrictions during the second wave of COVID-19 in the prior year, and an increase in customer traffic. The casual dining concepts contributed $41.7 million to the increase, or a quarterly sales increase of 36%.

For the twelve-month period ended November 30, 2021, system sales were up by 5% compared to 2020. The quick service restaurant concepts drove the increase, representing 82% of the total year-over-year growth, or a 6% increase.

MTY started the quarter with 164 temporarily closed locations because of COVID-19 and ended with 82 closed as at November 30, 2021 (November 30, 2020 – 338 locations). This resulted in approximately 9,500 days of lost business. Of the closed locations, 64 were in Canada (November 30, 2020 – 197 locations), 9 in the US (November 30, 2020 – 108 locations) and 9 were Internationally located (November 30, 2020 – 33 locations).

During the three and twelve-month periods ended November 30, 2021, a stronger Canadian dollar relative to the US dollar also decreased sales and resulted in an unfavorable variation of $27.4 million and $146.4 million, respectively, in reported sales.

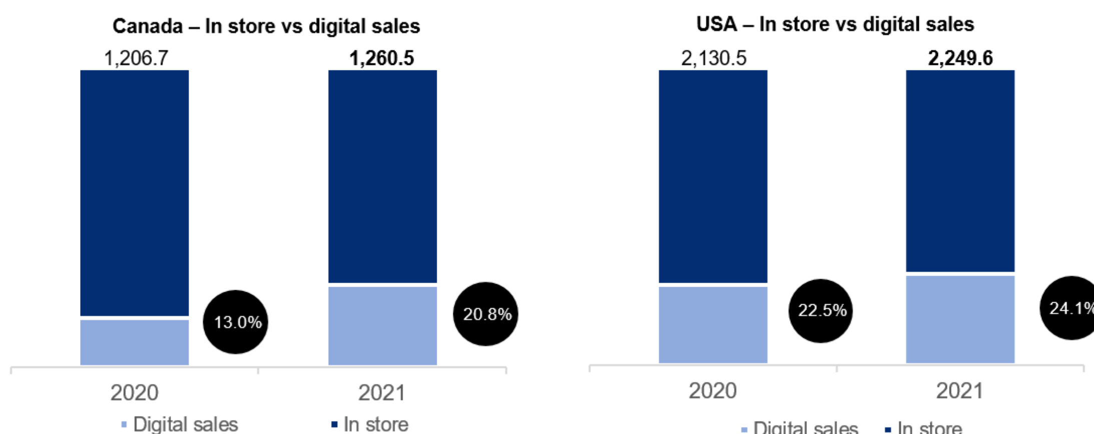
Papa Murphy's and Cold Stone Creamery are the only concepts that currently represent more than 10% of system sales, generating approximately 28% and 20% respectively of the total sales of MTY's network for the twelve-month period ended November 30, 2021. Taco Time, Thai Express and Sushi Shop are the 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.

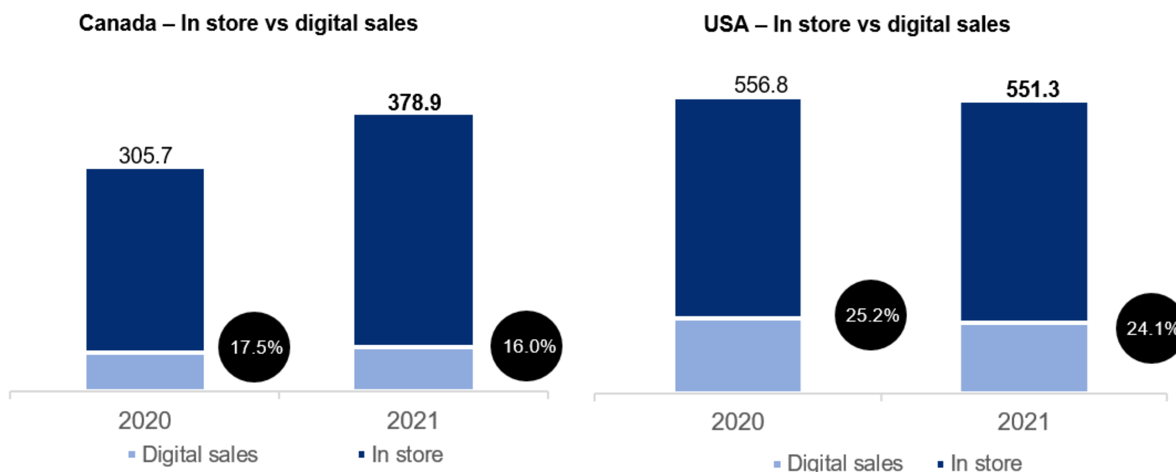
Digital sales

The pandemic accelerated consumer shifts to online ordering for delivery or take-out. For the year ended November 30, 2021, digital sales grew to $803.6 million, from $636.4 million the year before and represented 23% of sales. The digital sales pertained mostly to take-out orders, as well as 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 fiscal years ended November 30, 2021, and 2020:



Digital sales for the fourth quarter decreased slightly to reach $193.7 million, compared to $194.2 million the year before. The breakdown for the three months ended November 30, 2021, and 2020 is as follows:



Although overall digital sales decreased for the quarter as a % of total sales, the Canadian segment continued to be strong with fourth quarter year-over-year improvement of 16% or $6.9 million. This is being driven by significant investment by MTY in online digital platforms for the Canadian market. The US decline was partially impacted by a negative foreign exchange impact of $6.5 million.

The lower proportion of digital sales as a % of total sales in the fourth quarter compared to the same period last year is mainly attributable to the re-opening of more traditional sales channels, which were affected by pandemic-related restrictions in the prior year. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales as restrictions are gradually lifted.

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 well into 2022. Although the Company had great momentum prior to COVID-19, current world events will continue to have a drastic impact on both system and same-store sales in the quarters to come. The Company does expect however that results will eventually return to normal.

CAPITAL STOCK INFORMATION

Stock options

As at November 30, 2021, there were 440,000 options outstanding and 66,666 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 November 30, 2021, MTY's share price fluctuated between $47.15 and $72.10. On November 30, 2021, MTY's shares closed at $56.94.

Capital stock

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

As at February 16, 2022, the Company's issued and outstanding capital stock consisted of 24,422,361 shares (November 30, 2020 – 24,706,461) and 440,000 granted and outstanding stock options (November 30, 2020 – 400,000). During the year ended November 30, 2021, MTY repurchased 36,600 (2020 – 364,774) shares for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2021, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2021 and will end on July 2, 2022 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 both the three and twelve-month periods ended November 30, 2021, the Company repurchased and cancelled a total of 36,600 common shares (2020 – nil and 364,774 common shares, respectively) under the current NCIB, at a weighted average price of $59.68 per common share (2020 – nil and $51.72 per common share, respectively), for a total consideration of $2.2 million (2020 – nil and $18.9 million, respectively). An excess of $1.7 million (2020 – nil and $14.3 million, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENTS

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company's wholly owned subsidiaries completed its acquisition of the assets of Küto Comptoir à Tartares, a fast-growing chain of tartare restaurants operating in the province of Quebec, for a total cash consideration of $9.0 million plus a deferred contingent consideration based on royalties and retail sales. There are currently 31 franchised Küto Comptoir à Tartares restaurants in operation.

Dividends

On January 18, 2022, the Company announced an increase to its quarterly dividend payment, from $0.185 per common share to $0.210 per common share. The dividend of $0.210 per common share was paid on February 15, 2022.

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 2022, 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 consolidated statement of financial position.

Included in provisions are the following amounts:

(In thousands $)	**2021**	2020
	$	$
Litigations, disputes and other contingencies	**1,636**	2,878
Closed stores	**56**	187
	1,692	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.

GUARANTEE

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 $19.3 million as at November 30, 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 November 30, 2021, the Company has accrued $1.8 million (November 30, 2020 - $1.8 million), included in Accounts payable and accrued liabilities in the consolidated financial statements, 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, presented in Wages and benefits and Other as part of Operating expenses in the consolidated financial statements, was as follows:

(In thousands $)	**2021**	2020
	$	$
Short-term benefits	**2,670**	2,619
Share-based compensation	**924**	963
Consulting fees	**57**	—
Board member fees	**78**	75
Total remuneration of key management personnel and directors	**3,729**	3,657

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; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.2% 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, presented in Wages and benefits as part of Operating expenses in the consolidated financial statements, was as follows:

(In thousands $)	**2021**	2020
	$	$
Short-term benefits	**489**	505
Share-based compensation	**19**	10
Total remuneration of individuals related to key management personnel	**508**	515

The Company has entered into a consulting agreement with one of its joint venture associates to perform corporate business development and management consulting services, and paid consulting fees to this associate of $0.2 million for the year ended November 30, 2021 (2020 – $0.2 million), presented in Consulting and professional fees as part of Operating expenses in the consolidated financial statements. The Company has a current net payable due to its joint venture associate of $0.1 million as at November 30, 2021 (November 30, 2020 – net receivable of $0.1 million), included in Accounts payable and accrued liabilities in the consolidated financial statements.

During the year ended November 30, 2021, the Company paid consulting fees to a commercial real estate consulting firm employing one of its Board members of $0.3 million (2020 – nil).

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.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Impairment of long-lived assets

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year ended November 30, 2021, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future system sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling

interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment

The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment of property, plant and equipment, right-of-use assets, goodwill, trademarks and franchise rights.

In testing for impairment of property, plant and equipment and right-of-use assets, the Company determined that its CGUs mostly comprise of individual stores or groups of stores and the assets are thereby allocated to each CGU.

In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment, trademarks and franchise rights are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment is used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

Impairment of property, plant and equipment and right-of-use assets

The Company performs an impairment test of its property, plant and equipment and right-of-use assets when there is an indicator of impairment. The recoverable amounts of the Company's corporate store assets are generally estimated based on fair value less cost of disposal as this was determined to be higher than their value in use. The fair value less cost of disposal of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment and any costs associated with exiting the lease.

During the years ended November 30, 2021 and 2020, the Company recognized impairment charges on its property, plant and equipment (Note 15 of the consolidated financial statements). The total impairment on property, plant and equipment of $0.1 million (2020 – $3.2 million) represents a write-down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, which was higher than their value in use.

During the years ended November 30, 2021 and 2020, the Company also recognized impairment charges on its right-of-use assets (Note 10 of the consolidated financial statements) of $1.6 million (2020 – $4.3 million).

Impairment of franchise rights and trademarks

The Company performs at least annually an impairment test of its trademarks. The recoverable amounts of the Company's assets are generally estimated based on value in use calculations using a discounted cash flow approach as this was determined to be higher than fair value less cost of disposal.

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

During the years ended November 30, 2021 and 2020, the Company recognized net impairment charges on its franchise rights and trademarks (Note 15 of the consolidated financial statements). The total net impairment charge of $5.8 million (2020 – $51.7 million) includes: an impairment charge of $15.1 million (2020 – $51.7 million), representing a write-down of the carrying value to the fair value of the trademarks and franchise rights; partially offset by a reversal of impairment charge of $9.3 million (2020 – nil). The fair value was determined using significant unobservable inputs such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy. During the year ended November 30, 2021, the Company also carried out a review of the recoverable amount allocated to the intangible assets associated with the "Houston Avenue Bar & Grill" and "Industria Pizza + Bar" brands, where the recoverable amount was measured at fair value less costs of disposal.

These calculations take into account our best estimate of projected operating cash flows. Projected operating cash flows are estimated based on a multiyear extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity.

Impairment of goodwill

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

During the year ended November 30, 2021, no impairment charge (2020 – impairment charge of $68.0 million) on goodwill was required (Note 15 of the consolidated financial statements).

Gift card liabilities

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

Impact of COVID-19

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the US continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. The disruptions are expected to persist into 2022 with uncertainty surrounding the rollout of the vaccine boosters and the spread of the Omicron variant. The longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants are expected to fluctuate and impact the network for the foreseeable future.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2021, the Company determined that there was no indication of impairment attributable to COVID-19. Accordingly, the Company did not record impairment charges on its property, plant and equipment, intangible assets, and goodwill attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

The consolidated financial statements have been impacted with respect to the following as a result of COVID-19:

- Changes to lease liabilities and finance lease receivables were made to reflect changes in lease payment terms;
- Reduction in wage expense, presented in Wage and rent subsidies in Note 27 of the consolidated financial statements, for the year ending November 30, 2021 of $3.6 million (2020 – $6.8 million) resulting from the Canadian Employment Wage Subsidies, and of $0.3 million (2020 – nil) resulting from the Employee Retention Credit available to US taxpayers under the Coronavirus Aid, Relief and Economic Security Act; and
- Reduction in rent expense, presented in Wage and rent subsidies in Note 27 of the consolidated financial statements, for the year ending November 30, 2021 of $1.4 million (2020 – $0.2 million) resulting from the Canadian Emergency Rent Subsidies.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the year ended November 30, 2021 and have not been applied in preparing the 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 & February 2021	December 1, 2023	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	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.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

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.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 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.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 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 2022 fiscal year to continue 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, impose restrictions on customers via a vaccine passport to dine-in, 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.

Labour is a key factor in the success of the Company. If the Company was unable to attract, motivate and retain a sufficient number of qualified individuals, this could materially disrupt the Company’s business and operations and adversely impact its operating results, including the delay of planned restaurant openings, the Company’s ability to grow sales at existing restaurants and expand its concepts effectively. 2021 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, the availability of government subsidies and thus creating high employee turnover. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company’s network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

The Company’s operating results substantially depend upon its ability to obtain frequent deliveries of sufficient quantities of products such as beef, chicken, and other products used in the production of items served and sold to customers. The COVID-19 pandemic has led to interruptions in the delivery of food or other supplies to the Company’s restaurants, arising from delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors. These delays or interruptions could impact the availability of certain food and packaging items at the Company’s restaurants, including beef, chicken, pork and other core menu products and could require the Company’s restaurants to serve a limited menu. The Company’s results of operations and those of its franchisees could be adversely affected if its key suppliers or distributors are unable to fulfill their responsibilities

and the Company were unable to identify alternative suppliers or distributors in a timely manner or effectively transition the impacted business to new suppliers or distributors. If a disruption of service from any of its key suppliers or distributors were to occur, the Company could experience short-term increases in costs while supply and distribution channels were adjusted, and may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable.

Please refer to the November 30, 2021 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 and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2021 and 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 $)	**2021**		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,238**	**4,238**	4,760	4,760
Finance lease receivables	**399,269**	**399,269**	468,127	468,127
Financial liabilities				
Long-term debt [(1)]	**357,171**	**357,189**	445,500	455,045

[(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 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 and other receivables 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.

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

In 2021, the Company sold its 80% interest in 10220396 Canada Inc. and, as such, disposed of the promissory notes that were recorded as part of the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar.

A fair value remeasurement loss of $0.1 million was recorded for these promissory notes for the year ended November 30, 2021 (2020 – gain of $0.1 million).

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Yuzu Sushi and investment in Tortoise Group, contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings; the contingent consideration for Tortoise Group is repayable in December 2022. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis. The contingent consideration for Yuzu Sushi was repaid during the year ended November 30, 2021 for a total repayment amount of $5.1 million.

A fair value remeasurement gain of $1.7 million was recorded for the contingent considerations for the year ended November 30, 2021 (2020 – loss of $1.0 million).

Obligation to repurchase non-controlling interest

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (Note 20 of the consolidated financial statements) which is remeasured at each reporting period.

A fair value remeasurement loss of $0.4 million (2020 – loss of $0.2 million) was recorded for this non-controlling interest obligation.

Obligation to repurchase partner in a joint venture

The Company, in conjunction with the acquisition of its 70% interest in a joint venture that acquired Tortoise Group, entered into an agreement to acquire the remaining 30% interest by December 2025. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 20 of the consolidated financial statements) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of less than $0.1 million on the carrying amount as at November 30, 2021 (2020 – $0.1 million).

A fair value remeasurement gain of $1.9 million (2020 – loss of $0.5 million) was recorded for this obligation to repurchase a partner in a joint venture.

Interest rate swap

The Company held an interest rate swap contracted to a fix rate on a notional amount of $100.0 million (2020 – $100.0 million) that matured on July 21, 2021. The Company recorded a fair value remeasurement loss of $0.1 million for the year ended November 30, 2021 (2020 – loss of $1.6 million). The Company classified this as level 2 in the fair value hierarchy.

Cross currency interest rate swaps

On November 26, 2021 and November 29, 2021, the Company entered into three (2020 – two) floating to floating 1-month cross currency interest rate swaps. A fair value of nil was recorded as at November 30, 2021 (2020 – nil). The Company has classified this as level 2 in the fair value hierarchy.

			2021		2020
Receive – Notional	**US$78.9 million**	**US$180.8 million**	**US$11.8 million**	US$137.6 million	US$95.4 million
Receive – Rate	**1.29%**	**1.29%**	**1.29%**	2.44%	1.85%
Pay – Notional	**CA$100.0 million**	**CA$230.0 million**	**CA$15.0 million**	CA$180.0 million	CA$125.0 million
Pay – Rate	**1.23%**	**1.09%**	**1.38%**	2.45%	1.94%

Fair value hierarchy

(In thousands $)	Level 3	
	2021	2020
	$	$
Promissory notes related to buyback obligation of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	**—**	2,928
Contingent consideration on acquisitions and investment in a joint venture	**1,961**	8,075
Non-controlling interest buyback options	**1,575**	1,171
Obligation to repurchase partner in a joint venture	**1,416**	3,364
Financial liabilities	**4,952**	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 November 30, 2021.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable is limited as other than receivables from international locations, the Company's broad client base is spread mostly across Canada and the US, which limits the concentration of credit risk.

The credit risk on the Company's loans and other receivables 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. $345.0 million (November 30, 2020 – $433.0 million) of the credit facility was used as at November 30, 2021. A 100 basis points increase in the bank's prime rate would result in additional interest of $3.5 million per annum (November 30, 2020 – $4.3 million) on the outstanding credit facility.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2021, the long-term debt denominated in USD is not exposed to foreign exchange risk as a result of three (2020 – two) cross currency interest rate swaps.

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

As at November 30, 2021, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)	2021		2020	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**3,744**	**4,789**	4,748	6,156
Accounts receivable	**378**	**484**	645	836
Financial liabilities				
Accounts payable and deposits	**(82)**	**(105)**	(85)	(110)
Net financial assets	**4,040**	**5,168**	5,308	6,882

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a profit of C$0.2 million (2020 – profit of C$0.3 million) on the consolidated statements of income and comprehensive income.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains its credit facility to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at November 30, 2021, the Company had an authorized revolving credit facility for which the available amount may not exceed $600.0 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 November 30, 2021:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	119.5	119.5	119.5	—	—	—
Long-term debt [1]	360.7	362.1	13.7	—	2.0	346.4
Interest on long-term debt [1]	n/a	13.8	2.9	2.9	5.7	2.3
Lease liabilities	473.5	510.8	56.3	56.2	100.5	297.8
Total contractual obligations	**953.7**	**1,006.2**	**192.4**	**59.1**	**108.2**	**646.5**

[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.

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. In the wake of COVID-19, MTY has diversified its sources of revenue by expanding into other sales channels, such as: launching multiple ghost kitchens in existing restaurant locations, thus benefitting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders; and launching new products in the retail division and expanding into new territories, in response to increased consumer spending in grocery stores that has continued throughout the waves of the pandemic.

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 acquisitions 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 synergies.

CONTROLS & PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. It should include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at November 30, 2021, have concluded that the Company's disclosure controls and procedures were effective.

Internal controls over financial reporting

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of November 30, 2021. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Limitations of Controls and Procedures

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

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's consolidated financial statements. For the year ended November 30, 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 revenue and less than 0.1% of the Company's net income.

"*Eric Lefebvre"*

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Eric Lefebvre, CPA, CA, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA, CA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

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

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
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

Management discloses the following non-GAAP measures as they have been identified as relevant metrics to evaluate the performance of the Company.

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

Adjusted EBITDA	Represents net income (loss), excluding income tax, all other income (expenses), interest, depreciation and amortization, and net impairment charges. See reconciliation of adjusted EBITDA to Income before taxes on pages 13 and 20.
Income (loss) before taxes, excluding impairment charges and reversals	Represents net income (loss) before taxes, excluding impairment charges and reversals on right-of-use assets, property, plant and equipment, intangible assets and goodwill.
Free cash flows	Represents the sum total cash flows from operating activities less capital expenditures net of disposals.

Definition of non-GAAP ratios

Management discloses the following non-GAAP ratios as they have been identified as relevant metrics to evaluate the performance of the Company.

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

Adjusted EBITDA as a % of revenue	Represents adjusted EBITDA divided by revenue.

Free cash flows per diluted share	Represents free cash flows divided by diluted shares.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Definition of supplementary financial measures

Management discloses the following supplementary financial measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following supplementary financial measures can be found in the analysis of the MD&A:

Cash flows from operations per diluted share	Represents cash flows provided by operating activities divided by diluted shares.
Recurring revenue streams	Comprised of royalties and other franchising revenues that are earned on a regular basis in accordance with franchise agreements in place.
Non-controllable expenses	Comprised of government subsidies that are not directly in control of management and royalties paid to third parties.
Controllable expenses	Comprised of wages, professional and consulting services and other office expenses, that are directly in the control of management.
Variance in recurring revenue and expenses	Comprised of recurring revenue streams, controllable expenses, royalties paid to third parties, rent (excluding impact of IFRS 16), corporate store revenue and expenses, food processing, distribution and retail revenue and expenses, promotional fund revenue and expenses.
Nonrecurring non-controllable expenses	Comprised of government subsidies that are not directly in control of management.
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.

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

	Three months ended							
(In thousands $)	**February 2020**	**May 2020**	**August 2020**	**November 2020**	**February 2021**	**May 2021**	**August 2021**	**November 2021**
Cash flows provided by operating activities	30,980	19,207	38,624	44,841	31,307	29,541	46,553	31,898
Additions to property, plant and equipment	(1,119)	(316)	(1,764)	(998)	(1,213)	(2,301)	(1,248)	(1,677)
Additions to intangible assets	(649)	(618)	(63)	(97)	(47)	(156)	(65)	(56)
Proceeds on disposal of assets held for sale	1,153	10,536	—	—	—	—	—	—
Proceeds on disposal of property, plant and equipment and intangible assets	373	117	281	164	253	413	361	5,438
Free cash flows [(1)]	**30,738**	**28,926**	**37,078**	**43,910**	**30,300**	**27,497**	**45,601**	**35,603**

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

Income before taxes, excluding impairment charges and reversals [(1)]

(in thousands $)	**Year ended November 30, 2021**	**Year ended November 30, 2020**
Income (loss) before taxes	112,072	(51,949)
Impairment charge – right-of-use assets	1,550	4,291
Net impairment charge – property, plant and equipment, intangible assets and goodwill	5,903	122,826
Income before taxes, excluding impairment charges and reversals [(1)]	119,525	75,168

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

System sales [1] to royalties

	Sales for the twelve months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	19.4	1,241.1	1,260.5	40.2	2,330.6	2,370.8	**3,631.3**
Franchise royalty income as a % of franchise sales	—	5.00%	—	—	5.09%	—	**N/A**
Royalties	—	62.1	—	—	118.6	—	**180.7**

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

	Sales for the three months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	5.9	373.0	378.9	9.4	574.2	583.6	**962.5**
Franchise royalty income as a % of franchise sales	—	5.12%	—	—	5.03%	—	**N/A**
Royalties	—	19.1	—	—	28.9	—	**48.0**

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

[1] See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.