Management's Discussion and Analysis
For the year ended November 30, 2022
Key highlights

- **Normalized adjusted EBITDA[1] increased 25% to $53.5 million in the quarter, compared to $42.8 million in Q4-21.**
- **Cash flows from operating activities of $35.5 million in the quarter, compared to $31.9 million in Q4-21, representing a growth of 11%.**
- **Free cash flows per diluted share[2] reached $1.34 in the quarter.**
- **System sales[3] reached $1.2 billion in the quarter and exceeded $4.0 billion in the last twelve months.**
- **Net income attributable to owners of $7.1 million in the quarter, or $0.29 per diluted share, compared to $24.9 million, or $1.00 per diluted share in Q4-21. Decline due to losses on foreign exchange on intercompany loans, acquisition-related transaction costs in excess of $3.6 million and higher non-cash impairment charges on intangible assets.**
- **Long-term debt repayments of $23.9 million for the quarter.**
- **Quarterly dividend payment of $0.25 per share on February 15, 2023.**
- **Acquisition of Wetzel's Pretzels on December 8, 2022 for a cash consideration of approximately $282.0 million (US$207.0 million).**
- **Acquisition of Sauce Pizza and Wine on December 15, 2022 for a total consideration of $14.8 million (US$10.8 million).**

(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, 2022

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, 2022.

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, 2021.

This MD&A was prepared as at February 15, 2023. 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 2022. 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 15, 2023 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 15, 2023. 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 future impact of the COVID-19 pandemic and its evolving strains 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 15, 2023. 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, O'Burger, Tutti Frutti, Taco Time, Country Style, 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, Turtle Jack's Muskoka Grill, COOP Wicked Chicken, Küto Comptoir à Tartares, Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound and Champps.

As at November 30, 2022, MTY had 6,788 locations in operation, of which 6,589 were franchised or under operator agreements and the remaining 199 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 trucks or carts. Certain locations also offer catering services. Over the last 43 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.

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, Casa Grecque and Küto Comptoir à Tartares 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.

Non-GAAP measures include:

- Adjusted EBITDA: the Company believes that Adjusted EBITDA is a useful metric because it is consistent with the indicators management uses internally to measure the Company's performance, to prepare operating budgets and to determine components of executive compensation.
- Normalized adjusted EBITDA: the Company believes that Normalized adjusted EBITDA is a useful metric for the same reasons as Adjusted EBITDA; additionally, the Company believes that Normalized adjusted EBITDA provides a measure of the Company's performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.
- Free cash flows: the Company believes that free cash flows are a useful metric because they provide the Company with a measure related to decision-making about cash-intensive matters such as capital expenditures, compensation, and potential acquisitions.
- Income (loss) before taxes, excluding impairment charges and reversals: the Company believes that Income (loss) before taxes, excluding impairment charges and reversals is a useful metric because it provides a measure of the Company's profitability that does not include the impact of impairment charges or reversals, which may vary due to circumstances.

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that Adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company's profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that Normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as Adjusted EBITDA as a % of revenue; additionally, the Company believes that Normalized adjusted EBITDA as a % of revenue provides a measure of the Company's performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.

- Free cash flows per diluted share: the Company believes that free cash flows per diluted share are a useful metric because they are used by securities analysts, investors and other interested parties as a measure of the Company's cash flows that are available to be distributed to debt and equity shareholders, including to pay debt, to pay dividends, and to repurchase shares.
- Debt-to-EBITDA: the Company believes that debt-to-EBITDA is a useful metric because it represents a financial covenant that the Company must be in compliance with and, accordingly, a determining factor in the Company's credit availability.

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, 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. The first half of the year saw Canada continue to be impacted by the continuation of government-imposed restrictions, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in both Canada and the US by the end of the second quarter. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed the Canadian and US markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, MTY's network currently operates with no restrictions. Although the network continues to encounter short-term closures in some restaurants due to COVID-19 outbreaks among staff, these locations quickly reopen and currently do not pose material disruptions to the overall network.

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company's wholly owned subsidiaries completed the 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 of $3.5 million. At closing, there were 31 franchised Küto Comptoir à Tartares restaurants in operation.

Change in control

On December 3, 2021, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. Accordingly, the Company now has control over 11554891 Canada Inc., which triggers its deemed acquisition and thus fully consolidates 11554891 Canada Inc. starting December 3, 2021. There is no cash consideration for the acquisition and there is no change of participation of each partner in 11554891 Canada Inc. The change in control provides for the revaluation of the previously held interest to its fair market value. The Company remeasured its pre-existing equity interest of 70% to its fair value of $23.1 million. As a result, the Company recorded a loss of $2.8 million in its consolidated statement of income for the year ended November 30, 2022.

Acquisition of BBQ Holdings

On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings, Inc. ("BBQ Holdings"), a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and United Arab Emirates, for a total consideration of $264.4 million (US$192.6 million), which was financed from the Company's cash on hand and existing credit facilities. The Company acquired ten concepts. At closing, there were 198 franchised restaurants and 103 corporate-owned restaurants operating under BBQ Holdings banners[1].

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[1] *The location count presented in the MD&A is different from the information disclosed in the press release dated September 27, 2022, titled "MTY Food Group Inc. Successfully Completes Acquisition of BBQ Holdings, Inc." due to MTY's policy not to include ghost kitchens operating from existing restaurants in the number of locations, which differs from BBQ Holdings' policy.*

SUMMARY OF ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	Year ended November 30, 2022	Year ended November 30, 2021
Total assets	2,325,303	1,904,594
Total long-term financial liabilities	551,429	347,612
Revenue	716,522	551,903
Income before taxes	96,170	112,072
Net income attributable to owners	74,817	85,639
Total comprehensive income attributable to owners	109,903	77,673
Cash flows from operations	142,797	139,299
Net income per share – basic	3.06	3.47
Net income per share – diluted	3.06	3.46
Dividends paid on common stock	20,518	9,141
Dividends per common share	0.840	0.370
Weighted daily average number of common shares	24,439,892	24,704,866
Weighted average number of diluted common shares	24,465,738	24,745,131

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	Year ended November 30, 2022	Year ended November 30, 2021
Adjusted EBITDA (1)	182,082	168,622
Normalized adjusted EBITDA (1)	187,352	168,622
Income before taxes, excluding impairment charges and reversals (1)	111,055	119,525
Cash flows from operations per diluted share (2)	5.84	5.63
Free cash flows (1)	131,270	139,001

(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

(In thousands $, except per share information)	February 2021	May 2021	August 2021	November 2021	February 2022	May 2022	August 2022	November 2022
	Quarters ended							
Revenue	118,960	135,857	150,801	146,285	140,494	162,518	171,540	241,970
Net income attributable to owners	13,397	23,028	24,337	24,877	16,637	28,619	22,435	7,126
Total comprehensive (loss) income attributable to owners	(953)	(7,588)	52,026	34,188	11,461	25,919	47,589	24,934
Net income per share	0.54	0.93	0.99	1.01	0.68	1.17	0.92	0.29
Net income per diluted share	0.54	0.93	0.98	1.00	0.68	1.17	0.92	0.29
Cash flows provided by operating activities	31,307	29,541	46,553	31,898	39,696	30,739	36,838	35,524

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	February 2021	May 2021	August 2021	November 2021	February 2022	May 2022	August 2022	November 2022
	Quarters ended							
System sales (1 & 2)	761.1	891.5	1,016.2	962.5	885.7	1,054.3	1,104.7	1,206.5
# of locations	6,949	6,907	6,848	6,719	6,704	6,660	6,606	6,788
Adjusted EBITDA (3)	32,637	43,481	49,673	42,831	35,637	47,649	48,920	49,876
Normalized adjusted EBITDA (3)	32,637	43,481	49,673	42,831	35,637	47,649	50,592	53,474
Free cash flows (3)	30,300	27,497	45,601	35,603	36,970	25,983	35,464	32,853
Free cash flows per diluted share (4)	1.23	1.11	1.84	1.44	1.51	1.06	1.45	1.34

(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 stores, food processing, retail and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

Revenue

During the 2022 fiscal year, the Company's total revenue increased to $716.5 million, from $551.9 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2022 ($ millions)	November 30, 2021 ($ millions)	Variation
Canada	Franchise operation	141.1	107.3	32%
	Corporate stores	29.4	19.4	52%
	Food processing, distribution and retail	163.1	125.0	30%
	Promotional funds	42.4	32.2	32%
	Intercompany transactions	(5.4)	(3.7)	N/A
Total Canada		370.6	280.2	32%
US & International	Franchise operation	182.3	167.2	9%
	Corporate stores	89.8	40.2	123%
	Food processing, distribution and retail	6.0	5.0	20%
	Promotional funds	68.9	61.2	13%
	Intercompany transactions	(1.1)	(1.9)	N/A
Total US & International		345.9	271.7	27%
Total revenue		**716.5**	**551.9**	**30%**

<u>Canada revenue analysis:</u>

Revenue from franchise locations in Canada increased by 32%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2021 fiscal year	107.3
Increase in recurring revenue streams [1]	26.4
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	0.7
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	4.3
Increase due to acquisition	1.0
Other non-material variations	1.2
Revenue, 2022 fiscal year	141.1

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

The Company's pandemic recovery momentum continued in 2022, with system sales increasing by 30% compared to the same period last year despite the impact of the Omicron variant at the beginning of the year, which led to additional government-imposed restrictions on the network's establishments in key territories for several months in early 2022. The casual and quick service restaurant segments saw the biggest growth in revenues with sales increasing 42% and 29%, respectively, compared to prior year. The number of temporarily closed locations fluctuated throughout 2022 and 2021. As at November 30, 2021, there were 64 locations temporarily closed, which have for the most part reopened.

Revenue from corporate-owned locations increased by 52% to $29.4 million during the year. The increase is mostly due to pandemic recovery, which resulted in an increase in operational business days compared to the prior year and is also attributable to an increase in corporate locations.

Food processing, distribution and retail revenues increased by 30% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by the processing and distribution centers, including the newly acquired Küto Comptoir à Tartares franchisees, which represents $5.6 million. During the year ended November 30, 2022, 183 products were sold in the Canadian retail market (2021 – 181 products).

The promotional fund revenue increase of 32% is attributable to the increase in system sales 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 9%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2021 fiscal year	167.2
Increase in recurring revenue streams [1]	2.6
Increase in initial franchise fees, renewal fees and transfer fees	2.2
Decrease in sales of material and services to franchisees	(0.3)
Increase in gift card breakage income	0.7
Increase due to acquisition	4.3
Impact of variation in foreign exchange rates	5.7
Other non-material variations	(0.1)
Revenue, 2022 fiscal year	182.3

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

The increase in franchising revenues is due to the acquisition of BBQ Holdings, which generated revenues of $4.3 million, followed by higher recurring revenue streams compared to the same period last year. The increase in recurring revenue streams was attributable to a system sales increase of 10%. The variation of foreign exchange rates also had a favourable impact of $5.7 million.

The increase of $49.6 million in corporate-owned location revenues is due to the acquisition of 103 corporate locations at BBQ Holdings, which generated $67.6 million in revenues since acquisition. This was partially offset by the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 13% is partly due to the increase in system sales as well as the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the 2022 fiscal year, operating expenses increased by 40% to $534.4 million, up from $382.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2022 ($ millions)**	**November 30, 2021 ($ millions)**	**Variation**
Canada	Franchise operation	71.5	50.4	42%
	Corporate stores	29.3	17.3	69%
	Food processing, distribution and retail	146.0	114.0	28%
	Promotional funds	42.4	32.2	32%
	Intercompany transactions	(1.8)	(1.8)	N/A
Total Canada		287.4	212.1	36%
US & International	Franchise operation	97.6	71.4	37%
	Corporate stores	85.2	41.7	104%
	Promotional funds	68.9	61.2	13%
	Intercompany transactions	(4.7)	(3.8)	N/A
Total US & International		247.0	170.5	45%
Total operating expenses		**534.4**	**382.6**	**40%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $21.1 million, due to several factors listed below:

	(In millions $)
Operating expenses, 2021 fiscal year	50.4
Increase due to not qualifying for government wage subsidies	3.2
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	1.1
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	10.9
Increase in expected credit loss provision	0.3
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	1.6
Increase due to acquisition	0.7
Increase due to impact of IFRS 16 on rent expense	0.2
Increase due to impact of IFRS 16 on impairment of lease receivables	3.2
Other non-material variations	(0.1)
Operating expenses, 2022 fiscal year	71.5

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

Controllable expenses increased by $10.9 million, primarily due to higher wages and an increase in other office expenses and consulting fees. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages. Other office expenses increased as a result of the recovery of the business and also included higher annual licensing and cybersecurity costs.

Operating expenses also increased by $3.2 million as a result of government wage subsidies received in the same period last year, compared to nil in 2022, and $3.2 million in additional impairment on lease receivables due to a reassessment of the expected loss rates used. An increase of $1.6 million was also recorded due to the consolidation of 11554891 Canada Inc., which was previously recorded as a joint venture in the prior year (refer to "Highlights of Significant Events" section). The increase in turnkey costs, cost of sale of material and services to franchisees and rent is mostly attributable to an increase in the number of turnkey projects, which fluctuated in line with the associated revenues.

Expenses from corporate stores increased by $12.0 million compared to the same period last year, partly correlated to the related increase in revenues, and partially due to the impact of wage and rent subsidies received from the government in the same period last year, compared to nil in 2022, and the repossession of underperforming locations in the process of being turned around.

The increase in food processing, distribution and retail expenses was tightly correlated to the related revenues.

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 increased by 37%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2021 fiscal year	71.4
Increase due to not qualifying for government wage subsidies	0.3
Increase in non-controllable expenses (1)	0.3
Increase in cost of sale of material and services to franchisees and rent	0.5
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	9.1
Increase in expected credit loss provision	1.2
Increase due to acquisition	4.1
Increase due to transaction costs related to acquisitions	5.3
Increase due to impact of IFRS 16 on rent expense	0.7
Increase due to impact of IFRS 16 on impairment of lease receivables	0.4
Impact of variation in foreign exchange rates	2.4
Other non-material variations	1.9
Operating expenses, 2022 fiscal year	97.6

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

Operating expenses for franchise locations increased by $26.2 million in 2022, due in part to the acquisition of BBQ Holdings, which had expenses of $4.1 million, as well as acquisition costs of $5.3 million related to BBQ Holdings and Wetzel's Pretzels (as further defined in section "Subsequent Events"). Operating expenses also increased due to higher office expenses and higher wages. The latter is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages compared to the same period last year. Other office expense increase is related to higher annual licensing and cybersecurity costs as well as increased travel and meals expenses.

Corporate store expenses more than doubled, reaching $85.2 million. The increase of $43.5 million is due to the acquisition of 103 new corporate locations with the purchase of BBQ Holdings. These locations generated corporate store expenses of $62.8 million. This was partially offset by a decrease in corporate-owned location expenses due to the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

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

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

Fiscal year ended November 30, 2022			
(In millions $)	Canada	US & International	Total
Revenue	370.6	345.9	716.5
Operating expenses	287.4	247.0	534.4
Segment profit and Adjusted EBITDA [(1)]	83.2	98.9	182.1
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	22%	29%	25%
Segment profit and Adjusted EBITDA [(1)]	83.2	98.9	182.1
Transaction costs related to acquisitions [(3)]	—	5.3	5.3
Normalized adjusted EBITDA [(1)]	83.2	104.2	187.4
Normalized adjusted EBITDA as a % of Revenue [(2)]	22%	30%	26%

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 and Normalized adjusted EBITDA [(1)]	67.4	101.2	168.6
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	24%	37%	31%

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

Fiscal year ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	323.4	119.2	169.1	111.3	(6.5)	716.5
Operating expenses	169.1	114.5	146.0	111.3	(6.5)	534.4
Segment profit and Adjusted EBITDA (1)	154.3	4.7	23.1	—	—	182.1
Segment profit and Adjusted EBITDA as a % of Revenue (2)	48%	4%	14%	N/A	N/A	25%
Segment profit and Adjusted EBITDA (1)	154.3	4.7	23.1	—	—	182.1
Transaction costs related to acquisitions (3)	5.3	—	—	—	—	5.3
Normalized adjusted EBITDA (1)	159.6	4.7	23.1	—	—	187.4
Normalized adjusted EBITDA as a % of Revenue (2)	49%	4%	14%	N/A	N/A	26%

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 and Normalized adjusted EBITDA (1)	152.0	0.6	16.0	—	—	168.6
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	55%	1%	12%	N/A	N/A	31%

(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) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2021 fiscal year	68.1	101.2	169.3
Variance in recurring revenues and expenses [(1)]	13.2	(9.2)	4.0
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	6.2	0.1	6.3
Variance in initial franchise fees, renewal fees and transfer fees	0.2	2.2	2.4
Variance due to government wage and rent subsidies	(5.5)	(0.3)	(5.8)
Variance in expected credit loss provision	(0.3)	(1.2)	(1.5)
Variance due to 11554891 Canada Inc. previously recorded as a joint venture	2.7	—	2.7
Variance due to acquisitions	1.4	5.0	6.4
Variance due to transaction costs related to acquisitions	—	(5.3)	(5.3)
Variance due to impact of IFRS 16 on rent revenue & expense	0.9	2.1	3.0
Variance due to impact of IFRS 16 on impairment of lease receivables	(3.2)	(0.4)	(3.6)
Variance in gift card breakage	—	0.7	0.7
Impact of variation in foreign exchange rates	—	3.2	3.2
Other non-material variations	(0.5)	0.8	0.3
Segment profit, 2022 fiscal year	83.2	98.9	182.1
Normalized adjusted EBITDA [(2)], 2021 fiscal year	67.4	101.2	168.6
Variances in segment profit	15.1	(2.3)	12.8
Variance due to net impact of joint venture	0.7	—	0.7
Variances in transaction costs related to acquisitions	—	5.3	5.3
Normalized adjusted EBITDA [(2)], 2022 fiscal year	83.2	104.2	187.4

(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 and normalized adjusted EBITDA for the year ended November 30, 2022, were $182.1 million and $187.4 million, respectively, up by 8% and 11%, respectively, compared to the prior year. Canada contributed 44% of total normalized adjusted EBITDA and an increase of $15.8 million compared to the prior year, while the US & International normalized adjusted EBITDA increased by 3% or $3.0 million. The pandemic recovery of the Canadian market in 2022 was the main cause of the increase in Canadian normalized adjusted EBITDA as well as the increase in the processing, distribution and retail segment which generated normalized adjusted EBITDA of $6.1 million. In the US & International, the acquisition of BBQ Holdings was the main factor to the 3% increase, generating normalized adjusted EBITDA of $5.0 million.

Net income

For the year ended November 30, 2022, a net income attributable to owners of $74.8 million was recorded, or $3.06 per share ($3.06 per diluted share) compared to net income attributable to owners of $85.6 million or $3.47 per share ($3.46 per diluted share) last year. The decrease was mainly due to a higher non-cash impairment charge in the current year mainly related to the usage of higher discount rates, which impacted primarily the Company's intangible assets, as well as an increase of $5.4 million in foreign exchange losses recorded on intercompany loans and acquisition-related transaction costs incurred for the acquisitions of BBQ Holdings and Wetzel's Pretzels in the amount of $5.3 million. The Company also incurred a loss on remeasurement of a joint venture of $2.8 million, which is a non-recurring expense. See section "Other income and expenses" below for further details.

Calculation of Adjusted EBITDA (1) and Normalized adjusted EBITDA (1)

(In thousands $)	Year ended November 30, 2022	Year ended November 30, 2021
Income before taxes	96,170	112,072
Depreciation – property, plant and equipment and right-of-use assets	21,548	16,174
Amortization – intangible assets	29,473	28,442
Interest on long-term debt	12,428	10,111
Net interest expense on leases	3,210	2,295
Impairment charge – right-of-use assets	969	1,550
Net impairment charge – property, plant and equipment and intangible assets	13,916	5,903
Unrealized and realized foreign exchange loss	5,690	300
Interest income	(253)	(198)
Gain on de-recognition/lease modification of lease liabilities	(798)	(1,319)
Gain on disposal of property, plant and equipment	(108)	(3,549)
Revaluation of financial liabilities recorded at fair value through profit and loss	(2,932)	(3,034)
Loss on remeasurement of joint venture interest	2,769	—
Other income	—	(125)
Adjusted EBITDA	**182,082**	**168,622**
Transaction costs related to acquisitions (2)	5,270	—
Normalized adjusted EBITDA	**187,352**	**168,622**

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

(2) Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.

Other income and expenses

Interest on long-term debt increased by $2.3 million due to higher drawings at the end of the year as well as an increase in the Secured Overnight Financing Rate ("SOFR") and Canadian Dollar Offered Rate ("CDOR") rates over the course of 2022.

During the year ended November 30, 2022, the Company recognized impairment charges of $13.9 million on its property, plant and equipment and intangible assets, primarily related to franchise rights and trademarks for five of its brands. This compares to a net impairment charge on its property, plant and equipment and intangible assets of $5.9 million in the prior year, which included an impairment charge of $15.3 million partially offset by a reversal of impairment charge of $9.4 million.

The weaker Canadian dollar relative to the US dollar, as well as an increase in intercompany loans, resulted in a $5.7 million unrealized foreign exchange loss on intercompany loans in 2022, compared to a loss of $0.3 million last year.

The Company recorded a gain on disposal of property, plant and equipment of $0.1 million in 2022, compared to a gain of $3.5 million in the prior year. The latter was mostly related to 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.

During the year ended November 30, 2022, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. As a result, the Company recorded a loss on remeasurement of joint venture interest of $2.8 million.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2022

Revenue

During the fourth quarter of 2022, the Company's total revenue increased to $242.0 million, from $146.3 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2022 ($ millions)	November 30, 2021 ($ millions)	Variation
Canada	Franchise operation	42.0	33.7	25%
	Corporate stores	8.0	5.9	36%
	Food processing, distribution and retail	42.1	34.6	22%
	Promotional funds	11.0	9.6	15%
	Intercompany transactions	(4.4)	(2.7)	N/A
Total Canada		98.7	81.1	22%
US & International	Franchise operation	47.8	39.7	20%
	Corporate stores	74.1	9.4	688%
	Food processing, distribution and retail	1.7	1.3	31%
	Promotional funds	20.1	15.2	32%
	Intercompany transactions	(0.4)	(0.4)	N/A
Total US & International		143.3	65.2	120%
Total revenue		**242.0**	**146.3**	**65%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 25%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2021	33.7
Increase in recurring revenue streams [1]	5.6
Decrease in turnkey, sales of material to franchisees and rent revenues	(0.2)
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	1.4
Increase due to acquisition	0.3
Other non-material variations	1.2
Revenue, fourth quarter of 2022	42.0

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

During the fourth quarter of 2022, recurring revenue streams increased by $5.6 million mostly due to an increase of 16% in system sales compared to the same period last year. The casual and quick service restaurant segments saw the biggest growth in revenues with sales increasing 20% and 17%, respectively, compared to prior year. Street front and mall and office tower locations had the largest impact on the year-over-year growth, with improvements of 11% and 29%, respectively.

Revenue from corporate-owned locations increased by 36% to $8.0 million during the quarter due to an improvement to the overall performance of the mix of corporate stores held in 2022.

Food processing, distribution and retail revenues increased by 22% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by the processing and distribution centers, including for the newly acquired Küto Comptoir à Tartares franchisees, contributing $1.2 million to the increase for the quarter. In the fourth quarter of 2022, 174 products were sold in the Canadian retail market (2021 – 171 products).

The promotional fund revenue increase of 15% is partly due to the increase in system sales 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 20%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2021	39.7
Decrease in recurring revenue streams [1]	(0.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in sales of material and services to franchisees	0.2
Increase in gift card breakage income	0.1
Increase due to acquisition	4.3
Impact of variation in foreign exchange rates	3.0
Other non-material variations	0.6
Revenue, fourth quarter of 2022	47.8

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

The increase in franchising revenues is mostly due to the acquisition of BBQ Holdings, which generated revenues of $4.3 million, followed by a variation of foreign exchange rates, which had a favourable impact of $3.0 million.

The increase of $64.7 million in corporate-owned location revenues is due to the acquisition of 103 corporate locations at BBQ Holdings, which generated $67.6 million in revenues since acquisition. This was partially offset by the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 32% is partly due to the acquisition of BBQ Holdings, the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the fourth quarter of 2022, operating expenses increased by 86% to $192.1 million, up from $103.2 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2022 ($ millions)	November 30, 2021 ($ millions)	Variation
Canada	Franchise operation	18.9	13.8	37%
	Corporate stores	8.0	5.8	38%
	Food processing, distribution and retail	36.8	32.0	15%
	Promotional funds	11.0	9.6	15%
	Intercompany transactions	(0.5)	(0.5)	N/A
Total Canada		74.2	60.7	22%
US & International	Franchise operation	35.4	19.2	84%
	Corporate stores	66.7	10.7	523%
	Promotional funds	20.1	15.2	32%
	Intercompany transactions	(4.3)	(2.6)	N/A
Total US & International		117.9	42.5	177%
Total operating expenses		**192.1**	**103.2**	**86%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $5.1 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2021	13.8
Increase due to not qualifying for government wage subsidies	0.3
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	3.2
Decrease in expected credit loss provision	(0.1)
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	0.5
Increase due to acquisition	0.2
Increase due to impact of IFRS 16 on rent expense	0.4
Increase due to impact of IFRS 16 on impairment of lease receivables	2.3
Other non-material variations	(1.7)
Operating expenses, fourth quarter of 2022	18.9

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

Controllable expenses increased by $3.2 million, primarily due to higher wages. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages. Other office expenses increased as a result of the recovery of the business and also include higher annual licensing and cybersecurity costs. During the quarter, an additional $2.3 million in lease receivable impairments was also taken due to a reassessment of the expected loss rates used.

Expenses from corporate stores increased by $2.2 million compared to the same period last year, partly correlated to the related revenues, and partially due to the repossession of underperforming locations in the process of being turned around.

Food processing, distribution and retail costs increased in line with revenue growth.

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 increased by 84%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2021	19.2
Increase in cost of sale of material and services to franchisees and rent	1.2
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	1.4
Increase in expected credit loss provision	0.3
Increase due to acquisition	4.1
Increase due to transaction costs related to acquisitions	5.1
Increase due to impact of IFRS 16 on rent expense	0.3
Increase due to impact of IFRS 16 on impairment of lease receivables	0.4
Impact of variation in foreign exchange rates	1.4
Other non-material variations	2.0
Operating expenses, fourth quarter of 2022	35.4

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

Operating expenses for franchise locations increased by $16.2 million during the fourth quarter of 2022, due in part to the acquisition of BBQ Holdings, which had expenses of $4.1 million, as well as acquisition costs of $5.1 million related to BBQ Holdings and Wetzel's Pretzels. Operating expenses also increased due to higher office expenses and higher wages. The latter is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages compared to the same period last year. Other office expense increase is related to higher annual licensing and cybersecurity costs as well as increased travel and meals expenses.

Corporate store expenses increased to $66.7 million, from $10.7 million in the same period last year, due to the acquisition of 103 new corporate locations with the purchase of BBQ Holdings, which added additional corporate store expenses of $62.8 million. This was partially offset by a decrease in corporate-owned location expenses due to the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

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

Segment profit (loss), Adjusted EBITDA (1) and Normalized adjusted EBITDA (1)

Three-month period ended November 30, 2022			
(In millions $)	Canada	US & International	Total
Revenue	98.7	143.3	242.0
Operating expenses	74.2	117.9	192.1
Segment profit and Adjusted EBITDA (1)	24.5	25.4	49.9
Segment profit and Adjusted EBITDA as a % of Revenue (2)	25%	18%	21%
Segment profit and Adjusted EBITDA (1)	24.5	25.4	49.9
Transaction costs related to acquisitions (3)	(1.5)	5.1	3.6
Normalized adjusted EBITDA (1)	23.0	30.5	53.5
Normalized adjusted EBITDA as a % of Revenue (2)	23%	21%	22%

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 and Normalized adjusted EBITDA (1)	20.1	22.7	42.8
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	25%	35%	29%

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

Three-month period ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	89.8	82.1	43.8	31.1	(4.8)	242.0
Operating expenses	54.3	74.7	36.8	31.1	(4.8)	192.1
Segment profit and Adjusted EBITDA (1)	35.5	7.4	7.0	—	—	49.9
Segment profit and Adjusted EBITDA as a % of Revenue (2)	40%	9%	16%	N/A	N/A	21%
Segment profit and Adjusted EBITDA (1)	35.5	7.4	7.0	—	—	49.9
Transaction costs related to acquisitions (3)	3.6	—	—	—	—	3.6
Normalized adjusted EBITDA (1)	39.1	7.4	7.0	—	—	53.5
Normalized adjusted EBITDA as a % of Revenue (2)	44%	9%	16%	N/A	N/A	22%

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 and Normalized adjusted EBITDA (1)	40.1	(1.2)	3.9	—	—	42.8
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	55%	N/A	11%	N/A	N/A	29%

(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) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2021	20.4	22.7	43.1
Variance in recurring revenues and expenses [1]	2.2	(1.7)	0.5
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	2.5	(0.7)	1.8
Variance in initial franchise fees, renewal fees and transfer fees	—	0.2	0.2
Variance due to government wage and rent subsidies	(0.4)	—	(0.4)
Variance in expected credit loss provision	0.1	(0.3)	(0.2)
Variance due to 11554891 Canada Inc. previously recorded as a joint venture	0.9	—	0.9
Variance due to acquisitions	0.3	5.0	5.3
Variance due to transaction costs related to acquisitions	1.5	(5.1)	(3.6)
Variance due to impact of IFRS 16 on rent revenue & expense	(0.2)	3.5	3.3
Variance due to impact of IFRS 16 on impairment of lease receivables	(2.3)	(0.4)	(2.7)
Variance in gift card breakage	—	0.1	0.1
Impact of variation in foreign exchange rates	—	1.5	1.5
Other non-material variations	(0.5)	0.6	0.1
Segment profit, fourth quarter of 2022	24.5	25.4	49.9
Normalized adjusted EBITDA [2], fourth quarter of 2021	20.1	22.7	42.8
Variances in segment profit	4.1	2.7	6.8
Variance due to net impact of joint venture	0.3	—	0.3
Variances in transaction costs related to acquisitions	(1.5)	5.1	3.6
Normalized adjusted EBITDA [2], fourth quarter of 2022	23.0	30.5	53.5

(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 ended November 30, 2022 was $49.9 million, up by 16% compared to the same period last year, while normalized adjusted EBITDA was $53.5 million, up by 25% compared to the same period last year. Canada contributed 43% of total normalized adjusted EBITDA and an increase of $2.9 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by 34% or $7.8 million. In the US & International, the acquisition of BBQ Holdings was the main factor to the 34% increase, generating normalized adjusted EBITDA of $5.0 million.

Net income

For the three months ended November 30, 2022, a net income attributable to owners of $7.1 million was recorded, or $0.29 per share ($0.29 per diluted share) compared to a net income attributable to owners of $24.9 million or $1.01 per share ($1.00 per diluted share) last year. The decrease was mainly due to a higher non-cash impairment charge in the current period mainly related to the usage of higher discount rates, which impacted primarily the Company's intangible assets, an increase of $4.8 million in interest on long-term debt, a decrease of $2.5 million in the gain on revaluation of financial liabilities recorded at fair value, a decrease of $2.4 million in the gain on disposal of property, plant and equipment, as well as acquisition-related transaction costs incurred for the acquisitions of BBQ Holdings and Wetzel's Pretzels in the amount of $3.6 million. See section "Other income and expenses" below for further details.

Calculation of Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]

(In thousands $)	Quarter ended November 30, 2022	Quarter ended November 30, 2021
Income before taxes	10,062	33,831
Depreciation – property, plant and equipment and right-of-use assets	10,061	4,073
Amortization – intangible assets	7,988	6,962
Interest on long-term debt	6,475	1,724
Net interest expense on leases	1,738	561
Impairment charge – right-of-use assets	307	628
Net impairment charge – property, plant and equipment and intangible assets	13,381	549
Unrealized and realized foreign exchange loss	1,803	1,758
Interest expense	(31)	(40)
Gain on de-recognition/lease modification of lease liabilities	(120)	(465)
Gain on disposal of property, plant and equipment	(88)	(2,487)
Revaluation of financial liabilities recorded at fair value through profit and loss	(1,700)	(4,153)
Other income	—	(110)
Adjusted EBITDA	**49,876**	**42,831**
Transaction costs related to acquisitions [(2)]	3,598	—
Normalized adjusted EBITDA	**53,474**	**42,831**

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

(2) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $6.0 million during the quarter as a result of the acquisition of BBQ Holdings. Depreciation is now being taken on an additional 103 corporate stores as well as the right-of-use assets associated with those locations.

Interest on long-term debt increased by $4.8 million as a result of higher drawings in the quarter as well as an increase in the SOFR and CDOR rates over the course of 2022.

During the fourth quarter of 2022, the Company recognized impairment charges of $13.4 million on its intangible assets, related to franchise rights and trademarks for five of its brands. This compares to a net impairment charge on its property, plant and equipment and intangible assets of $0.5 million in the same period last year.

The Company recorded a gain on disposal of property, plant and equipment of $0.1 million in the fourth quarter of 2022, compared to a gain of $2.5 million in the same period last year. The latter was mostly related to 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.

The Company also recognized a gain on revaluation of financial liabilities recorded at fair value of $1.7 million in the fourth quarter of 2022, compared to a gain of $4.2 million in the same period last year, which was primarily attributable to its contingent consideration on investment in a joint venture and its obligation to repurchase its joint venture partner.

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	155.0	—	—	—	—	—	—
Long-term debt [(1)]	10.7	—	2.7	550.1	—	—	—
Interest on long-term debt [(2)]	18.2	18.2	36.4	33.3	—	—	—
Net lease liabilities [(3)]	18.2	18.2	31.7	28.1	25.2	21.6	57.6
Total contractual obligations	**202.1**	**36.4**	**70.8**	**611.5**	**25.2**	**21.6**	**57.6**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes interest-bearing loans related to acquisitions, contingent considerations 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, 2022, the amount held in cash totaled $59.5 million, a decrease of $1.8 million since the end of the 2021 fiscal period.

During the year ended November 30, 2022, MTY paid $20.5 million (2021 – $9.1 million) in dividends to its shareholders and repurchased and cancelled 256,400 of its shares (2021 – 36,600) for $14.6 million (2021 – $2.2 million) through its normal course issuer bid ("NCIB").

During the year ended November 30, 2022, cash flows generated by operating activities were $142.8 million, compared to $139.3 million in the prior year.

During the year ended November 30, 2022, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility, which now has an authorized amount of $900.0 million (2021 – $600.0 million), and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to $300.0 million (2021 – $300.0 million) remained unchanged. As at November 30, 2022, US$408.9 million was drawn from the revolving credit facility (November 30, 2021 – US$271.5 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 October 28, 2025.

As at November 30, 2022, 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

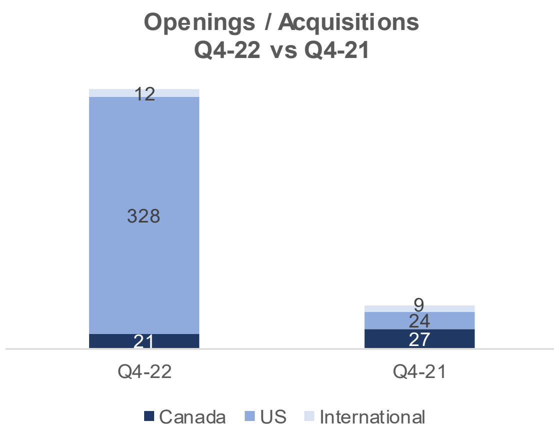
	Three months ended November 30,		Twelve months ended November 30,	
	2022	2021	**2022**	2021
Franchises, beginning of the period	**6,516**	6,701	**6,603**	6,867
Corporate-owned, beginning of the period				
Canada	**41**	42	**42**	37
US	**49**	82	**51**	76
Joint venture (1)	**—**	23	**23**	21
Total, beginning of the period	**6,606**	6,848	**6,719**	7,001
Opened during the period	**60**	60	**245**	218
Closed during the period	**(178)**	(189)	**(507)**	(489)
Acquired during the period	**301**	—	**332**	—
Joint venture opened or acquired during the period (1)	**—**	—	**—**	3
Joint venture closed during the period (1)	**—**	—	**—**	(1)
Disposed of during the period (2)	**(1)**	—	**(1)**	(13)
Total, end of the period	**6,788**	6,719	**6,788**	6,719
Franchises, end of the period			**6,589**	6,603
Corporate-owned, end of the period				
Canada			**41**	42
US			**158**	51
Joint venture (1)			**—**	23
Total, end of the period			**6,788**	6,719

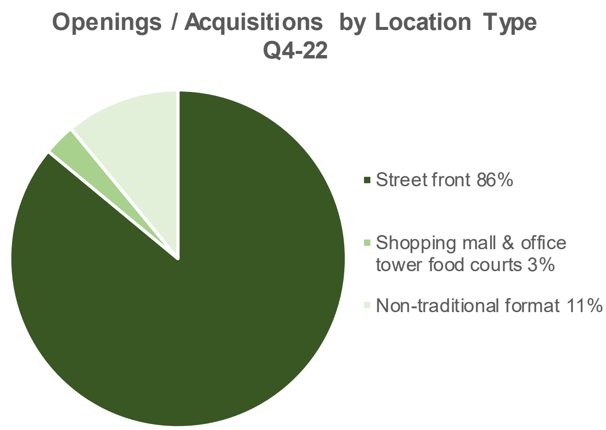
(1) *On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc. – see Note 7 to the consolidated financial statements.*

(2) *Sale of Buns master trademark.*

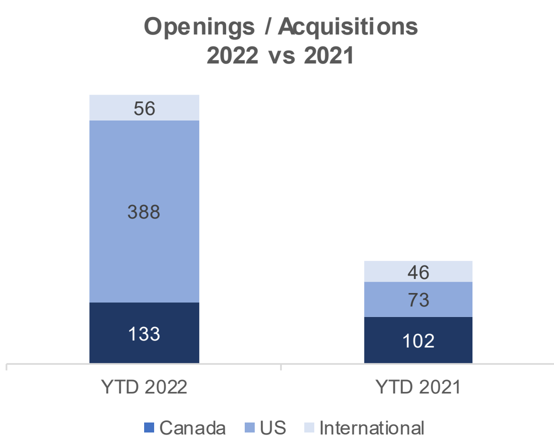
Openings / Acquisitions

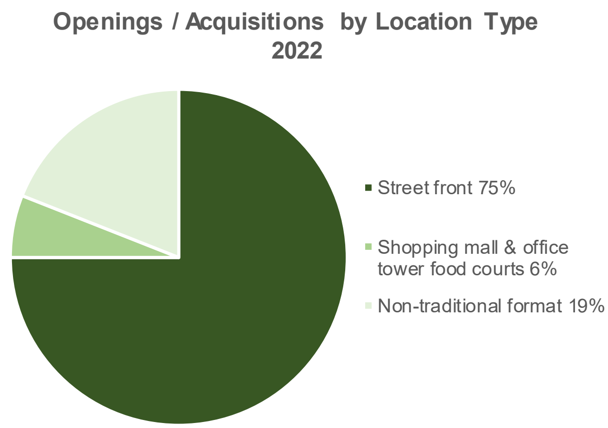
During the fourth quarter of 2022, the Company's network acquired 301 locations (2021 – nil) and opened 60 locations (2021 – 60 locations). The breakdown by geographical location and by location type is as follows:





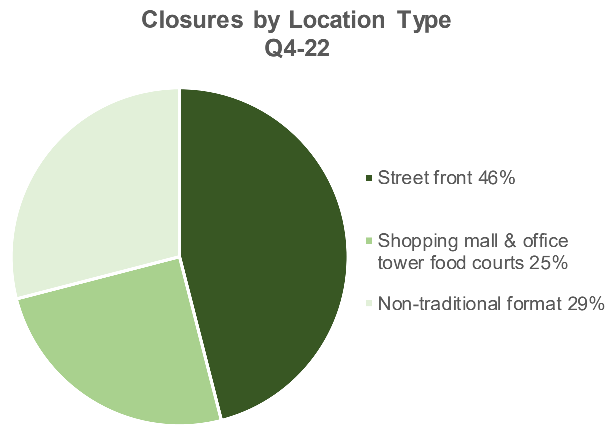
During the year ended November 30, 2022, the Company's network acquired 332 locations (2021 – nil) and opened 245 locations (2021 – 218 locations and three locations through the joint venture). The breakdown by geographical location and by location type is as follows:



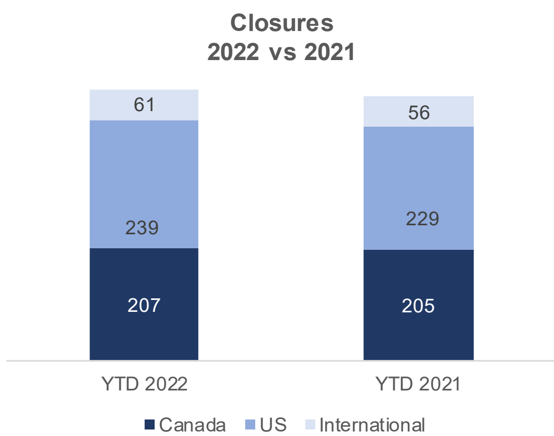


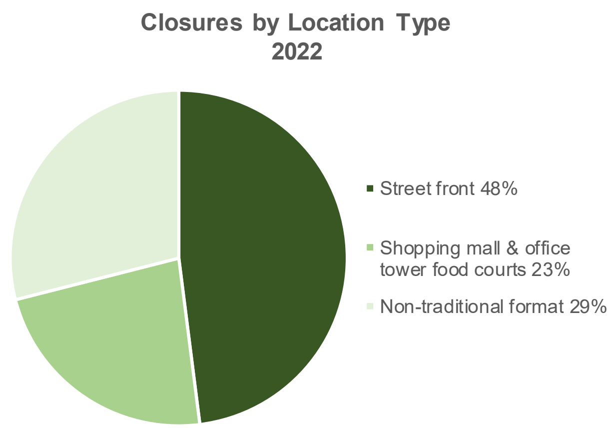
Closures

During the fourth quarter of 2022, the Company's network closed 178 locations (2021 – 189 locations). The breakdown by geographical location and by location type is as follows:



During the year ended November 30, 2022, the Company's network closed 507 locations (2021 – 489 locations and one location through the joint venture). The breakdown by geographical location and by location type is as follows:





Of the 61 international closures during the year ended November 30, 2022, 23 were attributable to one franchisee who no longer operates any location. In Canada, 22 TCBY locations closed as a result of the termination of the franchising agreement with Cineplex.

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

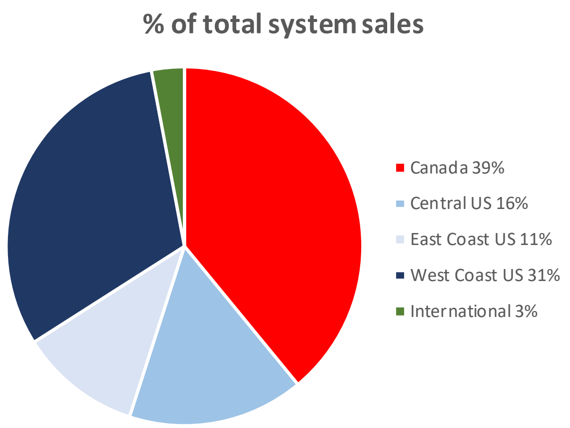
	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Location type	**2022**	2021	**2022**	2021
Shopping mall & office tower food courts	**13%**	14%	**11%**	9%
Street front	**66%**	64%	**80%**	82%
Non-traditional format	**21%**	22%	**9%**	9%

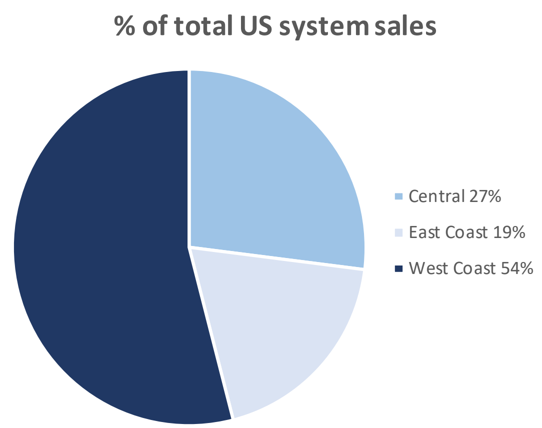
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Geographical location	**2022**	2021	**2022**	2021
Canada	**37%**	39%	**39%**	35%
US	**56%**	54%	**58%**	62%
International	**7%**	7%	**3%**	3%

The territories that had the largest portions of total system sales were Quebec (Canada) with 21%, California (US) with 10%, Ontario (Canada) with 10%, Washington (US) with 5%, and Oregon (US) with 4%.

The geographical distribution of system sales is as follows:





The breakdown by the types of concepts for MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Concept type	**2022**	2021	**2022**	2021
Quick service restaurant	**78%**	83%	**68%**	73%
Fast casual	**11%**	10%	**12%**	13%
Casual dining	**11%**	7%	**20%**	14%

System sales

During the three and twelve-month periods ended November 30, 2022, MTY's network generated $1,206.5 million and $4,251.2 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2022	320.3	532.0	33.4	**885.7**
First quarter of 2021	219.4	511.8	29.9	**761.1**
Variance	46%	4%	12%	**16%**
Second quarter of 2022	420.8	599.9	33.6	**1,054.3**
Second quarter of 2021	270.9	592.3	28.3	**891.5**
Variance	55%	1%	19%	**18%**
Third quarter of 2022	454.8	614.0	35.9	**1,104.7**
Third quarter of 2021	391.3	594.2	30.7	**1,016.2**
Variance	16%	3%	17%	**9%**
Fourth quarter of 2022	438.1	734.7	33.7	**1,206.5**
Fourth quarter of 2021	378.9	551.3	32.3	**962.5**
Variance	16%	33%	4%	**25%**
Year-to-date 2022	1,634.0	2,480.6	136.6	**4,251.2**
Year-to-date 2021	1,260.5	2,249.6	121.2	**3,631.3**
Variance	30%	10%	13%	**17%**

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 – 2021	378.9	551.3	32.3	**962.5**	1,260.5	2,249.6	121.2	**3,631.3**
Net increase in sales generated by concepts acquired during the last 24 months	5.2	160.5	1.3	**167.0**	22.0	160.5	1.3	**183.8**
Net variance in system sales	54.0	(17.9)	(2.3)	**33.8**	351.5	(5.1)	10.0	**356.4**
Cumulative impact of foreign exchange variation	—	40.8	2.4	**43.2**	—	75.6	4.1	**79.7**
Reported sales – 2022	438.1	734.7	33.7	**1,206.5**	1,634.0	2,480.6	136.6	**4,251.2**

System sales for the three-month period ended November 30, 2022 increased by 25% compared to the same period last year. US contributed to most of the increase, with an improvement of $183.4 million, or 33%, attributable mostly to the acquisition of BBQ Holdings in September 2022. Excluding the acquisitions of BBQ Holdings and Küto Comptoir à Tartares, the QSR and casual concepts contributed to an increase of $50.1 million and $28.0 million, respectively, or an overall increase of 7% and 18%, respectively.

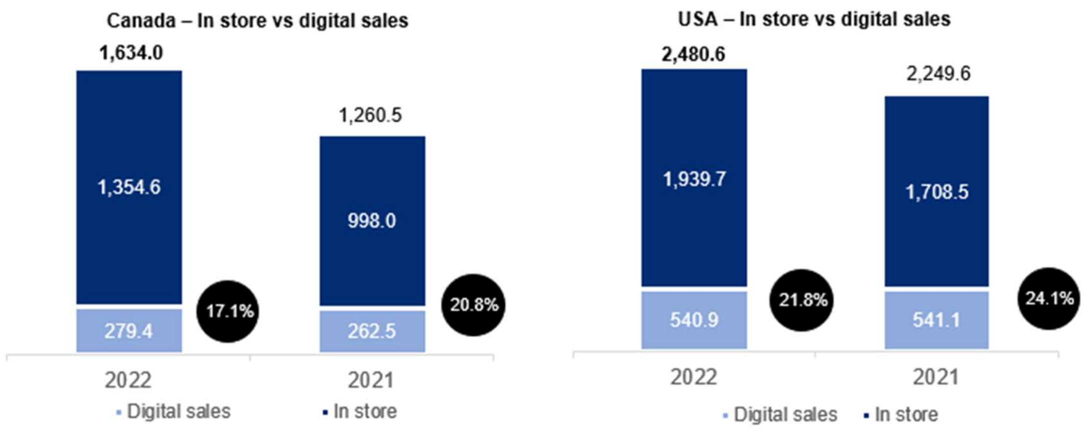
For the twelve-month period ended November 30, 2022, system sales were up by 17% compared to 2021. Excluding the acquisitions, systems sales for the network increased by 12%, with Canada contributing to 81% of that increase. The casual and QSR restaurant concepts in Canada drove the increase, representing 31% and 23% of the total year-over-year growth, respectively, and sales increases of 42% and 29%, respectively. Major brands in Canada such as Allô! Mon Coco, Baton Rouge, Ben & Florentine, Manchu Wok, and Thaï Express, to name a few, greatly outperformed prior year as customer returned to in-person dining and due to the gradual return to office for many employees, as well as the resumption of travel.

Papa Murphy's and Cold Stone Creamery continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 23% and 19% respectively of the total sales of MTY's network for the twelve-month period ended November 30, 2022. Thaï Express, Taco Time and SweetFrog 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.

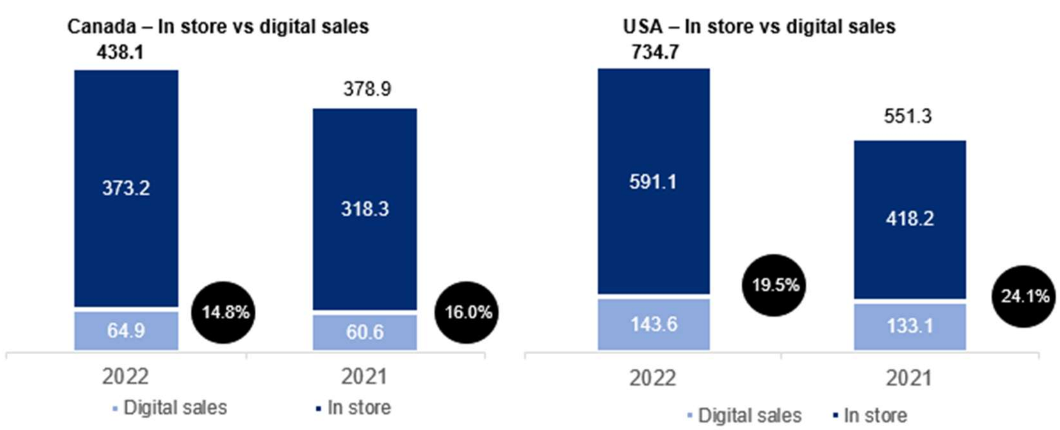
Digital sales

System sales versus digital sales breakdown is as follows for the years ended November 30, 2022 and 2021:



For the year ended November 30, 2022, digital sales increased to $820.3 million, from $803.6 million in prior year, and represented 19.9% 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. Excluding the acquisition of BBQ Holdings, digital sales increased by $5.3 million. The increase was mostly driven by an increase of 12% in both the QSR and fast casual dining segments in Canada.

System sales versus digital sales breakdown is as follows for the three months ended November 30, 2022 and 2021:



Digital sales for the fourth quarter of 2022 increased by 8% compared to the same period last year, including the impact of foreign exchange rates, from $193.7 million to $208.5 million, and represented 18% of total sales, compared to 21% in the same period last year. Excluding the impact of foreign exchange, digital sales grew by 8% in the quarter. The lower proportion of digital sales as a % of total sales in the fourth quarter compared to the same period last year is partially attributable to the re-opening of more traditional sales channels, which were affected by pandemic-related restrictions in the prior year, and to the acquisition of BBQ Holdings, whose digital sales represent approximately 7% of their system sales. Canadian digital sales saw an increase of $4.3 million in the fourth quarter of 2022 mainly as a result of an increase of $1.7 million and $1.5 million in casual and fast casual digital sales, respectively, while US digital sales saw a growth of $10.5 million following the acquisition of BBQ Holdings. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales in a post-pandemic environment.

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. The Company expects to release same-store sales data again in the second quarter of 2023.

CAPITAL STOCK INFORMATION

Stock options

As at November 30, 2022, there were 440,000 options outstanding and 102,221 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2021 to November 30, 2022, MTY's share price fluctuated between $45.20 and $63.96. On November 30, 2022, MTY's shares closed at $61.25.

Capital stock

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

As at February 15, 2023, the Company's issued and outstanding capital stock consisted of 24,413,461 shares (November 30, 2021 – 24,669,861) and 440,000 granted and outstanding stock options (November 30, 2021 – 440,000). During the year ended November 30, 2022, MTY repurchased 256,400 shares (2021 – 36,600) for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2022, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2022 and will end on July 2, 2023 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 1,220,673 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and twelve-month periods ended November 30, 2022, the Company repurchased and cancelled a total of nil and 256,400 common shares, respectively (2021 – 36,600 common shares for both periods) under the current NCIB, at a weighted average price of nil and $57.01 per common share, respectively (2021 – $59.68 per common share for both periods), for a total consideration of nil and $14.6 million, respectively (2021 – $2.2 million for both periods). An excess of nil and $11.4 million, respectively (2021 – $1.7 million for both periods) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENTS

Acquisition of Wetzel's Pretzels

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama, for a cash consideration of approximately $282.0 million (US$207.0 million), on a cash-free, debt-free basis. At closing, there were 329 franchised restaurants and 38 corporate-owned restaurants in operation.

Acquisition of Sauce Pizza and Wine

On December 15, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US, for a total consideration of $14.8 million (US$10.8 million), including a holdback on acquisition of $1.1 million (US$0.8 million). At closing, there were 13 corporate-owned restaurants in operation.

Dividends

On January 18, 2023, the Company announced an increase to its quarterly dividend payment, from $0.210 per common share to $0.250 per common share. The dividend of $0.250 per common share was paid on February 15, 2023.

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.

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 $)	**2022**	2021
	$	$
Litigations, disputes and other contingencies	**1,490**	1,636
Closed stores	**—**	56
	1,490	1,692

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 $18.6 million as at November 30, 2022 (November 30, 2021 - $19.3 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2022, the Company has accrued $1.6 million (November 30, 2021 - $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 $)	**2022**	2021
	$	$
Short-term benefits [(1)]	**4,811**	3,231
Share-based compensation	**1,120**	924
Consulting fees	**282**	57
Board member fees	**78**	78
Total remuneration of key management personnel and directors	**6,291**	4,290

[(1)] *Prior year amount has been restated to reflect a prior period adjustment.*

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 16.4% of the outstanding shares.

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, 2022, 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, as of the acquisition date, the 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 key assumptions such as projected system sales and operating cash flows, discount rates and royalty rates. 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, at each reporting period, 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, 2022 and 2021, the Company recognized impairment charges on its property, plant and equipment (Note 16 of the consolidated financial statements). The total impairment on property, plant and equipment of $0.5 million (2021 – $0.1 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, 2022 and 2021, the Company also recognized impairment charges on its right-of-use assets (Note 12 of the consolidated financial statements) of $1.0 million (2021 – $1.6 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 model 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 year ended November 30, 2022, the Company recognized impairment charges of $13.4 million (2021 – net impairment charge of $5.8 million comprised of an impairment charge of $15.1 million partially offset by a reversal of impairment charge of $9.3 million) on its franchise rights and trademarks (Note 16 of the consolidated financial statements) representing a write-down of the carrying value to the recoverable amount. The fair value was determined using key assumptions 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 the Company's 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 years ended November 30, 2022 and 2021, no impairment charge on goodwill was required.

Impact of COVID-19

During the year ended November 30, 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. The beginning of the year saw Canada continue to be impacted by the continuation of government-imposed restrictions, as well as additional government-mandated restrictions in the first quarter in response to the spread of the Omicron variant, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in both Canada and the US in the second quarter. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed the Canadian and US markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, the current situation appears to highlight a familiar sense of back-to-normal with the longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants 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, 2022, the Company determined that there were no specific triggers for impairment assessments attributable to COVID-19. Accordingly, the Company did not record or reverse impairment charges on its property, plant and equipment, intangible assets, and goodwill in the period attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are not yet effective for the year ended November 30, 2022 and have not been applied in preparing the consolidated financial statements.

The following 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 & October 2022	December 1, 2024	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
IFRS 16, Leases	September 2022	December 1, 2024	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.

In October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments also defer the effective date of the 2020 amendments to January 1, 2024.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

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.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS

16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

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.

The impacts of a widespread health epidemic or pandemic, including 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. While it is premature to accurately predict whether COVID-19 or another form of epidemic or strain of the virus will ultimately impact MTY, the Company expects the results for the 2023 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 these 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 and 2022 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. Geopolitical events, such as public health or pandemic outbreaks, war or hostilities in countries in which suppliers or operations are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to interruptions in the supply chain. Disruptions in supply chain could impact delivery of food or other supplies to the Company's restaurants. Delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors could disrupt operations or the operations of one or more suppliers or could severely damage or destroy one of more of the stores or distribution centers located in the affected area. 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.

Rising interest rates, as seen in the US and Canada in 2022, could also impact MTY's borrowing capacity, thereby affecting its ability to make accretive acquisitions. Rising interest rates would also negatively impact franchisees' borrowing capacity as well as their available cash flows, thereby slowing down the build of new locations and causing cash flow strains on existing franchisees.

Geopolitical events such as the occurrence of war or hostilities between countries, or threat of terrorist activities and the responses to and results of these activities could also adversely impact the operations of the Company or its franchisee network. These events could lead to supply chain interruptions, closures or destruction of restaurants, increases in inflation and labour shortages.

Please refer to the November 30, 2022 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, as well as other geopolitical events, such as war or hostilities between countries, and rising interest rates are risks 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, 2022 and 2021. 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 $)	2022		2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,442**	**4,442**	4,238	4,238
Finance lease receivables	**338,776**	**338,776**	399,269	399,269
Financial liabilities				
Long-term debt [(1)]	**550,197**	**550,197**	357,171	357,189

[(1)] *Excludes contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc., cross currency interest rate swaps, credit facility financing costs, non-controlling interest option in 9974644 Canada Inc. and obligation to repurchase 11554891 Canada Inc. partner.*

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.

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Küto Comptoir à Tartares and 70% interest in 11554891 Canada Inc., contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings; the contingent considerations for Küto Comptoir à Tartares and 11554891 Canada Inc. are repayable in June 2024 and December 2022, respectively. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value remeasurement gain of $1.8 million was recorded for the contingent considerations for the year ended November 30, 2022 (2021 – gain of $1.7 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 21 of the consolidated financial statements) which is remeasured at each reporting period.

A fair value remeasurement loss of $0.3 million (2021 – loss of $0.4 million) was recorded for this non-controlling interest obligation.

Obligation to repurchase 11554891 Canada Inc. partner

The Company, in conjunction with the acquisition of its 70% interest in 11554891 Canada Inc., entered into an agreement to acquire the remaining 30% interest by December 2024. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 21 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 nil on the carrying amount as at November 30, 2022 (2021 – less than $0.1 million).

A fair value remeasurement gain of $1.4 million (2021 – gain of $1.9 million) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

Cross currency interest rate swaps

On November 26, 2022 and November 29, 2022, the Company entered into one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap (November 30, 2021 – one floating to floating 3-month cross currency interest rate swap, one floating to floating 2-month cross currency interest rate swap and one floating to floating 1-month cross currency interest rate swap). A fair value of nil was recorded as at November 30, 2022 (November 30, 2021 – nil). The Company has classified this as level 2 in the fair value hierarchy.

	2022		2021		
	3-month	**2-month**	3-month	2-month	1-month
Receive – Notional	**US$64.9 million**	**US$150.0 million**	US$78.9 million	US$180.8 million	US$11.8 million
Receive – Rate	**6.18%**	**6.18%**	1.29%	1.29%	1.29%
Pay – Notional	**CA$87.0 million**	**CA$201.0 million**	CA$100.0 million	CA$230.0 million	CA$15.0 million
Pay – Rate	**5.95%**	**5.80%**	1.23%	1.09%	1.38%

Fair value hierarchy	**Level 3**	
(In thousands $)	**2022**	2021
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**3,626**	1,961
Non-controlling interest buyback option	**1,853**	1,575
Obligation to repurchase 11554891 Canada Inc. partner	**7,867**	1,416
Financial liabilities	**13,346**	4,952

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, 2022.

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 the SOFR 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. $550.1 million (November 30, 2021 – $345.0 million) of the credit facility was used as at November 30, 2022. A 100 basis points increase in the bank's prime rate would result in additional interest of $5.5 million per annum (November 30, 2021 – $3.5 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, 2022, US$408.9 million (2021 – US$271.5 million) was drawn from the revolving credit facility. Of that amount, US$214.9 million (2021 – US$271.5 million) was not exposed to foreign exchange risk as a result of two (2021 – three) cross currency interest rate swaps, and US$194.0 million (2021 – nil) was exposed to foreign exchange risk.

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, 2022 and 2021, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)		**2022**		2021
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**5,424**	**7,327**	3,744	4,789
Accounts receivable	**463**	**625**	378	484
Financial liabilities				
Accounts payable and deposits	**(212)**	**(286)**	(82)	(105)
Long-term debt	**(194,000)**	**(262,055)**	—	—
Net financial (liabilities) assets	**(188,325)**	**(254,389)**	4,040	5,168

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $9.4 million (2021 – profit of $0.2 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, 2022, the Company had an authorized revolving credit facility for which the available amount may not exceed $900.0 million (November 30, 2021 – $600.0 million) and including an accordion feature amounting to $300.0 million (November 30, 2021 – $300.0 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, 2022:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	155.0	155.0	155.0	—	—	—
Long-term debt [(1)]	561.0	563.5	10.7	—	2.7	550.1
Interest on long-term debt [(1)]	n/a	106.1	18.2	18.2	36.4	33.3
Lease liabilities	514.8	580.9	65.3	65.3	111.6	338.7
Total contractual obligations	**1,230.8**	**1,405.5**	**249.2**	**83.5**	**150.7**	**922.1**

[(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 actions taken by MTY to strengthen the Company and its network during the COVID-19 pandemic have allowed MTY to be in a good position to tackle future challenges the industry will face. The restaurant industry is extremely competitive, and the pace of changes, innovations and shifts in customer preferences is accelerating every day. MTY's entrepreneurial roots give it an advantage in the current environment and the team is prepared to face any situation.

At the date of this report, MTY and its franchisees are still feeling the impact of various supply chain challenges, which come from inflation and from disruptions and shortages in the supply of certain products. This comes in addition to rising interest rates and increased construction costs. While some aspects of the business are gradually stabilizing, there remains some uncertainty as to what the new baseline is going to be once this period of high volatility fades away.

The Company's franchisees and suppliers also face significant labour shortages that, in certain cases, affect their ability to conduct business optimally. These labour shortages, combined with increases in minimum wage rates in many jurisdictions in which the network operates, are expected to lead to increased overtime and labour costs, as well as to an inability to generate 100% of the potential sales of some of the restaurants.

Despite the above-mentioned challenges, sales are for the most part back to pre-pandemic levels or better, and for the locations that are lagging because of geography or type of restaurants, trends are encouraging. With the brands' focus on innovation, product quality, consistency and superior store design combined with the adjustments made during the pandemic to adapt to new customer expectations, management believes the network is positioned well to thrive in the future, even if a recession were to happen.

In the short term, management's primary focus will continue to be the success of existing locations. More specifically, the teams will assist franchisees to generate sales growth, open new locations of existing concepts and ultimately achieve their profitability objectives. Management will also focus on the integration of the recently acquired brands.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase the Company's market share.

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, 2022, 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, 2022. 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 CEO and CFO, 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 the recently acquired operations:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income
Küto Comptoir à Tartares	1%	0%	1%	0%	0%	1%	2%
BBQ Holdings	15%	14%	15%	17%	0%	10%	3%

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, 2022, 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 non-current 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, MBA Chief Executive Officer

"Renee St-Onge"

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Renee St-Onge, CPA 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
Küto Comptoir à Tartares	December 2021	100%	31	—
BBQ Holdings – Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound and Champps	September 2022	100%	198	103

Definition of non-GAAP measures

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

Adjusted EBITDA	Represents revenue less operating expenses plus share of net profit (loss) of a joint venture accounted for using the equity method. See reconciliation of adjusted EBITDA to Income (loss) before taxes on pages 14 and 21.
Normalized adjusted EBITDA	Represents revenue less operating expenses (excluding transaction costs related to acquisitions) plus share of net profit (loss) of a joint venture accounted for using the equity method. See reconciliation of normalized adjusted EBITDA to Income (loss) before taxes on pages 14 and 21.
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 net cash flows: provided by operating activities; used in additions to property, plant and equipment and intangible assets; and provided by proceeds on disposal of property, plant and equipment.

Definition of non-GAAP ratios

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.
Normalized adjusted EBITDA as a % of revenue	Represents normalized 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 2021**	**May 2021**	**August 2021**	**November 2021**	**February 2022**	**May 2022**	**August 2022**	**November 2022**
Cash flows provided by operating activities	31,307	29,541	46,553	31,898	39,696	30,739	36,838	35,524
Additions to property, plant and equipment	(1,213)	(2,301)	(1,248)	(1,677)	(1,149)	(3,494)	(1,327)	(2,700)
Additions to intangible assets	(47)	(156)	(65)	(56)	(1,672)	(1,346)	(713)	(257)
Proceeds on disposal of property, plant and equipment	253	413	361	5,438	95	84	666	286
Free cash flows [1]	**30,300**	**27,497**	**45,601**	**35,603**	**36,970**	**25,983**	**35,464**	**32,853**

[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, 2022**	**Year ended November 30, 2021**
Income before taxes	96,170	112,072
Impairment charge – right-of-use assets	969	1,550
Net impairment charge – property, plant and equipment and intangible assets	13,916	5,903
Income before taxes, excluding impairment charges and reversals [1]	111,055	119,525

[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, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	29.4	1,604.6	1,634.0	89.8	2,527.4	2,617.2	**4,251.2**
Franchise royalty income as a % of franchise sales	—	5.23%	—	—	5.10%	—	**N/A**
Royalties	—	83.9	—	—	129.0	—	**212.9**

	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 three months ended November 30, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [(1)]	8.0	430.1	438.1	74.1	694.3	768.4	**1,206.5**
Franchise royalty income as a % of franchise sales	—	5.28%	—	—	4.94%	—	**N/A**
Royalties	—	22.7	—	—	34.3	—	**57.0**

	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**

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