MTY FOOD GROUP INC.

8210 Trans-Canada Highway
St-Laurent, Quebec, H4S 1M5

Annual Information Form
For the year ended November 30, 2022

February 15, 2023

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PRELIMINARY NOTES AND CAUTIONARY STATEMENT

Date of Information

Unless stated otherwise, the information presented in the Annual Information Form is as at November 30, 2022.

Currency

All currency references in this Annual Information Form ("AIF") are in Canadian dollars.

Information Incorporated by Reference

Certain information and documents referred to in the document such as financial statements and management discussion and analysis are available on the Canadian System of Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com under the Company's name.

In this AIF, "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.

Non-GAAP Measures, Non-GAAP Ratios and Supplementary Financial Measures

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS"). Definitions of all non-GAAP ("generally accepted accounting principles") measures, non-GAAP ratios and supplemental financial measures can be found below. The non-GAAP measures, non-GAAP ratios and supplemental financial measures used within the context of this AIF 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.

Non-GAAP ratios include:

- 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.

Supplementary financial measures include:

- Same-store sales: the Company believes that same-store sales are a useful metric because same-store sales growth provides information on the comparative performance of the restaurants in the network from one period to the next.
- System sales: the Company believes that system sales are a useful metric because the Company uses system sales to evaluate the size and performance of MTY's network, as well as to indicate its income-generation potential.
- Digital sales: the Company believes that digital sales are a useful metric because they reflect the benefits from the Company's investments in online ordering and third-party delivery options, which increased during the pandemic and continue to reflect consumer trends.

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.

The definition of non-GAAP measures is as follows:

Adjusted EBITDA	Represents revenue less operating expenses plus share of net profit (loss) of a joint venture accounted for using the equity method.
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.

The definition of non-GAAP ratios is as follows:

Debt-to-EBITDA	Defined as current and long-term debt divided by adjusted EBITDA as defined in the credit agreement.

The definition of supplementary financial measures is as follows:

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.

Cautionary Statement Regarding Forward-looking Information

This AIF contains 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 AIF 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 AIF 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 AIF 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 AIF entitled "Risk Factors" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this AIF. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

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 AIF include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the duration and impact of the COVID-19 pandemic, its impact on the ability to re-open locations as well as on consumer demand upon re-opening and its macro-economic impact; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates or borrowing rates; foodborne illness; operational constraints, government orders and the event of the occurrence of epidemics, pandemics and other 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 AIF.

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.

CORPORATE STRUCTURE

Name, Address and Incorporation of the Company

MTY Food Group Inc./Le Groupe d'Alimentation MTY inc. is a corporation established under the laws of the *Canada Business Corporations Act*. The Company was originally named 318782 B.C. Ltd. incorporated under the laws of the Province of British Columbia pursuant to Articles of Incorporation dated December 11, 1986 and changed its name to "Faber Resources Corp." on January 20, 1987. Subsequently, it changed its name to "Golden Sky Resources Inc.'' on November 12, 1987 and to "Golden Sky Ventures International Inc." on June 7, 1994. Golden Sky Ventures International Inc. was continued under section 187 of the *Canada Business Corporations Act* on July 26, 2000 and changed its name to "iNsu Innovations Group Inc.". On July 8, 2003, the name of the Company was changed from iNsu Innovations Group Inc. to "MTY Food Group Inc.".

The registered and head office of the Company is located at 8210 Trans-Canada Highway, St-Laurent, Quebec, H4S 1M5.

Intercorporate Relationships

The following table sets forth the main operating subsidiaries of the Company, their jurisdiction of incorporation and the percentage of voting rights attached to voting securities held by the Company.

Name of subsidiary	Percentage of voting rights held		Jurisdiction of incorporation
	Directly	Through subsidiaries	
MTY Franchising Inc.	100%	—	Quebec, Canada
MTY Franchising USA, Inc.	—	100%	Tennessee, USA
Kahala Brands Inc.	—	100%	Tennessee, USA
Papa Murphy's Holdings Inc.	—	100%	Delaware, USA
BBQ Holdings Inc.	—	100%	Minnesota, USA

GENERAL DEVELOPMENT OF THE BUSINESS

3-Year History

Highlights of the 2022 fiscal year

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 United States ("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, the current situation appears to highlight a familiar sense of back-to-normal. 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.

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.

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.

On June 28, 2022, the Company announced the renewal of the normal course issuer bid ("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 fiscal year ended November 30, 2022, the Company repurchased and cancelled a total of 256,400 common shares under the current NCIB, at a weighted average price of $57.01 per common share, for a total consideration of $14.6 million. An excess of $11.4 million of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

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]

During the fourth quarter of 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, and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to $300.0 million remained unchanged. Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt-to-EBITDA ratio that must be less than or equal to 3.50:1.00;
- a debt-to-EBITDA ratio 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

[1] *The location-count presented in the AIF 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.*

- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

During year ended November 30, 2022, MTY paid four quarterly dividends of $0.210 per common share to its shareholders, amounting to $20.5 million.

Highlights of the 2021 fiscal year

During the year ended November 30, 2021, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. Canada and certain parts of the US continued to be impacted by the continuation of government-imposed restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. The year saw the ramp-up of the global vaccination campaign, which led to the gradual lifting of restrictions in some territories, including the resumption of indoor and outdoor dining, and the reopening of a number of restaurants. However, the end of the year saw the rise of a fourth wave driven by the Delta variant, resulting in more infections and certain additional public health measures, including the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories. As at November 30, 2021, MTY had 82 locations temporarily closed due to the pandemic, with many of those open operating with some restrictions. During the year, MTY's network lost approximately 124,200 days (approximately 104,700 in Canada and 19,500 in the US) of combined operations with a total of 1,308 locations closed one or more days during the year.

During the second quarter of 2021, the Company modified its existing credit facility, which resulted in: a decrease to the revolving credit facility, which now has an authorized amount of $600.0 million; an increase to the accordion feature, which now amounts to $300.0 million; and an extension of its maturity by three years, until April 22, 2024. Under this facility, the Company is required to comply with certain financial covenants, including:

- a debt-to-EBITDA ratio that must be less than or equal to 3.50:1.00;
- a debt-to-EBITDA ratio that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150,000; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

On June 15, 2021, the Company sold its 80% interest in 10220396 Canada Inc., whose activities consist of franchising for the banners "Houston Avenue Bar & Grill" and "Industria Pizza + Bar", for a cash consideration of $7.5 million and a deferred consideration of $1.7 million. The deferred consideration has a contractual amount of up to $3.0 million, to be repaid in two tranches: the first tranche of $1.5 million will be repaid in variable instalments based on royalties collected, beginning in July 2022; the second tranche will also be repaid in variable instalments based on royalties collected, which will begin once the first tranche is fully repaid, and will end on the earlier of such time $1.5 million is repaid, or a period of 10 years has elapsed. The Company recorded a gain on the disposal of its shares of 10220396 Canada Inc. of $0.1 million.

On June 28, 2021, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2021 and ended on July 2, 2022. During the fiscal year ended November 30, 2021, the Company repurchased and cancelled a total of 36,600 common shares at a weighted average price of $59.68 per common share, for a total consideration of $2.2 million. An excess of $1.7 million of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

During year ended November 30, 2021, MTY paid two quarterly dividends of $0.185 per common share to its shareholders, amounting to $9.1 million. The dividend payment had previously been suspended since the second quarter of 2020.

Highlights of the 2020 fiscal year

On December 3, 2019, one of the Company's wholly owned subsidiaries completed the acquisition of a 70% interest in 11554891 Canada Inc., which acquired Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina (together "Tortoise Group"), three casual dining concepts operating in the province of Ontario, for a consideration of $27.1 million, which includes a deferred contingent consideration amounting to $4.1 million, an obligation for the repurchase of its partner in 11554891 Canada Inc. of $2.9 million and cash consideration of $19.1 million. The Company recorded its interest as a long-term receivable until it gained control of 11554891 Canada Inc (see section "Highlights of the 2022 fiscal year" above for further details). The Company has guaranteed liabilities of 11554891 Canada Inc. amounting to $7.9 million, which are payable to Tortoise Group, upon the repurchase of the 30% partner. At closing, there were 20 franchised restaurants in operation and three corporate-owned stores.

In December 2019, the COVID-19 coronavirus was reported to have surfaced. The spread of this virus caused business disruptions beginning in March 2020, due to government and health authority imposed restrictions and changes in customer behavior in Canada, the US and Internationally. As at November 30, 2020, MTY had 338 locations temporarily closed with many of those open operating at reduced capacity. During the months of September, October and November, MTY's network had lost a total of 30,222 days (21,161 in Canada and 9,061 in the US) of combined operations with a total of 364 locations temporarily closed at the beginning of the quarter and a second wave of restrictions being imposed in Canada throughout the fourth quarter.

On June 29, 2020, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2020 and ended on July 2, 2021. During the fiscal year ended November 30, 2020, the Company repurchased and cancelled a total of 364,774 common shares at a weighted average price of $51.72 per common share, for a total consideration of $18.9 million. An excess of $14.3 million of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

Further information on these changes can be found in the November 30, 2022 consolidated financial statements.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

Overview

The Company is among North America's leading franchisors of the restaurant industry. Its activities consist of franchising and operating corporate-owned locations in the quick service restaurant, fast casual and casual dining segments of the restaurant industry as well as the sale of retail products under a multitude of banners. The Company also operates three distribution centers and two food processing plants, which are all located in the province of Quebec. Its multi-concept model allows the Company to position itself across a broad range of demographic, economic and geographic sectors. The Company's concepts are as follows:

The Company operates two main geographical segments: the Canadian operations and the US & International operations. In both cases, the operations mainly consist of franchising in the quick-service, fast casual and casual dining restaurant industry. As such, the main revenue streams for both segments are royalties, franchise fees, sales of services and material to franchisees and other franchising revenues.

The Company also operates some corporate restaurants – as at November 30, 2022, the Company had 41 corporate outlets in Canada and 158 in the US.

Restaurant Industry

The effects that the COVID-19 pandemic had in 2020 and 2021 waned in 2022. Between April 2021 and July 2022 there were approximately 3,800 permanent restaurant closures in Canada, compared to 3,600 newly opened and re-opened restaurants, a net decrease of 200[1]. Restaurant Canada's 2022 Foodservice Facts report predicts total foodservice sales in 2022 will surpass 2019 levels[2]. In the US, 2022 saw continued resurgence in the restaurant industry, where public health measures were largely lifted during the year, with 47% of foodservice operators surveyed reporting an increase in consumer traffic, and 39% reporting a decline in 2022[3].

Even with the increase in sales seen in the last few months, headwinds remain in the North American restaurant industry. Labour shortages held steady as one of the biggest hurdles for restaurants in 2022, with 9 in 10 Canadian restaurant operators having difficulty hiring back-of-house workers. According to a Restaurants Canada survey, 72% of restaurant operators state they are combating labour shortages by increasing hours worked by management level employees, 64% of operators site reduced operating hours, and 77% of operators have increased wages[4]. In the US, in a 2022 State of the Industry survey fielded by Restaurant365, 75% of operators expect labour costs to increase in 2023, with 38% planning to utilize additional spend and resources on recruitment and salary increases[5]. Supply chain challenges lingered in 2022, contributing to a steady increase in costs and inflation, as well as lack of product availability.

A challenge for 2022 will be forecasting consumer demands of foodservice, as customer shift their preference between grocery, meal kits and restaurant offerings. Seeing the value of a diversified revenue stream, meal kits made up 7.5% of home eating occurrences each year in 2019-2022 in the Canadian market, and fully cooked/ready to heat and eat meals made up 15-16% of home eating occurrences over that same timeframe[6]. 2022 also saw the continuing ramp-up of the ghost kitchen model. Although no dominant model has been observed, there is potential for growth in this business model.

The delivery landscape cannot be avoided when discussing changes to the foodservice industry since the beginning of the pandemic. 2022 has seen increased acquisitions and competition among third party delivery services, which are also contending with regulators' desire to cap delivery and service fees on consumers. 63% of US customers have not used a third-party delivery service since early 2020, with 4 in 10 siting high delivery fees as the reason for avoidance, and over 25% saying it's simply too expensive[7]. Alcohol delivery is also a trend to be observed, with many third-party aggregators teaming up with alcohol delivery services to meet demand. Amid the rise in delivery options, the industry must also now contend with increased expectations from consumers. Locally sourced foods, eco-friendly packaging and plant-based foods rank among the top priorities for consumers concerned about how their consumption habits impact both their personal health and that of the planet.

The industry is forecasting 2023 sales levels will surpass 2019 for the second consecutive year but will remain relatively flat compared to 2022[8]. Annual foodservice sales are anticipated to be $84.6 billion[9] and $900 billion[10] in Canada and the US, respectively, in 2023.

The Company's current market share in North America remains under 1% of the market. In the US, Papa Murphy's, Cold Stone Creamery, and Famous Dave's all rank in the top 150[11] chains. Additionally, Newsweek's "America's Favorite Restaurant Chains 2023" list included Papa Murphy's, Cold Stone Creamery, SweetFrog, Planet Smoothie, Thai Express, and Baja Fresh[9].

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[1] Source: Restaurants Canada, Foodservice Facts, 2022, page 35
[2] Source: Restaurants Canada, Foodservice Facts, 2022, page 6
[3] Source: Datassential, https://fesmag.com/research/industry-forecast/20678-2023-outlook-it-s-still-complicated#:~:text=Total%20foodservice%20industry%20sales%20will,real%20growth%20compared%20to%202022.
[4] Source : Restaurants Canada, Foodservice Facts, 2022, page 13
[5] Source: Restaurant365, https://www.prnewswire.com/news-releases/restaurant365-releases-2022-state-of-the-industry-survey-results-301706641.html
[6] Source: Restaurants Canada, Foodservice Facts, 2022, page 55
[7] Source: Paytronix, https://www.restaurantbusinessonline.com/technology/tech-roundup-why-food-delivery-getting-even-more-expensive
[8] Source: International Foodservice Manufacturers Association, https://www.prnewswire.com/news-releases/ifma-releases-2023-foodservice-industry-forecast-at-marketing--sales-conference-301598124.html
[9] Source: Restaurants Canada, Foodservice Facts, 2022, page 37
[10] Source: Newsweek, https://www.newsweek.com/rankings/americas-favorite-restaurant-chains-2023
[11] Source: Restaurants Business, https://www.restaurantbusinessonline.com/top-500-chains?year=2022&page=0#data-table

Development of the Business

A number of the Company's concepts were developed internally while the others were added through the several acquisitions completed by MTY over the years. The table below lists those concepts developed by MTY:

Concept	Year of launch of first location
Tiki Ming® – Chinese Cuisine	1983
Sukiyaki® - A Japanese delight	1988
Panini Pizza Pasta®	1995
Villa Madina®	2003
Kim Chi Korean Delight®	2006
Vie & Nam®	2008
O'Burger®	2008
Tosto Quickfire Pizza Pasta®	2015
Ginger Sushi Boutique®	2017

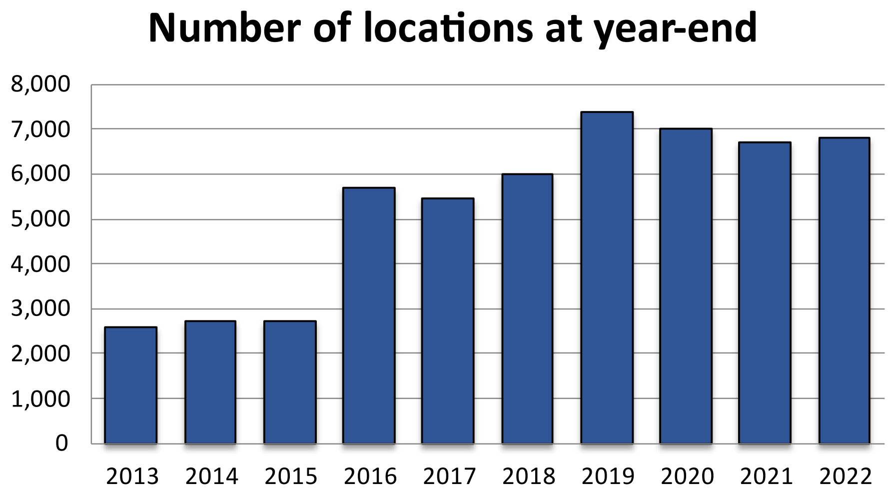
MTY has also launched multiple ghost kitchens in existing restaurant locations. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

The following table provides details on the acquisitions completed by MTY to date:

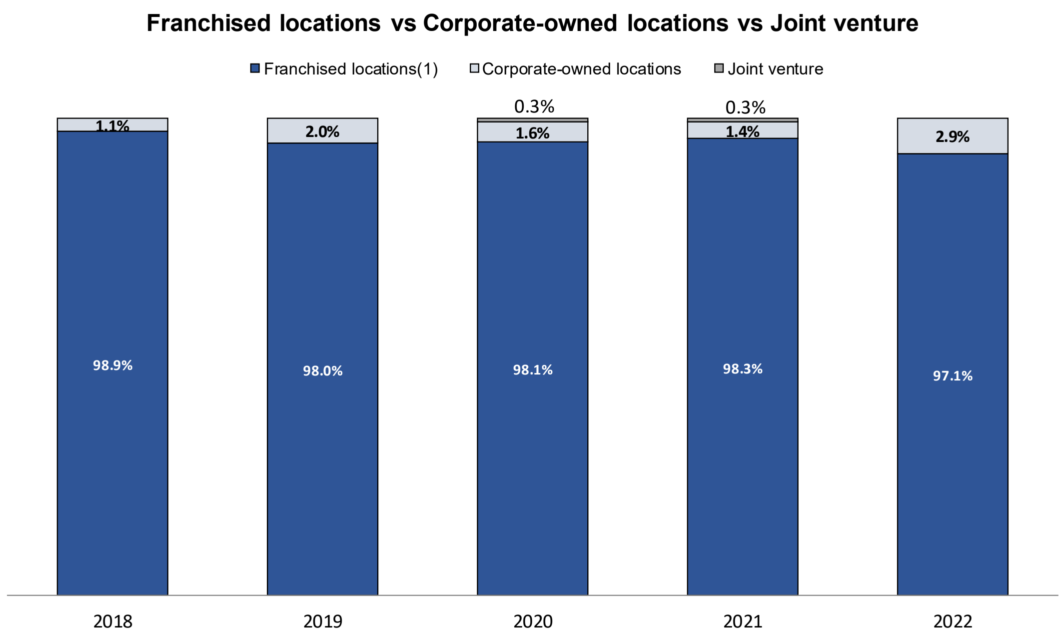
Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise 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

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

The growth in the number of locations over the last 10 years came primarily from the acquisitions described above. However new locations are frequently opened thus also contributing to the growth in MTY's location count. As at November 30, 2022, 6,788 locations were in operation. The chart below provides details on the locations' growth over the last 10 years:



Out of the 6,788 locations in operation, 6,589 were franchised or subject to an operator agreement and 199 locations are operated by MTY. The following chart provides historical details on the breakdown between the number of franchised locations and corporate-owned locations:



[(1)] *Franchised or subject to an operator agreement*

MTY's locations can be found in: i) mall and office tower food courts and other shopping mall locations; ii) street front; and iii) non-traditional format within airports, hospitals, campuses, petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, food trucks or carts and in other venues or retailers shared sites.

The table below provides the breakdown of MTY's locations unit counts and system wide sales by type as at the two most recent completed fiscal years:

	% 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 consists of:

	% 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 location count by concepts as at November 30, 2022 appears in the table below:

Canada	
Allô! Mon Coco®	43
Bâton Rouge	28
Ben & Florentine	60
Big Smoke Burger®	10
Built Custom Burgers	1
Café Dépôt®	47
Casa Grecque®	28
Country Style®	230
Cultures®	31
Dagwoods Sandwiches & Salads®	15
Extreme Pita®	31
Giorgio Ristorante®	3
Jugo Juice®	83
Kim Chi Korean Delight®	8
Koryo Korean Barbeque®	9
Koya Japan®	10
Küto Comptoir à Tartares®	34
La Crémière®	22
La Diperie	64
Madisons®	10
Manchu Wok®	62
Mikes®	65
MMMuffins®	1
Mr. Souvlaki®	17
Mr. Sub®	220
Ms. Vanellis®	6
Mucho Burrito®	141
Muffin Plus®	14
O'Burger®	1
Papa Murphy's®	17
Pizza Delight®	70
Scores®	30
SensAsian®	1
South Street Burger®	33
Steak Frites St-Paul®	3
Sukiyaki®	4
SushiGo®	2
Sushi-Man®	14
Sushi Shop®	165
Taco Time®	121
TCBY®	19
Thaï Express® / Pad Thaï®	286
Thaïzone®	37
The Coop Wicked Chicken®	4
The Works Gourmet Burger Bistro®	26
Tiki Ming®	15
Timothy's World Coffee®	16
Tosto Quickfire Pizza Pasta®	2
Turtle Jack's®	19
Tutti Frutti®	23
Valentine®	81
Van Houtte®	32
Vie & Nam®	3
Villa Madina®	25
Wasabi Grill & Noodle®	2
Yuzu®	190
Total	**2,534**

US and International	
America's Taco Shop®	3
Baja Fresh Mexican Grill®	86
Bakers Square®	11
Barrio Queen™	7
Big Smoke Burger®	4
Blimpie®	124
Built Custom Burgers	4
Champps®	3
Cold Stone Creamery®	1,311
Craft Republic	2
Famous Dave's®	131
Fox & Hound	1
Frullati Café & Bakery®	10
Grabbagreen®	7
Granite City	17
Great Steak®	36
Johnnie's New York Pizzeria	2
Kahala Coffee Traders®	4
La Diperie	1
La Salsa Fresh Mexican Grill®	6
Manchu Wok®	24
Maui Wowi Hawaiian Coffees & Smoothies®	273
Ms. Vanellis®	4
NrGize Lifestyle Café™	63
Papa Murphy's®	1,188
Pinkberry®	88
Planet Smoothie®	156
Ranch One®	2
Real Urban BBQ™	2
Rocky Mountain Chocolate Factory®	102
Rollerz™	1
Samurai Sam's®	14
Surf City Squeeze®	71
SweetFrog®	231
Taco Time®	105
Tahoe Joe's®	3
Tasti D-Lite™	2
Thai Express®/ Pad Thai®	9
The Counter®	22
The Works Gourmet Burger Bistro®	1
Van Houtte®	2
Village Inn®	121
Total	**4,254**

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 condensed interim 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, 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 nine concepts. At closing, there were 198 franchised restaurants and 103 corporate-owned restaurants operating under BBQ Holdings banners.

Subsequent Events

<u>Acquisition of Wetzel's Pretzels</u>

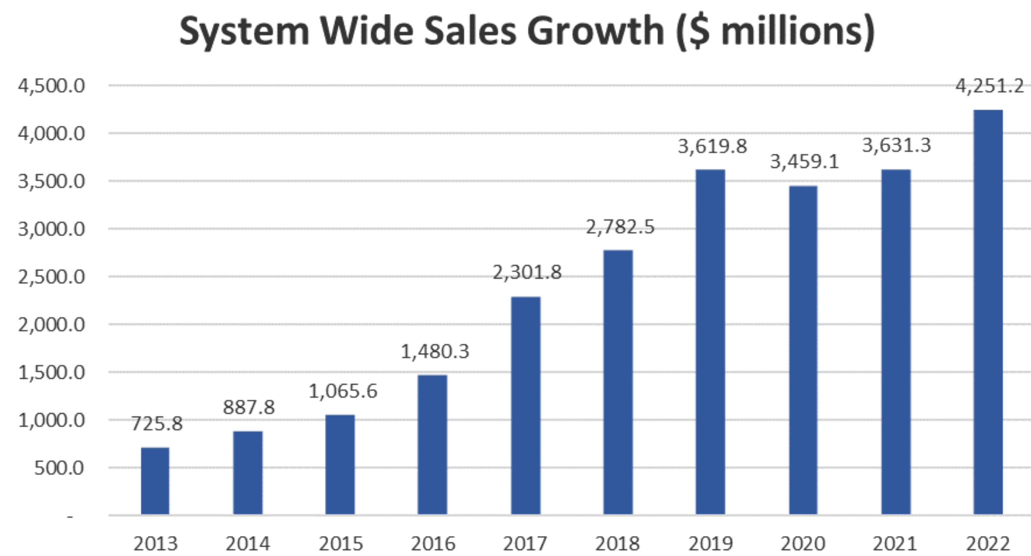
On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as 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.

<u>Acquisition of Sauce Pizza and Wine</u>

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.

System Sales

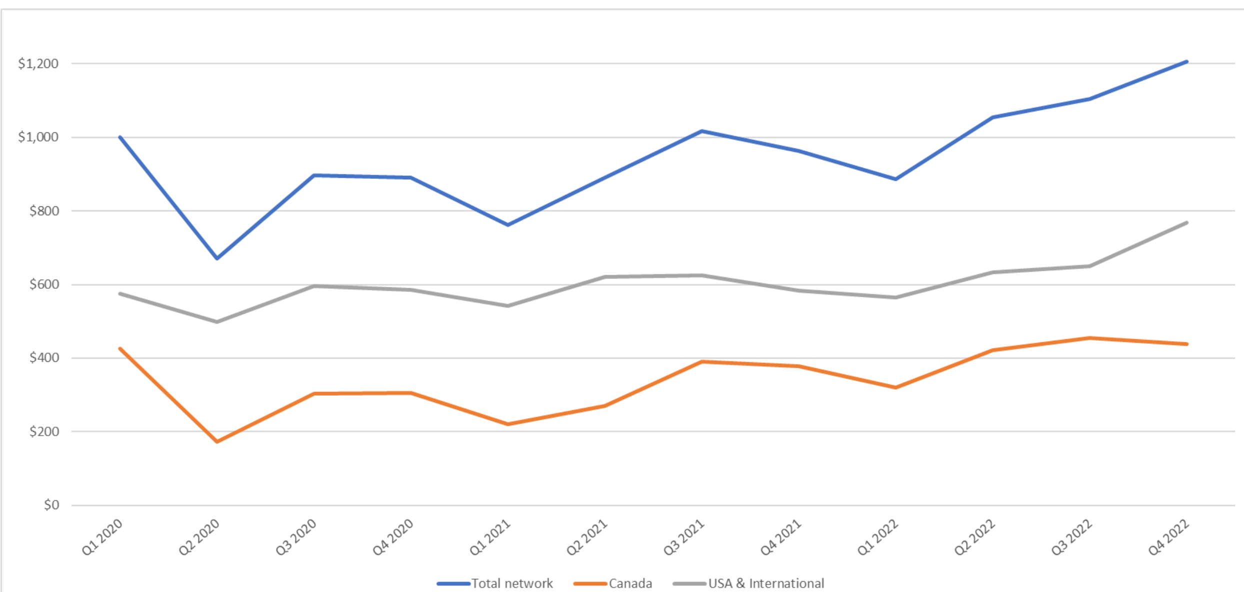
The following chart shows the growth in system sales realized during the last 10 fiscal periods:



Seasonality of System Sales

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.

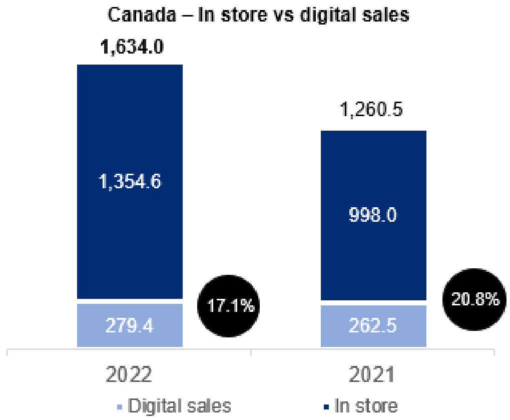
The graphic below shows the seasonality of sales per type of outlet during the last 12 quarters:

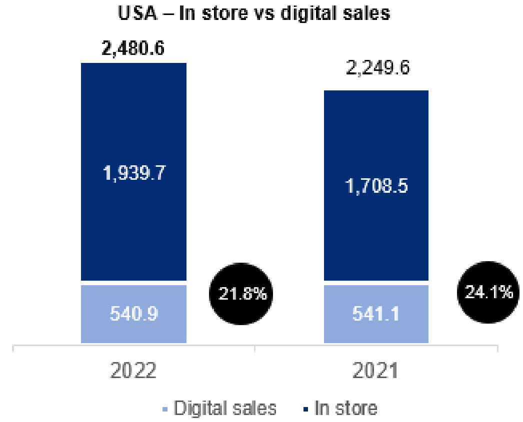


The second quarter of 2020 to the second quarter of 2021 were greatly impacted by the pandemic in Canada, the US and Internationally.

The pandemic accelerated consumer shifts to online ordering for delivery or take-out. For the year ended November 30, 2022, digital sales grew to $820.3 million, from $803.6 million the year before 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.

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





Supply Chain and Distribution

Franchisees are required to purchase the majority of their ingredients, products, materials, supplies and other items which are necessary for the operation of their businesses directly through the Company's authorized distributors. The Company has a purchasing department that is responsible for leveraging the buying power of the Company to deliver the goods and services required in the operation of the locations. Under these arrangements, independent distributors authorized by the Company purchase certain products directly from the Company's approved suppliers and then store, sell and distribute them to the Company's locations.

Price fluctuations are passed through to the Company owned and franchised locations. These arrangements help assure the availability of products and provide quality control measures and efficient distribution of these products to the locations. Most goods and services required for the operations of the locations are generally available and can be provided from alternate suppliers. The Company supplies a few of its concepts certain products through its St-Hyacinthe, Delson and Laval, Quebec distribution centers and as well manufactures certain products in its food processing plants, located in Levis and Laval, Quebec.

Franchise Operation

The legal relationship with the Company's franchisees is governed by a franchise agreement for a term that is typically: in Canada, 10 to 15 years for traditional locations and typically 1 to 5 years for non-traditional locations; and in the US, approximately 10 years for traditional and non-traditional locations. Apart from some non-traditional locations and some locations governed under master franchise agreements, each location is subject to a separate franchise agreement. The franchise agreement grants the right to use the trademarks in association with concepts within a limited area and specifies comprehensive standards of practice governing all relevant operational matters.

The initial franchise fee usually ranges: in Canada, from $25,000 to $60,000 for traditional locations and from $2,000 to $17,500 for non-traditional locations; and in the US, from $25,000 to $65,000 for traditional locations and from $6,500 to $40,000 for non-traditional locations. Pursuant to the franchise agreement, the Company collects an ongoing royalty fee from each franchisee of approximately 3% to 7% of gross sales. For most concepts, the Company either relies on franchisees to accurately report their gross sales on a frequency as prescribed in their franchise agreement or polls the sales directly from the point of sale system ("POS") in place in the store.

For other concepts, the royalty fees are built in the price of the products and are collected by the Company through authorized distributors. Each franchise agreement specifies additional payments to be made to the Company by each franchisee. The franchise agreement also sets out the parameters of employee training, technical assistance and other services to be provided to franchisees by the Company. A franchise agreement may not be assigned by the franchisee. Each franchise agreement may be terminated upon certain prescribed circumstances.

Approximately 1,156 locations are controlled by 52 groups or individual franchisees owning 10 or more locations. Four groups control more than 45 locations.

Sources of Revenue

The Company's revenues come from the following sources:

Franchising

Franchising revenues include various revenues generated by the franchising operations, as described below. For the years ended November 30, 2022 and 2021, such revenues represented 45% and 50% of consolidated revenues, respectively.

- Royalty fees: The Company collects an ongoing royalty fee from each franchisee with the fee generally ranging between 3% and 7% of gross sales depending on the concepts and is, in general, payable on a weekly or monthly basis.
- Initial franchise fees: The Company charges an initial franchise fee usually ranging from $25,000 to $60,000 ($2,000 to $17,500 for non-traditional locations) in Canada and from $25,000 to $65,000 ($6,500 to $40,000 for non-traditional locations) in the US at the commencement of the initial term of the franchise agreement. Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.
- Master license fees: The Company charges a master license fee when it grants territorial rights for the development of its concepts. Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.
- Renewal fees: The Company charges a fee upon the re-grant of an expired franchise. Depending on the concept, the fee ranges from $1,000 to $5,000 in Canada and from $5,000 to $35,000 in the US per renewed year. Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.
- Revenue from sale of franchise locations: In some cases, the Company manages the construction of a new restaurant, which is either billed a management fee or is then delivered on a ''turn-key'' basis to the franchisee on completion. Restaurant construction and renovation revenue is recognized when the construction and renovation are completed.
- Sales of goods and equipment: Franchisees are required to purchase certain goods and equipment used and sold at their locations from the Company, which the Company provides to the franchisees at a profit. Revenues are recognized when goods are delivered. The Company also generates some administration fees from reselling services to its franchisees.
- Rental income: The Company earns rent revenue on certain leases it holds and sign rental revenue. Rental income that is not included in the measurement of the finance lease receivable under IFRS 16, Leases, is recognized on a straight-line basis over the term of the relevant lease.
- Gift card revenues: The Company recognizes breakage income on a pro-rated recognition basis, which is based on the historical redemption pattern of the gift cards. The Company also charges various program fees and program costs to its franchisees as gift cards are redeemed.
- Supplier considerations: The Company receives considerations from suppliers. Supplier contributions are recognized in the month they are earned.
- Transfer fees & other fees: The Company charges a fee for the transfer of a franchise, documenting changes to the franchise agreement and other documents, providing plans and specifications for store design and for construction supervision.
- Bookkeeping accounting fees: The Company charges bookkeeping accounting fees to a few brands for which it does the accounting on behalf of the franchisees.

Revenue from food processing, distribution and retail

During both the years ended November 30, 2022 and 2021, food processing, distribution and retail revenues represented 24% of consolidated revenues.

- The Company earns revenues from producing a variety of food products: Food processing revenues are recognized when goods have been delivered to end-users.
- Distribution revenues: The Company generates revenue from its distribution centers that serve primarily the Valentine, Casa Grecque and Küto Comptoir à Tartares franchises. Revenues are recognized once the goods have been delivered to the franchise location.

- Retail revenue: The Company earns revenue from the sale of products in retail stores. Retail revenue is recognized when the customer takes control of the product, which usually occurs upon shipment or receipt of the goods by the customer, depending on the specific terms of the agreement.

Revenue from corporate-owned locations

The Company also generates revenues from the restaurant locations which it owns and operates. Revenue from corporate-owned locations is recorded when services are rendered. Revenues from corporate-owned locations represented 17% and 11% of total revenues for the years ended November 30, 2022 and 2021, respectively.

Revenue from promotional funds

Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers to the promotional funds are reported separately and included in accounts payable and accrued liabilities. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds. Revenues from promotional funds represented 16% and 17% of total revenues for the years ended November 30, 2022 and 2021, respectively.

Management

The Company's ability to attract and retain skilled management personnel has been a key factor in the development of its restaurant system. The Company benefits from a management team that is highly experienced in this industry. The loss of some key management personnel could have a material impact on the operations of the Company.

Employees

As at November 30, 2022, the Company and its subsidiaries had approximately 7,062 employees working in Canada and in the US. Of those, 5,667 work in corporate restaurants and 141 in the food processing plant or in the distribution centers. Of the other employees, approximately 748 are located in Canada and 506 in the US.

Intellectual Properties

The intellectual properties are sublicensed by the Company to franchisees. Maintaining and increasing its various “brand identities” through the use of intellectual properties is a key element to the success of the Company. The intellectual properties owned and used by the Company include trademarks that are registered or pending registration under the *Trade-marks Act* in Canada, under the *Trademark Act of 1946* in the US or other international trademark agencies, unregistered trademarks and other trademarks relating to the concepts TCBY®, Rocky Mountain Chocolate Factory® and Spicebros® that are licensed by the Company. The rights for the Company to use these licensed trademarks and related intellectual properties, to operate and franchise the concepts TCBY®, Rocky Mountain Chocolate Factory®, Van Houtte® and Timothy’s World Coffee are governed pursuant to the following Master Franchise or Development agreements.

<u>TCBY Transnational Master Franchise Agreement</u>

TCBY Transnational Master Franchise Agreement dated February 20, 1992, as amended and assigned from time to time, between TCBY Systems, LLC (formerly TCBY Systems, Inc and Tremlac Food Canada Limited/Les Aliments Tremlac Canada limitée (as assigned by Daniel Tremblay and Paul Lachance, and later Donald Foley) and, as assigned to Tiki Ming on September 28, 2005 for the territory of Canada expiring on December 31, 2025.

<u>Rocky Mountain Chocolate Factory Master License Agreement</u>

Master License Agreement dated August 17, 2009 between Kahala Franchising Corp. and Rocky Mountain Chocolate Factory, Inc., granting an irrevocable non-exclusive right to the Company to offer Rocky Mountain Chocolate Factory products in existing Cold Stone Creamery locations in the US or to open co-branded (Cold Stone Creamery/Rocky Mountain Chocolate Factory) stores. This agreement is valid as long as the Company’s network has Rocky Mountain Chocolate Factory stores in operation and as long as there is no default to the clauses contained in the agreement.

<u>Spicebros License Agreement</u>

Master License Agreement dated August 10, 2022 between MTY Franchising Inc. and 9455-0480 Quebec Inc., granting exclusive and conditional license to franchise Spice Bros locations in shopping centers across Canada and the US. The agreement is valid for 10 years, expiring on August 9, 2032, with the option to renew for two additional consecutive periods of 10 years each provided that MTY is not in material default of the agreement.

Marketing

Pursuant to the franchise agreements, franchisees must pay a fee ranging from 0% to 4% of gross sales depending on the concept to the promotional fund. These amounts are collected by the Company in its capacity as agent and used for promotional, marketing and advertising purposes and to administer the promotional fund of the respective concepts. In addition to the promotional fund, supplementary marketing activities are funded by franchisees for local advertising and promotions.

Target Market

The Company's network operated 3,785 locations in the US and 2,527 in Canada as at November 30, 2022. It is the intention of the Company to grow its franchise system in the future by leveraging the base it currently has in both territories. Through master license agreements, the Company also plans to further develop its concepts at the international level. As at November 30, 2022, 488 locations were operating outside North America in 39 countries around the world.

Competition

The quick service restaurants and casual dining segments of the commercial foodservice industry have low barriers to entry and therefore are highly competitive. Competition comes from both established competitors, some of which might have greater resources, and potential new market entrants. Each one of the Company's locations competes with other commercial foodservice operations within the same geographical area. Competition, in the broadest perspective, includes restaurants, take-out and delivery operations, including meal kit deliveries, coffee shops, street vendors, catering services, convenience food stores, delicatessens and supermarkets. Each one of the Company's locations competes with other operations in its local market primarily through the quality, variety and value perception of food products offered, and the quality of services offered to its customers. The unit count of the Company's banners, the location of the Company's restaurants, the quality and speed of service, the attractiveness of facilities, and the effectiveness of marketing and new product development are also important competitive factors.

The success of the Company can be attributed to the following factors:

- With over 40 years in the restaurant franchising industry, the Company has developed expertise and built a solid reputation with its landlords and franchisees enabling the Company to maintain its expansion. MTY has built an experienced and dedicated management team that continuously balances the interests of its franchisees, business partners, employees and shareholders.
- The large diversity of brands allows the Company to position itself across a broad range of demographic, economic and geographic sectors and to gain valuable market intelligence in various markets that enable management to make more informed decisions for other brands in the same markets.
- The relatively affordable cost of capital for becoming a franchisee of MTY's quick service and casual dining concepts ranges: in Canada, from $150,000 to $2,500,000 for traditional locations and between $30,000 and $200,000 for non-traditional locations; and in the US, from $130,000 to $4,000,000 for traditional locations and between $30,000 and $3,250,000 for non-traditional locations. This offers a competitive cost of entry and various options for franchisees to choose from.
- Strong growth enables the Company to gain purchasing power and therefore offers its franchisees competitive pricing on products, supplies and advertising buying.
- A continuous focus on expense reduction by using its scale, relationships and cost management discipline. MTY's scalable structure with shared services allows all brands to benefit for the highest level of expertise in purchasing, legal, research and development and information technology for a fraction of the cost. This shared services infrastructure also provides significant opportunities to reduce operating and capital expenditures while increasing efficiency and restaurant profitability.
- A disciplined approach to the franchisee selection process.
- Each brand benefits from the know-how and operational discipline from MTY's senior management team, and their extensive retail and restaurant knowledge and experience. This includes centralized training, audit and review process to ensure quality control and consistency across all locations.

MTY's Multi-Brand Strategy

A diversification strategy

MTY is known in the markets under a multitude of brands and has also been recognized by peers as a story of growth through acquisition. Although MTY has developed over the years multiple brands, the vast majority of MTY's expansion has been through acquisition. MTY's current portfolio of 88 distinctive yet highly complementary restaurants brands offer a variety of unique menus and dining experiences to all restaurant goers. The variety of choices offered by MTY's portfolio can appeal to all customers from those who prefer the full-services dining experience, those who want a family dine-in or dine-out family dinner as well as those who are on the run and just want to grab a quick bite. MTY's variety of brands offer not only choices in menu selection and dining experience, but it also targets a broad spectrum of customers across various demographics, dayparts and price points. The diversity of restaurant concepts and their appeal to different target markets enables MTY to operate multiple brands in the same geographic area without directly competing against each other. This also provides MTY with the flexibility to adapt to rapidly evolving customer tastes across Canada, US and Internationally. MTY's multiple brands platform allows it to consider converting existing locations from one brand to another and to do so at a lower cost than constructing a new restaurant.

Brand Division Strategy

Depending on the brand and the territory in which it falls, a dedicated team is responsible for developing and delivering superior customer experience with the goal to improve not only system sales but also same-store sales growth. Teams are responsible for all aspects of the brand, from menu development and innovation to restaurant ambiance to advertising campaigns. In turn, MTY is committed to ensuring the continued strength of each brand by providing a number of centralized resources and shared services. This approach allows the Company to provide support to both corporate and franchised restaurants to improve profitability and operating leverage while allowing divisions to focus on the brand-specific opportunities and customer-facing initiatives.

Multi Brand Synergy Strategy

MTY aims to utilize its scale to provide its restaurants with competitive advantages which are not available to independent restaurant operators. Functions that are not brand-specific are centralized and pooled, providing significant opportunities to leverage the Company's scale and relationships to reduce operating and capital expenditures and increase efficiency, thereby increasing restaurant profitability. As a result of this support, management believes that it has struck the optimal value balance with franchisees making MTY the franchisor of choice.

Each MTY brand benefits from:

- Strategic Partnerships and Initiatives: These initiatives include:
    - Corporate gift card program: a number of US brands offer a corporate gift card program designed for organizations, businesses or customers looking to purchase $500 or more in gift cards. Discounts are available for such bulk orders and special discounts are also available for schools and non-profit organizations for select brands.
    - Strategic sourcing: strategically source supplies and services, including food products and beverages, to negotiate the best possible prices for its restaurants.
    - Loyalty programs: loyalty initiatives are regularly rolled out, such as customer facing touch screens with enhanced features and improved visuals, VIP offers and promotions.
    - Resources to implement and/or accelerate digital marketing strategy
    - Partnerships: a number of brands have partnered with online ordering systems to create a user-friendly and personalized online ordering experience for their customers.
    - Ability to negotiate better than average contracts with third-party vendors such as on-line order aggregators.
- Information Technology and Innovation:
    - MTY provides both restaurant-level technology systems (POS, back-office systems, payment processing, and security) and a centralized data center and help desk for maximizing system up-time and performance.
    - MTY is executing a multi-year technology and digital transformation roadmap. MTY's digital transformation strategy will positively impact all departments, channels and lines of business and above all, the guest experience.

The Company also intends to increase its market share by:

- Same-store sales growth: The Company's strategy to improve same-store sales growth includes advertising, including increased online platform marketing, introduction of new products, innovation, excellence in operations and continued training, all with a focus of increasing customer count and average check. The Company is also investing in technological software to better assess top performing menu lines and market trends in order to improve operations returns to franchisees.
- Concepts image upgrade and menu innovations: The Company intends to continue to innovate by introducing new menu items or new concepts and upgrading the image of its existing concepts.
- Increase restaurant profitability: The profitability of the restaurants in the Company's network is critical to MTY's franchise partners. The Company believes constant focus on increasing sales, maintaining food and labour cost ratios, maintaining occupancy costs to an acceptable level and adapting the concepts are all critical to create sustainable profitability. MTY's focus for 2023 will be back to long-term growth perspective, and also to work on the Company's four pillars: food, service, ambiance and value perception.
- Customer service: The Company intends to continue to improve customer service by gathering and implementing feedback on guest experience. The Company continually monitors the many online guest experience platforms as well as over the phone and in-person customer feedback and applies the proper remediations to issues encountered.
- Leveraging its multi-brand offering to expand further in Canada, in the US and abroad: The Company intends to continue to open new locations of existing concepts in shopping malls, at street front locations and in non-traditional settings.
- Seeking international master franchise opportunities: The Company intends to continue to develop at the international level through area master franchise agreements.
- Continue to pursue new acquisitions: The Company intends to continue to make acquisitions in the food service industry that complements and add synergies to its already existing brands.
- Media & off-premise partnerships: The Company intends to continue creating and developing strategic partnerships with key media and digital platform partners and building on existing partnerships with food and delivery aggregators, to grow delivery sales. This initiative enables customers to place delivery orders through the application and platform of their choice.
- Continue to develop its retail segment: The Company intends to continue to diversify its retail division with the launch of new retail product lines across its grocery offerings. The Company will continue to offer retail product offerings that do not compete with the core menu items offered through its chain of restaurant networks.

New Franchise and Corporate Locations

The Company believes that there is opportunity to expand in Canada, the US and Internationally. Excluding the locations opened and closed through a joint venture, the Company's network opened 245 locations (102 in Canada, 87 in the US and 56 Internationally) and closed 507 locations (207 in Canada, 239 in the US and 61 Internationally) during the year ended November 30, 2022. The net reduction of 262 results from a multitude of factors, which includes COVID-19 pandemic, landlords redeveloping their properties, competitive pressures, leases expiring and closures of underperforming stores. Of the 49 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.

Management will continue to review its portfolio of restaurants to assess the closure of underperforming and non-strategic locations.

Retail Market

The Company has a retail revenue market in both Canada and the US. The Company intends to continue to drive the retail program across its multiple brands, as well as continue to expand its grocery offerings without competing with the core menu offered through the Company's restaurant network. Currently, there are 183 different products sold on the Canadian market and 100 sold on the US market.

Environment, Social and Governance Practices

MTY is committed to being an environmentally and socially responsible member of the communities in which it operates. That is why on November 16, 2022, MTY published its first sustainability report. As part of the creation of this report, MTY created an Environmental, Social and Governance ("ESG") committee to provide oversight, stewardship and leadership on all ESG matters and initiatives. The ESG committee, led by the VP of procurement in Canada, meets on a regular basis to set objectives and priorities for the organization. They also hold regular meetings with the Company's internal stakeholders to not only educate them on the importance of ESG and provide new insights, but also obtain updates to track ESG targets, goals and targets and to ensure goals already attained are still being met. Key ESG metrics established for the upcoming years include:

- Publish, or make accessible, nutritional information, ingredient lists and the allergen cards of core menu items for the top 50 brands by 2023, and for all brands by 2024.
- Replace hard-to-recycle plastics with alternative packaging, such as renewable or recyclable products, for use in MTY's Canadian operations by the end of 2023.
- Evaluate current diversity, equity and inclusion (DEI) practices and efforts, identify and explore opportunities for improvement, and engage with a third-party firm to set a DEI strategy by 2023.

Information Technology

The Company has made significant investment in the information technology ("IT") infrastructure both in an effort to stay ahead of cyber risk as well as a means to obtain more accurate information to be able to assess the franchisees performance and results. Investing in POS terminals, online ordering, website design platforms, and back-office systems to help manage, improve and assess franchisee profitability is a priority for the Company. MTY is investing not only in new technology but also in ensuring that current systems are properly monitored and safeguarded against cyber-attacks.

MTY is executing a multi-year technology and digital transformation roadmap with an aim to ensure the success of every franchisee through technological advancement. This includes ensuring the advancement of website designs and easy access to online ordering through both in-house build and third-party platforms. Digital marketing and big data analysis is also being moved to the forefront of the roadmap as the Company adjusts to changing customer patterns. MTY's digital transformation strategy will positively impact all departments, channels and lines of business and above all, the guest experience.

Government Regulation

Local Regulation of Restaurants

The Company's corporate-owned and franchise locations are subject to licensing and regulation by a number of governmental authorities, which may include liquor, health, sanitation, environment, linguistic, safety, fire, building and other agencies in the provinces or municipalities in which the Company's locations are located. Developing new locations, in particular street front locations, requires licenses and land use approval, and could be delayed by difficulties in obtaining such licenses and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. Some municipalities are also now restricting access to quick-service restaurants and many are refusing permits for drive-throughs.

The Company, for its corporate-owned locations and franchisees must comply with all applicable federal, provincial and local laws and regulations. Pursuant to the franchise agreements, the Company is to be indemnified by franchisees for any liabilities or costs incurred which are attributable to their failure to comply with such laws and regulations.

Food Product Regulation

The Company's suppliers of food products to the Company's corporate and franchise locations and the franchisees must comply with applicable federal and provincial regulations relating to the manufacture, handling, preparation and labeling of food products. These rules also apply to the Company's distribution and food-processing plant and can include regulations relating to distribution, packaging and labelling of food, beverages and general merchandise products, and environmental laws on items such as single use plastics. Its distribution channels as well as its own distribution and food processing plants can also be adversely impacted by any new regulations on farming and fishing practices which may impact the ability to obtain the goods required.

Franchise Regulation

The Company must comply with the laws and regulations adopted in the Provinces of Ontario, Alberta, Manitoba, New Brunswick, British Columbia and Prince Edward Island that require certain disclosure to be made with respect to the offer and sale of franchises. These laws require that the Company furnish prospective franchisees located in Ontario, Alberta, Manitoba, New Brunswick, British Columbia or Prince Edward Island, as applicable, with a disclosure document containing information prescribed by these laws.

The Company must also comply with the various Federal and state laws in the areas where it operates in the US. These laws require that the Company provide prospective franchisees with a disclosure document containing information prescribed by the applicable regulations. Such disclosure documents must be approved on an annual basis by the relevant authorities prior to being used for disclosure.

Employment Regulations

The Company and its franchisees are subject to local labour and employment laws that govern their relationship with employees, such as minimum wage requirements, overtime and working conditions.

Regulations Governing Alcoholic Beverages

Alcoholic beverage control regulations require that the Company or a franchisee, as the case may be, apply to a provincial or a municipal authority for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of a location's operations, including the minimum age of patrons who may consume alcoholic beverages and employees who may serve such beverages, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. Locations in certain jurisdictions may be subject to statutes or common law principles which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

Regulations Governing Smoking

Locations are subject to various laws that prohibit or limit smoking on the premises and that impose fines for failure to adhere to such laws.

Menu and Consumer Packaging Labelling Regulations

Multiple jurisdictions in which the Company operates have enacted menu labelling legislation that have the effect of requiring restaurants to list certain nutritional information on all the menus and advertising. Similarly, the Consumer Packaging and Labelling Act requires that prepackage consumer products, such as the retail products, include accurate and meaningful labeling information to help consumers make informed purchasing decisions. The calorie and sodium content of its standard food items are the most common types of required labeling.

Regulations Governing Single-Use Plastics

To prevent plastic pollution and protect the environment, the Canadian federal government released on December 20, 2022, a regulation banning the manufacture and import for sale in Canada of checkout bags, cutlery, foodservice ware, stir sticks and plastic straws made from six kinds of plastics. This comes after a release of a December 2021 draft regulation in which they announced a plan to ban the use of single-use plastics in Canada used in many stir-sticks, six-pack rings, take-out bags, cutlery, and takeout containers. The timeline for further bans in unknown at this time but is expected to have an impact on the company.

RISK FACTORS

An investment in the Company involves a number of risks. In addition to the other information contained in this AIF and the Company’s other publicly filed disclosure documents, investors should give careful consideration to the following risk factors and uncertainties, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. Any of the matters highlighted in these risk factors and uncertainties could have a material adverse effect on the Company’s results of operations, business prospects or financial condition. The risk factors and uncertainties described below are not the only risks and uncertainties the Company faces. Additional risks and uncertainties not currently known to the Company, its directors and officers or that are currently deemed immaterial also may impair the Company’s business operations.

RESTAURANT INDUSTRY RISKS

Supply Chain Disruptions

Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply, caused by pandemics, adverse weather, labour shortages or other conditions could adversely affect the availability, quality and cost of ingredients. As take-out and online orders increase, packaging products have also become an integral part of the supply chain required to meet customer demand. 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. 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.

Availability disruptions and delivery delays of equipment and construction material as well as permits, have also had an impact on the construction of new locations and renovations of existing locations. This has hindered MTY's ability to open as many locations as anticipated.

Labour Shortage

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. 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.

Commodity and Supply Costs

Pricing support mechanisms instituted and maintained by various provincial marketing or other boards keep the prices of chicken, pork and other products at artificially high levels. Although these product pricing systems are the subject of international and provincial legal challenges, there can be no assurance that such mechanisms will not continue indefinitely. Further, there can be no assurance that prices of such products will not be increased by their respective boards in the future.

The Company's profitability and that of its franchisees depends in part on its ability to anticipate and react to changes in food and commodity and supply costs. Specifically, certain ingredients such as butter, dairy products, chicken, beef, coffee, sugar, flour, oil, rice and fish constitute a large percentage of the total cost of the Company's food products. Increases in the cost of these specific ingredients could significantly result in a decrease in the Company's operating income. If commodity prices rise, the Company cannot predict whether it will be able to anticipate and react to changing commodity costs by adjusting its purchasing practices and menu prices, and a failure to do so could adversely affect its results of operations. Franchisees and corporately-held stores may also experience reduced sales due to decreased consumer demand at retail prices that have been raised to offset increased commodity prices, which may reduce franchisee and corporate store profitability. In addition, the markets for certain ingredients such as beef and chicken are subject to significant price fluctuations due to seasonal shifts, climate conditions, the cost of grain, disease, industry demand, international commodity markets, food safety concerns, product recalls, government regulation and other factors, all of which are beyond the Company's control and, in many instances unpredictable. Such increases in commodity costs may materially and adversely affect the Company's business and operating results.

In addition, unfavourable trends or developments concerning factors such as inflation, increased food, labour and employee benefit costs (including increases in hourly wage and employment insurance rates), regional weather conditions, interest rates, currency exchange rate and the availability of experienced management and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular. 2022 saw a continued surge in inflation rates amid significant increases in expenses incurred by customers, such as living expenses or gasoline prices, which could result in decreased customer counts at the Company's restaurants, which could adversely affect its business.

Security Breaches and Confidential Guest Information

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities and cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information, including personal health and financial information ("confidential information") regarding the Company and its guests, employees, vendors, credit card holders and loyalty program members. Some of this confidential Information is held and managed by third party service providers.

As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated. The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and prevent unauthorized access of confidential information and to reduce the likelihood of disruptions to its IT systems. The Company continues to make strategic investments in this area, including employee training, edge protection and endpoint detection and response technology, in order to mitigate cyber threats. The Company also has security processes, protocols and standards that are applicable to its third-party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of the third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of guest, employee, franchisee, credit card holder or loyalty program member privacy or confidential information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs. Any such occurrences could adversely affect the reputation, operations or financial performance of the Company. The Company has been subject to cyberattacks from time to time, none of which had a material impact on the business information or operations. Recent developments in cybersecurity legislation in different jurisdictions are imposing additional obligations on the Company and could expand the potential liability in the event of a cybersecurity incident.

Government Regulation

The Company is subject to various federal, provincial, state and local laws affecting its business. Each Company owned location and franchise location is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, environment, linguistic, maximum capacity restrictions, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals, or loss thereof, or compliance to changes in government laws and regulations concerning smoking bans, menu labeling and disclosure, dine-in and drive-thru restrictions, elimination of trans fats or environmental matters could harm the Company in maintaining its franchise system and its ability to grow its number of locations and could have a material adverse effect on the Company's business, financial condition or results of operation.

Government regulations increased significantly in 2020 and 2021 in the wake of COVID-19 and is continuously changing. Regulations for dine-in experience were heightened with new rules concerning the wearing of masks, the distancing of customers, employees and sanitation requirements, the mandatory presentation of a vaccine passport for seated dining in restaurants in some territories, maximum capacity, hours of operations and take-out and delivery were all adjusted by franchisees, corporate stores and all of their respective employees. The on-set of a new wave of COVID-19 or the spread of a new epidemic could force the government to once again impose similar restrictions which will have to be monitored closely by the Company's network.

Economic Environment

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 is dependent upon consumer discretionary spending and the results of operations are sensitive to changes in or uncertainty about macro-economic conditions. Customers may have or in the future have less money for discretionary purchases and may stop or reduce their purchases of the products as a result of various factors, including job losses, inflation, higher taxes, reduced access to credit, changes in the economic policy. 2022 was witness to such increases in inflation and interest rates. There is also a risk that if negative economic conditions or uncertainty persist for a long period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis or there may be a general downturn in the restaurant industry.

The Company's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in the certain regions in which it operates. However, management is of the opinion that any economic situation that occurs within a normal cycle 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; 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown.

The Restaurant Industry and its Competitive Nature

The performance of the Company is directly dependent upon a number of factors that affect the restaurant industry in general, including intense competition with respect to price, service, location and food quality. If the Company is unable to successfully compete in the restaurant industry, its performance may be adversely affected. The inability of the Company to maintain comparable store sales and the number of locations in its franchise system, and the Company's franchisees to pay franchise fees, royalty fees and other amounts to the Company, could have a material adverse effect on the Company's business, financial condition or results of operation.

Despite the fact that the Company has a large number of concepts, diversified in type of locations and geography, the performance of the Company is also affected by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. Moreover, the Company faces increasing competition from home delivery, such as online meal kit delivery services which offer foods that customers may prepare at home. Since the start of the 2020, the Company has significantly increased its presence on food delivery platforms and has invested in its own delivery/pick up applications to align with consumers preferences. MTY has also diversified its sources of revenue by expanding into other sales channels, such as: launching multiple ghost kitchens in existing restaurant locations, thus benefitting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders; and launching new products in the retail division and expanding into new territories. Other 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.

Franchisee Relations

The Company's success is dependent on its relationship with its franchisees. There can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees. Any challenges in the relationships with franchisees may have an adverse impact on the performance of affected restaurants and the ability of the Company to undertake new initiatives and could result in the diversion of management resources and increased administrative costs. The value of the Company's brands and the rapport that it maintains with its franchise partners are important factors for potential franchise partners considering doing business with the Company. If the Company is unable to maintain good relationships with franchise partners, it may be unable to renew franchise agreements and opportunities for developing new relationships with additional franchise partners may be adversely affected. This, in turn, could have an adverse effect on its results of operations.

The Company's franchise agreements require it and its franchise partners to comply with operational and performance conditions that are subject to interpretation and could result in disagreements. At any given time, the Company may be in disputes with one or more of its franchise partners. An adverse result in any such dispute could adversely impact its results of operations and business.

The Company's success relies in part on the financial success and cooperation of its franchise partners, yet the Company has limited influence over their operations. The franchise partners manage their businesses independently, and therefore are responsible for the day-to-day operation of their stores. The franchise partners could take actions or omit to take actions that could harm the Company's business, The revenues that the Company realizes from franchised stores are largely dependent on the ability of its franchise partners to grow their sales or maintain existing sales. The franchise partners may not experience sales growth or maintain existing sales, and the Company's revenues and margins could be negatively affected as a result. If sales trends worsen for franchise partners, their financial results may deteriorate, which could result in, among other things, store closures or delayed or reduced royalty payments.

The Company's success also depends on the willingness and ability of its franchise partners to implement major initiatives, which may include financial investment, and to remain aligned with the Company on operating, promotional and capital-intensive reinvestment plans. The ability of the franchise partners to contribute to the achievement of the Company's plans is dependent in large part on the availability of funding at reasonable interest rates and may be negatively impacted by the financial markets in general or by the individual franchise partner's creditworthiness. The Company's operating performance could also be negatively affected if its franchise partners experience food safety or other operational problems or project a brand image inconsistent with the Company's values, particularly if its contractual and other rights and remedies are limited, costly to exercise or subject to litigation. If franchise partners do not successfully operate stores in a manner consistent with the Company's required standards, the brands' images and reputations could be harmed, which in turn could hurt the Company's business and results of operations.

For certain franchisees, the Company acts as the "head lessee" under the lease for the restaurant. A default by the franchisee under the lease could result in increased costs and could have a negative impact on the Company's business and results of operations. The Company from time to time is also subject to litigation claims from franchisees. See "Potential Litigation, Class Actions and Other Complaints".

Pandemics

As witnessed since 2020, pandemics, such as that of COVID-19, have an adverse impact on the business, franchise partners, operations, results and growth prospects to an extent and for a period of time that is uncertain. The reactions/responses of local governments, private sector participants and the public to any pandemic and the associated disruptions to businesses and commerce's, and the extent to which these affect the business are highly uncertain and are often outside of the control of the Company and cannot be predicted with confidence. A pandemic may result in short- and longer-term changes in consumer spending, consumer behavior and perceptions regarding public gatherings and dining out and changes in consumer travel patterns. MTY and its franchisees will have to be ready to adjust to such changes in economic spending and adapt its strategy accordingly.

In addition to the direct problems caused by sanitary measures on our restaurants, MTY's entire supply chain can be disrupted, with suppliers struggling to find raw material and packaging and distributors struggling with securing the products, finding drivers, including at times labour.

The extent to which a pandemic impacts the business, results of operations, cash flows and financial condition of the Company will depend on the severity, spread and longevity of the virus and any of its variants which are usually uncertain and cannot be predicted. The uncertainty includes: the spread of the virus, the emergence of new variants, the timeliness and effectiveness of vaccines and the efficacy, scope and duration of actions to limit the spread of it or treat its impact, among others. Furthermore, although certain available vaccines may reduce the risk of further government restrictions, there is no guarantee that a vaccine will be effective in eradicating the virus, additional mutations or variants of the virus may be resistant to any vaccine, and the length of the ongoing pandemic may change consumer behavior such that potential customers may still choose to reduce or eliminate in-restaurant dining.

Borne Illnesses and Public Safety Issues

Publicity from any food borne illness could adversely affect the sales of one or more restaurants in one or more of the concepts and therefore revenues of the Company. Franchisees may be the subject of complaints or litigation from guests alleging food-related illness or other food quality or health concerns. Adverse publicity resulting from such allegations may materially affect the sales of restaurants, regardless of whether such allegations are true or whether a franchisee is ultimately held liable.

Adverse conditions on public safety, such as the threat of terrorist attacks, acts of war, or outbreaks of pandemics, including bacterial and viral outbreaks, may also have a negative impact on the restaurant industry and economy. Such conditions can reduce traffic in restaurants, affect consumer's discretionary spending and consumer confidence. For example, during a disease outbreak people minimize social gatherings to prevent contracting any disease, directly affecting the volume of customers at restaurants. The occurrence of such events could have an impact on the results of operation and financial condition of the Company.

Reliance on Information Technology

The Company relies heavily on information systems, including point-of-sale processing in its restaurants, for management of its supply chain, accounting, payment of obligations, collection of cash, credit and debit card transactions, and other processes and procedures.

The Company's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. With the new hybrid remote work model now used by MTY, there has also been accelerated pressure to enhance the technology infrastructure to support remote work and to keep up with the new technologies available on the market. The Company's operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events. As the Company continues to grow, the information systems operating efficiency will depend on the Company's ability to upgrade or transition to new platforms. Failure to cope with the demand can result in interruptions and delays in the Company's business and guest service, as well as reduce efficiency in its operations.

Competition with Other Franchisors

The Company competes for market share and for acquisitions with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company.

Sustainability and Growth of the Business

The sustainability and the growth of the business are dependent upon its ability to:

- Maintain its current franchise system which is subject to many factors including but not limited to renewal of existing leases at sustainable rates with qualified franchisees,
- Continue to expand its current concepts by obtaining good store sites, acceptable lease terms and obtaining suitable franchisees,
- Maintain and grow same-store sales,
- Complete accretive acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the Company's system and culture could also have an impact on the Company's results, and
- Retain qualified franchisees in its franchise system and personnel to manage Company owned locations. The Company faces competition for locations and managers from its competitors and from the franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees and personnel could adversely affect its business development.

The quality of the individual Company's corporate-owned and franchise locations operations may be diminished by many factors. Consequently, the Company, management, personnel and franchisees may not successfully operate Company corporate-owned locations and franchise locations in a manner consistent with the Company's standards and requirements, or may not retain qualified franchisees, hire and train qualified managers and operators. If they do not, the image and reputation of the Company's corporate-owned locations and franchise locations may suffer, and gross revenue and results of operations of the Company could decline.

Potential Litigation, Class Actions and Other Complaints

The Company is subject to lawsuits, administrative proceedings and claims that arise in the ordinary course of business. In recent years, a number of restaurant companies have been subject to claims by customers, employees, franchise owners, and others regarding issues such as food safety, personal injury and premises liability, employment-related claims, harassment, discrimination, disability, compliance with advertising laws (including the Telephone Consumer Protection Act), and other operational issues common to the foodservice industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. As well, any judgments against MTY or other market participants with regards to any of these issues can have a detrimental/unfavourable change in the industry.

The Company may be subject to claims from landlords in respect of lease agreements to which the Company acts as tenant, and it may also be subject to claims from current and former franchisees that are based on various grounds. It may also be subject to claims from shareholders or lenders for various reasons. Any such claims, if they are determined by a court or arbitrator to be well founded, may materially affect the Company's operating results.

Although the Company has historically experienced very few customer lawsuits, customers occasionally allege that MTY caused an illness or injury they suffered at or after a visit to one of the Company's corporate or franchised restaurants, or that there have been problems with food quality or operations either at a restaurant or from the Company's line of retail products. The Company is also subject to a variety of other claims arising in the ordinary course of the business, including personal injury claims, contract claims, and claims alleging violations of laws regarding workplace and employment matters, equal opportunity, discrimination, and similar matters and may become subject to class action or other lawsuits related to these or different matters in the future. The Company may also be named as a defendant in any such claims brought against any of the franchise owners. An adverse judgment or settlement related to any litigation claim that is not insured or is in excess of the insurance coverage could have an adverse effect on the business, financial condition, or results of operations. Regardless of whether any claims that may be brought against MTY are valid or whether it is ultimately determined to be liable, the business, financial condition, and results of operations could also be adversely affected by negative publicity, litigation costs resulting from the defense of these claims, and the diversion of time and resources from operations.

In addition, the restaurant industry has been subject to a growing number of claims based on the nutritional content of food products sold and disclosure and advertising practices. This may also be subject to this type of proceeding in the future and, even if the Company is not, publicity about these matters (particularly directed at the quick service or fast casual segments of the industry) may harm the reputation of MTY and its brands and could materially and adversely affect the business, financial condition, or results of operations.

Interest Rates

The Company currently has a $900.0 million (2021 – $600.0 million) authorized revolving credit facility. As at November 30, 2022, a total of US$408.9 million (2021 – US$271.5 million) was drawn, all of which was subject to short term variations in interest rates in Canada and the US. In the course of business, the Company may be required to use more of the available amount and/or to increase the authorized amount. Fluctuations in interest rates may potentially impact the Company's profitability materially.

The Company has the following interest options:

- Amount drawn in Canadian dollars – option to pay interest based on Canada prime rate as determined by the Toronto-Dominion Bank of Canada, plus a margin not exceeding 1.25% or interest based on banker's acceptance, plus a margin not exceeding 2.25%
- Amounts drawn in US dollars – option to pay interest based on US base rates plus a margin not exceeding 1.25% or interest based on the Secured Overnight Financing Rate ("SOFR") plus a margin not exceeding 2.25%

The Canada prime rate as at November 30, 2022 was 5.95% (2021 – 2.45%) and the US base rate was 7.00% (2021 – 3.25%).

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), with rates ranging from 5.80% to 6.18% (2021 – 1.09% to 1.38%).

In 2017, it was announced that the London Inter-Bank Offered Rate ("LIBOR") would be discontinued and replaced by SOFR by the end of 2021. It was later announced that the US dollar LIBOR would be phased out by 2023. The main difference between the LIBOR and SOFR is that LIBOR is an unsecured rate based on market data or bank estimates whereas SOFR is a secured, risk-free rate based on an established lending market – mainly overnight transactions. The Company adopted to change to SOFR October 28, 2022. Given that there are still certain aspects that are unknown with regards to the new application of the SOFR, future interest rates could vary materially from the ones currently available especially in light of low historical data. This risk is diminished by the fact that the Company has the option to choose to pay interested based on two rates, whichever is more beneficial.

A similar change to the CDOR rate was introduced in which CDOR would be discontinued and replaced by the Canadian Overnight Repo Rate Average ("CORRA") by June 2024. The main difference between the CDOR and CORRA is that CDOR is a credit based rate that incorporates both term and bank credit risk premium while the COORA is a risk-free rate that reflects the overnight risk-free rate as administered by the Bank of Canada. Much like the SORF, there are still certain aspects that are unknown with regards to the new application of the CORRA, future interest rates could vary materially from the ones currently available especially in light of low historical data. This risk is diminished by the fact that the Company has the option to choose to pay interested based on two rates, whichever is more beneficial.

Intellectual Property

The ability of the Company to maintain or increase its operating results will depend on its ability to maintain its various "brand identities" through the use of intellectual property owned or licensed by the Company. If the Company fails to enforce or maintain any of its intellectual property rights, or the Company fails to enforce its rights under the franchise agreements with its franchisee, the Company may be unable to capitalize on its efforts to establish and maintain its various brand identities. Improper use of such trademarks and other intellectual property rights in Canada, in the US, and Internationally, in a manner that diminishes the value of such trademarks and other intellectual property rights could affect the value of the intellectual property and the operating results of the Company could decline. Similarly, negative publicity or events associated with such trademarks and other intellectual property rights, may negatively affect the image and reputation of the Company, resulting in a decline in operating results of the Company. All registered trademarks in Canada and in the US can be challenged pursuant to provisions of the *Trade-marks Act* (Canada) and the *Trademark Act of 1946* (United States), and other intellectual property can be the subject of similar challenges. If any intellectual property rights are ever successfully challenged, this may have an adverse impact on operating results of the Company and could also affect its expansion capability.

Customer Experience

In order to ensure customer service satisfaction, the Company has put in place internal and external quality control procedures. Internal quality controls include significant franchisee and associate training as well as comprehensive support systems consisting of regional operational managers and shared services infrastructure. In addition, the Company offers continuous restaurant support audit, associate health and safety education and programs, and loss prevention programs.

External quality controls are brand specific and include mystery shopper programs conducted by an independent third party, pursuant to which mystery shoppers review restaurants on a regular basis; a customer feedback program operated by the Company and a third party to encourage feedback from customers, as well as food safety and operational audits completed by independent third-party audit firms.

Damage to the Company's Reputation

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning the Company or one or more of its brands may be posted on such platforms at any time. Information posted may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's performance, prospects or business. The harm may be immediate without affording the Company an opportunity for redress or correct.

Employee claims against the Company, or the Company's franchise partners, based on, among other things, alleged wage and hour violations, pay equity violations, discrimination, harassment or wrongful termination may also create not only legal and financial liability, but negative publicity that could adversely affect MTY and divert financial and management resources that would otherwise be used to benefit the future performance of the Company's operations. These types of employee claims could also be asserted against MTY, on a co-employer or joint employer theory, by employees of the franchise partners. A significant increase in the number of these claims or an increase in the number of successful claims could adversely impact the reputation of the Company, which may significantly harm the brands.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm the Company's reputation, business, financial condition and results of operations.

Environment, Social, and Governance Matters

There has been increasing public focus by investors, environmental activists, the media and governmental and nongovernmental organizations on social and environmental sustainability matters, including packaging and waste, animal health and welfare, human rights, climate change, greenhouse gases and land, energy and water use. As a result, MTY has experienced increased pressure and expectations to provide expanded disclosure and make commitments, establish goals or set targets with respect to various environmental and social issues and to take the actions necessary to meet those commitments, goals and targets. If the Company and its partners are not effective in addressing social and environmental sustainability matters, consumer trust in the brands may suffer. In addition, the actions needed to achieve these commitments, goals and targets could result in market, operational, execution and other costs, which could have a material adverse effect on the results of operations and financial condition. The results of operations and financial condition could be adversely impacted if MTY is unable to effectively manage the risks or costs to MTY, the franchisees and the supply chain associated with social and environmental sustainability matters.

The Company could also be affected by the physical effects of climate change, and other environmental issues, to the extent such issues adversely affect the general economy, adversely impact the supply chain or increase the costs of food and other supplies needed for operations. In addition, future Canadian, U.S. and international legislative and regulatory efforts to combat climate change or other environmental considerations could result in increased regulation, and additional taxes and other expenses, in a manner that adversely affects the business.

Fraud and Ransom

Fraud and ransom are becoming an increasingly higher threat in today's market. PwC's Global Economic Crime and Fraud Survey 2022 (a survey conducted by PwC every two years) found that out that 51% respondents suffered at least one fraud in the last two years, the highest percentage in 20 years[1]. 53% of the organisations affected by a platform fraud incurred financial losses, of which more than a quarter losing over $1M. Although MTY tries to protect itself and its assets from such an occurrence through the use of internal controls, IT system firewall and protection software investments and training of employees, the risk of such an occurrence still exists.

[1] PwC's Global Economic Crime and Fraud Survey 2022 https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html

Insurance

The Company is subject on a daily basis to a multitude of risks, as highlighted in this section, for which it tries to protect itself through its insurance policy. These risks include litigations, class action lawsuits, fraud and ramson, thief and property damage to name a few. MTY tries to mitigate its losses through its insurance policy by ensuring that all the risks possible are included and that the coverage is large enough to cover all possible losses. However, there is a risk that the insurance coverage will not be enough to cover the full losses to the Company, that no such insurance coverage exists, or that the insurance claim is denied. In some cases as well, the cost of obtaining insurance for a specific risk may be economically unreasonable and as such not covered.

Laws Concerning Employees

The operations of the Company owned locations and franchise locations are subject to employment and labour laws governing such matters as minimum wage, working conditions, and overtime and tip credits. A significant proportion of the Company's food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage will increase the Company’s and franchisees labour costs and could have an impact on the Company's operating results.

Currency Exchange Rates

The Company uses the Canadian dollar as its functional currency. As a result of the material proportion of cash flows generated in US dollars or in other currencies, the Company’s profitability and capacity to service its debt obligations are subject to fluctuations in currency exchange rates.

Fluctuations in currency exchange rates also affect the costs of certain products required in the operations of the Company’s corporate-owned and franchised locations, which in turn could impact the profitability of their operations.

The Company’s Dependence on Key Personnel

The success of the Company depends upon the personal efforts of a small group of employees and senior management. Although the Company believes it will be able to replace its key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the Company's financial performance.

Leases and Lease Renewals

At November 30, 2022 the Company had 1,545 leases signed with various landlords, representing rental obligations of $514.8 million, of which $338.8 million is sublet to franchisees. The majority of leases are long term; the terms typically range from 5 to 10 years. Some leases provide for a right of renewal, provided that the lessee remains in compliance with the terms of the lease. Notwithstanding compliance, there is no guarantee that the Company will be able to renew such leases on acceptable terms. The potential loss of prime locations upon lease expiry would have an effect on the financial performance, financial results and operating results of the Company. 300 of the locations leased by the Company are owned or managed by 12 landlords with whom the Company has 10 or more locations.

Payments under operating leases contracts account for a significant portion of the operating expenses. New corporately owned restaurants opened in the future are expected to be similarly leased. Corporately owned leases generally have an initial term of 5 to 10 years and generally can be extended only in five-year increments (at increased rates). Most of the corporately owned leases require a fixed annual rent, although some require the payment of additional rent if restaurant sales exceed a negotiated amount. Generally, corporately owned leases are “net” leases, which require the Company to pay all of the cost of insurance, taxes, maintenance and utilities. MTY generally cannot cancel these leases. Additional sites leased are likely to be subject to similar long-term non-cancelable leases. In connection with closing restaurants, MTY may nonetheless be committed to perform all of the obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of the leases expire, the Company may fail to negotiate renewals, either on commercially acceptable terms or at all, which could lead to increased occupancy costs or to closure of restaurants in desirable locations.

Seasonality of the Business and Weather

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the US market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during winter seasons such as Papa Murphy’s, which typically does better during winter months. Sales for shopping mall locations are also higher than average in December during the holiday shopping period. For 2023, the normal seasonal trends might be affected by the shifts in consumer behavior caused by the pandemic or government regulations.

The restaurant industry is affected by weather and seasonal conditions. Adverse or unusual weather patterns may negatively affect operations of businesses in the restaurant industry. Favourable weather tends to increase guest traffic at the Company's restaurants, particularly in summer seasons at restaurants with patios or outdoor seating. Additionally, certain holidays and observances also affect guest dining patterns, both favourably and unfavourably.

Dependence on frequent deliveries of fresh produce and groceries subject businesses in the restaurant industry to the risk that shortages or interruptions in supply caused by adverse weather conditions could adversely affect the availability, quality and cost of ingredients. As an example, droughts or extreme heat can lead to changes in crop quality which can negatively impact the quality of the flour and grains used in certain products. Severe cold weather increases consumption of electricity and may cause an increase in oil and natural gas prices, which may result in markedly higher utility prices for the Company's restaurants. Severe hot weather leads to higher air conditioning costs. Any one of these consequences of adverse or unusual weather conditions, as well as water or electricity supply disruptions, may adversely affect the operations of the Company's restaurants by increasing operating costs and/or reducing revenue.

Maintain Adequate Levels of Collection from Franchisees

Failure to achieve adequate levels of collection from the Company's franchisees, suppliers, landlords and other customers, including by reason of disputes or litigation, could have a serious negative effect on the Company's results of operations and financial position. Franchisees are independent operators and as such are subject to many factors which MTY cannot control. Should economic conditions worsen, some franchisees could become unable to pay royalties and rent.

Certain franchisees report sales to the Company on an ongoing basis via various communication methods. There can be no assurance, however, that sales reported by franchisees are accurate and in accordance with the terms of the franchise agreements, which could have a negative impact on the Company's revenues and cash flows.

The Impact of Changes in Sales Tax and Changes to Federal, State / Provincial Tax

The introduction of further sales taxes imposed on sales by restaurants could negatively affect sales at the restaurant locations. An increase in the rate of existing sales tax could adversely affect disposable consumer income and consequently consumer visits to restaurants in general and sales of the locations in particular.

The Company has federal, state/provincial and municipal/county tax risks with respect to changes in legislations that impact current and previously reported returns. As well, the Company has an uncertain tax risk related to pre-acquisition periods whereby tax returns were filed by previous ownership.

Gift Card Program as it Relates to Escheatment

Some jurisdictions in which MTY operates have escheatment laws that require entities with gift card programs to escheat all or a portion of unused gift cards to the state. There is the risk that these laws are amended which would have an impact either prospectively or retroactively on the gift card breakage revenue the Company reports as well as on the Company's cash flows.

Ability to Locate and Secure Acceptable Location Sites

The success of the Company is significantly influenced by location sites. There can be no assurance that current locations and/or concepts will continue to be attractive, or additional locations can be located and secured, as, among other things, demographic patterns change. It is possible that the current locations or economic conditions where restaurants are situated could decline in the future, resulting in potentially reduced sales in those locations. There is also no assurance that further sites will produce the same results as past sites.

Uninsured and Underinsured Losses

The Company uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to compensate the entire loss.

International Locations

The increased exposure to foreign operations subjects MTY to multiple risks that are inherent to the territories in which the restaurants operate. Political and social instability, governmental regulations, foreign exchange rates, uncertainties regarding the interpretation or applicable of certain laws, ethical standards and potential adverse income and sales tax changes might affect the Company adversely.

The Company's Dependence on the Franchisors of TCBY®, SpiceBros® and Rocky Mountain Chocolate Factory® Concepts

Pursuant to the Master Agreements, the Company operates as a franchisee of the Franchisors and is highly dependent on the Franchisors for its operations. As a result of the nature of franchising and the Master Agreements with the Franchisors, the long-term success of the Company will depend, to a significant extent, on the continued vitality of the Rocky Mountain Chocolate Factory®, Spicebros® and TCBY® concepts and the overall success of the Franchisors.

Under the Master Agreements, the Company is required to comply with all of the standards and manuals issued by the Franchisors from time to time. The Company is also required to pay to the Franchisor a monthly royalty fee and a monthly advertising fee as applicable. Should the Company fail to comply with the terms of the Master Agreements, the Franchisors could terminate all or any of the Master Agreements. The termination of the Master Agreements would have a material adverse impact on the Company. The Franchise Agreements have staggered initial terms. Some Master Agreements have a renewal option, provided the Company remains in compliance with the terms of such agreement and other conditions are met. Notwithstanding compliance, there is no guarantee that the Master Agreements will be renewed for any further term following the initial term. Failure to renew some of the Master Agreements could result in loss of revenue and operating profit for the Company and would adversely impact the cash flows.

Changes in Accounting Standards and Impairment

New accounting standards or changes in financial reporting requirements, accounting principles or practices, including with respect to critical accounting estimates, could adversely affect the Company's future results. The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment or other charges that reduce MTY's earnings could also have an adverse effect.

In assessing the recoverability of long-lived assets, MTY considers changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. These estimates are highly subjective and can be significantly impacted by many factors such as global and local business and economic conditions, operating costs, inflation, competition, consumer and demographic trends and our restructuring activities. If these estimates change in the future, the Company may be required to take additional impairment charges for the related assets, which would negatively affect the financial condition and consolidated results of operations. Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from such estimates.

Social Media

Use of social media is an important element of the Company's marketing efforts. New social media platforms are developing rapidly, and MTY needs to continuously innovate and evolve the social media strategies to maintain broad appeal with guests and brand relevance. MTY also continues to invest in other digital marketing initiatives to reach guests and build their awareness of, engagement with, and loyalty to MTY's brands. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues, increased customer engagement or brand recognition. Other risks associated with the use of social media includes association with influencers or online celebrities who become embroiled in controversy, improper disclosure of proprietary information, negative comments about MTY or the brands, exposure of personally identifiable information, fraud, hoaxes or malicious dissemination of false information. The inappropriate use of social media by guests or employees could lead to litigation or result in negative publicity that could damage MTY's reputation.

COMPANY SECURITIES RISKS

Forward-Looking Information

The forward-looking information relating to, among other things, future results, performance, achievements, prospects or opportunities of the Company or the Canadian or U.S. markets included in this AIF is based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results of the Company in the future may vary significantly from the historical and estimated results and those variations may be material. There is no representation by the Company that actual results achieved by the Company in the future will be the same, in whole or in part, as those included in this AIF. For more information, see "Cautionary Statement Regarding Forward-looking Information."

Corporate Governance

The Company is not in compliance with certain governance best practices set forth in National Policy 58-201 – Corporate Governance Guidelines (referred to herein as "NP 58-201") and National Instrument 58-101 – Disclosure of Corporate Governance Practices (referred to herein as "NI 58-101") with respect to guidelines for director independence and compensation committee. Accordingly, shareholders will not have the same protections afforded to shareholders of companies that are in compliance with the corporate governance best practices established by the Canadian Securities Administrators.

Dividends

The Company established a dividend policy in 2010 and paid its first quarterly dividend in November of 2010 (see “Dividend Policy” below for further particulars). It has subsequently re-assessed the amount of the quarterly dividend in January of each year. The directors of the Company determine if and when dividends should be declared and paid, based on the Company's financial position at the time. There can be no assurance at this time that any further dividends will be declared and paid. Under the terms of its credit facility, the Company is limited to $50 million in dividends in any given year. Other than this restriction, to the knowledge of the Company, there are no restrictions that would prevent the Company from paying dividends.

Future Sale of Shares by a Shareholder

The affects, if any, that the future sale of shares by a significant shareholder on the market price of the shares cannot be predicted. However, the future sale of a substantial number of shares by a shareholder, or the perception that such sales could occur, could adversely affect prevailing market prices.

Share Dilution

The issuance of additional common shares may have a dilutive effect on the interests of shareholders. The number of common shares without nominal or par value that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable law and the rules of the TSX, issue additional common shares from time to time (including pursuant to the Company’s equity-based compensation plans), and the interests of shareholders may be diluted thereby.

Quarterly Operating Results Fluctuations

The Company’s quarterly operating results may fluctuate significantly and could fail to meet the expectations of securities analysts and investors because of various factors, including, but not limited to: the timing of restaurant openings and closures; variations in system sales; fluctuations in commodity and supply costs; variations in general economic conditions; changes in the collectability of amounts receivable; pandemics; and litigation, settlement costs and related legal expenses. Seasonal factors and the timing of holidays can also cause the Company’s operating results to fluctuate from quarter to quarter.

As a result of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. In the future, results of operations may fall below the expectations of securities analysts and investors, which could cause the Company’s share price to fall. If the Company fails to meet market expectations for its results of operations in the future, any resulting decline in the price of its common shares could be significant.

Impact on Share Price of Securities Analysts’ Research of Reports

The trading market for the Company’s common shares will rely in part on the research and reports that industry or financial analysts publish about the Company or the Company’s business. If one or more of the analysts covering the Company’s business downgrade their evaluations of the Company’s shares or share price, the price of the Company’s common shares could decline. If one or more of these analysts cease to cover the Company’s common shares, the Company could lose visibility in the market for its shares, which in turn could cause the Company’s common shares’ price to decline.

DIVIDEND POLICY

The board of directors of MTY (the “Board”) established a dividend policy during the course of 2010 and has updated the policy yearly. Pursuant to the policy, the Company intends to pay a quarterly dividend of 25.0¢ per share in 2023 (21.0¢ per share in 2022; 18.5¢ per share in 2021 after the quarterly dividend was restored on August 13, 2021; and 18.5¢ per share in 2020 prior to the suspension on April 6, 2020 of the quarterly dividend as a measure to preserve capital resources during the COVID-19 pandemic), if and when declared by the Board, after consideration of the present level of cumulative cash flow and the ongoing working capital needs of the Company, and after taking into consideration the future financing needs of the Company for new corporate acquisitions. In its normal considerations, the Company also takes into consideration retaining the flexibility for other capital allocation strategies including possible share buybacks under the Company’s existing NCBI and debt repayments. The Board reviews this policy when deemed necessary to assess its adequacy. Under normal circumstances, the dividend policy is designed to allow sufficient flexibility to continue investing in the Company’s growth while providing returns to its shareholders.

On January 18, 2023, the Company announced its intention to increase its quarterly dividend to 25.0¢ for 2023. The 25.0¢ dividend was paid on February 15, 2023 to shareholders registered in the Company's records at the end of the business day on February 3, 2023.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value. Each common share ranks equally with all common shares with respect to dissolution, liquidation or winding up of the Company and payment of dividends. The holders of common shares are entitled to one vote for each share on all matters to be voted on by the shareholders.

The common shares are not redeemable, have no conversion rights and carry no pre-emptive or other rights to subscribe for additional shares. The outstanding common shares are fully paid and non-assessable. As at the date of this AIF, the number of common shares issued and outstanding is 24,413,461 (24,413,461 as at November 30, 2022).

CREDIT FACILITY

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.

The interest rate charged on the facility varies in accordance with the Canadian Dollar Offered Rate and SOFR rates depending on the currency in which the funds were drawn.

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

- a debt-to-EBITDA ratio that must be less than or equal to 3.50:1.00;
- a debt-to-EBITDA ratio 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.

As at November 30, 2022, the Company was in compliance with those covenants.

The revolving facility is repayable without penalty and is not subject to minimum quarterly repayments.

MARKET FOR SECURITIES – TRADING PRICE AND VOLUME

Trading Price and Volume

The common shares of the Company are traded on the TSX since May 13, 2010 under the symbol "MTY". Before that date, they were traded on the TSX Venture Exchange under the same trading symbol.

The table below provides details on the monthly price ranges and total monthly volume for the most recent completed financial year:

	Share Price Trading Range		
	High $	**Low $**	**Share Volume**
Dec-21	63.56	54.40	1,048,181
Jan-22	63.58	52.64	1,155,459
Feb-22	58.46	47.90	2,339,657
Mar-22	55.60	48.48	1,623,798
Apr-22	60.73	51.56	1,126,739
May-22	53.55	48.25	939,514
Jun-22	54.50	45.20	569,042
Jul-22	58.22	51.38	746,169
Aug-22	63.96	56.00	748,157
Sep-22	61.40	55.02	554,551
Oct-22	59.60	49.50	849,707
Nov-22	61.41	54.42	541,008

Prior Sales

During the most recently completed financial year, MTY did not issue any shares that are not listed or quoted on a marketplace. During the year ended November 30, 2022 and 2021, no shares were issued.

Normal Course Issuer Bid

On June 28, 2022, the Company announced the renewal of the normal course issuer bid (“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 year ended November 30, 2022, the Company repurchased and cancelled a total of 256,400 common shares (2021 – 36,600 common shares) under the current NCIB, at a weighted average price of $57.01 per common share (2021 – $59.68 per common share), for a total consideration of $14.6 million (2021 – $2.2 million). An excess of $11.4 million (2021 – $1.7 million) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

Stock Options

The Company has offered for the benefit of certain key members of management and directors a share option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 60,000 stock options are available for issuance under the share option plan as at November 30, 2022 (2021 – 60,000).

The following table presents the options granted as at November 30, 2022:

Grant date	Options granted	Vesting schedule	Issuance/exercise price ($)	Term of grant
April 11, 2017	200,000	10 years	$48.36	10 years
October 21, 2019	200,000	5 years	$52.01	10 years
November 23, 2021	40,000	1 to 3 years	$58.78	3 years

Each option granted on April 11, 2017 entitles the holder thereof to acquire one common share. The fixed term of each option is ten (10) years from the date of the grant of the option, and each option will vest in installments, with 1/9 of such option vesting and becoming exercisable annually, beginning on the second anniversary of the grant of the option.

Options granted during the year ended November 30, 2019 have a service condition in order to vest and will be fully vested and exercisable in 5 years from date of grant. The options will expire on October 21, 2029.

Options granted during the year ended November 30, 2021 have a service condition in order to vest. One third of the options granted vested and were exercisable on July 1, 2022; the remaining of the options will vest and be exercisable as to one third of the grant on each of July 1, 2023, and July 1, 2024. The options will expire on December 31, 2024.

DIRECTORS AND OFFICERS

Name and Occupation

The following table sets forth the name, the province and country of residence, and the position with the Company for each of the directors and executive officers of the Company, at the date of production of the AIF.

Name, Province/State and Country of Residence	Position with the Company	Director or executive officer since
Stanley Ma QC, Canada	Chairman, Director	From Dec. 2, 1993 to June 30, 1996; and since May 30, 1997
Claude St-Pierre QC, Canada	Secretary and Director	From May 6, 1994 to August 7, 1995; and since October 9, 1996
Victor Mandel (1) NV, USA	Director	Since November 23, 2021
Murat Armutlu (1) QC, Canada	Director	Since May 6, 2005

Name, Province/State and Country of Residence	Position with the Company	Director or executive officer since
Dickie Orr [(1)] BC, Canada	Director	Since May 2, 2011
Suzan Zalter QC, Canada	Director	Since May 13, 2021
Eric Lefebvre QC, Canada	Chief Executive Officer [(2)], Director	Since November 5, 2018 and since May 28, 2018
Renée St-Onge QC, Canada	Chief Financial Officer [(3)]	Since November 5, 2018
Marc Benzacar QC, Canada	Chief Operating Officer, Fast Casual Division [(4)]	Since November 5, 2018
Jason Brading QC, Canada	Chief Operating Officer, Quick Service Restaurants [(5)]	Since November 5, 2018
Marie-Line Beauchamp QC, Canada	Chief Operating Officer, Casual Dining [(6)]	Since March 1, 2018
Jeff Smit AZ, USA	Chief Operating Officer, US operations [(7)]	Since July 25, 2016
Nik Rupp OR, USA	Chief Operating Officer, Papa Murphy's Division [(8)]	Since April 21, 2022
Jeff Crivello IL, USA	Co-Chief Operating Officer, BBQ Holdings [(9)]	Since September 27, 2022
Albert Hank NY, USA	Co-Chief Operating Officer, BBQ Holdings [(10)]	Since September 27, 2022
Adam Lehr MN, USA	Co-Chief Operating Officer, BBQ Holdings [(11)]	Since September 27, 2022

(1) Denotes a member of the Audit Committee. See Appendix A for Audit Committee Charter.

(2) On November 5, 2018, Mr. Eric Lefebvre was named Chief Executive Officer. Prior to November 5, 2018, Mr. Lefebvre had been Chief Financial Officer.

(3) On November 5, 2018, Mrs. Renée St-Onge was named Chief Financial Officer. Prior to November 5, 2018 Mrs. St-Onge had been Controller.

(4) On November 5, 2018, Mr. Marc Benzacar was named Chief Operating Officer, Fast Casual Division. Prior to November 5, 2018, Mr. Benzacar had been Brand Vice President.

(5) On November 5, 2018, Mr. Jason Brading was named Chief Operating Officer, Quick Service Restaurants. Prior to November 5, 2018, Mr. Brading had been Brand Vice President.

(6) On March 1, 2018, the Company acquired Imvescor Restaurant Group Inc. Mrs. Marie-Line Beauchamp was the Chief Operating Officer of Imvescor Restaurant Group Inc. and continued her role following the acquisition. She was named Chief Operating Officer, Casual Dining in June 2018.

(7) On July 25, 2016, the Company acquired Kahala Brands, ltd. Mr. Smit was the Chief Operating Officer for Kahala Brands, Ltd. and continued his role following the acquisition for all of the Company's US operations.

(8) On April 21, 2022, Mr. Nik Rupp was named Chief Operating Officer, Papa Murphy's Division. Prior to April 21, 2022, Mr. Rupp had joined Papa Murphy's in 2018 as Chief Financial Officer, and then as Executive Vice President, Finance following the transaction with MTY in May 2019.

(9) On September 27, 2022, the Company acquired BBQ Holdings. Mr. Jeff Crivello was the Chief Executive Officer of BBQ Holdings Inc. and continued his role following the acquisition. He was named Co-Chief Operating Officer, BBQ Holdings in September 2022.

(10) On September 27, 2022, the Company acquired BBQ Holdings. Mr. Albert Hank was the Chief Operating Officer of BBQ Holdings Inc. and continued his role following the acquisition. He was named Co-Chief Operating Officer, BBQ Holdings in September 2022.

(11) On September 27, 2022, the Company acquired BBQ Holdings. Mr. Adam Lehr was the Senior VP of operations of BBQ Holdings Inc. and continued his role following the acquisition. He was named Co-Chief Operating Officer, BBQ Holdings in September 2022.

The Company has an Audit Committee, the members of which are set out above.

Independence of the Directors

Eric Lefebvre is not independent as he has a material relationship with the Company, by virtue of his respective executive officer position with the Company since 2018.

Stanley Ma and Claude St-Pierre are not independent as they have a material relationship with the Company, by virtue of their executive officer positions with the Company up to November 2, 2018, and as directors of the Company after this date.

All four other directors, Dickie Orr, Suzan Zalter, Victor Mandel and Murat Armutlu, are independent, making up the majority of the Board. The members of the Audit Committee hold separate meetings at which management is not in attendance, immediately following full Board meetings. The Board facilitates open and candid discussion among its independent directors by also encouraging such members to have discussions amongst themselves whenever appropriate.

The Audit Committee is chaired by Victor Mandel, who in this role provides leadership among the Audit Committee.

Nomination, Orientation and Continuing Education

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

New directors, as part of the orientation program, have the opportunity to meet with senior management to discuss the business of the Company, receive corporate information, Board policies and historical and current operating and financial information and may tour selected offices and facilities of the Company. Directors are briefed regularly by senior management team on strategic issues affecting the Company, and these briefing include reviews of the competitive environment, the Company's performance relative to its peers, and any other developments that could materially affect the Company's business. The Board will also ensure that directors are able to attend conferences or other similar events to participate in continuing education in matters relevant to their role as directors.

Each director of the Company is elected annually and holds office until the next Annual General Meeting of the shareholders unless that person ceases to be a director before then.

Due to the minimal size of the Board, no formal effectiveness or contribution assessment process is conducted on the Board's individual directors or Audit Committee. On an informal basis, the Chairman is responsible for reporting to the Board on areas where improvements should be made. When needed, time is set aside for the Chairman to meet with directors individually.

Security Holdings of the Directors and Officers

To the best of the Company's knowledge, as at the date of this AIF, the Directors and Officers of the Company beneficially own, or controlled or directed, directly or indirectly, an aggregate of 4,757,711 common shares of the Company, representing 19.5% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

<u>Corporate Cease Trade Orders</u>

To the knowledge of the Company, no director or executive officer of the Company is, at the date hereof, or was within the ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, at the date of this AIF, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, has entered into a settlement agreement with a securities authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, there are no existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

PROMOTER

Stanley Ma is considered to be a promoter of the Company. As at November 30, 2022, Mr. Ma beneficially owns, or exercises control or direction over, directly or indirectly, 4,005,643 common shares of the Company, representing approximately 16.4% of the issued and outstanding common shares of the Company. For the year ended November 30, 2022, Mr. Ma received consulting fees of $129,695.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

The Company is not aware of any penalties or sanctions imposed against the Company or the Company's subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the Company's financial year ended November 30, 2022, or any other penalties or sanctions imposed by a court or regulatory body against the Company or Company's subsidiaries that would likely be considered important to a reasonable investor in making an investment decision, and the Company and Company's subsidiaries have not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the Company's financial year ended November 30, 2022.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the common shares of the Company is:

Computershare Investor Services Inc.
100 University Ave, 9th Floor
Toronto, ON M5J 2Y1

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as noted below, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of the Company's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The following are the contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and were entered into within the most recently completed financial year, or before the most recently completed financial year but which are still in effect:

1. Rocky Mountain Chocolate Factory Master License Agreement dated August 17, 2009 between Kahala Franchising Corp. and Rocky Mountain Chocolate Factory, Inc., granting an irrevocable non-exclusive right to the Company to offer Rocky Mountain Chocolate Factory products in existing Cold Stone Creamery locations in the US or to open co-branded (Cold Stone Creamery/Rocky Mountain Chocolate Factory) stores. This agreement is valid as long as the Company's network has Rocky Mountain Chocolate Factory stores in operations and as long as there is no default to the clauses contained in the agreement.
2. Stock Option Plan dated March 16, 2016. As at the date of this AIF, there were 440,000 options outstanding.
3. During the year, the Company amended its existing credit facility payable to a syndicate of lenders. See section "Credit Facility" for further details on the amendments. The revolving credit facility has an authorized amount of $900.0 million (November 30, 2021 – $600.0 million). The facility is secured by a moveable hypothec on most of the assets of the Company.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP., Partnership of Chartered Professional Accountants ("PwC"), since March 27, 2018 is the external auditor of the Company and has prepared the Independent Auditor's Report dated February 15, 2023, with respect to the audited consolidated financial statements of the Company as at and for the year ended November 30, 2022. As at February 15, 2023, PwC is independent from the Company within the meaning of the Code of Ethics of the Chartered Professional Accountants of Quebec.

AUDIT COMMITTEE INFORMATION OF MTY FOOD GROUP INC.

Composition of the Audit Committee

The following directors are the members of the Audit Committee:

Murat Armutlu	Independent (1)	Financially literate (2)
Dickie Orr	Independent (1)	Financially literate (2)
Victor Mandel	Independent (1)	Financially literate (2)

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and

complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

The relevant education and/or experience of each member of the Audit Committee is as follows:

Murat Armutlu, CPA auditor, CFE: Mr. Armutlu is a Chartered Professional Accountant and formerly served as Chief Financial Officer of the Corporation from December 2000 to April 2003. Mr. Armutlu has a Bachelor of Commerce (Accounting) degree. He earned his Chartered Accountant designation in 1986, and he also earned a Certified Public Accountant designation in 1997. Since 1990, he has served as auditor, accountant, and business advisor for his clients.

Dickie Orr: Mr. Dickie Orr has over 28 years of experience as an investment advisor, involved in public and private equity investments in both domestic and international markets.

Victor Mandel: Mr. Mandel has over 25 years of experience in corporate strategy and corporate governance. Mr. Mandel previously served as Chairman of Ambac Financial Group, as well as chair of its Governance and Nominating Committee and member of its Audit and Strategy and Risk Policy Committees. Additionally, he has previously served as a member of the Board of Directors and on the Audit Committees of Comsys IT Partners, Broadpoint Gleacher Securities, and XLHealth. He previously served as the Chief Financial Officer of Circle.com. Mr. Mandel served as vice president in the Investment Research department at Goldman Sachs. Mr. Mandel holds an MBA in Finance from the Wharton School of Business at the University of Pennsylvania, an A.B. in Computer Science from Harvard University, and is a Chartered Financial Analyst.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Corporation's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The fees billed by PwC, the Company's external auditor in each of the last two fiscal years for audit and non-audit related services provided to the Company or its subsidiaries (if any) are as follows:

Financial Year Ending November 30	Audit Fees	Audit Related Fees	Tax Fees (1)	All Other Fees
2022	$1,509,996	—	—	$37,450
2021	$1,358,344	—	$66,695	$82,500

(1) Fees for tax advice and tax planning

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year.

APPENDIX A

AUDIT COMMITTEE CHARTER

Purpose

This charter governs the operations of the Audit Committee (the "Committee"). The Audit Committee shall be constituted in accordance with National Instrument 52-110 – Audit Committees.

The purpose of the Committee is to assist the Board of Directors (the "Board") in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the effectiveness of the Company's internal controls over financial reporting, the Company's compliance with legal and regulatory requirements relating to financial reporting and the external auditors' qualifications, and independence and appointment.

The Committee approves and recommends to the Board, all matters falling within its purview, in accordance with its mandate, applicable laws, rules and regulations, the Company's by-laws and internal policies.

Composition

Following each annual meeting of shareholders, the Board shall elect a minimum of three directors (the "Members"), to serve on the Committee until the close of the next annual meeting of the shareholders or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the Board. One of the members shall be appointed by the Board as Chairperson of the Committee (the "Chair").

Each Member shall be independent, as determined by Canadian securities legislation requirements, and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his/her independent judgment or their ability to represent their own professional view as a Member of the Committee.

Each Member shall be financially literate. Financial literacy requires that all Members have sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Meetings

1. The Committee shall meet no less than four times during each financial year. The Committee shall meet on a regular basis without management or the external auditors and shall meet individually and separately with management, the internal auditors and external auditors at least annually.
2. A majority of the Members of the Audit Committee shall form a quorum for any duly-called meeting. Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes present at the meeting.
3. The Chair shall develop the agenda for each meeting of the Committee in consultation with management of the Company. The agenda and the appropriate material shall be provided to the Members on a timely basis prior to any meeting. Members shall attend meetings and review related meeting materials in advance. The Committee may invite such other persons to its meetings, as it deems necessary.
4. Minutes of meetings shall be recorded and maintained by the Corporate Secretary or his/her designate and shall be subsequently presented to the Committee for approval.
5. The Chair shall report regularly to the Board on the business of the Committee.

Responsibilities

Financial Reporting and Disclosures

1. Reviewing with management and the external auditors the quarterly and annual financial statements and accompanying notes, and the external auditors' report thereon, and the financial information and forward-looking information contained in the Management's Discussion and Analysis, Press Releases, AIF, Management Proxy Circular, prospectuses and any other documents containing financial information or forward-looking information before their public disclosure or filing with regulatory authorities.
2. Reviewing with management and the external auditors the major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, and major issues regarding the adequacy and effectiveness of the internal controls and the quality and acceptability of the Company's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditors' preferred treatment.

3. Discussing with management and the external auditors regarding significant estimates and judgments made in connection with the preparation of the financial statements and the reasonableness of those estimates and judgments, including analyses of the effects of alternative GAAP on the financial statements.
4. Discussing with management and considering the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements.
5. Ensuring the completeness and clarity of the disclosures in the financial statements.
6. Reviewing all related-party transactions required to be disclosed and discuss with management the business rationale for the transaction and whether appropriate disclosures have been made.

Risk Management and Internal Controls

1. Discussing with management its process for assessing the effectiveness of internal control over financial reporting.
2. Discussing with the chief executive officer and the chief financial officer the process for the Form 52-109F2 certifications to be provided in the Company's filings with regulatory authorities.
3. Reviewing reports from management and the external auditors on management's assessment of the effectiveness of internal controls over financial reporting.
4. Discussing with management and the external auditors all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data, and management's remediation plan to address internal control deficiencies.
5. Discussing with management and the external auditors any changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed or any other change that were considered for disclosure.
6. Reviewing and discussing any fraud or alleged fraud involving management or other employees and the related corrective and disciplinary actions to be taken.
7. Reviewing on a regular basis and monitoring the Company's risk assessment and management policies, including the Company's major financial accounting and risk exposures and the procedures in place to monitor, control, report and mitigate those risks.

External Auditors

1. Evaluating the performance of the external auditors and making recommendations to the Board on the nomination for reappointment or appointment of the external auditors. Such nomination is to be approved by the Board. The external auditors will be reappointed or appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.
2. Reviewing the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed audit fees and make the appropriate recommendations to the Board. The remuneration of the external auditors will be determined by the Board, upon the annual authorization of the shareholders at each general meeting of the shareholders.
3. Overseeing of the work of the external auditors and monitoring their qualifications, performance and independence.
4. Reviewing the external auditors' report including the firm's internal quality control procedures, any material issues raised by the internal quality review or peer review of the firm or by any inquiry or investigation conducted by governmental or professional authorities within the five preceding years, and all relationships between the external auditors and the Company to assess the external auditors independence.
5. Pre-approving the basis and amount of all non-audit services provided by the external auditors, including determining and discussing with management the non-audit services that should not be provided by the external auditors.
6. Reviewing the audit plan and, if applicable, the quarterly financial statements review plan with the external auditors and management and approving the scope, extent and schedule of such plans.
7. Reviewing the Company's hiring policies for employees or former employees of the external auditors.
8. Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required.
9. Ensuring that the external auditors report directly to the Committee, that the external auditors are able to complete their audit procedures and reviews with professional independence, free from any undue interference from the Company's management or Board and that management fully cooperates with the external auditors in the course of carrying out their professional duties.
10. Reviewing with the external auditors any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditors regarding financial reporting.

Internal Auditors

1. Reviewing the appointment and mandate of the internal auditor, including its responsibilities, budget and staffing.
2. Reviewing the scope and performance of the internal auditor, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on the internal auditor.
3. Reviewing, on a regular basis, periodic reports from the internal auditor regarding internal audit findings, including with respect to the Company's internal controls and the Company's progress in remedying any material control deficiencies.

Other

1. Reviewing such litigations, claims, transactions or other contingencies as the external auditors or any officer of the Company may bring to the attention of the Committee.
2. The Committee shall consider all other matters of a financial nature further delegated by the Board.
3. Reviewing the Committee's mandate at least annually and recommend any changes to the Board for approval.
4. Evaluating the performance of the Committee in reference to this charter annually.
5. Adhering to the Company's code of conduct and disclosing all conflicts of interest or appearance of a conflict of interest to the Board.
6. Establishing procedures for the receipt, retention and treatment of complaints or concerns received by the Company regarding accounting or auditing matters, including the anonymous submission by employees of concerns respecting accounting or auditing matters.
7. The Committee shall ensure that this charter (or an approved summary thereof) is disseminated in accordance with Applicable Requirements.

Authorities

1. The Committee shall have a direct line of communication with the internal and external auditors.
2. The Committee shall have full, free and unrestricted access to management and employees and to the relevant books and records of the Company and shall be empowered to investigate any matter brought to its attention.
3. The Committee shall have the authority to retain independent legal, accounting or other relevant advisors as it may deem necessary or appropriate to carry out its duties.