Management's Discussion and Analysis
For the three and six months ended May 31, 2023
Key highlights

- **Normalized adjusted EBITDA[1] increased 57% to $74.6 million in the quarter, compared to $47.6 million in Q2-22.**
- **Free cash flows[1] increased 78% to $45.1 million in the quarter, compared to $25.3 million in Q2-22. Free cash flows per diluted share[2] reached $1.84.**
- **Same-store sales[3] were positive in all geographical segments compared to Q2-22: Canada up by 6%, US by 4% and International by 2%.**
- **System sales[3] reached an all-time record high of $1.5 billion in the quarter, up 39% compared to Q2-22. System sales up 63% in the US, 18% Internationally and 7% in Canada.**
- **Net income attributable to owners of $30.4 million in the quarter, or $1.24 per diluted share, compared to $28.6 million, or $1.17 per diluted share in Q2-22.**
- **During the quarter, the Company's network opened 73 locations, compared to 47 locations in Q2-22, and closed 77 locations, compared to 91 locations in Q2-22.**
- **As at May 31, 2023, 90% of the Company's network is comprised of quick service restaurant and fast casual locations, and 97% of its locations are franchised.**
- **Long-term debt repayments of $26.8 million for the quarter.**
- **Renewal of Normal Course Issuer Bid program ("NCIB") on June 29, 2023.**
- **Quarterly dividend payment of $0.25 per share on August 15, 2023.**

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

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

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

Management's Discussion and Analysis
For the three and six months ended May 31, 2023

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended May 31, 2023 and the audited consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2022.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2022.

This MD&A was prepared as at July 10, 2023. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

This MD&A and, in particular but without limitation, the sections of this MD&A entitled "Near-Term Outlook", "Same-Store Sales" and "Contingent Liabilities", contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2023. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as at July 10, 2023 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on July 10, 2023. Refer, in particular, to the section of this MD&A entitled "Risks and Uncertainties" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the condensed interim consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and information on contingent liabilities and contingent assets provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts; the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates or borrowing rates; foodborne illness; operational constraints, government orders and the event of the occurrence of epidemics, other pandemics and health risks.

These and other risk factors that could cause actual results or events to differ materially from the expectations expressed in or implied by these forward-looking statements are discussed in this MD&A.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after July 10, 2023. The financial impact of these transactions and non-recurring and other special items can be complex and depend on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting the business.

CORE BUSINESS

MTY franchises and operates quick service, fast casual and casual dining restaurants. MTY aims to be the franchisor of choice in North America and offers the market a range of offering through its many brands. MTY currently operates under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Sushi Shop, Koya Japan, Vie & Nam, O'Burger, Tutti Frutti, Taco Time, Country Style, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie's New York Pizzeria, Ranch One, America's Taco Shop, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, Turtle Jack's Muskoka Grill, COOP Wicked Chicken, Küto Comptoir à Tartares, Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound, Champps, Wetzel's Pretzels, Twisted by Wetzel's, Sauce Pizza and Wine and Spice Bros [1].

As at May 31, 2023, MTY had 7,124 locations in operation, of which 6,900 were franchised or under operator agreements and the remaining 224 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities, grocery stores, and food trucks or carts. Certain locations also offer catering services. Over the last 44 years, MTY has developed several restaurant concepts, including Tiki-Ming, which

[1] *The Company entered into a sub-franchisor agreement with Spice Bros and opened its first location in March 2023.*

was the first concept it franchised. Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

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

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turnkey projects, rent, supplies, finished products and equipment sold.

Revenues and expenses from corporate-owned locations include sales generated and cost incurred from their operations.

Promotional funds contributions are based on a percentage of gross sales as reported by the franchisees. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely in promotional and marketing-related costs for specific restaurant banners.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenue from its distribution centers that serve primarily the Valentine, Casa Grecque and Küto Comptoir à Tartares franchisees. Furthermore, the Company generates revenues from the sale of retail products under various brand names, which are sold at a variety of retailers.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS. Definitions of all non-GAAP ("generally accepted accounting principles") measures, non-GAAP ratios and supplemental financial measures can be found in the supplemental information section of this MD&A. The non-GAAP measures, non-GAAP ratios and supplemental financial measures used within the context of this MD&A do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Non-GAAP measures include:

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

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company's profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as adjusted EBITDA as a % of revenue; additionally, the Company believes that normalized adjusted EBITDA as a % of revenue provides a measure of the Company's performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.
- Free cash flows per diluted share: the Company believes that free cash flows per diluted share are a useful metric because they are used by securities analysts, investors and other interested parties as a measure of the

Company's cash flows that are available to be distributed to debt and equity shareholders, including to pay debt, to pay dividends, and to repurchase shares.

- Debt-to-EBITDA: the Company believes that debt-to-EBITDA is a useful metric because it represents a financial covenant that the Company must be in compliance with and, accordingly, a determining factor in the Company's credit availability.

The Company also believes that these measures are used by securities analysts, investors and other interested parties and that these measures allow them to compare the Company's operations and financial performance from period to period and provide them with a supplemental measure of the operating performance and financial position and thus highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP measures.

HIGHLIGHTS OF SIGNIFICANT EVENTS

Acquisition of Wetzel's Pretzels

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama, for a total consideration of $284.7 million (US$209.6 million), on a cash-free, debt-free basis. At closing, there were 328 franchised restaurants and 38 corporate-owned restaurants in operation.

Acquisition of Sauce Pizza and Wine

On December 15, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US, for a total consideration of $14.7 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.

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**August 2021**	**November 2021**	**February 2022**	**May 2022**	**August 2022**	**November 2022**	**February 2023**	**May 2023**
Revenue	150,801	146,285	140,494	162,518	171,540	241,970	286,003	305,219
Net income attributable to owners	24,337	24,877	16,637	28,619	22,435	7,126	18,387	30,359
Total comprehensive income attributable to owners	52,026	34,188	11,461	25,919	47,589	24,934	27,453	32,867
Net income per share	0.99	1.01	0.68	1.17	0.92	0.29	0.75	1.24
Net income per diluted share	0.98	1.00	0.68	1.17	0.92	0.29	0.75	1.24
Cash flows provided by operating activities [(1)]	50,565	33,656	38,831	30,055	42,274	37,327	36,728	56,321

[(1)] *Prior period amounts have been restated to reflect a reclassification between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.*

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	Quarters ended							
	August 2021	**November 2021**	**February 2022**	**May 2022**	**August 2022**	**November 2022**	**February 2023**	**May 2023**
System sales [1 & 2]	1,016.2	962.5	885.7	1,054.3	1,104.7	1,206.5	1,362.5	1,470.0
# of locations	6,848	6,719	6,704	6,660	6,606	6,788	7,128	7,124
Adjusted EBITDA [3]	49,673	42,831	35,637	47,649	48,920	49,876	62,863	74,648
Normalized adjusted EBITDA [3]	49,673	42,831	35,637	47,649	50,592	53,474	63,959	74,648
Free cash flows [3 & 4]	49,613	37,361	36,105	25,299	40,900	34,656	29,192	45,144
Free cash flows per diluted share [4 & 5]	2.00	1.51	1.47	1.04	1.67	1.42	1.19	1.84

(1) See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.
(2) In millions $.
(3) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
(4) Prior period amounts have been restated to reflect a reclassification between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.
(5) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.

SEGMENT NOTE DISCLOSURE

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

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIOD ENDED MAY 31, 2023

Revenue

During the first six months of 2023, the Company's total revenue increased to $591.2 million, from $303.0 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	May 31, 2023 ($ millions)	May 31, 2022 ($ millions)	Variation
Canada	Franchise operation	74.7	62.0	20%
	Corporate stores	15.8	13.5	17%
	Food processing, distribution and retail	79.8	78.6	2%
	Promotional funds	22.2	19.6	13%
	Intercompany transactions	(0.7)	(0.7)	N/A
Total Canada		191.8	173.0	11%
US & International	Franchise operation	120.9	86.9	39%
	Corporate stores	240.0	9.8	2349%
	Food processing, distribution and retail	1.3	2.9	(55%)
	Promotional funds	37.9	30.9	23%
	Intercompany transactions	(0.7)	(0.5)	N/A
Total US & International		399.4	130.0	207%
Total revenue		**591.2**	**303.0**	**95%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 20%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first six months of 2022	62.0
Increase in recurring revenue streams [(1)]	11.5
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	1.2
Increase due to acquisition	0.1
Other non-material variations	(0.3)
Revenue, first six months of 2023	74.7

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

During the first six months of 2023, recurring revenue streams increased by $11.5 million mostly due to an increase of 18% in system sales compared to the same period last year. The casual and quick service restaurant segments saw the biggest growth in revenues with sales increasing 27% and 19%, respectively, compared to prior year. Street front locations had the largest impact on the year-over-year growth, contributing to 59% of the overall network increase in system sales with an improvement of 14%, while mall and office tower location growth of 31% contributed to 35% of the year-over-year network increase.

Revenue from corporate-owned locations increased by 17% to $15.8 million during the first six months of 2023 due to an improvement to the overall performance of the segment, which was affected by government-imposed restrictions in the beginning of the same period last year.

Food processing, distribution and retail revenues increased by 2% mostly due to an improvement in the retail division in 2023 compared to 2022.

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

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 39%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, first six months of 2022	86.9
Increase in recurring revenue streams [(1)]	2.3
Decrease in initial franchise fees, renewal fees and transfer fees	(0.9)
Decrease in sales of material and services to franchisees	(0.8)
Increase due to acquisitions	27.1
Impact of variation in foreign exchange rates	5.5
Other non-material variations	0.8
Revenue, first six months of 2023	120.9

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

The increase in franchising revenues is mostly due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels in the first quarter of 2023, which generated revenues of $13.1 million and $14.0 million, respectively, followed by a variation of foreign exchange rates, which had a favourable impact of $5.5 million. Recurring revenue streams also increased by $2.3 million due to an increase in organic system sales of 4% compared to the same period last year.

The increase of $230.2 million in corporate-owned location revenues is primarily due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023. The revenues from those acquired corporate locations contributed $188.6 million, $25.2 million and $16.5 million, respectively, to the increase in revenues in corporate-owned locations.

The promotional fund revenue increase of 23% is partly due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels in the first quarter of 2023, the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the first six months of 2023, operating expenses increased to $453.7 million, up from $219.7 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**May 31, 2023 ($ millions)**	**May 31, 2022 ($ millions)**	**Variation**
Canada	Franchise operation	38.4	33.2	16%
	Corporate stores	15.9	13.8	15%
	Food processing, distribution and retail	71.2	71.3	(0%)
	Promotional funds	22.2	19.6	13%
	Intercompany transactions	(0.9)	(0.9)	N/A
Total Canada		146.8	137.0	7%
US & International	Franchise operation	59.0	40.5	46%
	Corporate stores	210.3	11.6	1713%
	Food processing, distribution and retail	0.2	—	N/A
	Promotional funds	37.9	30.9	23%
	Intercompany transactions	(0.5)	(0.3)	N/A
Total US & International		306.9	82.7	271%
Total operating expenses		**453.7**	**219.7**	**107%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $5.2 million, due to several factors listed below:

	(In millions $)
Operating expenses, first six months of 2022	33.2
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	0.2
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	4.3
Increase in expected credit loss provision	1.3
Increase due to impact of IFRS 16	0.3
Other non-material variations	(0.9)
Operating expenses, first six months of 2023	38.4

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

Controllable expenses increased by $4.3 million, due in part to higher wages. This is attributable to vacant and new positions being filled over the course of 2022 and into 2023, leading to a higher number of full-time employees, as well as an inflation impact on wages. The increase in controllable expenses also included higher annual licensing and cybersecurity costs related to additional security measures and the improvement of the efficiency of the Company's existing technology resources, as well as the impact of inflation.

Expenses from corporate stores increased by $2.1 million compared to the same period last year, mainly correlated to the related revenues increase.

Food processing, distribution and retail costs remained flat.

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

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International increased by 46%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, first six months of 2022	40.5
Decrease in cost of sale of material and services to franchisees and rent	(0.2)
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.6
Increase in expected credit loss provision	0.7
Increase due to acquisitions	11.7
Increase due to transaction costs related to acquisitions	1.1
Decrease due to impact of IFRS 16	(0.6)
Impact of variation in foreign exchange rates	2.4
Other non-material variations	0.8
Operating expenses, first six months of 2023	59.0

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

Operating expenses for franchise locations increased by $18.5 million during the first six months of 2023, due in part to the acquisitions of BBQ Holdings and Wetzel's Pretzels, which had expenses of $6.2 million and $5.5 million, respectively, as well as acquisition costs of $1.1 million related to Wetzel's Pretzels and Sauce Pizza and Wine, and the variation of foreign exchange rates, which contributed $2.4 million to the increase in operating expenses. Similar to Canada, controllable expenses also increased by $2.6 million due in part to higher wages, which were driven by the same reasons as the Canadian market.

Corporate store expenses increased to $210.3 million, from $11.6 million in the same period last year, primarily due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023, which added corporate store expenses of $177.4 million, $20.3 million and $15.2 million, respectively.

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

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

Six-month period ended May 31, 2023			
(In millions $)	Canada	US & International	Total
Revenue	191.8	399.4	591.2
Operating expenses	146.8	306.9	453.7
Segment profit and Adjusted EBITDA [(1)]	45.0	92.5	137.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%
Transaction costs related to acquisitions [(3)]	—	1.1	1.1
Normalized adjusted EBITDA [(1)]	45.0	93.6	138.6
Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%

Six-month period ended May 31, 2022			
(In millions $)	Canada	US & International	Total
Revenue	173.0	130.0	303.0
Operating expenses	137.0	82.7	219.7
Segment profit, Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	36.0	47.3	83.3
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	21%	36%	27%

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

Six-month period ended May 31, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	195.6	255.8	81.1	60.1	(1.4)	591.2
Operating expenses	97.4	226.2	71.4	60.1	(1.4)	453.7
Segment profit and Adjusted EBITDA [(1)]	98.2	29.6	9.7	—	—	137.5
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	50%	12%	12%	N/A	N/A	23%
Transaction costs related to acquisitions [(3)]	1.1	—	—	—	—	1.1
Normalized adjusted EBITDA [(1)]	99.3	29.6	9.7	—	—	138.6
Normalized adjusted EBITDA as a % of Revenue [(2)]	51%	12%	12%	N/A	N/A	23%

Six-month period ended May 31, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	148.9	23.3	81.5	50.5	(1.2)	303.0
Operating expenses	73.7	25.4	71.3	50.5	(1.2)	219.7
Segment profit (loss), Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	75.2	(2.1)	10.2	—	—	83.3
Segment profit (loss), Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	51%	N/A	13%	N/A	N/A	27%

[(1)] See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
[(2)] See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.
[(3)] Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the condensed interim consolidated financial statements.

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, first six months of 2022	36.0	47.3	83.3
Variance in recurring revenues and expenses [1]	6.4	(0.1)	6.3
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	3.5	(2.3)	1.2
Variance in initial franchise fees, renewal fees and transfer fees	0.2	(0.9)	(0.7)
Variance in expected credit loss provision	(1.3)	(0.7)	(2.0)
Variance due to acquisitions	0.1	32.7	32.8
Variance due to transaction costs related to acquisitions	—	(1.1)	(1.1)
Variance due to impact of IFRS 16	(0.6)	14.3	13.7
Impact of variation in foreign exchange rates	—	3.1	3.1
Other non-material variations	0.7	0.2	0.9
Segment profit, first six months of 2023	45.0	92.5	137.5
Normalized adjusted EBITDA [2], first six months of 2022	36.0	47.3	83.3
Variances in segment profit	9.0	45.2	54.2
Variances in transaction costs related to acquisitions	—	1.1	1.1
Normalized adjusted EBITDA [2], first six months of 2023	45.0	93.6	138.6

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

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

Total segment profit for the six-month period ended May 31, 2023 was $137.5 million, up by 65% compared to the same period last year, while normalized adjusted EBITDA was $138.6 million, up by 66% compared to the same period last year. Canada contributed 32% of total normalized adjusted EBITDA and an increase of $9.0 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by $46.3 million. In Canada, organic growth of 11% realized during the second half of the period and recovery from the pandemic during the first half of the period led to an overall increase in recurring EBITDA of $6.4 million while in the US & International, the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel’s Pretzels and Sauce Pizza and Wine in the first quarter of 2023 were the main contributors to the increase, generating normalized adjusted EBITDA of $32.7 million.

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

(In thousands $)	Period ended May 31, 2023	Period ended May 31, 2022
Income before taxes	53,843	57,671
Depreciation – property, plant and equipment and right-of-use assets	28,728	7,492
Amortization – intangible assets	17,847	14,206
Interest on long-term debt	26,912	3,247
Net interest expense on leases	5,043	974
Impairment charge – right-of-use assets	106	121
Impairment charge – property, plant and equipment	—	535
Unrealized and realized foreign exchange loss (gain)	3,578	(1,549)
Interest income	(619)	(148)
Loss (gain) on de-recognition/lease modification of lease liabilities	240	(822)
Loss on disposal of property, plant and equipment	994	187
Revaluation of financial liabilities and derivatives recorded at fair value	839	(1,397)
Loss on remeasurement of joint venture interest	—	2,769
Adjusted EBITDA	**137,511**	**83,286**
Transaction costs related to acquisitions [(2)]	1,096	—
Normalized adjusted EBITDA	**138,607**	**83,286**

[(1)] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
[(2)] *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the condensed interim consolidated financial statements.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $21.2 million during the first six months of 2023, primarily as a result of the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023. Depreciation is now being taken on approximately 150 additional corporate stores as well as the right-of-use assets associated with those locations.

Amortization of intangible assets increased by $3.6 million, mostly as a result of the franchise rights and other intangible assets associated with the acquisition of BBQ Holdings as well as the franchise rights associated with the acquisition of Wetzel's Pretzels.

Interest on long-term debt increased by $23.7 million as a result of higher drawings compared to the same period last year, related to the acquisitions of BBQ Holdings and Wetzel's Pretzels, as well as an increase in the Secured Overnight Financing Rate ("SOFR") and Canadian Dollar Offered Rate ("CDOR") over the course of 2022 and 2023. In order to reduce the exposure risk of changes to the SOFR, the Company entered into a three-year and two-year SOFR fixed interest rate swap, which resulted in a $0.6 million interest expense cash saving in the second quarter of the year.

Net interest expense on leases increased by $4.1 million, primarily as a result of approximately 150 additional corporate stores with the acquisitions of BBQ Holdings and Wetzel's Pretzels and Sauce Pizza and Wine.

The weaker Canadian dollar relative to the US dollar, as well as an increase in drawings in US dollars on the revolving credit facility related to the acquisitions of BBQ Holdings and Wetzel's Pretzels, resulted in a $3.6 million unrealized foreign exchange loss in the first six months of 2023, compared to a gain of $1.5 million in the same period last year.

Net income

For the six months ended May 31, 2023, a net income attributable to owners of $48.7 million was recorded, or $2.00 per share ($1.99 per diluted share) compared to $45.3 million or $1.85 per share ($1.85 per diluted share) last year. The increase is mostly attributable to higher normalized adjusted EBITDA as described previously and lower income taxes. This was partially offset by a decrease in income before taxes, attributable to an increase in several factors as described above in section "Other income and expenses".

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2023

Revenue

During the second quarter of 2023, the Company's total revenue increased to $305.2 million, from $162.5 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	May 31, 2023 ($ millions)	May 31, 2022 ($ millions)	Variation
Canada	Franchise operation	36.9	33.6	10%
	Corporate stores	8.2	7.7	6%
	Food processing, distribution and retail	41.6	42.1	(1%)
	Promotional funds	11.6	10.4	12%
	Intercompany transactions	(0.4)	(0.4)	N/A
Total Canada		97.9	93.4	5%
US & International	Franchise operation	63.1	46.6	35%
	Corporate stores	125.1	5.2	2306%
	Food processing, distribution and retail	0.1	1.5	(93%)
	Promotional funds	19.3	16.1	20%
	Intercompany transactions	(0.3)	(0.3)	N/A
Total US & International		207.3	69.1	200%
Total revenue		**305.2**	**162.5**	**88%**

Canada revenue analysis:

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

	(In millions $)
Revenue, second quarter of 2022	33.6
Increase in recurring revenue streams [1]	3.1
Increase in initial franchise fees, renewal fees and transfer fees	0.1
Increase in turnkey, sales of material to franchisees and rent revenues	0.4
Increase due to acquisition	0.1
Other non-material variations	(0.4)
Revenue, second quarter of 2023	36.9

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

During the second quarter of 2023, recurring revenue streams increased by $3.1 million mostly due to an increase of 7% in system sales compared to the same period last year. The quick service restaurant and casual segments saw the biggest growth in revenues with sales increasing 11% and 6%, respectively, compared to prior year. Street front locations and mall and office towers had the largest impact on the year-over-year growth, contributing to 89% of the overall network increase in system sales with an improvement of 4% and 16% respectively.

Revenue from corporate-owned locations increased by 6% to $8.2 million during the quarter due to an improvement to the overall performance of the segment.

Food processing, distribution and retail revenues decreased by 1% due to lower sales in the food processing and distribution divisions, partially offset by an improvement in the retail division.

The promotional fund revenue increase of 12% is partly due to the increase in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 35%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, second quarter of 2022	46.6
Increase in recurring revenue streams [(1)]	1.2
Decrease in initial franchise fees, renewal fees and transfer fees	(0.9)
Decrease in sales of material and services to franchisees	(0.3)
Decrease in gift card breakage income	(0.1)
Increase due to acquisitions	13.0
Impact of variation in foreign exchange rates	3.1
Other non-material variations	0.5
Revenue, second quarter of 2023	63.1

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

The increase in franchising revenues is mostly due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels in the first quarter of 2023, which each generated revenues of $6.5 million, followed by a variation of foreign exchange rates, which had a favourable impact of $3.1 million. Recurring revenue streams also increased by $1.2 million due to an increase in organic system sales of 4% compared to the same period last year. This was offset by a decrease in initial franchise fees, renewal fees and transfer fees of $0.9 million.

The increase of $119.9 million in corporate-owned location revenues is primarily due to the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023. The revenues from those acquired corporate locations contributed $97.6 million, $13.3 million and $9.3 million, respectively, to the increase in revenues in corporate-owned locations.

The decrease in food processing, distribution and retail is mostly due to the natural expiration of a retail licensing contract and a shift to vendor on record retail model in this segment.

The promotional fund revenue increase of 20% is partly due to the acquisitions of BBQ Holdings and Wetzel's Pretzels, the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the second quarter of 2023, operating expenses increased to $230.6 million, up from $114.9 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	May 31, 2023 ($ millions)	May 31, 2022 ($ millions)	Variation
Canada	Franchise operation	19.0	16.7	14%
	Corporate stores	8.1	7.5	8%
	Food processing, distribution and retail	37.1	38.1	(3%)
	Promotional funds	11.6	10.4	12%
	Intercompany transactions	(0.5)	(0.5)	N/A
Total Canada		75.3	72.2	4%
US & International	Franchise operation	29.1	20.8	40%
	Corporate stores	107.0	6.0	1683%
	Food processing, distribution and retail	0.1	—	N/A
	Promotional funds	19.3	16.1	20%
	Intercompany transactions	(0.2)	(0.2)	N/A
Total US & International		155.3	42.7	264%
Total operating expenses		**230.6**	**114.9**	**101%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $2.3 million, due to several factors listed below:

	(In millions $)
Operating expenses, second quarter of 2022	16.7
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	0.1
Increase in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	1.6
Increase in expected credit loss provision	0.9
Increase due to impact of IFRS 16	0.7
Other non-material variations	(1.0)
Operating expenses, second quarter of 2023	19.0

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

Controllable expenses increased by $1.6 million, primarily due to higher wages. This is attributable to vacant and new positions being filled over the course of 2022 and into 2023, leading to a higher number of full-time employees, as well as an inflation impact on wages. The increase in controllable expenses also included higher annual licensing and cybersecurity costs related to additional security measures and the improvement of the efficiency of the Company's existing technology resources, as well as the impact of inflation.

Expenses from corporate stores increased by $0.6 million compared to the same period last year, partly correlated to the related revenues, and partially due to an increase in wages and supply chain costs due to inflation.

Food processing, distribution and retail costs decreased in line with the decline in revenues and due to cost reduction initiatives to restore normal operating margins.

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

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International increased by 40%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, second quarter of 2022	20.8
Decrease in non-controllable expenses [1]	(0.1)
Decrease in cost of sale of material and services to franchisees and rent	(0.1)
Increase in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	2.5
Increase in expected credit loss provision	0.1
Increase due to acquisitions	4.7
Decrease due to impact of IFRS 16	(0.5)
Impact of variation in foreign exchange rates	1.2
Other non-material variations	0.5
Operating expenses, second quarter of 2023	29.1

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

Operating expenses for franchise locations increased by $8.3 million during the second quarter of 2023, due in part to the acquisitions of BBQ Holdings and Wetzel's Pretzels, which had expenses of $1.7 million and $3.0 million, respectively, as well as the variation of foreign exchange rates, which contributed $1.2 million to the increase in operating expenses. Recurring controllable expenses increased primarily due to wages. Wages increased due to new positions being filled over the course of 2022 and into 2023 and the impact of inflation on wages.

Corporate store expenses increased to $107.0 million, from $6.0 million in the same period last year, primarily due to the acquisitions of BBQ Holdings and Wetzel's Pretzels and Sauce Pizza and Wine, which added corporate store expenses of $90.1 million, $10.4 million and $8.2 million, respectively.

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

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

Three-month period ended May 31, 2023			
(In millions $)	Canada	US & International	Total
Revenue	97.9	207.3	305.2
Operating expenses	75.3	155.3	230.6
Segment profit, Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	22.6	52.0	74.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	25%	24%

Three-month period ended May 31, 2022			
(In millions $)	Canada	US & International	Total
Revenue	93.4	69.1	162.5
Operating expenses	72.2	42.7	114.9
Segment profit, Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	21.2	26.4	47.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	38%	29%

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

Three-month period ended May 31, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	100.0	133.3	41.7	30.9	(0.7)	305.2
Operating expenses	48.1	115.1	37.2	30.9	(0.7)	230.6
Segment profit, Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	51.9	18.2	4.5	—	—	74.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	52%	14%	11%	N/A	N/A	24%

Three-month period ended May 31, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	80.2	12.9	43.6	26.5	(0.7)	162.5
Operating expenses	37.5	13.5	38.1	26.5	(0.7)	114.9
Segment profit (loss), Adjusted EBITDA [(1)] and Normalized adjusted EBITDA [(1)]	42.7	(0.6)	5.5	—	—	47.6
Segment profit (loss), Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	53%	N/A	13%	N/A	N/A	29%

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

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, second quarter of 2022	21.2	26.4	47.6
Variance in recurring revenues and expenses [1]	1.0	(1.1)	(0.1)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	1.3	(1.6)	(0.3)
Variance in initial franchise fees, renewal fees and transfer fees	0.1	(0.9)	(0.8)
Variance in expected credit loss provision	(0.9)	(0.1)	(1.0)
Variance due to acquisitions	0.1	19.7	19.8
Variance due to impact of IFRS 16	(1.0)	7.7	6.7
Variance in gift card breakage	—	(0.1)	(0.1)
Impact of variation in foreign exchange rates	—	1.8	1.8
Other non-material variations	0.8	0.2	1.0
Segment profit, second quarter of 2023	22.6	52.0	74.6
Normalized adjusted EBITDA [2], second quarter of 2022	21.2	26.4	47.6
Variances in segment profit	1.4	25.6	27.0
Normalized adjusted EBITDA [2], second quarter of 2023	22.6	52.0	74.6

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

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

Total segment profit and normalized adjusted EBITDA for the three-month period ended May 31, 2023 were $74.6 million, both up by 57% compared to the same period last year. Canada contributed 30% of total normalized adjusted EBITDA and an increase of $1.4 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by $25.6 million. In the US & International, the acquisitions of BBQ Holdings and Wetzel's Pretzels and Sauce Pizza and Wine were the main contributors to the increase, generating normalized adjusted EBITDA of $19.7 million.

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

(In thousands $)	Quarter ended May 31, 2023	Quarter ended May 31, 2022
Income before taxes	34,443	35,984
Depreciation – property, plant and equipment and right-of-use assets	15,602	3,832
Amortization – intangible assets	8,911	7,176
Interest on long-term debt	13,455	1,872
Net interest expense on leases	2,591	492
Impairment (reversal) charge – right-of-use assets	(30)	66
Impairment charge – property, plant and equipment	—	535
Unrealized and realized foreign exchange gain	(329)	(684)
Interest income	(428)	(74)
Loss (gain) on de-recognition/lease modification of lease liabilities	134	(425)
(Gain) loss on disposal of property, plant and equipment	(133)	140
Revaluation of financial liabilities and derivatives recorded at fair value	432	(1,265)
Adjusted EBITDA and Normalized adjusted EBITDA	**74,648**	**47,649**

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

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $11.8 million during the quarter primarily as a result of the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023. Depreciation is now being taken on approximately 150 additional corporate stores as well as the right-of-use assets associated with those locations.

Amortization of intangible assets increased by $1.7 million, mostly as a result of the franchise rights and other intangible assets associated with the acquisition of BBQ Holdings as well as the franchise rights associated with the acquisition of Wetzel's Pretzels.

Interest on long-term debt increased by $11.6 million as a result of higher drawings compared to the same period last year, related to the acquisitions of BBQ Holdings and Wetzel's Pretzels, as well as an increase in the SOFR and CDOR over the course of 2022 and 2023. In order to reduce the exposure risk of changes to the SOFR, the Company entered into a three-year and two-year SOFR fixed interest rate swap in the second quarter of 2023, which resulted in a $0.6 million interest expense cash saving.

Net interest expense on leases increased by $2.1 million, primarily as a result of approximately 150 additional corporate stores with the acquisitions of BBQ Holdings in the fourth quarter of 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023.

Net income

For the three months ended May 31, 2023, a net income attributable to owners of $30.4 million was recorded, or $1.24 per share ($1.24 per diluted share) compared to $28.6 million or $1.17 per share ($1.17 per diluted share) last year. The increase is primarily attributable to higher normalized adjusted EBITDA as described previously and lower income taxes. This was partially offset by a decrease in income before taxes, attributable to an increase in several factors as described above in section "Other income and expenses".

CONTRACTUAL OBLIGATIONS

The obligations pertaining to the long-term debt and the minimum net rentals for the leases are as follows:

(In millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	165.6	—	—	—	—	—	—
Long-term debt [(1)]	11.3	1.1	3.0	803.0	—	—	—
Interest on long-term debt [(2)]	27.5	27.5	54.9	22.5	—	—	—
Net lease liabilities [(3)]	20.1	20.1	35.5	32.0	28.1	23.6	61.8
Total contractual obligations	**224.5**	**48.7**	**93.4**	**857.5**	**28.1**	**23.6**	**61.8**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes non-interest-bearing contract cancellation fees and holdbacks on acquisitions, contingent considerations on acquisition and 11554891 Canada Inc, non-controlling interest option, obligation to repurchase 11554891 Canada Inc. partner and revolving credit facility payable to a syndicate of lenders.

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

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

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2023, the amount held in cash totaled $62.6 million, an increase of $3.1 million since the end of the 2022 fiscal period.

During the three and six months ended May 31, 2023, MTY paid $6.1 million and $12.2 million, respectively (2022 – $5.1 million and $10.3 million, respectively) in dividends to its shareholders and did not repurchase and cancel any of its shares through its NCIB (2022 – repurchased and cancelled nil and 256,400 of its shares, respectively, for nil and $14.6 million, respectively).

During the six months ended May 31, 2023, cash flows generated by operating activities were $93.0 million, compared to $68.9 million in the same period last year. The increase is mainly attributable to higher adjusted EBITDA, due in part to the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine, partially offset by higher interest and income taxes paid. Excluding the variations in non-cash working capital items, income taxes, interest paid and other, operations generated $138.6 million, compared to $84.0 million in the same period last year.

The revolving credit facility has an authorized amount of $900.0 million (November 30, 2022 – $900.0 million), of which US$590.3 million was drawn as at May 31, 2023 (November 30, 2022 – US$408.9 million).

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

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

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

The revolving credit facility is repayable without penalty with the balance due on the date of maturity October 28, 2025.

As at May 31, 2023, the Company was in compliance with the covenants of the credit agreement.

LOCATION INFORMATION

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

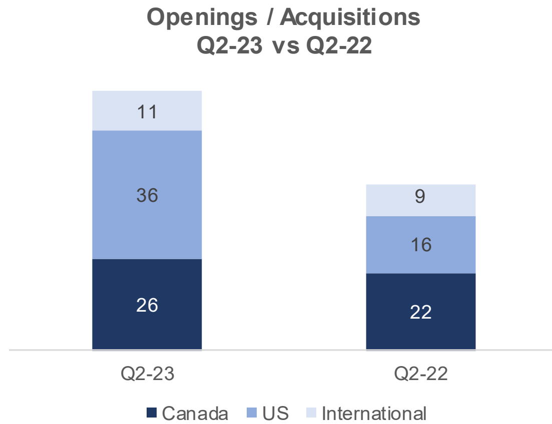
Number of locations

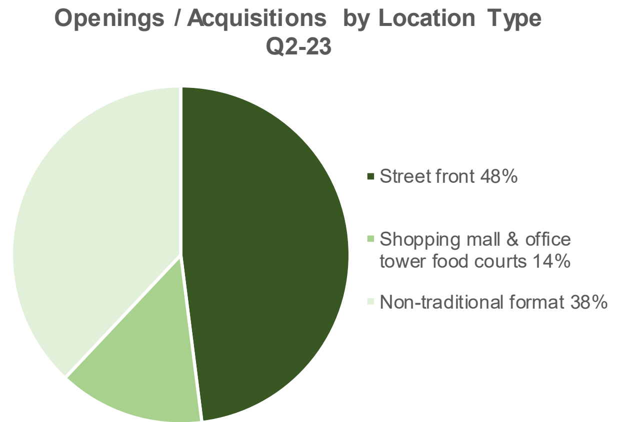
	Three months ended May 31,		**Six months ended May 31,**	
	2023	2022	**2023**	2022
Franchises, beginning of the period	**6,895**	6,615	**6,589**	6,603
Corporate-owned, beginning of the period				
Canada	**41**	44	**41**	42
US	**192**	45	**158**	51
Joint venture [1]	**—**	—	**—**	23
Total, beginning of the period	**7,128**	6,704	**6,788**	6,719
Opened during the period	**73**	47	**149**	122
Closed during the period	**(77)**	(91)	**(192)**	(212)
Acquired during the period	**—**	—	**379**	31
Total, end of the period	**7,124**	6,660	**7,124**	6,660
Franchises, end of the period			**6,900**	6,571
Corporate-owned, end of the period				
Canada			**44**	44
US			**180**	45
Total, end of the period			**7,124**	6,660

[1] *On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc.*

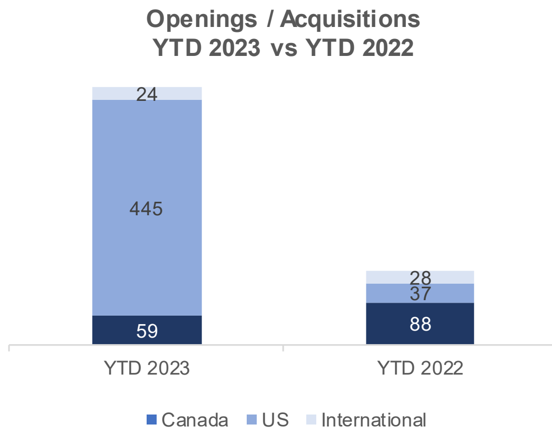
Openings / Acquisitions

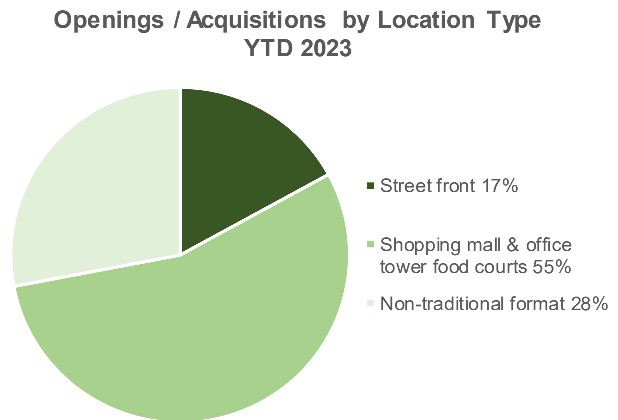
During the second quarter of 2023, the Company's network opened 73 locations (2022 – 47 locations). The breakdown by geographical location and by location type is as follows:





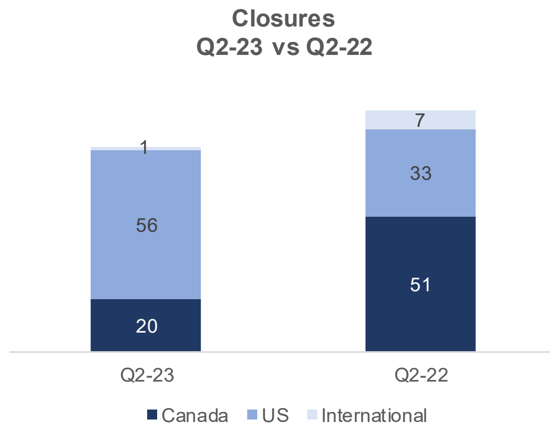
During the first six months of 2023, the Company's network acquired 379 locations (2022 – 31 locations) and opened 149 locations (2022 – 122 locations). The breakdown by geographical location and by location type is as follows:

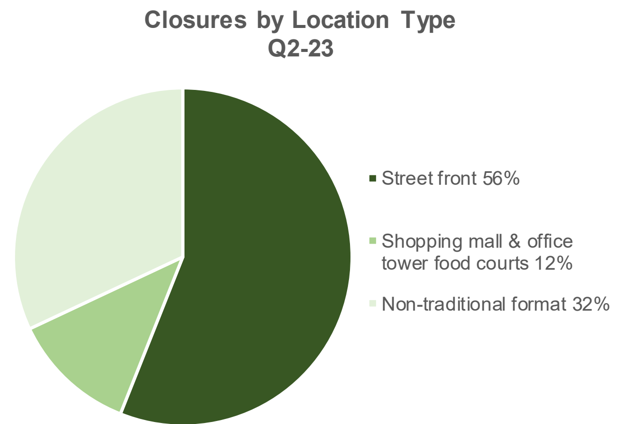




Closures

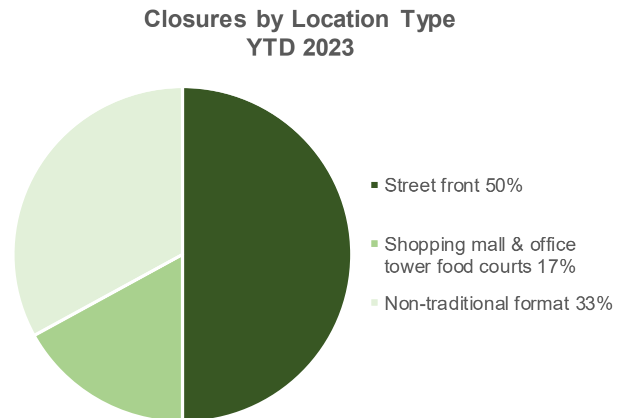
During the second quarter of 2023, the Company's network closed 77 locations (2022 – 91 locations). The breakdown by geographical location and by location type is as follows:





Excluding the newly acquired brands, the average monthly unit volume of a new location opened was approximately $45,000 while that of a recently closed location was approximately $24,000.

During the first six months of 2023, the Company's network closed 192 locations (2022 – 212 locations). The breakdown by geographical location and by location type is as follows:



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

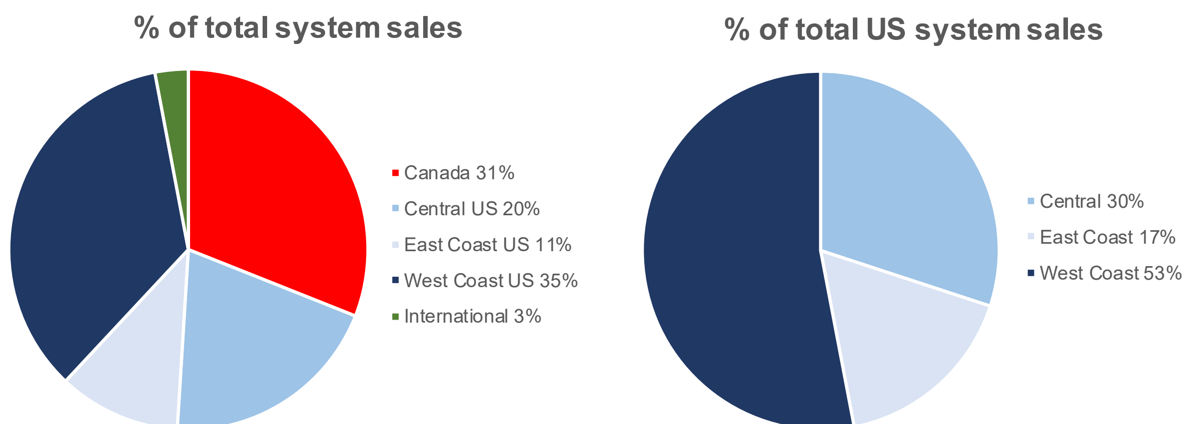
	% of location count		% of system sales Six months ended	
	May 31,		**May 31,**	
Location type	**2023**	2022	**2023**	2022
Shopping mall & office tower food courts	**16%**	14%	**15%**	11%
Street front	**63%**	64%	**77%**	80%
Non-traditional format	**21%**	22%	**8%**	9%

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

	% of location count		% of system sales Six months ended	
	May 31,		**May 31,**	
Geographical location	**2023**	2022	**2023**	2022
Canada	**35%**	39%	**31%**	38%
US	**58%**	54%	**66%**	58%
International	**7%**	7%	**3%**	4%

The territories that had the largest portions of total system sales were Quebec (Canada) with 17%, California (US) with 12%, Ontario (Canada) with 7%, and Washington (US), Arizona (US), Oregon (US) and Florida (US) with 4% each.

The geographical distribution of system sales is as follows:



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

	% of location count		% of system sales Six months ended	
	May 31,		**May 31,**	
Concept type	**2023**	2022	**2023**	2022
Quick service restaurant	**80%**	82%	**61%**	72%
Fast casual	**10%**	11%	**10%**	12%
Casual dining	**10%**	7%	**29%**	16%

System sales

During the three and six-month periods ended May 31, 2023, MTY's network generated $1,470.0 million and $2,832.5 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2023	423.9	901.2	37.4	**1,362.5**
First quarter of 2022	320.3	532.0	33.4	**885.7**
Variance	32%	69%	12%	**54%**
Second quarter of 2023	450.1	980.1	39.8	**1,470.0**
Second quarter of 2022	420.8	599.9	33.6	**1,054.3**
Variance	7%	63%	18%	**39%**
Year-to-date 2023	874.0	1,881.3	77.2	**2,832.5**
Year-to-date 2022	741.1	1,131.9	67.0	**1,940.0**
Variance	18%	66%	15%	**46%**

The overall movement in sales is distributed as follows:

	Three-month sales ended May 31				Six-month sales ended May 31			
(millions of $)	Canada	US	International	**TOTAL**	Canada	US	International	**TOTAL**
Reported sales – 2022	420.8	599.9	33.6	**1,054.3**	741.1	1,131.9	67.0	**1,940.0**
Net increase in sales generated by concepts acquired during the last 18 months	1.4	318.6	2.0	**322.0**	2.6	633.9	3.8	**640.3**
Net variance in system sales	27.9	21.4	2.0	**51.3**	130.3	42.6	2.1	**175.0**
Cumulative impact of foreign exchange variation	—	40.2	2.2	**42.4**	—	72.9	4.3	**77.2**
Reported sales – 2023	450.1	980.1	39.8	**1,470.0**	874.0	1,881.3	77.2	**2,832.5**

System sales for the three-month period ended May 31, 2023 increased by 39% compared to the same period last year. The US contributed to most of the increase, with an improvement of $380.2 million, or 63%, attributable mostly to the acquisitions of BBQ Holdings in September 2022 and Wetzel's Pretzels and Sauce Pizza and Wine in December 2022. Excluding the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine, the quick service and casual concepts contributed the most to the increase with growths of 11% and 4%, respectively.

For the six-month period ended May 31, 2023 system sales were up by 46% compared to 2022. Excluding the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine, system sales for the network increased by 13%, with Canada contributing to 53% of that increase. The casual and quick service restaurant concepts in Canada drove the increase, representing 30% and 22% of the total year-over-year growth respectively, and sales increases of 26% and 18%. Major brands in Canada such as Mikes, Ben & Florentine, Thaï Express, Baton Rouge, and Allô! Mon Coco, to name a few, greatly outperformed prior year as customers returned to in-person dining and the gradual return to office for many employees, as well as the resumption of travel.

Papa Murphy's and Cold Stone Creamery also generated positive system sales growth of 9% and 12% respectively for the six-month period and both generating system sales growth of 11% for the three-month period. They continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 19% and 15%, respectively, of the total sales of MTY's network for the six-month period ended May 31, 2023. Famous Dave's, Wetzel's Pretzels and Village Inn are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which

they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same-Store Sales (1)

During the quarter ended May 31, 2023, same-store sales grew by 5% over the last year. By region, same-store sales was broken down as follows for the last six quarters:

	Three months ended					
	February	**May**	**August**	**November**	**February**	**May**
Region	**2022**	**2022**	**2022**	**2022**	**2023**	**2023**
Canada	20.7%	22.7%	12.0%	15.0%	18.1%	6.1%
US	5.5%	(0.2%)	1.6%	0.3%	5.2%	3.6%
International	7.9%	13.4%	11.8%	(8.4%)	(3.0%)	1.7%
Total	**9.8%**	**7.3%**	**6.3%**	**6.8%**	**10.1%**	**4.7%**

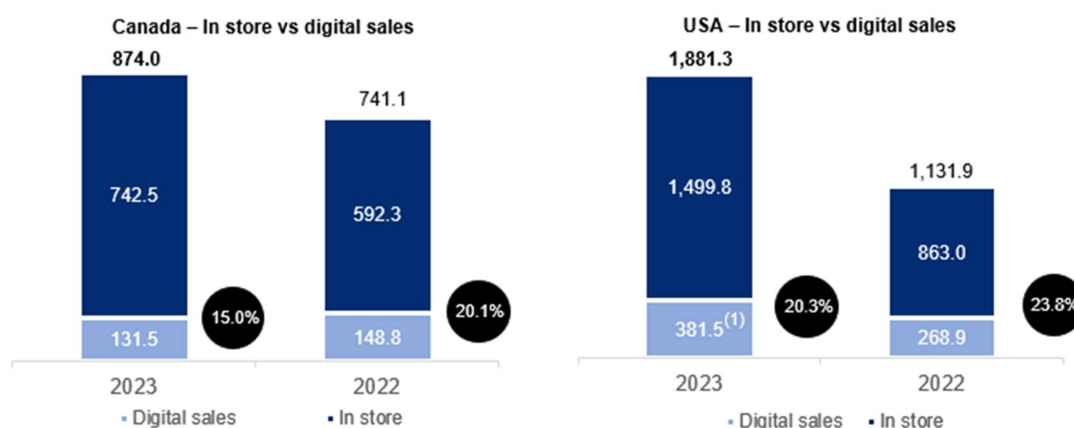
(1) *See section "Definition of supplementary financial measures" found in the Supplemental Information section for definition.*

With the significant impacts of the COVID-19 pandemic subsiding by the second quarter of 2022, the Company is once again reporting same-store sales data. Although six quarters of comparable data is being disclosed in the table, it is important to note that prior to the current quarter, the pandemic did have an impact on the year-over-year percentages disclosed, as the repeated lifting and restoring of pandemic-related restrictions made same-store sales figures less relevant. The second quarter of 2023 represents the first fully comparable quarter since the outbreak of COVID-19 in March 2020.

In the second quarter of 2023, same-store sales were positive in all geographical segments. Canada had the strongest lift in same-store sales with a 6% increase, followed by the US and International with improvements of 4% and 2% respectively. In the United States, same-store sales for Papa Murphy's and Cold Stone Creamery were positive in the quarter.

Digital sales

System sales versus digital sales breakdown is as follows for the six months ended May 31, 2023 and 2022:

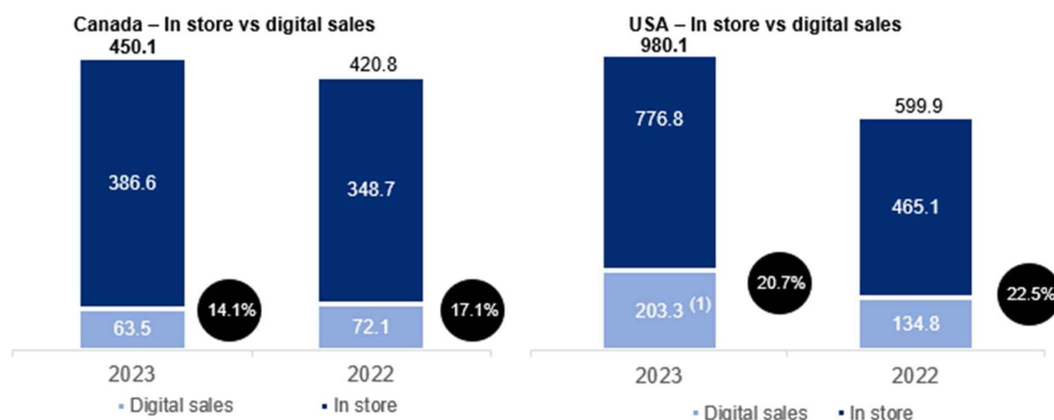


(1) *US digital sales missing digital sales of approximately 200 locations due to unavailability of information.*

For the six-month period ended May 31, 2023, digital sales increased by 23% compared to the same period last year, including the impact of foreign exchange rates, from $417.7 million to $513.0 million, and represented 19% of total sales, compared to 22% in the same period last year. The digital sales pertained mostly to take-out orders, as well as delivery sales, which have benefited from the Company's increased investments in online ordering and third-party delivery options. Excluding the acquisitions and the impact of foreign exchange, digital sales grew by 5% in the period. The lower proportion of digital sales as a percentage of total sales compared to the same period last year for the Canadian segment is partially due to the return to in-person dining while for the US segment is partially attributable to the acquisition of BBQ

Holdings and Wetzel's Pretzels, whose digital sales represent approximately 12% and 1% of their system sales respectively.

System sales versus digital sales breakdown is as follows for the three months ended May 31, 2023 and 2022:



(1) *US digital sales missing digital sales of approximately 200 locations due to unavailability of information.*

Digital sales for the second quarter of 2023 increased by 29% compared to the same period last year, including the impact of foreign exchange rates, from $206.9 million to $266.8 million and represented 19% of total sales, compared to 20% in the same period last year. Excluding the impact of foreign exchange and acquisitions, digital sales grew by 5% in the quarter. Canadian digital sales saw a decrease of $8.6 million in the second quarter of 2023 mainly as a result of a decrease of $5.0 million and $4.8 million in casual and fast casual digital sales, respectively, while US digital sales saw a growth of $68.5 million, of which $40.3 million, or 59%, comes from the acquisitions in late 2022. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales in a post-pandemic environment.

CAPITAL STOCK INFORMATION

Stock options

As at May 31, 2023, there were 440,000 options outstanding and 124,443 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2022 to May 31, 2023, MTY's share price fluctuated between $55.80 and $73.50. On May 31, 2023, MTY's shares closed at $57.46.

Capital stock

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

As at July 10, 2023, the Company's issued and outstanding capital stock consisted of 24,413,461 shares (November 30, 2022 – 24,413,461) and 440,000 granted and outstanding stock options (November 30, 2022 – 440,000). During the three and six months ended May 31, 2023, MTY did not repurchase any shares for cancellation through its NCIB (2022 – nil and 256,400 shares, respectively).

Normal Course Issuer Bid Program

On June 29, 2022, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2022 and will end on July 2, 2023. The NCIB was again renewed on June 29, 2023 for a period beginning on July 3, 2023 and ending on July 2, 2024 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,220,673 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and six-month periods ended May 31, 2023, the Company did not repurchase and cancel any common shares under the current NCIB. During the three and six-month periods ended May 31, 2022, the Company repurchased and cancelled a total of nil and 256,400 common shares, respectively, at a weighted average price of nil and $57.01 per common share, respectively, for a total consideration of nil and $14.6 million, respectively. An excess of nil and $11.4 million, respectively, of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SEASONALITY

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

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

The Company is involved in legal claims associated with its current business activities. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment. Contingent liabilities are disclosed as provisions on the condensed interim consolidated statement of financial position.

The provisions include $2.6 million (November 30, 2022 – $1.5 million) for litigations, disputes and other contingencies, representing management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position, as well as self-insured liabilities related to health and workers' compensation and general liability claims. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines.

The provisions also varied in part due to foreign exchange fluctuations related to the US subsidiaries.

GUARANTEE

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements is $17.5 million as at May 31, 2023 (November 30, 2022 – $18.6 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at May 31, 2023, the Company has accrued $1.6 million (November 30, 2022 – $1.6 million), included in Accounts payable and accrued liabilities in the condensed interim consolidated financial statements, with respect to these guarantees.

CHANGE IN ACCOUNTING POLICIES

Policy applicable beginning December 1, 2022

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to

a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments to IAS 37 were adopted effective December 1, 2022 and resulted in no significant adjustment.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are not yet effective for the three and six months ended May 31, 2023 and have not been applied in preparing the condensed interim consolidated financial statements.

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

Standard	Issue date	Effective date for the Company	Impact
IAS 1, Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment
IFRS 16, Leases	September 2022	December 1, 2024	In assessment

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

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

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

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

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

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results

from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

RISKS AND UNCERTAINTIES

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the US, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependent on maintaining the current franchise system, which is subject to many factors including but not limited to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

Labour is a key factor in the success of the Company. If the Company was unable to attract, motivate and retain a sufficient number of qualified individuals, this could materially disrupt the Company's business and operations and adversely impact its operating results, including the delay of planned restaurant openings, the Company's ability to grow sales at existing restaurants and expand its concepts effectively. 2021, 2022 and the first six months of 2023 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, the availability of government subsidies and thus creating high employee turnover. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company's network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

The impacts of a widespread health epidemic or pandemic, including various strains of avian flu or swine flu, such as H1N1, or COVID-19, particularly if located in regions from which the Company derives a significant amount of revenue or profit could continue to impact the Company in the future. The occurrence of such an outbreak or other adverse public health developments can and could continue to materially disrupt the business and operations. Such events could also significantly impact the industry and cause a temporary closure of restaurants, which could severely disrupt MTY's or the Company's franchisees' operations and have a material adverse effect on the business, financial condition and results of operations.

Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. Because poultry is a menu offering for many of the Company's Concepts, this would likely result in lower revenues and profits to both MTY and franchisee partners. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact or through the consumption of foods. The risk of contracting viruses transmitted through human contact could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. MTY could also be adversely affected if government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, impose restrictions on customers via a vaccine passport to dine-in, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect the business and operating results. Viruses transmitted through the consumption of foods, such as salmonella, could cause guests to have negative views of a brand, which could cause severe reputational and potentially irreversible damages and, similar to viruses transmitted through human contact, may adversely affect the business and operating results.

The Company's operating results substantially depend upon its ability to obtain frequent deliveries of sufficient quantities of products such as beef, chicken, and other products used in the production of items served and sold to customers. Geopolitical events, such as public health or pandemic outbreaks, war or hostilities in countries in which suppliers or operations are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to interruptions in the supply chain. Disruptions in supply chain could impact delivery of food or other supplies to the Company's restaurants. Delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors could disrupt operations or the operations of one or more suppliers or could severely damage or destroy one of more of the stores or distribution centers located in the affected area. These delays or interruptions could impact the availability of certain food and packaging items at the Company's restaurants, including beef, chicken, pork and other core menu products and could require the Company's restaurants to serve a limited menu. The Company's results of operations and those of its franchisees could be adversely affected if its key suppliers or distributors are unable to fulfill their responsibilities and the Company were unable to identify alternative suppliers or distributors in a timely manner or effectively transition the impacted business to new suppliers or distributors. If a disruption of service from any of its key suppliers or distributors were to occur, the Company could experience short-term increases in costs while supply and distribution channels were adjusted and may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable.

Rising interest rates, as seen in the US and Canada in 2022 and into 2023, could also impact MTY's borrowing capacity, thereby affecting its ability to make accretive acquisitions. Rising interest rates would also negatively impact franchisees' borrowing capacity as well as their available cash flows, thereby slowing down the build of new locations and causing cash flow strains on existing franchisees.

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

Please refer to the November 30, 2022 Annual Information Form for further discussion on all risks and uncertainties.

ECONOMIC ENVIRONMENT RISK

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In case of turmoil in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in certain regions in which it operates. Exposure to health epidemics and pandemics, as well as other geopolitical events, such as war or hostilities between countries, and rising interest rates are risks to the

Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

SUSTAINABILITY

Further to the Company's 2021 sustainability report, available on the Company's website at sustainability.mtygroup.com, as well as the Company's ongoing commitments, the Company has now determined that 2% of its eggs systemwide currently come from cage-free chickens. While the Company remains committed to supporting the positive welfare of animals, including that of egg-laying hens, the Company chose to approach its transition to cage-free eggs holistically, to include the welfare of all parties – the animals, its consumers, its suppliers, its franchise partners and the environment. In taking all stakeholders into consideration, significant challenges, such as supply and affordability, contribute to the difficulty to transition to 100% cage-free eggs.

Challenges

- Supply: of the 109.5 billion eggs produced by US companies in 2022, conventional egg account for 90% of the volume. In Canada, these conventional eggs are also 90% of the Company's largest egg supplier's volume. With the increasing demand to switch to cage-free eggs, according to Farm Services of America, producers would need to invest at least \$40 to \$50 per bird, or at least \$6 billion to expand capacity of cage-free housing systems to supply 100% of the food system commitments for shell eggs by 2026 in the US. In Canada, according to Egg Farmers of Canada, through the efforts of a national working group in conjunction with the entire egg supply chain, the industry expects to achieve 100% cage-free egg production by 2036, with the assumption of favourable market conditions.
- Affordability: with inflation, global supply chain issues and the avian flu outbreaks, egg prices have experienced substantial price increases. In addition to these increases, while working closely with its supply partners, the Company determined it will cost between 25% to 55% more to switch from conventional eggs to cage-free options. This is attributed to cage-free facilities requiring approximately double the capital investment, increased staff count, specialized staff members and increased feed requirements compared to conventional eggs.

Progress

- At least 93% of the eggs that the Company purchased in Canada are from suppliers who are Egg Quality Assurance ("EQA") certified. The EQA program is an initiative that certified Canadian eggs are produced according to strict food safety and animal welfare standards, including on-site inspections and third-party audits.
- The Company purchases 100% cage-free eggs in the following US states: Utah, Colorado, Michigan, Washington, Oregon, California, Massachusetts, Rhode Island, and Nevada.
- Switching to cage-free eggs requires significant changes to the Company's operations. To ensure the smooth running of its restaurants, the Company is currently conducting tests at several of its brands. Upon completion of the tests, updates to the Company's operational manuals and franchisee training will be required.

The Company's values of setting Environmental, Social and Governance goals that consider all three Food, People, and Planet pillars remain unwavered. In line with the People pillar, the Company will transition in a way that is affordable for its guests and franchise partners. In response to the Planet pillar, the Company will engage with its suppliers to advance sustainable hen housing systems. Through this, the Company remains positive it will improve the welfare of its animals by increasing its use of cage-free eggs, consistent with its Food Pillar goals.

Given the challenges outlined above, the Company cannot quantify specific targets for the near and medium term. The Company is committed to converting to cage-free eggs whenever it is feasible, and aims to increase the proportion of such eggs used in its operations sequentially by the end of 2023, 2024 and 2025. The Company will provide further updates on its cage-free progress by the end of 2023, 2024 and 2025.

FINANCIAL INSTRUMENTS

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

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at May 31, 2023 and November 30, 2022. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

The classification, carrying value and fair value of financial instruments are as follows:

(In thousands $)	**May 31, 2023**		November 30, 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**3,611**	**3,611**	4,442	4,442
Finance lease receivables	**335,963**	**335,963**	338,776	338,776
Financial liabilities				
Long-term debt [(1)]	**804,237**	**804,237**	550,197	550,197

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

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

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

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

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

Cross currency interest rate swaps

On April 27, 2023 and May 30, 2023, the Company entered into one floating to floating 2-month cross currency interest rate swap and one floating to floating 1-month cross currency interest rate swap, respectively (November 30, 2022 – one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap). A derivative asset fair value of $0.6 million was recorded as at May 31, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy.

	May 31, 2023		November 30, 2022	
	2-month	**1-month**	3-month	2-month
Receive – Notional	**US$55.3 million**	**US$148.0 million**	US$64.9 million	US$150.0 million
Receive – Rate	**7.24%**	**7.24%**	6.18%	6.18%
Pay – Notional	**CA$75.0 million**	**CA$201.0 million**	CA$87.0 million	CA$201.0 million
Pay – Rate	**6.56%**	**6.55%**	5.95%	5.80%

On May 24, 2023, the Company also entered into one forward floating to floating 1-month cross currency interest rate swap (November 30, 2022 – none), with a locked rate based on the CDOR less a margin of 0.56%. A derivative liability fair value of less than $0.1 million was netted against the derivative asset as at May 31, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy.

Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap on US$200.0 million. Under the terms of this swap, the interest rate is fixed at 3.32%. A derivative asset fair value of $4.4 million was recorded as at May 31, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy.

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap on US$100.0 million. Under the terms of this swap, the interest rate is fixed at 3.64%, unless the 1-month term SOFR exceeds 5.50%; if the 1-month term SOFR exceeds 5.50%, the Company will pay the 1-month term SOFR. A derivative asset fair value of less than $0.1 million was recorded as at May 31, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy.

A fair value remeasurement gain of less than $0.1 million was recorded for the fixed interest rate swaps for both the three and six-month periods ended May 31, 2023 (2022 – nil and nil, respectively).

Fair value hierarchy

The changes in the carrying amount of the financial liabilities classified as level 3 in the fair value hierarchy are as follows:

(In thousands $)	**2023**
	$
Financial liabilities classified as level 3 as at November 30, 2022	13,346
Revaluation of financial liabilities recorded at fair value	**844**
Financial liabilities classified as level 3 as at May 31, 2023	**14,190**

As at May 31, 2023 and November 30, 2022, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

(In thousands $)	**May 31, 2023**	November 30, 2022
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**4,223**	3,626
Non-controlling interest buyback option	**2,100**	1,853
Obligation to repurchase 11554891 Canada Inc. partner	**7,867**	7,867
Financial liabilities classified as level 3	**14,190**	13,346

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at May 31, 2023.

Credit risk

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

The credit risk on the Company's loans and other receivables is similar to that of its accounts receivable.

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations. The Company from time to time may enter into fixed interest rate derivatives to manage its cash flow risk exposure, with long-term commitments requiring Board approval to ensure compliance with the Company's risk management strategy.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as the SOFR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $803.0 million (November 30, 2022 –

$550.1 million) of the credit facility was used as at May 31, 2023. A 100 basis points increase in the bank's prime rate would result in additional interest of $8.0 million per annum (November 30, 2022 – $5.5 million) on the outstanding credit facility.

Liquidity risk

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

As at May 31, 2023, the Company had an authorized revolving credit facility for which the available amount may not exceed $900.0 million (November 30, 2022 – $900.0 million) and including an accordion feature amounting to $300.0 million (November 30, 2022 – $300.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at May 31, 2023:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	165.6	165.6	165.6	—	—	—
Long-term debt [(1)]	816.2	818.4	11.3	1.1	3.0	803.0
Interest on long-term debt [(1)]	n/a	132.4	27.5	27.5	54.9	22.5
Lease liabilities	526.3	598.0	67.4	67.3	116.1	347.2
Total contractual obligations	**1,508.1**	**1,714.4**	**271.8**	**95.9**	**174.0**	**1,172.7**

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

NEAR-TERM OUTLOOK

While there are challenges remaining on the supply chain and labour front, the current business environment remains strong for the vast majority of MTY's restaurants. MTY's sales are growing at a good pace and franchisees are doing a fantastic job at elevating the experience for its guests following the price increases they had to implement due to the cost pressures of the last two years. There is some uncertainty as to what impact monetary policies in the various countries in which the Company operates will have on future consumer spending and although there have been discussions about possible recessions and a tightening on the discretionary income of households, the Company has yet to witness the slow down that many experts have been announcing. That being said, the Company is confident that its diversification and entrepreneurial roots give it an advantage in adapting to the future challenges that might arise.

In the short term, the Company's primary focus will continue to be the success of existing locations. The pace of innovation has never been as rapid as it is today, and there are many challenges the industry imposes from a menu, marketing, operations and workforce point of view. Accordingly, the Company will continue to proactively work with its franchise partners to cope in this environment so that they may have the best possible opportunity to achieve that objective.

Given the acquisitions completed in the last few months, management intends to continue integrating the new business units into the rest of MTY and capitalizing on the synergies that are available on many fronts. In terms of capital allocation, the Company will keep a watchful eye on accretive, tuck-in acquisitions on an opportunistic basis and intends to prioritize debt repayment as well as building a reserve for future opportunities.

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

CONTROLS & PROCEDURES

Disclosure controls and procedures

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

In the second quarter of 2023, MTY did not make any significant changes in, nor take any significant corrective actions regarding internal controls or other factors that could significantly affect such internal controls. The CEO and CFO periodically review the Company's DC&P for effectiveness and conduct an evaluation each quarter. As of the end of the second quarter of 2023, the CEO and CFO were satisfied with the effectiveness of the Company's DC&P.

Internal controls over financial reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, there were no changes to the Company's internal control over financial reporting that occurred during the period beginning on March 1, 2023 and ending on May 31, 2023, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of controls and procedures

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

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income
BBQ Holdings	17%	16%	17%	17%	7%	34%	10%
Wetzel's Pretzels	13%	1%	14%	2%	4%	7%	17%
Sauce Pizza and Wine	1%	0%	1%	0%	1%	3%	2%

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's condensed interim consolidated financial statements. For the six months ended May 31, 2023, these SPEs represent less than 0.1% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.1% of the Company's current liabilities, less than 0.1% of non-current liabilities, 0.3% of the Company's revenue and less than 0.1% of the Company's net income.

"*Eric Lefebvre"*

____

Eric Lefebvre, CPA, MBA Chief Executive Officer

"Renee St-Onge"

____

Renee St-Onge, CPA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

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

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina	December 2019	70%	20	3
Küto Comptoir à Tartares	December 2021	100%	31	—
BBQ Holdings – Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound and Champps	September 2022	100%	198	103
Wetzel's Pretzels	December 2022	100%	328	38
Sauce Pizza and Wine	December 2022	100%	—	13

Definition of non-GAAP measures

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

Adjusted EBITDA	Represents revenue less operating expenses. See reconciliation of adjusted EBITDA to Income (loss) before taxes on pages 13 and 20.
Normalized adjusted EBITDA	Represents revenue less operating expenses (excluding transaction costs related to acquisitions). See reconciliation of normalized adjusted EBITDA to Income (loss) before taxes on pages 13 and 20.
Free cash flows	Represents the net cash flows: provided by operating activities; used in additions to property, plant and equipment and intangible assets; and provided by proceeds on disposal of property, plant and equipment.

Definition of non-GAAP ratios

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

Adjusted EBITDA as a % of revenue	Represents adjusted EBITDA divided by revenue.
Normalized adjusted EBITDA as a % of revenue	Represents normalized adjusted EBITDA divided by revenue.
Free cash flows per diluted share	Represents free cash flows divided by diluted shares.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Definition of supplementary financial measures

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

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

Cash flows from operations per diluted share	Represents cash flows provided by operating activities divided by diluted shares.
Recurring revenue streams	Comprised of royalties and other franchising revenues that are earned on a regular basis in accordance with franchise agreements in place.
Non-controllable expenses	Comprised of government subsidies that are not directly in control of management and royalties paid to third parties.
Controllable expenses	Comprised of wages, professional and consulting services and other office expenses, that are directly in the control of management.
Variance in recurring revenue and expenses	Comprised of recurring revenue streams, controllable expenses, royalties paid to third parties, rent (excluding impact of IFRS 16), corporate store revenue and expenses, food processing, distribution and retail revenue and expenses, promotional fund revenue and expenses.
Same-store sales	Comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.
System sales	System sales are sales of all existing restaurants including those that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.
Digital sales	Digital sales are sales made by customers through online ordering platforms.

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

(In thousands $)	August 2021	November 2021	February 2022	May 2022	August 2022	November 2022	February 2023	May 2023
	Three months ended							
Cash flows provided by operating activities [1]	50,565	33,656	38,831	30,055	42,274	37,327	36,728	56,321
Additions to property, plant and equipment	(1,248)	(1,677)	(1,149)	(3,494)	(1,327)	(2,700)	(7,897)	(11,030)
Additions to intangible assets	(65)	(56)	(1,672)	(1,346)	(713)	(257)	(120)	(393)
Proceeds on disposal of property, plant and equipment	361	5,438	95	84	666	286	481	246
Free cash flows [1 & 2]	**49,613**	**37,361**	**36,105**	**25,299**	**40,900**	**34,656**	**29,192**	**45,144**

[1] *Prior period amounts have been restated to reflect a reclassification between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.*

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

System sales [1] to royalties

	Sales for the six months ended May 31, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	15.8	858.2	874.0	240.0	1,718.5	1,958.5	**2,832.5**
Franchise royalty income as a % of franchise sales	—	5.38%	—	—	5.05%	—	**N/A**
Royalties	—	46.2	—	—	86.8	—	**133.0**

	Sales for the six months ended May 31, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	13.5	727.6	741.1	9.8	1,189.1	1,198.9	**1,940.0**
Franchise royalty income as a % of franchise sales	—	5.18%	—	—	5.10%	—	**N/A**
Royalties	—	37.7	—	—	60.7	—	**98.4**

	Sales for the three months ended May 31, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	8.2	441.9	450.1	125.1	894.8	1,019.9	**1,470.0**
Franchise royalty income as a % of franchise sales	—	5.32%	—	—	5.08%	—	**N/A**
Royalties	—	23.5	—	—	45.5	—	**69.0**

	Sales for the three months ended May 31, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	7.7	413.1	420.8	5.2	628.3	633.5	**1,054.3**
Franchise royalty income as a % of franchise sales	—	5.20%	—	—	5.17%	—	**N/A**
Royalties	—	21.5	—	—	32.5	—	**54.0**

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