Management's Discussion and Analysis
For the year ended November 30, 2023
Key highlights

- **Annual revenue exceeded $1 billion for the first time in MTY's history.**
- **Normalized adjusted EBITDA[1] increased 13% to $60.4 million in the quarter, compared to $53.5 million in Q4-22.**
- **Free cash flows[1] increased 27% to $44.3 million in the quarter, compared to $34.8 million in Q4-22 while annual free cash flows improved 13% to $154.1 million, compared to $137.0 million in the prior year. Free cash flows per diluted share[2] reached $1.81 for the quarter and $6.30 for the year.**
- **Net income attributable to owners in the quarter reached $16.4 million, or $0.67 per diluted share, an increase of 131%, and for the year totaled $104.1 million, or $4.25 per diluted share, surpassing all previous years with a 39% increase over prior year.**
- **System sales[3] for the year reached an all-time high of $5.6 billion, compared to $4.3 billion in 2022, a 33% increase year-over-year, while system sales for the quarter increased 11% to $1.3 billion in Q4-23.**
- **Ended the quarter with 7,116 locations compared to 6,788 locations in Q4-22. The Company realized the highest number of openings in any quarter with 94 openings in Q4-23.**
- **Repurchased and cancelled 80,800 shares for a total consideration of $4.2 million in Q4-23.**
- **Long-term debt repayments of $27.6 million for the quarter.**
- **Announced increase in dividend payment of 12%. Quarterly dividend payment of $0.28 per share paid on February 15, 2024.**

(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.*

GROUPE MTY GROUP

Management's Discussion and Analysis
For the fiscal year ended November 30, 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 consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2023.

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") as issued by the International Accounting Standards Board ("IASB") 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 February 14, 2024. 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 February 14, 2024 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 February 14, 2024. Refer, in particular, to the section of this MD&A entitled "Risks and Uncertainties" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

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

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

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

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

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

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 14, 2024. 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, Spice Bros[1] and Cakes N Shakes.

As at November 30, 2023, MTY had 7,116 locations in operation, of which 6,897 were franchised or under operator agreements and the remaining 219 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 as issued by the IASB. 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.
- Income (loss) before taxes, excluding impairment charges and reversals: the Company believes that income (loss) before taxes, excluding impairment charges and reversals is a useful metric because it provides a measure of the Company’s profitability that does not include the impact of impairment charges or reversals, which may vary due to circumstances.

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as adjusted EBITDA as a % of revenue; additionally, the Company believes that normalized adjusted EBITDA as a % of revenue provides a measure of the

Company's performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.

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

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

HIGHLIGHTS OF SIGNIFICANT EVENTS

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 $285.5 million (US$210.2 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$10.7 million), including a holdback on acquisition of $1.1 million (US$0.8 million). At closing, there were 13 corporate-owned restaurants in operation.

Normal Course Issuer Bid Program

On June 29, 2023, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2023 and will end 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 Toronto Stock Exchange ("TSX") and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and twelve months ended November 30, 2023, the Company repurchased and cancelled a total of 80,800 common shares (2022 – nil and 256,400 common shares, respectively) under the current NCIB, at a weighted average price of $51.58 per common share (2022 – nil and $57.01 per common share, respectively), for a total consideration of $4.2 million (2022 – nil and $14.6 million, respectively). An excess of $3.2 million (2022 – nil and $11.4 million, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUMMARY OF ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	Year ended November 30, 2023	Year ended November 30, 2022
		Restated [(1)]
Total assets	2,680,018	2,330,365
Total long-term financial liabilities	756,936	551,429
Revenue	1,169,334	716,522
Income before taxes	109,985	96,170
Net income attributable to owners	104,082	74,817
Total comprehensive income attributable to owners	115,786	109,903
Cash flows from operations [(2)]	184,586	148,481
Net income per share – basic	4.26	3.06
Net income per share – diluted	4.25	3.06
Dividends paid on common stock	24,407	20,518
Dividends per common share	1.000	0.840
Weighted daily average number of common shares – basic	24,409,176	24,439,892
Weighted daily average number of common shares – diluted	24,478,163	24,465,738

(1) See Note 7 to the consolidated financial statements.

(2) Prior period amounts have been adjusted to reflect a reclassification of $5.7 million between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	Year ended November 30, 2023	Year ended November 30, 2022
Adjusted EBITDA [(1)]	270,746	182,082
Normalized adjusted EBITDA [(1)]	271,904	187,352
Income before taxes, excluding impairment charges and reversals [(1)]	119,845	111,055
Cash flows from operations per diluted share [(2 & 3)]	7.54	6.07
Free cash flows [(1 & 3)]	154,106	136,954

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

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

(3) Prior period amounts have been adjusted to reflect a reclassification of $5.7 million between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**February 2022**	**May 2022**	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**
Revenue	140,494	162,518	171,540	241,970	286,003	305,219	298,080	280,032
Net income attributable to owners	16,637	28,619	22,435	7,126	18,387	30,359	38,892	16,444
Total comprehensive income attributable to owners	11,461	25,919	47,589	24,934	27,453	32,867	34,906	20,560
Net income per share	0.68	1.17	0.92	0.29	0.75	1.24	1.59	0.67
Net income per diluted share	0.68	1.17	0.92	0.29	0.75	1.24	1.59	0.67
Cash flows provided by operating activities (1 & 2)	38,783	30,040	42,228	37,430	33,467	51,860	51,495	47,764

(1) *Prior period amounts have been adjusted to reflect a reclassification amounting to $5.7 million for the year ended November 30, 2022 between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.*

(2) *The Company has reassessed the presentation of certain acquisition accounts, leading to the reclassification of accounts that were previously reported as Accounts payable and accrued liabilities to Cash. Accordingly, adjustments amounting to $2.1 million for the first quarter of 2023 and $3.9 million for the second quarter of 2023 were made to prior period amounts.*

SUMMARY OF QUARTERLY OPERATING METRICS

	Quarters ended							
(In thousands $, except system sales, # of locations and per share information)	**February 2022**	**May 2022**	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**
System sales (1 & 2)	885.7	1,054.3	1,104.7	1,206.5	1,362.5	1,470.0	1,467.1	1,341.6
# of locations	6,704	6,660	6,606	6,788	7,128	7,124	7,119	7,116
Adjusted EBITDA (3)	35,637	47,649	48,920	49,876	62,863	74,648	72,870	60,365
Normalized adjusted EBITDA (3)	35,637	47,649	50,592	53,474	63,959	74,648	72,932	60,365
Free cash flows (3, 4 & 6)	36,057	25,284	40,854	34,759	25,931	40,683	43,212	44,280
Free cash flows per diluted share (4, 5 & 6)	1.47	1.04	1.67	1.42	1.06	1.66	1.76	1.81

(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 adjusted to reflect a reclassification amounting to $5.7 million for the year ended November 30, 2022 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.*

(6) *The Company has reassessed the presentation of certain acquisition accounts, leading to the reclassification of accounts that were previously reported as Accounts payable and accrued liabilities to Cash. Accordingly, adjustments amounting to $2.1 million for the first quarter of 2023 and $3.9 million for the second quarter of 2023 were made to prior period amounts.*

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

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

Revenue

During the 2023 fiscal year, the Company's total revenue increased to $1,169.3 million, from $716.5 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2023 ($ millions)	November 30, 2022 ($ millions)	Variation
Canada	Franchise operation	154.5	141.1	9%
	Corporate stores	32.0	29.4	9%
	Food processing, distribution and retail	161.2	163.1	(1%)
	Promotional funds	45.0	42.4	6%
	Intercompany transactions	(4.8)	(5.4)	N/A
Total Canada		387.9	370.6	5%
US & International	Franchise operation	242.4	182.1	33%
	Corporate stores	462.0	90.0	413%
	Food processing, distribution and retail	1.8	6.0	(70%)
	Promotional funds	76.5	68.9	11%
	Intercompany transactions	(1.3)	(1.1)	N/A
Total US & International		781.4	345.9	126%
Total revenue		**1,169.3**	**716.5**	**63%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 9%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2022 fiscal year	141.1
Increase in recurring revenue streams [(1)]	11.8
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Increase in turnkey, sales of material to franchisees and rent revenues	1.4
Increase due to acquisition	0.1
Other non-material variations	(0.3)
Revenue, 2023 fiscal year	154.5

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

During the 2023 fiscal year, recurring revenue streams increased by $11.8 million and was tightly correlated with the 9% increase of 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 13% and 11%, respectively, compared to prior year. Street front locations had the largest impact on the year-over-year growth, contributing to 56% of the Canadian network increase in system sales with an improvement of 7%, while mall and office tower location growth of 16% contributed to 37% of the year-over-year network increase.

Revenue from corporate-owned locations increased by 9% to $32.0 million during the year due to the increase in system sales mentioned above, to a net increase in corporate-owned locations year-over-year as well as a shift in the mix of restaurant concepts in the segment with an increase in casual dining restaurants over prior year.

Food processing, distribution and retail revenues decreased by 1% mainly due to lower sales in the food processing and distribution divisions, partially offset by an increase in sales in the retail division. During the year ended November 30, 2023, 190 products were sold in the Canadian retail market (2022 – 183 products).

The promotional fund revenue increase of 6% is attributable to the increase in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 33%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2022 fiscal year	182.1
Increase in recurring revenue streams (1)	4.1
Decrease in initial franchise fees, renewal fees and transfer fees	(0.4)
Decrease in sales of material and services to franchisees	(1.5)
Increase in gift card breakage income	0.6
Increase due to acquisition	49.4
Impact of variation in foreign exchange rates	7.6
Other non-material variations	0.5
Revenue, 2023 fiscal year	242.4

(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 Wetzel's Pretzels in the first quarter of 2023 and BBQ Holdings, Inc. ("BBQ Holdings") in the fourth quarter of 2022, which generated revenues of $27.9 million and $21.5 million, respectively, followed by a variation of foreign exchange rates, which had a favourable impact of $7.6 million. Recurring revenue streams also increased by $4.1 million due to an increase in organic system sales of 1% compared to the prior year.

The increase of $372.0 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 $302.8 million, $48.0 million, and $32.9 million, respectively, to the increase in revenues in corporate-owned locations. This was partially offset by the sale in 2023 of several Papa Murphy's corporately-owned locations that were converted into franchises, as well as lower sales in BBQ Holdings compared to the two months of operations in the prior year, due in part to fewer corporate-owned locations.

The decrease in food processing, distribution and retail is mostly due to the termination of a retail licensing contract.

The promotional fund revenue increase of 11% 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 2023 fiscal year, operating expenses increased by 68% to $898.6 million, from $534.4 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2023 ($ millions)**	**November 30, 2022 ($ millions)**	**Variation**
Canada	Franchise operation	79.3	71.5	11%
	Corporate stores	32.9	29.3	12%
	Food processing, distribution and retail	144.4	146.0	(1%)
	Promotional funds	45.0	42.4	6%
	Intercompany transactions	(2.1)	(1.8)	N/A
Total Canada		299.5	287.4	4%
US & International	Franchise operation	117.4	95.5	23%
	Corporate stores	408.9	87.3	368%
	Food processing, distribution and retail	0.3	—	N/A
	Promotional funds	76.5	68.9	11%
	Intercompany transactions	(4.0)	(4.7)	N/A
Total US & International		599.1	247.0	143%
Total operating expenses		**898.6**	**534.4**	**68%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $7.8 million, due to several factors listed below:

	(In millions $)
Operating expenses, 2022 fiscal year	71.5
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	0.4
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	8.4
Increase in expected credit loss provision	1.3
Decrease due to impact of IFRS 16 on rent expense	(1.4)
Other non-material variations	(0.9)
Operating expenses, 2023 fiscal year	79.3

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

Controllable expenses increased by $8.4 million, primarily due to higher wages and an increase in other office expenses and consulting fees. This is attributable to vacant positions being filled over the course of 2022 and into 2023, leading to a higher number of full-time employees, as well as an inflation impact on wages. The rise in controllable expenses also included the impact of newly implemented software licenses and higher annual licensing cost and cybersecurity costs related to additional security measures and the improvement of the efficiency of the Company's existing technology resources, higher provision for lease buyouts, as well as the impact of inflation.

Expenses from corporate stores increased by $3.6 million compared to the same period last year, partly correlated to the related increase in revenues, and partially due to an increase in wages and supply chain costs due to inflation.

The decrease in food processing, distribution and retail expenses as well as the variation in 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 23%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2022 fiscal year	95.5
Increase in non-controllable expenses (1)	0.3
Increase in cost of sale of material and services to franchisees and rent	0.4
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	2.1
Increase in expected credit loss provision	0.7
Increase due to acquisition	18.4
Decrease due to transaction costs related to acquisitions	(4.1)
Decrease due to impact of IFRS 16 on rent expense	(0.6)
Impact of variation in foreign exchange rates	3.2
Other non-material variations	1.5
Operating expenses, 2023 fiscal year	117.4

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

Operating expenses for franchise locations increased by $21.9 million during the year, due in part to the acquisitions of Wetzel's Pretzels and BBQ Holdings, which had expenses of $9.3 million and $9.1 million, respectively, as well as the variation of foreign exchange rates, which contributed $3.2 million to the increase in operating expenses. Similarly to Canada, controllable expenses also increased by $2.1 million due in part to higher wages, which were driven by the same reasons as the Canadian market, partly offset by lower professional and consulting services mostly due to the termination of contracts and more work being done internally. These increases were partially offset by lower acquisition costs, incurred in the amount of $1.2 million in the current year for the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine, compared to $5.3 million in the prior year for the acquisitions of BBQ Holdings and Wetzel's Pretzels.

Corporate store expenses increased to $408.9 million, from $87.3 million in the prior 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 $287.4 million, $39.8 million and $30.8 million, respectively.

The variation of promotional funds expenses was tightly correlated to the related revenues.

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

Fiscal year ended November 30, 2023			
(In millions $)	Canada	US & International	Total
Revenue	387.9	781.4	1,169.3
Operating expenses	299.5	599.1	898.6
Segment profit and Adjusted EBITDA (1)	88.4	182.3	270.7
Segment profit and Adjusted EBITDA as a % of Revenue (2)	23%	23%	23%
Transaction costs related to acquisitions (3)	—	1.2	1.2
Normalized adjusted EBITDA (1)	88.4	183.5	271.9
Normalized adjusted EBITDA as a % of Revenue (2)	23%	23%	23%

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

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

Fiscal year ended November 30, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	396.9	494.0	163.0	121.5	(6.1)	1,169.3
Operating expenses	196.7	441.8	144.7	121.5	(6.1)	898.6
Segment profit and Adjusted EBITDA (1)	200.2	52.2	18.3	—	—	270.7
Segment profit and Adjusted EBITDA as a % of Revenue (2)	50%	11%	11%	N/A	N/A	23%
Transaction costs related to acquisitions (3)	1.2	—	—	—	—	1.2
Normalized adjusted EBITDA (1)	201.4	52.2	18.3	—	—	271.9
Normalized adjusted EBITDA as a % of Revenue (2)	51%	11%	11%	N/A	N/A	23%

Fiscal year ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	323.2	119.4	169.1	111.3	(6.5)	716.5
Operating expenses	167.0	116.6	146.0	111.3	(6.5)	534.4
Segment profit and Adjusted EBITDA (1)	156.2	2.8	23.1	—	—	182.1
Segment profit and Adjusted EBITDA as a % of Revenue (2)	48%	2%	14%	N/A	N/A	25%
Transaction costs related to acquisitions (3)	5.3	—	—	—	—	5.3
Normalized adjusted EBITDA (1)	161.5	2.8	23.1	—	—	187.4
Normalized adjusted EBITDA as a % of Revenue (2)	50%	2%	14%	N/A	N/A	26%

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

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2022 fiscal year	83.2	98.9	182.1
Variance in recurring revenues and expenses (1)	0.2	0.2	0.4
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	3.7	(6.4)	(2.7)
Variance in initial franchise fees, renewal fees and transfer fees	0.4	(0.4)	—
Variance in expected credit loss provision	(1.3)	(0.7)	(2.0)
Variance due to acquisitions	0.1	56.7	56.8
Variance due to transaction costs related to acquisitions	—	4.1	4.1
Variance due to impact of IFRS 16 on rent revenue & expense	0.8	25.2	26.0
Variance in gift card breakage	—	0.6	0.6
Impact of variation in foreign exchange rates	—	4.3	4.3
Other non-material variations	1.3	(0.2)	1.1
Segment profit, 2023 fiscal year	88.4	182.3	270.7
Normalized adjusted EBITDA (2), 2022 fiscal year	83.2	104.2	187.4
Variances in segment profit	5.2	83.4	88.6
Variances in transaction costs related to acquisitions	—	(4.1)	(4.1)
Normalized adjusted EBITDA (2), 2023 fiscal year	88.4	183.5	271.9

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

Total segment profit for the year ended November 30, 2023 was $270.7 million, up by 49% compared to the prior year, while normalized adjusted EBITDA was $271.9 million, up by 45% compared to the prior year. Canada contributed 33% of total normalized adjusted EBITDA and an increase of $5.2 million compared to the prior year, while the US & International normalized adjusted EBITDA rose by 76% to reach $183.5 million. 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 $56.7 million.

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

(In thousands $)	Year ended November 30, 2023	Year ended November 30, 2022
Income before taxes	109,985	96,170
Depreciation – property, plant and equipment and right-of-use assets	54,934	21,548
Amortization – intangible assets	34,559	29,473
Interest on long-term debt	52,142	12,428
Net interest expense on leases	11,402	3,210
Impairment charge – right-of-use assets	428	969
Impairment charge – property, plant and equipment and intangible assets	9,432	13,916
Unrealized and realized foreign exchange loss	2,632	5,690
Interest income	(1,048)	(253)
Loss (gain) on de-recognition/lease modification of lease liabilities	702	(798)
Loss (gain) on disposal of property, plant and equipment and intangible assets	1,448	(108)
Revaluation of financial liabilities and derivatives recorded at fair value	(3,676)	(2,932)
Loss on remeasurement of joint venture interest	—	2,769
Gain on contingent consideration from a business acquisition	(2,194)	—
Adjusted EBITDA	**270,746**	**182,082**
Transaction costs related to acquisitions [2]	1,158	5,270
Normalized adjusted EBITDA	**271,904**	**187,352**

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

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

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $33.4 million during the year ended November 30, 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 $5.1 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 $39.7 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 accumulated year-to-date cash savings of $3.2 million in interest expense.

Net interest expense on leases increased by $8.2 million, primarily as a result of approximately 150 additional corporate stores with the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine.

During the year ended November 30, 2023, the Company recognized impairment charges of $9.4 million on its property, plant and equipment and intangible assets, primarily related to franchise rights and trademarks for six of its brands. This compares to $13.9 million in the prior year, which was related to franchise rights and trademarks for five of its brands.

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

During the year ended November 30, 2023, the Company recorded a gain on contingent consideration from a recent acquisition of $2.2 million.

Net income

For the year ended November 30, 2023, a net income attributable to owners of $104.1 million was recorded, or $4.26 per share ($4.25 per diluted share) compared to a net income attributable to owners of $74.8 million or $3.06 per share ($3.06 per diluted share) last year. The increase is mostly attributable to higher normalized adjusted EBITDA as described previously and lower income taxes, partially offset by an increase in several factors as described above in section “Other income and expenses”.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2023

Revenue

During the fourth quarter of 2023, the Company’s total revenue increased to $280.0 million, from $242.0 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2023 ($ millions)	November 30, 2022 ($ millions)	Variation
Canada	Franchise operation	41.5	42.0	(1%)
	Corporate stores	7.6	8.0	(5%)
	Food processing, distribution and retail	38.0	42.1	(10%)
	Promotional funds	11.0	11.0	—
	Intercompany transactions	(3.7)	(4.4)	N/A
Total Canada		94.4	98.7	(4%)
US & International	Franchise operation	56.3	47.6	18%
	Corporate stores	111.4	74.3	50%
	Food processing, distribution and retail	0.3	1.7	(82%)
	Promotional funds	17.9	20.1	(11%)
	Intercompany transactions	(0.3)	(0.4)	N/A
Total US & International		185.6	143.3	30%
Total revenue		**280.0**	**242.0**	**16%**

<u>Canada revenue analysis:</u>

Revenue from franchise locations in Canada decreased by 1%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2022	42.0
Decrease in recurring revenue streams [(1)]	(1.0)
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
Revenue, fourth quarter of 2023	41.5

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

During the fourth quarter of 2023, recurring revenue streams decreased by $1.0 million mostly due to lower supplier contributions that were partially offset by higher royalties.

Revenue from corporate-owned locations decreased by 5% to $7.6 million during the quarter due to a decline to the overall performance of the mix of corporate stores held in 2023.

Food processing, distribution and retail revenues decreased by 10% due to lower sales in the retail segment, which are the result of market conditions and grocers' increased focus on promoting house labels. In the fourth quarter of 2023, however, the Company managed to list and sell 182 products in the Canadian retail market (2022 – 174 products) irrespective of these constraints.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 18%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2022	47.6
Decrease in recurring revenue streams [1]	(0.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.1
Decrease in sales of material and services to franchisees	(0.3)
Increase due to acquisition	8.9
Impact of variation in foreign exchange rates	0.6
Other non-material variations	(0.3)
Revenue, fourth quarter of 2023	56.3

[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 Wetzel's Pretzels in the first quarter of 2023 and BBQ Holdings in the fourth quarter of 2022, which each generated revenues of $6.9 million and $1.9 million, respectively.

The increase of $37.1 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 $28.6 million, $11.1 million and $8.5 million, respectively, to the increase in revenues in corporate-owned locations. This was partially offset by the sale in 2023 of several Papa Murphy's corporately-owned locations that were converted into franchises, as well as lower sales in BBQ Holdings compared to the two months of operations in the same period last year, due in part to fewer corporate-owned locations.

The decrease in food processing, distribution and retail is mostly due to the termination of a retail licensing contract.

The promotional fund revenue decreased by 11%, partly due to a decrease from the Papa Murphy's contribution rates.

Operating expenses

During the fourth quarter of 2023, operating expenses increased by 14% to $219.6 million, from $192.1 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2023 ($ millions)	November 30, 2022 ($ millions)	Variation
Canada	Franchise operation	22.8	18.9	21%
	Corporate stores	8.3	8.0	4%
	Food processing, distribution and retail	34.1	36.8	(7%)
	Promotional funds	11.0	11.0	—
	Intercompany transactions	(0.7)	(0.5)	N/A
Total Canada		75.5	74.2	2%
US & International	Franchise operation	29.3	33.3	(12%)
	Corporate stores	100.2	68.8	46%
	Food processing, distribution and retail	—	—	N/A
	Promotional funds	17.9	20.1	(11%)
	Intercompany transactions	(3.3)	(4.3)	N/A
Total US & International		144.1	117.9	22%
Total operating expenses		**219.6**	**192.1**	**14%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $3.9 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2022	18.9
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	1.4
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	2.3
Increase in expected credit loss provision	0.5
Increase due to transaction costs related to acquisitions	1.5
Decrease due to impact of IFRS 16 on rent expense	(1.5)
Other non-material variations	(0.3)
Operating expenses, fourth quarter of 2023	22.8

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

Controllable expenses increased by $2.3 million, primarily due to higher wages. This is attributable to vacant 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. Other office expenses increased as a result of the recovery of the business and also include higher annual licensing and cybersecurity costs. Higher provision for lease buyouts also resulted in an increase compared to the same quarter last year. Transaction costs related to the acquisition of BBQ Holdings, Inc. were moved to the US & International segment in the prior year, which caused a favorable impact of $1.5 million for the Canadian segment.

Expenses from corporate stores increased by $0.3 million compared to the same period last year, primarily due to higher wages and supply chain costs due to inflation.

The decrease in food processing, distribution and retail costs is tightly correlated to the related revenues decrease.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by 12%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2022	33.3
Increase in non-controllable expenses [(1)]	0.2
Increase in cost of sale of material and services to franchisees and rent	0.4
Decrease in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	(3.0)
Increase due to acquisition	2.6
Decrease due to transaction costs related to acquisitions	(5.1)
Increase due to impact of IFRS 16 on rent expense	0.2
Other non-material variations	0.7
Operating expenses, fourth quarter of 2023	29.3

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

Operating expenses for franchise locations decreased by $4.0 million during the fourth quarter of 2023, mostly due to the $5.1 million acquisition costs incurred in the prior year for the acquisitions of BBQ Holdings and Wetzel's Pretzels, as well as a decrease in recurring controllable expenses of $3.0 million, due in part to lower advertising and insurance costs. These decreases were partially offset by the operating expenses contributed by the acquisitions of Wetzel's Pretzels and BBQ Holdings, which had expenses of $1.6 million and $1.0 million, respectively.

Corporate store expenses increased to $100.2 million, from $68.8 million in the same period last year, primarily due to the acquisitions of BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine, which added corporate store expenses of $27.2 million, $9.5 million and $7.9 million, respectively.

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

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

Three-month period ended November 30, 2023			
(In millions $)	Canada	US & International	Total
Revenue	94.4	185.6	280.0
Operating expenses	75.5	144.1	219.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA [(1)]	18.9	41.5	60.4
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	20%	22%	22%

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

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

Three-month period ended November 30, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	97.8	119.0	38.3	28.9	(4.0)	280.0
Operating expenses	52.1	108.5	34.1	28.9	(4.0)	219.6
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA [(1)]	45.7	10.5	4.2	—	—	60.4
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	47%	9%	11%	N/A	N/A	22%

Three-month period ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	89.6	82.3	43.8	31.1	(4.8)	242.0
Operating expenses	52.2	76.8	36.8	31.1	(4.8)	192.1
Segment profit and Adjusted EBITDA (1)	37.4	5.5	7.0	—	—	49.9
Segment profit and Adjusted EBITDA as a % of Revenue (2)	42%	7%	16%	N/A	N/A	21%
Transaction costs related to acquisitions (3)	3.6	—	—	—	—	3.6
Normalized adjusted EBITDA (1)	41.0	5.5	7.0	—	—	53.5
Normalized adjusted EBITDA as a % of Revenue (2)	46%	7%	16%	N/A	N/A	22%

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

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2022	24.5	25.4	49.9
Variance in recurring revenues and expenses (1)	(4.9)	(0.1)	(5.0)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	(1.1)	(2.2)	(3.3)
Variance in initial franchise fees, renewal fees and transfer fees	0.1	0.1	0.2
Variance in expected credit loss provision	(0.5)	—	(0.5)
Variance due to acquisitions	—	9.8	9.8
Variance due to transaction costs related to acquisitions	(1.5)	5.1	3.6
Variance due to impact of IFRS 16 on rent revenue & expense	1.4	3.3	4.7
Impact of variation in foreign exchange rates	—	0.4	0.4
Other non-material variations	0.9	(0.3)	0.6
Segment profit, fourth quarter of 2023	18.9	41.5	60.4
Normalized adjusted EBITDA (2), fourth quarter of 2022	23.0	30.5	53.5
Variances in segment profit	(5.6)	16.1	10.5
Variances in transaction costs related to acquisitions	1.5	(5.1)	(3.6)
Normalized adjusted EBITDA (2), fourth quarter of 2023	18.9	41.5	60.4

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

Total segment profit and normalized adjusted EBITDA for the three-month period ended November 2023 were $60.4 million, up by 21% and 13%, respectively, compared to the same period last year. Canada contributed 31% of total normalized adjusted EBITDA and a decrease of $4.1 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by $11.0 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 $9.8 million.

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

(In thousands $)	Quarter ended November 30, 2023	Quarter ended November 30, 2022
Income before taxes	14,865	10,062
Depreciation – property, plant and equipment and right-of-use assets	11,746	10,061
Amortization – intangible assets	8,054	7,988
Interest on long-term debt	12,450	6,475
Net interest expense on leases	2,938	1,738
Impairment charge – right-of-use assets	154	307
Impairment charge – property, plant and equipment and intangible assets	9,432	13,381
Unrealized and realized foreign exchange loss	2,652	1,803
Interest income	(233)	(31)
Loss (gain) on de-recognition/lease modification of lease liabilities	20	(120)
Loss (gain) on disposal of property, plant and equipment and intangible assets	1,063	(88)
Revaluation of financial liabilities and derivatives recorded at fair value	(582)	(1,700)
Gain on contingent consideration from a business acquisition	(2,194)	—
Adjusted EBITDA	**60,365**	**49,876**
Transaction costs related to acquisitions [2]	—	3,598
Normalized adjusted EBITDA	**60,365**	**53,474**

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

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

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $1.7 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, for three full months in the fourth quarter of 2023 compared to two full months in the same period last year for BBQ Holdings and none for Wetzel's Pretzels and Sauce Pizza and Wine.

Interest on long-term debt increased by $6.0 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 $1.4 million interest expense cash saving.

During the fourth quarter of 2023, the Company recognized impairment charges of $9.4 million on its property, plant and equipment and intangible assets, primarily related to franchise rights and trademarks for six of its brands. This compares to $13.4 million in the same period last year, which was related to franchise rights and trademarks for five of its brands.

During the fourth quarter of 2023, the Company recorded a gain on contingent consideration from a recent acquisition of $2.2 million.

Net income

For the three months ended November 30, 2023, a net income attributable to owners of $16.4 million was recorded, or $0.67 per share ($0.67 per diluted share) compared to $7.1 million or $0.29 per share ($0.29 per diluted share) last year. The increase is primarily attributable to higher normalized adjusted EBITDA as described previously and lower income taxes, partially offset by 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	147.6	—	—	—	—	—	—
Long-term debt (1)	11.2	0.2	757.8	—	—	—	—
Interest on long-term debt (2 & 3)	26.9	26.9	49.6	(0.8)	—	—	—
Net lease liabilities (4)	20.2	20.2	37.6	33.1	29.8	25.2	70.8
Total contractual obligations	**205.9**	**47.3**	**845.0**	**32.3**	**29.8**	**25.2**	**70.8**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes interest-bearing loans related to acquisitions, contingent considerations on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.*

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

(3) *Net of swap arrangement interest revenue.*

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

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2023, the amount held in cash totaled $58.9 million, a decrease of $0.6 million since the end of the 2022 fiscal period.

During the year ended November 30, 2023, MTY paid $24.4 million (2022 – $20.5 million) in dividends to its shareholders and repurchased and cancelled 80,800 of its shares (2022 – 256,400) for $4.2 million (2022 – $14.6 million) through its NCIB.

During the year ended November 30, 2023, cash flows generated by operating activities were $184.6 million, compared to $148.5 million in the prior 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 $274.8 million, compared to $183.3 million last year.

The Company's revolving credit facility payable to a syndicate of lenders has an authorized amount of $900.0 million (2022 – $900.0 million), an accordion feature of $300.0 million (2022 – $300.0 million) and matures on October 28, 2025. As at November 30, 2023, US$558.0 million was drawn from the revolving credit facility (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 November 30, 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

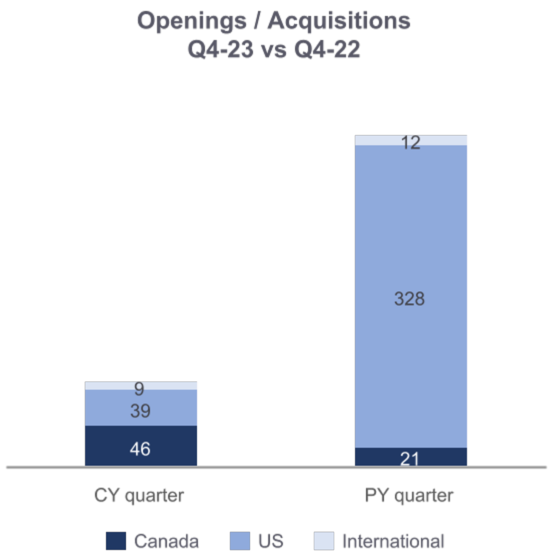
	Three months ended November 30,		**Twelve months ended November 30,**	
	2023	2022	**2023**	2022
Franchises, beginning of the period	**6,895**	6,516	**6,589**	6,603
Corporate-owned, beginning of the period				
Canada	**43**	41	**41**	42
US	**181**	49	**158**	51
Joint venture (1)	**—**	—	**—**	23
Total, beginning of the period	**7,119**	6,606	**6,788**	6,719
Opened during the period	**94**	60	**330**	245
Closed during the period	**(97)**	(178)	**(381)**	(507)
Acquired during the period	**—**	301	**379**	332
Disposed of during the period (2)	**—**	(1)	**—**	(1)
Total, end of the period	**7,116**	6,788	**7,116**	6,788
Franchises, end of the period			**6,897**	6,589
Corporate-owned, end of the period				
Canada			**43**	41
US			**176**	158
Total, end of the period			**7,116**	6,788

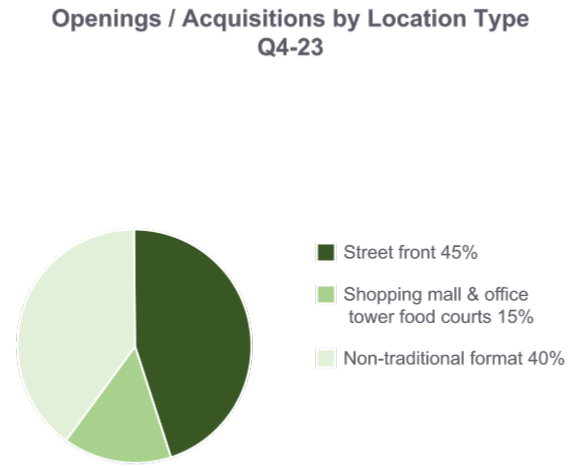
(1) *On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc. – see Note 8 to the consolidated financial statements.*

(2) *Sale of Buns master trademark.*

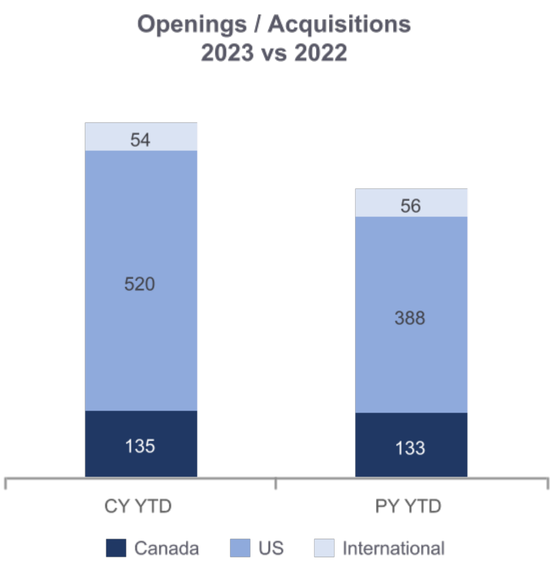
Openings / Acquisitions

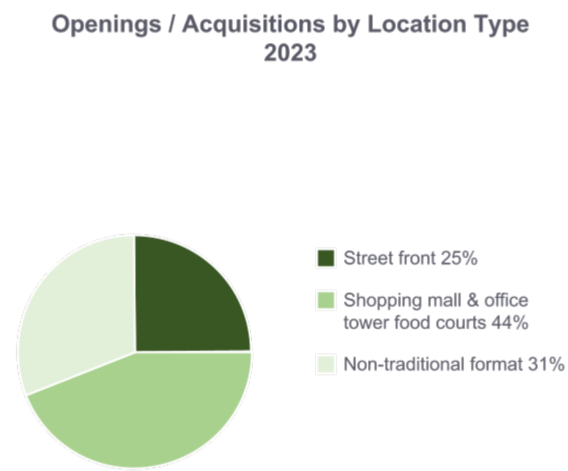
During the fourth quarter of 2023, the Company's network did not acquire any location (2022 – 301 locations) and opened 94 locations (2022 – 60 locations). The breakdown by geographical location and by location type is as follows:





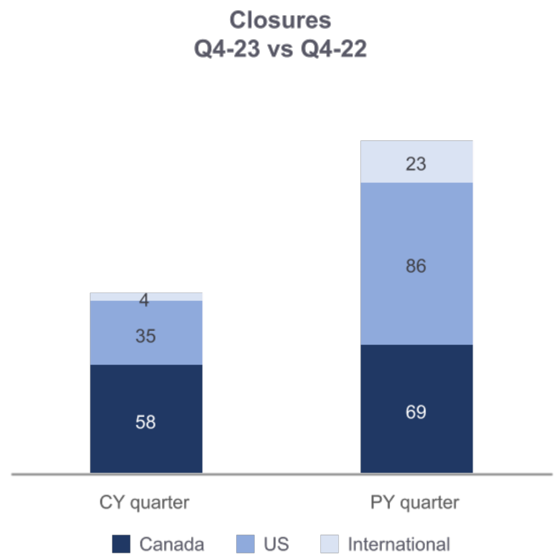
During the year ended November 30, 2023, the Company's network acquired 379 locations (2022 – 332) and opened 330 locations (2022 – 245 locations). The breakdown by geographical location and by location type is as follows:

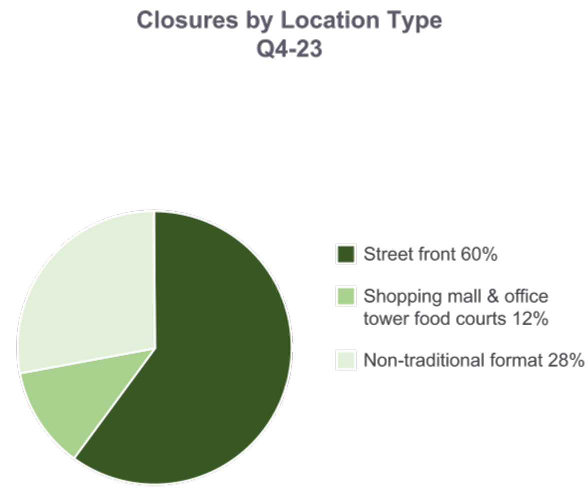




Closures

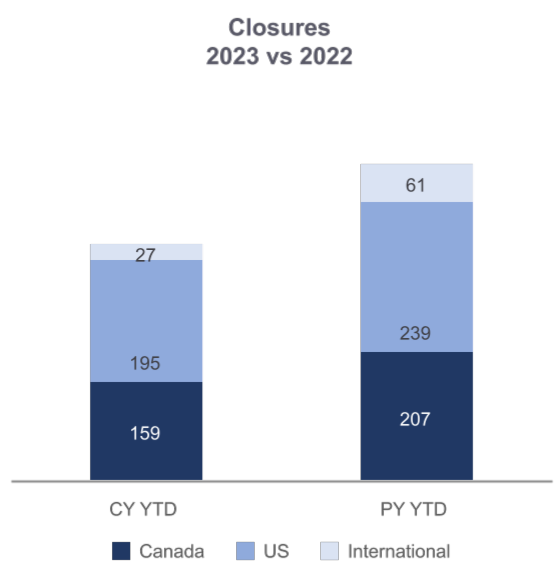
During the fourth quarter of 2023, the Company's network closed 97 locations (2022 – 178 locations). The breakdown by geographical location and by location type is as follows:

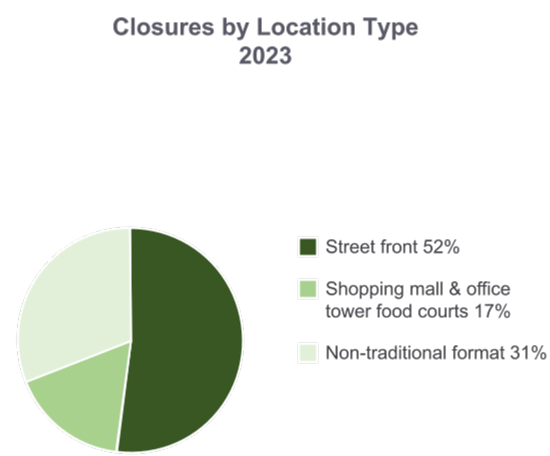




Excluding the newly acquired brands, the average monthly unit volume of a new location opened was approximately $47,000 while that of a recently closed location was approximately $35,000.

During the year ended November 30, 2023, the Company's network closed 381 locations (2022 – 507 locations). The breakdown by geographical location and by location type is as follows:





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

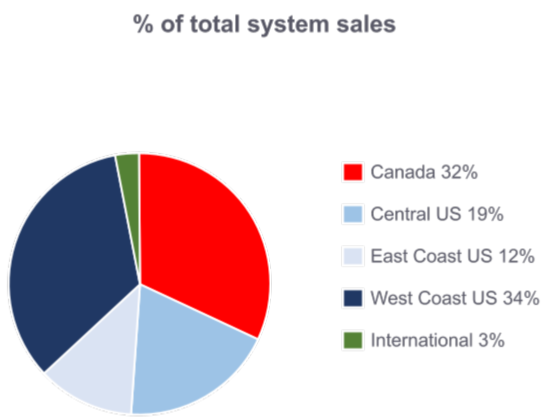
	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Location type	**2023**	2022	**2023**	2022
Shopping mall & office tower food courts	**16%**	13%	**15%**	11%
Street front	**63%**	66%	**76%**	80%
Non-traditional format	**21%**	21%	**9%**	9%

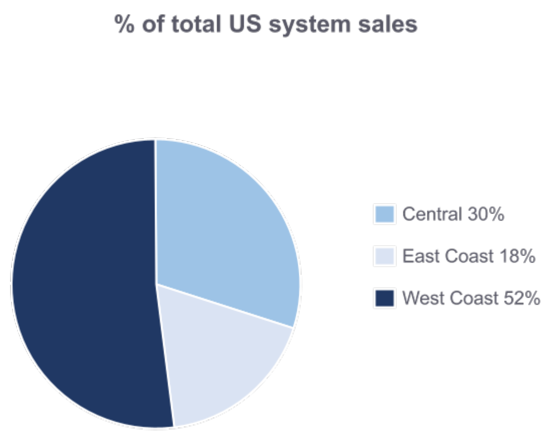
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Geographical location	**2023**	2022	**2023**	2022
Canada	**35%**	37%	**32%**	39%
US	**58%**	56%	**65%**	58%
International	**7%**	7%	**3%**	3%

The territories that had the largest portions of total system sales were Quebec (Canada) with 17%, California (US) with 12%, Ontario (Canada) with 8%, Washington (US), Arizona (US) and Oregon (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 Twelve months ended	
	November 30,		**November 30,**	
Concept type	**2023**	2022	**2023**	2022
Quick service restaurant	**80%**	78%	**61%**	68%
Fast casual	**10%**	11%	**10%**	12%
Casual dining	**10%**	11%	**29%**	20%

System sales

During the three and twelve-month periods ended November 30, 2023, MTY's network generated $1,341.6 million and $5,641.2 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%**
Third quarter of 2023	473.2	952.8	41.1	**1,467.1**
Third quarter of 2022	454.8	614.0	35.9	**1,104.7**
Variance	4%	55%	14%	**33%**
Fourth quarter of 2023	437.0	869.3	35.3	**1,341.6**
Fourth quarter of 2022	438.1	734.7	33.7	**1,206.5**
Variance	—	18%	5%	**11%**
Year-to-date 2023	1,784.2	3,703.4	153.6	**5,641.2**
Year-to-date 2022	1,634.0	2,480.6	136.6	**4,251.2**
Variance	9%	49%	12%	**33%**

The overall movement in sales is distributed as follows:

	Three month sales ended November 30				Twelve month sales ended November 30			
(millions of $)	Canada	US	International	**TOTAL**	Canada	US	International	**TOTAL**
Reported sales – 2022	438.1	734.7	33.7	**1,206.5**	1,634.0	2,480.6	136.6	**4,251.2**
Net increase in sales generated by concepts acquired during the last 24 months	0.8	152.9	0.8	**154.5**	4.7	1,092.7	6.5	**1,103.9**
Net variance in system sales	(1.9)	(26.9)	0.4	**(28.4)**	145.5	28.0	4.6	**178.1**
Cumulative impact of foreign exchange variation	—	8.6	0.4	**9.0**	—	102.1	5.9	**108.0**
Reported sales – 2023	437.0	869.3	35.3	**1,341.6**	1,784.2	3,703.4	153.6	**5,641.2**

System sales for the three-month period ended November 30, 2023 increased by 11% compared to the same period last year. US contributed to most of the increase, with an improvement of $134.6 million, or 18%, attributable mostly to the acquisition 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, system sales slightly decreased by 2%.

For the twelve-month period ended November 30, 2023, system sales were up by 33% compared to 2022. Excluding the acquisitions and the impact of foreign exchange variation, organic systems sales growth for the network increased by 4%, with Canada contributing to 82% of that increase. The casual and quick service restaurant concepts in Canada drove the increase, representing 45% and 37% of the total year-over-year organic growth, respectively, and sales increases of 13% and 10%, respectively. Major brands in Canada such as Ben & Florentine, Toujours Mikes, Thaï

Express, Manchu Wok, Pizza Delight and Jugo Juice, to name a few, greatly outperformed prior year as customer returned to in-person dining and due to the gradual return to office for many employees, as well as the resumption of travel.

Papa Murphy’s and Cold Stone Creamery continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 18% and 16% respectively of the total sales of MTY’s network, and generated organic system sales growth of 2% and 12% respectively for the twelve-month period ended November 30, 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 excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same-Store Sales (1)

During the quarter ended November 30, 2023, same-store sales decreased by 1% over the last year. By region, same-store sales were broken down as follows for the last eight quarters:

	Three months ended							
	February	**May**	**August**	**November**	**February**	**May**	**August**	**November**
Region	**2022**	**2022**	**2022**	**2022**	**2023**	**2023**	**2023**	**2023**
Canada	20.7 %	22.7 %	12.0 %	15.0 %	18.1 %	6.1 %	3.4 %	(1.2)%
US	5.5 %	(0.2)%	1.6 %	0.3 %	5.2 %	3.6 %	2.0 %	(0.5)%
International	7.9 %	13.4 %	11.8 %	(8.4)%	(3.0)%	1.7 %	(0.3)%	(3.8)%
Total	**9.8 %**	**7.3 %**	**6.3 %**	**6.8 %**	**10.1 %**	**4.7 %**	**2.6 %**	**(0.9)%**

(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 eight quarters of comparable data is being disclosed in the table, it is important to note that prior to the second quarter of 2023, 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 fourth quarter of 2023, same-store sales were negative in all geographical segments. The decline is mostly attributable to the economic situation.

By restaurant type, same-store sales were broken down as follows for the three and twelve months:

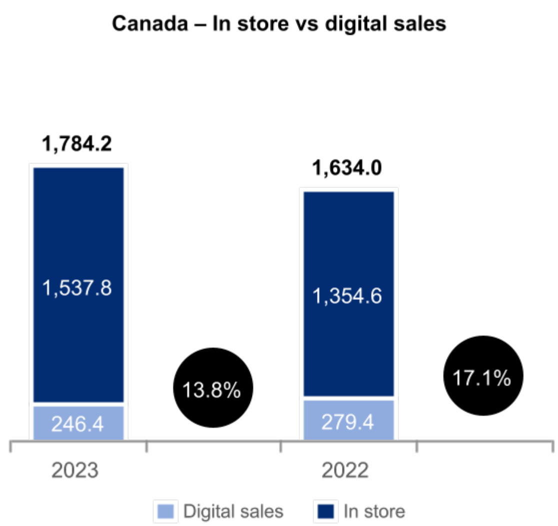
	Three months ended November 30		Twelve months ended November 30	
	2023	2022	**2023**	2022
Quick service restaurant	**2.8 %**	17.4 %	**10.9 %**	22.7 %
Fast casual	**(4.4)%**	7.0 %	**(0.3)%**	12.2 %
Casual	**(1.6)%**	20.3 %	**6.7 %**	15.3 %
Canada	**(1.2)%**	15.0 %	**5.5 %**	16.3 %
Quick service restaurant	**0.4 %**	(0.2)%	**3.0 %**	0.6 %
Fast casual	**(2.1)%**	5.3 %	**1.0 %**	10.0 %
Casual	**(3.3)%**	5.3 %	**(2.5)%**	26.1 %
US	**(0.5)%**	0.3 %	**2.5 %**	1.6 %
Quick service restaurant	**(4.9)%**	(8.9)%	**(3.0)%**	3.7 %
Fast casual	**13.9 %**	8.7 %	**11.2 %**	50.4 %
Casual	**(10.8)%**	(23.3)%	**0.6 %**	5.9 %
International	**(3.8)%**	(8.4)%	**(2.0)%**	5.6 %

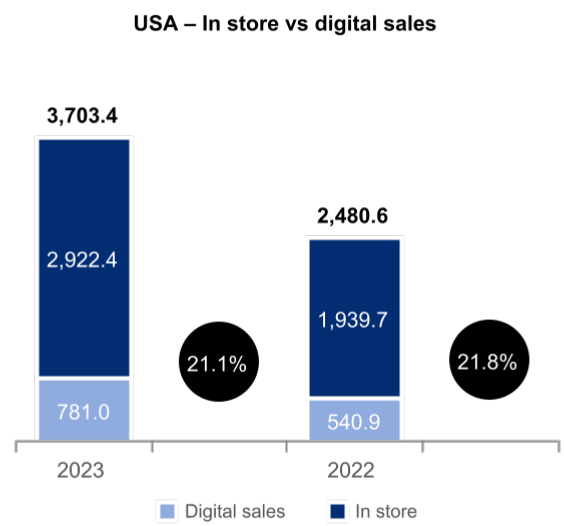
[(1)] *Refer to the Supplemental Information section for a list of brands included in each category.*

In the fourth quarter of 2023, quick service restaurant has remained strong in Canada and the US. The brands in this division are a great option for customers looking for attractive but affordable menu options during economic uncertainty. 2022 same-store sales were exceptionally high due to the pandemic recovery.

Digital sales

System sales versus digital sales breakdown is as follows for the years ended November 30, 2023 and 2022:

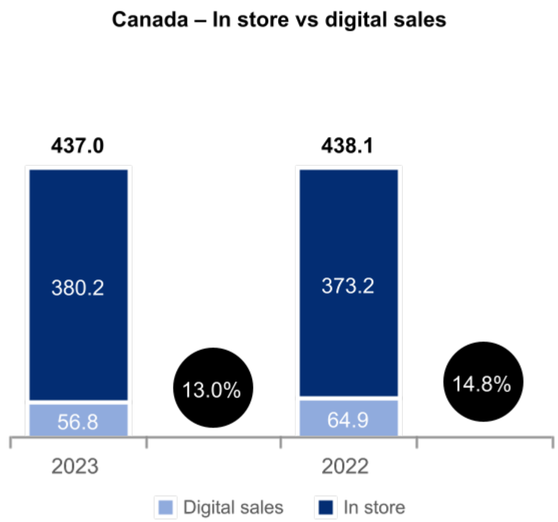


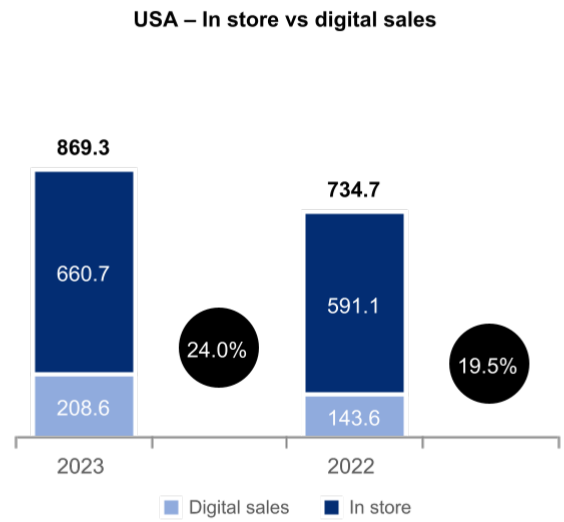


[(1)] *US digital sales of the first quarter of 2023 missing digital sales of approximately 200 locations due to unavailability of information.*

For the year ended November 30, 2023, digital sales increased by 25% compared to the same period last year, including the impact of foreign exchange rates, from $820.3 million to $1,027.4 million, and represented 19% of total sales, compared to 20% 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%. 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 15% and 1% of their system sales respectively.

System sales versus digital sales breakdown is as follows for the three months ended November 30, 2023 and 2022:





Digital sales for the fourth quarter of 2023 increased by 27% compared to the same period last year, including the impact of foreign exchange rates, from $208.5 million to $265.4 million, and represented 20% of total sales, compared to 18% in the same period last year. Excluding the impact of foreign exchange and acquisitions, digital sales grew by 6% in the quarter. Canadian digital sales saw a decrease of $8.1 million in the fourth quarter of 2023 mainly as a result of a decrease of $6.7 million and $3.1 million in casual and fast casual digital sales, respectively, while US digital sales saw a growth of $65.0 million, of which $33.1 million, or 51% of the growth comes from the acquisitions in late 2022 and early 2023. 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 November 30, 2023, there were 440,000 options outstanding and 137,776 that were exercisable.

Share trading

MTY's stock is traded on the TSX under the ticker symbol "MTY". From December 1, 2022 to November 30, 2023, MTY's share price fluctuated between $49.91 and $73.50. On November 30, 2023, MTY's shares closed at $51.50.

Capital stock

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

As at February 14, 2024, the Company's issued and outstanding capital stock consisted of 24,306,861 shares (November 30, 2022 – 24,413,461) and 440,000 granted and outstanding stock options (November 30, 2022 – 440,000). During the year ended November 30, 2023, MTY repurchased 80,800 shares (2022 – 256,400) for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 29, 2023, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2023 and will end 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 twelve months ended November 30, 2023, the Company repurchased and cancelled a total of 80,800 common shares (2022 – nil and 256,400 common shares, respectively) under the current NCIB, at a weighted average price of $51.58 per common share (2022 – nil and $57.01 per common share, respectively), for a total consideration of $4.2 million (2022 – nil and $14.6 million, respectively). An excess of $3.2 million (2022 – nil and $11.4 million, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENT

Dividends

On January 24, 2024, the Company announced an increase to its quarterly dividend payment, from $0.250 per common share to $0.280 per common share. The dividend of $0.280 per common share will be paid on February 15, 2024.

SEASONALITY

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

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

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

The provisions include $4.7 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. These provisions are made of multiple items; the timing of the settlement of these provisions is unknown given their 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 was $16.4 million as at November 30, 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 November 30, 2023, the Company has accrued $1.6 million (November 30, 2022 – $1.6 million), included in Accounts payable and accrued liabilities in the consolidated financial statements, with respect to these guarantees.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Impairment of long-lived assets

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year ended November 30, 2023, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine, as of the acquisition date, the fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of key assumptions such as projected system sales, operating cash flows, discount rates, royalty rates and average term life. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment

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

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

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

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

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

During the years ended November 30, 2023 and 2022, the Company recognized impairment charges on its property, plant and equipment (Note 15 of the consolidated financial statements). The total impairment on property, plant and equipment of $0.2 million (2022 – $0.5 million) represents a write-down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, which was higher than their value in use.

During the years ended November 30, 2023 and 2022, the Company also recognized impairment charges on its right-of-use assets (Note 11 of the consolidated financial statements) of $0.4 million and $1.0 million, respectively.

Impairment of franchise rights and trademarks

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

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

During the year ended November 30, 2023, the Company recognized impairment charges of $9.2 million (2022 – $13.4 million) on its franchise rights and trademarks (Note 15 of the consolidated financial statements) representing a write-down of the carrying value to the recoverable amount. The fair value was determined using key assumptions such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy.

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

Impairment of goodwill

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

During the years ended November 30, 2023 and 2022, no impairment charge on goodwill was required.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the year ended November 30, 2023 and have not been applied in preparing the consolidated financial statements.

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

Standard	**Issue date**	**Effective date for the Company**	**Impact**
IAS 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 recognize 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 recognizing 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 2023 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals 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, 2023 Annual Information Form for further discussion on all risks and uncertainties.

ECONOMIC ENVIRONMENT RISK

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In case of turmoil in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the restaurant industry will be impacted by the current economic uncertainty in certain regions in which it operates. Exposure to health epidemics and pandemics, as well as other geopolitical events, such as war or hostilities between countries, and rising interest rates are risks to the Company and its franchise partners. Within a normal economic cycle, management is of the opinion that these risks will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a healthy balance sheet; and 2) the Company has several concepts offering affordable dining out options for consumers in an economic slowdown. During extreme economic turmoil, management believes that the Company has the ability to overcome these risks until the economy re-establishes itself.

FINANCIAL INSTRUMENTS

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

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2023 and 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.

(In thousands $)		**2023**		2022
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
			Restated (1)	*Restated (1)*
Financial assets				
Loans and other receivables	**5,389**	**5,389**	4,560	4,560
Finance lease receivables	**333,706**	**333,706**	338,776	338,776
Financial liabilities				
Long-term debt (2)	**759,134**	**759,134**	550,197	550,197

(1) See Note 7 to the consolidated financial statements.

(2) 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 consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

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

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

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

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Küto Comptoir à Tartares and 70% interest in 11554891 Canada Inc., contingent considerations to the vendors. These contingent considerations were subject to earn-out provisions and the calculations have now been finalized; the contingent considerations for Küto Comptoir à Tartares and 11554891 Canada Inc. are repayable in November 2024 and within the next 12 months, respectively. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value remeasurement gain of $2.2 million was recorded for the contingent considerations for the year ended November 30, 2023 (2022 – gain of $1.8 million).

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of Wetzel's Pretzels. The transaction consideration included US$3.0 million held in escrow contingent on the execution of several lease contracts within 12 months of the acquisition. As at December 8, 2023, only a portion of the contracts were executed and therefore $2.2 million (US$1.6 million) was released from escrow and recorded as a Gain on contingent consideration from a business acquisition in the consolidated statement of income.

Obligation to repurchase non-controlling interest

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (Note 19 of the consolidated financial statements) which is remeasured at each reporting period.

A fair value remeasurement loss of $0.4 million (2022 – loss of $0.3 million) was recorded for this non-controlling interest obligation.

Obligation to repurchase 11554891 Canada Inc. partner

The Company, in conjunction with the acquisition of its 70% interest in 11554891 Canada Inc., entered into an agreement to acquire the remaining 30% interest by December 2024. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 19 of the consolidated financial statements) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of 0 on the carrying amount as at November 30, 2023 and 2022.

A fair value remeasurement gain of $0.7 million (2022 – gain of $1.4 million) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

Cross currency interest rate swaps

On October 27, 2023 and November 27, 2023, the Company entered into one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap, 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 liability fair value of $2.6 million was recorded as at November 30, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy.

	2023		2022	
	3-month	**2-month**	3-month	2-month
Receive – Notional	**US$51.1 million**	**US$142.9 million**	US$64.9 million	US$150.0 million
Receive – Rate	**7.14%**	**7.14%**	6.18%	6.18%
Pay – Notional	**CA$70.0 million**	**CA$196.0 million**	CA$87.0 million	CA$201.0 million
Pay – Rate	**6.66%**	**6.59%**	5.95%	5.80%

Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US$200.0 million. The period of three years ends on April 10, 2026. Under the terms of this swap, the interest rate is fixed at 3.32%. A derivative asset fair value of $6.6 million was recorded as at November 30, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy and has designated this as a cash flow hedge of the Company's interest rate risk from its credit facility. A fair value remeasurement gain of $6.3 million was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2023 (2022 – nil).

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap for a notional amount of US$100.0 million. The period of two years ends on May 30, 2025. 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 $1.3 million was recorded as at November 30, 2023 (November 30, 2022 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of $1.3 million was recorded in the Company's consolidated statement of income for the year ended November 30, 2023 (2022 – nil).

The swaps were recorded in the consolidated statements of financial position as follows:

(in thousands $)	**3-year SOFR fixed interest rate swap**	**2-year SOFR fixed interest rate swap**	**Total**
	$	**$**	**$**
Current portion	**4,647**	**—**	**4,647**
Long-term portion	**1,970**	**1,272**	**3,242**
November 30, 2023	**6,617**	**1,272**	**7,889**

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**	2022
	$	$
Financial liabilities classified as level 3, beginning of year	**13,346**	4,952
Change in control over interest in 11554891 Canada Inc.	**—**	7,867
Repayment of contingent consideration on 11554891 Canada Inc.	**(875)**	—
Revaluation of financial liabilities recorded at fair value	**(2,404)**	(2,932)
Issuance of contingent consideration on Küto Comptoir à Tartares acquisition	**—**	3,459
Financial liabilities classified as level 3, end of year	**10,067**	13,346

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

(In thousands $)	**2023**	**2022**
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**600**	3,626
Non-controlling interest buyback option	**2,288**	1,853
Obligation to repurchase 11554891 Canada Inc. partner	**7,179**	7,867
Financial liabilities classified as level 3	**10,067**	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 November 30, 2023.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables and finance lease receivables. The amounts disclosed in the consolidated statement of financial position represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. The Company believes that the credit risk of accounts receivable and finance lease receivables 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 and finance lease receivables.

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. As at November 30, 2023, the Company holds floating-to-fixed interest rate swaps in order to hedge a portion of the interest rate cash flow risk associated with floating interest rate debt.

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 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. $757.8 million (November 30, 2022 – $550.1 million) of the credit facility was used as at November 30, 2023. A 100 basis points increase in the bank's prime rate would result in additional interest of $7.6 million per annum (2022 – $5.5 million) on the outstanding credit facility.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2023, US$558.0 million (November 30, 2022 – US$408.9 million) was drawn from the revolving credit facility. Of that amount, US$194.0 million (November 30, 2022 – US$214.9 million) was not exposed to foreign exchange risk as a result of two (2022 – two) cross currency interest rate swaps, and US$364.0 million (November 30, 2022 – US$194.0 million) was exposed to foreign exchange risk.

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

As at November 30, 2023 and 2022, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)		**2023**		2022
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**2,593**	**3,522**	5,424	7,327
Accounts receivable	**988**	**1,342**	463	625
Financial liabilities				
Accounts payable and deposits	**(192)**	**(261)**	(212)	(286)
Long-term debt	**(364,000)**	**(494,385)**	(194,000)	(262,055)
Net financial liabilities	**(360,611)**	**(489,782)**	(188,325)	(254,389)

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $18.0 million (2022 – loss of $9.4 million) on the consolidated statements of income and comprehensive income.

Liquidity risk

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

As at November 30, 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 November 30, 2023:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	147.6	147.6	147.6	—	—	—
Long-term debt [(1)]	767.4	769.2	11.2	0.2	757.8	—
Interest on long-term debt [(1)]	n/a	102.6	26.9	26.9	49.6	(0.8)
Lease liabilities	535.2	615.9	66.9	66.9	117.7	364.4
	1,450.2	**1,635.3**	**252.6**	**94.0**	**925.1**	**363.6**

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

NEAR-TERM OUTLOOK

The restaurant industry is extremely competitive, and the pace of changes, innovations and shifts in customer preferences is accelerating every day. MTY's entrepreneurial roots give it an advantage in the current environment and the team is prepared to face any situation.

At the date of this report, MTY and its franchisees are feeling the impact of economic uncertainty, which comes from rising inflation and interest rates and the threat of a looming recession. While some aspects of the business are gradually stabilizing post-pandemic, there remains some uncertainty as to what the new baseline is going to be once this period of high volatility fades away.

The Company's franchisees and suppliers also face increases in minimum wage rates in many jurisdictions in which the network operates on top of the increases in commodity prices due to inflation.

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

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

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

CONTROLS & PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. It should include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at November 30, 2023, have concluded that the Company's disclosure controls and procedures were effective.

Internal controls over financial reporting

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of November 30, 2023. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Limitations of controls and procedures

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

Limitation on scope of design

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

Percentage of MTY Food Group Inc.	Total assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income
Wetzel's Pretzels	13%	3%	14%	2%	5%	7%	16%
Sauce Pizza and Wine	2%	6%	1%	1%	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 consolidated financial statements. For the year ended November 30, 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”*

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Eric Lefebvre, CPA, MBA Chief Executive Officer

“Renee St-Onge“

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Renee St-Onge, CPA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the US	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
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 14 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 14 and 20.
Income (loss) before taxes, excluding impairment charges and reversals	Represents net income (loss) before taxes, excluding impairment charges and reversals on right-of-use assets, property, plant and equipment, intangible assets and goodwill.
Free cash flows	Represents the 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

	Three months ended							
(In thousands $)	**February 2022**	**May 2022**	**August 2022**	**November 2022**	**February 2023**	**May 2023**	**August 2023**	**November 2023**
Cash flows provided by operating activities [2]	38,783	30,040	42,228	37,430	33,467	51,860	51,495	47,764
Additions to property, plant and equipment	(1,149)	(3,494)	(1,327)	(2,700)	(7,897)	(11,030)	(7,962)	(3,235)
Additions to intangible assets	(1,672)	(1,346)	(713)	(257)	(120)	(393)	(696)	(836)
Proceeds on disposal of property, plant and equipment	95	84	666	286	481	246	375	587
Free cash flows [1 & 2]	**36,057**	**25,284**	**40,854**	**34,759**	**25,931**	**40,683**	**43,212**	**44,280**

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

(2) *Prior period amounts have been adjusted to reflect a reclassification amounting to $5.7 million for the year ended November 30, 2022 between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash. The Company also reassessed the presentation of certain acquisition accounts, leading to the reclassification of accounts that were previously reported as Accounts payable and accrued liabilities to Cash. Accordingly, adjustments amounting to $2.1 million for the first quarter of 2023 and $3.9 million for the second quarter of 2023 were made to prior period amounts.*

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

(in thousands $)	**Year ended November 30, 2023**	**Year ended November 30, 2022**
Income before taxes	109,985	96,170
Impairment charge – right-of-use assets	428	969
Impairment charge – property, plant and equipment and intangible assets	9,432	13,916
Income before taxes, excluding impairment charges and reversals [1]	119,845	111,055

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

System sales (1) to royalties

	Sales for the twelve months ended November 30, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales (1)	32.0	1,752.2	1,784.2	462.0	3,395.0	3,857.0	**5,641.2**
Franchise royalty income as a % of franchise sales	—	5.35%	—	—	5.09%	—	**N/A**
Royalties	—	93.7	—	—	172.8	—	**266.5**

	Sales for the twelve months ended November 30, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales (1)	29.4	1,604.6	1,634.0	90.0	2,527.2	2,617.2	**4,251.2**
Franchise royalty income as a % of franchise sales	—	5.23%	—	—	5.10%	—	**N/A**
Royalties	—	83.9	—	—	129.0	—	**212.9**

	Sales for the three months ended November 30, 2023						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales (1)	7.6	429.4	437.0	111.4	793.2	904.6	**1,341.6**
Franchise royalty income as a % of franchise sales	—	5.40%	—	—	5.12%	—	**N/A**
Royalties	—	23.2	—	—	40.6	—	**63.8**

	Sales for the three months ended November 30, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales (1)	8.0	430.1	438.1	74.3	694.1	768.4	**1,206.5**
Franchise royalty income as a % of franchise sales	—	5.28%	—	—	4.94%	—	**N/A**
Royalties	—	22.7	—	—	34.3	—	**57.0**

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

BRANDS BY CATEGORY

Quick service restaurant

America's Taco Shop
Blimpie
Built Custom Burgers
Buns Master
Café Dépôt
Cold Stone Creamery
Country Style
Cultures
Dagwoods Sandwiches and Salads
Extreme Pita
Frullati Café & Bakery
The Great Steak & Potato Company
Jugo Juice
Kahala Coffee Traders
Kim Chi
Koryo Korean Barbeque
Koya Japan
La Crémière
La Diperie
Manchu Wok
Maui Wowi
Mmmuffins
Mr. Souvlaki
Mr. Sub
Vanellis
Muffin Plus
NrGize Lifestyle Café
Papa Murphy's
Planet Smoothie
Ranch One
Rocky Mountain Chocolate Factory
Rollerz
SenseAsian
Sukiyaki
Surf City Squeeze
SweetFrog
Taco Time
Tasti D-Lite
TCBY
Tiki Ming
Valentine
Van Houtte
Vie & Nam
Villa Madina
Wasabi Grill & Noodle

Fast casual

Baja Fresh Mexican Grill
Big Smoke Burger
Grabbagreen
Küto Comptoir à Tartares
La Boite Verte
La Salsa Fresh Mexican Grill
Mucho Burrito
Pinkberry
Real Urban Barbecue
Samurai Sam's Teriyaki Grill
South Street Burger
Sushi Go
Sushi-Man
Sushi Shop
Thaï Express
ThaïZone
Timothy's World Coffee
Tosto Quickfire Pizza Pasta
Yuzu Sushi
O'Burger

Casual

Allô! Mon Coco
Bakers Square
Barrio Queen
Baton Rouge
Ben & Florentine
Casa Grecque
Champps
Craft Republic
Famous Dave's
Fox & Hound
Giorgio Ristorante
Granite City
Johnnie's New York Pizzeria
Madisons New York Grill & Bar
Toujours Mikes
Pizza Delight
Scores
Steak Frites St-Paul
Tahoe Joe's Steakhouse
COOP Wicked Chicken
The Counter Custom Burgers
The Works Gourmet Burger Bistro
Turtle Jack's Muskoka Grill
Tutti Frutti
Village Inn