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Condensed  
interim consolidated financial statements of  
**MTY Food Group Inc.**

For the three-month periods ended February 29, 2024 and February 28, 2023

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**MTY Food Group Inc.****Condensed interim consolidated statements of income**

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

	Notes	February 29, 2024	February 28, 2023
		\$	\$
<b>Revenue</b>	12 & 14	<b>278,644</b>	286,003
<b>Expenses</b>			
Operating expenses	13 & 14	<b>219,382</b>	223,140
Depreciation – property, plant and equipment and right-of-use assets		<b>14,660</b>	13,126
Amortization – intangible assets		<b>7,595</b>	8,936
Interest on long-term debt		<b>12,071</b>	13,457
Net interest expense on leases	6	<b>2,793</b>	2,452
Impairment charge – right-of-use assets	6	<b>114</b>	136
Impairment charge – property, plant and equipment and intangible assets	7	<b>2,220</b>	—
		<b>258,835</b>	261,247
<b>Other income (expenses)</b>			
Unrealized and realized foreign exchange gain (loss)		<b>513</b>	(3,907)
Interest income		<b>149</b>	191
Gain (loss) on de-recognition/lease modification of lease liabilities		<b>80</b>	(106)
Loss on disposal of property, plant and equipment		<b>(46)</b>	(1,127)
Revaluation of financial liabilities and derivatives recorded at fair value		<b>48</b>	(407)
Restructuring		<b>(487)</b>	—
Gain on extinguishment of debt		<b>131</b>	—
		<b>388</b>	(5,356)
<b>Income before taxes</b>		<b>20,197</b>	19,400
<b>Income tax expense</b>			
Current		<b>1,280</b>	2,489
Deferred		<b>1,527</b>	(1,582)
		<b>2,807</b>	907
<b>Net income</b>		<b>17,390</b>	18,493
<b>Net income attributable to:</b>			
<b>Owners</b>		<b>17,305</b>	18,387
<b>Non-controlling interests</b>		<b>85</b>	106
<b>Net income</b>		<b>17,390</b>	18,493
<b>Net income per share</b>	10		
Basic		<b>0.71</b>	0.75
Diluted		<b>0.71</b>	0.75

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

**MTY Food Group Inc.****Condensed interim consolidated statements of comprehensive income**

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	February 29, 2024	February 28, 2023
		\$	\$
<b>Net income</b>		<b>17,390</b>	18,493
<b>Other comprehensive (loss) income</b>			
<b>Items that may be reclassified subsequently to net income</b>			
<b>Translation adjustments</b>			
Unrealized (loss) gain on translation of foreign operations		(2,752)	9,984
<b>Cash flow hedges</b>			
Change in fair value of financial instruments	11	1,231	—
Gain realized on financial instruments transferred to earnings	11	(1,365)	—
<b>Deferred tax expense on foreign currency translation adjustments and cash flow hedges</b>		(330)	(918)
		(3,216)	9,066
<b>Total comprehensive income</b>		<b>14,174</b>	27,559
<b>Total comprehensive income attributable to:</b>			
<b>Owners</b>		<b>14,089</b>	27,453
<b>Non-controlling interests</b>		<b>85</b>	106
		<b>14,174</b>	27,559

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

# MTY Food Group Inc.

## Condensed interim consolidated statements of changes in shareholders' equity

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars)

(Unaudited)

	Reserves						Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves	Retained earnings			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>For the three months ended February 29, 2024</b>									
<b>Balance, beginning of period</b>	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
Net income	—	—	—	—	—	17,305	17,305	85	17,390
Other comprehensive loss	—	—	—	(3,216)	(3,216)	—	(3,216)	—	(3,216)
Total comprehensive income							14,089	85	14,174
Shares repurchased and cancelled (Note 9)	(879)	—	—	—	—	(2,676)	(3,555)	—	(3,555)
Dividends	—	—	—	—	—	(6,806)	(6,806)	(330)	(7,136)
Share-based compensation	—	—	181	—	181	—	181	—	181
<b>Balance, end of period</b>	<b>300,900</b>	<b>(850)</b>	<b>5,830</b>	<b>22,254</b>	<b>27,234</b>	<b>487,187</b>	<b>815,321</b>	<b>1,232</b>	<b>816,553</b>

	Reserves						Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves	Retained earnings			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>For the three months ended February 28, 2023</b>									
<b>Balance, beginning of period</b>	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income	—	—	—	—	—	18,387	18,387	106	18,493
Other comprehensive income	—	—	—	9,066	9,066	—	9,066	—	9,066
Total comprehensive income							27,453	106	27,559
Dividends	—	—	—	—	—	(6,103)	(6,103)	(50)	(6,153)
Share-based compensation	—	—	212	—	212	—	212	—	212
<b>Balance, end of period</b>	<b>302,781</b>	<b>(850)</b>	<b>5,069</b>	<b>22,832</b>	<b>27,051</b>	<b>415,138</b>	<b>744,970</b>	<b>1,274</b>	<b>746,244</b>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

# MTY Food Group Inc.

## Condensed interim consolidated statements of financial position

As at February 29, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

		February 29, 2024	November 30, 2023
	Notes	\$	\$
<b>Assets</b>			
Current assets			
Cash		50,574	58,895
Accounts receivable	5	78,702	82,998
Inventories		19,484	20,731
Assets held for sale		2,177	2,266
Current portion of loans and other receivables		889	924
Current portion of finance lease receivables	6	77,392	80,154
Income taxes receivable		14,269	12,543
Current portion of derivative assets	11	6,161	4,647
Other assets		5,841	3,824
Prepaid expenses and deposits		16,853	14,077
		<b>272,342</b>	<b>281,059</b>
Loans and other receivables			
Loans and other receivables		4,479	4,465
Finance lease receivables	6	243,772	253,552
Contract cost asset		7,307	7,324
Deferred income taxes		76	93
Derivative assets	11	3,286	3,242
Property, plant and equipment		112,880	112,801
Right-of-use assets	6	187,996	181,718
Intangible assets		1,107,150	1,116,577
Goodwill		718,742	719,187
		<b>2,658,030</b>	<b>2,680,018</b>
<b>Liabilities and Shareholders' equity</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		147,774	147,557
Provisions		4,262	4,656
Gift card and loyalty program liabilities		156,233	147,952
Current portion of deferred revenue and deposits		18,037	14,918
Current portion of long-term debt	8	9,036	10,428
Current portion of derivative liabilities	11	—	2,626
Current portion of lease liabilities	6	110,531	112,446
		<b>445,873</b>	<b>440,583</b>
Long-term debt			
Long-term debt	8	727,120	756,936
Lease liabilities	6	418,783	422,751
Deferred revenue and deposits		52,094	53,025
Deferred income taxes		197,221	193,618
Derivative liabilities	11	170	—
Other liabilities		216	216
		<b>1,841,477</b>	<b>1,867,129</b>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

**MTY Food Group Inc.****Condensed interim consolidated statements of financial position (continued)**

As at February 29, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

		<b>February 29, 2024</b>	November 30, 2023
	Notes	\$	\$
<b>Shareholders' equity</b>			
Equity attributable to owners			
Capital stock	9	<b>300,900</b>	301,779
Reserves		<b>27,234</b>	30,269
Retained earnings		<b>487,187</b>	479,364
		<b>815,321</b>	811,412
Equity attributable to non-controlling interests			
		<b>1,232</b>	1,477
		<b>816,553</b>	812,889
		<b>2,658,030</b>	2,680,018

Approved by the Board on April 11, 2024

\_\_\_\_\_, Director

\_\_\_\_\_, Director

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

**MTY Food Group Inc.****Condensed interim consolidated statements of cash flows**

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars)

(Unaudited)

		<b>February 29, 2024</b>	February 28, 2023
	Notes	\$	\$ <i>Restated</i> <sup>(1)</sup>
<b>Operating activities</b>			
Net income		<b>17,390</b>	18,493
Adjusting items:			
Interest on long-term debt		<b>12,071</b>	13,457
Net interest expense on leases	6	<b>2,793</b>	2,452
Depreciation – property, plant and equipment and right-of-use assets		<b>14,660</b>	13,126
Amortization – intangible assets		<b>7,595</b>	8,936
Impairment charge – property, plant and equipment	7	<b>880</b>	—
Impairment charge – right-of-use assets	6	<b>114</b>	136
Impairment charge – intangible assets	7	<b>1,340</b>	—
Unrealized foreign exchange (gain) loss		<b>(513)</b>	3,907
(Gain) loss on de-recognition/lease modification of lease liabilities		<b>(80)</b>	106
Loss on disposal of property, plant and equipment		<b>46</b>	1,127
Revaluation of financial liabilities and derivatives recorded at fair value		<b>(48)</b>	407
Gain on extinguishment of debt		<b>(131)</b>	—
Income tax expense		<b>2,807</b>	907
Share-based compensation		<b>181</b>	212
		<b>59,105</b>	63,266
Income taxes paid		<b>(2,992)</b>	(9,279)
Interest paid		<b>(12,348)</b>	(13,258)
Other		<b>(855)</b>	(3,122)
Changes in non-cash working capital items	15	<b>11,268</b>	(4,140)
Cash provided by operating activities		<b>54,178</b>	33,467
<b>Investing activities</b>			
Considerations on acquisitions		—	(298,365)
Cash acquired through acquisitions		—	9,349
Issuance of loans and other receivables		<b>36</b>	1,132
Additions to property, plant and equipment		<b>(7,011)</b>	(7,897)
Additions to intangible assets		<b>(298)</b>	(120)
Proceeds on disposal of property, plant and equipment		<b>564</b>	481
Cash used in investing activities		<b>(6,709)</b>	(295,420)

**MTY Food Group Inc.****Condensed interim consolidated statements of cash flows (continued)**

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars)

(Unaudited)

		<b>February 29, 2024</b>	February 28, 2023
	Notes	\$	\$
<b>Financing activities</b>			<i>Restated <sup>(1)</sup></i>
Issuance of long-term debt		—	304,211
Repayment of long-term debt		<b>(34,629)</b>	(29,602)
Net lease payments	6	<b>(10,511)</b>	(10,498)
Shares repurchased and cancelled	9	<b>(3,555)</b>	—
Dividends paid to non-controlling shareholders of subsidiaries		<b>(330)</b>	(50)
Dividends paid		<b>(6,806)</b>	(6,103)
Cash (used in) provided by financing activities		<b>(55,831)</b>	257,958
Net decrease in cash		<b>(8,362)</b>	(3,995)
Effect of foreign exchange rate changes on cash		<b>41</b>	3,237
Cash, beginning of period		<b>58,895</b>	59,479
<b>Cash, end of period</b>		<b>50,574</b>	58,721

<sup>(1)</sup> Prior year amounts have been adjusted to reflect a reclassification between cash flows provided by operating activities, cash flows used in investing activities and the effect of foreign exchange rate changes on cash.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.



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# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

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### 1. Description of the business

MTY Food Group Inc. (the “Company”) is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations as well as the sale of retail products under a multitude of banners. The Company also operates two distribution centers and two food processing plants, all of which are located in the province of Quebec.

The Company is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange (“TSX”). The Company’s head office is located at 8210 Trans-Canada Highway, Ville Saint-Laurent, Quebec.

### 2. Basis of preparation

The unaudited condensed interim consolidated financial statements (“financial statements”) have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for:

- share-based payment transactions, that are within the scope of International Financial Reporting Standards (“IFRS”) 2, Share-based Payment;
- leasing transactions, that are within the scope of IFRS 16, Leases; and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in International Accounting Standards (“IAS”) 2, Inventories, or value in use in IAS 36, Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand (\$000) except when otherwise indicated.

### Statement of compliance

The Company’s financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and apply the same accounting policies as those described in the Company’s annual consolidated financial statements for the year ended November 30, 2023, prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), with the exception of:

- IAS 8 as disclosed in Note 3 to these financial statements; and
- IAS 12 as disclosed in Note 3 to these financial statements.

These financial statements do not include all the information required under IFRS for complete financial statements and should therefore be read in conjunction with the Company’s annual consolidated financial statements for the year ended November 30, 2023.

The financial statements were authorized for issue by the Board of Directors on April 11, 2024.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 2. Basis of preparation (continued)

#### 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 United States ("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.

### 3. Changes in accounting policies

#### 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 new definition. 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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

#### 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 were adopted effective December 1, 2023 and resulted in no significant adjustment.

### 4. 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 three-month period ended February 29, 2024 and have not been applied in preparing these financial statements.

The following amendments may have a material impact on the 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
IFRS 16, Leases	September 2022	December 1, 2024	In assessment
IAS 21, The Effects of Changes in Foreign Exchange Rates	August 2023	December 1, 2025	In assessment

**4. Future accounting changes (continued)****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.

**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.

**IAS 21, The Effects of Changes in Foreign Exchange Rates**

In August 2023, the IASB published *Lack of Exchangeability (Amendments to IAS 21)*. The amendments specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and require the disclosure of additional information when a currency is not exchangeable. The amendments to IAS 21 are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company will adopt the amendments on December 1, 2025.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 5. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related credit loss allowance.

	February 29, 2024	November 30, 2023
	\$	\$
Total accounts receivable	87,994	91,861
Less: Allowance for credit losses	9,292	8,863
Total accounts receivable, net	<b>78,702</b>	82,998
Of which:		
Not past due	61,667	71,121
Past due for more than one day but no more than 30 days	5,888	2,118
Past due for more than 31 days but no more than 60 days	2,020	2,175
Past due for more than 61 days	9,127	7,584
Total accounts receivable, net	<b>78,702</b>	82,998

### 6. Leases

Leases as a lessee relate primarily to leases of premises in relation to the Company's operations and its corporate store locations. For many of the leases related to its franchised locations, the Company is on the head lease of the premises and a corresponding sublease contract was entered into between the Company and its unrelated franchisee. The sublease contract is substantially based on the same terms and conditions as the head lease.

Leases and subleases typically have terms ranging between five and 10 years at inception. The Company has options to purchase the premises on some of its leases.

#### Right-of-use assets

The following table provides the net carrying amounts of the right-of-use assets by class of underlying asset and the changes in the three-month period ended February 29, 2024:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2023	170,390	10,447	881	<b>181,718</b>
Additions	8,008	—	121	<b>8,129</b>
Depreciation expense	(8,526)	(322)	(126)	<b>(8,974)</b>
Impairment charge	(114)	—	—	<b>(114)</b>
De-recognition/lease modification of lease liabilities	8,015	(698)	(9)	<b>7,308</b>
Foreign exchange	(66)	(4)	(1)	<b>(71)</b>
<b>Balance as at February 29, 2024</b>	<b>177,707</b>	<b>9,423</b>	<b>866</b>	<b>187,996</b>

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 6. Leases (continued)

#### Finance lease receivables

The following table provides the carrying amount of the finance lease receivables and the changes in the three-month period ended February 29, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	333,706
Additions	3,890
Lease renewals and modifications	8,518
Lease terminations	(4,520)
Other adjustments	(331)
Interest income <sup>(1)</sup>	3,129
Receipts	(23,118)
Foreign exchange	(110)
<b>Balance as at February 29, 2024</b>	<b>321,164</b>

<sup>(1)</sup> During the three-month period ended February 28, 2023, the Company recorded interest income on finance lease receivables of \$2,646.

Recorded in the condensed interim consolidated statements of financial position as follows:

	<u>Finance lease receivables</u>
	\$
Current portion	80,154
Long-term portion	253,552
November 30, 2023	333,706
<b>Current portion</b>	<b>77,392</b>
<b>Long-term portion</b>	<b>243,772</b>
<b>February 29, 2024</b>	<b>321,164</b>

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 6. Leases (continued)

#### Lease liabilities

The following table provides the carrying amount of the lease liabilities and the changes in the three-month period ended February 29, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	535,197
Additions	7,310
Lease renewals and modifications	18,825
Lease terminations	(3,013)
Other adjustments	(1,119)
Interest expense <sup>(1)</sup>	5,922
Payments	(33,629)
Foreign exchange	(179)
<b>Balance as at February 29, 2024</b>	<b>529,314</b>

<sup>(1)</sup> During the three-month period ended February 28, 2023, the Company recorded interest expense on lease liabilities of \$5,098.

Recorded in the condensed interim consolidated statements of financial position as follows:

	<u>Lease liabilities</u>
	\$
Current portion	112,446
Long-term portion	422,751
November 30, 2023	535,197
<b>Current portion</b>	<b>110,531</b>
<b>Long-term portion</b>	<b>418,783</b>
<b>February 29, 2024</b>	<b>529,314</b>

### 7. Impairment charge – property, plant and equipment and intangible assets

The Company performed its quarterly impairment indicator test to identify if any property, plant and equipment or intangible assets were potentially at risk for impairment. Based on the results obtained, the Company recorded \$880 (2023 – nil) of impairment losses on its property, plant and equipment for three brands in the US & International geographical segments. Additionally, the Company recorded an impairment loss of \$1,340 (2023 – nil) on one brand in the Canada geographical segment related to its trademark. The total of \$2,220 (2023 – nil) of impairment charges on its property, plant and equipment and intangible assets for the three-month period ended February 29, 2024 has been recognized in the condensed interim consolidated statements of income.

Impairment charges were based on the amount by which the carrying values of the assets exceeded the recoverable amounts, determined using expected discounted projected operating cash flows.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 8. Long-term debt

	February 29, 2024	November 30, 2023
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	77	1,375
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc. <sup>(1)</sup>	611	600
Fair value of non-controlling interest option in 9974644 Canada Inc. <sup>(2)</sup>	2,129	2,288
Fair value of obligation to repurchase 11554891 Canada Inc. partner <sup>(3)</sup>	7,179	7,179
Revolving credit facility payable to a syndicate of lenders <sup>(4)</sup>	727,759	757,759
Credit facility financing costs	(1,599)	(1,837)
	<b>736,156</b>	<b>767,364</b>
Less: Current portion	<b>(9,036)</b>	<b>(10,428)</b>
	<b>727,120</b>	<b>756,936</b>

<sup>(1)</sup> The contingent considerations for the acquisition of Küto Comptoir à Tartares (payable November 2024) and 70% interest in 11554891 Canada Inc. (payable within the next 12 months) were subject to earn-out provisions and the calculations have now been finalized.

<sup>(2)</sup> Payable on demand.

<sup>(3)</sup> Payable on demand, with a maximum maturity date of December 2024.

<sup>(4)</sup> Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility was extended on March 15, 2024 for a period of 3 years with a new maturity date of March 15, 2027 and must be repaid in full at that time. The revolving credit facility has an authorized amount of \$900,000 (November 30, 2023 – \$900,000). As at February 29, 2024, the Company had drawn US\$536,300 (November 30, 2023 – US\$558,023) and has elected to pay interest based on the Secured Overnight Financing Rate (“SOFR”) plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate and the Canadian Overnight Repo Rate Average, and SOFR plus an applicable margin that will vary depending on the type of advances. The Company pays a commitment fee on the available unused credit facility.

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

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

As at February 29, 2024, the Company was in compliance with its financial covenants.

### 9. Capital stock

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 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-month period ended February 29, 2024, the Company repurchased and cancelled a total of 70,800 common shares (2023 – nil) under the current NCIB, at a weighted average price of \$50.20 per common share (2023 – nil), for a total consideration of \$3,555 (2023 – nil). An excess of \$2,676 (2023 – nil) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.



# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 10. Net income per share

The following table provides the weighted average number of common shares used in the calculation of basic income per share and used for the purpose of diluted income per share:

	February 29, 2024	February 28, 2023
Weighted daily average number of common shares – basic	24,306,150	24,413,461
Assumed exercise of stock options <sup>(1)</sup>	29,346	84,260
Weighted daily average number of common shares – diluted	24,335,496	24,497,721

<sup>(1)</sup> The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options for the three-month period ended February 29, 2024 was 40,000 (2023 – 13,334).

### 11. 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.

#### *Fair value of recognized financial instruments*

#### **Swaps**

##### Cross currency interest rate swaps

On February 28, 2024, the Company entered into one floating to floating 1-month cross currency interest rate swap (November 30, 2023 – one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap). A derivative asset fair value of \$1,665 was recorded as at February 29, 2024 (November 30, 2023 – derivative liability of \$2,626) in current portion of derivative in the condensed interim consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	February 29, 2024	November 30, 2023	
	1-month	3-month	2-month
Receive – Notional	US\$194,300	US\$51,114	US\$142,909
Receive – Rate	7.43%	7.14%	7.14%
Pay – Notional	CA\$262,000	CA\$70,000	CA\$196,000
Pay – Rate	7.04%	6.66%	6.59%

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 11. Financial instruments (continued)

*Fair value of recognized financial instruments (continued)*

#### 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\$200,000. 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 \$6,437 was recorded as at February 29, 2024 (November 30, 2023 – \$6,617). 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 loss of \$134 was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three-month period ended February 29, 2024 (2023 – nil).

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap for a notional amount of US\$100,000. 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 \$1,345 was recorded as at February 29, 2024 (November 30, 2023 – \$1,272). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$73 was recorded in the Company's condensed interim consolidated statement of income for the three-month period ended February 29, 2024 (2023 – nil).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$50,000. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will receive 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between current rate and 2.95%. A derivative liability of \$170 was recorded as at February 29, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement loss of \$173 was recorded in the Company's condensed interim consolidated statement of income for the three-month period ended February 29, 2024 (2023 – nil).

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

	Cross currency interest rate swaps	3-year SOFR fixed interest rate swap US\$200,000	2-year SOFR fixed interest rate swap US\$100,000	3-year SOFR fixed interest rate swap US\$50,000	Total
	\$	\$	\$	\$	\$
Current portion of derivative assets	1,665	4,496	—	—	6,161
Long-term portion of derivative assets	—	1,941	1,345	—	3,286
Long-term portion of derivative liabilities	—	—	—	(170)	(170)
<b>February 29, 2024</b>	<b>1,665</b>	<b>6,437</b>	<b>1,345</b>	<b>(170)</b>	<b>9,277</b>

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 11. Financial instruments (continued)

*Fair value of recognized financial instruments (continued)*

#### 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:

	<b>2024</b>
	<b>\$</b>
Financial liabilities classified as level 3 as at November 30, 2023	10,067
Revaluation of financial liabilities recorded at fair value	<b>(148)</b>
<b>Financial liabilities classified as level 3 as at February 29, 2024</b>	<b>9,919</b>

As at February 29, 2024 and November 30, 2023, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

	February 29, 2024	November 30, 2023
	\$	\$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	611	600
Non-controlling interest buyback option	2,129	2,288
Obligation to repurchase 11554891 Canada Inc. partner	7,179	7,179
<b>Financial liabilities classified as level 3</b>	<b>9,919</b>	<b>10,067</b>

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 February 29, 2024 and November 30, 2023. 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.

	February 29, 2024		November 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and other receivables	5,368	5,368	5,389	5,389
Finance lease receivables	321,164	321,164	333,706	333,706
Financial liabilities				
Long-term debt <sup>(1)</sup>	727,836	727,836	759,134	759,134

<sup>(1)</sup> 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.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 11. Financial instruments (continued)

#### *Determination of fair value*

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.

### 12. Revenue

	Three months ended					
	February 29, 2024			February 28, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Royalties	21,381	40,983	62,364	22,680	41,338	64,018
Franchise and transfer fees	1,461	2,144	3,605	1,398	1,483	2,881
Retail, food processing and distribution revenues	34,820	532	35,352	37,959	1,180	39,139
Sale of goods, including construction revenue	9,718	113,138	122,856	10,378	115,350	125,728
Gift card breakage income	173	2,042	2,215	172	1,543	1,715
Promotional funds	10,371	18,812	29,183	10,617	18,627	29,244
Other franchising revenue	9,642	8,846	18,488	9,623	7,830	17,453
Other	1,084	3,497	4,581	1,030	4,795	5,825
	<b>88,650</b>	<b>189,994</b>	<b>278,644</b>	<b>93,857</b>	<b>192,146</b>	<b>286,003</b>

**MTY Food Group Inc.****Notes to the condensed interim consolidated financial statements**

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

**13. Operating expenses**

	Three months ended					
	February 29, 2024			February 28, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	5,139	35,442	40,581	4,959	38,278	43,237
Retail, food processing and distribution costs	31,510	97	31,607	34,022	76	34,098
Wages and benefits	15,678	58,538	74,216	14,927	58,522	73,449
Other corporate store expenses	755	14,665	15,420	626	14,174	14,800
Consulting and professional fees	2,146	2,883	5,029	1,834	2,703	4,537
Insurance and taxes	472	1,867	2,339	490	1,670	2,160
Utilities, repairs and maintenance	417	5,500	5,917	559	6,182	6,741
Advertising, travel, meals and entertainment	1,161	3,450	4,611	1,101	3,466	4,567
Gift cards – related costs	—	3,589	3,589	—	2,388	2,388
Royalties	17	1,779	1,796	5	1,723	1,728
Promotional funds <sup>(1)</sup>	10,371	18,812	29,183	10,617	18,627	29,244
Impairment for expected credit losses	931	2	933	407	271	678
Other <sup>(2)</sup>	1,411	2,750	4,161	1,899	3,614	5,513
	<b>70,008</b>	<b>149,374</b>	<b>219,382</b>	<b>71,446</b>	<b>151,694</b>	<b>223,140</b>

<sup>(1)</sup> Promotional fund expenses include wages and benefits.<sup>(2)</sup> Other operating expenses are comprised mainly of other office administration expenses.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 14. Segmented information

Management monitors and evaluates results of the Company 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; processing, distribution and retail; and promotional fund revenues and expenses. This information is disclosed below.

Below is a summary of each geographical and operating segment's performance for the three-month period ended February 29, 2024.

	CANADA					US & INTERNATIONAL							
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	35,150	8,434	35,122	10,371	(427)	88,650	57,422	113,399	533	18,812	(172)	189,994	278,644
Operating expenses	19,453	8,937	31,765	10,371	(518)	70,008	30,070	100,476	97	18,812	(81)	149,374	219,382
Segment profit (loss)	15,697	(503)	3,357	—	91	18,642	27,352	12,923	436	—	(91)	40,620	59,262

Below is a summary of each geographical and operating segment's performance for the three-month period ended February 28, 2023.

	CANADA					US & INTERNATIONAL							
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	37,806	7,618	38,162	10,618	(347)	93,857	57,792	114,906	1,180	18,627	(359)	192,146	286,003
Operating expenses	19,373	7,830	34,061	10,618	(436)	71,446	29,944	103,317	76	18,627	(270)	151,694	223,140
Segment profit (loss)	18,433	(212)	4,101	—	89	22,411	27,848	11,589	1,104	—	(89)	40,452	62,863

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the three-month periods ended February 29, 2024 and February 28, 2023

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

### 15. Condensed interim consolidated statement of cash flows

Changes in non-cash operating activities are as follows:

	<b>February 29, 2024</b>	February 28, 2023
	\$	\$
		<i>Restated <sup>(1)</sup></i>
Accounts receivable	4,362	(4,914)
Inventories	1,211	533
Other assets	(2,021)	(1,169)
Prepaid expenses and deposits	(2,753)	(1,249)
Accounts payable and accrued liabilities	343	(10,813)
Provisions	(387)	1,484
Gift card and loyalty program liabilities	8,306	8,944
Deferred revenue and deposits	2,207	3,044
	<b>11,268</b>	<b>(4,140)</b>

<sup>(1)</sup> Prior year amounts have been adjusted to reflect a reclassification between cash flows provided by operating activities, cash flows used in investing activities and the effect of foreign exchange rate changes on cash.

Non-cash items amounting to \$368 (2023 – \$1,467) are included in proceeds on disposal of property, plant and equipment related to commitments made as part of the disposal of a portfolio of corporately-owned locations in the US segment.