



GROUPE
MTY
GROUP

OUR VALUE PROPOSITION
NEVER TASTED
BETTER

2023 ANNUAL REPORT





OUR VALUE PROPOSITION NEVER TASTED BETTER

MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 90 different banners in Canada, the US and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 7,116 locations, the many flavours of the MTY Group hold the key to responding to the different tastes and needs of today's consumers as well as those of tomorrow.







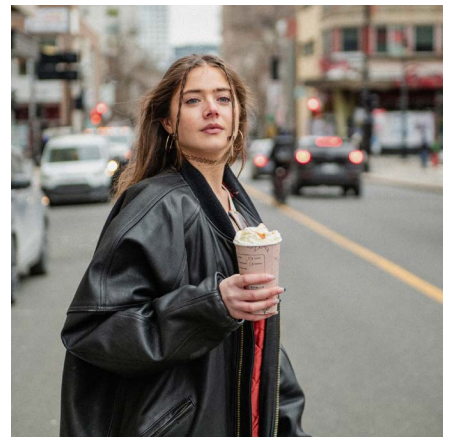
7,116

LOCATIONS BY TYPE⁽¹⁾

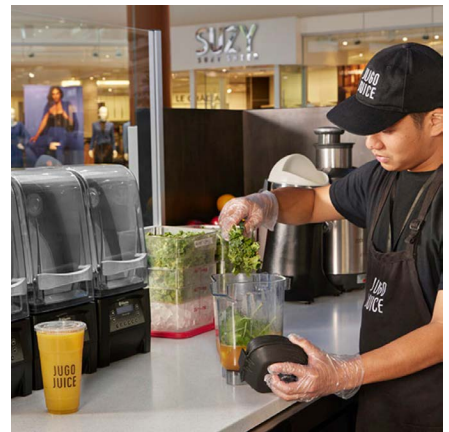
63%
STREET FRONT



21%
NON-TRADITIONAL
FORMAT



16%
SHOPPING MALL & OFFICE
TOWER FOOD COURT



(1) Locations as at November 30, 2023.



\$104.1M

**NET INCOME
ATTRIBUTABLE TO OWNERS**



\$271.9M

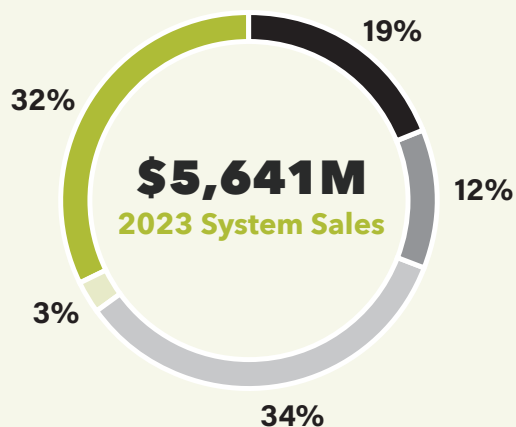
**NORMALIZED
ADJUSTED EBITDA⁽¹⁾**



\$184.6M

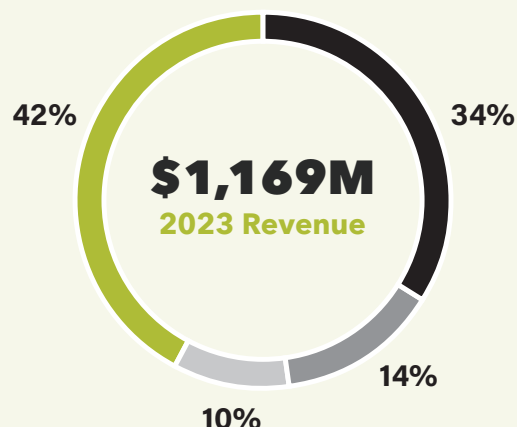
**CASH FLOWS FROM
OPERATIONS**

SYSTEM SALES⁽²⁾ BY GEOGRAPHY



- Canada
- Central US
- East Coast US
- West Coast US
- International

REVENUE⁽³⁾ BY PRODUCT



- Corporate stores
- Franchise operation
- Food processing, distribution & retail
- Promotional funds

(1) This is a non-GAAP measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.

(2) This is a supplementary financial measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.

(3) In % of fiscal 2023 revenue, excluding intercos.





FY 2023 HIGHLIGHTS

RECORD FINANCIAL RESULTS

- System sales⁽¹⁾ of \$5.6 billion
- Normalized adjusted EBITDA⁽²⁾ of \$271.9 million
- Cash flows from operations of \$184.6 million

CAPITAL ALLOCATION

- Long-term debt payments of \$110.4 million
- Dividend payments of \$24.4 million
- Share repurchases of \$4.2 million
- Capital expenditures and intangible assets of \$32.2 million

FINANCIAL POSITION

- Net debt to normalized adjusted EBITDA ratio⁽³⁾ of 2.8X
- Cash on hand of \$58.9 million
- Available credit of \$142.2 million

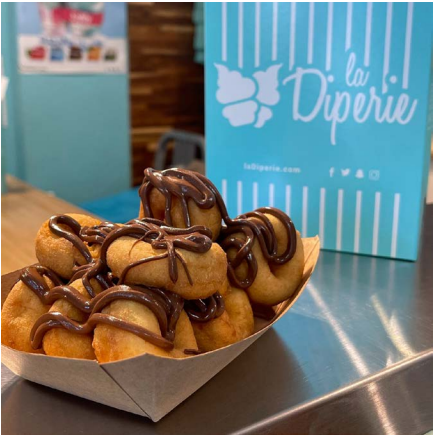
DIVIDEND PAYMENT

- Following the year-end, the Company announced a 12% hike to its quarterly dividend payment, increasing from \$0.25 to \$0.28 per common share. The \$0.28 per share dividend was paid on February 15, 2024, to shareholders of record.

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(3) This is a non-GAAP ratio. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.



5-YEAR HIGHLIGHTS

For the years ended November 30

(in thousands of Canadian \$, except where indicated)

	2023	2022	2021	2020	2019
OPERATING RESULTS					
Revenue	1,169,334	716,522	551,903	511,117	550,942
Normalized adjusted EBITDA ⁽¹⁾	271,904	187,352	168,622	137,819	151,662
Income (loss) before taxes	109,985	96,170	112,072	(51,949)	97,997
Net income (loss) attributable to owners	104,082	74,817	85,639	(37,108)	77,675
Total comprehensive income (loss) attributable to owners	115,786	109,903	77,673	(49,726)	76,489
Earnings per share – basic (\$ per share)	4.26	3.06	3.47	(1.50)	3.09
Earnings per share – diluted (\$ per share)	4.25	3.06	3.46	(1.50)	3.08
Weighted daily average number of common shares (in 000s of shares)	24,409	24,440	24,705	24,755	25,145
Weighted average number of diluted common shares (in 000s of shares)	24,478	24,466	24,745	24,755	25,186
Number of shares outstanding (in 000s of shares)	24,333	24,413	24,670	24,706	25,071
NETWORK METRICS					
System sales ⁽²⁾	5,641,200	4,251,200	3,631,300	3,459,100	3,619,800
Digital sales ⁽²⁾	1,027,400	820,300	803,600	636,400	199,200
Number of locations (#)	7,116	6,788	6,719	7,001	7,373
CASH FLOW					
Cash flows from operations ⁽⁴⁾	184,586	148,481	139,299	133,652	112,951
Cash flows from operations per diluted share (\$ per share) ^(2,4)	7.54	6.07	5.63	5.40	4.48
Dividends paid on common stock	24,407	20,518	9,141	4,633	16,713
Dividends per common share (\$ per share)	1.00	0.84	0.37	0.185	0.66
Shares repurchased and cancelled	4,167	14,618	2,184	18,866	5,227
Number of shares repurchased and cancelled (#)	80,800	256,400	36,600	364,774	98,543
BALANCE SHEET					
Cash	58,895	59,479	61,231	44,302	50,737
Total assets	2,680,018	2,325,303	1,904,594	2,013,697	1,648,801
Long-term debt, including current portion	767,364	560,959	360,728	460,542	540,650
Shareholders' equity	812,889	724,626	648,898	582,514	665,480
TRADING DATA ON COMMON SHARES					
Close (\$ per share)	51.50	61.25	55.19	51.65	55.92
52-week high (\$ per share)	73.50	63.96	72.10	62.82	71.86
52-week low (\$ per share)	49.91	45.20	47.15	14.23	51.61
Market capitalization (in millions \$ per share)	1,253	1,495	1,362	1,276	1,402

(1) This is a non-GAAP measure. Please refer to section "Definition of non-GAAP measures" found in the Supplemental Information section of Management's Discussion and Analysis.

(2) This is a supplementary financial measure. Please refer to section "Definition of supplementary financial measures" found in the Supplemental Information section of Management's Discussion and Analysis.

(3) This is a non-GAAP ratio. Please refer to section "Definition of non-GAAP ratios" found in the Supplemental Information section of Management's Discussion and Analysis.

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



Dear Fellow Shareholders,

During the last decade, MTY has made 27 acquisitions totaling over \$1.7 billion, bringing the number of locations over 7,000, spread over 91 brands. Over the years, we have become one of the largest franchisors and operators of restaurant concepts in North America.

MESSAGE FROM ÉRIC LEFEBVRE

In 2023, our recent acquisitions helped lift system sales⁽¹⁾ 33% to a record \$5.6 billion. Organic growth contributed to this performance with a 4% increase year-over-year, reflecting the health of the network's royalty-generating capacity. The overall effect resulted in unprecedented normalized adjusted EBITDA⁽²⁾ of \$279.1 million in 2023. Cash flows from operations followed suit with \$184.6 million generated during the past year. As a result, our dual growth strategy, leveraging strategic acquisitions and organic growth, largely enabled us to overcome uncertain market conditions and inflationary pressure in 2023.

The industry we operate in faced numerous challenges during the last three years, ranging from government-imposed restrictions on operations, construction and supply chain issues, delays to secure building permits and schedule inspections, labour costs and availability, increased cost of financing, etc. All these factors have applied considerable pressure on our network. Nevertheless, I am proud to report that we opened 330 locations in 2023, including successive record quarters for the number of openings in the third and fourth quarter. The last nine months have been encouraging, as we ramped up the number of openings while gradually reducing the number of closures. Equally important, the pipeline for future store openings remains robust for 2024.

During the past year, we have witnessed heightened price sensitivity on the part of consumers. They have become more demanding for their hard-earned dollars in a volatile environment. Price increases have resulted in higher expectations, pushing our brands to elevate their game to remain relevant in the marketplace. Creativity, innovation and execution will be critical for MTY to continue enhancing its value proposition.

We will also continue our efforts to leverage digital marketing, online ordering, website performance and data analytics. Digital sales grew 25% year-over-year to \$1.0 billion in 2023, representing a 5% increase excluding acquisitions and foreign exchange impact.

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There is still a lot of work to accomplish, but we are taking steps to make the customer experience as seamless and engaging as possible, so that growth momentum continues in the future.

We continue to believe in the significance of our food processing, distribution and retail sales segment. Grocers and food retailers faced challenges in Canada during 2023, but we managed to increase our presence with 190 products listed compared to 183 in 2022. Although this segment has lower margins than our franchise segment, it provides customers with another distribution channel to appreciate the value we offer and enables us to capture a larger part of their food dollars. Sales were slightly down year-over-year for this segment, but we believe in the new innovations we have lined up and hope to build long-term growth both in Canada and the U.S.

Looking ahead to fiscal 2024, we believe MTY is on a solid foundation to address challenges it might have to face. The macro environment demands a focus on immediate execution, but we are not losing sight of our long-term goals. We have plans to work on business efficiency improvements which will take many forms. From consolidation of business units to deploying a new ERP system across the organization, we will systematically review every part of our business to make sure we optimize all the resources available to us. MTY has prospered over the last four decades because of its strong entrepreneurial culture, its agility, and its result-driven approach. This heritage is critical to us, and although the business environment in which we operate is ever evolving, we continue to put significant efforts towards maintaining the same attributes so we prosper for many more decades to come.

It should be noted that our Board of Directors recently approved a 12% increase in our quarterly dividend to \$0.28 per common share, reflecting its confidence in MTY's ability to generate strong cash flows from operations in the future.

Following a period of high growth, marked by large-scale acquisitions, we remain fully committed to creating shareholder value. Rest assured that we will continue seeking the most accretive acquisitions and investing in organic growth, while protecting our financial position.

In closing, I want to thank all our stakeholders including our guests, and the communities in which we operate, as well as our employees, franchise partners, shareholders, and dedicated Board members for their continued support.



Éric Lefebvre

President and Chief Executive Officer

In 2023, our recent acquisitions helped lift system sales 33% to a record \$5.6 billion. Organic growth contributed to this performance with a 4% increase year-over-year, reflecting the health of the network's royalty-generating capacity.



SUSTAINABILITY REPORT UPDATE

We are pleased to provide a glimpse of our Sustainability Report Update that was published in July 2023. The report, which has been approved by MTY's Board of Directors, summarizes the progress we made in fiscal 2022 against commitments outlined in our inaugural report.

FOOD PLANET PEOPLE

This progress report presents data about our actions to source responsibly, improve the quality of our food, reduce our impact on the environment, and make a positive impact on communities.

We are proud of our achievements in these areas and excited to share our developments. We recognize that we have more work to do and are committed towards taking the next steps to improve the well-being of our food, our planet and our people.

The information presented in the report is aligned with the United Nations' Sustainable Development Goals (SDGs). These SDGs are a global call to action to end poverty, protect the planet and improve the lives and prospects for all. This agenda for sustainable development was developed in 2015 by the UN and contains 17 goals.

We selected the SDGs towards which we have the largest impact, and which complement the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) standards that we reported on in our previous report.

The following pages feature a sampling of achievements according to our pillars of Food, Planet and People.

To view the complete MTY Sustainability Report, please visit <https://mtygroup.com/en/sustainability/>



OUR FOOD IMPACT OVERVIEW

When sourcing food for our restaurants, we strive to find a balance between quality, price, availability and sustainability. Below are a few examples of our contracted products that meet all these criteria.



PURCHASED MORE THAN
1.2 MM LBS
OF RAISED WITHOUT
ANTIBIOTICS DELI-MEATS



ALMOST
800,000 LBS
OF SEAFOOD PURCHASED
RAISED UNDER BEST AGRICULTURAL
PRACTICES (BAP) PROTOCOL

PURCHASED

34.4 MM LBS
OF PROTEIN FROM VENDORS
WITH ANIMAL WELFARE POLICES



NEARLY
18 MM LBS
OF CHICKEN SOURCED WERE LOCAL*



OVER
320,000 LBS
OF FRESH, NEVER FROZEN GROUND BEEF
RAISED WITHOUT ANTIBIOTICS

100%

OF OUR CONTRACTED CANNED TUNA
IS MARINE STEWARDSHIP COUNCIL
CERTIFIED (MSC)



100%
OF OUR CONTRACTED FROZEN TUNA
IS LINE-CAUGHT USING CIRCLE HOOKS,
PREVENTING BY-CATCH



PURCHASED OVER
1 MM LBS
OF PORK RIBS RAISED NATURALLY
WITHOUT HORMONES OR STEROIDS

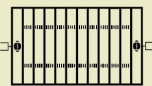
*Restaurants located in Canada purchased chicken in Canada. Restaurants in the US purchased chicken in US.

OUR PLANET IMPACT OVERVIEW



22%

OF OUR CORPORATELY LEASED OR OWNED CLASS 1 & 2 VEHICLES ARE EITHER **ELECTRIC OR HYBRID CARS**



DIVERTED

16 MM+

PLASTIC STRAWS¹ FROM OUR CANADIAN RESTAURANTS, EQUIVALENT TO 30,485 US FOOTBALL FIELDS

DIVERTED
195,142 LBS

IN PLACEMATS IN OUR CANADIAN RESTAURANTS TO REUSABLE OR DIGITAL MENUS, WHICH IS EQUIVALENT TO SAVING:



4,040,000 GALLONS
OF WATER (OR 2,920 LOADS OF LAUNDRY)**



1,880,000 LBS
OF CO² (OR EMISSIONS FROM 171 CARS/YEAR)**



WOOD FROM **1220 TREES****



DIVERTED MORE THAN
500,000 LBS

OF HARD TO RECYCLE PLASTIC CONTAINERS



18 MM +
OF PLASTIC UTENSILS



4.5 MM
OF PLASTIC TAKE-OUT BAGS

FROM OUR CANADIAN LANDFILL AND REPLACED WITH 100% RECYCLABLE, COMPOSTABLE OR REUSABLE OPTIONS

¹ 16MM+ straws lined up end to end is equivalent to the length of 30,485 football fields.

**Environmental impact estimates were made using the Environmental Paper Network Paper Calculator Version 4.0. For more information visit www.papercalculator.org.

OUR PEOPLE IMPACT OVERVIEW



LOGGED

575 HOURS

OF VOLUNTEER WORK FROM OUR HEAD OFFICE STAFF



PARTICIPATED IN

447

COMMUNITY EVENTS



DONATED MORE THAN

\$1,000,000*

IN SPONSORSHIPS THROUGH LOCAL COMMUNITY FUNDRAISERS



8,155

USERS ACCESSED THE LEARNING HUB¹ IN 2022



100

FRANCHISEES GRADUATED FROM MTYU² IN 2022



EMPLOYEES COMPLETED

12,909

SECURITY AWARENESS COURSES



CONTRIBUTED ALMOST

\$420,000

IN CONTINUED EDUCATION AND TRAINING FOR OUR EMPLOYEES



DONATED

7,404

MEALS

*Combined, documented fundraising efforts (excluding food donations). Amount reported is in Canadian funds, using an exchange rate calculator of 1 USD = 1.33856 CAD.

¹ The MTY Learning HUB is a one-stop online learning resource center where franchisees can access just-in-time e-learning, videos, and communications. We also have a similar resource center in the US.

² MTY University (MTYU) is a virtual classroom training curriculum that complements in-store practical, hands-on training. MTYU is a 5-day online restaurant management training for new franchisees, restaurant managers and operations teams. We also have a similar training program in the US.



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.



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 Crémère, Panini Pizza Pasta, Villa Madina, Cultures, Thai 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, ThaiZone, 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, Kûto 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, Champpps, Wetzels Pretzels, Twisted by Wetzels, Sauce Pizza and Wine, Spice Bros¹ 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
		<i>Restated ⁽¹⁾</i>
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

	Year ended November 30, 2023	Year ended November 30, 2022
(In thousands \$, except per share amounts)		
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

<i>(In thousands \$, except per share information)</i>	Quarters ended							
	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

<i>(In thousands \$, except system sales, # of locations and per share information)</i>	Quarters ended							
	February	May	August	November	February	May	August	November
	2022	2022	2022	2022	2023	2023	2023	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	November 30, 2022	Variation
		(\$ millions)	(\$ millions)	
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:

	<i>(In millions \$)</i>
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:

	<i>(In millions \$)</i>
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	November 30, 2022	Variation
		(\$ millions)	(\$ millions)	
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:

	<i>(In millions \$)</i>
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:

	<i>(In millions \$)</i>
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			
<i>(In millions \$)</i>	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			
<i>(In millions \$)</i>	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						
<i>(In millions \$)</i>	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

<i>(In millions \$)</i>	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:

<i>(In millions \$)</i>	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⁾

<i>(In thousands \$)</i>	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	November 30, 2022	Variation
		(\$ millions)	(\$ millions)	
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%

Canada revenue analysis:

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

	<i>(In millions \$)</i>
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:

	<i>(In millions \$)</i>
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	November 30, 2022	Variation
		(\$ millions)	(\$ millions)	
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:

	<i>(In millions \$)</i>
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)
<u>Operating expenses, fourth quarter of 2023</u>	<u>22.8</u>

⁽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:

	<i>(In millions \$)</i>
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
<u>Operating expenses, fourth quarter of 2023</u>	<u>29.3</u>

⁽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			
<i>(In millions \$)</i>	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			
<i>(In millions \$)</i>	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						
<i>(In millions \$)</i>	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

<i>(In millions \$)</i>	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:

<i>(In millions \$)</i>	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 Wetzels 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⁾

<i>(In thousands \$)</i>	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	6 – 12	12 – 24	24 – 36	36 – 48	48 – 60	Thereafter
	Months	Months	Months	Months	Months	Months	
	\$	\$	\$	\$	\$	\$	\$
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, Wetzels 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

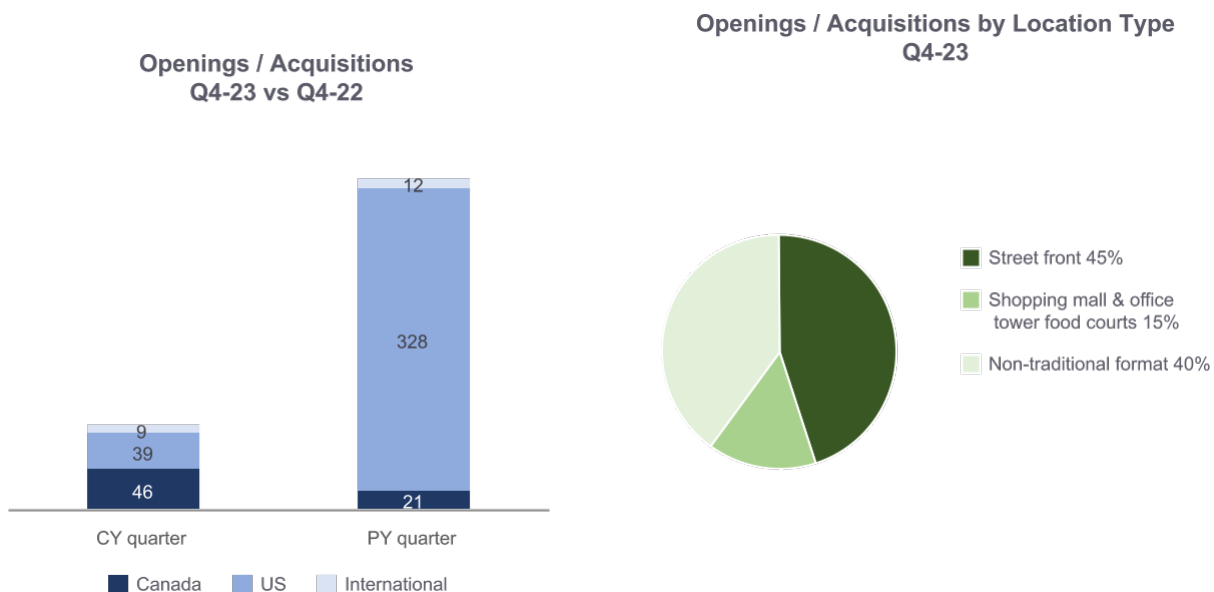
	Three months ended November 30,		Twelve months ended November 30,	
	2023	2022	2023	2022
Franchises, beginning of the period	6,895	6,516	6,589	6,603
Corporate-owned, beginning of the period				
Canada	43	41	41	42
US	181	49	158	51
Joint venture ⁽¹⁾	—	—	—	23
Total, beginning of the period	7,119	6,606	6,788	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.

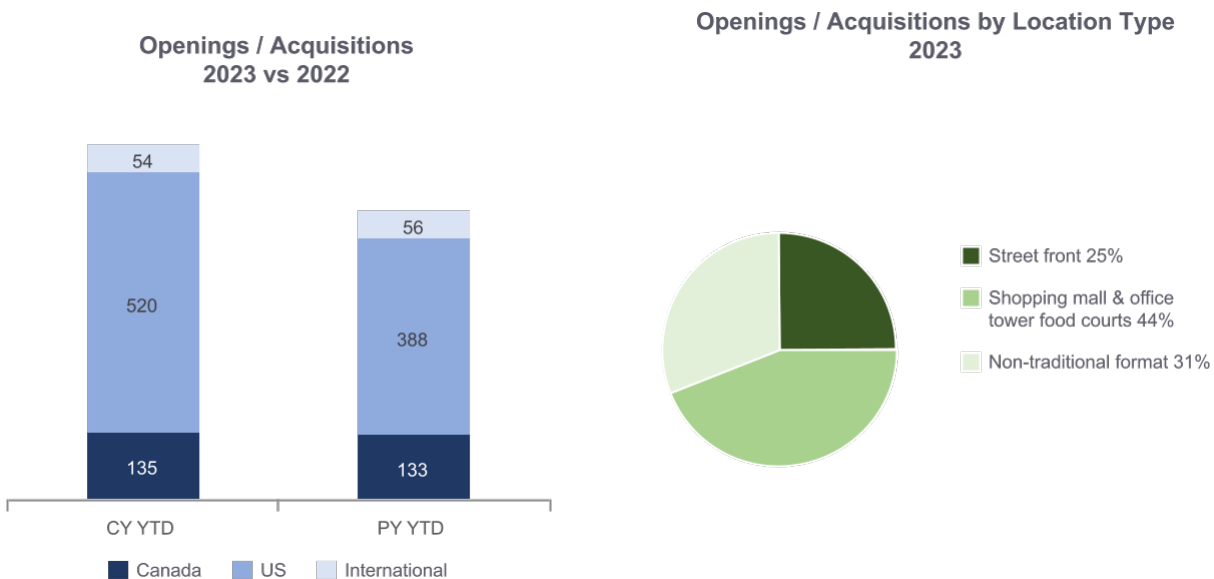
⁽²⁾ Sale of Buns master trademark.

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:

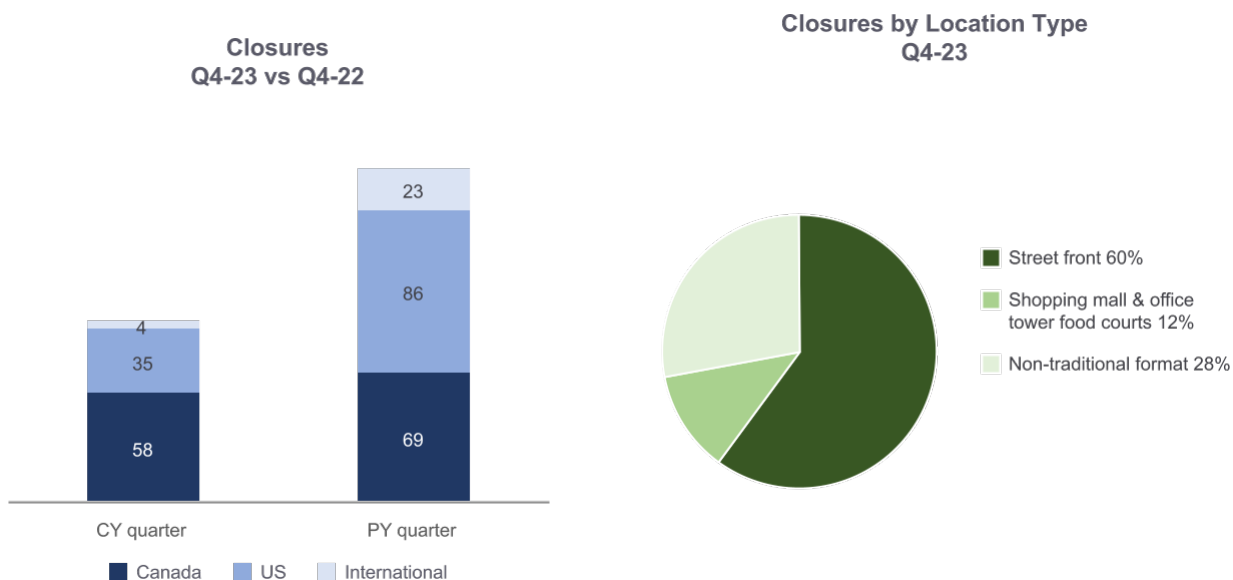


During the year ended November 30, 2023, the Company's network acquired 379 locations (2022 – 332) and opened 330 locations (2022 – 245 locations). The breakdown by geographical location and by location type is as follows:



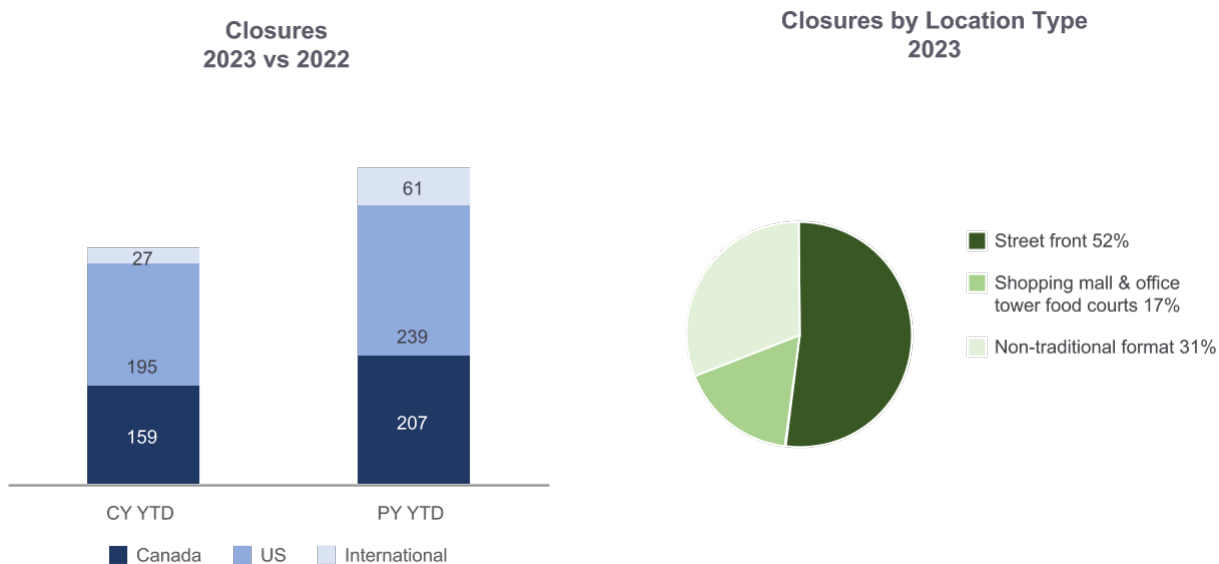
Closures

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:

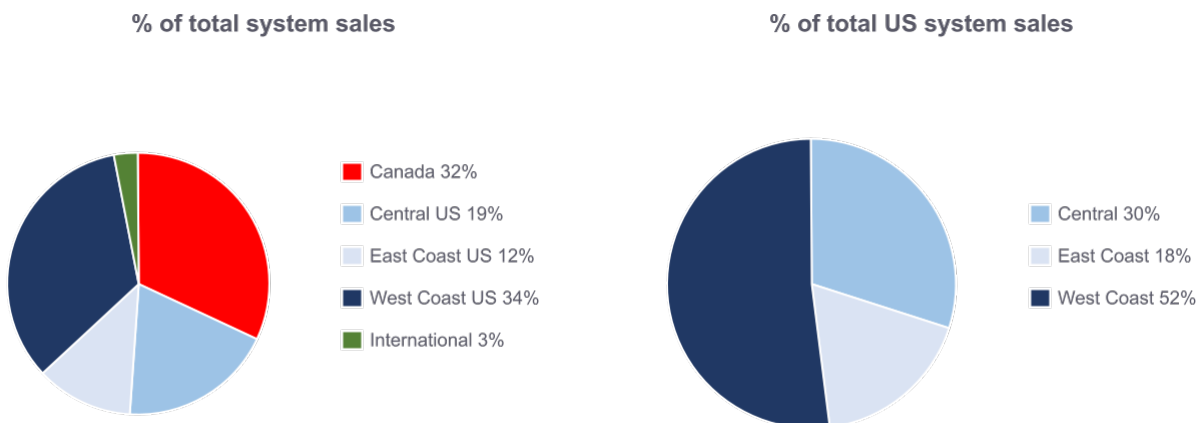
Location type	% of location count		% of system sales Twelve months ended	
	November 30,		November 30,	
	2023	2022	2023	2022
Shopping mall & office tower food courts	16%	13%	15%	11%
Street front	63%	66%	76%	80%
Non-traditional format	21%	21%	9%	9%

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

Geographical location	% of location count		% of system sales Twelve months ended	
	November 30,		November 30,	
	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:

Concept type	% of location count		% of system sales Twelve months ended	
	November 30,		November 30,	
	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:

<i>(millions of \$)</i>	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:

<i>(millions of \$)</i>	Three month sales ended November 30				Twelve month sales ended November 30			
	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, Thai 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:

Region	Three months ended							
	February	May	August	November	February	May	August	November
	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:

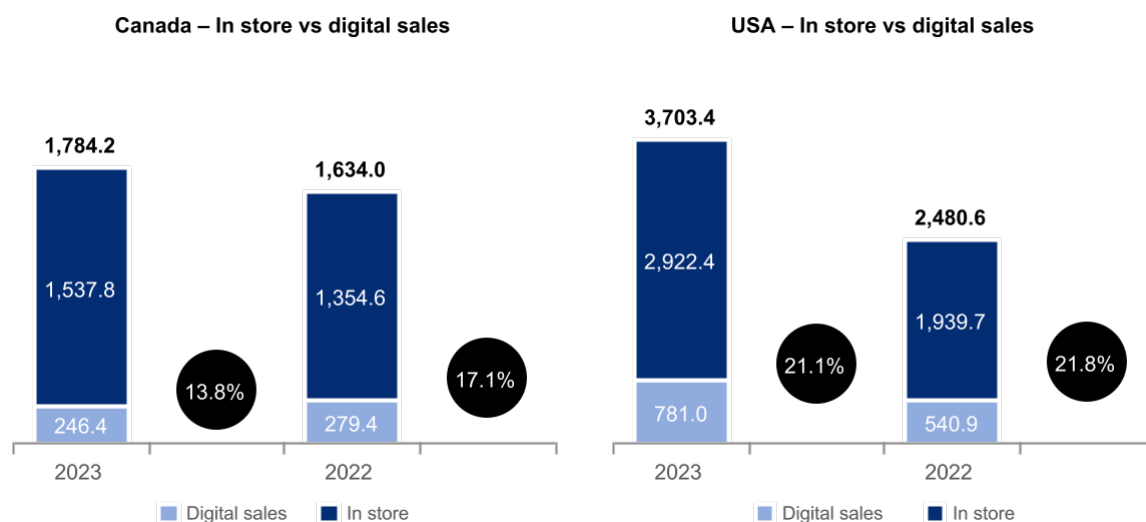
	Three months ended November 30		Twelve months ended November 30	
	2023	2022	2023	2022
Quick service restaurant	2.8 %	17.4 %	10.9 %	22.7 %
Fast casual	(4.4)%	7.0 %	(0.3)%	12.2 %
Casual	(1.6)%	20.3 %	6.7 %	15.3 %
Canada	(1.2)%	15.0 %	5.5 %	16.3 %
Quick service restaurant	0.4 %	(0.2)%	3.0 %	0.6 %
Fast casual	(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:

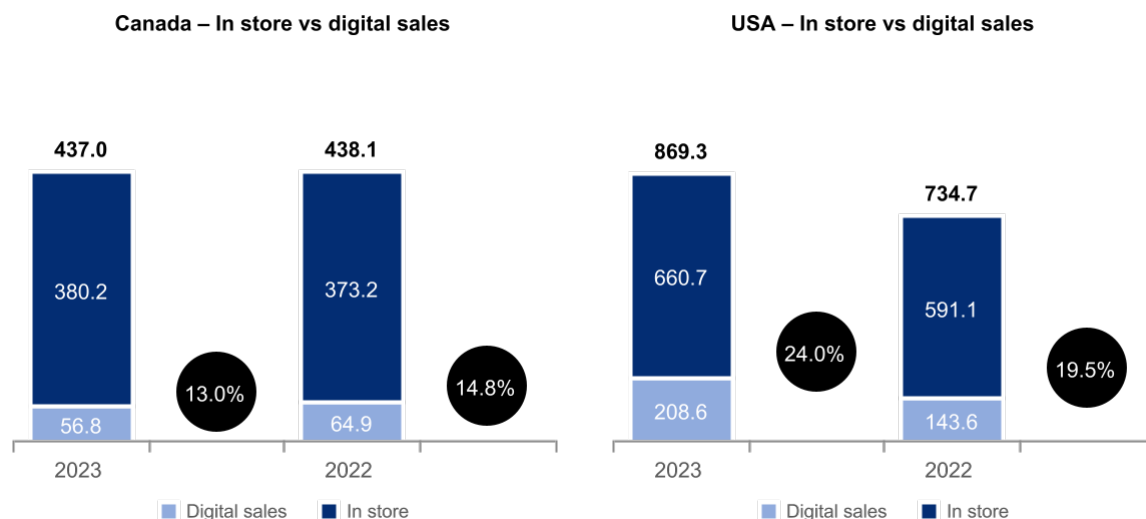


⁽¹⁾ US digital sales of the first quarter of 2023 missing digital sales of approximately 200 locations due to unavailability of information.

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.

	<i>(In thousands \$)</i>			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
			<i>Restated ⁽¹⁾</i>	<i>Restated ⁽¹⁾</i>
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 Kûto 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 Kûto 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 Kûto 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:

<i>(in thousands \$)</i>	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:

<i>(In thousands \$)</i>	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 Kūto 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:

<i>(In thousands \$)</i>	2023	2022
	\$	\$
Contingent considerations on Kūto 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:

	<i>(In thousands \$)</i>		2023		2022	
	USD	CAD	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:

<i>(In millions \$)</i>	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, CPA, MBA Chief Executive Officer



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 Crémère	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thai 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
ThaiZone	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	—
Invescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbageen	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
Kûto 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

<i>(In thousands \$)</i>	Three months ended							
	February	May	August	November	February	May	August	November
	2022	2022	2022	2022	2023	2023	2023	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⁾

<i>(in thousands \$)</i>	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							
(millions of \$)	Canada			US & International			TOTAL
	Corporate	Franchised	Total	Corporate	Franchised	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							
(millions of \$)	Canada			US & International			TOTAL
	Corporate	Franchised	Total	Corporate	Franchised	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							
(millions of \$)	Canada			US & International			TOTAL
	Corporate	Franchised	Total	Corporate	Franchised	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							
(millions of \$)	Canada			US & International			TOTAL
	Corporate	Franchised	Total	Corporate	Franchised	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 Crémère
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
Thai Express
ThaiZone
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

Consolidated financial statements of MTY Food Group Inc.

November 30, 2023 and 2022



Independent auditor's report

To the Shareholders of MTY Food Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MTY Food Group Inc. and its subsidiaries (together, the Company) as at November 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended November 30, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended November 30, 2023 and 2022;
- the consolidated statements of changes in shareholders' equity for the years ended on November 30, 2023 and 2022;
- the consolidated statements of financial position as at November 30, 2023 and 2022;
- the consolidated statements of cash flows for the years ended November 30, 2023 and 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, ca_montreal_main_fax@pwc.com



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended November 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill, trademarks and franchise and master franchise rights</p> <p><i>Refer to note 3 – Accounting policies, note 4 – Critical accounting judgments and key sources of estimation uncertainty, note 13 – Intangible assets, note 14 – Goodwill and note 15 – Impairment charge – property, plant and equipment and intangible assets to the consolidated financial statements.</i></p> <p>As at November 30, 2023, the Company had goodwill, trademarks (intangible assets with indefinite useful lives), franchise and master franchise rights (intangible assets with definite useful lives) balances totalling \$719.2 million, \$892.8 million and \$205.6 million, respectively. For the purposes of impairment testing, goodwill is allocated to the Cash Generating Unit (CGU) or a group of CGUs (goodwill unit) that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. For the purpose of the franchise and master franchise rights and trademarks, the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified is the brand level and constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated how management determined the recoverable amounts of the goodwill units and certain CGUs:<ul style="list-style-type: none">- Tested the mathematical accuracy of the discounted cash flow models.- Tested the reasonableness of the projected operating cash flows applied by management in the discounted cash flow models by comparing them to the budget approved by the Board of Directors and by considering the past and current performance of the CGUs.- Professionals with specialized skill and knowledge in the field of valuation assisted in testing the appropriateness of the models used and the reasonableness of the discount rates applied by management based on available data of comparable companies.- Tested the underlying data used in the discounted cash flow models.



Key audit matter

How our audit addressed the key audit matter

Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. Franchise and master franchise rights are tested annually in connection with goodwill and trademarks annual testing, or whenever there is an indication that the asset may be impaired.

If the recoverable amount of a CGU or a goodwill unit is estimated to be less than its carrying amount, the carrying amount of the CGU or goodwill unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

The recoverable amounts of the CGUs or goodwill unit are estimated based on value in use calculations using a discounted cash flow model. The key assumptions used were the projected operating cash flows and the discount rates.

The annual impairment test resulted in an impairment charge of \$9.2 million, related to franchise rights and trademarks.

We considered this a key audit matter due to (i) the significance of the goodwill, trademarks and franchise and master franchise rights balances and (ii) the significant judgment made by management in determining the recoverable amount of the goodwill units and CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures relating to the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.



Key audit matter

Valuation of the trademark and franchise rights acquired in the Wetzel's Pretzels business combination

Refer to note 3 – Accounting policies and note 7 – Business acquisitions to the consolidated financial statements.

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) for a purchase price totaling \$285.5 million. The fair values of identifiable assets acquired included \$145.8 million of intangible assets, of which \$97.4 million is related to one trademark and \$48.4 million is related to franchise rights.

The fair value of the trademark was estimated based on the relief from royalty method using a discounted cash flow model. In determining the fair value of the trademark, the Company developed key assumptions such as projected system sales, discount rate and royalty rate.

The fair value of franchise rights were estimated based on the excess earnings method using a discounted cash flow model. In determining the fair value of the franchise rights, the Company developed key assumptions such as projected operating cash flows, average term life and discount rate.

We considered this a key audit matter due to the judgment by management in estimating the fair value of the trademark and franchise rights, including the development of key assumptions.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the fair values of the trademark and franchise rights, which included the following:
 - Read the purchase agreement.
 - Tested the underlying data used by management in the discounted cash flow models and the mathematical accuracy thereof.
 - Evaluated the reasonableness of significant assumptions used by management related to projected system sales, operating cash flows and average term life by considering the current and past performance of Wetzel's Pretzels and considering economic and industry data.
 - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's royalty relief method for the trademark valuation and the excess earnings method using the discounted cash flow model for the franchise rights valuation as well as in evaluating the reasonableness of certain key assumptions such as the discount rate and royalty rate.



Key audit matter

How our audit addressed the key audit matter

This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions developed by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Popliger.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec
February 14, 2024

¹ CPA auditor, public accountancy permit No. A125677

MTY Food Group Inc.
Consolidated statements of income

Years ended November 30, 2023 and 2022
(In thousands of Canadian dollars, except per share amounts)

	Notes	2023	2022
		\$	\$
Revenue	26 & 31	1,169,334	716,522
Expenses			
Operating expenses	27 & 31	898,588	534,440
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	54,934	21,548
Amortization – intangible assets	13	34,559	29,473
Interest on long-term debt		52,142	12,428
Net interest expense on leases	11	11,402	3,210
Impairment charge – right-of-use assets	11	428	969
Impairment charge – property, plant and equipment and intangible assets	15	9,432	13,916
		1,061,485	615,984
Other (expenses) income			
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	24	3,676	2,932
Loss on remeasurement of joint venture interest	8	—	(2,769)
Gain on contingent consideration from a business acquisition	7	2,194	—
		2,136	(4,368)
Income before taxes		109,985	96,170
Income tax expense	30		
Current		12,459	24,669
Deferred		(6,998)	(3,678)
		5,461	20,991
Net income		104,524	75,179
Net income attributable to:			
Owners		104,082	74,817
Non-controlling interests		442	362
Net income		104,524	75,179
Net income per share	23		
Basic		4.26	3.06
Diluted		4.25	3.06

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

MTY Food Group Inc.
Consolidated statements of comprehensive income

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

	2023	2022
	\$	\$
Net income	104,524	75,179
Other comprehensive income		
Items that may be reclassified subsequently to net income		
Translation adjustments		
Unrealized gain on translation of foreign operations	7,644	35,577
Cash flow hedges		
Change in fair value of financial instruments	9,581	—
Gain realized on financial instruments transferred to earnings	(3,265)	—
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	(2,256)	(491)
	11,704	35,086
Total comprehensive income	116,228	110,265
Total comprehensive income attributable to:		
Owners	115,786	109,903
Non-controlling interests	442	362
	116,228	110,265

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

MTY Food Group Inc.

Consolidated statements of changes in shareholders' equity

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

	Reserves				Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive (loss) income (Note 21)					
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2021	305,961	(850)	3,855	(21,320)	(18,315)	359,993	647,639	1,259	648,898
Net income for the year ended November 30, 2022	—	—	—	—	—	74,817	74,817	362	75,179
Other comprehensive income	—	—	—	35,086	35,086	—	35,086	—	35,086
Total comprehensive income							109,903	362	110,265
Shares repurchased and cancelled (Note 20)	(3,180)	—	—	—	—	(11,438)	(14,618)	—	(14,618)
Dividends	—	—	—	—	—	(20,518)	(20,518)	(403)	(20,921)
Share-based compensation (Note 22)	—	—	1,002	—	1,002	—	1,002	—	1,002
Balance as at November 30, 2022	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income for the year ended November 30, 2023	—	—	—	—	—	104,082	104,082	442	104,524
Other comprehensive income	—	—	—	11,704	11,704	—	11,704	—	11,704
Total comprehensive income							115,786	442	116,228
Shares repurchased and cancelled (Note 20)	(1,002)	—	—	—	—	(3,165)	(4,167)	—	(4,167)
Dividends	—	—	—	—	—	(24,407)	(24,407)	(183)	(24,590)
Share-based compensation (Note 22)	—	—	792	—	792	—	792	—	792
Balance as at November 30, 2023	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889

MTY Food Group Inc.

Consolidated statements of changes in shareholders' equity (continued)

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

The following dividends were declared and paid by the Company:

	2023	2022
	\$	\$
\$1.000 per common share (2022 – \$0.840 per common share)	24,407	20,518

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

MTY Food Group Inc.

Consolidated statements of financial position

As at November 30, 2023 and 2022

(In thousands of Canadian dollars)

		2023	2022
	Notes	\$	\$ <i>Restated</i> <i>(Note 7)</i>
Assets			
Current assets			
Cash		58,895	59,479
Accounts receivable	9	82,998	77,373
Inventories	10	20,731	18,517
Assets held for sale		2,266	2,111
Current portion of loans and other receivables		924	1,153
Current portion of finance lease receivables	11	80,154	83,500
Income taxes receivable		12,543	3,982
Current portion of derivative assets	24	4,647	—
Other assets		3,824	3,032
Prepaid expenses and deposits		14,077	14,906
		281,059	264,053
Loans and other receivables		4,465	3,407
Finance lease receivables	11	253,552	255,276
Contract cost asset		7,324	6,455
Deferred income taxes	30	93	224
Derivative assets	24	3,242	—
Property, plant and equipment	12	112,801	90,081
Right-of-use assets	11	181,718	159,815
Intangible assets	13	1,116,577	1,003,298
Goodwill	14	719,187	547,756
		2,680,018	2,330,365
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		147,557	153,999
Provisions	17	4,656	1,490
Gift card and loyalty program liabilities		147,952	133,206
Income taxes payable		—	9,813
Current portion of deferred revenue and deposits	18	14,918	16,468
Current portion of long-term debt	19	10,428	9,530
Current portion of derivative liabilities	24	2,626	—
Current portion of lease liabilities	11	112,446	114,522
		440,583	439,028
Long-term debt	19	756,936	551,429
Lease liabilities	11	422,751	400,401
Deferred revenue and deposits	18	53,025	48,405
Deferred income taxes	30	193,618	165,834
Other liabilities		216	642
		1,867,129	1,605,739

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

MTY Food Group Inc.**Consolidated statements of financial position (continued)**

As at November 30, 2023 and 2022

(In thousands of Canadian dollars)

		2023	2022
	Notes	\$	\$
Shareholders' equity			<i>Restated (Note 7)</i>
Equity attributable to owners			
Capital stock	20	301,779	302,781
Reserves		30,269	17,773
Retained earnings		479,364	402,854
		811,412	723,408
Equity attributable to non-controlling interests		1,477	1,218
		812,889	724,626
		2,680,018	2,330,365

Approved by the Board on February 14, 2024

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

MTY Food Group Inc.
Consolidated statements of cash flows

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

		2023	2022
	Notes	\$	\$
			<i>Restated (Note 7)</i>
Operating activities			
Net income		104,524	75,179
Adjusting items:			
Interest on long-term debt		52,142	12,428
Net interest expense on leases	11	11,402	3,210
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	54,934	21,548
Amortization – intangible assets	13	34,559	29,473
Impairment charge – property, plant and equipment	15	233	535
Impairment charge – right-of-use assets	11	428	969
Impairment charge – intangible assets	15	9,199	13,381
Unrealized foreign exchange loss ⁽¹⁾		2,632	5,690
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	24	(3,676)	(2,932)
Loss on remeasurement of joint venture interest	8	—	2,769
Income tax expense		5,461	20,991
Share-based compensation		792	1,002
		274,780	183,337
Income taxes paid		(29,015)	(17,570)
Interest paid		(50,287)	(11,781)
Other		(3,184)	1,386
Changes in non-cash working capital items	32	(7,708)	(6,891)
Cash provided by operating activities		184,586	148,481
Investing activities			
Considerations on acquisitions	7	(300,395)	(261,768)
Cash acquired through acquisition and change in control	7 & 8	9,349	14,820
Issuance of loans and other receivables		1,867	61
Additions to property, plant and equipment	12	(30,124)	(8,670)
Additions to intangible assets	13	(2,045)	(3,988)
Proceeds on disposal of property, plant and equipment		1,689	1,131
Cash used in investing activities		(319,659)	(258,414)

MTY Food Group Inc.**Consolidated statements of cash flows (continued)**

Years ended November 30, 2023 and 2022

(In thousands of Canadian dollars)

		2023	2022
	Notes	\$	\$
			<i>Restated (Note 7)</i>
Financing activities			
Issuance of long-term debt	32	318,884	275,626
Repayment of long-term debt	32	(110,388)	(80,214)
Net lease payments	11	(43,639)	(18,960)
Shares repurchased and cancelled	20	(4,167)	(14,618)
Capitalized financing costs	32	(157)	(1,817)
Dividends paid to non-controlling shareholders of subsidiaries		(183)	(403)
Repayment of long-term debt in business acquisition	7	—	(33,800)
Dividends paid		(24,407)	(20,518)
Cash provided by financing activities		135,943	105,296
Net increase (decrease) in cash		870	(4,637)
Effect of foreign exchange rate changes on cash ⁽¹⁾		(1,454)	2,885
Cash, beginning of year		59,479	61,231
Cash, end of year		58,895	59,479

⁽¹⁾ Prior year amounts have been adjusted to reflect a reclassification of \$5,690 between cash flows provided by operating activities and the effect of foreign exchange rate changes on cash.

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

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MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

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 a distribution center and a food processing plant, both 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 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 as issued by the International Accounting Standard Board (“IASB”).

These financial statements were authorized for issue by the Board of Directors on February 14, 2024.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, with the exception of:

- hedging and derivative financial instruments as disclosed in Note 3 to these consolidated financial statements;
- fixed interest rate swaps as disclosed in Note 3 to these consolidated financial statements; and
- IAS 37 as disclosed in Note 5 to these consolidated financial statements.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

3. Accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Principal subsidiaries are as follows:

Principal subsidiaries	Percentage of equity interest		Functional currency
	2023	2022	
	%	%	
MTY Franchising Inc.	100	100	Canadian dollar
MTY Franchising USA, Inc.	100	100	US dollar
Kahala Brands Inc.	100	100	US dollar
Papa Murphy's Holdings Inc.	100	100	US dollar
BBQ Holdings, Inc. (Note 7)	100	100	US dollar
Wetzel's Pretzels, LLC (Note 7)	100	—	US dollar
11554891 Canada Inc.	70	70	Canadian dollar
9974644 Canada Inc.	65	65	Canadian dollar

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote-holders;
- potential voting rights held by the Company, other vote-holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany transactions, balances, revenue and expenses are eliminated in full on consolidation.

3. Accounting policies (continued)*Changes in the Company's ownership interests in existing subsidiaries*

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income (loss) in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, Financial Instruments: Recognition and Measurement when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the sum, as of the acquisition date, of the fair values of the assets transferred by the Company and liabilities incurred by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12, Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interest are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation. These may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as "measurement period" adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

3. Accounting policies (continued)*Business combinations (continued)*

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income (loss) are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Where goodwill forms part of a cash-generating unit ("CGU") and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

Revenue recognition

The Company's accounting policies are summarized below:

Revenue from franchise locations

- i) Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, as they are earned.
- ii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.
- iii) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.
- iv) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.
- v) Restaurant construction and renovation revenue is recognized when the construction and renovation are completed.
- vi) The Company earns rent revenue on certain leases it holds and sign rental revenue. Rental income that is not included in the measurement of the finance lease receivable under IFRS 16 is recognized on a straight-line basis over the term of the relevant lease.
- vii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption pattern of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at the acquisition date.
- viii) The Company receives considerations from certain suppliers. Fees are generally earned based on the value of purchases during the year. Agreements that contain an initial upfront fee, in addition to ongoing fees, are recognized on a straight-line basis over the term of the respective agreement. Supplier contributions are recognized as revenue as they are earned and are recorded in other franchising revenue.

3. Accounting policies (continued)

Revenue recognition (continued)

Revenue from food processing, distribution and retail

Food processing, distribution and retail revenue is recognized when the customer takes control of the product, which usually occurs upon shipment or receipt of the goods by the customer, depending on the specific terms of the agreement.

Revenue from promotional fund contributions

Promotional fund contributions are based on a percentage of gross sales as reported by the franchisees. Corresponding promotional fund transfers to the promotional funds are reported separately and included in accounts payable and accrued liabilities. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely for use in promotional and marketing-related costs for specific restaurant banners. The Company sometimes charges a fee for the administration of the promotional funds. The combined amount payable resulting from the promotional fund reserves amounts to a surplus of \$31,166 (November 30, 2022 – surplus of \$33,819). These amounts are included in Accounts payable and accrued liabilities.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when goods are delivered to customers.

Contract cost asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case a practical expedient is used to expense them as incurred. The costs are amortized to operating expenses over the term of the related franchise agreement.

Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as “assets held for sale” in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each period and reclassifies such assets to or from this category as appropriate. In addition, there is a requirement to evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell.

Leasing

The Company enters into leases for franchised and corporately-owned locations, offices, and equipment in the normal course of business.

The Company as lessee

The Company recognizes lease liabilities with corresponding right-of-use assets, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term. The Company recognizes depreciation of right-of-use assets and interest on lease liabilities. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

3. Accounting policies (continued)*Leasing (continued)*The Company as lessor

When the Company enters into a sublease arrangement as an intermediate lessor, the Company accounts for the head lease and the sublease as two separate contracts. The Company is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. For finance subleases, the Company derecognizes the right-of-use asset relating to the head lease that is transferred to the sublessee and recognizes a finance lease receivable in the sublease. As the intermediate lessor, the Company retains the lease liability on the head lease in its consolidated statement of financial position. During the term of the sublease, the Company recognizes both finance income on the sublease and interest expense on the head lease.

Functional and presentation currency

These financial statements are presented using the Company's functional currency, which is the Canadian dollar. Each entity of the Company determines its own functional currency, and the financial statement items of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

The assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated into the presentation currency using the exchange rate in effect on the reporting date. Revenue and expenses are translated into the presentation currency using the average exchange rate for the period. Exchange differences arising from the translation of a foreign operation are recognized in reserves. Upon complete or partial disposal of the investment in the foreign operation, the foreign currency translation reserve or a portion of it will be recognized in the statement of income (loss) in other income (charges).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year and adjustments to prior year provisions. Taxable profit differs from profit as reported in the consolidated statement of income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

3. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income (loss) or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their historical costs less accumulated depreciation (buildings) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use.

Equipment, leasehold improvements, rolling stock and computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is based on the following terms:

Buildings	Straight-line	25 to 50 years
Equipment	Straight-line	3 to 10 years
Leasehold improvements	Straight-line	Lesser of the term of the lease or useful life
Rolling stock	Straight-line	5 to 7 years
Computer hardware	Straight-line	3 to 7 years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization methods are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if applicable.

3. Accounting policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets having a finite life acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if applicable, on the same basis as intangible assets that are acquired separately. Intangible assets having an indefinite life are not amortized and are therefore carried at cost less accumulated impairment losses, if applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Company reviews each reporting period the amortization periods of its intangible assets with finite useful lives. The Company also reviews each reporting period the useful lives of its intangible assets with indefinite useful lives to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

The Company currently carries the following intangible assets on its books:

Franchise rights and master franchise rights

The franchise rights and master franchise rights acquired through business combinations were recognized at fair value, based on the excess earnings method using discounted cash flow models. In determining the fair value of franchise rights and master franchise rights, the Company uses key assumptions such as projected operating cash flows, average term life and pre-tax discount rates. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the terms of the agreements, which typically range between 10 to 20 years.

Step-in rights

Step-in rights are the rights of the Company to take over the premises and associated lease of a franchised location in the event the franchise is in default of payments. These are acquired through business combinations and are recognized at their fair value at the time of the acquisition. They are amortized over the term of the franchise agreement.

Trademarks

Trademarks acquired through business combinations were recognized at their fair value at the time of the acquisition, based on the relief from royalty method using discounted cash flow models, and are not amortized. In determining the fair value of trademarks, the Company uses key assumptions such as projected system sales, discount rates and royalty rates. Trademarks were determined to have an indefinite useful life based on their strong brand recognition and their ability to generate revenue through changing economic conditions with no foreseeable time limit.

Other

Included in other intangible assets is primarily purchased software and liquor licences, which are being amortized over their expected useful life on a straight-line basis.

3. Accounting policies (continued)*Impairment and reversal of impairment of long-lived assets*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. A majority of the Company's intangible assets do not have cash inflows independent of those from other assets and as such are tested within their respective CGU. For the purpose of the franchise and master franchise rights and trademarks, the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified is the brand level and constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Franchise rights and master franchise rights are tested annually as part of the CGU annual testing or whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated projected operating cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of projected operating cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The Company does not reduce the carrying value of an asset below the highest of its fair value less cost of disposal and its value in use.

At the end of each reporting period, the Company reviews whether there is any indication that the events and circumstances which led to prior years' impairment losses for its franchise rights, master franchise rights and trademarks may no longer exist. If any such indication exists, the Company shall estimate the recoverable amount of that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the CGU or a group of CGUs ("goodwill unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2023, goodwill is allocated as follows:

	Goodwill unit description
Canada Goodwill Unit	A group of CGUs comprised of acquired brands in Canada's operating segment
US Goodwill Unit A	A group of CGUs comprised of acquired brands in the US & International operating segment, excluding Papa Murphy's, BBQ Holdings, Inc. ("BBQ Holdings") and Wetzel's Pretzels
US Goodwill Unit B	One CGU comprised of Papa Murphy's brand in the US & International operating segment
US Goodwill Unit C	A group of CGUs comprised of the BBQ Holdings brands in the US & International operating segment
US Goodwill Unit D	One CGU comprised of Wetzel's Pretzels brand in the US & International operating segment

3. Accounting policies (continued)*Impairment of goodwill (continued)*

Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. If the recoverable amount of the goodwill unit is less than its carrying amount, the impairment loss reduces the carrying amount of any goodwill allocated to the goodwill unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income (loss). An impairment loss recognized for goodwill is not reversed in subsequent periods.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated projected operating cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of projected operating cash flows have not been adjusted.

Cash and restricted cash

Cash and restricted cash includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2023, cash and restricted cash included \$368 of restricted cash (November 30, 2022 – \$680) that is required as part of guarantees on certain lease commitments.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis and include acquisition costs, conversion costs and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro-rata share of production overhead based on normal production capacity.

In the normal course of business, the Company enters into contracts for the construction and sale of franchise locations. The related work in progress inventory includes all direct costs relating to the construction of these locations and is recorded at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

*Financial instruments**Classification of financial assets*

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss, or "FVTPL") are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is subsequently measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. Unless a financial asset is designated at FVTPL, a financial asset is subsequently measured at FVOCI if the asset is held within a business model in order to collect contractual cash flows and sell financial assets and the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest. Financial assets that do not meet either the contractual cash flow characteristics of solely payments of principal and interest or the business model of held to collect or held to collect and sell are measured at FVTPL. Financial assets measured at FVTPL and any subsequent changes therein are recognized in net income.

The Company currently classifies its cash, accounts receivable and loans receivable as assets measured at amortized cost.

3. Accounting policies (continued)*Financial instruments (continued)**Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

The Company uses the simplified expected credit-loss (“ECL”) model for its trade receivables, as permitted by IFRS 9. The simplified approach under IFRS 9 permits the use of the lifetime expected loss provision for all trade receivables and also incorporates forward-looking information. Lifetime ECL represents the ECL that will result from all probable default events over the expected life of a financial instrument.

For its loans receivable balance carried at amortized cost, the Company has applied the general ECL model. Unlike the simplified approach, the general ECL model depends on whether there has been a significant increase in credit risk. The Company considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition of the financial asset.

A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower-specific qualitative information, or when loans are more than 30 days past due. Loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. Loans that are 180 days past due are written down to the present value of the expected future cash flows. Impairment under the IFRS 9 general ECL model is assessed on an individual basis. In assessing the risk of default, the Company also incorporates available reasonable and supportive forward-looking information.

When credit risk is assessed as being low or when there has not been a significant increase in credit risk since initial recognition, the ECL is based on a 12-month ECL which represents the portion of lifetime ECL expected to occur from default events that are possible within 12 months after the reporting date. If a significant increase in credit risk has occurred throughout a reporting period, impairment is based on lifetime ECL.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income (loss) and accumulated in equity is recognized in profit or loss.

Deferred consideration receivable

The Company’s deferred consideration receivable consists of a deferred consideration in conjunction with the sale of its interest in 10220396 Canada Inc. The deferred consideration is a financial instrument measured at amortized cost and is included in Loans and other receivables.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

3. Accounting policies (continued)

Financial instruments (continued)

Classification of financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities and certain obligations, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise. Financial liabilities designated as FVTPL are recorded at fair value with changes in fair value attributable to changes in the Company's own credit risk recorded in net income.

Financial liabilities classification:

Accounts payable and accrued liabilities	Amortized cost
Revolving credit facility	Amortized cost
Non-interest-bearing contract cancellation fees and holdbacks	Amortized cost
Contingent consideration related to the acquisition of Küto Comptoir à Tartares	FVTPL
Contingent consideration related to the 70% interest in 11554891 Canada Inc.	FVTPL
Non-controlling interest buyback obligation	FVTPL
Obligation to repurchase 11554891 Canada Inc. partner	FVTPL
Derivative financial instruments	FVTPL
Derivative financial instruments designated as cash flow hedges	FVTPL subject to hedge accounting requirements

Hedging and derivative financial instruments

The Company applies general hedge accounting requirements of IFRS 9, Financial Instruments.

Fixed interest rate swaps

Periodically, the Company uses fixed interest rate swaps to manage the interest rate risk associated with its borrowings from its credit facility. Where the general hedge accounting requirements are met, the Company designates those fixed interest rate swaps as a cash flow hedge of the interest from its credit facility. Accordingly, changes in the fair value of the derivative financial instruments, which are included in Current portion of derivative assets and Derivative assets, are recognized in Other comprehensive income. Realized gains and losses in Accumulated other comprehensive income are reclassified to Interest on long-term debt over the same periods as the interest expense on the long-term debt is recognized in earnings.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3. Accounting policies (continued)*Provisions (continued)*

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements. This includes provisions for onerous contracts, litigations and disputes and contingencies. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material. This is recorded in Cost of goods sold and rent (Note 27) on the consolidated statement of income.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Litigation, disputes and closed stores

Provisions for the expected cost of litigation, disputes and the cost of settling leases for closed stores, with the exception of lease liabilities already recorded pursuant to IFRS 16, are recognized when it becomes probable the Company will be required to settle the obligation, at management's best estimate of the expenditure required to settle the Company's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized, if any.

Gift card and loyalty program liabilities

Gift card liability represents liabilities related to unused balances on reloadable payment cards. Loyalty program liabilities represent the dollar value of the loyalty points earned and unused by customers.

The Company's various franchised and corporate-owned locations, in addition to third-party companies, sell gift cards to be redeemed at the Company's corporate and franchised locations for food and beverages only. Proceeds from the sale of gift cards are included in gift card liability until redeemed by the gift cardholder as a method of payment for food and beverage purchases.

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the gift card liability will be redeemed in the next 12 months and, therefore, the entire unredeemed gift card liability is considered to be a current liability.

Management is required to make certain assumptions in both the prorated recognition based on redemption pattern and remoteness recognition of gift card breakage. The significant estimates are breakage rate and the redemption patterns.

3. Accounting policies (continued)*Deferred revenue and deposits*

The Company has deferred revenue and deposits for amounts received for which the service or sale of goods associated with these revenues have not yet been rendered. These are comprised mainly of franchise fee deposits, unearned rent, and supplier contributions. Revenues on these are recorded once the service or contract terms have been met and the services or goods have been delivered. The Company recognizes certain supplier contribution revenues based on estimated considerations to be received from suppliers. These estimates are based on historical patterns of purchase and earned revenues.

Share-based payment arrangements

The Company measures stock options granted to employees that vest in specified installments over the service period based on the fair value of each tranche on the grant date by using the Black-Scholes option-pricing model. Based on the Company's estimate of equity instruments that will eventually vest, a compensation expense is recognized over the vesting period applicable to the tranche with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 22.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in contributed surplus. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

Operating segments

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, and for which separate financial information is available. Segment disclosures are provided for the Company's operating segments (Note 31). The operating segments are determined based on the Company's management and internal reporting structure. All operating segments' operating results are regularly reviewed by the Chief Operating Officers ("COOs") to make decisions on resources to be allocated to the segment and to assess its performance.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, 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 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.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)*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). The total impairment on property, plant and equipment of \$233 (2022 – \$535) 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 \$428 and \$969, 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.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)*Key sources of estimation uncertainty (continued)*

Impairment (continued)

Impairment of franchise rights and trademarks (continued)

During the year ended November 30, 2023, the Company recognized impairment charges of \$9,199 (2022 – \$13,381) on its franchise rights and trademarks (Note 15) 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.

5. Change in accounting policies**IAS 37, Provisions, Contingent Liabilities and Contingent Assets**

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

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

6. 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 these 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

6. 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.

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.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

6. Future accounting changes (continued)

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.

7. Business acquisitions

I) Sauce Pizza and Wine (2023)

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. As of the date of the acquisition, Sauce Pizza and Wine was operating 13 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling \$15,228 (US\$11,165) and a holdback on acquisition of \$1,089 (US\$798), as detailed below. The resulting aggregate cash outflow in connection with the Sauce Pizza and Wine acquisition was \$13,539 (US\$9,926).

	2023
Consideration paid:	\$
Purchase price	15,228
Working capital	(547)
Cash	31
Discount on non-interest-bearing holdback	(53)
Total consideration	14,659
Cash	(31)
Holdback	(1,089)
Net cash outflow	13,539

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

7. Business acquisitions (continued)

I) Sauce Pizza and Wine (2023) (continued)

The final purchase price allocation is as follows:

	2023
	\$
Net assets acquired:	
Current assets	
Cash	31
Inventories	250
Prepaid expenses and deposits	255
	536
Property, plant and equipment	5,212
Right-of-use assets	9,913
Intangible assets – Trademark	5,647
Goodwill ⁽¹⁾	4,989
	26,297
Current liabilities	
Accounts payable and accrued liabilities	107
Gift card and loyalty program liabilities	1,481
Current portion of lease liabilities	1,661
	3,249
Lease liabilities	8,389
	11,638
Net purchase price	14,659

⁽¹⁾ Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to \$215.

From December 15, 2022 to November 30, 2023, the Company's consolidated statement of income included revenue of \$32,927 and net income of \$1,298 attributable to Sauce Pizza and Wine.

The acquisition of Sauce Pizza and Wine would not have had a significant impact on the Company's revenue and net income for the year ended November 30, 2023 if the acquisition had occurred on December 1, 2022.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023)

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. As of the date of the acquisition, Wetzel's Pretzels was operating 328 franchised and 38 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling \$285,478 (US\$210,189), as detailed below. The resulting aggregate cash outflow in connection with the Wetzel's Pretzels acquisition was \$276,160 (US\$203,328). The transaction consideration also includes US\$3,000 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 \$2,194 (US\$1,600) was released from escrow and recorded as a Gain on contingent consideration from a business acquisition in the consolidated statement of income.

	2023
	\$
Consideration paid:	
Purchase price	285,478
Total consideration	285,478
Cash	(9,318)
Net cash outflow	276,160

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

The final purchase price allocation is as follows:

	2023
	\$
Net assets acquired:	
Current assets	
Cash	9,318
Accounts receivable	1,364
Inventories	360
Current portion of loans and other receivables	61
Current portion of finance lease receivables	824
Income taxes receivable	1,863
Prepaid expenses and deposits	1,028
	14,818
Loans and other receivables	807
Finance lease receivables	10,389
Property, plant and equipment	6,903
Right-of-use assets	18,440
Intangible assets – Franchise rights	48,352
Intangible assets – Trademark	97,383
Goodwill ⁽¹⁾	161,142
	358,234
Current liabilities	
Accounts payable and accrued liabilities	8,721
Income taxes payable	743
Current portion of deferred revenue and deposits	91
Current portion of lease liabilities	1,271
	10,826
Lease liabilities	28,515
Deferred revenue and deposits	1,275
Deferred income taxes	32,140
	72,756
Net purchase price	285,478

⁽¹⁾ Goodwill is partially deductible for tax purposes.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

7. Business acquisitions (continued)

II) Wetzel's Pretzels (2023) (continued)

Total expenses incurred related to acquisition costs amounted to \$433.

From December 8, 2022 to November 30, 2023, the Company's consolidated statement of income included revenue of \$77,005 and net income of \$15,488 attributable to Wetzel's Pretzels.

The following pro forma information for the year ended November 30, 2023 represents the Company's results of operations as if the acquisition of Wetzel's Pretzels had occurred on December 1, 2022. This pro forma information does not purport to be indicative of the results that would have occurred for the period presented or that may be expected in the future.

	2023
	\$
Revenue	1,171,325
Net income	105,867

III) BBQ Holdings (2022)

On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings. BBQ Holdings is a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and the United Arab Emirates. As of the date of the acquisition, BBQ Holdings was operating 198 franchised and 103 corporate-owned restaurants under 10 different brands. The purpose of the transaction was to diversify the Company's range of offerings in the US as well as to bring proficiency in operating corporate-owned restaurants.

The transaction included a purchase consideration totaling \$250,443 (US\$182,458), repayment of long-term debt of \$33,800 (US\$24,625) and early cash settlement of stock options and restricted stock units of \$14,006 (US\$10,204), as detailed below. The resulting aggregate cash outflow in connection with the BBQ Holdings acquisition was \$284,298 (US\$207,123).

	As previously reported	Adjustments	2022
	\$	\$	\$
Consideration paid:			
Cash	250,443	—	250,443
Amount paid for early settlement of options	13,951	55	14,006
Total consideration	264,394	55	264,449
Cash consideration paid	250,443	55	250,498
Repayment of long-term debt	33,800	—	33,800
Net cash outflow	284,243	55	284,298

MTY Food Group Inc.

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

7. Business acquisitions (continued)

III) BBQ Holdings (2022) (continued)

The final purchase price allocation is as follows:

	As previously reported	Adjustments	2022
	\$	\$	\$
Net assets acquired:			
Current assets			
Cash	28,269	—	28,269
Accounts receivable ⁽¹⁾	8,026	(738)	7,288
Inventories	5,289	—	5,289
Income taxes receivable	1,228	—	1,228
Other assets ⁽¹⁾	247	(247)	—
Prepaid expenses and deposits ⁽¹⁾	1,849	372	2,221
	44,908	(613)	44,295
Loans and other receivables ⁽¹⁾	196	120	316
Property, plant and equipment ⁽¹⁾	74,448	(810)	73,638
Right-of-use assets ⁽¹⁾	109,260	111	109,371
Intangible assets – Franchise rights ⁽¹⁾	11,159	(1,880)	9,279
Intangible assets – Trademarks ⁽¹⁾	166,689	(10,995)	155,694
Intangible assets – Other ⁽¹⁾	1,382	710	2,092
Goodwill ⁽²⁾	72,039	18,500	90,539
	480,081	5,143	485,224
Current liabilities			
Accounts payable and accrued liabilities ⁽¹⁾	31,769	(1,061)	30,708
Gift card and loyalty program liabilities ⁽¹⁾	10,444	5,095	15,539
Current portion of deferred revenue and deposits ⁽¹⁾	583	(583)	—
Current portion of lease liabilities ⁽¹⁾	17,241	85	17,326
	60,037	3,536	63,573
Long-term debt	33,800	—	33,800
Lease liabilities ⁽¹⁾	92,019	26	92,045
Deferred income taxes ⁽¹⁾	29,000	1,440	30,440
Other liabilities ⁽¹⁾	831	86	917
	215,687	5,088	220,775
Net purchase price	264,394	55	264,449

⁽¹⁾ During the year ended November 30, 2023, the Company finalized the purchase price allocation of the BBQ Holdings acquisition and recorded adjustments to its previously reported preliminary purchase price allocation reported in the fourth quarter of 2022. The adjustments related to the fair values of accounts receivable, other assets, prepaid expenses and deposits, loans and other receivables, property, plant and equipment, right-of-use assets, franchise rights, trademarks, other intangible assets, accounts payable and accrued liabilities, gift card and loyalty program liabilities, current portion of deferred revenue and deposits, current portion of lease liabilities, lease liabilities, deferred income taxes and other liabilities.

⁽²⁾ Goodwill is partially deductible for tax purposes.

Total expenses incurred related to acquisition costs during the year ended November 30, 2023 amounted to \$509, for a total of \$5,290 incurred for the BBQ Holdings acquisition.

MTY Food Group Inc.

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For the years ended November 30, 2023 and 2022

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7. Business acquisitions (continued)

III) BBQ Holdings (2022) (continued)

From September 27, 2022 to November 30, 2022, the Company's consolidated statement of income included revenue of \$71,914 and net income of \$2,149 attributable to BBQ Holdings.

IV) Küto Comptoir à Tartares (2022)

On December 1, 2021, the Company's Canadian operations completed the acquisition of the assets of Küto Comptoir à Tartares for a total consideration of \$12,688. The purpose of the transaction was to diversify the Company's range of offering as well as to complement existing Company brands.

	<u>2022</u>
	\$
Consideration paid:	
Purchase price	9,033
Contingent consideration	3,459
Working capital	196
Net purchase price	<u>12,688</u>
Contingent consideration	(3,459)
Holdback	<u>(250)</u>
Net cash outflow	<u>8,979</u>

The final purchase price allocation is as follows:

	<u>2022</u>
	\$
Net assets acquired:	
Current assets	
Inventories	<u>302</u>
	302
Property, plant and equipment	145
Right-of-use assets	46
Intangible assets – Franchise rights	1,090
Intangible assets – Trademark	4,970
Intangible assets – Customer list	3,380
Goodwill ⁽¹⁾	<u>2,908</u>
	12,841
Current liabilities	
Accounts payable and accrued liabilities	40
Gift card liability	67
Current portion of lease liabilities	<u>35</u>
	142
Lease liabilities	<u>11</u>
	153
Net purchase price	<u>12,688</u>

⁽¹⁾ Goodwill is deductible for tax purposes.

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7. Business acquisitions (continued)

IV) Küto Comptoir à Tartares (2022) (continued)

Total expenses incurred related to acquisition costs amounted to nil.

The purchase price allocation is final.

From December 1, 2021 to November 30, 2022, the Company's consolidated statement of income included revenue of \$6,602 and net income of \$1,730 attributable to Küto Comptoir à Tartares.

8. Change in control

On December 3, 2021, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. Accordingly, the Company now has control over 11554891 Canada Inc., which triggers its deemed acquisition and thus fully consolidates 11554891 Canada Inc. starting December 3, 2021. There is no cash consideration for the acquisition and there is no change of participation of each partner in 11554891 Canada Inc.

The Company has an obligation to repurchase the interest of the minority shareholder of 11554891 Canada Inc. Under IFRS, this option gives the equity participation of this minority shareholder the characteristics of liability more than equity. As such, this minority shareholder's participation is classified in the current portion of long-term debt (Note 19).

The change in control provides for the revaluation of the previously held interest to its fair market value. The Company remeasured its pre-existing equity interest of 70% to its fair value of \$23,142. As a result, the Company recorded a loss of \$2,769 in its consolidated statement of income for the year ended November 30, 2022.

	<u>2022</u>
	\$
Enterprise value of 11554891 Canada Inc.	37,093
Liabilities assumed and settlement of pre-existing relationships	<u>(13,896)</u>
Fair value of net assets acquired	<u>23,197</u>

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8. Change in control (continued)

The final purchase price allocation is as follows:

	<u>2022</u>
	\$
Net assets transferred:	
Current assets	
Cash	502
Accounts receivable	1,110
Inventories	87
Current portion of finance lease receivables	459
Income taxes receivable	70
Other assets	115
Prepaid expenses and deposits	71
	<u>2,414</u>
Finance lease receivables	2,399
Property, plant and equipment	406
Right-of-use assets	1,007
Intangible assets – Franchise rights	2,700
Intangible assets – Trademarks	16,200
Goodwill ⁽¹⁾	11,946
	<u>37,072</u>
Current liabilities	
Accounts payable and accrued liabilities	920
Gift card liability	268
Current portion of lease liabilities	678
	<u>1,866</u>
Long-term debt	7,867
Lease liabilities	3,238
Deferred income taxes	815
Deferred revenue	89
	<u>13,875</u>
	<u>23,197</u>

⁽¹⁾ Goodwill is deductible for tax purposes.

The purchase price allocation is final.

MTY Food Group Inc.

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9. Accounts receivable

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

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Total accounts receivable	91,861	84,918
Less: Allowance for credit losses	8,863	7,545
Total accounts receivable, net	82,998	77,373
Of which:		
Not past due	71,121	64,333
Past due for more than one day but no more than 30 days	2,118	2,513
Past due for more than 31 days but no more than 60 days	2,175	1,841
Past due for more than 61 days	7,584	8,686
Total accounts receivable, net	82,998	77,373

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Allowance for credit losses, beginning of year	7,545	8,456
Increase to current year provision	3,399	1,017
Addition through business acquisition	54	957
Change in control over interest in 11554891 Canada Inc.	—	44
Reversal of amounts previously written off	(9)	22
Write-offs	(1,999)	(3,072)
Impact of foreign exchange	(127)	121
Allowance for credit losses, end of year	8,863	7,545

10. Inventories

	2023	2022
	\$	\$
Raw materials	3,262	2,386
Work in progress	1,761	1,011
Finished goods and supplies	8,248	7,326
Food and beverage	7,460	7,794
Total inventories	20,731	18,517

Inventories are presented net of a \$26 allowance for obsolescence (November 30, 2022 – \$26). All of the inventories are expected to be sold within the next 12 months.

Inventories expensed during the year ended November 30, 2023 were \$271,014 (2022 – \$178,768).

MTY Food Group Inc.

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11. 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 years ended November 30, 2023 and 2022:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2021	45,798	13,067	1,072	59,937
Additions	17,304	—	150	17,454
Additions through business acquisitions (Restated – Note 7)	108,886	—	531	109,417
Change in control over interest in 11554891 Canada Inc. (Note 8)	999	—	8	1,007
Depreciation expense	(13,795)	(1,373)	(405)	(15,573)
Impairment charge	(969)	—	—	(969)
De-recognition/lease modification of lease liabilities	(10,749)	(193)	(41)	(10,983)
Foreign exchange	(657)	176	6	(475)
Balance as at November 30, 2022	146,817	11,677	1,321	159,815
Additions	17,317	—	219	17,536
Additions through business acquisitions (Note 7)	28,353	—	—	28,353
Depreciation expense	(34,477)	(1,526)	(655)	(36,658)
Impairment charge	(428)	—	—	(428)
De-recognition/lease modification of lease liabilities	12,644	282	(5)	12,921
Foreign exchange	611	14	1	626
Other	(447)	—	—	(447)
Balance as at November 30, 2023	170,390	10,447	881	181,718

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11. Leases (continued)

Finance lease receivables

The following table provides the net carrying amount of the finance lease receivables and the changes in the years ended November 30, 2023 and 2022:

	2023	2022
	\$	\$
Finance lease receivables, beginning of year	338,776	399,269
Additions	22,205	17,001
Additions through business acquisitions (Note 7)	11,213	—
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	2,858
Lease renewals and modifications	54,690	21,456
Lease terminations	(7,810)	(15,483)
Other adjustments	(76)	(800)
Interest income	11,438	10,210
Receipts	(97,236)	(101,051)
Foreign exchange	506	5,316
Finance lease receivables, end of year	333,706	338,776

Recorded in the consolidated statements of financial position as follows:

	2023	2022
	\$	\$
Current portion	80,154	83,500
Long-term portion	253,552	255,276
	333,706	338,776

MTY Food Group Inc.

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11. Leases (continued)

Lease liabilities

The following table provides the net carrying amount of the lease liabilities and the changes in the years ended November 30, 2023 and 2022:

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Lease liabilities, beginning of year	514,923	473,548
Additions	25,221	16,631
Additions through business acquisitions (Note 7)	39,836	109,417
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	3,916
Lease renewals and modifications	80,331	21,869
Lease terminations	(6,699)	(9,226)
Other adjustments	(1,547)	334
Interest expense	22,840	13,420
Payments	(140,875)	(120,011)
Foreign exchange	1,167	5,025
Lease liabilities, end of year	535,197	514,923

Recorded in the consolidated statements of financial position as follows:

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Current portion	112,446	114,522
Long-term portion	422,751	400,401
	535,197	514,923

MTY Food Group Inc.

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11. Leases (continued)

Maturity analysis

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid or received after November 30, 2023:

	Lease liabilities	Finance lease receivables	Operating subleases
	\$	\$	\$
2024	133,706	91,843	1,482
2025	117,694	78,687	1,373
2026	98,288	64,411	785
2027	79,284	49,131	402
2028	58,784	33,292	257
Thereafter	128,145	57,085	235
Total undiscounted lease payments	615,901	374,449	4,534
Unguaranteed residual values	—	2,239	—
Gross investment in the lease	—	376,688	—
Less: Unearned finance income	—	(38,328)	—
Present value of minimum lease payment receivables	—	338,360	—
Allowance for credit losses	—	(4,654)	—
Current portion of finance lease receivables	—	(80,154)	—
Finance lease receivables	—	253,552	—

The Company has recognized net rent expense of \$19,108 (2022 – \$4,985) related to its short-term leases, leases of low-value assets, and variable lease payments.

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12. Property, plant and equipment

Cost	Leasehold						Total
	Land	Buildings	improvements	Equipment	Computer hardware	Rolling stock	
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2021	1,236	5,134	8,235	15,363	4,422	596	34,986
Additions	1,900	30	2,020	2,949	1,721	50	8,670
Transfer to assets held for sale	(1,055)	(993)	(63)	—	—	—	(2,111)
Disposals	—	—	(737)	(1,392)	(122)	(20)	(2,271)
Impairment (Note 15)	—	—	(282)	(253)	—	—	(535)
Foreign exchange	(174)	(65)	(508)	(185)	64	1	(867)
Change in control (Note 8)	—	—	307	99	—	—	406
Additions through business acquisitions (Restated – Note 7)	5,416	5,778	36,565	23,479	3,053	12	74,303
Balance as at November 30, 2022	7,323	9,884	45,537	40,060	9,138	639	112,581
Additions	—	93	13,476	14,984	1,534	37	30,124
Disposals	—	(515)	(1,442)	(2,487)	(408)	(185)	(5,037)
Impairment (Note 15)	—	—	(21)	(193)	(19)	—	(233)
Foreign exchange	13	6	354	216	33	—	622
Additions through business acquisitions (Note 7)	—	—	7,535	4,771	(191)	—	12,115
Balance as at November 30, 2023	7,336	9,468	65,439	57,351	10,087	491	150,172

Accumulated depreciation	Leasehold						Total
	Land	Buildings	improvements	Equipment	Computer hardware	Rolling stock	
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2021	—	1,813	4,725	8,229	2,405	288	17,460
Eliminated on disposal of assets	—	—	(253)	(692)	(119)	(20)	(1,084)
Foreign exchange	—	—	53	51	45	—	149
Depreciation	—	279	2,438	1,811	1,343	104	5,975
Balance as at November 30, 2022	—	2,092	6,963	9,399	3,674	372	22,500
Eliminated on disposal of assets	—	(290)	(1,197)	(1,711)	(249)	(137)	(3,584)
Foreign exchange	—	2	85	70	22	—	179
Depreciation	—	337	8,618	7,066	2,168	87	18,276
Balance as at November 30, 2023	—	2,141	14,469	14,824	5,615	322	37,371

Carrying amounts	Leasehold						Total
	Land	Buildings	improvements	Equipment	Computer hardware	Rolling stock	
	\$	\$	\$	\$	\$	\$	\$
November 30, 2022 (Restated – Note 7)	7,323	7,792	38,574	30,661	5,464	267	90,081
November 30, 2023	7,336	7,327	50,970	42,527	4,472	169	112,801

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13. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2021	364,793	608,353	1,199	10,318	7,906	992,569
Additions	—	—	—	—	3,988	3,988
Additions through business acquisitions (Restated – Note 7)	10,369	160,664	—	3,380	2,092	176,505
Change in control (Note 8)	2,700	16,200	—	—	—	18,900
Foreign exchange	12,443	18,958	—	—	638	32,039
Net impairment (Note 15)	(3,842)	(9,539)	—	—	—	(13,381)
Balance as at November 30, 2022	386,463	794,636	1,199	13,698	14,624	1,210,620
Additions	—	—	—	—	2,045	2,045
Additions through business acquisitions (Note 7)	48,352	103,030	—	—	—	151,382
Disposals	—	—	—	—	(303)	(303)
Foreign exchange	1,464	3,082	—	—	48	4,594
Impairment (Note 15)	(1,292)	(7,907)	—	—	—	(9,199)
Balance as at November 30, 2023	434,987	892,841	1,199	13,698	16,414	1,359,139

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2021	164,943	—	978	2,456	3,918	172,295
Foreign exchange	5,460	—	—	—	94	5,554
Amortization	26,724	—	120	966	1,663	29,473
Balance as at November 30, 2022	197,127	—	1,098	3,422	5,675	207,322
Disposals	—	—	—	—	(61)	(61)
Foreign exchange	726	—	—	—	16	742
Amortization	31,516	—	100	966	1,977	34,559
Balance as at November 30, 2023	229,369	—	1,198	4,388	7,607	242,562

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$
November 30, 2022 (Restated – Note 7)	189,336	794,636	101	10,276	8,949	1,003,298
November 30, 2023	205,618	892,841	1	9,310	8,807	1,116,577

⁽¹⁾ Other items include \$2,372 (November 30, 2022 – \$1,987) of licenses with an indefinite term that are not amortized.

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13. Intangible assets (continued)

Indefinite life intangible assets consist of trademarks and perpetual licenses, where each brand represents a separate CGU for impairment testing, for 67 CGUs (November 30, 2022 – 66 CGUs) totaling \$895,213 (November 30, 2022 – \$796,623).

14. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Goodwill, beginning of year	613,477	490,627
Business acquisitions (Note 7)	167,579	95,377
Change in control (Note 8)	—	11,946
Foreign exchange	4,212	15,527
Goodwill, end of year	785,268	613,477
Accumulated impairment, beginning of year	65,721	62,237
Foreign exchange	360	3,484
Accumulated impairment, end of year	66,081	65,721
Carrying amount	719,187	547,756

As at November 30, 2023, goodwill was allocated to five (November 30, 2022 – four) goodwill units as follows:

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Canada Goodwill Unit	204,327	204,327
US Goodwill Unit A ⁽¹⁾	126,761	126,066
US Goodwill Unit B ⁽¹⁾	128,963	128,260
US Goodwill Unit C ⁽²⁾	97,994	89,103
US Goodwill Unit D ⁽³⁾	161,142	—
	719,187	547,756

⁽¹⁾ Variance from prior year due to foreign exchange conversion.

⁽²⁾ Variance from prior year due to acquisition of Sauce Pizza and Wine (Note 7) and acquisition of the assets of two restaurants located in the state of California as well as foreign exchange conversion.

⁽³⁾ Variance from prior year due to acquisition of Wetzel's Pretzels (Note 7).

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15. Impairment charge – property, plant and equipment and intangible assets

The Company performed its annual impairment test as at August 31, 2023. For six (two and four brands in the Canada and US & International geographical segments, respectively) of its brands (2022 – five brands; two and three brands in the Canada and US & International geographical segments, respectively), an impairment charge on intangible assets was required in the amount of \$9,199 (2022 – \$13,381). Additionally, the Company recorded \$233 (2022 – \$535) of impairment losses on its property, plant and equipment, for a total of \$9,432 (2022 – \$13,916) of impairment charges on its property, plant and equipment and intangible assets for the year ended November 30, 2023, which have been recognized in the consolidated statements of comprehensive 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 for trademarks and franchise rights.

Impairment by geographical segment for the year ended November 30, 2023:

	Property, plant and equipment	Intangible assets		Total
		Franchise rights	Trademarks	
	\$	\$	\$	\$
Canada	—	525	3,104	3,629
US & International	233	767	4,803	5,803
Impairment charge	233	1,292	7,907	9,432

Impairment by geographical segment for the year ended November 30, 2022:

	Property, plant and equipment	Intangible assets		Total
		Franchise rights	Trademarks	
	\$	\$	\$	\$
Canada	100	1,454	4,338	5,892
US & International	435	2,388	5,201	8,024
Impairment charge	535	3,842	9,539	13,916

The key assumptions used, where the recoverable amount was measured as a goodwill unit's value in use, are those related to projected operating cash flows, as well as the discount rates. The sales forecasts for cash flows were based on the subsequent fiscal year's budgeted operating results, which were prepared by management and approved by the Board, and internal forecasts for subsequent years, which were prepared by management and developed from the budgeted operating results.

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15. Impairment charge – property, plant and equipment and intangible assets (continued)

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at value in use as at August 31, 2023 and 2022:

	2023					2022		
	Canada Goodwill Unit	US Goodwill Unit A	US Goodwill Unit B	US Goodwill Unit C	US Goodwill Unit D	Canada Goodwill Unit	US Goodwill Unit A	US Goodwill Unit B
Discount rates after tax	9.5%	10.5%	10.5%	10.5%	10.5%	9.8%	10.3%	10.3%
Discount rates pre-tax	12.4%	13.4%	13.8%	13.7%	13.6%	12.7%	13.1%	13.2%
Recoverable amounts	1,063,708	729,871	360,741	424,392	365,670	1,071,847	675,843	328,712

Long-term growth rates ranging from 0% to 2% (2022 – 0% to 2%) were used in the impairment test for the Canada Goodwill Unit. A change of 100 basis points in discount rates in the Canada Goodwill Unit would result in additional impairment charges on intangible assets of four brands (2022 – four brands) representing 0.3% (2022 – 1.8%) of the total carrying value of the franchise rights and trademarks in that goodwill unit. A change of 100 basis points in discount rates in the Canada Goodwill Unit would not result in additional impairment charges on goodwill for the years ended November 30, 2023 and 2022. For the Canada Goodwill Unit, an increase of 1,080 basis points (2022 – 950 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates ranging from 0% to 2% (2022 – 0% to 2%) were used in the impairment test for US Goodwill Unit A. A change of 100 basis points in discount rates in US Goodwill Unit A would result in additional impairment charges on intangible assets of three brands (2022 – four brands) representing 0.7% (2022 – 0.5%) of the total carrying value of the franchise rights and trademarks in that goodwill unit. A change of 100 basis points in discount rates in US Goodwill Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2023 and 2022. For US Goodwill Unit A, an increase of 440 basis points (2022 – 320 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

A long-term growth rate of 1.5% (2022 – 1.5%) was used in the impairment test for US Goodwill Unit B. A change of 100 basis points in discount rates in US Goodwill Unit B would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2023 and 2022. For US Goodwill Unit B, an increase of 200 basis points (2022 – 110 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Long-term growth rates of 2.0% were used in the impairment test for US Goodwill Unit C. A change of 100 basis points in discount rates in US Goodwill Unit C would not result in additional impairment charges on intangible assets or goodwill for the year ended November 30, 2023. For US Goodwill Unit C, an increase of 200 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value. For the year ended November 30, 2022, the Company performed its annual impairment test for US Goodwill Unit C, using the fair value less costs to sell method, as at November 30, 2022 due to the timing of the acquisition. For the year ended November 30, 2022, a long-term growth rate of 2.0%, a discount rate after tax of 10.6% and a pre-tax discount rate of 12.1% were used in the impairment test for US Goodwill Unit C, which was acquired on September 27, 2022.

A long-term growth rate of 2.0% was used in the impairment test for US Goodwill Unit D. A change of 100 basis points in discount rates in US Goodwill Unit D would not result in additional impairment charges on intangible assets or goodwill for the year ended November 30, 2023. For US Goodwill Unit D, an increase of 160 basis points in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

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16. Credit facility

During the year ended November 30, 2022, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility, which now has an authorized amount of \$900,000 (November 30, 2022 – \$900,000), and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to \$300,000 (November 30, 2022 – \$300,000) remained unchanged. Transaction costs of \$1,817 were incurred during the year ended November 30, 2022 and will be deferred and amortized over the remaining three years of the life of the revolving credit facility. As at November 30, 2023, US\$558,023 was drawn from the revolving credit facility (November 30, 2022 – US\$408,850).

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 November 30, 2023, the Company was in compliance with its financial covenants.

17. Provisions

The provisions recorded on the Company's consolidated statements of financial position are related to 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.

	2023	2022
	\$	\$
Provisions, beginning of year	1,490	1,692
Reversals	(574)	(517)
Amounts used	(12,188)	(404)
Additions	15,895	680
Impact of foreign exchange	33	39
Provisions, end of year	4,656	1,490

MTY Food Group Inc.

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18. Deferred revenue and deposits

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Franchise fee deposits	62,256	55,646
Unearned rent, advances for restaurant construction and renovation	1,949	2,854
Supplier contributions and other allowances	3,738	6,373
	67,943	64,873
Less: Current portion	(14,918)	(16,468)
	53,025	48,405

Deferred revenues consist mostly of initial, transfer and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the related agreement. Deferred revenues also include amounts paid in advance for royalties, restaurant construction and renovation, as well as upfront fees received from agreements with suppliers, which are amortized over the term of the related agreement.

There were no significant changes to contract liabilities during the year.

\$16,767 (2022 – \$15,391) of revenue recognized in the current year was included in the deferred revenue balance at the beginning of the year.

The following table provides estimated revenues expected to be recognized in future years related to performance obligations that are unsatisfied as at November 30, 2023:

Estimate for fiscal year:	\$
2024	14,918
2025	8,837
2026	8,004
2027	6,211
2028	4,666
Thereafter	25,307
	<u>67,943</u>

MTY Food Group Inc.

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19. Long-term debt

	2023	2022
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	1,375	142
Contingent considerations on Küto Comptoir à Tartares acquisition (Note 7) and 11554891 Canada Inc. (Note 8) ⁽¹⁾	600	3,626
Fair value of non-controlling interest option in 9974644 Canada Inc. ⁽²⁾	2,288	1,853
Fair value of obligation to repurchase 11554891 Canada Inc. partner (Note 8) ⁽³⁾	7,179	7,867
Revolving credit facility payable to a syndicate of lenders ⁽⁴⁾	757,759	550,055
Credit facility financing costs	(1,837)	(2,584)
	767,364	560,959
Less: Current portion	(10,428)	(9,530)
	756,936	551,429

(1) 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.

(2) Payable on demand.

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

(4) Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility's maturity is October 28, 2025 and must be repaid in full at that time. The revolving credit facility has an authorized amount of \$900,000 (November 30, 2022 – \$900,000). As at November 30, 2023, the Company had drawn US\$558,023 (November 30, 2022 – US\$408,850) 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 rate, Bankers' acceptances rate and eventually 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.

20. Capital stock

Authorized, unlimited number of common shares without nominal or par value:

	2023		2022	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	24,413,461	302,781	24,669,861	305,961
Shares repurchased and cancelled	(80,800)	(1,002)	(256,400)	(3,180)
Balance, end of year	24,332,661	301,779	24,413,461	302,781

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 year ended November 30, 2023, the Company repurchased and cancelled a total of 80,800 common shares (2022 – 256,400 common shares) under the current NCIB, at a weighted average price of \$51.58 per common share (2022 – \$57.01 per common share), for a total consideration of \$4,167 (2022 – \$14,618). An excess of \$3,165 (2022 – \$11,438) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

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21. Accumulated other comprehensive (loss) income

The following table provides the net carrying amounts of Accumulated other comprehensive (loss) income by category and the changes in the years ended November 30, 2023 and 2022.

	Translation adjustments	Cash flow hedges	Deferred tax expense on foreign currency translation adjustments and cash flow hedges	Total
	\$	\$	\$	\$
Balance as at November 30, 2021	(22,134)	—	814	(21,320)
Unrealized gain on translation of foreign operations	35,577	—	—	35,577
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	—	—	(491)	(491)
Balance as at November 30, 2022	13,443	—	323	13,766
Unrealized gain on translation of foreign operations	7,644	—	—	7,644
Change in fair value of financial instruments	—	9,581	—	9,581
Gain realized on financial instruments transferred to earnings	—	(3,265)	—	(3,265)
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	—	—	(2,256)	(2,256)
Balance as at November 30, 2023	21,087	6,316	(1,933)	25,470

22. Stock options

The Company offered for the benefit of certain key members of management and directors a stock option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 60,000 shares are available for issuance under the stock option plan as at November 30, 2023 (November 30, 2022 – 60,000).

Under the stock option plan of the Company, the following options were granted and are outstanding as at November 30, 2023 and 2022:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning and end of year	440,000	50.97	440,000	50.97
Vested, end of year	137,776	50.38	102,221	49.72

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22. Stock options (continued)

As at November 30, 2023, the range of exercise prices and the weighted average remaining contractual life of options are as follows:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life
\$		(years)
48.36	200,000	3.3
52.01	200,000	5.8
58.78	40,000	1.1
	440,000	4.3

As at November 30, 2022, the range of exercise prices and the weighted average remaining contractual life of options were as follows:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life
\$		(years)
48.36	200,000	4.3
52.01	200,000	6.8
58.78	40,000	2.1
	440,000	5.3

No options were granted during the years ended November 30, 2023 and 2022.

A compensation expense of \$792 was recorded for the year ended November 30, 2023 (2022 – \$1,002). The expense is presented in Wages and benefits in Operating expenses in the consolidated statements of income.

23. 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 that used for the purpose of diluted income per share:

	2023	2022
Weighted daily average number of common shares – basic	24,409,176	24,439,892
Assumed exercise of stock options ⁽¹⁾	68,987	25,846
Weighted daily average number of common shares – diluted	24,478,163	24,465,738

⁽¹⁾ 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 year ended November 30, 2023 was 13,334 (2022 – 240,000).

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24. 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

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 \$2,151 was recorded for the contingent considerations for the year ended November 30, 2023 (2022 – gain of \$1,794).

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\$3,000 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 \$2,194 (US\$1,600) 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) which is remeasured at each reporting period.

A fair value remeasurement loss of \$435 (2022 – loss of \$278) 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) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2023 and 2022.

A fair value remeasurement gain of \$688 (2022 – gain of \$1,416) 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 \$2,626 was recorded as at November 30, 2023 (November 30, 2022 – nil) in Current portion of derivative liabilities in the consolidated statements of financial position. 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\$51,114	US\$142,909	US\$64,850	US\$150,000
Receive – Rate	7.14%	7.14%	6.18%	6.18%
Pay – Notional	CA\$70,000	CA\$196,000	CA\$87,000	CA\$201,000
Pay – Rate	6.66%	6.59%	5.95%	5.80%

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24. 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 \$6,617 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 \$6,316 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\$100,000. 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 \$1,272 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 \$1,272 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:

	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

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24. 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:

	2023	2022
	\$	\$
Financial liabilities classified as level 3, beginning of year	13,346	4,952
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	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 Kūto Comptoir à Tartares acquisition (Note 7)	—	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:

	2023	2022
	\$	\$
Contingent considerations on Kūto 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

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.

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
			<i>Restated (Note 7)</i>	<i>Restated (Note 7)</i>
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 ⁽¹⁾	759,134	759,134	550,197	550,197

⁽¹⁾ Excludes contingent considerations on Kūto 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.

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24. 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.

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.

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\$558,023 (November 30, 2022 – US\$408,850) was drawn from the revolving credit facility. Of that amount, US\$194,023 (November 30, 2022 – US\$214,850) was not exposed to foreign exchange risk as a result of two (November 30, 2022 – two) cross currency interest rate swaps, and US\$364,000 (November 30, 2022 – US\$194,000) 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:

	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)

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24. Financial instruments (continued)

Foreign exchange risk (continued)

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of \$18,031 (2022 – loss of \$9,416) on the consolidated statements of income and comprehensive income.

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. \$757,759 (November 30, 2022 – \$550,055) 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 \$7,578 per annum (2022 – \$5,501) on the outstanding credit facility.

Liquidity risk

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

As at November 30, 2023, the Company had an authorized revolving credit facility for which the available amount may not exceed \$900,000 (November 30, 2022 – \$900,000) and including an accordion feature amounting to \$300,000 (November 30, 2022 – \$300,000) to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility are described in Note 16 and Note 19.

The following are the contractual maturities of financial liabilities as at November 30, 2023:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	147,557	147,557	147,557	—	—	—
Long-term debt (Note 19) ⁽¹⁾	767,364	769,201	11,157	229	757,767	48
Interest on long-term debt ⁽¹⁾	n/a	102,597	26,877	26,877	49,605	(762)
Lease liabilities	535,197	615,901	66,853	66,853	117,694	364,501
	1,450,118	1,635,256	252,444	93,959	925,066	363,787

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

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25. Capital disclosures

The Company's objectives when managing capital are:

- (a) To safeguard its ability to obtain financing should the need arise;
- (b) To provide an adequate return to its shareholders; and
- (c) To maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company defines its capital as follows:

- (a) Shareholders' equity;
- (b) Long-term debt including the current portion;
- (c) Deferred revenue including the current portion; and
- (d) Cash

The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company may invest in longer or shorter-term investments depending on eventual liquidity requirements.

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2023 and 2022 were as follows:

	2023	2022
	\$	\$
Debt	767,364	560,959
Equity	812,889	724,626
Debt-to-equity ratio	0.94	0.77

Maintaining a low debt-to-equity ratio is a priority in order to preserve the Company's ability to secure financing at a reasonable cost for future acquisitions. The Company expects to maintain a low ratio by continuously using the expected cash flows from the newly acquired business in both the US and Canada to reduce the level of long-term debt.

The Company's credit facility imposes a maximum debt-to-proforma EBITDA ratio of 4.00:1.00 after an acquisition in excess of \$150,000 for a period of twelve months after acquisition; 3.50:1.00 anytime thereafter and until the maturity date of October 28, 2025.

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26. Revenue

	For the year ended					
	November 30, 2023			November 30, 2022		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Royalties	93,703	172,834	266,537	83,860	128,968	212,828
Franchise and transfer fees	5,567	6,746	12,313	5,141	6,729	11,870
Retail, food processing and distribution revenues	160,094	1,772	161,866	162,467	5,996	168,463
Sale of goods, including construction revenue	39,514	462,653	502,167	35,410	94,821	130,231
Gift card breakage income	393	6,337	6,730	450	5,427	5,877
Promotional funds	44,981	76,503	121,484	42,394	68,890	111,284
Other franchising revenue	40,141	41,598	81,739	37,901	26,443	64,344
Other	3,515	12,983	16,498	3,000	8,625	11,625
	387,908	781,426	1,169,334	370,623	345,899	716,522

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27. Operating expenses

	For the year ended					
	November 30, 2023			November 30, 2022		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	17,666	146,094	163,760	15,800	36,355	52,155
Retail, food processing and distribution costs	143,561	314	143,875	145,534	—	145,534
Wages and benefits ⁽¹⁾	61,559	230,412	291,971	55,910	79,602	135,512
Other corporate store expenses ⁽²⁾	2,785	58,153	60,938	2,881	11,448	14,329
Consulting and professional fees	7,830	12,867	20,697	7,750	12,897	20,647
Insurance and taxes	1,591	6,545	8,136	1,360	3,723	5,083
Utilities, repairs and maintenance	1,990	23,567	25,557	2,003	5,077	7,080
Advertising, travel, meals and entertainment	4,947	14,148	19,095	3,635	6,535	10,170
Gift cards – related costs	—	9,037	9,037	—	8,153	8,153
Royalties	72	8,665	8,737	49	7,972	8,021
Promotional funds ⁽³⁾	44,981	76,503	121,484	42,394	68,890	111,284
Impairment (reversal of impairment) for expected credit losses	2,289	904	3,193	2,320	(216)	2,104
Other ^(2 & 4)	10,267	11,841	22,108	7,807	6,561	14,368
	299,538	599,050	898,588	287,443	246,997	534,440

(1) Wages and benefits are presented net of investment tax credit of nil (2022 – \$459).

(2) During the year ended November 30, 2023, the Company began presenting its other operating expenses associated with its corporate stores in other corporate store expenses, to provide a more accurate overview of its operating expense categories. Accordingly, prior year amounts have been adjusted to reflect a reclassification of \$14,329 from other operating expenses to other corporate store expenses.

(3) Promotional fund expenses include wages and benefits.

(4) Other operating expenses are comprised mainly of other office administration expenses.

28. 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 \$16,352 as at November 30, 2023 (November 30, 2022 – \$18,648). 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 \$1,570 (November 30, 2022 – \$1,570), included in Accounts payable and accrued liabilities, with respect to these guarantees.

29. Contingent liabilities

The Company is involved in legal claims associated with its current business activities. The Company's estimate of the outcome of these claims is disclosed in Note 17. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

30. Income taxes

Variations of income tax expense from the basic Canadian federal and provincial combined tax rates applicable to income from operations before income taxes are as follows:

	2023		2022	
	\$	%	\$	%
Combined income tax rate in Canada	29,145	26.5	25,486	26.5
Add effect of:				
Difference between Canadian and foreign statutory rate	(17,710)	(16.3)	(6,126)	(6.4)
Non-taxable portion of capital gains	397	0.4	505	0.5
Permanent differences	303	0.3	3,601	3.7
Credits generated and used in current year	(3,197)	(2.9)	—	—
Losses in subsidiaries for which no deferred income tax assets is recognized	370	0.3	2	—
Rate variation on deferred income tax	(10)	—	(754)	(0.8)
Adjustment to prior year provisions	(3,136)	(2.9)	(768)	(0.8)
Revision of estimates for tax exposures	(959)	(0.9)	(875)	(0.9)
Other – net	258	0.3	(80)	(0.1)
Provision for income taxes	5,461	4.8	20,991	21.7

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

30. Income taxes (continued)

The variation in deferred income taxes during the years ended November 30, 2023 and 2022 were as follows:

	November 30, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition	Foreign exchange	November 30, 2023
	\$	\$	\$	\$	\$	\$
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(15,208)	1,157	—	(2,717)	(68)	(16,836)
Finance lease receivables	(88,159)	1,184	—	—	(144)	(87,119)
Right-of-use assets	(41,280)	(4,818)	—	—	(211)	(46,309)
Accounts receivable	308	476	—	14	10	808
Deferred costs	(1,359)	726	—	—	(3)	(636)
Inventory	56	(425)	—	17	(7)	(359)
Provisions and gift cards	24,808	(14,669)	—	(880)	(206)	9,053
Long-term debt	(2,214)	1,421	(2,256)	(7)	(3)	(3,059)
Non-capital losses	11,097	(11,270)	—	7,317	(110)	7,034
Capital losses	228	275	—	—	—	503
Intangible assets	(206,766)	6,135	—	(41,757)	(779)	(243,167)
Accrued expenses	8,994	30,470	—	5,533	594	45,591
Derivative assets	—	(1,777)	—	—	—	(1,777)
Deferred revenue	10,792	(4,692)	—	332	33	6,465
Lease liabilities	133,238	4,425	—	—	367	138,030
Other	(145)	(1,620)	—	—	18	(1,747)
	(165,610)	6,998	(2,256)	(32,148)	(509)	(193,525)

MTY Food Group Inc.

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For the years ended November 30, 2023 and 2022

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

30. Income taxes (continued)

	November 30, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition	Foreign exchange	November 30, 2022
	\$	\$	\$	\$	\$	\$
				<i>Restated (Note 7)</i>		
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(4,437)	(1,527)	—	(8,905)	(339)	(15,208)
Finance lease receivables	(103,487)	15,726	—	1,045	(1,443)	(88,159)
Right-of-use assets	(15,267)	(25,633)	—	200	(580)	(41,280)
Accounts receivable	363	(67)	—	—	12	308
Deferred costs	(1,298)	(26)	—	—	(35)	(1,359)
Inventory	58	(5)	—	—	3	56
Provisions and gift cards	19,965	569	—	3,101	1,173	24,808
Long-term debt	(1,255)	1,095	(491)	(1,561)	(2)	(2,214)
Non-capital losses	78	438	—	11,719	(1,138)	11,097
Capital losses	—	228	—	—	—	228
Intangible assets	(169,309)	3,867	—	(35,326)	(5,998)	(206,766)
Accrued expenses	10,002	(1,389)	—	—	381	8,994
Deferred revenue	9,857	576	—	—	359	10,792
Lease liabilities	122,262	10,159	—	(1,257)	2,074	133,238
Other	—	(333)	—	—	188	(145)
	(132,468)	3,678	(491)	(30,984)	(5,345)	(165,610)

As at November 30, 2023, there were approximately \$3,440 (November 30, 2022 – \$2,170) in non-capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized. These non-capital losses will expire between 2038 and 2043.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to \$1,313 (2022 – \$987).

No deferred income tax liability is recognized on unremitted earnings of \$105,739 (2022 – \$80,931) related to the investments in subsidiaries. Such unremitted earnings are reinvested in the subsidiaries and will not be repatriated in the foreseeable future.

The Company has an uncertain tax risk related to pre-acquisition periods whereby tax returns were filed by previous owners.

31. 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.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

31. Segmented information (continued)

Below is a summary of each geographical and operating segment's performance during the years ended November 30, 2023 and 2022.

November 30, 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	154,492	32,009	161,196	44,981	(4,770)	387,908	242,378	462,025	1,771	76,503	(1,251)	781,426	1,169,334
Operating expenses	79,303	32,901	144,387	44,981	(2,034)	299,538	117,380	408,840	314	76,503	(3,987)	599,050	898,588
Segment profit (loss)	75,189	(892)	16,809	—	(2,736)	88,370	124,998	53,185	1,457	—	2,736	182,376	270,746
Total assets	1,504,876	23,845	69,381	10,248	—	1,608,350	602,996	447,737	—	20,935	—	1,071,668	2,680,018
Total liabilities	1,146,662	20,779	13,795	10,248	—	1,191,484	360,675	294,035	—	20,935	—	675,645	1,867,129

November 30, 2022

	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	141,127	29,353	163,141	42,394	(5,392)	370,623	182,086	89,967	5,996	68,890	(1,040)	345,899	716,522
Operating expenses	71,548	29,266	145,992	42,394	(1,757)	287,443	95,463	87,319	—	68,890	(4,675)	246,997	534,440
Segment profit (loss)	69,579	87	17,149	—	(3,635)	83,180	86,623	2,648	5,996	—	3,635	98,902	182,082
Total assets (Restated – Note 7)	1,299,304	22,253	51,612	11,761	—	1,384,930	740,092	183,284	—	22,059	—	945,435	2,330,365
Total liabilities (Restated – Note 7)	957,112	21,575	10,718	11,761	—	1,001,166	298,107	284,407	—	22,059	—	604,573	1,605,739

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

32. Statement of cash flows

Changes in liabilities and assets arising from financing and investing activities for the years ended November 30, 2023 and 2022 were as follows:

	Revolving credit facility	Loan financing costs	Non-interest- bearing contracts and holdbacks	Non- controlling interest option	Contingent considerations	Obligation to repurchase 11554891 Canada Inc. partner	Total
	\$	\$	\$	\$	\$		\$
Balance as at November 30, 2022	550,055	(2,584)	142	1,853	3,626	7,867	560,959
Changes from financing activities:							
Increase in term revolving credit facility	318,884	—	—	—	—	—	318,884
Repayments of term revolving credit facility, holdbacks and contingent consideration	(109,511)	—	(2)	—	(875)	—	(110,388)
Payment of transaction costs	—	(157)	—	—	—	—	(157)
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing arrangement	—	904	—	—	—	—	904
Accretion of interest on non-interest-bearing holdbacks	—	—	47	—	—	—	47
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	435	(2,151)	(688)	(2,404)
Foreign exchange	957	—	(2)	—	—	—	955
Derivative liability on cross currency interest rate swaps	(2,626)	—	—	—	—	—	(2,626)
Changes from investing activities:							
Issuance of holdbacks (Note 7)	—	—	1,190	—	—	—	1,190
Balance as at November 30, 2023	757,759	(1,837)	1,375	2,288	600	7,179	767,364

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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

32. Statement of cash flows (continued)

	Revolving credit facility	Long-term debt in business acquisition	Loan financing costs	Non-interest- bearing contracts and holdbacks	Non-controlling interest option	Contingent considerations	Obligation to repurchase 11554891 Canada Inc. partner	Total
	\$	\$	\$	\$	\$	\$		\$
Balance as at November 30, 2021	345,000	—	(1,395)	12,171	1,575	1,961	1,416	360,728
Changes from financing activities:								
Increase in term revolving credit facility	275,626	—	—	—	—	—	—	275,626
Repayments of term revolving credit facility and holdbacks	(67,807)	—	—	(12,407)	—	—	—	(80,214)
Repayment of long-term debt in business acquisition (Note 7)	—	(33,800)	—	—	—	—	—	(33,800)
Payment of transaction costs	—	—	(1,817)	—	—	—	—	(1,817)
Changes from non-cash transactions:								
Amortization of transaction costs directly attributable to a financing arrangement	—	—	628	—	—	—	—	628
Accretion of interest on non-interest-bearing holdbacks	—	—	—	19	—	—	—	19
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	—	278	(1,794)	(1,416)	(2,932)
Foreign exchange	(2,764)	—	—	109	—	—	—	(2,655)
Changes from investing activities:								
Change in control over interest in 11554891 Canada Inc. (Note 8)	—	—	—	—	—	—	7,867	7,867
Business acquisition (Note 7)	—	33,800	—	—	—	—	—	33,800
Issuance of holdback (Note 7)	—	—	—	250	—	—	—	250
Issuance of contingent consideration (Note 7)	—	—	—	—	—	3,459	—	3,459
Balance as at November 30, 2022	550,055	—	(2,584)	142	1,853	3,626	7,867	560,959

MTY Food Group Inc.

Notes to the consolidated financial statements

For the years ended November 30, 2023 and 2022

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32. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

	2023	2022
	\$	\$
		<i>Restated (Note 7)</i>
Accounts receivable	(3,393)	(10,187)
Inventories	(1,544)	(2,049)
Other assets	(2,561)	(345)
Prepaid expenses and deposits	1,238	(5,027)
Accounts payable and accrued liabilities	(18,623)	(1,321)
Provisions	3,146	(251)
Gift card and loyalty program liabilities	12,560	9,368
Deferred revenue and deposits	1,469	2,921
	(7,708)	(6,891)

Non-cash items amounting to \$1,684 (2022 – \$164) are included in proceeds on disposal of property, plant and equipment. The non-cash items for the year ended November 30, 2023 were primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations in the US segment.

33. 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.



CORPORATE INFORMATION

HEAD OFFICE

8210 Transcanada Highway
Saint-Laurent, Québec
H4S 1M5, Canada
T. : 514 336-8885
F. : 514 336-9222
www.mtygroup.com

AUDITORS

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

TRANSFER AGENT & REGISTRAR

Computershare Trust
Company of Canada

SOLICITORS

Fasken Martineau DuMoulin LLP

DIRECTORS

Stanley Ma⁽¹⁾
Claude St-Pierre
Eric Lefebvre
Dickie Orr⁽²⁾
Victor Mandel^(2,3)
Murat Armutlu^(2,3)
Suzan Zalter⁽³⁾

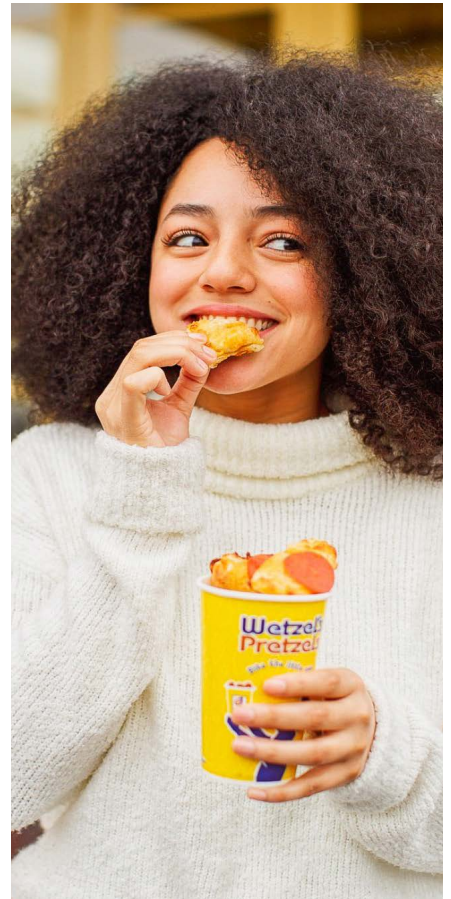
(1) Chairman of the Board

(2) Audit Committee

(3) Compensation, Nomination and Governance Committee

INVESTOR RELATIONS

Eric Lefebvre
T. : 514 336-8885
F. : 514 336-9222
ir@mtgroup.com



GRUPE
MTY
GROUP

MTYGROUP.COM