
Condensed
interim consolidated financial statements of
MTY Food Group Inc.

For the three and nine-month periods ended August 31, 2024 and 2023

MTY Food Group Inc.

Condensed interim consolidated statements of income

For the three and nine-month periods ended August 31, 2024 and 2023

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

(Unaudited)

	Notes	Three months ended August 31		Nine months ended August 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	12 & 14	292,753	298,080	875,136	889,302
Expenses					
Operating expenses	13 & 14	220,972	225,210	670,895	678,921
Depreciation – property, plant and equipment and right-of-use assets		15,031	14,460	44,673	43,188
Amortization – intangible assets		7,934	8,658	23,617	26,505
Interest on long-term debt		12,119	12,780	36,088	39,692
Net interest expense on leases	6	2,776	3,421	8,384	8,464
Impairment charge – right-of-use assets	6	—	168	114	274
Impairment charge – property, plant and equipment and intangible assets	7	2,986	—	8,382	—
		261,818	264,697	792,153	797,044
Other income (expenses)					
Unrealized and realized foreign exchange gain		7,374	3,598	4,521	20
Interest income		255	196	527	815
Gain (loss) on de-recognition/lease modification of lease liabilities		319	(442)	148	(682)
Gain (loss) on disposal of property, plant and equipment		826	609	746	(385)
Revaluation of financial liabilities and derivatives recorded at fair value		(1,015)	3,933	(356)	3,094
Restructuring		(847)	—	(1,690)	—
Gain on extinguishment of debt		—	—	131	—
		6,912	7,894	4,027	2,862
Income before taxes		37,847	41,277	87,010	95,120
Income tax expense					
Current		2,690	1,843	7,624	10,627
Deferred		117	361	(500)	(3,530)
		2,807	2,204	7,124	7,097
Net income		35,040	39,073	79,886	88,023
Net income attributable to:					
Owners		34,886	38,892	79,469	87,638
Non-controlling interests		154	181	417	385
Net income		35,040	39,073	79,886	88,023
Net income per share	10				
Basic		1.46	1.59	3.30	3.59
Diluted		1.46	1.59	3.30	3.58

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

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

For the three and nine-month periods ended August 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended August 31		Nine months ended August 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Net income		35,040	39,073	79,886	88,023
Other comprehensive income					
Items that may be reclassified subsequently to net income					
Translation adjustments					
Unrealized (loss) gain on translation of foreign operations		(13,676)	(6,943)	(10,771)	2,446
Cash flow hedges					
Change in fair value of financial instruments	11	(799)	4,694	2,686	9,400
Gain realized on financial instruments transferred to earnings	11	(477)	(1,261)	(3,235)	(1,865)
Deferred tax recovery (expense) on foreign currency translation adjustments and cash flow hedges		2,789	(476)	2,459	(2,393)
		(12,163)	(3,986)	(8,861)	7,588
Total comprehensive income		22,877	35,087	71,025	95,611
Total comprehensive income attributable to:					
Owners		22,723	34,906	70,608	95,226
Non-controlling interests		154	181	417	385
		22,877	35,087	71,025	95,611

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

MTY Food Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

For the nine-month periods ended August 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Reserves						Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves	Retained earnings			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the nine months ended August 31, 2024									
Balance, beginning of period	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
Net income	—	—	—	—	—	79,469	79,469	417	79,886
Other comprehensive loss	—	—	—	(8,861)	(8,861)	—	(8,861)	—	(8,861)
Total comprehensive income							70,608	417	71,025
Shares repurchased and cancelled (Note 9)	(7,345)	—	—	—	—	(20,455)	(27,800)	—	(27,800)
Dividends	—	—	—	—	—	(20,226)	(20,226)	(330)	(20,556)
Share-based compensation	—	—	524	—	524	—	524	—	524
Balance, end of period	294,434	(850)	6,173	16,609	21,932	518,152	834,518	1,564	836,082

	Reserves						Equity attributable to owners	Equity attributable to non-controlling interests	Total
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive income	Total reserves	Retained earnings			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
For the nine months ended August 31, 2023									
Balance, beginning of period	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income	—	—	—	—	—	87,638	87,638	385	88,023
Other comprehensive income	—	—	—	7,588	7,588	—	7,588	—	7,588
Total comprehensive income							95,226	385	95,611
Dividends	—	—	—	—	—	(18,310)	(18,310)	(183)	(18,493)
Share-based compensation	—	—	611	—	611	—	611	—	611
Balance, end of period	302,781	(850)	5,468	21,354	25,972	472,182	800,935	1,420	802,355

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

MTY Food Group Inc.

Condensed interim consolidated statements of financial position

As at August 31, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

		August 31, 2024	November 30, 2023
	Notes	\$	\$
Assets			
Current assets			
Cash		50,989	58,895
Accounts receivable	5	82,269	82,998
Inventories		19,294	20,731
Assets held for sale		222	2,266
Current portion of loans and other receivables		1,558	924
Current portion of finance lease receivables	6	75,900	80,154
Income taxes receivable		9,615	12,543
Current portion of derivative assets	11	772	4,647
Other assets		5,991	3,824
Prepaid expenses and deposits		14,447	14,077
		261,057	281,059
Loans and other receivables		2,508	4,465
Finance lease receivables	6	229,001	253,552
Contract cost asset		7,619	7,324
Deferred income taxes		93	93
Derivative assets	11	—	3,242
Property, plant and equipment		109,712	112,801
Right-of-use assets	6	174,294	181,718
Intangible assets		1,085,451	1,116,577
Goodwill		715,746	719,187
		2,585,481	2,680,018
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		137,650	147,557
Provisions		4,082	4,656
Gift card and loyalty program liabilities		148,892	147,952
Income taxes payable		2,345	—
Current portion of deferred revenue and deposits		15,172	14,918
Current portion of long-term debt	8	8,410	10,428
Current portion of derivative liabilities	11	5,789	2,626
Current portion of lease liabilities	6	107,964	112,446
		430,304	440,583
Long-term debt	8	681,953	756,936
Lease liabilities	6	392,278	422,751
Deferred revenue and deposits		55,482	53,025
Deferred income taxes		189,224	193,618
Derivative liabilities	11	158	—
Other liabilities		—	216
		1,749,399	1,867,129

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

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

As at August 31, 2024 and November 30, 2023

(In thousands of Canadian dollars)

(Unaudited)

		August 31, 2024	November 30, 2023
	Notes	\$	\$
Shareholders' equity			
Equity attributable to owners			
Capital stock	9	294,434	301,779
Reserves		21,932	30,269
Retained earnings		518,152	479,364
		834,518	811,412
Equity attributable to non-controlling interests		1,564	1,477
		836,082	812,889
		2,585,481	2,680,018

Approved by the Board on October 10, 2024

_____, Director

_____, Director

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

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows

For the three and nine-month periods ended August 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended August 31		Nine months ended August 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
			<i>Adjusted ⁽¹⁾</i>		<i>Adjusted ⁽¹⁾</i>
Operating activities					
Net income		35,040	39,073	79,886	88,023
Adjusting items:					
Interest on long-term debt		12,119	12,780	36,088	39,692
Net interest expense on leases	6	2,776	3,421	8,384	8,464
Depreciation – property, plant and equipment and right-of-use assets		15,031	14,460	44,673	43,188
Amortization – intangible assets		7,934	8,658	23,617	26,505
Impairment charge – property, plant and equipment and intangible assets	7	2,986	—	8,382	—
Impairment charge – right-of-use assets	6	—	168	114	274
Unrealized foreign exchange (gain)		(7,374)	(3,598)	(4,521)	(20)
(Gain) loss on de-recognition/lease modification of lease liabilities		(319)	442	(148)	682
(Gain) loss on disposal of property, plant and equipment		(826)	(609)	(746)	385
Revaluation of financial liabilities and derivatives recorded at fair value		1,015	(3,933)	356	(3,094)
Gain on extinguishment of debt		—	—	(131)	—
Income tax expense		2,807	2,204	7,124	7,097
Share-based compensation		164	190	524	611
		71,353	73,256	203,602	211,807
Income taxes received (paid)		8,318	(7,600)	(2,347)	(24,923)
Interest paid		(12,262)	(12,364)	(35,871)	(38,228)
Other		(57)	368	(1,190)	(1,937)
Changes in non-cash working capital items	15	(997)	(2,165)	(3,103)	(9,897)
Cash provided by operating activities		66,355	51,495	161,091	136,822
Investing activities					
Considerations on acquisitions		—	(1,402)	—	(299,767)
Cash acquired through acquisitions		—	—	—	9,349
(Repayment) issuance of loans and other receivables		(2,704)	250	(2,453)	1,953
Additions to property, plant and equipment		(6,375)	(7,962)	(20,651)	(26,889)
Additions to intangible assets		(808)	(696)	(1,462)	(1,209)
Proceeds on disposal of property, plant and equipment		801	375	3,685	1,102
Cash used in investing activities		(9,086)	(9,435)	(20,881)	(315,461)

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows (continued)

For the three and nine-month periods ended August 31, 2024 and 2023

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended August 31		Nine months ended August 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
			<i>Adjusted ⁽¹⁾</i>		<i>Adjusted ⁽¹⁾</i>
Financing activities					
Issuance of long-term debt		—	—	14,785	306,660
Repayment of long-term debt		(33,853)	(26,329)	(84,813)	(82,743)
Net lease payments	6	(10,702)	(11,082)	(32,149)	(32,716)
Shares repurchased and cancelled	9	(11,442)	—	(27,800)	—
Capitalized financing costs		—	(97)	(1,052)	(157)
Dividends paid to non-controlling shareholders of subsidiaries		—	(45)	(330)	(183)
Proceed on disposal of SOFR fixed interest rate swap		6,562	—	6,562	—
Dividends paid		(6,674)	(6,103)	(20,226)	(18,310)
Cash (used in) provided by financing activities		(56,109)	(43,656)	(145,023)	172,551
Net increase (decrease) in cash		1,160	(1,596)	(4,813)	(6,088)
Effect of foreign exchange rate changes on cash		(2,424)	(685)	(3,093)	6,924
Cash, beginning of period		52,253	62,596	58,895	59,479
Cash, end of period		50,989	60,315	50,989	60,315

(1) Prior year amounts have been adjusted to reflect a reclassification of \$250 and \$7,972, respectively, between cash flows provided by operating activities, cash flows used in investing activities and the effect of foreign exchange rate changes on cash for the three and nine-month periods ended August 31, 2023.

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

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MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

(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 two distribution centers and two food processing plants, all of which are located in the province of Quebec.

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

2. Basis of preparation

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

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

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

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

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

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

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

Statement of compliance

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

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

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

The financial statements were authorized for issue by the Board of Directors on October 10, 2024.

2. Basis of preparation (continued)

Seasonality

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

3. Changes in accounting policies

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

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a new definition. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

The amendments to IAS 8 were adopted effective December 1, 2023 and resulted in no significant adjustment.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The amendments to IAS 12 were adopted effective December 1, 2023 and resulted in no significant adjustment.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

4. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the three and six-month periods ended August 31, 2024 and have not been applied in preparing these financial statements.

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

	Standard	Issue date	Effective date for the Company	Impact
IAS 1	Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
IFRS 16	Leases	September 2022	December 1, 2024	In assessment
IAS 21	The Effects of Changes in Foreign Exchange Rates	August 2023	December 1, 2025	In assessment
IFRS 18	Presentation and Disclosure of Financial Statements	April 2024	December 1, 2028	In assessment
IFRS 9 & IFRS 7	Financial Instruments & Financial Instruments and Disclosures	May 2024	December 1, 2026	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.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

4. 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.

IAS 21, The Effects of Changes in Foreign Exchange Rates

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB published a new standard: IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. New requirements have been introduced for presentation in the statement of profit and loss, increased disclosure of management defined performance measures and defining the way information is aggregated and disaggregated in the financial statements. The application of IFRS 18 is effective for annual reporting beginning on or after January 1, 2027. Earlier application is permitted. The Company will adopt the amendments on December 1, 2027.

IFRS 9 Financial Instruments and IFRS 7 Financial Instrument Disclosures

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures). The amendments to IFRS 9 clarify de-recognition and classification of specific financial assets and liabilities respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Earlier application is permitted. The Company will adopt the amendments on December 1, 2026.

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

5. Accounts receivable

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

	August 31, 2024	November 30, 2023
	\$	\$
Total accounts receivable	92,073	91,861
Less: Allowance for credit losses	9,804	8,863
Total accounts receivable, net	82,269	82,998
Of which:		
Not past due	65,284	71,121
Past due for more than one day but no more than 30 days	4,110	2,118
Past due for more than 31 days but no more than 60 days	2,459	2,175
Past due for more than 61 days	10,416	7,584
Total accounts receivable, net	82,269	82,998

6. Leases

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

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

Right-of-use assets

The following table provides the net carrying amounts of the right-of-use assets by class of underlying asset and the changes in the nine-month period ended August 31, 2024:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2023	170,390	10,447	881	181,718
Additions	15,837	—	122	15,959
Depreciation expense	(26,104)	(849)	(326)	(27,279)
Impairment charge	(114)	—	—	(114)
De-recognition/lease modification of lease liabilities	7,713	(2,791)	(56)	4,866
Foreign exchange	(838)	(16)	(2)	(856)
Balance as at August 31, 2024	166,884	6,791	619	174,294

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

6. Leases (continued)

Finance lease receivables

The following table provides the carrying amount of the finance lease receivables and the changes in the nine-month period ended August 31, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	333,706
Additions	12,927
Lease renewals and modifications	28,664
Lease terminations	(9,712)
Other adjustments	132
Interest income ⁽¹⁾	9,458
Receipts	(69,637)
Foreign exchange	(637)
Balance as at August 31, 2024	304,901

⁽¹⁾ During the nine-month period ended August 31, 2023, the Company recorded interest income on finance lease receivables of \$8,307.

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

	<u>Finance lease receivables</u>
	\$
Current portion	80,154
Long-term portion	253,552
November 30, 2023	333,706
Current portion	75,900
Long-term portion	229,001
August 31, 2024	304,901

MTY Food Group Inc.

Notes to the consolidated financial statements

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

6. Leases (continued)

Lease liabilities

The following table provides the carrying amount of the lease liabilities and the changes in the nine-month period ended August 31, 2024:

	<u>2024</u>
	\$
Balance as at November 30, 2023	535,197
Additions	18,968
Lease renewals and modifications	40,090
Lease terminations	(6,646)
Other adjustments	(1,848)
Interest expense ⁽¹⁾	17,842
Payments	(101,786)
Foreign exchange	(1,575)
Balance as at August 31, 2024	500,242

⁽¹⁾ During the nine-month period ended August 31, 2023, the Company recorded interest expense on lease liabilities of \$16,771.

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

	<u>Lease liabilities</u>
	\$
Current portion	112,446
Long-term portion	422,751
November 30, 2023	535,197
Current portion	107,964
Long-term portion	392,278
August 31, 2024	500,242

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

The Company performed its quarterly impairment indicator test to identify if any property, plant and equipment or intangible assets were potentially at risk for impairment. Based on the results obtained, the Company recorded \$791 and \$4,847 for the three and nine-month period ended August 31, 2024, respectively (2023 - nil for both periods) of impairment losses on its property, plant and equipment for certain corporate owned locations in the US & International and Canadian geographical segment. During the three and nine-month period ended August 31, 2024 the Company also recorded an impairment loss of \$2,195 and \$3,535, respectively (2023 – nil for both periods) on two brands in the Canada geographical segment related to its franchise rights and trademarks. The total of \$2,986 of impairment charges on its property, plant and equipment and intangible assets for the three-month period and \$8,382 for the nine-month period ended August 31, 2024 (2023 – nil for both periods) has been recognized in the condensed interim consolidated statements of income.

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

MTY Food Group Inc.

Notes to the consolidated financial statements

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

8. Long-term debt

	August 31, 2024	November 30, 2023
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	77	1,375
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc. ⁽¹⁾	250	600
Fair value of non-controlling interest option in 9974644 Canada Inc. ⁽²⁾	1,839	2,288
Fair value of obligation to repurchase 11554891 Canada Inc. partner ⁽³⁾	7,554	7,179
Revolving credit facility payable to a syndicate of lenders ⁽⁴⁾	682,638	757,759
Credit facility financing costs	(1,995)	(1,837)
	690,363	767,364
Less: Current portion	(8,410)	(10,428)
	681,953	756,936

(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 was extended on March 15, 2024 for a period of 3 years with a new maturity date of March 15, 2027 and must be repaid in full at that time. The revolving credit facility has an authorized amount of \$900,000 (November 30, 2023 – \$900,000). As at August 31, 2024, the Company had drawn US\$506,000 (November 30, 2023 – US\$558,023) on the facility and has elected to pay interest based on the Canadian Overnight Repo Rate Average (“CORRA”) and the Secured Overnight Financing Rate (“SOFR”) plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate, CORRA, and SOFR plus an applicable margin that will vary depending on the type of advances. The Company pays a commitment fee on the available unused credit facility.

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

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

As at August 31, 2024, the Company was in compliance with its financial covenants.

9. Capital stock

On June 28, 2024, the Company announced the renewal of the normal course issuer bid (“NCIB”). The NCIB began on July 3, 2024 and will end on July 2, 2025 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 1,196,513 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 nine-month period ended August 31, 2024, the Company repurchased and cancelled a total of 254,700 and 592,200 common shares, respectively (2023 – nil and nil respectively), under the current NCIB, at a weighted average price of \$44.92 and \$46.94 per common share, respectively (2023 – nil and nil respectively). A total consideration of \$11,442 and \$27,800, respectively (2023 – nil) was paid and an excess of \$8,283 and \$20,455, respectively (2023 – nil) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

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

10. Net income per share

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

	Three months ended August 31		Nine months ended August 31	
	2024	2023	2024	2023
Weighted daily average number of common shares – basic	23,871,807	24,413,461	24,107,968	24,413,461
Assumed exercise of stock options ⁽¹⁾	—	82,970	2,414	79,586
Weighted daily average number of common shares – diluted	23,871,807	24,496,431	24,110,382	24,493,047

⁽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 three and six-month periods ended August 31, 2024 was 440,000 and 306,668, respectively, (2023 – nil for both periods).

11. Financial instruments

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

Fair value of recognized financial instruments

Swaps

Cross currency interest rate swaps

On April 29, 2024, the Company entered into one floating to floating 3-month cross currency interest rate swap (November 30, 2023 – one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap). A derivative liability at fair value of \$5,677 was recorded as at August 31, 2024 (November 30, 2023 – derivative liability of \$2,626) in the current portion of derivative liabilities in the condensed interim consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	August 31, 2024	November 30, 2023	
	3-month	3-month	2-month
Receive – Notional	US\$190,000	US\$51,114	US\$142,909
Receive – Rate	7.45%	7.14%	7.14%
Pay – Notional	CA\$262,000	CA\$70,000	CA\$196,000
Pay – Rate	6.54%	6.66%	6.59%

MTY Food Group Inc.

Notes to the consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

11. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$200,000. A fair value remeasurement loss of \$481 and a fair value remeasurement gain of \$246 were recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and nine-month period ended August 31, 2024 (2023 – fair value remeasurement gain of \$3,433 and \$7,535, respectively).

On June 4, 2024, the Company sold the fixed interest rate swap, realizing proceeds of \$6,562 from this transaction. A derivative asset fair value of \$nil was recorded as at August 31, 2024 (November 30, 2023 - \$6,617). The Company had classified this as level 2 in the fair value hierarchy and had designated this as a cash flow hedge of the Company's interest rate risk from its credit facility. Under the terms of this swap, the interest rate was fixed at 3.32%. The cumulative gain on the hedging instrument, which was previously recognized in other comprehensive income during the effective hedging period, will continue to be recognized in equity and will be amortized to the consolidated statement of income until the termination of the hedged item on April 10, 2026. During the third quarter, the Company recorded a gain of \$795 in the condensed interim consolidated statement of income related to this amortization.

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 \$772 was recorded as at August 31, 2024 (November 30, 2023 – \$1,272). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement loss of \$716 and \$507 was recorded in the Company's condensed interim consolidated statement of income for the three and nine-month period ended August 31, 2024, respectively (2023 - fair value remeasurement gain of \$1,098 and \$1,103 respectively).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$50,000. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will receive 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between the current rate and 2.95%. A derivative liability of \$270 was recorded as at August 31, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement loss of \$334 and \$277 was recorded in the Company's condensed interim consolidated statement of income for the three and nine-month period ended August 31, 2024, respectively (2023 – nil).

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

	Cross currency interest rate swaps	2-year SOFR fixed interest rate swap US\$100,000	3-year SOFR fixed interest rate swap US\$50,000	Total
	\$	\$	\$	\$
Current portion of derivative assets	—	772	—	772
Current portion of derivative liabilities	(5,677)	—	(112)	(5,789)
Long-term portion of derivative liabilities	—	—	(158)	(158)
August 31, 2024	(5,677)	772	(270)	(5,175)

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Notes to the consolidated financial statements

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

11. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Fair value hierarchy

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

	2024
	\$
Financial liabilities classified as level 3 as at November 30, 2023	
Revaluation of financial liabilities recorded at fair value	10,067
Financial liabilities classified as level 3 as at August 31, 2024	10,067

As at August 31, 2024 and November 30, 2023, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

	August 31, 2024	November 30, 2023
	\$	\$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	250	600
Non-controlling interest buyback option	1,839	2,288
Obligation to repurchase 11554891 Canada Inc. partner	7,554	7,179
Financial liabilities classified as level 3	9,643	10,067

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 August 31, 2024 and November 30, 2023. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	August 31, 2024		November 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and other receivables	4,066	4,066	5,389	5,389
Finance lease receivables	304,901	304,901	333,706	333,706
Financial liabilities				
Long-term debt ⁽¹⁾	682,715	682,715	759,134	759,134

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

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Notes to the consolidated financial statements

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11. Financial instruments (continued)

Determination of fair value

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

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

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

12. Revenue

	Three months ended					
	August 31, 2024			August 31, 2023		
	US &		TOTAL	US &		TOTAL
	Canada	International		Canada	International	
	\$	\$	\$	\$	\$	\$
Royalties	23,416	46,802	70,218	24,340	45,459	69,799
Franchise and transfer fees	1,588	1,961	3,549	1,409	1,652	3,061
Retail, food processing and distribution revenues	39,201	897	40,098	43,100	226	43,326
Sale of goods, including construction revenue	12,515	109,600	122,115	9,656	111,094	120,750
Gift card breakage income	80	2,074	2,154	72	2,150	2,222
Promotional funds	10,718	19,273	29,991	11,850	20,696	32,546
Other franchising revenue	9,753	11,159	20,912	10,396	11,825	22,221
Other	623	3,093	3,716	896	3,259	4,155
	97,894	194,859	292,753	101,719	196,361	298,080

	Nine months ended					
	August 31, 2024			August 31, 2023		
	US &		TOTAL	US &		TOTAL
	Canada	International		Canada	International	
	\$	\$	\$	\$	\$	\$
Royalties	67,201	134,287	201,488	70,544	132,220	202,764
Franchise and transfer fees	4,574	5,894	10,468	4,103	4,785	8,888
Retail, food processing and distribution revenues	111,584	2,133	113,717	122,401	1,538	123,939
Sale of goods, including construction revenue	35,491	343,777	379,268	29,553	350,913	380,466
Gift card breakage income	354	6,104	6,458	329	5,147	5,476
Promotional funds	32,225	58,361	90,586	34,046	58,577	92,623
Other franchising revenue	29,326	31,602	60,928	29,932	32,182	62,114
Other	2,092	10,131	12,223	2,572	10,460	13,032
	282,847	592,289	875,136	293,480	595,822	889,302

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

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

13. Operating expenses

	Three months ended					
	August 31, 2024			August 31, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	5,852	34,262	40,114	4,060	33,658	37,718
Retail, food processing and distribution costs	34,647	289	34,936	38,616	98	38,714
Wages and benefits	16,291	56,378	72,669	15,307	56,813	72,120
Other corporate store expenses	1,940	13,360	15,300	728	13,765	14,493
Consulting and professional fees	1,959	2,555	4,514	1,764	3,140	4,904
Insurance and taxes	293	2,261	2,554	270	1,791	2,061
Utilities, repairs and maintenance	529	6,158	6,687	484	5,838	6,322
Advertising, travel, meals and entertainment	1,239	3,649	4,888	1,174	3,623	4,797
Gift cards – related costs	—	2,108	2,108	—	2,172	2,172
Royalties	49	2,684	2,733	25	2,528	2,553
Promotional funds ⁽¹⁾	10,718	19,273	29,991	11,850	20,696	32,546
Impairment for expected credit losses	272	133	405	330	156	486
Other ⁽²⁾	1,213	2,860	4,073	2,624	3,700	6,324
	75,002	145,970	220,972	77,232	147,978	225,210

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

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

13. Operating expenses (continued)

	Nine months ended					
	August 31, 2024			August 31, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	16,598	106,634	123,232	12,145	110,093	122,238
Retail, food processing and distribution costs	100,072	623	100,695	109,742	273	110,015
Wages and benefits	49,299	174,926	224,225	45,722	175,670	221,392
Other corporate store expenses	3,447	43,167	46,614	2,042	43,371	45,413
Consulting and professional fees	6,122	7,731	13,853	5,741	9,549	15,290
Insurance and taxes	1,117	6,100	7,217	1,083	5,135	6,218
Utilities, repairs and maintenance	1,426	17,021	18,447	1,526	17,796	19,322
Advertising, travel, meals and entertainment	3,563	10,506	14,069	3,409	10,519	13,928
Gift cards – related costs	—	7,371	7,371	—	6,399	6,399
Royalties	100	7,029	7,129	54	6,725	6,779
Promotional funds ⁽¹⁾	32,225	58,361	90,586	34,046	58,577	92,623
Impairment for expected credit losses	1,536	441	1,977	1,495	786	2,281
Other ⁽²⁾	6,300	9,180	15,480	7,005	10,018	17,023
	221,805	449,090	670,895	224,010	454,911	678,921

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

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Notes to the condensed interim consolidated financial statements

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

(Unaudited)

14. Segmented information

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

Below is a summary of each geographical and operating segment's performance for the three-month period ended August 31, 2024.

	CANADA					US & INTERNATIONAL							
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	36,998	11,198	39,484	10,718	(504)	97,894	65,606	109,198	897	19,273	(115)	194,859	292,753
Operating expenses	18,567	11,398	34,924	10,718	(605)	75,002	26,674	99,748	289	19,273	(14)	145,970	220,972
Segment profit (loss)	18,431	(200)	4,560	—	101	22,892	38,932	9,450	608	—	(101)	48,889	71,781

Below is a summary of each geographical and operating segment's performance for the three-month period ended August 31, 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	38,270	8,568	43,369	11,850	(338)	101,719	65,196	110,503	226	20,696	(260)	196,361	298,080
Operating expenses	18,144	8,672	39,006	11,850	(440)	77,232	28,989	98,353	98	20,696	(158)	147,978	225,210
Segment profit (loss)	20,126	(104)	4,363	—	102	24,487	36,207	12,150	128	—	(102)	48,383	72,870

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

(Unaudited)

14. Segmented information (continued)

Below is a summary of each geographical and operating segment's performance for the nine-month period ended August 31, 2024.

	CANADA					US & INTERNATIONAL							
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	108,068	31,393	112,422	32,225	(1,261)	282,847	188,072	344,116	2,133	58,361	(393)	592,289	875,136
Operating expenses	58,271	32,121	100,739	32,225	(1,551)	221,805	85,235	304,974	623	58,361	(103)	449,090	670,895
Segment profit (loss)	49,797	(728)	11,683	—	290	61,042	102,837	39,142	1,510	—	(290)	143,199	204,241

Below is a summary of each geographical and operating segment's performance for the nine-month period ended August 31, 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	112,976	24,352	123,178	34,046	(1,072)	293,480	186,122	350,558	1,538	58,577	(973)	595,822	889,302
Operating expenses	56,523	24,566	110,236	34,046	(1,361)	224,010	88,029	308,716	273	58,577	(684)	454,911	678,921
Segment profit (loss)	56,453	(214)	12,942	—	289	69,470	98,093	41,842	1,265	—	(289)	140,911	210,381

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended August 31, 2024 and 2023

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

(Unaudited)

15. Condensed interim consolidated statement of cash flows

Changes in non-cash operating activities are as follows:

	Three months ended August 31		Nine months ended August 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
		<i>Adjusted ⁽¹⁾</i>		<i>Adjusted ⁽¹⁾</i>
Accounts receivable	(155)	3,006	784	(2,925)
Inventories	(51)	(259)	1,382	74
Other assets	2,944	(652)	1,578	(1,382)
Prepaid expenses and deposits	1,297	1,129	(792)	(323)
Accounts payable and accrued liabilities	(1,254)	(1,831)	(9,003)	(12,282)
Provisions	380	145	(537)	1,247
Gift card and loyalty program liabilities	(3,430)	(3,214)	1,885	3,311
Deferred revenue and deposits	(728)	(489)	1,600	2,383
	(997)	(2,165)	(3,103)	(9,897)

⁽¹⁾ Prior year amounts have been adjusted to reflect a reclassification of \$111 and \$348, respectively, between cash flows provided by operating activities and cash flows used in investing activities for the three and nine-month periods ended August 31, 2023.

For the three and nine-month periods ended August 31, 2024, non-cash items amounting to \$(549) and \$(181), respectively (2023 – \$261 and \$1,043, respectively) are included in proceeds on disposal of property, plant and equipment, primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations in the US segment.

16. Subsequent event

New Interest rate swap signed

On September 19, 2024, the Company entered into a three-year fixed interest rate swap on \$100,000. The period of three-years begins on September 19, 2024 and ends on September 17, 2027. Under the terms of this swap, the interest rate is fixed at 2.79%.

On September 23, 2024, the Company also entered into a three-year fixed interest rate swap on \$50,000. The period of three-years begins on September 24, 2024 and ends on September 24, 2027. Under the terms of this swap, the interest rate is fixed at 2.77%.