

---

# Consolidated financial statements of MTY Food Group Inc.

November 30, 2024 and 2023

---



## 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, 2024 and 2023, 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 Standard Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended November 30, 2024 and 2023;
- the consolidated statements of comprehensive income for the years ended November 30, 2024 and 2023;
- the consolidated statements of changes in shareholders' equity for the years ended November 30, 2024 and 2023;
- the consolidated statements of financial position as at November 30, 2024 and 2023;
- the consolidated statements of cash flows for the years ended November 30, 2024 and 2023; and
- the notes to the consolidated financial statements, which include material 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, Fax to mail: ca\_montreal\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## 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, 2024. 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><b>Impairment assessment of goodwill, trademarks and franchise and master franchise rights</b></p> <p><i>Refer to note 3 – Material 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</i></p> <p>As at November 30, 2024, the Company had goodwill, trademarks (intangible assets with indefinite useful lives), franchise and master franchise rights (intangible assets with definite useful lives) balances totaling \$693.8 million, \$891.9 million and \$178.9 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"><li>• Evaluated how management determined the recoverable amounts of the goodwill units and certain CGUs:<ul style="list-style-type: none"><li>– Tested the mathematical accuracy of the discounted cash flow models.</li><li>– Tested the reasonableness of the projected operating cash flows (EBITDA) applied by management in the discounted cash flow models considering the past and current performance of the CGUs.</li><li>– 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.</li><li>– Tested the underlying data used in the discounted cash flow models.</li></ul></li></ul>



## Key audit matter

## How our audit addressed the key audit matter

Goodwill and trademarks are tested for impairment annually as at September 1, 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 (Earnings before income tax, depreciation and amortization "EBITDA") as well as the discount rates.

An impairment charge of \$63.1 million, related to franchise rights and trademarks and goodwill was recorded during the year.

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.



---

## 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 Accounting Standards, 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 LLP<sup>1</sup>**

Montréal, Quebec  
February 13, 2025

---

<sup>1</sup> CPA auditor, public accountancy permit No. A125677

**MTY Food Group Inc.**  
**Consolidated statements of income**  
Years ended November 30, 2024 and 2023  
(In thousands of Canadian dollars, except per share amounts)

		2024	2023
	Notes	\$	\$
<b>Revenue</b>	26 & 32	<b>1,159,604</b>	1,169,334
<b>Expenses</b>			
Operating expenses	27 & 32	<b>896,567</b>	898,588
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	<b>59,949</b>	54,934
Amortization – intangible assets	13	<b>31,870</b>	34,559
Interest on long-term debt		<b>46,515</b>	52,142
Net interest expense on leases	11	<b>11,205</b>	11,402
Impairment charge – right-of-use assets	11	<b>1,259</b>	428
Impairment charge – property, plant and equipment, intangible assets and goodwill	15	<b>72,947</b>	9,432
		<b>1,120,312</b>	1,061,485
<b>Other income (expenses)</b>			
Unrealized and realized foreign exchange loss		<b>(21,763)</b>	(2,632)
Interest income		<b>627</b>	1,048
Gain (loss) on de-recognition/lease modification of lease liabilities		<b>407</b>	(702)
Gain (loss) on disposal of property, plant and equipment		<b>194</b>	(1,448)
Revaluation of financial liabilities and derivatives recorded at fair value	24	<b>(596)</b>	3,676
Restructuring	30	<b>(2,487)</b>	—
Gain on extinguishment of debt		<b>131</b>	—
Gain on contingent consideration from a business acquisition		<b>—</b>	2,194
		<b>(23,487)</b>	2,136
<b>Income before taxes</b>		<b>15,805</b>	109,985
<b>Income tax (recovery) expense</b>	31		
Current		<b>17,933</b>	12,459
Deferred		<b>(26,764)</b>	(6,998)
		<b>(8,831)</b>	5,461
<b>Net income</b>		<b>24,636</b>	104,524
<b>Net income attributable to:</b>			
<b>Owners</b>		<b>24,170</b>	104,082
<b>Non-controlling interests</b>		<b>466</b>	442
<b>Net income</b>		<b>24,636</b>	104,524
<b>Net income per share</b>	23		
Basic		<b>1.01</b>	4.26
Diluted		<b>1.01</b>	4.25

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, 2024 and 2023

(In thousands of Canadian dollars)

		2024	2023
	Notes	\$	\$
<b>Net income</b>		<b>24,636</b>	104,524
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to net income</b>			
<b>Translation adjustments</b>			
Unrealized gain on translation of foreign operations		37,708	7,644
<b>Cash flow hedges</b>			
Change in fair value of financial instruments	24	3,285	9,581
Gain realized on financial instruments transferred to earnings	24	(4,497)	(3,265)
<b>Deferred tax expense on foreign currency translation adjustments and cash flow hedges</b>		<b>(2,261)</b>	(2,256)
		<b>34,235</b>	11,704
<b>Total comprehensive income</b>		<b>58,871</b>	116,228
<b>Total comprehensive income attributable to:</b>			
<b>Owners</b>		<b>58,405</b>	115,786
<b>Non-controlling interests</b>		<b>466</b>	442
		<b>58,871</b>	116,228

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, 2024 and 2023

(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)					
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Adjusted balance as at November 30, 2022</b>	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
<b>Balance as at November 30, 2023</b>	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
Net income for the year ended November 30, 2024	—	—	—	—	—	24,170	24,170	466	24,636
Other comprehensive income	—	—	—	34,235	34,235	—	34,235	—	34,235
Total comprehensive income							58,405	466	58,871
Shares repurchased and cancelled (Note 20)	(11,186)	—	—	—	—	(30,629)	(41,815)	—	(41,815)
Dividends	—	—	—	—	—	(26,811)	(26,811)	(330)	(27,141)
Share-based compensation (Note 22)	—	—	646	—	646	—	646	—	646
<b>Balance as at November 30, 2024</b>	290,593	(850)	6,295	59,705	65,150	446,094	801,837	1,613	803,450

The following dividends were declared and paid by the Company:

	2024	2023
	\$	\$
\$1.118 per common share (2023 – \$1.000 per common share)	26,811	24,407

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, 2024 and 2023

(In thousands of Canadian dollars)

	Notes	2024 \$	2023 \$
<b>Assets</b>			
Current assets			
Cash		50,409	58,895
Accounts receivable	8	81,240	82,998
Inventories	9	20,002	20,731
Assets held for sale	10	4,365	2,266
Current portion of loans and other receivables		1,495	924
Current portion of finance lease receivables	11	76,152	80,154
Income taxes receivable		6,757	12,543
Current portion of derivative assets	24	3,674	4,647
Other assets		5,199	3,824
Prepaid expenses and deposits		13,855	14,077
		<b>263,148</b>	<b>281,059</b>
Loans and other receivables			
Loans and other receivables		2,499	4,465
Finance lease receivables	11	231,652	253,552
Contract cost asset		7,949	7,324
Deferred income taxes		9,701	93
Derivative assets	24	177	3,242
Property, plant and equipment	12	103,916	112,801
Right-of-use assets	11	185,168	181,718
Intangible assets	13	1,088,314	1,116,577
Goodwill	14	693,835	719,187
		<b>2,586,359</b>	<b>2,680,018</b>
<b>Liabilities and Shareholders' equity</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		134,390	147,557
Provisions	17	3,866	4,656
Gift card and loyalty program liabilities		157,534	147,952
Income taxes payable		5,083	—
Current portion of deferred revenue and deposits	18	15,827	14,918
Current portion of long-term debt	19	2,464	10,428
Current portion of derivative liabilities	24	—	2,626
Current portion of lease liabilities	11	110,910	112,446
Liabilities held for sale	10	2,964	—
		<b>433,038</b>	<b>440,583</b>
Long-term debt			
Long-term debt	19	704,141	756,936
Lease liabilities	11	404,228	422,751
Deferred revenue and deposits	18	57,660	53,025
Deferred income taxes		183,842	193,618
Other liabilities		—	216
		<b>1,782,909</b>	<b>1,867,129</b>

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

As at November 30, 2024 and 2023

(In thousands of Canadian dollars)

		<b>2024</b>	2023
	Notes	<b>\$</b>	<b>\$</b>
<b>Shareholders' equity</b>			
Equity attributable to owners			
Capital stock	20	<b>290,593</b>	301,779
Reserves		<b>65,150</b>	30,269
Retained earnings		<b>446,094</b>	479,364
		<b>801,837</b>	811,412
Equity attributable to non-controlling interests			
		<b>1,613</b>	1,477
		<b>803,450</b>	812,889
		<b>2,586,359</b>	2,680,018

Approved by the Board on February 13, 2025

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

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

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, 2024 and 2023

(In thousands of Canadian dollars)

		2024	2023
	Notes	\$	\$
<b>Operating activities</b>			
Net income		24,636	104,524
Adjusting items:			
Interest on long-term debt		46,515	52,142
Net interest expense on leases	11	11,205	11,402
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	59,949	54,934
Amortization – intangible assets	13	31,870	34,559
Impairment charge – right-of-use assets	11	1,259	428
Impairment charge – property, plant and equipment, intangible assets and goodwill	15	72,947	9,432
Unrealized foreign exchange loss		21,763	2,632
(Gain) loss on de-recognition/lease modification of lease liabilities		(407)	702
(Gain) loss on disposal of property, plant and equipment		(194)	1,448
Revaluation of financial liabilities and derivatives recorded at fair value	24	596	(3,676)
Gain on extinguishment of debt		(131)	–
Income tax (recovery) expense		(8,831)	5,461
Share-based compensation		646	792
		<b>261,823</b>	<b>274,780</b>
Income taxes paid		(7,433)	(29,015)
Interest paid		(47,009)	(50,287)
Other		(974)	(3,184)
Changes in non-cash working capital items	33	(1,600)	(7,708)
Cash provided by operating activities		<b>204,807</b>	<b>184,586</b>
<b>Investing activities</b>			
Considerations on acquisitions	7	–	(300,395)
Cash acquired through acquisitions	7	–	9,349
(Repayment) issuance of loans and other receivables		(427)	1,867
Additions to property, plant and equipment	12	(24,687)	(30,124)
Additions to intangible assets	13	(3,039)	(2,045)
Proceeds on disposal of property, plant and equipment		4,302	1,689
Proceeds on disposal on intangible		314	–
Cash used in investing activities		<b>(23,537)</b>	<b>(319,659)</b>

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

Years ended November 30, 2024 and 2023

(In thousands of Canadian dollars)

		2024	2023
	Notes	\$	\$
<b>Financing activities</b>			
Issuance of long-term debt	33	22,785	318,884
Repayment of long-term debt	33	(102,306)	(110,388)
Net lease payments	11	(43,815)	(43,639)
Shares repurchased and cancelled	20	(41,815)	(4,167)
Capitalized financing costs	33	(1,052)	(157)
Proceed on disposal of SOFR fixed interest rate swap	24	6,562	—
Dividends paid to non-controlling shareholders of subsidiaries		(330)	(183)
Dividends paid		(26,811)	(24,407)
Cash (used in) provided by financing activities		(186,782)	135,943
Net (decrease) increase in cash		(5,512)	870
Effect of foreign exchange rate loss on cash		(2,974)	(1,454)
Cash, beginning of period		58,895	59,479
<b>Cash, end of period</b>		<b>50,409</b>	<b>58,895</b>

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

## Table of contents

1.	Description of the business	9
2.	Basis of preparation	9
3.	Material accounting policies	11
4.	Critical accounting judgments and key sources of estimation uncertainty	20
5.	Changes in accounting policies	22
6.	Future accounting changes	22
7.	Business acquisitions	25
8.	Accounts receivable	29
9.	Inventories	30
10.	Assets and liabilities held for sale	30
11.	Leases	30
12.	Property, plant and equipment	34
13.	Intangible assets	35
14.	Goodwill	36
15.	Impairment charge	36
16.	Credit facility	39
17.	Provisions	39
18.	Deferred revenue and deposits	40
19.	Long-term debt	41
20.	Capital stock	41
21.	Accumulated other comprehensive income	42
22.	Stock options	43
23.	Net income per share	44
24.	Financial instruments	44
25.	Capital disclosures	49
26.	Revenue	50
27.	Operating expenses	51
28.	Guarantee	51
29.	Contingent liabilities	51
30.	Restructuring	51
31.	Income taxes	52
32.	Segmented information	55
33.	Statement of cash flows	56
34.	Subsequent event	58

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 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

#### *Measurement basis*

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (“IFRS Accounting Standards”).

The financial statements were authorized for issue by the Board of Directors on February 13, 2025.

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

- IAS 8 as disclosed in Note 5 to these financial statements; and
- IAS 12 as disclosed in Note 5 to these financial statements.

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:

- 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.

#### *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:



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 2. Basis of preparation (continued)

#### *Basis of consolidation (continued)*

Principal subsidiaries	Percentage of equity interest		Functional currency
	2024	2023	
	%	%	
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.	100	100	US dollar
Wetzel's Pretzels, LLC (Note 7)	100	100	US 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.

#### *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 in other income (charges).

**3. Material accounting policies***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.

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 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 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.

**3. Material accounting policies (continued)**

*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.

*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 \$25,421 (November 30, 2023 – surplus of \$31,166). 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.

*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. Material 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.

*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 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 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.

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 or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income 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.

**3. Material accounting policies (continued)***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.

## 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.

**3. Material accounting policies (continued)**

*Intangible assets (continued)*

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.

*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.

*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 cash generating unit (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 in connection with goodwill and trademarks 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 post-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 (EBITDA) 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.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 3. Material accounting policies (continued)

#### *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 of September 1, 2024, the Company reassessed the CGU’s based on a strategic realignment and merger of business units in the US. With the change in management team and the overall change in decision making and overall synergies brought from the merger of these units, it was determined that the US Goodwill Unit A and D would be merged and that US Goodwill Unit B and C would be merged.

As at November 30, 2024, goodwill is allocated as follows:

<b>Goodwill unit description</b>	<b>2024</b>	<b>2023</b>
Canada Goodwill Unit	A group of CGUs comprised of acquired brands in Canada’s operating segment	A group of CGUs comprised of acquired brands in Canada’s operating segment
US Goodwill Unit A	A group of CGU units comprised of acquired brands in the US and international operating segment, excluding Papa Murphy’s and BBQ Holdings, Inc. (“BBQ Holdings”)	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	A group of CGU units comprised of the BBQ Holdings brands and the Papa Murphy’s brand in the US and international operating segment	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

Goodwill and trademarks are tested for impairment annually as at September 1, 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. 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.

#### *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.

**3. Material accounting policies (continued)***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.

*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.

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.



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 3. Material accounting policies (continued)

#### *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 and accumulated in equity is recognized in profit or loss.

#### *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.

#### *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 in 9974644 Canada Inc.	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 on the designated 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.

**3. Material accounting policies (continued)***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.

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.

*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.

*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.

**3. Material accounting policies (continued)**

*Net income per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

*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 32). 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.

*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.

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

## Impairment of long-lived assets (continued)

## Impairment of property, plant and equipment and right-of-use assets (continued)

During the years ended November 30, 2024 and 2023 the Company recognized impairment charges on its property, plant and equipment (Note 15). The total impairment on property, plant and equipment of \$10,131 (2023 – \$233) represents a write-down of the carrying value of the leasehold improvements, equipment, computer hardware, and rolling stock to their fair value less cost of disposal, which was higher than their value in use.

During the years ended November 30, 2024 and 2023, the Company also recognized impairment charges on its right-of-use assets (Note 11) of \$1,259 and \$428, respectively.

## 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.

*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, 2024, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Impairment of long-lived assets

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

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 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, 2024 and 2023, the Company recognized impairment charges of \$22,292 (2023 – \$9,199) on its franchise rights, trademarks, and other intangibles (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 (Earnings before income tax, depreciation and amortization "EBITDA"). 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.

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

*Key sources of estimation uncertainty (continued)*

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, 2024, the Company recognized impairment charges of \$40,524 on its goodwill (Note 15). During the year ended November 30, 2023, no impairment charge on goodwill was required.

**5. Changes in accounting policies**

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

In February 2021, the International Accounting Standard Board ("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.

**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, 2024 and have not been applied in preparing these financial statements.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 6. Future accounting changes (continued)

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.

**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.

**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 years ended November 30, 2024 and 2023

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

---

### 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).

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



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

(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:

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

<sup>(1)</sup> 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, 2024 and 2023

(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.

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

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

(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:

	<u>2023</u>
	\$
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	<u>1,028</u>
	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 <sup>(1)</sup>	<u>161,142</u>
	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	<u>1,271</u>
	10,826
Lease liabilities	28,515
Deferred revenue and deposits	1,275
Deferred income taxes	<u>32,140</u>
	72,756
Net purchase price	<u><u>285,478</u></u>

<sup>(1)</sup> Goodwill is partially deductible for tax purposes.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

(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.

	<u>2023</u>
	\$
Revenue	1,171,325
Net income	<u>105,867</u>

### 8. Accounts receivable

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Total accounts receivable	89,297	91,861
Less: Allowance for credit losses	8,057	8,863
Total accounts receivable, net	<u>81,240</u>	<u>82,998</u>
Of which:		
Not past due	64,045	71,121
Past due for more than one day but no more than 30 days	4,439	2,118
Past due for more than 31 days but no more than 60 days	2,097	2,175
Past due for more than 61 days	10,659	7,584
Total accounts receivable, net	<u>81,240</u>	<u>82,998</u>
	<u>2024</u>	<u>2023</u>
	\$	\$
Allowance for credit losses, beginning of year	8,863	7,545
Increase to current year provision	230	3,399
Addition through business acquisition	—	54
Reversal of amounts previously written off	65	(9)
Write-offs	(1,375)	(1,999)
Impact of foreign exchange	274	(127)
Allowance for credit losses, end of year	<u>8,057</u>	<u>8,863</u>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 9. Inventories

	2024	2023
	\$	\$
Raw materials	2,257	3,262
Work in progress	1,661	1,761
Finished goods and supplies	7,740	8,248
Food and beverage	8,344	7,460
Total inventories	20,002	20,731

Inventories are presented net of a \$26 allowance for obsolescence (November 30, 2023 – \$26). All of the inventories are expected to be sold within the next 12 months.

Inventories expensed during the year ended November 30, 2024 were \$259,532 (2023 – \$271,014).

### 10. Assets and liabilities held for sale

During the reporting period, the Company designated certain assets and liabilities related to a casual dining brand as held for sale. This decision reflects management's formal commitment to a plan to divest these assets, which include both Company-owned stores and associated intangible assets. Consistent with applicable accounting standards, the assets are measured at the lower of their carrying amount or fair value less costs to sell. No depreciation or amortization has been recorded on these assets while classified as held for sale.

The assets reclassified as held for sale primarily consist of inventories, prepaid expenses, deposits, right-of-use assets (Note 11), property plant, and equipment (Note 12) and intangible assets (Note 13). The liabilities included in the carrying value are the gift card liability and the lease liability (Note 11). This reclassification on November 30, 2024 led to an impairment charge of \$1,083 to right-of-use-asset, \$689 to property, plant and equipment and \$1,485 to trademarks in the US Goodwill Unit B CGU (Note 15). The total carrying amount reclassified as held for sale is comprised of assets of \$4,365 (2023 – \$2,266) and liabilities of \$2,964 (2023 – nil), resulting in a net amount of \$1,401 (2023 – nil).

In November 2023 assets held for sale comprised of one locations leasehold improvement, land and building that were transferred from property, plant and equipment. They did not meet the definition of assets held for sale at the acquisition date of BBQ Holdings.

### 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.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 11. Leases (continued)

#### 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, 2024 and 2023:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
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
Additions	<b>25,251</b>	—	<b>121</b>	<b>25,372</b>
Reclassified as assets held for sale (Note 10)	<b>(1,278)</b>	—	—	<b>(1,278)</b>
Depreciation expense	<b>(35,228)</b>	<b>(1,068)</b>	<b>(410)</b>	<b>(36,706)</b>
Impairment charge	<b>(1,259)</b>	—	—	<b>(1,259)</b>
De-recognition/lease modification of lease liabilities	<b>15,260</b>	<b>(2,791)</b>	<b>(56)</b>	<b>12,413</b>
Foreign exchange	<b>4,826</b>	<b>72</b>	<b>10</b>	<b>4,908</b>
Balance as at November 30, 2024	<b>177,962</b>	<b>6,660</b>	<b>546</b>	<b>185,168</b>

#### Finance lease receivables

The following table provides the carrying amount of the finance lease receivables and the changes in the years ended November 30, 2024 and 2023:

	2024	2023
	\$	\$
Finance lease receivables, beginning of year	333,706	338,776
Additions	17,126	22,205
Additions through business acquisitions (Note 7)	—	11,213
Lease renewals and modifications	46,505	54,690
Lease terminations	(12,148)	(7,810)
Other adjustments	(255)	(76)
Interest income	12,646	11,438
Receipts	(92,972)	(97,236)
Foreign exchange	3,196	506
Finance lease receivables, end of year	<b>307,804</b>	333,706

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 11. Leases (continued)

#### Finance lease receivables (continued)

Recorded in the consolidated statements of financial position as follows:

	2024	2023
	\$	\$
Current portion	76,152	80,154
Long-term portion	231,652	253,552
	<b>307,804</b>	<b>333,706</b>

#### Lease liabilities

The following table provides the carrying amount of the lease liabilities and the changes in the years ended November 30, 2024 and 2023:

	2024	2023
	\$	\$
Lease liabilities, beginning of year	535,197	514,923
Additions	27,572	25,221
Additions through business acquisitions (Note 7)	—	39,836
Reclassified as assets held for sale (Note 10)	(2,589)	—
Lease renewals and modifications	68,989	80,331
Lease terminations	(7,824)	(6,699)
Other adjustments	(1,770)	(1,547)
Interest expense	23,851	22,840
Payments	(136,787)	(140,875)
Foreign exchange	8,499	1,167
Lease liabilities, end of year	<b>515,138</b>	<b>535,197</b>

Recorded in the consolidated statements of financial position as follows:

	2024	2023
	\$	\$
Current portion	110,910	112,446
Long-term portion	404,228	422,751
	<b>515,138</b>	<b>535,197</b>

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

For the years ended November 30, 2024 and 2023

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

**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, 2024:

	<b>Lease liabilities</b>	<b>Finance lease receivables</b>	<b>Operating subleases</b>
	\$	\$	\$
2025	134,383	88,521	1,184
2026	116,516	74,915	610
2027	97,341	59,886	402
2028	76,241	44,138	257
2029	54,994	28,915	235
Thereafter	118,221	50,498	—
<b>Total undiscounted lease payments</b>	<b>597,696</b>	<b>346,873</b>	<b>2,688</b>
Unguaranteed residual values	—	1,759	—
<b>Gross investment in the lease</b>	—	<b>348,632</b>	—
Less: Unearned finance income	—	(37,177)	—
<b>Present value of minimum lease payment receivables</b>	—	<b>311,455</b>	—
Allowance for credit losses	—	(3,651)	—
Current portion of finance lease receivables	—	(76,152)	—
<b>Finance lease receivables</b>	—	<b>231,652</b>	—

The Company has recognized net rent expense of \$21,744 (2023 – \$19,108) related to its short-term leases, leases of low-value assets, and variable lease payments.



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 12. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
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
Additions	—	403	10,276	11,620	2,333	55	24,687
Reclassified as assets held for sale (Note 10)	—	—	(463)	(673)	(32)	—	(1,168)
Disposals	—	(123)	(2,157)	(4,332)	(1,695)	(199)	(8,506)
Impairment (Note 15)	—	—	(6,257)	(3,524)	(340)	(10)	(10,131)
Foreign exchange	138	141	1,770	1,363	241	1	3,654
Balance as at November 30, 2024	7,474	9,889	68,608	61,805	10,594	338	158,708

Accumulated depreciation	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
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 expense	—	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
Eliminated on disposal of assets	—	(123)	(1,497)	(3,145)	(1,664)	(179)	(6,608)
Foreign exchange	—	14	692	356	79	—	1,141
Depreciation expense	—	463	13,365	8,061	1,298	56	23,243
Reclassified as assets held for sale (Note 10)	—	—	(141)	(204)	(10)	—	(355)
Balance as at November 30, 2024	—	2,495	26,888	19,892	5,318	199	54,792

Carrying amounts	Land	Buildings	Leasehold improve- ments	Equipment	Computer hardware	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
November 30, 2023	7,336	7,327	50,970	42,527	4,472	169	112,801
<b>November 30, 2024</b>	<b>7,474</b>	<b>7,394</b>	<b>41,720</b>	<b>41,913</b>	<b>5,276</b>	<b>139</b>	<b>103,916</b>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 13. Intangible assets

Cost	Franchise and master franchise rights		Customer lists	Other <sup>(1)</sup>	Total
	Trademarks				
	\$	\$	\$	\$	\$
Balance as at November 30, 2022	386,463	794,636	13,698	15,823	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	13,698	17,613	1,359,139
Additions	379	—	—	2,660	3,039
Reclassified as assets held for sale (Note 10)	—	(1,751)	—	(245)	(1,996)
Disposals	—	—	—	(314)	(314)
Foreign exchange	9,149	20,608	—	285	30,042
Impairment (Note 15)	(2,284)	(19,747)	—	(261)	(22,292)
Balance as at November 30, 2024	442,231	891,951	13,698	19,738	1,367,618

Accumulated amortization	Franchise and master franchise rights		Customer lists	Other <sup>(1)</sup>	Total
	Trademarks				
	\$	\$	\$	\$	\$
Balance as at November 30, 2022	197,127	—	3,422	6,773	207,322
Disposals	—	—	—	(61)	(61)
Foreign exchange	726	—	—	16	742
Amortization	31,516	—	966	2,077	34,559
Balance as at November 30, 2023	229,369	—	4,388	8,805	242,562
Foreign exchange	4,750	—	—	122	4,872
Amortization	29,174	—	968	1,728	31,870
Balance as at November 30, 2024	263,293	—	5,356	10,655	279,304

Carrying amounts	Franchise and master franchise rights		Customer lists	Other <sup>(1)</sup>	Total
	Trademarks				
	\$	\$	\$	\$	\$
November 30, 2023	205,618	892,841	9,310	8,808	1,116,577
<b>November 30, 2024</b>	<b>178,938</b>	<b>891,951</b>	<b>8,342</b>	<b>9,083</b>	<b>1,088,314</b>

<sup>(1)</sup> Other items include \$2,372 (November 30, 2023 - \$2,372) of licenses with and indefinite term that are not amortized.

Indefinite life intangible assets consist of trademarks and perpetual licenses, where each brand represents a separate CGU for impairment testing, for 68 CGUs (November 30, 2023 – 68 CGUs) totaling \$894,323 (November 30, 2023 – \$895,213).

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 14. Goodwill

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

	2024	2023
	\$	\$
Goodwill, beginning of year	785,268	613,477
Business acquisitions (Note 7)	—	167,579
Foreign exchange	18,318	4,212
Goodwill, end of year	803,586	785,268
Accumulated impairment, beginning of year	66,081	65,721
Impairment (Note 15)	40,524	—
Foreign exchange	3,146	360
Accumulated impairment, end of year	109,751	66,081
Carrying amount	693,835	719,187

As at November 30, 2024, goodwill was allocated to three (November 30, 2023 – five) goodwill units. As of September 1, 2024, the Company reassessed the CGUs based on a strategic realignment and merger of business units in the US. Prior to the strategic realignment, a triggering event occurred for the CGU, which includes the Papa Murphy's brand. As a result, an impairment test was conducted, leading to a goodwill impairment of \$40,524 (2023 – nil). Goodwill units are as follows:

	2024	2023
	\$	\$
Canada Goodwill Unit	204,327	204,327
US Goodwill Unit A <sup>(1)</sup>	292,423	126,761
US Goodwill Unit B <sup>(2)</sup>	197,085	128,963
US Goodwill Unit C <sup>(2)</sup>	—	97,994
US Goodwill Unit D <sup>(1)</sup>	—	161,142
	693,835	719,187

<sup>(1)</sup> Variance from prior year due to grouping of US Goodwill Unit A and Unit D in 2024 as well as foreign exchange conversion.

<sup>(2)</sup> Variance from prior year due to grouping of US Goodwill Unit B and Unit C in 2024 as well as foreign exchange conversion.

### 15. Impairment charge

The Company performed its annual impairment test as at September 1, 2024. For twelve (seven and five brands in the Canada and US & International geographical segments, respectively) of its brands (2023 – six brands; two and four brands in the Canada and US & International geographical segments, respectively), an impairment charge on intangible assets was required in the amount of \$22,292 (2023 – \$9,199). Included in this amount is \$1,485 (2023 – nil) impairment due to the reclassification to assets held for sale (Note 10).

As of September 1, 2024, the Company reassessed the reporting unit based on a strategic realignment and merger of business units in the US. The goodwill impairment for the reporting unit comprised of Papa Murphy's brand was subject to an impairment test prior to the strategic realignment and this resulted in an impairment of goodwill of \$40,524 (2023 – nil).

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 15. Impairment charge (continued)

Additionally, the Company recorded \$10,131 (2023 – \$233) of impairment losses on its property, plant and equipment, for a total of \$72,947 (2023 – \$9,432) of impairment charges on its property, plant and equipment, intangible assets and goodwill for the year ended November 30, 2024, which have been recognized in the consolidated statements of income. Included in the property, plant and equipment impairment of \$10,131 is an impairment of \$689 (2023 – nil) due to the reclassification to assets held for sale (note 10)

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.

Impairment by geographical segment for the year ended November 30, 2024:

	Intangible assets					Total
	Property, plant and equipment	Franchise rights	Trademarks	Other	Goodwill	
	\$	\$	\$	\$	\$	\$
Canada	1,439	386	11,295	—	—	13,120
US & International	8,692	1,898	8,452	261	40,524	59,827
Impairment charge	10,131	2,284	19,747	261	40,524	72,947

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

	Intangible assets			Total
	Property, plant and equipment	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

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 (EBITDA), as well as the discount rates. The operating cash flows 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 the four subsequent years, which were prepared by management and developed from the budgeted operating results.

The cash flows are based on expectations of market growth, industry reports and trends, and past performance. Cash flows subsequent to the five-year period were extrapolated using a terminal value growth rate ranging from 0% to 2%, which is consistent with forecasts included in industry reports specific to the industry and the inflation target rate of Canada and United States, in which each CGU operates. The discount rates used to calculate the recoverable amounts reflect each CGUs' specific risks and market conditions, including the market view of risk for each CGU, and range from 9.0% to 10%.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 15. Impairment charge (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 September 1, 2024 and 2023:

(\$, except percentage data)	2024			2023				
	Canada Goodwill Unit	US Goodwill Unit A	US Goodwill Unit B	Canada Goodwill Unit	US Goodwill Unit A	US Goodwill Unit B	US Goodwill Unit C	US Goodwill Unit D
Discount rates after tax	9.3%	10.0%	10.0%	9.5%	10.5%	10.5%	10.5%	10.5%
Discount rates pre-tax	11.9%	12.7%	13.0%	12.4%	13.4%	13.8%	13.7%	13.6%
Recoverable amounts	978,520	1,186,703	819,022	1,063,708	729,871	360,741	424,392	365,670

During the year ended November 30, 2024, the Company combined its US Goodwill Units, consolidating the four units from 2023 into two. Specifically, US Goodwill Units A and D from 2023 were combined into US Goodwill Unit A in 2024, while US Goodwill Units B and C were merged into US Goodwill Unit B. This combination was carried out in accordance with IAS 36 to ensure that goodwill is allocated in a manner that more accurately reflects the Company's CGUs. The revised CGU structure enhances alignment with how the Company monitors and manages its operations, providing a more faithful representation of its business activities and financial performance as of November 30, 2024.

Long-term growth rates ranging from 0% to 2% (2023 – 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 (2023 – four brands) representing 0.5% (2023 – 0.3%) 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, 2024 and 2023. For the Canada Goodwill Unit, an increase of 910 basis points (2023 – 1,080 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% (2023 – 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 five brands (2023 – three brands) representing 0.5% (2023 – 0.7%) of the total carrying value of the franchise rights and trademarks in that 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, 2024 and 2023. For US Goodwill Unit A, an increase of 430 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 B. A change of 100 basis points in discount rates in US Goodwill Unit B would result in additional impairment charges on intangible assets of one brand (2023 – nil) representing 0.1% (2023 – nil) of the total carrying value of the franchise rights and trademarks in that unit. A change of 100 basis points in discount rates in US Goodwill Unit B would not result in additional impairment charges on goodwill for the years ended November 30, 2024 and 2023. For US Goodwill Unit B, an increase of 130 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% (2023 – 1.5%) were used in the impairment test for US Goodwill Unit B before the 2024 consolidation of CGUs in accordance with IAS 36. A change of 100 basis points in discount rates in US Goodwill Unit B before the 2024 consolidation of CGUs would result in additional impairment charges on goodwill representing 9.4% (2023 – nil) of the total carrying value of goodwill in that goodwill unit. The recoverable amount for US Goodwill Unit B before the 2024 consolidation of CGUs was \$251,273 (2023 – \$360,741).

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 16. Credit facility

During the year ended November 30, 2024, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an extension of three years with a new maturity date of March 15, 2027. The credit facility has an authorized amount of \$900,000 (November 30, 2023 - \$900,000) and an accordion feature amounting to \$300,000 (November 30, 2024 – \$300,000). Transaction costs of \$1,667 (2023 – \$1,817) are deferred over the life of the revolving credit facility. As at November 30, 2024, CAD\$8,000 and US\$497,200 was drawn from the revolving credit facility (November 30, 2024 – US\$558,023).

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, 2024, 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.

	2024	2023
	\$	\$
Provision for litigations, disputes and closed stores, beginning balance	4,656	1,490
Reversals	(1,267)	(574)
Amounts used	(12,693)	(12,188)
Additions	13,050	15,895
Impact of foreign exchange	120	33
Provision for litigations, disputes and closed stores, ending balance	3,866	4,656

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 18. Deferred revenue and deposits

	2024	2023
	\$	\$
Franchise fee deposits	70,223	62,256
Unearned rent, advances for restaurant construction and renovation	1,506	1,949
Supplier contributions and other allowances	1,758	3,738
	73,487	67,943
Less: Current portion	(15,827)	(14,918)
	57,660	53,025

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.

\$15,682 (2023 – \$16,767) 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, 2024:

Estimate for fiscal year:	\$
2025	15,827
2026	10,342
2027	8,390
2028	6,266
2029	5,167
Thereafter	27,495
	<u>73,487</u>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 19. Long-term debt

	2024	2023
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	1,552	1,375
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc. <sup>(1)</sup>	—	600
Fair value of non-controlling interest buyback obligation in 9974644 Canada Inc. <sup>(2)</sup>	2,142	2,288
Fair value of obligation to repurchase 11554891 Canada Inc. partner <sup>(3)</sup>	—	7,179
Revolving credit facility payable to a syndicate of lenders <sup>(4)</sup>	704,578	757,759
Credit facility financing costs	(1,667)	(1,837)
	<b>706,605</b>	<b>767,364</b>
Less: Current portion	<b>(2,464)</b>	<b>(10,428)</b>
	<b>704,141</b>	<b>756,936</b>

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

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

<sup>(3)</sup> The obligation to repurchase 11554891 Canada Inc, was finalized and paid in October 2024.

<sup>(4)</sup> Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion (Note 16). 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 November 30, 2024, the Company had drawn CAD\$8,000 and US\$497,200 (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.

### 20. Capital stock

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

	2024		2023	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	24,332,661	301,779	24,413,461	302,781
Shares repurchased and cancelled	(906,900)	(11,186)	(80,800)	(1,002)
Balance, end of year	<b>23,425,761</b>	<b>290,593</b>	<b>24,332,661</b>	<b>301,779</b>

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 year ended November 30, 2024, the Company repurchased and cancelled a total of 906,900 common shares (2023 – 80,800), under the current NCIB, at a weighted average price of \$46.36 per common share (2023 – \$51.58), for a total consideration of \$41,815 (2023 – \$4,167) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums. An excess of \$30,629 (2023 – 3,165) of the shares’ repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 21. Accumulated other comprehensive 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, 2024 and 2023.

	Translation adjustments	Cash flow hedges	Deferred tax expense on foreign currency translation adjustments and cash flow hedges	Total
	\$	\$	\$	\$
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)
<b>Balance as at November 30, 2023</b>	<b>21,087</b>	<b>6,316</b>	<b>(1,933)</b>	<b>25,470</b>
Unrealized gain on translation of foreign operations	37,708	—	—	37,708
Change in fair value of financial instruments	—	3,285	—	3,285
Gain realized on financial instruments transferred to earnings	—	(4,497)	—	(4,497)
Deferred tax expense on foreign currency translation adjustments and cash flow hedges	—	—	(2,261)	(2,261)
<b>Balance as at November 30, 2024</b>	<b>58,795</b>	<b>5,104</b>	<b>(4,194)</b>	<b>59,705</b>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 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. 100,000 shares are available for issuance under the stock option plan as at November 30, 2024 (November 30, 2023 – 60,000).

Under the stock option plan of the Company, the following options were granted and are outstanding as at November 30, 2024 and 2023:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	440,000	50.97	440,000	50.97
Cancelled	(40,000)	52.01	—	—
<b>Outstanding, end of year</b>	<b>400,000</b>	<b>50.86</b>	<b>440,000</b>	<b>50.97</b>
<b>Vested, end of year</b>	<b>333,332</b>	<b>52.37</b>	<b>137,776</b>	<b>50.38</b>

As at November 30, 2024, 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	2.4
52.01	160,000	4.9
58.78	40,000	0.1
	<b>400,000</b>	<b>3.1</b>

As at November 30, 2023, 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	3.3
52.01	200,000	5.8
58.78	40,000	1.1
	<b>440,000</b>	<b>4.3</b>

No options were granted during the years ended November 30, 2024 and 2023.

A compensation expense of \$646 was recorded for the year ended November 30, 2024 (2023 – \$792). The expense is presented in Wages and benefits in Operating expenses in the consolidated statements of income.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 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 used for the purpose of diluted income per share:

	2024	2023
Weighted daily average number of common shares – basic	23,977,313	24,409,176
Assumed exercise of stock options <sup>(1)</sup>	—	68,987
Weighted daily average number of common shares – diluted	23,977,313	24,478,163

<sup>(1)</sup> The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options for the year ended November 30, 2024 was 400,000 (2023 – 13,334).

### 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. were paid in November 2024 and October 2024, respectively.

A fair value remeasurement loss of \$25 was recorded for the contingent considerations for the year ended November 30, 2024 (2023 – gain of \$2,151).

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 statements of income in 2023.

#### Non-controlling interest buyback obligation in 9974644 Canada Inc.

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 gain of \$146 (2023 – loss of \$435) was recorded for this non-controlling interest obligation.

#### Obligation to repurchase 11554891 Canada Inc. partner

In conjunction with the acquisition of 11554891 Canada Inc., the Company had agreed to acquire the remaining 30% interest by December 2024, contingent on future earnings. In October 2024, the contingent consideration was settled for \$7,179. This obligation was extinguished with a cash payment of \$6,054 and the remaining \$1,125 was reclassified to a holdback (Note 19).

A fair value remeasurement gain of nil (2023 – gain of \$688) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 24. Financial instruments (continued)

*Fair value of recognized financial instruments (continued)*

#### Swaps

##### Cross currency interest rate swaps

On October 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 asset at fair value of \$3,071 was recorded as at November 30, 2024 (November 30, 2023 – derivative liability of \$2,626) in the current portion of derivative assets in the consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	2024	2023	
	3-month	3-month	2-month
Receive – Notional	<b>US\$190,000</b>	US\$51,114	US\$142,909
Receive – Rate	<b>6.51%</b>	7.14%	7.14%
Pay – Notional	<b>CA\$262,000</b>	CA\$70,000	CA\$196,000
Pay – Rate	<b>5.43%</b>	6.66%	6.59%

##### 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 gain of \$246 was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (2023 – fair value remeasurement gain \$6,316).

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 November 30, 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 year, the Company recorded a gain of \$1,690 in the 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 \$499 was recorded as at November 30, 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 \$774 was recorded in the Company's consolidated statement of income for the year ended November 30, 2024 (2023 – fair value remeasurement gain of \$1,272).

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 asset of \$39 was recorded as at November 30, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$32 was recorded in the Company's consolidated statement of income for the year ended November 30, 2024 (2023 – nil).

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 24. Financial instruments (continued)

#### *Fair value of recognized financial instruments (continued)*

On September 19, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of \$100,000. The period of three years ends on September 17, 2027. Under the terms of this swap, the interest rate is fixed at 2.79%. A derivative asset of \$143 was recorded as at November 30, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$143 was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (November 30, 2023 - nil).

On September 24, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of \$50,000. The period of three years ends on September 24, 2027. Under the terms of this swap, the interest rate is fixed at 2.77%. A derivative asset of \$99 was recorded as at November 30, 2024 (November 30, 2023 – nil). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$99 was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (November 30, 2023– nil).

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

	<b>Cross currency interest rate swaps</b>	<b>2-year SOFR fixed interest rate swap</b>	<b>3-year SOFR fixed interest rate swap</b>	<b>3-year CORRA fixed interest rate swap</b>	<b>3-year CORRA fixed interest rate swap</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Current portion of derivative	3,071	499	18	51	35	3,674
Long-term portion of derivative	—	—	21	92	64	177
<b>November 30, 2024</b>	<b>3,071</b>	<b>499</b>	<b>39</b>	<b>143</b>	<b>99</b>	<b>3,851</b>

#### **Fair value hierarchy**

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

	<b>2024</b>	<b>2023</b>
	\$	\$
Financial liabilities classified as level 3 as at the beginning of the year	10,067	13,346
Repayment of contingent consideration	(6,304)	(875)
Revaluation of financial liabilities recorded at fair value	(121)	(2,404)
Reclass to holdback	(1,500)	—
<b>Financial liabilities classified as level 3 as at the end of the year</b>	<b>2,142</b>	<b>10,067</b>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 24. Financial instruments (continued)

*Fair value of recognized financial instruments (continued)*

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

	2024	2023
	\$	\$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	—	600
Fair value of non-controlling interest buyback obligation in 9974644 Canada Inc.	2,142	2,288
Obligation to repurchase 11554891 Canada Inc. partner	—	7,179
<b>Financial liabilities classified as level 3</b>	<b>2,142</b>	<b>10,067</b>

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2024 and November 30, 2023.

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and other receivables	3,994	3,994	5,389	5,389
Finance lease receivables	307,804	307,804	333,706	333,706
Financial liabilities				
Long-term debt <sup>(1)</sup>	706,130	706,130	759,134	759,134

<sup>(1)</sup> Excludes credit facility financing costs and non-controlling interest option in 9974644 Canada Inc.

#### *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 liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2024.

#### *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 of the Company's loans and other receivables is similar to that of its accounts receivable and finance lease receivables.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 24. Financial instruments (continued)

#### *Foreign exchange risk*

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values cause 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, 2024, US\$497,200 (November 30, 2023 – US\$558,023) was drawn from the revolving credit facility. Of that amount, US\$189,200.00 (November 30, 2023 – US\$194,023) was not exposed to foreign exchange risk as a result of one (November 30, 2023 - two) cross currency interest rate swaps, and US\$308,000 (November 30, 2023 – US\$364,000) 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, 2024 and 2023, the Company has the following financial instruments denominated in foreign currencies:

	2024		2023	
	USD	CAD	USD	CAD
	\$	\$	\$	\$
Financial assets				
Cash	8,573	12,011	2,593	3,522
Accounts receivable	631	884	988	1,342
Financial liabilities				
Accounts payable and deposits	(624)	(874)	(192)	(261)
Long-term debt	(308,000)	(431,508)	(364,000)	(494,385)
<b>Net financial (liabilities) assets</b>	<b>(299,420)</b>	<b>(419,487)</b>	<b>(360,611)</b>	<b>(489,782)</b>

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of \$15,000 (2023 – loss of \$18,031) 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, 2024, 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, CORRA 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. \$704,578 (November 30, 2023 – \$757,759) of the credit facility was used as at November 30, 2024. A 100 basis points increase in the bank's prime rate would result in additional interest of \$7,046 per annum (2023 – \$7,578) on the outstanding credit facility.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 24. Financial instruments (continued)

#### 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, 2024, the Company had an authorized revolving credit facility for which the available amount may not exceed \$900,000 (November 30, 2023 – \$900,000) and including an accordion feature amounting to \$300,000 (November 30, 2023 – \$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, 2024:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	134,390	134,390	134,390	—	—	—
Long-term debt (Note 19) <sup>(1)</sup>	706,605	708,272	3,693	—	—	704,579
Interest on long-term debt <sup>(1)</sup>	n/a	100,765	20,688	20,956	41,840	17,281
Lease liabilities	515,138	597,696	67,191	67,192	116,516	346,797
	<b>1,356,133</b>	<b>1,541,123</b>	<b>225,962</b>	<b>88,148</b>	<b>158,356</b>	<b>1,068,657</b>

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

### 25. Capital disclosures

The Company's objectives when managing capital are:

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

The Company defines its capital as follows:

- Shareholders' equity;
- Long-term debt including the current portion;
- Deferred revenue including the current portion; and
- 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.



# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 25. Capital disclosures (continued)

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2024 and 2023 were as follows:

	2024	2023
	\$	\$
Debt	706,605	767,364
Equity	803,450	812,889
Debt-to-equity ratio	0.88	0.94

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 March 15, 2027.

### 26. Revenue

	For the year ended					
	November 30, 2024			November 30, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Royalties	89,770	174,784	264,554	93,703	172,834	266,537
Franchise and transfer fees	6,493	7,864	14,357	5,567	6,746	12,313
Retail, food processing and distribution revenues	145,574	2,712	148,286	160,094	1,772	161,866
Sale of goods, including construction revenue	50,847	455,094	505,941	39,514	462,653	502,167
Gift card breakage income	416	7,688	8,104	393	6,337	6,730
Promotional funds	43,592	78,050	121,642	44,981	76,503	121,484
Other franchising revenue	39,753	40,922	80,675	40,141	41,598	81,739
Other	1,990	14,055	16,045	3,515	12,983	16,498
	<b>378,435</b>	<b>781,169</b>	<b>1,159,604</b>	<b>387,908</b>	<b>781,426</b>	<b>1,169,334</b>

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 27. Operating expenses

	For the year ended					
	November 30, 2024			November 30, 2023		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	23,551	143,587	167,138	17,666	146,094	163,760
Retail, food processing and distribution costs	130,833	857	131,690	143,561	314	143,875
Wages and benefits	68,297	233,765	302,062	61,559	230,412	291,971
Other corporate store expenses	4,917	56,490	61,407	2,785	58,153	60,938
Consulting and professional fees	8,714	10,837	19,551	7,830	12,867	20,697
Insurance and taxes	1,718	7,936	9,654	1,591	6,545	8,136
Utilities, repairs and maintenance	2,018	23,020	25,038	1,990	23,567	25,557
Advertising, travel, meals and entertainment	4,689	15,073	19,762	4,947	14,148	19,095
Gift cards – related costs	—	8,817	8,817	—	9,037	9,037
Royalties	147	8,925	9,072	72	8,665	8,737
Promotional funds <sup>(1)</sup>	43,592	78,050	121,642	44,981	76,503	121,484
Impairment (reversal of impairment) for expected credit losses	1,134	(117)	1,017	2,289	904	3,193
Other <sup>(2)</sup>	8,956	10,761	19,717	10,267	11,841	22,108
	<b>298,566</b>	<b>598,001</b>	<b>896,567</b>	<b>299,538</b>	<b>599,050</b>	<b>898,588</b>

<sup>(1)</sup> Promotional fund expenses include wages and benefits.

<sup>(2)</sup> Other operating expenses are comprised mainly of other office administration expenses.

### 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 \$12,457 as at November 30, 2024 (November 30, 2023 – \$16,352). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2024, the Company has accrued \$1,570 (November 30, 2023 – \$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.

### 30. Restructuring

During the year, the Company initiated a restructuring plan as part of a strategic realignment to streamline operations and improve efficiency. The Company recognized restructuring costs of \$1,792 primarily related to employee severance costs and \$695 in relation to the discontinuation of one of its brands. No additional expenses are expected to be incurred.

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 31. 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:

	2024		2023	
	\$	%	\$	%
Combined income tax rate in Canada	4,188	26.5	29,145	26.5
Add effect of:				
Difference between Canadian and foreign statutory rate	(20,856)	(132.0)	(17,710)	(16.3)
Non-taxable portion of capital gains	397	2.5	397	0.4
Permanent differences	4,305	27.2	303	0.3
Non-deductible impairment of goodwill	10,739	68.0	—	—
Recognition of previously unrecognized deferred tax assets	(3,622)	(22.9)	(3,197)	(2.9)
Losses in subsidiaries for which no deferred income tax assets is recognized	544	3.4	370	0.3
Rate variation on deferred income tax	951	6.0	(10)	—
Adjustment to prior year provisions	(8,378)	(53.0)	(3,136)	(2.9)
Revision of estimates for tax exposures	—	—	(959)	(0.9)
Other – net	2,901	18.4	258	0.3
Provision for income taxes	(8,831)	(55.9)	5,461	4.8

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

For the years ended November 30, 2024 and 2023

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

**31. Income taxes (continued)**

The variation in deferred income taxes during the years ended November 30, 2024 and 2023 were as follows:

	November 30, 2023	Recognized in profit or loss	Recognized in other comprehensive loss	Foreign exchange	November 30, 2024
	\$	\$	\$	\$	\$
Net deferred tax assets (liabilities) in relation to:					
Property, plant and equipment	(16,836)	2,637	—	(412)	(14,611)
Finance lease receivables	(87,119)	7,791	—	(793)	(80,121)
Right-of-use assets	(46,309)	532	—	(1,219)	(46,996)
Accounts receivable	808	(535)	—	(4)	269
Deferred costs	(636)	136	—	(13)	(513)
Inventory	(359)	(90)	—	(16)	(465)
Provisions and gift cards	9,053	1,710	—	208	10,971
Long-term debt	(3,059)	1,959	(2,261)	(26)	(3,387)
Non-deductible interest and non- capital losses carried forward	7,034	26,019	—	1,189	34,242
Capital losses	503	63	—	—	566
Intangible assets	(243,167)	5,345	—	(5,754)	(243,576)
Accrued expenses	45,591	(16,014)	—	623	30,200
Derivative assets	(1,777)	1,570	—	—	(207)
Deferred revenue	6,465	(58)	—	199	6,606
Lease liabilities	138,030	(7,153)	—	2,105	132,982
Other	(1,747)	2,852	—	(1,206)	(101)
	(193,525)	26,764	(2,261)	(5,119)	(174,141)

# MTY Food Group Inc.

## Notes to the consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 31. Income taxes (continued)

	November 30, 2022	Recognized in profit or loss	Recognized in other comprehensive loss	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)

As at November 30, 2024, there were approximately \$5,497 (November 30, 2023 – \$3,440) 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 2044.

As at November 30, 2024 there were approximately \$2,258 (2023 – nil) capital losses accumulated in one of the Company's subsidiaries for which no deferred income tax asset was recognized. These capital losses do not expire.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to \$3,204 (2023 – \$1,313).

No deferred income tax liability is recognized on unremitted earnings of \$98,974 (2023 – \$105,739) 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.

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 32. 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 years ended November 30, 2024 and 2023.

#### November 30, 2024

	CANADA						US & INTERNATIONAL						Total consolidated
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	147,504	45,307	146,660	43,592	(4,628)	378,435	245,371	455,518	2,712	78,050	(482)	781,169	1,159,604
Operating expenses	79,003	46,368	131,691	43,592	(2,088)	298,566	112,455	409,660	858	78,050	(3,022)	598,001	896,567
Segment profit (loss)	68,501	(1,061)	14,969	—	(2,540)	79,869	132,916	45,858	1,854	—	2,540	183,168	263,037
Total assets	1,348,784	22,748	80,286	8,839	—	1,460,657	713,072	393,953	2,096	16,581	—	1,125,702	2,586,359
Total liabilities	1,058,497	19,732	10,729	8,839	—	1,097,797	348,281	320,237	13	16,581	—	685,112	1,782,909

#### November 30, 2023

	CANADA						US & INTERNATIONAL						Total consolidated
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 33. Statement of cash flows

Changes in liabilities and assets arising from financing activities for the years ended November 30, 2024 and 2023 were as follows:

	Revolving credit facility	Loan financing costs	Non-interest- bearing contracts and holdbacks	Non- controlling interest buyback obligation in 9974644 Canada Inc.	Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	Obligation to repurchase 11554891 Canada Inc. partner	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at November 30, 2023	757,759	(1,837)	1,375	2,288	600	7,179	<b>767,364</b>
Changes from financing activities:							
Issuance of long-term debt	<b>22,785</b>	—	—	—	—	—	<b>22,785</b>
Repayment of long-term debt	<b>(94,935)</b>	—	<b>(1,067)</b>	—	<b>(250)</b>	<b>(6,054)</b>	<b>(102,306)</b>
Capitalized financing costs	—	<b>(1,052)</b>	—	—	—	—	<b>(1,052)</b>
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing	—	<b>1,222</b>	—	—	—	—	<b>1,222</b>
Accretion of interest on non-interest- bearing holdbacks	—	—	<b>2</b>	—	—	—	<b>2</b>
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	<b>(25)</b>	<b>(146)</b>	<b>25</b>	—	<b>(146)</b>
Reclass to holdback	—	—	<b>1,398</b>	—	<b>(375)</b>	<b>(1,125)</b>	<b>(102)</b>
Gain on extinguishment of debt	—	—	<b>(131)</b>	—	—	—	<b>(131)</b>
Foreign exchange	<b>13,272</b>	—	—	—	—	—	<b>13,272</b>
Fluctuation in derivative position	<b>5,697</b>	—	—	—	—	—	<b>5,697</b>
Balance as at November 30, 2024	<b>704,578</b>	<b>(1,667)</b>	<b>1,552</b>	<b>2,142</b>	—	—	<b>706,605</b>

# MTY Food Group Inc.

## Notes to the condensed interim consolidated financial statements

For the years ended November 30, 2024 and 2023

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

### 33. Statement of cash flows (continued)

	Revolving credit facility	Loan financing costs	Non-interest- bearing contracts and holdbacks	Non- controlling interest buyback obligation in 9974644 Canada Inc.	Contingent considerations on Kūto Comptoir à Tartares acquisition and 11554891 Canada Inc.	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	<b>560,959</b>
Changes from financing activities:							
Issuance of long-term debt	318,884	—	—	—	—	—	<b>318,884</b>
Repayment of long-term debt	(109,511)	—	(2)	—	(875)	—	<b>(110,388)</b>
Payment of transaction costs	—	(157)	—	—	—	—	<b>(157)</b>
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing arrangement	—	904	—	—	—	—	<b>904</b>
Accretion of interest on non-interest-bearing holdbacks	—	—	47	—	—	—	<b>47</b>
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	435	(2,151)	(688)	<b>(2,404)</b>
Foreign exchange	957	—	(2)	—	—	—	<b>955</b>
Derivative liability on cross currency interest rate swaps	(2,626)	—	—	—	—	—	<b>(2,626)</b>
Changes from investing activities:							
Issuance of holdbacks (Note 7)	—	—	1,190	—	—	—	<b>1,190</b>
<b>Balance as at November 30, 2023</b>	<b>757,759</b>	<b>(1,837)</b>	<b>1,375</b>	<b>2,288</b>	<b>600</b>	<b>7,179</b>	<b>767,364</b>



## MTY Food Group Inc.

### Notes to the condensed interim consolidated financial statements

For the years ended November 30, 2024 and 2023

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

#### 33. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

	2024	2023
	\$	\$
Accounts receivable	3,411	(3,393)
Inventories	825	(1,544)
Loans and other receivables	1,842	(1,789)
Other assets	(1,243)	(772)
Prepaid expenses and deposits	119	1,238
Accounts payable and accrued liabilities	(15,335)	(18,623)
Provisions	(643)	3,146
Gift card and loyalty program liabilities	5,414	12,560
Deferred revenue and deposits	4,010	1,469
	(1,600)	(7,708)

For the twelve-month periods ended November 30, 2024, non-cash items amounting to \$2,242 (2023 – \$1,684) 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.

#### 34. Subsequent event

##### Dividends

On January 22, 2025, the Company announced an increase to its quarterly dividend payment, from \$0.28 per common share to \$0.33 per common share. The dividend of \$0.33 per common share will be paid on February 14, 2025.

##### Grant of stock options

On January 16, 2025, the Company granted 40,000 stock options for an option price of \$45.20 per share. The options will vest and be exercisable as to one third of the grant on August 1, 2025, August 1, 2026 and August 1, 2027. The options will expire on February 28, 2028.