GROUPE MTY GROUP

ADAPT. INNOVATE. GROW.

2024 ANNUAL REPORT

GROUPE
MTY
GROUP

ADAPT. INNOVATE. GROW.

MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 90 different banners in Canada, the US and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 45 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 7,079 locations, the many flavours of the MTY Group hold the key to responding to the different tastes and needs of today's consumers as well as those of tomorrow.

Thaï express	JUGO JUICE	THAÏZONE	CAFÉ DÉPÔT	La Salsa FRESH MEXICAN GRILL
TacoTime	ManchuWOK	sushiGO soupe.salade.sushi	SPICEBROS	grabbagreen
PAPA MURPHY'S TAKE 'N' BAKE PIZZA	MUCHO BURRITO	wasabi GRILL AND NOODLE	BUILT [CUSTOM BURGERS]	THE WORKS CRAFT BURGERS & BEER
KOYA JAPON	TURTLE JACK'S MUSKOKA GRILL	madisons RESTAURANT & BAR	CHAMPPS KITCHEN + BAR	sushi shop
cultures	TiKi-MiNG Cuisine chinoise	RANCH ONE CHICKEN MADE FRESH	NrGize Lifestyle Cafe	KIM CHI
MAUI WOWI HAWAIIAN	Ben & Florentine DÉJEUNER · DÎNER	RISTORANTE GIORGIO APPORTEZ VOTRE VIN	BÂTON ROUGE GRILLHOUSE & BAR	GREAT STEAK AMERICA'S PREMIER CHEESESTEAK
America's TACO SHOP	Wetzel's Pretzels	Allô mon Coco	la Diperie	pinkberry
STEAK FRITES St-Paul	COLD STONE CREAMERY	Vanellis METS ITALIENS FRAIS	Mikes	Valentine L'ORIGINAL
burger	CAFÉ VAN HOUTTE	tasti D-lite	SCORES POULET ET CÔTES LEVÉES	La CRÉMIÈRE BAR LAITIER
vie&nam	mmmuffins	the COUNTER CUSTOM BURGERS	KORYO BARBECUE CORÉEN	Frullati Café & BAKERY
SenseAsian asian bistro	YUZU sushi	bubble tea shop	Pizza Delight	sweetFrog premium frozen yogurt
SOUTH STREET BURGER	samurai sam's TERIYAKI GRILL	Tahoe Joe's Famous Steakhouse	Johnnie's	FOX & HOUND BAR + GRILL
BAJA FRESH	COUNTRY Style EST. 1963	CRAFT REPUBLIC BAR & GRILL	MR.SUB	bakers square
Extremepita	MR SOUVLAKI	Timothy's	sauce pizza | wine	Wicked chicken.
Planet Smoothie	TUTTI FRUTTI DÉJEUNER & DINER	sushiman	Famous Dave's	casa GRECQUE
Dagwoods La Sandwicherie	VILLA MADINA le parfait shawarma	Kahala COFFEE TRADERS	CHICAGO'S ORIGINAL REAL URBAN BBQ	Tosto QUICKFIRE PIZZA PASTA
BIG SMOKE BURGER	Sukiyaki	MUFFIN PLUS	GRANITE CITY BREWERY	SURF CITY SQUEEZE
tcby	AMERICA'S SUB SHOP BLIMPIE	Küto Comptoir à Tartares	Village Inn	BARRIO QUEEN

7,079

LOCATIONS BY TYPE[1]

62%

STREET FRONT

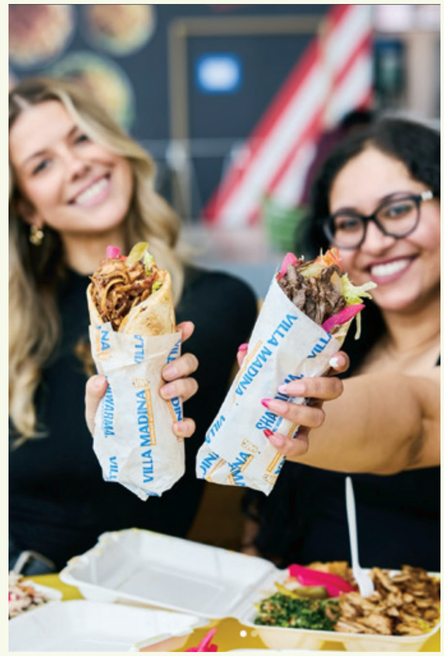
22%

NON-TRADITIONAL FORMAT

16%

SHOPPING MALL & OFFICE TOWER FOOD COURT

(1) Locations as at November 30, 2024.



$24.2M

NET INCOME ATTRIBUTABLE TO OWNERS

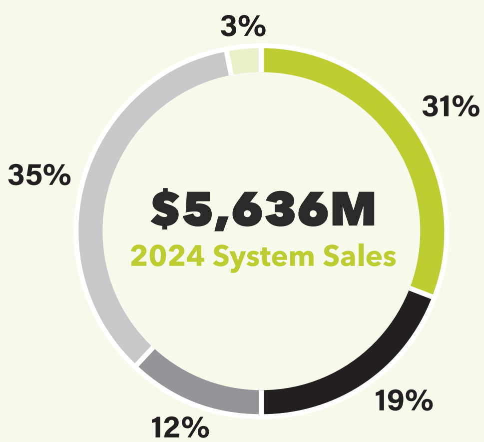
$264.5M

NORMALIZED ADJUSTED EBITDA[1]

$204.8M

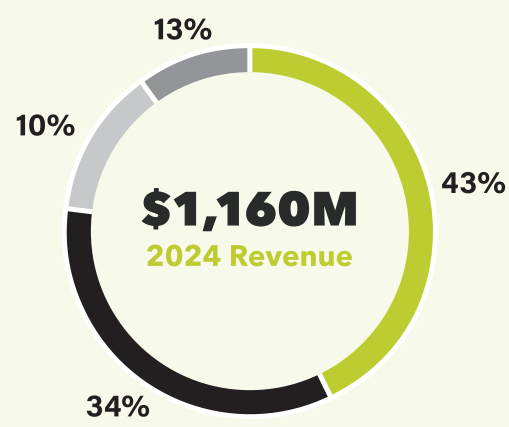
CASH FLOWS FROM OPERATIONS

SYSTEM SALES[2] BY GEOGRAPHY



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

REVENUE[3] BY PRODUCT



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

(1) This is a non-GAAP measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.
(2) This is a supplementary financial measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.
(3) In % of fiscal 2024 revenue, excluding intercos.

FY 2024 HIGHLIGHTS

RECORD FINANCIAL RESULTS

- System sales[1] of $5.6 billion
- Normalized adjusted EBITDA[2] of $264.5 million
- Cash flows from operations of $204.8 million

CAPITAL ALLOCATION

- Long-term debt payments of $102.3 million
- Dividend payments of $26.8 million
- Shares repurchased and cancelled of $41.8 million
- Capital expenditures and intangible assets of $27.7 million

FINANCIAL POSITION

- Net debt to normalized adjusted EBITDA ratio[3] of 2.5X
- Cash on hand of $50.4 million
- Available credit of $195.4 million

DIVIDEND PAYMENT

- Quarterly dividend payment of $0.33 per share on February 14, 2025.

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


THAÏZONE


BARRIO QUEEN


EST 2006
MUCHO BURRITO
MODERN MEXICAN
HOUSE MADE GUAC

5-YEAR HIGHLIGHTS

For the years ended November 30
(in thousands of Canadian $, except where indicated)

	2024	**2023**	**2022**	**2021**	**2020**
OPERATING RESULTS					
Revenue	**1,159,604**	1,169,334	716,522	551,903	511,117
Normalized adjusted EBITDA (1)	**264,532**	271,904	187,352	168,622	137,819
Income (loss) before taxes	**15,805**	109,985	96,170	112,072	(51,949)
Net income (loss) attributable to owners	**24,170**	104,082	74,817	85,639	(37,108)
Total comprehensive income (loss) attributable to owners	**58,405**	115,786	109,903	77,673	(49,726)
Earnings per share – basic ($ per share)	**1.01**	4.26	3.06	3.47	(1.50)
Earnings per share – diluted ($ per share)	**1.01**	4.25	3.06	3.46	(1.50)
Weighted daily average number of basic common shares (in 000s of shares)	**23,977**	24,409	24,440	24,705	24,755
Weighted daily average number of diluted common shares (in 000s of shares)	**23,977**	24,478	24,466	24,745	24,755
Number of shares outstanding (in 000s of shares)	**23,426**	24,333	24,413	24,670	24,706
NETWORK METRICS					
System sales (2)	**5,635,700**	5,641,200	4,251,200	3,631,300	3,459,100
Digital sales (2)	**1,118,500**	1,027,400	820,300	803,600	636,400
Number of locations (#)	**7,079**	7,116	6,788	6,719	7,001
CASH FLOW					
Cash flows from operations (4)	**204,807**	184,586	148,481	139,299	133,652
Cash flows from operations per diluted share ($ per share) (2,4)	**8.54**	7.54	6.07	5.63	5.40
Dividends paid on common stock	**26,811**	24,407	20,518	9,141	4,633
Dividends per common share ($ per share)	**1.12**	1.00	0.84	0.37	0.185
Shares repurchased and cancelled	**41,815**	4,167	14,618	2,184	18,866
Number of shares repurchased and cancelled (#)	**906,900**	80,800	256,400	36,600	364,774
BALANCE SHEET					
Cash	**50,409**	58,895	59,479	61,231	44,302
Total assets	**2,586,359**	2,680,018	2,325,303	1,904,594	2,013,697
Long-term debt, including current portion	**706,605**	767,364	560,959	360,728	460,542
Shareholders' equity	**803,450**	812,889	724,626	648,898	582,514
TRADING DATA ON COMMON SHARES					
Close ($ per share)	**47.75**	51.50	61.25	55.19	51.65
52-week high ($ per share)	**59.80**	73.50	63.96	72.10	62.82
52-week low ($ per share)	**40.45**	49.91	45.20	47.15	14.23
Market capitalization (in millions $ per share)	**1,119**	1,253	1,495	1,362	1,276

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

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

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

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

MESSAGE FROM
ÉRIC LEFEBVRE

The year 2024 was one of stable operational and financial performance. It came on the heels of a post-pandemic period of significant growth, and as such the return to normalcy presented it challenges. Our teams and franchise partners take the necessary steps to elevate their game to attract and retain consumers, whose expectations are ever increasing.

Following the major acquisitions of late 2022 and early 2023, we saw the opportunity to conduct a strategic review and a restructuring of our leadership team and many of our operational and marketing teams to optimize the contribution of our most talented teammates while making MTY more nimble and ready for the next stages of growth. These strategic priorities and optimization objectives were executed during the year and are expected to improve operational performances for years to come.

We are very proud of the free cash flows of $5.75 per share we generated during 2024. While this is the highest free cash flows per share in our history, we are especially proud of the consistency of our free cash flows over the years, during good times and more difficult times. That consistency in turn gives us the confidence to work on a capital allocation strategy that allows returning capital to shareholders, in the form of dividends and share buybacks, and the repayment of our debt. During 2024, we returned $68.6 million to our shareholders and paid back $102.3 million of our long-term debt, positioning MTY favorably for future acquisition opportunities.

The last completed fiscal period was a period which was not favorable for acquisitions. Although our board of directors and leadership team remain highly motivated to realize more acquisitions, the quality and valuations of the assets on the market did not satisfy our short and long-term accretion objectives, and hence made us exercise patience and discipline.

Since MTY first became a public company in 1995, we have built a robust business which we aim to strengthen further in the future. Macroeconomic and market conditions fluctuate and can be more of less favorable at times. We believe we have made decisions and acted at the right time in the interest of our shareholders over the past 30 years and continue to believe that keeping a long-term mindset to create shareholder value is the right approach.

Regardless of economic fluctuations and of the macroeconomic backdrop, our innovation, execution and acquisition strategies have consistently served the Corporation, enabling us to create value in the long term and extending our presence in North America and worldwide.

"

Since MTY first became a public company in 1995, we have built a robust business which we aim to strengthen further in the future.

"

MTY has become a diversified company; we are geographically diversified, with 66% of our network sales coming from the US, 31% from Canada and 3% from other countries. We are also diversified in the types of concepts we operate, with 28% of our sales coming from casual dining restaurants, 9% from fast casual restaurants and 63% from QSR. Last but not least, our historical food court predominance has shifted to street front locations over the years: 76% of our restaurants are in street front locations, 15% in mall and office tower food courts, and 9% are in non-traditional venues.

Every day we see how our customers' needs and expectations evolve and change. Our marketing and operations teams, who represent the majority of MTY's employees, pay close attention to the purchasing habits of our guests. What gives MTY an edge is a unique combination of advantages in our markets; proximity, market-specific approach, expert advice, flexibility of purchasing channels, just to name of few.

Looking ahead to fiscal 2025, MTY is on a solid foundation and ready to address the challenges it faces. Our focus on combining organic growth, improving key financial metrics and realizing immediately accretive acquisitions remains, with the ultimate goal to maximize shareholder value.

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

Éric Lefebvre
President and Chief Executive Officer

SUSTAINABILITY UPDATE

At MTY, we understand sustainability is a work in progress. It is a journey that we take very seriously, and a great deal of thought is put into setting meaningful goals according to our pillars of Food, Planet and People. We are committed to tracking and sharing the progress of our goals in our annual sustainability report.

FOOD PLANET PEOPLE

The following is a sample of our recent achievements made:

ANIMAL WELFARE

As an ongoing commitment to animal welfare, MTY released its animal welfare program in 2024 in order to share our expectations of our vendors.

You may find MTY Animal Welfare Program here:

FONDATION GROUPE MTY GROUP FOUNDATION

EARLY IN FY 2024, TO INCREASE OUR COMMUNITY SUPPORT, WE LAUNCHED THE MTY FOUNDATION.

Our foundation is committed to nourishing communities across Canada. We believe that access to nutritious food is a fundamental human right, and we are committed to addressing food insecurities, hunger, and malnutrition through innovative solutions and strategic partnerships. With a focus on environmental stewardship and social responsibility, we aim to create a future where everyone has access to wholesome food, and where communities thrive in harmony with the planet. To learn more, visit our website: Foundation MTY | Nourish. Empower. Commit.

Our most recent Sustainability Report reflects the progress MTY made against goals in 2023. To view the complete 2023 MTY Sustainability Report, please visit https://sustainability.mtygroup.com/

We're looking forward to releasing our 2024 Sustainability Report. In the upcoming report, we'll be sharing updates regarding animal welfare, greenhouse gas emissions, and more.

Management's Discussion and Analysis
For the twelve months ended November 30, 2024
Key highlights

- **Normalized adjusted EBITDA[1] remained relatively stable at $59.4 million in the quarter, compared to $60.4 million in Q4-23.**
- **System sales[2] for the quarter improved by 2% or $30.3 million to reach $1,371.9 million compared to $1,341.6 million in Q4-23 mostly due to organic growth.**
- **Ended the quarter with 7079 locations with net positive openings of 13 locations for the quarter.**
- **Franchising segment normalized adjusted EBITDA[1] increased 8% to reach $49.3 million in the quarter, compared to $45.7 million in Q4-23 with normalized adjusted EBITDA as a % of revenue[2] of 51% compared to 47% in Q4-23.**
- **Cash flows provided by operating activities were $43.7 million compared to $47.8 million in Q4-23.**
- **Free cash flows net of lease payments[1] of $27.4 million in the quarter, compared to $33.4 million in Q4-23. Free cash flows net of lease payments per diluted share[3] were $1.16 for the quarter compared to $1.37 in Q4-23.**
- **Net (loss) income attributable to owners of $(55.3) million, or $(2.34) per diluted share compared to $16.4 million, or $0.67 per diluted share in Q4-23.**
- **Repurchased and cancelled 314,700 shares for a consideration of $14.0 million in Q4-24, bringing the year-to-date total to 906,900 shares for a consideration of $41.8 million.**
- **Long-term debt repayments of $9.5 million for the quarter with net repayments of $79.5 million since Q4-23.**
- **Quarterly dividend payment of $0.33 per share on February 14, 2025.**

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

GROUPE MTY GROUP

Management's Discussion and Analysis
For the twelve months ended months ended November 30, 2024

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2024.

In the MD&A, "MTY Food Group Inc.", "MTY", or the "Company", designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2023.

This MD&A was prepared as at February 13, 2025. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR+'s website at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

This MD&A and, in particular but without limitation, the sections of this MD&A entitled "Near-Term Outlook", "Same-Store Sales" and "Contingent Liabilities", contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2024. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as "aim", "anticipate", "assumption", "believe", "could", "expect", "goal", "guidance", "intend", "may", "objective", "outlook", "plan", "project", "seek", "should", "strategy", "strive", "target" and "will". All such forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as at February 13, 2025 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on February 13, 2025. Refer, in particular, to the section of this MD&A entitled "Risks and Uncertainties" for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

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

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

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

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

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

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 13, 2025. The financial impact of these transactions and non-recurring and other special items can be complex and depend on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting the business.

CORE BUSINESS

MTY franchises and operates quick service, fast casual and casual dining restaurants. MTY aims to be the franchisor of choice in North America and offers the market a range of offering through its many brands. MTY currently operates under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Panini Pizza Pasta, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Sushi Shop, Koya Japan, Vie & Nam, Tutti Frutti, Taco Time, Country Style, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Johnnie's New York Pizzeria, Ranch One, America's Taco Shop, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, Turtle Jack's Muskoka Grill, COOP Wicked Chicken, Küto Comptoir à Tartares, Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound, Champps, Wetzel's Pretzels, Sauce Pizza and Wine, Spice Bros and Cakes N Shakes.

As at November 30, 2024, MTY had 7,079 locations in operation, of which 6,827 were franchised or under operator agreements and the remaining 252 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities, grocery stores, and food trucks or carts. Certain locations also offer catering services. Over the last 45 years, MTY has developed several restaurant concepts, including Tiki-Ming, which was the first concept it franchised. Details on other banners added through acquisitions can be found in the supplemental section of this MD&A.

MTY has also launched multiple ghost kitchens in existing restaurant locations. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turnkey projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turnkey projects, rent, supplies, finished products and equipment sold.

Revenues and expenses from corporate-owned locations include sales generated and cost incurred from their operations.

Promotional funds contributions are based on a percentage of gross sales as reported by the franchisees. The Company is not entitled to retain these promotional fund payments received and is obligated to transfer these funds to be used solely in promotional and marketing-related costs for specific restaurant banners.

MTY generates revenues from the food processing businesses discussed herein. The two plants produce various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plants generate most of their revenues selling their products to distributors, retailers and franchisees. The Company also generates revenue from its distribution centers that serve primarily the Valentine, Casa Grecque and Küto Comptoir à Tartares franchisees. Furthermore, the Company generates revenues from the sale of retail products under various brand names, which are sold at a variety of retailers.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS Accounting Standards. Definitions of all non-GAAP (“generally accepted accounting principles”) measures, non-GAAP ratios and supplemental financial measures can be found in the supplemental information section of this MD&A. The non-GAAP measures, non-GAAP ratios and supplemental financial measures used within the context of this MD&A do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Non-GAAP measures include:

- Adjusted EBITDA: the Company believes that adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s performance, to prepare operating budgets and to determine components of executive compensation.
- Normalized adjusted EBITDA: the Company believes that normalized adjusted EBITDA is a useful metric for the same reasons as adjusted EBITDA; additionally, the Company believes that normalized adjusted EBITDA provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions and SAP project implementation costs, which may vary in occurrence and in amount.
- Free cash flows net of lease payments: the Company believes that free cash flows net of lease payments is a useful metric because it provides the Company with a measure related to decision-making about cash-intensive matters such as capital expenditures, compensation, and potential acquisitions.

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as adjusted EBITDA as a % of revenue; additionally, the Company believes that normalized adjusted EBITDA as a % of revenue provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions and SAP project implementation costs, which may vary in occurrence and in amount.
- Free cash flows net of lease payments per diluted share: the Company believes that free cash flows net of lease payments per diluted share is a useful metric because it is used by securities analysts, investors and other interested parties as a measure of the Company’s cash flows that are available to be distributed to debt and equity shareholders, including to pay debt, to pay dividends, and to repurchase shares.

- Debt-to-EBITDA: the Company believes that debt-to-EBITDA is a useful metric because it represents a financial covenant that the Company must be in compliance with and, accordingly, a determining factor in the Company's credit availability.

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

HIGHLIGHTS OF SIGNIFICANT EVENTS

Credit agreement amendment

On March 15, 2024, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an extension for a period of three years with a new maturity date of March 15, 2027.

Normal Course Issuer Bid Program

On June 28, 2024, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2024 and will end on July 2, 2025 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,196,513 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and twelve months ended November 30, 2024, the Company repurchased and cancelled a total of 314,700 and 906,900 common shares, respectively, (2023 – 80,800 and 80,800 respectively) under the current NCIB, at a weighted average price of $45.26 and $46.36 per common share, respectively, (2023 – $51.58 and $51.58 respectively), for a total consideration of $14.0 million and $41.8 million, respectively, (2023 – $4.2 million and $4.2 million, respectively). An excess of $10.2 million and $30.6 million, respectively, (2023 – $3.2 million and $3.2 million, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUMMARY OF ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2024**	**Year ended November 30, 2023**
Total assets	2,586,359	2,680,018
Total long-term financial liabilities	704,141	756,936
Revenue	1,159,604	1,169,334
Income before taxes	15,805	109,985
Net income attributable to owners	24,170	104,082
Total comprehensive income attributable to owners	58,405	115,786
Cash flows from operations	204,807	184,586
Net income per share – basic	1.01	4.26
Net income per share – diluted	1.01	4.25
Dividends paid on common stock	26,811	24,407
Dividends per common share	1.12	1.00
Weighted daily average number of common shares – basic	23,977,313	24,409,176
Weighted daily average number of common shares – diluted	23,977,313	24,478,163

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	**Year ended November 30, 2024**	**Year ended November 30, 2023**
Adjusted EBITDA [(1)]	263,037	270,746
Normalized adjusted EBITDA [(1)]	264,532	271,904
Income before taxes, excluding impairment charges	90,011	119,845
Cash flows from operations per diluted share [(2)]	8.54	7.54
Free cash flows net of lease payments [(1)]	137,882	110,467

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

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

SUMMARY OF QUARTERLY FINANCIAL METRICS

	Quarters ended							
(In thousands $, except per share information)	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**	**August 2024**	**November 2024**
Revenue	286,003	305,219	298,080	280,032	278,644	303,739	292,753	284,468
Net income (loss) attributable to owners	18,387	30,359	38,892	16,444	17,305	27,278	34,886	(55,299)
Total comprehensive income (loss) attributable to owners	27,453	32,867	34,906	20,560	14,089	33,796	22,723	(12,203)
Net income (loss) per share	0.75	1.24	1.59	0.67	0.71	1.13	1.46	(2.34)
Net income (loss) per diluted share	0.75	1.24	1.59	0.67	0.71	1.13	1.46	(2.34)
Cash flows provided by operating activities	33,467	51,860	51,495	47,764	54,178	40,558	66,355	43,716

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	**Quarters ended**							
	February 2023	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**	**August 2024**	**November 2024**
System sales (1 & 2)	1,362.5	1,470.0	1,467.1	1,341.6	1,331.7	1,459.4	1,472.7	1,371.9
# of locations	7,128	7,124	7,119	7,116	7,112	7,107	7,066	7,079
Adjusted EBITDA (3)	62,863	74,648	72,870	60,365	59,262	73,198	71,781	58,796
Normalized adjusted EBITDA (3)	63,959	74,648	72,932	60,365	59,535	73,683	71,895	59,419
Free cash flows net of lease payments (3)	15,433	29,547	32,130	33,357	36,922	24,321	49,271	27,368
Free cash flows net of lease payments per diluted share (4)	0.63	1.21	1.31	1.37	1.52	1.01	2.06	1.16

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

SEGMENT NOTE DISCLOSURE

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

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2024

Revenue

During the 2024 fiscal year, the Company's total revenue decreased to $1,159.6 million, from $1,169.3 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2024 ($ millions)	November 30, 2023 ($ millions)	Variation
Canada	Franchise operation	147.5	154.5	(5%)
	Corporate stores	45.3	32.0	42%
	Food processing, distribution and retail	146.6	161.2	(9%)
	Promotional funds	43.6	45.0	(3%)
	Intercompany transactions	(4.6)	(4.8)	N/A
Total Canada		378.4	387.9	(2%)
US & International	Franchise operation	245.4	242.4	1%
	Corporate stores	455.5	462.0	(1%)
	Food processing, distribution and retail	2.7	1.8	50%
	Promotional funds	78.1	76.5	2%
	Intercompany transactions	(0.5)	(1.3)	N/A
Total US & International		781.2	781.4	0%
Total revenue		**1,159.6**	**1,169.3**	**(1%)**

Canada revenue analysis:

Revenue from franchise locations in Canada decreased by 5%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2023 fiscal year	154.5
Decrease in recurring revenue streams [(1)]	(5.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.9
Decrease in turnkey, sales of material to franchisees and rent revenues	(2.8)
Other non-material variations	0.2
Revenue, 2024 fiscal year	147.5

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

During the 2024 fiscal year, recurring revenue streams decreased by $5.3 million and were tightly correlated with the 2% decrease in system sales compared to the same period last year. The decrease was also impacted by one-time revenues recorded in 2023 relating to insurance proceeds and royalty adjustments which did not occur in 2024.

Franchising revenues also decreased by $2.8 million in turnkey, sales of material to franchisees and rent revenues due primarily to a reduction in turnkey revenues.

Revenue from corporate-owned locations increased by 42% to $45.3 million during the year due to a net increase in corporate-owned locations year-over-year as well as a shift in the mix of restaurant concepts in the segment with an increase in casual dining restaurants over prior year.

Food processing, distribution and retail revenues decreased by 9% due to lower sales in the retail segment, which are the result of market conditions and the grocers' increased focus on promoting house labels. During the year ended November 30, 2024, 169 products were sold in the Canadian retail market (2023 – 190).

The promotional fund revenue decrease of 3% is attributable to the decrease in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 1%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2023 fiscal year	242.4
Decrease in recurring revenue streams [(1)]	(1.7)
Increase in initial franchise fees, renewal fees and transfer fees	1.0
Decrease in sales of material and services to franchisees	(0.8)
Increase in gift card breakage income	1.8
Increase due to acquisition	0.8
Impact of variation in foreign exchange rates	2.4
Other non-material variations	(0.5)
Revenue, 2024 fiscal year	245.4

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

During the 2024 fiscal year, franchise revenues increased by $3.0 million compared to prior year mostly due to the increase in gift card breakage income of $1.8 million and the increase in initial franchise fees, renewal fees and transfer fees of $1.0 million. The Company also recognized an additional $0.8 million in revenues due to the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine which were not owned for all of 2023. Franchising revenues were also positively impacted by the variation of foreign exchange rates which had a favorable impact of $2.4 million. This was offset by a decrease in royalties and sale of material to franchisees mostly due to organic sales decrease in the casual dining segment.

Revenue from corporate-owned locations decreased by 1% to $455.5 million during the year due to a decrease in organic system sales compared to the same period last year.

Food processing, distribution and retail revenues reached $2.7 million compared to $1.8 million in prior year as a results of the expansion of our retail line.

Operating expenses

During the 2024 fiscal year, operating expenses decreased slightly to $896.6 million, from $898.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2024 ($ millions)**	**November 30, 2023 ($ millions)**	**Variation**
Canada	Franchise operation	79.0	79.3	0%
	Corporate stores	46.4	32.9	41%
	Food processing, distribution and retail	131.7	144.4	(9%)
	Promotional funds	43.6	45.0	(3%)
	Intercompany transactions	(2.1)	(2.1)	N/A
Total Canada		298.6	299.5	0%
US & International	Franchise operation	112.5	117.4	(4%)
	Corporate stores	409.6	408.9	0%
	Food processing, distribution and retail	0.8	0.3	167%
	Promotional funds	78.1	76.5	2%
	Intercompany transactions	(3.0)	(4.0)	N/A
Total US & International		598.0	599.1	0%
Total operating expenses		**896.6**	**898.6**	**0%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased slightly to $79.0 million from $79.3 million a year earlier. The Canadian subdivision was impacted by several factors listed below:

	(In millions $)
Operating expenses, 2023 fiscal year	79.3
Decrease in turnkey cost, cost of sale of material and services to franchisees and rent	(0.3)
Decrease in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	(0.4)
Increase in SAP project implementation costs	1.5
Decrease in expected credit loss provision	(1.2)
Other non-material variations	0.1
Operating expenses, 2024 fiscal year	79.0

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

Operating expenses remained stable mainly due to the decrease in turnkey costs which were offset by an increase in rents and rent provisions. As part of a long term strategy to improve operational efficiency, have greater scalability and flexibility and increase data-driven decision making and increase of costs was due to the $1.5 million in SAP implementation costs which were offset by the decrease in the expected credit loss provision of $1.2 million.

Expenses from corporate stores increased by $13.5 million compared to the same period last year, partly correlated to the related increase in revenues and increased corporate store locations, and partially due to an increase in wages and supply chain costs due to inflation.

The decreases in food processing, distribution and retail expenses of 9% as well as the variation in promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by 4%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2023 fiscal year	117.4
Increase in non-controllable expenses [(1)]	0.1
Decrease in cost of sale of material and services to franchisees and rent	(1.0)
Decrease in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	(3.6)
Decrease in expected credit loss provision	(1.0)
Increase due to acquisition	0.1
Decrease due to transaction costs related to acquisitions	(1.2)
Increase due to impact of IFRS 16 on rent expense	1.0
Impact of variation in foreign exchange rates	1.1
Other non-material variations	(0.4)
Operating expenses, 2024 fiscal year	112.5

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

Operating expenses for franchised locations decreased by $4.9 million during the year, mainly due to a decrease of $3.6 million in controllable expenses as well as a decrease of $1.2 million in acquisition related transaction costs, and $1.0 million lower expected credit loss provisions.

Controllable expenses decreased primarily due to the discontinuance of the rejuvenation program, reductions in wage from organizational improvements and lower professional and consulting fees from cost reduction initiatives that enhanced operational efficiency and streamlined operations. This overall decrease was partially offset by unfavourable foreign exchange impact of 1.1 million.

Expenses from corporate stores increased by $0.7 million compared to the same period last year, primarily due to the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine in the first quarter of 2023, a unfavourable foreign exchange impact, higher wages and supply chain costs due to inflation.

The increases in food processing, distribution and retail expenses as well as the variation in promotional funds expense were tightly correlated to the related revenues.

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

Fiscal year ended November 30, 2024			
(In millions $)	Canada	US & International	Total
Revenue	378.4	781.2	1,159.6
Operating expenses	298.6	598.0	896.6
Segment profit and Adjusted EBITDA [(1)]	79.8	183.2	263.0
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	21%	23%	23%
SAP project implementation costs [(3)]	1.5	—	1.5
Normalized adjusted EBITDA [(1)]	81.3	183.2	264.5
Normalized adjusted EBITDA as a % of Revenue [(2)]	21%	23%	23%

Fiscal year ended November 30, 2023			
(In millions $)	Canada	US & International	Total
Revenue	387.9	781.4	1,169.3
Operating expenses	299.5	599.1	898.6
Segment profit and Adjusted EBITDA [(1)]	88.4	182.3	270.7
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%
Transaction costs related to acquisitions [(4)]	—	1.2	1.2
Normalized adjusted EBITDA [(1)]	88.4	183.5	271.9
Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	23%	23%

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

Fiscal year ended November 30, 2024						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	392.9	500.8	149.3	121.7	(5.1)	1,159.6
Operating expenses	191.5	456.0	132.5	121.7	(5.1)	896.6
Segment profit and Adjusted EBITDA [(1)]	201.4	44.8	16.8	—	—	263.0
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	51%	9%	11%	N/A	N/A	23%
SAP project implementation costs [(3)]	1.5	—	—	—	—	1.5
Normalized adjusted EBITDA [(1)]	202.9	44.8	16.8	—	—	264.5
Normalized adjusted EBITDA as a % of Revenue [(2)]	52%	9%	11%	N/A	N/A	23%

Fiscal year ended November 30, 2023						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	396.9	494.0	163.0	121.5	(6.1)	1,169.3
Operating expenses	196.7	441.8	144.7	121.5	(6.1)	898.6
Segment profit and Adjusted EBITDA [1]	200.2	52.2	18.3	—	—	270.7
Segment profit and Adjusted EBITDA as a % of Revenue [2]	50%	11%	11%	N/A	N/A	23%
Transaction costs related to acquisitions [4]	1.2	—	—	—	—	1.2
Normalized adjusted EBITDA [1]	201.4	52.2	18.3	—	—	271.9
Normalized adjusted EBITDA as a % of Revenue [2]	51%	11%	11%	N/A	N/A	23%

(1) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
(2) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.
(3) SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the consolidated financial statements.
(4) Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2023 fiscal year	88.4	182.3	270.7
Variance in recurring revenues and expenses [1]	(7.6)	(7.8)	(15.4)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	(3.5)	0.5	(3.0)
Variance in initial franchise fees, renewal fees and transfer fees	0.9	1.0	1.9
Variance in expected credit loss provision	1.2	1.0	2.2
Variance due to acquisitions	—	1.2	1.2
Variance due to transaction costs related to acquisitions	—	1.2	1.2
Variance due to impact of IFRS 16 on rent revenue & expense	0.2	—	0.2
Variance in gift card breakage	—	1.8	1.8
Impact of variation in foreign exchange rates	—	1.5	1.5
Other non-material variations	0.2	0.5	0.7
Segment profit, 2024 fiscal year	79.8	183.2	263.0
Normalized adjusted EBITDA [2], 2023 fiscal year	88.4	183.5	271.9
Variances in segment profit	(8.6)	0.9	(7.7)
Variance due to SAP project implementation costs	1.5	—	1.5
Variances in transaction costs related to acquisitions	—	(1.2)	(1.2)
Normalized adjusted EBITDA [2], 2024 fiscal year	81.3	183.2	264.5

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

Total segment profit for the year ended November 30, 2024 was $263.0 million, a decrease of 3% compared to the prior year, while normalized adjusted EBITDA was $264.5 million, a decrease of 3% compared to the prior year. Canada contributed 31% of total normalized adjusted EBITDA a decrease of 8% or $7.1 million compared to the prior year, while the US & International normalized adjusted EBITDA remained stable at $183.2 million. The overall decrease was primarily impacted by the decrease in recurring revenue streams, which were the result of lower system sales.

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

(In thousands $)	**Year ended November 30, 2024**	**Year ended November 30, 2023**
Income before taxes	15,805	109,985
Depreciation – property, plant and equipment and right-of-use assets	59,949	54,934
Amortization – intangible assets	31,870	34,559
Interest on long-term debt	46,515	52,142
Net interest expense on leases	11,205	11,402
Impairment charge – right-of-use assets	1,259	428
Impairment charge – property, plant and equipment, intangible assets and goodwill	72,947	9,432
Unrealized and realized foreign exchange loss	21,763	2,632
Interest income	(627)	(1,048)
(Gain) loss on de-recognition/lease modification of lease liabilities	(407)	702
(Gain) loss on disposal of property, plant and equipment and intangible assets	(194)	1,448
Revaluation of financial liabilities and derivatives recorded at fair value	596	(3,676)
Restructuring	2,487	—
Gain on extinguishment of debt	(131)	—
Gain on contingent consideration from a business acquisition	—	(2,194)
Segment profit	**263,037**	**270,746**
SAP project implementation costs and transaction costs related to acquisitions [(2 & 3)]	1,495	1,158
Normalized adjusted EBITDA	**264,532**	**271,904**

[(1)] *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
[(2)] *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the consolidated financial statements.*
[(3)] *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $5.0 million during the year ended November 30, 2024, due to the revaluation of the preliminary purchase price related to BBQ Holdings in the fourth quarter of 2023. The growth in corporate-owned locations year-over-year also contributed to the higher depreciation expense.

Amortization of intangible assets decreased by $2.7 million due to the revaluation of the preliminary purchase price allocations done in 2023.

Interest on long-term debt decreased by $5.6 million as a result of the Company entering into fixed interest rate swaps which have resulted in savings of US$4.2 million (CAD$5.8 million) during the first twelve months of 2024 compared to $3.2 million in the same period last year. On June 4, 2024, the Company sold a fixed interest rate swap, realizing proceeds of $6.6 million from this transaction. The cumulative gain will be recognized on a straight-line basis over a period equal to the original hedge date of April 10, 2026. The Company has also made net repayments of $79.5 million of long-term debt since November 2023 resulting in lower interest.

During the twelve-month period ended November 30, 2024, the Company recognized impairment charges of $10.1 million on its property, plant and equipment, related to corporate locations (2023 - $0.2), $22.3 million on its intangible assets, primarily related to the franchise rights and trademarks for twelve of its Canadian brands (2023 – $9.2 million, six brands) and an impairment on Goodwill of $40.5 million (2023 – nil) related to the Papa Murphy's brand due to lower than expected past performance and lower expected future growth. The impairment charge on property, plant and equipment was the result of the lower performance of some corporate stores while the impairment on intangible assets was due to less than expected 2024 performance for some brands.

A weaker Canadian dollar relative to the US dollar resulted in a loss of $21.8 million in the 2024 fiscal year compared to $2.6 million last year. Most of this loss relates to intercompany loans and is offset by gain on translation on the consolidated statement of comprehensive income.

The Company has incurred restructuring costs of $2.5 million as part of a strategic realignment to streamline operations and improve efficiency. These costs relate primarily to employee severance costs and in relation to the discontinuation of one of its brands.

Net income (loss)

For the year ended November 30, 2024, a net income attributable to owners of $24.2 million was recorded, or $1.01 per share ($1.01 per diluted share) compared to a net income attributable to owners of $104.1 million or $4.26 per share ($4.25 per diluted share) last year. Net income attributable to owners was mostly impacted by the impairment charge mentioned in section “Other income and expenses” as well as the lower normalized adjusted EBITDA described previously.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2024

Revenue

During the fourth quarter of 2024, the Company’s total revenue increased to $284.5 million, from $280.0 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2024 ($ millions)	November 30, 2023 ($ millions)	Variation
Canada	Franchise operation	39.4	41.5	(5%)
	Corporate stores	13.9	7.6	83%
	Food processing, distribution and retail	34.2	38.0	(10%)
	Promotional funds	11.4	11.0	4%
	Intercompany transactions	(3.3)	(3.7)	N/A
Total Canada		95.6	94.4	1%
US & International	Franchise operation	57.3	56.3	2%
	Corporate stores	111.4	111.4	0%
	Food processing, distribution and retail	0.6	0.3	100%
	Promotional funds	19.7	17.9	10%
	Intercompany transactions	(0.1)	(0.3)	N/A
Total US & International		188.9	185.6	2%
Total revenue		**284.5**	**280.0**	**2%**

Canada revenue analysis:

Revenue from franchise locations in Canada decreased by 5%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2023	41.5
Decrease in recurring revenue streams [(1)]	(1.0)
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Decrease in turnkey, sales of material to franchisees and rent revenues	(1.4)
Other non-material variations	(0.1)
Revenue, fourth quarter of 2024	39.4

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

During the fourth quarter of 2024, recurring revenue streams decreased by $1.0 million, primarily due to one-time revenues recorded in 2023 related to insurance proceeds and royalty adjustments which did not reoccur in 2024. Revenue related to turnkey, sales of material to franchisees and rent revenues also decreased by $1.4 million on account of a reduction in turnkey projects.

Revenue from corporate-owned locations increased by 83% to $13.9 million during the quarter due to a net increase in corporate-owned locations year-over-year as well as a shift in the mix of restaurant concepts in the segment with an increase in casual dining restaurants over prior year..

Food processing, distribution and retail revenues decreased by 10% due to lower sales in the retail segment, which are the result of market conditions and grocers' increased focus on promoting house labels. In the fourth quarter of 2024, however, the Company sold 163 products in the Canadian retail market (2023 – 182 products) despite these constraints.

The promotional fund revenue increased by 4% due to the increase in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 2%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2023	56.3
Decrease in recurring revenue streams [(1)]	(0.8)
Increase in sales of material and services to franchisees	0.3
Increase in gift card breakage income	1.0
Impact of variation in foreign exchange rates	0.5
Revenue, fourth quarter of 2024	57.3

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

During the fourth quarter of 2024, franchise revenues increased by $1.0 million mostly due to an increase in gift card breakage of $1.0 million as well as a variation in foreign exchange rates which had a favourable impact of $0.5 million. This was partially offset by a decrease in recurring revenue streams which decreased by $0.8 million. Royalties as a % of sales decreased for the quarter from 5.12% to 4.95% as a result of a shift in system sales which had 53 weeks reported in 2024 versus 52 weeks in 2023.

The increase in food processing, distribution and retail revenue is the result of the expansion of our retail line.

The promotional fund revenue increased by 10% due to the increase in system sales as well as the impact of the various contribution rates.

Operating expenses

During the fourth quarter of 2024, operating expenses increased by 3% to $225.7 million, from $219.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2024 ($ millions)	November 30, 2023 ($ millions)	Variation
Canada	Franchise operation	20.7	22.8	(9%)
	Corporate stores	14.3	8.3	72%
	Food processing, distribution and retail	30.9	34.1	(9%)
	Promotional funds	11.4	11.0	4%
	Intercompany transactions	(0.5)	(0.7)	N/A
Total Canada		76.8	75.5	2%
US & International	Franchise operation	27.3	29.3	(7%)
	Corporate stores	104.6	100.2	4%
	Food processing, distribution and retail	0.2	—	N/A
	Promotional funds	19.7	17.9	10%
	Intercompany transactions	(2.9)	(3.3)	N/A
Total US & International		148.9	144.1	3%
Total operating expenses		**225.7**	**219.6**	**3%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada decreased by $2.1 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2023	22.8
Decrease in turnkey cost, cost of sale of material and services to franchisees and rent	(1.0)
Decrease in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	(0.6)
Increase in SAP project implementation costs	0.6
Decrease in expected credit loss provision	(1.1)
Decrease due to impact of IFRS 16 on impairment of lease receivables	(0.1)
Other non-material variations	0.1
Operating expenses, fourth quarter of 2024	20.7

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

Operating expenses decreased by $2.1 million, primarily due to reductions in the expected credit loss provision, which declined by $1.1 million compared to the same period last year as well as lower turnkey project costs which are aligned with the decline in revenues. Controllable expenses decreased due to a reduction in wages as a results of restructuring initiatives put into place in 2024. This was offset by the increase of $0.6 million in SAP implementation costs as part of a long term strategy improve operational efficiency, have greater scalability and flexibility and increase data-driven decision making.

Expenses from corporate stores increased by $6.0 million compared to the same period last year primarily due to a net increase in corporate-owned locations year-over-year and in part due to higher wages and supply chain costs due to inflation. The cost increase is tightly correlated to the increase in revenues.

The decreases in food processing, distribution and retail expenses as well as the variation in promotional funds expense were tightly correlated to the related revenues.

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International decreased by 7%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2023	29.3
Decrease in non-controllable expenses [1]	(0.5)
Decrease in cost of sale of material and services to franchisees and rent	(1.5)
Increase in recurring controllable expenses [1] including wages, professional and consulting services and other office expenses	0.1
Decrease in expected credit loss provision	(0.6)
Increase due to impact of IFRS 16 on rent expense	0.2
Impact of variation in foreign exchange rates	0.6
Other non-material variations	(0.3)
Operating expenses, fourth quarter of 2024	27.3

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

Operating expenses for franchise locations decreased to $27.3 million from $29.3 million during the fourth quarter of 2024. This decrease was primarily driven by a $1.5 million reduction in the cost of materials, services provided to franchisees and rent, reflecting lower gift card program costs and lower rent expense. The Company also had $0.6 million lower expected credit loss provisions. The overall decrease was partially offset by unfavourable foreign exchange impact of $0.6 million.

Corporate store expenses increased to $104.6 million, from $100.2 million compared to the same period last year, mostly due to higher wages and supply chain costs due to inflation.

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

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

Three-month period ended November 30, 2024			
(In millions $)	Canada	US & International	Total
Revenue	95.6	188.9	284.5
Operating expenses	76.8	148.9	225.7
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA [1]	18.8	40.0	58.8
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [2]	20%	21%	21%
SAP project implementation costs [3]	0.6	—	0.6
Normalized adjusted EBITDA [1]	19.4	40.0	59.4
Normalized adjusted EBITDA as a % of Revenue [2]	20%	21%	21%

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

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

Three-month period ended November 30, 2024						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	96.7	125.3	34.8	31.1	(3.4)	284.5
Operating expenses	48.0	118.9	31.1	31.1	(3.4)	225.7
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA (1)	48.7	6.4	3.7	—	—	58.8
Segment profit, Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	50%	5%	11%	N/A	N/A	21%
SAP project implementation costs (3)	0.6	—	—	—	—	0.6
Normalized adjusted EBITDA (1)	49.3	6.4	3.7	—	—	59.4
Normalized adjusted EBITDA as a % of Revenue (2)	51%	5%	11%	N/A	N/A	21%

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

(1) *See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.*
(2) *See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.*
(3) *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2023	18.9	41.5	60.4
Variance in recurring revenues and expenses [(1)]	(0.5)	(5.6)	(6.1)
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	(1.4)	1.9	0.5
Variance in initial franchise fees, renewal fees and transfer fees	0.4	—	0.4
Variance in expected credit loss provision	1.1	0.6	1.7
Variance due to transaction costs related to acquisitions	—	0.1	0.1
Variance due to impact of IFRS 16 on rent revenue & expense	0.1	(0.1)	—
Variance in gift card breakage	—	1.0	1.0
Impact of variation in foreign exchange rates	—	0.3	0.3
Other non-material variations	0.2	0.3	0.5
Segment profit, fourth quarter of 2024	18.8	40.0	58.8
Normalized adjusted EBITDA [(2)], fourth quarter of 2023	18.9	41.5	60.4
Variances in segment profit	(0.1)	(1.5)	(1.6)
Variances due to SAP project implementation costs	0.6	—	0.6
Normalized adjusted EBITDA [(2)], fourth quarter of 2024	19.4	40.0	59.4

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

Total segment profit for the three-month period ended November 30, 2024 was $58.8 million, a decrease of $1.6 million compared to the same period last year, while normalized adjusted EBITDA was $59.4 million, a decrease of $1.1 million or 2% compared to the prior year. Canada contributed 33% of total normalized adjusted EBITDA and an increase of 3% or $0.5 million compared to the same period last year, while the US & International normalized adjusted EBITDA decreased by $1.5 million.The fluctuation in normalized adjusted EBITDA was primarily impacted by the changes in recurring revenue streams.

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

(In thousands $)	Quarter ended November 30, 2024	Quarter ended November 30, 2023
(Loss) income before taxes	(71,205)	14,865
Depreciation – property, plant and equipment and right-of-use assets	15,276	11,746
Amortization – intangible assets	8,253	8,054
Interest on long-term debt	10,427	12,450
Net interest expense on leases	2,821	2,938
Impairment charge – right-of-use assets	1,145	154
Impairment charge – property, plant and equipment, intangible and goodwill	64,565	9,432
Unrealized and realized foreign exchange loss	26,284	2,652
Interest income	(100)	(233)
(Gain) loss on de-recognition/lease modification of lease liabilities	(259)	20
Loss on disposal of property, plant and equipment and intangible assets	552	1,063
Revaluation of financial liabilities and derivatives recorded at fair value	240	(582)
Restructuring	797	—
Gain on contingent consideration from a business acquisition	—	(2,194)
Segment profit	**58,796**	**60,365**
SAP project implementation costs[2]	623	—
Normalized adjusted EBITDA	**59,419**	**60,365**

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

(2) *SAP project implementation costs are included in the Consulting and professional fees, wages and benefits and advertising, travel, meals and entertainment as part of the Operating expenses in the consolidated financial statements.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $3.5 million due to the revaluation of the preliminary purchase price related to BBQ Holdings in the fourth quarter of 2023. The growth in corporate-owned locations year-over-year also contributed to the higher depreciation expense.

Interest on long-term debt decreased by $2.0 million as a result net repayments of $79.5 million of long-term debt since November 2023 resulting in lower interest. The Company also continues to enter into fixed rate interest swaps which have resulted in savings of US$0.7 million (CAD$1.0 million).

During the fourth quarter of 2024, the Company recognized impairment charges of $5.3 million (2023 – $0.2 million) on its property, plant and equipment, primarily related to corporate locations and $18.8 million on its intangible assets, primarily related to the trademarks and franchise rights for twelve brands (2023 – $9.2 million and six brands).The Company recognized an impairment on Goodwill of $40.5 million (2023 - nil) related to the Papa Murphy's brand due to lower than expected past performance and lower expected future growth. The impairment charge on property, plant and equipment was the result of the lower performance of some corporate stores while the impairment on intangible assets was due to less than expected 2024 performance for some brands.

During the fourth quarter of 2024, the Company recorded a loss of $26.3 million as a result of a weaker Canadian dollar relative to the US dollar. Most of this loss relates to intercompany loans and is offset by gain on translation on the consolidated statement of comprehensive income.

The Company has incurred restructuring costs of $0.8 million as part of a strategic realignment to streamline operations and improve efficiency. These costs relate primarily to employee severance costs to the discontinuation of one of its brands.

Net income (loss)

For the three months ended November 30, 2024, a net loss attributable to owners of $55.3 million was recorded, or $2.34 per share ($2.34 per diluted share) compared to net income of $16.4 million or $0.67 per share ($0.67 per diluted share) last year. Net loss attributable to owners was mostly impacted by the impairment charged mentioned in section "Other income and expenses" as well as the lower normalized adjusted EBITDA described previously.

CONTRACTUAL OBLIGATIONS

The obligations pertaining to the long-term debt and the minimum payments for the leases are as follows:

(In millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	134.4	—	—	—	—	—	—
Long-term debt [(1)]	3.7	—	—	704.6	—	—	—
Interest on long-term debt [(2, 3 & 4)]	20.7	21.0	41.8	17.3	—	—	—
Lease liabilities	67.2	67.2	116.5	97.3	76.2	55.0	118.3
Total contractual obligations	**226.0**	**88.2**	**158.3**	**819.2**	**76.2**	**55.0**	**118.3**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes non-interest-bearing contract cancellation fees and holdbacks on acquisitions, contingent considerations on acquisition, non-controlling interest option and revolving credit facility payable to a syndicate of lenders.*

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

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

(4) *Revolving credit facility was extended on March 15, 2024 for a period of 3 years and will mature on March 15, 2027.*

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2024, the amount held in cash totaled $50.4 million, a decrease of $8.5 million since the end of the 2023 fiscal period.

During the year ended November 30, 2024, MTY paid $26.8 million, (2023 – $24.4 million) in dividends to its shareholders and repurchased and cancelled 906,900 of its shares (2023 – 80,800) for $41.8 million (2023 – $4.2 million) through its NCIB.

During the year ended November 30, 2024, cash flows generated by operating activities were $204.8 million, compared to $184.6 million in the same period last year. The increase is mainly attributable to fluctuations in income taxes paid and non-cash working capital items. Excluding the variations in non-cash working capital items, income taxes, interest paid and other, operations generated $261.8 million, compared to $274.8 million last year.

The Company's revolving credit facility payable to a syndicate of lenders has an authorized amount of $900.0 million (November 30, 2023 – $900.0 million), an accordion feature of $300.0 million (November 30, 2023 – $300.0 million) and matures on March 15, 2027. As at November 30, 2024, CAD$8.0 million and US$497.2 million was drawn from the revolving credit facility (November 30, 2023 – US$558.0 million).

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

- a debt to EBITDA ratio [(1)] that must be less than or equal to 3.50:1.00;
- a debt to EBITDA ratio [(1)] that must be less than or equal to 4.00:1.00 in the twelve months following acquisitions with a consideration exceeding $150.0 million; and
- an interest and rent coverage ratio that must be at least 2.00:1.00 at all times.

The revolving credit facility is repayable without penalty with the balance due on the date of maturity March 15, 2027.

As at November 30, 2024, the Company was in compliance with the covenants of the credit agreement.

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

LOCATION INFORMATION

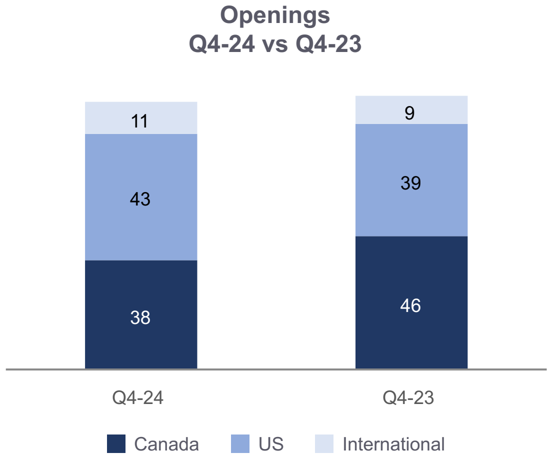
MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

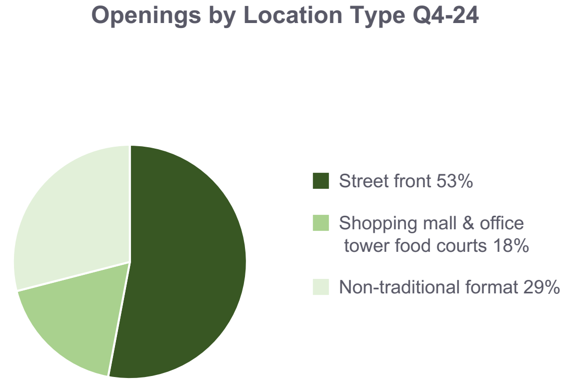
Number of locations

	Three months ended November 30,		**Twelve months ended November 30,**	
	2024	2023	**2024**	2023
Franchises, beginning of the period	**6,830**	6,895	**6,897**	6,589
Corporate-owned, beginning of the period				
Canada	**52**	43	**43**	41
US	**184**	181	**176**	158
Total, beginning of the period	**7,066**	7,119	**7,116**	6,788
Opened during the period	**92**	94	**319**	330
Closed during the period	**(79)**	(97)	**(356)**	(381)
Acquired during the period	**—**	—	**—**	379
Total, end of the period	**7,079**	7,116	**7,079**	7,116
Franchises, end of the period			**6,827**	6,897
Corporate-owned, end of the period				
Canada			**52**	43
US			**200**	176
Total, end of the period			**7,079**	7,116

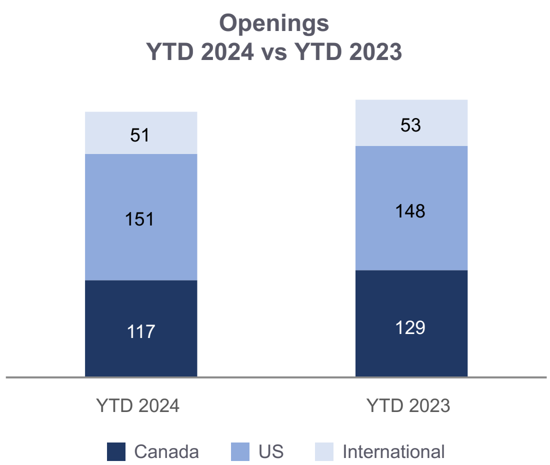
Openings

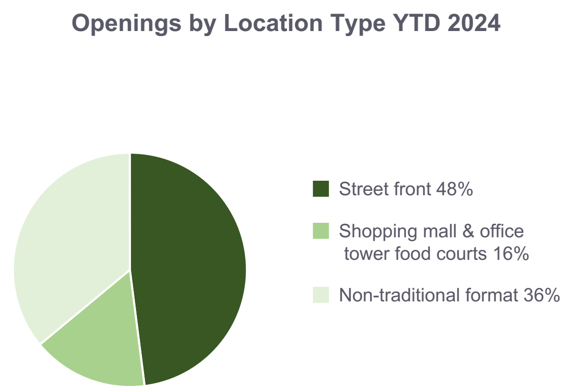
During the fourth quarter of 2024, the Company's network opened 92 locations (2023 – 94 locations). The breakdown by geographical location and by location type is as follows:





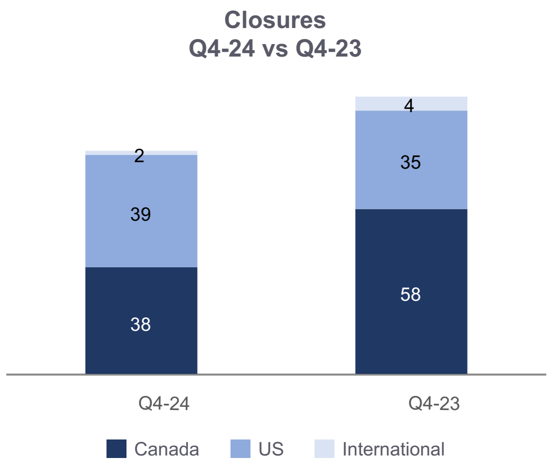
During the year ended November 30, 2024, the Company's network opened 319 locations (2023 – 330 locations). The breakdown by geographical location and by location type is as follows:

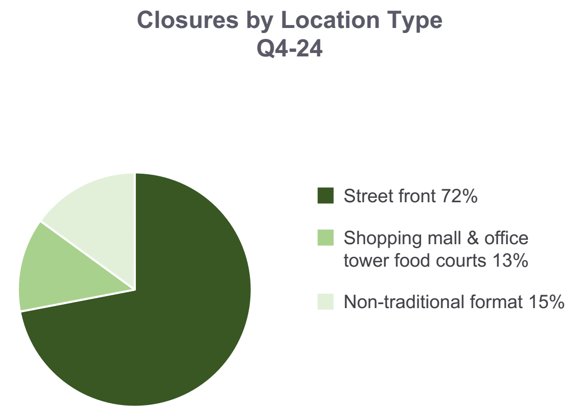




Closures

During the fourth quarter of 2024, the Company's network closed 79 locations (2023 – 97 locations). The breakdown by geographical location and by location type is as follows:

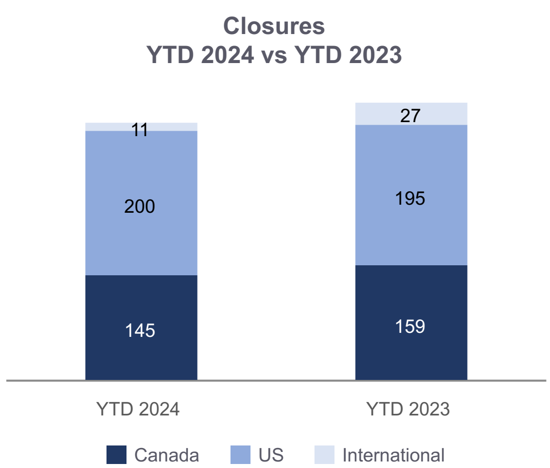


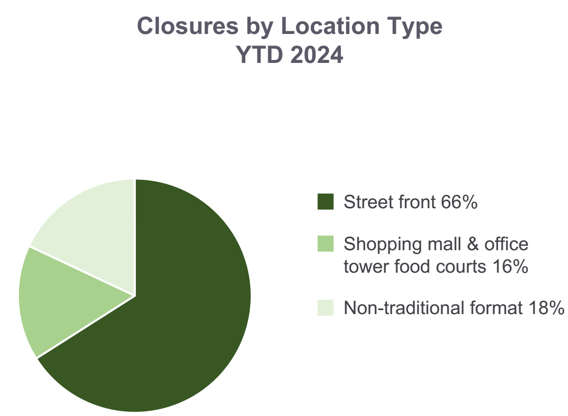


The average monthly sales of a newly opened location compared to a closed location by type is as follows:

Location type	*(in thousands $)*	New opening	Closure
Street front		57.7	45.5
Shopping mall & office tower food courts		37.7	32.4
Non-traditional format		35.8	16.0

During the year ended November 30, 2024, the Company's network closed 356 locations (2023 – 381 locations). The breakdown by geographical location and by location type is as follows:





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

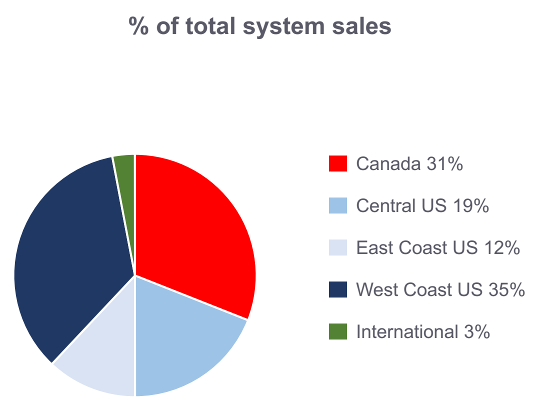
	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Location type	**2024**	2023	**2024**	2023
Shopping mall & office tower food courts	**16%**	16%	**15%**	15%
Street front	**62%**	63%	**76%**	76%
Non-traditional format	**22%**	21%	**9%**	9%

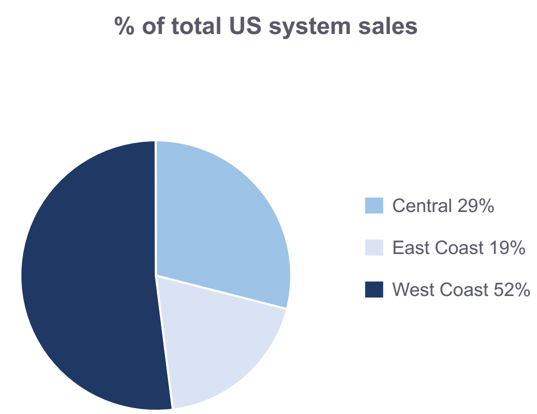
The geographical breakdown of MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Geographical location	**2024**	2023	**2024**	2023
Canada	**35%**	35%	**31%**	32%
US	**57%**	58%	**66%**	65%
International	**8%**	7%	**3%**	3%

The territories that had the largest portions of total system sales were Quebec (Canada) with 17%, California (US) with 12%, Ontario (Canada) with 7%, Arizona (US), Washington (US), Oregon (US) and Florida (US) with 4% each.

The geographical distribution of system sales is as follows:





The breakdown by the types of concepts for MTY's locations and system sales is as follows:

	% of location count		% of system sales Twelve months ended	
	November 30,		**November 30,**	
Concept type	**2024**	2023	**2024**	2023
Quick service restaurant	**79%**	80%	**63%**	61%
Fast casual	**11%**	10%	**9%**	10%
Casual dining	**10%**	10%	**28%**	29%

System sales

During the the three and twelve months ended-month periods ended November 30, 2024, MTY's network generated $1,371.9 million and $5,635.7 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2024	415.9	878.5	37.3	**1,331.7**
First quarter of 2023	423.9	901.2	37.4	**1,362.5**
Variance	(2%)	(3%)	(0%)	**(2%)**
Second quarter of 2024	436.3	983.6	39.5	**1,459.4**
Second quarter of 2023	450.1	980.1	39.8	**1,470.0**
Variance	(3%)	0%	(1%)	**(1%)**
Third quarter of 2024	456.8	973.8	42.1	**1,472.7**
Third quarter of 2023	473.2	952.8	41.1	**1,467.1**
Variance	(3%)	2%	2%	**0%**
Fourth quarter of 2024	441.6	893.8	36.5	**1,371.9**
Fourth quarter of 2023	437.0	869.3	35.3	**1,341.6**
Variance	1 %	3%	3%	**2%**
Year-to-date 2024	1,750.6	3,729.7	155.4	**5,635.7**
Year-to-date 2023	1,784.2	3,703.4	153.6	**5,641.2**
Variance	(2%)	1%	1%	**(0%)**

The overall movement in sales is distributed as follows:

	Three-month sales ended November 30				Twelve-month sales ended November 30			
(millions of $)	Canada	US	International	**TOTAL**	Canada	US	International	**TOTAL**
Reported sales – 2023	437.0	869.3	35.3	**1,341.6**	1,784.2	3,703.4	153.6	**5,641.2**
Net increase in sales generated by concepts acquired during the last 24 months	—	—	—	**—**	0.1	8.3	0.1	**8.5**
Net variance in system sales	4.6	18.1	0.9	**23.6**	(33.7)	(16.5)	0.2	**(50.0)**
Cumulative impact of foreign exchange variation	—	6.4	0.3	**6.7**	—	34.5	1.5	**36.0**
Reported sales – 2024	441.6	893.8	36.5	**1,371.9**	1,750.6	3,729.7	155.4	**5,635.7**

System sales for the three-month period ended November 30, 2024 increased by $30.3 million compared to the same period last year. The US and international segment had overall positive system sales of $25.7 million, or 3% for the quarter while Canada saw an organic growth of 1% or $4.6 million. Canada's increase came mostly from the casual dining segment concepts with an improvement of 3% compared to prior year, while the fast casual saw a dip of 3%. Removing the impact of foreign exchange, which contributed to $6.4 million of the growth in the US segment, the US saw an increase of $18.1 million stemming from organic growth mostly from the QSR segment. The snack category, with brands such as Cold Stone, Wetzel Pretzel's and SweetFrog, continued to outperform prior year.

For the twelve-month period ended November 30, 2024 system sales were slightly down by $5.5 million or less than 1% compared to 2023. Excluding the acquisitions of Wetzel's Pretzels and Sauce Pizza and Wine, system sales for the network decreased by $14.0 million, again less than 1%, with the US regions contributing to almost the entirety of the decline.

Papa Murphy’s and Cold Stone Creamery continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 18% and 16% respectively of the total sales of MTY’s network. Wetzel's Pretzels, Famous Dave's and Village Inn are the third, fourth and fifth largest concepts in terms of systems sales, generating less than 10% each of the network’s sales.

System wide sales include sales for corporate and franchise locations and excludes sales realized by the distribution centers, by the food processing plants and by the retail division. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same-Store Sales [(1)]

During the quarter ended November 30, 2024, same-store sales was consistent with prior year. By region, same-store sales were broken down as follows for the last eight quarters:

	Three months ended							
Region	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**	**August 2024**	**November 2024**
Canada	18.1 %	6.1 %	3.4 %	(1.2)%	(2.7)%	(3.6)%	(3.9)%	(0.1)%
US	5.2 %	3.6 %	2.0 %	(0.5)%	(3.6)%	(1.0)%	(1.1)%	0.1 %
International	(3.0)%	1.7 %	(0.3)%	(3.8)%	(7.4)%	(8.1)%	(7.0)%	(2.3)%
Total	**10.1 %**	**4.7 %**	**2.6 %**	**(0.9)%**	**(3.3)%**	**(2.1)%**	**(2.3)%**	**0.0 %**

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

In the fourth quarter of 2024, same-store sales were positive in the US segment by 0.1% while Canada saw a slight decrease of 0.1%. The increase is consistent with the increase seen in system sales and is stemming primarily from a increases in the QSR and fast casual segments.

By restaurant type [(1)], same-store sales were broken down as follows for the twelve months ended months ended November 30, 2024 and 2023:

	Three months ended November 30		Twelve months ended November 30	
	2024	2023	**2024**	2023
Quick service restaurant	**(1.4)%**	2.8 %	**(2.1)%**	10.9 %
Fast casual	**(2.6)%**	(4.4)%	**(6.4)%**	(0.3)%
Casual	**2.4 %**	(1.6)%	**(1.2)%**	6.7 %
Canada	**(0.1)%**	(1.2)%	**(2.5)%**	5.5 %
Quick service restaurant	**1.6 %**	0.4 %	**(0.3)%**	3.0 %
Fast casual	**2.9 %**	(2.1)%	**0.9 %**	1.0 %
Casual	**(4.6)%**	(3.3)%	**(4.4)%**	(2.5)%
US	**0.1 %**	(0.5)%	**(1.3)%**	2.5 %
Quick service restaurant	**(2.7)%**	(4.9)%	**(6.7)%**	(3.0)%
Fast casual	**(2.8)%**	13.9 %	**(4.9)%**	11.2 %
Casual	**8.9 %**	(10.8)%	**(3.4)%**	0.6 %
International	**(2.3)%**	(3.8)%	**(6.5)%**	(2.0)%

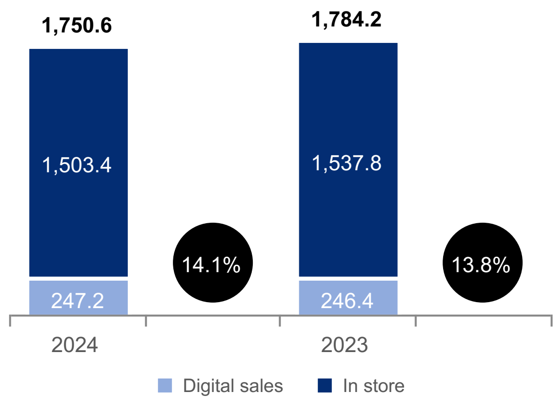
(1) *Refer to the Supplemental Information section for a list of brands included in each category.*

In the fourth quarter of 2024, quick service restaurant and fast casual restaurant remained resilient in the US with comparable same-store sales year-over-year. The brands in these divisions are a great option for customers looking for attractive but affordable menu options during economic uncertainty. The Canadian casual segment also saw an uplift in sales with improvement in same-store sales of 2.4%.

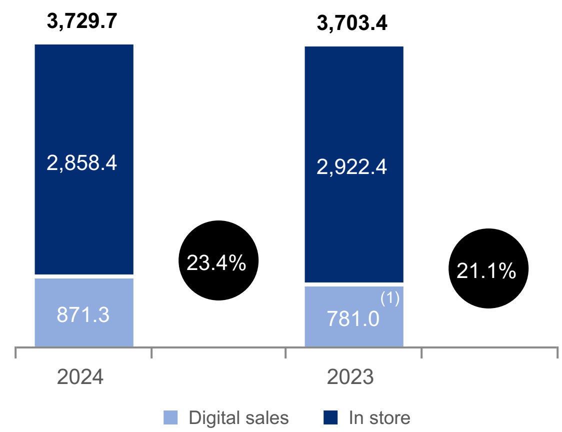
Digital sales

System sales versus digital sales breakdown is as follows for the year ended November 30, 2024 and 2023:

Canada – In store vs digital sales



USA – In store vs digital sales

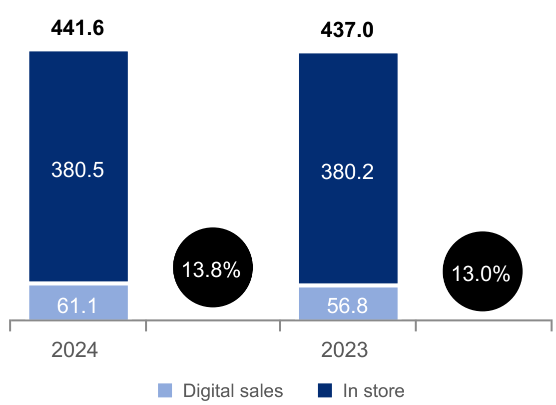


(1) *US digital sales of the first quarter of 2023 missing digital sales of approximately 200 locations due to unavailability of information.*

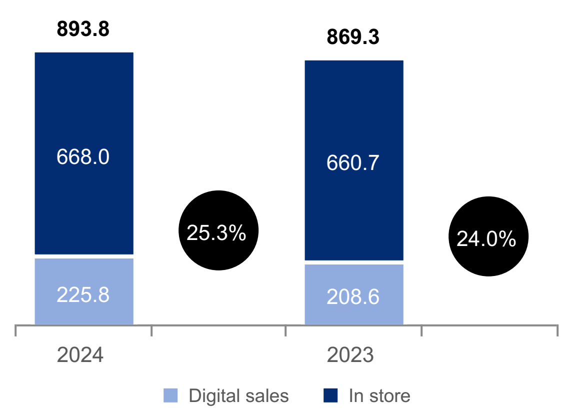
Digital sales for the year ended November 30, 2024 increased by 9% compared to the same period last year, including the impact of foreign exchange rates, from $1,027.4 million to $1,118.5 million, and represented 20% of total sales, compared to 19% in the same period last year. Excluding the impact of foreign exchange and acquisitions, digital sales grew by 8% in the period. The US saw an increase of $90.3 million or 12% compared to prior year mainly as a result of shifts in consumer behavior as MTY continues to invest and improve the online experience. Canadian digital sales increased by $0.8 million during the twelve-month period mainly due to the overall increase in system sales. The QSR segment had the largest impact on Canada with online orders increasing by 23%.

System sales versus digital sales breakdown is as follows for the three months ended November 30, 2024 and 2023:

Canada – In store vs digital sales



USA – In store vs digital sales



Digital sales for the fourth quarter of 2024 increased by 8% compared to the same period last year, including the impact of foreign exchange rates, from $265.4 million to $286.9 million, and represented 21% of total sales, compared to 20% in the same period last year. Excluding the impact of foreign exchange, digital sales grew by 7% in the quarter. Canadian digital sales increased by 8% compared to prior year, while US digital sales saw a growth of $17.2 million or 8%. First party online sales in Canada and the US represented 25% and 63%, respectively, of total digital sales for the quarter compared to 26% and 64% in 2023.

CAPITAL STOCK INFORMATION

Stock options

As at November 30, 2024, there were 400,000 options outstanding and 333,332 that were exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2023 to November 30, 2024, MTY's share price fluctuated between $40.45 and $59.80. On November 30, 2024, MTY's shares closed at $47.75.

Capital stock

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

As at February 13, 2025, the Company's issued and outstanding capital stock consisted of 23,192,861 shares (November 30, 2023 – 24,332,661) and 400,000 granted and outstanding stock options (November 30, 2023 – 440,000). During the twelve months ended months ended November 30, 2024, MTY repurchased 314,700 and 906,900 shares, respectively, (2023 – 80,800) for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2024, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2024 and will end on July 2, 2025 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,196,513 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and twelve months ended-month periods ended November 30, 2024, the Company repurchased and cancelled a total of 314,700 and 906,900 common shares, respectively, (2023 – 80,800) under the current NCIB, at a weighted average price of $45.26 and $46.36 per common share, respectively, (2023 – $51.58), for a total consideration of $14.0 million and $41.8 million, respectively, (2023 – $4.2 million). An excess of $10.2 million and $30.6 million, respectively, (2023 – $3.2 million) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

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.

SEASONALITY

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

OFF-BALANCE SHEET ARRANGEMENTS

MTY has no off-balance sheet arrangements.

CONTINGENT LIABILITIES

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

The provisions include $3.9 million (November 30, 2023 – $4.7 million) for litigations, disputes and other contingencies, representing management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position, as well as self-insured liabilities related to health and workers' compensation and general liability claims. These provisions are made of multiple items; the timing of the settlement of these provisions is unknown given their nature, as the Company does not control the litigation timelines.

The provisions also varied in part due to foreign exchange fluctuations related to the US subsidiaries.

GUARANTEE

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. The maximum amount the Company may be required to pay under these agreements was $12.5 million as at November 30, 2024 (November 30, 2023 – $16.4 million). 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 $1.6 million (November 30, 2023 – $1.6 million), included in Accounts payable and accrued liabilities in the consolidated financial statements, with respect to these guarantees.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Impairment of long-lived assets

The Company assesses whether there are any indicators of impairment for all long-lived assets at each reporting period date. In addition, management is required to use judgment in determining the grouping of assets to identify a 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.

During the years ended November 30, 2024 and 2023, the Company recognized impairment charges on its property, plant and equipment (Note 15 of the consolidated financial statements). The total impairment on property, plant and equipment of $10.1 million (2023 – $0.2 million) represents a write-down of the carrying value of the leasehold improvements and equipment to their fair value less cost of disposal, which was higher than their value in use.

During the years ended November 30, 2024 and 2023, the Company also recognized impairment charges on its right-of-use assets (Note 11 of the consolidated financial statements) of $1.3 million and $0.4 million, 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 amount 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 property, plant and equipment, right-of-use assets, goodwill, trademarks and franchise rights.

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

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

Impairment of 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, the Company recognized impairment charges of $22.3 million (2023 – $9.2 million) on its franchise rights, trademarks and other intangible assets (Note 15 of the consolidated financial statements) representing a write-down of the carrying value to the recoverable amount. The fair value was determined using key assumptions such as discount rates and projected operating cash flows. The fair value is classified as level 3 in the fair value hierarchy.

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

Impairment of goodwill

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

During the years ended November 30, 2024, the Company recognized impairment charges of $40.5 million on its goodwill (Note 15 of the consolidated financial statements). During the year ended November 30, 2023, no impairment charge on goodwill was required.

CHANGES IN ACCOUNTING POLICIES

Policies applicable beginning December 1, 2023

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.

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 the consolidated financial statements.

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

Standard		Issue date	Effective date for the Company	Impact
IAS 1	Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
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.

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.

RISKS AND UNCERTAINTIES

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the US, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependent on maintaining the current franchise system, which is subject to many factors including but not limited to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

Labour is a key factor in the success of the Company. If the Company was unable to attract, motivate and retain a sufficient number of qualified individuals, this could materially disrupt the Company's business and operations and adversely impact its operating results, including the delay of planned restaurant openings, the Company's ability to grow sales at existing restaurants and expand its concepts effectively. 2021, 2022 and 2023 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages which have persisted into 2024. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company's network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

The impacts of a widespread health epidemic or pandemic, including various strains of avian flu or swine flu, such as H1N1, or COVID-19, particularly if located in regions from which the Company derives a significant amount of revenue or profit could continue to impact the Company in the future. The occurrence of such an outbreak or other adverse public health developments can and could continue to materially disrupt the business and operations. Such events could also significantly impact the industry and cause a temporary closure of restaurants, which could severely disrupt MTY's or the Company's franchisees' operations and have a material adverse effect on the business, financial condition and results of operations.

Outbreaks of avian flu occur from time to time around the world, and such outbreaks have resulted in confirmed human cases. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. Because poultry is a menu offering for many of the Company's Concepts, this would likely result in lower revenues and profits to both MTY and franchisee partners. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact profit margins and revenues.

Furthermore, other viruses may be transmitted through human contact or through the consumption of foods. The risk of contracting viruses transmitted through human contact could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. MTY could also be adversely affected if government authorities impose mandatory closures, seek voluntary closures, impose restrictions on operations of restaurants, impose restrictions on customers via a vaccine passport to dine-in, or restrict the import or export of products, or if suppliers issue mass recalls of products. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may adversely affect the business and operating results. Viruses transmitted through the consumption of foods, such as salmonella, could cause guests to have negative views of a brand, which could cause severe reputational and potentially irreversible damages and, similar to viruses transmitted through human contact, may adversely affect the business and operating results.

The Company's operating results substantially depend upon its ability to obtain frequent deliveries of sufficient quantities of products such as beef, chicken, and other products used in the production of items served and sold to customers. Geopolitical events, such as trade tariffs, public health or pandemic outbreaks, war or hostilities in countries in which suppliers or operations are located, terrorist or military activities, or natural disasters such as hurricanes, tornadoes, floods, earthquakes and others, could lead to interruptions in the supply chain. Disruptions in supply chain could impact delivery of food or other supplies to the Company's restaurants. Delays or restrictions on shipping or manufacturing, closures of supplier or distributor facilities or financial distress or insolvency of suppliers or distributors could disrupt operations or the operations of one or more suppliers or could severely damage or destroy one of more of the stores or distribution centers located in the affected area. These delays or interruptions could impact the availability of certain food and packaging items at the Company's restaurants, including beef, chicken, pork and other core menu products and could require the Company's restaurants to serve a limited menu. The Company's results of operations and those of its franchisees could be adversely affected if its key suppliers or distributors are unable to fulfill their responsibilities and the Company were unable to identify alternative suppliers or distributors in a timely manner or effectively transition the impacted business to new suppliers or distributors. If a disruption of service from any of its key suppliers or distributors were to occur, the Company could experience short-term increases in costs while supply and distribution channels were adjusted and may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable.

Changes to interest rates could also impact MTY's borrowing capacity, thereby affecting its ability to make accretive acquisitions. Rising interest rates would also negatively impact franchisees' borrowing capacity as well as their available cash flows, thereby slowing down the build of new locations and causing cash flow strains on existing franchisees.

Geopolitical events such as the occurrence of war or hostilities between countries, or threat of terrorist activities and the responses to and results of these activities could also adversely impact the operations of the Company or its franchisee network. These events could lead to supply chain interruptions, closures or destruction of restaurants, increases in inflation and labour shortages.

Please refer to the November 30, 2024 Annual Information Form for further discussion on all risks and uncertainties.

ECONOMIC ENVIRONMENT RISK

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

FINANCIAL INSTRUMENTS

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

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at November 30, 2024 and November 30, 2023. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

The classification, carrying value and fair value of financial instruments are as follows:

(In thousands $)	**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 [(1)]	**706,130**	**706,130**	759,134	759,134

[(1)] *Excludes credit facility financing costs and non-controlling interest option in 9974644 Canada Inc.*

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

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

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

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

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 liability fair value of $3.1 million was recorded as at November 30, 2024 (November 30, 2023 – derivative liability of $2.6 million) in the current portion of derivative liabilities in the consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	2024	2023	
	3-month	3-month	2-month
Receive – Notional	**US$190.0 million**	US$51.1 million	US$142.9 million
Receive – Rate	**6.51%**	7.14%	7.14%
Pay – Notional	**CA$262.0 million**	CA$70.0 million	CA$196.0 million
Pay – Rate	**5.43%**	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$200.0 million. A fair value remeasurement gain of $0.2 million was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (2023 – fair value remeasurement gain of $6.3 million).

On June 4, 2024, the Company sold the fixed interest rate swap, realizing proceeds of $6.6 million from this transaction. A derivative asset fair value of nil was recorded as at November 30, 2024 (2023 – $6.6 million). 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 $1.7 million 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$100.0 million. The period of two years ends on May 30, 2025. Under the terms of this swap, the interest rate is fixed at 3.64%, unless the 1-month term SOFR exceeds 5.50%; if the 1-month term SOFR exceeds 5.50%, the Company will pay the 1-month term SOFR. A derivative asset fair value of $0.5 million was recorded as at November 30, 2024 (November 30, 2023 – $1.3 million). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement loss of $0.8 million was recorded in the Company's consolidated statement of income for the year ended November 30, 2024 (2023 – fair value remeasurement gain of $1.3 million).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US$50.0 million. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will received 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between current rate and 2.95%. A derivative asset of less than $0.1 million 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 less than $0.1 million was recorded in the Company's consolidated statement of income for the year ended November 30, 2024 (2023 – nil).

On September 19, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of $100.0 million. 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 $0.1 million 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 $0.1 million was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (2023 – nil).

On September 24, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of $50.0 million. 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 $0.1 million 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 $0.1 million was recorded in the Company's consolidated statement of comprehensive income for the year ended November 30, 2024 (2023 – nil).

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

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

Fair value hierarchy

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

(In thousands $)	**2024**	2023
	$	$
Financial liabilities classified as level 3 as at November 30, 2023	**10,067**	13,346
Repayments	**(6,304)**	(875)
Revaluation of financial liabilities recorded at fair value	**(121)**	(2,404)
Financial liabilities classified as level 3 as at November 30, 2024	**3,642**	10,067

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:

(In thousands $)	**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
Financial liabilities classified as level 3	**2,142**	10,067

FINANCIAL RISK EXPOSURE

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 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 on the Company's loans and other receivables is similar to that of its accounts receivable and finance lease receivables.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values 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$497.2 million (November 30, 2023 - US$558.0 million) was drawn from the revolving credit facility. Of that amount, US$189.2 million (November 30, 2023 - US$194.0 million) was not exposed to foreign exchange risk as a result of one (November 30, 2023 - two) cross currency interest rate swap, and US$308.0 million (November 30, 2023 - US$364.0 million) was exposed to foreign exchange risk.

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

As at November 30, 2024 and 2023, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)	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)
Net financial liabilities	**(299,420)**	**(419,487)**	(360,611)	(489,782)

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $15.0 (2023 – loss of $18.0) 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. $704.6 million (November 30, 2023 – $757.8 million) 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 $7.0 million per annum (2023 – $7.6 million) on the outstanding credit facility.

Liquidity risk

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

As at November 30, 2024, the Company had an authorized revolving credit facility for which the available amount may not exceed $900.0 million (November 30, 2023 – $900.0 million) and including an accordion feature amounting to $300.0 million (November 30, 2023 – $300.0 million) to ensure that sufficient funds are available to meet its financial requirements.

The following are the contractual maturities of financial liabilities as at November 30, 2024:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	134.4	134.4	134.4	—	—	—
Long-term debt [(1)]	2.5	708.3	3.7	—	—	704.6
Interest on long-term debt [(1)]	N/A	100.8	20.7	21.0	41.8	17.3
Lease liabilities	815.1	597.7	67.2	67.2	116.5	346.8
	952.0	**1,541.2**	**226.0**	**88.2**	**158.3**	**1,068.7**

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

NEAR-TERM OUTLOOK

The restaurant industry in 2024 remains extremely competitive. The pace of technological changes, innovations and shifts in customer preferences continue to accelerate, while trends appear and dissipate in short periods of time. Industry players need to be increasingly agile in order to adapt to the market and create sustainable streams of revenues that will carry from one generation of customers to the next. MTY's entrepreneurial roots give it an advantage in the current environment and the various teams are prepared to face any situation.

At the date of this report, although not completely gone, inflation and labour issues seem to be receding. Some jurisdictions continue to increase minimum wages materially, putting additional pressure on the cost structure of franchisees and the Company's corporate locations in an environment in which consumers are becoming increasingly sensitive to price increases. MTY's team focus on innovation, product quality and consistency, superior store design, seamless and appealing online interactions with customers and perceived value are all elements that position MTY well to thrive in the future, even if macroeconomic pressures persist.

Management remains committed to maximize shareholder value by improving normalized adjusted EBITDA through improved in-restaurant dining and online digital experiences as well as cost cutting measures. Organic growth of system sales and store count of existing concepts remains a priority while MTY continues to seek potential acquisitions in an effort to increase the Company's market share.

CONTROLS & PROCEDURES

Disclosure controls and procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P"). The Company's DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized and reported within the time periods specified in securities legislation.

During the year ended November 30, 2024, MTY did not make any significant changes in, nor take any significant corrective actions regarding internal controls or other factors that could significantly affect such internal controls. The CEO and CFO periodically review the Company's DC&P for design and operating effectiveness and conduct an evaluation each quarter. As at November 30, 2024, the CEO and CFO were satisfied with the effectiveness of the Company's DC&P.

Internal controls over financial reporting

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, there were no changes to the Company's internal control over financial reporting that occurred during the year ended November 30, 2024, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of controls and procedures

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

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's consolidated financial statements. For the twelve months ended November 30, 2024, these SPEs represent less than 0.2% of the Company's current assets, 0.0% of its non-current assets, 0.1% of the Company's current liabilities, 0.0% of non-current liabilities, 0.9% of the Company's revenue and 0.0% of the Company's net income.

Eric Lefebvre, CPA, MBA Chief Executive Officer

Renee St Onge

Renee St-Onge, CPA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the US	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014 September 2018	90% + 10%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016 March 2019	60%+ 5%	5	—

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Steak Frites St-Paul and Giorgio Ristorante	May 2017 September 2018	83.25% + 9.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—
Imvescor Restaurant Group - Baton Rouge, Pizza Delight, Scores, Toujours Mikes, and Ben & Florentine	March 2018	100%	253	8
Grabbagreen	March 2018	100%	26	1
Timothy's World Coffee and Mmmuffins - perpetual franchising license	April 2018	100%	32	7
SweetFrog Premium Frozen Yogurt	September 2018	100%	331	—
Casa Grecque	December 2018	100%	31	—
South Street Burger	March 2019	100%	24	13
Papa Murphy's	May 2019	100%	1,301	103
Yuzu Sushi	July 2019	100%	129	—
Allô! Mon Coco	July 2019	100%	40	—
Turtle Jack's Muskoka Grill, COOP Wicked Chicken and Frat's Cucina	December 2019	70%	20	3
Küto Comptoir à Tartares	December 2021	100%	31	—
BBQ Holdings – Famous Dave's, Village Inn, Barrio Queen, Granite City, Real Urban Barbecue, Tahoe Joe's Steakhouse, Bakers Square, Craft Republic, Fox & Hound and Champps	September 2022	100%	198	103
Wetzel's Pretzels	December 2022	100%	328	38
Sauce Pizza and Wine	December 2022	100%	—	13

Definition of non-GAAP measures

The following non-GAAP measures can be found in the analysis of the MD&A:

Adjusted EBITDA	Represents revenue less operating expenses. See reconciliation of adjusted EBITDA to Income (loss) before taxes on page 14 and 20.
Normalized adjusted EBITDA	Represents revenue less operating expenses (excluding transaction costs related to acquisitions and SAP project implementation costs). See reconciliation of normalized adjusted EBITDA to Income (loss) before taxes on page 14 and 18.
Free cash flows net of lease payments	Represents the net cash flows: provided by operating activities; used in additions to property, plant and equipment and intangible assets; provided by proceeds on disposal of property, plant and equipment; and net of lease payments.

Definition of non-GAAP ratios

The following non-GAAP ratios can be found in the analysis of the MD&A:

Adjusted EBITDA as a % of revenue	Represents adjusted EBITDA divided by revenue.
Normalized adjusted EBITDA as a % of revenue	Represents normalized adjusted EBITDA divided by revenue.
Free cash flows net of lease payments per diluted share	Represents free cash flows net of lease payments divided by diluted shares.
Debt-to-EBITDA	Defined as current and long-term debt divided by EBITDA as defined in the credit agreement.

Definition of supplementary financial measures

Management discloses the following supplementary financial measures as they have been identified as relevant metrics to evaluate the performance of the Company.

The following supplementary financial measures can be found in the analysis of the MD&A:

Recurring revenue streams	Comprised of royalties and other franchising revenues that are earned on a regular basis in accordance with franchise agreements in place.
Non-controllable expenses	Comprised of government subsidies that are not directly in control of management and royalties paid to third parties.
Controllable expenses	Comprised of wages, professional and consulting services and other office expenses, that are directly in the control of management.
Variance in recurring revenue and expenses	Comprised of recurring revenue streams, controllable expenses, royalties paid to third parties, rent (excluding impact of IFRS 16), corporate store revenue and expenses, food processing, distribution and retail revenue and expenses, promotional fund revenue and expenses.
Same-store sales	Comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.
System sales	System sales are sales of all existing restaurants including those that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.
Digital sales	Digital sales are sales made by customers through online ordering platforms.

Free cash flows net of lease payments[1] loop to cash flows provided by operating activities

	Three months ended							
(In thousands $)	**February 2023**	**May 2023**	**August 2023**	**November 2023**	**February 2024**	**May 2024**	**August 2024**	**November 2024**
Cash flows provided by operating activities	33,467	51,860	51,495	47,764	54,178	40,558	66,355	43,716
Additions to property, plant and equipment	(7,897)	(11,030)	(7,962)	(3,235)	(7,011)	(7,265)	(6,375)	(4,036)
Additions to intangible assets	(120)	(393)	(696)	(836)	(298)	(356)	(808)	(1,577)
Proceeds on disposal of intangible	—	—	—	—	—	—	—	314
Proceeds on disposal of property, plant and equipment	481	246	375	587	564	2,320	801	617
Net lease payments	(10,498)	(11,136)	(11,082)	(10,923)	(10,511)	(10,936)	(10,702)	(11,666)
Free cash flows net of lease payments [1]	**15,433**	**29,547**	**32,130**	**33,357**	**36,922**	**24,321**	**49,271**	**27,368**

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

System sales [1] to royalties

	Sales for the twelve months ended November 30, 2024						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	45.3	1,705.3	1,750.6	455.5	3,429.6	3,885.1	**5,635.7**
Franchise royalty income as a % of franchise sales	—	5.27%	—	—	5.10%	—	**N/A**
Royalties	—	89.8	—	—	174.8	—	**264.6**

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

	Sales for the three months ended November 30, 2024						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	13.9	427.7	441.6	111.4	818.9	930.3	**1,371.9**
Franchise royalty income as a % of franchise sales	—	5.28%	—	—	4.95%	—	**N/A**
Royalties	—	22.6	—	—	40.5	—	**63.1**

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

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

Brands per category

Quick service restaurant

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

Fast casual

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

Casual

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

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
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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
Impairment assessment of goodwill, trademarks and franchise and master franchise rights *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* 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.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill units and certain CGUs: – Tested the mathematical accuracy of the discounted cash flow models. – 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. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the appropriateness of the models used and the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
Goodwill and trademarks are tested for impairment annually as at 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[1]

Montréal, Quebec
February 13, 2025

[1] 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)

	Notes	2024	2023
		$	$
Revenue	26 & 32	**1,159,604**	1,169,334
Expenses			
Operating expenses	27 & 32	**896,567**	898,588
Depreciation – property, plant and equipment and right-of-use assets	11 & 12	**59,949**	54,934
Amortization – intangible assets	13	**31,870**	34,559
Interest on long-term debt		**46,515**	52,142
Net interest expense on leases	11	**11,205**	11,402
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
		1,120,312	1,061,485
Other income (expenses)			
Unrealized and realized foreign exchange loss		**(21,763)**	(2,632)
Interest income		**627**	1,048
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
Restructuring	30	**(2,487)**	—
Gain on extinguishment of debt		**131**	—
Gain on contingent consideration from a business acquisition		**—**	2,194
		(23,487)	2,136
Income before taxes		**15,805**	109,985
Income tax (recovery) expense	31		
Current		**17,933**	12,459
Deferred		**(26,764)**	(6,998)
		(8,831)	5,461
Net income		**24,636**	104,524
Net income attributable to:			
Owners		**24,170**	104,082
Non-controlling interests		**466**	442
Net income		**24,636**	104,524
Net income per share	23		
Basic		**1.01**	4.26
Diluted		**1.01**	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)

	Notes	2024	2023
		$	$
Net income		**24,636**	104,524
Other comprehensive income			
Items that may be reclassified subsequently to net income			
Translation adjustments			
Unrealized gain on translation of foreign operations		**37,708**	7,644
Cash flow hedges			
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)
Deferred tax expense on foreign currency translation adjustments and cash flow hedges		**(2,261)**	(2,256)
		34,235	11,704
Total comprehensive income		**58,871**	116,228
Total comprehensive income attributable to:			
Owners		**58,405**	115,786
Non-controlling interests		**466**	442
		58,871	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							
	Capital stock	Other	Contributed surplus	Accumulated other comprehensive (loss) income (Note 21)	Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
Adjusted balance as at November 30, 2022	302,781	(850)	4,857	13,766	17,773	402,854	723,408	1,218	724,626
Net income for the year ended November 30, 2023	—	—	—	—	—	104,082	104,082	442	104,524
Other comprehensive income	—	—	—	11,704	11,704	—	11,704	—	11,704
Total comprehensive income							115,786	442	116,228
Shares repurchased and cancelled (Note 20)	(1,002)	—	—	—	—	(3,165)	(4,167)	—	(4,167)
Dividends	—	—	—	—	—	(24,407)	(24,407)	(183)	(24,590)
Share-based compensation (Note 22)	—	—	792	—	792	—	792	—	792
Balance as at November 30, 2023	301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
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**
Balance as at November 30, 2024	**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
		$	$
Assets			
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
		263,148	281,059
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
		2,586,359	2,680,018
Liabilities and Shareholders' equity			
Liabilities			
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**	—
		433,038	440,583
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
		1,782,909	1,867,129

Consolidated statements of financial position (continued)

As at November 30, 2024 and 2023

(In thousands of Canadian dollars)

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

	Notes	2024	2023
		$	$
Operating activities			
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
		261,823	274,780
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		**204,807**	184,586
Investing activities			
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		**(23,537)**	(319,659)

(In thousands of Canadian dollars)

	Notes	2024	2023
		$	$
Financing activities			
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
Cash, end of period		**50,409**	58,895

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

Table of contents

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:

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

2. Basis of preparation (continued)

Basis of consolidation (continued)

	Percentage of equity interest		
Principal subsidiaries	2024	2023	Functional currency
	%	%	
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.

<u>The Company as lessee</u>

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.

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:

Goodwill unit description

	2024	2023
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.

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.

(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.

(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).

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

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

7. Business acquisitions (continued)

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

The final purchase price allocation is as follows:

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

(1) Goodwill is deductible for tax purposes.

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

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

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

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

7. Business acquisitions (continued)

II. Wetzel's Pretzels (2023)

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama. As of the date of the acquisition, Wetzel's Pretzels was operating 328 franchised and 38 corporate-owned restaurants. The purpose of the transaction was to diversify the Company's range of offerings in the US.

The transaction included a purchase price totaling $285,478 (US$210,189), as detailed below. The resulting aggregate cash outflow in connection with the Wetzel's Pretzels acquisition was $276,160 (US$203,328). The transaction consideration also includes US$3,000 held in escrow contingent on the execution of several lease contracts within 12 months of the acquisition. As at December 8, 2023, only a portion of the contracts were executed and therefore $2,194 (US$1,600) was released from escrow and recorded as a Gain on contingent consideration from a business acquisition in the consolidated statement of income.

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

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

7. Business acquisitions (continued)

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

The final purchase price allocation is as follows:

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

(1) Goodwill is partially deductible for tax purposes.

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

7. Business acquisitions (continued)

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

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

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

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

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

8. Accounts receivable

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

	2024	2023
	$	$
Total accounts receivable	89,297	91,861
Less: Allowance for credit losses	8,057	8,863
Total accounts receivable, net	81,240	82,998
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	81,240	82,998

	2024	2023
	$	$
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	8,057	8,863

(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.

(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	**25,251**	**—**	**121**	**25,372**
Reclassified as assets held for sale (Note 10)	**(1,278)**	**—**	**—**	**(1,278)**
Depreciation expense	**(35,228)**	**(1,068)**	**(410)**	**(36,706)**
Impairment charge	**(1,259)**	**—**	**—**	**(1,259)**
De-recognition/lease modification of lease liabilities	**15,260**	**(2,791)**	**(56)**	**12,413**
Foreign exchange	**4,826**	**72**	**10**	**4,908**
Balance as at November 30, 2024	**177,962**	**6,660**	**546**	**185,168**

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	**307,804**	333,706

(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
	307,804	333,706

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	515,138	535,197

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
	515,138	535,197

(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:

	Lease liabilities	Finance lease receivables	Operating subleases
	$	$	$
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	—
Total undiscounted lease payments	**597,696**	**346,873**	**2,688**
Unguaranteed residual values	—	1,759	—
Gross investment in the lease	**—**	**348,632**	**—**
Less: Unearned finance income	—	(37,177)	—
Present value of minimum lease payment receivables	**—**	**311,455**	**—**
Allowance for credit losses	—	(3,651)	—
Current portion of finance lease receivables	—	(76,152)	—
Finance lease receivables	**—**	**231,652**	**—**

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.

(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
November 30, 2024	**7,474**	**7,394**	**41,720**	**41,913**	**5,276**	**139**	**103,916**

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

13. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Customer lists	Other [1]	Total
	$	$	$	$	$
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	Trademarks	Customer lists	Other [1]	Total
	$	$	$	$	$
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	Trademarks	Customer lists	Other [1]	Total
	$	$	$	$	$
November 30, 2023	205,618	892,841	9,310	8,808	1,116,577
November 30, 2024	**178,938**	**891,951**	**8,342**	**9,083**	**1,088,314**

[1] 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).

(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 (1)	292,423	126,761
US Goodwill Unit B (2)	197,085	128,963
US Goodwill Unit C (2)	—	97,994
US Goodwill Unit D (1)	—	161,142
	693,835	719,187

(1) Variance from prior year due to grouping of US Goodwill Unit A and Unit D in 2024 as well as foreign exchange conversion.
(2) 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).

(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				
	Property, plant and equipment	Franchise rights	Trademarks	Other	Goodwill	Total
	$	$	$	$	$	$
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		
	Property, plant and equipment	Franchise rights	Trademarks	Total
	$	$	$	$
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%.

(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:

			2024					2023
($, except percentage data)	**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).

(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

(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
	73,487

(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. (1)	**—**	600
Fair value of non-controlling interest buyback obligation in 9974644 Canada Inc. (2)	**2,142**	2,288
Fair value of obligation to repurchase 11554891 Canada Inc. partner (3)	**—**	7,179
Revolving credit facility payable to a syndicate of lenders (4)	**704,578**	757,759
Credit facility financing costs	**(1,667)**	(1,837)
	706,605	767,364
Less: Current portion	**(2,464)**	(10,428)
	704,141	756,936

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

(2) Payable on demand.

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

(4) 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	**23,425,761**	**290,593**	24,332,661	301,779

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.

(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)
Balance as at November 30, 2023	**21,087**	**6,316**	**(1,933)**	**25,470**
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)**
Balance as at November 30, 2024	**58,795**	**5,104**	**(4,194)**	**59,705**

(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**	—	—
Outstanding, end of year	**400,000**	**50.86**	440,000	50.97
Vested, end of year	**333,332**	**52.37**	137,776	50.38

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**
	400,000	**3.1**

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
	440,000	4.3

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.

(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 [1]	**—**	68,987
Weighted daily average number of common shares – diluted	**23,977,313**	24,478,163

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options for the year ended November 30, 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.

(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	**US$190,000**	US$51,114	US$142,909
Receive – Rate	**6.51%**	7.14%	7.14%
Pay – Notional	**CA$262,000**	CA$70,000	CA$196,000
Pay – Rate	**5.43%**	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).

(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:

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

Fair value hierarchy

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

	2024	2023
	$	$
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)**	—
Financial liabilities classified as level 3 as at the end of the year	**2,142**	10,067

(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
Financial liabilities classified as level 3	**2,142**	10,067

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities. The table below shows the fair value and the carrying amount of other financial instruments as at 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 [(1)]	706,130	706,130	759,134	759,134

(1) 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.

(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)
Net financial (liabilities) assets	**(299,420)**	**(419,487)**	(360,611)	(489,782)

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.

(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) [1]	**706,605**	**708,272**	**3,693**	**—**	**—**	**704,579**
Interest on long-term debt [1]	**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**
	1,356,133	**1,541,123**	**225,962**	**88,148**	**158,356**	**1,068,657**

(1) 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:

a. To safeguard its ability to obtain financing should the need arise;

b. To provide an adequate return to its shareholders; and

c. To maintain financial flexibility in order to have access to capital in the event of future acquisitions.

The Company defines its capital as follows:

a. Shareholders' equity;

b. Long-term debt including the current portion;

c. Deferred revenue including the current portion; and

d. Cash

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

(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
	378,435	**781,169**	**1,159,604**	387,908	781,426	1,169,334

(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 (1)	**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 (2)	**8,956**	**10,761**	**19,717**	10,267	11,841	22,108
	298,566	**598,001**	**896,567**	299,538	599,050	898,588

(1) Promotional fund expenses include wages and benefits.
(2) 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.

(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

(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)

(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.

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

(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	**767,364**
Changes from financing activities:							
Issuance of long-term debt	**22,785**	**—**	**—**	**—**	**—**	**—**	**22,785**
Repayment of long-term debt	**(94,935)**	**—**	**(1,067)**	**—**	**(250)**	**(6,054)**	**(102,306)**
Capitalized financing costs	**—**	**(1,052)**	**—**	**—**	**—**	**—**	**(1,052)**
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing	**—**	**1,222**	**—**	**—**	**—**	**—**	**1,222**
Accretion of interest on non-interest-bearing holdbacks	**—**	**—**	**2**	**—**	**—**	**—**	**2**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	**—**	**—**	**(25)**	**(146)**	**25**	**—**	**(146)**
Reclass to holdback			**1,398**		**(375)**	**(1,125)**	**(102)**
Gain on extinguishment of debt	**—**	**—**	**(131)**	**—**	**—**	**—**	**(131)**
Foreign exchange	**13,272**	**—**	**—**	**—**	**—**	**—**	**13,272**
Fluctuation in derivative position	**5,697**	**—**	**—**	**—**	**—**	**—**	**5,697**
Balance as at November 30, 2024	**704,578**	**(1,667)**	**1,552**	**2,142**	**—**	**—**	**706,605**

(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 Küto 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	**560,959**
Changes from financing activities:							
Issuance of long-term debt	318,884	—	—	—	—	—	**318,884**
Repayment of long-term debt	(109,511)	—	(2)	—	(875)	—	**(110,388)**
Payment of transaction costs	—	(157)	—	—	—	—	**(157)**
Changes from non-cash transactions:							
Amortization of transaction costs directly attributable to a financing arrangement	—	904	—	—	—	—	**904**
Accretion of interest on non-interest-bearing holdbacks	—	—	47	—	—	—	**47**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 24)	—	—	—	435	(2,151)	(688)	**(2,404)**
Foreign exchange	957	—	(2)	—	—	—	**955**
Derivative liability on cross currency interest rate swaps	(2,626)	—	—	—	—	—	**(2,626)**
Changes from investing activities:							
Issuance of holdbacks (Note 7)	—	—	1,190	—	—	—	**1,190**
Balance as at November 30, 2023	**757,759**	**(1,837)**	**1,375**	**2,288**	**600**	**7,179**	**767,364**

(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.

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