

MTY FOOD GROUP REPORTS SECOND QUARTER RESULTS

TSX Trading Symbol: "MTY"

MONTREAL, July 7, 2011 /CNW Telbec/ - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), franchisor and operator of over 1,736 quick service restaurants today reports its operating results for the period ending May 31, 2011.

Highlights of the second quarter:

- Number of locations at quarter end at 1,736, up from 1,727 at November 30, 2010;
- Revenues increased 6% to \$18.4 million for the quarter;
- EBITDA before restructuring charges down 3% to \$6.3 million for the second quarter;
- Net income for the second quarter at \$0.19 per share, compared to \$0.20 in 2010;
- Restructuring of Country Style operations undertaken, with charges of \$0.4 million in severance costs recognized during the second quarter;
- Cash and short term investments total \$32.1 million at the end of May 31, 2011;
- System wide sales reached \$124.9 million for the second quarter, totaling \$242.6 million for the first half of fiscal 2011, up 10% and 11% respectively for the same two periods last year.
- Same store sales declined by 0.05% during the second quarter, mainly because of the lagging performance of Country Style.

Results of operations for the second quarter ended May 31, 2011

MTY reported a net income of \$3.6 million or \$0.19 per share (\$0.19 per diluted share), compared to a net income of \$3.8 million or \$0.20 per share (\$0.20 per diluted share) for the same period last year, representing a net income decrease of 7%.

For the first six months of the 2011 fiscal period, net income was \$7.02 million or \$0.37 per share (\$0.37 per diluted share), compared to \$6.81 million or \$0.36 per share (\$0.36 per diluted share) during the same period in 2010 representing an increase of 3%.

Net income for the second quarter includes restructuring charges of \$0.4 million incurred to integrate Country Style's team further into MTY's existing teams and centralize some functions into shared services in order to generate greater efficiencies. The charges are mainly composed of severance and related costs, including costs related to the departure of Country Style's president, whose duties will be absorbed by the existing team.

Other than the restructuring charge, net income for the second quarter would have been stable compared to the second quarter of 2010, with the strength in the fundamentals of the business being offset by a lower number of new stores open in 2011, weaker performance of our corporate stores and by the lagging performance of Country Style.

The following table presents selected financial information for the three months ended May of 2011 and 2010:

(in millions of dollars, except per share item)
(unaudited)

	Q2 2011	Q2 2010
Revenues	18.4	17.3
EBITDA	5.9	6.5
EBITDA before restructuring charges	6.3	6.5
Net income	3.6	3.8
Earnings per share	0.19	0.20
Same store sales growth	-0.1%	-1.1%
System-wide sales	124.9	113.1

* **Note:** for additional information, please refer to the unaudited consolidated financial statements of the Company and to the Management's Discussion and Analysis for the period ended May 31, 2011.

During the second quarter of 2011 fiscal year, the Company's total revenue increased by 6%, reaching \$18.4 million in 2011 compared to \$17.3 million last year.

Revenue from franchise locations regressed from \$15.1 million in 2010 to \$12.8 million in the second quarter of 2011, mainly because of a \$3.0 million decrease in sales of turnkeys, materials and rent to franchisees. Revenues from Valentine's franchise operations for the quarter were \$0.8 million, while royalties revenues grew by \$0.3 million. Approximately 60% of the decrease in franchising revenues is attributable to Country Style operations, which are currently being restructured.

Revenue from corporate owned locations increased to 12% in the second quarter of 2011, owing to the addition of the Valentine corporate stores in the fourth quarter of 2010.

During the second quarter of 2011, the Company also generated distribution and food processing revenues of \$1.6 million and \$1.7 million respectively. There were no such revenues streams in the second quarter of 2010.

EBITDA before restructuring charges ("EBITDAR") decreased by 3% during the second quarter of 2011 compared to the same period last year. The franchising operation's EBITDAR remained relatively stable, with the decrease in revenues being offset by a reduction in the cost of sales.

During the same period, EBITDA from corporate owned locations decreased from \$0.5 million in 2010 to -\$0.0 million in 2011, mainly due to some relatively weaker stores recently acquired and to the disposition of a highly profitable store at the end of the first quarter of 2011.

EBITDA from the Company's distribution center was \$0.2 million for the three-month period, which represents an EBITDA margin of 12%. This performance is due to the strong sales during the second quarter for Valentine, which helped amortize fixed costs over a larger revenue base.

The newly acquired food processing plant generated a \$0.1 million EBITDA after suffering a loss in the first quarter.

System wide sales reached to \$124.9 million during the second quarter of 2011, compared to \$113.1 million for the same period last year, representing an increase of 10%. For the first six months of 2011, system-wide sales have reached \$242.6 million, up 11% compared to the first half of 2010. In both cases, approximately half of the increase in system wide sales is attributable to the acquisition of Valentine. The remainder is generated by new locations opened in the last twelve months.

For the second quarter of the 2011 fiscal period, same store sales decreased 0.05%. Excluding Country Style, other concepts on average experienced positive growth during the quarter. For the first six months of 2011, same-store sales decreased by 0.27%, mainly owing to a difficult competitive environment in the coffee industry.

For the first six months of 2011, the Company has opened 58 new locations and closed 49, including the loss of 25 non-traditional Country Style stores following the early cancellation of a contract. The impact of this loss, although material in number of locations, is expected to be insignificant given the average sales of the closed outlets.

For 2011, management plans on opening 85 new locations and remains committed in seeking potential acquisitions to further strengthen its market position.

The Company entered into an agreement to acquire the assets of Jugo Juice International Inc., Jugo Juice Canada Inc. and Jugo Juice Western Canada Inc. The transaction is scheduled to close in July 2011.

Certain information in this News Release may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this News Release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this News Release. Except as required by law, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com.

On Behalf of the Board of Directors of
MTY Food Group Inc.

Stanley Ma, Chairman, President & CEO

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For further information:

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