GROUPE MTY GROUP

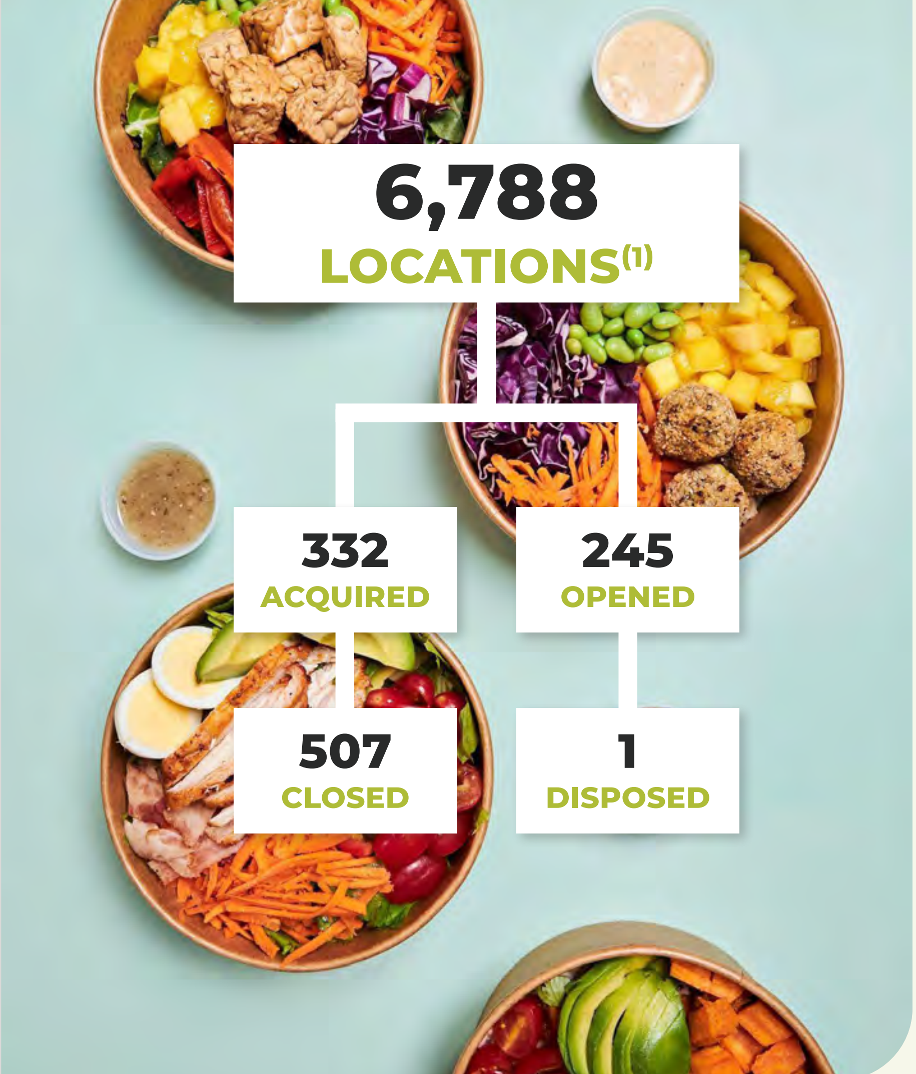
VALUE CREATION THROUGH SUSTAINABLE GROWTH

2022 ANNUAL REPORT

MTY Group franchises and operates quick-service, fast casual and casual dining restaurants under more than 80 different banners in Canada, the US and Internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts of restaurants, making acquisitions, and forging strategic alliances, which have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 6,788 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
TacoTime
ManchuWOK
sushiGO soupe.salade.sushi
PAPA MURPHY'S TAKE 'N' BAKE PIZZA
BAJA FRESH
BIG SMOKE BURGER
wasabi GRILL AND NOODLE
KOYA JAPON
TURTLE JACK'S MUSKOKA GRILL
madisons RESTAURANT & BAR
BUILT [CUSTOM BURGERS]
cultures
TiKi-MiNG Cuisine chinoise
Rollerz
MAUI WOWI HAWAIIAN
Ben & Florentine DÉJEUNER · DÎNER
RANCH ONE CHICKEN MADE FRESH
NrGize Lifestyle Cafe
America's TACO SHOP
Tandori Cuisine Indienne
GIORGIO APPORTEZ VOTRE VIN
BÂTON ROUGE STEAKHOUSE & BAR
STEAK FRITES St-Paul
tcby
Kahala COFFEE TRADERS
Surf City Squeeze
La Diperie
Q burger
Tosto QUICK FIRE PIZZA PASTA
vie&nam
KORYO BARBECUE CORÉEN
tasti D-lite
MUFFIN PLUS
Mikes
Vanellis METS ITALIENS FRAIS
mmmuffins
the COUNTER CUSTOM BURGERS
SCORES POULET ET CÔTES LEVÉES
Sukiyaki
sweetFrog premium frozen yogurt
YUZU sushi
Pizza Delight
La Salsa FRESH MEXICAN GRILL
Planet Smoothie
SOUTH ST. BURGER
SAMURAI SAM'S TERIYAKI GRILL
Wicked chicken.
Johnnies
grabbagreen
THE WORKS CRAFT BURGERS & BEER EST. 2001
Mucho burrito cuisine mexicaine fraîche
COUNTRY Style EST. 1963
MR.SUB
Extreme pita
MR SOUVLAKI
sushi shop
SenseAsian asian bistro
TUTTI FRUTTI DÉJEUNER & DINER
Timothy's
KimCHi DÉLICE CORÉEN
Dagwoods La Sandwicherie
VILLA MADINA le parfait shawarma
sushi man
GREAT STEAK AMERICA'S PREMIER CHEESESTEAK
GINGER SUSHI + POKE SHOP
Frullati Café & BAKERY
Allô mon Coco
pinkberry
COLD STONE CREAMERY
AMERICA'S SUB SHOP BLIMPIE
KÜTO Comptoir à Tartares
valentine
casa GRECQUE
CAFÉ VAN HOUTTE
bakers square RESTAURANT & PIES
LA CRÉMIÈRE
BARRIO QUEEN
CHAMPPS KITCHEN + BAR
CRAFT REPUBLIC BAR & GRILL
FOX & HOUND BAR + GRILL
Famous Dave's
GRANITE CITY BREWERY
Tahoe Joe's Famous Steakhouse
CHICAGO'S ORIGINAL REAL URBAN BBQ
Village Inn


Allô mon Coco



6,788 LOCATIONS[1]

332 ACQUIRED

245 OPENED

507 CLOSED

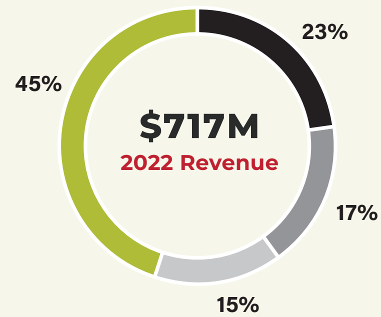
1 DISPOSED

$74.8M
NET INCOME ATTRIBUTABLE TO OWNERS

$187.4M
NORMALIZED ADJUSTED EBITDA[4]

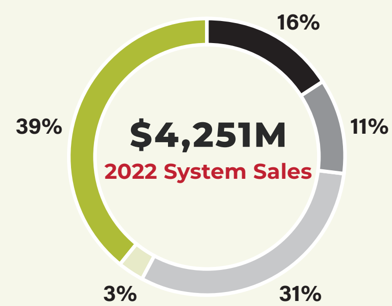
$142.8M
CASH FLOWS FROM OPERATIONS

REVENUE[2] BY PRODUCT



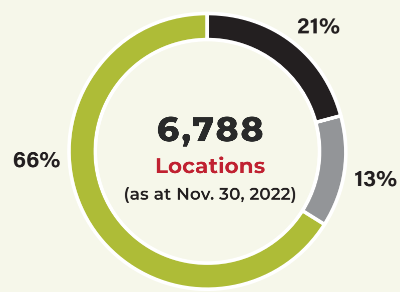
- Franchise operation
- Food processing, distribution & retail
- Corporate stores
- Promotional funds

SYSTEM SALES[3] BY GEOGRAPHY



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

LOCATIONS BY TYPE



- Street front
- Non-traditional format
- Shopping mall & office tower food court

(1) Locations as at November 30, 2022.
(2) In % of Fiscal 2022 Revenue, excluding intercos.
(3) This is a supplementary financial measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.
(4) This is a non-GAAP measure. Please refer to the Supplemental Information section of the Management Discussion and Analysis for a definition.


COFFEE BAR
SPECIALS
COCKTAILS
TEA BAR

FY 2022 HIGHLIGHTS

STRONG FINANCIAL RESULTS

- Unprecedented system sales[1] of $4.3 billion
- Record normalized adjusted EBITDA[2] of $187.4 million
- Healthy cash flows from operations of $142.8 million

OPERATIONAL CHALLENGES

- Uncertain market conditions
- Inflationary pressure
- Supply-chain constraints
- Labour shortages
- COVID-related restrictions

CAPITAL ALLOCATION

- Long-term debt repayments of $80.2 million
- Dividend payments of $20.5 million
- Share repurchases of $14.6 million
- Capital expenditures and intangible assets of $12.7 million

FINANCIAL POSITION

- Net debt to normalized adjusted EBITDA ratio[3] of 2.7X
- Cash on hand of $59.5 million
- Available credit of $349.9 million

RECENT ACQUISITIONS

- Küto Comptoir à Tartares for a total cash consideration of $9.0 million, plus a deferred contingent consideration of $3.5 million (December 2021)
- BBQ Holdings for a total consideration of $264.4 million (September 2022)
- Wetzel's Pretzels[4] for a cash consideration of approximately $282.0 million (December 2022)
- Sauce Pizza and Wine[4] for a total consideration of $14.8 million, including a holdback on acquisition of $1.1 million (December 2022)

(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.
(4) Transaction closed subsequent to fiscal 2022.


Papa Murphy's

5-YEAR HIGHLIGHTS

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

	2022	2021	2020	2019	2018
OPERATING RESULTS					
Revenue	**716,522**	551,903	511,117	550,942	412,346
Normalized adjusted EBITDA (1)	**187,352**	168,622	137,819	151,662	126,571
Income (loss) before taxes	**96,170**	112,072	(51,949)	97,997	80,008
Net income (loss) attributable to owners	**74,817**	85,639	(37,108)	77,675	95,776
Total comprehensive income (loss) attributable to owners	**109,903**	77,673	(49,726)	76,489	109,327
Earnings per share – basic ($ per share)	**3.06**	3.47	(1.50)	3.09	3.95
Earnings per share – diluted ($ per share)	**3.06**	3.46	(1.50)	3.08	3.95
Weighted daily average number of common shares (in 000s of shares)	**24,440**	24,705	24,755	25,145	24,228
Weighted average number of diluted common shares (in 000s of shares)	**24,466**	24,745	24,755	25,186	24,273
Number of shares outstanding (in 000s of shares)	**24,413**	24,670	24,706	25,071	25,170
NETWORK METRICS					
System sales (2)	**4,251,200**	3,631,300	3,459,100	3,619,800	2,782,500
Digital sales (2)	**820,300**	803,600	636,400	199,200	n/a
Number of locations (#)	**6,788**	6,719	7,001	7,373	5,984
CASH FLOW					
Cash flows from operations	**142,797**	139,299	133,652	112,951	97,880
Cash flows from operations per diluted share ($ per share) (2)	**5.84**	5.63	5.40	4.48	4.03
Free cash flows (1)	**131,270**	139,001	140,652	116,938	92,598
Free cash flows per diluted share ($ per share) (3)	**5.37**	5.62	5.68	4.64	3.81
Dividends paid on common stock	**20,518**	9,141	4,633	16,713	14,530
Dividends per common share ($ per share)	**0.84**	0.37	0.185	0.66	0.60
Shares repurchased and cancelled	**14,618**	2,184	18,866	5,227	—
Number of shares repurchased and cancelled (#)	**256,400**	36,600	364,774	98,543	—
BALANCE SHEET					
Cash	**59,479**	61,231	44,302	50,737	32,304
Total assets	**2,325,303**	1,904,594	2,013,697	1,648,801	1,239,520
Long-term debt, including current portion	**560,959**	360,728	460,542	540,650	275,616
Shareholders' equity	**724,626**	648,898	582,514	665,480	610,895
TRADING DATA ON COMMON SHARES					
Close ($ per share)	**61.25**	55.19	51.65	55.92	65.58
52-week high ($ per share)	**63.96**	72.10	62.82	71.86	73.19
52-week low ($ per share)	**45.20**	47.15	14.23	51.61	44.97
Market capitalization (in millions $ per share)	**1,495**	1,362	1,276	1,402	1,651

(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.

MESSAGE FROM
ÉRIC LEFEBVRE

Dear Fellow Shareholders,

The MTY team and I are incredibly proud of the milestones reached during 2022. The last year marked the third year in a row in which our results were impacted in one way or another by the COVID-19 pandemic. As I write this letter, the uncertainty seems to have finally subsided and our franchisees have the opportunity to operate their businesses in a predictable environment.

Despite some government-imposed constraints at the beginning of fiscal 2022, MTY realized record-high system sales of $4.3 billion for the year. This amount should grow significantly in 2023 following the acquisitions of BBQ Holdings Inc., Wetzel's Pretzels, and Sauce Pizza and Wine late in 2022 and early in 2023. System sales are the best measure of MTY's royalty-generation capabilities and the future looks bright.

Another key metric for MTY is cash flows from operations. While IFRS results tend to be volatile, unpredictable and difficult to understand, cash flows are what they are. During 2022, our cash flows from operations reached $142.8 million or $5.84 per diluted share. Our operating cash flows have shown extraordinary strength, growing every year since 2014 and compounding at a rate of 20.6%. This was achieved despite market conditions fluctuating greatly, demonstrating how strong and resilient our business model has become.

During the past 10 years, MTY has invested in 28 acquisitions totalling $1.5 billion and, subsequent to the year-end, we closed two more transactions by investing a further $297 million in Wetzel's Pretzels and Sauce Pizza and Wine. These impressive brands have further enhanced MTY's portfolio of banners.

During 2022, our cash flows from operations reached $142.8 million or $5.84 per diluted share. Our operating cash flows have shown extraordinary strength, growing every year since 2014 and compounding at a rate of 20.6%.

Mergers and acquisitions have been at the heart of MTY's growth strategy since our first acquisition in 1999. Despite the cadence of transactions, MTY remains very disciplined when it comes to the funds you are trusting us to manage. Our goal is to increase the long-term value of MTY and, as such, we wait for the right business opportunities rather than acquire companies to please market participants in the short term. We have demonstrated over the last few years this patience as MTY waited for valuations to come back in line before becoming more active in the market. We are prudent investors; when transactions are not available under the right conditions, we are happy to replenish our treasure chest, so that we are ready when the right opportunities arise.

Despite this historical focus on acquisitive growth, our management team remains dedicated to creating organic growth and maximizing the assets in our portfolio. As the dust settles on the pandemic, enabling a meaningful comparison of our results to the prior year free of restrictions, MTY generated organic growth in system sales and normalized adjusted EBITDA in the fourth quarter of 2022. These data points confirm our ability to deliver strong results despite some network erosion in the last three years. MTY has assembled an incredible team and our job as leaders is to be enablers, ensuring our network has all the resources to render the best day-to-day decisions and make incremental progress towards our goals. We have ambitious goals for the future and delivering on them is what our 1000-plus, head-office employees make possible.

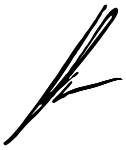
Over the last few years, MTY's business has evolved greatly. Not so long ago, many people referred to our founder and Chairman of the Board, Stanley Ma, as the "King of Food Courts." Although we still operate a meaningful number of locations in food courts, their weight has shifted significantly; going back 10 years, 45% of our network's sales were generated in food courts or office towers. In 2022, that number dropped to 11%.

Our operations have also diversified, creating shifts in our EBITDA margins. Our normalized adjusted EBITDA margins for the years ended November 30, 2013 and November 30, 2022 were respectively 39% and 26% . However, broken down by segment, our franchising margins have remained relatively steady over that same period. Consolidated margins have shifted because of the increased relative weight of corporate locations and processing, distribution and retail segments. Our processing, distribution and retail business has grown significantly in the last five years. Although margins are lower for this segment, it represents a great complement to our overall business, leveraging the power of our brands and the advantages of vertical integration. We are motivated to continue growing this segment in the future.

Our margins will also be affected in the future by the addition of multiple, highly profitable, corporate locations acquired in the BBQ Holdings, Wetzel's Pretzels and Sauce Pizza and Wine transactions. This impact was partially reflected in our fourth quarter results for BBQ Holdings' corporate locations, while the effects of the latter two will be shown in our 2023 results.

You can be assured the MTY team is committed to creating long-lasting, favourable economic attributes that will eventually be recognized by the markets.

To conclude, I once again want to thank all of you for your trust. I also want to recognize the remarkable efforts of all our franchise partners and colleagues, particularly those who come to work every day in our restaurants, distributions centers and production facilities.



Éric Lefebvre
President and Chief Executive Officer

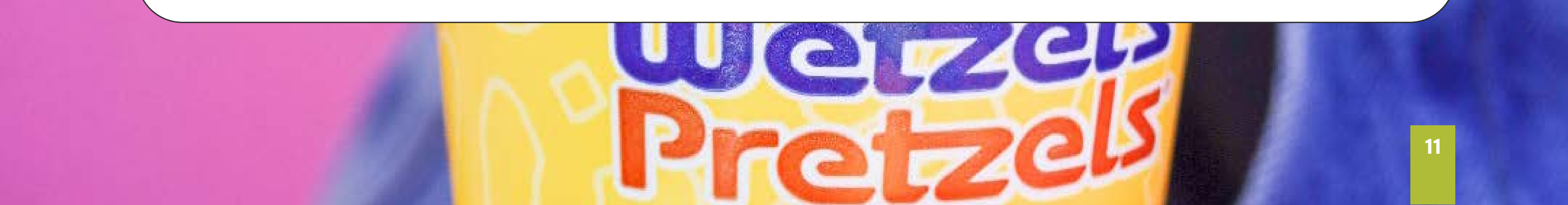
(1) 2013 figures have not been restated to reflect new accounting standards applicable to 2022.

KEY ACQUISITION
BBQ HOLDINGS

RESTAURANT TYPE:	Casual and fast-casual dining
FLAGSHIP BANNERS:	Barrio Queen, Famous Dave's, Granite City, and Village Inn
GEOGRAPHIC REACH:	Located across 37 states in the U.S., Canada and United Arab Emirates
NUMBER OF LOCATIONS:	198 franchised restaurants and 103 corporate-owned for a total of 301
TERMS OF THE DEAL:	Total consideration of $264.4 million
CLOSING DATE:	September 7, 2022
ACQUISITION OUTLOOK:	Expected to be immediately accretive to MTY's free cash flow per share
MANAGEMENT COMMENT:	"This transaction represents another key acquisition for MTY as we further scale and enhance our existing U.S. portfolio through the addition of nine unique brands," said CEO Eric Lefebvre. "BBQ Holdings' restaurants are well established within each of their respective markets with a strong network of franchise partners, well-run corporate-owned locations, and a best-in-class management team."

KEY ACQUISITION
WETZEL'S PRETZELS

RESTAURANT TYPE:	Quick service restaurant in snack category
FLAGSHIP BANNERS:	Wetzel's Pretzels and Twisted by Wetzel's
GEOGRAPHIC REACH:	Located across 25 states in the U.S., as well as in Canada and Panama
NUMBER OF LOCATIONS:	329 franchised restaurants and 38 corporate-owned for a total of 367
TERMS OF THE DEAL:	Cash consideration of approximately $282.0 million
CLOSING DATE:	December 8, 2022
ACQUISITION OUTLOOK:	Expected to be immediately accretive to MTY's earnings, EBITDA and free cash flow per share
MANAGEMENT COMMENT:	"This acquisition adds another iconic brand to MTY's U.S. portfolio," said CEO Eric Lefebvre. "Its products are extremely craveable and are recognized everywhere in the U.S. by a broad range of customers."



SUSTAINABILITY REPORT
SUMMARY

FOOD
PLANET
PEOPLE

We are proud to present a snapshot of our first Sustainability Report that was published in November 2022. As one of the largest franchisors and operators of multiple restaurant concepts worldwide, it is important for us to have a positive impact on the communities in which MTY and its suppliers operate.

Our report is centered on the pillars of food, planet and people. We have identified objectives and milestones for each of these three pillars that will enable us to measure our progress while keeping our eyes on long-term goals.

Although we have made significant strides in the past year, we acknowledge there is still a lot of work to be done. Setting measurable goals and reviewing priorities as our environment evolves will help us along our journey of continuous improvement over the upcoming years.

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

The report, based on the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative's (GRI) reporting standards, summarizes the progress made in fiscal 2021 and outlines commitments for future years.

It covers material topics related to MTY including people and culture; governance; cybersecurity and data protection; food security and supply-chain management; food safety and product quality; and environmental impact.

A cross-functional team spanning all divisions was established to report on achievements and establish consistent objectives across all business units.

A sampling of metrics for upcoming years include:

- Publish, or make accessible, nutritional information, ingredient lists and the allergen cards of core menu items for the top 50 brands by 2023, and for all brands by 2024
- Replace hard-to-recycle plastics with alternative packaging, Canadian operations by the end of 2023
- Evaluate current diversity, equity and inclusion (DEI) practices and efforts, identify and explore opportunities for improvement, and engage with a third-party firm to set a DEI strategy by 2023


FEAST MODE
BUCKET

Management's Discussion and Analysis
For the year ended November 30, 2022
Key highlights

- **Normalized adjusted EBITDA[(1)] increased 25% to $53.5 million in the quarter, compared to $42.8 million in Q4-21.**
- **Cash flows from operating activities of $35.5 million in the quarter, compared to $31.9 million in Q4-21, representing a growth of 11%.**
- **Free cash flows per diluted share[(2)] reached $1.34 in the quarter.**
- **System sales[(3)] reached $1.2 billion in the quarter and exceeded $4.0 billion in the last twelve months.**
- **Net income attributable to owners of $7.1 million in the quarter, or $0.29 per diluted share, compared to $24.9 million, or $1.00 per diluted share in Q4-21. Decline due to losses on foreign exchange on intercompany loans, acquisition-related transaction costs in excess of $3.6 million and higher non-cash impairment charges on intangible assets.**
- **Long-term debt repayments of $23.9 million for the quarter.**
- **Quarterly dividend payment of $0.25 per share on February 15, 2023.**
- **Acquisition of Wetzel's Pretzels on December 8, 2022 for a cash consideration of approximately $282.0 million (US$207.0 million).**
- **Acquisition of Sauce Pizza and Wine on December 15, 2022 for a total consideration of $14.8 million (US$10.8 million).**

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

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

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

Management’s Discussion and Analysis
For the fiscal year ended November 30, 2022

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company’s consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2022.

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

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2021.

This MD&A was prepared as at February 15, 2023. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR’s website at www.sedar.com.

FORWARD-LOOKING STATEMENTS AND USE OF ESTIMATES

This MD&A and, in particular but without limitation, the sections of this MD&A entitled “Near-Term Outlook”, “Same-Store Sales” and “Contingent Liabilities”, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2022. 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 15, 2023 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. In addition, the impact of COVID-19 on the operational cash flows and financial condition of the industry in which the Company operates and on the Company itself continues to evolve and any forward-looking information set forth herein with respect to such matters is subject to change and actual impact may differ from expectations in a material way.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on February 15, 2023. 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 future impact of the COVID-19 pandemic and its evolving strains and its macro-economic impact; 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 15, 2023. 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, O'Burger, Tutti Frutti, Taco Time, Country Style, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, 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, Rollerz, Johnnie's New York Pizzeria, Ranch One, America's Taco Shop, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Dagwoods Sandwiches and Salads, The Counter Custom Burgers, Built Custom Burgers, Baton Rouge, Pizza Delight, Scores, Toujours Mikes, Ben & Florentine, Grabbagreen, Timothy's World Coffee, Mmmuffins, SweetFrog, Casa Grecque, South Street Burger, Papa Murphy's, Yuzu Sushi, Allô! Mon Coco, Turtle Jack's Muskoka Grill, COOP Wicked Chicken, 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 and Champps.

As at November 30, 2022, MTY had 6,788 locations in operation, of which 6,589 were franchised or under operator agreements and the remaining 199 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 43 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. 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 EBITDA is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s performance, to prepare operating budgets and to determine components of executive compensation.
- Normalized adjusted EBITDA: the Company believes that Normalized adjusted EBITDA is a useful metric for the same reasons as Adjusted EBITDA; additionally, the Company believes that Normalized adjusted EBITDA provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.
- Free cash flows: the Company believes that free cash flows are a useful metric because they provide the Company with a measure related to decision-making about cash-intensive matters such as capital expenditures, compensation, and potential acquisitions.
- Income (loss) before taxes, excluding impairment charges and reversals: the Company believes that Income (loss) before taxes, excluding impairment charges and reversals is a useful metric because it provides a measure of the Company’s profitability that does not include the impact of impairment charges or reversals, which may vary due to circumstances.

Non-GAAP ratios include:

- Adjusted EBITDA as a % of revenue: the Company believes that Adjusted EBITDA as a % of revenue is a useful metric because it is consistent with the indicators management uses internally to measure the Company’s profitability from operations, including to gauge the effectiveness of cost management measures.
- Normalized adjusted EBITDA as a % of revenue: the Company believes that Normalized adjusted EBITDA as a % of revenue is a useful metric for the same reasons as Adjusted EBITDA as a % of revenue; additionally, the Company believes that Normalized adjusted EBITDA as a % of revenue provides a measure of the Company’s performance that does not include the impact of transaction costs related to acquisitions, which may vary in occurrence and in amount.

- Free cash flows per diluted share: the Company believes that free cash flows per diluted share are a useful metric because they are used by securities analysts, investors and other interested parties as a measure of the Company's cash flows that are available to be distributed to debt and equity shareholders, including to pay debt, to pay dividends, and to repurchase shares.
- Debt-to-EBITDA: the Company believes that debt-to-EBITDA is a useful metric because it represents a financial covenant that the Company must be in compliance with and, accordingly, a determining factor in the Company's credit availability.

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

HIGHLIGHTS OF SIGNIFICANT EVENTS

COVID-19

During the year ended November 30, 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. The first half of the year saw Canada continue to be impacted by the continuation of government-imposed restrictions, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in both Canada and the US by the end of the second quarter. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed the Canadian and US markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, MTY's network currently operates with no restrictions. Although the network continues to encounter short-term closures in some restaurants due to COVID-19 outbreaks among staff, these locations quickly reopen and currently do not pose material disruptions to the overall network.

Acquisition of Küto Comptoir à Tartares

On December 1, 2021, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Küto Comptoir à Tartares, a fast-growing chain of tartare restaurants operating in the province of Quebec, for a total cash consideration of $9.0 million plus a deferred contingent consideration of $3.5 million. At closing, there were 31 franchised Küto Comptoir à Tartares restaurants in operation.

Change in control

On December 3, 2021, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. Accordingly, the Company now has control over 11554891 Canada Inc., which triggers its deemed acquisition and thus fully consolidates 11554891 Canada Inc. starting December 3, 2021. There is no cash consideration for the acquisition and there is no change of participation of each partner in 11554891 Canada Inc. The change in control provides for the revaluation of the previously held interest to its fair market value. The Company remeasured its pre-existing equity interest of 70% to its fair value of $23.1 million. As a result, the Company recorded a loss of $2.8 million in its consolidated statement of income for the year ended November 30, 2022.

Acquisition of BBQ Holdings

On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings, Inc. ("BBQ Holdings"), a franchisor and operator of casual and fast casual dining restaurants across 37 states in the US, Canada, and United Arab Emirates, for a total consideration of $264.4 million (US$192.6 million), which was financed from the Company's cash on hand and existing credit facilities. The Company acquired ten concepts. At closing, there were 198 franchised restaurants and 103 corporate-owned restaurants operating under BBQ Holdings banners[1].

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[1] *The location count presented in the MD&A is different from the information disclosed in the press release dated September 27, 2022, titled "MTY Food Group Inc. Successfully Completes Acquisition of BBQ Holdings, Inc." due to MTY's policy not to include ghost kitchens operating from existing restaurants in the number of locations, which differs from BBQ Holdings' policy.*

SUMMARY OF ANNUAL FINANCIAL METRICS

(In thousands $, except EPS, dividend per common share and number of common shares)	**Year ended November 30, 2022**	**Year ended November 30, 2021**
Total assets	2,325,303	1,904,594
Total long-term financial liabilities	551,429	347,612
Revenue	716,522	551,903
Income before taxes	96,170	112,072
Net income attributable to owners	74,817	85,639
Total comprehensive income attributable to owners	109,903	77,673
Cash flows from operations	142,797	139,299
Net income per share – basic	3.06	3.47
Net income per share – diluted	3.06	3.46
Dividends paid on common stock	20,518	9,141
Dividends per common share	0.840	0.370
Weighted daily average number of common shares	24,439,892	24,704,866
Weighted average number of diluted common shares	24,465,738	24,745,131

SUMMARY OF ANNUAL OPERATING METRICS

(In thousands $, except per share amounts)	**Year ended November 30, 2022**	**Year ended November 30, 2021**
Adjusted EBITDA [(1)]	182,082	168,622
Normalized adjusted EBITDA [(1)]	187,352	168,622
Income before taxes, excluding impairment charges and reversals [(1)]	111,055	119,525
Cash flows from operations per diluted share [(2)]	5.84	5.63
Free cash flows [(1)]	131,270	139,001

(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

(In thousands $, except per share information)	Quarters ended							
	February 2021	**May 2021**	**August 2021**	**November 2021**	**February 2022**	**May 2022**	**August 2022**	**November 2022**
Revenue	118,960	135,857	150,801	146,285	140,494	162,518	171,540	241,970
Net income attributable to owners	13,397	23,028	24,337	24,877	16,637	28,619	22,435	7,126
Total comprehensive (loss) income attributable to owners	(953)	(7,588)	52,026	34,188	11,461	25,919	47,589	24,934
Net income per share	0.54	0.93	0.99	1.01	0.68	1.17	0.92	0.29
Net income per diluted share	0.54	0.93	0.98	1.00	0.68	1.17	0.92	0.29
Cash flows provided by operating activities	31,307	29,541	46,553	31,898	39,696	30,739	36,838	35,524

SUMMARY OF QUARTERLY OPERATING METRICS

(In thousands $, except system sales, # of locations and per share information)	Quarters ended							
	February 2021	**May 2021**	**August 2021**	**November 2021**	**February 2022**	**May 2022**	**August 2022**	**November 2022**
System sales (1 & 2)	761.1	891.5	1,016.2	962.5	885.7	1,054.3	1,104.7	1,206.5
# of locations	6,949	6,907	6,848	6,719	6,704	6,660	6,606	6,788
Adjusted EBITDA (3)	32,637	43,481	49,673	42,831	35,637	47,649	48,920	49,876
Normalized adjusted EBITDA (3)	32,637	43,481	49,673	42,831	35,637	47,649	50,592	53,474
Free cash flows (3)	30,300	27,497	45,601	35,603	36,970	25,983	35,464	32,853
Free cash flows per diluted share (4)	1.23	1.11	1.84	1.44	1.51	1.06	1.45	1.34

(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, food processing, retail and distribution and promotional funds revenues and expenses.

RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2022

Revenue

During the 2022 fiscal year, the Company's total revenue increased to $716.5 million, from $551.9 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	**Subdivision**	**November 30, 2022 ($ millions)**	**November 30, 2021 ($ millions)**	**Variation**
Canada	Franchise operation	141.1	107.3	32%
	Corporate stores	29.4	19.4	52%
	Food processing, distribution and retail	163.1	125.0	30%
	Promotional funds	42.4	32.2	32%
	Intercompany transactions	(5.4)	(3.7)	N/A
Total Canada		370.6	280.2	32%
US & International	Franchise operation	182.3	167.2	9%
	Corporate stores	89.8	40.2	123%
	Food processing, distribution and retail	6.0	5.0	20%
	Promotional funds	68.9	61.2	13%
	Intercompany transactions	(1.1)	(1.9)	N/A
Total US & International		345.9	271.7	27%
Total revenue		**716.5**	**551.9**	**30%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 32%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2021 fiscal year	107.3
Increase in recurring revenue streams [1]	26.4
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in turnkey, sales of material to franchisees and rent revenues	0.7
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	4.3
Increase due to acquisition	1.0
Other non-material variations	1.2
Revenue, 2022 fiscal year	141.1

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

The Company's pandemic recovery momentum continued in 2022, with system sales increasing by 30% compared to the same period last year despite the impact of the Omicron variant at the beginning of the year, which led to additional government-imposed restrictions on the network's establishments in key territories for several months in early 2022. The casual and quick service restaurant segments saw the biggest growth in revenues with sales increasing 42% and 29%, respectively, compared to prior year. The number of temporarily closed locations fluctuated throughout 2022 and 2021. As at November 30, 2021, there were 64 locations temporarily closed, which have for the most part reopened.

Revenue from corporate-owned locations increased by 52% to $29.4 million during the year. The increase is mostly due to pandemic recovery, which resulted in an increase in operational business days compared to the prior year and is also attributable to an increase in corporate locations.

Food processing, distribution and retail revenues increased by 30% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by the processing and distribution centers, including the newly acquired Küto Comptoir à Tartares franchisees, which represents $5.6 million. During the year ended November 30, 2022, 183 products were sold in the Canadian retail market (2021 – 181 products).

The promotional fund revenue increase of 32% is attributable to the increase in system sales as well as the impact of the various contribution rates.

US & International revenue analysis:

Revenue from franchise locations in the US and International increased by 9%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, 2021 fiscal year	167.2
Increase in recurring revenue streams [(1)]	2.6
Increase in initial franchise fees, renewal fees and transfer fees	2.2
Decrease in sales of material and services to franchisees	(0.3)
Increase in gift card breakage income	0.7
Increase due to acquisition	4.3
Impact of variation in foreign exchange rates	5.7
Other non-material variations	(0.1)
Revenue, 2022 fiscal year	182.3

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

The increase in franchising revenues is due to the acquisition of BBQ Holdings, which generated revenues of $4.3 million, followed by higher recurring revenue streams compared to the same period last year. The increase in recurring revenue streams was attributable to a system sales increase of 10%. The variation of foreign exchange rates also had a favourable impact of $5.7 million.

The increase of $49.6 million in corporate-owned location revenues is due to the acquisition of 103 corporate locations at BBQ Holdings, which generated $67.6 million in revenues since acquisition. This was partially offset by the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 13% is partly due to the increase in system sales as well as the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the 2022 fiscal year, operating expenses increased by 40% to $534.4 million, up from $382.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	**Subdivision**	**November 30, 2022 ($ millions)**	**November 30, 2021 ($ millions)**	**Variation**
Canada	Franchise operation	71.5	50.4	42%
	Corporate stores	29.3	17.3	69%
	Food processing, distribution and retail	146.0	114.0	28%
	Promotional funds	42.4	32.2	32%
	Intercompany transactions	(1.8)	(1.8)	N/A
Total Canada		287.4	212.1	36%
US & International	Franchise operation	97.6	71.4	37%
	Corporate stores	85.2	41.7	104%
	Promotional funds	68.9	61.2	13%
	Intercompany transactions	(4.7)	(3.8)	N/A
Total US & International		247.0	170.5	45%
Total operating expenses		**534.4**	**382.6**	**40%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $21.1 million, due to several factors listed below:

	(In millions $)
Operating expenses, 2021 fiscal year	50.4
Increase due to not qualifying for government wage subsidies	3.2
Increase in turnkey cost, cost of sale of material and services to franchisees and rent	1.1
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	10.9
Increase in expected credit loss provision	0.3
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	1.6
Increase due to acquisition	0.7
Increase due to impact of IFRS 16 on rent expense	0.2
Increase due to impact of IFRS 16 on impairment of lease receivables	3.2
Other non-material variations	(0.1)
Operating expenses, 2022 fiscal year	71.5

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

Controllable expenses increased by $10.9 million, primarily due to higher wages and an increase in other office expenses and consulting fees. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages. Other office expenses increased as a result of the recovery of the business and also included higher annual licensing and cybersecurity costs.

Operating expenses also increased by $3.2 million as a result of government wage subsidies received in the same period last year, compared to nil in 2022, and $3.2 million in additional impairment on lease receivables due to a reassessment of the expected loss rates used. An increase of $1.6 million was also recorded due to the consolidation of 11554891 Canada Inc., which was previously recorded as a joint venture in the prior year (refer to "Highlights of Significant Events" section). The increase in turnkey costs, cost of sale of material and services to franchisees and rent is mostly attributable to an increase in the number of turnkey projects, which fluctuated in line with the associated revenues.

Expenses from corporate stores increased by $12.0 million compared to the same period last year, partly correlated to the related increase in revenues, and partially due to the impact of wage and rent subsidies received from the government in the same period last year, compared to nil in 2022, and the repossession of underperforming locations in the process of being turned around.

The increase in food processing, distribution and retail expenses was tightly correlated to the related revenues.

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

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International increased by 37%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, 2021 fiscal year	71.4
Increase due to not qualifying for government wage subsidies	0.3
Increase in non-controllable expenses (1)	0.3
Increase in cost of sale of material and services to franchisees and rent	0.5
Increase in recurring controllable expenses (1) including wages, professional and consulting services and other office expenses	9.1
Increase in expected credit loss provision	1.2
Increase due to acquisition	4.1
Increase due to transaction costs related to acquisitions	5.3
Increase due to impact of IFRS 16 on rent expense	0.7
Increase due to impact of IFRS 16 on impairment of lease receivables	0.4
Impact of variation in foreign exchange rates	2.4
Other non-material variations	1.9
Operating expenses, 2022 fiscal year	97.6

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

Operating expenses for franchise locations increased by $26.2 million in 2022, due in part to the acquisition of BBQ Holdings, which had expenses of $4.1 million, as well as acquisition costs of $5.3 million related to BBQ Holdings and Wetzel's Pretzels (as further defined in section "Subsequent Events"). Operating expenses also increased due to higher office expenses and higher wages. The latter is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages compared to the same period last year. Other office expense increase is related to higher annual licensing and cybersecurity costs as well as increased travel and meals expenses.

Corporate store expenses more than doubled, reaching $85.2 million. The increase of $43.5 million is due to the acquisition of 103 new corporate locations with the purchase of BBQ Holdings. These locations generated corporate store expenses of $62.8 million. This was partially offset by a decrease in corporate-owned location expenses due to the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

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

Segment profit, Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1) and Normalized adjusted EBITDA (1)

Fiscal year ended November 30, 2022			
(In millions $)	Canada	US & International	Total
Revenue	370.6	345.9	716.5
Operating expenses	287.4	247.0	534.4
Segment profit and Adjusted EBITDA (1)	83.2	98.9	182.1
Segment profit and Adjusted EBITDA as a % of Revenue (2)	22%	29%	25%
Segment profit and Adjusted EBITDA (1)	83.2	98.9	182.1
Transaction costs related to acquisitions (3)	—	5.3	5.3
Normalized adjusted EBITDA (1)	83.2	104.2	187.4
Normalized adjusted EBITDA as a % of Revenue (2)	22%	30%	26%

Fiscal year ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	280.2	271.7	551.9
Operating expenses	212.1	170.5	382.6
Segment profit	68.1	101.2	169.3
Segment profit as a % of Revenue	24%	37%	31%
Segment profit	68.1	101.2	169.3
Net loss in joint venture	(0.7)	—	(0.7)
Adjusted EBITDA and Normalized adjusted EBITDA (1)	67.4	101.2	168.6
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	24%	37%	31%

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

Fiscal year ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	323.4	119.2	169.1	111.3	(6.5)	716.5
Operating expenses	169.1	114.5	146.0	111.3	(6.5)	534.4
Segment profit and Adjusted EBITDA (1)	154.3	4.7	23.1	—	—	182.1
Segment profit and Adjusted EBITDA as a % of Revenue (2)	48%	4%	14%	N/A	N/A	25%
Segment profit and Adjusted EBITDA (1)	154.3	4.7	23.1	—	—	182.1
Transaction costs related to acquisitions (3)	5.3	—	—	—	—	5.3
Normalized adjusted EBITDA (1)	159.6	4.7	23.1	—	—	187.4
Normalized adjusted EBITDA as a % of Revenue (2)	49%	4%	14%	N/A	N/A	26%

Fiscal year ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	274.5	59.6	130.0	93.4	(5.6)	551.9
Operating expenses	121.8	59.0	114.0	93.4	(5.6)	382.6
Segment profit	152.7	0.6	16.0	—	—	169.3
Segment profit as a % of Revenue	56%	1%	12%	N/A	N/A	31%
Segment profit	152.7	0.6	16.0	—	—	169.3
Net loss in joint venture	(0.7)	—	—	—	—	(0.7)
Adjusted EBITDA and Normalized adjusted EBITDA (1)	152.0	0.6	16.0	—	—	168.6
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue (2)	55%	1%	12%	N/A	N/A	31%

(1) See section "Definition of non-GAAP measures" found in the Supplemental Information section for definition.
(2) See section "Definition of non-GAAP ratios" found in the Supplemental Information section for definition.
(3) Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, 2021 fiscal year	68.1	101.2	169.3
Variance in recurring revenues and expenses [1]	13.2	(9.2)	4.0
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	6.2	0.1	6.3
Variance in initial franchise fees, renewal fees and transfer fees	0.2	2.2	2.4
Variance due to government wage and rent subsidies	(5.5)	(0.3)	(5.8)
Variance in expected credit loss provision	(0.3)	(1.2)	(1.5)
Variance due to 11554891 Canada Inc. previously recorded as a joint venture	2.7	—	2.7
Variance due to acquisitions	1.4	5.0	6.4
Variance due to transaction costs related to acquisitions	—	(5.3)	(5.3)
Variance due to impact of IFRS 16 on rent revenue & expense	0.9	2.1	3.0
Variance due to impact of IFRS 16 on impairment of lease receivables	(3.2)	(0.4)	(3.6)
Variance in gift card breakage	—	0.7	0.7
Impact of variation in foreign exchange rates	—	3.2	3.2
Other non-material variations	(0.5)	0.8	0.3
Segment profit, 2022 fiscal year	83.2	98.9	182.1
Normalized adjusted EBITDA [2], 2021 fiscal year	67.4	101.2	168.6
Variances in segment profit	15.1	(2.3)	12.8
Variance due to net impact of joint venture	0.7	—	0.7
Variances in transaction costs related to acquisitions	—	5.3	5.3
Normalized adjusted EBITDA [2], 2022 fiscal year	83.2	104.2	187.4

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

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

Total segment profit and normalized adjusted EBITDA for the year ended November 30, 2022, were $182.1 million and $187.4 million, respectively, up by 8% and 11%, respectively, compared to the prior year. Canada contributed 44% of total normalized adjusted EBITDA and an increase of $15.8 million compared to the prior year, while the US & International normalized adjusted EBITDA increased by 3% or $3.0 million. The pandemic recovery of the Canadian market in 2022 was the main cause of the increase in Canadian normalized adjusted EBITDA as well as the increase in the processing, distribution and retail segment which generated normalized adjusted EBITDA of $6.1 million. In the US & International, the acquisition of BBQ Holdings was the main factor to the 3% increase, generating normalized adjusted EBITDA of $5.0 million.

Net income

For the year ended November 30, 2022, a net income attributable to owners of $74.8 million was recorded, or $3.06 per share ($3.06 per diluted share) compared to net income attributable to owners of $85.6 million or $3.47 per share ($3.46 per diluted share) last year. The decrease was mainly due to a higher non-cash impairment charge in the current year mainly related to the usage of higher discount rates, which impacted primarily the Company's intangible assets, as well as an increase of $5.4 million in foreign exchange losses recorded on intercompany loans and acquisition-related transaction costs incurred for the acquisitions of BBQ Holdings and Wetzel's Pretzels in the amount of $5.3 million. The Company also incurred a loss on remeasurement of a joint venture of $2.8 million, which is a non-recurring expense. See section "Other income and expenses" below for further details.

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

(In thousands $)	Year ended November 30, 2022	Year ended November 30, 2021
Income before taxes	96,170	112,072
Depreciation – property, plant and equipment and right-of-use assets	21,548	16,174
Amortization – intangible assets	29,473	28,442
Interest on long-term debt	12,428	10,111
Net interest expense on leases	3,210	2,295
Impairment charge – right-of-use assets	969	1,550
Net impairment charge – property, plant and equipment and intangible assets	13,916	5,903
Unrealized and realized foreign exchange loss	5,690	300
Interest income	(253)	(198)
Gain on de-recognition/lease modification of lease liabilities	(798)	(1,319)
Gain on disposal of property, plant and equipment	(108)	(3,549)
Revaluation of financial liabilities recorded at fair value through profit and loss	(2,932)	(3,034)
Loss on remeasurement of joint venture interest	2,769	—
Other income	—	(125)
Adjusted EBITDA	**182,082**	**168,622**
Transaction costs related to acquisitions (2)	5,270	—
Normalized adjusted EBITDA	**187,352**	**168,622**

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

(2) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Other income and expenses

Interest on long-term debt increased by $2.3 million due to higher drawings at the end of the year as well as an increase in the Secured Overnight Financing Rate ("SOFR") and Canadian Dollar Offered Rate ("CDOR") rates over the course of 2022.

During the year ended November 30, 2022, the Company recognized impairment charges of $13.9 million on its property, plant and equipment and intangible assets, primarily related to franchise rights and trademarks for five of its brands. This compares to a net impairment charge on its property, plant and equipment and intangible assets of $5.9 million in the prior year, which included an impairment charge of $15.3 million partially offset by a reversal of impairment charge of $9.4 million.

The weaker Canadian dollar relative to the US dollar, as well as an increase in intercompany loans, resulted in a $5.7 million unrealized foreign exchange loss on intercompany loans in 2022, compared to a loss of $0.3 million last year.

The Company recorded a gain on disposal of property, plant and equipment of $0.1 million in 2022, compared to a gain of $3.5 million in the prior year. The latter was mostly related to the disposal of two portfolios of Papa Murphy's corporately-owned locations in the US that were converted into franchises upon completion of the sale.

During the year ended November 30, 2022, the Company gained control of 11554891 Canada Inc., previously a joint venture, as a result of a lapse of rights held by the minority shareholder that previously stopped the Company from controlling. As a result, the Company recorded a loss on remeasurement of joint venture interest of $2.8 million.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED NOVEMBER 30, 2022

Revenue

During the fourth quarter of 2022, the Company's total revenue increased to $242.0 million, from $146.3 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Subdivision	November 30, 2022 ($ millions)	November 30, 2021 ($ millions)	Variation
Canada	Franchise operation	42.0	33.7	25%
	Corporate stores	8.0	5.9	36%
	Food processing, distribution and retail	42.1	34.6	22%
	Promotional funds	11.0	9.6	15%
	Intercompany transactions	(4.4)	(2.7)	N/A
Total Canada		98.7	81.1	22%
US & International	Franchise operation	47.8	39.7	20%
	Corporate stores	74.1	9.4	688%
	Food processing, distribution and retail	1.7	1.3	31%
	Promotional funds	20.1	15.2	32%
	Intercompany transactions	(0.4)	(0.4)	N/A
Total US & International		143.3	65.2	120%
Total revenue		**242.0**	**146.3**	**65%**

Canada revenue analysis:

Revenue from franchise locations in Canada increased by 25%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2021	33.7
Increase in recurring revenue streams [(1)]	5.6
Decrease in turnkey, sales of material to franchisees and rent revenues	(0.2)
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	1.4
Increase due to acquisition	0.3
Other non-material variations	1.2
Revenue, fourth quarter of 2022	42.0

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

During the fourth quarter of 2022, recurring revenue streams increased by $5.6 million mostly due to an increase of 16% in system sales compared to the same period last year. The casual and quick service restaurant segments saw the biggest growth in revenues with sales increasing 20% and 17%, respectively, compared to prior year. Street front and mall and office tower locations had the largest impact on the year-over-year growth, with improvements of 11% and 29%, respectively.

Revenue from corporate-owned locations increased by 36% to $8.0 million during the quarter due to an improvement to the overall performance of the mix of corporate stores held in 2022.

Food processing, distribution and retail revenues increased by 22% mainly due to new listings in retail and expansion to new territories, as well as higher revenues generated by the processing and distribution centers, including for the newly acquired Küto Comptoir à Tartares franchisees, contributing $1.2 million to the increase for the quarter. In the fourth quarter of 2022, 174 products were sold in the Canadian retail market (2021 – 171 products).

The promotional fund revenue increase of 15% is partly 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 20%. Several factors contributed to the variation, as listed below:

	(In millions $)
Revenue, fourth quarter of 2021	39.7
Decrease in recurring revenue streams [(1)]	(0.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Increase in sales of material and services to franchisees	0.2
Increase in gift card breakage income	0.1
Increase due to acquisition	4.3
Impact of variation in foreign exchange rates	3.0
Other non-material variations	0.6
Revenue, fourth quarter of 2022	47.8

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

The increase in franchising revenues is mostly due to the acquisition of BBQ Holdings, which generated revenues of $4.3 million, followed by a variation of foreign exchange rates, which had a favourable impact of $3.0 million.

The increase of $64.7 million in corporate-owned location revenues is due to the acquisition of 103 corporate locations at BBQ Holdings, which generated $67.6 million in revenues since acquisition. This was partially offset by the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

The promotional fund revenue increase of 32% is partly due to the acquisition of BBQ Holdings, the favourable impact of foreign exchange rates and the impact of the various contribution rates.

Operating expenses

During the fourth quarter of 2022, operating expenses increased by 86% to $192.1 million, up from $103.2 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Subdivision	November 30, 2022 ($ millions)	November 30, 2021 ($ millions)	Variation
Canada	Franchise operation	18.9	13.8	37%
	Corporate stores	8.0	5.8	38%
	Food processing, distribution and retail	36.8	32.0	15%
	Promotional funds	11.0	9.6	15%
	Intercompany transactions	(0.5)	(0.5)	N/A
Total Canada		74.2	60.7	22%
US & International	Franchise operation	35.4	19.2	84%
	Corporate stores	66.7	10.7	523%
	Promotional funds	20.1	15.2	32%
	Intercompany transactions	(4.3)	(2.6)	N/A
Total US & International		117.9	42.5	177%
Total operating expenses		**192.1**	**103.2**	**86%**

Canada operating expenses analysis:

Operating expenses from franchise locations in Canada increased by $5.1 million, due to several factors listed below:

	(In millions $)
Operating expenses, fourth quarter of 2021	13.8
Increase due to not qualifying for government wage subsidies	0.3
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	3.2
Decrease in expected credit loss provision	(0.1)
Increase due to 11554891 Canada Inc. previously recorded as a joint venture	0.5
Increase due to acquisition	0.2
Increase due to impact of IFRS 16 on rent expense	0.4
Increase due to impact of IFRS 16 on impairment of lease receivables	2.3
Other non-material variations	(1.7)
Operating expenses, fourth quarter of 2022	18.9

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

Controllable expenses increased by $3.2 million, primarily due to higher wages. This is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages. Other office expenses increased as a result of the recovery of the business and also include higher annual licensing and cybersecurity costs. During the quarter, an additional $2.3 million in lease receivable impairments was also taken due to a reassessment of the expected loss rates used.

Expenses from corporate stores increased by $2.2 million compared to the same period last year, partly correlated to the related revenues, and partially due to the repossession of underperforming locations in the process of being turned around.

Food processing, distribution and retail costs increased in line with revenue growth.

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

US & International operating expenses analysis:

Operating expenses from franchise locations in the US & International increased by 84%. Several factors contributed to the variation, as listed below:

	(In millions $)
Operating expenses, fourth quarter of 2021	19.2
Increase in cost of sale of material and services to franchisees and rent	1.2
Increase in recurring controllable expenses [(1)] including wages, professional and consulting services and other office expenses	1.4
Increase in expected credit loss provision	0.3
Increase due to acquisition	4.1
Increase due to transaction costs related to acquisitions	5.1
Increase due to impact of IFRS 16 on rent expense	0.3
Increase due to impact of IFRS 16 on impairment of lease receivables	0.4
Impact of variation in foreign exchange rates	1.4
Other non-material variations	2.0
Operating expenses, fourth quarter of 2022	35.4

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

Operating expenses for franchise locations increased by $16.2 million during the fourth quarter of 2022, due in part to the acquisition of BBQ Holdings, which had expenses of $4.1 million, as well as acquisition costs of $5.1 million related to BBQ Holdings and Wetzel's Pretzels. Operating expenses also increased due to higher office expenses and higher wages. The latter is attributable to vacant positions being filled over the course of 2021 and into 2022, leading to a higher number of full-time employees, as well as an inflation impact on wages compared to the same period last year. Other office expense increase is related to higher annual licensing and cybersecurity costs as well as increased travel and meals expenses.

Corporate store expenses increased to $66.7 million, from $10.7 million in the same period last year, due to the acquisition of 103 new corporate locations with the purchase of BBQ Holdings, which added additional corporate store expenses of $62.8 million. This was partially offset by a decrease in corporate-owned location expenses due to the sale in the fourth quarter of 2021 of several Papa Murphy's corporately-owned locations that were converted into franchises.

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

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

Three-month period ended November 30, 2022			
(In millions $)	Canada	US & International	Total
Revenue	98.7	143.3	242.0
Operating expenses	74.2	117.9	192.1
Segment profit and Adjusted EBITDA [(1)]	24.5	25.4	49.9
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	25%	18%	21%
Segment profit and Adjusted EBITDA [(1)]	24.5	25.4	49.9
Transaction costs related to acquisitions [(3)]	(1.5)	5.1	3.6
Normalized adjusted EBITDA [(1)]	23.0	30.5	53.5
Normalized adjusted EBITDA as a % of Revenue [(2)]	23%	21%	22%

Three-month period ended November 30, 2021			
(In millions $)	Canada	US & International	Total
Revenue	81.1	65.2	146.3
Operating expenses	60.7	42.5	103.2
Segment profit	20.4	22.7	43.1
Segment profit as a % of Revenue	25%	35%	29%
Segment profit	20.4	22.7	43.1
Net loss in joint venture	(0.3)	—	(0.3)
Adjusted EBITDA and Normalized adjusted EBITDA [(1)]	20.1	22.7	42.8
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	25%	35%	29%

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

Three-month period ended November 30, 2022						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	89.8	82.1	43.8	31.1	(4.8)	242.0
Operating expenses	54.3	74.7	36.8	31.1	(4.8)	192.1
Segment profit and Adjusted EBITDA [(1)]	35.5	7.4	7.0	—	—	49.9
Segment profit and Adjusted EBITDA as a % of Revenue [(2)]	40%	9%	16%	N/A	N/A	21%
Segment profit and Adjusted EBITDA [(1)]	35.5	7.4	7.0	—	—	49.9
Transaction costs related to acquisitions [(3)]	3.6	—	—	—	—	3.6
Normalized adjusted EBITDA [(1)]	39.1	7.4	7.0	—	—	53.5
Normalized adjusted EBITDA as a % of Revenue [(2)]	44%	9%	16%	N/A	N/A	22%

Three-month period ended November 30, 2021						
(In millions $)	Franchise	Corporate	Processing, distribution and retail	Promotional funds	Intercompany transactions	Total
Revenue	73.4	15.3	35.9	24.8	(3.1)	146.3
Operating expenses	33.0	16.5	32.0	24.8	(3.1)	103.2
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Segment profit (loss) as a % of Revenue	55%	N/A	11%	N/A	N/A	29%
Segment profit (loss)	40.4	(1.2)	3.9	—	—	43.1
Net loss in joint venture	(0.3)	—	—	—	—	(0.3)
Adjusted EBITDA and Normalized adjusted EBITDA [(1)]	40.1	(1.2)	3.9	—	—	42.8
Adjusted EBITDA and Normalized adjusted EBITDA as a % of Revenue [(2)]	55%	N/A	11%	N/A	N/A	29%

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

(2) *See section “Definition of non-GAAP ratios” found in the Supplemental Information section for definition.*

(3) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Several factors contributed to the variation, as listed below:

(In millions $)	Canada	US & International	Total
Segment profit, fourth quarter of 2021	20.4	22.7	43.1
Variance in recurring revenues and expenses [1]	2.2	(1.7)	0.5
Variance in turnkey, sales of material and services to franchisees and rent for franchising segment	2.5	(0.7)	1.8
Variance in initial franchise fees, renewal fees and transfer fees	—	0.2	0.2
Variance due to government wage and rent subsidies	(0.4)	—	(0.4)
Variance in expected credit loss provision	0.1	(0.3)	(0.2)
Variance due to 11554891 Canada Inc. previously recorded as a joint venture	0.9	—	0.9
Variance due to acquisitions	0.3	5.0	5.3
Variance due to transaction costs related to acquisitions	1.5	(5.1)	(3.6)
Variance due to impact of IFRS 16 on rent revenue & expense	(0.2)	3.5	3.3
Variance due to impact of IFRS 16 on impairment of lease receivables	(2.3)	(0.4)	(2.7)
Variance in gift card breakage	—	0.1	0.1
Impact of variation in foreign exchange rates	—	1.5	1.5
Other non-material variations	(0.5)	0.6	0.1
Segment profit, fourth quarter of 2022	24.5	25.4	49.9
Normalized adjusted EBITDA [2], fourth quarter of 2021	20.1	22.7	42.8
Variances in segment profit	4.1	2.7	6.8
Variance due to net impact of joint venture	0.3	—	0.3
Variances in transaction costs related to acquisitions	(1.5)	5.1	3.6
Normalized adjusted EBITDA [2], fourth quarter of 2022	23.0	30.5	53.5

(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 three-month period ended November 30, 2022 was $49.9 million, up by 16% compared to the same period last year, while normalized adjusted EBITDA was $53.5 million, up by 25% compared to the same period last year. Canada contributed 43% of total normalized adjusted EBITDA and an increase of $2.9 million compared to the same period last year, while the US & International normalized adjusted EBITDA increased by 34% or $7.8 million. In the US & International, the acquisition of BBQ Holdings was the main factor to the 34% increase, generating normalized adjusted EBITDA of $5.0 million.

Net income

For the three months ended November 30, 2022, a net income attributable to owners of $7.1 million was recorded, or $0.29 per share ($0.29 per diluted share) compared to a net income attributable to owners of $24.9 million or $1.01 per share ($1.00 per diluted share) last year. The decrease was mainly due to a higher non-cash impairment charge in the current period mainly related to the usage of higher discount rates, which impacted primarily the Company's intangible assets, an increase of $4.8 million in interest on long-term debt, a decrease of $2.5 million in the gain on revaluation of financial liabilities recorded at fair value, a decrease of $2.4 million in the gain on disposal of property, plant and equipment, as well as acquisition-related transaction costs incurred for the acquisitions of BBQ Holdings and Wetzel's Pretzels in the amount of $3.6 million. See section "Other income and expenses" below for further details.

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

(In thousands $)	Quarter ended November 30, 2022	Quarter ended November 30, 2021
Income before taxes	10,062	33,831
Depreciation – property, plant and equipment and right-of-use assets	10,061	4,073
Amortization – intangible assets	7,988	6,962
Interest on long-term debt	6,475	1,724
Net interest expense on leases	1,738	561
Impairment charge – right-of-use assets	307	628
Net impairment charge – property, plant and equipment and intangible assets	13,381	549
Unrealized and realized foreign exchange loss	1,803	1,758
Interest expense	(31)	(40)
Gain on de-recognition/lease modification of lease liabilities	(120)	(465)
Gain on disposal of property, plant and equipment	(88)	(2,487)
Revaluation of financial liabilities recorded at fair value through profit and loss	(1,700)	(4,153)
Other income	—	(110)
Adjusted EBITDA	**49,876**	**42,831**
Transaction costs related to acquisitions (2)	3,598	—
Normalized adjusted EBITDA	**53,474**	**42,831**

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

(2) *Transaction costs are included in Consulting and professional fees and Other as part of Operating expenses in the consolidated financial statements.*

Other income and expenses

Depreciation of property, plant and equipment and right-of-use assets increased by $6.0 million during the quarter as a result of the acquisition of BBQ Holdings. Depreciation is now being taken on an additional 103 corporate stores as well as the right-of-use assets associated with those locations.

Interest on long-term debt increased by $4.8 million as a result of higher drawings in the quarter as well as an increase in the SOFR and CDOR rates over the course of 2022.

During the fourth quarter of 2022, the Company recognized impairment charges of $13.4 million on its intangible assets, related to franchise rights and trademarks for five of its brands. This compares to a net impairment charge on its property, plant and equipment and intangible assets of $0.5 million in the same period last year.

The Company recorded a gain on disposal of property, plant and equipment of $0.1 million in the fourth quarter of 2022, compared to a gain of $2.5 million in the same period last year. The latter was mostly related to the disposal of two portfolios of Papa Murphy's corporately-owned locations in the US that were converted into franchises upon completion of the sale.

The Company also recognized a gain on revaluation of financial liabilities recorded at fair value of $1.7 million in the fourth quarter of 2022, compared to a gain of $4.2 million in the same period last year, which was primarily attributable to its contingent consideration on investment in a joint venture and its obligation to repurchase its joint venture partner.

CONTRACTUAL OBLIGATIONS

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

(In millions $)	0 – 6 Months	6 – 12 Months	12 – 24 Months	24 – 36 Months	36 – 48 Months	48 – 60 Months	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	155.0	—	—	—	—	—	—
Long-term debt [(1)]	10.7	—	2.7	550.1	—	—	—
Interest on long-term debt [(2)]	18.2	18.2	36.4	33.3	—	—	—
Net lease liabilities [(3)]	18.2	18.2	31.7	28.1	25.2	21.6	57.6
Total contractual obligations	**202.1**	**36.4**	**70.8**	**611.5**	**25.2**	**21.6**	**57.6**

(1) *Amounts shown represent the total amount payable at maturity and are therefore undiscounted. Long-term debt includes interest-bearing loans related to acquisitions, contingent considerations on acquisitions, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.*

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

(3) *Net lease liabilities include the total undiscounted lease payments of leases, offset by finance lease receivables and operating subleases.*

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2022, the amount held in cash totaled $59.5 million, a decrease of $1.8 million since the end of the 2021 fiscal period.

During the year ended November 30, 2022, MTY paid $20.5 million (2021 – $9.1 million) in dividends to its shareholders and repurchased and cancelled 256,400 of its shares (2021 – 36,600) for $14.6 million (2021 – $2.2 million) through its normal course issuer bid (“NCIB”).

During the year ended November 30, 2022, cash flows generated by operating activities were $142.8 million, compared to $139.3 million in the prior year.

During the year ended November 30, 2022, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility, which now has an authorized amount of $900.0 million (2021 – $600.0 million), and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to $300.0 million (2021 – $300.0 million) remained unchanged. As at November 30, 2022, US$408.9 million was drawn from the revolving credit facility (November 30, 2021 – US$271.5 million).

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

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

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

The revolving credit facility is repayable without penalty with the balance due on the date of maturity October 28, 2025.

As at November 30, 2022, the Company was in compliance with the covenants of the credit agreement.

LOCATION INFORMATION

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

Number of locations

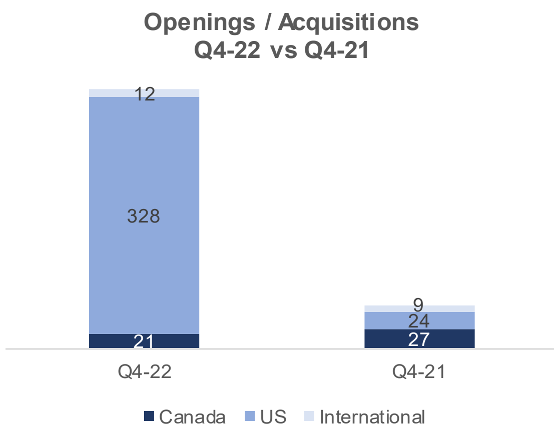
	Three months ended November 30,		Twelve months ended November 30,	
	2022	2021	**2022**	2021
Franchises, beginning of the period	**6,516**	6,701	**6,603**	6,867
Corporate-owned, beginning of the period				
Canada	**41**	42	**42**	37
US	**49**	82	**51**	76
Joint venture [1]	**—**	23	**23**	21
Total, beginning of the period	**6,606**	6,848	**6,719**	7,001
Opened during the period	**60**	60	**245**	218
Closed during the period	**(178)**	(189)	**(507)**	(489)
Acquired during the period	**301**	—	**332**	—
Joint venture opened or acquired during the period [1]	**—**	—	**—**	3
Joint venture closed during the period [1]	**—**	—	**—**	(1)
Disposed of during the period [2]	**(1)**	—	**(1)**	(13)
Total, end of the period	**6,788**	6,719	**6,788**	6,719
Franchises, end of the period			**6,589**	6,603
Corporate-owned, end of the period				
Canada			**41**	42
US			**158**	51
Joint venture [1]			**—**	23
Total, end of the period			**6,788**	6,719

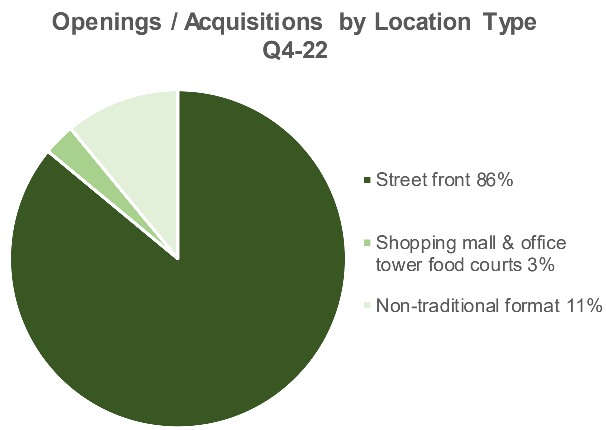
[1] *On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc. – see Note 7 to the consolidated financial statements.*

[2] *Sale of Buns master trademark.*

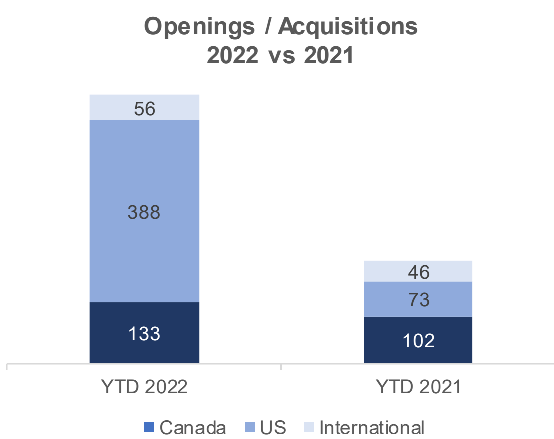
Openings / Acquisitions

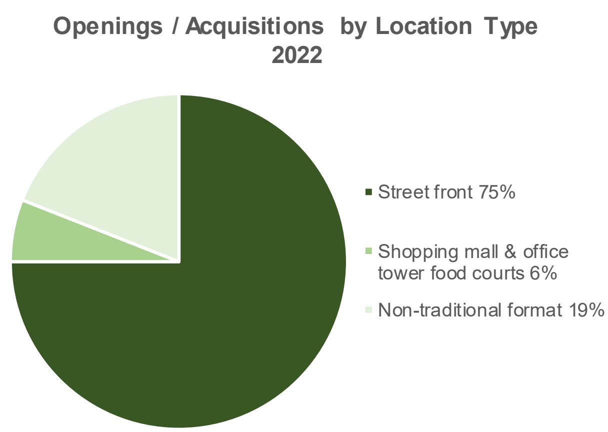
During the fourth quarter of 2022, the Company's network acquired 301 locations (2021 – nil) and opened 60 locations (2021 – 60 locations). The breakdown by geographical location and by location type is as follows:





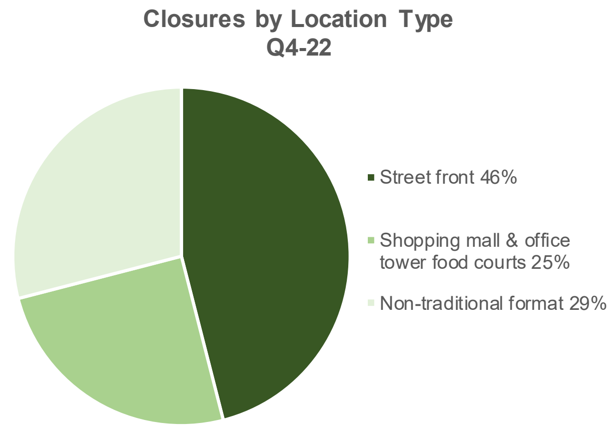
During the year ended November 30, 2022, the Company's network acquired 332 locations (2021 – nil) and opened 245 locations (2021 – 218 locations and three locations through the joint venture). The breakdown by geographical location and by location type is as follows:



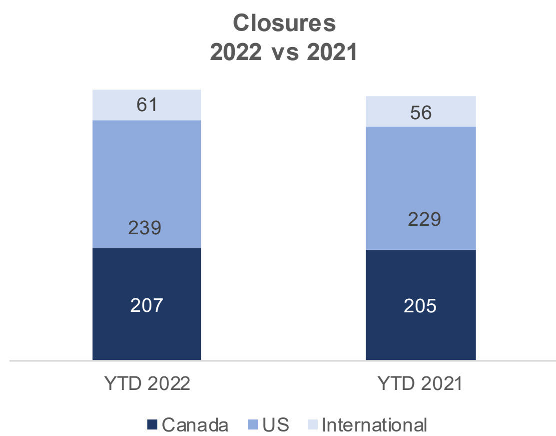


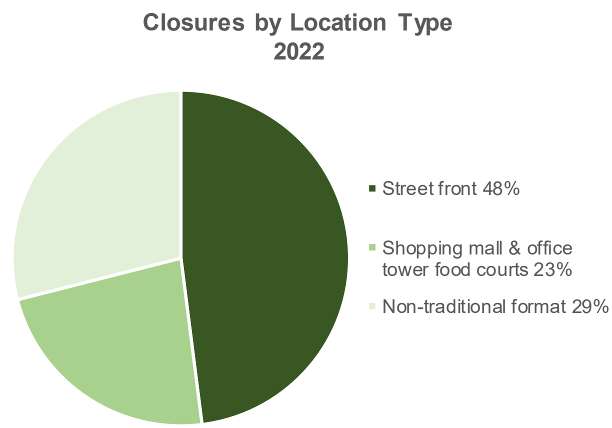
Closures

During the fourth quarter of 2022, the Company's network closed 178 locations (2021 – 189 locations). The breakdown by geographical location and by location type is as follows:



During the year ended November 30, 2022, the Company's network closed 507 locations (2021 – 489 locations and one location through the joint venture). The breakdown by geographical location and by location type is as follows:





Of the 61 international closures during the year ended November 30, 2022, 23 were attributable to one franchisee who no longer operates any location. In Canada, 22 TCBY locations closed as a result of the termination of the franchising agreement with Cineplex.

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

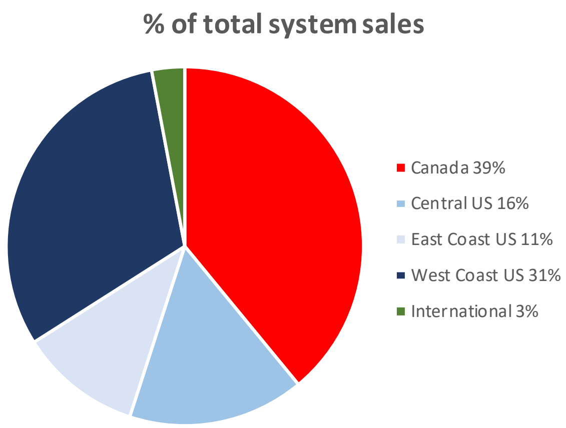
Location type	% of location count November 30, 2022	2021	% of system sales Twelve months ended November 30, 2022	2021
Shopping mall & office tower food courts	**13%**	14%	**11%**	9%
Street front	**66%**	64%	**80%**	82%
Non-traditional format	**21%**	22%	**9%**	9%

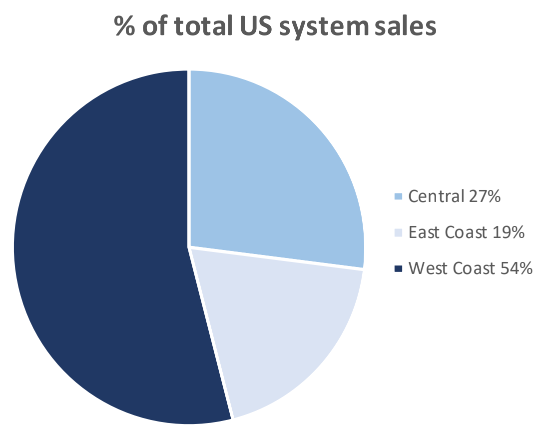
The geographical breakdown of MTY's locations and system sales is as follows:

Geographical location	% of location count November 30, 2022	2021	% of system sales Twelve months ended November 30, 2022	2021
Canada	**37%**	39%	**39%**	35%
US	**56%**	54%	**58%**	62%
International	**7%**	7%	**3%**	3%

The territories that had the largest portions of total system sales were Quebec (Canada) with 21%, California (US) with 10%, Ontario (Canada) with 10%, Washington (US) with 5%, and Oregon (US) with 4%.

The geographical distribution of system sales is as follows:





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

Concept type	% of location count November 30, 2022	2021	% of system sales Twelve months ended November 30, 2022	2021
Quick service restaurant	**78%**	83%	**68%**	73%
Fast casual	**11%**	10%	**12%**	13%
Casual dining	**11%**	7%	**20%**	14%

System sales

During the three and twelve-month periods ended November 30, 2022, MTY's network generated $1,206.5 million and $4,251.2 million in sales, respectively. The breakdown of system sales is as follows:

(millions of $)	Canada	US	International	**TOTAL**
First quarter of 2022	320.3	532.0	33.4	**885.7**
First quarter of 2021	219.4	511.8	29.9	**761.1**
Variance	46%	4%	12%	**16%**
Second quarter of 2022	420.8	599.9	33.6	**1,054.3**
Second quarter of 2021	270.9	592.3	28.3	**891.5**
Variance	55%	1%	19%	**18%**
Third quarter of 2022	454.8	614.0	35.9	**1,104.7**
Third quarter of 2021	391.3	594.2	30.7	**1,016.2**
Variance	16%	3%	17%	**9%**
Fourth quarter of 2022	438.1	734.7	33.7	**1,206.5**
Fourth quarter of 2021	378.9	551.3	32.3	**962.5**
Variance	16%	33%	4%	**25%**
Year-to-date 2022	1,634.0	2,480.6	136.6	**4,251.2**
Year-to-date 2021	1,260.5	2,249.6	121.2	**3,631.3**
Variance	30%	10%	13%	**17%**

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 – 2021	378.9	551.3	32.3	**962.5**	1,260.5	2,249.6	121.2	**3,631.3**
Net increase in sales generated by concepts acquired during the last 24 months	5.2	160.5	1.3	**167.0**	22.0	160.5	1.3	**183.8**
Net variance in system sales	54.0	(17.9)	(2.3)	**33.8**	351.5	(5.1)	10.0	**356.4**
Cumulative impact of foreign exchange variation	—	40.8	2.4	**43.2**	—	75.6	4.1	**79.7**
Reported sales – 2022	438.1	734.7	33.7	**1,206.5**	1,634.0	2,480.6	136.6	**4,251.2**

System sales for the three-month period ended November 30, 2022 increased by 25% compared to the same period last year. US contributed to most of the increase, with an improvement of $183.4 million, or 33%, attributable mostly to the acquisition of BBQ Holdings in September 2022. Excluding the acquisitions of BBQ Holdings and Küto Comptoir à Tartares, the QSR and casual concepts contributed to an increase of $50.1 million and $28.0 million, respectively, or an overall increase of 7% and 18%, respectively.

For the twelve-month period ended November 30, 2022, system sales were up by 17% compared to 2021. Excluding the acquisitions, systems sales for the network increased by 12%, with Canada contributing to 81% of that increase. The casual and QSR restaurant concepts in Canada drove the increase, representing 31% and 23% of the total year-over-year growth, respectively, and sales increases of 42% and 29%, respectively. Major brands in Canada such as Allô! Mon Coco, Baton Rouge, Ben & Florentine, Manchu Wok, and Thaï Express, to name a few, greatly outperformed prior year as customer returned to in-person dining and due to the gradual return to office for many employees, as well as the resumption of travel.

Papa Murphy's and Cold Stone Creamery continue to be the only concepts that currently represent more than 10% of system sales, generating approximately 23% and 19% respectively of the total sales of MTY's network for the twelve-month period ended November 30, 2022. Thaï Express, Taco Time and SweetFrog 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.

Digital sales

System sales versus digital sales breakdown is as follows for the years ended November 30, 2022 and 2021:

For the year ended November 30, 2022, digital sales increased to $820.3 million, from $803.6 million in prior year, and represented 19.9% of sales. The digital sales pertained mostly to take-out orders, as well as delivery sales, which have benefited from the Company's increased investments in online ordering and third-party delivery options. Excluding the acquisition of BBQ Holdings, digital sales increased by $5.3 million. The increase was mostly driven by an increase of 12% in both the QSR and fast casual dining segments in Canada.

System sales versus digital sales breakdown is as follows for the three months ended November 30, 2022 and 2021:

Digital sales for the fourth quarter of 2022 increased by 8% compared to the same period last year, including the impact of foreign exchange rates, from $193.7 million to $208.5 million, and represented 18% of total sales, compared to 21% in the same period last year. Excluding the impact of foreign exchange, digital sales grew by 8% in the quarter. The lower proportion of digital sales as a % of total sales in the fourth quarter compared to the same period last year is partially attributable to the re-opening of more traditional sales channels, which were affected by pandemic-related restrictions in the prior year, and to the acquisition of BBQ Holdings, whose digital sales represent approximately 7% of their system sales. Canadian digital sales saw an increase of $4.3 million in the fourth quarter of 2022 mainly as a result of an increase of $1.7 million and $1.5 million in casual and fast casual digital sales, respectively, while US digital sales saw a growth of $10.5 million following the acquisition of BBQ Holdings. The Company continues to endeavor to grow digital sales in parallel with the resumption of in store sales in a post-pandemic environment.

Same-Store Sales

Due to the impacts of COVID-19 and the number of locations that have closed temporarily, providing same-store sales information could be misleading as what would be presented would not be a fair representation of the Company's royalty earning potential and would also not be a fair indication of the health of the network. Management directs investors to system sales as a better indication. The Company expects to release same-store sales data again in the second quarter of 2023.

CAPITAL STOCK INFORMATION

Stock options

As at November 30, 2022, there were 440,000 options outstanding and 102,221 that are exercisable.

Share trading

MTY's stock is traded on the Toronto Stock Exchange ("TSX") under the ticker symbol "MTY". From December 1, 2021 to November 30, 2022, MTY's share price fluctuated between $45.20 and $63.96. On November 30, 2022, MTY's shares closed at $61.25.

Capital stock

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

As at February 15, 2023, the Company's issued and outstanding capital stock consisted of 24,413,461 shares (November 30, 2021 – 24,669,861) and 440,000 granted and outstanding stock options (November 30, 2021 – 440,000). During the year ended November 30, 2022, MTY repurchased 256,400 shares (2021 – 36,600) for cancellation through its NCIB.

Normal Course Issuer Bid Program

On June 28, 2022, the Company announced the renewal of the NCIB. The NCIB began on July 3, 2022 and will end on July 2, 2023 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,220,673 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and twelve-month periods ended November 30, 2022, the Company repurchased and cancelled a total of nil and 256,400 common shares, respectively (2021 – 36,600 common shares for both periods) under the current NCIB, at a weighted average price of nil and $57.01 per common share, respectively (2021 – $59.68 per common share for both periods), for a total consideration of nil and $14.6 million, respectively (2021 – $2.2 million for both periods). An excess of nil and $11.4 million, respectively (2021 – $1.7 million for both periods) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

SUBSEQUENT EVENTS

Acquisition of Wetzel's Pretzels

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama, for a cash consideration of approximately $282.0 million (US$207.0 million), on a cash-free, debt-free basis. At closing, there were 329 franchised restaurants and 38 corporate-owned restaurants in operation.

Acquisition of Sauce Pizza and Wine

On December 15, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US, for a total consideration of $14.8 million (US$10.8 million), including a holdback on acquisition of $1.1 million (US$0.8 million). At closing, there were 13 corporate-owned restaurants in operation.

Dividends

On January 18, 2023, the Company announced an increase to its quarterly dividend payment, from $0.210 per common share to $0.250 per common share. The dividend of $0.250 per common share was paid on February 15, 2023.

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.

Included in provisions are the following amounts:

(In thousands $)	**2022**	2021
	$	$
Litigations, disputes and other contingencies	**1,490**	1,636
Closed stores	**—**	56
	1,490	1,692

The provision for litigation, disputes and other contingencies represents management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision.

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 is $18.6 million as at November 30, 2022 (November 30, 2021 - $19.3 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2022, the Company has accrued $1.6 million (November 30, 2021 - $1.8 million), included in Accounts payable and accrued liabilities in the consolidated financial statements, with respect to these guarantees.

RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Remuneration of key management personnel and directors

The remuneration of key management personnel and directors, presented in Wages and benefits and Other as part of Operating expenses in the consolidated financial statements, was as follows:

(In thousands $)	**2022**	2021
	$	$
Short-term benefits [(1)]	**4,811**	3,231
Share-based compensation	**1,120**	924
Consulting fees	**282**	57
Board member fees	**78**	78
Total remuneration of key management personnel and directors	**6,291**	4,290

[(1)] *Prior year amount has been restated to reflect a prior period adjustment.*

Key management personnel is composed of the Company's CEO, COOs and CFO. The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market conditions.

Given its widely held share base, the Company does not have an ultimate controlling party; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.4% of the outstanding shares.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Impairment of long-lived assets

The Company assesses whether there are any indicators of impairment for all long-lived assets at each reporting period date. In addition, management is required to use judgment in determining the grouping of assets to identify a cash-generating unit ("CGU"); the determination is done based on management's best estimation of what constitutes the lowest level at which an asset or group of assets has the possibility of generating cash inflows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year ended November 30, 2022, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine, as of the acquisition date, the fair value of the identifiable assets acquired, including such intangible assets as franchise rights and master franchise rights, trademarks, step-in rights and liabilities assumed. Among other things, the determination of these fair market values involves the use of key assumptions such as projected system sales and operating cash flows, discount rates and royalty rates. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment

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

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

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

Impairment of property, plant and equipment and right-of-use assets

The Company performs an impairment test of its property, plant and equipment and right-of-use assets when there is an indicator of impairment. The recoverable amounts of the Company's corporate store assets are generally estimated based on fair value less cost of disposal as this was determined to be higher than their value in use. The fair value less cost of disposal of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment and any costs associated with exiting the lease.

During the years ended November 30, 2022 and 2021, the Company recognized impairment charges on its property, plant and equipment (Note 16 of the consolidated financial statements). The total impairment on property, plant and equipment of $0.5 million (2021 – $0.1 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, 2022 and 2021, the Company also recognized impairment charges on its right-of-use assets (Note 12 of the consolidated financial statements) of $1.0 million (2021 – $1.6 million).

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, 2022, the Company recognized impairment charges of $13.4 million (2021 – net impairment charge of $5.8 million comprised of an impairment charge of $15.1 million partially offset by a reversal of impairment charge of $9.3 million) on its franchise rights and trademarks (Note 16 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. During the year ended November 30, 2021, the Company also carried out a review of the recoverable amount allocated to the intangible assets associated with the "Houston Avenue Bar & Grill" and "Industria Pizza + Bar" brands, where the recoverable amount was measured at fair value less costs of disposal.

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, 2022 and 2021, no impairment charge on goodwill was required.

Impact of COVID-19

During the year ended November 30, 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. The beginning of the year saw Canada continue to be impacted by the continuation of government-imposed restrictions, as well as additional government-mandated restrictions in the first quarter in response to the spread of the Omicron variant, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in both Canada and the US in the second quarter. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed the Canadian and US markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, the current situation appears to highlight a familiar sense of back-to-normal with the longer-term impact on the economy and the rules and restrictions that will apply to MTY's restaurants expected to fluctuate and impact the network for the foreseeable future.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2022, the Company determined that there were no specific triggers for impairment assessments attributable to COVID-19. Accordingly, the Company did not record or reverse impairment charges on its property, plant and equipment, intangible assets, and goodwill in the period attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that are not yet effective for the year ended November 30, 2022 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 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment
IFRS 16, Leases	September 2022	December 1, 2024	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments also defer the effective date of the 2020 amendments to January 1, 2024.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

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

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise 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 recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS

16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

RISKS AND UNCERTAINTIES

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

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

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.

At this time, the Company is unable to accurately predict the future impact that a pandemic, including that of COVID-19, will have on the results of operations due to uncertainties including the severity of the disease, the duration of the outbreak, and further actions that may be taken by governmental authorities to contain the virus or to treat its impact. While it is premature to accurately predict whether COVID-19 or another form of epidemic or strain of the virus will ultimately impact MTY, the Company expects the results for the 2023 fiscal year to continue to be impacted with potential continuing adverse impacts beyond this.

In addition, the operations can and could continue to be disrupted if any of MTY's employees or employees of MTY's business partners were suspected of having COVID-19, the avian flu or swine flu, or other illnesses such as hepatitis A, and other variants of the norovirus or coronavirus, since this could require the Company or business partners to quarantine some or all of these employees or disinfect the restaurant facilities. 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, and the risk of contracting viruses 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.

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 and 2022 saw a shortage of qualified workers, as well as an increase in labour costs due to competition and increased wages. Many individuals have left the restaurant industry altogether due to difficult pandemic-related operating demands and, in some cases, the availability of government subsidies and thus creating high employee turnover. These conditions have resulted in aggressive competition for talent, wage inflation and pressure to improve benefits and workplace conditions to remain competitive and attract talent affecting the Company and its franchisees. Restaurants in the Company's network could be short staffed, the ability to meet customer demand could be limited and operational efficiency could also be adversely impacted.

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

Rising interest rates, as seen in the US and Canada in 2022, 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, 2022 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 as well as 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, 2022 and 2021. 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 $)		2022		2021
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,442**	**4,442**	4,238	4,238
Finance lease receivables	**338,776**	**338,776**	399,269	399,269
Financial liabilities				
Long-term debt [(1)]	**550,197**	**550,197**	357,171	357,189

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

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

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

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

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

Contingent considerations on acquisitions

The Company issued as part of its consideration for the acquisition of Küto Comptoir à Tartares and 70% interest in 11554891 Canada Inc., contingent considerations to the vendors. These contingent considerations are subject to earn-out provisions, which are based on future earnings; the contingent considerations for Küto Comptoir à Tartares and 11554891 Canada Inc. are repayable in June 2024 and December 2022, respectively. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value remeasurement gain of $1.8 million was recorded for the contingent considerations for the year ended November 30, 2022 (2021 – gain of $1.7 million).

Obligation to repurchase non-controlling interest

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (Note 21 of the consolidated financial statements) which is remeasured at each reporting period.

A fair value remeasurement loss of $0.3 million (2021 – loss of $0.4 million) was recorded for this non-controlling interest obligation.

Obligation to repurchase 11554891 Canada Inc. partner

The Company, in conjunction with the acquisition of its 70% interest in 11554891 Canada Inc., entered into an agreement to acquire the remaining 30% interest by December 2024. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 21 of the consolidated financial statements) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2022 (2021 – less than $0.1 million).

A fair value remeasurement gain of $1.4 million (2021 – gain of $1.9 million) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

Cross currency interest rate swaps

On November 26, 2022 and November 29, 2022, the Company entered into one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap (November 30, 2021 – one floating to floating 3-month cross currency interest rate swap, one floating to floating 2-month cross currency interest rate swap and one floating to floating 1-month cross currency interest rate swap). A fair value of nil was recorded as at November 30, 2022 (November 30, 2021 – nil). The Company has classified this as level 2 in the fair value hierarchy.

	2022		2021		
	3-month	**2-month**	3-month	2-month	1-month
Receive – Notional	**US$64.9 million**	**US$150.0 million**	US$78.9 million	US$180.8 million	US$11.8 million
Receive – Rate	**6.18%**	**6.18%**	1.29%	1.29%	1.29%
Pay – Notional	**CA$87.0 million**	**CA$201.0 million**	CA$100.0 million	CA$230.0 million	CA$15.0 million
Pay – Rate	**5.95%**	**5.80%**	1.23%	1.09%	1.38%

Fair value hierarchy	**Level 3**	
(In thousands $)	**2022**	2021
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**3,626**	1,961
Non-controlling interest buyback option	**1,853**	1,575
Obligation to repurchase 11554891 Canada Inc. partner	**7,867**	1,416
Financial liabilities	**13,346**	4,952

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, 2022.

Credit risk

The Company's credit risk is primarily attributable to its trade 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 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.

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.

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 the SOFR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $550.1 million (November 30, 2021 – $345.0 million) of the credit facility was used as at November 30, 2022. A 100 basis points increase in the bank's prime rate would result in additional interest of $5.5 million per annum (November 30, 2021 – $3.5 million) on the outstanding credit facility.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2022, US$408.9 million (2021 – US$271.5 million) was drawn from the revolving credit facility. Of that amount, US$214.9 million (2021 – US$271.5 million) was not exposed to foreign exchange risk as a result of two (2021 – three) cross currency interest rate swaps, and US$194.0 million (2021 – nil) 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, 2022 and 2021, the Company has the following financial instruments denominated in foreign currencies:

(In thousands $)	**2022**		2021	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**5,424**	**7,327**	3,744	4,789
Accounts receivable	**463**	**625**	378	484
Financial liabilities				
Accounts payable and deposits	**(212)**	**(286)**	(82)	(105)
Long-term debt	**(194,000)**	**(262,055)**	—	—
Net financial (liabilities) assets	**(188,325)**	**(254,389)**	4,040	5,168

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $9.4 million (2021 – profit of $0.2 million) on the consolidated statements of income and comprehensive income.

Liquidity risk

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

As at November 30, 2022, the Company had an authorized revolving credit facility for which the available amount may not exceed $900.0 million (November 30, 2021 – $600.0 million) and including an accordion feature amounting to $300.0 million (November 30, 2021 – $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, 2022:

(In millions $)	Carrying amount	Contractual cash flows	0 – 6 Months	6 – 12 Months	12 – 24 Months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	155.0	155.0	155.0	—	—	—
Long-term debt [(1)]	561.0	563.5	10.7	—	2.7	550.1
Interest on long-term debt [(1)]	n/a	106.1	18.2	18.2	36.4	33.3
Lease liabilities	514.8	580.9	65.3	65.3	111.6	338.7
Total contractual obligations	**1,230.8**	**1,405.5**	**249.2**	**83.5**	**150.7**	**922.1**

[(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 actions taken by MTY to strengthen the Company and its network during the COVID-19 pandemic have allowed MTY to be in a good position to tackle future challenges the industry will face. The restaurant industry is extremely competitive, and the pace of changes, innovations and shifts in customer preferences is accelerating every day. MTY's entrepreneurial roots give it an advantage in the current environment and the team is prepared to face any situation.

At the date of this report, MTY and its franchisees are still feeling the impact of various supply chain challenges, which come from inflation and from disruptions and shortages in the supply of certain products. This comes in addition to rising interest rates and increased construction costs. While some aspects of the business are gradually stabilizing, there remains some uncertainty as to what the new baseline is going to be once this period of high volatility fades away.

The Company's franchisees and suppliers also face significant labour shortages that, in certain cases, affect their ability to conduct business optimally. These labour shortages, combined with increases in minimum wage rates in many jurisdictions in which the network operates, are expected to lead to increased overtime and labour costs, as well as to an inability to generate 100% of the potential sales of some of the restaurants.

Despite the above-mentioned challenges, sales are for the most part back to pre-pandemic levels or better, and for the locations that are lagging because of geography or type of restaurants, trends are encouraging. With the brands' focus on innovation, product quality, consistency and superior store design combined with the adjustments made during the pandemic to adapt to new customer expectations, management believes the network is positioned well to thrive in the future, even if a recession were to happen.

In the short term, management's primary focus will continue to be the success of existing locations. More specifically, the teams will assist franchisees to generate sales growth, open new locations of existing concepts and ultimately achieve their profitability objectives. Management will also focus on the integration of the recently acquired brands.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase the Company's market share.

CONTROLS & PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. It should include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at November 30, 2022, have concluded that the Company's disclosure controls and procedures were effective.

Internal controls over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of November 30, 2022. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Limitations of controls and procedures

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

Limitation on scope of design

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations:

Percentage of MTY Food Group Inc.	Company's assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net income
Küto Comptoir à Tartares	1%	0%	1%	0%	0%	1%	2%
BBQ Holdings	15%	14%	15%	17%	0%	10%	3%

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's DC&P and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise de facto control and which have as a result been consolidated in the Company's consolidated financial statements. For the year ended November 30, 2022, these SPEs represent less than 0.1% of the Company's current assets, less than 0.1% of its non-current assets, less than 0.1% of the Company's current liabilities, less than 0.1% of non-current liabilities, 0.3% of the Company's revenue and less than 0.1% of the Company's net income.

Eric Lefebvre, CPA, MBA Chief Executive Officer

Renee St-Onge, CPA Chief Financial Officer

SUPPLEMENTAL INFORMATION

List of acquisitions

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La 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

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
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	—
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

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 plus share of net profit (loss) of a joint venture accounted for using the equity method. See reconciliation of adjusted EBITDA to Income (loss) before taxes on pages 14 and 21.
Normalized adjusted EBITDA	Represents revenue less operating expenses (excluding transaction costs related to acquisitions) plus share of net profit (loss) of a joint venture accounted for using the equity method. See reconciliation of normalized adjusted EBITDA to Income (loss) before taxes on pages 14 and 21.
Income (loss) before taxes, excluding impairment charges and reversals	Represents net income (loss) before taxes, excluding impairment charges and reversals on right-of-use assets, property, plant and equipment, intangible assets and goodwill.
Free cash flows	Represents the net cash flows: provided by operating activities; used in additions to property, plant and equipment and intangible assets; and provided by proceeds on disposal of property, plant and equipment.

Definition of non-GAAP ratios

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

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

Definition of supplementary financial measures

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

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

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

Free cash flows [(1)] loop to cash flows provided by operating activities

	Three months ended							
(In thousands $)	February 2021	May 2021	August 2021	November 2021	February 2022	May 2022	August 2022	November 2022
Cash flows provided by operating activities	31,307	29,541	46,553	31,898	39,696	30,739	36,838	35,524
Additions to property, plant and equipment	(1,213)	(2,301)	(1,248)	(1,677)	(1,149)	(3,494)	(1,327)	(2,700)
Additions to intangible assets	(47)	(156)	(65)	(56)	(1,672)	(1,346)	(713)	(257)
Proceeds on disposal of property, plant and equipment	253	413	361	5,438	95	84	666	286
Free cash flows [(1)]	**30,300**	**27,497**	**45,601**	**35,603**	**36,970**	**25,983**	**35,464**	**32,853**

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

Income before taxes, excluding impairment charges and reversals [(1)]

(in thousands $)	Year ended November 30, 2022	Year ended November 30, 2021
Income before taxes	96,170	112,072
Impairment charge – right-of-use assets	969	1,550
Net impairment charge – property, plant and equipment and intangible assets	13,916	5,903
Income before taxes, excluding impairment charges and reversals [(1)]	111,055	119,525

(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, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	29.4	1,604.6	1,634.0	89.8	2,527.4	2,617.2	**4,251.2**
Franchise royalty income as a % of franchise sales	—	5.23%	—	—	5.10%	—	**N/A**
Royalties	—	83.9	—	—	129.0	—	**212.9**

	Sales for the twelve months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	19.4	1,241.1	1,260.5	40.2	2,330.6	2,370.8	**3,631.3**
Franchise royalty income as a % of franchise sales	—	5.00%	—	—	5.09%	—	**N/A**
Royalties	—	62.1	—	—	118.6	—	**180.7**

	Sales for the three months ended November 30, 2022						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	8.0	430.1	438.1	74.1	694.3	768.4	**1,206.5**
Franchise royalty income as a % of franchise sales	—	5.28%	—	—	4.94%	—	**N/A**
Royalties	—	22.7	—	—	34.3	—	**57.0**

	Sales for the three months ended November 30, 2021						
	Canada			US & International			
(millions of $)	Corporate	Franchised	Total	Corporate	Franchised	Total	**TOTAL**
System sales [1]	5.9	373.0	378.9	9.4	574.2	583.6	**962.5**
Franchise royalty income as a % of franchise sales	—	5.12%	—	—	5.03%	—	**N/A**
Royalties	—	19.1	—	—	28.9	—	**48.0**

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

Consolidated financial statements of
MTY Food Group Inc.

November 30, 2022 and 2021

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended November 30, 2022 and 2021;
- the consolidated statements of comprehensive income for the years ended November 30, 2022 and 2021;
- the consolidated statements of changes in shareholders' equity for the years ended November 30, 2022 and 2021;
- the consolidated statements of financial position as at November 30, 2022 and 2021;
- the consolidated statements of cash flows for the years ended November 30, 2022 and 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

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, 2022. 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 – Accounting policies, note 4 – Critical accounting judgments and key sources of estimation uncertainty, note 14 – Intangible assets, note 15 – Goodwill and note 16 – Net impairment charge - property, plant and equipment, intangible assets and goodwill to the consolidated financial statements.* As at November 30, 2022, the Company had goodwill, trademarks (intangible assets with indefinite useful lives) and franchise and master franchise rights (intangible assets with definite useful lives) balances totalling \$529.5 million, \$805.8 million and \$191.2 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 applied by management in the discounted cash flow models by comparing them to the budget approved by the Board of Directors and by considering the past and current performance of the CGUs. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the appropriateness of the models used and the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. Franchise and master franchise rights are tested annually in connection with goodwill and trademarks annual testing, or whenever there is an indication that the asset may be impaired. If the recoverable amount of a CGU or a goodwill unit is estimated to be less than its carrying amount, the carrying amount of the CGU or goodwill unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. The recoverable amounts of the CGUs or goodwill unit are estimated based on value in use calculations using a discounted cash flow model. The key assumptions used were the projected operating cash flows and the discount rates. The annual impairment test resulted in an impairment charge of $13.4 million related to franchise rights and trademarks. We considered this a key audit matter due to (i) the significance of the goodwill, trademarks and franchise and master franchise rights balances and (ii) the significant judgment made by management in determining the recoverable amount of the goodwill units and CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures relating to the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Key audit matter	How our audit addressed the key audit matter
Preliminary valuation of certain trademarks acquired in the BBQ Holdings Inc. (BBQ Holdings) business combination *Refer to note 3 – Accounting policies and note 6 – Business acquisitions to the consolidated financial statements.* On September 27, 2022, the Company completed the acquisition of all of the issued and outstanding common shares of BBQ Holdings for a total cash consideration paid of $250.4 million. The preliminary fair value of identifiable assets acquired included $166.7 million of intangible assets related to nine trademarks, certain of which represent a significant portion of this amount. The fair values of the trademarks were estimated, based on the relief from royalty method using discounted cash flow models. In determining the fair values of the trademarks, the Company developed key assumptions such as projected system sales, discount rates and royalty rates. As of November 30, 2022, the purchase price allocation and valuation of intangible assets, including trademarks, are preliminary. We considered this a key audit matter due to the judgment by management in estimating the preliminary fair values of certain trademarks, including the development of key assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions developed by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the preliminary fair values of certain trademarks, which included the following: – Read the purchase agreement. – Tested the underlying data used by management in the discounted royalty cash flow models and the mathematical accuracy thereof. – Evaluated the reasonableness of significant assumptions used by management related to projected system sales by considering the current and past performance of BBQ Holdings and considering economic and industry data. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's royalty relief method as well as in evaluating the reasonableness of certain key assumptions such as the royalty rates and discount rates.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
February 15, 2023

[1] FCPA auditor, public accountancy permit No. A116853

MTY Food Group Inc.
Consolidated statements of income

Years ended November 30, 2022 and 2021
(In thousands of Canadian dollars, except per share amounts)

	Notes	2022	2021
		$	$
Revenue	27 & 32	**716,522**	551,903
Expenses			
Operating expenses	28 & 32	**534,440**	382,572
Depreciation – property, plant and equipment and right-of-use assets	12 & 13	**21,548**	16,174
Amortization – intangible assets	14	**29,473**	28,442
Interest on long-term debt		**12,428**	10,111
Net interest expense on leases	12	**3,210**	2,295
Impairment charge – right-of-use assets	12	**969**	1,550
Net impairment charge – property, plant and equipment and intangible assets	16	**13,916**	5,903
		615,984	447,047
Share of net loss of a joint venture accounted for using the equity method	7	**—**	(709)
Other (expenses) income			
Unrealized and realized foreign exchange loss		**(5,690)**	(300)
Interest income		**253**	198
Gain on de-recognition/lease modification of lease liabilities		**798**	1,319
Gain on disposal of property, plant and equipment		**108**	3,549
Revaluation of financial liabilities recorded at fair value	25	**2,932**	3,034
Loss on remeasurement of joint venture interest	7	**(2,769)**	—
Other income		**—**	125
		(4,368)	7,925
Income before taxes		**96,170**	112,072
Income tax expense	31		
Current		**24,669**	21,036
Deferred		**(3,678)**	5,093
		20,991	26,129
Net income		**75,179**	85,943
Net income attributable to:			
Owners		**74,817**	85,639
Non-controlling interests		**362**	304
		75,179	85,943
Net income per share	24		
Basic		**3.06**	3.47
Diluted		**3.06**	3.46

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, 2022 and 2021

(In thousands of Canadian dollars)

	2022	2021
	$	$
Net income	**75,179**	85,943
Items that may be reclassified subsequently to net income		
Unrealized gain (loss) on translation of foreign operations	**35,577**	(7,966)
Deferred tax expense on foreign currency translation adjustments	**(491)**	—
Other comprehensive income (loss)	**35,086**	(7,966)
Total comprehensive income	**110,265**	77,977
Total comprehensive income attributable to:		
Owners	**109,903**	77,673
Non-controlling interests	**362**	304
	110,265	77,977

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, 2022 and 2021

(In thousands of Canadian dollars)

	Capital stock	Reserves: Other	Reserves: Contributed surplus	Reserves: Foreign currency translation	Reserves: Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
Balance as at November 30, 2020	306,415	(850)	3,019	(13,354)	(11,185)	286,525	581,755	759	582,514
Net income for the year ended November 30, 2021	—	—	—	—	—	85,639	85,639	304	85,943
Other comprehensive loss	—	—	—	(7,966)	(7,966)	—	(7,966)	—	(7,966)
Total comprehensive income							77,673	304	77,977
Disposal of interest in 10220396 Canada Inc. (Note 17)	—	—	—	—	—	(1,300)	(1,300)	196	(1,104)
Shares repurchased and cancelled (Note 22)	(454)	—	—	—	—	(1,730)	(2,184)	—	(2,184)
Dividends	—	—	—	—	—	(9,141)	(9,141)	—	(9,141)
Share-based compensation (Note 23)	—	—	836	—	836	—	836	—	836
Balance as at November 30, 2021	305,961	(850)	3,855	(21,320)	(18,315)	359,993	647,639	1,259	648,898
Net income for the year ended November 30, 2022	**—**	**—**	**—**	**—**	**—**	**74,817**	**74,817**	**362**	**75,179**
Other comprehensive income	**—**	**—**	**—**	**35,086**	**35,086**	**—**	**35,086**	**—**	**35,086**
Total comprehensive income							**109,903**	**362**	**110,265**
Shares repurchased and cancelled (Note 22)	**(3,180)**	**—**	**—**	**—**	**—**	**(11,438)**	**(14,618)**	**—**	**(14,618)**
Dividends	**—**	**—**	**—**	**—**	**—**	**(20,518)**	**(20,518)**	**(403)**	**(20,921)**
Share-based compensation (Note 23)	**—**	**—**	**1,002**	**—**	**1,002**	**—**	**1,002**	**—**	**1,002**
Balance as at November 30, 2022	**302,781**	**(850)**	**4,857**	**13,766**	**17,773**	**402,854**	**723,408**	**1,218**	**724,626**

The following dividends were declared and paid by the Company:

	2022	2021
	$	$
$0.840 per common share (2021 – $0.370 per common share)	**20,518**	9,141

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, 2022 and 2021
(In thousands of Canadian dollars)

	Notes	**2022**	2021
		$	$
Assets			
Current assets			
Cash		**59,479**	61,231
Accounts receivable	8	**78,099**	57,459
Inventories	9	**18,517**	10,707
Assets held for sale	10	**2,111**	—
Current portion of loans and other receivables	11	**1,153**	1,189
Current portion of finance lease receivables	12	**83,500**	89,046
Income taxes receivable		**3,982**	3,712
Other assets		**3,275**	2,403
Prepaid expenses and deposits		**14,540**	7,721
		264,656	233,468
Loans and other receivables	11	**3,289**	3,049
Finance lease receivables	12	**255,276**	310,223
Contract cost asset		**6,455**	5,631
Deferred income taxes	31	**224**	185
Investment in a joint venture	7	**—**	25,911
Property, plant and equipment	13	**90,878**	17,526
Right-of-use assets	12	**159,706**	59,937
Intangible assets	14	**1,015,271**	820,274
Goodwill	15	**529,548**	428,390
		2,325,303	1,904,594
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**154,988**	119,462
Provisions	19	**1,490**	1,692
Gift card and loyalty program liabilities		**127,458**	101,889
Income taxes payable		**9,813**	4,256
Current portion of deferred revenue and deposits	20	**17,776**	16,100
Current portion of long-term debt	21	**9,530**	13,116
Current portion of lease liabilities	12	**114,437**	101,973
		435,492	358,488
Long-term debt	21	**551,429**	347,612
Lease liabilities	12	**400,377**	371,575
Deferred revenue and deposits	20	**48,405**	44,339
Deferred income taxes	31	**164,417**	132,653
Other liabilities		**557**	1,029
		1,600,677	1,255,696

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

(In thousands of Canadian dollars)

	Notes	2022 $	2021 $
Shareholders' equity			
Equity attributable to owners			
Capital stock	22	**302,781**	305,961
Reserves		**17,773**	(18,315)
Retained earnings		**402,854**	359,993
		723,408	647,639
Equity attributable to non-controlling interests		**1,218**	1,259
		724,626	648,898
		2,325,303	1,904,594

Approved by the Board on February 15, 2023

_________________________, 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, 2022 and 2021

(In thousands of Canadian dollars)

	Notes	2022	2021
		$	$
Operating activities			
Net income		**75,179**	85,943
Adjusting items:			
Interest on long-term debt		**12,428**	10,111
Net interest expense on leases	12	**3,210**	2,295
Depreciation – property, plant and equipment and right-of-use assets	12 & 13	**21,548**	16,174
Amortization – intangible assets	14	**29,473**	28,442
Impairment charge – property, plant and equipment	16	**535**	131
Impairment charge – right-of-use assets	12	**969**	1,550
Net impairment charge – intangible assets	16	**13,381**	5,772
Share of net loss of a joint venture accounted for using the equity method	7	**—**	709
Gain on de-recognition/lease modification of lease liabilities		**(798)**	(1,319)
Gain on disposal of property, plant and equipment		**(108)**	(3,549)
Revaluation of financial liabilities recorded at fair value through profit or loss	25	**(2,932)**	(3,034)
Loss on remeasurement of joint venture interest	7	**2,769**	—
Other income		**—**	(125)
Income tax expense		**20,991**	26,129
Share-based expense		**1,002**	836
		177,647	170,065
Income taxes paid		**(17,570)**	(27,448)
Interest paid		**(11,781)**	(10,079)
Other		**1,411**	(3,797)
Changes in non-cash working capital items	33	**(6,910)**	10,558
Cash flows provided by operating activities		**142,797**	139,299
Investing activities			
Net cash outflow on acquisitions	6	**(261,713)**	—
Cash acquired through acquisition and change in control (disposed of through disposal)	6 & 7	**14,820**	(131)
Proceeds on disposal of interest in 10220396 Canada Inc.	17	**—**	7,500
Additions to property, plant and equipment	13	**(8,670)**	(6,439)
Additions to intangible assets	14	**(3,988)**	(324)
Proceeds on disposal of property, plant and equipment		**1,131**	6,465
Cash flows (used in) provided by investing activities		**(258,420)**	7,071

MTY Food Group Inc.

Consolidated statements of cash flows (continued)

Years ended November 30, 2022 and 2021

(In thousands of Canadian dollars)

	Notes	2022	2021
		$	$
Financing activities			
Issuance of long-term debt	33	**275,626**	—
Repayment of long-term debt	33	**(80,214)**	(102,238)
Net lease payments	12	**(18,960)**	(15,354)
Shares repurchased and cancelled	22	**(14,618)**	(2,184)
Capitalized financing costs	33	**(1,817)**	(665)
Dividends paid to non-controlling shareholders of subsidiaries		**(403)**	—
Repayment of long-term debt in business acquisition	6	**(33,800)**	—
Dividends paid		**(20,518)**	(9,141)
Cash flows provided by (used in) financing activities		**105,296**	(129,582)
Net (decrease) increase in cash		**(10,327)**	16,788
Effect of foreign exchange rate changes on cash		**8,575**	141
Cash, beginning of year		**61,231**	44,302
Cash, end of year		**59,479**	61,231

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

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1. Description of the business

MTY Food Group Inc. (the "Company") is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations as well as the sale of retail products under a multitude of banners. The Company also operates a distribution center and a food processing plant, both of which are located in the province of Quebec.

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

2. Basis of preparation

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

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

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

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

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

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

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

Statement of compliance

The Company's financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on February 15, 2023.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

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

3. Accounting policies

Basis of consolidation

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

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

Principal subsidiaries are as follows:

	Percentage of equity interest	
Principal subsidiaries	2022	2021
	%	%
MTY Franchising Inc.	100	100
MTY Franchising USA, Inc.	100	100
Kahala Brands Inc.	100	100
BF Acquisition Holdings, LLC	100	100
Built Franchise Systems, LLC	100	100
CB Franchise Systems, LLC	100	100
Papa Murphy's Holdings Inc.	100	100
BBQ Holdings, Inc. (Note 6)	100	–
11554891 Canada Inc. (1)	70	70
9974644 Canada Inc.	65	65

(1) On December 3, 2021, the Company gained control over its 70% interest in 11554891 Canada Inc. – see Note 7.

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

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

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

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

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

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

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

3. Accounting policies (continued)

Changes in the Company's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. Accounting policies (continued)

Business combinations (continued)

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 (loss) are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Goodwill

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

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

Revenue recognition

The Company's accounting policies are summarized below:

Revenue from franchise locations

i) Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee. They are recognized on an accrual basis in accordance with the substance of the relevant agreement, as they are earned.

ii) Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement as the performance obligation relating to franchise rights is fulfilled. Amortization begins once the restaurant has opened.

iii) Upfront fees related to master license agreements are recognized over the term of the master license agreements on a straight-line basis.

iv) Renewal fees and transfer fees are recognized on a straight-line basis over the term of the related franchise agreement.

v) Restaurant construction and renovation revenue is recognized when the construction and renovation are completed.

vi) The Company earns rent revenue on certain leases it holds and sign rental revenue. Rental income that is not included in the measurement of the finance lease receivable under IFRS 16 is recognized on a straight-line basis over the term of the relevant lease.

vii) The Company recognizes breakage income proportionately as each gift card is redeemed, based on the historical redemption pattern of the gift cards. The Company also charges various program fees to its franchisees as gift cards are redeemed. Notably, this does not apply to gift card liabilities assumed in a business acquisition, which are accounted for at fair value at the acquisition date.

3. Accounting policies (continued)

Revenue recognition (continued)

Revenue from franchise locations (continued)

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 $33,819 (2021 – surplus of $30,481). These amounts are included in Accounts payable and accrued liabilities.

Revenue from corporate-owned locations

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

Contract cost asset

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

Assets held for sale

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

Leasing

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

<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. 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.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

Functional and presentation currency

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

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

Taxation

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

Current tax

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

Deferred tax

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

3. Accounting policies (continued)

Taxation (continued)

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 (loss) or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income (loss) or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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

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

Depreciation is based on the following terms:

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

Intangible assets

Intangible assets acquired separately

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

3. Accounting policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

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

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

Franchise rights and master franchise rights

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

Step-in rights

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

Trademarks

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

Other

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

3. Accounting policies (continued)

Impairment and reversal of impairment of long-lived assets

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

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

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

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

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

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

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to the CGU or a group of CGUs ("goodwill unit") that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes. As at November 30, 2022, goodwill is allocated as follows:

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

3. Accounting policies (continued)

Impairment of goodwill (continued)

Goodwill and trademarks are tested for impairment annually as at August 31, or more frequently when there is an indicator of impairment. If the recoverable amount of the goodwill unit is less than its carrying amount, the impairment loss reduces the carrying amount of any goodwill allocated to the goodwill unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income (loss). An impairment loss recognized for goodwill is not reversed in subsequent periods. The Company performed its annual impairment test for US Goodwill Unit C as at November 30, 2022 due to the timing of the acquisition.

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

Cash and restricted cash

Cash and restricted cash includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. As at November 30, 2022, cash and restricted cash included $680 of restricted cash (2021 – $462) that is required as part of guarantees on certain lease commitments.

Inventories

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

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

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

Financial instruments

Classification of financial assets

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

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

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

3. Accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

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.

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

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

Derecognition of financial assets

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

Deferred consideration receivable

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

3. Accounting policies (continued)

Financial instruments (continued)

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	FVTPL
Obligation to repurchase 11554891 Canada Inc. partner	FVTPL

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 28) on the consolidated statement of income.

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

Onerous contracts

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

3. Accounting policies (continued)

Provisions (continued)

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.

Share-based payment arrangements

The Company measures stock options granted to employees that vest in specified installments over the service period based on the fair value of each tranche on the grant date by using the Black-Scholes option-pricing model. Based on the Company's estimate of equity instruments that will eventually vest, a compensation expense is recognized over the vesting period applicable to the tranche with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

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

3. Accounting policies (continued)

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.

Joint arrangements

Joint arrangements are arrangements in which the Company exercises joint control as established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns. When the Company has the rights to the net assets of the arrangement, the arrangement is classified as a joint venture and is accounted for using the equity method. When the Company has rights to the assets and obligations for the liabilities relating to an arrangement, the arrangement is classified as a joint operation and the Company accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profits or losses and movements in other comprehensive income of the investee. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Company does not recognize further losses unless it will incur obligations or make payments on behalf of the joint ventures.

Unrealized gains resulting from transactions with joint ventures are eliminated, to the extent of the Company's share in the joint venture. For sales of products or services from the Company to its joint ventures, the elimination of unrealized profits is considered in the carrying value of the investment in equity-accounted investees in the consolidated statements of financial position and in the share in profit or loss of equity-accounted investees in the consolidated statements of income.

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.

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, 2022, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Key sources of estimation uncertainty (continued)

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 and operating cash flows, discount rates and royalty rates. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment

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

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

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

Impairment of property, plant and equipment and right-of-use assets

The Company performs an impairment test of its property, plant and equipment and right-of-use assets when there is an indicator of impairment. The recoverable amounts of the Company's corporate store assets are generally estimated based on fair value less cost of disposal as this was determined to be higher than their value in use. The fair value less cost of disposal of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment and any costs associated with exiting the lease.

During the years ended November 30, 2022 and 2021, the Company recognized impairment charges on its property, plant and equipment (Note 16). The total impairment on property, plant and equipment of $535 (2021 – $131) 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, 2022 and 2021, the Company also recognized impairment charges on its right-of-use assets (Note 12) of $969 (2021 – $1,550).

Impairment of franchise rights and trademarks

The Company performs at least annually an impairment test of its trademarks. The recoverable amounts of the Company's assets are generally estimated based on value in use calculations using a discounted cash flow model as this was determined to be higher than fair value less cost of disposal.

Discount rates are based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account.

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

Key sources of estimation uncertainty (continued)

Impairment (continued)

Impairment of franchise rights and trademarks (continued)

During the year ended November 30, 2022, the Company recognized impairment charges of $13,381 (2021 – net impairment charge of $5,772 comprised of an impairment charge of $15,135 partially offset by a reversal of impairment charge of $9,363) on its franchise rights and trademarks (Note 16) 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. During the year ended November 30, 2021, the Company also carried out a review of the recoverable amount allocated to the intangible assets associated with the "Houston Avenue Bar & Grill" and "Industria Pizza + Bar" brands, where the recoverable amount was measured at fair value less costs of disposal.

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, 2022 and 2021, no impairment charge on goodwill was required.

Impact of COVID-19

During the year ended November 30, 2022, the COVID-19 pandemic continued to impact the markets in which MTY and its franchise partners and suppliers operate. The first half of the year saw Canada continue to be impacted by the continuation of government-imposed restrictions, such as restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, over the following months such restrictions were gradually eased, with most government-imposed restrictions lifted in both Canada and the US by the end of the second quarter. The continuing vaccination campaigns, including the administration of boosters and the gradual expansion of the coverage of the population, allowed the Canadian and US markets to mostly remain open in the second half of the year, with small disruptions in certain areas. Although there is uncertainty surrounding the effects that the lifting of restrictions will have on the number of infections and the potential emergence of new variants, MTY's network currently operates with no restrictions.

As a result of the continued and uncertain economic and business impacts of the COVID-19 pandemic, the Company continues to monitor the estimates, judgments and assumptions used in the financial statements. For the year ended November 30, 2022, the Company determined that there were no specific triggers for impairment assessments attributable to COVID-19. Accordingly, the Company did not record or reverse impairment charges on its property, plant and equipment, intangible assets, and goodwill in the period attributable to COVID-19. These estimates, judgments and assumptions are subject to change.

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

5. 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, 2022 and have not been applied in preparing these consolidated financial statements.

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

Standard	Issue date	Effective date for the Company	Impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	December 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020, February 2021 & October 2022	December 1, 2024	In assessment
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	February 2021	December 1, 2023	In assessment
IAS 12, Income Taxes	May 2021	December 1, 2023	In assessment
IFRS 16, Leases	September 2022	December 1, 2024	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB published *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company will adopt the amendments on December 1, 2022.

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.

5. Future accounting changes (continued)

IAS 1, Presentation of Financial Statements (continued)

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will adopt the amendments on December 1, 2024.

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

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* with amendments that are intended to help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify that: the definition of a change in accounting estimates is replaced with a definition of accounting estimates; entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; a change in accounting estimate that results from new information or new developments is not the correction of an error; and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)* that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company will adopt the amendments on December 1, 2023.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise 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 recognising 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.

6. Business acquisitions

I) BBQ Holdings (2022)

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

The transaction included a purchase consideration totaling $250,443 (US$182,458), repayment of long-term debt of $33,800 (US$24,625) and early cash settlement of stock options and restricted stock units of $13,951 (US$10,164), as detailed below. The resulting aggregate cash outflow in connection with the BBQ Holdings acquisition was $284,243 (US$207,083).

The Company has not yet completed its fair value assessment of all assets acquired and liabilities assumed in connection with the BBQ Holdings acquisition. The most significant aspects remaining to be finalized relate to the valuation of property, plant and equipment, franchise rights, trademarks, gift card liability and deferred income taxes. Consequently, the table below presents management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed. The final determination of the fair values will be made within 12 months of the acquisition date. Accordingly, the following values, including goodwill, are subject to change and such changes may be material.

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

6. Business acquisitions (continued)

I) BBQ Holdings (2022) (continued)

	2022
	$
Consideration paid:	
Cash	250,443
Amount paid for early settlement of options	13,951
Total consideration	264,394
Cash consideration paid	250,443
Repayment of long-term debt	33,800
Net consideration paid/cash outflow	284,243

The preliminary purchase price allocation is as follows:

	2022
	$
Net assets acquired:	
Current assets	
Cash	28,269
Accounts receivable	8,026
Inventories	5,289
Income taxes receivable	1,228
Other assets	247
Prepaid expenses	1,849
	44,908
Loans receivable	196
Property, plant and equipment	74,448
Right-of-use assets	109,260
Intangible assets – Franchise rights	11,159
Intangible assets – Trademarks	166,689
Intangible assets – Other	1,382
Goodwill (1)	72,039
	480,081
Current liabilities	
Accounts payable and accrued liabilities	31,769
Gift card liability	10,444
Current portion of deferred revenue	583
Current portion of lease liabilities	17,241
	60,037
Long-term debt	33,800
Lease liabilities	92,019
Deferred income taxes	29,000
Other liabilities	831
	215,687
Net purchase price	264,394

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

6. Business acquisitions (continued)

I) BBQ Holdings (2022) (continued)

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to $4,781.

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

The following unaudited pro forma information for the year ended November 30, 2022 represents the Company's results of operations as if the acquisition of BBQ Holdings had occurred on December 1, 2021. 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.

	2022
	$
Revenue	1,022,785
Net income	85,467

II) Küto Comptoir à Tartares (2022)

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

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

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

6. Business acquisitions (continued)

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

The final purchase price allocation is as follows:

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

(1) Goodwill is deductible for tax purposes.

Total expenses incurred related to acquisition costs amounted to nil.

The purchase price allocation is final.

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

III) Other acquisition (2022)

On February 14, 2022, the Company's Canadian operations completed the acquisition of the assets of a restaurant located in the province of Quebec, for a total consideration of $2,450 (net cash outflow of $2,291). The amount allocated to goodwill was $1,930. The purpose of the transaction was to operate the restaurant as a corporately-owned restaurant until it can be converted into a franchise.

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

7. Change in control

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

The Company has an obligation to repurchase the interest of the minority shareholder of 11554891 Canada Inc. Under IFRS, this option gives the equity participation of this minority shareholder the characteristics of liability more than equity. As such, this minority shareholder's participation is classified in the current portion of long-term debt (Note 21).

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

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

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

7. Change in control (continued)

The final purchase price allocation is as follows:

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

(1) Goodwill is deductible for tax purposes.

The purchase price allocation is final.

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

8. Accounts receivable

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

	2022	2021
	$	$
Total accounts receivable	**85,193**	65,915
Less: Allowance for credit losses	**7,094**	8,456
Total accounts receivable, net	**78,099**	57,459
Of which:		
Not past due	**65,059**	42,257
Past due for more than one day but no more than 30 days	**2,513**	2,549
Past due for more than 31 days but no more than 60 days	**1,841**	2,131
Past due for more than 61 days	**8,686**	10,522
Total accounts receivable, net	**78,099**	57,459

	2022	2021
	$	$
Allowance for credit losses, beginning of year	**8,456**	12,531
Increase (decrease) to current year provision	**1,017**	(1,324)
Addition through business acquisition	**506**	—
Change in control over interest in 11554891 Canada Inc.	**44**	—
Reversal of amounts previously written off	**22**	41
Write-offs	**(3,072)**	(2,697)
Impact of foreign exchange	**121**	(95)
Allowance for credit losses, end of year	**7,094**	8,456

9. Inventories

	2022	2021
	$	$
Raw materials [(1)]	**2,386**	2,204
Work in progress	**1,011**	513
Finished goods and supplies [(1)]	**7,326**	4,293
Food and beverage [(1)]	**7,794**	3,697
Total inventories	**18,517**	10,707

[(1)] Prior year amounts have been restated to reflect a reclassification between raw materials, finished goods and supplies and food and beverage.

Inventories are presented net of a $26 allowance for obsolescence (2021 – $27). All of the inventories are expected to be sold within the next 12 months.

Inventories expensed during the year ended November 30, 2022 were $178,768 (2021 – $127,657).

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

10. Assets held for sale

Assets held for sale as at November 30, 2022 are stated at fair value less costs to sell and are comprised of one location's leasehold improvements, land and building in the US & International segment that were acquired with BBQ Holdings and that were transferred from property, plant and equipment (Note 13). They did not meet the definition of assets held for sale as at the acquisition date of BBQ Holdings.

11. Loans and other receivables

Loans and other receivables generally result from: the sales of franchises and of various advances to certain franchisees; and a deferred consideration receivable from the disposal of the Company's 80% interest in 10220396 Canada Inc. Loans and other receivables consist of the following:

	2022	2021
	$	$
Loans receivable bearing interest between 0% and 8% per annum, receivable in monthly installments of $163 in aggregate, including principal and interest, ending in 2032	**3,918**	4,057
Less: Allowance for credit losses on loans receivable	**1,299**	1,569
	2,619	2,488
Current portion of loans receivable	**(1,153)**	(1,189)
Loans receivable	**1,466**	1,299
Deferred consideration receivable	**1,823**	1,750
Loans and other receivables	**3,289**	3,049

The capital repayments of loans receivable in subsequent years will be:

	$
2023	1,153
2024	488
2025	346
2026	144
2027	36
Thereafter	452
	2,619

12. 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)

12. 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, 2022 and 2021:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	$	$	$	$
Balance as at November 30, 2020	58,336	10,278	609	69,223
Additions	14,658	—	834	15,492
Depreciation expense	(10,615)	(1,428)	(460)	(12,503)
Impairment charge	(1,550)	—	—	(1,550)
De-recognition/lease modification of lease liabilities	(14,493)	4,211	93	(10,189)
Foreign exchange	(538)	6	(4)	(536)
Balance as at November 30, 2021	45,798	13,067	1,072	59,937
Additions	**17,304**	**—**	**150**	**17,454**
Additions through business acquisitions (Note 6)	**108,775**	**—**	**531**	**109,306**
Change in control over interest in 11554891 Canada Inc. (Note 7)	**999**	**—**	**8**	**1,007**
Depreciation expense	**(13,795)**	**(1,373)**	**(405)**	**(15,573)**
Impairment charge	**(969)**	**—**	**—**	**(969)**
De-recognition/lease modification of lease liabilities	**(10,749)**	**(193)**	**(41)**	**(10,983)**
Foreign exchange	**(655)**	**176**	**6**	**(473)**
Balance as at November 30, 2022	**146,708**	**11,677**	**1,321**	**159,706**

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

12. Leases (continued)

Finance lease receivables and lease liabilities

The following table provides the net carrying amounts of the finance lease receivables and lease liabilities, and the changes in the years ended November 30, 2022 and 2021:

	Finance lease receivables	Lease liabilities
	$	$
Balance as at November 30, 2020	468,127	(558,749)
Additions	8,379	(14,649)
Lease renewals and modifications	35,622	(35,110)
Lease terminations	(16,082)	18,717
Other adjustments	1,722	4,037
Interest income (expense)	11,553	(13,848)
(Receipts) payments	(108,142)	123,496
Foreign exchange	(1,910)	2,558
Balance as at November 30, 2021	399,269	(473,548)
Additions	**17,001**	**(16,631)**
Additions through business acquisitions (Note 6)	**—**	**(109,306)**
Change in control over interest in 11554891 Canada Inc. (Note 7)	**2,858**	**(3,916)**
Lease renewals and modifications	**21,456**	**(21,869)**
Lease terminations	**(15,483)**	**9,226**
Other adjustments	**(800)**	**(334)**
Interest income (expense)	**10,210**	**(13,420)**
(Receipts) payments	**(101,051)**	**120,011**
Foreign exchange	**5,316**	**(5,027)**
Balance as at November 30, 2022	**338,776**	**(514,814)**

Recorded in the consolidated statements of financial position as follows:

	Finance lease receivables	Lease liabilities
	$	$
Current portion	89,046	(101,973)
Long-term portion	310,223	(371,575)
November 30, 2021	399,269	(473,548)
Current portion	**83,500**	**(114,437)**
Long-term portion	**255,276**	**(400,377)**
November 30, 2022	**338,776**	**(514,814)**

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

12. 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, 2022:

	Lease liabilities	Finance lease receivables	Operating subleases
	$	$	$
2023	130,554	92,671	1,551
2024	111,553	78,482	1,410
2025	94,035	64,594	1,317
2026	76,396	50,519	636
2027	57,203	35,210	402
Thereafter	111,125	53,022	492
Total undiscounted lease payments	**580,866**	**374,498**	**5,808**
Unguaranteed residual values	—	2,240	—
Gross investment in the lease	**—**	**376,738**	**—**
Less: Unearned finance income	—	(33,071)	—
Present value of minimum lease payment receivables	**—**	**343,667**	**—**
Allowance for credit losses	—	(4,891)	—
Current portion of finance lease receivables	—	(83,500)	—
Finance lease receivables	**—**	**255,276**	**—**

The Company has recognized net rent expense of $4,985 (2021 – $2,914) 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)

13. Property, plant and equipment

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2020	1,236	5,253	9,697	12,372	3,246	552	32,356
Additions	—	12	1,336	3,811	1,170	110	6,439
Disposals [(1)]	—	(131)	(2,703)	(693)	(2)	(65)	(3,594)
Impairment (Note 16)	—	—	(20)	(111)	—	—	(131)
Foreign exchange	—	—	(75)	(16)	8	(1)	(84)
Balance as at November 30, 2021	1,236	5,134	8,235	15,363	4,422	596	34,986
Additions	**1,900**	**30**	**2,020**	**2,949**	**1,721**	**50**	**8,670**
Transfer to assets held for sale (Note 10)	**(1,055)**	**(993)**	**(63)**	**—**	**—**	**—**	**(2,111)**
Disposals	**—**	**—**	**(737)**	**(1,392)**	**(122)**	**(20)**	**(2,271)**
Impairment (Note 16)	**—**	**—**	**(282)**	**(253)**	**—**	**—**	**(535)**
Foreign exchange	**(174)**	**(65)**	**(490)**	**(212)**	**60**	**1**	**(880)**
Change in control (Note 7)	**—**	**—**	**307**	**99**	**—**	**—**	**406**
Additions through business acquisitions (Note 6)	**5,416**	**5,778**	**35,420**	**25,183**	**3,304**	**12**	**75,113**
Balance as at November 30, 2022	**7,323**	**9,884**	**44,410**	**41,737**	**9,385**	**639**	**113,378**

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
Balance as at November 30, 2020	—	1,624	5,335	6,717	1,890	239	15,805
Eliminated on disposal of assets [(1)]	—	(32)	(1,819)	(89)	(14)	(38)	(1,992)
Foreign exchange	—	—	(10)	(15)	1	—	(24)
Depreciation expense	—	221	1,219	1,616	528	87	3,671
Balance as at November 30, 2021	—	1,813	4,725	8,229	2,405	288	17,460
Eliminated on disposal of assets	**—**	**—**	**(253)**	**(692)**	**(119)**	**(20)**	**(1,084)**
Foreign exchange	**—**	**—**	**53**	**51**	**45**	**—**	**149**
Depreciation expense	**—**	**279**	**2,438**	**1,811**	**1,343**	**104**	**5,975**
Balance as at November 30, 2022	**—**	**2,092**	**6,963**	**9,399**	**3,674**	**372**	**22,500**

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Computer hardware	Rolling stock	Total
	$	$	$	$	$	$	$
November 30, 2021	1,236	3,321	3,510	7,134	2,017	308	17,526
November 30, 2022	**7,323**	**7,792**	**37,447**	**32,338**	**5,711**	**267**	**90,878**

(1) During the year ended November 30, 2021, the Company disposed of two portfolios comprised of seven and 24 corporately-owned locations in the US segment that were converted into franchises upon completion of the sale. The Company received a total consideration of $4,201 for both portfolios and recognized a gain on disposal of $1,374, presented in Gain on disposal of property, plant and equipment in its consolidated statements of income.

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

14. Intangible assets

Cost	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other [(1)]	Total
	$	$	$	$	$	$
Balance as at November 30, 2020	370,722	619,613	1,199	10,318	7,847	1,009,699
Additions	—	—	—	—	324	324
Disposals	(2,180)	(1,270)	—	—	—	(3,450)
Foreign exchange	(2,997)	(5,202)	—	—	(33)	(8,232)
Net impairment (Note 16)	(752)	(4,788)	—	—	(232)	(5,772)
Balance as at November 30, 2021	364,793	608,353	1,199	10,318	7,906	992,569
Additions	**—**	**—**	**—**	**—**	**3,988**	**3,988**
Additions through business acquisitions (Note 6)	**12,249**	**171,659**	**—**	**3,380**	**1,382**	**188,670**
Change in control (Note 7)	**2,700**	**16,200**	**—**	**—**	**—**	**18,900**
Foreign exchange	**12,414**	**19,107**	**—**	**—**	**326**	**31,847**
Impairment (Note 16)	**(3,842)**	**(9,539)**	**—**	**—**	**—**	**(13,381)**
Balance as at November 30, 2022	**388,314**	**805,780**	**1,199**	**13,698**	**13,602**	**1,222,593**

Accumulated amortization	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other [(1)]	Total
	$	$	$	$	$	$
Balance as at November 30, 2020	140,619	—	859	1,638	2,554	145,670
Disposals	(1,259)	—	—	—	—	(1,259)
Foreign exchange	(553)	—	—	—	(5)	(558)
Amortization	26,136	—	119	818	1,369	28,442
Balance as at November 30, 2021	164,943	—	978	2,456	3,918	172,295
Foreign exchange	**5,460**	**—**	**—**	**—**	**94**	**5,554**
Amortization	**26,724**	**—**	**120**	**966**	**1,663**	**29,473**
Balance as at November 30, 2022	**197,127**	**—**	**1,098**	**3,422**	**5,675**	**207,322**

Carrying amounts	Franchise and master franchise rights	Trademarks	Step-in rights	Customer lists	Other [(1)]	Total
	$	$	$	$	$	$
November 30, 2021	199,850	608,353	221	7,862	3,988	820,274
November 30, 2022	**191,187**	**805,780**	**101**	**10,276**	**7,927**	**1,015,271**

[(1)] Other items include $1,663 (2021 – $347) of licenses with an indefinite term that are not amortized.

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

14. Intangible assets (continued)

Indefinite life intangible assets consist of trademarks and perpetual licenses, where each brand represents a separate CGU for impairment testing, for 65 CGUs (2021 – 55 CGUs) totalling $807,443 (2021 – $608,700).

15. Goodwill

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

	2022	2021
	$	$
Goodwill, beginning of year	**490,627**	502,531
Business acquisitions (Note 6)	**76,877**	—
Change in control (Note 7)	**11,946**	—
Disposal (Note 17)	**—**	(7,807)
Foreign exchange	**15,819**	(4,097)
Goodwill, end of year	**595,269**	490,627
Accumulated impairment, beginning of year	**62,237**	63,079
Foreign exchange	**3,484**	(842)
Accumulated impairment, end of year	**65,721**	62,237
Carrying amount	**529,548**	428,390

As at November 30, 2022, goodwill was allocated to four (2021 – three) goodwill units as follows:

	2022	2021
	$	$
Canada Goodwill Unit (1)	**204,327**	187,543
US Goodwill Unit A (2)	**126,066**	119,385
US Goodwill Unit B (2)	**128,260**	121,462
US Goodwill Unit C (3)	**70,895**	—
	529,548	428,390

(1) Variance from prior year due to acquisition of the assets of Küto Comptoir à Tartares and a corporate store located in the province of Quebec (Note 6), and change in control over the Company's 70% interest in 11554891 Canada Inc. (Note 7).
(2) Variance from prior year due to foreign exchange conversion.
(3) Variance from prior year due to acquisition of BBQ Holdings (Note 6) and foreign exchange conversion.

16. Net impairment charge – property, plant and equipment and intangible assets

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

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

16. Net impairment charge – property, plant and equipment and intangible assets (continued)

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

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

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

Impairment (reversal of impairment) by geographical segment for the year ended November 30, 2021:

		Intangible assets			
	Property, plant and equipment	Franchise rights	Trademarks	Other	Total
	$	$	$	$	$
Canada	97	2,809	8,496	232	11,634
US & International	34	667	2,931	—	3,632
Impairment charge	131	3,476	11,427	232	15,266
Canada	—	(531)	(1,792)	—	(2,323)
US & International	—	(2,193)	(4,847)	—	(7,040)
Reversal of impairment charge	—	(2,724)	(6,639)	—	(9,363)
Net impairment charge	131	752	4,788	232	5,903

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

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

16. Net impairment charge – property, plant and equipment and intangible assets (continued)

The following table presents the key assumptions used in the Company's impairment tests, as well as the recoverable amounts measured at value in use as at August 31, 2022 and 2021:

			2022			2021
($, 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
Discount rates after tax	**9.8%**	**10.3%**	**10.3%**	8.1%	8.0%	8.0%
Discount rates pre-tax	**12.7%**	**13.1%**	**13.2%**	10.4%	10.1%	10.2%
Recoverable amounts	**1,137,633**	**675,843**	**328,712**	1,109,172	877,544	384,986

Long-term growth rates ranging from 0% to 2% (2021 – 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 (2021 – four brands) representing 1.8% (2021 – 0.1%) 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, 2022 and 2021. For the Canada Goodwill Unit, an increase of 950 basis points (2021 – 860 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% (2021 – 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 four brands (2021 – three brands) representing 0.5% (2021 – 0.1%) of the total carrying value of the franchise rights and trademarks in that goodwill unit. A change of 100 basis points in discount rates in US Goodwill Unit A would not result in additional impairment charges on goodwill for the years ended November 30, 2022 and 2021. For US Goodwill Unit A, an increase of 320 basis points (2021 – 500 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

A long-term growth rate of 1.5% (2021 – 1.5%) was used in the impairment test for US Goodwill Unit B. A change of 100 basis points in discount rates in US Goodwill Unit B would not result in additional impairment charges on intangible assets or goodwill for the years ended November 30, 2022 and 2021. For US Goodwill Unit B, an increase of 110 basis points (2021 – 230 basis points) in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

The Company performed its annual impairment test for US Goodwill Unit C, using the fair value less costs to sell method, as at November 30, 2022 due to the timing of the acquisition. A long-term growth rate of 2.0%, a discount rate after tax of 10.6% and a pre-tax discount rate of 12.1% were used in the impairment test for US Goodwill Unit C, which was acquired on September 27, 2022.

17. Disposal of interest in 10220396 Canada Inc.

During the year ended November 30, 2021, the Company sold its 80% interest in 10220396 Canada Inc., whose activities consist of franchising for the banners "Houston Avenue Bar & Grill" and "Industria Pizza + Bar", for a cash consideration of $7,500 and a deferred consideration of $1,693. The deferred consideration has a contractual amount of up to $3,000, to be repaid in two tranches: the first tranche of $1,500 will be repaid in variable instalments based on royalties collected, beginning in July 2022; the second tranche will also be repaid in variable instalments based on royalties collected, which will begin once the first tranche is fully repaid, and will end on the earlier of such time $1,500 is repaid, or a period of 10 years has elapsed. The Company recorded a gain on the disposal of its shares of 10220396 Canada Inc. of $141, presented in Other income in the consolidated statement of income.

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

18. Credit facility

During the year ended November 30, 2022, the Company modified its existing credit facility payable to a syndicate of lenders. The modification resulted in an increase to the revolving credit facility, which now has an authorized amount of $900,000 (2021 – $600,000), and an extension of its maturity by 18 months, until October 28, 2025. The accordion feature amounting to $300,000 (2021 – $300,000) remained unchanged. Transaction costs of $1,817 were incurred and will be deferred and amortized over the remaining three years of the life of the revolving credit facility. As at November 30, 2022, US$408,850 was drawn from the revolving credit facility (2021 – US$271,470).

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, 2022, the Company was in compliance with its financial covenants.

19. Provisions

Included in provisions are the following amounts:

	2022	2021
	$	$
Litigations, disputes and other contingencies	**1,490**	1,636
Closed stores	**—**	56
	1,490	1,692

The provision for litigation, disputes and other contingencies represents management's best estimate of the outcome of litigations and disputes that are ongoing at the date of the statement of financial position. This provision is made of multiple items; the timing of the settlement of this provision is unknown given its nature, as the Company does not control the litigation timelines.

The payables related to closed stores mainly represent amounts that are expected to be disbursed to exit leases of underperforming or closed stores. The negotiations with the various stakeholders are typically short in duration and are expected to be settled within a few months following the recognition of the provision. The Company has recognized a liability of nil (2021 – $56) for the leases of premises in which it no longer has operations but retains the obligations contained in the lease agreement, with the exception of leases for which the lease liabilities are already recorded pursuant to IFRS 16.

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

	2022	2021
	$	$
Provision for litigations, disputes and closed stores, beginning balance	**1,692**	3,065
Reversals	**(517)**	(541)
Amounts used	**(404)**	(1,116)
Additions	**680**	305
Impact of foreign exchange	**39**	(21)
Provision for litigations, disputes and closed stores, ending balance	**1,490**	1,692

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

20. Deferred revenue and deposits

	2022	2021
	$	$
Franchise fee deposits	**55,646**	49,266
Unearned rent, advances for restaurant construction and renovation	**2,854**	2,364
Supplier contributions and other allowances	**7,681**	8,809
	66,181	60,439
Less: Current portion	**(17,776)**	(16,100)
	48,405	44,339

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.

$15,391 (2021 – $12,853) 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, 2022:

Estimate for fiscal year:	$
2023	17,776
2024	8,806
2025	6,808
2026	5,468
2027	4,216
Thereafter	23,107
	66,181

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

21. Long-term debt

	2022	2021
	$	$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	**142**	12,171
Contingent considerations on Küto Comptoir à Tartares acquisition (Note 6) and 11554891 Canada Inc. (Note 7) [(1)]	**3,626**	1,961
Fair value of non-controlling interest option in 9974644 Canada Inc. [(2)]	**1,853**	1,575
Fair value of obligation to repurchase 11554891 Canada Inc. partner (Note 7) [(3)]	**7,867**	1,416
Revolving credit facility payable to a syndicate of lenders [(4)]	**550,055**	345,000
Credit facility financing costs	**(2,584)**	(1,395)
	560,959	360,728
Less: Current portion	**(9,530)**	(13,116)
	551,429	347,612

(1) Küto Comptoir à Tartares (payable June 2024) and 11554891 Canada Inc. (payable December 2022).
(2) Payable on demand.
(3) Payable on demand, with a maximum maturity date of December 2024.
(4) Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility's maturity is October 28, 2025 and must be repaid in full at that time. The revolving credit facility has an authorized amount of $900,000 (2021 – $600,000). As at November 30, 2022, the Company had drawn US$408,850 (2021 – US$271,470) and has elected to pay interest based on the Secured Overnight Financing Rate ("SOFR") plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate rate, Bankers' acceptances rate and eventually the Canadian Overnight Repo Rate Average, and SOFR plus an applicable margin that will vary depending on the type of advances. The Company pays a commitment fee on the available unused credit facility.

22. Capital stock

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

	2022		2021	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of year	**24,669,861**	**305,961**	24,706,461	306,415
Shares repurchased and cancelled	**(256,400)**	**(3,180)**	(36,600)	(454)
Balance, end of year	**24,413,461**	**302,781**	24,669,861	305,961

On June 28, 2022, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2022 and will end on July 2, 2023 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,220,673 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the year ended November 30, 2022, the Company repurchased and cancelled a total of 256,400 common shares (2021 – 36,600 common shares) under the current NCIB, at a weighted average price of $57.01 per common share (2021 – $59.68 per common share), for a total consideration of $14,618 (2021 – $2,184). An excess of $11,438 (2021 – $1,730) 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)

23. Stock options

The Company offered for the benefit of certain key members of management and directors a stock option plan. In accordance with the terms of the plan the Company may grant stock options on the common shares at the discretion of the Board of Directors. 60,000 shares are available for issuance under the stock option plan as at November 30, 2022 (2021 – 60,000).

Under the stock option plan of the Company, the following options were granted and are outstanding as at November 30, 2022 and 2021:

	2022		2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**440,000**	**50.97**	400,000	50.19
Granted	**—**	**—**	40,000	58.78
Outstanding, end of year	**440,000**	**50.97**	440,000	50.97
Vested, end of year	**102,221**	**49.72**	66,666	48.36

As at November 30, 2022, 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**	**4.3**
52.01	**200,000**	**6.8**
58.78	**40,000**	**2.1**
	440,000	**5.3**

As at November 30, 2021, 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	5.3
52.01	200,000	7.8
58.78	40,000	3.1
	440,000	6.3

No options were granted during the year ended November 30, 2022.

Options granted during the year ended November 30, 2021 have a service condition in order to vest. One third of the granted options vested and were exercisable on July 1, 2022. The remaining options will vest and be exercisable as to one third of the grant on each of July 1, 2023 and July 1, 2024. The options will expire on December 31, 2024.

The weighted average fair value of the stock options granted for the year ended November 30, 2021 was $9.23 per option. The fair value of the options granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model.

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

23. Stock options (continued)

The following weighted average assumptions were used:

		2021
Acquisition date share price	$	58.78
Exercise price	$	58.78
Expected dividend yield		1.26%
Expected volatility		26.1%
Risk-free interest rate		1.15%
Expected life (in years)		2.5 years

A compensation expense of $1,002 was recorded for the year ended November 30, 2022 (2021 – $836). The expense is presented in Wages and benefits in Operating expenses in the consolidated statements of income.

24. Net income per share

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

	2022	2021
Weighted daily average number of common shares – basic	**24,439,892**	24,704,866
Assumed exercise of stock options [1]	**25,846**	40,265
Weighted daily average number of common shares – diluted	**24,465,738**	24,745,131

(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, 2022 was 240,000 (2021 – 200,000).

25. 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 are subject to earn-out provisions, which are based on future earnings; the contingent considerations for Küto Comptoir à Tartares and 11554891 Canada Inc. are repayable in June 2024 and December 2022, respectively. These contingent considerations have been recorded at fair value and are remeasured on a recurring basis.

A fair value remeasurement gain of $1,794 was recorded for the contingent considerations for the year ended November 30, 2022 (2021 – gain of $1,656).

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

25. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

Obligation to repurchase non-controlling interest

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at the option of the holder at any time after December 9, 2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. The Company records a liability at fair value (Note 21) which is remeasured at each reporting period.

A fair value remeasurement loss of $278 (2021 – loss of $404) was recorded for this non-controlling interest obligation.

Obligation to repurchase 11554891 Canada Inc. partner

The Company, in conjunction with the acquisition of its 70% interest in 11554891 Canada Inc., entered into an agreement to acquire the remaining 30% interest by December 2024. The consideration to be paid for this acquisition will be based on future earnings. The Company recorded a liability at fair value (Note 21) which is remeasured at each reporting period. An increase or decrease by 1% in the discount rates used would have an impact of nil on the carrying amount as at November 30, 2022 (2021 – $14).

A fair value remeasurement gain of $1,416 (2021 – gain of $1,948) was recorded for this obligation to repurchase the 11554891 Canada Inc. partner.

Cross currency interest rate swaps

On November 26, 2022 and November 29, 2022, the Company entered into one floating to floating 3-month cross currency interest rate swap and one floating to floating 2-month cross currency interest rate swap (November 30, 2021 – one floating to floating 3-month cross currency interest rate swap, one floating to floating 2-month cross currency interest rate swap and one floating to floating 1-month cross currency interest rate swap). A fair value of nil was recorded as at November 30, 2022 (November 30, 2021 – nil). The Company has classified this as level 2 in the fair value hierarchy.

		2022			2021
	3-month	**2-month**	3-month	2-month	1-month
Receive – Notional	**US$64,850**	**US$150,000**	US$78,920	US$180,761	US$11,789
Receive – Rate	**6.18%**	**6.18%**	1.29%	1.29%	1.29%
Pay – Notional	**CA$87,000**	**CA$201,000**	CA$100,000	CA$230,000	CA$15,000
Pay – Rate	**5.95%**	**5.80%**	1.23%	1.09%	1.38%

Fair value hierarchy	**Level 3**	
	2022	2021
	$	$
Contingent considerations on Küto Comptoir à Tartares acquisition and 11554891 Canada Inc.	**3,626**	1,961
Non-controlling interest buyback option	**1,853**	1,575
Obligation to repurchase 11554891 Canada Inc. partner	**7,867**	1,416
Financial liabilities	**13,346**	4,952

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

25. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

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 receivables, 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, 2022 and 2021. 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.

		2022		2021
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and other receivables	**4,442**	**4,442**	4,238	4,238
Finance lease receivables	**338,776**	**338,776**	399,269	399,269
Financial liabilities				
Long-term debt (1)	**550,197**	**550,197**	357,171	357,189

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

Determination of fair value

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

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

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

The Company, through its financial assets and financial liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2022.

Credit risk

The Company's credit risk is primarily attributable to its trade 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 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.

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's US and foreign operations use the US dollar ("USD") as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in USD, other working capital items and financial obligations from its US operations. As at November 30, 2022, US$408,850 (2021 – US$271,470) was drawn from the revolving credit facility. Of that amount, US$214,850 (2021 – US$271,470) was not exposed to foreign exchange risk as a result of two (2021 – three) cross currency interest rate swaps, and US$194,000 (2021 – nil) was exposed to foreign exchange risk.

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

25. Financial instruments (continued)

Foreign exchange risk (continued)

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, 2022 and 2021, the Company has the following financial instruments denominated in foreign currencies:

	2022		2021	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**5,424**	**7,327**	3,744	4,789
Accounts receivable	**463**	**625**	378	484
Financial liabilities				
Accounts payable and deposits	**(212)**	**(286)**	(82)	(105)
Long-term debt	**(194,000)**	**(262,055)**	—	—
Net financial (liabilities) assets	**(188,325)**	**(254,389)**	4,040	5,168

All other factors being equal, a reasonable possible 5% rise in foreign currency exchange rates per Canadian dollar would result in a loss of $9,416 (2021 – profit of $202) 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.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as SOFR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. $550,055 (2021 – $345,000) of the credit facility was used as at November 30, 2022. A 100 basis points increase in the bank's prime rate would result in additional interest of $5,501 per annum (2021 – $3,450) 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, 2022, the Company had an authorized revolving credit facility for which the available amount may not exceed $900,000 (2021 – $600,000) and including an accordion feature amounting to $300,000 (2021 – $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 18 and Note 21.

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

25. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at November 30, 2022:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	Thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**154,988**	**154,988**	**154,988**	**—**	**—**	**—**
Long-term debt (Note 21) [1]	**560,959**	**563,543**	**10,709**	**4**	**2,727**	**550,103**
Interest on long-term debt [1]	**n/a**	**106,053**	**18,180**	**18,181**	**36,361**	**33,331**
Lease liabilities	**514,814**	**580,866**	**65,277**	**65,277**	**111,553**	**338,759**
	1,230,761	**1,405,450**	**249,154**	**83,462**	**150,641**	**922,193**

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

26. Capital disclosures

The Company's objectives when managing capital are:

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

(b) To provide an adequate return to its shareholders; and

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

The Company defines its capital as follows:

(a) Shareholders' equity;

(b) Long-term debt including the current portion;

(c) Deferred revenue including the current portion; and

(d) Cash

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

The Company monitors capital on the basis of the debt-to-equity ratio. The debt-to-equity ratios at November 30, 2022 and 2021 were as follows:

	2022	2021
	$	$
Debt	**560,959**	360,728
Equity	**724,626**	648,898
Debt-to-equity ratio	**0.77**	0.56

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

26. Capital disclosures (continued)

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

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

27. Revenue

	For the year ended					
	November 30, 2022			November 30, 2021		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Royalties	**83,860**	**128,968**	**212,828**	62,084	118,631	180,715
Franchise and transfer fees	**5,141**	**6,729**	**11,870**	5,019	4,353	9,372
Retail, food processing and distribution revenues	**162,467**	**5,996**	**168,463**	124,280	4,972	129,252
Sale of goods, including construction revenue	**35,410**	**94,821**	**130,231**	24,650	44,862	69,512
Gift card breakage income	**450**	**5,427**	**5,877**	228	4,518	4,746
Promotional funds	**42,394**	**68,890**	**111,284**	32,151	61,207	93,358
Other franchising revenue	**37,901**	**26,443**	**64,344**	28,598	25,648	54,246
Other	**3,000**	**8,625**	**11,625**	3,175	7,527	10,702
	370,623	**345,899**	**716,522**	280,185	271,718	551,903

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

28. Operating expenses

	For the year ended					
	November 30, 2022			November 30, 2021		
	Canada	**US & International**	**TOTAL**	Canada	US & International	TOTAL
	$	**$**	**$**	$	$	$
Cost of goods sold and rent	**15,800**	**36,355**	**52,155**	12,044	19,829	31,873
Retail, food processing and distribution costs	**145,995**	**—**	**145,995**	113,992	—	113,992
Wages and benefits [(1)]	**55,910**	**79,602**	**135,512**	42,477	55,004	97,481
Wage and rent subsidies	**—**	**—**	**—**	(5,458)	(291)	(5,749)
Consulting and professional fees	**7,750**	**12,897**	**20,647**	6,760	7,018	13,778
Insurance and taxes	**1,360**	**3,723**	**5,083**	1,242	2,814	4,056
Utilities, repairs and maintenance	**2,003**	**5,077**	**7,080**	1,387	2,041	3,428
Advertising, travel, meals and entertainment	**3,635**	**6,535**	**10,170**	2,256	4,759	7,015
Gift cards – related costs	**—**	**8,153**	**8,153**	—	6,245	6,245
Royalties	**49**	**7,972**	**8,021**	44	7,401	7,445
Promotional funds [(2)]	**42,394**	**68,890**	**111,284**	32,151	61,207	93,358
Impairment (reversal of impairment) for expected credit losses	**2,320**	**(216)**	**2,104**	(1,219)	(1,975)	(3,194)
Other [(3)]	**10,227**	**18,009**	**28,236**	6,437	6,407	12,844
	287,443	**246,997**	**534,440**	212,113	170,459	382,572

(1) Wages and benefits are presented net of investment tax credit of $459 (2021 – nil).

(2) Promotional fund expenses include wages and benefits.

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

29. 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 $18,648 as at November 30, 2022 (2021 – $19,260). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. As at November 30, 2022, the Company has accrued $1,570 (2021 – $1,796), included in Accounts payable and accrued liabilities, with respect to these guarantees.

30. 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 19. The timing of the outflows, if any, is out of the control of the Company and is as a result undetermined at the moment.

(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:

	2022		2021	
	$	%	$	%
Combined income tax rate in Canada	**25,486**	**26.5**	29,699	26.5
Add effect of:				
Difference between Canadian and foreign statutory rate	**(6,126)**	**(6.4)**	(6,195)	(5.5)
Non-taxable portion of capital gains	**505**	**0.5**	16	—
Permanent differences	**3,601**	**3.7**	(238)	(0.2)
Recognition of previously unrecognized deferred tax assets	**—**	**—**	(20)	—
Losses in subsidiaries for which no deferred income tax assets is recognized	**2**	**—**	1,645	1.5
Rate variation on deferred income tax	**(754)**	**(0.8)**	1,851	2.4
Adjustment to prior year provisions	**(768)**	**(0.8)**	428	(0.4)
Revision of estimates for tax exposures	**(875)**	**(0.9)**	—	—
Other – net	**(80)**	**(0.1)**	(1,057)	(1.0)
Provision for income taxes	**20,991**	**21.7**	26,129	23.3

The variation in deferred income taxes during the years ended November 30, 2022 and 2021 were as follows:

	November 30, 2021	Recognized in profit or loss	Recognized in other comprehen-sive loss	Acquisition	Foreign exchange	November 30, 2022
	$	$	$	$	$	$
Net deferred tax assets (liabilities) in relation to:						
Property, plant and equipment	(4,437)	**(1,527)**	**—**	**(10,430)**	**(339)**	**(16,733)**
Finance lease receivables	(103,487)	**15,726**	**—**	**1,045**	**(1,443)**	**(88,159)**
Right-of-use assets	(15,267)	**(25,633)**	**—**	**200**	**(580)**	**(41,280)**
Accounts receivable	363	**(67)**	**—**	**—**	**12**	**308**
Deferred costs	(1,298)	**(26)**	**—**	**—**	**(35)**	**(1,359)**
Inventory	58	**(5)**	**—**	**—**	**3**	**56**
Provisions and gift cards	19,965	**569**	**—**	**2,221**	**1,173**	**23,928**
Long-term debt	(1,255)	**1,095**	**(491)**	**(1,561)**	**(2)**	**(2,214)**
Non-capital losses	78	**438**	**—**	**18,552**	**(1,138)**	**17,930**
Capital losses	—	**228**	**—**	**—**	**—**	**228**
Intangible assets	(169,309)	**3,867**	**—**	**(38,337)**	**(5,998)**	**(209,777)**
Accrued expenses	10,002	**(1,389)**	**—**	**—**	**381**	**8,994**
Deferred revenue	9,857	**576**	**—**	**—**	**359**	**10,792**
Lease liabilities	122,262	**10,159**	**—**	**(1,257)**	**2,074**	**133,238**
Other	—	**(333)**	**—**	**—**	**188**	**(145)**
	(132,468)	**3,678**	**(491)**	**(29,567)**	**(5,345)**	**(164,193)**

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

31. Income taxes (continued)

	November 30, 2020	Recognized in profit or loss	Foreign exchange	November 30, 2021
	$	$	$	$
Net deferred tax assets (liabilities) in relation to:				
Property, plant and equipment	(1,600)	(2,845)	8	(4,437)
Finance lease receivables	(121,412)	17,408	517	(103,487)
Right-of-use assets	(17,560)	2,144	149	(15,267)
Accounts receivable	455	(84)	(8)	363
Deferred costs	(1,252)	(46)	—	(1,298)
Inventory	100	(42)	—	58
Provisions and gift cards	18,665	1,487	(187)	19,965
Long-term debt	282	(1,539)	2	(1,255)
Non-capital losses	828	(720)	(30)	78
Intangible assets	(168,598)	(2,249)	1,538	(169,309)
Accrued expenses	8,562	1,502	(62)	10,002
Deferred revenue	9,377	491	(11)	9,857
Lease liabilities	143,587	(20,600)	(725)	122,262
	(128,566)	(5,093)	1,191	(132,468)

As at November 30, 2022, there were nil (2021 – $857) capital losses which may be applied against capital gains for future years and be carried forward indefinitely. The deferred income tax benefit of these capital losses has not been recognized.

As at November 30, 2022, there were approximately $2,170 (2021 – $1,805) 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 2037 and 2042.

The deductible temporary difference in relation to foreign exchange on intercompany loans for which a deferred tax asset has not been recognized amounts to $987 (2021 – $7,609).

No deferred income tax liability is recognized on unremitted earnings of $80,931 (2021 – $39,846) 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.

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.

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

32. Segmented information (continued)

Below is a summary of each geographical and operating segment's performance during the years ended November 30, 2022 and 2021.

November 30, 2022

	CANADA						US & INTERNATIONAL						
	Franchising	**Corporate**	**Processing, distribution and retail**	**Promotional funds**	**Interco**	**Total Canada**	**Franchising**	**Corporate**	**Processing, distribution and retail**	**Promotional funds**	**Interco**	**Total US & International**	**Total consolidated**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**141,127**	**29,353**	**163,141**	**42,394**	**(5,392)**	**370,623**	**182,250**	**89,803**	**5,996**	**68,890**	**(1,040)**	**345,899**	**716,522**
Operating expenses	**71,548**	**29,266**	**145,992**	**42,394**	**(1,757)**	**287,443**	**97,579**	**85,203**	**—**	**68,890**	**(4,675)**	**246,997**	**534,440**
Segment profit (loss)	**69,579**	**87**	**17,149**	**—**	**(3,635)**	**83,180**	**84,671**	**4,600**	**5,996**	**—**	**3,635**	**98,902**	**182,082**
Total assets	**1,299,304**	**22,253**	**51,612**	**11,761**	**—**	**1,384,930**	**734,775**	**183,539**	**—**	**22,059**	**—**	**940,373**	**2,325,303**
Total liabilities	**957,112**	**21,575**	**10,718**	**11,761**	**—**	**1,001,166**	**296,761**	**280,691**	**—**	**22,059**	**—**	**599,511**	**1,600,677**

November 30, 2021

	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	107,308	19,388	124,989	32,151	(3,651)	280,185	167,250	40,180	4,972	61,207	(1,891)	271,718	551,903
Operating expenses	50,413	17,297	114,034	32,151	(1,782)	212,113	71,363	41,649	—	61,207	(3,760)	170,459	382,572
Segment profit (loss)	56,895	2,091	10,955	—	(1,869)	68,072	95,887	(1,469)	4,972	—	1,869	101,259	169,331
Total assets	1,120,006	17,583	36,052	9,472	—	1,183,113	667,186	33,286	—	21,009	—	721,481	1,904,594
Total liabilities	796,589	18,351	10,810	9,472	—	835,222	388,934	10,531	—	21,009	—	420,474	1,255,696

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

33. Statement of cash flows

Changes in liabilities and assets arising from financing and investing activities:

	Revolving credit facility	Long-term debt in business acquisition	Loan financing costs	Non-interest-bearing contracts and holdbacks	Non-controlling interest option	Contingent considerations	Obligation to repurchase 11554891 Canada Inc. partner	Total
	$	$	$	$	$	$		$
Balance as at November 30, 2021	345,000	—	(1,395)	12,171	1,575	1,961	1,416	**360,728**
Changes from financing activities:								
Increase in term revolving credit facility	275,626	—	—	—	—	—	—	**275,626**
Repayments of term revolving credit facility and holdbacks	(67,807)	—	—	(12,407)	—	—	—	**(80,214)**
Repayment of long-term debt in business acquisition (Note 6)	—	(33,800)	—	—	—	—	—	**(33,800)**
Payment of transaction costs	—	—	(1,817)	—	—	—	—	**(1,817)**
Changes from non-cash transactions:								
Amortization of transaction costs directly attributable to a financing arrangement	—	—	628	—	—	—	—	**628**
Accretion of interest on non-interest-bearing holdbacks	—	—	—	19	—	—	—	**19**
Revaluation of financial liabilities recorded at fair value through profit and loss (Note 25)	—	—	—	—	278	(1,794)	(1,416)	**(2,932)**
Foreign exchange	(2,764)	—	—	109	—	—	—	**(2,655)**
Changes from investing activities:								
Change in control over interest in 11554891 Canada Inc. (Note 7)	—	—	—	—	—	—	7,867	**7,867**
Business acquisition (Note 6)	—	33,800	—	—	—	—	—	**33,800**
Issuance of holdback (Note 6)	—	—	—	250	—	—	—	**250**
Issuance of contingent consideration (Note 6)	—	—	—	—	—	3,459	—	**3,459**
Balance as at November 30, 2022	**550,055**	**—**	**(2,584)**	**142**	**1,853**	**3,626**	**7,867**	**560,959**

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

33. Statement of cash flows (continued)

Changes in non-cash operating activities are as follows:

	2022	2021
	$	$
Accounts receivable	**(10,187)**	(3,746)
Inventories	**(2,049)**	(1,366)
Loans receivable	**36**	338
Other assets	**(345)**	389
Prepaid expenses and deposits	**(5,027)**	(1,512)
Accounts payable and accrued liabilities	**(1,376)**	4,128
Provisions	**(251)**	(1,348)
Gift card and loyalty program liabilities	**9,368**	7,749
Deferred revenue and deposits	**2,921**	5,926
	(6,910)	10,558

Non-cash items are included in proceeds from dispositions of capital assets amounting to $164 (2021 – $1,314).

The variation of accounts receivables includes non-cash transfers from long-term debt amounting to nil (2021 – $2,465).

34. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Remuneration of key management personnel and directors

The remuneration of key management personnel and directors, presented in Wages and benefits and Other in Note 28 of these consolidated financial statements, during the years ended November 30, 2022 and 2021 was as follows:

	2022	2021
	$	$
Short-term benefits (1)	**4,811**	3,231
Share-based compensation	**1,120**	924
Consulting fees	**282**	57
Board member fees	**78**	78
Total remuneration of key management personnel and directors	**6,291**	4,290

(1) Prior year amount has been restated to reflect a prior period adjustment.

Key management personnel is composed of the Company's CEO, COOs and CFO. The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market conditions.

Given its widely held share base, the Company does not have an ultimate controlling party; one of its most important shareholders is its Chair of the Board of Directors, who controls 16.4% of the outstanding shares.

35. Subsequent events

Acquisition of Wetzel's Pretzels

On December 8, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of all of the issued and outstanding shares of COP WP Parent, Inc. ("Wetzel's Pretzels"), a franchisor and operator of quick service restaurants operating in the snack category across 25 states in the US, as well as in Canada and Panama, for a cash consideration of approximately $282,000 (US$207,000), on a cash-free, debt-free basis. At closing, there were 329 franchised restaurants and 38 corporate-owned restaurants in operation.

Acquisition of Sauce Pizza and Wine

On December 15, 2022, one of the Company's wholly owned subsidiaries completed the acquisition of the assets of Sauce Pizza and Wine, an operator of fast casual restaurants operating in the state of Arizona in the US, for a total consideration of $14,789 (US$10,842), including a holdback on acquisition of $1,142 (US$837). At closing, there were 13 corporate-owned restaurants in operation.

Dividends

On January 18, 2023, the Company announced an increase to its quarterly dividend payment, from $0.210 per common share to $0.250 per common share. The dividend of $0.250 per common share was paid on February 15, 2023.

CORPORATE INFORMATION

HEAD OFFICE

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

AUDITORS

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

TRANSFER AGENT & REGISTRAR

Computershare Trust
Company of Canada

SOLICITORS

Fasken Martineau DuMoulin LLP

DIRECTORS

Stanley Ma
Claude St-Pierre
Eric Lefebvre
Dickie Orr*
Victor Mandel*
Murat Armutlu*
Suzan Zalter

*Audit Committee

INVESTOR RELATIONS

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

WWW.
MTYGROUP.
COM

GROUPE
MTY
GROUP