RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 weeks and 39 weeks ended September 27, 2020

The following Management's Discussion and Analysis ("MD&A") for Recipe Unlimited Corporation ("Recipe" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 and 39 weeks ended September 27, 2020 and September 29, 2019 ("third quarter", "Q3", "the quarter" or "the period"). This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and accompanying notes as at September 27, 2020, the audited annual consolidated financial statements and accompanying notes for the year ended December 29, 2019 and the related annual MD&A included in the Company's 2019 Annual Report. The consolidated results from operations for the 13 and 39 weeks ended September 27, 2020 are compared to the 13 and 39 weeks ended September 29, 2019. Recipe's fiscal year ends on the last Sunday in December.

Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-looking Statements" and "Risk and Uncertainties" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described in "Risk and Uncertainties" and elsewhere in this MD&A.

This MD&A was prepared as at November 5, 2020. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

The Interim Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and all amounts presented are in Canadian dollars unless otherwise indicated.

Impact of COVID-19

The COVID-19 pandemic has impacted Canadians and economies around the world. The restaurant and food services industry have experienced significant business disruptions since March 2020, as a result of mandated restaurant closures and other restrictive measures. While the length of this pandemic is uncertain and government-imposed restrictions continue to evolve, the Company remains focused on the health and safety of our customers, employees and franchise partners. In March 2020, the Company swiftly implemented remote work from home protocols, focused on off-premise sales and delivery channels with revised menus, e-commerce platform enhancements and opened a new "Ultimate Kitchen" to offer multi-brand off-premise choices for delivery to customers from a single kitchen. For all corporate and franchise restaurants and central leases, the Company is continuing to negotiate rent deferrals or reductions for the COVID-19 disruption and recovery periods and is applying for government rent subsidies with landlords where applicable.

In June 2020, the Company began to gradually re-open its Canadian restaurants at a reduced capacity to adhere to social distancing guidelines and implemented company-wide health and safety protocols across all of its restaurant locations. Our associates and franchise partners have operated effectively over the COVID-19 disruption periods, while executing industry leading safety measures and the Company reported a steady sales increase during the third quarter compared to the second quarter.

Since March 2020, the Company has taken a number of initiatives to provide direct support to its franchise partners. The 2020 full year cost of these initiatives is expected to be approximately $44.4 million, of which $26.5 million has been realized year-to-date. These initiatives include:

- The Company introduced a rent certainty program to assist its franchise partners with direct rent support through to the end of 2020. The full year cost estimate of the rent certainty program was recorded in the second quarter. The 2020 estimated cost of the rent certainty program is approximately $35.0 million, of which $22.0 million of direct rent support has been provided since the start of this program. The full cost of the rent certainty program is expected to be partially reduced by savings from the CECRA government rent assistance program for qualifying restaurants, these savings will be realized subsequent to the third quarter once government approvals are obtained; and

- The Company introduced a royalty reduction program to provide direct support to its franchise partners through to the end of 2020. The 2020 estimated cost of the royalty reduction program is approximately $7.5 million, of which $4.5 million of royalty reduction has been provided since the inception of this program.

The government of Canada has announced additional assistance programs available to the Company and franchise partners. These government assistance programs include:

- The Canada Emergency Wage Subsidy program (CEWS) was made available to the Company and its franchise partners. During the 13 weeks ended September 27, 2020, the Company realized $34.2 million of wage subsidies for salaries paid to employees in corporate restaurants, food manufacturing and head office locations;

- The Canada Emergency Commercial Rent Assistance program (CECRA) was made available to certain franchise locations. The benefit of the government rent assistance program will be realized subsequent to the third quarter for franchise restaurants that qualify, where landlords have agreed to participate in the program and government approvals are obtained; and

- Subsequent to the third quarter, the government of Canada introduced the new Canada Emergency Rent Subsidy ("CERS") program, which will provide direct rent relief to tenants and will replace the CECRA program, which expired at the end of September 2020. The Company is assessing its eligibility for the CERS program and intends to participate if eligible.

The Company has taken various actions to provide sufficient liquidity for the foreseeable future, including:

- On March 17, 2020 the Company drew $300.0 million on its revolving credit facility to provide liquidity during the COVID-19 period, and the Company subsequently repaid $276.0 million on its revolving credit facility in the second and third quarters. For franchise restaurants, the Company continues to work with franchisees to arrange lender accommodations and expanded credit facilities where necessary;

- On May 7, 2020, the Company amended its lending covenants with its banking syndicate and Private Noteholders to provide additional liquidity and covenant flexibility. The covenant amendments are effective through the third quarter of 2021;

- The Company suspended its NCIB share buyback program;

- The Company suspended dividend payments for the balance of 2020; and

- The Company suspended many central, new store development and corporate store renovation and capital expenditure plans.

As a result of these actions and careful working capital management, the Company had positive cash flows of $40.4 million in the third quarter before debt repayments. The Company finished the quarter with a $48.6 million cash balance, after total debt repayments of $223.0 million in the quarter.

While the actions taken during the COVID-19 period are considered sufficient for the foreseeable future, the future effect of COVID-19 on the economy and businesses, in general, remains uncertain. The medium and long term impact to the Company from COVID-19 will depend on the duration and extent of the new mandated restaurant closures, the financial solutions achieved with government, lenders, franchisees, and landlords, post COVID-19 consumer dining behaviors, and the macro impact on the overall economy, in particular household debt and levels of disposable income. Potential financial solutions which may be required include, but are not limited to, obtaining sufficient financial support from government(s) for the Company and its franchisees, lenders, as well as obtaining rent relief from landlords.

Highlights for the 13 and 39 weeks ended September 27, 2020:

- System Sales[1] for the 13 weeks ended September 27, 2020 decreased $192.7 million to $676.4 million compared to $869.1 million in 2019. While system sales decreased by 22.2% year over year, the Company reported a steady system sales increase from the previous quarter as our corporate and franchise restaurants gradually reopened. The Company closed the third quarter with a 40.5% increase in system sales from the second quarter, which reflects the strength and resilience of our brands and the effectiveness of our recovery efforts during the quarter.

- System Sales[1] for the 39 weeks ended September 27, 2020 decreased $777.7 million to $1,813.4 million compared to $2,591.1 million in 2019, representing a decrease of 30.0%. Management will not be reporting and commenting on Same Restaurant Sales ("SRS")[1] because the Company's definition of SRS and method that it is calculated does not represent a true reflection of actual performance. Total System Sales changes will be more relevant in this and subsequent quarters.

- Gross revenues for the 13 weeks ended September 27, 2020 was $243.3 million compared to $309.0 million, a decrease of $65.7 million or 21.3%. Gross revenues for the 39 weeks ended September 27, 2020 was $653.6 million compared to $925.5 million, a decrease of $271.9 million or 29.4%. The decreases were primarily related to Corporate restaurant revenue decreases, particularly in urban city centers most impacted by the COVID-19 pandemic.

- Off-premise System Sales for the 13 weeks ended September 27, 2020 increased 40.8% to $105.9 million compared to $75.2 million in 2019. The number of off-premise orders for the quarter increased by 23.9% to 3,495,255. Off-premise System sales for the 39 weeks ended September 27, 2020 increased 28.8% to $311.6 million compared to $236.7 million in 2019. The number of off-premise orders for the year increased by 18.0% to 10,266,349. The increase in off-premise orders reflects a change in consumer behaviour during the COVID-19 disruption period, which resulted in an increase of off-premise fee revenue of 17.8% from 2019. This change in consumer behaviour is expected to continue post-COVID and the Company is well positioned with most brands to build on its off-premise channels because of its established IT platforms and multiple options for delivery.

- Contribution from Retail and Catering for the 13 weeks ended September 27, 2020 was $12.6 million compared to $8.0 million in 2019, an increase of $4.6 million or 57.5%. Contribution from Retail and Catering for the 39 weeks ended September 27, 2020 was $35.3 million compared to $23.4 million in 2019, an increase of $11.9 million or 50.9%. The increase was driven by increased sales to retail grocery customers at higher gross margin rates after the benefit of government wage subsidies.

- Operating EBITDA[1] for the 13 weeks ended September 27, 2020 decreased by 14.1% to $42.5 million from $49.5 million in 2019, compared to a year over year decrease of 22.2% in system sales for the quarter, which reflects the success of the Company's Retail and Catering segment, off-premise sales growth, cost management efforts and government wage subsidies realized in the quarter.

- Operating EBITDA[1] for the 39 weeks ended September 27, 2020 decreased to $78.8 million compared to $155.5 million in 2019, a decrease of $76.7 million or 49.3%. The decrease was driven by the impact of COVID-19, which reflects the decline in System Sales, partially offset by lower SG&A costs, government wage subsidies, and various cost saving measures implemented by the Company.

- Operating EBITDA Margin on System Sales[1] for the 13 weeks ended September 27, 2020 increased to 6.3% from 5.7% in 2019, which reflects the strength of our Retail and Catering division, the various cost saving measures implemented by the Company, as well as the overall success of our COVID-19 recovery efforts.

- Operating EBITDA Margin on System Sales[1] for the 39 weeks ended September 27, 2020 was 4.3% compared to 6.0% in 2019. The change in margin rate was primarily driven by System Sales declines as a result of COVID-19.

- At the end of the first quarter, the Company opened its first Ultimate Kitchen concept in Toronto. The Ultimate Kitchen is a delivery only concept offering customers greater choice from the ability to order from multiple brands on the same order or to simply order from a specific brand. The Ultimate Kitchen represents a significant opportunity for future growth and expansion for Recipe. It is on-point with the shift in consumer behaviour, and is a viable option for us to serve markets where it may otherwise be cost prohibitive to build a traditional restaurant and its focus on a single channel will enable us to better serve our Guests while being profitable. The Company intends to open 3 additional Ultimate Kitchens in Toronto, Montreal and Hamilton by the end of the first quarter in 2021.

- The Company continues to execute the planned closures of restaurants that no longer fit its long-term strategic plan. For the 13 weeks ended September 27, 2020, the Company successfully closed and exited 11 more restaurants, resulting in 39 restaurants being closed in 2020, including 9 corporate, 29 franchise and 1 joint venture locations.

- Net Earnings for the 13 weeks ended September 27, 2020 was $5.2 million, compared to $6.7 million in 2019, a decrease of $1.5 million. The decrease driven from the change in fair value of exchangeable partnership units and Keg Royalty Income Fund units and increased interest expense, offset by the change in Operating Income. Operating Income or (Loss) for the 13 weeks ended September 27, 2020 was $28.9 million, compared to $20.4 million in 2019 and ($46.5) million in the prior quarter, representing an increase of $8.5 million from 2019 and an increase of $75.4 million from the second quarter. The increase in operating income in the quarter reflects the strength and resilience of our brands, the success of our recovery efforts in the third quarter, as well as the effects of various cost reduction measures.

- Net Loss for the 39 weeks ended September 27, 2020 was $76.7 million, compared to net earnings of $45.8 million in 2019 driven primarily by the year-to-date reduction in Operating Income of $112.3 million and the loss from the Change in Fair Value of Keg Royalty Fund partnership units of $42.0 million offset by lower Current and Deferred Income Tax expense of $37.4 million.

- Adjusted Basic EPS for the 13 weeks ended September 27, 2020 was $0.29 compared to $0.32 in 2019, a decrease of $0.04 or 11.2%. Adjusted Diluted EPS for the 13 weeks ended September 27, 2020 was $0.28 compared to $0.31 in 2019, a decrease of $0.03 or 9.1%.

  Adjusted Basic EPS for the 39 weeks ended September 27, 2020 was $0.52 compared to $1.00 in 2019, a decrease of $0.48 or 47.8%. Adjusted Diluted EPS for the 39 weeks ended September 27, 2020 was $0.52 compared to $0.96 in 2019, a decrease of $0.44 or 46.0%.

- Free Cash Flow[(1)] before growth capex, for the 13 weeks ended September 27, 2020 was $33.4 million compared to $36.1 million in 2019. Free Cash Flow[(1)] before growth capex, dividends, and share repurchases under the Company's normal course issuer bid ("NCIB") for the 39 weeks ended September 27, 2020 was $33.0 million compared to $111.6 million in 2019. Positive Free Cash Flow for quarter and year-to-date reflects the success of our cost management efforts, the collection of previously deferred franchise amounts and the benefit of CEWS government wage subsidies while providing rent and royalty financial assistance to franchisees.

- Free Cash Flow[(1)] per share before growth capex on a diluted basis was $0.59 for the 13 weeks ended September 27, 2020, compared to $0.58 in 2019. Free Cash Flow[(1)] per share before growth capex, dividends, and NCIB on a diluted basis was $0.58 for the 39 weeks ended September 27, 2020, compared to $1.76 in 2019.

[(1)] See "Non-IFRS Measures" on page 35 for definitions of Free Cash Flow, System Sales, SRS, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 35 for a reconciliation of Net Earnings to these Non-IFRS measures.

Subsequent Events

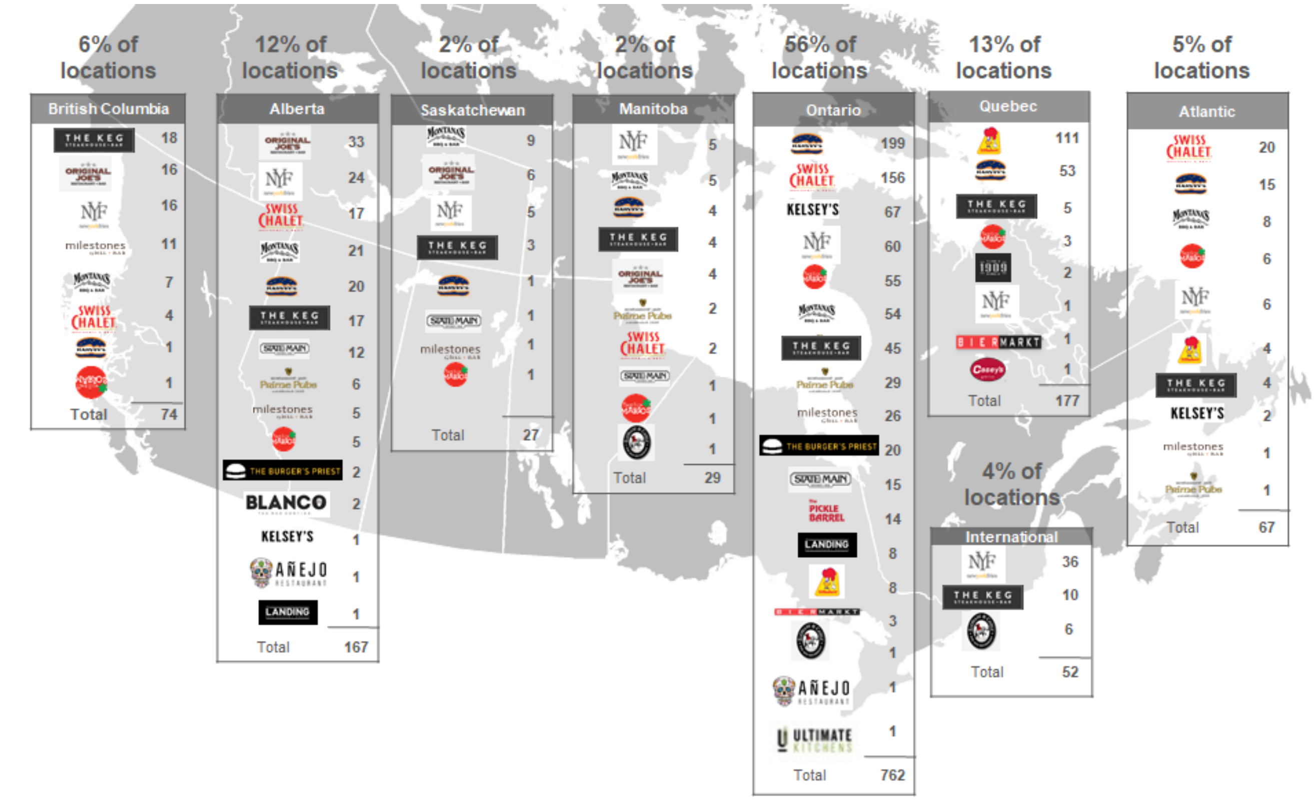
Subsequent to September 27, 2020, the Quebec, Ontario and Manitoba provincial governments announced the mandated closures of dining rooms for restaurants in certain areas within those provinces, in response to regional COVID-19 outbreaks. As a result, 454 of our locations were closed for in-restaurant dining. The Company will continue to take the necessary safety measures and operate in accordance with public health guidance.

On October 9, 2020, the government of Canada announced the extension of the Canada Emergency Wage Subsidy ("CEWS") program until June 2021. The government of Canada also introduced the new Canada Emergency Rent Subsidy ("CERS") program, which will provide direct rent relief to tenants and will replace the Canada Emergency Rent Assistance ("CECRA") program, which expired at the end of September 2020. In addition to applying for eligible government assistance programs, the Company has continued a number of cost reduction measures, including overhead cost reductions, reductions to planned capital expenditures, suspension of dividends and the suspension of share repurchases. The Company also continues to work with its landlord partners to complete short term lease modifications in response to COVID-19.

The Company continues to review its portfolio of restaurants to maximize site potential, the quality of sales and profitability to the Company and franchisees. In some instances, the Company may buy back previously franchised restaurants to operate corporately or to permanently close. Subsequent to September 27, 2020, the Company successfully exited and closed 9 locations.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at September 27, 2020, Recipe had 24 brands and 1,355 restaurants, 84% of which are operated by franchisees and joint venture partners, operating in 11 countries (Canada, USA, Bahrain, China, India, Macao, Oman, Panama, Qatar, Saudi Arabia and the UAE).



Unit count (unaudited)	As at September 27, 2020 Corporate	Franchise	Joint Venture	Total	As at December 29, 2019 Corporate	Franchise	Joint Venture	Total
Swiss Chalet	14	185	—	199	14	193	—	207
Harvey's	10	284	—	294	8	287	—	295
Montana's	5	99	—	104	5	100	—	105
Kelsey's	5	65	—	70	5	65	—	70
East Side Mario's (1)	6	66	—	72	3	72	—	75
Prime Pubs	5	33	—	38	3	38	—	41
Bier Markt	4	—	—	4	5	—	—	5
Milestones	27	15	2	44	26	16	2	44
Landing	9	—	—	9	9	—	—	9
New York Fries	19	134	—	153	17	140	—	157
St-Hubert	11	111	—	122	11	112	—	123
Original Joe's	16	29	14	59	17	29	14	60
State & Main	8	15	6	29	7	13	7	27
Elephant & Castle	8	—	—	8	8	1	—	9
Burger's Priest	—	—	22	22	—	—	21	21
1909 Taverne Moderne	—	—	2	2	—	—	2	2
Pickle Barrel	14	—	—	14	13	—	—	13
The Keg	51	55	—	106	49	58	—	107
Anejo	2	—	—	2	1	—	—	—
Blanco Cantina	1	1	—	2	1	—	—	—
Fresh	—	—	—	—	—	—	—	—
Casey's	—	1	—	1	—	1	—	1
Ultimate Kitchen	1	—	—	1				
Total restaurants	216	1,093	46	1,355	202	1,125	46	1,373
	15.9%	80.7%	3.4%	100.0%	14.7%	81.9%	3.4%	100.0%

(1). Unit count excludes East Side Mario restaurants located in the United States.

Selected Financial Information

The following table summarizes Recipe's System Sales Growth, number of restaurants, Selling, general and administrative expenses, Operating EBITDA, Operating EBITDA Margin, Operating EBITDA on System Sales, and Free Cash Flow.

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
System Sales [(1)]	**$ 676.4**	**$ 869.1**	**$ 1,813.4**	**$ 2,591.1**
System Sales Growth [(1)]	(22.2)%	(1.2)%	(30.0)%	3.2 %
Number of corporate restaurants	216	208	216	208
Number of joint venture restaurants	46	44	46	44
Number of franchised restaurants	1,093	1,123	1,093	1,123
Total number of restaurants (at period end)	**1,355**	**1,375**	**1,355**	**1,375**
Total gross revenue	$ 243.3	$ 309.0	$ 653.6	$ 925.5
Operating EBITDA [(1)]	**$ 42.5**	**$ 49.5**	**$ 78.8**	**$ 155.5**
Operating EBITDA Margin [(1)]	17.5 %	16.0 %	12.1 %	16.8 %
Operating EBITDA Margin on System Sales [(1)]	6.3 %	5.7 %	4.3 %	6.0 %
Free cash flow[(1)], before growth capex, dividends and NCIB	**$ 33.4**	**$ 36.1**	**$ 33.0**	**$ 111.6**
Free cash flow[(1)] per share - Basic (in dollars)	$ 0.59	$ 0.59	$ 0.58	$ 1.82
Free cash flow[(1)] per share - Diluted (in dollars)	$ 0.59	$ 0.58	$ 0.58	$ 1.76
Free cash flow[(1)], after growth capex, dividends and NCIB	$ 33.4	$ 4.2	$ 17.7	$ 35.6
Free cash flow[(1)] per share - Basic (in dollars)	$ 0.59	$ 0.07	$ 0.31	$ 0.58
Free cash flow[(1)] per share - Diluted (in dollars)	$ 0.59	$ 0.07	$ 0.31	$ 0.56
Net earnings (loss)	**$ 5.2**	**$ 6.7**	**$ (76.7)**	**$ 45.8**
Basic EPS (in dollars)	$ 0.09	$ 0.11	$ (1.35)	$ 0.75
Diluted EPS (in dollars)	$ 0.09	$ 0.11	$ (1.35)	$ 0.73
Adjusted Net Earnings[(1)]	**$ 16.1**	**$ 19.5**	**$ 29.3**	**$ 60.9**
Adjusted Basic EPS[(1)] (in dollars)	$ 0.29	$ 0.32	$ 0.52	$ 1.00
Adjusted Diluted EPS[(1)] (in dollars)	$ 0.28	$ 0.31	$ 0.52	$ 0.96

(1) See "Non-IFRS Measures" on page 35 for definitions of Free Cash Flow, System Sales, SRS, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 35 for a reconciliation of Net Earnings to these Non-IFRS measures.

The following table summarizes results of Recipe's operations for the 13 and 39 weeks ended September 27, 2020, and September 29, 2019:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
System Sales (2)	**$ 676.4**	**$ 869.1**	**$ 1,813.4**	**$ 2,591.1**
Sales	$ 207.7	$ 262.7	$ 558.0	$ 786.7
Franchise revenues	35.6	46.3	95.7	138.7
Total gross revenue (1)	**$ 243.3**	**$ 309.0**	**$ 653.6**	**$ 925.5**
Cost of inventories sold	(97.9)	(111.8)	(267.4)	(331.8)
Selling, general and administrative expenses				
Corporate restaurant expenses	(70.6)	(112.3)	(208.0)	(335.9)
Advertising fund transfers	(14.3)	(16.0)	(36.6)	(47.3)
The Keg royalty expense	(4.3)	(6.2)	(10.8)	(19.0)
Franchise assistance and bad debt	(1.9)	(1.2)	(3.4)	(2.8)
Depreciation & amortization	(25.4)	(27.8)	(77.5)	(83.7)
Net gain/ (loss) on disposal of property, plant and equipment	4.3	(0.5)	3.6	(0.9)
Net gain/ (loss) on settlement of lease liabilities	0.1	—	(0.4)	—
Losses on early buyout/cancellation of equipment rental contracts	—	(1.6)	—	(1.7)
Other	(1.1)	(2.9)	(14.0)	(5.7)
Selling, general and administrative expenses (1)	(113.3)	(168.5)	(346.9)	(497.0)
Impairment of assets, net of reversals	2.2	(5.7)	(61.5)	(9.7)
Restructuring and other	(5.4)	(2.6)	(6.2)	(3.1)
Operating income (loss) (1)	**$ 28.9**	**$ 20.4**	**$ (28.3)**	**$ 84.0**
Net interest expense and other financing charges	(7.9)	(4.9)	(23.8)	(16.9)
Share of gain (loss) from investment in joint ventures	0.8	(0.5)	1.0	(1.2)
Earnings (loss) before change in fair value and income taxes (1)	**$ 21.8**	**$ 15.0**	**$ (51.1)**	**$ 65.9**
Change in fair value of exchangeable Partnership units and Keg Royalty Income Fund units	(12.1)	(3.1)	(42.0)	0.9
Earnings (loss) before income taxes (1)	**$ 9.7**	**$ 11.9**	**$ (93.1)**	**$ 66.7**
Income taxes - current	(0.1)	(5.5)	(7.0)	(18.9)
Income taxes - deferred	(4.4)	0.3	23.4	(2.1)
Net earnings (loss) (1)	**$ 5.2**	**$ 6.7**	**$ (76.7)**	**$ 45.8**
Adjusted Net Earnings (2)	**$ 16.1**	**$ 19.5**	**$ 29.3**	**$ 60.9**
Earnings per share attributable to common shareholders (in dollars)				
Basic EPS	$ 0.09	$ 0.11	$ (1.35)	$ 0.75
Diluted EPS	$ 0.09	$ 0.11	$ (1.35)	$ 0.73
Adjusted Basic EPS (2)	$ 0.29	$ 0.32	$ 0.52	$ 1.00
Adjusted Diluted EPS(2)	$ 0.28	$ 0.31	$ 0.52	$ 0.96

(1) Figures may not total due to rounding.
(2) See "Non-IFRS Measures" on page 35 for definitions of Free Cash Flow, System Sales, SRS, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 35 for a reconciliation of Net Earnings to these Non-IFRS measures.

(C$ millions unless otherwise stated)	13 weeks ended September 27, 2020	13 weeks ended September 29, 2019	39 weeks ended September 27, 2020	39 weeks ended September 29, 2019
Reconciliation of Net Earnings to Adjusted Net Earnings (2)				
Net earnings (loss)	$ 5.2	$ 6.7	$ (76.7)	$ 45.8
Transaction costs	0.2	0.1	0.1	0.5
Net (reversal of) impairment of restaurant assets and lease receivables	(2.2)	5.7	61.5	9.7
Restructuring and other	5.4	2.6	6.2	3.1
Write off of deferred financing fees	—	(1.0)	—	—
Change in fair value of exchangeable Keg Partnership units	12.1	3.1	42.0	(0.9)
Amortization of unearned conversion fees income	—	0.3	(0.2)	0.2
Net (gain) loss on early buyout/cancellation of equipment rental contracts	(0.1)	1.6	(0.4)	1.7
Net loss (gain) on disposal of property, plant and equipment	(4.3)	0.5	(3.6)	0.9
Net (gain) loss on settlement of lease liabilities	(0.1)	—	0.3	—
Adjusted Net Earnings (1)(2)	**$ 16.1**	**$ 19.5**	**$ 29.3**	**$ 60.9**
Reconciliation of Net Earnings to EBITDA (2)				
Net earnings (loss)	$ 5.2	$ 6.7	$ (76.7)	$ 45.8
Net interest expense and other financing charges	7.9	4.9	23.8	16.9
Income taxes	4.5	5.2	(16.4)	21.0
Depreciation and amortization	26.0	28.4	79.3	85.3
EBITDA (2)	**$ 43.6**	**$ 45.2**	**$ 10.0**	**$ 169.0**
Reconciliation of EBITDA (2) to Operating EBITDA (2):				
Transaction costs	$ 0.2	$ 0.1	$ 0.1	$ 0.5
Net (reversal) impairment of restaurant assets and lease receivables	(2.2)	5.7	61.5	9.7
Restructuring and other	5.4	2.6	6.2	3.1
Change in fair value of exchangeable Keg Partnership units	12.1	3.1	42.0	(0.9)
Income on Partnership and Fund units	2.3	2.8	6.2	8.3
Amortization of unearned conversion fees income	—	0.3	(0.2)	0.2
Net (gain) loss on early buyout/cancellation of equipment rental contracts	(0.1)	1.6	(0.4)	1.7
Net loss (gain) on disposal of property, plant and equipment	(4.3)	0.5	(3.6)	0.9
Net (gain) loss on settlement of lease liabilities	(0.1)	—	0.3	—
Stock based compensation	0.1	1.4	1.0	5.1
Change in onerous contract provision	—	(0.6)	—	(0.8)
Proportionate share of joint venture results	—	0.9	(1.0)	1.7
Rent impact from IFRS 16 Leases	(14.5)	(14.1)	(43.3)	(43.0)
Operating EBITDA (1)(2)	**$ 42.5**	**$ 49.5**	**$ 78.8**	**$ 155.5**
Reconciliation of Operating EBITDA (2) to Free Cash Flow (2):				
Maintenance capex	$ (4.4)	$ (3.8)	$ (12.2)	$ (14.4)
Interest expense on long-term debt	(6.3)	(4.5)	(18.6)	(12.3)
Interest expense on note payable to the Keg Royalties Income Fund	(1.1)	(1.1)	(3.2)	(3.2)
Cash taxes	2.7	(4.0)	(11.7)	(14.0)
Free Cash Flow(2) before Growth capex, dividends and NCIB(1)	**$ 33.4**	**$ 36.1**	**$ 33.1**	**$ 111.6**
Growth capex	$ (4.5)	$ (8.2)	$ (12.9)	$ (20.7)
Proceeds on disposal of property, plant and equipment	4.5	(0.3)	4.5	0.6
Dividends paid on subordinate and multiple voting common shares	—	(6.8)	(6.6)	(20.6)
NCIB	—	(16.5)	(0.3)	(35.2)
Free Cash Flow(2) after Growth capex, dividends and NCIB(1)	**$ 33.4**	**$ 4.2**	**$ 17.8**	**$ 35.6**

(1) Figures may not total due to rounding.

(2) See "Non-IFRS Measures" on page 35 for definitions of Free Cash Flow, System Sales, SRS, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 35 for a reconciliation of Net Earnings to these Non-IFRS measures.

Restaurant Portfolio Management and Continuous Network Improvement

At the end of fiscal 2019, Management completed a thorough strategic planning process, which included a complete review of all corporate, franchised and joint venture locations. From this review management identified locations that no longer fit the long-term plan for the company and/or restaurants that are currently under-performing. For corporate restaurant locations that no longer fit the long-term strategic plan of the Company, Management is taking steps to exit these sites. For franchise locations that are under-performing, the Company will work with the franchisees to help them achieve sustainable success which may include the Company providing financial support in the form of royalty relief or rent assistance.

During the 13 weeks ended September 27, 2020, Management successfully closed and exited 11 locations, resulting in 39 locations being closed in 2020, including 9 corporate, 29 franchise and 1 joint venture locations, as part of the Company's pre-COVID strategic portfolio plan. The permanent closure of non-strategic locations has accelerated faster than originally planned because of the COVID-19 shutdown and successful landlord exit negotiations.

The success of new restaurants is dependent on a number of factors, including: availability of suitable sites; negotiation of acceptable lease terms for new locations; attracting qualified franchisees with suitable financing; availability, training and retention of management and other employees necessary to operate new corporate restaurants; and other factors, some of which are beyond Recipe's control. Management will continue to review the Company's portfolio of restaurants to maximize site potential, the quality of sales and profitability to the Company and franchisees.

Restaurant renovations also contribute to network improvement and demonstrate commitment by franchisees to reinvest in their business. However, the timing of renovations is dependent on having sufficient term remaining on both the particular franchise agreement and lease agreement. Franchisees are responsible for financing franchise restaurant renovations. We have found that renovations are most successful when they include changes to the exterior and interior coupled with a fresh approach to guest service and experience. During the 39 weeks ended September 27, 2020, the Company completed 9 renovations. As a result of COVID-19, Management has temporarily stopped most restaurant renovations that were planned for the balance of 2020 and will focus on maximizing sales and cash flow for corporate and franchise locations.

The Company contributes towards renovation incentive programs for certain brands to assist franchisees with the cost of major renovations that are expected to generate long-term SRS increases from enhanced guest experiences across all 4 Pillars of Operational Excellence. For the 39 weeks ended September 27, 2020, the Company contributed $0.2 million towards these renovation incentive programs which supported the completion of 7 restaurant renovations.

Recipe’s restaurant network consists of company-owned corporate locations and franchised locations. As at the end of September 27, 2020, there were 1,355 restaurants. The following table presents the changes in Recipe’s restaurant unit count:

	For the 39 weeks ended September 27, 2020							
	September 27, 2020				September 29, 2019			
Unit count (unaudited)	**Corporate**	**Franchised**	**Joint Venture**	**Total**	**Corporate**	**Franchised**	**Joint Venture**	**Total**
Beginning of year [1]	202	1,125	46	**1,373**	208	1,128	46	**1,382**
Acquisitions [2]	—	—	—	**—**	2	—	—	**2**
New openings	6	14	1	**21**	3	31	2	**36**
Closures	(9)	(29)	(1)	**(39)**	(14)	(28)	(3)	**(45)**
Casey's closures	—	—	—	—	—	—	—	—
Corporate buybacks[3]	17	(17)	—	—	11	(11)	—	—
Restaurants re-franchised[4]	—	—	—	—	(2)	3	(1)	—
End of period	216	1,093	46	**1,355**	208	1,123	44	**1,375**

(1) Unit count excludes East Side Mario's restaurants located in the United States.
(2) Anejo and Blanco Cantina was acquired on May 25, 2019.
(3) Corporate buy backs represent previously franchised restaurants acquired by the Company to operate corporately.
(4) Restaurants re-franchised represent corporate restaurants re-franchised to be operated by a franchisee.

Financial results

System Sales

System Sales for the 13 and 39 weeks ended September 27, 2020 were $676.4 million and $1,813.4 million compared to $869.1 and $2,591.1 million in 2019, representing a decrease of $192.7 million or 22.2% for the quarter and a decrease of $777.7 or 30.0% year-to-date. The decrease in System Sales was primarily due to the negative impact of the COVID-19 pandemic, offset by sales increases in the Retail and Catering segment.

Total gross revenue

Total gross revenue represents sales from corporate restaurants and catering division, franchise revenues (including royalty fees net of agreed subsidies, new franchise fees, marketing fund contributions, property and equipment rental income and corporate to franchise conversion fees), fees generated from Recipe's off-premise call centre business, new restaurant development revenue, and St-Hubert food processing and distribution revenues from sales to retail grocery customers and to its franchise network.

Total gross revenue was $243.3 million and $653.6 million for the 13 and 39 weeks ended September 27, 2020 compared to $309.0 million and $925.5 million in 2019, representing a decrease of $65.7 or 21.3% for the quarter and a decrease of $271.9 million or 29.4% for year-to-date. The decrease in the gross revenues for the quarter was primarily related to the slowdown in restaurant sales as a result of the COVID-19 pandemic, partially offset by increases in the Retail and Catering segment and the growth of off-premise sales.

Selling, general and administrative expenses

SG&A expenses represent direct corporate restaurant costs such as labour, other direct corporate restaurant operating costs (e.g. supplies, utilities, net marketing, property taxes), overhead costs, marketing fund transfers, franchisee rent assistance and bad debts, central overhead costs, The Keg royalty expense, costs related to the food processing and distribution division, losses on early buyout / cancellation of equipment rental agreements and depreciation and amortization on other assets. These expenses are offset by vendor purchase allowances.

Direct corporate restaurant labour costs and other direct corporate restaurant operating and overhead costs are impacted by the number of corporate restaurants, provincial minimum wage increases and the Company's ability to manage input costs through its various cost monitoring programs. Central overhead costs are impacted by general inflation, market conditions for attracting and retaining key personnel and management's ability to control discretionary costs. Food processing and distribution costs are impacted by minimum wage increases, union contract negotiations, volume of sales and the Company's ability to manage controllable costs related to the promotion, manufacture and distribution of products. Franchisee rent assistance and bad debts are impacted by franchisee sales and overall franchisee profitability. Vendor purchase allowances are impacted by the volume of purchases, inflation and fluctuations in the price of negotiated products and services. Losses on early buyout/cancellation of equipment rental contracts, recognition of lease cost and tenant inducements, and depreciation and amortization represent non-cash expenses generally related to historical transactions where corporate restaurants were converted to franchise.

	13 weeks ended		39 weeks ended	
(C$ thousands unless otherwise stated)	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Corporate restaurant expenses	$ 70.6	$ 112.3	$ 208.0	$ 335.9
Advertising fund transfers	14.3	16.0	36.6	47.3
Franchise assistance and bad debt	1.9	1.2	3.4	2.8
The Keg royalty expense	4.3	6.2	10.8	19.0
Depreciation and amortization	25.4	27.8	77.5	83.7
Net loss/ (gain) on disposal of property, plant and equipment	(4.3)	0.5	(3.6)	0.9
Loss on settlement of lease liabilities	(0.1)	—	0.4	—
Losses on early buyout/cancellation of equipment rental contracts	—	1.6	—	1.7
Other	1.1	2.9	14.0	5.7
Total selling, general and administrative expenses [(1)]	**$ 113.3**	**$ 168.5**	**$ 346.9**	**$ 497.0**

[(1)] Figures may not total due to rounding.

SG&A expenses for the 13 and 39 weeks ended September 27, 2020 were $113.3 million and $346.9 million compared to $168.5 million and $497.0 million in 2019, representing a decrease of $55.2 million or 32.7% for the quarter and a decrease of $150.1 million or 30.2% year-to-date. The decrease for the 13 and 39 weeks ended September 27, 2020 is largely related to a decrease in corporate restaurant expenses, Federal Government wage subsidies and other cost reduction initiatives taken by the Company and a one-time gain on the sale of land owned by the Company, which offset reductions in vendor purchase allowances related to the decrease in system sales.

Impairment of assets

The Company recorded a net reversal of asset impairment charges of $2.2 million for the 13 weeks ended September 27, 2020 and an asset impairment charge of $61.5 million for the 39 weeks ended September 27, 2020, this is compared to asset impairment changes of $5.7 million and $9.7 million for the 13 and 39 weeks ended September 27, 2020, representing a decrease of $7.9 million in the quarter and an increase of $51.8 million for the year. The increase for year is primarily related to the introduction of the Company's rent certainty program and recording the full year cost estimate of the anticipated rent assistance in the second quarter, negative sales impact from COVID-19 and accelerated planned closures of non-strategic and under-performing restaurants. (see "Restaurant Portfolio Management and Continuous Network Improvement" on page 11).

Net interest expense and other financing charges

Finance costs are derived from Recipe's financing activities which include the Existing Credit Facility, amortization of financing fees, interest income on The Keg Partnership units and net interest expense related to the lease standard.

	13 weeks ended		39 weeks ended	
(C$ thousands unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on long-term debt	$ 6.3	$ 4.5	$ 18.6	$ 12.3
Interest expense on note payable to The Keg Royalties Income Fund	1.1	1.1	3.2	3.2
Financing costs	0.2	(0.7)	0.7	0.7
Interest expense - other	0.3	—	0.6	0.2
Write off of deferred financing fees	—	—	—	—
Interest income on Partnership units and KRIF units	(2.3)	(2.8)	(6.2)	(8.3)
Interest income	(0.7)	(0.5)	(2.3)	(1.4)
Interest on lease obligations	7.2	8.0	22.2	24.5
Interest income on lease receivable (note 13)	(4.2)	(4.8)	(13.1)	(14.3)
Total net interest expense and other financing charges[(1)]	**$ 7.9**	**$ 4.9**	**$ 23.8**	**$ 16.9**
Total debt (excluding financing costs)	**$ 503.0**	**$ 521.3**	**$ 503.0**	**$ 521.3**

(1) Figures may not total due to rounding.

Net interest expense and other financing charges were $7.9 million and $23.8 million compared to $4.9 million and $16.9 million in 2019 for the 13 and 39 weeks ended September 27, 2020, an increase of $3.0 million for the quarter and an increase of $6.9 million year-to-date. The increase is primarily related to increases in debt related to the SIB in the fourth quarter of 2019, the $300.0 million draw on the Company's credit facility at the end of March to provide liquidity during COVID-19 and higher interest charges after the Company's debt amendment on May 7, 2020. During the 13 weeks ended September 27, 2020, the Company repaid $223.0 million on its revolving credit facilities, which will reduce interest charges in future quarters.

Income taxes

The Company recorded current income tax expense of $0.1 million and $7.0 million for the 13 and 39 weeks ended September 27, 2020, compared to $5.5 million and $18.9 million in 2019, representing a decrease of $5.4 million for the quarter and a decrease of $11.9 million year-to-date. The decrease in current income tax expense is primarily related to the reduction in taxable income during the quarter.

The Company recorded a net deferred income tax expense of $4.4 million in the quarter and deferred income tax recovery of $23.4 million for the 39 weeks ended September 27, 2020, compared to a recovery of $0.3 million in the same quarter in 2019 and $2.1 million expense year-to-date, representing an increase in deferred income tax expense of $4.7 million for the quarter and a decrease of $25.5 million year-to-date. The deferred income tax recovery is primarily related to the recognition of a deferred tax asset in respect of non-capital losses, franchise rent subsidy costs and other timing differences including the non-cash fair value adjustments to The Keg Royalty Income Fund units.

Net earnings

Net earnings (loss) were $5.2 million and ($76.7) million for the 13 and 39 weeks ended September 27, 2020 compared to $6.7 million and $45.8 million in 2019, representing a decrease of $1.5 million for the quarter and a decrease of $122.5 million year-to-date. The $1.5 million decrease in the quarter was primarily driven by the decrease in sales (due to COVID-19) and by the change in fair value of Exchangeable Keg Partnership units of ($12.1) million, partially offset by the increase Operating Income primarily from higher retail and off-premise contributions and from government wage subsidy recoveries. The $122.5 million decrease year-to-date, was driven by the decrease in sales (due to COVID-19), asset impairment charges of $61.5 million, the change in the fair value of Exchange Keg Partnership units of ($42.0) million, partially offset by lower corporate restaurant expenses, strong Retail contributions and a decrease in net income tax expenses of $37.4 million.

Segment Performance

Recipe divides its operations into the following four business segments: corporate restaurants, franchise restaurants, retail and catering, and central operations.

The Corporate restaurant segment includes the operations of the company-owned restaurants, the proportionate results from the Company's joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and 1909 Taverne Moderne joint venture, which generate revenues from the direct sale of prepared food and beverages to consumers.

Franchised restaurants represent the operations of its franchised restaurant network operating under the Company's several brand names from which the Company earns royalties calculated at an agreed upon percentage of franchise and joint venture restaurant sales. Recipe provides financial assistance to certain franchisees and the franchise royalty income reported is net of any assistance being provided.

Retail and catering represent sales of St-Hubert, Swiss Chalet, Montana's and Keg branded products; and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants. Catering represents sales and operating expenses related to the Company's catering divisions which operate under the names of Pickle Barrel, Rose Reisman, and Marigolds and Onions.

Central operations includes sales from call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants; income generated from the lease of buildings and certain equipment to franchisees; and the collection of new franchise and franchise renewal fees. Central operations also includes corporate (non-restaurant) expenses which include head office people and non-people overhead expenses, finance and IT support, occupancy costs, and general and administrative support services offset by vendor purchase allowances. The Company has determined that the allocation of corporate (non-restaurant) revenues and expenses which include finance and IT support, occupancy costs, and general and administrative support services would not reflect how the Company manages the business and has not allocated these revenues and expenses to a specific segment.

The CEO and the CFO are the chief operating decision makers and they regularly review the operations and performance by segment. The CEO and CFO review operating income as a key measure of performance for each segment and to make decisions about the allocation of resources. The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating EBITDA

Operating EBITDA[1] for the 13 weeks ended September 27, 2020 decreased to $42.5 million compared to $49.5 million in 2019, a decrease of $7.0 million or 14.1%. Operating EBITDA[1] for the 39 weeks ended September 27, 2020 decreased to $78.8 million compared to $155.5 million in 2019, a decrease of $76.7 million or 49.3%. The decrease for the quarter was driven by the decline in System Sales (due to COVID-19), partially offset by lower SG&A costs, government wage subsidies, and various cost saving measures implemented by the Company.

(unaudited)	13 weeks ended September 27, 2020				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 127,458**	**$ 462,558**	**$ 86,344**	**$ —**	**$ 676,360**
Corporate Results					
Sales	$ 123,841	$ —	$ —	$ 3,088	$ 126,929
Cost of inventories sold and cost of labour	(67,274)	—	—	—	(67,274)
Restaurant contribution before other costs	56,567	—	—	3,088	59,655
Restaurant contribution before other costs %	45.7 %				
Other operating costs	(43,797)	—	—	—	(43,797)
Total Contribution	**$ 12,770**	**—**	**—**	**$ 3,088**	**$ 15,858**
Franchise Results					
Franchise royalty income	—	$ 18,495	—	—	$ 18,495
Franchise royalty income as a % of franchise sales	—	4.0 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	2,679	2,679
Franchise rent assistance and bad debt	—	(1,386)	—	—	(1,386)
Contribution from franchise restaurants	**—**	**$ 17,109**	**—**	**$ 2,679**	**$ 19,788**
Contribution from Retail and Catering	**—**	**—**	**12,615**	**—**	**12,615**
Net Central contribution	**—**	**—**	**—**	**(3,763)**	**(3,763)**
Operating EBITDA[1][2] before royalty expense	**$ 12,770**	**$ 17,109**	**$ 12,615**	**$ 2,004**	**$ 44,498**
Net royalty income/ (expense)				$ (1,998)	$ (1,998)
Operating EBITDA[1][2]	**$ 12,770**	**$ 17,109**	**$ 12,615**	**$ 6**	**$ 42,500**
Contribution as a % of corporate sales	10.3 %	—	—	—	—
Contribution as a % of franchise sales	—	3.7 %	—	—	—
Contribution as a % of total System Sales	—	—	14.6 %	0.3 %	6.3 %

(unaudited)	13 weeks ended September 29, 2019				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 195,068**	**$ 597,129**	**$ 76,859**	$ —	**$ 869,056**
Corporate Results					
Sales	$ 191,263	$ —	$ —	$ 2,459	$ 193,722
Cost of inventories sold and cost of labour	(124,360)	—	—	—	(124,360)
Restaurant contribution before other costs	66,903	—	—	2,459	69,362
Restaurant contribution before other costs %	35.0 %				
Other operating costs.	(50,066)	—	—	—	(50,066)
Total Contribution	**$ 16,837**	—	—	**$ 2,459**	**$ 19,296**
Franchise Results					
Franchise royalty income	—	$ 27,279	—	—	$ 27,279
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	3,021	3,021
Franchise rent assistance and bad debt	—	(1,151)	—	—	(1,151)
Contribution from franchise restaurants	—	**$ 26,128**	—	**$ 3,021**	**$ 29,149**
Contribution from Retail and Catering[3]	—	—	**7,978**	—	**7,978**
Net Central contribution[3]	—	—	—	**(3,541)**	**(3,541)**
Operating EBITDA[1][2] before royalty expense	**$ 16,837**	**$ 26,128**	**$ 7,978**	**$ 1,939**	**$ 52,882**
Net royalty expense				$ (3,419)	$ (3,419)
Operating EBITDA[1][2]	**$ 16,837**	**$ 26,128**	**$ 7,978**	**$ (1,480)**	**$ 49,463**
Contribution as a % of corporate sales	8.8 %	—	—	—	—
Contribution as a % of franchise sales	—	4.4 %	—	—	—
Contribution as a % of total System Sales	—	—	10.4 %	(0.2)%	5.7 %

[1] See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and page 8 for a reconciliation of Net Earnings to Operating EBITDA.
[2] Figures may not total due to rounding.
[3] The allocation of overhead costs related to retail and catering have been restated to more accurately reflect actual overhead costs incurred in this segment.

(unaudited)	39 weeks ended September 27, 2020				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 330,763**	**$ 1,237,315**	**$ 245,293**	**$ —**	**$ 1,813,371**
Corporate Results					
Sales	$ 319,659	$ —	$ —	$ 9,498	$ 329,157
Cost of inventories sold and cost of labour	(197,307)	—	—	—	(197,307)
Restaurant contribution before other costs	122,352	—	—	9,498	131,850
Restaurant contribution before other costs %	38.3 %				
Other operating costs	(123,477)	—	—	—	(123,477)
Total Contribution	**$ (1,125)**	**—**	**—**	**$ 9,498**	**$ 8,373**
Franchise Results					
Franchise royalty income	—	$ 51,440	—	—	51,440
Franchise royalty income as a % of franchise sales	—	4.2 %	—	—	
New franchise fees, property and equipment rent	—	—	—	7,297	7,297
Franchise rent assistance and bad debt	—	(3,365)	—	—	(3,365)
Contribution from franchise restaurants	**—**	**$ 48,075**	**—**	**$ 7,297**	**$ 55,372**
Contribution from Retail and Catering	**—**	**—**	**35,261**	**—**	**35,261**
Net Central contribution	**—**	**—**	**—**	**(15,790)**	**(15,790)**
Operating EBITDA[1][2] before royalty expense	**$ (1,125)**	**$ 48,075**	**$ 35,261**	**$ 1,005**	**$ 83,216**
Net royalty expense				$ (4,458)	$ (4,458)
Operating EBITDA[1][2]	**$ (1,125)**	**$ 48,075**	**$ 35,261**	**$ (3,453)**	**$ 78,758**
Contribution as a % of corporate sales	(0.4)%	—	—	—	—
Contribution as a % of franchise sales	—	3.9 %	—	—	—
Contribution as a % of total System Sales	—	—	14.4 %	(0.2)%	4.3 %

(unaudited)	39 weeks ended September 29, 2019				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 592,680**	**$ 1,774,325**	**$ 224,083**	**$ —**	**$ 2,591,088**
Corporate Results					
Sales	$ 580,089	$ —	$ —	$ 7,988	$ 588,077
Cost of inventories sold and cost of labour	(372,350)	—	—	—	(372,350)
Restaurant contribution before other costs	207,739	—	—	7,988	215,727
Restaurant contribution before other costs %	35.8 %				
Other operating costs	(151,892)	—	—	—	(151,892)
Total Contribution	**$ 55,847**	**—**	**—**	**$ 7,988**	**$ 63,835**
Franchise Results					
Franchise royalty income	—	$ 81,275	—	—	81,275
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	
New franchise fees, property and equipment rent	—	—	—	9,741	9,741
Franchise rent assistance and bad debt	—	(2,776)	—	—	(2,776)
Contribution from franchise restaurants	**—**	**$ 78,499**	**—**	**$ 9,741**	**$ 88,240**
Contribution from Retail and Catering[3]	**—**	**—**	**23,371**	**—**	**23,371**
Net Central contribution[3]	**—**	**—**	**—**	**(9,202)**	**(9,202)**
Operating EBITDA[1][2] before royalty expense	**$ 55,847**	**$ 78,499**	**$ 23,371**	**$ 8,527**	**$ 166,244**
Net royalty expense				$ (10,725)	$ (10,725)
Operating EBITDA[1][2]	**$ 55,847**	**$ 78,499**	**$ 23,371**	**$ (2,198)**	**$ 155,519**
Contribution as a % of corporate sales	9.6 %	—	—	—	—
Contribution as a % of franchise sales	—	4.4 %	—	—	—
Contribution as a % of total System Sales	—	—	10.4 %	(0.1)%	6.0 %

[1] See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and page 8 for a reconciliation of Net Earnings to Operating EBITDA.
[2] Figures may not total due to rounding.
[3] The allocation of overhead costs related to retail and catering have been restated to more accurately reflect actual overhead costs incurred in this segment.

Corporate

As at September 27, 2020, the corporate segment restaurant count consisted of 216 restaurants compared to 202 at December 29, 2019. During the 39 weeks ended September 27, 2020, the Company opened 6 new restaurants, completed 17 corporate buybacks, and closed 9 under-performing corporate restaurants. During the third quarter, the Company opened 1 new restaurant, completed 11 corporate buybacks, and closed 2 under-performing corporate restaurants. The corporate restaurant segment includes the proportionate results from the Company's 46 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and 1909 Taverne Moderne joint venture.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales are impacted by SRS Growth and the change in number of corporate restaurants. Sales were $123.8 million and $319.7 million for the 13 and 39 weeks ended September 27, 2020 compared to $191.3 million and $580.1 million in 2019, a decrease of $67.5 or 35.3% for the quarter and a decrease of $260.4 million or 44.9% year-to-date. The decrease was primarily due to the negative impact of the COVID-19 pandemic, partially offset by sales increases from off-premise, takeout and delivery in certain brands.

Cost of inventories sold and cost of labour

Cost of inventories sold represents the net cost of food, beverage and other inventories sold at Recipe's corporate restaurants. Cost of inventories sold and cost of labour is impacted by the number of corporate restaurants, fluctuations in the volume of inventories sold, food prices, provincial minimum wage increases, and Recipe's ability to manage input costs at the restaurant level. Recipe manages input costs through various cost monitoring programs and through the negotiation of favourable contracts on behalf of its corporate and franchise restaurant network.

Cost of inventories sold and cost of labour was $67.3 million and $197.3 million for the 13 and 39 weeks ended September 27, 2020 compared to $124.4 million and $372.4 million in 2019, a decrease of $57.1 million or 45.9% for the quarter and a decrease of $175.1 million or 47.0% year-to-date. The decrease is related to a corresponding decrease in sales and Federal government wage subsidies that reduced labour costs.

Contribution from Corporate segment

Total contribution from corporate restaurants for the 13 and 39 weeks ended September 27, 2020 was $12.8 million and ($1.1) million compared to $16.8 million and $55.8 million in 2019, a decrease of $4.0 or 23.8% for the quarter and a decrease of $56.9 million or 102.0% year-to-date. The decreases were related to sales declines due to COVID-19, full rent and fixed cost charges, partially offset by a decrease of variable overhead costs and federal wage subsidies.

For the 13 and 39 weeks ended September 27, 2020, total contribution from corporate restaurants as a percentage of corporate sales was 10.3% and (0.4)% compared to 8.8% and 9.6% for the 13 and 39 weeks in 2019.

Franchise

As at September 27, 2020, the franchise restaurant segment consisted of 1,093 restaurants compared to 1,125 at December 29, 2019. For the 39 weeks ended September 27, 2020, the Company completed 14 new restaurant openings, offset by 29 closures, and 17 corporate buybacks. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales were $462.6 million and $1,237.3 million during the 13 and 39 weeks ended September 27, 2020 compared to $597.1 million and $1,774.3 million in 2019, a decrease of $134.5 million or 22.5% for the quarter and a decrease of $537.0 million or 30.3% year-to-date. The decrease was primarily related to the government mandated restaurant closures of restaurant dining rooms as a result of COVID-19, partially offset by sales increases from off-premise, takeout and delivery in certain brands.

Franchise revenues

Franchise revenues represent royalty fees charged to franchisees as a percentage of restaurant sales net of contractual subsidies and temporary assistance to certain franchisees.

The primary factors impacting franchise revenues are SRS Growth and net new restaurant activity, as well as the rate of royalty fees (net of contractual subsidies and temporary assistance) paid to Recipe by its franchisees. In certain circumstances, the royalty rate paid to Recipe can be less than Recipe's standard 5% royalty rate due to different contractual rates charged for certain brands (e.g. St-Hubert's standard royalty rate is 4%) and contractual subsidies primarily associated with prior year's conversion transactions or agreements to temporarily assist certain franchisees. The addition of The Keg will also increase Recipe's overall net royalty rate as new and renewed Keg franchisees pay 6% royalty while others pay 5% until their franchise agreement is renewed. In response to COVID-19, the Company introduced a royalty subsidy program to provide direct support to its franchise partners. The royalty subsidy program reduces the royalty rate by 1% and will continue until the end of 2020.

Franchise revenues were $18.5 million and $51.4 million for the 13 and 39 weeks ended September 27, 2020 compared to $27.3 million and $81.3 million in 2019, a decrease of $8.8 million or 32.2% for the quarter and a decrease of $29.9 million or 36.8% for year-to-date. The decreases were related to System Sales declines as a result of COVID-19, as well as lower royalty income as a result of the Company's 2020 royalty subsidy program.

Contribution from franchise segment

Total contribution from franchise restaurants was $17.1 million and $48.1 million for the 13 and 39 weeks ended September 27, 2020 compared to $26.1 million and $78.5 million in 2019, a decrease of $9.0 million or 34.5% for the quarter and a decrease of $30.4 million or 38.7% year-to-date. The effective net royalty rate for the 13 and 39 weeks ended September 27, 2020 was 4.0% and 4.2% compared to 4.6% and 4.6% in 2019. The decrease is related the negative sales impact as a result of COVID-19 and reflects the Company's direct support to its franchise partners, including the royalty subsidy.

Retail and Catering

Sales

Sales from the retail segment relate to the manufacture and distribution of fresh, frozen and non-perishable food products under St-Hubert, Montana's, The Keg, and Swiss Chalet brand names as well as under several private label brands. Retail sales are impacted by orders from franchised restaurant locations and by the volume of orders generated from retail grocery chains.

Catering sales relate to food and beverage sales from Recipe's catering divisions operating under the names of Pickle Barrel, Rose Reisman, and Marigolds and Onions. Catering sales are impacted by the number of customer orders and the number of contracts obtained by the divisions.

Contribution from retail and catering

Contribution from Retail and Catering for the 13 and 39 weeks ended September 27, 2020 was $12.6 million and $35.3 million compared to $8.0 million and $23.4 million in 2019, an increase of $4.6 million or 57.5% for the quarter and an increase of $11.9 million or 50.9% year-to-date. The increase has been driven primarily from increased sales to retail grocery customers. The retail grocery and catering business has remained in full operation during the COVID-19 disruption and consumer demand for branded Recipe products at grocery channels has been strong.

For the 13 and 39 weeks ended September 27, 2020, total contribution from the retail and catering segment as a percentage of sales was 14.6% and 14.4% compared to 10.4% and 10.4% for the 13 and 39 weeks in 2019 driven by higher gross margins and federal wage subsidies.

Central

Sales

Sales in the central segment consist of sales from the Company's off-premise call centre business representing fees generated from delivery, call-ahead, web and mobile-based meal orders.

The call centre business receives fees from restaurants to recover administrative costs associated with processing guest orders. Call centre revenues are impacted by the volume of guest orders as well as by the mix of fee types charged on the orders received (e.g. higher fees are received on phone orders compared to mobile or web orders).

Total central segment sales were $3.1 million and $9.5 million for the 13 and 39 weeks ended September 27, 2020 compared to $2.5 million and $8.0 million in 2019, representing an increase of $0.6 million or 42.3% for the quarter and an increase of $1.5 million or 16.4% year-to-date. The increase reflects the demand for Recipe prepared meals and the success of Recipe's off-premise channels including the pre-COVID development of e-commerce web and mobile ordering platforms for most brands.

New franchise fees, rent revenue and equipment rent

Recipe grants franchise agreements to independent operators ("franchisees") for new locations. Recipe also renews franchise agreements in situations where a previous franchise agreement has expired and is extended. As part of these franchise agreements, franchisees pay new franchise and/or renewal fees and, in the case of converting established locations from corporate to franchise, conversion fees. New franchise fees and conversion fees, if applicable, are collected at the time the franchise agreement is entered into. Renewal fees are collected at the time of renewal. Rent revenue relates to properties owned by the Company which are leased to franchisees.

Franchise fees, property rent and equipment rent revenues from franchisees were $2.7 million and $7.3 million for the 13 and 39 weeks ended September 27, 2020 compared to $3.0 million and $9.7 million in 2019. The decreases are primarily related to less property rent charged as a percent of sales due to COVID-19 and reductions in equipment rental revenue related to the expiry of equipment rental agreements.

Contribution from central segment

Central segment contribution before the net royalty expense for the 13 and 39 weeks ended September 27, 2020 was \$2.0 million and \$1.0 million compared to \$1.9 million and \$8.5 million in 2019, representing an increase of \$0.1 million for the quarter and a decrease of \$7.5 million year-to-date. The change in the quarter and year-to-date reflects higher revenues generated from off-premise call centre fees, federal wage subsidies, offset by lower franchise fees and lower vendor rebates.

Selected Quarterly Information

The following table provides selected historical information and other data of the Company which should be read in conjunction with the annual consolidated financial statements of the Company.

(C$ millions unless otherwise stated) [(1)]	Q3 – 2020 Sep 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019	Q3 – 2019 Sept 29, 2019	Q2 – 2019 Jun 30, 2019	Q1 – 2019 Mar 31, 2019	Q4 – 2018 Dec 30, 2018	Q3 – 2018 Sept 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales [(1)]	**$ 676.4**	**$ 389.8**	**$ 747.2**	**$ 895.8**	**$ 869.1**	**$ 871.3**	**$ 850.7**	**$ 905.4**	**$ 879.8**
Total System Sales Growth [(1)]	(22.2) %	(55.1) %	(12.2) %	(1.1) %	(1.2) %	(0.3) %	12.5 %	16.8 %	28.5 %
Number of restaurants (at period end)	1,355	1,354	1,363	1,373	1,375	1,384	1,373	1,382	1,370
Operating EBITDA [(1)]	**$ 42.5**	**$ 15.6**	**$ 20.5**	**$ 60.5**	**$ 49.5**	**$ 56.0**	**$ 50.1**	**$ 63.3**	**$ 51.2**
Operating EBITDA Margin on System Sales [(1)]	**6.3 %**	**4.0 %**	**2.7 %**	**6.8 %**	**5.7 %**	**6.4 %**	**5.9 %**	**7.0 %**	**5.8 %**
Corporate restaurant sales	$ 123.8	$ 37.7	$ 158.1	$ 192.6	$ 191.3	$ 196.2	$ 192.6	$ 205.0	$ 199.0
Number of corporate restaurants	216	206	203	202	208	209	202	208	207
Contribution from Corporate segment	**$ 12.8**	**$ (13.5)**	**$ (0.4)**	**$ 19.3**	**$ 16.8**	**$ 20.5**	**$ 18.5**	**$ 21.5**	**$ 21.6**
Contribution as a % of corporate sales	10.3 %	(35.8) %	(0.3) %	10.0 %	8.8 %	10.5 %	9.6 %	10.7 %	10.8 %
Number of joint venture restaurants	46	45	45	46	44	46	47	46	46
Franchise restaurant sales	$ 462.6	$ 266.2	$ 508.6	$ 606.1	$ 597.1	$ 595.9	$ 581.3	$ 615.3	$ 607.2
Number of franchised restaurants	1,093	1,103	1,115	1,125	1,123	1,129	1,124	1,128	1,117
Contribution from Franchise segment	**$ 17.1**	**$ 9.1**	**$ 21.9**	**$ 26.6**	**$ 26.1**	**$ 26.9**	**$ 25.5**	**$ 26.6**	**$ 25.7**
Contribution as a % of Franchise sales	3.7 %	3.8 %	4.3 %	4.4 %	4.4 %	4.6 %	4.4 %	4.3 %	4.2 %
Retail and Catering sales	$ 86.3	$ 83.0	$ 75.9	$ 92.3	$ 76.9	$ 74.8	$ 72.5	$ 85.0	$ 69.9
Contribution from Retail and Catering	**$ 12.6**	**$ 14.8**	**$ 7.6**	**$ 13.1**	**$ 8.0**	**$ 7.2**	**$ 8.2**	**$ 12.5**	**$ 8.0**
Contribution as a % of Retail & Catering sales	14.6 %	17.8 %	10.1 %	14.2 %	10.4 %	9.6 %	11.3 %	14.7 %	11.4 %
Contribution from Central segment before The Keg royalty	$ 2.0	$ 4.7	$ (5.7)	$ 5.0	$ 1.9	$ 4.8	$ 1.8	$ 6.5	$ (0.4)
Contribution as a % of total System Sales	0.3 %	1.2 %	(0.8) %	0.6 %	0.6 %	1.0 %	0.2 %	1.1 %	0.3 %
Total gross revenue	$ 243.3	$ 140.4	$ 269.9	$ 327.0	$ 309.0	$ 311.9	$ 304.6	$ 328.2	$ 312.4
Operating EBITDA Margin [(1)]	17.5 %	11.1 %	7.6 %	18.5 %	16.0 %	18.0 %	16.4 %	19.3 %	16.4 %
Earnings (loss) before income taxes	**$ 9.7**	**$ (52.7)**	**$ (50.1)**	**$ (6.0)**	**$ 11.9**	**$ 23.8**	**$ 31.3**	**$ 15.4**	**$ 31.4**
Net earnings (loss)	$ 5.2	$ (40.6)	$ (41.2)	$ (1.9)	$ 6.7	$ 16.6	$ 22.7	$ 9.0	$ 23.8
Adjusted Net Earnings [(1)]	**$ 16.1**	**$ 6.2**	**$ 7.3**	**$ 44.8**	**$ 19.5**	**$ 23.4**	**$ 18.3**	**$ 35.0**	**$ 25.3**
Net earnings (loss) attributable to common shareholders of the Company	$ 5.1	$ (40.3)	$ (41.0)	$ (1.6)	$ 6.8	$ 16.6	$ 22.5	$ 9.0	$ 23.6
EPS attributable to common shareholders of the Company (in dollars)									
Basic EPS	$ 0.09	$ (0.72)	$ (0.73)	$ (0.03)	$ 0.11	$ 0.27	$ 0.36	$ 0.15	$ 0.38
Diluted EPS	$ 0.09	$ (0.72)	$ (0.73)	$ (0.03)	$ 0.11	$ 0.26	$ 0.35	$ 0.14	$ 0.37
Adjusted Basic EPS [(1)]	**$ 0.29**	**$ 0.11**	**$ 0.13**	**$ 0.79**	**$ 0.32**	**$ 0.39**	**$ 0.30**	**$ 0.57**	**$ 0.41**
Adjusted Diluted EPS [(1)]	**$ 0.28**	**$ 0.11**	**$ 0.13**	**$ 0.77**	**$ 0.31**	**$ 0.37**	**$ 0.29**	**$ 0.55**	**$ 0.39**
Free Cash Flow before growth capex, dividends, and NCIB [(1)]	**$ 33.4**	**$ 3.6**	**$ (4.3)**	**$ 44.3**	**$ 36.1**	**$ 40.0**	**$ 35.5**	**$ 47.2**	**$ 37.3**
Free Cash Flow per share - basic (in dollars)	$ 0.59	$ 0.06	$ (0.08)	$ 0.79	$ 0.59	$ 0.65	$ 0.58	$ 0.76	$ 0.6
Free Cash Flow per share - diluted (in dollars)	$ 0.59	$ 0.06	$ (0.08)	$ 0.76	$ 0.58	$ 0.63	$ 0.56	$ 0.74	$ 0.58

[(1)] See "Non-IFRS Measures" on page 35 for definitions of Free Cash Flow, System Sales, SRS, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 35 for a reconciliation of Net Earnings to these Non-IFRS measures.

The Company’s quarterly operating results may fluctuate significantly because of numerous factors, including, but not limited to:

- restaurant and other complimentary acquisitions;
- the timing of restaurant openings and closures;
- increases and decreases in same restaurant sales growth;
- atypical weather as it relates to restaurant sales, for example the impact of snow storms on customer traffic, and patio sales are impacted by weather during the summer months;
- royalty recovery rates and the extent to which Recipe provides financial assistance or incurs bad debts with franchisees;
- restaurant operating costs for corporate-owned restaurants;
- labour availability and costs for hourly and management personnel at corporate-owned restaurants and at its manufacturing and distribution facilities;
- profitability of the corporate-owned restaurants, especially in new markets;
- fluctuations in sales to retail grocery chains, including seasonality;
- changes in interest rates;
- impairment of long-lived assets and any loss on restaurant closures for corporate-owned restaurants;
- macroeconomic conditions, both nationally and locally;
- changes in consumer preferences and competitive conditions;
- expansion in new markets;
- increases in fixed costs;
- fluctuations in commodity prices; and
- public health issues and related matters.

Commentary on Quarterly Results

Historically, seasonal factors and the timing of holidays cause the Company’s revenue to fluctuate from quarter to quarter. Adverse weather conditions may also affect customer traffic during the quarter. The Company has outdoor patio seating at some of its restaurants, and the effects of adverse weather may impact the use of these areas and may negatively impact the Company’s revenue. Food processing and distribution sales are typically highest in the fourth quarter, followed by the third quarter, then the first quarter, with the second quarter being lowest. During the quarters with higher sales, food processing and distribution contribution rate is also higher as fixed overhead costs are covered by higher gross margin.

System Sales decreased from $869.1 million in Q3 2019 to $676.4 million in Q3 2020. The decrease in Q3 2019 reflects the negative impact of the COVID-19 pandemic and the related shift in customer demand for retail grocery products.

Operating EBITDA declined from $49.5 million in Q3 of 2019 to $42.5 million Q3 2020. Excluding The Keg royalty, Operating EBITDA in Q3 2019 was $52.9 million and was $44.5 million in Q3 2020. The decrease in Q3 2020 was related to the negative effects of the COVID-19 pandemic, partially offset by wage subsidies and various cost saving measures in the quarter.

Operating EBITDA Margin on System Sales increased from 5.7% in Q3 2019 to 6.3% in Q3 2020. Despite a System Sales decline as a result of COVID-19, the Company's Operating EBITDA Margin increased to 6.3%, which reflects government wage subsidies, the strength of our Retail and Catering division and the success of our cost management efforts.

Contribution dollars from the corporate restaurant segment have fluctuated (year over year) each quarter as a result of the addition and sale of corporate restaurants and from taking back under-performing previously subsidized franchise locations. Quarterly contribution from the corporate segment decreased from $16.8 million in Q3 2019 and to $12.8 million in Q3 2020. Contribution in Q3 2020 declined as a result of the COVID-19 related system sales decrease, partially offset by a decrease of variable overhead costs as a result of corporate restaurant closures and wage subsidies.

The franchise restaurant segment contribution as a percentage of System Sales was 4.0% in Q3 2020 compared to 4.6% in 2019. Quarterly contribution from the franchise segment has declined from $26.1 million in Q3 2019 to $17.1 million in Q3 2020. The decrease is driven by the negative sales impact as a result of COVID-19 and reflects the Company's direct support to its franchise partners, including the 2020 royalty reduction program.

Contribution from retail and catering has grown from $8.0 million in Q3 2019 to $12.6 million in Q3 2020. The increases are related increased sales to retail grocery customers and the receipt of wage subsidies.

Contribution from the central segment before The Keg royalty expense changed from $1.9 million in Q3 2019, and to $2.0 million in Q3 2020. The net change reflects an increase in off-premise and delivery orders, wage subsidies, offset by decreases in vendor volume rebates, less property rent and reductions in equipment rental revenue related to the expiry of equipment rental agreements with franchisees.

Total gross revenue decreased from $309.0 million in Q3 2019 to $243.3 million Q3 2020. The decrease in Q3 2020 was related to the negative effects of the COVID-19 pandemic, partially offset by sales increases in the Retail and Catering segment.

Quarterly earnings before income taxes has changed from $11.9 million in Q3 2019 and to earnings of $9.7 million in Q3 2020.

Free Cash Flow before growth capex, dividends, and NCIB has decreased from $36.1 million in Q3 2019 to $33.4 million in Q3 2020. On a diluted per share basis, Free Cash Flow before growth capex, dividends, and NCIB has increased from $0.58 in Q3 2019 and to $0.59 in Q3 2020. Historically, the strong Free Cash Flows have been used to pay and increase dividends to shareholders, to reduce the Company’s borrowings from various acquisitions, to invest in the Company’s core brands, and to repurchase the Company’s subordinate voting shares.

Liquidity and Capital Resources

Recipe's principal uses of funds are for operating expenses (including net lease payments), capital expenditures, finance costs, debt service, dividends and the repurchase of its subordinate voting shares through its NCIB. Management believes that cash generated from operations, together with amounts available under its credit facility (refer to page 24), will be sufficient to meet its future operating expenses, capital expenditures, future debt service costs, discretionary dividends, and discretionary share repurchases. However, Recipe's ability to fund future debt service costs, operating expenses, capital expenditures and dividends will depend on its future operating performance which will be affected by general economic, financial and other factors including factors beyond its control. See "Risk and Uncertainties" (refer to page 41). Recipe's management reviews acquisition and investment opportunities in the normal course of its business and, if suitable opportunities arise, may make selected acquisitions and investments to implement Recipe's business strategy. Historically, the funding for any such acquisitions or investments have come from cash flow from operating activities, additional debt, or the issuance of equity. Similarly, from time to time, Recipe's management reviews opportunities to dispose of non-core assets and may, if suitable opportunities arise, sell certain non-core assets.

(C$ millions unless otherwise stated)	**September 27, 2020**	**December 29 2019**	**September 29, 2019**
Revolving credit facility	$ 550.0	$ 550.0	$ 550.0
Add: Private notes	250.0	250.0	250.0
Add: The Keg credit facilities	60.0	60.0	47.0
Subtotal - credit availability	**$ 860.0**	**$ 860.0**	**$ 847.0**
Less: Draw on revolving credit facility	(229.3)	(210.3)	(253.3)
Less: Draw on private notes	(250.0)	(250.0)	(250.0)
Less: Draw on The Keg credit facilities	(23.7)	(19.0)	(18.0)
Subtotal - credit remaining	**$ 357.0**	**$ 380.7**	**$ 325.7**
Cash	48.6	40.4	33.9
Liquidity(1)(2)	**$ 405.6**	**$ 421.1**	**$ 359.6**

	September 27, 2020	**December 29 2019**	**September 29, 2019**
Draw on revolving credit facility	$ (229.3)	$ (210.3)	$ (253.3)
Draw on private notes	(250.0)	(250.0)	(250.0)
Draw on The Keg credit facilities	(23.7)	(19.0)	(18.0)
Subtotal - total debt	$ (503.0)	$ (479.3)	$ (521.3)
Cash	48.6	40.4	33.9
Net debt	**$ (454.4)**	**$ (438.9)**	**$ (487.4)**

	39 weeks ended September 27, 2020	**52 weeks ended Dec 29, 2019**	**39 weeks ended September 29, 2019**
Operating EBITDA(3)	**$ 78.8**	**$ 216.0**	**$ 155.5**
Free cash flow(3), before growth capex, dividends and NCIB	$ 33.0	$ 155.9	$ 111.6
Free cash flow(3), after growth capex, dividends and NCIB	$ 17.7	$ 65.0	$ 35.6

(1). Liquidity excludes $250 million Accordion feature that is available but subject to lender approval.

(2). Minimum liquidity for 2020 under the Company's amended debt covenant is $100 million.

(3). See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and Free Cash Flow. See page 8 for a reconciliation of Net Earnings to Operating EBITDA and to Free Cash Flow.

Working Capital

A working capital deficit is typical of restaurant operations, where the majority of sales are for cash and there are rapid turnover of inventories. In general, the turnover of accounts receivable and inventories is faster than accounts payable, resulting in negative working capital. Sales of Recipe's Ultimate Gift Card and The Keg gift card significantly improves the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions in the January to March period. Recipe's gift card liability at September 27, 2020 was $122.5 million compared to $167.6 million at December 29, 2019, a decrease of $45.1 million which reflects seasonality and partially offset by lower gift card redemptions during the period as a result of COVID-19. The following table presents Recipe's working capital as at September 27, 2020 compared to December 29, 2019:

(C$ millions unless otherwise stated)	**September 27, 2020**	**December 29, 2019**	**change in working capital**
Cash	$ 48.6	$ 40.4	$ (8.2)
Accounts receivable	76.3	117.3	41.0
Inventories	43.6	39.8	(3.8)
Current taxes receivable	4.9	—	(4.9)
Prepaid expenses and other assets	7.0	6.5	(0.5)
Current portion of lease receivables	65.5	80.3	14.8
Total Current Assets [1]	**$ 246.0**	**$ 284.3**	**$ 38.4**
Accounts payable and accrued liabilities	$ 150.8	$ 124.6	$ 26.2
Provisions	2.3	4.7	(2.4)
Gift card liability	122.5	167.6	(45.1)
Income taxes payable	12.3	12.0	0.3
Current portion of long-term debt	4.7	—	4.7
Current portion of lease liability	121.5	121.8	(0.3)
Total Current Liabilities [1]	**$ 414.2**	**$ 430.8**	**$ (16.6)**
Working capital surplus/ (deficit) [1]	**$ (168.2)**	**$ (146.5)**	**$ 21.8**

[1] Figures may not total due to rounding.

At September 27, 2020, Recipe had a working capital deficit of $168.2 million compared to a deficit of $146.5 million at December 29, 2019. The change in working capital of $21.8 million was related to a decrease in accounts receivable, an increase in deferred rent payable, offset by a decrease in gift card liability.

Investment in working capital may be affected by fluctuations in the prices of food and other supply costs, vendor terms and the seasonal nature of the business. While Recipe has availability under its credit facility, historically it chooses to apply available cash flow against its facility to lower financing costs, rather than to reduce its current liabilities, while still paying within its payment terms. Management believes that once restaurants are fully open it will continue to operate in a working capital deficit position as the nature of its business is not expected to change.

Cash Flows

The following table presents Recipe's cash flows for the 13 and 39 weeks ended September 27, 2020 compared to the 13 and 39 weeks ended September 29, 2019:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
Cash flows from (used in) operating activities	$ 67.9	$ 47.4	$ 95.1	$ 137.7
Cash flows from (used in) investing activities	$ 7.3	$ 4.8	$ 29.5	$ 20.3
Cash flows (used in) from financing activities	$ (257.8)	$ (60.9)	$ (116.2)	$ (173.6)
Change in cash during the period (1)	$ (182.6)	$ (8.7)	$ 8.4	$ (15.6)

(1) Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were $67.9 million for the 13 weeks ended September 27, 2020 compared to $47.4 million in 2019, representing an increase of $20.5 million. The increase reflects an increase in rent deferrals to landlords, an increase in interest payable and overall prudent cash management. Cash flows from operating activities were $95.1 million for the 39 weeks ended September 27, 2020 compared to $137.7 million in 2019, a decrease of $42.6 million which is related to decreased earnings.

Cash flows used in investing activities of continuing operations

The following table presents Recipe's capital expenditures for the 13 and 39 weeks ended September 27, 2020 compared to the 39 weeks ended September 29, 2019:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
Purchase of property, plant and equipment:				
Maintenance:				
Corporate restaurants	$ 1.7	$ 2.2	$ 5.3	$ 5.0
Central / IT expenditures / Other	2.7	1.6	6.9	9.4
Total maintenance	$ 4.4	$ 3.8	$ 12.2	$ 14.4
Growth initiatives:				
Major renovations	$ 2.1	$ 2.2	$ 4.8	$ 6.2
New builds	2.4	6.0	8.1	14.5
Total growth	$ 4.5	$ 8.2	$ 12.9	$ 20.7
Total purchase of property, plant and equipment [1]	**$ 8.8**	**$ 12.0**	**$ 25.1**	**$ 35.2**
Common control transactions, net of cash assumed:				
Acquisitions	$ —	$ (0.4)	$ —	$ 5.0
Buy backs	10.3	—	11.6	3.4
Total common control transactions, net of cash assumed	**$ 10.3**	**$ (0.4)**	**$ 11.6**	**$ 8.4**
Total purchase of property, plant and equipment	$ (8.8)	$ (12.0)	$ (25.1)	$ (35.2)
Acquisitions	—	0.4	—	(5.0)
Buy backs [1]	(10.3)	—	(11.6)	(3.4)
Proceeds on disposal of property, plant and equipment	4.5	(0.3)	4.5	0.6
Proceeds on early buyout of equipment and rental contracts	—	0.1	1.7	0.2
Investment in joint ventures	—	—	0.6	—
Additions to other assets	(0.1)	(0.1)	(1.2)	(0.1)
Share of loss from investment in associates in joint ventures	(0.8)	0.5	(1.0)	1.2
Lease payments received or receivable	22.8	24.8	68.1	71.2
Change in long term receivables	0.2	(8.6)	(6.6)	(9.2)
Total cash flows from (used in) investing activities [1]	**$ 7.3**	**$ 4.8**	**$ 29.5**	**$ 20.3**

[1] Figures may not total due to rounding.

Cash flows from investing activities were $7.3 million and $29.5 million for the 13 and 39 weeks ended September 27, 2020 compared to cash used in investing activities of $4.8 million and $20.3 million in 2019, a change of $2.5 million for the quarter and a change of $9.2 million for the quarter.

Commitments for Capital Expenditures

The Company incurs on-going capital expenditures in relation to the operation of its buildings, corporate restaurants, manufacturing equipment and distribution centers, maintenance and upgrades to its head office and restaurant IT infrastructure, and to its call centre operations. The Company will also invest in major renovations and new corporate store growth opportunities. Recipe's capital expenditures are generally funded from operating cash flows and through its existing Credit Facility.

Cash flows (used in) from financing activities

The following table presents Recipe's cash used in financing activities for the 13 and 39 weeks ended September 27, 2020 compared to the 13 and 39 weeks ended September 29, 2019:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 29, 2019**	**September 27, 2020**	**September 29, 2019**
Issuance of long-term debt	$ 7.7	$ 125.0	$ 307.7	$ 390.0
Repayment of long-term debt	(223.0)	(1.0)	(284.0)	(259.7)
Deferred financing costs	—	(0.1)	(0.3)	(3.0)
Issuance of subordinated voting common shares	—	2.9	—	4.8
Share re-purchase	—	(142.0)	(0.3)	(160.7)
Change in lease liabilities	(1.9)	—	(8.7)	—
Lease liabilities paid or payable	(36.9)	(38.0)	(105.9)	(114.2)
Interest paid on long-term debt and note payable	(3.7)	(1.0)	(18.1)	(10.2)
Dividends paid on subordinate and multiple voting shares	—	(6.8)	(6.6)	(20.6)
Cash flows (used in) from financing activities [1]	**$ (257.8)**	**$ (60.9)**	**$ (116.2)**	**$ (173.6)**

[1] Figures may not total due to rounding.

Cash flows used in financing activities were $257.8 million for the 13 weeks ended September 27, 2020. Cash used in financing activities in the third quarter primarily consist of debt repayments of $223.0 million and lease liability payments of $36.9 million. Cash flows used in financing activities were $116.2 million for the 39 weeks ended September 27, 2020. Cash from financing activities year-to-date primarily consists of an increase of $307.7 million related to the first quarter credit facility increase at the end of March to increase liquidity during COVID-19, partially offset by the subsequent repayment of debt of $284.0 million and lease liability payments of $105.9 million.

Impact of COVID-19

	13 weeks ended	39 weeks ended
(C$ millions unless otherwise stated)	**September 27, 2020**	**September 27, 2020**
Change in cash during the period	$ (182.6)	$ 8.4
Total Debt repayments	(223.0)	(284.0)
Change in cash before debt repayments	$ 40.4	$ 292.4

Through prudent cash management, change in cash before debt repayments was $40.4 million and $292.4 million for the 13 and 39 weeks ended September 27, 2020. This reflects cash used in the Company's regular operating, financing and investing activities, as well as the various initiatives taken by the Company to provide direct support to its franchisee partners during the COVID-19 period and was offset by the cash received from the government wage subsidies.

The Company will continue to prudently manage its cash flow during the COVID-19 period. The initiatives taken by the Company to provide direct support to franchise partners will continue to the end of 2020. The cash cost of the rent certainty and royalty subsidy programs is expected to be approximately $12.9 million for the fourth quarter. The total cost of the Company's rent subsidy program is expected to be reduced by government rent assistance for franchise locations participating in the rent subsidy program. Subject to CECRA program government approvals and the execution of related agreements with landlords, the Company expects to receive approximately $11.0 million as a reduction to the cost of its rent subsidy program in the fourth quarter. The Company also expects to continue to be eligible for government wage subsidies for the remainder of the year and is assessing eligibility beyond 2020 to the end of the CEWS program in June 2021.

Debt

Private debt

On May 1, 2019, the Company issued $250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("New Credit Facility"), are secured on a first lien basis on the assets that secure the Company's New Credit Facility, and are guaranteed by all material subsidiaries and holding companies of the Company on the same basis as the New Credit Facility. The Notes bear interest from their date of issue at a rate of 4.72% per annum, payable semi-annually and maturing on May 1, 2029. On May 7, 2020, the Company amended its lending covenants with its private lenders, which resulted in a temporary increase in the interest rate by 0.85% per annum, until December 27, 2020. From December 28, 2020 until September 26, 2021, the additional interest rate will vary, subject to quarterly leverage ratio levels. As at September 27, 2020, there were $250.0 million (December 29, 2019 - $250.0 million; September 29, 2019 - $250.0 million) of Notes outstanding.

Term credit facility

On May 1, 2019, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the fifth amended and restated credit agreement, is comprised of a revolving credit facility in the amount of $550.0 million with an accordion feature of up to $250.0 million. The $550.0 million revolving facility includes a $400.0 million tranche that matures on May 1, 2024 and a $150.0 million tranche that matures on May 1, 2022. The $250.0 million accordion feature is applicable to either tranche and it has been upsized from $50.0 million under the Company's previous credit facility.

The interest rate applied on amounts drawn by the Company under its new credit facility is the effective bankers' acceptance rate or prime rate plus a spread. The spread is based on the Company's total funded net debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio, as defined in the new credit agreement, measured using EBITDA for the four most recently completed fiscal quarters.

On March 17, 2020, the Company drew $300.0 million from its credit facility in response to COVID-19 shut-down measures to provide the Company additional liquidity. The Company then repaid $56.0 million during the second quarter, and $220.0 million in the third quarter. On May 7, 2020, the Company amended its lending covenants with its syndicated lenders. As at September 27, 2020, $229.3 million (December 29, 2019 - $210.3 million; September 29, 2019 - $253.3 million) was drawn under the amended and extended credit facilities. For the 39 weeks ended September 27, 2020, the effective interest rate was 3.47% representing bankers acceptance rate of 0.75% plus 2.30% borrowing spread, standby fees and the amortization of deferred financing fees of 0.42%. As at September 27, 2020, the effective interest rate was 3.24%, representing bankers acceptance rate of 0.48% plus 2.30% borrowing spread, standby fees and the amortization of deferred financing fees of 0.46%. As a result of the covenant amendments, and included in the aforementioned rates, the borrowing spread interest rate increased by 0.85% and standby fees interest rate increased by 0.17%.

The Company is also required to pay a standby fee of between 0.20% and 0.46% per annum on the undrawn portion of the $550.0 million revolving facility. The standby fee, like the interest rate, is based on the Company's total funded net debt to EBITDA ratio. As of September 27, 2020 the standby fee rate was 0.46%.

As at September 27, 2020, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments. On May 7, 2020, the Company amended its lending covenants with both its syndicated lenders and private note holders. The covenant amendments are effective through Q3 2021 and are expected to be responsive to the financial impacts from continued dining room closures and gradual System Sales recoveries as guests return to restaurants. In return for the covenant amendments, the Company will incur higher interest costs subject to quarterly leverage ratio levels.

Under the Company's amended covenants the Net Debt to EBITDA leverage ratio covenant is not being tested in the second and third quarters of 2020, instead the Company is required to maintain at least $100 million of liquidity measured as cash on hand plus availability under its revolving credit facilities. At the end of Q3 2020, the Company had liquidity of $405.6 million.

The Keg Facility

On September 28, 2013, Keg Restaurants Ltd. ("KRL") entered into an amended multi-option credit agreement with its Canadian banking syndicate for the expansion of restaurant operations. The revolving credit and term loan facilities, with a syndicate of two Canadian banks, are available to finance the construction of certain new corporate restaurants and major renovations in Canada.

On November 29, 2019, the Company renegotiated the terms of its credit agreement with its existing banking syndicate to modify it from a revolving credit/term loan facility to an all revolving facility, increased the size of the facility to $60.0 million, reduced the interest rate and extended the maturity date. The credit facility is now comprised of a $55.0 million revolving facility with no set term of repayments and a $5.0 million revolving demand operating facility. The Company's credit facility bears interest at a rate between bank prime plus 0% to bank prime plus 0.75%, based on certain financial criteria, rather than at bank prime plus 0.25% to bank prime plus 1.0%. The maturity date was extended from October 1, 2020 to July 4, 2022.

On June 26, 2020, KRL entered in to an amended and re-stated credit agreement with its Canadian banking syndicate. The amendment eliminates certain financial covenants and revises others until September 26, 2021. A new financial covenant that requires KRL's liquidity (the sum of cash on hand and available but undrawn credit) to not be less than certain specified values until December 27, 2020, tested on a quarterly basis. The interest rate on the bank debt will be increased from its existing level of bank prime to bank prime plus 0.75% effective June 29, 2020 until December 27, 2020.

As at September 27, 2020, $22.0 million of KRL's existing credit facility has been drawn (December 29, 2019 - $19.0 million; September 29, 2019 - $18.0 million).

The above credit facilities are secured by a general security agreement and hypothecation over KRL's Canadian and US assets and a pledge of all equity interests in the Partnership. As at September 27, 2020, KRL was in compliance with all bank covenants associated with these facilities.

Off Balance Sheet Arrangements

Letters of credit

Recipe has outstanding letters of credit amounting to $1.6 million as at September 27, 2020, primarily for various utility companies that provide services to the corporate owned locations and support for certain franchisees' external financing used to fund their initial conversion fee payable to Recipe.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at November 5, 2020, there were 56,352,907 subordinate and multiple voting shares (December 29, 2019 – 56,378,425) issued and outstanding.

The Company has a common share stock option plan for its directors, CEO and employees. The total number of options granted and outstanding as at November 5, 2020 is 6,402,693.

Related Parties

Shareholders

As at September 27, 2020, the Principal Shareholders hold 70.7% of the total issued and outstanding shares and have 98.1% of the voting control attached to all the shares. Cara Holdings holds 22.6% of the total issued and outstanding shares, representing 36.5% voting control. Fairfax holds 48.1% of the total issued and outstanding shares, representing 61.7% voting control.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Recipe's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for the 39 weeks ended September 27, 2020 and September 29, 2019.

The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Insurance Provider

Some of Recipe's insurance policies are held by a company that is a subsidiary of Fairfax. The transaction is on market terms and conditions. As at September 27, 2020, no payments were outstanding.

Investment in The Keg Partnership (the "Partnership") and The Keg Royalties Income Fund ("KRIF")

The Company's equity investment in the Partnership is represented by the investment in The Keg GP Ltd ("KGP"). The value of the equity investment in the Partnership is nominal as substantially all of the cash flows from the Partnership are attributable to the Class C and Class A, B and D Partnership units ("Exchangeable Partnership units" or "Exchangeable units").

Investment in The Keg Royalties Income Fund

During the 13 and 39 weeks ended September 27, 2020, the Company purchased nil KRIF units (52 weeks ended December 29, 2019 - 250,000 shares for $4.0 million, 13 and 39 weeks ended September 29, 2019 - nil). The KRIF units held by the Company are measured at fair value through profit or loss. The closing market price of a Fund unit as at September 27, 2020 was $7.07. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a Fund unit as at September 27, 2020 was $7.07 (December 29, 2019 - $15.37, September 29, 2019 - $16.48).

	September 27, 2020		December 29, 2019		September 29, 2019	
(in thousands of Canadian dollars)	**# of units**	**Fair Value**	**# of units**	**Fair Value**	**# of units**	**Fair Value**
Class A Partnership units	905,944	$ 6,405	905,944	$ 13,924	905,944	$ 14,930
Class B Partnership units	176,700	1,249	176,700	2,716	176,700	2,912
Class D Partnership units	3,679,692	26,016	3,325,280	51,110	3,236,213	53,333
Exchangeable unit investment in the Partnership	4,762,336	$ 33,670	4,407,924	$ 67,750	4,318,857	$ 71,175
Class C unit investment in the Partnership	5,700,000	57,000	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership	**10,462,336**	**$ 90,670**	**10,107,924**	**$ 124,750**	**10,018,857**	**$ 128,175**
Investment in KRIF units	250,000	1,768	250,000	3,843	—	—
Distributions earned on KRIF units	—	155	—	47	—	—
	10,712,336	**$ 92,593**	**10,357,924**	**$ 128,640**	**10,018,857**	**$ 128,175**

Other

As at September 27, 2020, long-term receivables include a non-interest bearing employee demand note in the amount $0.8 million (December 29, 2019 - $0.8 million, September 29, 2019 - $0.8 million).

As at September 27, 2020, the Company has a $2.0 million royalty fee payable, including GST, to the Fund (December 29, 2019 - $2.9 million, September 29, 2019 - $2.5 million) and a $0.3 million interest payable amount due to the Fund on the Keg Loan (December 29, 2019 - $0.3 million , September 29, 2019 - $0.4 million) included in accounts payable and accrued liabilities.

As at September 27, 2020, the Company has $0.9 million in distributions receivable from the Partnership (December 29, 2019 - $1.2 million September 29, 2019 - $1.1 million) related to its ownership of the Class C and Exchangeable Partnership units. These amounts were received from the Partnership when due, subsequent to the above periods.

The Company performs accounting services for a company owned by a director. For 13 and 39 weeks ended September 27, 2020, KRL earned $30 thousand and $90 thousand for these services (13 and 39 weeks ended September 29, 2019 – $0.1 million and $0.2 million).

The Company incurs royalty expense with respect to the license and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is treated as a related party transaction. The Company incurred royalty expense of $4.3 million and $10.8 million for the 13 and 39 weeks ended September 27, 2020 (13 and 39 weeks ended September 29, 2019 – $6.2 million and $19.0 million).

The Company also records investment income on its investment in Exchangeable units of the Partnership, Class C units of the Partnership, and investment in The Keg Royalties Income Fund units which is presented as interest income on Partnership and Fund units in the statements of earnings and comprehensive income. During 13 and 39 weeks ended September 27, 2020, the Company recorded investment income of $2.3 million and $6.2 million respectively, related to these units (13 and 39 weeks ended September 29, 2019 – $2.8 million and $8.3 million).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. As at September 27, 2020 there was a due from related party balance of $15.5 million (December 29, 2019 - $13.2 million, September 29, 2019 - $12.3 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2020. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $1.0 million (December 29, 2019 - $1.0 million, September 29, 2019 - $1.0 million). The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. For the 13 and 39 weeks ended September 27, 2020, the Company charged interest in the amount of $0.1 million (13 and 39 weeks ended September 29, 2019 - $0.1 million and $0.2 million) on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at September 27, 2020 the accounts receivable balance included $0.2 million (December 29, 2019 - $0.1 million, September 29, 2019 - $0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 27, 2020, an increase of $0.2 million and $0.1 million respectively (13 and 39 weeks ended September 29, 2019 - $0.1 million and $0.2 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

The Company has a 79.4% ownership interest in New & Old Kings and Priests Restaurants Inc. ("Burger's Priest") with the remaining 20.6% owned by a third party who has an earn-out agreement that can grow their ownership interest to 50% if certain earnings targets are met. Both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 27, 2020, there investment balance increased by $0.6 million and $0.9 million respectively (13 and 39 weeks ended September 29, 2019 - there was no change and a decrease of $0.2 million, respectively). The changes were recorded in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

Investment in 1909 Taverne Moderne joint venture

The Company has an investment in a joint venture to operate two 1909 Taverne Moderne restaurants with a third party. As at September 27, 2020, the Company has invested $5.5 million, recorded in long-term receivables (December 29, 2019 - $4.7 million, September 29, 2019 - $5.2 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at September 27, 2020, an allowance of $5.2 million (December 29, 2019 - $4.7 million, September 29, 2019 - $nil) has been provided against the long-term receivable. The Company and the third party each have a 50% ownership interest in the joint venture. Both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 27, 2020, there was $0.2 million recorded in the long term receivable balance (13 and 39 weeks ended September 29, 2019 - a decrease of $0.5 million and $1.1 million respectively) was recorded in relation to the Company's proportionate share of gain for the period and included in share of gains from investment in joint ventures on the statement of earnings.

Investment in Rose Reisman Catering joint venture

In connection with the acquisition of Pickle Barrel on December 1, 2017, the Company had a 50% ownership interest in Rose Reisman Catering and is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties.

On January 31, 2020, the Company purchased the remaining 50% interest in Rose Reisman Catering for an immaterial amount. The results of the business is 100% included in the consolidated financial statements from February 1, 2020 to September 27, 2020.

All entities above are related by virtue of being under joint control with, or significant influence by, the Company.

Outlook

Management expects that post COVID-19, the restaurant industry will be very different. There will be less restaurant seats in the market from competitors that will not re-open and from changes in consumer behaviour. Management believes Recipe is well positioned with certain brands to build on its off-premise (takeout and delivery) and retail channels because of its established business platforms (IT investments in digital apps for online ordering, and relationships with grocery chains). The third quarter of 2020 has proven that our brands and franchisees are strong and resilient, and we can recover from the effects of the pandemic when our restaurants are open and allowed to operate.

Subsequent to the third quarter, a number of our corporate and franchise locations in the provinces of Quebec, Ontario and Manitoba were mandated to close its dining rooms once again, as a result of the resurgence of regionalized COVID-19 cases. During these regionalized closures and while following new operational guidelines, we will continue to deliver safe dining experiences and focus on our off-premise channels, which include plans to open 3 additional "Ultimate Kitchen" locations by the end of the first quarter of 2021. Our retail division will continue to supply branded and private label products to grocery customers across Canada. Management believes that its brands and franchisees will successfully manage through the pandemic, despite new government mandated closures and evolving restrictive measures, because of our healthy balance sheet, our Recipe rent, royalty and cash flow assistance programs provided to franchisees, existing lender accommodations to Recipe and franchisees, wage subsidies from the Federal Government and continued focus on off-premise sales channels in addition to dining room offerings.

During the short and medium term, our focus will include:

a. Continue to practice "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our guests, associates and franchise partners;

b. Expanding dining room sales by maximizing seating capacity and table turns through strategic seating plans, table separations and/ or safety shields between tables and reservation systems, while still maintaining social distancing protocols with focus on keeping our associates and guests safe;

c. Reducing menu size and complexity to deliver on the 4-Pillar strategy of exceeding customer expectations for food quality, service, value and ambiance, while improving profitability flow through;

d. Manage and improve the long-term health of its network & restaurant profitability by providing tools and guidance for franchisees to access government assistance programs (in particular the CEWS program), providing rent assistance through the Recipe Rent Certainty Program, reducing and/or deferring non-essential restaurant costs, and working with our franchise lending partners to defer franchisee loan payments and to ensure our franchisees have full access to the emergency loan programs that the government has introduced in response to COVID-19;

e. Actively negotiating early exit and permanent closure of under-performing restaurants that were identified at the end of 2019;

f. Continue to expand the Company's off premise business for all brands with digital and mobile order applications and brand appropriate features including curb-side pick-up, preorder and pay, as well as other payment convenience options. The Company is also focused on the expansion of our multiple brands delivery and take-out only concept and expects to open 3 additional Ultimate Kitchen locations in Ontario by the end of the first quarter of 2021, with our next Ultimate Kitchen location to be opened in the Greater Toronto Area by the end of November 2020; and

g. Reduce and adjust overhead cost structure in response to slower growth and revenue reductions, including rent and overhead cost reductions, and taking advantage of government initiatives like the wage subsidies and government rent assistance to help offset the reduction in revenues. The Company expects it will continue to qualify for the government wage subsidy program (CEWS) for the balance of 2020 and will report the recoveries earned in future quarters. Subject to government approvals and execution of landlord agreements, the Company also expects to receive CECRA rent assistance benefits in the fourth quarter as savings to the direct rent support provided to franchisees through the rent certainty program.

The foregoing description of Recipe's outlook is based on management's current strategies and its assessment of the outlook for the business and the Canadian Restaurant Industry as a whole, may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "Forward-Looking Information" and "Risk & Uncertainties" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after December 30, 2019. See note 3 of the Company's consolidated financial statements for the year ended December 29, 2019 for a summary of new accounting standards adopted during 2019 and note 4 for a summary of future accounting standards not yet adopted.

Controls and Procedures

There were no material changes in the Company's internal controls over financial reporting during the 13 weeks ended September 27, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Critical Accounting Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make various judgements, estimates and assumptions in applying the Company's accounting policies except those adopted using the judgements from the first quarter on 2019 and the key sources of estimation of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the year ended December 29, 2019.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales", "SRS Growth", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "Adjusted Net Earnings", "Adjusted Basic EPS", and "Adjusted Diluted EPS", and "Free Cash Flow" to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

"**System Sales**" represents top-line sales from restaurant guests at both corporate and franchise restaurants including take-out and delivery customer orders. System Sales includes sales from both established restaurants as well as new restaurants. System sales also includes sales received from its food processing and distribution division. Management believes System Sales provides meaningful information to investors regarding the size of Recipe's restaurant network, the total market share of the Company's brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Recipe's consolidated financial performance.

"**System Sales Growth**" is a metric used in the restaurant industry to compare System Sales over a certain period of time, such as a fiscal quarter, for the current period against System Sales in the same period in the previous year.

"**SRS Growth**" is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Recipe defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Recipe's SRS Growth results excludes Casey's restaurants as the Company is in the process of winding down its operations; and sales from international operations from New York Fries and East Side Mario's in the US.

"**EBITDA**" is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain.

"**Operating EBITDA**" is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain; (v) impairment of assets, net of reversals; (vi) losses on early buyout / cancellation of equipment rental contracts; (vii) restructuring and other; (viii) conversion fees; (ix) net (gain) / loss on disposal of property, plant and equipment; (x) stock based compensation, costs related to its restricted share units, and one-time cash payments related to the exercise and settlement of stock options; (xi) changes in onerous contract provision; (xii) expense impact from fair value inventory adjustment resulting from the St-Hubert purchase relating to inventory sold during the period; (xiii) acquisition related transaction costs; (xiv) change in fair value of non-controlling interest liability; (xv) change in fair value of Exchangeable Partnership units; (xvi) the Company's proportionate share of equity accounted investment in joint ventures; (xvii) interest income from the Partnership units; and the rent expense impact related to the implementation of IFRS 16, "Leases".

"**Operating EBITDA Margin**" is defined as Operating EBITDA divided by total gross revenue.

"**Operating EBITDA Margin on System Sales**" is defined as Operating EBITDA divided by System Sales.

"**Net Debt to Operating EBITDA"** is defined as Total Net Funded Debt divided by the trailing 12 months EBITDA as defined under the amended credit agreement.

"**Free Cash Flow before capex, dividends and NCIB**" is defined as Operating EBITDA less (i) cash interest paid; (ii) maintenance capex; and (iii) cash taxes paid.

"**Free Cash Flow after capex, dividends and NCIB**" is defined as Operating EBITDA less (i) cash interest paid; (ii) maintenance capex; (iii) cash taxes paid; (iv) growth capex; (vi) dividends paid; (vi) shares repurchased under the NCIB; and (vii) proceeds from sale of assets.

"**Adjusted Net Earnings**" is defined as net earnings plus (i) change in fair value of non-controlling interest liability; (ii) change in fair value of Exchangeable Partnership units; (iii) one-time transaction costs; (iv) non-cash impairment charges; (v) restructuring and other; (vi) amortization of unearned conversion fees income; (vii) losses on early buyout/cancellation of equipment rental contracts; (viii) net gain on disposal of property, plant and equipment and other assets; and (ix) write-off of deferred financing fees.

"**Adjusted Basic EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding.

"**Adjusted Diluted EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding plus the dilutive effect of stock options and RSUs.

The following table provides reconciliations of Net Earnings and Adjusted Net Earnings:

(C$ millions unless otherwise stated)	**Q3 – 2020** **Sep 27 2020**	**Q2 – 2020** **Jun 28 2020**	**Q1 – 2020** **Mar 29 2020**	**Q4 – 2019** **Dec 29 2019**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings (loss)	$ 5.2	$ (40.6)	$ (41.2)	$ (1.9)
Transaction costs	0.2	0.2	0.1	1.8
Write off of deferring financing fees	—	—	—	—
Impairment charges	(2.2)	47.4	16.3	47.6
Restructuring and other	5.4	1.9	(1.1)	3.6
Change in fair value of non-controlling interest liability	—	—	—	(10.3)
Change in fair value of exchangeable Partnership units	12.1	(3.2)	33.1	5.1
Amortization of unearned conversion fees income	—	(0.1)	—	—
(Gains)/ Losses on early buyout/cancellation of equipment rental contracts	(0.1)	(0.2)	—	1.5
(Gains)/ Losses on settlement of lease liabilities	(0.1)	0.3	0.1	1.4
Net (gain) loss on disposal of property, plant and equipment and other assets	(4.3)	0.5	0.2	(1.3)
Adjusted Net Earnings [1]	**$ 16.1**	**$ 6.2**	**$ 7.3**	**$ 47.5**

(C$ millions unless otherwise stated)	Q3 – 2019 Sep 29 2019 (unaudited)	Q2 – 2019 Jun 30 2019 (unaudited)	Q1 – 2019 Mar 31 2019 (unaudited)	Q4 – 2018 Dec 30 2018 (unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings	$ 6.7	$ 16.6	$ 22.7	$ 9.0
Transaction costs	0.1	0.3	0.1	1.7
Write off of deferring financing fees	(1.0)	1.0	—	—
Impairment charges	5.7	4.0	—	6.8
Restructuring and other	2.6	0.7	(0.2)	8.9
Change in fair value of non-controlling interest liability	—	—	—	1.5
Change in fair value of exchangeable Partnership units	3.1	0.9	(4.8)	6.4
Amortization of unearned conversion fees income	0.3	(0.1)	—	0.5
Losses on early buyout/cancellation of equipment rental contracts	1.6	0.1	—	0.4
Net (gain) loss on disposal of property, plant and equipment and other assets	0.5	(0.1)	0.6	(1.2)
Adjusted Net Earnings [1]	**$ 19.5**	**$ 23.4**	**$ 18.3**	**$ 34.0**

[1] Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

(C$ millions unless otherwise stated)	Q3 - 2020 Sep 27 2020	Q2 - 2020 Jun 28 2020	Q1 - 2020 Mar 29 2020	Q4 - 2019 Dec 29 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings (loss)	$ 5.2	$ (40.6)	$ (41.2)	$ (1.9)
Net interest expense and other financing charges	7.9	9.5	6.4	6.4
Income taxes	4.5	(12.1)	(8.8)	(4.1)
Depreciation and amortization	26.0	26.3	27.0	29.5
EBITDA[1]	**$ 43.6**	**$ (16.9)**	**$ (16.6)**	**$ 29.9**
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	$ 0.2	$ 0.2	$ 0.1	$ 1.8
Impairment charges	(2.2)	47.4	16.3	47.6
Restructuring and other	5.4	1.9	(1.1)	3.6
Change in fair value non-controlling interest liability	—	—	—	(10.3)
Change in fair value of exchangeable partnership units	12.1	(3.2)	33.1	5.1
Income on Partnership units	2.3	1.2	2.7	2.8
Amortization of unearned conversion fees income	—	(0.1)	—	—
(Gains)/ Losses on early buyout/cancellation of equipment rental contracts	(0.1)	(0.2)	—	1.5
Loss (Gain) on settlement of lease liability	(0.1)	0.3	0.1	(1.4)
Net gain (loss) on disposal of property, plant and equipment and other assets	(4.3)	0.5	0.2	(1.3)
Stock based compensation	0.1	0.4	0.5	(5.4)
Change in onerous contract provision	—	—	—	—
Proportionate share of equity accounted joint venture	—	(1.4)	(0.6)	0.8
Rent impact from IFRS 16 Leases	(14.5)	(14.5)	(14.2)	(14.1)
Operating EBITDA [1]	**$ 42.5**	**$ 15.6**	**$ 20.5**	**$ 60.5**

(C$ millions unless otherwise stated)	Q3 - 2019 Sep 29 2019	Q2 - 2019 Jun 30 2019	Q1 - 2019 Mar 31 2019	Q4 - 2018 Dec 30 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	$ 6.7	$ 16.6	$ 22.7	$ 9.0
Net interest expense and other financing charges	4.9	7.5	4.5	2.8
Income taxes	5.2	7.2	8.6	6.4
Depreciation and amortization	28.4	28.9	27.9	16.2
EBITDA[1]	**$ 45.2**	**$ 60.2**	**$ 63.7**	**$ 34.4**
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	$ 0.1	$ 0.3	$ 0.1	$ 1.7
Impairment charges	5.7	4.0	—	6.8
Restructuring and other	2.6	0.7	(0.2)	8.9
Change in fair value non-controlling interest liability	—	—		
Change in fair value of exchangeable partnership units	3.1	0.9	(4.8)	7.9
Income on Partnership units	2.8	2.7	2.8	2.7
Amortization of unearned conversion fees income	0.3	(0.1)	(0.1)	0.5
(Gains)/ Losses on early buyout/cancellation of equipment rental contracts	1.6	0.1	—	0.5
Net (gain) on disposal of property, plant and equipment	0.5	(0.1)	0.6	(0.3)
Stock based compensation	2.1	1.8	1.9	2.1
Change in onerous contract provision	(0.6)	0.4	(0.2)	0.9
Proportionate share of equity accounted joint venture	0.3	0.1	0.2	(1.4)
Rent impact from adoption of IFRS 16 "Leases" [2]	(14.1)	(15.0)	(13.9)	(1.2)
Operating EBITDA [1]	**$ 49.5**	**$ 56.0**	**$ 50.1**	**$ 63.6**

[1] Figures may not total due to rounding.

The following table provides reconciliations from Operating EBITDA to Free Cash Flow:

(C$ millions unless otherwise stated)	Q3 - 2020 Sep 27 2020	Q2 - 2020 Jun 28 2020	Q1 - 2020 Mar 29 2020	Q4 - 2019 Dec 29 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	$ 42.5	$ 15.6	$ 20.5	$ 60.5
Maintenance capex	(4.4)	(4.0)	(3.8)	(5.0)
Interest on long-term debt	(6.3)	(6.8)	(5.4)	(5.5)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(1.1)
Cash taxes	2.7	—	(14.5)	(4.6)
Free Cash Flow before growth capex, dividends, NCIB[1]	**$ 33.4**	**$ 3.7**	**$ (4.3)**	**$ 44.3**
Growth capex	(4.5)	(3.4)	(5.0)	(8.9)
Proceeds on sale of assets	4.5	—	0.1	0.2
Dividends	—	(6.6)	—	(6.3)
NCIB	—	—	(0.3)	—
Free Cash Flow after growth capex, dividends, NCIB[1]	**$ 33.4**	**$ (6.3)**	**$ (9.6)**	**$ 29.4**

(C$ millions unless otherwise stated)	Q3 - 2019 Sep 30 2019	Q2 - 2019 Jun 30 2019	Q1 - 2019 Mar 31 2019	Q4 - 2018 Dec 30 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	$ 49.5	$ 56.0	$ 50.1	$ 63.3
Maintenance capex	(3.8)	(5.6)	(5.5)	(9.1)
Cash taxes	(4.5)	(4.1)	(3.6)	(1.7)
Interest on long-term debt	(1.1)	(1.1)	(1.1)	(4.2)
Interest expense on note payable to The Keg Royalties Income Fund	(4.0)	(5.2)	(4.8)	(1.1)
Free Cash Flow before growth capex, dividends, NCIB[(1)]	**$ 36.1**	**$ 40.0**	**$ 35.1**	**$ 47.2**
Growth capex	(8.2)	$ (7.9)	$ (4.5)	$ (4.2)
Proceeds on sale of assets	(0.3)	0.9	—	5.3
Dividends declared	(6.8)	(13.8)	(6.9)	(6.7)
Share repurchased	(16.5)	(11.7)	(7.1)	(14.5)
Free Cash Flow after growth capex, dividends, NCIB[(1)]	**$ 4.2**	**$ 7.5**	**$ 16.6**	**$ 27.2**

(1) Figures may not total due to rounding.

Forward-Looking Information

Certain statements in this MD&A may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including System Sales Growth, increases in net income, Operating EBITDA, Operating EBITDA Margin on System Sales, Free Cash Flow, and Adjusted net earnings; (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; (e) risk of future legal proceedings against the Company. These risk factors and others are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form dated March 27, 2020. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

The financial performance of the Company is subject to a number of factors that affect the commercial food service industry generally and the full-service restaurant and limited-service restaurant segments of this industry in particular. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. There are many well-established competitors, including those with greater financial and other resources than the Company. Competitors include national and regional chains, as well as numerous individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual dining segment of this industry in which many of the Company's restaurants operate. Some of the Company's competitors may have restaurant brands with longer operating histories or may be better established in markets where the Company's restaurants are located or may be located. If the Company is unable to successfully compete in the segments of the Canadian Restaurant industry in which it operates, the financial condition and results of operations of the Company may be adversely affected.

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, 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 restaurant 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 restaurant 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 other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the Company.

Please refer to the Company's Annual Information Form available on SEDAR at www.sedar.com for a more comprehensive list.