

RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 and 39 weeks ended September 26, 2021

Basis of Presentation

The COVID-19 global pandemic was declared in the first quarter of 2020 and continues to have an impact on the Company. 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 26, 2021 and September 27, 2020 ("third quarter", "Q3", "the quarter" or "the period"). The consolidated results from operations for the 13 and 39 weeks ended September 26, 2021 are compared to the 13 and 39 weeks ended September 27, 2020, as well as the 13 and 39 weeks ended September 29, 2019 which reflects the Company's results of operations prior to the COVID-19 pandemic.

This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and accompanying notes as at September 26, 2021, the audited annual financial statements and accompanying notes for the year ended December 27, 2020 and the related annual MD&A included in the Company's 2020 Annual Report. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and all amounts presented are in Canadian dollars unless otherwise indicated.

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 3, 2021. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Impact of COVID-19

The COVID-19 pandemic continues to impact industries and supply chains around the world, and government imposed restrictions in Canada continue to evolve. The majority of restrictions were lifted by the end of June 2021 and since then, dining room sales in our corporate and franchise restaurant network have increased. Near the end of the third quarter, parts of Canada began to experience a resurgence of COVID-19 cases due to the fourth wave of the pandemic, resulting in the introduction of additional public health measures. This included the mandatory presentation of a vaccine passport for indoor dining Guests in some provinces, which negatively impacted sales trends, particularly in smaller communities.

As economies reopen, the global recovery from the economic impacts of COVID-19 is disrupting supply chains around the world. Multiple economic sectors reopening simultaneously is creating a temporary but significant labour shortage throughout North America. Management expects that this labour shortage may lead to short term higher labour costs due to increased overtime hours, retention pay programs and higher training costs as new employees are brought onboard. The recovery is also negatively impacting commodity food prices as supply and demand dynamics normalize. While management is responding with cost saving initiatives, some sectors such as retail, may experience temporary margin impacts until price adjustments can be properly administered.

Despite the ongoing impact of COVID-19, our teammates and franchisees have operated efficiently and remained disciplined. The Company has also taken significant steps to strengthen its overall business, this included streamlining menus, improving our digital platform, testing and introducing higher efficiency kitchen equipment and more importantly, investing in our people and franchisees. We have also made strategic changes to our brand portfolio mix, closed underperforming restaurants, converted many joint venture restaurants to either corporate or franchise ownership and opened 46 new restaurants since the start of the pandemic. With the help of these measures, the Company generated \$50.3 million of EBITDA and \$13.2 million of net earnings, and repaid \$50.0 million of long term debt in the third quarter of 2021. This was achieved while facing the lingering effects of government imposed restrictions which impacted 30.8% of the Company's total operating weeks and a reduction in government subsidies of approximately \$31.7 million compared to 2020. Our ability to pivot during the COVID-19 pandemic was also recognized by the food service and hospitality industry and in October 2021, Recipe received the prestigious Pinnacle Award as Company of the Year.

The actions taken by the Company throughout the COVID-19 disruption period have allowed the Company to generate meaningful levels of system sales, positive EBITDA and free cash flow, while maintaining a stable net debt position. The following table summarizes the impact of the COVID-19 pandemic and compares the Company's quarterly results to the pre-pandemic results of operations in the third quarter of 2019:

(C\$ millions unless otherwise stated)	Q3 – 2021 Sep 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2019 Sep 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
% of Operating Weeks impacted by COVID-19 related restrictions	30.8 %	96.5 %	88.7 %	42.2 %	— %
Total System Sales	\$ 834.2	\$ 561.8	\$ 537.6	\$ 611.3	\$ 869.1
E-Commerce System Sales	\$ 134.1	\$ 167.1	\$ 149.8	\$ 143.8	\$ 73.5
Operating EBITDA	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 49.5
Net debt	\$ 424.3	\$ 472.1	\$ 457.7	\$ 451.3	\$ 487.4
Number of restaurants (at period end) ¹	1,284	1,327	1,330	1,341	1,375
Free Cash Flow before growth capex, dividends, and NCIB	\$ 36.9	\$ 17.2	\$ 8.8	\$ 17.5	\$ 36.1
Free Cash Flow per share - basic (in dollars)	\$ 0.65	\$ 0.30	\$ 0.16	\$ 0.31	\$ 0.59
Free Cash Flow per share - diluted (in dollars)	\$ 0.63	\$ 0.29	\$ 0.15	\$ 0.31	\$ 0.58

¹ Number of restaurants at the period ended Q3 2021 excludes 41 Milestones locations that were divested on September 26, 2021.

Highlights for the 13 and 39 weeks ended September 26, 2021:

- Total System Sales⁽¹⁾ for the 13 weeks ended September 26, 2021 was \$834.2 million, compared to \$676.4 million in 2020 and \$869.1 million in 2019, representing an increase from 2020 of 23.3% and a decrease from 2019 of 4.0%. System Sales⁽¹⁾ for the 39 weeks ended September 26, 2021 was \$1,933.6 million, compared to \$1,813.4 million in 2020 and \$2,591.1 million in 2019. The increase from 2020 reflects the easing of government mandated restrictions and the return of our Guests into our dining rooms. The decrease from 2019 reflects the continuing impact of the remaining government mandated restrictions in certain parts of our restaurants network, which affected 30.8% of the Company's total operating weeks in the third quarter of 2021.
- E-Commerce System Sales for the 13 weeks ended September 26, 2021 was \$134.1 million, compared to \$114.7 million in 2020 and \$73.5 million in 2019, representing increases from 2020 and 2019 of 16.9% and 82.5% respectively. E-Commerce System Sales for the 39 weeks ended September 26, 2021 was \$451.0 million, compared to \$330.3 million in 2020 and \$235.7 million in 2019, representing increases from 2020 and 2019 of 36.5% and 91.3% respectively. Consumer demand through e-commerce channels remained strong as dining rooms reopened in the third quarter of 2021. The Company continues to build on its omni-channel business model through its established IT platform infrastructure, which makes it convenient for Guests to enjoy their experience in whatever manner they choose.
- Retail and Catering System Sales for the 13 weeks ended September 26, 2021 was \$93.4 million compared to \$86.3 million in 2020 and \$76.9 million in 2019, representing increases from 2020 and 2019 of 8.2% and 21.5% respectively. Retail and Catering System Sales for the 39 weeks ended September 26, 2021 was \$268.3 million compared to \$245.3 million in 2020 and \$224.1 million in 2019, representing increases from 2020 and 2019 of 9.4% and 19.7% respectively. The increases were driven by increased sales to retail grocery customers and the sales recovery of the catering segment in the third quarter of 2021.
- Operating EBITDA⁽¹⁾ for the 13 weeks ended September 26, 2021 was \$50.3 million, compared to \$42.5 million in 2020, representing an increase of 18.4%. Operating EBITDA Margin on System Sales⁽¹⁾ for the 13 weeks ended September 26, 2021 was 6.0% compared to 6.3% in 2020. The Operating EBITDA increase in the quarter

was primarily driven by increased System Sales, partially offset by lower government subsidies and an increase in food costs. Operating EBITDA⁽¹⁾ for the 39 weeks ended September 26, 2021 was \$104.7 million, compared to \$78.8 million in 2020, representing an increase of 32.9%. Operating EBITDA Margin on System Sales⁽¹⁾ for the 39 weeks ended September 26, 2021 was 5.4% compared to 4.3% in 2020. The increases for the year were driven by increased System Sales and higher rental income, partially offset by lower government subsidies.

- The Company completed the sale of substantially all of the assets of its Milestones restaurant brand on September 26, 2021. This transaction is part of the Company's strategy for its restaurant portfolio, which may include divesting of certain under-performing brands that no longer fit the portfolio strategy. This transaction will enable the Company to adjust its restaurant portfolio to focus on large brands that generate significant free cash flow, as well as young brands that offer new restaurant growth opportunities.
- The Company continues to execute the planned closures of restaurants that no longer fit its long-term strategic plan. For the 39 weeks ended September 26, 2021 Company successfully closed and successfully exited 30 additional restaurants, including 5 corporate, 24 franchise and 1 joint venture locations.
- Net earnings was \$13.2 million for the 13 weeks ended September 26, 2021 compared to \$5.2 million in 2020, representing an increase of \$8.0 million from 2020. The \$8.0 million increase was primarily driven by an increase in Operating EBITDA of \$7.8 million and an increase in the fair value of Exchangeable Partnership and KRIF units of \$10.0 million, partially offset by an increase in impairment charges of \$9.1 million.
- Net earnings (loss) was \$45.5 million for the 39 weeks ended September 26, 2021 compared to (\$76.7) million in 2020, representing an increase of \$122.2 million from 2020. The \$122.2 million increase was primarily driven by an increase in Operating EBITDA of \$25.9 million, a decrease in impairment charges of \$55.6 million, an increase in fair value of Exchangeable Keg Partnership units of \$54.7 million, and a decrease in interest expense of \$9.5 million.
- Adjusted Basic EPS⁽¹⁾ for the 13 weeks ended September 26, 2021 was \$0.48 compared to \$0.29 in 2020, representing an increase of \$0.19 from 2020. Adjusted Diluted EPS⁽¹⁾ for the 13 weeks ended September 26, 2021 was \$0.47 compared to \$0.28 in 2020, representing an increase of \$0.19 from 2020.
- Adjusted Basic EPS for the 39 weeks ended September 26, 2021 was \$0.67 compared to \$0.52 in 2020, representing an increase of \$0.15 from 2020. Adjusted Diluted EPS for the 39 weeks ended September 26, 2021 was \$0.66 compared to \$0.52 in 2020, representing an increase of \$0.14 from 2020.
- Free Cash Flow⁽¹⁾ before growth capex, dividends, and share repurchases under the Company's normal course issuer bid ("NCIB") for the 13 weeks ended September 26, 2021 was \$36.9 million compared to \$33.4 million in 2020 and \$36.1 million in 2019. Free Cash Flow⁽¹⁾ before growth capex, dividends, and share repurchases under the Company's NCIB for the 39 weeks ended September 26, 2021 was \$62.8 million compared to \$33.0 million in 2020 and \$111.6 million in 2019.
- Free Cash Flow⁽¹⁾ per share before growth capex, dividends, and NCIB on a diluted basis was \$0.63 for the 13 weeks ended September 26, 2021, compared to \$0.59 in 2020 and \$0.58 in 2019. Free Cash Flow⁽¹⁾ per share before growth capex, dividends, and NCIB on a diluted basis was \$1.09 for the 39 weeks ended September 26, 2021, compared to \$0.58 in 2020 and \$1.76 in 2019.

⁽¹⁾ See "Non-IFRS Measures" on page 32 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 7 and 32 for a reconciliation of Net Earnings to these Non-IFRS measures.

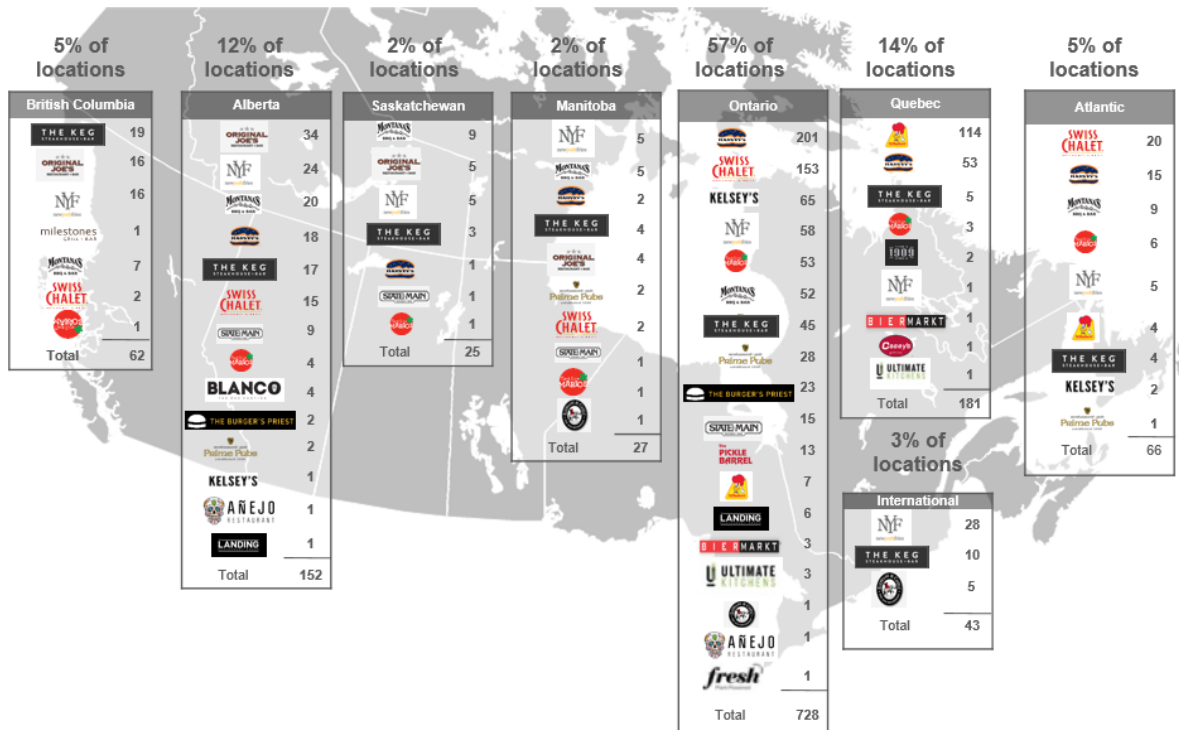
Subsequent Events

On September 29, 2021, the Company exited its joint venture arrangement to operate two 1909 Taverne Moderne restaurants locations. The Company previously had 50% ownership interest in the joint venture.

On October 31, 2021, the Company acquired 100% of Plant Powered Ventures Ltd. and the remaining 15.0% minority interest of Fresh Since 1999 for cash consideration of approximately \$25.0 million. The agreement also includes contingent payments based on the achievement of certain conditions and milestones. Plant Power Ventures Ltd. developed and operates the original five Fresh branded plant-based restaurants in Ontario. Subsequent to this transaction, the Company has full control and ownership of all Fresh branded locations.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at September 26, 2021, Recipe had 21 brands and 1,284 restaurants, of which 84% are operated by franchisees and joint venture partners. The Company's restaurant network operates across several countries including Canada, USA, Saudi Arabia and the UAE.



Unit count (unaudited)	As at September 26, 2021				As at December 27, 2020			
	Corporate	Franchise	Joint Venture	Total	Corporate	Franchise	Joint Venture	Total
Swiss Chalet	11	181	—	192	11	184	—	195
Harvey's	7	283	—	290	9	283	—	292
Montana's	4	98	—	102	5	99	—	104
Kelsey's	5	63	—	68	5	65	—	70
East Side Mario's ⁽¹⁾	4	65	—	69	4	65	—	69
Prime Pubs	4	29	—	33	4	30	—	34
Bier Markt	4	—	—	4	4	—	—	4
Milestones ⁽²⁾	1	—	—	1	29	15	—	44
Landing	7	—	—	7	8	—	—	8
New York Fries	19	123	—	142	19	132	—	151
St-Hubert	13	112	—	125	12	109	—	121
Original Joe's	19	34	5	58	16	30	13	59
State & Main	8	16	2	26	8	15	5	28
Elephant & Castle	7	—	—	7	7	—	—	7
Burger's Priest	25	—	—	25	—	—	25	25
1909 Taverne Moderne	—	—	2	2	—	—	2	2
Pickle Barrel	13	—	—	13	13	—	—	13
The Keg	52	55	—	107	51	55	—	106
Anejo	2	—	—	2	2	—	—	2
Blanco Cantina	1	4	—	5	1	2	—	3
Fresh	1	—	—	1	—	—	1	1
Casey's	—	1	—	1	—	1	—	1
Ultimate Kitchen	4	—	—	4	2	—	—	2
Total restaurants	211	1,064	9	1,284	210	1,085	46	1,341
	16.4%	82.9%	0.7%	100.0%	15.7%	80.9%	3.4%	100.0%

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

(2). The sale of the Milestones restaurant brand was completed on September 26, 2021. Subsequent to the sale, the Milestones location in Whistler remained within the Company's restaurant portfolio. The Company expects to rebrand this location.

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.

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
System Sales ⁽¹⁾	\$ 834.2	\$ 676.4	\$ 869.1	\$ 1,933.6	\$ 1,813.4	\$ 2,591.1
System Sales Growth ⁽¹⁾	23.3 %	(22.2)%	(1.2)%	6.6 %	(30.0)%	3.2 %
Number of corporate restaurants ..	211	216	208	211	216	208
Number of joint venture ..	9	46	44	9	46	44
Number of franchised restaurants ..	1,064	1,093	1,123	1,064	1,093	1,123
Total number of restaurants (at period end)	1,284	1,355	1,375	1,284	1,355	1,375
Total gross revenue	\$ 308.1	\$ 243.3	\$ 309.0	\$ 709.8	\$ 653.6	\$ 925.5
Operating EBITDA ⁽¹⁾	\$ 50.3	\$ 42.5	\$ 49.5	\$ 104.7	\$ 78.8	\$ 155.5
Operating EBITDA Margin ⁽¹⁾	16.3 %	17.5 %	16.0 %	14.8 %	12.1 %	16.8 %
Operating EBITDA Margin on System Sales ⁽¹⁾	6.0 %	6.3 %	5.7 %	5.4 %	4.3 %	6.0 %
Free cash flow ⁽¹⁾ , before growth capex, dividends and NCIB	\$ 36.9	\$ 33.4	\$ 36.1	\$ 62.8	\$ 33.0	\$ 111.6
Free cash flow ⁽¹⁾ per share - Basic (in dollars)	\$ 0.65	\$ 0.59	\$ 0.59	\$ 1.11	\$ 0.58	\$ 1.82
Free cash flow ⁽¹⁾ per share - Diluted (in dollars)	\$ 0.63	\$ 0.59	\$ 0.58	\$ 1.09	\$ 0.58	\$ 1.76
Free cash flow ⁽¹⁾ , after growth capex, dividends and NCIB	\$ 33.8	\$ 33.4	\$ 4.2	\$ 56.3	\$ 17.7	\$ 35.6
Free cash flow ⁽¹⁾ per share - Basic (in dollars)	\$ 0.59	\$ 0.59	\$ 0.07	\$ 0.99	\$ 0.31	\$ 0.58
Free cash flow ⁽¹⁾ per share - Diluted (in dollars)	\$ 0.58	\$ 0.59	\$ 0.07	\$ 0.97	\$ 0.31	\$ 0.56
Net earnings (loss)	\$ 13.2	\$ 5.2	\$ 6.7	\$ 45.5	\$ (76.7)	\$ 45.8
Basic EPS (in dollars)	\$ 0.23	\$ 0.09	\$ 0.11	\$ 0.80	\$ (1.35)	\$ 0.75
Diluted EPS (in dollars)	\$ 0.23	\$ 0.09	\$ 0.11	\$ 0.79	\$ (1.35)	\$ 0.73
Adjusted Net Earnings ⁽¹⁾	\$ 27.6	\$ 16.1	\$ 19.5	\$ 38.2	\$ 29.3	\$ 60.9
Adjusted Basic EPS ⁽¹⁾ (in dollars)	\$ 0.48	\$ 0.29	\$ 0.32	\$ 0.67	\$ 0.52	\$ 1.00
Adjusted Diluted EPS ⁽¹⁾ (in dollars)	\$ 0.47	\$ 0.28	\$ 0.31	\$ 0.66	\$ 0.52	\$ 0.96

⁽¹⁾ See "Non-IFRS Measures" on page 32 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 7 and 32 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 26, 2021, September 27, 2020 and September 29, 2019 :

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
System Sales ⁽²⁾	\$ 834.2	\$ 676.4	\$ 869.1	\$ 1,933.6	\$ 1,813.4	\$ 2,591.1
Sales	\$ 263.3	\$ 207.7	\$ 262.7	\$ 604.0	\$ 558.0	\$ 786.7
Franchise revenues	44.9	35.6	46.3	105.8	95.7	138.7
Total gross revenue ⁽¹⁾	\$ 308.1	\$ 243.3	\$ 309.0	\$ 709.8	\$ 653.6	\$ 925.5
Cost of inventories sold	(121.9)	(97.9)	(111.8)	(303.5)	(267.4)	(331.8)
Selling, general and administrative expenses						
Corporate restaurant expenses	(98.3)	(70.6)	(112.3)	(203.5)	(208.0)	(335.9)
Advertising fund transfers	(15.8)	(14.3)	(16.0)	(37.2)	(36.6)	(47.3)
The Keg royalty expense	(6.1)	(4.3)	(6.2)	(11.2)	(10.8)	(19.0)
Franchise assistance and bad debt	—	(1.9)	(1.2)	(1.3)	(3.4)	(2.8)
Depreciation & amortization	(22.8)	(25.4)	(27.8)	(69.4)	(77.5)	(83.7)
Net gain/ (loss) on disposal of property, plant and equipment and other assets	—	4.3	(0.5)	1.3	3.6	(0.9)
Gain/ (loss) on settlement of lease liabilities	1.3	0.1	—	1.5	(0.4)	—
Other	(5.7)	(1.1)	(4.5)	(15.4)	(14.0)	(7.3)
Selling, general and administrative expenses ⁽¹⁾	(147.3)	(113.3)	(168.5)	(335.1)	(346.9)	(497.0)
Impairment of assets, net of reversals	(6.9)	2.2	(5.7)	(5.9)	(61.5)	(9.7)
Restructuring and other	(2.7)	(5.4)	(2.6)	(5.0)	(6.2)	(3.0)
Operating income (loss) ⁽¹⁾	\$ 29.3	\$ 28.9	\$ 20.4	\$ 60.3	\$ (28.3)	\$ 84.0
Net interest expense and other financing charges	(6.3)	(7.9)	(4.9)	(14.3)	(23.8)	(16.9)
Loss from disposition of brand assets	(3.3)	—	—	(3.3)	—	—
Share of gain (loss) from investment in joint ventures	0.1	0.8	(0.5)	—	1.0	(1.2)
Earnings (loss) before change in fair value and income taxes ⁽¹⁾	\$ 19.7	\$ 21.8	\$ 15.0	\$ 42.8	\$ (51.1)	\$ 65.9
Change in fair value of non-controlling interest liability	—	—	—	(0.5)	—	—
Change in fair value of exchangeable Partnership units and Keg Royalty Income Fund units	(2.1)	(12.1)	(3.1)	12.7	(42.0)	0.9
Earnings (loss) before income taxes ⁽¹⁾	\$ 17.7	\$ 9.7	\$ 11.9	\$ 55.0	\$ (93.1)	\$ 66.7
Income taxes - current	(2.8)	(0.1)	(5.5)	(7.7)	(7.0)	(18.9)
Income taxes - deferred	(1.7)	(4.4)	0.3	(1.9)	23.4	(2.1)
Net earnings (loss) ⁽¹⁾	\$ 13.2	\$ 5.2	\$ 6.7	\$ 45.5	\$ (76.7)	\$ 45.8
Adjusted Net Earnings ⁽²⁾	\$ 27.6	\$ 16.1	\$ 19.5	\$ 38.2	\$ 29.3	\$ 60.9
Earnings per share attributable to common shareholders (in dollars)						
Basic EPS	\$ 0.23	\$ 0.09	\$ 0.11	\$ 0.80	\$ (1.35)	\$ 0.75
Diluted EPS	\$ 0.23	\$ 0.09	\$ 0.11	\$ 0.79	\$ (1.35)	\$ 0.73
Adjusted Basic EPS ⁽²⁾	\$ 0.48	\$ 0.29	\$ 0.32	\$ 0.67	\$ 0.52	\$ 1.00
Adjusted Diluted EPS ⁽²⁾	\$ 0.47	\$ 0.28	\$ 0.31	\$ 0.66	\$ 0.52	\$ 0.96

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See "Non-IFRS Measures" on page 32 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 7 and 32 for a reconciliation of Net Earnings to these Non-IFRS measures.

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
Reconciliation of Net Earnings to Adjusted Net Earnings ⁽²⁾						
Net earnings (loss)	\$ 13.2	\$ 5.2	\$ 6.7	\$ 45.5	\$ (76.7)	\$ 45.8
Transaction costs	0.2	0.2	0.1	0.1	0.1	0.5
Impairment, net of reversals, of restaurant assets and lease receivables	6.9	(2.2)	5.7	5.9	61.5	9.7
Restructuring and other	2.7	5.4	2.6	5.0	6.2	3.1
Write-off of deferred financing costs	—	—	(1.0)	—	—	—
Remeasurement to fair value of pre-existing interest in acquirees	—	—	—	(7.5)	—	—
Change in fair value of Exchangeable Keg Partnership units and KRIF units	2.1	12.1	3.1	(12.7)	42.0	(0.9)
Change in fair value of non-controlling interest liability	—	—	—	0.5	—	—
Amortization of unearned conversion fees income	—	—	0.3	(0.1)	(0.2)	0.2
Net (gain) loss on early buyout/cancellation of equipment rental contracts	0.7	(0.1)	1.6	1.0	(0.4)	1.7
Net (gain) loss on disposal of property, plant and equipment and other assets	—	(4.3)	0.5	(1.3)	(3.6)	0.9
Loss on disposition of brand assets	3.3	—	—	3.3	—	—
Net (gain) loss on settlement of lease liabilities	(1.3)	(0.1)	—	(1.5)	0.3	—
Adjusted Net Earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 27.6	\$ 16.1	\$ 19.5	\$ 38.2	\$ 29.3	\$ 60.9
Reconciliation of Net Earnings to EBITDA ⁽²⁾						
Net earnings (loss)	\$ 13.2	\$ 5.2	\$ 6.7	\$ 45.5	\$ (76.7)	\$ 45.8
Net interest expense and other financing charges	6.3	7.9	4.9	14.3	23.8	16.9
Income taxes	4.5	4.5	5.2	9.6	(16.4)	21.0
Depreciation and amortization	23.3	26.0	28.4	71.0	79.3	85.3
EBITDA ⁽²⁾	\$ 47.3	\$ 43.6	\$ 45.2	\$ 140.4	\$ 10.0	\$ 169.0
Reconciliation of EBITDA ⁽²⁾ to Operating EBITDA ⁽²⁾:						
Transaction costs	\$ 0.2	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.5
Impairment, net of reversals, of restaurant assets and lease receivables	6.9	(2.2)	5.7	5.9	61.5	9.7
Restructuring and other	2.7	5.4	2.6	5.0	6.2	3.1
Change in fair value of non-controlling interest liability	—	—	—	0.5	—	—
Change in fair value of Exchangeable Keg Partnership units and KRIF units	2.1	12.1	3.1	(12.7)	42.0	(0.9)
Interest income on Partnership units and KRIF Fund units	2.9	2.3	2.8	6.6	6.2	8.3
Amortization of unearned conversion fees income	—	—	0.3	(0.1)	(0.2)	0.2
Net (gain) loss on early buyout/cancellation of equipment rental contracts	0.7	(0.1)	1.6	1.0	(0.4)	1.7
Net (gain) loss on disposal of property, plant and equipment and other assets	—	(4.3)	0.5	(1.3)	(3.6)	0.9
Loss on disposition of brand assets	3.3	—	—	3.3	—	—
Net (gain) loss on settlement of lease liabilities	(1.3)	(0.1)	—	(1.5)	0.3	—
Stock based compensation	0.3	0.1	1.4	0.5	1.0	5.1
Change in onerous contract provision	—	—	(0.6)	—	—	(0.8)
Proportionate share of joint venture results	(0.7)	—	0.9	0.4	(1.0)	1.7
Rent impact from IFRS 16 Leases	(14.1)	(14.5)	(14.1)	(43.4)	(43.3)	(43.0)
Operating EBITDA ⁽¹⁾⁽²⁾	\$ 50.3	\$ 42.5	\$ 49.5	\$ 104.7	\$ 78.8	\$ 155.5
Reconciliation of Operating EBITDA ⁽²⁾ to Free Cash Flow ⁽²⁾:						
Maintenance capex	\$ (3.0)	\$ (4.4)	\$ (3.8)	\$ (9.0)	\$ (12.2)	\$ (14.4)
Interest on long-term debt	(5.1)	(6.3)	(4.5)	(16.4)	(18.6)	(12.3)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(3.2)	(3.2)	(3.2)
Cash taxes	(4.2)	2.7	(4.0)	(13.3)	(11.7)	(14.0)
Free Cash Flow ⁽²⁾ before Growth capex, dividends and NCIB ⁽¹⁾	\$ 36.9	\$ 33.4	\$ 36.1	\$ 62.8	\$ 33.1	\$ 111.6
Growth capex	\$ (3.1)	\$ (4.5)	\$ (8.2)	\$ (8.4)	\$ (12.9)	\$ (20.7)
Proceeds on sale of assets	—	4.5	(0.3)	1.8	4.5	0.6
Dividends	—	—	(6.8)	—	(6.6)	(20.6)
NCIB	—	—	(16.5)	—	(0.3)	(35.2)
Free Cash Flow ⁽²⁾ after Growth capex, dividends and NCIB ⁽¹⁾	\$ 33.8	\$ 33.4	\$ 4.2	\$ 56.2	\$ 17.8	\$ 35.6

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See "Non-IFRS Measures" on page 32 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 7 and 32 for a reconciliation of Net Earnings to these Non-IFRS measures.

⁽³⁾ Adjusted Net Earnings for the 13 and 39 weeks ended September 29, 2019 have been adjusted to align with the definition of Adjusted Net Earnings in 2021 and 2020.

Brand Portfolio and Continuous Network Improvement

The Company's brand portfolio improvement strategy includes the expansion of new concept brands such as Ultimate Kitchens, the acquisition of young brands that offer new restaurant growth opportunities, and may include the divestitures of under-performing brands and joint ventures that no longer fit our portfolio strategy. During 2021, the Company successfully divested the Milestones brand and certain Original Joe's joint ventures, and acquired the full ownership interest of the Burger's Priest. The Company continued to execute its strategic plan subsequent to the third quarter of 2021 with the sale of its investment in the 1909 Taverne Moderne joint venture and the acquisition of all remaining Fresh-branded locations. The clarity of ownership with regards to the Burger's Priest, Fresh, Blanco and Anejo, provides the Company with compelling brands that are on target with younger consumers and those seeking more unique food experiences. The ownership structure of these brands will also allow the Company to more aggressively expand these concepts over the next five years.

The Company also continued to execute on its restaurant network improvement strategy plan and the rationalization of non-strategic locations. During the 13 weeks ended September 26, 2021, Management successfully closed and exited 5 locations, resulting in 30 locations being closed in 2021, including 5 corporate, 24 franchise and 1 joint venture location.

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 26, 2021, the Company completed 20 renovations.

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 26, 2021, the Company contributed \$0.1 million towards these renovation incentive programs.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at the end of September 26, 2021, there were 1,284 restaurants. The following table presents the changes in Recipe's restaurant unit count:

Unit count (unaudited)	For the 39 weeks ended September 26, 2021							
	September 26, 2021				September 27, 2020			
	Corporate	Franchised	Joint Venture	Total	Corporate	Franchised	Joint Venture	Total
Beginning of year ⁽¹⁾	210	1,085	46	1,341	202	1,125	46	1,373
Acquisitions	26	—	(26)	—	—	—	—	—
New openings	5	9	—	14	6	14	1	21
Closures	(5)	(24)	(1)	(30)	(9)	(29)	(1)	(39)
Sold	(27)	(14)	—	(41)	—	—	—	—
Corporate buybacks ⁽²⁾	5	—	(5)	—	17	(17)	—	—
Restaurants re-franchised ⁽³⁾	(3)	8	(5)	—	—	—	—	—
End of period	211	1,064	9	1,284	216	1,093	46	1,355

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

(2) Corporate buy backs represent previously franchised or joint venture restaurants acquired by the Company to operate corporately.

(3) Restaurants re-franchised represent corporate restaurants re-franchised to be operated by a franchisee.

(4) Unit count as at September 26, 2021 excludes 41 divested Milestones locations.

Financial results

System Sales

System Sales for the 13 weeks ended September 26, 2021 were \$834.2 million compared to \$676.4 in 2020 and \$869.1 million in 2019, representing an increase from 2020 of 23.3% and a decrease from 2019 of 4.0%. System Sales for the 39 weeks ended September 26, 2021 were \$1,933.6 million compared to \$1,813.4 million in 2020 and \$2,591.1 million in 2019, representing an increase from 2020 of 6.6% and a decrease from 2019 of 25.4%.

The COVID-19 pandemic continues to impact the Company's operations and COVID-19 related restrictions continue to evolve. At the end of the second quarter of 2021, the Company's restaurant network began to experience an easing of COVID-19 related restrictions and as a result, restaurant dining room sales improved in the third quarter compared to both the second quarter of 2021 and the third quarter of 2020. The System Sales increase from 2020 was also driven by higher off-premise System Sales in both our corporate and franchise segments and reflects the strong consumer demand for our restaurant brands and retail products. While the majority of COVID-19 related restrictions were lifted at the end of the second quarter, certain restrictions remained in parts of our restaurant network. As a result of the impact of the remaining restrictions, which affected 30.8% of the Company's total operating weeks, System Sales decreased slightly by 4.0% compared to 2019.

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 for the 13 weeks ended September 26, 2021 was \$308.1 million compared to \$243.3 million in 2020 and \$309.0 million in 2019, representing an increase of 26.6% in 2020 and a decrease of 0.3% in 2019. Total gross revenue for the 39 weeks ended September 26, 2021 was \$709.8 million compared to \$653.6 million in 2020 and \$925.5 million in 2019, representing an increase from 2020 of 8.6% and a decrease of 23.3% from 2019. The increase in gross revenue from 2020 was related to higher System Sales in both our corporate and franchise restaurants. The decrease in gross revenue from 2019 was driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic, which began in March 2020.

Selling, general and administrative expenses ("SG&A")

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 represents non-cash expenses generally related to historical transactions where corporate restaurants were converted to franchise.

(C\$ thousands unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Corporate restaurant expenses	\$ 98.3	\$ 70.6	\$ 112.3	\$ 203.5	\$ 208.0	\$ 335.9
Advertising fund transfers	15.8	14.3	16.0	37.2	36.6	47.3
Franchise assistance and bad debt	—	1.9	1.2	1.3	3.4	2.8
The Keg royalty expense	6.1	4.3	6.2	11.2	10.8	19.0
Depreciation and amortization	22.8	25.4	27.8	69.4	77.5	83.7
Net loss/ (gain) on disposal of property, plant and equipment	—	(4.3)	0.5	(1.3)	(3.6)	0.9
Loss/ (gain) on settlement of lease liabilities	(1.3)	(0.1)	—	(1.5)	0.4	—
Other	5.7	1.1	4.5	15.4	14.0	7.4
Total selling, general and administrative expenses ⁽¹⁾	\$ 147.3	\$ 113.3	\$ 168.5	\$ 335.1	\$ 346.9	\$ 497.0

⁽¹⁾ Figures may not total due to rounding.

SG&A expenses for the 13 and 39 weeks ended September 26, 2021 were \$147.3 million and \$335.1 million compared to \$113.3 million and \$346.9 million in 2020, representing an increase of \$34.0 million or 30.0% for the quarter and a decrease of \$11.8 million or 3.4% year to date. The increase in the quarter is largely related to an increase in corporate variable restaurant expenses of \$27.7 million, as a result of higher corporate system sales and lower government subsidies.

Impairment of assets

The Company recorded asset impairment charges of \$6.9 million and \$5.9 million for the 13 and 39 weeks ended September 26, 2021, compared to a recovery 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, representing an increase of \$9.1 million for the quarter and a decrease of \$55.6 million year to date. The increase in the quarter was related to the non-cash asset impairment charges recorded in the current year and reflects the continued impact of the COVID-19 pandemic on certain full service and social brands as well as impairment losses from certain under-performing corporate restaurants. The decrease in the year was primarily related to the Company's rent certainty program which was introduced in 2020 and the full cost of the program was recorded in the second quarter of 2020.

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.

(C\$ thousands unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on long-term debt	\$ 5.1	\$ 6.3	\$ 4.5	\$ 16.4	\$ 18.6	\$ 12.3
Interest expense on note payable to The Keg Royalties Income Fund	1.1	1.1	1.1	3.2	3.2	3.2
Financing costs	0.2	0.2	(0.7)	0.9	0.7	0.7
Interest expense - other	0.2	0.3	—	0.5	0.6	0.2
Write off of deferred financing fees	—	—	—	—	—	—
Interest income on Partnership units and KRIF units	(2.9)	(2.3)	(2.8)	(6.6)	(6.2)	(8.3)
Interest income	(0.2)	(0.7)	(0.4)	(1.2)	(2.3)	(1.4)
Interest on lease obligations	6.3	7.2	8.0	19.2	22.2	24.5
Remeasurement to fair value of pre-existing interest in an acquire	—	—	—	(7.5)	—	—
Interest income on lease receivable	(3.4)	(4.2)	(4.8)	(10.7)	(13.1)	(14.3)
Total net interest expense and other financing charges ⁽¹⁾	\$ 6.3	\$ 7.9	\$ 4.9	\$ 14.3	\$ 23.8	\$ 16.9
Net debt (excluding financing costs)	\$ 461.8	\$ 503.0	\$ 521.3	\$ 461.8	\$ 503.0	\$ 521.3

⁽¹⁾ Figures may not total due to rounding.

Net interest expense and other financing charges were \$6.3 million and \$14.3 million for the 13 and 39 weeks ended September 26, 2021, compared to \$7.9 million and \$23.8 million in 2020, representing a decrease of \$1.6 million for the quarter and a decrease of \$9.5 million year to date. For the quarter, the decrease from 2020 is primarily related to lower interest expense on long term debt. For the year, the decrease from 2020 is primarily related to the gain on remeasurement to fair value of pre-existing interest in Burger's Priest and Fresh and lower interest expense on long term debt.

Income taxes

The Company recorded a current income tax expense of \$2.8 million and \$7.7 million for the 13 and 39 weeks ended September 26, 2021, compared to \$0.1 million and \$7.0 million in 2020, representing an increase of \$2.7 million for the quarter and an increase of \$0.7 million year to date.

The Company recorded a net deferred income tax expense of \$1.7 million and \$1.9 million for the 13 and 39 weeks ended September 26, 2021, compared to expense of \$4.4 million and deferred income tax recovery of \$23.4 million in 2020, representing a decrease in deferred income tax expense of \$2.7 million for the quarter and an increase of \$25.3 million year to date. The increase is related to the reversal of the deferred tax asset on the utilization of non-capital loss carryforwards and other timing differences.

Net earnings

Net earnings was \$13.2 million for the 13 weeks ended September 26, 2021 compared to \$5.2 million in 2020, representing an increase of \$8.0 million from 2020. The \$8.0 million increase was primarily driven by an increase in Operating EBITDA of \$7.8 million and an increase in the fair value of Exchangeable Partnership and KRIF units of \$10.0 million, partially offset by an increase in impairment charges of \$9.1 million.

Net earnings (loss) was \$45.5 million for the 39 weeks ended September 26, 2021 compared to a loss of \$76.7 million in 2020, representing an increase of \$122.2 million from 2020. The \$122.2 million increase was primarily driven by an increase in Operating EBITDA of \$25.9 million, a decrease in impairment charges of \$55.6 million and an increase in fair value of Exchangeable Keg Partnership units of \$54.7 million and a decrease in interest expense of \$9.5 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, 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 26, 2021 was \$50.3 million compared to \$42.5 million in 2020, representing an increase of \$7.8 million or 18.4%. Operating EBITDA⁽¹⁾ for the 39 weeks ended September 26, 2021 was \$104.7 million compared to \$78.8 million in 2020, representing an increase of \$25.9 million or 32.9%. The increases in Operating EBITDA reflected higher System Sales, partially offset by a decrease in government subsidies as a result of higher revenues in the current year.

(unaudited)		13 weeks ended September 26, 2021				
(C\$ thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total	
System Sales	\$ 166,425	\$ 574,381	\$ 93,366	\$ —	\$ 834,172	
Corporate Results						
Sales	\$ 166,363	\$ —	\$ —	3,315	\$ 169,678	
Cost of inventories sold and cost of labour	(105,418)	—	—	—	(105,418)	
Restaurant contribution before other costs	60,945	—	—	3,315	64,260	
Restaurant contribution before other costs %	36.6 %					
Other operating costs	(44,832)	—	—	—	(44,832)	
Total Contribution	\$ 16,113	—	—	\$ 3,315	\$ 19,428	
Franchise Results						
Franchise royalty income	—	\$ 26,528	—	—	26,528	
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—	
New franchise fees, property and equipment rent	—	—	—	2,599	2,599	
Franchise rent assistance and bad debt	—	115	—	—	115	
Contribution from franchise restaurants	—	\$ 26,643	—	\$ 2,599	\$ 29,242	
Contribution from Retail and Catering	—	—	\$ 8,215	—	8,215	
Net Central contribution	—	—	—	\$ (3,405)	(3,405)	
Operating EBITDA⁽¹⁾⁽²⁾ before royalty expense	\$ 16,113	\$ 26,643	\$ 8,215	\$ 2,509	\$ 53,480	
Net royalty income/ (expense)	—	—	—	\$ (3,162)	\$ (3,162)	
Operating EBITDA⁽¹⁾⁽²⁾	\$ 16,113	\$ 26,643	\$ 8,215	\$ (653)	\$ 50,318	
Contribution as a % of corporate sales	9.7 %	—	—	—	—	
Contribution as a % of franchise sales	—	4.6 %	—	—	—	
Contribution as a % of total System Sales	—	—	8.8 %	0.3 %	6.0 %	

(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⁽³⁾	—	—	\$ 12,615	—	12,615	
Net Central contribution⁽³⁾	—	—	—	\$ (3,763)	(3,763)	
Operating EBITDA⁽¹⁾⁽²⁾ before royalty expense	\$ 12,770	\$ 17,109	\$ 12,615	\$ 2,004	\$ 44,498	
Net royalty 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	—	—	\$ 7,978	—	7,978
Net Central contribution	—	—	—	\$ (3,541)	(3,541)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 16,837	\$ 26,128	\$ 7,978	\$ 1,939	\$ 52,882
Net royalty expense.....	—	—	—	\$ (3,419)	\$ (3,419)
Operating EBITDA⁽¹⁾	\$ 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 %

(unaudited)

39 weeks ended September 26, 2021

(C\$ thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 342,287	\$ 1,323,063	\$ 268,261	\$ —	\$ 1,933,611
Corporate Results					
Sales.....	\$ 333,756	\$ —	\$ —	11,513	\$ 345,269
Cost of inventories sold and cost of labour.....	(202,371)	—	—	—	(202,371)
Restaurant contribution before other costs.....	131,385	—	—	11,513	142,898
Restaurant contribution before other costs %.....	39.4 %				
Other operating costs.....	(108,602)	—	—	—	(108,602)
Total Contribution	\$ 22,783	—	—	\$ 11,513	\$ 34,296
Franchise Results					
Franchise royalty income.....	—	\$ 61,071	—	—	61,071
Franchise royalty income as a % of franchise sales.....	—	4.6 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	7,607	7,607
Franchise rent assistance and bad debt.....	—	(1,142)	—	—	(1,142)
Contribution from franchise restaurants	—	\$ 59,929	—	\$ 7,607	\$ 67,536
Contribution from Retail and Catering	—	—	\$ 22,637	—	22,637
Net Central contribution	—	—	—	\$ (15,095)	(15,095)
Operating EBITDA⁽¹⁾⁽²⁾ before royalty expense	\$ 22,783	\$ 59,929	\$ 22,637	\$ 4,025	\$ 109,374
Net royalty expense.....	—	—	—	\$ (4,647)	\$ (4,647)
Operating EBITDA⁽¹⁾⁽²⁾	\$ 22,783	\$ 59,929	\$ 22,637	\$ (622)	\$ 104,727
Contribution as a % of corporate sales.....	6.8 %	—	—	—	—
Contribution as a % of franchise sales.....	—	4.5 %	—	—	—
Contribution as a % of total System Sales.....	—	—	8.4 %	— %	5.4 %

(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⁽³⁾	—	—	\$ 35,261	—	35,261
Net Central contribution⁽³⁾	—	—	—	\$ (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	—	—	\$ 23,371	—	23,371
Net Central contribution	—	—	—	\$ (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 32 for definitions of Operating EBITDA and page 7 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 26, 2021, the corporate segment restaurant count consisted of 211 restaurants compared to 210 at December 27, 2020. During the 39 weeks ended September 26, 2021, the Company opened 5 new restaurants, completed 5 corporate buybacks, re-franchised 3 restaurants, closed 5 under-performing restaurants, converted 26 joint venture locations into corporate restaurants as a result of the Burger's Priest and Fresh Since 1999 acquisitions, and sold 27 Milestones locations. The corporate restaurant segment includes the proportionate results from the Company's 9 joint venture restaurants from the Original Joe's investment and the 1909 Taverne Moderne joint venture.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales are impacted by the number of operating weeks that restaurants lost due to mandated government closures. Sales were \$166.4 million for the 13 weeks ended September 26, 2021 compared to \$123.8 million in 2020 and \$191.3 million in 2019, representing an increase of 34.4% for 2020 and a decrease of 13.0% for 2019. The increase from 2020 was driven by higher dining room sales as a result of the easing of the majority of COVID-19 restrictions and higher off-premise System Sales in the corporate segment. The decrease from 2019 reflects the effects of the remaining COVID-19 related restrictions which impacted 30.8% of the Company's total operating weeks in the third quarter of 2021.

Sales for the 39 weeks ended September 26, 2021 were \$333.8 compared to \$319.7 million in 2020 and \$580.1 million in 2019, representing an increase of 4.4% for 2020 and a decrease of 42.5% for 2019. The increase from 2020 was driven by higher System Sales. The decrease from 2019 was driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic which began in March 2020.

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. The Company mitigates cost inflation risks by locking in prices through short-term contracts and advance purchase agreements and by implementing cost saving measures.

Cost of inventories sold and cost of labour was \$105.4 million for the 13 weeks ended September 26, 2021 compared to \$67.3 million in 2020, representing an increase of \$38.1 million or 56.6%. Cost of inventories sold and cost of labour was \$202.4 million for the 39 weeks ended September 26, 2021 compared to \$197.3 million in 2020, representing an increase of \$5.1 million or 2.6%. The increases was related to higher System Sales and lower Federal government wage subsidies as a result of higher revenues.

Contribution from Corporate segment

Total contribution from corporate restaurants for the 13 and 39 weeks ended September 26, 2021 was \$16.1 million and \$22.8 million compared to \$12.8 million and a loss of \$1.1 million in 2020, an improvement of \$3.3 million for the quarter and an increase of \$23.9 million year to date. The increases were driven by higher corporate restaurant sales, partially offset by a corresponding increase in cost of sales and a decrease in government subsidies as a result of higher revenues.

For the 13 and 39 weeks ended September 26, 2021, total contribution from corporate restaurants as a percentage of corporate sales was 9.7% and 6.8% compared to 10.3% and (0.4)% for the 13 and 39 weeks in 2020.

Franchise

As at September 26, 2021, the franchise restaurant segment consisted of 1,064 restaurants compared to 1,085 at December 27, 2020. For the 39 weeks ended September 26, 2021, the Company opened 9 new restaurants, re-franchised 8 locations, closed 24 restaurants and sold 14 Milestones locations. 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 \$574.4 million during the 13 weeks ended September 26, 2021 compared to \$462.6 million in 2020 and \$597.1 million in 2019, representing an increase of 24.2% for 2020 and a decrease of 3.8% for 2019. The increase from 2020 was driven by the return of Guests into our dining rooms as a result of the easing of restrictions and also reflects the overall health of the Company's restaurant network and the success of the Company's pre-COVID strategic

restaurant portfolio management efforts.

Franchise segment System Sales during the 39 weeks ended September 26, 2021 were \$1,323.1 million compared to \$1,237.3 million in 2020 and \$1,774.3 million in 2019, representing an increase of 6.9% from 2020 and a decrease of 25.4% from 2019. The increase from 2020 was driven by higher off-premise System Sales in the franchise segment. The decrease from 2019 was driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic.

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 System Sales 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 also increased 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 reduced the royalty rate by 1% to the end of 2020.

Franchise revenues were \$26.5 million for the 13 weeks ended September 26, 2021 compared to \$18.5 million in 2020 and \$27.3 million in 2019, an increase of 43.2% over 2020 and a decrease of 2.9% compared to 2019. The increase from 2020 was driven by higher System Sales and an increase in the effective royalty rate from 2020. The royalty reduction program was introduced in the second quarter of 2020 and offered franchisees a reduction in the royalty rate to the end of 2020.

Franchise revenues were \$61.1 million for the 39 weeks ended September 26, 2021 compared to \$51.4 million in 2020 and \$81.3 million in 2019, representing an increase of 18.9% from 2020 and a decrease of 24.8% from 2019. The increase from 2020 was mainly driven by an increase in the effective royalty rate, as a result of the royalty subsidy program which concluded at the end of 2020.

Contribution from franchise segment

Total contribution from franchise restaurants was \$26.6 million and \$59.9 million for the 13 and 39 weeks ended September 26, 2021 compared to \$17.1 million and \$48.1 million in 2020, an increase of \$9.5 million or 55.6% for the quarter and an increase of \$11.8 million or 24.5% year to date.

The effective net royalty rate for both the 13 and 39 weeks ended September 26, 2021 was 4.6% and 4.6% compared to 4.0% and 4.2% in 2020, reflecting the 1% COVID-related royalty assistance program in 2020 and the reduction in royalty assistance after the closure of certain under-performing franchise locations.

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.

Retail and Catering System Sales were \$93.4 million for the 13 weeks ended September 26, 2021 compared to \$86.3 million in 2020 and \$76.9 million in 2019, representing an increase of 8.2% over 2020 and 21.5% versus 2019. For the 39 weeks ended September 26, 2021, Retail and Catering System Sales were \$268.3 million compared to \$245.3 million in 2020 and

\$224.1 million in 2019, representing an increase of 9.4% over 2020 and 19.7% versus 2019. The increases were driven by increased sales to retail grocery customers and also reflect the sales recovery in the catering segment.

Contribution from retail and catering

Contribution from Retail and Catering for the 13 weeks ended September 26, 2021 was \$8.2 million compared to \$12.6 million in 2020, representing a decrease of \$4.4 million for the quarter. Contribution from Retail and Catering for the 39 weeks ended September 26, 2021 was \$22.6 million compared to \$35.3 million in 2020, representing a decrease of \$12.7 million year to date. For the 13 and 39 weeks ended September 26, 2021, total contribution from the retail and catering segment as a percentage of sales was 8.8% and 8.4% compared to 14.6% and 14.4% for the 13 and 39 weeks in 2020. The decreases in contribution were driven by the change in product sales mix, higher retail food costs and lower federal wage subsidies, partially offset by an increase in sale volumes and price adjustments to grocers and retailers.

The Company continues to execute its growth strategy in the Retail segment, which includes growing its market share in a number of retail categories. During 2021, the Company experienced strong growth in its retail segment and has gained over 50% market share in a number of categories. The frozen and fresh ribs category, in particular, have experienced higher than anticipated growth. The ribs category traditionally has lower gross margins than other grocery items and the ribs margins have been challenged in 2021 because of higher protein input costs. Gross margins in the retail segment are expected to normalize as certain input costs recover and selling prices to grocers are adjusted.

Contribution from the Retail segment is also impacted by general inflationary increases in food costs. The Company anticipates higher food costs for the remainder of 2021 and will offset rising costs by raising prices to its retail customers, however price increases to our customers may lag behind the increase in input costs.

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 \$3.3 million for the 13 weeks ended September 26, 2021 compared to \$3.1 million in 2020 and \$2.5 million in 2019, representing an increase of 7.3% over 2020 and 34.8% versus 2019. For the 39 weeks ended September 26, 2021, central segment sales were \$11.5 million compared to \$9.5 million in 2020 and \$8.0 million in 2019, representing an increase of 21.2% over 2020 and 44.1% versus 2019. The increase reflects the success of Recipe's off-premise channels including the development of e-commerce web and mobile ordering platforms for most brands prior to the COVID-19 pandemic.

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 \$2.6 million for the 13 weeks ended September 26, 2021 compared to \$2.7 million in 2020 and \$3.0 million in 2019. For the 39 weeks ended September 26, 2021, franchise fees, property rent and equipment rent revenues from franchisees were \$7.6 million compared to \$7.3 million in 2020 and \$9.7 million in 2019. The increase from 2020 is primarily related to higher property rent charged as a percent of sales.

Contribution from central segment

Central segment contribution before the net royalty expense for the 13 and 39 weeks ended September 26, 2021 was \$2.5 and \$4.0 million compared to \$2.0 million and \$1.0 million in 2020, representing an increase of \$0.5 million for the quarter and an increase of \$3.0 million year to date. The \$3.0 million central segment contribution increase is related to the growth in off-premise fee revenues, higher rental income, higher vendor volume rebates, partially offset by lower government subsidies.

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.

	Q3 – 2021 Sep 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019	Q3 – 2019 Sept 29, 2019
(C\$ millions unless otherwise stated) ⁽¹⁾									
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽¹⁾	\$ 834.2	\$ 561.8	\$ 537.6	\$ 611.3	\$ 676.4	\$ 389.8	\$ 747.2	\$ 895.8	\$ 869.1
Total System Sales Growth ⁽¹⁾	23.3 %	44.1 %	(28.1) %	(31.8) %	(22.2) %	(55.3) %	(12.2) %	(1.1) %	(1.2) %
Number of restaurants (at period end)	1,284	1,327	1,330	1,341	1,355	1,354	1,363	1,373	1,375
Operating EBITDA ⁽¹⁾	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6	\$ 20.5	\$ 60.5	\$ 49.5
Operating EBITDA Margin on System Sales ⁽¹⁾	6.0 %	5.4 %	4.5 %	5.7 %	6.3 %	4.0 %	2.7 %	6.8 %	5.7 %
Corporate restaurant sales	\$ 166.4	\$ 87.8	\$ 79.6	\$ 89.0	\$ 123.8	\$ 37.7	\$ 158.1	\$ 192.6	\$ 191.3
Number of corporate restaurants	211	239	215	210	216	206	203	202	208
Contribution from Corporate segment	\$ 16.1	\$ 2.8	\$ 3.9	\$ 1.5	\$ 12.8	\$ (13.5)	\$ (0.4)	\$ 19.3	\$ 16.8
Contribution as a % of corporate sales	9.7 %	3.2 %	4.8 %	1.7 %	10.3 %	(35.8) %	(0.3) %	10.0 %	8.8 %
Number of joint venture restaurants	9	9	39	46	46	45	45	46	44
Franchise restaurant sales	\$ 574.4	\$ 381.7	\$ 367.0	\$ 425.7	\$ 462.6	\$ 266.2	\$ 508.6	\$ 606.1	\$ 597.1
Number of franchised restaurants	1,064	1,079	1,076	1,085	1,093	1,103	1,115	1,125	1,123
Contribution from Franchise segment	\$ 26.6	\$ 17.3	\$ 16.0	\$ 16.7	\$ 17.1	\$ 9.1	\$ 21.9	\$ 26.6	\$ 26.1
Contribution as a % of franchise sales	4.6 %	4.5 %	4.4 %	3.9 %	3.7 %	3.4 %	4.3 %	4.4 %	4.4 %
Retail and Catering sales	\$ 93.4	\$ 87.3	\$ 87.6	\$ 92.6	\$ 86.3	\$ 83.0	\$ 75.9	\$ 92.3	\$ 76.9
Contribution from Retail and Catering	\$ 8.2	\$ 6.4	\$ 8.0	\$ 13.1	\$ 12.6	\$ 14.8	\$ 7.6	\$ 13.1	\$ 8.0
Contribution as a % of Retail & Catering sales	8.8 %	7.3 %	9.2 %	14.2 %	14.6 %	17.8 %	10.1 %	14.2 %	10.4 %
Contribution from Central segment before The Keg royalty	\$ 2.5	\$ 4.6	\$ (3.1)	\$ 4.8	\$ 2.0	\$ 4.7	\$ (5.7)	\$ 5.0	\$ 1.9
Contribution as a % of total System Sales	0.3 %	0.8 %	(0.6) %	0.8 %	0.3 %	1.3 %	(0.8) %	0.6 %	0.6 %
Total gross revenue	\$ 308.1	\$ 207.6	\$ 194.1	\$ 210.9	\$ 243.3	\$ 140.4	\$ 269.9	\$ 327.0	\$ 309.0
Operating EBITDA Margin ⁽¹⁾	16.3 %	14.6 %	12.3 %	16.6 %	17.5 %	11.1 %	7.6 %	18.5 %	16.0 %
Earnings (loss) before income taxes	\$ 17.7	\$ 23.6	\$ 13.8	\$ 23.9	\$ 9.7	\$ (52.7)	\$ (50.1)	\$ (6.0)	\$ 11.9
Net earnings (loss)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 23.6	\$ 5.2	\$ (40.6)	\$ (41.2)	\$ (1.9)	\$ 6.7
Adjusted Net Earnings ⁽¹⁾	\$ 27.6	\$ 7.0	\$ 3.2	\$ 16.1	\$ 16.1	\$ 6.2	\$ 7.3	\$ 44.8	\$ 19.5
Net earnings (loss) attributable to common shareholders of the Company	\$ 13.2	\$ 19.4	\$ 13.0	\$ 24.1	\$ 5.1	\$ (40.3)	\$ (41.0)	\$ (1.6)	\$ 6.8
EPS attributable to common shareholders of the Company (in dollars)									
Basic EPS	\$ 0.23	\$ 0.34	\$ 0.23	\$ 0.43	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11
Diluted EPS	\$ 0.23	\$ 0.33	\$ 0.22	\$ 0.42	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11
Adjusted Basic EPS ⁽¹⁾	\$ 0.48	\$ 0.12	\$ 0.06	\$ 0.29	\$ 0.29	\$ 0.11	\$ 0.13	\$ 0.79	\$ 0.32
Adjusted Diluted EPS ⁽¹⁾	\$ 0.47	\$ 0.12	\$ 0.06	\$ 0.28	\$ 0.28	\$ 0.11	\$ 0.13	\$ 0.77	\$ 0.31
Free Cash Flow before growth capex, dividends, and NCIB ⁽¹⁾	\$ 36.9	\$ 17.2	\$ 8.8	\$ 17.5	\$ 33.4	\$ 3.6	\$ (4.3)	\$ 44.3	\$ 36.1
Free Cash Flow per share - basic (in dollars)	\$ 0.65	\$ 0.30	\$ 0.16	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.79	\$ 0.59
Free Cash Flow per share - diluted (in dollars)	\$ 0.63	\$ 0.29	\$ 0.15	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.76	\$ 0.58

⁽¹⁾ See “Non-IFRS Measures” on page 32 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 7 and 32 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 and franchised restaurants, as well as 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 price inflation;
- public health issues and related matters;
- vaccine certificate mandates; and
- supply chain shortages.

Commentary on Quarterly Results

Public health concerns, seasonal factors and the timing of holidays may 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 and increased to \$834.2 million in Q3 2021. The decrease from Q3 2019 was driven by the government mandated temporary restaurant closures which began in March 2020. The increase from Q3 2020 was driven by higher off-premise sales, higher dining room sales as government mandated restrictions eased and also reflects the strong consumer demand for our restaurant brands and retail products.

Operating EBITDA declined from \$49.5 million in Q3 of 2019 to \$42.5 million Q3 2020 and increased to \$50.3 million in Q3 2021. Excluding The Keg royalty, Operating EBITDA in Q3 2019 was \$52.9 million and \$44.5 million in Q3 2020 and \$53.5 in Q3 2021. Operating EBITDA Margin on System Sales increased from 5.7% in Q3 2019 to 6.3% in Q3 2020 and declined to 6.0% in Q3 2021. The Operating EBITDA decrease in Q3 2020 was primarily related to the effects of the COVID-19 pandemic. The increase in Q3 2021 was primarily driven by increased System Sales and the closure of under-performing locations.

Contribution from the corporate restaurant segment has 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 and

improved in Q3 2021 to \$16.1 million. Contribution in Q3 2020 declined as a result of the COVID-19 related system sales decrease, full period fixed costs (including rent), partially offset by a decrease of variable overhead costs as a result of corporate restaurant closures and wage subsidies. Contribution subsequently increased in Q3 2021 as a result of higher System Sales.

Franchise restaurant segment contribution as a percentage of System Sales was 4.6% in Q3 2021 compared to 4.0% in Q3 2020 and 4.6% in 2019. Quarterly contribution from the franchise segment declined from \$26.1 million in Q3 2019 to \$17.1 million in Q3 2020 and increased to \$26.6 million in Q3 2021. The decrease in Q3 2020 reflects lower sales as a result of the COVID-19 pandemic and the effects of the 2020 royalty subsidy program which reduced the royalty rate by 1%. The increase in Q3 2021 was due to higher system sales, the closure of franchise locations that were receiving royalty assistance and the elimination of the royalty subsidy program which concluded at the end of 2020.

Contribution from retail and catering grew from \$8.0 million in Q3 2019 to \$12.6 million in Q3 2020 and decreased to \$8.2 million in Q3 2021. The increase in Q3 2020 was related to increased sales to retail grocery customers due to COVID-19 and the federal wage subsidies, partially offset by the impact of COVID-19 on the catering segment. The decrease in Q3 2021 was driven by higher retail food costs, product mix and lower federal wage subsidies.

Contribution from the central segment before The Keg royalty expense changed from \$1.9 million in Q3 2019 to \$2.0 million in Q3 2020, and to \$2.5 million in Q3 2021. The increases in Q3 2020 reflects an increase in off-premise fee revenue as a result of higher off-premise and delivery orders, partially offset by lower vendor volume rebates. The increase in Q3 2021 reflects an increase in off-premise fee revenue and higher vendor volume rebates.

Total gross revenue decreased from \$309.0 million in Q3 2019 to \$243.3 million in Q3 2020 and increased to \$308.1 million in Q3 2021. The decrease in Q3 2020 was related to the sharp decrease in restaurant sales as a result of government mandated restaurant closures due to COVID-19, partially offset by sales increases in the Retail and Catering segment. The increase in Q3 2021 was driven by higher System Sales and a higher royalty rate due to the conclusion of the Royalty Subsidy program at the end of 2020.

Quarterly earnings before income taxes has changed from \$11.9 million in Q3 2019 to \$9.7 million in Q3 2020 and improved to \$17.7 million in Q3 2021.

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 and improved to \$36.9 million in Q3 2021. On a diluted per share basis, Free Cash Flow before growth capex, dividends, and NCIB has increased from \$0.58 in Q3 2019 to \$0.59 in Q3 2020 and improved to \$0.65 in Q3 2021. 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, 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". 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 26, 2021	December 27 2020	September 27, 2020	September 29 2019
Revolving credit facility	\$ 550.0	\$ 550.0	\$ 550.0	\$ 550.0
Add: Private notes	250.0	250.0	250.0	250.0
Add: The Keg credit facilities	60.0	60.0	60.0	47.0
Subtotal - credit availability	\$ 860.0	\$ 860.0	\$ 860.0	\$ 847.0
Less: Draw on revolving credit facility	(177.3)	(207.3)	(229.3)	(253.3)
Less: Draw on private notes	(250.0)	(250.0)	(250.0)	(250.0)
Less: Draw on The Keg credit facilities	(34.5)	(34.5)	(23.7)	(18.0)
Subtotal - total debt	\$ (461.8)	\$ (491.8)	\$ (503.0)	\$ (521.3)
Cash	37.5	40.5	48.6	33.9
Subtotal - net debt	\$ (424.3)	\$ (451.3)	\$ (454.4)	\$ (487.4)
Liquidity⁽¹⁾	\$ 435.7	\$ 408.7	\$ 405.6	\$ 359.6
	39 weeks ended September 26, 2021	52 weeks ended Dec 27, 2020	39 weeks ended September 27, 2020	39 weeks ended September 29, 2019
Operating EBITDA ⁽²⁾	\$ 104.7	\$ 113.8	\$ 78.8	\$ 155.5
Free cash flow ⁽⁴⁾ , before growth capex, dividends and NCIB	\$ 62.8	\$ 50.5	\$ 33.0	\$ 111.6
Free cash flow ⁽⁴⁾ , after growth capex, dividends and NCIB	\$ 56.3	\$ 35.1	\$ 17.7	\$ 35.6

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

(2) See "Non-IFRS Measures" on page 32 for definitions of Operating EBITDA and Free Cash Flow. See page 7 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 26, 2021 was \$126.2 million compared to \$160.8 million at December 27, 2020, a decrease of \$34.6 million due to net gift card redemptions since prior year.

The following table presents Recipe's working capital as at September 26, 2021 compared to December 27, 2020:

(C\$ millions unless otherwise stated)	September 26, 2021	December 27, 2020	change in working capital
Cash.....	\$ 37.5	\$ 40.5	\$ 3.0
Accounts receivable.....	107.1	106.3	(0.8)
Inventories.....	60.4	44.9	(15.5)
Current taxes receivable.....	13.9	13.1	(0.8)
Prepaid expenses and other assets.....	7.2	7.2	—
Current portion of lease receivables.....	69.8	66.3	(3.5)
Total Current Assets ⁽¹⁾	\$ 295.9	\$ 278.4	\$ (17.6)
Accounts payable and accrued liabilities.....	\$ 142.4	\$ 138.0	\$ 4.4
Provisions.....	3.2	2.7	0.5
Gift card liability.....	126.2	160.8	(34.6)
Income taxes payable.....	1.9	6.7	(4.8)
Current portion of long-term debt.....	0.9	—	0.9
Current portion of lease liability.....	111.9	119.8	(7.9)
Total Current Liabilities ⁽¹⁾	\$ 386.5	\$ 427.9	\$ (41.5)
Working capital surplus/ (deficit) ⁽¹⁾	\$ (90.6)	\$ (149.5)	\$ (59.1)

⁽¹⁾ Figures may not total due to rounding.

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 26, 2021 compared to the 13 and 39 weeks ended September 27, 2020 and 13 and 39 weeks ended September 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26 2021	September 27 2020	September 29 2019	September 26 2021	September 27 2020	September 29 2019
Cash flows from (used in) operating activities.....	\$ 71.5	\$ 67.9	\$ 47.4	\$ 126.3	\$ 95.1	\$ 137.7
Cash flows from (used in) investing activities.....	\$ 10.8	\$ 7.3	\$ 4.8	\$ 20.8	\$ 29.5	\$ 20.3
Cash flows (used in) from financing activities.....	\$ (84.4)	\$ (257.8)	\$ (60.9)	\$ (150.2)	\$ (116.2)	\$ (173.6)
Change in cash during the period ⁽¹⁾	<u>\$ (2.2)</u>	<u>\$ (182.6)</u>	<u>\$ (8.7)</u>	<u>\$ (3.1)</u>	<u>\$ 8.4</u>	<u>\$ (15.6)</u>

⁽¹⁾ Figures may not total due to rounding.

Cash flows from operating activities

Cash flows (used in) from operating activities were \$71.5 million for the 13 weeks ended September 26, 2021 compared to \$67.9 million, representing an increase of \$3.6 million. The decrease reflects an increase in inventory and higher income taxes paid. Cash flows from operating activities were \$126.3 million for the 39 weeks ended September 26, 2021 compared to \$95.1 million in 2020, representing an increase of \$31.2 million and primarily relates to an increase in operating EBITDA.

Cash flows used in investing activities

The following table presents Recipe's capital expenditures for the 13 and 39 weeks ended September 26, 2021 compared to the 13 and 39 weeks ended September 27, 2020 and 13 and 39 weeks ended September 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
Purchase of property, plant and equipment:						
<u>Maintenance:</u>						
Corporate restaurants	\$ 2.4	\$ 1.7	\$ 2.2	\$ 5.6	\$ 5.3	\$ 5.0
Central / IT expenditures / Other	0.6	2.7	1.6	3.4	6.9	9.4
Total maintenance	\$ 3.0	\$ 4.4	\$ 3.8	\$ 9.0	\$ 12.2	\$ 14.4
<u>Growth initiatives:</u>						
Major renovations	\$ 2.5	\$ 2.1	\$ 2.2	\$ 5.5	\$ 4.8	\$ 6.2
New builds	0.6	2.4	6.0	2.9	8.1	14.5
Total growth	\$ 3.1	\$ 4.5	\$ 8.2	\$ 8.4	\$ 12.9	\$ 20.7
Total purchase of property, plant and equipment ⁽¹⁾	\$ 6.1	\$ 8.8	\$ 12.0	\$ 17.4	\$ 25.1	\$ 35.2
Common control transactions, net of cash assumed:						
Acquisitions	\$ —	\$ —	\$ (0.4)	\$ 19.3	\$ —	\$ 5.0
Buy backs	—	10.3	—	—	11.6	3.4
Total common control transactions, net of cash assumed	\$ —	\$ 10.3	\$ (0.4)	\$ 19.3	\$ 11.6	\$ 8.4
Total purchase of property, plant and equipment	\$ (6.1)	\$ (8.8)	\$ (12.0)	\$ (17.4)	\$ (25.1)	\$ (35.2)
Acquisitions	—	—	0.4	(19.3)	—	(5.0)
Buy backs ⁽¹⁾	—	(10.3)	—	—	(11.6)	(3.4)
Proceeds on disposal of property, plant and equipment	—	4.5	(0.3)	1.8	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	(0.1)	(0.8)	0.5	—	(1.0)	1.2
Lease payments received or receivable	17.7	22.8	24.8	57.5	68.1	71.2
Change in long term receivables	(0.8)	0.2	(8.6)	(1.8)	(6.6)	(9.2)
Total cash flows from (used in) investing activities ⁽¹⁾	\$ 10.8	\$ 7.3	\$ 4.8	\$ 20.8	\$ 29.5	\$ 20.3

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in investing activities were \$10.8 million and \$20.8 million for the 13 and 39 weeks ended September 26, 2021 compared to cash used in investing activities of \$7.3 million and \$29.5 million in 2020, an increase of \$3.5 million for the quarter and a decrease of \$8.7 million year to date.

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. 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 26, 2021 compared to the 13 and 39 weeks ended September 27, 2020 and 13 and 39 weeks ended September 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended			39 weeks ended		
	September 26, 2021	September 27, 2020	September 29, 2019	September 26, 2021	September 27, 2020	September 29, 2019
Issuance of long-term debt	\$ —	\$ 7.7	\$ 125.0	\$ 33.0	\$ 307.7	\$ 390.0
Repayment of long-term debt	(50.0)	(223.0)	(1.0)	(63.0)	(284.0)	(259.7)
Deferred financing costs	—	—	(0.1)	(0.7)	(0.3)	(3.0)
Issuance of subordinated voting common shares	3.4	—	2.9	5.7	—	4.8
Share re-purchase	—	—	(142.0)	—	(0.3)	(160.7)
Change in lease liabilities	1.5	(1.9)	—	(0.6)	(8.7)	—
Lease liabilities paid or payable	(35.7)	(36.9)	(38.0)	(107.6)	(105.9)	(114.2)
Interest paid on long-term debt and note payable	(3.6)	(3.7)	(1.0)	(17.1)	(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⁾	\$ (84.4)	\$ (257.8)	\$ (60.9)	\$ (150.2)	\$ (116.2)	\$ (173.6)

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in financing activities were \$84.4 million and \$150.2 million for the 13 and 39 weeks ended September 26, 2021. Cash used in financing activities primarily consist of the repayment of long-term debt, lease liability payments and interest payments.

Debt

Private notes

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 ("Term 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. As at September 26, 2021, there were \$250.0 million (December 27, 2020 - \$250.0 million; September 27, 2020 - \$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.

As at September 26, 2021, \$177.3 million (December 27, 2020 - \$207.3 million; September 27, 2020 - \$229.3 million) was drawn under the amended and extended credit facilities. For the 39 weeks ended September 26, 2021, the effective interest rate was 3.73% representing bankers acceptance rate of 0.66% plus 2.00% borrowing spread, standby fees and the amortization of deferred financing fees of 1.07%. As at September 26, 2021, the effective interest rate was 3.01%, representing bankers acceptance rate of 0.25% plus 2.00% borrowing spread, standby fees and the amortization of deferred financing fees of 0.75%.

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 26, 2021 the standby fee rate was 0.40%.

February 2021 amendments to the term credit facility and private notes

The terms of the Company's syndicated bank credit facility and private debt require that it comply with certain financial covenants including a maximum leverage ratio and a minimum interest coverage ratio. The leverage ratio is determined by dividing total funded net debt by annualized EBITDA ("Leverage Ratio"), each as defined in the facility agreements. The interest coverage ratio is determined by dividing annualized EBITDA plus net rent expense, by total cash interest expense plus net rent expense ("Interest Coverage Ratio"), as defined in the facility agreements.

In early 2021, the Company remained in compliance with all financial covenants. However, the ongoing COVID-19 pandemic and associated operating restrictions imposed by the government was expected to have a negative impact on the Company's 2021 first and second quarter EBITDA results, which may have challenged the Company's compliance with the 2021 quarterly financial covenants, in particular the Leverage Ratio. As a result, the Company amended the terms of its bank credit facility and private notes on February 18, 2021.

As part of the amendments the definitions of annualized EBITDA used for the purpose of calculating the Leverage Ratio and Interest Coverage Ratio was temporarily amended and will remain in effect through the end of the second quarter of 2022. In addition, the maximum Leverage Ratio was increased to 4.0 times EBITDA through the end of the fourth quarter of 2021 (thereafter will return to the pre-amendment level of 3.5 times annualized EBITDA).

As at September 26, 2021, the Company was in compliance with the amended financial covenants.

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 and bank prime plus 0.75%, based on certain financial criteria, rather than at bank prime plus 0.25% to bank prime plus 1.0%. On June 24, 2021, the maturity date was extended from July 4, 2022 to June 30, 2024.

On June 26, 2020, December 22, 2020, and again on June 24, 2021, KRL entered into an amended and re-stated credit agreement with its Canadian banking syndicate. The amendments eliminate certain financial covenants and revise others until March 27, 2022. A new financial covenant requires KRL's liquidity to not be less than certain specified values until September 26, 2021, tested on a quarterly basis. The interest rate on the bank debt was increased from its existing level of

bank prime to bank prime plus 0.75% effective June 29, 2020 until September 26, 2021. The June 24, 2021 amendment extended the maturity date of the facility from July 4, 2022 to June 30, 2024.

As at September 26, 2021, \$22.0 million of this facility has been drawn (December 27, 2020 - \$22.0 million; September 27, 2020 - \$19.0 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 26, 2021, KRL was in compliance with all covenants associated with these facilities.

On September 29, 2020, KRL borrowed \$12.5 million under BDC Co-Lending Program ("BCAP Loan") from its existing banking syndicate and the BDC jointly. This amount was borrowed to help fund the cash flow needs which have been negatively impacted by the unexpected impact of COVID-19. The BCAP Loan is a non-revolving term facility with a five-year term, requires interest only payments for the first year, and bears interest at the prime rate plus 1.5%. Commencing on October 1, 2021, KRL is required to make monthly principal repayments of \$74,000 for the remainder of the BCAP Loan term. KRL has the option to repay any principal amount of this loan at any time, without bonus, premium or penalty.

Off Balance Sheet Arrangements

Letters of credit

Recipe has outstanding letters of credit amounting to \$0.7 million as at September 26, 2021, 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 franchise fees and conversion fees, if applicable, payable to Recipe. The probability of the letters of credit being drawn as a result of default by a franchisee is low.

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 3, 2021, there were 56,999,847 subordinate and multiple voting shares (December 27, 2020 – 56,362,825) 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 3, 2021 is 3,052,937.

Related Parties

Shareholders

As at September 26, 2021, the Principal Shareholders hold 69.9% of the total issued and outstanding shares and have 97.4% of the voting control attached to all the shares. Cara Holdings holds 22.4% of the total issued and outstanding shares, representing 36.4% voting control. Fairfax holds 47.6% of the total issued and outstanding shares, representing 61.6% 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 26, 2021 and September 27, 2020.

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

Insurance Provider

Certain 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 26, 2021, 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 26, 2021, the Company purchased nil KRIF units (52 weeks ended December 27, 2020 - nil, 13 and 39 weeks ended September 27, 2020 - 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 26, 2021 was \$13.96. 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 26, 2021 was \$13.96 (December 27, 2020 - \$11.70, September 27, 2020 - \$7.07).

During the 13 and 39 weeks ended September 26, 2021, the Company recorded income of \$2.1 million and \$12.7 million representing the change in market price to \$13.96.

(in thousands of Canadian dollars)	September 26, 2021		December 27, 2020		September 27, 2020	
	# of units	Fair Value	# of units	Fair Value	# of units	Fair Value
Class A Partnership units	905,944	\$ 12,647	905,944	\$ 10,600	905,944	\$ 6,405
Class B Partnership units.....	176,700	2,467	176,700	2,067	176,700	1,249
Class D Partnership units	3,970,272	55,425	3,768,295	44,089	3,679,692	26,016
Exchangeable unit investment in the Partnership	5,052,916	\$ 70,539	4,850,939	\$ 56,756	4,762,336	\$ 33,670
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	10,752,916	\$ 127,539	10,550,939	\$ 113,756	10,462,336	\$ 90,670
Investment in KRIF units.....	250,000	3,490	250,000	2,925	250,000	1,768
Distributions earned on KRIF units ..	—	302	—	193	—	155
	11,002,916	\$ 131,331	10,800,939	\$ 116,874	10,712,336	\$ 92,593

Other

As at September 26, 2021, long-term receivables include a non-interest bearing employee demand note in the amount \$0.5 million (December 27, 2020 - \$0.8 million, September 27, 2020 - \$0.8 million).

As at September 26, 2021, the Company has a \$2.6 million royalty fee payable, including GST, to the Fund (December 27, 2020 - \$1.0 million, September 27, 2020 - \$2.0 million) and a \$0.3 million interest payable amount due to the Fund on the Keg Loan (December 27, 2020 - \$0.3 million, September 27, 2020 - \$0.3 million) included in accounts payable and accrued liabilities.

As at September 26, 2021, the Company has \$1.2 million in distributions receivable from the Partnership (December 27, 2020 - \$0.6 million September 27, 2020 - \$0.9 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 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 \$6.1 million and \$11.2 million for the 13 and 39 weeks ended September 26, 2021 (13 and 39 weeks ended September 27, 2020 – \$4.3 million and \$10.8 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 the 13 and 39 weeks ended September 26, 2021, the Company recorded investment income of \$2.9 million and \$6.6 million respectively, related to these units (13 and 39 weeks ended September 27, 2020 – \$2.3 million and \$6.2 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 26, 2021 there was a due from related party balance of \$3.4 million (December 27, 2020 - \$15.8 million, September 27, 2020 - \$15.5 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 5.0% to 7.75% and all mature by September 21, 2023. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is \$1.0 million (December 27, 2020 - \$1.0 million, September 27, 2020 - \$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 26, 2021, the Company charged interest in the amount of \$nil (13 and 39 weeks ended September 27, 2020 - \$0.1 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 26, 2021 the accounts receivable balance included \$nil (December 27, 2020 - \$nil, September 27, 2020 - \$0.2 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 26, 2021, an increase of \$0.1 million (13 and 39 weeks ended September 27, 2020 - increase of \$0.2 million and \$0.1 million) 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.

On January 1, 2021, the Company, through its subsidiary Original Joe's Franchising Group Inc. which the Company has an 89.2% interest in, completed the purchase of the remaining interest of three Original Joe's joint ventures. For one of the three joint ventures, the Company obtained control through a step acquisition that was completed on January 1, 2021. The remaining two joint ventures were reported as part of the Company's consolidated financial results prior to the acquisition date and on January 1, 2021, the Company acquired the minority interest of these two joint ventures.

On April 21, 2021, the Company, through its subsidiary Original Joe's Franchising Group Inc. completed the purchase of the remaining interest of a joint venture, Original Restaurants Group Limited. The Company obtained control through a step acquisition that was completed on April 21, 2021.

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 26, 2021, the Company has invested \$5.8 million, recorded in long-term receivables (December 27, 2020 - \$5.6

million, September 27, 2020 - \$5.5 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at September 26, 2021, an allowance of \$5.8 million (December 27, 2020 - \$5.2 million, September 27, 2020 - \$5.2) 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 adjusted by the proportionate share of income or loss earned. For the 13 and 39 weeks ended September 26, 2021, there was \$nil recorded in the long term receivable balance (13 and 39 weeks ended September 27, 2020 - \$0.2 million) was recorded in relation to the Company's proportionate share of loss for the period and included in share of losses from investment in joint ventures on the statement of earnings.

On September 29, 2021, the Company exited its joint venture arrangement to operate two 1909 Taverne Moderne restaurants locations. The Company previously had 50% ownership interest in the joint venture.

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

Outlook

The restaurant and food services industry continues to experience disruptions as a result of the COVID-19 pandemic. Near the end of the third quarter of 2021, the government-mandated presentation of a vaccine passport or proof of vaccination for indoor dining Guests was introduced in some provinces, which negatively impacted sales trends, particularly in smaller communities. This public health measure was introduced in response to a resurgence of COVID-19 cases due to the fourth wave of the pandemic and is expected to continue to impact sales trends in the fourth quarter of 2021.

As economies reopen, the global recovery from the economic impacts of COVID-19 is disrupting supply chains around the world. Multiple economic sectors reopening simultaneously is creating a temporary but significant labour shortage throughout North America. Management expects that this labour shortage may lead to short term higher labour costs due to increased overtime hours, retention pay programs and higher training costs as new employees are brought onboard. The recovery is also negatively impacting commodity food prices as supply and demand dynamics normalize. While management is responding with cost saving initiatives, some sectors such as retail, may experience temporary margin impacts until price adjustments can be properly administered.

The Company has proven that its brands and franchisees are strong and resilient. The Company's restaurants are predominantly situated in non-urban locations and its recovery is not dependent on the recovery in urban city-center areas where the effects of the COVID-19 pandemic were the most significant due to offices being closed and the reduction in business travel. The actions we have taken to strengthen our overall business during the COVID-19 pandemic (including streamlining menus, improving our digital platform, testing and introducing higher efficiency kitchen equipment, investing in our people and franchisees, as well as the strategic changes made to our brand portfolio mix and restaurant network) will also allow us to recover swiftly from the effects of the pandemic. Management believes that Recipe is well positioned to increase its market share through its omni-channel customer relationships, the continuation of its off-premise sales growth, expanded and enhanced patios (including many that will operate for three seasons) and the continuation of Recipe's Social Safely program to offer safe and comfortable dining experiences for our Guests and staff.

Our ability to pivot during the COVID-19 pandemic was also recognized by the food service and hospitality industry and in 2021, Recipe was named the recipient of the prestigious Pinnacle Award as Company of the Year.

Focus on the short to medium term will include:

- a. Reopening restaurants that have been temporarily closed as a result of the COVID-19 pandemic and providing exceptional service, food, ambience and value that reinforces to customers what they have been missing, while focusing on being an employer of choice in Canada;
- b. Continue to practice amplified "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our Guests, teammates and franchise partners. This includes comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs;
- c. Continue to execute on our plans to support the expansion of our multi-channel offerings for post-COVID success. This includes the introduction of new restaurant layouts and designs with separate entrances to facilitate delivery,

takeout and curb-side pick-up orders, tailored menus for dine-in and off-premise experiences, as well as the investments in our restaurants to comfortably extend outdoor patio season to three seasons.

- d. Actively negotiate early exit and permanent closure of under-performing restaurants that were identified at the end of 2019 to strengthen each brand portfolio and improve the long term Operating EBITDA contribution rates of both the Corporate and Franchise restaurant segments;
- e. Prepare Recipe's portfolio of brands for post-COVID success including identifying the brands for accelerated growth, possible brand acquisition and rationalizing under-performing brands; and
- 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 Ultimate Kitchens, our multiple brands delivery and take-out only concept.

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 27, 2020. See note 3 of the Company's consolidated financial statements for the year ended December 27, 2020 for a summary of new accounting standards adopted during 2020 and note 4 for a summary of future accounting standards not yet adopted.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting during the 13 and 39 weeks ended September 26, 2021 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. 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 27, 2020.

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.

“**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 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.

“**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; (v) 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) 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, (ix) write-off of deferred financing fees and (x) loss on the disposition of brand assets.

“**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 – 2021	Q2 – 2021	Q1 – 2021	Q4 – 2020
	Sep 26 2021	Jun 27 2021	Mar 28 2021	Dec 27 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings (loss)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 23.6
Transaction costs	0.2	0.2	0.1	1.8
Impairment, net of reversals, of restaurant assets and lease receivables	6.9	(0.9)	—	17.7
Restructuring and other	2.7	1.2	1.1	(0.6)
Change in fair value of non-controlling interest liability	—	—	0.5	(7.1)
Change in fair value of Exchangeable Keg Partnership units and KRIF units	2.1	(3.9)	(10.8)	(22.8)
Remeasurement to fair value of pre-existing interest in acquirees	—	(7.5)	—	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	0.7	—	(0.3)	(0.4)
Net (gain) loss on settlement of lease liabilities	(1.3)	(0.1)	(0.1)	0.8
Loss on the disposition of brand assets	3.3	—	—	—
Net (gain) loss on disposal of property, plant and equipment and other assets	—	(1.2)	(0.1)	3.1
Adjusted Net Earnings ⁽¹⁾	\$ 27.6	\$ 7.0	\$ 3.2	\$ 16.1
Reconciliation of net earnings to Adjusted Net Earnings				
(C\$ millions unless otherwise stated)	Q3 - 2020	Q2 - 2020	Q1 – 2020	Q4 – 2019
	Sep 27 2020	Jun 28 2020	Mar 29 2020	Dec 29 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
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, net of reversals, of restaurant assets and lease receivables	(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 Keg Partnership units and KRIF units	12.1	(3.2)	33.1	5.1
Amortization of unearned conversion fees income	—	(0.1)	—	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	(0.1)	(0.2)	—	1.5
Net (gain) loss 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	\$ 44.8

⁽¹⁾ Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

(C\$ millions unless otherwise stated)	Q3 - 2021	Q2 - 2021	Q1 - 2021	Q4 - 2020
	Sep 26 2021 (unaudited)	Jun 27 2021 (unaudited)	Mar 28 2021 (unaudited)	Dec 27 2020 (unaudited)
Reconciliation of net earnings to EBITDA:				
Net earnings (loss)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 23.6
Net interest expense and other financing charges	6.3	0.4	7.5	7.6
Income taxes	4.5	4.3	0.8	0.2
Depreciation and amortization	23.3	23.7	24.0	26.0
EBITDA⁽¹⁾	47.3	47.8	45.3	57.4
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	\$ 0.2	\$ 0.2	0.1	1.8
Impairment, net of reversals, of restaurant assets and lease receivables	6.9	(0.9)	—	17.7
Restructuring and other	2.7	1.2	1.1	(0.6)
Change in fair value non-controlling interest liability	—	—	0.5	(7.1)
Change in fair value of Exchangeable Keg Partnership units and KRIF units	2.1	(3.9)	(10.8)	(22.8)
Income on Partnership units and KRIF	2.9	1.8	1.8	2.0
Loss on disposition of brand assets	3.3	—	—	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	0.7	—	(0.3)	(0.4)
Net (gain) loss on settlement of lease liabilities	(1.3)	(0.1)	(0.1)	0.8
Net (gain) loss on disposal of property, plant and equipment and other assets	—	(1.2)	(0.1)	3.1
Stock based compensation	0.3	—	0.2	0.4
Proportionate share of equity accounted joint venture	(0.7)	—	(0.6)	(4.1)
Rent impact from IFRS 16 Leases	(14.1)	(14.5)	(14.7)	(13.1)
Operating EBITDA⁽¹⁾	\$ 50.3	\$ 30.4	\$ 22.4	\$ 35.0

(C\$ millions unless otherwise stated)	Q3 - 2020	Q2 - 2020	Q1 - 2020	Q4 - 2019
	Sept 27 2020	Jun 28 2020	Mar 29 2020	Dec 29 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to EBITDA:				
Net earnings	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, net of reversals, of restaurant assets and lease receivables	(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 Keg Partnership units and KRIF units	12.1	(3.2)	33.1	5.1
Income on Partnership units and KRIF	2.3	1.2	2.7	2.8
Amortization of unearned conversion fees income	—	(0.1)	—	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	(0.1)	(0.2)	—	1.5
Net (gain) loss 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)
Stock based compensation	0.1	0.4	0.5	(5.4)
Proportionate share of equity accounted joint venture	—	(1.4)	(0.6)	0.8
Rent impact from adoption of IFRS 16 "Leases" ⁽²⁾	(14.5)	(14.5)	(14.2)	(14.1)
Operating EBITDA⁽¹⁾	\$ 42.5	\$ 15.6	\$ 20.5	\$ 60.5

⁽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 - 2021	Q2 - 2021	Q1 - 2021	Q4 - 2020
	Sep 26 2021	Jun 27 2021	Mar 28 2021	Dec 27 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0
Maintenance capex	(3.0)	(3.9)	(2.1)	(2.8)
Interest on long-term debt	(5.1)	(5.7)	(5.6)	(5.7)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(1.1)
Cash taxes	(4.2)	(2.7)	(6.4)	(8.0)
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ 36.9	\$ 17.2	\$ 8.8	\$ 17.5
Growth capex	(3.1)	(3.3)	(1.9)	(0.4)
Proceeds on sale of assets	—	1.8	—	0.1
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ 33.8	\$ 15.7	\$ 6.9	\$ 17.2

	Q3 - 2020	Q2 - 2020	Q1 - 2020	Q4 - 2019
	Sept 27	Jun 28	Mar 29	Dec 29
(C\$ millions unless otherwise stated)	2020	2020	2020	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)
Cash taxes	(6.3)	(6.8)	(5.4)	(5.5)
Interest on long-term debt	(1.1)	(1.1)	(1.1)	(1.1)
Interest expense on note payable to The Keg Royalties Income Fund	2.7	—	(14.5)	(4.6)
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ 33.4	\$ 3.6	\$ (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 declared	—	(6.6)	—	(6.3)
Share repurchased	—	—	(0.3)	—
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ 33.4	\$ (6.4)	\$ (9.6)	\$ 29.4

⁽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 26, 2021. 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 foods 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.