

MTY Reports Third Quarter Results

- Adjusted EBITDA⁽¹⁾ of \$43.4 million in the quarter, up 4% compared to Q3-19
- Management initiatives resulting in a reduction of recurring controllable expenses of \$10.0 million for Q3
- Cash flows from operating activities of \$38.6 million despite dramatic impact of COVID-19
- Net income attributable to shareholders of \$22.9 million in the quarter, or \$0.93 per share
- Repayment of long-term debt of \$38.0 million during Q3
- System sales⁽¹⁾ of \$897.5 million, down 17% compared to Q3-19
- 52,900 business days were lost during the quarter. 1,470 restaurants were temporarily closed at the beginning of the quarter with 364 still temporarily closed at quarter end. 339 remain temporarily closed as at the date of this press release, which represents less than 5% of the network.

Note that effective December 1, 2019, the Company implemented IFRS 16, Leases, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. Please refer to the section Changes in accounting policies in the Management's Discussion and Analysis for further details.

MONTREAL, Oct. 9, 2020 /CNW Telbec/ - MTY Food Group Inc. ("MTY" or the "Company") (TSX: MTY), one of the largest franchisors and the operator of multiple concepts of restaurants in North America, reported today its results for the third quarter ended August 31, 2020.

"We are extremely pleased with our third quarter results given the current context. While our system sales were down 17% year-over-year due to the pandemic, our adjusted EBITDA, net income attributable to shareholders, cash flows from operations and free cash flows all surpassed last year. This improvement was driven by several factors including the strong performance of several brands including our two largest, Cold Stone Creamery and Papa Murphy's, a reduction of recurring controllable expenses as well as tight cash management. As announced in our last conference call, we used the cash generated by our operations to pay down debt, resulting in a repayment of \$38.0 million during the quarter. As at the end of the quarter, we were in a solid financial position with \$43.8 million of cash on hand and over \$230 million available on our credit facilities, and our leverage ratios remain well within the prescribed limit" stated Eric Lefebvre, Chief Executive Officer of MTY.

"We began the third quarter with 1,470 temporary closed locations and ended the quarter with 364 as our franchisees continued to fight to save their businesses. For the next quarter, we will continue to monitor the impacts of the pandemic, adjust our operations to these volatile market conditions, help our franchisees access government programs that are available to them and aggressively manage our expense levels and liquidity. Our primary focus is to re-open restaurants, help our franchisees succeed to the best of our ability and provide customers with a safe and friendly environment while optimizing the profitability of our restaurants in these challenging times," concluded Mr. Lefebvre.

Financial Highlights (in thousands of \$, except per share information)	Q3-2020	Q3-2019 (not restated for IFRS 16)	9 Months 2020	9 Months 2019 (not restated for IFRS 16)
Revenues	135,366	161,290	383,954	394,158
Adjusted EBITDA ⁽¹⁾	43,388	41,847	102,638	104,368
Income (loss) before taxes	29,328	28,754	(64,831)	72,495
Net income (loss) attributable to shareholders	22,932	22,902	(57,186)	56,987
Cash flows from operations	38,624	27,220	88,811	75,054
Cash flows from operations per diluted share ⁽¹⁾	1.56	1.08	3.59	2.98
Free cash flows ⁽¹⁾	37,078	26,680	96,742	73,361

EPS basic	0.93	0.91	(2.31)	2.26
EPS diluted	0.93	0.91	(2.31)	2.26
System Sales ⁽¹⁾	897,500	1,076,200	2,567,700	2,596,300

(1) This is a non-GAAP measure. Please refer to the "Non-GAAP Measures" section at the end of this press release.

THIRD QUARTER RESULTS

Network:

- At the end of the period, MTY's network had 7,123 locations in operation, of which 113 were corporate, 6,989 were franchised and 21 were in joint ventures. The geographical split of MTY's locations remained steady with the previous quarter with 54% in the United States, 39% in Canada and 7% international.
- System sales were down 17% compared to the same period in 2019, reaching \$897.5 million. Excluding the impact of recent acquisitions, the decrease compared to Q3-19 was 18% (24% in June, 16% in July and 16% in August). The decrease is attributable to COVID-19.
- At the end of the quarter 364 were still temporarily closed because of COVID-19, 2020. As of October 8th, 2020, 339 locations remained temporarily closed. Additional restrictions imposed recently in some jurisdictions have caused some restaurants that had re-opened to close again.

Financial:

- The Company's revenue decreased 16%, from \$161.3 million to \$135.4 million, due to the COVID-19 pandemic.
- Adjusted EBITDA increased 4% to \$43.4 million, compared to \$41.8 million. Excluding the favorable impact of IFRS 16, adjusted EBITDA would have remained stable at \$41.7 million.
- Cash flows from operations increased 42% to reach \$38.6 million during the quarter.
- Net income attributable to shareholders was \$22.9 million, or \$0.93 per share (\$0.93 per diluted share), in line with the net income attributable to shareholders of \$22.9 million, or \$0.91 per share (\$0.91 per diluted share), realized for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

- In the third quarter of 2020, cash flows generated by operating activities were \$38.6 million, compared to \$27.2 million for the same period in 2019. The increase in cash flow generation was primarily due to the positive variance in income taxes paid and to strict working capital management to preserve liquidities.
- In the third quarter of 2020, the Company used its cash to pay down approximately \$38.0 million of its long-term debt. The payment of dividends to its shareholders was suspended for the third quarter due to COVID-19 and no shares were repurchased under the NCIB.
- As at August 31, 2020, the Company had \$43.8 million of cash on hand, and a long-term debt of \$496.2 million mainly in the form of holdbacks on acquisition and bank facilities.

NEAR-TERM OUTLOOK

The Company is closely monitoring the global situation surrounding COVID-19 and taking proactive steps to ensure the well-being and safety of its employees, franchisees and customers, and the continuity of its operations and businesses. Given the dynamic nature of the situation, it is not possible to ascertain what impact there may be on the Company's long-term financial performance. MTY is taking the necessary steps to mitigate the potential consequences that this situation may

have on its operations, franchisees, partners and service to MTY's customers. Please refer to section "Highlights of Significant Events" for further details on actions taken in response to COVID-19.

In the very short term, management's primary focus is to re-open the restaurants that have been temporarily closed as a result of the pandemic and to rebuild customer confidence by implementing proper safety measures and adjusting the way customers are served. Even after the pandemic is over, customer consumption patterns may shift temporarily or permanently from those traditionally witnessed and MTY will have to adapt to new customer behaviours. Management believes the Company will be able to regain customer confidence in the brands and restore the positive momentum it saw in the first quarter of 2020. The Company's focus, after the pandemic will still be on innovation, quality of food and customer service in each of the outlets and maximizing the value offered to customers.

The restaurant industry will remain more than ever challenging in the future as customer consumption patterns change and management believes that the focus on the food offering, innovation, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offerings to consumers.

For further details please refer to the Management's Discussion and Analysis.

CONFERENCE CALL

MTY Group will hold a conference call to discuss these results on October 9, 2020, at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 9672062. This recording will be available on Friday, October 9, 2020 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, October 16, 2020.

ABOUT MTY FOOD GROUP INC.

MTY Group franchises and operates quick-service and casual dining restaurants under over 80 different banners in Canada, the United States and internationally. Based in Montreal, MTY is a family whose heart beats to the rhythm of its brands, the very soul of its multi-branded strategy. For over 40 years, it has been increasing its presence by delivering new concepts in quick-service restaurants and making acquisitions and strategic alliances that have allowed it to reach new heights year after year. By combining new trends with operational know-how, the brands forming the MTY Group now touch the lives of millions of people every year. With 7,123 locations, the many flavours of the MTY Group have the key to responding to the different tastes and needs of consumers today and tomorrow.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA (revenues less operating expenses (excludes income tax, interest, depreciation and amortization and all other income (charges)) plus share of net profit of a joint venture accounted for using the equity method), system sales, and free cash flows are widely accepted financial indicators but are not a measurement determined in accordance with International Financial Reporting Standards ("IFRS") and may not be comparable to those presented by other companies. The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Refer to the section "Compliance with International Financial Reporting Standards" in the Company's MD&A.

FORWARD-LOOKING STATEMENTS

Certain information in this News Release may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. This includes statements regarding the impacts that the novel COVID-19 pandemic may have on our future operations as found in this release. When used in this News Release, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this News Release. Except as required by law, we assume no obligation to update or revise forward-looking information to reflect new events or circumstances. Additional information is available in the Company's Management Discussion and Analysis, which can be found on SEDAR at www.sedar.com.

Note to readers: Management's Discussion and Analysis, the consolidated financial statements and notes thereto for the third quarter ended August 31, 2020 are available on the SEDAR website at www.sedar.com and on the Company's website at www.mtygroup.com.

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