

Cara Operations to Merge with Keg Restaurants Ltd.

January 23, 2018



Disclaimers



This presentation contains “forward-looking information” within the meaning of applicable securities laws. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects”, “estimates”, “intends”, “anticipates”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “achieve”.

These forward-looking statements include, among other things, statements relating to:

- the timing and completion of the proposed acquisition;
- final financing breakdown;
- *pro forma* capitalization of the Company;
- timing and value of expected synergies;
- the effective accretion (which may be impacted by final financing arrangements);
- growth prospects;
- future business strategy; and
- expectations regarding operations.

Forward-looking information is necessarily based on a number of assumptions and estimates that, while considered reasonable by the Company as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking information. With respect to the acquisition, these assumptions and estimates include: completion of the transaction on terms and in a manner consistent with management’s expectations; completion of any financing arrangements; the accuracy of management’s assessment of the effects of the acquisition, including the ability to generate synergies consistent with management’s expectations; and the ongoing performance of the businesses of Cara and Keg Restaurants Ltd. With respect to other forward-looking information, these factors and assumptions include: potential volatility of Subordinate Voting Share price; payment of dividends; financial reporting and other public company requirements; forward-looking information; significant ownership by the Principal Shareholders; dilution; limited voting rights of the Subordinate Voting Shares; quarterly operating results may fluctuate; securities analysts’ research or reports could impact price of Subordinate Voting Shares; the restaurant industry; competition with other franchisors; quality control and health concerns; security breaches of confidential guest information; public safety issues; damage to the Company’s reputation; availability and quality of raw materials; reliance on suppliers; growth of the Company; franchisees; franchise fees and other revenue; franchisee relations; revenue reporting risks; opening new restaurants; potential inability to consummate acquisitions; integration of acquisitions and brand expansion; retail licensing opportunities; seasonality and weather; regulations governing alcoholic beverages; laws concerning employees; dependence on key personnel; attracting and retaining quality employees; unionization activities may disrupt the Company operations; reliance on information technology; intellectual property; lawsuits; regulation; and Company’s insurance may not provide adequate levels of coverage. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the Company. These factors and assumptions, however, should be considered carefully.

Although the Company has attempted to identify important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors and assumptions that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information contained herein, except as required by applicable securities laws.

All figures in Canadian dollars, unless otherwise noted.



Non-IFRS Measures



This presentation makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards (“IFRS”) and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement 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”, “EBITDA”, “Operating EBITDA”, “Normalized EBITDA”, “Normalized EBITDA Before Royalty and Flowback”, “Adjusted Net Earnings”, “Adjusted Diluted EPS”, “Pro Forma System Sales” and “Pro Forma Operating EBITDA” 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. See “Description of Non-IFRS 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.





THE KEG
STEAKHOUSE + BAR

Largest Canadian Full-Service Restaurant Operator

| | |
|---|-----------------|
| LTM System Sales ^(1,2,3) | \$2.7 billion |
| # of Restaurants ⁽⁴⁾ | 1,259 |
| LTM Operating EBITDA ^(1,3,5) | \$184.5 million |



Canada's #1 Steakhouse & Full-Service Operator

| | |
|--|----------------|
| LTM System Sales ^(1,2) | \$0.6 billion |
| # of Restaurants | 106 |
| LTM Normalized EBITDA ^(1,5) | \$23.5 million |



An opportunity to merge with an iconic market leading brand to strengthen the market position of the combined company

- (1) See "Non-IFRS Measures".
- (2) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017.
- (3) Adjusted for the estimated full-year contribution of Original Joe's and Pickle Barrel as if the acquisitions had occurred on September 24, 2016.
- (4) As of November 30, 2017.
- (5) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.



Transaction Overview



- On January 23, 2018, Cara Operations Limited (“Cara”) and the Keg Restaurants Ltd. (“KRL”) announced the two companies have agreed to merge
- Cara will pay to KRL’s shareholders, David Aisenstat (49% owner and CEO of KRL) and Fairfax Financial Holdings Limited (“Fairfax”, 51% owner) an aggregate purchase price of \$200 million comprised of \$105 million in cash and 3,801,123 Cara subordinate voting shares (based on Cara’s closing share price on the TSX of \$24.93 as at January 22, 2018) for 100% of KRL’s outstanding shares
- In addition, Cara may be required to pay up to an additional \$30 million of cash consideration upon the achievement of certain financial milestones within the first 3 fiscal years following closing
- Implied EV / LTM Normalized EBITDA^(1,2) of approximately 9.6x
- The combined company will have 1,365 locations with LTM Pro Forma System Sales^(1,3) of \$3.4 billion and LTM Pro Forma Operating EBITDA^(1,4) of \$208 million
- The transaction is expected to be immediately accretive to Cara’s Adjusted Diluted EPS⁽¹⁾
- Cara’s Special Committee of the Board received a fairness opinion from Scotiabank who concluded that the consideration payable by Cara, from a financial point of view, is fair to the shareholders of Cara, excluding Fairfax
- The transaction is expected to close in Q1 2018

(1) See “Non-IFRS Measures”.

(2) KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.

(3) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017.

(4) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.



Transaction Structure



- Following closing, the combined company will be renamed and KRL will operate as a wholly-owned subsidiary
- The Keg Royalties Income Fund (“KRIF”) will remain a separate standalone public company
 - KRL will continue to pay a royalty equal to 4% of System Sales from Keg restaurants included in the royalty pool in exchange for the continuing use of the Keg Rights⁽¹⁾
 - On a fully diluted basis, KRIF is currently 24% owned by KRL and 76% by public unitholders
- Bill Gregson will remain CEO and Chairman of the combined company
- David Aisenstat will remain CEO of KRL and will oversee Cara’s higher-end casual brands, namely, Milestones, Bier Markt and the Landing Group as well as join the Cara Board as Vice Chairman
- After completion of the transaction, Fairfax will hold 43.5% of the combined company’s equity and 56.9% of the total votes

(1) The Keg Rights include trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operations of the KRL.



Transaction Rationale



Merger with an Iconic Canadian Restaurant Brand and Canada's #1 Steakhouse

- The Keg has industry-leading brand recognition, ranking as the #1 restaurant in Canada by top-of-mind awareness with a reputation as a leader in service, food and ambiance
- Second largest full-service restaurant chain in Canada measured by total System Sales
- Track record of strong same restaurant sales ("SRS") growth with 16 consecutive quarters of positive SRS growth
- Very healthy restaurant network with all restaurants being profitable and all franchisees paying full royalties

Opportunity to Leverage the Strengths of Both Companies

- Leverage David Aisenstat's strong operational track record to bring the key success factors from The Keg concept to Milestones, Bier Markt and the Landing Group
- Leverage the combined company's footprint, real estate portfolio and capital structure to accelerate store openings for The Keg
- Leverage Cara's size and combined scale with KRL to deliver annual cost synergies of approximately \$2 million in 3 years in areas such as marketing, real estate and overall costs

Financially Attractive Transaction

- LTM Pro Forma System Sales^(1,2) of \$3.4 billion and LTM Pro Forma Operating EBITDA^(1,3) of \$208 million
- The transaction is expected to be immediately accretive to Cara's Adjusted Diluted EPS⁽¹⁾
- Prudent capital structure with pro forma net debt / LTM Pro Forma Operating EBITDA^(1,3) of 2.7x⁽⁴⁾
- KRL's EBITDA as a % of KRL's System Sales is 6.8% before a royalty payment to KRIF and flowback of interest income (3.8% after royalty and flowback) – there is an opportunity for improvement when leveraging Cara's central services and corresponding profit model⁽⁵⁾
- KRL assets include exchangeable units in KRIF valued at \$74 million as at October 1, 2017

A mutually beneficial transaction that will unlock the full potential of both Cara and KRL

- (1) See "Non-IFRS Measures".
- (2) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017.
- (3) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.
- (4) Note that this net debt to Operating EBITDA calculation is not necessarily the same as Cara's credit agreement covenant calculation.
- (5) KRL's royalty expense (4.0% royalty to KRIF) is offset with Interest income on Exchangeable Partnership units with KRIF.



1 KRL – Canada’s #1 Steakhouse & Full-Service Operator

High Quality Restaurant Operations



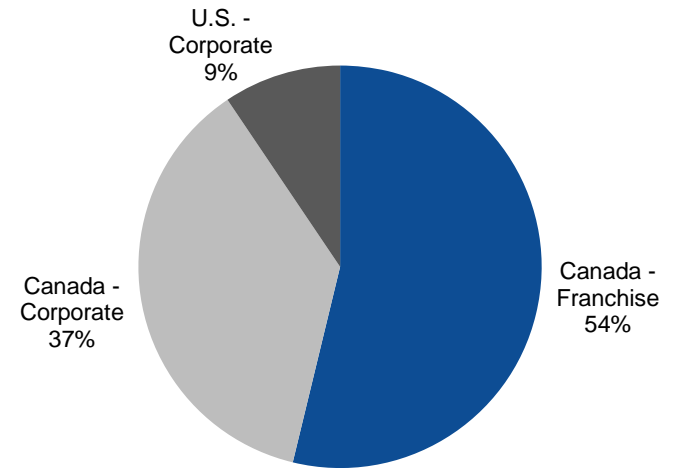
- 39 corporate locations
- 57 franchise locations
- LTM System Sales of \$561 million^(1,2)



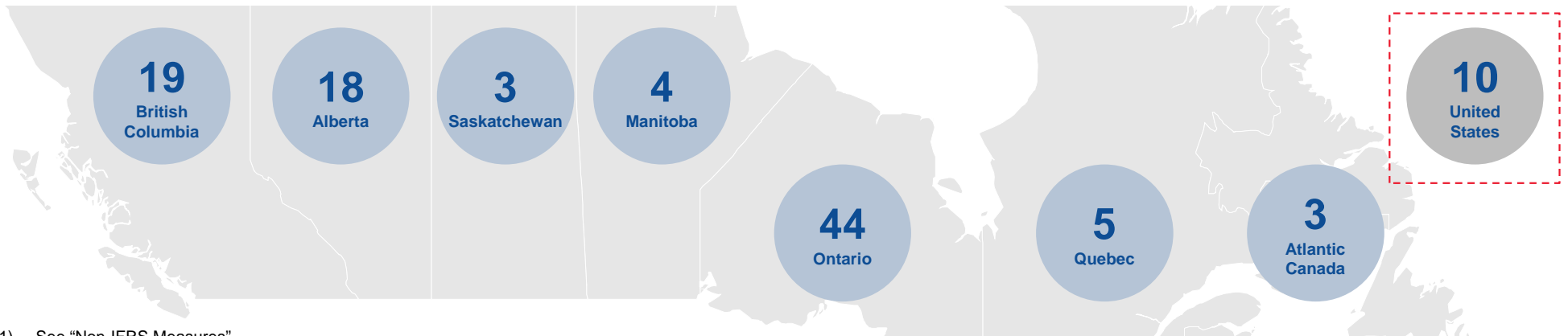
- 10 corporate locations
- LTM System Sales of \$51 million^(1,2)

- Healthy restaurant network: all locations are profitable and no franchisee receives assistance

Corporate / Franchise Split⁽³⁾



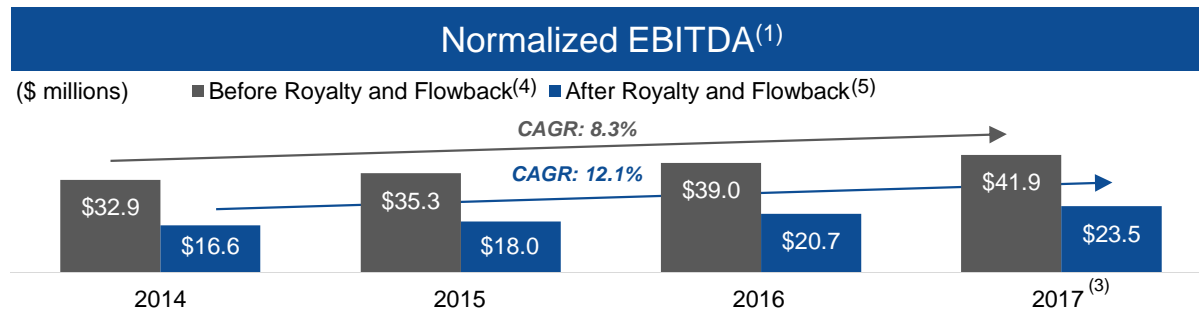
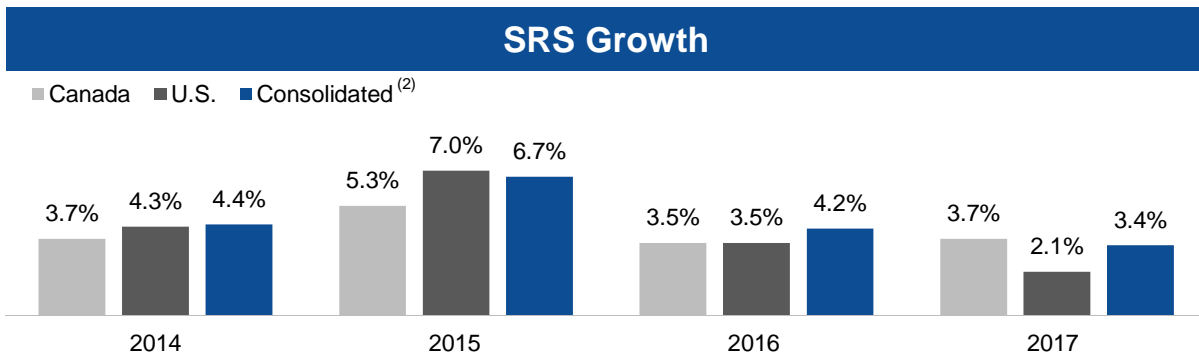
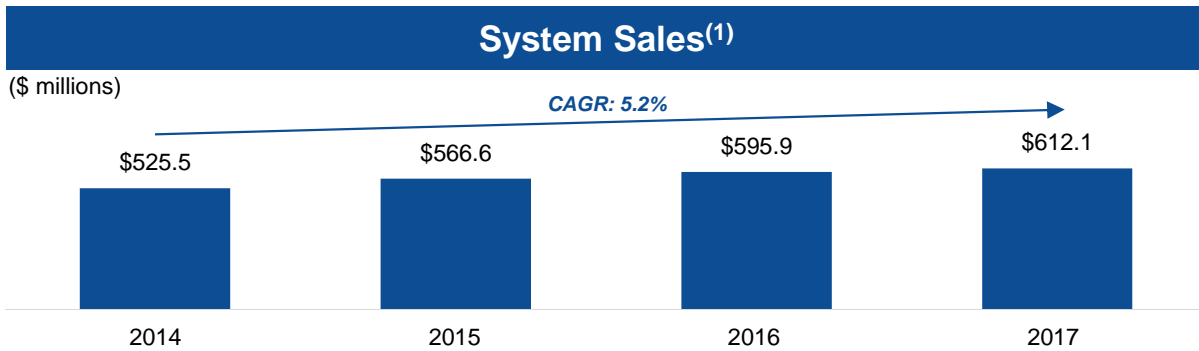
Broad Geographic Presence Across Canada and in Select Markets in the United States



(1) See “Non-IFRS Measures”.
 (2) KRL based on LTM period ended October 1, 2017.
 (3) Based on number of restaurants.



1 KRL – Track Record of Consistent Growth



Note: Years noted above refer to KRL's fiscal year ends that follow the Sunday closest to September 30th.

- (1) See "Non-IFRS Measures".
- (2) Includes impact of currency movements.
- (3) Pro forma for full year impact of acquisition of three franchise restaurants.
- (4) Before Royalty expense (royalty to KRIF) and Interest income on Exchangeable Partnership units.
- (5) After Royalty expense and Interest income on Exchangeable Partnership units.



2 Combined Companies with a Synergistic Fit

- ▶ The combined company will be the third largest restaurant operator in Canada (behind RBI and McDonalds)
- ▶ It will be Canada's largest full-service operator with 8 brands in the top 13 (based on sales)
- ▶ The Keg Steakhouse & Bar is Canada's #1 steakhouse and #2 overall FSR chain
- ▶ David Aisenstat will bring key success factors from The Keg to other Cara brands:

| New Combined Company | | |
|----------------------|--------------|-----------------|
| | Full-Service | Limited-Service |
| Corporate | | |
| Hybrid | | |
| Franchised | | |

Higher-end Casual Brands

Source: Figures based on 2017 Technomic Report and may not tie to audited financial statements.

3 Financially Attractive Transaction



- The combination of Cara and KRL is expected to increase LTM Pro Forma System Sales^(1,2) to \$3.4 billion and LTM Pro Forma Operating EBITDA^(1,3) to \$208 million
- The transaction is expected to be immediately accretive to Cara's Adjusted Diluted EPS⁽¹⁾, before any synergies
- KRL assets include exchangeable units in KRIF valued at \$74 million as at October 1, 2017

| | CARA ⁽³⁾ | THE KEG STEAKHOUSE + BAR | Pro Forma (Cara + Keg) | | |
|---|----------------------------------|---|--|--|---|
| LTM System Sales^(1,2) | \$2.7 billion | \$0.6 billion | \$3.4 billion | | |
| # of Restaurants | 1,259 | 106 | 1,365 | | |
| Franchised vs. Corporate⁽⁵⁾ | | | | | |
| LTM EBITDA <i>(% of System Sales)^(1,2,4)</i> | Operating EBITDA | Normalized EBITDA | | Pro Forma Operating EBITDA | |
| | \$184.5 million (6.7%) | Before Royalty & Flowback⁽⁶⁾ \$41.9 million (6.8%) | After Royalty & Flowback⁽⁷⁾ \$23.5 million (3.8%) | Before Royalty & Flowback⁽⁶⁾ \$226.4 million (6.8%) | After Royalty & Flowback⁽⁷⁾ \$207.9 million (6.2%) |

(1) See "Non-IFRS Measures".

(2) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017.

(3) Adjusted for the estimated full-year contribution of Original Joe's and Pickle Barrel as if the acquisitions had occurred on September 24, 2016. Restaurant count as of November 30, 2017.

(4) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.

(5) Based on number of restaurants.

(6) Before Royalty expense and Interest income on Exchangeable Partnership units.

(7) After Royalty expense and Interest income on Exchangeable Partnership units.



3 Prudent Pro Forma Capital Structure



Transaction Sources and Uses

| Sources | | Uses | |
|---|----------------|-----------------------------|----------------|
| Issue Cara Subordinate Voting Shares ⁽¹⁾ | \$94.8 | Purchase KRL Equity | \$199.8 |
| Additional Borrowings on Revolving Credit Facility | \$105.5 | Estimated Transaction Costs | \$0.5 |
| Total Sources | \$200.3 | Total Uses | \$200.3 |

Pro Forma Capitalization

| | Cara (as of Sept. 24, 2017, and adjusted for Pickle Barrel) | KRL | Transaction Adj. | Pro Forma |
|---|---|---------------|------------------|----------------|
| Cash | \$11.8 | \$10.0 | | \$21.9 |
| Total Debt | | | | |
| Revolving Credit Facility | \$269.7 | \$21.0 | \$105.5 | \$396.2 |
| Term Loans | \$150.0 | \$14.0 | | \$164.0 |
| Finance Leases | \$22.9 | -- | | \$22.9 |
| Total Debt | \$442.6 | \$35.0 | \$105.5 | \$583.1 |
| LTM Operating EBITDA | \$184.5 ⁽²⁾ | | | \$207.9 |
| Net Debt / LTM Operating EBITDA ^(3,4) | 2.3x | | | 2.7x |

(1) Comprised of 3.4 million subordinate voting shares issued to Fairfax (at closing share price of \$24.93 as of January 22, 2018) and \$10 million worth of subordinate voting shares issued to Aisenstat.

(2) Adjusted for the estimated full-year contribution of Original Joe's and Pickle Barrel as if the acquisitions had occurred on September 24, 2016.

(3) See "Non-IFRS" Measures".

(4) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.



3 Mergers and Acquisitions

Transaction Summary

| Brand(s) | Transaction Date | System Sales (\$M) ⁽¹⁾ | # Units ⁽¹⁾ | Highlights |
|-------------------|------------------|-----------------------------------|------------------------|--|
| Prime Restaurants | Oct. 2013 | \$244.3 | 123 | First large acquisition – successful integration and catalyst for 2014 and 2015 transformational business growth |
| Cara IPO | April 2015 | - | - | Cara completes IPO – total proceeds \$230 million |
| Landing Group | June 2015 | \$18.5 | 3 | First small acquisition – business has grown from 3 to 9 corporate restaurants |
| New York Fries | Aug. 2015 | \$75.6 | 156 | Expanded existing restaurant portfolio into shopping malls and increased international presence |
| St-Hubert | Sept. 2016 | \$628.0 | 117 | A historic acquisition, step-changing Cara's presence in Quebec and establishing a national retail program for all Cara brands |
| Original Joe's | Nov. 2016 | \$250.0 | 99 | Another successful and synergistic acquisition, helping to dramatically increase Cara's presence in Western Canada |
| Burger's Priest | June 2017 | \$18.7 | 14 | A novel partnership with significant new store potential |
| Pickle Barrel | Oct. 2017 | \$50.0 | 12 | Further expanded Cara's portfolio into malls and added a successful catering business to learn from |
| The Keg | Q1 2018 | \$612.1 | 106 | A landmark merger with Canada's best full-service operator to further grow a portfolio of up-market brands |
| Total | | \$1,897.2 | 630 | |

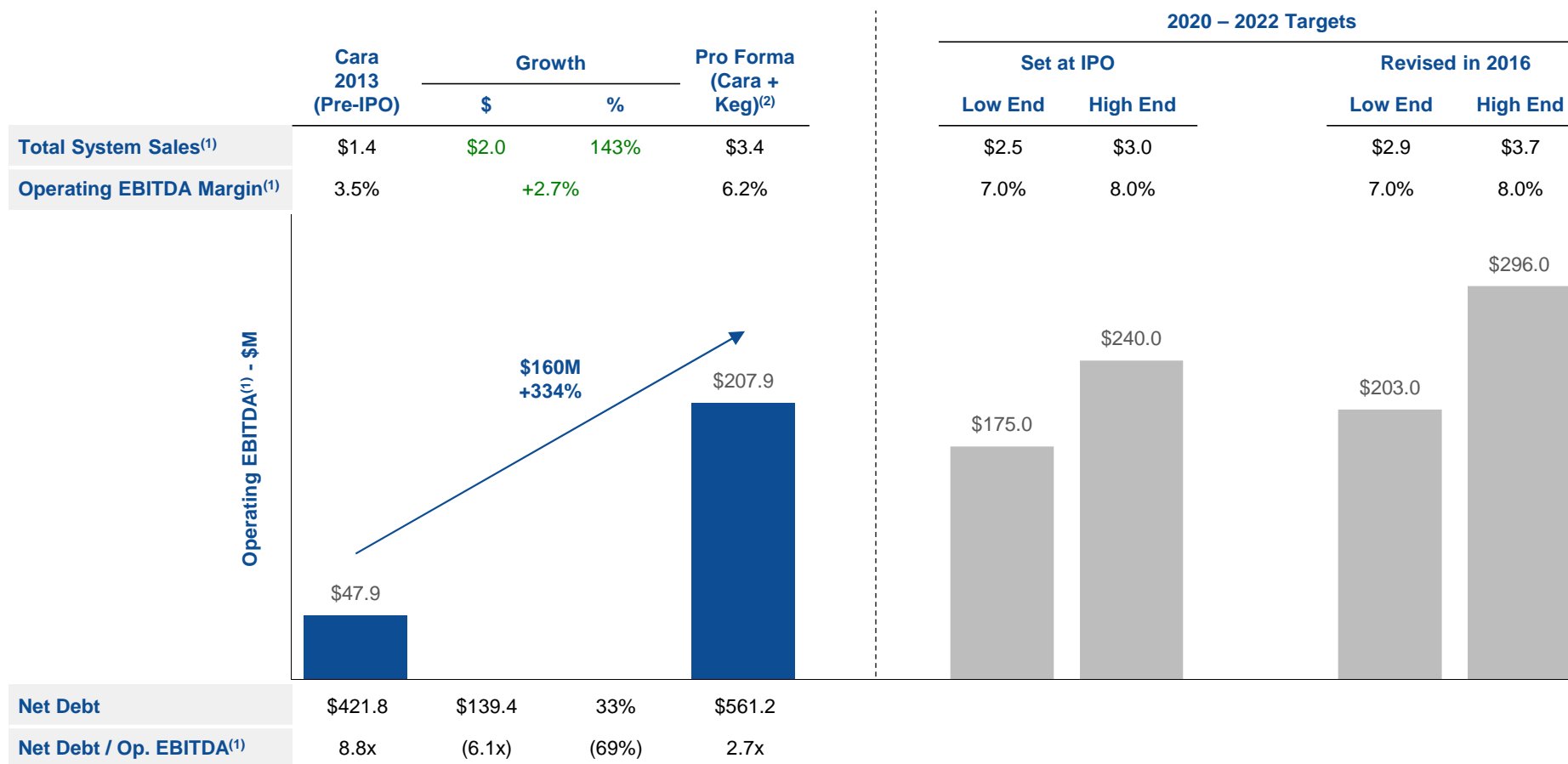
With each transaction, top talent has been brought on board and a successful integration / synergy model has been strengthened even further, providing a strong platform for continued future growth

(1) Annual sales and unit count are as at transaction date. St-Hubert sales include \$225M of manufacturing sales. Sales and unit count for Prime exclude Casey's (wound down)

3 Combined Company Entering New Era of Growth



Progress Against Cara's 5-7 Year Financial Targets



Transaction puts Cara within 2020-2022 targeted ranges for System Sales and EBITDA that were set during IPO and revised upwards in 2016. Transaction marks start of new growth chapter for combined company

(1) See "Non-IFRS Measures".

(2) Cara based on LTM period ended September 24, 2017. KRL based on LTM period ended October 1, 2017 and pro forma for full year impact of acquisition of three franchise restaurants.



Description of Non-IFRS Measures



The Company's audited financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and accounting policies adopted by the Company in accordance with IFRS.

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. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. This presentation makes reference to certain non-IFRS measures including:

"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 its restaurant network, the total market share of its brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts its consolidated financial performance.

"EBITDA" when referring to Cara is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) loss (gain) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets.

"EBITDA" when referring to KRL is defined as profit (loss) before: (i) interest, but excluding interest on note payable to The Keg Royalties Income Fund; (ii) income taxes; (iii) depreciation and amortization (including write-downs of property, plant and equipment, if any); (iv) gain (loss) on disposal of property, plant and equipment; and (v) fair value gain (loss) and provision.

"Operating EBITDA" is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) gain (loss) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; (vii) impairment of assets, net of reversals; (viii) losses on early buyout / cancellation of equipment rental contracts; (ix) restructuring; (x) conversion fees; (xi) net (gain) / loss on disposal of property, plant and equipment; (xii) stock based compensation; (xiii) changes in onerous contract provision; (xiv) lease costs and tenant inducement amortization; (xv) expense impact from fair value inventory adjustment resulting from the St-Hubert purchase relating to inventory sold during the period; and (xvi) acquisition related transaction costs.

"Normalized EBITDA" is defined as profit (loss) before: (i) interest, but excluding interest on note payable to The Keg Royalties Income Fund; (ii) income taxes; (iii) depreciation and amortization (including write-downs of property, plant and equipment, if any); (iv) gain (loss) on disposal of property, plant and equipment; (v) fair value gain (loss) and provision; and (vi) certain non-recurring items.

"Adjusted Net Earnings" is defined as net earnings plus (i) deferred income tax expense (reversal); (ii) non-cash amortization of inventory fair value increases related to inventory sold during the period resulting from the St-Hubert purchase determined at acquisition date; (iii) one-time transaction costs; and (iv) non-cash impairment charges.

"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 warrants issued.

"Pro Forma System Sales" is defined as System Sales adjusted for the estimated full-year contribution of Original Joe's, Pickle Barrel and the KRL acquisition, as if the acquisitions had occurred on September 24, 2016.

"Pro Forma Operating EBITDA" is defined as Operating EBITDA of Cara adjusted for the estimated full-year EBITDA contribution of Original Joe's and Pickle Barrel and the estimated full year Normalized EBITDA of KRL as if the acquisitions had occurred on September 24, 2016.



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