RECIPE UNLIMITED CORPORATION
(formerly Cara Operations Limited)
Management's Discussion and Analysis
For the 13 and 39 weeks ended September 29, 2019

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 29, 2019 and September 30, 2018 ("third quarter", "Q3", "the quarter" or "the period"). This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements ("interim financial statements") and accompanying notes as at September 29, 2019. The consolidated results from operations for the 13 and 39 weeks ended September 29, 2019 are compared to the September 30, 2018. Recipe's fiscal year ends on the last Sunday in December.

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

This MD&A was prepared as at November 11, 2019. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

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

Highlights for the 13 and 39 weeks ended September 29, 2019:

- The Company generates significant Operating EBITDA and Free Cash Flow[1] which provides the Company the ability to fund growth and enhance shareholder returns. Free Cash Flow before growth capex, dividends, and share repurchases under the Company's normal course issuer bid ("NCIB") for the 13 and 39 weeks ended September 29, 2019 was $36.1 million and $111.6 million, respectively. The Company continues to have low leverage with available debt capacity of $575.7 million, thus enabling the Company to take advantage of opportunistic strategies for growth and to enhance shareholder returns.

  Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis was $0.58 and $1.76 for the 13 and 39 weeks ended September 29, 2019, compared to $0.58 and $1.74 in 2018.

  During the 13 weeks ended September 29, 2019, the Company repurchased and cancelled 4,629,629 subordinate voting shares for $125.0 million under a substantial issuer bid ("SIB") completed on September 25, 2019. The impact from the reduction in shares on Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis is an increase of $0.10 per share from $1.76 to $1.86 for the 39 weeks ended September 29, 2019, and $0.12 per share from $1.74 compared to the 39 weeks ended September 30, 2018, after taking into effect a net increase in annual interest expense after taxes of $2.7 million.

  In addition to the SIB, under the Company's NCIB, the Company purchased and cancelled 618,947 and 1,322,871 Subordinate Voting Shares for $16.5 million and $35.2 million during the 13 and 39 weeks ended September 29, 2019. As at September 29, 2019, the Company had 56,338,810 shares outstanding compared to 62,324,207, as at September 30, 2018, a decrease of 5,985,397 shares that will increase Free Cash Flow and Earnings per share on a go forward basis.

- System Sales[1] decreased $10.7 million to $869.1 million for the 13 weeks ended September 29, 2019 compared to $879.8 million in 2018, representing a decrease of 1.2%. The decrease is primarily related to SRS decreases and restaurants closures offset by new restaurant openings and growth in retail and catering sales. Year to date, System Sales[1] grew $81.1 million to $2,591.1 million compared to $2,510.0 million in 2018, representing an increase of

3.2%. The increase in System Sales is primarily related to the addition of The Keg in February 2018 and increases in the retail and catering segment from the Swiss Chalet branded products sold at grocery, increases in frozen pot pie sales from the addition of the new pie production line, and the addition of Marigolds and Onions in December 2018 that offset SRS decreases.

- Same Restaurant Sales ("SRS") Growth[1] was a decrease of 3.1% for the quarter and a decrease of 2.2% year to date compared to the same 13 and 39 weeks in 2018. Recipe and the full service industry, as a whole, continue to face headwinds due to caution in consumer spending; more restaurant seats in the market, and continued staffing and wage pressure due to a four decade low in unemployment. While we are pleased with our early progress on our 4 pillar operating model, as all of our guest satisfaction scores are trending positively, we believe we have more upside potential by continuing to create more compelling and relevant consumer propositions for both dine-in and off-premise channels.

- Operating EBITDA[1][2] decreased to $49.5 million for the 13 weeks ended September 29, 2019 compared to $51.2 million in 2018, a decrease of $1.7 million or 3.3% for the quarter. Year to date, Operating EBITDA[1][2] increased to $155.5 million for the 39 weeks ended September 29, 2019 compared to $151.4 million in 2018, an improvement of $4.1 million or 2.7%. The increases year to date were primarily driven by the improved contribution from the franchise, retail and catering segment; and central segments that more than offset a decrease in corporate contribution and strategic costs incurred by the Company related to renovation incentive programs to franchisees of $1.0 million to support major renovations expected to generate long-term SRS increases.

- Operating EBITDA Margin on System Sales[1] before The Keg royalty expense, was 6.1% for the quarter compared to 6.2% in 2018. Year to date, Operating EBITDA Margin on System Sales[1] before The Keg royalty expense, was 6.4% compared to 6.4% in 2018. Operating EBITDA Margin on System Sales after The Keg royalty expense was 5.7% for the quarter and 5.8% year to date as compared to 6.0% and 6.0% in 2018, respectively. The change in margin rate was primarily driven by improved franchise contribution margin offset by lower corporate contribution margin. The decreases in the corporation contribution margin were driven by lower system sales and taking back under-performing locations.

- Net earnings were $6.7 million for the 13 weeks ended September 29, 2019 compared to $23.8 million a decrease of $17.1 million for the quarter. The net decrease in the quarter was primarily driven by the $1.7 million decrease in Operating EBITDA, a $11.7 million increase in non-cash fair value changes, non-cash impairment and non-cash increase in loss on disposal of assets, $5.5 million increase in depreciation related to an increase in restaurant assets and a prior year 2018 depreciation adjustment of $3.5 million resulting in lower depreciation in 2018 compared to 2019, and a net $0.6 million higher expense impact related to the new IFRS Lease Standard[2] (see IFRS 16 – New Lease Standard), partially offset by a $2.4 million decrease in income tax expense.

  Net earnings were $45.8 million for the 39 weeks ended September 29, 2019 compared to $64.8 million in 2018, representing a decrease of $19.0 million year to date. The net $19.0 million decrease year to date was primarily driven by the $4.1 million increase in Operating EBITDA and a $3.4 million reduction in income tax expense, offset by a $9.7 million net increase in non-cash fair value changes, non-cash impairment and non-cash increase in loss on disposal of assets, $11.4 million increase in depreciation, higher stock based compensation expense of $2.1 million, and a net $1.4 million higher expense related to the new IFRS Lease Standard[2] (see IFRS 16 – New Lease Standard).

- Adjusted Basic Earnings per Share [1] ("EPS") for the 13 weeks ended September 29, 2019 was $0.32 compared to $0.41 in 2018, while Adjusted Diluted EPS for the 13 weeks ended September 29, 2019 was $0.31 compared to $0.39 in 2018. Year to date, Adjusted Basic EPS was $1.00 compared to $1.14 in 2018, while Adjusted Diluted EPS for the 39 weeks ended September 29, 2019 was $0.96 compared to $1.10 in 2018.

  The impact from the reduction in shares from the SIB on Adjusted Diluted EPS would be an increase $0.03 per share from $0.92 to $0.95 for the 39 weeks ended September 29, 2019, after taking into effect a net increase in annual interest expense after taxes of $2.7 million.

[1] See "Non-IFRS Measures" on page 35 for definitions of System Sales, SRS Growth, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See "Reconciliation of Net Earnings to EBITDA" and "Reconciliation of Net Earnings to Adjusted Net Earnings" for a reconciliation of Operating EBITDA and Adjusted Net Earnings.
[2] Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

IFRS 16 – New Lease Standard

Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative figures provided for each quarter have been restated to reflect the adoption of this accounting standard. Please refer to pages 9 and 35 for a reconciliation of the changes to Operating EBITDA. Further details on the accounting change are included in Note 3 “Changes in accounting policies” in the Interim Financial Statements of the Company.

Below is a summary of the impact resulting from the implementation of IFRS 16 on the Company’s financial statements:

	As at December 30, 2018	IFRS 16 Net Impact	As at December 31, 2018
Assets			
Accounts receivable	$ 104,939	$ 76,652	$ 181,591
Long-term receivables	33,544	427,789	461,333
Property, plant and equipment	399,990	256,250	656,240
Impact to Total Assets		**$ 760,691**	
Liabilities			
Provisions	$ 9,679	$ (5,765)	$ 3,914
Current portion of lease liability	—	120,510	120,510
Long-term debt	258,390	(26,016)	232,374
Lease liability	—	688,363	688,363
Provisions	13,796	(9,577)	4,219
Other long-term liabilities	87,667	(3,853)	83,814
Deferred tax liability	92,831	(864)	91,967
Impact to Total Liabilities		**$ 762,798**	
Impact to Total Shareholders' Equity	**$ 485,812**	**$ (2,107)**	**$ 483,705**
Impact to Total Liabilities and Equity		**$ 760,691**	

The impact to net earnings for the 13 and 39 weeks ended September 29, 2019 compared to 2018 was a net reduction to earnings before income tax of $0.6 million for the quarter and $1.4 million year to date. Operating income increased $2.2 million for the quarter and increased $7.3 million year to date compared to 2018 resulting from a decrease in rent expense offset by an increase in depreciation expense related to the right-of-use assets. The increase in Operating income is reduced by an increase in net interest expense of $2.7 million for the quarter and $8.7 million year to date related to the new lease standard.

The impact on the net earnings for the 13 and 39 weeks ended September 29, 2019 compared to the 13 and 39 weeks ended September 30, 2018 are presented below:

	For the 13 weeks September 29, 2019			For the 13 weeks September 30, 2018			
	Earnings before IFRS 16 impact	**IFRS 16 adoption impact**	**Consolidated**	**Earnings before IAS 17 and IFRIC 4 impact**	**Finance lease impact of IAS 17 and IFRIC 4**	**Consolidated**	**Change resulting from IFRS 16**
Total gross revenue	$ 308,959	—	$ 308,959	$ 310,061	—	$ 310,061	$ —
Cost of inventories sold	(111,829)	—	(111,829)	(111,022)	—	(111,022)	—
Selling, general and administrative	(171,131)	—	(171,131)	(161,100)	—	(161,100)	—
Operating lease costs	—	14,065	14,065	—	1,238	1,238	12,827
Depreciation expense	—	(11,408)	(11,408)	—	(772)	(772)	(10,636)
Impairment of assets, net of reversals	(5,695)	—	(5,695)	—	—	—	—
Restructuring and other	(2,595)	—	(2,595)	(2,616)	—	(2,616)	—
Operating income	**$ 17,709**	**$ 2,657**	**$ 20,366**	**$ 35,323**	**$ 466**	**$ 35,789**	**$ 2,191**
Finance costs							
Net interest expense and other financing	(1,657)	(3,229)	(4,886)	(2,332)	(487)	(2,819)	(2,742)
Share of (loss) gain from investment in joint ventures	(527)	—	(527)	(921)	—	(921)	—
Earnings before change in fair value and income taxes	**$ 15,525**	**$ (572)**	**$ 14,953**	**$ 32,070**	**$ (21)**	**$ 32,049**	**$ (551)**
Change in fair value of non-controlling interest liability	—	—	—	(1,000)	—	(1,000)	—
Change in fair value of Exchangeable Keg Partnership units	(3,066)	—	(3,066)	363	—	363	—
Earnings before income taxes	**$ 12,459**	**$ (572)**	**$ 11,887**	**$ 31,433**	**$ (21)**	**$ 31,412**	**$ (551)**

	For the 39 weeks September 29, 2019			For the 39 weeks September 30, 2018			
	Earnings before IFRS 16 impact	**IFRS 16 adoption impact**	**Consolidated**	**Earnings before IAS 17 and IFRIC 4 impact**	**Finance lease impact of IAS 17 and IFRIC 4**	**Consolidated**	**Change resulting from IFRS 16**
Total gross revenue	$ 925,463	—	$ 925,463	$ 863,719	—	$ 863,719	$ —
							—
Cost of inventories sold	(331,763)	—	(331,763)	(301,958)	—	(301,958)	—
Selling, general and administrative	(505,706)	—	(505,706)	(457,719)	—	(457,719)	—
Operating lease costs	—	43,012	43,012	—	3,638	3,638	39,374
Depreciation expense	—	(34,322)	(34,322)	—	(2,267)	(2,267)	(32,055)
Impairment of assets, net of reversals	(9,656)	—	(9,656)	(1,267)	—	(1,267)	—
Restructuring and other	(3,070)		(3,070)	(3,361)		(3,361)	—
Operating income	**$ 75,268**	**$ 8,690**	**$ 83,958**	**$ 99,414**	**$ 1,371**	**$ 100,785**	**$ 7,319**
Finance costs							
Net interest expense and other financing	(6,710)	(10,147)	(16,857)	(7,703)	(1,419)	(9,122)	(8,728)
Share of gain (loss) from investment in joint ventures	(1,218)	—	(1,218)	(482)	—	(482)	—
Earnings before change in fair value and income taxes	**$ 67,340**	**$ (1,457)**	**$ 65,883**	**$ 91,229**	**$ (48)**	**$ 91,181**	**$ (1,409)**
Change in fair value of non-controlling interest liability	—	—	—	(2,000)	—	(2,000)	—
Change in fair value of Exchangeable Keg Partnership units	855	—	855	—	—	—	—
Earnings before income taxes	**$ 68,195**	**(1,457)**	**$ 66,738**	**$ 89,229**	**(48)**	**$ 89,181**	**$ (1,409)**

Subsequent Events

Dividend

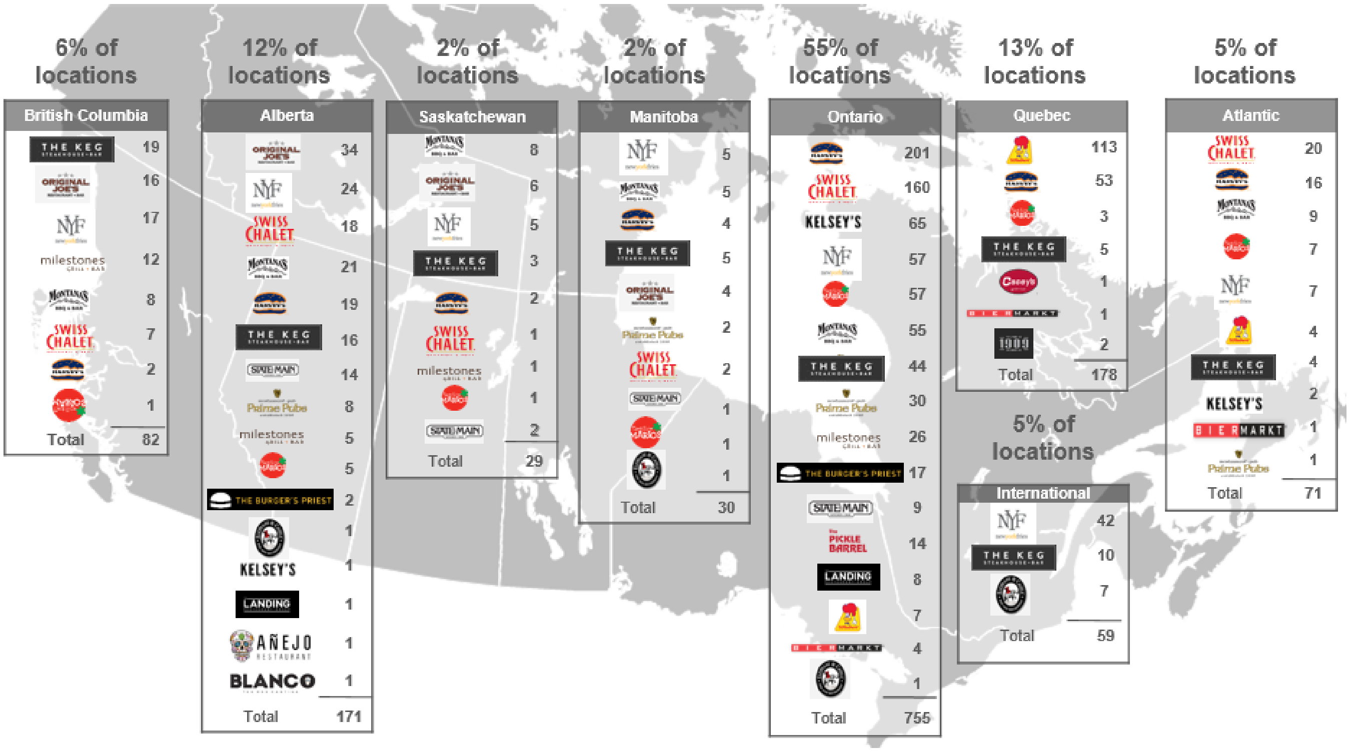
On November 11, 2019 the Company's Board of Directors declared a dividend of $0.1121 per share of subordinate and multiple voting common stock. Payment of the dividend will be made on December 13, 2019 to shareholders of record at the close of business on November 29, 2019.

Share re-purchases

Subsequent to September 29, 2019 until November 11, 2019, the Company has purchased 249,700 units of The Keg Royalties Income Fund ("KRIF") for $4.0 million. These units are not cancelled and will be held by the Company as an investment in KRIF in addition to the 4,318,857 exchangeable KRIF units held by Keg Restaurants Ltd, a wholly owned subsidiary of Recipe.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at September 29, 2019, Recipe had 24 brands and 1,375 restaurants, 85% of which are operated by franchisees and joint venture partners, operating in 10 countries (Canada, USA, Bahrain, China, Macao, Oman, Panama, Qatar, Saudi Arabia and the UAE).



Unit count (unaudited)	As at September 29, 2019 Corporate	Franchise	Joint Venture	Total	As at December 30, 2018 Corporate	Franchise	Joint Venture	Total
Swiss Chalet	16	192		208	15	197	—	212
Harvey's	11	286		297	10	282	—	292
Montana's	5	101		106	8	99	—	107
Kelsey's	4	64		68	4	64	—	68
East Side Mario's [(1)]	2	73		75	2	74	—	76
Prime Pubs	4	37		41	4	40	—	44
Bier Markt	6			6	7	—	—	7
Milestones	26	16	2	44	22	22	2	46
Landing	9			9	9	—	—	9
New York Fries	16	141		157	16	143	—	159
St-Hubert	12	112		124	12	111	—	123
Original Joe's	17	29	14	60	19	27	18	64
State & Main	7	12	7	26	8	11	7	26
Elephant & Castle	9	1		10	10	1	—	11
Burger's Priest			19	19	—	—	17	17
1909 Taverne Moderne			2	2	—	—	2	2
Pickle Barrel	14			14	13	—	—	13
The Keg	48	58		106	49	56	—	105
Anejo	1			1	—	—	—	—
Blanco Cantina	1			1	—	—	—	—
Fresh	—	—	—	—	—	—	—	—
Casey's		1		1	—	1	—	1
Total restaurants	208	1,123	44	1,375	208	1,128	46	1,382
	15%	82%	3%	100%	15%	83%	3%	100%

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

Selected Financial Information

The following table summarizes Recipe's System Sales Growth, SRS 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 September 29, 2019	13 weeks ended September 30, 2018	39 weeks ended September 29, 2019	39 weeks ended September 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales (1)(3)	**$ 869.1**	**$ 879.8**	**$ 2,591.1**	**$ 2,510.0**
System Sales Growth (1)(3)	(1.2)%	28.5%	3.2 %	25.2%
SRS Growth (2)(3)	(3.1)%	1.8%	(2.2)%	1.9%
Number of corporate restaurants (at period end)	208	207	208	207
Number of joint venture restaurants (at period end)	44	46	44	46
Number of franchised restaurants (at period end)	1,123	1,117	1,123	1,117
Total number of restaurants (at period end)	**1,375**	**1,370**	**1,375**	**1,370**
Total gross revenue	$ 309.0	$ 310.1	$ 925.5	$ 863.7
Operating EBITDA (3)(4)	**$ 49.5**	**$ 51.2**	**$ 155.5**	**$ 151.4**
Operating EBITDA Margin (3)	16.0 %	16.5%	16.8 %	17.5%
Operating EBITDA Margin on System Sales (3)	5.7 %	5.8%	6.0 %	6.0%
Net Keg royalty expense	$ (3.4)	$ (3.6)	$ (10.7)	$ (8.5)
Operating EBITDA(3), excluding The Keg royalty	**$ 52.9**	**$ 54.8**	**$ 166.2**	**$ 159.9**
Operating EBITDA Margin(3) excluding The Keg royalty	17.1 %	17.7%	18.0 %	18.5%
Operating EBITDA Margin on System Sales(3) excluding The Keg royalty	6.1 %	6.2%	6.4 %	6.4%
Free cash flow(3), before growth capex, dividends and NCIB	**$ 36.1**	**$ 37.3**	**$ 111.6**	**$ 111.4**
Free cash flow(3), Per Share - Basic (in dollars)	$ 0.59	$ 0.60	$ 1.82	$ 1.81
Free cash flow(3) Per Share - Diluted (in dollars)	$ 0.58	$ 0.58	$ 1.76	$ 1.74
Free cash flow(3), after growth capex, dividends and NCIB	$ 4.2	$ 31.9	$ 35.6	$ 83.0
Free cash flow(3) Per Share - Basic (in dollars)	$ 0.07	$ 0.51	$ 0.58	$ 1.35
Free cash flow(3) Per Share - Diluted (in dollars)	$ 0.07	$ 0.49	$ 0.56	$ 1.30
Net earnings	**$ 6.7**	**$ 23.8**	**$ 45.8**	**$ 64.8**
Basic EPS (in dollars)	$ 0.11	$ 0.38	$ 0.75	$ 1.05
Diluted EPS (in dollars)	$ 0.11	$ 0.37	$ 0.73	$ 1.01
Adjusted Net Earnings(3)	**$ 19.5**	**$ 25.3**	**$ 60.9**	**$ 70.2**
Adjusted Basic EPS(3) (in dollars)	$ 0.32	$ 0.41	$ 1.00	$ 1.14
Adjusted Diluted EPS(3) (in dollars)	$ 0.31	$ 0.39	$ 0.96	$ 1.10

(1) Results from East Side Mario restaurants in the United States are excluded in the System Sales totals and number of restaurants. See "Non-IFRS Measures" on page 35 for definition of System Sales.

(2) Results from New York Fries located outside of Canada, East Side Mario restaurants in the United States, Casey's restaurants are excluded from SRS Growth. See "Non-IFRS Measures" on page 35 for definition of SRS Growth.

(3) See "Non-IFRS Measures" on page 35 for definitions of System Sales, System Sales Growth, SRS Growth, Operating EBITDA, Operating EBITDA Margin, and Operating EBITDA on System Sales.

(4) Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

The following table summarizes results of Recipe's operations for the 13 weeks and 39 weeks ended September 29, 2019, and September 30, 2018:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 29, 2019**	**September 30, 2018**	**September 29, 2019**	**September 30, 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales [2][4]	**$ 869.1**	**$ 879.8**	**$ 2,591.1**	**$ 2,510.0**
Sales	$ 262.7	$ 260.9	$ 786.7	$ 726.6
Franchise revenues [3]	46.3	49.1	138.7	137.1
Total gross revenue [1]	**$ 309.0**	**$ 310.1**	**$ 925.5**	**$ 863.7**
Cost of inventories sold	(111.8)	(111.0)	(331.8)	(302.0)
Selling, general and administrative expenses [3]				
Corporate restaurant expenses	(112.3)	(111.2)	(335.9)	(308.4)
Advertising fund transfers	(16.0)	(16.1)	(47.3)	(46.1)
The Keg royalty expense	(6.2)	(6.4)	(19.0)	(14.8)
Franchise assistance and bad debt	(1.2)	(2.0)	(2.8)	(6.4)
Depreciation & amortization	(27.8)	(11.7)	(83.7)	(40.6)
Net (loss) gain on disposal of property, plant and equipment and other assets	(0.5)	1.8	(0.9)	2.3
Losses on early buyout/cancellation of equipment rental contracts	(1.6)	(0.3)	(1.7)	(0.8)
Other	(2.9)	(14.8)	(5.7)	(41.6)
Selling, general and administrative expenses [3]	(168.5)	(160.6)	(497.0)	(456.3)
Impairment of assets, net of reversals	(5.7)	—	(9.7)	(1.3)
Restructuring and other	(2.6)	(2.6)	(3.1)	(3.4)
Operating income [1]	**$ 20.4**	**$ 35.8**	**$ 84.0**	**$ 100.8**
Net interest expense and other financing charges	(4.9)	(2.8)	(16.9)	(9.1)
Share of loss from investment in joint ventures	(0.5)	(0.9)	(1.2)	(0.5)
Earnings before change in fair value and income taxes [1]	**$ 15.0**	**$ 32.0**	**$ 65.9**	**$ 91.2**
Change in fair value of non-controlling interest liability	—	(1.0)	—	(2.0)
Change in fair value of exchangeable Partnership units	(3.1)	0.4	0.9	—
Earnings before income taxes [1]	**$ 11.9**	**$ 31.4**	**$ 66.7**	**$ 89.2**
Income taxes - current	(5.5)	(3.1)	(18.9)	(8.6)
Income taxes - deferred	0.3	(4.5)	(2.1)	(15.8)
Net earnings [1]	**$ 6.7**	**$ 23.8**	**$ 45.8**	**$ 64.8**
Adjusted Net Earnings [2]	**$ 19.5**	**$ 25.3**	**$ 60.9**	**$ 70.2**
Earnings per share attributable to common shareholders				
Basic EPS	$ 0.11	$ 0.38	$ 0.75	$ 1.05
Diluted EPS	$ 0.11	$ 0.37	$ 0.73	$ 1.01
Adjusted Basic EPS [2]	$ 0.32	$ 0.41	$ 1.00	$ 1.14
Adjusted Diluted EPS[2]	$ 0.31	$ 0.39	$ 0.96	$ 1.10

(1) Figures may not total due to rounding.

(2) See "Non-IFRS Measures" on page 35 for definitions of System Sales, Adjusted Net Earnings, Adjusted Basic EPS and Adjusted Diluted EPS. See page 9 for a reconciliation of Net Earnings to Adjusted Net Earnings.

(3) Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

(4) Results from East Side Mario restaurants in the United States are excluded from System Sales totals. See "Non-IFRS Measures" on page 35 for definition of System Sales.

(C$ millions unless otherwise stated)	13 weeks ended September 29, 2019	13 weeks ended September 30, 2018	39 weeks ended September 29, 2019	39 weeks ended September 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of Net Earnings to Adjusted Net Earnings				
Net earnings	$ 6.7	$ 23.8	$ 45.8	$ 64.8
Transaction costs	0.1	0.5	0.5	1.1
Impairment charges	5.7	—	9.7	1.3
Restructuring and other	2.6	2.6	3.1	3.4
Change in fair value non-controlling interest liability	—	1.0	—	2.0
Change in fair value of exchangeable partnership units	3.1	(0.4)	(0.9)	—
Amortization of unearned conversion fees income	0.3	(0.7)	0.2	(0.9)
Losses on early buyout/cancellation of equipment rental contracts	1.6	0.3	1.7	0.8
Net (gain) loss on disposal of property, plant and equipment and other assets	0.5	(1.8)	0.9	(2.3)
Write off of deferred financing fees	(1.0)	—	—	—
Adjusted Net Earnings (1)(2)	**$ 19.5**	**$ 25.3**	**$ 60.9**	**$ 70.2**
Reconciliation of Net Earnings to EBITDA (2)				
Net earnings	$ 6.7	$ 23.8	$ 45.8	$ 64.8
Net interest expense and other financing charges	4.9	2.8	16.9	9.1
Income taxes	5.2	7.6	21.0	24.4
Depreciation and amortization	28.4	12.6	85.3	43.1
EBITDA (2)	**$ 45.2**	**$ 46.8**	**$ 169.0**	**$ 141.4**
Reconciliation of EBITDA (2) to Operating EBITDA (2):				
Transaction costs	0.1	0.5	0.5	1.1
Impairment charges	5.7	—	9.7	1.3
Restructuring and other	2.6	2.6	3.1	3.4
Change in fair value non-controlling interest liability	—	1.0	—	2.0
Change in fair value of exchangeable partnership units	3.1	(0.4)	(0.9)	—
Income on Partnership units	2.8	2.7	8.3	6.3
Amortization of unearned conversion fees income	0.3	(0.7)	0.2	(0.9)
Losses on early buyout/cancellation of equipment rental contracts	1.6	0.3	1.7	0.8
Net (gain) loss on disposal of property, plant and equipment and other assets	0.5	(1.8)	0.9	(2.3)
Stock based compensation	2.1	2.2	5.8	3.8
Change in onerous contract provision	(0.6)	(1.4)	(0.8)	(2.7)
Proportionate share of joint venture results	0.3	0.6	1.1	0.8
Rent impact from IFRS 16 Leases	(14.1)	(1.2)	(43.0)	(3.6)
Operating EBITDA (1)(2)(3)	**$ 49.5**	**$ 51.2**	**$ 155.5**	**$ 151.4**

(1) Figures may not total due to rounding.
(2) See "Non-IFRS Measures" on page 35 for definitions of Adjusted Net Earnings, EBITDA and Operating EBITDA.
(3) Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

(C$ millions unless otherwise stated)	13 weeks ended September 29, 2019	13 weeks ended September 30, 2018	39 weeks ended September 29, 2019	39 weeks ended September 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA [1][2][3]	**$ 49.5**	**$ 51.2**	**$ 155.5**	**$ 151.4**
Reconciliation of Operating EBITDA [2] to Free Cash Flow[2]:				
Maintenance capex	(3.8)	(7.0)	(14.4)	(16.3)
Interest on long-term debt	(4.5)	(4.1)	(12.3)	(12.1)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(3.2)	(2.5)
Cash taxes	(4.0)	(1.7)	(14.0)	(9.1)
Free Cash Flow[2] before Growth capex, dividends and NCIB[1]	**$ 36.1**	**$ 37.3**	**$ 111.6**	**$ 111.4**
Growth capex	(8.2)	(3.9)	(20.7)	(12.8)
Proceeds on sale of assets	(0.3)	5.9	0.6	6.1
Dividends	(6.8)	(6.7)	(20.6)	(20.0)
NCIB	(16.5)	(0.7)	(35.2)	(1.7)
Free Cash Flow[2] after Growth capex, dividends and NCIB[1]	**$ 4.2**	**$ 31.9**	**$ 35.6**	**$ 83.0**
Reconciliation of Operating EBITDA to Adjusted Net Earnings[2]:				
Operating EBITDA [1][2][3]	$ 49.5	$ 51.2	$ 155.5	$ 151.4
Net interest expense and other financing charges	(4.9)	(2.8)	(16.9)	(9.1)
Income taxes	(5.2)	(7.6)	(21.0)	(24.4)
Depreciation and amortization	(28.4)	(12.6)	(85.3)	(43.1)
Write off of deferred financing fees	(1.0)	—	—	—
Income on Partnership units	(2.8)	(2.7)	(8.3)	(6.3)
Stock based compensation	(2.1)	(2.2)	(5.8)	(3.8)
Change in onerous contract provision	0.6	1.4	0.8	2.7
Proportionate share of joint venture results	(0.3)	(0.6)	(1.1)	(0.8)
Rent impact from IFRS 16 Leases	14.1	1.2	43.0	3.6
Adjusted Net Earnings [1][2][3]	**$ 19.5**	**$ 25.3**	**$ 60.9**	**$ 70.2**
Reconciliation of Adjusted Net Earnings [2] to Net Earnings [2]:				
Transaction costs	(0.1)	(0.5)	(0.5)	(1.1)
Change in fair value non-controlling interest liability	—	(1.0)	—	(2.0)
Write off of deferred financing fees	1.0	—	—	—
Change in fair value of exchangeable partnership units	(3.1)	0.4	0.9	—
Amortization of unearned conversion fees income	(0.3)	0.7	(0.2)	0.9
Losses on early buyout/cancellation of equipment rental contracts	(1.6)	(0.3)	(1.7)	(0.8)
Net (gain) loss on disposal of property, plant and	(0.5)	1.8	(0.9)	2.3
Impairment charges	(5.7)	—	(9.7)	(1.3)
Restructuring and other	(2.6)	(2.6)	(3.1)	(3.4)
Net Earnings [1]	**$ 6.7**	**$ 23.8**	**$ 45.8**	**$ 64.8**

[1]Figures may not total due to rounding.
[2]See "Non-IFRS Measures" on page 36 for definitions of Adjusted Net Earnings, EBITDA and Operating EBITDA.
[3]Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 38 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

Factors Affecting Our Results of Operations

SRS Growth

SRS Growth is a metric used in the restaurant industry to compare sales earned in establishing locations over a certain period of time, such as a fiscal quarter, for the current period and the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations separate from the portion that can be attributed to the opening of net new restaurants. Recipe calculates SRS Growth as the percentage increase or decrease in sales of restaurants open for at least 24 complete months. Recipe's SRS Growth results exclude Casey's restaurants as the Company is in the process of winding down its operations; and sales from international operations from 42 New York Fries and 3 East Side Mario's.

SRS Growth is primarily driven by changes in the number of guest transactions and changes in average transaction dollar size. Recipe's SRS Growth results are principally impacted by both its operations and marketing efforts. Recipe's SRS Growth results are also impacted by external factors, particularly macro-economic developments that affect discretionary consumer spending regionally and across Canada.

Atypical weather conditions over a prolonged period of time can adversely affect Recipe's business. In particular, during the winter months, unusually heavy snowfalls, ice storms, or other extreme weather conditions can impede guest visits to restaurants and, in turn, can negatively impact sales and profitability.

Management will continually assess each brand to ensure that it maintains a strong consumer proposition, an engaged franchisee and associate network and a culture that reflects their business goals to achieve leadership in the Restaurant business by putting people at the center of everything they do.

To continually ensure a strong Consumer Proposition, management will focus on 4 fundamental pillars for the Guest Experience; Quality of Food, Quality of Service, Value for the Experience and Ambience. This will continue to include the use of technology to improve both the timeliness and transparency of data but also the integration of that data to enable management to be more effective and efficient in delivering a great guest experience. Further focus on developing effective training programs for both leadership, franchisees and front line associates will also be enhanced as a critical component to having a successful formula to build SRS by increasing guest transactions.

SRS(1) was a decrease of 3.1% for the quarter and a decrease of 2.2% year to date compared to the same 13 and 39 weeks in 2018. Recipe and the full service industry, as a whole, continue to face headwinds due to caution in consumer spending; more restaurant seats in the market, and continued staffing and wage pressure due to a four decade low in unemployment. While we are pleased with our early progress on our 4 pillar operating model, as all of our guest satisfaction scores are trending positively, we believe we have more upside potential by continuing to create more compelling and relevant consumer propositions for both dine-in and off-premise channels.

Management continues to focus on both short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, expanded off-premise sales through new and improved e-commerce applications, operational excellence initiatives including using technology to improve the timeliness and transparency of data, and brand specific digital-social media marketing that reaches local consumers with relevant offerings tailored to them.

See "Non-IFRS Measures" on page 36 for a description of how Recipe calculates SRS growth. SRS Growth for individual brands may be higher or lower than SRS Growth for all restaurants combined, and in some cases, SRS Growth, for individual brands, may be negative.

Competition

The Canadian Restaurant Industry has been and continues to be intensely competitive and it continues to evolve. While guests' expectations have increased over the years, many of the factors that impact their decisions remain the same: quality of food, service, value (including convenience) and ambiance. Recipe competes with a range of competitors including large national and regional restaurant chains and local independent restaurant operators. While independent operators continue to have a significant share in the restaurant industry, Recipe's management believes that its scale will continue (especially in today's macro environment), offer significant competitive advantages compared to their independent counterparts. These advantages include lower food costs through greater purchasing power, strategic partnerships such as with Google, Scene and CAA, stronger selection of sites and a long history and expertise in real estate negotiations.

Restaurant Portfolio Management and Continuous Network Improvement

The opening and 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 continues to review its portfolio of restaurants to maximize site potential and profitability to the Company. For restaurant locations that no longer fit the longer strategic plan of the Company, Management will take steps to exit these under-performing sites.

Restaurant renovations also contribute to network improvement. 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 13 and 39 weeks ended September 29, 2019, the Company completed 33 and 84 renovations, respectively.

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 29, 2019, the Company has contributed $1.0 million towards these renovation incentive programs which has supported the completion of 21 restaurant renovations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at the end of September 29, 2019, there were 1,375 restaurants. The following table presents the changes in Recipe's restaurant unit count:

	For the 39 weeks ended							
	September 29, 2019				**September 30, 2018**			
Unit count (unaudited)	**Corporate**	**Franchised**	**Joint Venture**	**Total**	**Corporate**	**Franchised**	**Joint Venture**	**Total**
Beginning of year [1]	208	1,128	46	**1,382**	169	1,049	54	**1,272**
Acquisitions [2]	2	—	—	**2**	49	57	—	**106**
New openings	3	31	2	**36**	2	34	3	**39**
Closures	(14)	(28)	(3)	**(45)**	(14)	(31)	(1)	**(46)**
Casey's closures	—	—	—	—	—	(1)	—	**(1)**
Corporate buybacks [3]	11	(11)	—	—	16	(14)	(2)	—
Restaurants re-franchised [4]	(2)	3	(1)	—	(15)	23	(8)	—
End of period	208	1,123	44	**1,375**	207	1,117	46	**1,370**

(1) Unit count excludes East Side Mario's restaurants located in the United States.
(2) The Keg was acquired on February 22, 2018.
(3) Corporate buy backs represent previously franchised restaurants acquired by the Company to operate corporately.
(4) Restaurants re-franchised represent corporate restaurants re-franchised to be operated by a franchisee.

During the 39 weeks ended September 29, 2019, excluding the acquisitions, the Company opened 36 new restaurant locations and closed 45 locations. Included in the closures were under-performing locations where the closure will benefit the overall system performance and the Company's profitability going forward. Management will continue to review its portfolio of restaurants and will opportunistically close under-performing or non-strategic locations that will benefit the Company long-term.

Financial results

System Sales

System Sales for the 13 and 39 weeks ended September 29, 2019 were $869.1 million and $2,591.1 million compared to $879.8 million and $2,510.0 million in 2018, representing a decrease of $10.7 million or 1.2% for the quarter and an increase of $81.1 million or 3.2% year to date. The decrease in System Sales in the quarter is related to the SRS decline of 3.1% offset by increases in the retail and catering segment.

Total gross revenue

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

Total gross revenue was $309.0 million and $925.5 million for the 13 and 39 weeks ended September 29, 2019 compared to $310.1 million and $863.7 million in 2018, representing a decrease of $1.1 million or 0.4% for the quarter and an increase of $61.8 million or 7.2% year to date. The increase in year to date gross revenues was primarily related to the addition of The Keg in February 2018 and increases in retail and catering sales, partially offset by SRS decreases.

Selling, general and administrative expenses

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

In 2018 and prior years, SG&A included rent expense related to head office and corporate locations, and net rent expense related to franchise sublease locations. As a result of the adoption of IFRS 16 – New Lease Standard, SG&A no longer includes net rent and lease costs but includes increased depreciation related to head office and corporately owned locations.

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

	13 weeks ended		39 weeks ended	
(C$ thousands unless otherwise stated)	**September 29, 2019**	**September 30, 2018**	**September 29, 2019**	**September 30, 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Corporate restaurant expenses	$ 112.3	$ 111.2	$ 335.9	$ 308.4
Advertising fund transfers	16.0	16.1	47.3	46.1
Franchise assistance and bad debt	1.2	2.0	2.8	6.4
The Keg royalty expense	6.2	6.4	19.0	14.8
Depreciation and amortization(2)	27.8	11.7	83.7	40.6
Net (gain) loss on disposal of property, plant and equipment and other assets	0.5	(1.8)	0.9	(2.3)
Losses on early buyout/cancellation of equipment rental contracts	1.6	0.3	1.7	0.8
Other(3)	2.9	14.8	5.7	41.6
Total selling, general and administrative expenses (1)	**$ 168.5**	**$ 160.6**	**$ 497.0**	**$ 456.3**
(2) Depreciation related to right-of-use asset	(11.4)	(0.8)	(34.3)	(2.3)
(3) Rent impact related to new lease standard	14.1	1.2	43.0	3.6
SG&A before the impact from the new lease standard	**$ 171.2**	**$ 161.0**	**$ 505.7**	**$ 457.6**

(1) Figures may not total due to rounding.
(2) Included in depreciation and amortization are $11.4 million and $34.3 million for the 13 and 39 weeks ended September 29, 2019 related to depreciation of Right-of-use assets as a result of the new lease standard IFRS 16, "IFRS 16 – New Lease Standard" compared to $0.8 million and $2.3 million in 2018.
(3) Change in other expenses includes the impact from rent expense of $14.1 million and $43.0 million for the 13 and 39 weeks ended September 29, 2019 related to the new lease standard IFRS 16, see "IFRS 16 – New Lease Standard" compared to $1.2 million and $3.6 million in 2018.

SG&A expenses for the and 13 and 39 weeks ended September 29, 2019 was $168.5 million and $497.0 million compared to $160.6 million and $456.3 million in 2018, representing an increase of $7.9 million or 4.9% for the quarter and an increase of $40.7 million or 8.9% year to date. SG&A before the impact from the new lease standard was $171.2 million compared to $161.0 million for the same quarter in 2018. The increase in the quarter is largely related to a $2.3 million increase in loss on disposal of assets, $5.5 million higher depreciation and amortization expense related to an increase in restaurant assets and a prior year 2018 depreciation adjustment of $3.5 million resulting in lower depreciation in 2018 compared to 2019 and higher corporate restaurant expenses of $1.1 million from the addition of corporate restaurants. Year to date, SG&A expenses excluding the impact from the new lease standard was $505.7 million compared to $457.6 million in 2018. The increase is primarily from the full period impact of The Keg, $11.4 million higher depreciation and amortization expense (before IFRS Lease Standard[2] changes), higher stock based compensation expense of $1.9 million, and an increase in loss on disposal of assets of $3.2 million due to gains in 2018 from the sale and franchise of 6 State & Main locations.

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 new lease standard.

	13 weeks ended		39 weeks ended	
(C$ thousands unless otherwise stated)	**September 29, 2019**	**September 30, 2018**	**September 29, 2019**	**September 30, 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on long-term debt	$ 4.5	$ 4.1	$ 12.3	$ 12.1
Interest expense on note payable to The Keg Royalties Income Fund	1.1	1.1	3.2	2.5
Financing costs	(0.7)	0.2	0.7	0.6
Interest expense - other	—	0.1	0.2	0.3
Interest income on Partnership units	(2.8)	(2.7)	(8.3)	(6.3)
Interest income	(0.5)	(0.4)	(1.4)	(1.5)
Net interest before the impact from the new lease standard	**$ 1.6**	**$ 2.4**	**$ 6.7**	**$ 7.7**
Interest on lease obligations (note 19)	8.0	0.5	24.5	1.4
Interest income on lease receivable	(4.8)	—	(14.3)	—
Total net interest expense and other financing charges	**$ 4.9**	**$ 2.8**	**$ 16.9**	**$ 9.1**
Total debt (excluding financing costs)	**$ 521.3**	**$ 442.0**	**$ 521.3**	**$ 442.0**

[1] Figures may not total due to rounding.

Excluding the net interest related to the new lease standard, net interest expense and other financing charges were $1.6 million compared to $2.4 million in 2018 for the 13 weeks ended September 29, 2019, a decrease of $0.8 million. Year to date, net interest expense and other financing charges were $6.7 million compared to $7.7 million in 2018, a decrease of $1.0 million. The decrease is due to a full year of interest income from Keg Partnership units partially offset by a full quarter of The Keg interest on long-term debt.

Income taxes

The Company recorded a current income tax expense of $5.5 million and $18.9 million for the 13 and 39 weeks ended September 29, 2019, compared to $3.1 million and $8.6 million in 2018, representing an increase of $2.4 million and an increase of $10.3 million, respectively. The increase in current income tax expense is primarily related to the Company now being fully taxable as prior year losses have been utilized for tax purposes and was offset by reduced deferred tax expense.

The Company recorded a net deferred income tax recovery of $0.3 million and expense of $2.1 million for the 13 and 39 weeks ended September 29, 2019, compared to an expense of $4.5 million and $15.8 million in 2018, representing a reduction in deferred income tax expense reduction of $4.8 million and $13.7 million, respectively. The deferred income tax expense reduction is primarily related to the 2018 utilization of prior years' loss carry forward balances and the reversal of the related deferred tax asset in 2018.

Net earnings

Net earnings were $6.7 million and $45.8 million for the 13 and 39 weeks ended September 29, 2019 compared to $23.8 million and $64.8 million in 2018, representing a decrease of $17.1 million for the quarter and a decrease of $19.0 million year to date.

The net $17.1 million decrease in the quarter was primarily driven by the $1.7 million decrease in Operating EBITDA, $5.5 million higher depreciation and amortization expense (before IFRS Lease Standard[2] changes), a $6.5 million increase in non-cash impairment and onerous contract expenses, an increase in loss on disposal of assets of $3.5 million after $1.5 million gains in 2018 from the sale and franchise of State & Main locations, a $2.5 million expense increase in non-cash fair value changes related to the Exchangeable Keg Partnership units and non-controlling interest liability, a net $0.6 million expense impact related to the new IFRS Lease Standard[2] (see IFRS 16 New Lease Standard), offset by a $2.4 million decrease in income tax expense.

The net $19.0 million decrease year to date was primarily driven by the $4.1 million increase in Operating EBITDA, a $2.9 million decrease in non-cash fair value adjustments related to the Exchangeable Keg Partnership units and non-controlling interest liability and a $3.4 million reduction in income tax expense that were more than offset by $11.4 million higher depreciation and amortization expense (before IFRS Lease Standard[2] changes), non-cash impairment and onerous contract expense increases of $10.2 million, higher stock based compensation expense of $1.9 million, an increase in loss on disposal of assets of $4.2 million after $1.5 million gains in 2018 from the sale and franchise of State & Main locations, and a net $1.4 million expense related to the new IFRS Lease Standard[2] (see IFRS 16 - New Lease Standard).

Free Cash Flow

	13 weeks ended				39 weeks ended				rolling 12 months			
(C$ millions unless otherwise stated)		**September 29, 2019**		**September 30, 2018**		**September 29, 2019**		**September 30, 2018**		**September 29, 2019**		**September 30, 2018**
Free cash flow [1][2], before growth capex, dividends and NCIB	**$**	**36.1**	**$**	**37.3**	**$**	**111.6**	**$**	**111.4**	**$**	**158.8**	**$**	**148.5**
Free cash flow per share - Basic (in dollars)	$	0.59	$	0.60	$	1.82	$	1.81	$	2.59	$	2.44
Free cash flow per share - Diluted (in dollars)	$	0.58	$	0.58	$	1.76	$	1.74	$	2.51	$	2.34
Dividends	**$**	**6.8**	**$**	**6.7**	**$**	**20.6**	**$**	**20.0**	**$**	**27.2**	**$**	**26.0**
Dividends per share - Basic (in dollars)	$	0.11	$	0.11	$	0.34	$	0.32	$	0.44	$	0.43
Dividends per share - Diluted (in dollars)	$	0.11	$	0.10	$	0.33	$	0.31	$	0.43	$	0.41
EPS (in dollars)												
Basic earnings per share	$	0.11	$	0.38	$	0.75	$	1.05	$	1.28	$	1.86
Diluted earnings per share	$	0.11	$	0.37	$	0.73	$	1.01	$	1.24	$	1.79
Adjusted basic earnings per share	$	0.32	$	0.41	$	1.00	$	1.14	$	1.01	$	0.88
Adjusted diluted earnings per share	$	0.31	$	0.39	$	0.96	$	1.10	$	0.98	$	0.85

[1] See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and Free Cash Flow. See page 9 for a reconciliation of Net Earnings to Operating EBITDA and to Free Cash Flow.
[2] Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

The Company generates significant Free Cash Flow[1] which provides the Company the ability to fund growth and enhance shareholder returns. Free Cash Flow before growth capex, dividends, and share repurchases under the Company's NCIB and SIB for the 13 weeks ended September 29, 2019 was $36.1 million compared to $37.3 million for the 13 weeks ended September 30, 2018. Year to date, Free Cash Flow before growth capex, dividends, and share repurchases was $111.6 million compared to $111.4 million in 2018.

On a rolling 12 month basis, Free Cash Flow before growth capex, dividends, and share repurchases under the Company's NCIB and SIB for the 12 month period ending September 29, 2019 was $158.8 million compared to $148.5 million in 2018, an increase of $10.3 million or 6.9%. During this 12 month period, the Company repaid $64.7 million on its credit facilities and bought back 6,521,113 shares for $175.3 million.

In 2019 and in future reporting periods, Free Cash Flow will be reduced by income taxes that the Company will be paying now that prior years' tax loss carry forward balances have been utilized. 2019 cash income tax will benefit from a low installment base from 2018 and 2020 cash income tax will be higher than normal because of 2019 end of year tax payments plus normal installments.

Free Cash Flow before growth capex, dividends, and share repurchases per share on a diluted basis was $0.58 for the 13 weeks ended September 29, 2019 compared to $0.58 for the 13 weeks ended September 30, 2018. Year to date, Free Cash Flow before growth capex, dividends, and share repurchases per share on a diluted basis was $1.76 compared to $1.74 in 2018.

During the 13 weeks ended September 29, 2019, the Company paid dividends of $6.8 million or $0.11 dividends per share, and repurchased 618,947 shares at $16.5 million under the NCIB, compared to $6.7 million or $0.11 dividends per share, and repurchases under the NCIB of 27,700 shares costing $0.7 million in 2018. Year to date, the Company declared dividends of $20.6 million or $0.34 dividends per share, and repurchased 1,322,871 shares at $35.2 million under the NCIB, compared to $20.0 million or $0.32 dividends per share, and repurchases under the NCIB of 66,147 shares costing $1.7 million in 2018.

On a rolling 12 month basis, the Company declared dividends of $27.2 million or $0.44 dividends per share, and repurchased 1,891,484 shares at $49.8 million under the NCIB, compared to $26.0 million or $0.43 dividends per share, and repurchases under the NCIB of 283,174 shares costing $7.0 million in 2018.

During the 13 and 39 weeks ended September 29, 2019, the Company repurchased and cancelled 4,629,629 subordinate voting shares for $125.0 million under the SIB completed on September 25, 2019. The impact from the reduction in shares on Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis is an increase of $0.10 per share from $1.76 to $1.86 for the 39 weeks ended September 29, 2019, after taking into effect a net increase in interest expense after taxes of $2.7 million. The impact on Adjusted Diluted EPS is an increase $0.03 per share from $0.92 to $0.95 for the 39 weeks ended September 29, 2019.

The Company's strong Free Cash Flow will enable the Company to fund growth and continue pursue strategic opportunities to further enhance shareholder value, including acquisitions, share repurchases and dividend increases.

Segment Performance

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

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

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

Retail and catering represent sales of St-Hubert, Swiss Chalet, 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, the Executive Chair of the Board, and the CFO are the chief operating decision makers and they regularly review the operations and performance by segment. The CEO, the Executive Chair of the Board 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.

For purposes of measuring Segment Performance, the Company will report Segment Operating EBITDA contribution and related components following pre-IFRS 16 accounting policies similar to 2018 and prior reporting periods.

Operating EBITDA

Operating EBITDA[(1)(2)] before The Keg royalty expense was $52.9 million, representing 6.1% contribution as a percentage of Total System Sales for the 13 weeks ended September 29, 2019 compared to $54.8 million representing 6.2% in 2018. Year to date, Operating EBITDA[(1)(2)] before The Keg royalty expense was $166.2 million, representing 6.4% contribution as a percentage of Total System Sales for the 39 weeks ended September 29, 2019 compared to $159.9 million representing 6.4% in 2018.

Operating EBITDA[(1)(2)] after The Keg royalty expense was $49.5 million for the 13 weeks ended September 29, 2019 compared to $51.2 million in 2018, representing a decrease of $1.7 million or 3.3% for the quarter. Year to date, Operating EBITDA[(1)(2)] after The Keg royalty expense was $155.5 million for the 39 weeks ended September 29, 2019 compared to $151.4 million in 2018, representing an increase of $4.1 million or 2.7%. The increases were driven by higher contribution in the franchise segment, the addition The Keg in February 2018, as well as improvement to the quality of sales due to the ongoing practice to open new franchise restaurants at the standard royalty rate while closing or taking back under-performing previously subsidized locations, and from higher central segment contribution that mostly offset a decrease in the corporate segment driven by taking back under-performing restaurants from franchisees and from renovation incentives paid to franchisees to assist with major renovations in certain brands.

The following table presents the financial performance of Recipe's business segments:

(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	**—**	**—**	**$ 4,382**	**—**	**4,382**
Net Central contribution	**—**	**—**	**—**	**$ 55**	**55**
Operating EBITDA[1] before royalty expense	**$ 16,837**	**$ 26,128**	**$ 4,382**	**$ 5,535**	**$ 52,882**
Net royalty expense				$ (3,419)	$ (3,419)
Operating EBITDA[1]	**$ 16,837**	**$ 26,128**	**$ 4,382**	**$ 2,116**	**$ 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	—	—	5.7%	0.2%	5.7%
Contribution (excluding net royalty expense) as a % of total System Sales	8.6%	4.4%	5.7%	0.6%	6.1%

(unaudited)	13 weeks ended September 30, 2018				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 202,808**	**$ 607,165**	**$ 69,875**	$ —	**$ 879,848**
Corporate Results					
Sales	$ 199,033	$ —	$ —	$ 2,468	$ 201,501
Cost of inventories sold and cost of labour	(127,829)	—	—	—	(127,829)
Restaurant contribution before other costs	71,204	—	—	2,468	73,672
Restaurant contribution before other costs %	35.8%				
Other operating costs.	(49,627)	—	—	—	(49,627)
Total Contribution	**$ 21,577**	—	—	**$ 2,468**	**$ 24,045**
Franchise Results					
Franchise royalty income	—	$ 27,662	—	—	27,662
Franchise royalty income as a % of franchise sales	—	4.6%	—	—	—
New franchise fees, property and equipment rent	—	—	—	3,678	3,678
Franchise rent assistance and bad debt	—	(1,991)	—	—	(1,991)
Contribution from franchise restaurants	**—**	**$ 25,671**	**—**	**$ 3,678**	**$ 29,349**
Contribution from Retail and Catering	**—**	**—**	**$ 4,520**	**—**	**4,520**
Net Central contribution	**—**	**—**	**—**	**$ (3,091)**	**(3,091)**
Operating EBITDA[1][2] before royalty expense	**$ 21,577**	**$ 25,671**	**$ 4,520**	**$ 3,055**	**$ 54,823**
Net royalty expense				$ (3,615)	$ (3,615)
Operating EBITDA[1][2]	**$ 21,577**	**$ 25,671**	**$ 4,520**	**$ (560)**	**$ 51,208**
Contribution as a % of corporate sales	10.8%	—	—	—	—
Contribution as a % of franchise sales	—	4.2%	—	—	—
Contribution as a % of total System Sales	—	—	6.5%	(0.1)%	5.8%
Contribution (excluding net royalty expense) as a % of total System Sales	10.6%	4.2%	6.5%	0.3 %	6.2%

[1] See "Non-IFRS Measures" on page 35 for definition of Operating EBITDA. Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

(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 %	35.1%				
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	**—**	**—**	**$ 12,105**	**—**	**12,105**
Net Central contribution	**—**	**—**	**—**	**$ 2,064**	**2,064**
Operating EBITDA[(1)(2)] before royalty expense	**$ 55,847**	**$ 78,499**	**$ 12,105**	**$ 19,793**	**$ 166,244**
Net royalty expense				$ (10,725)	$ (10,725)
Operating EBITDA[(1)(2)]	**$ 55,847**	**$ 78,499**	**$ 12,105**	**$ 9,068**	**$ 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	—	—	5.4%	0.3%	6.0%
Contribution (excluding net royalty expense) as a % of total System Sales	9.4%	4.4%	5.4%	0.8%	6.4%

(unaudited)	39 weeks ended September 30, 2018				
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Retail & Catering**	**Central**	**Total**
System Sales	**$ 560,132**	**$ 1,747,077**	**$ 202,763**	**$ —**	**$ 2,509,972**
Corporate Results					
Sales	$ 548,750	$ —	$ —	$ 8,432	$ 557,182
Cost of inventories sold and cost of labour	(349,343)	—	—	—	(349,343)
Restaurant contribution before other costs	199,407	—	—	8,432	207,839
Restaurant contribution before other costs %	35.6%				
Other operating costs.	(140,413)	—	—	—	(140,413)
Total Contribution	**$ 58,994**	**—**	**—**	**$ 8,432**	**$ 67,426**
Franchise Results					
Franchise royalty income	—	$ 79,148	—	—	79,148
Franchise royalty income as a % of franchise sales	—	4.5%	—	—	—
New franchise fees, property and equipment rent	—	—	—	10,073	10,073
Franchise rent assistance and bad debt	—	(6,398)	—	—	(6,398)
Contribution from franchise restaurants	**—**	**$ 72,750**	**—**	**$ 10,073**	**$ 82,823**
Contribution from Retail and Catering	**—**	**—**	**$ 10,548**	**—**	**10,548**
Net Central contribution	**—**	**—**	**—**	**$ (871)**	**(871)**
Operating EBITDA[(1)(2)] before royalty expense	**$ 58,994**	**$ 72,750**	**$ 10,548**	**$ 17,634**	**$ 159,926**
Net royalty expense				$ (8,528)	$ (8,528)
Operating EBITDA[(1)(2)]	**$ 58,994**	**$ 72,750**	**$ 10,548**	**$ 9,106**	**$ 151,398**
Contribution as a % of corporate sales	10.8%	—	—	—	—
Contribution as a % of franchise sales	—	4.2%	—	—	—
Contribution as a % of total System Sales	—	—	5.2%	0.4%	6.0%
Contribution (excluding net royalty expense) as a % of total System Sales	10.5%	4.2%	5.2%	0.7%	6.4%

[(1)] See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and page 9 for a reconciliation of Net Earnings to Operating EBITDA.
[(2)] Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9, and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

Corporate

As at September 29, 2019, the corporate segment restaurant count consisted of 208 restaurants compared to 208 at December 30, 2018 and 207 at September 30, 2018. Year to date, the Company acquired 2 locations in the Anejo and Blanco purchase, opened 3 new restaurants, completed 11 corporate buybacks, closed 14 restaurants and re-franchised 2 restaurants. The corporate restaurant segment includes the proportionate results from the Company's 44 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and 1909 Taverne Moderne joint venture.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales are impacted by SRS Growth and the change in number of corporate restaurants. Sales were $191.3 million and $580.1 million for the 13 and 39 weeks ended September 29, 2019 compared to $199.0 million and $548.8 million in 2018, a decrease of $7.7 million or 3.9% for the quarter and an increase of $31.3 million or 5.7% year to date. The decrease in the quarter is primarily related to SRS decreases, restaurant closures and restaurants re-franchised during 2018, offset by restaurant buy backs. The increase year to date was primarily related to the full year impact from the addition of The Keg in February 2018 partially offset by closures and restaurants re-franchised during 2018.

Cost of inventories sold and cost of labour

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

Cost of inventories sold and cost of labour was $124.4 million and $372.4 million for the 13 and 39 weeks ended September 29, 2019 compared to $127.8 million and $349.3 million in 2018, a decrease of $3.4 million or 2.7% for the quarter and an increase of $23.1 million or 6.6% year to date. The decrease in the quarter directly related to the decrease in sales. The increase year to date was primarily due to the full year impact from the addition of The Keg in February 2018 partially offset by closures and restaurants re-franchised during 2018. Cost of inventories sold and cost of labour as a percentage of sales increased from 64.2% to 65.0% for the 13 weeks ended September 29, 2019, an increase of 0.8 percentage points. Year to date, cost of inventories sold and cost of labour as a percentage of sales increased from 63.7% to 64.2% for the 39 weeks ended September 29, 2019, an increase of 0.5 percentage points.

Contribution from Corporate segment

Total contribution from corporate restaurants was $16.8 million and $55.8 million for the 13 and 39 weeks ended September 29, 2019 compared to $21.6 million and $59.0 million in 2018, a decrease of $4.8 million or 22.2% for the quarter and a decrease of $3.2 million or 5.4% year to date. The decrease in the quarter and year to date is related to the sales decrease and contribution rate decrease mostly from taking back under-performing franchise restaurants that operate below our 10% to 15% target contribution level.

For the 13 weeks ended September 29, 2019, total contribution from corporate restaurants as a percentage of corporate sales was 8.8% compared to 10.8% in 2018. Year to date, total contribution from corporate restaurants as a percentage of corporate sales was 9.6% compared to 10.8% for the 39 weeks in 2018. The decreases were primarily related to the sales decreases and wage rate increases partially offset by the addition of The Keg which operates corporate restaurants within our 10% to 15% target range.

Franchise

As at September 29, 2019, the franchise restaurant segment consisted of 1,123 restaurants compared to 1,128 at December 30, 2018 and 1,117 at September 30, 2018. Year to date, the Company completed 31 new restaurant openings, 2 corporate and 1 joint venture restaurants were re-franchised, partially offset by 28 closures, and 11 corporate buybacks. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales were $597.1 million and $1,774.3 million during the 13 and 39 weeks ended September 29, 2019 compared to $607.2 million and $1,747.1 million in 2018, a decrease of $10.1 million or 1.7% for the quarter and an increase of $27.2 million or 1.6% year to date. The decrease in the quarter was primarily related to the SRS decrease. The increase year to date was primarily attributed to the new restaurant openings and conversions of corporate and joint venture restaurants to franchise in 2018 and 2019, the addition of The Keg in February 2018, partially offset by the SRS decrease, restaurant closures, and corporate buybacks.

Franchise revenues

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

The primary factors impacting franchise revenues are SRS Growth and net new restaurant activity, as well as the rate of royalty fees (net of contractual subsidies and temporary assistance) paid to Recipe by its franchisees. In certain circumstances, the royalty rate paid to Recipe can be less than Recipe's standard 5% royalty rate due to different contractual rates charged for certain brands (e.g. St-Hubert's standard royalty rate is 4%) and contractual subsidies primarily associated with prior year's conversion transactions or agreements to temporarily assist certain franchisees. With the majority of contractual subsidies scheduled to end at prescribed dates and the reduction in the number of restaurants requiring temporary assistance, management believes the effective royalty recovery rate will gradually increase over time closer to 5% (excluding St-Hubert at 4%). The addition of The Keg will also increase Recipe's overall net royalty rate as new and renewed Keg franchisees pay 6% royalty while others pay 5% until their franchise agreement is renewed.

Franchise revenues were $27.3 million and $81.3 million for the 13 and 39 weeks ended September 29, 2019 compared to $27.7 million and $79.1 million in 2018, a decrease of $0.4 million or 1.4% for the quarter and an increase of $2.2 million or 2.8% year to date. The increase was primarily attributed to the addition of The Keg and new restaurants opened in 2018 and 2019.

Contribution from franchise segment

Total contribution from franchise restaurants was $26.1 million for the 13 weeks ended September 29, 2019 compared to $25.7 million in 2018, an increase of $0.4 million or 1.6% for the quarter. Year to date, total contribution from franchise restaurants was $78.5 million for the 39 weeks ended September 29, 2019 compared to $72.8 million in 2018, an increase of $5.7 million or 7.8%. The effective net royalty rate for the 13 and 39 weeks ended September 29, 2019 was 4.4% and 4.4% compared to 4.2% and 4.2% in 2018. The increase was related to improvement to the quality of sales due to the ongoing practice to open new franchise restaurants at the standard royalty rate while closing or taking back under-performing previously subsidized locations and from the addition of The Keg offset by the renovation incentive paid to Swiss Chalet and Harvey's franchisees to support major renovations. There are brands acquired since 2014 which charge different standard royalty rates, in particular St-Hubert which charges 4% as its standard royalty and The Keg which charges over 5% when considering its total franchise portfolio.

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, The Keg, and Swiss Chalet brand names as well as under several private label brands. Retail sales are impacted by orders from franchised restaurant locations and by the volume of orders generated from retail grocery chains.

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

Contribution from retail and catering

Contribution from retail and catering for the 13 weeks ended September 29, 2019 was $4.4 million compared to $4.5 million in 2018, a decrease of $0.1 million or 2.2% for the quarter. Year to date, contribution from retail and catering for the 39 weeks ended September 29, 2019 was $12.1 million compared to $10.5 million in 2018, an increase of $1.6 million or 15.2%. The increases are primarily driven by sales increases from the Swiss Chalet branded products at grocery, increases in frozen pot pie sales from the addition of the new pie production line, and the additions of The Keg retail business in February 2018, and Marigolds and Onions catering business in December 2018.

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 $2.5 million and $8.0 million for the 13 and 39 weeks ended September 29, 2019 compared to $2.5 million $8.4 million in 2018, representing no change for the quarter and a decrease of $0.4 million or 4.8% year to date. The decrease is related to the Company reducing the rate charged on mobile and web order fees charged to its franchisees, and a shift from phone ordering to web and mobile-based meal orders at lower rates.

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 $3.0 million and $9.7 million for the 13 and 39 weeks ended September 29, 2019 compared to $3.7 million and $10.0 million in 2018. The decreases are primarily related to less property rent and reductions in equipment rental revenue related to the expiry of equipment rental agreements, a line of revenue the Company no longer pursues as management prefers franchisees to finance restaurant purchases with third party lenders.

Contribution from central segment

Central segment contribution before the net royalty expense for the 13 weeks ended September 29, 2019 was $5.5 million compared to $3.1 million in 2018, representing an increase of $2.4 million or 77.4% for the quarter. Year to date, Central segment contribution before the net royalty expense for the 39 weeks ended September 29, 2019 was $19.8 million compared to $17.6 million in 2018, representing an increase of $2.2 million or 12.5%. The $2.4 million central segment contribution increase is primarily the result of effective cost controls and synergies from consolidating certain shared services with acquired brands.

Total central segment contribution, before the net royalty expense, as a percentage of total System Sales for the 13 weeks ended September 29, 2019 was 0.6% compared to 0.3% in 2018, an increase of 0.3 percentage points for the quarter. Year to date, total central segment contribution, before the net royalty expense, as a percentage of total System Sales for the 39 weeks ended September 29, 2019 was 0.8% compared to 0.7% in 2018.

Selected Quarterly Information

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

(C$ millions unless otherwise stated) [1]	Q3 – 2019 Sept 29, 2019	Q2 – 2019 Jun 30, 2019	Q1 – 2019 Mar 31, 2019	Q4 – 2018 Dec 30, 2018	Q3 – 2018 Sept 30, 2018	Q2 – 2018 July 1, 2018	Q1 – 2018 Apr 1, 2018	Q4 – 2017 Dec 31, 2017	Q3 – 2017 Sept 24, 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales [1]	**$ 869.1**	**$ 871.3**	**$ 850.7**	**$ 905.4**	**$ 879.8**	**$ 874.2**	**$ 755.9**	**$ 774.9**	**$ 684.7**
Total System Sales Growth [1]	(1.2)%	(0.3)%	12.5 %	16.8 %	28.5 %	32.3 %	14.7 %	20.9 %	36.9 %
SRS Growth [1]	(3.1)%	(1.7)%	(1.6)%	(0.2)%	1.8 %	1.9 %	2.1 %	2.5 %	0.9 %
Number of restaurants (at period end)	1,375	1,384	1,382	1,382	1,370	1,379	1,382	1,272	1,249
Operating EBITDA before The Keg royalty [1][2]	**$ 52.9**	**$ 59.4**	**$ 53.9**	**$ 67.1**	**$ 54.9**	**$ 57.5**	**$ 47.6**	**$ 57.4**	**$ 46.9**
Operating EBITDA Margin on System Sales before The Keg royalty[1]	**6.1 %**	**6.8 %**	**6.3 %**	**7.4 %**	**6.2%**	**6.6%**	**6.3%**	**7.4%**	**6.8%**
Operating EBITDA [1][2]	**$ 49.5**	**$ 56.0**	**$ 50.1**	**$ 63.3**	**$ 51.2**	**$ 54.0**	**$ 46.2**	**$ 57.4**	**$ 46.9**
Operating EBITDA Margin on System Sales [1][2]	**5.7 %**	**6.4 %**	**5.9 %**	**7.0 %**	**5.8%**	**6.2%**	**6.1%**	**7.4%**	**6.8%**
Corporate restaurant sales	$ 191.3	$ 196.2	$ 192.6	$ 205.0	$ 199.0	$ 203.6	$ 146.1	$ 125.8	$ 111.2
Number of corporate restaurants	208	209	211	208	207	212	213	169	161
Contribution from Corporate segment	$ 16.8	$ 20.5	$ 18.5	$ 21.5	$ 21.6	$ 24.3	$ 13.1	$ 12.3	$ 11.8
Contribution as a % of corporate sales	8.8 %	10.5 %	9.6 %	10.7 %	10.8 %	12.0 %	9 %	9.8 %	10.6 %
Number of joint venture restaurants	44	46	47	46	46	54	55	54	50
Franchise restaurant sales	$ 597.1	$ 595.9	$ 581.3	$ 615.3	$ 607.2	$ 596.8	$ 543.1	$ 571.0	$ 515.7
Number of franchised restaurants	1,123	1,129	1,124	1,128	1,117	1,113	1,114	1,049	1,038
Contribution from Franchise segment	$ 26.1	$ 26.9	$ 25.5	$ 26.6	$ 25.7	$ 24.7	$ 22.4	$ 24.1	$ 20.0
Contribution as a % of Franchise sales	4.4 %	4.5 %	4.4 %	4.3 %	4.2 %	4.1 %	4.1 %	4.2 %	3.9 %
Contribution from retail and catering	$ 4.4	$ 3.2	$ 4.5	$ 8.9	$ 4.6	$ 2.8	$ 3.3	$ 6.6	$ 3.4
Contribution from Central segment before The Keg royalty	$ 5.5	$ 8.8	$ 5.4	$ 10.1	$ 3.0	$ 5.7	$ 8.9	$ 14.4	$ 11.7
Contribution as a % of total System Sales	0.6 %	1.0 %	0.6 %	1.1 %	0.3 %	0.6 %	1.2 %	1.9 %	1.7 %
Total gross revenue	$ 309.0	$ 311.9	$ 304.6	$ 328.2	$ 312.4	$ 309.5	$ 246.5	$ 240.0	$ 203.8
Operating EBITDA Margin [1][2]	16.0 %	18.0 %	16.4 %	19.3 %	16.4 %	17.3 %	18.7 %	23.9 %	23.0 %
Earnings before income taxes	**$ 11.9**	**$ 23.8**	**$ 31.3**	**$ 15.4**	**$ 31.4**	**$ 28.5**	**$ 29.3**	**$ 37.0**	**$ 30.4**
Net earnings	$ 6.7	$ 16.6	$ 22.7	$ 9.0	$ 23.8	$ 19.5	$ 21.5	$ 27.3	$ 21.2
Adjusted Net Earnings [1]	**$ 19.5**	**$ 23.4**	**$ 18.3**	**$ 35.0**	**$ 25.3**	**$ 24.5**	**$ 20.2**	**$ 30.2**	**$ 22.6**
Net earnings operations attributable to common shareholders of the Company	$ 6.8	$ 16.6	$ 22.5	$ 9.0	$ 23.6	$ 19.5	$ 21.7	$ 27.4	$ 21.0
EPS attributable to common shareholders of the Company (in dollars)									
Basic EPS	$ 0.11	$ 0.27	$ 0.36	$ 0.15	$ 0.38	$ 0.31	$ 0.36	$ 0.47	$ 0.35
Diluted EPS	$ 0.11	$ 0.26	$ 0.35	$ 0.14	$ 0.37	$ 0.30	$ 0.35	$ 0.45	$ 0.34
Adjusted Basic EPS [1]	**$ 0.32**	**$ 0.39**	**$ 0.30**	**$ 0.57**	**$ 0.41**	**$ 0.39**	**$ 0.34**	**$ 0.51**	**$ 0.38**
Adjusted Diluted EPS [1]	**$ 0.31**	**$ 0.37**	**$ 0.29**	**$ 0.55**	**$ 0.39**	**$ 0.38**	**$ 0.32**	**$ 0.49**	**$ 0.37**
Free Cash Flow before growth capex, dividends, and NCIB [1]	**$ 36.1**	**$ 40.0**	**$ 35.1**	**$ 47.2**	**$ 37.3**	**$ 41.0**	**$ 33.2**	**$ 37.0**	**$ 37.7**
Free Cash Flow per share - basic (in dollars)	$ 0.59	$ 0.65	$ 0.57	$ 0.76	$ 0.60	$ 0.66	$ 0.55	$ 0.63	$ 0.63
Free Cash Flow per share - diluted (in dollars)	$ 0.58	$ 0.63	$ 0.55	$ 0.74	$ 0.58	$ 0.63	$ 0.53	$ 0.60	$ 0.61

(1) See “Non-IFRS Measures” on page 35 for definitions of System Sales, System Sales Growth, SRS Growth, Operating EBITDA, Operating EBITDA Margin, Operating EBITDA Margin on System Sales, Adjusted Net Earnings, Adjusted Basic EPS, Adjusted Diluted EPS and Free Cash Flow.
(2) Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See “IFRS 16 – New Lease Standard” on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 “Changes in accounting policies” in the Interim Financial Statements of the Company for further details.

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

Historical Commentary on Quarterly Results

Seasonal factors and the timing of holidays cause the Company's revenue to fluctuate from quarter to quarter. Adverse weather conditions may also affect customer traffic during the first 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 grew from $684.7 million in Q3 2017 to $879.8 million in Q3 2018 and has declined slightly in Q3 2019 to $869.1 million. System Sales increases in 2017 and 2018 are driven by SRS increases, the addition of new restaurants, the acquisitions of St-Hubert in September 2016, Original Joe's in December 2016, Burger's Priest in June 2017, Pickle Barrel in December 2017, The Keg in February 2018, and Marigolds and Onions in December 2018, and increases in retail and catering sales. The decrease in Q3 2019 is primarily driven by the SRS decline in the quarter.

Operating EBITDA has improved significantly from $46.9 million in Q3 2017 to $51.2 million in Q3 of 2018 and to $49.5 million in Q3 2019. Excluding The Keg royalty, Operating EBITDA in Q3 2018 was $54.9 million and $52.9 million in Q3 2019. Operating EBITDA has improved each quarter (year over year) as a result of growth in the corporate, franchise, retail and catering segments, the addition of new restaurants, and from the acquisitions of St-Hubert, Original Joe's, Burger's Priest, Pickle Barrel, The Keg, and Marigolds and Onions.

Operating EBITDA Margin on System Sales before The Keg royalty was 6.8% in Q3 2017, 6.2% in Q3 2018 and 6.1% in Q3 2019. Operating EBITDA has been impacted with the acquisition of brands that operate at lower profit margins. Management's focus will continue to be on improving the earnings efficiency of our assets and our increased sales base to grow Operating EBITDA as a percentage of System Sales back to within our 7% to 8% target range by 2020-2022.

Contribution dollars from the corporate restaurant segment have fluctuated (year over year) each quarter as a result of the addition and sale of corporate restaurants and from taking back under-performing previously subsidized franchise locations. Quarterly contribution from the corporate segment increased from $11.8 million in Q3 2017 to $21.6 million in Q3 2018 and decreased to $16.8 million in Q3 2019. Contribution in Q3 2019 decreased primarily as a result of the decline in sales and lower contribution rate driven by taking back under-performing previously subsidized franchise locations.

The franchise restaurant segment contribution as a percentage of System Sales was 4.4% in Q3 2019 compared to 4.2% in 2018 and 3.9% in 2017. Quarterly contribution from the franchise segment has improved each quarter (year over year) from $20.0 million in Q3 2017 to $25.7 million in Q3 2018 and to $26.1 million in Q3 2019. The improvements in Q3 2019 are primarily related to increases in the net franchise royalty recovery rate. The franchise contribution dollar increases are the result of increased sales from the addition of new restaurants and the additions of St-Hubert in September 2016, Original Joe's in December 2016, and The Keg in February 2018.

Contribution from retail and catering has grown from $3.4 million in Q3 2017 to $4.6 million in Q3 2018 and to $4.4 million in Q3 2019. The increases are related to increased sales from the addition of Swiss Chalet branded products and from the additions of catering sales from the acquisitions of Pickle Barrel and Marigolds and Onions.

Contribution from the central segment before The Keg royalty expense has changed from $11.7 million Q3 2017 to $3.0 million in Q3 2018, and to $5.5 million in Q3 2019. The decreases from 2017 are primarily related to increased overhead costs related to the addition of The Keg in February 2018 and lowering the rates charged on off-premise call centre fees to its franchisees, and a shift from phone ordering to web and mobile-based meal orders at lower fees.

Total gross revenue has increased significantly each quarter (year over year) from $203.8 million in Q3 2017 to $312.4 million in Q3 2018 and $309.0 million in Q3 2019. The increases are a result of the increase in the number corporate restaurants, the addition of corporate restaurants from the St-Hubert, Original Joe's, Pickle Barrel, and The Keg transactions; increases in the retail and catering segment at St-Hubert and from the addition of Pickle Barrel catering, Rose Reisman, and Marigolds and Onions.

Quarterly earnings before income taxes has increased from $30.4 million in Q3 2017 to $31.4 million in Q3 2018 then decreased to $11.9 million in Q3 2019. The net decrease in the quarter was primarily driven by the $1.7 million decrease in Operating EBITDA, a $2.5 million increase in non-cash fair value changes related to the Exchangeable Keg Partnership units and non-controlling interest liability, a $6.5 million increase in non-cash impairment and onerous contract expenses, $2.3 million increase in loss on disposal of assets, $5.5 million higher depreciation and amortization expense (before IFRS Lease Standard [(2)] changes), and a net $0.6 million expense impact related to the new IFRS Lease Standard[(2)] (see IFRS 16 – New Lease Standard). The increases since 2017 have been driven by increases in System Sales, increased contribution from the corporate, franchise, retail and catering segments, and from the additions of Pickle Barrel in December 2017, The Keg in February 2018, and Marigolds and Onions in December 2018.

Free Cash Flow before growth capex, dividends, and NCIB has increased from $37.7 million in Q3 2017 to $37.3 million in Q3 2018 and $36.1 million in Q3 2019. On a diluted per share basis, Free Cash Flow before growth capex, dividends, and NCIB has increased from $0.61 in Q3 2017 to $0.58 in Q3 2018 and to $0.58 in Q3 2019. The strong Free Cash Flows have been used to pay and increase dividends to shareholders, to reduce the Company's borrowings from various acquisitions, to invest in the Company's core brands, and to repurchase the Company's subordinate voting shares.

Liquidity and Capital Resources

Recipe's principal uses of funds are for operating expenses (including net lease payments), capital expenditures, finance costs, debt service, dividends and the repurchase of its subordinate voting shares through its NCIB. Management believes that cash generated from operations, together with amounts available under its credit facility (refer to page 26), will be sufficient to meet its future operating expenses, capital expenditures, future debt service costs, discretionary dividends, and discretionary share repurchases. However, Recipe's ability to fund future debt service costs, operating expenses, capital expenditures and dividends will depend on its future operating performance which will be affected by general economic, financial and other factors including factors beyond its control. See "Risk and Uncertainties" (refer to page 39). 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.

Below is summary of the Company's credit availability, liquidity, net debt to Operating EBITDA positions, and Free Cash Flow.

(C$ millions unless otherwise stated)	September 29, 2019	December 30, 2018	September 30, 2018	December 31, 2017
Revolving credit facility	$ 550.0	$ 400.0	$ 400.0	$ 400.0
Add: Accordion feature	250.0	50.0	50.0	50.0
Add: Private notes	250.0	—	—	—
Add: Term credit facility	—	150.0	150.0	150.0
Add: The Keg credit facilities	47.0	47.0	47.0	—
Subtotal - credit availability	**$ 1,097.0**	**$ 647.0**	**$ 647.0**	**$ 600.0**
Less: Draw on revolving credit facility	(253.3)	(220.0)	(300.0)	(229.0)
Less: Draw on private notes	(250.0)	—	—	—
Less: Draw on term credit facility	—	(150.0)	(150.0)	(150.0)
Less: Draw on The Keg credit facilities	(18.0)	(21.0)	(23.0)	—
Subtotal - total debt	**$ (521.3)**	**$ (391.0)**	**$ (473.0)**	**$ (379.0)**
Liquidity	**$ 575.7**	**$ 256.0**	**$ 174.0**	**$ 221.0**

	39 weeks ended September 29, 2019	52 weeks ended December 30, 2018	39 weeks ended September 30, 2018	53 weeks ended December 31, 2017
Operating EBITDA[(1)(2)]	$ 155.5	$ 214.7	$ 151.4	$ 186.6
Net debt to Operating EBITDA[(1)(2)]	2.4x	1.7x	1.9x	2.2x
Free cash flow [(1)(2)], before growth capex, dividends and NCIB	$ 111.6	$ 158.7	$ 111.4	$ 138.4
Free cash flow [(1)(2)], after growth capex, dividends and NCIB	$ 35.6	$ 112.3	$ 83.0	$ 52.4

[(1)] See "Non-IFRS Measures" on page 35 for definitions of Operating EBITDA and Free Cash Flow. See page 9 for a reconciliation of Net Earnings to Operating EBITDA and to Free Cash Flow.
[(2)]Effective December 31, 2018, the Company implemented IFRS 16, Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. See "IFRS 16 – New Lease Standard" on pages 3, 9 and 37 for a reconciliation of the changes to Operating EBITDA, and Note 3 "Changes in accounting policies" in the Interim Financial Statements of the Company for further details.

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 addition of The Keg gift card significantly improve 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 29, 2019 was $94.3 million compared to $153.8 million at December 30, 2018, a decrease of $59.5 million due to higher redemptions in the first three quarters following the gift card sales during the holiday season in Q4.

The following table presents Recipe's working capital as at September 29, 2019 compared to December 30, 2018:

(C$ millions unless otherwise stated)	September 29, 2019	December 30, 2018	change in working capital
	(unaudited)		
Cash	$ 33.9	$ 49.3	$ 15.4
Accounts receivable	71.3	103.5	32.2
Inventories	42.3	36.6	(5.7)
Prepaid expenses and other assets	6.2	9.4	3.2
Current portion of lease receivables	76.9	—	(76.9)
Current portion of long-term receivables	4.1	4.9	0.8
Total Current Assets [(1)]	**$ 234.7**	**$ 203.7**	**$ (31)**
Accounts payable and accrued liabilities	$ 125.4	$ 134.9	$ (9.5)
Provisions	3.4	9.7	(6.3)
Gift card liability	94.3	153.8	(59.5)
Income taxes payable	10.6	5.7	4.9
Current portion of long-term debt	4.0	154.0	(150.0)
Current portion of lease liability	121.1	3.2	117.9
Total Current Liabilities	**$ 358.8**	**$ 461.3**	**$ (102.5)**
Working capital deficit	**$ (124.1)**	**$ (257.6)**	**$ (133.5)**

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

At September 29, 2019, Recipe had a working capital deficit of $124.1 million compared to $257.6 million at December 30, 2018. The change in working capital deficit of $133.5 million was primarily related to the $150.0 million decrease in current portion of long-term debt a result of the refinancing in May 2019, decrease in gift card liability of $59.5 million related to higher gift card redemptions following the 2018 holiday period, increase in current portion of lease receivables of $76.9 million related to the adoption of IFRS 16 new lease standard, offset by decrease in accounts receivable of $32.2 million and increase in current portion of the lease liability of $117.9 million related to the adoption of IFRS 16 new lease standard.

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, 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 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 29, 2019 compared to the 13 and 39 weeks ended September 30, 2018:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from (used in) operating activities	$ 38.7	$ 46.1	$ 111.0	$ 86.7
Cash flows from (used in) investing activities	$ (9.8)	$ (3.3)	$ (11.7)	$ (92.0)
Cash flows (used in) from financing activities	$ (37.7)	$ (51.3)	$ (114.9)	$ (0.8)
Change in cash during the period [(1)]	$ (8.7)	$ (8.5)	$ (15.6)	$ (6.1)

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

Cash flows from operating activities of continuing operations

Cash flows from operating activities were $38.7 million and $111.0 million for the 13 weeks and 39 weeks ended September 29, 2019 compared to $46.1 million and $86.7 million in 2018, a decrease of $7.4 million for the quarter and an increase of $24.3 million year to date. The increase was primarily related to the reduction in gift card liability due to higher redemptions following the Q4 2018 holiday period, a reduction in accounts receivable, partially offset by increases from the addition in current portion of long-term receivables related to the new lease standard.

Cash flows used in investing activities of continuing operations

The following table presents Recipe's capital expenditures for the 13 and 39 weeks ended September 29, 2019 compared to the 13 and 39 weeks ended September 30, 2018:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 29, 2019**	**September 30, 2018**	**September 29, 2019**	**September 30, 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Purchase of property, plant and equipment:				
Maintenance:				
Corporate restaurants	2.2	4.9	5.0	6.4
Central / IT expenditures / Other	1.6	2.1	9.4	9.9
Total maintenance	$ 3.8	$ 7.0	$ 14.4	$ 16.3
Growth initiatives:				
Major renovations	2.2	1.9	6.2	6.3
New builds	6.0	2.0	14.5	6.5
Total growth	$ 8.2	$ 3.9	$ 20.7	$ 12.8
Total purchase of property, plant and equipment [2]	**$ 12.0**	**$ 10.9**	**$ 35.2**	**$ 29.1**
Total purchase of property, plant and equipment	(12.0)	(10.9)	(35.2)	(29.1)
Acquisitions	—	—	(5.0)	(76.7)
Buy backs [1]	—	(4.9)	(3.4)	—
Proceeds on disposal of property, plant and equipment	(0.3)	5.9	0.6	6.1
Proceeds on early buyout of equipment and rental contracts	0.1	0.2	0.2	0.5
Proceeds on sale of other assets	—	1.4	—	1.4
Additions to other assets	(0.1)	(0.3)	(0.1)	(0.5)
Share of loss from investment in associates in joint ventures	—	0.2	0.2	0.5
Change in long term receivables	2.6	5.1	31.1	5.9
Total cash flows provided by (used in) investing activities	**$ (9.8)**	**$ (3.3)**	**$ (11.7)**	**$ (92.0)**

[1] There was 2 buy back in the quarter and 11 buy backs year-to-date (2018 – 10 buy backs in the quarter and 13 buy backs year-to-date).
[2] Figures may not total due to rounding.

Cash flows used in investing activities were $9.8 million and $11.7 million for the 13 and 39 weeks ended September 29, 2019 compared to cash used in investing activities of $3.3 million and $92.0 million in 2018, a change of $6.5 million for the quarter and $80.3 million year to date. The change is primarily related to The Keg merger partially offset by the change in long-term receivables resulting from the adoption of the new lease standard.

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 IT infrastructure, and to its call centre operations. The Company will also invest in major renovations and new corporate store growth opportunities. Recipe's capital expenditures are generally funded from operating cash flows and through its Existing Credit Facility.

Cash flows (used in) from financing activities

The following table presents Recipe's cash used in financing activities for the 13 and 39 weeks ended September 29, 2019 compared to the 13 and 39 weeks ended September 30, 2018:

	13 weeks ended		39 weeks ended	
(C$ millions unless otherwise stated)	**September 29, 2019**	**September 30, 2018**	**September 29, 2019**	**September 30, 2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Increases in debt	125.0	—	390.0	104.0
Debt repayments	(1.0)	(31.0)	(259.7)	(65.0)
Deferred financing fees	(0.1)	—	(3.0)	—
Issuance of subordinated voting common shares	2.9	(4.3)	4.8	(4.2)
Share repurchase	(142.0)	(0.7)	(160.7)	(1.7)
Payment of lease liability	(38.0)	—	(114.2)	—
Change in lease liability	25.3	(0.8)	58.7	(0.7)
Interest paid net of interest income received	(3.0)	(7.9)	(10.2)	(13.3)
Dividends paid on subordinate and multiple voting shares	(6.8)	(6.7)	(20.6)	(20.0)
Cash flows (used in) from financing activities [1]	**$ (37.7)**	**$ (51.3)**	**$ (114.9)**	**$ (0.8)**

[1] Figures may not total due to rounding.

Cash flows used in financing activities were $37.7 million and $114.9 million for the 13 and 39 weeks ended September 29, 2019. Cash used in financing activities primarily consist of the shares repurchased under the Company's NCIB and SIB of $142.0 million and $160.7 million for the 13 and 39 weeks ended September 29, 2019; payment of lease liability of $38.0 million and $114.2 million for the 13 and 39 weeks ended September 29, 2019 and change in the lease liability of $25.3 million and $58.7 million for the 13 and 39 weeks ended September 29, 2019 resulting from the change in the new lease standard; dividends of $20.6 million; net interest paid of $3.0 million and $10.2 million for the 13 and 39 weeks ended September 29, 2019; offset by a net increase in debt of $124.0 million for the quarter and $130.3 million year to date.

Cash flows from financing activities were $51.3 million and $0.8 million for the 13 and 39 weeks ended September 30, 2018. Cash from financing activities primarily consist of a net increase in the Company's credit facility related to The Keg merger, less interest paid in the amount of $7.9 million and $13.3 million for the 13 and 39 weeks ended September 30, 2018; and dividends of $6.7 million.

Debt

Private debt

On May 1, 2019, the Company issued $250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("New Credit Facility"), is secured on a first lien basis on the assets that secure the Company's New Credit Facility, and is 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 29, 2019, $250.0 million (December 30, 2018 - $nil; September 30, 2018 - $nil) was drawn under the Notes.

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 (5 years) and a $150.0 million tranche that matures on May 1, 2022 (3 years). 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 29, 2019, $253.3 million (December 30, 2018 - $370.0 million; September 30, 2018 - $420.0 million) was drawn under the amended and extended credit facilities. The effective interest rate for the 39 weeks ended September 29, 2019 was 3.94% representing bankers acceptance rate of 2.19% plus 1.25% borrowing spread, standby fees and the amortization of deferred financing fees of 0.50%.

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 29, 2019, the standby fee rate was 0.25%.

As at September 29, 2019, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments.

At the end of September 29, 2019, the Company had a Net Debt to EBITDA ratio of 2.4x, positioning the Company for more growth and enhanced shareholder returns.

The Keg Facility

In connection with The Keg merger, the Company assumed a multi-option credit agreement with a 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. These facilities are comprised of a $9.0 million reducing term facility, a $35.0 million revolving facility for future restaurant expansion which is subject to annual repayment based on 25% of excess operating cash flow, and a revolving demand operating facility of up to $3.0 million available for general corporate purposes, including working capital, overdrafts and letters of credit.

Excess operating cash flow is defined in the credit agreement as operating cash flow for the financial year plus extraordinary or non-recurring items and any net decrease in working capital less interest paid, debt principal repayments, unfunded capital expenditures, income taxes paid and any net increase in working capital. Operating cash flow is defined as the sum of net income for the financial year, adjusted for gains or losses from dispositions not in the ordinary course of business, extraordinary or non-recurring items and equity income or losses from subsidiaries plus interest expense, income tax expense and depreciation and amortization.

As at September 29, 2019, $18.0 million of the revolving facility has been drawn. On September 26, 2019, the maturity date was extended from July 2, 2020 to October 1, 2020. No other terms of these facilities were amended. Less than $0.1 million of the revolving demand operating facility has been used to issue letters of credit.

On June 18, 2018, the Company renegotiated the terms of its credit agreement with its existing banking syndicate. The credit facilities now bear interest at a rate between bank prime plus 0.25% to bank prime plus 1.0% based on certain financial criteria. As at September 29, 2019, the Company meets the criteria for interest at bank prime plus 0.25%.

The above credit facilities are secured by a general security agreement and hypothecation over Keg Restaurants Ltd.'s ("KRL's") Canadian and US assets and a pledge of all equity interests in The Keg Rights Limited Partnership (the "Partnership").

As at September 29, 2019, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments.

Off Balance Sheet Arrangements

Letters of credit

Recipe has outstanding letters of credit amounting to $0.5 million as at September 29, 2019 (December 30, 2018 - $0.6 million), primarily for various utility companies that provide services to the corporate owned locations and support for certain franchisees' external financing used to fund their initial conversion fee payable to Recipe.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at November 11, 2019, there were 56,356,714 subordinate and multiple voting shares (December 30, 2018 – 61,755,594) 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 11, 2019 is 6,759,447.

Related Parties

Shareholders

As at September 29, 2019, the Principal Shareholders hold 70.8% of the total issued and outstanding shares and have 98.2% of the voting control attached to all the shares. Cara Holdings holds 22.6% of the total issued and outstanding shares, representing 36.5% voting control. Fairfax holds 48.2% of the total issued and outstanding shares, representing 61.7% voting control. During the 13 and 39 weeks ended September 29, 2019, Fairfax sold 1,411,335 Subordinate Voting Shares under the SIB in order to purchase an equal number of Multiple Voting Shares from Cara Holdings. Fairfax's voting interest and equity ownership increased as a result of this exchange in combination with less voting shares and outstanding overall after the SIB. Under the SIB, Cara Holdings participated and tendered 341,460 Multiple Voting Shares. These Multiple Voting Shares were converted into Subordinate Voting Shares on a one-for one basis immediately prior to the completion of the SIB.

During the 13 and 39 weeks ended September 29, 2019, the Company paid a dividend of $0.1121 and $0.3363 per share (13 and 39 weeks ended September 30, 2018, 2018 - $0.1068 and $0.3204 per share) on the Subordinate and Multiple Voting Shares of which Fairfax received $9.1 million (September 30, 2018 - $8.7 million) and Cara Holdings received $4.3 million (September 30, 2018 - $4.6 million), respectively, on a year to date basis.

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 13 and 39 weeks ended September 29, 2019 and September 30, 2018.

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

Insurance Provider

Some of Recipe's insurance policies are held by a company that is a subsidiary of Fairfax. The transaction is on market terms and conditions. As at September 29, 2019, no payments were outstanding.

The Keg

On February 22, 2018 ("The Keg acquisition date"), the Company completed the merger with The Keg for approximately $200.0 million comprised of $105.0 million in cash and 3,801,284 Recipe subordinate voting shares at the exchange amount. In addition, Recipe may be required to pay up to an additional $30.0 million of cash consideration upon the achievement of certain financial milestones. The cash portion of the purchase price was settled by drawing on its existing credit facility. A merger reserve equal to total consideration of $216.7 million has been recorded on the balance sheet. The results from The Keg are included in the statement of earnings from The Keg acquisition date.

During the year ended December 30, 2018, 3,400,000 subordinate voting shares were issued at the exchange amount to Fairfax as part of the merger with The Keg on February 22, 2018.

The Company has elected not to account for the merger as a business combination under IFRS 3 Business Combinations, as the transaction represents a combination of entities under common control of Fairfax. Accordingly, the combination will be recorded on a book value basis.

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 29, 2019 there was a due from related party balance of $12.3 million (December 30, 2018 - $9.9 million; September 30, 2018 - $8.4 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2020. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $1.0 million (December 30, 2018 - $1.0 million; September 30, 2018 - $2.2 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 29, 2019, the Company charged interest in the amount of $0.1 million and $0.2 million, respectively (13 and 39 weeks ended September 30, 2018 - $0.1 million and $0.5 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 29, 2019 the accounts receivable balance included $0.1 million (December 30, 2018 - $0.3 million; September 30, 2018 - $0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures and associates are increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 29, 2019, an increase of $0.1 million and an increase of $0.2 million, respectively (13 and 39 weeks ended September 30, 2018 - $0.1 million and $0.5 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in associates and joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

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

The Company's investment is increased by the proportionate share of income earned. There was no change to the investment for the 13 weeks ended September 29, 2019 and a decrease of $0.2 million for the 39 weeks ended September 29, 2019 (13 and 39 weeks ended September 30, 2018 - $0.1 million and $0.2 million increase). The changes were recorded in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

Investment in restaurant 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 29, 2019, the Company has invested $5.2 million, recorded in long-term receivables (December 30, 2018 - $4.5 million, September 30, 2018 - $3.8 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. The Company and the third party each have a 50% ownership interest in the joint venture. Both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 29, 2019, a decrease of $0.5 million and $1.1 million, respectively, to the long term receivable balance (13 and 39 weeks ended September 30, 2018 - $0.6 million and $1.3 million decrease) was recorded in relation to the Company's proportionate share of loss for the period and included in share of loss from investment in joint ventures on the statement of earnings.

Investment in Rose Reisman Catering joint venture

In connection with the acquisition of Pickle Barrel on December 1, 2017, the Company has a 50% ownership interest in Rose Reisman Catering. The investment is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. As at September 29, 2019, the Company has invested $0.2 million, recorded in long-term receivables (December 30, 2018 - $0.2 million, September 30, 2018 - $nil).The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 and 39 weeks ended September 29, 2019, the Company recorded a decrease of $0.1 million and $0.2 million decrease, respectively, to the investment balance (13 and 39 weeks ended September 30, 2018 - $0.1 million decrease and $nil) in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

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

Significant subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

Outlook

Management provides the following comments regarding its strategies and initiatives:

- *Free Cash Flow* — The Company generates significant EBITDA and Free Cash Flow[1] which provides the Company the ability to fund growth and enhance shareholder returns. Free Cash Flow before growth capex, dividends, and share repurchases under the Company's NCIB for the 39 weeks ended September 29, 2019 was $111.6 million and Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis was $1.76 for the 39 weeks ended September 29, 2019 compared to $1.74 in 2018.

  The impact from the SIB and the corresponding reduction in shares on Free Cash Flow per share before growth capex, dividends, and NCIB on a diluted basis would be an increase of $0.10 per share from $1.76 to $1.86 for the 39 weeks ended September 29, 2019, after taking into effect a net increase in interest expense after taxes of $2.7 million.

  In addition to the SIB, under the Company's NCIB, the Company purchased and cancelled 618,947 and 1,322,871 Subordinate Voting Shares for $16.5 million and $35.2 million during the 13 and 39 weeks ended September 29, 2019. As at September 29, 2019, the Company had 56,338,810 shares outstanding compared to 62,324,207, as at September 30, 2018, a decrease of 5,985,397 shares that will increase Free Cash Flow and Earnings per share on a go forward basis.

  At Q3 2019, the Company's Debt to EBITDA ratio was 2.4x. The Company's strong balance sheet and strong Free Cash Flow will enable the Company to continue to strategically invest in its business despite challenging market conditions. Management will continue to:

  - invest in corporate restaurant renovations;
  - support franchisees including restaurant renovation incentive programs;
  - invest in initiatives to support our 4-pillar operations plan including training and technology applications;
  - invest in our new Project 2030 initiative, an ambitious program that seeks to transform all aspects of our restaurant operations, so that we profitably meet the needs of both the consumer of today and the consumer of tomorrow;
  - make extra contributions to franchisee marketing funds where appropriate;
  - continue to evaluate alternatives for capital deployment including growth investments, strategic acquisitions; and
  - enhance shareholder returns through dividends and share buybacks including purchases of KRIF units.

- *Total Operating* EBITDA — Before the impact from the net royalty to KRIF, Total Operating EBITDA margin was 6.1% for the quarter compared to 6.2% in 2018. The combined contributions from Corporate, Franchise, Retail and Catering, and Central segments resulted in Total Operating EBITDA margin of 5.7% for the quarter compared to 5.8% in 2018. While The Keg adds EBITDA dollars, because of net central overhead costs and royalty payments to KRIF in the medium term, The Keg merger will reduce Recipe's Operating EBITDA margin on System Sales below the target 7% to 8% range. Management's focus will continue to be on improving the earnings efficiency of our assets and our increased sales base to grow Operating EBITDA as a percentage of System Sales back to within our 7% to 8% target range by 2020-2022.

- *Corporate restaurant profitability* — Corporate restaurant profitability for the 13 weeks ended September 29, 2019 was 8.8% compared to 10.5% in the second quarter of fiscal 2019 and 10.8% in the third quarter of 2018. The decline in the quarter was mostly from the reduction in sales, higher wage rates and taking back under-performing franchise restaurants. Alberta wages rates will be more comparable to 2018 in the fourth quarter as the wage increase impact will have cycled through a full year. Management believes that corporate restaurant profitability will improve as the 4-pillar strategy focus on Food, Service, Ambiance, and Value for the Experience progresses and we continue to improve the quality of our portfolio and sales while we respond to increased competition and a cautious consumer.

  Management will continue to pursue the sale of certain corporate restaurants in its franchise banners to franchisees, pursue the sale of its share in joint venture locations to the Company's joint venture partners to convert joint venture locations to franchise to improve the corporate-franchise portfolio mix, and will close non-strategic under-performing restaurants.

- *Franchise segment* —Franchise contribution as a percentage of franchise sales has improved to 4.4% in the quarter compared to 4.2% in 2018. The increase is primarily related to improvement to quality of sales due to the ongoing practice to open new franchise restaurants at the standard royalty rate while closing or taking back under-performing previously subsidized locations. Management believes the effective royalty recovery rate will gradually increase over time closer to 5% as the Company adds new franchisees, renews existing locations at the standard royalty rate, and exits under-performing locations.

- *Retail and catering* — Contribution dollars from retail and catering were $4.4 million in the quarter compared to $4.5 million in 2018. A new pie production line was added in the third quarter 2018 which has increased production capacity and enabled the Company to meet the increased demand for its St-Hubert and Swiss Chalet frozen pie products with less reliance on higher cost third party producers. Since the acquisition of St-Hubert in 2016, the Company has successfully launched a number of products, including Swiss Chalet ribs and pot pies, across the country in grocery chains. The Company will be adding a new rib line in Q4 2019 to increase its rib production capacity to meet the increased demand and will be launching Montana's ribs in Q4 2019. Management is also pursuing the launch of several more Recipe branded retail products to expand its retail presence in national grocery chains.

- *Growth, acquisitions and share buy-backs* —The Company currently has a net debt to EBITDA ratio of approximately 2.4x compared to 1.9x at the end of Q3 2018. At this debt level, and with strong cash flow from operations, the Company has the ability to consider more growth opportunities, including acquisitions, while continuing to reduce its debt, and by opportunistically repurchasing its subordinate voting shares for cancellation under the NCIB and purchase of KRIF units. During the 39 weeks ended September 29, 2019, the Company purchased and cancelled 5,952,500 Subordinate Voting Shares for $160.7 million under the Company's NCIB and SIB programs plus 250,000 units in KRIF. In addition, the Company's new financing structure positions Recipe for strategic and opportunistic growth at long-term favourable borrowing rates and credit terms.

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 are applicable to the Company for its annual periods beginning on or after December 31, 2018. See note 3 of the Company's condensed consolidated interim financial statements for the 13 and 39 weeks ended September 29, 2019 for a summary of new accounting standards adopted during 2019 and note 4 for a summary of future accounting standards not yet adopted.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting during the 13 and 39 weeks ended September 29, 2019 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 significant judgements made by management in applying the Company's accounting policies except those adopted using the judgements from the first quarter of 2019 and the key sources of estimation of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the year ended December 30, 2018.

Non-IFRS Measures

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

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

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

"SRS Growth" is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Recipe defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Recipe's SRS Growth results excludes Casey's restaurants as the Company is in the process of winding down its operations; and sales from international operations from 42 New York Fries and 3 East Side Mario's.

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

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

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

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

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

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

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

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

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

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

(C$ millions unless otherwise stated)	Q3 – 2019 Sept 29, 2019	Q2 – 2019 June 30, 2019	Q1 – 2019 March 31, 2019	Q4 – 2018 Dec 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings	$ 6.7	$ 16.6	$ 22.7	$ 9.0
Transaction costs	0.1	0.3	0.1	1.7
Write off of deferring financing fees	(1.0)	1.0	—	—
Impairment charges	5.7	4.0	—	6.8
Restructuring and other	2.6	0.7	(0.2)	8.9
Change in fair value of non-controlling interest liability	—	—	—	1.5
Change in fair value of exchangeable Partnership units	3.1	0.9	(4.8)	6.4
Amortization of unearned conversion fees income	0.3	(0.1)	(0.1)	0.5
(Gains) Losses on early buyout/cancellation of equipment rental contracts	1.6	0.1	—	0.5
Net gain on disposal of property, plant and equipment and other assets	0.5	(0.1)	0.6	(0.3)
Adjusted Net Earnings [1]	**$ 19.5**	**$ 23.4**	**$ 18.3**	**$ 35.0**

(C$ millions unless otherwise stated)	Q3 – 2018 Sept 30, 2018	Q2 – 2018 July 1, 2018	Q1 - 2018 April 1, 2018	Q4 - 2017 December 31, 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings	$ 23.8	$ 19.5	$ 21.5	$ 27.3
Transaction costs	$ 0.5	0.1	0.5	0.1
Impairment charges	$ —	0.7	0.6	2.5
Restructuring and other	$ 2.6	0.5	0.2	1
Change in fair value of non-controlling interest liability	$ 1.0	1.0	—	—
Change in fair value of exchangeable Partnership units	$ (0.4)	2.6	(2.3)	—
Amortization of unearned conversion fees income	(0.7)	0.1	(0.3)	(0.3)
Losses on early buyout/cancellation of equipment rental contracts	0.3	0.3	0.2	(0.1)
Net gain on disposal of property, plant and equipment and other assets	(1.8)	(0.3)	(0.2)	(0.3)
Adjusted Net Earnings [1]	**$ 25.3**	**$ 24.5**	**$ 20.2**	**$ 30.2**

[1] Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

(C$ millions unless otherwise stated)	Q3 - 2019 Sept 29, 2019	Q2 - 2019 June 30, 2019	Q1 - 2019 March 31, 2019	Q4 - 2018 Dec 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	6.7	16.6	$ 22.7	$ 9
Net interest expense and other financing charges.	4.9	7.5	4.5	2.8
Income taxes	5.2	7.2	8.6	6.4
Depreciation and amortization	28.4	28.9	27.9	16.2
EBITDA[1]	**45.2**	**60.2**	**63.7**	**34.4**
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	0.1	0.3	0.1	1.7
Impairment charges	5.7	4.0	—	6.8
Restructuring and other	2.6	0.7	(0.2)	8.9
Change in fair value non-controlling interest liability	—	—	(4.8)	7.9
Change in fair value of exchangeable partnership units	3.1	0.9		
Income on Partnership units	2.8	2.7	2.8	2.7
Amortization of unearned conversion fees income	0.3	(0.1)	(0.1)	0.5
(Gains) Losses on early buyout/cancellation of equipment rental contracts	1.6	0.1	—	0.5
Net gain on disposal of property, plant and equipment and other assets	0.5	(0.1)	0.6	(0.3)
Stock based compensation.	2.1	1.8	1.9	2.1
Change in onerous contract provision	(0.6)	0.4	(0.2)	0.9
Proportionate share of equity accounted joint venture	0.3	0.1	0.2	(1.4)
Rent impact from adoption of IFRS 16 "Leases" [2]	(14.1)	(15.0)	(13.9)	(1.2)
Operating EBITDA [1]	**$ 49.5**	**$ 56.0**	**$ 50.1**	**$ 63.5**

(C$ millions unless otherwise stated)	Q3 - 2018 Sept 30, 2018	Q2 - 2018 July 1, 2018	Q1 – 2018 Apr 1, 2018	Q4 – 2017 Dec 31, 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	$ 23.8	$ 19.5	$ 21.5	$ 27.3
Net interest expense and other financing charges	2.8	3.0	3.3	3.5
Income taxes	7.6	9.0	7.8	9.7
Depreciation and amortization	12.6	15.3	14.6	14.3
EBITDA(1)	**$ 46.8**	**$ 46.8**	**$ 47.2**	**$ 54.8**
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	0.4	0.1	0.5	0.1
Impairment charges	—	0.7	0.6	2.5
Restructuring and other	2.6	0.5	0.2	1.0
Fair value adjustments	0.6	3.6	(2.3)	—
Income on Partnership units	2.7	2.6	1.0	—
Amortization of unearned conversion fees income	(0.7)	0.1	(0.3)	(0.3)
Losses on early buyout/cancellation of equipment rental contracts	0.3	0.3	0.2	(0.1)
Net (gain) on disposal of property, plant and equipment	(1.8)	(0.3)	(0.2)	(0.3)
Stock based compensation	2.2	1.0	0.5	0.5
Change in onerous contract provision	(1.4)	(1.0)	(0.3)	0.3
Proportionate share of equity accounted joint venture	0.6	0.8	0.4	0.2
Rent impact from adoption of IFRS 16 "Leases" (2)	(1.2)	(1.2)	(1.2)	(1.1)
Operating EBITDA (1)	**$ 51.2**	**$ 54.0**	**$ 46.2**	**$ 57.4**

(1) Figures may not total due to rounding.
(2) Note that effective December 31,2018, the Company implemented IFRS16,Leases. Comparative Operating EBITDA figures provided for each quarter have been restated to reflect the adoption of this accounting standard. Please refer to "IFRS 16 New Lease Standard" for further details.

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

(C$ millions unless otherwise stated)	Q3 - 2019 Sept 30, 2019	Q2 - 2019 June 30, 2019	Q1 - 2019 March 31, 2019	Q4 - 2018 December 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	$ 49.5	$ 56.0	$ 50.1	$ 63.3
Maintenance capex	(3.8)	(5.6)	(5.5)	(9.1)
Cash taxes	(4.0)	(5.2)	(4.8)	(1.7)
Interest on long-term debt	(4.5)	(4.1)	(3.6)	(4.2)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(1.1)
Free Cash Flow before growth capex, dividends, NCIB(1)	**$ 36.1**	**$ 40.0**	**$ 35.1**	**$ 47.2**
Growth capex	(8.2)	(7.9)	(4.5)	(4.2)
Proceeds on sale of assets	(0.3)	0.9	—	5.3
Dividends declared	(6.8)	(6.9)	(6.9)	(6.7)
Shares repurchased	(16.5)	(11.7)	(7.1)	(14.5)
Free Cash Flow after growth capex, dividends, NCIB(1)	**$ 4.2**	**$ 14.4**	**$ 16.6**	**$ 27.2**

(C$ millions unless otherwise stated)	Q3 - 2018 Sept 30, 2018	Q2 - 2018 July 1, 2018	Q1 – 2018 April 1, 2018	Q4 – 2017 Dec 31, 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	$ 51.2	$ 54.0	$ 46.2	$ 57.4
Maintenance capex	(7.0)	(4.8)	(4.4)	(12.9)
Cash taxes	(1.7)	(2.9)	(4.5)	(4.1)
Interest on long-term debt	(4.1)	(4.9)	(4.1)	(3.4)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(0.4)	—	—
Free Cash Flow before growth capex, dividends, NCIB[(1)]	**$ 37.3**	**$ 41.0**	**$ 33.2**	**$ 37.0**
Growth capex	(3.9)	(6.7)	(2.3)	(2.3)
Proceeds on sale of assets	5.9	0.4	0.1	0.9
Dividends declared	(6.7)	(6.7)	(6.7)	(6.0)
Share repurchased	(0.7)	(0.3)	(0.7)	(5.3)
Free Cash Flow after growth capex, dividends, NCIB[(1)]	**$ 31.9**	**$ 27.8**	**$ 23.6**	**$ 24.3**

[(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 SRS Growth, 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 29, 2019. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

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

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a restaurant concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the Company.

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