

RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 and 52 weeks ended December 27, 2020

The following Management's Discussion and Analysis ("MD&A") for Recipe Unlimited Corporation ("Recipe" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 and 52 weeks ended December 27, 2020 and December 29, 2019 ("fourth quarter", "Q4", "the quarter" or "the period"). This MD&A should be read in conjunction with the Company's Financial Statements and accompanying notes as at December 27, 2020. The consolidated results from operations for the 13 and 52 weeks ended December 27, 2020 are compared to the December 29, 2019. Recipe's fiscal year ends on the last Sunday in December.

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

This MD&A was prepared as at March 4, 2021. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

The 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.

Impact of COVID-19

The COVID-19 pandemic has impacted Canadians and economies around the world. The restaurant and food services industry have experienced significant business disruptions due to mandated restaurant closures and other evolving restrictive measures. As a result, 43% of the Company's operating weeks during the fourth quarter were impacted by complete or partial closures (an "operating week" is defined as a calendar week where a location generates any sales), and locations that were permitted to open its dining rooms, operated at a reduced capacity to adhere to physical distancing guidelines and company-wide health and safety protocols. The Company's Retail and Catering divisions remained opened throughout the pandemic as an essential service continuing to supply branded and private label products to grocery customers.

In response to the COVID-19 pandemic, the Company swiftly implemented remote work from home protocols, focused on off-premise sales and delivery channels with revised menus, e-commerce platform enhancements and opened two new "Ultimate Kitchens" locations to offer multi-brand off-premise choices for delivery to customers from a single kitchen. While the length of this pandemic is uncertain and government-imposed restrictions continue to evolve, our associates and franchise partners continue to operate effectively over the COVID-19 disruption periods, while executing industry leading safety measures. The Company will remain focused on the health and safety of our customers, employees and franchise partners.

The Company has taken a number of initiatives to provide direct support to its franchise partners during the COVID-19 disruption period, including:

- The introduction of a rent certainty program in May 2020 to provide franchise partners with direct rent support effective April 1, 2020 through to the end of September 2020. In the wake of the second wave of the pandemic, the Company swiftly introduced a COVID support program, which extends financial support to franchise partners through to the end of March 2021. The total estimated cost of the Company's rent certainty and COVID support programs is approximately \$36.4 million, of which \$33.1 million of direct financial support has been provided since March 2020. The cost of the Recipe franchise support programs will be partially reduced by benefits received by franchisees under government assistance programs in particular the CECRA and CERS programs; and
- The Company introduced a royalty reduction program to provide direct support to its franchise partners through to the end of 2020. The total cost of the royalty reduction program for the year was \$7.5 million.

The Canadian Federal and Provincial governments have announced additional assistance programs available to the Company and franchise partners. These government assistance programs include:

- The Canada Emergency Wage Subsidy program (CEWS) was made available to the Company and its franchise partners. During the 13 weeks ended December 27, 2020, the Company realized \$14.9 million of wage subsidies for salaries paid to employees in corporate restaurants, food manufacturing and head office locations;
- The Canada Emergency Commercial Rent Assistance program (CECRA) was made available to certain franchise locations. This government rent assistance program provided \$5.4 million of benefits in the fourth quarter as a reduction in the cost of the rent certainty program, which ended in September 2020, for qualifying restaurants, where landlords have agreed to participate in the program and where government approvals were obtained;
- The Canada Emergency Rent Subsidy (CERS) program was introduced at the end of September 2020 as a replacement to the CECRA program. During the 13 weeks ended December 27, 2020, the Company realized \$1.4 million of government rent subsidy for eligible corporate locations; and
- The Ontario property tax and energy rebate program was introduced and made available to the Company and franchise partners in November 2020. During the 13 weeks ended December 27, 2020, the Company realized \$0.5 million of government property tax and energy rebates for eligible corporate locations.

During the third and fourth quarters of 2020, the Company has proven that its brands and franchisees are strong and resilient, and that it can recover from the effects of the pandemic when its restaurants are opened and allowed to operate. However, the extent of the COVID-19 pandemic remains uncertain and government-imposed restrictions and dining room closures continue to evolve. As a result, the Company amended its lending covenants with its banking syndicate and Private Noteholders on February 18, 2021, to provide additional covenant flexibility. The covenant amendments are effective through the first quarter of 2022. The Company has also taken additional measures to maximize liquidity during the COVID-19 disruption period, including:

- The Company suspended its NCIB share buyback program;
- The Company suspended dividend payments; and
- The Company suspended many central, new store development and corporate store renovation and capital expenditure plans.

As a result of these actions and careful working capital management, the Company finished the year with a \$40.5 million cash balance.

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

Highlights for the 13 and 52 weeks ended December 27, 2020:

- System Sales⁽¹⁾ for the 13 weeks ended December 27, 2020 decreased by 31.8% to \$611.3 million, driven by a 43% reduction in operating weeks caused by complete and partial restaurant closures during the fourth quarter. System Sales⁽¹⁾ for the 52 weeks ended December 27, 2020 decreased \$1,062.2 million to \$2,424.7 million compared to \$3,486.9 million in 2019, representing a decrease of 30.5%. Decreases in restaurant system sales were partially offset by sales increases in the Retail and Catering segment.
- Off-premise System Sales surpassed \$0.5 billion for the 52 weeks ended December 27, 2020, representing an increase of 44.6% from 2019. Off-premise System Sales for the 13 weeks ended December 27, 2020 was \$150.4 million compared to \$90.3 million in 2019, representing an increase of 66.6%. The Company is well-positioned to build on its off-premise channels because of its established IT platform infrastructure, which makes it convenient for guests to enjoy their experience in whatever manner they choose.
- Contribution from Retail and Catering for the 13 and 52 weeks ended December 27, 2020 was \$13.1 million and \$48.4 million, compared to \$13.1 million and \$36.5 million in 2019, respectively. This represents an increase of 32.6% for the fiscal year, which was driven by increased sales to retail grocery customers at higher gross margin rates, offset by declines in the catering segment due to the impact of COVID-19 restrictions.
- Operating EBITDA⁽¹⁾ for the 13 weeks ended December 27, 2020 was \$35.0 million compared to \$60.5 million in 2019, a decrease of \$25.5 million or 42.1% for the quarter. Operating EBITDA⁽¹⁾ for the 52 weeks ended December 27, 2020 decreased to \$113.8 million compared to \$216.0 million in 2019, a reduction of \$102.2 million or 47.3%. The decrease was driven by the impact of COVID-19, which caused the decline in system sales, partially offset by lower SG&A costs, government wage subsidies, and various cost savings measures implemented by the Company.
- Operating EBITDA Margin on System Sales⁽¹⁾ before The Keg royalty expense was 5.9% for the quarter compared to 7.1% in 2019. Operating EBITDA Margin on System Sales⁽¹⁾ before The Keg royalty expense for the 52 weeks ended December 27, 2020 was 4.9% compared to 6.6% in 2019. Operating EBITDA Margin on System Sales after The Keg royalty expense for the 13 and 52 weeks ended December 27, 2020 was 5.7% and 4.7% compared to 6.8% and 6.2% in 2019, respectively.
- The Company opened two Ultimate Kitchens locations in Toronto during 2020. Ultimate Kitchens is a delivery and take-out concept offering customers greater choice from the ability to order from multiple brands on the same order or to simply order from a specific brand. Ultimate Kitchens represents a significant opportunity for future growth and expansion for Recipe. The Company intends to open two additional Ultimate Kitchens locations in Montreal and Hamilton during the first and second quarters in 2021.
- The Company opened its first "Fresh since 1999" joint venture location in the fourth quarter of 2020. Fresh is a modern plant-based full service restaurant brand that offers healthy vegan menu options made from whole and natural ingredients. The Fresh brand represents a significant opportunity for future growth and is on-point to meet the increasing consumer demand for great tasting plant-based food and beverages.
- The Company successfully amended its lending covenants with its banking syndicate and private noteholders on February 18, 2021. The amendments will provide additional covenant flexibility during the COVID-19 disruption period. The covenant amendments are effective through to the end of the first quarter of 2022.
- The Company continues to execute the planned closures of restaurants that no longer fit its long-term strategic plan. For the 52 weeks ended December 27, 2020, the Company successfully closed and exited 64 restaurants, including 18 corporate, 43 franchise and 3 joint venture locations.
- Net earnings were \$23.6 million for the 13 weeks ended December 27, 2020 compared to a net loss of \$1.9 million in 2019, an increase of \$25.5 million for the quarter. The \$25.5 million increase in the quarter was primarily driven by a decrease in asset impairment charges in the quarter of \$29.9 million, partially offset by a decrease in Operating EBITDA of \$25.5 million.
- Net losses were \$53.0 million for the 52 weeks ended December 27, 2020 compared to net earnings of \$43.9 million in 2019, representing a decrease of \$96.9 million. The \$96.9 million decrease for the year was primarily driven by a decrease in Operating EBITDA due to the effects of COVID-19.

- Adjusted Basic Earnings per Share ⁽¹⁾ (“EPS”) for the 13 weeks ended December 27, 2020 was \$0.29 compared to \$0.79 in 2019, a decrease of \$0.51 or 64.6%. Adjusted Diluted EPS for the 13 weeks ended December 27, 2020 was \$0.28 compared to \$0.77 in 2019, a decrease of \$0.49 or 63.6%.
- Adjusted Basic EPS for the 52 weeks ended December 27, 2020 was \$0.82 compared to \$1.76 in 2019, a decrease of \$0.94 or 53.4%. Adjusted Diluted EPS for the 52 weeks ended December 27, 2020 was \$0.82 compared to \$1.71 in 2019, a decrease of \$0.89 or 52.0%.
- Free Cash Flow before growth capex⁽¹⁾, for the 13 weeks ended December 27, 2020 was \$17.5 million, compared to \$44.3 million in 2019. Free Cash Flow before growth capex, dividends and share repurchases under the Company's normal course issuer bid ("NCIB")⁽²⁾ for the 52 weeks ended December 27, 2020 was \$50.5 million, compared to \$155.9 million in 2019. Positive Free Cash Flow for the quarter and year reflects the success of our cost management efforts, the benefit of government subsidies, while providing financial support to franchisees.
- Free Cash Flow per share before growth capex on a diluted basis for the 13 weeks ended December 27, 2020 was \$0.31, compared to \$0.76 in 2019. Free Cash Flow per share before growth capex, dividends and share repurchases under the Company's NCIB⁽²⁾ for the 52 weeks ended December 27, 2020 was \$0.90, compared to \$2.52 in 2019.

⁽¹⁾ See “Non-IFRS Measures” on page 50 for definitions of System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, Free Cash Flow before growth capex, 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⁾ The Company's normal course issuer bid expired on June 23, 2020 without being renewed.

Subsequent Events

Lending Covenant Amendments

On February 18, 2021, Company amended its lending covenants with its banking syndicate and Private Noteholders to provide additional covenant flexibility during the COVID-19 disruption period. The covenants amendments are effective through to the end of the first quarter of 2022.

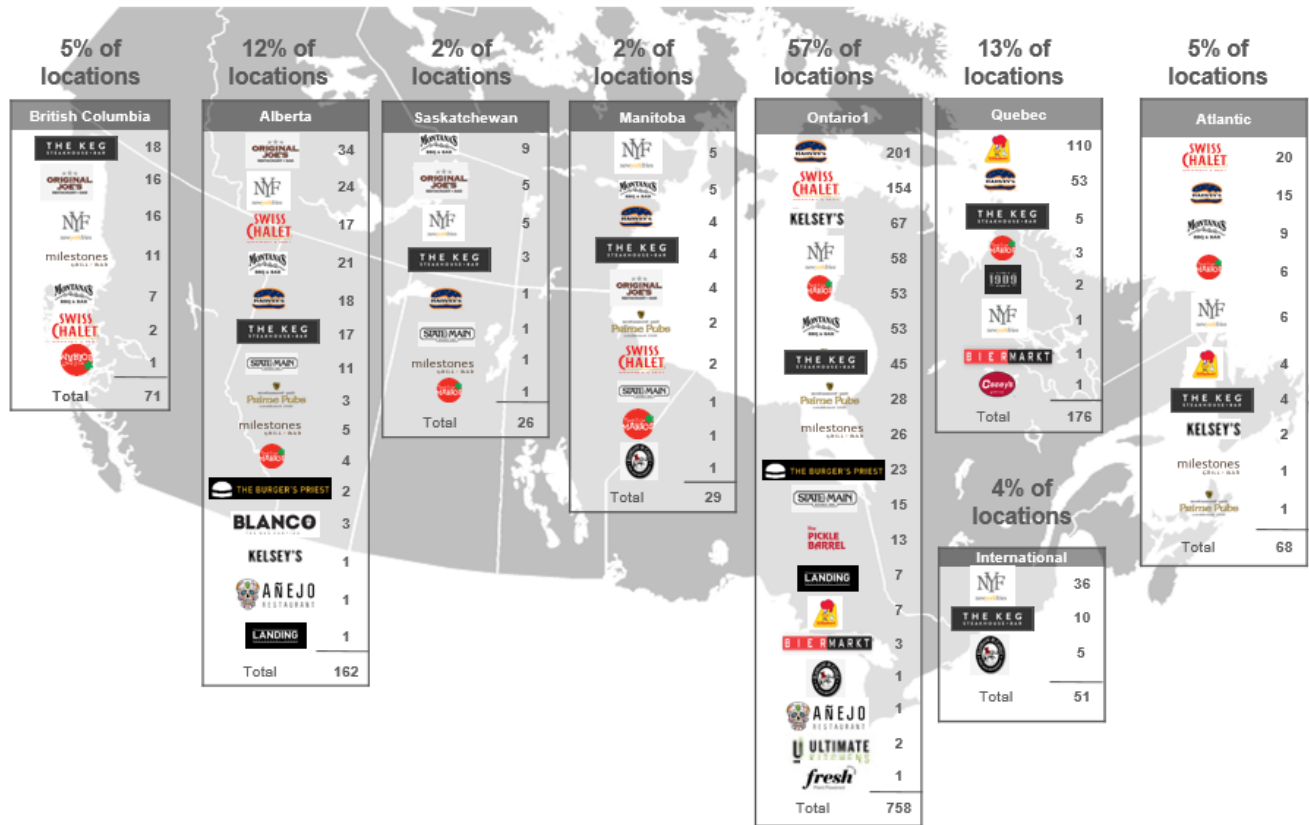
Keg Restaurants Ltd. Additional Entitlement

On January 1, 2021, an estimated \$12.2 million in annual net sales were added to the Royalty Pool. Two new restaurants that opened during the period from October 3, 2019 through October 2, 2020. Two permanently closed Keg restaurants with annual sales of \$4.9 million were removed from the Royalty Pool. The total number of restaurants in the Royalty Pool remained at 106. The pre-tax yield of the Fund units was determined to be 12.88% calculated using a weighted average unit price of \$8.27. As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the estimated Additional Entitlement is received, KRL's Additional Entitlement will be equivalent to 252,471 Fund units, being 1.53% of the Fund units on a fully diluted basis.

On January 1, 2021, KRL received 80% of this entitlement, representing the equivalent of 201,977 Fund units, being 1.23% of the Fund units on a fully diluted basis. KRL will also receive a proportionate increase in monthly distributions from the Partnership. Including the initial portion of the Additional Entitlement described above, KRL will effectively own the equivalent of 5,052,916 Fund units, representing 30.80% of the Fund units on a fully diluted basis. The balance of the additional entitlement will be adjusted on December 25, 2022 to be effective January 1, 2021, once the actual performance of the new restaurants has been confirmed. If KRL were to receive 100% of the estimated Additional Entitlement for 2021, KRL will effectively own the equivalent of 5,103,410 Fund units, representing 31.01% of the Fund units on a fully diluted basis.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at December 27, 2020, Recipe had 25 brands and 1,341 restaurants, 84% of which are operated by franchisees and joint venture partners, operating in 11 countries (Canada, USA, Bahrain, China, India, Macao, Oman, Panama, Qatar, Saudi Arabia and the UAE).



Unit count (unaudited)	As at December 27, 2020				As at December 29, 2019			
	Corporate	Franchise	Joint Venture	Total	Corporate	Franchise	Joint Venture	Total
Swiss Chalet	11	184	—	195	14	193	—	207
Harvey's	9	283	—	292	8	287	—	295
Montana's	5	99	—	104	5	100	—	105
Kelsey's	5	65	—	70	5	65	—	70
East Side Mario's ⁽¹⁾	4	65	—	69	3	72	—	75
Prime Pubs	4	30	—	34	3	38	—	41
Bier Markt	4	—	—	4	5	—	—	5
Milestones	29	15	—	44	26	16	2	44
Landing	8	—	—	8	9	—	—	9
New York Fries	19	132	—	151	17	140	—	157
St-Hubert	12	109	—	121	11	112	—	123
Original Joe's	16	30	13	59	17	29	14	60
State & Main	8	15	5	28	7	13	7	27
Elephant & Castle	7	—	—	7	8	1	—	9
Burger's Priest	—	—	25	25	—	—	21	21
1909 Taverne Moderne	—	—	2	2	—	—	2	2
Pickle Barrel	13	—	—	13	13	—	—	13
The Keg	51	55	—	106	49	58	—	107
Anejo	2	—	—	2	1	—	—	1
Blanco Cantina	1	2	—	3	1	—	—	1
Casey's	—	1	—	1	—	1	—	1
Fresh	—	—	1	1	—	—	—	—
Ultimate Kitchens	2	—	—	2	—	—	—	—
Total restaurants	210	1,085	46	1,341	202	1,125	46	1,373
	16%	81%	3%	100%	15%	82%	3%	100%

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

Restaurant Portfolio Management and Continuous Network Improvement

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

During the 52 weeks ended December 27, 2020, Management successfully opened 32 locations (including 8 corporate, 19 franchised and 5 joint venture locations), and closed and exited 64 locations (including 18 corporate, 43 franchise and 3 joint venture locations), as part of the Company's pre-COVID long-term strategic portfolio plan. The permanent closure of non-strategic locations has accelerated faster than originally planned because of the COVID-19 shutdown and successful landlord exit negotiations.

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

Restaurant renovations also contribute to network improvement and demonstrate commitment by franchisees to reinvest in their business. However, the timing of renovations is dependent on having sufficient term remaining on both the particular franchise agreement and lease agreement. Franchisees are responsible for financing franchise restaurant renovations. As a result of COVID-19, Management temporarily stopped most restaurant renovations that were planned for 2020 and focused on maximizing sales and cash flow for corporate and franchise locations.

The Company contributes towards renovation incentive programs for certain brands to assist franchisees with the cost of major renovations that are expected to generate long-term System Sales increases from enhanced guest experiences across all 4 Pillars of Operational Excellence. For the 52 weeks ended December 27, 2020, the Company contributed \$0.5 million towards these renovation incentive programs which supported the completion of 22 restaurant renovations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at December 27, 2020, there were 1,341 restaurants. The following table presents the changes in Recipe's restaurant unit count:

Unit count (unaudited)	For the 52 weeks ended December 27, 2020							
	December 27, 2020				December 29, 2019			
	Corporate	Franchised	Joint Venture	Total	Corporate	Franchised	Joint Venture	Total
Beginning of year ⁽¹⁾	202	1,125	46	1,373	208	1,128	46	1,382
Acquisitions ⁽²⁾	—	—	—	—	2	—	—	2
New openings	8	19	5	32	5	39	4	48
Closures	(18)	(43)	(3)	(64)	(23)	(33)	(3)	(59)
Corporate buybacks ⁽³⁾	19	(17)	(2)	—	13	(13)	—	—
Restaurants re-franchised ⁽⁴⁾	(1)	1	—	—	(3)	4	(1)	—
End of period	210	1,085	46	1,341	202	1,125	46	1,373

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

(2) Anejo and Blanco Cantina were acquired on May 25, 2019.

(3) Corporate buy backs represent previously franchised restaurants acquired by the Company to operate corporately.

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

Selected Financial Information

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

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	Dec 27, 2020	Dec 29, 2019	Dec 27, 2020	Dec 29, 2019
System Sales ⁽¹⁾⁽²⁾	\$ 611.3	\$ 895.8	\$ 2,424.7	\$ 3,486.9
System Sales Growth ⁽¹⁾⁽²⁾	(31.8)%	(1.1)%	(30.5)%	2.1 %
Number of corporate restaurants	210	202	210	202
Number of joint venture restaurants	46	46	46	46
Number of franchised restaurants	1,085	1,125	1,085	1,125
Total number of restaurants (at period end)	1,341	1,373	1,341	1,373
Total gross revenue	\$ 210.9	\$ 327.0	\$ 864.6	\$ 1,252.5
Operating EBITDA ⁽²⁾	\$ 35.0	\$ 60.5	\$ 113.8	\$ 216.0
Operating EBITDA Margin ⁽²⁾	16.6 %	18.5 %	13.2 %	17.2 %
Operating EBITDA Margin on System Sales ⁽²⁾	5.7 %	6.8 %	4.7 %	6.2 %
Net Keg royalty expense	\$ (1.1)	\$ (3.5)	\$ (5.6)	\$ (14.2)
Operating EBITDA ⁽²⁾ , excluding The Keg royalty	\$ 36.1	\$ 64.0	\$ 119.3	\$ 230.3
Operating EBITDA Margin ⁽²⁾ excluding The Keg royalty	17.1 %	19.6 %	13.8 %	18.4 %
Operating EBITDA Margin on System Sales ⁽²⁾ excluding The Keg royalty	5.9 %	7.1 %	4.9 %	6.6 %
Free cash flow ⁽²⁾ , before growth capex, dividends and NCIB	\$ 17.5	\$ 44.3	\$ 50.5	\$ 155.9
Free cash flow ⁽²⁾ per share - Basic (in dollars)	\$ 0.31	\$ 0.79	\$ 0.90	\$ 2.60
Free cash flow ⁽²⁾ per share - Diluted (in dollars)	\$ 0.31	\$ 0.76	\$ 0.90	\$ 2.52
Free cash flow ⁽²⁾ , after growth capex, dividends and NCIB	\$ 17.2	\$ 29.4	\$ 35.1	\$ 65.0
Free cash flow ⁽²⁾ per share - Basic (in dollars)	\$ 0.30	\$ 0.52	\$ 0.62	\$ 1.08
Free cash flow ⁽²⁾ per share - Diluted (in dollars)	\$ 0.30	\$ 0.51	\$ 0.62	\$ 1.05
Net earnings (loss)	\$ 23.6	\$ (1.9)	\$ (53.0)	\$ 43.9
Basic EPS (in dollars)	\$ 0.43	\$ (0.03)	\$ (0.92)	\$ 0.74
Diluted EPS (in dollars)	\$ 0.42	\$ (0.03)	\$ (0.92)	\$ 0.72
Adjusted Net Earnings ⁽²⁾	\$ 16.1	\$ 44.8	\$ 46.1	\$ 105.7
Adjusted Basic EPS ⁽²⁾ (in dollars)	\$ 0.29	\$ 0.79	\$ 0.82	\$ 1.76
Adjusted Diluted EPS ⁽²⁾ (in dollars)	\$ 0.28	\$ 0.77	\$ 0.82	\$ 1.71

(1) Results from New York Fries located outside of Canada, East Side Mario's restaurants in the United States, Casey's restaurants are excluded from System Sales Growth. See "Non-IFRS Measures" on page 50 for definition of System Sales Growth.

(2) See "Non-IFRS Measures" on page 50 for definitions of System Sales, System Sales Growth, Operating EBITDA, Operating EBITDA Margin, and Operating EBITDA on System Sales.

The following table summarizes results of Recipe's operations for the 13 weeks and 52 weeks ended December 27, 2020, and December 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)		
System Sales ⁽²⁾⁽³⁾	\$ 611.3	\$ 895.8	\$ 2,424.7	\$ 3,486.9
Sales	\$ 179.9	\$ 279.2	\$ 737.9	\$ 1,065.9
Franchise revenues	31.0	47.8	126.7	186.5
Total gross revenue ⁽¹⁾	\$ 210.9	\$ 327.0	\$ 864.6	\$ 1,252.5
Cost of inventories sold	(91.3)	(120.5)	(358.6)	(452.2)
Selling, general and administrative expenses				
Corporate restaurant expenses	(58.1)	(111.5)	(266.0)	(447.4)
Advertising fund transfers	(12.4)	(17.1)	(49.0)	(64.3)
The Keg royalty expense	(3.1)	(6.3)	(13.9)	(25.4)
Franchise assistance and bad debt	0.6	(1.0)	(2.8)	(3.8)
Depreciation & amortization	(25.4)	(28.9)	(102.9)	(112.5)
Net gain on disposal of property, plant and equipment and other assets	(3.1)	1.3	0.5	0.4
Gain on settlement of lease liabilities	(0.8)	1.4	(1.1)	1.4
Losses on early buyout/cancellation of equipment rental contracts	0.4	(1.5)	0.4	(3.2)
Other	0.3	3.8	(13.7)	(2.0)
Selling, general and administrative expenses ⁽¹⁾	(101.6)	(159.8)	(448.5)	(656.8)
Impairment of assets, net of reversals	(17.7)	(47.6)	(79.2)	(57.2)
Restructuring and other	0.6	(3.6)	(5.6)	(6.6)
Operating income (loss) ⁽¹⁾	\$ 1.0	\$ (4.5)	\$ (27.4)	\$ 79.5
Net interest expense and other financing charges	(7.6)	(6.4)	(31.4)	(23.2)
Share of gain/(loss) from investment in joint ventures	0.6	(0.2)	1.6	(1.4)
Earnings (loss) before change in fair value and income taxes ⁽¹⁾	\$ (6.1)	\$ (11.1)	\$ (57.2)	\$ 54.8
Change in fair value of non-controlling interest liability	2.1	0.3	2.1	0.3
Change in fair value of contingent liability	5.0	10.0	5.0	10.0
Change in fair value of exchangeable Partnership units	22.8	(5.1)	(19.2)	(4.3)
Earnings (loss) before income taxes ⁽¹⁾	\$ 23.9	\$ (6.0)	\$ (69.2)	\$ 60.8
Income taxes - current	5.9	(6.0)	(1.1)	(24.8)
Income taxes - deferred	(6.1)	10.0	17.3	8.0
Net earnings (loss) ⁽¹⁾	\$ 23.6	\$ (1.9)	\$ (53.0)	\$ 43.9
Adjusted Net Earnings ⁽²⁾	\$ 16.1	\$ 44.8	\$ 46.1	\$ 105.7
Earnings per share attributable to common shareholders				
Basic EPS	\$ 0.43	\$ (0.03)	\$ (0.92)	\$ 0.74
Diluted EPS	\$ 0.42	\$ (0.03)	\$ (0.92)	\$ 0.72
Adjusted Basic EPS ⁽²⁾	\$ 0.29	\$ 0.79	\$ 0.82	\$ 1.76
Adjusted Diluted EPS ⁽²⁾	\$ 0.28	\$ 0.77	\$ 0.82	\$ 1.71

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See "Non-IFRS Measures" on page 50 for definitions of System Sales, Adjusted Net Earnings, Adjusted Basic EPS and Adjusted Diluted EPS. See page 10 for a reconciliation of Net Earnings to Adjusted Net Earnings.

⁽³⁾ Results from East Side Mario's restaurants in the United States are excluded from System Sales totals. See "Non-IFRS Measures" on page 50 for definition of System Sales.

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	Dec 27, 2020	Dec 29, 2019
	(unaudited)	(unaudited)		
Reconciliation of Net Earnings to Adjusted Net Earnings				
Net earnings (loss).....	\$ 23.6	\$ (1.9)	\$ (53.0)	\$ 43.9
Transaction costs.....	1.8	1.8	2.3	2.3
Impairment charges.....	17.7	47.6	79.2	57.2
Restructuring and other.....	(0.6)	3.6	5.6	6.6
Change in fair value non-controlling interest liability and contingent liability.....	(7.1)	(10.3)	(7.1)	(10.3)
Change in fair value of exchangeable partnership units.....	(22.8)	5.1	19.2	4.3
Amortization of unearned conversion fees income.....	—	—	(0.2)	0.1
Losses on early buyout/cancellation of equipment rental contracts.....	(0.4)	1.5	(0.4)	3.2
Net gain on disposal of property, plant and equipment and other assets.....	3.1	(1.3)	(0.5)	(0.4)
Gain on settlement of lease liabilities.....	0.8	(1.4)	1.1	(1.4)
Adjusted Net Earnings ⁽¹⁾⁽²⁾	\$ 16.1	\$ 44.8	\$ 46.1	\$ 105.7
Reconciliation of Net Earnings to EBITDA ⁽²⁾				
Net earnings (loss).....	\$ 23.6	\$ (1.9)	\$ (53.0)	\$ 43.9
Net interest expense and other financing charges.....	7.6	6.4	31.4	23.2
Income taxes.....	0.2	(4.1)	(16.2)	16.9
Depreciation and amortization.....	26.0	29.5	105.3	114.7
EBITDA ⁽²⁾	\$ 57.4	\$ 29.9	\$ 67.5	\$ 198.7
Reconciliation of EBITDA ⁽²⁾ to Operating EBITDA ⁽²⁾ :				
Transaction costs.....	1.8	1.8	2.3	2.3
Impairment charges.....	17.7	47.6	79.2	57.2
Restructuring and other.....	(0.6)	3.6	5.6	6.6
Change in fair value non-controlling interest liability and contingent liability.....	(7.1)	(10.3)	(7.1)	(10.3)
Change in fair value of exchangeable partnership units.....	(22.8)	5.1	19.2	4.3
Income on Partnership and Fund units.....	2.0	2.8	8.2	11.1
Amortization of unearned conversion fees income.....	—	—	(0.2)	0.1
Losses on early buyout/cancellation of equipment rental contracts.....	(0.4)	1.5	(0.4)	3.2
Net gain on disposal of property, plant and equipment and other assets.....	3.1	(1.3)	(0.5)	(0.4)
Gain on settlement of lease liabilities.....	0.8	(1.4)	1.1	(1.4)
Stock based compensation.....	0.4	(5.4)	1.3	(0.3)
Proportionate share of joint venture results.....	(4.1)	0.7	(6.2)	2.1
Rent impact from IFRS 16 Leases.....	(13.1)	(14.1)	(56.3)	(57.2)
Operating EBITDA ⁽¹⁾⁽²⁾	\$ 35.0	\$ 60.5	\$ 113.8	\$ 216.0

⁽¹⁾Figures may not total due to rounding.

⁽²⁾See “Non-IFRS Measures” on page 50 for definitions of Adjusted Net Earnings, EBITDA and Operating EBITDA.

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)		
Operating EBITDA ⁽¹⁾⁽²⁾	\$ 35.0	\$ 60.5	\$ 113.8	\$ 216.0
Reconciliation of Operating EBITDA ⁽²⁾ to Free Cash Flow⁽²⁾:				
Maintenance capex	(2.8)	(5.0)	(15.0)	(19.4)
Interest on long-term debt	(5.7)	(5.5)	(24.3)	(17.8)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(4.3)	(4.3)
Cash taxes	(8.0)	(4.6)	(19.7)	(18.6)
Free Cash Flow⁽²⁾ before Growth capex, dividends and NCIB⁽¹⁾	\$ 17.5	\$ 44.3	\$ 50.5	\$ 155.9
Growth capex	(0.4)	(8.9)	(13.3)	(29.6)
Proceeds on sale of assets	0.1	0.2	4.6	0.9
Dividends	—	(6.3)	(6.6)	(26.9)
NCIB	—	—	—	(35.2)
Free Cash Flow⁽²⁾ after Growth capex, dividends and NCIB⁽¹⁾	\$ 17.2	\$ 29.4	\$ 35.1	\$ 65.0

⁽¹⁾Figures may not total due to rounding.

⁽²⁾See “Non-IFRS Measures” on page 50 for definitions of Adjusted Net Earnings, EBITDA and Operating EBITDA.

Financial results

System Sales

System Sales for the 13 weeks ended December 27, 2020 was \$611.3 million compared to \$895.8 million in 2019, representing a decrease of 31.8%, driven by a 43% reduction in operating weeks caused by complete and partial restaurant closures during the fourth quarter. System Sales for the 52 weeks ended December 27, 2020 was \$2,424.7 million compared to \$3,486.9 million in 2019, representing a decrease of \$1,062.2 million or 30.5% for the year. The decreases in System Sales were partially offset by sales increases in the off-premise channel and 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 \$210.9 million and \$864.6 million for the 13 and 52 weeks ended December 27, 2020 compared to \$327.0 million and \$1,252.5 million in 2019, representing a decrease of \$116.1 million or 35.5% for the quarter and a decrease of \$387.9 million or 31.0% for the year. The decreases in gross revenues were primarily related to the slowdown in restaurants sales as a result of the COVID-19 pandemic, partially offset by increases in the Retail and Catering segment and the growth off-premise sales.

Selling, general and administrative expenses

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

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

(C\$ thousands unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)		
Corporate restaurant expenses	\$ 58.1	\$ 111.5	\$ 266.0	\$ 447.4
Advertising fund transfers	12.4	17.1	49.0	64.3
Franchise assistance and bad debt	(0.6)	1.0	2.8	3.8
The Keg royalty expense	3.1	6.3	13.9	25.4
Depreciation and amortization	25.4	28.9	102.9	112.5
Net gain on disposal of property, plant and equipment and other assets	3.1	(1.3)	(0.5)	(0.4)
Gain on settlement of lease liabilities	0.8	(1.4)	1.1	(1.4)
Losses on early buyout/cancellation of equipment rental contracts	(0.4)	1.5	(0.4)	3.2
Other	(0.3)	(3.8)	13.7	2.0
Total selling, general and administrative expenses ⁽¹⁾	\$ 101.6	\$ 159.9	\$ 448.5	\$ 656.9

⁽¹⁾ Figures may not total due to rounding.

SG&A expenses for the 13 and 52 weeks ended December 27, 2020 was \$101.6 million and \$448.5 million compared to \$159.9 million and \$656.9 million in 2019, representing a decrease of \$58.3 million or 36.5% for the quarter and a decrease of \$208.4 million or 31.7% for the year. The decrease for the 13 and 52 weeks ended December 27, 2020 was largely related to a decrease in corporate restaurant expenses, Federal Government wage subsidies and other cost reduction initiatives taken by the Company, which offset reductions in vendor purchase allowances related to the decrease in system sales.

Impairment of assets

The Company recorded an impairment of assets of \$17.7 million and \$79.2 million for the 13 and 52 weeks ended December 27, 2020, compared to \$47.6 million and \$57.2 million for the 13 and 52 weeks ended December 29, 2019. Impairment charges for the 13 and 52 weeks ended December 27, 2020, includes the cost of the financial support programs introduced in 2020 to assist the Company's franchise partners during the COVID-19 pandemic (see "Impact of COVID-19" discussion), as well as impairment losses on tangible and intangible assets of certain under-performing corporate restaurants.

Net interest expense and other financing charges

Finance costs are derived from Recipe's financing activities which include the term credit facility and private debt, amortization of financing fees, interest income on The Keg Partnership units and net interest expense related to the new lease standard.

(C\$ thousands unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	Dec 27, 2020	Dec 29, 2019
	(unaudited)	(unaudited)		
Interest expense on long-term debt.....	\$ 5.7	\$ 5.5	\$ 24.3	\$ 17.8
Interest expense on note payable to The Keg Royalties Income Fund.....	1.1	1.1	4.3	4.3
Financing costs.....	0.2	0.2	1.0	0.9
Interest expense - other.....	0.1	0.2	0.6	0.3
Interest income on Partnership units and KRIF units....	(2.0)	(2.8)	(8.2)	(11.1)
Interest income.....	(0.5)	(0.7)	(2.7)	(2.0)
Interest on lease obligations.....	7.1	7.8	29.2	32.2
Interest income on lease receivable (note 13).....	(4.1)	(4.8)	(17.0)	(19.1)
Total net interest expense and other financing charges⁽¹⁾	\$ 7.6	\$ 6.4	\$ 31.4	\$ 23.2
Total debt (excluding financing costs)	\$ 491.8	\$ 479.3	\$ 491.8	\$ 479.3

⁽¹⁾ Figures may not total due to rounding.

Net interest expense and other financing charges were \$7.6 million compared to \$6.4million in 2019 for the 13 weeks ended December 27, 2020, an increase of \$1.1 million. Net interest expense and other financing charges for the 52 weeks ended December 27, 2020 were \$31.4 million compared to \$23.2 million in 2019, an increase of \$8.3 million. The increase for the year relates to increases in debt related to the SIB in the fourth quarter of 2019, the \$300.0 million draw on the Company's credit facility at the end of March to provide liquidity during COVID-19 and higher interest charges after the Company's debt amendment on May 7, 2020. During the 52 weeks ended December 27, 2020, the Company repaid \$310.7 million of debt.

Income taxes

The Company recorded a current income tax recovery of \$5.9 million and expense of \$1.1 million for the 13 and 52 weeks ended December 27, 2020, compared to expense of \$6.0 million and \$24.8 million in 2019, representing a decrease of \$11.9 million and \$23.7 million, respectively. The decrease in current income tax expense is primarily related to lower taxable income during the quarter and for the year.

The Company recorded a net deferred income tax expense of \$6.1 million and recovery of \$17.3 million for the 13 and 52 weeks ended December 27, 2020, compared to expenses of \$10.0 million and \$8.0 million in 2019, representing a decrease in deferred income tax expense of \$16.1 million for the 13 weeks ended December 27, 2020 and a reduction of \$9.3 million for the 52 weeks ended December 27, 2020. The deferred income tax expense reduction in the quarter is primarily related to deferred tax on impairment of asset charges and the recognition of a deferred tax asset for the year relates to expected tax savings from non-capital losses.

Net earnings

Net earnings (loss) were \$23.6 million and (\$53.0) million for the 13 and 52 weeks ended December 27, 2020 compared to (\$1.9) million and \$43.9 million in 2019, representing an increase of \$25.5 million for the quarter and a decrease of \$96.9 million for the year.

The \$25.5 million increase in net earnings in the quarter was driven by a \$24.8 million increase in non-cash fair value expense adjustments and a decrease of \$29.8 million in asset impairment charges compared to the same period in 2019, partially offset by a decrease of \$25.5 million in Operating EBITDA due to the effects of COVID-19 and an increase in current and deferred taxes of \$4.2 million.

The \$96.9 million decrease in net earnings for the year was driven by a decrease in Operating EBITDA of \$102.2 million due to the effects of COVID-19, an increase in interest charges of \$8.2 million and an increase in net asset impairment charges of \$22.0 million due to the introduction of COVID-19 related financial support programs offered to franchise partners during the year. The decrease in net earnings was partially offset by a decrease in current tax expense of \$23.7 million, a decrease in deferred tax expense of \$9.3 million and other timing differences including the non-cash fair value adjustments to the Keg Royalty Income Fund Units.

Segment Performance

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

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

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

Retail and catering represent sales of St-Hubert, Swiss Chalet, Montana's and The 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 The Pickle Barrel, Rose Reisman Catering, and Marigolds & Onions. For comparative purposes, the Company has retroactively restated the allocation of overhead expenses related to the retail and catering and central segments to more accurately reflect actual overhead costs incurred in this segment.

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

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

Operating EBITDA

For the 13 weeks ended December 27, 2020, Operating EBITDA⁽¹⁾ before The Keg royalty expense was \$36.1 million, representing 5.9% contribution as a percentage of Total System Sales, compared to \$64.0 million, representing 7.1% in 2019. Operating EBITDA⁽¹⁾ before The Keg royalty expense for the 52 weeks ended December 27, 2020 was \$119.3 million, representing 4.9% contribution as a percentage of Total System Sales, compared to \$230.3 million, representing 6.6% in 2019.

Operating EBITDA⁽¹⁾ after The Keg royalty expense was \$35.0 million for the 13 weeks ended December 27, 2020 compared to \$60.5 million in 2019, representing a decrease of \$25.5 million or 42.1% for the quarter. Operating EBITDA⁽¹⁾ after The Keg royalty expense for the year was \$113.8 million for the 52 weeks ended December 27, 2020 compared to \$216.0 million in 2019, representing a decrease of \$102.2 million or 47.3%.

The decrease in Operating EBITDA for the quarter and the year were driven by the decline in system sales (due to COVID-19), partially offset by lower SG&A costs, government wage subsidies, and various cost saving measures implemented by the Company.

(unaudited)

13 weeks ended December 27, 2020

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 93,061	\$ 425,681	\$ 92,575	\$ —	\$ 611,317
Corporate Results					
Sales.....	\$ 89,014	\$ —	\$ —	\$ 3,908	\$ 92,922
Cost of inventories sold and cost of labour.....	(52,549)	—	—	—	(52,549)
Restaurant contribution before other costs.....	36,465	—	—	3,908	40,373
Restaurant contribution before other costs %.....	41.0 %	—	—	—	—
Other operating costs.....	(34,982)	—	—	—	(34,982)
Total Contribution	\$ 1,483	—	—	\$ 3,908	\$ 5,391
Franchise Results					
Franchise royalty income.....	—	\$ 16,133	—	—	16,133
Franchise royalty income as a % of franchise sales.....	—	3.8 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	2,402	2,402
Franchise rent assistance and bad debt.....	—	585	—	—	585
Contribution from franchise restaurants	—	\$ 16,718	—	\$ 2,402	\$ 19,120
Contribution from Retail and Catering	—	—	\$ 13,112	—	13,112
Net Central contribution	—	—	—	\$ (1,523)	(1,523)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 1,483	\$ 16,718	\$ 13,112	\$ 4,787	\$ 36,100
Net royalty expense.....	—	—	—	\$ (1,102)	\$ (1,102)
Operating EBITDA⁽¹⁾	\$ 1,483	\$ 16,718	\$ 13,112	\$ 3,685	\$ 34,998
Contribution as a % of corporate sales.....	1.7 %	—	—	—	—
Contribution as a % of franchise sales.....	—	3.9 %	—	—	—
Contribution as a % of total System Sales.....	—	—	14.2 %	0.6 %	5.7 %
Contribution (excluding net royalty expense) as a % of total System Sales.....	1.6 %	3.9 %	14.2 %	0.8 %	5.9 %

(unaudited)

13 weeks ended December 29, 2019

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 197,374	\$ 606,137	\$ 92,295	\$ —	\$ 895,806
Corporate Results					
Sales.....	\$ 192,586	\$ —	\$ —	\$ 2,986	\$ 195,572
Cost of inventories sold and cost of labour.....	(122,293)	—	—	—	(122,293)
Restaurant contribution before other costs.....	70,293	—	—	2,986	73,279
Restaurant contribution before other costs %.....	36.5 %	—	—	—	—
Other operating costs.....	(50,988)	—	—	—	(50,988)
Total Contribution	\$ 19,305	—	—	\$ 2,986	\$ 22,291
Franchise Results					
Franchise royalty income.....	—	\$ 27,615	—	—	27,615
Franchise royalty income as a % of franchise sales.....	—	4.6 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	3,172	3,172
Franchise rent assistance and bad debt.....	—	(1,048)	—	—	(1,048)
Contribution from franchise restaurants	—	\$ 26,567	—	\$ 3,172	\$ 29,739
Contribution from Retail and Catering	—	—	\$ 13,119	—	13,119
Net Central contribution	—	—	—	\$ (1,138)	(1,138)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 19,305	\$ 26,567	\$ 13,119	\$ 5,020	\$ 64,011
Net royalty expense.....	—	—	—	\$ (3,516)	\$ (3,516)
Operating EBITDA⁽¹⁾	\$ 19,305	\$ 26,567	\$ 13,119	\$ 1,504	\$ 60,495
Contribution as a % of corporate sales.....	10.0 %	—	—	—	—
Contribution as a % of franchise sales.....	—	4.4 %	—	—	—
Contribution as a % of total System Sales.....	—	—	14.2 %	0.2 %	6.8 %
Contribution (excluding net royalty expense) as a % of total System Sales.....	9.8 %	4.4 %	14.2 %	0.6 %	7.1 %

⁽¹⁾ See "Non-IFRS Measures" on page 50 for definitions of Operating EBITDA and page 10 for a reconciliation of Net Earnings to Operating EBITDA.

(unaudited)

52 weeks ended December 27, 2020

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 423,825	\$ 1,662,996	\$ 337,868	\$ —	\$ 2,424,689
Corporate Results					
Sales.....	\$ 408,674	\$ —	\$ —	\$ 13,406	\$ 422,080
Cost of inventories sold and cost of labour.....	(249,857)	—	—	—	(249,857)
Restaurant contribution before other costs.....	158,817	—	—	13,406	172,223
Restaurant contribution before other costs %.....	37.5 %	—	—	—	—
Other operating costs.....	(158,459)	—	—	—	(158,459)
Total Contribution	\$ 358	—	—	\$ 13,406	\$ 13,764
Franchise Results					
Franchise royalty income.....	—	67,572	—	—	67,572
Franchise royalty income as a % of franchise sales.....	—	4.1 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	9,699	9,699
Franchise rent assistance and bad debt.....	—	(2,779)	—	—	(2,779)
Contribution from franchise restaurants	—	\$ 64,793	—	\$ 9,699	\$ 74,492
Contribution from Retail and Catering⁽³⁾	—	—	\$ 48,372	—	48,372
Net Central contribution⁽³⁾	—	—	—	\$ (17,313)	(17,313)
Operating EBITDA⁽¹⁾⁽²⁾ before royalty expense	\$ 358	\$ 64,793	\$ 48,372	\$ 5,792	\$ 119,315
Net royalty expense.....	—	—	—	\$ (5,560)	\$ (5,560)
Operating EBITDA⁽¹⁾⁽²⁾	\$ 358	\$ 64,793	\$ 48,372	\$ 232	\$ 113,755
Contribution as a % of corporate sales.....	0.1 %	—	—	—	—
Contribution as a % of franchise sales.....	—	3.9 %	—	—	—
Contribution as a % of total System Sales.....	—	—	14.3 %	0.0 %	4.7 %
Contribution (excluding net royalty expense) as a % of total System Sales.....	0.1 %	3.9 %	14.3 %	0.2 %	4.9 %

(unaudited)

52 weeks ended December 29, 2019

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 790,053	\$ 2,380,462	\$ 316,379	\$ —	\$ 3,486,894
Corporate Results					
Sales.....	\$ 772,675	\$ —	\$ —	\$ 10,974	\$ 783,649
Cost of inventories sold and cost of labour.....	(494,838)	—	—	—	(494,838)
Restaurant contribution before other costs.....	277,837	—	—	10,974	288,811
Restaurant contribution before other costs %.....	35.2 %	—	—	—	—
Other operating costs.....	(202,879)	—	—	—	(202,879)
Total Contribution	\$ 74,958	—	—	\$ 10,974	\$ 85,932
Franchise Results					
Franchise royalty income.....	—	\$ 108,890	—	—	108,890
Franchise royalty income as a % of franchise sales.....	—	4.6 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	12,913	12,913
Franchise rent assistance and bad debt.....	—	(3,824)	—	—	(3,824)
Contribution from franchise restaurants	—	\$ 105,066	—	\$ 12,913	\$ 117,979
Contribution from Retail and Catering	—	—	\$ 36,489	—	36,489
Net Central contribution	—	—	—	\$ (10,145)	(10,145)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 74,958	\$ 105,066	\$ 36,489	\$ 13,742	\$ 230,255
Net royalty expense.....	—	—	—	\$ (14,242)	\$ (14,242)
Operating EBITDA⁽¹⁾	\$ 74,958	\$ 105,066	\$ 36,489	\$ (500)	\$ 216,013
Contribution as a % of corporate sales.....	9.7 %	—	—	—	—
Contribution as a % of franchise sales.....	—	4.4 %	—	—	—
Contribution as a % of total System Sales.....	—	—	11.5 %	0.0 %	6.2 %
Contribution (excluding net royalty expense) as a % of total System Sales.....	9.5 %	4.4 %	11.5 %	0.4 %	6.6 %

⁽¹⁾ See "Non-IFRS Measures" on page 50 for definitions of Operating EBITDA and page 10 for a reconciliation of Net Earnings to Operating EBITDA.

Corporate

As at December 27, 2020, the corporate restaurant segment consisted of 210 restaurants compared to 202 at December 29, 2019. During the 52 weeks ended December 27, 2020, the Company opened 8 new restaurants (including 2 Ultimate Kitchens locations), completed 19 corporate buybacks, closed 18 under-performing restaurants and re-franchised 1 restaurants. The corporate restaurant segment includes the proportionate results from the Company's 46 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and the 1909 Taverne Moderne joint venture.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales were impacted by the number of operating weeks that restaurants lost due to mandated government closures. Sales were \$89.0 million and \$408.7 million for the 13 and 52 weeks ended December 27, 2020 compared to \$192.6 million and \$772.7 million in 2019, a decrease of \$103.6 million or 53.8% for the quarter and a decrease of \$364.0 million or 47.1% for the year. The decrease in the quarter was related to the negative impact of the COVID-19 pandemic, partially offset by sales increases from off-premise, takeout and delivery in certain brands.

Cost of inventories sold and cost of labour

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

Cost of inventories sold and cost of labour was \$52.5 million and \$249.9 million for the 13 and 52 weeks ended December 27, 2020 compared to \$122.3 million and \$494.8 million in 2019, a decrease of \$69.8 million or 57.1% for the quarter and a decrease of \$244.9 million or 49.5% for the year. The decreases are related to corresponding decreases in sales and Federal government wage subsidies that reduced labour costs.

Contribution from Corporate segment

Total contribution from corporate restaurants was \$1.5 million and \$0.4 million for the 13 and 52 weeks ended December 27, 2020 compared to \$19.3 million and \$75.0 million in 2019, a decrease of \$17.8 million or 92.2% for the quarter and a decrease of \$74.6 million or 99.5% for the year. For the 13 weeks ended December 27, 2020, total contribution from corporate restaurants as a percentage of corporate sales was 1.7% compared to 10.0% in 2019. For the 52 weeks ended December 27, 2020, total contribution from corporate restaurants as a percentage of corporate sales was 0.1% compared to 9.7% for the 52 weeks in 2019. The decreases were related to sales declines due to COVID-19 while still incurring full overhead costs, partially offset by a decrease in variable overhead costs and federal wage subsidies.

Franchise

As at December 27, 2020, the franchise restaurant segment consisted of 1,085 restaurants compared to 1,125 at December 29, 2019. For the 52 weeks ended December 27, 2020, the Company completed 19 new restaurant openings, 1 corporate restaurant was re-franchised, partially offset by 43 closures, and 17 corporate take backs. 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 \$425.7 million and \$1,663.0 million during the 13 and 52 weeks ended December 27, 2020 compared to \$606.1 million and \$2,380.5 million in 2019, a decrease of \$180.4 million or 29.8% for the quarter and a decrease of \$717.5 million or 30.1% for the year. The decrease was related to the government mandated restaurant closures of restaurant dining rooms as a result of COVID-19, partially offset by sales increases from off-premise, takeout and delivery in certain brands.

Franchise revenues

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

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

Franchise revenues were \$16.1 million and \$67.6 million for the 13 and 52 weeks ended December 27, 2020 compared to \$27.6 million and \$108.9 million in 2019, a decrease of \$11.5 million or 41.7% for the quarter and a decrease of \$41.3 million or 37.9% for the year. The decreases were related to System Sales declines as a result of COVID-19, as well as lower royalty income as a result of the Company's 2020 royalty subsidy program.

Contribution from franchise segment

Total contribution from franchise restaurants was \$16.7 million for the 13 weeks ended December 27, 2020 compared to \$26.6 million in 2019, a decrease of \$9.9 million or 37.2% for the quarter. Total contribution from franchise restaurants was \$64.8 million for the 52 weeks ended December 27, 2020 compared to \$105.1 million in 2019, a decrease of \$40.3 million or 38.3%. The effective net royalty rate for the 13 and 52 weeks ended December 27, 2020 was 3.9% and 3.9% compared to 4.4% and 4.4% in 2019. The decreases are related to the negative sales impact as a result of COVID-19 and reflects the Company's direct support to its franchise partners, including the royalty subsidy.

Retail and Catering

Sales

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

Catering sales relate to food and beverage sales from Recipe's catering divisions operating under the names of The Pickle Barrel, Rose Reisman Catering, and Marigolds & 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 December 27, 2020 was \$13.1 million compared to \$13.1 million in 2019. Contribution from retail and catering for the 52 weeks ended December 27, 2020 was \$48.4 million compared to \$36.5 million in 2019, an increase of \$11.9 million or 32.6%. The increase for the year has been driven primarily from increased sales to retail grocery customers. The retail grocery and catering business has remained in full operation during the COVID-19 disruption and consumer demand for branded Recipe products at grocery channels has been strong.

For the 13 weeks ended December 27, 2020, total contribution from the retail and catering segment as a percentage of sales was 14.2% compared to 14.2% in 2019, which an increase in retail contributions offset by a decrease in the catering segment due to the negative effects of COVID-19. For the 52 weeks ended December 27, 2020, total contribution from the retail and catering segment as a percentage of sales was 14.3% compared to 11.5% for the 52 weeks in 2019, driven by higher gross margins and federal wage subsidies.

Central

Sales

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

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

Total central segment sales were \$3.9 million and \$13.4 million for the 13 and 52 weeks ended December 27, 2020 compared to \$3.0 million \$11.0 million in 2019, representing an increase of \$2.4 million or 21.8% for the year. The increase reflects the demand for Recipe prepared meals and the success of Recipe's off-premise channels including pre-COVID development of e-commerce web and mobile ordering platforms for most brands.

New franchise fees, rent revenue and equipment rent

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

Franchise fees, property rent and equipment rent revenues from franchisees were \$2.4 million and \$9.7 million for the 13 and 52 weeks ended December 27, 2020 compared to \$3.2 million and \$12.9 million in 2019. The decreases are primarily related to less property rent and reductions in equipment rental revenue related to the expiry of equipment rental agreements.

Contribution from central segment

Central segment contribution before the net royalty expense for the 13 weeks ended December 27, 2020 was \$4.8 million compared to \$5.0 million in 2019, representing a decrease of \$0.2 million or 4.0% for the quarter. Central segment contribution before the net royalty expense for the 52 weeks ended December 27, 2020 was \$5.8 million compared to \$13.7 million in 2019, representing a decrease of \$7.9 million or 57.7%. The decreases are primarily related to less property rent charged as a percent of sales due to COVID-19 and reductions in vendor volume rebates from less system sales caused by COVID, partially offset by increases in off-premise fee revenues.

Total central segment contribution, before the net royalty expense, as a percentage of total System Sales for the 13 weeks ended December 27, 2020 was 0.8% compared to 0.6% in 2019. Total central segment contribution, before the net royalty expense, as a percentage of total System Sales for the 52 weeks ended December 27, 2020 was 0.2% compared to 0.4% in 2019.

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.

	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019	Q3 – 2019 Sept 29, 2019	Q2 – 2019 Jun 30, 2019	Q1 – 2019 Mar 31, 2019	Q4 – 2018 Dec 30, 2018
(C\$ millions unless otherwise stated) ⁽¹⁾									
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽¹⁾	\$ 611.3	\$ 676.4	\$ 389.8	\$ 747.2	\$ 895.8	\$ 869.1	\$ 871.3	\$ 850.7	\$ 905.4
Total System Sales Growth ⁽¹⁾	(31.8) %	(22.2) %	(55.1) %	(12.2) %	(1.1) %	(1.2) %	(0.3) %	12.5 %	16.8 %
Number of restaurants (at period end).....	1,341	1,355	1,354	1,363	1,373	1,375	1,384	1,382	1,382
Operating EBITDA ⁽¹⁾	\$ 35.0	\$ 42.5	\$ 15.6	\$ 20.5	\$ 60.5	\$ 49.5	\$ 56.0	\$ 50.1	\$ 63.3
Operating EBITDA Margin on System Sales ⁽¹⁾⁽²⁾	5.7 %	6.3 %	4.0 %	2.7 %	6.8 %	5.7 %	6.4 %	5.9 %	7.0 %
Corporate restaurant sales.....	\$ 89.0	\$ 123.8	\$ 37.7	\$ 158.1	\$ 192.6	\$ 191.3	\$ 196.2	\$ 192.6	\$ 205.0
Number of corporate restaurants.....	210	216	206	203	202	208	209	211	208
Contribution from Corporate segment.....	\$ 1.5	\$ 12.8	\$ (13.5)	\$ (0.4)	\$ 19.3	\$ 16.8	\$ 20.5	\$ 18.5	\$ 21.5
Contribution as a % of corporate sales.....	1.7 %	10.3 %	(35.8) %	(0.3) %	10.0 %	8.8 %	10.5 %	9.6 %	10.7 %
Number of joint venture restaurants.....	46	46	45	45	46	44	46	47	46
Franchise restaurant sales.....	\$ 425.7	\$ 462.6	\$ 266.2	\$ 508.6	\$ 606.1	\$ 597.1	\$ 595.9	\$ 581.3	\$ 615.3
Number of franchised restaurants.....	1,085	1,093	1,103	1,115	1,125	1,123	1,129	1,124	1,128
Contribution from Franchise segment.....	\$ 16.7	\$ 17.1	\$ 9.1	\$ 21.9	\$ 26.6	\$ 26.1	\$ 26.9	\$ 25.5	\$ 26.6
Contribution as a % of Franchise sales.....	3.9 %	3.7 %	3.8 %	4.3 %	4.4 %	4.4 %	4.5 %	4.4 %	4.3 %
Retail and Catering sales.....	\$ 92.6	\$ 86.3	\$ 83.0	\$ 75.9	\$ 92.3	\$ 76.9	\$ 74.8	\$ 72.5	\$ 85.0
Contribution from Retail and Catering.....	\$ 13.1	\$ 12.6	\$ 14.8	\$ 7.6	\$ 13.1	\$ 8.0	\$ 7.2	\$ 8.2	\$ 12.5
Contribution as a % of Retail & Catering sales.....	14.2 %	14.6 %	17.8 %	10.1 %	14.2 %	10.4 %	9.6 %	11.3 %	14.7 %
Contribution from Central segment before The Keg royalty.....	\$ 4.8	\$ 2.0	\$ 4.7	\$ (5.7)	\$ 5.0	\$ 1.9	\$ 4.8	\$ 1.7	\$ 6.5
Contribution as a % of total System Sales.....	0.8 %	0.3 %	1.2 %	(0.8) %	0.6 %	0.6 %	1.0 %	0.6 %	1.1 %
Total gross revenue.....	\$ 210.9	\$ 243.3	\$ 140.4	\$ 269.9	\$ 327.0	\$ 309.0	\$ 311.9	\$ 304.6	\$ 328.2
Operating EBITDA Margin ⁽¹⁾	16.6 %	17.5 %	11.1 %	7.6 %	18.5 %	16.0 %	18.0 %	16.4 %	19.3 %
Earnings (loss) before income taxes	\$ 23.9	\$ 9.7	\$ (52.7)	\$ (50.1)	\$ (6.0)	\$ 11.9	\$ 23.8	\$ 31.3	\$ 15.4
Net earnings (loss).....	\$ 23.6	\$ 5.2	\$ (40.6)	\$ (41.2)	\$ (1.9)	\$ 6.7	\$ 16.6	\$ 22.7	\$ 9.0
Adjusted Net Earnings ⁽¹⁾	\$ 16.1	\$ 16.1	\$ 6.2	\$ 7.3	\$ 44.8	\$ 19.5	\$ 23.4	\$ 18.3	\$ 35.0
Net earnings operations attributable to common shareholders of the Company.....	\$ 24.1	\$ 5.1	\$ (40.3)	\$ (41.0)	\$ (1.6)	\$ 6.8	\$ 16.6	\$ 22.5	\$ 9.0
EPS attributable to common shareholders of the Company (in dollars).....									
Basic EPS.....	\$ 0.43	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11	\$ 0.27	\$ 0.36	\$ 0.15
Diluted EPS.....	\$ 0.42	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11	\$ 0.26	\$ 0.35	\$ 0.14
Adjusted Basic EPS ⁽¹⁾	\$ 0.29	\$ 0.29	\$ 0.11	\$ 0.13	\$ 0.79	\$ 0.32	\$ 0.39	\$ 0.30	\$ 0.57
Adjusted Diluted EPS ⁽¹⁾	\$ 0.28	\$ 0.28	\$ 0.11	\$ 0.13	\$ 0.77	\$ 0.31	\$ 0.37	\$ 0.29	\$ 0.55
Free Cash Flow before growth capex, dividends, and NCIB ⁽¹⁾	\$ 17.5	\$ 33.4	\$ 3.6	\$ (4.3)	\$ 44.3	\$ 36.1	\$ 40.0	\$ 35.1	\$ 47.2
Free Cash Flow per share - basic (in dollars).....	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.79	\$ 0.59	\$ 0.65	\$ 0.57	\$ 0.76
Free Cash Flow per share - diluted (in dollars).....	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.76	\$ 0.58	\$ 0.63	\$ 0.55	\$ 0.74

⁽¹⁾ See “Non-IFRS Measures” on page 50 for definitions of System Sales, System Sales 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.

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;
- fluctuations in commodity prices; and
- public health issues and related matters.

Commentary on Quarterly Results

Public health concerns, seasonal factors and the timing of holidays may cause the Company's revenue to fluctuate from quarter to quarter. Adverse weather conditions may also affect customer traffic. 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 declined slightly from \$905.4 million in Q4 2018 to \$895.8 million in Q4 2019 as a result of permanent restaurant closures for locations that no longer fit the Company's long term strategy. System Sales declined from \$895.8 million in Q4 2019 to \$611.3 million in Q4 2020, which reflects the negative impact of the COVID-19 pandemic.

Operating EBITDA declined from \$63.3 million in Q4 2018 to \$60.5 million in Q4 of 2019 and declined again in Q4 2020 to \$35.0 million, due to the negative impact of the COVID-19 pandemic. Excluding The Keg royalty, Operating EBITDA in Q4 2019 was \$64.0 million and \$36.1 million in Q4 2020. Operating EBITDA Margin on System Sales before The Keg royalty was 7.4% in Q4 2018, 7.1% in Q4 2019 and 5.9% in Q4 2020. The decreases in Operating EBITDA and Operating EBITDA Margin on System Sales were related to the negative effects of the COVID-19 pandemic, partially offset by wage subsidies and various cost saving measures in the quarter and sales increases in our Retail and Catering division.

Contribution dollars from the corporate restaurant segment have fluctuated (year over year) each quarter as a result of the addition and sale of corporate restaurants and from taking back under-performing previously subsidized franchise locations. Quarterly contribution from the corporate segment decreased from \$21.5 million in Q4 2018 to \$19.3 million in Q4 2019 and decreased to \$1.5 million in Q4 2020. Contribution in Q4 2020 decreased as a result of the COVID-19 related system sales decrease, partially offset by a decrease of variable overhead costs as a result of corporate restaurant closures and wage subsidies.

The franchise restaurant segment contribution as a percentage of System Sales was 3.9% in Q4 2020 compared to 4.4% in Q4 2019 and 4.3% in Q4 2018. Quarterly contribution from the franchise segment for each quarter (year over year) were \$26.6

million in Q4 2018 and \$26.6 million in Q4 2019 and decreased to \$16.7 million in Q4 2020. The decline in Q4 2020 was driven by the negative sales impact as a result of COVID-19 and reflects the Company's direct support to its franchise partners, including the 2020 royalty reduction program.

Contribution from retail and catering has grown from \$12.5 million in Q4 2018 to \$13.1 million in Q4 2019 and \$13.1 million in Q4 2020. The increase relates to increased sales to retail grocery customers that offset 2020 reductions in catering sales due to COVID-19.

Contribution from the central segment before The Keg royalty expense has changed from \$6.5 million Q4 2018 to \$5.0 million in Q4 2019, and to \$4.8 million in Q4 2020. The decrease in Q4 2020 reflects a decrease in vendor volume rebates, lower property rent and reductions in equipment rental revenue, partially offset by an increase in off-premise fee revenue from an increase in off-premise and delivery orders.

Total gross revenue were \$328.2 million in Q4 2018 and \$327.0 million in Q4 2019 and decreased in Q4 2020 to \$210.9 million. The decrease in Q4 2020 was related to the negative effects of the COVID-19 pandemic.

Quarterly earnings (loss) before income taxes has changed from \$15.4 million in Q4 2018 to (\$6.0) million in Q4 2019 and to \$23.9 million in Q4 2020. The net increase in the quarter compared to 2019 was driven by a \$24.8 million increase in non-cash fair value expense adjustments and a decrease of \$29.8 million in asset impairment charges compared to the same period in 2019, partially offset by a decrease of \$25.5 million in Operating EBITDA due to the effects of COVID-19 and an increase in current and deferred taxes of \$4.2 million.

Free Cash Flow before growth capex, dividends, and NCIB has decreased from \$47.2 million in Q4 2018 to \$44.3 million in Q4 2019 and \$17.5 million in Q4 2020. On a diluted per share basis, Free Cash Flow before growth capex, dividends, and NCIB increased from \$0.74 in Q4 2018 to \$0.76 in Q4 2019, but decreased to \$0.31 in Q4 2020. Historically, 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 28), 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 40). 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.

Continued compliance with the covenants under the amended credit facilities is dependent on the Company achieving its financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. The Company mitigates this risk by amending its lending covenants with its bank syndicate and Private Noteholders. The amendments were completed on February 18, 2021 and provides additional covenant flexibility during the COVID-19 disruption period. The covenants amendments are effective through the to the end of the first quarter of 2022. The Company will continue to carefully monitor its compliance with the covenants.

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)	December 27, 2020	December 29, 2019	December 30, 2018
Revolving credit facility	\$ 550.0	\$ 550.0	\$ 400.0
Add: Private notes	250.0	250.0	—
Add: Term credit facility	—	—	150.0
Add: The Keg credit facilities	60.0	60.0	47.0
Subtotal - credit availability⁽²⁾	\$ 860.0	\$ 860.0	\$ 597.0
Less: Draw on private notes	(250.0)	(250.0)	—
Less: Draw on revolving credit	(207.3)	(210.3)	(220.0)
Less: Draw on term credit facility	—	—	(150.0)
Less: Draw on The Keg credit facilities	(34.5)	(19.0)	(21.0)
Subtotal - total debt	\$ (491.8)	\$ (479.3)	\$ (391.0)
Cash	40.5	40.4	49.3
Liquidity⁽²⁾⁽³⁾	\$ 408.7	\$ 380.7	\$ 255.3
	52 weeks ended December 27, 2020	52 weeks ended December 29, 2019	52 weeks ended December 30, 2018
Operating EBITDA ⁽¹⁾	\$ 113.8	\$ 216.0	\$ 214.7
Net debt to Operating EBITDA ⁽¹⁾	3.2x	2.2x	1.7x
Free cash flow ⁽¹⁾ before growth capex, dividends and NCIB	\$ 50.5	\$ 155.9	\$ 158.7
Free cash flow ⁽¹⁾ after growth capex, dividends and NCIB	\$ 35.1	\$ 65.0	\$ 109.5

⁽¹⁾ See "Non-IFRS Measures" on page 50 for definitions of Operating EBITDA and Free Cash Flow. See page 10 for a reconciliation of Net Earnings to Operating EBITDA and to Free Cash Flow.

⁽²⁾ Liquidity excludes \$250 million Accordion feature that is available but subject to lender approval.

⁽³⁾ Minimum liquidity for 2020 under the Company's amended debt covenant is \$100 million.

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 improves the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions typically, in the January to March period. Recipe's gift card liability at December 27, 2020 was \$160.8 million compared to \$167.6 million at December 29, 2019, a decrease of \$6.8 million due to lower gift card sales as a result of COVID-19. The following table presents Recipe's working capital as at December 27, 2020 compared to December 29, 2019:

(C\$ millions unless otherwise stated)	December 27, 2020	December 29, 2019	change in working capital
Cash.....	\$ 40.5	\$ 40.4	\$ (0.1)
Accounts receivable.....	106.3	117.3	11.0
Inventories.....	44.9	39.8	(5.1)
Current taxes receivable.....	13.1	—	(13.1)
Prepaid expenses and other assets.....	7.2	6.5	(0.7)
Current portion of long-term receivables.....	66.3	80.3	14.0
Total Current Assets ⁽¹⁾	\$ 278.4	\$ 284.3	\$ 5.9
Accounts payable and accrued liabilities.....	\$ 138.0	\$ 124.6	\$ 13.4
Provisions.....	2.7	4.7	(2.0)
Gift card liability.....	160.8	167.6	(6.8)
Income taxes payable.....	6.7	12.0	(5.3)
Current portion of lease liability.....	119.8	121.8	(2.0)
Total Current Liabilities ⁽¹⁾	\$ 427.9	\$ 430.8	\$ (2.7)
Working capital deficit	\$ (149.5)	\$ (146.5)	\$ 3.2

⁽¹⁾ Figures may not total due to rounding.

At December 27, 2020, Recipe had a working capital deficit of \$149.5 million compared to \$146.5 million at December 29, 2019. The change in working capital deficit of \$3.2 million was related to a decrease in accounts receivable, an increase in deferred rent payable, partially offset by a decrease in gift card liability and a decrease in current income tax payable.

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 52 weeks ended December 27, 2020 compared to the 13 and 52 weeks ended December 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from (used in) operating activities.....	\$ 57.5	\$ 89.3	\$ 152.5	\$ 227.0
Cash flows from (used in) investing activities.....	4.5	12.5	34.0	32.8
Cash flows (used in) from financing activities.....	(70.2)	(95.5)	(186.4)	(269.1)
Change in cash during the period ⁽¹⁾	\$ (8.2)	\$ 6.4	\$ 0.2	\$ (9.2)

⁽¹⁾ Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were \$57.5 million for the 13 weeks ended December 27, 2020 compared to \$89.3 million in 2019, representing a decrease of \$31.8 million. The decrease was primarily related to lower operating EBITDA and lower gift card sales during the COVID-19 disruption period.

Cash flows from operating activities were \$152.5 million for the 52 weeks ended December 27, 2020 compared to \$227.0 million in 2019, a decrease of \$74.5 million for the year. The decrease was related to lower earnings, partially offset by decreases in accounts receivable.

Cash flows used in investing activities of continuing operations

The following table presents Recipe's capital expenditures for the 13 and 52 weeks ended December 27, 2020 compared to the 13 and 52 weeks ended December 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)		
Purchase of property, plant and equipment:				
<u>Maintenance:</u>				
Corporate restaurants	\$ 2.0	\$ 1.3	\$ 7.3	\$ 6.3
Central / IT expenditures / Other	0.8	3.7	7.7	13.2
Total maintenance	\$ 2.8	\$ 5.0	\$ 15.0	\$ 19.4
<u>Growth initiatives:</u>				
Major renovations	(2.3)	5.2	2.5	11.4
New builds	2.6	3.7	10.8	18.2
Total growth	\$ 0.4	\$ 8.9	\$ 13.3	\$ 29.6
Total purchase of property, plant and equipment ⁽²⁾	\$ 3.2	\$ 13.9	\$ 28.3	\$ 49.0
Total purchase of property, plant and equipment	(3.2)	(13.9)	(28.3)	(49.0)
Acquisitions	—	—	—	(5.0)
Buy backs ⁽¹⁾	—	—	(6.8)	(3.4)
Proceeds on disposal of property, plant and equipment	0.1	0.2	4.6	0.9
Proceeds on early buyout of equipment and rental contracts	—	—	1.7	0.2
Investment in joint ventures	—	(1.8)	0.6	(1.8)
Investment in Keg Royalties Income Fund units	—	(4.0)	—	(4.0)
Additions to other assets	(1.1)	—	(2.3)	(0.1)
Share of loss from investment in associates in joint ventures	(0.6)	0.2	(1.6)	1.4
Lease payments received	(9.4)	27.6	58.7	98.8
Change in long term receivables	14.0	4.2	7.4	(5.0)
Total cash flows from (used in) investing activities ⁽²⁾	\$ (0.2)	\$ 12.5	\$ 34.0	\$ 32.8

⁽¹⁾ No buy backs were completed in the quarter and 14 buy backs were completed for the year, compared to 2019 when 2 buy backs were completed in the quarter and 13 buy backs during the year.

⁽²⁾ Figures may not total due to rounding.

Cash flows from investing activities were \$(0.2) million and \$34.0 million for the 13 and 52 weeks ended December 27, 2020 compared to \$12.5 million and \$32.8 million in 2019, a change of \$8.0 million for the quarter and \$1.2 million for the year and primarily due to lower property, plant and equipment additions and the change in the investment in Keg Royalties Income Fund units.

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. During the year, the Company suspended many central, new store development, corporate store renovation and other capital expenditure plans to maintain sufficient liquidity during the COVID-19 disruption period.

Cash flows (used in) from financing activities

The following table presents Recipe's cash used in financing activities for the 13 and 52 weeks ended December 27, 2020 compared to the 13 and 52 weeks ended December 29, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		52 weeks ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
	(unaudited)	(unaudited)		
Increases in debt.....	\$ 10.8	\$ 21.0	\$ 318.5	\$ 411.0
Debt repayments.....	(26.7)	(63.0)	(310.7)	(322.7)
Deferred financing fees.....	—	(0.1)	(0.3)	(3.1)
Issuance of subordinated voting common shares.....	0.1	0.7	0.1	5.5
Share repurchase.....	—	0.1	(0.3)	(160.7)
Payment of lease liability.....	(36.1)	(38.4)	(142.0)	(152.6)
Change in lease liability.....	(7.5)	—	(16.2)	—
Interest paid net of interest income received.....	(10.7)	(9.4)	(28.8)	(19.6)
Dividends paid on subordinate and multiple voting shares.....	—	(6.3)	(6.6)	(26.9)
Cash flows (used in) from financing activities⁽¹⁾.....	\$ (70.2)	\$ (95.5)	\$ (186.4)	\$ (269.1)

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in financing activities were \$70.2 million and \$186.4 million for the 13 and 52 weeks ended December 27, 2020, compared to \$95.5 million and \$269.1 million for the 13 and 52 weeks ended December 29, 2019. Cash flow used in financing activities primarily consists of the first quarter credit facility increase at the end of March to increase liquidity during COVID-19, offset by subsequent debt repayments and lease liability payments. Financing activity during 52 weeks ended December 27, 2020 also includes the effects of share repurchases under the SIB that was declared in the prior year.

Impact of COVID-19

(C\$ millions unless otherwise stated)	13 weeks ended	52 weeks ended
	December 27 2020	December 27 2020
Change in cash during the period.....	\$ (8.2)	\$ 0.2
Total Debt draws.....	\$15.5	\$323.2
Total Debt repayments.....	(26.7)	(310.7)
Net Debt repayments.....	\$ (11.2)	\$ 12.5
Change in cash before net debt repayments.....	\$ 3.0	\$ (12.3)

Through prudent cash management, change in cash before debt repayments was \$3.0 million and (\$12.3) million for the 13 and 52 weeks ended December 27, 2020. This reflects cash used in the Company's regular operating, financing and investing activities, as well as the various initiatives taken by the Company to provide direct support to its franchisee partners during the COVID-19 period and was offset by the cash received from the government wage subsidies.

The Company will continue to prudently manage its cash flow during the COVID-19 period. The initiatives taken by the Company to provide direct support to franchise partners will continue to the end of the first quarter of 2021. The cash cost of the COVID support program is estimated to be \$9.8 million for the first quarter of 2021. The Company also expects to continue to be eligible for government wage and rent subsidies to the end of the programs in June 2021.

Debt

Private debt

On May 1, 2019, the Company issued \$250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("New Credit Facility"), are secured on a first lien basis on the assets that secure the Company's New Credit Facility, and are guaranteed by all material subsidiaries and holding companies of the Company on the same basis as the New Credit Facility. The Notes bear interest from their date of issue at a rate of 4.72% per annum, payable semi-annually and maturing on May 1, 2029. On May 7, 2020, the Company amended its lending covenants with its private lenders, which resulted in a temporary increase in the interest rate by 0.85% per annum, until December 27, 2020. As at December 27, 2020, \$250.0 million (December 29, 2019 - \$250.0 million) was outstanding 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 and a \$150.0 million tranche that matures on May 1, 2022. The \$250.0 million accordion feature is applicable to either tranche and it has been upsized from \$50.0 million under the Company's previous credit facility.

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

On March 17, 2020, the Company drew \$300.0 million from its credit facility in response to COVID-19 shut-down measures to provide the Company additional liquidity. The Company then repaid \$5.0 million during the first quarter, \$56.0 million during the second quarter, \$220.0 million in the third quarter, and \$22.0 million in the fourth quarter. On May 7, 2020, the Company amended its lending covenants with its syndicated lenders. As at December 27, 2020, \$207.3 million (December 29, 2019 - \$210.3 million) was drawn under the amended and extended credit facilities. For the 52 weeks ended December 27, 2020, the effective interest rate was 3.54% representing bankers acceptance rate of 0.71% plus 2.30% borrowing spread, standby fees and the amortization of deferred financing fees of 0.53%. As at December 27, 2020, the effective interest rate was 3.23%, representing bankers acceptance rate of 0.47% plus 2.30% borrowing spread, standby fees and the amortization of deferred financing fees of 0.46%. As a result of the covenant amendments, and included in the aforementioned rates, the borrowing spread interest rate increased by 0.85% and standby fees interest rate increased by 0.17%.

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

As at December 27, 2020, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments. On February 18, 2021, the Company amended its lending covenants with both its syndicated lenders and private note holders. The covenant amendments are effective through the first quarter of 2022. In return for the covenant amendments, the Company will incur higher interest costs subject to quarterly leverage ratio levels.

The Keg Facility

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

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

On June 26, 2020, and again on December 22, 2020, in order to ensure that KRL remains in compliance with its debt covenants during the disruption period, KRL entered in to an amended and re-stated credit agreement with its Canadian banking syndicate. The amendment eliminates certain financial covenants and revises others until December 26, 2021. A new financial covenant requires KRL's liquidity (the sum of cash on hand and available but undrawn credit) to not be less than certain specified values until June 27, 2021, tested on a quarterly basis. The interest rate on the bank debt was increased from its existing level of bank prime to bank prime plus 0.75% effective June 29, 2020 until July 21, 2021.

As at December 27, 2020, \$22.0 million of this facility has been drawn (December 29, 2019 - \$19.0 million).

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

On September 29, 2020, KRL borrowed \$12,500,000 under BDC Co-Lending Program ("BCAP Loan") from its existing banking syndicate and the BDC jointly. This amount was borrowed to help fund the cash flow needs which have been negatively impacted by the unexpected impact of COVID-19. The BCAP Loan is a non-revolving term facility with a five-year term, requires interest only payments for the first year, and bears interest at the prime rate plus 1.5%. KRL has the option to repay any principal amount of this loan at any time, without bonus, premium or penalty.

Pension deficit

The Company supports a number of pension plans, including a registered funded defined benefit pension plan, a multi-employer pension plan, a defined contribution plan and other supplemental unfunded unsecured arrangements providing pension benefits in excess of statutory limits. The defined benefit plans are non-contributory and these benefits are, in general, based on career average earnings subject to limits.

Defined benefit plan assets are held in trust and at December 27, 2020, were invested 100% in a balanced fund. The accrued benefit plan obligations are determined using actuarial valuations calculated by the Company's actuary. The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements as recommended by the Company's actuary plus make annual required repayments of participant benefits for the Supplementary Retirement Plans. During 2020, the Company expects to contribute approximately \$0.8 million in 2021 to its registered funded defined benefit plan, defined contributions plans and multi-employer plans.

A summary of the \$25.2 million deficit in the plans is summarized below. Recipe meets its pension obligations by settling its obligations as they come due with cash-on-hand. As required by actuarial funding valuations Recipe paid \$2.0 and \$2.2 million in 2020 and 2019 respectively.

(C\$ millions unless otherwise stated)	Defined Benefit Pension Plans	Supplementary Retirement Plans (unfunded)	Total
Fair value of plan assets.....	\$ 33,507	\$ —	\$ 33,507
Present value of obligations.....	(39,975)	(18,724)	(58,699)
Total.....	\$ (6,468)	\$ (18,724)	\$ (25,192)

Off Balance Sheet Arrangements

Letters of credit

The Company has outstanding letters of credit amounting to \$2.9 million, primarily related to KRL as part of its normal course of business and are covered by its operating credit facility.

Contractual Obligations

Recipe's significant contractual obligations and commitments as of December 27, 2020 (except as noted below), are shown in the following table:

(C\$ millions unless otherwise stated) ¹	2021	2022	2023	2024	2025	Thereafter
Leases liabilities.....	\$ 140.3	\$ 126.3	\$ 106.9	\$ 90.4	\$ 78.1	\$ 220.2
Revolving term credit facility.....	—	98.3	—	109.0	—	—
Private debt.....	—	—	—	—	—	250.0
The Keg credit facilities.....	—	22.0	—	—	12.5	—
Other obligations ²	7.0	2.7	22.7	2.3	1.7	27.6
Total contractual obligations.....	\$ 147.3	\$ 249.3	\$ 129.6	\$ 201.7	\$ 92.3	\$ 497.8

¹All figures include obligations that are in the normal course of business and pension fund obligations. Recipe does not have any purchase obligations or other obligations as of December 27, 2020.

²Other obligations represent significant contractual obligations in accounts payable & accrued liabilities, provisions and other long term liabilities.

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 March 4, 2021, there were 56,362,825 subordinate and multiple voting shares (December 27, 2020 – 56,362,825) issued and outstanding.

The Company has a common share stock option plan for its directors, CEO and employees. The total number of options granted and outstanding as at March 4, 2021 is 6,388,634.

Related Parties

Shareholders

As at December 27, 2020, the Principal Shareholders hold 70.7% 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 48.1% of the total issued and outstanding shares, representing 61.7% voting control.

During 52 weeks ended December 27, 2020, the Company paid a dividend of \$0.1177 per share (52 weeks ended December 29, 2019 - \$0.4484 per share) on the Subordinate and Multiple Voting Shares, which represents the dividend paid in the first quarter of 2020. The Company did not pay additional dividends in the remainder of 2020. During the 52 weeks ended December 27, 2020, Fairfax received \$3.2 million (52 weeks ended December 29, 2019 - \$12.2 million) and Cara Holdings received \$1.5 million (52 weeks ended December 29, 2019 - \$6.3 million), respectively.

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 52 weeks ended December 27, 2020 and December 29, 2019.

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

Insurance Provider

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

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

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

Investment in The Keg Royalties Income Fund

During the 52 weeks ended December 27, 2020, the Company purchased nil KRIF units (52 weeks ended December 29, 2019 - 250,000 KRIF units for \$4.0 million). The KRIF units held by the Company are measured at fair value through profit or loss. The closing market price of a Fund unit as at December 27, 2020 was \$11.70. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

	December 27, 2020		December 29, 2019	
	# of units	Fair Value	# of units	Fair Value
(in thousands of Canadian dollars)				
Class A Partnership units.....	905,944	\$ 10,600	905,944	\$ 13,924
Class B Partnership units.....	176,700	2,067	176,700	2,716
Class D Partnership units.....	3,768,295	44,089	3,325,280	51,110
Exchangeable unit investment in the Partnership.....	4,850,939	\$ 56,756	4,407,924	\$ 67,750
Class C unit investment in the Partnership.....	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership.....	10,550,939	\$ 113,756	10,107,924	\$ 124,750
Investment in KRIF units.....	250,000	2,925	250,000	3,843
Distributions earned on KRIF units.....	—	193	—	47
	10,800,939	\$ 116,874	10,357,924	\$ 128,640

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a Fund unit as at December 27, 2020 was \$11.70 (December 29, 2019 - \$15.37).

The Class A Partnership units represent The Keg's initial 10% effective ownership of The Keg Royalties Income Fund ("the Fund") at the date of The Keg Initial Public Offering ("The Keg IPO"). The Class B and Class D Partnership units were received by The Keg subsequent to The Keg IPO date in return for adding net sales to the Royalty Pool on an annual basis. The royalty payments from KRL to the Partnership is four percent of system sales for such period reported by The Keg restaurants that are in the Partnership.

Pursuant to the declaration of trust, the holder (other than the Fund or its subsidiaries) of the Exchangeable Partnership units is entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if the Exchangeable Partnership units were exchanged into Fund units as of the record date of such votes, and will be treated in all respects as a Fund unitholder for the purpose of any such votes.

(a) The Class A units are entitled to a preferential proportionate distribution equal to the distribution on the Class C units, multiplied by the number of Class A units divided by the number of LP Partnership units ("LP units") issued and outstanding. The Keg Holdings Trust ("KHT") holds all of the 8,153,500 LP units issued and outstanding at December 30, 2018. In addition, the Class A units receive a residual distribution proportionately with the Class B units, Class D units, LP units and GP units relative to the aggregate number of each class issued and outstanding (or in the case of the Class B units and Class D units, the number issued and outstanding multiplied by the Class B and Class D current distribution entitlement, respectively). Class A units are exchangeable for Fund units on the basis of one Class A unit for one Fund unit and represent The Keg's initial 10% effective ownership of the Fund prior to the entitlement of Class B and Class D units.

(b) The Class B units were issued to The Keg in return for adding net sales from new Keg restaurants to the Royalty Pool and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class B units were adjusted annually on January 1 until the January 1, 2008 roll-in when the Class B Termination Date was reached and the last of the Class B units became entitled. Class B units held by the Company are exchangeable for Fund units on the basis of one Class B unit for one Fund unit. Class B units held by the Company receive a distribution entitlement.

(c) The Class D units were issued to the Company in return for adding net sales from new Keg restaurants to the Royalty Pool on an annual basis and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class D units are adjusted annually on January 1. Class D units held by the Company are exchangeable for Fund units on the basis of one Class D unit for one Fund unit and the same distribution entitlement as the Class B units. Class D units are issued subsequent to the Class B Termination Date and are identical to Class B units except that the Trustees of KHT can require the Company to surrender any or all of the issued Class D units for a price that is equal to the one originally used in the formula to calculate the number of units issued.

Distributions on Exchangeable Partnership units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

Class C Unit Investment in the Partnership

The Class C unit investment in the Partnership is comprised of 5,700,000 Class C Partnership units held by the Company. The Class C Partnership units were issued to The Keg as one of a series of transactions that occurred in conjunction with The Keg IPO of the Fund on May 31, 2002.

The Company has the option at any time to transfer its 5,700,000 Class C Partnership units to KHT, a subsidiary of Fund, in consideration for the assumption by KHT of an amount of the note payable equal to \$10.00 for each Class C unit transferred. If the Company transferred all 5,700,000 Class C Partnership units, the entire \$57.0 million note payable to the Fund would be extinguished. The Class C units are entitled to preferential monthly distributions equal to \$0.0625 per Class C unit issued and

outstanding and these distributions are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

Deferred Gain on Sale of The Keg Rights

The deferred gain on sale of The Keg Rights relates to the sale by The Keg of its trademarks and other related intellectual property (collectively, the “Keg Rights”) to the Partnership in connection with The Keg IPO. The deferred gain is adjusted to reflect changes in KRL’s ownership interest in the Keg Rights resulting from the entitlement of Exchangeable Partnership units received as consideration for the addition of net new sales to the Royalty Pool on an annual basis.

Annually, on January 1st, the Royalty Pool is adjusted to include the gross sales from new Keg restaurants that have opened on or before October 2nd of the prior year, less gross sales from any Keg restaurants that have permanently closed during the preceding calendar year. In return for adding these net sales to the Royalty Pool, KRL receives the right to indirectly acquire additional Fund units (the “Additional Entitlement”). The Additional Entitlement is determined based on 92.5% of the net royalty revenue added to the Royalty Pool, divided by the yield of the Fund units, divided by the weighted average unit price of the Fund units. KRL receives 80% of the estimated Additional Entitlement initially, with the balance received on December 25th of each year when the actual full year performance of the new restaurants is known with certainty.

The gain on the sale of The Keg Rights is deferred and amortized on a straight-line basis over the 99-year term of the Licence and Royalty Agreement ending on May 30, 2101.

Other

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

As at December 27, 2020, the Company has a \$1.0 million royalty fee payable, including GST, to the Fund (December 29, 2019 - \$2.9 million) and a \$0.3 million interest payable amount due to the Fund on the Keg Loan (December 29, 2019 - \$0.3 million) included in accounts payable and accrued liabilities.

As at December 27, 2020, the Company has \$0.6 million in distributions receivable from the Partnership (December 29, 2019 - \$1.2 million) related to its ownership of the Class C and Exchangeable Partnership units. These amounts were received from the Partnership when due, subsequent to the above periods.

The Company performs accounting services for a company owned by a director. For the 13 and 52 weeks ended December 27, 2020, KRL earned \$0.0 million and \$0.1 million for these services, respectively (13 and 52 weeks ended December 29, 2019 – \$0.1 million and \$0.3 million), which has been recognized by the Company as other income, net of the costs to provide these services.

The Company incurs royalty expense with respect to the licence and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is treated as a related party transaction. The Company incurred royalty expense of \$3.1 million and \$13.9 million, respectively, for the 13 and 52 weeks ended December 27, 2020 (13 and 52 weeks ended December 29, 2019 – \$6.3 million and \$25.4 million).

The Company also records investment income on its investment in Exchangeable units of the Partnership, Class C units of the Partnership, and investment in The Keg Royalties Income Fund units which is presented as interest income on Partnership and Fund units in the statements of earnings and comprehensive income. During the 13 and 52 weeks ended December 27, 2020, the Company recorded investment income of \$2.1 million and \$8.3 million, respectively, related to these units (13 and 52 weeks ended December 29, 2019 – \$2.8 million and \$11.1 million).

Investment in Original Joe’s joint venture companies

The Company has joint venture arrangements with certain Original Joe’s franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant

construction, renovation and working capital. As at December 27, 2020 there was a related party balance of \$15.8 million (December 29, 2019 - \$13.0 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2020. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is \$1.0 million (December 29, 2019 - \$1.0 million). 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 52 weeks ended December 27, 2020, the Company charged interest in the amount of \$nil million and \$0.2 million, respectively (13 and 52 weeks ended December 29, 2019 - \$0.1 million and \$0.3 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 December 27, 2020 the accounts receivable balance included \$nil million (December 29, 2019 - \$0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 52 weeks ended December 27, 2020, an increase of \$0.3 million, respectively (52 weeks ended December 29, 2019 - \$0.1 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

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

The Company's investment is increased by the proportionate share of income earned. There was no change to the investment for the 13 and 52 weeks ended December 27, 2020 and an increase of \$0.4 million and less than \$1.3 million, respectively (13 and 52 weeks ended December 29, 2019 - \$0.2 million and less than \$0.1 million). The changes were recorded in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

Investment in 1909 Taverne Moderne joint venture

The Company has an investment in a joint venture to operate two 1909 Taverne Moderne restaurants with a third party. As at December 27, 2020, the Company has invested \$5.6 million, recorded in long-term receivables (December 29, 2019 - \$4.7 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at December 27, 2020, an allowance of \$5.2 million has been provided against the long-term receivable. The Company and the third party each have a 50% ownership interest in the joint venture. Both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 and 52 weeks ended December 27, 2020, an increase of \$0.1 million and \$0.3 million, respectively, to the long term receivable balance (13 and 52 weeks ended December 29, 2019 - \$0.3 million and \$1.5 million decrease) was recorded in relation to the Company's proportionate share of losses 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 acquired a 50% ownership interest in Rose Reisman Catering and it was considered a joint venture arrangement as both parties had joint control and all relevant activities require the unanimous consent from both parties.

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

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

Transactions with key management personnel

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary. Key management personnel may also participate in the Company's stock-based compensation plans and the Company's defined contribution savings plan.

Remuneration of key management personnel of the Company is comprised of the following expenses:

(in thousands of Canadian dollars)	52 weeks ended	
	December 27, 2020	December 29, 2019
Short-term employee benefits	\$ 4,496	\$ 4,426
Long-term incentive plans	1,591	899
Termination benefits	—	600
Total compensation	\$ 6,087	\$ 5,925

There were no additional related party transactions between the Company and its key management personnel, or their related parties, including other entities over which they have control.

Post-employment benefit plans

The Company supports a number of defined benefit plans and a defined contribution plan as described in note 20 of the Company's financial statements. In 2020, the Company's contributions to these plans were \$2.0 million (December 29, 2019 - \$2.2 million). Contributions made by the Company to its post-employment benefit plans are disclosed in note 20 of the Company's financial statements. The Company does not receive any reimbursement of expenses incurred by the Company to provide services to these plans.

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 expects that post COVID-19, there will be fewer restaurant seats in the market from competitors that will not re-open and from changes in consumer behaviour. Management believes Recipe is well positioned with certain brands to build on its off-premise (takeout and delivery) and retail channels because of its established business platforms (IT investments in digital apps for online ordering, and relationships with grocery chains). Management's focus is on welcoming Guests back into dining rooms and providing exceptional service, food and ambience that reinforces to customers what they have been missing. The year 2020 has proven that Recipe's diversified portfolio is strong and resilient. The decisions taken to support our franchisees and carefully manage our working capital will allow the company to quickly recover from the effects of the pandemic once our restaurants are allowed to operate fully and without restrictions.

Due to a resurgence of COVID-19 cases, the Provincial governments in Ontario, Quebec and Manitoba announced province-wide shutdowns at the end of the fourth quarter, which resulted in dining room closures for all of our corporate and franchise locations in those regions. Restaurants in other regions of Canada continue to operate at a reduced capacity to adhere to social distancing guidelines and company-wide health and safety protocols. During this COVID-19 disruption period, we will continue to deliver safe dining experiences and focus on our off-premise channels, which include plans to open 2 additional "Ultimate Kitchens" locations during the first or second quarters of 2021. Our retail division will continue to supply branded and private label products to grocery customers across Canada. Management believes that its brands and franchisees will successfully manage through the pandemic, despite government mandated closures and evolving restrictive measures, because of our healthy balance sheet, our various financial assistance programs provided to franchisees, existing lender accommodations to Recipe and franchisees, rent and wage subsidies from the Canadian Federal and Provincial governments, as well as continued focus on off-premise sales channels.

In February 2021, the Company began to gradually re-open many of its Canadian restaurants in the provinces of Ontario, Quebec and Manitoba, at a reduced capacity. The Company is closely monitoring the global situation surrounding COVID-19 and will continue to execute industry leading safety measures to protect its teammates and franchise partners, as its restaurants gradually reopen.

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

- a. Continue to practice amplified "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our guests, teammates and franchise partners. This includes comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs;
- b. Expanding dining room sales, where possible, by maximizing seating capacity and table turns through strategic seating plans, table separations and/or safety shields between tables and reservation systems, while still maintaining social distancing protocols with a focus on keeping our associates and guests safe;
- c. Reducing menu size and complexity to deliver on the 4-Pillar strategy of exceeding customer expectations for food quality, service, value and ambience, while improving profitability flow through;
- d. Manage and improve the long-term health of our network and restaurant profitability by providing tools and guidance for franchisees to access government assistance programs (in particular the CEWS and CERS programs), providing direct assistance through the Recipe COVID Support Program, reducing and/or deferring non-essential restaurant costs, and working with our franchise lending partners to defer franchisee loan payments and to ensure our franchisees have full access to the emergency loan programs that the government has introduced in response to COVID-19;
- e. Actively negotiating early exit and permanent closure of under-performing restaurants that were identified at the end of 2019;
- f. Continue to expand the Company's off premise business for all brands with digital and mobile order applications and brand appropriate features including curb-side pick-up, preorder and pay, as well as other payment convenience options. The Company is also focused on the expansion of our multiple brands delivery and take-out only concept and expects to open 2 additional Ultimate Kitchens locations in Ontario during the first and second quarters of 2021; and

- g. Reduce and adjust overhead cost structure in response to slower growth and revenue reductions, including rent and overhead cost reductions, and taking advantage of government initiatives like the wage subsidies and government rent assistance to help offset the reduction in revenues. The Company expects it will continue to qualify for the government wage subsidy program (CEWS) and Canada Emergency Rent Subsidy program (CERS) in 2021 and will report the recoveries earned in future quarters.

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 and may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "Forward-Looking Information" and "Risk & Uncertainties" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after December 27, 2020. See note 3 of the Company's consolidated financial statements for the year ended December 27, 2020 for a summary of new accounting standards adopted during 2020 and note 4 for a summary of future accounting standards not yet adopted.

Disclosure Controls and Procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

As of December 27, 2020, an evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, there were no material changes in controls during the year and the CEO and CFO concluded that as of December 27, 2020, the Company's disclosure controls were appropriately designed and procedures were effective.

Internal Controls Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of December 27, 2020. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make various judgements, estimates and assumptions in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the accounting policies that are subject to judgements and estimates.

Business combinations

Accounting for business combinations requires judgments and estimates to be made in order to determine the fair values of the consideration transferred, assets acquired and the liabilities assumed. The Company uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. Changes in estimates of fair value due to additional information related to facts and circumstances that existed at the acquisition date would impact the amount of goodwill recognized. If necessary, the Company has up to one year from the acquisition date to finalize the determinations of fair value for business combinations.

Accounting for joint ventures and associates

Joint ventures represent separately incorporated entities for which joint control exists. This requires judgement to determine if in fact joint control exists in each circumstance. Entities are considered to be under joint control when the Company has the ability to exercise significant influence but not control. Management has assessed the nature of its joint venture agreements with the respective other joint venture parties and using judgement determined where joint control does in fact exist. While the Company will also have a franchise agreement with certain joint venture restaurants, the rights included in these franchise agreements are considered to be protective in nature and, therefore, do not allow for any additional substantive control over the other party.

Accounts receivable, long-term franchise receivables and amounts due from related party joint ventures

In accordance with IFRS 9, Management applies the 'expected credit loss' ("ECL") model to assess for impairment on its accounts receivables, franchise receivables, lease receivables and amounts due from related party joint ventures at each balance sheet date. There is significant judgment used in determining the staging, including assessing changes in credit risks, forecasts of future economic conditions and historical information to ascertain the credit risk of the financial asset.

Depreciation and amortization

The Company's property, plant and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis. Management uses judgment in determining the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings/ (losses), and comprehensive income/ (losses) in future periods.

Valuation of investments

For equity investments in other companies where the underlying investment shares are not traded publicly, in order to determine the value of the common shares, estimates are required to determine the fair value of the underlying investment shares. Accordingly, those amounts are subject to measurement uncertainty and judgement.

Impairment of non-financial assets

Management is required to use judgement in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing property, plant and equipment for impairment. Judgement is further required to determine appropriate groupings of CGUs, for the level at which goodwill and intangible assets are tested for impairment. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed for property, plant and equipment and definite life intangible assets.

The Company determines the recoverable amount of the CGU as the higher of fair value less costs to sell (“FVLCS”) or its value in use (“VIU”). The determination of each of these amounts is subject to estimation uncertainty. The significant assumptions for FVLCS include vacancy period and market rental rates, and for VIU include projected future sales and earnings, and discount rates

The Company determines the FVLCS of its brands using the "Relief from Royalty Method", a discounted cash flow model, using significant assumptions such as projected future sales, terminal growth rates, royalty rates and discount rates.

The Company determines the recoverable amount of goodwill based on its VIU, using significant assumptions such as projected future sales and earnings, terminal growth rates and discount rates.

Projected future sales and earnings are consistent with strategic plans provided to the Company’s Board. Discount rates are based on an estimate of the Company’s weighted average cost of capital taking into account external industry information reflecting the risk associated with the specific cash flows.

Impairment of financial assets

The Company applies the ECL model to assess for impairment on its long-term receivables at each balance sheet date. The ECL is determined using assumptions such as the probability of default (“PD”) incorporating loss given default and exposure at default. PD estimates represent a point in time PD, updated quarterly based on the Company’s historical experience, current conditions, relevant forward-looking expectations over the expected life of the exposure to determine the PD curve. Forward-looking expectations include relevant macroeconomic variables. Expected life is the maximum contractual period the Company is exposed to credit risk. The ECL is measured over the period the Company is exposed to credit risk.

Definition of default

The Company considers a financial asset to be in default when a lease receivable is no longer collectible.

Incorporation of forward-looking information

The Company incorporates forward-looking information into its measurement of ECL. Based on statistical results, business experience and interpretability of the model behaviour in relation to the inputs, the Company uses Canada’s GDP as the forward-looking macro-economic factor. The Company formulates a “base case” view of the future direction of Canada’s GDP as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considers the relative probabilities of each outcome. The Company uses the consensus GDP rate forecasts published by the major Canadian Chartered Banks and the International Monetary Fund.

The base case represents a most-likely outcome and is aligned with the consensus GDP rate forecasts and information. The other scenarios represent optimistic and pessimistic outcomes.

Leases

In classifying a lease as either financial or operating, management has to make certain assumptions in estimating the present value of future lease payments and the estimated useful lives of the related assets. These assumptions include the allocation of value between land and building, and discount rates.

In determining the carrying amount of the right-of-use asset or lease receivable and corresponding lease liabilities, assumptions include the non-cancellable term of the lease plus periods covered by an option to renew the leases and incremental borrowing rate. Renewal options are only included in the lease term if management is reasonably certain to renew. Management considers factors such as investments in major leaseholds, store performance and available renewal options. The Company is also required to estimate the incremental borrowing rate specific to each portfolio of leased assets with similar characteristics if the interest rate in the lease is not readily determined. Management determines the incremental borrowing rate using the Government of Canada bond yield with an adjustment that reflects the Company’s credit rating, security adjustment plus a risk premium over leases with similar terms.

Income and other taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of tax exposures, claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, the likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings by the tax authorities.

Employee future benefits

Accounting for the costs of defined benefit pension plans is based on using a number of assumptions including estimates of rates of compensation increase, retirement ages of plan members and mortality assumptions. The discount rate used to value the accrued pension benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. Other key assumptions for pension obligations are based on actuarial determined data and current market conditions.

Gift cards

Management is required to make certain assumptions on the likelihood of gift card redemptions based on historical redemption patterns. The impact of these assumptions result in a reduction to the costs of administering and fulfilling the liability associated with the gift card program when it can be determined that the likelihood of the gift card being redeemed, or a portion thereof, is remote based on several facts including historical redemption patterns and any changes to the gift card program.

Provisions

Management reviews provisions at each balance sheet date utilizing judgements to determine the probability that an outflow of economic benefit will result from the legal or constructive obligation and an estimate of the associated obligation. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Stock-based compensation

The accounting for equity-settled stock-based compensation requires management to make an estimate of the fair value of the stock options when granted based on the enterprise value and share price of the Company at the time of the grant as well as estimates around volatility, risk free interest rates and forfeitures of vested and unvested options.

Risks and Uncertainties

COVID-19 (coronavirus)

The ongoing COVID-19 (coronavirus) pandemic, the rapidly evolving reaction of governments, private sector participants and the public to the COVID-19 pandemic, and the associated economic impact of the COVID-19 pandemic have had and continue to have a negative impact on global economic activity and, as a result, have had and may continue to have a material and adverse impact on the Company's business operations (including those of its franchisees), revenues, financial conditions, results of operation and growth prospects to an extent and for a period of time that remains uncertain. Further, due to governmental measures and public health recommendations, including those relating to physical distancing and limitations on public meeting places, including restaurants and other hospitality-related venues, the Company has experienced and may continue to experience a significant near and potentially long term decline in customer visits. The extent and duration of the COVID-19 pandemic, the reactions of governments, private sector participants and the public to the pandemic and the associated disruption to business and commerce generally, and the extent to which these will continue to affect the Company's business, financial condition and results of operation in particular, will all depend on future developments which are highly uncertain and many of which are outside the control of the Company and cannot be predicted with confidence. Such developments include the ultimate geographic spread, intensity and duration of the COVID-19 pandemic (including the possibility of future waves), new information which may emerge concerning the severity of COVID-19, the effectiveness and intensity of measures to contain COVID-19 or address its impact (including any potential increase in the duration or intensity of restrictions on public gatherings, restrictions on the operation of non-essential businesses, the operation of restaurants in

whole or in part and otherwise), short and longer-term changes in consumer spending and/or consumer behaviour and perceptions regarding public gatherings and dining out, changes in consumer travel patterns or travel restrictions imposed by governments and the other economic impacts of the pandemic and the reactions to it.

As a result of the COVID-19 pandemic, the Company has experienced, may experience, or continue to experience a number of factors that have had and may or will continue to have a material and adverse effect on its business operations, revenues, financial condition, results of operations and growth prospects, including:

- Local, provincial and/or the federal governments and industry groups choosing to enact stronger measures to address the COVID-19 pandemic, including measures that would prevent the Company and other hospitality-related venues from operating in the normal course;
- Many of its locations being able to offer only modified services, including offering only take-out or delivery options or modified service hours or taking a temporary pause in operations, resulting in reduced customer traffic volumes at the Company's locations reducing its System Sales and royalty revenues;
- Temporary shortages of supplies or staff to the extent the Company's workforce or supply chain is impacted by COVID-19;
- A reduction in royalty revenues as a result of any royalty relief provided to the Company's franchise partners;
- Disruptions resulting from the Company's employees or employees of the Company's franchise or business partners potentially being diagnosed or suspected of having COVID-19, since this could require the Company or its franchise or business partners to quarantine some or all such employees or close and disinfect the affected facilities and may affect the Company's operations, supply chain or other aspects of its business or in increased input costs;
- An inability for some or all of the Company's workforce or the workforce of its franchise or business partners to work or travel due to potential illness, susceptibility to illness, or travel or other restrictions imposed by governments in connection with the COVID-19 outbreak which may affect the ability of the Company's locations to operate efficiently or at all;
- The Company's reduced ability to identify, build relationships with and develop new franchise partners and complete the build-out of new locations which would reduce the Company's expected growth rates and anticipated royalty revenues;
- Financial strain on the part of the Company's franchise partners which may result in certain locations ceasing operations entirely without reasonable prospect of reopening in the foreseeable future, which would further reduce the Company's expected growth rates and anticipated royalty revenues;
- Decreased discretionary spending in some or all of the jurisdictions in which the Company operates and an increase in the number of the Company's usual customers switching to work-from-home arrangements, both of which may result in an ongoing decrease in customer traffic volumes at the Company's locations, thereby reducing its system-wide sales and royalty revenues;
- Changes in the manner in which the Company's locations are required to operate may affect operating costs, adversely affecting profitability of each location, and
- Additional demands on management's time in managing the Company's response to the COVID-19 pandemic and the reactions to it, which may reduce the time management is able to spend on other aspects of the Company's business and operations,

Given the uncertainties described above, the Company cannot predict the extent or duration of these effects.

The COVID-19 pandemic and the reactions to it, including the possibility that they may result in a prolonged global recession, may also have the effect of exacerbating the potential impact of the other risks disclosed in this Risk Factors section, including but not limited to those related to the Company's growth strategies, consumer behavior, its franchisees and the Company's and franchisees' employees, the Company's suppliers and distributors, regulatory compliance and government regulations, and economic conditions.

Restaurant Industry

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 financial condition and results of operations of the Company.

Competition with Other Franchisors

The Company competes with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company.

Quality Control and Health Concerns

The Company's business can be materially and adversely affected by publicity resulting from illness, injury, cleanliness, poor food quality or safety or any other health concerns or operating issues relating to a single restaurant or a limited number of restaurants. Such publicity or concerns could reduce guest traffic at one or more restaurants, reducing gross revenues of the restaurant. The Company has a number of procedures in place for managing food safety and quality. Nevertheless, the risk of food borne illness or contamination cannot be completely eliminated. The Company's growing retail and catering business may increase the risk of illnesses associated with food sales outside of restaurants. Any outbreak of such illness or contamination at a restaurant or within the food service industry more generally (even if it does not affect any of the restaurants in the Recipe network), or the perception of such an outbreak, could have a material adverse effect on the financial condition and results of operations of the Company.

Security Breaches of Confidential Guest Information

The Company's business requires the collection, transmission and retention of large volumes of guest and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that the Company maintains and in those maintained by third parties with whom the Company contracts to provide services. The integrity and protection of that guest and employee data is critical to the Company. Further, the Company's guests and employees have a high expectation that the Company and its service providers will adequately protect their personal information.

The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. The Company's systems may not be able to satisfy these changing requirements and guest and employee expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten the Company and its service provider's information systems and records. A breach in the security of the Company's information technology systems or those of the Company's service providers could lead to an interruption in the operation of its systems, resulting in operational inefficiencies or a loss of revenues or profits. Additionally, a significant theft, loss or misappropriation of, or access to, guests' or other proprietary data or other breach of the Company's information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt the Company's operations, damage its

reputation and expose it to claims from guests and employees, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Public Safety Issues

Adverse conditions, such as the threat of terrorist attacks, acts of war, pandemics or other outbreaks or perceived outbreaks of disease (including, among others, COVID-19, avian flu, H1N1, SARS or mad cow disease), may have a negative impact on the restaurant industry and the economy in general. These incidents can adversely affect restaurant traffic, discretionary consumer spending and consumer confidence, which may result in decreased patronage in the Company's restaurants or force the Company to reduce or cap prices. The occurrence, re-occurrence, continuation or escalation of such local, regional, national or international events or circumstances could reduce revenue for the Company which could have an adverse effect on its financial condition and results of operations.

Damage to the Company's Reputation

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning the Company or one or more of its brands may be posted on such platforms at any time. Information posted may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's performance, prospects or business. The harm may be immediate without affording the Company an opportunity for redress or correction.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm the Company's reputation, business, financial condition and results of operations.

Availability and Quality of Raw Materials; Reliance on Suppliers

Sales by Recipe's restaurants and food distribution business are dependent upon the availability and quality of the raw materials, food, services and products used in the products sold by such restaurants and food distribution business. The availability and price of these commodities are subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the raw materials used in these products.

Unfavourable trends or developments, including among others, fluctuations in the price of raw materials, a significant reduction in the availability or quality of raw materials purchased by restaurants and food distribution business, the unavailability of certain products, transportation disruptions, strikes, lock-outs, labour unrest and financial difficulties affecting the Company's suppliers, may cause a significant reduction in the availability or quality of products or services purchased by restaurants and food distribution business in Recipe's network. There is no assurance that the Company will be able to find alternate suppliers, which could have a material adverse impact and/or other adverse effects on the Company and restaurants in its network.

Growth of the Company; Franchisees

The growth of the Company is dependent upon the ability of the Company to (i) maintain and grow the current system of franchised and corporate-owned restaurants, (ii) execute its current strategy for growth, (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become franchisees. The Company faces competition for retail locations and franchisees from its competitors and from franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees could adversely affect its business development. The opening and success of franchised restaurants is dependent upon a number of factors, including availability of suitable sites, operating costs, negotiations of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules. Prospective franchisees may not have all the business abilities or access to financial resources necessary to open a franchise or to successfully develop or operate a Company restaurant in a manner consistent with the Company's standards. The Company provides training and support to franchisees, but the quality of franchised operations may be diminished by any number of factors beyond the Company's control. Consequently, franchisees may not successfully operate outlets in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other

restaurant personnel. If they do not, the image and reputation of the Company may suffer, and sales of restaurants in Recipe's network could decline. There can be no assurance that the Company will be able to effectively manage its expanding operations.

Franchise Fees and Other Revenue

The Company's financial performance is dependent, in part, on its franchisees' ability to generate revenue and to pay franchise fees, royalties and other amounts to the Company. Failure to achieve adequate levels of collection from franchisees could have a material effect on the revenue and cash flow of the Company.

Under various provincial franchise statutes, a franchisee may rescind a franchise agreement for late or lack of proper provision of a disclosure document (as defined under the applicable statute) within certain prescribed time periods. Rescission claims by such franchisees could have a material adverse effect on the revenue of the Company.

Franchisee Relations

The Company's success is dependent on its relationship with its franchisees. There can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees. In addition, in certain jurisdictions in which the Company has restaurants, franchisees are permitted to establish associations among themselves. There can be no assurances that franchisees have not or will not in the future organize an association in order to act together to lobby the Company. Adverse publicity resulting from such activities may affect the sales of the restaurants, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected restaurants and the ability of the Company to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

For certain franchisees, the Company acts as the "head lessee" under the lease for the restaurant. A default by the franchisee under the lease could result in increased costs and could have a negative impact on the Company's business and results of operations. The Company from time to time is also subject to litigation claims from franchisees. See "Legal Proceedings and Regulatory Actions".

Revenue Reporting Risks

Certain franchisees report sales to the Company on an ongoing basis via the Company's central POS system. There can be no assurance, however, that sales reported by franchisees are accurate and in accordance with the terms of the franchise agreements, which could have a negative impact on revenues and cash flows.

Opening New Restaurants

The consumer target area of the Company's restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which the Company already has restaurants could adversely impact sales at the Company's existing restaurants. Existing restaurants could also make it more difficult to build the Company's consumer base for a new restaurant in the same market. The opening and success of a new restaurant will also be dependent on a number of factors, including availability of suitable sites, negotiation of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules.

The Company may not be able to support sustained new restaurant growth or open all of its planned new restaurants, and the new restaurants that the Company does open may not be profitable or as profitable as its existing restaurants. New restaurants typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened restaurants generally do not make a significant contribution to profitability in their initial months of operation. The opening of new restaurants can also have an adverse effect on sales levels at existing restaurants.

Potential Inability to Consummate Acquisitions

The Company does not currently have any agreement or commitment to acquire any businesses. However, Recipe continues to seek opportunities to acquire or invest in restaurant businesses, such as its investments in The Keg and Fresh, that could expand, complement or otherwise relate to its current or future restaurant operations. Recipe may also consider, from time to

time, opportunities to engage in business collaborations with third parties to address particular purchasing requirements, such as the Shared Services Agreement. The pursuit of these activities may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions or business arrangements, whether or not they are consummated. The Company may also be precluded from pursuing such transactions as a result of financial or other covenants in agreements to which it is a party. The Shared Services Agreement, in particular, includes provisions that would restrict the Company from engaging in negotiations with respect to a potential investment in certain Canadian foodservice companies if Fairfax is already engaged in negotiations with respect to that opportunity. In these circumstances, the interests of Fairfax (and of other restaurant operators in which it may hold an investment, such as The Keg), may conflict with the Company's interests.

Integration of Acquisitions and Brand Expansion

The consummation of an acquisition, investment or other business collaboration may create risks such as: (i) the need to integrate and manage the businesses, brands and/or products acquired with the Company's business, brands and products; (ii) additional demands on the Company's resources, systems, procedures and controls, (iii) disruption of the Company's ongoing business, (iv) adverse effects on the Company's existing business relationships; and (v) potential loss of key employees. While each of the Company's brands and restaurants are subject to the risks and uncertainties described herein, there is an enhanced level of risk and uncertainty related to the operation and expansion of the Company's smaller, newer brands, such as The Landing Group and any future-acquired brands. These brands and business ventures may have not yet proven their long-term viability or growth potential and will continue to be subject to the risks that accompany any new restaurant brand or new business initiative.

Moreover, an acquisition, investment or other business collaboration could involve: (i) substantial investment of funds or financings by issuance of debt or equity securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of, debt. Such acquisitions, investments or other business collaborations may involve significant commitments of the Company's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the Company. Additionally, if the Company is unable to access capital markets on acceptable terms or at all, the Company may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. The Company's inability to (i) take advantage of growth opportunities for its business or its products, or (ii) address risks associated with acquisitions or investments in businesses, may negatively affect its operating results. Finally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce Recipe's earnings which, in turn, may have a material adverse effect on the price of the Subordinate Voting Shares. If the Company does complete such transactions, it cannot be sure that it will ultimately strengthen its competitive position or that it will not be viewed negatively by customers, security analysts or investors.

Retail Licensing Opportunities

Recipe sells a number of branded and private label products through grocery stores and other retail outlets. There can be no assurance that Recipe will be successful in identifying or in capitalizing on opportunities to expand sales of its manufactured retail products or to introduce additional branded or private label products in the manner and on the timelines anticipated by management or at all.

Fully-Integrated Supply Chain

The acquisition of St-Hubert, Recipe operates a fully-integrated food manufacturing and distribution business, in which it manufactures warehouses and distributes certain food and restaurant supplies to its franchise and corporate restaurants. There are certain risks associated with this vertical integration, including (i) delays and/or difficulties associated with, or liabilities arising from, owning a manufacturing, warehouse and distribution business; (ii) maintenance, operations and/or management of the manufacturing facilities, equipment, employees and inventories; (iii) limitations on the flexibility of controlling capital expenditures and overhead; (iv) the need for skills and techniques that are outside Recipe's traditional core expertise; (v) increased transportation, shipping, food and other supply costs; (vi) inclement weather or extreme weather events; (vii) shortages or interruptions in the availability or supply of perishable food products and/or their ingredients; (viii) variations in the quality of food and beverage products and/or their ingredients; and (ix) political, physical, environmental, labor, or technological disruptions in the Company's manufacturing facilities or equipment.

If Recipe does not adequately address the challenges related to these vertically integrated operations or the overall level of utilization or production decreases for any reason, Recipe's results of operations and financial condition may be adversely impacted. Moreover, shortages or interruptions in the availability and delivery of food, beverages and other suppliers to Recipe's restaurants may increase costs or reduce revenues.

Seasonality and Weather

The restaurant industry is affected by weather and seasonal conditions. Adverse or unusual weather patterns may negatively affect operations of businesses in the restaurant industry. Favourable weather tends to increase guest traffic at the Company's restaurants, particularly in summer seasons at restaurants with patios or outdoor seating. Additionally, certain holidays and observances also affect guest dining patterns, both favourably or unfavourably.

Dependence on frequent deliveries of fresh produce and groceries subjects businesses in the restaurant industry to the risk that shortages or interruptions in supply caused by adverse weather conditions could adversely affect the availability, quality and cost of ingredients. Severe cold weather increases consumption of electricity and may cause an increase in oil and natural gas prices, which may result in markedly higher utility prices for the Company's restaurants. Severe hot weather leads to higher air conditioning costs. Any one of these consequences of adverse or unusual weather conditions, as well as water or electricity supply disruptions, may adversely affect the operations of the Company's restaurants by increasing operating costs and/or reducing revenue.

Regulations Governing Alcoholic Beverages

A portion of the Company's revenue is attributable to the sale of alcoholic beverages and the ability to serve such beverages is an important factor in attracting customers. Alcoholic beverage control regulations require each restaurant to apply to provincial and/or municipal authorities for a licence or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licences must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of restaurants including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages.

The failure of the Company or a restaurant to retain a licence to serve liquor could adversely affect the restaurant's operations and reduce the Company's revenue. Changes to laws regulating alcoholic beverages may also adversely affect operations of restaurants and reduce the Company's revenue by increasing costs, reducing the potential customer base or reducing the hours of operations of such restaurants.

The Company or a restaurant may be subject in certain provinces to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. The Company carries liquor liability coverage as part of its existing comprehensive general liability insurance.

Product Safety and Public Health

Sale of the Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, packaging and labeling, storage, distribution, and display of products. The Company cannot assure that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities, storage, refrigeration and distribution systems, will eliminate all the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination. In addition, failure to trace or locate any contaminated or defective products could affect the Company's ability to be effective in a recall situation. The Company is also subject to risk associated with errors made through medication dispensing or errors related to patient services or consultation. The occurrence of such events or incidents, as well as the failure to maintain the cleanliness and health standards at store level, could result in harm to customers, negative publicity or could adversely affect the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Regulatory Compliance

The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, food safety, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and the United States. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, beverages and general merchandise products, could adversely affect the operations or financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could result in a material adverse effect on the Company's reputation, operations or financial condition or performance.

Laws Concerning Employees

The operations of restaurants are subject to minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of restaurants' food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage could increase the restaurants' labour costs. The franchisees may also hire foreign workers through the Canadian federal government's Temporary Foreign Worker Program, and accordingly, changes to this program could increase labour costs.

Dependence on Key Personnel

The success of the Company depends upon the personal efforts of senior management, including their ability to retain and attract appropriate franchisee candidates. The loss of the services of such key personnel could have a material effect on the operations of the Company. In addition, the Company's continued growth depends on its ability to attract and retain skilled management and employees and the ability of its key personnel to manage the Company's growth. Certain key personnel are not bound by non-competition covenants. If such personnel depart the Company and subsequently compete with the Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on the Company's results of operations.

Attracting and Retaining Quality Employees

The Company and its franchisees' business is dependent upon attracting and retaining a large number of quality employees who reflect the Company's various brand images and culture. Many of these employees are in entry level or part-time positions with historically high rates of turnover. The inability of the Company and its franchisees to hire, train and retain employees may adversely affect the operations of the Company's restaurants and could have a material adverse effect on the Company's revenue.

The Company's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality employees could adversely affect its business.

Unionization Activities May Disrupt Company Operations

Although only the employees at approximately 117 franchised restaurants, 12 corporate restaurants, 3 manufacturing plants, in Boisbriand and Blainville, Québec, and 2 distribution centers, in Anjou and Boisbriand, Québec are currently covered under collective bargaining agreements, the Company's employees may elect to be represented by labour unions in the future. If a significant number of the Company's employees were to become unionized and collective bargaining agreement terms were

significantly different from the Company's current compensation arrangements, it could adversely affect the Company's business, financial condition or results of operations. In addition, a labour dispute involving some or all of the Company's employees or the employees of franchisees may harm Recipe's reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. Further, if the Company enters into a new market with unionized construction companies, or the construction companies in the Company's current markets become unionized, construction and build out costs for new Company restaurants in such markets could materially increase.

Reliance on Information Technology

The Company relies heavily on information systems, including point-of-sale processing in its restaurants, for management of its supply chain, accounting, payment of obligations, collection of cash, credit and debit card transactions, upkeep of Recipe's in-house call center and other processes and procedures. The Company's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. The Company's operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding the Company's systems as it grows or a breach in security of these systems could result in interruptions to or delays in the Company's business and guest service and reduce efficiency in its operations. If the Company's information technology systems fail and its redundant systems or disaster recovery plans are not adequate to address such failures, or if the Company's business interruption insurance does not sufficiently compensate the Company for any losses that it may incur, the Company's revenues and profits could be reduced and the reputation of its brands and its business could be materially adversely affected. In addition, remediation of such problems could result in significant, unplanned capital investments.

Intellectual Property

The ability of the Company to maintain or increase its revenue will depend on its ability to maintain "brand equity", including through the use of the Company's trade-marks and the trade-marks and other intellectual property rights licensed from third parties. If the Company fails to enforce or maintain any of its intellectual property rights, the Company may be unable to capitalize on its efforts to establish brand equity. All registered trade-marks in Canada can be challenged pursuant to provisions of the Trade-marks Act (Canada) and comparable legislation in the United States, and if any Company trade-marks or trade-marks or other intellectual property rights licensed from third parties are ever successfully challenged, this may have a material adverse impact on the Company.

The Company owns the Company's trade-marks in Canada, and owns trade-marks used in New York Fries', State & Main and Elephant & Castle international operations. In the case of The Keg, the trade-marks, trade names and other intellectual property rights ("The Keg Rights") used in connection with the business of The Keg are owned by the Partnership, an indirect subsidiary of The Keg Royalties Income Fund, an unincorporated open-ended limited purpose trust. The Keg Rights are licensed to The Keg pursuant to the terms of a license and royalty agreement between the Partnership and The Keg, and in exchange for the use of The Keg Rights, The Keg pays the Partnership a royalty. However, it may not own identical and similar trade-marks in other jurisdictions and will not own identical or similar trade-marks related to The Keg owned by parties not related to the Partnership in other jurisdictions. Third parties may use such trade-marks in jurisdictions other than Canada and the United States in a manner that diminishes the value of such trade-marks. If this occurs, the value of the Company's trade-marks and The Keg Rights may suffer and the results of operations of the Company could be impacted. Similarly, negative publicity or events associated with the Company in jurisdictions outside of Canada and the United States may negatively affect the image and reputation of the Company in Canada and the United States, resulting in a material adverse effect on the Company.

Lawsuits

The Company and the franchisees may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada or elsewhere in the ordinary course of its business, including, but not limited to, complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. The Company is also subject to a variety of other claims arising in the ordinary course of its business, including personal injury claims, contract claims, class action claims, claims from franchisees (which tend to increase when franchisees experience declining sales and profitability) and claims alleging violations regarding workplace and employment matters, discrimination and similar matters. The existence of such claims against the Company or its affiliates, directors or

officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The Company may also be named in lawsuits primarily directed at a franchisee. Adverse publicity resulting from such allegations may materially affect the sales or results of operations of restaurants, regardless of whether such allegations are true or whether the Company or a franchisee is ultimately held liable. See “Legal Proceedings and Regulatory Actions”.

Regulation

The Company and each restaurant is subject to various licensing, laws and regulations governing its business, employment standards, taxes and other matters, including but not limited to, laws and regulations relating to alcoholic beverage control, smoking laws, accessibility and regulations of health and safety and fire agencies. It is possible that future changes in applicable federal, provincial or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject, including but not limited to, changes to the minimum wage, the Canadian federal government’s Temporary Foreign Worker Program and informed dining regulations could materially adversely affect the Company’s overall business. In addition, difficulties in obtaining or failures to obtain the required licences or approvals could delay or prevent the development of a new restaurant in a particular area. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Company will be subject or the effect of any such change.

As the owner or operator of real property, the Company and its franchisees are subject to federal, provincial and local governmental regulations relating to the use, storage, discharge, emission and disposal of waste and hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law which could adversely affect the Company’s operations.

The Company’s Insurance May Not Provide Adequate Levels of Coverage

The Company believes that it maintains insurance customary for businesses of its size and type. However, there are types of losses that the Company may incur that cannot be insured against or that the Company believes are not economically reasonable to insure. Such losses could have a material adverse effect on the Company’s business and results of operations.

Foreign Currency Exchange Rates

The Company is exposed to foreign exchange risk. A depreciating Canadian dollar relative to the U.S. dollar will have an adverse impact on the cost of produce, information technology equipment and services, and other goods imported from the U.S., while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. Foreign exchange rate fluctuations may materially affect the Company’s results of operations in future periods.

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", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "System Sales Growth", "Adjusted Net Earnings", "Adjusted Basic EPS", "Adjusted Diluted EPS", and "Free Cash Flow" to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

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

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

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

"**Operating EBITDA**" is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain; (v) impairment of assets, net of reversals; (vi) losses on early buyout / cancellation of equipment rental contracts; (vii) restructuring and other; (viii) conversion fees; (ix) net (gain) / loss on disposal of property, plant and equipment; (x) stock based compensation, costs related to its restricted share units, and 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; (v) dividends paid; (vi) shares repurchased under the NCIB; and (viii) 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)	Q4 – 2020	Q3 – 2020	Q2 – 2020	Q1 – 2020
	Dec 27,	Sept 27,	June 28,	March 29,
	2020	2020	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings (loss).....	\$ 23.6	\$ 5.2	\$ (40.6)	\$ (41.2)
Transaction costs.....	1.8	0.2	0.2	0.1
Impairment charges.....	17.7	(2.2)	47.4	16.3
Restructuring and other.....	(0.6)	5.4	1.9	(1.1)
Change in fair value of non-controlling interest liability.....	(7.1)	—	—	—
Change in fair value of exchangeable Partnership units.....	(22.8)	12.1	(3.2)	33.1
Amortization of unearned conversion fees income.....	—	—	(0.1)	—
Losses on early buyout/cancellation of equipment rental contracts.....	(0.4)	(0.1)	(0.2)	—
Loss (Gain) on settlement of lease liabilities.....	0.8	(0.1)	0.3	0.1
Net (gain) loss on disposal of property, plant and equipment and other assets.....	3.1	(4.3)	0.5	0.2
Adjusted Net Earnings ⁽¹⁾.....	\$ 16.1	\$ 16.1	\$ 6.2	\$ 7.3
(C\$ millions unless otherwise stated)				
	Q4 – 2019	Q3 – 2019	Q2 – 2019	Q1 – 2019
	Dec 29,	Sept 29,	June 30,	March 31,
	2019	2019	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings (loss).....	\$ (1.9)	\$ 6.7	\$ 16.6	\$ 22.7
Transaction costs.....	1.8	0.1	0.3	0.1
Write off of deferring financing fees.....	—	(1.0)	1.0	—
Impairment charges.....	47.6	5.7	4.0	—
Restructuring and other.....	3.6	2.6	0.7	(0.2)
Change in fair value of non-controlling interest liability.....	(10.3)	—	—	—
Change in fair value of exchangeable Partnership units.....	5.1	3.1	0.9	(4.8)
Amortization of unearned conversion fees income.....	—	0.3	(0.1)	(0.1)
Losses on early buyout/cancellation of equipment rental contracts.....	1.5	1.6	0.1	—
Gain on settlement of lease liabilities.....	(1.4)	—	—	—
Net gain on disposal of property, plant and equipment and other assets.....	(1.3)	0.5	(0.1)	0.6
Adjusted Net Earnings ⁽¹⁾.....	\$ 44.8	\$ 19.5	\$ 23.4	\$ 18.3

⁽¹⁾ Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

	Q4 - 2020	Q3 - 2020	Q2 - 2020	Q1 - 2020
(C\$ millions unless otherwise stated)	December 27, 2020	Sept 27, 2020	June 28, 2020	March 29, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings (loss)	\$ 23.6	5.2	(40.6)	\$ (41.2)
Net interest expense and other financing charges.....	7.6	7.9	9.5	6.4
Income taxes	0.2	4.5	(12.1)	(8.8)
Depreciation and amortization.....	26.0	26.0	26.3	27.0
EBITDA⁽¹⁾	57.4	43.6	(16.9)	(16.6)
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	1.8	0.2	0.2	0.1
Impairment charges	17.7	(2.2)	47.4	16.3
Restructuring and other	(0.6)	5.4	1.9	(1.1)
Change in fair value non-controlling interest liability.....	(7.1)	—	—	—
Change in fair value of exchangeable partnership units.....	(22.8)	12.1	(3.2)	33.1
Income on Partnership units.....	2.0	2.3	1.2	2.7
Amortization of unearned conversion fees income.....	—	—	(0.1)	—
(Gains)/ Losses on early buyout/cancellation of equipment rental contracts.....	(0.4)	(0.1)	(0.2)	—
Loss (Gain) on settlement of lease liability.....	0.8	(0.1)	0.3	0.1
Net gain (loss) on disposal of property, plant and equipment and other assets.....	3.1	(4.3)	0.5	0.2
Stock based compensation.....	0.4	0.1	0.4	0.5
Proportionate share of equity accounted joint venture.....	(4.1)	—	(1.4)	(0.6)
Rent impact from adoption of IFRS 16 "Leases" ⁽²⁾	(13.1)	(14.5)	(14.5)	(14.2)
Operating EBITDA⁽¹⁾	\$ 35.0	\$ 42.5	\$ 15.6	\$ 20.5

	Q4 - 2019	Q3 - 2019	Q2 - 2019	Q1 - 2019
	Dec 29, 2019	Sept 29, 2019	June 30, 2019	March 31, 2019
(C\$ millions unless otherwise stated)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	\$ (1.9)	6.7	16.6	\$ 22.7
Net interest expense and other financing charges	6.4	4.9	7.5	4.5
Income taxes	(4.1)	5.2	7.2	8.6
Depreciation and amortization	29.5	28.4	28.9	27.9
EBITDA⁽¹⁾	\$ 29.9	\$ 45.2	\$ 60.2	\$ 63.7
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	1.8	0.1	0.3	0.1
Impairment charges	47.6	5.7	4.0	—
Restructuring and other	3.6	2.6	0.7	(0.2)
Change in fair value non-controlling interest liability	(10.3)	—	—	—
Change in fair value of exchangeable partnership units	5.1	3.1	0.9	(4.8)
Income on Partnership units	2.8	2.8	2.7	2.8
Amortization of unearned conversion fees income	—	0.3	(0.1)	(0.1)
Losses on early buyout/cancellation of equipment rental contracts	1.5	1.6	0.1	—
Gain on settlement of lease liability	(1.4)	—	—	—
Net (gain) on disposal of property, plant and equipment	(1.3)	0.5	(0.1)	0.6
Stock based compensation	(5.4)	2.1	1.8	1.9
Change in onerous contract provision	—	(0.6)	0.4	(0.2)
Proportionate share of equity accounted joint venture	0.8	0.3	0.1	0.2
Rent impact from adoption of IFRS 16 "Leases"	(14.1)	(14.1)	(15.0)	(13.9)
Operating EBITDA⁽¹⁾	\$ 60.5	\$ 49.5	\$ 56.0	\$ 50.1

⁽¹⁾ Figures may not total due to rounding.

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

	Q4 - 2020	Q3 - 2020	Q2 - 2020	Q1 - 2020
	December 27, 2020	Sept 27, 2020	June 28, 2020	March 29, 2020
(C\$ millions unless otherwise stated)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	\$ 35.0	\$ 42.5	\$ 15.6	\$ 20.5
Maintenance capex	(2.8)	(4.4)	(4.0)	(3.8)
Interest on long-term debt	(5.7)	(6.3)	(6.8)	(5.4)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(1.1)
Cash taxes	(8.0)	2.7	—	(14.5)
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ 17.5	\$ 33.4	\$ 3.6	\$ (4.3)
Growth capex	(0.4)	(4.5)	(3.4)	(5.0)
Proceeds on sale of assets	0.1	4.5	—	0.1
Dividends	—	—	(6.6)	—
NCIB	—	—	—	(0.3)
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ 17.2	\$ 33.4	\$ (6.4)	\$ (9.6)

	Q4 - 2019	Q3 - 2019	Q2 - 2019	Q1 - 2019
(C\$ millions unless otherwise stated)	December 29, 2019	Sept 30, 2019	June 30, 2019	March 31, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	\$ 60.5	\$ 49.5	\$ 56.0	\$ 50.1
Maintenance capex	(5.0)	(3.8)	(5.6)	(5.5)
Cash taxes	(5.5)	(4.5)	(4.1)	(3.6)
Interest on long-term debt	(1.1)	(1.1)	(1.1)	(1.1)
Interest expense on note payable to The Keg Royalties Income Fund	(4.6)	(4.0)	(5.2)	(4.8)
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ 44.3	\$ 36.1	\$ 40.0	\$ 35.1
Growth capex	(8.9)	(8.2)	(7.9)	(4.5)
Proceeds on sale of assets	0.2	(0.3)	0.9	—
Dividends declared	(6.3)	(6.8)	(6.9)	(6.9)
Share repurchased	—	(16.5)	(11.7)	(7.1)
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ 29.3	\$ 4.2	\$ 14.4	\$ 16.6

⁽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 25, 2021. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

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

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number, locations of competing restaurants and public health issues. 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.