

RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 weeks ended March 28, 2021

Basis of Presentation

The COVID-19 global pandemic was declared in the first quarter of 2020 and continues to have an impact on the Company. The following Management's Discussion and Analysis ("MD&A") for Recipe Unlimited Corporation ("Recipe" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 weeks ended March 28, 2021, and March 29, 2020 ("first quarter", "Q1", "the quarter" or "the period"). The consolidated results from operations for the 13 weeks ended March 28, 2021 are compared to the 13 weeks ended March 29, 2020, as well as the 13 weeks ended March 31, 2019 which reflects the Company's first quarter results of operations prior to the COVID-19 pandemic.

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

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 May 6, 2021. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

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 evolving mandated restaurant closures and other restrictive measures. As a result, 88.7% of the Company's operating weeks during the first quarter were impacted by complete or partial closures. Locations that were permitted to open 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 have remained open throughout the pandemic as an essential service continuing to supply branded and private label products to grocery customers.

Health and Safety

In late 2020, the Company launched its Social Safely media campaign, which highlights our continued commitment to delivering best in class experiences by operating safe and clean restaurants across all of our locations. From our comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs, we have a continued commitment to ensure the health and safety of our guests, associates and franchise partners.

Frontline Workers Support

The ongoing pandemic and the evolving government mandated restaurant openings and closings have a significant financial and mental health impact on our frontline associates. As a result, the Company announced on April 8, 2021, a \$500,000 support package for its Ontario corporate frontline restaurant workers to assist its associates through the latest extended closures that have been mandated by the Ontario government. The Company's support program will consist of direct payments to frontline associates who would have otherwise been laid off because of this latest lockdown. Recipe will also continue to focus on employees' mental health through enhanced benefits coverage for mental health practitioners and employee assistance programs.

Franchise Partner Support

Since the beginning of the COVID-19 crisis, the Company has been committed to protecting the financial health of its franchisees through various support programs, including Recipe's rent certainty program (which provided direct rent support

to franchisees), Recipe's 2020 royalty reduction program and Recipe's COVID support program. Recipe's rent certainty and royalty reduction programs ended in 2020 while the Company's COVID support program remained in effect until the end of March 2021. Beyond March 2021, the Company will continue to provide support to certain franchise partners through various subsidies and cash flow support programs.

Liquidity and Cash Management

The Company has taken action to provide sufficient liquidity for the foreseeable future. On February 18, 2021, the Company amended its lending covenant with its banking syndicate and Private Noteholders to provide additional covenant flexibility during the 2021 COVID-19 disruption period. The covenant amendments are effective through to the end of the first quarter of 2022 and management expects the lending covenants amendments to provide sufficient covenant flexibility through the extended COVID-19 crisis.

The Company has also taken additional measures to maximize liquidity during the pandemic, which include the suspension of its NCIB buyback program, the suspension of dividend payments and the suspension of many central, new store development, corporate store renovations and other capital expenditure plans. As a result of these actions and careful working capital management, the Company finished the quarter with a net debt position of \$457.7 million, compared to \$451.3 million at the end of 2020.

Government Assistance

The Canadian Federal and Provincial governments have announced various assistance programs during the COVID-19 crisis, including:

- The Canada Emergency Wage Subsidy program (CEWS) was made available to the Company and its franchise partners. During the 13 weeks ended March 28, 2021, the Company received \$18.2 million of wage subsidies for salaries paid to employees in corporate restaurants, food manufacturing and head office locations.
- The Canada Emergency Rent Subsidy (CERS) program, which provides direct rent relief to eligible applicants. During the 13 weeks ended March 28, 2021, the Company realized \$3.8 million of government rent subsidies.
- The Property Tax and Energy Cost Rebate programs introduced by the governments of Ontario, Alberta and British Columbia, provides direct property tax and utility cost rebates to business locations that were mandated to close or significantly restrict its services due to provincial public health measures. During the 13 weeks ended March 28, 2021, the Company realized \$4.8 million of government property tax and energy cost rebates.

While the actions taken to provide liquidity 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 length of time restaurant operations are restricted, the financial solutions achieved with government, lenders, franchisees, and landlords, post COVID-19 consumer dining behaviours, 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, and obtaining rent relief from landlords where restaurants are mandated by the government to close or where the government imposes operating restrictions that do not enable profitable operations.

Highlights for the 13 weeks ended March 28, 2021:

- System Sales⁽¹⁾ for the 13 weeks ended March 28, 2021 was \$537.6 million, compared to \$747.2 million in 2020 and \$850.7 million in 2019, representing decreases from 2020 and 2019 of 28.1% and 36.8%, respectively. The decreases were driven by the government mandated restaurant closures and restrictions, which impacted 88.7% of the Company's operating weeks in the first quarter of 2021. Decreases in restaurant system sales were partially offset by sales increases in the Retail and Catering segment.
- E-Commerce System Sales for the 13 weeks ended March 28, 2021 was \$149.8 million, compared to \$85.6 million in 2020 and \$83.4 million in 2019, representing increases from 2020 and 2019 of 75.0% and 79.6%, respectively. The Company continues to build on its off-premise channels through its established IT platform infrastructure, which makes it convenient for guests to enjoy their experience in whatever manner they choose.

- Retail and Catering System Sales for the 13 weeks ended March 28, 2021 was \$87.6 million, compared to \$75.9 million in 2020 and \$72.5 million in 2019, representing increases from 2020 and 2019 of 15.4% and 20.8%, respectively. The increases were driven by increased sales to retail grocery customers, partially offset by declines in the catering segment due to the impact of COVID-19.
- Operating EBITDA⁽¹⁾ for the 13 weeks ended March 28, 2021 increased to \$24.0 million from \$20.5 million in 2020, representing an increase of 17.1%. Operating EBITDA Margin on System Sales⁽¹⁾ for the 13 weeks ended March 28, 2021 was 4.5% compared to 2.7% in 2020. The increases were driven by government subsidies and various cost saving measures implemented by the Company.
- The Company opened its third Ultimate Kitchens location in Montreal in April 2021. 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 continues to execute the planned closures of restaurants that no longer fit its long-term strategic plan. For the 13 weeks ended March 28, 2021, the Company successfully closed and exited 16 restaurants, including 1 corporate and 15 franchise locations.
- Net Earnings were \$13.0 million for the 13 weeks ended March 28, 2021 compared to a net loss of \$41.2 million in 2020, representing an increase of \$54.2 million. The increase was driven by an increase in Operating EBITDA of \$3.5 million, an increase in the fair value of Exchangeable Keg Partnership units of \$43.9 million, a decrease in depreciation and amortization of \$3.0 million and a decrease in impairment charges of \$16.3 million, partially offset by an increase in net interest expense of \$1.1 million and an increase in deferred taxes of \$9.6 million.
- Basic and Diluted EPS for the 13 weeks ended March 28, 2021 was \$0.23 and \$0.22, respectively, compared to Basic and Diluted EPS of \$(0.73) in 2020.
- Adjusted Basic and Diluted EPS for the 13 weeks ended March 28, 2021 was \$0.06 compared to \$0.13 in 2020.
- Cash flow from operating activities for the 13 weeks ended March 28, 2021 was \$23.1 million, compared to \$6.5 million in 2020.
- Free Cash Flow⁽¹⁾ before growth capex, dividends, and share repurchases under the Company's normal course issuer bid ("NCIB") for the 13 weeks ended March 28, 2021 was \$8.8 million compared to (\$4.3) million in 2020 and \$35.5 million in 2019.
- Free Cash Flow⁽¹⁾ per share before growth capex, dividends, and NCIB on a diluted basis was \$0.15 for the 13 weeks ended March 28, 2021, compared to (\$0.08) in 2020 and \$0.55 in 2019.

⁽¹⁾ See "Non-IFRS Measures" on page 29 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 29 for a reconciliation of Net Earnings to these Non-IFRS measures.

Subsequent Events

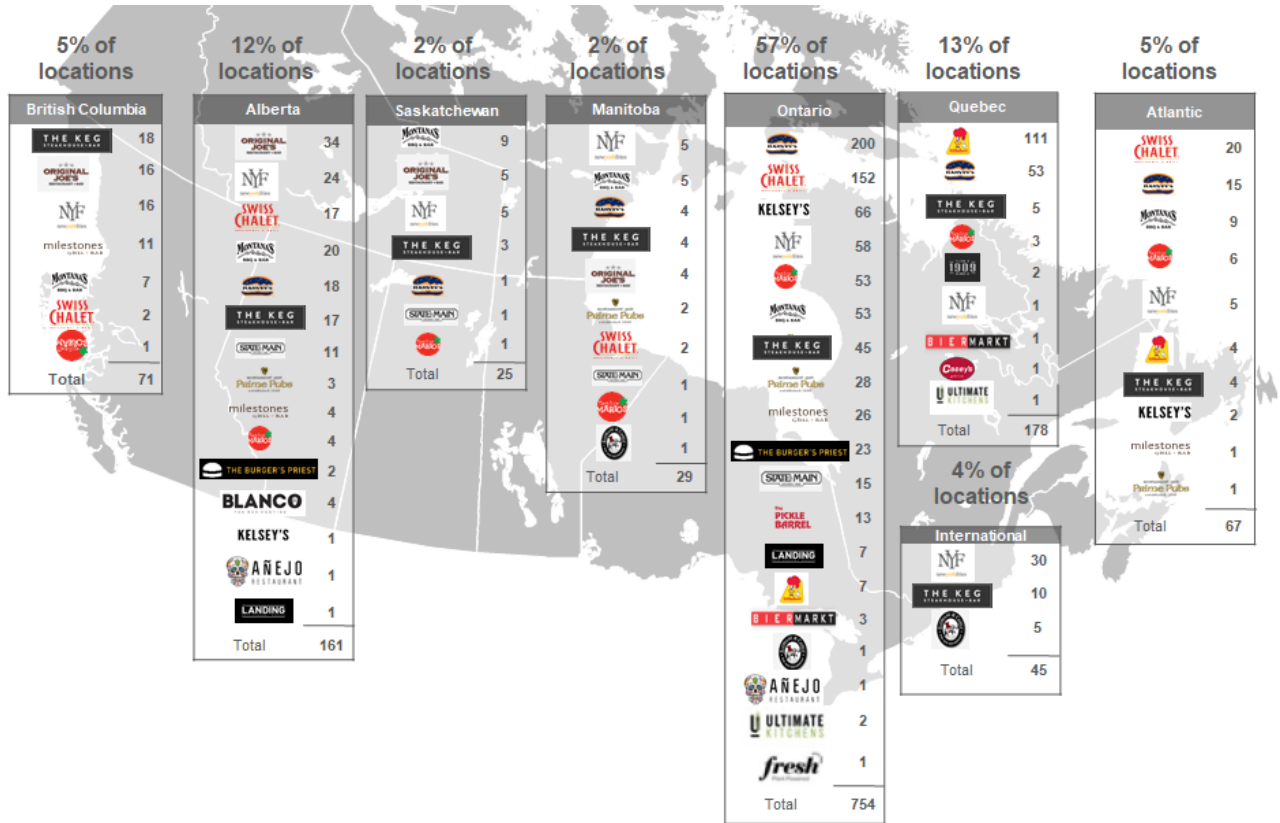
Subsequent to March 28, 2021, the provincial governments of Ontario, Manitoba and Quebec announced the mandated closures of all restaurant dining rooms in response to the resurgence of the COVID-19 cases. For the province of Ontario, the mandated closures also include outdoor patios. As a result, all of our locations in the affected areas are closed for in-restaurant dining but most locations remain open for take-out and delivery. The Company will continue to take the necessary safety measures and operate in accordance with public health guidance.

On May 6, 2021, two of the Company's non-employee board members retired. The board members earned DSUs as compensation throughout their participation on the board. Upon their retirement, their DSUs will be settled for cash payment of \$0.7 million.

Subsequent to March 28, 2021, the Company entered into a purchase agreement to acquire the remaining interest in New & Old Kings and Priests Restaurants Inc. ("Burger's Priest"), for cash consideration of approximately \$20.0 million. The transaction closed on May 6, 2021.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at March 28, 2021, Recipe had 25 brands and 1,330 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 March 28, 2021				As at December 27, 2020			
	Corporate	Franchise	Joint Venture	Total	Corporate	Franchise	Joint Venture	Total
Swiss Chalet	11	182	—	193	11	184	—	195
Harvey's	8	283	—	291	9	283	—	292
Montana's	5	98	—	103	5	99	—	104
Kelsey's	5	64	—	69	5	65	—	70
East Side Mario's ⁽¹⁾	4	65	—	69	4	65	—	69
Prime Pubs	4	30	—	34	4	30	—	34
Bier Markt	4	—	—	4	4	—	—	4
Milestones	28	14	—	42	29	15	—	44
Landing	8	—	—	8	8	—	—	8
New York Fries	19	125	—	144	19	132	—	151
St-Hubert	13	109	—	122	12	109	—	121
Original Joe's	20	31	8	59	16	30	13	59
State & Main	9	16	3	28	8	15	5	28
Elephant & Castle	7	—	—	7	7	—	—	7
Burger's Priest	—	—	25	25	—	—	25	25
1909 Taverne Moderne	—	—	2	2	—	—	2	2
Pickle Barrel	13	—	—	13	13	—	—	13
The Keg	51	55	—	106	51	55	—	106
Anejo	2	—	—	2	2	—	—	2
Blanco Cantina	1	3	—	4	1	2	—	3
Casey's	—	1	—	1	—	1	—	1
Fresh	—	—	1	1	—	—	1	1
Ultimate Kitchens	3	—	—	3	2	—	—	2
Total restaurants	215	1,076	39	1,330	210	1,085	46	1,341
	16%	81%	3%	100%	16%	81%	3%	100%

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

Selected Financial Information

The following table summarizes Recipe's System Sales Growth, 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		
	March 28, 2021	March 29, 2020	March 31 2019
System Sales ⁽¹⁾	\$ 537.6	\$ 747.2	\$ 850.7
System Sales Growth ⁽¹⁾	(28.1)%	(12.2)%	12.5 %
Number of corporate restaurants	215	203	211
Number of joint venture restaurants	39	45	47
Number of franchised restaurants	1,076	1,115	1,124
Total number of restaurants (at period end)	1,330	1,363	1,382
Total gross revenue	\$ 194.1	\$ 269.9	\$ 304.6
Operating EBITDA ⁽¹⁾	\$ 24.0	\$ 20.5	\$ 50.1
Operating EBITDA Margin ⁽¹⁾	12.4 %	7.6 %	16.4 %
Operating EBITDA Margin on System Sales ⁽¹⁾	4.5 %	2.7 %	5.9 %
Free cash flow ⁽¹⁾ , before growth capex, dividends and	\$ 8.8	\$ (4.3)	\$ 35.5
Free cash flow ⁽¹⁾ per share - Basic (in dollars)	\$ 0.16	\$ (0.08)	\$ 0.57
Free cash flow ⁽¹⁾ per share - Diluted (in dollars)	\$ 0.15	\$ (0.08)	\$ 0.55
Free cash flow ⁽¹⁾ , after growth capex, dividends and NCIB	\$ 6.9	\$ (9.6)	\$ 23.9
Free cash flow ⁽¹⁾ per share - Basic (in dollars)	\$ 0.12	\$ (0.17)	\$ 0.39
Free cash flow ⁽¹⁾ per share - Diluted (in dollars)	\$ 0.12	\$ (0.17)	\$ 0.37
Net earnings (loss)	\$ 13.0	\$ (41.2)	\$ 22.7
Basic EPS (in dollars)	\$ 0.23	\$ (0.73)	\$ 0.36
Diluted EPS (in dollars)	\$ 0.22	\$ (0.73)	\$ 0.36
Adjusted Net Earnings ⁽¹⁾	\$ 3.2	\$ 7.3	\$ 18.3
Adjusted Basic EPS ⁽¹⁾ (in dollars)	\$ 0.06	\$ 0.13	\$ 0.30
Adjusted Diluted EPS ⁽¹⁾ (in dollars)	\$ 0.06	\$ 0.13	\$ 0.29

⁽¹⁾ See "Non-IFRS Measures" on page 29 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 29 for a reconciliation of Net Earnings to these Non-IFRS measures.

The following table summarizes results of Recipe's operations for the 13 weeks ended March 28, 2021, March 29, 2020 and March 31, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		
	March 28 2021	March 29 2020	March 31 2019
System Sales ⁽²⁾	\$ 537.6	\$ 747.2	\$ 850.7
Sales	\$ 165.3	\$ 229.8	\$ 259.5
Franchise revenues	28.8	40.2	45.2
Total gross revenue ⁽¹⁾	\$ 194.1	\$ 269.9	\$ 304.6
Cost of inventories sold	(88.3)	(103.0)	(108.5)
Selling, general and administrative expenses			
Corporate restaurant expenses	(48.6)	(103.8)	(111.2)
Advertising fund transfers	(10.6)	(13.1)	(15.2)
The Keg royalty expense	(2.7)	(5.7)	(6.7)
Franchise assistance and bad debt	(0.9)	(1.0)	(1.2)
Depreciation & amortization	(23.4)	(26.4)	(27.4)
Net gain on disposal of property, plant and equipment and other assets	0.1	(0.2)	(0.6)
Gain on settlement of lease liabilities	0.1	(0.1)	—
Losses on early buyout/cancellation of equipment rental contracts	0.3	—	—
Other	(8.6)	(12.3)	(2.6)
Selling, general and administrative expenses ⁽¹⁾	(94.2)	(162.6)	(164.9)
Impairment of assets, net of reversals	—	(16.3)	—
Restructuring and other	(1.1)	1.1	0.2
Operating income (loss) ⁽¹⁾	\$ 10.5	\$ (10.7)	\$ 31.5
Net interest expense and other financing charges	(7.5)	(6.4)	(4.5)
Share of gain (loss) from investment in joint ventures	0.4	0.1	(0.6)
Earnings (loss) before change in fair value and income taxes ⁽¹⁾	\$ 3.4	\$ (17.0)	\$ 26.5
Change in fair value of non-controlling interest liability	(0.5)	—	—
Change in fair value of exchangeable Partnership units and Keg Royalty Income Fund units	10.8	(33.1)	4.8
Earnings (loss) before income taxes ⁽¹⁾	\$ 13.8	\$ (50.1)	\$ 31.3
Income taxes - current	(2.4)	(2.4)	(7.1)
Income taxes - deferred	1.6	11.2	(1.5)
Net earnings (loss) ⁽¹⁾	\$ 13.0	\$ (41.2)	\$ 22.7
Adjusted Net Earnings ⁽²⁾	\$ 3.2	\$ 7.3	\$ 18.3
Earnings per share attributable to common shareholders (in dollars)			
Basic EPS	\$ 0.23	\$ (0.73)	\$ 0.36
Diluted EPS	\$ 0.22	\$ (0.73)	\$ 0.35
Adjusted Basic EPS ⁽²⁾	\$ 0.06	\$ 0.13	\$ 0.30
Adjusted Diluted EPS ⁽²⁾	\$ 0.06	\$ 0.13	\$ 0.29

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See "Non-IFRS Measures" on page 29 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 29 for a reconciliation of Net Earnings to these Non-IFRS measures.

(C\$ millions unless otherwise stated)	13 weeks ended		
	March 28, 2021	March 29, 2020	March 31, 2019
Reconciliation of Net Earnings to Adjusted Net Earnings ⁽²⁾			
Net earnings (loss)	\$ 13.0	\$ (41.2)	\$ 22.7
Transaction costs	0.1	0.1	0.1
Impairment charges	—	16.3	—
Restructuring and other	1.1	(1.1)	(0.2)
Change in fair value non-controlling interest liability and contingent	0.5	—	—
Change in fair value of Exchangeable Partnership units and Keg	(10.8)	33.1	(4.8)
Royalty Income Fund units	—	—	—
Losses on early buyout/cancellation of equipment rental contracts	(0.3)	—	—
Net gain on disposal of property, plant and equipment and other assets	(0.1)	0.2	0.6
(Gain) loss on settlement of lease liabilities	(0.1)	0.1	—
Adjusted Net Earnings ⁽¹⁾⁽²⁾	\$ 3.2	\$ 7.3	\$ 18.3
Reconciliation of Net Earnings to EBITDA ⁽²⁾			
Net earnings (loss)	\$ 13.0	\$ (41.2)	\$ 22.7
Net interest expense and other financing charges	7.5	6.4	4.5
Income taxes	0.8	(8.8)	8.6
Depreciation and amortization	24.0	27.0	27.9
EBITDA ⁽²⁾	\$ 45.3	\$ (16.6)	\$ 63.7
Reconciliation of EBITDA ⁽²⁾ to Operating EBITDA ⁽²⁾:			
Transaction costs	0.1	0.1	0.1
Impairment charges	—	16.3	—
Restructuring and other	1.1	(1.1)	(0.2)
Change in fair value non-controlling interest liability and contingent liability	0.5	—	—
Change in fair value of Exchangeable Partnership units and Keg	(10.8)	33.1	(4.8)
Royalty Income Fund units	—	—	—
Income on Partnership and Fund units	1.8	2.7	2.8
Losses on early buyout/cancellation of equipment rental contracts	(0.3)	—	(0.1)
Net gain on disposal of property, plant and equipment and other assets	(0.1)	0.2	0.6
Gain on settlement of lease liabilities	(0.1)	0.1	—
Stock based compensation	0.2	0.5	1.9
Change in onerous contract provision	—	—	(0.2)
Proportionate share of joint venture results	(0.6)	(0.6)	0.2
Rent impact from IFRS 16 Leases	(13.1)	(14.2)	(13.9)
Operating EBITDA ⁽¹⁾⁽²⁾	\$ 24.0	\$ 20.5	\$ 50.1
Reconciliation of Operating EBITDA ⁽²⁾ to Free Cash Flow⁽²⁾:			
Maintenance capex	(2.1)	(3.8)	(5.1)
Interest on long-term debt	(5.6)	(5.4)	(3.6)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)
Income taxes paid	(6.4)	(14.5)	(4.8)
Free Cash Flow⁽²⁾ before Growth capex, dividends and NCIB⁽¹⁾	\$ 8.8	\$ (4.3)	\$ 35.5
Growth capex	(1.9)	(5.0)	(4.5)
Proceeds on sale of assets	—	0.1	—
NCIB	—	(0.3)	(7.1)
Free Cash Flow⁽²⁾ after Growth capex, dividends and NCIB⁽¹⁾	\$ 6.9	\$ (9.6)	\$ 23.9

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See “Non-IFRS Measures” on page 29 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 29 for a reconciliation of Net Earnings to these Non-IFRS measures.

Restaurant Portfolio Management and Continuous Network Improvement

At the end 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 rent assistance.

During the 13 weeks ended March 28, 2021, Management successfully closed and exited 1 corporate lease. It is expected that the planned closure or sublet of the restaurants identified will primarily occur over the next 12 to 18 months dependent on landlord negotiations and subject to individual franchisee situations. Management also expects that the temporary closure of locations due to COVID-19 will help accelerate some of the landlord negotiations and some closed restaurants may not re-open.

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

Restaurant renovations also contribute to network improvement and demonstrate commitment by franchisees to reinvest in their business. However, the timing of renovations is dependent on having sufficient term remaining on both the particular franchise agreement and lease agreement. Franchisees are responsible for financing franchise restaurant renovations. We have found that renovations are most successful when they include changes to the exterior and interior coupled with a fresh approach to guest service and experience. During the 13 weeks ended March 28, 2021, the Company completed 1 renovation. As a result of COVID-19, Management will be temporarily pausing restaurant renovations for the balance of 2021 and will focus on maximizing sales and cash flow for corporate and franchise locations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at March 28, 2021, there were 1,330 restaurants. The following table presents the changes in Recipe's restaurant unit count:

Unit count (unaudited)	For the 13 weeks ended March 28, 2021							
	March 28, 2021				March 29, 2020			
	Corporate	Franchised	Joint Venture	Total	Corporate	Franchised	Joint Venture	Total
Beginning of year ⁽¹⁾	210	1,085	46	1,341	202	1,125	46	1,373
Acquisitions	—	—	—	—	—	—	—	—
New openings	2	3	—	5	3	3	—	6
Closures	(1)	(15)	—	(16)	(3)	(12)	(1)	(16)
Casey's closures	—	—	—	—	—	—	—	—
Corporate buybacks ⁽²⁾	5	—	(5)	—	1	(1)	—	—
Restaurants re-franchised ⁽³⁾	(1)	3	(2)	—	—	—	—	—
End of period	215	1,076	39	1,330	203	1,115	45	1,363

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

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

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

Financial results

System Sales

System Sales for the 13 weeks ended March 28, 2021 were \$537.6 million compared to \$747.2 million in 2020 and \$850.7 million in 2019, representing decreases from 2020 and 2019 of 28.1% and 36.8%, respectively. The decreases were driven by the effects of government mandated closures and restrictions which impacted 88.7% of the Company's operating weeks in the first quarter. The decrease 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 \$194.1 million for the 13 weeks ended March 28, 2021 compared to \$269.9 million in 2020 and \$304.6 million in 2019, representing decreases from 2020 and 2019 of 28.1% and 36.3%, respectively. The decreases in the gross revenues for the quarter was related to the loss of operating weeks caused by government mandated closures of restaurants as a result of the COVID-19 pandemic, partially offset by increases in Retail and Catering segment and the growth of e-commerce 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 and the collection of COVID-19 related government subsidies.

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		
	March 28, 2021	March 29, 2020	March 31 2019
	(unaudited)	(unaudited)	(unaudited)
Corporate restaurant expenses	\$ 48.6	\$ 103.8	\$ 111.2
Advertising fund transfers	10.6	13.1	15.2
Franchise assistance and bad debt	0.9	1.0	1.2
The Keg royalty expense	2.7	5.7	6.7
Depreciation and amortization	23.4	26.4	27.4
Net gain on disposal of property, plant and equipment and other	(0.1)	0.2	0.6
Loss on settlement of lease liabilities	(0.1)	0.1	—
Losses on early buyout/cancellation of equipment rental	(0.3)	—	—
Other	8.6	12.3	2.6
Total selling, general and administrative expenses ⁽¹⁾	\$ 94.2	\$ 162.6	\$ 164.9

⁽¹⁾ Figures may not total due to rounding.

SG&A expenses for the 13 weeks ended March 28, 2021 were \$94.2 million compared to \$162.6 million in 2020, representing a decrease of \$68.4 million or 42.1% for the quarter. The decrease in the quarter was largely related to a decrease in corporate restaurant expenses, government subsidies and other cost reduction initiatives taken by the Company, which offset reductions in vendor purchase allowances related to the decrease in system sales.

Net interest expense and other financing charges

Finance costs are derived from Recipe's financing activities which include the Existing Credit Facility, amortization of financing fees, interest income on The Keg Partnership units and net interest expense related to the lease standard.

(C\$ thousands unless otherwise stated)	13 weeks ended		
	March 28, 2021	March 29, 2020	March 31 2019
	(unaudited)	(unaudited)	(unaudited)
Interest expense on long-term debt	\$ 5.6	\$ 5.4	3.6
Interest expense on note payable to The Keg Royalties Income Fund	1.1	1.1	1.1
Financing costs	0.2	0.3	0.2
Interest expense - other	0.1	0.1	0.1
Interest income on Partnership units and KRIF units	(1.8)	(2.7)	(2.8)
Interest income	(0.5)	(0.9)	(0.5)
Interest on lease obligations	6.6	7.6	7.6
Interest income on lease receivable	(3.7)	(4.5)	(4.7)
Total net interest expense and other financing charges ⁽¹⁾	\$ 7.5	\$ 6.4	\$ 4.5
Net debt (excluding financing charges)	\$ 457.7	\$ 462.4	\$ 348.8

⁽¹⁾ Figures may not total due to rounding.

Net interest expense and other financing charges for the 13 weeks ended March 28, 2021 were \$7.5 million compared to \$6.4 million in 2020, an increase of \$1.1 million. The change is primarily related to a decrease in interest income on Partnership units and KRIF units.

Income taxes

The Company recorded a current income tax expense of \$2.4 million for the 13 weeks ended March 28, 2021, compared to \$2.4 million in 2020.

The Company recorded a net deferred income tax recovery of \$1.6 million for the 13 weeks ended March 28, 2021, compared to a recovery of \$11.2 million in 2020, representing a decrease in the recovery of deferred income tax expense of \$9.6 million. The decrease is related to the utilization of non-capital losses and other timing differences such as the change in non-deductible reserves in 2020.

Net earnings

Net earnings were \$13.0 million for the 13 weeks ended March 28, 2021 compared to a net loss of \$41.2 million in 2020, representing an increase of \$54.2 million. The increase was driven by an increase in Operating EBITDA of \$3.5 million, an increase in the fair value of Exchange Keg Partnership units of \$43.9 million, a decrease in depreciation and amortization of \$3.0 million, a decrease in impairment charges of \$16.3 million, partially offset by an increase net interest expense of \$1.1 million and an increase in deferred taxes of \$9.6 million.

Segment Performance

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

The Corporate restaurant segment includes the operations of the company-owned restaurants, the proportionate results from the Company's joint venture restaurants from the Original Joe's investment, 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 Keg branded products; and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants. Catering represents sales and operating expenses related to the Company's catering divisions which operate under the names of Pickle Barrel, Rose Reisman, and Marigolds and Onions.

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

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

Operating EBITDA

Operating EBITDA⁽¹⁾ for the 13 weeks ended March 28, 2021 was \$24.0 million compared to \$50.1 million in 2019, representing a decrease of \$26.1 million or 52.1%. The decrease in Operating EBITDA for the quarter was driven by the decline in system sales (due to COVID-19), partially offset by lower SG&A costs, government subsidies and various cost saving measures implemented by the Company.

(unaudited)

13 weeks ended March 28, 2021

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 83,032	\$ 367,014	\$ 87,581	\$ —	\$ 537,627
Corporate Results					
Sales.....	\$ 79,553	\$ —	\$ —	\$ 4,093	\$ 83,646
Cost of inventories sold and cost of labour.....	(43,962)	—	—	—	(43,962)
Restaurant contribution before other costs.....	35,591	—	—	4,093	39,684
Restaurant contribution before other costs %.....	44.7 %				
Other operating costs.....	(31,737)	—	—	—	(31,737)
Total Contribution	\$ 3,854	—	—	\$ 4,093	\$ 7,947
Franchise Results					
Franchise royalty income.....	—	\$ 16,882	—	—	16,882
Franchise royalty income as a % of franchise sales.....	—	4.6 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	2,168	2,168
Franchise rent assistance and bad debt.....	—	(866)	—	—	(866)
Contribution from franchise restaurants	—	\$ 16,016	—	\$ 2,168	\$ 18,184
Contribution from Retail and Catering	—	—	\$ 8,014	—	8,014
Net Central contribution	—	—	—	\$ (9,311)	(9,311)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 3,854	\$ 16,016	\$ 8,014	\$ (3,050)	\$ 24,834
Net royalty expense.....	—	—	—	(869)	(869)
Operating EBITDA⁽¹⁾	\$ 3,854	\$ 16,016	\$ 8,014	\$ (3,919)	\$ 23,965
Contribution as a % of segment System Sales.....	4.8 %	4.4 %	9.2 %	— %	— %
Contribution as a % of total System Sales.....	—	—	— %	(0.7)%	4.5 %

(unaudited)

13 weeks ended March 29, 2020

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 162,693	\$ 508,605	\$ 75,937	\$ —	\$ 747,235
Corporate Results					
Sales.....	\$ 158,149	\$ —	\$ —	\$ 2,728	\$ 160,877
Cost of inventories sold and cost of labour.....	(111,646)	—	—	—	(111,646)
Restaurant contribution before other costs.....	46,503	—	—	2,728	49,231
Restaurant contribution before other costs %.....	29.4 %				
Other operating costs.....	(46,922)	—	—	—	(46,922)
Total Contribution	\$ (419)	—	—	\$ 2,728	\$ 2,309
Franchise Results					
Franchise royalty income.....	—	\$ 22,849	—	—	22,849
Franchise royalty income as a % of franchise sales.....	—	4.5 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	2,686	2,686
Franchise rent assistance and bad debt.....	—	(962)	—	—	(962)
Contribution from franchise restaurants	—	\$ 21,887	—	\$ 2,686	\$ 24,573
Contribution from Retail and Catering	—	—	\$ 7,645	—	7,645
Net Central contribution	—	—	—	\$ (11,102)	(11,102)
Operating EBITDA⁽¹⁾ before royalty expense	\$ (419)	\$ 21,887	\$ 7,645	\$ (5,688)	\$ 23,425
Net royalty expense.....	—	—	—	(2,960)	(2,960)
Operating EBITDA⁽¹⁾	\$ (419)	\$ 21,887	\$ 7,645	\$ (8,648)	\$ 20,465
Contribution as a % of segment System Sales.....	(0.3)%	4.3 %	10.1 %	—	—
Contribution as a % of total System Sales.....	—	—	— %	(1.2)%	2.7 %

⁽¹⁾ See "Non-IFRS Measures" on page 29 for definitions of Operating EBITDA and page 8 for a reconciliation of Net Earnings to Operating EBITDA.

(unaudited)

13 weeks ended March 31, 2019

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales	\$ 196,974	\$ 581,318	\$ 72,453	\$ —	\$ 850,745
Corporate Results					
Sales.....	\$ 192,610	\$ —	\$ —	\$ 2,889	\$ 195,499
Cost of inventories sold and cost of labour.....	(122,914)	—	—	—	(122,914)
Restaurant contribution before other costs.....	69,696	—	—	2,889	72,585
Restaurant contribution before other costs %.....	36.2 %				
Other operating costs.....	(51,232)	—	—	—	(51,232)
Total Contribution	\$ 18,464	—	—	\$ 2,889	\$ 21,353
Franchise Results					
Franchise royalty income.....	—	\$ 26,579	—	—	26,579
Franchise royalty income as a % of franchise sales.....	—	4.6 %	—	—	—
New franchise fees, property and equipment rent.....	—	—	—	3,024	3,024
Franchise rent assistance and bad debt.....	—	(1,089)	—	—	(1,089)
Contribution from franchise restaurants	—	\$ 25,490	—	\$ 3,024	\$ 28,514
Contribution from Retail and Catering	—	—	\$ 8,198	—	8,198
Net Central contribution	—	—	—	\$ (4,152)	(4,152)
Operating EBITDA⁽¹⁾ before royalty expense	\$ 18,464	\$ 25,490	\$ 8,198	\$ 1,761	\$ 53,913
Net royalty expense.....	—	—	—	\$ (3,852)	\$ (3,852)
Operating EBITDA⁽¹⁾	\$ 18,464	\$ 25,490	\$ 8,198	\$ (2,091)	\$ 50,061
Contribution as a % of segment system sales.....	9.6 %	4.4 %	11.3 %	—	—
Contribution as a % of total System Sales.....	—	—	— %	(0.2)%	5.9 %

Corporate

During the 13 weeks ended March 28, 2021, the Company opened 2 new restaurants, completed 5 corporate buybacks, closed 1 under-performing restaurant and re-franchised 1 restaurant. The corporate restaurant segment includes the proportionate results from the Company's 39 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and 1909 Taverne Moderne joint venture.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales are impacted by SRS Growth and the change in number of corporate restaurants. Sales were \$79.6 million for the 13 weeks ended March 28, 2021 compared to \$158.1 million in 2020 and \$192.6 million in 2019, representing decreases from 2020 and 2019 of 49.7% and 58.7%, respectively. The decreases were primarily 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 \$44.0 million for the 13 weeks ended March 28, 2021 compared to \$111.6 million in 2020, a decrease of \$67.6 million or 60.6% for the quarter. The decrease in the quarter is related to corresponding decreases in sales and Federal government wage subsidies that reduced labour costs.

Contribution from Corporate segment

Total contribution from corporate restaurants for the 13 weeks ended March 28, 2021 was \$3.9 million compared to (\$0.4) million in 2020, an improvement of \$4.3 million. The increase reflects the cost saving measures that were implemented by the Company and federal wage subsidies.

For the 13 weeks ended March 28, 2021, total contribution from corporate restaurants as a percentage of corporate sales was 4.8% compared to (0.3)% for the 13 weeks in 2020.

Franchise

As at March 28, 2021, the franchise restaurant segment consisted of 1,076 restaurants compared to 1,085 at December 27, 2020. For the 13 weeks ended March 28, 2021, the Company completed 3 new restaurant openings, partially offset by 15 closures, and 3 corporate conversions. 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 \$367.0 million during the 13 weeks ended March 28, 2021 compared to \$508.6 million in 2020 and \$581.3 million in 2019, representing decreases from 2020 and 2019 of 27.8% and 36.9%, respectively. The decreases were primarily related to the government mandated restaurant closures and restrictions, 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 SRS Growth and net new restaurant activity, as well as the rate of royalty fees (net of contractual subsidies and temporary assistance) paid to Recipe by its franchisees. In certain circumstances, the royalty rate paid to Recipe can be less than Recipe's standard 5% royalty rate due to different contractual rates charged for certain brands (e.g. St-Hubert's standard royalty rate is 4%) and contractual subsidies primarily associated with prior year's conversion transactions or agreements to temporarily assist certain franchisees. The addition of The Keg will also increase Recipe's overall net royalty rate as new and renewed Keg franchisees pay 6% royalty while others pay 5% until their franchise agreement is renewed.

Franchise revenues were \$16.9 million for the 13 weeks ended March 28, 2021 compared to \$22.8 million in 2020 and \$26.6 million in 2019, representing decreases from 2020 and 2019 of 25.9% and 36.5% for the quarter, respectively. The decreases in the quarter were related to System Sales declines as a result of the effects of COVID-19 mandated closures and restrictions.

The effective net royalty rate for the 13 weeks ended March 28, 2021 was 4.4%, compared to 4.3% in Q1 2020 and remained consistent to 2019.

Contribution from franchise segment

Total contribution from franchise restaurants was \$16.0 million for the 13 weeks ended March 28, 2021 compared to \$21.9 million in 2020, a decrease of \$5.9 million or 26.9%. The decrease in the quarter was related to System Sales declines as a result of COVID-19.

Retail and Catering

Sales

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

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

Retail and Catering System Sales for the 13 weeks ended March 28, 2021 was \$87.6 million, compared to \$75.9 in 2020 and \$72.5 million in 2019, representing increases from 2020 and 2019 of 15.4% and 20.8%, respectively. The increases were

drive by increased sales to retail grocery customers, partially offset by declines in the catering segment due to the impact of COVID-19 restrictions.

Contribution from retail and catering

Contribution from Retail and Catering for the 13 weeks ended March 28, 2021 was \$8.0 million compared to \$7.6 million in 2020, an increase of \$0.4 million or 5.3%. The increase was related to higher retail sales and federal wage subsidies, partially offset by increased retail food costs and the impact of COVID-19 on the catering segment.

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 \$4.1 million for the 13 weeks ended March 28, 2021 compared to \$2.7 million in 2020 and \$2.9 million in 2019, representing increases from 2020 and 2019 of \$1.4 million or 51.9% and \$1.2 million or 41.4%, respectively. The increases reflect 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 \$2.2 million for the 13 weeks ended March 28, 2021 compared to \$2.7 million in 2020 and \$3.0 million in 2019. The year over year decreases were 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 March 28, 2021 was (\$3.1) million compared to (\$5.7) million in 2020, representing an increase of \$2.6 million or 45.6%. The increase was related to the growth in off-premise fee revenues and federal government wage subsidies.

Total central segment contribution as a percentage of total System Sales for the 13 weeks ended March 28, 2021 was (0.7)% compared to (1.2)% in 2020.

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.

	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019	Q3 – 2019 Sept 29, 2019	Q2 – 2019 Jun 30, 2019	Q1 – 2019 Mar 31, 2019
(C\$ millions unless otherwise stated) ⁽¹⁾									
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽¹⁾	\$ 537.6	\$ 611.3	\$ 676.4	\$ 389.8	\$ 747.2	\$ 895.8	\$ 869.1	\$ 871.3	\$ 850.7
Total System Sales Growth ⁽¹⁾	(28.1)%	(31.8)%	(22.2)%	(55.1)%	(12.2)%	(1.1)%	(1.2)%	(0.3)%	12.5%
Number of restaurants (at period end)	1,330	1,341	1,355	1,354	1,363	1,373	1,375	1,384	1,382
Operating EBITDA ⁽¹⁾	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6	\$ 20.5	\$ 60.5	\$ 49.5	\$ 56.0	\$ 50.1
Operating EBITDA Margin on System Sales ⁽¹⁾	4.5%	5.7%	6.3%	4.0%	2.7%	6.8%	5.7%	6.4%	5.9%
Corporate restaurant sales	\$ 79.6	\$ 89.0	\$ 123.8	\$ 37.7	\$ 158.1	\$ 192.6	\$ 191.3	\$ 196.2	\$ 192.6
Number of corporate restaurants	215	210	216	206	203	202	208	209	211
Contribution from Corporate segment	\$ 3.9	\$ 1.5	\$ 12.8	\$ (13.5)	\$ (0.4)	\$ 19.3	\$ 16.8	\$ 20.5	\$ 18.5
Contribution as a % of corporate sales	4.8%	1.7%	10.3%	(35.8)%	(0.3)%	10.0%	8.8%	10.5%	9.6%
Number of joint venture restaurants	39	46	46	45	45	46	44	46	47
Franchise restaurant sales	\$ 367.0	\$ 425.7	\$ 462.6	\$ 266.2	\$ 508.6	\$ 606.1	\$ 597.1	\$ 595.9	\$ 581.3
Number of franchised restaurants	1,076	1,085	1,093	1,103	1,115	1,125	1,123	1,129	1,124
Contribution from Franchise segment	\$ 16.0	\$ 16.7	\$ 17.1	\$ 9.1	\$ 21.9	\$ 26.6	\$ 26.1	\$ 26.9	\$ 25.5
Contribution as a % of Franchise sales	4.4%	3.9%	3.7%	3.4%	4.3%	4.4%	4.4%	4.5%	4.4%
Retail and Catering sales	\$ 87.6	\$ 92.6	\$ 86.3	\$ 83.0	\$ 75.9	\$ 92.3	\$ 76.9	\$ 74.8	\$ 72.5
Contribution from Retail and Catering	\$ 8.0	\$ 13.1	\$ 12.6	\$ 14.8	\$ 7.6	\$ 13.1	\$ 8.0	\$ 7.2	\$ 8.2
Contribution as a % of Retail & Catering sales	9.2%	14.2%	14.6%	17.8%	10.1%	14.2%	10.4%	9.6%	11.3%
Contribution from Central segment before The Keg royalty	\$ (3.1)	\$ 4.8	\$ 2.0	\$ 4.7	\$ (5.7)	\$ 5.0	\$ 1.9	\$ 4.8	\$ 1.7
Contribution as a % of total System Sales	(0.6)%	0.8%	0.3%	1.2%	(0.8)%	0.6%	0.2%	0.6%	0.2%
Total gross revenue	\$ 194.1	\$ 210.9	\$ 243.3	\$ 140.4	\$ 269.9	\$ 327.0	\$ 309.0	\$ 311.9	\$ 304.6
Operating EBITDA Margin ⁽¹⁾	12.3%	16.6%	17.5%	11.1%	7.6%	18.5%	16.0%	18.0%	16.4%
Earnings (loss) before income taxes	\$ 13.8	\$ 23.9	\$ 9.7	\$ (52.7)	\$ (50.1)	\$ (6.0)	\$ 11.9	\$ 23.8	\$ 31.3
Net earnings (loss)	\$ 13.0	\$ 23.6	\$ 5.2	\$ (40.6)	\$ (41.2)	\$ (1.9)	\$ 6.7	\$ 16.6	\$ 22.7
Adjusted Net Earnings ⁽¹⁾	\$ 3.2	\$ 16.1	\$ 16.1	\$ 6.2	\$ 7.3	\$ 44.8	\$ 19.5	\$ 23.4	\$ 18.3
Net earnings operations attributable to common shareholders of the Company	\$ 13.0	\$ 24.1	\$ 5.1	\$ (40.3)	\$ (41.0)	\$ (1.6)	\$ 6.8	\$ 16.6	\$ 22.5
EPS attributable to common shareholders of the Company (in dollars)									
Basic EPS	\$ 0.23	\$ 0.43	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11	\$ 0.27	\$ 0.36
Diluted EPS	\$ 0.22	\$ 0.42	\$ 0.09	\$ (0.72)	\$ (0.73)	\$ (0.03)	\$ 0.11	\$ 0.26	\$ 0.35
Adjusted Basic EPS ⁽¹⁾	\$ 0.06	\$ 0.29	\$ 0.29	\$ 0.11	\$ 0.13	\$ 0.79	\$ 0.32	\$ 0.39	\$ 0.30
Adjusted Diluted EPS ⁽¹⁾	\$ 0.06	\$ 0.28	\$ 0.28	\$ 0.11	\$ 0.13	\$ 0.77	\$ 0.31	\$ 0.37	\$ 0.29
Free Cash Flow before growth capex, dividends, and NCIB ⁽¹⁾	\$ 8.8	\$ 17.5	\$ 33.4	\$ 3.6	\$ (4.3)	\$ 44.3	\$ 36.1	\$ 40.0	\$ 35.1
Free Cash Flow per share - basic (in dollars)	\$ 0.16	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.79	\$ 0.59	\$ 0.65	\$ 0.57
Free Cash Flow per share - diluted (in dollars)	\$ 0.15	\$ 0.31	\$ 0.59	\$ 0.06	\$ (0.08)	\$ 0.76	\$ 0.58	\$ 0.63	\$ 0.55

⁽¹⁾ See “Non-IFRS Measures” on page 29 for definitions of Free Cash Flow, System Sales, Adjusted Net Earnings, Operating EBITDA, Operating EBITDA Margin on System Sales, and Adjusted EPS. See pages 8 and 29 for a reconciliation of Net Earnings to these Non-IFRS measures.

The Company's quarterly operating results may fluctuate significantly because of numerous factors, including, but not limited to:

- restaurant and other complimentary acquisitions;
- the timing of restaurant openings and closures;
- increases and decreases in same restaurant sales growth;
- atypical weather as it relates to restaurant sales, for example the impact of snow storms on customer traffic, and patio sales are impacted by weather during the summer months;
- royalty recovery rates and the extent to which Recipe provides financial assistance or incurs bad debts with franchisees;
- restaurant operating costs for corporate-owned restaurants;
- labour availability and costs for hourly and management personnel at corporate-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 during the first quarter. The Company has outdoor patio seating at some of its restaurants, and the effects of adverse weather may impact the use of these areas and may negatively impact the Company's revenue. Food processing and distribution sales are typically highest in the fourth quarter, followed by the third quarter, then the first quarter, with the second quarter being lowest. During the quarters with higher sales, food processing and distribution contribution rate is also higher as fixed overhead costs are covered by higher gross margin.

System Sales declined from \$850.7 million in Q1 2019 to \$747.2 million in Q1 2020 and further declined in Q1 2021 to \$537.6 million. System Sales decreases from 2019 and 2020 were driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic.

Operating EBITDA decreased from \$50.1 million in Q1 2019 to \$20.5 million in Q1 of 2020 and slightly improved in Q1 2021 to \$24.0 million. Excluding The Keg royalty, Operating EBITDA was \$53.9 million in Q1 2019, \$23.4 million in Q1 2020 and \$24.8 million in Q1 2021. Operating EBITDA Margin on System Sales was 5.9% in Q1 2019, 2.7% in Q1 2020 and 4.5% in Q1 2021. The decreases in Operating EBITDA and Operating EBITDA Margin on System Sales in 2020 and 2021 compared to 2019 was related to the negative effects of the COVID-19 pandemic, partially offset by a decrease in variable overhead costs as a result of corporate restaurants. The increases in Operating EBITDA and Operating EBITDA Margin on System Sales in 2021 was related to the Company's cost management efforts and government subsidies.

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 \$18.5 million in Q1 2019 to a loss of \$0.4 million in Q1 2020 and increased to \$3.9 million in Q1 2021. The decreases in contribution from the corporate segment compared to 2019 were driven by COVID-19 related system sales decreases, partially offset by a decrease of variable overhead costs as a result of corporate restaurant closures and government subsidies.

The franchise restaurant segment contribution as a percentage of System Sales was 4.4% in Q1 2021 compared to 4.3% in 2020 and 4.4% in 2019. Quarterly contribution from the franchise segment declined from \$25.5 million in Q1 2019 to \$21.9 million in Q1 2020 and further declined to \$16.0 million in Q1 2021. The decreases were driven by the negative sales impact as a result of COVID-19.

Contribution from retail and catering decreased from \$8.2 million in Q1 2019 to \$7.6 million in Q1 2020 and increased to \$8.0 million in Q1 2021. The increase in Q1 2021 was related to increased sales to retail customers, which offset reductions in catering sales due to COVID

Contribution from the central segment before The Keg royalty expense has changed from \$1.7 million Q1 2019 to \$(5.7) million in Q1 2020, and to \$(3.1) million in Q1 2021. The decreases reflect a decrease in vendor volume rebates, lower property rent and reductions in equipment rent revenue, partially offset by an increase in off-premise fee revenue from an increase in off-premise and delivery orders.

Total gross revenue has decreased from \$304.6 million in Q1 2019 to \$269.9 million in Q1 2020 and further decreased in Q1 2021 to \$194.1 million. The decreases in gross revenue were related to the negative effects of the COVID-19 pandemic.

Quarterly earnings before income taxes has changed from \$31.3 million in Q1 2019 to \$(50.1) million in Q1 2020 and increased to \$13.8 million in Q1 2021. The net increase in the quarter compared to 2020 was driven by a \$43.9 million increase in non-cash fair value adjustments and a decrease of \$16.3 million in asset impairment charges.

Free Cash Flow before growth capex, dividends, and NCIB decreased from \$35.1 million in Q1 2019 to \$(4.3) million in Q1 2020 and \$8.8 million in Q1 2021. On a diluted per share basis, Free Cash Flow before growth capex, dividends, and NCIB has decreased from \$0.55 in Q1 2019 to \$(0.08) in Q1 2020 and to \$0.15 in Q1 2021. 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 23), 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 35). 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 mitigated this risk by amending its lending covenants with its bank syndicate and Private Noteholders on February 18, 2021, which provides additional covenant flexibility during the 2021 COVID-19 extended disruption period. The covenants amendments are effective through 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)	March 28, 2021	December 27 2020	March 29, 2020	March 31 2019
Revolving credit facility	\$ 550.0	\$ 550.0	\$ 550.0	\$ 400.0
Add: Private notes	250.0	250.0	250.0	—
Add: Term credit facility	—	—	—	150.0
Add: The Keg credit facilities	60.0	60.0	47.0	47.0
Subtotal - credit availability⁽¹⁾	\$ 860.0	\$ 860.0	\$ 847.0	\$ 597.0
Less: Draw on revolving credit facility	(217.3)	(207.3)	(505.3)	(220.0)
Less: Draw on private notes	(250.0)	(250.0)	(250.0)	—
Less: Draw on term credit facility	—	—	—	(150.0)
Less: Draw on The Keg credit facilities	(34.5)	(34.5)	(19.0)	(20.0)
Subtotal - total debt	\$ (501.8)	\$ (491.8)	\$ (774.3)	\$ (390.0)
Cash	44.1	40.5	311.9	41.3
Subtotal - net debt	\$ (457.7)	\$ (451.3)	\$ (462.4)	\$ (348.7)
Liquidity	\$ 402.3	\$ 408.7	\$ 384.6	\$ 248.3

	13 weeks ended March 28, 2021	52 weeks ended December 27, 2020	13 weeks ended March 29, 2020	13 weeks ended March 31, 2019
Operating EBITDA ⁽²⁾	\$ 24.0	\$ 113.8	\$ 20.5	\$ 50.1
Free cash flow ⁽¹⁾ , before growth capex, dividends and NCIB	\$ 8.8	\$ 50.5	\$ (4.3)	\$ 35.1
Free cash flow ⁽¹⁾ , after growth capex, dividends and NCIB	\$ 6.9	\$ 35.1	\$ (9.6)	\$ 16.6

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

⁽²⁾ See "Non-IFRS Measures" on page 29 for definitions of Operating EBITDA and Free Cash Flow. See page 8 for a reconciliation of Net Earnings to Operating EBITDA and to Free Cash Flow.

Working Capital

A working capital deficit is typical of restaurant operations, where the majority of sales are for cash and there is rapid turnover of inventories. In general, the turnover of accounts receivable and inventories is faster than accounts payable, resulting in negative working capital. Historically, sales of Recipe's Ultimate Gift Card and The Keg gift card significantly improves the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions in the January to March period. Recipe's gift card liability at March 28, 2021 was \$140.4 million compared to \$160.8 million at December 27, 2020, a decrease of \$20.4 million due to net gift card redemptions in the quarter.

The following table presents Recipe's working capital as at March 28, 2021 compared to December 27, 2020:

(C\$ millions unless otherwise stated)	March 28, 2021	December 27, 2020	change in working capital
Cash.....	\$ 44.1	\$ 40.5	\$ (3.6)
Accounts receivable.....	86.2	106.3	20.1
Inventories.....	45.1	44.9	(0.2)
Current taxes receivable.....	13.1	13.1	—
Prepaid expenses and other assets.....	7.5	7.2	(0.3)
Current portion of long-term receivables.....	68.1	66.3	(1.8)
Total Current Assets ⁽¹⁾	\$ 264.2	\$ 278.4	\$ 14.2
Accounts payable and accrued liabilities.....	\$ 127.9	\$ 138.0	\$ (10.1)
Provisions.....	3.1	2.7	0.4
Gift card liability.....	140.4	160.8	(20.4)
Income taxes payable.....	2.7	6.7	(4.0)
Current portion of long-term debt.....	0.4	—	0.4
Current portion of lease liability.....	113.9	119.8	(5.9)
Total Current Liabilities	\$ 388.5	\$ 427.9	\$ (39.6)
Working capital deficit	\$ (124.3)	\$ (149.5)	\$ (25.4)

⁽¹⁾ Figures may not total due to rounding.

At March 28, 2021, Recipe had a working capital deficit of \$124.3 million compared to a deficit of \$149.5 million at December 27, 2020. The change in working capital of \$25.4 million was related to a decrease in accounts receivable and a decrease in gift card liability.

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

(C\$ millions unless otherwise stated)	13 weeks ended		
	March 28 2021	March 29 2020	March 31 2019
Cash flows from (used in) operating activities.....	\$ 23.1	\$ 6.5	\$ 29.1
Cash flows from (used in) investing activities.....	\$ 12.9	\$ 12.1	\$ 11.6
Cash flows (used in) from financing activities.....	\$ (32.6)	\$ 253.4	\$ (48.9)
Change in cash during the period ⁽¹⁾	\$ 3.4	\$ 272.0	\$ (8.2)

⁽¹⁾ Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were \$23.1 million for the 13 weeks ended March 28, 2021 compared to \$6.5 million in 2020, an increase of \$16.6 million for the quarter. The change was primarily related to an increase in net earnings, a decrease in accounts receivable, the change in the fair value of Exchangeable Keg Partnership units, partially offset by a decrease in gift card liability.

Cash flows used in investing activities of continuing operations

The following table presents Recipe's capital expenditures for the 13 weeks ended March 28, 2021 compared to the 13 weeks ended March 29, 2020 and March 31, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		
	March 28 2021	March 29 2020	March 31 2019
Purchase of property, plant and equipment:			
<u>Maintenance:</u>			
Corporate restaurants	0.8	2.0	1.8
Central / IT expenditures / Other	1.3	1.8	3.3
Total maintenance	\$ 2.1	\$ 3.8	\$ 5.1
<u>Growth initiatives:</u>			
Major renovations	1.2	0.6	1.0
New builds	0.7	4.5	3.5
Total growth	\$ 1.9	\$ 5.0	\$ 4.5
Total purchase of property, plant and equipment ⁽¹⁾	\$ 4.1	\$ 8.8	\$ 9.6
Total purchase of property, plant and equipment	(4.1)	(8.8)	(9.6)
Acquisitions	—	—	(3.8)
Proceeds on disposal of property, plant and equipment	—	0.1	—
Proceeds on early buyout of equipment and rental contracts	—	0.7	—
Investment in joint ventures	—	(0.5)	—
Additions to other assets	—	(1.1)	—
Share of loss from investment in associates in joint ventures	—	—	0.6
Lease payments received	16.9	23.0	23.6
Change in long term receivables	—	(1.2)	0.8
Total cash flows from (used in) investing activities ⁽¹⁾	\$ 12.9	\$ 12.1	\$ 11.6

⁽¹⁾ Figures may not total due to rounding.

Commitments for Capital Expenditures

The Company incurs on-going capital expenditures in relation to the operation of its buildings, corporate restaurants, manufacturing equipment and distribution centers, maintenance and upgrades to its head office IT infrastructure, and to its call centre operations. The Company will also invest in major renovations and new corporate store growth opportunities. Recipe's capital expenditures are generally funded from operating cash flows and through its Existing Credit Facility.

Cash flows (used in) from financing activities

The following table presents Recipe's cash used in financing activities for the 13 weeks ended March 28, 2021 compared to the 13 weeks ended March 29, 2020 and March 31, 2019:

(C\$ millions unless otherwise stated)	13 weeks ended		
	March 28, 2021	March 29, 2020	March 31, 2019
Increases in debt	\$ 10.0	\$ 300.0	\$ —
Debt repayments	—	(5.0)	(1.0)
Deferred financing fees	(0.5)	—	—
Issuance of subordinated voting common shares	0.2	—	1.3
Share repurchase	—	(0.3)	(7.1)
Payment of leases	(35.9)	(37.7)	(37.4)
Interest paid net of interest income received	(3.7)	(3.6)	(4.7)
Change in lease liability	(2.7)	—	—
Cash flows (used in) from financing activities ⁽¹⁾	\$ (32.6)	\$ 253.4	\$ (48.9)

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in financing activities were \$32.6 million for the 13 weeks ended March 28, 2021. Cash used in financing activities primarily consist of lease liability payments of \$35.9 million, partially offset by an increase of \$10.0 million related to the credit facility increase.

Debt

Private debt

On May 1, 2019, the Company issued \$250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("New Credit Facility"), is secured on a first lien basis on the assets that secure the Company's New Credit Facility, and is guaranteed by all material subsidiaries and holding companies of the Company on the same basis as the New Credit Facility. The Notes bear interest from their date of issue at a rate of 4.72% per annum, payable semi-annually and maturing on May 1, 2029. As at March 28, 2021, \$250.0 million (December 27, 2020 - \$250.0 million; March 29, 2020 - \$250.0 million) was drawn under the Notes.

Term credit facility

On May 1, 2019, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the fifth amended and restated credit agreement, is comprised of a revolving credit facility in the amount of \$550.0 million with an accordion feature of up to \$250.0 million. The \$550.0 million revolving facility includes a \$400.0 million tranche that matures on May 1, 2024 and a \$150.0 million tranche that matures on May 1, 2022. The \$250.0 million accordion feature is applicable to either tranche and it has been upsized from \$50.0 million under the Company's previous credit facility.

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

As at March 28, 2021, \$217.3 million (December 27, 2020 - \$207.3 million; March 29, 2020 - \$505.3 million) was drawn under the amended and extended credit facilities. The effective interest rate for the 13 weeks ended March 28, 2021 was 3.77% representing a bankers' acceptance rate of 0.37% plus 2.30% borrowing spread, standby fees and the amortization of deferred financing fees of 1.10%.

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, each as defined in the facility agreements. As of March 28, 2021 the standby fee rate was 0.46%.

February 2021 amendments to the term credit facility and private notes

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

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

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

As at March 28, 2021, the Company was in compliance with the amended financial covenants..

	<u>March 28, 2021</u>	<u>December 27, 2020</u>	<u>March 29, 2020</u>
Leverage Ratio	2.93x	2.91x	2.70x
Interest Coverage Ratio	3.06x	3.04x	3.61x

The Keg Facility

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

On November 29, 2019, the Company renegotiated the terms of its credit agreement with its existing banking syndicate to modify it from a revolving credit/term loan facility to an all revolving facility, increased the size of the facility to \$60.0 million, reduced the interest rate and extended the maturity date. The credit facility is now comprised of a \$55.0 million revolving facility with no set term of repayments and a \$5.0 million revolving demand operating facility. The Company's credit facility now bears interest at a rate between bank prime plus 0% to bank prime plus 0.75%, based on certain financial criteria. As at March 28, 2021, \$14,000 of the revolving demand operating facility has been used to issue letters of credit, and \$4,986,000 remains available. As at March 28, 2021, KRL meets the criteria for interest at bank prime plus 0.75%. On November 29, 2019, the maturity date of this credit facility was extended from October 1, 2020 to July 4, 2022.

As at March 28, 2021, \$22.0 million of this facility has been drawn (December 27, 2020 - \$22.0 million; March 29, 2020 - \$19.0 million).

The above credit facilities are secured by a general security agreement and hypothecation over KRL's Canadian and US assets and a pledge of all equity interests in the Partnership. As at March 28, 2021, KRL was in compliance with all bank covenants associated with these facilities.

Off Balance Sheet Arrangements

Letters of credit

Recipe has outstanding letters of credit amounting to \$0.4 million as at March 28, 2021, primarily for various utility

companies that provide services to the corporate owned locations and support for certain franchisees' external financing used to fund their initial conversion fee payable to Recipe.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at May 6, 2021, there were 56,386,721 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 May 6, 2021 is 6,353,629.

Related Parties

Shareholders

As at March 28, 2021, the Principal Shareholders hold 70.7% of the total issued and outstanding shares and have 98.1% 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.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Recipe's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for 13 weeks ended March 28, 2021 and March 29, 2020.

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 March 28, 2021, no payments were outstanding.

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

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

Investment in The Keg Royalties Income Fund

During the 13 weeks ended March 28, 2021, the Company purchased nil KRIF units (52 weeks ended December 27, 2020 - nil, 13 weeks ended March 29, 2020 - nil). The KRIF units held by the Company are measured at fair value through profit or loss. The closing market price of a Fund unit as at March 28, 2021 was \$13.61. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a Fund unit as at March 28, 2021 was \$13.61 (March 29, 2020 - \$8.85).

During the 13 weeks ended March 28, 2021, the Company recorded an expense of \$10.8 million representing the decrease in market price to \$13.61. The change in the total fair value of units held by the Company of \$27.2 million is partially offset by the additional units added on January 1, 2020 related to the net new sales added to the Royalty Pool.

(in thousands of Canadian dollars)	March 28, 2021		December 27, 2020		March 29, 2020	
	# of units	Fair Value	# of units	Fair Value	# of units	Fair Value
Class A Partnership units.....	905,944	\$ 12,330	905,944	\$ 10,600	905,944	\$ 8,018
Class B Partnership units.....	176,700	2,405	176,700	2,067	176,700	1,564
Class D Partnership units.....	3,970,272	54,035	3,768,295	44,089	3,679,692	32,565
Exchangeable unit investment in the Partnership.....	5,052,916	\$ 68,770	4,850,939	\$ 56,756	4,762,336	\$ 42,147
Class C unit investment in the Partnership.....	5,700,000	57,000	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership.....	10,752,916	\$ 125,770	10,550,939	\$ 113,756	10,462,336	\$ 99,147
Investment in KRIF units.....	250,000	3,402	250,000	2,925	250,000	2,213
Distributions earned on KRIF units.....	—	224	—	193	—	120
	11,002,916	\$ 129,396	10,800,939	\$ 116,874	10,712,336	\$ 101,480

Other

As at March 28, 2021, long-term receivables include a non-interest bearing employee demand note in the amount \$0.8 million (December 27, 2020 - \$0.8 million, March 29, 2020 - \$0.8 million).

As at March 28, 2021, the Company has a \$1.3 million royalty fee payable, including GST, to the Fund (December 27, 2020 - \$1.0 million, March 29, 2020 - \$1.4 million) and a \$0.3 million interest payable amount due to the Fund on the Keg Loan (December 27, 2020 - \$0.3, March 29, 2020 - \$0.3 million) included in accounts payable and accrued liabilities.

As at March 28, 2021, the Company has \$0.7 million in distributions receivable from the Partnership (December 27, 2020 - \$0.6 million March 29, 2020 - \$0.7 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 13 weeks ended March 28, 2021, KRL earned \$nil for these services (13 weeks ended March 29, 2020 – \$nil 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 license and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is treated as a related party transaction. The Company incurred royalty expense of \$2.7 million for the 13 weeks ended March 28, 2021 (13 weeks ended March 29, 2020 – \$5.7 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 weeks ended March 28, 2021, the Company recorded investment income of \$1.9 million related to these units (13 weeks ended March 29, 2020 – \$2.7 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 March 28, 2021 there was a due from related party balance of \$12.4 million (December 27, 2020 - \$15.8 million, March 29, 2020 - \$14.7 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, 2021. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is \$1.0 million (December 27, 2020 - \$1.0 million, March 29, 2020 - \$1.0 million). The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. For the 13 weeks ended March 28, 2021, the Company charged interest in the amount of \$14 thousand (13 weeks ended March 29, 2020 - \$37 thousand) 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 March 28, 2021 the accounts receivable balance included \$0.1 million (December 27, 2020 - \$nil million, March 29, 2020 - \$0.2 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 13 weeks ended March 28, 2021, an increase of \$0.1 million (13 weeks ended March 29, 2020 - \$0.1 million decrease) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

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

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"). The remaining 20.6% was owned by a third party who has an earn-out agreement that can grow their ownership interest to 50.0% 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. For the for the 13 weeks ended March 28, 2021, there was a \$0.2 million increase to the investment balance (13 weeks ended March 29, 2020 - increase of \$0.2 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 March 28, 2021, the Company has invested \$5.6 million, recorded in long-term receivables (December 27, 2020 - \$5.6 million, March 29, 2020 - \$5.2 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at March 28, 2021, an allowance of \$5.6 million (December 27, 2020 - \$5.2 million, March 29, 2020 - \$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 weeks ended March 28, 2021, there was \$nil recorded in the long term receivable balance (13 weeks ended March 29, 2020 - \$nil) was recorded in relation to the Company's proportionate share of loss for the period and included in share of losses from investment in joint ventures on the statement of earnings.

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

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 that 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). The decisions taken to support our franchisees and carefully managing 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.

The restaurant and food services industry continues to experience significant disruptions as a result of the COVID-19 pandemic. During the first quarter of 2021, 88.7% of the Company's operating weeks were impacted by full or partial closures and other restrictive measures. At the beginning of the second quarter of 2021, further mandated shutdowns and restrictions were announced across Canada, including for the first time, the closure of patios in all of Ontario, as a result of a resurgence of COVID-19 cases. Locations that are permitted to open will continue to operate at a reduced capacity to adhere to social distancing guidelines and company-wide health and safety protocols. During the COVID-19 disruption period, we will continue to deliver safe dining experiences and focus on our off-premise channels, which include plans to open our fourth "Ultimate Kitchens" location in the second quarter 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, the steps we have taken to support our franchisees, rent and wage subsidies from the Canadian Federal and Provincial governments, as well as our continued focus on off-premise sales channels.

Focus on the short to medium term will include:

- a. Reopening restaurants that have been temporarily closed as a result of the COVID-19 pandemic and providing exceptional service, food, ambience and value that reinforces to customers what they have been missing;
- b. Continue to practice amplified "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our guests, teammates and franchise partners. This includes comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs;
- c. 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 to our franchise partners, reducing and/or deferring non-essential restaurant costs, 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;
- d. Actively negotiate early exit and permanent closure of under-performing restaurants that were identified at the end of 2019;
- e. Prepare Recipe's portfolio of brands for post-COVID success including identifying the brands for accelerated growth, possible brand acquisition and rationalizing under-performing brands;
- 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 our fourth Ultimate Kitchens location during the second quarter 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 the Canada Emergency Rent Subsidy program (CERS) in the second quarter of 2021.

The foregoing description of Recipe's outlook is based on management's current strategies and its assessment of the outlook for the business and the Canadian restaurant industry as a whole, may be considered to be forward-looking information for

purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See “Forward-Looking Information” and “Risk & Uncertainties” for a description of the risks and uncertainties that impact the Company’s business and that could cause actual results to vary.

Future Accounting Changes

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

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting during the 13 weeks ended March 28, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Critical Accounting Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make various judgements, estimates and assumptions in applying the Company’s accounting policies. The key sources of estimation of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the year ended December 27, 2020.

Non-IFRS Measures

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

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

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

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

“**Operating EBITDA**” is defined as net earnings before: (i) net interest expense and other financing charges; (ii) income taxes; (iii) depreciation of property, plant and equipment; (iv) amortization of other assets and deferred gain; (v) impairment of assets, net of reversals; (vi) losses on early buyout / cancellation of equipment rental contracts; (vii) restructuring and other; (viii) conversion fees; (ix) net (gain) / loss on disposal of property, plant and equipment; (x) stock based compensation,

costs related to its restricted share units, and 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 (vii) proceeds from sale of assets.

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

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

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

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

	Q1 – 2021	Q4 - 2020	Q3 - 2020	Q2 - 2020
	Mar 28	Dec 27	Sept 27	Jun 28
(C\$ millions unless otherwise stated)	2021	2020	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings (loss).....	\$ 13.0	\$ 23.6	\$ 5.2	\$ (40.6)
Transaction costs.....	0.1	1.8	0.2	0.2
Impairment charges.....	—	17.7	(2.2)	47.4
Restructuring and other.....	1.1	(0.6)	5.4	1.9
Change in fair value of non-controlling interest liability.....	0.5	(7.1)	—	—
Change in fair value of exchangeable Partnership units.....	(10.8)	(22.8)	12.1	(3.2)
Amortization of unearned conversion fees income.....	—	—	—	(0.1)
Losses on early buyout/cancellation of equipment rental contracts.....	(0.3)	(0.4)	(0.1)	(0.2)
Gain on settlement of lease liabilities.....	(0.1)	0.8	(0.1)	0.3
Net (gain) loss on disposal of property, plant and equipment and other assets.....	(0.1)	3.1	(4.3)	0.5
Adjusted Net Earnings ⁽¹⁾.....	3.2	\$ 16.1	\$ 16.1	\$ 6.2
	Q1 – 2020	Q4 – 2019	Q3 – 2019	Q2 – 2019
	Mar 29	Dec 29	Sep 29	Jun 30
(C\$ millions unless otherwise stated)	2020	2019	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings.....	\$ (41.2)	\$ (1.9)	\$ 6.7	\$ 16.6
Transaction costs.....	0.1	1.8	0.1	0.3
Write off of deferring financing fees.....	—	—	(1.0)	1.0
Impairment charges.....	16.3	47.6	5.7	4.0
Restructuring and other.....	(1.1)	3.6	2.6	0.7
Change in fair value of non-controlling interest liability.....	—	(10.3)	—	—
Change in fair value of exchangeable Partnership units.....	33.1	5.1	3.1	0.9
Amortization of unearned conversion fees income.....	—	—	0.3	(0.1)
Losses on early buyout/cancellation of equipment rental contracts.....	—	1.5	1.6	0.1
Gain on settlement of lease liabilities.....	0.1	(1.4)	—	—
Net gain on disposal of property, plant and equipment and other assets.....	0.2	(1.3)	0.5	(0.1)
Adjusted Net Earnings ⁽¹⁾.....	\$ 7.3	\$ 44.8	\$ 19.5	\$ 23.4

⁽¹⁾ Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

	Q1 – 2021	Q4 - 2020	Q3 - 2020	Q2 - 2020
	Mar 28	Dec 27	Sept 27	Jun 28
(C\$ millions unless otherwise stated)	2021	2020	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings (loss)	\$ 13.0	\$ 23.6	5.2	(40.6)
Net interest expense and other financing charges.....	7.5	7.6	7.9	9.5
Income taxes	0.8	0.2	4.5	(12.1)
Depreciation and amortization.....	24.0	26.0	26.0	26.3
EBITDA⁽¹⁾	45.3	57.4	43.6	(16.9)
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	0.1	1.8	0.2	0.2
Impairment charges	—	17.7	(2.2)	47.4
Restructuring and other	1.1	(0.6)	5.4	1.9
Change in fair value non-controlling interest liability.....	0.5	(7.1)	—	—
Change in fair value of exchangeable partnership units.....	(10.8)	(22.8)	12.1	(3.2)
Income on Partnership units.....	1.8	2.0	2.3	1.2
Amortization of unearned conversion fees income.....	—	—	—	(0.1)
Losses on early buyout/cancellation of equipment rental contracts.....	(0.3)	(0.4)	(0.1)	(0.2)
Gain on settlement of lease liability	(0.1)	0.8	(0.1)	0.3
Net gain on disposal of property, plant and equipment and other assets.....	(0.1)	3.1	(4.3)	0.5
Stock based compensation.....	0.2	0.4	0.1	0.4
Proportionate share of equity accounted joint venture.....	(0.6)	(4.1)	—	(1.4)
Rent impact from IFRS 16 Leases	(13.1)	(13.1)	(14.5)	(14.5)
Operating EBITDA⁽¹⁾	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6

	Q1 - 2020	Q4 - 2019	Q3 - 2019	Q2 - 2019
	Mar 29	Dec 29	Sep 29	Jun 30
(C\$ millions unless otherwise stated)	2020	2019	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	\$ (41.2)	\$ (1.9)	6.7	16.6
Net interest expense and other financing charges	6.4	6.4	4.9	7.5
Income taxes	(8.8)	(4.1)	5.2	7.2
Depreciation and amortization	27.0	29.5	28.4	28.9
EBITDA⁽¹⁾	\$ (16.6)	\$ 29.9	\$ 45.2	\$ 60.2
Reconciliation of EBITDA to Operating EBITDA:				
Transaction costs	0.1	1.8	0.1	0.3
Impairment charges	16.3	47.6	5.7	4.0
Restructuring and other	(1.1)	3.6	2.6	0.7
Change in fair value non-controlling interest liability	—	(10.3)	—	—
Change in fair value of exchangeable partnership units	33.1	5.1	3.1	0.9
Income on Partnership units	2.7	2.8	2.8	2.7
Amortization of unearned conversion fees income	—	—	0.3	(0.1)
Losses on early buyout/cancellation of equipment rental contracts	—	1.5	1.6	0.1
Loss (Gain) on settlement of lease liability	0.1	(1.4)	—	—
Net gain (loss) on disposal of property, plant and equipment	0.2	(1.3)	0.5	(0.1)
Stock based compensation	0.5	(5.4)	2.1	1.8
Change in onerous contract provision	—	—	(0.6)	0.4
Proportionate share of equity accounted joint venture	(0.6)	0.8	0.3	0.1
Rent impact from adoption of IFRS 16 "Leases" ⁽²⁾	(14.2)	(14.1)	(14.1)	(15.0)
Operating EBITDA⁽¹⁾	\$ 20.5	\$ 60.5	\$ 49.5	\$ 56.0

⁽¹⁾ Figures may not total due to rounding.

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

	Q1 - 2021	Q4 - 2020	Q3 - 2020	Q2 - 2020
	Mar 28	Dec 27	Sept 27	Jun 28
(C\$ millions unless otherwise stated)	2021	2020	2020	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6
Maintenance capex	(2.1)	(2.8)	(4.4)	(4.0)
Interest on long-term debt	(5.6)	(5.7)	(6.3)	(6.8)
Interest expense on note payable to The Keg Royalties Income Fund	(1.1)	(1.1)	(1.1)	(1.1)
Cash taxes	(6.4)	(8.0)	2.7	—
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ 8.8	\$ 17.5	\$ 33.4	\$ 3.6
Growth capex	(1.9)	(0.4)	(4.5)	(3.4)
Proceeds on sale of assets	—	0.1	4.5	—
Dividends	—	—	—	(6.6)
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ 6.9	\$ 17.2	\$ 33.4	\$ (6.4)

	Q1 - 2020	Q4 - 2019	Q3 - 2019	Q2 - 2019
	Mar 29	Dec 29	Sep 29	Jun 30
(C\$ millions unless otherwise stated)	2020	2019	2019	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating EBITDA	\$ 20.5	\$ 60.5	\$ 49.5	\$ 56.0
Maintenance capex	(3.8)	(5.0)	(3.8)	(5.6)
Cash taxes	(5.4)	(5.5)	(4.5)	(4.1)
Interest on long-term debt	(1.1)	(1.1)	(1.1)	(1.1)
Interest expense on note payable to The Keg Royalties Income Fund	(14.5)	(4.6)	(4.0)	(5.2)
Free Cash Flow before growth capex, dividends, NCIB⁽¹⁾	\$ (4.3)	\$ 44.3	\$ 36.1	\$ 40.0
Growth capex	(5.0)	(8.9)	(8.2)	(7.9)
Proceeds on sale of assets	0.1	0.2	(0.3)	0.9
Dividends declared	—	(6.3)	(6.8)	(6.9)
Share repurchased	(0.3)	—	(16.5)	(11.7)
Free Cash Flow after growth capex, dividends, NCIB⁽¹⁾	\$ (9.6)	\$ 29.3	\$ 4.2	\$ 14.4

⁽¹⁾ Figures may not total due to rounding.

Forward-Looking Information

Certain statements in this MD&A may constitute “forward-looking” statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company’s ability to maintain profitability and manage its growth including System Sales Growth, increases in net income, Operating EBITDA, Operating EBITDA Margin on System Sales, Free Cash Flow, and Adjusted net earnings; (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; (e) risk of future legal proceedings against the Company. These risk factors and others are discussed in detail under the heading “Risk Factors” in the Company’s Annual Information Form dated March 26, 2021. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

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

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain 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.