

RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 weeks ended March 27, 2022

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 27, 2022 and March 28, 2021. ("first quarter", "Q1", "the quarter" or "the period").

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim Financial Statements and accompanying notes as at March 27, 2022 (the "Interim Financial Statements") and the Company's audited Financial Statements and accompanying notes as at December 26, 2021 as filed on SEDAR.

Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" 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 4, 2022. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

The Interim Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). All amounts presented are in Canadian dollars unless otherwise indicated.

Non-GAAP Measures

This MD&A makes reference to certain measures that are not calculated in accordance with IFRS. These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses the following non-GAAP measures to provide investors with supplemental measures on its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures: System Sales, System Sales Growth, SRS Growth, E-Commerce System Sales, Net Debt, Adjusted EBITDA, Adjusted EBITDA Margin on System Sales and Free Cash Flow. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP 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. In addition, the Company believes that securities analysts, investors and other parties frequently use non-GAAP measures in the evaluation of issuers, including the Company.

National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112") prescribes disclosure requirements that apply to certain non-IFRS measures known as "specified financial measures". This section of this MD&A provides a description and classification of the specified financial measures as contemplated by NI 52-112 that the Company uses in this MD&A.

Non-GAAP Financial Measures

A non-GAAP financial measure is a financial measure not disclosed in the Company's financial statements that depicts the Company's historical or expected future financial performance, financial positions or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measures disclosed in the Company's interim financial statements.

“**Adjusted EBITDA**” is a non-GAAP financial measure and is defined as Operating Income adjusted to remove (i) depreciation and amortization; (ii) amortization of deferred gain; (iii) impairment, net of reversals, of restaurant assets and lease receivables; (iv) restructuring and other; (v) net (gain) loss on early buyout/cancellation of equipment rental contracts; (vi) amortization of unearned conversion fees; (vii) net (gain) loss on disposal of property, plant and equipment and other assets; (viii) (gain) loss on settlement of lease liabilities; (ix) stock-based compensation; (x) transaction costs; (xi) the Company’s proportionate share of equity accounted investment in joint ventures; (xii) Interest income on Partnership units and KRIF units; and (xiii) rent impact.

Adjusted EBITDA is used by management as a key measure to assess the performance of its Corporate, Franchise, Retail and Catering and Central segments and to make decisions on the allocation of resources. Management believes that investors use this measure to evaluate the health and profitability of each segment. This measure is not a standardized measure prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other companies. The most directly comparable IFRS financial measure is Operating Income.

The following table provides reconciliations of Operating Income and Adjusted EBITDA:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Operating Income	\$ 24.5	\$ 10.5
Adjustments		
Depreciation and amortization	23.0	24.4
Amortization of deferred gain	(0.5)	(0.4)
Transaction costs ⁽¹⁾	0.1	—
Impairment, net of reversals, of restaurant assets and lease receivables	(2.8)	—
Restructuring and other	0.5	1.1
Net loss on early buyout/cancellation of equipment rental contracts	0.5	0.3
Net gain on disposal of property, plant and equipment and other assets	(2.3)	(0.1)
Net gain on settlement of lease liabilities	(0.3)	(0.1)
Stock-based compensation	0.4	0.2
Proportionate share of joint venture results ⁽²⁾	—	0.4
Interest income on Partnership units and KRIF units	2.9	1.8
Lease expenses for corporate restaurants and head office locations ⁽³⁾	(13.2)	(14.2)
Total adjustments ⁽⁴⁾	\$ 8.2	\$ 13.4
Adjusted EBITDA ⁽⁴⁾	\$ 32.7	\$ 24.0

⁽¹⁾ Transaction costs represent acquisition related expenses.

⁽²⁾ The Company has equity investments in certain restaurants at varying ownership interests. This adjustment represents the increase or decrease of the proportionate share of the income (loss) earned on the Company’s investment in these joint ventures.

⁽³⁾ In connection with the adoption of IFRS 16 *Leases*, lease expenses are now recorded in depreciation and interest expense. This adjustment includes lease expenses in Adjusted EBITDA as management views lease expense as an important component when evaluating the profitability of the business.

⁽⁴⁾ Figures may not total due to rounding.

“**Free Cash Flow**” is a non-GAAP financial measure and is defined as Cash flows from operating activities less amounts incurred for (i) purchases of property, plant and equipment; (ii) interest paid on long-term debt and notes payable; (iii) net lease payments; (iv) proceeds on disposal of property, plant and equipment; (v) dividends paid on subordinate and multiple voting common shares; and (vi) shares repurchased under the Normal Course Issuer Bid (“NCIB”).

Free Cash Flow is used by management to determine the Company’s cash available for debt repayments, investments in new restaurant development and major renovations, other capital projects, to pay and increase dividends to shareholders and to repurchase the Company’s subordinate voting shares. This measure is useful to investors to determine the Company’s cash available for discretionary spending. This measure is not a standardized measure prescribed by IFRS and therefore is unlikely

to be comparable to similar measures presented by other companies. The most directly comparable IFRS financial measure is Cash flows from operating activities.

The following table provides reconciliations from Cash flows from operating activities to Free Cash Flow:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Cash flows from operating activities	\$ 5.3	\$ 21.4
Purchases of property, plant and equipment	(6.5)	(4.1)
Interest paid on long-term debt and notes payable	(2.5)	(3.7)
Net lease payments ⁽¹⁾	(18.7)	(20.0)
Proceeds on disposal of property, plant and equipment	2.4	—
Free Cash Flow ⁽²⁾	\$ (20.0)	\$ (6.4)

⁽¹⁾ Net lease payments consist of lease liabilities paid, net of lease payments received.

⁽²⁾ Figures may not total due to rounding.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage or similar representation that is not disclosed in the Company's financial statements and that has a non-GAAP financial measure as one or more of its components.

“**Adjusted EBITDA Margin on System Sales**” is a non-GAAP ratio and is defined as Adjusted EBITDA divided by System Sales. Adjusted EBITDA Margin on System Sales is used by management to determine profitability. This measure is used by investors to determine the operating efficiency of the Company. This measure is not a standardized measure prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other companies.

Supplementary Financial Measures

A supplementary financial measure is a financial measure that is not disclosed in the Company's consolidated financial statements, and is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flows.

The following are the supplementary financial measures used in this MD&A:

“**System Sales**” represents top-line sales from restaurant guests at both corporate owned 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. System Sales is not the same as sales under IFRS as it includes the sales from franchise restaurants which are not recorded in the financial statements of the Company. Management believes System Sales provides meaningful information to investors regarding the size of Recipe's restaurant network, the total market share of the Company's brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Recipe's consolidated financial performance.

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

“**SRS Growth**” is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Recipe defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Recipe's SRS Growth results excludes Milestones restaurants which were sold in 2021, and sales from international operations of New York Fries.

“E-commerce System Sales” represent System Sales made through the Company's web and mobile ordering platforms for its brands or aggregators for delivery and pick up.

“Net Debt” is composed of current and long-term portions of long-term debt (excluding deferred financing fees) net of cash.

Impact of COVID-19

The COVID-19 pandemic continues to impact industries and supply chains around the world, and government imposed restrictions in Canada continue to evolve. Near the end of the fourth quarter of 2021, Canada began to experience a surge in new COVID-19 infections driven by the omicron variant. As a result, restaurants in certain provinces were mandated to limit their capacity in December 2021 and dining rooms in Ontario and Quebec were mandated to temporarily close in January 2022. By March 2022, many of these restrictions were significantly reduced, however, some pandemic-related restrictions remained in place. In response to the ongoing effects of the pandemic, the Company has taken significant steps to strengthen its overall business, which included streamlining menus, reviewing menu item profitability, improving its digital platform, testing and introducing higher efficiency, lower labour kitchen equipment, executing various cost saving measures and more importantly investing in its people and franchise partners.

The ongoing effects of the pandemic and multiple economic sectors reopening at once have also created a significant labour shortage in North America. Management expects that this labour shortage may lead to short term higher labour costs due to increased overtime hours, retention pay programs and higher training costs as new employees are brought onboard. The recovery and industry wide labour shortages are also negatively impacting commodity food prices and other input and support costs until supply and demand dynamics normalize. Commodity pricing, particularly food grain and oil prices, are also being negatively impacted by the ongoing war in Europe. While management is responding with cost saving initiatives, some sectors such as retail, may experience temporary margin impacts until price adjustments can be properly administered.

While the most recent dining room closures and the inflationary cost pressures were expected to be temporary, the Company remained committed to its teammates and franchise partners.

- In December 2021, the Company re-introduced its franchise partner rent support program. This support program extended direct financial support to certain franchise partners from January 2022 through to the end of March 2022. The estimated cost of this program of approximately \$4.9 million was recorded in the fourth quarter of 2021 as an impairment charge and an impairment reversal of \$2.5 million was recorded in the first quarter of 2022.
- In January 2022, the Company re-introduced its pay continuance program. This program offered pay continuance for certain corporate restaurant employees that were affected by the latest extended closures mandated by the Ontario government. The cost of this program was \$0.2 million in the first quarter of 2022.

The Company has also made strategic changes to its brand portfolio mix, closed underperforming restaurants, converted many joint venture restaurants to either corporate or franchise ownership and opened 52 new restaurants since the start of the pandemic, including the sale of the Milestones brand and restaurants in 2021. With the help of these measures, the Company generated \$32.7 million of Adjusted EBITDA⁽²⁾ and \$24.5 million of Operating Income in the first quarter of 2022. This was achieved while facing the ongoing effects of the pandemic. The Company also received government subsidies of \$19.2 million in the first quarter of 2022. Our ability to pivot during the COVID-19 pandemic was also recognized by the food service and hospitality industry and in October 2021, Recipe received the prestigious Foodservice and Hospitality Pinnacle Award as Company of the Year. Further in April 2022, Recipe was named a Top 50 Best Workplaces™ in Canada by Great Place to Work®.

The actions taken by the Company throughout the COVID-19 disruption period have allowed the Company to generate meaningful levels of System Sales⁽¹⁾ and positive Adjusted EBITDA⁽²⁾ while reducing net debt.

While the actions taken during the COVID-19 period are considered sufficient for the foreseeable future, the future effect of COVID-19 on the economy and businesses, in general, remains uncertain. The long term impact to the Company from COVID-19 and its future variants will depend on post COVID-19 consumer dining behaviors, the impact on the overall economy, the speed by which global supply chains stabilize, the impact of inflation on household debt and the levels of disposable income. Potential financial solutions which may be required include, but are not limited to, obtaining sufficient financial support from lenders, government(s) for the Company and its franchisees, as well as obtaining rent relief from landlords.

(1) This is a Supplementary Financial Measure. See "Supplemental Financial Measures" on page 3 for definitions of System Sales.

(2) This is a non-GAAP measure. See "Non-GAAP Financial Measures" on page 2 for definition of Adjusted EBITDA.

Highlights for the 13 weeks ended March 27, 2022:

- Total System Sales⁽¹⁾ for the 13 weeks ended March 27, 2022 was \$721.4 million, compared to \$537.6 million in 2021, representing an increase from 2021 of 34.2%. The increase from 2021 was largely driven by fewer complete and partial dining room closures, which affected 61.2% of operating weeks during the first quarter of 2022 compared to 88.7% in the same quarter last year.
- Gross revenue for the 13 weeks ended March 27, 2022 was \$272.6 million, compared to \$194.1 million in 2021, representing an increase from 2021 of 40.4%, driven by significantly higher System Sales⁽¹⁾ in both our corporate and franchise segments.
- E-Commerce System Sales⁽¹⁾ for the 13 weeks ended March 27, 2022 was \$169.8 million, compared to \$149.8 million in 2021, representing an increase from 2021 of 13.3%. Consumer demand through e-commerce channels remained strong even as dining room restrictions returned in the first quarter of 2022.
- Sales for Retail and Catering for the 13 weeks ended March 27, 2022 was \$90.5 million compared to \$87.6 million in 2021, representing an increase from 2021 of 3.3%. The increase was driven by increased sales to retail grocery customers and modest sales recovery of the catering segment in the first quarter of 2022.
- Same Restaurant Sales (“SRS”) Growth⁽¹⁾ for the 13 weeks ended March 27, 2022 was an increase of 38.8% compared to 2021. Contributing factors to our SRS Growth⁽¹⁾ include fewer dining restrictions, consumers returning to pre-pandemic behaviors and increased E-Commerce System Sales⁽¹⁾.
- Operating Income for the 13 weeks ended March 27, 2022 was \$24.5 million compared to \$10.5 million in 2021, an increase of \$14.0 million for the quarter. Adjusted EBITDA⁽²⁾ for the 13 weeks ended March 27, 2022 was \$32.7 million compared to \$24.0 million in 2021, an increase of \$8.7 million. The Operating Income and Adjusted EBITDA⁽²⁾ increases were driven by increased System Sales⁽¹⁾, partially offset by a decrease in government subsidies and an increase in food costs.
- Cash flows from operating activities for the 13 weeks ended March 27, 2022 was \$5.3 million, compared to \$21.4 million in 2021, representing a decrease of \$16.1 million. The decrease is primarily related to a higher investment in working capital, notably in raw materials inventory used in Recipe's food processing divisions, partially offset by higher Adjusted EBITDA⁽²⁾.
- Free Cash Flow⁽²⁾ for the 13 weeks ended March 27, 2022 was \$(20.0) million, compared to \$(6.4) million in 2021, representing a decrease of \$13.6 million mainly due to the decrease in cash flows from operating activities.
- Net earnings for the 13 weeks ended March 27, 2022 were \$21.1 million, compared to net earnings of \$13.0 million in 2021, representing an increase of \$8.1 million for the quarter. The increase was primarily driven by an increase in Operating Income partially offset by a net increase in current and deferred taxes.
- Basic EPS for the 13 weeks ended March 27, 2022 was \$0.36 compared to \$0.23 in 2021, representing an increase of \$0.13. Diluted EPS for the 13 weeks ended March 27, 2022 was \$0.36 compared to \$0.22 in 2021, representing an increase of \$0.14.
- The Company continues to execute its restaurant network improvement strategy plan, which included the planned closures of restaurants that no longer fit its long-term strategic plan and the addition of new locations with high growth potential. For the 13 weeks ended March 27, 2022, the Company successfully added 2 franchised locations and exited 12 restaurants.

⁽¹⁾ This is a Supplementary Financial Measure. See "Supplemental Financial Measures" on page 3 for definitions of System Sales, E-Commerce System Sales and SRS Growth.

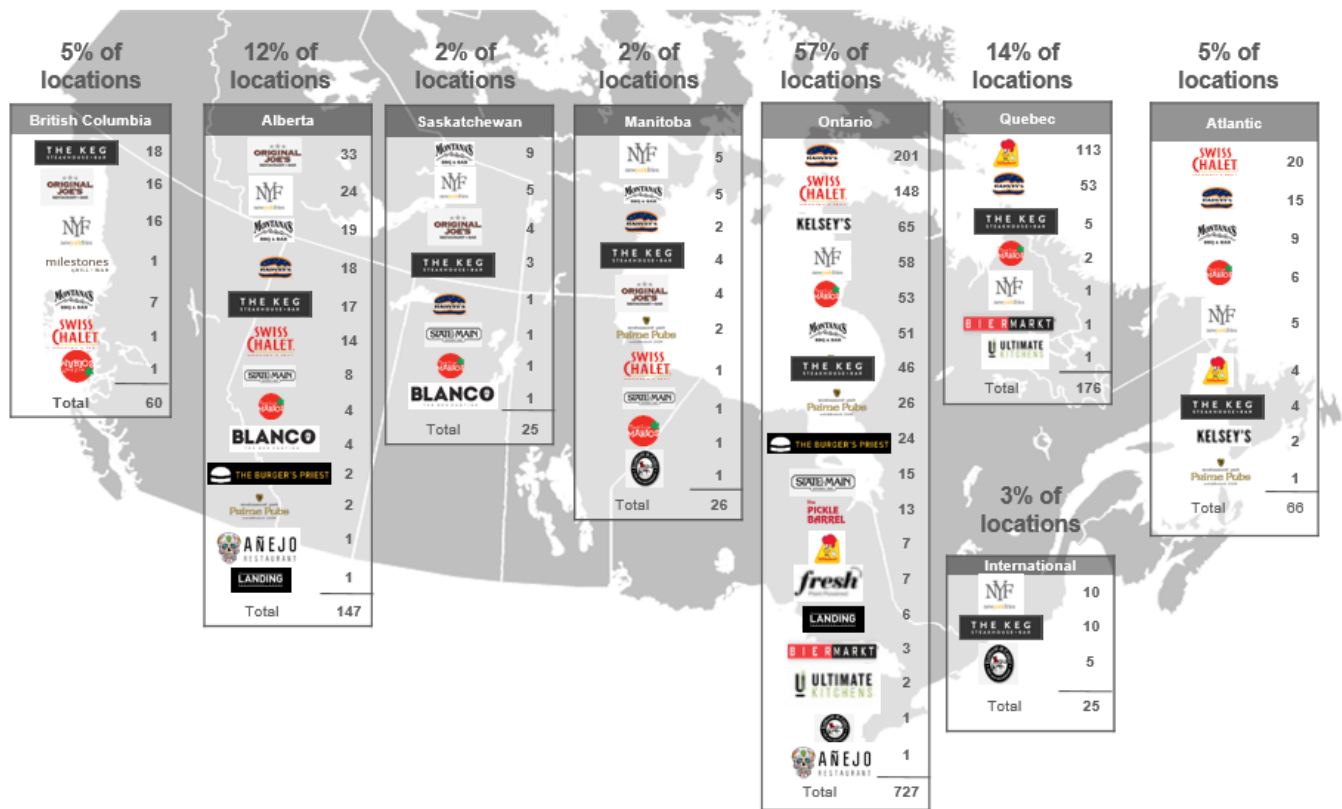
⁽²⁾ This is a non-GAAP measure. See "Non-GAAP Financial Measures" on page 2 for definition of Adjusted EBITDA and Free Cash Flow

Subsequent Events

On April 14, 2022, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the sixth 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 would have matured on May 1, 2024 and a \$150.0 million tranche that would have matured on May 1, 2022, with each tranche now maturing on May 3, 2027 and May 1, 2025, respectively. The \$250.0 million accordion feature is applicable to either tranche. In addition, the financial covenants that had previously been adjusted for the impact of COVID-19 pandemic and related operating restrictions, have since returned to pre-COVID-19 pandemic terms.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at March 27, 2022, Recipe had 21 brands and 1,251 restaurants, 82% of which are operated by franchisees and joint venture partners. The Company's restaurant network operates across several countries including Canada, USA, Saudi Arabia, India and the UAE.



Unit count	As at March 27, 2022				As at December 26, 2021			
	Corporate	Franchise	Joint		Corporate	Franchise	Joint	
			Venture	Total			Venture	Total
Swiss Chalet	13	171	—	184	12	174	—	186
Harvey's	10	280	—	290	9	281	—	290
Montana's	4	96	—	100	4	98	—	102
Kelsey's	4	63	—	67	4	63	—	67
East Side Mario's ⁽¹⁾	4	64	—	68	4	65	—	69
Prime Pubs	5	25	—	30	4	29	—	33
Bier Markt	4	—	—	4	4	—	—	4
Milestones ⁽²⁾	1	—	—	1	1	—	—	1
Landing	7	—	—	7	7	—	—	7
New York Fries	19	105	—	124	19	105	—	124
St-Hubert	13	111	—	124	13	111	—	124
Original Joe's	18	35	4	57	18	35	4	57
State & Main	8	16	1	25	8	16	2	26
Elephant & Castle	7	—	—	7	7	—	—	7
Burger's Priest	26	—	—	26	26	—	—	26
Pickle Barrel	13	—	—	13	13	—	—	13
The Keg	52	55	—	107	52	55	—	107
Añejo	2	—	—	2	2	—	—	2
Blanco Cantina	1	4	—	5	1	4	—	5
Fresh	7	—	—	7	7	—	—	7
Ultimate Kitchens	3	—	—	3	4	—	—	4
Total restaurants	221	1,025	5	1,251	219	1,036	6	1,261
	17.7%	81.9%	0.4%	100%	17.4%	82.2%	0.5%	100.0%

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

(2) The sale of the Milestones restaurant brand was completed on September 26, 2021. Subsequent to the sale, the Milestones location in Whistler remained within the Company's restaurant portfolio.

Restaurant Portfolio Management and Continuous Network Improvement

The Company's brand portfolio improvement strategy includes the expansion of new concept brands such as Fresh, Burger's Priest, Añejo, Blanco Cantina and Ultimate Kitchens. The acquisition of young brands offer new restaurant growth opportunities and are complementary to the Company's existing brands. Management continually assess the portfolio, and may divest under-performing brands and joint ventures that no longer fit the portfolio strategy. During 2021, the Company successfully divested the Milestones brand, the 1909 Taverne Moderne joint venture and certain Original Joe's joint ventures, and acquired the full ownership interests of the Burger's Priest and Fresh brands. The clarity of ownership structure of these brands will also allow the Company to more aggressively expand these concepts over the next five years.

The Company also continued to execute on its restaurant network improvement strategy plan and the rationalization of non-strategic locations. During the 13 weeks ended March 27, 2022, management successfully opened 2 franchised locations and closed and exited 12 locations (including 1 corporate, 10 franchise and 1 joint venture locations), as part of the Company's pre-COVID-19 long-term strategic portfolio plan. The permanent closure of non-strategic locations has accelerated faster than originally planned because of the COVID-19 shutdown and successful landlord exit negotiations.

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

Restaurant renovations also contribute to network improvement and demonstrate commitment by franchisees to reinvest in their business. However, the timing of renovations is dependent on having sufficient term remaining on both the particular franchise agreement and lease agreement. Franchisees are responsible for financing franchise restaurant renovations. The Company contributes towards renovation incentive programs for certain brands to assist franchisees with the cost of major renovations that are expected to generate long-term sales growth from enhanced guest experiences. 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 27, 2022, the Company completed 6 renovations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at March 27, 2022, there were 1,251 restaurants. The following table presents the changes in Recipe's restaurant unit count:

Unit count (unaudited)	For the 13 weeks ended							
	March 27, 2022				March 28, 2021			
	Corporate	Franchised	Joint Venture	Total	Corporate	Franchised	Joint Venture	Total
Beginning of year ⁽¹⁾	219	1,036	6	1,261	210	1,085	46	1,341
New openings	—	2	—	2	2	3	—	5
Closures	(1)	(10)	(1)	(12)	(1)	(15)	—	(16)
Corporate buybacks ⁽³⁾	3	(3)	—	—	5	—	(5)	—
Restaurants re-franchised ⁽⁴⁾	—	—	—	—	(1)	3	(2)	—
End of period ⁽²⁾	221	1,025	5	1,251	215	1,076	39	1,330

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

(2) Unit count as at March 28, 2021 includes 41 Milestones locations that were divested on September 26, 2021.

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

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

Selected Financial Information

The following table summarizes Recipe's System Sales⁽²⁾, System Sales Growth⁽¹⁾⁽²⁾, SRS Growth⁽²⁾, number of restaurants, Operating Income, Adjusted EBITDA⁽³⁾, Adjusted EBITDA on System Sales⁽⁴⁾, Cash flows from operating activities and Free Cash Flow⁽³⁾.

(C\$ millions unless otherwise stated)	13 weeks ended	
	Mar 27, 2022	Mar 28, 2021
System Sales ⁽¹⁾⁽²⁾	\$ 721.4	\$ 537.6
System Sales Growth ⁽¹⁾⁽²⁾	34.2 %	(28.1)%
SRS Growth ⁽¹⁾⁽²⁾⁽⁵⁾	38.8 %	n/a
Total gross revenue	\$ 272.6	\$ 194.1
Number of corporate restaurants	221	215
Number of joint venture restaurants	5	39
Number of franchised restaurants	1,025	1,076
Total number of restaurants (at period end)	1,251	1,330
Operating Income	\$ 24.5	\$ 10.5
Adjusted EBITDA ⁽³⁾	\$ 32.7	\$ 24.0
Adjusted EBITDA Margin on System Sales ⁽⁴⁾	4.5 %	4.5 %
Cash flows from operating activities	\$ 5.3	\$ 21.4
Free cash flow ⁽³⁾	\$ (20.0)	\$ (6.4)
Net earnings	\$ 21.1	\$ 13.0
Basic EPS (in dollars per share)	\$ 0.36	\$ 0.23
Diluted EPS (in dollars per share)	\$ 0.36	\$ 0.22

⁽¹⁾ Results from New York Fries located outside of Canada, East Side Mario's restaurants in the United States, and Casey's restaurants are excluded from System Sales Growth.

⁽²⁾ See "Supplemental Financial Measures" on page 3 for definitions of System Sales, System Sales Growth and SRS Growth

⁽³⁾ See "Non-GAAP Financial Measures" on page 2 for definitions of Adjusted EBITDA and Free Cash Flow

⁽⁴⁾ See "Non-GAAP Ratios" on page 3 for definition of Adjusted EBITDA Margin on System Sales

⁽⁵⁾ SRS Growth was reintroduced as a non-GAAP financial measure in Q1 2022

The following table summarizes results of Recipe's operations for the 13 weeks ended March 27, 2022 and March 28, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
System Sales ⁽²⁾	\$ 721.4	\$ 537.6
Sales	\$ 233.7	\$ 165.3
Franchise revenues	39.0	28.8
Total gross revenue ⁽¹⁾	\$ 272.6	\$ 194.1
Cost of inventories sold	(115.1)	(88.3)
Selling, general and administrative expenses		
Corporate restaurant expenses	(81.5)	(48.6)
Advertising fund transfers	(13.8)	(10.6)
The Keg royalty expense	(5.7)	(2.7)
Franchise assistance and bad debt	(0.1)	(0.9)
Depreciation & amortization	(22.0)	(23.4)
Net gain on disposal of property, plant and equipment and other assets	2.3	0.1
Net gain on settlement of lease liabilities	0.3	0.1
Other	(14.9)	(8.3)
Selling, general and administrative expenses ⁽¹⁾	(135.3)	(94.2)
Impairment recovery	2.8	—
Restructuring and other	(0.5)	(1.1)
Operating income ⁽¹⁾	\$ 24.5	\$ 10.5
Net interest expense and other financing charges	(5.5)	(7.5)
Share of gain from investment in joint ventures	—	0.4
Earnings before change in fair value and income taxes ⁽¹⁾	\$ 19.0	\$ 3.4
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	7.6	10.8
Earnings before income taxes ⁽¹⁾	\$ 26.6	\$ 13.8
Income taxes - current	(2.1)	(2.4)
Income taxes - deferred	(3.4)	1.6
Net earnings ⁽¹⁾	\$ 21.1	\$ 13.0
Earnings per share attributable to common shareholders (in dollars)		
Basic EPS	\$ 0.36	\$ 0.23
Diluted EPS	\$ 0.36	\$ 0.22

⁽¹⁾ Figures may not total due to rounding.

⁽²⁾ See "Supplemental Financial Measures" on page 3 for definition of System Sales.

Financial results

System Sales

System Sales for the 13 weeks ended March 27, 2022 was \$721.4 million compared to \$537.6 million in 2021, representing an increase of 34.2% from 2021. Despite the recovery of total System Sales year-over-year, System Sales in the first quarter 2022 remained 15% below the first quarter of 2019 (prior to the COVID-19 pandemic).

The COVID-19 pandemic continues to impact the Company's operations and COVID-19 related restrictions continue to evolve. The Company's system sales were directly impacted by evolving COVID-19 related restrictions since 2020, including government mandated restaurant closures, dining room capacity limits and mandatory vaccine passports for indoor dining

guests in certain provinces. 2022 started with many of these restrictions mandated but by the end of the quarter most of these were lifted and as a result, 61.2% of the Company's total operating weeks were impacted.

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 \$272.6 million for the 13 weeks ended March 27, 2022, compared to \$194.1 million in 2021, representing an increase of \$78.5 million due to significantly higher sales at our corporate restaurants and higher franchise revenues due to the increase in franchise Systems Sales⁽¹⁾, and higher sales in our retail and grocery channels. In Q1 2022, Recipe continued its commitment to support its franchisees achieve sustainable success by changing the cost structure to reduce fees collected from off-premise, web and mobile orders. These changes will provide cost savings to the franchisees while continuing to grow sales through these channels.

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 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, food cost inflation 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 input cost inflation, 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 represents non-cash expenses generally related to historical transactions where corporate restaurants were converted to franchise.

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Corporate restaurant expenses	\$ 81.5	\$ 48.6
Advertising fund transfers	13.8	10.6
Franchise assistance and bad debt	0.1	0.9
The Keg royalty expense	5.7	2.7
Depreciation and amortization	22.0	23.4
Net gain on disposal of property, plant and equipment and other assets	(2.3)	(0.1)
Net gain on settlement of lease liabilities	(0.3)	(0.1)
Other	14.9	8.3
Total selling, general and administrative expenses ⁽¹⁾	\$ 135.3	\$ 94.2

⁽¹⁾ Figures may not total due to rounding.

SG&A expenses for the 13 weeks ended March 27, 2022 was \$135.3 million compared to \$94.2 million in 2021, representing an increase of \$41.1 million or 43.6%, primarily driven by an increase in corporate variable restaurants expenses as a result of

higher System Sales and lower federal government wage subsidies, higher marketing costs, higher Keg royalty expense due to higher System Sales, and higher administrative labour costs.

Impairment of assets recovery

The Company recorded an impairment of assets reversal of \$2.8 million for the 13 weeks ended March 27, 2022. The reversal is primarily due to an update of the net cost of the franchisee rent support program that we had provided for in the fourth quarter of 2021 and is a result of fewer dining room restrictions than were originally estimated.

Net interest expense and other financing charges

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

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Interest expense on long-term debt.....	\$ 4.3	\$ 5.6
Interest expense on note payable to The Keg Royalties Income Fund.....	1.1	1.1
Financing costs.....	0.2	0.2
Interest expense - other.....	0.1	0.1
Interest on lease obligations.....	6.1	6.6
Interest expense and other financing charges.....	\$ 11.8	\$ 13.6
Interest income on Partnership units and KRIF units.....	(2.9)	(1.8)
Interest income.....	(0.1)	(0.5)
Interest income on lease receivable.....	(3.3)	(3.7)
Interest and other income.....	\$ (6.3)	\$ (6.0)
Total net interest expense and other financing charges⁽¹⁾.....	\$ 5.5	\$ 7.5
	March 27, 2022	March 28, 2021
(C\$ millions unless otherwise stated)		
Private debt.....	\$ 250.0	\$ 250.0
Term credit facility - revolving.....	127.3	217.3
The Keg credit facilities.....	34.1	34.5
	\$ 411.4	\$ 501.8
Less: Cash.....	37.1	44.1
Net debt.....	\$ 374.3	\$ 457.7

⁽¹⁾ Figures may not total due to rounding.

Net interest expense and other financing charges for the 13 weeks ended March 27, 2022 were \$5.5 million compared to \$7.5 million in 2021, a decrease of \$2.0 million. For the quarter, the decrease from 2021 is primarily related to lower interest expense on reduced balances of long term debt.

Income taxes

The Company recorded current income tax expense of \$2.1 million for the 13 weeks ended March 27, 2022, compared to \$2.4 million in 2021, representing a decrease of \$0.3 million. The decrease in current income tax expense is related to a reduction in taxable income during the quarter.

The Company recorded net deferred income tax expenses of \$3.4 million for the 13 weeks ended March 27, 2022, compared to recovery of \$1.6 million in 2021, representing an increase of \$5.0 million for the quarter. The increase in the quarter was

primarily related to the deferred tax on impairment of asset charges, the utilization of non-capital loss carried forward balances and other timing differences such as accounting versus tax depreciation.

Net earnings

Net earnings were \$21.1 million for the 13 weeks ended March 27, 2022 compared to \$13.0 million in 2021, representing an increase of \$8.1 million for the quarter. The \$8.1 million increase in net earnings in the quarter was driven by an increase in Adjusted EBITDA of \$8.7 million, impairment reversal of \$2.8 million and lower interest costs of \$2.0 million, partially offset by a reduction in the fair value of Exchangeable Partnership and KRIF units of \$3.2 million, and a net increase in current and deferred taxes of \$4.7 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, which generate revenues from the direct sale of prepared food and beverages to consumers.

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

Retail and catering represent sales of St-Hubert, Swiss Chalet, Montana's and The Keg branded products; and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants. Catering represents sales and operating expenses related to the Company's catering divisions which operate under the names of The Pickle Barrel and Marigolds & 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 and government subsidies. 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 Income and Adjusted EBITDA ⁽²⁾

Operating Income for the 13 weeks ended March 27, 2022 was \$24.5 million compared to \$10.5 million in 2021, representing an increase of \$14.0 million or 133.3%. The increase for the quarter was driven by increased System Sales, partially offset by lower government subsidies and an increase in food costs.

Adjusted EBITDA⁽²⁾ for the 13 weeks ended March 27, 2022 was \$32.7 million compared to \$24.0 million in 2021, representing an increase of \$8.7 million or 36.3%. The increase for the quarter was driven by the increase in Operating Income, partially offset by the adjustment for the impairment recovery in the first quarter of 2022.

(unaudited)

13 weeks ended March 27, 2022

(CS millions unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales ⁽¹⁾	\$ 141.2	\$ 489.8	\$ 90.5	\$ —	\$ 721.4
Corporate Results					
Sales	\$ 141.2	—	—	\$ 2.6	\$ 143.8
Cost of inventories sold and cost of labour	(85.0)	—	—	—	(85.0)
Restaurant contribution before other costs	56.2	—	—	2.6	58.8
Restaurant contribution before other costs %	39.8 %				
Other operating costs	(40.6)	—	—	—	(40.6)
Corporate restaurants Operating Income	\$ 15.6	—	—	\$ 2.6	\$ 18.2
Franchise Results					
Franchise royalty income	—	\$ 23.0	—	\$ —	\$ 23.0
Franchise royalty income as a % of franchise sales	—	4.7 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	2.1	2.1
Franchise rent assistance and bad debt	—	(0.1)	—	—	(0.1)
Franchise restaurants Operating Income	—	\$ 22.9	—	\$ 2.1	\$ 25.0
Operating Income from Retail and Catering	—	—	\$ 5.0	—	5.0
Net Central Operating Loss ⁽²⁾	—	—	—	\$ (23.7)	(23.7)
Operating Income (Loss)	\$ 15.6	\$ 22.9	\$ 5.0	\$ (19.0)	\$ 24.5
Adjustments ⁽¹⁾	—	—	—	8.2	8.2
Adjusted EBITDA ⁽¹⁾	\$ 15.6	\$ 22.9	\$ 5.0	\$ (10.8)	\$ 32.7

Adjusted EBITDA Margin on System Sales ⁽⁴⁾⁽⁵⁾ by segment

11.0 % 4.7 % 5.5 % (1.5)% 4.5 %

(unaudited)

13 weeks ended March 28, 2021

(CS millions unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales ⁽¹⁾	\$ 83.0	\$ 367.0	\$ 87.6	\$ —	\$ 537.6
Corporate Results					
Sales	\$ 79.6	—	—	\$ 4.1	\$ 83.7
Cost of inventories sold and cost of labour	(44.0)	—	—	—	(44.0)
Restaurant contribution before other costs	35.6	—	—	4.1	39.7
Restaurant contribution before other costs %	44.7 %				
Other operating costs	(31.7)	—	—	—	(31.7)
Corporate restaurants Operating Income	\$ 3.9	—	—	\$ 4.1	\$ 8.0
Franchise Results					
Franchise royalty income	—	\$ 16.9	—	\$ —	\$ 16.9
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	2.2	2.2
Franchise rent assistance and bad debt	—	(0.9)	—	—	(0.9)
Franchise restaurants Operating Income	—	\$ 16.0	—	\$ 2.2	\$ 18.2
Operating Income from Retail and Catering	—	—	\$ 8.0	—	8.0
Net Central Operating Loss ⁽³⁾	—	—	—	\$ (23.6)	(23.6)
Operating Income (Loss)	\$ 3.9	\$ 16.0	\$ 8.0	\$ (17.3)	\$ 10.6
Adjustments ⁽²⁾	—	—	—	13.4	13.4
Adjusted EBITDA ⁽²⁾	\$ 3.9	\$ 16.0	\$ 8.0	\$ (3.9)	\$ 24.0

Adjusted EBITDA Margin on System Sales ⁽⁴⁾⁽⁵⁾ by segment

4.8 % 4.4 % 9.1 % (0.7)% 4.5 %

⁽¹⁾ See "Supplemental Financial Measures" on page 3 for definition of System Sales

⁽²⁾ See "Non-GAAP Financial Measures" on page 2 for definitions of Adjusted EBITDA and reconciliation of adjustments from Operating Income to Adjusted EBITDA

⁽³⁾ Included in Net Central Operating Income is revenue from marketing fund contributions and amortization of unearned conversion fees

⁽⁴⁾ See "Non-GAAP Ratios" on page 3 for definition of Adjusted EBITDA Margin on System Sales

⁽⁵⁾ Adjusted EBITDA Margin on System Sales for the central segment is calculated by dividing Central Adjusted EBITDA by total System Sales

Corporate

As at March 27, 2022, the corporate restaurant segment consisted of 221 fully owned restaurants as well as the proportionate results from 5 joint venture restaurants compared to 219 fully owned restaurants and proportionate results from 6 joint venture restaurants at December 26, 2021. During the 13 weeks ended March 27, 2022, the Company completed 3 corporate buybacks and closed 1 under-performing restaurant. The corporate restaurant segment includes the proportionate results from the Company's 5 joint venture restaurants from the Original Joe's investment.

Sales

Sales represent food and beverage sales from Recipe's corporate restaurants. Corporate restaurant sales were directly impacted by mandated government closures and other COVID-19 related restrictions, however there were fewer restrictions compared to 2021. Sales for the 13 weeks ended March 27, 2022 were \$141.2 million, compared to \$79.6 million in the prior year, representing an increase of 77.4% driven by higher dining room sales and E-Commerce System Sales⁽²⁾.

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. The Company mitigates cost inflation risks by locking in prices through short-term contracts and advance purchase agreements and by implementing cost saving measures.

Cost of inventories sold and cost of labour was \$85.0 million for the 13 weeks ended March 27, 2022 compared to \$44.0 million in 2021, an increase of \$41.0 million or 93.2% for the quarter. The increase is primarily due to the impact of higher dining room sales (which benefited from fewer dining room restrictions compared to 2021) with increased volume of food and beverage sold as well as increased labour to service our dining rooms, lower Federal government wage subsidies and higher food costs due to price inflation.

Operating Income and Adjusted EBITDA⁽¹⁾ from Corporate segment

Operating Income and Adjusted EBITDA⁽¹⁾ from the corporate segment was \$15.6 million for the 13 weeks ended March 27, 2022 compared to \$3.9 million in 2021, an increase of \$11.7 million. For the 13 weeks ended March 27, 2022, Operating Income and Adjusted EBITDA⁽¹⁾ from corporate restaurants as a percentage of corporate sales was 11.0% compared to 4.8% in 2021. The increases were driven by higher corporate restaurant sales, partially offset by a corresponding increase in cost of sales and a decrease in government subsidies as a result of higher revenues.

Franchise

As at March 27, 2022, the franchise restaurant segment consisted of 1,025 restaurants compared to 1,036 at December 26, 2021. For the 13 weeks ended March 27, 2022, the Company completed 2 new restaurant openings, offset by 10 closures and 3 corporate take backs. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales⁽²⁾ for the 13 weeks ended March 27, 2022 were \$489.8 million, compared to \$367.0 million in 2021, representing an increase of 33.5% and was driven by fewer dining room restrictions compared to 2021 and continued growth in E-Commerce System Sales⁽²⁾.

Franchise revenues

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

The primary factors impacting franchise revenues are System Sales Growth⁽²⁾ 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

also increased 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 revenue for the 13 weeks ended March 27, 2022 were \$23.0 million, compared to \$16.9 million in 2021, an increase of 36.1%, which is in-line with the increase in System Sales⁽²⁾.

Operating Income and Adjusted EBITDA⁽¹⁾ from franchise segment

Operating Income and Adjusted EBITDA⁽¹⁾ from franchise segment was \$22.9 million for the 13 weeks ended March 27, 2022 compared to \$16.0 million in 2021, an increase of \$6.9 million or 43.1% for the quarter. The effective net royalty rate for the 13 weeks ended March 27, 2022 was 4.7% compared to 4.4% in 2021. The increase in the effective net royalty rate reflects a stronger franchise portfolio and less royalty assistance programs.

Retail and Catering

Sales

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

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

Sales for Retail and Catering were \$90.5 million for the 13 weeks ended March 27, 2022 compared to \$87.6 million in 2021, representing an increase of 3.3% over 2021. The increases were driven by increased sales to retail grocery customers.

Operating Income and Adjusted EBITDA⁽¹⁾ from retail and catering

Operating Income and Adjusted EBITDA⁽¹⁾ from retail and catering for the 13 weeks ended March 27, 2022 was \$5.0 million compared to \$8.0 million in 2021 a decrease of \$3.0 million compared to 2021. The decrease in contribution was driven by higher retail food input costs without offsetting grocery price increases, partially offset by an increase in sales volumes.

The Company continues to execute its growth strategy in the Retail segment, which includes growing its market share in a number of retail categories. During 2021, the Company continued to experience sales growth in its retail segment and has gained over 50% market share in a number of categories. Particularly, the popularity of the frozen and fresh ribs category has experienced higher than anticipated growth. The ribs category traditionally has lower gross margins than other grocery categories and rib margins have continued to be challenged in 2022 due to higher protein input costs.

Price negotiations with grocery partners have been ongoing. Price adjustments were beginning to be deployed near the end of the quarter. Management anticipates that margins will return closer to historical averages as price adjustments continue through the partner network and global supply chains stabilize.

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). In addition, the volume of guest orders taken through the call centre is also impacted by the shift towards aggregators to place delivery and pick-up orders.

Total central segment sales were \$2.6 million for the 13 weeks ended March 27, 2022 compared to \$4.1 million in 2021, representing a decrease of \$1.5 million from 2021 and is a result of the cost structure change to reduce fees collected from

off-premise, web and mobile orders to support the franchisees achieve sustainable success and provide cost savings to the franchisees while continuing to grow sales through these channels.

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 \$2.1 million for the 13 weeks ended March 27, 2022 and is in-line with \$2.2 million in 2021.

Operating Loss and Adjusted EBITDA⁽¹⁾ from central segment

Operating Loss from the central segment before adjustments was \$19.0 million for the 13 weeks ended March 27, 2022 compared to \$17.3 million in 2021, representing an increase of \$1.7 million or 9.8%. Adjusted EBITDA⁽¹⁾ from the Central segment for the 13 weeks ended March 27, 2022 was \$(10.8) million compared to \$(3.9) million in 2021, representing a decrease of \$6.9 million or 176.9% for the quarter. The decrease is due to lower government subsidies as a result of higher revenues, increased marketing costs and lower call centre revenues.

⁽¹⁾ See “Non-GAAP Financial Measures” on page 2 for definitions of Adjusted EBITDA and reconciliation of adjustments from Operating Income to Adjusted EBITDA.

⁽²⁾ See "Supplemental Financial Measures" on page 3 for definition of System Sales and SRS Growth

Selected Quarterly Information

The following table provides selected historical information and other data of the Company:

(C\$ millions unless otherwise stated)	Q1 – 2022 Mar 27, 2022	Q4 – 2021 Dec 26, 2021	Q3 – 2021 Sept 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽¹⁾	\$ 721.4	\$ 790.4	\$ 834.2	\$ 561.8	\$ 537.6	\$ 611.3	\$ 676.4	\$ 389.8
Total System Sales Growth ⁽¹⁾	34.2 %	29.3 %	23.3 %	44.1 %	(28.1)%	(31.8)%	(22.2)%	(55.3)%
Number of restaurants (at period end)	1,251	1,261	1,284	1,327	1,330	1,341	1,355	1,354
Operating Income (Loss)	\$ 24.5	\$ 5.0	\$ 29.3	\$ 20.5	\$ 10.5	\$ 1.0	\$ 28.9	\$ (46.5)
Adjusted EBITDA ⁽²⁾	\$ 32.7	\$ 39.3	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6
Adjusted EBITDA Margin on System Sales ⁽³⁾	4.5 %	5.0 %	6.0 %	5.4 %	4.5 %	5.7 %	6.3 %	4.0 %
Corporate restaurant sales	\$ 141.2	\$ 152.9	\$ 166.4	\$ 87.8	\$ 79.6	\$ 89.0	\$ 123.8	\$ 37.7
Number of corporate restaurants	221	219	211	239	215	210	216	206
Operating Income from Corporate segment	\$ 15.6	\$ 6.2	\$ 16.1	\$ 2.8	\$ 3.9	\$ 1.5	\$ 12.8	\$ (13.5)
Operating Income as a % of corporate sales	11.0 %	4.1 %	9.7 %	3.2 %	4.8 %	1.7 %	10.3 %	(35.8)%
Number of joint venture restaurants	5	6	9	9	39	46	46	45
Franchise restaurant sales	\$ 489.8	\$ 538.6	\$ 574.4	\$ 381.7	\$ 367.0	\$ 425.7	\$ 462.6	\$ 266.2
Number of franchised restaurants	1,025	1,036	1,064	1,079	1,076	1,085	1,093	1,103
Operating Income from Franchise segment	\$ 22.9	\$ 25.5	\$ 26.6	\$ 17.3	\$ 16.0	\$ 16.7	\$ 17.1	\$ 9.1
Operating Income as a % of Franchise sales	4.7 %	4.7 %	4.6 %	4.5 %	4.4 %	3.9 %	3.7 %	3.4 %
Retail and Catering sales	\$ 90.5	\$ 99.0	\$ 93.4	\$ 87.3	\$ 87.6	\$ 92.6	\$ 86.3	\$ 83.0
Operating Income from Retail and Catering	\$ 5.0	\$ 8.0	\$ 8.2	\$ 6.4	\$ 8.0	\$ 13.1	\$ 12.6	\$ 14.8
Operating Income as a % of Retail & Catering sales	5.5 %	8.1 %	8.8 %	7.3 %	9.2 %	14.2 %	14.6 %	17.8 %
Adjusted EBITDA from Central segment	\$ (10.8)	\$ (0.4)	\$ (0.7)	\$ 4.0	\$ (3.9)	\$ 3.7	\$ —	\$ 5.2
Total gross revenue	\$ 272.6	\$ 299.3	\$ 308.1	\$ 207.6	\$ 194.1	\$ 210.9	\$ 243.3	\$ 140.4
Earnings (loss) before income taxes	\$ 26.6	\$ 0.7	\$ 17.7	\$ 23.6	\$ 13.8	\$ 23.9	\$ 9.7	\$ (52.7)
Net earnings (loss)	\$ 21.1	\$ (2.8)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 23.6	\$ 5.2	\$ (40.6)
Net earnings (loss) attributable to common shareholders of the Company	\$ 21.1	\$ (2.8)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 24.1	\$ 5.1	\$ (40.3)
EPS attributable to common shareholders of the Company (in dollars)								
Basic EPS	\$ 0.36	\$ (0.05)	\$ 0.23	\$ 0.34	\$ 0.23	\$ 0.43	\$ 0.09	\$ (0.72)
Diluted EPS	\$ 0.36	\$ (0.05)	\$ 0.23	\$ 0.33	\$ 0.22	\$ 0.42	\$ 0.09	\$ (0.72)

⁽¹⁾ See "Supplemental Financial Measures" on page 3 for definition of System Sales and System Sales Growth.

⁽²⁾ See "Non-GAAP Financial Measures" on page 2 for definitions of Adjusted EBITDA

⁽³⁾ See "Non-GAAP Ratios" on page 3 for definition of Adjusted EBITDA Margin on System Sales

The following table provides reconciliations of Operating Income and Adjusted EBITDA:

(C\$ millions unless otherwise stated)	Q1 – 2022 Mar 27, 2022	Q4 – 2021 Dec 26, 2021	Q3 – 2021 Sept 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of Operating Income to Adjusted EBITDA								
Operating Income (Loss)	\$ 24.5	\$ 5.0	\$ 29.3	\$ 20.5	\$ 10.5	\$ 1.0	\$ 28.9	\$ (46.5)
Depreciation and amortization	23.0	25.0	23.8	24.1	24.4	26.4	26.5	26.7
Amortization of deferred gain	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)
Transaction costs	0.1	0.1	0.2	0.2	—	1.8	0.2	0.2
Impairment, net of reversals, of restaurant assets and lease receivables	(2.8)	19.9	6.9	(0.9)	—	17.7	(2.2)	47.4
Restructuring and other	0.5	—	2.7	1.2	1.1	(0.6)	5.4	1.9
Amortization of unearned conversion fees	—	—	—	—	—	—	—	(0.1)
Net loss (gain) on early buyout/cancellation of equipment rental contracts	0.5	(0.7)	0.7	—	0.3	—	(0.1)	(0.2)
Net (gain) loss and proceeds on disposal of property, plant and equipment and other assets	(2.3)	(0.3)	—	(1.2)	(0.1)	(1.4)	(4.3)	0.5
(Gain) loss on settlement of lease liabilities	(0.3)	(1.1)	(1.3)	(0.1)	(0.1)	0.8	(0.1)	0.3
Stock based compensation	0.4	1.0	0.3	—	0.2	0.4	0.1	0.4
Share of earnings (loss) from investment in joint ventures	—	0.6	(0.6)	(0.2)	0.4	0.3	0.8	(1.3)
Interest income on Partnership units and KRIF	2.9	3.0	2.9	1.8	1.8	2.1	2.3	1.2
Lease expenses for corporate restaurant and head office locations	(13.2)	(12.7)	(14.1)	(14.5)	(14.2)	(13.1)	(14.5)	(14.5)
Adjusted EBITDA ⁽¹⁾	\$ 32.7	\$ 39.3	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 42.5	\$ 15.6

⁽¹⁾ Figures may not total due to rounding

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

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

- vaccine certificate mandates; and
- supply chain shortages.

Public health concerns and related restrictions, seasonal factors and the timing of holidays may cause the Company's revenue to fluctuate from quarter to quarter. Adverse weather conditions may also affect customer traffic. The Company has outdoor patio seating at some of its restaurants, and the effects of adverse weather may impact the use of these areas and may negatively impact the Company's revenue. Food processing and distribution sales are typically highest in the fourth quarter, followed by the third quarter, then the first quarter, with the second quarter being lowest. During the quarters with higher sales, food processing and distribution contribution rate is also higher as fixed overhead costs are covered by higher gross margin.

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, 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 28). 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.

On April 14, 2022, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the sixth 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 would have matured on May 1, 2024 and a \$150.0 million tranche that would have matured on May 1, 2022, with each tranche now maturing on May 3, 2027 and May 1, 2025, respectively. The \$250.0 million accordion feature is applicable to either tranche. In addition, the financial covenants that had previously been adjusted for the impact of COVID-19 pandemic and related operating restrictions, have since returned to pre-COVID-19 pandemic terms.

Below is summary of the Company's credit availability and liquidity:

<u>(C\$ millions unless otherwise stated)</u>	<u>March 27, 2022</u>	<u>December 26, 2021</u>	<u>March 28, 2021</u>
Revolving credit facility	\$ 550.0	\$ 550.0	\$ 550.0
Add: Private notes	250.0	\$ 250.0	250.0
Add: The Keg credit facilities	60.0	\$ 60.0	60.0
Subtotal - credit availability⁽¹⁾	\$ 860.0	\$ 860.0	\$ 860.0
Less: Private notes	(250.0)	(250.0)	(250.0)
Less: Draw on revolving credit	(127.3)	(112.3)	(217.3)
Less: Draw on The Keg credit facilities	(34.1)	(34.3)	(34.5)
Subtotal - total debt	\$ (411.4)	\$ (396.6)	\$ (501.8)
Cash	37.1	42.2	44.1
Liquidity⁽¹⁾	\$ 485.7	\$ 505.6	\$ 402.3

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

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. Sales of Recipe's Ultimate Gift Card and the addition of The Keg gift card significantly improves the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions typically, in the January to March period. Recipe's gift card liability at March 27, 2022 was \$144.5 million compared to \$180.5 million at December 26, 2021, a decrease of \$36.0 million due to the expected seasonal redemptions in the first quarter.

The following table presents Recipe's working capital as at March 27, 2022 compared to December 26, 2021:

(C\$ millions unless otherwise stated)	March 27, 2022	December 26, 2021	change in working capital
Cash	\$ 37.1	\$ 42.2	\$ 5.1
Accounts receivable	88.2	96.4	8.2
Inventories	66.8	64.3	(2.5)
Current taxes receivable	3.1	4.0	0.9
Prepaid expenses and other assets	9.5	7.6	(1.9)
Current portion of long-term receivables	64.3	63.4	(0.9)
Total Current Assets ⁽¹⁾	\$ 268.9	\$ 278.0	\$ 9.1
Accounts payable and accrued liabilities	\$ 134.0	\$ 139.4	\$ (5.4)
Provisions	3.2	3.0	0.2
Gift card liability	144.5	180.5	(36.0)
Income taxes payable	1.5	1.3	0.2
Current portion of long-term debt	0.9	0.9	—
Current portion of lease liability	109.4	110.9	(1.5)
Total Current Liabilities ⁽¹⁾	\$ 393.5	\$ 436.1	\$ (42.6)
Working capital deficit	\$ (124.6)	\$ (158.1)	\$ (33.5)

⁽¹⁾ Figures may not total due to rounding.

At March 27, 2022, Recipe had a working capital deficit of \$124.6 million compared to a deficit of \$158.1 million at December 26, 2021. The change in working capital deficit of \$33.5 million was primarily related to the 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

The following table presents Recipe's cash flows for the 13 weeks ended March 27, 2022 compared to the 13 weeks ended March 28, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Cash flows from operating activities	\$ 5.3	\$ 21.4
Cash flows from investing activities	2.8	12.9
Cash flows used in financing activities	(13.3)	(30.9)
Change in cash during the period ⁽¹⁾	<u>\$ (5.2)</u>	<u>\$ 3.4</u>

⁽¹⁾ Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were \$5.3 million for the 13 weeks ended March 27, 2022 compared to \$21.4 million in 2021, representing a decrease of \$16.1 million, and is primarily related to a higher investment in working capital, notably in raw materials inventory used in Recipe's food processing divisions, partially offset by higher Adjusted EBITDA.

Cash flows used in investing activities

The following table presents Recipe's capital expenditures for the 13 weeks ended March 27, 2022 compared to the 13 weeks ended March 28, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Purchase of property, plant and equipment:		
<u>Maintenance:</u>		
Corporate restaurants	\$ 1.7	\$ 0.8
Central / IT expenditures / Other	1.7	1.3
Total maintenance	<u>\$ 3.4</u>	<u>\$ 2.1</u>
<u>Growth initiatives:</u>		
Major renovations	1.8	1.2
New builds	1.3	0.7
Total growth	<u>\$ 3.1</u>	<u>\$ 1.9</u>
Total purchase of property, plant and equipment ⁽¹⁾	\$ 6.5	\$ 4.1
Common control transactions, net of cash assumed:		
Acquisitions	0.1	—
Total common control transactions, net of cash assumed	\$ 0.1	\$ —
Total purchase of property, plant and equipment	(6.5)	(4.1)
Acquisitions and Divestitures	(0.1)	—
Proceeds on disposal of property, plant and equipment	2.4	—
Lease payments received	7.1	16.9
Total cash flows from investing activities ⁽¹⁾	<u>\$ 2.8</u>	<u>\$ 12.9</u>

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in investing activities were \$2.8 million for the 13 weeks ended March 27, 2022 compared to \$12.9 million in 2021, representing a change of \$10.1 million and primarily due to lower lease payments received and higher property, plant and equipment additions.

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 financing activities

The following table presents Recipe's cash used in financing activities for the 13 weeks ended March 27, 2022 compared to the 13 weeks ended March 28, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended	
	March 27, 2022	March 28, 2021
Increases in debt	\$ 15.0	\$ 10.0
Debt repayments	(0.2)	—
Deferred financing fees	—	(0.5)
Issuance of subordinated voting common shares	0.1	0.2
Payment of lease liability	(25.7)	(36.9)
Interest paid net of interest income received	(2.5)	(3.7)
Cash flows used in financing activities ⁽¹⁾	\$ (13.3)	\$ (30.9)

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in financing activities were \$13.3 million for the 13 weeks ended March 27, 2022, compared to \$30.9 million in 2021, representing a decrease of \$17.6 million. The decrease in cash flows used in financing activities for the quarter mainly relates to a higher draw on the credit facility and lower lease liability repayments.

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 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 27, 2022, \$250.0 million (December 26, 2021 - \$250.0 million; March 28, 2021 - \$250.0 million) was outstanding under the Notes.

Term credit facility

On May 1, 2019, the Company amended and extended the terms of its existing syndicated bank credit facility which currently includes a \$400.0 million tranche that matures on May 1, 2024, a \$150.0 million tranche that matures on May 1, 2022, and an accordion feature of up to \$250.0 million. See Subsequent Events section above for details on the extension of the credit facility in April 2022.

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 27, 2022, \$127.3 million (December 26, 2021 - \$112.3 million, March 28, 2021 - \$217.3 million) was drawn under the term credit facility. For the 13 weeks ended March 27, 2022, the effective interest rate was 3.85% representing bankers acceptance rate of 0.55% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees

of 1.60%. As at March 27, 2022, the effective interest rate was 3.23%, representing bankers acceptance rate of 0.71% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 0.82%.

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. As of March 27, 2022, the standby fee rate was 0.34%.

As at March 27, 2022, the Company was in compliance with financial covenants.

The Keg Credit Facilities

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 currently comprised of a \$55.0 million revolving facility with no set term of repayments and a \$5.0 million revolving demand operating facility, maturing on June 30, 2024.

As at March 27, 2022, \$22.0 million of this facility has been drawn (December 26, 2021 - \$22.0 million; March 28, 2021 - \$22.0 million).

On September 29, 2020, Keg Restaurants Ltd. ("KRL") borrowed \$12.5 million under BDC Co-Lending Program ("BCAP Loan") from its existing banking syndicate and the BDC jointly. This amount was borrowed to help fund the cash flow needs which have been negatively impacted by the unexpected impact of COVID-19. The BCAP Loan is a non-revolving facility with a five-year term, requires interest only payments for the first year, and bears interest at the prime rate plus 1.5%. Commencing on October 1, 2021, KRL is required to make monthly principal repayment of \$74,000 for the remainder of the BCAP Loan term. KRL has the option to repay any principal amount of this loan at any time, without bonus, premium, or penalty. As of March 27, 2022, \$12.1 million remains outstanding on the BCAP Loan (December 26, 2021 - \$12.3 million; March 28, 2021 - \$12.5 million).

KRL has a revolving demand operating facility of up to \$5.0 million with a Canadian chartered bank, which matures on June 30, 2024 and bears interest at a rate between bank prime and bank prime plus 0.75%, based on certain financial criteria. As at March 27, 2022, KRL meets the criteria for interest at bank prime plus 0.75%. This credit facility is available for general corporate purposes including working capital, overdrafts and letters of credit. As at March 27, 2022, \$2.0 million of this facility has been used to issue letters of credit, and \$3.0 million remains available. As at March 27, 2022, the letters of credit have not been drawn on.

Off Balance Sheet Arrangements

Letters of credit

The Company has outstanding letters of credit amounting to \$2.7 million, primarily related to KRL as part of its normal course of business and are covered by its operating credit facility.

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 4, 2022, there were 58,841,022 subordinate and multiple voting shares (December 26, 2021 – 58,826,463) 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 4, 2022 is 1,218,015.

Related Parties

Principal Shareholders

Fairfax Financial Holdings Limited and its affiliates (“Fairfax”) and the Phelan family through Cara Holdings Limited and its affiliates (“Cara Holdings”) are together referred to as the “Principal Shareholders” of the Company. As at March 27, 2022, the Principal Shareholders hold 67.8% of the total issued and outstanding shares and have 97.8% of the voting control attached to all the shares. Cara Holdings holds 21.7% of the total issued and outstanding shares, representing 36.4% voting control. Fairfax holds 46.1% of the total issued and outstanding shares, representing 61.5% voting control.

During the 13 weeks ended March 27, 2022, the Company paid a dividend of \$nil per share (13 weeks ended March 28, 2021 - \$nil per share) on the Subordinate and Multiple Voting Shares.

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 27, 2022 and March 28, 2021.

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

Insurance Provider

Certain 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 27, 2022, 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

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 27, 2022 was \$16.01. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings. During the 13 weeks ended March 27, 2022, the Company purchased nil KRIF units (13 weeks ended March 28, 2021 - nil).

(in thousands of Canadian dollars)	March 27, 2022		December 26, 2021		March 28, 2021	
	# of units	Fair Value	# of units	Fair Value	# of units	Fair Value
Class A Partnership units	905,944	\$ 14,504	905,944	\$ 13,290	905,944	\$ 12,330
Class B Partnership units	176,700	2,829	176,700	2,592	176,700	2,405
Class D Partnership units	4,242,386	67,921	4,020,766	58,985	3,970,272	54,035
Exchangeable unit investment in the Partnership	5,325,030	\$ 85,254	5,103,410	\$ 74,867	5,052,916	\$ 68,770
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	11,025,030	\$ 142,254	10,803,410	\$ 131,867	10,752,916	\$ 125,770
Investment in KRIF units	250,000	4,003	250,000	3,668	250,000	3,402
Distributions earned on KRIF units	—	444	—	373	—	224
	11,275,030	\$ 146,701	11,053,410	\$ 135,908	11,002,916	\$ 129,396

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 27, 2022 was \$16.01 (December 26, 2021 - \$14.67; March 28, 2021 - \$13.61).

Other

As at March 27, 2022, long-term receivables include a non-interest bearing employee demand note in the amount \$0.2 million (December 26, 2021 - \$0.2 million; March 28, 2021 - \$0.8 million).

As at March 27, 2022, the Company has a \$2.8 million royalty fee payable, including GST, to the Fund (December 26, 2021 - \$2.6 million; March 28, 2021 - \$1.3 million) and a \$0.3 million interest payable amount due to the Fund on the Keg Loan (December 26, 2021 - \$0.3 million; March 28, 2021 - \$0.3 million) included in accounts payable and accrued liabilities.

As at March 27, 2022, the Company has \$1.3 million in distributions receivable from the Partnership (December 26, 2021 - \$1.3 million; March 28, 2021 - \$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 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 \$5.7 million for the 13 weeks ended March 27, 2022 (13 weeks ended March 28, 2021 – \$2.7 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 27, 2022, the Company recorded investment income of \$2.9 million related to these units (13 weeks ended March 28, 2021 – \$1.9 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 27, 2022 there was a related party balance of \$0.3 million (December 26, 2021 - \$0.3 million; March 28, 2021 - \$12.4 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 5.0% to 7.75% and

all mature September 21, 2023. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is \$nil (December 26, 2021 - \$nil; March 28, 2021 - \$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 27, 2022, the Company charged interest in the amount of \$nil (13 weeks ended March 28, 2021 - \$14 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 27, 2022 the accounts receivable balance included \$0.4 million (December 26, 2021 - \$0.3 million; March 28, 2021 - \$0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investments in joint ventures are increased by the proportionate share of income earned. For the 13 weeks ended March 27, 2022, an immaterial increase (13 weeks ended March 28, 2021 - \$0.1 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

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

Outlook

The restaurant and food services industry continues to experience disruptions as a result of the COVID-19 pandemic. Near the end of the fourth quarter of 2021, Canada began to experience a surge in new COVID-19 infections driven by the omicron variant. As a result, restaurants in certain provinces were mandated to limit their capacity in December 2021 and dining rooms in Ontario and Quebec were subsequently mandated to temporarily close in January 2022. In March 2022, most dining room restrictions were lifted.

The actions we have taken to strengthen our overall business during the COVID-19 pandemic (including streamlining menus, improving our digital platform, testing and introducing higher efficiency kitchen equipment, investing in our people and franchisees, as well as the strategic changes made to our brand portfolio mix and restaurant network) will also allow us to recover from the effects of the pandemic. The Company's restaurants are predominantly situated in non-urban locations and its recovery is not dependent on the recovery in urban city-center areas, where the effects of the COVID-19 pandemic were the most significant due to offices being closed and the reduction in business travel. Since the latest lifting of major restrictions in January, Management has been pleased with the return of Guests to restaurants.

We have and always will be committed to the health and safety of our guests, associates and franchise partners, and with the continuation of the Company's Social Safely program, we will continue to focus on delivering best in class experiences while operating safe and clean restaurants across all of our locations.

The effects of the global pandemic on supply chains will take time to stabilize. Also impacting supply chains is the current conflict in Europe, as Ukraine and Russia are key global suppliers of wheat, corn and vegetable oil. Multiple economic sectors reopening at once have also created a significant labour shortage in North America. Management expects that this labour shortage, combined with increases to minimum wage rates, may lead to short term higher labour costs due to increased overtime hours, retention pay programs and higher training costs as new employees are brought onboard. The recovery and industry wide labour shortages are also negatively impacting commodity food prices and other input and support costs until supply and demand dynamics normalize.

Management believes that Recipe is well positioned to continue to increase its market share through its omni-channel customer relationships and the continuation of its off-premise sales growth, expanded and enhanced patios (including many that will operate for three seasons). The actions taken throughout the COVID-19 disruption period have allowed the Company to generate positive Adjusted EBITDA⁽²⁾, positive operating cash flows and enhance the strength of its balance sheet, which will enable the Company to pursue strategic acquisitions and accelerate growth.

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, while focusing on being an employer of choice in Canada;

- 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. Continue to execute on our plans to support the expansion of our multi-channel offerings for post-COVID success. This includes the introduction of new restaurant layouts and designs with separate entrances to facilitate delivery, takeout and curbside pick-up orders, tailored menus for dine-in and off-premise experiences, as well as the investments in our restaurants to comfortably extend outdoor patio season to three seasons;
- d. Actively negotiate early exit and permanent closure of under-performing restaurants that were identified at the end of 2019 to strengthen each brand portfolio and improve the long term Adjusted EBITDA⁽²⁾ contribution rates of both the Corporate and Franchise restaurant segments;
- e. Prepare Recipe's portfolio of brands for post-COVID success including accelerating the growth of brands like Burger's Priest, Fresh, Añejo and Blanco Cantina, pursuing complementary brand acquisitions, expanding New York Fries international franchising and rationalizing under-performing brands;
- f. Continue to expand the Company's off-premise business, including Ultimate Kitchens, for all brands with digital and mobile order applications and brand appropriate features including curbside pick-up, preorder and pay, as well as other payment convenience options; and
- g. Mitigate cost increases for food and other inputs, as well as supply chain disruptions caused by the COVID-19 pandemic or the current conflict in Europe, through the Company's ability to leverage its significant sourcing capabilities.

The foregoing description of Recipe's outlook is based on management's current strategies and its assessment of the outlook for the business and the Canadian restaurant industry as a whole and may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "Forward-Looking Information" and "Risks & 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, 2021. See note 3 of the Company's Interim Financial Statements for a summary of new accounting standards adopted during 2022 and note 4 for a summary of future accounting standards not yet adopted.

Internal Controls Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the 13 weeks ended March 27, 2022 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 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 26, 2021.

Risks and Uncertainties

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

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number, locations of competing restaurants and public health issues. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Food costs and availability are also influenced by factors and events outside of the jurisdictions the Company operates in, such as wars. 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.

Forward-Looking Information

Certain statements in this MD&A may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including SRS Growth, System Sales Growth, increases in net income, Adjusted EBITDA, Adjusted EBITDA Margin on System Sales and Free Cash Flow; (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; and (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 22, 2022. 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.