

RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 and 26 weeks ended June 26, 2022

The COVID-19 global pandemic was declared in the first quarter of 2020 and continues to have an impact on the Company, despite operating with minimal dining room restrictions in the second quarter of 2022. The following Management's Discussion and Analysis ("MD&A") for Recipe Unlimited Corporation ("Recipe" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 and 26 weeks ended June 26, 2022 and June 27, 2021. ("second quarter", "Q2", "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 June 26, 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 August 2, 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, Same Restaurant Sales 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 loss (gain) on early buyout/cancellation of equipment rental contracts; (vi) amortization of unearned conversion fees; (vii) net loss (gain) on disposal of property, plant and equipment and other assets; (viii) net loss (gain) 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) adjustment for the impact of IFRS16 on lease expenses.

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 to Adjusted EBITDA:

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022	Jun 27, 2021	June 26, 2022	June 27, 2021
Operating Income	\$ 25.7	\$ 20.5	\$ 50.2	\$ 31.0
Adjustments				
Depreciation and amortization.....	23.3	24.1	46.3	48.6
Amortization of deferred gain.....	(0.5)	(0.5)	(0.9)	(0.9)
Transaction costs ⁽¹⁾	0.1	0.2	0.2	0.3
Reversal of impairment of restaurant assets and lease receivables, net.....	(1.4)	(0.9)	(4.2)	(1.0)
Restructuring and other.....	0.1	1.2	0.6	2.3
Net loss (gain) on early buyout/cancellation of equipment rental contracts.....	—	—	0.6	0.3
Net gain on disposal of property, plant and equipment and other assets.....	(0.1)	(1.2)	(2.4)	(1.3)
Net loss (gain) on settlement of lease liabilities.....	0.5	(0.1)	0.2	(0.2)
Stock-based compensation.....	0.3	—	0.6	0.2
Proportionate share of joint venture results ⁽²⁾	—	0.4	—	—
Interest income on Partnership units and KRIF units.....	3.3	1.8	6.2	3.6
Lease expenses for corporate restaurants and head office locations ⁽³⁾	(13.5)	(15.0)	(26.7)	(28.5)
Total adjustments ⁽⁴⁾	\$ 12.1	\$ 9.9	\$ 20.4	\$ 23.4
Adjusted EBITDA ⁽⁴⁾	\$ 37.9	\$ 30.4	\$ 70.6	\$ 54.4

⁽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		26 weeks ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Cash flows from operating activities	\$ 54.5	\$ 32.2	\$ 59.8	\$ 52.7
Purchases of property, plant and equipment	(9.6)	(7.2)	(16.1)	(11.3)
Interest paid on long-term debt and notes payable	(8.8)	(9.8)	(11.3)	(13.5)
Net lease payments ⁽¹⁾	(12.3)	(13.0)	(30.9)	(32.0)
Proceeds on disposal of property, plant and equipment	—	1.8	2.4	1.8
Free Cash Flow ⁽²⁾	\$ 23.9	\$ 4.1	\$ 3.9	\$ (2.3)

⁽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, Pubs restaurants which were sold in 2022, 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. 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 reduced or lifted. 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 staffing scheduling models, implementing smart kitchen equipment that requires less labour, executing various cost saving measures and more importantly investing in its people and franchise partners.

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 65 new restaurants since the start of the pandemic. The Company has also sold the Milestones brand and restaurants in 2021 and the Prime Pubs brand and restaurants in June 2022. With the help of these measures, the Company generated \$37.9 million of Adjusted EBITDA⁽²⁾ and \$25.7 million of Operating Income in the second quarter of 2022. This was achieved while facing the ongoing repercussions of the pandemic. 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 behaviours, 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 and 26 weeks ended June 26, 2022:

- Total System Sales⁽¹⁾ for the 13 weeks ended June 26, 2022 was \$873.1 million, compared to \$561.8 million in 2021, representing an increase from 2021 of 55.4%. Total System Sales⁽¹⁾ for the 26 weeks ended June 26, 2022 was \$1,594.6 million, compared to \$1,099.4 million for the same period in 2021, representing an increase of 45.0%. The increases from 2021 were largely driven by the return to in-restaurant dining with minimal complete and partial dining room closures for the second quarter and 30.6% of operating weeks with complete and partial dining room closures for the year-to-date period (mostly from first quarter closures), compared to 96.5% of impacted operating weeks in the second quarter of 2021, and 92.6% in the first six months of 2021.
- Gross revenue for the 13 weeks ended June 26, 2022 was \$336.6 million, compared to \$207.6 million in 2021, representing an increase from 2021 of 62.1%; gross revenue for the 26 weeks ended June 26, 2022 was \$609.2 million, compared to \$401.7 million in 2021, representing an increase of 51.7%. Both increases were driven by significantly higher System Sales⁽¹⁾ in both our corporate and franchise segments.

- E-Commerce System Sales⁽¹⁾ for the 13 weeks ended June 26, 2022 was \$151.8 million, compared to \$167.1 million in 2021, representing a decrease from 2021 of 9.2%, and for the 26 weeks ended June 26, 2022, E-Commerce System Sales⁽¹⁾ was \$321.6 million, compared to \$316.9 million in 2021, representing an increase of 1.5%. The quarterly decrease was due to the return to in-restaurant dining in the second quarter of 2022. The year-to-date increase reflects the strong consumer demand through e-commerce channels in the first quarter of 2022.
- Sales for Retail and Catering for the 13 weeks ended June 26, 2022 was \$101.7 million compared to \$87.3 million in 2021, representing an increase from 2021 of 16.5%. Sales for Retail and Catering for the 26 weeks ended June 26, 2022 was \$192.3 million compared to \$174.9 million, representing an increase of 9.9%. The increases were driven by Recipe's catering of the RBC Canadian Open in June 2022 and increased sales to retail grocery customers.
- Same Restaurant Sales (“SRS”) Growth⁽¹⁾ for the 13 weeks ended June 26, 2022 was an increase of 60.9% compared to 2021, and an increase of 49.9% for the 26 weeks ended June 26, 2022 compared to 2021. Contributing factors to our SRS Growth⁽¹⁾ include fewer dining restrictions, consumers returning to pre-pandemic dining behaviours and continued strength in E-Commerce System Sales⁽¹⁾.
- Operating Income for the 13 weeks ended June 26, 2022 was \$25.7 million compared to \$20.5 million in 2021, an increase of \$5.2 million and Adjusted EBITDA⁽²⁾ for the 13 weeks ended June 26, 2022 was \$37.9 million compared to \$30.4 million in 2021, an increase of \$7.5 million. Operating Income for the 26 weeks ended June 26, 2022 was \$50.2 million compared to \$31.0 million in 2021, an increase of \$19.2 million and Adjusted EBITDA⁽²⁾ was \$70.6 million compared to \$54.4 million in 2021, an increase of \$16.2 million. The Operating Income and Adjusted EBITDA⁽²⁾ increases for both periods were driven by higher Corporate restaurant sales due to fewer dining room restrictions and higher franchise revenues from both increased System Sales⁽¹⁾ and improved realized royalty rates due to a stronger franchise portfolio and less royalty assistance programs, partially offset by an increase in food and wage costs, a decrease in government subsidies, lower contributions from the Retail and Catering segment and call centre, and higher SG&A costs, which includes higher administrative labour costs driven by hiring that was deferred during the pandemic, and the impact of government subsidies received in the prior year periods. In total, the Company received \$26.4 million fewer subsidies in the quarter than in 2021.
- Through prudent cash management and strategic measures, the Company generated cash flows from operations for the 13 weeks ended June 26, 2022 of \$54.5 million, which enabled the Company to repay \$20.0 million of long-term debt in the quarter and further strengthen its balance sheet.
- Cash flows from operating activities for the 13 weeks ended June 26, 2022 was \$54.5 million, compared to \$32.2 million in 2021, representing an increase of \$22.3 million. The increase was primarily related to a reduction in working capital, notably in lower accounts receivable and higher accounts payable and accrued liabilities. Cash flows from operating activities for the 26 weeks ended June 26, 2022 was \$59.8 million, compared to \$52.7 million in 2021, representing an increase of \$7.1 million, primarily due to an increase in Operating Income.
- Free Cash Flow⁽²⁾ for the 13 weeks ended June 26, 2022 was \$23.9 million, compared to \$4.1 million in 2021, representing an increase of \$19.8 million mainly due to the increase in cash flows from operating activities. Free Cash Flow⁽²⁾ for the 26 weeks ended June 26, 2022 was \$3.9 million, compared to \$(2.3) million, representing an increase of \$6.2 million mainly due to the increase in cash flows from operating activities.
- Net earnings for the 13 weeks ended June 26, 2022 were \$16.6 million, compared to net earnings of \$19.4 million in 2021, representing a decrease of \$2.8 million for the quarter. The decrease in earnings for the quarter was due primarily to the increase in deferred income taxes, the gain in 2021 on the remeasurement of fair value of pre-existing interest in Burger's Priest and Fresh, and the reduction in the fair value of Partnership and KRIF units, partially offset by an increase in Operating Income and the gain on the divestiture of the Prime Pubs brand. Net earnings for the 26 weeks ended June 26, 2022 was \$37.7 million, compare to net earnings of \$32.3 million in 2021, representing an increase of \$5.4 million. The increase was due to higher Operating Income, partially offset by a reduction in the fair value of exchangeable KRIF Partnership and KRIF units and an increase in deferred income taxes.

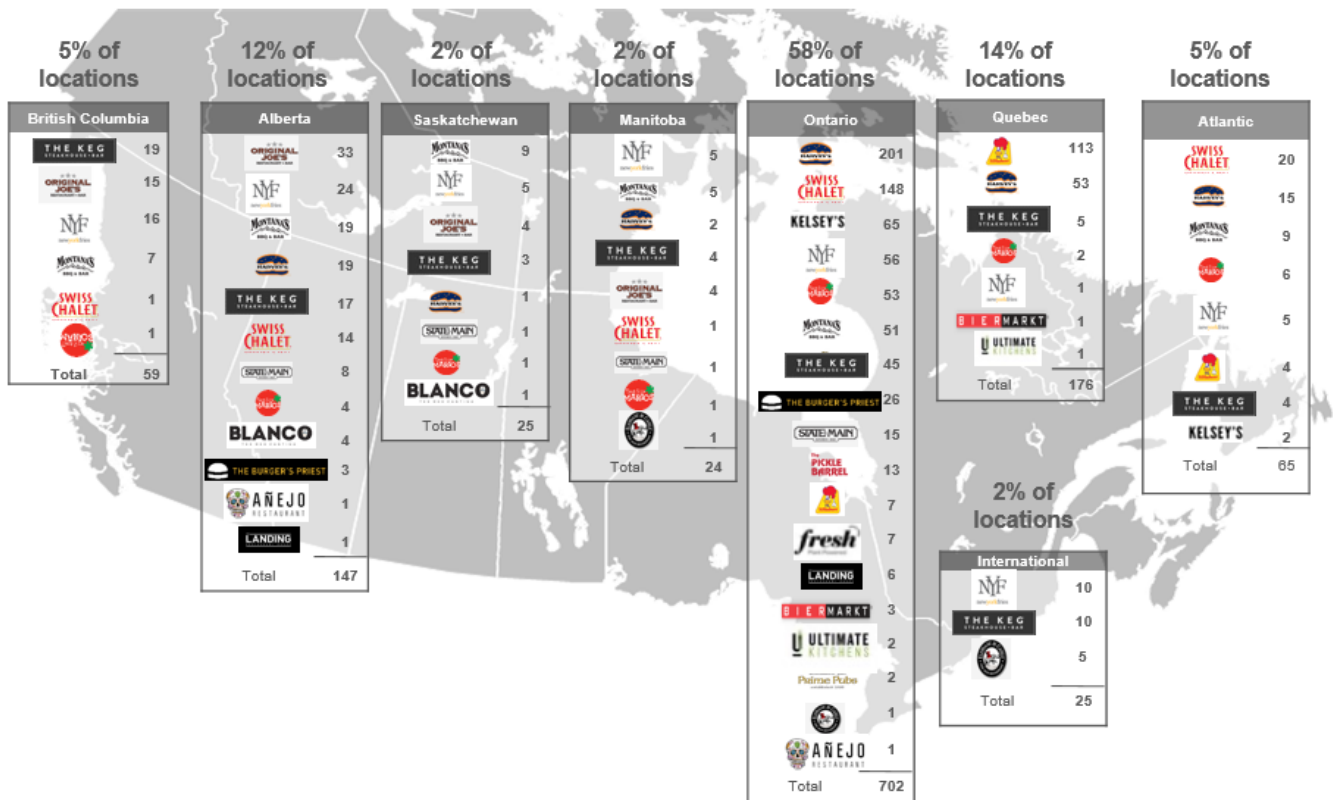
- Basic EPS for the 13 weeks ended June 26, 2022 was \$0.28 compared to \$0.34 in 2021, representing a decrease of \$0.06 and diluted EPS for the same period was \$0.28 compared to \$0.33 in 2021, representing a decrease of \$0.05.
- Basic EPS for the 26 weeks ended June 26, 2022 was \$0.64 compared to \$0.57 in 2021, representing an increase of \$0.07 and diluted EPS for the same period was \$0.64 compared to \$0.56 in 2021, representing an increase of \$0.08.
- 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 26 weeks ended June 26, 2022, the Company successfully divested 3 corporate and 26 franchised locations as part of the Prime Pubs divestiture, and added 3 corporate and 2 franchised locations while exiting 17 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

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at June 26, 2022, Recipe had 20 brands and 1,223 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 June 26, 2022				As at December 26, 2021			
	Corporate	Franchise	Joint Venture	Total	Corporate	Franchise	Joint Venture	Total
Swiss Chalet	14	170	—	184	12	174	—	186
Harvey's	10	281	—	291	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 ⁽²⁾	2	—	—	2	4	29	—	33
Bier Markt	4	—	—	4	4	—	—	4
Milestones ⁽³⁾	—	—	—	—	1	—	—	1
Landing	7	—	—	7	7	—	—	7
New York Fries	19	103	—	122	19	105	—	124
St-Hubert	13	111	—	124	13	111	—	124
Original Joe's	17	35	4	56	18	35	4	57
State & Main	8	16	1	25	8	16	2	26
Elephant & Castle	7	—	—	7	7	—	—	7
Burger's Priest	28	1	—	29	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	219	999	5	1,223	219	1,036	6	1,261
	17.9%	81.7%	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 Pubs restaurant brand was completed on June 12, 2022, except for two Corporate locations which will be rebranded.

(3)The sale of the Milestones restaurant brand was completed on September 26, 2021, except for the Whistler location which was sold on June 1, 2022.

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 strategic 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 2022, the Company successfully divested the Prime Pubs brands. 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 26 weeks ended June 26, 2022, management successfully opened 8 locations (comprised of 2 corporate and 6 franchise locations), and closed and exited 17 locations (including 2 corporate, 14 franchise and 1 joint venture locations). The permanent closure of non-strategic locations has accelerated faster than originally planned because of the COVID-19 shutdown and successful landlord exit negotiations. Management expects to return to annual net unit growth now that pre-COVID 19 portfolio improvement strategies and related closures have largely been completed.

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 26 weeks ended June 26, 2022, the Company completed 22 renovations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at June 26, 2022, there were 1,223 restaurants. The following table presents the changes in Recipe's restaurant unit count:

Unit count (unaudited)	For the 26 weeks ended							
	June 26, 2022				June 27, 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	6	—	8	26	7	(26)	7
Closures	(2)	(14)	(1)	(17)	4	(20)	(1)	(17)
Sold ⁽²⁾	(3)	(26)	—	(29)	(4)	—	—	(4)
Corporate buybacks ⁽³⁾	3	(3)	—	—	5	—	(5)	—
Restaurants re-franchised ⁽⁴⁾	—	—	—	—	(2)	7	(5)	—
End of period ⁽²⁾	219	999	5	1,223	239	1,079	9	1,327

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

(2) Unit count as at June 27, 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		26 weeks ended	
	Jun 26, 2022	Jun 27, 2021	Jun 26, 2022	Jun 27, 2021
System Sales ⁽¹⁾⁽²⁾	\$ 873.1	\$ 561.8	\$ 1,594.6	\$ 1,099.4
System Sales Growth ⁽¹⁾⁽²⁾	55.4 %	44.1 %	45.0 %	(3.3)%
SRS Growth ⁽¹⁾⁽²⁾⁽⁵⁾	60.9 %	n/a	49.9 %	n/a
Total gross revenue	\$ 336.6	\$ 207.6	\$ 609.2	\$ 401.7
Number of corporate restaurants	219	239	219	239
Number of joint venture restaurants	5	9	5	9
Number of franchised restaurants	999	1,079	999	1,079
Total number of restaurants (at period end)	1,223	1,327	1,223	1,327
Operating Income	\$ 25.7	\$ 20.5	\$ 50.2	\$ 31.0
Adjusted EBITDA ⁽³⁾	\$ 37.9	\$ 30.4	\$ 70.6	\$ 54.4
Adjusted EBITDA Margin on System Sales ⁽⁴⁾	4.3 %	5.4 %	4.4 %	4.9 %
Cash flows from operating activities	\$ 54.5	\$ 32.2	\$ 59.8	\$ 52.7
Free cash flow ⁽³⁾	\$ 23.9	\$ 4.1	\$ 3.9	\$ (2.3)
Net earnings	\$ 16.6	\$ 19.4	\$ 37.7	\$ 32.3
Basic EPS (in dollars per share)	\$ 0.28	\$ 0.34	\$ 0.64	\$ 0.57
Diluted EPS (in dollars per share)	0.28	0.33	0.64	0.56

⁽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 and 26 weeks ended June 26, 2022 and June 27, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽²⁾	\$ 873.1	\$ 561.8	\$ 1,594.6	\$ 1,099.4
Sales	\$ 289.8	\$ 175.5	\$ 523.5	\$ 340.8
Franchise revenues	46.7	32.1	85.7	60.9
Total gross revenue ⁽¹⁾	\$ 336.6	\$ 207.6	\$ 609.2	\$ 401.7
Cost of inventories sold	(135.0)	(93.3)	(250.1)	(181.6)
Selling, general and administrative expenses				
Corporate restaurant expenses	(112.6)	(56.7)	(194.2)	(105.3)
Advertising fund transfers	(16.6)	(10.8)	(30.4)	(21.3)
The Keg royalty expense	(7.1)	(2.4)	(12.7)	(5.1)
Franchise assistance and bad debt	(0.2)	(0.4)	(0.4)	(1.3)
Depreciation & amortization	(21.8)	(23.2)	(43.8)	(46.5)
Net gain on disposal of property, plant and equipment and other assets	0.1	1.2	2.4	1.3
Net gain on settlement of lease liabilities	(0.5)	0.1	(0.2)	0.2
Other	(18.3)	(1.5)	(33.2)	(9.8)
Selling, general and administrative expenses ⁽¹⁾	(177.1)	(93.6)	(312.4)	(187.8)
Impairment recovery	1.4	0.9	4.2	1.0
Restructuring and other	(0.1)	(1.2)	(0.6)	(2.3)
Operating income ⁽¹⁾	\$ 25.7	\$ 20.5	\$ 50.2	\$ 31.0
Net interest expense and other financing charges	(5.2)	(0.4)	(10.7)	(7.9)
Gain on disposition of brand assets	5.9	—	5.9	—
Share of loss from investment in joint ventures	—	(0.4)	—	—
Earnings before change in fair value and income taxes ⁽¹⁾	\$ 26.5	\$ 19.7	\$ 45.5	\$ 23.1
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	(3.4)	3.9	4.2	14.7
Earnings before income taxes ⁽¹⁾	\$ 23.1	\$ 23.6	\$ 49.7	\$ 37.4
Income taxes - current	(1.7)	(2.5)	(3.8)	(4.9)
Income taxes - deferred	(4.8)	(1.8)	(8.2)	(0.2)
Net earnings ⁽¹⁾	\$ 16.6	\$ 19.4	\$ 37.7	\$ 32.3
Earnings per share attributable to common shareholders (in dollars)				
Basic EPS	\$ 0.28	\$ 0.34	\$ 0.64	\$ 0.57
Diluted EPS	\$ 0.28	\$ 0.33	\$ 0.64	\$ 0.56

⁽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⁽¹⁾ for the 13 weeks ended June 26, 2022 was \$873.1 million compared to \$561.8 million in 2021, representing an increase of 55.4% from 2021 and System Sales for the 26 weeks ended June 26, 2022 was \$1,594.6 million compared to \$1,099.4 million in 2021, representing an increase of 45.0% from 2021 and an increase of 48.3% when excluding the 2021 System Sales from Milestones, that was divested in the third quarter of 2021.

The COVID-19 pandemic continues to impact the Company's operations and COVID-19 related restrictions have fluctuated. 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 first quarter most of these were lifted. Although dining rooms have operated without restrictions during the second quarter of 2022, it will take time for guest traffic to reach pre-COVID-19 pandemic levels.

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 \$336.6 million for the 13 weeks ended June 26, 2022, compared to \$207.6 million in 2021, representing an increase of \$129.0 million; total gross revenue was \$609.2 million for the 26 weeks ended June 26, 2022, compared to \$401.7 million in 2021, representing an increase of \$207.5 million. Both increases are due to significantly higher sales at our corporate restaurants and higher franchise revenues due to the increase in franchise Systems Sales⁽¹⁾, and improved realized royalty rates due to a stronger franchise portfolio and less royalty assistance programs, higher sales in our retail and grocery channels and higher catering sales primarily as a result of Recipe's catering of the RBC Canadian Open in June 2022 as the official restaurant partner and caterer, partially offset by lower call centre revenues. 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 restaurants.

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

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022 (unaudited)	June 27, 2021 (unaudited)	June 26, 2022 (unaudited)	June 27, 2021 (unaudited)
Corporate restaurant expenses	\$ 112.6	\$ 56.7	\$ 194.2	\$ 105.3
Advertising fund transfers	16.6	10.8	30.4	21.3
Franchise assistance and bad debt	0.2	0.4	0.4	1.3
The Keg royalty expense	7.1	2.4	12.7	5.1
Depreciation and amortization	21.8	23.2	43.8	46.5
Net gain on disposal of property, plant and equipment and other assets	(0.1)	(1.2)	(2.4)	(1.3)
Net loss (gain) on settlement of lease liabilities	0.5	(0.1)	0.2	(0.2)
Other	18.3	1.5	33.2	9.8
Total selling, general and administrative expenses ⁽¹⁾	\$ 177.1	\$ 93.6	\$ 312.4	\$ 187.8

⁽¹⁾ Figures may not total due to rounding.

SG&A expenses for the 13 weeks ended June 26, 2022 was \$177.1 million compared to \$93.6 million in 2021, representing an increase of \$83.5 million or 89.2%, and for the 26 weeks ended June 26, 2022, SG&A expenses was \$312.4 million compared to \$187.8 million in 2021, representing an increase of \$124.6 million or 66.3%. Both increases were primarily driven by an increase in corporate variable restaurants expenses as a result of higher System Sales and lower government wage and rent subsidies, higher marketing costs, higher Keg royalty expense due to higher System Sales, higher administrative labour costs driven by hiring that was deferred during the pandemic, and the impact of government subsidies received in the prior year periods, partially offset by higher vendor purchase allowances from increased volume of food purchases.

Impairment of assets recovery

The Company recorded a reversal of asset impairment charge of \$1.4 million and \$4.2 million for the 13 and 26 weeks ended June 26, 2022, respectively. The reversal for both periods was due to changes in the planned use of certain locations. In addition the reversal for the year-to-date period was 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		26 weeks ended	
	June 26, 2022 (unaudited)	June 27, 2021 (unaudited)	June 26, 2022 (unaudited)	June 27, 2021 (unaudited)
Interest expense on long-term debt.....	\$ 4.7	\$ 5.7	\$ 9.0	\$ 11.3
Interest expense on note payable to The Keg Royalties Income Fund.....	1.1	1.1	2.1	2.1
Financing costs.....	0.2	0.4	0.4	0.7
Interest expense - other.....	0.1	0.3	0.2	0.3
Interest on lease obligations.....	5.8	6.3	11.9	12.9
Interest expense and other financing charges.....	\$ 11.9	\$ 13.8	\$ 23.6	\$ 27.3
Interest income on Partnership units and KRIF units.....	(3.3)	(1.8)	(6.2)	(3.6)
Interest income.....	(0.1)	(0.5)	(0.2)	(1.0)
Remeasurement to fair value of pre-existing interest in an acquiree.....	—	(7.5)	—	(7.5)
Interest income on lease receivable.....	(3.2)	(3.6)	(6.5)	(7.2)
Interest and other income.....	\$ (6.6)	\$ (13.4)	\$ (12.9)	\$ (19.3)
Total net interest expense and other financing charges⁽¹⁾..	\$ 5.2	\$ 0.4	\$ 10.7	\$ 7.9

(C\$ millions unless otherwise stated)	June 26, 2022	June 27, 2021
Private debt	\$ 250.0	\$ 250.0
Term credit facility - revolving	107.3	227.3
The Keg credit facilities	33.8	34.5
	\$ 391.2	\$ 511.8
Less: Cash	52.3	39.7
Net debt⁽¹⁾	\$ 338.8	\$ 472.1

⁽¹⁾ Figures may not total due to rounding.

Net interest expense and other financing charges for the 13 weeks ended June 26, 2022 were \$5.2 million and \$10.7 million respectively, compared to \$0.4 million and \$7.9 million in 2021, an increase of \$4.8 million in the quarter and \$2.8 million year-to-date. The increases from 2021 were primarily related to a gain in the second quarter of 2021 on the remeasurement to fair value of pre-existing interest in Burger's Priest and Fresh, partially offset by lower interest expense on reduced balances of long-term debt and an increase in interest income on partnership and KRIF units.

Income taxes

The Company recorded current income tax expense of \$1.7 million and \$3.8 million for the 13 and 26 weeks ended June 26, 2022 respectively, compared to \$2.5 million and \$4.9 million in 2021, representing a decrease of \$0.8 million in the quarter and \$1.1 million year-to-date. The decrease in current income tax expense was related to a reduction in taxable income during the quarter.

The Company recorded net deferred income tax expense of \$4.8 million and \$8.2 million for the 13 and 26 weeks ended June 26, 2022 respectively, compared to \$1.8 million and \$0.2 million in 2021, representing an increase of \$3.0 million for the quarter and \$8.0 million year-to-date. The increases were 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 \$16.6 million and \$37.7 million for the 13 and 26 weeks ended June 26, 2022 respectively compared to \$19.4 million and \$32.3 million in 2021, representing a decrease of \$2.8 million for the quarter and an increase of \$5.4 year-

to-date. The decrease in earnings for the quarter was due primarily to the increase in deferred income taxes, the gain in 2021 on the remeasurement of fair value of pre-existing interest in Burger's Priest and Fresh, and the reduction in the fair value of Partnership and KRIF units, partially offset by an increase in Operating Income and the gain on the divestiture of the Prime Pubs brand. The increase in year-to-date earnings against 2021 was primarily attributed to an increase in Operating Income and the gain on the divestiture of the Prime Pubs brand, partially offset by a reduction in the fair value of Partnership and KRIF units, the gain in 2021 on the remeasurement of fair value of pre-existing interest in Burger's Priest and Fresh, and the increase in deferred income taxes.

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 June 26, 2022 was \$25.7 million compared to \$20.5 million in 2021, representing an increase of \$5.2 million or 25.4%. Operating Income for the 26 weeks ended June 26, 2022 was \$50.2 million compared to \$31.0 million in 2021, representing an increase of \$19.2 million or 61.9%. Both increases were primarily due to higher Corporate restaurant sales due to fewer dining room restrictions and higher franchise revenues from both increased System Sales and improved realized royalty rates due to a stronger franchise portfolio and less royalty assistance programs, partially offset by higher food and labour costs, lower government subsidies and higher SG&A costs. For both periods, 2022 SG&A costs includes higher administrative labour costs driven by hiring that was deferred during the pandemic, and the impact of government subsidies received in the prior year periods, partially offset by higher vendor purchase allowances from increased volume of food purchases.

Adjusted EBITDA⁽²⁾ for the 13 weeks ended June 26, 2022 was \$37.9 million compared to \$30.4 million in 2021, representing an increase of \$7.5 million or 24.7%. Adjusted EBITDA⁽²⁾ for the 26 weeks ended June 26, 2022 was \$70.6 million compared to \$54.4 million in 2021, representing an increase of \$16.2 million or 29.8%. The increase against both prior year periods were driven primarily by the increase in Operating Income.

(unaudited)

13 weeks ended June 26, 2022

(C\$ millions unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales⁽¹⁾	\$ 186.6	\$ 584.8	\$ 101.7	\$ —	\$ 873.1
Corporate Results					
Sales	\$ 186.6	—	—	\$ 2.1	\$ 188.7
Cost of inventories sold and cost of labour	(119.8)	—	—	—	(119.8)
Restaurant contribution before other costs	66.8	—	—	2.1	68.9
Restaurant contribution before other costs %	35.8 %				
Other operating costs	(49.0)	—	—	—	(49.0)
Corporate restaurants Operating Income	\$ 17.8	—	—	\$ 2.1	\$ 19.9
Franchise Results					
Franchise royalty income	—	\$ 27.7	—	\$ —	\$ 27.7
Franchise royalty income as a % of franchise sales		4.7 %			
New franchise fees, property and equipment rent	—	—	—	2.5	2.5
Franchise rent assistance and bad debt	—	(0.3)	—	—	(0.3)
Franchise restaurants Operating Income	—	\$ 27.4	—	\$ 2.5	\$ 29.9
Operating Income from Retail and Catering	—	—	\$ 4.3	—	4.3
Net Central Operating Loss⁽³⁾ before net royalty expense	—	—	—	\$ (20.0)	(20.0)
Net royalty expense	—	—	—	(3.7)	(3.7)
Operating Income (Loss)	\$ 17.8	\$ 27.4	\$ 4.3	\$ (23.7)	\$ 25.8
Adjustments⁽²⁾	—	—	—	12.1	12.1
Adjusted EBITDA⁽¹⁾	\$ 17.8	\$ 27.4	\$ 4.3	\$ (11.6)	\$ 37.9

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

9.5 % 4.7 % 4.2 % (1.3)% 4.3 %

(unaudited)

13 weeks ended June 27, 2021

(C\$ millions unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales⁽¹⁾	\$ 92.8	\$ 381.7	\$ 87.3	\$ —	\$ 561.8
Corporate Results					
Sales	\$ 87.8	—	—	\$ 4.1	\$ 91.9
Cost of inventories sold and cost of labour	(53.0)	—	—	—	(53.0)
Restaurant contribution before other costs	34.8	—	—	4.1	38.9
Restaurant contribution before other costs %	39.6 %				
Other operating costs	(32.0)	—	—	—	(32.0)
Corporate restaurants Operating Income	\$ 2.8	—	—	\$ 4.1	\$ 6.9
Franchise Results					
Franchise royalty income	—	\$ 17.7	—	\$ —	\$ 17.7
Franchise royalty income as a % of franchise sales		4.6 %			
New franchise fees, property and equipment rent	—	—	—	2.8	2.8
Franchise rent assistance and bad debt	—	(0.4)	—	—	(0.4)
Franchise restaurants Operating Income	—	\$ 17.3	—	\$ 2.8	\$ 20.1
Operating Income from Retail and Catering	—	—	\$ 6.4	—	6.4
Net Central Operating Loss⁽³⁾ before net royalty expense	—	—	—	\$ (5.4)	(5.4)
Net royalty expense	—	—	—	(0.6)	(0.6)
Operating Income (Loss)	\$ 2.8	\$ 17.3	\$ 6.4	\$ (6.0)	\$ 20.5
Adjustments⁽²⁾	—	—	—	9.9	9.9
Adjusted EBITDA⁽²⁾	\$ 2.8	\$ 17.3	\$ 6.4	\$ 3.9	\$ 30.4

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

3.2 % 4.5 % 7.3 % 0.7 % 5.4 %

(unaudited)

26 weeks ended June 26, 2022

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales⁽¹⁾	\$ 327.7	\$ 1,074.6	\$ 192.3	\$ —	\$ 1,594.6
Corporate Results					
Sales	\$ 327.7	\$ —	\$ —	\$ 4.7	\$ 332.4
Cost of inventories sold and cost of labour	(204.8)	—	—	—	(204.8)
Restaurant contribution before other costs	122.9	—	—	4.7	127.6
Restaurant contribution before other costs %	37.5 %	—	—	—	—
Other operating costs	(89.4)	—	—	—	(89.4)
Corporate restaurants Operating Income	33.5	—	—	4.7	38.2
Franchise Results					
Franchise royalty income	—	50.7	—	—	50.7
Franchise royalty income as a % of franchise sales	—	4.7 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	4.6	4.6
Franchise rent assistance and bad debt	—	(0.4)	—	—	(0.4)
Franchise restaurants Operating Income	—	50.3	—	4.6	54.9
Operating Income from Retail and Catering	—	—	9.3	—	9.3
Net Central Operating Loss⁽³⁾ before net royalty expense	—	—	—	(36.3)	(36.3)
Net royalty expense	—	—	—	(6.5)	(6.5)
Operating Income (Loss)	33.5	50.3	9.3	(42.8)	50.3
Adjustments⁽²⁾	—	—	—	20.4	20.4
Adjusted EBITDA⁽²⁾	\$ 33.5	\$ 50.3	\$ 9.3	\$ (22.4)	\$ 70.7

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

10.2 % 4.7 % 4.8 % (1.4)% 4.4 %

(unaudited)

26 weeks ended June 27, 2021

(CS thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales⁽¹⁾	\$ 175.8	\$ 748.7	\$ 174.9	\$ —	\$ 1,099.4
Corporate Results					
Sales	\$ 167.4	\$ —	\$ —	\$ 8.2	\$ 175.6
Cost of inventories sold and cost of labour	(97.0)	—	—	—	(97.0)
Restaurant contribution before other costs	70.4	—	—	8.2	78.6
Restaurant contribution before other costs %	40.0 %	—	—	—	—
Other operating costs	(63.8)	—	—	—	(63.8)
Corporate restaurants Operating Income	6.7	—	—	8.2	14.9
Franchise Results					
Franchise royalty income	—	34.5	—	—	34.5
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	5.0	5.0
Franchise rent assistance and bad debt	—	(1.3)	—	—	(1.3)
Franchise restaurants Operating Income	—	33.3	—	5.0	38.2
Operating Income from Retail and Catering	—	—	14.4	—	14.4
Net Central Operating Loss⁽³⁾ before net royalty expense	—	—	—	(21.9)	(21.9)
Net royalty expense	—	—	—	(1.5)	(1.5)
Operating Income (Loss)	6.7	33.3	14.4	(23.4)	31.0
Adjustments⁽²⁾	—	—	—	23.4	23.4
Adjusted EBITDA⁽²⁾	\$ 6.7	\$ 33.3	\$ 14.4	\$ —	\$ 54.4

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

3.8 % 4.4 % 8.2 % — % 4.9 %

(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 Loss 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 June 26, 2022, the corporate restaurant segment consisted of 219 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 26 weeks ended June 26, 2022, the Company completed 3 corporate buybacks, opened 2 locations, closed 2 under-performing restaurant and sold 3 locations. 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 June 26, 2022 were \$186.6 million, compared to \$87.8 million in the prior year, representing an increase of 112.5% driven by higher dining room sales and higher average spending by dine-in customers. Sales for the 26 weeks ended June 26, 2022 were \$327.7 million, compared to \$167.4 in 2021, representing an increase of 95.8% 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, labour shortages and Recipe's ability to manage input costs at the restaurant level. The Company mitigates cost inflation risks by locking in prices on certain short-term contracts and advance purchase agreements and by implementing cost saving measures. The Company has also recruited under the Temporary Foreign Worker Program to hire additional employees and help mitigate labour shortages.

Cost of inventories sold and cost of labour was \$119.8 million for the 13 weeks ended June 26, 2022 compared to \$53.0 million in 2021, an increase of \$66.8 million or 126.0% for the quarter. The increase was primarily due to the impact of higher dining room sales (which benefited from minimal dining room restrictions compared to 2021) with increased volume of food and beverage sold as well as increased labour to service our dining rooms, minimal government wage and rent subsidies and higher food costs due to price inflation. Menu prices have increased this year to reflect the higher food and labour costs and further increases could be required if food costs remain high. However any additional menu price increases will be positioned to ensure that our restaurants continue to offer exceptional service, food, ambience and value to our Guests.

Cost of inventories sold and cost of labour was \$204.8 million for the 26 weeks ended June 26, 2022 compared to \$97.0 million in 2021, an increase of \$107.8 million or 111.1% year-to-date. The increase was 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, fewer government wage and rent 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 \$17.8 million and \$33.5 million for the 13 and 26 weeks ended June 26, 2022 respectively, compared to \$2.8 million and \$6.7 million in 2021, an increase of \$15.0 million in the quarter and \$26.8 million year-to-date. For the 13 weeks ended June 26, 2022, Operating Income and Adjusted EBITDA⁽¹⁾ from corporate restaurants as a percentage of corporate sales was 9.5% compared to 3.2% in 2021, and for the 26 weeks ended June 26, 2022, Operating Income and Adjusted EBITDA⁽¹⁾ from corporate restaurants as a percentage of corporate sales was 10.2% compared to 3.8%. The increases were driven by higher corporate restaurant sales and the benefit of closing or selling under-performing restaurants, partially offset by a corresponding increase in cost of sales and a decrease in government subsidies.

Franchise

As at June 26, 2022, the franchise restaurant segment consisted of 999 restaurants compared to 1,036 at December 26, 2021. For the 26 weeks ended June 26, 2022, the Company completed 6 new restaurant openings, offset by 26 dispositions as part of the Pubs divestiture, 14 closures and 3 corporate buybacks. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales⁽²⁾ for the 13 and 26 weeks ended June 26, 2022 were \$584.8 million and \$1,074.6 million

respectively, compared to \$381.7 million and \$748.7 million in 2021, representing an increase of 53.2% in the quarter and 43.5% year-to-date; both increases were driven by fewer dining room restrictions compared to 2021 and a return of Guests to our dining rooms.

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 and 26 weeks ended June 26, 2022 were \$27.7 million and \$50.7 million respectively, compared to \$17.7 million and \$34.5 million in 2021, an increase of 56.5% in the quarter and 47.0% year-to-date, which are commensurate with the increase in System Sales⁽²⁾ for each period.

Operating Income and Adjusted EBITDA⁽¹⁾ from franchise segment

Operating Income and Adjusted EBITDA⁽¹⁾ from franchise segment was \$27.4 million and \$50.3 million for the 13 and 26 weeks ended June 26, 2022 respectively, compared to \$17.3 million and \$33.3 million in 2021, an increase of \$10.1 million or 58.4% for the quarter and \$17.0 million or 51.1% year-to-date. The effective net royalty rate for the 13 weeks ended June 26, 2022 was 4.7% compared to 4.5% in 2021 and for the 26 weeks ended June 26, 2022, the rate was 4.7% compared to 4.4% last year. 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, including special sporting events.

Sales for Retail and Catering were \$101.7 million for the 13 weeks ended June 26, 2022 compared to \$87.3 million in 2021, representing an increase of 16.5% over 2021. Sales for Retail and Catering were \$192.3 million for the 26 weeks ended June 26, 2022 compared to \$174.9 million in 2021, representing an increase of 9.9%. The increases were driven by Recipe's catering of the RBC Canadian Open in June 2022 and 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 June 26, 2022 was \$4.3 million compared to \$6.4 million in 2021 a decrease of \$2.1 million compared to 2021. Operating Income and Adjusted EBITDA⁽¹⁾ from retail and catering for the 26 weeks ended June 26, 2022 was \$9.3 million compared to \$14.4 million in 2021, a decrease of \$5.1 million. The decreases in contribution against both prior periods were attributed to significantly higher retail food input costs without sufficient grocery price increases, partially offset by the catering contribution from the RBC Canadian Open event.

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 and each price adjustment requires a few months to be completed. Price adjustments were beginning to be deployed near the end of the first quarter of 2022. However food input costs have continued to rise throughout the second and third quarters, which depresses margins and will require further price negotiations with grocery partners. Management anticipates that it will take until later in 2022 for grocer price negotiations to be completed to reasonably recover gross margins on sales to grocers.

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 \$2.1 million for the 13 weeks ended June 26, 2022 compared to \$4.1 million in 2021, representing a decrease of \$2.0 million from 2021; for the 26 weeks ended June 26, 2022, central segment sales were \$4.7 million compared to \$8.2 million in 2021, representing a decrease of \$3.5 million. Both decreases were a result of the cost structure change to reduce fees collected from off-premise, web and mobile orders to support the franchisees to 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 \$2.5 million for the 13 weeks ended June 26, 2022 and was in-line with \$2.8 million in 2021. For the 26 weeks ended June 26, 2022, franchise fees, property rent and equipment rent revenues from franchisees were \$4.6 million and was also in-line with \$5.0 million in 2021.

Operating Loss and Adjusted EBITDA⁽¹⁾ from central segment

Operating Loss from the central segment before adjustments was \$23.7 million and \$42.8 million for the 13 and 26 weeks ended June 26, 2022 respectively compared to \$6.0 million and \$23.4 million in 2021, representing an increase of \$17.7 million in the quarter and \$19.4 million year-to-date. Adjusted EBITDA⁽¹⁾ from the Central segment for the 13 and 26 weeks ended June 26, 2022 was \$(11.6) million and \$(22.4) million respectively compared to \$3.9 million and \$nil in 2021, representing a decrease of \$15.5 million for the quarter and \$22.4 million year-to-date. The decreases against both prior year periods were due to lower call centre fees on mobile and web orders, increased marketing costs at the Keg, higher administrative labour costs driven by hiring that was deferred during the pandemic and the impact of government subsidies received in the prior year periods, partially offset by higher vendor purchase allowances from increased volume of food purchases.

⁽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:

	Q2 – 2022 Jun 26, 2022	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
(C\$ millions unless otherwise stated)								
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales ⁽¹⁾	\$ 873.1	\$ 721.4	\$ 790.4	\$ 834.2	\$ 561.8	\$ 537.6	\$ 611.3	\$ 676.4
Total System Sales Growth ⁽¹⁾	55.4 %	34.2 %	29.3 %	23.3 %	44.1 %	(28.1) %	(31.8) %	(22.2) %
Number of restaurants (at period end)	1,223	1,251	1,261	1,284	1,327	1,330	1,341	1,355
Operating Income	\$ 25.7	\$ 24.5	\$ 5.0	\$ 29.3	\$ 20.5	\$ 10.5	\$ 1.0	\$ 28.9
Adjusted EBITDA ⁽²⁾	\$ 37.9	\$ 32.7	\$ 39.3	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 42.5
Adjusted EBITDA Margin on System Sales ⁽³⁾	4.3 %	4.5 %	5.0 %	6.0 %	5.4 %	4.5 %	5.7 %	6.3 %
Corporate restaurant sales	\$ 186.6	\$ 141.2	\$ 152.9	\$ 166.4	\$ 87.8	\$ 79.6	\$ 89.0	\$ 123.8
Number of corporate restaurants	219	221	219	211	239	215	210	216
Operating Income from Corporate segment	\$ 17.8	\$ 15.6	\$ 6.2	\$ 16.1	\$ 2.8	\$ 3.9	\$ 1.5	\$ 12.8
Operating Income as a % of corporate sales	9.5 %	11.0 %	4.1 %	9.7 %	3.2 %	4.8 %	1.7 %	10.3 %
Number of joint venture restaurants	5	5	6	9	9	39	46	46
Franchise restaurant sales	\$ 584.8	\$ 489.8	\$ 538.6	\$ 574.4	\$ 381.7	\$ 367.0	\$ 425.7	\$ 462.6
Number of franchised restaurants	999	1,025	1,036	1,064	1,079	1,076	1,085	1,093
Operating Income from Franchise segment	\$ 27.4	\$ 22.9	\$ 25.5	\$ 26.6	\$ 17.3	\$ 16.0	\$ 16.7	\$ 17.1
Operating Income as a % of Franchise sales	4.7 %	4.7 %	4.7 %	4.6 %	4.5 %	4.4 %	3.9 %	3.7 %
Retail and Catering sales	\$ 101.7	\$ 90.5	\$ 99.0	\$ 93.4	\$ 87.3	\$ 87.6	\$ 92.6	\$ 86.3
Operating Income from Retail and Catering	\$ 4.3	\$ 5.0	\$ 8.0	\$ 8.2	\$ 6.4	\$ 8.0	\$ 13.1	\$ 12.6
Operating Income as a % of Retail & Catering sales	4.2 %	5.5 %	8.1 %	8.8 %	7.3 %	9.2 %	14.2 %	14.6 %
Adjusted EBITDA from Central segment	\$ (11.6)	\$ (10.8)	\$ (0.4)	\$ (0.7)	\$ 4.0	\$ (3.9)	\$ 3.7	\$ —
Total gross revenue	\$ 336.6	\$ 272.6	\$ 299.3	\$ 308.1	\$ 207.6	\$ 194.1	\$ 210.9	\$ 243.3
Earnings before income taxes	\$ 23.1	\$ 26.6	\$ 0.7	\$ 17.7	\$ 23.6	\$ 13.8	\$ 23.9	\$ 9.7
Net earnings (loss)	\$ 16.6	\$ 21.1	\$ (2.8)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 23.6	\$ 5.2
Net earnings (loss) attributable to common shareholders of the Company	\$ 16.6	\$ 21.1	\$ (2.8)	\$ 13.2	\$ 19.4	\$ 13.0	\$ 24.1	\$ 5.1
EPS attributable to common shareholders of the Company (in dollars per share)								
Basic EPS	\$ 0.28	\$ 0.36	\$ (0.05)	\$ 0.23	\$ 0.34	\$ 0.23	\$ 0.43	\$ 0.09
Diluted EPS	\$ 0.28	\$ 0.36	\$ (0.05)	\$ 0.23	\$ 0.33	\$ 0.22	\$ 0.42	\$ 0.09

⁽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 to Adjusted EBITDA:

(C\$ millions unless otherwise stated)	Q2 – 2022 Jun 26, 2022	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating Income	\$ 25.7	\$ 24.5	\$ 5.0	\$ 29.3	\$ 20.5	\$ 10.5	\$ 1.0	\$ 28.9
Depreciation and amortization	23.3	23.0	25.0	23.8	24.1	24.4	26.4	26.5
Amortization of deferred gain	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)
Transaction costs	0.1	0.1	0.1	0.2	0.2	—	1.8	0.2
(Reversal of impairment) impairment of restaurant assets and lease receivables, net	(1.4)	(2.8)	19.9	6.9	(0.9)	—	17.7	(2.2)
Restructuring and other	0.1	0.5	—	2.7	1.2	1.1	(0.6)	5.4
Net loss (gain) on early buyout/cancellation of equipment rental contracts	—	0.5	(0.7)	0.7	—	0.3	—	(0.1)
Net gain on disposal of property, plant and equipment and other assets	(0.1)	(2.3)	(0.3)	—	(1.2)	(0.1)	(1.4)	(4.3)
Loss (gain) on settlement of lease liabilities	0.5	(0.3)	(1.1)	(1.3)	(0.1)	(0.1)	0.8	(0.1)
Stock based compensation	0.3	0.4	1.0	0.3	—	0.2	0.4	0.1
Share of loss (earnings) from investment in joint ventures	—	—	0.6	(0.6)	0.4	(0.4)	0.3	0.8
Interest income on Partnership units and KRIF	3.3	2.9	3.0	2.9	1.8	1.8	2.1	2.3
Lease expenses for corporate restaurant and head office locations ⁽²⁾	(13.5)	(13.2)	(12.7)	(14.1)	(15.0)	(13.4)	(13.1)	(14.5)
Adjusted EBITDA ⁽¹⁾	\$ 37.9	\$ 32.7	\$ 39.3	\$ 50.3	\$ 30.4	\$ 24.0	\$ 35.0	\$ 42.5

⁽¹⁾ Figures may not total due to rounding

⁽²⁾ 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.

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 31). 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. Financing costs of \$1.3 million were paid for the amendment. 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 a summary of the Company's credit availability and liquidity:

<u>(C\$ millions unless otherwise stated)</u>	<u>June 26, 2022</u>	<u>December 26, 2021</u>	<u>June 27, 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	(107.3)	(112.3)	(227.3)
Less: Draw on The Keg credit facilities	(33.8)	(34.3)	(34.5)
Subtotal - total debt⁽²⁾	\$ (391.2)	\$ (396.6)	\$ (511.8)
Cash	52.3	42.2	39.7
Liquidity⁽¹⁾	\$ 521.1	\$ 505.6	\$ 387.9

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

⁽²⁾ Figures may not total due to rounding.

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 from gift card sales in the lead up to the December holidays followed by high redemptions typically, in the January to March period. Recipe's gift card liability at June 26, 2022 was \$132.8 million compared to \$180.5 million at December 26, 2021, a decrease of \$47.7 million is due to the expected redemptions after the seasonal fourth quarter build of the liability.

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

(C\$ millions unless otherwise stated)	June 26, 2022	December 26, 2021	change in working capital
Cash	\$ 52.3	\$ 42.2	\$ (10.1)
Accounts receivable	80.3	96.4	16.1
Inventories	73.0	64.3	(8.7)
Current taxes receivable	3.2	4.0	0.8
Prepaid expenses and other assets	9.0	7.6	(1.4)
Current portion of long-term receivables	62.7	63.4	0.7
Total Current Assets ⁽¹⁾	\$ 280.6	\$ 278.0	\$ (2.6)
Accounts payable and accrued liabilities	\$ 146.7	\$ 139.4	\$ 7.3
Provisions	3.3	3.0	0.3
Gift card liability	132.8	180.5	(47.7)
Income taxes payable	1.6	1.3	0.3
Current portion of long-term debt	0.9	0.9	—
Current portion of lease liability	107.3	110.9	(3.6)
Total Current Liabilities ⁽¹⁾	\$ 392.6	\$ 436.1	\$ (43.5)
Working capital deficit	\$ (112.0)	\$ (158.1)	\$ (46.1)

⁽¹⁾ Figures may not total due to rounding.

At June 26, 2022, Recipe had a working capital deficit of \$112.0 million compared to a deficit of \$158.1 million at December 26, 2021. The change in working capital deficit of \$46.1 million was primarily related to the decrease in gift card liability, partially offset by collections of accounts receivable.

Investment in working capital may be affected by fluctuations in the prices of food and other supply costs, vendor terms and the seasonal nature of the business. While Recipe has availability under its credit facility, it chooses to apply available cash flow against its facility to lower financing costs, rather than to reduce its current liabilities, while still paying within its payment terms. Management believes it will continue to operate in a working capital deficit position as the nature of its business is not expected to change.

Cash Flows

The following table presents Recipe's cash flows for the 13 and 26 weeks ended June 26, 2022 compared to the 13 and 26 weeks ended June 27, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities	\$ 54.5	\$ 32.2	\$ 59.8	\$ 52.7
Cash flows from (used in) investing activities	15.8	(2.8)	18.6	10.1
Cash flows used in financing activities	(55.0)	(33.7)	(68.3)	(63.6)
Change in cash during the period ⁽¹⁾	\$ 15.4	\$ (4.3)	\$ 10.2	\$ (0.9)

⁽¹⁾ Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were \$54.5 million for the 13 weeks ended June 26, 2022 compared to \$32.2 million in 2021, representing an increase of \$22.3 million, and was primarily related to the seasonal reduction in working capital, notably in lower accounts receivable and higher accounts payable and accrued liabilities.

Cash flows from operating activities were \$59.8 million for the 26 weeks ended June 26, 2022 compared to \$52.7 million in 2021, representing an increase of \$7.1 million, and was primarily due to an increase in Adjusted EBITDA.

Cash flows used in investing activities

The following table presents Recipe's capital expenditures for the 13 and 26 weeks ended June 26, 2022 compared to the 13 and 26 weeks ended June 27, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Purchase of property, plant and equipment:				
<u>Maintenance:</u>				
Corporate restaurants	\$ 2.8	\$ 2.4	\$ 4.5	\$ 3.2
Central / IT expenditures / Other	1.6	1.5	3.3	2.8
Total maintenance	\$ 4.4	\$ 3.9	\$ 7.8	\$ 6.0
<u>Growth initiatives:</u>				
Major renovations	0.6	1.7	2.5	3.0
New builds	4.5	1.6	5.8	2.3
Total growth	\$ 5.2	\$ 3.3	\$ 8.3	\$ 5.3
Total purchase of property, plant and equipment ⁽¹⁾	\$ 9.6	\$ 7.2	\$ 16.1	\$ 11.3
Common control transactions, net of cash assumed:				
Acquisitions	—	19.3	0.1	19.3
Total purchase of property, plant and equipment	(9.6)	(7.2)	(16.1)	(11.3)
Acquisitions and Divestitures	13.0	(19.3)	12.9	(19.3)
Proceeds on disposal of property, plant and equipment	—	1.8	2.4	1.8
Lease payments received	12.4	22.9	19.5	39.8
Change in long term receivables	—	(1.0)	—	(1.0)
Total cash flows from investing activities ⁽¹⁾	\$ 15.8	\$ (2.8)	\$ 18.6	\$ 10.1

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in investing activities were \$15.8 million for the 13 weeks ended June 26, 2022 compared to cash outflow of \$2.8 million in 2021, representing a change of \$18.6 million and was primarily due to the acquisitions made in the prior year quarter, partially offset by lower lease payments received. For the 26 weeks ended June 26, 2022, cash flows used in investing activities were \$18.6 million compared to \$10.1 million in 2021, representing an increase of \$8.5 million and was primarily due to the acquisitions made in the prior year period, partially offset by lower lease payments received and higher purchases of property, plant and equipment.

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 cash on hand, operating cash flows and through its credit facility.

Cash flows used in financing activities

The following table presents Recipe's cash used in financing activities for the 13 and 26 weeks ended June 26, 2022 compared to the 13 and 26 weeks ended June 27, 2021:

(C\$ millions unless otherwise stated)	13 weeks ended		26 weeks ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Increases in debt	\$ —	\$ 23.0	\$ 15.0	\$ 33.0
Repayment of long-term debt	(20.2)	(13.0)	(20.4)	(13.0)
Deferred financing costs	(1.3)	(0.2)	(1.3)	(0.7)
Issuance of subordinated voting common shares	—	2.1	0.1	2.4
Lease liabilities paid	(24.6)	(35.9)	(50.4)	(71.8)
Interest paid net of interest income received	(8.8)	(9.8)	(11.3)	(13.5)
Cash flows used in financing activities ⁽¹⁾	\$ (55.0)	\$ (33.7)	\$ (68.3)	\$ (63.6)

⁽¹⁾ Figures may not total due to rounding.

Cash flows used in financing activities were \$55.0 million for the 13 weeks ended June 26, 2022, compared to \$33.7 million in 2021, representing an increase of \$21.3 million. For the 26 weeks ended June 26, 2022, cash flows used in financing activities were \$68.3 million, compared to \$63.6 million in 2021, representing an increase of \$4.7 million. Both increases in cash flows used in financing activities for the period was primarily related to the net repayment of long-term debt compared to a net draw in the prior year comparative period, partially offset by 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 June 26, 2022, \$250.0 million (December 26, 2021 - \$250.0 million; June 27, 2021 - \$250.0 million) was outstanding under the Notes.

Term credit facility

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. Financing costs of \$1.3 million were paid for the amendment. 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.

As at June 26, 2022, \$107.3 million (December 26, 2021 - \$112.3 million, June 27, 2021 - \$227.3 million) was drawn under the term credit facility. For the 26 weeks ended June 26, 2022, the effective interest rate was 4.21% representing bankers acceptance rate of 0.92% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 1.59%. As at June 26, 2022, the effective interest rate was 4.31%, representing bankers acceptance rate of 1.67% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 0.94%.

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 June 26, 2022, the standby fee rate was 0.34%.

As at June 26, 2022, the Company was in compliance with financial covenants.

The Keg Credit Facilities

The Company has a revolving credit facility with a syndicate of lenders comprised of a \$55.0 million revolving facility no set term of repayments and a \$5.0 million revolving demand operating facility, maturing on June 30, 2024.

As at June 26, 2022, \$22.0 million of this facility has been drawn (December 26, 2021 - \$22.0 million; June 27, 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 June 26, 2022, \$11.8 million remains outstanding on the BCAP Loan (December 26, 2021 - \$12.3 million; June 27, 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 June 26, 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 June 26, 2022, \$2.0 million of this facility has been used to issue letters of credit, and \$3.0 million remains available. As at June 26, 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 August 2, 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 August 2, 2022 is 1,233,456.

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 June 26, 2022, the Principal Shareholders hold 68.7% of the total issued and outstanding shares and have 97.9% 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 47.0% of the total issued and outstanding shares, representing 61.5% voting control.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Recipe’s operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for 26 weeks ended June 26, 2022 and June 27, 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. As at June 26, 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 units, and the 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 June 26, 2022 was \$15.40. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings. During the 26 weeks ended June 26, 2022, the Company purchased nil KRIF units (26 weeks ended June 27, 2021 - nil).

	June 26, 2022		December 26, 2021		June 27, 2021	
	# of units	Fair Value	# of units	Fair Value	# of units	Fair Value
(in thousands of Canadian dollars)						
Class A Partnership units	905,944	\$ 13,952	905,944	\$ 13,290	905,944	\$13,000.296
Class B Partnership units	176,700	2,721	176,700	2,592	176,700	2,536
Class D Partnership units	4,242,386	65,333	4,020,766	58,985	3,970,272	56,973
Exchangeable unit investment in the Partnership	5,325,030	\$ 82,006	5,103,410	\$ 74,867	5,052,916	\$72,509.344
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	\$ 139,006	10,803,410	\$ 131,867	10,752,916	\$129,509.34
Investment in KRIF units	250,000	3,850	250,000	3,668	250,000	3,588
Distributions earned on KRIF units	—	514	—	373	—	249
	11,275,030	\$ 143,370	11,053,410	\$ 135,908	11,002,916	\$133,345.84

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 June 26, 2022 was \$15.40 (December 26, 2021 - \$14.67; June 27, 2021 - \$14.35).

Included in the total 4,242,386 Class D units, are 139,097 notional Class D units that KRL recognized during the 2020 and 2021 fiscal years in exchange for adding net sales to the Royalty Pool on January 1, 2020 and January 1, 2021. Interest income on these notional Class D units have been accrued in the statement of comprehensive income (loss), but no cash distributions will be paid to KRL on these Class D units until such time as the final sales determination is made, and the Class D units are issued to KRL on December 25, 2022, to be effective January 1, 2020 and January 1, 2021, respectively.

Other

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

As at June 26, 2022, the Company has a \$2.9 million royalty fee payable to the Fund (December 26, 2021 - \$2.6 million; June 27, 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; June 27, 2021 - \$0.3 million) included in accounts payable and accrued liabilities.

As at June 26, 2022, the Company has \$1.4 million in distributions receivable from the Partnership (December 26, 2021 - \$1.3 million; June 27, 2021 - \$0.8 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 \$12.7 million for the 26 weeks ended June 26, 2022 (26 weeks ended June 27, 2021 - \$5.1 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 26 weeks ended June 26, 2022, the Company recorded investment income of \$6.1 million related to these units (26 weeks ended June 27, 2021 - \$3.6 million).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. As at June 26, 2022 there was a related party demand loan of \$0.3 million (June 27, 2021 - \$11.5 million) which is secured by restaurant assets of the joint venture company. The demand loan bears interest at 5% and has no specific repayment terms. The Company had term loans with related parties but these were settled in 2021. For the 13 and 26 weeks ended June 26, 2022, the Company charged interest of less than \$0.1 million (13 and 26 weeks ended June 27, 2021 - \$0.3 million) on the term loan and demand loan.

The Company charges joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at June 26, 2022 the accounts receivable balance included \$0.4 million (June 27, 2021 - less than \$0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 13 and 26 weeks ended June 26, 2022, an increase of less than \$0.1 million (13 and 26 weeks ended June 27, 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 (loss) gain 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 caused by the COVID-19 pandemic, particularly on supply chains and staffing levels and this 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 have all opened at once which has 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.

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 continue to recover from the effects of the pandemic.

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.

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, as well as 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 enhanced 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. Focus on our four pillar operating strategy to deliver great **food**, great **service**, give our Guests **value** for the experience and in an **ambience** that makes them want to return. Further, we will continue our efforts to be 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;
- c. Continue to execute on our plans to support the expansion of our multi-channel offerings. 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 implement price adjustments in the retail and catering segment to improve margins to historical levels;
- e. Prepare Recipe's portfolio to accelerate the growth of brands like Burger's Priest, Fresh, Añejo and Blanco Cantina, pursue complementary brand acquisitions and expand New York Fries international franchising; and
- f. Mitigate cost increases for food and other inputs, as well as supply chain disruptions caused by the COVID-19 pandemic or the war in Europe, through the Company's ability to leverage its significant sourcing capabilities. Plan for increased labour costs due to minimum wage rate increases that have been announced by provincial governments. Further menu price increases could be required if food costs remain high. However any additional menu price increases will be positioned to ensure that our restaurants continue to offer exceptional service, food, ambience and value to our Guests.

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.

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

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 June 26, 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.