Cara Operations Unlimited

Recipe Unlimited Reports 2021 Fourth Quarter and Full Year Results

VAUGHAN, ON, March 3, 2022 /CNW/ - Recipe Unlimited Corporation reported financial results today for the 13 and 52 weeks ended December 26, 2021.

- **Total System Sales[(1)] increased 29.3% to $790.4 million in Q4 2021 and 12.3% to $2.7 billion for the year despite 42.7% of operating weeks impacted by government mandated restrictions or closures in the quarter and 64.9% for the year**
- **E-Commerce System Sales[(1)] increased 13.2% to $173.5 million in Q4 2021 and 34.5% to $674.9 million for the year, driven by strong consumer demand through e-commerce channels**
- **Operating Income increased from $1.0 million in Q4 2020 to $5.0 million in Q4 2021 and from an Operating Loss of $27.4 million in 2020 to a positive Operating Income of $65.3 million in 2021, reflecting the resilience of our brands and franchise partners**
- **Adjusted EBITDA[(2)] increased 12.3% to $39.3 million in Q4 2021 and 26.5% to $144.0 million for the year, despite the ongoing effects of the COVID-19 pandemic and significant reductions in government subsidies in Q4**
- **Long term debt repayments of $65.2 million in Q4 and $95.2 million for the year as a result of strong financial performance and prudent cash management**
- **Recognized as both a Great Place to Work and one of the Best Workplaces for Hybrid Work in Canada**

[(1)] This is a supplementary financial measure. Please refer to the "Supplementary Financial Measures" section of this press release.
[(2)] This is a non-GAAP financial measure. Please refer to the "Non-GAAP Measures" section of this press release.

"During the past 24 months, we have made significant steps to strengthen our overall business. Some of the initiatives include investing to solidify our 100% ownership of Burger's Priest and Fresh and divesting of under-performing restaurants and non-core brands.

During the pandemic, we opened 51 new restaurants, renovated an additional 59 restaurants and invested in our digital platforms which helped us to become one of Canada's largest e-commerce businesses. The company issued its inaugural Corporate Social Responsibility platform and in Q4 Swiss Chalet won the prestigious PAC Global award for its sustainability and packaging design.

We have invested over $50 million in our franchise partners and front line teammates. In Q4, we were recognized as both a Great Place to Work and also as one of the Best Workplaces for Hybrid Work in Canada.

Our agility to quickly pivot to changing conditions and customer's preferences and the strategic steps we have made have enabled us to generate positive free cash flows, repay $95.2 million of debt in 2021 and enhance the strength of our balance sheet. All of these steps have placed us in a strong position to grow and compete as we emerge from the pandemic."

– Frank Hennessey, CEO

Highlights for the 13 and 52 weeks ended December 26, 2021:

- Total System Sales[(1)] for the 13 weeks ended December 26, 2021 was $790.4 million, compared to $611.3 million in 2020 and $895.8 million in 2019, representing an increase from 2020 of 29.3% and a decrease from 2019 of 11.8%. The decrease from 2019 was impacted by complete and partial restaurant closures, which affected 42.7% of operating weeks during the fourth quarter. System Sales[(1)] for the 52 weeks ended December 26, 2021 was $2,723.9 million, compared to $2,424.7 million in 2020 and $3,486.9 million in 2019. Decreases in restaurant System Sales[(1)] compared to 2019 were partially offset by sales increases in the Retail and Catering segment.
- Gross revenue for the 13 weeks ended December 26, 2021 was $299.3 million, compared to $210.9 million in 2020 and $327.0 million in 2019, representing an increase from 2020 of 41.9% and a decrease from 2019 of 8.5%. Gross revenue for the 52 weeks ended December 26, 2021 was $1,009.1 million, compared to $864.6 million in 2020 and $1,252.5 million in 2019, representing an increase from 2020 of 16.7% and a decrease from 2019 of 19.4%. The increase in 2020 for the quarter and year-to-date was related to higher System Sales[(1)] in both our corporate and franchise locations. The decrease from 2019 was driven by the effects of government mandated closures and restrictions in 2021 as a result of COVID-19.
- E-Commerce System Sales[(1)] for the 13 weeks ended December 26, 2021 was $173.5 million, compared to $153.3 million in 2020 and $92.9 million in 2019, representing increases from 2020 and 2019 of 13.2% and 86.8% respectively. E-Commerce System Sales[(1)] for the 52 weeks ended December 26, 2021 were $674.9 million, compared to $501.9 million in 2020 and $340.1 million in 2019, representing increases from 2020 and 2019 of 34.5% and 98.4% respectively. Consumer demand through e-commerce channels remained strong even as dining rooms reopened in the third and fourth quarters of 2021. The Company continues to build on its omni-channel business model through its established IT platform infrastructure, which makes it convenient for Guests to enjoy their experience in whatever manner they choose.
- System Sales[(1)] for Retail and Catering for the 13 weeks ended December 26, 2021 was $99.0 million compared to $92.6 million in 2020 and $92.3 million in 2019, representing increases from 2020 and 2019 of 6.9% and 7.3% respectively. System Sales[(1)] for Retail and Catering for the 52 weeks ended December 26, 2021 was $367.2 million compared to $337.9 million in 2020 and $316.4 million in 2019, representing increases from 2020 and 2019 of 8.7% and 16.1% respectively. The increases were driven by increased sales to retail grocery customers and modest sales recovery of the catering segment in the fourth quarter of 2021.
- Operating Income for the 13 weeks ended December 26, 2021 was $5.0 million compared to $1.0 million in 2020, an increase of $4.0 million for the quarter. Adjusted EBITDA[(2)] for the 13 weeks ended December 26, 2021 was $39.3 million compared to $35.0 million in 2020, an increase of $4.3 million for the quarter. The Operating Income and Adjusted EBITDA[(2)] increases for the quarter were driven by increased System Sales[(1)], partially offset by a decrease of $15.2 million in federal government subsidies and an increase in food costs.
- Operating Income for the 52 weeks ended December 26, 2021 was $65.3 million compared to a loss of $27.4 million in 2020, representing an increase of $92.7 million. Adjusted EBITDA[(2)] for the 52 weeks ended December 26, 2021 increased to $144.0 million compared to $113.8 million in 2020, representing an increase of $30.2 million. The Operating Income and Adjusted EBITDA[(2)] increases were driven by increased System Sales[(1)], partially offset by lower government subsidies and an increase in food costs.
- On November 1, 2021, the Company completed the acquisition of Plant Powered Ventures Ltd., which developed and operates the original five Fresh branded restaurants in Ontario, as well as the remaining 15% minority interest of Fresh Since 1999. Subsequent to this transaction, the Company has full control and ownership of all Fresh branded locations ("Fresh"). Fresh is a modern plant-based full service restaurant brand that offers accelerated restaurant growth potential and is on-point to meet the increasing consumer demand for great tasting vegan and vegetarian plant-based food and beverages.
- Through prudent cash management and strategic measures, the Company generated cash flows from operations for the 13 weeks ended December 26, 2021 of $70.8 million and $191.7 million year to date. This enabled the Company to repay $65.2 million of long-term debt in the quarter and $95.2 million for the year and strengthen its balance sheet.

- Cash flows from operating activities for the 13 weeks ended December 26, 2021 was $70.8 million, compared to $50.4 million in 2020, representing an increase of $20.4 million. Cash flow from operating activities for the 52 weeks ended December 26, 2021 was $191.7 million, compared to $113.4 million in 2020, representing an increase of $78.3 million.
- Free Cash Flow(2) for the 13 weeks ended December 26, 2021 was $40.5 million, compared to $11.0 million in 2020 and $49.3 million in 2019. Free Cash Flow(2) for the 52 weeks ended December 26, 2021 was $83.5 million, compared to ($7.7) million in 2020 and $44.9 million in 2019.
- Net losses for the 13 weeks ended December 26, 2021 were $2.8 million, compared to net earnings of $23.6 million in 2020, representing a decrease of $26.4 million for the quarter. The $26.4 million decrease was primarily driven by a decrease in the fair value of Exchangeable Partnership and KRIF units of $18.7 million, an increase in the fair value of non-controlling interest liability of $8.0 million, and an increase in current and deferred taxes of $3.2 million, partially offset by an increase in Adjusted EBITDA(2) of $4.3 million.
- Net earnings for the 52 weeks ended December 26, 2021 were $42.7 million, compared to net losses of $53.0 million in 2020, representing an increase of $95.7 million. The $95.7 million increase for the year was primarily driven by an increase in Adjusted EBITDA(2) of $30.2 million, a decrease in net asset impairment charges of $53.4 million, a decrease in net interest expense of $4.5 million and an increase in the fair value of Exchangeable Partnership and KRIF units of $36.0 million, partially offset by an increase in the fair value of non-controlling interest liability of $8.5 million and an increase in current and deferred taxes of $29.3 million.
- The Company's continued commitment to its teammates was recognized in 2021 and Recipe was recently certified as a Great Place to Work and recognized as one of the Best Workplaces for Hybrid Work in Canada.
- 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 52 weeks ended December 26, 2021, the Company successfully closed and exited 61 restaurants, including 7 corporate, 2 joint venture and 52 franchise locations and added 19 restaurants, including 7 corporate and 12 franchise locations.

(1) This is a supplementary financial measure. Please refer to "Non-GAAP Measures - Supplementary Financial Measures" section of this press release for a definition of this measure.
(2) This is a non-GAAP financial measure. Please refer to the "Non-GAAP Measures - Non-GAAP Financial Measures" section of this press release for a definition of this measure.

Impact of COVID-19

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. The following table summarizes the impact of the COVID-19 pandemic and compares the Company's quarterly results to the pre-pandemic results of operations in the fourth quarter of 2019:

(C$ millions unless otherwise stated)	**Q4 – 2021 Dec 26, 2021**	**Q3 – 2021 Sep 26, 2021**	**Q2 – 2021 Jun 27, 2021**	**Q1 – 2021 Mar 28, 2021**	**Q4 – 2020 Dec 27, 2020**	**Q4 – 2019 Dec 29, 2019**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
% of Operating Weeks impacted by COVID-19 related restrictions	42.7 %	30.8 %	96.5 %	88.7 %	42.2 %	— %
Total System Sales (1)	$ 790.4	$ 834.2	$ 561.8	$ 537.6	$ 611.3	$ 895.8
E-Commerce System Sales (1)	$ 173.5	$ 134.1	$ 167.1	$ 149.8	$ 153.3	$ 92.9
Operating Income	$ 5.0	$ 29.3	$ 20.5	$ 10.5	$ 1.0	$ (4.5)
Adjusted EBITDA(2)	$ 39.3	$ 50.3	$ 30.4	$ 24.0	$ 35.0	$ 60.5
Net Debt (1)	$ 354.4	$ 424.3	$ 472.1	$ 457.7	$ 451.3	$ 435.4
Number of restaurants (at period end)	1,261	1,284	1,327	1,330	1,341	1,373

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	For the 13 weeks ended			**For the 52 weeks ended**		
(C$ millions unless otherwise stated)	**Dec 26, 2021**	**Dec 27, 2020**	**Dec 29, 2019**	**Dec 26, 2021**	**Dec 27, 2020**	**Dec 29, 2019**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total System Sales (1)(2)	$ 790.4	$ 611.3	$ 895.8	$ 2,723.9	$ 2,424.7	$ 3,486.9
System Sales Growth (2)	29.3 %	(31.8) %	(1.1) %	12.3 %	(30.5) %	2.1 %
Total number of restaurants (at period end)	1,261	1,341	1,373	1,261	1,341	1,373
Operating Income	**$ 5.0**	**$ 1.0**	**$ (4.5)**	**$ 65.3**	**$ (27.4)**	**$ 79.5**
Adjusted EBITDA (3)	**$ 39.3**	**$ 35.0**	**$ 60.5**	**$ 144.0**	**$ 113.8**	**$ 216.0**
Adjusted EBITDA Margin on System Sales (4)	5.0 %	5.7 %	6.8 %	5.3 %	4.7 %	6.2 %
Corporate restaurant sales	$ 152.9	$ 89.0	$ 192.6	$ 486.6	$ 408.7	$ 772.7
Number of corporate restaurants (at period end)	219	210	202	219	210	202
Operating Income from Corporate segment	**$ 6.2**	**$ 1.5**	**$ 19.3**	**$ 29.0**	**$ 0.4**	**$ 75.0**
Operating Income as a % of corporate sales	4.1 %	1.7 %	10.0 %	6.0 %	0.1 %	9.7 %
Franchise restaurant System Sales	$ 538.6	$ 425.7	$ 606.1	$ 1,861.6	$ 1,663.0	$ 2,380.5
Number of franchised & JV restaurants	1,042	1,131	1,171	1,042	1,131	1,171
Operating Income from Franchise segment	**$ 25.5**	**$ 16.7**	**$ 26.6**	**$ 85.4**	**$ 64.8**	**$ 105.1**
Operating Income as a % of Franchise sales	4.7 %	3.9 %	4.4 %	4.6 %	3.9 %	4.4 %
Retail and Catering sales	$ 99.0	$ 92.6	$ 92.3	$ 367.2	$ 337.9	$ 316.4
Operating Income from Retail and Catering	**$ 8.0**	**$ 13.1**	**$ 13.1**	**$ 30.6**	**$ 48.4**	**$ 36.5**

Operating Income as a % of Retail & Catering sales		8.1 %		14.2 %		14.2 %		8.3 %		14.3 %		11.5 %
Adjusted EBITDA [3] from Central segment	**$**	**(0.4)**	**$**	**3.7**	**$**	**1.5**	**$**	**(1.1)**	**$**	**0.2**	**$**	**(0.5)**
Total gross revenue	$	299.3	$	210.9	$	327.0	$	1,009.1	$	864.6	$	1,252.5
Earnings (loss) before income taxes	**$**	**0.7**	**$**	**23.9**	**$**	**(6.0)**	**$**	**55.8**	**$**	**(69.2)**	**$**	**60.8**
Net earnings (loss)	$	(2.8)	$	23.6	$	(1.9)	$	42.7	$	(53.0)	$	43.9
EPS attributable to common shareholders of the Company (in dollars)												
Basic EPS (in dollars)	$	(0.05)	$	0.43	$	(0.03)	$	0.75	$	(0.92)	$	0.74
Diluted EPS (in dollars)	$	(0.05)	$	0.42	$	(0.03)	$	0.74	$	(0.92)	$	0.72
Cash flows from operations	**$**	**70.8**	**$**	**50.4**	**$**	**89.3**	**$**	**191.7**	**$**	**113.4**	**$**	**227.0**
Free Cash Flow[3]	**$**	**40.5**	**$**	**11.0**	**$**	**49.3**	**$**	**83.4**	**$**	**(7.6)**	**$**	**44.9**
Free cash flow Per Share - Basic (in dollars)	$	0.69	$	0.20	$	0.87	$	1.68	$	0.45	$	0.75
Free cash flow Per Share - Diluted (in dollars)	$	0.69	$	0.19	$	0.85	$	1.67	$	0.45	$	0.73

(1) Results from East Side Mario's restaurants in the United States are excluded in the System Sales totals and number of restaurants.

(2) This is a supplementary financial measure. Please refer to "Non-GAAP Measures - Supplementary Financial Measures" section of this press release for a definition of this measure.

(3) This is a non-GAAP financial measure. Please refer to the "Non-GAAP Measures - Non-GAAP Financial Measures" section of this press release for a definition of this measure.

(4) This is a non-GAAP ratio. Please refer to the "Non-GAAP Measures - Non-GAAP Ratios" section of this press release for a definition of this measure.

Outlook

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

The actions we have taken to strengthen our overall business during the COVID-19 pandemic (including streamlining menus, improving our digital platform, testing and introducing higher efficiency kitchen equipment, investing in our people and franchisees, as well as the strategic changes made to our brand portfolio mix and restaurant network) will also allow us to recover from the effects of the pandemic. The Company's restaurants are predominantly situated in non-urban locations and its recovery is not dependent on the recovery in urban city-center areas, where the effects of the COVID-19 pandemic were the most significant due to offices being closed and the reduction in business travel. However, after nearly two years of negative media towards the safety of dine-in restaurants, management anticipates that it may take time, once restaurants are fully reopened, for consumer confidence to be restored to pre-pandemic levels. We are committed to the health and safety of our guests, associates and franchise partners, and with the continuation of the Company's Social Safely program, we will continue to focus on delivering best in class experiences while operating safe and clean restaurants across all of our locations.

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

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

Focus on the short to medium term will include:

- Reopening restaurants that have been temporarily closed as a result of the COVID-19 pandemic and providing exceptional service, food, ambience and value that reinforces to customers what they have been missing, while focusing on being an employer of choice in Canada;
- Continue to practice amplified "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our Guests, teammates and franchise partners. This includes comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs;
- Continue to execute on our plans to support the expansion of our multi-channel offerings for post-COVID success. This includes the introduction of new restaurant layouts and designs with separate entrances to facilitate delivery, takeout and curb-side 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.
- Actively negotiate early exit and permanent closure of under-performing restaurants that were identified at the end of 2019 to strengthen each brand portfolio and improve the long term Adjusted EBITDA[2] contribution rates of both the Corporate and Franchise restaurant segments;
- Prepare Recipe's portfolio of brands for post-COVID success including identifying the brands for accelerated growth, possible brand acquisition and rationalizing under-performing brands; and
- Continue to expand the Company's off-premise business for all brands with digital and mobile order applications and brand appropriate features including curb-side pick-up, preorder and pay, as well as other payment convenience options. The Company is also focused on the expansion of Ultimate Kitchens, our multiple brands delivery and take-out only concept.

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.

Non–GAAP Measures

This press release 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", "E-Commerce System Sales", "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 Press Release provides a description and classification of the specified financial measures as contemplated by NI 52-112 that the Company uses in this press release.

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 consolidated financial statements.

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

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

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

	13 weeks ended			52 weeks ended		
	Dec 26, 2021	Dec 27, 2020	Dec 29, 2019	Dec 26, 2021	Dec 27, 2020	Dec 29, 2019
Operating Income	**$ 5.0**	**$ 1.0**	**$ (4.5)**	**$ 65.3**	**$ (27.4)**	**$ 79.5**
Adjustments						
Depreciation and amortization	25.0	26.4	29.9	97.3	107.1	116.4
Amortization of deferred gain	(0.5)	(0.4)	(0.4)	(1.8)	(1.8)	(1.7)
Transaction costs [1]	0.1	1.8	1.8	0.5	2.3	2.3
Impairment, net of reversals, of restaurant assets and lease receivables	19.9	17.7	47.6	25.8	79.2	57.2
Restructuring and other	—	(0.6)	3.6	5.0	5.6	6.6
Amortization of unearned conversion fees	—	—	—	(0.1)	(0.2)	0.1
Loss (gain) on early buyout/cancellation of equipment rental contracts	(0.7)	—	1.5	0.3	(0.4)	3.0
(Gain) loss on disposal of property, plant and equipment and other assets	(0.3)	(1.4)	(1.5)	(1.6)	(5.0)	(1.2)
(Gain) loss on settlement of lease liabilities	(1.1)	0.8	(1.4)	(2.6)	1.1	(1.4)
Stock based compensation	1.0	0.4	(5.4)	1.5	1.3	(0.3)
Proportionate share of joint venture results [2]	0.6	0.3	0.7	0.7	(0.2)	1.6
Interest income on Partnership units and KRIF	3.0	2.1	2.8	9.5	8.3	11.1
Lease Expenses for corporate restaurants and head office locations [3]	(12.7)	(13.1)	(14.1)	(55.9)	(56.3)	(57.2)
Total adjustments	**$ 34.3**	**$ 34.0**	**$ 65.1**	**$ 78.6**	**$ 141.0**	**$ 136.5**
Adjusted EBITDA[4]	**$ 39.3**	**$ 35.0**	**$ 60.5**	**$ 144.0**	**$ 113.8**	**$ 216.0**

[1] Transaction costs represent acquisition related expenses.

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

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

[4] Figures may not total due to rounding.

"Free Cash Flow" is a non-GAAP financial measure and is defined as Cash flows from operating activities less (i) purchase of property, plant and equipment; (ii) interest paid on long-term debt and note 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 construction and major renovations, 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:

	13 weeks ended			52 weeks ended		
	Dec 26, 2021	Dec 27, 2020	Dec 29, 2019	Dec 26, 2021	Dec 27, 2020	Dec 29, 2019
Cash flows from operating activities	**$ 70.8**	**$ 50.4**	**$ 89.5**	**$ 191.7**	**$ 113.4**	**$ 228.5**
Purchase of property, plant and equipment	(11.0)	(3.2)	(13.9)	(28.4)	(28.3)	(49.0)
Interest paid on long-term debt and note payable	(4.1)	(10.7)	(9.4)	(21.2)	(28.8)	(19.6)
Net lease payments [1]	(15.4)	(25.6)	(10.8)	(60.7)	(61.9)	(53.8)
Proceeds on disposal of property, plant and equipment	0.2	0.1	0.2	2.0	4.6	0.9
Dividends paid on subordinate and multiple voting common shares	—	—	(6.3)	—	(6.6)	(26.9)
NCIB	—	—	—	—	—	(35.2)
Free Cash Flow[2]	**$ 40.5**	**$ 11.0**	**$ 49.3**	**$ 83.4**	**$ (7.6)**	**$ 44.9**

[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.

"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 a composed of current and long-term debt net of cash.

Forward-Looking Information

Certain statements in this press release may constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities legislation. Such statements 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 press release, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements are based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as factors that the Company believes are appropriate and reasonable in the circumstances, but there are no assurance that such estimates and assumptions will prove to be correct. These statements also reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including System Sales Growth, increases in net income, 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 25, 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 forwarding-looking statements as a prediction of actual results. Although the forward-looking statements contained in this press release 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 press release. The Company does not undertake to update any forward-looking information contained herein except as required by applicable securities laws.

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

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

The Company's audited consolidated financial statements for the 52 weeks ended December 26, 2021 and Management's Discussion and Analysis are available under the Company's profile on SEDAR at www.sedar.com.

Related Communications

Frank Hennessey, Chief Executive Officer and Ken Grondin, Chief Financial Officer, will hold a teleconference with the investment community to discuss 2021 fourth quarter and year end results at 9:00 am Eastern Time on Friday March 4, 2022.

To access the webcast, please visit https://produceredition.webcasts.com/starthere.jsp?ei=1527235&tp_key=f5fafc5a16. A replay will be available via the same URL until midnight on March 25, 2022.

To dial in by telephone, please call (416) 764-8609 or 1-888-390-0605, five to ten minutes prior to the start time. The Conference ID is 91167377. A telephone replay of the call will be available until midnight on March 25, 2022. To access the replay, please dial (416) 764-8677 or 1-888-390-0541 and enter passcode 167377#.

About Recipe

Founded in 1883, RECIPE Unlimited Corporation is Canada's largest full-service restaurant company. The Company franchises and/or operates some of the most recognized brands in the country including Swiss Chalet, Harvey's, St-Hubert, The Keg, Montana's, Kelseys, East Side Mario's, New York Fries, Fionn MacCool's, Bier Markt, The Landing Group of Restaurants, Original Joe's, State & Main, Elephant & Castle, The Burger's Priest, The Pickle Barrel, Marigolds & Onions, Blanco Catina, Añejo, Fresh and Ultimate Kitchens.

RECIPE's iconic brands have established the organization as a nationally recognized franchisor of choice. As at December 26, 2021, Recipe had 21 brands and 1,261 restaurants, 83% of which are operated by franchisees and joint venture partners, operating in several countries including Canada, USA, Saudi Arabia, India and the UAE. RECIPE's shares trade on the Toronto Stock Exchange under the ticker symbol RECP. More information about the Company is available at www.recipeunlimited.com.

SOURCE Recipe Unlimited Corp.

For further information: Investor Relations: Recipe Unlimited Corp., Ken Grondin, (905) 760-2244, Chief Financial Officer, Email: kgrondin@recipeunlimited.com or investorrelations@recipeunlimited.com

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