RECIPE UNLIMITED CORPORATION
Management's Discussion and Analysis
For the 13 and 52 weeks ended December 26, 2021

The COVID-19 global pandemic was declared in the first quarter of 2020 and continues to have an impact on the Company. The following Management's Discussion and Analysis ("MD&A") for Recipe Unlimited Corporation ("Recipe" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 and 52 weeks ended December 26, 2021 and December 27, 2020. ("fourth quarter", "Q4", "the quarter" or "the period"). The consolidated results from operations for the 13 and 52 weeks ended December 26, 2021 are compared to the 13 and 52 weeks ended December 27, 2020, as well as the 13 and 52 weeks ended December 29, 2019, which reflects the Company's results of operations prior to the COVID-19 pandemic.

This MD&A should be read in conjunction with the Company's audited Financial Statements and accompanying notes as at December 26, 2021. The consolidated results from operations for the 13 and 52 weeks ended December 26, 2021 are compared to the same periods ended December 27, 2020. The Company's audited financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and all amounts presented are in Canadian dollars unless otherwise indicated.

Recipe's fiscal year ends on the last Sunday in December.

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

This MD&A was prepared as at March 3, 2022. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and 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", "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 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; (x) 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:

(C$ millions unless otherwise stated)	13 weeks ended Dec 26, 2021	13 weeks ended Dec 27, 2020	13 weeks ended Dec 29, 2019	52 weeks ended Dec 26, 2021	52 weeks ended Dec 27, 2020	52 weeks ended 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
Net (gain) loss on disposal of property, plant and equipment and other assets	(0.3)	(1.4)	(1.5)	(1.6)	(5.0)	(1.2)
Net (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 restaurant 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		
(C$ millions unless otherwise stated)	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.

Impact of COVID-19

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

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

While the latest dining room closures and the inflationary cost pressures are expected to be temporary, the Company remains committed to its teammates and franchise partners.

- In December 2021, the Company re-introduced its franchise partner rent support program. This support program extends direct financial support to certain franchise partners from January 2022 through to the end of March 2022. The total estimated cost of this program is approximately $4.9 million. The full cost of this support program was recorded in the fourth quarter of 2021 as an impairment charge.

- In January 2022, the Company re-introduced its pay continuance program. This program offers pay continuance for certain corporate restaurant employees that were affected by the latest extended closures that have been mandated by the Ontario government.

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 50 new restaurants since the start of the pandemic. With the help of these measures, the Company generated $39.3 million of Adjusted EBITDA and repaid $65.0 million of long term debt in the fourth quarter of 2021. This was achieved while facing the ongoing effects of the pandemic and receiving minimal government subsidies of $1.1 million. 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.

The actions taken by the Company throughout the COVID-19 disruption period have allowed the Company to generate meaningful levels of system sales 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

[(1)] See "Supplemental Financial Measures" on page 4 for definition of System Sales, E-Commerce System Sales and Net Debt
[(2)] See “Non-GAAP Financial Measures” on page 1 for definition of Adjusted EBITDA

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 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 government(s) for the Company and its franchisees, lenders, as well as obtaining rent relief from landlords.

Highlights for the 13 and 52 weeks ended December 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%. 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 Financial Measures” on page 1 for definitions of System Sales and E-Commerce System Sales.
(2) This is a non-GAAP measure. Please refer to “Non-GAAP Financial Measures” on page 1 for definitions of Adjusted EBITDA and Free Cash Flow

Subsequent Events

Keg Restaurants Ltd. ("KRL") Additional Entitlement

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

On January 1, 2022, an estimated $6,000,000 in annual net sales were added to the Royalty Pool. One new restaurant that opened during the period from October 3, 2020 through October 2, 2021, with estimated gross sales of $6,000,000 annually, was added to the Royalty Pool. The total number of restaurants in Royalty Pool increased to 107. The pre-tax yield of the Fund units was determined to 5.68% calculated using a weighted average price of $14.12.

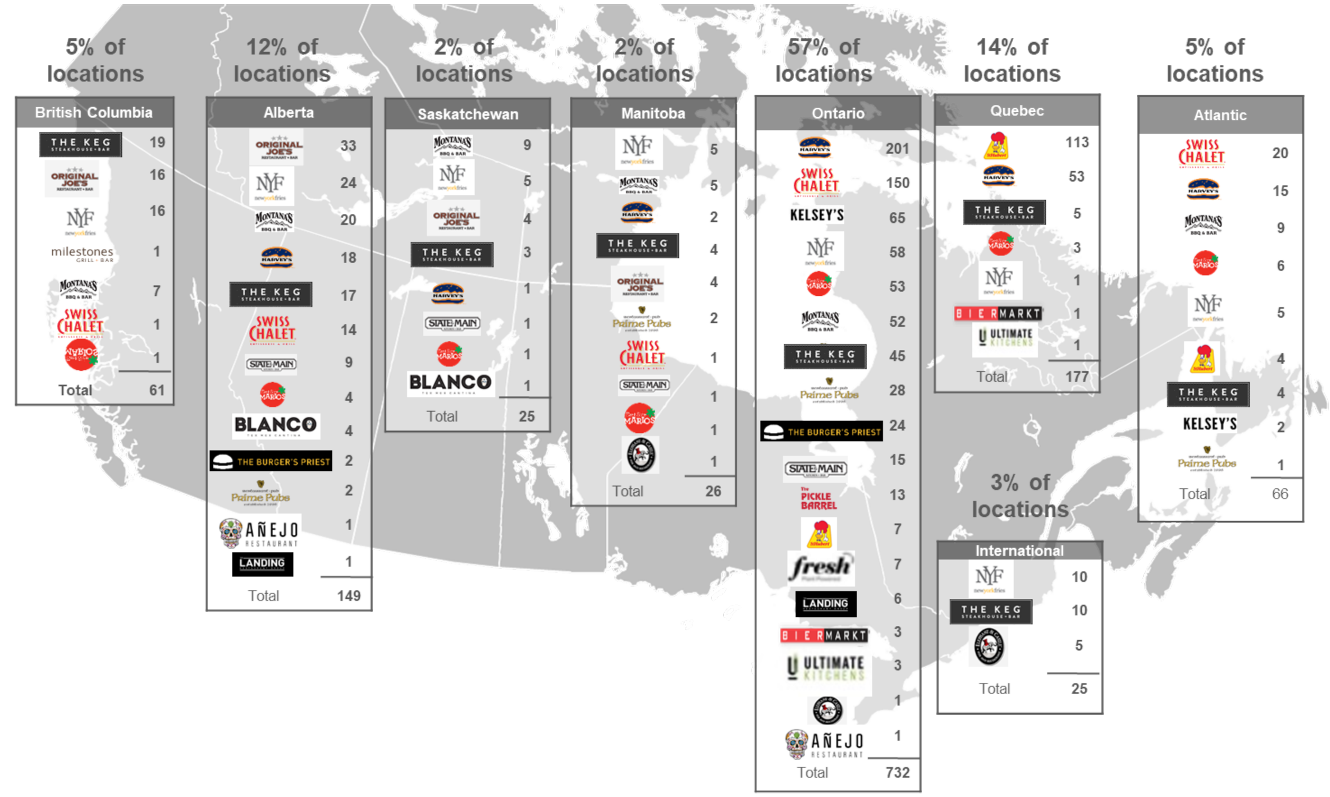
As a result of the contribution of the additional net sales to the Royalty Pool, and assuming 100% of the estimated Additional Entitlement is received, KRL's Additional Entitlement will be equivalent to 277,025 Fund units, being 1.66% of the Fund units on a fully diluted basis.

On January 1, 2022, KRL received 80% of this entitlement, representing the equivalent of 221,620 Fund units, being 1.33% of the Fund units on a fully diluted basis. KRL will also receive a proportionate increase in monthly distributions from the Partnership. Including the initial portion of the Additional Entitlement described above. KRL will effective own the equivalent of 5,325,030 Fund units, representing 31.93% of the Fund units on a fully diluted basis.

The balance of the Additional Entitlement will be adjusted on December 25, 2022, to be effective January 1, 2022, once the actual performance of the new restaurant has been confirmed. If KRL were to receive 100% of the estimated Additional Entitlement for 2022, KRL will effectively own the equivalent of 5,380,435 Fund units, representing 32.15% of the Fund units on a fully diluted basis.

Overview

Recipe is a full service restaurant company that franchises and operates iconic restaurant brands. As at December 26, 2021, Recipe had 21 brands and 1,261 restaurants, 83% 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 (unaudited)	As at December 26, 2021 Corporate	Franchise	Joint Venture	Total	As at December 27, 2020 Corporate	Franchise	Joint Venture	Total
Swiss Chalet	12	174	—	186	11	184	—	195
Harvey's	9	281	—	290	9	283	—	292
Montana's	4	98	—	102	5	99	—	104
Kelsey's	4	63	—	67	5	65	—	70
East Side Mario's (1)	4	65	—	69	4	65	—	69
Prime Pubs	4	29	—	33	4	30	—	34
Bier Markt	4	—	—	4	4	—	—	4
Milestones	1	—	—	1	29	15	—	44
Landing	7	—	—	7	8	—	—	8
New York Fries	19	105	—	124	19	132	—	151
St-Hubert	13	111	—	124	12	109	—	121
Original Joe's	18	35	4	57	16	30	13	59
State & Main	8	16	2	26	8	15	5	28
Elephant & Castle	7	—	—	7	7	—	—	7
Burger's Priest	26	—	—	26	—	—	25	25
1909 Taverne Moderne	—	—	—	—	—	—	2	2
Pickle Barrel	13	—	—	13	13	—	—	13
The Keg	52	55	—	107	51	55	—	106
Anejo	2	—	—	2	2	—	—	2
Blanco Cantina	1	4	—	5	1	2	—	3
Casey's	—	—	—	—	—	1	—	1
Fresh	7	—	—	7	—	—	1	1
Ultimate Kitchens	4	—	—	4	2	—	—	2
Total restaurants	219	1,036	6	1,261	210	1,085	46	1,341
	17.4%	82.2%	0.5%	100%	15.7%	80.9%	3.4%	100.0%

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

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

Restaurant Portfolio Management and Continuous Network Improvement

The Company's brand portfolio improvement strategy includes the expansion of new concept brands such as Ultimate Kitchens, the acquisition of young brands that offer new restaurant growth opportunities, and may include the divestitures of under-performing brands and joint ventures that no longer fit our portfolio strategy. During 2021, the Company successfully divested the Milestones brand, the 1909 Taverne Modern 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 with regards to the Burger's Priest, Fresh, Blanco and Anejo, provides the Company with compelling brands that are on target with younger consumers and those seeking more unique food experiences. The 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 52 weeks ended December 26, 2021, management successfully opened 19 locations (including 7 corporate and 12 franchised locations), and closed and exited 61 locations (including 7 corporate, 52 franchise and 2 joint venture locations), as part of the Company's pre-COVID long-term strategic portfolio plan. The permanent closure of non-strategic locations has accelerated faster than originally planned because of the COVID-19 shutdown and successful landlord exit negotiations.

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

Restaurant renovations also contribute to network improvement and demonstrate commitment by franchisees to reinvest in their business. However, the timing of renovations is dependent on having sufficient term remaining on both the particular franchise agreement and lease agreement. Franchisees are responsible for financing franchise restaurant renovations. 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 52 weeks ended December 26, 2021, the Company completed 36 renovations.

Recipe's restaurant network consists of company-owned corporate locations and franchised locations. As at December 26, 2021, there were 1,261 restaurants. The following table presents the changes in Recipe's restaurant unit count:

	For the 52 weeks ended							
	December 26, 2021				December 27, 2020			
Unit count (unaudited)	**Corporate**	**Franchised**	**Joint Venture**	**Total**	**Corporate**	**Franchised**	**Joint Venture**	**Total**
Beginning of year [1]	210	1,085	46	**1,341**	202	1,125	46	**1,373**
Acquisitions	31	—	(26)	**5**	—	—	—	—
New openings	7	12	—	**19**	8	19	5	**32**
Closures	(7)	(52)	(2)	**(61)**	(18)	(43)	(3)	**(64)**
Sold[2]	(27)	(14)	(2)	**(43)**	—	—	—	—
Corporate buybacks[3]	9	(4)	(5)	—	19	(17)	(2)	—
Restaurants re-franchised[4]	(4)	9	(5)	—	(1)	1	—	—
End of period	219	1,036	6	**1,261**	210	1,085	46	**1,341**

(1) Unit count excludes East Side Mario's restaurants located in the United States.
(2) Unit count as at December 26, 2021 excludes 41 divested Milestones locations.
(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, System Sales Growth, number of restaurants, Operating Income, Adjusted EBITDA, Adjusted EBITDA on System Sales, Cash flows from operating activities and Free Cash Flow.

	13 weeks ended			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**
System Sales [1][2]	**$ 790.4**	**$ 611.3**	**$ 895.8**	**$ 2,723.9**	**$ 2,424.7**	**$ 3,486.9**
System Sales Growth [1][2]	29.3 %	(31.8)%	(1.1)%	12.3 %	(30.5)%	2.1 %
Total gross revenue	**$ 299.3**	**$ 210.9**	**$ 327.0**	**$ 1,009.1**	**$ 864.6**	**$ 1,252.2**
Number of corporate restaurants	219	210	202	219	210	202
Number of joint venture restaurants	6	46	46	6	46	46
Number of franchised restaurants	1,036	1,085	1,125	1,036	1,085	1,125
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 %
Cash flows from operating activities	**$ 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**
Net earnings (loss)	**$ (2.8)**	**$ 23.6**	**$ (1.9)**	**$ 42.7**	**$ (53.0)**	**$ 43.9**
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

(1) Results from New York Fries located outside of Canada, East Side Mario's restaurants in the United States, Casey's restaurants are excluded from System Sales Growth.
(2) See "Supplemental Financial Measures" on page 4 for definition of System Sales and System Sales Growth
(3) See "Non-GAAP Financial Measures" on page 1 for definitions of Adjusted EBITDA and Free Cash Flow
(4) See "Non-GAAP Ratios" on page 4 for definition of Adjusted EBITDA Margin on System Sales

The following table summarizes results of Recipe's operations for the 13 weeks and 52 weeks ended December 26, 2021, and December 27, 2020:

(C$ millions unless otherwise stated)	13 weeks ended December 26, 2021	13 weeks ended December 27, 2020	13 weeks ended December 29, 2019	52 weeks ended December 26, 2021	52 weeks ended December 27, 2020	52 weeks ended December 29, 2019
	(unaudited)	(unaudited)	(unaudited)			
System Sales [2][3]	**$ 790.4**	**$ 611.3**	**$ 895.8**	**$ 2,723.9**	**$ 2,424.7**	**$ 3,486.9**
Sales	$ 255.6	$ 179.9	$ 279.2	$ 859.6	$ 737.9	$ 1,065.9
Franchise revenues	43.7	31.0	47.8	149.5	126.7	186.5
Total gross revenue [1]	**$ 299.3**	**$ 210.9**	**$ 327.0**	**$ 1,009.1**	**$ 864.6**	**$ 1,252.5**
Cost of inventories sold	(123.9)	(91.3)	(120.5)	(427.4)	(358.6)	(452.2)
Selling, general and administrative expenses						
Corporate restaurant expenses	(98.4)	(58.1)	(111.5)	(301.9)	(266.0)	(447.4)
Advertising fund transfers	(15.7)	(12.4)	(17.1)	(52.8)	(49.0)	(64.3)
The Keg royalty expense	(6.0)	(3.1)	(6.3)	(17.2)	(13.9)	(25.4)
Franchise assistance and bad debt	0.2	0.6	(1.0)	(1.0)	(2.8)	(3.8)
Depreciation & amortization	(24.0)	(25.4)	(28.9)	(93.4)	(102.9)	(112.5)
Net gain (loss) on disposal of property, plant and equipment and other assets	0.3	(3.1)	1.3	1.6	5.0	0.4
Gain (loss) on settlement of lease liabilities	1.1	(0.8)	1.4	2.6	(1.1)	1.4
Gain (loss) on early buyout/cancellation of equipment rental contracts	—	—	(1.5)	—	0.4	(3.2)
Other	(8.1)	0.7	3.8	(23.5)	(13.7)	(2.0)
Selling, general and administrative expenses [1]	(150.6) -	(101.6) -	(159.8)	(485.6) -	(444.0)	(656.8)
Impairment of assets, net of reversals	(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)
Operating income (loss) [1]	**$ 5.0**	**$ 1.0**	**$ (4.5)**	**$ 65.3**	**$ (27.4)**	**$ 79.5**
Net interest expense and other financing charges	(5.1)	(7.6)	(6.4)	(26.9)	(31.4)	(23.2)
Loss on disposition of brand assets	—	—	—	(3.3)	—	—
Share of gain /(loss) from investment in joint ventures	—	0.6	(0.2)	—	1.6	(1.4)
Earnings (loss) before change in fair value and income taxes [1]	**$ (0.1)**	**$ (6.1)**	**$ (11.1)**	**$ 35.2**	**$ (57.2)**	**$ 54.8**
Change in fair value in the remeasurement of pre-existing interests in acquirees	—	—	—	7.5	—	—
Change in fair value of non-controlling interest liability	(5.9)	2.1	0.3	(6.4)	2.1	0.3
Change in fair value of contingent liability	2.7	5.0	10.0	2.7	5.0	10.0
Change in fair value of exchangeable Partnership units and Keg Royalty Income Fund units	4.1	22.8	(5.1)	16.8	(19.2)	(4.3)
Earnings (loss) before income taxes [1]	**$ 0.7**	**$ 23.9**	**$ (6.0)**	**$ 55.8**	**$ (69.2)**	**$ 60.8**
Income taxes - current	(1.8)	5.9	(6.0)	(9.5)	(1.1)	(24.8)
Income taxes - deferred	(1.6)	(6.1)	10.0	(3.6)	17.3	8.0
Net earnings (loss) [1]	**$ (2.8)**	**$ 23.6**	**$ (1.9)**	**$ 42.7**	**$ (53.0)**	**$ 43.9**
Earnings per share attributable to common shareholders (in dollars)						
Basic EPS	$ (0.05)	$ 0.43	$ (0.03)	$ 0.75	$ (0.92)	$ 0.74
Diluted EPS	$ (0.05)	$ 0.42	$ (0.03)	$ 0.74	$ (0.92)	$ 0.72

[1] Figures may not total due to rounding.
[2] See "Supplemental Financial Measures" on page 4 for definition of System Sales.

Financial results

System Sales

System Sales 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 of 29.3% from 2020 and a decrease of 11.8% from 2019. System Sales 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, representing an increase of $299.2 million from 2020 and a decrease of $763.0 million from 2019.

The COVID-19 pandemic continues to impact the Company's operations and COVID-19 related restrictions continue to evolve. The Company's system sales were directly impacted by evolving COVID-19 related restrictions throughout 2021, including government mandated restaurant closures, dining room capacity limits and the introduction of mandatory vaccine passports for indoor dining guests in certain provinces. As a result of the impact of these restrictions, which affected 42.7% of the Company's total operating weeks in the fourth quarter, System Sales decreased by 11.8% compared to 2019.

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 $299.3 million for the 13 weeks ended December 26, 2021, compared to $210.9 million in 2020 and $327.0 million in 2019, representing an increase of $88.4 million from 2020 and a decrease of $27.7 million from 2019. Total gross revenue was $1,009.1 million for the 52 weeks ended December 26, 2021, compared to $864.6 million in 2020 and $1,252.5 million in 2019, representing an increase of $144.5 million from 2020 and a decrease of $243.4 million from 2019. The increase in gross revenue from 2020 was related to higher System Sales in both our corporate and franchise restaurants and higher sales in our retail and grocery channels. The decrease in gross revenue from 2019 was driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic, which began in March 2020. Beginning in Q1 2022, Recipe will continue its commitment to support its franchisees achieve sustainable success by changing the cost structure to reduce fees collected from off-premise, web and mobile orders. These changes will provide cost savings to the franchisees while continuing to grow sales through these channels.

Selling, general and administrative expenses

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

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

(C$ millions unless otherwise stated)	13 weeks ended December 26, 2021	13 weeks ended December 27, 2020	52 weeks ended December 26, 2021	52 weeks ended December 27, 2020
	(unaudited)	(unaudited)		
Corporate restaurant expenses	$ 98.4	$ 58.1	$ 301.9	$ 266.0
Advertising fund transfers	15.7	12.4	52.8	49.0
Franchise assistance and bad debt	(0.2)	(0.6)	1.0	2.8
The Keg royalty expense	6.0	3.1	17.2	13.9
Depreciation and amortization	24.0	25.4	93.4	102.9
Net (gain) loss on disposal of property, plant and equipment and other assets	(0.3)	3.1	(1.6)	(5.0)
(Gain) loss on settlement of lease liabilities	(1.1)	0.8	(2.6)	1.1
Other	8.1	(0.7)	23.5	17.7
Total selling, general and administrative expenses [(1)]	**$ 150.4**	**$ 101.6**	**$ 485.5**	**$ 448.5**

(1) Figures may not total due to rounding.

SG&A expenses for the 13 and 52 weeks ended December 26, 2021 was $150.4 million and $485.5 million compared to $101.6 million and $448.5 million in 2020, representing an increase of $48.8 million or 48.0% for the quarter and an increase of $37.0 million or 8.2% for the year. The increase for the 13 and 52 weeks ended December 26, 2021 was mainly driven by an increase in corporate variable restaurants expenses as a result of higher system sales offset by lower depreciation due to less corporate stores and lease assignments and lower federal government wage subsidies.

Impairment of assets

The Company recorded an impairment of assets of $19.9 million and $25.8 million for the 13 and 52 weeks ended December 26, 2021, compared to $17.7 million and $79.2 for the 13 and 52 weeks ended December 27, 2020, representing an increase of $2.2 million for the quarter and a decrease of $53.4 million for the year. The increase in the quarter was related to the non-cash asset impairment charges recorded in the quarter and reflects the continued impact of the COVID-19 pandemic on certain full service and social brands as well as impairment losses from certain under-performing corporate restaurants. The decrease in the year was primarily related to the Company's 2020 COVID support program which was initially announced in first quarter of 2020 and provided direct financial support to franchise partners from March 2020 through to the end of March 2021. The full cost of the 2020 COVID support program was recognized in the 52 weeks ended December 27, 2020.

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 December 26, 2021	13 weeks ended December 27, 2020	52 weeks ended December 26, 2021	52 weeks ended December 27, 2020
	(unaudited)	(unaudited)		
Interest expense on long-term debt	$ 4.5	$ 5.7	$ 20.8	$ 24.3
Interest expense on note payable to The Keg Royalties Income Fund	1.1	1.1	4.3	4.3
Financing costs	0.2	0.2	1.1	1.0
Interest expense - other	(0.2)	0.2	0.3	0.8
Interest income on Partnership units and KRIF units	(3.0)	(2.1)	(9.5)	(8.3)
Interest income	(0.1)	(0.5)	(1.3)	(2.7)
Interest on lease obligations	6.0	7.0	25.2	29.2
Interest income on lease receivable	(3.4)	(3.9)	(14.0)	(17.0)
Total net interest expense and other financing charges[1]	**$ 5.1**	**$ 7.6**	**$ 26.9**	**$ 31.4**
Net debt (excluding deferred financing costs)	**$ 396.6**	**$ 491.8**	**$ 396.6**	**$ 491.8**

[1] Figures may not total due to rounding.

Net interest expense and other financing charges were $5.1 million compared to $7.6 million in 2020 for the 13 weeks ended December 26, 2021, a decrease of $2.5 million. Net interest expense and other financing charges for the 52 weeks ended December 26, 2021 were $26.9 million compared to $31.4 million in 2020, a decrease of $4.5 million. For the quarter, the decrease from 2020 is primarily related to lower interest expense on reduced balances of long term debt. For the year, the decrease from 2020 is primarily related to the gain on remeasurement to fair value of pre-existing interest in Burger's Priest and Fresh and lower interest expense on long term debt.

Income taxes

The Company recorded current income tax expenses of $1.8 million and of $9.5 million for the 13 and 52 weeks ended December 26, 2021, compared to a recovery of $5.9 million and an expense of $1.1 million for the 13 and 52 weeks ended December 27, 2020, representing an increase of $7.7 million for the quarter and $8.4 million year to date. The increase in current income tax expense is primarily related to higher taxable income during the quarter and for the year.

The Company recorded net deferred income tax expenses of $1.6 million and $3.6 million for the 13 and 52 weeks ended December 26, 2021, compared to expenses of $6.1 million and a recovery of $17.3 million for 13 and 52 weeks ended December 27, 2020, representing a decrease in deferred income tax expense of $4.5 million for the quarter and an increase of $20.9 million for the year. The decrease in the quarter was related to the recognition of deferred tax assets that were previously unrecognized and other timing differences. The year to date increase is related to the reversal of deferred tax assets on the utilization of non-capital loss carryforwards and the impairment of asset charges, which was higher in the prior year as a result of the 2020 rent support program.

Net earnings

Net earnings (loss) were ($2.8) million and $42.7 million for the 13 and 52 weeks ended December 26, 2021 compared to $23.6 million and ($53.0) million in 2020, representing a decrease of $26.4 million for the quarter and an increase of $95.7 million for the year.

The $26.4 million decrease in net earnings in the quarter was driven by a change 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 of $4.3 million.

The $95.7 million increase in net earnings for the year was driven by an increase in Adjusted EBITDA 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 million, partially offset by a decrease 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.

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. For comparative purposes, the Company has retroactively restated the allocation of overhead expenses related to the retail and catering and central segments to more accurately reflect actual overhead costs incurred in this segment.

Central operations includes sales from call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants; income generated from the lease of buildings and certain equipment to franchisees; and the collection of new franchise and franchise renewal fees. Central operations also includes corporate (non-restaurant) expenses which include head office people and non-people overhead expenses, finance and IT support, occupancy costs, and general and administrative support services offset by vendor purchase allowances 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 December 26, 2021 was $5.0 million compared to $1.0 million in 2020, representing an increase of $4.0 million or 420.6%. The increase for the quarter was driven by increased System Sales, partially offset by lower government subsidies and an increase in food costs. Operating Income/(Loss) 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 or 338.6%. The increase for the quarter and year to date was driven by increased System Sales and a decrease in net asset impairment charges of $53.4 million, partially offset by lower government subsidies and an increase in food costs.

Adjusted EBITDA[(2)] for the 13 weeks ended December 26, 2021 was $39.3 million compared to $35.0 million in 2020, representing an increase of $4.3 million or 12.3%. Adjusted EBITDA[(2)] for the 52 weeks ended December 26, 2021 was $144.0 million, compared to $113.8 million in 2020, representing an increase of $30.2 million or 26.5%. The increase for the quarter and year to date was driven by increased System Sales, partially offset by lower government subsidies and an increase in input costs.

(unaudited)	13 weeks ended December 26, 2021				
(C$ thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales [1]	**$ 152,860**	**$ 538,565**	**$ 98,974**	**$ —**	**$ 790,399**
Corporate Results					
Sales	$ 152,860	$ —	$ —	$ 4,060	$ 156,920
Cost of inventories sold and cost of labour	(102,934)	—	—	—	(102,934)
Restaurant contribution before other costs	49,926	—	—	4,060	53,986
Restaurant contribution before other costs %	32.7 %				
Other operating costs	(43,681)	—	—	—	(43,681)
Corporate restaurants Operating Income	**$ 6,245**	**—**	**—**	**$ 4,060**	**$ 10,305**
Franchise Results					
Franchise royalty income	—	$ 25,357	—	—	25,357
Franchise royalty income as a % of franchise sales	—	4.7 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	2,626	2,626
Franchise rent assistance and bad debt	—	120	—	—	120
Franchise restaurants Operating Income	**—**	**$ 25,477**	**—**	**$ 2,626**	**$ 28,103**
Operating Income from Retail and Catering	**—**	**—**	**$ 7,979**	**—**	**7,979**
Net Central Operating Loss[2]	—	—	—	(41,390)	(41,390)
Operating Income (Loss)	**6,245**	**25,477**	**$ 7,979**	**$ (34,704)**	**$ 4,997**
Adjustments [1]	—	—	—	34,272	**34,272**
Adjusted EBITDA[1]	**$ 6,245**	**$ 25,477**	**$ 7,979**	**$ (432)**	**$ 39,269**
Adjusted EBITDA Margin on System Sales [4][5] by segment	4.1 %	4.7 %	8.1 %	(0.1)%	5.0 %

(unaudited)	13 weeks ended December 27, 2020				
(C$ thousands unless otherwise stated)	Corporate	Franchised	Retail & Catering	Central	Total
System Sales [1]	**$ 93,061**	**$ 425,681**	**$ 92,575**	$ —	**$ 611,317**
Corporate Results					
Sales	$ 89,014	$ —	$ —	$ 3,908	$ 92,922
Cost of inventories sold and cost of labour	(52,549)	—	—	—	(52,549)
Restaurant contribution before other costs	36,465	—	—	3,908	40,373
Restaurant contribution before other costs %	41.0 %				
Other operating costs	(34,982)	—	—	—	(34,982)
Corporate restaurants Operating Income	**$ 1,483**	—	—	**$ 3,908**	**$ 5,391**
Franchise Results					
Franchise royalty income	—	$ 16,133	—	—	16,133
Franchise royalty income as a % of franchise sales	—	3.8 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	2,402	2,402
Franchise rent assistance and bad debt	—	585	—	—	585
Franchise restaurants Operating Income	—	**$ 16,718**	—	**$ 2,402**	**$ 19,120**
Operating Income from Retail and Catering	—	—	**$ 13,112**	—	**13,112**
Net Central Operating Loss[3]	—	—	—	**$ (36,672)**	**(36,672)**
Operating Income (Loss)	**1,483**	**16,718**	**13,112**	**$ (30,362)**	**$ 951**
Adjustments [2]	—	—	—	34,047	**34,047**
Adjusted EBITDA[2]	**$ 1,483**	**$ 16,718**	**$ 13,112**	**$ 3,685**	**$ 34,998**
Adjusted EBITDA Margin on System Sales [4][5] by segment	1.6 %	3.9 %	14.2 %	0.6 %	5.7 %

(unaudited)

(C$ thousands unless otherwise stated)	52 weeks ended December 26, 2021 Corporate	Franchised	Retail & Catering	Central	Total
System Sales [1]	**$ 495,078**	**$ 1,861,628**	**$ 367,235**	**$ —**	**$ 2,723,941**
Corporate Results					
Sales	$ 486,617	$ —	$ —	$ 15,573	$ 502,190
Cost of inventories sold and cost of labour	(305,306)	—	—	—	(305,306)
Restaurant contribution before other costs	181,311	—	—	15,573	196,884
Restaurant contribution before other costs %	36.6 %				
Other operating costs	(152,271)	—	—	—	(152,271)
Corporate restaurants Operating Income	**$ 29,040**	**—**	**—**	**$ 15,573**	**$ 44,613**
Franchise Results					
Franchise royalty income	—	$ 86,428	—	—	$ 86,428
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	10,233	10,233
Franchise rent assistance and bad debt	—	(1,022)	—	—	(1,022)
Franchise restaurants Operating Income	**—**	**$ 85,406**	**—**	**$ 10,233**	**$ 95,639**
Operating Income from Retail and Catering	**—**	**—**	**$ 30,604**	**—**	**30,604**
Net Central Operating Loss[3]	**—**	**—**	**—**	**$ (105,527)**	**(105,527)**
Operating Income (Loss)	**$ 29,040**	**$ 85,406**	**$ 30,604**	**$ (79,721)**	**$ 65,329**
Adjustments [2]	—	—	—	78,667	**78,667**
Adjusted EBITDA[2]	**$ 29,040**	**$ 85,406**	**$ 30,604**	**$ (1,054)**	**$ 143,996**
Adjusted EBITDA Margin on System Sales [4][5] by segment	5.9 %	4.6 %	8.3 %	— %	5.3 %

(unaudited)

(C$ thousands unless otherwise stated)	52 weeks ended December 27, 2020 Corporate	Franchised	Retail & Catering	Central	Total
System Sales [1]	**$ 423,825**	**$ 1,662,996**	**$ 337,868**	**$ —**	**$ 2,424,689**
Corporate Results					
Sales	$ 408,674	$ —	$ —	$ 13,406	$ 422,080
Cost of inventories sold and cost of labour	(249,857)	—	—	—	(249,857)
Restaurant contribution before other costs	158,817	—	—	13,406	172,223
Restaurant contribution before other costs %	37.5 %				
Other operating costs	(158,459)	—	—	—	(158,459)
Corporate restaurants Operating Income	**$ 358**	**—**	**—**	**$ 13,406**	**$ 13,764**
Franchise Results					
Franchise royalty income	—	$ 67,572	—	—	67,572
Franchise royalty income as a % of franchise sales	—	4.6 %	—	—	—
New franchise fees, property and equipment rent	—	—	—	9,699	9,699
Franchise rent assistance and bad debt	—	(2,779)	—	—	(2,779)
Franchise restaurants Operating Income	**—**	**$ 64,793**	**—**	**$ 9,699**	**$ 74,492**
Operating Income from Retail and Catering	**—**	**—**	**$ 48,372**	**—**	**48,372**
Net Central Operating Loss[3]	**—**	**—**	**—**	**$ (164,002)**	**(164,002)**
Operating Income (Loss)	**$ 358**	**$ 64,793**	**$ 48,372**	**$ (140,897)**	**$ (27,374)**
Adjustments [2]	—	—	—	141,129	**$ 141,129**
Adjusted EBITDA[2]	**$ 358**	**$ 64,793**	**$ 48,372**	**$ 232**	**$ 113,755**
Adjusted EBITDA Margin on System Sales [4][5] by segment	0.1 %	3.9 %	14.3 %	— %	4.7 %

[1] See "Supplemental Financial Measures" on page 4 for definition of System Sales
[2] See “Non-GAAP Financial Measures” on page 1 for definitions of Adjusted EBITDA and reconciliation of adjustments from Operating Income to Adjusted EBITDA
[3] Included in Net Central Operating Income is revenue from marketing fund contributions and amortization of unearned conversion fees
[4] See “Non-GAAP Ratios” on page 4 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 December 26, 2021, the corporate restaurant segment consisted of 219 fully owned restaurants as well as the proportionate results from 6 joint venture restaurants compared to 210 fully owned restaurants and proportionate results from 46 joint venture restaurants at December 27, 2020. During the 52 weeks ended December 26, 2021, the Company acquired 31 restaurants, divested 27 restaurants, opened 7 new restaurants, completed 9 corporate buybacks, closed 7 under-performing restaurants and re-franchised 4 restaurants. The corporate restaurant segment includes the proportionate results from the Company's 6 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. Sales for the 13 weeks ended December 26, 2021 were $152.9 million, compared to $89.0 million in 2020 and $192.6 million in 2019, representing an increase of 71.8% from 2020 and a decrease of 20.6% from 2019. The increase over 2020 was driven by higher dining room sales and higher off-premise System Sales in the corporate segment. The decrease from 2019 reflects the effects of COVID-19 related restrictions which impacted 42.7% of the Company's total operating weeks in the fourth quarter of 2021.

Sales for the 52 weeks ended December 26, 2021 were $486.6 million, compared to $408.7 million in 2020 and $772.7 million in 2019, representing an increase of 19.1% from 2020 and a decrease of 37.0% from 2019. The increase from 2020 was driven by higher System Sales. The decrease from 2019 was driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the COVID-19 pandemic which began in March 2020.

Cost of inventories sold and cost of labour

Cost of inventories sold represents the net cost of food, beverage and other inventories sold at Recipe's corporate restaurants. Cost of inventories sold and cost of labour is impacted by the number of corporate restaurants, fluctuations in the volume of inventories sold, food prices, provincial minimum wage increases, and Recipe's ability to manage input costs at the restaurant level. The Company mitigates cost inflation risks by locking in prices through short-term contracts and advance purchase agreements and by implementing cost saving measures.

Cost of inventories sold and cost of labour was $102.9 million and $305.3 million for the 13 and 52 weeks ended December 26, 2021 compared to $52.5 million and $249.9 million in 2020, an increase of $50.4 million or 96.0% for the quarter and an increase of $55.4 million or 22.2% for the year. The increase for the quarter and year to date are related to increases in sales and lower Federal government wage subsidies as a result of higher revenues.

Operating Income and Adjusted EBITDA(1) from Corporate segment

Operating Income and Adjusted EBITDA(1) from the corporate segment was $6.2 million and $29.0 million for the 13 and 52 weeks ended December 26, 2021 compared to $1.5 million and $0.4 million in 2020, an increase of $4.7 million for the quarter and an increase of $28.6 million for the year. For the 13 weeks ended December 26, 2021, Operating Income Adjusted EBITDA(1) from corporate restaurants as a percentage of corporate sales was 4.1% compared to 1.7% in 2020. For the 52 weeks ended December 26, 2021, Operating Income from corporate restaurants as a percentage of corporate sales was 6.0% compared to 0.1% for the 52 weeks in 2020. The increases were driven by higher corporate restaurant sales, partially offset by a corresponding increase in cost of sales and a decrease in government subsidies as a result of higher revenues.

Franchise

As at December 26, 2021, the franchise restaurant segment consisted of 1,036 restaurants compared to 1,085 at December 27, 2020. For the 52 weeks ended December 26, 2021, the Company completed 12 new restaurant openings, 9 corporate restaurants were re-franchised, offset by 52 closures, 14 divestitures and 4 corporate take backs. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales for the 13 weeks ended December 26, 2021 were $538.6 million, compared to $425.7 million in 2020 and $606.1 million in 2019, representing an increase of 26.5% from 2020 and a decrease of 11.1% from 2019. Franchise segment System Sales for the 52 weeks ended December 26, 2021 were $1,861.6 million, compared to $1,663.0 million in 2020 and $2,380.5 million in 2019, representing an increase of 11.9% from 2020 and a decrease of 21.8% from 2019. The increases from 2020 were driven by higher off-premise System Sales in the franchise segment. The decreases from 2019 were driven by the effects of government mandated temporary restaurant closures and restrictions as a result of the

COVID-19 pandemic.

Franchise revenues

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

The primary factors impacting franchise revenues are System Sales Growth and net new restaurant activity, as well as the rate of royalty fees (net of contractual subsidies and temporary assistance) paid to Recipe by its franchisees. In certain circumstances, the royalty rate paid to Recipe can be less than Recipe's standard 5% royalty rate due to different contractual rates charged for certain brands (e.g. St-Hubert's standard royalty rate is 4%) and contractual subsidies primarily associated with prior year's conversion transactions or agreements to temporarily assist certain franchisees. The addition of The Keg also increased Recipe's overall net royalty rate as new and renewed Keg franchisees pay 6% royalty while others pay 5% until their franchise agreement is renewed.

Franchise revenue for the 13 weeks ended December 26, 2021 were $25.4 million, compared to $16.1 million in 2020 and $27.6 million in 2019, representing an increase of 57.8% from 2020 and a decrease of 8.0% from 2019. Franchise revenue for the 52 weeks ended December 26, 2021 were $86.4 million, compared to $67.6 million in 2020 and $108.9 million in 2019, representing an increase of 27.8% from 2020 and a decrease of 20.7% from 2019. The increases from 2020 were mainly driven by an increase in the effective royalty rate, as a result of the royalty subsidy program which concluded at the end of 2020.

Operating Income and Adjusted EBITDA[(1)] from franchise segment

Operating Income and Adjusted EBITDA[(1)] from franchise segment was $25.5 million for the 13 weeks ended December 26, 2021 compared to $16.7 million in 2020, an increase of $8.8 million or 52.7% for the quarter. Operating Income and Adjusted EBITDA[(1)] from franchise restaurants was $85.4 million for the 52 weeks ended December 26, 2021 compared to $64.8 million in 2020, an increase of $20.6 million or 31.8%. The effective net royalty rate for the 13 and 52 weeks ended December 26, 2021 was 4.7% and 4.6% compared to 3.9% and 3.9% in 2020. The increase in the effective net royalty rate reflects the 1% COVID-related royalty assistance program in 2020 and the reduction in royalty assistance after the closure of certain under-performing franchise locations.

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.

System Sales for Retail and Catering were $99.0 million for the 13 weeks ended December 26, 2021 compared to $92.6 million in 2020 and $92.3 million in 2019, representing an increase of 6.9% over 2020 and 7.3% versus 2019. For the 52 weeks ended December 26, 2021, Retail and Catering System Sales were $367.2 million compared to $337.9 million in 2020 and $316.4 million in 2019, representing an increase of 8.7% over 2020 and 16.1% versus 2019. The increases were driven by increased sales to retail grocery customers.

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

Operating Income and Adjusted EBITDA[(1)] from retail and catering for the 13 weeks ended December 26, 2021 was $8.0 million compared to $13.1 million in 2020 and $13.1 million in 2019, representing a decrease of $5.1 million compared to 2020 and 2019. Operating Income and Adjusted EBITDA[(1)] from retail and catering for the 52 weeks ended December 26, 2021 was $30.6 million compared to $48.4 million in 2020 and $36.5 million in 2019, representing a decrease of $17.8 million compared to 2020 and a decrease of $5.9 million compared to 2019. The decreases in contribution were driven by the change in product sales mix, higher retail food input costs and a decrease of $8.1 million in federal wage subsidies for the year, partially offset by an increase in sale volumes and price adjustments to grocers.

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 then anticipated growth. The ribs category traditionally has lower gross margins than other grocery categories and rib margins have been challenged in 2021 due to higher protein input costs. Gross margins in the retail segment are expected to normalize as global supply chains stabilize and protein costs return to historical levels.

Central

Sales

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

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

Total central segment sales were $4.1 million and $15.6 million for the 13 and 52 weeks ended December 26, 2021 compared to $3.9 million $13.4 million in 2020, representing an increase of $0.2 million for the quarter and an increase of $2.2 million for the year. The increases reflects the success of Recipe's off-premise channels including the development of e-commerce web and mobile ordering platforms for most brands prior to the COVID-19 pandemic.

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 $2.6 million and $10.2 million for the 13 and 52 weeks ended December 26, 2021 compared to $2.4 million and $9.7 million in 2020. The increase from 2020 is primarily related to higher property rent charged as a percent of sales.

Operating Loss and Adjusted EBITDA[1] from central segment

Operating Loss from the central segment before adjustments was ($34.7) million for the 13 weeks ended December 26, 2021 compared to ($30.4) million in 2020, representing an increase of $4.3 million or 14.1%. Adjusted EBITDA[1] from the Central segment for the 13 weeks ended December 26, 2021 was $(0.4) million compared to $3.7 million in 2020, representing a decrease of $4.1 million or 110.8% for the quarter. Operating Loss from the central segment before adjustments was ($79.7) million for the 52 weeks ended December 26, 2021 compared to ($140.9) million in 2020, representing a decrease of $61.2 million or 43.4%. Adjusted EBITDA[1] from the Central segment for the 52 weeks ended December 26, 2021 was $(1.1) million compared to $0.2 million in 2020, representing a decrease of $1.3 million or 650.0%. The decrease is due to lower government subsidies as a result of higher revenues.

[1] See "Non-GAAP Financial Measures" on page 1 for definitions of Adjusted EBITDA and reconciliation of adjustments from Operating Income to Adjusted EBITDA.

Selected Quarterly Information

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

(C$ millions unless otherwise stated)	Q4 – 2021 Dec 26, 2021	Q3 – 2021 Sept 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales [1]	**$ 790.4**	**$ 834.2**	**$ 561.8**	**$ 537.6**	**$ 611.3**	**$ 676.4**	**$ 389.8**	**$ 747.2**	**$ 895.8**
Total System Sales Growth [1]	29.3 %	23.3 %	44.1 %	(28.1) %	(31.8) %	(22.2) %	(55.3) %	(12.2) %	(1.1) %
Number of restaurants (at period end)	1,261	1,284	1,327	1,330	1,341	1,355	1,354	1,363	1,373
Operating Income	**$ 5.0**	**$ 29.3**	**$ 20.5**	**$ 10.5**	**$ 1.0**	**$ 28.9**	**$ (46.5)**	**$ (10.7)**	**$ (4.5)**
Adjusted EBITDA [2]	**$ 39.3**	**$ 50.3**	**$ 30.4**	**$ 24.0**	**$ 35.0**	**$ 42.5**	**$ 15.6**	**$ 20.5**	**$ 60.5**
Adjusted EBITDA Margin on System Sales [3]	**5.0 %**	**6.0 %**	**5.4 %**	**4.5 %**	**5.7 %**	**6.3 %**	**4.0 %**	**2.7 %**	**6.8 %**
Corporate restaurant sales	$ 152.9	$ 166.4	$ 87.8	$ 79.6	$ 89.0	$ 123.8	$ 37.7	$ 158.1	$ 192.6
Number of corporate restaurants	219	211	239	215	210	216	206	203	202
Operating Income from Corporate segment	**$ 6.2**	**$ 16.1**	**$ 2.8**	**$ 3.9**	**$ 1.5**	**$ 12.8**	**$ (13.5)**	**$ (0.4)**	**$ 19.3**
Operating Income as a % of corporate sales	4.1 %	9.7 %	3.2 %	4.8 %	1.7 %	10.3 %	(35.8) %	(0.3) %	10.0 %
Number of joint venture restaurants	6	9	9	39	46	46	45	45	46
Franchise restaurant sales	$ 538.6	$ 574.4	$ 381.7	$ 367.0	$ 425.7	$ 462.6	$ 266.2	$ 508.6	$ 606.1
Number of franchised restaurants	1,036	1,064	1,079	1,076	1,085	1,093	1,103	1,115	1,125
Operating Income from Franchise segment	**$ 25.5**	**$ 26.6**	**$ 17.3**	**$ 16.0**	**$ 16.7**	**$ 17.1**	**$ 9.1**	**$ 21.9**	**$ 26.6**
Operating Income as a % of Franchise sales	4.7 %	4.6 %	4.5 %	4.4 %	3.9 %	3.7 %	3.4 %	4.3 %	4.4 %
Retail and Catering sales	$ 99.0	$ 93.4	$ 87.3	$ 87.6	$ 92.6	$ 86.3	$ 83.0	$ 75.9	$ 92.3
Operating Income from Retail and Catering	**$ 8.0**	**$ 8.2**	**$ 6.4**	**$ 8.0**	**$ 13.1**	**$ 12.6**	**$ 14.8**	**$ 7.6**	**$ 13.1**
Operating Income as a % of Retail & Catering sales	8.1 %	8.8 %	7.3 %	9.2 %	14.2 %	14.6 %	17.8 %	10.1 %	14.2 %
Adjusted EBITDA from Central segment	$ (0.4)	$ (0.7)	$ 4.0	$ (3.9)	$ 3.7	$ —	$ 5.2	$ (8.6)	$ 1.5
Total gross revenue	**$ 299.3**	**$ 308.1**	**$ 207.6**	**$ 194.1**	**$ 210.9**	**$ 243.3**	**$ 140.4**	**$ 269.9**	**$ 327.0**
Earnings (loss) before income taxes	**$ 0.7**	**$ 17.7**	**$ 23.6**	**$ 13.8**	**$ 23.9**	**$ 9.7**	**$ (52.7)**	**$ (50.1)**	**$ (6.0)**
Net earnings (loss)	$ (2.8)	$ 13.2	$ 19.4	$ 13.0	$ 23.6	$ 5.2	$ (40.6)	$ (41.2)	$ (1.9)
Net earnings operations attributable to common shareholders of the Company	$ (2.8)	$ 13.2	$ 19.4	$ 13.0	$ 24.1	$ 5.1	$ (40.3)	$ (41.0)	$ (1.6)
EPS attributable to common shareholders of the Company (in dollars)									
Basic EPS	$ (0.05)	$ 0.23	$ 0.34	$ 0.23	$ 0.43	$ 0.09	$ (0.72)	$ (0.73)	$ (0.03)
Diluted EPS	$ (0.05)	$ 0.23	$ 0.33	$ 0.22	$ 0.42	$ 0.09	$ (0.72)	$ (0.73)	$ (0.03)

(1) See "Supplemental Financial Measures" on page 4 for definition of System Sales and System Sales Growth
(2) See "Non-GAAP Financial Measures" on page 1 for definitions of Adjusted EBITDA
(3) See "Non-GAAP Ratios" on page 4 for definition of Adjusted EBITDA Margin on System Sales

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

(C$ millions unless otherwise stated)	Q4 – 2021 Dec 26, 2021	Q3 – 2021 Sept 26, 2021	Q2 – 2021 Jun 27, 2021	Q1 – 2021 Mar 28, 2021	Q4 – 2020 Dec 27, 2020	Q3 – 2020 Sept 27, 2020	Q2 – 2020 Jun 28, 2020	Q1 – 2020 Mar 29, 2020	Q4 – 2019 Dec 29, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of Operating Income to Adjusted EBITDA									
Operating Income (Loss)	**$ 5.0**	**$ 29.3**	**$ 20.5**	**$ 10.5**	**$ 1.0**	**$ 28.9**	**$ (46.5)**	**$ (10.7)**	**$ (4.5)**
Depreciation and amortization	25.0	23.8	24.1	24.4	26.4	26.5	26.7	27.4	29.9
Amortization of deferred gain	(0.5)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)
Transaction costs	0.1	0.2	0.2	0.1	1.8	0.2	0.2	0.1	1.8
Impairment, net of reversals, of restaurant assets and lease receivables	19.9	6.9	(0.9)	—	17.7	(2.2)	47.4	16.3	47.6
Restructuring and other	—	2.7	1.2	1.1	(0.6)	5.4	1.9	(1.1)	3.6
Amortization of unearned conversion fees	—	—	—	—	—	—	(0.1)	—	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	(0.7)	0.7	—	(0.3)	—	(0.1)	(0.2)	—	1.5
Net (gain) loss on disposal of property, plant and equipment and other assets	(0.3)	—	(1.2)	(0.1)	(1.4)	(4.3)	0.5	0.2	(1.5)
(Gain) loss on settlement of lease liabilities	(1.1)	(1.3)	(0.1)	(0.1)	0.8	(0.1)	0.3	0.1	(1.4)
Stock based compensation	1.0	0.3	—	0.2	0.4	0.1	0.4	0.5	(5.4)
Share of earnings (loss) from investment in joint ventures	0.6	(0.6)	(0.2)	—	0.3	0.8	(1.3)	(0.4)	0.7
Interest income on Partnership units and KRIF	3.0	2.9	1.8	1.8	2.1	2.3	1.2	2.7	2.8
Lease Expenses for corporate restaurant and head office locations	(12.7)	(14.1)	(14.5)	(13.1)	(13.1)	(14.5)	(14.5)	(14.2)	(14.1)
Adjusted EBITDA [1]	**$ 39.3**	**$ 50.3**	**$ 30.4**	**$ 24.0**	**$ 35.0**	**$ 42.5**	**$ 15.6**	**$ 20.5**	**$ 60.5**

[1] Figures may not total due to rounding

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

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

Commentary on Quarterly Results

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.

System Sales[1] declined from $895.8 million in Q4 2019 to $611.3 million in Q4 2020 then increased to $790.4 million in Q4 2021. Total gross revenues were $327.0 million in Q4 2019 and $210.9 million in Q4 2020 and increased in Q4 2021 to $299.3 million. The decreases from Q4 2019 were driven by the government mandated temporary restaurant closures which began in March 2020. The increases from Q4 2020 were driven by higher off-premise sales, higher dining room sales and also reflects the strong consumer demand for our restaurant brands and retail products.

Adjusted EBITDA[2] declined from $60.5 million in Q4 2019 to $35.0 million in Q4 of 2020 then increased in Q4 2021 to $39.3 million. Excluding The Keg royalty, Adjusted EBITDA[2] in Q4 2019 was $64.0 million and $35.0 million in Q4 2020 and $39.3 in Q4 2021. Adjusted EBITDA Margin on System Sales[3] was 7.1% in Q4 2019, 5.7% in Q4 2020 and 5.0% in Q4 2021. The Adjusted EBITDA[2] decrease in Q4 2020 was primarily related to the effects of the COVID-19 pandemic. The increase in Q4 2021 was primarily driven by increased System Sales and the closure of under-performing locations.

Total Operating Income increased from a loss of ($4.5) million in Q4 2019 to $1.0 million in Q4 2020 and $5.0 million in Q4 2021. The increase in Total Operating Income from Q4 2019 was mainly driven by impairment charges related to planned restructuring of non-strategic and under-performing stores, which was booked in Q4 2019. The increase from Q4 2020 was driven by increased System Sales, partially offset by lower government subsidies and an increase in food costs.

Operating Income from the corporate restaurant segment have fluctuated (year over year) each quarter as a result of the addition and sale of corporate restaurants and from taking back under-performing previously subsidized franchise locations. Quarterly Operating Income from the corporate segment decreased from $19.3 million in Q4 2019 to $1.5 million in Q4 2020 and increased to $6.2 million in Q4 2021. Operating Income from the corporate segment declined as a result of the COVID-19 related system sales decrease, full period fixed costs (including rent), partially offset by a decrease of variable overhead costs as a result of corporate restaurant closures and wage subsidies. Operating Income from the corporate segment subsequently increased in Q4 2021 as a result of higher System Sales, partially offset by lower wage subsidies.

Operating Income from the franchise restaurant segment as a percentage of System Sales was 4.7% in Q4 2021 compared to 3.9% in Q4 2020 and 4.4% in Q4 2019. Quarterly Operating Income from the franchise segment for each quarter (year over year) were $26.6 million in Q4 2019 and $16.7 million in Q4 2020 and increased to $25.5 million in Q4 2021. The decrease in Q4 2020 reflects lower sales as a result of the COVID-19 pandemic and the effects of the 2020 royalty subsidy program which reduced the royalty rate by 1%. The increase in Q4 2021 was due to higher system sales, the closure of franchise locations that were receiving royalty assistance and the elimination of the royalty subsidy program which concluded at the end of 2020.

Operating Income from retail and catering was $13.1 million in Q4 2019 and $13.1 million in Q4 2020 and decreased to $8.0 million in Q4 2021. The decrease in Q4 2021 was driven by higher retail food input costs, product mix and lower wage subsidies due to higher revenues.

Operating Loss from the central segment decreased from $60.0 million in Q4 2019 to $30.4 million in Q4 2020 and increased to $34.7 million in Q4 2021. Adjusted EBITDA from the central segment has changed from $1.5 million Q4 2019 to $3.7 million in Q4 2020, and to $(0.4) million in Q4 2021. The decreases in Q4 2020 and Q4 2021 were driven by lower vendor volume rebates, partially offset by higher off-premise revenue as a result of high off-premise and delivery orders.

Quarterly earnings (loss) before income taxes has changed from ($6.0) million in Q4 2019 to $23.9 million in Q4 2020 and to $0.7 million in Q4 2021. The net increase in 2020 was mainly driven by an a decrease of $24.8 million in non-cash fair value expense adjustments related to the Exchangeable Partnership and KRIF units and non-controlling interest liabilities, a reduction in asset impairment charges of $29.8 million, partially offset by a decrease of $25.5 million in Adjusted EBITDA due to the effects of COVID-19. The net decrease in Q4 2021 was driven by a change 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 of $4.3 million.

Free Cash Flow[(2)] decreased from $49.3 million in Q4 2019 to $11.0 million in Q4 2020 and has now increased to $40.5 million in Q4 2021. Historically, Free Cash Flows have been used to pay and increase dividends to shareholders, to reduce the Company's borrowings from various acquisitions, to invest in the Company's core brands, and to repurchase the Company's subordinate voting shares.

[(1)] See "Supplemental Financial Measures" on page 4 for definition of System Sales and System Sales Growth
[(2)] See "Non-GAAP Financial Measures" on page 1 for definitions of Adjusted EBITDA
[(3)] See "Non-GAAP Ratios" on page 4 for definition of Adjusted EBITDA Margin on System Sales

Liquidity and Capital Resources

Recipe's principal uses of funds are for operating expenses (including net lease payments), capital expenditures, finance costs, debt service, dividends and the repurchase of its subordinate voting shares through its NCIB. Management believes that cash generated from operations, together with amounts available under its credit facility (refer to page 28), will be sufficient to meet its future operating expenses, capital expenditures, future debt service costs, discretionary dividends, and discretionary share repurchases. However, Recipe's ability to fund future debt service costs, operating expenses, capital expenditures and dividends will depend on its future operating performance which will be affected by general economic, financial and other factors including factors beyond its control. See "Risk and Uncertainties" (refer to page 44). Recipe's management reviews acquisition and investment opportunities in the normal course of its business and, if suitable opportunities arise, may make selected acquisitions and investments to implement Recipe's business strategy. Historically, the funding for any such acquisitions or investments have come from cash flow from operating activities, additional debt, or the issuance of equity. Similarly, from time to time, Recipe's management reviews opportunities to dispose of non-core assets and may, if suitable opportunities arise, sell certain non-core assets.

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

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

(C$ millions unless otherwise stated)	December 26, 2021	December 27, 2020	December 29, 2019
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[2]	**$ 860.0**	**$ 860.0**	**$ 860.0**
Less: Private notes	(250.0)	(250.0)	(250.0)
Less: Draw on revolving credit	(112.3)	(207.3)	(210.3)
Less: Draw on The Keg credit facilities	(34.3)	(34.5)	(19.0)
Subtotal - total debt	**$ (396.6)**	**$ (491.8)**	**$ (479.3)**
Cash	42.2	40.5	40.4
Liquidity[2]	**$ 505.6**	**$ 408.7**	**$ 421.1**

[1] See "Non-GAAP Measures" on page 1 for definitions of Adjusted EBITDA and Free Cash Flow. See page 2 for a reconciliation of Cash flows from operating activities and to Free Cash Flow before growth capex, dividends and NCIB and Free Cash Flow after growth capex, dividends and NCIB..
[2]Credit availability excludes $250 million Accordion feature that is available but subject to lender approval.

Working Capital

A working capital deficit is typical of restaurant operations, where the majority of sales are for cash and there are rapid turnover of inventories. In general, the turnover of accounts receivable and inventories is faster than accounts payable, resulting in negative working capital. Sales of Recipe's Ultimate Gift Card and the addition of The Keg gift card significantly improves the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions typically, in the January to March period. Recipe's gift card liability at December 26, 2021 was $180.5 million compared to $160.8 million at December 27, 2020, an increase of $19.7 million due to higher gift card sales and lower redemptions. The following table presents Recipe's working capital as at December 26, 2021 compared to December 27, 2020:

(C$ millions unless otherwise stated)	December 26, 2021	December 27, 2020	change in working capital
Cash	$ 42.2	$ 40.5	$ (1.7)
Accounts receivable	96.4	106.3	9.9
Inventories	64.3	44.9	(19.4)
Current taxes receivable	4.0	13.1	9.1
Prepaid expenses and other assets	7.6	7.2	(0.4)
Current portion of long-term receivables	63.4	66.3	2.9
Total Current Assets (1)	**$ 278.0**	**$ 278.4**	**$ 0.4**
Accounts payable and accrued liabilities	$ 139.4	$ 132.9	$ 6.5
Provisions	3.0	2.7	0.3
Gift card liability	180.5	160.8	19.7
Income taxes payable	1.3	6.7	(5.4)
Current portion of long-term debt	0.9	—	0.9
Current portion of lease liability	110.9	124.8	(13.9)
Total Current Liabilities(1)	**$ 436.1**	**$ 427.9**	**$ 8.1**
Working capital deficit	**$ (158.1)**	**$ (149.5)**	**$ 8.5**

(1) Figures may not total due to rounding.

At December 26, 2021, Recipe had a working capital deficit of $158.1 million compared to a deficit of $149.5 million at December 27, 2020. The change in working capital deficit of $8.5 million was mainly related to an increase in gift card liability and a decrease in the current portion of lease liability.

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

Cash Flows

The following table presents Recipe's cash flows for the 13 and 52 weeks ended December 26, 2021 compared to the 13 and 52 weeks ended December 27, 2020:

	13 weeks ended		52 weeks ended	
(C$ millions unless otherwise stated)	December 26, 2021	December 27, 2020	December 26, 2021	December 27, 2020
	(unaudited)	(unaudited)		
Cash flows from (used in) operating activities	$ 70.8	$ 50.4	$ 191.7	$ 113.4
Cash flows from (used in) investing activities	20.4	5.1	42.4	35.7
Cash flows (used in) financing activities	(86.5)	(63.7)	(232.5)	(148.9)
Change in cash during the period (1)	$ 4.7	$ (8.2)	$ 1.7	$ 0.2

(1) Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities were $70.8 million for the 13 weeks ended December 26, 2021 compared to $50.4 million in 2020, representing an increase of $20.4 million. Cash flows from operating activities were $191.7 million for the

52 weeks ended December 26, 2021 compared to $113.4 million in 2020, an increase of $78.3 million for the year. The increases were primarily related to higher Adjusted EBITDA and higher gift card sales.

Cash flows used in investing activities

The following table presents Recipe's capital expenditures for the 13 and 52 weeks ended December 26, 2021 compared to the 13 and 52 weeks ended December 27, 2020:

	13 weeks ended		52 weeks ended	
(C$ millions unless otherwise stated)	**December 26, 2021**	**December 27, 2020**	**December 26, 2021**	**December 27, 2020**
	(unaudited)	(unaudited)		
Purchase of property, plant and equipment:				
Maintenance:				
Corporate restaurants	$ 3.5	$ 2.0	$ 9.1	$ 7.3
Central / IT expenditures / Other	3.3	0.8	6.7	7.7
Total maintenance	$ 6.8	$ 2.8	$ 15.8	$ 15.0
Growth initiatives:				
Major renovations	3.6	(2.3)	9.1	2.5
New builds	0.7	2.6	3.6	10.8
Total growth	$ 4.2	$ 0.4	$ 12.6	$ 13.3
Total purchase of property, plant and equipment (1)	**$ 11.0**	**$ 3.2**	**$ 28.4**	**$ 28.3**
Common control transactions, net of cash assumed:				
Acquisitions	22.5	(4.7)	41.8	(4.7)
Divestitures	(37.7)	—	(37.7)	—
Buy backs	—	—	—	11.6
Total common control transactions, net of cash assumed	**$ (15.1)**	**$ (4.7)**	**$ 4.2**	**$ 6.8**
Total purchase of property, plant and equipment	(11.0)	(3.2)	(28.4)	(28.3)
Acquisitions and Divestitures	15.1	4.7	(4.2)	—
Buy backs	—	—	—	(6.8)
Proceeds on disposal of property, plant and equipment	0.2	0.1	2.0	4.6
Proceeds on early buyout of equipment and rental contracts	—	—	—	1.7
Investment in joint ventures	—	—	—	0.6
Additions to other assets	—	(1.1)	—	(2.3)
Lease payments received	17.0	11.6	75.6	58.7
Change in long term receivables	(0.8)	(7.0)	(2.6)	7.4
Total cash flows from (used in) investing activities (1)	**$ 20.4**	**$ 5.1**	**$ 42.4**	**$ 35.7**

(1) Figures may not total due to rounding.

Cash flows used in investing activities were $20.4 million for the 13 weeks ended December 26, 2021 compared to $5.1 million in 2020, representing a change of $15.3 million and primarily due to higher property, plant and equipment additions, acquisitions and the change in long term receivables, partially offset by lease payments received.

Cash flows from investing activities were $42.4 million for the 52 weeks ended December 26, 2021 compared to $35.7 million in 2020, representing a change of $6.7 million primarily due to cash used in acquisitions, partially offset by cash received from the divestiture of Milestones branded assets.

Commitments for Capital Expenditures

The Company incurs on-going capital expenditures in relation to the operation of its buildings, corporate restaurants, manufacturing equipment and distribution centers, maintenance and upgrades to its head office IT infrastructure, and to its call centre operations. During the year, the Company suspended many central, new store development, corporate store renovation and other capital expenditure plans to maintain sufficient liquidity during the COVID-19 disruption period.

Cash flows (used in) from financing activities

The following table presents Recipe's cash used in financing activities for the 13 and 52 weeks ended December 26, 2021 compared to the 13 and 52 weeks ended December 27, 2020:

	13 weeks ended		52 weeks ended	
(C$ millions unless otherwise stated)	**December 26, 2021**	**December 27, 2020**	**December 26, 2021**	**December 27, 2020**
	(unaudited)	(unaudited)		
Increases in debt	$ —	$ 10.8	$ 33.0	$ 318.5
Debt repayments	(65.2)	(26.7)	(128.2)	(310.7)
Deferred financing fees	(0.1)	—	(0.7)	(0.3)
Issuance of subordinated voting common shares	15.3	0.1	21.0	0.1
Share repurchase	—	—	—	(0.3)
Payment of lease liability	(32.3)	(37.2)	(136.3)	(120.7)
Interest paid net of interest income received	(4.1)	(10.7)	(21.2)	(28.8)
Dividends paid on subordinate and multiple voting shares	—	—	—	(6.6)
Cash flows (used in) from financing activities [(1)]	**$ (86.5)**	**$ (63.7)**	**$ (232.5)**	**$ (148.9)**

[(1)] Figures may not total due to rounding.

Cash flows used in financing activities were $86.5 million for the 13 weeks ended December 26, 2021, compared to $63.7 million in 2020, representing an increase of $22.7 million. Cash flows used in financing activities were $232.5 million for the 52 weeks ended December 26, 2021, compared to $148.9 million in 2020, representing an increase $83.6 million.

The increase in cash flows used in financing activities for the quarter and the year mainly relates to long term debt repayments, partially offset by the issuance of subordinated voting common shares. Despite the ongoing effects of the pandemic, through prudent cash management and the strategic measures taken by Company, the Company generated positive cash flows from operations of $70.8 million in the fourth quarter and $191.7 million year to date, which allowed the Company to repay $65.2 million and $95.2 million (net of borrowings) of long term debt in the fourth quarter and in the year.

Debt

Private debt

On May 1, 2019, the Company issued $250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("New Credit Facility"), are secured on a first lien basis on the assets that secure the Company's New Credit Facility, and are guaranteed by all material subsidiaries and holding companies of the Company on the same basis as the New Credit Facility. The Notes bear interest from their date of issue at a rate of 4.72% per annum, payable semi-annually and maturing on May 1, 2029. As at December 26, 2021, $250.0 million (December 27, 2020 - $250.0 million) was outstanding under the Notes.

Term credit facility

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

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

As at December 26, 2021, $112.3 million (December 27, 2020 - $207.3 million) was drawn under the amended and extended credit facilities. For the 52 weeks ended December 26, 2021, the effective interest rate was 3.70% representing bankers acceptance rate of 0.89% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 1.11%. As at December 26, 2021, the effective interest rate was 3.01%, representing bankers acceptance rate of 0.60% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 0.71%.

The Company is also required to pay a standby fee of between 0.20% and 0.46% per annum on the undrawn portion of the $550.0 million revolving facility. The standby fee, like the interest rate, is based on the Company's total funded net debt to EBITDA ratio. As of December 26, 2021, the standby fee rate was 0.34%.

February 2021 amendments to the term credit facility and private debt

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

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

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

As at December 26, 2021, the Company was in compliance with the amended financial covenants.

The Keg Facility

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

On November 29, 2019, the Company renegotiated the terms of its credit agreement with its existing banking syndicate to modify it from a revolving credit/term loan facility to an all revolving facility, increased the size of the facility to $60.0 million, reduced the interest rate and extended the maturity date. The credit facility is now comprised of a $55.0 million revolving facility with no set term of repayments and a $5.0 million revolving demand operating facility. The Company's credit facility now bears interest at a rate between bank prime plus 0% to bank prime plus 0.75%, based on certain financial criteria, rather than at bank prime plus 0.25% to bank prime plus 1.0%. The maturity date was extended from July 4, 2022 to June 30, 2024.

On June 26, 2020, on December 22, 2020, on June 24, 2021, and again on December 20, 2021, KRL entered into an amended and re-stated credit agreement with its Canadian banking syndicate. The amendment eliminates certain financial covenants and revises others until June 26, 2022. A new financial covenant requires KRL's liquidity (the sum of cash on hand and available but undrawn credit) to not be less than certain specified values until June 26, 2022, tested on a quarterly basis. The interest rate on the bank debt was increased from its existing level of bank prime to bank prime plus 0.75% effective June 29, 2020 until June 26, 2022.

As at December 26, 2021, $22.0 million of this facility has been drawn (December 27, 2020 - $22.0 million).

The above credit facilities are secured by a general security agreement and hypothecation over KRL's Canadian and US assets and a pledge of all equity interests in the Partnership. As at December 26, 2021, KRL was in compliance with all bank covenants associated with these facilities.

On September 29, 2020, 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 term facility with a five-year term, requires interest only payments for the first year, and bears interest at the prime rate plus 1.5%. Commencing on October 1, 2021, KRL is required to make monthly principal repayment of $74,000 for the remainder of BCAP Loan term. KRL has the option to repay any principal amount of this loan at any time, without bonus, premium, or penalty.

Pension deficit

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

Defined benefit plan assets are held in trust and at December 26, 2021, were invested 100% in a balanced fund. The accrued benefit plan obligations are determined using actuarial valuations calculated by the Company's actuary. The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements as recommended by the Company's actuary plus make annual required repayments of participant benefits for the Supplementary Retirement Plans.

A summary of the $18.7 million deficit in the plans is summarized below. Recipe meets its pension obligations by settling its obligations as they come due with cash-on-hand. As required by actuarial funding valuations Recipe paid $2.0 and $2.0 million in 2021 and 2020 respectively.

(C$ millions unless otherwise stated)	Defined Benefit Pension Plans	Supplementary Retirement Plans (unfunded)	Total
Fair value of plan assets	$ 34,662	$ —	$ 34,662
Present value of obligations	(36,578)	(16,741)	(53,319)
Total	**$ (1,916)**	**$ (16,741)**	**$ (18,657)**

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.

Contractual Obligations

Recipe's significant contractual obligations and commitments as of December 26, 2021 (except as noted below), are shown in the following table:

(C$ millions unless otherwise stated)	2022	2023	2024	2025	2026	Thereafter
Leases liabilities	$ 134.1	$ 116.5	$ 101.3	$ 89.3	$ 76.5	$ 178.6
Revolving term credit facility	—	—	112.3	—	—	—
Private debt	—	—	—	—	—	250.0
The Keg credit facilities	0.9	0.9	22.9	9.6	—	—
Note payable to The Keg Royalties Income Fund	—	—	—	—	—	57.0
Other obligations[(1)]	1.6	3.3	2.9	1.5	18.5	31.0
Total contractual obligations[(2)]	**$ 136.6**	**$ 120.7**	**$ 239.4**	**$ 100.4**	**$ 95.0**	**$ 516.6**

[(1)]Other obligations represent significant contractual obligations in accounts payable & accrued liabilities, provisions and other long term liabilities.
[(2)]All figures include obligations that are in the normal course of business and pension fund obligations. Recipe does not have any purchase obligations or other obligations as of December 26, 2021.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at March 3, 2022, there were 58,826,463 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 March 3, 2022 is 1,218,015.

Related Parties

Principal Shareholders

Fairfax Financial Holdings Limited and its affiliates (''Fairfax'') and the Phelan family through Cara Holdings Limited and its affiliates (''Cara Holdings'') are together referred to as the ''Principal Shareholders'' of the Company. As at December 26, 2021, the Principal Shareholders hold 67.8% of the total issued and outstanding shares and have 97.8% of the voting control attached to all the shares. Cara Holdings holds 21.7% of the total issued and outstanding shares, representing 36.4% voting control. Fairfax holds 46.1% of the total issued and outstanding shares, representing 61.5% voting control.

During the 52 weeks ended December 26, 2021, the Company paid a dividend of $nil per share (52 weeks ended December 27, 2020 - $0.1177 per share) on the Subordinate and Multiple Voting Shares of which Fairfax received $nil (52 weeks ended December 27, 2020 - $3.2 million) and Cara Holdings received $nil (52 weeks ended December 27, 2020 - $1.5 million), respectively.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Recipe's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for 52 weeks ended December 26, 2021 and December 27, 2020.

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

Insurance Provider

Certain of Recipe's insurance policies are held by a company that is a subsidiary of Fairfax. The transaction is on market terms and conditions. As at December 26, 2021, no payments were outstanding.

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

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

Investment in The Keg Royalties Income Fund

The KRIF units held by the Company are measured at fair value through profit or loss. The closing market price of a Fund unit as at December 26, 2021 was $14.67. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings. During the 52 weeks ended December 26, 2021, the Company purchased nil KRIF units (52 weeks ended December 27, 2020 - nil).

	December 26, 2021		**December 27, 2020**	
(in thousands of Canadian dollars)	**# of units**	**Fair Value**	**# of units**	**Fair Value**
Class A Partnership units	905,944	$ 13,290	905,944	$ 10,600
Class B Partnership units	176,700	2,592	176,700	2,067
Class D Partnership units	4,020,766	58,985	3,768,295	44,089
Exchangeable unit investment in the Partnership	5,103,410	$ 74,867	4,850,939	$ 56,756
Class C unit investment in the Partnership	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership	**10,803,410**	**$ 131,867**	**10,550,939**	**$ 113,756**
Investment in KRIF units	250,000	3,668	250,000	2,925
Distributions earned on KRIF units	—	373	—	193
	11,053,410	**$ 135,908**	**10,800,939**	**$ 116,874**

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a Fund unit as at December 26, 2021 was $14.67 (December 27, 2020 - $11.70).

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

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

(a) The Class A units are entitled to a preferential proportionate distribution equal to the distribution on the Class C units, multiplied by the number of Class A units divided by the number of LP Partnership units ("LP units") issued and outstanding. The Keg Holdings Trust ("KHT") holds all of the 8,153,500 LP units issued and outstanding at December 26, 2021. In addition, the Class A units receive a residual distribution proportionately with the Class B units, Class D units, LP units and GP units relative to the aggregate number of each class issued and outstanding (or in the case of the Class B units and Class D units, the number issued and outstanding multiplied by the Class B and Class D current distribution entitlement, respectively). Class A units are exchangeable for Fund units on the basis of one Class A unit for one Fund unit and represent The Keg's initial 10% effective ownership of the Fund prior to the entitlement of Class B and Class D units.

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

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

Included in the total 4,020,766 Class D units, are 139,097 notional Class D units that KRL recognized during the 2021 fiscal year 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 readers should note that no cash distributions will be paid to KRL on these Class D units, as they shall be considered unentitled until such time as the final sales determination is made, and the actual Class D units are issued to KRL on December 25, 2022, to be effective January 1, 2020 and January 1, 2021, respectively.

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

Class C Unit Investment in the Partnership

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

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

Deferred Gain on Sale of The Keg Rights

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

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

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

Other

As at December 26, 2021, long-term receivables include a non-interest bearing employee demand note in the amount $0.2 million (December 27, 2020 - $0.8 million).

As at December 26, 2021, the Company has a $2.6 million royalty fee payable, including GST, to the Fund (December 27, 2020 - $1.0 million) and a $0.3 million interest payable amount due to the Fund on the Keg Loan (December 27, 2020 - $0.3 million) included in accounts payable and accrued liabilities.

As at December 26, 2021, the Company has $1.3 million in distributions receivable from the Partnership (December 27, 2020 - $0.6 million) related to its ownership of the Class C and Exchangeable Partnership units. These amounts were received from the Partnership when due, subsequent to the above periods.

The Company performs system services for a company owned by a director. For the 52 weeks ended December 26, 2021, KRL earned $0.1 million for these services (52 weeks ended December 27, 2020 – $0.1 million), which has been recognized by the Company as other income, net of the costs to provide these services.

The Company incurs royalty expense with respect to the license and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is treated as a related party transaction. The Company incurred royalty expense of $17.2 million for the 52 weeks ended December 26, 2021 (52 weeks ended December 27, 2020 – $13.9 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 52 weeks ended December 26, 2021, the Company recorded investment income of $9.5 million related to these units (52 weeks ended December 27, 2020 – $8.3 million).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. As at December 26, 2021 there was a related party balance of $0.3 million (December 27, 2020 - $15.8 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 5.0% to 7.75% and all mature September 21, 2023. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $0.3 million (December 27, 2020 - $1.0 million). The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. For the 13 and 52 weeks ended December 26, 2021, the Company charged interest in the amount of $nil million and $0.3 million, respectively (13 and 52 weeks ended December 27, 2020 - $nil million and $0.2 million) on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at December 26, 2021 the accounts receivable balance included $0.3 million (December 27, 2020 - $nil million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 52 weeks ended December 26, 2021, an increase of $0.2 million, respectively (52 weeks ended December 27, 2020 - $0.3 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

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

On April 21, 2021, the Company, through its subsidiary Original Joe's Franchising Group Inc. completed the purchase of the remaining interest of a joint venture, Original Restaurants Group Limited. The Company obtained control through a step acquisition that was completed on April 21, 2021.

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

Transactions with key management personnel

Key management personnel

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

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

	52 weeks ended	
(in thousands of Canadian dollars)	**December 26, 2021**	**December 27, 2020**
Short-term employee benefits	$ 5,129	$ 4,496
Long-term incentive plans	1,394	1,591
Total compensation	**$ 6,523**	**$ 6,087**

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

Post-employment benefit plans

The Company supports a number of defined benefit plans and a defined contribution plan as described in note 21 of the Company's financial statements. In 2021, the Company's contributions to these plans were $2.0 million (December 27, 2020 - $2.0 million). Contributions made by the Company to its post-employment benefit plans are disclosed in note 21 of the Company's financial statements. The Company does not receive any reimbursement of expenses incurred by the Company to provide services to these plans.

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:

a. Reopening restaurants that have been temporarily closed as a result of the COVID-19 pandemic and providing exceptional service, food, ambience and value that reinforces to customers what they have been missing, while focusing on being an employer of choice in Canada;

b. Continue to practice amplified "Social Safely" safety protocols across all of our corporate and franchise locations to protect the health of our Guests, teammates and franchise partners. This includes comprehensive protocols related to food safety, strict standard operating procedures, independent third party audits and our rigorous safety training programs;

c. Continue to execute on our plans to support the expansion of our multi-channel offerings for post-COVID success. This includes the introduction of new restaurant layouts and designs with separate entrances to facilitate delivery, takeout and 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.

d. Actively negotiate early exit and permanent closure of under-performing restaurants that were identified at the end of 2019 to strengthen each brand portfolio and improve the long term Adjusted EBITDA[(2)] contribution rates of both the Corporate and Franchise restaurant segments;

e. Prepare Recipe's portfolio of brands for post-COVID success including identifying the brands for accelerated growth, possible brand acquisition and rationalizing under-performing brands; and

f. Continue to expand the Company's off-premise business for all brands with digital and mobile order applications and brand appropriate features including curb-side pick-up, preorder and pay, as well as other payment convenience options. The Company is also focused on the expansion of 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.

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after December 27, 2020. See note 3 of the Company's consolidated financial statements for the year ended December 26, 2021 for a summary of new accounting standards adopted during 2021 and note 4 for a summary of future accounting standards not yet adopted.

Disclosure Controls and Procedures

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

As of December 26, 2021, an evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, there were no material changes in controls during the year and the CEO and CFO concluded that as of December 26, 2021, the Company's disclosure controls were appropriately designed and procedures were effective.

Internal Controls Over Financial Reporting

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of December 26, 2021. Based on the evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Critical Accounting Judgments and Estimates

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

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

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

Business combinations

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

Impairment of non-financial assets

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

Property, Plant and Equipment

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

When determining the VIU of a restaurant location, the Company employs a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU or the remaining lease term of the location. Sales forecasts for cash flows are based on actual operating results, operating budgets and long-term growth rates that were consistent with strategic plans presented to the Company's Board and ranged between 0% and 3%. The estimate of the VIU of the relevant CGUs was determined using an after-tax discount rate of 3.75% to 14.1%.

Brands and other assets

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

The Company determines FVLCS of its brands using the "Relief from Royalty Method", a discounted cash flow model. The process of determining the FVLCS requires management to make assumptions around projected future sales, terminal growth rates, royalty rates and discount rates. Projected future sales are consistent with the most recent strategic plans presented to the Company's Board. For the purposes of the impairment test, the Company has reflected a terminal value growth of 3% after the fifth year in its present value calculations.

The Company has used an after-tax discount rate in the range of 10.1% to 14.1%, which is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the group of CGUs to which brands with an indefinite life is allocated. Cash flow projections are discounted over a five-year period plus a terminal value.

Impairment of financial assets

The Company applies the ECL model to assess for impairment on its long-term receivables at each balance sheet date. The ECL is determined using assumptions such as the probability of default ("PD") incorporating loss given default and exposure at default. PD estimates represent a point in time PD, updated quarterly based on the Company's historical experience, current conditions, relevant forward-looking expectations over the expected life of the exposure to determine the PD curve.

Forward-looking expectations include relevant macroeconomic variables. Expected life is the maximum contractual period the Company is exposed to credit risk. The ECL is measured over the period the Company is exposed to credit risk.

Definition of default

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

Incorporation of forward-looking information

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

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

Leases

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

Income and other taxes

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

Employee future benefits

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

The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan expense, as at the measurement date of December 31st, were as follows:

	Defined benefit pension plan		Unfunded defined benefit pension plans	
	December 26, 2021	December 27, 2020	December 26, 2021	December 27, 2020
Defined benefit plan obligations				
Discount rate	**2.80-3.30**	2.15-2.75	**2.8**	2.15
Rate of compensation increase	**2.0-3.0**	2.0-3.0	**2.0**	2.0
Mortality table	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8
Net defined benefit plan expense				
Discount rate	**2.15-2.75**	3.05	**2.15**	3.05
Rate of compensation increase	**2.0-3.0**	2.0-3.0	**2.0**	2.0
Mortality table	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.8

Gift cards

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

Stock-based compensation

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

The expected annual volatility is based on industry benchmarks against a common pool of comparable industry stocks, using average 3-year volatility trends as of the grant date. For options granted prior to the IPO, stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 20%. The Risk-Free Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

Risks and Uncertainties

COVID-19 (coronavirus)

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

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

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

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

Restaurant Industry

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

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. 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 is impacted by general economic conditions including inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees which may adversely affect the restaurant industry in general and the Company in particular. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the financial condition and results of operations of the Company.

Competition with Other Franchisors

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

Quality Control and Health Concerns

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

Security Breaches of Confidential Guest Information

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

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

Public Safety Issues

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

Damage to the Company's Reputation

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

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

Availability and Quality of Raw Materials; Reliance on Suppliers

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

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

Growth of the Company; Franchisees

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

The Company provides training and support to franchisees, but the quality of franchised operations may be diminished by any number of factors beyond the Company's control. Consequently, franchisees may not successfully operate outlets in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of the Company may suffer, and sales of restaurants in Recipe's network could decline. There can be no assurance that the Company will be able to effectively manage its expanding operations.

Franchise Fees and Other Revenue

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

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

Franchisee Relations

The Company's success is dependent on its relationship with its franchisees. There can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees. In addition, in certain jurisdictions in which the Company has restaurants, franchisees are permitted to establish associations among themselves. There can be no assurances that franchisees have not or will not in the future organize an association in order to act together to lobby the Company. Adverse publicity resulting from such activities may affect the sales of the restaurants, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected restaurants and the ability of the Company to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.
For certain franchisees, the Company acts as the "head lessee" under the lease for the restaurant. A default by the franchisee under the lease could result in increased costs and could have a negative impact on the Company's business and results of operations. The Company from time to time is also subject to litigation claims from franchisees. See "Legal Proceedings and Regulatory Actions".

Revenue Reporting Risks

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

Opening New Restaurants

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

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

Potential Inability to Consummate Acquisitions

The Company does not currently have any agreement or commitment to acquire any businesses. However, Recipe continues to seek opportunities to acquire or invest in restaurant businesses, such as its investments in The Keg and Fresh, that could expand, complement or otherwise relate to its current or future restaurant operations. Recipe may also consider, from time to time, opportunities to engage in business collaborations with third parties to address particular purchasing requirements, such as the Shared Services Agreement. The pursuit of these activities may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions or business arrangements, whether or not they are consummated. The Company may also be precluded from pursuing such transactions as a result of financial or other covenants in agreements to which it is a party. The Shared Services Agreement, in particular, includes provisions that would restrict the Company from engaging in negotiations with respect to a potential investment in certain Canadian foodservice companies if Fairfax is already engaged in negotiations with respect to that opportunity. In these circumstances, the interests of Fairfax (and of other restaurant operators in which it may hold an investment, such as The Keg), may conflict with the Company's interests.

Integration of Acquisitions and Brand Expansion

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

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

Retail Licensing Opportunities

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

Fully-Integrated Supply Chain

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

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

Seasonality and Weather

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

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

Regulations Governing Alcoholic Beverages

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

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

Product Safety and Public Health

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

Regulatory Compliance

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

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

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

Laws Concerning Employees

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

Dependence on Key Personnel

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

Attracting and Retaining Quality Employees

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

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

Unionization Activities May Disrupt Company Operations

Although only the employees at approximately 79 franchised restaurants, 7 corporate restaurants, 1 call center, 2 manufacturing plants, in Boisbriand and Blainville, Québec, and 1 distribution center, in Anjou, Québec are currently covered under collective bargaining agreements, the Company's employees may elect to be represented by labour unions in the future. If a significant number of the Company's employees were to become unionized and collective bargaining agreement terms were significantly different from the Company's current compensation arrangements, it could adversely affect the Company's business, financial condition or results of operations. In addition, a labour dispute involving some or all of the Company's employees or the employees of franchisees may harm Recipe's reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. Further, if the Company enters into a new market with unionized construction companies, or the construction companies in the Company's current markets become unionized, construction and build out costs for new Company restaurants in such markets could materially increase.

Reliance on Information Technology

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

Intellectual Property

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

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

Lawsuits

The Company and the franchisees may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada or elsewhere in the ordinary course of its business, including, but not limited to, complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. The Company is also subject to a variety of other claims arising in the ordinary course of its business, including personal injury claims, contract claims, class action claims, claims from franchisees (which tend to increase when franchisees experience declining sales and profitability) and claims alleging violations regarding workplace and employment matters, discrimination and similar matters. The existence of such claims against the Company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The Company may also be named in lawsuits primarily directed at a franchisee. Adverse publicity resulting from such allegations may materially affect the sales or results of operations of restaurants, regardless of whether such allegations are true or whether the Company or a franchisee is ultimately held liable. See "Legal Proceedings and Regulatory Actions".

Regulation

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

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

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

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

Foreign Currency Exchange Rates

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

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, which will be filed later in March 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.

Risks and Uncertainties

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

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

Please refer to the Company's Annual Information Form available on SEDAR at www.sedar.com for a more comprehensive list.