Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Pizza Pizza Limited ("PPL" or the "Company") covers the 13-weeks (the "Quarter") ended March 29, 2020. The MD&A should be read in conjunction with the Company's March 29, 2020 unaudited interim condensed consolidated financial statements and notes thereto (the "Financial Statements"), as well as the Company's audited consolidated financial statements and accompanying notes, and the related Management's Discussion and Analysis for the year ended December 29, 2019. The Company prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of May 13, 2020.

OVERVIEW

The Company, a privately-owned Canadian corporation, operates two brands, Pizza Pizza and Pizza 73. The Company acquired 100% of the shares of Pizza 73, Inc. ("Pizza 73") on July 24, 2007. Immediately following the acquisition, the Company and Pizza 73 amalgamated, continuing to operate as Pizza Pizza Limited.

The Company pays a royalty to Pizza Pizza Royalty Limited Partnership (the "Partnership") for the use of the Pizza Pizza Rights and Marks and the Pizza 73 Rights and Marks. (See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.")

About the Pizza Pizza Brand

Pizza Pizza restaurants operate primarily in the province of Ontario, where it dominates the pizza Quick Service Restaurant ("QSR") segment and is a franchise-oriented restaurant business. Of the 639 Pizza Pizza restaurants at March 29, 2020, 618 are franchised or licensed, 20 are owned and operated as corporate restaurants and one is jointly-owned by the Company and an independent owner/operator. Of the 639 restaurants, 213 are non-traditional locations which have limited operating hours and a limited menu.

The Company provides a high level of service and operational support to its partners, including turn-key restaurants, a central food distribution centre which supplies all food and non-food items used in Pizza Pizza restaurant operations, and monitoring systems intended to ensure product and service quality and operational consistency across the chain.

The Company has a modern restaurant system. The centrally managed renovation or re-imaging program, funded by its franchisees, allows for the continuous renewal of the Pizza Pizza concept.

About the Pizza 73 Brand

There are 103 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 85 traditional restaurants at March 29, 2020, seven are franchised or licensed and 78 are jointly-owned by the Company and an independent owner/operator. There are 18 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 has seven traditional locations outside of Alberta; four in Saskatchewan, two in British Columbia, and one in the Yukon. Sales through its centralized call centre and on-line ordering, together, account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes a newly built, central food distribution centre in Edmonton.

Background

The Company's three distinct revenue sources, food and beverage sales, receipt of royalty payments and profits from the 50% ownership in the Pizza 73 restaurants, are driven by changes in retail system sales at franchised, jointly controlled and company restaurants. Changes in retail system sales are driven by economic conditions, marketing initiatives and store counts. The Company monitors these metrics closely, as they directly impact its revenues and profits, and the Company strives to consistently increase the related amounts.

The Company devotes significant attention to its innovative marketing programs which are funded by the restaurant operators' contribution to a marketing fund that is administered by the Company. In accordance with their franchise or operating agreements, each traditional Pizza Pizza restaurant contributes approximately 6% of system sales (in addition to the base royalty and other franchise fees) and each traditional Pizza 73 restaurant contributes approximately 8% of system sales.

COVID-19 Impact on the Company's Business

The global crisis resulting from the COVID-19 pandemic has had a substantial impact on the restaurant operations at Pizza Pizza Limited ("PPL") for the three months ended March 31, 2020, and is expected to continue with the timing of recovery uncertain. System-wide sales growth, food sales, royalties and franchise fees, store service contributions, and same store sales were also negatively impacted for the three months ended March 31, 2020.

Pizza Pizza and Pizza 73 System Sales have been negatively impacted as its restaurant operators have taken significant measures in their restaurants to protect the health of employees and consumers in compliance with social-distancing recommendations and requirements of applicable health authorities, including the closure of restaurant seating areas. Fortunately, the restaurants were allowed to remain open for delivery and takeout sales.

To better understand the COVID-19 impact on the Company's System Sales, readers should know that Pizza Pizza and Pizza 73 operate traditional and non-traditional restaurants. The sales mix includes delivery, pickup, walk-in and non-traditional sales. By brand, Pizza Pizza traditional restaurant sales have historically consisted of approximately 60% delivery and pickup sales and 40% walk-in sales, whereas Pizza 73 traditional restaurant sales have been approximately 90% delivery and pickup sales and 10% walk-in sales. As a result of government-mandated social distancing policies, the walk-in sales at both brands decreased significantly beginning in mid-March and this trend continued throughout April; however, walk-in sales began modestly improving in May.

During the first quarter, substantially all traditional Pizza Pizza and Pizza 73 restaurants remained open across Canada, with only 15 locations temporarily closing after the quarter due to the pandemic. However, the majority of non-traditional Pizza Pizza and Pizza 73 restaurants have closed, with the exception of a few locations in hospitals and gas bars. Normally, non-traditional locations, offering a limited menu and operating, for example, in sporting arenas, outdoor entertainment venues, universities, hospitals, and cinemas, account for nearly 10% of System Sales.

With the decrease in System Sales, the Company's royalty payable to the Partnership, through the two separate License and Royalty Agreements, has also decreased and, as a result, subsequent to March 31, 2020, monthly distributions made by the Partnership to the Company on its Class B and D Equivalent Shares will be reduced to $0.061 from $0.0871 per share.

New restaurant construction is permitted during the COVID-19 pandemic in British Columbia and Alberta, however, PPL will be temporarily pausing restaurant construction and renovations in Ontario and Quebec until government mandated restrictions on commercial construction are lifted in these provinces.

The medium and long term impact to the Company from COVID-19 will depend on consumer behavior after the economy fully reopens, the financial solutions achieved with government, lenders, franchisees, and landlords, and the macro impact on the overall economy, in particular household debt and levels of disposable income. Potential financial solutions which may be required include, but are not limited to, obtaining sufficient financial support from government(s) for PPL and restaurant operators, support from lenders, and obtaining rent relief from landlords.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the March 29, 2020 Financial Statements. The Company has a floating year-end of the Sunday closest to December 31, accordingly, quarters consist of four 13-week periods with an additional week added to the last quarter every five to six years.

Consolidated Financial Data and Adjusted EBITDA[1] Calculation

	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019
(all dollars in thousands, except number of restaurants)		
System Sales[2],[3]	127,435	137,029
Same Store Sales Growth (SSSG) [4]	-6.6%	-1.5%
Number of Restaurants:		
Traditional	511	514
Non-traditional	231	256
New restaurants opened	2	6
Restaurants closed	9	9
Revenues[5]	65,047	72,157
Cost of food sales and general & administrative expenses	(41,472)	(46,381)
Equity income from the Partnership	1,712	1,798
Royalty payments	(8,162)	(8,721)
Loss on impairment of lease receivables	(1,019)	-
Operating income (loss)	(3,027)	(1,824)
Income tax recovery (expense)	244	616
Income (loss) for the period attributable to the shareholders of Pizza Pizza Limited	(2,326)	(381)
Add (deduct):		
Equity income from Partnership	(1,712)	(1,798)
Royalty payments	8,162	8,721
Loss on impairment of lease receivables [6]	1,019	-
Operating lease payments	(1,635)	-
Amortization of deferred gain	(583)	(582)
Amortization	2,505	1,363
Interest (income) / expense, net	(52)	(211)
Financing expense on leases [6]	206	-
Store service contributions [5]	(18,680)	(20,883)
Store service expenditures [5]	20,113	21,843
(Gain)/Loss on sale of Company-owned restaurants	(45)	(179)
Amortization and taxes included in Equity income from jointly-controlled companies	201	325
Provision for (recovery of) income taxes:		
Current	-	-
Deferred	(244)	(616)
Adjusted EBITDA [1]	**6,929**	**7,602**

Notes:

(1) ''EBITDA'' is not a recognized measure under IFRS. References to EBITDA are to earnings determined in accordance with IFRS applicable to the financial statements before amounts for interest, taxes and depreciation and amortization. In addition, the Company has adjusted EBITDA for unusual charges in an attempt to demonstrate the Company's operations as if a

recombination of the Company and Pizza Pizza Royalty Corp. ("PPRC") occurred. Adjusted EBITDA excludes gains and losses on sales of assets and other items resulting from its relationship with the Partnership, as well as loss on impairment of lease receivables. The Company believes that, in addition to net earnings, adjusted EBITDA is a useful supplemental measure in evaluating its performance as it provides investors with an indication of cash available for debt service, working capital needs and capital expenditures. Investors are cautioned, however, that adjusted EBITDA should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows. The method of calculating adjusted EBITDA for the purposes of this MD&A may differ from that used by other issuers and, accordingly, adjusted EBITDA in this MD&A may not be comparable to adjusted EBITDA used by other issuers.

(2) The Company has a floating year-end of the Sunday closest to December 31, accordingly, interim periods consist of four 13-week periods with an additional week added to the last interim period every 5 to 6 years.

(3) System Sales reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly- controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of the Company.

(4) Same store sales growth ("SSSG") is not a recognized measure under IFRS. References to SSSG are to the changes in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payment may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. (See "Same Store Sales Growth").

(5) As part of the transition to IFRS 15, the Company was required to record store service contributions and expenditures for advertising, order processing and commissary services provided by the Company in the statement of consolidated income.

(6) As part of the transition to IFRS 16, the Company was required to recognize a lease receivable. The Company assessed if the credit risk increased for all head leases using a probability-weighted risk matrix. See "Adoption of IFRS 16"

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the Financial Statements of the Company for the 13-week period ended March 29, 2020. See "Critical Accounting Policies and Estimates".

System Sales

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019
Pizza Pizza	106,604	113,920
Pizza 73	20,831	23,109
Total	127,435	137,029

System sales are affected by the net change in the number of restaurants and SSSG reported during the Quarter.

Pizza Pizza and Pizza 73 System Sales have been negatively impacted as its restaurant operators have taken significant measures in their restaurants to protect the health of employees and consumers in compliance with social-distancing recommendations and requirements of applicable health authorities, including the closure of restaurant seating areas. Fortunately, the restaurants were allowed to remain open for delivery and takeout sales.

Pizza Pizza and Pizza 73 operate traditional and non-traditional restaurants. The sales mix includes delivery, pickup, walk-in and non-traditional sales. By brand, Pizza Pizza traditional restaurant sales have historically consisted of approximately 60% delivery and pickup sales and 40% walk-in sales, whereas Pizza 73 traditional restaurant sales have been approximately 90% delivery and pickup sales and 10% walk-in sales. As a result of government-mandated social distancing policies, the walk-in sales at both brands decreased significantly beginning in mid-March and this trend continued throughout April; however, walk-in sales began modestly improving in May.

The majority of non-traditional Pizza Pizza and Pizza 73 restaurants have closed, with the exception of a few locations in hospitals and gas bars. Normally, non-traditional locations, offering a limited menu and operating, for example, in sporting arenas, outdoor entertainment venues, universities, hospitals, and cinemas, account for nearly 10% of System Sales. See "COVID-19 Impact on the Company's Business", "Same Store Sales Growth" and "New Restaurant Development".

Same Store Sales Growth

SSSG, the key driver of yield growth for shareholders of the Partnership, decreased 6.6% (2019 – decreased 1.5%) for the Quarter. See "COVID-19 Impact on Company's Business".

The Company typically provides only comparative, quarterly SSSG for Pizza Pizza and Pizza 73 restaurants. However, due to the timing of the COVID-19 impact on System Sales, the Company is providing the following period-level detail which indicates how Pizza Pizza and Pizza 73 restaurant sales trended during the quarter; April is also included.

The sales impact felt from the pandemic began in the last two weeks of March and continued through most of April; however, both brands experienced week-over-week sales increases during the period. The significant decline in walk-in sales encountered in March and April was partially offset by increased delivery and pickup sales; however, the non-traditional sales portion of the sales mix decreased almost entirely and is not expected to return in the near future.

The Company notes that the situation remains fluid and will continue to assess the impact the COVID-19 pandemic has had and will have on restaurant sales.

SSSG	Monthly - 2020 (%)				First Quarter (%)	
	January	February	March	April	2020	2019
Pizza Pizza	3.1	0.2	-18.4	-29.3	-6.3	-2.4
Pizza 73	-1.4	-8.0	-13.7	-12.2	-8.3	2.9
Combined	**2.3**	**-1.2**	**-17.6**	**-26.4**	**-6.6**	**-1.5**

SSSG is normally driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. As mentioned earlier, beginning in mid-March, SSSG was negatively impacted as a direct result of the COVID-19 pandemic and the government-mandated social distancing policies. As a result of closing restaurant seating, walk-in sales decreased significantly, negatively impacting overall customer traffic. The decline in walk-in sales resulted in an overall increase in the average check at both brands as the average check of a walk-in customer is much lower than a delivery order check amount. The negative sales effect from the decline in customer traffic, as well as the decrease in non-traditional sales, more than offset the effect of the increase in the average check, resulting in negative SSSG for the Quarter. See "COVID-19 Impact on Company's Business".

SSSG is a key indicator used by the Company to measure performance against internal targets and prior period results. SSSG is commonly used by financial analysts and investors to compare the Company to other QSR brands. SSSG is defined as the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous comparative period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

(in thousands of dollars)	**For the 13-week period ended March 29, 2020**	**For the 13-week period ended March 31, 2019**
Total System Sales	127,435	137,029
Adjustments for stores not in both fiscal years, and step-outs	(1,638)	(2,307)
Same Store Sales	125,797	134,722
SSSG	**-6.6%**	**-1.5%**

New Restaurant Development

For the 13-week period ended March 29, 2020

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)[1]	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at December 29, 2019	428	217	645	86	18	104	749
Openings	2	-	2	-	-	-	2
Closings	(4)	(4)	(8)	(1)	-	(1)	(9)
As at March 29, 2020	426	213	639	85	18	103	742

For the 13-week period ended March 31, 2019

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)[1]	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at December 30, 2018	428	232	660	88	25	113	773
Openings	2	4	6	-	-	-	6
Closings	(3)	(4)	(7)	(1)	(1)	(2)	(9)
As at March 31, 2019	427	232	659	87	24	111	770

During the Quarter, the Company opened two traditional Pizza Pizza restaurants, one in British Columbia and one in Alberta; four traditional and four non-traditional Pizza Pizza restaurants were closed. At the Pizza 73 brand, the Company closed one traditional restaurant in Alberta.

Of the 426 traditional Pizza Pizza restaurants, 20 are company-operated (2019 – 21). Of the 85 Pizza 73 traditional restaurants, 78 are operated as independent businesses, equally owned by the Company and an owner/operator and seven are operated as franchised or licensed restaurants (2019 – 80 jointly-controlled and seven franchised or licensed).

As mentioned earlier, during the first quarter, substantially all traditional Pizza Pizza and Pizza 73 restaurants remained open across Canada; 15 locations have temporarily closed after the quarter due to the pandemic. However, the majority of non-traditional Pizza Pizza and Pizza 73 restaurants have closed, with the exception of a few locations in hospitals and gas bars.

New restaurant construction is permitted during the COVID-19 pandemic in British Columbia and Alberta, however, PPL will be temporarily pausing restaurant construction and renovations in Ontario and Quebec until government mandated restrictions on commercial construction are lifted in these provinces. See "COVID-19 Impact on the Company's Business".

Revenues

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019	% change
Food sales	39,410	43,537	-9.5%
Royalties, franchise fees and other revenue	6,957	7,737	-10.1%

Food sales are driven by SSSG and movement in the number of stores. Food sales represent food sales from the Company's distribution centre to the stores, after the elimination of intercompany transactions, as well as corporate store food sales to customers. For the Quarter, the decrease in food sales relates to the

[1] Number of restaurants added to the Partnership's Royalty Pool each year may differ from the number of restaurant openings and closings reported by PPL on an annual basis as the periods for which they are reported differ slightly.

impact of COVID-19 on the Company's operations, as well as the change in the number of restaurants being serviced compared to the same quarter of 2019. See "COVID-19 Impact on the Company's Business".

Royalties, franchise fees and other revenue for the Quarter decreased when compared to the same period in 2019. The decrease in the Quarter is the result of less royalties earned on the system sales due to the impact of COVID-19; also initial franchise fees decreased in the Quarter as fees were earned on two traditional restaurants compared to six in the first quarter of 2019.

Store service contributions and expenditures

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019	% change
Contributions	18,680	20,883	-10.5%
Expenditures	(20,113)	(21,843)	-7.9%
Net recovery/(deficit)	(1,433)	(960)	-49.3%

Contributions and expenditures decreased during the Quarter as System Sales decreased due to COVID-19.

As part of the transition to IFRS 15, in its consolidated statement of income, the Company is required to record store service contributions and expenditures in relation to central advertising and order processing at both brands, as well as Pizza 73 commissary services that are provided by the Company. Store service contributions fluctuate as system sales and new store openings vary. The Company expects expenditures to match contributions, however due to timing of advertising campaigns and other significant expenditures, the Company anticipates fluctuations in the net recovery/deficit balance from period to period.

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019	% change
Cost of food sales	31,847	35,775	-11.0%

Cost of food sales is dependent on the movement in food sales for the Quarter. The change in the cost of food sales is attributable to the decrease in food sales resulting from the impact of COVID-19. See "COVID-19 Impact on Company's Business". Furthermore, the Company continued to leverage its buying power and manage food costs through its centralized purchasing system.

General and Administrative ("G&A") Expenses

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019	% change
G&A expenses	9,625	10,606	-9.3%

G&A expenses include corporate expenses and company store expenses incurred at the Company's owned and managed stores. For the Quarter, the decrease in G&A expenses relates to a decrease in company store expenses as well as the effect of adopting the accounting standard for leases where the lease payments reduce the lease liability and are not reflected in G&A. The decrease was slightly offset by depreciation of right-of-use assets that did not exist in the prior period. See "Adoption of IFRS 16".

Royalty Payments

(in thousands of dollars)	For the 13-week period ended March 29, 2020	For the 13-week period ended March 31, 2019	% change
Pizza Pizza	6,310	6,662	-5.3%
Pizza 73	1,852	2,059	-10.1%
Total	8,162	8,721	-6.4%

As per the License & Royalty Agreements, the Company pays the Partnership a monthly royalty based on the system sales of the Pizza Pizza and Pizza 73 restaurants in the Royalty Pool. The restaurants in the Royalty Pool decreased to 645 on January 1, 2020 to include 20 new restaurants less 43 closed restaurants. In the prior year, the Royalty Pool included 772 restaurants. See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool".

For the Quarter, the decrease in royalty payments is the result of the negative SSSG resulting from the impact of the COVID-19 pandemic, as well as the decrease in the number of restaurants in the Royalty Pool. See "Same Store Sales Growth" and "COVID-19 Impact on Company's Business".

Loss on Impairment of Lease Receivables
The Company is the head lessee for the majority of its franchised locations and enters into agreements whereby the Company licenses the premises to the franchisee, for which the Company receives a premises license fee. Under the license agreement, the franchisee is responsible for the obligations under the lease. IFRS 16 requires the Company, where it acts as the intermediate lessor, to recognize a lease receivable. Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9 – Financial Instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivables. The Company has developed a probability-weighted risk matrix used to assess the credit risk of all head leases.

For the Quarter, the Company has recorded an expected credit loss provision on long-term receivables of $1.0 million (2019 – $nil). See "Adoption of IFRS 16".

Equity income from Pizza Pizza Royalty Limited Partnership
The Company accounts for its investment in the Partnership using the equity method of accounting. As at March 29, 2020, the Company owned an effective 23.5% interest in the Partnership, compared to 23.0% in 2019. The Company's 23.5% interest in the earnings of the Partnership is through its ownership of Class B and Class D Units. (See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.").

Equity income decreased slightly to $1.7 million for the Quarter when compared to the prior year comparative period of $1.8 million. The decrease in equity income reflects lower earnings of the Partnership from less royalty income, offset slightly by the increase in the Company's ownership.

Equity income from Jointly-controlled companies
The Company accounts for its 50% share interest in 79 jointly-controlled Pizza 73 restaurants (2019 – 80) as an investment in joint ventures, and applies the equity method of accounting.

For the Quarter, equity income decreased slightly to $0.9 million for the Quarter when compared to the prior year comparative period of $1.0 million. The decrease in equity income is the result of the COVID-19 impact on the restaurants' retail sales. See "COVID-19 Impact on Company's Business".

Current income tax recovery
Current income tax for the Quarter and the comparable period of 2019 was $nil. Theresults of the Quarter and prior year comparable period resulted in taxable losses, which are being carried forward to future years.

Deferred tax expense (recovery)
Deferred tax recovery for the Quarter was $244,000 compared to deferred tax expense of $616,000 for the comparable quarter in 2019. The variance is due to the Company recognizing its non-capital losses from

current and previous years' taxable income.

Net Loss

The Company reported a loss of $2.3 million for the Quarter when compared to the prior year comparative period loss of $381,000. The decrease in earnings for the Quarter is mainly attributed to a decrease in both food sales and store service contributions resulting from the impact on COVID-19 on the Company's operations, as well as the inclusion of depreciation on right-of-use assets and loss on impairment of lease receivables. See "COVID-19 Impact on Company's Business" "Adoption of IFRS 16".

Shareholders' Deficiency

The $103.1 million shareholders' deficiency shown in the Financial Statements is largely a result of the Company having paid $107.5 million in capital dividends to shareholders in 2005, $16.8 million in capital dividends in 2007, $7.2 million in capital dividends in 2012, and $39.0 million in capital dividends in 2016. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the Company's Rights & Marks in 2005, funds from operations since 2005, and proceeds from the sale of Class B Partnership Units in 2015. The balance of the deferred gain from the 2005 sale of the Company's Rights & Marks is $196.3 million as at March 29, 2020 and is being amortized into earnings over a term of 99 years.

SUMMARY OF QUARTERLY RESULTS

The Pizza Pizza and Pizza 73 restaurants are subject to seasonal variations in their business; system sales for the quarter ended March 31 have generally been the softest and the December 31 quarter system sales have been the strongest.

	13 weeks ended March 29, 2020	13 weeks ended December 29, 2019	13 weeks ended September 29, 2019	13 weeks ended June 30, 2019	13 weeks ended March 31, 2019	13 weeks ended December 30, 2018[2]	13 weeks ended September 30, 2018	13 weeks ended July 1, 2018
Revenues	$ 65,047	$ 72,122	$ 71,777	$ 72,479	$ 72,157	$ 72,241	$ 71,632	$ 73,988
Net income (loss)	$ (2,326)	$ 2,892	$ 253	$ 900	$ (381)	$ (1,799)	$ 1,522	$ (409)
Adjusted EBITDA	$ 6,929	$11,071	$ 7,443	$ 7,778	$ 7,602	$ 8,808	$ 8,520	$ 6,282

LIQUIDITY & CAPITAL RESOURCES

The following table provides an overview of the cash flows for the periods:

Cash provided by (cash used):	For the 13-weeks ended March 29, 2020	For the 13-weeks ended March 31, 2019
Operating activities	612	(1,592)
Investing activities	3,355	1,672
Financing activities	(811)	(463)
Increase (decrease) in cash and cash equivalents	3,156	(383)

As of March 29, 2020, the Company had negative working capital of $13.7 million and its cash, cash equivalents and short-term investment were $10.4 million. The Company collects most of its receivables within seven days from the date of the related sale and pays its payables within 30 days; the Company generally experiences over 100 turns of inventory per year. These factors, coupled with ongoing cash flows from operations, which are used primarily to pay the Partnership the royalty on the Royalty Pool system sales, may reduce its working capital amounts. The Company's primary sources of liquidity are cash flows from

[2] Comparative figures have been restated to conform with current year presentation.

operations and distributions received on the Company's interest in PPRC. The Company has historically funded capital expenditures and debt repayments from cash flows from operations and proceeds from the disposal of company-owned restaurants. Given the impact of COVID-19, the Company has engaged in additional measures to maintain liquidity, including extended payment terms with vendors and government subsidy programs. The Company would obtain advances from its parent company in the event it experiences short-term liquidity issues. See "COVID-19 Impact on Company's Business".

Cash provided by operating activities for the Quarter was $0.6 million compared with $1.6 million used in 2019. The $2.0 million increase in the loss for the period, was offset by adding back $1.4 million in Depreciation of right-of-use asset and $1.0 million in loss on impairment of lease receivables. When compared to the prior year comparative period, the $2.2 million decrease in cash used in operating activities is largely attributable to cash provided by changes in working capital.

Cash provided by investing activities for the Quarter was $3.4 million compared to $1.7 million in 2019. The increase in cash provided by investing activities is attributed to a decrease of $0.9 million in capital expenditures; a net $2.9 million of disbursements from renovation funds compared to a net $1.1 million of contributions to renovations funds in the prior year quarter; and net withdrawals from short-term investments in the Quarter, as compared to receipts of short-term investments in the same period of 2019.

Cash used in financing activities for the Quarter was $0.8 million compared to cash used of $0.5 million in 2019. The increase in cash used relates to the operating lease payments and financing expense on lease from the adoption of IFRS 16 offset by the change in repayment of advances to related party. See "Adoption of IFRS 16".

Certain bank covenants must be maintained by the Company and are related to the Partnership's credit facility, all of which were met as of March 29, 2020 and December 29, 2019. The Company believes the bank covenants will continue to be met in 2020.

Based upon its current level of operations and anticipated growth, the Company believes that the cash generated from its operations will be adequate to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales and a 9% royalty on the Pizza 73 Royalty Pool System Sales, plus meet its anticipated debt service requirements, its capital expenditure and working capital needs. The Company's ability to continue to fund these items could be adversely affected by the occurrence of any of the events described in the Risks and Uncertainties section that follows herein and the matters described in PPRC's Annual Information Form under the heading "Risk Factors". The Company's future operating performance and its ability to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales, a 9% royalty on the Pizza 73 Royalty Pool System Sales and meet its anticipated debt service requirements will be subject to future economic conditions and to financial, business and other factors, many of which may be beyond its control. However, to offset the factors that are beyond its control, the Company has the ability to convert its current Class B and Class D Units into shares of PPRC and sell them to the public to generate cash proceeds.

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

PPRC has licensed the Pizza Pizza Rights and Marks to the Company, for which the Company pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific listing of restaurants referred to as the "Royalty Pool" (as described under "Royalty Pool Adjustments"). There are 660 Pizza Pizza restaurants in the Royalty Pool for 2019.

In July 2007, the Partnership acquired the Pizza 73 trademarks and other intellectual property associated with Pizza 73 (together, "Pizza 73 Rights"). The Partnership licensed the Pizza 73 Rights to the Company for a 9% royalty on system sales of the Pizza 73 restaurants included in the Royalty Pool (as described under "Royalty Pool Adjustments"). For 2019, there are 112 Pizza 73 restaurants in the Royalty Pool.

As of March 29, 2020, the Company indirectly held an effective 23.5% interest in the Partnership (December 29, 2019 – 23.0%) by holding all Class B and Class D Units of the Partnership. The Company has the right to exchange one Class B or Class D Unit indirectly for that number of common shares of PPRC ("Shares") equal to the Class B Exchange Multiplier or Class D Exchange Multiplier, respectively, applicable at the date of such exchange, as described under "Royalty Pool Adjustments". The Class B and Class D Units are entitled to receive monthly distributions established by PPRC's board of directors. A monthly distribution is paid to both the Company and PPRC on a pro rata ownership basis, with PPRC's ownership held through its Class A and Class C limited partnership Units of the Partnership.

ROYALTY POOL ADJUSTMENTS

Annually, on January 1 (the "Adjustment Date"), an adjustment is made to the Royalty Pool to include the forecasted System Sales from new Pizza Pizza restaurants opened on or before December 31 of the prior year, less System Sales from any Pizza Pizza restaurants that have been permanently closed during the year. Once adjusted, the Royalty Pool remains fixed for the year, consequently, the number of stores in the Royalty Pool may vary from the number of stores actually open at any given time during the year. As the Royalty Pool does not reflect current year changes until the next Adjustment Date. The change in the amount of the Royalty due to the Partnership as a result of changes in the System Sales of the Royalty Pool will affect the Company's retained interest through an adjustment to the rate at which the Class B units of the Partnership may ultimately be exchanged for Shares. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier (as defined in the Pizza Pizza License and Royalty Agreement) involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the prevailing yield of the Shares. Beginning January 1, 2012, the Determined Amounts are multiplied by a number equal to (1-Tax%) where "Tax%" is an estimate of the Company's effective tax rate for the year (determined using the total income taxes paid by the Company during the fiscal year divided by the total cash received by the Company during that fiscal year) (i.e., for the Adjustment Date of January 1, 2019, it will be the effective Company tax rate for the year ended December 31, 2018). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Company for the year is known. The Determined Amount is multiplied by 80%, then divided by the current market price of the Shares, and then further divided by the number of Class B units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year, which was "one" on the closing of the Fund's initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the System Sales for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current shareholders.

If, during a year, a Pizza Pizza restaurant is closed, the sales of the restaurant from the closing date would no longer be included in the calculation of the royalty payable to the Partnership by the Company. To compensate for this, in certain circumstances, the Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") provide that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by the Company to the Partnership for the balance of the year in which the restaurant was closed, commencing from the closing date. The Make-Whole Payment will be the sales of the closed restaurant for the first 52-week period in which it was included in the Royalty Pool multiplied by the royalty rate, one twelfth of which is payable each month until the Adjustment Date.

Similarly, on the Adjustment Date, a separate adjustment is made to the Royalty Pool for the Pizza 73 restaurants. The Royalty Pool is increased to include the forecasted System Sales from new Pizza 73 restaurants opened on or before September 1 of the prior year, less System Sales from any Pizza 73 restaurants that have been permanently closed during the year. On the Adjustment Date, the adjustment to the Class D Exchange Multiplier is calculated in a similar manner as the Class B Exchange Multiplier described above.

RESTAURANTS ADDED TO THE ROYALTY POOL

2019 Royalty Pool Adjustment

In early January, 2020, a second adjustment was made to the royalty payments and the Company's Class B Exchange Multiplier based on the actual performance of the 18 new restaurants added to the Royalty Pool on January 1, 2019. As a result of the adjustments, the Class B Exchange Multiplier is 2.117969 and Class B Units can be exchanged for 5,312,373 shares effective January 1, 2019.

In early January 2020, a second adjustment was made to the royalty payments and the Company's Class D Exchange Multiplier based on the actual performance of the seven Pizza 73 restaurants added to the Royalty Pool on January 1, 2019. As a result of the adjustments, the Class D Exchange Multiplier is 22.44976 and Class D Units can be exchanged for 2,244,976 shares effective January 1, 2019.

2020 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2020, 15 net Pizza Pizza restaurants were removed from the Royalty Pool as a result of 19 new restaurants opening and 34 closing from January 1, 2019 to December 31, 2019. The total number of Pizza Pizza restaurants in the Royalty Pool has decreased to 645. The additional system sales from the 19 new restaurants are estimated at $8,725,000 annually, less sales of $8,687,000 from 34 permanently closed Pizza Pizza restaurants, resulting in net estimated Pizza Pizza sales of $38,000 added to the Royalty Pool. The yield of the shares was determined to be 9.0% calculated using $9.54 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2020. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.000612; the new Class B Multiplier is 2.118582. This adjustment will also increase the entitlement of the holders of the Class B units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2020, once the actual performance of the new restaurants is determined in early 2021.

2020 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2020, eight net Pizza 73 restaurants were removed from the Royalty Pool as a result of one new restaurant opening between September 2, 2018 and September 1, 2019 and nine restaurants closing between January 1, 2019 and December 31, 2019. The forecasted additional system sales from the one new restaurant is estimated at $546,000 annually, less $981,000 in system sales attributable to the nine closed Pizza 73 restaurants. As a result, a negative $435,000 net, estimated Pizza 73 sales were removed from the Royalty Pool. The net estimated sales were further reduced by $1,446,000 in system sales attributable to certain restaurants previously added to the Royalty Pool whose territory adjusted a previously existing restaurant. The total number of Pizza 73 restaurants in the Royalty Pool has decreased to 104.

Since the system sales of the closed Pizza 73 restaurants exceeded the additional system sales of the additional restaurant added to the Pizza 73 Royalty Pool, the Make-Whole Payment paid by the Company to PPRLP will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, additional system sales of additional restaurants are sufficient to offset the Pizza 73 system sales attributable to all closed Pizza 73 restaurants.

The yield of the shares was determined to be 9.0% calculated using $9.54 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2020. As per the Pizza Pizza Royalty Limited Partnership agreement, whenever the Estimated Determined Amount is negative it shall be deemed to be zero. Accordingly, the Class D Exchange Multiplier remained unchanged at 22.44976. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2020, once the actual performance of the new restaurants is determined in early 2021.

Pizza Pizza Royalty Corp. Outstanding Shares at January 1, 2020
In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, the Company has received 1,536 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (1,920 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2020 actual sales performance is known with certainty in early 2021.

The Company's Class D equivalent Share entitlement is unchanged for 2020. In any year that the forecasted system sales (less closed restaurants sales and other adjustments) is negative, as was the case with the Class D equivalent Share entitlement calculation for 2020, no increase or decrease in the Exchange Multiplier is made. The Company will only have a Class D equivalent Share entitlement for 2020 if the actual sales performance of the one new Pizza 73 restaurant, less the sales of adjustment restaurants, significantly exceeds forecasted system sales and yields net, positive sales when the actual sales performance is known with certainty in early 2021.

After giving effect to the Company's entitlement to additional equivalent Shares at January 1, 2020, the Company owns equivalent Shares representing 23.5% of the Company's fully diluted shares.

OUTLOOK

Pizza Pizza and Pizza 73 System Sales have been negatively impacted as its restaurant operators have taken significant measures in their restaurants to protect the health of employees and consumers in compliance with social-distancing recommendations and requirements of applicable health authorities, including the closure of restaurant seating areas. Fortunately, the restaurants were allowed to remain open for delivery and takeout sales.

The system sales mix includes delivery, pickup, walk-in and non-traditional sales. By brand, Pizza Pizza traditional restaurant sales have historically consisted of approximately 60% delivery and pickup sales and 40% walk-in sales, whereas Pizza 73 traditional restaurant sales have been approximately 90% delivery and pickup sales and 10% walk-in sales. As a result of government-mandated social distancing policies, the walk-in sales at both brands decreased significantly beginning in mid-March and this trend continued throughout April; however, walk-in sales began modestly improving in May.

The negative financial impact of COVID-19 has continued into the second quarter. See "SSSG". Based on the experience of other restaurant brands within and outside of Canada, the Company believes that the food service industry, and more particularly the quick service restaurant (QSR) segment of the industry, will ultimately recover from the impact of COVID-19. However, the timing and strength of the recovery cannot now be predicted with any degree of certainty.

The success of the Company depends on its ability to maintain and increase restaurant sales. Increases in restaurant sales are derived from both the opening of new Pizza Pizza and Pizza 73 restaurants and increases in SSSG.

PPL continues working closely with its franchisees, partners, suppliers and landlords to support the ongoing operation of our traditional locations through these unprecedented market conditions. Pizza Pizza and Pizza 73 delivery sales remain stable and PPL is actively taking measures with its marketing, operations and technology teams to drive increased delivery business. PPL provides contactless delivery and introduced its tamper-proof pizza box recently. Customers also now have the option to order, pay and even tip their driver online through websites or apps. This offers customers the added peace of mind that our pizzas leave 500 degree ovens and are placed immediately into a secure box which will be delivered as per the customer's instructions without any direct human contact.

As Canada's #1 pizzeria, Pizza Pizza Limited leverages its market-leading positions by staying top-of-mind with consumers. Pizza Pizza Limited believes its leading market share is the result of providing a variety of high-quality menu offerings, introducing new products and investing heavily in technological innovation.

SUBSEQUENT EVENT

As a direct result of COVID-19, Pizza Pizza and Pizza 73 System Sales have been negatively impacted as its restaurant operators have taken significant measures in their restaurants to protect the health of employees and guests in compliance with social-distancing recommendations and requirements of applicable health authorities, including the closure of restaurant seating areas.

With the decrease in System Sales, the Company's royalty payable to the Partnership, through the two separate License and Royalty Agreements, has also decreased and, as a result, subsequent to March 31, 2020, monthly distributions made by the Partnership to the Company on its Class B and D Equivalent Shares will be reduced to $0.061 from $0.0871 per share.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D Partnership Units, management fees and food purchases as disclosed in note 10 of the Financial Statements of the Company. The Company does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 10 of the Financial Statements of the Company.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 10 of the Financial Statements of the Company. Advances from related party are due to the parent company. Advances from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured. The related party has waived the right to demand repayment prior to March 29, 2020; accordingly, the advances from related party have been classified as long-term.

CRITICAL ACCOUNTING POLICIES

The preparation of the Financial Statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities, such as revenue recognition, long-lived and intangible assets and income taxes. The Company believes that its most critical accounting policies are:

Consolidation - Determining which entities are to be consolidated by the Company requires judgment on the definition of control. The definition of control under IFRS 10, Consolidated Financial Statements ("IFRS 10"), states that an investor controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Based on an assessment of the activities of the Partnership and the franchisees, it was concluded that the Company does not control these entities, and therefore shall not consolidate their operations. The Partnership is consolidated by PPRC, formerly Pizza Pizza Royalty Income Fund.

Investment in associate - An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company accounts for its 23.5% (December 29, 2019 – 23.0%) share interest in the Partnership as an investment in an associate and applies equity accounting whereby the Company's investment is increased by its 23.5% share of income for the period of the Partnership and reduced for distributions received during the Partnership's fiscal period. The Partnership's financial and fiscal periods differ from the Company's, as the Partnership operates on a calendar year-end.

Investments in joint ventures - A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company accounts for its 50% (December 29, 2019 – 50%) share interest in the 79 jointly-controlled companies as an investment in a joint venture and applies the equity accounting whereby the Company's investment is increased by its 50% share of income for the period of the joint ventures and reduced for distributions received during the joint ventures' fiscal period. The jointly-controlled companies' financial and fiscal periods differ from the Company's, as the joint ventures have a floating year-end of the Saturday immediately preceding July 31.

Identification of CGUs - For the purposes of identifying CGUs, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The Company concludes there are interdependencies of cash flows between Pizza 73 restaurants and the Company and therefore, the investment in jointly-controlled Pizza 73 restaurants is considered a single CGU. The Company's assets pertaining to Pizza Pizza operations are classified as a separate CGU.

Adoption of IFRS 16 - The Company has adopted IFRS 16 with a date of initial application of December 30, 2019, using a modified retrospective approach. Under the modified retrospective approach, the cumulative effect of initial application has been recognized in retained earnings at December 30, 2019, and comparative information has not been restated and continues to be reported under IAS 17, Leases. The adoption of this standard replaces the dual model for lessee accounting which classified leases as either finance or operating with a single accounting model which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Under IFRS 16, lessor accounting for operating and finance leases has remained substantially unchanged. The Company determines lease existence and classification at the lease inception date. Leases are identified when an agreement conveys the right to control the identified property for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the possession date of the asset. The right-of-use asset is initially measured based on the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, and excludes all sales taxes. Right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the lease term using the straight-line method. The lease term may include periods associated with options to extend or exclude periods associated with options to terminate the lease when it is reasonably certain that management will exercise these options. Additionally, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments are discounted using the interest rate implicit in the lease; if that cannot be readily determined, The Company uses its incremental borrowing rate. The incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value, in a similar economic environment, and with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Where the Company acts as an intermediate lessor, it classifies a sublease as a finance lease by reference to the right-of-use asset arising from the head lease. The Company derecognizes the right-of-use asset relating to the head lease that it transfers to the sublessee and recognizes a corresponding lease receivable, and the lease liability relating to the head lease is retained. Similar to right-of-use assets, the lease receivable is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

On adoption, the standard had a material impact on the Company's consolidated balance sheet, but did not have a significant impact on its consolidated statement of income. The impact of the adoption as at December 30, 2019 was as follows:

(in thousands of dollars)	**Balance as of December 29, 2019**	**Impact of IFRS 16 Adoption**	**Balance as of December 30, 2019**
Assets			
Lease receivable	-	67,901	**67,901**
Right-of-use asset	-	19,509	**19,509**
Liabilities			
Lease liability	-	89,123	**89,123**
Provision for onerous lease	1,729	(1,729)	**-**
Shareholders' Deficiency	(100,790)	16	**(100,774)**

Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9 – Financial instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivables. For the first quarter of 2020, the Company recorded an expected credit loss provision loss of $1.0 million (2019 - $nil) on long-term lease receivables. See "Loss on Impairment of Lease Receivables".

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to basis of consolidation, revenue recognition, long-lived and intangible assets and income taxes. The Company bases its estimates on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Changes in its estimates could materially impact the Company's results of operations and financial condition for any particular period. The Company believes that its most critical accounting estimates are:

Impairment of investment in Pizza Pizza Royalty Limited Partnership
The Company, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its interest in the Partnership is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the Partnership is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the consolidated statements of income.

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the Partnership and a suitable discount rate in order to calculate present value. In measuring future cash flows, the Company makes assumptions about future sales and terminal growth rates which are based on historical experience and expected future performance. Determining the applicable discount rate also involves estimating appropriate adjustments to market risk and the Company's specific risk factors. The two most sensitive assumptions are pre-tax discount rates and terminal growth rates.

The impact that COVID-19 has had on performance of restaurants was considered to be an impairment trigger. The Company, therefore, performed an impairment test as at March 29, 2020 using management's best estimates at a specific point in time which are subject to estimation uncertainty. As a result of this test, it was determined that there was no impairment.

Impairment of investment in jointly-controlled companies
The Company, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its interest in the joint ventures is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the joint ventures is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and charged to the consolidated statements of income.

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. In measuring future cash flows, the Company makes assumptions about future sales, tax rates, and terminal growth rates that were based on historical experience and expected future performance. Determining the applicable discount rate also involves estimating appropriate adjustments to market risk and the Company's specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

The impact that COVID-19 has had on performance of restaurants was considered to be an impairment trigger. The Company, therefore, performed an impairment test as at March 29, 2020 using management's best estimates at a specific point in time which are subject to estimation uncertainty. As a result of this test, it was determined that there was no impairment.

Impairment of non-trade assets
The Company, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its non-trade assets are impaired. If impaired, the carrying value of these assets is written down to its estimated recoverable amount, and charged to the consolidated statements of income.

The Company's franchisees, where qualified, have applied for financial assistance from the Government of Canada's COVID-19 Economic Response Plan, including the Canadian Emergency Wage Subsidy ("CEWS") and Canada Emergency Business Account ("CEBA"). The financial assistance will improve the liquidity of franchisees and thus allow the Company to continue to collect on its non-trade assets. In the interim, and until funding has been received, the Company has temporarily extended repayment terms of its franchisees, and therefore has not taken any additional impairment on the non-trade assets. See "COVID-19 Impact on Company's Business".

RISKS & UNCERTAINTIES

The performance of PPL is primarily dependent upon its ability to maintain and increase system sales at the Pizza Pizza and Pizza 73 restaurants, add new profitable restaurants to the network and attract qualified restaurant operators. Sales are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry, in particular, which is highly competitive with respect to price, service, location and food quality. In addition, factors such as the availability of experienced management and hourly employees may also adversely affect the system sales. Competitors include national and regional chains, as well as independently-owned restaurants, third party food delivery services, home meal delivery companies and retailers of frozen pizza. If PPL and the Pizza Pizza and Pizza 73 restaurants are unable to successfully compete in the quick service sector, system sales may be adversely affected. Changes in demographic trends, traffic patterns and the type, number and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, risk of technology failures, inflation, publicity from any food-borne illnesses and increased food, labour and benefits costs may adversely affect the restaurant industry in general and therefore, potentially, system sales. PPL's success also depends on numerous factors affecting discretionary spending, including economic conditions, disposable consumer income and consumer confidence. 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 could adversely affect system sales and the ability of PPL to pay the royalty to the Partnership.

For a more detailed list of risks and uncertainties please refer to the PPRC's Annual Information Form which is available on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

COVID-19

The COVID-19 pandemic has had and is continuing to have negative impacts on the Canadian economy, the QSR segment, the ability and willingness of the general public to dine outside the home and travel, consumer spending on restaurants and other discretionary expenses and the level of consumer confidence in the safety of QSR restaurants including Pizza Pizza and Pizza 73 restaurants, all of which are negatively impacting the Company, its franchisees and restaurant operators, PPRC and the Partnership, including their respective businesses, results of operations and financial condition. These and other COVID-19 related impacts may negatively affect their ability to obtain additional equity or debt financing, or re-finance existing debt, or make interest and principal payments to their respective lenders, make lease payments and otherwise satisfy their respective financial obligations as they become due, and may cause any of the Company, its franchisees and restaurant operators, PPRC and the Partnership to be in non-compliance with one or more of the financial covenants under their respective existing credit facilities and cause a default thereunder. Modifications to the operations of the Company's restaurants in response to COVID-19 as well as temporary or permanent restaurant closures have resulted, and are expected to continue to result in material declines to System Sales of the Company's restaurants relative to past performance. These declines will result in significant reductions to the amount of fees and other revenues received by the Company from its franchisees and restaurant operators and the amount of royalties payable to the Partnership, and correspondingly, funds available to be paid as distributions by the Partnership to the Company. The Company may become liable for the loan obligations of certain of its franchisees and restaurant operators, if such franchisees and restaurant operators default on their loans as a result of the impacts of COVID-19 or otherwise; such obligations may be significant and the Company may be unsuccessful in seeking recovery from such franchisees and restaurant operators, all of which may adversely affect the Company's business, results of operations and financial condition. The pace of recovery following the COVID-19 outbreak cannot be accurately predicted and may be slow. Further government restrictions related to COVID-19 may be imposed, which could restrict the ability of the Company's restaurants to operate, or result in forced closures, further reduced guest traffic, supply interruptions or staff shortages. Government programs expected to be helpful to the Company's franchisees and restaurant operators may not be available to some franchisees and restaurant operators or to the extent required to mitigate financial impacts resulting from the COVID-19 pandemic.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including those concerning PPL's ability to meet covenants and other financial obligations, and the potential business and financial impacts of the COVID-19 pandemic on the Company's plans and strategies described under "Outlook", may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology in conjunction with a discussion of future events or operating or financial performance. These statements reflect management's current expectations regarding future events and operating and financial performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: changes in national and local business and economic conditions including those resulting from the COVID-19 pandemic (such as restrictions on restaurant operations, customers' ability and willingness to visit restaurants and their perception of health and food safety issues, discretionary spending patterns and supply chain limitations, and the related financial impact on PPL and its franchisees and restaurant operators and their ability to meet debt and lease obligations), competition, changes in demographic trends, changing consumer preferences and discretionary spending patterns, changes in national and local business and economic conditions, legislation and governmental regulation, accounting policies and practices, and the results of operations and financial condition of the Company. The foregoing list of factors is not exhaustive and should be considered in conjunction with the other risks and uncertainties described in PPRC's Annual Information Form. The Company assumes no obligation to update these forward looking statements, except as required by applicable securities laws.

ADDITIONAL INFORMATION

Other information about the Company and PPRC, including the Annual Information Form, can be accessed on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.