

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") and 39-weeks (the "Period") ended October 3, 2021. The MD&A should be read in conjunction with the Company's October 3, 2021 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 January 3, 2021. The Company prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of November 10, 2021.

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 626 Pizza Pizza restaurants at October 3, 2021, 602 are franchised or licensed and 24 are owned and/or managed as corporate restaurants. Of the 626 restaurants, 195 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 105 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 105 locations, 89 are traditional restaurants at October 3, 2021, nine of which are franchised or licensed and 80 are jointly-owned by the Company and an independent owner/operator. There are 16 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%

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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.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the October 3, 2021 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 October 3, 2021	For the 13- week period ended September 27, 2020 ⁽⁶⁾	For the 39- week period ended October 3, 2021	For the 39- week period ended September 27, 2020 ⁽⁶⁾
(all dollars in thousands, except number of restaurants)				
System Sales⁽³⁾	126,143	121,900	347,800	360,399
Same Store Sales Growth (SSSG)⁽⁴⁾	2.8%	(9.5%)	(3.4%)	(10.8%)
Number of Restaurants:				
Traditional	520	505	520	505
Non-traditional	211	222	211	222
New restaurants opened	7	3	23	8
Restaurants closed	14	8	18	30
Revenues ⁽⁵⁾	67,305	64,311	187,655	192,488
Cost of food sales and general & administrative expenses	(42,828)	(42,059)	(120,539)	(122,500)
Equity income from the Partnership	1,887	1,695	4,766	4,945
Royalty payments	(8,335)	(8,145)	(23,025)	(23,760)
Operating income (loss)	2,620	(1,772)	295	(1,490)
Income tax recovery (expense)	(835)	330	(363)	232
Income (loss) for the period attributable to the shareholders of PPL	1,584	(2,030)	(515)	(1,740)
Add (deduct):				
Equity income from Partnership	(1,887)	(1,695)	(4,766)	(4,945)
Royalty payments	8,335	8,145	23,025	23,760
Amortization of deferred gain	(583)	(583)	(1,748)	(1,748)
Amortization	5,380	4,382	14,803	13,539
Interest income, net	(28)	(2)	(94)	(10)

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Store service contributions ⁽⁵⁾	(17,671)	(18,306)	(51,239)	(54,948)
Store service expenditures ⁽⁵⁾	15,565	18,537	51,397	55,526
Rent impact from IFRS 16 leases	(3,369)	(2,189)	(9,105)	(8,845)
Loss on (reversal of) impairment of lease receivables	(5)	(83)	(360)	710
Gain on sale of Company-owned restaurants	284	189	(175)	70
Amortization and taxes included in Equity income from jointly-controlled companies	229	320	822	943
Provision for (recovery of) income taxes:				
Deferred	835	(330)	363	(232)
Adjusted EBITDA ⁽¹⁾	8,669	6,355	22,408	22,080

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. 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 is 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. The Company has the ability to collect amounts that are in a deficit position in future years.
- (6) The comparative period has been restated due to the reclassification of right-of-use assets and lease receivables from the adoption of IFRS 16.

COVID-19 IMPACT

The COVID-19 pandemic has negatively impacted many businesses, especially the foodservice industry, including the restaurant operations at the Company. Fortunately, the Company has been in the pizza delivery business for over 50 years with an established ordering and technology infrastructure, and is well positioned to service communities across Canada. Since the pandemic began in March 2020, provinces across Canada have been in varying levels of operational restrictions, and those restrictions have changed as COVID-19 cases fluctuated.

During the third quarter of 2021, the COVID-19 pandemic continued to impact all regions in which the Company operates. Provinces across Canada continued to face varying levels of public health restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. However, as

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the third quarter of 2021 progressed and vaccination rates increased, provinces across Canada began to gradually lift restrictions, including the return of in-person dining and the reopening of entertainment venues.

As previously reported, Pizza Pizza and Pizza 73 restaurant operators have continued to take significant measures in their restaurants to protect the health of employees and customers in compliance with the requirements of local governments and applicable health authorities, including the closure of restaurant seating areas. As COVID-19 cases across Canada increased early in the second quarter of 2021 and the threat of new variant strains emerged, restaurant operations continued to be restricted across all provinces the Company services. Fortunately, the traditional restaurants have been allowed to remain open for delivery and takeout sales throughout the pandemic, and early in the Quarter restaurants were allowed to reopen for in-restaurant dining with capacity limits.

To better understand the impact of COVID-19 on the Company's Royalty Pool System Sales, readers are reminded that Pizza Pizza and Pizza 73 operate traditional and non-traditional restaurants. The Royalty Pool sales mix includes delivery, pickup, and walk-in sales from traditional restaurants, plus sales at non-traditional locations.

Since the pandemic began, substantially all traditional Pizza Pizza and Pizza 73 restaurants have remained open across Canada. 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 only 10% walk-in sales. As a result of government-mandated physical distancing policies and stay-at-home orders, the walk-in sales at both brands decreased significantly through most of the pandemic. However, as restrictions began to lift in the early part of the Quarter, the walk-in sales at Pizza Pizza began to recover. Restaurants who continue to be impacted by the loss of walk-in sales are those located in urban markets, where many of the walk-in sales are tied to corporate offices that have implemented work from home policies. During the same period of government mandated stay-at-home orders, delivery sales have grown, however, not enough to offset the lost walk-in sales.

Non-traditional store locations, offering a limited menu and typically operating in sporting arenas, outdoor entertainment venues, universities, hospitals, and cinemas, historically account for nearly 10% of Royalty Pool System Sales. Unfortunately, the majority of non-traditional Pizza Pizza and Pizza 73 locations closed in March 2020 and remained closed through the end of the second quarter of 2021. As the provincial governments began lifting restrictions early in the Quarter, many of the Company's non-traditional locations, which initially closed, reopened in a limited capacity as allowed by each province. With the full reopening of the economy, the Company will see a return of its larger non-traditional locations, especially those in key sporting arenas.

The impact of COVID-19 was sudden and unprecedented, and the medium and long term impact to the Company will depend on consumer behaviour 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. The Company continues to closely monitor recent health authority policy changes as communities encounter the pandemic's prolonged impacts.

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the Financial Statements. See "Critical Accounting Policies and Estimates".

System Sales

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(in thousands of dollars)	For the 13-week period ended October 3, 2021	For the 13-week period ended September 27, 2020	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020
Pizza Pizza	108,093	101,441	292,417	298,132
Pizza 73	18,050	20,459	55,383	62,267
Total	126,143	121,900	347,800	360,399

System sales for Pizza Pizza increased for the Quarter due to an increase in traffic, largely resulting from the lifting of COVID-19 restrictions across Canada. For the Period, system sales for Pizza Pizza decreased compared to the prior period due to the negative effects of COVID-19 in the first quarter of 2021 being compared to a pre-pandemic quarter. System sales for Pizza 73 decreased for the Quarter and Period due to the lingering effects of the pandemic. The reduction in traffic remained constant throughout both the Quarter and Period. Additionally, system sales are affected by the net change in the number of restaurants. See "COVID-19 Impact", "Same Store Sales Growth" and "New Restaurant Development".

Same Store Sales Growth

SSSG increased 2.8% (2020 – decreased 9.5%) for the Quarter and decreased 3.4% (2020 - decreased 10.8%) for the Period. See "Reconciliation of Non-IFRS Measures" and "COVID-19 IMPACT".

When comparing the year-to-date results of 2021 to 2020, it is important to remember that the COVID-19 pandemic began impacting business in mid-March 2020. SSSG continues to improve with each quarter in 2021, with the Pizza Pizza brand accounting for 85% of total sales.

SSSG	Third Quarter (%)		Year-to-Date (%)	
	2021	2020	2021	2020
Pizza Pizza	5.7	(10.6)	(1.8)	(11.9)
Pizza 73	(11.4)	(3.4)	(10.9)	(4.8)
Combined	2.8	(9.5)	(3.4)	(10.8)

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. For the Quarter, the growth in SSSG at the Pizza Pizza brand was largely driven by the lifting of COVID-19 related public health restrictions, especially in Ontario, which led to increased walk-in traffic, plus many of PPL's non-traditional locations reopened. As walk-in traffic increased, we experienced a decrease in the average check. At Pizza 73, the SSSG was impacted by the lingering effects of the pandemic.

In the prior year, beginning in March 2020, 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 on a year-to-date basis. Initially, 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 Period.

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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 October 3, 2021	For the 13-week period ended September 27, 2020	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020
Total System Sales	126,143	121,900	347,800	360,399
Adjustments for stores not in both fiscal years, and step-outs	(3,022)	(2,122)	(5,880)	(6,518)
Same Store Sales	123,121	119,778	341,920	353,881
SSSG	2.8%	(9.5%)	(3.4%)	(10.8%)

New Restaurant Development

**For the 13-week period ended
October 3, 2021**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditiona l	Non- traditional	Total	Traditiona l	Non- traditional	Total	Grand Total
As at July 4, 2021	425	208	633	89	16	105	738
Openings	6	1	7	-	-	-	7
Closings	-	(14)	(14)	-	-	-	(14)
As at October 3, 2021	431	195	626	89	16	105	731

**For the 13-week period ended
September 27, 2020**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditiona l	Non- traditional	Total	Traditiona l	Non- traditional	Total	Grand Total
As at June 28, 2020	422	206	628	86	18	104	732
Openings	2	1	3	-	-	-	3

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Closings	(5)	(3)	(8)	-	-	-	(8)
As at September 27, 2020	419	204	623	86	18	104	727

During the Quarter, the Company opened six traditional Pizza Pizza restaurants, including openings in British Columbia and Quebec, and opened one non-traditional restaurant. The Company closed 14 non-traditional Pizza Pizza restaurants, the majority of which were smaller movie theatre venues. At the Pizza 73 brand, the Company had no openings or closures.

**For the 39-week period ended
October 3, 2021**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditiona l	Non- traditional	Total	Traditiona l	Non- traditional	Total	Grand Total
As at January 3, 2021	417	205	622	87	17	104	726
Openings	16	5	21	2	-	2	23
Closings	(2)	(15)	(17)	-	(1)	(1)	(18)
As at October 3, 2021	431	195	626	89	16	105	731

**For the 39-week period ended
September 27, 2020**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditiona l	Non- traditional	Total	Traditiona l	Non- traditional	Total	Grand Total
As at December 29, 2019	428	217	645	86	18	104	749
Openings	5	2	7	1	-	1	8
Closings	(14)	(15)	(29)	(1)	-	(1)	(30)
As at September 27, 2020	419	204	623	86	18	104	727

During the Period, the Company opened 16 traditional and five non-traditional Pizza Pizza restaurants, and closed two traditional and 15 non-traditional restaurants. Additionally, at the Pizza 73 brand, the Company opened two traditional restaurants and closed one non-traditional restaurant. As previously mentioned, the non-traditional closures were smaller movie theatre venues.

Revenues

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(in thousands of dollars)	For the 13-week period ended October 3, 2021	For the 13-week period ended September 27, 2020	% change	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020 ¹	% change
Food sales	39,674	37,545	5.7%	109,190	111,942	(2.5%)
Royalties, franchise fees and other revenue	9,960	8,460	17.7%	27,226	25,598	6.4%

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 increase in food sales relates to the increase in SSSG and the increase in the number of restaurants being serviced since the same quarter of 2020. For the Period, the decrease in food sales reflects the impact of COVID-19 on the Company's operations, especially as the first quarter of 2021 is being compared to a mainly non-COVID period. See "Same Store Sales Growth", "New Restaurant Development" and "COVID-19 Impact".

Royalties, franchise fees and other revenue for the Quarter and Period increased when compared to the same periods in 2020. For the Quarter, the increase in royalties, franchise fees and other revenue is attributable to the increase in system sales and the initial franchise fees earned on the new restaurants opened in the Quarter. For the Period, the increase is due to the initial franchise fees earned on the new restaurants opened in the Period. See "COVID-19" and "New Restaurant Development".

Store service contributions and expenditures

(in thousands of dollars)	For the 13-week period ended October 3, 2021	For the 13-week period ended September 27, 2020	% change	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020	% change
Contributions	17,671	18,306	(3.5%)	51,239	54,948	(6.8%)
Expenditures	(15,565)	(18,537)	(16.0%)	(51,397)	(55,526)	(7.4%)
Net recovery/(deficit)	2,106	(231)	(1011.7%)	(158)	(578)	(72.7%)

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.

Store service contributions decreased during the Quarter and Period as Pizza 73 System Sales decreased due to COVID-19. Store service expenditures decreased with the decreased contributions, and were further decreased by the receipt of the wage subsidy provided by the Federal Government during the COVID-19 pandemic. The Company received \$nil in wage subsidies for the Quarter and \$234,000 for the Period relating to store service expenditures (2020 - \$19,000 and \$524,000 for the Quarter and Period, respectively).

Cost of Food Sales

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(in thousands of dollars)	For the 13-week period ended October 3, 2021	For the 13-week period ended September 27, 2020	% change	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020	% change
Cost of food sales	(31,700)	(29,990)	5.7%	(88,014)	(89,444)	(1.6%)

Cost of food sales is dependent on the movement in food sales for the Quarter and Period. The change in the cost of food sales is attributable to the increase in food sales for the Quarter, as well as an increase in commodity and input costs. The decrease in food sales for the Period reflects the impact of COVID-19 on the business. See "COVID-19 Impact". Furthermore, the Company continues 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 October 3, 2021	For the 13-week period ended September 27, 2020	% change	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020	% change
G&A expenses	(11,128)	(12,069)	(7.8%)	(32,525)	(33,056)	(1.6%)

G&A expenses include corporate expenses and company operated and managed store expenses incurred at the Company's owned and managed stores.

The decrease in G&A expenses for the Quarter and Period primarily relates to the Company receiving rent subsidies from the Federal Government in 2021 which weren't received in the prior year. The Company received \$169,000 in rent subsidies for the Period compared to \$nil received in the prior year. Additionally, the Company closely monitored its expenses for the Quarter and Period.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended October 3, 2021	For the 13-week period ended September 27, 2020	% change	For the 39-week period ended October 3, 2021	For the 39-week period ended September 27, 2020	% change
Pizza Pizza	6,678	6,279	6.4%	18,010	18,116	(0.6%)
Pizza 73	1,657	1,866	(11.2%)	5,015	5,644	(11.1%)
Total	8,335	8,145	2.3%	23,025	23,760	(3.1%)

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 725 on January 1, 2021 to include 10 new restaurants less 34 closed restaurants. In the prior year, the Royalty Pool included 749 restaurants. While the number of stores in the Royalty Pool are less than the comparative periods, the negative impact on Royalty Pool System Sales has been mitigated by the Make-Whole Carryover Payment. See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool".

For the Quarter, the increase in royalty payments is the result of the increase in SSSG. For the Period, the decrease in royalty payments is the result of the negative SSSG resulting from the impact of the COVID-19 pandemic. See "Same Store Sales Growth", "COVID-19 Impact", and "Royalty Pool

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Adjustments”.

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 October 3, 2021, the Company owned an effective 23.5% interest in the Partnership (2020 – 23.5%). 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 slightly increased to \$1.9 million for the Quarter when compared to the prior year quarter of \$1.7 million. The increase reflects higher earnings of the Partnership from higher royalty income. For the Period, equity income decreased to \$4.8 million when compared to the prior year comparative period of \$4.9 million, reflecting lower earnings of the Partnership from less royalty income. The change in Partnership earnings reflects the overall impact of COVID-19 on restaurant system sales.

Equity income from Jointly-controlled companies

The Company accounts for its 50% share interest in 80 jointly-controlled Pizza 73 restaurants (2020 – 79 Pizza 73 restaurants) as an investment in joint ventures, and applies the equity method of accounting.

For the Quarter and Period, equity income decreased to \$435,000 and \$2.3 million, respectively, when compared to the prior year comparative periods of \$1.1 million and \$3.6 million. The decrease in equity income for the Quarter and Period is largely due to the continued negative effects of the COVID-19 pandemic on the businesses, partially offset by the receipt of government subsidies. See “System Sales” and “COVID-19”.

Deferred tax recovery/expense

Deferred tax was an expense of was \$835,000 for the Quarter and \$363,000 for the Period compared to deferred tax recovery of \$330,000 and \$232,000 for the comparable Quarter and Period, respectively. The variance is due to the change in income or loss, which is largely attributable to COVID-19. See “COVID-19”.

Net income/loss

The Company reported net income of \$1.6 million for the Quarter and a net loss of \$515,000 for the Period, compared to net loss of \$2.0 million and \$1.7 million in the prior year comparable Quarter and Period, respectively. The increase in earnings for the Quarter are mainly attributed to an increase in system sales and lower store service expenditures as described above. The increase for the Period is also due to a decrease in store service expenditures as described above, as well as lower general and administrative expenses, slightly offset by a decrease in Federal Government subsidies received, a decrease in food sales and a decrease in royalties, all resulting from the impact of COVID-19 on the Company's operations. See “COVID-19 Impact”.

Shareholders' Deficiency

The \$105.7 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 \$192.8 million as at October 3, 2021 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 first quarter have generally been the softest and the fourth quarter system sales have been the strongest.

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	13 weeks ended October 3, 2021	13 weeks ended July 4, 2021	13 weeks ended April 4, 2021	14 weeks ended January 3, 2021	13 weeks ended September 27, 2020 ⁽¹⁾	13 weeks ended June 28, 2020 ⁽¹⁾	13 weeks ended March 29, 2020 ⁽¹⁾	13 weeks ended December 29, 2019
Revenues	67,305	63,100	57,250	66,731	62,341	60,857	67,320	72,122
Net income (loss)	1,584	705	(2,803)	(3,656)	(316)	1,817	(1,830)	2,892
Adjusted EBITDA	8,669	7,795	5,947	2,211	7,464	8,398	7,272	11,071

(1) The prior periods have been restated due to reclassification of right-of-use assets and lease receivables from the adoption of IFRS 16.

LIQUIDITY & CAPITAL RESOURCES

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

	For the 39-weeks ended October 3, 2021	For the 39-weeks ended September 27, 2020
Cash provided by (cash used in):		
Operating activities	335	7,133
Investing activities	13,491	9,448
Financing activities	(18,001)	(14,296)
Increase (decrease) in cash	(4,175)	2,285

As of October 3, 2021, the Company had negative working capital of \$24.1 million and its cash, cash equivalents and short-term investment were \$12.6 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 operations and distributions received on the Company's interest in the Partnership. 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 accessing 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".

Cash provided by operating activities for the Period was \$335,000 compared to cash provided of \$7.1 million in the prior year comparable period. When compared to the prior year comparative period, the \$6.8 million decrease in cash provided by operating activities is largely attributable to cash provided by changes in working capital, using \$7.2 million compared to providing \$2.3 million in the prior year comparable period. The change in working capital is significantly driven by cost outlays related to stores in progress as the Company continues its national restaurant expansion.

Cash provided by investing activities for the Quarter was \$13.5 million compared to cash provided by investing activities of \$9.5 million in the prior year comparable period. The increase is primarily attributable to a net disbursement of renovation funds of \$211,000 compared to a net disbursement of \$2.2 million in

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the comparable period. Additionally, the Company received \$1.3 million in proceeds from the sale of Company-owned restaurants compared to \$260,000 in the prior year comparable period and purchased \$781,000 of property, plant and equipment compared to \$1.9 million in the prior year comparable period.

Cash used in financing activities for the Period was \$18.0 million compared to cash used of \$14.3 million in the prior year comparable period. The increase in cash used relates to an increase in lease payments, primarily resulting from terminating leases relating to closed restaurants as well as the payments for new restaurant openings.

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 October 3, 2021. The Company believes the bank covenants will continue to be met in 2021.

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 622 Pizza Pizza restaurants in the Royalty Pool for 2021 (2020 – 645).

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 2021, there are 103 Pizza 73 restaurants in the Royalty Pool (2020 – 104).

As of October 3, 2021 the Company indirectly held an effective 23.5% interest in the Partnership (January 3, 2021 – 23.5%) 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

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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, 2021, it will be the effective Company tax rate for the year ended December 31, 2020). 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.

In the case where system sales of the closed restaurants exceeded the additional system sales of the restaurants added to the Royalty Pool, the deficit (the "Make-Whole Carryover Amount"), will be paid by the Company to the Partnership in that year, and will be carried over and continue to be paid for subsequent years, until on an Adjustment Date, additional sales of new restaurants are sufficient to offset the system sales attributable to all closed restaurants. Additionally, per the Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") whenever the Determined Amount is negative it shall be deemed to be zero.

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

2020 Royalty Pool Adjustment

In early January 2021 a second adjustment was made to the royalty payments and the Company's Class B Exchange Multiplier based on the actual performance of the 19 new restaurants added to the Royalty Pool on January 1, 2020. The final 2020 Pizza Pizza Royalty Pool adjustment resulted in a Make-Whole Payment being made on \$781,000 of Royalty Pool sales. The Make-Whole Payment will continue to be paid for subsequent years, until on an Adjustment Date, additional system sales of additional restaurants are sufficient to offset the Pizza Pizza system sales attributable to all closed Pizza Pizza restaurants. As a result of the adjustments, the Class B Exchange Multiplier is unchanged at 2.118582 and Class B Units can be exchanged for 5,313,909 shares effective January 1, 2020.

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In early January 2021, a second adjustment was made to the royalty payments and the Company's Class D Exchange Multiplier based on the actual performance of the one Pizza 73 restaurant added to the Royalty Pool on January 1, 2020. The final 2020 Pizza 73 Royalty Pool adjustment resulted in a Make-Whole Payment being made on \$692,000 of Royalty Pool sales. The Make-Whole Payment will continue to be paid for subsequent years, until on an Adjustment Date, additional system sales of additional restaurants are sufficient to offset the Pizza Pizza system sales attributable to all closed Pizza 73 restaurants. As a result of the adjustments, the Class D Exchange Multiplier is unchanged at 22.44976 and Class D Units can be exchanged for 2,244,975 shares effective January 1, 2020.

2021 Royalty Pool Adjustment – Class B Exchanged Multiplier

On January 1, 2021, 23 net Pizza Pizza restaurants were removed from the Royalty Pool as a result of nine new restaurants opening and 32 closing from January 1, 2020 to December 31, 2020. The total number of Pizza Pizza restaurants in the Royalty Pool has decreased to 622. The additional system sales from the nine new restaurants are estimated at \$4,056,000 annually, less sales of \$18,572,000 from the 32 permanently closed Pizza Pizza restaurants. As a result, a negative \$14,516,000 net, estimated Pizza Pizza sales were removed from the Royalty Pool.

Since the system sales of the closed Pizza Pizza restaurants exceeded the additional system sales of the additional restaurants added to the Pizza Pizza Royalty Pool, the Make-Whole Payment paid by the Company to the Partnership 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 Pizza system sales attributable to all closed Pizza Pizza restaurants.

The yield of the shares was determined to be 7.3% calculated using \$9.18 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, 2021. 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 B Exchange Multiplier remained unchanged at 2.118582. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2021, once the actual performance of the new restaurant is determined in early 2022.

2021 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2021, one net Pizza 73 restaurant was removed from the Royalty Pool as a result of one new restaurant opening between September 2, 2019 and September 1, 2020 and two restaurants closing between January 1, 2020 and December 31, 2020. The forecasted additional system sales from the one new restaurant is estimated at \$520,000 annually, less \$1,054,000 in system sales attributable to the two closed Pizza 73 restaurants. As a result, a negative \$534,000 net, estimated Pizza 73 sales were removed from the Royalty Pool. The total number of Pizza 73 restaurants in the Royalty Pool has decreased to 103.

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 the Partnership 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 7.3% calculated using \$9.18 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, 2021. 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, 2021, once the actual performance of the new restaurant is determined in early 2022.

Pizza Pizza Royalty Corp. Outstanding Shares

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The Company's Class B and Class D equivalent Share entitlement is unchanged for 2021. In any year that the forecasted system sales (less closed restaurants sales and other adjustments) is negative, as was the case with the Class B and Class D equivalent Share entitlement calculation for 2021, no increase or decrease in the Exchange Multiplier is made. The Company will only have a Class B or D equivalent Share entitlement for 2021 if the actual sales performance of the new restaurants, 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 2022. 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 PPRC's fully diluted shares.

The chart below shows the shares that would be outstanding if all of the Class B and Class D Units held by the Company were converted to PPRC shares after accounting for their respective multipliers and adjustments as described below, after the impact of the January 1, 2021 Adjustment Date.

Shares outstanding & issuable on January 1, 2021		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2020	5,313,909	
PPL additional Class B Equivalent Shares - True-up Holdback as at December 31, 2020	-	
Additional PPL Class B equivalent Shares as of January 1, 2021	-	5,313,909
Class D equivalent Shares held by PPL at December 31, 2020	2,244,975	
PPL additional Class D Equivalent Shares - True-up Holdback as at December 31, 2020	-	
Additional PPL Class D equivalent Shares as of January 1, 2021	-	2,244,975
Number of fully diluted shares		32,177,276
<hr/>		
PPL's proportion of all shares outstanding and available for exchange		23.5%

OUTLOOK

The success of the Company depends primarily on the ability of Pizza Pizza Limited to maintain and increase restaurant sales and to meet its royalty obligations. Increases in restaurant sales are derived from both the opening of new Pizza Pizza and Pizza 73 restaurants and increases in SSSG. SSSG is the key metric for shareholder yield growth.

New restaurant construction continues across Canada as government mandated restrictions on commercial construction have been lifted in all provinces. PPL management expects to accelerate its restaurant network expansion to 5% traditional restaurant growth and continue its renovation program in 2021.

As previously reported, Pizza Pizza and Pizza 73 restaurant operators have continued to take significant measures in their restaurants to protect the health of employees and customers in compliance with the requirements of local governments and applicable health authorities, including the closure of restaurant seating areas. As COVID-19 cases across Canada increased early in the second quarter of 2021 and the threat of new variant strains emerged, restaurant operations continued to be restricted across all provinces PPL services. Fortunately, the traditional restaurants have been allowed to remain open for

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delivery and takeout sales throughout the pandemic, and early in the current Quarter restaurants were allowed to reopen for in-restaurant dining with capacity limits.

As a result of government-mandated physical distancing policies and stay-at-home orders, the walk-in sales at both brands decreased significantly through most of the pandemic. However, as restrictions began to lift in the early part of the Quarter, the walk-in sales at Pizza Pizza began to recover. Restaurant visits have steadily increased as customers feel more comfortable attending large gatherings, especially sporting and entertainment venues, and schools and universities reopened. The full lifting of restrictions has yet to happen; however, the Company remains optimistic that as vaccination rates continue to increase and COVID-19 cases moderate, the sales will continue to improve, especially as more non-traditional locations reopen.

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, is beginning to recover from the impact of COVID-19. However, the timing and strength of the continued recovery cannot be predicted with any degree of certainty.

As Canada's #1 pizzeria, PPL leverages its market-leading positions by staying top-of-mind with consumers. PPL 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.

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 12 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 12 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 12 of the Financial Statements of the Company. Advances from related party are due to the parent company. Advances to/from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured.

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

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investee, but is not control or joint control over those policies.

The Company accounts for its 23.5% (January 3, 2021 – 23.5%) 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% (January 3, 2021 – 50%) share interest in the 80 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 operations are classified as a separate CGU group.

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 January 3, 2021 using management's best estimates at a specific point in time which are subject to estimation uncertainty. As a

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result of this test, it was determined that there was no impairment. Subsequent to the impairment test performed as at January 3, 2021, no further triggers of impairment have been identified as of October 3, 2021.

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 January 3, 2021 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. Subsequent to the impairment test performed as at January 3, 2021, no further triggers of impairment have been identified as of October 3, 2021.

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 continued to apply for and receive 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 has been, and will continue to, improve the liquidity of franchisees and thus allow the Company to continue to collect on its non-trade assets. In the interim, and until more 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".

RISKS & UNCERTAINTIES

The performance of the Company 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 the Company 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. The Company'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

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pricing, either of which could reduce revenue and operating income, which could adversely affect system sales and the ability of the Company 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 of the restaurant industry, 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 restaurants in the Royalty Pool 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 restaurants in the Royalty Pool 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 and earned by the Partnership, and correspondingly, funds available to be paid as distributions by the Partnership to the Company and PPRC (and thus, funds available for dividends on the Shares). The Company may, at its discretion, 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 timing and pace of recovery for the Canadian economy generally, and for the restaurants' business, as the impacts of the COVID-19 pandemic moderate (whether as a result of vaccination programs or other developments) cannot be accurately predicted and may be slow; as a result, there is significant uncertainty as to when many non-traditional restaurants will be able to reopen, when sales will return to pre-pandemic levels, and whether opportunities for further growth of the restaurant network can be profitably undertaken. Further government restrictions related to COVID-19 may be imposed, which could restrict the ability of restaurants to operate, or result in forced closures, further reduced guest traffic, supply interruptions or staff shortages. Government programs expected to be helpful to 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 the Company'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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13-week period from July 5, 2021 to October 3, 2021 and the 39-week period from January 4, 2021 to October 3, 2021

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 the Company 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.