

PIZZA PIZZA ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED FINANCIAL HIGHLIGHTS

The following tables set out selected financial information and other data of Pizza Pizza Royalty Corp. ("PPRC" or the "Company") and should be read in conjunction with the September 30, 2021 unaudited interim condensed consolidated financial statements of the Company ("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 31, 2020. Readers should note that the 2021 results are not directly comparable to the 2020 results due to there being 725 restaurants in the 2021 Royalty Pool compared to 749 restaurants in the 2020 Royalty Pool.

(in thousands of dollars, except number of restaurants, days in the year, per share amounts, and noted otherwise)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Restaurants in Royalty Pool ⁽¹⁾	725	749	725	749
Same store sales growth ⁽²⁾	2.8%	-9.5%	-3.4%	-10.8%
Days in the Period	92	92	273	274
System Sales reported by Pizza Pizza restaurants in the Royalty Pool ⁽⁶⁾	\$ 111,303	\$ 104,653	\$ 300,175	\$ 301,936
System Sales reported by Pizza 73 restaurants in the Royalty Pool ⁽⁶⁾	18,408	20,731	55,720	62,704
Total System Sales	\$ 129,711	\$ 125,384	\$ 355,895	\$ 364,640
Royalty – 6% on Pizza Pizza System Sales	\$ 6,678	\$ 6,279	\$ 18,010	\$ 18,116
Royalty – 9% on Pizza 73 System Sales	1,657	1,866	5,015	5,644
Royalty income	\$ 8,335	\$ 8,145	\$ 23,025	\$ 23,760
Interest paid on borrowings ^{(3) (5)}	(350)	(324)	(1,006)	(904)
Administrative expenses	(119)	(157)	(379)	(453)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited ⁽⁵⁾	\$ 7,866	\$ 7,664	\$ 21,640	\$ 22,403
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(1,743)	(1,384)	(5,076)	(4,909)
Current income tax expense	(1,362)	(1,307)	(3,691)	(3,792)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 4,761	\$ 4,973	\$ 12,873	\$ 13,702
Add back:				
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	1,743	1,384	5,076	4,909

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Adjusted earnings from operations ⁽⁵⁾	\$ 6,504	\$	6,357	\$ 17,949	\$	18,611
Adjusted earnings per share ⁽⁵⁾	\$ 0.202	\$	0.198	\$ 0.558	\$	0.578
Basic earnings per share	\$ 0.195	\$	0.190	\$ 0.536	\$	0.574
Dividends declared by the Company	\$ 4,308	\$	3,693	\$ 12,432	\$	12,651
Dividend per share	\$ 0.175	\$	0.150	\$ 0.505	\$	0.5139
Payout ratio ⁽⁵⁾	90%		74%	97%		92%
				September 30, 2021		December 31, 2020
Working capital ⁽⁵⁾				\$ 5,841	\$	5,388
Total assets				\$ 362,106	\$	361,545
Total liabilities				\$ 72,871	\$	73,144

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	Q3 2021	Q2 2021	Q1 2021	Q4 2020
(in thousands of dollars, except number of restaurants, days in the quarter, per share amounts and as noted otherwise)				
Restaurants in Royalty Pool ⁽¹⁾	725	725	725	749
Same store sales growth ⁽²⁾	2.8%	0.8%	-13.3%	-17.6%
Days in the quarter	92	91	90	92
System Sales reported by Pizza Pizza restaurants in Royalty Pool ⁽⁶⁾	\$ 111,303	\$ 98,647	\$ 90,225	\$ 103,399
System Sales reported by Pizza 73 restaurants in Royalty Pool ⁽⁶⁾	18,408	19,304	18,009	20,283
Total System Sales	\$ 129,711	\$ 117,951	\$ 108,234	\$ 123,682
Royalty – 6% on Pizza Pizza System Sales	\$ 6,678	\$ 5,919	\$ 5,413	\$ 6,204
Royalty – 9% on Pizza 73 System Sales	1,657	1,737	1,621	1,826
Royalty income	\$ 8,335	\$ 7,656	\$ 7,034	\$ 8,030
Interest paid on borrowings ⁽³⁾⁽⁵⁾	(350)	(341)	(314)	(319)
Administrative expenses	(119)	(159)	(102)	(183)
Adjusted earnings available for distribution to the Company and to				
Pizza Pizza Limited ⁽⁵⁾	\$ 7,866	\$ 7,156	\$ 6,618	\$ 7,528
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(1,743)	(1,667)	(1,667)	(1,572)
Current income tax expense	(1,362)	(1,219)	(1,110)	(1,277)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 4,761	\$ 4,270	\$ 3,841	\$ 4,679
Add back:				
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	1,743	1,667	1,667	1,572
Adjusted earnings from operations ⁽⁵⁾	\$ 6,504	\$ 5,937	\$ 5,508	\$ 6,251
Adjusted earnings per share ⁽⁵⁾	\$ 0.202	\$ 0.185	\$ 0.171	\$ 0.194
Basic earnings per share	\$ 0.195	\$ 0.177	\$ 0.164	\$ 0.186
Dividends declared by the Company	\$ 4,308	\$ 4,062	\$ 4,062	\$ 3,938
Dividend per share	\$ 0.175	\$ 0.165	\$ 0.165	\$ 0.160
Payout ratio ⁽⁵⁾	90%	95%	106%	84%
	Q3 2020	Q2 2020	Q1 2020	Q4 2019

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(in thousands of dollars, except number of restaurants, days in the quarter, per share amounts and as noted otherwise)

Restaurants in Royalty Pool ⁽¹⁾	749		749		749		772
Same store sales growth ⁽²⁾	-9.5%		-16.3%		-6.6%		2.0%
Days in the quarter	92		91		91		92
System Sales reported by Pizza Pizza restaurants in Royalty Pool ⁽⁶⁾	\$ 104,653	\$	\$ 92,113	\$	\$ 105,170		\$ 122,539
System Sales reported by Pizza 73 restaurants in Royalty Pool ⁽⁶⁾	20,731		21,393		20,580		24,321
Total System Sales	\$ 125,384	\$	\$ 113,506	\$	\$ 125,750		\$ 146,860
Royalty – 6% on Pizza Pizza System Sales	\$ 6,279	\$	\$ 5,527	\$	\$ 6,310		\$ 7,352
Royalty – 9% on Pizza 73 System Sales	1,866		1,925		1,852		2,189
Royalty income	\$ 8,145	\$	\$ 7,452	\$	\$ 8,162		\$ 9,541
Interest paid on borrowings ⁽³⁾⁽⁵⁾	(324)		(271)		(308)		(329)
Administrative expenses	(157)		(181)		(115)		(142)
Adjusted earnings available for distribution to the Company and to							
Pizza Pizza Limited ⁽⁵⁾	\$ 7,664	\$	\$ 7,000	\$	\$ 7,739		\$ 9,070
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(1,384)		(1,384)		(2,141)		(1,935)
Current income tax expense	(1,307)		(1,166)		(1,319)		(1,577)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 4,973	\$	\$ 4,450	\$	\$ 4,279		\$ 5,558
Add back:							
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	1,384		1,384		2,141		1,935
Adjusted earnings from operations ⁽⁵⁾	\$ 6,357	\$	\$ 5,834	\$	\$ 6,420		\$ 7,493
Adjusted earnings per share ⁽⁵⁾	\$ 0.198	\$	\$ 0.181	\$	\$ 0.200		\$ 0.234
Basic earnings per share	\$ 0.190	\$	\$ 0.189	\$	\$ 0.195		\$ 0.226
Dividends declared by the Company	\$ 3,693	\$	\$ 3,693	\$	\$ 5,266		\$ 5,266
Dividend per share	\$ 0.150	\$	\$ 0.150	\$	\$ 0.2139		\$ 0.2139
Payout ratio ⁽⁵⁾	74%		83%		123%		95%

(1) The number of restaurants for which the Pizza Pizza Royalty Limited Partnership (the "Partnership") earns a royalty ("Royalty Pool"), as defined in the amended and restated Pizza Pizza license and royalty agreement (the "Pizza Pizza License and Royalty Agreement") and the amended and restated Pizza 73 license and royalty agreement (the "Pizza 73 License and Royalty Agreement") (together, the "License and Royalty Agreements"). For the 2021 fiscal year, the Royalty Pool includes 622 Pizza Pizza restaurants and 103 Pizza 73 restaurants. The number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and

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closings reported by Pizza Pizza Limited ("PPL") on an annual basis as the periods for which they are reported differ slightly (see "Royalty Pool Adjustments").

- (2) Same store sales growth ("SSSG") means the change in Period's gross revenue of a particular Pizza Pizza or Pizza 73 restaurant 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, the sales used to derive the Step-Out Payment (calculated as the difference between the average monthly Pizza 73 Royalty payment attributable to that Adjusted Restaurant in the 12 months immediately preceding the month in which the territory reduction occurs, less the Pizza 73 Royalty payment attributable to the restaurant in the current month) may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under International Financial Reporting Standards ("IFRS"). Therefore, these figures may not be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures".
- (3) The Company, indirectly through the Partnership, incurs interest expense on the \$47 million outstanding bank loan. Interest expense also includes amortization of loan fees and off-market swap payments. See "Interest Expense".
- (4) Represents the distribution to PPL from the Partnership on Class B and Class D Units of the Partnership. The Class B and D Units are exchangeable into common shares of the Company ("Shares") based on the value of the Class B Exchange Multiplier and the Class D Exchange Multiplier at the time of exchange as defined in the License and Royalty Agreements, respectively, and represent 23.5% of the fully diluted Shares at September 30, 2021 (December 31, 2020 – 23.5%). During the quarter ended March 31, 2021, as a result of the final calculation of the equivalent Class B and Class D Share entitlements related to the January 1, 2020 Adjustment to the Royalty Pool, PPL was not paid a distribution on additional equivalent Shares as if such Shares were outstanding as of January 1, 2020. Included in the three months ended March 31, 2021, is the payment of \$nil in distributions to PPL pursuant to the true-up calculation (March 31, 2020 - PPL was paid \$164).
- (5) "Adjusted earnings available for distribution to the Company and Pizza Pizza Limited", "Adjusted earnings from operations", "Adjusted earnings available for shareholder dividends", "Adjusted earnings per Share", "Interest paid on borrowings", "Payout Ratio", and "Working Capital" do not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures" and "Interest Expense".
- (6) System Sales (as defined in the License and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, and the monthly Make-Whole Payment, 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 but are used to calculate the royalties payable to the Partnership as presented above.

OVERVIEW AND BUSINESS OF THE COMPANY

The following Management's Discussion and Analysis (the "MD&A") is a discussion of the results of operations and financial condition of the Company for the three months (the "Quarter") and nine months (the "Period") ended September 30, 2021. The Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The MD&A has been prepared as of November 10, 2021.

The Company, indirectly through the Partnership, owns the trademarks, trade names and other intellectual property used by PPL in its Pizza Pizza and Pizza 73 restaurants. The Pizza Pizza trademarks, trade names and other intellectual property (the "Pizza Pizza Rights") were licensed to PPL in 2005 for 99 years for which PPL pays the Partnership a royalty equal to 6% of the System Sales of its Pizza Pizza restaurants in the Royalty Pool. On July 24, 2007, the Partnership acquired the trademarks, trade names and other intellectual property of Pizza 73 (the "Pizza 73 Rights") from Pizza 73 Inc. and licensed them to PPL for 99 years, for which PPL pays a royalty equal to 9% of the System Sales of the Pizza 73 restaurants in the Royalty Pool. For 2021, the Royalty Pool consists of 622 Pizza Pizza restaurants and 103 Pizza 73 restaurants.

Readers should note that the number of restaurants added to the 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. See "Royalty Pool Adjustments".

About the Pizza Pizza Brand

Pizza Pizza is a franchise-oriented restaurant business operating primarily in the province of Ontario in which it leads the pizza quick service restaurant ("QSR") segment. 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.

PPL, a privately-held company, provides a high level of service and operational support to restaurant operators, 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.

Pizza Pizza has a modern restaurant system. The centrally-managed renovation or re-imaging program, funded by PPL's 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. The majority of the traditional Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Of the 89 traditional restaurants at September 30, 2021, nine are franchised or licensed and 80 are jointly-owned by PPL and an independent owner/operator. There are 16 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 currently 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.

System Sales and PPL's Interest

A key attribute of the Company is that revenues are based on top-line System Sales of the restaurants in the Royalty Pool and not on the profitability of either PPL or the restaurants. Moreover, the Company is not subject to the variability of earnings or expenses of either PPL or the restaurants. The Company's only expenses are administration expenses, interest on debt, and income taxes. Thus, its success depends primarily on the ability of PPL to maintain and increase System Sales of the Royalty Pool and to meet its royalty obligations. See "COVID-19 Impact", "Outlook" and "Risks and Uncertainties of the Company".

Increases in System Sales are derived from both the opening of new Pizza Pizza and Pizza 73 restaurants and SSSG. The key metric for yield growth of the Company is SSSG, which is dependent on maintaining operational excellence within each restaurant, general market conditions, pricing, and marketing programs undertaken by PPL.

As of September 30, 2021, PPL indirectly held an effective 23.5% interest in the Company (December 31, 2020 – 23.5%) by holding all Class B and Class D Units of the Partnership. PPL has the right to exchange one Class B or Class D Unit indirectly for that number of 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 PPL 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.

COVID-19 IMPACT

The COVID-19 pandemic has negatively impacted many businesses, especially the foodservice industry, including the restaurant operations at Pizza Pizza Limited ("PPL"). Fortunately, PPL 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 PPL 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 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 PPL 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 adopted 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 PPL's non-traditional locations, which initially closed, reopened in a limited capacity as allowed by each province. With the full reopening of the economy, PPL will see the 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.

SAME STORE SALES GROWTH ("SSSG")

SSSG, the key driver of yield growth for shareholders of the Company, 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

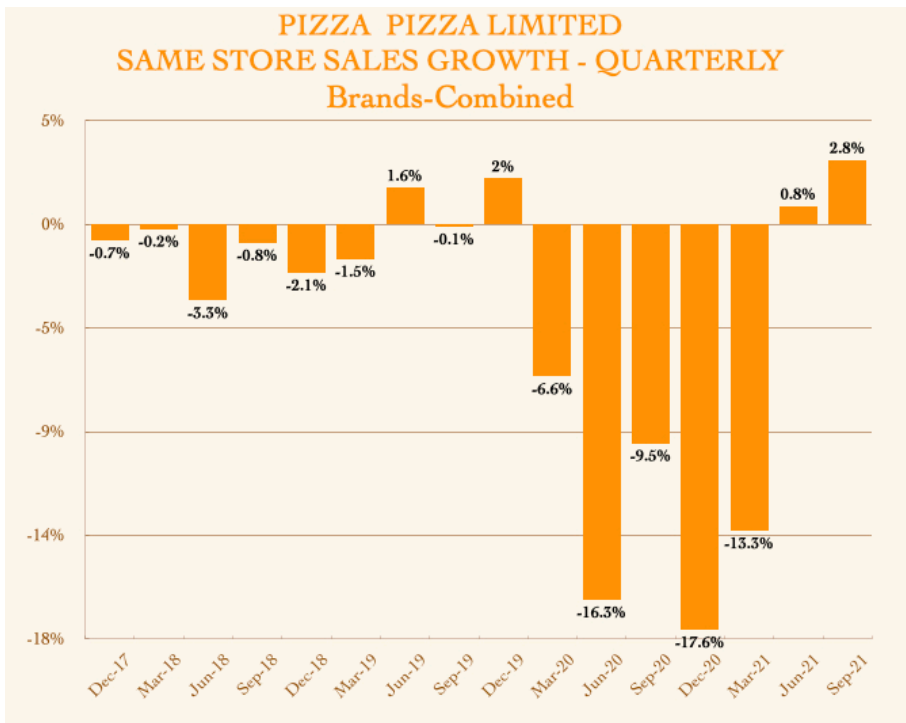
SSSG is normally driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. For the Quarter, the increase in SSSG at the Pizza Pizza brand was largely driven by the lifting of COVID-19 related public health restrictions, especially 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,

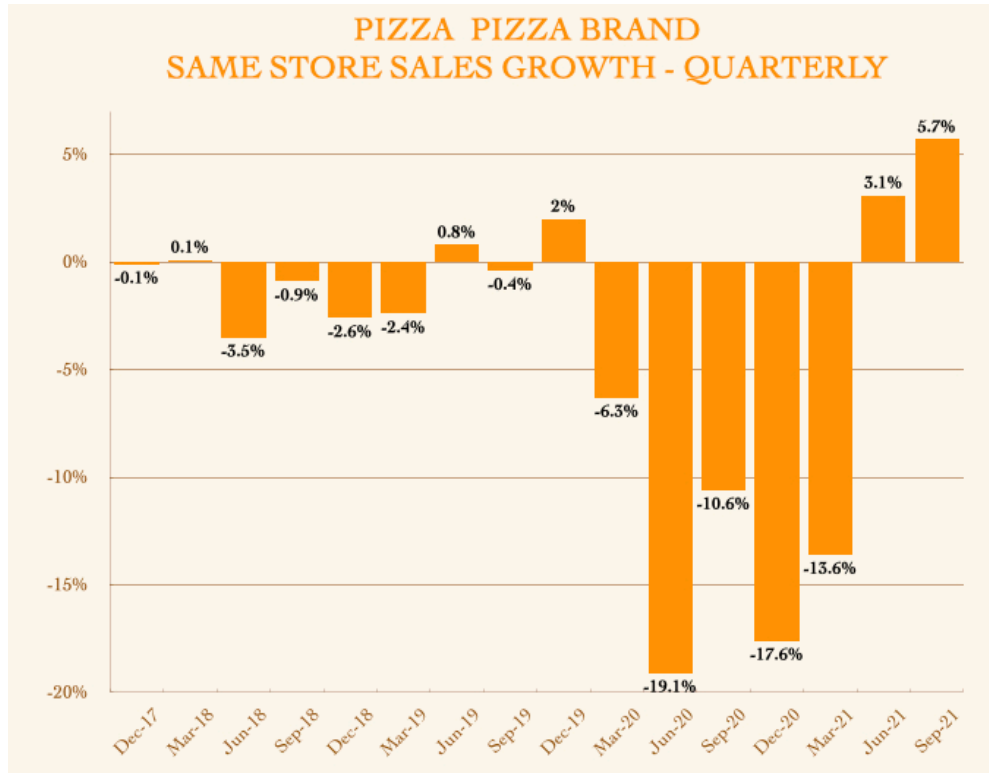
walk-in sales decreased significantly, negatively impacting overall customer traffic on a year-to-date basis. Initially, the decline in walk-in sales resulted in an overall increase in the average check at both brands as the average check of a walk-in customer is much lower than a delivery order check 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.

The following charts show historical SSSG performance:

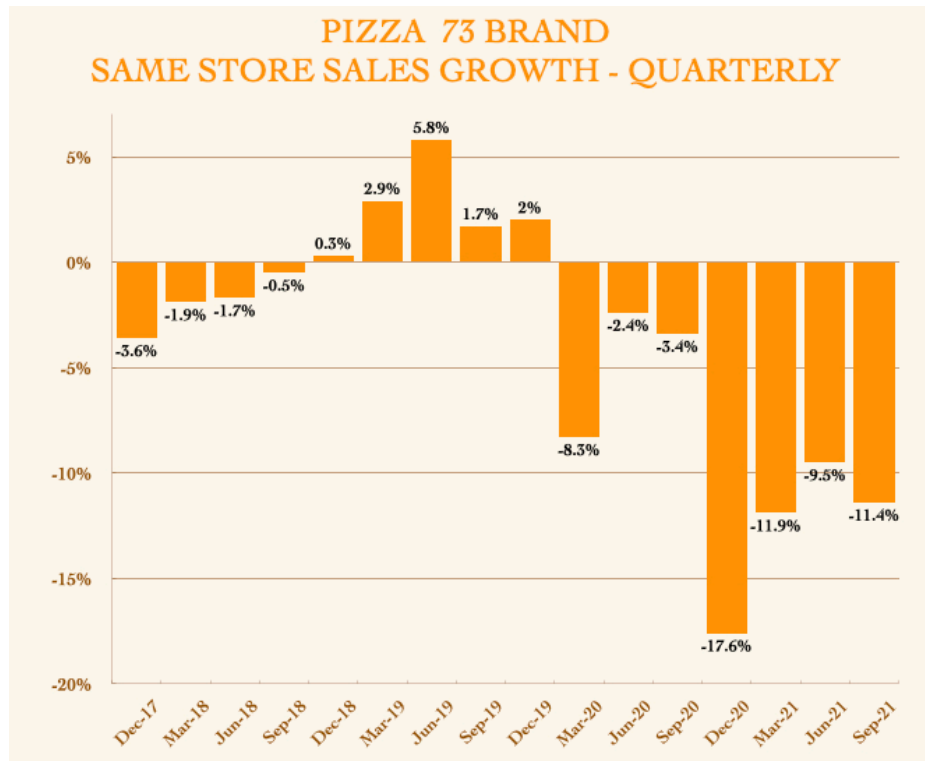
a) Quarterly SSSG, in which both brands are combined:



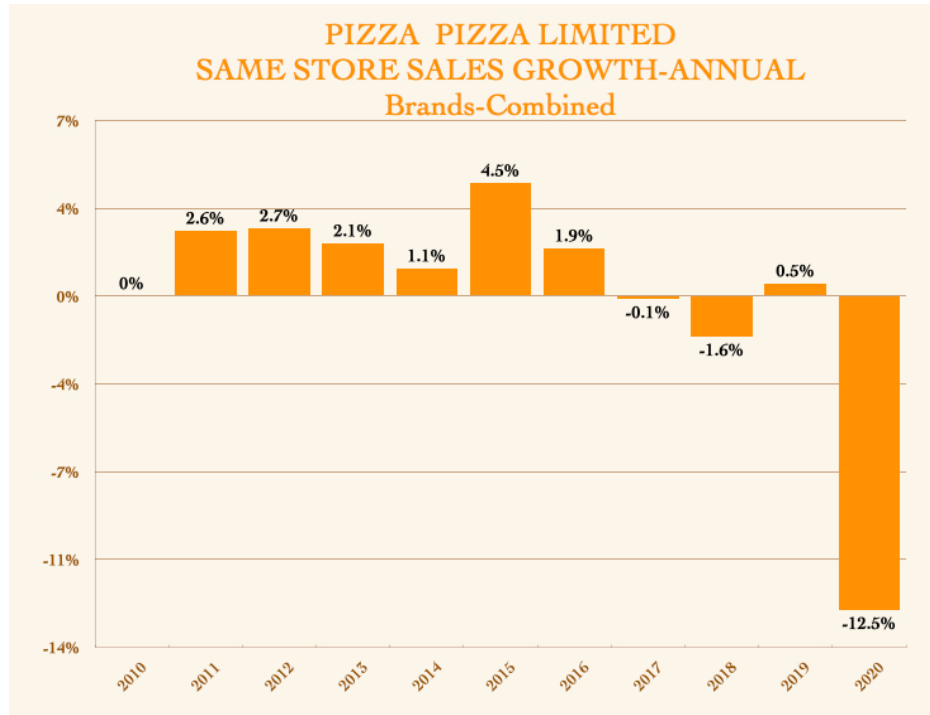
b) Quarterly SSSG, Pizza Pizza brand only:



c) Quarterly SSSG, Pizza 73 brand only:



d) Annual SSSG, in which both brands are combined:



ROYALTY POOL SALES

Pizza Pizza and Pizza 73 System Sales have been negatively impacted as its restaurant operators continued to take measures in their restaurants to protect the health of employees and guests in compliance with the requirements of local governments and health authorities, including the closure and subsequent capacity limitations on in-restaurant dining. See “COVID-19 Impact”.

Additionally, the number of restaurants in the Royalty Pool decreased to 725 on January 1, 2021 (the “Adjustment Date”) to include 10 new restaurants less 34 closed restaurants. In the prior year, the Royalty Pool included 749 restaurants.

Royalty Pool System Sales for the Quarter increased 3.5% to \$129.7 million from \$125.4 million in the same quarter last year. By brand, sales from the 622 Pizza Pizza restaurants in the Royalty Pool increased 6.4% to \$111.3 million for the Quarter compared to \$104.7 million in the same quarter last year. Sales from the 103 Pizza 73 restaurants decreased 11.2% to \$18.4 million for the Quarter compared to \$20.7 million in the same quarter last year.

Royalty Pool System Sales of the Pizza Pizza restaurants increased in the Quarter due to positive SSSG, as the economy began reopening, restaurant visits increased and PPL’s non-traditional locations began to re-open with capacity limitations. Meanwhile, the decrease in the Royalty Pool System Sales of the Pizza 73 restaurants is the result of the lingering effects of the pandemic, along with more significant provincial restrictions experienced in the Quarter compared to the same quarter last year. Additionally, 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 Amount. The Make-Whole Carryover Amount added \$4.1 million to System Sales for the Quarter. See “Same Store Sales Growth”, “COVID-19 Impact”, and “Restaurants Added to the Royalty Pool”.

Royalty Pool System Sales for the Period decreased 2.4% to \$355.9 million from \$364.6 million in the prior year’s comparative period. For the Period, sales from the 622 Pizza Pizza restaurants in the Royalty Pool decreased 0.6% to \$300.2 million compared to \$301.9 million. Sales from the 103 Pizza 73 restaurants decreased 11.1% to \$55.7 million for the Period compared to \$62.7 million in the same period last year.

Total Royalty Pool System Sales for the Period decreased over the comparative period largely as a result of the negative impact of COVID-19. 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 Amount. The Make-Whole Carryover Amount added \$12.4 million of System Sales for the Period. See "Same Store Sales Growth", "COVID-19 Impact", and "Restaurants Added to the Royalty Pool".

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. System Sales for the quarter ended December 31 have generally been the strongest.

COMPANY OPERATING RESULTS

The Financial Statements incorporate the assets and liabilities of the Company and its subsidiaries as at September 30, 2021 and the operating results of the Company and their subsidiaries for the Quarter and Period ended September 30, 2021. The Company's subsidiaries and its respective holdings are outlined below:

Subsidiary	Holding
Pizza Pizza Royalty Limited Partnership	76.5%
Pizza Pizza GP Inc.	76.5%

Royalty income earned by the Partnership increased 2.3% to \$8.3 million for the Quarter and decreased 3.1% to \$23.0 million for the Period. A 6% royalty was earned on the Royalty Pool of 622 Pizza Pizza restaurants reporting \$111.3 million in System Sales for the Quarter and \$300.2 million for the Period. A 9% royalty was earned on the Royalty Pool of 103 Pizza 73 restaurants reporting \$18.4 million in System Sales for the Quarter and \$55.7 million for the Period.

Royalty income for the prior year's comparative Quarter and Period was \$8.1 million and \$23.8 million, respectively. The 645 Pizza Pizza restaurants in the Royalty Pool reported System Sales of \$104.7 million for the comparative quarter and \$301.9 million for the comparative nine month period, while the 104 Pizza 73 restaurants reported \$20.7 million and \$62.7 million for the comparative quarter and period, respectively.

For the Quarter, the increase in royalty income is largely due to lapping the initial impact of COVID-19 and the re-opening of many non-traditional locations. The overall decrease in royalty income earned on the restaurants in the Royalty Pool for the Period is largely due to the negative impact of COVID-19. See "Same Store Sales Growth" and "COVID-19 Impact".

Administrative expenses for the Quarter were \$119,000 and \$379,000 for the Period. For the prior year comparable periods, administrative expenses were \$157,000 and \$453,000, respectively. Administrative expenses are incurred in the Partnership, and consist of director fees, audit, legal and public reporting fees as well as directors & officers' insurance. The decrease in the administrative expenses for the Quarter reflect the timing of shareholder meeting expenses which were incurred in the second quarter of 2021 compared to the third quarter in 2020. For the Period, the decrease in administrative expenses reflect lower legal fees.

The Company's **Operating earnings** for the Quarter increased 2.9% to \$8.2 million and decreased 2.8% to \$22.6 million for the Period. The changes in earnings primarily reflect the changes in royalty income for the respective periods. See "Royalty Income".

Interest expense for the Quarter and Period is outlined in the table below.

The Partnership's interest rate swap agreements came into effect in April 2020. The interest rate swap agreements fixed the facility interest rate at the Bankers' Acceptance rate of 1.81% plus a credit spread that moves based upon covenant test levels. In April 2021, due to the impact of COVID-19 on the Partnership and its covenants, the credit spread increased to 1.125% from 0.875%, resulting in a current combined interest rate of 2.935% (2020 – 1.81% plus 0.875% for a combined 2.685%), and this resulted in an increase in interest expense during the Quarter and Period. See "Credit Facilities".

Three months ended Nine months ended

(in thousands of dollars)	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest expense	346	320	994	894
Loan fee amortization	4	4	12	10
Interest paid on borrowings and loan fee amortization	350	324	1,006	904

Distributions made by the Partnership on the Class B and D Equivalent Shares on a per share basis were \$0.2304 for the Quarter (2020 - \$0.1830) and \$0.6715 for the Period (2020 - \$0.6494). The monthly Partnership distribution to both PPL and PPRC decreased in April 2020 as a result of COVID-19's impact on System Sales; the distribution increased in November 2020 and August 2021.

Distributions to the Company by the Partnership on its Class A and Class C LP units are calculated on a pro rata ownership basis; the Company owns 76.5% of the Partnership and PPL owns 23.5%. Monthly, available Partnership funds are distributed based on the percentage ownership. The Company reserves a portion of its monthly distribution for taxes and, on occasion, replenishment of the cash reserve, prior to paying the shareholder dividend. See "Dividends".

Earnings before income taxes measure operations after financing costs. For the Quarter, the Company's reported earnings increased to \$7.9 million from \$7.7 million in 2020. Earnings for the Period decreased to \$21.6 million from \$22.9 million in the prior year comparable period. For the Period, the decrease in earnings reflect the decrease in royalty income and the prior period including a non-cash swap expiry income of \$0.5 million.

Current income tax expense for the Quarter increased to \$1.4 million from \$1.3 million. For the Period, current income tax decreased slightly from \$3.8 million to \$3.7 million. The increase for the Quarter and decrease for the Period are a result of the increase and decrease in the Company's earnings before income taxes, respectively.

Of particular note is that the Company's adjusted earnings from operations before income taxes differs significantly from its taxable income due largely to the tax amortization of the Pizza Pizza and Pizza 73 Rights and Marks, as well as the taxable income allocated to PPL. The amount of tax amortization deducted is based on a declining balance basis and will decrease annually.

Deferred tax expense for the Quarter and Period, a non-cash item, was \$0.2 million and \$0.7 million, respectively, and was relatively consistent when compared to 2020. Deferred tax expense arises from a temporary timing difference between the accounting and tax basis of the Pizza Pizza and Pizza 73 Rights and Marks.

Earnings for the year attributable to shareholders increased 2.7% to \$6.3 million from \$6.1 million in the same quarter last year. For the Period, earnings decreased 6.6% to \$17.3 million from \$18.5 million in the same period of 2020. The increase for the Quarter and decrease for the Period are a result of the increase and decrease in royalty income, respectively.

RECONCILIATION OF NON-IFRS MEASURES

The Company's earnings, as presented under IFRS includes non-cash items, such as deferred tax, that do not affect the Company's business operations or its ability to pay dividends to shareholders. The Company believes its earnings are not the only, or most meaningful, measurement of the Company's ability to pay dividends or measure the rate at which the Company is paying out its earnings. Therefore, the Company reports the following non-IFRS measures:

- Adjusted earnings available for distribution to the Company and PPL;
- Adjusted earnings from operations;
- Adjusted earnings available for shareholder dividends;
- Adjusted earnings per share ("EPS");
- Payout Ratio; and

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- Working Capital.

The Company believes that the above noted measures provide investors with more meaningful information regarding the amount of cash that the Company has generated to pay dividends, and, together with Interest Paid on Borrowings and SSSG, help illustrate the Company's operating performance and highlight trends in the Company's business. These measures are also frequently used by analysts, investors, and other interested parties in the evaluation of issuers in the Company's sector, particularly those with a royalty-based model. The adjustments to net earnings as recorded under IFRS relate to non-cash items included in earnings and cash payments accounted for on the statement of financial position. Investors are cautioned, however, that this should not be construed as an alternative to net earnings as a measure of profitability. The method of calculating Adjusted earnings available for distribution to the Company and Pizza Pizza Limited, Adjusted earnings from operations, Adjusted earnings available for shareholder dividends, Adjusted EPS, Payout Ratio, Working Capital, Interest Paid on Borrowings and SSSG for the purposes of this MD&A may differ from that used by other issuers and, accordingly, these measures may not be comparable to similar measures used by other issuers.

The table below reconciles the following to "Earnings for the period before income taxes" which is the most directly comparable measure calculated in accordance with IFRS:

- Adjusted earnings available for distribution to the Company and Pizza Pizza Limited,
- Adjusted earnings from operations, and
- Adjusted earnings available for shareholder dividends.

(in thousands of dollars, except number of shares)	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Earnings for the period before income taxes	7,866	7,664	21,640	22,905
Non-cash swap expiry	-	-	-	(502)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited	7,866	7,664	21,640	22,403
Current income tax expense	(1,362)	(1,307)	(3,691)	(3,792)
Adjusted earnings from operations	6,504	6,357	17,949	18,611
Less: Distribution on Class B and Class D Exchangeable Shares	(1,743)	(1,384)	(5,076)	(4,909)
Adjusted earnings available for shareholder dividends	4,761	4,973	12,873	13,702
Weighted average Shares – diluted	32,177,276	32,177,276	32,177,276	32,177,276

The **Basic EPS** and the **Adjusted EPS** calculations both include PPL's Class B and Class D Exchangeable Shares since they are exchangeable into and economically equivalent to the Shares. See "Adjusted EPS".

Adjusted EPS is measured on Adjusted earnings from operations as explained above. Adjusted EPS for the Quarter increased 2.0% to \$0.202 when compared to the same period of 2020.

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Basic EPS is adjusted as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Basic EPS	\$ 0.195	\$ 0.190	\$ 0.536	\$ 0.574
Adjustments:				
Non-cash swap expiry	-	-	-	(0.016)
Deferred tax expense	0.007	0.008	0.022	0.020
Adjusted EPS	\$ 0.202	\$ 0.198	\$ 0.558	\$ 0.578

Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company presents the Payout Ratio to illustrate the earnings being returned to shareholders. The Company's Payout Ratio is calculated by dividing the dividends declared to shareholders by the adjusted earnings from operations, after paying the distribution on Class B and Class D Exchangeable Shares, in that same period.

(in thousands of dollars, except as noted otherwise)	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Dividends declared to shareholders	4,308	3,693	12,432	12,651
Adjusted earnings available for shareholder dividends	4,761	4,973	12,873	13,703
Payout Ratio	90%	74%	97%	92%

Working Capital is defined as total current assets less total current liabilities. The Company views working capital as a measure for assessing overall liquidity and its ability to stabilize dividends and fund unusual expenditures in the event of short- to medium-term variability in Royalty Pool System Sales.

(in thousands of dollars)	September 30, 2021	December 31, 2020
Total current assets	8,390	7,829
Less: Total current liabilities	2,549	2,441
Working Capital	5,841	5,388

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 PPL 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, the sales used to derive the Step-Out Payment may be added to sales to arrive at SSSG (as defined in footnote 2 on page 3). It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

The following table calculates SSSG by reconciling Royalty Pool System Sales, based on calendar periods, to PPL's 13-week sales reporting period used in calculating same store sales.

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(in thousands of dollars)	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Total Royalty Pool System Sales	129,711	125,384	355,895	364,640
Adjustments for stores not in both periods, Make-Whole Carryover Amount, Step-Out payments, and the impact of calendar reporting	(6,590)	(5,606)	(13,975)	(10,759)
Same Store Sales	123,121	119,778	341,920	353,881
SSSG	2.8%	-9.5%	-3.4%	-10.8%

DIVIDENDS

The Company declared shareholder dividends of \$4.3 million for the Quarter, or \$0.175 per share, compared to \$3.7 million, or \$0.15 per share, for the prior year comparable quarter. The payout ratio was 90% for the Quarter and was 74% in the prior year, comparable quarter.

For the Period, the Company declared shareholder dividends of \$12.4 million, or \$0.505 per share, compared to \$12.7 million, or \$0.5139 per share, for the prior year comparable period. The payout ratio was 97% for the Period and was 92% in the prior year, comparable period.

When COVID-19 first impacted System Sales in March 2020, the Company reduced its monthly dividend from \$0.0713 per share to \$0.05 per share beginning with the April 2020 dividend. In November 2020, as system sales began to partially recover, the monthly dividend was increased 10% from \$0.05 to \$0.055 per share. During the Quarter, after careful consideration and taking into account the working capital reserve, the Board of Directors announced another 9% increase in the monthly dividend, from \$0.055 to \$0.06 per share, effective August 2021.

The Company will continue monitoring System Sales and royalty income and will consider further changes to the monthly dividend taking into account the duration and impact of the COVID-19 pandemic on restaurant operations, and the timing and pace of economic recovery in the markets that Pizza Pizza and Pizza 73 serve.

Dividends were funded entirely by cash flow from operations and the working capital reserve. No debt was incurred during the year to fund dividends.

Dividends declared for 2021 are as follows:

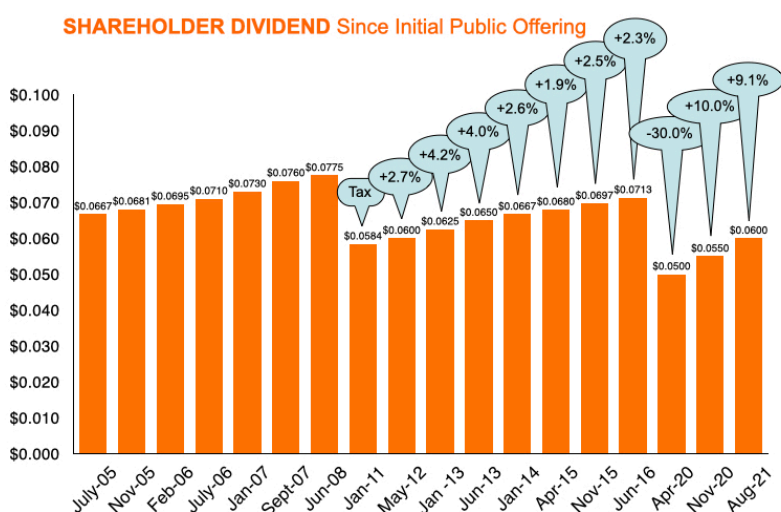
<u>Period</u>	<u>Payment Date</u>	<u>Amount/share</u>
January 1-31, 2021	February 12, 2021	5.5¢
February 1-28, 2021	March 15, 2021	5.5¢
March 1-31, 2021	April 15, 2021	5.5¢
April 1-30, 2021	May 14, 2021	5.5¢
May 1-31, 2021	June 15, 2021	5.5¢
June 1-30, 2021	July 15, 2021	5.5¢
July 1-31, 2021	August 15, 2021	5.5¢

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August 1-31, 2021	September 15, 2021	6.0¢
September 1-30, 2021	October 15, 2021	6.0¢
Total		50.5¢

From July 2005 to September 2008, the Company's predecessor increased distributions six times. In January 2011, the Company's predecessor began paying the new Specified Investment Flow-Through Tax, or SIFT Tax. This corporate income tax required an adjustment to the distribution in January 2011. Subsequent to January 2011, the distribution became an eligible dividend in the hands of shareholders as opposed to its previous treatment as interest income.

Since January 2011, the dividend was increased seven times prior to the decrease in April 2020 during the early stages of the COVID-19 pandemic, and since the decrease has increased twice, as depicted in the chart below.



LIQUIDITY & CAPITAL RESOURCES

The Company's policy is to distribute all available cash in order to maximize returns to shareholders over time, after allowing for reasonable reserves. Despite seasonal variations inherent to the restaurant industry, the Company's policy is to make equal dividend payments to shareholders on a monthly basis in order to smooth out income to shareholders. After the reduction in the monthly dividend in April 2020, the increase in November 2020, and the increase in August 2021, any further change will be implemented with a view to maintaining the continuity of consistent monthly distributions. It is expected that future dividends will continue to be funded entirely by cash flow from operations and the cash reserve.

The Company's working capital reserve is \$5.8 million at September 30, 2021, which is an increase of \$0.5 million in the Period due largely to the improvement in Royalty Pool System Sales and the 90% payout ratio. With the change in the monthly dividend beginning in August 2021, the Company believes that there is sufficient cashflow to service the Company's obligations as they fall due, while also partially restoring the monthly dividend to pre-COVID levels.

The reserve is available to stabilize dividends and fund other expenditures in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. The Company has historically targeted a payout ratio at or near 100% on an annualized basis. However, this policy is under review as the Company continues to closely monitor System Sales and royalty income, and will consider further changes to the monthly dividend taking into account the duration and impact of the COVID-19 pandemic on Royalty Pool sales, and the timing and pace of economic recovery in the markets that Pizza Pizza and Pizza 73 serve. See "COVID-19 Impact" and "Dividends".

Credit Facilities

On June 28, 2019, the Partnership amended and extended its \$47 million credit facility with a syndicate of chartered banks from April 2020 to April 2025. The Partnership's interest rate was unchanged from April 2015 to April 2020 at 2.75% (2018 – 2.75%). The effective rate is comprised of a portion fixed with swaps of 1.875% plus the credit spread of 0.875%. In 2019, the Partnership entered into a five year forward swap arrangement, which commenced April 2020 at an effective interest rate of 2.685% comprised of a fixed rate of 1.81% plus a credit spread of 0.875% through to March 31, 2021. In April 2021, the credit spread increased to 1.125% pursuant to the table described below, raising the combined interest rate to 2.935%.

The credit facility bears interest at the Canadian Bankers' Acceptance rate plus a credit spread between 0.875% to 1.375%, depending on the level of debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA"), with EBITDA defined as annualized earnings before interest, taxes, depreciation and amortization.

The credit facility includes affirmative and negative covenants customary for agreements of this nature, and as at September 30, 2021 all covenants have been met. The Partnership is required to maintain a funded debt-to-EBITDA ratio not to exceed 2.5:1.0 on a four quarter rolling average. The debt-to-EBITDA ratio for the last four-quarter rolling average is 1.54:1 (December 31, 2020 – 1.508:1). The Partnership is presently making interest-only payments on the non-revolving credit facility. Due to the impact of COVID-19 on the Partnership and its covenants, the credit spread increased to the middle tier beginning April 2021. As the debt-to-EBITDA level changes, the credit spread will change as follows:

Debt:EBITDA	Credit Spread
< 1.5:1	0.875%
1.5 - 2.0:1	1.125%
> 2.0:1	1.375%

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 PPL'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 initial public offering of the Company's predecessor. 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 exceed the additional system sales of the restaurants added to the Royalty Pool, the deficit (the "Make-Whole Carryover Amount"), will be paid by PPL 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 PPL. To compensate for this, in certain circumstances, the Partnership Agreement provides that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by PPL 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 Year 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 PPL'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 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.

In early January 2021, a second adjustment was made to the royalty payments and PPL'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 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 Exchange 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 annually, less sales of \$18,572 from the 32 permanently closed Pizza Pizza restaurants. As a result, a negative \$14,516 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 Carryover Amount paid by PPL 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 annually, less \$1,054 in system sales attributable to the two closed Pizza 73 restaurants. As a result, a negative \$534 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 Carryover Amount paid by PPL 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

PPL'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. PPL 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 PPL's entitlement to additional equivalent Shares at January 1, 2021, PPL owns equivalent Shares representing 23.5% of the Company's fully diluted shares.

The chart below shows the Company Shares that would be outstanding if all of the Class B and Class D Units held by PPL were converted to Shares after accounting for their respective multipliers and adjustments as described below.

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
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 2022.

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 delivery and takeout sales throughout the pandemic, and early in the 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.

The Company's working capital reserve is \$5.8 million at September 30, 2021, and increased \$0.5 million from December 31, 2020. The \$5.8 million reserve is available to stabilize dividends in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. The Company has historically targeted a payout ratio at or near 100% on an annualized basis. However, this policy is under review as the Company continues to closely monitor System Sales and royalty income, and will consider further changes to the monthly dividend taking into account the duration and impact of the COVID-19 pandemic on restaurant operations, and the timing and pace of economic recovery in the markets that Pizza Pizza and Pizza 73 serve.

The Company's royalty income and shareholder value are driven by Pizza Pizza Limited's exploitation of the Pizza Pizza and Pizza 73 intellectual property owned by the Partnership. 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.

CONTROLS AND PROCEDURES

Internal controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer of Pizza Pizza GP Inc., managing general partner of the Partnership and administrator of the Company, on a timely basis so that the appropriate decisions can be made regarding public disclosure. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS.

Management carried out an evaluation of the effectiveness of design and operation of the Company's disclosure controls and procedures and internal controls over financial reporting as of September 30, 2021. It was

determined that the Company's disclosure controls and procedures and internal controls over financial reporting were effective.

During the Quarter, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

The Company, through its ownership in the Partnership, has entered into related party transactions with PPL. PPL is considered a related party by virtue of holding Class B and Class D Exchangeable Shares that are exchangeable into common shares of PPRC. Transactions with PPL include: the annual vend-in of restaurants into the Royalty Pool, monthly distributions from the Partnership to its partners, and expenses paid by PPL on behalf of the Partnership. These transactions have been entered into in the normal course of business and are measured at the exchange amount. The transactions with PPL are all pursuant to the terms of the Pizza Pizza Royalty Limited Partnership's Partnership Agreement. See note 8 of the Financial Statements of the Company for further details of the related party transactions.

CRITICAL ACCOUNTING ESTIMATES OF THE COMPANY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

Impairment of Rights and Marks

Determining whether the Rights and Marks are impaired requires an estimation of the recoverable amount of the CGU in which the assets are included. The value-in-use calculation requires that the Company estimate the expected future cash flows from royalty income, terminal growth rates and discount rates. The significant assumptions used in the impairment tests performed at December 31, 2020 and December 31, 2019 are disclosed in the December 31, 2020 annual audited financial statements.

Consolidation

Determining whether the Partnership is consolidated by the Company or PPL requires judgment. The significant judgments that were used to apply IFRS 10 included assessing which party had the power or current ability to direct decisions over the value creation and maintenance of the Pizza Pizza Rights and Marks and Pizza 73 Rights and Marks in the context of the purpose and design of the Partnership. Based on an assessment of the activities of the Partnership it was concluded that the Company controls the Partnership, and therefore consolidates its operations.

Fair value of derivatives

The fair value of the interest rate swaps that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

RISKS & UNCERTAINTIES OF THE COMPANY

The Company continues to recognize certain risks and uncertainties associated with the ordinary course of business, including those associated with the business and operations of PPL, upon which the Company relies solely for its earnings, liquidity risk and interest rate risk. For a detailed discussion of risks concerning the Company, see "Risk Factors" in the Company's Annual Information Form and note 10 in the Financial Statements, which are available at www.sedar.com, and the PPL financial statements for the period ended October 3, 2021 and the related MD&A.

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 PPL, 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 PPL, 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 PPL 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 PPL and PPRC (and thus, funds available for dividends on the Shares). PPL 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 PPL may be unsuccessful in seeking recovery from such franchisees and restaurant operators, all of which may adversely affect PPL'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 fully 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.

The Restaurant Industry

The performance of the Company is directly dependent upon the royalty and interest payments received from PPL. The amount of royalty received from PPL is dependent on various external factors that may affect the limited service sector of the restaurant industry. The restaurant industry, generally, is intensely competitive with respect to price, service, location and food quality. 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, Pizza Pizza franchisees and Pizza 73 operators are unable to successfully compete in the limited service sector, System Sales may be adversely affected, the amount of royalty reduced and the ability of PPL to pay the royalty may be impaired. 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 and breaches, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore, potentially, Pizza Pizza and Pizza 73 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 sales and operating income, which could adversely affect revenue, the royalty and the ability of PPL to pay the royalty to the Company. For additional information concerning the performance of PPL and other risk factors, please refer to the PPL MD&A and PPRC's Annual Information Form which are available at www.sedar.com, www.pizzapizza.ca and www.pizzapizzaroyaltycorp.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information regarding the Company's dividend policy, its ability to meet covenants and other financial obligations, and the potential business and financial impacts of the COVID-19 pandemic on the Company, PPL and its franchisees and restaurant operators and their ability to achieve their business objectives, 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. The Company does not intend to or assume any obligation to update any such forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. 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), impacts of legislation and governmental regulation, accounting policies and practices, competition, changes in demographic trends and changing consumer preferences, and the results of operations and financial condition of PPL. The foregoing list of factors is not exhaustive and should be read in conjunction with the other information included in the foregoing MD&A, the PPL financial statements for the period ended October 3, 2021 and the related MD&A and the Company's Annual Information Form.

ADDITIONAL INFORMATION

Additional information about the Company, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com, www.pizzapizza.ca or at the Company's website www.pizzapizzaroyaltycorp.com.