

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 52-weeks (the "Year") ended January 2, 2022. The MD&A should be read in conjunction with the Company's January 2, 2022 audited consolidated financial statements and notes thereto (the "Financial Statements"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of March 2, 2022.

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 624 Pizza Pizza restaurants at January 2, 2022, 603 are franchised or licensed and 21 are owned and/or managed as corporate restaurants. Of the 624 restaurants, 187 are non-traditional locations which have limited operating hours and a limited menu.

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

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

About the Pizza 73 Brand

There are 103 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 103 locations, 89 are traditional restaurants at January 2, 2022, nine of which are franchised or licensed and 80 are jointly-owned by the Company and an independent owner/operator. There are 14 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.

International Franchising Activities

In November 2021, the Partnership and the Company entered into a licence and royalty agreement for international operations (the "International Agreement"), under which the Company may be granted licences to use the Pizza Pizza Rights in connection with the business of franchising, licensing and/or operating restaurants dedicated to the sale of pizza and related products in designated territories outside of Canada (each, a "Territory"). The Company has the right to use the Pizza Pizza Rights for other ancillary uses in support of brand recognition and customer goodwill for the restaurant business in a Territory. The Company also has the right to sublicense the Pizza Pizza Rights to franchisees and sublicensees in a Territory.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

The Company and the Partnership may agree to designate additional Territories for expansion pursuant to the International Agreement, subject to the prior agreement of the parties as to the compensation payable and any other terms applicable to the licence for that Territory. The Company's other obligations under the International Agreement, and the Partnership's remedies upon a breach, are generally consistent with the provisions of the Pizza Pizza Licence and Royalty Agreement, with modifications reflecting the fact that the Company is acting only as master franchisor in respect of the international operations, and will not be directly involved in the franchising, management or operation of the Mexican restaurants.

In consideration of the licence for Mexico, the Company is required to pay the Partnership, commencing with the first calendar month that is 18 months following the opening of the first traditional restaurant in Mexico, a fee calculated as 12.5% of the royalty received by the Company under the Master Franchise Agreement (without any deduction for withholding or any other taxes). The international licence and royalty agreement provides only for a cash royalty payment, and openings and closings of restaurants in Mexico will not result in changes to the Royalty Pool nor to the Class B and Class D Exchange Multipliers.

Background

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

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

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the January 2, 2022 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, as was the case in fiscal year 2020.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

Consolidated Financial Data and Adjusted EBITDA⁽¹⁾ Calculation

	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021 ⁽²⁾⁽⁶⁾	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021 ⁽²⁾⁽⁶⁾
(all dollars in thousands, except number of restaurants)				
System Sales^{(2),(3)}	134,063	125,686	481,863	486,085
Same Store Sales Growth (SSSG)⁽⁴⁾	12.4%	(17.6%)	0.5%	(12.5%)
Number of Restaurants:				
Traditional	526	504	526	504
Non-traditional	201	222	201	222
New restaurants opened	14	3	36	11
Restaurants closed	17	3	35	34
Revenues ⁽⁵⁾	74,156	71,304	261,811	263,792
Cost of food sales and general & administrative expenses	(50,152)	(50,105)	(168,937)	(172,605)
Equity income from the Partnership	1,859	1,781	6,625	6,726
Royalty payments	(8,894)	(8,029)	(31,919)	(31,789)
Operating loss	(2,663)	(4,351)	(1,913)	(5,841)
Income tax recovery	2,094	2,666	1,731	2,589
Loss for the period attributable to the shareholders of Pizza Pizza Limited	(344)	(1,792)	(859)	(3,835)
Add (deduct):				
Equity income from Partnership	(1,859)	(1,781)	(6,625)	(6,726)
Royalty payments	8,894	8,029	31,919	31,789
Amortization of deferred gain	(581)	(581)	(2,330)	(2,330)
Amortization	3,777	5,956	18,580	19,495
Interest (income) / expense, net	(22)	32	(116)	(33)
Store service contributions ⁽⁵⁾	(19,347)	(19,404)	(70,586)	(74,352)
Store service expenditures ⁽⁵⁾	21,872	20,329	73,270	75,854
Rent impact from IFRS 16 leases	(3,993)	(5,237)	(13,098)	(14,083)
Loss on (reversal of) impairment of lease receivables	291	49	(70)	759
(Gain)/Loss on sale of Company-owned restaurants	(393)	(24)	(568)	46
Amortization and taxes included in Equity income from jointly-controlled companies	285	198	1,108	1,138
Recovery of income taxes:				
Deferred	(2,094)	(2,666)	(1,731)	(2,589)
Adjusted EBITDA⁽¹⁾	\$ 6,486	\$ 3,108	\$ 28,894	\$ 25,133

Notes:

- 1) "EBITDA" is not a recognized measure under IFRS and is a supplementary financial measure under NI 52-112, and therefore may not be comparable to similar measures presented by other issuers. 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 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. Adjusted EBITDA is a non-GAAP financial measure, and therefore may not be comparable to similar measures presented by other issuers. 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

PIZZA PIZZA LIMITED MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

and cash flows.

- (2) PPL 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, as was the case in fiscal 2020.
- (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 a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. 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.
- (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) Certain comparative figures have been restated to conform with current year presentation.

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. Restaurants across Canada continued to face varying levels of public health restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. Fortunately, the Pizza Pizza and Pizza 73 traditional restaurants have been allowed to remain open for delivery and takeout sales throughout the pandemic, and by mid-2021 were allowed to reopen for in-restaurant dining with capacity limits. While the impact of COVID-19 was significant in 2020 and early 2021, the impact of the pandemic lessened as 2021 progressed. In the latter half of 2021 as vaccination rates increased, provinces across Canada lifted restrictions, including the return of in-person dining and the reopening of entertainment venues. With government-mandated pandemic restrictions scheduled to ease in most provinces in the near future, the Company will continue to monitor cases and new variants, as they still present uncertainty.

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 over, the walk-in sales at both brands decreased significantly through most of the pandemic. However, as restrictions were eased in the back half of the year, 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.

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

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

governments began lifting restrictions in the summer of 2021, many of PPL's non-traditional locations, which initially closed, reopened as allowed by each province; however, there are still a number of non-traditional locations that remained closed as of January 2, 2022.

The long-term impact of COVID-19 on the Company's operations will depend on consumer behaviour after the economy fully reopens, the effects of any supply chain disruptions, plus the potential effects of inflation to the economy. The Company continues to closely monitor recent government policy changes as communities across Canada 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

(in thousands of dollars)	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021
Pizza Pizza	113,757	104,859	406,175	402,990
Pizza 73	20,306	20,827	75,688	83,095
Total	134,063	125,686	481,863	486,085

System sales are affected by the net change in the number of restaurants, SSSG reported during the Quarter and Year, and the number of weeks in the reporting period.

For the Quarter, the increase in System Sales is largely due to lapping the initial impact of COVID-19 and the re-opening of the economy and many non-traditional locations as the year progressed. The overall decrease in System Sales for Pizza 73 restaurants for the Year is largely due to the negative impact COVID-19 had for the first nine months of 2021, as Alberta recovered at a slower pace than Ontario. See "COVID-19 Impact".

Same Store Sales Growth

SSSG, the key driver of yield growth for the Company, increased 12.4% (2020 – decreased 17.6%) for the Quarter and increased 0.5% (2020 – decreased 12.5%) for the Year. See "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 continued to improve in each quarter of 2021, with the Pizza Pizza brand accounting for 85% of total sales.

SSSG	Fourth Quarter		Year	
	(%)		(%)	
	2021	2020	2021	2020
Pizza Pizza	13.9	-17.6	2.1	-13.4
Pizza 73	5.0	-17.6	(7.1)	-8.1
Combined	12.4	-17.6	0.5	-12.5

SSSG is normally driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. For the Quarter, the increase in SSSG was largely driven by the lifting of COVID-19 related public health restrictions, which led to increased walk-in traffic, plus some of the Company's key non-traditional locations reopened. As walk-in traffic returned, we experienced a decrease in the average check.

**PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 January 2, 2022	For the 14-week period ended January 3, 2021	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021
Total System Sales	134,063	125,686	481,863	486,085
Adjustments for stores not in both fiscal years, and step-outs	(3,556)	(11,169)	(9,436)	(16,960)
Same Store Sales	130,507	114,517	472,427	469,125
SSSG	12.4%	(17.6%)	0.5%	(12.5%)

New Restaurant Development

For the 13-week period ended January 2, 2022							
(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at October 3, 2021	430	195	625	89	16	105	730
Openings	7	7	14	-	-	-	14
Closings	-	(15)	(15)	-	(2)	(2)	(17)
As at January 2, 2022	437	187	624	89	14	103	727

For the 14-week period ended January 3, 2021							
(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at September 27, 2020	419	204	623	86	17	103	726
Openings	1	1	2	1	-	1	3
Closings	(3)	-	(3)	-	-	-	(3)
As at January 3, 2021	417	205	622	87	17	104	726

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

During the Quarter, the Company opened seven traditional and seven non-traditional Pizza Pizza restaurants across all provinces PPL operates in, including: Quebec, Ontario, British Columbia, Manitoba, New Brunswick and Nova Scotia. The Company closed 15 non-traditional Pizza Pizza restaurant, the majority of which were smaller movie theatre venues, and closed two non-traditional Pizza 73 restaurants.

For the 52-week period ended January 2, 2022							
(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at January 3, 2021	417	205	622	87	17	104	726
Openings	22	12	34	2	-	2	36
Closings	(2)	(30)	(32)	-	(3)	(3)	(35)
As at January 2, 2022	437	187	624	89	14	103	727

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

For the 53-week period ended January 3, 2021								
	Pizza Pizza			Pizza 73			PPL	Grand Total
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total		
(Number of Restaurants) ¹								
As at December 29, 2019	428	217	645	86	18	104		749
Openings	6	3	9	2	-	2		11
Closings	(17)	(15)	(32)	(1)	(1)	(2)		(34)
As at January 3, 2021	417	205	622	87	17	104		726

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

During the Year, the Company opened 22 traditional Pizza Pizza restaurants and 12 non-traditional restaurants across Canada, including openings in Ontario, Quebec, Alberta, Manitoba, British Columbia, New Brunswick and Nova Scotia. The Company closed two traditional and 30 non-traditional Pizza Pizza restaurants, the majority of which were smaller movie theatres. At the Pizza 73 brand, the Company opened two traditional restaurants and closed three non-traditional restaurants.

Revenues

(in thousands of dollars)	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021 ¹	% change	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021 ¹	% change
Food Sales	42,180	40,515	4.1%	151,370	152,457	(0.7%)
Royalties, franchise fees and other revenue	12,629	11,385	10.9%	39,855	36,983	7.8%

¹ Certain comparative figures have been restated to conform with current year presentation

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 opening of new Pizza Pizza restaurants. For the Year, the slight decrease in food sales is due to a decrease in the number of corporately-owned stores and the additional 53rd week in the prior year, offset by the increase in food sales to new stores.

Royalties, franchise fees and other revenue for the Quarter and Year increased when compared to the same periods in 2020. The increase is the result of the initial franchise fee earned on the international franchise agreement for the territory of Mexico, and the initial franchise fees and construction revenue earned on seven and 22 new traditional restaurant openings for the Quarter and Year, respectively.

Store service contributions and expenditures

(in thousands of dollars)	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021	% change	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021	% change
Contributions	19,347	19,404	(0.3%)	70,586	74,352	(5.1%)
Expenditures	(21,873)	(20,328)	7.6%	(73,270)	(75,854)	(3.4%)
Net recovery/(deficit)	(2,526)	(924)	173.4%	(2,684)	(1,502)	78.7%

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

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 Year as there was one additional week in the prior period Quarter and Year. Additionally, the Company expects store service expenditures to match contributions, however due to timing of advertising campaigns and other significant expenditures, the Company anticipates fluctuations in the net recovery/deficit benefit from period to period. Store service expenditures increased due to lower receipt of the wage subsidy provided by the Federal Government during the COVID-19 pandemic. The Company received \$nil and \$284 in wage subsidies relating to store service expenditures for the Quarter and Year, respectively (2020 - \$53 and \$577).

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021	% change	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021	% change
Cost of food sales	34,253	31,865	7.5%	122,267	121,308	0.8%

Cost of food sales is dependent on the movement in food sales for the Quarter and Year. The movement in cost of food sales is due to the movement in food sales for the Quarter and Year, and is further increased due to rising food input costs. 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 January 2, 2022	For the 14-week period ended January 3, 2021 ¹	% change	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021 ¹	% change
G&A expenses	14,145	18,241	(22.5%)	46,670	51,297	(9.0%)

¹ Certain comparative figures have been restated to conform with current year presentation

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

The decrease in G&A expenses for the Quarter and Year is due to the prior year comparable periods including \$2.4 million of corporate restructuring costs, as well as lower depreciation on property, plant and equipment of \$1.4 million. The decrease was partially offset by higher depreciation relating to the right-of-use assets.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended January 2, 2022	For the 14-week period ended January 3, 2021	% change	For the 52-week period ended January 2, 2022	For the 53-week period ended January 3, 2021	% change
Pizza Pizza	7,004	6,204	12.9%	25,014	24,320	2.9%
Pizza 73	1,890	1,825	3.6%	6,905	7,469	(7.6%)
Total	8,894	8,029	10.8%	31,919	31,789	0.4%

As per the License & Royalty Agreements, the Company pays the Partnership a monthly royalty based on the system sales of the Pizza Pizza and Pizza 73 restaurants in the Royalty Pool. The restaurants in the Royalty Pool decreased to 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

**PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool

For the Quarter and Year, the increase in royalty payments is the result of the SSSG, plus the inclusion of the monthly Make-Whole Carry Amount. See "Same Store Sales Growth".

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 January 2, 2022, 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 increased to \$1.9 million for the Quarter compared to \$1.8 million in the same period of 2020, and decreased to \$6.6 million for the Year when compared to \$6.7 million in 2020. The movement in equity income reflects the Partnership earnings driven by SSSG.

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 Year, equity income decreased to \$839,000 and \$3.1 million, respectively, when compared to the prior year comparative periods of \$1.1 million and \$4.7 million. The decrease in equity income for the Quarter and Year is largely due to the continued negative effects of the COVID-19 pandemic on the Pizza 73 businesses, higher input costs, and tighter labour costs. See "System Sales" and "COVID-19".

Deferred tax recovery/expense

Deferred tax recovery was \$2.1 million for the Quarter and \$1.7 million for the Year, compared to deferred tax recovery of \$3.1 million and \$2.6 million for the comparable periods in 2020, respectively. The variance is due to the change in income or loss.

Net income (loss)

The Company reported a net loss of \$344,000 for the Quarter and \$859,000 million for the Year, compared to a net loss of \$3.7 million and \$3.8 million for the comparable periods in 2020, respectively. The change in earnings for the Quarter and Year is mainly attributed to lower general and administrative expenses, slightly offset by the increase in net store service expense.

Shareholders' Deficiency

The \$105.5 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 \$192.2 million as at January 2, 2022 and is being amortized into earnings over a term of 99 years.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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.

	13 weeks ended January 2, 2022	13 weeks ended October 3, 2021	13 weeks ended July 4, 2021	13 weeks ended April 4, 2021	14 weeks ended January 3, 2021 ¹	13 weeks ended September 27, 2020 ¹	13 weeks ended June 28, 2020 ¹	13 weeks ended March 29, 2020 ¹
Revenue	74,156	67,305	63,100	57,250	71,304	64,311	60,857	67,320
Income (loss) for the period	(344)	1,584	705	(2,803)	(1,792)	(2,030)	1,817	(1,830)
Add (deduct):								
Equity income from Partnership	(1,859)	(1,887)	(1,575)	(1,304)	(1,781)	(1,695)	(1,539)	(1,712)
Royalty payments	8,894	8,335	7,656	7,034	8,029	8,145	7,452	8,162
Amortization of deferred gain	(581)	(583)	(583)	(583)	(581)	(583)	(583)	(583)
Amortization	3,777	5,380	4,710	4,713	5,956	4,382	4,457	4,700
Interest income (expense), net	(22)	(28)	(31)	(35)	32	(2)	(11)	(52)
Store service contribution	(19,347)	(17,671)	(17,504)	(16,064)	(19,404)	(18,306)	(17,962)	(18,680)
Store service expenditure	21,872	15,565	16,875	18,958	20,329	18,537	16,875	20,113
Rent impact from IFRS 16 leases	(3,993)	(3,369)	(2,914)	(2,822)	(5,237)	(2,189)	(3,266)	(3,391)
Loss on (reversal of) impairment of lease receivables	291	(5)	(277)	(79)	49	(83)	160	633
(Gain)/loss on sale of Company-owned restaurants	(393)	284	(174)	(285)	(24)	189	(74)	(45)
Amortization and taxes included in Equity income from jointly-controlled companies	285	229	337	257	198	320	421	201
Deferred income taxes	(2,094)	835	570	(1,042)	(2,666)	(330)	651	(244)
Adjusted EBITDA	6,486	8,669	7,795	5,945	3,108	6,355	8,398	7,272

¹ Certain comparative figures have been restated to conform with current year presentation.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

LIQUIDITY & CAPITAL RESOURCES

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

	For the 52-weeks ended January 2, 2021	For the 53-weeks ended January 3, 2021
Cash provided by (cash used in):		
Operating activities	5,898	16,081
Investing activities	17,169	11,190
Financing activities	(24,042)	(23,736)
Increase in cash	(975)	3,535

As of January 2, 2022, the Company had negative working capital of \$31.1 million and its cash, cash equivalents and short-term investment were \$15.3 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 on Company's Business".

Cash provided by operating activities for the Year was \$5.9 million compared to \$16.1 million in the prior year comparable period. The \$10.2 million decrease in cash provided by operating activities is largely attributable to cash provided by changes in working capital, generating \$254,000 compared to \$12.7 million in the prior year comparable period.

Cash provided by investing activities for the Period was \$17.2 million compared to \$11.2 million in the prior year comparable period. The increase in cash provided by investing activities is due to the withdrawal of short-term investments, netting \$1.0 million in cash compared to using \$3.5 million in the prior year comparable period.

Cash used in financing activities for the Period was \$24.0 million compared to \$23.7 million in the prior year comparable period. The slight increase in cash usage is due to larger advances from related parties compared to the prior year comparable period.

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 January 2, 2022 and January 3, 2021. The Company believes the bank covenants will continue to be met in 2022.

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

**PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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, through the Partnership, 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).

In November 2021, the Partnership entered into a licence and royalty agreement with the Company for the use of the Pizza Pizza Rights in the Company's international operations, initially in the territory of Mexico. In consideration of the licence for Mexico, the Company is required to pay the Partnership, commencing with the first calendar month that is 18 months following the opening of the first traditional restaurant in Mexico, a fee calculated as 12.5% of the royalty received by the Company under the Master Franchise Agreement (without any deduction for withholding or any other taxes). The international licence and royalty agreement only provide for a cash royalty payment, and openings and closings of restaurants in Mexico will not result in changes to the Royalty Pool nor to the Class B and Class D Exchange Multipliers.

As of January 2, 2022, 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 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 $(1 - \text{Tax}\%)$ 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

**PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 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 \$781,000 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.

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 \$692,000 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.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 \$4,056,000 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 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 \$520,000 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 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.

2021 Royalty Pool Adjustment

In early January 2022 a second adjustment was made to the royalty payments and PPL's Class B Exchange Multiplier based on the actual performance of the nine new restaurants added to the Royalty Pool on January 1, 2021. The final 2021 Pizza Pizza Royalty Pool adjustment confirmed that a Make-Whole Payment for 2021 is to be paid and calculated as a percentage of \$14,476,000 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

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

unchanged at 2.118582 and Class B Units can be exchanged for 5,313,909 shares effective January 1, 2021.

In early January 2022, 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, 2021. The final 2021 Pizza 73 Royalty Pool adjustment confirmed that a Make-Whole Payment for 2021 is to be paid and calculated as a percentage of \$649,000 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, 2021.

2022 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2022, two net Pizza Pizza restaurants were added from the Royalty Pool as a result of 34 new restaurants opening and 32 closing from January 1, 2021 to December 31, 2021. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 624. The additional system sales from the 34 new restaurants are estimated at \$13,312,000 annually, less sales of \$3,263,000 from the 32 permanently closed Pizza Pizza restaurants. As a result, \$10,049,000 net, estimated Pizza Pizza sales were added to the Royalty Pool and applied against the \$15,257,000 Make-Whole Carryforward Amount, reducing the Estimated Determined Amount to zero for January 1, 2022. The remaining Make-Whole Carryover Amount of \$5,208,000 will be carried over, and a royalty 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.

The yield of the shares was determined to be 5.8% calculated using \$11.76 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, 2022. 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, 2022, once the actual performance of the new restaurant is determined in early 2023.

2021 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2022, the Pizza 73 Royalty Pool remained unchanged as a result of three new restaurants opening between September 2, 2020 and September 1, 2021 and three restaurants closing between January 1, 2021 and December 31, 2021. The forecasted additional system sales from the three new restaurant is estimated at \$1,118,000 annually, less \$254,000 in system sales attributable to the three closed Pizza 73 restaurants. As a result, \$864,000 net, estimated Pizza 73 sales were added to the Royalty Pool. The net estimated sales were further reduced by \$455,000 in system sales attributable to certain restaurants previously added to the Royalty Pool whose territory adjusted a previously existing restaurant. The \$864,000 of Pizza 73 sales added to the Royalty Pool are applied against the \$1,341,000 Make-Whole Carryover Amount, reducing the Estimated Determined Amount to zero for January 1, 2022. The remaining Make-Whole Carryover Amount of \$477,000 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 5.8% calculated using \$11.76 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, 2022. 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

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

adjusted to be effective January 1, 2022, once the actual performance of the new restaurant is determined in early 2023.

Pizza Pizza Royalty Corp. Outstanding Shares

PPL's Class B and Class D equivalent Share entitlement is unchanged for 2022, as the January 1, 2022 forecasted system sales are less than the Make-Whole Carryforward Amount. 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 2022 due to the Make-Whole Carryover Amount, no increase or decrease in the Exchange Multiplier is made. PPL will only have a Class B or D equivalent Share entitlement for 2022 if the actual sales performance of the new restaurants exceeds the Make-Whole Carryforward Amount when the actual sales performance is known with certainty in early 2023.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2022, PPL owns equivalent Shares representing 23.5% of the Company'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, 2022 Adjustment Date.

Shares outstanding & issuable on January 1, 2022

Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2021	5,313,909	
PPL additional Class B Equivalent Shares - True-up Holdback as at December 31, 2021	-	
Additional PPL Class B equivalent Shares as of January 1, 2022	<u>-</u>	5,313,909
Class D equivalent Shares held by PPL at December 31, 2021	2,244,975	
PPL additional Class D Equivalent Shares - True-up Holdback as at December 31, 2021	-	
Additional PPL Class D equivalent Shares as of January 1, 2022	<u>-</u>	2,244,975
Number of fully diluted shares		<u>32,177,276</u>
		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 through 2022.

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. Restaurants across Canada continued to face varying levels of public health restrictions including restrictions on dine-in guests, reduced operating hours and/or temporary closures. Fortunately, the Pizza Pizza and Pizza 73 traditional restaurants have been allowed to remain open for delivery and takeout sales throughout the pandemic, and early in the Quarter were allowed to reopen for in-restaurant dining with capacity limits. While the impact of COVID-19 was significant in 2020 and early 2021, the impact of the pandemic lessened

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

as 2021 progressed. In the latter half of 2021 as vaccination rates increased, provinces across Canada lifted restrictions, including the return of in-person dining and the reopening of entertainment venues.

With government-mandated pandemic restrictions scheduled to ease in most provinces in the near future, the Company believes that the food service industry, and more particularly the quick service restaurant (QSR) segment of the industry, is continuing 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, the Company 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.

The Company has not started remitting royalties on its international licence agreement with the Partnership. Royalty payments from the international agreement will commence 18 months after opening the first traditional restaurant. Relative to the domestic royalty payments, royalties on the international licence agreement will not be material, and are not expected to begin until late 2023 or early 2024 as the first stores are set to open in mid-2022.

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 23 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 23 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 23 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.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

Interbank Offered Rates ("IBORs") reform is the market-wide reform of interest rate benchmarks in which some IBORs are replaced with alternative risk-free rates. Consistent with global efforts, in Canada, benchmark reform initiatives are being led by the Canadian Alternative Reference Rate Committee ("CARR"), a group of financial sector firms and public sector institutions. CARR is tasked with promoting the use of the Canadian Overnight Repo Rate Average as a key risk-free interest rate benchmark as well as analyzing the current status of the Canadian Dollar Offered Rate ("CDOR"). As of May 17, 2021, the 6-month and 12-month CDOR tenors were discontinued on account of their minimal use. The 1-month, 2-month and 3-month CDOR tenors will continue to be published, though its relevance may decline or may ultimately be discontinued as well.

To address the impact IBOR reform has on financial reporting, in August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases. These amendments became effective for annual periods beginning on or after January 1, 2021.

PIZZA PIZZA LIMITED MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

Phase 2 amendments provide certain practical reliefs related to modifications of financial instruments or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

The Company assessed the impacts of the IBOR reform on its financial instruments and hedging relationships. As a result, the Company is not immediately impacted by the IBOR reform. The Company will continue to monitor future developments of CDOR and other applicable benchmark interest rates, and will elect the practical reliefs relating to financial instruments and hedges when applicable.

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 ("IFRS10"), states that an investor controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Based on an assessment of the activities of the Partnership and the franchisees, it was concluded that the Company does not control these entities, and therefore shall not consolidate their operations. The Partnership is consolidated by PPRC, formerly Pizza Pizza Royalty Income Fund.

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

The Company accounts for its 23.5% (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 Pizza operations are classified as a separate CGU group.

PIZZA PIZZA LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 2, 2022 using management's best estimates at a specific point in time which are subject to estimation uncertainty. As a result of this test, it was determined that there was no impairment.

Impairment of investment in jointly-controlled companies

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

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

The impact that COVID-19 has had on performance of restaurants was considered to be an impairment trigger. The Company, therefore, performed an impairment test as at January 3, 2022 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.

PIZZA PIZZA LIMITED MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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 on Company's Business".

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 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 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

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from October 4, 2021 to January 2, 2022 and the 52-week period from January 4, 2021 to January 2, 2022

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.

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 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.