Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Pizza Pizza Limited ("PPL" or the "Company") covers the 13-weeks (the "Quarter") and 39-weeks (the "Period") ended October 2, 2022. The MD&A should be read in conjunction with the Company's October 2, 2022 unaudited interim condensed consolidated financial statements and notes thereto (the "Financial Statements"), as well as the Company's audited consolidated financial statements and accompanying notes, and the related Management's Discussion and Analysis for the year ended January 2, 2022. The Company prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of November 7, 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 628 Pizza Pizza restaurants at October 2, 2022, 611 are franchised or licensed and 17 are owned and/or managed as corporate restaurants. Of the 628 restaurants, 184 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 turnkey restaurants, a central food distribution centre that 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 100 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 100 locations, 88 are traditional restaurants at October 2, 2022, eight of which are franchised or licensed and 80 are jointly owned by the Company and an independent owner/operator. There are 12 non-traditional locations, which have limited operating hours and a limited menu. Pizza 73 has six traditional locations outside of Alberta; four in Saskatchewan and two in British Columbia. 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 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 sublicence the Pizza Pizza Rights to franchisees and sublicencees in a Territory.

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 October 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.

Consolidated Financial Data and Adjusted EBITDA[1] Calculation

	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021
(all dollars in thousands, except number of restaurants)				
System Sales[2],[3]	**147,101**	**126,143**	**412,459**	**347,800**
Same Store Sales Growth (SSSG) [4]	**14.0%**	**2.8%**	**16.0%**	**(3.4%)**
Number of Restaurants:				
Traditional	532	520	532	520
Non-traditional	196	211	196	211
New restaurants opened	10	7	27	23
Restaurants closed	15	14	26	18
Revenues[5]	76,238	67,305	216,533	187,655
Cost of food sales and general & administrative expenses	(52,078)	(42,828)	(146,419)	(120,539)
Equity income from the Partnership	2,033	1,887	5,604	4,766
Royalty payments	(9,547)	(8,335)	(26,603)	(23,025)
Operating income (loss)	(1,916)	2,620	(3,325)	295
Income tax recovery (expense)	455	(835)	646	(363)
Income (loss) for the period attributable to the shareholders of Pizza Pizza Limited	**(1,680)**	**1,584**	**(3,233)**	**(515)**
Add (deduct):				
Equity income from Partnership	(2,033)	(1,887)	(5,604)	(4,766)
Royalty payments	9,547	8,335	26,603	23,025
Amortization of deferred gain	(583)	(583)	(1,748)	(1,748)
Amortization	6,945	5,380	15,750	14,803
Interest income, net	(57)	(28)	(19)	(94)
Store service contributions [5]	(18,687)	(17,671)	(55,158)	(51,239)
Store service expenditures [5]	19,105	15,565	54,012	51,397
Rent impact from IFRS 16 leases	(3,512)	(3,369)	(10,623)	(9,105)
Loss on (reversal of) impairment of lease receivables	56	(5)	262	(360)
(Gain)/Loss on sale of Company-owned restaurants	143	284	55	(175)
Amortization and taxes included in Equity income from jointly-controlled companies	243	229	543	822
Recovery of income taxes:				
Deferred	(455)	835	(646)	363
Adjusted EBITDA [1]	**9,032**	**8,669**	**20,194**	**22,408**

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 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.

(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.

COVID-19 IMPACT

Throughout 2021 and the beginning of 2022, provinces across Canada continued to be impacted by COVID-19 and its variants. By the end of the first quarter of 2022, as vaccination rates increased and case counts improved, provinces across Canada lifted restrictions including mandatory masking and vaccine passports, and allowed for the return of in-person dining and the reopening of entertainment venues.

Since the pandemic began, substantially all traditional Pizza Pizza and Pizza 73 restaurants have remained open across Canada; however, as a result of government restrictions the walk-in sales at both brands decreased significantly through most of the pandemic. As restrictions were eased in early 2022, and tourism and warmer weather returned, the walk-in sales recovered. Certain restaurants located in urban markets continue to be impacted by the loss of walk-in sales, due to corporate offices having adopted work from home policies.

Additionally, almost all of the non-traditional store locations, typically operating in sporting arenas, outdoor entertainment venues, universities, hospitals, and cinemas, which initially closed due to COVID-19 restrictions, reopened as allowed by each province.

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 October 2, 2022	For the 13-week period ended October 3, 2021	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021
Pizza Pizza	128,609	108,093	356,224	292,417
Pizza 73	18,492	18,050	56,235	55,383
Total	**147,101**	**126,143**	**412,459**	**347,800**

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

Same Store Sales Growth

SSSG, the key driver of growth for the Company, increased 14.0% (2021 – increased 2.8%) for the Quarter and increased 16.0% for the Period (2021 – decreased 3.4%). See "COVID-19 Impact".

SSSG	Third Quarter (%)		Year-to-Date (%)	
	2022	2021	2022	2021
Pizza Pizza	16.0	5.7	18.8	(1.8)
Pizza 73	1.8	(11.4)	1.0	(10.9)
Combined	**14.0**	**2.8**	**16.0**	**(3.4)**

SSSG is driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. At Pizza Pizza, for the Quarter and Period, the increase in SSSG was largely driven by the lifting of COVID-19 related public health restrictions and the reopening of non-traditional locations, both of which lead to increased customer traffic. Additionally, during the quarter the average customer check increased as the brands passed along industry-wide price and commodity inflation and labour cost increases. At Pizza 73, for the Quarter and Period, the SSSG was affected by an increase in average check, offset by a decrease in customer traffic.

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

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021
Total System Sales	**147,101**	**126,143**	**412,459**	**347,800**
Adjustments for stores not in both fiscal years, and step-outs	(4,955)	(1,408)	(12,714)	(3,102)
Same Store Sales	142,146	124,735	399,745	344,698
SSSG	**14.0%**	**2.8%**	**16.0%**	**(3.4%)**

New Restaurant Development

For the 13-week period ended October 2, 2022

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)[1]	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at July 3, 2022	439	190	629	89	15	104	733
Openings	6	3	9	1	-	1	10
Closings	(1)	(9)	(10)	(1)	(3)	(5)	(15)
As at October 2, 2022	444	184	628	88	12	100	728

For the 13-week period ended October 3, 2021

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

[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 six traditional Pizza Pizza restaurants, including four openings in British Columbia, one in the Yukon and one in Prince Edward Island, and opened three non-traditional Pizza Pizza restaurants. The Company closed one traditional and nine non-traditional Pizza Pizza restaurants, the majority of which were smaller movie theatre venues. At the Pizza 73 brand, the Company opened one traditional restaurant and closed three non-traditional restaurants, while converting one Pizza 73 traditional restaurant, located in the Yukon, into a Pizza Pizza restaurant.

For the 39-week period ended October 2, 2022

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)[1]	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at January 2, 2022	437	187	624	89	14	103	727
Openings	14	11	25	1	1	2	27
Closings	(7)	(14)	(21)	(2)	(3)	(5)	(26)
As at October 2, 2022	444	184	628	88	12	100	728

For the 39-week period ended October 3, 2021

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

[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 Period, the Company opened 14 traditional and 11 non-traditional Pizza Pizza restaurants, and closed seven traditional and 14 non-traditional restaurants, the majority of which were smaller movie theatre venues. Additionally, at the Pizza 73 brand, the Company opened one traditional and one non-traditional restaurant, closed two non-traditional restaurants, and converted two Pizza 73 traditional restaurants into Pizza Pizza restaurants.

Revenues

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	% change	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021	% change
Food sales	45,704	39,674	15.2%	127,787	109,190	17.0%
Royalties, franchise fees and other revenue	11,847	9,960	18.9%	33,588	27,266	23.2%

Food sales represent food sales from the Company's distribution centre to the stores, as well as corporate store food sales to customers. For the Quarter and Period, the increase in food sales relates to the increase in SSSG and the opening of new Pizza Pizza restaurants since late 2021.

Royalties, franchise fees and other revenue for the Quarter and Period increased compared to the prior year comparable periods. The increase is the result of increased royalties earned on higher system sales and higher rental income earned on right-of-use assets.

Store service contributions and expenditures

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	% change	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021	% change
Contributions	18,687	17,671	5.7%	55,158	51,239	7.6%
Expenditures	(19,105)	(15,565)	22.7%	(54,012)	(51,397)	5.1%
Net recovery/(deficit)	(418)	2,106	(119.8%)	1,146	(158)	(825.3%)

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

The store service balance decreased into a net deficit for the Quarter due to more advertising campaigns. The net recovery increased for the Period as store service contributions increased due to an increase in system sales. The Company expects store service expenditures to match contributions, however, as noted previously, due to timing of advertising campaigns and other significant expenditures, the Company anticipates fluctuations in the net recovery/deficit benefit from period to period.

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	% change	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021	% change
Cost of food sales	37,220	31,700	17.4%	103,689	88,014	17.8%

During the Quarter and Period, the cost of food sales increased in line with the increase in food sales. The Company continues to leverage its buying power and manage food costs through its centralized purchasing system.

General and Administrative ("G&A") Expenses

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	% change	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021	% change
G&A expenses	14,858	11,128	33.5%	42,730	32,525	31.4%

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

The increase in G&A expenses for the Quarter and Period primarily relates to an increase in employee expenses as labour costs increased to support the Company's network growth, and the prior year comparable period included wage subsidies from the Federal Government that were not received in 2022. Additionally, the Company also recorded higher amortization on its right-of-use assets during the Quarter and Period.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended October 2, 2022	For the 13-week period ended October 3, 2021	% change	For the 39-week period ended October 2, 2022	For the 39-week period ended October 3, 2021	% change
Pizza Pizza	7,848	6,678	17.5%	21,511	18,010	19.4%
Pizza 73	1,699	1,657	2.5%	5,092	5,015	1.5%
Total	9,547	8,335	14.5%	26,603	23,025	15.5%

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 increased to 727 on January 1, 2022 to include 37 new restaurants less 35 closed restaurants. In the prior year, the Royalty Pool included 725 restaurants. Additionally, while the number of stores in the Royalty Pool increased from 2021, it remains less than the 2019 period when there were 772 restaurants in the Royalty Pool. The negative impact on Royalty Pool System Sales has been mitigated by the Make-Whole Carryover Payment. See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool

For the Quarter and Period, the increase in royalty payments is the result of the SSSG, plus the inclusion of the monthly Make-Whole Carryover 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 October 2, 2022, the Company owned an effective 23.5% interest in the Partnership (2021 – 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 $2.0 million for the Quarter and $5.6 million for the Period compared to $1.9 and $4.8 million in the prior year comparable periods. The increase in equity income reflects the increased 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 (2021 – 80 Pizza 73 restaurants) as an investment in joint ventures, and applies the equity method of accounting.

Equity income increased to $742,000 for the Quarter from $435,000 in the prior year comparable period due to an increase in system sales. Equity income decreased to $1.9 million for the Period from $2.3 million in the prior year comparable period due to a smaller increase in system sales, higher input costs and the absence of government wage subsidies in 2022. See "System Sales".

Deferred tax recovery/expense

Deferred tax recovery was $455,000 for the Quarter and $646,000 for the Period compared to deferred tax expense of $835,000 and $363,000 in the prior year comparable periods. The variance is due to the Company recognizing its non-capital losses from current and previous years' taxable income, as well as a change in income or loss.

Net income/loss

The Company reported net loss of $1.7 million for the Quarter and $3.2 million for the Period compared to net income of $1.6 million and net loss of $515,000 in the prior year comparable periods. The change in earnings for the Quarter and Period is mainly attributed to net store service contributions and higher general and administrative expenses.

Shareholders' Deficiency

The $108.7 million shareholders' deficiency shown in the Financial Statements is largely a result of the Company having paid $107.5 million in capital dividends to shareholders in 2005, $16.8 million in capital dividends in 2007, $7.2 million in capital dividends in 2012, and $39.0 million in capital dividends in 2016. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the Company's Rights & Marks in 2005, funds from operations since 2005, and proceeds from the sale of Class B Partnership Units in 2015. The balance of the deferred gain from the 2005 sale of the Company's Rights & Marks is $190.5 million as at October 2, 2022 and is being amortized into earnings over a term of 99 years.

SUMMARY OF QUARTERLY RESULTS

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

(Expressed in thousands of Canadian dollars)	**13 weeks ended October 2, 2022**	**13 weeks ended July 3, 2022**	**13 weeks ended April 3, 2022**	**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**
Revenue	76,238	74,434	65,862	74,156	67,305	63,100	57,250	71,304
Income (loss) for the period	**(1,680)**	**755**	**(2,304)**	**(344)**	**1,584**	**705**	**(2,803)**	**(1,792)**
Add (deduct):								
Equity income from Partnership	(2,033)	(1,934)	(1,637)	(1,859)	(1,887)	(1,575)	(1,304)	(1,781)
Royalty payments	9,547	9,136	7,920	8,894	8,335	7,656	7,034	8,029
Amortization of deferred gain	(583)	(583)	(583)	(581)	(583)	(583)	(583)	(581)
Amortization	6,945	3,745	5,059	3,777	5,380	4,710	4,713	5,956
Interest income (expense), net	(57)	(12)	50	(22)	(28)	(31)	(35)	32
Store service contribution	(18,687)	(18,929)	(17,543)	(19,347)	(17,671)	(17,504)	(16,064)	(19.404)
Store service expenditure	19,105	15,991	18,916	21,872	15,565	16,875	18,958	20,329
Rent impact from IFRS 16 leases	(3,512)	(3,551)	(3,561)	(3,993)	(3,369)	(2,914)	(2,822)	(5,237)
Loss on (reversal of) impairment of lease receivables	56	28	178	291	(5)	(277)	(79)	49
(Gain)/loss on sale of Company-owned restaurants	143	(220)	132	(393)	284	(174)	(285)	(24)
Amortization and taxes included in Equity income from jointly-controlled companies	243	234	66	285	229	337	257	198
Deferred income taxes	(455)	323	(514)	(2,094)	835	570	(1,042)	(2,666)
Adjusted EBITDA	**9,032**	**4,983**	**6,179**	**6,486**	**8,669**	**7,795**	**5,945**	**3,108**

LIQUIDITY & CAPITAL RESOURCES

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

Cash provided by (cash used in):	For the 39-weeks ended October 2, 2022	For the 39-weeks ended October 3, 2021
Operating activities	6,382	335
Investing activities	7,810	13,491
Financing activities	(15,093)	(18,001)
Decrease in cash	**(901)**	**(4,175)**

As of October 2, 2022, the Company had negative working capital of $31.3 million and its cash, cash equivalents and short-term investment were $16.8 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.

Cash provided by operating activities for the Period was $6.4 million compared to $335,000 in the prior year comparable period. The increase in cash generated is primarily due to cash being generated in the period due to changes in working capital, compared to cash used in the prior period when the Company cleared significant amounts of accounts payable.

Cash provided by investing activities for the Period was $7.8 million compared to $13.5 million in the prior year comparable period. The decrease in cash provided is primarily due to an increase in additions to short-term investments and property, plant and equipment

Cash used in financing activities for the Period was $15.1 million compared to $18.0 million in the prior year comparable period. The decrease in cash used is primarily due to higher advances received from related parties.

Certain bank covenants must be maintained by the Company and are related to the Partnership's credit facility, all of which were met as of October 2, 2022. 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 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 624 Pizza Pizza restaurants in the Royalty Pool for 2022 (2021 – 622).

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 2022, there are 103 Pizza 73 restaurants in the Royalty Pool (2021 – 103).

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 provides 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 October 2, 2022, the Company has not opened any restaurants in Mexico.

As of October 2, 2022, the Company indirectly held an effective 23.5% interest in the Partnership (January 2, 2022 - 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 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, 2022, it will be the effective Company tax rate for the year ended December 31, 2021). 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 royalties on 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 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

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 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 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 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 2020 and 2021 Make-Whole Carryover Amount of $15,257,000, 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, 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.

2022 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 restaurants are 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 a Step-Out Adjustment of $455,000 in system sales attributable to certain restaurants previously added to the Royalty Pool whose territory adjusted an existing restaurant. The $864,000 of Pizza 73 sales added to the Royalty Pool are applied against the 2020 and 2021 Make-Whole Carryover Amount of $1,341,000, 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 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 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 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 Company shares that would be outstanding if all of the Class B and Class D Units held by PPL were converted to Company 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	-	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	-	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 to maintain and increase restaurant sales. Increases in restaurant sales are derived from both the opening of new Pizza Pizza and Pizza 73 restaurants and increases in SSSG. SSSG is the key metric for shareholder growth.

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. While the impact of COVID-19 was significant in 2020 and 2021, the impact of the pandemic lessened as 2021 progressed. In early 2022 as vaccination rates increased, provinces across Canada lifted restrictions, including the return of in-person dining and the reopening of entertainment venues. With restrictions now lifted, the Company anticipates continued momentum through walk-in sales and non-traditional restaurants.

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.

New restaurant construction continues across Canada as government mandated restrictions on commercial construction have been lifted in all provinces. PPL management has revised its traditional restaurant network growth expectation to 3 to 4% due to supply chain issues. However, its franchisee pipeline remains strong and its renovation program continues through 2022.

Royalty income from the international agreement will commence 18 months after opening the first traditional restaurant. Relative to the domestic royalty income, 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 late-2022.

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TRANSACTIONS WITH RELATED PARTIES

The Company has entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D Partnership Units, management fees and food purchases as disclosed in note 12 of the Financial Statements of the Company. The Company does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 12 of the Financial Statements of the Company.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 12 of the Financial Statements of the Company. Advances from related party are due to the parent company. Advances to/from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured.

CRITICAL ACCOUNTING POLICIES

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

Consolidation - Determining which entities are to be consolidated by the Company requires judgment on the definition of control. The definition of control under IFRS 10, Consolidated Financial Statements ("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 2, 2022 – 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 2, 2022 – 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.

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. Subsequent to the impairment test performed as at January 2, 2022, no further triggers of impairment have been identified as of October 2, 2022

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 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. Subsequent to the impairment test performed as at January 2, 2022, no further triggers of impairment have been identified as of October 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 such as inflation and rising interest rates, 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 had 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, consumer spending on restaurants and other discretionary expenses, and the level of consumer confidence in the safety of QSR restaurants. These impacts have moderated substantially through 2022, as the pace of economic recovery has improved and the Pizza Pizza and Pizza 73 restaurants have returned to normal course operations. The Company is continuing to monitor the ongoing impacts of the COVID-19 pandemic (including risks associated with supply chain issues, inflationary pressure, slowing economic growth and the potential emergence of new variants) to develop and adapt strategies and operating practices for the Pizza Pizza and Pizza 73 restaurants that will support customer and staff health and safety, together with the financial performance of the restaurants.

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.