

**PIZZA PIZZA ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SELECTED FINANCIAL HIGHLIGHTS

The following tables set out selected financial information and other data of Pizza Pizza Royalty Corp. ("PPRC" or the "Company") and should be read in conjunction with the December 31, 2022 consolidated financial statements of the Company ("Financial Statements"). Readers should note that the 2022 results are not directly comparable to the 2021 results due to there being 727 restaurants in the 2022 Royalty Pool compared to 725 restaurants in the 2021 Royalty Pool.

(in thousands of dollars, except number of restaurants, days in the year, per share amounts, and noted otherwise)	December 31, 2022	December 31, 2021	December 31, 2020
Restaurants in Royalty Pool ⁽¹⁾	727	725	749
Same store sales growth ⁽²⁾	15.2%	0.5%	-12.5%
Days in the Year	365	365	366
System Sales reported by Pizza Pizza restaurants in the Royalty Pool ⁽⁶⁾	\$ 490,626	\$ 416,904	\$ 405,335
System Sales reported by Pizza 73 restaurants in the Royalty Pool ⁽⁶⁾	77,656	76,718	82,987
Total System Sales	\$ 568,282	\$ 493,622	\$ 488,322
Royalty – 6% on Pizza Pizza System Sales	\$ 29,438	\$ 25,014	\$ 24,320
Royalty – 9% on Pizza 73 System Sales	6,989	6,905	7,469
Royalty income	\$ 36,427	\$ 31,919	\$ 31,789
Interest paid on borrowings ^{(3) (5)}	(1,322)	(1,355)	(1,222)
Administrative expenses	(632)	(559)	(636)
Interest Income	82	-	-
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited ⁽⁵⁾	\$ 34,555	\$ 30,005	\$ 29,931
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(7,823)	(6,856)	(6,481)
Current income tax expense	(6,142)	(5,154)	(5,069)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 20,590	\$ 17,995	\$ 18,381
Add back:			
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	7,823	6,856	6,481
Adjusted earnings from operations⁽⁵⁾	\$ 28,413	\$ 24,851	\$ 24,862
Adjusted earnings per share ⁽⁵⁾	\$ 0.883	\$ 0.772	\$ 0.773
Basic earnings per share	\$ 0.856	\$ 0.743	\$ 0.761
Dividends declared by the Company	\$ 19,633	\$ 16,864	\$ 16,590
Dividend per share	\$ 0.7975	\$ 0.685	\$ 0.6739
Payout ratio ⁽⁵⁾	95%	94%	90%
Working capital ⁽⁵⁾	\$ 7,512	\$ 6,537	\$ 5,388
Total assets	\$ 367,831	\$ 363,057	\$ 361,545
Total liabilities	\$ 75,408	\$ 72,831	\$ 73,144

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
(in thousands of dollars, except number of restaurants, days in the quarter, per share amounts and as noted otherwise)				
Restaurants in Royalty Pool ⁽¹⁾	727	727	727	727
Same store sales growth ⁽²⁾	13.0%	14.0%	20.3%	13.6%
Days in the quarter	92	92	91	90
System Sales reported by Pizza Pizza restaurants in Royalty Pool ⁽⁶⁾	\$ 132,108	\$ 130,794	\$ 122,931	\$ 104,793
System Sales reported by Pizza 73 restaurants in Royalty Pool ⁽⁶⁾	21,077	18,881	19,559	18,139
Total System Sales	\$ 153,185	\$ 149,675	\$ 142,490	\$ 122,932
Royalty – 6% on Pizza Pizza System Sales	\$ 7,926	\$ 7,848	\$ 7,376	\$ 6,287
Royalty – 9% on Pizza 73 System Sales	1,898	1,699	1,760	1,633
Royalty income	\$ 9,824	\$ 9,547	\$ 9,136	\$ 7,920
Interest paid on borrowings ⁽³⁾⁽⁵⁾	(323)	(322)	(320)	(356)
Administrative expenses	(233)	(119)	(169)	(112)
Interest Income	82	-	-	-
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited ⁽⁵⁾	\$ 9,350	\$ 9,106	\$ 8,647	\$ 7,452
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(2,059)	(1,984)	(1,924)	(1,856)
Current income tax expense	(1,679)	(1,663)	(1,528)	(1,272)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 5,612	\$ 5,459	\$ 5,195	\$ 4,324
Add back:				
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	2,059	1,984	1,924	1,856
Adjusted earnings from operations ⁽⁵⁾	\$ 7,671	\$ 7,443	\$ 7,119	\$ 6,180
Adjusted earnings per share ⁽⁵⁾	\$ 0.238	\$ 0.231	\$ 0.221	\$ 0.192
Basic earnings per share	\$ 0.232	\$ 0.225	\$ 0.215	\$ 0.185
Dividends declared by the Company	\$ 5,108	\$ 4,985	\$ 4,862	\$ 4,677
Dividend per share	\$ 0.2075	\$ 0.2025	\$ 0.1975	\$ 0.190
Payout ratio ⁽⁵⁾	91%	91%	94%	108%

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
(in thousands of dollars, except number of restaurants, days in the quarter, per share amounts and as noted otherwise)				
Restaurants in Royalty Pool ⁽¹⁾	725	725	725	725
Same store sales growth ⁽²⁾	12.4%	2.8%	0.8%	-13.3%
Days in the quarter	92	92	91	90
System Sales reported by Pizza Pizza restaurants in Royalty Pool ⁽⁶⁾	\$ 116,729	\$ 111,303	\$ 98,647	\$ 90,225
System Sales reported by Pizza 73 restaurants in Royalty Pool ⁽⁶⁾	20,997	18,408	19,304	18,009
Total System Sales	\$ 137,726	\$ 129,711	\$ 117,951	\$ 108,234
Royalty – 6% on Pizza Pizza System Sales	\$ 7,004	\$ 6,678	\$ 5,919	\$ 5,413
Royalty – 9% on Pizza 73 System Sales	1,890	1,657	1,737	1,621
Royalty income	\$ 8,894	\$ 8,335	\$ 7,656	\$ 7,034
Interest Income	-	-	-	-
Interest paid on borrowings ⁽³⁾⁽⁵⁾	(350)	(350)	(341)	(314)
Administrative expenses	(179)	(119)	(159)	(102)
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited ⁽⁵⁾	\$ 8,365	\$ 7,866	\$ 7,156	\$ 6,618
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(1,779)	(1,743)	(1,667)	(1,667)
Current income tax expense	(1,463)	(1,362)	(1,219)	(1,110)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 5,123	\$ 4,761	\$ 4,270	\$ 3,841
Add back:				
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	1,779	1,743	1,667	1,667
Adjusted earnings from operations ⁽⁵⁾	\$ 6,902	\$ 6,504	\$ 5,937	\$ 5,508
Adjusted earnings per share ⁽⁵⁾	\$ 0.214	\$ 0.202	\$ 0.185	\$ 0.171
Basic earnings per share	\$ 0.207	\$ 0.195	\$ 0.177	\$ 0.164
Dividends declared by the Company	\$ 4,431	\$ 4,308	\$ 4,062	\$ 4,062
Dividend per share	\$ 0.180	\$ 0.175	\$ 0.165	\$ 0.165
Payout ratio ⁽⁵⁾	87%	90%	95%	106%

(1) The number of restaurants for which the Pizza Pizza Royalty Limited Partnership (the "Partnership") earns a royalty ("Royalty Pool"), as defined in the amended and restated Pizza Pizza license and royalty agreement (the "Pizza Pizza License and Royalty Agreement") and the amended and restated Pizza 73 license and royalty agreement (the "Pizza 73 License and Royalty Agreement") (together, the "License and Royalty Agreements"). For the 2022 fiscal year, the Royalty Pool includes 624 Pizza Pizza restaurants and 103 Pizza 73 restaurants.

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

The number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and closings reported by Pizza Pizza Limited ("PPL") on an annual basis as the periods for which they are reported differ slightly (see "Royalty Pool Adjustments").

- (2) Same store sales growth ("SSSG") is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. SSSG means the change in Period's gross revenue of a particular Pizza Pizza or Pizza 73 restaurant as compared to sales in the previous comparative Period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payment (calculated as the difference between the average monthly Pizza 73 Royalty payment attributable to that Adjusted Restaurant in the 12 months immediately preceding the month in which the territory reduction occurs, less the Pizza 73 Royalty payment attributable to the restaurant in the current month) may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under International Financial Reporting Standards ("IFRS"). See "Reconciliation of Non-IFRS Measures".
- (3) The Company, indirectly through the Partnership, incurs interest expense on the \$47 million outstanding bank loan. Interest expense also includes amortization of loan fees. See "Interest Expense".
- (4) Represents the distribution to PPL from the Partnership on Class B and Class D Units of the Partnership. The Class B and D Units are exchangeable into common shares of the Company ("Shares") based on the value of the Class B Exchange Multiplier and the Class D Exchange Multiplier at the time of exchange as defined in the License and Royalty Agreements, respectively, and represent 23.5% of the fully diluted Shares at December 31, 2022 (December 31, 2021 – 23.5%). During the quarter ended March 31, 2022, as a result of the final calculation of the equivalent Class B and Class D Share entitlements related to the January 1, 2021 Adjustment to the Royalty Pool, PPL was not paid a distribution on additional equivalent Shares as if such Shares were outstanding as of January 1, 2021. Included in the three months ended March 31, 2022, is the payment of \$nil in distributions to PPL pursuant to the true-up calculation (March 31, 2021 - PPL received \$nil).
- (5) "Adjusted earnings available for distribution to the Company and Pizza Pizza Limited", "Adjusted earnings from operations", "Adjusted earnings available for shareholder dividends", "Adjusted earnings per Share", "Interest paid on borrowings", "Payout Ratio", and "Working Capital" are non-GAAP financial measures under NI 52-112. They do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. See "Reconciliation of Non-IFRS Measures" and "Interest Expense".
- (6) System Sales (as defined in the License and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, and the monthly Make-Whole Payment, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of the Company but are used to calculate the royalties payable to the Partnership as presented above.

OVERVIEW AND BUSINESS OF THE COMPANY

The following Management's Discussion and Analysis (the "MD&A") is a discussion of the results of operations and financial condition of the Company for the three months (the "Quarter") and year (the "Year") ended December 31, 2022. The Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The MD&A has been prepared as of March 7, 2023.

The Company, indirectly through the Partnership, owns the trademarks, trade names and other intellectual property used by PPL in its Pizza Pizza and Pizza 73 restaurants and in its international franchising business. The Pizza Pizza trademarks, trade names and other intellectual property (the "Pizza Pizza Rights") were licensed to PPL in 2005 for 99 years for which PPL pays the Partnership a royalty equal to 6% of the System Sales of its Pizza Pizza restaurants in the Royalty Pool. On July 24, 2007, the Partnership acquired the trademarks, trade names and other intellectual property of Pizza 73 (the "Pizza 73 Rights") from Pizza 73 Inc. and licensed them to PPL for 99 years, for which PPL pays a royalty equal to 9% of the System Sales of the Pizza 73 restaurants in the Royalty Pool. The Partnership is also entitled to receive royalty payments based on PPL's international franchising activities using the Pizza Pizza Rights. For 2022, the Royalty Pool consists of 624 Pizza Pizza restaurants and 103 Pizza 73 restaurants.

Readers should note that the number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and closings reported by PPL on an annual basis as the periods for which they are reported differ slightly. See "Royalty Pool Adjustments".

About the Pizza Pizza Brand

Pizza Pizza is a franchise-oriented restaurant business operating primarily in the province of Ontario in which it leads the pizza quick service restaurant ("QSR") segment. Of the 644 Pizza Pizza restaurants at December 31, 2022, 629 are franchised or licensed, and 15 are owned and/or managed as corporate restaurants. Of the 644 restaurants, 190 are non-traditional locations which have limited operating hours and a limited menu.

PPL, a privately-held company, provides a high level of service and operational support to restaurant operators, including turn-key restaurants, a central food distribution centre which supplies all food and non-food items used in Pizza Pizza restaurant operations, and monitoring systems intended to ensure product and service quality and operational consistency across the chain. Pizza Pizza has a modern restaurant system. The centrally-managed renovation or re-imaging program, funded by PPL's franchisees, allows for the continuous renewal of the Pizza Pizza concept.

About the Pizza 73 Brand

There are 99 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. The majority of the traditional Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Of the 88 traditional restaurants at December 31, 2022, eight are franchised or licensed and 80 are jointly-owned by PPL and an independent owner/operator. There are 11 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 currently 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.

About the International Franchising Business

In November 2021, the Partnership and PPL entered into a licence and royalty agreement for international operations (the "International Agreement"), under which PPL 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"). PPL 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. PPL also has the right to sublicense the Pizza Pizza Rights to franchisees and sublicensees in a Territory.

PPL 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. PPL'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 PPL 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, PPL 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 PPL 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. As of December 31, 2022 no restaurants have opened in Mexico.

System Sales and PPL's Interest

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

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

As of December 31, 2022, PPL indirectly held an effective 23.5% interest in the Company (December 31, 2021 – 23.5%) by holding all Class B and Class D Units of the Partnership. PPL has the right to exchange one Class B or Class D Unit indirectly for that number of Shares equal to the Class B Exchange Multiplier or Class D Exchange Multiplier, respectively, applicable at the date of such exchange, as described under "Royalty Pool Adjustments".

The Class B and Class D Units are entitled to receive monthly distributions established by PPRC's board of directors. A monthly distribution is paid to both PPL and PPRC on a pro rata ownership basis, with PPRC's ownership held through its Class A and Class C limited partnership units of the Partnership.

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 $(1 - \text{Tax}\%)$ 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, 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,

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

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, system sales of 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 73 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 to 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. See "Subsequent Events".

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. See "Subsequent Events".

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 Carryover 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 Carryover Amount when the actual sales performance is known with certainty in early 2023. See "Subsequent Events".

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.

<u>Shares outstanding & issuable on January 1, 2022</u>		
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
<u>Number of fully diluted shares</u>		<u>32,177,276</u>
PPL's proportion of all shares outstanding and available for exchange		23.5%

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, in-person classes, 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, 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.

SAME STORE SALES GROWTH ("SSSG")

SSSG, the key driver of yield growth for shareholders of the Company, increased 13.0% (2021 -12.4%) for the Quarter and 15.2% (2021 -0.5%) for the Year. See "Reconciliation of Non-IFRS Measures" and "COVID-19 IMPACT".

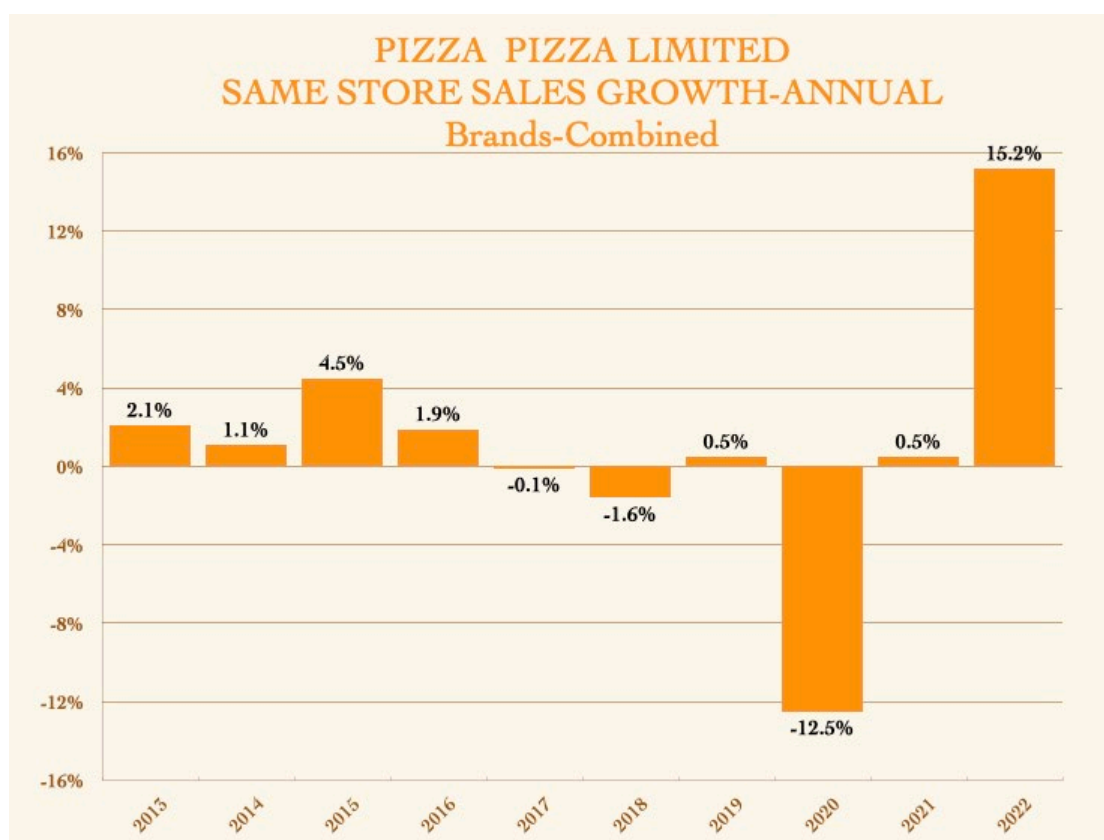
PIZZA PIZZA ROYALTY CORP.
 Management's Discussion & Analysis
 For the three months and year ended December 31, 2022

SSSG	Fourth Quarter (%)		Year (%)	
	2022	2021	2022	2021
Pizza Pizza	15.2	13.9	17.8	2.1
Pizza 73	1.3	5.0	1.1	-7.1
Combined	13.0	12.4	15.2	0.5

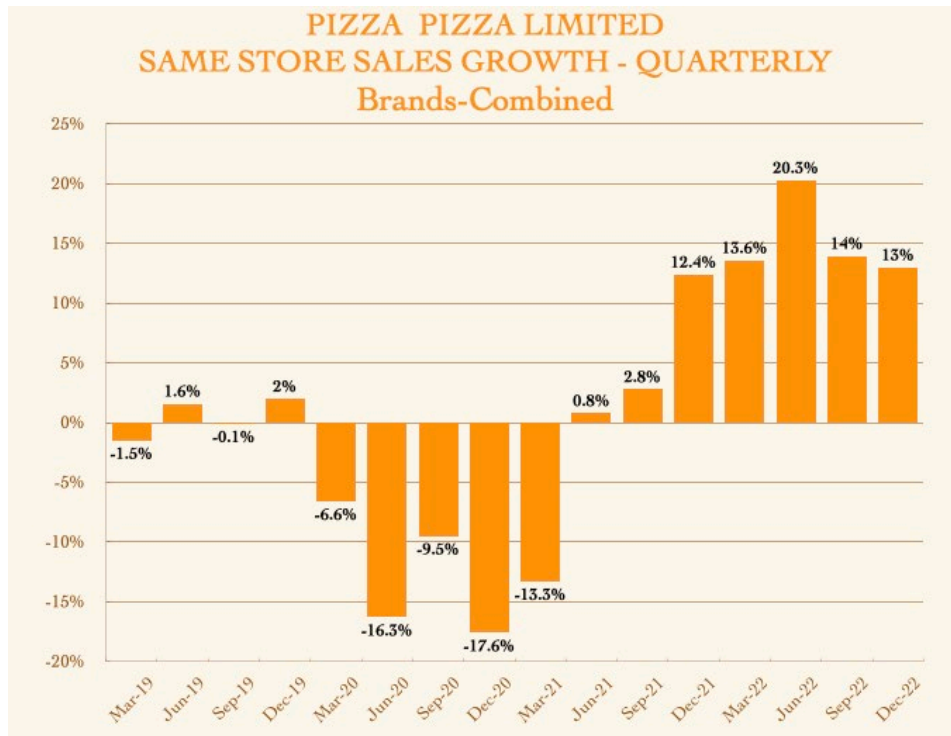
SSSG is driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. During the Quarter and Year, the average customer check increased as the brands successfully passed along retail price increases largely related to commodity and labour increases. At Pizza Pizza, for the Quarter and Year, the increase in SSSG was driven by consumers significantly increasing restaurant visits compared to the prior year partially due to the lifting of COVID-19 related public health restrictions. Sales also benefitted from value messages and promotional brand activities, plus the reopening of non-traditional locations as well as students returning to in-person classes. At Pizza 73, which depends heavily on pizza delivery versus in-store visits, the SSSG was adversely affected by customers preparing more meals at home plus competition from third party food delivery apps resulting in a decline in overall customer orders.

The following charts show historical SSSG performance:

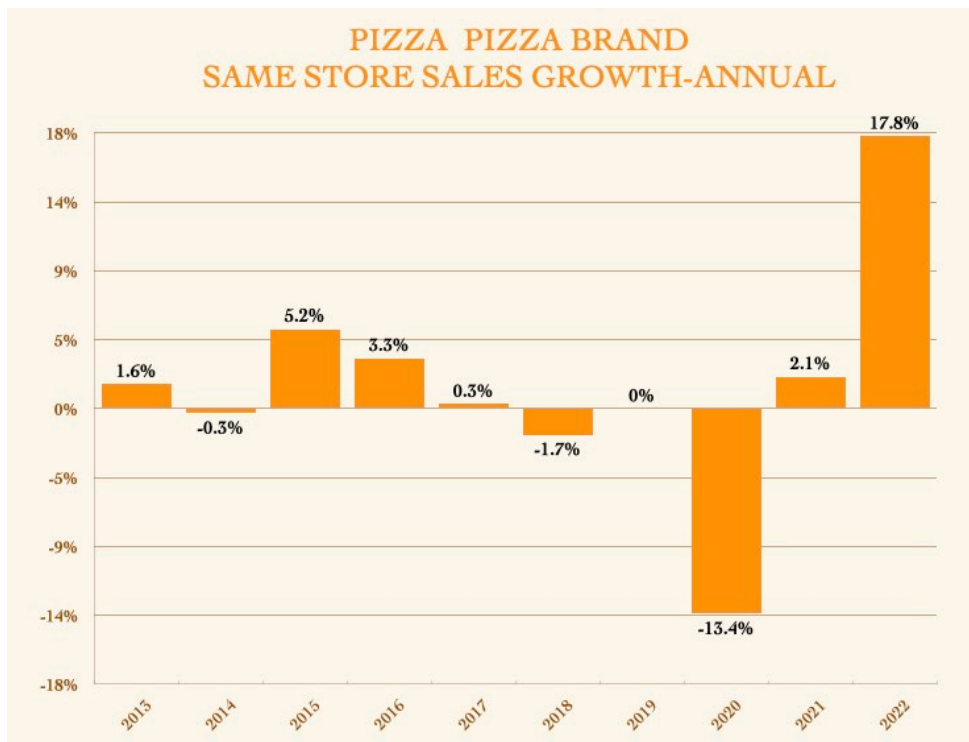
a) Annual SSSG, in which both brands are combined:



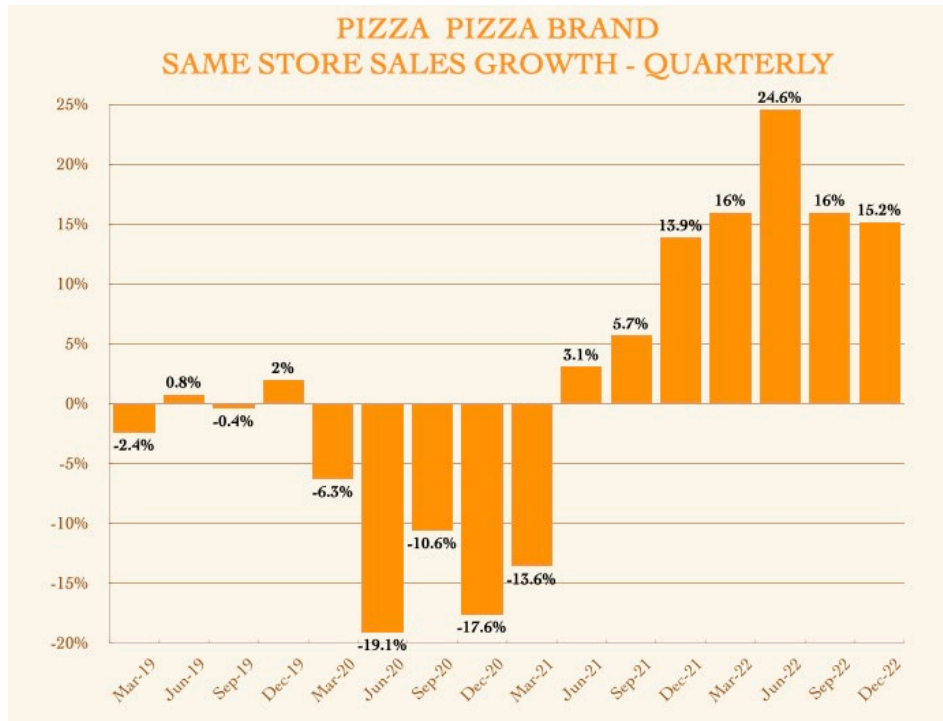
b) Quarterly SSSG, in which both brands are combined:



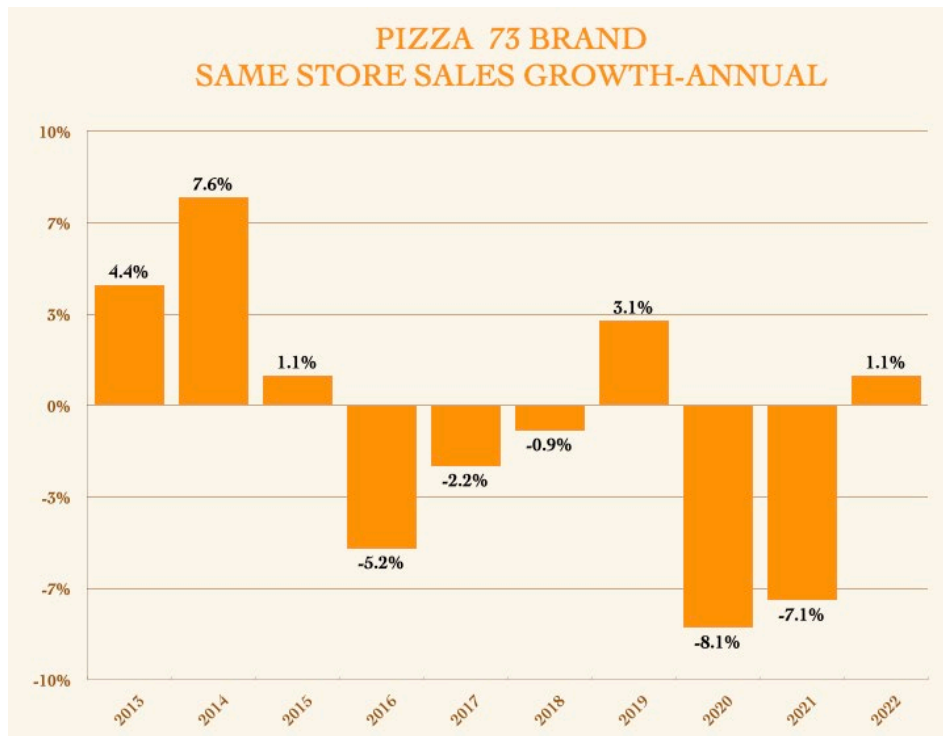
c) Annual SSSG, Pizza Pizza brand only:



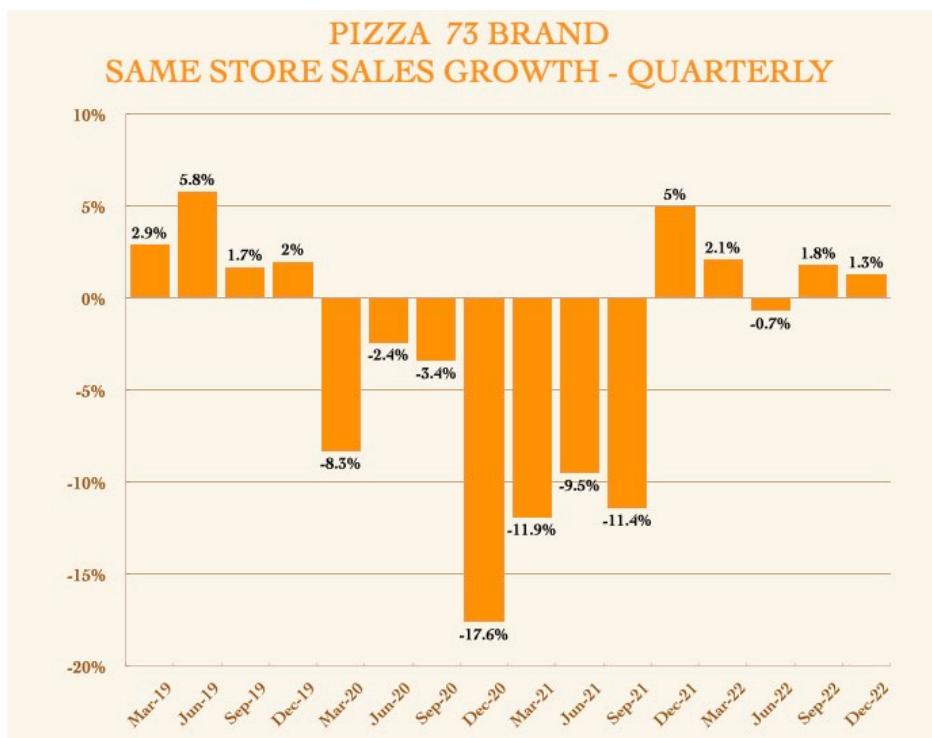
d) Quarterly SSSG, Pizza Pizza brand only:



e) Annual SSSG, Pizza 73 brand only:



f) Quarterly SSSG, Pizza 73 brand only:



ROYALTY POOL SALES

System Sales of the Royalty Pool are affected by the number of restaurants in the Pool for that respective year. For 2022, the number of restaurants in the Royalty Pool increased to 727 on January 1, 2022 (the "Adjustment Date") to include 37 new restaurants less 35 closed restaurants. In the prior year, the Royalty Pool included 725 restaurants.

Royalty Pool System Sales for the Quarter increased 11.2% to \$153.2 million from \$137.7 million in the same quarter last year. By brand, sales from the 624 Pizza Pizza restaurants in the Royalty Pool increased 13.2% to \$132.1 million for the Quarter compared to \$116.7 million in the same quarter last year. Sales from the 103 Pizza 73 restaurants increased 0.4% to \$21.1 million for the Quarter compared to \$21.0 million in the same quarter last year.

Royalty Pool System Sales for the Year increased 15.1% to \$568.3 million from \$493.6 million in 2021. By brand for the Year, sales from the 624 Pizza Pizza restaurants in the Royalty Pool increased 17.7% to \$490.6 million compared to \$416.9 million in the prior year. Sales from the 103 Pizza 73 restaurants increased 1.2% to \$77.7 million compared to \$76.7 million in 2021.

For the Quarter and Year, the increase in Royalty Pool System Sales is primarily driven by the increase in same store sales and the full re-opening of the economy and many non-traditional locations reopening as the Year progressed. Additionally, while the number of restaurants in the Royalty Pool increased in 2022, it remains less than 2019 when there were 772 restaurants in the Royalty Pool. The negative impact on Royalty Pool System Sales due to prior year restaurant closures has been mitigated by the Make-Whole Carryover Amount. See "Same Store Sales Growth", "COVID-19 Impact", and "Restaurants Added to the Royalty Pool".

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

For 2022, the Statement of Royalty Pool System Sales is as follows:

**System Sales reported by Pizza Pizza Royalty Pool Restaurants
 From January 1, 2022 to December 31, 2022**
 (in thousands of dollars)

Total Pizza Pizza retail sales	490,294
New locations ⁽¹⁾	(7,147)
Make-Whole Payment for closed locations	4,753
Make-Whole Carryover Amount	2,726
2022 Pizza Pizza Royalty Pool System Sales	<u>490,626</u>

**System Sales reported by Pizza 73 Royalty Pool Restaurants
 From January 1, 2022 to December 31, 2022**

Total Pizza 73 retail sales	77,038
New locations ⁽¹⁾	(270)
Make-Whole Payment for closed locations	431
Make-Whole Carryover Amount	457
2022 Pizza 73 Royalty Pool System Sales	<u>77,656</u>

Total 2022 Royalty Pool System Sales **568,282**

System Sales (as defined in the License and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority.

Total Pizza Pizza retail sales for the year ended December 31, 2022 include sales reported by franchisees and sales from PPL-owned locations during the reporting Year. Sales from new locations include sales from franchisee or PPL-owned locations that were opened on or after January 1, 2022 and on or prior to December 31, 2022. Sales from closed locations include sales from restaurants that were closed on or after January 1, 2022 and on or prior to December 31, 2022, and for which PPL is required to pay the Make-Whole Payment. Additionally, since the January 1, 2020 and 2021 vend-ins resulted in the system sales of the closed Pizza Pizza restaurants exceeding the additional system sales of the additional restaurant added to the Pizza Pizza Royalty Pool, the Make-Whole Carryover Amount was paid by PPL to the Partnership and added to the Royalty Pool system sales.

Total Pizza 73 retail sales for the year ended December 31, 2022 include sales reported by the jointly-controlled, franchised, and PPL-owned locations during the reporting Year. Sales from new locations include sales from jointly-controlled, franchised or PPL-owned locations that were opened after September 1, 2021 and on or prior to December 31, 2022. Sales from closed locations include sales from restaurants that were closed on or after January 1, 2022 and on or prior to December 31, 2022, and for which PPL is required to pay the Make-Whole Payment. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payments, as defined under the Pizza 73 License and Royalty Agreement, are added back to System Sales. Additionally, since the January 1, 2022 vend-in resulted in the system sales of the closed Pizza 73 restaurants exceeding the additional system sales of the additional restaurant added to the Pizza 73 Royalty Pool, the Make-Whole Carryover Amount was paid by PPL to the Partnership and added to the Royalty Pool system sales.

System Sales reported by Pizza Pizza and Pizza 73 restaurants to PPL are self-assessed by each restaurant on a weekly reporting basis and are submitted without audit or other form of independent assurance. However, PPL management has internal controls in place and monitors sales weekly.

¹ Reflects sales at newly-opened restaurants not yet included in the applicable Royalty Pool.

COMPANY OPERATING RESULTS

The Financial Statements incorporate the assets and liabilities of the Company and its subsidiaries as at December 31, 2022 and the operating results of the Company and their subsidiaries for the Quarter and Year ended December 31, 2022. The Company's subsidiaries and its respective holdings are outlined below:

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

Royalty income earned by the Partnership increased 10.5% to \$9.8 million for the Quarter and increased 14.1% to \$36.4 million for the Year. A 6% royalty was earned on the Royalty Pool of 624 Pizza Pizza restaurants reporting \$132.1 million in System Sales for the Quarter and \$490.6 million for the Year. A 9% royalty was earned on the Royalty Pool of 103 Pizza 73 restaurants reporting \$21.1 million in System Sales for the Quarter and \$77.7 million for the Year.

Royalty income for the prior year's comparative quarter and year was \$8.9 million and \$31.9 million, respectively. The 622 Pizza Pizza restaurants in the Royalty Pool reported System Sales of \$116.7 million for the comparative quarter and \$416.9 million for 2021, while the 103 Pizza 73 restaurants reported \$21.0 million and \$76.7 million for the comparative quarter and year, respectively.

For the Quarter and Period, the increase in royalty income is largely due to the increase in SSSG and the full re-opening of the economy and many non-traditional locations. See "Same Store Sales Growth" and "COVID-19 Impact".

Royalty income from the international licence will commence 18 months following the opening of the first traditional restaurant in Mexico. As of December 31, 2022 no restaurants have opened in Mexico and therefore no royalty income from the international licence was earned in 2022 or 2021. See "About the International Franchising Business".

Administrative expenses for the Quarter were \$233,000 and \$632,000 for the Year. For the prior year comparable periods, administrative expenses were \$179,000 and \$559,000, respectively. Administrative expenses are incurred in the Partnership, and consist of director fees, audit, legal and public reporting fees as well as directors & officers' insurance. The increase in the administrative expenses for the Quarter and Year reflect higher public company listing and filing fees.

The Company's **Operating earnings** for the Quarter increased 10.1% to \$9.6 million and increased 14.1% to \$35.8 million for the Year. The increase in earnings primarily reflect the increase in royalty income for the respective periods. See "Royalty Income".

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

The Partnership's interest rate swap agreements came into effect in April 2020. The interest rate swap agreements fixed the facility interest rate at the Bankers' Acceptance rate of 1.81% plus a credit spread that moves based upon covenant test levels. In April 2022, due to the impact of the full re-opening of the economy on the Partnership and its covenants, the credit spread decreased to 0.875% from 1.125%, resulting in a combined interest rate of 2.685%, compared to a combined interest rate of 2.935% from April 2021 to March 2022. See "Credit Facilities".

(in thousands of dollars)	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Interest expense	318	345	1,304	1,338
Loan fee amortization	5	5	18	17
Interest paid on borrowings and loan fee amortization	323	350	1,322	1,355

Distributions made by the Partnership on the Class B and D Equivalent Shares on a per share basis were \$0.2725 for the Quarter (2021 - \$0.2355) and \$1.035 for the Year (2021 - \$0.907). The monthly Partnership distribution to both PPL and PPRC increased in August 2021, and in February, June and November 2022 as System Sales improved after the initial impact of COVID-19.

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

Earnings before income taxes measure operations after financing costs. For the Quarter, the Company's reported earnings increased to \$9.4 million from \$8.4 million in 2021, as royalty income increased. Earnings for the Year increased to \$34.6 million from \$30.0 million in 2021.

Current income tax expense for the Quarter increased to \$1.7 million from \$1.5 million. For the Year, current income tax increased to \$6.1 million from \$5.2 million. The increase for the Quarter and Year are a result of the increase in the Company's earnings before income taxes.

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

Deferred tax expense for the Quarter and Year, a non-cash item, was \$0.2 million and \$0.9 million, respectively, and was consistent when compared to 2021. Deferred tax expense arises from a temporary timing difference between the accounting and tax basis of the Pizza Pizza and Pizza 73 Rights and Marks.

Earnings for the period attributable to shareholders increased 11.8% to \$7.5 million from \$6.7 million in the same quarter last year. For the Year, earnings increased 15.2% to \$27.6 million from \$23.9 million in 2021. The increase for the Quarter and Year is the result of the increase in royalty income, as discussed above.

RECONCILIATION OF NON-IFRS MEASURES

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

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

The Company believes that the above noted measures provide investors with more meaningful information regarding the amount of cash that the Company has generated to pay dividends, and, together with Interest Paid on Borrowings and SSSG, help illustrate the Company's operating performance and highlight trends in the Company's business. These measures are also frequently used by analysts, investors, and other interested parties in the evaluation of issuers in the Company's sector, particularly those with a royalty-based model. The adjustments to net earnings as recorded under IFRS relate to non-cash items included in earnings and cash payments accounted for on the statement of financial position. Investors are cautioned, however, that this should not be construed as an alternative to net earnings as a measure of profitability. The method of calculating the Company's NI 52-112 non-GAAP financial measures: Adjusted earnings available for distribution to the Company and Pizza Pizza Limited, Adjusted earnings from operations, Adjusted earnings available for shareholder dividends, Adjusted EPS, Payout

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

Ratio, Working Capital, Interest Paid on Borrowings and SSSG for the purposes of this MD&A may differ from that used by other issuers and, accordingly, these measures may not be comparable to similar measures used by other issuers.

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

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

(in thousands of dollars, except number of shares)	2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Earnings for the period before income taxes	34,555	9,350	9,106	8,647	7,452
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited	34,555	9,350	9,106	8,647	7,452
Current income tax expense	(6,142)	(1,679)	(1,663)	(1,528)	(1,272)
Adjusted earnings from operations	28,413	7,671	7,443	7,119	6,180
Less: Distribution on Class B and Class D Exchangeable Shares	(7,823)	(2,059)	(1,984)	(1,924)	(1,856)
Adjusted earnings available for shareholder dividends	20,590	5,612	5,459	5,195	4,324
Weighted average Shares – diluted	32,177,276	32,177,276	32,177,276	32,177,276	32,177,276

(in thousands of dollars, except number of shares)	2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Earnings for the period before income taxes	30,005	8,365	7,866	7,156	6,618
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited	30,005	8,365	7,866	7,156	6,618
Current income tax expense	(5,154)	(1,463)	(1,362)	(1,219)	(1,110)
Adjusted earnings from operations	24,851	6,902	6,504	5,937	5,508
Less: Distribution on Class B and Class D Exchangeable Shares	(6,856)	(1,779)	(1,743)	(1,667)	(1,667)
Adjusted earnings available for shareholder dividends	17,995	5,123	4,761	4,270	3,841
Weighted average Shares – diluted	32,177,276	32,177,276	32,177,276	32,177,276	32,177,276

The **Basic EPS** and the **Adjusted EPS** calculations are based on fully diluted weighted average shares, and both include PPL's Class B and Class D Exchangeable Shares since they are exchangeable into and economically equivalent to the Shares. See "Adjusted EPS".

Adjusted EPS is calculated by dividing Adjusted earnings from operations, as explained above, by the fully diluted weighted average shares. Adjusted EPS for the Quarter increased 11.1% to \$0.238 when compared to the same period of 2021, and increased 14.4% to \$0.883 for the Year.

Basic EPS is adjusted as follows:

	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Basic EPS	\$ 0.232	\$ 0.207	\$ 0.856	\$ 0.743
Adjustments:				
Deferred tax expense	0.006	0.007	0.027	0.029
Adjusted EPS	\$ 0.238	\$ 0.214	\$ 0.883	\$ 0.772

Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company presents the Payout Ratio to illustrate the earnings being returned to shareholders. The Company's Payout Ratio is calculated

PIZZA PIZZA ROYALTY CORP.

Management's Discussion & Analysis

For the three months and year ended December 31, 2022

by dividing the dividends declared to shareholders by the adjusted earnings from operations, after paying the distribution on Class B and Class D Exchangeable Shares, in that same period.

(in thousands of dollars, except as noted otherwise)	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Dividends declared to shareholders	5,108	4,432	19,633	16,864
Adjusted earnings available for shareholder dividends	5,612	5,123	20,590	17,995
Payout Ratio	91%	87%	95%	94%

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

(in thousands of dollars)	December 31, 2022	December 31, 2021	December 31, 2020
Total current assets	11,582	9,341	7,829
Less: Total current liabilities	4,070	2,804	2,441
Working Capital	7,512	6,537	5,388

SSSG is a key indicator used by the Company to measure performance against internal targets and prior period results. SSSG is commonly used by financial analysts and investors to compare PPL to other QSR brands. SSSG is defined as the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous comparative period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payment may be added to sales to arrive at SSSG (as defined in footnote 2 on page 3). It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

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

(in thousands of dollars)	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Total Royalty Pool System Sales	153,185	137,726	568,292	493,622
Adjustments for stores not in both periods, Make-Whole Carryover Amount, Step-Out payments, and the impact of calendar reporting	(3,684)	(5,471)	(19,046)	(16,669)
Same Store Sales	149,501	132,255	549,246	476,953
SSSG	13.0%	12.4%	15.2%	0.5%

DIVIDENDS

The Company declared shareholder dividends of \$5.1 million for the Quarter, or \$0.2075 per share, compared to \$4.4 million, or \$0.180 per share, for the prior year comparable quarter. The payout ratio is 91% for the Quarter and was 87% in the prior year, comparable quarter.

The Company declared shareholder dividends of \$19.6 million for the Year, or \$0.7975 per share, compared to \$16.9 million, or \$0.685 per share, for the prior year comparable period. The payout ratio is 95% for the Year and was 94% in 2021.

When COVID-19 first impacted System Sales in March 2020, the Company reduced its monthly dividend from \$0.0713 per share to \$0.05 per share beginning with the April 2020 dividend. As System Sales began to recover, the monthly dividend was increased, and since April 2020 has increased five times. In 2022, the Company announced three dividend increases, the first in February 2022, the second in June 2022, and recently the third in

PIZZA PIZZA ROYALTY CORP.
 Management's Discussion & Analysis
 For the three months and year ended December 31, 2022

November 2022, resulting in a current monthly dividend of \$0.07 per share per month. Subsequent to the Quarter, after careful consideration and taking into account the strong SSSG and working capital reserve, the Board of Directors announced a 3.6% increase in the monthly dividend from \$0.07 to \$0.0725 per share, effective March 2023.

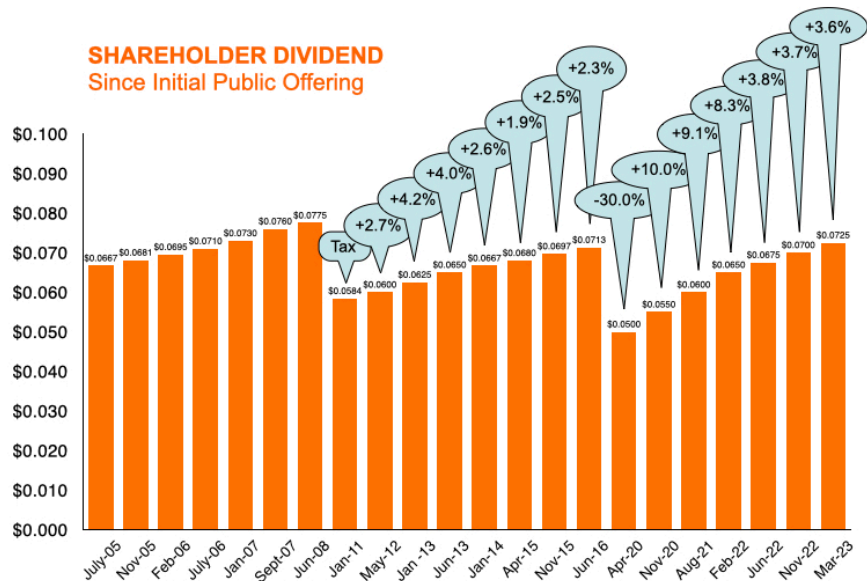
The Company will continue to closely monitor sales and royalty income to determine when additional dividend adjustments may be warranted. Dividends were funded entirely by cash flow from operations and the working capital reserve. No debt was incurred during the year to fund dividends.

Dividends declared for 2022 are as follows:

<u>Period</u>	<u>Payment Date</u>	<u>Amount/share</u>
January 1-31, 2022	February 15, 2022	6.0¢
February 1-28, 2022	March 15, 2022	6.5¢
March 1-31, 2022	April 15, 2022	6.5¢
April 1-30, 2022	May 13, 2022	6.5¢
May 1-31, 2022	June 15, 2022	6.5¢
June 1-30, 2022	July 15, 2022	6.75¢
July 1-31, 2022	August 15, 2022	6.75¢
August 1-31, 2022	September 15, 2022	6.75¢
September 1-30, 2022	October 15, 2022	6.75¢
October 1-31, 2022	November 15, 2022	6.75¢
November 1-30, 2022	December 15, 2022	7.00¢
December 1-31, 2022	January 13, 2023	7.00¢
Total		79.75¢

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

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



LIQUIDITY & CAPITAL RESOURCES

The Company's policy is to distribute all available cash in order to maximize returns to shareholders over time, after allowing for reasonable reserves. Despite seasonal variations inherent to the restaurant industry, the Company's policy is to make equal dividend payments to shareholders on a monthly basis in order to smooth out income to shareholders. After the reduction in the monthly dividend in April 2020, and the six subsequent increases, including the most recent increase in March 2023, any further change will be implemented with a view to maintaining the continuity of consistent monthly distributions. It is expected that future dividends will continue to be funded entirely by cash flow from operations and the cash reserve.

The Company's working capital reserve is \$7.5 million at December 31, 2022, which is an increase of \$0.5 million in the Quarter due to the 91% payout ratio. With the increase in the monthly dividend in February, June and November 2022 and March 2023, the Company believes that there is sufficient cashflow to service the Company's obligations as they fall due, while also increasing the monthly dividend above its pre-COVID levels.

The reserve is available to stabilize dividends and fund other expenditures in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. The Company has historically targeted a payout ratio at or near 100% on an annualized basis. See "Dividends".

Credit Facilities

On June 28, 2019, the Partnership amended and extended its \$47 million credit facility with a syndicate of chartered banks from April 2020 to April 2025. The credit facility bears interest at the Canadian Bankers' Acceptance rate plus a credit spread between 0.875% to 1.375%, depending on the level of debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA"), with EBITDA defined as annualized earnings before interest, taxes, depreciation and amortization.

In April 2020 the facility interest was at an effective interest rate of 2.685% comprised of a fixed rate of 1.81% plus a credit spread of 0.875% through to March 31, 2021. In April 2021, the credit spread increased to 1.125% pursuant to the table described below, raising the combined interest rate to 2.935%. In April 2022, the credit spread decreased as the impact of COVID-19 lessened and earnings improved, causing the effective interest rate to decrease to 2.685%.

The credit facility includes affirmative and negative covenants customary for agreements of this nature, and as at December 31, 2022 all covenants have been met. The Partnership is required to maintain a funded debt-to-EBITDA ratio not to exceed 2.5:1.0 on a four quarter rolling average. The debt-to-EBITDA ratio for the last four-quarter rolling average is 1.31:1 (December 31, 2021 – 1.499:1). The Partnership is presently making interest-only payments on the non-revolving credit facility. As the debt-to-EBITDA level changes, the credit spread will change as follows:

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

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.

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 2022 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 fully lifted, the Company anticipates continued momentum through walk-in sales and non-traditional restaurants.

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

The Company continues to closely 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.

The Company's working capital reserve is \$7.5 million at December 31, 2022, and increased \$0.5 million from September 30, 2022. As a result, after careful consideration, the Board of Directors announced a 3.6% increase in the monthly dividend from \$0.07 to \$0.0725 per share, beginning with the March 2023 dividend. Annualized, the dividend will increase from \$0.84 to \$0.87 per share. See "Subsequent Events".

The \$7.5 million reserve is available to stabilize dividends in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. The Company has historically targeted a payout ratio at or near 100% on an annualized basis.

The Company's royalty income and shareholder value are driven by Pizza Pizza Limited's exploitation of the Pizza Pizza and Pizza 73 intellectual property owned by the Partnership. As Canada's #1 pizzeria, PPL leverages its market-leading positions by staying top-of-mind with consumers. PPL believes its leading market share is the result of providing a variety of high-quality menu offerings, introducing new products and investing heavily in technological innovation.

New restaurant construction continues across Canada as PPL executes on its national expansion program. PPL management expects to grow its traditional restaurant network growth by 3 to 4% in 2023. Additionally, its franchisee pipeline remains strong and its renovation program continues through 2023.

The Company has not started collecting royalties on its international licence agreement with PPL. 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 2024 as the first stores are set to open in mid-2023.

SUBSEQUENT EVENT

- a. 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, 2023 Adjustment Date.

Shares outstanding & issuable on January 1, 2023		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2022	5,313,909	
PPL additional Class B Equivalent Shares - True-up Holdback as at December 31, 2022	-	
Additional PPL Class B equivalent Shares as of January 1, 2023	160,304	5,474,213
Class D equivalent Shares held by PPL at December 31, 2022	2,244,975	
PPL additional Class D Equivalent Shares - True-up Holdback as at December 31, 2022	-	
Additional PPL Class D equivalent Shares as of January 1, 2023	-	2,244,975
Number of fully diluted shares		32,337,580
		23.9%

2022 Royalty Pool Adjustment

In early January 2023 a second adjustment was made to the royalty payments and PPL's Class B Exchange Multiplier based on the actual performance of the 34 new restaurants added to the Royalty Pool on January 1, 2022. The final 2022 Pizza Pizza Royalty Pool adjustment confirmed that the net additional system sales added to the Royalty Pool were \$12.5 million and were applied against the opening Make-Whole Carryover Amount of \$15.3 million. As a result the Make-Whole Payment for 2022 is to be paid and calculated as a percentage of \$2.7 million Royalty Pool sales. The Make-Whole Payment will continue to be paid for

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three months and year ended December 31, 2022

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, 2022.

In early January 2023, a second adjustment was made to the royalty payments and PPL's Class D Exchange Multiplier based on the actual performance of the three Pizza 73 restaurant added to the Royalty Pool on January 1, 2022. The final 2022 Pizza 73 Royalty Pool adjustment confirmed that the net additional system sales added to the Royalty Pool were \$0.9 million and were applied against the opening Make-Whole Carryover Amount of \$1.3 million. As a result the Make-Whole Payment for 2022 is to be paid and calculated as a percentage of \$0.5 million 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 73 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, 2022.

2023 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2023, 20 net Pizza Pizza restaurants were added from the Royalty Pool as a result of 43 new restaurants opening and 23 closing from January 1, 2022 to December 31, 2022. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 644. The additional system sales from the 43 new restaurants are estimated at \$13.8 million annually, less sales of \$7.3 million from the 23 permanently closed Pizza Pizza restaurants. As a result, \$6.5 million net, estimated Pizza Pizza sales were added to the Royalty Pool and applied against the \$2.7 million Make-Whole Carryforward Amount, resulting in an Estimated Determined Amount of \$3.8 million added to the Royalty Pool.

The yield of the shares was determined to be 5.9% calculated using \$13.60 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, 2023. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.063911; the new Class B Multiplier is 2.182493. This adjustment will also increase the entitlement of the holders of the Class B units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2023, once the actual performance of the new restaurants is determined in early 2024.

2023 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2023, four net Pizza 73 restaurants were removed from the Royalty Pool as a result of two new restaurants opening between September 2, 2021 and September 1, 2022 and six restaurants closing between January 1, 2022 and December 31, 2022. The forecasted additional system sales from the two new restaurants are estimated at \$0.5 million annually, less \$1.4 million in system sales attributable to the six closed Pizza 73 restaurants. As a result, a negative \$0.9 million net, estimated Pizza 73 sales were removed from the Royalty Pool.

The \$0.9 million of Pizza 73 sales removed to the Royalty Pool are added to the \$0.5 million Make-Whole Carryover Amount at the end of 2022. The cumulative Make-Whole Carryover Amount of \$1.4 million 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 total number of Pizza 73 restaurants in the Royalty Pool has decreased to 99.

The yield of the shares was determined to be 5.9% calculated using \$13.60 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, 2023. 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, 2023, once the actual performance of the new restaurant is determined in early 2024.

Pizza Pizza Royalty Corp. Outstanding Shares

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 160,304 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (200,380 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2023 actual sales performance is known with certainty in early 2024.

PPL's Class D equivalent Share entitlement is unchanged for 2023. In any year that the forecasted system sales (less closed restaurants sales and other adjustments) is negative, as was the case with the Class D equivalent Share entitlement calculation for 2023 no increase or decrease in the Exchange Multiplier is made. PPL will only have a Class D equivalent Share entitlement for 2023 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 2024.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2023, PPL owns equivalent Shares representing 23.9% of the Company's fully diluted shares.

- b. Subsequent to the Quarter, the Company's Board of Directors declared a dividend for the month of March 2023. The Company announced that its monthly dividend will increase to \$0.0725 from \$0.07 per share, beginning with the March 2023 dividend. The dividend will be payable to shareholders of record at the close of business on March 31, 2023, and will be paid on April 14, 2023.

CONTROLS AND PROCEDURES

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

Management carried out an evaluation of the effectiveness of design and operation of the Company's disclosure controls and procedures and internal controls over financial reporting as of December 31, 2022. It was determined that the Company's disclosure controls and procedures and internal controls over financial reporting were effective.

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

TRANSACTIONS WITH RELATED PARTIES

The Company, through its ownership in the Partnership, has entered into related party transactions with PPL. PPL is considered a related party by virtue of holding Class B and Class D Exchangeable Shares that are exchangeable into common shares of PPRC. Transactions with PPL include: the annual vend-in of restaurants into the Royalty Pool, monthly distributions from the Partnership to its partners, and expenses paid by PPL on behalf of the Partnership. These transactions have been entered into in the normal course of business and are measured at the exchange amount. The transactions with PPL are all pursuant to the terms of the Pizza Pizza Royalty Limited Partnership's Partnership Agreement. See note 10 of the Financial Statements of the Company for further details of the related party transactions.

CRITICAL ACCOUNTING ESTIMATES OF THE COMPANY

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

Impairment of Rights and Marks

Determining whether the Rights and Marks are impaired requires an estimation of the recoverable amount of the cash generating unit ("CGU") in which the assets are included. The value-in-use calculation requires that the Company estimate the expected future cash flows from royalty income, terminal growth rates and discount rates. The significant assumptions used in the impairment tests performed at December 31, 2022 and December 31, 2021 are disclosed in the December 31, 2022 annual audited financial statements.

As at December 31, 2022, the Company has tested the Pizza Pizza CGU and Pizza 73 CGU for impairment in the manner described above and has determined that the recoverable amount exceeds the carrying value by approximately \$110.2 million and \$11.6 million, respectively. The impairment tests performed resulted in no impairment of the Rights and Marks as at December 31, 2022.

The Company performed a break-even analysis on the significant assumptions in the value-in-use calculations, which are the expected future cash flows from royalty income, the terminal growth rates and the pre-tax discount rates. For the Pizza Pizza CGU, if the expected future cash flows from royalty income were 28.9% lower, the terminal growth rate were 3.4 percentage points lower, or the pre-tax discount rate was 3.2 percentage points higher, the recoverable amount would approximate the carrying value. For the Pizza 73 CGU, if the expected future cash flows from royalty income were 12.4% lower, terminal growth rate were 1.2 percentage points lower, or the pre-tax discount rate was 1.4 percentage points higher, the recoverable amount would approximate the carrying value.

Consolidation

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

Fair value of derivatives

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

RISKS & UNCERTAINTIES OF THE COMPANY

The Company continues to recognize certain risks and uncertainties associated with the ordinary course of business, including those associated with the business and operations of PPL, upon which the Company relies solely for its earnings, liquidity risk and interest rate risk. For a detailed discussion of risks concerning the Company, see "Risk Factors" in the Company's Annual Information Form and note 12 in the Financial Statements, which are available at www.sedar.com, and the PPL financial statements for the period ended January 1, 2023 and the related MD&A.

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. PPL and PPRC are 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.

The Restaurant Industry

The performance of the Company is directly dependent upon the royalty and interest payments received from PPL. The amount of royalty received from PPL is dependent on various external factors that may affect the limited-service sector of the restaurant industry. The restaurant industry, generally, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants, third party food delivery services, home meal delivery companies and retailers of frozen pizza. If PPL, Pizza Pizza franchisees and Pizza 73 operators are unable to successfully compete in the limited-service sector, System Sales may be adversely affected, the amount of royalty reduced and the ability of PPL to pay the royalty may be impaired. Changes in demographic trends, traffic patterns, and the type, number, and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, risk of technology failures and breaches, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore, potentially, Pizza Pizza and Pizza 73 System Sales. PPL's success also depends on numerous factors affecting discretionary spending, including economic conditions 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 sales and operating income, which could adversely affect revenue, the royalty and the ability of PPL to pay the royalty to the Company. For additional information concerning the performance of PPL and other risk factors, please refer to the PPL MD&A and PPRC's Annual Information Form which are available at www.sedar.com, www.pizzapizza.ca and www.pizzapizzaroyaltycorp.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information regarding the Company's dividend policy, its ability to meet covenants and other financial obligations, and the potential business and financial impacts of the COVID-19 pandemic on the Company, PPL and its franchisees and restaurant operators and their ability to achieve their business objectives, constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology in conjunction with a discussion of future events or operating or financial performance. These statements reflect management's current expectations regarding future events and operating and financial performance and speak only as of the date of this MD&A. The Company does not intend to or assume any obligation to update any such forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: changes in national and local business and economic conditions including those resulting from the COVID-19 pandemic (such as restrictions on restaurant operations, customers' ability and willingness to visit restaurants and their perception of health and food safety issues, discretionary spending patterns and supply chain limitations, and the related financial impact on PPL and its franchisees and restaurant operators and their ability to meet debt and lease obligations), impacts of legislation and governmental regulation, accounting policies and practices, competition, changes in demographic trends and changing consumer preferences, and the results of operations and financial condition of PPL. The foregoing list of factors is not exhaustive and should be read in conjunction with the other information included in the foregoing MD&A, the PPL financial statements for the period ended January 1, 2023 and the related MD&A and the Company's Annual Information Form.

ADDITIONAL INFORMATION

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