**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") ended March 30, 2025. The MD&A should be read in conjunction with the Company's March 30, 2025 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 MD&A for the year ended December 29, 2024. The Company prepares its Financial Statements in accordance with IFRS Accounting Standards ("IFRS"). The MD&A has been prepared as of May 7, 2025.

## 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 693 Pizza Pizza restaurants at March 30, 2025, 687 are franchised or licensed and six are owned and/or managed as corporate restaurants. Of the 693 restaurants, 205 are non-traditional locations which have limited operating hours and a limited menu.

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

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

**About the Pizza 73 Brand**
There are 104 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 104 locations, 92 are traditional restaurants at March 30, 2025, 12 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 seven traditional locations outside of Alberta; five in Saskatchewan and two in British Columbia. Sales through a centralized call centre and on-line ordering platforms, together with sales through 3rd party platforms, account for approximately 84% 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. The Company is currently using the International Agreement in its Mexico expansion.

In consideration of the licence for Mexico, the Company is required to pay the Partnership a fee calculated as 12.5% of the royalty received by the Company under the Master Franchise Agreement. 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. Royalties commenced in October 2024 and as of March 30, 2025, four restaurants were opened in Mexico.

**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 March 30, 2025 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

| (all dollars in thousands, except number of restaurants) | **For the 13-week period ended March 30, 2025** | **For the 13-week period ended March 31, 2024** |
|---|---|---|
| **System Sales[2],[3]** | **154,026** | **149,095** |
| **Same Store Sales Growth (SSSG) [4]** | **1.2%** | **1.7%** |
| **Number of Restaurants:** | | |
| Traditional | 580 | 558 |
| Non-traditional | 217 | 221 |
| New restaurants opened | 5 | 9 |
| Restaurants closed | 5 | 5 |
| Revenues[5] | 75,162 | 71,767 |
| Cost of food sales and general & administrative expenses | (44,621) | (44,957) |
| Equity income from the Partnership | 2,324 | 2,209 |
| Royalty payments | (9,729) | (9,552) |
| Operating income (loss) | 890 | (93) |
| Income tax (expense) recovery | (1,002) | 109 |
| **Income (loss) for the period attributable to the shareholders of Pizza Pizza Limited** | **297** | **38** |
| Add (deduct): | | |
| Equity income from Partnership | (2,324) | (2,209) |
| Royalty payments | 9,729 | 9,552 |
| Amortization of deferred gain | (583) | (583) |
| Amortization | 2,414 | 4,156 |
| Interest income, net | 53 | 167 |
| Store service contributions [5] | (21,210) | (19,658) |
| Store service expenditures [5] | 23,271 | 21,107 |
| Rent impact from IFRS 16 leases | (2,356) | (2,693) |
| (Gain) loss on impairment of lease receivables | 331 | (226) |
| (Gain) loss on lease remeasurement | (1,045) | (438) |
| (Gain) loss on sale of Company-owned restaurants | 190 | (351) |
| Amortization and taxes included in Equity income from jointly-controlled companies | 177 | 198 |
| Expense (recovery) of income taxes: | | |
| Deferred | 1,002 | (109) |
| **Adjusted EBITDA [1]** | **9,946** | **8,951** |

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.

## 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 March 30, 2025** | **For the 13-week period ended March 31, 2024** |
|---|---|---|
| Pizza Pizza | 132,105 | 128,380 |
| Pizza 73 | 21,921 | 20,715 |
| **Total** | **154,026** | **149,095** |

System sales are affected by the net change in the number of restaurants and the SSSG reported during the Quarter and Year. See "Same Store Sales Growth" and "New Restaurant Development".

### Same Store Sales Growth

SSSG, a key driver of growth for the Company, increased 1.2% (2024 – increased 1.7%) for the Quarter.

| **SSSG** | **First Quarter (%)** | |
|---|---|---|
| | **2025** | **2024** |
| Pizza Pizza | 0.6 | 0.6 |
| Pizza 73 | 4.9 | 8.5 |
| **Combined** | **1.2** | **1.7** |

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, at both brands, the average customer check and traffic increased.

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 March 30, 2025** | **For the 13-week period ended March 31, 2024** |
|---|---|---|
| **Total System Sales** | **154,026** | **149,095** |
| Adjustments for stores not in both fiscal years, and step-outs | (4,035) | (827) |
| Same Store Sales | 149,991 | 148,268 |
| **SSSG** | **1.2%** | **1.7%** |

## New Restaurant Development

**For the 13-week period ended March 30, 2025**

| | Pizza Pizza | | | Pizza 73 | | | PPL |
|---|---|---|---|---|---|---|---|
| (Number of Restaurants)[1] | Traditional | Non-traditional | Total | Traditional | Non-traditional | Total | Grand Total |
| As at December 29, 2024 | 487 | 207 | 694 | 91 | 12 | 103 | 797 |
| Openings | 2 | 2 | 4 | 1 | - | 1 | 5 |
| Closings | (1) | (4) | (5) | - | - | - | (5) |
| As at March 30, 2025 | 488 | 205 | 693 | 92 | 12 | 104 | 797 |

**For the 13-week period ended March 31, 2024**

| | Pizza Pizza | | | Pizza 73 | | | PPL |
|---|---|---|---|---|---|---|---|
| (Number of Restaurants)[1] | Traditional | Non-traditional | Total | Traditional | Non-traditional | Total | Grand Total |
| As at December 31, 2023 | 469 | 203 | 672 | 89 | 13 | 102 | 774 |
| Openings | 2 | 9 | 11 | - | 1 | 1 | 12 |
| Closings | (2) | (5) | (7) | - | - | - | (7) |
| As at March 31, 2024 | 469 | 207 | 676 | 89 | 14 | 103 | 779 |

[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 two traditional and two non-traditional Pizza Pizza restaurants, and closed one traditional and four non-traditional Pizza Pizza restaurants. The one traditional Pizza Pizza closure is in the process of being converted to a Pizza 73. Additionally, at the Pizza 73 brand, the Company opened one traditional restaurant.

## Revenues

| (in thousands of dollars) | **For the 13-week period ended March 30, 2025** | **For the 13-week period ended March 31, 2024** | **% change** |
|---|---|---|---|
| Food sales | 42,529 | 41,115 | 3.4% |
| Royalties, franchise fees and other revenue | 11,423 | 10,994 | 3.9% |

Food sales represent food sales from the Company's distribution centre to the stores, after the elimination of intercompany transactions, as well as corporate store food sales to customers. For the Quarter, the increase in food sales relates to an increase in food sales at the distribution centre associated with the increase in SSSG and new restaurants opened since March 2024.

Royalties, franchise fees and other revenue for the Quarter increased compared to the prior year comparable period. The increase reflects the increase in SSSG and new restaurants opened since March 2024.

### Store service contributions and expenditures

| (in thousands of dollars) | For the 13-week period ended March 30, 2025 | For the 13-week period ended March 31, 2024 | % change |
|---|---|---|---|
| Contributions | 21,210 | 19,658 | 7.9% |
| Expenditures | (23,271) | (21,107) | 10.3% |
| Net recovery/(deficit) | (2,061) | (1,449) | |

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, there will be fluctuations in the net recovery/deficit balance from period to period. However, the Company has the ability to collect amounts that are in a deficit position in future years.

Store service contributions increased as a result of an increase in SSSG and an increase in the number of restaurants operating since the last quarter. Additionally, the contribution per order increased during the quarter. The expenditures were also higher due to sponsorships, media and other promotional and advertising spend.

### Cost of Food Sales

| (in thousands of dollars) | For the 13-week period ended March 30, 2025 | For the 13-week period ended March 31, 2024 | % change |
|---|---|---|---|
| Cost of food sales | 35,063 | 33,601 | 4.4% |

Cost of food sales is dependent on the movement in food sales as the Company operates manufacturing and food distribution centres. During the Quarter, the cost of food sales remained consistent as a percentage of food sales, and 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 March 30, 2025 | For the 13-week period ended March 31, 2024 | % change |
|---|---|---|---|
| G&A expenses | 9,558 | 11,356 | -15.8% |

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

The decrease in G&A expenses for the Quarter primarily relates to the decrease in the depreciation of right-of-use assets in comparison to the first quarter of 2024.

### Royalty Payments

| (in thousands of dollars) | For the 13-week period ended March 30, 2025 | For the 13-week period ended March 31, 2024 | % change |
|---|---|---|---|
| Pizza Pizza | 7,789 | 7,697 | 1.2% |
| Pizza 73 | 1,936 | 1,855 | 4.3% |
| International Royalties | 4 | - | |
| Total | 9,729 | 9,552 | 1.8% |

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 794 on January 1, 2025 to include 45 new restaurants less 23 closed restaurants. In the prior year, the Royalty Pool included 774 restaurants.

For the Quarter, the increase in royalty payments is primarily driven by the increase in SSSG and new restaurants added to the Royalty Pool on January 1, 2025. Additionally, while the number of restaurants in the Pizza 73 Royalty Pool remains less than 2019 when there were 104 restaurants, the negative impact on Royalty Pool System Sales due to prior year restaurant closures has been mitigated by the Make-Whole Carryover Amount. See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool".

**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 March 30, 2025, the Company owned an effective 26.2% interest in the Partnership (December 29, 2024 – 25.2%). The Company's 26.2% 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 was relatively consistent at $2.3 million for the Quarter compared to $2.2 million in the prior year comparable period. The equity income reflects the Partnership earnings driven by SSSG and new restaurants added to the Royalty Pool, as well as the Company's increased ownership percentage in the Partnership.

**Equity income from Jointly-controlled companies**
The Company accounts for its 50% share interest in 80 jointly-controlled Pizza 73 restaurants (2024 – 80 Pizza 73 restaurants) as an investment in joint ventures, and applies the equity method of accounting.

Equity income was unchanged at $0.5 million in the Quarter and in the prior year's comparable quarter.

**Deferred tax recovery**
Deferred tax expense was $1.0 million for the Quarter compared to a tax recovery of $0.1 million in the comparable period of 2024. The variance is due to the difference between the accounting and tax basis of the fixed assets, and the utilization of losses.

**Net income/loss**
The Company reported a net income of $297,000 for the Quarter compared to a net income of $38,000 in the comparable period of 2024. The increase in income for the Quarter was due to the increase in gross profit on food sales, gains on lease remeasurement, offset by the net store service expenditures.

**Shareholders' Deficiency**
The $93.8 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 $184.7 million as at March 30, 2025 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.

| | 13 weeks ended March 30, 2025 | 13 weeks ended December 29, 2024 | 13 weeks ended Septembe r 29, 2024 | 13 weeks ended June 30, 2024 | 13 weeks ended March 31, 2024 | 13 weeks ended December 31, 2023 | 13 weeks ended October 1, 2023 | 13 weeks ended July 2, 2023 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 75,162 | 79,599 | 74,679 | 76,856 | 71,767 | 79,453 | 78,622 | 80,737 |
| **Income (loss) for the period** | **297** | **(6,068)** | **2,505** | **11,881** | **38** | **2,451** | **(429)** | **1,220** |
| Add (deduct): | | | | | | | | |
| Equity income from Partnership | (2,324) | (2,445) | (2,295) | (2,292) | (2,209) | (2,545) | (2,298) | (2,218) |
| Royalty payments | 9,729 | 10,317 | 9.971 | 9,967 | 9,552 | 10,521 | 10,430 | 10,133 |
| Amortization of deferred gain | (583) | (583) | (583) | (583) | (583) | (583) | (583) | (583) |
| Amortization | 2,414 | (450) | 4,088 | 4,349 | 4,156 | 3,013 | 5,016 | 2,346 |
| Interest income (expense), net | 53 | 8 | 111 | 41 | 167 | 342 | 140 | 123 |
| Store service contribution | (21,210) | (22,177) | (20,337) | (20,707) | (19,658) | (21,380) | (20,614) | (19,943) |
| Store service expenditure | 23,271 | 23,650 | 19,445 | 21,079 | 21,107 | 20,771 | 21,854 | 19,280 |
| Rent impact from IFRS 16 leases | (2,356) | (1,259) | (1,783) | (2,987) | (2,693) | (1,860) | (2,861) | (3,624) |
| (Gain)/ loss on lease remeasurement | (1,045) | (652) | 305 | (250) | (438) | (254) | - | - |
| (Gain)/loss on impairment of lease receivables | 331 | (222) | 61 | 170 | (226) | 291 | (176) | (59) |
| (Gain)/loss on sale of Company-owned restaurants | 190 | (50) | (515) | (86) | (351) | (408) | (85) | (189) |
| Amortization and taxes included in Equity income from jointly-controlled companies | 177 | 184 | 141 | 216 | 198 | 200 | 163 | 274 |
| Deferred income taxes | 1,002 | 9,061 | (828) | (11,771) | (109) | 1,231 | (1,494) | 782 |
| **Adjusted EBITDA** | **9,946** | **9,314** | **10,286** | **9,027** | **8,951** | **11,790** | **9,063** | **7,542** |

## LIQUIDITY & CAPITAL RESOURCES

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

| Cash provided by (cash used in): | For the 13-weeks ended March 30, 2025 | For the 13-weeks ended March 31, 2024 |
|---|---|---|
| Operating activities | (131) | (8,454) |
| Investing activities | 7,575 | 12,281 |
| Financing activities | (7,795) | (7,267) |
| **Increase (Decrease) in cash** | **(351)** | **(3,440)** |

As of March 30, 2025, the Company had negative working capital of $13 million and its cash, cash equivalents and short-term investment were $9.9 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 used in operating activities for the Period was $0.1 million compared to $8.5 million in the prior year. The decrease in cash used relates to non-cash working capital, specifically the 2024 draw down of year-end payables.

Cash provided by investing activities for the Period was $7.6 million compared to $12.3 million in the prior year. The decrease in cash provided is primarily due to lower withdrawals from short-term investments.

Cash used in financing activities for the Period was $7.8 million compared to $7.3 million in the prior year comparable period. The increase in cash used is due to higher net repayments to related parties and higher lease payments.

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 were 694 Pizza Pizza restaurants in the Royalty Pool for 2025 (2024 – 672).

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 2025, there were 100 Pizza 73 restaurants in the Royalty Pool (2024 – 102).

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 March 30, 2025, four restaurants were open in Mexico. Royalty payments to PPRC from the international licence commenced in October 2024, and are not material to the Company's operations.

As of March 30, 2025, the Company directly and indirectly held an effective 26.2% interest in the Partnership (December 29, 2024 – 25.2%) 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, 2025, it will be the effective Company tax rate for the year ended December 31, 2024). 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

*2024 Royalty Pool Adjustment*

In early January 2025, a second adjustment was made to the royalty payments and PPL's Class B

Exchange Multiplier based on the actual performance of the 41 new restaurants added to the Royalty Pool on January 1, 2024. As a result of the adjustments, the Class B Exchange Multiplier is 2.449489 and Class B Units can be exchanged for 6,143,904 shares effective January 1, 2024.

In early January 2025, a second adjustment was made to the royalty payments and PPL's Class D Exchange Multiplier based on the actual performance of the four Pizza 73 restaurants added to the Royalty Pool on January 1, 2024. The final 2024 Pizza 73 Royalty Pool adjustment confirmed that $850,000 was applied against the Make-Whole Carryover Amount. 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, 2024.

*2025 Royalty Pool Adjustment – Class B Exchange Multiplier*
On January 1, 2025, 22 net Pizza Pizza restaurants were added to the Royalty Pool as a result of 44 new restaurants opening and 22 closing from January 1, 2024 to December 31, 2024. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 694. The additional System Sales from the 44 new restaurants are estimated at $12,943,000 annually, less sales of $3,583,000 from the 22 permanently closed Pizza Pizza restaurants. As a result, $9,360,000 net, estimated Pizza Pizza sales were added to the Royalty Pool, resulting in an Estimated Determined Amount of $5,695,000 added to the Royalty Pool.

The yield of the shares was determined to be 7.07% calculated using $13.16 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, 2025. 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 0.130872 (representing 346,317 additional exchangeable shares); the new Class B Multiplier is 2.587561. 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, 2025, once the actual performance of the new restaurants is determined in early 2026.

*2025 Royalty Pool Adjustment – Class D Exchange Multiplier*
On January 1, 2025, two net Pizza 73 restaurants were removed from the Royalty Pool as a result of one new restaurant opening between September 2, 2023 and September 1, 2024 and three restaurants closing between January 1, 2024 and December 31, 2024. The forecasted additional System Sales from the one new restaurant is estimated at $286,000 annually, less $384,000 in System Sales attributable to the three closed Pizza 73 restaurants. As a result, $98,000 net, estimated Pizza 73 sales were added to the $647,000 Make-Whole Carryover Amount.

The cumulative Make-Whole Carryover Amount of $745,000 will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, additional System Sales of additional restaurants are sufficient to offset the Pizza 73 System Sales attributable to all closed Pizza 73 restaurants. The total number of Pizza 73 restaurants in the Royalty Pool has decreased to 100.

The yield of the shares was determined to be 7.07% calculated using $13.16 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, 2025. 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, 2025, once the actual performance of the new restaurant is determined in early 2026.

*Pizza Pizza Royalty Corp. Outstanding Shares*
In exchange for adding the forecasted Pizza Pizza System Sales to the Royalty Pool, PPL has received

346,317 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (432,896 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2025 actual sales performance is known with certainty in early 2026.

PPL's Class D equivalent Share entitlement is unchanged for 2025. 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 2025, no increase or decrease in the Exchange Multiplier is made. PPL will only have an increased Class D equivalent Share entitlement for 2025 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 2026.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2025, PPL, directly and indirectly, owns equivalent Shares representing 26.2% 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, 2025 Adjustment Date.

| Shares outstanding & issuable on January 1, 2025 | | |
|---|---|---|
| Shares outstanding | | 24,618,392 |
| Class B Exchangeable Shares held by PPL at December 31, 2024 | 6,045,264 | |
| PPL additional Class B Exchangeable Shares - True-up Holdback as at December 31, 2024 | 98,640 | |
| Additional PPL Class B Exchangeable Shares as of January 1, 2025 | 346,317 | 6,490,221 |
| Class D Exchangeable Shares held by PPL at December 31, 2024 | 2,244,975 | |
| PPL additional Class D Exchangeable Shares - True-up Holdback as at December 31, 2024 | - | |
| Additional PPL Class D Exchangeable Shares as of January 1, 2025 | - | 2,244,975 |
| Number of fully diluted shares | | 33,353,588 |
| | | 26.2% |

**OUTLOOK**

As the #1 Canadian pizzeria, the Company leverages its market-leading positions by staying top-of-mind with consumers. PPL believes its leading market share is the result of its strong marketing campaigns focused on its customers. PPL provides a variety of high-quality menu offerings, introducing new products and investing heavily in technological innovation to support the Company's growth mandate.

New restaurant construction continues across Canada as PPL executes on its national expansion program. PPL management expects to grow its traditional restaurant network by 2 to 3% in 2025. Additionally, its franchisee pipeline remains strong and its renovation program continues through 2025.

The QSR industry continues to experience headwinds as it navigates ongoing, reduced consumer spending and its impact on foodservice, particularly the delivery channels. In this environment, PPL's sales recovery strategy will leverage its strong everyday value leadership position backed by ongoing enhancement to its menu, restaurants and digital customer experience.

## 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, royalty payment, management fees and store service contributions 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.

## MATERIAL 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 direct and indirect 26.2% (December 29, 2024 – 25.2%) share interest in the Partnership as an investment in an associate and applies equity accounting whereby the Company's investment is increased by its 26.2% 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% (December 29, 2024 – 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.

## MATERIAL 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.

*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.

*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.

## RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards and amendments issued but not yet adopted:

*Enhanced presentation and disclosure of financial statements (IFRS 18)*
On April 9, 2024, the IASB issued a new standard IFRS 18 *Presentation and Disclosure in Financial Statements* to improve the usefulness and comparability of financial statement information. The new standard replaces IAS 1 and introduces three sets of new presentation and disclosure requirements: (1) it codifies the reporting structure of the income statement and requires defined subtotals; (2) disclosure of management-defined performance measures that relate to the income statement; and (3) enhanced guidance on how to organize information in the financial statements and whether to provide it in the primary financial statements or in the notes. The new standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing whether the new standard will have a material impact on the consolidated financial statements.

*Amendments to IFRS 9 Financial Instruments & IFRS 7 Financial Instruments*
On May 30, 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments*. The amendments include clarifying the date of recognition and derecognition of certain financial assets and liabilities with an optional exception for the derecognition of a financial liability settled through electronic cash transfer. These new amendments are effective for annual periods beginning on or after January 1, 2026. The Company is currently assessing whether the new standard will have a material impact on the consolidated financial statements.

## 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.sedarplus.ca.

## 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 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), 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.sedarplus.ca.