

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") covers the 13-weeks (the "Quarter") and 39-weeks (the "Period") ended September 29, 2019. The MD&A should be read in conjunction with PPL's September 29, 2019 unaudited interim condensed consolidated financial statements and notes thereto (the "Financial Statements"). PPL prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of November 6, 2019.

OVERVIEW

PPL, a privately-owned Canadian corporation, operates two brands, Pizza Pizza and Pizza 73. PPL acquired 100% of the shares of Pizza 73, Inc. ("Pizza 73") on July 24, 2007. Immediately following the acquisition, PPL and Pizza 73 amalgamated, continuing to operate as Pizza Pizza Limited.

PPL 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 655 Pizza Pizza restaurants at September 29, 2019, 646 are franchised or licensed and nine are owned and operated as corporate restaurants. Of the 655 restaurants, 230 are non-traditional locations which have limited operating hours and a limited menu.

PPL 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.

PPL 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 107 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 107 locations, 87 are traditional restaurants at September 29, 2019, seven of which are franchised or licensed and 80 are jointly-owned by PPL and an independent owner/operator. There are 20 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 has seven traditional locations outside of Alberta; four in Saskatchewan, two in British Columbia, and one in the Yukon. Sales through its centralized call centre and on-line ordering, together, account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes a newly built, central food distribution centre in Edmonton.

Background

PPL'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. PPL monitors these metrics closely, as they directly impact its revenues and profits, and PPL strives to consistently increase the related amounts.

PPL devotes significant attention to its innovative marketing programs which are funded by the restaurant operators' contribution to a marketing fund that is administered by PPL. In accordance with their franchise or operating agreements, each traditional Pizza Pizza restaurant contributes approximately 6% of system

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

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 September 29, 2019 Financial Statements. PPL has a floating year-end of the Sunday closest to December 31, accordingly, quarters consist of four 13-week periods with an additional week added to the last quarter every five to six years.

Consolidated Financial Data and Adjusted EBITDA⁽¹⁾ Calculation

	For the 13-week period ended September 29, 2019	For the 13-week period ended September 30, 2018	For the 26-week period ended September 29, 2019	For the 26-week period ended September 30, 2018
(all dollars in thousands, except number of restaurants)				
System Sales^{(2),(3)}	138,215	137,769	409,985	407,340
Same Store Sales Growth (SSSG)⁽⁴⁾	-0.1%	(0.8)%	0.0%	(1.4)%
Number of Restaurants:				
Traditional	512	511	512	511
Non-traditional	250	256	250	256
New restaurants opened	4	6	12	19
Restaurants closed	3	10	23	12
Revenues ⁽⁵⁾	71,777	71,632	216,413	220,790
Cost of food sales and general & administrative expenses	(48,037)	(45,891)	(142,180)	(143,486)
Equity income from the Partnership	1,856	1,792	5,449	5,243
Royalty payments	(8,967)	(8,943)	(26,405)	(26,215)
Operating income (loss)	(1,939)	690	(3,175)	790
Income tax recovery (expense)	1,071	(80)	1,208	(91)
Income (loss) for the period attributable to the shareholders of Pizza Pizza Limited	253	1,522	772	3,184
Add (deduct):				
Equity income from Partnership	(1,856)	(1,792)	(5,449)	(5,243)
Royalty payments	8,967	8,943	26,405	26,215
Amortization of deferred gain	(583)	(583)	(1,748)	(1,748)
Amortization	1,052	1,239	3,606	3,741
Interest (income) / expense, net	(205)	(288)	(372)	(603)
Store service contributions ⁽⁵⁾	(19,001)	(19,760)	(59,588)	(62,271)
Store service expenditures ⁽⁵⁾	19,570	19,484	59,458	59,596
(Gain)/Loss on sale of Company-owned restaurants	(1)	(626)	(6)	(672)
Provision for (recovery of) income taxes:				
Current	-	-	-	-
Deferred	(1,071)	80	(1,208)	91
Adjusted EBITDA⁽¹⁾	\$ 7,125	\$ 8,219	\$ 21,870	\$ 22,290

Notes:

1) "EBITDA" is not a recognized measure under IFRS. 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, PPL has adjusted EBITDA for unusual charges in an attempt to demonstrate PPL operations as if a recombination of PPL and Pizza Pizza Royalty Corp. ("PPRC") occurred. Adjusted EBITDA excludes gains and losses on sales of assets and other items

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

resulting from its relationship with the Partnership. PPL 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. The method of calculating adjusted EBITDA for the purposes of this MD&A may differ from that used by other issuers and, accordingly, adjusted EBITDA in this MD&A may not be comparable to adjusted EBITDA used by other issuers.

- (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 PPL.
- (4) Same store sales growth ("SSSG") is not a recognized measure under IFRS. 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. Therefore, these figures may not be comparable to similar figures presented by other companies. (See "Same Store Sales Growth").
- (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 PPL in the statement of consolidated income.

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 September 29, 2019	For the 13-week period ended September 30, 2018	For the 26-week period ended September 29, 2019	For the 26-week period ended September 30, 2018
Pizza Pizza	116,713	116,752	343,732	343,061
Pizza 73	21,402	21,017	66,253	64,279
Total	138,215	137,769	409,985	407,340

System sales were affected by net, new store additions and SSSG reported during the Quarter and Period. See "Same Store Sales Growth" and "New Restaurant Development".

Same Store Sales Growth

SSSG decreased slightly by 0.1% (2018 – decreased 0.8%) for the Quarter and was flat (2018 – decreased 1.4%) for the Period compared to the same periods in 2018.

SSSG	Third Quarter		Year-to-Date	
	(%)		(%)	
	2019	2018	2019	2018
Pizza Pizza	(0.4)	(0.9)	(0.7)	(1.4)
Pizza 73	1.7	(0.5)	3.4	(1.4)
Combined	(0.1)	(0.8)	0.0	(1.4)

SSSG is driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. During the Quarter and Period, the average customer check increased and customer traffic decreased when measured against the same periods last year. For several consecutive quarters, the average customer check has moderated with the use of value-focused promotional offerings as PPL executes on its strategy to grow customer traffic counts. Management continues to employ retail pricing strategies designed to increase traffic in the coming quarters, in what continues to be, a highly competitive, value-oriented retail environment.

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

SSSG is a key indicator used by PPL 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, a Step-Out Payment may be added to sales to arrive at SSSG. It is a key performance indicator for PPL 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 September 29, 2019	For the 13-week period ended September 30, 2018	For the 26-week period ended September 29, 2019	For the 26-week period ended September 30, 2018
Total System Sales	138,215	137,430	409,985	407,001
Adjustments for stores not in both fiscal years, and step-outs	(1,238)	(372)	(5,833)	(2,775)
Same Store Sales	136,977	137,058	404,152	404,226
SSSG	(0.1)%	(0.8)%	0.0%	(1.4)%

New Restaurant Development

**For the 13-week period ended
September 29, 2019**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at June 30, 2019	424	230	654	87	20	107	761
Openings	2	2	4	-	-	-	4
Closings	(1)	(2)	(3)	-	-	-	(3)
As at September 29, 2019	425	230	655	87	20	107	762

**For the 13-week period ended
September 30, 2018**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at July 2, 2018	425	234	659	86	26	112	771
Openings	1	4	5	1	-	1	6
Closings	(2)	(7)	(9)	-	(1)	(1)	(10)
As at September 30, 2018	424	231	655	87	25	112	767

During the Quarter, PPL opened two traditional Pizza Pizza restaurants, one in each Ontario and British Columbia; PPL closed one traditional Pizza Pizza restaurant. Additionally, two non-traditional Pizza Pizza locations were opened and two non-traditional locations were closed.

**For the 39-week period ended
September 29, 2019**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at December 31, 2018	428	232	660	88	25	113	773
Openings	4	8	12	-	-	-	12
Closings	(7)	(10)	(17)	(1)	(5)	(6)	(23)
As at September 29, 2019	425	230	655	87	20	107	762

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 PPL on an annual basis as the periods for which they are reported differ slightly.

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

**For the 39-week period ended
September 30, 2018**

(Number of Restaurants) ¹	Pizza Pizza			Pizza 73			PPL
	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at January 1, 2018	421	231	652	84	24	108	760
Openings	5	9	14	3	2	5	19
Closings	(2)	(9)	(11)	-	(1)	(1)	(12)
As at September 30, 2018	424	231	655	87	25	112	767

During the Period, PPL opened four traditional Pizza Pizza restaurants, one in Quebec, two in British Columbia and one in Ontario; seven traditional Pizza Pizza restaurants were closed. Additionally, eight non-traditional Pizza Pizza locations were opened and ten non-traditional locations were closed. At the Pizza 73 brand, PPL closed one traditional and five non-traditional restaurants in Alberta.

Of the 425 traditional Pizza Pizza restaurants, nine are company owned and operated (2018 – six). Of the 87 Pizza 73 traditional restaurants, 80 are operated as independent businesses, equally owned by PPL and an owner/operator, and seven are operated as franchised or licensed restaurants (2018 – 81 jointly-controlled and six franchised or licensed).

With an enhanced focus on restaurant level profitability across the entire national network of locations, management has recently undertaken a review of underperforming restaurants and now projects closing four traditional and eight nontraditional locations in the fourth quarter which, when added to the closures through nine months, will exceed openings for the full year. We project opening eight traditional and two nontraditional restaurants in the fourth quarter. Management anticipates returning to overall net positive store growth for 2020 at both brands.

Segmented Reporting

As previously discussed, PPL operates two brands. While each brand operates in a similar market segment, the pizza QSR segment, they are in different geographic Canadian markets. Pizza Pizza operates mainly in the Ontario and Quebec (“Eastern Canada”), whereas Pizza 73 operates mainly in Alberta (“Western Canada”).

The following discussion offers further details regarding PPL's segmented results. The Pizza 73 results represent PPL's 50% ownership in the jointly-controlled restaurants and its corporate earnings. The eliminations represent adjustments for the Pizza 73 jointly-controlled restaurants as required under IFRS 11, and to reconcile to the Financial Statements.

Revenues

Food Sales	For the 13-week period ended			For the 39-week period ended		
	September 29, 2019	September 30, 2018	% change	September 29, 2019	September 30, 2018	% change
(in thousands of dollars)						
Pizza Pizza (Eastern)	45,290	44,056	2.8%	134,159	135,223	-0.8%
Pizza 73 (Western)	9,713	9,766	-0.5%	29,898	29,776	0.4%
Eliminations	(9,713)	(9,766)	-0.5%	(29,898)	(29,776)	0.4%
Total	45,290	44,056	2.8%	134,159	135,223	-0.8%

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 PPL on an annual basis as the periods for which they are reported differ slightly.

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

Food sales for both geographic markets are driven by SSSG and movement in the number of stores. Food sales in Eastern Canada represents food sales from the PPL distribution centre to the stores as well as corporate store food sales to customers. In Eastern Canada, for the Quarter, the increase in food sales relates to the increase in the number of restaurants being serviced since the same quarter of 2018. For the Period, the decrease in food sales is attributable to a decrease in customer transactions. For Western Canada, food sales represent 50% of the net retail sales at the joint venture stores. The food sales for both the Quarter and Period is relatively flat to the prior year's comparable periods.

Royalties, franchise fees and other revenue

(in thousands of dollars)	For the 13-week period ended September 29, 2019	For the 13-week period ended September 30, 2018	% change	For the 39-week period ended September 29, 2019	For the 39-week period ended September 30, 2018	% change
Pizza Pizza (Eastern)	6,697	7,033	-4.8%	20,130	20,920	-3.8%
Pizza 73 (Western)	789	783	0.8%	2,536	2,376	6.7%
Total	7,486	7,816	-4.2%	22,666	23,296	-2.7%

Royalties, franchisee fees and other revenue in Eastern Canada, for the Quarter and Period, decreased when compared to the same periods in 2018. The decrease is the result of less franchisee fees earned as fewer stores were sold. The increase in Western Canada is primarily attributable to an increase in retail sales of the franchised restaurants and fees earned on those sales.

Store service contributions and expenditures

(in thousands of dollars)	For the 13-week period ended September 29, 2019	For the 13-week period ended September 30, 2018	% change	For the 39-week period ended September 29, 2019	For the 39-week period ended September 30, 2018	% change
Contributions	19,001	19,760	-3.8%	59,588	62,271	-4.3%
Expenditures	(19,570)	(19,484)	0.4%	(59,458)	(59,596)	-0.2%
Net recovery/(deficit)	(569)	276	-306.2%	130	2,675	-95.1%

As part of the transition to IFRS 15, in its consolidated statement of income, PPL is required to record store service contributions and expenditures in relation to central advertising and order processing at both brands, as well as the Pizza 73 commissary services provided by PPL. During the Quarter, PPL collected \$19.0 million from franchisees and incurred \$19.6 million in expenditures for providing these services, resulting in a net deficit of \$0.6 million. For the Period, PPL collected \$59.6 million and incurred \$59.5 million of expenses, for a net recovery of \$0.1 million. In the long term, PPL expects expenditures to match contributions, however due to timing of advertising campaigns and other significant expenditures, PPL anticipates fluctuations in the net recovery/deficit balance from quarter to quarter.

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended September 29, 2019	For the 13-week period ended September 30, 2018	% change	For the 39-week period ended September 29, 2019	For the 39-week period ended September 30, 2018	% change
Pizza Pizza (Eastern)	36,872	35,346	4.3%	109,840	109,793	0.0%
Pizza 73 (Western)	3,776	3,930	-3.9%	11,840	11,788	0.4%
Eliminations	(3,776)	(3,930)	-3.9%	(11,840)	(11,788)	0.4%
Total	36,872	35,346	4.3%	109,840	109,793	0.0%

Cost of food sales is dependent on the movement in food sales for the Quarter and Period. At Pizza Pizza, the change in the cost of food sales is attributable to the movement in food sales as well as managing the food costs for the periods. At Pizza 73, changes in cost of food sales mirrored sales

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

movements. Furthermore, PPL continued 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 September 29, 2019	For the 13-week period ended September 30, 2018	% change	For the 39-week period ended September 29, 2019	For the 39-week period ended September 30, 2018	% change
Pizza Pizza (Eastern)	10,565	9,946	6.2%	30,619	32,085	-4.6%
Pizza 73 (Western)	5,218	5,302	-1.6%	15,825	15,613	1.4%
Eliminations	(4,618)	(4,703)	-1.8%	(14,104)	(14,005)	0.7%
Total	11,165	10,545	5.9%	32,340	33,693	-4.0%

G&A expenses in Eastern Canada include corporate expenses and company store expenses incurred at the company owned and managed stores. For the Quarter, the increase in G&A expenses relates to provisions made on uncollectible receivable balances. For the Period, the decrease in G&A expenses in Eastern Canada, when compared to the same period in 2018, is mainly attributable to a decrease in salary and benefits related to severance payments in 2018. G&A expenses in Western Canada, before the eliminations, reflect the operations of the joint venture stores and corporate office. The decrease in G&A for the Quarter reflect tax planning entries for the jointly-controlled companies' July year-ends. The increase in G&A expenses for the Period is due an increase in store labor costs and the addition of new Pizza 73 traditional joint venture restaurants that were not operating as of the prior year's comparative period.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended September 29, 2019	For the 13-week period ended September 30, 2018	% change	For the 39-week period ended September 29, 2019	For the 39-week period ended September 30, 2018	% change
Pizza Pizza (Eastern)	6,991	7,032	-0.6%	20,383	20,440	-0.3%
Pizza 73 (Western)	1,976	1,911	3.4%	6,022	5,775	4.3%
Total	8,967	8,943	0.3%	26,405	26,215	0.7%

As per the License & Royalty Agreements, PPL 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 772 on January 1, 2019 to include 25 new restaurants less 11 closed restaurants. In the prior year, the Royalty Pool included 758 restaurants. By brand, eight net Pizza Pizza and six net Pizza 73 restaurants were added to the Royalty Pool. See “Pizza Pizza Limited and Pizza Pizza Royalty Corp.”, “Royalty Pool Adjustments”, and “Restaurants Added to the Royalty Pool”.

In Eastern Canada, for the Quarter and Period, the slight decrease in royalty payments is the result of the negative SSSG, offset by the new restaurants added to the Royalty Pool on January 1, 2019. In Western Canada, the increase in royalty payments are due to new restaurants added to the Royalty Pool on January 1, 2019 and the positive SSSG (see “Same Store Sales Growth”).

Equity income from Pizza Pizza Royalty Limited Partnership

PPL accounts for its investment in the Partnership using the equity method of accounting. As September 29, 2019, PPL owned an effective 23.0% interest in the Partnership, compared to 22.3% in 2018. PPL's 23.0% 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.”).

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

Equity income was \$1.9 million for the Quarter and \$5.4 million for the Period when compared to the same periods in 2018 at \$1.8 million and \$5.2 million, respectively. The increase in equity income reflects higher earnings arising from PPL's increased ownership.

Equity income from Jointly-controlled companies

PPL accounts for its 50% share interest in 80 jointly-controlled Pizza 73 restaurants (2018 – 80) as an investment in joint ventures, and applies the equity method of accounting.

For the Quarter, equity income was relatively flat when compared to the same period of 2018 at \$1.0 million and for the Period decreased to \$3.0 million compared to \$3.4 million in the same period of 2018. The decrease in equity income is the result of the increase in labour costs and promotional expenses at the Pizza 73 stores.

Current income tax recovery

Current income tax for the Quarter and Period, as well as the comparable periods of 2018, was \$nil. The results of the Quarter, Period and prior year comparable periods resulted in taxable losses, which are being carried forward to future years.

Deferred tax expense (recovery)

Deferred tax recovery for the Quarter and Period was \$1.1 million and 1.2 million, respectively. For the comparable quarter and period in 2018, the deferred tax expense was \$80,000 and 91,000. The variance is due to PPL recognizing its non-capital losses from current and previous years' taxable income.

Net Income

PPL reported income for the Quarter of \$255,000 compared to \$1.5 million in the 2018 comparable quarter. The decrease in earnings for the Quarter is mainly attributed to an increase in G&A expenses. For the Period, the reported income decreased to \$772,000 from \$3.2 million. The decrease is due to lower store service contributions and less equity income from jointly controlled companies, as described above.

Shareholders' Deficiency

The \$102.5 million shareholders' deficiency shown in the Financial Statements is largely a result of PPL 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 PPL 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 PPL Rights & Marks is \$198.6 million as at March 31, 2019 and is being amortized into earnings over a term of 99 years.

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

SUMMARY OF QUARTERLY RESULTS

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 and the December 31 quarter system sales have been the strongest.

	13 weeks ended September 29, 2019	13 weeks ended June 30, 2019	13 weeks ended March 31, 2019	13 weeks ended December 30, 2018	13 weeks ended September 30, 2018	13 weeks ended July 1, 2018	13 weeks ended April 1, 2018	13 weeks ended December 31, 2017
Revenues	\$ 71,777	\$ 72,479	\$ 72,157	\$ 75,192	\$ 71,632	\$ 73,988	\$ 75,170	\$ 56,327
Net income (loss)	\$ 253	\$ 900	\$ (381)	\$ (1,799)	\$ 1,522	\$ (409)	\$ 2,071	\$ (9,657)
Adjusted EBITDA	\$ 7,125	\$ 7,466	\$ 7,277	\$ 8,481	\$ 8,219	\$ 5,952	\$ 8,119	\$ (7,218)

LIQUIDITY & CAPITAL RESOURCES

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

	For the 39-weeks ended September 29, 2019	For the 39-weeks ended September 30, 2018
Cash provided by (cash used):		
Operating activities	(5,605)	(12,791)
Investing activities	17,334	11,497
Financing activities	(9,828)	(2,010)
Increase (decrease) in cash and cash equivalents	1,901	(3,304)

As of September 30, 2018, PPL had negative working capital of \$6.5 million and its cash, cash equivalents and short-term investment were \$10.7 million. PPL collects most of its receivables within seven days from the date of the related sale and pays its payables within 30 days; PPL 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. PPL's primary sources of liquidity are cash flows from operations and distributions received on PPL's interest in the Partnership. PPL 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 \$5.6 million compared with \$12.8 million used in 2018. When compared to the prior year comparative period, the \$6.2 million decrease in cash used in operating activities is largely attributable to cash provided by changes in working capital, offset by the receipt of \$4.5 million in unearned vendor allowances in 2018.

Cash provided by investing activities for the Period was \$17.3 million compared to \$11.5 million in 2018. The increase in cash provided by investing activities is mainly attributed to repayments of notes receivable and contributions to renovation funds, offset by increases in short term investments in the Period, as compared to redemptions of short-term investments in the same period of 2018.

Cash used in financing activities for the Quarter was \$9.8 million compared to \$2.0 million in 2018, primarily relates to repayment of advances from related parties.

PIZZA PIZZA LIMITED MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

Certain bank covenants must be maintained by PPL and are related to the Partnership's credit facility, all of which were met as of September 29, 2019 and December 30, 2018.

Based upon its current level of operations and anticipated growth, PPL 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. PPL'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". PPL'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, PPL 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.

OFF-BALANCE SHEET ARRANGEMENTS

PPL is a sublessor under the head lease for all restaurant locations, other than locations operated by certain licensees. Should franchisees fail to meet their obligations under the terms of their sublease, PPL would become liable for the obligations under the related head leases. The gross lease obligations are summarized in the following table:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Thereafter
	(in thousands of dollars)					
Minimum lease obligation	30,075	27,554	22,913	17,063	12,751	46,355
Less: Sublease to franchisees	25,372	21,872	18,211	14,643	11,471	41,271
Net lease obligation	4,703	5,682	4,702	2,420	1,280	5,073

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

PPRC has licensed the Pizza Pizza Rights and Marks to PPL, for which PPL pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific listing of restaurants referred to as the "Royalty Pool" (as described under "Royalty Pool Adjustments"). There are 660 Pizza Pizza restaurants in the Royalty Pool for 2019.

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 PPL for a 9% royalty on system sales of the Pizza 73 restaurants included in the Royalty Pool (as described under "Royalty Pool Adjustments"). For 2019, there are 112 Pizza 73 restaurants in the Royalty Pool.

As of September 29, 2019, PPL indirectly held an effective 23.0% interest in the Partnership (December 30, 2018– 22.3%) 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 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 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.

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

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

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, 2018, it will be the effective Company tax rate for the year ended December 31, 2017). 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 Fund's initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the System Sales for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current shareholders.

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 Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") provide that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by 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

2018 Royalty Pool Adjustment

In early January 2019, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 17 new restaurants added to the Royalty Pool on January 1, 2018. As a result of the adjustments, the Class B Exchange Multiplier remains unchanged at 2.000691 and Class B Units can be exchanged for 5,018,210 shares effective January 1, 2018.

In early January 2019, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the eight Pizza 73 restaurants added to the Royalty Pool on January 1, 2018. As a result of the adjustments, the Class D Exchange Multiplier is 21.27782 and Class

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

D Units can be exchanged for 2,127,782 shares effective January 1, 2018.

2019 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2019, eight net Pizza Pizza restaurants were added to the Royalty Pool as a result of 18 new restaurants opening and 10 closing from January 1, 2018 to December 31, 2018. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 660. The additional system sales from the 18 new restaurants are estimated at \$5.9 million annually, less sales of \$2.1 million from 10 permanently closed Pizza Pizza restaurants, resulting in net estimated Pizza Pizza sales of \$3.1 million added to the Royalty Pool. The yield of the shares was determined to be 9.5% calculated using \$9.05 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, 2019. 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 0.059961; the new Class B Multiplier is 2.060652. 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, 2019, once the actual performance of the new restaurants is determined in early 2020.

2019 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2019, six net Pizza 73 restaurants were added to the Royalty Pool as a result of seven new restaurants opening between September 2, 2017 and September 1, 2018 and one restaurant closing between January 1, 2018 and December 31, 2018. The forecasted additional system sales from the seven new restaurants are estimated at \$2.5 million annually, less \$0.2 million in system sales attributable to the one closed Pizza 73 restaurant. The net estimated sales were further reduced by \$1.4 million in system sales attributable to certain restaurants previously added to the Royalty Pool whose territory adjusted a previously existing restaurant; resulting in overall net estimated Pizza 73 sales of \$0.9 million added to the Royalty Pool. The total number of Pizza 73 restaurants in the Royalty Pool has increased to 112. The yield of the shares was determined to be 9.5% calculated using \$9.05 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, 2019. As a result of the contribution of the additional net sales to the Royalty Pool, the Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.52925; the new Class D Multiplier is 21.80706. This adjustment will also increase the entitlement of the holders of the Class D units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2019, once the actual performance of the new restaurants is determined in early 2020.

Pizza Pizza Royalty Corp. Outstanding Shares at January 1, 2019

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 150,398 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (187,997 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2019 actual sales performance is known with certainty in early 2020.

In exchange for adding the forecasted Pizza 73 system sales to the Royalty Pool, PPL has received 52,925 additional equivalent Shares (through the change to the Class D Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (66,156 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2019 actual sales performance is known with certainty in early 2020.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2019, PPL owns equivalent Shares representing 23.0% of the Company's fully diluted shares.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

OUTLOOK

Pizza Pizza Limited leverages its market-leading positions by staying top-of-mind with consumers. Pizza Pizza Limited 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.

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 Period, the average customer check increased and customer traffic decreased when measured against the same periods last year. For several consecutive quarters, the average customer check has moderated with the use of value-focused promotional offerings as PPL executes on its strategy to grow customer traffic counts. Management continues to employ retail pricing strategies designed to increase traffic in the coming quarters, in what continues to be, a highly competitive, value-oriented retail environment.

At both our brands, the 2019 marketing strategies will be structured to support restaurant profitability while also increasing customer traffic to the restaurant or by placing off-site orders for delivery or pickup through our wide array of digital ordering platforms.

With an enhanced focus on restaurant level profitability across the entire national network of locations, management has recently undertaken a review of underperforming restaurants and now projects closing four traditional and eight nontraditional locations in the fourth quarter which, when added to the closures through nine months, will exceed openings for the full year. We project opening eight traditional and two nontraditional restaurants in the fourth quarter. Management anticipates returning to overall net positive store growth for 2020 at both brands.

When PPL reports closed restaurants, an amount reflecting the reduction in the Royalty resulting from the decrease in System Sales will be paid by PPL to the Partnership, monthly, commencing from the date of permanent closure of a restaurant and paid until the following Adjustment Date (January 1). On the subsequent Adjustment Date, the calculated lost System Sales from the closed restaurants will be offset against forecasted System Sales of the new restaurants added to the Royalty Pool. (See "Royalty Pool Adjustments")

TRANSACTIONS WITH RELATED PARTIES

PPL has entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D Partnership Units, management fees and food purchases as disclosed in note 10 of the Financial Statements of PPL. PPL does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 10 of the Financial Statements of PPL.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 10 of the Financial Statements of PPL. Advances from related party are due to the parent company. Advances from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured. The related party has waived the right to demand repayment prior to September 30, 2020; accordingly, the advances from related party have been classified as long-term.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

CRITICAL ACCOUNTING POLICIES

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

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

PPL owns Class B and Class D Partnership Units that are exchangeable for PPRC Common Shares based on the exchange multiplier applicable at the exchange date and represent an effective 23.0% interest in the Partnership as at September 29, 2019. PPL has the ability to exercise significant influence through both its shareholding and its nominated director's active participation on the Partnership Board of Directors and therefore applies equity accounting on its investment in the Partnership.

PPL accounts for its 23.0% (December 31, 2018 – 22.3%) share interest in the Partnership as an investment in an associate and applies equity accounting whereby PPL's investment is increased by its 22.3% share of the Partnership's profit for the period and reduced for distributions received during the Partnership's fiscal period. The Partnership's financial and fiscal periods differ from PPL'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.

PPL accounts for its 50% (December 31, 2018 – 50%) share interest in the 80 jointly-controlled companies as an investment in a joint ventures and applies equity accounting whereby PPL's investment is increased by its 50% share of profit 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 PPL'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. PPL concludes there are interdependencies of cash flows between Pizza 73 restaurants and PPL and therefore, the investment in jointly-controlled Pizza 73 restaurants is considered a single CGU. PPL's assets pertaining to Pizza Pizza operations are classified as a separate CGU.

Sale of rights and marks and annual vend-ins - PPL has applied judgment in assessing the application of the revenue recognition accounting policy for the initial sale of Rights and Marks, and the annual vend-ins of restaurants in the Royalty Pool. In making their assessment, management considered the substance of these transactions and whether the risks and rewards of ownership have been transferred. Based on this assessment, management has determined that revenue relating to the sale will be deferred and amortized as earned and that the subsequent vend-ins will have no impact on PPL. Cash in lieu of vend-

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

ins is considered as proceeds of disposition of the contractual right to an increase in the Exchange Multiplier and is taken to income when due.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to basis of consolidation, revenue recognition, long-lived and intangible assets and income taxes. PPL bases its estimates on historical experience and on various other assumptions that PPL 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 PPL's results of operations and financial condition for any particular period. PPL believes that its most critical accounting estimates are:

Impairment of investment in Pizza Pizza Royalty Limited Partnership

PPL, 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 PPL'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 PPL 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, PPL 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 PPL specific risk factors. The two most sensitive assumptions are pre-tax discount rates and terminal growth rates.

Impairment of investment in jointly-controlled companies

PPL, 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 PPL'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 PPL 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, PPL 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 PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

Impairment of non-trade assets

PPL, 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.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

RECENT ACCOUNTING PRONOUNCEMENTS

Standards, amendments and interpretations to existing standards that are not yet effective and have not yet been early adopted by PPL:

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB has issued IFRS 16, Leases, its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard is effective for years beginning on or after January 1, 2019 with early application permitted.

Given that the standard is effective January 1, 2019 and PPL's fiscal year commences on December 31, 2019, PPL will not be early adopting the standard. Additionally, PPL has formed a project team and has begun the process of evaluating the impact of this standard on its consolidated financial statements and expects to adopt the standard on December 30, 2019 using the modified retrospective approach. The Company anticipates that it will have to measure the right of use asset upon adoption at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease immediately before the date of initial application. The Company will elect to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. The Company will also elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

PPL expects a significant portion of its operating leases to be recognized on the balance sheet under the new standard. The cumulative effect of initially applying IFRS 16 is expected to be recognized as an adjustment to the opening retained earnings as of the date of initial application.

RISKS & UNCERTAINTIES

The performance of PPL 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 PPL 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. PPL's success also depends on numerous factors affecting discretionary spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect system sales and the ability of PPL to pay the royalty to the Partnership.

For a more detailed list of risks and uncertainties please refer to the PPRC's Annual Information Form which is available on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

PIZZA PIZZA LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 13 week period from July 1, 2019 to September 29, 2019 and the 39-week period from December 31, 2018 to September 29, 2019

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including those concerning PPL'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 operating or financial performance. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this report. 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: 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 PPL. 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. PPL assumes no obligation to update these forward looking statements, except as required by applicable securities laws.

ADDITIONAL INFORMATION

Other information about PPL and PPRC, including the Annual Information Form, can be accessed on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.