



# PIZZA PIZZA ROYALTY CORP

2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS

AUGUST 14, 2020

PIZZA PIZZA PIZZA 73

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# WELCOME

JAY SWARTZ - PIZZA PIZZA ROYALTY CORP. BOARD CHAIR



# MANAGEMENT PRESENTATION

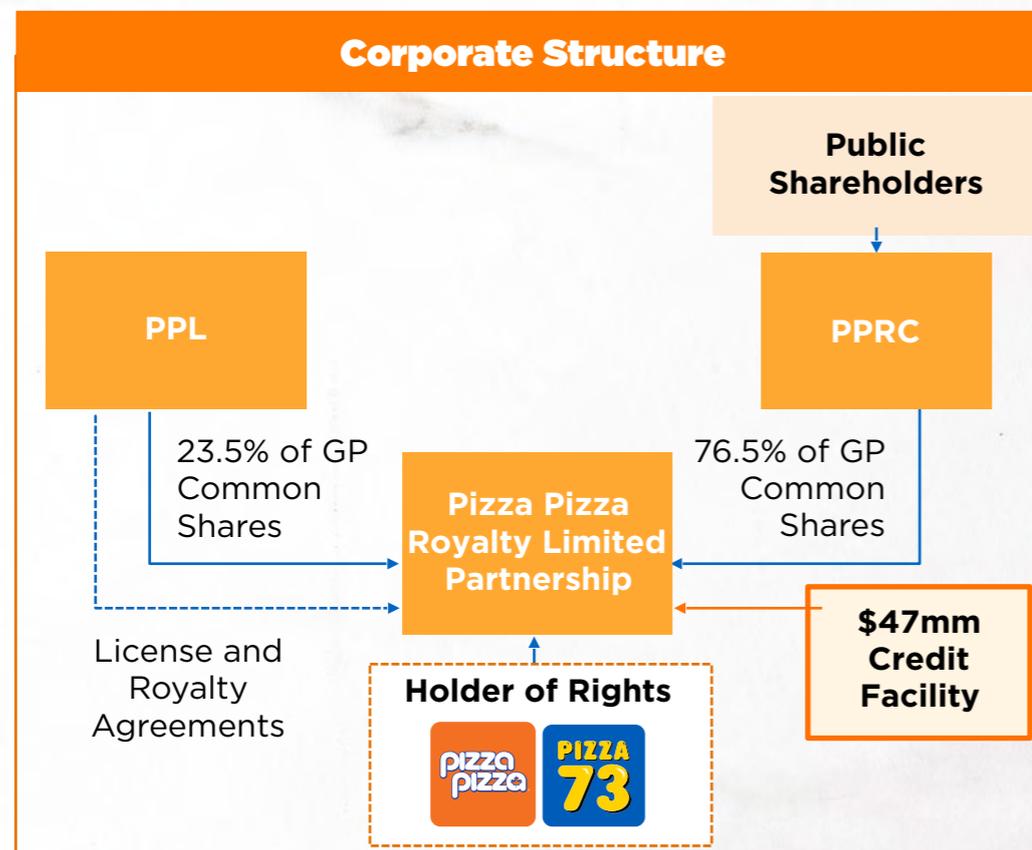
PAUL GODDARD - CEO, PIZZA PIZZA LIMITED

# FORWARD LOOKING STATEMENTS

- This presentation will contain forward-looking statements.
- Investors should be aware that any forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those disclosed here today.
- Investors are directed to the Company's Annual Information Form for a full discussion of risks.
- Management does not intend to discuss any undisclosed material information today.

# CORPORATE STRUCTURE & ROYALTY STREAM OVERVIEW

- PPRC owns the Pizza Pizza and Pizza 73 trademarks and brand names
  - Pizza Pizza trademarks and other intellectual property were licensed to PPL in 2005 for 99 years, in exchange for a royalty which PPL pays PPRC equal to 6% of system sales of restaurants in the Royalty Pool
  - In 2007, PPRC and PPL acquired Pizza 73 and entered into a similar arrangement whereby PPL pays PPRC a royalty equal to 9% of system sales of restaurants in the Royalty Pool
  - PPRC receives royalties through the Partnership; pays interest on the Partnership credit facility, taxes and administration expenses
- Royalty Pool is adjusted annually for any new restaurants that were opened during the prior year



# SHAREHOLDER INFORMATION

- TSX exchange listing **PZA**
- Publicly-traded shares outstanding **24,618,392**
- Fully Diluted shares **32,177,276**
- Pizza Pizza Limited's ownership **23.5%**
- Market Capitalization **\$280 million**
- Currently monthly dividend **\$0.05**
- Current dividend yield **6.9%**
- Credit facility matures **April 2025 \$47M**

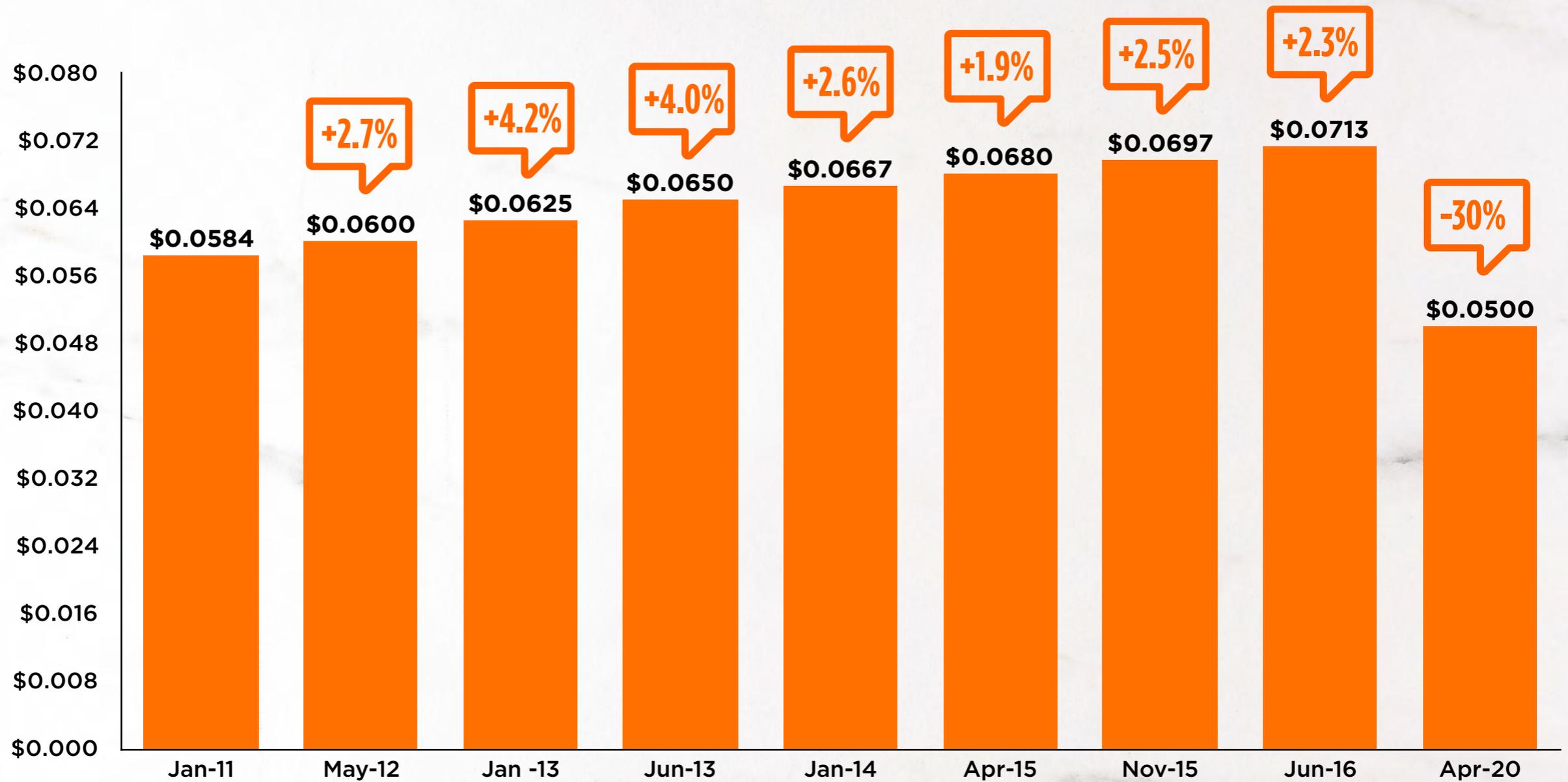
PPRC, a high-yield dividend corporation

# PERFORMANCE HIGHLIGHTS

	2019	Q1 2020	Q2 2020
<b>Royalty Pool System Sales</b>	\$553 M	\$125.8 M	\$113.5M
<b>Restaurants in Royalty Pool</b>	772 (+14)	749 (-13)	749 (-13)
<b>Same Store Sales</b>	0.5%	-6.6%	-16.3%
<b>Royalty Revenue</b>	\$35.9 M	\$8.2 M	\$7.5 M
<b>Monthly dividend</b>	\$0.0713	\$0.0713	\$0.05
<b>Working Capital Reserve</b>	\$3.6 M	\$2.6 M	\$3.4 M
<b>Payout Ratio</b>	103%	123%	83%

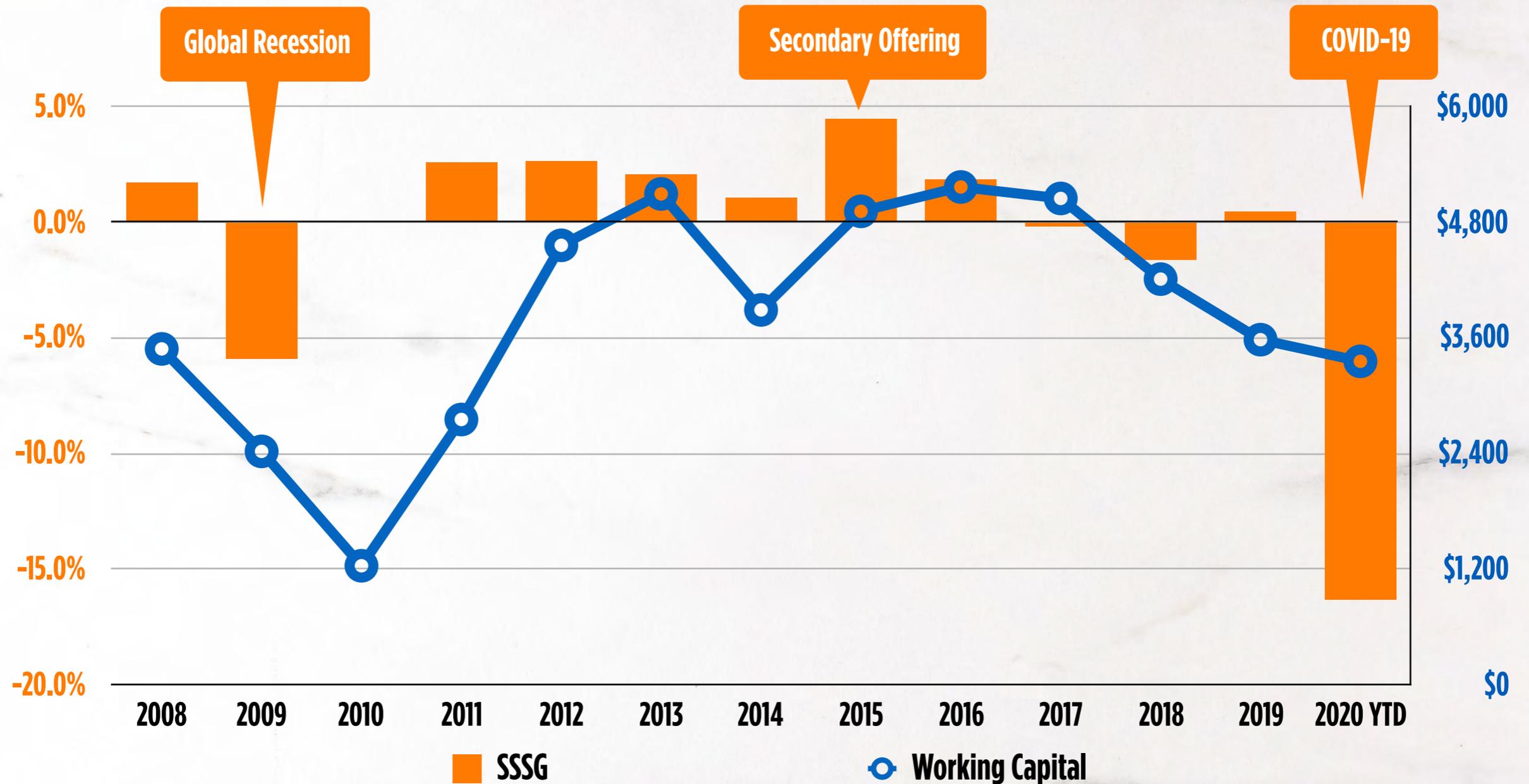
**SSSG is the key driver of shareholder yield**

# MONTHLY DIVIDEND GROWTH

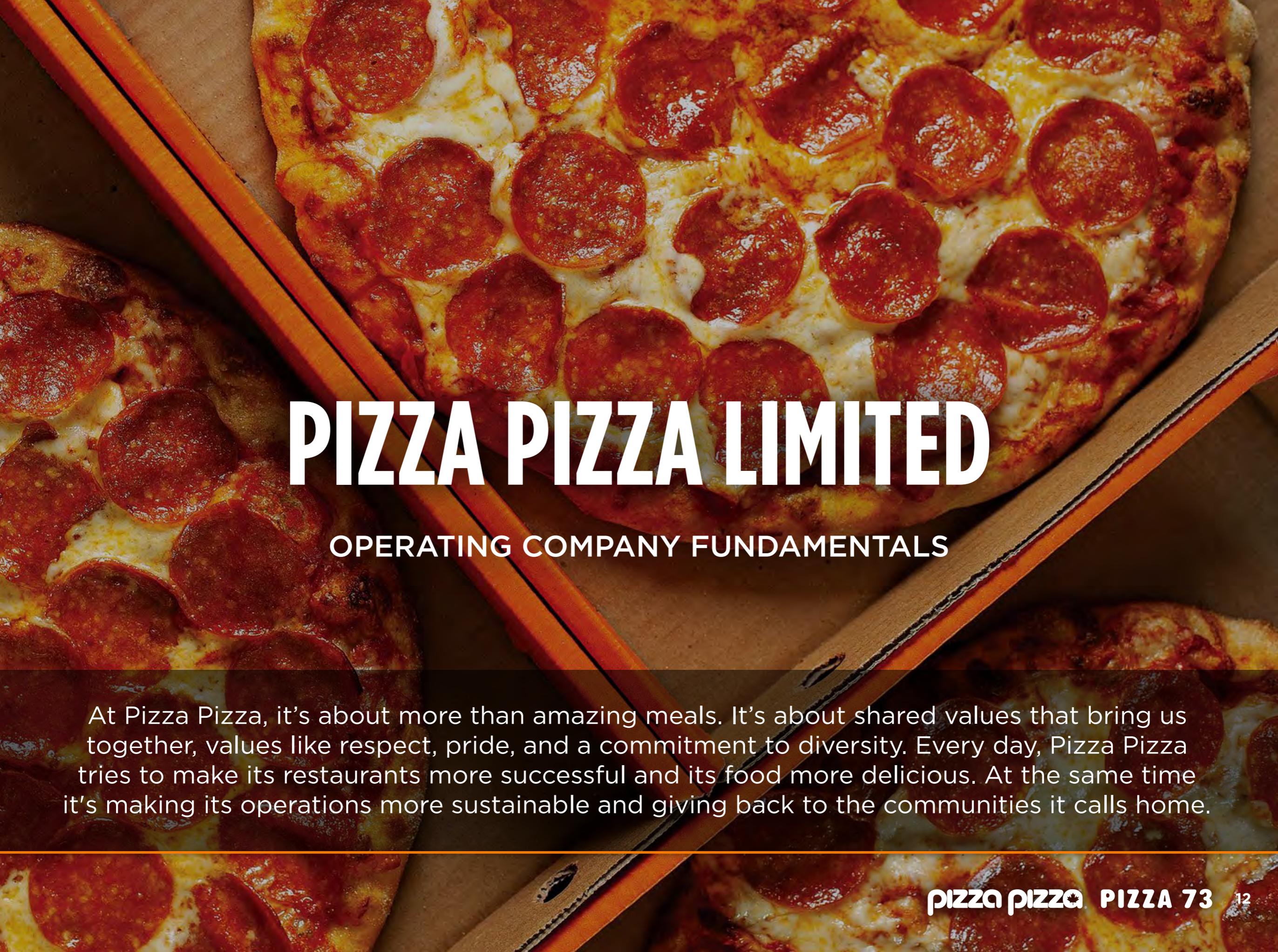


PPRC increased the dividend seven times prior to the decrease in April 2020 due to COVID-19

# SSSG AND WORKING CAPITAL



PPRC's healthy cash reserve of \$3.4 million is available during sales variability



# PIZZA PIZZA LIMITED

## OPERATING COMPANY FUNDAMENTALS

At Pizza Pizza, it's about more than amazing meals. It's about shared values that bring us together, values like respect, pride, and a commitment to diversity. Every day, Pizza Pizza tries to make its restaurants more successful and its food more delicious. At the same time it's making its operations more sustainable and giving back to the communities it calls home.

# PPL UNDERLYING CORPORATE STRENGTHS



1

Iconic Canadian Brand with #1 Market Position

2

Positive Traction from Recent Initiatives

3

Diverse Menu with Focus on Quality and Value

4

Marketing Powerhouse and Proven Innovator

5

Strong Franchise-Driven Business Supported by Centralized Management

6

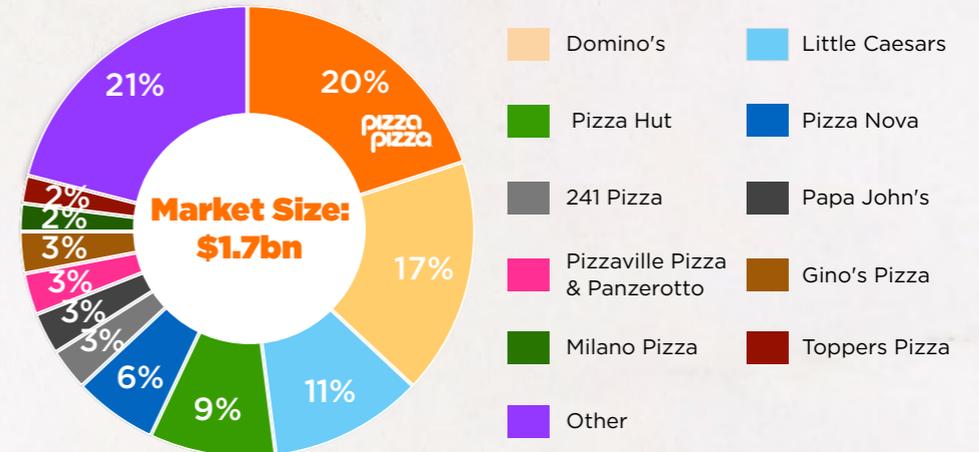
Experienced Management Team

# ICONIC CANADIAN BRAND WITH #1 MARKET POSITION

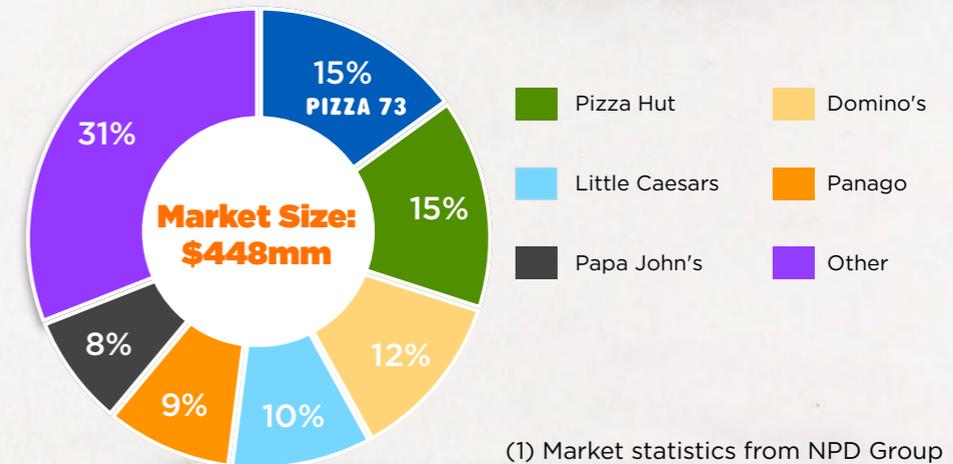
- Since establishing its first location in December 1967 at the corner of Wellesley and Parliament in downtown Toronto, Pizza Pizza has grown its brands into a national Canadian pizzeria platform with 749 locations across nine provinces
  - Well-established in major metropolitan cities in its core markets, including Toronto, Montreal, Edmonton, and Calgary
  - Long history and strong brand recognition have propelled it to have leading market share in each of Ontario and Alberta
- Leveraging a well-established footprint, the Pizza Pizza and Pizza 73 brands continue to expand into new Canadian markets, including Yukon (2017) and British Columbia (2018)
- Brand awareness is supported by partnerships with sports properties (e.g. Raptors, Leafs, Oilers, Flames), universities, hospitals, outdoor entertainment venues, and special events (e.g. Calgary Stampede, Metro Toronto Convention Centre)

## Strong Market Share in Core Markets <sup>(1)</sup>

### Pizza Pizza is the leader in the Ontario market...



### ...and Pizza 73 is the leader in the Alberta Market



(1) Market statistics from NPD Group

## Royalty Pool System Sales and Same Store Sales

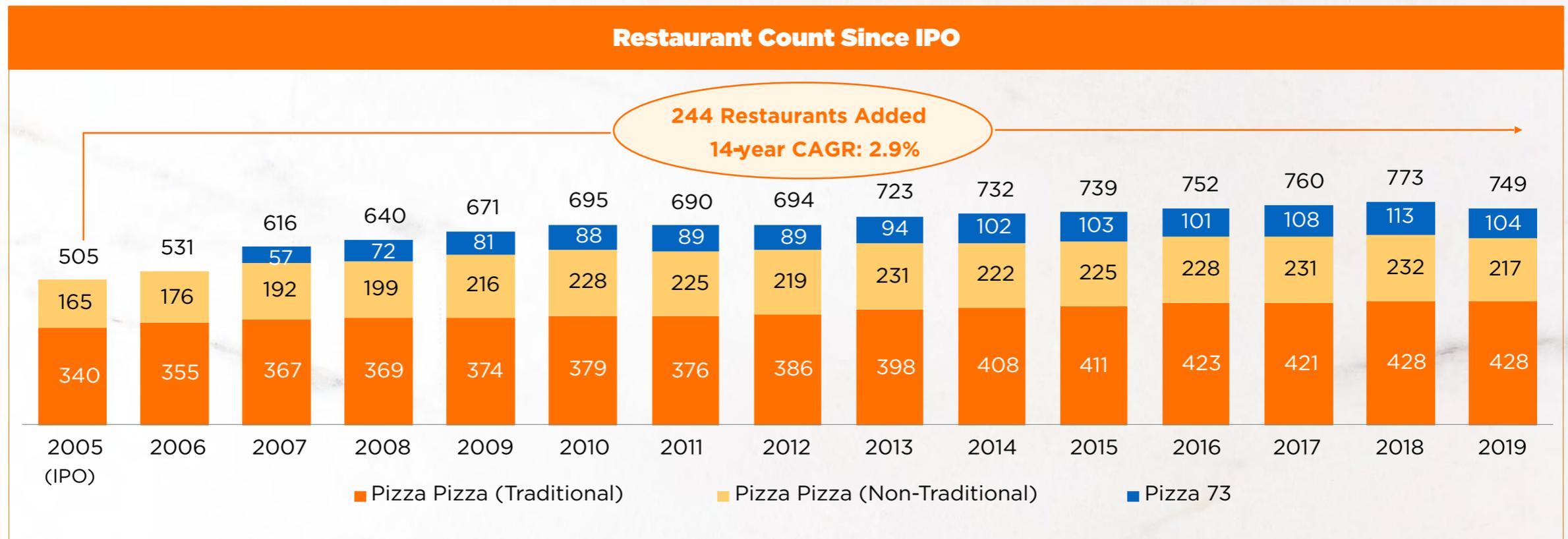
(In C\$ millions)



#1 pizzeria in Canada with leading market share in its core markets of Ontario and Alberta

# TRACK RECORD OF STEADY RESTAURANT GROWTH

- Pizza Pizza has consistently grown its restaurant network since its IPO through growth in existing markets and expansion into new markets
  - Over the last five years, Pizza Pizza has opened new restaurants outside its core markets, including seven locations in British Columbia, three in Manitoba, one in Nova Scotia, 21 in Quebec, two in Saskatchewan, and one in the Yukon



- Historically low closure rate throughout restaurant network
  - Closed 60 traditional Pizza Pizza locations since 2000 and 10 Pizza 73 locations in last nine years
- In 2019, PPL undertook an extensive review of its restaurant network, which resulted in the closure of 13 underperforming traditional restaurants
- PPL also closed 30 non-traditional restaurants, which are more volatile in nature than traditional restaurants due to their shorter contractual arrangements with licensees

**PPL has taken a measured approach to restaurant growth, expanding its network by ~3% annually, on average, since 2005**

# RESTAURANT FORMATS AS OF 12/31/19

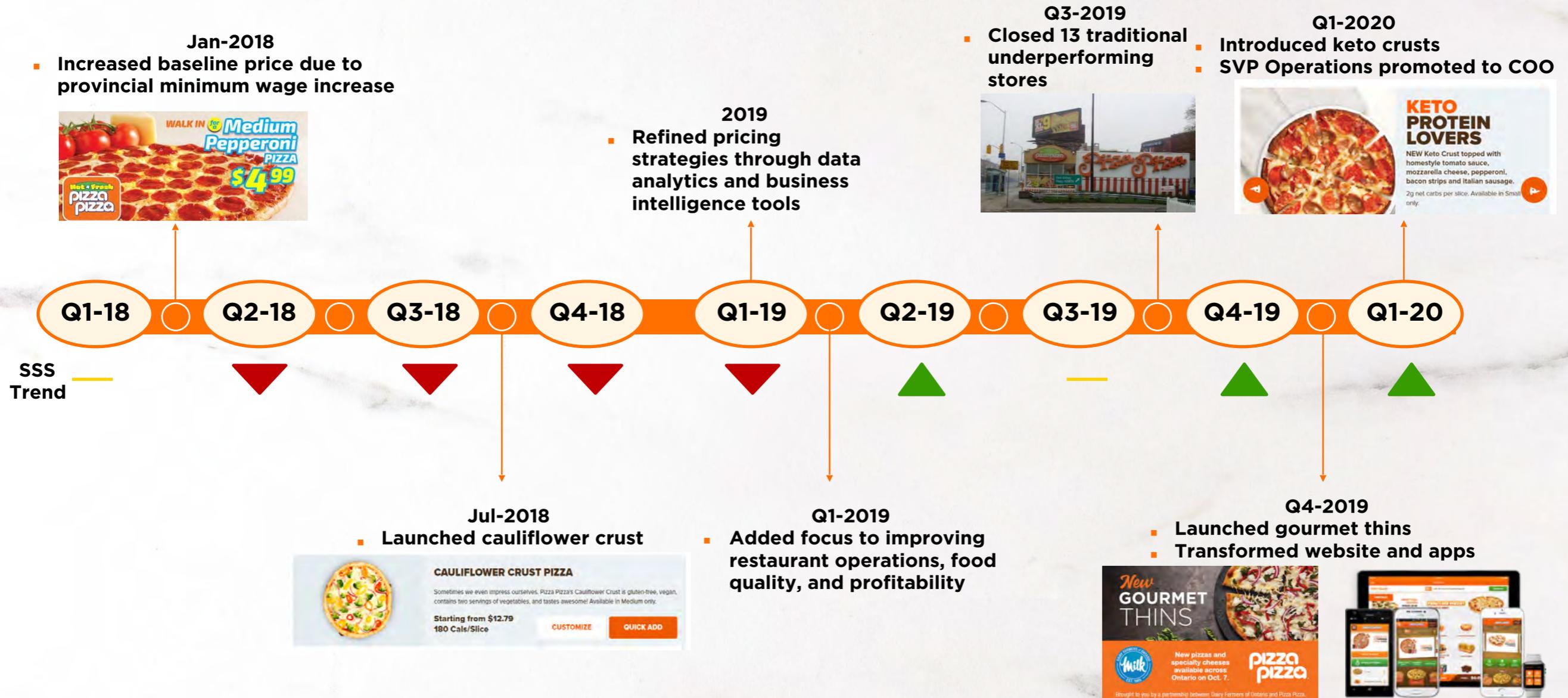
- Restaurant system includes traditional and non-traditional formats, which allows tailoring of offerings to particular market or venue
  - 69% of restaurants are traditional and 31% are non-traditional
- In urban markets, in advance of opening traditional restaurants, non-traditional restaurants open (e.g. sports arenas) to promote brand awareness

Traditional Restaurant Format		Non-Traditional Restaurant Format	
<b>Total: 514 (69%)</b>		<b>Total: 235 (31%)</b>	
 <b>428 (57%)</b>	 <b>86 (12%)</b>	 <b>217 (29%)</b>	 <b>18 (2%)</b>
		<div style="display: flex; align-items: center;">  <div style="margin-left: 20px;"> <p style="text-align: center;"><b>Select Sponsorship / Non-Traditional Venues / Special Events</b></p>  </div> </div>	
<b>Menu</b>	<ul style="list-style-type: none"> <li>Full menu with customer seating, take-out &amp; delivery</li> </ul>	<b>Menu</b>	<ul style="list-style-type: none"> <li>More limited and targeted to "captured traffic" locations</li> </ul>
<b>Size</b>	<ul style="list-style-type: none"> <li>Pizza Pizza: 1,400-3,000 sq. ft.</li> <li>Pizza 73 locations: ~1,200 sq. ft.</li> </ul>	<b>Size</b>	<ul style="list-style-type: none"> <li>Vary in size but generally offer counter service and typically do not include eat-in areas</li> </ul>
<b>Locations</b>	<ul style="list-style-type: none"> <li>High traffic and high visibility locations that are easily accessible</li> </ul>	<b>Locations</b>	<ul style="list-style-type: none"> <li>Sports, entertainment and other public venues</li> </ul>

**Different restaurant formats allow flexibility to tailor product offering to specific markets or venues**

# POSITIVE TRACTION FROM RECENT INITIATIVES – PRE COVID

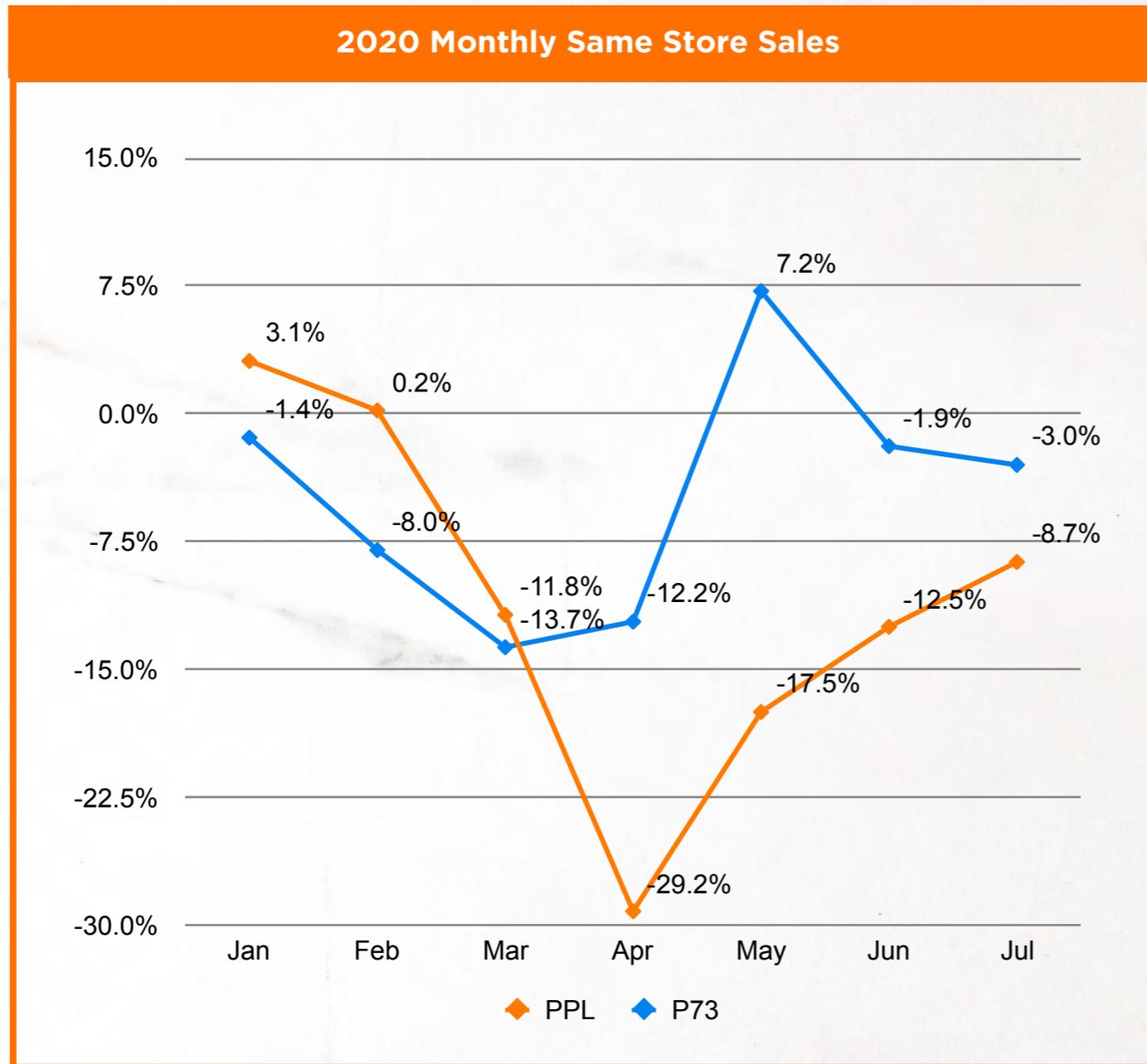
- Positive momentum from recent initiatives, including analytics-based pricing strategies, a focus on its high quality offerings and a full relaunch of the company's website and apps, worked to drive same SSS growth in the back half of 2019 and into 2020



Positive momentum from recent initiatives driving SSS growth in the back half of 2019 and continuing into 2020

▲ ▼ — Denotes increase / (decrease) / no change (plus or minus 20 bps from zero) in SSS.

# COVID EFFECTS ON Q1 & Q2 2020



## Recent Pizza Pizza Initiatives:

- Contactless delivery
- Online payment and tips
- Tamper proof boxes
- Temporary dividend decrease in April 2020

## COVID-19 Impact:

- Walk-in initially decreased, but slowly returning
- Non-traditional location closures due to mandated government legislation



**Delivery & pickup sales increased significantly**

# DIVERSE MENU

- Pizza Pizza and Pizza 73 offer a wide selection of pizzas, plus wings, appetizers, sides and desserts, satisfying demand across lunch, snack and dinner meal occasions



- Growing menu and restaurant network serves all flavour profiles for people on-the-go without compromising taste or quality



## Pizza Pizza's Mission:

**"... to make each and every occasion with us an enjoyable and memorable experience by offering the highest quality of fresh products and exemplary services, guaranteed!"**



- In 2019, Pizza Pizza added new "Gourmet Thins" pizzas, relaunched its cauliflower crust, added new toppings (e.g. blue cheese, truffle sauce) and introduced plant based toppings to attract vegan consumers
- Signature chicken wings and bites are sourced from Canadian farms, which raise chickens without the use of antibiotics



- Pizza Pizza launched vegan & lactose free cheese, and keto, gluten-free, and cauliflower crust options to meet the different flavour and dietary preferences of customers



# DIVERSE MENU



**In crust we trust.**  
Pizza Pizza offers more crust options than any other Pizza QSR.

# ...WITH FOCUS ON QUALITY...

## Artisan Dough



- Hand tossed artisan dough made with 100% Canadian wheat and spring water, dusted with durum semolina before baking
- Customizable crust available, including regular, thin or thick crust as well as gluten-free, cauliflower, and keto crust also available

## Awesome Sauce



- 100% vine ripened tomatoes harvested at their peak
- Fresh packed within six hours to seal bold and vibrant flavours

## Say Cheese



- Mozzarella cheese sourced locally wherever possible and made with 100% Canadian milk
- Dairy-free, vegan cheese is also available
- Other cheese options include: feta, parmesan or goat cheese

## Eat Your Veggies!



- Over 15 different vegetable toppings available including plant-based toppings
- Gourmet toppings: artichokes, kalamata olives, sun-dried tomatoes and fire roasted red peppers, & others



**Pizza Pizza is committed to sourcing the highest quality ingredients to make Canada's favourite pizzas**

# ...AND VALUE

## Select Pizza Pizza Value Offerings



**FAN FAVOURITE**  
 Large Pizza + 3 Toppings\* + 3 Drinks (355mL).  
 Upsize to X-Large for \$2.50 extra  
 \*Additional charge for premium toppings. For a limited time, get a Special Edition Raptors GameBox with any large pizza!

**\$13.99**

ORDER NOW



**SCORE SAVINGS**  
 2 Medium Pizzas + 4 Toppings\* (combined) + 6 Drinks(355ml) + 2 Dips. Upsize to Large for \$6  
 \*Additional charge for premium toppings

**\$19.49**

ORDER NOW

## Select Pizza 73 Value Offerings

### Specials



Kick Off Combo

Medium Meat Supreme Pizza and 10 PC Wings or 10 PC Boneless Wings

**\$19.73**



Plenty for 20 - Medium

2 Medium (12") 2-Topper Pizzas and 4 Coca Cola Drinks (355mL)

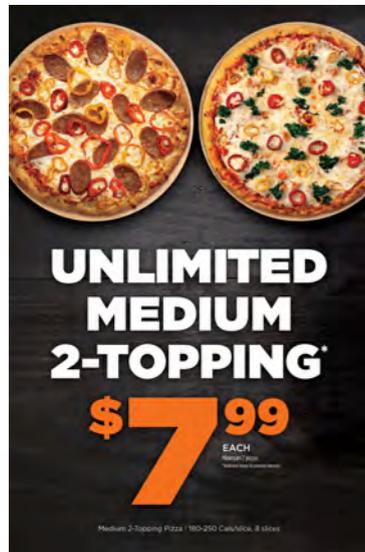
**\$20.00**



Medium 1-Topper

Medium (12") 1-topper pizza. Special price available for pick-up only.

**\$8.29**



**UNLIMITED MEDIUM 2-TOPPING**  
**\$7.99** EACH

Medium 2-Topping Pizza | 180-250 Calories, 8 slices



**2 FOR \$6**  
 CHEESE OR PEPPERONI SLICE

Cheese Slice | 95g Cal  
 Pepperoni Slice | 67g Cal



**1-TOPPING PICKUP SPECIAL**  
**MEDIUM \$6.99**  
**LARGE \$8.99**  
**X-LARGE \$9.99**

Medium 1-Topping Pizza | 180-250 Calories, 8 slices  
 Large 1-Topping Pizza | 220-250 Calories, 10 slices  
 X-Large 1-Topping Pizza | 270-280 Calories, 12 slices



**Solo Pizza Deal!**

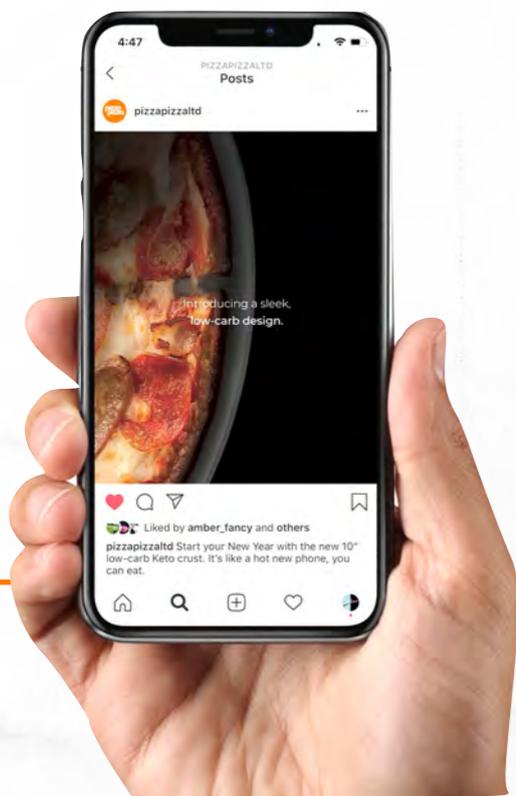
SMALL: 1 pop, chips or dip MEDIUM: 2 pops, 2 chips or 2 dips  
 LARGE: 3 pops, 3 chips or 3 dips

Continuous promotion of high quality, value oriented offerings, and popular walk-in and delivery options drive customer traffic and keep brands top of mind

# MARKETING TO A HUNGRY AUDIENCE

Annual marketing spend is \$30mm+ for both brands and is funded entirely by restaurants. Franchisees are required to contribute 6% of net sales for traditional Pizza Pizza locations and 8% of net sales for Pizza 73 restaurants to a marketing fund weekly.

Focusing on digital marketing and social media to drive awareness, online sales and app downloads.



Launching innovative products like Keto Crust not only meets the ever-changing needs of our customers, but also positions Pizza Pizza as a market leader.

Delivering compelling offers that provide convenience and value to customers.



Leveraging our sponsorships with sports properties such as the Toronto Raptors allows us to connect with fans on a deeper level and build loyalty.

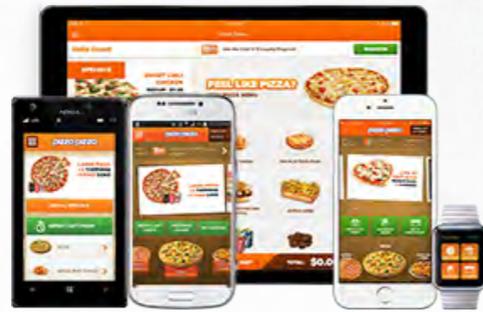


Fundraising initiatives like Slices for Smiles have raised over \$3.3 million for Children's Miracle Network.

# MULTI-CHANNEL ORDERING PLATFORM

## Channel Description

**Digital**  
([www.pizzapizza.ca](http://www.pizzapizza.ca))  
([www.pizza73.com](http://www.pizza73.com))



- PPL offers many digital ordering platforms, including its Webby Award-winning iPhone app and mobile apps for iPad / Apple Watch, and Android Smartphones and websites
- In 2019, PPL transformed its full array of digital ordering websites and apps, which went live in Q4 2019
- Digital orders comprise 58% of total delivery and pick-up orders

**Call Centre**



- Call centres employ VOIP (Voice Over IP) technologies for placing and transmitting calls over an IP network
- Centralized call centre and remote agents relay customer orders electronically to restaurant printers
- Customer service agents respond to customer inquiries
- Full implementation of Artificial Intelligence ("AI") at call centre is planned for 2021 to drive operational improvements

**In-Restaurant**

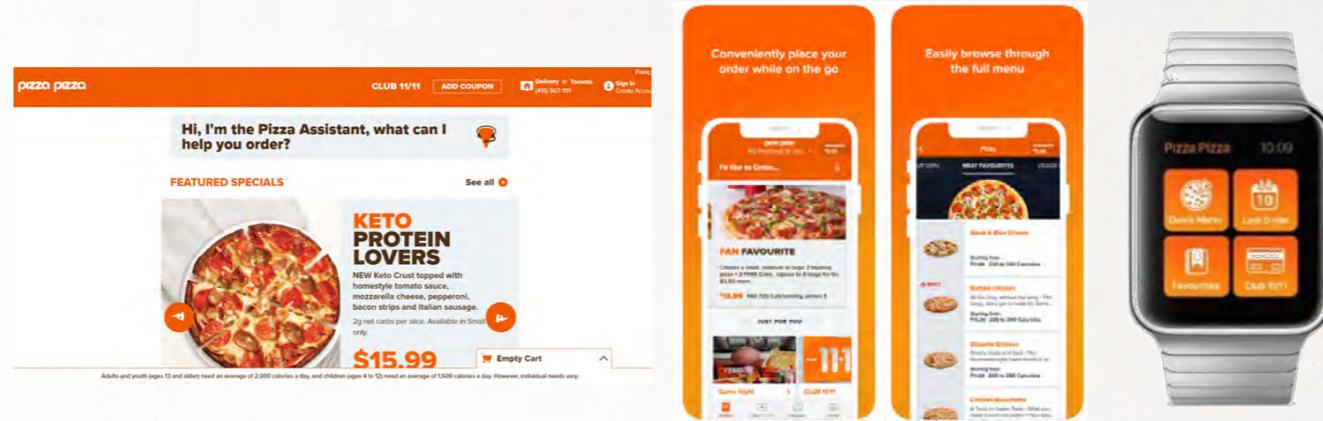


- 645 Pizza Pizza and 104 Pizza 73 restaurants in convenient and accessible locations
- Supports order-ahead for pick-up or walk-in transactions
- Special walk-in promotions target value-conscious consumers and drive SSS (e.g. X-Large one topping pizza for \$9.99)

**Multi-channel ordering platform provides multiple touchpoints for consumers and supports focus on convenience**

# CONTINUOUSLY LEVERAGING TECHNOLOGY & INNOVATION

## Online, Mobile and Apple Watch Ordering



## Third Party Delivery Partnerships



## Social Media Presence



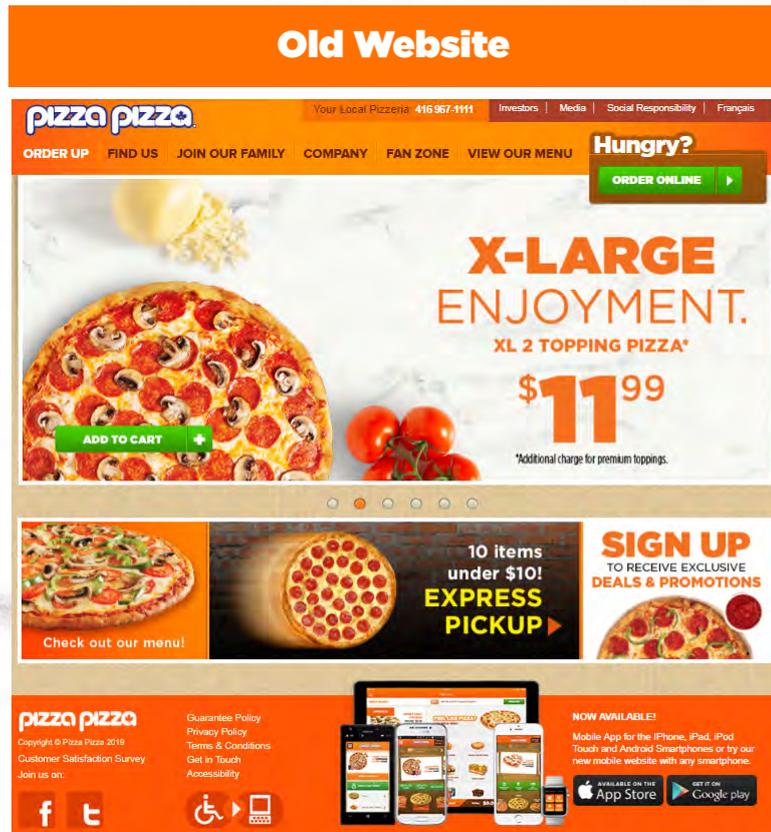
## Data Analytics



- Pizza Pizza continuously invests in technology, including online website and mobile apps
- Industry leading Apple Watch app with full ordering capabilities
- Technology enables Pizza Pizza to gather data from multiple channels in order to best serve its customers
- Social media presence reaches over 350,000 Canadians
- Digital ordering platforms have grown from ~4mm orders in 2015 to ~6mm orders in 2019
- Average cheque size for digital orders is \$25.10 compared to average walk-in cheque size of \$9.62

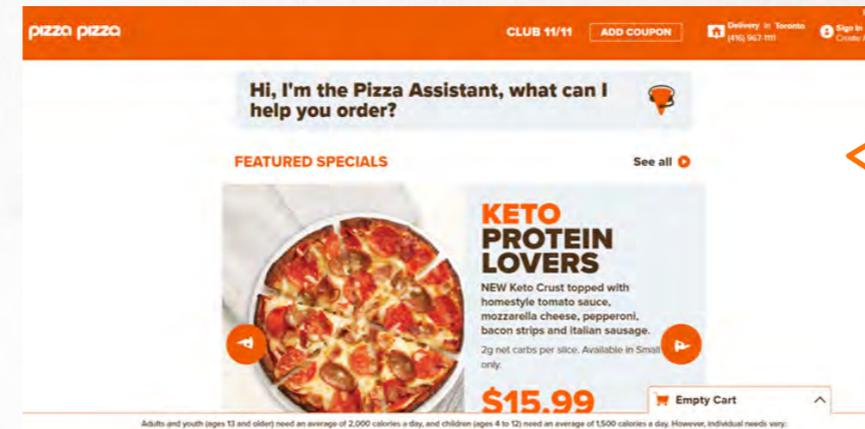
Leverages organic and third party technology to ensure brand is top of mind with consumers and focuses on enhancing customer engagement and experiences with the Pizza Pizza and Pizza 73 brands

# WEBSITE & APPS FULL MODERNIZATION IN 2019

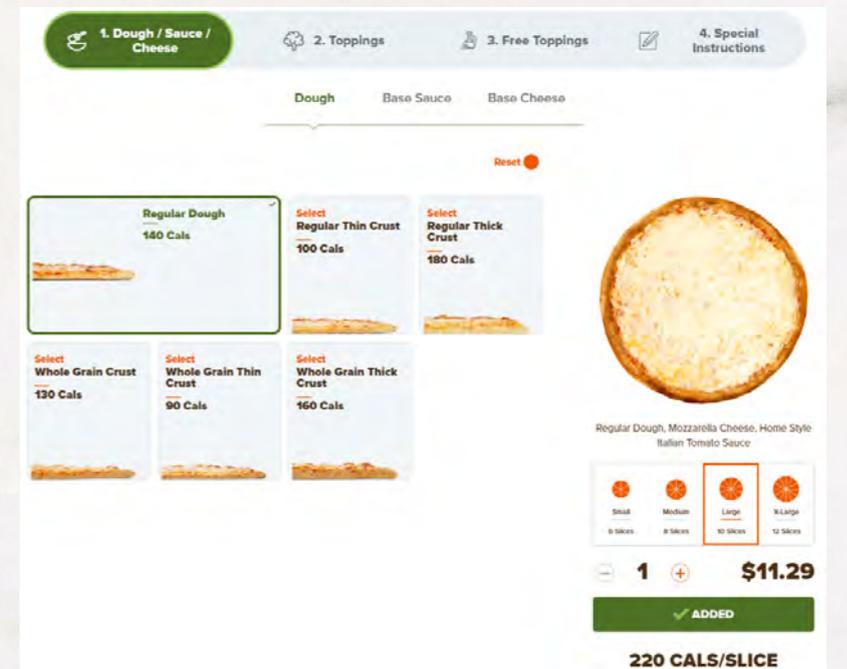
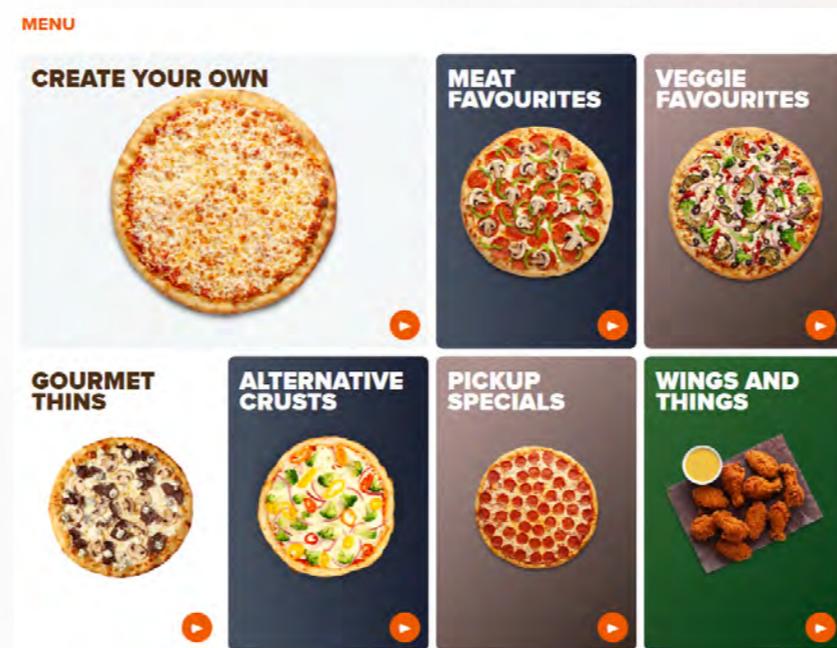


- New and improved website includes "cleaner" preview of the variety of menu options available from Pizza Pizza
- "Create Your Own" alternative provides user with unique experience to customize their pizza, while remaining informed of nutritional value of each selection made

## New Website



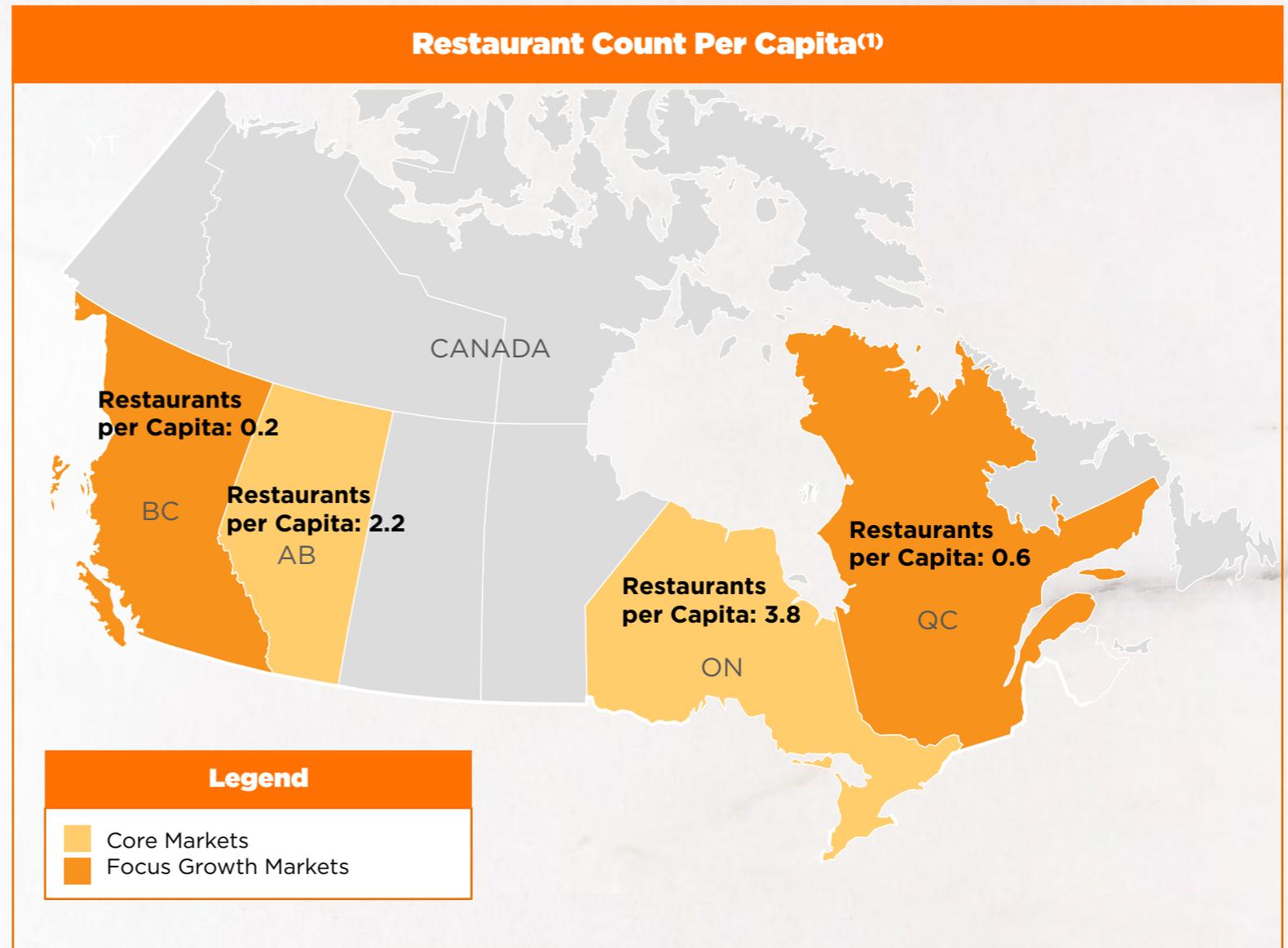
- Homepage has been updated to include the Pizza Assistant, designed to make ordering easier and provide a quick method for users to navigate the website and ask any questions



Website modernization has improved ease of ordering and provided users unique menu options and specials resulting in increase in average digital cheque

# RESTAURANT GROWTH

- Pizza Pizza is actively looking to grow its restaurant network nationwide and maintain its market-leading position by leveraging the strength of Pizza Pizza and Pizza 73 brands established in key market strongholds in Ontario and Alberta
- Plan to open 13 traditional restaurants in 2020
  - Pizza Pizza will add four new restaurants in its core market of Ontario and one new restaurant in Alberta
    - Through its differentiated product offering, Pizza Pizza restaurants in Alberta will aim to reach a different customer base than existing Pizza 73 restaurants
  - Pizza 73 plans to open four new Pizza 73 restaurants in its core market, Alberta
  - Further expand the Pizza Pizza banner across Canada with addition of five new restaurants in Quebec and seven new restaurants in British Columbia

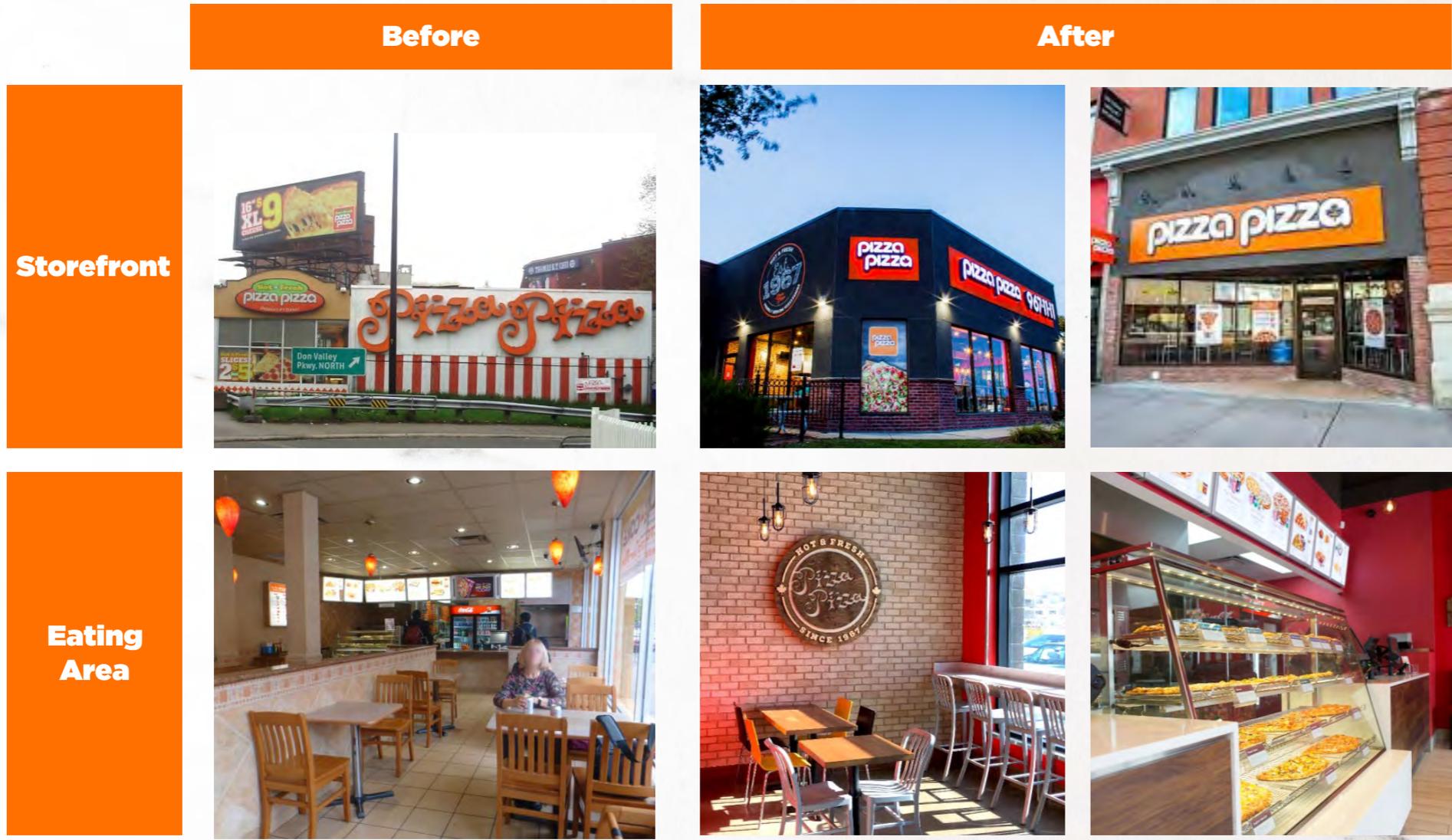


**Target markets for future restaurant network growth, particularly in British Columbia and Quebec**

(1) Restaurants per capita: Number of restaurants per 100,000 people.

# RE-IMAGING

- Restaurant re-imaging program currently underway with 25% of traditional Pizza Pizza locations renovated
  - Updated restaurants provide a more modern, welcoming ambience
- Operators are obligated to renovate their restaurants and contribute on an ongoing basis to a renovation savings fund



- Refreshing restaurant appearances every five to seven years works to maintain brand relevance
- Pizza Pizza launched restaurant reimagining program in 2017 and targets renovating 100 restaurants per year
- Restaurant operators pay weekly into a savings account to fund their future renovation

**Pizza Pizza restaurant re-imaging keeps brand current and top of mind, driving SSS**

# IMPRESSIVE HISTORY OF AWARDS & RECOGNITION

## Franchisees' Choice



Presented annually to the Canadian Franchise Association (CFA) member franchise systems for their solid rankings in franchisee satisfaction in key areas of the franchise business model, such as franchisee selection process, information package, leadership, business planning and marketing, training and support, ongoing operations, and the relationship between franchisor and franchisee

## CFA Recognition



Honouring individuals and CFA member companies for outstanding achievements, philanthropic endeavors, and contributions to the Canadian franchise community, these awards showcase those committed to enhancing franchising in Canada by Growing Together™

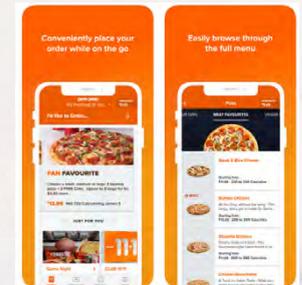
## Pinnacle Awards



### Pizza Pizza earns Company of the Year at the 25th Annual Pinnacle Award in 2013

Honours a diverse group of leaders for continued success and achievements, representing every facet of the industry, from upscale restaurants to quick service chains. Winners are distinguished for their contributions to the image of the industry through civic, educational and community involvement, as well as their efforts in establishing innovative concepts in foodservice or hotel management

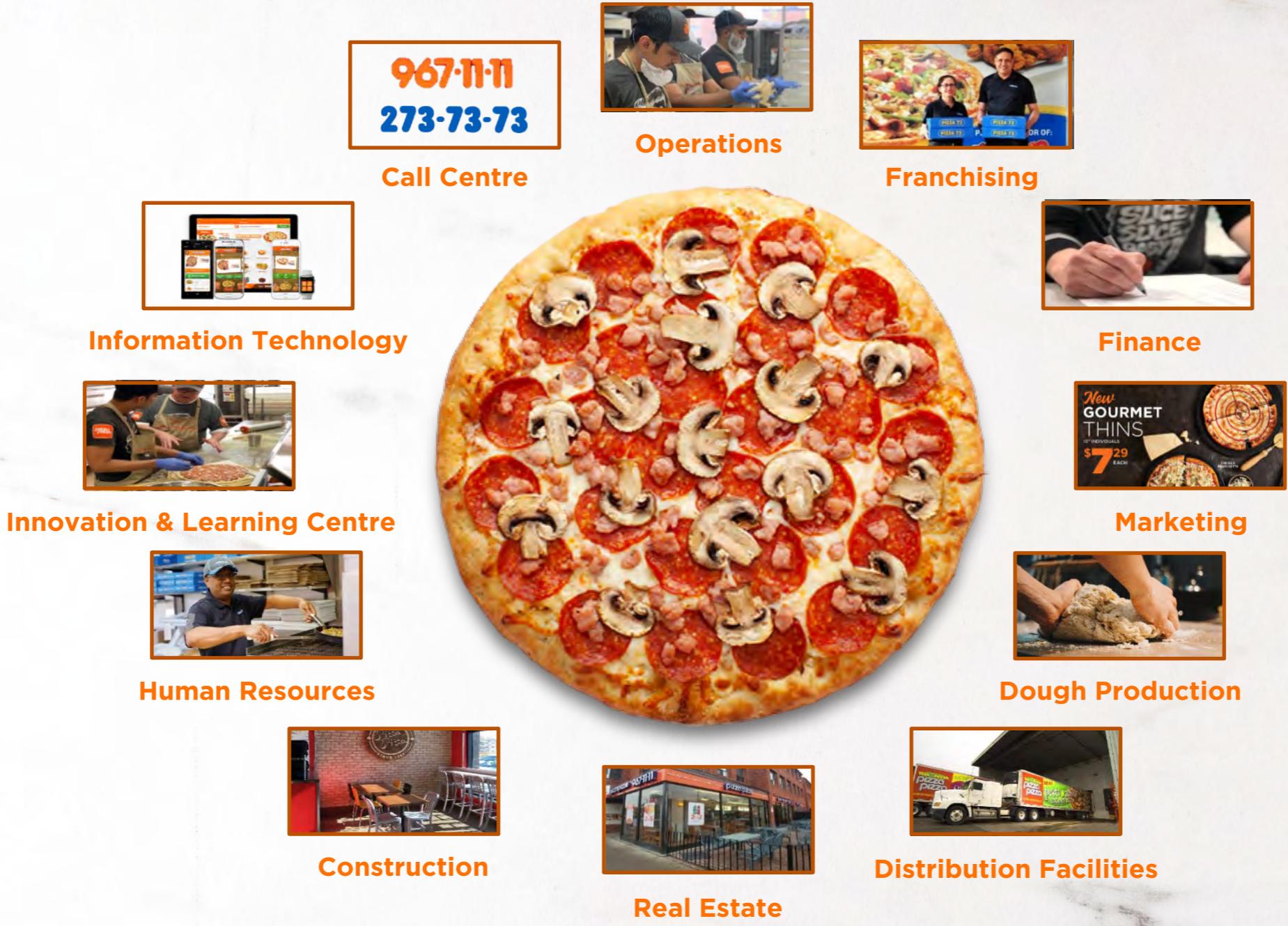
## Webby Awards



Presented by the International Academy of Digital Arts and Sciences – a 2000+ member judging body. The Webby Awards are one of the top ranking awards for the internet

**Track record of achievements that recognize strength of franchisee relationships, industry and community contributions, and technological advancements**

# PROVIDING CENTRALIZED, HIGH SERVICE TO RESTAURANT OPERATORS



PPL provides turn-key solutions to support its Pizza Pizza and Pizza 73 restaurants across the network

# EXPERIENCED MANAGEMENT TEAM



**Paul Goddard,**  
Chief Executive Officer  
Joined: 2009



**Curt Feltner,**  
Chief Financial Officer  
Joined: 1993



**Philip Goudreau,**  
Chief Operating Officer  
Joined: 2011



**Sebastian Fuschini,**  
SVP Franchising  
Joined: 1981



**Paul Methot,**  
SVP, Corporate  
Development & Administration  
Joined: 1984



**Christine D'Sylva,**  
VP Finance  
Joined: 2007



**Chuck Farrell,**  
VP Human Resources  
Joined: 2017



**Adrian Fuoco,**  
VP Marketing  
Joined: 2019



**Amar Narain,**  
VP Information  
Technology  
Joined: 2000



**Paul Rice,**  
VP Operations  
& Development  
Joined: 2013



**Vincent Solek,**  
VP Business  
Development  
Joined: 1968

Senior management team has 100+ years of collective industry experience with diverse, complementary skill sets

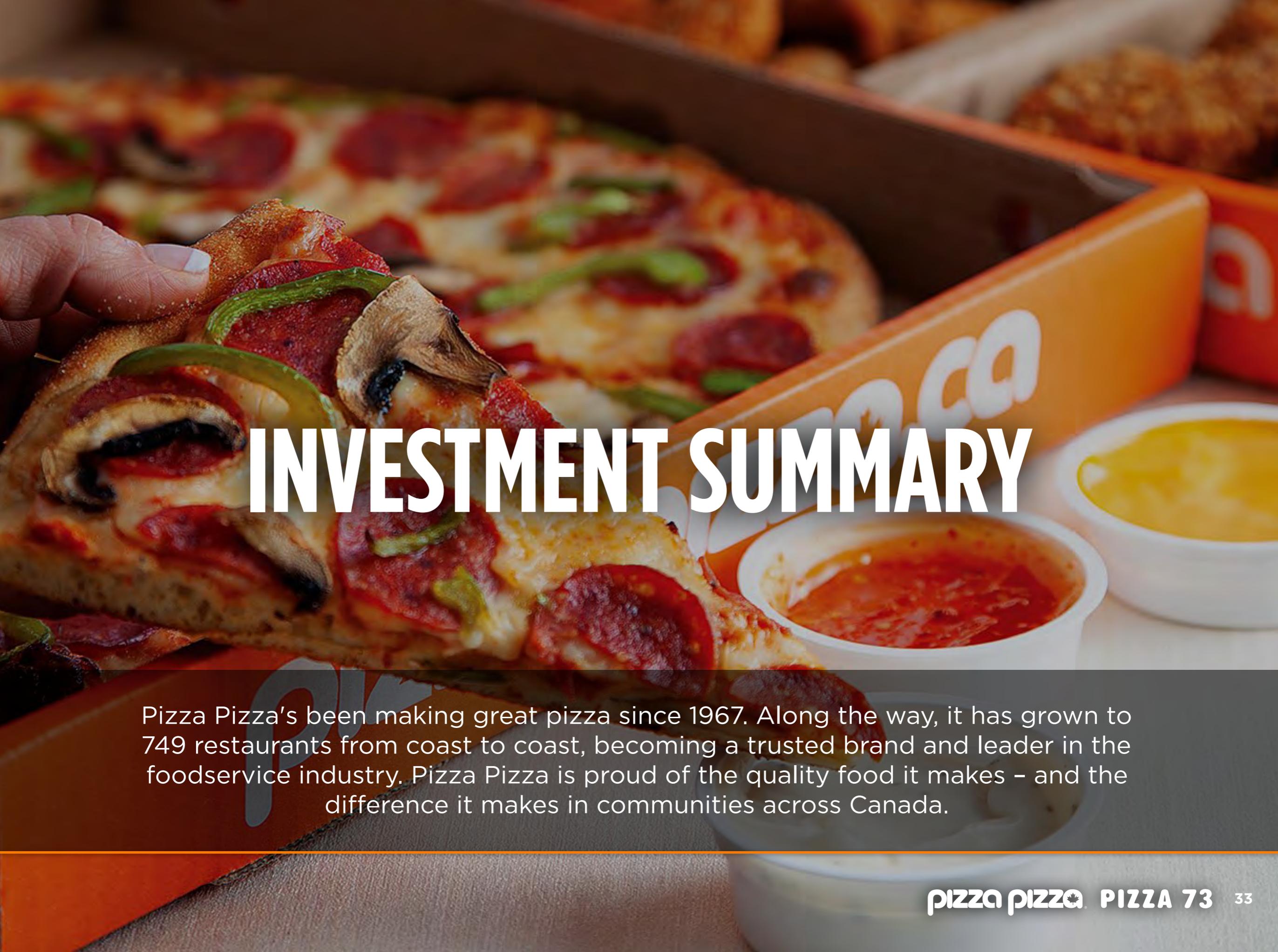
# OUTLOOK TO DRIVE SALES

- Positive momentum from recent initiatives, including analytics-based pricing strategies, a focus on its high quality offerings and a full relaunch of the company's website and apps, worked to drive SSS growth in the back half of 2019 and into 2020
- Healthy, on-trend product introductions (gourmet thins, keto and cauliflower crusts) are contributing additional sales to baseline growth
- Since inception, Pizza Pizza has committed significant financial resources to food and technology innovation premised on maintaining relevance with consumers, and enhancing both convenience and product offerings

## SSS Growth Initiatives



**Multi-pronged approach to drive sustainable SSS growth and increased brand equity**



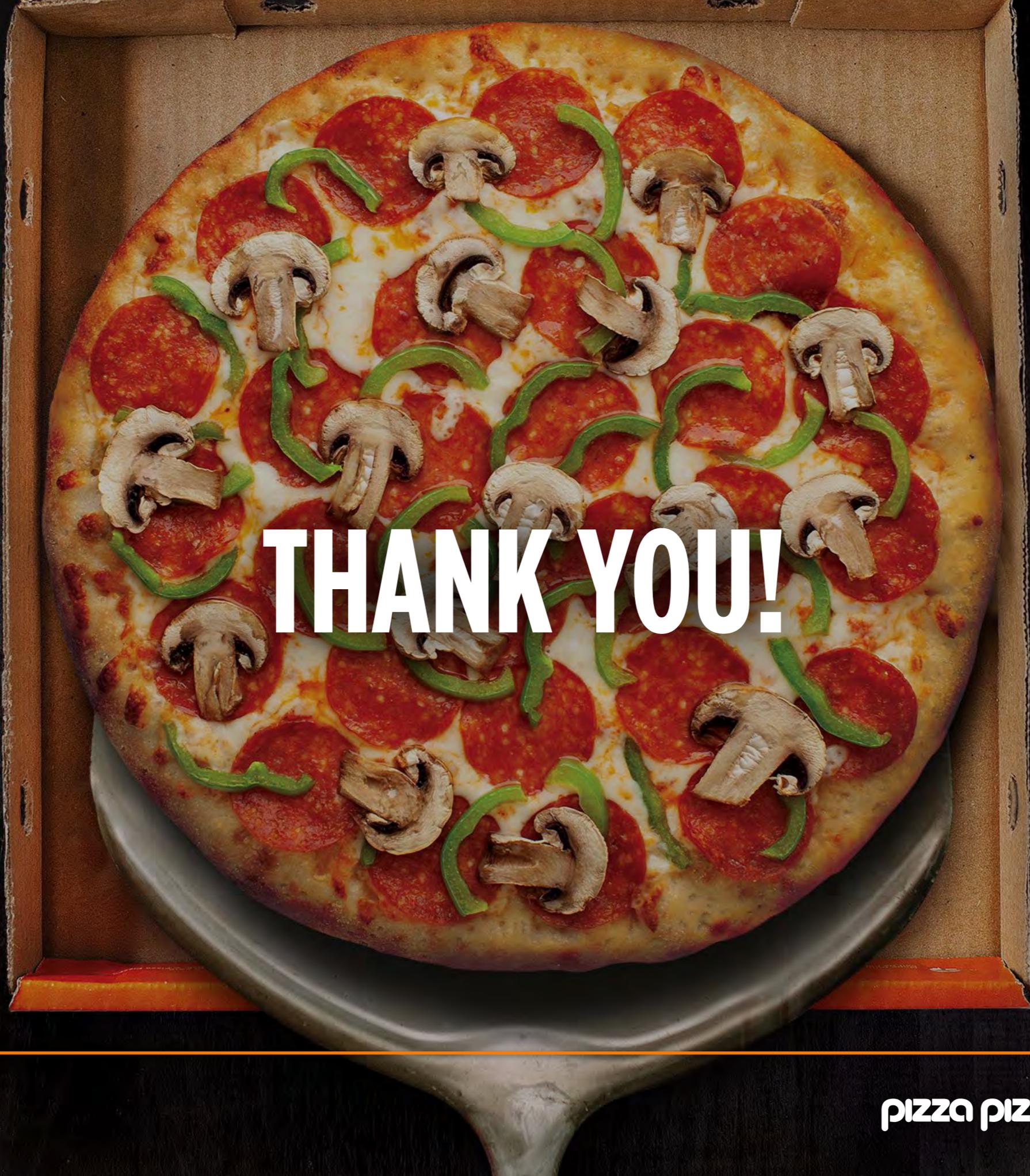
# INVESTMENT SUMMARY

Pizza Pizza's been making great pizza since 1967. Along the way, it has grown to 749 restaurants from coast to coast, becoming a trusted brand and leader in the foodservice industry. Pizza Pizza is proud of the quality food it makes – and the difference it makes in communities across Canada.

# ADVANTAGES OF PZA

- Royalty Structure
- High-yield Dividend Corp
- Sales Growth History
- Stable Quick Service Industry
- Exceptional Brand Recognition
- Strong Cash Position
- Future Growth Potential





**THANK YOU!**