

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

**FINANCIAL HIGHLIGHTS**

The tables below set out selected information from the condensed consolidated interim financial statements of Boston Pizza International Inc. ("BPI" and where applicable also includes its wholly-owned subsidiaries), and the accounts of Boston Pizza Canada Limited Partnership ("BP Canada LP"), together with other data, and should be read in conjunction with the condensed consolidated interim financial statements of BPI for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020, and in conjunction with the Management Discussion and Analysis ("MD&A") of BPI for the year ended December 31, 2020. The financial information reported in the tables included in this MD&A are reported in accordance with International Financial Reporting Standards ("IFRS") except as otherwise noted and are stated in Canadian dollars.

<i>For the periods ended September 30</i>	Q3 2021	Q3 2020	YTD 2021	YTD 2020
<i>(in thousands of dollars - except number of restaurants and per share items)</i>				
System-Wide Gross Sales <sup>1</sup>	266,363	237,208	586,035	591,810
Number of Boston Pizza Restaurants <sup>2</sup>	385	388	385	388
Franchise Sales reported by Boston Pizza Restaurants <sup>3</sup>	213,038	186,412	476,874	468,437
<u>Income Statement Data</u>				
Total revenues	28,426	24,499	64,021	64,553
Royalty expense	(8,522)	(7,417)	(19,075)	(18,666)
Distribution expense	(2,815)	(2,452)	(6,329)	(6,168)
Operating expenses excluding Royalty and Distribution expense	(10,349)	(12,906)	(29,396)	(39,015)
Earnings before interest and fair value gain (loss)	6,740	1,724	9,221	704
Net interest expense	(142)	(700)	(367)	(1,121)
Fair value gain (loss)	2,177	7,109	(7,715)	23,971
Earnings before income taxes	8,775	8,133	1,139	23,554
Current and deferred income tax (expense) recovery	(1,925)	1,127	(2,312)	4,958
Net and comprehensive income (loss)	6,850	9,260	(1,173)	28,512
Basic and diluted income (loss) per share	69.84	94.41	(11.96)	290.68
<u>Balance Sheet Data</u>				
			Sept 30, 2021	Dec 31, 2020
Total assets			148,526	147,829
Total liabilities			404,915	403,045

- 1) "System-Wide Gross Sales" means the gross revenue: (i) of the corporate Boston Pizza Restaurants (defined below) in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, but excluding applicable sales and similar taxes.
- 2) As at the end of the applicable period.
- 3) "Franchise Sales" means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, and excluding applicable sales and similar taxes.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

**SUMMARY OF QUARTERLY RESULTS**

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales <sup>1</sup>	266,363	162,931	156,741	181,723
Number of Boston Pizza Restaurants <sup>2</sup>	385	385	386	387
Franchise Sales reported by Boston Pizza Restaurants <sup>3</sup>	213,038	134,839	128,997	146,657
<u>Income Statement Data</u>				
Total revenues	28,426	18,296	17,299	21,522
Royalty expense	(8,522)	(5,393)	(5,160)	(5,862)
Distribution expense	(2,815)	(1,797)	(1,717)	(1,946)
Operating expenses excluding Royalty and Distribution expense	(10,349)	(9,961)	(9,086)	(11,873)
Earnings before interest and fair value gain (loss)	6,740	1,145	1,336	1,841
Net interest (expense) income	(142)	(42)	(183)	735
Fair value gain (loss)	2,177	(3,478)	(6,414)	(16,004)
Earnings (loss) before income taxes	8,775	(2,375)	(5,261)	(13,428)
Current and deferred income tax expense	(1,925)	(49)	(338)	(7,272)
Net and comprehensive income (loss)	6,850	(2,424)	(5,599)	(20,700)
Basic and diluted income (loss) per share	69.84	(24.71)	(57.08)	(211.04)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
(in thousands of dollars - except number of restaurants and per share items)				
System-Wide Gross Sales <sup>1</sup>	237,208	129,845	224,757	276,509
Number of Boston Pizza Restaurants <sup>2</sup>	388	390	394	395
Franchise Sales reported by Boston Pizza Restaurants <sup>3</sup>	186,412	107,522	174,503	213,089
<u>Income Statement Data</u>				
Total revenues	24,499	14,703	25,351	31,397
Royalty expense	(7,417)	(4,286)	(6,963)	(8,447)
Distribution expense	(2,452)	(1,423)	(2,293)	(2,785)
Operating expenses excluding Royalty and Distribution expense	(12,906)	(8,188)	(17,921)	(17,778)
Earnings (loss) before interest and fair value gain (loss)	1,724	806	(1,826)	2,387
Net interest (expense) income	(700)	(513)	92	732
Fair value gain (loss)	7,109	(3,994)	20,856	11,570
Earnings (loss) before income taxes	8,133	(3,701)	19,122	14,689
Current and deferred income tax recovery (expense)	1,127	(1,225)	5,056	2,257
Net and comprehensive income (loss)	9,260	(4,926)	24,178	16,946
Basic and diluted income (loss) per share	94.41	(50.22)	246.50	172.76

## MANAGEMENT'S DISCUSSION AND ANALYSIS BOSTON PIZZA INTERNATIONAL INC.

For the three-month and nine-month periods ended September 30, 2021

### OVERVIEW

This MD&A covers the three-month period from July 1, 2021 to September 30, 2021 (the "**Period**") and the nine-month period from January 1, 2021 to September 30, 2021 ("**YTD**") and is dated November 10, 2021. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI's applicable condensed consolidated interim financial statements and the accompanying notes. The condensed consolidated interim financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

### General

BPI is a privately controlled company and prior to April 6, 2015, was the exclusive franchisor of the Boston Pizza (defined below) concept in Canada. On April 6, 2015, BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, became the exclusive franchisor of the Boston Pizza concept in Canada. On May 6, 2015, Boston Pizza Royalties Income Fund (the "**Fund**") completed an indirect investment in BP Canada LP to effectively increase the Fund's indirect interest in Franchise Sales of Boston Pizza Restaurants (defined below) in the Royalty Pool (defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the "**2015 Transaction**").

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With approximately 380 restaurants stretching from Victoria to St. John's, Boston Pizza has more restaurants and serves more customers annually than any other casual dining restaurant chain in Canada.

### Royalty

BP Canada LP charges a 7.0% royalty fee on Franchise Sales for full-service Boston Pizza restaurants open in Canada (the "**Boston Pizza Restaurants**"). BPI pays Boston Pizza Royalties Limited Partnership ("**Royalties LP**"), an entity controlled by the Fund, a 4.0% royalty fee (the "**Royalty**") on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the "**Royalty Pool**") for the use of the Boston Pizza trademarks in Canada (the "**BP Rights**"<sup>4</sup>). As at September 30, 2021, there were 387 Boston Pizza Restaurants in the Royalty Pool.

### Distributions from BP Canada LP

Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), an entity controlled by the Fund, holds Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership ("**BPCHP**"), Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**"), which are exchangeable for units of the Fund ("**Fund Units**"). The Class 1 LP Units and Class 2 LP Units provide Holdings LP with the right to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the pro rata portion payable to BPI in respect of its Class 2 GP Units (the "**Distributions**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on certain indebtedness of Holdings LP plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively. After BP Canada LP pays distributions on the Class 1 LP Units, Class 2 LP Units and Class 2 GP Units, BPI is entitled to all residual distributions from BP Canada LP on the Class 3 general partnership units, Class 4 general partnership units, Class 5 general partnership units and Class 6 general partnership units of BP Canada LP that BPI holds.

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4) BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada), and other trademarks and trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

**Addition of New Restaurants to Royalty Pool**

On January 1 of each year (each, an “**Adjustment Date**”), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened (“**New Restaurants**”) and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year (“**Closed Restaurants**”). In return for adding new Royalty and Distributions from the New Restaurants and after subtracting the Royalty and Distributions that are lost from the Closed Restaurants<sup>5</sup> (such difference, “**Net Royalty and Distributions**”), BPI receives the right to indirectly acquire additional Fund Units (in respect of the Royalty, “**Class B Additional Entitlements**” and in respect of Distributions, “**Class 2 Additional Entitlements**”, and collectively, “**Additional Entitlements**”). The calculation of Additional Entitlements is designed to be accretive to unitholders of the Fund (“**Unitholders**”) as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distributions expected to be generated by the New Restaurants less the actual Royalty and Distributions lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Fund Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Fund Units in respect of the increased Royalty, the “**Class B Holdback**”, and in respect of the increased Distributions, the “**Class 2 Holdback**”, and collectively, the “**Holdback**”). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date the Net Royalty and Distributions is negative as a result of the estimated Royalty and Distributions expected to be generated by the New Restaurants being less than the actual Royalty and Distributions that is lost from the Closed Restaurants (the amount by which it is less is the “**Deficiency**”). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Net Royalty and Distributions in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e. BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distributions from New Restaurants exceeds actual Royalty and Distributions lost from Closed Restaurants).

**Business Strategy**

The success of the business of BPI, BP Canada LP, their affiliated entities and franchisees (“**Boston Pizza**”) can be attributed to four simple underlying principles that are the foundation for all strategic decision-making – the “**Four Pillars**” strategy.

- **Building the brand**
- **Continually improving the guest experience**
- **A commitment to Franchisee profitability**
- **On-going engagement in local communities**

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through television, radio, digital, social media, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by the Boston Pizza advertising fund (the “**Advertising Fund**”). Franchisees pay 3.0% of Franchise Sales into the Co-op; 76.0% of these funds are used to purchase television,

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5) The Royalty and Distributions that are lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

radio, digital and social media advertising, and the remaining 24.0% is used for production of materials and administration. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the guests' experience so that guests will return to Boston Pizza again and again. Boston Pizza and its franchisees connect with their communities by hosting events, engaging with local organizations, and supporting philanthropic causes. Management is confident that this "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts, develop new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand.

### **Ongoing Effects of COVID-19**

COVID-19 had significant adverse effects on the business of the Fund, BPI and BP Canada LP during the Period and YTD. Various governmental authorities across Canada had imposed assorted restrictions on the operations of restaurants in an attempt to control the spread of COVID-19. The restrictions ranged from limiting operating hours, reductions in permitted hours to serve alcohol, closures of indoor dining rooms and closures of patio dining depending upon the particular regions and times within the Period and YTD. During the Period, restrictions eased in all provinces to allow dine-in services which resulted in increased Franchise Sales. However, by the end of the Period, various governmental authorities across Canada implemented vaccine card or vaccine passport systems that required guests to show proof of vaccination when dining in restaurants. See the "Operating Results" section of this MD&A for details.

COVID-19 continues to impact the business of the Fund, BPI and BP Canada LP, and the operation of Boston Pizza Restaurants. After the end of the Period, the vaccine card or vaccine passport systems referenced above resulted in a decrease in customer traffic to restaurants and a decrease in sales. Franchise Sales, and the resulting Royalty and Distributions, for October 2021 were approximately 109% of the level they were in October 2020 and approximately 88% of the level they were in October 2019. SRS for October 2021 was approximately positive 8% when compared to the same period in 2020 and approximately negative 15% when compared to the same period in 2019.

### **Seasonality**

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. It is unknown how and to what extent seasonality will affect Franchise Sales given the effects of COVID-19 on Boston Pizza Restaurants.

### **New Restaurant Openings, Permanent/Temporary Closures and Renovations**

During the Period, there were no New Restaurants (YTD – nil) and no Closed Restaurants (YTD – 2). The two Closed Restaurants YTD were corporately owned restaurants operated by subsidiaries of BPI. BPI previously had five corporately owned Boston Pizza Restaurants. BPI's strategy is to divest itself of the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business. Subsequent to the end of the Period, there was one Closed Restaurant. As well, during the Period, two Boston Pizza Restaurants were renovated (YTD – 7). Boston Pizza Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

## **OPERATING RESULTS**

### **Same Restaurant Sales ("SRS")**

SRS<sup>6</sup>, a key driver of distribution growth for Unitholders, is the change in gross sales of Boston Pizza Restaurants as compared to the gross sales for the same period in the previous year, where restaurants were open for a

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6) SRS is a non-IFRS financial measure and as such, does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of SRS to an IFRS measure is not possible as there is no directly comparable measure under IFRS. BPI believes that SRS provides investors with useful information regarding the change in gross sales of Boston Pizza Restaurants.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

minimum of 24 months. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque.

Period

SRS was positive 13.3% for the Period compared to negative 15.2% reported in the third quarter of 2020. As COVID-19 began to adversely affect sales in Boston Pizza Restaurants in March of 2020, BPI believes that it is also useful to calculate and report SRS comparing 2021 gross sales to 2019 gross sales. If SRS were calculated comparing gross sales in the Period to gross sales in the third quarter of 2019, SRS would be negative 3.8%. Franchise Sales, the basis upon which Royalty and Distributions are paid by BPI and BP Canada LP respectively, indirectly to the Fund, excludes revenue from sales of liquor, beer, wine and approved national promotions and discounts. On a Franchise Sales basis, SRS was positive 15.1% for the Period compared to negative 14.6% for the third quarter of 2020. If SRS on a Franchise Sales basis were calculated comparing Franchise Sales in the Period to Franchise Sales in the third quarter of 2019, SRS would be negative 1.5%. The increase in SRS for the Period was principally due to increases in restaurant guest traffic due to the easing of dining restrictions during the Period.

YTD

SRS was positive 0.3% YTD compared to negative 28.2% reported year-to-date in 2020. If SRS were calculated comparing gross sales YTD to gross sales year-to-date in 2019, SRS would be negative 28.1%. On a Franchise Sales basis, SRS was positive 3.1% YTD compared to negative 27.0% year-to-date in 2020. If SRS on a Franchise Sales basis were calculated comparing Franchise Sales YTD to Franchise Sales year-to-date in 2019, SRS would be negative 24.7%. The increase in SRS YTD was principally due to increases in restaurant guest traffic due to the easing of dining restrictions and increased take-out and delivery sales.

**Revenues**

Period

BPI's total revenue was \$28.4 million for the Period compared to \$24.5 million for the third quarter of 2020. BPI's revenue was principally derived from royalty revenue and Advertising Fund contributions received by BP Canada LP from franchised Boston Pizza Restaurants, sales from corporately owned restaurants, initial franchise fees, franchise renewal fees and supplier contributions. The \$3.9 million increase in revenue for the Period was primarily due to higher royalty revenues, supplier contributions, Advertising Fund revenue and revenues from corporately owned restaurants resulting from higher SRS.

YTD

BPI's total revenue was \$64.0 million YTD compared to \$64.6 million year-to-date in 2020. The \$0.6 million decrease in revenue YTD was primarily due to lower revenues from corporately owned restaurants resulting from closure of two corporate restaurants, partially offset by higher royalty revenues, supplier contributions, and Advertising Fund revenues resulting from positive SRS.

**Royalty Expense and Distribution Expense**

Period

BPI's Royalty expense to Royalties LP (being 4.0% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was \$8.5 million and Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was \$2.8 million for the Period compared to \$7.4 million and \$2.5 million, respectively, for the third quarter of 2020. The \$1.1 million increase in Royalty expense and \$0.3 million increase in Distribution expense for the Period was due to positive SRS on a Franchise Sales basis.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

YTD

BPI's Royalty expense to Royalties LP was \$19.1 million and Distribution expense was \$6.3 million YTD compared to \$18.7 million and \$6.2 million, respectively, year-to-date in 2020. The \$0.4 million increase in Royalty expense and \$0.1 million increase in Distribution expense YTD was due to positive SRS on a Franchise Sales basis.

**Operating Expenses Excluding Royalty Expense and Distribution Expense**

Period

BPI's operating expenses excluding Royalty expense and Distribution expense were \$10.3 million for the Period, which included Advertising Fund expenses of \$4.1 million, compensation expense of \$3.8 million, depreciation and amortization of \$1.2 million, operational costs of corporately owned restaurants of \$1.2 million and other expense associated with services provided to franchised Boston Pizza Restaurants of \$0.7 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million. In the third quarter of 2020, BPI's operating expenses excluding Royalty expense and Distribution expense were \$12.9 million for the Period, which included compensation expense of \$4.8 million, Advertising Fund expenses of \$3.7 million, other costs associated with services provided to franchised Boston Pizza Restaurants of \$2.2 million, operational costs of corporately owned restaurants of \$1.7 million and depreciation and amortization of \$1.3 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million.

The decrease in operating expenses excluding Royalty expense and Distribution expense of \$2.6 million for the Period was due to expenses such as bad debt and compensation expense being higher in the prior year due to the impact of COVID-19, and a decrease in restaurant operating costs resulting from the closure of two corporately owned restaurants, partially offset by an increase in Advertising Fund expenses due to increased advertising activity and lower government wage and rent subsidies received.

BPI is receiving government financial assistance under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") program. During the Period, BPI recognized \$0.6 million of government financial assistance under the CEWS and CERS programs (Q3 2020 – \$2.2 million).

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years beginning in 2002 for the term of the License and Royalty Agreement dated July 17, 2002, as amended on May 9, 2005, between Royalties LP and BPI. The net deferred gain at September 30, 2021 was \$225.6 million compared to \$228.4 million at September 30, 2020.

YTD

BPI's operating expenses excluding Royalty expense and Distribution expense were \$29.4 million YTD, which included compensation expense of \$11.4 million, Advertising Fund expenses of \$10.7 million, depreciation and amortization of \$3.7 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$3.3 million, and operational costs of corporately owned restaurants of \$2.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$2.1 million. During the same period in 2020, BPI's operating expenses excluding Royalty expense and Distribution expense were \$39.0 million YTD, which included Advertising Fund expenses of \$12.6 million, compensation expense of \$11.8 million, operational costs of corporately owned restaurants of \$6.3 million, other costs associated with services provided to franchised Boston Pizza Restaurants of \$5.8 million, depreciation and amortization of \$4.2 million, and management fees for services rendered by companies under common control of \$0.4 million. This was partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$2.1 million.

The decrease in operating expenses excluding Royalty expense and Distribution expense of \$9.6 million YTD was attributed to a decrease in restaurant operating costs resulting from the closure of two corporately owned restaurants, a decrease in other expenses including reduced bad debt expense and decreased travel as a measure to reduce costs, a decrease in Advertising Fund expenses due to timing of advertising activity, a decrease in compensation and management fees, and a decrease in depreciation and amortization.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

YTD, BPI recognized \$3.7 million of government financial assistance under the CEWS and CERS programs (2020 – \$3.8 million).

**Earnings before Interest and Fair Value Gain (Loss)**

Period

BPI's earnings before interest and fair value gain (loss) was \$6.7 million for the Period compared to \$1.7 million for the third quarter of 2020. The \$5.0 million increase in earnings before interest and fair value gain (loss) for the Period was principally due to an increase in revenues and a decrease in operating expenses, partially offset by increases in Royalty and Distribution expenses.

YTD

BPI's earnings before interest and fair value gain (loss) was \$9.2 million YTD compared to \$0.7 million year-to-date in 2020. The \$8.5 million increase in earnings before interest and fair value gain (loss) YTD was principally due to a decrease in operating expenses, partially offset by a decrease in revenues.

**Net Interest Expense**

Period

BPI's net interest expense during the Period was \$0.1 million, comprised mainly of \$0.5 million of interest expense on debt and financing costs, \$0.1 million of interest expense on lease obligations and nominal interest expense on payables owed to the Fund, partially offset \$0.5 million of interest income received by BPI on its Class B general partner units of Royalties LP ("**Class B Units**"). BPI's net interest expense for the third quarter of 2020 was \$0.7 million, comprised mainly of \$0.5 million of interest expense on the debt and financing fees, \$0.1 million of interest expense on payables owed to the Fund and \$0.1 million of interest expense on lease obligations. The \$0.6 million decrease in net interest expense for the Period was primarily due to the increase in interest income on the Class B Units attributable to the Fund not declaring distribution on Fund Units during the third quarter of 2020.

YTD

BPI's net interest expense was \$0.4 million YTD, comprised mainly of \$1.5 million of interest expense on debt and financing costs, \$0.2 million of interest expense on lease obligations and \$0.1 million of interest expense on payables owed to the Fund, partially offset \$1.5 million of interest income received by BPI on its Class B Units. Year-to-date in 2020, BPI's net interest expense was \$1.1 million, comprised mainly of \$1.4 million of interest expense on the debt and financing fees, \$0.3 million of interest expense on lease obligations and \$0.1 million of interest expense on payables owed to the Fund, partially offset by \$0.7 million of interest income received by BPI on the Class B Units. The \$0.7 million decrease in net interest expense YTD was primarily due to the increase in interest income on the Class B Units attributable to the Fund not declaring distribution on Fund Units during the second and third quarters of 2020.

**Fair Value Gain (Loss)**

Period

During the Period, BPI recognized a fair value gain of \$2.2 million compared to \$7.1 million for the same period in 2020. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at September 30, 2021, the Fund's closing price was \$13.38 per Fund Unit (June 30, 2021 – \$14.10 per Fund Unit) and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

by BPI was 2,430,823 (June 30, 2021 – 2,430,823). Consequently, the Class B Units were calculated to be valued at \$32.5 million (June 30, 2021 – \$34.3 million), resulting in a fair value loss of \$1.8 million. In general, the value of the Class B Units will increase as the market price of Fund Units increase and vice versa. In addition, the value of the Class B Units increases as the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the 2015 Transaction to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair value of Class 1 LP Units liability as at September 30, 2021 to be \$33.3 million (June 30, 2021 – \$33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at September 30, 2021, the Fund indirectly held 5,455,762 Class 2 LP Units (June 30, 2021 – 5,455,762) and the Fund's closing price was \$13.38 per Fund Unit (June 30, 2021 – \$14.10 per Fund Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at September 30, 2021 to be \$73.0 million (June 30, 2021 – \$76.9 million), resulting in a fair value gain of \$3.9 million for the Period. In general, the fair value of the Class 2 LP Units liability will increase as the market price of Fund Units increases and vice versa.

YTD

YTD, BPI recognized a fair value loss of \$7.7 million compared to a fair value gain of \$24.0 million for the same period in 2020. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

As at December 31, 2020, the Fund's closing price was \$10.83 per Fund Unit and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,381. The Class B Units were calculated to be valued at \$26.3 million as at December 31, 2020. As discussed above, the Class B Units at the end of the Period were valued at \$32.5 million. The difference between the value of the Class B Units on December 31, 2020 and at the end of the Period is an increase of \$6.2 million, comprised of a fair value gain of \$6.2 million and a nominal adjustment of Class B Additional Entitlements received by BPI in February 2021 related to the January 1, 2020 Adjustment Date.

Holdings LP acquired the Class 1 LP Units on May 6, 2015 for \$33.3 million. As discussed above, BPI estimates the fair value of the Class 1 LP Units as at September 30, 2021 to be \$33.3 million (December 31, 2020 – \$33.3 million), resulting in no fair value adjustment YTD.

As at December 31, 2020, the Fund indirectly held 5,455,762 Class 2 LP Units and the Fund's closing price was \$10.83 per Fund Unit. Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at December 31, 2020 to be \$59.1 million. As discussed above, BPI estimated the fair value of the Class 2 LP Units liability as at September 30, 2021 to be \$73.0 million, resulting in a fair value loss of \$13.9 million YTD.

**Earnings before Income Taxes**

Period

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$8.8 million for the Period compared to \$8.1 million for the third quarter of 2020. The \$0.7 million increase in earnings before income taxes was primarily due to an increase in earnings before interest and fair value gain (loss) and a decrease in net interest expense, partially offset by the decrease in fair value gain.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

YTD

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$1.1 million YTD compared to \$23.6 million year-to-date in 2020. The \$22.5 million decrease in earnings before income taxes YTD was primarily due to increase in fair value loss, partially offset by an increase in earnings before interest and fair value gain (loss) and a decrease in net interest expense.

**Income Tax Expense (Recovery)**

Period

BPI recognized \$1.3 million current income tax expense for the Period compared to \$0.6 million for the third quarter of 2020. The \$0.7 million increase in current income tax expense for the Period is primarily due to higher earnings before interest and fair value gain (loss).

BPI recognized \$0.6 million deferred income tax expense for the Period compared to \$1.8 million deferred income tax recovery for the third quarter of 2020. The \$2.4 million increase in deferred income tax expense is primarily due to the valuation allowance recorded on the Class B Units for the Period. For the same period in 2020, the deferred income tax recovery includes the tax impact of the change in fair value of the Class B Units for that period.

YTD

BPI recognized \$1.8 million current income tax expense YTD compared to \$1.6 million year-to-date in 2020. The \$0.2 million increase in current income tax expense YTD is primarily due to higher earnings before interest and fair value gain (loss).

BPI recognized a \$0.5 million deferred income tax expense YTD compared to \$6.6 million deferred income tax recovery year-to-date in 2020. The \$7.1 million increase in deferred income tax expense is primarily due to the valuation allowance recorded on the Class B Units YTD. For the same period in 2020, the deferred income tax recovery includes the tax impact of the change in fair value of the Class B Units for that period and loss carry forwards recognized for corporately owned restaurants.

**Net and Comprehensive Income (Loss)**

Period

BPI's net and comprehensive income during the Period was \$6.9 million compared to \$9.3 million for the third quarter of 2020. The decrease of \$2.4 million in net and comprehensive income for the Period is primarily due to the increase in income tax expense compared to the same period in 2020, partially offset by the increase in earnings before income taxes.

YTD

BPI's net and comprehensive loss YTD was \$1.2 million compared to net and comprehensive income of \$28.5 million year-to-date in 2020. The decrease of \$29.7 million in net and comprehensive income YTD is primarily due to a decrease in earnings before income taxes and an increase in income tax expense.

**Fund Units Outstanding**

The following table sets forth a summary of the outstanding Fund Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Fund Units. References to "Class B Additional Entitlements" and "Class 2 Additional Entitlements" in the table below refer to the number of Fund Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

	Issued and Outstanding Fund Units and Additional Entitlements	Issued and Outstanding Fund Units, Additional Entitlements and Holdback
<u>Fund Units Outstanding</u>		
Issued and Outstanding Fund Units as of September 30, 2021	21,521,463	21,521,463
<u>Class B Additional Entitlements Outstanding</u>		
Class B Additional Entitlements – Outstanding as of December 31, 2020	2,423,886	2,423,886
Class B Additional Entitlements – Issued as of January 1, 2021	-	- (1)
Class B Holdback Created January 1, 2021	N/A	- (1)
Class B Additional Entitlements – Issued in respect of 2020 after the audit	6,937	6,937 (2)
Total Class B Additional Entitlements as of November 10, 2021	2,430,823	2,430,823
<u>Class 2 Additional Entitlements Outstanding</u>		
Class 2 Additional Entitlements – Outstanding as of December 31, 2020	828,753	828,753
Class 2 Additional Entitlements – Issued as of January 1, 2021	-	- (1)
Class 2 Holdback Created January 1, 2021	N/A	- (1)
Class 2 Holdback – Issued in respect of 2020 after the audit	2,601	2,601 (2)
Total Class 2 Additional Entitlements as of November 10, 2021	831,354	831,354
<u>Summary as of November 10, 2021</u>		
Total Issued and Outstanding Fund Units	21,521,463	21,521,463
Total Additional Entitlements	3,262,177	3,262,177
Fully Diluted Fund Units	24,783,640	24,783,640
BPI's Percentage Ownership	13.2%	13.2%

- (1) Additional Entitlements to which BPI is entitled for adding to the Royalty Pool on January 1, 2021 additional Royalty and Distributions from the two New Restaurants less the Royalty and Distributions lost from the 11 Closed Restaurants. Since a Deficiency existed, this amount is nil.
- (2) Additional Entitlements from the five New Restaurants added to the Royalty Pool on January 1, 2020 less the six Closed Restaurants removed from the Royalty Pool on January 1, 2020 determined in 2021 once audited results of the five New Restaurants and the actual effective tax rate paid by the Fund were known, and the adjustment for the seasonal Boston Pizza Restaurant that re-opened in 2020.

BPI directly and indirectly holds 100% of the special voting units (the “**Special Voting Units**”) of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Fund Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Fund Units. As of November 10, 2021, BPI was entitled to 3,262,177 votes, representing 13.2% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

**LIQUIDITY & CAPITAL RESOURCES**

BPI is an entirely franchised business except for three corporate Boston Pizza Restaurants that it currently owns. For 2021, BPI has forecasted capital requirements of approximately \$2.3 million, which consist mainly of the development of software applications and digital platforms, computer equipment, and leasehold improvements. BPI believes it has sufficient cash and capital resources to cover forecasted expenditures, capital requirements, commitments and repayments for 2021. BPI constantly monitors its operations and cash flows to ensure that current and future obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations. BPI manages its working capital with the Operating Line (defined below), BCAP Loan (defined below) and the BDC Facilities (defined below).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

**Indebtedness**

*BPI Credit Facilities*

BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to \$35.7 million (originally \$43.3 million) expiring on December 31, 2022 (the "**Credit Facilities**"). The Credit Facilities are comprised of: (i) a \$10 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a \$25.7 million (originally \$33.3 million) committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Credit Facilities bear interest at variable rates, as selected by BPI. In the case of Canadian prime rate loans, the interest rate is equal to the Bank's prime rate plus between 1.50% and 2.50% (depending on the total funded net debt to EBITDA ratio) and, in the case of bankers' acceptances and Canadian dollar offered rate loans, the interest rate is equal to a variable interest rate based on the Bank's bankers' acceptance rates or Canadian dollar offered rates plus between 2.75% and 3.75% (depending on the total funded net debt to EBITDA ratio). The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments, which permanently reduce the amount available under the Term Loan.

The Credit Facilities are guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions. The Bank and Royalties LP entered into a second amended and restated priority agreement dated April 11, 2018 to set forth their relative priorities to such security, full details of which are described in the Fund's Annual Information Form dated February 9, 2021, a copy of which is available on [www.sedar.com](http://www.sedar.com).

The principal financial covenant under the Credit Facilities is that BPI's trailing 12-month EBITDA must not be less than certain specified values and will be tested on a quarterly basis. The first amended and restated credit agreement dated January 24, 2020 between BPI and the Bank, as amended by the first supplemental credit agreement dated June 22, 2020 governing the Credit Facilities contains certain covenants and restrictions, including the requirement for BPI to have sufficient trailing 12-month EBITDA as previously described. A failure of BPI to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. BPI was in compliance with all of its financial covenants and financial condition tests at September 30, 2021. As of September 30, 2021, no amount was drawn on the Operating Line and \$25.7 million was outstanding on the Term Loan.

*BCAP Loan*

On June 22, 2020, the Bank loaned BPI \$6.25 million under Export Development Canada's business credit availability program (the "**BCAP Loan**"). The BCAP Loan may be used to provide additional liquidity to finance operations, and may not be used (i) to repay or refinance existing debt obligations, (ii) to make distributions; or (iii) to pay any bonuses or increases to executive compensation. The BCAP Loan has a term of one year, which may be extended annually at the request of BPI for up to five years subject to compliance with certain requirements. On June 22, 2021, BPI extended the BCAP Loan for one year. The BCAP Loan requires interest only payments for the first year and is repayable in monthly blended payments of principal and interest amortized over four years commencing after the first year of the term, with any remaining balance outstanding being due upon expiry of the term. The BCAP Loan bears interest at the Bank's prime rate plus 2.5% and is subject to an annual fee equal to 1.8% of the total amount of credit available (i.e. \$6.25 million). The BCAP Loan is guaranteed by all of BPI's subsidiaries except BP Canada LP, and is secured by the same security that secures the Credit Facilities to the Bank. That security shares priority with the general security agreements granted by BPI and its subsidiaries to the Bank under the Credit Facilities. As of September 30, 2021, \$5.9 million was drawn on the BCAP Loan.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

BDC Facilities

On July 7, 2020, Business Development Bank of Canada (“BDC”) loaned BPI \$2.0 million under the federal government’s COVID-19 relief programs (the “BDC Facilities”). The BDC Facilities may be used for working capital purposes, have a term of three years and are repayable in a combination of monthly payments commencing after the first year of the term and a balloon payment upon maturity. The BDC Facilities bear interest at Business Development Bank of Canada’s floating base rate (currently 4.55% per annum) less 1.75% (i.e. currently 2.80%). The BDC Facilities are secured by a subordinate charge over all of BPI’s assets and are guaranteed by all of BPI’s subsidiaries except BP Canada LP. All of BPI’s subsidiaries other than BP Canada LP have granted BDC a subordinate charge over all of their assets to support such guarantees. The security held by BDC is subordinate to the security held by the Bank to secure the Credit Facilities with the Bank and the security held by the Fund to secure BPI’s obligation to pay Royalty and Distributions. As of September 30, 2021, \$1.8 million was drawn on the BDC Facilities.

Acquired Restaurant Credit Facility

In 2016 and 2017, a subsidiary of BPI established a \$4.2 million credit facility with the Bank for the purposes of funding a portion of the acquisition cost for a Boston Pizza Restaurant that such subsidiary purchased from a former franchisee of BP Canada LP in June 2016 (the “Acquired Restaurant”) and making renovations to the Acquired Restaurant. On June 22, 2020, that credit facility was amended, among other things, to reduce the available credit to approximately \$3.3 million and change the expiry date to March 31, 2022 (such facility as amended, the “Acquired Restaurant Credit Facility”). BPI has guaranteed the Acquired Restaurant Credit Facility to the Bank. As of September 30, 2021, \$2.6 million was drawn on the Acquired Restaurant Credit Facility. As the Acquired Restaurant Credit Facility is due March 31, 2022, the loan has been classified as a current liability. BPI intends to either refinance or repay this credit facility upon maturity.

Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to BPI’s contractual obligations and commercial commitments as at September 30, 2021 is as follows:

(in thousands of dollars)	Within 1 year	2 - 3 years	4 - 5 years	Over 5 years	Total	Book Value
Accounts payable and accrued liabilities and income taxes payable	8,049	-	-	-	8,049	8,049
Royalty and distributions payable to the Fund	4,191	-	-	-	4,191	4,191
Debt <sup>1</sup>	8,607	28,306	1,276	-	38,189	35,984
Other long-term liabilities	-	1,152	-	-	1,152	1,152
Lease obligations <sup>2</sup>	1,365	1,810	1,210	1,835	6,220	5,145
	22,212	31,268	2,486	1,835	57,801	54,521

Note:

- 1) Includes estimated interest on long-term debt and excludes deferred financing costs of \$0.4 million.
- 2) Represents minimum annual rental payments under lease contracts for office space, restaurants space and equipment.

**Cash Flows**

Cash Flow from Operating Activities

Period

During the Period, operating activities generated \$5.0 million of cash compared to \$7.0 million during the third quarter of 2020. The decrease in cash generated of \$2.0 million during the Period was primarily due to a decrease in changes in working capital and a decrease in income tax received, partially offset by an increase in net income after adjustments for non-cash items.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

YTD

YTD, operating activities generated \$9.0 million of cash compared to \$0.2 million year-to-date in 2020. The increase in cash generated of \$8.8 million YTD was primarily due to an increase in net income after adjustments for non-cash items and an increase in changes in working capital, partially offset by an increase in net income taxes paid.

Cash Flow from Financing Activities

Period

During the Period, financing activities used \$2.3 million of cash compared to cash generated of \$0.4 million during the third quarter of 2020. The increase in cash used of \$2.7 million during the Period was primarily due to proceeds received from capital contribution from BPI's parent company and debt in the third quarter of 2020 and higher lease obligations paid in the current Period, partially offset by decrease in repayment of debt and BPI not having to repay the Operating Line.

YTD

YTD, financing activities used \$6.0 million of cash compared to cash generated of \$7.8 million year-to-date in 2020. The increase in cash used of \$13.8 million YTD was primarily due to proceeds received from capital contribution from BPI's parent company and debt in the second and third quarters of 2020 and higher lease obligations paid YTD, partially offset by a decrease in repayment of debt and BPI not having to repay the Operating Line and shareholder loan.

Cash Flow from Investing Activities

Period

During the Period, investing activities used \$0.1 million of cash compared to \$0.3 million during the third quarter of 2020. Cash used from investing activities typically represents purchases of property and equipment as well as intangible assets. Cash generated from investing activities typically represents distributions received by BPI on the Class B Units. The decrease in cash used of \$0.2 million during the Period was primarily due to an increase in distributions received on Class B Units, partially offset by a higher purchase of intangible assets.

YTD

YTD, investing activities generated \$1.5 million of cash compared to \$0.2 million year-to-date in 2020. The increase in cash generated of \$1.3 million YTD was primarily due to an increase in distributions received on Class B Units, partially offset by a higher purchase of intangible assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

**Related Party Transactions**

BPI's related party balances owing at the end of the period and related party transactions for the Period were as follows:

(in thousands of dollars)	September 30, 2021	September 30, 2020
Accounts receivables due from associated companies	\$ 809	\$ 3,349
Accounts payable due to associated companies	38	48
Royalty payable to Royalties LP	3,187	6,418
Distributions payable to Holdings LP	1,004	2,027
Additional capital from parent company <sup>(1)</sup>	-	10,000

(in thousands of dollars)	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Revenues from a company under common control	\$ 872	\$ 769	\$ 1,951	\$ 1,827
Fees charged to the Fund in respect of administrative services <sup>(2)</sup>	100	100	300	300
Royalty expense to the Fund	8,522	7,417	19,075	18,666
Distribution expense to the Fund	2,815	2,452	6,329	6,168
Management fees paid for services rendered to companies under common control	-	-	-	409
Management fees paid to companies under common control included in compensation expense	-	-	-	216

- (1) On June 22, 2020, BPI received \$5.0 million of capital from its parent company. On September 24, 2020, BPI received \$5.0 million of additional capital from its parent company.
- (2) The Fund is considered to be a related party of BPI by virtue of common officers and directors of BPI and Boston Pizza GP Inc., the managing general partner of Royalties LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund ("**Administrative Services**"). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. The total amount paid to BPI in respect of these services for the Period was \$0.1 million (Q3 2020 – \$0.1 million). BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI is entitled to be reimbursed to not more than \$0.4 million for each of 2020, 2021 and 2022, with such limit increasing by not more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter.

Other related party transactions and balances are referred to elsewhere in this MD&A.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the Period, there was no change in BPI's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, BPI's internal controls over financial reporting. BPI complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of BPI's consolidated financial statements in accordance with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, earnings and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors and

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the three-month and nine-month periods ended September 30, 2021**

the restaurant industry along with various other assumptions that are believed to be reasonable under the circumstances.

BPI believes that the following selected accounting policies are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in BPI's consolidated financial statements and related notes:

*Estimate – Investment in Royalties LP*

BPI's investment in Royalties LP is principally comprised of the Class B Units. The value of New Restaurants rolled into the Royalty Pool is also recognized within BPI's investment in Royalties LP through BPI's right to receive Class B Additional Entitlements. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows due to the Fund as a result of the New Restaurants being added to the Royalty Pool. As such, the calculation is dependent on a number of variables including the estimated long-term sales of the New Restaurants and a discount rate. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool could differ from actual results and may impact the investment in Royalties LP and deferred gains line items.

*Estimate – Accounts Receivable*

BPI provides an allowance for uncollectable trade receivables based on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to BPI's customer base. If certain judgments or estimates prove to be inaccurate, BPI's results of operations and financial position may be impacted.

*Estimate – Class B Units, Class 1 LP Units, and Class 2 LP Units*

BPI must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. BPI's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The fair values of the Class B Units, Class 1 LP Units liability and Class 2 LP Units liability are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

BPI has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that BPI use a valuation technique to determine the value of BPI's investment in BP Royalties LP at each reporting date. The Class B Units are exchangeable for Fund Units, and thus, it is estimated that the value of the Class B Units approximates the number of Fund Units into which they are exchangeable. The Fund estimates the fair value of the Class B Units liability by multiplying the issued and outstanding Class B Additional Entitlements (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

This valuation technique may not represent the actual value of the financial asset should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the Fund Units could materially impact BPI's financial position and net and comprehensive income.

(ii) Class 1 LP Units Liability and Class 2 LP Units Liability

The Class 1 LP Units liability and Class 2 LP Units liability are classified as financial liabilities measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the limited partnership units. BPI measures the Class 1 LP Units liability and Class 2 LP Units liability at fair value using Level 2 inputs, which may result in a fair value adjustment on the BP Canada LP units liability line on the statements of financial position, and the fair value loss (gain) line on the statements of comprehensive income and a corresponding non-cash adjustment line on the statements of cash flows.

The fair value of the Class 1 LP Units liability for BPI mirrors the fair value of the investment in Class 1 LP Units asset recognized by the Fund for any particular period. The Class 1 LP Units are entitled to distributions with respect to the interest payable by the Fund on the credit facility to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimates the fair value of Class 1 LP Units liability at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units liability for BPI mirrors the fair value of the investment in Class 2 LP Units asset recognized by the Fund for any particular period. The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund Units. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period.

These valuation techniques may not represent the actual value of the Class 1 LP Units liability and Class 2 LP Units liability should such liabilities be extinguished. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of Fund Units could materially impact BPI's financial position and net income.

Judgment – Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls Royalties LP and BP Canada LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP and BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP and BP Canada LP so as to generate economic returns. With respect to Royalties LP, using these criteria, management has determined that BPI does not ultimately control Royalties LP. With respect to BP Canada LP, using these criteria, management has determined that BPI ultimately controls BP Canada LP through its ability to direct relevant activities to generate economic returns from BP Canada LP and its governance as managing general partner of BP Canada LP.

**SHORT-TERM OUTLOOK**

The information contained in this "Short-Term Outlook" section is forward-looking information. Please see the "Note Regarding Forward-Looking Information" and "Risks & Uncertainties" sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

COVID-19 had sudden, unexpected and unprecedented impacts on the general economy, the restaurant industry and has specifically caused significant disruption to the business of the Fund, BPI and BP Canada LP. The focus of BPI's management is to continue to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and staff of BP Canada LP's franchisees; (iii) responsibly and safely operate the dining rooms, sports bars and patios of Boston Pizza Restaurants across Canada as permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address

## **MANAGEMENT'S DISCUSSION AND ANALYSIS BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

the challenges and opportunities presented by COVID-19. Management of BPI anticipates that sales levels for the second half of 2021 may be favourable compared to the first half of 2021 due to the easing of governmental restrictions in June 2021, however, COVID-19 will continue to have a negative and volatile impact on the business of Boston Pizza Restaurants during the remainder of 2021.

### **RISKS & UNCERTAINTIES**

#### **Risks Related to the Business of BPI and BP Canada LP**

##### *Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy*

The Canada Emergency Wage Subsidy (“**CEWS**”) was a program that provided a subsidy of up to 75% of remuneration paid by an employer to each eligible employee up to a maximum of \$847 per week. The Canada Emergency Rent Subsidy (“**CERS**”) was a program available to Canadian businesses, non-profit organizations, or charities who saw a drop in revenue during the COVID-19 pandemic to cover part of their commercial rent or property expenses. The CEWS and CERS programs expired on October 23, 2021. On October 21, 2021, the federal government introduced The Tourism and Hospitality Recovery Program, which will provide additional support to companies in the tourism and hospitality industry experiencing at least a 40% revenue reduction, with the program expected to extend until May 7, 2022.

A number of Boston Pizza Restaurants were receiving CEWS and/or CERS. Fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS. It is unknown to what extent the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program will affect the financial condition of Boston Pizza Restaurants. If fewer Boston Pizza Restaurants are eligible to participate in the Tourism and Hospitality Recovery Program than CEWS and/or CERS, it may decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

##### *Supply Chain Disruption / Labour Availability*

As economies reopen, the global recovery from the economic impacts of COVID-19 is disrupting supply chains around the world. In addition, multiple economic sectors reopening simultaneously is creating a temporary but significant labour shortage throughout North America. While Boston Pizza currently has a stable supply chain, it is possible that the global supply chain disruption caused by COVID-19 could result in supply interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants. In addition, the current labour shortage may impede Boston Pizza Restaurants' ability to attract and retain sufficient numbers of qualified staff. If Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may: (i) limit their ability to generate Franchise Sales, and/or (ii) decrease their profitability, thereby increasing risks of Boston Pizza Restaurants closing.

For more information on risks and uncertainties related to BPI and the Fund, please refer to the Fund's and BPI's MD&As for the year-ended December 31, 2020 available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ADDITIONAL INFORMATION**

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., BPCHP, Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund's Annual Information Form dated February 9, 2021, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.bpincomefund.com](http://www.bpincomefund.com).

### **NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain information in this MD&A constitutes “forward-looking information” that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, Boston Pizza Holdings Trust, Royalties LP, Holdings LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

looking information. When used in this MD&A, forward-looking information may include words such as “anticipate”, “estimate”, “may”, “will”, “should”, “expect”, “believe”, “plan”, “forecast” and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as:

All statements, other than statements of historical facts, included herein that address events or developments that management of BPI expects or anticipates will or may occur in the future are forward-looking information. Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates distributions are to be paid or payable;
- how changes in distributions will be implemented;
- how distributions will be funded;
- management anticipates that sales levels for the second half of 2021 may be favourable compared to the first half of 2021 due to the easing of governmental restrictions in June 2021, however, COVID-19 will continue to have a negative and volatile impact on the business of Boston Pizza Restaurants during the remainder of 2021;
- Boston Pizza Restaurants will close for two to three weeks to complete a renovation and experience an incremental sales increase in the year following the re-opening;
- impact of seasonality on Franchise Sales;
- the “Four Pillars” strategy will continue to focus BPI’s and BP Canada LP’s efforts to develop new markets and strengthen Boston Pizza’s position as Canada’s number one casual dining brand;
- estimates relating to the amount and timing of cash flows related to BPI’s contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- belief that BPI has sufficient cash and capital resources for 2021, and that its current sources of liquidity are sufficient to cover its currently known short and long-term obligations;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;
- that BPI’s strategy is to divest itself from the remaining three corporately owned Boston Pizza Restaurants and exclusively focus on strengthening the brand and its franchised business;
- that the global supply chain disruption caused by COVID-19 could result in supply chain interruptions, commodity unavailability or increased commodity costs for Boston Pizza Restaurants;
- that the current labour shortage may impede Boston Pizza Restaurants’ ability to attract and retain sufficient numbers of qualified staff;
- that fewer Boston Pizza Restaurants may be eligible for the Tourism and Hospitality Recovery Program than were eligible for CEWS and/or CERS, which may result in a decrease to their profitability, thereby increasing risks of Boston Pizza Restaurants closing;
- that in the event Boston Pizza Restaurants are unable to source sufficient raw materials and labour at reasonable prices, it may (i) limit their ability to generate Franchise Sales; and/or (ii) decrease their profitability, increasing risks of Boston Pizza Restaurants closing;
- BPI and BP Canada LP aggressively enhancing and promoting the Boston Pizza brand;
- that BPI intends to either refinance or repay the Acquired Restaurant Credit Facility upon its maturity;
- BPI continuing to: (i) monitor carefully the continuously evolving COVID-19 situation; (ii) modify the operating procedures of Boston Pizza Restaurants to ensure the safety of guests and employees of BP Canada LP’s franchisees; (iii) responsibly and safely re-open the dining rooms and sports bars of Boston Pizza Restaurants across Canada as permitted by applicable provincial health authorities; (iv) maximize the opportunity to grow its take-out and delivery business; and (v) review and adapt current and future plans to responsibly address the challenges and opportunities presented by COVID-19; and
- BPI making responsible adjustments to its business as circumstances warrant.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty paid by BPI to Royalties LP or the amount of Distributions paid by BP Canada LP to Holdings LP;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to refinance or repay the Acquired Restaurant Credit Facility upon maturity;
- ability to cover forecasted expenditures, capital requirements, commitments and repayments for 2021;
- current sources of liquidity are sufficient to cover currently known short and long term obligations;
- COVID-19 will continue to negatively impact Boston Pizza dining rooms and sports bars across Canada; and
- COVID-19 and its related restrictions will continue to dissipate.

This forward-looking information involves a number of risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by the forward looking information contained herein including, but not limited to:

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- publicity from any food borne illness;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in sales tax;

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOSTON PIZZA INTERNATIONAL INC.**

**For the three-month and nine-month periods ended September 30, 2021**

- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- pandemics and national health crises, in particular COVID-19;
- government restrictions with respect to the operation of Boston Pizza dining rooms and sports bars across Canada, including the implementation of vaccine card and vaccine passport systems, and their impact on Franchise Sales and SRS; and
- the replacement of the CEWS and CERS programs with the Tourism and Hospitality Recovery Program and the effect it will have on the financial condition of Boston Pizza Restaurants.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in the Management's Discussion & Analysis of BPI for the period and year ended December 31, 2020.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, BPI assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.