

For Immediate Release

Attention Business Editors:

PIZZA PIZZA ROYALTY CORP. ANNOUNCES FIRST QUARTER 2021 RESULTS

Toronto, Ontario, May 11, 2021 – Pizza Pizza Royalty Corp. (the “Company”), which indirectly owns the Pizza Pizza and Pizza 73 Rights and Marks, released financial results today for the three months (“Quarter”) ended March 31, 2021.

First Quarter highlights:

- Royalty Pool sales decreased 13.9%
- Same store sales decreased 13.3%
- Adjusted earnings per share decreased 14.5%
- Restaurant network increased by seven locations during the Quarter
- Royalty Pool of restaurants for 2021 decreased by 24 net restaurants on January 1, 2021

Paul Goddard, CEO, Pizza Pizza Limited said, "On balance, our Q1 results demonstrated our brands' resilience during these turbulent times. The pandemic first impacted our sales in mid-March 2020, so the current quarter is lapping a mostly, pre-pandemic quarter. Recurring virus waves and lockdowns continued affecting important sales channels, particularly, walk-in sales and our non-traditional sales, including business catering. While we continue to follow all government mandated dining restrictions, we had great success with our delivery promotions, specifically our pizza and Uno card game promotion, bringing food and fun together for at-home enjoyment. Additionally, in the first quarter of the year, we ramped up new restaurant construction and renovations to take advantage of retail space availability as we expect an accelerated vaccination rollout program will drive consumer confidence as the year progresses."

SALES

For the three months ended March 31, 2021, System Sales from the 725 restaurants in the Royalty Pool decreased 13.9% to \$108.2 million from \$125.7 million in the same quarter last year when there were 749 restaurants in the Royalty Pool. By brand, sales from the 622 Pizza Pizza restaurants in the Royalty Pool decreased 14.2% to \$90.2 million and the 103 Pizza 73 restaurants decreased 12.5% to \$18.0 million for the Quarter.

Total Royalty Pool System Sales for the Quarter decreased over the comparative periods largely as a result of the negative impact of the COVID-19 pandemic. The pandemic first impacted walk-in sales and non-traditional sales in mid-March 2020, so the current quarter is lapping a mostly, pre-pandemic quarter and has resulted in a significant reduction in System Sales. The increase in delivery sales at both brands have partially offset this reduction.

SAME STORE SALES GROWTH (“SSSG”)

SSSG, the key driver of yield growth for shareholders of the Company, decreased 13.3% for the Quarter (2020 – decreased 6.6%).

As mentioned previously, the loss of walk-in sales and non-traditional sales have resulted in a significant reduction in System Sales, however the increase in delivery sales at both brands have partially offset this reduction.

SSSG	First Quarter (%)	
	2021	2020
Pizza Pizza	-13.6	-6.3
Pizza 73	-11.9	-8.3
Combined	-13.3	-6.6

SSSG is normally driven by the change in the customer check and customer traffic, both of which are affected by changes in pricing and sales mix. For the past 12 months, SSSG has been negatively impacted as a direct result of the COVID-19 pandemic and the government-mandated social distancing and stay-at-home policies. As a result of closing restaurant seating, walk-in sales decreased significantly, negatively impacting overall

customer traffic. The decline in walk-in sales resulted in an overall increase in the average check at both brands as the average check of a walk-in customer is much lower than a delivery order check amount. The negative sales effect from the decline in customer traffic, as well as the decrease in non-traditional sales, more than offset the effect of the increase in the average check, resulting in negative SSSG for the Quarter.

MONTHLY DIVIDENDS AND WORKING CAPITAL RESERVE

The Company declared shareholder dividends of \$4.1 million, or \$0.1650 per Share, compared to \$5.3 million, or \$0.2139 for the prior year comparable quarter. The payout ratio was 106% for the Quarter and was 123% in the prior year, comparable quarter.

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

The Company's working capital reserve is \$5.2 million at March 31, 2021, which is a decrease of \$0.2 million in the Quarter due largely to the ongoing financial impact of the COVID-19 pandemic, as well the System Sales for the quarter ended March 31 have generally been the softest.

The reserve is available to stabilize dividends and fund other expenditures in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. The Company has historically targeted a payout ratio at or near 100% on an annualized basis. The Company continues to closely monitor System Sales and royalty income, and will consider further changes to the monthly dividend taking into account the duration and impact of the COVID-19 pandemic on Royalty Pool sales, and the timing and pace of economic recovery in the markets that Pizza Pizza and Pizza 73 serve.

EARNINGS PER SHARE ("EPS")

Fully-diluted basic EPS decreased 15.9% to \$0.164 for the Quarter compared to the prior year comparable quarter.

As compared to basic EPS, the Company considers adjusted EPS¹ to be a more meaningful indicator of the Company's operating performance and, therefore, presents fully-diluted, adjusted EPS. Adjusted EPS for the Quarter decreased 14.5% to \$0.171 when compared to the same period in 2020.

CURRENT INCOME TAX EXPENSE

Current income tax expense for the Quarter decreased to \$1.1 million compared to \$1.3 million in the same quarter last year. The Company's decrease in royalty income, offset by a reduction in tax amortization, resulted in the decrease in tax expense.

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

RESTAURANT DEVELOPMENT

As announced earlier this year, the number of restaurants in the Company's Royalty Pool decreased by 24 locations to 725 on the January 1, 2021 Adjustment Date, and consists of 622 Pizza Pizza restaurants and 103 Pizza 73 restaurants. The number of restaurants in the Royalty Pool will remain unchanged through December 31, 2021.

During the Quarter, PPL opened three traditional and four non-traditional Pizza Pizza restaurants; one traditional Pizza Pizza restaurant was closed. PPL also opened two traditional Pizza 73 restaurants and

¹ Adjusted earnings and adjusted EPS are not recognized measures under International Financial Reporting Standards ("IFRS") and may be calculated in a manner that differs from that used by other issuers. For additional information about the calculation and use of these measures, please see "Reconciliation of Non-IFRS Measures" in the Company's Management's Discussion & Analysis ("MD&A").

closed one non-traditional Pizza 73 restaurant. These restaurants will be added to the Royalty Pool on January 1, 2022.

During the Quarter, substantially all traditional Pizza Pizza and Pizza 73 restaurants remained open for delivery and pick-up customers across Canada; however, the majority of non-traditional Pizza Pizza and Pizza 73 locations remained closed, with the exception of a few locations in hospitals and gas stations.

New restaurant construction continues across Canada and PPL expects to accelerated restaurant network expansion and increased renovations for the remainder of 2021, assuming pandemic effects are mitigated in the coming months.

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

SELECTED FINANCIAL HIGHLIGHTS

The following table sets out selected financial information and other data of the Company and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company. Readers should note that the 2021 results are not directly comparable to the 2020 results because of the fact that there are 725 restaurants in the 2021 Royalty Pool compared to 749 restaurants in the 2020 Royalty Pool.

(in thousands of dollars, except number of restaurants, days in the year, per share amounts, and noted otherwise)	Three months ended March 31, 2021	Three months ended March 31, 2020
Restaurants in Royalty Pool ⁽¹⁾	725	749
Same store sales growth ⁽²⁾	-13.3%	-6.6%
Days in the Period	90	91
System Sales reported by Pizza Pizza restaurants in the Royalty Pool ⁽⁶⁾	\$ 90,225	\$ 105,170
System Sales reported by Pizza 73 restaurants in the Royalty Pool ⁽⁶⁾	18,009	20,580
Total System Sales	\$ 108,234	\$ 125,750
Royalty – 6% on Pizza Pizza System Sales	\$ 5,413	\$ 6,310
Royalty – 9% on Pizza 73 System Sales	1,621	1,852
Royalty income	\$ 7,034	\$ 8,162
Interest paid on borrowings ^{(3) (5)}	(314)	(308)
Administrative expenses	(102)	(115)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited ⁽⁵⁾	\$ 6,618	\$ 7,739
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	(1,667)	(2,141)
Current income tax expense	(1,110)	(1,319)
Adjusted earnings available for shareholder dividends ⁽⁵⁾	\$ 3,841	\$ 4,279
Add back:		
Distribution on Class B and Class D Exchangeable Shares ⁽⁴⁾	1,667	2,141
Adjusted earnings from operations⁽⁵⁾	\$ 5,508	\$ 6,420
Adjusted earnings per share ⁽⁵⁾	\$ 0.171	\$ 0.200
Basic earnings per share	0.164	\$ 0.195
Dividends declared by the Company	\$ 4,062	\$ 5,266
Dividend per share	0.1650	\$ 0.2139
Payout ratio ⁽⁵⁾	106%	123%
	March 31, 2021	December 31, 2020
Working capital ⁽⁵⁾	5,172	\$ 5,388
Total assets	361,255	\$ 361,545
Total liabilities	72,467	\$ 73,144

- (1) The number of restaurants for which the Pizza Pizza Royalty Limited Partnership earns a royalty, as defined in the amended and restated Pizza Pizza license and royalty agreement (the "Pizza Pizza License and Royalty Agreement") and the amended and restated Pizza 73 license and royalty agreement (the "Pizza 73 License and Royalty Agreement"). For the 2021 fiscal year, the Royalty Pool includes 622 Pizza Pizza restaurants and 103 Pizza 73 restaurants. The number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and closings reported by Pizza Pizza Limited on an annual basis as the periods for which they are reported differ slightly.
- (2) SSSG means the change in period gross sales of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurants have been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payment may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures" in the Company's MD&A.
- (3) The Company, indirectly through the Partnership, incurs interest expense on the \$47 million outstanding bank loan. Interest expense also includes amortization of loan fees and off-market swap payments. See "Interest Expense" in the Company's MD&A.
- (4) Represents the distribution to PPL from the Partnership on Class B and Class D Units of the Partnership. The Class B and D Units are exchangeable into common shares of the Company ("Shares") based on the value of the Class B Exchange Multiplier and the Class D Exchange Multiplier at the time of exchange as defined in the License and Royalty Agreements, respectively, and represent 23.5% of the fully diluted Shares at March 31, 2021 (December 31, 2020 – 23.5%). During the quarter ended March 31, 2021, as a result of the final calculation of the equivalent Class B and Class D Share entitlements related to the January 1, 2020 Adjustment to the Royalty Pool, PPL was paid a distribution on additional equivalent Shares as if such Shares were outstanding as of January 1, 2020. Included in the three months ended March 31, 2021, is the payment of \$nil in distributions to PPL pursuant to the true-up calculation (March 31, 2020 - PPL was paid \$164).
- (5) "Adjusted earnings from operations", "Adjusted earnings available for shareholder dividends", "Adjusted earnings per Share", "Payout Ratio", "Working Capital" and "Interest paid on borrowings" do not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures" in the Company's MD&A.
- (6) System Sales (as defined in the Licence and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of the Company but are used to calculate the royalties payable to the Partnership as presented above.

A copy of the Company's unaudited interim condensed consolidated financial statements and related MD&A will be available at www.sedar.com and www.pizzapizza.ca after the market closes on May 11, 2021.

As previously announced, the Company will host a conference call to discuss the results. The details of the conference call are as follows:

Date:	Tuesday, May 11, 2021
Time:	5:00 p.m. ET
Call-in number:	647-427-7450 / 888-231-8191
Recording call in number:	416-849-0833 / 855-859-2056
	Available until midnight, May 25, 2021
	Passcode: 7257767

A recording of the call will also be available on the Company's website at www.pizzapizza.ca.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information regarding the Company's dividend policy, its ability to meet covenants and other financial obligations, and the potential business and financial impacts of the COVID-19 pandemic on the Company, PPL and its franchisees and restaurant operators and their ability to achieve their business objectives, constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology in conjunction with a discussion of future events or operating or financial performance. These statements reflect management's current expectations regarding future events and operating and financial performance and speak only as of the date of this report. The Company does not intend to or assume any obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: changes in national and local business and economic conditions including those resulting from the COVID-19 pandemic (such as restrictions on restaurant operations, customers' ability and

willingness to visit restaurants and their perception of health and food safety issues, discretionary spending patterns and supply chain limitations, and the related financial impact on PPL and its franchisees and restaurant operators and their ability to meet debt and lease obligations), impacts of legislation and governmental regulation, accounting policies and practices, competition, changes in demographic trends and changing consumer preferences, and the results of operations and financial condition of PPL. The foregoing list of factors is not exhaustive and should be read in conjunction with the other information included in the Company's MD&A, the PPL financial statements and the related MD&A, and the Company's Annual Information Form.

For further information:

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