

# A&W Revenue Royalties Income Fund

## Overview and Update

May 2021

TSE: AW.UN



CHOSEN AND TRUSTED FOR TRULY GOOD FOOD





## Document Overview

- Business overview
- Strategy
- Climate
- COVID-19
- Financial highlights

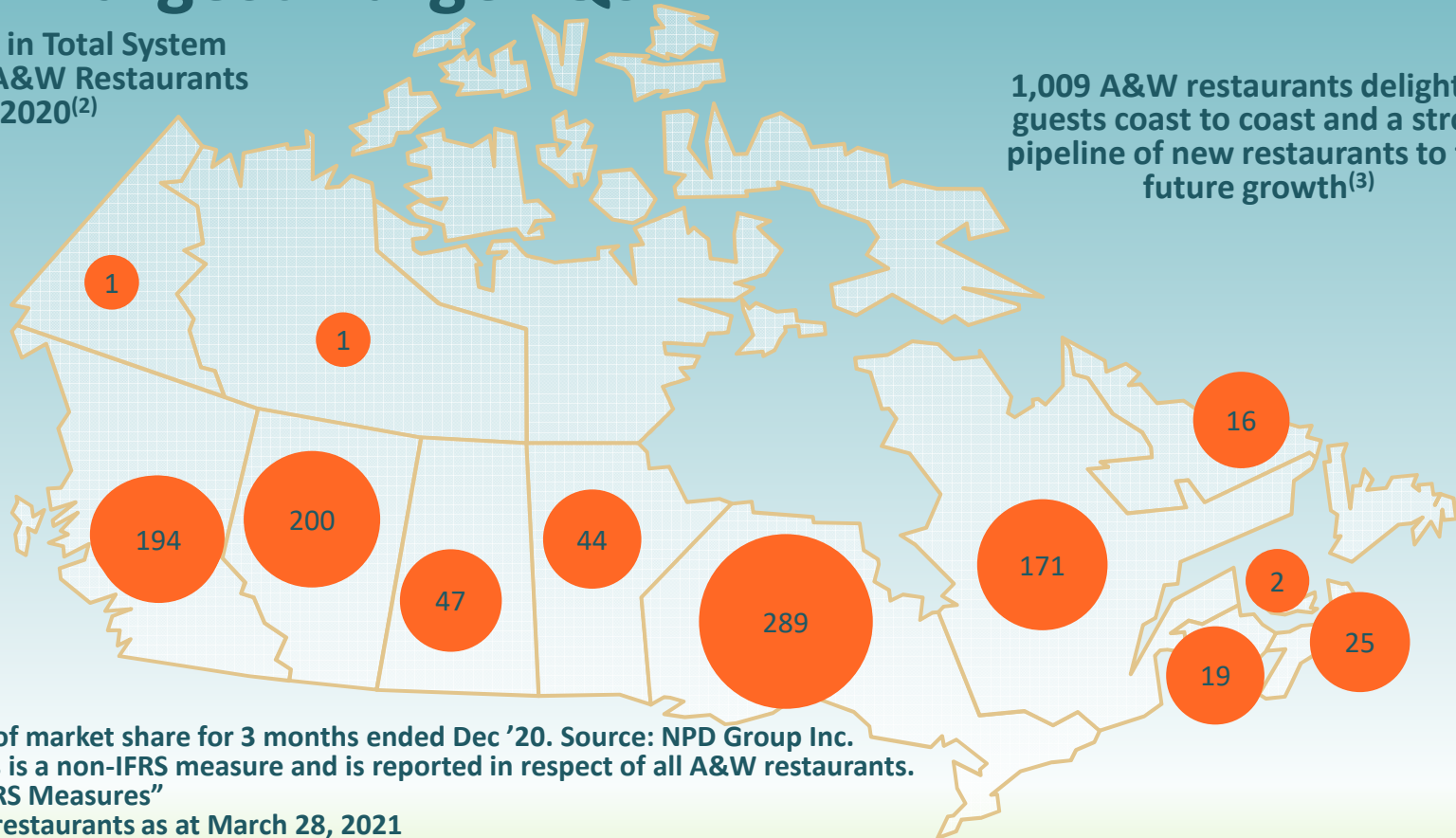




# A&W is Canada's 4th Largest QSR & 2nd Largest Burger QSR<sup>(1)</sup>

\$1.4 Billion in Total System Sales for all A&W Restaurants in 2020<sup>(2)</sup>

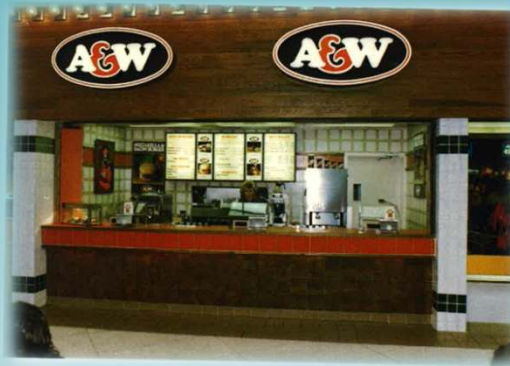
1,009 A&W restaurants delighting guests coast to coast and a strong pipeline of new restaurants to fuel future growth<sup>(3)</sup>



- (1) Based on % of market share for 3 months ended Dec '20. Source: NPD Group Inc.  
(2) System Sales is a non-IFRS measure and is reported in respect of all A&W restaurants. See "Non-IFRS Measures"  
(3) 1,009 A&W restaurants as at March 28, 2021



## 65 Years of Constant Evolution





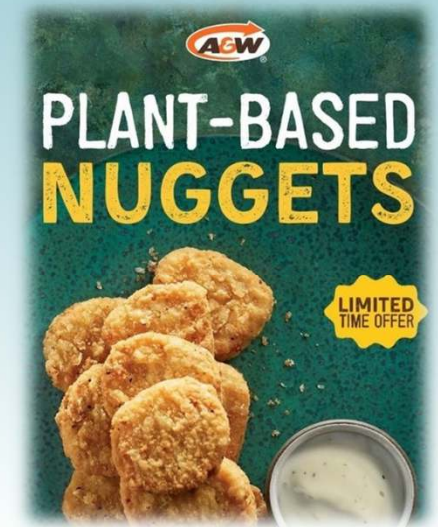
## Signature Products







## Menu Innovation





## Canada's #1 Root Beer





# A&W Brew Bar™ Nationwide Phased Rollout Launched in 2021

Now available at  
select A&W  
restaurants in  
Victoria, Calgary,  
Edmonton,  
Ottawa &  
Montreal!  
National rollout  
in progress.



™ trademark of A&W Trade Marks Limited Partnership, used under licence





## 565+ Freestanding Restaurants



Cornwall, ON



## 155+ Convenience Locations



Exeter, ON





## 85+ Urban Locations





## Market Leader for Burger Restaurants in Malls





## A&W Core Strengths

- Leadership Experience
  - *(24 years average experience)*
- Strategy
  - *(A unique strength – 40+ years)*
- Climate







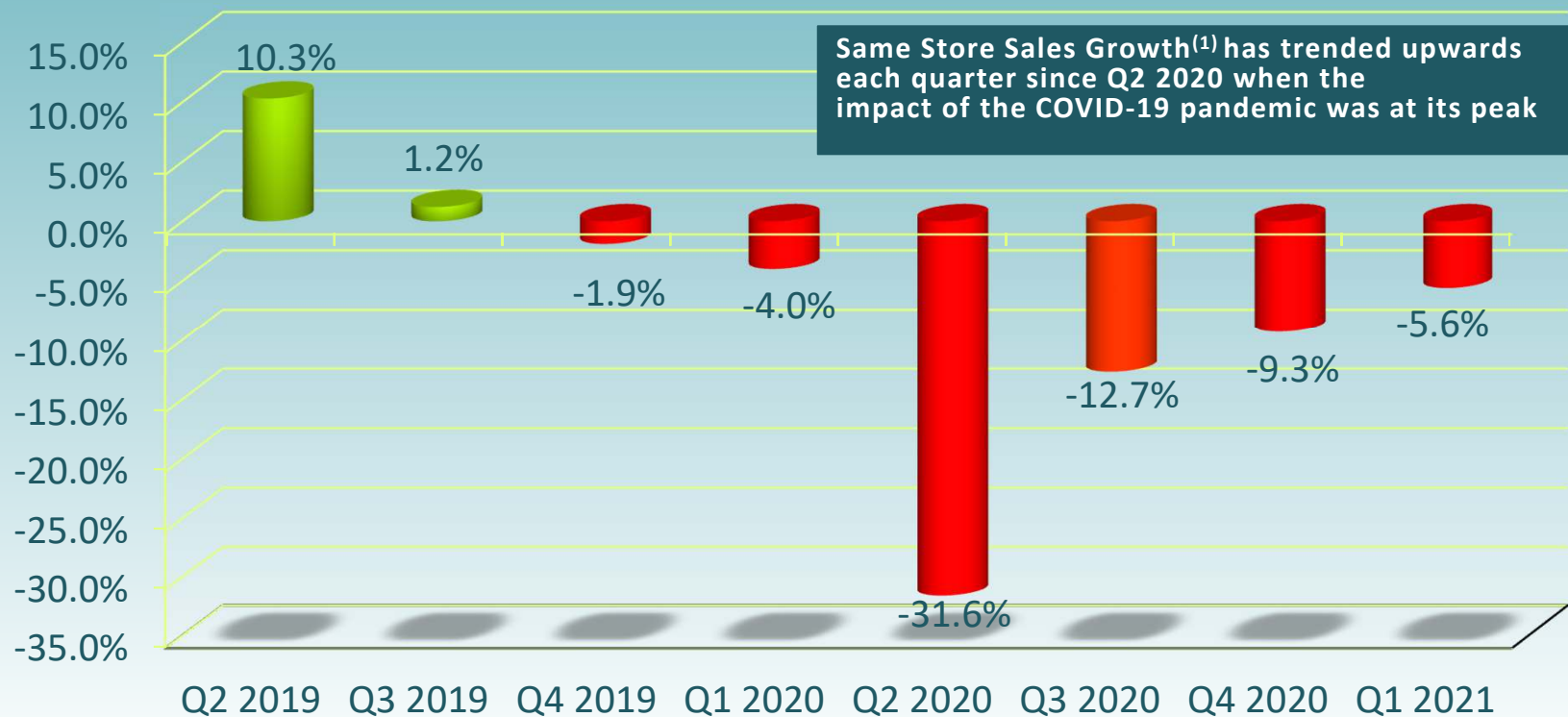
## Annual Same Store Sales Growth<sup>(1)</sup> Trend



(1) Same Store Sales Growth is a non-IFRS measure. See "Non-IFRS Measures".



## Quarterly Same Store Sales Growth<sup>(1)</sup> Trend



(1) Same Store Sales Growth is a non-IFRS measure. See "Non-IFRS Measures".

# A&W's Mission

A graphic with a white central area on a grey background. A large orange arrow curves from the left side, pointing towards the right. Below the arrow, the text reads: "TO BECOME #1 WITH MILLENNIAL BURGER LOVERS, chosen and trusted for truly good food and the convenience they crave." At the bottom of the white area is the A&W logo, which consists of the letters "A&W" in a stylized font with an orange arrow pointing right, all enclosed in a white oval. The background of the graphic features grey diagonal stripes on the left and a green arrow pointing right at the bottom.

**TO BECOME #1**  
WITH MILLENNIAL BURGER LOVERS,  
chosen and trusted for truly good food  
*and the convenience they crave.*



\*Trade mark of A&W Trade Marks Limited Partnership, used under license



## Strategic Thrusts

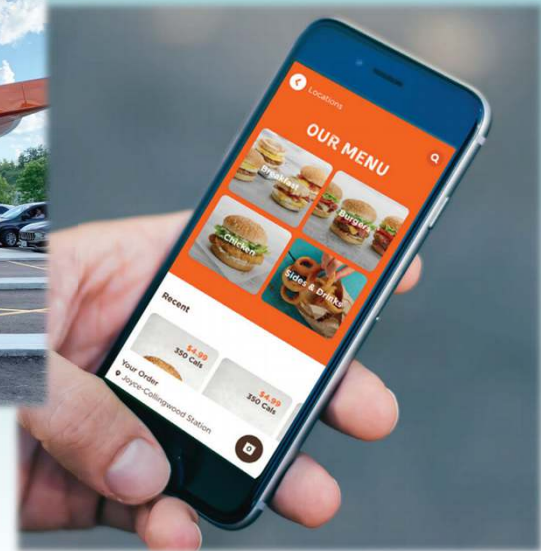
- 1** Be the convenience they crave
- 2** Build our financial health and success
- 3** Innovate our menu to win millennial visits
- 4** Be trusted as #1 for truly good food
- 5** Continue to successfully open new restaurants



1

Be the convenience they crave

- Create and deliver the excellent experience that guests want today, through mobile, delivery and drive-thru







2

## Build our financial health and success

- Restore the financial health of restaurants most impacted by the affects of COVID-19
- Grow restaurant profitability in Drive-thru restaurants



3

## Innovate our menu to win millennial visits





4

Be trusted as #1 for truly good food

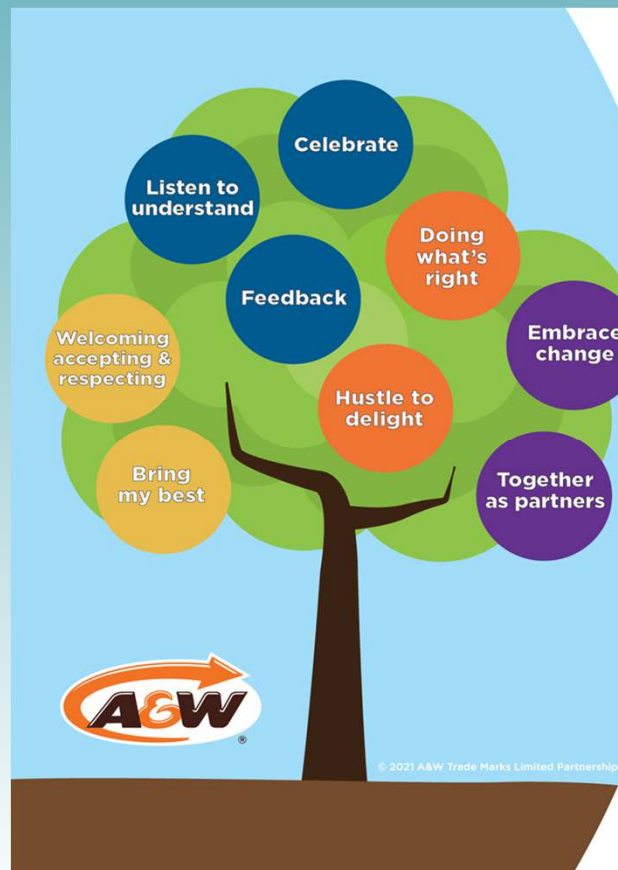




5

Continue to successfully open new restaurants





## Our Climate Goals

- Every day I **bring my best** to my work and my team.
- I build a safe environment by **welcoming, accepting and respecting** everyone in our community.
- We **hustle to delight** each guest with the convenience they crave.
- We earn the trust of our guests and each other by always **doing what's right**.
- I **embrace change** and welcome the future with creativity and courage.
- We work **together as partners** pursuing common goals and shared success.
- We **listen to understand** each other.
- I invite, share and act on **feedback** to continuously learn and improve.
- I recognize, **celebrate** and take pride in our big and small wins.





## Top-Line Income Fund Structure

- Royalties are based on Gross Sales reported by restaurants in the Royalty Pool





## Impact of COVID-19

- COVID-19 has adversely affected A&W restaurant operations and resulted in the temporary closure of a large number of restaurants.
- At its peak impact, in Q2 2020, a total of 230 A&W restaurants (out of 971 restaurants in the Royalty Pool) were temporarily closed due to public health measures in response to COVID-19.
- With COVID-19 case numbers across Canada on the rise throughout Q1 2021, including a surge in the more easily transmittable variant strains of COVID-19, some of the A&W restaurants in operation were once again restricted to drive-thru operations, take-out, delivery and mobile ordering only.
- As at March 28, 2021, 15 A&W restaurants in the Royalty Pool remained temporarily closed due to restrictions. As at May 4, 2021, the number of temporarily closed A&W restaurants was 45.
- The temporarily closed A&W restaurants are expected to reopen when permitted to do so however it is possible that there could be further temporary closures or that the number of restaurants closed increases again as the situation evolves .



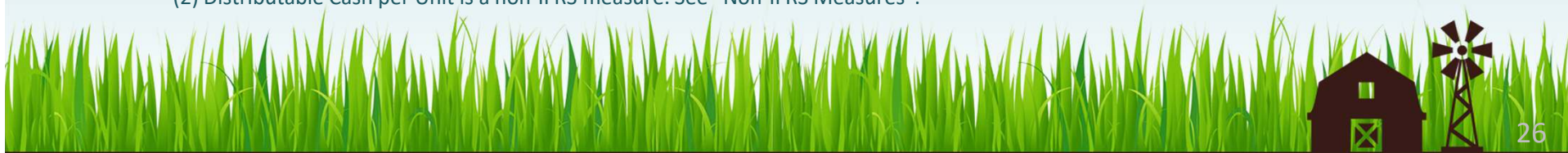


## 2020 and Q1 2021 Highlights

- Same Store Sales Growth<sup>(1)</sup>
  - Q1 2021 -5.6%
  - 2020 -14.3%
- Same Store Sales Growth<sup>(1)</sup> has trended upwards each quarter since Q2 2020 when the impact of the COVID-19 pandemic was at its peak
- Royalty income up +0.7% in Q1 2021 and down -9.1% in 2020
- Distributable Cash per Unit<sup>(2)</sup> down -16.5% in Q1 2021 and down -13.2% in 2020
- 34 New restaurants (less 11 closures) added to the Royalty Pool on January 5, 2021 (37 net in 2020)

(1) Same Store Sales Growth is a non-IFRS measure. See “Non-IFRS Measures”.

(2) Distributable Cash per Unit is a non-IFRS measure. See “Non-IFRS Measures”.





## Fund Revenue, Expenses and Distributable Cash

\$k	2019	2020	Q1 2020	Q1 2021
SSSG <sup>(1)</sup>	4.1%	-14.3%	-4.0%	-5.6%
Gross Sales <sup>(2)</sup>	1,482,323	1,347,387	308,679	310,726
Royalty Income	44,470	40,422	9,260	9,322
Admin. Expense	791	994	193	206
Interest	2,267	2,177	509	606
Current tax	8,269	7,242	1,030	2,032
Distributable Cash <sup>(3)</sup>	33,143	30,009	7,528	6,478

(1) SSSG or Same Store Sales Growth is a non-IFRS measure. See “Non-IFRS Measures”.

(2) Gross Sales in this table is presented solely in respect of the A&W restaurants included in the Royalty Pool.

(3) Distributable Cash is a non-IFRS measure. See “Non-IFRS Measures”.



## Fund Taxes, Distributions, Surplus Cash

\$k	2019	2020	Q1 2020	Q1 2021
Distributable Cash <sup>(1)</sup>	33,143	30,009	7,528	6,478
Refundable tax	(407)	(310)	177	(354)
Dist. to Unitholders	(25,139)	(21,350)	(6,012)	(5,314)
Dividends to Food Services	(7,828)	(6,811)	(1,920)	(1,915)
Net change in surplus	(231)	1,538	(227)	(1,105)
Surplus – beg of period	7,660	7,429	7,429	8,967
Surplus – end of period	7,429	8,967	7,202	7,862

(1) Distributable Cash is a non-IFRS measure. See “Non-IFRS Measures”.





## Fund Distributions and Payout

	2019	2020	Q1 2020	Q1 2021
Distributable Cash per Unit <sup>(1)</sup>	\$1.863	\$1.618	\$0.406	\$0.339
Refundable tax (paid) recovered	<u>(0.023)</u>	<u>(0.017)</u>	<u>0.009</u>	<u>(0.019)</u>
Cash generated after refundable tax	1.840	1.601	0.415	0.320
Payout ratio <sup>(2)</sup>	99.5%	93.8%	105.2%	111.5%

(1) Distributable Cash per Unit is a non-IFRS measure. See “Non-IFRS Measures”.

(2) Payout Ratio is a non-IFRS measure. See “Non-IFRS Measures”.



## Changes to Distribution Rates - 2020

- As a result of COVID-19, distributions were suspended for three months beginning with the March 2020 distribution
- Distributions of \$0.10 per unit recommenced with the June 2020 distribution paid July 31, 2020
- Special distribution of \$0.30 per unit paid October 30, 2020
- Special distribution of \$0.20 per unit paid December 31, 2020





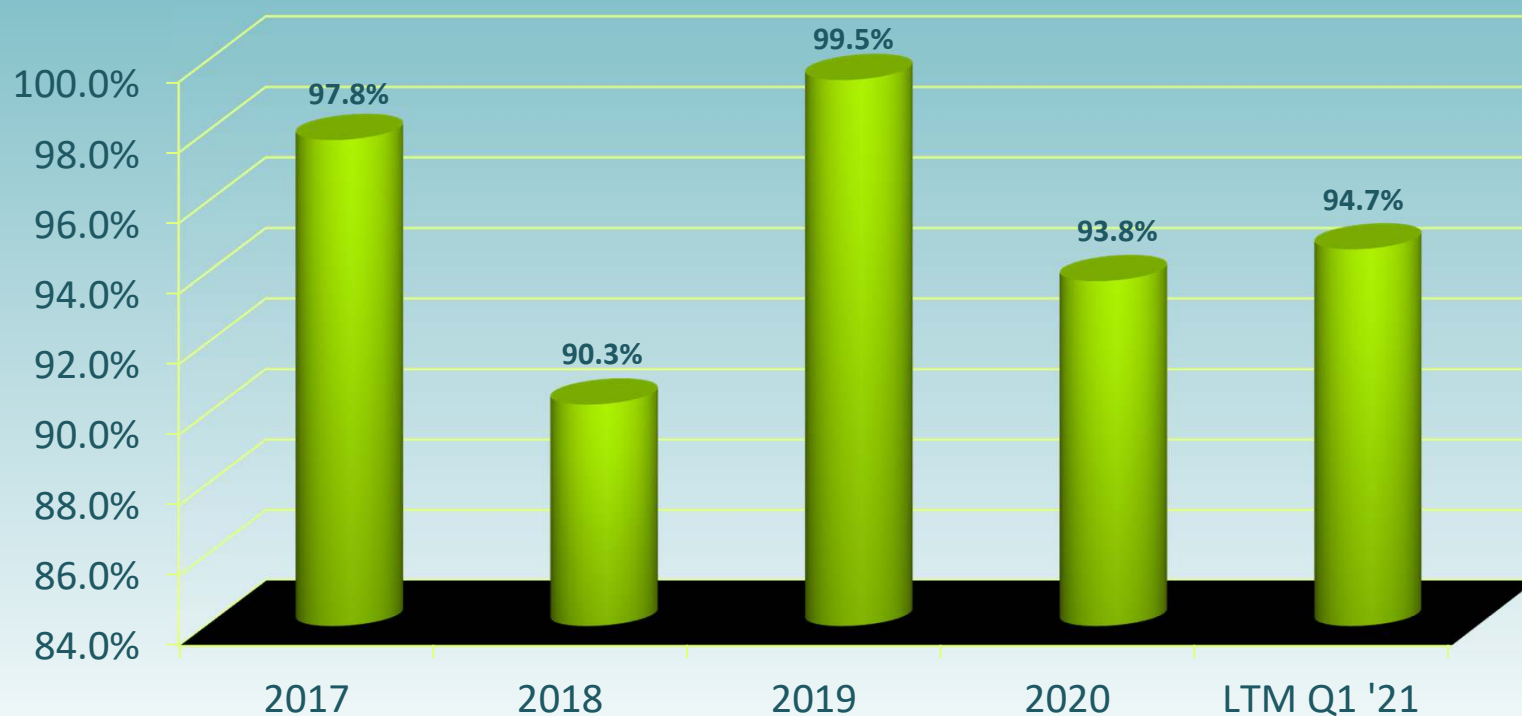
## Changes to Distribution Rates - 2021

- Distribution rate increased from \$0.10 to \$0.135 per unit beginning with the February 2021 distribution that was paid at the end of March 2021
- Annualized distribution rate is now \$1.62 per unit





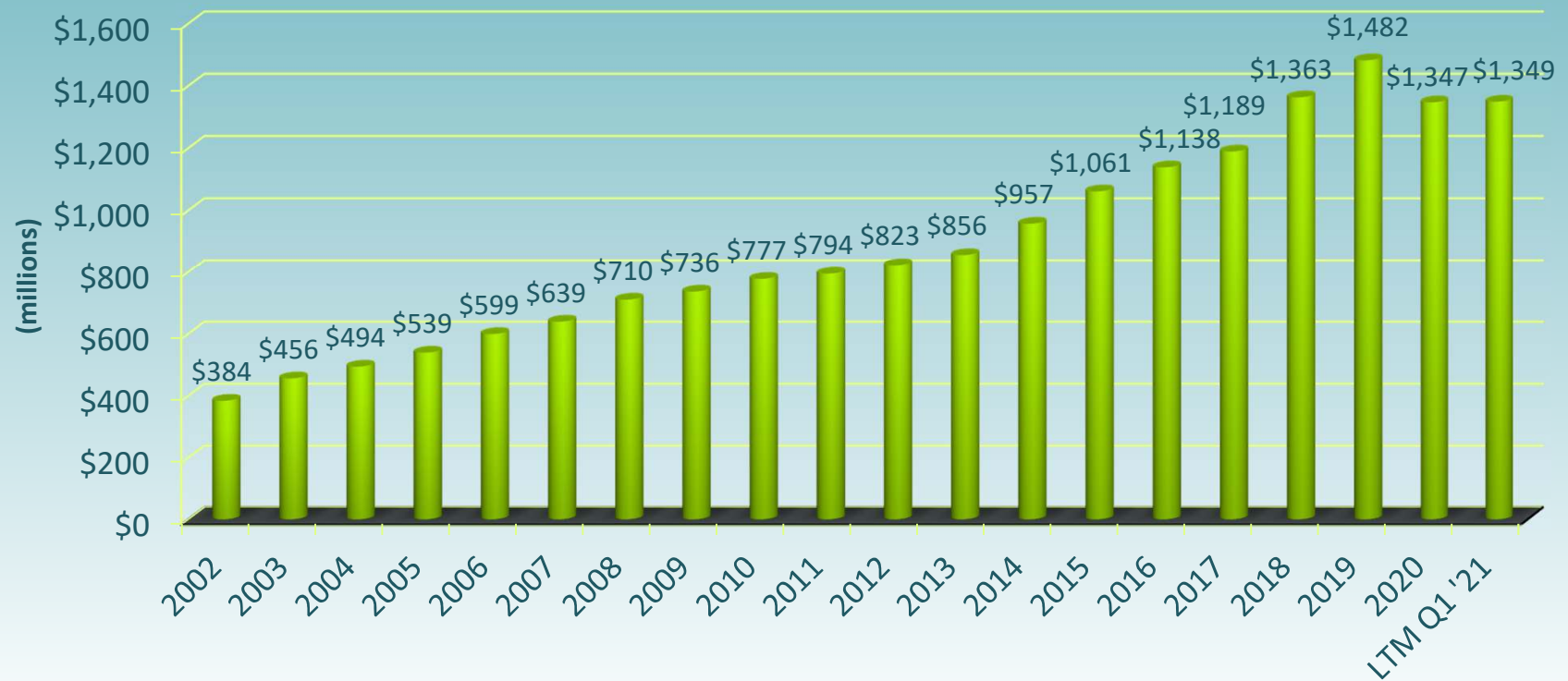
## Annual Payout Ratio<sup>(1)</sup>



(1) Payout Ratio is a non-IFRS measure. See "Non-IFRS Measures".  
LTM = Last Twelve Months



## Royalty Pool Gross Sales

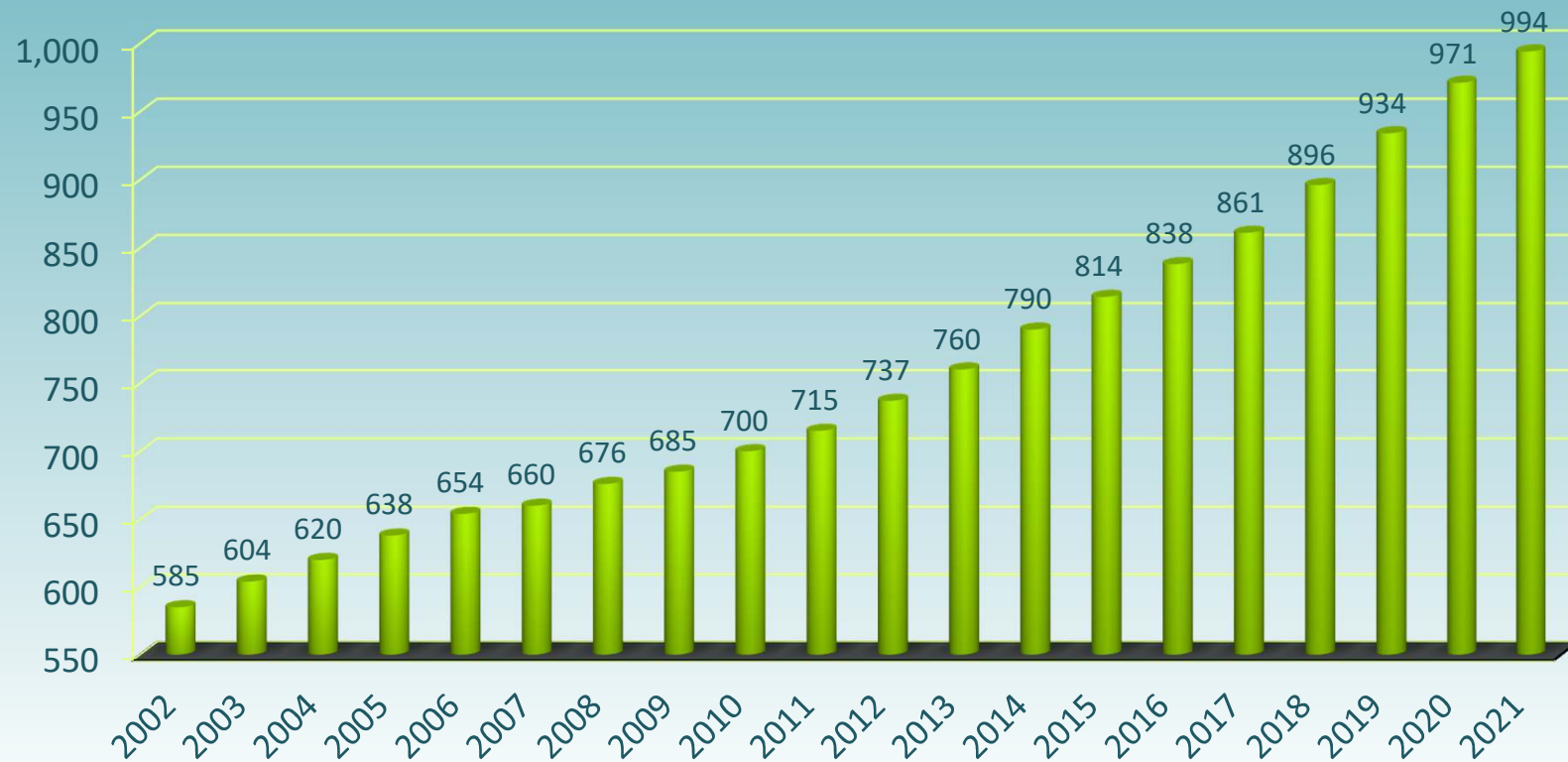


LTM = Last Twelve Months





## Number of Restaurants in Royalty Pool





# Forward Looking Information

Certain statements in this document contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this document includes, but is not limited to: the strategic thrusts of A&W Food Services of Canada Inc. ("Food Services"), including, be the convenience they crave, build our financial health and success, innovate our menu to win millennial visits, be trusted as #1 for truly good food and continue to successfully open new restaurants.

The forward-looking information in this document is based on various assumptions that include, but are not limited to: the general risks that affect the restaurant industry will not arise; no Class A exchangeable shares or Class B exchangeable shares of the Company will be issued; there are no changes in availability of experienced management and hourly employees; there are no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions, franchise legislation or sales taxes; no publicity from any food borne illness; no material changes in competition; no material changes in the quick service restaurant burger market including as a result of changes in consumer taste or health concerns or changes in economic conditions or unemployment, the COVID-19 pandemic or a disease outbreak; no material increases in food and labour costs; the continued availability of quality raw materials; continued additional franchise sales and maintenance of franchise operations; Food Services is able to continue to grow same store sales; Food Services is able to maintain and grow the current system of franchises; Food Services is able to locate new retail sites in prime locations; Food Services is able to obtain qualified operators to become A&W franchisees; no closures of A&W restaurants that materially affect the amount of the Royalty; no material impact on sales from closures of "anchor" stores in shopping centres; no material changes in traffic patterns at shopping centres and other retail nodes; no material closures to shopping centres or other retail nodes in which A&W operates; no supply disruptions; franchisees duly pay service fees and other amounts; no material impact from new or increased sales taxes upon gross sales; continued availability of key personnel; continued ability to preserve intellectual property; no material litigation from guests at A&W restaurants; Food Services continues to pay the Royalty; the Company continues to pay dividends on the common shares and the Partnership continues to make distributions on its units in amounts sufficient to allow the Fund to continue to pay distributions on its Units at current levels; the Company can continue to comply with its obligations under its credit arrangements; and the Company's performance does not fluctuate such that cash distributions are affected.

The forward-looking information is subject to risks, uncertainties and other factors related to the quick service restaurant industry that include, but are not limited to: the general risks that affect the restaurant industry in general and the quick service segment in particular, including competition with other well-capitalized franchisors and operators of quick service restaurants; risks related to changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks; risks related to negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular; risks related to changes in the availability and quality of raw materials, including A&W's "better ingredients"; risks related to the possible lack of success of new products and advertising campaigns; risks related to changes in climate or increases in environmental regulation; risks related to changes in Food Services' ability to continue to grow same store sales, locate new retail sites in prime locations and obtain qualified operators to become A&W franchisees; risks related to increases in closures of A&W restaurants adversely affecting the Royalty; risks related to decreases in traffic at shopping centers and other retail nodes; risks related to changes in Food Services' ability to pay the Royalty due to changes in A&W franchisees' ability to generate sales and pay service fees and other amounts to Food Services; risks related to changes in government regulation that affects the restaurant industry in general or the quick service restaurant industry in particular, including franchise legislation and sales tax legislation; risks related to changes in the availability of key personnel, including qualified franchise operators; risks related to changes in the ability to enforce or maintain intellectual property; risks related to technological breakdowns, cybersecurity breaches and the security of consumer and personal information; risks related to the amplificatory effects of media and social media; risks related to global health crises, disease outbreaks (including COVID-19), and other unexpected events which could affect Food Services' and A&W franchisees' supply chains, business continuity, and financial results; risks related to the availability and adequacy of insurance coverage; and risks related to the occurrence of catastrophic events.

The forward-looking information is subject to risks, uncertainties and other factors related to the structure of the Fund that include, but are not limited to: risks related to dependence of the Fund on the Company, Partnership and Food Services; risks related to dependence of the Partnership on Food Services; risks related to leverage and restrictive covenants; the risk that cash distributions are not guaranteed and will fluctuate with the Partnership's performance and may be reduced or suspended at any time; risks related to the unpredictability and volatility of Unit prices; risks related to the nature of units; risks related to the distribution of securities on redemption or termination of the Fund; risks related to the Fund issuing additional units diluting existing Unitholders' interests; risks related to income tax matters and investment eligibility; risks related to COVID 19; and risks related to the limitations of internal controls over financial reporting.

More information about the risks and uncertainties affecting the Fund and Food Services' business can be found in the "Risk Factors" section of the Fund's Annual Information Form dated February 16 2021, which is available under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

All forward-looking information in this document is qualified in its entirety by this cautionary statement and, except as required by law, the Fund undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.



## Non-IFRS Measures

The Fund believes that disclosing certain non-IFRS financial measures provides readers of this document with important information regarding the Fund's financial performance and its ability to pay distributions. By considering these measures in combination with the most closely comparable IFRS measure, the Fund believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone.

References to "**System Sales**" in this document are calculated in respect of all A&W restaurants in Canada as reported by Food Services, as the amount of gross sales reported to Food Services by franchisees of such A&W restaurants without audit, verification or other form of independent assurance, and the gross sales of A&W restaurants owned and operated by Food Services, after deducting, in each case, amounts for discounts for coupons and other promotional offerings and applicable sales taxes. System Sales is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, Food Services believes System Sales of its franchisees and stores owned and operated by Food Services is a key performance indicator for Food Services as it provides investors with an indication of the sales figures on which Food Services' franchise revenues are based. Food Services' method of calculating System Sales may differ from those of other issuers or companies and, accordingly, System Sales may not be comparable to similar measures used by other issuers or companies. Note that the Fund also reports Gross Sales of A&W restaurants in the Royalty Pool in its annual and interim financial statements. The Fund calculates "Gross Sales" reported by restaurants in the Royalty Pool on the same basis that Food Services calculates "System Sales", with the distinction that the Fund only calculates Gross Sales in respect of the A&W restaurants in the Royalty Pool in the given period. Accordingly, the difference in the Gross Sales reported by the Fund and System Sales reported by Food Services is on account of the additional gross sales from A&W restaurants which are not in the Royalty Pool, which are included in the System Sales figures reported by Food Services and not in the Gross Sales figures reported by the Fund.

References to "**Same Store Sales Growth**" in this document are calculated (i) in respect of A&W restaurants in the Royalty Pool as reported by the Fund, as the change in Gross Sales of A&W restaurants in the Royalty Pool that operated during the entire 26 four-week periods, and (ii) in respect of all A&W restaurants in Canada as reported by Food Services, as the change of System Sales of all A&W restaurants in Canada that operated during the entire 26 four-week periods. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, the Fund and Food Services each believe same store sales growth is a key performance indicator for the Fund and Food Services as it provides investors with an indication of the change in year-over-year sales of A&W restaurants in the Royalty Pool, in the case of the Fund, and year-over-year sales of all A&W restaurants in the case of Food Services. The Fund's and Food Services' methods of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

References to "**Distributable Cash**" in this document are calculated as the operating cash flows of the Fund, adjusted for net changes in items of working capital. Changes in items of working capital are excluded as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments between related parties. No deduction is made for capital expenditures as the Fund has no capital expenditures. Distributable Cash is not a recognized financial measure under IFRS. However, the Fund believes that Distributable Cash is a useful measure as it identifies the amount of actual cash generated to pay distributions to Unitholders and dividends to Food Services. The Fund's method of calculating Distributable Cash may differ from that of other issuers and companies and, accordingly, Distributable Cash may not be comparable to similar measures used by other issuers or companies. References to "**Distributable Cash per Unit**" in this document are calculated as Distributable Cash divided by the weighted average number of Units of the Fund outstanding during the relevant period on a fully diluted basis.

References to "**payout ratio**" in this document are calculated by dividing the total of (i) distributions declared per unit plus (ii) accrued distributions per unit to the last day of the quarter or year, as applicable, by the distributable cash per unit generated in that period. Payout ratio is not a recognized measure under IFRS. However, the Fund believes that payout ratio is a useful measure as it provides supplemental information regarding the extent to which the Fund distributes cash as distributions when compared to its cash flow capacity. The Fund's method of calculating its payout ratio may differ from that of other issuers and companies and, accordingly, the payout ratio may not be comparable to similar measures used by other issuers or companies.

For a reconciliation of distributable cash to the nearest IFRS measure, see the Fund's management discussion and analysis for the period ended March 28, 2021, filed under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com).



## Third Party Information

This document includes market information, industry data and forecasts obtained from independent industry publications, market research, surveys and other publicly available sources. Although the Fund's management believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this information and data are not guaranteed. The Fund and Food Services have not independently verified any of the data from third party sources referred to in this document nor ascertained the underlying assumptions relied upon by such sources.

