

# A&W Revenue Royalties Income Fund

## Overview and Update

July 2022

TSE: AW.UN

*Chosen and trusted for truly good food*



# Presentation Overview

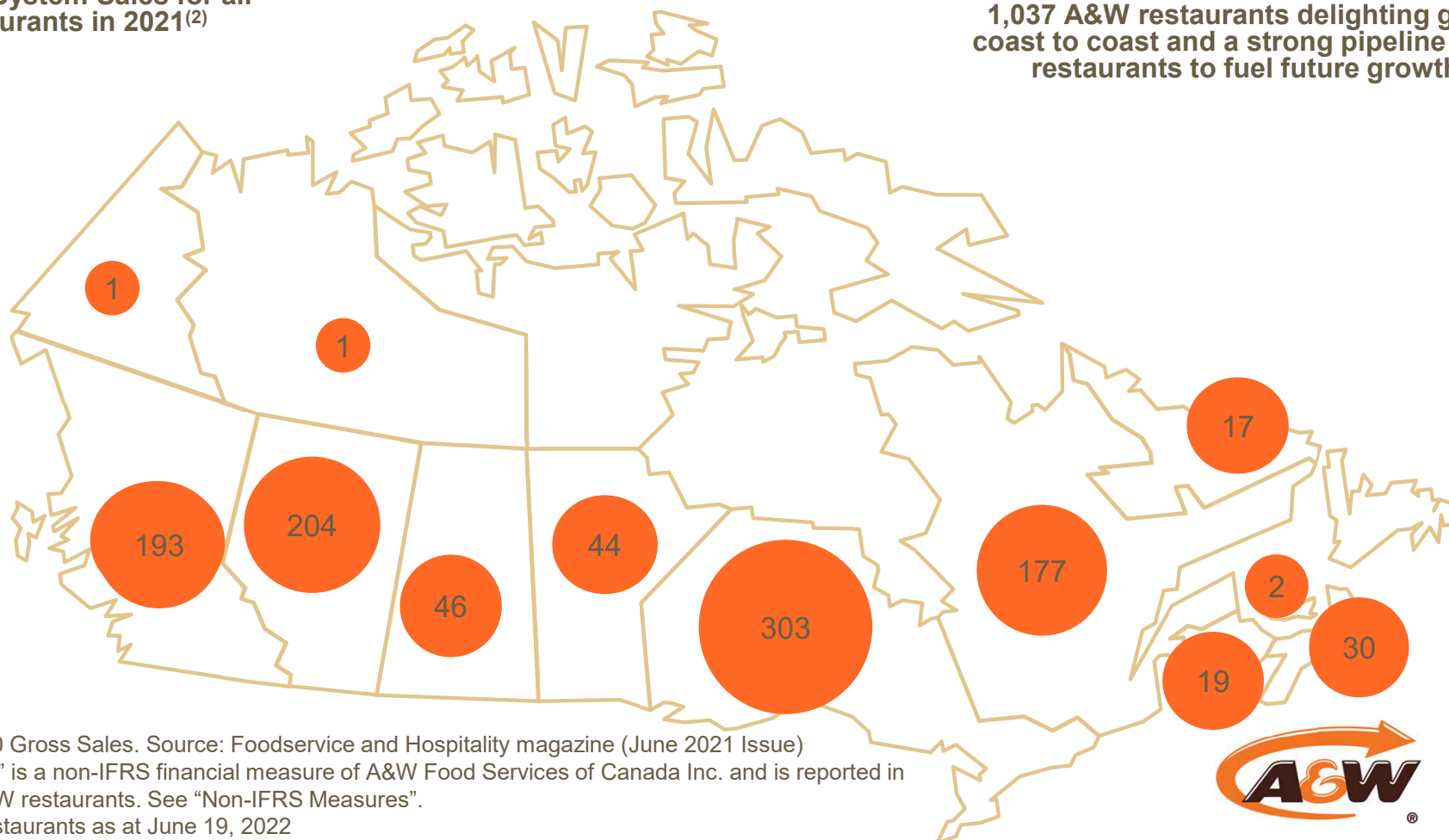
- Business overview
- Strategy
- Climate
- COVID-19
- Financial highlights



# Canada's 2nd Largest Burger QSR<sup>(1)</sup>

**\$1.6 Billion in System Sales for all  
A&W Restaurants in 2021<sup>(2)</sup>**

**1,037 A&W restaurants delighting guests  
coast to coast and a strong pipeline of new  
restaurants to fuel future growth<sup>(3)</sup>**



<sup>(1)</sup> Based on 2020 Gross Sales. Source: Foodservice and Hospitality magazine (June 2021 Issue)

<sup>(2)</sup> "System Sales" is a non-IFRS financial measure of A&W Food Services of Canada Inc. and is reported in respect of all A&W restaurants. See "Non-IFRS Measures".

<sup>(3)</sup> 1,037 A&W restaurants as at June 19, 2022



# 65 Years of Constant Evolution



# Signature Products



**Canada's #1 Root Beer**





# Menu Innovation





# A&W Brew Bar™

## Nationwide Phased Rollout Underway

Now available at over 260 A&W restaurants in cities across Canada!  
National rollout will continue through 2023.



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





# A&W is bringing Pret to Canada!

- **Exclusive right** to use Pret brand in Canada
- 2-year trial phase to **test appeal**
- Possible expansion across Canada
- 1st location opened in **Vancouver** in July 2022, 2<sup>nd</sup> location to open in **Toronto**
- Royalty payable to the Fund applies to Pret products sold in A&W restaurants



## 585+ Freestanding Restaurants (all but 1 offer drive-thru)



Cornwall, ON



# 165+ Convenience Locations (all but 6 offer drive-thru)



Exeter, ON





## 90+ Urban Locations



# 180+ Shopping Centre Locations





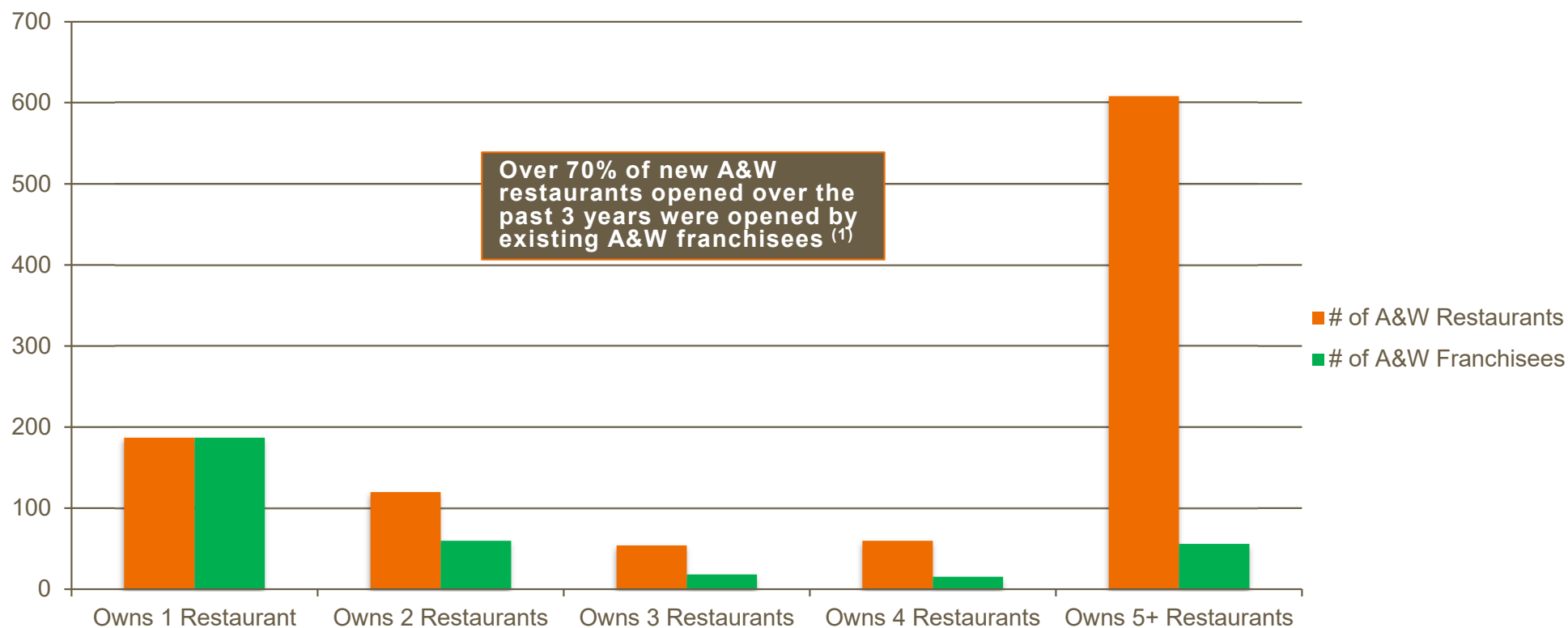


## A&W Core Strengths

- Leadership Experience
  - *(26 years average experience)*
- Strategy
  - *(A unique strength – 40+ years)*
- Climate
- Strong relationships with franchisees, employees, suppliers and distributors



## Strong, Experienced Franchisee Base <sup>(1)</sup>



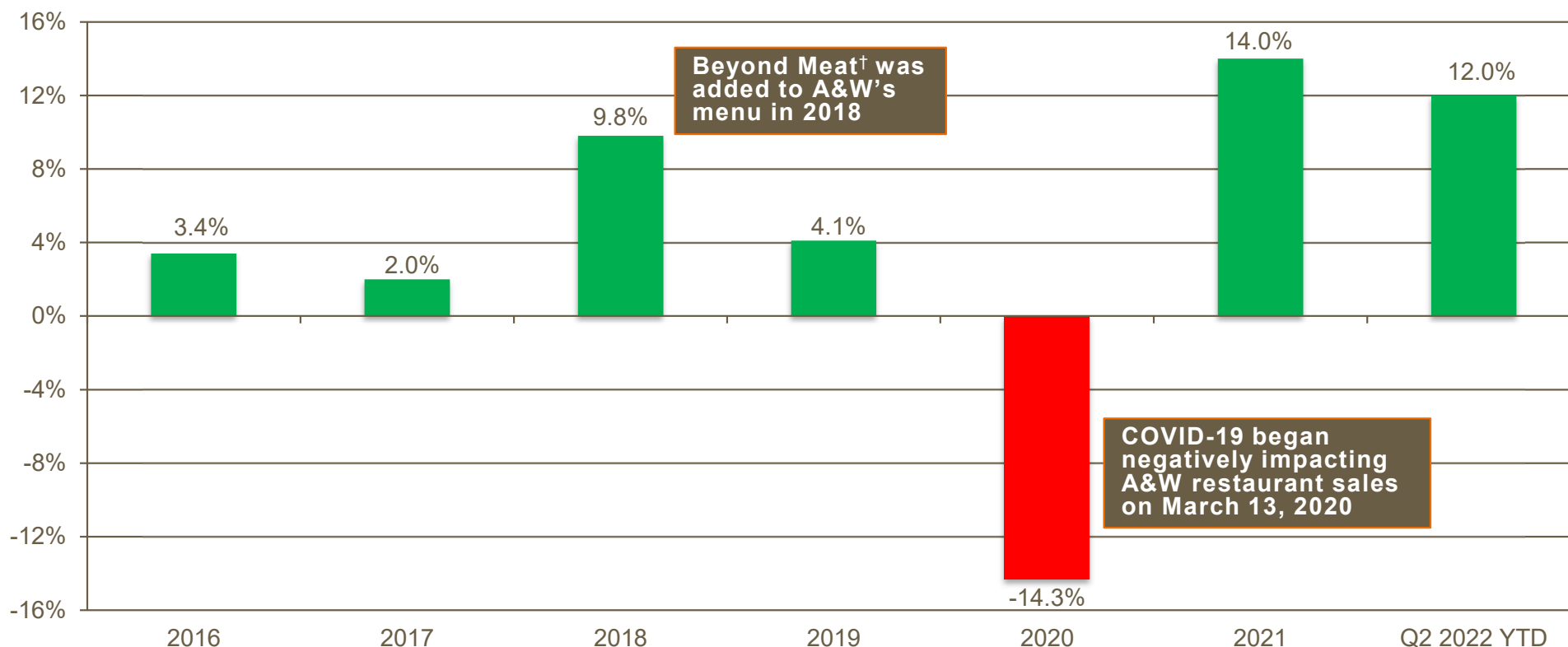
<sup>(1)</sup> Data as at January 2, 2022



## Partnerships with Suppliers & Distributors

- Longstanding partnerships with suppliers and distributors strengthens A&W's ability to navigate supply chain disruptions and inflation and ensure that A&W can continue to deliver consistent quality and great value to its guests (**99% fill rate** in 2021).
- Prudent cost management minimizes the impact of inflation on menu prices.
- Agile approach to supply chain management allows A&W to respond and adapt quickly to local circumstances.

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

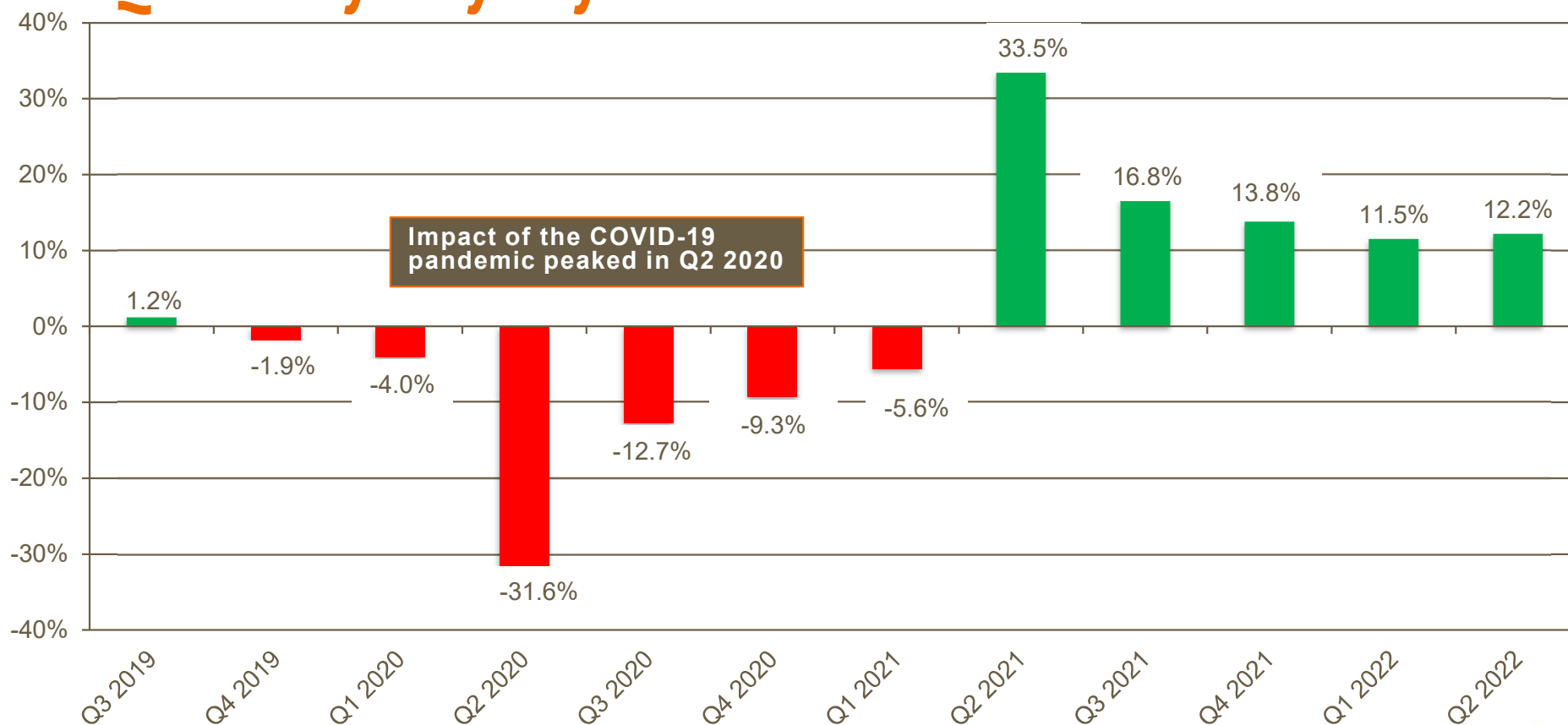


<sup>(1)</sup> "Royalty Pool Same Store Sales Growth" is a non-IFRS supplementary financial measure. See "Non-IFRS Measures".

† Trademark of Beyond Meat Inc., used under license



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



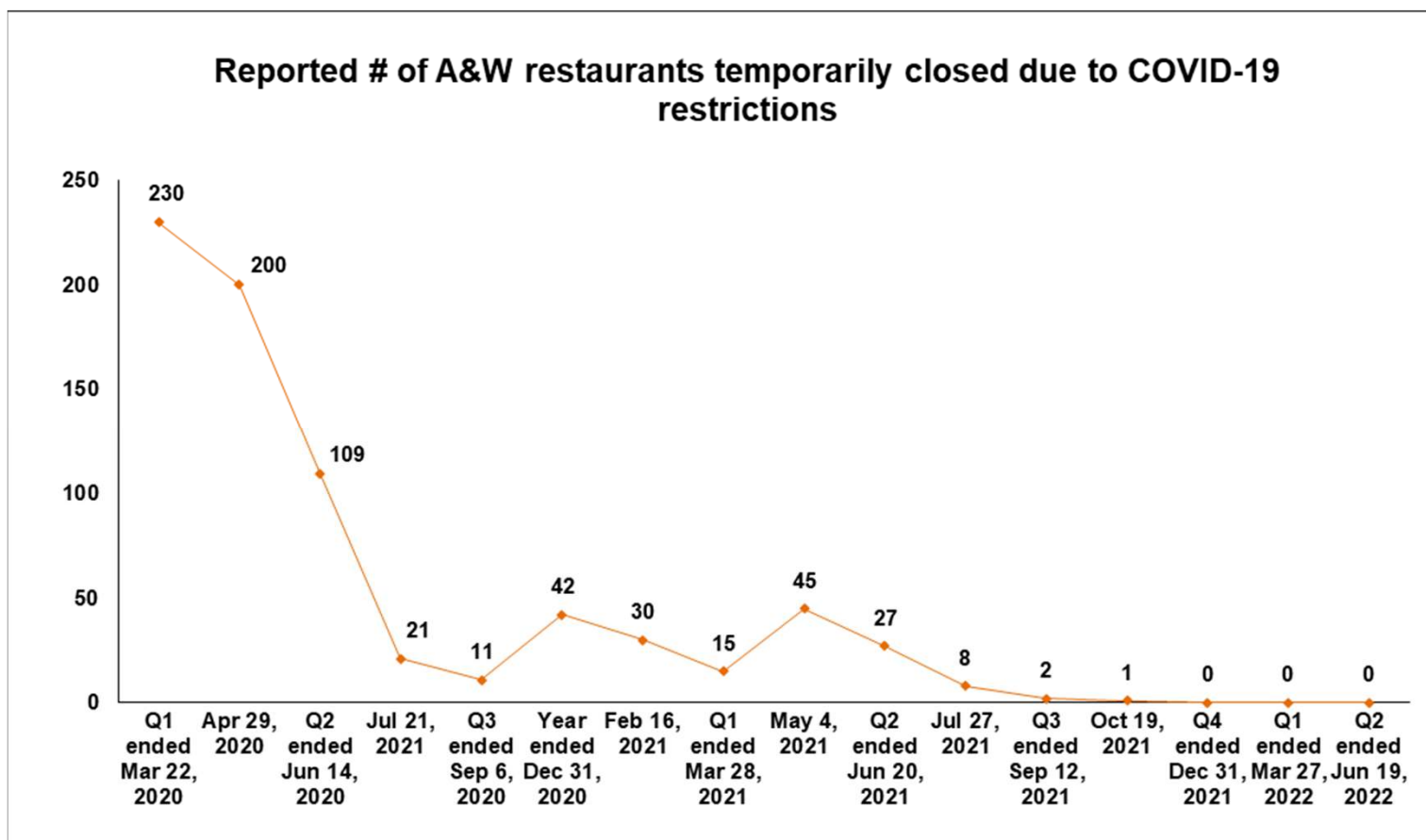
<sup>(1)</sup> "Royalty Pool Same Store Sales Growth" is a non-IFRS supplementary financial measure. See "Non-IFRS Measures".







# Restaurant Closures due to COVID-19



# A&W's Mission



**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 Holdings Limited Partnership, used under license



## Strategic Direction

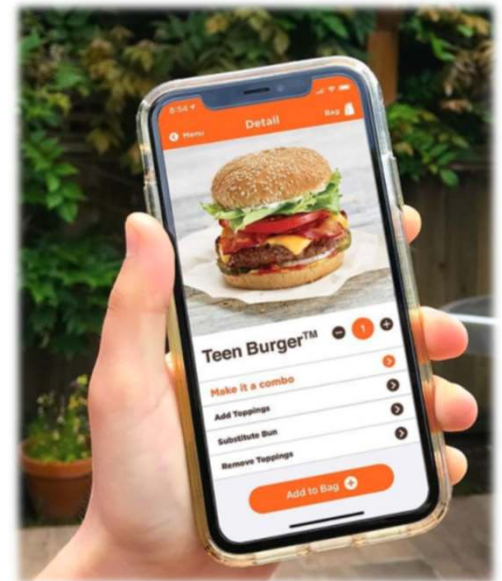
- 1 Be the convenience they crave
- 2 Build our financial health and success
- 3 Innovate our menu to win millennial visits
- 4 Be trusted as #1 for truly good food
- 5 Continue to successfully open new restaurants



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 effects of COVID-19
- Grow restaurant profitability across all restaurant concepts







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

- Since March 2020, COVID-19 has adversely impacted A&W restaurant operations across Canada, particularly for those restaurants located on urban street fronts and in shopping centres. However, the impact on sales has steadily declined since Q2 2020, when the impact of COVID-19 peaked and a total of 230 A&W restaurants (out of 971 restaurants in the Royalty Pool) were temporarily closed due to COVID-19 related public health measures.
- Starting in Q3 2021, many of the public health restrictions related to COVID-19 began to ease or were lifted which led to increased guest counts and a reduction in the number of A&W restaurants that were temporarily closed or were not able to offer dine-in services.
- Restrictions continued to ease in 2022 and by June 19, 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted.



# 2022 Highlights

- Royalty Pool Same Store Sales Growth<sup>(1)</sup>
  - Q2 2022 **+12.2%**
  - Q2 2022 YTD **+12.0%**
  - Q2 2022 YTD vs Q2 2019 YTD **+3.3%**
- Royalty income increased by **15.9%** in Q2 2022 and **14.7%** year to date, as compared to the comparable periods in 2021.
- 34 A&W restaurants (less 13 closures) were added to the Royalty Pool on January 5, 2022 (23 net additions in 2021)

<sup>(1)</sup> "Royalty Pool Same Store Sales Growth" is a non-IFRS supplementary financial measure. See "Non-IFRS Measures".





## Fund Revenue, Expenses and Distributable Cash

(dollars in thousands)	2020	2021	Q2 YTD 2022	Q2 YTD 2021
Royalty Pool Same Store Sales Growth <sup>(1)</sup>	-14.3%	14.0%	+12.0%	12.2%
Gross sales reported by A&W restaurants in the Royalty Pool <sup>(1)</sup>	\$1,347,387	\$1,569,377	\$758,829	\$661,367
Royalty income	\$40,422	\$47,081	\$22,765	\$19,841
General and administrative expenses	\$994	\$817	\$386	\$302
Interest expense	\$2,177	\$2,514	\$1,094	\$1,217
Current tax expense	\$7,242	\$7,277	\$5,785	\$3,925
Net cash generated from operating activities	\$30,409	\$34,113	\$20,401	\$13,358
Distributable Cash Generated <sup>(2)</sup>	\$30,009	\$36,298	\$15,500	\$14,397

<sup>(1)</sup> "Royalty Pool Same Store Sales Growth" and "Gross sales reported by A&W restaurants in the Royalty Pool" are non-IFRS supplementary financial measures. See "Non-IFRS Measures".

<sup>(2)</sup> "Distributable Cash Generated" is a non-IFRS financial measure. See "Non-IFRS Measures".



## Fund Distributions and Payout Ratio

(dollars in thousands except per unit amounts)	2020	2021	Q2 YTD 2022	Q2 YTD 2021
Distributable Cash Generated <sup>(1)</sup>	\$30,009	\$36,298	\$15,500	\$14,397
Distributable Cash per Equivalent Unit <sup>(2)</sup>	\$1.618	\$1.885	\$0.782	\$0.752
Distributions and Dividends Declared per Equivalent Unit <sup>(2)</sup>	\$1.518	\$1.740	\$0.775	\$0.640
Payout Ratio <sup>(2)</sup>	93.8%	92.3%	110.7%	98.8%

The Payout Ratio is impacted by seasonality of sales of the A&W restaurants and the timing of current income taxes, which can vary by quarter, and the distribution rate in effect at the time. The 2022 YTD Payout Ratio<sup>(2)</sup> was 110.7%, which is higher than the trailing four quarter Payout Ratio<sup>(2)</sup> of 92.5%, due primarily to the timing impact of current income taxes.

<sup>(1)</sup> "Distributable Cash Generated" is a non-IFRS financial measure. See "Non-IFRS Measures".

<sup>(2)</sup> "Distributable cash per Equivalent Unit", "Distributions and Dividends Declared per Equivalent Unit" and "Payout Ratio" are non-IFRS ratios. See "Non-IFRS Measures".



# Fund's Monthly Distributions

## Q2 2022 YTD

Month	Distribution per unit
January	\$0.155
February	\$0.155
March	\$0.155
April	\$0.155
May	\$0.155
<b>Total Q2 2022 YTD</b>	<b>\$0.775</b>

Annualized distribution rate is now \$1.86 per unit

## 2021

Month	Distribution per unit
January	\$0.100
<b>February</b>	<b>\$0.135</b>
March	\$0.135
April	\$0.135
May	\$0.135
June	\$0.135
<b>July</b>	<b>\$0.150</b>
August	\$0.150
September	\$0.150
<b>October</b>	<b>\$0.155</b>
November	\$0.155
<b>Special Distribution</b>	<b>\$0.050</b>
December	<u>\$0.155</u>
<b>Total</b>	<b>\$1.740</b>

The Fund increased its distribution rate 3 times in 2021

*Distribution rate increased*

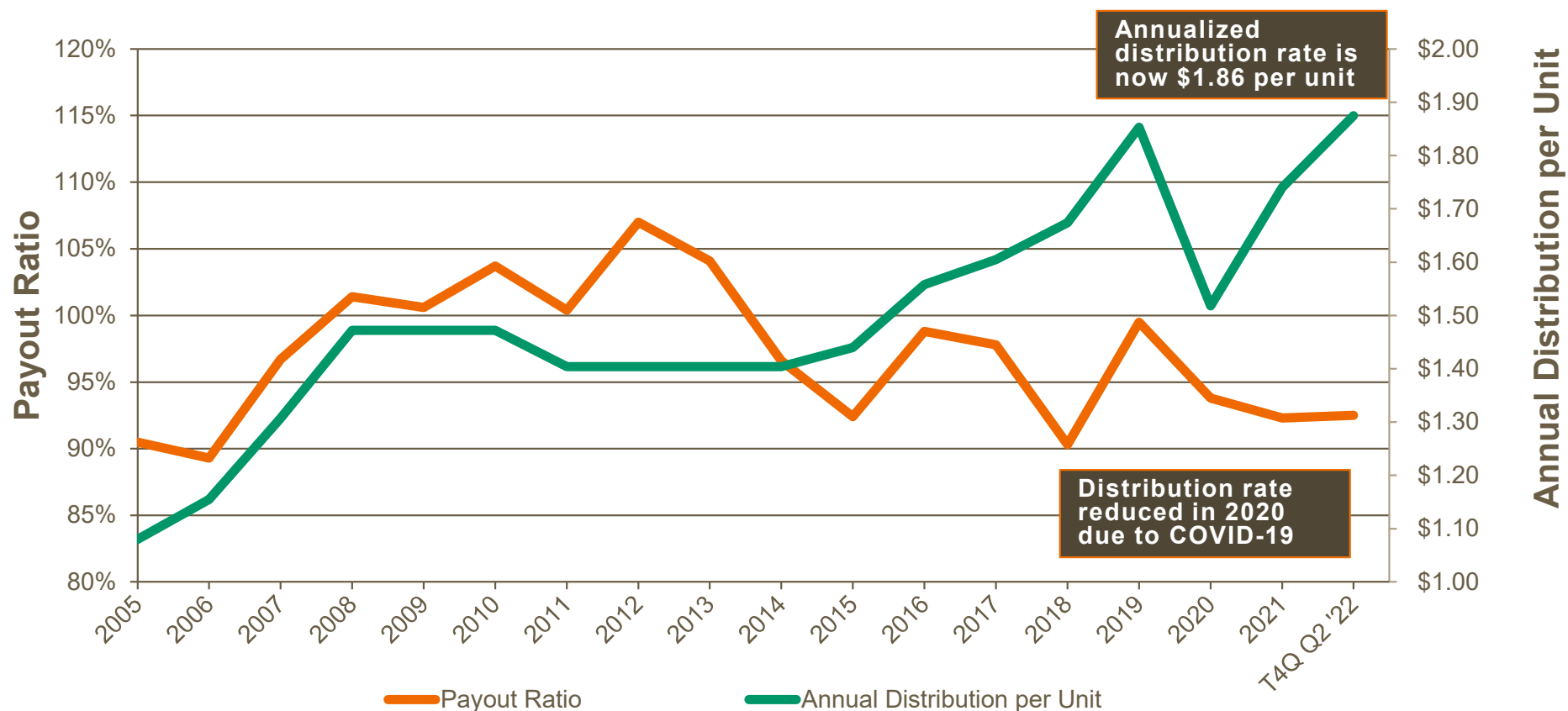
*Distribution rate increased*

*Distribution rate increased*

*Special distribution paid December 31, 2021*



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

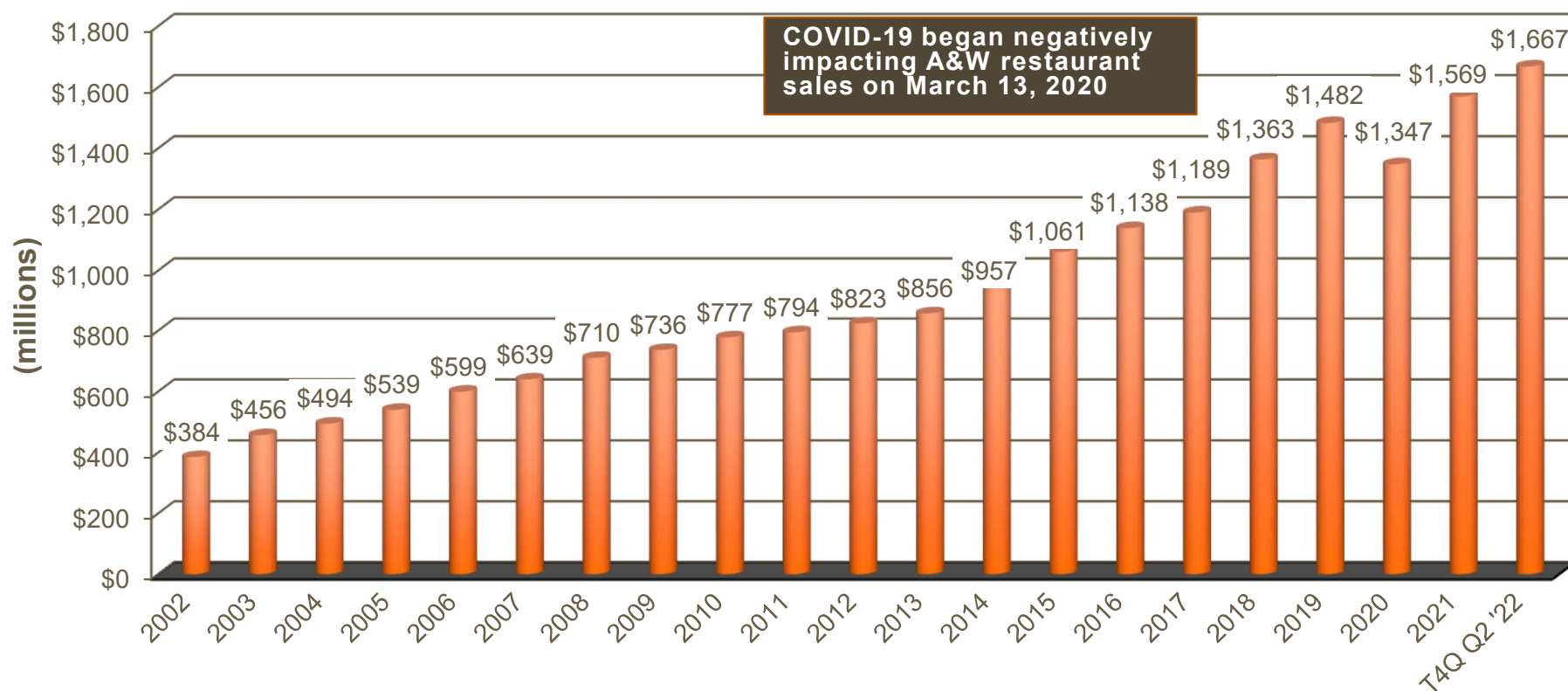


<sup>(1)</sup> "Payout Ratio" is a non-IFRS ratio. See "Non-IFRS Measures".

T4Q = trailing 4 quarters



## Gross sales reported by A&W restaurants in the Royalty Pool<sup>(1)</sup> Since Inception



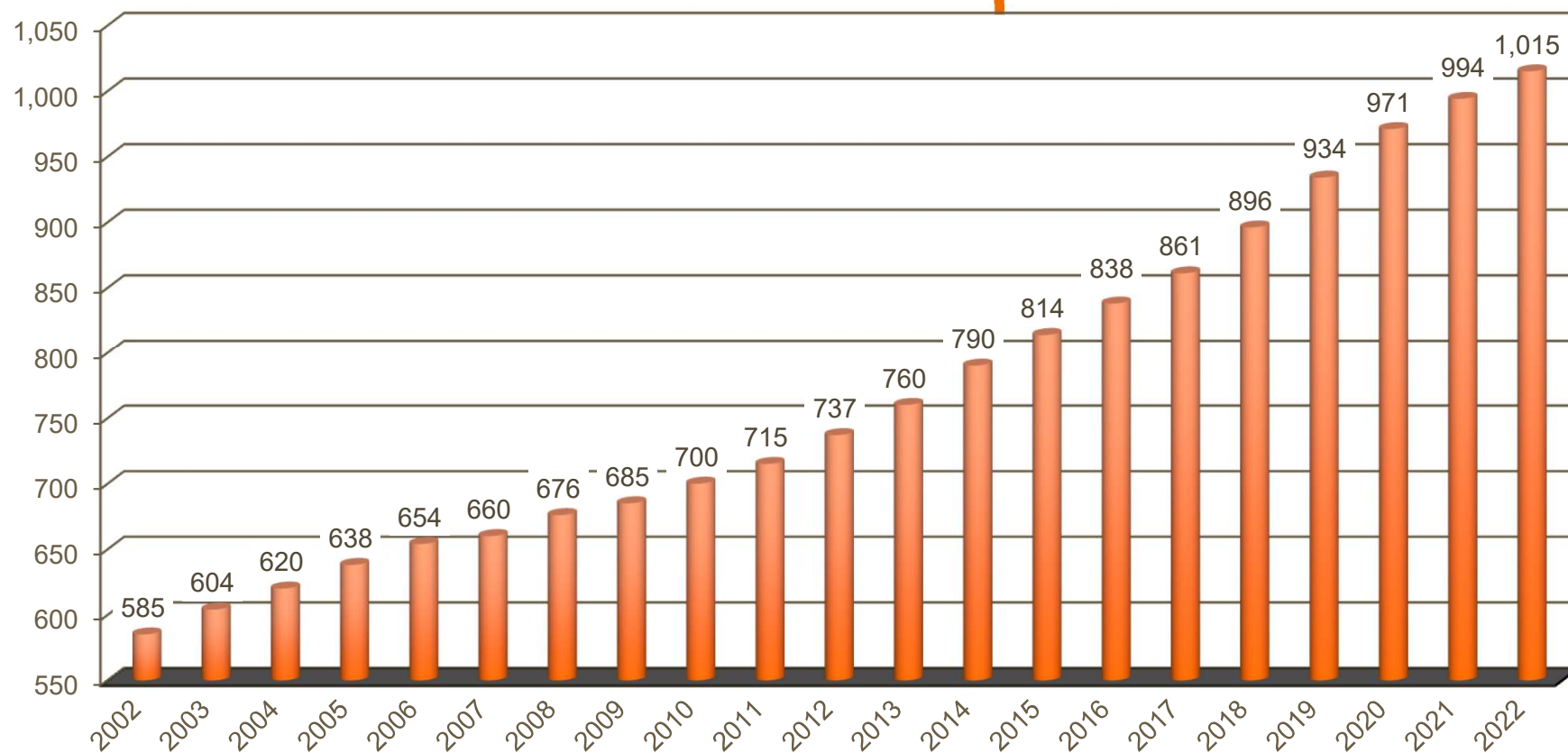
<sup>(1)</sup> "Gross sales reported by A&W restaurants in the Royalty Pool" is a non-IFRS supplementary financial measures. See "Non-IFRS Measures".

T4Q = trailing 4 quarters



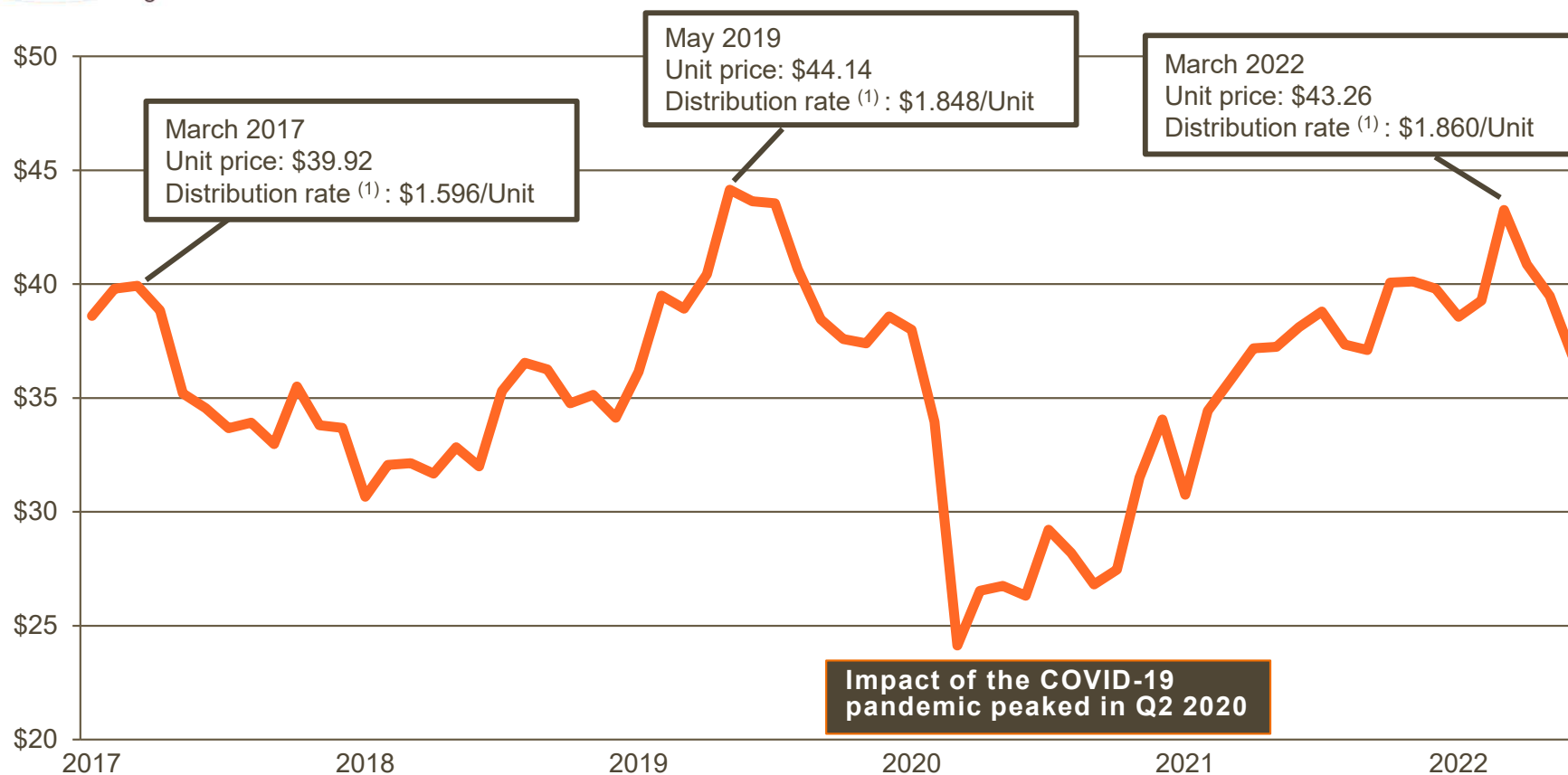


## Number of Restaurants in the Royalty Pool Since Inception





## AW.UN - Unit Price

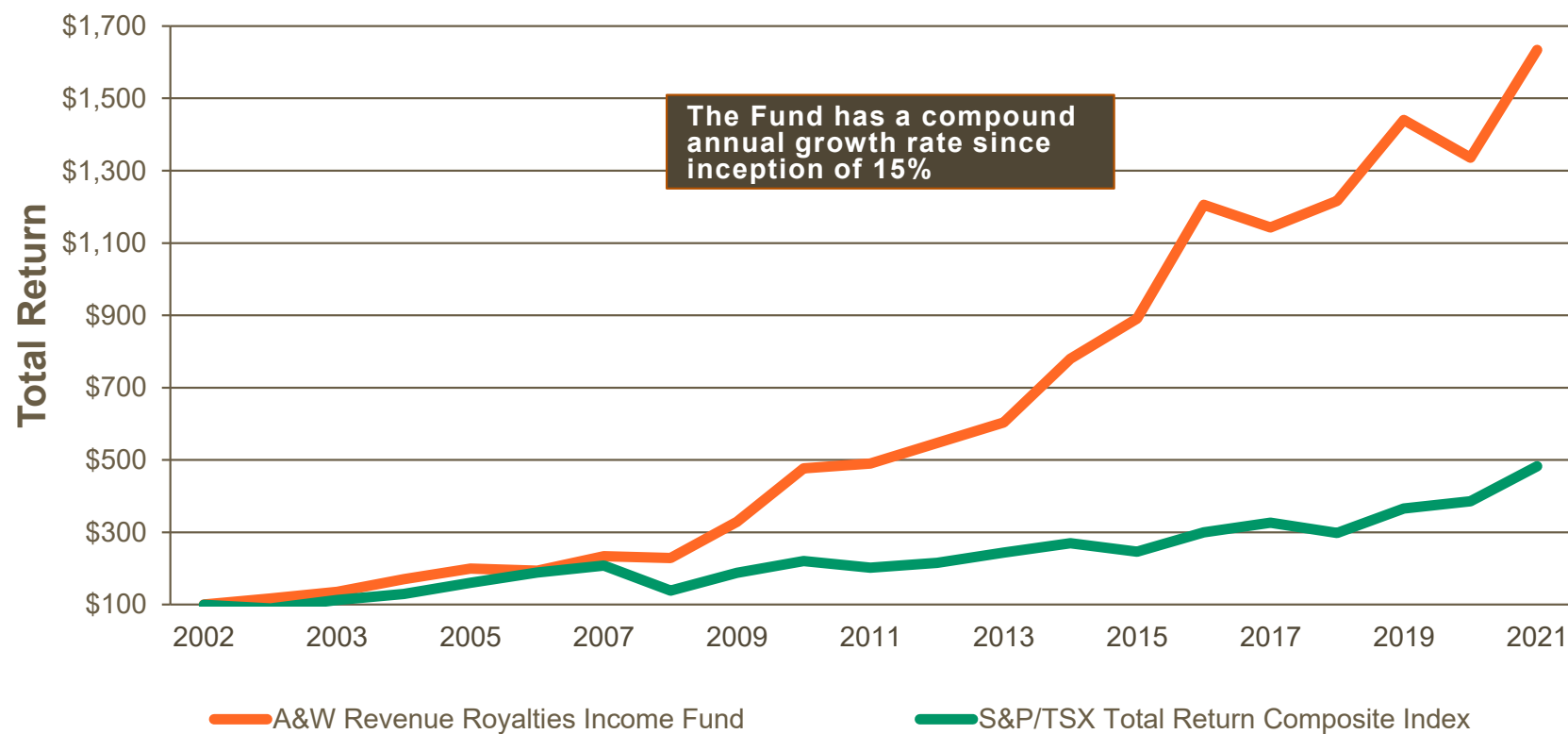


<sup>(1)</sup> Distribution rate is equal to the annualized monthly distribution at the time

Source: monthly closing price of AW.UN from TMX



## Unitholders' Return Since Inception<sup>(1)</sup>



<sup>(1)</sup> Assumes an investment of \$100 on February 15, 2002 and reinvestment of distributions through 2021



# Forward Looking Information

Certain statements in this presentation 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 presentation includes, but is not limited to: the strategic direction 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 system 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), international conflicts 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 15, 2022, 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

This presentation release makes references to the following non-IFRS measures: "Gross sales reported by A&W restaurants in the Royalty Pool", "Royalty Pool Same Store Sales Growth", "Distributable Cash Generated", "Distributable Cash per Equivalent Unit", "Distributions and Dividends Declared per Equivalent Unit", "Payout ratio" and "System Sales". The Fund believes that disclosing these non-IFRS measures provides readers of this news release with important information regarding the Fund's financial performance and its ability to pay distributions to unitholders. By considering these measures in combination with IFRS measures, the Fund believes that readers are provided with additional and more useful information about the Fund than readers would have if they simply considered IFRS measures alone. The non-IFRS measures reported by the Fund do not have a standardized meaning prescribed by IFRS and the Fund's method of calculating these measures may differ from those of other issuers or companies and may not be comparable to similar measures used by other issuers or companies.

Refer to the "Selected Information" section of the Fund's MD&A for the second quarter ended June 19, 2022, for a reconciliation of Distributable Cash Generated to net cash generated from operating activities, the most comparable IFRS measure and the "Non-IFRS Measures" section of the Fund's MD&A for the second quarter ended June 19, 2022 for further details on how the Fund's non-IFRS measures are calculated and used to assess the Fund's performance. The Fund's MD&A is available under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.awincomefund.ca](http://www.awincomefund.ca).

Refer to the "Selected Information" section of Food Services' Report to Unitholders of A&W Revenue Royalties Income Fund for the second quarter ended June 19, 2022, for a reconciliation of System Sales to Revenue from Corporate Restaurants, the most comparable IFRS measure, and the "Non-IFRS Measures" section of Food Services' Report to Unitholders of A&W Revenue Royalties Income Fund for the second quarter ended June 19, 2022 for further details on how System Sales is calculated and used to assess Food Service's performance. Food Services' Report to Unitholders of A&W Revenue Royalties Income Fund is available on the Fund's website at [www.awincomefund.ca](http://www.awincomefund.ca).

# 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.

