

A&W Revenue Royalties Income Fund

Overview and Update

March 2021

TSE: AW.UN



CHOSEN AND TRUSTED FOR TRULY GOOD FOOD





Document Overview

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

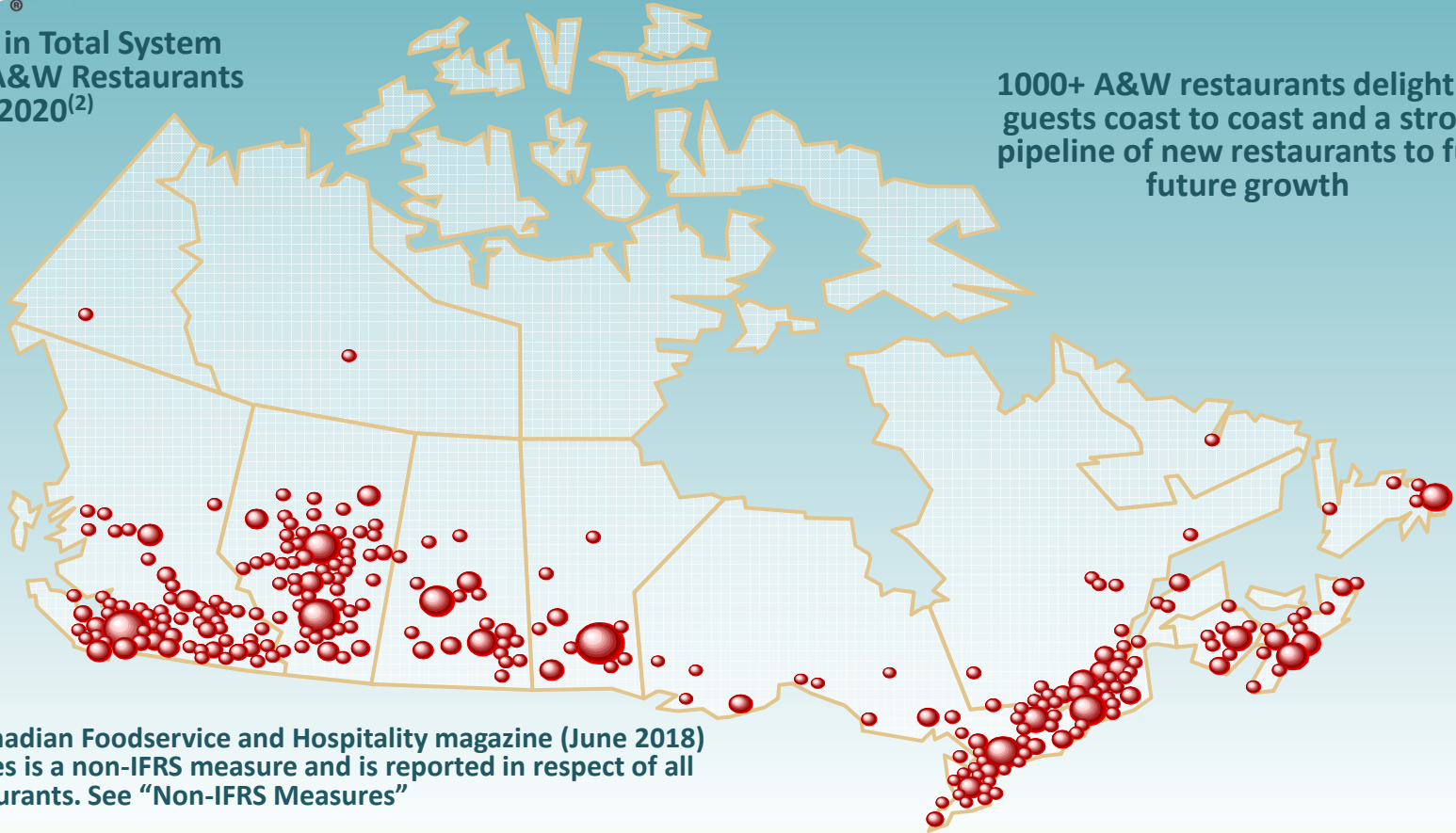




Canada's Fifth Largest Restaurant Brand⁽¹⁾

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

1000+ A&W restaurants delighting
guests coast to coast and a strong
pipeline of new restaurants to fuel
future growth

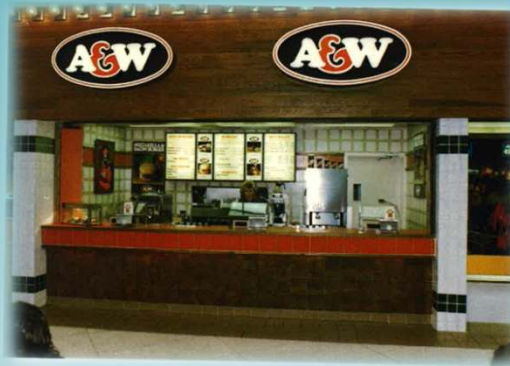


(1) Source: Canadian Foodservice and Hospitality magazine (June 2018)

(2) System Sales is a non-IFRS measure and is reported in respect of all
A&W restaurants. See "Non-IFRS Measures"



65 Years of Constant Evolution



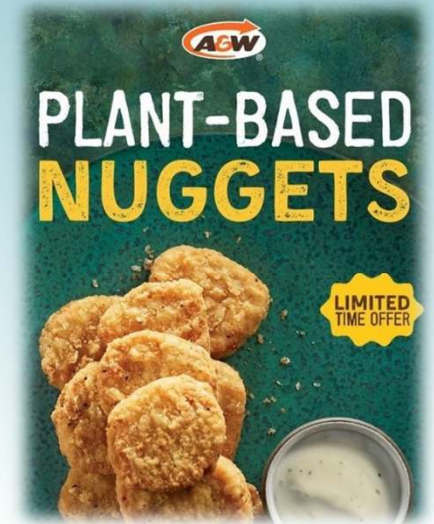


Signature Products





Menu Innovation





560+ Freestanding Restaurants



Cornwall, ON



150+ Convenience Locations



Exeter, ON



85+ Urban Locations





Market Leader for Burger Restaurants in Malls



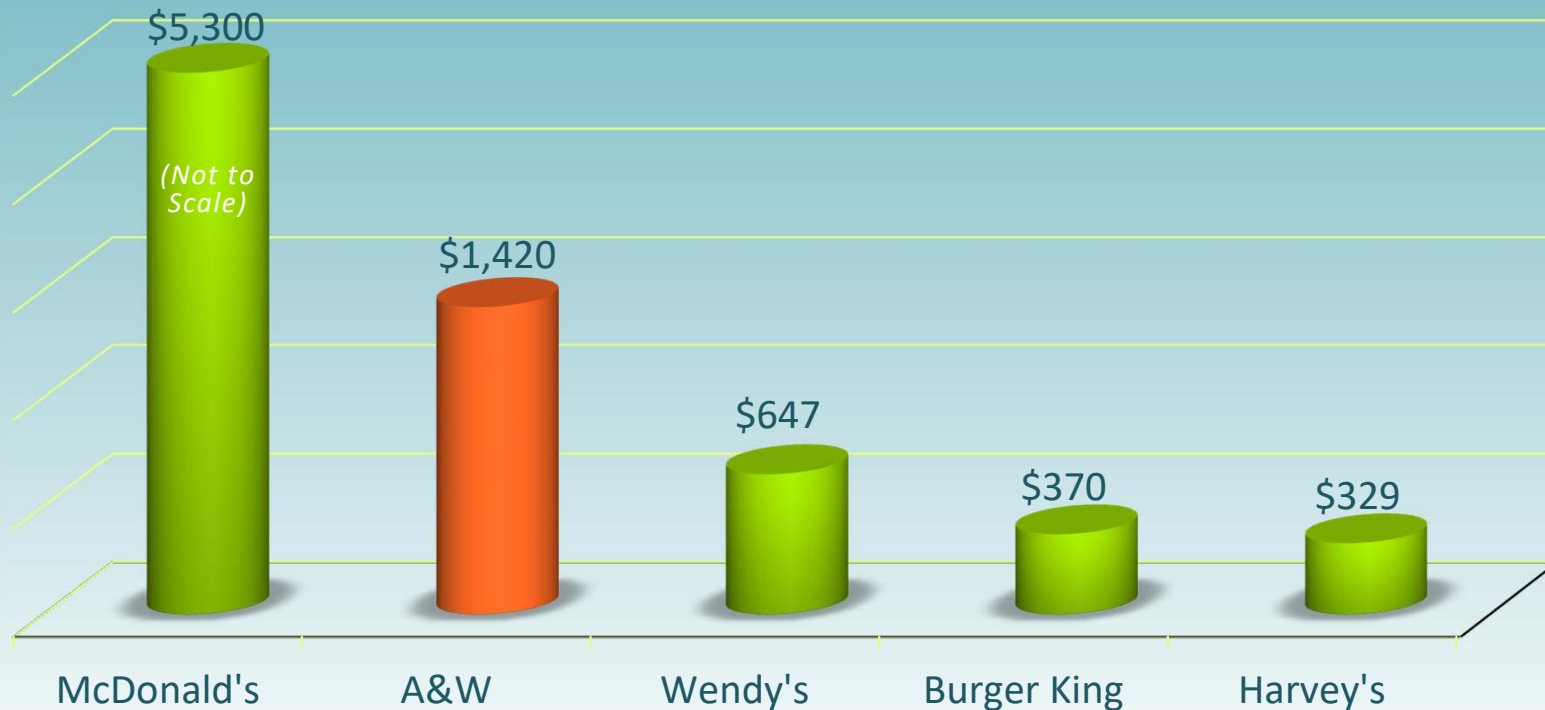


Canada's #1 Root Beer





Canada's #2 Burger Chain



2018 Canadian Burger Industry Sales Results

Source: Canadian Foodservice and Hospitality magazine (June 2019)

(all figures are in millions of dollars)



A&W Core Strengths

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





Same Store Sales Growth Trend⁽¹⁾



(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

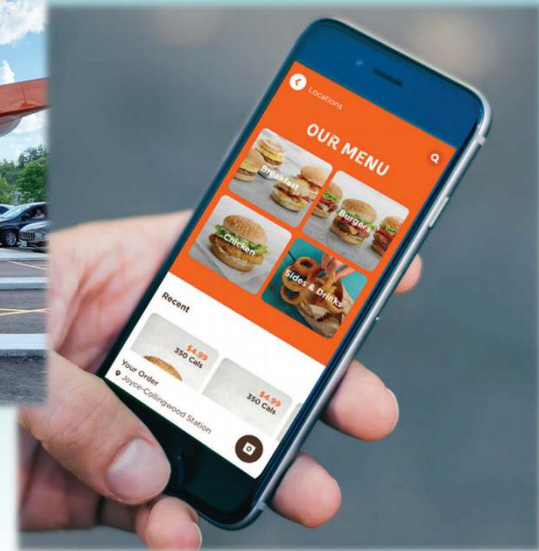
- 1** Be the convenience they crave
- 2** Build our financial health and success
- 3** Innovate our menu to win millennial visits
- 4** Be trusted as #1 for truly good food
- 5** Continue to successfully open new restaurants



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 in our restaurants after 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

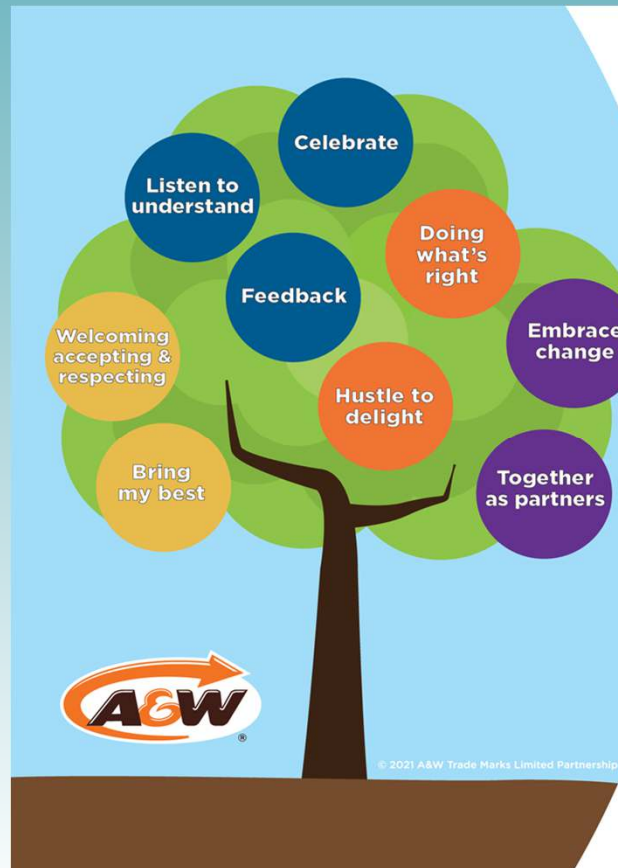




5

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.
- Closures peaked in Q2, during the first wave of the pandemic, when a total of 230 A&W restaurants out of the 971 restaurants in the Royalty Pool were temporarily closed.
- For most of Q2 the A&W restaurants that were able to remain open were restricted to drive-thru, limited take-out, delivery and mobile ordering. There were steady improvements in Q3, with a number of A&W restaurants permitted to re-open for limited dine-in sales, and then in Q4 some provinces increased restrictions due to the resurgence of COVID-19 cases.
- As at December 31, 2020, 42 A&W restaurants in the Royalty Pool remained temporarily closed due to the increased restrictions. As at February 16, 2021, 30 restaurants remained temporarily closed.
- 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 in 2021.





2019 and 2020 Highlights

- Same Store Sales Growth⁽¹⁾
 - 2020 -14.3%
 - 2019 +4.1%
- Royalty income down -9.1% in 2020 and up +8.8% in 2019
- Distributable Cash per Unit⁽²⁾ down -13.2% in 2020 and up 0.5% in 2019
- 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	2018	2019	2020
SSSG ⁽¹⁾	9.8%	4.1%	-14.3%
Gross Sales ⁽²⁾	1,362,996	1,482,323	1,347,387
Royalty Income	40,890	44,470	40,422
Admin. Expense	713	791	994
Interest	2,568	2,267	2,177
Current tax	6,346	8,269	7,242
Distributable Cash ⁽³⁾	31,262	33,143	30,009

(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	2018	2019	2020
Distributable Cash ⁽¹⁾	31,262	33,143	30,009
Refundable tax	1,284	(407)	(310)
Dist. to Unitholders	(20,933)	(25,139)	(21,350)
Dividends to Food Services	(7,316)	(7,828)	(6,811)
Surplus	4,297	(231)	1,538
Surplus – beg of period	3,363	7,660	7,429
Surplus – end of period	7,660	7,429	8,967

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



Fund Distributions and Payout

	2018	2019	2020
Distributable Cash per Unit ⁽¹⁾	\$1.853	\$1.863	\$1.618
Refundable tax (paid) recovered	<u>0.076</u>	<u>(0.023)</u>	<u>(0.017)</u>
Cash generated after refundable tax	1.929	1.840	1.601
Payout ratio ⁽²⁾	90.3%	99.5%	93.8%

(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 - 2019

- Distribution rate increased three times for a total of +11.2% during 2019
 - Annual distribution rate at the end of 2019 was \$1.908 per unit
- Total distributions in 2019 were \$1.853 per unit
 - A 10.7% increase over 2018 distributions





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 payable at the end of March 2021.
- Annualized distribution rate is now \$1.62 per unit.





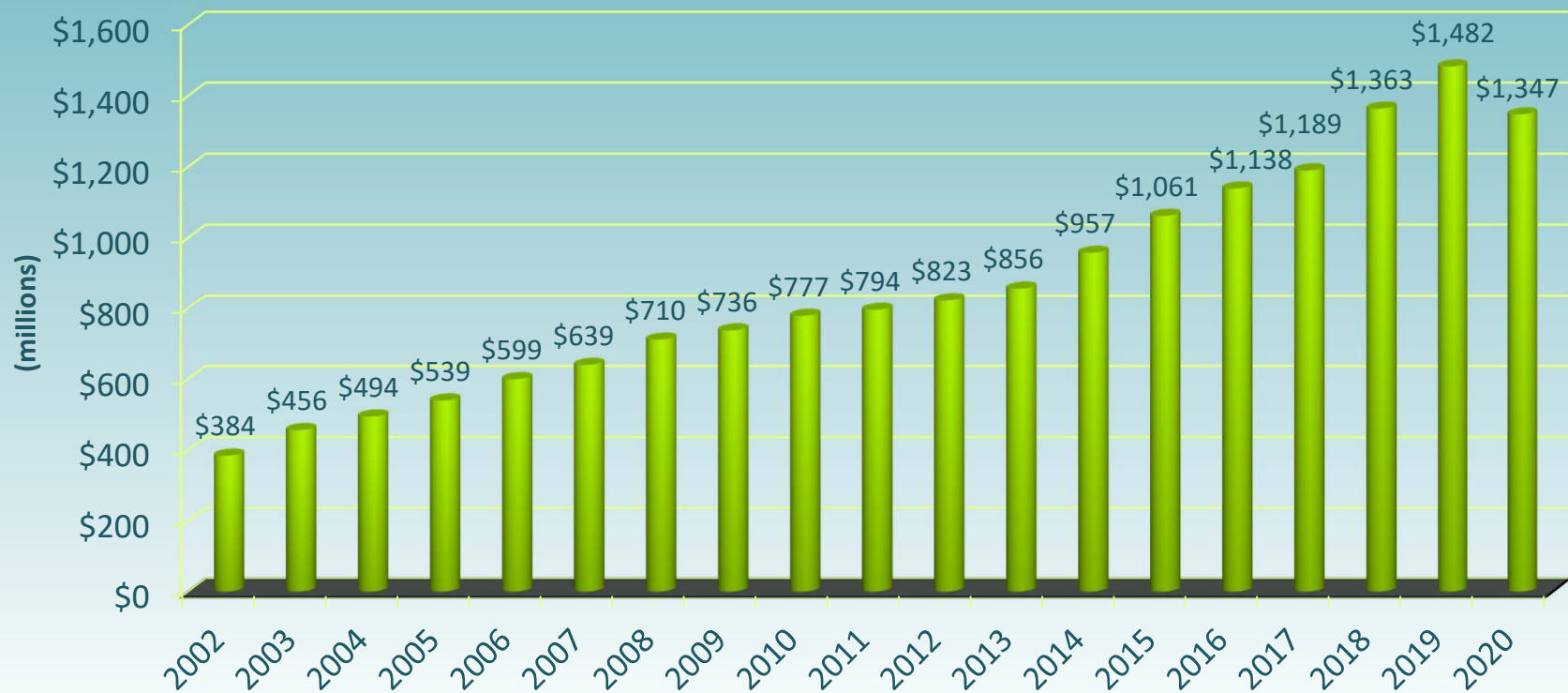
Annual Payout Ratio⁽¹⁾



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

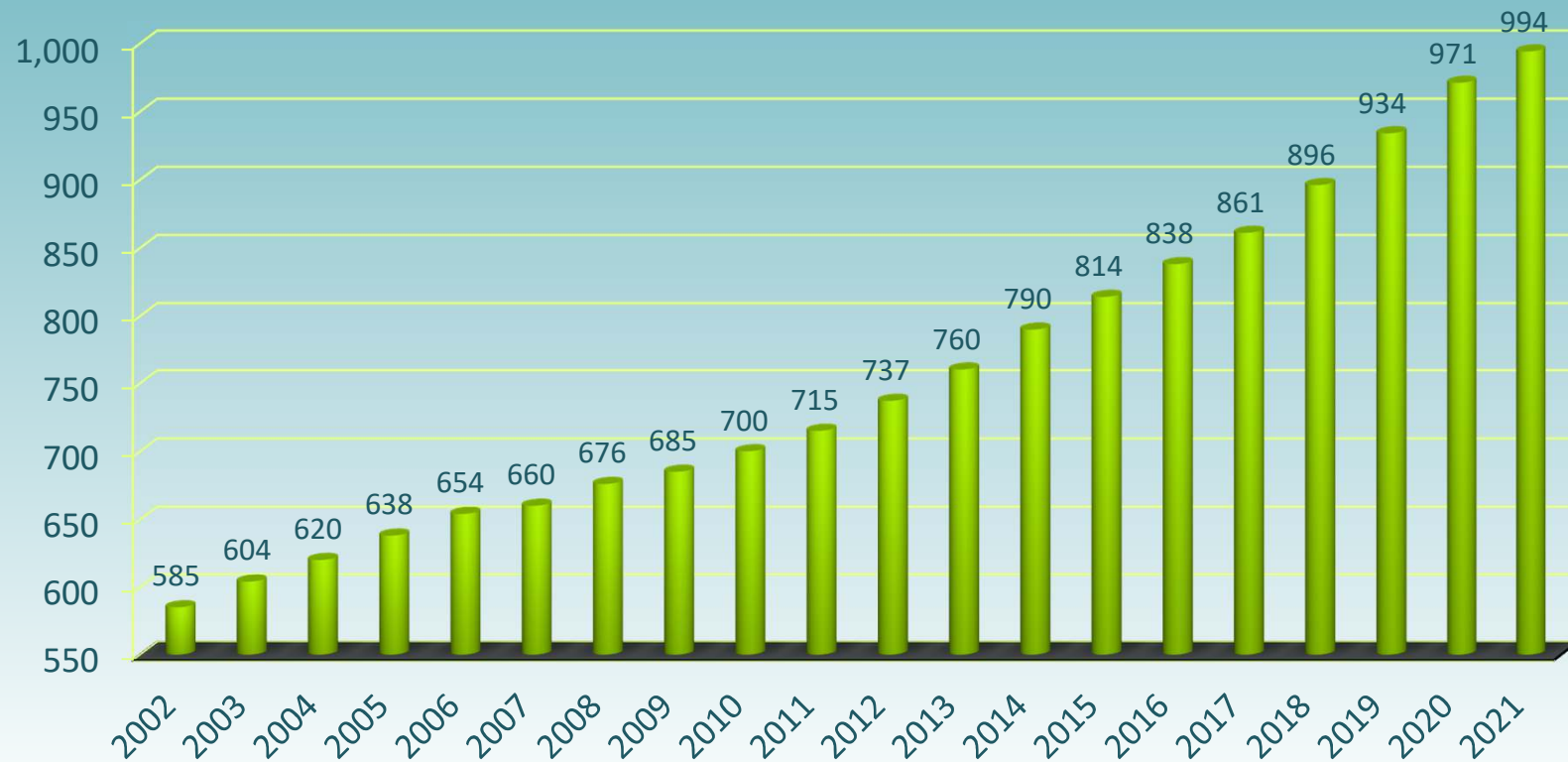


Royalty Pool Gross Sales





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 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

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 year ended December 31, 2020, filed under the Fund's profile on SEDAR at 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.

