



# SIR Royalty Income Fund

Annual General Meeting – June 11, 2020



# John McLaughlin Chair



## Meeting Agenda

- Appointment of Secretary / Scrutineers
- Notice of Meeting / Quorum
- Presentation of Annual Report and Financial Statements
- Appointment of Auditors
- Election of Trustees
- Management Presentation



# Peter Fowler

## Chief Executive Officer





## Forward-Looking Information / Non-IFRS Measures

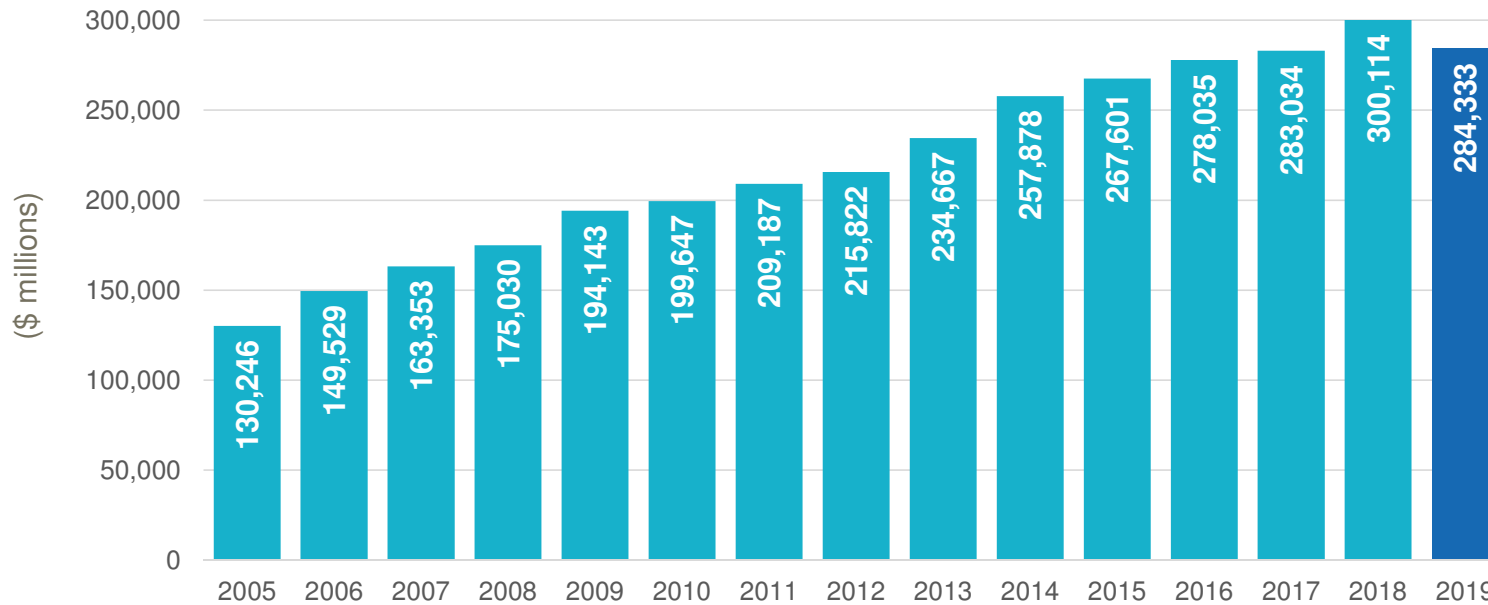
Certain statements contained in this presentation, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute **forward-looking information** within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; current market conditions; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under its Creditors. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. In formulating the forward-looking statements contained herein, Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term.

For more information concerning the Fund's risks and uncertainties, please refer to the March 12, 2020 Annual Information Form, for the period ended December 31, 2019, which is available under the Fund's profile at [www.sedar.com](http://www.sedar.com). All of the forward-looking statements made herein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

This presentation makes reference to certain **non-IFRS measures**. Adjusted Net Earnings (Loss), distributable cash, payout ratio, same store sales and same store sales growth are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that distributable cash, payout ratio, same store sales and same store sales growth are useful measures as they are key performance indicators, helping investors assess cash available for distribution. The Fund's method of calculating these measures may vary from that of other issuers and, accordingly, these measures may not be comparable to measures used by other issuers. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. For more information, please refer to the Fund's most recent Management Discussion & Analysis available on SEDAR and at [www.sircorp.com](http://www.sircorp.com).



## Royalty Pooled Revenue (2005 to 2019)



2019 same store sales

- 5%

*Historical track record of driving growth in Royalty Pooled Revenue by investing in new and existing restaurants*



## Factors Impacting Full-Service Restaurant Sales in 2019



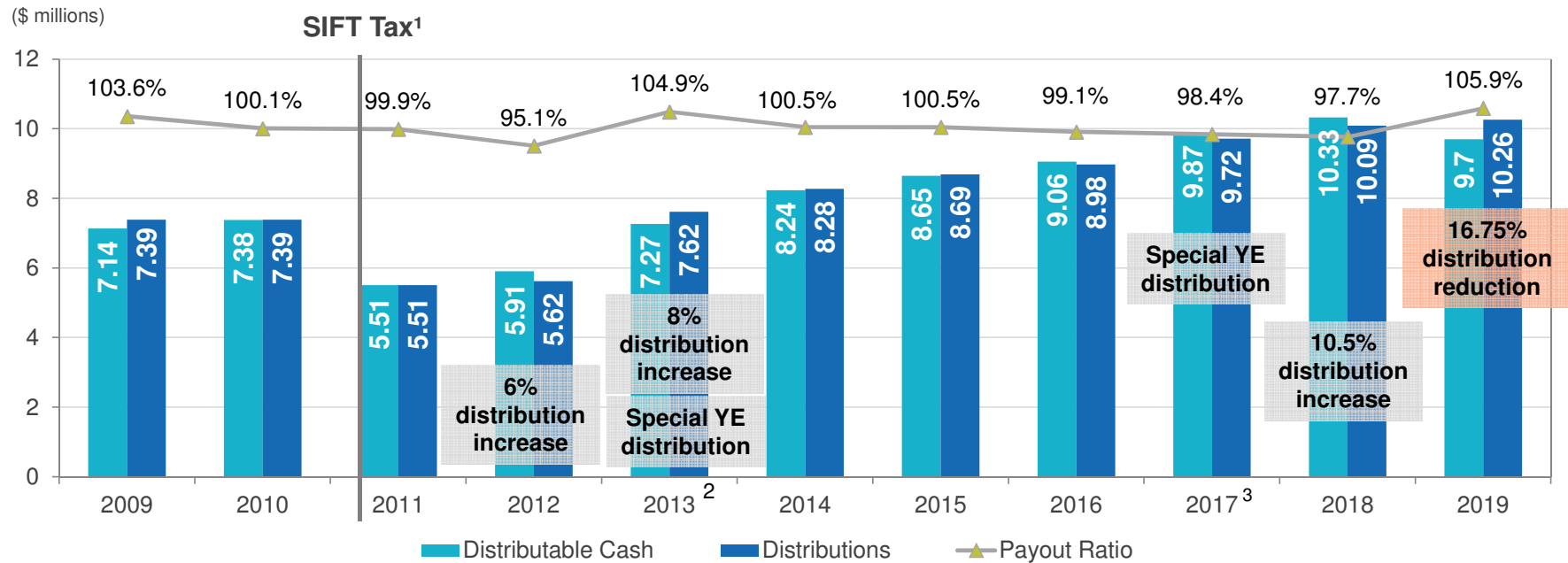
Consumer spending at full-service restaurants in Ontario, where the majority of SIR's restaurants are located, has been restrained by a number of factors, including:

- Increasing number of consumers choosing to order through meal delivery services as an alternative to in-restaurant dining, which has impacted beverage sales,
- The impact of Ontario's 2018 minimum wage increase on menu pricing,
- Stricter impaired driving legislation, and
- Rising cost of living / higher consumer debt levels (particularly in GTA).

*Full-service restaurant industry impacted by changing consumer behaviour*



# Cash Distributions & Payout Ratio (2009 to 2019)



*The Fund's payout ratio is intended to average 100% per annum over the long term. The Fund's payout ratio from inception in 2004 through to 2019 year-end is 99.7%*

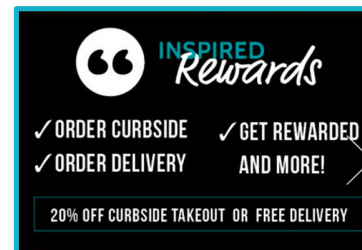
1. The reduction in distributions beginning in 2011 was equal to the estimated SIFT tax payable on the Fund's 2011 income
2. Cash distributed to unitholders in 2013 includes the special year-end distribution of \$0.05 per unit that was declared in December 2012 and paid on January 11, 2013. The Fund also increased monthly distributions to \$0.095 / unit effective for the June 2013 distribution. The payout ratio was significantly affected by these items
3. Cash distributed to unitholders in 2017 includes the special year-end distribution of \$0.02 per unit that was declared and paid in December 2017





## SIR's Response to 2019 Decline in Sales

- Introduction of new and healthier food options
- Rollout of 11 new globally-inspired bowls and salads at Jack Astor's
- Promotional pricing during off-peak periods
- Expanded take-out and delivery offerings
- Developed **"Service-Inspired Rewards"**, a new loyalty program / mobile application to further enhance guest experience
- Heightened focus service training and service excellence



**Corporate ownership model enables rapid implementation of operational and growth initiatives in response to consumer trends and competitive activity**



## COVID-19 Impact



- Dine-in operations at all SIR restaurants were temporarily suspended on March 16, 2020
- SIR had to lay-off most of its hourly employees, many restaurant managers and other support personnel
- SIR Limited Partnership deferred the collection of restaurant royalties and interest on the SIR Loan from SIR until June 30, 2020, in order to provide SIR with financial relief
- Cash distributions to Fund unitholders were suspended effective March 23, 2020 until further notice
- SIR is continuing to offer takeout and delivery services at certain Jack Astor's and Scaddabush locations and recently opened Reds Gerrard for takeout and delivery
- Reduced services and restaurant closures have resulted and will continue to result in material declines to sales at SIR restaurants
- Cash available for distribution to unitholders of the Fund has decreased significantly
- Planning underway for safe re-opening of dine-in operations for staff and customers

***SIR will continue to closely monitor COVID-19 and related government recommendations with a view to safely re-opening its dine-in operations when permitted***



## The Path Ahead for SIR Corp



### SIR's ability to meet its financial obligations for the next 12 to 18 months depends on:

- its ability to obtain necessary financing through an extension of the Waiver and Amending Agreement to its Credit Agreement,
- the availability of credit under the current Credit Agreement or other financing sources,
- the extent and duration of the Canada Emergency Wage Subsidy, and / or other support programs that may become available,
- the collectability / utilization of funds from business interruption or other insurance coverage, and
- its ability to negotiate longer term extended credit terms from its suppliers, including negotiating reductions and/or deferrals of rent obligations over the terms of its leases.

### Other factors:

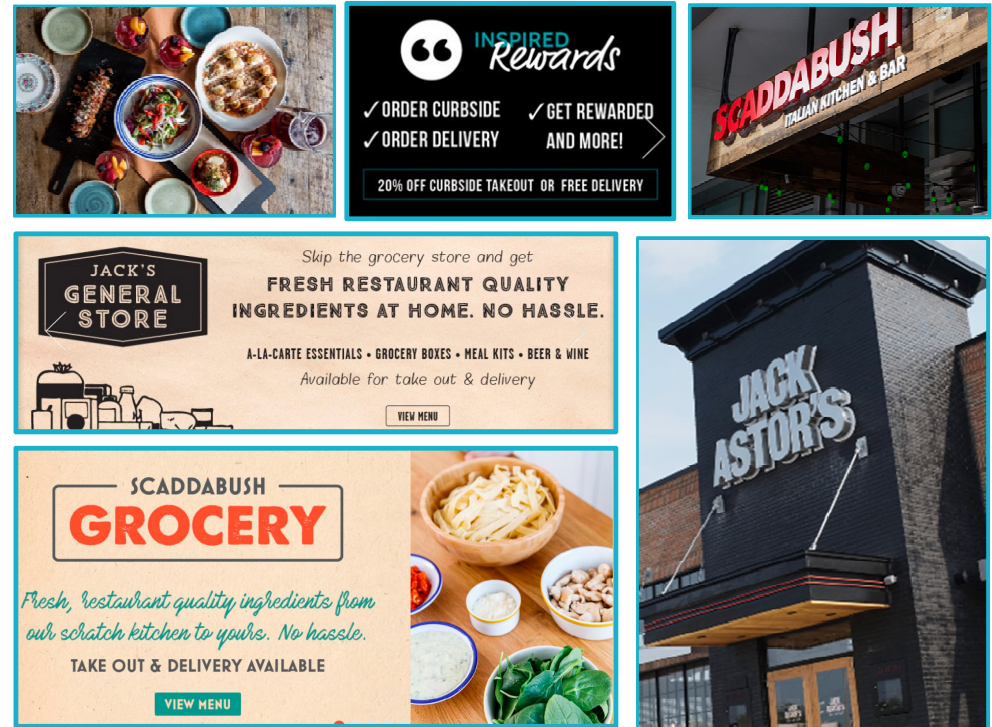
- the length of the closure of dine-in operations,
- the speed at which SIR is able to return to full operating capacity in the near future, and
- Canadian economic conditions after bars and restaurants are able to fully re-open.

*SIR is working in combination with its lender, landlords and suppliers in an effort to maintain continued support of SIR to ensure its long-term viability*



# Outlook

- SIR looks forward to safely re-opening its restaurants for dine-in guests
- Restaurants will have to implement appropriate physical distancing measures that may impact guest counts / sales
- SIR is implementing a 3% increase to menu prices
- SIR has introduced innovative takeout and delivery offerings
- Growing “Service-Inspired Rewards” program
- SIR’s corporate ownership model enables rapid implementation of performance-enhancing initiatives
- Continued focus on innovation
- Dine-in operations are now gradually re-opening at restaurants in western Canada and the Maritime provinces
- Ontario and Quebec have initiated phased re-openings



**The Trustees of the Fund are closely monitoring SIR’s ability to return to a position where it can, once again pay sustainable royalty payments to the Fund, and the Fund in turn, can make predictable and sustainable distributions to unitholders**

