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# SIR Royalty Income Fund

Investor Presentation – April 2022



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## Forward-Looking Information / Non-IFRS Measures

Certain statements contained in this report, 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", "could", "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; market conditions at the time of this filing; 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; the ability to maintain staffing levels; the impact of inflation, including on input prices and wages; the impact of the crisis in the Ukraine; changes in tariffs and international trade; changes in foreign exchange and interest rates; 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 or other limits placed on restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; changes in environmental laws; privacy matters; accounting policies and practices; changes in tax laws; 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 the Credit Agreement and imposed by the lender. 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 22, 2022 Annual Information Form, for the period ended December 31, 2021, and the Fund's most recent MD&A, which are 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).



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# Overview



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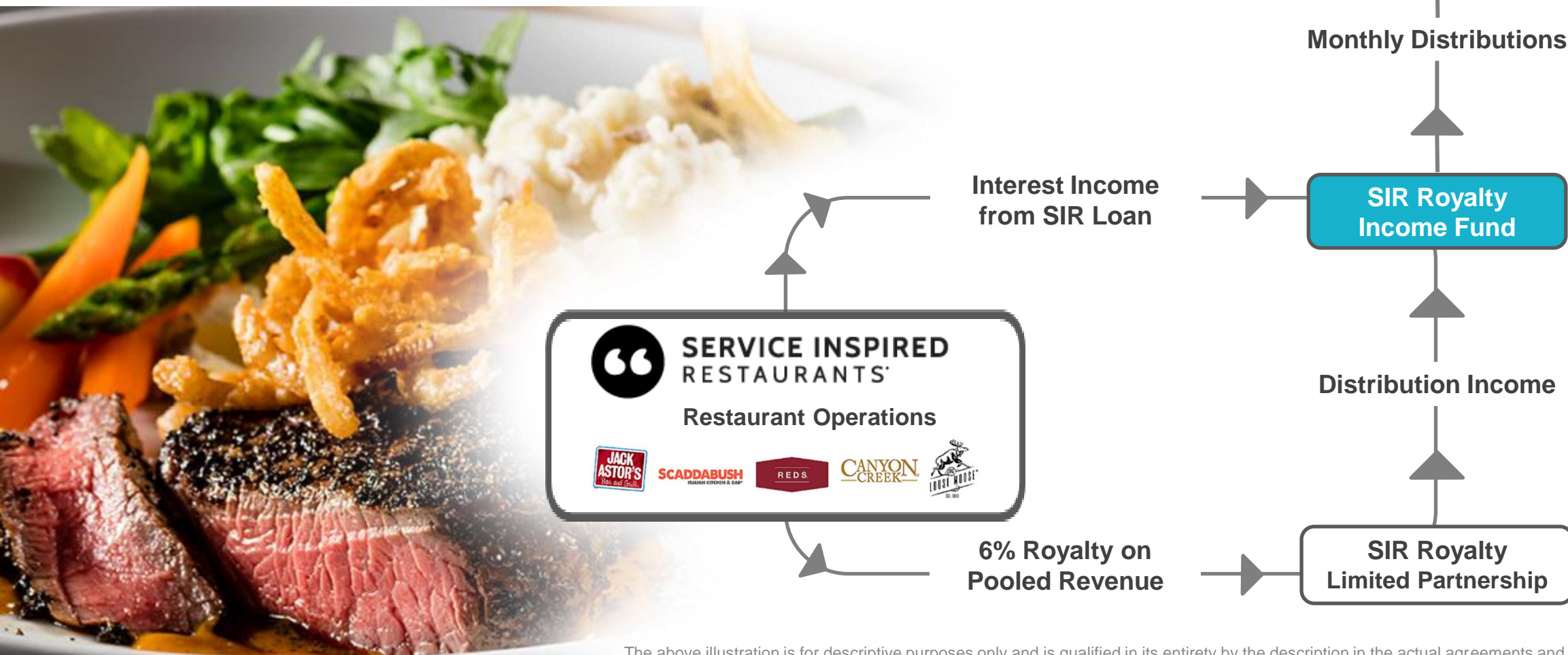
## SIR Royalty Income Fund (TSX: SRV.UN)

- SIR is a leading Canadian operator of casual and fine dining restaurants
- 52 restaurants, primarily in Ontario
- 6 brands / 5 brands currently included in Royalty Pool
- ~ 4,600 employees at year-end 2019 (pre-pandemic)
- Fiscal 2019 revenue: \$299.3 million (pre-pandemic)

- IPO: October 2004
- Market Cap: ~ \$111.4 million
- Recent close: \$13.30 (April 18, 2022)
- Units outstanding: ~ 8.4 million
- Monthly cash distribution per unit: \$0.09
- Current yield: ~ 8.2%



# Sources of Fund Income



The above illustration is for descriptive purposes only and is qualified in its entirety by the description in the actual agreements and by the Fund's prospectus on SEDAR. As at January 1, 2022, SIR Corp. held a 13.4% retained interest in SIR Royalty Limited Partnership.

# Board of Trustees

Name & Domicile	Principal Occupation
<b>Stephen Dewis</b> <sup>1* 3</sup> Ontario, Canada	Former Partner at Ernst & Young LLP
<b>Michael Fisher</b> <sup>1 3</sup> Ontario, Canada	Former Global Head of Trading for Fixed Income, Currencies and Commodities, BMO Capital Markets
<b>Lembit Janes</b> <sup>2 3</sup> Ontario, Canada	Former Chief Executive Officer, Janes Family Foods
<b>Sandra Levy</b> <sup>2* 3</sup> Ontario, Canada	Chief People Officer, Canadian Olympic Committee
<b>Norm Mayr, <i>Chair</i></b> <sup>1 3</sup> British Columbia, Canada	Corporate Director / Former KPMG Audit Partner
<b>William Rogers</b> <sup>2 3</sup> Ontario, Canada	President, The Commercial Capital Corporation
<b>Kim Van Nieuwkoop</b> Ontario, Canada	Senior VP of Human Resources and General Counsel, SIR Corp.

1. Member of Audit Committee
2. Member of Governance Committee
3. Independent
- \* Committee Chair

# Experienced Management Team with Strong Alignment of Interests



## **Peter Fowler, CEO**

- Director of SIR Corp. since 1992
- CEO since 2004 and the largest shareholder of SIR Corp.
  - Helped create SIR Concepts and continues to focus on Concepts
- CEO of SIR GP Inc.



## **Paul Bognar, President & COO**

- Joined SIR Corp. in 2012
- Head of Marketing, Human Resources, Finance, IT and Purchasing Departments
  - Previous: President of Simmons Canada; various senior positions with Maytag Canada



## **Jeff Good, CFO**

- Joined SIR Corp. in 2000
- Helped launch SIR Royalty Income Fund
  - 25 + years experience in finance and accounting in the restaurant industry
  - CFO of SIR GP Inc.
  - Previous: VP Finance, Oliver Bonacini Hospitality

***SIR Corp. has an effective 13.4% interest in the Fund***



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# Benefits of SIR Corporate Ownership Model



## Control

- Ability to implement consistent, best practices across restaurant network
- Coordination of roll-out of new restaurant locations and food & beverage offerings
- Leverage supplier relationships and delivery logistics

## Flexibility

- Unlike franchises, business change can be affected without lengthy approvals or negotiations
- Ability to change restaurant design with minimal lead time
- Enables constant menu innovation

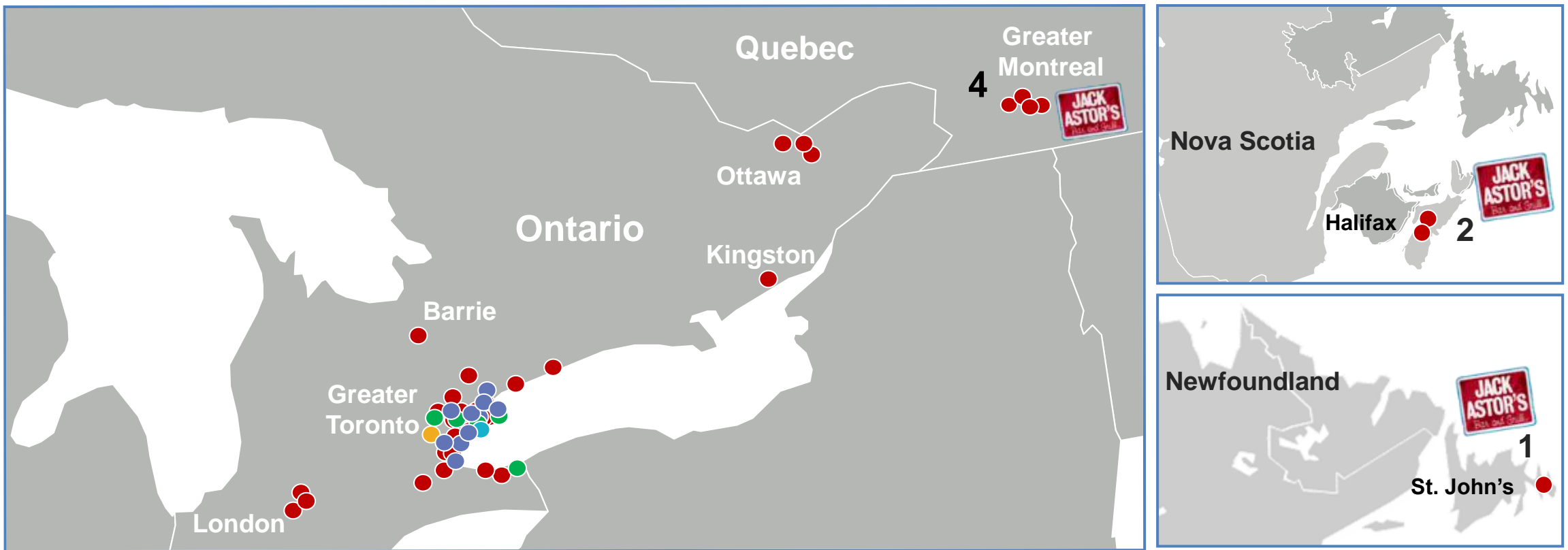
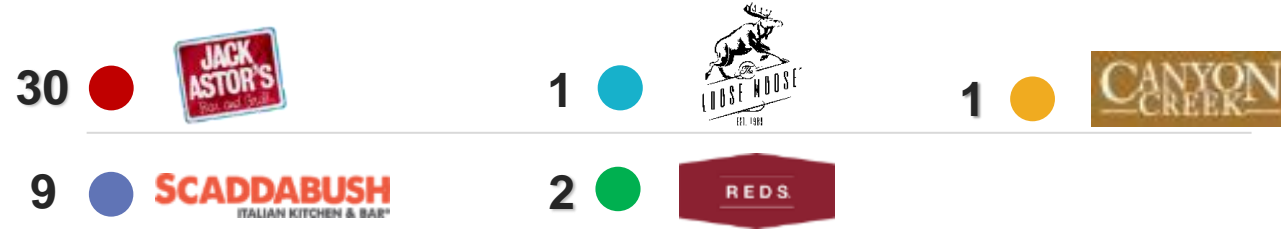
## Consistency

- Consistent customer experience at all restaurant locations creates superior brand value

***Greater control enables rapid implementation of operational and growth initiatives in response to consumer trends and competitive activity***

# 51 Royalty Pooled Restaurants<sup>1</sup>

Locations in Ontario:



1. 50 operating restaurants and one closed restaurant. The closed Canyon Creek location in the Fallsview Casino Resort in Niagara Falls, Ontario was converted to a new Reds restaurant and reopened on April 1, 2022. It will become a new Royalty Pooled Restaurant effective January 1, 2023

# Strategic Advantage Brand Diversification



Square One, Mississauga



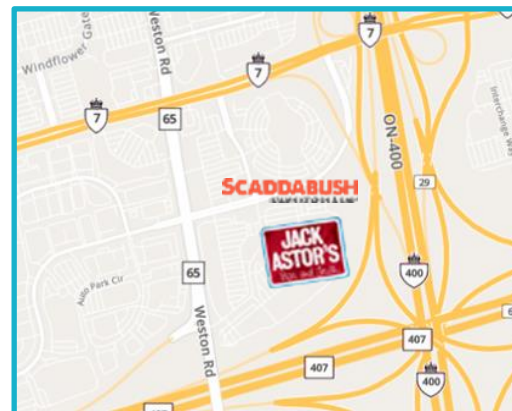
Scarborough Town Centre



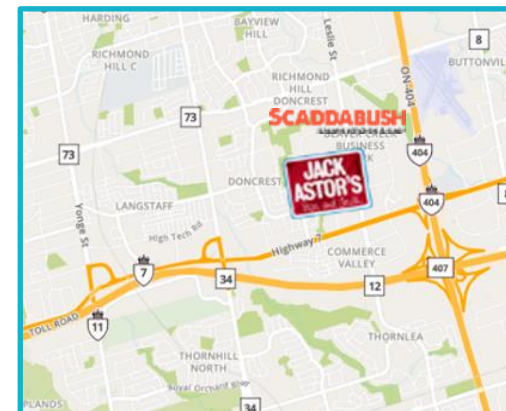
Front Street, Toronto



Sherway Gardens



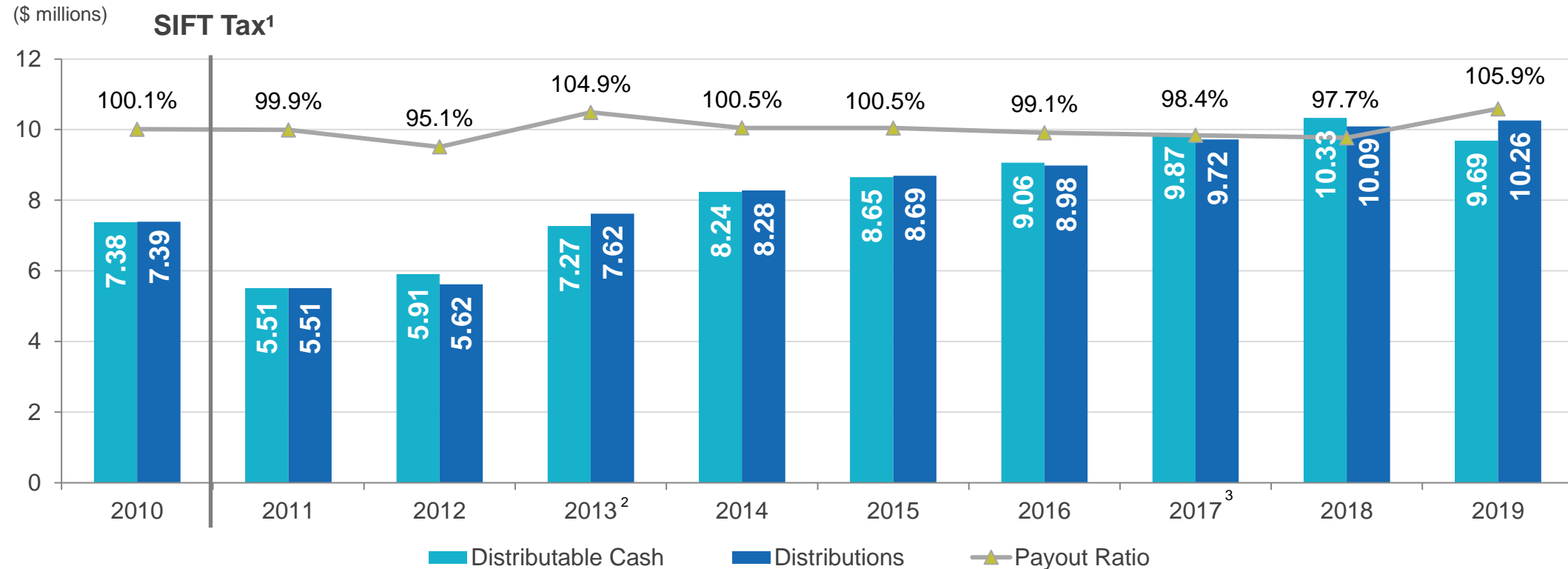
Vaughan



Richmond Hill

*Diverse portfolio of restaurant brands enables SIR to locate more than one restaurant brand at prime, high-traffic locations*

# Pre-Pandemic Cash Distributions & Payout Ratio



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

*The Fund's payout ratio is intended to average 100% per annum over the long term*

# SIR's Response to Pre-Pandemic Changes in Consumer Behaviour

- 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
- Launched **"Service-Inspired Rewards"**, a new loyalty program / mobile application to further enhance guest experience
- Heightened focus on staff training and service excellence



*New initiatives were generating improvement in year-over-year sales prior to the COVID-19 pandemic*

# COVID-19 Pandemic: 2020 Overview



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- Dine-in operations at all SIR restaurants suspended beginning on March 16, 2020
- SIR had to lay-off most of its hourly employees, many restaurant managers and other support personnel
- Cash distributions to Fund unitholders were suspended effective April 2020
- SIR Limited Partnership deferred the collection of restaurant royalties and the Fund deferred interest on the SIR Loan
- SIR's senior lender approved a series of waivers and amending agreements to credit agreement to provide financial support
- SIR continued to offer takeout and delivery services at certain Jack Astor's, Scaddabush, Signature Group and Canyon Creek locations
- From April 1 to 2020 year-end, sales from the Royalty Pooled restaurants declined by 68% compared to corresponding period in 2019
- SIR has been particularly impacted throughout the pandemic due to its concentration of restaurants in the GTA, which had among the most prohibitive operating restrictions in North America



# COVID-19 Pandemic: 2021-2022 Overview

- Increased vaccinations and easing of operating restrictions in all markets, most notably in Ontario during June 2021, drove growth in Royalty Pooled Revenue and Same Store Sales in Q2, Q3 and Q4 following declines in Q1
- Royalty Pooled Revenue increased **134.2%** in Q4 2021 compared to Q4 2020, and **14.1%** in 2021 compared to 2020
- Same Store Sales increased **134.9%** in Q4 2021 and **16.9%** in 2021
- Strived to maximize outdoor dining revenues through investment in numerous newly built and / or extended and heated patios
- Operating restrictions increased in December 2021 due to spread of the Omicron variant, with bans on indoor dining taking effect at year-end in Quebec and in January 2022 in Ontario
  - Omicron impact continued into first quarter of 2022
- Most remaining operating restrictions related to COVID-19 lifted in March 2022



# COVID-19 Pandemic: Government Support Overview

- SIR was deemed eligible for the federal government's Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs, and the Ontario COVID-19 Energy Assistance Program. The programs ended in October 2021
- During the 52-week period ended August 29, 2021, SIR recognized government assistance of \$22.2 million through CEWS, \$5.0 million through CERS, and \$4.2 million through other subsidies
  - Additional \$9.9 million of government assistance recognized during the 24 week-period ended February 13, 2022
- The federal government's Tourism and Hospitality Recovery Program ("THRP") went into effect on October 24, 2021 and is intended as a replacement for CEWS and CERS until at least May 7, 2022
- The Canada Recovery Hiring Program ("CRHP") has been extended until May 7, 2022

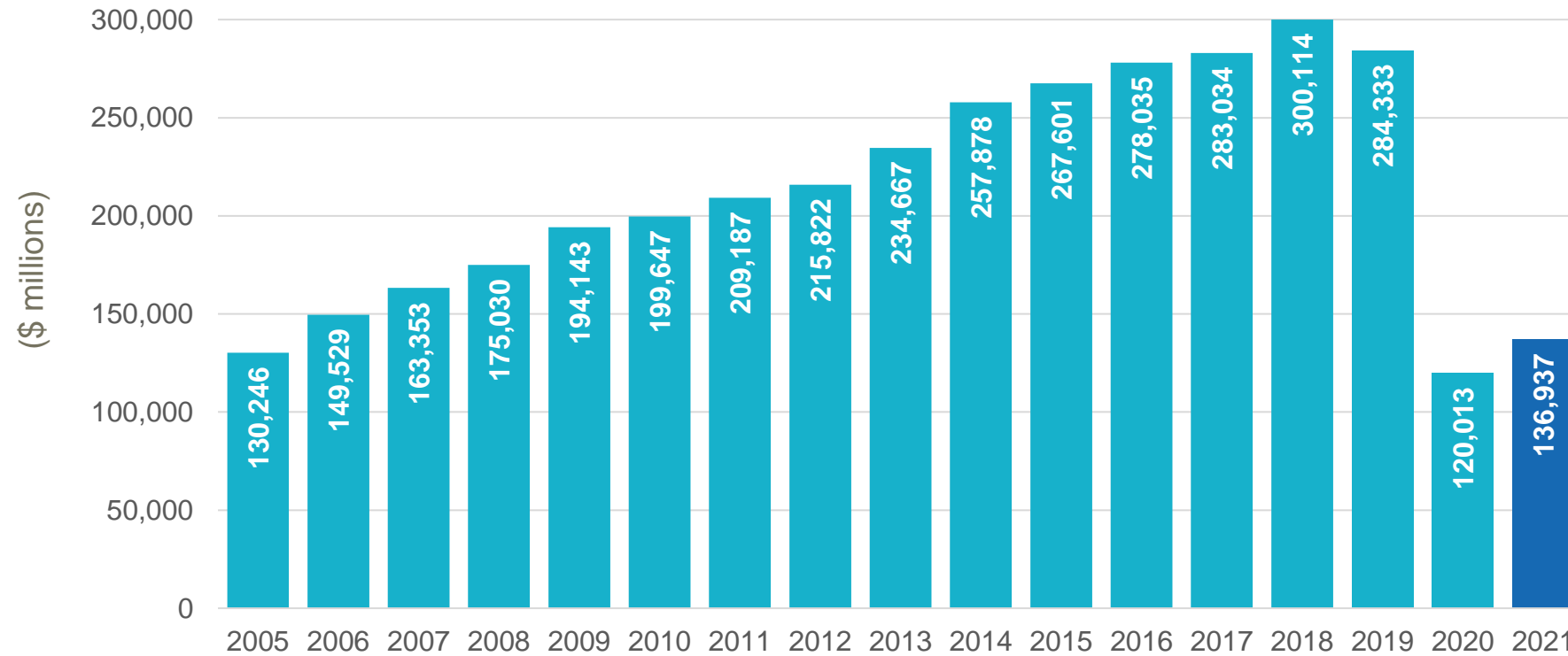


# COVID-19 Pandemic: Credit Agreement and Resumption of Distributions

- SIR entered into “Eighth Amending Agreement” to its Credit Agreement with senior lender on May 31, 2021
- SIR’s senior lender approved the resumption of current royalty payments and interest on the SIR Loan, as well as a framework to enable SIR to catch up on deferred royalty payments and interest on the SIR Loan by July 6, 2022
- The Fund resumed monthly cash distributions at \$0.07 / unit in July 2021
- The Fund subsequently increased monthly distributions to \$0.09 / unit In September 2021. The \$0.02 / unit increase reflects the commencement of the repayment of previously deferred royalties and interest on the SIR Loan
- Special year-end cash distribution of \$0.10 / unit paid on December 31, reflecting excess distributable cash available
- SIR’s Credit Facilities have been extended until July 6, 2022, with appropriate adjustments to its covenants

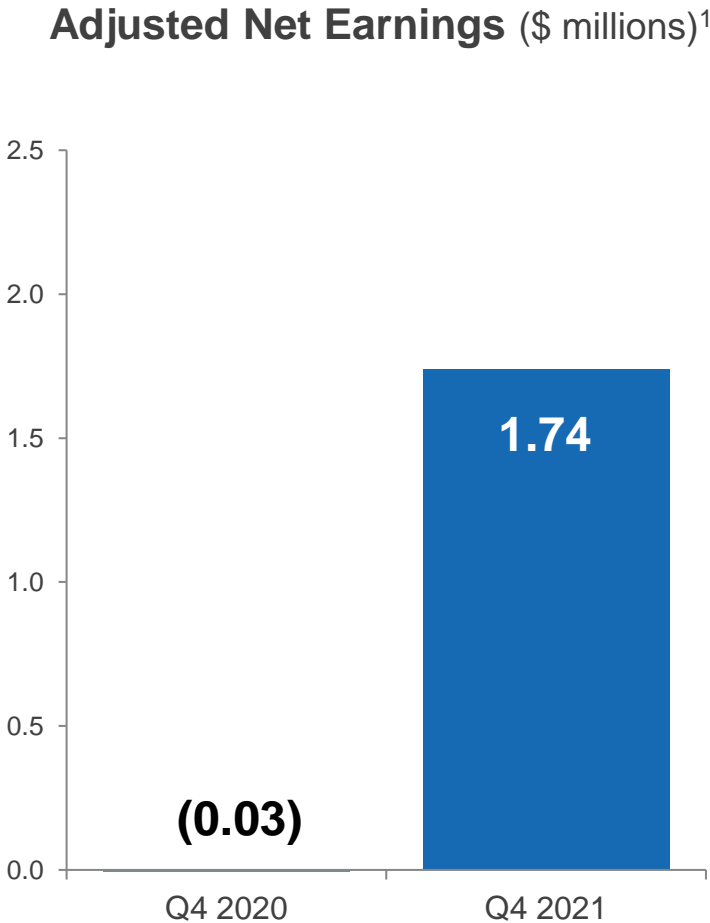
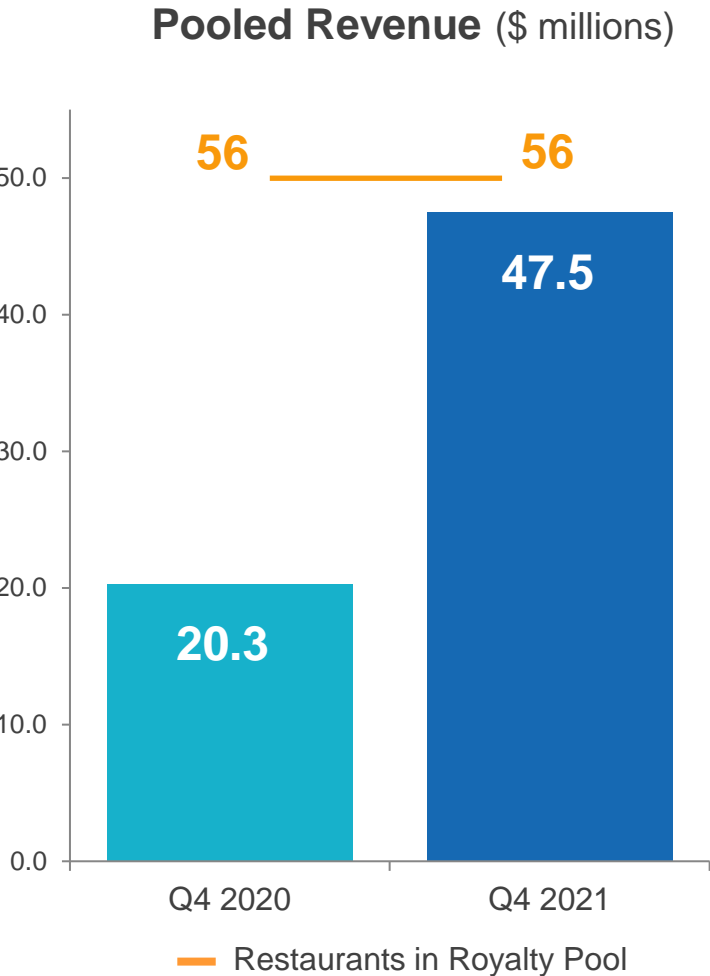


# Historical Pooled Revenue



***COVID-19 Pandemic Severely Impacted Pooled Revenue  
Beginning in Mid-March 2020***

# Q4 2021 Financial Review (Three months ended December 31)



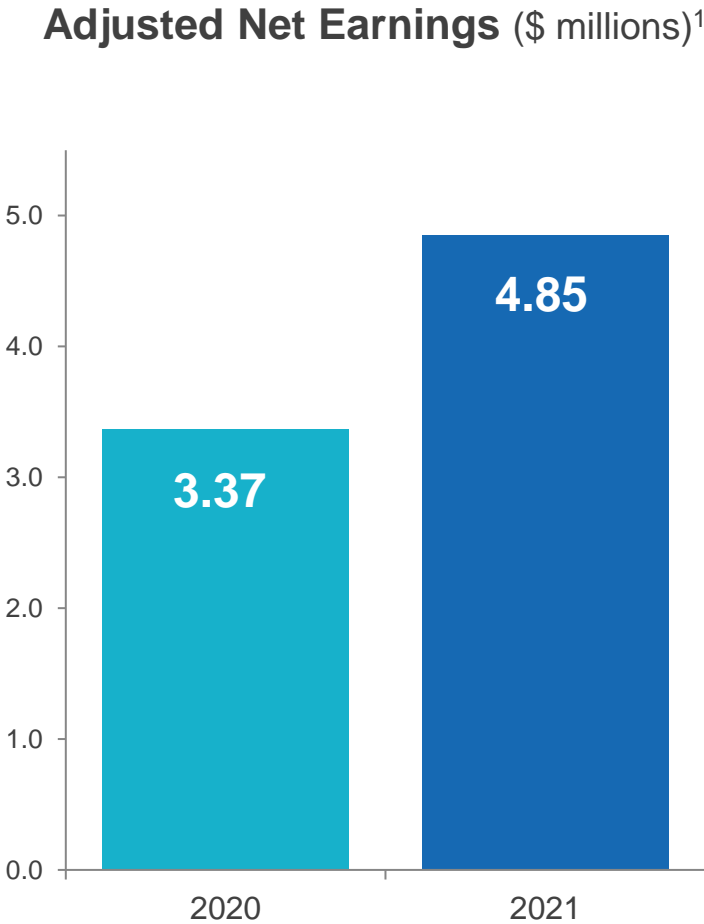
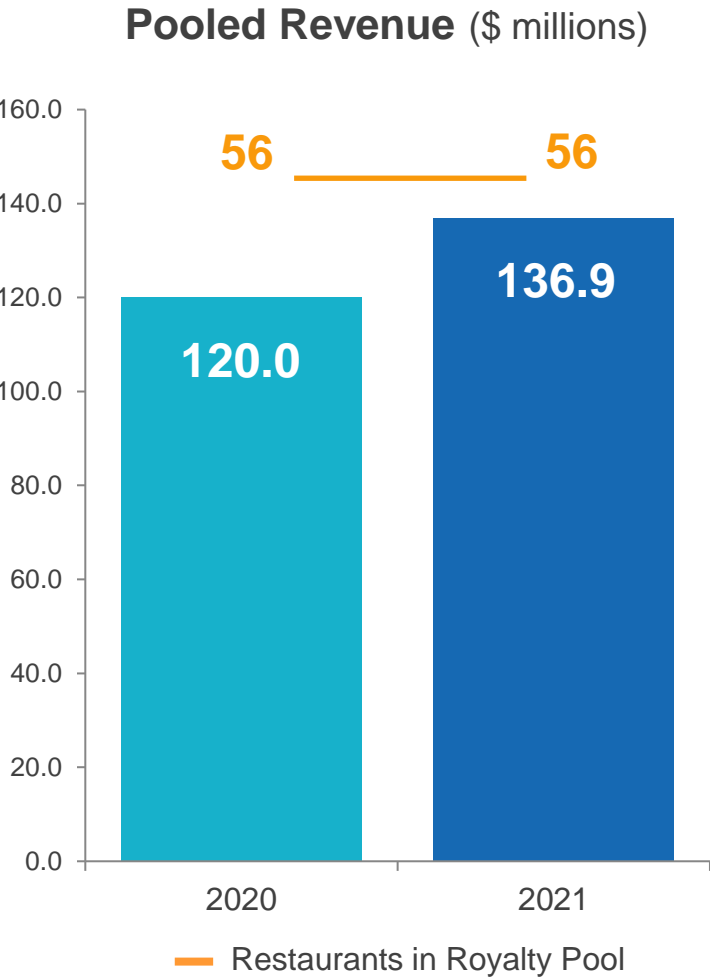
Same Store Sales

↑

**134.9%**

1. Adjusted Net Earnings is calculated by replacing the change in estimated value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period

# 2021 Financial Review



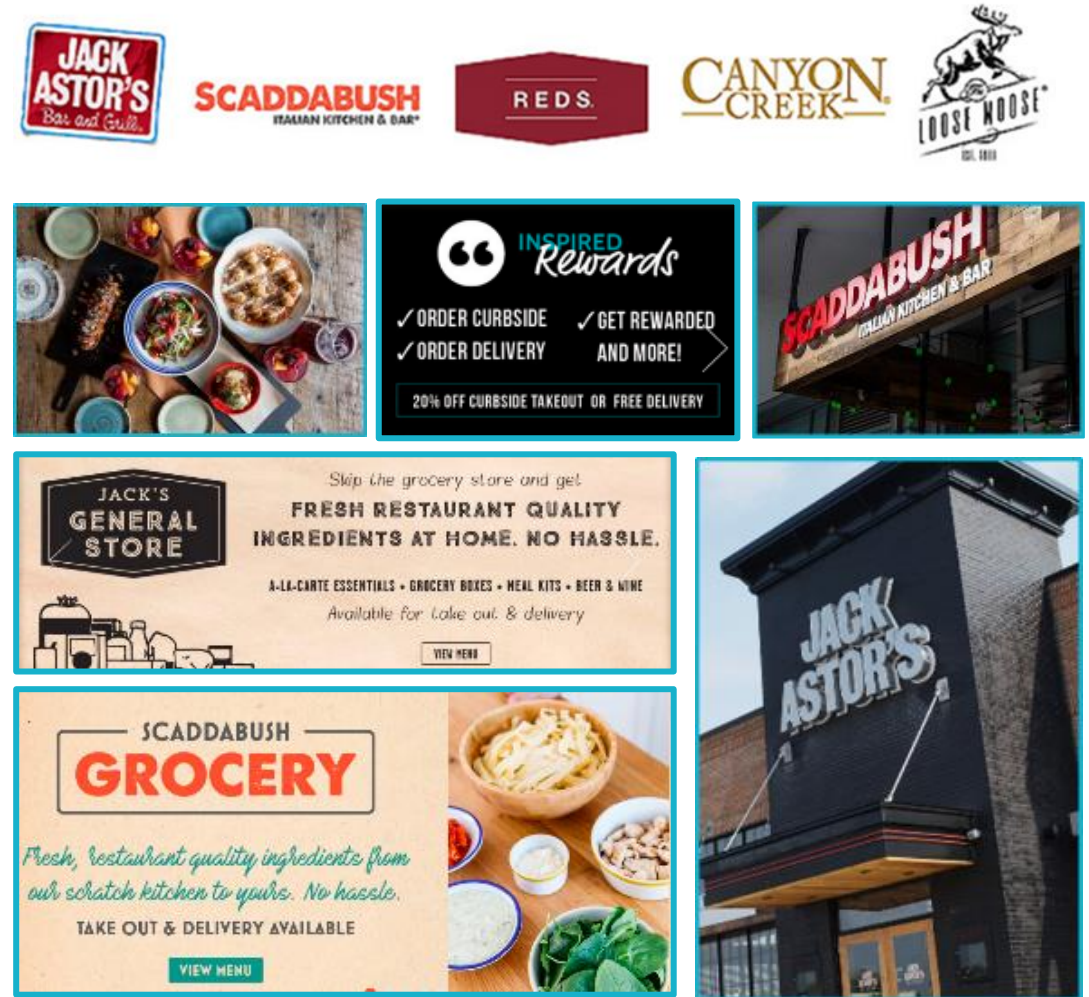
Same Store Sales

↑ **16.9%**

1. Adjusted Net Earnings is calculated by replacing the change in estimated value of the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period

# Outlook

- SIR remains focused on quality and innovation
- Heightened focus on service training and service excellence
- SIR's corporate ownership model enables rapid implementation of performance-enhancing initiatives
- Expanded take-out and delivery offerings, including *Scaddabush Grocer*, *Jack's General Store* and meal kits
- **"Service-Inspired Rewards"** has become a popular loyalty program further enhancing our guests' experience
- Well positioned to grow Pooled Revenue and same store sales as most operating restrictions related to COVID-19 have been lifted:
  - Ontario capacity went to 100% effective Feb. 17, mask mandate lifted effective March 21
  - Quebec capacity went to 100% effective March 12, with vaccine mandates lifted the same day
  - NS capacity went to 100% effective March 21
  - Nfld. capacity went to 100% effective March 14
- SIR is committed to prioritizing the health and safety of guests and personnel

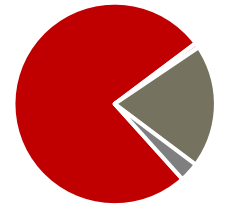


# Appendix

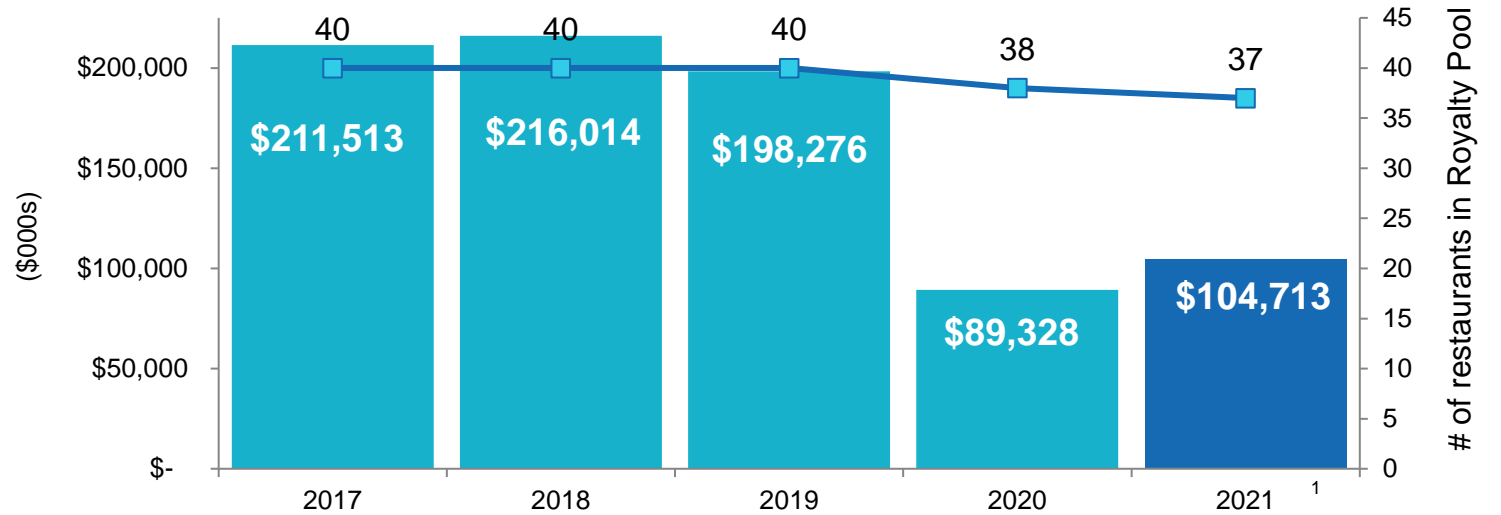




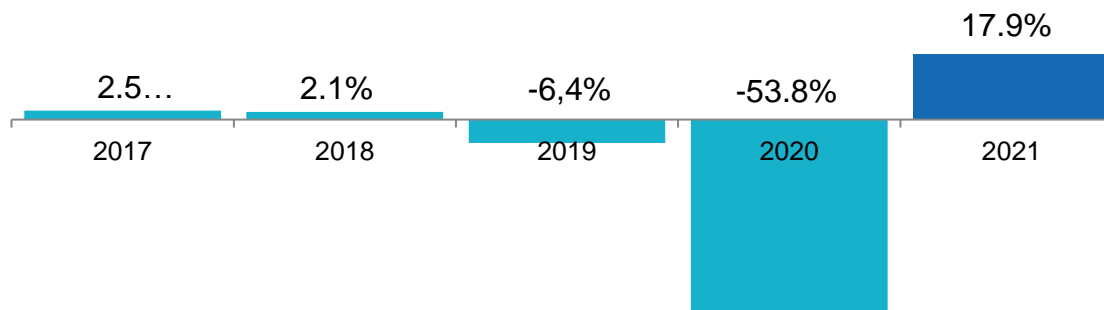
# 76.5% of Royalty Pooled Revenue in 2021



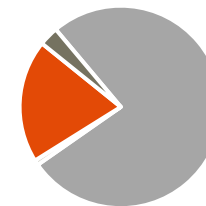
## Pooled Revenue



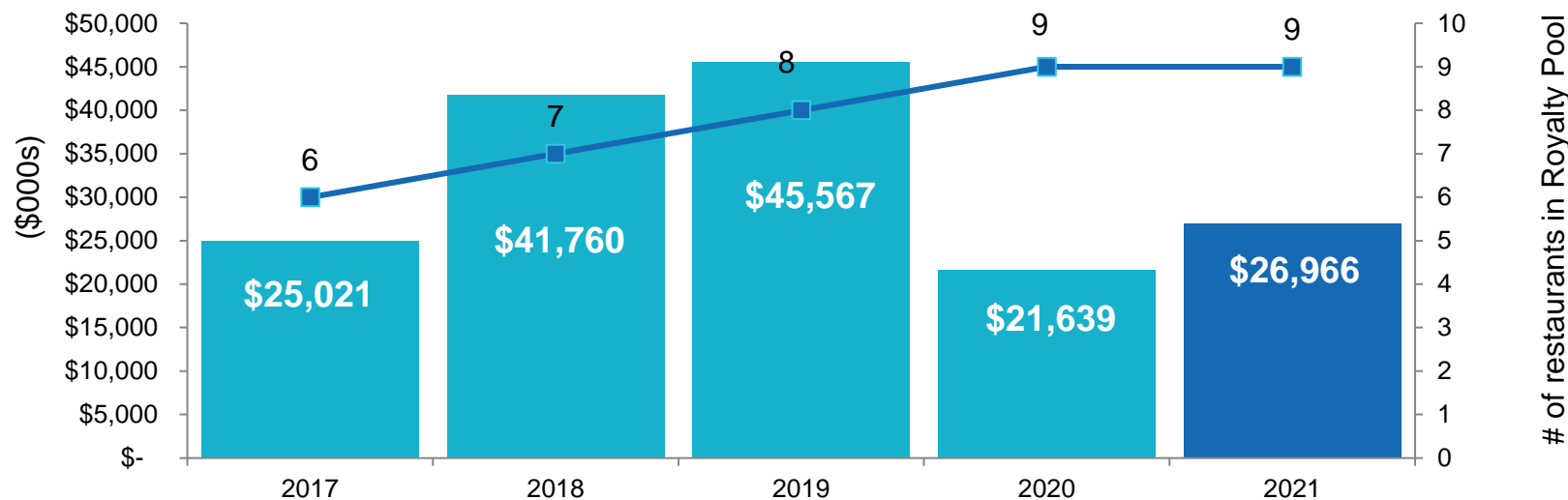
## Same Store Sales



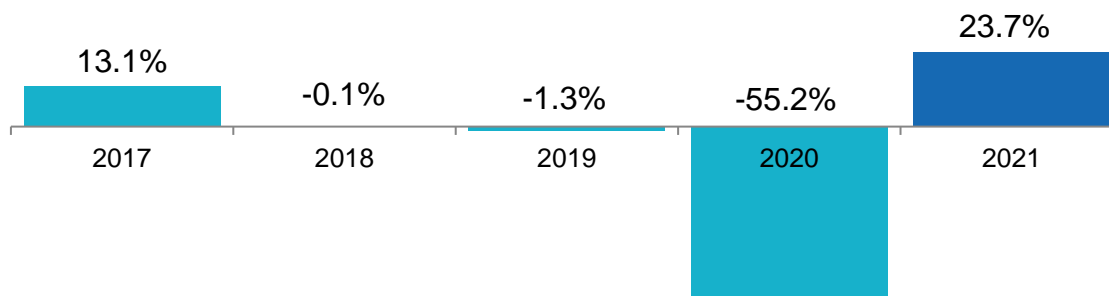
# 19.7% of Royalty Pooled Revenue in 2021



## Pooled Revenue

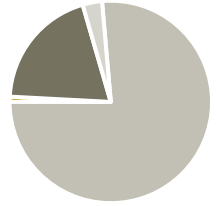


## Same Store Sales

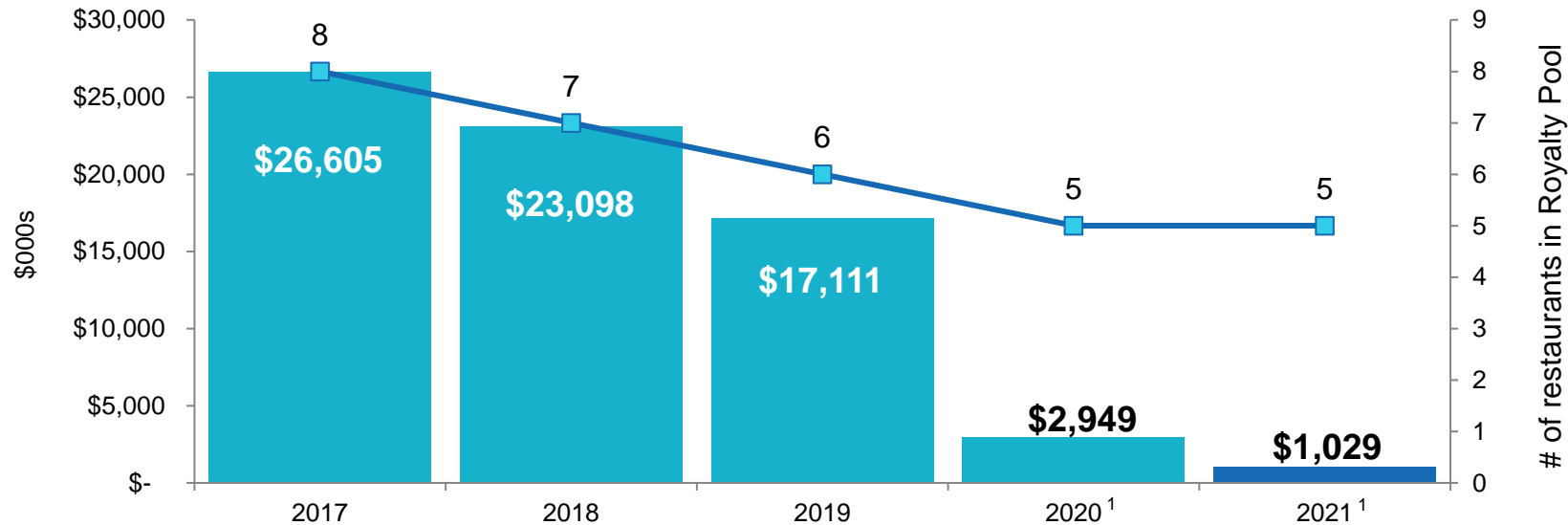




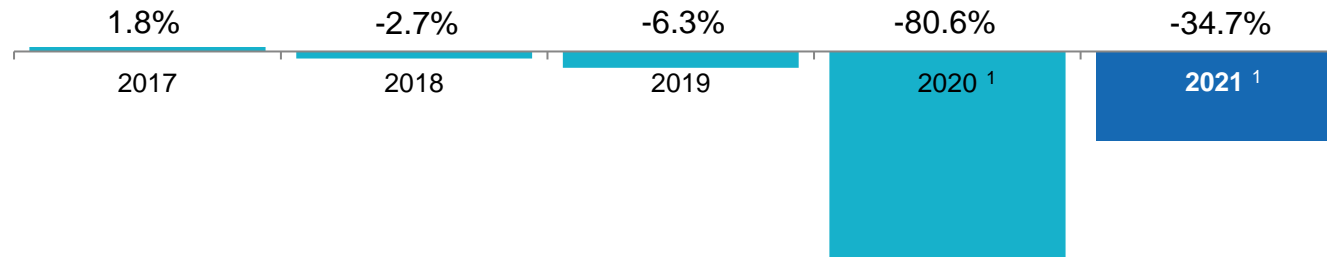
## 0.8% of Royalty Pooled Revenue in 2021



### Pooled Revenue



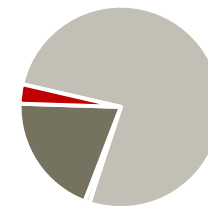
### Same Store Sales



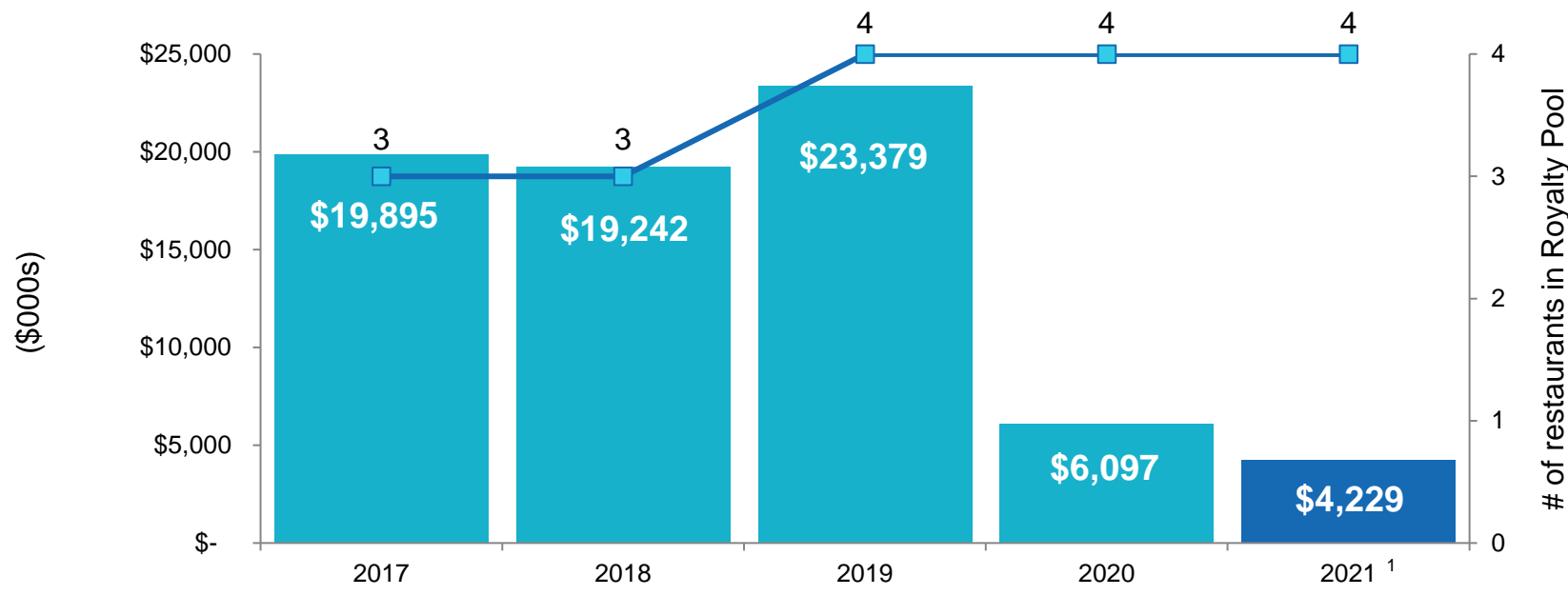
1. Post March 2020, only one Canyon Creek location was in operation



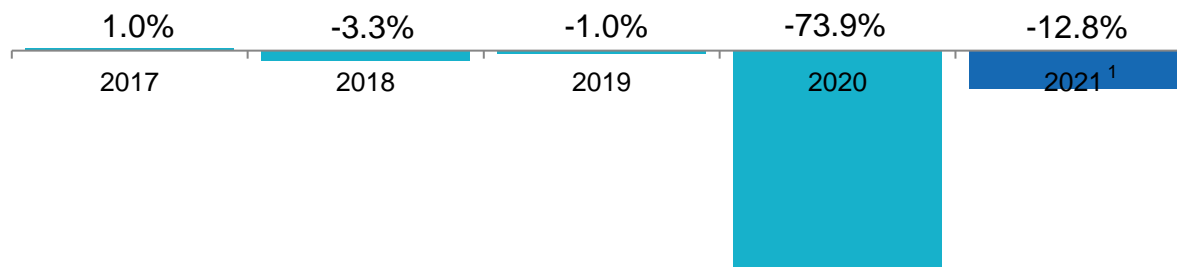
## 3.1% of Royalty Pooled Revenue in 2021



### Pooled Revenue



### Same Store Sales



1. The Reds Midtown Tavern at Yonge and Gerrard in downtown Toronto was permanently closed effective February 9, 2021



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