Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of Pizza Pizza Limited ("PPL") covers the 13-weeks (the "Quarter") ended April 3, 2016. The MD&A should be read in conjunction with PPL's April 3, 2016 unaudited interim condensed consolidated financial statements and notes thereto. PPL prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The MD&A has been prepared as of May 10, 2016.

OVERVIEW

PPL, a privately-owned Canadian corporation, operates two brands, Pizza Pizza and Pizza 73. PPL acquired 100% of the shares of Pizza 73, Inc. ("Pizza 73") on July 24, 2007. Immediately following the acquisition, PPL and Pizza 73 amalgamated, continuing to operate as Pizza Pizza Limited.

Pizza Pizza Royalty Corp., ("PPRC" or the "Company"), formerly Pizza Pizza Royalty Income Fund (the "Fund"), indirectly through the Pizza Pizza Royalty Limited Partnership (the "Partnership"), has licensed the Pizza Pizza Rights and Marks to PPL, for which PPL pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific listing of restaurants referred to as the Royalty Pool. There are 636 Pizza Pizza restaurants in the Royalty Pool for 2016.

In July 2007, the Partnership acquired the Pizza 73 trademarks and other intellectual property associated with Pizza 73 (together, "Pizza 73 Rights"). The Partnership licensed the Pizza 73 Rights to PPL for a 9% royalty on system sales of the Pizza 73 restaurants included in the Royalty Pool. For 2016, there are 100 Pizza 73 restaurants in the Royalty Pool.

About the Pizza Pizza Brand
Pizza Pizza restaurants operate primarily in the province of Ontario, where it dominates the pizza Quick Service Restaurant ("QSR") segment and is a franchise-oriented restaurant business. Of the 639 Pizza Pizza restaurants at April 3, 2016, 626 are franchised or licensed and 13 are owned and operated as corporate restaurants. Of the 639 restaurants, 226 are non-traditional locations which have limited operating hours and a limited menu.

PPL provides a high level of service and operational support to its partners, including turn-key restaurants, a central food distribution centre which supplies all food and non-food items used in Pizza Pizza restaurant operations, and monitoring systems intended to ensure product and service quality and operational consistency across the chain.

PPL has a modern restaurant system. The centrally managed renovation or re-imaging program, funded by its franchisees, allows for the continuous renewal of the Pizza Pizza concept.

About the Pizza 73 Brand
There are 102 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. The traditional Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant is operated by a corporation, with 74 jointly-owned by PPL and an independent owner/operator; one is 100% owned and operated by PPL as a corporate restaurant. There are 27 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 has five traditional locations outside of Alberta; three in Saskatchewan and two in British Columbia. Sales through its centralized call centre and on-line ordering, together, account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes two central food distribution centres.

Background
PPL's three distinct revenue sources, food sales, royalty payments and profits from the 50% ownership in the Pizza 73 restaurants, are driven by changes in retail system sales at franchised, jointly controlled and company restaurants. Changes in system sales are driven by changes in same stores sales and store counts. PPL monitors both of these metrics closely, as they directly impact its revenues and profits, and PPL strives to consistently increase the related amounts.

PPL devotes significant attention to its innovative marketing programs which are funded by the restaurant operators' contribution to a marketing fund that is administered by PPL. In accordance with their franchise or operating agreements, each traditional Pizza Pizza restaurant contributes approximately 6% of system sales (in addition to the base royalty and other franchise fees) and each Pizza 73 restaurant contributes approximately 8% of system sales.

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

As of April 3, 2016, PPL indirectly held an effective 20.4% interest in the Company (January 3, 2016 – 20.4%) by holding all Class B and Class D Units of the Partnership. PPL has the right to exchange one Class B or Class D Unit indirectly for that number of common shares of PPRC ("Shares") equal to the Class B Exchange Multiplier or Class D Exchange Multiplier, respectively, applicable at the date of such exchange, as described under "Royalty Pool Adjustments". The Class B and Class D Units are entitled to receive monthly distributions established by PPRC's board of directors. A monthly distribution is paid to both PPL and PPRC on a pro rata ownership basis, with PPRC's ownership held through its Class A and Class C limited partnership Units of the Partnership.

The table below shows movement, in PPL's proportion of all shares outstanding and available for exchange.

	% change	PPL's Proportion
As at December 29, 2014		28.0%
January 1, 2015 - Royalty Pool adjustment date	1%	29.0%
March 23, 2015 - PPL sold 2,800,000 equivalent shares	(9.1%)	19.9%
January 1, 2016 - Royalty Pool adjustment date	0.5%	20.4%
PPL's proportion of all shares outstanding and available for exchange as at April 3, 2016		20.4%

SALE BY PPL OF 2,800,000 EQUIVALENT SHARES

On March 23, 2015, PPL entered into an underwriting agreement for the sale of 2,800,000 Shares of the Company at a price of $15.00 per share. In order to provide the 2,800,000 Shares to the underwriters, PPL exchanged 1,564,889 of its Class B Units of the Partnership, applying the Class B Exchange Multiplier of 1.789264. PPL's ownership of the Company's fully-diluted shares decreased from 29.0% to 19.9% as a result of this transaction.

ROYALTY POOL ADJUSTMENTS

Annually, on January 1 (the "Adjustment Date"), an adjustment is made to the Royalty Pool to include the forecasted System Sales from new Pizza Pizza restaurants opened on or before December 31 of the prior year, less System Sales from any Pizza Pizza restaurants that have been permanently closed during the year. The change in the amount of the Royalty due to the Partnership as a result of changes in the System Sales of the Royalty Pool will affect PPL's retained interest through an adjustment to the rate at which the Class B Units of the Partnership may ultimately be exchanged for Shares. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier (as defined in the Pizza Pizza License and Royalty Agreement) involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the prevailing yield of the Shares. Beginning January 1, 2012, the Determined Amounts are multiplied by a number equal to (1-Tax%) where "Tax%" is an estimate of the Company's effective tax rate for the year (determined using the total income taxes paid by the Company during the fiscal year divided by the total cash received by the Company during that fiscal year) (i.e., for the Adjustment Date of January 1, 2015, it will be the effective Company tax rate for the year ended December 31, 2014). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Company for the year is known. The Determined Amount is multiplied by 80%, then divided by the current market price of the Shares, and then further divided by the number of Class B Units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year, which was "one" on the closing of the Fund's initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the System Sales for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current shareholders.

If, during a year, a Pizza Pizza restaurant is closed, the sales of the restaurant from the closing date would no longer be included in the calculation of the royalty payable to the Partnership by PPL. To compensate for this, in certain circumstances, the Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") provide that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by PPL to the Partnership for the balance of the year in which the restaurant was closed, commencing from the closing date. The Make-Whole Payment will be the sales of the closed restaurant for the first 52-week period in which it was included in the Royalty Pool multiplied by the royalty rate, one twelfth of which is payable each month until the Adjustment Date.

Similarly, on the Adjustment Date, a separate adjustment is made to the Royalty Pool for the Pizza 73 restaurants. The Royalty Pool is increased to include the forecasted System Sales from new Pizza 73 restaurants opened on or before September 1 of the prior year, less System Sales from any Pizza 73 restaurants that have been permanently closed during the year. On the Adjustment Date, the adjustment to the Class D Exchange Multiplier is calculated in a similar manner as the Class B Exchange Multiplier described above.

RESTAURANTS ADDED TO THE ROYALTY POOL

2015 Royalty Pool Adjustment

In early January 2016, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 23 new restaurants added to the Royalty Pool on January 1, 2015. As a result of the adjustments, the new Class B Exchange Multiplier is 1.796297 and Class B Units can be exchanged for 4,505,541 shares, which is an increase of 17,641 shares, effective January 1, 2015.

In early January 2016, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the eight Pizza 73 restaurants added to the Royalty Pool on January 1, 2015. As a result of the adjustments, the new Class D Exchange Multiplier is 17.07332 and Class D Units can be exchanged for 1,707,332 shares, which is an increase of 71,099 shares, effective January 1, 2015.

2016 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2016, six net Pizza Pizza restaurants were added to the Royalty Pool as a result of 24 new restaurants opening and 18 closing from January 1, 2015 to December 31, 2015. The additional system sales from the 24 new restaurants are estimated at $4,887,000 annually less sales of $3,630,000 from 18 permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of $1,257,000 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 636. The yield of the shares was determined to be 5.89% calculated using $13.85 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2016. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.021529; the new

Class B Multiplier is 1.817826. This adjustment will also increase the entitlement of the holders of the Class B Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2016, once the actual performance of the new restaurants is determined in early 2017.

2016 Royalty Pool Adjustment – Class D Exchange Multiplier
On January 1, 2016, the Pizza 73 Royalty Pool remained unchanged as a result of two new restaurants opening between September 2, 2014 and September 1, 2015 and two restaurants closing between January 1, 2015 and December 31, 2015. The forecasted additional system sales from the two new restaurants are estimated at $1,070,000 annually less $512,000 in system sales attributable to the two closed restaurants. The total number of Pizza 73 restaurants in the Royalty Pool remains at 100 for 2016. The yield of and the weighted average share price used in the calculation of the Class D multiplier is determined in the same manner as that of the Class B multiplier calculation at 5.89% and $13.85, respectively. As a result of the contribution of the additional net sales to the Royalty Pool, the Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.35975; the new Class D Multiplier is 17.43307. This adjustment will also increase the entitlement of the holders of the Class D Units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2016, once the actual performance of the new restaurants is determined in early 2017.

PPL's Ownership of the Company
In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool on January 1, 2016, PPL has received 54,001 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (67,501 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2016 actual sales performance is known with certainty in early 2017.

In exchange for adding the forecasted Pizza 73 system sales to the Royalty Pool on January 1, 2016, PPL has received 35,975 additional equivalent Shares (through the change to the Class D Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (45,691 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2016 actual sales performance is known with certainty in early 2017.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2016, PPL owns equivalent Shares representing 20.4% of the Company's fully diluted shares.

The table below shows the Shares that would be outstanding if all of the Class B and Class D Units of the Partnership held by PPL were converted to Shares of the Company on April 3, 2016.

Shares outstanding & issuable on April 3, 2016		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2015	4,487,900	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2015	17,641	
Additional PPL Class B equivalent Shares as of January 1, 2016	54,001	4,559,542
Class D equivalent Shares held by PPL at December 31, 2015	1,636,233	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2015	71,099	
Additional PPL Class D equivalent Shares as of January 1, 2016	35,975	1,743,307
Number of fully diluted shares		30,921,421
PPL's proportion of all shares outstanding and available for exchange		20.4%

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the Quarter ended April 3, 2016 unaudited interim condensed consolidated financial statements and related notes thereto. PPL has a floating year-end of the Sunday closest to December 31, accordingly, quarters consist of four 13-week periods with an additional week added to the last quarter every five to six years.

Consolidated Financial Data and Adjusted EBITDA(1) Calculation

	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015
(all dollars in thousands)		
System Sales(2),(3)	$ 135,071	$ 132,036
Same Store Sales Growth (SSSG) (4)	2.5%	2.5%
Number of Restaurants:		
Traditional	488	481
Non-traditional	253	254
New restaurants opened	4	5
Restaurants closed	2	2
Revenues	54,134	52,187
Cost of food sales and general & administrative expenses	(47,577)	(45,377)
Equity income from the Partnership	1,593	1,924
Royalty payments	(8,642)	(8,439)
Operating income	884	2,221
Income tax recovery (expense)	(372)	(7,189)
Income for the period attributable to the shareholders of Pizza Pizza Limited	1,490	25,144
Add (deduct):		
Equity income from Partnership	(1,593)	(1,924)
Royalty payments	8,642	8,439
Amortization of deferred gain	(582)	(582)
Amortization	509	463
Interest (income) / expense, net	(171)	(183)
Gain on sale of Company-owned restaurants	(86)	(88)
Income from Class D vend-in	-	(38)
Gain on sale of Class B Partnership Units	-	(28,963)
Provision for (recovery of) income taxes:		
Current	152	10,261
Deferred	220	(3,072)
Adjusted EBITDA (1)	**$ 8,581**	**$ 9,457**

Notes:

(1) ''EBITDA'' is not a recognized measure under IFRS. References to EBITDA are to earnings determined in accordance with IFRS applicable to the financial statements before amounts for interest, taxes and depreciation and amortization. In addition, PPL has adjusted EBITDA for unusual charges in an attempt to demonstrate PPL operations as if a recombination of PPL and PPRC occurred. Adjusted EBITDA excludes gains and losses on sales of assets and other items resulting from its relationship with the Partnership. PPL believes that, in addition to net earnings, adjusted EBITDA is a useful supplemental measure in evaluating its performance as it provides investors with an indication of cash available for debt service, working capital needs and capital expenditures. Investors are cautioned, however, that adjusted EBITDA should not be construed as an alternative to the statement

of cash flows as a measure of liquidity and cash flows. The method of calculating adjusted EBITDA for the purposes of this MD&A may differ from that used by other issuers and, accordingly, adjusted EBITDA in this MD&A may not be comparable to adjusted EBITDA used by other issuers.

(2) PPL has a floating year-end of the Sunday closest to December 31, accordingly, interim periods consist of four 13-week periods with an additional week added to the last interim period every 5 to 6 years. A 53rd week was added to fiscal 2015 resulting in the year ending on January 3, 2016.

(3) System Sales (as defined in the Licence and Royalty Agreements) reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of PPL but are used to calculate the royalties payable to the Partnership as presented above.

(4) Same store sales growth ("SSSG") is not a recognized measure under IFRS. References to SSSG are to the changes in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. (See "Same Store Sales Growth").

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the unaudited interim condensed consolidated financial statements and related notes of PPL for the 13-week period ended April 3, 2016. See "Critical Accounting Policies and Estimates".

System Sales

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015
Pizza Pizza	113,061	107,960
Pizza 73	22,010	24,076
Total	135,071	132,036

System sales were affected by net new store additions and the SSSG achieved during the Quarter. See Same Store Sales Growth ("SSSG").

Same Store Sales Growth

SSSG increased by 2.5% (2.5% - 2015) for the Quarter, when compared to the same period in 2015. SSSG is not affected by the additional day during the leap year. SSSG is calculated using a 13-week comparable period.

SSSG	**First Quarter (%)**	
	2016	**2015**
Pizza Pizza	4.9	2.2
Pizza 73	-7.9	3.8
Combined	2.5	2.5

SSSG is driven by the growth in the average customer check and in customer traffic both of which are affected by changes in pricing and sales mix. During the Quarter, the average check and customer traffic increased when compared to the same quarter last year. Consumers responded well to Pizza Pizza's marketing campaign which included the annual Cineplex promotion. In addition, the value messages promoting high quality menu offerings in PPL's major markets continued to attract growth in the average customer traffic and check. The Pizza 73 brand, operating largely in a weakened Alberta economy, reported a decline in customer traffic and the average check. The lower price of crude oil has resulted in increased unemployment and a decline in Alberta's consumer spending. PPL's management believes that geographic diversification has proven to be key to consistent, overall Royalty Pool sales growth.

SSSG is a key indicator used by PPL to measure performance against internal targets and prior period results. SSSG is commonly used by financial analysts and investors to compare PPL to other QSR brands. SSSG is defined as the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous comparative period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. It is a key performance indicator for PPL as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

(in thousands of dollars)	**For the 13-week period ended April 3, 2016**	**For the 13-week period ended March 29, 2015**
Total System Sales	135,071	132,036
Adjustments for stores not in both fiscal years, and step-outs	(731)	(1,019)
Same Store Sales	134,340	131,017
SSSG	**2.5%**	**2.5%**

New Restaurant Development

For the 13-week period ended April 3, 2016

	Pizza Pizza			Pizza 73		
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total
As at January 3, 2016	411	225	636	75	28	103
Openings	2	1	3	-	1	1
Closings	-	-	-	-	(2)	(2)
As at April 3, 2016	413	226	639	75	27	102

For the 13-week period ended March 29, 2015

	Pizza Pizza			Pizza 73		
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total
As at December 28, 2014	408	222	630	74	28	102
Openings	-	5	5	-	-	-
Closings	-	(1)	(1)	1	-	(1)
As at March 29, 2015	408	226	634	73	28	101

For the Quarter, PPL continued its national expansion of traditional stores within Canada, by opening two traditional restaurants; one in Montreal, Quebec and another in Winnipeg, Manitoba.

Of the 413 traditional Pizza Pizza restaurants, 13 were operated as company stores (2015 – 14), while one of the Pizza 73 traditional restaurant is 100% owned and operated by PPL (2015 – one).

Segmented Reporting

As previously discussed, PPL operates two brands. While each brand operates in a similar market segment, the pizza QSR segment, they are in different geographic markets of Canada. Pizza Pizza operates mainly in the Ontario and Quebec ("Eastern Canada") pizza QSR segment, whereas Pizza 73 operates mainly in the Alberta ("Western Canada") pizza QSR segment.

The following discussion offers further details regarding PPL's segmented results, prior to eliminations, which represents adjustments required to reconcile PPL's segmented reporting to the unaudited interim condensed consolidated statements of income.

Revenues

Food Sales

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015	% change
Pizza Pizza	46,747	44,799	4.3%
Pizza 73	10,293	11,455	-10.1%
Eliminations[1]	(10,170)	(11,327)	
Total	46,870	44,927	4.3%

Royalties, franchise fees and other revenue

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015	% change
Pizza Pizza	6,577	6,507	1.1%
Pizza 73	687	753	-8.8%
Total	7,264	7,260	0.1%

Food sales and royalty revenue for both geographic markets are driven by SSSG and movement in the number of stores.

By brand, the increase in food sales and royalty revenue for the Quarter in Eastern Canada is directly attributable to a SSSG of 4.9% and the opening of two Pizza Pizza restaurants. A decrease in food sales and royalty revenue for the Quarter in Western Canada can be directly attributable to the negative SSSG of 7.9% and a closure of one, net Pizza 73 restaurant. See "Same Store Sales Growth" and "New Restaurant Development".

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015	% change
Pizza Pizza	37,459	35,708	4.9%
Pizza 73	3,839	4,682	-18.0%
Eliminations[1]	(3,789)	(4,631)	
Total	37,509	35,759	4.9%

Cost of food sales is dependent on the movement in food sales for the Quarter. Therefore, by brand, an increase in cost of food sales in Eastern Canada is directly attributable to the increase in food sales for the Quarter. For Western Canada, a decrease in cost of food sales is directly attributable to a decline in food sales for the Quarter.

PPL continued to leverage its buying power and managing food costs through its centralized purchasing system; margins were maintained at a relatively consistent level with the prior year quarter.

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

General and Administrative ("G&A") Expenses

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015	% change
Pizza Pizza	9,444	9,035	4.5%
Pizza 73	5,061	5,115	-1.1%
Eliminations[1]	(4,437)	(4,532)	
Total	10,068	9,618	4.7%

By brand, the increase in the G&A expense for Eastern Canada during the Quarter is mainly attributed to additional company store expenses. G&A expense for Western Canada, including company store expenses, remained fairly consistent with the prior year's comparable period.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended April 3, 2016	For the 13-week period ended March 29, 2015	% change
Pizza Pizza	6,673	6,316	5.7%
Pizza 73	1,969	2,123	-7.3%
Total	8,642	8,439	2.4%

As per the Licence & Royalty Agreements, PPL pays the Partnership a royalty based on the system sales at the Pizza Pizza and Pizza 73 restaurants in the Royalty Pool.

For the Quarter, the increase in royalty payments for Eastern Canada is due to new restaurants added to the Royalty Pool on January 1, 2016, an increase in SSSG and the extra day of sales in February 2016 due to the leap year. Decrease in royalty payments for Western Canada is attributable to lower system sales resulting from a negative SSSG, offset by the extra day of sales in February 2016 due to the leap year.

Equity income from Pizza Pizza Royalty Limited Partnership

PPL accounts for its investment in the Partnership using the equity method of accounting. As at April 3, 2016, PPL owned an effective 20.4% interest in Partnership compared to 20.4% at January 3, 2016. PPL's 20.4% interest in the earnings of the Partnership is through its ownership of Class B and Class D Units. For the Quarter, equity income earned was $1.6 million compared to $1.9 million for the comparable quarter in 2015 when PPL owned 29% of the Partnership. The decrease in PPL's ownership of the Partnership, subsequent to the March 23, 2015 bought deal transaction, reduced its equity income from the investment. ("Sale by PPL of 2,800,000 Equivalent Shares").

Equity income from Jointly-controlled companies

Jointly-controlled companies are joint ventures, consisting of PPL's 50% interest in 74 Pizza 73 restaurants. For the Quarter ended April 3, 2016, equity income earned was $1.3 million, compared to $1.8 million for the comparable quarter of 2015. For Western Canada, lower sales, coupled with Alberta's general minimum wage increase on October 1, 2015, resulted in a decrease in equity income from jointly-controlled companies.

Gain/Loss on Sale of Company Restaurants and Jointly-Controlled Restaurants

For the Quarter, two company restaurants were sold for a gain of $86,000 compared to the 13-week period ended March 29, 2015 during which PPL sold four company restaurants for a gain of $88,000.

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

Interest and Other Income
Interest and other income earned by PPL decreased to $404,000 for the Quarter compared to $531,000 for the comparable quarter of 2015. The decrease in interest and other income is mainly due to lower information technology charges being allocated to other income.

Interest Expense on Borrowings
Interest expense during the Quarter was $8,000 compared to $2,000 for the comparable quarter of 2015. The increase was due to higher interest paid on notes payable related to owned restaurants.

Current income tax expense (recovery)
Current income tax expense was $152,000 compared to $10.3 million in the same quarter of 2015. The decrease is largely due to the income tax payable on the gain on sale of Class B Partnership Units in the comparable quarter.

Deferred tax expense
Deferred tax expense for the Quarter was $220,000 compared to a deferred tax recovery of $3.1 million for the comparable quarter in 2015. The variance is largely due to a decrease in taxable temporary differences on the sale of Class B Partnership Units in the comparable quarter of 2015, resulting in a deferred tax recovery in that quarter.

Net Income
PPL reported income of $1.5 million for the Quarter compared to income of $25.1 million for the comparable quarter in 2015. The decrease in income is directly attributable to a gain, net of tax, on the sale of Partnership Units, in the amount of $18.6 million in the comparable quarter of 2015.

Shareholders' Deficiency
The $98.5 million shareholders' deficiency shown in the unaudited interim condensed consolidated statements of financial position at April 3, 2016, is largely a result of PPL having paid $107.5 million in capital dividends to shareholders in 2005, $16.8 million in capital dividends in 2007, $7.2 million in capital dividends in 2012, and $39.0 million in capital dividends in 2015. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the PPL Rights & Marks in 2005, funds from operations since 2005, and proceeds from the sale of Class B Partnership Units in 2015. The balance of the deferred gain is $205.6 million as at April 3, 2016 and is from the original sale of the PPL Rights, which is being amortized into earnings over a term of 99 years.

SUMMARY OF QUARTERLY RESULTS

The Pizza Pizza and Pizza 73 restaurants are subject to seasonal variations in their business; system sales for the quarter ended March 31 have generally been the softest and the December 31 quarter system sales have been the strongest.

	13 weeks ended April 3, 2016	14 weeks ended January 3, 2016	13 weeks ended September 27, 2015	13 weeks ended June 28, 2015	13 weeks ended March 29, 2015	13 weeks ended December 28, 2014	13 weeks ended September 28, 2014	13 weeks ended June 29, 2014
				(in thousands of dollars)				
Revenues	$ 54,134	$ 60,851	$ 54,063	$ 52,835	$ 52,187	$ 54,195	$ 49,997	$ 48,543
Net income	$ 1,490	$ 20	$ 1,288	$ 1,349	$ 25,144	$ 3,007	$ 2,563	$ 795
Adjusted EBITDA	$ 8,581	$ 4,647	$ 8,992	$ 7,734	$ 9,457	$ 9,011	$ 8,654	$ 6,340

LIQUIDITY & CAPITAL RESOURCES

The following table provides an overview of the cash flows for the periods:

Cash provided by (cash used):	For the 13-weeks ended April 3, 2016		For the 13-weeks ended March 29, 2015	
Operating activities	$	(12,146)	$	(2,373)
Investing activities		12,413		43,913
Financing activities		(222)		(31,051)
Increase (decrease) in cash	$	45	$	(10,489)

As of April 3, 2016, PPL had working capital of $13.1 million and its cash, cash equivalents and short term investment were $27.4 million. Historically, PPL has, at times, operated with negative working capital primarily because its receivable collection periods and inventory turn rates are faster than the normal payment terms of current liabilities. PPL collects most of its receivables within seven days from the date of the related sale, and pays the payables within 30 days; PPL generally experiences over 100 turns of inventory per year. These factors, coupled with significant and ongoing cash flows from operations, which are used primarily to pay the Partnership the royalty on the Royalty Pool system sales, may reduce its working capital amounts. PPL's primary sources of liquidity are cash flows from operations and distributions received on PPL's interest in PPRC. PPL has historically funded capital expenditures and debt repayments from cash flows from operations and proceeds from the disposal of company-owned restaurants. PPL did not have any material commitments for capital expenditures as of April 3, 2016.

Cash used in operating activities for the Quarter was $12.1 million compared with $2.4 million used in 2015. The $9.7 million increase of cash used in operating activities is largely attributable to working capital changes, including an income tax payment of $7.7 million and a higher repayment of accounts payable by $2.5 million.

Cash provided by investing activities for the Quarter was $12.4 million compared to $43.9 million in 2015. The decrease is mainly due to net proceeds from sale of Class B Partnership Units of $39.9 million in the comparative quarter, partially offset by redemption of short term investments of $10 million during the Quarter.

Cash used in financing activities for the Quarter was $222,000 compared to $31.1 million in 2015. The decrease in cash used in financing activities is mainly due to a $39 million shareholder dividend paid in the comparative quarter. The source of funds for the dividend was the sale of the Class B Partnership Units.

Certain bank covenants must be maintained by PPL and are related to the Partnership's credit facility, all of which were met as of April 3, 2016.

Based upon its current level of operations and anticipated growth, PPL believes that the cash generated from its operations will be adequate to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales and a 9% royalty on the Pizza 73 Royalty Pool System Sales, plus meet its anticipated debt service requirements, its capital expenditures and working capital needs. PPL's ability to continue to fund these items could be adversely affected by the occurrence of any of the events described in the Risks and Uncertainties section that follows herein and the matters described in PPRC's Annual Information Form under the heading "Risk Factors". PPL's future operating performance and its ability to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales, a 9% royalty on the Pizza 73 Royalty Pool System Sales and meet its anticipated debt service requirements will be subject to future economic conditions and to financial, business and other factors, many of which may be beyond its control. However, to offset the factors that are beyond its control, PPL has the ability to convert its current Class B and Class D Units into shares of PPRC and sell them to the public to generate cash proceeds.

OFF-BALANCE SHEET ARRANGEMENTS

PPL is a sublessor under the head lease for all restaurant locations, other than locations operated by certain licensees. Should franchisees fail to meet their obligations under the terms of their sublease, PPL would become liable for the obligations under the related head leases. The gross lease obligations are summarized in the following table:

	Payments due by Period					
	2016	2017	2018	2019	2020	Thereafter
	(in thousands of dollars)					
Minimum lease obligation	31,056	28,218	23,316	16,353	11,310	23,886
Less: Sublease to franchisees	23,182	20,980	17,026	13,606	9,612	13,388
Net lease obligation	7,874	7,238	6,290	2,747	1,698	10,498

PPL has provided certain guarantees as disclosed in note 7 of the unaudited interim condensed consolidated financial statements with respect to certain franchisee loans. PPL believes that guarantees of franchisee loans are a low risk since PPL has, historically, been able to replace a defaulting franchisee with a new franchisee who has assumed the obligations of the defaulting franchisee.

OUTLOOK

PPL reported SSSG of 2.5% for the Quarter. Geographic diversification has proven to be key in maintaining consistent and stable sales.

By brand, Pizza 73, operating largely in a weakened Alberta economy, reported a 7.9% decline in same store sales for the Quarter as the lower price of crude oil has resulted in increased unemployment and a decline in that province's consumer spending. The Pizza Pizza brand reported 4.9% SSSG for the Quarter as consumer traffic and the average customer check in the Ontario and Quebec markets increased significantly over last year.

PPL continues to focus on its major growth priorities of staying relevant to the consumer, modernizing the customer experience and maintaining brand dominance in its key markets. PPL believes these priorities align with evolving consumer needs and will drive long-term sustainable growth, especially when combined with its competitive advantages of convenience, innovation, high-quality menu offerings and geographic diversification.

PPL believes its leading market share in its major markets presents long-term opportunities for continued sales growth, especially with new product introductions and the further expansion of digital ordering platforms that increase PPL's convenience factor.

TRANSACTIONS WITH RELATED PARTIES

PPL has entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D Partnership Units, management fees and food purchases as disclosed in note 13 of the unaudited interim condensed consolidated financial statements of PPL. PPL does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 7 of the unaudited interim condensed consolidated financial statements of PPL.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 13 of the unaudited interim condensed consolidated financial statements of PPL. Advances from related party are due to the parent company. Advances from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured. The related party has waived the right to demand repayment prior to April 4, 2017; accordingly, the advances from related party have been classified as long-term.

CRITICAL ACCOUNTING POLICIES

The preparation of the unaudited interim condensed consolidated financial statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities, such as revenue recognition, long-lived and intangible assets and income taxes. PPL believes that its most critical accounting policies are:

Consolidation - Determining which entities are to be consolidated by PPL requires judgment on the definition of control. The definition of Control under IFRS 10, *Consolidated Financial Statements* (IFRS 10), states an investor controls an investee when has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Based on an assessment of the activities of the Partnership and the franchisees, it was concluded that PPL does not control these entities, and therefore shall not consolidate their operations. The Partnership is consolidated by PPRC.

Investment in associate - An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

PPL owns Class B and Class D Partnership Units that are exchangeable for Pizza Pizza Royalty Corp. ("PPRC") Common Shares based on the exchange multiplier applicable at the exchange date and represent an effective 20.4% interest in the Pizza Pizza Royalty Limited Partnership ("Partnership") as at April 3, 2016. PPL has the ability to exercise significant influence through both its shareholding and its nominated director's active participation on the Partnership Board of Directors and therefore applies equity accounting on its investment in the Partnership.

PPL accounts for its 20.4% (January 3, 2016 – 20.4%) share interest in the Pizza Pizza Royalty Limited Partnership ("Partnership") as an investment in an associate and applies equity accounting whereby PPL's investment is increased by its 20.4% share of the Partnership's profit for the period and reduced for distributions received during the Partnership's fiscal period. The Partnership's financial and fiscal periods differ from PPL's, as the Partnership operates on a calendar year end.

Investments in joint ventures - A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

PPL accounts for its 50% (January 3, 2016 – 50%) share interest in the 74 jointly-controlled companies as an investment in a joint ventures and applies equity accounting whereby PPL's investment is increased by its 50% share of profit for the period of the joint ventures and reduced for distributions received during the joint ventures fiscal period. The jointly-controlled companies' financial and fiscal periods differ from PPL's, as the joint ventures have a floating year-end of the Saturday immediately preceding July 31.

Revenue Recognition - Food sales are recognized when the products are delivered to the traditional and non-traditional restaurants. Company-owned and managed restaurant retail sales are recognized when the services are rendered and the products are sold to the public. Payment by the public is immediate. Franchise royalties and administrative and accounting fees are recognized as earned and are based on a percentage of the franchisees' sales as provided for in individual franchise agreements. Initial and renewal franchise fees are recognized at the commencement of the initial term of the franchise agreement and upon the renewal of such an agreement. The initial franchise fee is payable, in full, at the commencement of the agreement. The renewal fee is charged to franchisees upon renewal of their franchise agreement which is typically five years from the initial agreement. Company store sales are recognized when the services are rendered and the products are sold to the public. Construction fees are recognized when the costs are incurred. Interest and other income are recognized and accrued when earned. Interest and other income is recognized and accrued when earned. Interest income is derived from notes receivable with franchisees and investments in cash equivalents which have maturity dates less than 90 days.

Identification of CGUs - For the purposes of identifying CGUs, assets are grouped at the lowest levels for which there are separately identifiable cash flows. PPL concludes there are interdependencies of cash flows between P73 restaurants and PPL and therefore, the investment in jointly-controlled P73 restaurants is considered a single CGU. PPL's assets pertaining to Pizza Pizza operations are classified as a separate CGU.

Sale of rights and marks and annual vend-ins - PPL has applied judgment in assessing the application of the revenue recognition accounting policy for the initial sale of Rights and Marks, and the annual vend-ins of restaurants in the Royalty Pool. In making their assessment, management considered the substance of these transactions and whether the risks and rewards of ownership have been transferred. Based on this assessment, management has determined that revenue relating to the sale will be deferred and amortized as earned and that the subsequent vend-ins will have no impact on PPL. Cash in lieu of vend-ins is considered as proceeds of disposition of the contractual right to an increase in the Exchange Multiplier and is taken to income when due.

Renovation Funds - PPL maintains a long-term renovation program whereby franchisees contribute towards future store renovations and upgrades. The franchise owner acknowledges that the renovation fund contribution may be used by PPL, without interest or other compensation to the franchise owner, to fund the renovation, expansion or relocation of other Pizza Pizza outlets until such time as the funds are required by the franchise owner for renovation, expansion or relocation of the franchised outlet.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited interim condensed consolidated financial statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to basis of consolidation, revenue recognition, long-lived and intangible assets and income taxes. PPL bases its estimates on historical experience and on various other assumptions that PPL believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Changes in its estimates could materially impact PPL's results of operations and financial condition for any particular period. PPL believes that its most critical accounting policies are:

Impairment of investment in Pizza Pizza Royalty Limited Partnership
PPL at each period-end identifies impairment indicators and assesses whether there is any objective evidence that its interest in the Partnership is impaired. If impaired, the carrying value of PPL's share of the underlying assets of the Partnership is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the consolidated statements of income.

The value-in-use calculation requires PPL to estimate the future cash flows expected to arise from the Partnership and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL made assumptions about future sales and terminal growth rates which were based on historical experience and expected future performance. Determining the applicable discount rate also involved estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

Impairment of investment in jointly-controlled companies
PPL at each period-end identifies impairment indicators and assesses whether there is any objective evidence that its interest in the joint ventures is impaired. If impaired, the carrying value of PPL's share of the underlying assets of the joint ventures is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and charged to the consolidated statements of income.

The value-in-use calculation requires PPL to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL made assumptions about future sales, tax rates, and terminal growth rates which were based on historical experience and expected future performance. Determining the applicable discount rate also involved estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

RECENT ACCOUNTING PRONOUNCEMENTS

Standards, amendments and interpretations to existing standards that are not yet effective and have not yet been early adopted by PPL:

IFRS 9, *Financial Instruments* ("IFRS 9")
International Financial Reporting Standard ("IFRS") 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. PPL has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of the revenue Standard to January 1, 2018. PPL is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")
In January 2016 the IASB has issued IFRS 16, Leases, its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. PPL has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements for the 13-week period ended April 3, 2016 are consistent with those used in the PPL's audited annual consolidated financial statements for the 53-week period ended January 3, 2016, and described in Note 2.

RISKS & UNCERTAINTIES

The performance of PPL is primarily dependent upon its ability to maintain and increase system sales at the Pizza Pizza and Pizza 73 restaurants, add new profitable restaurants to the network and attract qualified restaurant operators. Sales are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry, in particular, which is highly competitive with respect to price, service, location and food quality. In addition, factors such as the availability of experienced management and hourly employees may also adversely affect the system sales. Competitors include national and regional chains, as well as independently-owned restaurants and retailers of frozen pizza. If PPL and the Pizza Pizza and Pizza 73 restaurants are unable to successfully compete in the quick service sector, system sales may be adversely affected. Changes in demographic trends, traffic patterns and the type, number and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, risk of technology failures, inflation, publicity from any food-borne illnesses and increased food, labour and benefits costs may adversely affect the restaurant industry in general and therefore, potentially, system sales. PPL's success also depends on numerous factors affecting discretionary spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which could adversely affect system sales and the ability of PPL to pay the royalty to the Partnership.

For a more detailed list of risks and uncertainties please refer to the PPRC's Annual Information Form which is available on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including those concerning PPL's plans and strategies described under "Outlook", may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology in conjunction with a discussion of future operating or financial performance. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition, changes in demographic trends, changing consumer preferences and discretionary spending patterns, changes in national and local business and economic conditions, legislation and governmental regulation, accounting policies and practices, and the results of operations and financial condition of PPL. The foregoing list of factors is not exhaustive and should be considered in conjunction with the other risks and uncertainties described in PPRC's Annual Information Form. PPL assumes no obligation to update these forward looking statements, except as required by applicable securities laws.

ADDITIONAL INFORMATION

Other information about PPL and PPRC, including the Annual Information Form, can be accessed on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.