PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Financial Statements

For the 13-week and 26-week periods ended July 4, 2026 and June 28, 2025

(Unaudited)

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited, in thousands of Canadian dollars, except per share amounts)

		13-week periods ended		26-week periods ended	
		July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	Note	**$**	$	**$**	$
Revenue					
Retail sales	4	**107,854**	101,747	**215,561**	201,468
Franchise and other revenues	4	**182,828**	178,900	**363,064**	358,266
Total revenue		**290,682**	280,647	**578,625**	559,734
Cost of sales		**196,081**	187,005	**393,579**	374,037
Gross profit		**94,601**	93,642	**185,046**	185,697
Selling, general and administrative expenses		**52,702**	56,894	**108,223**	111,577
Total operating income		**41,899**	36,748	**76,823**	74,120
Interest expenses, net	15	**7,453**	7,447	**14,697**	14,579
Loss (gain) on foreign exchange		**188**	(634)	**310**	(395)
Income before income taxes		**34,258**	29,935	**61,816**	59,936
Income tax expense	12	**9,325**	8,125	**16,836**	16,364
Net income and comprehensive income		**24,933**	21,810	**44,980**	43,572
Net income per share					
Basic	14	**0.37**	0.31	**0.66**	0.62
Diluted	14	**0.37**	0.31	**0.66**	0.62

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)

	Note	**As at July 4, 2026 $**	As at January 3, 2026 $
Assets			
Current assets			
Cash and cash equivalents		**24,283**	35,721
Trade and other receivables		**35,206**	34,346
Inventories		**134,258**	131,050
Prepaid expenses and other assets		**16,976**	14,950
Lease receivables	6	**43,432**	41,508
Income taxes recoverable		**8,084**	—
Total current assets		**262,239**	257,575
Long-term lease receivables	6	**185,398**	172,171
Right-of-use assets	6	**268,255**	272,944
Property and equipment	7	**165,811**	174,225
Intangible assets	8	**47,517**	48,444
Goodwill		**101,766**	100,412
Deferred tax assets		**8,174**	8,174
Other assets		**3,838**	3,715
Total assets		**1,042,998**	1,037,660
Liabilities			
Current liabilities			
Trade and other payables		**108,865**	106,992
Deferred franchise fees		**1,499**	1,481
Lease liabilities	6	**81,034**	77,126
Income taxes payable		**—**	2,144
Other liabilities	9	**11,234**	11,004
Provisions		**—**	120
Total current liabilities		**202,632**	198,867
Long-term deferred franchise fees		**4,679**	4,578
Long-term lease liabilities	6	**445,350**	437,029
Long-term debt	10	**289,461**	288,987
Deferred tax liabilities		**2,892**	2,892
Other liabilities	9	**2,505**	2,996
Provisions		**4,100**	4,037
Total liabilities		**951,619**	939,386
Shareholders' equity			
Common shares	13	**325,655**	332,655
Contributed surplus		**5,645**	4,957
Deficit		**(239,780)**	(239,197)
Currency translation reserve		**(141)**	(141)
Total shareholders' equity		**91,379**	98,274
Total liabilities and shareholders' equity		**1,042,998**	1,037,660

Commitments, contingencies and guarantees (Note 17)

Subsequent events (Note 18)

On behalf of the Board of Directors: *Anthony Truesdale (signed)*, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Shareholders' Equity
(Unaudited, in thousands of Canadian dollars)

	Note	Common shares $	Contributed surplus $	Deficit $	Currency translation reserve $	Total $
As at January 3, 2026		332,655	4,957	(239,197)	(141)	98,274
Net income and comprehensive income		—	—	44,980	—	44,980
Exercise of share options	13, 16	2,199	(669)	—	—	1,530
Share-based compensation - option plans	16	—	1,357	—	—	1,357
Dividends on common shares	13	—	—	(17,716)	—	(17,716)
Shares repurchased for cancellation	13	(7,773)	—	(27,847)	—	(35,620)
Change in automatic share purchase plan commitment	13	(1,426)	—	—	—	(1,426)
As at July 4, 2026		**325,655**	**5,645**	**(239,780)**	**(141)**	**91,379**

	Note	Common shares $	Contributed surplus $	Deficit $	Currency translation reserve $	Total $
As at December 28, 2024		313,829	10,376	(228,315)	(141)	95,749
Net income and comprehensive income		—	—	43,572	—	43,572
Exercise of share options	13, 16	4,267	(983)	—	—	3,284
Share-based compensation - option plans	16	—	2,119	—	—	2,119
Dividends on common shares	13	—	—	(16,646)	—	(16,646)
Shares repurchased for cancellation	13	(12,599)	—	(66,976)	—	(79,575)
Change in automatic share purchase plan commitment	13	9,000	—	—	—	9,000
As at June 28, 2025		314,497	11,512	(268,365)	(141)	57,503

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

		13-week periods ended		26-week periods ended	
		July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	Note	**$**	$	**$**	$
Cash provided by (used in)					
Operating activities					
Net income		**24,933**	21,810	**44,980**	43,572
Adjustments for items not affecting cash:					
Depreciation and amortization	6, 7, 8	**19,151**	17,658	**38,374**	34,913
Impairment of right-of-use assets	6	**115**	—	**115**	—
Deferred franchise fees		**213**	(45)	**107**	(186)
(Gain) loss on disposal of property and equipment	7	**(4,204)**	15	**(4,204)**	(55)
(Gain) loss on disposal of right-of-use assets	6	**(299)**	16	**(236)**	41
Loss (gain) on foreign exchange		**188**	(634)	**310**	(395)
Share-based compensation expense	16	**1,120**	4,098	**1,358**	6,756
Interest expenses, net	15	**7,453**	7,447	**14,697**	14,579
Income tax expense	12	**9,325**	8,125	**16,836**	16,364
Income taxes paid		**(10,375)**	(6,216)	**(27,764)**	(16,021)
Changes in operating working capital:					
Trade and other receivables		**860**	913	**(1,542)**	5,715
Inventories		**9,609**	(6,340)	**(2,182)**	(15,358)
Prepaid expenses		**(749)**	(1,902)	**(974)**	(2,144)
Trade and other payables		**(9,554)**	7,580	**1,382**	1,357
Net cash provided by operating activities		**47,786**	52,525	**81,257**	89,138
Financing activities					
Proceeds from exercise of share options	13	**—**	541	**1,530**	3,284
Shares repurchased for cancellation	13	**(19,989)**	(65,482)	**(34,922)**	(78,015)
Dividends paid on common shares	13	**(17,716)**	(16,646)	**(17,716)**	(16,646)
Net drawings on Revolving Facility	10	**—**	32,000	**—**	32,000
Interest paid on long-term debt		**(3,200)**	(3,573)	**(6,228)**	(7,262)
Repayment of principal on lease liabilities	6	**(19,863)**	(17,714)	**(39,178)**	(34,871)
Interest paid on lease liabilities	6	**(6,329)**	(5,958)	**(12,650)**	(11,859)
Tenant allowances received		**(51)**	387	**329**	950
Standby letter of credit fees	10	**(59)**	—	**(117)**	—
Net cash used in financing activities		**(67,207)**	(76,445)	**(108,952)**	(112,419)
Investing activities					
Purchases of property and equipment	7	**(4,707)**	(11,947)	**(11,589)**	(22,953)
Purchases of intangible assets	8	**(498)**	(414)	**(1,267)**	(753)
Proceeds on disposal of property and equipment		**7,064**	66	**7,064**	676
Right-of-use asset initial direct costs	6	**(532)**	(368)	**(1,023)**	(767)
Notes receivable		**97**	151	**250**	258
Receipt of principal on lease receivables	6	**10,593**	9,913	**20,859**	19,573
Interest received on lease receivables and other	6	**2,710**	2,782	**5,426**	5,702
Repurchase of franchises	5	**(3,318)**	(2,124)	**(3,318)**	(2,387)
Net cash provided by (used in) investing activities		**11,409**	(1,941)	**16,402**	(651)
Effect of exchange rate on cash and cash equivalents		**(52)**	350	**(145)**	167
Net decrease in cash and cash equivalents		**(8,064)**	(25,511)	**(11,438)**	(23,765)
Cash and cash equivalents, beginning of period		**32,347**	36,887	**35,721**	35,141
Cash and cash equivalents, end of period		**24,283**	11,376	**24,283**	11,376

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Description of business

Pet Valu Holdings Ltd. and its subsidiaries (collectively referred to as the “Company”) is a specialty retailer and wholesaler of pet food and pet-related supplies. As at July 4, 2026, the Company operates 255 corporate-owned stores (January 3, 2026 — 250) and has 622 franchise stores (January 3, 2026 — 613) in 10 provinces in Canada.

The Company is incorporated under the *Business Corporations Act* (British Columbia). The Company’s head office is located at 130 Royal Crest Court, Markham, Ontario, Canada.

The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “PET”.

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements for the 13-week and 26-week periods ended July 4, 2026 and June 28, 2025 (the “Interim Financial Statements”) have been prepared in accordance with IFRS® Accounting Standards applicable to the preparation of the Interim Financial Statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*.

The Interim Financial Statements do not include all disclosures required in the annual consolidated financial statements; accordingly, they should be read in conjunction with the Company’s consolidated financial statements as at and for the years ended January 3, 2026 and December 28, 2024 (the “Annual Financial Statements”).

Certain comparative amounts have been reclassified in the Interim Financial Statements to conform with the current period’s presentation. Specifically, the automatic share purchase plan obligation, dividends payable, and interest payable were reclassified from trade and other payables to other liabilities in the condensed interim consolidated statements of financial position.

The Interim Financial Statements are presented in Canadian dollars, which is the Company’s functional currency. All values are rounded to the nearest thousand, except where otherwise indicated.

The Interim Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on August 10, 2026.

(b) Basis of consolidation

The financial statements include the accounts of the Company and the following wholly owned subsidiaries: Pet Valu Canada Holding Corporation, Pet Holdings ULC, Pet Valu Canada Inc., Les Franchises Chico Inc., Pet Retail Brands North America Holdings ULC, Pet Valu Management Services Inc., and Pet Retail Brands US Holdings LLC. Subsidiaries are consolidated from the date on which control is determined, which is when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions, and dividends are eliminated in full.

(c) Use of estimates and judgments

The preparation of the Interim Financial Statements requires management to make judgments and estimates in applying the Company’s accounting policies. These judgments and estimates affect the reported amounts and the disclosures presented in the financial statements.

The judgments and estimates are based on management’s historical experience, knowledge of current events and conditions and other factors considered reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments, estimates and assumptions used in the preparation of the Interim Financial Statements are described in detail in Note 2 of the Annual Financial Statements. In preparing the Interim Financial Statements, there were no material changes to the significant judgments, estimates, and assumptions used.

(d) Seasonality

The Company’s operations are subject to limited seasonality due to the high penetration of consumable products sold consistently throughout the year. Historically, the fourth quarter generates the highest sales volumes, and accordingly higher revenue and net income, primarily as a result of the holiday season. During the fourth quarter, the Company also sells certain holiday-related merchandise that is not part of its core, year-round assortment, including seasonal toys, apparel, and giftable items, which results in a slightly higher proportion of annual revenue being recognized in that period.

3. Material accounting policies

The material accounting policies applied in the preparation of the Interim Financial Statements remain consistent with those used in the preparation of the Annual Financial Statements, except as outlined below.

- Impact of amended IFRS Accounting Standards that are effective for the current period

Beginning January 4, 2026, the Company applied the amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures*. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. In addition to these clarifications, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date if specific conditions are met. Also included in the amendments are clarifications regarding the classification of financial assets, including those with features linked to environmental, social and corporate governance. Under the amendments, additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. There was no material impact on the Interim Financial Statements.

4. Operating segment and revenue

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the Chief Operating Decision Maker (the “CODM”). The Company has determined that the Chief Executive Officer is its CODM and there is one operating segment.

All of the Company’s revenue and non-current assets are derived from and located within Canada. The Company does not derive revenue from any single customer that exceeds 10% of the Company’s revenue.

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

The following table presents a disaggregation of retails sales and franchise and other revenues for the 13-week and 26-week periods ended July 4, 2026 and June 28, 2025:

	13-week periods ended		**26-week periods ended**	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	$	$	**$**	$
Retail sales				
Merchandise sales	**106,412**	100,358	**212,941**	198,892
In-store services	**1,442**	1,389	**2,620**	2,576
	107,854	101,747	**215,561**	201,468
Franchise and other revenues				
Wholesale merchandise sales	**147,457**	142,829	**291,123**	286,207
Royalties and sub-lease revenues	**27,257**	27,752	**55,290**	55,517
Promotion and other service fees	**8,114**	8,319	**16,651**	16,542
	182,828	178,900	**363,064**	358,266
Total revenue	**290,682**	280,647	**578,625**	559,734

5. Business acquisitions

During the 13-week and 26-week periods ended July 4, 2026, the Company repurchased six franchise stores by way of acquiring all the assets of such store (13-week and 26-week periods ended June 28, 2025 — three and four, respectively). The following table summarizes the fair value of assets acquired through franchise repurchases for the 13-week and 26-week periods ended July 4, 2026 and June 28, 2025:

	13-week periods ended		**26-week periods ended**	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	$	$	**$**	$
Inventories	**1,026**	594	**1,026**	660
Property and equipment	**903**	184	**903**	187
Goodwill	**1,389**	1,346	**1,389**	1,540
Total cash consideration	**3,318**	2,124	**3,318**	2,387

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

6. Leases

(a) ROU assets

The following table presents the changes in ROU assets for the 26-week period ended July 4, 2026:

	Leased premises $	Other $	Total $
As at January 3, 2026	266,908	6,036	272,944
Net additions	14,005	2,022	16,027
Depreciation	(19,772)	(829)	(20,601)
Impairment	(115)	—	(115)
As at July 4, 2026	**261,026**	**7,229**	**268,255**

During the 13-week and 26-week periods ended July 4, 2026, depreciation on ROU assets totalled $10,390 and $20,601, respectively, of which $10,256 and $20,334 was recognized in cost of sales, respectively, and $134 and $267 was recognized in selling, general and administrative expenses, respectively, in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — total depreciation of $9,739 and $19,015, respectively, of which $9,605 and $18,748 was recognized in cost of sales, respectively, and $134 and $267 was recognized in selling, general and administrative expenses, respectively).

During the 13-week and 26-week periods ended July 4, 2026, gain on sale of ROU assets of $299 and $236, respectively, were recognized on the sale of corporate-owned stores to franchisees (13-week and 26-week periods ended June 28, 2025 — loss on sale of ROU assets of $16 and $41, respectively).

(b) Lease liabilities

The following table presents the changes in lease liabilities for the 26-week period ended July 4, 2026:

	Leased premises $	Other $	Total $
As at January 3, 2026	507,968	6,187	514,155
Additions	49,130	2,038	51,168
Interest expense on lease liabilities (Note 15)	12,739	150	12,889
Repayment of interest and principal	(50,781)	(1,047)	(51,828)
As at July 4, 2026	**519,056**	**7,328**	**526,384**
Current portion of lease liabilities	**79,338**	**1,696**	**81,034**
Long-term lease liabilities	**439,718**	**5,632**	**445,350**
Total lease liabilities	**519,056**	**7,328**	**526,384**

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

The Company incurs variable lease payments for common area maintenance, property taxes, security, and utilities related to its leased premises. In addition, certain retail store leases include payments that are contingent on a percentage of the store's sales. During the 13-week and 26-week periods ended July 4, 2026, variable lease expenses totalled $10,557 and $21,868, respectively, of which $10,523 and $21,813 was recognized in cost of sales, respectively, and $34 and $55 was recognized in selling, general and administrative expenses, respectively, in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — variable lease expenses totalled $10,109 and $20,028, respectively, of which $10,089 and $19,975 was recognized in cost of sales, respectively, and $20 and $53 was recognized in selling, general and administrative expenses, respectively).

(c) Lease receivables

The Company is considered an intermediate lessor for certain head leases associated with franchise store locations. Details of the Company's lease receivables include the following:

	As at July 4, 2026 $	As at January 3, 2026 $
Current portion of lease receivables	**43,432**	41,508
Long-term lease receivables	**185,398**	172,171
Total lease receivables	**228,830**	213,679

For the 13-week and 26-week periods ended July 4, 2026, the Company recognized finance income on lease receivables of $2,600 and $5,151, respectively, in interest expenses, net in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — $2,561 and $5,164. respectively) (refer to Note 15).

Franchisees also make variable lease payments primarily for common area maintenance, property taxes and a percentage of sales earned in their retail store. For the 13-week and 26-week periods ended July 4, 2026, revenue from these variable lease payments was $13,040 and $26,514, respectively, has been included in franchise and other revenues in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — $13,224 and $26,467, respectively).

7. Property and equipment

During the 13-week and 26-week periods ended July 4, 2026, the Company had property and equipment additions of $4,282 and $9,985, respectively (13-week and 26-week periods ended June 28, 2025 — $14,116 and $23,867, respectively). Depreciation on property and equipment for the 13-week and 26-week periods ended July 4, 2026 was $7,674 and $15,643, respectively (13-week and 26-week periods ended June 28, 2025 — $7,003 and $13,926, respectively).

During the 13-week and 26-week periods ended July 4, 2026, gain on sale of property and equipment of $4,196 were recognized on the sale of corporate-owned stores to franchisees (13-week and 26-week periods ended June 28, 2025 — $3 and $69, respectively).

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

8. Intangible assets

During the 13-week and 26-week periods ended July 4, 2026, the Company had intangible asset additions of $498 and $1,267, respectively, the majority of which were related to software (13-week and 26-week periods ended June 28, 2025 — $414 and $753, respectively). Amortization on intangible assets for the 13-week and 26-week periods ended July 4, 2026 was $1,087 and $2,130, respectively (13-week and 26-week periods ended June 28, 2025 — $916 and $1,972, respectively).

9. Other liabilities

Other liabilities include the following:

	As at July 4, 2026	As at January 3, 2026
	$	$
Cash-settled shared-based compensation (Note 16)	**5,911**	7,630
ASPP obligation (Note 13)	**6,426**	5,000
Interest payable	**1,180**	1,148
Other	**222**	222
Total other liabilities	**13,739**	14,000
Current portion of other liabilities	**11,234**	11,004
Long-term other liabilities	**2,505**	2,996
Total other liabilities	**13,739**	14,000

10. Long-term debt

Long-term debt includes the following:

	As at July 4, 2026	As at January 3, 2026
	$	$
Term Facility[1]	**281,948**	281,846
Revolving Facility	**10,000**	10,000
	291,948	291,846
Deferred financing costs	**(2,487)**	(2,859)
Total long-term debt	**289,461**	288,987

[1] Net of repayments, as applicable, gain on modification of debt, and related accretion.

Under the Revolving Facility, standby letters of credit, not in excess of $20,000, may be advanced to the Company in Canadian or U.S. dollars. As at July 4, 2026, the Company has outstanding standby letters of credit under the Revolving Facility of $14,501 (January 3, 2026 — $14,501). The standby letters of credit were advanced in relation to income tax matters with the Canada Revenue Agency (“CRA”) (refer to Note 12 for additional information). For the 13-week and 26-week periods ended July 4, 2026, the Company incurred fees on the outstanding standby letters of credit of $59 and $119, respectively (13-week and 26-week periods ended June 28, 2025 — $nil).

As at July 4, 2026, the Company has unused borrowing capacity available under the Revolving Facility of $150,499 (January 3, 2026 — $150,499).

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

Borrowings under the Credit Facilities bear interest, according to the type of borrowing advanced, at short-term floating rates based on a reference rate (CORRA, the U.S. base rate, the Canadian prime rate, or SOFR as applicable), plus a margin per annum determined by the Company's net total leverage ratio. As at July 4, 2026, the interest rate in effect on the Credit Facilities is 4.11% (June 28, 2025 — 4.50%). During the 13-week and 26-week periods ended July 4, 2026, interest expense incurred on the Credit Facilities was $3,205 and $6,261, respectively (13-week and 26-week periods ended June 28, 2025 — $3,570 and $7,152, respectively) (refer to Note 15).

The Credit Agreement contains affirmative and negative covenants customary for credit facilities of this nature, subject to certain exceptions. The Credit Agreement also contains certain financial covenants to be complied with over the term of the Credit Facilities, specifically, (i) a net total leverage ratio and a net first lien leverage coverage ratio that must be no greater than 5 times and 4.25 times, respectively, of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") as defined in the credit agreement; and (ii) an interest coverage ratio of not less than 3 times consolidated EBITDA. The covenants are tested for compliance at the end of each quarter. As at July 4, 2026, the Company was in full compliance with all of its covenants, and there are no indications that it will have difficulty complying with these covenants in the future.

11. Financial instruments and risk management

Fair values of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the periods ended July 4, 2026 and June 28, 2025, there were no transfers between levels of the fair value hierarchy.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and certain other liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying amounts and fair values of the Company's long-term debt are as follows:

		As at July 4, 2026		As at January 3, 2026	
		Carrying value	**Fair value**	Carrying value	Fair value
		$	**$**	$	$
Long-term debt[1]	(Level 2)	**289,461**	**292,625**	288,987	292,625

[1] Carrying value is net of deferred financing costs and gain on modification of debt.

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

12. Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. Income tax expense for the 13-week and 26-week periods ended July 4, 2026 was $9,325 and $16,836, respectively (13-week and 26-week periods ended June 28, 2025 — $8,125 and $16,364, respectively). The Company's effective income tax rate for the 13-week and 26-week periods ended July 4, 2026 was 27.2% (13-week and 26-week periods ended June 28, 2025 — 27.1% and 27.3%, respectively). The statutory income tax rate for the 13-week and 26-week periods ended July 4, 2026 was 26.5% (13-week and 26-week periods ended June 28, 2025 — 26.5%).

The Company is subject to routine audits of its tax filing positions by the CRA. In January 2025, the CRA issued a proposal to deny the deduction of certain intercompany dividends for the Company's 2016, 2017, and 2018 taxation years. In March 2025, the CRA reassessed the Company approximately $18,400 of additional income tax plus interest based on the January 2025 proposal ("2016–2018 reassessments").

The Company has filed objections to, and intends to vigorously contest, the 2016–2018 reassessments. The Company and its tax advisors believe that the Company's tax filing positions are appropriate. Accordingly, no amount or provision has been recorded in the Interim Financial Statements in respect of the 2016–2018 reassessments.

The Company has outstanding standby letters of credit related to the notice of objections for the 2016–2018 reassessments (refer to Note 10 for additional information).

13. Share capital

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

As at July 4, 2026, there are 67,462,770 common shares issued and outstanding. No preferred shares have been issued by the Company.

The following tables present the changes in the Company's share capital for the 26-week period ended July 4, 2026 and June 28, 2025:

	Common shares outstanding #	Amount $
As at January 3, 2026	68,926,379	332,655
Exercise of share options	133,665	2,199
Shares repurchased for cancellation	(1,597,274)	(7,773)
Change in automatic share purchase plan commitment	—	(1,426)
As at July 4, 2026	**67,462,770**	**325,655**

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

	Common shares outstanding #	Amount $
As at December 28, 2024	70,744,844	313,829
Exercise of share options	265,856	4,267
Shares repurchased for cancellation	(2,785,996)	(12,599)
Change in automatic share purchase plan commitment	—	9,000
As at June 28, 2025	68,224,704	314,497

(b) Dividends

The Company's dividend policy is at the discretion of the Board of Directors. For the 26-week period ended July 4, 2026, the Company paid $17,716 in dividends to holders of common shares (26-week period ended June 28, 2025 — $16,646) or $0.26 per common share (26-week period ended June 28, 2025 — $0.24 per common share).

(c) Normal course issuer bid ("NCIB") and automatic share purchase plan ("ASPP")

2025 NCIB

On November 28, 2025, the Company announced that the TSX had accepted its notice of intention to renew its NCIB ("2025 NCIB"). The 2025 NCIB permits the purchase of up to 3,449,181 common shares, representing approximately 5% of the common shares of the Company outstanding as at November 19, 2025. The 2025 NCIB commenced December 2, 2025 and will continue until the earliest of December 1, 2026, the date the authorized number of shares is acquired, or earlier termination by the Company.

During the 26-week period ended July 4, 2026, the Company repurchased 1,597,274 common shares for cancellation under the 2025 NCIB for total cash consideration of $34,922. The Company also recognized taxes of $698 for common shares repurchased under the 2025 NCIB during the 26-week period ended July 4, 2026, with a corresponding increase to deficit.

2025 ASPP

In connection with the 2025 NCIB, the Company implemented an ASPP with a designated broker, effective December 2, 2025 ("2025 ASPP"). The 2025 ASPP allows for repurchases during periods in which the Company would otherwise be restricted from buying shares under insider-trading or blackout rules. Prior to entering blackout periods, the Company may, but is not required to, instruct its broker to make purchases at the broker's discretion, subject to parameters set by the Company and in accordance with the 2025 NCIB, TSX rules, securities laws, and the terms of the 2025 ASPP. The ASPP is operated concurrently with, and terminated upon completion or expiry of, its related NCIB.

The Company records a liability for the share purchase commitment during blackout periods based on the parameters of the 2025 ASPP. As at July 4, 2026, an estimated maximum obligation of $6,426 under the 2025 ASPP is included in other liabilities (refer to Note 9).

14. Net income per share

(a) Basic net income per share

Basic net income per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period.

	13-week period ended		26-week periods ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	$	$	**$**	$
Net income	**24,933**	21,810	**44,980**	43,572
Basic weighted average number of common shares outstanding during the period *(thousands)*	**67,918**	69,242	**68,325**	69,917
Basic net income per common share	**0.37**	0.31	**0.66**	0.62

(b) Diluted net income per share

Diluted net income per share is calculated by dividing the net income attributable to shareholders of the Company, adjusted for the effects of dilutive options and share units, if applicable, by the weighted average number of common shares outstanding during the period, plus the weighted average number of common shares that would be issued on exercise of dilutive options and share units granted, as calculated under the treasury stock method.

	13-week periods ended		26-week periods ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	$	$	**$**	$
Net income	**24,933**	21,810	**44,980**	43,572
Diluted weighted average number of common shares outstanding during the period *(thousands)*	**67,936**	69,856	**68,391**	70,480
Diluted net income per common share	**0.37**	0.31	**0.66**	0.62

The following table presents a reconciliation from the basic weighted average number of common shares outstanding to the diluted weighted average number of common shares outstanding (number of shares in thousands):

	13-week periods ended		26-week periods ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	#	#	**#**	#
Basic weighted average number of common shares outstanding during the period	**67,918**	69,242	**68,325**	69,917
Dilutive effect of share options in the Share Option Plan	**18**	386	**58**	403
Dilutive effect of share options in the LTIP	**—**	228	**8**	160
Diluted weighted average number of common shares outstanding during the period	**67,936**	69,856	**68,391**	70,480

For the 13-week and 26-week periods ended July 4, 2026, 1,133,566 and 1,122,416 service-based LTIP share options, respectively, were not included in the calculation of diluted net income per share as they were not in the money or the vesting conditions were not expected to be met (13-week and 26-week periods ended June 28, 2025 — 562,289 and 616,787, respectively).

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

For the 13-week and 26-week periods ended June 28, 2025, 26,912 performance-based share options granted pursuant to the Share Option Plan were not included in the calculation of diluted net income per share as the vesting conditions required to convert these options to common shares were not met.

For the 13-week and 26-week periods ended June 28, 2025, 564,374 performance-based LTIP share options were not included in the calculation of diluted net income per share, as the vesting conditions required to convert these options to common shares were not met.

15. Interest expenses, net

The following table presents a breakdown of interest expenses, net for the 13-week and 26-week periods ended July 4, 2026 and June 28, 2025:

	13-week periods ended		26-week periods ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
	$	$	**$**	$
Interest on long-term debt (Note 10)	**3,205**	3,570	**6,261**	7,152
Accretion of gain on modification of long-term debt	**51**	51	**102**	102
Accretion of deferred financing costs	**186**	186	**372**	372
Interest on lease liabilities (Note 6)	**6,459**	6,240	**12,889**	12,348
Interest income on lease receivables (Note 6)	**(2,600)**	(2,561)	**(5,151)**	(5,164)
Standby letter of credit fees (Note 10)	**59**	—	**119**	—
Other interest expense (income), net	**93**	(39)	**105**	(231)
Interest expenses, net	**7,453**	7,447	**14,697**	14,579

16. Share-based compensation

(a) Amended and Restated Share Option Plan (“Share Option Plan”)

The following table summarizes the option activity under the Share Option Plan for the 26-week period ended July 4, 2026:

	Number of options	**Weighted average exercise price $**
Outstanding, January 3, 2026	148,485	9.73
Exercised	(111,365)	9.73
Outstanding, July 4, 2026	**37,120**	**9.73**

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

The following table provides information relating to the share options outstanding and exercisable under the Share Option Plan as at July 4, 2026:

	Share options outstanding			Share options exercisable		
Exercise price $	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price $	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price $
9.73	37,120	2.69	9.73	37,120	2.69	9.73

During the 13-week and 26-week periods ended July 4, 2026, no share-based compensation expense in relation to the Share Option Plan was recognized as the previously granted options were fully vested. During the 13-week and 26-week periods ended June 28, 2025, the Company recognized share-based compensation expense in relation to the Share Option Plan of $14 and $27, respectively, which was included in selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income.

(b) Long-term incentive plan ("LTIP")

(i) Share options

The following table summarizes the share option activity under the LTIP for the 26-week period ended July 4, 2026:

	Number of options	Weighted average exercise price $
Outstanding, January 3, 2026	1,638,801	27.08
Granted	417,829	28.43
Exercised	(22,300)	20.00
Forfeited	(900,764)	26.19
Outstanding, July 4, 2026	**1,133,566**	**28.42**

The following table provides information relating to the share options outstanding and exercisable under the LTIP as at July 4, 2026:

	Share options outstanding			Share options exercisable		
Exercise price range $	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price $	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price $
20.00 — 29.98	944,340	8.81	26.78	198,711	7.70	26.34
30.26 — 40.24	189,226	6.51	36.57	149,174	6.31	36.31
20.00 — 40.24	1,133,566	8.43	28.42	347,885	7.10	30.61

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

The Company uses the Black-Scholes option pricing model to calculate the fair value of the service-based options at the date of grant. The weighted average assumptions used in the model for options granted during the 26-week period ended July 4, 2026 are as follows:

Weighted average risk-free interest rate		**2.88 %**
Expected life (years)		**5.50 — 7.00**
Expected dividend yield		**1.83 %**
Expected volatility		**28.35 %**
Weighted average fair value per option granted	**$**	**7.65**

During the 13-week and 26-week periods ended July 4, 2026, the Company recognized share-based compensation expense in relation to the LTIP share options of $630 and $1,357, respectively, which was included in selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — $1,026 and $2,092, respectively).

(ii) RSUs

The following table summarizes the RSU activity under the LTIP for the 26-week period ended July 4, 2026:

	Number of RSUs
Outstanding, January 3, 2026	388,844
Granted[(1)]	133,116
Exercised	(60,561)
Forfeited	(76,038)
Outstanding, July 4, 2026	**385,361**

(1) Includes additional units issued in lieu of cash dividends.

The fair market value of future RSU cash-settled obligations was $2,859 as at July 4, 2026 (January 3, 2026 — $4,043). During the 13-week and 26-week periods ended July 4, 2026, the Company recognized share-based compensation expense for RSU cash-settled obligations of $319 and $296, respectively, which was included in selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — $1,451 and $2,445, respectively).

(iii) PSUs

The following table summarizes the PSU activity under the LTIP for the 26-week period ended July 4, 2026:

	Number of PSUs
Outstanding, January 3, 2026	263,235
Granted[(1)]	87,935
Exercised	(9,732)
Forfeited	(159,040)
Outstanding, July 4, 2026	**182,398**

(1) Includes additional units issued in lieu of cash dividends.

(Unaudited, in thousands of Canadian dollars, unless otherwise stated)

The expectation of the adjustment factor for the performance target linked to the total return to the Company's shareholders relative to the total return of companies comprising a blend of the S&P/TSX Completion Index, S&P/TSX Capped Composite Consumer Discretionary, and the S&P/TSX Capped Composite Consumer Staples is measured based on the Monte Carlo simulation method.

The key inputs used in the measurement of the fair value of the PSUs granted during the 26-week period ended July 4, 2026 are as follows:

Share price as at valuation date	$	**18.99**
Average risk-free interest rate		**2.43 %**
Average expected remaining life (years)		**3.00**
Average expected volatility		**28.37 %**

The fair market value of future PSU cash-settled obligations was $791 as at July 4, 2026 (January 3, 2026 — $848). During the 13-week and 26-week periods ended July 4, 2026, the Company recognized share-based compensation expense for PSU cash-settled obligations of $134 and $183, respectively, which was included in selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — $882 and $1,222, respectively).

(c) DSU Plan

The following table summarizes the Company's DSU Plan activity for the 26-week period ended July 4, 2026:

	Number of DSUs
Outstanding, January 3, 2026	102,251
Granted[(1)]	41,616
Forfeited	(699)
Outstanding, July 4, 2026	**143,168**

(1) Includes additional units issued in lieu of cash dividends.

The fair market value of future DSU cash-settled obligations was $2,261 as at July 4, 2026 (January 3, 2026 — $2,739). During the 13-week and 26-week periods ended July 4, 2026, the Company recognized share-based compensation expense (recovery) for DSU cash-settled obligations of $37 and $(478), respectively, which was included in selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income (13-week and 26-week periods ended June 28, 2025 — expense of $725 and $970, respectively).

17. Commitments, contingencies and guarantees

(a) Lease commitments

As at July 4, 2026, the Company has future undiscounted minimum lease payments of $17,184 for leases committed to but not yet commenced.

(b) Bank comfort letters

The Company has provided comfort letters to certain financial institutions upon their request when they provide financing to new franchisees. Under these letters, the Company agrees that, for a period of three years from the date of issuance, if the bank is forced to realize on its security, including inventory held by the franchisee, the Company will repurchase inventory previously sold to the franchisee at a discount of 15%, provided the inventory can be transferred to the Company free and clear of all liens, charges, and encumbrances and third-party rights.

In practice, the Company typically exercises its rights under the franchise agreement before the franchisee reaches default under their finance arrangement; therefore, the likelihood of being required to repurchase inventory under these comfort letters is considered remote. As a result, no provision has been recorded in the accompanying financial statements.

(c) Other

The Company may, from time to time, be named as a defendant in legal proceedings that arise from its normal course of business. Although the amount of any liability that could arise with respect to any pending claims cannot be estimated, the Company believes that any such liability is not reasonably likely to have a material adverse effect on its consolidated financial position, operating results, or liquidity.

18. Subsequent events

On August 10, 2026, the Board of Directors of the Company declared a dividend of $0.13 per common share payable on September 15, 2026 to holders of common shares of record as at the close of business on August 31, 2026.

Subsequent to the 26-week period ended July 4, 2026, under the 2025 NCIB, the Company repurchased 320,826 common shares for cancellation for cash consideration of $5,922.