



NEWS RELEASE

A&W Revenue Royalties Income Fund Adds 42 New Restaurants to Royalty Pool

12/8/2017

VANCOUVER, Dec. 8, 2017 /CNW/ - A&W Revenue Royalties Income Fund (the Fund) (TSX symbol AW.UN) and A&W Food Services of Canada Inc. (A&W Food Services) announced today that, effective January 5, 2018, the number of A&W restaurants for which royalties are paid to A&W Trade Marks Limited Partnership (the Partnership) will be increased by 42 new restaurants that were opened across Canada between September 9, 2016 and September 7, 2017, less seven restaurants that were permanently closed during this period. The addition of these 35 net new restaurants brings the total number of A&W restaurants in the Royalty Pool to 896. Since the inception of the Fund in 2002, the number of restaurants for which royalties are paid to the Fund (through the Partnership) has increased by 311 restaurants, from 585 to 896.

"We are very pleased to be adding 35 net new A&W restaurants to the Royalty Pool," said Susan Senecal, President and Chief Operating Officer of A&W Food Services. "A&W Food Services has opened over 100 new A&W restaurants across Canada in the last three years. We are delighted with this pace of growth, particular in Ontario and Quebec which are our most important growth markets."

The estimated annualized sales of the 42 new A&W restaurants being added to the Royalty Pool on January 5, 2018 are \$55,642,000 and annual sales for the seven permanently closed restaurants were \$3,210,000. The net estimated annualized sales of \$52,433,000 from the 35 net new restaurants translate into estimated net additional annual royalty payments to the Fund of \$1,573,000 on the basis of the royalty of 3% of sales. The consideration for the estimated net additional royalty revenue is \$20,791,000, representing 80% of the consideration payable for such net additional royalty payments, calculated by discounting the estimated additional royalties by 7.5% and dividing

the result by the yield on units of the Fund. The yield is based on the weighted average trading price of the units of the Fund for the 20 trading days ending October 30, 2017, or \$34.87. The yield has been adjusted to reflect income tax payable by A&W Trade Marks Inc. (Trade Marks). This consideration will be paid on January 5, 2018 by issuance of 596,251 limited partnership units of the Partnership (LP units), which will immediately be exchanged for 1,192,502 non-voting common shares of Trade Marks. These additional shares of Trade Marks are exchangeable at the option of A&W Food Services for 596,251 limited voting units of the Fund, subject to the approval of the TSX.

An amount representing 20% of the consideration payable for the net additional royalty revenue, will be paid by issuance of additional LP units in December 2018. The actual amount of the consideration to be paid, and the number of LP units to be issued, in December 2018 will be determined based upon on the actual annual sales reported by the 42 new restaurants.

The Fund and A&W Food Services also announced today that the actual sales of the new restaurants added to the Royalty Pool on January 5, 2017 have now been determined. The actual annual sales for the 30 new restaurants added on January 5, 2017 were \$37,693,000 compared to the original estimate of \$33,355,000. As a result, the remaining 20% of the initial consideration or \$3,009,000 has now been paid to A&W Food Services by issuance of 86,596 LP units. Additional consideration of \$2,226,000 has also been paid to A&W Food Services in the form of 64,069 LP units, as the actual sales exceeded the original estimate. The 86,596 LP units and additional 64,069 LP units have been exchanged for an aggregate of 301,330 non-voting common shares of Trade Marks. These additional non-voting common shares of Trade Marks are exchangeable at the option of A&W Food Services for 301,330 limited voting units of the Fund, subject to the approval of the TSX.

As a result of the increase in the royalties paid to the Partnership by A&W Food Services, Trade Marks also declared and paid a special dividend of \$221,000 to A&W Food Services. This amount represents the amount of the distributions of the Fund that would have been indirectly received by A&W Food Services had the 301,330 non-voting common shares of Trade Marks been issued to A&W Food Services on January 5, 2017.

After these amendments to the Royalty Pool which resulted in additional shares of Trade Marks being issued to A&W Food Services, A&W Food Services will receive a proportionate increase in monthly dividends from Trade Marks, and will own the equivalent of 24.7% of the voting securities of the Fund on a fully-diluted basis.

The growth of the Royalty Pool reflects the continuing strength and success of the A&W brand. The Fund's current annualized distribution rate is \$1.596 per unit.

About the Fund

The Fund is a limited purpose trust established to invest in Trade Marks, which through its interest in the Partnership, owns the A&W trade-marks used in the A&W quick service restaurant business in Canada. The A&W

trade-marks comprise some of the best-known brand names in the Canadian foodservice industry. In return for licensing A&W Food Services to use its trade-marks, Trade Marks (through the Partnership) receives royalties equal to 3% of the sales of A&W restaurants in the Royalty Pool. The Royalty Pool is adjusted annually to add new restaurants, less any A&W restaurants that have permanently closed. The Partnership pays A&W Food Services for the additional net new restaurants in the form of an increase in the limited partnership interest of A&W Food Services, based upon a formula set out in the licence agreement. A&W Food Services' additional limited partnership interest may be exchanged for additional shares of Trade Marks which are exchangeable for limited voting units of the Fund. These annual adjustments to the Royalty Pool are required under the licence agreement and are exempt from the prospectus and registration requirements pursuant to NI 45-106.

A&W is the second largest quick-service hamburger restaurant chain in Canada. Operating coast-to-coast, A&W restaurants feature famous trade-marked menu items such as The Burger Family®, Chubby Chicken® and A&W Root Beer®.

This release may contain certain forward-looking statements related to: the Fund's current expectations in the quick service segment of the restaurant food industry in Canada; the amount and timing of the payment for the remaining consideration payable to A&W Food Services for the net new royalty revenue from the 35 net new A&W restaurants added to the Royalty Pool; the potential future exchange by A&W Food Services of the non-voting common shares of Trade Marks it holds for limited voting units of the Fund and the percentage of the Fund's voting securities A&W Food Services would hold upon the completion of such exchange; and the proportionate increase A&W Food Services will receive in monthly dividends from Trade Marks. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including, without limitation, changes in market, competitive developments, and potential downturns in economic conditions generally. Additional information on these and other potential factors that could affect the Fund's financial results are detailed in documents filed from time to time with the provincial securities commissions in Canada.

SOURCE A&W Revenue Royalties Income Fund