JANUARY 27, 2016

Imvescor Restaurant Group Inc.

IRG-T: $2.41 | Rating: Buy | Target price: $3.00

"Imvesting" with Franchisees

Special Situations

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LAURENTIAN BANK SECURITIES

Imvescor Restaurant Group Inc.

"Imvesting" with Franchisees

Investment Highlights

Imvescor Restaurant Group is a full-service restaurant franchisor with 4 banners in operation. Approximately 98% of its 227 units are franchised, with 56% of restaurants located in Quebec and 32% in Atlantic Canada. Their two largest banners by location count are Pizza Delight (84 restaurants) and Mikes (73 restaurants). Current system sales are approximately $370 million.

Source: BigCharts.com

Market and Company Data

Ticker	IRG-T	FD Shares O/S (M)*	61.9
Rating	Buy	Market Cap (M)*	$149.3
Risk	Medium	Float O/S (M)*	55.0
Price	$2.41	Float Value (M)*	$132.4
1-Yr Target	$3.00	Avg Daily Volume (k)	85.6
Dividend	$0.09	Enterprise Value (M) *	$152.8
Yield	3.7%	Ownership: *	
1-Yr ROR	28%	*Mgmt and Directors:*	*12%*
52 Wk High-Low	$2.47-$1.44		
Valuation	9.0x 2017e EBITDA	Net Debt/EBITDA *	0.3x
Year End	Oct. 30	Next Reporting	Apr-16

EPS (FD) *

	Q1		Q2		Q3		Q4		Annual		P/E
2014	$0.05	A	$0.04	A	$0.03	A	($0.01)	A	$0.11	A	21.9x
2015	$0.03	A	$0.04	A	$0.04	A	$0.06	A	$0.16	A	14.6x
2016	$0.04		$0.04		$0.05		$0.04		$0.17		14.4x
2017									$0.18		13.3x

Adjusted / Operating EBITDA ($M)

	Q1		Q2		Q3		Q4		Annual		EV/EBITDA
2014	$4.1	A	$3.7	A	$4.5	A	$3.8	A	$16.0	A	9.5x
2015	$3.3	A	$3.8	A	$4.3	A	$4.6	A	$15.9	A	9.6x
2016	$4.3		$4.0		$4.7		$4.5		$17.5		8.7x
2017									$18.9		8.1x

* Market cap and enterprise value calculations fully diluted for warrants outstanding
Source: Company reports; Thomson; Bloomberg; LBS estimates.

All pricing as of January 25, 2016.

Initiating Coverage: Buy, $3.00 Target Price

- **Strategic plan established, defined, with execution ongoing.** Imvescor has undergone a significant amount of change over the past five years. And for those who followed the story closely, for a small-cap Canadian stock, the name certainly punched above its weight in terms of management turnover and speculative activity. **Our view is that this phase is now firmly over for Imvescor**, with the new management team, led by restaurant veteran Frank Hennessey, **developing a reasonable and manageable long-term strategic plan to legitimately improve the underlying fundamentals of the core restaurant business.**

- **Success from restaurant rejuvenation program represents crux of investment thesis.** The aging among Imvescor's restaurants was one of the more eye-opening disclosures which the new management team illustrated to shareholders. While this disclosure largely confirmed what most observers already suspected (i.e. "fresh-rate" < 50%), it helped frame a discussion surrounding the scale of the effort that will be necessary to bring the franchise network to a more desirable state. In that regard, **Imvescor developed a plan to help franchisees with the capital spending for restaurant renovations, committing up to $5.5M to be spent on existing restaurants in the network.** If accepted to the program, IRG would pay 20% of the cost to renovate "guest-facing" areas of the restaurant (i.e. dining room, bar area, reception, washrooms), up to a maximum of $50,000 per location. Imvescor's expectation from the program is that repayment will only occur through an improvement in royalty revenue resulting from improved SSSG at renovated locations. **As such, the rejuvenation program works to significantly align Imvescor's success as a franchisor with the underlying results of franchisees.**

- **Strong balance sheet supports rejuvenation program.** Imvescor is well-capitalized, with leverage at 0.5x net debt/EBITDA at the end of f2015. Including proceeds from in-the-money warrants (5.5M warrants at $0.65), leverage drops to 0.3x. Based on our forecast, we see Imvescor in a net cash position at the end of f2016. Given an emerging excess cash scenario, Imvescor recently increased its dividend to $0.09 per year (from $0.08) and announced the implementation of a normal course issuer bid for up to 5% (2.7M) of shares outstanding. In terms of the rejuvenation plan, while we acknowledge that it is rare to see a franchisor provide (forgivable) financial assistance to its franchisees, we do not view the program or the size ($5.5M) as a risk to the balance sheet.

- **Conservative valuation and target multiple applied.** We have selected a target multiple of 9.0x f2017e EBITDA, which is roughly in-line to where the stock is trading on its f2016e EBITDA. This multiple also represents a discount to where the overall U.S. peer group trades (i.e. 10.2x 2017e), which reflects the relative size and liquidity. Upon execution of the strategic plan and with the reporting of improved financial results, we firmly believe Imvescor could trade at a premium to the U.S. peer group, and more in line with MTY Food Group (Buy; $37.00 target) at 11.2x f2016e EBITDA and Cara Operations (Buy; $32.00 target) at 11.6x 2016e EBITDA.

Company Introduction

Imvescor is a Canadian restaurant franchisor with ~$370 million in system sales generated across 227 restaurants (as of f2015). The company operates 4 distinct banners: Bâton Rouge, Mikes, Pizza Delight, and Scores (Exhibit 1). The two largest brands in the chain from a system sales perspective are Mikes (~$100M system sales) and Scores (~$105M system sales).

Exhibit 1: Overview of Imvescor Brands

Brand (1)	Year Founded	Number of Units	f2014 System Sales (000)	Est AUV (2)	f2015 Percent Franchised	Royalty Rate	Geographic Location Breakdown Atlantic	QC	ON	AB
Bâton Rouge	1992	29	96,262	$3.3 M	*97%*	*5%*	*3%*	*62%*	*34%*	*0%*
Mikes	1967	73	101,962	$1.4 M	*97%*	*5-6%*	*1%*	*97%*	*1%*	*0%*
Pizza Delight	1968	84	67,378	$0.8 M	*100%*	*6%*	*83%*	*1%*	*13%*	*2%*
Scores	1995	41	105,640	$2.5 M	*98%*	*3-4%*	*0%*	*93%*	*7%*	*0%*
Total Company		227	371,939		*98%*		*32%*	*56%*	*11%*	*1%*

Notes:
(1) Brand level system sales is as of f2014; Total system sales and restaurant counts as of f2015
(2) AUV stands for Average Unit Volume (or sales per store)

Source: Company Reports; Laurentian Bank Securities

Imvescor's restaurants are essentially full-service / casual dining focused, with Mikes, Pizza Delight and Scores more family/value-oriented concepts and Bâton Rouge competing more in the premium-casual market. The restaurant footprint is located predominately in Quebec (56% of units), with the Pizza Delight banner offering exposure to Atlantic Canada.

In Exhibit 2 we offer a picture of the primary categories Imvescor's brands operate within, while also illustrating some of the other large Canadian brands within each segment. Additionally, with Imvescor's footprint heavily focused on the province of Quebec, in Exhibit 3 we provide a snapshot of the largest full-service brands in that province.

Exhibit 2: Restaurant Segmentation in Canada

	Quick Service (QSR)	Fast Casual (FC)	Family Dining	Mid-Casual	Premium Casual	Fine Dining
Characteristics	Lowest Cheque No table Service Plastic Seats No alcohol	Value priced Fresh ingredients No table service Made to order Alcohol rare	Value-oriented Table service Buffet Limited alcohol	Moderate cheque Table service Eclectic décor Alcohol served	Higher cheque Richer décor Few families* Social atmosphere* Alcohol served	Highest cheque Fine cuisine White table cloth Alcohol served
Examples	A&W Harvey's KFC McDonalds Taco Bell Tim Hortons New York Fries	Five Guys Burgers Hero Certified Burgers Freshii Chipotle Mucho Burrito	Mikes Scores Pizza Delight Denny's Eastside Mario's Montana's Pizza Hut St-Hubert Swiss Chalet	Boston Pizza Cage Aux Sports Elephant & Castle Jack Astor's Kelsey's Original Joe's Prime Pubs	Baton Rouge Bier Markt Cactus Club Earl's Keg The Landing Group Milestone's Moxie's	Hy's Morton's Ruth's Chris Shore Club
Typical Spend	Less than $8	$10-15	$8 - $12	$12 - $25	$20 - $50	More than $50
% f2014 IRG System Sales	*0%*	*0%*	*74%*	*0%*	*26%*	*0%*

Source: Company Reports; Laurentian Bank Securities

Exhibit 3: Quebec Full-Service Restaurant Chains

Chain	Units	System Sales (M$)	*Market Share*
St-Hubert	99	355	*20%*
Imvescor	128	259	*15%*
Cage Aux Sports	51	113	*6%*
Normandin	40	93	*5%*
Pacini	24	65	*4%*
Casa Greque	32	63	*4%*
Boston Pizza	27	62	*4%*
Benny & Co	35	42	*2%*
Madisons	14	40	*2%*
Cara	14	33	*2%*

Source: Imvescor 2015 AGM (Adapted from FY 2013, Strategic and Financial Architecture Consultant)

Brief Description of Each Imvescor Banner

From our perspective, Imvescor's four banners are relatively distinct from one another. While we acknowledge that both Mikes and Scores compete in the Quebec family dining segment, our view is that their product offering is relatively distinct. Exhibit 4 illustrates some of the key elements for each brand and the current logo.

Exhibit 4: Imvescor Brands and Focus

Brand	Logo	Food Focus	Position	Geographic Focus	Typical Size	Average Seats
Mikes		Italian Inspired Meals	Family/Mid	Quebec	5,000-6,000 sq. ft.	152
Scores		Rotisserie Chicken Ribs Salad Bar	Family/Value	Quebec	6,000-8,000 sq. ft.	200-350
Baton Rouge		Steak Ribs Seafood	Upscale	Quebec	5,500-8,000 sq. ft.	230
Pizza Delight		Pizza Pasta Italian	Family/Mid	Atlantic Canada	3,000-4,000 sq. ft.	92

Source: Company reports; Laurentian Bank Securities

Some Historical Perspective

Company founded in 1969 with the purchase of Pizza Delight by the Imbeault Family

While we don't usually spend much time dwelling on the past in our launch coverage reports, Imvescor has undergone a significant amount of change over the past five years. In that regard, some historical perspective helps set the stage for where the business is today and how it got there. The founders of the business were the Imbeault Family, who established the business in 1969 when they acquired the Pizza Delight brand. The Imbeault Family was also the largest shareholder of Imvescor up until December 2011.

Imvescor had its IPO as a royalty income fund in 2004 ($10.00 per unit), with the business containing the Pizza Delight and Mikes banners at the time. In August 2005, the company purchased Scores for $32M (24 locations / $60.7M in system sales), with the acquisition of Bâton Rouge for $43M at the end of 2006 (16 locations / $75M in system sales). While hindsight is always 20/20, the multiples associated with these transactions appear to have been **quite high**, and led to a significant amount of leverage for the combined royalty fund / operating company.

Strategic financial and operational review announced in September 2010; balance sheet highly levered at 4.8x

Moving through the global financial crisis, which was a difficult period for the company (and the industry in general), in mid-2009 Imvescor announced it would collapse the royalty structure and combine the operating company and the fund. At this point, it was becoming clear that Imvescor's balance sheet was stretched. As such, in September 2010, Imvescor announced that the CEO would step aside (Ron Magruder), and that the company would pursue a strategic financial and operational review. **As at October 2010, Imvescor's balance sheet was levered at 4.8x (net debt / EBITDA)** which included a $22.6M convertible debenture (7.75% / $10.00 strike) due in December 2011.

This (emerging) liquidity crunch led to the February 2011 appointment of Denis Richard as President and CEO. Mr. Richard's specific mandate was to restructure the operations and optimize the capital structure of the company. Of note, Mr. Richard's background was more M&A focused (in particular within the telecom sector), with no specific experience in restaurant operations. Shortly after this appointment (March 2011), Imvescor announced additional management changes/departures and suspended its dividend. These announcements put more pressure on the stock, with the security moving from $3.00 in March 2011 to the $0.40 level in October 2011.

October 2011: Refinancing transaction with Fairfax Financial

In October 2011, with maturity of the $22.6M convertible debenture looming, Imvescor announced a refinancing transaction with Fairfax Financial. This transaction included: (1) a private placement of $10M 5-year 10% senior unsecured debentures; (2) warrants to purchase 15.4M common shares ($0.65 strike); and (3) a private placement of $15M in common shares priced at $0.65. Subsequent to this announcement (1 week later), Imvescor announced it would proceed with a Rights offering to existing shareholders for the $15M in common equity (i.e. the 3rd component), which would be priced at $0.44. Under this plan, Fairfax would purchase any balance of the $15M not raised through the Rights offering at a price of $0.56.

In conclusion, the refinancing transaction closed and included the components (1) and (2) as described above, with (3) getting split with 26.8M Rights issued (versus 34.1M total possible) at $0.44 for proceeds of $11.8M and Fairfax purchasing 5.7M common shares at $0.56 for proceeds of $3.2M. Exiting the transaction, on a fully-diluted basis, Fairfax owned approximately 37.8% of Imvescor shares outstanding (making them the largest shareholder). **Incidentally, at essentially the same time Fairfax completed the deal with Imvescor, they also acquired Prime Restaurants (East Side Mario's, Casey's, Bier Markt) outright. Given Fairfax's involvement with both companies, there was some thought at the time a combination of the two could occur.**

With the Fairfax transaction addressing Imvescor's capital structure / liquidity issue, focus was supposed to switch to internal cost saving opportunities, improving the franchise network, and growth. Unfortunately, there appeared to be some level of conflicting opinions as to how these efforts should be pursued, and this led to some level of strained relationships between Imvescor, its franchisees (who were very vocal in the media regarding the situation), and members of the Board.

April 2013: Fairfax sells entire position in IRG for $26.1M

In April 2013, Fairfax announced the sale of its entire position in Imvescor (shares and warrants) for $26.1M in a bought deal via a Canadian broker, with its two Board appointments departing at the same time. Shortly thereafter, in June 2013, Imvescor announced that Denis Richard would step aside as CEO. The removal of Denis Richard was followed shortly thereafter by the entrance of Arnaud Ajdler from Engine Capital as a board member and shareholder (Engine Capital owns 3.1M shares and 1.2M warrants per the 2015 circular). Post some incremental management departures / board changes, Denis Richard was subsequently (re)appointed (interim) CEO in October 2013. Thus 2013 saw some fairly significant churn in the business.

April 2014: Review of strategic alternatives

In April 2014, Imvescor announced a review of strategic alternatives, which "could include, without limitation, a merger, sale or privatization of the Company, strategic alliances or divestitures, or other transactions". At the time, there was a significant amount of speculation regarding what the strategic alternatives could be, with an elevated expectation regarding the prospects for an outright sale. Unfortunately, in the end Imvescor concluded the strategic review in September 2014 with a determination that none of the strategic alternatives being considered would adequately reflect the Company's value and prospects.

At the same time the strategic review concluded, Imvescor announced that Frank Hennessey was appointed President and CEO, thus beginning a new phase of the corporate strategy.

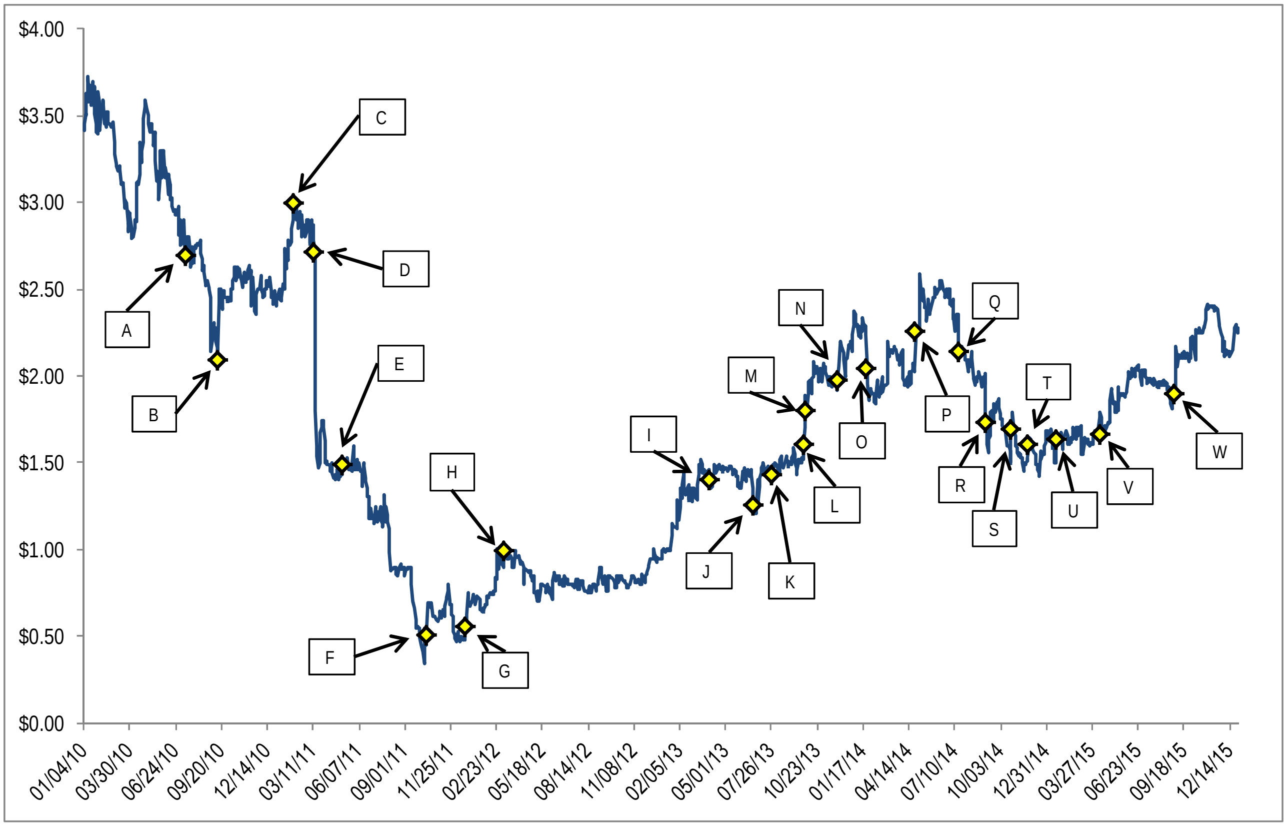
The Entrance of Frank Hennessey

Frank Hennessey's appointment as CEO brought a significant amount of operational experience to the company. His specific experience includes close to 30 years as a restaurant professional in both franchise and corporate environments. Prior to Imvescor, he was the President and CEO of Bento Sushi, a private-equity owned sushi concept with over 400 outlets in Canada and the United States. Prior to Bento Sushi, Mr. Hennessey spent 11 years at Cara Operations (CAO-T; Buy; $32 Target), including a role as President of Harvey's.

With Mr. Hennesey's appointment as CEO, it became clear that if any sale of the company was to be pursued or eventually happen, the business would need to be on a much firmer operational foundation. In that regard, Mr. Hennessey was very quick to acknowledge that the relationships with the franchisees needed mending, with a full recognition that the long-term success of Imvescor as a company was predicated on the underlying health and profitability of the franchisees. From our perspective, this change of view represented a distinct contrast to the view held by company management through the 2012-2013 timeframe.

In Exhibit 5, we provide a graphical representation of the historical events described above (from 2010 through 2015) and provide a few additional items of importance.

Exhibit 5: Timeline of Events for Imvescor from 2010-2015



A	Jul. 2010: Board changes with new Chairman, 2 appointments and 4 resignations.
B	Sept. 2010: Company announces Strategic and Financial Review. Current CEO Ron Magruder resigns and search for successor begins.
C	Feb. 2011: Denis Richard appointed CEO. Near-term focus is to refinance $22.6M convertible debenture due Dec 31, 2011.
D	Mar. 2011: Imvescor announces that the dividend is "postponed"; Company still seeking financing alternatives; Changes to management.
E	May 2011: Current CFO steps down. Ming-Ming Wong named interim CFO.
F	Oct. 2011: IRG announces $25M refinancing and recapitalization transaction with Fairfax to pay off $22.6M convertible debenture.
G	Dec. 2011: IRG completes $25M refinancing transaction and associated Rights offering.
H	Mar. 2012: Ming-Ming Wong appointed CFO. Board member elected; Bradley Martin becomes chairman.
I	Apr. 2013: Fairfax sells entire position (shares and warrants) for $26.1M in a bought deal with a Canadian broker.
J	Jun. 2013: Denis Richard resigns as CEO; Robb Chase appointed Chairman; Ming-Ming Wong named interim CEO.
K	Jul. 2013: Arnaud Ajdler (Engine Capital) appointed to board alongside David Head. 2 board members resign.
L	Sept. 2013: Monique Imbeault resigns from board.
M	Oct. 2013: Ming-Ming Wong resigns. Denis Richard appointed interim CEO; Stéphane Leblanc appointed interim CFO.
N	Nov. 2013: Imvescor acquires Commensal manufacturing facility for $4.2M.
O	Jan. 2014: Denis Richard officially appointed CEO; 3 additional board appointments announced.
P	Apr. 2014: IRG announces Strategic Review, which “could include, without limitation, a merger, sale or privatization of the Company ...”
Q	July 2014: Denis Richard resigns as CEO (second time). Continues to assist the Board on strategic review in a consulting capacity.
R	Sept. 2014: Strategic Review completed with no sale; Frank Hennessey appointed President & CEO.
S	Oct. 2014: Imvescor adopts a dividend policy ($0.08 per share annual).
T	Nov. 2014: 3 additional directors appointed and 1 resignation.
U	Jan. 2015: Tania Clarke appointed CFO.
V	Apr. 2015: IRG announces Strategic Plan, which includes a $5.5M commitment to rejuvenate existing restaurant network.
W	Aug. 2015: IRG announces a new $35M credit facility to replace existing term debt.

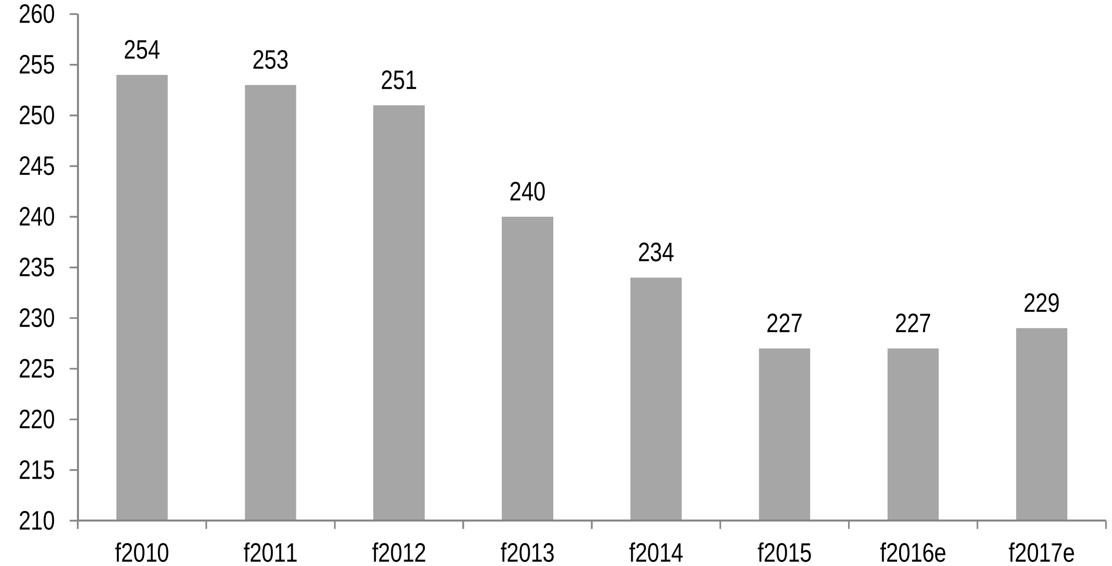
Source: Company reports, LBS.

The Strategic Plan and Objectives

Approximately eight months after joining Imvescor, Mr. Hennessey unveiled a long-term strategy for the business at the Annual General Meeting on April 15, 2015.

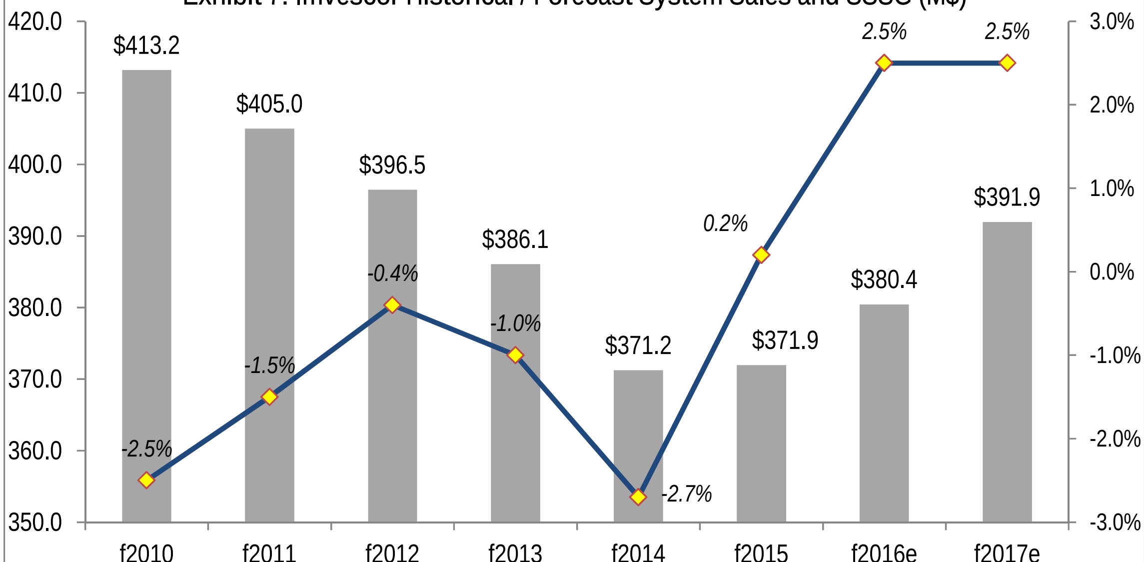
The focus for the plan was to improve the health and profitability of the franchisees, with an emphasis on reversing the declining trend in system sales and restaurant counts. As illustrated in Exhibits 6 and 7, the past five years have seen steady erosion in these two metrics.

Exhibit 6: Imvescor Historical and Forecast Restaurant Count



Source: Company reports; Laurentian Bank Securities

Exhibit 7: Imvescor Historical / Forecast System Sales and SSSG (M$)



Source: Company reports; Laurentian Bank Securities

Focal Points and Initiatives of the Strategic Plan

The focus areas for the plan are as follows:

1. Increase same-store sales growth (SSSG);
2. Improve franchisee profitability;
3. Leverage SG&A expenses and the existing shared service model;
4. Increase shareholder returns; and
5. Consider potential acquisitions.

These strategic initiatives are being pursued in conjunction with an emphasis on what management views as the four pillars to operating a successful restaurant (or the basics of what makes a customer like a particular restaurant):

- Food quality;
- Customer service;
- Value that fits the price point; and
- Ambience that encourages repeat visits.

In that regard, we will now discuss some of the more critical operational elements of the strategic plan, which really centers on the rejuvenation and renovation program.

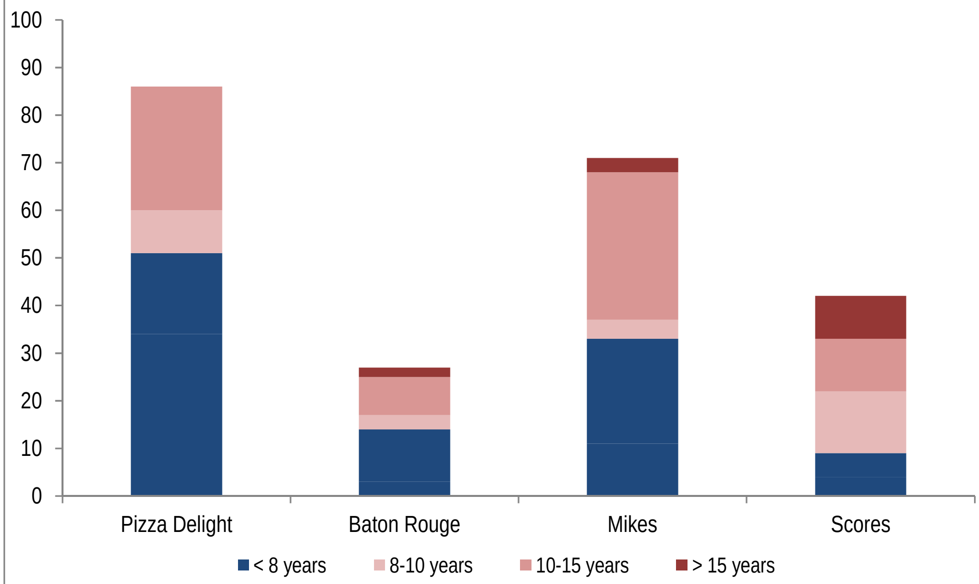
The Renovation and Rejuvenation Plan

The aging among Imvescor's restaurants was one of the more eye-opening disclosures which the new management team illustrated to shareholders. While this disclosure largely confirmed what most observers already suspected, it helped frame a discussion surrounding the scale of the effort that will be necessary to bring the franchise network to a more desirable state.

In Exhibit 8 we illustrate the aging profile per banner as disclosed by Imvescor. In examining this information, it is important to realize that a typical franchise agreement will come with a stipulation that a restaurant be renovated or brought up to the chain standards every 7-10 years. In terms of Imvescor, it is fairly clear that these guidelines were not regularly followed (or enforced). Of the restaurants in the network, 55% are > 8 years old, with 40% identified as "severely tired". The banners with the oldest networks are Scores (79% of restaurants > 8 years) and Mikes (54% of restaurants > 8 years).

Now it is important to point out that slipping on a renovation cycle is not an issue that is particular to Imvescor. Many chains run through such issues. Imvescor just happens to be the only one to fully disclose this level of detail, particularly at the banner level.

Exhibit 8: Number of Years Since Last Renovation per Banner



Source: Company reports, LBS.

IRG committed $5.5M to be spent on the renovation of existing restaurants

In order to encourage franchisees to re-invest in their restaurants, Imvescor developed a plan to help franchisees with the capital spending (which could be considered unusual compared to most franchise relationships). Under the plan, IRG committed up to $5.5M to be spent on the renovation of existing restaurants within the network.

In order to qualify for the funds, franchisees have to meet certain criteria which include:

1. Franchisee financing in place;
2. Franchise agreement in effect with lease term;
3. No defaults; and
4. Having a location old enough to merit a renovation.

If accepted to the program (the original application deadline was October 1, 2015), IRG would pay 20% of the cost to renovate "guest-facing" areas of the restaurant (i.e. dining room, bar area, reception, washrooms), up to a maximum of $50,000 per location.

Demand for the program among franchisees came in stronger than management expected, and we believe the company may look to increase the spending allocation if necessary (i.e. if additional locations have interest). Based on the current schedule, the bulk of spending is planned for 2018. In terms of our forecast, we have allocated $1.7M of spending in f2016e and $1.9M in f2017e for the rejuvenation program.

We illustrate the most recently disclosed timeline in Exhibit 9. As part of the rejuvenation process, Imvescor has also determined a "fresh rate" goal for each banner, which indicates the percentage of restaurants < 8 years old. The current overall fresh rate is 47%, with Imvescor targeting 82% in 2019.

Exhibit 9: Estimated Imvescor Restaurant Renovation Timeline

Banner	2015	2016	2017	2018	Total	*Total as % of Network*	Estimated *Capex (M)*	*Current Fresh Rate*	*Equiv Units*	*2019 Fresh Rate Goal*	*Fresh Rate Goal in Eq. Units*
Baton Rouge	2	7	8	3	20	*74%*	*$1.0 M*	*52%*	14	*86%*	23
Pizza Delight	1	12	11	8	32	*37%*	*$1.0 M*	*59%*	51	*77%*	66
Scores	2	10	5	16	33	*79%*	*$1.7 M*	*21%*	9	*88%*	37
Mikes	1	8	14	25	48	*68%*	*$1.9 M*	*46%*	33	*84%*	60
	6	37	38	52	133		*$5.5 M*		107		186
								Percentage of total network	*47%*		*82%*

Source: Company reports, LBS.

Average anticipated renovation costs vary per banner, with Pizza Delight at $150,000, Mikes at $200,000, Bâton Rouge at $450,000, and Scores at $500,000. The anticipated payback for the franchisee on the investment is 3-4 years, with Imvescor looking to recoup its allocation solely through the incremental royalty revenue generated off of higher sales at the location.

In Exhibit 10 we illustrate the level of sales lift needed to generate enough incremental royalty-stream to cover the expense over various timeframes. Additionally, we highlight the SSSG increase experienced to date on those stores which have received a renovation (which we acknowledge represents a small number). We anticipate the first Mikes and Scores renovations will be completed in early 2016 (we note that the Mikes location highlighted as receiving a renovation is a food court counter).

Exhibit 10: Total Annualized Sales Lift Required to Generate Various Return Timeframes for Imvescor

	f2014 AUV (M$)	Franchisee Average Investment	Imvescor Commitment	Assumed Royalty	Required Sales Lift (Annual) 3 year Payback	4 year Payback	5 year Payback	Disclosed Results to Date SSSG	Locations
Baton Rouge	3.3	$450,000	$50,000	*5.0%*	*10%*	*8%*	*6%*	*12%*	2
Pizza Delight	0.8	$150,000	$30,000	*6.0%*	*22%*	*16%*	*13%*	*14%*	13
Scores	2.5	$500,000	$50,000	*3.5%*	*19%*	*15%*	*12%*	*na*	na
Mikes	1.4	$200,000	$40,000	*5.0%*	*19%*	*15%*	*12%*	*11%*	1

Note: Imvescor commitment based on maximum of $50,000 or 20% of average franchisee investment

Source: Company reports, LBS.

Explicitly Disclosed Financial Objectives

In Exhibit 11, we illustrate some of the explicit financial objectives outlined in regard to the strategic plan. In our view, these targets are largely predicated on the success of the renovation and rejuvenation plan as discussed previously. Overall, we view these financial objectives as fairly conservative and we would be under the assumption that if the renovation and rejuvenation plan is successful, we will see results from the underlying restaurants and company that exceed those outlined below. We would also note that the targets outlined were based on the results of f2014. Since that time we have seen some level of erosion in the underlying base for these metrics.

Exhibit 11: Financial Objectives for Imvescor for f2018

	f2014	Target	Implied f2018	f2015
Revenue	$47.2 M	+14-18%	$53.8M - $55.7M	$44.5 M
SSSG	*-2.7%*	*+3-5% per year*	*+3-5% per year*	*0.2%*
Number of Restaurants	234	+10 net new	244	227
Restaurant Freshness Factor	*47.0%*	*80.0%*	*80.0%*	*47.0%*
Operating EBITDA	$16.0 M	$20.0 M	$20.0 M	$15.9 M

Source: Company reports; Laurentian Bank Securities

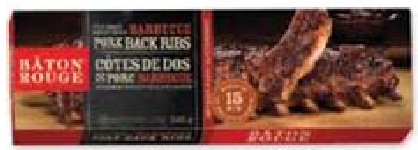
EBITDA of >$20M by fiscal 2018

In terms of growing EBITDA, much of the improvements will naturally be supported by the revenue growth initiatives, namely SSSG and net new restaurant openings. That said, Imvescor has been working to optimize SG&A spending through an ongoing internal reorganization which included the closing of the Moncton, New Brunswick corporate office and amalgamation into the Montreal head office (announced January 2015).

Discussion of the Retail Products and Strategy

Another important component to EBITDA growth is the royalty received from the sale of branded products at retail. These products include Bâton Rouge ribs, Scores ribs, Mikes frozen pizza and Mikes sauces (Exhibit 12). Royalties earned on the retail sales of these products are generally high margin, particularly in instances where the manufacturing of the product is outsourced to a third party. We note that during f2014, Imvescor earned $6.3M in royalties from the sale of products at retail. We would note that unfortunately, Imvescor has ceased disclosing this figure (however in speaking with management we are under the impression it should stay stable at these levels).

Exhibit 12: Imvescor Retail Products



Source: Company reports

In terms of the retail business, there are a few items in particular that need to be discussed as they could impact near-term results.

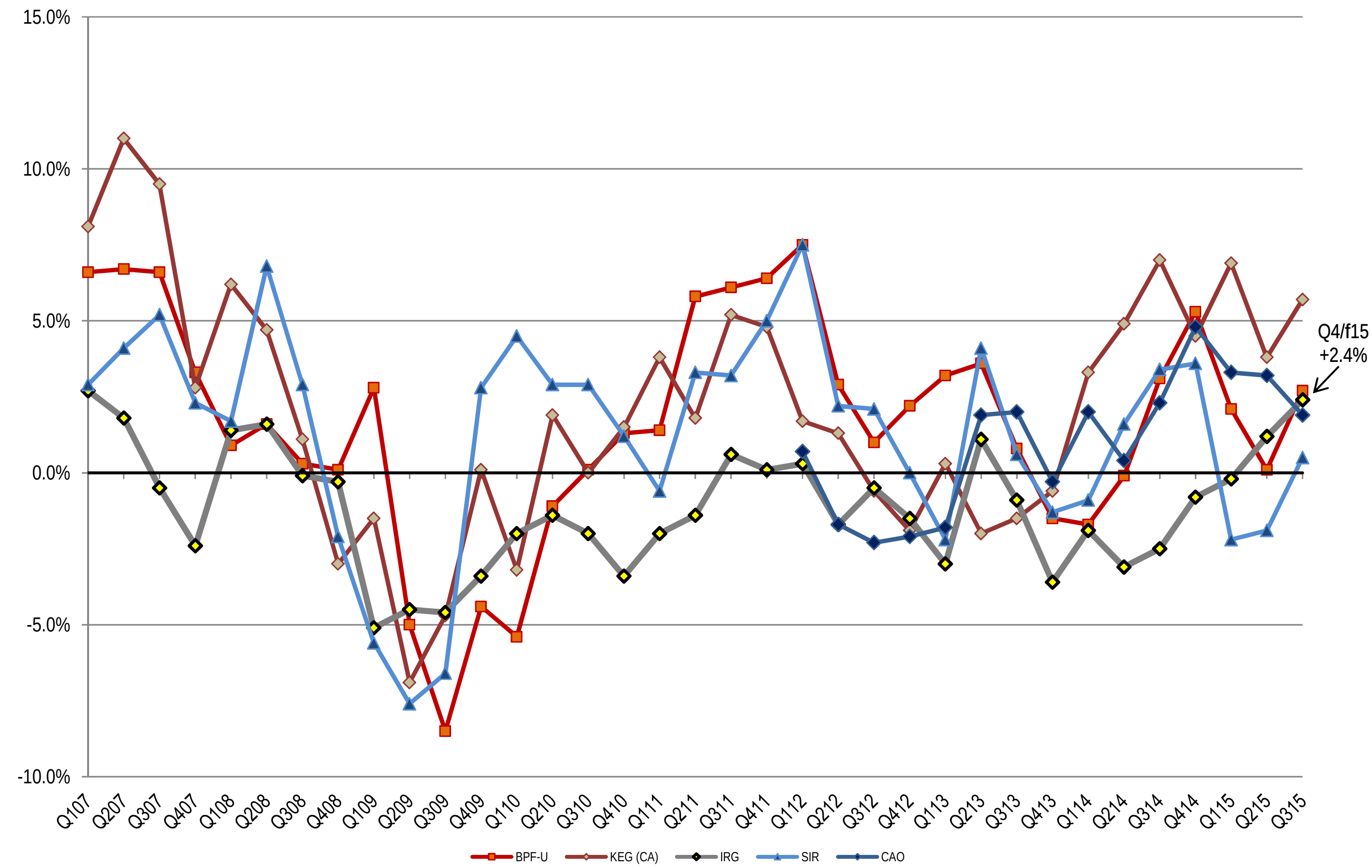
The **first** is in regard to the $4.2M acquisition of the Commensal manufacturing facility in November 2013. This facility was acquired by the previous management team (Denis Richard) and we are under the impression that current management views it as a non-core asset. As such, we would not be surprised to see a disposition of the facility, although we recognize that the market for such assets is not particularly robust. The Commensal business has sales of approximately $8.4M (versus $10M when acquired) and manufactures 19 fresh soup products and 16 frozen meals.

The **second** is in regard to the manufacturing of the Mikes pizza products. In November 2015, Imvescor announced that they will enter into a **management agreement** to restart and manage the operations of Aliments T&N Foods. T&N is the sole supplier and manufacturer of Mikes brand pizza products for retail and the business is currently under creditor protection. Under the **management agreement**, Imvescor will assume all expenses and responsibilities pertaining to the manufacturing of the products and will collect all revenues generated by the operations. In the press release announcing the management agreement, Imvescor made it clear that **they are not acquiring** T&N and will have no liability for any debts previously incurred by the business. Additionally, Imvescor is not anticipating a material financial impact from the agreement (although it remains to be seen what impact this will have in terms of revenue). We are not under the impression that Imvescor wants to operate the facility for an extended period of time, and believe they are seeking alternative supplier sources and / or looking to partner with a potential acquirer of the T&N assets.

Improving SSSG Trends with a +3-5% Target

In Exhibit 13, we illustrate Imvescor's historical SSSG versus other Canadian casual dining peers (namely, Boston Pizza, The Keg, Cara and SIR Corp.). In the last four quarters, we have seen IRG's SSSG trend improve sequentially, as management focuses on executing the plan and also closing underperforming stores (we are under the impression that the vast majority of underperforming stores have now been closed). In terms of the outlook for SSSG, we are forecasting +2.5% in f2016e and f2017e. We note that our forecast is below Imvescor's target for SSSG of +3-5%, which is largely a reflection of challenging industry conditions.

Exhibit 13: Reported Quarterly SSSG for Selected Casual Dining Restaurant Formats



Source: Company reports, Laurentian Bank Securities.

Targeting Modest New Restaurant Growth

In terms of target markets for potential new restaurant growth, we would note that while IRG is not necessarily looking to dramatically expand their geographical footprint (i.e. +10 net new restaurants was the original target to f2018), there remains some level of opportunity within existing markets (i.e. Quebec, Atlantic Canada and Ontario), and Western Canada. The brand we believe would have the most traction in Western Canada would be Bâton Rouge. Within our forecast, we are not looking for any net additions during f2016, with +2 net additions forecast for f2017.

Brief Industry Overview - Canadian Foodservice

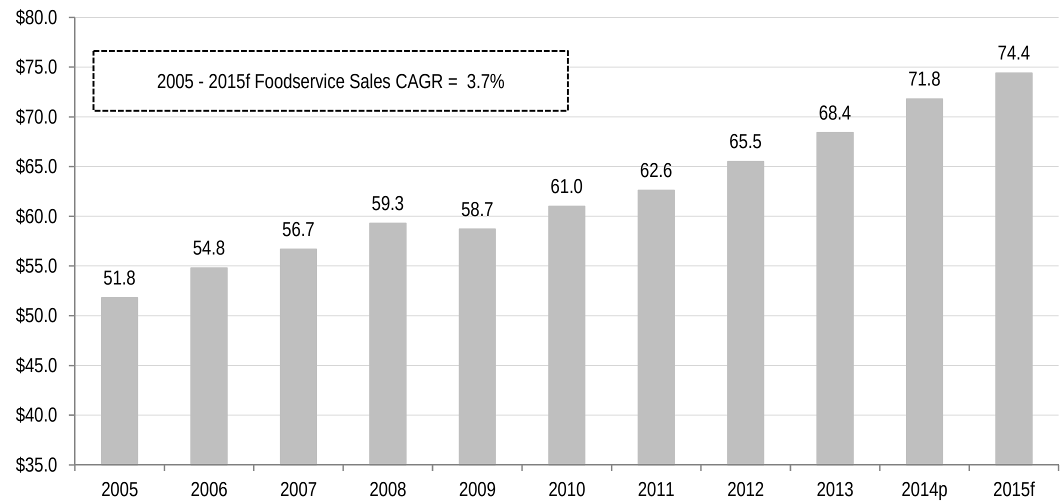
Before providing an overview of our financial forecast and valuation / recommendation, we wanted to provide a brief discussion of the Canadian restaurant industry and ongoing trends.

Industry exhibits stable and consistent growth trend

According to data from Restaurants Canada, in 2014 total Foodservice sales in Canada were an estimated $71.8 billion (Exhibit 14), which represented growth of +5.0% over 2013. Over the 2005-2015f time period (10 years), the industry is anticipated to have grown at a +3.7% CAGR, with the only down year coming during the economic slowdown of 2009 where growth was -1%.

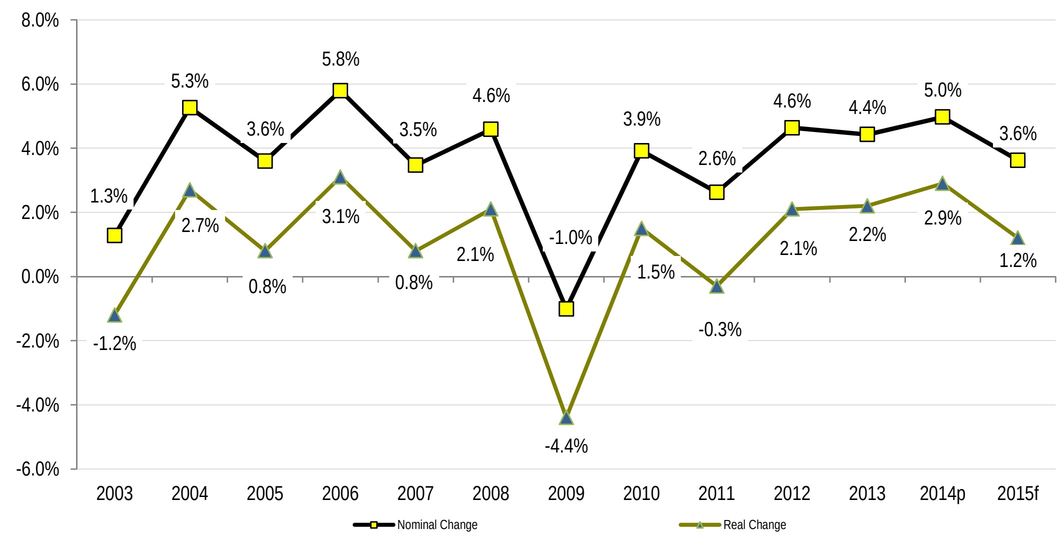
In terms of real growth rates, 2015 is forecasted to grow at +1.2% which represents a downtick from the three previous years (see Exhibit 15). This slower rate of growth is related to a "noticeable" dip in economic activity seen towards the end of 2014, with job creation and consumer confidence both falling. As expected, a lot of this slowdown is related to trends in Western Canada, namely Alberta and Saskatchewan.

Exhibit 14: Total Foodservice Sales in Canada ($ billions)



Source: Restaurants Canada, Foodservice Facts 2014, 2015; Laurentian Bank Securities

Exhibit 15: Total Foodservice Sales in Canada - Nominal / Real Growth Rates



Source: Restaurants Canada, Foodservice Facts 2014, 2015; Laurentian Bank Securities

Breaking Down Canadian Foodservice Sales

Exhibit 16 presents a detailed breakdown of Canadian Foodservice Sales. Overall, the largest category is Commercial Foodservice, which represents approximately 80% of total Foodservice sales. Within Commercial, Quick-service restaurants (QSR) and Full-service restaurants (FSR) are the largest categories with a combined $50 billion in sales. As illustrated, both categories continue to show consistent growth, with Restaurants Canada forecasting +3.7% and +3.4% respectively over the 2016-2019 timeframe. As discussed in the next section, all of Imvescor's banners would fall within the FSR category.

Exhibit 16: Canadian Foodservice Sales and Forecast (per Restaurants Canada)

	2010 Final (M$)	y/y Growth	2011 Final (M$)	y/y Growth	2012 Final (M$)	y/y Growth	2013 Final (M$)	y/y Growth	2014 Preliminary (M$)	y/y Growth	2015 Forecast (M$)	y/y Growth	5yr avg nominal growth	2016-2019 growth forecast
Quick-service restaurants (QSR)	21,220	*5.4%*	21,962	*3.5%*	23,140	*5.4%*	24,138	*4.3%*	25,536	*5.8%*	26,532	*3.9%*	*4.6%*	*3.7%*
Full-service restaurants (FSR)	20,931	*1.2%*	21,486	*2.6%*	22,631	*5.3%*	23,722	*4.8%*	24,916	*5.0%*	25,813	*3.6%*	*4.3%*	*3.4%*
Caterers	3,998	*7.1%*	4,214	*5.4%*	4,444	*5.5%*	4,600	*3.5%*	4,904	*6.6%*	5,085	*3.7%*	*4.9%*	*4.7%*
Drinking Places	2,468	*-3.4%*	2,362	*-4.3%*	2,356	*-0.3%*	2,311	*-1.9%*	2,296	*-0.7%*	2,312	*0.7%*	*-1.3%*	*1.2%*
Total Commercial Foodservice	48,616	*3.2%*	50,024	*2.9%*	52,570	*5.1%*	54,772	*4.2%*	57,652	*5.3%*	59,742	*3.6%*	*4.2%*	*3.6%*
Total Non-Commercial Foodservice	12,138	*4.7%*	12,369	*1.9%*	12,721	*2.8%*	13,643	*7.2%*	14,197	*4.1%*	14,707	*3.6%*		
Total Foodservice	60,755	*3.5%*	62,393	*2.6%*	65,291	*4.6%*	68,415	*4.8%*	71,849	*5.0%*	74,449	*3.6%*		
Menu Inflation		*na*		*2.9%*		*2.5%*		*2.3%*		*2.1%*		*2.4%*		

Source: Restaurants Canada, Foodservice Facts 2011, 2012, 2013, 2014 and 2015; Laurentian Bank Securities.

The Primary Challenge: Traffic Levels are Stagnant

Despite the positive overall growth forecast outlined by Restaurants Canada, some more granular data provided from NPD Group (Crest) **shows that traffic levels within the Commercial segment have been extremely stagnant since 2009.** As illustrated in Exhibit 17, **traffic levels from 2009 to 2014 have increased a mere +1% in aggregate**, with the past two years extremely challenging (Exhibit 18).

Dinner segment very challenging in Canada

Of all the segments highlighted within the restaurant segmentation (Exhibit 17), traffic losses within the full-service (family / casual dining) have been most acute, with fast-casual restaurants and improved retail / home-meal-replacement offerings (i.e. Costco) the benefactors in most cases. **In particular, over the 2009-2014 timeframe, the dinner segment (47% of full-service traffic) has been very difficult, with overall visits down 4%, with "evening snack" (which mainly consists of bar occasions) visits down 7%.** Full-service chains have been able to partly offset the latter day traffic declines with increases in both the lunch and breakfast dayparts.

U.S. trends in Family Dining even more dire

While the trends for full-service restaurants in Canada have not been strong, **the negative traffic trends within the U.S. have been more pronounced,** with NPD estimating that traffic levels have declined 8% from 2005 to 2014, versus fast-casual dining where traffic levels are up +103% from 2005 to 2014. **We would note that the proliferation of fast-casual restaurant chains in the U.S. is currently much more advanced than in Canada.**

Exhibit 17: Canada Commercial Foodservice - Traffic Trends Among Restaurant Segments

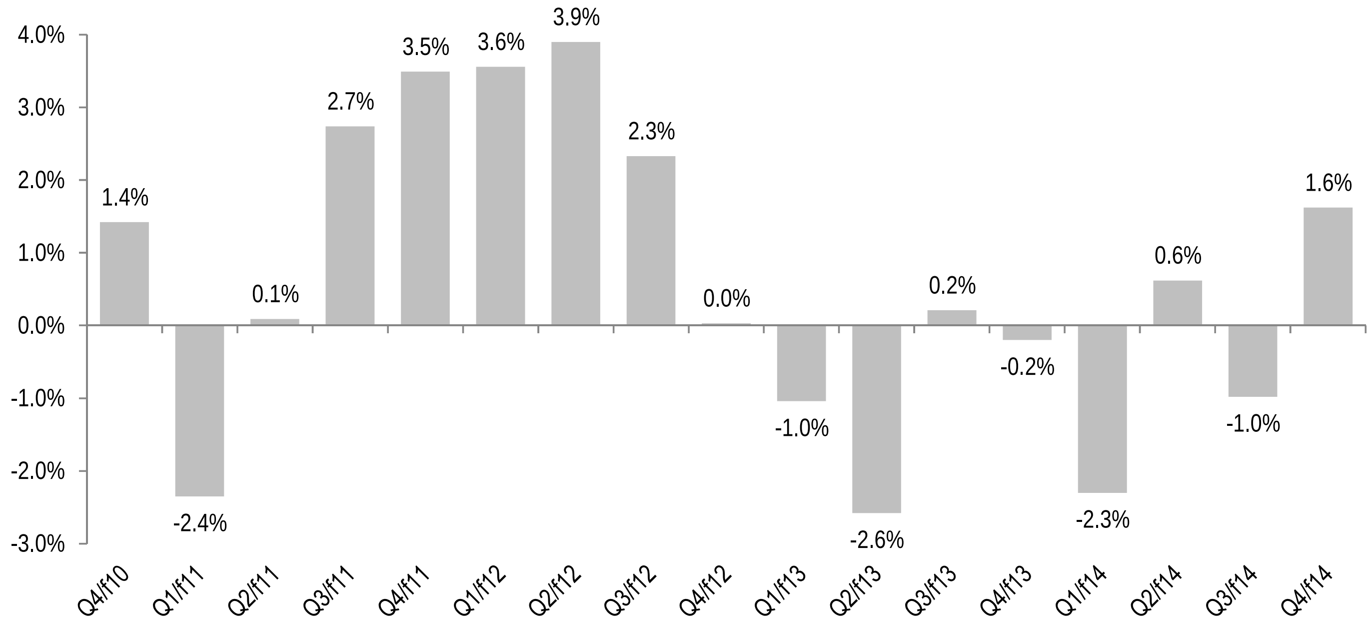
Segment	Visits 2009 (B)	Visits 2014 (B)	*09-14 Delta*	*Dollar Share*
Quick-Service (QSR)	4.10	4.30	*1.0%*	*47.0%*
Full-Service (FSR)	1.62	1.58	*-1.0%*	*39.0%*
Home Meal Replacement	0.47	0.5	*1.0%*	*7.0%*
Convenience	0.30	0.20	*-4.0%*	*7.0%*
Total Market	6.4	6.6	*1.0%*	*100.0%*

Note: Data in table presented as per NPD presentation

Source: NPD Group (CREST YE Feb 2015); Laurentian Bank Securities

Even though trends are tough and getting tougher, all is not lost. The long-term viability of today's restaurant brands will be determined by the efforts made to reposition themselves to cater more towards a younger demographic, which we discuss in more detail below.

Exhibit 18: Quarterly Traffic - Total Canadian Commercial Foodservice (2010-2015)



Source: NPD Group (CREST) (Note that Q4 ends in November)

“Winning the Year” by Attracting Millennials

Boomers diminishing need for family dining

At a recent restaurant industry conference we attended, **the focus on the millennial generation and the necessity for brands to actively engage this customer group was overwhelming.** This is particularly true given that this generation (ages 14-34 per NPD) is set to surpass (or has already surpassed) the baby boomer generation (ages 49-67 per NPD) in terms of both size and consumption. Several ideas were offered at this conference as to what the millennial generation is seeking in terms of a restaurant offering. That said, **one of the clear messages given was that what the generation is not seeking is what we refer to as traditional casual / family dining.**

Exhibit 19: Share of Total Foodservice Visits

Mature Traditionalists	*11.0%*
Boomers	*27.0%*
Gen X	*17.0%*
Millennials	*28.0%*
Post-Millenials	*17.0%*

Source: NPD Group (CREST YE Feb 2015)

In Exhibit 19 we illustrate the estimated foodservice visits per generation across all segments.

User-generated content becoming increasingly important

At this conference, there was also a significant amount of discussion surrounding how best to reach millennials in order to market and create brand awareness. While the answer was perhaps unsurprising overall (i.e. via mobile devices or through engaging digital content), some of the underlying nuances were quite interesting. In that regard, versus other generations, millennials are much more likely to produce and upload user-generated content and also trust other user-generated content obtained through social networks, peer reviews and conversations.

This becomes a critical aspect of the client equation as millennials are not only more likely to share a particular restaurant experience among peers, the dissemination is rapid, and the potential reach is significant. **As such, it is simply not enough to “win a particular customer visit from a competitor”. More than ever, that single customer experience has potential consequences across a very broad group of consumers.** As such, the quality of the entire restaurant experience (i.e. food, service, value) needs to be high and encourage a repeat visit.

Strategies to Steal/Maintain Market Share

Within the context of largely flat traffic conditions (within both the U.S. and Canada), the industry has evolved into an ongoing “battle for market share”. This battle is clearly being won by fast casual restaurants in particular, and boosted by their appeal among the Millennial generation. Examples of some of the more well-known and successful fast-casual concepts include Panera Bread, Chipotle Mexican Grill, Panda Express and Five Guys Burgers. These concepts offer consumers a higher quality product vs. quick-service-restaurants at a slightly higher price point, while providing a less-formal and lower price point vs. casual dining.

In terms of some specific thoughts regarding how the top chains in all segments gain share, the following ideas were offered at the industry conference:

1. Regular menu innovation for food and beverage – which includes adding new menu items (i.e. Swiss Chalet chicken wings, Tim Hortons' fruit smoothie with greek yogurt) and especially using limited time offers (LTOs) to drive incremental traffic and consumer interest. The use of LTOs is increasing rapidly as studies clearly show that the consumer response is favourable (i.e. A&W Peppermint shakes, The Keg seasonal menu offerings).
2. Premiumization of core menu items – this can be accomplished through the use of higher quality ingredients (i.e. locally-sourced or hormone/steroid-free (A&W)), adding different types of proteins (i.e. steak, seafood), or offering more made-from-scratch / fresh / healthier items (i.e. McDonald’s recent salad bowl enhancement).
3. Allowing customers more control of the menu – achieved primarily through made-to-order offerings, which is the hallmark of fast-casual restaurants. Another interesting approach to customized menu items is through the use of mobile apps. An example of this is the recent release of an app from Taco Bell that allows custom orders and pre-payment, while also informing the restaurant when the customer enters the store so food preparation can begin.
4. Expanding beyond core dayparts – with increased snack (in particular between lunch and dinner) offerings being a popular way to grab share (i.e. McDonald’s and Tim Horton’s snack wrap and smoothie offerings).
5. Renovating and upgrading restaurants – this relates almost entirely to renovation activity with most franchise agreements asking for a renovation cycle of once every seven or eight years. Tired, dirty and out-dated décor reflects poorly on the brand and leaves consumers disinterested.
6. Maintaining a strong balance between value and price – particularly in Canada, most consumers are value conscious and want to feel that they received a good product for the dollars spent.
7. Introduction of loyalty programs – interestingly, restaurants in both the U.S. and Canada have been slow to embrace loyalty programs.

Need to differentiate is critical

With an intensifying "battle for market share" coupled with a muted outlook in terms of traffic growth, investors will need to increasingly focus on identifying those restaurant concepts which resonate positively with consumers on the criteria of food quality, service/experience, value and convenience. This will become increasingly critical within the quick-service-restaurant space and at the lower end of casual-dining, particularly among those concepts offering a product viewed by consumers as largely homogenous across brands (i.e. pizza, burgers, chicken).

Within the casual/full-service space, while value always remains important, food quality and service/experience are more of the differentiating factors that need to be exploited to keep customers returning. In particular, full-service restaurants need to evolve their product offering to cater more readily to the millennial cohort as it becomes the most influential consumer group in the market.

Financial Forecast

In this section, we will discuss some specific details with respect to our financial forecast. A snapshot of our forecast is in Exhibit 20.

Restaurant growth

In f2014, Imvescor closed 6 restaurants, which included net closures of 3 Pizza Delights, 2 Mikes, zero Scores (2 openings offset by 2 closures), and 1 Bâton Rouge location. In f2015, the 7 net closures included 4 Pizza Delights, 1 Mikes, and 2 Scores. **We are forecasting 0 net closings for f2016, with 2 net openings in f2017.** Although management has indicated guidance of 10 net new openings over the next three years, we have opted to be conservative on our estimates and assume the majority take place post f2017. For the near term, we believe the focus will be on improving franchisee profitability and making improvements to the network.

Consolidated SSSG

Imvescor reported consolidated SSSG of +0.2% in f2015, with the trend improving throughout the year. For f2016 and f2017, we are forecasting SSSG of +2.5%, which represents a continuation of the level seen during Q4/f15. While we recognize that this is below management's target guidance of +3-5%, we remain more concerned with the headwinds created from a softer economic environment throughout much of Canada.

System sales

In f2014, consolidated system sales decreased 3.8% to $371.2M, with the y/y decline due to net closures of underperforming restaurants. For f2015, system sales grew slightly to $371.9M. For f2016, we have total system sales growing +2.3%, which is largely driven by SSSG with some offset related to store closures made through the course of f2015. For f2017, our system sales forecast grows +3% as the SSSG is augmented by a modest contribution from net new store openings (i.e. +2 net).

Operating EBITDA

Consolidated operating EBITDA was $15.9M in f2015 versus $16.0M in f2014, which represents 4.3% of system sales in both years. In terms of our estimates, we are forecasting $17.5M in f2016 (4.6% margin on system sales) and $18.9M in f2017 (4.8% margin on system sales). **We note that our operating EBITDA estimates exclude expenses related to the franchisee rejuvenation plan**, which we forecast at $1.7M in f2016 and $1.9M in f2017.

Franchise segment

For the Franchise segment, EBITDA was $22.3M in f2015 versus $21.1M in f2014, which represents a margin of 6.0% of system sales versus 5.7% in f2014. For f2016, we are forecasting a margin of 6.2% of system sales ($23.5M EBITDA) and 6.3% of system sales in f2017 ($24.9M of EBITDA). Our basis for expansion is primarily related to leverage from SSSG and improvements stemming from execution of the restaurant rejuvenation program.

Manufacturing segment

For the Manufacturing segment, EBITDA was $1.1M in f2015 versus $1.3M in f2014, which represents 14.0% of manufacturing sales versus 18.3% in f2014. With Imvescor assuming management for the manufacturing of the Mikes retail pizza product in f2016, results in this segment are anticipated to look quite different from a reporting perspective (i.e. until a partner or buyer for the plant is found). That said, management has indicated that results should remain relatively stable from an EBITDA perspective. In that regard, we have our Manufacturing EBITDA improving modestly to $1.3M in f2016 and remaining stable at those levels in f2017.

Corporate segment

For the Corporate segment, expenses were $9.7M in f2015 versus $9.1M in f2014. We see this dropping to $8.4M in f2016 and f2017. The drop is related to non-recurring charges of $1.1M in f2015, which were mostly related to the Moncton, New Brunswick corporate office closure and a 10% headcount reduction. We have also assumed some modest level of cost savings (i.e. $200,000 per year) to stem from these initiatives.

Taxes, net earnings and EPS

We are forecasting a 27% tax rate for f2016 and f2017, which is equivalent to the statutory rate for f2015 and f2014. We use a fully-diluted share count of 61.9M, which includes 54.9M shares outstanding, combined with 5.5M shares from the warrants ($0.65 strike) and 1.5M options outstanding. For f2016 we are forecasting net earnings of $10.4M (FD EPS of $0.17) and $11.2M in f2017 (EPS of $0.18).

We would note that Imvescor's net income in f2016 will benefit from the new $35M 3-year revolving credit facility (announced August 31, 2015). This facility will be used to repay the outstanding term loan and offers a lower effective interest rate which will yield estimated interest savings of approximately $1M per year.

FCF profile

Using the traditional calculation for free-cash-flow (FCF), cash flow from operating activity minus CAPEX, we calculate FCF for f2015 of $11.2M and $9.3M in f2014. Our forecast estimates FCF of $10.9M in f2016 and $11.7M in f2017. In terms of CAPEX, we have spending of $400,000 in both f2016 and f2017. As previously indicated, amounts spent as part of the restaurant rejuvenation program are not capitalized and are expensed through the income statement as incurred.

Balance sheet

At the end of f2015, net debt was $8.7M, with net debt / EBITDA of 0.5x (0.3x including proceeds from outstanding warrants). For f2016 we are forecasting Imvescor ends the year in a net cash position of $1.3M, which increases to $8.2M in f2017.

Normal Course Issuer Bid

With its Q4/f15 results, Imvescor announced the implementation of a normal course issuer bid for the repurchase and cancellation of up to 2.7M common shares (which represents 5% of shares outstanding). Given the company's market cap and float, stage of growth and strategic plan, we were surprised to see the company commence a normal course issuer bid (unless the intention is to privatize the company at some point). The current float already makes it extremely challenging for new institutional investors to buy the stock, and we don't necessarily see a normal course issuer bid as the item which will attract new buyers to the name. In that regard, we tend to view such an announcement as more neutral overall, and we have not factored in any repurchases within our forecast. Our preferred use of capital deployment is towards growing the business through initiatives such as the franchise rejuvenation plan or acquisitions.

Exhibit 20: Imvescor Summary Financial Forecast

All amounts in $M unless otherwise indicated	f2014	f2015	f2016e	f2017e
Total Number of Restaurants	234	227	227	229
Consolidated SSSG	*-2.7%*	*0.2%*	*2.5%*	*2.5%*
System Sales Total	371,242	371,939	380,437	391,948
y/y growth	*-3.8%*	*0.2%*	*2.3%*	*3.0%*
Total Imvescor Revenue	47,242	44,478	45,351	46,421
y/y growth	*4.7%*	*-5.9%*	*2.0%*	*2.4%*
Operating EBITDA				
Franchising	21,124	22,286	23,538	24,885
As a percentage of franchise sales	*55.2%*	*61.9%*	*63.7%*	*65.5%*
As a percentage of system sales	*5.7%*	*6.0%*	*6.2%*	*6.3%*
Manufacturing	1,346	1,128	1,271	1,311
As a percentage of manufacturing sales	*18.3%*	*14.0%*	*15.9%*	*16.4%*
Corporate	-6,454	-7,479	-7,320	-7,320
Total EBITDA	16,016	15,935	17,489	18,876
As a percentage of total sales	*34.4%*	*35.8%*	*38.6%*	*40.7%*
As a percentage of system sales	*4.3%*	*4.3%*	*4.6%*	*4.8%*
Operating Income				
Franchising	16,670	23,443	21,873	22,985
Manufacturing	2,224	854	851	891
Corporate	-8,111	-9,277	-8,000	-8,000
Total operating income	10,783	15,020	14,724	15,876
Net interest expense and other financing	2,263	1,688	490	490
Tax rate	*31.0%*	*23.9%*	*27.0%*	*27.0%*
Net earnings	5,877	10,139	10,391	11,232
Adjusted EPS (Fully Diluted)	$0.11	$0.16	$0.17	$0.18
Operating cash flow	13,223	10,680	11,491	12,332
Delta working capital	-3,676	858	-200	-200
Cash flows from operating activities	9,547	11,538	11,291	12,132
CAPEX	-240	-360	-400	-400
Free cash flow	9,307	11,178	10,891	11,732
Net Debt	21,032	8,662	-1,305	-8,200
Net Debt / EBITDA	1.3x	0.5x	-0.1x	-0.4x

Source: Company Reports; Laurentian Bank Securities Estimates

Valuation and Recommendation

We compare Imvescor with a group of publicly-traded North American restaurants, which includes full-service, quick-service, and fast casual restaurants. These restaurants also contain different levels of franchising which influences capital intensity and return on invested capital. We would note that all of the restaurants in this list have a much larger market capitalization than Imvescor.

Exhibit 21: North American Restaurant Comparables (Quick Service, Full Service, Fast Casual)

Ticker	Short Name	Year End	Price ($)	Div. Yield	Shares Out (M)	Market Cap (M$)	Net Debt (M$)	EV (M$)	P/E 2015e	P/E 2016e	P/E 2017e	EV/EBITDA 2015e	EV/EBITDA 2016e	EV/EBITDA 2017e	EBITDA CAGR 14-16e	Restaur-ant Type	Percent Fran-chised	# of Brands
Full-service Restaurants, >50% Franchised																		
DIN US	DINEEQUITY INC	Dec	80.96	2.8%	19	1,509	1,340	2,849	13.7x	13.0x	12.3x	10.4x	10.2x	10.0x	6.2%	FSR	99%	2
DENN US	DENNY'S CORP	Nov	9.03	na	81	727	161	888	21.5x	18.2x	14.6x	10.1x	9.4x	na	9.9%	FSR	91%	1
BWLD US	BUFFALO WILD WIN	Dec	149.46	0.0%	19	2,846	57	2,903	29.1x	23.2x	18.9x	10.6x	8.5x	7.3x	20.6%	FSR	53%	3
RUTH US	RUTH'S HOSPITALI	Dec	16.31	1.2%	35	571	2	573	18.9x	16.9x	15.5x	9.9x	9.1x	8.4x	9.0%	FSR	54%	1
									20.8x	**17.8x**	**15.3x**	**10.2x**	**9.3x**	**8.6x**				
Full-service Restaurants, <50% Franchised																		
EAT US	BRINKER INTL	June	49.08	2.3%	60	2,923	1,063	3,986	13.8x	12.5x	10.9x	8.0x	7.7x	7.3x	6.2%	FSR	39%	2
RRGB US	RED ROBIN GOURME	Dec	61.21	0.0%	14	853	151	1,004	18.8x	16.9x	13.9x	6.8x	6.1x	5.5x	22.7%	FSR	19%	1
TXRH US	TEXAS ROADHOUS	Dec	35.02	1.7%	70	2,456	-2	2,462	25.9x	20.9x	18.0x	11.6x	9.7x	8.5x	15.5%	FSR	21%	2
BLMN US	BLOOMIN' BRANDS	Dec	16.86	0.4%	120	2,020	1,264	3,316	13.3x	11.9x	10.7x	7.2x	6.9x	6.4x	12.3%	FSR	11%	4
(6) RT US	RUBY TUESDAY INC	May	5.43	0.0%	62	337	187	524	*49.4x*	31.0x	*38.8x*	6.3x	6.0x	6.4x	4.5%	FSR	11%	2
DRI US	DARDEN RESTAURAN	May	61.47	3.6%	128	7,883	341	8,224	18.5x	16.2x	14.8x	9.0x	8.5x	8.1x	18.6%	FSR	1%	7
BJRI US	BJ'S RESTAURANTS	Dec	41.20	na	25	1,038	41	1,079	25.6x	21.4x	18.9x	9.0x	7.8x	7.2x	23.1%	FSR	0%	4
(5) CAKE US	CHEESECAKE FACTO	Dec	46.00	1.3%	49	2,263	-30	2,233	19.5x	17.5x	15.9x	8.8x	8.0x	7.6x	10.7%	FSR	0%	1
CBRL US	CRACKER BARREL	July	122.05	5.8%	24	2,922	272	3,194	17.9x	16.7x	15.4x	9.7x	9.2x	8.5x	12.1%	FSR	0%	1
DFRG US	DEL FRISCO'S RES	Dec	15.44	0.0%	23	360	14	374	19.7x	16.9x	14.7x	8.3x	7.6x	7.0x	14.9%	FSR	0%	3
CHUY US	CHUY'S HOLDINGS	Dec	33.90	0.0%	16	559	-11	548	*38.2x*	32.8x	29.9x	15.5x	13.5x	11.9x	24.5%	FSR	0%	1
									19.2x	**19.5x**	**16.3x**	**9.1x**	**8.3x**	**7.7x**				
Quick-service Restaurants																		
DNKN US	DUNKIN' BRANDS G	Dec	37.91	2.4%	93	3,512	2,172	5,684	19.9x	17.3x	15.3x	13.7x	12.9x	12.0x	7.2%	QSR	100%	2
(2) QSR US	RESTAURANT BRAND	Dec	33.59	na	459	15,434	8,047	26,778	30.8x	26.4x	22.6x	16.4x	15.3x	14.2x	6.4%	QSR	100%	2
PLKI US	POPEYES LOUISIAN	Dec	58.49	0.0%	22	1,314	102	1,416	30.6x	26.1x	21.7x	16.8x	14.8x	13.1x	13.9%	QSR	97%	1
DPZ US	DOMINO'S PIZZA	Dec	110.73	0.9%	55	6,051	1,495	7,547	32.4x	27.7x	23.2x	17.5x	16.0x	14.5x	11.1%	QSR	97%	1
SONC US	SONIC CORP	Aug	29.23	1.2%	49	1,436	470	1,905	26.6x	22.3x	19.4x	11.7x	10.9x	10.2x	11.6%	QSR	89%	1
KKD US	KRISPY KREME	Jan	14.00	0.0%	63	882	-26	857	17.8x	15.1x	13.5x	11.5x	10.1x	na	17.9%	QSR	89%	1
WEN US	WENDY'S CO/THE	Dec	9.67	2.1%	273	2,645	2,227	4,872	29.6x	26.5x	23.9x	12.3x	12.8x	12.6x	-3.8%	QSR	87%	1
PZZA US	PAPA JOHN'S INTL	Dec	48.13	1.1%	39	1,878	215	2,114	23.5x	20.2x	18.1x	12.4x	11.2x	10.3x	9.4%	QSR	85%	1
MCD US	MCDONALDS CORP	Dec	119.20	2.9%	918	109,453	15,538	124,991	22.2x	19.9x	19.3x	13.5x	13.1x	13.5x	-0.3%	QSR	81%	1
(1) YUM US	YUM! BRANDS INC	Dec	67.39	2.3%	431	29,061	2,356	31,485	21.3x	18.9x	16.5x	11.5x	10.5x	9.7x	14.2%	QSR	72%	3
JACK US	JACK IN THE BOX	Sept	75.56	1.3%	35	2,621	698	3,318	25.6x	20.8x	18.9x	11.6x	10.2x	9.6x	13.2%	QSR/FC	74%	2
(3) SBUX US	STARBUCKS CORP	Sept	57.71	1.2%	1,485	85,688	736	86,426	*36.5x*	30.5x	26.4x	19.1x	16.4x	14.6x	17.4%	QSR	0%	4
									25.5x	**22.6x**	**19.9x**	**14.0x**	**12.9x**	**12.2x**				
Fast Casual Restaurants																		
HABT US	HABIT RESTAURA-A	Dec	20.32	0.0%	26	528	-49	535	*73.6x*	*58.6x*	*49.2x*	21.5x	16.8x	13.3x	35.4%	FC	93%	1
PNRA US	PANERA BREAD-A	Dec	184.38	0.0%	25	4,643	136	4,779	30.1x	28.2x	22.8x	12.3x	11.9x	10.4x	0.3%	FC	51%	3
NDLS US	NOODLES & CO	Dec	11.90	0.0%	28	330	58	388	*86.2x*	*81.0x*	47.4x	10.7x	10.0x	8.4x	-5.9%	FC	14%	1
PBPB US	POTBELLY CORP	Dec	10.77	0.0%	30	326	-43	284	39.6x	32.3x	25.5x	8.3x	7.2x	5.8x	21.4%	FC	9%	1
ZOES US	ZOE'S KITCHEN IN	Dec	26.18	0.0%	19	507	6	514	*353.8x*	*180.6x*	*94.9x*	27.2x	21.9x	17.3x	103.3%	FC	2%	1
CMG US	CHIPOTLE MEXICAN	Dec	442.17	na	31	13,790	-960	12,830	29.9x	34.8x	25.6x	14.4x	16.7x	13.1x	-3.4%	FC	0%	3
(4) SHAK US	SHAKE SHACK IN-A	Dec	34.76	0.0%	36	1,260	-70	1,197	*108.6x*	*88.4x*	*73.5x*	*38.2x*	*31.1x*	24.7x	106.2%	FC	0%	1
									33.2x	**31.8x**	**30.3x**	**15.7x**	**14.1x**	**13.3x**				
Average, all companies above									**23.6x**	**21.8x**	**19.5x**	**11.9x**	**10.8x**	**10.2x**				
MTY CN	**MTY FOOD GROUP**	**Nov**	**30.49**	**1.1%**	**19**	**583**	**-9**	**574**	**19.0x**	**18.4x**	**17.6x**	**11.6x**	**11.2x**	**10.8x**	**9.7%**	**QSR**	**98%**	35
CAO CN	**CARA OPERATIONS**	**Dec**	**25.85**	**1.5%**	**54**	**1,391**	**41**	**1,473**	**23.4x**	**15.5x**	**14.3x**	**13.4x**	**11.6x**	**10.9x**	**23.5%**	**FSR/QSR**	**89%**	11
IRG CN	**IMVESCOR RESTAUR**	**Oct**	**2.41**	**3.7%**	**62**	**149**	**4**	**153**	**14.6x**	**14.4x**	**13.3x**	**9.6x**	**8.7x**	**8.1x**	**4.5%**	**FSR**	**98%**	4

Notes:
(1) YUM Brands consists of Taco Bell (QSR), KFC (QSR) and Pizza Hut (FSR).
(2) 2014 EBITDA is a pro-forma number provided within BKW Q4/14 presentation.
(3) ~50% of SBUX locations are licensed.
(4) ~49% of SHAK locations are licensed.
(5) ~4% of CAKE locations are licensed.
(6) Ruby Tuesday's EBITDA is adjusted for impairment charges.

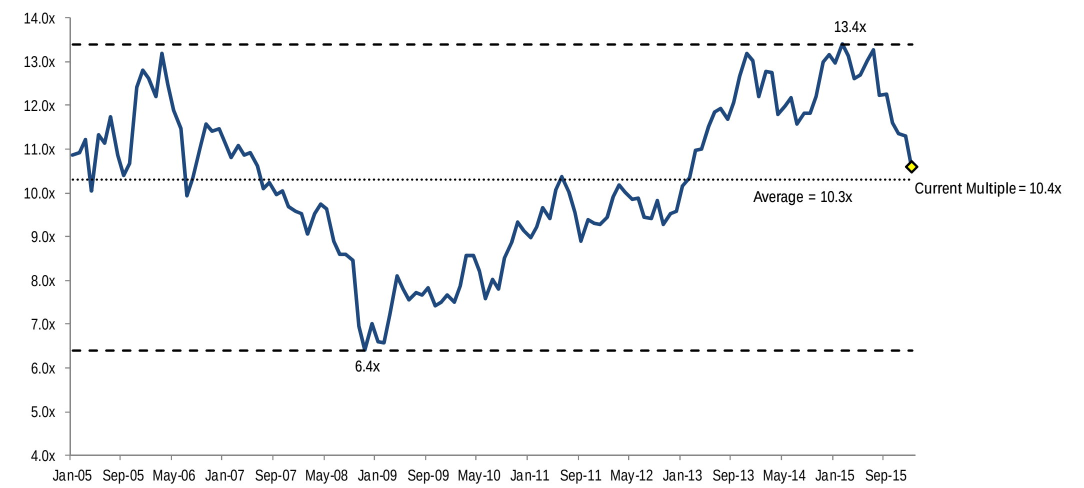
Numbers in italics are excluded from averages.

Source: Bloomberg; Laurentian Bank Securities

Imvescor is trading at an EV / EBITDA multiple of 8.7x our f2016 estimate and 8.1x our f2017 estimate. Our comp group trades closer to 10.8x 2016 and 10.2x 2017. On a P/E basis, Imvescor is trading at 14.4x f2016 and 13.3x f2017. Our comp group trades closer to 21.8x 2016 and 19.5x 2017. Imvescor is trading at a discount to its peers, which can largely be explained by the company being in the early stages of its strategic turnaround. We would fully expect this valuation gap to narrow as investors see management deliver results that demonstrate successful execution of the restaurant rejuvenation plan.

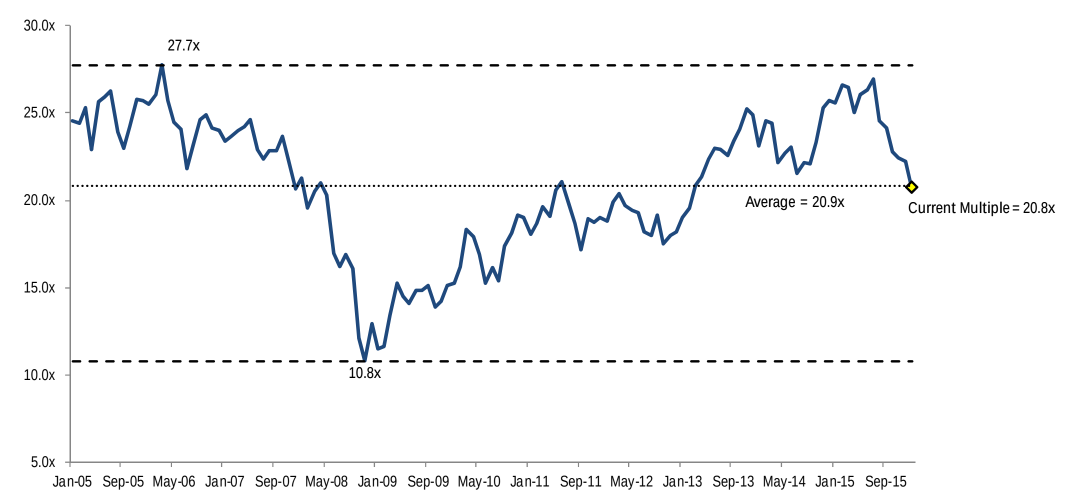
In Exhibits 22 and 23 we illustrate the average 1-year forward (i.e. 12 month forward) historical trading multiple for the peer group outlined in Exhibit 21. As illustrated, on a long-term basis, U.S. peers are trading in-line with their respective 10 year average for both EV / EBITDA (10.4x versus 10.3x) and P/E (20.8x versus 20.9x). These multiples have obviously contracted meaningfully since mid-2015 given the correction in U.S. markets.

Exhibit 22: U.S. Restaurants - 1 year Forward EV/EBITDA Multiple (Jan. 2005 to Present)



Source: Bloomberg, Laurentian Bank Securities.

Exhibit 23: U.S. Restaurants - 1 year Forward P/E Multiple (Jan. 2005 to Present)



Source: Bloomberg, Laurentian Bank Securities.

In determining our target multiple for Imvescor, we take into consideration:

1. **Strong balance sheet and free cash flow.** At the end of Q4/f15, Imvescor's net debt / EBITDA was 0.5x (0.3x including proceeds from outstanding warrants). Additionally, we see the balance sheet moving into a net cash position by the end of f2016e. On a free cash flow basis, we forecast Imvescor will generate ~$10.9M during f2016e ($0.176 per share), which implies a FCF yield of ~7.3%.
2. **Potential upside to our forecast as rejuvenation takes hold.** As we have discussed in the report, if the restaurant rejuvenation plan is successful, we could see results across the restaurants accelerate meaningfully. This in turn could lead to a substantial improvement in profitability of each brand.

We have selected a target multiple of 9.0x 2017e EBITDA, which is in-line to where the stock is trading on an f2016 basis. This multiple also represents a discount to where the overall U.S. peer group trades (i.e. 10.2x 2017e).

In Exhibit 24, we present our target price derivation. Our one-year target price for Imvescor is $3.00, which reflects an all-in return of 28% from current levels. Therefore, we rate the shares a Buy.

Exhibit 24: Imvescor Valuation

	2015	2016e	2017e
Adjusted EBITDA	15,935	17,489	18,876
Multiple	9.0x	9.0x	9.0x
Enterprise Value	143,415	157,404	169,884
Net debt	8,662	-1,305	-8,200
Warrant proceeds	3,583	0	0
Equity value	138,336	158,709	178,084
Target	2.25	2.56	2.88
Shares outstanding (fully-diluted)	61,539	61,938	61,938

Source: Laurentian Bank Securities Estimates

Risks

Franchisee recruitment

Imvescor's store growth is contingent on its ability to continue to recruit new franchisees to open new restaurants. Successful franchisees are generally well capitalized with some level of operating experience at the restaurant level. In the future, if Imvescor is not able to recruit franchisees, this may lead to a slowdown in new store openings which could negatively impact the company's ability to grow its royalty revenues.

Real estate market

The Canadian real estate market continues to perform well and lease rates on high quality locations remain high. High lease rates can impair unit economics over the medium-term as a new store matures and/or a period of slower sales occurs (i.e. recession). If earnings become depressed at a particular unit, this may prompt the franchisee to close the store and cease operations. In the case of a corporate store, the same situation could occur.

Head lease exposure

Imvescor is on the head lease for a large number of franchise locations. This implies that if a franchisee walks away from their business, or has an inability to pay rent, Imvescor is obligated to pay that franchisees' rent to the landlord. In a period of prolonged weakness, if a large portion of franchisees walk away from their restaurants, this could create a significant financial burden for the company.

Forecast predicated on a turnaround

Our forecast is predicated on the strategy communicated by management to assist franchisees in the renovation of their restaurants, under the rejuvenation plan. These planned renovations affect over half of Imvescor's total store network and are key to the turnaround strategy within each banner.

Highly competitive environment

The foodservice industry and the full-service restaurant segment are extremely competitive in terms of market share, quality, brand, customer service and location. Imvescor's brands offer limited diversification, overlapping in terms of average cheque and style.

Challenges of multiple banners

Imvescor offers franchises in all four of its banners. While multiple concepts and formats help to diversify the portfolio overall, it could also lead to distractions and underperformance among banners where less emphasis may be placed. In that regard, it is necessary that each banner and brand have appropriate management at the corporate level to ensure it remains relevant in the market.

Economic conditions, discretionary spending, changes in sales tax

A weak economy and specifically, a decline in consumer confidence / discretionary spending could negatively impact sales. This is likely to be more visible among the higher-end banners (i.e. "Premium Casual") compared to those in the Family Dining or QSR segment. Additionally, an increase in sales tax rates can have a negative effect on consumer spending and consequently the same-store sales growth of a restaurant or group of restaurants.

Regulatory environment

The company is subject to various government laws and restrictions. Significant changes or the introduction of new laws and regulations related to product safety, nutritional content, labelling and sanitation could increase the cost of compliance and increase exposure to litigation and agency investigations.

Food safety and raw material availability

Negative publicity with respect to food safety and food-borne illness could adversely affect brand reputation and traffic. Outbreaks of food-borne disease, at an Imvescor brand or that of a competitor, could reduce traffic and result in the temporary closure of restaurants and negatively impact system sales.

Management Profiles

Frank Hennessey, President & Chief Executive Officer. Mr. Hennessey was appointed President and Chief Executive Officer and as a Director in September 2014. Mr. Hennessey is a restaurant professional with over 27 years of experience in both franchise and corporate environments in both Canada and the United States. He was the former President and Chief Executive Officer of Bento Sushi, a North American private-equity owned sushi concept with over 400 sushi bars in both Canada and the United States. Prior to his tenure as President & Chief Executive Officer of Bento Sushi, Mr. Hennessey spent 11 years at Cara Operations Limited in different roles, including President of Harvey's Restaurants and Senior Vice-President of Guest Experience, and also worked for 11 years at Darden Restaurants. Mr. Hennessey holds an undergraduate degree from Western University and a Master of Business Administration from the Rotman School of Management at the University of Toronto.

Tania Clarke, Chief Financial Officer. Ms. Clarke was appointed Chief Financial Officer of Imvescor in January 2015. Ms. Clarke is a senior financial executive with over 15 years experience in both public and private international and national companies across several business functions. Prior to Imvescor, she was the Corporate Controller of Keurig Canada, a subsidiary of Great Mountain Coffee Roasters. Prior to Keurig Canada, Ms. Clarke spent four years as Chief Financial Officer and Acting Chief Information Officer at Vision 2000 Travel Group, a large travel management company in Canada. Ms. Clarke also worked for 14 years at Grand Toys International Ltd in different roles, including Chief Financial Officer (North America). Ms. Clarke began her career at KPMG and was in Audit for three years. Ms. Clarke has a Bachelor of Commerce and a Graduate Diploma in Public Accountancy from Concordia University, and she is a Chartered Accountant (CPA-CA) and a Certified Public Accountant (CPA – US).

Francois-Xavier Seigneur, Chairman. Mr. Seigneur joined the Board of Directors in January 2014. He is presently the President of EFFIX INC. (which he founded in 1986), the exclusive advertising and sponsorship sales agency for the Montreal Canadiens, the Bell Centre and Evenko. Prior to that, he worked with the Montreal Canadiens as Vice-President Marketing, held the position of Vice-President at Pinso Sports, and worked as Director of Marketing for the Quebec division of the Bank of Montreal. He attended St-Laurent and Ste-Marie colleges, earned his B.A., and went on to complete a bachelor's degree in business administration at the Université du Québec in Montréal in May 1972.

Arnaud Ajdler, Director. Mr. Ajdler joined the Board of Directors in July 2013 and is a member of the Audit and Risk Committee. He is also the Managing Partner of Engine Capital L.P., a value-oriented special situations fund that invests in companies undergoing change. Prior to that, Mr. Ajdler was a partner at Crescendo Partners. Mr. Ajdler is currently the Chairman of Destination Maternity and was a board member of Charming Shoppes, O'Charley's, Topps Corp. and Hill International. Mr. Ajdler, has graduate degrees from MIT and Harvard Business School. He is also an Adjunct Professor at Columbia University Business School where he teaches a course in Value Investing.

Amber Coggan-Imbeault, Brand Leader - Pizza Delight. Ms. Coggan-Imbeault was appointed leader of the Pizza Delight brand in February 2011. She is a restaurant professional with over 27 years of experience and joined Imvescor early in her management career, holding several senior positions, including Director of Operations, Vice President - Operations & Development, Chief Operating Officer - Pizza Delight, Brand Leader - Pizza Delight & Mikes Brands, and Chief Compliance Officer – All Brands. Ms. Coggan-Imbeault studied at the University of New Brunswick, and is currently completing her Master of Business Administration at Athabasca University.

Peter Mammas, Brand Leader – Bâton Rouge Steakhouse & Bar. Mr. Mammas was appointed Brand Leader for Bâton Rouge in September 2013, where he leads the operation and development teams. He has spent the last 25 years as a partner in Resto Pro, creating several concepts including Nickels Deli and Bar, Vinnie Gambini's Restaurante, Firegrill Steakhouse and Roasters Rotisserie. In 2001, Resto Pro purchased Bâton Rouge and within 5 years the brand had doubled its sales and was acquired by Imvescor.

John Prontzos, Brand Leader – Scores. Mr. Prontzos was appointed Brand Leader for Scores in January 2015. Prior to joining the organization, Mr. Prontzos has been working with the Scores Brand on the franchisee level for 16 years, where he held different operational positions during that time. In 2004, he became partner and a franchisee at the Boucherville location.

Financial Statements

Exhibit 25: Imvescor Restaurant Group Financial Statements

Income Statement ($'000s) - Year End Oct 31	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015	Q1/16e	Q2/16e	Q3/16e	Q4/16e	2016e	2017e
Total SSSG	*-2.7%*	*-0.8%*	*-0.2%*	*1.2%*	*2.4%*	*0.2%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Total System Sales	371,242	89,316	89,913	96,683	96,027	371,939	91,049	91,961	99,000	98,428	380,437	391,948
y/y sales growth	*-3.8%*	*-2.1%*	*-0.5%*	*0.8%*	*2.5%*	*0.2%*	*1.9%*	*2.3%*	*2.4%*	*2.5%*	*2.3%*	*3.0%*
Total Restaurant Count	234	232	229	228	227	227	227	227	227	227	227	229
Revenues												
Royalties	30,338	7,035	7,465	7,880	7,800	30,180	7,944	7,278	8,346	8,038	31,605	32,525
As a percentage of system sales	*8.2%*	*7.9%*	*8.3%*	*8.2%*	*8.1%*	*8.1%*	*8.7%*	*7.9%*	*8.4%*	*8.2%*	*8.3%*	*8.3%*
Sale of manufactured goods	7,364	2,186	2,182	1,777	1,911	8,056	2,000	2,000	2,000	2,000	8,000	8,000
Corporate restaurant sales	6,842	1,439	1,210	1,242	1,186	5,077	1,184	1,195	1,287	1,280	4,946	5,095
Franchise fees and other revenue	2,075	402	455	144	164	1,165	200	200	200	200	800	800
Total Revenues	46,619	11,062	11,312	11,043	11,061	44,478	11,327	10,674	11,833	11,517	45,351	46,421
Operating Expenses												
Total Franchising Expenses	21,624	3,437	3,446	3,575	2,075	12,533	3,765	3,484	3,971	3,857	15,078	15,036
As a percentage of franchise system sales	*0.0%*	*3.8%*	*3.8%*	*3.7%*	*2.2%*	*3.4%*	*4.1%*	*3.8%*	*4.0%*	*3.9%*	*4.0%*	*3.8%*
Total Manufacturing Expenses	5,140	1,895	2,048	1,611	1,648	7,202	1,787	1,787	1,787	1,787	7,149	7,109
As a percentage of manufacturing sales	*69.8%*	*86.7%*	*93.9%*	*90.7%*	*86.2%*	*89.4%*	*89.4%*	*89.4%*	*89.4%*	*89.4%*	*89.4%*	*88.9%*
Total Corporate Expenses	9,073	3,091	2,298	1,978	2,356	9,723	2,100	2,100	2,100	2,100	8,400	8,400
Total Expenses	35,837	8,423	7,792	7,164	6,079	29,458	7,653	7,371	7,858	7,745	30,627	30,545
Operating EBITDA												
Franchising	21,124	4,647	5,656	5,701	6,282	22,286	5,809	5,483	6,224	6,023	23,538	24,885
As a percentage of franchise sales	*55.2%*	*54.1%*	*62.1%*	*62.1%*	*69.0%*	*61.9%*	*63.0%*	*64.0%*	*64.0%*	*64.0%*	*63.7%*	*65.5%*
As a percentage of system sales	*5.7%*	*5.2%*	*6.3%*	*5.9%*	*6.5%*	*6.0%*	*6.4%*	*6.0%*	*6.3%*	*6.1%*	*6.2%*	*6.3%*
Manufacturing	1,346	398	240	273	217	1,128	318	318	318	318	1,271	1,311
As a percentage of manufacturing sales	*18.3%*	*18.2%*	*11.0%*	*15.4%*	*11.4%*	*14.0%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*15.9%*	*16.4%*
Corporate	-6,454	-1,792	-2,052	-1,686	-1,949	-7,479	-1,830	-1,830	-1,830	-1,830	-7,320	-7,320
Operating EBITDA	16,016	3,253	3,844	4,288	4,550	15,935	4,296	3,971	4,712	4,510	17,489	18,876
Franchising	16,670	5,145	5,662	5,602	7,034	23,443	5,462	5,090	5,762	5,560	21,873	22,985
Manufacturing	2,224	291	134	166	263	854	213	213	213	213	851	891
Corporate	-8,111	-2,797	-2,276	-1,889	-2,315	-9,277	-2,000	-2,000	-2,000	-2,000	-8,000	-8,000
Operating income	10,783	2,639	3,520	3,879	4,982	15,020	3,675	3,303	3,974	3,773	14,724	15,876
Total Interest	2,263	514	490	483	201	1,688	122	122	122	122	490	490
Income taxes	2,643	549	480	931	1,233	3,193	959	859	1,040	986	3,843	4,154
Tax rate	*31.0%*	*25.8%*	*15.8%*	*27.4%*	*25.8%*	*23.9%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*	*27.0%*
Net earnings	5,877	1,576	2,550	2,465	3,548	10,139	2,593	2,322	2,812	2,665	10,391	11,232
EPS	0.14	0.03	0.05	0.05	0.07	0.19	0.05	0.04	0.05	0.04	0.17	0.19
EPS - Fully Diluted	0.11	0.03	0.04	0.04	0.06	0.16	0.04	0.04	0.05	0.04	0.17	0.18
Shares outstanding - Basic	45,050	47,556	49,947	50,432	53,726	53,726	54,953	54,953	54,953	60,464	60,464	60,464
Shares outstanding - Fully Diluted	61,106	61,106	61,106	61,106	61,539	61,539	61,938	61,938	61,938	61,938	61,938	61,938

Source: Company reports; Laurentian Bank Securities Estimates

Financial Statements (Cont'd)

Exhibit 26: Imvescor Restaurant Group Financial Statements

Cash Flow Statement ($'000s) - Year End Oct 31	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015	Q1/16e	Q2/16e	Q3/16e	Q4/16e	2016e	2017e
Net income	5,876	1,576	2,550	2,465	3,548	10,139	2,593	2,322	2,812	2,665	10,391	11,232
cash used in discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
depreciation and amortization	1,124	284	258	274	137	953	275	275	275	275	1,100	1,100
interest expense	2,336	548	520	512	232	1,812	147	147	147	147	590	590
impairment of long-lived assets	500	0	0	0	-711	-711	0	0	0	0	0	0
impairment of notes and other amounts receivable	176	0	0	0	0	0	0	0	0	0	0	0
(gain) loss on sale of PP&E	-28	98	2	0	0	100	0	0	0	0	0	0
share-based compensation	151	52	73	64	135	324	0	0	0	0	0	0
income tax expense	2,643	549	480	931	1,233	3,193	959	859	1,040	986	3,843	4,154
impairment of Imvescor rights	4,000	0	0	0	0	0	0	0	0	0	0	0
bargain purchase gain from acquisition	-1,137	0	0	0	0	0	0	0	0	0	0	0
Change in non-cash working capital	-3,676	1,059	-1,278	-122	1,199	858	-100	25	-100	-25	-200	-200
Income tax paid	-511	0	-1,801	-1,646	-102	-3,549	-959	-859	-1,040	-986	-3,843	-4,154
Interest paid	-1,907	-448	-429	-420	-284	-1,581	-147	-147	-147	-147	-590	-590
Cash from operating activities	9,547	3,718	375	2,058	5,387	11,538	2,768	2,622	2,987	2,915	11,291	12,132
Issue of common shares	1,998	913	2,296	325	2,411	5,945	0	0	0	3,583	3,583	0
Dividends paid	0	-929	-1,947	-1,000	-1,035	-4,911	-1,099	-1,099	-1,099	-1,209	-4,506	-4,837
Repayment on borrowings of long-term debt	-3,054	-828	-844	-809	-38,381	-40,862	0	0	0	0	0	0
Cash from financing activities	-1,056	-844	-495	-1,484	-15,219	-18,042	-1,099	-1,099	-1,099	2,373	-924	-4,837
Business acquisition	-3,968	0	0	0	0	0	0	0	0	0	0	0
Purchase of PP&E	-121	-81	-27	-46	-140	-294	-100	-100	-100	-100	-400	-400
Purchase of intangible assets	-119	-25	-62	0	21	-66	0	0	0	0	0	0
Proceeds on sale of PP&E	751	0	90	0	0	90	0	0	0	0	0	0
Cash from investing activities	-3,457	-106	1	-46	-119	-270	-100	-100	-100	-100	-400	-400
Increase in cash	5,034	2,768	-119	528	-9,951	-6,774	1,569	1,422	1,788	5,188	9,967	6,895
Cash, beginning of period	5,364	10,398	13,166	13,047	13,575	10,398	3,624	5,193	6,615	8,403	3,624	13,591
Cash, end of period	10,398	13,166	13,047	13,575	3,624	3,624	5,193	6,615	8,403	13,591	13,591	20,486
FCF	9,307	3,612	286	2,012	5,268	11,178	2,668	2,522	2,887	2,815	10,891	11,732

Source: Company reports; Laurentian Bank Securities Estimates

Financial Statements (Cont'd)

Exhibit 27: Imvescor Restaurant Group Financial Statements

Balance Sheet ($'000) - Year End Oct 31	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015	Q1/16e	Q2/16e	Q3/16e	Q4/16e	2016e	2017e
Assets												
Cash	10,398	13,166	13,047	13,575	3,624	3,624	5,193	6,615	8,403	13,591	13,591	20,486
Accounts receivable	6,816	7,967	6,743	6,224	6,261	6,261	6,361	6,361	6,461	6,461	6,461	6,661
Income tax receivable	0	0	0	524	0	0	0	0	0	0	0	0
Current portion of notes and other amounts receivable	159	158	152	243	0	0	0	0	0	0	0	0
Inventories	732	685	521	626	550	550	550	575	575	600	600	650
Prepaid expenses	437	652	318	329	386	386	386	386	386	386	386	386
Advertising fund receivable	0	0	0	0	0	0	0	0	0	0	0	0
Total current assets	18,542	22,628	20,781	21,521	10,821	10,821	12,490	13,937	15,825	21,038	21,038	28,183
Notes and other amounts receivable	513	636	682	680	981	981	981	981	981	981	981	981
PP&E	5,442	5,235	5,006	4,871	4,983	4,983	4,808	4,633	4,458	4,283	4,283	3,583
Other assets	405	639	552	465	132	132	132	132	132	132	132	132
Intangible assets	336	335	371	311	285	285	285	285	285	285	285	285
Imvescor rights	96,172	96,172	96,172	96,172	96,883	96,883	96,883	96,883	96,883	96,883	96,883	96,883
Total assets	121,410	125,645	123,564	124,020	114,085	114,085	115,579	116,851	118,564	123,602	123,602	130,047
Liabilities												
Accounts payable and accrued liabilities	6,375	7,118	5,901	6,186	8,627	8,627	8,627	8,677	8,677	8,677	8,677	8,727
Gift card liability	2,477	4,139	3,083	2,893	2,615	2,615	2,615	2,615	2,615	2,615	2,615	2,615
Provisions	927	435	451	268	0	0	0	0	0	0	0	0
Advertising fund liabilities	267	320	237	32	0	0	0	0	0	0	0	0
Income taxes payable	1,795	2,032	499	0	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232
Current portion of unearned revenue	401	523	644	535	0	0	0	0	0	0	0	0
Current portion of long-term debt	30,540	29,847	29,133	28,414	0	0	0	0	0	0	0	0
Current portion of other long-term debt	148	139	122	85	0	0	0	0	0	0	0	0
Total current liabilities	42,930	44,553	40,070	38,413	12,474	12,474	12,474	12,524	12,524	12,524	12,524	12,574
Provisions	0	39	33	26	0	0	0	0	0	0	0	0
Unearned revenue	0	347	324	300	0	0	0	0	0	0	0	0
Other long-term liabilities	742	335	310	323	488	488	488	488	488	488	488	488
Deferred tax liabilities	7,259	7,571	7,783	8,091	7,466	7,466	7,466	7,466	7,466	7,466	7,466	7,466
Total liabilities	50,931	52,845	48,520	47,153	32,226	32,226	32,226	32,276	32,276	32,276	32,276	32,326
Shareholders' Equity												
Share capital	66,306	68,992	42,961	43,468	47,299	47,299	47,299	47,299	47,299	50,882	50,882	50,882
Reserves	8,079	7,067	34,739	34,590	33,238	33,238	33,238	33,238	33,238	33,238	33,238	33,238
Deficit	-3,906	-3,259	-2,656	-1,191	1,322	1,322	2,816	4,038	5,751	7,207	7,207	13,601
Total Shareholders' capital	70,479	72,800	75,044	76,867	81,859	81,859	83,353	84,575	86,288	91,326	91,326	97,721
Total Liabilities and Shareholders' capital	121,410	125,645	123,564	124,020	114,085	114,085	115,579	116,851	118,564	123,602	123,602	130,047
Total debt	31,430	30,321	29,565	28,822	12,286	12,286	12,286	12,286	12,286	12,286	12,286	12,286
Net debt	21,032	17,155	16,518	15,247	8,662	8,662	7,093	5,671	3,883	-1,305	-1,305	-8,200
Net debt / LTM EBITDA	1.3x	1.1x	1.1x	1.0x	0.5x	0.5x	0.4x	0.3x	0.2x	-0.1x	-0.1x	-0.4x

Source: Company reports; Laurentian Bank Securities Estimates

Appendix 1 - Important Disclosures

Company	Ticker	Disclosures*
Imvescor Restaurant Group Inc.	IRG-T	V

The analyst(s) certify that (1) the views expressed in this report in connection with securities or issuers they analyze accurately reflect their personal views and (2) no part of their compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by them in this report.

The Research Analyst's compensation is based on various performance and market criteria and is charged as an expense to certain departments of Laurentian Bank Securities (LBS), including investment banking.

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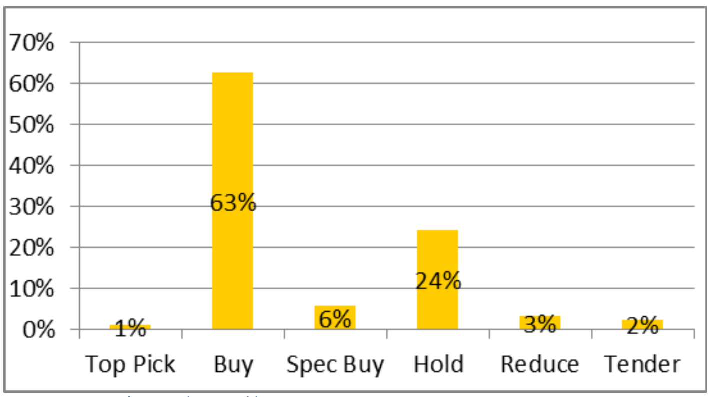

Percentage of companies covered by Laurentian Bank Securities Equity Research within each rating category.

Source: Laurentian Bank Securities

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