



For Immediate Release

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BOSTON PIZZA ROYALTIES INCOME FUND ANNOUNCES FRANCHISE SALES FROM ROYALTY POOL RESTAURANTS OF \$186.4 MILLION FOR THE FIRST QUARTER

Top line results driven by 10 net new restaurants added to the Fund's royalty pool in 2014

Highlights

- System-Wide Gross Sales¹ for the Period of \$238.0 million, an increase of \$1.7 million versus the same period one year ago.
- Franchise Sales² from royalty pool restaurants for the Period of \$186.4 million, relatively unchanged from the same period one year ago.
- Same store sales growth of negative 1.7% and Distributable Cash³ per Unit decrease of 1.8% for the Period mainly due to extreme winter weather in many parts of Canada and a higher number of restaurant renovations in the Period compared to the same period one year ago.
- Ten net new Boston Pizza restaurants opened in 2013 added to the Fund's royalty pool on January 1, 2014.
- Trustees previously declared April 2014 distribution to unitholders of 10.2 cents per Unit.

VANCOUVER, BC, May 14, 2014 - Boston Pizza Royalties Income Fund (the "Fund") and Boston Pizza International Inc. ("BPI") reported financial results today for the first quarter period from January 1, 2014 to March 31, 2014 (the "Period"). A copy of this press release, the interim consolidated financial statements and related Management's Discussion and Analysis of the Fund and BPI are available at www.sedar.com and www.bpincomefund.com. The Fund will host a conference call to discuss the results on May 14, 2014 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time). The call can be accessed by dialling 1-800-319-4610 or 604-638-5340. A replay will be available until June 13, 2014 by dialling 1-800-319-6413 or 604-638-9010 and entering the pin code: 4452 followed by the # sign.

Same store sales growth ("SSSG"), a key driver of distribution growth for unitholders of the Fund, was negative 1.7% for the Period compared to positive 3.2% for the same period in 2013. Franchise Sales, the basis upon which royalties are paid by BPI to the Fund, exclude revenue from the sale of liquor, beer, wine and tobacco and approved national promotions and discounts. On a Franchise Sales basis, SSSG was negative 1.9% for the Period compared to positive 3.5% for the same period in 2013. The negative SSSG for the Period was principally due to extreme winter weather in many parts of Canada and a higher number of restaurant renovations in the Period compared to the same period one year ago. Franchise Sales of restaurants in the royalty pool were \$186.4 million for the Period compared to \$186.3 million in the same period, respectively, in 2013. The nominal change in Franchise Sales for the Period is attributed to additional Franchise Sales from 10 net new store openings from the prior year that were added to the Fund's royalty pool on January 1, 2014, offset by negative SSSG in the Period as previously discussed.

"Boston Pizza's marketing activities in the first quarter focused on families with our \$6.99 Kids Meals and Pasta Tuesdays, while our sports bar promotions welcomed thousands of Canadian hockey fans across the country to watch the gold medal game with us" said Mark Pacinda, President and CEO of BPI. "On August 12, 2014, Boston Pizza will celebrate our 50th anniversary and we have a number of exciting events planned to recognize this milestone across the country including local parties, a national contest, special historical menu items and even our own Boston Pizza 50th anniversary beer to mark the occasion. We invite everyone to come and celebrate with BP."

The Fund's net income and comprehensive income was \$6.4 million for the Period compared to a net loss and comprehensive loss of \$0.8 million for the first quarter of 2013. The \$7.1 million increase in net income for the Period was driven by the net \$7.5 million difference in fair value adjustments mainly on the class B general partner units of Boston Pizza Royalties Limited Partnership (the "Class B Unit liability") partially offset by a \$0.2 million change in non-cash deferred income taxes. The Fund's net income under International Financial Reporting Standards ("IFRS") contains non-cash items, such as the fair value adjustments on the Class B Unit liability and interest rate swaps, that do not affect the Fund's business operations or its ability to pay distributions to unitholders.

In the Fund's view, net income is not the only or most meaningful measurement of the Fund's ability to pay distributions. Consequently, the Fund reports the non-IFRS metrics of Distributable Cash and Payout Ratio⁴ to provide investors with more meaningful information regarding the amount of cash that the Fund has generated to pay distributions. Readers are cautioned that Distributable Cash and Payout Ratio are non-IFRS financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For a reconciliation between cash flow from operating activities (the most directly comparable IFRS measure) and Distributable Cash see the "Financial Summary" section of the Fund's Management's Discussion and Analysis for the Period. For a detailed discussion on the Fund's Distributable Cash and Payout Ratio, please see the "Operating Results – Distributable Cash / Payout Ratio" section in the Fund's Management's Discussion and Analysis for the Period.

The Fund's Distributable Cash was \$4.1 million or \$0.272 per unit of the Fund ("**Unit**") for the Period compared to \$4.3 million or \$0.277 per Unit for the same period in 2013. This represents a decrease to Distributable Cash of 4.2% for the Period, primarily due to the payment of accrued interest expenses in the Period. It is important to note that while Distributable Cash is negatively impacted by the increase to interest expense when debt is used to fund purchases under the Fund's normal course issuer bid (the "**NCIB**") there is an offsetting decrease to distributions payable when the Fund units acquired under the NCIB are cancelled. Distributions for the Period were funded entirely by cash flow from operations. No debt was incurred at any point during the Period or the Year to fund distributions.

The Fund's Payout Ratio was 115.1% for the Period compared to 108.7% in the same period one year ago. The Fund's Payout Ratio for the Period increased compared to the same period one year ago due to the decrease in Distributable Cash and the increase in distributions. The Fund strives to provide unitholders with regular monthly distributions, and as a result, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund's Payout Ratio is likely to be higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza restaurants experience higher Franchise Sales during the summer months when restaurants open their patios and benefit from increased tourist traffic. Higher Franchise Sales generally results in increases in Distributable Cash. On a trailing 12-month basis, the Fund's Payout Ratio was 102.1% as at March 31, 2014. A key feature of the Fund is that it is a "top line" structure, in which BPI pays the Fund a royalty equal to 4% of Franchise Sales from restaurants in the Fund's royalty pool. Accordingly, Fund unitholders are not directly exposed to changes in the operating costs or profitability of BPI or of individual Boston Pizza restaurants. Given this structure, and that the Fund has no current mandate to retain capital for other purposes, it is expected that the Fund will maintain a Payout Ratio close to 100% over time as the trustees of the Fund continue to distribute all available cash in order to maximize returns to unitholders.

On May 8, 2014 the trustees of the Fund announced a cash distribution to unitholders of 10.2 cents per Unit for April 2014. The distribution will be payable to unitholders of record at the close of business on May 21, 2014 and will be paid on May 30, 2014. The Fund periodically reviews distribution levels based on its policy of stable and sustainable distribution flow to unitholders. Since the Fund's initial public offering in 2002, unitholders have received 16 distribution increases. Including the April 2014 distribution, which will be paid in May 2014, the Fund will have paid out 142 consecutive monthly distributions totalling \$182.6 million or \$14.40 per Unit.

FINANCIAL SUMMARY

The tables below set out selected information from the Fund's consolidated interim financial statements together with other data and should be read in conjunction with the consolidated interim financial statements of the Fund for the three month periods ended March 31, 2014 and 2013.

	Q1 2014	Q1 2013
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)		
System-wide Gross Sales	238,008	236,324
Number of restaurants in Royalty Pool	358	348
Franchise Sales reported by restaurants in the Royalty Pool	186,388	186,338
Royalty income	7,456	7,454
Interest income	452	453
Total revenue	7,908	7,907
Administrative expenses	(260)	(263)
Interest expense on debt	(293)	(214)
Interest expense on Class B Unit and Class C Unit liabilities	(945)	(898)
Profit before fair value adjustments and income taxes	6,410	6,532
Fair value adjustment on Class B Unit liability	1,930	(5,712)
Fair value adjustment on interest rate swaps	(270)	(89)
Current and deferred income tax expense	(1,693)	(1,483)
Net income (loss) and comprehensive income (loss) for the period	6,377	(752)
Basic earnings (loss) per Unit	0.42	(0.05)
Diluted earnings (loss) per Unit	0.25	(0.05)
<u>Distributable Cash / Distributions / Payout Ratio</u>		
Cash flows from operating activities	5,821	5,815
Class C distributions to BPI	(450)	(450)
BPI Class B entitlement	(913)	(903)
Interest paid on long-term debt	(350)	(213)
SIFT Tax on Units	27	67
Distributable Cash	4,135	4,316
Distributions payable	4,760	4,692
Payout Ratio	115.1%	108.7%
Distributable Cash per Unit	0.272	0.277
Distributions payable per Unit	0.306	0.302
<u>Other</u>		
Same store sales growth	(1.7%)	3.2%
Number of restaurants opened during the period	0	0
Number of restaurants closed during the period	2	0
	Mar 31, 2014	Dec 31, 2013
Total assets	278,475	268,945
Total liabilities	109,357	119,726

Notes:

- 1) "System-wide Gross Sales" means the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions and discounts and excluding applicable sales and similar taxes.
- 2) Franchise sales is the basis on which the royalty is payable; it means the revenues of Boston Pizza restaurants in respect of which the royalty is payable ("Franchise Sales"). The term "revenue" refers to the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BPI periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.
- 3) Distributable Cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides useful information to investors regarding the amount of cash the Fund has generated for distribution on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. The preceding tables provide a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's Management's Discussion and Analysis for the Period.
- 4) Payout Ratio is calculated by dividing the distributions payable by the Fund in respect of the applicable period by the Distributable Cash generated in that period. Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides investors with useful information regarding the extent to which the Fund distributes cash on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS measure, a reconciliation of Payout Ratio to an IFRS measure is not possible. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in this Management's Discussion and Analysis.
- 5) Other capitalized terms used in these tables are defined in the Fund's most recent Management's Discussion and Analysis.
- 6) Profit before fair value adjustments and income taxes is an additional IFRS measure and as such, does not have standardized meanings under IFRS. For additional information regarding these financial metrics, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's Management's Discussion and Analysis for the Period.

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-wide Gross Sales	238,008	241,488	246,627	250,398
Number of restaurants in the Royalty Pool	358	348	348	348
Franchise Sales reported by restaurants in the Royalty Pool	186,388	183,742	191,510	193,830
Royalty income	7,456	7,350	7,660	7,753
Interest income	452	453	453	452
Total revenue	7,908	7,803	8,113	8,205
Administrative expenses	(260)	(274)	(250)	(263)
Interest expense on debt	(293)	(298)	(295)	(247)
Interest expense on Class B and Class C unit liabilities	(945)	(1,897)	(1,365)	(1,365)
Profit before fair value adjustments and income taxes	6,410	5,334	6,203	6,330
Fair value adjustment on Class B Unit liability	1,930	4,598	(1,166)	(1,144)
Fair value adjustment on interest rate swaps	(270)	(198)	(136)	650
Current and deferred income tax expense	(1,693)	(1,501)	(1,589)	(1,816)
Net income and comprehensive income for the period	6,377	8,233	3,312	4,020
Basic earnings per Unit	0.42	0.55	0.22	0.26
Diluted earnings per Unit	0.25	0.23	0.22	0.26
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	5,821	6,039	6,482	6,572
Class C distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B entitlement	(913)	(992)	(915)	(915)
Interest paid on long-term debt	(350)	(297)	(276)	(216)
SIFT Tax on Units	27	85	53	(156)
Distributable Cash	4,135	4,385	4,894	4,835
Distributions payable	4,760	4,599	4,605	4,673
Payout Ratio	115.1%	104.9%	94.1%	96.6%
Distributable Cash per Unit	0.272	0.292	0.324	0.315
Distributions payable per Unit	0.306	0.306	0.306	0.306
<u>Other</u>				
Same store sales growth	(1.7%)	(1.5%)	0.8%	3.6%
Number of restaurants opened during the period	0	7	1	4
Number of restaurants closed during the period	2	0	1	1

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-wide Gross Sales	236,324	239,764	239,269	237,955
Number of restaurants in the Royalty Pool	348	343	343	343
Franchise Sales reported by restaurants in the Royalty Pool	186,338	185,197	186,084	183,593
Royalty income	7,454	7,408	7,443	7,344
Interest income	453	453	453	453
Total revenue	7,907	7,861	7,896	7,797
Administrative expenses	(263)	(244)	(382)	(256)
Interest expense on debt	(214)	(218)	(234)	(256)
Interest expense on Class B and Class C unit liabilities	(898)	(1,978)	(1,628)	(1,628)
Profit before fair value adjustments and income taxes	6,532	5,421	5,652	5,657
Fair value adjustment on Class B Unit liability	(5,712)	633	(5,890)	1,953
Fair value adjustment on interest rate swaps	(89)	69	67	-
Current and deferred income tax expense	(1,483)	(1,781)	(1,410)	(1,421)
Net income (loss) and comprehensive income (loss) for the period	(752)	4,342	(1,581)	6,189
Basic earnings (loss) per Unit	(0.05)	0.29	(0.11)	0.42
Diluted earnings (loss) per Unit	(0.05)	0.23	(0.11)	0.24
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	5,815	6,221	6,319	6,188
Class C distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B entitlement	(903)	(986)	(1,211)	(1,178)
Interest paid on long-term debt	(213)	(215)	(130)	(285)
SIFT Tax on Units	67	(31)	-	(1)

Distributable Cash	4,316	4,539	4,528	4,274
Distributions payable	4,692	4,480	4,284	4,284
Payout Ratio	108.7%	98.7%	94.6%	100.2%
Distributable Cash per Unit	0.277	0.303	0.311	0.293
Distributions payable per Unit	0.302	0.294	0.294	0.294
Other				
Same store sales growth	3.2%	2.2%	1.0%	2.9%
Number of restaurants opened during the period	0	4	1	0
Number of restaurants closed during the period	0	0	0	1

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by achieving positive SSSG and continuing to open new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. BPI's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to our guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, BPI's franchise agreement requires that each Boston Pizza restaurant undergo a complete store renovation every seven years. Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

Boston Pizza remains well positioned for future expansion as evidenced by the two new Boston Pizza restaurants that have opened to date in 2014 and the additional three new locations that are currently under construction. BPI's management believe that Boston Pizza will continue to strengthen its position as the number one casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

Certain information in this press release constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Fund, Boston Pizza Holdings Trust, Boston Pizza Royalties Limited Partnership (the "Partnership"), Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in the press release that address activities, events or developments that the Fund or management of BPI expects or anticipates will or may occur in the future, including such things as, seasonal fluctuations in the Payout Ratio, the Payout Ratio is likely to be higher in the first and fourth quarters, higher Franchise Sales generally result in increases in Distributable Cash, a Payout Ratio close to 100% will be maintained, trustees of the Fund will continue to distribute all available cash in order to maximize returns to unitholders, Boston Pizza being well positioned for future growth, the strengthening of Boston Pizza's position as the number one casual dining brand in Canada, the achievement of positive SSSG, opening of new restaurants, increases in average guest cheques levels, incremental sales increasing after store renovations, plans to pursue restaurant development opportunities and other such matters are forward-looking information. When used in this press release, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan", "should", "continue" and other similar terminology. The material factors and assumptions used to develop the forward-looking information contained in this press release include the following: future results being similar to historical results, expectation related to future general economic conditions, business plans, speed of permitting, receipt of franchise fees and other amounts, franchisees access to financing, pace of commercial real estate development, protection of intellectual property rights of the Partnership and absence of changes of laws. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others) competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, Distributable Cash and reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and the Fund, as well as those factors discussed under the heading "Risks and Uncertainties" in the Fund's Management's Discussion and Analysis for the Period. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this press release. Except as required by law, the Fund and BPI assume no obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and our business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in the Fund's Management's Discussion and Analysis for the Period available at www.sedar.com and www.bpincomefund.com. The trustees of the Fund have approved the contents of this press release.

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