Half Year Results

Presentation

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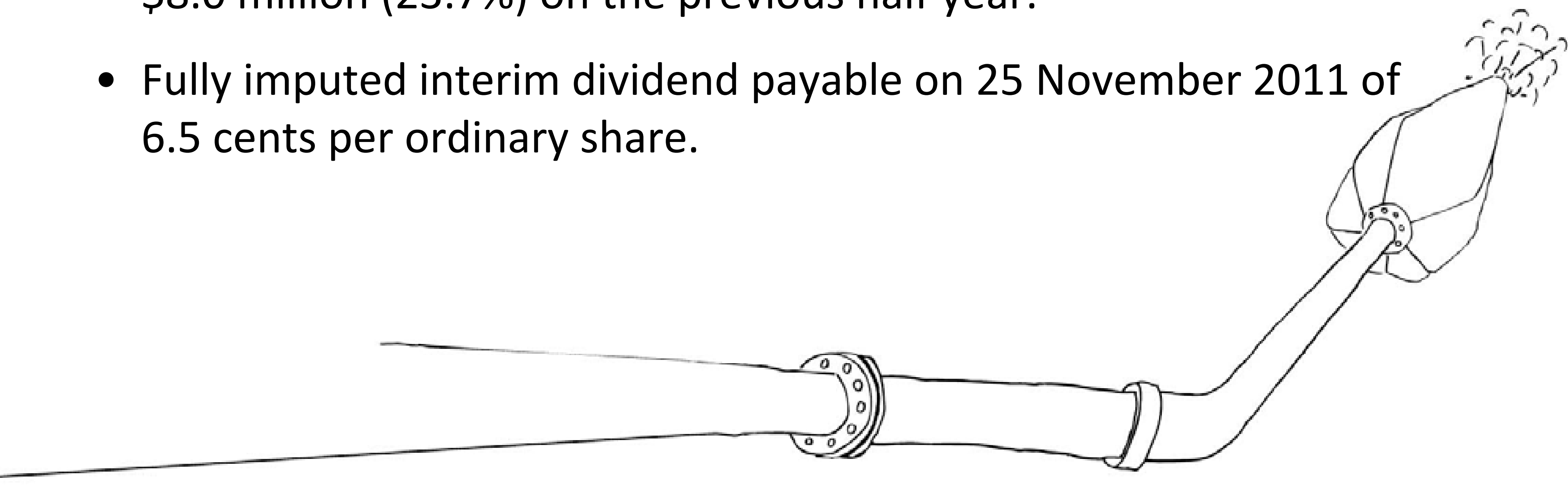
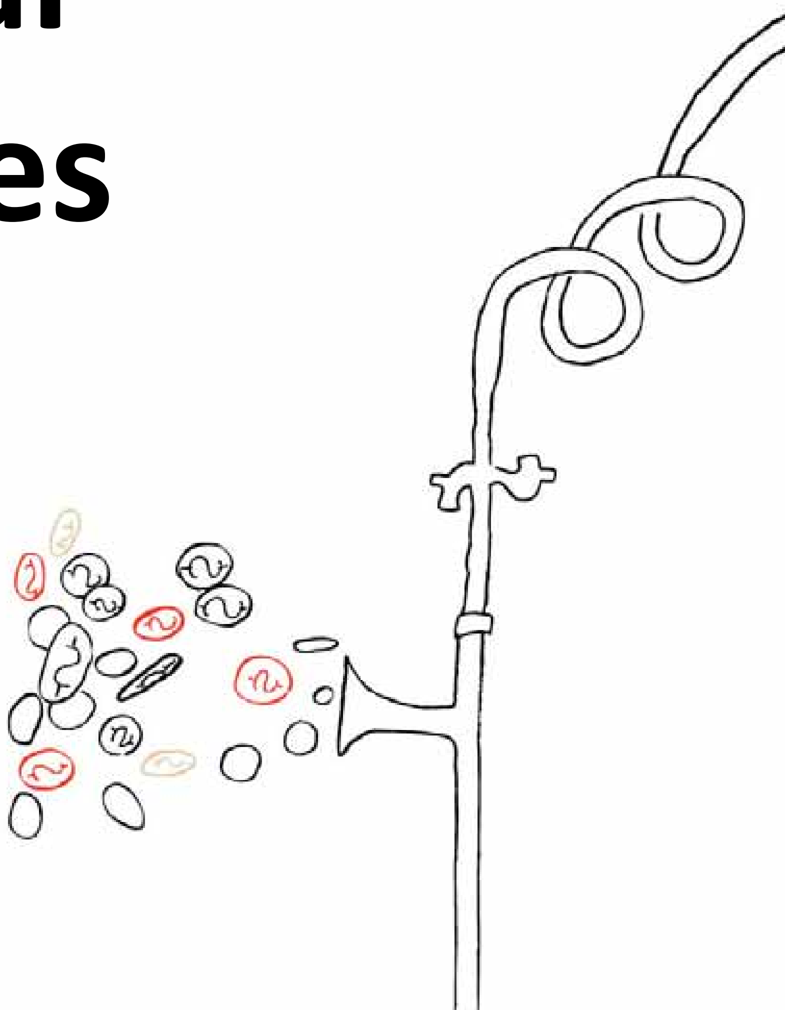
Restaurant BRANDS NEW ZEALAND LTD

Key Points

- Net Profit after Tax (excluding non-trading items) was $8.6 million (38.4% down on prior year). Reported profit (including non-trading items) was $7.5 million.
- Total revenues of $166.8 million were 5.5% down on prior year, with same store sales down 3.5%, driven primarily by a poor Pizza Hut result.
- Brand earnings dropped to a total EBITDA of $25.9million, down $8.0 million (23.7%) on the previous half year.
- Fully imputed interim dividend payable on 25 November 2011 of 6.5 cents per ordinary share.



Financial Outcomes

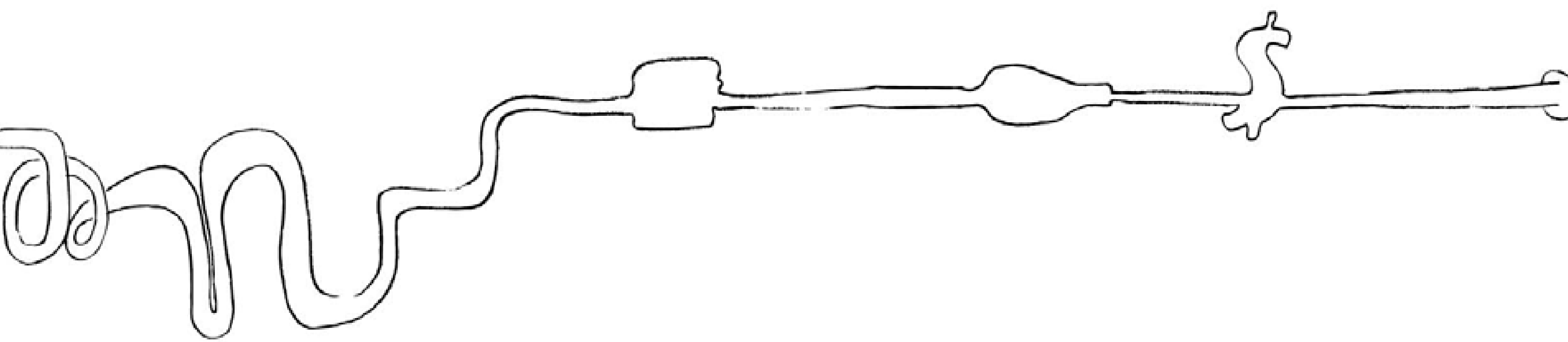


Consolidated NPAT of $8.6m, down 38.4% on a very strong prior year but consistent with earlier years

($m)	**1H2009**	**1H2010**	**1H2011**	**1H2012**
Revenue	**162.5**	**169.9**	**176.6**	166.8
Gross Margin	27.5	31.7	37.6	29.0
Distribution	(2.4)	(2.1)	(2.0)	(1.7)
Marketing	(10.2)	(8.6)	(8.1)	(8.6)
G&A	(5.6)	(7.0)	(7.3)	(6.2)
EBIT	**9.3**	**14.0**	**20.2**	**12.5**
Non-trading	(3.2)	(0.5)	(0.6)	(1.7)
Interest	(2.5)	(0.9)	(0.6)	(0.7)
NPBT	3.6	12.6	19.0	10.1
Tax	(1.0)	(3.7)	(5.5)	(2.6)
NPAT	**2.6**	**8.9**	**13.5**	**7.5**
NPAT (excl non-trading)	**4.9**	**9.2**	**13.9**	**8.6**

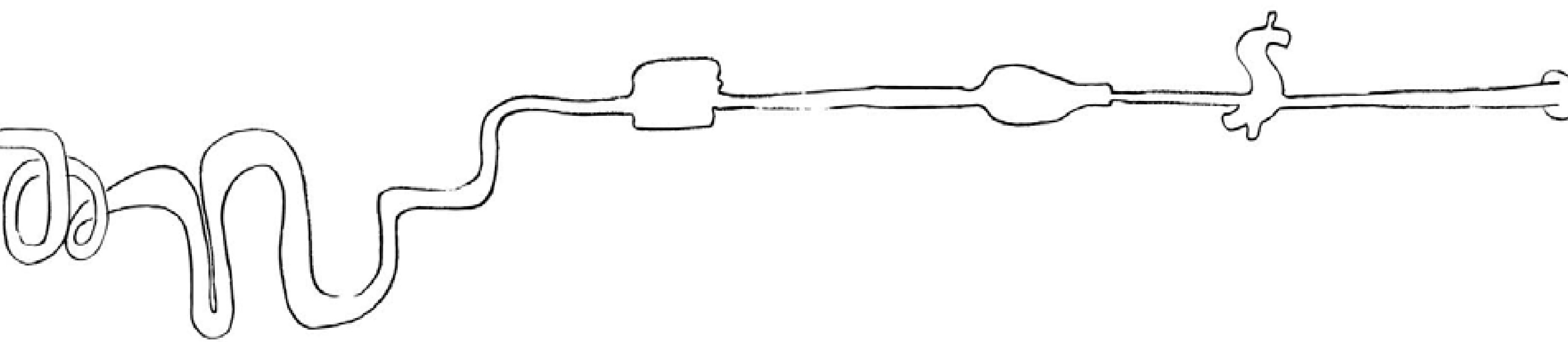
KFC only brand in sales growth with a significant drop in Pizza Hut and Starbucks Coffee down slightly on prior year. Christchurch earthquakes cost an estimated $3.8 million in lost sales

Sales $m	1H2011	1H2012	Total Sales		Same Store Sales
			$ Δ	% Δ	% Δ
KFC	127.0	127.9	0.9	0.7	(1.9)
Pizza Hut	33.8	24.6	(9.2)	(27.2)	(14.5)
Starbucks Coffee	15.5	14.0	(1.5)	(9.7)	5.4
TOTAL SALES	176.3	166.5	(9.8)	(5.6)	(3.5)



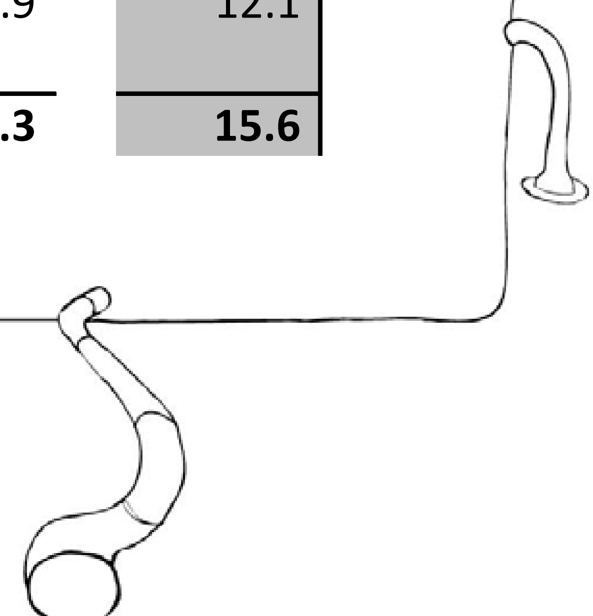
Input cost increases, sales deleverage and competitive market conditions contributed to reduced margins in all three brands

EBITDA $m	1H2010	1H2011	1H2012	$ Δ 2011/12	% Δ 2011/12
KFC	24.0	28.8	23.2	(5.6)	(19.5)
Pizza Hut	2.2	3.1	1.0	(2.1)	(66.9)
Starbucks Coffee	1.4	2.0	1.7	(0.3)	(15.1)
TOTAL	**27.6**	**33.9**	**25.9**	**(8.0)**	**(23.7)**



EBITDA % margins are lower on prior year but still ahead of previous history

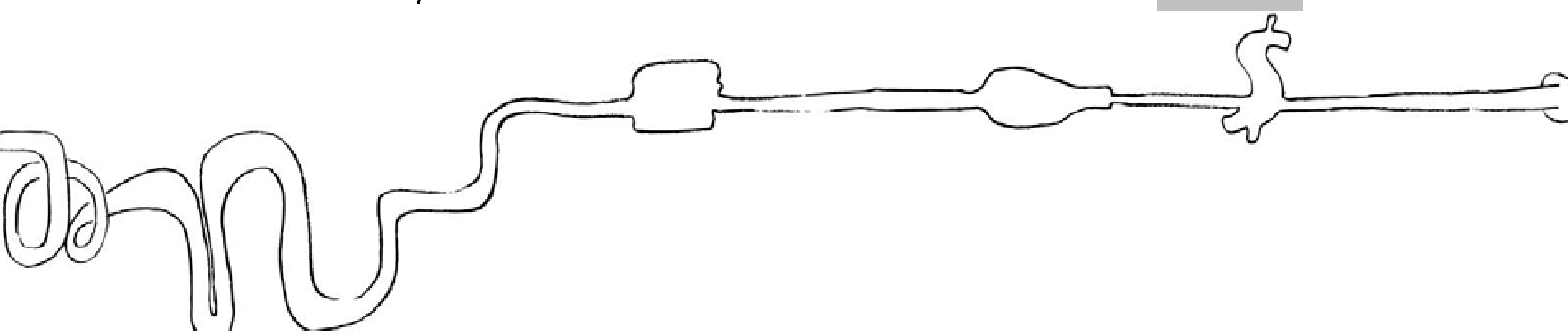
	EBITDA before G&A as % Sales			
	1H2009	**1H2010**	**1H2011**	**1H2012**
KFC	17.3	20.3	22.7	18.1
Pizza Hut	3.4	6.2	9.3	4.2
Starbucks Coffee	9.4	8.4	12.9	12.1
TOTAL	**13.5**	**16.2**	**19.3**	**15.6**



Operating cash flows were down with reduced earnings to "normal levels". Capex carryover has reduced free cash flow.

Cashflow $m	**1H2009**	**1H2010**	**1H2011**	**1H2012**
Operating Cashflow	10.5	23.4	26.0	15.2
Investing Cashflow	(5.0)	(4.5)	(13.4)	(10.9)
Free Cashflow	**5.5**	**18.9**	**12.6**	**4.3**

	1H2009	**1H2010**	**1H2011**	**1H2012**
Bank Debt $m	40.5	19.7	12.6	17.8



Despite reduced cash flow, financial ratios remain solid and borrowings well within current facility levels

Bank Facility ($m)	1H2009	1H2010	1H2011	1H2012
Westpac	$55m	$45m	$35m	$35m

Ratios	1H2009	1H2010	1H2011	1H2012
Interest Cover	3.8x	16.8x	35.3x	17.3x
Net Debt: EBIT	4.3:1	1.4:1	0.6:1	1.4:1
Gearing (D:D+E)	54%	31%	18%	23%

Despite the lower profit, dividend has only been reduced slightly, given a more positive outlook, reduced capex in 2H and continued low gearing levels

		1H2009	1H2010	1H2011	1H2012
NPAT excl non-trading	cps	5.0	9.5	14.2	8.7
Interim dividend	dps	3.0	4.5	7.0	6.5*

* Fully imputed at 28%

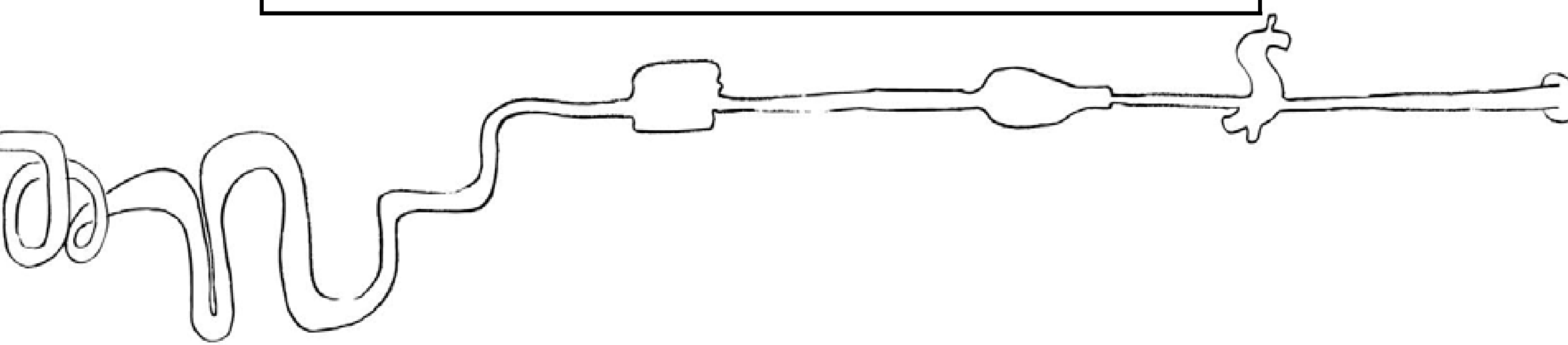
KFC operations

Sales	**$127.9m**	**+0.7%**
EBITDA	**$23.2m**	**-19.5%**

KFC Manurewa

Store transformation continues but at a slower pace with 2/3 of 89 stores now at new standard

	1H2012	Total to date
Stores transformed	5	50
New stores	-	8
Capital expenditure	\$5m	\$66m



Transformation creates “roll over” issues. The 8 transformations and 4 new stores in 2011 have distorted 2012 same store sales.

A. Regional stores re-opening in 2011 having been closed for an extended period of time, initially over perform

2011 $WPRA pre transformation*	2011 $WPRA on re-opening*	Δ %	2012 $WPRA current sales*	Δ %
$43,417	$65,185	+50.1	$47,289	-27.5%

* 8 weeks

B. City stores benefit from a neighbouring store closing for transformation in 1H 2011

2011 $WPRA neighbour closed*	2012 $WPRA neighbour re-opens*	2012 Same Store Sales
$82,089	$74,502	-9.2%

* 8 weeks

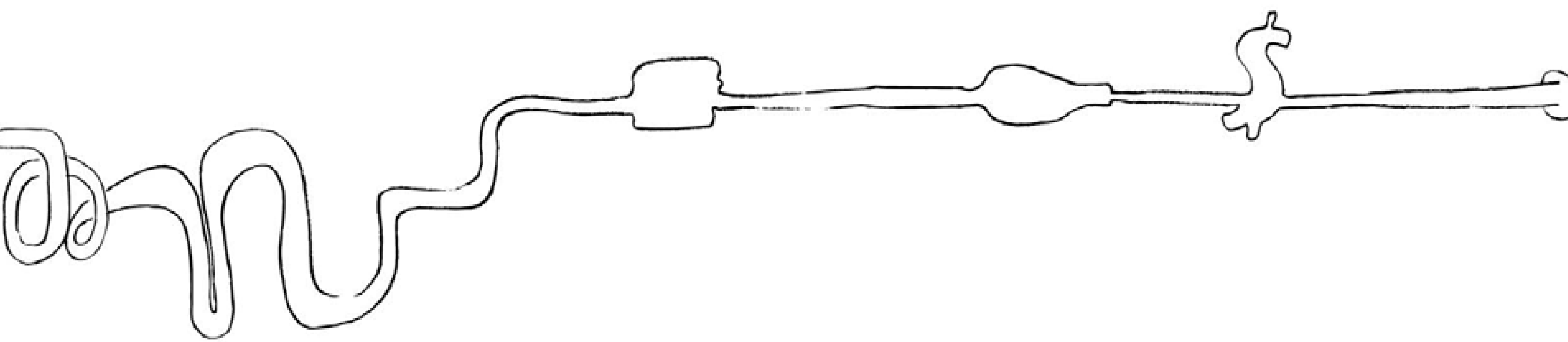
C. 4 City stores are impacted by a new store opening in 1H 2011

Store	Pre opening $WPRA 8 weeks	Post opening $WPRA 8 weeks	Change %	2012 Same store Sales %
Store A	$50,903	$50,631	-0.53%	-3.5%
Store B	$73,888	$70,427	-4.68%	-6.4%
Store C	$54,543	$53,193	-2.48%	-5.0%
Store D	$50,613	$47,021	-7.10%	-5.9%
New Store	-	$30,554	-	-
	$229,947	$251,826	9.5%	-5.2%

Although less obvious due to a reduced programme transformation continues to deliver good results in 2012

5 stores were transformed in 1H 2012 delivering average sales growth of 30%

	Prior $WPRA	Post $WPRA	Growth %
Store A	$36,057	$45,601	26%
Store B	$46,390	$57,949	25%
Store C	$56,242	$97,693	74%
Store D	$53,116	$54,648	3%
Store E	$34,465	$38,322	11%



KFC Gate Pa

Scorecard 1H 2012
KFC strategies for the new year

Strategy	Mark	Outcome
Pull back on transformation capex until economic situation resolves (4-5 transformations	✓✓	5 transformations completed to budget. None planned for 2H 2012
Seek new site opportunities and land bank where necessary	✓✓	One site purchased (Lower Hutt). Two others under negotiation
Consolidate operations after a big year of new store builds and transformations	✓	Staff churn and turnover reduced. Full benefits to come in 2H 2012
Bring SSS growth back to positive by 2H with major NPD initiatives	?	Too early to call. Initial indications are positive
Maintain EBITDA margin > 20% and despite cost increases with benefits of new Micros POS system, CCTV, XBR	x	Increased input costs (unrecovered) and sales deleverage reduced margin in 1H 2012 to 18.1%. Aggressive cost reduction initiatives and full benefit of XBR, CCTV will flow through in 2H

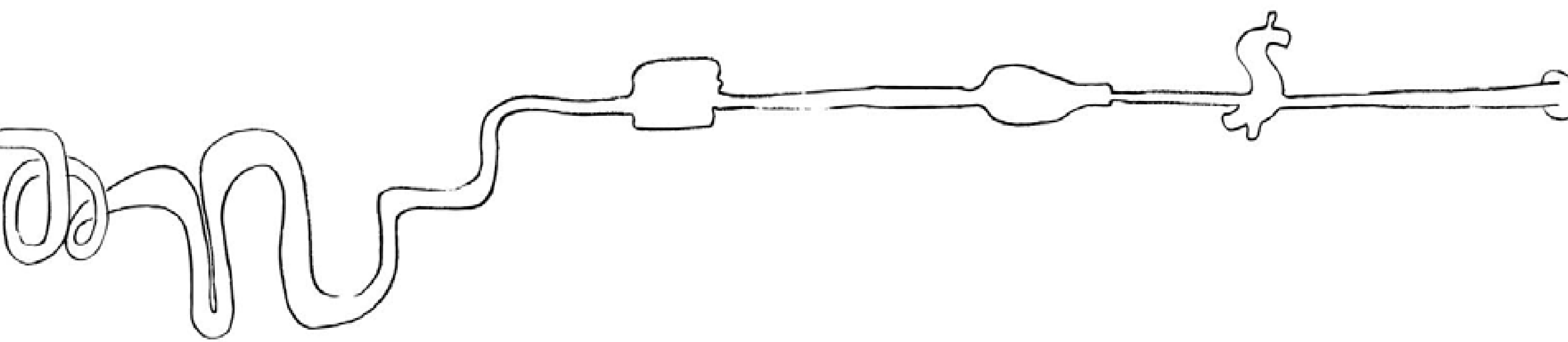
Pizza Hut operations

Sales	$24.6m	-27.2%
EBITDA	$1.0m	-66.9%

Tougher economic environment, aggressive competitor activity and lack of significant NPD contributed to a poor same store sales result for Pizza Hut

	1H2011	FY2011	1H2012
Same Store Sales	(2.9)%	(3.8)%	(14.5)%

Total sales were also down with store sales to franchisees, closures and the impact of the Christchurch earthquake

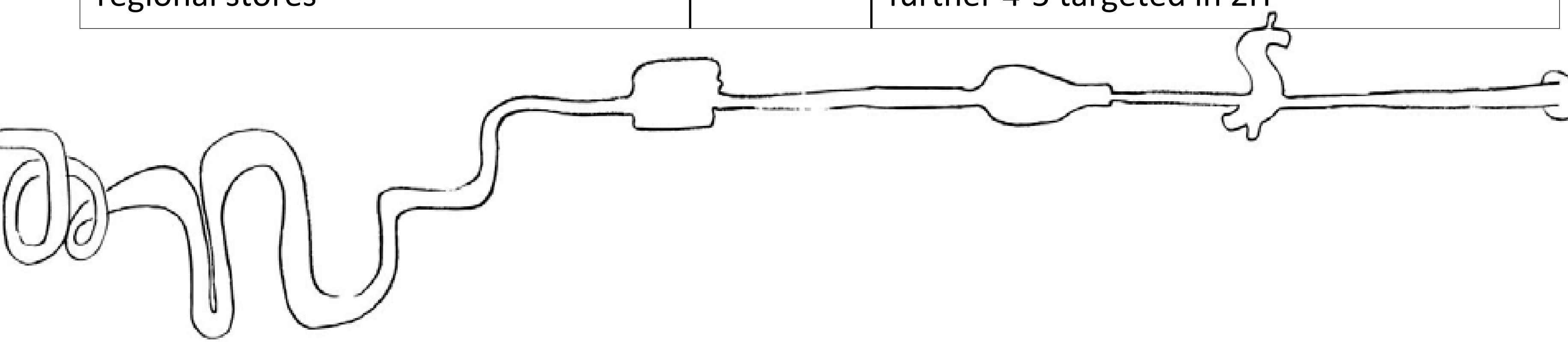


Despite better efficiencies in stores, EBITDA margin was severely impaired by sales deleverage and input cost increases

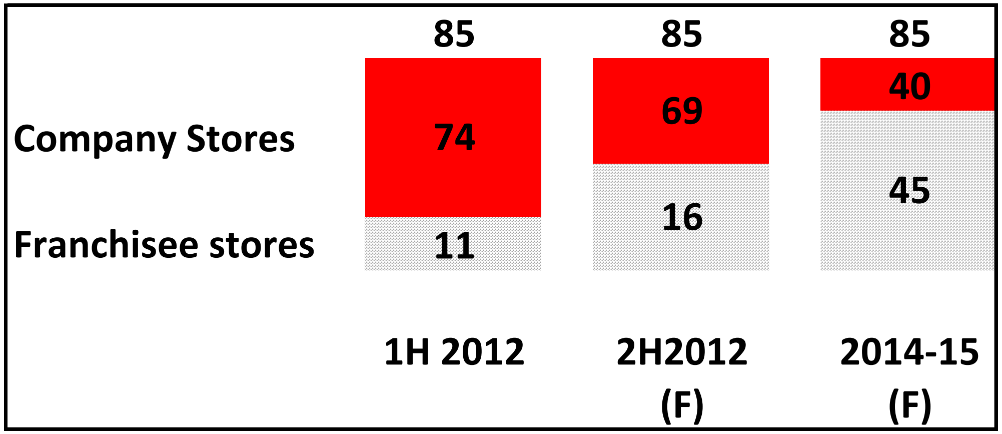
	1H2009	1H2010	1H2011	1H2012
EBITDA $m	1.2	2.2	3.1	1.0
% Sales	3.4%	6.2%	9.3%	4.2%

Despite poor 1H outcomes, strategies remain sound

Strategy	Mark	Outcome
Continue same store sales growth through continued strong customer service standards and product innovation	x x	Tougher economic conditions, intensified competitor activity and a lack of real NPD saw a significant downturn in SSS
Increase margin through sales leverage, product re-engineering and continued operational controls	x x	Sales deleverage and irrecoverable input cost increases more than offset tighter store operations (XBR, CCTV, labour management)
Continued store rationalisation (2-3 red roofs)	✓✓	Two poor performing delcos closed. Still 2-3 delcos to rationalise at lease end. 3 red roofs remain, but all EBITDA positive
Progress sell off of smaller and regional stores	✓✓	A further six delcos sold (total 11) with a further 4-5 targeted in 2H



The sale of Pizza Hut stores to independent franchisees remains on target

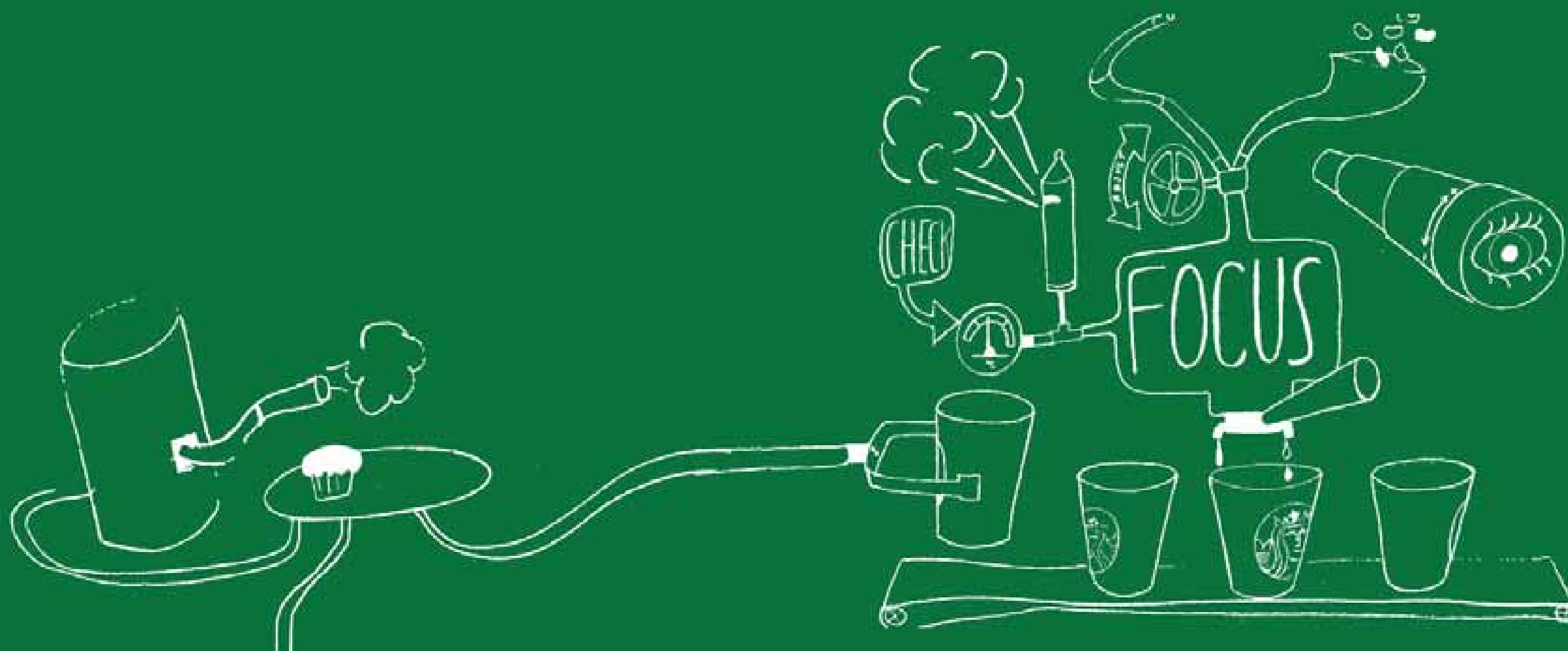


RBD gains:

- Royalty share
- Continued Adco contribution
- Supply Chain contribution

Starbucks Coffee operations

Sales	$14.0m	-9.7%
EBITDA	$1.7m	-15.1%

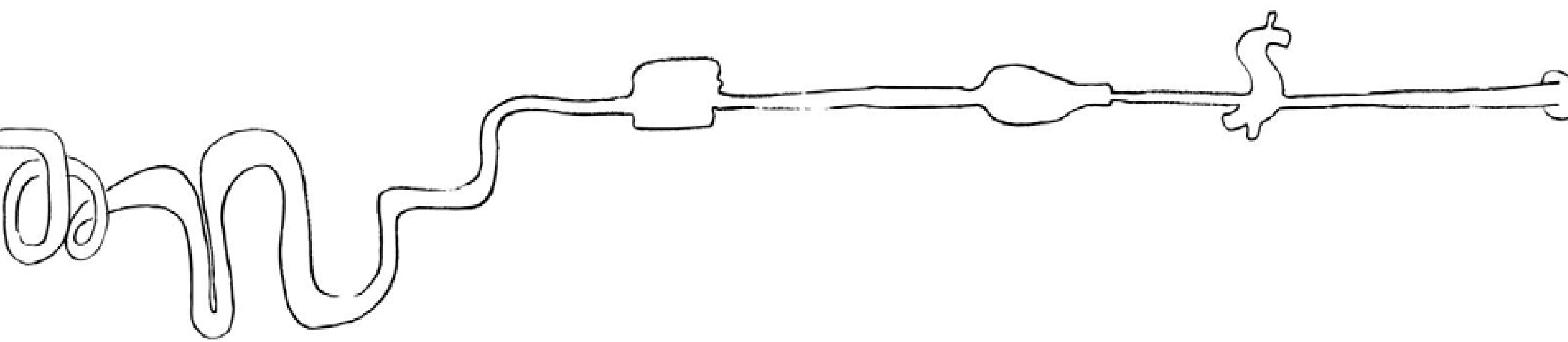


Starbucks Botany

Strong same store sales growth continues but a reduction in total sales with less stores

	1H2009	1H2010	1H2011	1H2012
Store numbers	44	42	39	32*
Total sales ($m)	$17.3m	$16.1m	$15.5m	$14.0m
Total sales growth (%)	(0.6%)	(7.1)%	(3.8)%	(9.7)%
Same store sales growth (%)	4.4%	(3.8)%	0.5%	5.4%

*** 3 closed because of earthquake**



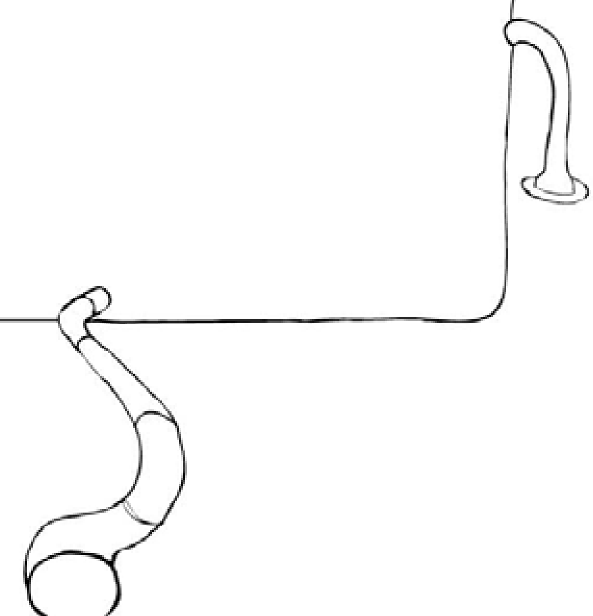
Starbucks margins remain solid despite input cost increases

	1H2009	1H2010	1H2011	1H2012
EBITDA $m	$1.6m	$1.4m	$2.0m	$1.7m
EBITDA margin (% sales)	9.4%	8.4%	12.9%	12.1%

- Closure of loss-making stores
- Continuing improvement in operational basics
- Some exchange rate benefit

<u>But</u>

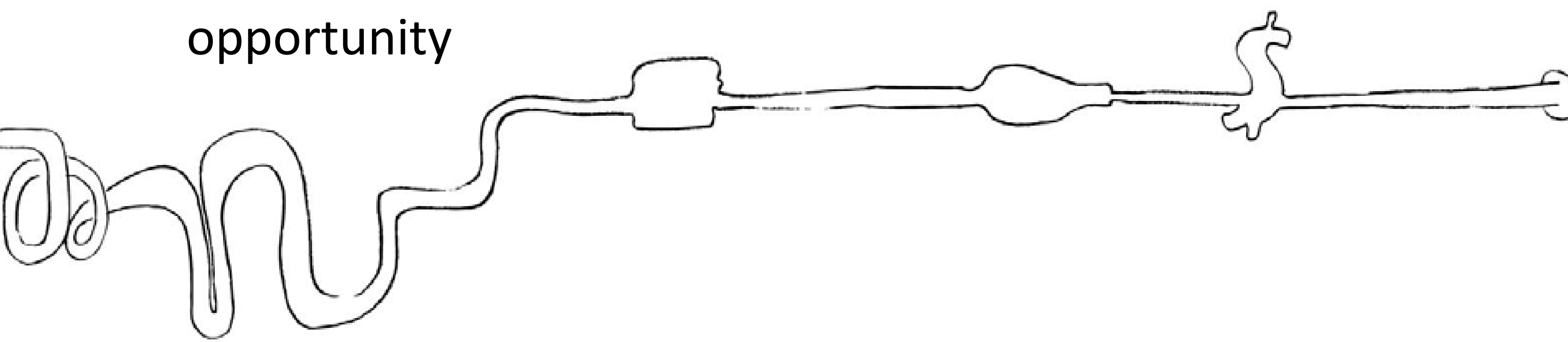
- Milk price increase



Strategic Imperatives

Key management objectives over the next 1-2 years are:

- Return all 3 brands to positive same store sales growth
- Maintain KFC transformation momentum (6-8 stores a year)
- Exploit KFC and Starbucks new store opportunities (especially in current economic environment)
- Rebuild brand EBITDA margins
- Actively pursue Pizza Hut franchisee sales programme
- Investigate (and possibly pilot) one new brand opportunity



Outlook

Despite a poor first half, the company is expecting an improvement in second half results

- Economic uncertainty remains and retail environment is weak
- 2H has seen some improved sales movement – sustainable?

	KFC	Pizza Hut	Starbucks
SSS % 1H	(1.9)	(14.5)	5.4
SSS % 2H (to date)	0.2	(4.4)	8.3

- Some relief coming on input costs
- Last year's 2H was weaker than 1H – less challenging rollover

ABSENT ANY FURTHER DETERIORATION IN THE ECONOMY expectation is for FY2012 to produce a full year NPAT (excluding non-trading items) in the vicinity of $20 million