THE INTERIM REPORT

Restaurant BRANDS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

ABOUT RESTAURANT BRANDS

Restaurant Brands New Zealand Limited and subsidiaries (the Group) operates the KFC, Pizza Hut, Taco Bell and Carl's Jr. brands in New Zealand, the KFC and Taco Bell brands in Australia, the KFC and Taco Bell brands in California, and the Taco Bell and Pizza Hut brands in Hawaii and Guam. These brands – four of the world's most famous – are distinguished for their product, look, style, ambience and service and for the total experience they deliver to their customers around the world.

Key Results

$640.2 MILLION
TOTAL GROUP SALES / 1H 2023

$2.2 MILLION
GROUP NPAT / 1H 2023

$78.3 MILLION
GROUP STORE EBITDA* / 1H 2023

493 STORES
377 OWNED + 116 FRANCHISED / 1H 2023

- **Total store sales** hit a new high of $640.2 million, up $55.3 million or 9.4% on 1H 2022, supported by 10 net additional stores and a stronger US dollar.
- **Net profit after tax (NPAT)** for 1H 2023 was $2.2 million (1.75 cents per share).
- **Group store EBITDA** before G&A was $78.3 million, down $7.1 million on 1H 2022, with cost inflation pressures partially offset by strong sales and improved performance of the Australian division.
- **Total stores** increased from 488 to 493 for the six months ended 30 June 2023. This includes 377 owned stores and 116 franchised stores.

* EBITDA is earnings before interest, tax, depreciation and amortisation. The EBITDA amounts referred to throughout this report are before G&A, NZ IFRS 16 and Other Items. EBITDA is a non-GAAP financial measure and is not in accordance with NZ IFRS.

Group Operating Results

	1H 2023 $NZm	1H 2022 $NZm	Change $NZm	Change (%)
Total Group sales	**640.2**	584.9	+55.3	+9.4
Group NPAT	**2.2**	15.3	-13.1	-85.6
Group store EBITDA	**78.3**	85.4	-7.1	-8.4

Restaurant Brands New Zealand Limited (RBD) has earned a Group NPAT of $2.2 million for the six months ended 30 June 2023 (1H 2023), compared with $15.3 million in 1H 2022, reflecting the significant inflationary pressures facing the Group in all markets. Included in NPAT is a non-cash net impairment charge of $1.8 million relating to property, plant and equipment.

The inflationary environment has continued to evolve, and performance continues to be impacted significantly due to continued input cost increases in the New Zealand business which have exceeded earlier expectations of scope and quantum, lower than expected sales growth in California and Hawaii; and higher interest rates leading to increased funding costs.

While the business has implemented a strategic programme of price increases and cost control measures to relieve margin pressures, we were not able to raise prices to fully offset the input cost increases during the period without significantly impacting transaction volumes.

Restaurant Brands' owned store numbers now total 377, up 10 from 1H 2022. This is primarily driven by new store openings, including five Taco Bell and four KFC stores across NZ and Australia, two KFC stores in California, and one Taco Bell store in Hawaii offset by two Taco Bell store closures in Hawaii. There are now 143 RBD-owned stores in New Zealand, 85 stores in Australia, 73 in Hawaii, and 76 in California.

NEW ZEALAND OPERATIONS

New Zealand store sales were $272.3 million, up $20.5 million or 8.1% on 1H 2022. Sales grew across all brands, primarily driven by price increases and the easing of pandemic-related trading constraints.

EBITDA was $32.2 million, a $9.5 million or 22.8% decrease on 1H 2022 with significant cost pressures, partially offset by the strong store sales performance. EBITDA margin at 11.8% was down on prior year reflecting the effect of the cost pressures and the mix of less profitable Taco Bell brand sales as this business continues to build momentum.

	1H 2023 $NZm	1H 2022 $NZm	Change $NZm	Change (%)
Sales	**272.3**	251.8	+20.5	+8.1
Store EBITDA	**32.2**	41.7	-9.5	-22.8
EBITDA as a % of sales	***11.8***	*16.6*		
Store numbers	**143**	138		

Same store sales were up 6.0% for 1H 2023, despite the tight labour market causing adverse related staff shortages which required many stores to reduce operating hours and/or operate with reduced capacity.

1H 2023 saw the successful introduction of a number of new products into the market, with Hot Honey Double Down (KFC) and Korean Chicken Pizza (Pizza Hut) delivering sales growth. Carl's Jr. continues to perform well with Philly Cheese Steak, Hot Honey, Truffle Mayo Big Angus, and Taco Bell with Chalupa, Chipotle Crunch Burrito.

Operating profit for the New Zealand division (excluding the effect of NZ IFRS 16) was $14.2 million (down 37.4%). Inflation has had a significant impact on ingredient and input costs and continues to do so. In addition, labour shortages have significantly impacted the hospitality industry in New Zealand. This has disrupted the ability to operate at full trading hours across all stores and channels, particularly during the first quarter of 2023, but has shown improvement during the second quarter.

Whilst restricted availability of building materials and store equipment have slowed store development, new store builds are continuing with four Pizza Hut franchisee stores opened under the Group's turnkey program during 1H 2023. Store development will continue to build momentum, with one KFC, one Taco Bell, two Carl's Jr. stores, and eight Pizza Hut stores expected to open in the second half of the year.

The Pizza Hut business in New Zealand continues to grow strongly, not only from RBD's own stores, but also from the 116 stores operated by independent franchisees under a Master Franchise agreement with the Group. Four new stores were opened in the first half with up to eight additional stores anticipated by the end of the year.

Store numbers increased by five from 1H 2022. Two Taco Bell stores and three KFC were opened in 2H 2022.

AUSTRALIA OPERATIONS

Total sales in Australia were $A140.3 million, up $A17.5 million or 14.2% on last year, primarily due to post Covid recovery, value-based marketing strategies, and the effect of additional store openings.

In $NZ terms the Australian business contributed total sales of $NZ151.9 million (up 13.8%), a store EBITDA of $NZ16.8 million (up 18.7%) and operating profit (excluding the effect of NZ IFRS 16) of $NZ0.2 million (down 83.4%).

	1H 2023 $Am	1H 2022 $Am	Change $Am	Change (%)
Sales	**140.3**	122.8	+17.5	+14.2
Store EBITDA	**15.5**	13.0	+2.5	+19.2
EBITDA as a % of sales	***11.1***	*10.6*		
Store numbers	**85**	81		

Same store sales were up 9.7% for the six months ended 30 June 2023. KFC sales have been strong in 1H 2023 with both CBD and mall stores generating an extra $A6.8 million (same store sales of 30%) on 1H 2022. Drive-thru concepts have delivered a solid result of $A7.5 million (same store sales of 6.8%). Digital sales through owned and third-party aggregator channels continued to contribute to further sales increases. Ongoing investment in these channels combined with investment in restaurant design has helped improve both brand awareness and operational efficiencies.

The store EBITDA results in the first half are encouraging despite the inflationary headwinds experienced throughout the industry. The business has seen a significant recovery in CBD and mall margins driven primarily by increased sales volume.

There were two new Taco Bell restaurants opened during 1H 2023 in Bathurst and Cessnock demonstrating our continued commitment to the brand. Target growth areas across New South Wales have been identified for future development.

HAWAII OPERATIONS

Total sales in Hawaii were $US79.3 million up $US3.3 million or 4.3% on last year, primarily due to increased trading hours.

In $NZ terms the Hawaiian operations contributed $NZ127.1 million in revenues, $NZ20.3 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ9.2 million for the period.

	1H 2023 $USm	1H 2022 $USm	Change $USm	Change (%)
Sales	**79.3**	76.0	+3.3	+4.3
Store EBITDA	**12.6**	13.7	-1.1	-7.8
EBITDA as a % of sales	***15.9***	*18.0*		
Store numbers	**73**	74		

Same store sales were up 2.6%, however sales growth for the Hawaiian business was lower than expected. Taco Bell sales improved versus 1H 2022, on the back of an “Old Favourites” promotion including Enchirito and Nacho Fries limited time offers.

While EBITDA margin as a percentage of sales fell from 18.0% to 15.9% (largely as a result of the higher cost of sales), store staffing challenges continue to impact the business with stores having to operate to reduced trading hours on some occasions. Staffing challenges appear to be the direct result of the State’s aging population and net migration outflow. However, the high cost of sales is expected to abate in the second half of the year.

Overall store numbers in Hawaii are down by one from 1H 2022 with the closure of the two Pearl Harbor Pizza Hut and Taco Bell stores in May 2023 offset by Taco Bell Kilauea which opened in August 2022.

CALIFORNIA OPERATIONS

Total sales in California were $US55.5 million, slightly down $US0.3 million or 0.6% on last year as a result of decreased consumer spending caused by high inflation.

In $NZ terms the Californian operations contributed $NZ88.9 million in revenues, $NZ9.0 million in EBITDA and an operating loss (excluding the effect of NZ IFRS 16) of $NZ1.7 million for the period.

	1H 2023 $USm	1H 2022 $USm	Change $USm	Change (%)
Sales	**55.5**	55.8	-0.3	-0.6
Store EBITDA	**5.6**	5.8	-0.2	-3.4
EBITDA as a % of sales	***10.1***	*10.4*		
Store numbers	**76**	74		

Same store sales decreased by 3.7%, primarily due to customers shifting to value-orientated menu and promotional items.

Strong inflationary pressures in the US continue to challenge sales, cost of sales, and labour. Profitability eased slightly with EBITDA reduced by $US0.2 million, however in $NZ terms it is higher by $0.2 million due to the strengthened US dollar.

California store numbers increased by two to 76 stores, up from 74 stores in 1H 2022. KFC Ridgecrest was opened in August 2022 and KFC Paramount in June 2023. The new store builds met the California Green Building Standards Code with KFC Paramount being the first store to include solar panels, energy-efficient materials, and design-specific landscaping to reduce water usage.

CORPORATE & OTHER

Group general and administration (G&A) costs were $32.8 million, an increase of $5.3 million on 1H 2022. G&A as a percentage of total revenue was 4.9%, up on 1H 2022 (4.5%). As with much of the business, this was primarily driven by cost inflation higher than anticipated and the filling of vacancies across all regions.

Depreciation charges of $23.0 million for 1H 2023 were $2.0 million higher than 1H 2022. The increase is due to the continued developments of the new store builds and store refurbishments although at a slower rate than the prior year. Depreciation of right of use assets is also up $1.1 million to $21.1 million with new leases increasing the associated right of use asset depreciation.

Financing costs of $27.2 million were up $7.5 million on 1H 2022, primarily due to an increase in bank interest costs of $6.0 million driven by higher interest rates charged on the Group loans. Interest on bank loans was $9.7 million (1H 2022: $3.7 million). Lease interest contributed to the increase of $1.6 million due to both new leases and existing leases being extended.

Tax expense was $0.8 million, down $4.4 million due to the lower earnings. The effective tax rate is 27.4%, up from 25.6% on 1H 2022.

OTHER EXPENSES

Other expenses for the half year totalled $1.8 million. This relates to the recognition of an impairment expense of $2.2 million for two Taco Bell restaurants in Australia offset by the reversal of impairment of $0.4 million recognised in prior periods for a KFC store, also in Australia.

NZ IFRS 16

The impact of NZ IFRS 16 on the Group accounts for the half year is a reduction of $4.8 million on after-tax operating earnings (1H 2022 impact: $4.8 million).

The Consolidated Statement of Financial Position has right of use assets of $619.8 million as at 30 June 2023, up $12.0 million since 31 December 2022 due to the new stores being opened and lease renewals. Lease liabilities of $734.1 million are also up by $19.1 million reflecting the increase in future lease commitments.

CASH FLOW AND BALANCE SHEET

Total assets of the Group were $1,436.7 million, up $19.5 million on the previous year end, primarily due to new store builds which increased the value of both property, plant and equipment as well as right of use assets. Bank debt at the end of the 1H 2023 was $291.8 million compared to $280.3 million at the previous year end. As at 30 June 2023, the Group had bank debt facilities totalling approximately $384.0 million available. Cash and cash equivalents decreased by $12.7 million since December 2022 with net debt increasing by $24.2 million to $274.7 million over the half year. This is due to decreased profitability and commitment to a capital investment programme.

The Group remains comfortably within all banking covenants with a Net Debt to EBITDA ratio of 2.4 : 1.

Net operating cash inflows were $49.7 million, up $1.3 million on 1H 2022. This small increase is mainly driven by higher sales and lower payment of income tax and is partially offset by $6.0 million additional interest paid versus the prior year.

Net investing cash outflows were $33.4 million, $0.6 million lower than the $34.0 million in 1H 2022. The underlying spend on new stores as well as refurbishing existing stores throughout the network was up by $1.3 million.

A dividend of $20.0 million (16 cents per share) was paid to shareholders in April 2023.

OUTLOOK

Despite near-term global inflationary challenges, the Board and Management Team are confident there are robust measures in place to deliver against guidance in the second half and rebuild performance to support the long-term roadmap to growth.

Our focus remains firmly on strong sales volumes, customer loyalty and maintaining a competitive market, while carefully managing cost pressures and margin performance. The Group continues to implement price increases where possible, while ensuring transaction volumes are not adversely impacted.

It is critical that price increases are made at a pace and level that is cognisant of sales volumes, customer loyalty and our relativity to competitors. We remain firmly focused on these factors as we seek improved profitability in the second half of 2023.

We continue to fine-tune operations across the business to ensure our systems and processes are fit for purpose for the volatile economic environment and our growing store network.

This includes improvements to several of our internal systems, which will streamline and enhance processes over contracting, procurement, pricing, hiring and inventory management, improving margin controls. Additionally, the alignment of environmental, social, and corporate strategies continues to see increased efforts on general waste diversion, energy efficiency initiatives, and food waste reduction programs with a positive result.

Continued investment into our digital platforms is also planned to provide improved customer access and attract new customers, alongside menu re-engineering and an enhanced marketing and promotions programme.

RBD continues to monitor the trading and economic environment closely as volatility continues across its key markets. Management plans to provide an update on outlook for the Group, in terms of expected time to recovery, at the time of the full-year results.

Against the current economic backdrop, NPAT for the 2023 financial year is expected to be in the range of $12 million to $16 million.

Pro forma income statement

for the six months ended 30 June 2023

$NZ000's	30 June 2023 unaudited	vs Prior %	30 June 2022 unaudited
Sales			
New Zealand	272,317	8.1	251,816
Australia	151,894	13.8	133,473
Hawaii	127,076	10.4	115,139
California	88,864	5.2	84,462
Total sales	640,151	9.4	584,890
Other revenue	33,002	22.2	27,009
Total operating revenue	673,153	10.0	611,899
Cost of goods sold	(571,273)	(12.7)	(506,797)
Gross margin	101,880	(3.1)	105,102
Distribution expenses	(4,606)	(22.9)	(3,748)
Marketing expenses	(32,431)	(4.8)	(30,951)
General and administration expenses	(32,759)	(19.3)	(27,452)
Other income	-	n/a	850
Other expenses	(1,830)	47.7	(3,500)
Operating profit	30,254	(24.9)	40,301
Financing expenses	(27,245)	(37.9)	(19,762)
Net profit before taxation	3,009	(85.4)	20,539
Taxation expense	(826)	84.3	(5,258)
Total profit after taxation (NPAT)	2,183	(85.7)	15,281

Group store EBITDA

for the six months ended 30 June 2023

$NZ000's	30 June 2023 unaudited	% sales	vs Prior %	30 June 2022 unaudited	% sales
Store EBITDA before G&A					
New Zealand	32,187	11.8	(22.8)	41,679	16.6
Australia	16,802	11.1	18.7	14,157	10.6
Hawaii	20,265	15.9	(2.3)	20,750	18.0
California	9,002	10.1	2.1	8,815	10.4
Total Store EBITDA before G&A	78,256	12.2	(8.4)	85,401	14.6
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	2.5			(13.5)	

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads.

Distribution expenses are costs of distributing product from store.

Marketing expenses are order centre, advertising and local store marketing expenses.

General and administration expenses (G&A) are non-store related overheads.

Non-GAAP financial measures

for the six months ended 30 June 2023

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand International Financial Reporting Standards ("NZ IFRS"). These financial statements include non-NZ GAAP financial measures that are not prepared in accordance with NZ IFRS. The non-NZ GAAP financial measures used in this presentation are as follows:

1. **EBITDA before G&A and other items.** The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation and G&A. The Group also refers to this measure as **Store EBITDA before G&A**. This measure provides the results of the Group's core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.

   The term **Store** refers to the Group's 10 operating divisions comprising the four New Zealand brands (KFC, Pizza Hut, Taco Bell and Carl's Jr.), the two Australia brands (KFC and Taco Bell), the two Hawaii brands (Taco Bell and Pizza Hut) and the two California brands (Taco Bell and KFC). The term **G&A** represents non-store related overheads.

2. **Total NPAT excluding the impact of NZ IFRS 16.** Total Net Profit After Taxation ("NPAT") excluding the impact of NZ IFRS 16 is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with the adoption of NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.

The Group believes that these non-NZ GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-NZ GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

Non-GAAP financial measures (continued)

for the six months ended 30 June 2023

The following is a reconciliation between these non-NZ GAAP measures and net profit after taxation:

$NZ000's	Note*	30 June 2023 unaudited	30 June 2022 unaudited
EBITDA before G&A and other items	1	**78,256**	85,401
Depreciation		**(23,013)**	(21,022)
Net loss on sale of property, plant and equipment (included in depreciation)		**(687)**	(526)
Lease depreciation		**(21,063)**	(19,943)
Lease costs		**31,770**	29,293
Amortisation (included in cost of sales)		**(4,861)**	(5,051)
General and administration costs – area managers, general managers and support centre		**(28,638)**	(25,201)
Gain on lease termination		**320**	–
Other income		**–**	850
Other expenses		**(1,830)**	(3,500)
Operating profit		**30,254**	40,301
Financing expenses		**(27,245)**	(19,762)
Net profit before taxation		**3,009**	20,539
Taxation expense		**(826)**	(5,258)
Net profit after taxation		**2,183**	15,281
Add back NZ IFRS 16 impact		**6,553**	6,668
Less taxation expense on NZ IFRS 16 impact		**(1,711)**	(1,840)
Total NPAT excluding the impact of NZ IFRS 16	2	**7,025**	20,109

* Refers to the list of non-NZ GAAP measures as listed on the previous page.

INTERIM FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the six months ended 30 June 2023

$NZ000's	Note	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Store sales revenue		**640,151**	584,890	1,239,048
Other revenue		**33,002**	27,009	59,170
Total operating revenue		**673,153**	611,899	1,298,218
Cost of goods sold		**(571,273)**	(506,797)	(1,077,075)
Gross profit		**101,880**	105,102	221,143
Distribution expenses		**(4,606)**	(3,748)	(8,244)
Marketing expenses		**(32,431)**	(30,951)	(61,849)
General and administration expenses		**(32,759)**	(27,452)	(61,445)
Other income		**-**	850	2,465
Other expenses	3	**(1,830)**	(3,500)	(5,365)
Operating profit		**30,254**	40,301	86,705
Finance expenses		**(27,245)**	(19,762)	(44,528)
Profit before taxation		**3,009**	20,539	42,177
Taxation expense		**(826)**	(5,258)	(10,094)
Profit after taxation attributable to shareholders		**2,183**	15,281	32,083
Other comprehensive income:				
Exchange differences on translating foreign operations		**6,469**	15,845	10,515
Derivative hedging reserve		**-**	971	954
Income tax relating to components of other comprehensive income		**-**	(272)	(182)
Other comprehensive income net of tax		**6,469**	16,544	11,287
Total comprehensive income attributable to shareholders		**8,652**	31,825	43,370
Basic and diluted earnings per share (cents)	4	**1.75**	12.25	25.72

For and on behalf of the Board:

José Parés
Chairman
28 August 2023

Emilio Fullaondo
Director
28 August 2023

Consolidated statement of changes in equity

for the six months ended 30 June 2023

$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the period ended 31 December 2022					
Balance at the beginning of the period	**154,565**	**(1,480)**	**(872)**	**137,524**	**289,737**
Comprehensive income					
Profit after taxation attributable to shareholders	-	-	-	15,281	15,281
Other comprehensive income					
Movement in foreign currency translation reserve	-	15,845	-	-	15,845
Movement in derivative hedging reserve	-	-	699	-	699
Total other comprehensive income	**-**	**15,845**	**699**	**-**	**16,544**
Total comprehensive income	**-**	**15,845**	**699**	**15,281**	**31,825**
Transactions with owners					
Net dividends distributed	-	-	-	(39,923)	(39,923)
Total transactions with owners	-	-	-	(39,923)	(39,923)
Unaudited balance as at 30 June 2022	**154,565**	**14,365**	**(173)**	**112,882**	**281,639**
Comprehensive income					
Profit after taxation attributable to shareholders	-	-	-	16,802	16,802
Other comprehensive income					
Movement in foreign currency translation reserve	-	(5,430)	-	-	(5,430)
Movement in derivative hedging reserve	-	-	173	-	173
Total other comprehensive income	**-**	**(5,430)**	**173**	**-**	**(5,257)**
Total comprehensive income	**-**	**(5,430)**	**173**	**16,802**	**11,545**
Audited balance as at 31 December 2022	**154,565**	**8,935**	**-**	**129,684**	**293,184**

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2023

$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the six month ended 30 June 2023					
Comprehensive income					
Profit after taxation attributable to shareholders	**–**	**–**	**–**	**2,183**	**2,183**
Other comprehensive income					
Movement in foreign currency translation reserve	–	6,469	–	–	6,469
Total other comprehensive income	**–**	**6,469**	**–**	**–**	**6,469**
Total comprehensive income	**–**	**6,469**	**–**	**2,183**	**8,652**
Transactions with owners					
Net dividends distributed	–	–	–	(19,961)	(19,961)
Total transactions with owners	**–**	**–**	**–**	**(19,961)**	**(19,961)**
Unaudited balance as at 30 June 2023	**154,565**	**15,404**	**–**	**111,906**	**281,875**

Consolidated statement of financial position

as at 30 June 2023

$NZ000's	Note	As at 30 June 2023 unaudited	As at 30 June 2022 unaudited	As at 31 December 2022 audited
Non-current assets				
Property, plant and equipment	5	**330,000**	301,463	319,302
Right of use assets	6	**619,833**	623,834	607,765
Sublease receivable		**918**	927	962
Intangible assets		**364,204**	370,457	358,336
Deferred tax asset		**47,774**	43,070	43,627
Land held for development	8	**8,461**	7,084	7,084
Total non-current assets		**1,371,190**	1,346,835	1,337,076
Current assets				
Inventories		**18,939**	20,253	25,140
Trade and other receivables		**19,370**	17,720	15,570
Income tax receivable		**10,097**	9,142	9,616
Cash and cash equivalents		**17,128**	33,151	29,869
Total current assets		**65,534**	80,266	80,195
Total assets		**1,436,724**	1,427,101	1,417,271
Equity attributable to shareholders				
Share capital		**154,565**	154,565	154,565
Reserves		**15,404**	14,192	8,935
Retained earnings		**111,906**	112,882	129,684
Total equity attributable to shareholders		**281,875**	281,639	293,184
Non-current liabilities				
Provisions		**5,245**	4,688	4,858
Deferred income		**641**	21	804
Loans		**291,785**	94,378	280,281
Lease liabilities		**703,347**	696,338	685,332
Deferred tax liabilities		**499**	586	–
Total non-current liabilities		**1,001,517**	796,011	971,275
Current liabilities				
Income tax payable		**–**	1,168	1,480
Trade and other payables		**118,683**	119,927	119,290
Provisions		**1,761**	1,306	1,866
Lease liabilities		**30,746**	28,889	29,599
Deferred income		**2,142**	1,822	577
Derivative financial instruments		**–**	100	–
Loans		**–**	196,239	–
Total current liabilities		**153,332**	349,451	152,812
Total liabilities		**1,154,849**	1,145,462	1,124,087
Total equity and liabilities		**1,436,724**	1,427,101	1,417,271

Consolidated statement of cash flows

for the six months ended 30 June 2023

$NZ000's	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Cash flow from operating activities			
Cash was provided by/(applied to):			
Receipts from customers	**672,406**	609,201	1,295,520
Payments to suppliers and employees	**(589,619)**	(528,054)	(1,109,499)
Interest paid	**(9,612)**	(3,665)	(10,901)
Interest paid on leases	**(17,580)**	(16,018)	(33,429)
Payment of income tax	**(5,931)**	(13,087)	(20,097)
Net cash from operating activities	**49,664**	48,377	121,594
Cash flow from investing activities			
Cash was (applied to)/provided by:			
Acquisition of business	**–**	(1,021)	(1,087)
Payment for intangibles	**(1,132)**	(1,198)	(1,559)
Purchase of property, plant and equipment	**(33,348)**	(31,984)	(90,515)
Proceeds from the disposal of property, plant and equipment	**1,097**	166	1,591
Net cash used in investing activities	**(33,383)**	(34,037)	(91,570)
Cash flow from financing activities			
Cash was provided by/(applied to):			
Proceeds from loans	**143,740**	49,986	527,834
Repayment of loans	**(139,512)**	(24,663)	(506,397)
Dividend paid to shareholders	**(19,961)**	(39,923)	(39,923)
Payment for lease principal	**(14,190)**	(13,275)	(27,044)
Net cash used in financing activities	**(29,923)**	(27,875)	(45,530)
Net (decrease) in cash and cash equivalents	**(13,642)**	(13,535)	(15,506)
Cash and cash equivalents at beginning of the period	**29,869**	45,155	45,155
Foreign exchange movements	**901**	1,531	220
Cash and cash equivalents at the end of the period	**17,128**	33,151	29,869
Cash and cash equivalents comprise:			
Cash on hand	**691**	679	678
Cash at bank	**16,437**	32,472	29,191
	17,128	33,151	29,869

Consolidated statement of cash flows (continued)

for the six months ended 30 June 2023

Reconciliation of profit after taxation with net cash from operating activities:

$NZ000's	Note	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Total profit after taxation attributable to shareholders		**2,183**	15,281	32,083
Add/(less) items classified as investing activities:				
Gain on acquisition		**–**	(850)	(842)
Loss on disposal of property, plant and equipment		**687**	526	949
		687	(324)	107
Add/(less) non-cash items:				
Depreciation		**44,077**	40,965	85,220
Impairment of property, plant and equipment	3	**1,830**	–	1,209
Lease termination		**(320)**	–	–
Increase in provisions		**60**	211	941
Amortisation of intangible assets		**4,861**	5,051	10,118
Net (increase) in deferred tax asset		**(3,454)**	(4,785)	(6,217)
		47,054	41,442	91,271
Add/(less) movement in working capital:				
Decrease/(increase) in inventory		**6,301**	2,264	(2,648)
(Increase)/decrease in trade and other receivables		**(3,981)**	(3,465)	1,265
(Decrease)/increase in trade creditors and other payables		**(929)**	(3,777)	3,303
(Decrease)/increase in income tax payable		**(1,651)**	(3,044)	(3,787)
		(260)	(8,022)	(1,867)
Net cash from operating activities		**49,664**	48,377	121,594
Reconciliation of movement in term loans				
Opening balance		**280,281**	246,887	246,887
Net cash flow movement		**4,228**	25,323	21,437
Decrease/(increase) in prepaid facility costs		**61**	114	(92)
Foreign exchange movement		**7,215**	18,293	12,049
Closing balance		**291,785**	290,617	280,281

Notes to and forming part of the consolidated financial statements

for the six months ended 30 June 2023

1. GENERAL INFORMATION

The reporting entity is the consolidated group (the "Group") comprising the parent entity Restaurant Brands New Zealand Limited (the "Company") and its subsidiaries. Restaurant Brands New Zealand Limited is a limited liability company incorporated and domiciled in New Zealand. The principal activity of the Group is the operation of quick service and takeaway restaurant concepts in New Zealand, Australia, USA, Saipan and Guam.

The Company is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). The Group is designated as a for-profit entity for financial reporting purposes.

Statutory base

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets conduct Act 2013.

Reporting framework

These financial statements for the six months ended 30 June 2023 have been prepared in accordance with NZ IAS 34 *New Zealand Interim Financial Reporting*, and IAS 34 *Interim Financial Reporting* and should be read in conjunction with the financial statements published in the Annual Report year ended 31 December 2022. The accounting policies have been applied on a basis consistent with those used and described in the audited consolidated financial statements for the year ended 31 December 2022.

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

New standards and amendments

There were no new accounting standards, amendments, and interpretations which were assessed as having a material impact on the Group. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 1 January 2023 that had a material impact on the financial statements.

Notes to and forming part of the consolidated financial statements (cont.)

for the six months ended 30 June 2023

2. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group is split into four geographically distinct operating divisions; New Zealand, Australia, Hawaii and California. The chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, have been identified as the Acting Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO). The chief operating decision makers consider the performance of the business from a geographic perspective, being New Zealand, Australia, Hawaii (including Guam and Saipan) and California while the performance of the corporate support function is assessed separately.

The Group is therefore organised into four operating segments, depicting the four geographic regions the Group operates in and the corporate support function located in New Zealand. All segments operate quick service and takeaway restaurant concepts. All operating revenue is from external customers.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, EBITDA before general and administration expenses and operating profit before Leases (NZ IFRS 16 and IFRS 16). EBITDA refers to earnings before interest, taxation, depreciation and amortisation. Operating profit refers to earnings before interest and taxation.

The Group believes that these non-GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The non-GAAP measures presented do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

30 June 2023 $NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Consolidated half year unaudited
Business segment						
Store sales revenue	272,317	151,894	127,076	88,864	–	640,151
Other revenue	32,589	306	–	107	–	33,002
Total operating revenue	**304,906**	**152,200**	**127,076**	**88,971**	**–**	**673,153**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	**35,120**	**15,812**	**19,296**	**8,028**	**–**	**78,256**
General and administration expenses	(10,204)	(6,483)	(4,775)	(4,547)	(2,629)	(28,638)
	24,916	**9,329**	**14,521**	**3,481**	**(2,629)**	**49,618**
Other expenses (refer to note 3)	–	(1,830)	–	–	–	(1,830)
Depreciation	(10,153)	(6,609)	(4,717)	(2,212)	(10)	(23,701)
Amortisation	(550)	(656)	(635)	(2,943)	(77)	(4,861)
Operating profit before NZ IFRS 16	**14,213**	**234**	**9,169**	**(1,674)**	**(2,716)**	**19,226**
Adjustments for NZ IFRS 16	4,921	3,166	1,343	1,598	–	11,028
Operating profit	**19,134**	**3,400**	**10,512**	**(76)**	**(2,716)**	**30,254**
Current assets	29,132	14,327	13,783	8,292	–	65,534
Non-current assets	177,006	233,452	204,662	135,319	–	750,439
Non-current lease assets (excluding deferred tax)	187,683	159,428	91,538	182,102	–	620,751
Total assets	**393,821**	**407,207**	**309,983**	**325,713**	**–**	**1,436,724**

Notes to and forming part of the consolidated financial statements (cont.)

for the six months ended 30 June 2023

30 June 2022 $NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Consolidated half year unaudited
Business segment						
Store sales revenue	251,816	133,473	115,139	84,462	–	584,890
Other revenue	25,798	331	880	–	–	27,009
Total operating revenue	**277,614**	**133,804**	**116,019**	**84,462**	**–**	**611,899**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	**43,198**	**13,653**	**20,246**	**8,304**	**–**	**85,401**
General and administration expenses	(9,747)	(5,643)	(4,627)	(3,924)	(1,260)	(25,201)
	33,451	**8,010**	**15,619**	**4,380**	**(1,260)**	**60,200**
Other expenses (refer to note 3)	–	–	–	850	(3,500)	(2,650)
Depreciation	(9,766)	(5,943)	(3,797)	(2,030)	(12)	(21,548)
Amortisation	(980)	(649)	(662)	(2,760)	–	(5,051)
Operating profit before NZ IFRS 16	**22,705**	**1,418**	**11,160**	**440**	**(4,772)**	**30,951**
Adjustments for NZ IFRS 16	4,677	2,570	1,129	974	–	9,350
Operating profit	**27,382**	**3,988**	**12,289**	**1,414**	**(4,772)**	**40,301**
Current assets	31,947	15,326	17,905	15,087	–	80,265
Non-current assets	164,722	226,839	201,013	129,500	–	722,074
Non-current lease assets (excluding deferred tax)	188,061	157,725	93,685	185,291	–	624,762
Total assets	**384,730**	**399,890**	**312,603**	**329,878**	**–**	**1,427,101**

2.1 Reconciliation between operating profit and net profit after taxation excluding NZ IFRS 16

$NZ000's	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Operating profit	**30,254**	40,301	86,705
Financing expenses	**(27,245)**	(19,762)	(44,528)
Net profit before taxation	**3,009**	20,539	42,177
Taxation expense	**(826)**	(5,258)	(10,094)
Net profit after taxation	**2,183**	15,281	32,083
Add back net financial impact of NZ IFRS 16	**6,553**	6,668	14,208
Less taxation expense of NZ IFRS 16	**(1,711)**	(1,840)	(3,934)
Net profit after taxation excluding NZ IFRS 16	**7,025**	20,109	42,357

3. Profit before taxation

$NZ000's	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Profit before taxation			
The profit before taxation is calculated after charging/(crediting) the following items:			
Royalties	**37,862**	34,297	72,393
Lease expense	**5,384**	3,592	8,125
Insurance recovery	**-**	-	(1,623)
Rent relief	**-**	(165)	(165)
Gain on acquisition	**-**	(850)	(842)
Other income	**-**	-	-
Other expenses	**1,830**	3,500	5,365

Lease expenses

This relates to short term and variable lease costs included in the consolidated statement of comprehensive income not included in NZ IFRS 16 costs.

Notes to and forming part of the consolidated financial statements (cont.)

for the six months ended 30 June 2023

Other expenses

$NZ000's	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Acquisition costs	-	65	-
ERP implementation	-	3,435	4,014
Store closure	-	-	1,047
Net impairment of property, plant and equipment and right of use assets	**1,830**	-	162
Other	-	-	142
Total other expenses	**1,830**	3,500	5,365

Net impairment of property, plant and equipment and right of use assets

The Group continued to face challenges from staff shortages impacting operations across all divisions and cost inflation pressures across all markets which was partially mitigated by implementing price increases where possible. A detailed review of property, plant and equipment and right of use assets of stores at period end resulted in a number of stores with impairment indicators. Based on further analysis a net impairment charge of $1.8 million was recognised for June 2023 (June 2022: nil). This included two Taco Bell stores in Australia with an impairment charge of $2.2 million and one KFC store that had an impairment provision of $0.4 million reversed.

4. EARNINGS PER SHARE

	30 June 2023 unaudited	30 June 2022 unaudited	31 December 2022 audited
Basic and diluted earnings per share			
Profit after taxation attributable to shareholders ($NZ000's)	**2,183**	15,281	32,083
Weighted average number of shares on issue (000's)	**124,759**	124,759	124,759
Basic and diluted earnings per share (cents)	**1.75**	12.25	25.72

Shares on issue

As at 30 June 2023, the total number of ordinary shares on issue was 124,758,523 (June 2022: 124,758,523).

5. PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the six months ended 30 June 2023, the Group acquired assets with a total cost of $31.9 million (June 2022: $31.3 million) and disposed of assets with a total cost of $1.7 million (June 2022: $0.8 million).

6. RIGHT OF USE ASSETS

Additions and modifications

During the six months ended 30 June 2023, the Group had lease additions and modifications of $21.2 million (June 2022: $39.1 million).

7. RELATED PARTY TRANSACTIONS

Transactions with key management or entities related to them

During the period the Group incurred $30,000 of travel related expenses for Julio Valdés, whilst employed as CFO of Grupo Finaccess S.A.P.I de C.V. (the ultimate parent company of the Group), prior to his appointment as Group Chief Financial Officer of Restaurant Brands New Zealand Limited on 1 June 2023. These transactions were at arm's length and performed on normal commercial terms.

Notes to and forming part of the consolidated financial statements (cont.)

for the six months ended 30 June 2023

Apart from directors' fees and key management remuneration, there were no other related party transactions with key management or any Directors or entities associated with them.

Key management compensation

In September 2022 the former Group CEO was awarded a one-time compensation benefit due to his upcoming retirement in March 2023. The total amount of the one-time award was $1.3 million and was paid upon his retirement on 31 March 2023. This was accrued on a straight-line basis from the period when the award was agreed and the retirement date. As of 31 December 2022, the total accrual for this benefit was $0.7 million. The net impact on the financial statements as of 30 June 2023 was $0.6 million.

8. LAND HELD FOR DEVELOPMENT

As at 30 June 2023 there was $8.5 million relating to land that has been purchased for use in developing new stores in the future (December 2022: $7.1 million).

9. CAPITAL COMMITMENTS

As at 30 June 2023 the Group has capital commitments totalling $33.5 million (June 2022: $26.5 million) which are not provided for in these financial statements.

10. CONTINGENT LIABILITIES

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (June 2022: nil).

11. SUBSEQUENT EVENTS

The significant weather events that occurred in Hawaii in August 2023 have not materially impacted the Group.

Two Hawaii stores were affected by the Maui wildfire however the Group has an insurance policy in place and therefore there is no expected material impact on the financial statements.

There are no other subsequent events that would have a material effect on these consolidated interim financial statements.

Independent auditor's review report

To the shareholders of Restaurant Brands New Zealand Limited

REPORT ON THE INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed the consolidated interim financial statements of Restaurant Brands New Zealand Limited (the Company) and its subsidiaries (the Group) on pages 15 to 28, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2023, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised)). Our responsibilities are further described in the Auditor's responsibilities for the review of the financial statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of specified procedures on landlord certificates, review of the Yum! Advertising co-operative report, and greenhouse gas emissions assurance readiness assessment. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These relationships and the provision of these other services have not impaired our independence as auditor of the Group.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible on behalf of the Group for the preparation and fair presentation of the consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Karen Shires.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 August 2023 Auckland

Corporate directory

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Carlos Fernández González
Luis Miguel Álvarez Pérez
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Financial calendar

Financial year end

31 December 2023

Annual profit announcement

February 2024