Restaurant BRANDS NEW ZEALAND LTD

Chairman's Address
Annual Shareholders' Meeting
26 June 2014

The 2014 financial year saw a very satisfactory result for the company. Despite a persistently soft economic environment and a very competitive marketplace, Restaurant Brands produced a net profit after tax of $20.0 million, up 23.5% on prior year.

This result was assisted by some positive gains in non-trading items largely from the sale and leaseback of three of our stores totalling $1.5 million.

Net Profit after Tax (excluding non-trading items) was $18.9 million, up 6.8% on prior year.

Group revenues continued to grow strongly with total store sales of $329.3 million up 5.6% on prior year. Most of the growth came from KFC and Carl's Jr with new stores. Annual same store sales growth for the company was +2.4%.

Russel will provide you with a more detailed commentary on individual brand performances, but some selected highlights for the year include:

- KFC sales reaching an all-time high of $241.5 million, up +1.9% in total;
- Pizza Hut delivering same store sales growth of +15.3% (on top of +21.2% in the FY 13 year) and earnings growth of +44.8%.
- Starbucks Coffee, now largely rationalised, generating a +19.4% increase in earnings;
- Carl's Jr building six new stores and producing a break even result for the year.

Restaurant Brands has consistently enjoyed strong cash flows and a conservative balance sheet and this year was no exception. Operating cash flows remained strong at $32.7 million. We invested $22.6 million in Carl's Jr store builds and KFC transformations but this expenditure was considerably offset by proceeds from our three sale and leasebacks and the disposal of six Pizza Hut stores, reducing investing outflows to a net $10.1 million.

The resulting free cash flows of $22.6 million enabled further reduction in bank debt by $6.5 million which finished the year at only $8.1 million, well under our facility limit of $35 million. We are however expecting borrowings to increase somewhat in the new year as we increase the tempo of KFC transformation and build more Carl's Jr stores.

Over the past twelve months some $16.1 million was returned to you through dividend payments. Restaurant Brands has consistently paid shareholders a good dividend and this year has been no exception. You will receive tomorrow a final fully imputed dividend of 10.0 cents a share, which in addition to your interim dividend of 6.5 cents will bring your annual dividend to a resultant 16.5 cents per share.

Whilst not committing to a pay-out policy, your directors will continue to increase dividend payments commensurate with increased earnings, but always with a view to capital expenditure requirements where we believe we can generate a better return on the investment than returning it to shareholders. As always, all dividends are paid as fully imputed to New Zealand residents.

I generally avoid commenting on the company's share price, but I get a sense that the market may at last be beginning to properly attribute true value to the current and potential performance of the company and its brands. With a share price now north of $3.30 most shareholders must be reasonably satisfied with their investment which over the last year has shown a return of over 23% including dividends.

I introduced the members of your board to you at the beginning of the meeting. It is a small board and whilst Sue, Danny, David and myself have worked well and closely together for the past four years, we have recognised that it was timely to introduce "new blood" to the board.

To that end we appointed Hamish Stevens as an additional member on 8 May. Hamish is a qualified accountant and in addition to his commercial experience in a number of major corporates has considerable governance expertise. We welcome Hamish to the board and endorse his proposed election.

We are conscious of the need to keep refreshing the board composition and will seek to actively bring on new directors as some of the longer serving ones retire.

The board's role is to provide guidance and strategic direction to the company. It is the staff and management that actually produces the results. I acknowledge the hard work of Russel and his management team in producing the sound result for this year. However I want to particularly thank our people throughout the country from Kaitaia to Invercargill who cheerfully and efficiently serve the 60,000 customers a day who come through the doors of our stores across our four brands.

As you can see from the video our stores are busy places with often intense levels of activity involving very hot products, heavy lifting and sharp objects. We are conscious at all levels of the organisation of the importance of health and safety in our workplace and as a board we strongly encourage all management initiatives to make Restaurant Brands stores "zero harm" workplaces.

With the recent addition of a fourth brand to our stable and the continuing improving performances across our more established brands, Restaurant Brands is poised for continued growth. As you would have read in the annual report Restaurant Brands' core competencies are in running and supporting franchise restaurant operations and it is our intention to keep building on these, leveraging our expertise to generate higher profitability in existing brands and acquire more.

What gives us confidence we can do this is the value of the investment we have made in systems and support throughout the distribution chain and at store level. If you haven't done so already I suggest you have a look at the section in the annual report called *The Drive to Win Comes from Within* that explains more about this.

Specifically over the next twelve months we will be pursuing individual strategies by brand:

- KFC will see an acceleration in the store transformation programme with a view to getting the entire network to the latest standard over the next 2-3 years, whilst maintaining sales and margin.

- Pizza Hut will see a continued sell down of regional and smaller stores to independent franchisees, whilst continuing to drive sales and margin growth through new product releases and systems initiatives.

- Starbucks will see a continuation of its current consistent performance with some store reinvestment and a systems upgrade.

- Carl's Jr is still in the establishment phase as we undertake further store roll outs (4-5 in the new year) and endeavour to build profitability in existing stores.

Our first quarter sales were released in late May. The trends we saw in the second half of the previous year have continued into the new financial year with total sales up across all four brands by 5.9% with same store sales up 4.3%:

- KFC had a particularly strong quarter delivering 5% same store sales growth;
- Pizza Hut's same store sales were up 9.3% (on top of 28.6% growth in Q1 last year);
- Starbucks Coffee same store sales were up 5.5%;
- And Carl's Jr., whilst showing negative same store sales as it rolls over the big opening volumes last year, is performing well with its roll out programme producing $3.7 million in total sales for the quarter.

For the balance of the year we expect these sales trends to continue. These together with maintenance of tight controls and efficiencies in our stores, and a continuing overall improvement in the economy will drive profit growth in the 2015 financial year to a result in excess of $20 million(excluding non-trading items). We will update the market on progress for the current year when we release the interim result on 23 October.

I would like to conclude by thanking my colleagues on the Restaurant Brands' board for their continuing support and dedication and ask Russel to address you further on our results and discuss his operational strategies for the new year.