Annual Shareholders' Meeting 2015

Chairman's Address

The 2015 financial year was a good one for Restaurant Brands. The company maintained the momentum of the past few years to deliver a profit result of $23.8 million (or 24.3 cents per share), the second biggest in the company's history. This result was $3.9 million or 19% up on the prior year's performance.

The underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $61.5 million. Whilst all four of our brands contributed positively to this outcome, KFC had an especially strong year, generating an EBITDA of $50.8 million, on record sales of $265 million.

Pizza Hut produced its most profitable result for the past eight years with an EBITDA of $6.4 million, up 16% on prior year. Starbucks Coffee also had a very good year, producing its best result ever with an EBITDA of $4.3 million, up 22% on prior year.

And our newest brand Carl's Jr produced its first profit with an EBITDA of $0.2 million; a small but significant step towards its full potential.

Our reported NPAT of $23.8 million included $1.3 million in non-trading gains on Pizza Hut store sales and the sale and leaseback of a KFC store.

The solid profit result was of course driven by very strong sales which at $359.5 million was another new high for the company. This represents an increase in excess of $30 million or +9% on last year and same store sales were up a healthy +6%.

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

- KFC sales surpassing last year's record to reach an all-time high of $265 million, up +10% in total;
- Pizza Hut's +6% same store sales growth, up for the third year in a row with total network sales (including independent franchisees) of $82 million, up 12% on prior year).
- Starbucks Coffee' s record earnings at $4.3 million;
- Carl's Jr building of three new stores and acquisition of seven more from Forsgren NZ Limited, with sales at over $20 million and positive earnings for the year;
- Full year dividend of 19.0 cents per share, the highest level ever.

With strong sales and good margins, your company continued to generate solid cash flows. Operating cash flows were up to $36.6 million. We invested $31.0 million in Carl's Jr store builds and KFC transformations and a further $10.4 million acquiring the seven Carl's Jr stores owned by Forsgren NZ Limited. Offsetting this we received $8.4 million back from the proceeds of sales of Pizza Hut stores and the sale and leaseback of a KFC store. A further $17.1 million was paid to shareholders in dividends over the year.

Because of the significant capital investment, total bank debt increased to $22.6 million, still comfortably under our facility limit of $35 million. We are expecting borrowings to decrease somewhat in the new year with lower levels of capital expenditure than seen in 2014/15.

You will have received on 26 June a final fully imputed dividend of 11.5 cents a share, which in addition to your interim dividend of 7.5 cents, will bring your annual dividend to a resultant 19.0 cents per share.

Restaurant Brands has paid a dividend every year since we first listed in 1997. Our strong cash flows and relatively undemanding gearing mean that we can continue to pay shareholders a good dividend, even whilst embarking on significant capital reinvestment. We do not commit to a fixed pay-out policy; however your directors will continue to increase dividend payments commensurate with increased earnings. This is always subject to our capital expenditure requirements, where we believe we can generate a better return on the investment than returning cash to shareholders. As always, all dividends are paid as fully imputed to New Zealand residents.

I am generally reluctant to comment on the company's share price, but I first noted last year that the market may be beginning to attribute proper value to the company and its brands. That was at a share price of $3.30. With the current price in the vicinity of $4.30, we are seeing our valuation multiples at much more realistic levels. The share price has come a long way from its all-time low of 58 cents and we are certain most shareholders must be reasonably satisfied with their investment, which over the last year has shown a gross return of nearly 40%.

Your board continues to be small but effective. Hamish Stevens joined us last year and has brought solid financial expertise to our deliberations. Unfortunately we also saw David Pilkington resign as a director after ten years' service, so our number again remains at four. Sue Suckling has also advised the board that she will be looking to retire at the end of the current financial year. We will commence a recruitment process for the appointment of another director.

It would be remiss of me not to acknowledge the sterling efforts of our 4,000 staff who every day serve the 70,000 customers that come through the doors of our 181 stores. A number of our Christchurch based people are here today and will be assisting in serving you some of the company's fine products at the conclusion of this meeting.

As a board we are very conscious of the overriding need to ensure all our people can operate safely in what are sometimes quite challenging environments. We strongly encourage all management initiatives to make Restaurant Brands stores "zero harm" workplaces. To emphasise the importance of this aspect of our business we will be appointing a "Safety Champion" on our board to work directly with management in all aspects of Health and Safety in our workplaces.

Whilst it is the people in our stores that are the key to delivering an excellent customer experience, it is the judgement and professional expertise at the helm that sets the direction of the company and must take credit for the successful outcomes. The annual report features the Senior Leadership Team of the company under Russel's direction and I would particularly acknowledge their input. Russel will introduce them in due course.

Russel Creedy as Chief Executive and leader of that team is crucial to continuing to deliver the kinds of results we have enjoyed over recent years. To that end, last year your board established a long term incentive scheme for Russel, wherein he receives a $1 million after-tax bonus if the share price reaches $4 and remains at that level for a period of 40 trading days at any time over a two year period commencing 25 July 2015. As you may have noted in the annual report we have begun taking up a liability for this payment given the current strength of the share price (which was $3.14 at the time the scheme was established). Your directors are supportive of such long term schemes that drive shareholder wealth and will look to further opportunities to incentivise management to deliver such impressive outcomes.

The theme of this year's annual report is "Pace and Purpose". After another year of sound performance Restaurant Brands has the momentum to keep growing the business, both within its existing brands and with a view for future brand acquisitions. With our experience and expertise, Restaurant Brands is the first "port of call" for any food and beverage franchisor looking to set up a franchise in this country.

With its three established brands all performing at a very high level and Carl's Jr now beginning to gain some traction, we are now starting to get to a position where we can begin to evaluate another brand opportunity.

Whilst it would be premature to start speculating now, we have been scanning the marketplace in a number of sectors including Mexican, Asian, mid-scale casual dining and lunch day-part opportunities.

However we will not be losing focus on our current brands. Over the coming 12 months:

- KFC will see continuing sales momentum with more marketing expenditure, a number of innovative new product releases and greater use of technology in improving the customer experience. The brand will see continuing investment in store transformation as the last of the stores in the network are upgraded over the next 12-18 months.

- We will continue to sell down regional and smaller Pizza Hut stores to independent franchisees at a rate of 4-6 stores a year. This year will see the majority of Pizza Hut stores owned by independent franchisees, but we continue to retain and grow the residual stores. The brand will benefit from some significant technology initiatives in coming months.

- Starbucks will continue its current consistent performance with further store reinvestment and more technology rolled out in our customer interface.

- Carl's Jr will see further store roll outs (2-3 in the next year – in Wellington and Christchurch), giving further sales growth. Same store sales growth will turn positive but more importantly there will be a considerable improvement in margin out of our existing stores as efficiencies become established and we improve our local sourcing opportunities.

Our first quarter sales were released on 4 June. The trends we saw in the second half of FY15 have continued into the new financial year with total sales up across all four brands by +14.7% with same store sales up +7.6%.

- KFC continued to deliver excellent results with a +9.8% same store sales increase, on top of 5% in the same quarter last year;
- Whilst Pizza Hut's same store sales were slightly negative at -0.5% it was rolling +9.3% from last year and +28.6% growth in the previous year (sales have since turned positive);
- Starbucks Coffee same store sales were up +8.9%;
- And Carl's Jr. whilst showing negative same store sales as it rolls over the big opening volumes of some stores last year, produced $8.0 million in total sales for the quarter from its 18 stores.

These sales trends have continued and improved into the second quarter. The sales growth is assisting margins and efficiencies in our stores. This, together with a continuing overall improvement in the economy, will drive profit growth in the 2016 financial year to a result (excluding unusual items) of in excess of $24 million. We will update the market on progress for the current year when we release the interim result on 29 October.

I would like to conclude firstly by thanking you for your continued investment and interest in Restaurant Brands, I would also thank my fellow board members for their continuing support and dedication and ask Russel to address you further on our results and discuss in more detail his operational strategies for the new year.