Annual Shareholders' Meeting 2017

Chief Executive's Address

Thank you Ted

As you have heard, this has been another excellent year in the life of the company. One which has seen a significant expansion of our business and brands as we have progressively implemented our growth strategy.

I will give you a run down on the performance of each of our brands; provide some commentary on the trading results and opportunities arising from our Australian acquisition; and I will also talk about our corporate social responsibility initiatives.

However, before I do so, I'd like to brief you on changes to our business structure and introduce the key players in each of our three new divisions.

Following the completion of the Hawaiian acquisition in March of this year, it became clear that Restaurant Brands as an organisation had fundamentally changed. We are no longer a domestic, New Zealand-centric business, but now a truly international one and our management structure needed to adapt to reflect this.

After careful consideration, the board approved a re-organisation into three operating divisions on a geographic footing: New Zealand, Australia and Hawaii. Each division is empowered to operate on a stand-alone basis under the control of its own CEO and senior management team.

The divisions operate under the control of a new corporate office comprising myself, our Group CFO, Grant Ellis and a small finance team.

I would like to introduce the senior managers for each division:

Our New Zealand team:

- Ian Letele CEO
- Herman Pretorius CFO

Our Australian team:

- Adrian Holness CEO
- Ashley Jones CFO

Our Hawaiian team:

- Kevin Kurihara CEO
- Brent Matsumoto CFO

Whilst Ian and Herman have had previous roles in the NZ operations before, I am pleased that they have stepped up to take charge of what is still our largest division. Adrian and Ash (running our Australian business) and Kevin and Brent (managing our Hawaiian operations) are all seasoned operators who joined the Restaurant Brands team when we acquired the Australian and Hawaiian businesses. We are very pleased to have welcomed them aboard and have immediately benefited from their local expertise, dedication and leadership of their businesses through the transition. They share our excitement for the potential of their divisions under Restaurant Brands and are very keen to deliver great results for their new shareholders.

I hope that many of you will take the opportunity to meet them in person after the meeting.

As the Chairman indicated earlier, with total sales this year of $497.2 million we are well on the way to our billion dollar revenue target. This result incorporates $400 million in sales for New Zealand and only 10 months' trading for the Australian business (which was not settled until 26 April 2016). The impact of sales from the Hawaiian acquisition will only be felt in the current financial year.

With the benefit of virtually a full year's trading for the Hawaiian and Australian operations, together with sound growth in New Zealand, we expect total sales for the current financial year to be comfortably in excess of $700 million.

Total store numbers at year end were 212, up 39 on prior year with the benefit of the 42 KFC stores acquired in Australia. New Zealand store numbers were down three to 170, mainly because of the sale of four Pizza Hut stores to independent franchisees. Adding the Hawaiian stores, additional store openings and the further stores we are in the process of acquiring in Australia we expect store numbers at the end of this current year to top 300.

KFC New Zealand, our biggest brand continued its run of very strong sales growth to reach a new high, finishing at close to $300 million in sales for the year.

Same store sales growth for the full year was up by 3.6%, rolling over an increase of 6.3% in the prior year.

KFC's earnings growth followed the sales trend, with EBITDA up by $4.3 million or +7.5% on prior year to $61.4 million. Effective sales leverage, store efficiencies and stable raw material input prices all assisted in supporting margins. These benefits were somewhat offset by increased levels of marketing expenditure and higher labour costs.

The KFC New Zealand major store transformation programme is now complete with 88 of our 92 stores built or refurbished to latest brand standard. With over $100 million in total expenditure over the past 11 years, this investment has seen annual sales for the KFC brand climb from $172 million in 2006 to nearly $300 million in the 2017 financial year and has been the principal driver of its dominant position in the marketplace. Over the same period, EBITDA has more than doubled from less than $30 million per annum to over $60 million.

In order to ensure that all of our stores are maintained at these high levels, we continue to undertake regular upgrades with 11 major refurbishments and 10 minor ones being undertaken in the past 12 months. This ensures that our entire network is maintained at a consistent high standard from both a customer and franchisor viewpoint.

In an intensely competitive market, the Pizza Hut brand continues to more than hold its own, delivering a solid same store sales performance for the year to a high of $91.6 million for the network. Whilst total sales of Restaurant Brands-owned stores were down with the sale of a further four stores to independent franchisees, same store sales were up +3.6%.

Pizza Hut's profit was down slightly on prior year with EBITDA at $4.1 million, partly due to the sale of profitable stores and also as a result of increases in labour and some ingredient costs.

As I've mentioned, we are continuing to sell Pizza Hut stores to independent franchisees with four stores being transferred over the 2017 financial year. At year end, the Pizza Hut network comprised 93 stores, 35 of which are owned by Restaurant Brands and 58 by independent franchisees.

The company continues to operate the brand as a whole in New Zealand, receiving a share of royalties and fees from independent franchisees for doing so. We see Restaurant Brands' store ownership settling out at about 25% of the total store network in the long term. The Pizza Hut "mixed ownership" model of blending company-owned stores with those of independent franchisees works well and to that end we are close to finalising a new master franchise agreement with Yum to more appropriately reflect this.

Our Starbucks brand continues to deliver ahead of expectations with yet another new profit high this year. Earnings rose to $4.8 million on the back of continued same store sales growth (of +4.5%) and ongoing store efficiencies. We continue to be happy with this brand's performance and outlook and, with our franchise agreements starting to expire next year, we are in discussions with Starbucks International on their renewal.

The Carl's Jr.'s brand has made steady progress towards building critical mass and longer term financial viability. Establishing a new burger brand in a competitive marketplace does take time and commitment. Carl's Jr. is settling into a slower and more measured growth path - a similar profile to what we saw when we brought the Starbucks Coffee brand to New Zealand.

However, sales continue to grow with both new store builds and positive same store sales for the second half of the year. Total sales were up 9.0% to $36.3 million for the full year.

Carl's Jr. margins continue to improve with EBITDA for the year now over $1 million or 2.7% of sales. The rate of improvement is expected to accelerate for the new financial year with higher sales volumes as well as additional store efficiencies and some ingredient cost reductions.

Our Carl's Jr store numbers increased by one to 19, with the opening of two new-design stores in Christchurch, offset by the closure of an underperforming store in Otahuhu. Electing to close a store can be a difficult decision when trying to build a brand, but we acknowledge that we don't get our new store location decisions right 100% of the time and we are prepared to make the hard decisions on closure if needed.

As you are aware we settled the purchase of the 42 stores in New South Wales Australia on 27 April last year, acquiring 100% of the shares in QSR Pty Limited for a total consideration of $A82.4 million.

The transaction was settled, partially by the issue of 5 million Restaurant Brands shares at a set price of $4.16 a share with the balance being funded through our existing debt facilities.

In the ten months trading to February 2017, the KFC Australia business has delivered ahead of our expectations. We forecast annualised sales of $NZ106 million and actually achieved $NZ116 million.

Annualised store EBITDA was forecast at $NZ15 million and the business achieved $NZ18 million on the same basis. This gives us some confidence as to the strength of our strategy and ability to smoothly integrate new brands and locations into the Restaurant Brands Group

At the time we announced the QSR acquisition, we stated that we saw this as an initial "beachhead" into the Australian market. Since then we have acquired a further five stores from independent franchisees. There are currently another three pending and we are in the process of building two more stores. Moving forward, we are in negotiations to purchase further stores from Yum! as part of a sell down by the franchisor of its Australia store network and we expect to be able to make an announcement shortly.

Clearly, with a well-established above-store management and support structure, there are significant opportunities for leverage by acquiring more independent franchisees. There are around sixty KFC franchisees in the Australian market with over 450 restaurants between them. We continue to look (at the right price) for opportunities to acquire some of these independent franchisees which range from single store franchises up to small corporate operations.

Over the next few years we see considerable opportunity to grow this business both organically and through acquisitions to a reach a level where our KFC Australia footprint could rival that of New Zealand.

We are just coming to grips with our newly acquired Hawaiian business, but its overall performance in terms of sales and earnings for the past three months has been sound. Of particular interest is the performance of the Kailua Taco Bell store, the first of the Taco Bell stores to be substantially rebuilt. Same store sales growth following its re-opening has been in excess of 60% and whilst it is still early days, we have been heartened by this initial success in terms of our refurbishment strategy.

Kevin and his team have taken up the challenge of network growth and transformation of the Hawaiian market. Whilst there is always a long lead time in site procurement, store design and approval processes, I am pleased to report that there are already no less than five new stores in the pipeline for new builds, relocates or major renovations over the next 12 months.

As Ted has noted we are now a very large employer with over 8,000 staff across our three divisional operations. Each jurisdiction has its own individual attributes from an employment viewpoint and we rely heavily on the senior management in each division to recruit, train, motivate and properly remunerate our people.

From a specifically New Zealand viewpoint however I would note that, despite some media coverage of recent union activity, Restaurant Brands is considered a leader in the industry in terms of treating our people fairly and remunerating them at the upper end of the market. We have this week, after several months of negotiation, finalised a new two year collective agreement with the union.

We continue to lead the way in such initiatives as guaranteed minimum hours and most recently offering all staff fixed shifts in our stores.

The safety of our staff and customers remains paramount in the management of our business. The nature of our operations means that our store staff are exposed to a range of hazards: burns, slips, cuts and strains. We take every opportunity to train our people and provide as much protection as possible to keep them safe. As you can see, our incidence of serious lost time injuries in New Zealand is low and we remain committed to continuing this trend as we look to extend this programme to both of our overseas operations in the coming months.

We continue to actively encourage diversity within our business, recognising the benefits this brings to an organisation. From a gender diversity viewpoint I am pleased to say that as at balance date 50% of our employees and 39% of our senior management team members were female.

Our wider team includes people from a diverse range of ethnic, social and religious backgrounds. They come from all walks of life, but are able to work together harmoniously in contributing to our shared goal of providing great food and great service to all our customers.

As we expand into offshore markets we are even more aware of our product offerings and their impact on the health and wellbeing of those that consume it. We continue to improve and communicate the nutritional content of our products, and make improvements to the nutritional composition of the food we serve, with a strong focus on sodium, sugar, and saturated fat reduction.

We do not target any of our advertising at children, but continue to support sporting events and teams in a sponsorship capacity, such as our Super Rugby teams and that of the New Zealand Breakers basketball team. Surf Life Saving New Zealand also benefits strongly from the extensive support of our KFC brand.

We are proud of our achievements over the past year. Our New Zealand business has delivered its best ever result and we have successfully implemented a major overseas expansion in two new geographies. There is however much work to be done. It is important we work with all three of our divisions to build on the solid brand foundations in each. We will continue the excellent start this year in integrating the Hawaii business into the Restaurant Brands Group. And we will continue to be disciplined in our approach to identifying further opportunities to expand by organic growth and further acquisition.

We are well on the way to our “billion dollar company” target and I am confident that we will deliver on this objective, with continued enhancements in shareholder value.

Thank you