

8th March 2011
NZX

Restaurant Brands' Sales Report and Earthquake Update

Sales Summary

Restaurant Brands' full year sales for the year ending 28 February 2011 were \$324.4 million, an increase of 2.1% on the previous year. KFC was the primary driver behind the sales growth at 5.6%, with Pizza Hut declining 7.6% and Starbucks Coffee down 3.8%.

For same store sales on an annual basis, KFC saw a 4.4% increase (rolling over a 9.2% increase in the prior year). Starbucks had an annual increase of 0.8% and Pizza Hut saw a decline of 3.8%.

Total sales across the company's three brands for the fourth quarter (12 weeks ended 28th February 2011) were \$73.9 million, a decrease of 1.8% on the equivalent period last year.

Same store sales decreased by 2.5% over the quarter. The company saw same store sales decline in its KFC and Pizza Hut operations with Starbucks Coffee continuing modest same stores growth.

Christchurch Earthquake

The recent earthquake on 22nd February saw the closure of all 19 (seven KFC, eight Pizza Hut and four Starbucks Coffee) stores in Christchurch city. Of these, ten are expected to re-open next week.

One KFC and three Starbucks Coffee stores in the Christchurch CBD may remain closed for a significantly longer time, together with up to four Pizza Huts in badly affected suburban locations.

Whilst these closures mean a loss in sales of \$0.6 million a week, Restaurant Brands has material damage and business interruption insurance policies in place for all the affected stores.

No staff were injured in the quake, but a number have suffered considerable disruption to their personal lives.

The company has continued to support its employees over the closure period and has made a \$50,000 donation to the Christchurch Earthquake Appeal.

KFC

KFC produced annual sales of \$235.8 million, an increase of \$12.6 million or 5.6% on the previous year. Sales were also up 4.4% on a same store basis. This same store sales growth was on top of a 9.2% increase in the previous year.

Whilst the brand continued to deliver total sales growth for the fourth quarter with total revenues up \$0.5 million (1.0%) to \$54.2 million, same store sales declined by 2.6%. The reasons for this slow down in same store sales growth include; the fact that KFC was rolling significant fourth quarter same store sales in the previous three years (cumulatively totalling 19.7%), the absorption of a proportion of the October GST increase (by not passing on the full extent of the increase to customers) and a continuing softness in retail spending. There has also been considerable disruption to the business (and some sales cannibalisation) from the significant capital programme, with four new store openings in the past 12 months.

Early in the quarter, KFC Manurewa reopened after transformation in time for the busy Christmas period and has traded well.

KFC Papamoa was opened in early December and is also trading satisfactorily. This store opening marked the fourth new KFC store opened in the last twelve month period.

Successful promotions during the quarter included the *Sportacular Bucket*, *Greek Twister* and the *Fillers range* as well as the return of favourites such as *All Stars Box* and the *Legendary Tower Burger*. *Krushers*, the frozen beverage range available in 73 stores nationwide, also contributed to sales growth.

Store numbers increased by one over the quarter with the opening of KFC Papamoa bringing total stores to 89, up four on the prior year.

In Christchurch, seven KFC stores closed after the 22nd February earthquake losing a week's sales (in excess of \$0.4 million) at the end of the quarter. They remained closed for trading at year end, although five are expected to re-open next week.

Pizza Hut

Full year Pizza Hut sales were \$59.3 million, down 7.6% in total on prior year with nine less stores (five sales and four closures). Same store sales for the full year were down 3.8% compared with a 3.9% increase in the prior year.

Total sales for the quarter for Pizza Hut were down 11.0% on prior year to \$12.6million, reflecting the lower number of company-owned stores. However, on a same store sales basis the decline was 4.2% for the quarter compared with a 2.6% increase in the prior year.

Promotional activity included the expansion of the Pizza Hut *Classics* range of value pizzas and the *Despicable Me* promotion.

Three Pizza Hut stores were sold to independent franchisees during the quarter, being Rangiora in Canterbury and two stores in Dunedin, bringing the total number of sales to franchisees to five.

As a consequence, store numbers were reduced by three to 82 at the end of the quarter, down nine on last year.

In Christchurch, eight Pizza Hut stores closed after the 22nd February earthquake and remained closed for trading at year end, losing over \$0.1 million sales a week. Four stores are expected to re-open for trade next week.

Starbucks Coffee

Starbucks Coffee full year sales were \$29.3 million, a decrease of 3.8% on prior year, but same store sales increased 0.8%.

The fourth quarter continued the growth from previous quarters with same store sales up 1.2%. Total quarterly sales were \$7.1 million, down 4.2% on the prior year with four less stores and a week's trading lost in Christchurch.

The growth in same store sales this quarter results from improving operational focus and a rejuvenated Christmas merchandising range. This year's festive season beverages, *Toffee Nut Latte*, *Dark Cherry Mocha* and *Gingerbread Latte* have performed well. A new *Frappuccino* range was launched in January with marked growth against the prior year.

Store numbers were down by one to at 37 during the quarter as the Mid Lambton Quay was closed at lease end in February. This brings the number of stores to four less than last year.

In Christchurch, four Starbucks stores closed after the 22nd February earthquake and remained closed for trading, losing \$0.1 million in sales a week. Only one of these stores is expected to be able to re-open next week.

Annual Results

The company expects to make its annual results announcement on 7 April. Net Profit after Tax (excluding non-trading items) is expected to be \$24-26 million.

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RESTAURANT BRANDS NEW ZEALAND LIMITED
Quarterly Sales Report

Summary of Results for the 4th Quarter (Q4)

(for the 12 weeks 7/12/2010 to 28/02/2011)

	Q4 2010/11 (\$000's)	Q4 2009/10 (\$000's)	% change
<u>Q4 2010/11 vs Q4 2009/10</u>			
Total Store Sales - KFC	54,157	53,639	1.0%
Total Store Sales - Pizza Hut	12,647	14,215	-11.0%
Total Store Sales - Starbucks Coffee	7,087	7,399	-4.2%
Total Store Sales	73,891	75,253	-1.8%
Same Store Sales - KFC	51,048	52,416	-2.6%
Same Store Sales - Pizza Hut	12,421	12,964	-4.2%
Same Store Sales - Starbucks Coffee	6,976	6,896	1.2%
Total Same Store Sales	70,445	72,276	-2.5%
<u>YTD 2010/11 vs YTD 2009/10</u>			
Total Store Sales - KFC	235,805	223,228	5.6%
Total Store Sales - Pizza Hut	59,266	64,158	-7.6%
Total Store Sales - Starbucks Coffee	29,313	30,463	-3.8%
Total Store Sales	324,384	317,849	2.1%
Same Store Sales - KFC	226,075	216,446	4.4%
Same Store Sales - Pizza Hut	59,004	61,348	-3.8%
Same Store Sales - Starbucks Coffee	29,134	28,913	0.8%
Total Same Store Sales	314,213	306,707	2.4%
<u>NUMBER OF STORES OPEN AT QUARTER END</u>			
Qtr End no of Stores - KFC	89	85	4
Qtr End no of Stores - Pizza Hut	82	91	-9
Qtr End no of Stores - Starbucks Coffee	37	41	-4
Total Stores	208	217	-9