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Restaurant Brands' First Quarter Sales impacted by Earthquake

Restaurant Brands' total sales across the company's three brands for the first quarter (12 weeks ended 23rd May 2011) were \$72.5 million, a decrease of 4.4% or \$3.3 million on the equivalent period last year. The sales decrease is primarily attributed to store closures in Christchurch following the earthquake (\$2.5 million in lost sales) and the disposal of Pizza Hut stores. Same store sales were down 2.3%.

KFC total sales grew 2.8% in the quarter (rolling over an 8.5% increase in the prior year). Starbucks sales decreased 11.3% and Pizza Hut sales decreased by 27.7%.

KFC same store sales saw a 0.3% increase (rolling over a 10.7% increase in the prior year). Starbucks had an increase of 4.3% and Pizza Hut saw a decline of 15.7%.

Christchurch Earthquake

The recent earthquake on 22nd February 2011 adversely affected total sales during the quarter. A total of 19 stores (seven KFC, eight Pizza Hut and four Starbucks Coffee) stores in Christchurch city were closed at the beginning of the quarter. Of these, 14 stores have since reopened. Total estimated sales lost from the earthquake for the quarter are around \$2.5m.

One KFC and three Starbucks Coffee stores in the Christchurch CBD remain closed together with one Pizza Hut in Shirley.

Whilst these closures represent a significant loss in sales, Restaurant Brands has material damage and business interruption insurance policies in place for all the affected stores and hence the profit impact will not be significant.

KFC

KFC sales increased 2.8% or \$1.5 million over the prior year to \$55.8m (rolling over an 8.5% increase in the prior year). The earthquake negatively impacted this growth accounting for about \$1.4 million in lost sales from store closures. Same store sales increased by 0.3%, rolling over a 10.7% increase on the prior year.

Whilst same store sales growth was modest with continuing softness in retail spending, it gained momentum as the quarter progressed, building from a negative base in the previous quarter. Of note is the fact that KFC continues to roll over significant first quarter same store sales growth in the previous three years (cumulatively totalling 21.1%). There has also been considerable disruption to the business (and some sales cannibalisation) from the significant capital programme over the previous 12 months.

Promotional activity over the 3 months included the launch of *KFC Grilled* – a new permanent addition to the menu providing customers with further innovation and another unique flavour platform in fresh chicken. KFC also introduced the permanent *Streetwise* value offer, as well as bringing back an old

favourite, the *BLAT burger*. The last two weeks in the quarter saw the launch of the *Double Down* burger with considerable success.

During the quarter, KFC Gore and Masterton closed for transformation with Gore reopening in May, shortly before the end of the quarter. In Christchurch, the CBD store remains closed as a result of the earthquake.

Total store numbers remained at 89 stores, up 3 on last year.

Pizza Hut

Total sales for Pizza Hut were down \$4.1 million or 27.7% on prior year to \$10.6 million, of which the earthquake accounted for \$0.6 million. Same store sales also declined 15.7%. Whilst store numbers are significantly down on the prior year with the sale of seven stores to independent franchisees and five closures, the same store sales decline continues to reflect the current competitive environment.

This quarter's promotional activity included the return of *More 4 All* Pizza, a continuing favourite with Pizza Hut customers.

With the sale of stores in Gore and Wanganui and the closure of the Taupo red roof restaurant, store numbers were reduced to 79, down 12 on last year.

In Christchurch, one Pizza Hut store in Shirley remains closed as a result of the earthquake.

Starbucks Coffee

Starbucks Coffee total quarterly sales were \$6.1 million, down \$0.8 million or 11.3% on the prior year (with four less stores than the first quarter in the prior year). A further four stores (with \$0.5 million lost sales) were closed in Christchurch for all or part of the quarter as a result of the earthquake.

However, overall Starbucks Coffee sales were up 4.3% on a same store sales basis. This continues the improving same store sales trend seen in the latter half of last year and is the highest quarterly same store growth since Q1 2008/09.

During the quarter, a new range of fresh food was launched in stores and the brand has seen sales of this category improve significantly.

During the quarter, the Botany Downs store was closed for a significant refurbishment but reopened in May 2011 just before the end of the quarter.

Store numbers were down by one, with the closure of the Botany kiosk at the end of lease, to 36 at the end of the quarter, four down on last year.

In Christchurch, three Starbucks Coffee stores in Cashel Mall, Cathedral Square and Colombo Street still remain closed as a result of the earthquake.

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RESTAURANT BRANDS NEW ZEALAND LIMITED

Quarterly Sales Report

Summary of Results for the 1st Quarter (Q1)

(for the 12 weeks 1/3/2011 to 23/5/2011)

	Q1 2011/12 (\$000's)	Q1 2010/11 (\$000's)	% change
<u>Q1 2011/12 vs Q1 2010/11</u>			
Total Store Sales - KFC	55,801	54,295	2.8%
Total Store Sales - Pizza Hut	10,589	14,644	-27.7%
Total Store Sales - Starbucks Coffee	6,131	6,915	-11.3%
Total Store Sales	72,521	75,854	-4.4%
Same Store Sales - KFC	51,883	51,749	0.3%
Same Store Sales - Pizza Hut	10,577	12,546	-15.7%
Same Store Sales - Starbucks Coffee	6,093	5,843	4.3%
Total Same Store Sales	68,553	70,138	-2.3%
<u>YTD 2011/12 vs YTD 2010/11</u>			
Total Store Sales - KFC	55,801	54,295	2.8%
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<u>NUMBER OF STORES OPEN AT QUARTER END</u>			
Qtr End no of Stores - KFC	89	86	3
Qtr End no of Stores - Pizza Hut	79	91	-12
Qtr End no of Stores - Starbucks Coffee	36	40	-4
Total Stores	204	217	-13