



# Interim Result for the Half Year Ended

## 11<sup>th</sup> September 2006

Presented 12 October 2006



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2007 Interim Profit Presentation



# Key Points

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- NPAT excluding non trading \$3.1 million compared to \$6.0 million prior year
- Directors announced a dividend of 2.5 cents
- KFC Master Franchise Renewal August 2006
- KFC continues strong performance on transformation
- KFC 76% of EBITDA earnings
- Pizza Hut New Zealand sales and margin plan
- Pizza Hut Victoria exit proceeding
- IFRS Reported accounts

# Half Year Result September 2006

## SALES

|                     | Half Year 2007<br>\$000's | Half Year 2006<br>\$000's | %<br>Change |
|---------------------|---------------------------|---------------------------|-------------|
| KFC                 | 95,837                    | 90,758                    | +5.6        |
| Pizza Hut           | 44,124                    | 49,869                    | -11.5       |
| Starbucks Coffee    | 16,256                    | 14,348                    | +13.3       |
| Total NZ Operations | 156,217                   | 154,975                   | +0.8        |
| Pizza Hut Victoria* | 15,786                    | 15,627                    | +1.0        |
| Total Sales         | 172,003                   | 170,602                   | +0.8        |

\*In Australian dollars, total sales growth of -8.3%



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# Half Year Performance by Brand - Compared to Prior Year

## STORE EARNINGS (EBITDA)

|                                   | Half Year 2007<br>\$000's | %<br>Sales  | Half Year 2006*<br>\$000's | %<br>Sales  | %<br>Change  |
|-----------------------------------|---------------------------|-------------|----------------------------|-------------|--------------|
| <b>Continued Operations</b>       |                           |             |                            |             |              |
| KFC                               | 15,491                    | 16.2        | 14,586                     | 16.1        | +6.2         |
| Pizza Hut                         | 3,152                     | 7.1         | 6,689                      | 13.4        | -52.9        |
| Starbucks Coffee                  | 1,753                     | 10.8        | 2,168                      | 15.1        | -19.1        |
| <b>Total Continued Operations</b> | <b>20,396</b>             | <b>13.1</b> | <b>23,443</b>              | <b>15.0</b> | <b>-13.0</b> |
| <b>Discontinued Operations</b>    |                           |             |                            |             |              |
| Pizza Hut Victoria                | (1,581)                   | (10.0)      | (87)                       | (0.6)       | n/a          |

\* Adjusted for IFRS



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## Half Year Consolidated Group Result

| Continued Operations             | 2007<br>\$000's | 2006<br>\$000's* | %<br>Change  |
|----------------------------------|-----------------|------------------|--------------|
| Total Revenue                    | 156,436         | 155,181          | +0.8         |
| <b>Brand EBITDA</b>              | <b>20,396</b>   | <b>23,443</b>    | <b>-13.0</b> |
| Depreciation                     | 5,695           | 4,769            | +5.1         |
| G&A                              | 6,187           | 6,619            | -6.5         |
| <b>EBIT</b>                      | <b>7,157</b>    | <b>11,835</b>    | <b>-39.5</b> |
| <b>NPAT</b>                      | <b>3,877</b>    | <b>7,377</b>     | <b>-47.4</b> |
| Loss from discontinued operation | (3,668)         | (4,692)          | +21.8        |
| <b>NPAT</b>                      | <b>209</b>      | <b>2,685</b>     | <b>-92.2</b> |
| <b>NPAT before non trading</b>   | <b>3,053</b>    | <b>5,985</b>     | <b>-49.0</b> |

\* Adjusted for IFRS



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# Non Trading Items

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|                                       |              | \$000's        |
|---------------------------------------|--------------|----------------|
| Pizza Hut Victoria                    |              |                |
| Impairment of investment              | 2,714        |                |
| KFC Transformation and store closures | <u>1,458</u> |                |
|                                       |              | <b>\$4,172</b> |

# Half Year Review

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|  | Half Year 2007 | Half Year 2006 |
|--|----------------|----------------|
| EPS (excluding non trading)            | 3.1 cents      | 6.2 cents      |
| DPS                                    | 2.5 cents      | 4.5 cents      |
| Interest Cover (excluding non-trading) | 4.5 x          | 10.5 x         |
| Gearing (Net Debt: Debt + Equity)      | 51.6%          | 37.4%          |
| Total Net Borrowings                   | \$41.8m        | \$27.2m        |
| Operating Cash Flows                   | \$8.9m         | \$13.4m        |
| Investing Cash Flows                   | \$14.7m        | \$9.5m         |

# Pizza Hut Victoria – Exit Update

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- 24 stores under a sale and purchase process
- 15 of these to be settled during November
- 9 of the 24 in process to be settled before year end
- 1 store closed
- Further interest in other stores
- Reduced overhead in PHV payroll, accounts, support staff



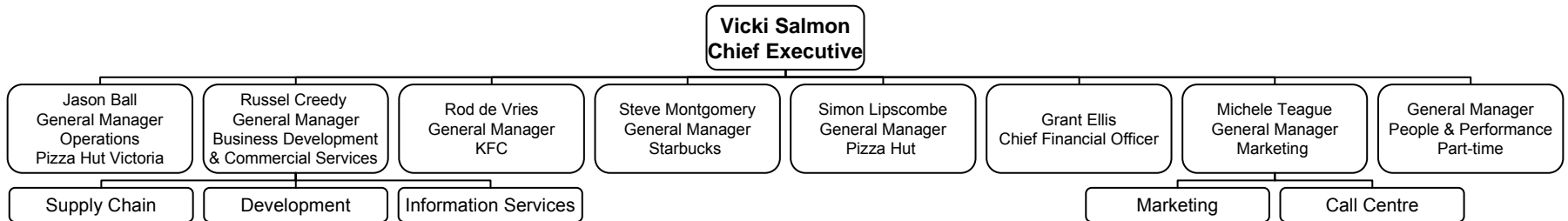
# Overview – Pizza Hut Victoria Trading

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- NPAT before non trading was \$1.8m loss, similar to last year
- Directors elected to write off Goodwill of \$2.9m in prior year
- Directors evaluated further the investment further and wrote down by \$2.6m
- NPAT after non trading of \$3.7m loss compared to prior year \$4.7m loss
- Pizza Hut Victoria considered a discontinued operation
- Trading difficult when sale announced
- Store managers left to seek other employment
- Area Manager span increased

# Management Leadership Team – October 2006

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# Snapshot overview for half year September 2005

|      | Same Store Sales Growth | Total Sales Growth | EBITDA Growth | EBITDA Margin Growth | Store Development |
|------|-------------------------|--------------------|---------------|----------------------|-------------------|
| KFC  | O                       | X                  | √             | √                    | √ √               |
| PHNZ | O                       | √ √                | X             | X                    | √ √               |
| SB   | √ √                     | √ √                | √ √           | √ √                  | √ √               |
| PHV  | X                       | X                  | X             | X                    | X                 |
| RBNZ | O                       | √                  | √             | O                    | √ √               |

# Snapshot overview for year ended February 2006

|      | Same Store Sales Growth | Total Sales Growth | EBITDA Growth | EBITDA Margin Growth | Store Development |
|------|-------------------------|--------------------|---------------|----------------------|-------------------|
| KFC  | √                       | √                  | √ √           | √ √                  | √ √               |
| PHNZ | X                       | √ √                | X             | X                    | √ √               |
| SB   | √                       | √ √                | √ √           | O                    | √ √               |
| PHV  | X                       | X                  | X             | X                    | X                 |
| RBNZ | O                       | √                  | √             | O                    | √ √               |

# Snapshot overview for the half year ended September 2006

|               | Same Store Sales Growth | Total Sales Growth | EBITDA Growth | EBITDA Margin Growth | Store Development |
|---------------|-------------------------|--------------------|---------------|----------------------|-------------------|
| KFC           | √ √                     | √ √                | √ √           | √                    | √ √               |
| PHNZ          | X X                     | X                  | X X           | X X                  | O                 |
| SB            | √                       | √ √                | X             | X                    | √                 |
| NZ Operations | √                       | √                  | X             | X                    | √                 |

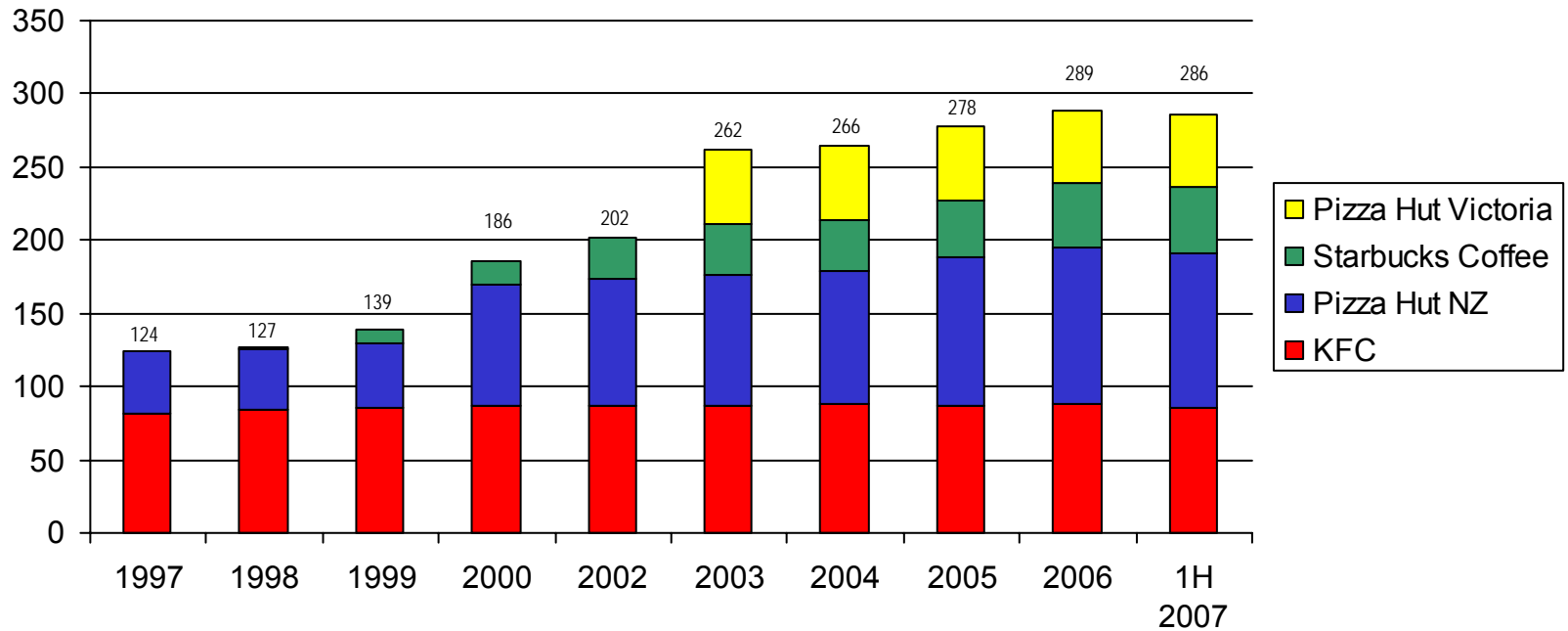
# Restaurant Brands Key Points

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- Strong total sales growth and same store sales in KFC
- Strong total sales growth in Starbucks Coffee
- Half year dividend declared of 2.5 cents per share
- EBITDA margin steady for KFC business from 16.1% from 16.2%, \$15.5m
- Continue to execute Brand Transformation Plan for KFC with 21 stores transformed by February 2007
- Re-opened 7 transformed KFC stores with results exceeding expectation
- Pizza Hut New Zealand sales down 11.5% with margins impacted by cost increases and competitive pressure
- Completed sale of 15 Pizza Hut Victoria stores, action on further stores
- Impairment on the Pizza Hut Victoria business of \$2.6m with remaining value of \$4.1m

# Company Committed to Future Store Growth

## Year End Store Numbers



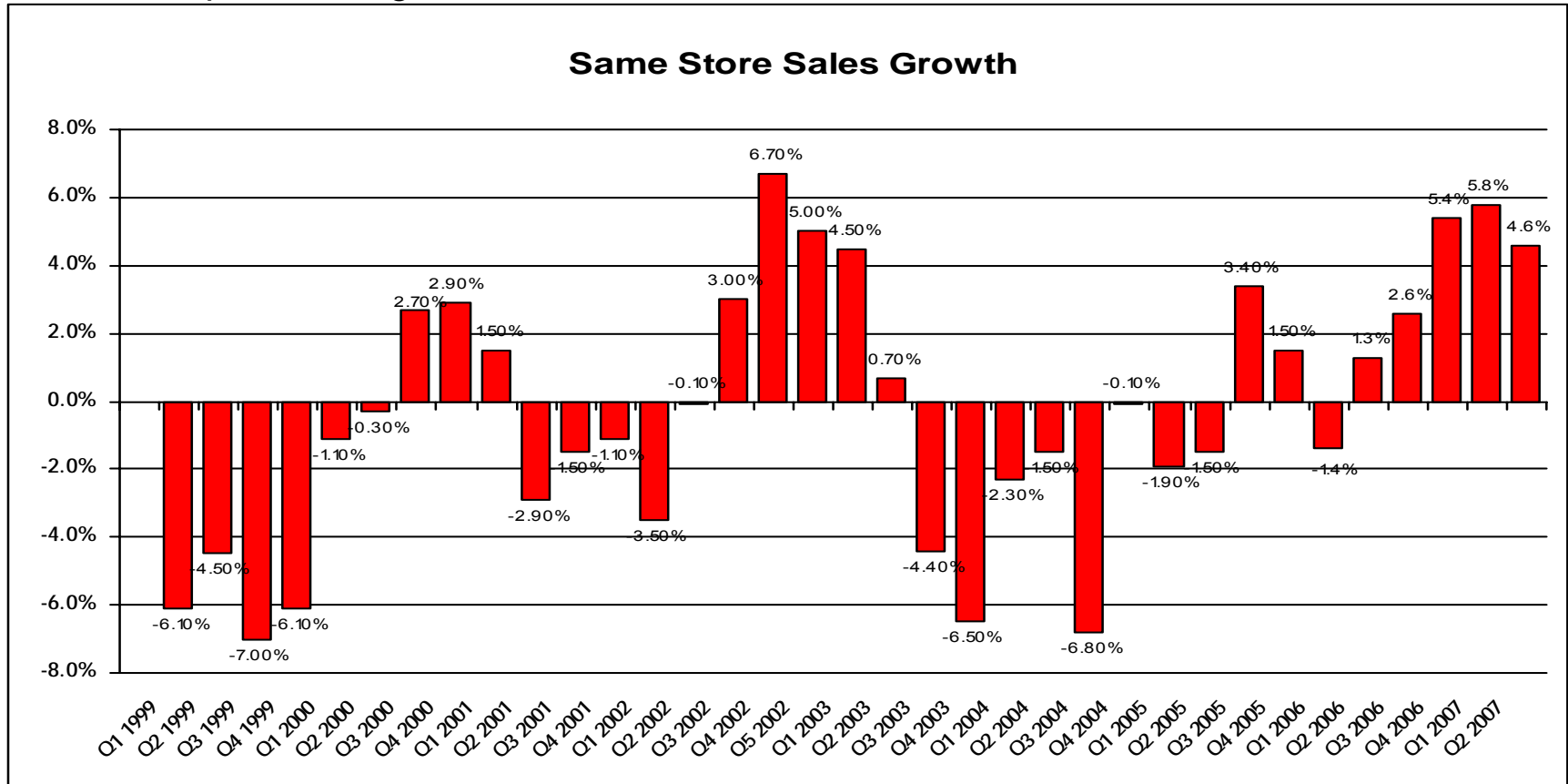


**KFC**



# KFC

- Total sales for the half were \$95.8m up 5.6% on 2006
- Same store sales positive for 2007 and Q2 4.6%
- Five quarters of growth



# KFC Master Franchise Renewal

- 14 August 2006 signed Master Franchise Agreement for KFC for a further 10 years
- Paid \$2.5m which immediately renewed 50% of stores
- The remaining 50% automatically renewed on payment of balance in May 2007
- Committed to \$35m towards transformation by August 2008
- Spent to date \$16.5m by end of year approximately \$22m
- Every store transformed over the next five years gets a new franchise agreement which gives a total of 20 years for that store



**KFC**

# KFC – Transformation Update

- 86 stores at Half Year
- Closed two stores – Mt Roskill and Orewa lease end
- KFC Major Transformation
  - Matamata – April opening
  - Dunedin South – April opening
  - Pakuranga – June opening
  - Ponsonby – July opening
  - Riccarton – July opening
  - Timaru – August opening
  - Northmall – September opening

| 2007 Year indicative   | Plan | Actual to date | revised plan |
|------------------------|------|----------------|--------------|
| ➤ New Stores           | 1    | -              | 1            |
| ➤ Major Refurbishments | 10   | 7              | 10           |
| ➤ Relocations          | 1    | -              | 1            |



# KFC - Store Development – 2<sup>nd</sup> Half

- Manukau, Auckland – 13 October 2006
- Lincoln Road, Auckland – Relocate
- Shirley, Christchurch
- Palmerston North
- Horsham Downs, Hamilton – New Store



**KFC**

# KFC Ponsonby



**KFC**

# KFC Pakuranga



**KFC**

# KFC Timaru



**KFC**

## KFC Riccarton



**KFC**



## KFC – Performance

- KFC 76% of New Zealand earnings
- KFC total sales at +5.6% were strong even with the closure of 2 stores at lease end and the closure of Transformation stores on average for 8 weeks
- KFC same store sales performance was positive for the fifth consecutive quarter at 4.8%
- At the half year, 71 stores same store sales positive
- The store EBITDA shows continued stability in the first half – improving from 16.1% to 16.2%
- Increasing labour and supplier costs have been offset with improved controls and price increases



**KFC**

## KFC – Operations

- CHAMPS have continued to be stable and currently on 94.7% YTD. Still the highest in SOPAC
- Full operational audits have been completed in every store – CER programme continues
- Management stability in the business has stabilised. Management turnover is low very solid 21%



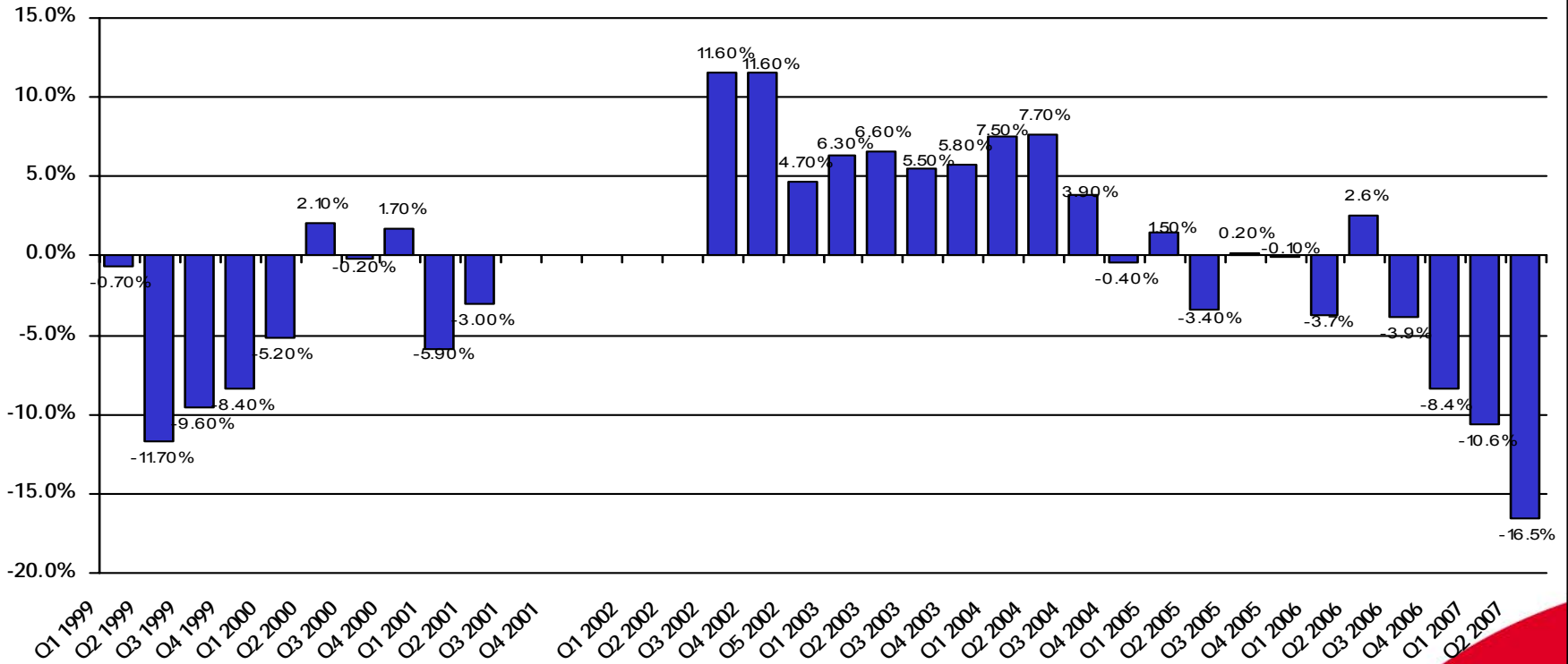
**KFC**



# Pizza Hut New Zealand

- Same Store Sales -16.5% for Q2, -11.5% for the half year

## Same Store Sales Growth



# Pizza Hut – Key Points

- Pizza Hut New Zealand is the market leader with approximately 50% of all branded outlets in New Zealand
- The last two years saw exponential growth in the pizza market but that growth is slowing
- Restaurant Brands invested \$7m and built 17 stores to meet this demand
- Change of General Manager Pizza Hut – Simon Lipscombe
- Operational focus – already some good trends
- Network review – closed 3 Red Roof restaurants at lease end
- Reviewing major suppliers – with savings to come in second half



# Pizza Hut New Zealand – Store Network 2007

- 105 stores at half year, 2 more than the same time last year
  - Opened 1 new store in first half
    - Hobson Street in Auckland
  
- Closed 3 Red Roof Restaurants
  - Paraparaumu, Royal Oak and Wanganui
  
- Relocations – Invercargill and Papatoetoe/Otahuhu

|                |   | Plan  | Actual<br>to date | Revised |
|----------------|---|-------|-------------------|---------|
| New Stores     | - | 4 – 6 | 1                 | 2       |
| Relocates      | - | 2 – 3 | 2                 | 3       |
| Refurbishments | - | 1 – 2 | 0                 | 1       |



# Pizza Hut New Zealand – Performance 2007

- Total sales reduced by 11.5% for the first half of the year following growth of 7.7% on the previous year and 7.7% before that.
- Store earnings decreased for the first half with EBITDA margin at 7.1%
- Cost increases – labour, freight, utilities, marketing
- Aggressive marketing campaign lead to price discounting
- Competitive market for pizza with 2 large competitors
- Delivery times have been stable with an average 82% of orders delivered under 30 minutes



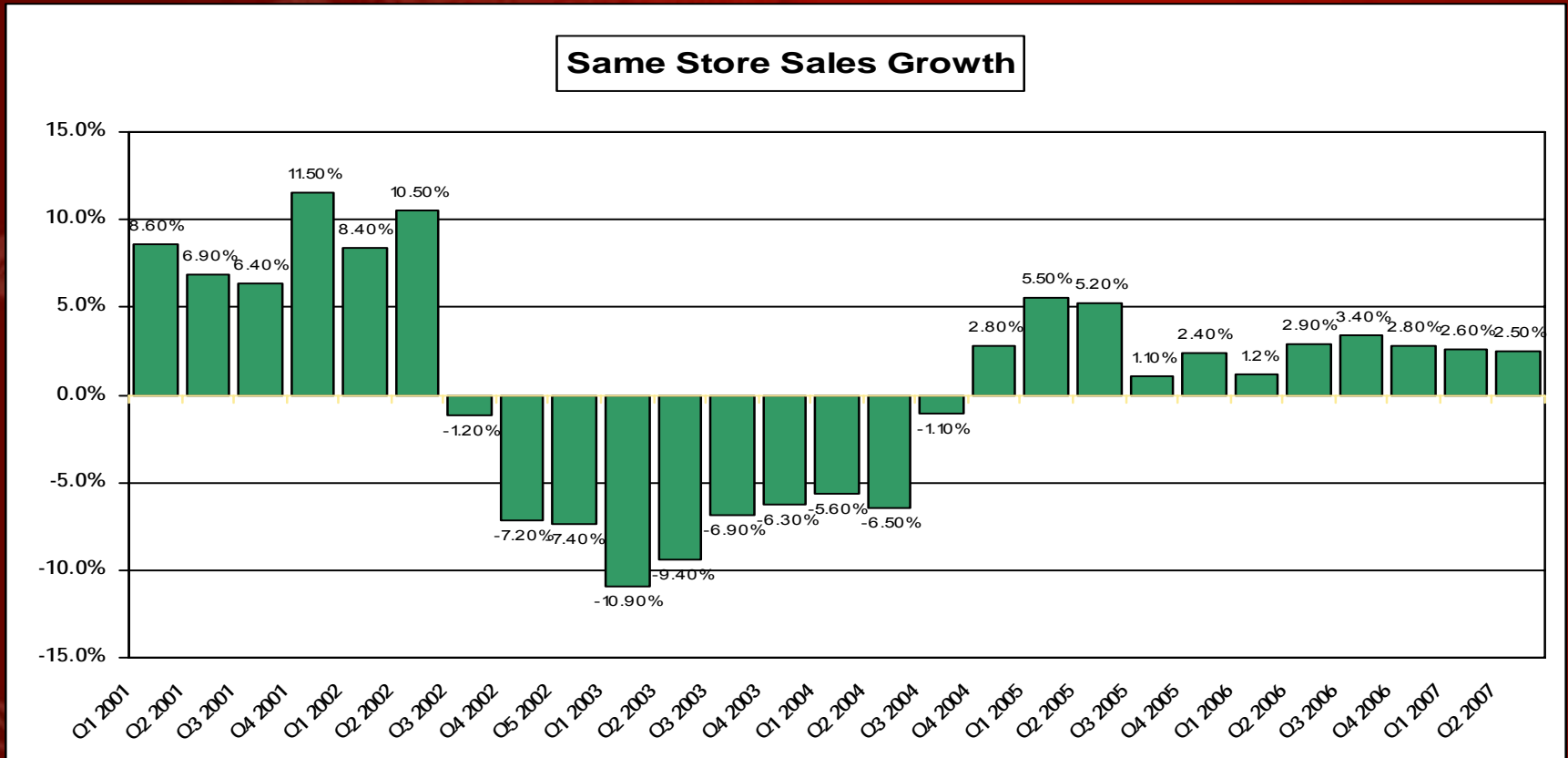
# Starbucks Coffee





# Starbucks Coffee

- Continued growth in Same Stores Sales now for 11 consecutive quarters
- Total sales growth +13.3% with the opening of 1 new store and the continued steady sss performance



# Starbucks Coffee – Store Development 2007

- Store numbers increased to 45
  - one new store, Sylvia Park in Auckland
- Development Programme in place for new stores
  - Close to 50 stores planned for year end



# Starbuck Coffee – Current Performance 2006

- Consistent positive same store sales contribution in increasingly competitive market
- Store manager stability has continued to improve from 82% to 93% with turnover down from 34% to 26%
- Established experienced business leaders (Zero Starbucks support centre and area manager turn)
- Retail price restructure in May has delivered good ticket growth over the same period prior year
- Strong marketing plan has driven positive same store sales growth and introduced innovative and differentiating margin building products (Signature hot chocolate)
- Sylvia Park trading well above first quarter trading sales and profit targets
- Tightening economic conditions have driven up costs and impacted customer frequency. Addressed through improved operations
- First quarter profit decline arrested in Q2 and building favourably into Q3
- Snapshot result of 92% demonstrates high degree of customer service experience



## Restaurant Brands Goals

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# ***“Great Brands, Great Stores, Great People”***

- To Transform the KFC Brand in New Zealand
- To reignite the Pizza Hut brand in New Zealand and maintain leadership status
- Ensure the ongoing success of the Starbucks Coffee business
- To grow total sales and same store sales in each brand
- To develop new stores in new locations – cornerstone of our business
- To have all stores same store sales positive in the brand – 80% target
- To secure and retain great people who are supported by training and operations
- Maintain and improve profitability

## 2006/07 Focus – Summary Restaurant Brands Ltd

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- Grow our business in both sales and store earnings in the New Zealand market
- Continue with the KFC Brand Transformation – continue focus on programme
- Pizza Hut NZ business focus – Retain market share and grow sales
- Starbucks Coffee – market leadership – store operations and margins
- Maintain store development includes new stores, relocating or refurbishment of existing stores in all New Zealand brands
- Sustainable improved store operations
- Exit Pizza Hut Victoria by end of year

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# *Restaurant*

## BRANDS

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