



Restaurant Brands NZ Limited

2017 Half Year Results Presentation

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26 October 2016

Restaurant Brands New Zealand Limited

PRESENTATION OUTLINE

- Highlights
- Results Overview
- KFC
- Pizza Hut
- Starbucks Coffee
- Carl's Jr.
- KFC Australia
- Outlook

Highlights

Commentary*	1H2015	1H2016	1H2017
• Group Sales up 22.0% on KFC Australia acquisition	\$185.7m	\$210.0m	\$256.2m
• Reported NPAT up 0.7%	\$11.5m	\$13.4m	\$13.5m
• NPAT (excluding non-trading) up 21.7%	\$11.5m	\$13.1m	\$15.9m
• Brand EBITDA up 26% with KFC Australia contribution	\$31.6m	\$36.0m	\$45.3m
• Fully imputed dividend declared – up 1 cent per share	7.5cps	8.5cps	9.5cps

* Changes are 1H2017 over 1H2016

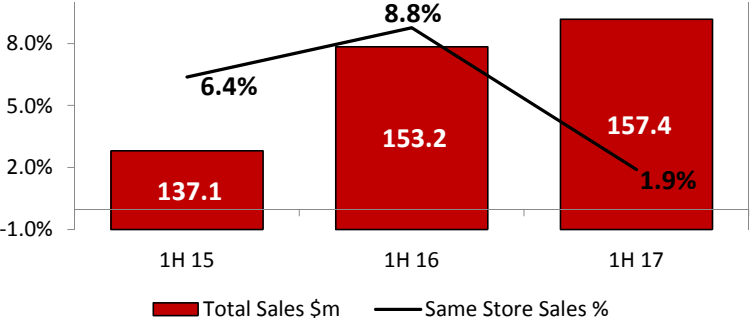
RESULTS OVERVIEW

NPAT excluding non-trading was \$15.9 million, up 21.7% on prior year

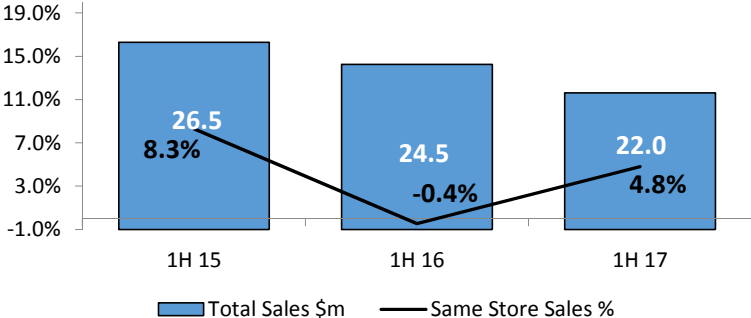
<i>\$m</i>	1H2015	1H2016	1H2017
Revenue	192.0	218.4	266.9
Gross Margin	34.9	39.5	50.3
Distribution	(1.3)	(1.3)	(1.5)
Marketing	(9.4)	(10.8)	(14.7)
G&A	<u>(7.8)</u>	<u>(8.7)</u>	<u>(10.9)</u>
EBIT	16.3	18.7	23.2
Non-trading	(0.2)	0.3	(2.4)
Interest	<u>(0.4)</u>	<u>(0.6)</u>	<u>(1.4)</u>
NPBT	15.7	18.4	19.5
Tax	<u>(4.2)</u>	<u>(5.0)</u>	<u>(6.0)</u>
NPAT	11.5	13.4	13.5
NPAT (excl non-trading)	11.5	13.1	15.9

KFC and Carl's Jr. contributed to a 1.2% increase in total NZ sales, up to \$213 million

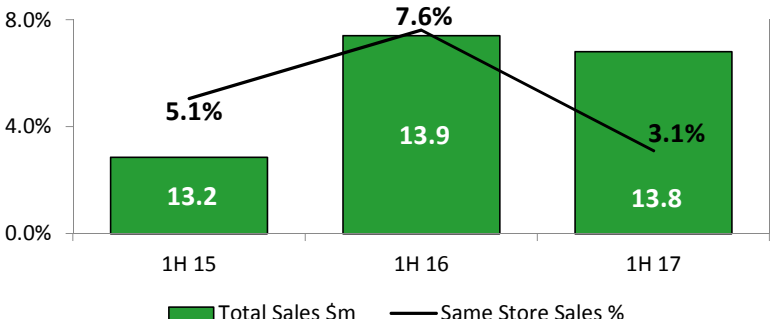
KFC Sales



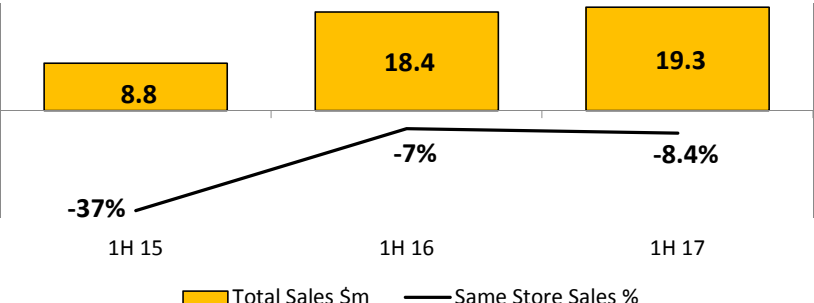
Pizza Hut Sales



Starbucks Sales

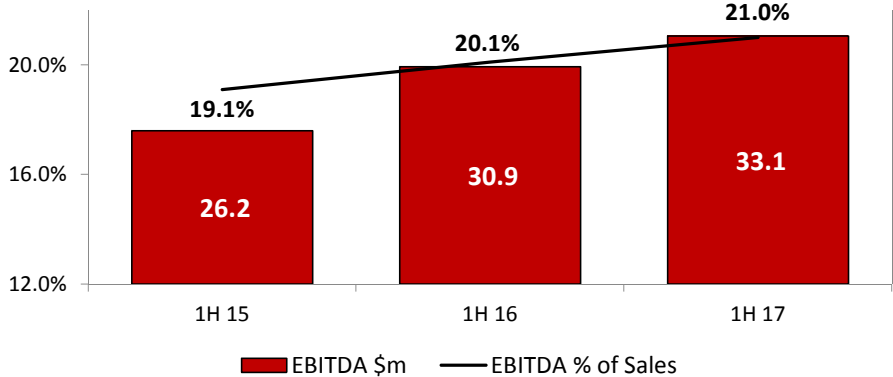


Carl's Jr. Sales

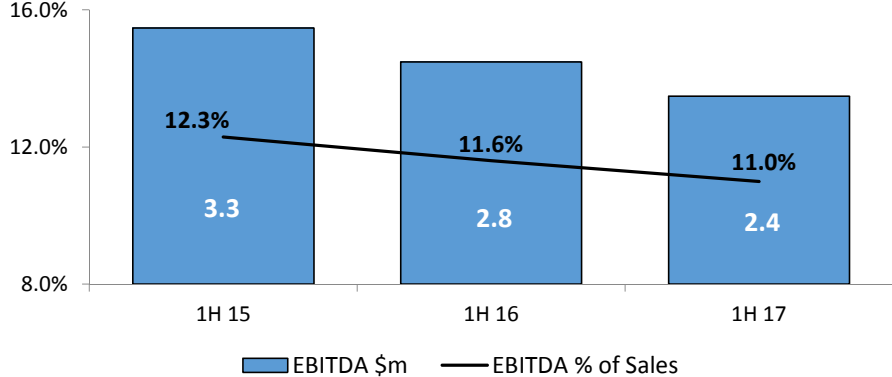


KFC continues to underpin margin growth in NZ

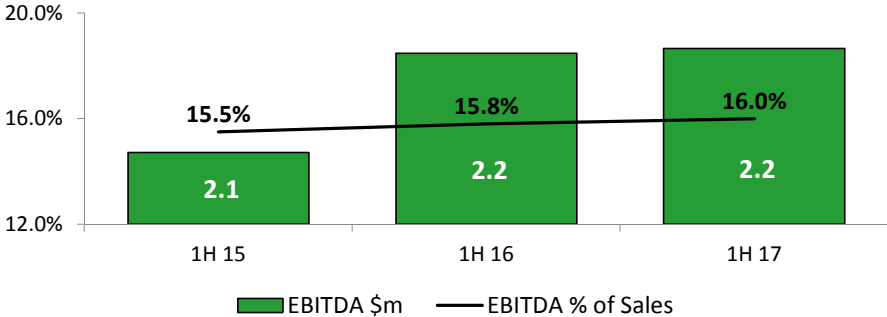
KFC EBITDA



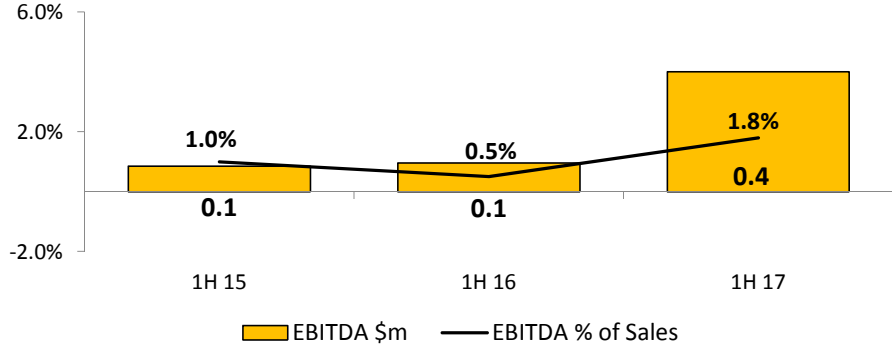
Pizza Hut EBITDA



Starbucks EBITDA

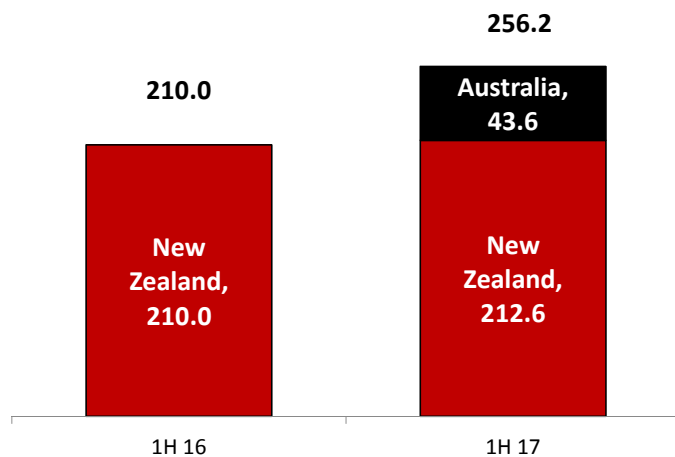


Carl's Jr. EBITDA

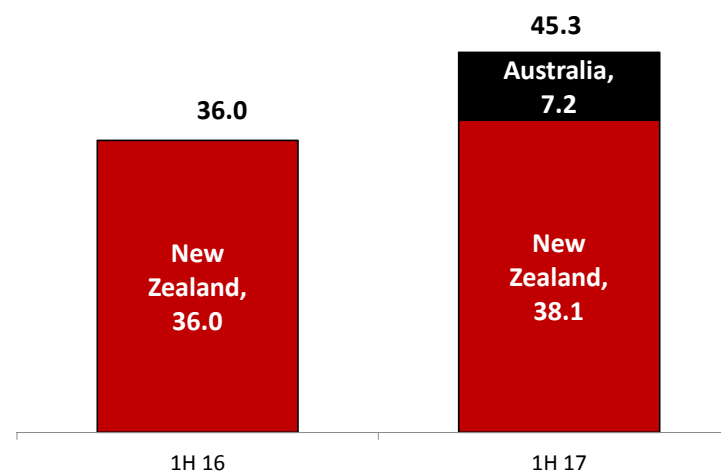


Australian KFC acquisition (QSR) was a major contributor to sales and margin growth

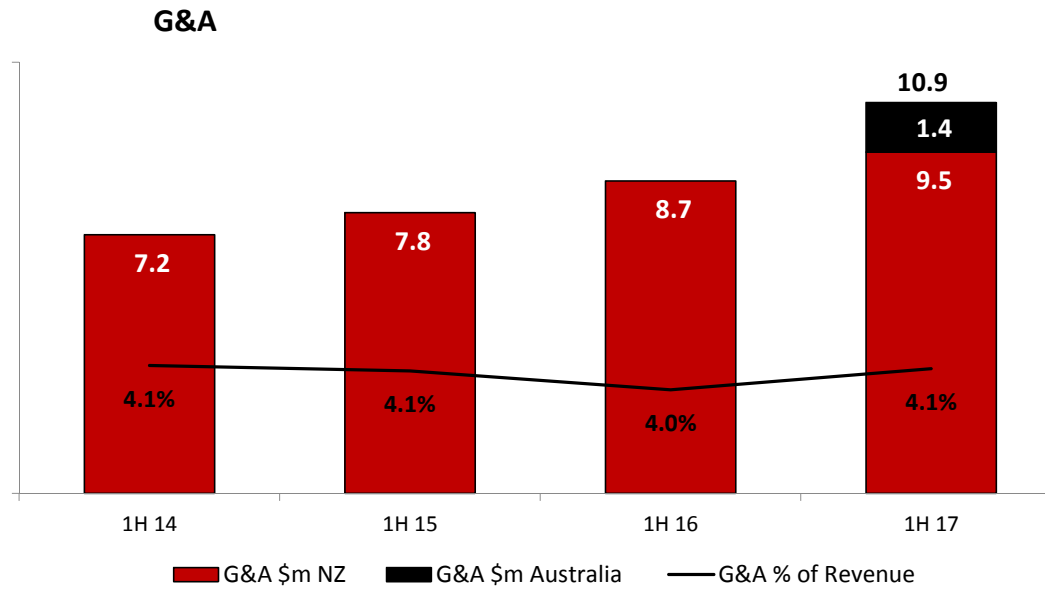
KFC Australia Sales Contribution (\$NZm)



KFC Australia EBITDA Contribution (\$NZm)



G&A costs up with Australian investment but still on 4% target



Non-trading items primarily comprised transaction costs of Australian acquisition

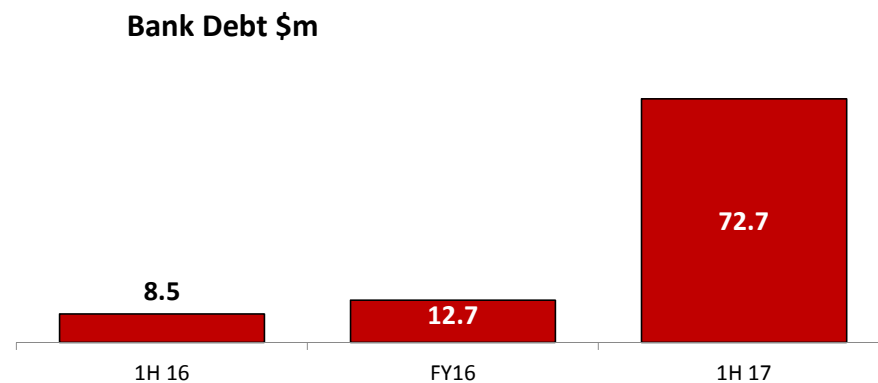
			B/(W)
Gain on sale Pizza Hut stores	(0.4)	(0.3)	(0.1)
Goodwill write down on sale of Pizza Hut stores	0.1	-	0.1
QSR transaction costs and stamp duty	-	2.3	(2.3)
QSR Franchise rights amortisation	-	0.2	(0.2)
PIR acquisition transaction costs	-	0.5	(0.5)
Gain on disposal S&L KFC	-	(0.4)	0.4
Other	-	0.1	(0.1)
	<u>(0.3)</u>	<u>2.4</u>	<u>(2.7)</u>

Operating cash flows continue to grow strongly. Investing cash flow reflects lower capex

<i>Cash Flow \$m</i>	1H2015	1H2016	1H2017
Operating cash flow	23.9	30.3	30.7
Investing cash flow	(11.3)	(5.5)	(8.6)
Free cash flow	12.6	24.8	22.1
	1H2015	1H2016	1H2017
Investing cash outflow	(14.7)	(9.1)	(12.1)*
Investing cash inflow	3.4	3.6	3.5
	(11.3)	(5.5)	(8.6)

* Excludes \$63.9m for QSR purchase

Bank debt up on QSR acquisition, but ratios within covenants



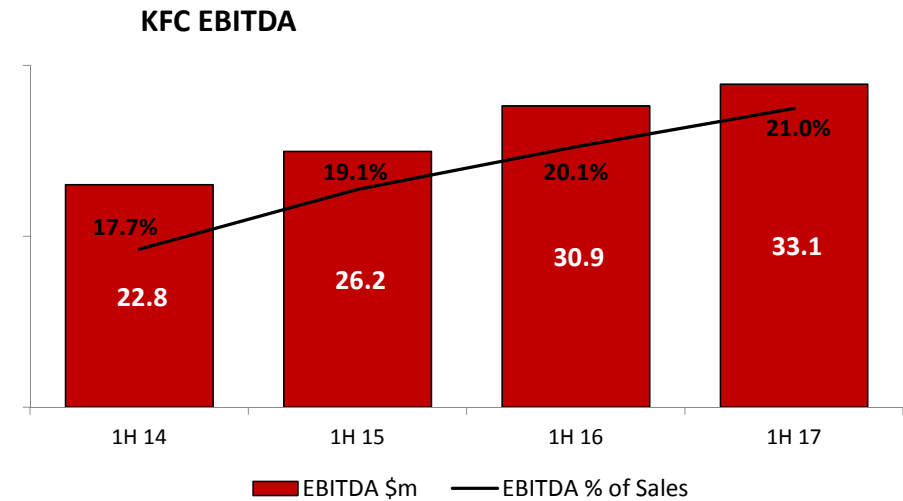
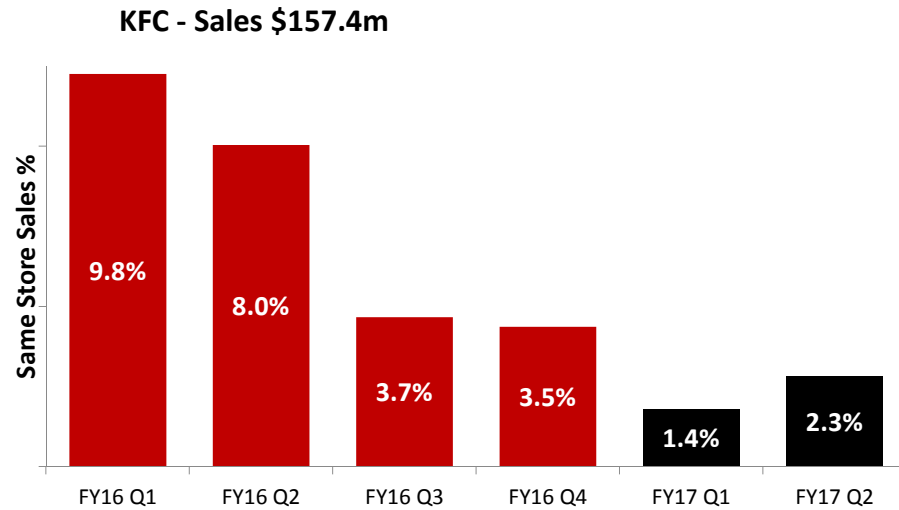
<i>Ratios</i>	1H2016	2016	1H2017
Interest Cover	30x	35x	22x
Net Debt: EBIT	0.2:1	0.3:1	1.9:1
Gearing (D:D+E)	9%	13%	41.0%

Dividend continues to increase in line with profit – up 1.0 cps (11.8%)

		1H2015	1H2016	1H2017
Earnings per share (reported)	cps	11.8	13.7	13.3
Interim dividend (fully imputed)	cps	7.5	8.5	9.5
Payout ratio	%	64%	62%	71%



KFC – more measured sales growth. Margins strong



- Record sales continue, driven by increased marketing activity, strong promotions and operational improvements
- EBITDA margin increases with sales leverage and stable input costs, off-setting labour increases

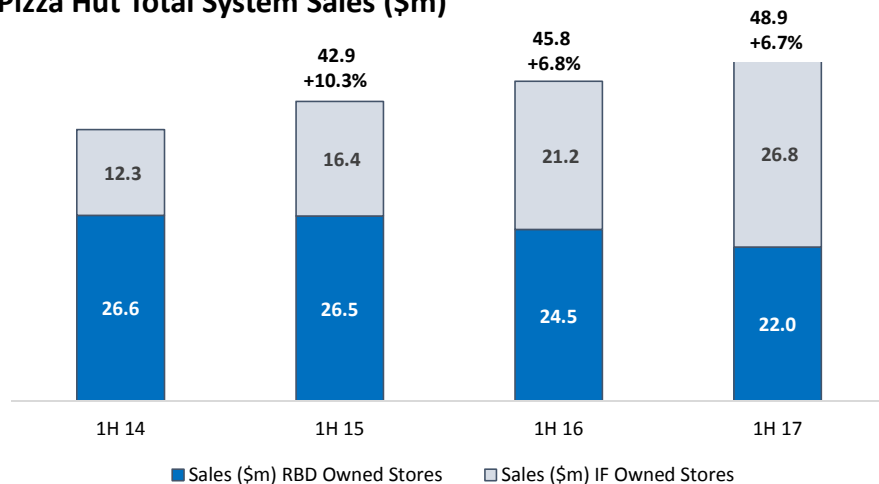
Scorecard - KFC strategies for FY17

Strategy	Target/Outcome	Score	1H2017 Outcome
Maintain sales growth through continued “smart marketing” activity including media	SSS >cpi	✓✓	SSS +1.9%
Complete major store transformation, institutionalise programme of minor upgrades	Entire network transformed	✓✓	Network transformed (less closures/relocates)
Continued new store roll outs	1-2 new stores	✓	Rolleston open 2H
Improve quality of staff and labour efficiency through enhanced recruiting process, improved training and improved scheduling practices	Turnover <55%	✓	WIP – recruitment up, increased training
‘Bank’ margin gains with continued leverage and benefit of new chicken contracts	EBITDA >19% of sales	✓✓	EBITDA 21% of sales

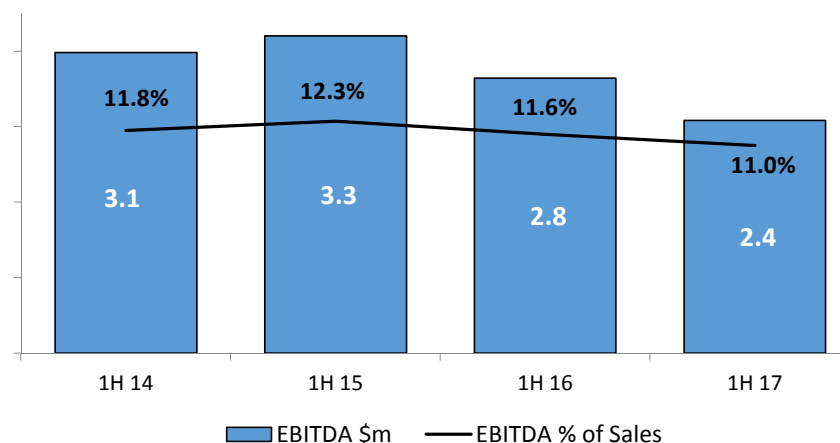


Pizza Hut – RBD sales and profit growth levelling off but network continues to grow strongly

Pizza Hut Total System Sales (\$m)

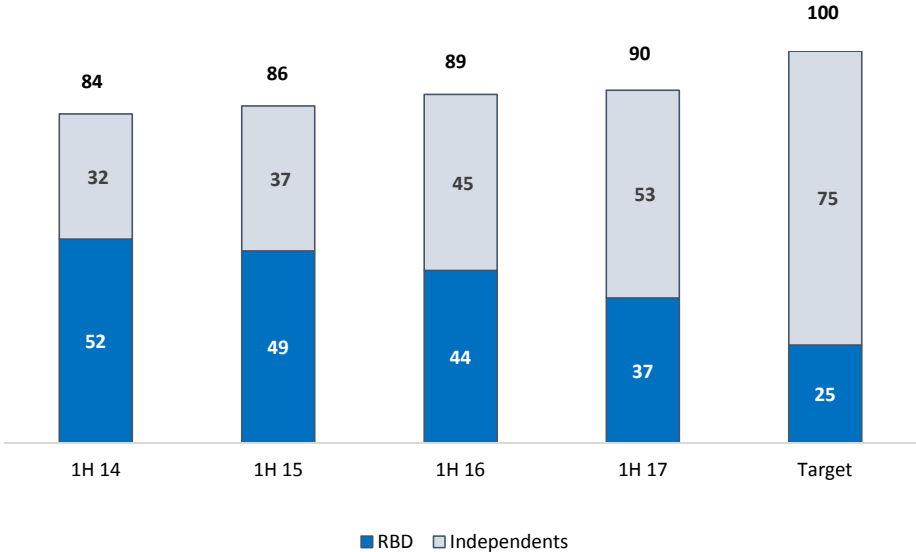


Pizza Hut EBITDA

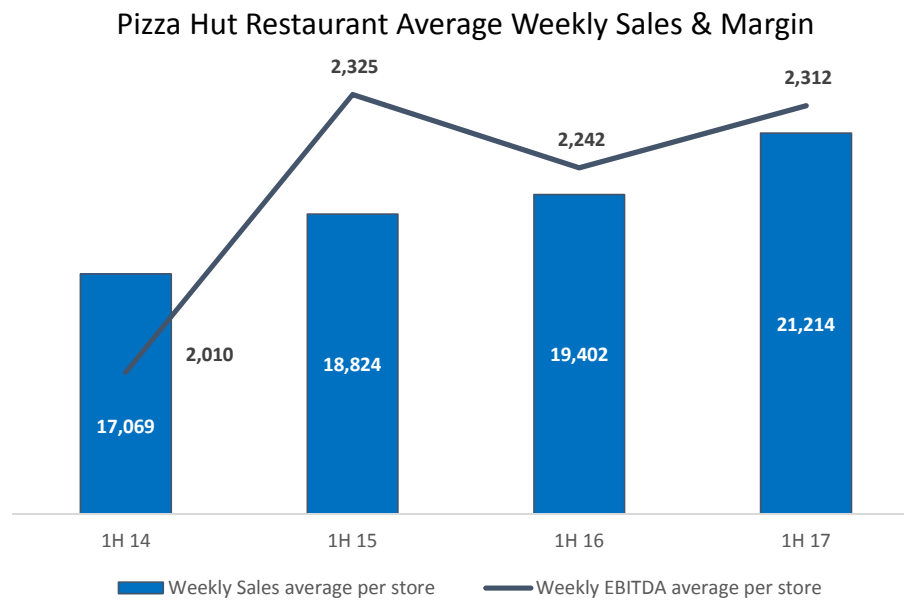


- Same store sales flattened off as brand rolls over 3rd year of very strong growth
- Margins holding with input costs still benign
- Store Sales continue to independent franchisees (IFs)

Sales of stores to independent franchisees continues as does new store builds. RBD now on track to a concentrated core holding with continued store growth in Pizza Hut network



Sales per store continues to improve with margins holding

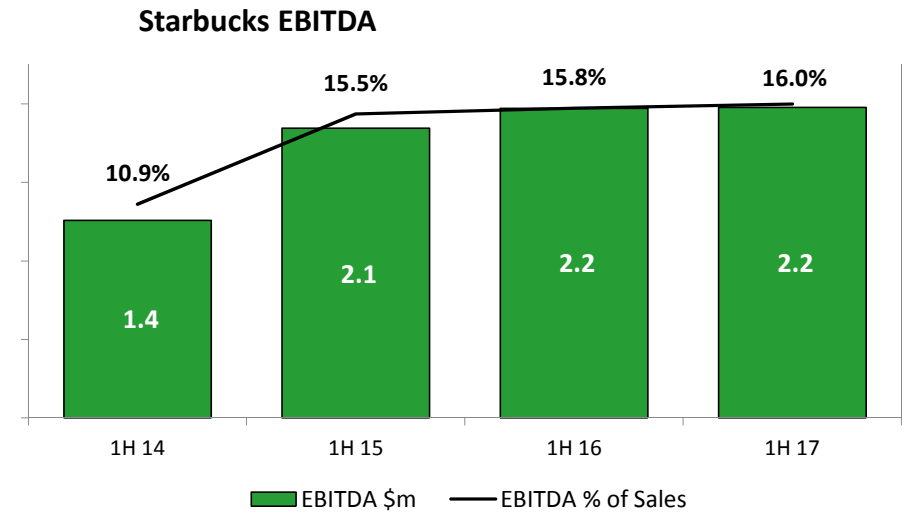
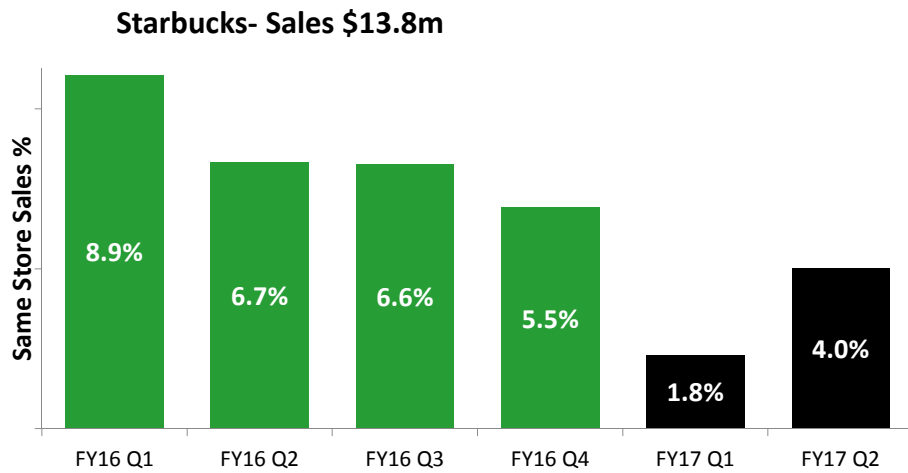


Scorecard - Pizza Hut strategies for FY17

Strategy	Target/Outcome	Score	1H2017 Outcome
Continue sell down of smaller and regional stores	5-6 stores sold	✓✓	2 more stores sold
Re-commence store builds for RBD ownership and/or sale to franchisees	2-3 stores	✓	Under way
Continued systems enhancements (web ordering) to increase efficiencies and customer experience	40% of sales online	✓	New website launched
Menu review to keep customers but recover costs	EBITDA 10-12%	✓✓	EBITDA 11.0%



Starbucks Coffee – still full of beans

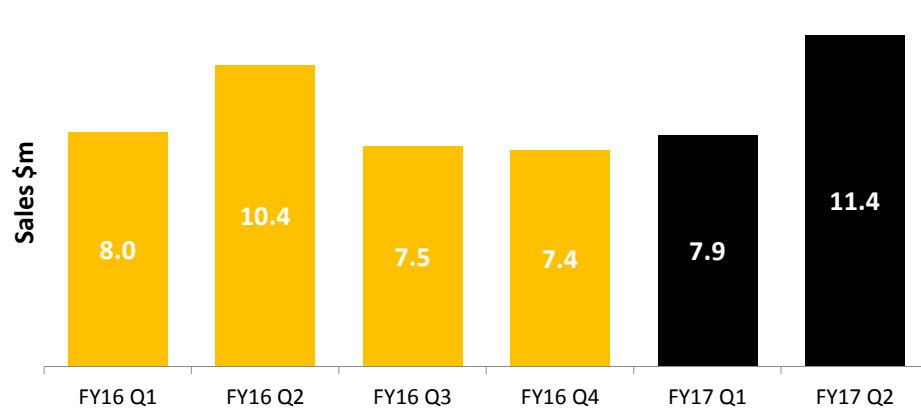


- Fully rationalised network producing consistent same store sales growth
- Sales leverage and continued operating efficiencies, improved earnings

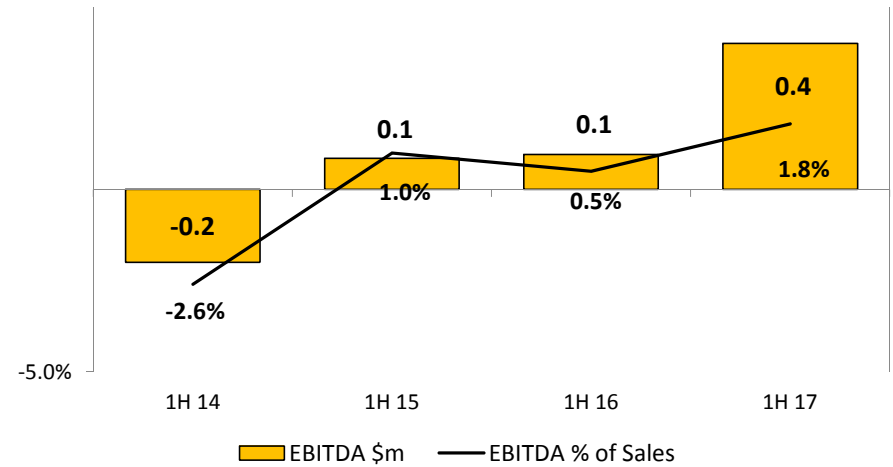


Carl's Jr. – slower, quality expansion

Carl's Jr. - Sales FY15 \$19.3m



Carl's Jr. EBITDA



Carl's Jr. strategies for FY17

Strategy	Target/Outcome	Score	1H2017 Outcome
Recommence store builds with new branding	2-3 stores	-	Slow down pending new branding
Evaluate impact of new branding and begin retrofitting	4-5 stores retrofitted	-	Still evaluating Christchurch trial, positive results to date
Reassess performance of worst underperforming stores with a view to rationalisation	1-2 stores	-	Still under review
Implement in-store retraining and stronger controls to improve prime costs	↓ COS/COL 400bp	✓	Very positive results in labour efficiency and waste controls
Increased and more-targeted marketing (including NPD) to deliver positive SSS	SSS > cpi	✓	SSS still slightly negative, but heading in the right direction

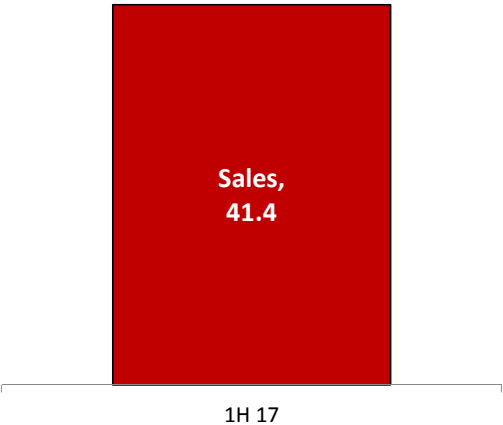


Australia

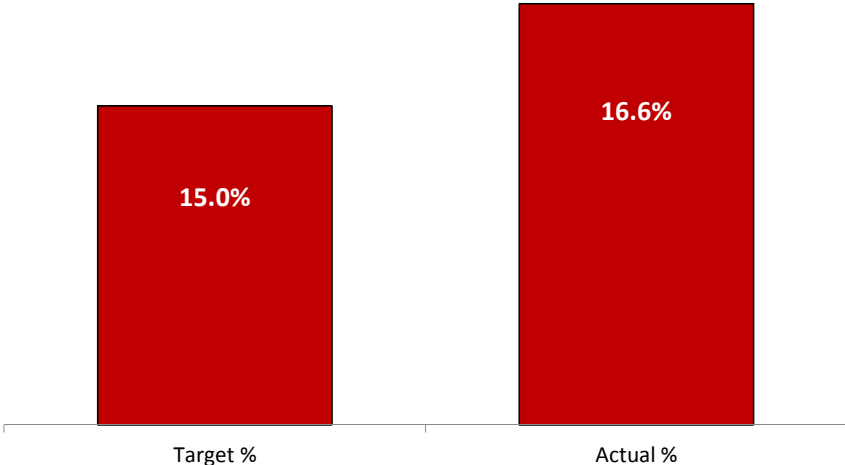
(QSR Pty Limited)

KFC Australia business off to a strong start

Sales on Target
(\$A million)



EBITDA (\$A6.9m) margin up on target



KFC Australia growth opportunities

Strategy

- Build new stores
- Acquire smaller franchisees
- Re-investment/development of stores
- Acquire large block of stores

Progress

- 2x New stores underway
- Discussion with smaller franchisees progressing

1H17 has seen a solid start to the year

- KFC – will continue to underpin domestic earnings
- Complemented by continued improved performance from Carl's Jr.
- KFC Australia will see continued positive SSS growth with similar margin
- Contribution in last two months of the year from Hawaiian acquisition

Net Profit after Tax (excluding non-trading items) is expected to be in range of \$30-32 million