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# Restaurant Brands NZ Limited

## 1H 20 Results Presentation

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16 October 2020

# Presentation Outline

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- Highlights
- Results Overview
- New Zealand Operations
- Australia Operations
- Hawaii Operations
- Growth Opportunities
- Outlook

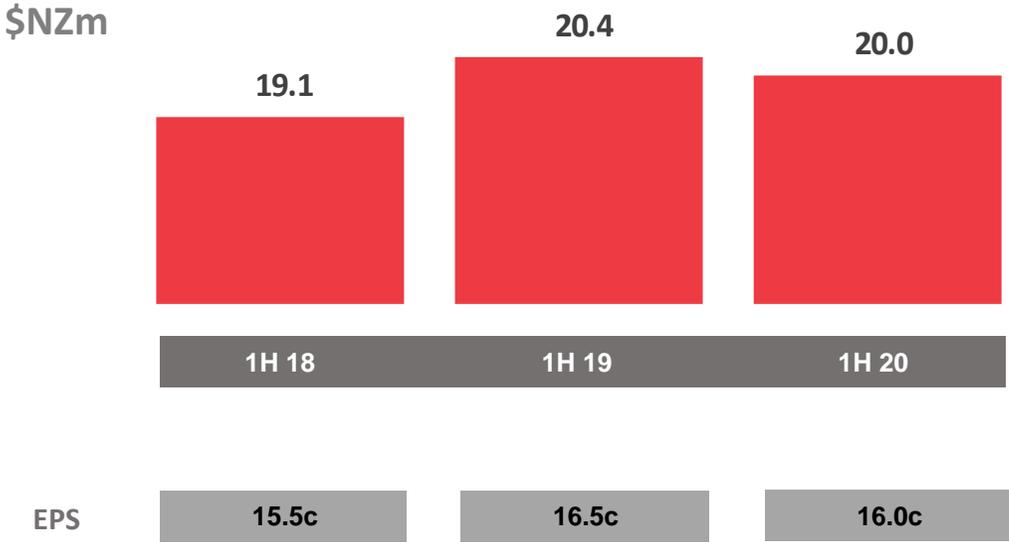
# Highlights

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- Group sales \$442.6 million up \$11.6 million (+2.7%)
- NPAT \$20.0 million down \$0.4 million (-2.0%)
- NPAT (excluding non-trading items and effect of NZ IFRS 16) up \$3.2 million (+14.4%)
- Brand EBITDA (excluding G&A) up \$3.4 million (+5.0%)

# Results overview – NPAT (1)

Reported NPAT down 2.0% on prior year to \$20.0m with significant impact from NZ IFRS 16



# NZ IFRS 16

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Impact of NZ IFRS 16 on reported profit has been substantial

*\$NZm*

Lease costs (previously expensed)  
Depreciation - right of use assets  
Finance cost - right of use assets  
NZ IFRS 16 impact pre-tax  
Income tax  
NPAT impact of NZ IFRS 16

**1H 20**

20.2

(14.0)

(10.1)

(3.9)

1.0

(2.9)

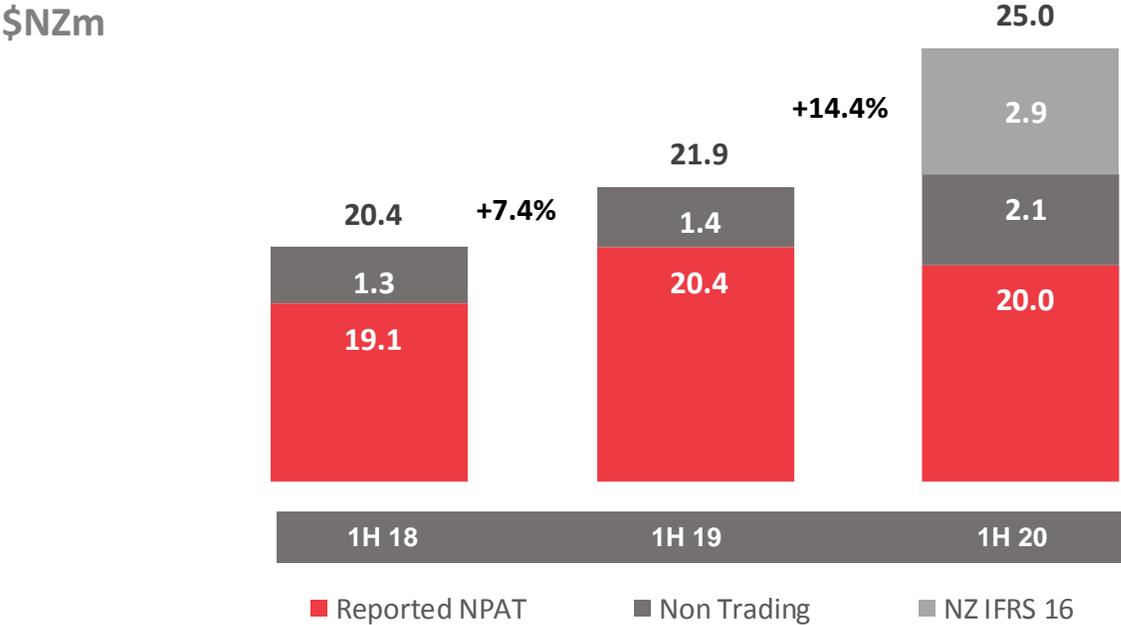
# Non-trading items

Non-trading items similar to prior year overall

<i>\$NZm</i>	1H 19	1H 20
Lease modification	-	(0.2)
Gain on sale Pizza Hut stores	(1.6)	0.1
Leave remediation	2.0	0.3
Store closure costs	0.2	0.4
Relocations	0.4	0.6
Franchise rights amortisation	1.1	1.1
	<b>2.1</b>	<b>2.3</b>
Less tax	(0.7)	(0.2)
	<b>1.4</b>	<b>2.1</b>

# Results overview – NPAT (2)

NPAT on a comparative basis up 14.4% on 1H 19

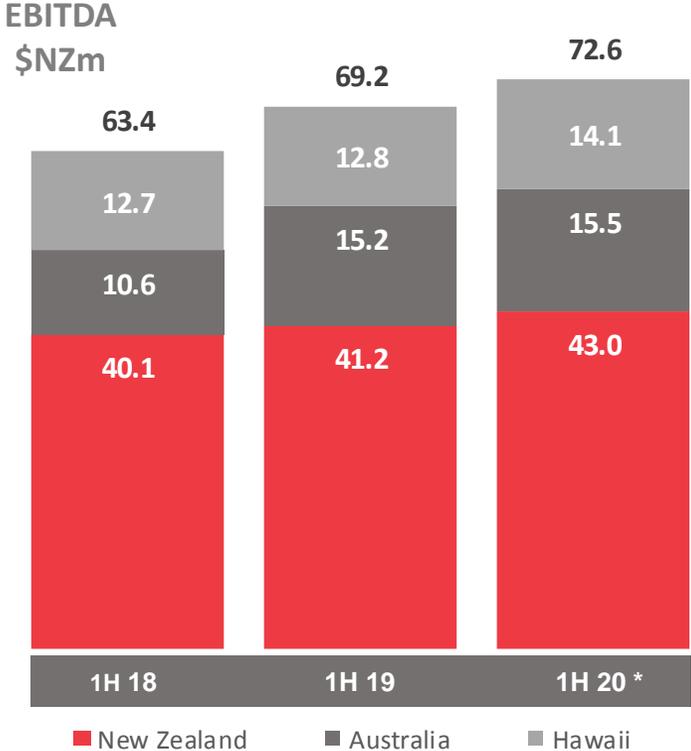
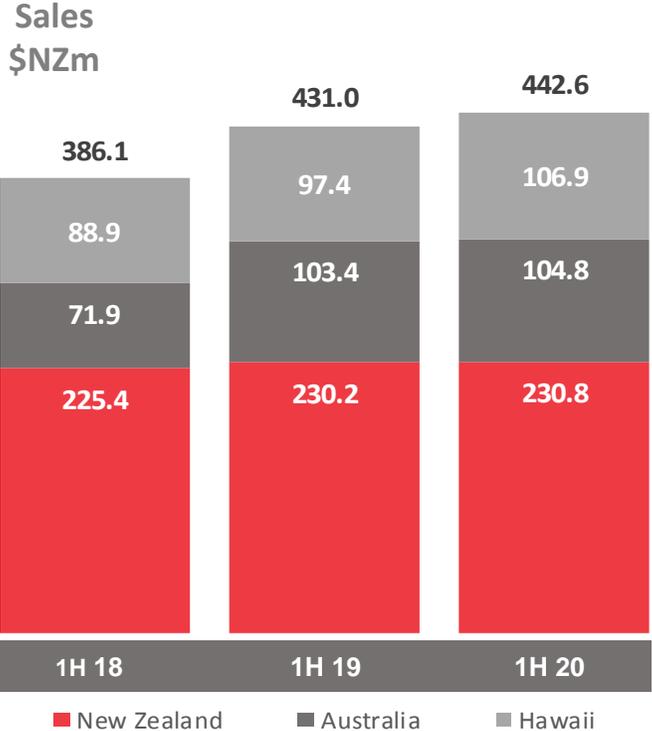


Note: 1H 19 trading included a further \$1.1m NPAT from Starbucks Coffee business

EPS	1H 18	1H 19	1H 20
	16.6c	17.6c	20.0c

# Results overview by division

Sales and margins grew across all three divisions with strong sales growth in Hawaii



\* Excludes impact of NZ IFRS 16

# Cash flows remain strong

Operating cash flow growth utilised in accelerated capex programme

<i>\$NZm</i>	1H 18	1H 19	1H 20
Operating cash flow	37.6	47.3	53.6 **
Investing cash flow (adjusted)	(10.1) *	(13.9)	(27.7)
Free cash flow	27.5	33.4	25.9

\*Adjusted for PIR purchase

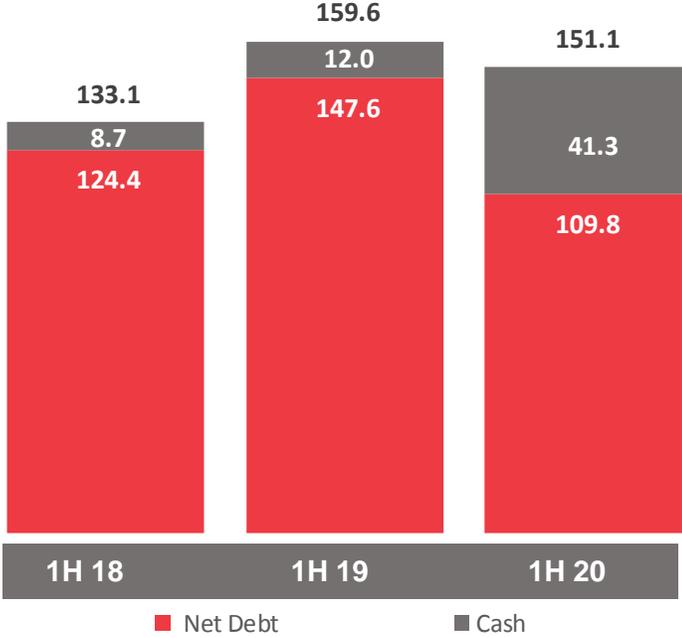
\*\*Adjusted as follows:

Reported under NZ IFRS 16	63.7
Less lease expense	(20.2)
Add back lease interest	10.1
	53.6

# Net borrowings

Continued growth in free cash flow, together with dividend hold reduces net borrowings

*Net debt \$NZm*



*Ratios*

Net Debt: EBITDA  
Gearing (D:D+E)

Ratio	1H 18	1H 19	1H 20
Net Debt: EBITDA	1.4:1	1.5:1	1.1:1
Gearing (D:D+E)	39.2%	40.5%	35.0%

# New Zealand operations

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- Standout sales and margin performance by KFC
- Pizza Hut weak sales and margins reduced
- Carl's Jr. significant sales improvement with delivery service introduced
- Taco Bell infrastructure established, staff trained. First store opening in November 2019 (Lynn mall)
- Three KFC stores opened in 1H 20, bringing RBD KFC stores to 99
- Pizza Hut store sales to independent franchisees continues (mix of new builds and existing stores)



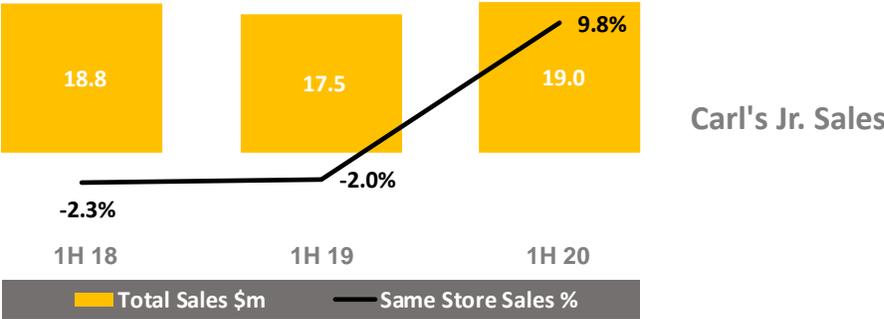
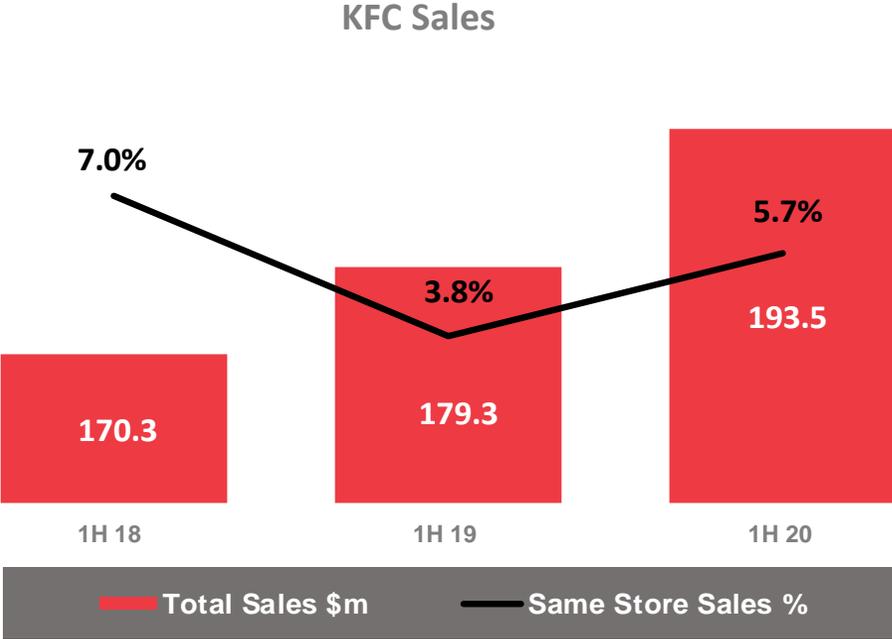
# Newmarket KFC

Newly opened KFC featuring the new food-court design



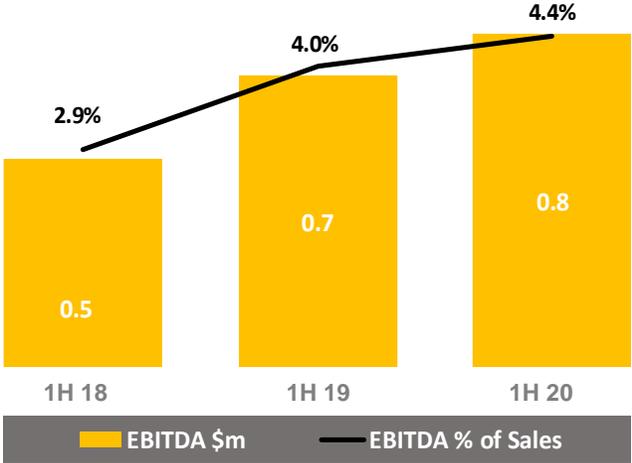
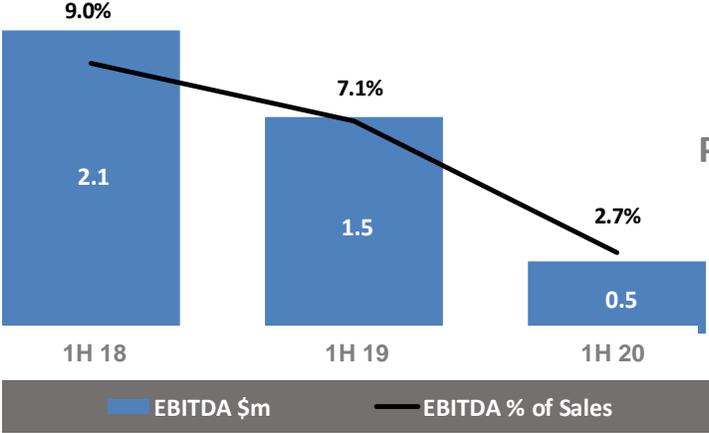
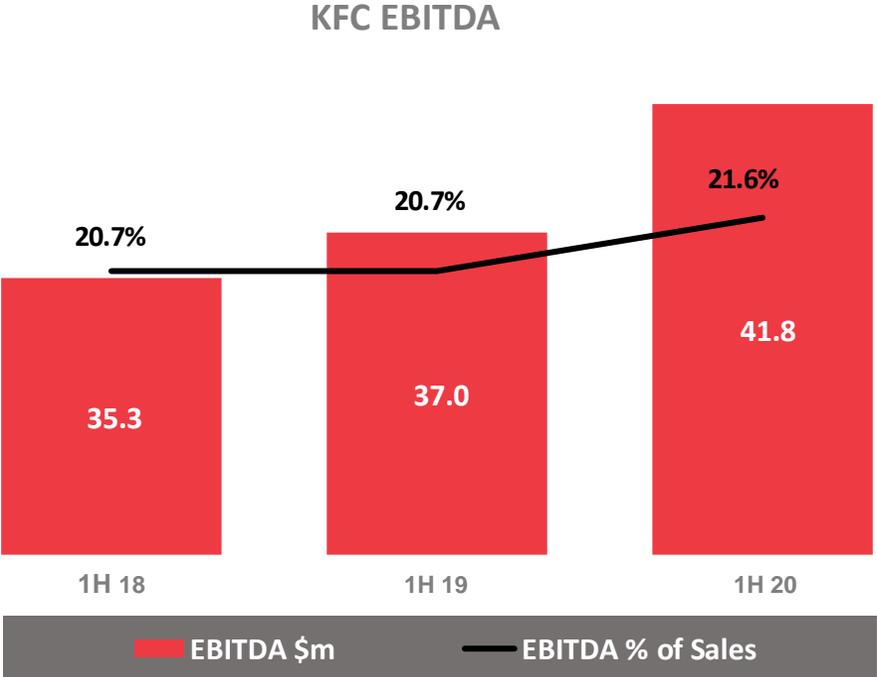
# New Zealand division sales

Another record performance by KFC and good recovery by Carl's Jr. offset by softer Pizza Hut result



# New Zealand division EBITDA

Sales leverage and good cost control assisted earnings with KFC reaching a new record



# Australia operations

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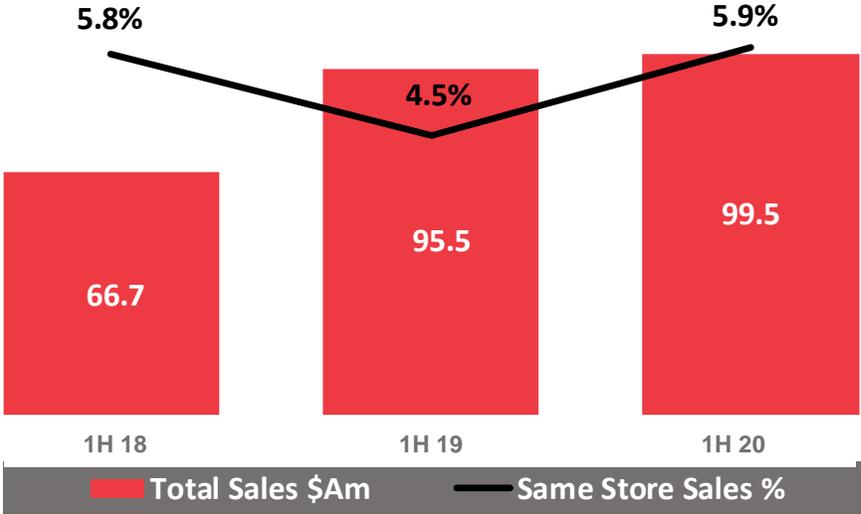
- Solid same store sales growth and profit performance in KFC
- No new KFC store openings in 1H, however two planned for 2H
- Taco Bell infrastructure established, staff trained. Two new stores opening pre-Christmas in Jesmond and Blacktown



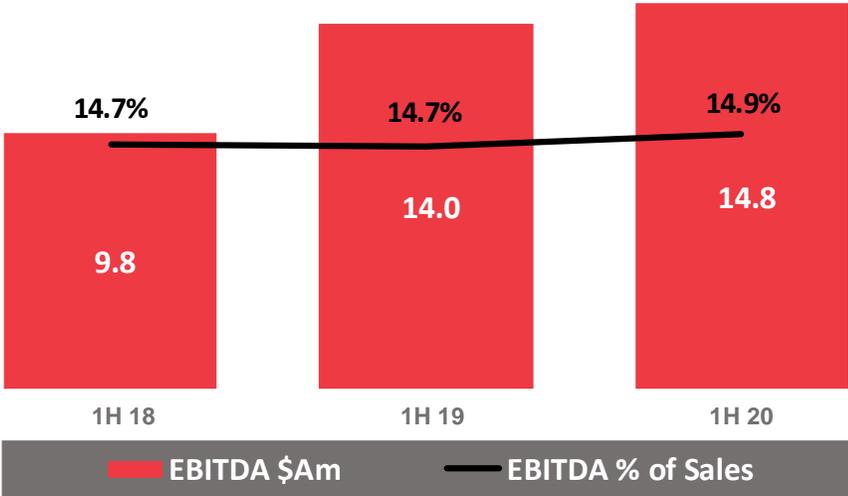
# Australia division

A sound result from KFC as business continues to consolidate on recent acquisitions

### KFC Australia Sales



### KFC Australia EBITDA



# Hawaii operations

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- Very strong sales performance by Taco Bell on good promotions and innovative product releases
- Pizza Hut showing improved performance with local promotional activity (Big New Yorker)
- Both brands are seeing some margin pressure (wage rates and imported ingredients)
- Moanalua Taco Bell reopened after transformation with +29% sales growth since reopening.
- Two more Taco Bell transformations scheduled by year end



# Moanalua Taco Bell

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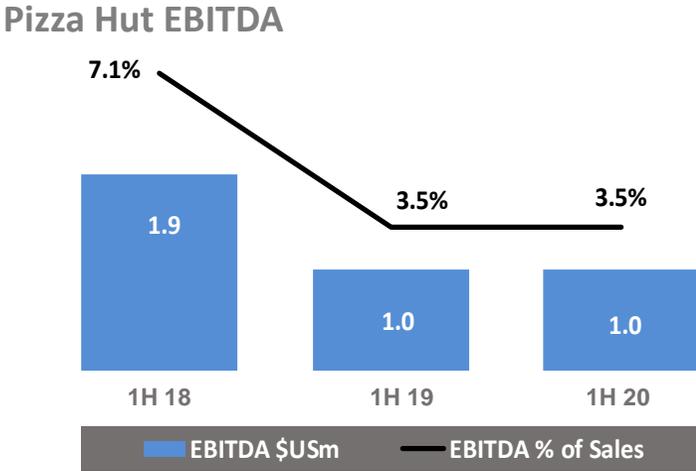
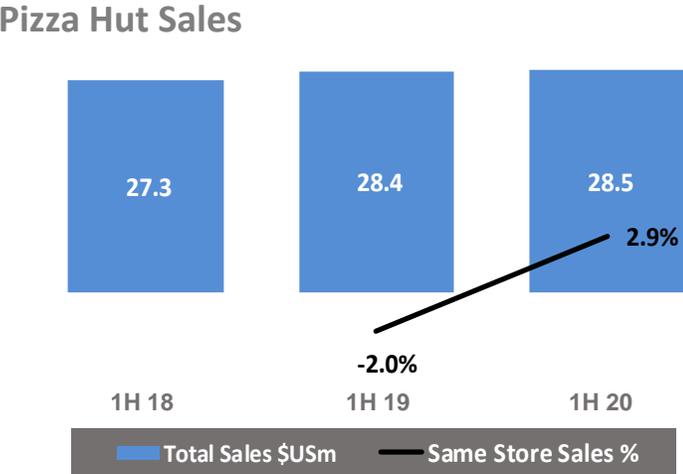
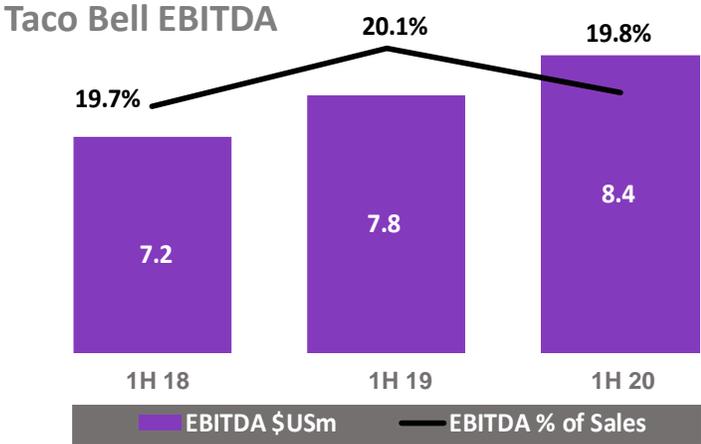
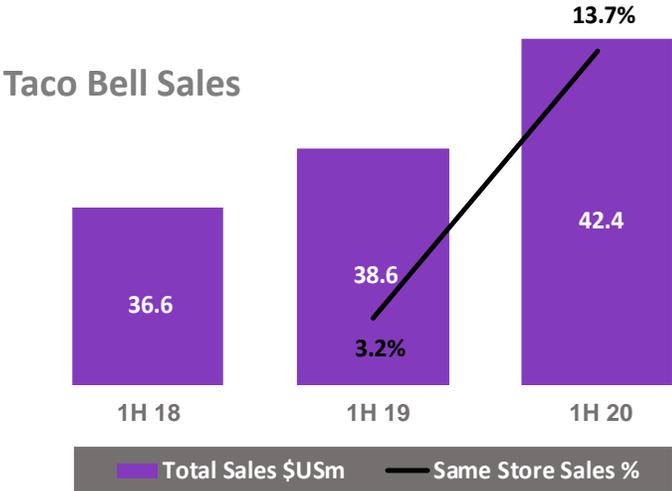
Latest Taco Bell transformation



# Hawaii division

Double-digit same store sales growth for Taco Bell with some very strong promotions.

Pizza Hut sales and margins stabilised with local promotions and resolution of systems issues



# Growth opportunities progress to date (FY20)

	New Zealand	Australia	Hawaii	US
 <b>KFC</b> FINGER LICKIN' GOOD	<b>PLAN</b> <ul style="list-style-type: none"> <li>Network and channel expansion (4-5 new stores)</li> </ul> <b>1H</b> <ul style="list-style-type: none"> <li>Delivery rolled out to a total of 32 stores in network</li> <li>3 new stores opened with 2 new stores in 2H</li> </ul>	<ul style="list-style-type: none"> <li>Network and channel expansion (2 new stores)</li> <li>Small franchisee acquisitions</li> <li>Large acquisition</li> </ul> <ul style="list-style-type: none"> <li>Delivery rolled out to 30 stores in network</li> <li>No new stores 1H with 2 new stores in 2H</li> <li>Discussions continuing with small franchisees</li> </ul>	<ul style="list-style-type: none"> <li>Potential acquisition</li> <li>New store builds</li> </ul> <ul style="list-style-type: none"> <li>No further progress on acquisition (now 15 stores)</li> <li>Sites identified for new builds</li> </ul>	<ul style="list-style-type: none"> <li>Potential acquisition (beachhead) Actively looking (West Coast, US)</li> </ul> <ul style="list-style-type: none"> <li>Focus sharpening on potential targets</li> </ul>
 <b>Pizza Hut</b>	<b>PLAN</b> <ul style="list-style-type: none"> <li>Store builds (network)</li> <li>8 builds for re-sale</li> </ul> <b>1H</b> <ul style="list-style-type: none"> <li>3 built and 2 on-sold</li> </ul>		<ul style="list-style-type: none"> <li>Relocations</li> <li>New store builds (1-2 new delcos)</li> </ul>	
 <b>TACO BELL</b>	<b>PLAN</b> <ul style="list-style-type: none"> <li>Market secured</li> <li>2 new stores</li> </ul> <b>1H</b> <ul style="list-style-type: none"> <li>Development agreement signed</li> <li>2 stores to open in 2H</li> </ul>	<ul style="list-style-type: none"> <li>NSW / ACT market secured</li> <li>2 new stores</li> </ul> <ul style="list-style-type: none"> <li>Development agreement signed</li> <li>2 stores to open in 2H</li> </ul>	<ul style="list-style-type: none"> <li>New store builds</li> <li>Transformations (2-3 transformations)</li> </ul> <ul style="list-style-type: none"> <li>No new store builds</li> <li>One transformation complete (1H) – Moanalua</li> <li>2 scheduled for 2H</li> </ul>	<ul style="list-style-type: none"> <li>Potential acquisition (beachhead)</li> </ul> <ul style="list-style-type: none"> <li>No further progress to date</li> </ul>

# Outlook

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- The Group expects to deliver a NPAT (excluding effect of NZ IFRS 16) for FY20 of at least 10% in excess of FY19

# Questions

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