

Annual Shareholders Meeting 2020

Chief Executive's Address

Thankyou Jose. And good afternoon everyone.

As Jose has said we have produced a solid trading outcome for the December 2019 period. I shall provide a little more detail on the results by division.

I again emphasise that these results were only for a 10 month period because of the change of balance date to December.

New Zealand Operations

Total sales in New Zealand were \$367 million, a decrease of \$52 million on last year. However, this included a \$16 million reduction in sales due to the disposal of the Starbucks Coffee business during the prior year. When normalised for 12 months, New Zealand sales were up +3.5% to \$434 million and same-store sales were strongly up +5.0%.

The sales growth was driven by sound marketing programmes, further roll out of KFC delivery to more than 40 stores, six new KFC store openings and some very strong product releases.

The New Zealand business delivered EBITDA of \$68 million, an \$8 million reduction on FY Feb 2019, however on an annualised basis the result is 5% up on the prior year. Once again this was largely driven by the continued strong performance of the KFC brand.

Transformation of the Pizza Hut network in New Zealand to a master franchise model continued on plan with the sale of two stores to franchisees during FY Dec 19 bringing company owned store numbers down to 29 of the 102 in the network. The company plans to reduce the number of company stores to 20 by the end of the current financial year.

Carl's Jr. sales were up strongly on an annualised basis with the introduction of a delivery service in February 2019, sales growth helping drive profitability into the brand. Store numbers remained stable at 18.

In November the first Taco Bell was opened in New Lynn Mall, Auckland. The store delivered over \$0.7 million in sales in its first two months trading, significantly up on expectations. The next store in Shortland Street, Auckland is expected to open in the next few weeks.

Australian Operations

In \$NZ terms, the Australian business (operating the KFC and Taco Bell brands) contributed total sales of \$NZ169 million and store EBITDA (before NZ IFRS 16) of \$NZ25 million. On an annualised basis both sales and store EBITDA are well up on the prior year.

In \$A terms, total sales for the KFC business in Australia were \$A160 million, down \$A19 million (or 10.5%) on last year due to the reduced reporting period. Same store sales remain strong, up +5.1% on last year. On a full year equivalent basis sales were up +5.7% or \$A10 million.

Store EBITDA of \$A25 million was down \$A2 million or -9.3% on last year due to the reduced reporting period. Full year equivalent EBITDA however was \$A29 million, up over 7%. Store EBITDA as a percentage of sales is 15.4%, up from 15.2%, with good operating controls.

The company-owned KFC store network in Australia totalled 63 stores as at balance date. One store was opened in the last quarter of the year along with one store acquired in December 2019. The business has continued to invest in the store upgrade programme with 14 stores completed in the last financial year.

In December 2019 the first two Taco Bell stores were opened in Jesmond and Blacktown in New South Wales with initial sales exceeding expectations to a total of \$A0.6 million. As with the New Zealand Taco Bell business initial set up costs have resulted in a small EBITDA loss of \$A0.7 million. A further three stores are forecast to open in the current year.

Hawaiian Operations

In \$NZ terms, the Hawaiian operations contributed \$NZ169 million in revenues and \$NZ23 million in brand EBITDA (pre-NZ IFRS 16).

Total sales in Hawaii were \$US111 million, with store level EBITDA of \$US15 million. Once again Taco Bell delivered a very strong result with sales and margins well ahead of expectations. Whilst Pizza Hut continues to be challenged, facing increased margin pressures, the results this period were much improved. Same store sales in Hawaii were up 9.1% overall.

Taco Bell continues to perform very well with total sales of \$US67 million and store-level EBITDA of \$US13 million (20.2% of sales). Full year equivalent sales and EBITDA are \$US79 million (+8.7%) and \$US16 million (+11.2%) respectively. A full promotional programme including both new product releases and the re-introduction of previously successful products, together with initial returns from refurbished stores all helped to drive the strong sales growth which resulted in same store sales of +13.7%.

Total sales for Pizza Hut were \$US44 million, up 3.0% on a same store basis. Store-level EBITDA was \$US2 million, down only \$US0.3 million despite the shorter reporting period. Margin pressure from participating in US-wide value-led marketing promotions together with persistently higher commodity and direct labour expenses resulted in EBITDA as a percentage of sales remaining similar to prior period at 3.4%.

There has been a review and realignment of the Pizza Hut store network resulting in six stores closing during the period. This is in line with our refurbishment strategy that will see a move away from the larger restaurants into smaller, more cost-effective delivery and carry out (delco) units.

A new franchise agreement has been agreed in principle with Yum!, providing certainty for the brand going forward.

Corporate & Other

General and administration (G&A) costs were \$33 million, lower than last year due to the reduced reporting period, but up on a normalised annual basis. G&A as a % of total revenue was 4.5% which is consistent with FY Feb 2019.

Financing costs of \$21 million were up \$15 million on prior year once again reflecting the impact of NZ IFRS 16 with lease interest of \$16 million. Interest on bank debt for the period ended 31 December 2019 was \$5 million, down \$2 million on last year because of the shorter reporting period.

As you have seen, we had a sound year last year and were set up for an even stronger year for 2020.

However, as you are now all aware, the COVID-19 virus has severely impacted our business over the past three months.

New Zealand Operations

Our New Zealand operations took the largest hit, with a full closure of all 148 of our stores in New Zealand across all four brands for five weeks, plus partial closures (only drive through and delivery operating) for a further two weeks. Our dining rooms are still not fully operational.

These closures have cost us dearly in terms of total sales, with New Zealand sales down nearly \$45 million since 25 March.

Fortunately the nature of our business and the strength of our brands means that our sales do bounce back strongly, even with being forced to operate more limited channels (drive through and delivery only) and, in the case of KFC, with limited menu offerings. However, the nature of our products means we never actually recover the lost sales because the consumption opportunity is not deferred but lost entirely. We therefore expect sales to return to normal levels in the second half of the year.

The margin impact of the lost sales is also substantial. Despite best efforts in cost reduction (primarily rent and services), the complete loss of top line revenue had inevitable results as far as our brand EBITDA was concerned.

I'm pleased to say that to date we have retained all our staff and have paid them their full wages (based on their previous four weeks' earnings) over the lock down period. Whilst assisted by the government wage subsidy, the net impact of doing so cost us in excess of \$0.5 million a week in the New Zealand market.

We estimate that the impact of the virus has cost New Zealand operations in excess of \$15 million in lost EBITDA (at the brand level) to date.

As I said earlier, we are fortunate in operating world-class brands and for those that witnessed (or were part of) the kilometre long drive-through queues on the re-opening of our KFC stores, the passion of our customers for our products gives us considerable comfort that we will be returning to "normal" levels of business in a relatively short time (and indeed we have already seen signs of this with the return to Level 2).

Australian Operations

The situation with our Australian operations was much less dramatic with most of our stores able to remain open throughout much of the closedown period of the crisis. Whilst dine-in and take-out channels were closed, drive-through and delivery continued to operate. However of our 64 KFC stores, we were forced to close 15 mall and in-line stores because they did not have drive-through capability.

This meant that we effectively lost in excess of \$A6 million in sales over the close-down period. We did however manage to reduce overheads over that time in rent and other costs. Because our Australian businesses continued to remain open, we were not eligible for any government wage subsidy over the crisis period. EBITDA losses resulting from the crisis were in the vicinity of \$A3 million.

Hawaiian Operations

On the other hand, our Hawaiian business has performed relatively well over the course of the crisis. Despite initial concerns with the closure of entire Hawaiian tourist market, our Taco Bell and Pizza Hut operations continued to operate with delivery and drive-through and produced solid sales results, particularly with the Pizza Hut business, Taco Bell being slightly negative.

With both sales and margins holding up over the crisis period, for Hawaii it has been a case of "business as usual".

The variety of outcomes between our three geographies over the COVID-19 crisis confirms the wisdom of our strategy of diversifying our earnings into different markets.

As you will appreciate, the COVID-19 crisis has placed a good deal of stress on our staff at all levels and in all locations where our company operates.

However, almost universally they have responded to the challenge and continued to work hard to serve our customers under often trying circumstances.

I am sincerely grateful, both to my senior management and to the team of 9,000 staff throughout our store network in New Zealand, Australia and Hawaii for the focus and enthusiasm they have brought to the task.

I'd also like to thank the Chairman and other board members who have continued to actively support management in building this company. Their unequivocal support for our growth strategies provides a firm platform for building the business.

The FY20 year started well with the first quarter to 31 March producing a sales uplift of \$10 million or 5.3% on the equivalent period last year. Total sales were \$200 million and each of the operating divisions (New Zealand, Australia and United States) maintained same store sales growth with sales increases of +1.7%, +2.0% and +7.9% respectively.

Unfortunately the impact of the COVID-19 crisis has meant a considerable downgrade of our profit performance for the current year.

Whilst we are planning for a steady improvement and are certainly experiencing strong signs of a resurgence in our sales volumes, the sales and profit shortfall of the last few months (particularly in the New Zealand business) is not going to be fully recovered over the rest of this year.

As there is still uncertainty as to the residual operational, health and economic implications of the crisis we are not at this stage in a position to provide further guidance on the FY20 profit result.

My team and I are excited for the challenges and opportunities ahead. We have a clear strategy and a full work plan and look forward to moving on from the COVID-19 crisis and delivering further solid growth over the balance of the year.

Thank you. I'll now hand you back to Jose

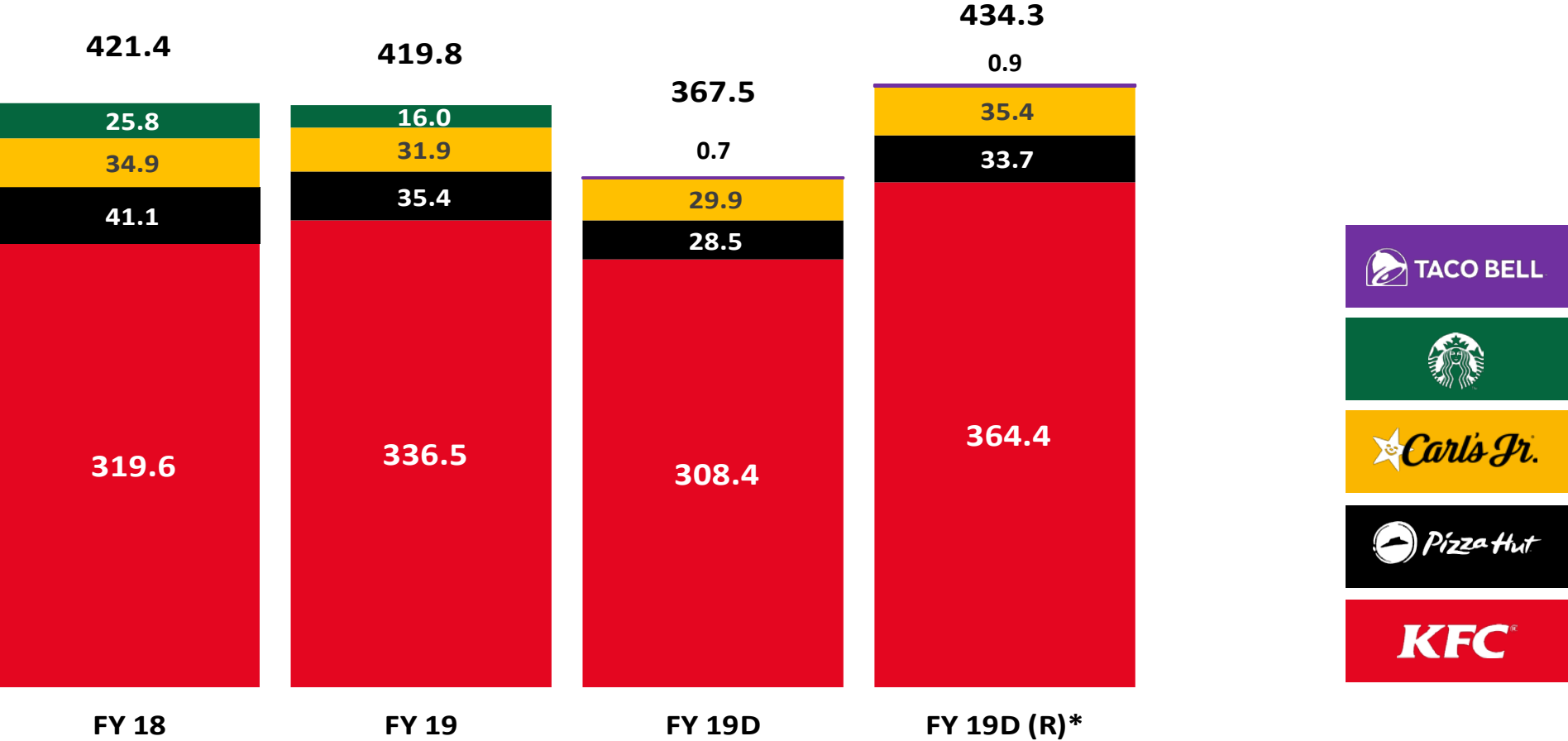
Group CEO's Address

Russel Creedy



NZ total sales up on prior year with solid KFC performance

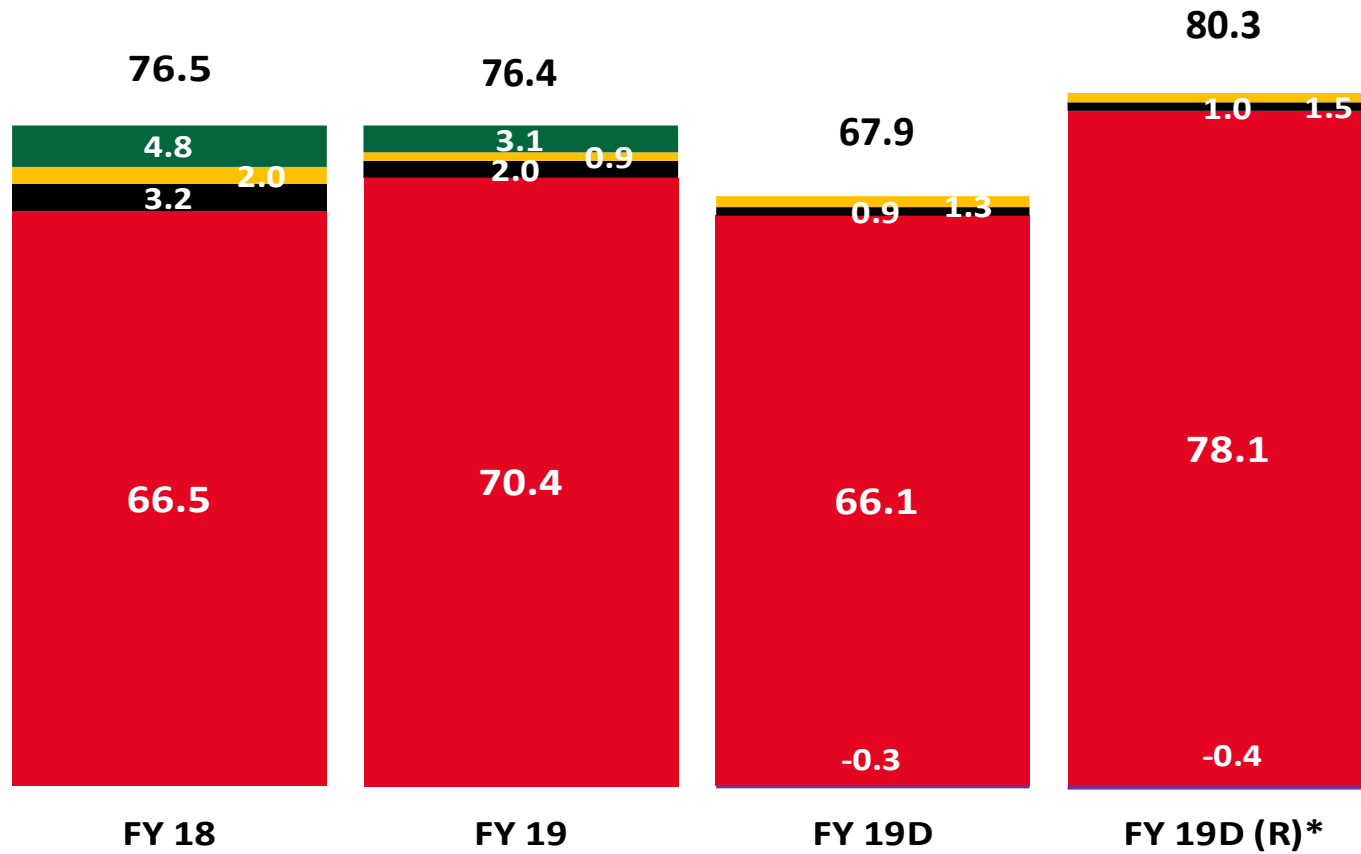
\$NZm



* Grossed up 44 to 52 weeks

NZ EBITDA continues to climb, driven by KFC

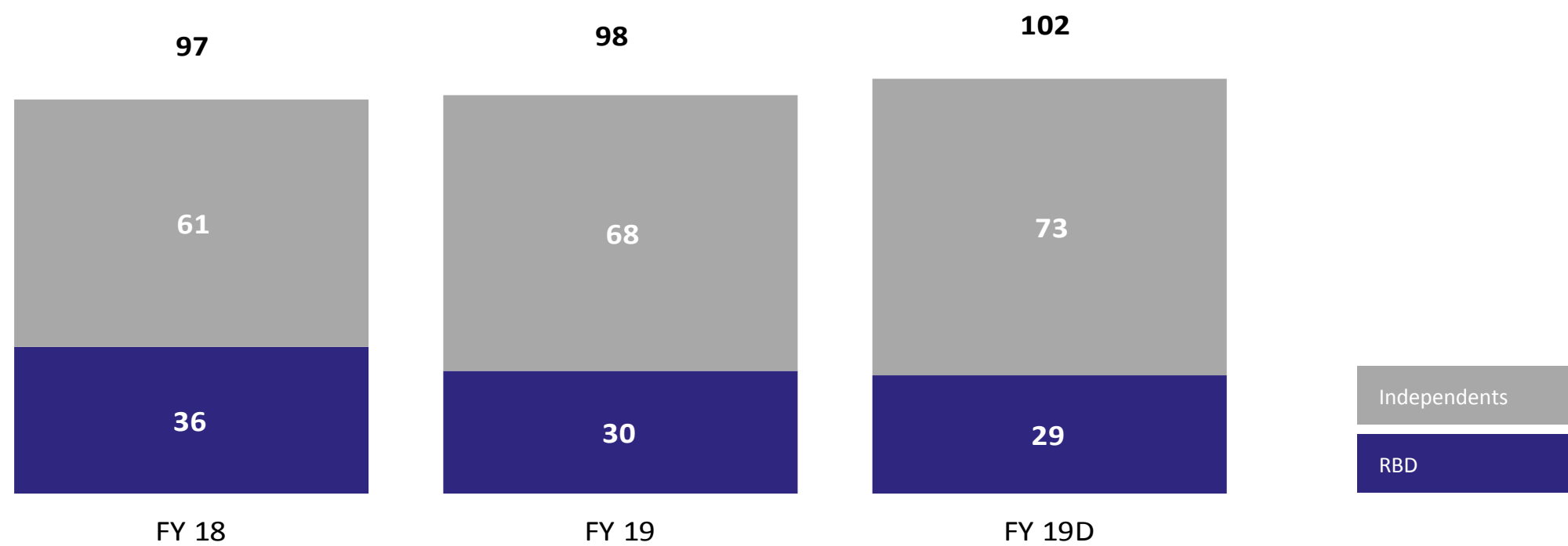
\$NZm



* Grossed up 44 to 52 weeks

Sales of Pizza Hut stores to independent franchisees continues

No. of Stores

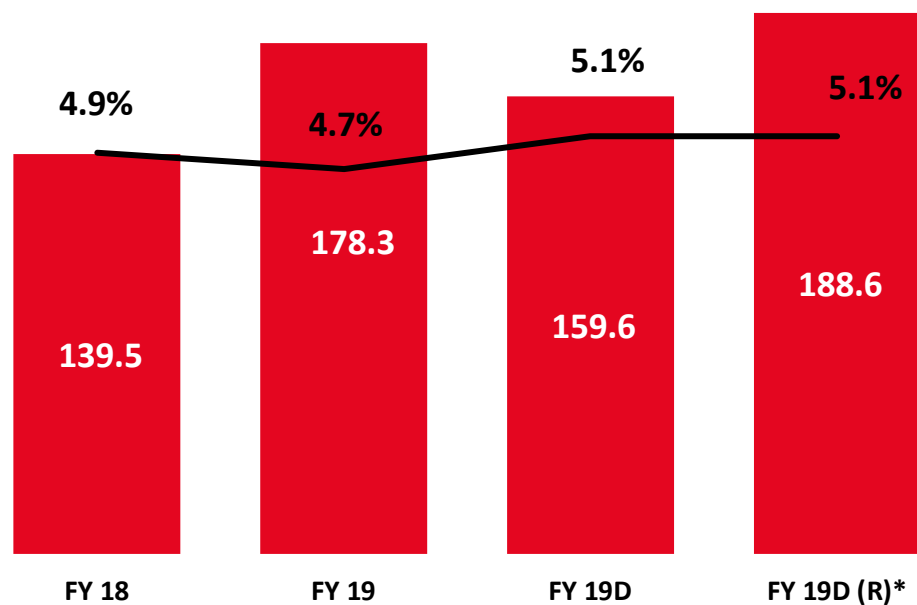


First Taco Bell store opened to strong sales in Lynn Mall, Auckland

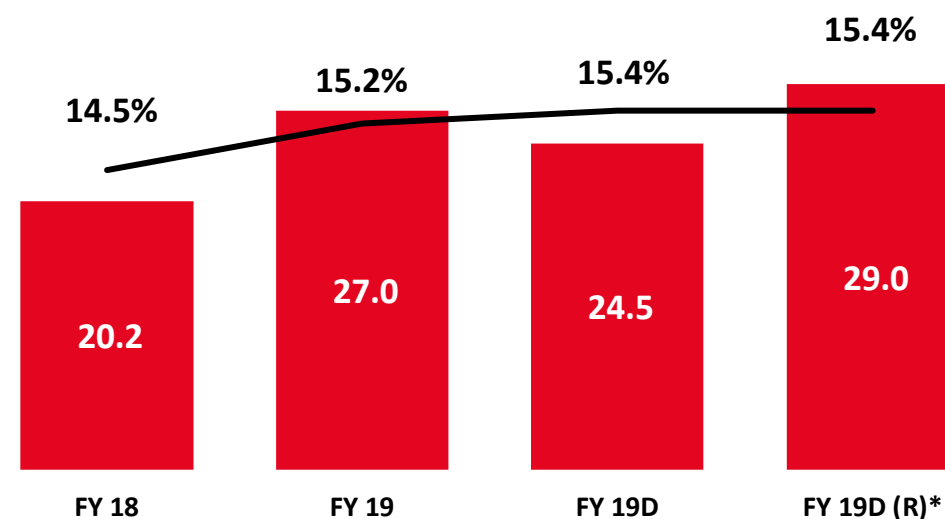


Australia KFC business performed strongly, assisted by roll-out of delivery from 32 stores

Total sales \$Am



EBITDA \$Am



■ Total Sales \$Am — Same Store Sales %

■ EBITDA \$Am — EBITDA % of Sales

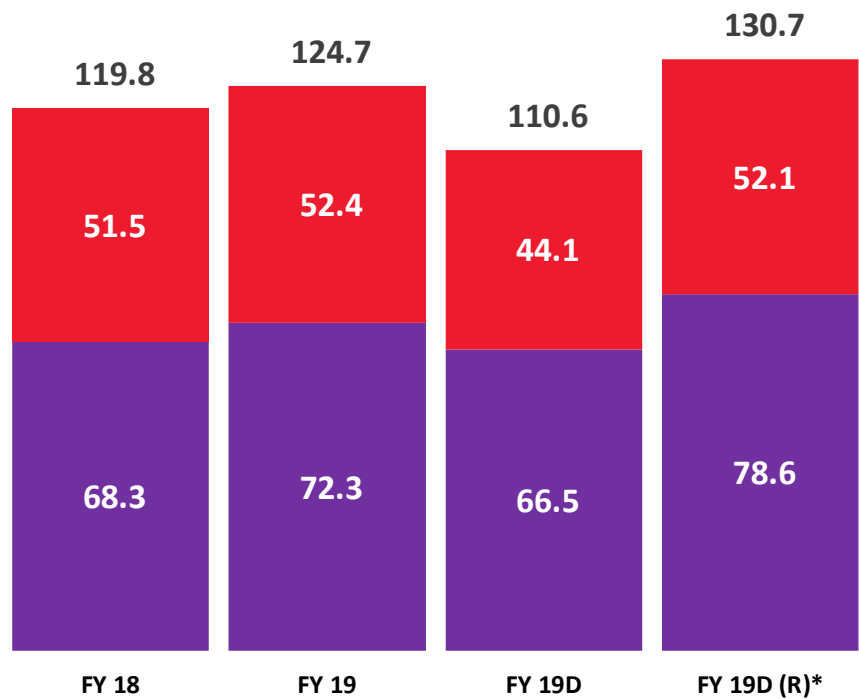
* Grossed up 44 to 52 weeks

First two Taco Bell stores opened in Australia to strong sales

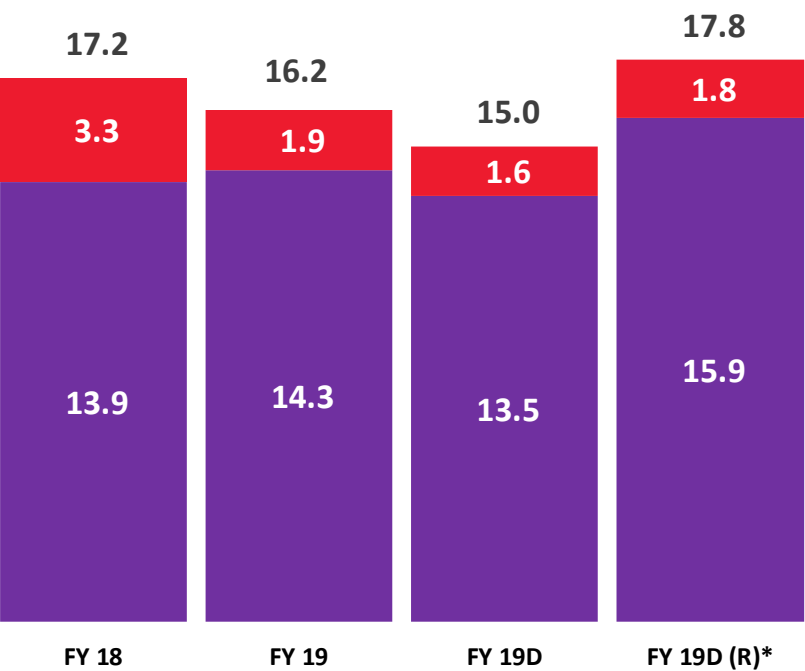


In Hawaii, the store refurbishment programme and successful promotions for Taco Bell drove very strong sales growth, whilst Pizza Hut stabilised

Total sales \$USm



EBITDA \$USm



* Grossed up 44 to 52 weeks

COVID-19

Update

Staff responded to the COVID-19 challenge

