

**Directors' Report to Shareholders
For the six months ended 30 June 2020
(1H Dec 2020)**

Key Points

	1H Dec 2020*	1H Dec 2019*	Change (\$)	Change (%)
Total Group sales (\$NZm)	383.4	442.6	-59.2	-13.4
Group NPAT (reported) (\$NZm)	11.4	20.0	-8.6	-42.9

* 6 months ended 30 June (26 weeks) vs 28 weeks ended 9 September 2019

- Total Group sales for the 1H December 2020 year were \$383.4 million, down \$59.2 million on the previous half year. This is the result of the impact of COVID-19 as well as the current reporting period being two weeks less than last year's reported 28 week result.
- Net Profit after Tax for the six months (26 weeks) ended 30 June 2020 was \$11.4 million (9.2 cents per share), down \$8.6 million on the 1H Dec 2019 (28 weeks ended 9 September 2019). Net profit after Tax was adversely effected by COVID-19 as reflected in the Group sales.
- Combined brand EBITDA before G&A was down \$10.6 million to \$62.1 million, primarily due to the effect of the COVID-19 store closures in New Zealand. The USA business however delivered an earnings increase of \$2.2 million, with a strong Pizza Hut performance despite the challenges of COVID-19.

Overview

During the year ended 31 December 2019 Restaurant Brands NZ Limited ("RBD") changed its balance date from February to December. This half year report therefore is for a six month (26 week) period compared to 28 weeks as a comparison for the previous half financial year. This, together with the adverse effect of COVID-19 on the financial results makes direct comparisons between the reported results difficult.

Scaling back the previous year's results to enable a 26 week comparison produces a comparative sales number of approximately \$411.0 million, which is \$27.6 million higher than the current year. Similarly proportionately adjusting 1H Dec 2019 NPAT to approximately \$18.6 million, results in the 1H Dec 2020 result being \$7.2 million lower.

COVID-19 has had a significant impact on the company's results. Whilst difficult to quantify exactly, the New Zealand business five week full store closure saw lost sales in excess of \$40 million. In addition there was a period of time where stores were only able to partially open with drive-through and delivery, further adversely impacting sales. All New Zealand stores are now fully operational. Most stores in Australia and the USA remained open although they have been operating, and in most cases continue to operate, without dine in facilities being available. This creates further difficulties in quantifying the underlying effect of COVID-19.

Group Operating Results

Despite the challenges faced by Restaurant Brands during the period, Directors are pleased to report that for the six months ended 30 June 2020, the company produced a Net Profit after Tax (NPAT) of \$11.4 million. Although down \$8.6 million on last year's reported profit the results have recovered strongly towards the end of the second quarter as the NZ market in particular has largely returned to pre-COVID sales levels.

The underlying NPAT (excluding other items and the effect of NZ IFRS 16) is \$16.1 million, a decrease of \$8.9 million on the 1H Dec 2019 result (\$7.1 million on a like-for-like 26 week period). The profit reduction is a direct result of the impact of COVID-19.

Total store sales were \$383.4 million, down \$59.2 million or -13.4% on 1H Dec 2019. After adjusting for the 26/28 week comparison, store sales are down approximately \$27.5 million (-6.7%). This is purely attributable to COVID-19. Sales have however recovered towards the end of the half.

Combined brand EBITDA at \$62.1 million was \$10.6 million down (-14.5%) on 1H Dec 2019, partially due to the reduction to 26 weeks in the current reporting period but primarily because of the effect of COVID-19. The effect of COVID-19 in New Zealand and Australia was partly off-set by an increased performance in the USA (Hawaii) business which delivered an additional \$2.2 million in EBITDA.

Restaurant Brands' store numbers now total 290, up three on 1H Dec 2019 primarily because of the opening of the new Taco Bell stores in Australia and New Zealand. Store numbers comprise 150 in New Zealand, 75 in Hawaii and 65 stores in Australia.

New Zealand Operations

New Zealand store sales were \$174.6 million, down \$56.2 million or -24.3% on 1H Dec 2019. This is a direct reflection of five weeks full store lockdown due to COVID-19 with the balance a result of the additional two weeks trading in 1H Dec 2019. The five week lockdown alone is estimated to have cost over \$40 million in lost sales.

Store EBITDA was \$34.0 million, a \$9.1 million or -21.0% drop on 1H Dec 2019. This again reflects the shorter reporting period and the five week store closure.

New Zealand operations produced an EBIT (before other items and lease adjustments) of \$17.7 million, down 31.9% on the prior year.

New Zealand

	Actual 26 weeks 30 June 2020	Actual 28 weeks 9 September 2019	Proportioned 26 weeks 9 September 2019	Change (\$)	Change (%)
Store sales (\$m)	174.6	230.8	214.3	-56.2	-24.3
EBITDA (\$m)	34.0	43.0	40.0	-9.1	-21.0
EBITDA as a % of Sales	19.5	18.6	18.6		
Store Numbers	150	145			

The proportioned 26 weeks in the table above is an arithmetical calculation factoring down the 28 weeks 1H Dec 2019 (26 February 2019 to 9 September 2019) to a 26 week equivalent. This is for illustrative purposes only.

The New Zealand business continues to trade on expectation, having bounced back post the COVID-19 lockdown, with same store sales for the half of +2.7%. This has been led by another good performance by KFC combined with Carl's Jr. whose sales continue to grow through both delivery and store channels. Product offerings such as the *Double Down* promotion have also helped to drive this result, with a continued strong new product development pipeline expected to maintain positive same stores sales in H2. Taco Bell remains only a small portion of the New Zealand business sales with the two stores opened to date but both continue to track above expectations.

EBITDA was down \$9.1 million reflecting the lower sales; however the underlying EBITDA as a percentage of sales has increased to 19.5% up from 18.6% in the 1H Dec 2019.

The New Zealand business received a Government wage subsidy of \$22.1 million which was recognised as an off-set to labour cost over the closedown period. Restaurant Brands is proud to have made the decision to retain all staff at 100% of their wages and salaries throughout the

lockdown period. Although the wage subsidy help off-set the cost to the business of doing so, there was a shortfall of approximately \$0.5 million per week.

The Pizza Hut sub-franchising process continues. Although no existing stores were sold to franchisees during the period, five stores have been sold to franchisees since 30 June 2020. One turnkey store was developed and sold to a franchisee during 1H Dec 2020.

Overall store numbers increased by two during the period with one new KFC store being opened in the Christchurch CBD and a second Taco Bell store in Shortland Street, Auckland. Both are trading well. An additional two Taco Bell stores and two further KFC stores are expected to open before the end of the year.

Australia Operations

In \$NZ terms the Australian business contributed total sales of \$NZ99.1 million (-5.4%), a store EBITDA of \$NZ11.8 million (-23.9%) and EBIT (excluding the effect of other items and NZ IFRS 16) of \$NZ3.2 million (-52.6%).

In \$A terms total sales in Australia were \$A94.4million, down \$A5.1 million (or -5.1%) on last year, although on a proportional 26 week basis sales are up \$A2.0m, primarily due to the effect of additional store openings with same store sales up +0.3% for the half.

Australia

	Actual 26 weeks 30 June 2020	Actual 28 weeks 9 September 2019	Proportioned 26 weeks 9 September 2019	Change (\$)	Change (%)
Sales (\$Am)	94.4	99.5	92.4	-5.1	-5.1
Store EBITDA (\$Am)	11.3	14.8	13.7	-3.5	-23.6
EBITDA as a % of Sales	11.9	14.9	14.9		
Store Numbers	65	61			

The proportioned 26 weeks in the table above is an arithmetical calculation factoring down the 28 weeks 1H Dec 2019 (26 February 2019 to 9 September 2019) to a 26 week equivalent. This is for illustrative purposes only.

There was significant disruption to stores due to COVID-19 with the temporary closure of all mall stores and the closure of all dine-in channels. The business has focused on continuing to provide a safe work environment for all members of staff and quality of hygiene standards for customers. We continued to invest in a number of KFC upgrades in addition to growing the portfolio with work commencing on two new drive-through Taco Bell sites and three additional KFC stores, all of which are expected to open before the end of the year.

During the COVID-19 crisis the Australian business successfully expanded the home delivery services into regional markets and generated further growth in KFC mobile ordering.

Store EBITDA margins of \$A11.3 million (11.9% of sales) were down \$A3.5 million or -23.6% on last year. This reflects the on-going challenges from dine-in restaurants not opening, as well as initial set up costs of operating Taco Bell as we look to scale the business.

USA Operations

Total sales in Hawaii for the period were \$US68.7 million with store level EBITDA of \$US10.2 million (14.8% as a percentage of sales).

In \$NZ terms the Hawaiian operations contributed \$NZ109.8 million in revenues, \$NZ16.3 million in store EBITDA and an EBIT (adjusted for NZ IFRS-16 and other costs) of \$NZ8.4 million for the period. These results (particularly Pizza Hut) were all positive to 1H Dec 2019, despite the operational challenges provided by COVID-19.

Hawaii

	Actual 26 weeks 30 June 2020	Actual 28 weeks 9 September 2019	Proportioned 26 weeks 9 September 2019	Change (\$)	Change (%)
Sales (\$USm)	68.7	70.9	65.8	-2.2	-3.1
Store EBITDA (\$USm)	10.2	9.4	8.7	+0.8	+8.5
EBITDA as a % of Sales	14.8	13.2	13.2		
Store Numbers	75	79			

The proportioned 26 weeks in the table above is an arithmetical calculation factoring down the 28 weeks 1H Dec 2019 (26 February 2019 to 9 September 2019) to a 26 week equivalent. This is for illustrative purposes only.

Although reported sales are down \$US2.2 million this is predominately due to this year's 26 week vs last year's reporting period of 28 weeks. On a proportioned comparison sales are up \$US2.9 million for the period which is also reflected in same store sales which are up +8.0% for the year to date.

Pizza Hut in Hawaii has seen a significant increase in both sales and profitability. This has been the result of both the benefits of a strategic review which saw the closure of seven stores at the end of last year with a move towards smaller and more efficient delivery and carry-out delcos and the excellent response by the Pizza Hut brand to the challenges created by COVID-19. Pizza Hut USA were very responsive with their COVID-19 response, emphasizing food safety, no touch contactless delivery as well as the roll out of curb side pick-up. They also had a strong value multi pizza offering that resonated well in the Hawaii community. Online ordering grew significantly and now accounts for 60% of sales.

Although Taco Bell was harder hit by the closure of dine in options, promotions of family size meals and affordable pricing were successful, with drive through average ticket increasing significantly. Uber Eats and Postmates came on board as food aggregators (in addition to GrubHub) which has also helped to drive sales.

Store numbers are down by six from 1H Dec 2019 following the closure of several Pizza Hut stores late last year as part of our strategy to close some very old dine-in restaurants. During this period one new Taco Bell store has opened in Kahili.

Corporate & Other

General and administration (G&A) costs were \$22.7 million, an increase of \$1.8 million on 1H Dec 2019, largely as a result of long term incentive remuneration payments and additional costs associated with the launch of Taco Bell in New Zealand and Australia. G&A as a % of total revenue was 5.7%, up from 4.6% in the prior year due to the drop in revenue as a result of store closures for COVID-19.

Depreciation charges of \$15.4 million for the half year were \$0.2 million lower than the prior year. Although when adjusted to reflect the reduced weeks depreciation is up by \$1.8 million, reflecting the continued high level of new store builds and store refurbishments as well as new leases increasing the right of use asset depreciation.

Financing costs of \$14.1 million were up \$0.8 million on prior year primarily due to an increase in lease interest of \$0.8 million resulting from new leases and some existing leases being extended. Bank interest costs were \$3.3 million, consistent with the prior year with increased debt levels off-set by lower interest rates.

Tax expense was \$4.1 million is down \$3.6 million due to the lower earnings. The effective tax rate is 26.3% down from 27.7% last year due to the strong performance of the Hawaii division which has a corporate tax rate of 21%.

Other items

Other items for the half year were \$2.6 million, an increase of \$0.2 million on prior year. This year's costs included continued amortisation of franchise rights acquired on acquisition of QSR Pty Limited and Pacific Island Restaurants Inc. (\$0.7 million), impairment of assets (\$0.6 million), acquisition costs (\$0.8 million) and relocation and major refurbishment costs (\$0.5 million) off-set by the utilisation of depreciation provisions of \$0.4 million created in prior years.

Government Grants

The company received \$22.1 million as a wage subsidy for its New Zealand division over the COVID-19 crisis. This money was received in April 2020 and was applied against wages and salaries in the half year. Because of its material nature the amount is disclosed as a separate line item in the consolidated statement of comprehensive income and is also included in the consolidated statement of cash flows as part of the receipts from Government grants.

During the COVID-19 crisis the company also received a \$US8.1 million as a Government loan in the USA. This support is part of the Paycheck Protection Program (PPP) offered to businesses affected by the crisis. The receipt has been classified as deferred income at reporting date, pending an application for this PPP loan to be forgiven. The amount is also included in the receipts from Government grants in the statement of consolidated cash flows.

NZ IFRS 16

The impact of NZ IFRS 16 on the Group accounts is a reduction of \$2.8 million on after tax operating earnings (2019: \$2.9 million).

The consolidated statement of financial position has right of use assets of \$360.5 million up \$5.4 million due to increased store numbers and lease renewals. Lease liabilities of \$438.6 million are also up \$11.3 million reflecting the increase in future lease commitments.

Cash Flow & Balance Sheet

In February the Group announced the negotiation of new bank facilities of \$370 million which were activated on 1 May 2020. The new facilities were both part of the rationalisation of the Group's lending arrangements as it became more geographically diversified and also to fund the US acquisition. The new arrangements have meant some reduction in interest costs.

Bank debt at the end of the half year was up to \$165.9 million compared to \$154.3 million at the previous year end. Cash and cash equivalents increased to \$58.2 million during the period resulting in net debt reducing by \$11.7 million to \$107.7 million over the half year.

Operating cash flows were \$51.6 million, down \$12.1 million being a direct reflection of the effect of COVID-19. Operating cash flows, however include \$35.4 million of Government grants, \$22.1 million from the New Zealand wage subsidy with the remainder in relation to the PPP loan in Hawaii.

Net investing cash outflows at \$24.3 million versus \$27.7 million in 1H Dec 2019 reflect the continued high level of spend as the Group continues to build new stores as well as focus on refurbishing stores throughout the network. The decline of \$3.4 million on last year relates to having minimal spend in April due to the New Zealand lock down, together with the shorter reporting period.

Dividend

Restaurant Brands continues to ramp up its capital expenditure programme. Despite the interruption of the COVID-19 crisis, the company is targeting more than 60 Taco Bell stores in New Zealand and Australia over the next five years, with the first four stores already open and successfully operating. This, combined with potential further acquisitions and refurbishment programmes, is increasing demands on capital. Directors have therefore resolved there will be no interim dividend for the 31 December 2020 financial year.

Directors have also considered the future of the existing Dividend Reinvestment Plan and, given the constraints upon the majority shareholder in participation and the limited likelihood of dividends in the immediate future, they have elected to terminate the Dividend Reinvestment Plan with immediate effect.

Acquisitions

In December 2019 the Group entered into a conditional agreement to acquire 70 stores in Southern California, USA for \$US73 million (plus some capital expenditure reimbursements). The purchase comprised 59 KFC stores and 11 combined KFC Taco Bell stores, together with a head office facility. The purchase was conditional on Yum! approval and the assignment of property leases.

After satisfying a number of conditions, including the approval from the franchisor, Yum! Restaurants International, the transaction for 69 stores was settled on 2 September 2020 in New Zealand (1 September in the USA). The \$US80.7 million purchase price was fully funded through debt drawdown on existing facilities. Total net debt is approximately \$NZ240 million following the transaction.

The business is expected to generate \$US95 million in sales every year with a store EBITDA of \$US12 million. It has 1,500 employees and is centred around the greater Los Angeles area.

Directors are very pleased with the acquisition and expect that it will serve as a base for considerable future expansion in the US market.

COVID-19 response

Directors would like to acknowledge all staff for their efforts in overcoming the many and varied challenges faced over the period of the COVID-19 crisis. Each division has had to deal with different issues including a full shut down and restart in New Zealand and extended periods of reduced trading in Australia and Hawaii. During these trying and stressful times the teams in our stores managed to successfully keep the business running.

Outlook

Although the Group was adversely affected by COVID-19, particularly with the full close down in New Zealand, trading has recovered well and is now producing results on or above prior years.

New store roll outs for the KFC brand will continue in Australia with three stores opening before the end of the year. The Taco Bell brand will also see two stores opening in New Zealand and four stores scheduled to open in Australia by early 2021. The Hawaiian market will see at least one further Taco Bell transformation completed by the end of the calendar year.

The company continues to evaluate further acquisition opportunities in all three existing markets, together with the US mainland.

Despite a solid recovery in sales and margin in the beginning of 2H, continuing COVID-19 trading restrictions and with the possibility of further outbreaks, RBD is not providing firm guidance for the balance of this financial year.

Authorised by:

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ENDS

Consolidated Income Statement					
For the six months ended 30 June 2020					
	30 June 2020		vs Prior	9 September 2019	
SNZ000's	26 weeks		%	28 weeks	
	unaudited			unaudited	
Sales					
Total New Zealand sales	174,603		(24.3)	230,797	
Total Australia sales	99,137		(5.4)	104,846	
Total USA sales	109,697		2.6	106,919	
Total sales	383,437		(13.4)	442,563	
Other revenue	12,054		(25.6)	16,196	
Total operating revenue	395,491		(13.8)	458,759	
Cost of goods sold	(338,839)		7.7	(367,136)	
Gross margin	56,652		(38.2)	91,623	
Distribution expenses	(2,887)		(24.5)	(2,319)	
Marketing expenses	(20,969)		16.2	(25,010)	
General and administration expenses	(22,689)		(8.4)	(20,933)	
Government grants	22,071		n/a	-	
Other items	(2,552)		(10.3)	(2,312)	
Operating profit (EBIT)	29,626		(27.8)	41,049	
Financing expenses	(14,127)		(5.7)	(13,365)	
Net profit before taxation	15,499		(44.0)	27,684	
Taxation expense	(4,081)		46.9	(7,679)	
Total profit after taxation (NPAT)	11,418		(42.9)	20,005	
		% sales			% sales
Concept EBITDA before G&A including Government grants					
Total New Zealand	33,970	19.5	(21.0)	43,026	18.6
Total Australia	11,832	11.9	(23.9)	15,539	14.9
Total USA	16,272	14.8	15.6	14,071	13.2
Total concept EBITDA before G&A	62,074	16.2	(14.5)	72,636	16.4
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	19.5			(1.5)	
Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads.					
Distribution expenses are costs of distributing product from store.					
Marketing expenses are order centre, advertising and local store marketing expenses.					
General and administration expenses (G&A) are non-store related overheads.					
Sales and concept EBITDA for each of the concepts may not aggregate to the total due to rounding.					

Consolidated Income Statement - Proportionally reduced for comparatives For the six months ended 30 June 2020				
			Proportional reduction ¹	
	30 June 2020 26 weeks unaudited	vs Prior %	9 September 2019 26 weeks unaudited	
SNZ000's				
Sales				
Total New Zealand sales	174,603	(18.5)	214,312	
Total Australia sales	99,137	1.8	97,357	
Total USA sales	109,697	10.5	99,282	
Total sales	383,437	(6.7)	410,951	
Other revenue	12,054	(19.8)	15,039	
Total operating revenue	395,491	(7.2)	425,990	
Cost of goods sold	(338,839)	0.6	(340,912)	
Gross margin	56,652	(33.4)	85,078	
Distribution expenses	(2,887)	(34.1)	(2,153)	
Marketing expenses	(20,969)	9.7	(23,223)	
General and administration expenses	(22,689)	(16.7)	(19,438)	
Government grants	22,071	na	-	
Other items	(2,552)	(18.8)	(2,147)	
Operating profit (EBIT)	29,626	(22.3)	38,117	
Financing expenses	(14,127)	(13.8)	(12,411)	
Net profit before taxation	15,499	(39.7)	25,706	
Taxation expense	(4,081)	42.8	(7,131)	
Total profit after taxation (NPAT)	11,418	(38.5)	18,575	
		% sales		% sales
Concept EBITDA before G&A including Government grants				
Total New Zealand	33,970	19.5	39,953	18.6
Total Australia	11,832	11.9	14,429	14.9
Total USA	16,272	14.8	13,066	13.2
Total concept EBITDA before G&A	62,074	16.2	67,448	16.4
1. The results of the 28 week period ended 9 September 2019 have been proportionally reduced in an arithmetical calculation to a comparable 26 week period. This has been done for illustrative purposes only.				

Non-GAAP Financial Measures				
For the six months ended 30 June 2020				
The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand International Financial Reporting Standards ("NZ IFRS"). These financial statements include non-NZ GAAP financial measures that are not prepared in accordance with NZ IFRS. The non-NZ GAAP financial measures used in this presentation are as follow				
1. EBITDA including Government grants, G&A and other items. The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation and G&A. The Group also refers to this measure as Concept EBITDA before G&A and other items . This measure provides the results of the Group's core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.				
The term Concept refers to the Group's eight operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Taco Bell and Carl's Jr.), two Australia divisions (KFC and Taco Bell) and the two USA divisions (Taco Bell and Pizza Hut).				
The term G&A represents non-store related overheads.				
2. Total NPAT excluding the impact of NZ IFRS 16. Total Net Profit After Taxation ("NPAT") excluding the impact of NZ IFRS 16 is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with the adoption of NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.				
The Group believes that these non-NZ GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-NZ GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported other companies.				
The following is a reconciliation between these non-NZ GAAP measures and net profit after taxation:				
			Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2019 unaudited
\$NZ000's	Note*			
EBITDA including Government grants, before G&A and other items	1		62,074	72,636
Depreciation			(15,361)	(15,149)
Net loss on sale of property, plant and equipment (included in depreciation)			(74)	(487)
Lease depreciation			(13,832)	(13,996)
Lease costs			20,716	20,199
Amortisation (included in cost of sales)			(1,328)	(1,385)
General and administration costs - area managers, general managers and support centre			(20,017)	(18,457)
Other income			-	603
Other expenses			(2,552)	(2,915)
EBIT			29,626	41,049
Financing expenses			(14,127)	(13,365)
Net profit before taxation			15,499	27,684
Taxation expense			(4,081)	(7,679)
Net profit after taxation			11,418	20,005
Add back NZ IFRS 16 impact			3,952	3,871
income tax on NZ IFRS 16 impact			(1,161)	(956)
Total NPAT excluding the impact of NZ IFRS 16	2		14,209	22,920
* Refers to the list of non-NZ GAAP measures as listed above.				

Restaurant Brands New Zealand Limited
Consolidated statement of comprehensive income
For the six months ended 30 June 2020

\$NZ000's	Note	Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2019 unaudited	44 weeks ended 31 December 2019 audited
Store sales revenue		383,437	442,563	705,541
Other revenue		12,054	16,196	28,125
Total operating revenue		395,491	458,759	733,666
Cost of goods sold		(338,839)	(367,136)	(587,874)
Gross profit		56,652	91,623	145,792
Distribution expenses		(2,887)	(2,319)	(3,976)
Marketing expenses		(20,969)	(25,010)	(39,524)
General and administration expenses		(22,689)	(20,933)	(33,306)
Government grants	16	22,071	-	-
Other income	3	-	603	722
Other expenses	3	(2,552)	(2,915)	(5,338)
Operating profit (EBIT)		29,626	41,049	64,370
Financing expenses		(14,127)	(13,365)	(21,464)
Profit before taxation		15,499	27,684	42,906
Taxation expense		(4,081)	(7,679)	(12,815)
Profit after taxation attributable to shareholders		11,418	20,005	30,091
Other comprehensive income:				
Exchange differences on translating foreign operations		6,615	7,930	1,707
Derivative hedging reserve		(1,355)	(2,080)	(1,473)
Income tax relating to components of other comprehensive income		152	333	217
Other comprehensive income net of tax		5,412	6,183	451
Total comprehensive income attributable to shareholders		16,830	26,188	30,542
Basic and diluted earnings per share (cents)	4	9.15	16.04	24.12

For and on behalf of the Board:



José Parés Gutiérrez
Chairman



Emilio Fullaondo Botella
Director

Restaurant Brands New Zealand Limited
Consolidated statement of changes in equity
For the six months ended 30 June 2020

\$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 44 week period ended 31 December 2019					
Balance at the beginning of the period	154,565	(1,871)	(480)	72,456	224,670
Adoption of NZ IFRS 16	-	-	-	(47,218)	(47,218)
Restated balance at the beginning of the period	154,565	(1,871)	(480)	25,238	177,452
Comprehensive income					
Profit after taxation attributable to shareholders	-	-	-	20,005	20,005
Other comprehensive income					
Movement in foreign currency translation reserve	-	7,930	-	-	7,930
Movement in derivative hedging reserve	-	-	(1,747)	-	(1,747)
Total other comprehensive income	-	7,930	(1,747)	-	6,183
Total comprehensive income	-	7,930	(1,747)	20,005	26,188
Unaudited balance as at 9 September 2019	154,565	6,059	(2,227)	45,243	203,640
Comprehensive income					
Profit after taxation attributable to shareholders	-	-	-	10,086	10,086
Other comprehensive income					
Movement in foreign currency translation reserve	-	(6,223)	-	-	(6,223)
Movement in derivative hedging reserve	-	-	491	-	491
Total other comprehensive income	-	(6,223)	491	-	(5,732)
Total comprehensive income	-	(6,223)	491	10,086	4,354
Audited balance as at 31 December 2019	154,565	(164)	(1,736)	55,329	207,994

Restaurant Brands New Zealand Limited
Consolidated statement of changes in equity (continued)
For the six months ended 30 June 2020

\$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the six month period ended 30 June 2020					
Balance at the beginning of the period	154,565	(164)	(1,736)	55,329	207,994
Comprehensive income					
Profit after taxation attributable to shareholders	-	-	-	11,418	11,418
Other comprehensive income					
Movement in foreign currency translation reserve	-	6,615	-	-	6,615
Movement in derivative hedging reserve	-	-	(1,203)	-	(1,203)
Total other comprehensive income	-	6,615	(1,203)	-	5,412
Total comprehensive income	-	6,615	(1,203)	11,418	16,830
Unaudited balance as at 30 June 2020	154,565	6,451	(2,939)	66,747	224,824

Restaurant Brands New Zealand Limited
Consolidated statement of financial position
As at 30 June 2020

\$NZ000's	Note	As at 30 June 2020 unaudited	As at 9 September 2019 unaudited	As at 31 December 2019 audited
Non-current assets				
Property, plant and equipment	5	185,772	161,739	175,781
Right of use assets	6	360,535	355,125	353,937
Sub-lease receivable		991	840	1,029
Intangible assets		256,614	257,451	249,140
Deferred tax asset		41,462	34,731	36,353
Total non-current assets		845,374	809,886	816,240
Current assets				
Inventories		12,230	11,140	12,415
Trade and other receivables		9,762	12,486	9,528
Income tax receivable		963	2,522	1,546
Cash and cash equivalents		58,220	41,342	34,965
Held for sale - assets	8	3,883	-	-
Held for sale - assets for stores developed for sale	9	4,054	3,862	5,210
Total current assets		89,112	71,352	63,664
Total assets		934,486	881,238	879,904
Equity attributable to shareholders				
Share capital		154,565	154,565	154,565
Reserves		3,512	3,832	(1,900)
Retained earnings		66,747	45,243	55,329
Total equity attributable to shareholders		224,824	203,640	207,994
Non-current liabilities				
Provision for employee entitlements		654	823	676
Deferred income		290	352	328
Loans	10	165,898	148,082	52,748
Lease liabilities		418,051	407,232	407,131
Derivative financial instruments		3,598	2,857	2,217
Total non-current liabilities		588,491	559,346	463,100
Current liabilities				
Income tax payable		2,008	2,632	3,563
Trade and other payables		80,200	89,330	78,791
Provision for employee entitlements		1,540	1,621	1,584
Lease liabilities		20,501	20,033	20,963
Deferred income	12,16	12,765	78	77
Held for sale - liabilities	8	1,942	-	-
Held for sale - liabilities for stores developed for sale	9	2,215	1,466	2,254
Loans	10	-	3,092	101,578
Total current liabilities		121,171	118,252	208,810
Total liabilities		709,662	677,598	671,910
Total equity and liabilities		934,486	881,238	879,904

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows
For the six months ended 30 June 2020

\$NZ000's	Note	Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2019 unaudited	44 weeks ended 31 December 2019 audited
Cash flows from operating activities				
Cash was provided by / (applied to):				
Receipts from customers		395,644	460,889	734,263
Receipts from Government grants	16	35,354	-	-
Payments to suppliers and employees		(356,048)	(372,626)	(609,579)
Interest paid		(3,024)	(4,210)	(5,370)
Interest paid on leases		(10,837)	(10,073)	(16,351)
Payment of income tax		(9,487)	(10,285)	(15,338)
Net cash from operating activities		51,602	63,695	87,625
Cash flows from investing activities				
Cash was provided by / (applied to):				
Acquisition of business		-	-	(647)
Payment for intangible assets		(1,371)	(3,543)	(4,911)
Purchase of property, plant and equipment		(23,399)	(24,606)	(54,772)
Proceeds from disposal of property, plant and equipment		91	373	555
Landlord contributions received		362	105	105
Net cash used in investing activities		(24,317)	(27,671)	(59,670)
Cash flows from financing activities				
Cash was provided by / (applied to):				
Proceeds from loans		360,897	6,453	265,345
Repayment of loans		(354,534)	(6,615)	(257,521)
Payments for lease principal		(9,880)	(10,125)	(16,019)
Net cash used in financing activities		(3,517)	(10,287)	(8,195)
Net increase in cash and cash equivalents		23,768	25,737	19,760
Cash and cash equivalents at beginning of the period		34,965	15,034	15,034
Opening cash balances acquired on acquisition		-	-	3
Foreign exchange movements		(513)	571	168
Cash and cash equivalents at the end of the period		58,220	41,342	34,965
Cash and cash equivalents comprise:				
Cash on hand		1,436	477	1,680
Cash at bank		56,784	40,865	33,285
		58,220	41,342	34,965

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows (continued)
For the six months ended 30 June 2020

Reconciliation of profit after taxation with net cash from operating activities

\$NZ000's	Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2019 unaudited	44 weeks ended 31 December 2019 Audited
Total profit after taxation attributable to shareholders	11,418	20,005	30,091
Add items classified as investing activities:			
Loss on disposal of property, plant and equipment	468	946	3,590
	468	946	3,590
Add / (less) non-cash items:			
Depreciation	29,193	29,631	47,646
Lease termination	-	-	(301)
(Decrease) / Increase in provisions	(96)	298	(67)
Amortisation of intangible assets	2,034	2,503	3,959
Impairment on property, plant and equipment	(388)	-	(660)
Net increase in deferred tax asset	(4,516)	(732)	(3,187)
	26,227	31,700	47,390
Add / (less) movement in working capital:			
Decrease / (increase) in inventories	249	(839)	(2,166)
Decrease / (increase) in trade and other receivables	737	(828)	645
Increase in trade creditors and other payables	13,371	14,074	7,629
(Decrease) / increase in income tax payable	(868)	(1,363)	446
	13,489	11,044	6,554
Net cash from operating activities	51,602	63,695	87,625

Reconciliation of movement in term loans

Opening balance	154,326	145,853	145,853
Net cash flow movement	6,363	(162)	7,824
Foreign exchange movement	5,209	5,483	649
Closing balance	165,898	151,174	154,326

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements
For the six months ended 30 June 2020

1. General information

The reporting entity is the consolidated group (the "Group") comprising the economic entity Restaurant Brands New Zealand Limited (the "Company") and its subsidiaries. Restaurant Brands New Zealand is a limited liability company incorporated and domiciled in New Zealand. The principal activity of the Group is the operation of quick service and takeaway restaurant concepts in New Zealand, Australia, USA, Saipan and Guam.

The Company is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX") and is an FMC reporting entity and subject to the Financial Markets conduct Act 2013 legislative provisions. The Group is designated as a for-profit entity for financial reporting purposes.

Statutory base

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets conduct Act 2013.

Reporting framework

These interim financial statements for the 6 months ended 30 June 2020 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting and should be read in conjunction with the financial statements published in the Annual Report for the 44 week period ended 31 December 2019.

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). These policies have been consistently applied to all the periods presented, unless otherwise noted.

The Group has a negative working capital balance as the nature of the business results in most sales being conducted on a cash basis. The Group has bank facilities totalling \$372.3 million (refer note 10) and has the ability to fully pay debts as they fall due. At balance date the amount undrawn was \$206.4 million.

During the 2019 calendar year the Group had a change in balance date to align with Global Valar S.L. our major shareholder. These interim financial statements are for the six months ending 30 June 2020. The prior interim comparative represents the 28 weeks ended 9 September 2019. The prior full year comparative represents the 44 week period ended 31 December 2019. Therefore the current period is not directly comparable to the prior period.

To ensure consistency with the current period, comparative figures have been restated where appropriate. Previously, the Group presented certain items as non-trading in the consolidated statement of comprehensive income. To ensure consistency and comparability with the current period, the transactions previously included as non-trading items have been split between other income and other expenses. In addition, the group has reclassified the right of use asset for stores developed for sale into the Held for sale - assets for stores developed for sale line item. The associated lease liabilities have been reclassified into the Held for sale - liabilities for stores developed for sale line item. To ensure consistency and comparability with the current period, the same reclassification has been recorded in the previous periods.

New standards and amendments

There are various standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 1 January 2020 that had a material impact on the financial statements.

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

2. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group is split into three geographically distinct operating divisions; New Zealand, Australia, and USA. The chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, have been identified as the Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO). The chief operating decision makers consider the performance of the business from a geographic perspective, being New Zealand, Australia and USA (including Hawaii, Guam and Saipan) while the performance of the corporate support function is assessed separately.

The Group is therefore organised into three operating segments, depicting the three geographic regions the Group operates in and the corporate support function located in New Zealand. All segments operate quick service and takeaway restaurant concepts. All operating revenue is from external customers.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, concept EBITDA before general and administration expenses and EBIT before other items. EBITDA refers to earnings before interest, taxation, depreciation and amortisation. EBIT refers to earnings before interest and taxation. Operating revenue is from external customers.

30 June 2020 NZ\$000's	New Zealand	Australia	USA	Corporate support function	Consolidated half year unaudited
Business segments					
Store sales revenue	174,603	99,137	109,697	-	383,437
Other revenue	11,931	-	123	-	12,054
Total operating revenue	186,534	99,137	109,820	-	395,491
EBITDA before general and administration expenses, NZ IFRS 16 and other items	12,893	11,832	16,272	-	40,997
Government grants	22,071	-	-	-	22,071
General and administration expenses	(8,071)	(4,280)	(4,741)	(3,919)	(21,011)
EBITDA before NZ IFRS 16 and other items	26,893	7,552	11,531	(3,919)	42,057
Depreciation	(8,153)	(4,117)	(3,160)	(5)	(15,435)
Amortisation	(1,087)	(222)	(19)	-	(1,328)
Segment result (EBIT) before NZ IFRS 16 and other items	17,653	3,213	8,352	(3,924)	25,294
Other items					
Other expenses	(630)	(337)	(781)	(804)	(2,552)
Operating profit (EBIT) before NZ IFRS 16	17,023	2,876	7,571	(4,728)	22,742
Adjustments for NZ IFRS 16	4,196	1,756	932	-	6,884
Operating profit (EBIT)	21,219	4,632	8,503	(4,728)	29,626
Current assets	48,787	11,686	28,639	-	89,112
Non-current assets	262,560	119,166	102,122	-	483,848
Non-current lease assets	178,281	115,621	67,624	-	361,526
Total assets	489,628	246,473	198,385	-	934,486

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

2. Segmental reporting (continued)

9 September 2019 NZ\$000's	New Zealand	Australia	USA	Corporate support function	Consolidated half year unaudited
Business segments					
Store sales revenue	230,798	104,846	106,919	-	442,563
Other revenue	16,046	-	150	-	16,196
Total operating revenue	246,844	104,846	107,069	-	458,759
EBITDA before general and administration expenses, NZ IFRS 16 and other items	43,026	15,539	14,071	-	72,636
General and administration expenses	(7,704)	(4,439)	(5,008)	(1,306)	(18,457)
EBITDA before NZ IFRS 16 and other items	35,322	11,100	9,063	(1,306)	54,179
Depreciation	(8,230)	(4,115)	(3,284)	(6)	(15,635)
Amortisation	(1,170)	(205)	(10)	-	(1,385)
Segment result (EBIT) before NZ IFRS 16 and other items	25,922	6,780	5,769	(1,312)	37,159
Other items					
Other income	205	398	-	-	603
Other expenses	(480)	(1,218)	(1,170)	(46)	(2,915)
Operating profit (EBIT) before NZ IFRS 16	25,648	5,959	4,599	(1,358)	34,847
Adjustments for NZ IFRS 16	4,070	1,379	754	-	6,202
Operating profit (EBIT)	29,717	7,338	5,352	(1,358)	41,049
Current assets	45,739	9,626	15,988	-	71,353
Non-current assets	123,219	156,932	173,770	-	453,921
Non-current lease assets	173,183	110,545	72,236	-	355,964
Total assets	342,141	277,103	261,994	-	881,238

2.1 Reconciliation between EBIT after other items and NZ IFRS 16 and net profit after tax

SNZ000's	Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2020 unaudited	44 weeks ended 31 December 2019 Audited
EBIT	29,626	41,049	64,370
Financing expenses	(14,127)	(13,365)	(21,464)
Net profit before taxation	15,499	27,684	42,906
Taxation expense	(4,081)	(7,679)	(12,815)
Net profit after taxation	11,418	20,005	30,091
Add back net financing impact of NZ IFRS 16	3,952	3,871	6,076
Less income tax impact of NZ IFRS 16	(1,161)	(956)	(1,547)
Net profit after taxation excluding NZ IFRS 16	14,209	22,920	34,620
Less other income	-	(603)	(421)
Add back other expenses	2,552	2,915	5,338
Less income tax on other items	(665)	(224)	(883)
Net profit after taxation excluding other items and NZ IFRS 16	16,096	25,008	38,654

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

3. Profit before taxation

	Six months ended 30 June 2020 unaudited	28 weeks ended 9 September 2019 unaudited	44 weeks ended 31 December 2019 audited
SNZ000's			
Profit before taxation			
The profit before taxation is calculated after charging / (crediting) the following items:			
Royalties paid	22,956	26,376	42,069
Lease expenses	2,007	4,043	3,953
New Zealand Government wage subsidy	22,071	-	-
Rent relief	1,146	-	-
Other income			
Net gain on sale of stores	-	83	100
Lease termination	-	199	301
Lease surrender gain	-	321	321
Total other income	-	603	722
Other expenses			
Recurring			
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR) and Pacific Island Restaurants Inc. (PIR)	(707)	(1,119)	(1,781)
Relocation and refurbishment	(500)	(963)	(3,209)
Non-recurring			
Acquisition costs	(813)	(97)	(631)
Leave remediation	(19)	(290)	(361)
Calendar realignment costs	(50)	-	(16)
Impairment of assets	(593)	(75)	-
Utilisation of depreciation provision	388	-	660
Store closure costs	(232)	(347)	-
Make good on acquisition	(26)	(24)	-
Total other expenses	(2,552)	(2,915)	(5,338)

New Zealand Government wage subsidy

As part of the New Zealand Government response to COVID-19 the Group received a Government wage subsidy of \$22.1 million. This has been included as a separate item on the consolidated statement of comprehensive income. The Group views this as a credit against salaries and wage costs, however due to the material nature of the subsidy it is disclosed separately. It has also been included as receipts from Government subsidies in the consolidated statement of cash flows. Refer to note 16 for further details.

Rent relief

The Group received rent relief of \$1.1 million during the period. This has been included as a negative variable rent within the consolidated statement of comprehensive income. Contracts with abatement clauses total \$0.5 million whilst those without abatement clauses total \$0.6 million.

Lease termination

This is the gain related to the termination of a lease contract prior to its maturity.

Utilisation of depreciation provision

This is the correction of depreciation charged on assets that were impaired in previous periods.

4. Earnings per share

	30 June 2020 half year unaudited	9 September 2019 half year unaudited	31 December 2019 full year audited
Basic and diluted earnings per share			
Profit after taxation attributable to the shareholders (\$NZ000's)	11,418	20,005	30,091
Weighted average number of shares on issue (000's)	124,759	124,759	124,759
Basic and diluted earnings per share (cents)	9.15	16.04	24.12

Shares on issue

As at 30 June 2020, the total number of ordinary shares on issue was 124,758,523 (September 2019: 124,758,523).

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

5. Property, plant and equipment

Acquisition and disposals

During the 6 months ended 30 June 2020, the Group acquired assets with a total cost of \$23.5 million (September 2019: \$26.5million) and disposed of assets with a total cost of \$5.7 million (September 2019: \$11.3 million).

6. Right of use assets

Additions and modifications

During the 6 months ended 30 June 2020, the Group had lease additions and modifications of \$15.6 million (September 2019: \$15.3 million). There has been no disposals or reductions to the right of use assets (September 2019: nil).

7. Related party transactions

Transactions with key management or entities related to them

There were no related party transactions with key management or any Directors or entities associated with them.

8. Assets classified as held for sale

This relates to existing Pizza Hut stores that are being actively marketed and are immediately available for sale. It is expected that these stores will be sold within the next 12 months. Included in the held for sale asset are \$1.7 million relating to right of use assets. The liabilities held for sale of \$1.9 million relates to lease liabilities associated with the stores held for sale.

9. New stores developed for sale

This relates to new Pizza Hut stores developed for sale in New Zealand which are being actively marketed for sale and are expected to be sold within 12 months. Included as part of the balance is \$2.2 million of lease liabilities and \$2.1m of right of use assets associated with these stores.

10. Loans

On 25 February 2020 the Group entered into new loan facility agreements. The facilities are split between NZD, USD and AUD tranches and replace the Group's previously agreements which primarily expired on 12 October 2020. Most of the tranches are for three year terms with the remainder expiring in four years.

The Group has loan facilities in place totalling \$372.3 million with the following financial institutions:

- Westpac Banking Corporation - \$NZ20.0 million and \$A70.0 million facility expiring on 1 May 2023
- Bank of China - \$NZ20.0 million facility expiring on 1 May 2023 and \$A40.0 million facility expiring on 1 May 2024
- J P Morgan - \$US75.0 million expiring on 1 May 2023
- Rabobank - \$NZ20.0 million expiring on 1 May 2023 and \$US50.0 million facility expiring on 1 May 2024

The specific covenants relating to financial ratios the Group is required to meet under the new agreements are:

- debt coverage ratio (i.e. net debt to EBITDA), with EBITDA being earnings before interest, taxation, depreciation and amortisation, and
- fixed charge coverage ratio (EBITDAL to fixed charges), with EBITDAL being EBITDA before lease costs, fixed charges comprise interest and lease costs, and
- guaranteeing group assets ratio (i.e. total guaranteeing group tangible assets to total consolidated group tangible assets), and
- guaranteeing group earnings ratio (i.e. non-guaranteeing group EBITDA to the consolidated group EBITDA).

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

11. Capital commitments

The Group has capital commitments totalling \$4.5 million (September 2019: \$23.4 million) which are not provided for in these financial statements.

12. Deferred income

In April 2020 as part of the USA government response to COVID-19 the Hawaii division applied for a Paycheck Protection Program (PPP) loan of \$12.7 million (\$US8.1 million). The Group believes that the companies within the Hawaii division met the criteria to qualify for the loan at the date of the application. The eligibility is subject to a future audit by the federal government at which time the Hawaii division may be deemed not to be eligible. If this was the outcome of the audit the company would be required to repay the PPP loan as well as 1% interest on that loan from the period it was received until the date it was repaid. The Group believes that the USA resident companies did meet the criteria to qualify for the loan and future forgiveness of the loan and that the audit is unlikely to require the loan to be repaid.

The PPP loan was initially received as a loan and once various criteria are met the Group can apply for forgiveness of that loan. Once forgiveness of the loan has been approved it will be recognised in the consolidated statement of comprehensive income, until that time it is held as a financial liability disclosed as deferred income.

13. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (September 2019: nil).

14. Fair Value measurements of financial instruments

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign currency exchange rates and interest rates. There have been no changes in the risk management policies or nature of the derivative financial instruments since year end. Consistent with the prior year, the derivatives have been determined to be within level 2 (for the purposes of NZ IFRS 13 - Fair Value Measurement) of the fair value hierarchy as all significant inputs required to ascertain the fair values are observable. There were also no changes in valuation techniques during the period.

15. Deed of Cross Guarantee

Pursuant to the Australian Securities and Investment Commission (ASIC) Class Order 98/1418, the wholly owed subsidiary, QSR Pty Limited (QSR), is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that Restaurant Brands New Zealand Limited (RBNZ) and QSR enter into a Deed of Cross Guarantee (Deed). On 9 February 2017 a Deed was executed between RBNZ, QSR, Restaurant Brands Australia Pty Limited and Restaurant Brands Australia Holdings Pty Limited under which each company guarantees the debts of the others.

16. Government grants

The Group has received \$22.1 million as a wage subsidy for its New Zealand division. This money was received in April 2020 and was applied against wages and salaries between March and June 2020. This amount is shown as a separate line item in the consolidated statement of comprehensive income due to its material nature. The amount received is also included in the consolidated statement of cash flows as part of the receipts from Government grants.

The Group also received a \$12.7 million PPP loan in the USA. This amount has been included as part of deferred income at reporting date as the Group has yet to apply for the PPP loan to be forgiven. The amount is also included as part of receipts from Government grants in the statement of consolidated cash flows.

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attached to the grant and the grant will be received. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the company will meet the terms for forgiveness of the loan.

The Group will recognise a grant using the income approach with the grant recognised in profit and loss over the period in which the company recognises as expenses the related costs for which the grant is intended to compensate.

Restaurant Brands New Zealand Limited
Notes to and forming part of the consolidated financial statements (continued)
For the six months ended 30 June 2020

17. COVID-19

On 30 January 2020, the spread of COVID-19 was declared a public health emergency by the World Health Organisation. Following this, on 25 March 2020, the New Zealand Government raised its Alert level to 4 which entailed a full lockdown of non-essential services. During Alert level 4, the Group's operations in New Zealand were deemed to be a non-essential service, and as a result, all stores were closed. Stores in New Zealand were re-opened during Alert level 3 for drive through and delivery, on 28 April 2020. In Australia and the USA, there were closures of the dine-in business and a number of in-line and mall stores during the month of April.

The shutdown in New Zealand and reduced operations in Australia and the USA severely impacted trading in these markets over the April period. Accordingly, the Directors consider it appropriate to reduce forecasts for the year ended 31 December 2020 which largely relate to the impacts from the April period. Following the April period, the Group has continued to operate largely unaffected with sales across most divisions up on the prior year for May and June.

An assessment of the impact of COVID-19 on the Group interim consolidated financial statements is set out below, based on information available at the time of preparing these interim consolidated financial statements:

Government grants: The Group has claimed \$22.1 million under the New Zealand Wage Subsidy Scheme for the 12 weeks beginning 26 March. This has been recognised and disclosed separately in the consolidated statement of comprehensive income. For further information about the New Zealand Government grant claimed see Note 16.

Deferred income: The Group claimed \$US8.1 million in the USA as a PPP loan for the period. This has been recognised as deferred income in the consolidated statement of financial position. The Group is expecting to apply for forgiveness of this loan during the second half of the year. Once the forgiveness of the loan is approved the amount will be recognised as a Government grant in the consolidated statement of comprehensive income. For further information about the deferred income arising from this claim see Note 12.

Property, plant and equipment: Property, plant and equipment are stated at historical cost less depreciation and impairment. Following recovery of operations since the April period, COVID-19 and the resulting economic impacts, as assessed at this reporting period, is not an external indicator of impairment. The Group has therefore concluded that no impairment is required.

Right-of-use assets and Lease liabilities: The Group has engaged with landlords for rent relief as a result of the lock down in New Zealand and the reduced trading in the other divisions. To date, \$1.1 million in rent relief has been included as negative variable rental payments in the consolidated statement of comprehensive income.

Goodwill: Following recovery of operations since the April period, COVID-19 and the resulting economic impacts, as assessed at this reporting period, is not an external indicator of impairment. For the Pizza Hut New Zealand cash generating unit (CGU), as disclosed the 31 December 2019 financial statements, a reasonably possible change in key assumptions were identified as resulting in impairment. Since then the Pizza Hut New Zealand CGU has returned improved results largely due to the store sales program, delivering an improved EBITDA percentage. Discount rates have also reduced as a result of decreases in market interest rates. The expected recoverable amount has increased from the calculation performed at 31 December 2019. For this reporting period, any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount. We will update our impairment testing for all CGUs at the 31 December 2020 reporting period.

No other significant measurement impacts were noted. No impact on the going concern status of the Group has been identified as a result of COVID-19.

18. Subsequent events

On 24 December 2019 the Group entered a conditional agreement to acquire the assets of 70 stores in Southern California, USA. The purchase now comprises 58 KFC stores and 11 combined KFC Taco Bell stores, together with a head office facility.

After satisfying a number of conditions, including the approval from the franchisor, Yum! Restaurants International, the transaction was settled with Great American Chicken Corp, Inc. and Great American Chicken LLC. Control of the stores passed on 2 September 2020 in New Zealand, which corresponds to 1 September in the USA. The \$US80.7 million purchase price has been fully funded through debt drawdown on the Group's existing facilities. The Group's total net debt is expected to be approximately \$NZ240 million after the transaction.

The assets are expected to generate annual turnover of \$US95 million and Store EBITDA (pre-G&A) in excess of \$US12 million.

This transaction is a non-adjusting event. As the transaction has recently settled the acquisition accounting has not been completed and any financial impact has not been recognised in these financial statements.

During July the Group sold 5 Pizza Hut stores for \$2.2 million. This is a non-adjusting event therefore the financial impact has not been recognised in these financial statements.

There are no other subsequent events that would have a material effect on these financial statements.



Independent review report

To the shareholders of Restaurant Brands New Zealand Limited

Report on the interim financial statements

We have reviewed the accompanying interim financial statements of Restaurant Brands New Zealand Limited (the Company) and its subsidiaries (the Group) on pages 1 to 13, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Group. Other than in our capacity as auditors and providers of specified procedures on landlord certificates and review of Yum! Advertising Co-operative report, we have no relationships in, or interests in, the Group. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020, and its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.



Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants
8 September 2020

Auckland

Restaurant Brands New Zealand Limited	
Results for announcement to the market	
Reporting Period	Six month period ended 30 June 2020
Previous Reporting Period	28 week period ended 9 September 2019

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$395,491	-13.8%
Profit from ordinary activities after tax attributable to security holder.	NZ\$11,418	-42.9%
Net profit attributable to security holders.	NZ\$11,418	-42.9%

Interim/Final Dividend	Amount per share	Imputed amount per share
Interim	n/a	n/a

Record Date	n/a
Dividend Payment Date	n/a

Comments:	Refer to attached report
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This report is based on accounts which have not been audited. The report is provided with the accounts which accompany this announcement.



**What's new
on the menu?**

**Restaurant Brands
New Zealand Limited**

Results Presentation

6 Months to 30 June 2020 (1H 20)

**Russel Creedy - Group CEO
Grant Ellis - Group CFO**

8 September 2020

Presentation Outline

- Key Points
- Results Overview
- New Zealand Operations
- Australia Operations
- Hawaii Operations
- US Acquisition
- Outlook
- Questions

Key Points

Commentary (1H 19R vs. 1H 20)

- Group Sales -6.7%
- Reported NPAT -38.7%
- Brand EBITDA -7.9%

	1H 19	1H 19R	1H 20
	\$442.6m	\$411.0m	\$383.4m
	\$20.0m	\$18.6m	\$11.4m
	\$72.6m	\$67.4m	\$62.1m

- COVID-19 had a significant adverse impact on the business
- 69 store acquisition in California settled on 2 September (after balance date)

Note:

- 1H 19 = 28 weeks to 9 September 2019
- 1H 19R = 28 weeks to 9 September 2019 prorated down to 26 weeks
- 1H 20 = 26 weeks to 30 June 2020

Results Overview

NPAT reduced as a result of temporary store closures from COVID-19

\$m (after tax)	1H 19	1H 20	Change \$
Reported NPAT	20.0	11.4	(8.6)
NZ IFRS 16	2.9	2.8	(0.1)
Other Income and Expenses	2.7	1.9	(0.8)
Change of Balance Date	(1.4) *	-	1.4
Comparable Trading NPAT	24.2	16.1	<u>(8.1)</u>

* Pro rata Reported NPAT 28 weeks to 26 weeks

COVID-19 – An unprecedented impact on the business

NEW ZEALAND

- All stores fully closed 26 March - 27 April (Level 4).
- Lost sales in excess of \$40m. All staff were paid full wages over this time.
- At Level 3 (28 April) stores were open for delivery and drive through only (mall stores remained closed).
- At Level 2 (13 May) all stores open, but in-store dining remained closed.
- At Level 1 (9 June) all stores able to fully trade.
- Government grants of \$22.1m for wages during the Level 4 “lockdown” significantly reduced financial impact of the closures.
- All stores now fully open with trading back to normal.



COVID-19 – An unprecedented impact on the business

AUSTRALIA

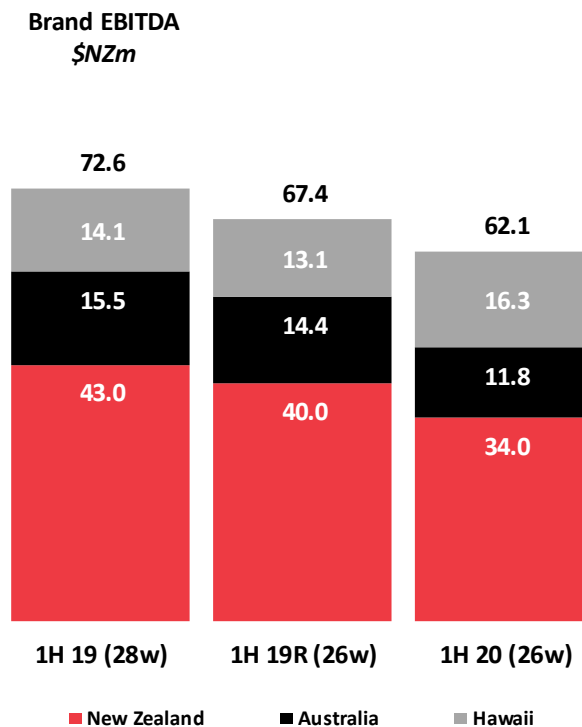
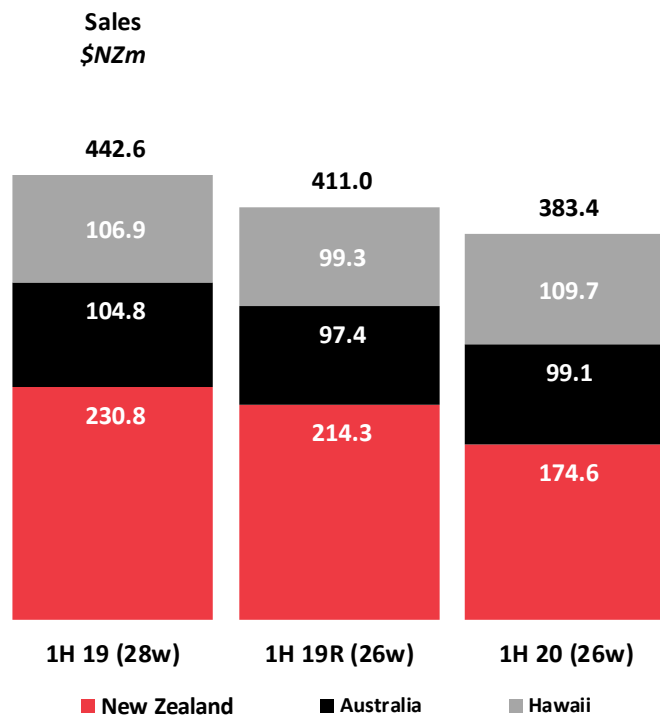
- Temporary closure of 15 mall and inline stores.
- Store dine in closed for all of the second quarter, and still trading with dine in closed.
- FSDT stores performed strongly.
- Total lost sales estimated at in excess of \$A5m.
- No Government support.

USA

- Hawaii and Guam Taco Bell stores were impacted by dine in restrictions and temporary mall store closures.
- Pizza Hut business, with a strong delivery and online offer, saw steady growth in sales and EBITDA.
- Government PPP loan of \$US8.1m received.
- Stores still trading, but restrictions remain and periodic closures due to staff infections.



Hawaii performed strongly with record earnings whilst New Zealand and Australia results were impacted by COVID-19 temporary store closures and restrictions



Other Income and Expenses (“non-trading items”) slightly up on prior year with California acquisition costs

\$NZm (Pre tax)

	1H 19	1H 20
Sundry other income & expenses	(0.3)	(0.3)
Store closure costs	0.3	0.2
Relocation & refurbishment	1.0	0.5
Impairment of assets	0.1	0.6
Franchise rights amortisation	1.1	0.7
Acquisition costs	0.1	0.8
	2.3	2.5

Operating and investing cash flow down on prior year primarily due to COVID-19 impact, despite Government subsidies

\$NZm	1H 19	1H 20
Operating Cash Flow (adjusted) *	53.6	41.7
Investing Cash Flow	(27.7)	(24.3)
Free Cash Flow	25.9	17.4

**Adjusted for payments of lease interest classified as operating activities under NZ IFRS 16 of \$10.1m in 1H 19 and \$10.8m in 1H 20, and payments of lease costs excluded from operating activities under NZ IFRS 16 of \$20.2m in 1H 19 and \$20.7m in 1H 20.*

Net borrowings and ratios stable despite reduced operating cash flows with lower capex

\$NZm	1H 19	1H 20
Net Debt	109.8	107.7
Net Debt:EBITDA*	1.1:1	1.2:1
Gearing (ND:ND+E)	31%	32%

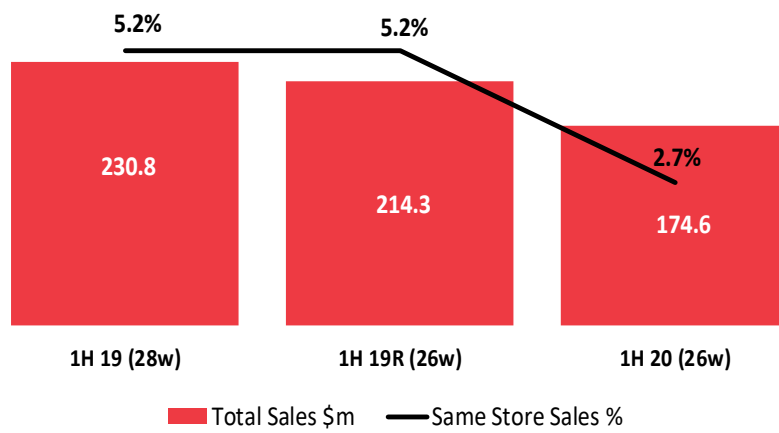
** EBITDA for rolling 12 months, including lease costs*

New Zealand Operations

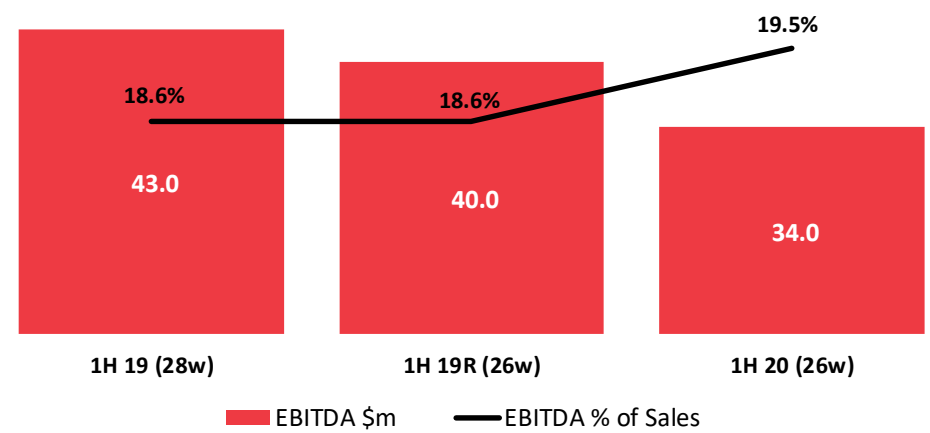


NZ sales adversely impacted by COVID-19 closures and restrictions with EBITDA correspondingly reduced, despite Government grant

NZ Sales



NZ EBITDA



Australia Operations

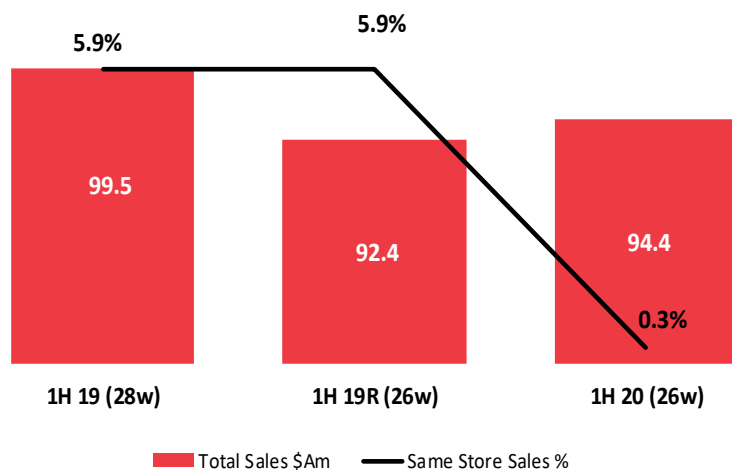


KFC
FINGER LICKIN' GOOD

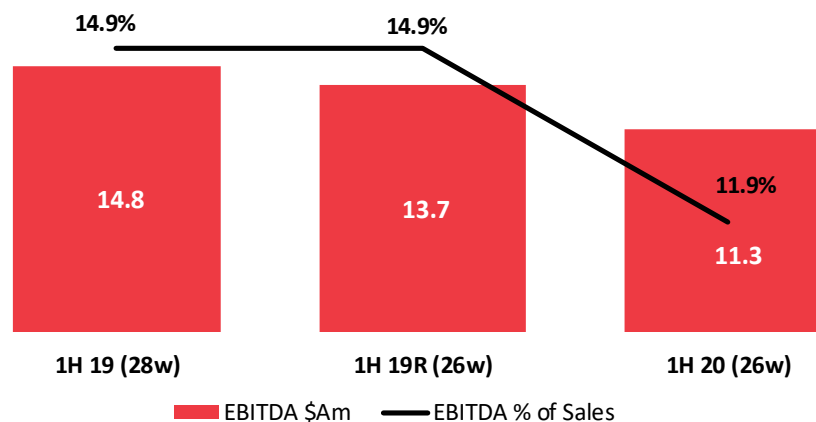

TACO BELL

Australia business impacted by mall store closures and dine in restrictions, however larger FSDT stores performed strongly

Australia Sales



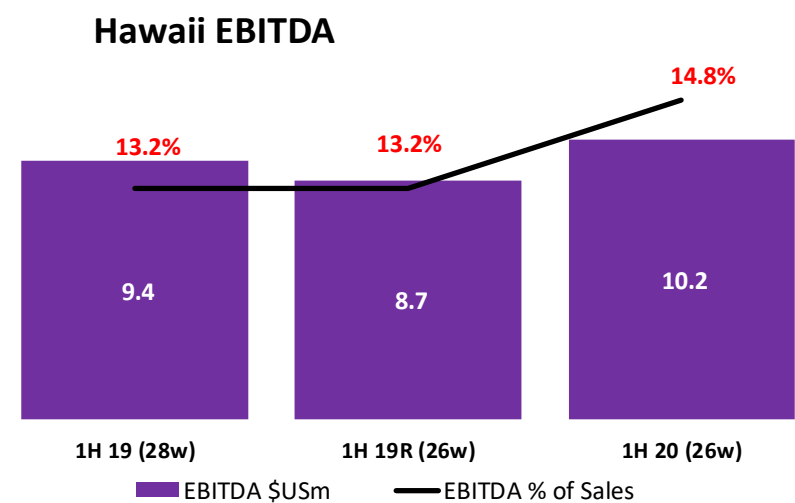
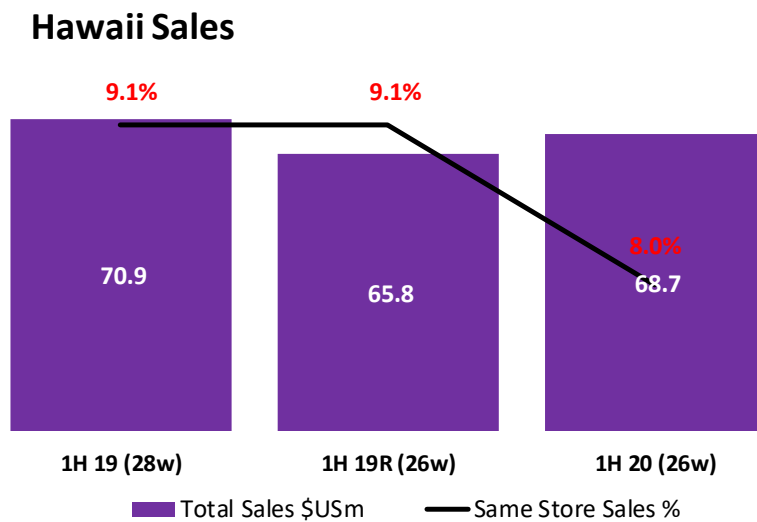
Australia EBITDA



Hawaii Operations



Hawaii boosted by strong Pizza Hut performance during dine in restrictions, despite reduced sales and margins in Taco Bell



US Acquisition

On 2 September RBD settled a 69 store acquisition in Southern California

- Purchase price of \$US73m and \$US7.7m of store remodel/refurbishment capex spent over last 2 years, coupled with customary working capital adjustments.
- Consists of 58 KFC and 11 combined KFC and Taco Bell stores.
- Over 80% of remodel/refurbishment work completed to new brand standards.
- Existing management and staff retained with a similar structure to the successful Hawaii and Australia acquisitions.
- Sales of \$US95m with brand EBITDA (before G&A) in excess of \$US12m, with strong growth expected over at least the next 6 months.
- Fully debt funded from new \$370m bank facilities activated 1 May 2020.

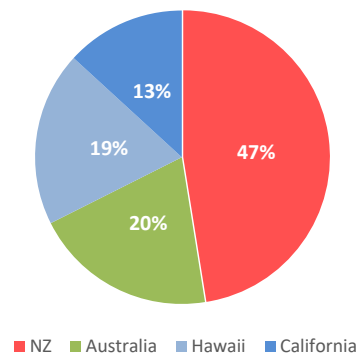


Completion of US acquisition places final piece on RBD beach head expansion strategy

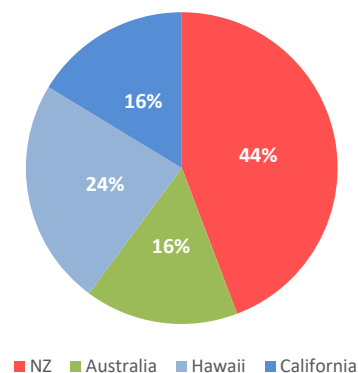


- Future expansion in US to come from store builds and smaller franchise acquisition.
- Confirms wisdom of geographic and brand diversification strategy.
- Offshore operations now comprise over 50% of RBD sales and revenue.
- With current US business RBD expects to reach its \$1billion dollar revenue target next year.

% of Revenue*



% of Brand EBITDA*



*FY19 existing businesses with current FY estimates on US acquisition.

Outlook

Despite the challenges of operating under COVID-19 restrictions RBD intends to take a “business as usual” approach and continue with further growth through acquisition, store refurbishments and new store roll outs.

New KFC and Taco Bell store builds will continue to drive sales and profit enhancement in New Zealand and Australia. The Taco Bell scrape and rebuilds in Hawaii will further assist that result.

The addition of the California 69 store acquisition will have little input on this year’s result with acquisition costs, but will lift sales and earnings in FY21 and provide a strong base for future mainland US expansion.

Despite a solid recovery in sales and margin in the beginning of 2H, continuing COVID-19 trading restrictions and with the possibility of further outbreaks mean that RBD is not providing firm guidance for the balance of this financial year.

Questions

DISCLAIMER

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- Includes forward-looking statements. These statements are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond RBD's control, and which may cause actual results to differ materially from those contained in this presentation.
- Includes statements relating to past performance which should not be regarded as reliable indicators of future performance.
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- Should be read in conjunction with RBD's unaudited consolidated financial statements for the 26 week period ending 30 June 2020 and NZX and ASX market releases.
- Includes non-GAAP financial measures including "EBITDA". These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. However, they should not be used in substitution for, or isolation of, RBD's audited consolidated financial statements. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.
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