RESTAURANT BRANDS NEW ZEALAND LIMITED

17 April 2018
NZX/ASX

RESTAURANT BRANDS DELIVERS RECORD PROFIT

$NZm	2018	2017	Change ($)	Change (%)
Total Group Sales	**740.8**	**497.2**	**+243.6**	**+49.0**
Group NPAT (reported)	**35.5**	**26.0**	**+9.5**	**+36.6**
Group NPAT (excl. non-trading)	**40.4**	**30.6**	**+9.8**	**+32.0**
Full Year Dividend (cps)	**28.0**	**23.0**	**+5.0**	**+21.7**

**52 weeks ended 26 February 2018*

Highlights

- Reported Net Profit after Tax at a new high of $35.5 million, up +36.6%.
- Net Profit after Tax (excluding non-trading items) also reached a record high of $40.4 million, up +32.0%.
- Successful completion of the 82 store Pacific Island Restaurants Inc. (PIR) acquisition in Hawaii in March 2017 and a further 18 KFC stores acquired in Australia during the period.
- Total Group Sales of $740.8 million, up 49.0%, with the bulk of this $243.6 million increase attributable to the PIR acquisition in Hawaii and the full year impact of the Australian operations which were acquired during FY17.
- Combined brand EBITDA[1] of $121.9 million, up 41.5% or $35.8 million with $24.1 million of the increase resulting from the PIR acquisition, with the Australian KFC business accounting for a further $7.1 million and the New Zealand businesses driving the remaining $4.6 million.
- Directors have declared a record final dividend of NZ18.0 cents per ordinary share, up +33.3%.

Overview

The past year has seen successful execution of Restaurant Brands' major growth strategies as the company continued to expand its global reach through the acquisition of additional KFC stores in Australia and the settlement of the Hawaiian acquisition. That initiative not only added a new geography, but also a new brand with 37 Taco Bell stores (together with 45 Pizza Huts) being brought into the Restaurant Brands' network. The continued expansion into the Australian market with the acquisition of an additional 18 KFC stores in New South Wales, brought total store numbers there to 61.

Integration of the recently acquired Australian stores and the Hawaiian business into the wider Restaurant Brands Group has been relatively seamless with local management aligned with and actively pursuing the company's growth strategies in each of their individual markets.

The company's recent acquisitions are delivering additional diversification with nearly half of FY18 Group sales now generated offshore. Pleasingly, this expansion growth has been accomplished whilst also continuing to achieve significant sales and earnings growth in the New Zealand market and from existing stores in Australia.

[1] [1]EBITDA is earnings before interest, tax, depreciation and amortisation. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS

Group Operating Results

Directors are pleased to report that Restaurant Brands has produced a net profit after tax (NPAT) for the period ended 26 February 2018 (FY18) of $35.5 million, up 36.6% on the reported NPAT of $26.0 million for the prior year.

After allowing for the impact of non-trading items, the underlying NPAT was $40.4 million, up $9.8 million or +32.0% on prior year.

Chairman Ted van Arkel said "*This level of profitability is a new record for the company and more importantly the growth is not only coming out of new acquisitions as existing operations are also delivering solid results."*

Total brand sales for the Group were a record $740.8 million, up $243.6 million or +49.0% on FY17 with the benefit of $167.5 million in additional sales generated from PIR in Hawaii from 7 March 2017. KFC operations in Australia delivered a strong performance with sales up $54.7 million, from both organic growth and the acquisition of 18 stores during the year. The New Zealand business also delivered record sales of $421.4 million, up 5.4%. Other revenue (primarily sales to independent franchisees) totalled $25.5 million, bringing total operating revenue to $766.3 million, up $248.7 million on prior year.

Ted van Arkel added *"The board and I are delighted with the progress of Restaurant Brands towards its stated target of $1 billion in annual revenues. Sales have almost doubled over the past two years and there is every indication of continued momentum of sales growth."*

Combined brand EBITDA of $121.9 million was up $35.8 million or +41.5% on prior year, with a $24.1 million contribution from the newly acquired Hawaiian operations.

Restaurant Brands' store numbers now total 314, comprising 171 in New Zealand, 82 in Hawaii and 61 stores in Australia.

New Zealand Operations

New Zealand operating revenue was $446.8 million, up $26.4 million or +6.3% on FY17.

Total store sales were $421.4 million, an increase of $21.4 million or +5.4% on last year, delivering EBITDA of $75.8 million, a $4.6 million or +6.5% increase on FY17. This was largely as a result of the continued strong performance of the KFC business.

New Zealand operations produced earnings before interest and tax (EBIT) (before non-trading items) of $44.7 million, up 18.6% on the prior year.

KFC New Zealand

$NZm	**2018**	**2017**	**Change ($)**	**Change (%)**
Network Sales	**339.4**	**314.9**	**+24.5**	**+7.8**
Network Store Numbers	**100**	**98**		
RBD Sales	**319.6**	**296.5**	**+23.1**	**+7.8**
RBD Store Numbers	**94**	**92**		
RBD EBITDA	**66.0**	**61.4**	**+4.6**	**+7.4**
EBITDA as a % of Sales	***20.6***	***20.7***		

KFC New Zealand continues to be a key driver of overall performance and this brand has had another excellent year. Sales were up 7.8% to $319.6 million, with same store sales up 6.2%. Successful product promotions and the introduction of a delivery service in selected stores contributed to this strong sales performance.

Despite some input cost pressures, margins remained strong, with an EBITDA margin of 20.6% of sales being delivered in the period. In dollar terms, EBITDA totalled $66.0 million, up 7.4% on last year's result.

KFC in New Zealand reached a new milestone of 100 total network stores with company-owned store numbers increasing by two to a total of 94.

The brand opened a new format store in Fort Street, Auckland in September. This new concept store design was customised for a central city environment with no drive-through facility. It has significantly outperformed expectations and is likely to be the prototype for a number of similar central city stores in both New Zealand and Australia. The other store opening during the year was at Christchurch Airport and this is also performing above expectations.

Pizza Hut New Zealand

$NZm	**2018**	**2017**	**Change ($)**	**Change (%)**
Network Sales	**100.7**	**91.6**	**+9.1**	**+10.0**
Network Store Numbers	**97**	**93**		
RBD Sales	**41.1**	**40.5**	**+0.6**	**+1.5**
RBD Store Numbers	**36**	**35**		
RBD EBITDA	**3.1**	**4.1**	**-1.0**	**-24.6**
EBITDA as a % of Sales	***7.4***	***10.0***		

Transformation of the Pizza Hut network in New Zealand to a master franchise model continues on plan. The commencement of an aggressive new store build programme during the year has progressed the expansion of the independent franchisee network.

This continued growth saw total brand sales sales climb to $100.7 million for FY18, up $9.1 million or +10.0% on prior year.

During the period three new company stores were opened in Tamatea, Glenfield and Te Ngae and one new franchisee store opened in Howick. The company sold two existing stores to independent franchisees. The number of company owned stores therefore increased by one to 36 while the number of independent franchisee stores has increased to 61, bringing the total Pizza Hut network to 97 stores.

In company owned stores, sales were up $0.6 million to $41.1 million, with same store sales up 8.1%.

Restaurant Brands' Pizza Hut store earnings were $3.1 million (7.4% of sales), down $1.0 million or 24.6% on last year, reflecting some margin pressures, particularly in relation to increased labour rates and ingredient costs.

Starbucks Coffee New Zealand

$NZm	**2018**	**2017**	**Change ($)**	**Change (%)**
Sales	**25.8**	**26.7**	**-0.9**	**-3.3**
Store Numbers	**22**	**24**		
EBITDA	**4.8**	**4.8**	**+0.0**	**+1.1**
EBITDA as a % of Sales	***18.6***	***17.8***		

Note: all Starbucks Coffee stores are RBD owned

The company's smallest brand, Starbucks Coffee, produced another consistent result.

Total sales were down marginally on FY17 to $25.8 million, reflecting the reduced store network of 22 stores, following the closure of the Newmarket and Botany stores in Auckland as a result of leases not being renewed because of landlord re-developments. Same store sales were positive at +6.3%.

Margins improved slightly with continuing sales leverage and store efficiencies. The brand achieved an EBITDA of $4.8 million (18.6% of sales), up slightly on FY17 despite the reduced number of stores.

Carl's Jr. New Zealand

$NZm.	2018	2017	Change ($)	Change (%)
Sales	**34.9**	**36.3**	**-1.4**	**-3.9**
Store Numbers	**19**	**19**		
EBITDA ($m)	**2.0**	**1.0**	**+1.0**	**+105.7**
EBITDA as a % of Sales	***5.7***	***2.7***		

Note: All Carl's Jr. stores are RBD owned

Progress continues to be made in building Carl's Jr. into a profitable, sustainable brand in New Zealand; the focus for FY18 being on generating more profitable sales, rather than driving volume through discounting and promotional activity.

As a result of these efforts, EBITDA was $2.0 million (5.7% of sales), an increase of $1.0 million or just over double that in the prior year.

Store numbers remained stable at 19 stores and sales were down 3.9% (-2.6% on a same store basis), as a result of rolling over FY17 sales promotion activity as well as the opening two new stores in Christchurch in that year.

Australian Operations

In $NZ terms, the Australian business (operating the KFC brand) contributed total sales of $NZ151.8 million, store EBITDA of $NZ22.0 million and EBIT of $NZ9.8 million. These results are all significantly up on the prior year, because of the acquisition of this business having taken place in April 2016, part way through FY17 as well as additional store acquisitions during FY18.

KFC Australia

$Am	2018	2017	Change ($)	Change (%)
Sales	**139.5**	**92.5**	**+47.1**	**+50.9**
Store Numbers	**61**	**42**		
EBITDA	**20.2**	**14.2**	**+6.0**	**+42.1**
EBITDA as a % of Sales	***14.5***	***15.4***		

In $A terms, total sales for the KFC business in Australia were $A139.5 million, up A$47.1 million (or +50.9%) on last year. This was a function of both the full impact of the acquisition of QSR Pty Limited which only became effective partway through FY17 and increased store numbers following the acquisition of the business assets of five stores at the start of this financial year and a further 13 stores in the second half of FY18. Same store sales increased +4.9%.

Store EBITDA of $A20.2 million (14.5% of sales) was up $A6.0 million or +42.1% on last year.

As part of the Australian market expansion strategy, over the FY18 year Restaurant Brands acquired the business assets of 18 KFC stores in New South Wales at a total price of $A46.5 million. Five stores were acquired in March 2017 and the remainder were acquired between October 2017 and January 2018. With the successful completion of these transactions, together with the opening of one new store early in the third quarter, the company-owned KFC store network in Australia totalled 61 stores at balance date.

Hawaii Operations

RBD acquired PIR in Hawaii effective 7 March 2017 and the reported trading results are from that date. The Hawaiian business (which also includes operations in Guam) operates 82 stores under the Taco Bell and Pizza Hut brands.

In $NZ terms, the newly-acquired Hawaiian operations contributed $NZ167.5 million in revenues, $NZ24.1 million in brand EBITDA and an EBIT of $NZ9.7 million since acquisition.

Total sales in Hawaii in the period since acquisition were $US119.8 million with store level EBITDA of $US17.2 million. Taco Bell performed ahead of expectations at the time of purchase with Pizza Hut running slightly below expectations.

Taco Bell Hawaii

$USm.	**2018**	**2017**	**Change ($)**	**Change (%)**
Sales	**68.3**	**-**	**+68.3**	**n/a**
Store Numbers	**37**	**-**		
EBITDA	**13.9**	**-**	**+13.9**	**n/a**
EBITDA as a % of Sales	***20.3***	**-**	**-**	**-**

Taco Bell is a new brand for the company and is performing very well with total sales to date of $US68.3 million and store-level EBITDA of $US13.9 million (20.3% of sales). A strong promotional pipeline has helped drive a solid sales performance.

Restaurant Brands has embarked on a store rebuild and refurbishment strategy for these stores following the same successful programme as undertaken for the KFC business in New Zealand. The one store that has been transformed to date has delivered same store sales growth of +60%, with a further three stores scheduled for major refurbishment over the next 18 months.

Pizza Hut Hawaii

$USm	**2018**	**2017**	**Change ($)**	**Change (%)**
Sales	**51.5**	**-**	**+51.5**	**n/a**
Store Numbers	**45**	**-**		
Store EBITDA	**3.3**	**-**	**+3.3**	**n/a**
EBITDA as a % of Sales	***6.5***	**-**		

The Pizza Hut business in Hawaii has integrated well into the Group's operations.

Total sales were $US51.5 million with store-level EBITDA of $US3.3 million (6.5% of sales). There has been some margin pressure from participating in US-wide value-led marketing promotions together with some higher commodity costs and rising direct labour expense.

As with Taco Bell, an asset refurbishment program is planned for the Pizza Hut brand. This will see a move away from the larger style restaurants into smaller, more cost-effective delivery and carry out (delco) units. One new delco unit was opened at Pearl City in Honolulu just after balance date and this is trading ahead of expectations.

Corporate & Other

General and administration (G&A) costs were $34.1 million, up $13.7 million from last year. The increase in the G&A cost base was due to the Hawaiian acquisition ($7.5 million), the full impact of Australian operations (purchased part way through FY17 ($1.2 million)), and the new corporate structure established during the period to meet the demands arising from the changes in size and geography of the Group's operations. G&A as a % of total revenue was 4.4%, up from 3.9% in the FY17 year.

Depreciation charges of $28.7 million for FY18 were $6.5 million higher than the prior year, of which the Hawaiian business accounted for $5.9 million.

Financing costs of $5.6 million were up $3.3 million on prior year reflecting the higher borrowings required to fund the Hawaiian and Australian acquisitions.

Tax expense was $16.7 million, up $5.6 million on the prior year due to higher reported profit levels. The effective tax rate of 32.0% reflects the increased proportion of profits that were generated off-shore, and the (one off) impact of non-trading items, with the average tax rate on earnings (excluding non-trading items) at 29.1%.

Non-trading Items

Non-trading expenditure for the year was $4.8 million, a similar level to the prior year. The FY18 figure included transaction costs on the PIR acquisition and acquisitions in Australia, listing fees and legal costs relating to the listing of the company on the Australian Securities Exchange (ASX) and an impairment (primarily to goodwill) to Carl's Jr. carrying value in New Zealand. These costs were partially offset by a realised FX gain arising from the forward contracts used in the PIR Hawaiian acquisition and a gain on sale of assets in relation to the sale of New Zealand Pizza Hut businesses to independent franchisees and the sale and leaseback of a KFC store.

Cash Flow & Balance Sheet

The composition of the Group's balance sheet has been impacted by two significant transactions over the year; the completion of the acquisition of PIR in Hawaii on 7 March 2017, together with the significant additional Australian KFC store acquisitions. These transactions, for a total purchase price of $NZ149.9 million and $NZ51.2 million respectively (before settlement adjustments), were funded primarily through cash raised from the issue of shares by a renounceable entitlement offer and private placement carried out in FY17, together with additional debt facilities.

Bank debt at the end of the year was consequently up to $166.8 million compared to $46.5 million at the previous year end. As at balance date, the Group had bank debt facilities totalling $253 million in place.

Operating cash flows were up $19.9 million to $67.8 million reflecting the Group's increased profitability.

Net investing cash outflows at $173.3 million (versus $79.0 million last year) primarily reflected the impact of the Hawaii and Australian acquisitions with a cash impact of $147.5 million (net of bank loans assumed as part of the transaction). Investing cash inflows for the period were due to $3.8 million received from the sale of two Pizza Hut stores and the sale and leaseback of a KFC store.

Dividend

Directors have declared a fully imputed final dividend of NZ18.0 cents per ordinary share (prior year NZ13.5 cents), payable on 22 June 2018 to all shareholders on the register on 1 June 2018. A supplementary dividend of NZ3.17645 cents per share will be paid to all overseas shareholders at the same time.

"Directors continue to have considerable confidence in the company's ability to grow both profit and cash flow and want to reward shareholders for what has been a very good year for Restaurant Brands," says Chairman Ted van Arkel.

The dividend reinvestment plan will apply to this dividend. For those participating in the plan, shares will be issued in lieu of dividend at a discount of 1.5% to the pre-closing 7 day NZX volume-weighted-average price (VWAP).

Listing on the Australian Securities Exchange

In September 2017 Restaurant Brands dual-listed on the Australian Securities Exchange (ASX) under the ticker code RBD. This listing has allowed the Company to better engage with its Australian investors and also provides opportunities to access additional pools of capital that may be required as part of future acquisition strategies.

Outlook

The full effects of two major acquisitions is evident in this year's financial results with sales almost doubling over the last two years and NPAT (excluding non-trading items) increasing from $24.2 million to $40.4 million over the same period. The new management team structure established has created a strong leadership platform from which Restaurant Brands is well positioned to pursue further international growth opportunities.

From a sound, established position in both the Australian and US (Hawaii) markets the company now has significant scope to expand further in both these geographies through acquisition, store refurbishments and organic growth. At the same time, organic growth opportunities within the New Zealand business will be pursued.

The company is not anticipating any significant change in the economic and competitive environment or unusual costs in the new financial year. With a consistent performance from the existing store network and the full year effect of the additional stores acquired in Australia in the second half of the 2018 financial year, directors expect the company will deliver a NPAT (excluding non-trading items) result for the new financial year of at least 10% above current year's results. Further details will be provided at the Annual Shareholders' Meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held in Wellington, New Zealand on Thursday 21 June 2018.For further information please contact:

Russel Creedy
Group CEO
Phone: 525 8010

Grant Ellis
Group CFO/Company Secretary
Phone: 525 8700

ENDS

About Restaurant Brands:

Restaurant Brands New Zealand Limited operates the KFC, Pizza Hut, Carl's Jr. and Starbucks Coffee brands in New Zealand, the KFC brand in Australia and the Taco Bell and Pizza Hut brands in Hawaii and Guam. These brands - five of the world's most famous - are distinguished for their product, ambience, service and for the total experience they deliver to their customers in New Zealand and around the world.

Consolidated Income Statement
For the 52 week period ended 26 February 2018

$NZ000's	26 February 2018 52 weeks	% sales	vs Prior %	27 February 2017 52 weeks	% sales
Sales					
KFC	319,598		*7.8*	296,465	
Pizza Hut	41,111		*1.5*	40,492	
Starbucks Coffee	25,818		*(3.3)*	26,694	
Carl's Jr.	34,921		*(3.9)*	36,347	
Total New Zealand sales	**421,448**		*5.4*	**399,998**	
KFC	151,844		*56.2*	97,181	
Total Australia sales	**151,844**		*56.2*	**97,181**	
Taco Bell	95,487		*n/a*	-	
Pizza Hut	71,997		*n/a*	-	
Total Hawaii sales	**167,484**		***n/a***	**-**	
Total sales	**740,776**		*49.0*	**497,179**	
Other revenue	25,513		*25.2*	20,370	
Total operating revenue	**766,289**		*48.1*	**517,549**	
Cost of goods sold	(626,701)		*48.6*	(421,872)	
Gross margin	**139,588**		*45.9*	**95,677**	
Distribution expenses	(2,895)		*4.7*	(2,764)	
Marketing expenses	(40,095)		*42.7*	(28,107)	
General and administration expenses	(34,090)		*67.4*	(20,364)	
EBIT before non-trading items	**62,508**		*40.7*	**44,442**	
Non-trading items	(4,755)		*(6.1)*	(5,063)	
EBIT	**57,753**		*46.7*	**39,379**	
Interest expense	(5,604)		*144.6*	(2,291)	
Net profit before taxation	**52,149**		*40.6*	**37,088**	
Taxation expense	(16,683)		*49.9*	(11,133)	
Total profit after taxation (NPAT)	**35,466**		*36.6*	**25,955**	
Total NPAT excluding non-trading	**40,361**		*32.0*	**30,567**	
		% sales			% sales
Concept EBITDA before G&A					
KFC	65,954	*20.6*	*7.4*	61,419	*20.7*
Pizza Hut	3,060	*7.4*	*(24.6)*	4,058	*10.0*
Starbucks Coffee	4,815	*18.6*	*1.1*	4,760	*17.8*
Carl's Jr.	1,993	*5.7*	*105.7*	969	*2.7*
Total New Zealand	**75,822**	***18.0***	*6.5*	**71,206**	*17.8*
KFC	22,026	*14.5*	*47.2*	14,964	*15.4*
Total Australia	**22,026**	***14.5***	*47.2*	**14,964**	***15.4***
Taco Bell	19,420	*20.3*	*n/a*	-	
Pizza Hut	4,681	*6.5*	*n/a*	-	
Total Hawaii	**24,101**	*14.4*	***n/a***	-	
Total concept EBITDA before G&A	**121,949**	***16.5***	*41.5*	**86,170**	***17.3***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(36.1)			87.7	

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 call centre, advertising and local store marketing expenses.
General and administration expenses (G&A) are non-store related overheads.

Non-GAAP Financial Measures
For the 52 week period ended 26 February 2018

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and comply with International Financial Reporting Standards ("IFRS"). These financial statements include non-GAAP financial measures that are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation are as follows:

1. **EBITDA before G&A.** The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) by taking net profit before taxation and adding back (or deducting) financing expenses, non-trading items, depreciation, amortisation and G&A. The Group also refers to this measure as Concept EBITDA **before G&A.**

   The term **Concept** refers to the Group's seven operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Starbucks Coffee and Carl's Jr.), KFC Australia and the two Hawaii divisions (Taco Bell and Pizza Hut). The term **G&A** represents non-store related overheads.

2. **EBIT before non-trading.** Earnings before interest and taxation ("EBIT") before non-trading is calculated by taking net profit before taxation and adding back (or deducting) financing expenses and non-trading items.

3. **Non-trading items.** Non-trading items represent amounts the Group considers unrelated to the day to day operational performance of the Group. Excluding non-trading items enables the Group to measure underlying trends of the business and monitor performance on a consistent basis.

4. **EBIT after non-trading items.** The Group calculates EBIT after non-trading items by taking net profit before taxation and adding back financing expenses.

5. **Total NPAT excluding non-trading**. Total Net Profit After Taxation ("NPAT") excluding non-trading items is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) non-trading items whilst also allowing for any tax impact of those items.

6. **Capital expenditure including intangibles**. Capital expenditure including intangibles represents additions to property, plant and equipment and intangible assets.

The Group believes that these non-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-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The following is a reconciliation between these non-GAAP measures and net profit after taxation:

$NZ000's	**Note***	**2018**	**2017**
EBITDA before G&A	**1**	**121,949**	**86,170**
Depreciation		(28,683)	(22,152)
Loss on sale of property, plant and equipment (included in depreciation)		23	(32)
Amortisation (included in cost of sales)		(3,233)	(2,342)
General and administration costs - area managers, general managers and support centre		(27,548)	(17,202)
EBIT before non-trading	**2**	**62,508**	**44,442**
Non-trading items **	3	(4,755)	(5,063)
EBIT after non-trading items	**4**	**57,753**	**39,379**
Financing costs		(5,604)	(2,291)
Net profit before taxation		**52,149**	**37,088**
Income tax expense		(16,683)	(11,133)
Net profit after taxation		**35,466**	**25,955**
Add back non-trading items		4,755	5,063
Income tax on non-trading items		140	(451)
Net profit after taxation excluding non-trading items	**5**	**40,361**	**30,567**

* Refers to the list of non-GAAP measures as listed above.
** Refer to Note 2 of the financial statements for an analysis of non-trading items