DIRECTORS' REPORT
For the year ended 31 December 2022 (FY22)

$NZm	Dec 2022	Dec 2021	Change ($)	Change (%)
Total Sales	**1,239.0**	**1,068.2**	**+170.8**	**+16.0**
Net Profit After Tax	**32.1**	**51.9**	**-19.8**	**-38.2**

Key Points

- A $170.8 million increase in total sales for the year to $1,239.0 million, 16.0% up against the previous year, with all four operating divisions showing growth.

- Reported net profit after tax of $32.1 million for the year, which was down $19.8 million on the last year, due to the ongoing adverse impact of inflation and the 2021 (FY21) result which included the forgiveness of the $11.4 million US Government loan.

- Combined store EBITDA[1] (pre-NZ IFRS 16) for the period was $180.2 million, up 4.3% on the previous year.

- Total store numbers increased by 17 to 376 including the acquisition of two KFC stores, one in New Zealand and one in California.

- Directors have declared a fully imputed final dividend of 16.0 cents per ordinary share, payable on 20 April to all shareholders on the register on 6 April 2023.

Overview

After successfully riding out the COVID-19 challenges during the 2020 and 2021 years, Restaurant Brands faced an even bigger challenge in 2022, that of sudden significant inflation pressures across all operating divisions. Food inflation has been particularly high, being well above the overall consumer price index (CPI) inflation rates in each of the company's markets. Price increases have been taken to mitigate some of the impact of rising costs where possible.

The result was once again adversely affected by COVID-19, particularly in the first quarter of the year with disruptions across all the company's operations primarily due to staffing issues caused by isolation requirements. Staffing shortages continue to be a challenge with high levels of vacancies across all divisions.

In the FY21 year the company saw its federal PPP loan in Hawaii forgiven, resulting in an additional $11.4 million in net income. This was a one-off gain which, when normalised, reduces the FY21 result to $40.5 million.

The resulting FY22 reported NPAT of $32.1 million is down 38.2% or $19.8 million on the prior year. Normalised for the gain on the PPP loan forgiveness the result is down $8.4 million or 20.7%.

Group Operating Results

Directors wish to report that during these high inflationary times Restaurant Brands has produced a reported net profit after tax (NPAT) for the year ended 31 December 2022 (FY22) of $32.1 million.

Direct comparisons between the FY21 and FY22 years remain difficult as both years have been affected by COVID-19. In addition this year's result has been severely impacted by inflation whilst last year's result included the benefit of the $11.4 million US PPP loan forgiveness.

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[1] EBITDA is earnings before interest, tax, depreciation and amortisation. The EBITDA amounts referred to throughout this report are before G&A, NZ IFRS 16 and Other Items. EBITDA is a non-GAAP financial measure and is not in accordance with NZ IFRS.

Total brand sales for the Company were $1,239.0 million, up $170.8 million on the previous year. This is due to the reduced sales levels in 2021 arising from the extended lock down in New Zealand (with an estimated $26 million of lost sales) and the inclusion of 17 new stores opened between December 2021 and December 2022. All four divisions produced positive total sales growth over the year. Same store sales were also positive for all divisions except California which saw reduced consumer spending in the face of high inflation levels and the withdrawal of government stimulus payments to households.

Combined store EBITDA (pre-NZ IFRS 16 and Other Items) of $180.2 million was up $7.5 million or +4.3% on the prior year. Sales growth was assisted by a significant turnaround in the New Zealand business (with store closures significantly impacting 2021 performance) and a strong result in the Hawaii division. EBITDA margins (as a % of sales) reduced from 16.2% to 14.5% due to continued cost pressures across all divisions.

Restaurant Brands' store numbers at the end of December 2022 totalled 376, comprising 143 in New Zealand, 83 stores in Australia, 75 in Hawaii and 75 stores in California.

New Zealand Operations

Total store sales in New Zealand were $529.2 million, up $68.1 million or +14.8% on the December 2021 year. This was largely from strong sales in the KFC brand, along with growing store numbers in the KFC and Taco Bell networks. The favourable prior year comparison was also partly because the 2021 result was adversely affected by major COVID-related store closures across the country (including an extended lockdown in the major Auckland region which resulted in lost sales of approximately $26 million).

	31 December 2022	31 December 2021	Change ($)	Change (%)
Store sales ($m)	**529.2**	461.1	+68.1	+14.8%
EBITDA ($m)	**89.5**	83.3	+6.2	+7.4%
EBITDA as a % of Sales	***16.9***	*18.1*		
Store Numbers	**143**	137		

The New Zealand KFC and Pizza Hut businesses both delivered some of the strongest sales in their respective brands' histories. With price increases and the continued introduction of great new products including *Hot & Crispy Boneless Chicken* (KFC) and *Detroit Pizza* (Pizza Hut) weekly sales reached new highs for both brands.

Carl's Jr. continues to perform well with sales up on last year, even with reduced store numbers.

Although Taco Bell remains a small portion of the New Zealand business, with three stores opened during the year, overall sales more than doubled during 2022. An e-commerce website has been launched for Taco Bell which allows customers to order online.

Store EBITDA for NZ operations was $89.5 million, up $6.2 million with some leverage from the higher sales. This was despite the underlying EBITDA as a percentage of sales reducing to 16.9% from 18.1%. Inflation had a substantial impact on margins with ingredient and labour input costs rising significantly and well above the level of CPI.

COVID-19 isolation requirements for staff and ongoing tightness in the New Zealand labour market adversely impacted the result, particularly in the first half of FY22. This consequently restricted the ability to operate full trading hours across all stores and channels. However, the situation is slowly being remedied with some growth in staff numbers.

Whilst plant and equipment constraints have slowed development, the NZ division continued to build and develop new stores with three KFC outlets opening at Whangarei South, Richmond and Ruakura. The business also acquired the KFC in the Auckland Airport International Terminal. Three Taco Bells were opened at Cuba Mall, Wellington, Botany Downs, Auckland and Christchurch Airport.

The Pizza Hut store network has also continued to grow with nine new independently franchised stores opening over the year. This brought the total number of Pizza Hut stores to 115, of which 109 are operated by independent franchisees under a master franchise agreement with Restaurant Brands.

Australian Operations

In NZ$ terms the Australian business contributed total sales of $NZ283.4 million (up 16.1%) and a store EBITDA of $NZ31.2 million (down 1.3%).

	31 December 2022	31 December 2021	Change ($)	Change (%)
Sales ($Am)	**259.0**	230.0	**+29.0**	**+12.6%**
Store EBITDA ($Am)	**28.6**	29.8	**-1.2**	**-4.0%**
EBITDA as a % of Sales	***11.0***	*13.0*		
Store Numbers	**83**	79		

Total sales in Australia were $A259.0 million, up $A29.0 million (or +12.6%) on last year, due to same store sales growth of +7.4% along with additional store openings and the full annualised effect of stores opened throughout FY21.

Store EBITDA of $A28.6 million (11.0% of sales) was down $A1.2 million or -4.0% on last year. This was because of a number of challenges during the year, including further COVID-19 outbreaks, extreme weather events, major supply chain disruptions, and significant inflationary pressures. With the lower EBITDA, the % margin dropped from 13.0% to 11.0%.

Despite these challenges the business has continued to grow with four new Taco Bell stores and one new KFC store opening during the year and ongoing upgrades to existing facilities including further investment in digital technology (kiosks & digital drive thru menu boards) improving customer experience. There has also been further expansion of the delivery channels with the launch of Uber Eats as a delivery partner.

Hawaiian Operations

In $NZ terms, Hawaiian operations contributed $NZ247.5 million in sales and $NZ42.3 million in store EBITDA for the year. This was significantly higher than FY21 with sales up $NZ41.0 million and EBITDA up $NZ8.4 million, partly helped by a favourable NZD/USD exchange rate.

	31 December 2022	31 December 2021	Change ($)	Change (%)
Sales ($USm)	**156.4**	146.3	+10.1	+6.9%
Store EBITDA ($USm)	**26.8**	24.4	+2.4	+9.8%
EBITDA as a % of Sales	***17.1***	*16.4*		
Store Numbers	**75**	73		

Total sales in Hawaii in USD terms for the period were $US156.4 million, up 5.4%. Store level EBITDA was $US26.8 million (17.1% as a percentage of sales vs 16.4% in the prior period). Taco Bell sales topped $US100 million for the first time in the division's history.

The strong sales growth (up $US10.1 million) was primarily due to the continued outstanding recovery by Taco Bell after it was severely affected by COVID-19. Same store sales growth for Hawaii was 2.9% for the year, following on from an increase of 9.1% in same store sales growth in FY21.

Taco Bell's strong performance was underpinned by strong promotional activities and product innovation. Sales for the *Mexican Pizza* were particularly strong, with the initial promotion selling out of product in less than a week. A relaunch later in the year proved equally successful. Delivery aggregators also continue to grow in volume.

Taco Bell also opened two new restaurants at Kilauea (on the island of Hawaii) and Ho'okele (on Maui).

Although Pizza Hut achieved more moderate growth, innovative product offers such as *Pizza Melts*, which targeted lunchtime diners were very successful. During the year DoorDash also rolled out a delivery service in the State. This allowed Pizza Hut to still deliver orders generated from the Pizza Hut proprietary systems despite facing delivery driver staffing shortages.

Californian Operations

In $NZ terms California operations contributed $NZ179.0 million (up $22.5 million) in revenue. However, store EBITDA was down $6.7 million to $NZ17.1 million. The reported revenue increase in $NZ terms is largely due to a strong $US exchange rate.

	31 December 2022	31 December 2021	Change ($)	Change (%)
Sales ($USm)	**113.2**	**110.3**	+2.9	+2.6%
Store EBITDA ($USm)	**10.9**	**16.8**	-5.9	-35.1%
EBITDA as a % of Sales	***9.6***	***15.2***		
Store Numbers	**75**	**70**		

Total sales were up $2.9 million to $113.2 million primarily due to store growth from four new KFC stores opened during the year and the acquisition of an existing KFC store in the Palm Valley area. Same store sales were down 2.9% for the year due to reduced California consumer spending in the face of high inflation levels and the withdrawal of government stimulus payments that were made to households in 2020 and 2021.

Store EBITDA was $US10.9 million (9.6% as a percentage of sales). The reduction in % EBITDA margin was the result of significant cost pressures which continue to impact the business into 2023.

There were four new KFC store openings during the FY22 year with the first three new stores since acquisition of the California business in September 2020 opening over an intensive period of six weeks. KFC San Bernardino opened in February 2022. KFC Perris (opened March 2022) and KFC Barstow (opened April 2022) were both new format 'American Showman Next Generation' store formats.

The sales from these stores continue to track above expectations. A fourth new store at Ridgecrest opened in August 2022. Opening day trading in both the Ridgecrest and Barstow stores were in the top 10 opening days ever for any US KFC outlet.

Overall, store numbers grew by five with the four new store openings, and one acquired store. The store, acquired in January 2022, has tracked to expectation and is being remodelled in early 2023 to improve back of house operations and present a more contemporary customer offering consistent with our existing stores.

Corporate & Other

General and administration (G&A) costs were $61.4million, up $11.4 million from last year reflecting the effect of inflation on salary costs as well as the continued expansion of the business, particularly the growth of Taco Bell in New Zealand and Australia. G&A as a % of total revenue was 4.7% which is up from 4.5% for FY21.

Depreciation charges of $85.2 million for the year ended 31 December 2022 were $10.1 million higher than the prior year primarily due to the impact of continued high capital expenditure on new stores and refurbishments of existing stores. Of the $85.2 million, $41.3 million related to right of use asset depreciation incurred under NZ IFRS 16.

Financing costs of $44.5 million were up $8.2 million on prior year, reflecting the impact of both increased debt levels and higher interest rates. Interest on bank debt for the period ended 31 December 2022 was $11.1 million, up $4.3 million on last year. The additional debt arose from continued heavy reinvestment in property, plant and equipment and the payment of the first dividend since 2018.

Tax expense was $10.1 million, $3.8 million lower than the prior year reflecting the lower level of profitability for the year. The effective tax rate was 23.9% (21.1% for FY21) due to the higher level of non-assessable income in FY21 which included the forgiveness of the US PPP Loan.

Other Items

Other net expenses of $2.9 million are down from a net income of $7.2 million for the prior year. The prior year positive income arose primarily due to the forgiveness of the US PPP loan of $11.4 million. This year's expenditure primarily was a further $4.0 million in systems development costs (FY21 $4.2 million) which were incurred as part of a major overhaul of the company's financial systems. Other items in other income and expenses in FY22 were $1.2 million in store closure and asset impairment costs, insurance recovery on a flood damaged store under a full replacement insurance policy and a gain on acquisition relating to a store in California acquired for a value lower than its net assets.

Cash Flow & Balance Sheet

Total assets were $1,417.3 million, up $87.4 million on FY21 primarily because of new store acquisitions and store builds which increased the value of both property, plant and equipment as well as lease assets. Equally, there has been an increase of $84.0 million in liabilities, primarily reflecting the future discounted lease liability on leases acquired and an increase in debt.

Operating cash flows (adjusted by $27.0 million for NZ IFRS 16) were down $7.3 million to $94.6 million, reflecting the lower margins from the effects of inflation.

Net investing cash outflows were $91.6 million (vs $109.6 million in FY21). FY21 was higher than the current year because of the acquisition of seven stores (for a total of $28.0 million). Payments for property, plant and equipment were $90.5 million, compared with $82.6 million in the prior year. Much of the expenditure was on new stores with four new KFC and seven new Taco Bell stores in New Zealand and Australia (together with significant KFC refurbishment expenditure in both those markets). There were also four new KFC stores opened in California and two Taco Bell stores opened in Hawaii.

Debt Refinancing

Over the year the company renewed its bank lending facilities with Westpac, JPMorgan, Rabobank and Bank of China - the majority of which were due to expire in April 2023.

The refinancing was with bi-lateral committed bank debt facilities under the existing global negative pledge arrangement, totalling approximately $370 million (NZD equivalent). The facilities are split between NZD, USD and AUD tranches with a mix of four and five-year tenors.

The lending facilities are on similar terms to RBD's previous banking arrangements and were activated in December 2022.

Dividend

Directors have assessed at balance date the current and projected financial position of the company and in particular its cash flows, capital expenditure demands and debt levels.

A final dividend has been declared for 16.0 cents per ordinary share, payable on 20 April 2023 to all shareholders on the register on 6 April 2023. The dividend will be paid as fully imputed to all New Zealand resident shareholders. In addition, a supplementary dividend of 2.8235 cents per share will be paid to all overseas shareholders at the same time.

There is no dividend reinvestment plan in place for this dividend.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held in Auckland on Thursday 18 May 2023.

Authorised by:

José Parés
Chairman of the Board

Russel Creedy
Group CEO

Consolidated Income Statement
For the year ended 31 December 2022

$NZ000's	31 December 2022	% sales	vs Prior %	31 December 2021	% sales
Sales					
New Zealand	529,158		*14.8*	461,121	
Australia	283,397		*16.1*	244,104	
Hawaii	247,459		*19.8*	206,506	
California	179,035		*14.4*	156,516	
Total sales	**1,239,048**		***16.0***	**1,068,247**	
Other revenue	59,170		*28.1*	46,195	
Total operating revenue	**1,298,218**		***16.5***	**1,114,441**	
Cost of goods sold	(1,077,075)		*(18.1)*	(912,359)	
Gross margin	**221,143**		***9.4***	**202,082**	
Distribution expenses	(8,244)		*3.6*	(8,555)	
Marketing expenses	(61,849)		*(10.8)*	(55,840)	
General and administration expenses	(61,444)		*(23.0)*	(49,974)	
Government grants	-		*n/a*	7,165	
Loan forgiven	-		*n/a*	11,419	
Other items	(2,900)		*31.3*	(4,219)	
Operating profit	**86,705**		***(15.1)***	**102,077**	
Financing expenses	(44,528)		*(22.7)*	(36,284)	
Net profit before taxation	**42,177**		***(35.9)***	**65,793**	
Taxation expense	(10,094)		*27.4*	(13,912)	
Total profit after taxation (NPAT)	**32,083**		***(38.2)***	**51,881**	
Concept EBITDA before G&A including Government grants					
New Zealand	89,545	*16.9*	*7.5*	83,319	*18.1*
Australia	31,205	*11.0*	*(1.3)*	31,614	*13.0*
Hawaii	42,322	*17.1*	*24.7*	33,932	*16.4*
California	17,147	*9.6*	*(28.1)*	23,849	*15.2*
Total concept EBITDA before G&A	**180,219**	***14.5***	***4.3***	**172,713**	***16.2***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	11.9			8.4	

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.

Non-GAAP Financial Measures
For the year ended 31 December 2022

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 follows:

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 **Store 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 **Store** refers to the Group's 10 operating divisions comprising the New Zealand brands (KFC, Pizza Hut, Taco Bell and Carl's Jr.), the two Australia brands (KFC and Taco Bell), the two Hawaii brands (Taco Bell and Pizza Hut), and the two California brands (KFC and Taco Bell). 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 by other companies.

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

$NZ000's	Note*	31 Dec 2022	31 Dec 2021
EBITDA including Government grants, before G&A and other items	1	**180,016**	**172,713**
Depreciation		(43,935)	(36,944)
Net loss on sale of property, plant and equipment (included in depreciation)		(952)	(3,619)
Lease depreciation		(41,282)	(38,129)
Lease costs		60,473	53,993
Amortisation (included in cost of sales)		(10,119)	(9,231)
General and administration costs - area managers, general managers and support centre		(54,596)	(43,906)
Loan forgiven		-	11,419
Other items		(2,900)	(4,219)
Operating profit		**86,705**	**102,077**
Financing expenses		(44,528)	(36,284)
Net profit before taxation		**42,177**	**65,793**
Taxation expense		(10,094)	(13,912)
Net profit after taxation		**32,083**	**51,881**
Add back NZ IFRS 16 impact		14,208	13,586
Income tax on NZ IFRS 16 impact		(3,934)	(3,986)
Total NPAT excluding the impact of NZ IFRS 16	2	**42,357**	**61,482**

* Refers to the list of non-NZ GAAP measures as listed above.