14 April 2016
NZX

RESTAURANT BRANDS' 2016 ANNUAL RESULT

	2016 (52 weeks) $m	2015 (53 weeks) $m	Change %
Total Group Store Sales	**387.6**	**359.5**	**+7.8%**
Group Net Profit after Tax	**24.1**	**23.8**	**+1.0%**
Dividend (cps)	**21.0**	**19.0**	**+10.5%**

Key points

- Group Net Profit after Tax was $24.1 million (24.6 cents per share), up $0.2 million (+1.0%), on prior year. Net Profit after Tax (excluding non-trading items) was $24.2 million (24.7 cents per share), up 7.5% on prior year.
- On a like-for-like basis, adjusting for the impact of the 52 vs 53 week comparison and the LTI scheme, Net Profit After Tax (excluding non-trading items) was up $2.8 million or 12.6%.
- Total Group Store Sales were $387.6 million, up $28.0 million (+7.8%) on prior year with continued strong growth from KFC and the impact of acquisitions in the Carl's Jr. brand.
- KFC continued to dominate performance with sales continuing to grow to a new high of $282.5 million.
- Total store EBITDA of $66.9 million was up $5.4 million (+8.7%) on the prior year, again driven by a very strong performance by KFC.
- Operating cash flows were $44.3 million, up $7.8 million and debt was reduced to $12.7 million
- After balance date the company entered into an agreement to acquire QSR Pty Limited, the largest KFC franchisee in New South Wales Australia. The acquisition will result in an additional $A100 million in annual revenues and $A15 million in store EBITDA.
- A final fully imputed dividend of 12.5 cents per share will be paid on 24 June, making a full year dividend of 21.0 cents (up 10.5% on the previous year).

Note: Results for the 2015/16 financial year are on a 52 week basis vs 53 weeks for the previous year. Because the company normally reports on a 52 week (364 day) year, a "leap" year is occasionally required; hence the extra week last year. Unless otherwise stated, all comparative data (with the exception of same store sales) is presented on the basis of a 52 week to 53 week comparison.

Group Operating Results

Restaurant Brands Net Profit after Tax for the 52 weeks to 29 February 2016 (FY16) was $24.1 million (24.6 cents per share), up 1.0% on last year's profit of $23.8 million (24.3 cents per share).

Net Profit after Tax (excluding non-trading items) was $24.2 million (24.7 cps), up 7.5% on the $22.5 million (23.0 cps) result in FY15.

Non-trading costs were $0.5 million for the year (compared with $1.3 million in non-trading gains for FY15).

Total store sales of $387.6 million were up $28.1 million (+7.8%) on the previous year's sales. Adjusted for the extra trading week in the prior year, the real increase was closer to $34.9 million or +9.9%. KFC and Carl's Jr.

drove most of the growth with Pizza Hut showing a small decline in sales because of the sale of company stores. Same store sales for the group were up 5.3% (up 5.7% in FY15).

Group revenues for the year were $404.1 million with the inclusion of sales of ingredients and packaging materials to independent franchisees. This was up 26.4% on prior year with higher volumes and an increased number of independent franchisees.

Store EBITDA (before G&A costs) was up by $5.4 million (+8.7%) to $66.9 million, with KFC contributing $6.4 million of the improved earnings.

Year end store numbers at 173 were eight down on February 2015 with continuing sales of regional Pizza Hut stores to independent franchisees and the closure of one Pizza Hut and one Starbucks Coffee store at lease end.

KFC

	2016 $m	2015 $m	Change $m	Change %
Sales	**282.5**	**265.0**	**+17.5**	**+6.6%**
EBITDA	**57.2**	**50.8**	**+6.4**	**+12.6%**
EBITDA as % of Sales	***20.2%***	***19.2%***	***-***	***+1.0%***

KFC enjoyed another year of strong sales and margin growth, achieving another record annual sales of $282.5 million, an increase of $17.5 million or +6.6% on the prior year. Adjusting for the extra week's trading last year, sales growth was +8.6%.

Same store sales started very strongly with the first half delivering same store sales growth of +8.8% and finishing the full year at +6.3% (compared with +7.7% last year).

The strong sales continue to be driven by the store transformation program, increased marketing spend and successful promotions.

Margins continued to improve with an EBITDA of $57.2 million, another new record for the brand. This represents an increase of $6.4 million or +12.6% on FY15. As a percentage of sales, brand EBITDA improved from 19.2% in FY15 to 20.2% this year.

Store transformations continued with four more major transformations being undertaken, together with 14 minor upgrades. The major transformation process is now nearly complete with 86 out of the company's 91 stores now either new or fully transformed. A further 2-3 are scheduled for transformation in the new financial year.

Store numbers remained at 91 with the opening of a new store at Albany and the closure of an underperforming store in Kaikohe.

Pizza Hut

	2016 $m	2015 $m	Change $m	Change %
Sales	**44.9**	**48.4**	**-3.5**	**-7.2%**
EBITDA	**4.9**	**6.4**	**-1.5**	**-23.0%**
EBITDA as % of Sales	***10.9%***	***13.2%***	***-***	***-2.3%***

Total sales of stores operated by Restaurant Brands were down 7.2% over the year to $44.9 million, due to lower store numbers as the company sold a further six stores to independent franchisees and closed its Red Roof dine–in store in Rotorua.

Same store sales for company stores grew 2.6% over the year with particularly strong sales growth in the fourth quarter - increasing by 8.8% with the benefit of the launch of a new mobile-friendly Pizza Hut website and a revised menu.

Earnings from company stores were adversely impacted by both sales of profitable stores to independent franchisees and some increases in labour and ingredient costs. EBITDA for the year was $4.9 million, down $1.5 million on FY15. This represented 10.9% of sales vs 13.2% last year, but still within the company's expected margin range.

By year end Restaurant Brands still retained a total of 39 stores and independent franchisees had 50 stores. Sales from the 89 store Pizza Hut network increased by 7.2% on the equivalent period.

Demand from independent franchisees remains strong for both purchases of Restaurant Brands' stores and new store construction in green fields locations.

Starbucks Coffee

	2016 $m	2015 $m	Change $m	Change %
Sales	**26.8**	**26.1**	**+0.7**	**+2.9%**
EBITDA	**4.4**	**4.3**	**+0.2**	**+3.7%**
EBITDA as % of Sales	***16.4%***	***16.3%***	***-***	***+0.1%***

As the company's smallest brand, Starbucks Coffee continues to make a reliable and sustainable contribution to the overall group result.

Sales enjoyed a solid total increase of +2.9% and same store growth of +6.9% to total $26.8 million for the year. Same stores sales growth remains very consistent for this brand, delivering +5.1% in FY15 and +5.7% for FY14.

Despite some weakening of the NZD/USD exchange rate, increased volumes and continuing operating efficiencies delivered a further increase in earnings to a new high of $4.4 million (16.4% of sales).

Store numbers reduced to 25 with the closure at lease end of the Courtenay Place store in Wellington. Two of the brand's South Island stores in Riccarton and Queenstown received major upgrades over the year.

Carl's Jr.

	2016 $m	2015 $m	Change $m	Change %
Sales	**33.4**	**20.1**	**+13.3**	**+66.3%**
EBITDA	**0.4**	**0.2**	**+0.3**	**+186.9%**
EBITDA as % of Sales	***1.3%***	***0.8%***	***-***	***+0.5%***

The newest brand in the Restaurant Brands stable continued to make progress.

Sales were up 66.3% to $33.4 million, with the full year impact of the stores acquired from Forsgren NZ Limited in FY15 and last year's new store openings. Same store sales for the brand were -5.1% with continued rollover of last year's openings.

Carl's Jr. introduced the 1/3 pound and the 1/2 pound burger options in the New Zealand market during the year as part of a refresh of the menu.

High beef prices together with the residual effects of the US West Coast port strike, some labour inefficiencies and a conscious strategy to accelerate advertising expenditure to try and build brand presence all adversely impacted margins over the year. The Carl's Jr. brand produced an EBITDA of $0.4 million (1.3% of sales).

The Company has introduced a number of initiatives to improve margins and a more robust profit result is forecast for FY17.

Store numbers remained constant at 18 as store rollouts slowed pending a return to more solid profitability. One new store incorporating a trial of the new Carl's Jr. livery opened in Christchurch in the first month of the new financial year with a second one scheduled to open at the end of April.

Corporate and Other Costs

G&A (above store overheads) at $16.4 million were $1.3 million (8.8%) up on prior year. Most of this increase arose from taking up a $1.2 million pre-tax charge (FY15 $0.3 million) to recognise the Company's total liability under the Chief Executive's Long Term Incentive Scheme.

Group non-trading items were a net loss of -$0.5 million for the year. This comprised gains on the disposal of Pizza Hut stores of +$1.0m, store closure costs of -$0.5m, and legal and due diligence costs arising from the proposed acquisition of QSR Pty Limited of -$1.0m. Group non-trading items in FY15 were a gain of +$1.3m.

Depreciation charges at $16.8 million were up $1.7 million on the prior year, largely as a result of a full year of depreciation of Carl's Jr. new stores and the purchased Forsgren stores (an additional $1.2 million). Reduced depreciation charges in Pizza Hut from store disposals amounted to $0.2 million and the KFC depreciation charge at $11.3 million was $0.8 million up on prior year due to recent store transformations.

Interest and funding costs at $1.0 million were flat to prior year. Bank interest rates (inclusive of margins) for the year averaged 4.8% compared with 5.1% in FY15.

Cash Flow and Balance Sheet

The company continues to enjoy strong cash flow with operating cash flows of $44.3 million for the year, up $7.8 million on prior year. Whilst some of this was attributable to favourable working capital movements, it continues to reinforce the strong financial dynamics of the business.

Net investing cash outflows were down significantly on prior year to $15.3 million from $33.0 million in FY15. The FY15 numbers were inflated by the purchase of two independent KFC franchisees and the acquisition of the Carl's Jr. business from Forsgren NZ Limited (for $10.4 million).

Resultant free cash flows were $29.0 million, well up on $3.4 million for the FY15 year. With dividend payments taking $19.6 million (vs $17.1 million in FY15), the company paid down bank debt by $9.9 million. Resulting borrowings reduced to $12.7 million at year end from $22.6 million last year.

Total assets at year end were $139.8 million, slightly down on last year's $144.6 million. Non-current assets were up $0.9 million to $127.2 million whilst current assets were down $5.7 million to $12.6 million (lower receivables and bulk inventory levels).

Total liabilities were down by $9.2 million to $64.2 million with the bulk of the reduction arising from lower levels of borrowings (down to $12.7 million).

Year-end shareholders' funds of $75.6 million were $4.4 million up on prior year because of increases in retained earnings.

The balance sheet remains conservative with a gearing ratio of 13% (FY15: 23%).

Dividend

Directors have declared a final fully imputed dividend of 12.5 cents per share. This, together with the interim dividend of 8.5 cents per share, makes a full year dividend of 21.0 cents per share (up 2.0 cents on FY15).

Restaurant Brands continues to enjoy strong cash flows and dividend levels will continue to increase as the company continues to enhance its profit performance.

The final dividend of 12.5 cents per ordinary share will be payable on 24 June 2016 to all shareholders on the register on 10 June 2016. A supplementary dividend of 2.2060 cents per share be paid to all overseas shareholders at the same time.

The dividend re-investment plan remains suspended for this dividend.

Australian Acquisition

On 3 March 2016, Restaurant Brands entered into a conditional agreement to purchase 100% of the shares in QSR Pty Limited (QSR). The transaction (which is expected to be completed in the first quarter of the new financial year) was for a consideration of $A82.4 million. QSR is the largest KFC franchisee in New South

Wales, Australia. It operates 42 stores in Sydney and rural New South Wales. The transaction is subject to a number of conditions including approval of the franchisor, Yum! Restaurants International and is expected to be settled within the month.

The transaction will be partially settled by the issue of 5 million Restaurant Brands shares (at a set price of $4.16) with the balance in bank debt. Following completion the company is expected to have borrowing levels of approximately $NZ82 million.

The acquisition is seen by the company as a strategic move into the Australian market buying a well-run profitable company which will provide a sound base for future expansion opportunities. The acquired business generates in excess of $A100 million in turnover and $A15 million in store EBITDA and will bring Restaurant Brands' total annual revenues to in excess of $NZ500 million.

As part of the transaction, Mr Stephen Copulos, the current owner of QSR Pty Limited will be invited to join the board of Restaurant Brands.

Outlook

Whilst the reported profit for the year at $24.1 million was only 1.0% up on prior year, the underlying result was considerably higher after taking into account the impact of the cost of the Long Term Incentive Scheme ($0.9 million after tax) and the due diligence and legal costs of the QSR acquisition ($1.0 million after tax).

The new financial year has seen a continuation of the trading performance of the last quarter of the FY16 year.

KFC will see a tapering off of investment in store transformation as the brand reaches its target of having all 91 stores at the new high standard. This, together with a strong promotional calendar and continued levels of marketing expenditure will see continued same store sales growth for the coming year and margins will be maintained at similar levels.

Pizza Hut is expected to deliver same store sales growth in both its company stores and across the network of independent franchisees. The store sell down programme and construction of new independent franchisee stores will see company stores at close to 30% of a 90 store network by year end. The residual stores will continue to remain profitable and royalty and services income from independent franchisee stores will grow.

Starbucks Coffee will continue to enjoy stable same store sales. Margins will remain solid, but there will be some pressure from ingredient costs with exchange rate movements.

The Carl's Jr. business in the new year will see the benefits of the appointment of a new General Manager, a heightened focus on store labour and ingredient costs, some menu rationalisation and the opening of new stores to assist in building critical mass all of which will help to improve both sales and margin.

The new Australian acquisition is expected to contribute to increased profitability from late in the first quarter, but there will be some further one off transaction costs in settling the transaction.

Absent any significant changes in the economic and competitive environment or unusual costs, with both an improved domestic performance and the contribution from the QSR business in Australia from the end of the first quarter, directors expect that the company will deliver a profit result in the new financial year of $28-30 million. More details will be provided at the Annual Shareholders' Meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting for the company will be held in Auckland on 22 July 2016.

For further information please contact:

Russel Creedy
CEO
Phone: 525 8710

Grant Ellis
CFO/Company Secretary
Phone: 525 8710

ENDS

About Restaurant Brands:

Restaurant Brands New Zealand Limited operates the New Zealand outlets of KFC, Pizza Hut, Carl's Jr. and Starbucks Coffee. These brands - four of the world's most famous - are distinguished for their product, look, style and ambience, service and for the total experience they deliver to their customers in New Zealand and around the world.

RESTAURANT BRANDS GROUP
Consolidated Income Statement
For the 52 week period ended 29 February 2016

$NZ000's	29 February 2016 52 weeks		vs Prior %	2 March 2015 53 weeks	
Sales					
KFC	282,531		*6.6*	265,038	
Pizza Hut	44,871		*(7.2)*	48,364	
Starbucks Coffee	26,811		*2.9*	26,067	
Carl's Jr.	33,351		*66.3*	20,059	
Total sales	**387,564**		*7.8*	**359,528**	
Other revenue	16,531		*26.4*	13,075	
Total operating revenue	**404,095**		*8.5*	**372,603**	
Cost of goods sold	(329,983)		*(8.5)*	(304,190)	
Gross margin	**74,112**		*8.3*	**68,413**	
Distribution expenses	(2,505)		*(7.9)*	(2,321)	
Marketing expenses	(20,654)		*(9.3)*	(18,892)	
General and administration expenses*	(16,434)		*(8.8)*	(15,105)	
EBIT before non-trading	**34,519**		*7.6*	**32,095**	
Non-trading	(452)		*(134.0)*	1,328	
EBIT	**34,067**		*1.9*	**33,423**	
Interest expense	(991)		*(3.1)*	(961)	
Net profit before taxation	**33,076**		*1.9*	**32,462**	
Taxation expense	(9,006)		*(4.3)*	(8,632)	
Total profit after taxation (NPAT)	**24,070**		*1.0*	**23,830**	
Total NPAT excluding non-trading	**24,207**		*7.5*	**22,523**	
		% sales			% sales
EBITDA before G&A					
KFC	57,150	*20.2*	*12.6*	50,777	*19.2*
Pizza Hut	4,902	*10.9*	*(23.0)*	6,365	*13.2*
Starbucks Coffee	4,409	*16.4*	*3.7*	4,253	*16.3*
Carl's Jr.	439	*1.3*	*186.9*	153	*0.8*
Total	**66,900**	***17.3***	***8.7***	**61,548**	***17.1***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	56.3c			51.2c	

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.

*Included in general and administration expenses is a $1.2 million charge (2015: $0.3 million) relating to the long term incentive scheme ("LTI Scheme") the Group entered into with the Chief Executive Officer. Refer to Note 19 of the financial statements for further details.

Restaurant Brands Group
Non-GAAP Financial Measures
For the 52 week period ended 29 February 2016

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) net 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 four operating segments comprising KFC, Pizza Hut, Starbucks Coffee and Carl’s Jr. 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) net 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 net 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***	**29 February 2016**	**2 March 2015**
EBITDA before G&A	1	**66,900**	**61,548**
Depreciation		(16,512)	(15,008)
Loss on sale of property, plant and equipment (included in depreciation)		(243)	-
Amortisation (included in cost of sales)		(1,797)	(1,628)
General and administration - area managers, general managers and support centre		(13,829)	(12,817)
EBIT before non-trading	2	**34,519**	**32,095**
Non-trading items **	3	**(452)**	**1,328**
EBIT after non-trading items	4	**34,067**	**33,423**
Net financing costs		(991)	(961)
Net profit before taxation		**33,076**	**32,462**
Income tax expense		(9,006)	(8,632)
Net profit after taxation		**24,070**	**23,830**
Add back / (deduct) non-trading items		452	(1,328)
Income tax on non-trading items		(315)	21
Net profit after taxation excluding non-trading items	5	**24,207**	**22,523**

* 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