Annual Shareholders' Meeting 2016

Chairman's Address

Restaurant Brands enjoyed another year of very sound performance in its New Zealand operations, followed by our seizing the opportunity to expand into the Australian market with the acquisition of QSR, a 42 store very successful KFC franchise in New South Wales.

Before briefing you on the performance of the company for the last financial year, I thought I'd share some reflections with you on two of the brands we operate - KFC and Pizza Hut, following my attendance (together with Russel Creedy and Stephen Copulos) at the Yum! world-wide conference in Las Vegas last month.

- The KFC brand is growing rapidly worldwide, particularly in developing markets;
- This has been partly stimulated by a major revitalisation of the US market, with the KFC business in that country now headed up by a Kiwi, Jason Marker;
- The food delivery business worldwide is worth $US90 billion annually and growing rapidly. There is an opportunity for KFC in New Zealand to re-enter this sector, based on our Pizza Hut delivery experience;
- Pizza Hut is also in the middle of a major international growth phase, based on new restaurant formats responding to changing customer needs;
- Fast-casual is the fastest growing sector of the pizza market. The Pizza Hut format for this is a delivery store "engine" with limited dine-in capabilities, sometimes offering a wider beverage selection, including beer on tap;
- We were exposed to a number of new and exciting technologies, including new cooking platforms, packaging developments and order-processing and delivery; and finally

- Restaurant Brands was recognised as a leading franchisee in the Pizza Hut world, winning the "Most Profitable Growth Award."

Russel, Stephen and I left the conference with considerable levels of confidence that these brands will continue to have a strong worldwide presence and growth potential over the coming years.

Turning now to our most recent results. The 2016 financial year saw a further continuation of the sales and profit growth achieved over the past four years, with Restaurant Brands delivering a net profit result of $24.1 million (or 24.6 cents per share). Whilst this reported result was only 1.0% up on the prior year, the underlying performance was much stronger.

After adjusting for the impact of some "one-off" items the underlying result was up $2.8 million or 12.6% on prior year. These "one-offs" included the non-trading gain of $1.3 million on store disposals last year, the impact of the Long Term Incentive payment to the CEO and the 53 week year vs 52 weeks this year.

KFC had another very strong year and was the major contributor to an 8.7% increase in store EBITDA to a new high of $66.9 million.

KFC delivered $57.2 million of the $66.9 million in EBITDA, an increase of $6.4 million or 12.6%. Starbucks Coffee had its best year ever, contributing earnings of $4.4 million and Carls' Jr was up to $0.4 million. Only Pizza Hut saw a small drop in earnings to $4.9 million with the impact of store sales to independent franchisees and some increases in labour and ingredient costs.

Russel will provide you with a more detailed commentary on individual brand performances, but some selected highlights for the year include:

- Total sales at a new high of $387.6 million
- KFC sales setting another new record of $282.5 million, up +6.6% in total;
- KFC margins also set a new record of $57.2 million, up 12.6% on prior year.
- Starbucks Coffee's earnings reached a new high at $4.4 million;
- Carl's Jr becoming our third biggest brand with sales of $33.4 million for the year ;
- Full year dividend of 21.0 cents per share, again a new peak;
- And of course, although announced after balance date, the acquisition of QSR Pty Limited in New South Wales Australia.

As trading results continue to get stronger, so do our cash flows. Operating cash flows reached new highs of $44.3 million. Net investing cash flows were well down on the previous year to $15.3 million, resulting in free cash flows for the year of $29.0 million. Of this $19.6 million was paid to shareholders in dividends over the year, allowing us to retire nearly $10 million in borrowings by year end.

As a result total bank debt decreased to $12.7 million, and was on target to be reduced to zero, until of course we geared up again to invest in the QSR acquisition.

You will have received on 24 June a final fully imputed dividend of 12.5 cents a share, which in addition to your interim dividend of 8.5 cents, will bring your annual dividend to 21.0 cents per share, the highest annual dividend since we first listed in 1997. Even after the Australian acquisition, our strong cash flows and relatively low gearing mean that we can continue to pay shareholders a good dividend.

As I've noted before, we do not commit to a fixed pay-out policy; however your directors will continue to increase dividend payments commensurate with increased earnings, but always subject to our capital expenditure requirements, where we believe we can generate a better return on the investment than returning it to shareholders.

All dividends continue to be paid as fully imputed to New Zealand tax residents. With an imputation account balance of $17.5 million we believe that even with increased diversification of earnings into the Australian market, we will be able to continue to pay dividends as fully imputed for some years to come.

Last year I commented on the share price, when it was $4.30. Since then with the continued strong performance of the company and the market's response to our Australian expansion, the current price is now in the vicinity of $5.40 a share, a much more realistic value.

At half a billion dollars, RBD now has the third highest market capitalisation of retail stocks on the NZX and has outperformed all its peers with a gross return over the past 12 months of over 30%.

Your board continues to work hard providing governance, strategic direction and guidance to management. Changing directors is an important part of ensuring the board is constantly refreshed. I am delighted to welcome both Vicky Taylor and Stephen Copulos to the board as new directors this year.

Vicky, whilst relatively new to the listed company environment has considerable experience in working in blue chip corporates, particularly in marketing and strategic development. We look forward to her contributing strongly to the company's future growth.

Stephen Copulos has joined the board following the acquisition of his QSR business in Australia. Stephen's long experience of and familiarity with the Australian KFC market will provide invaluable assistance in our Australian growth strategy.

Danny Diab, our longest-serving director, who has been on the board since 2002, will be retiring after this meeting. We acknowledge his considerable commitment and the insights Danny has contributed to our board deliberations over the past 14 years, particularly in relation to our Pizza Hut business. Danny will be addressing you later in the meeting.

Sue Suckling (who is re-standing for election by rotation) will be retiring at the end of this year and I want to acknowledge Sue's contribution over her 10 years on the board, especially in the area of corporate governance.

The board will be seeking to recruit another new independent director over the coming months.

Later on in the meeting, shareholders will be asked to consider an increase in directors' fees. Your directors believe that they have provided (and will continue to provide) the experience and expertise that has delivered considerable increases in shareholder value in recent times. Fairly remunerating this expertise and experience ensures that we can continue to refresh the board with the calibre of director needed to drive this company to further growth.

Recent media coverage about staffing shortages in some of our stores has underlined the importance of attracting and retaining good people, which in the current environment is particularly challenging. We are grateful to our 3,500 employees in New Zealand (and now a further 2,000 in Australia) who all work hard to deliver the perfect experience to our customers across all four of our brands. Some of the people from our local stores will be present after the meeting to assist in serving you a selection of our fine products.

Recent legislative changes in the area of workplace health and safety have served to emphasise the importance of what we as a company have been doing for some considerable time now; ensuring that our people go home at the end of a day's work without sickness or injury. We recently commissioned a high-level audit of our practices in this area and I'm pleased to report that, apart from some minor enhancements, Restaurant Brands is in a sound position with respect to its health and safety practices.

Whilst it is the board that provides strategic direction and governance, it is the management team that is accountable for delivering the results. I'd like to pay tribute to the excellent performance of Russel Creedy as Chief Executive and his management team over the past year in not only delivering a sound outcome for our domestic operations, but also driving the acquisition of a significant add on to our business in Australia.

You will have seen from my comments on the annual results review that Russel Creedy last month became eligible for his long term incentive scheme pay out. He received a $1 million after-tax bonus following the share price reaching $4 and remaining at that level for a period of 40 trading days over a two year period commencing 25 July 2015. Your board was delighted to be able to reward Russel in this way with current share price (which was $3.14 at the time the scheme was established) now well over $5. Directors continue to be supportive of such long term schemes that drive shareholder wealth and will look to further opportunities to incentivise management to deliver such impressive outcomes.

The theme of this year's annual report is all about our customers and their passion for and interaction with our brands. As part of that interaction, the role of social media is becoming increasingly important. With 71,000 customers coming through our doors every day in New Zealand alone, there will always be a range of experiences in their interfaces with our stores. Our social media focus is on reinforcing the positive and eliminating the negative in managing the online outcomes of those occasions.

A prime example of this was the "KFC wedding", where a couple demonstrated their passion for the brand by having their wedding photos taken outside our Whangarei KFC store. We responded accordingly by providing them with a year's supply of KFC and arranging for them a return trip to Louisville, Kentucky, the home of KFC.

Here is an interview of the couple as widely reported in the media.

Our first quarter sales were released on 2 June. Total sales were up 8.5% to $96.6 million. The bulk of this increase came from the impact of the Australian acquisition, with same store sales growth of 0.4% for our New Zealand businesses.

Weekly sales per restaurant continue to grow and whilst Carl's Jr. was a little soft in the first quarter, sales have strongly bounced back and the brand is on target for a weekly average per restaurant sales of $40,000 this year.

Whilst, as you can see we are expecting to consolidate following the substantial sales growth levels enjoyed over last year, we are anticipating a similar or better profit performance across all our businesses.

Over the coming 12 months:

- KFC will see continuing sales momentum (albeit at a more measured level) with more marketing expenditure and some exciting promotions. Margins are expected to be held at similar levels. The brand will also see the last of the major investment in the $100 million-plus store transformation programme as the last of the stores in the network are upgraded during this financial year.

- The Pizza Hut network will deliver sales and margins on residual stores at least at last year's levels. We will continue to sell down regional and smaller stores to independent franchisees at a slowing rate with an ultimate target of owning 25% of the network, which is expected to grow from its current 90 to well over 100 stores in the near future.

- Starbucks Coffee will continue its current consistent performance and we expect to enter into discussions with the franchisor as to the future of the brand after 2018.

- Carl's Jr is starting to see some positive sales and profit results from its 20 stores with a new focus on marketing and operations and the introduction of the new branding; and

- The new Australian acquisition will (as predicted) deliver annualised sales of over $A100 million and store EBITDA in excess of 15%.

As a result directors are expecting the company to deliver a profit result (excluding unusual items) for the current financial year of $28-30 million. We will update the market on further progress when we release the interim result on 20 October.

In conclusion I would like to thank you for your continued investment and interest in Restaurant Brands. I would also thank my fellow board members for their continuing support and dedication. I will now ask Russel to address you further on our results and discuss in more detail our Australian acquisition and his strategies for the new year.