Annual Shareholders' Meeting 2016

Chief Executive's Address

Thank you Ted

As you have heard this year has been another good one for the company. I will give you a brief run down on our performance by brand, talk about some of our staff initiatives and then provide some insights into our recent acquisition in Australia.

However before doing so, I think it is appropriate to introduce our senior management team who have been an integral part of producing the results we are presenting to you today:

- Grant Ellis - CFO, 19 years with RBD;
- Geraldine Oldham - GM Sales & Marketing, 5 years with RBD;
- Leonie Reyneke - GM Supply & Quality, 5 years with RBD;
- Geoff Holton - GM Information Systems, 7 years with RBD ;
- Jennifer Blight - GM People & Performance, 8 years with RBD;
- Deidre Gourlay - GM Development & Property, 14 years with RBD;
- Jason McMenamin - GM Restaurant Operations, 1 year with RBD;
- Ian Letele – GM Carl's Jr, 6 months with RBD.

This year's solid profit result was driven by very strong sales which reached a new high of $387.6 million. This is more than $28 million up on the prior year, an increase of +7.8% (although when adjusted for the extra week in the last financial year, the increase is closer to +9.9%). Same store sales continued to be equally strong, up a healthy +5.3% for the year.

Overall brand profit increased this year to a combined store EBITDA of $66.9 million, up $5.4 million or +8.7% on prior year.

Total store numbers were down on prior year with the continued selling down of company-owned Pizza Hut stores, reducing that number by seven to 39. KFC and Carl's Jr. store numbers both remained constant at 91 and 18 stores respectively. The closure of one underperforming KFC store was offset by a new store opening in Albany. Carl's Jr saw two new stores open in Christchurch early in the new financial year, both of which are performing very strongly.

We finished the year with 173 stores in New Zealand.

KFC, our biggest brand had yet another outstanding year in terms of sales performance.

Same store sales growth in the first half was +8.8%, finishing the full year at +6.3% (compared with +7.7% in the prior year).

KFC's earnings followed sales, with EBITDA up $6.4 million or +12.6% on prior year to $57.2 million. Effective sales leverage, store efficiencies and managing raw material input prices all assisted in supporting margins. These benefits were somewhat offset by increased levels of marketing expenditure and higher labour costs.

The KFC major store transformation programme is now running to its natural conclusion. With over $100 million in total expenditure over the past 10 years, this investment has delivered significant sales increases for the KFC brand and has been the principal driver of its dominant position in the QSR marketplace. Four major transformations were undertaken this year, bringing the total number of KFC stores that are either new or significantly transformed to 86 of our 91 store network. The last of the major transformations on three stores is scheduled for the current financial year.

Following the transformation process and to ensure that all of our stores are maintained at these high levels, we still undertake minor upgrades with 14 being undertaken in the past 12 months. This ensures that our entire network is maintained at a consistent high standard from both a customer and franchisor viewpoint.

After a flat start to the year the Pizza Hut brand delivered a solid same store sales performance in the latter half, up 8.8% in the last quarter. Total sales were down to $44.9 million, as a result of the sale of six stores to independent franchisees and one closure.

Pizza Hut's profit also reduced slightly on prior year with brand EBITDA down to $4.9 million partly as a result of the sale of profitable stores and partly from increases in labour and some ingredient costs.

As Ted has noted, we are continuing to sell Pizza Hut stores to independent franchisees with seven stores being transferred over the past 12 months. As at balance date Restaurant Brands owned 39 stores out of the total Pizza Hut network. To date there are 90 Pizza Hut stores in New Zealand with more stores planned.

The company however continues to operate the brand as a whole in New Zealand, receiving a share of royalties and fees for doing so. We see our store ownership settling out at about 25% of the total store network in the long term.

Pizza Hut continues to do well in this country and we believe that this "mixed ownership" model, blending company-owned stores with those of independent franchisees works well and to that end we are in the process of negotiating new arrangements with Yum to properly reflect this.

The Starbucks Coffee brand continues to reach new profit highs. Earnings were up to $4.4 million on the back of continued same store sales growth (of +6.9%) and continuing store efficiencies. Small as it is, we continue to be happy with this brand's performance and with our franchise agreements expiring in 2018, we are entering into discussions with Starbucks International on their renewal.

Carl's Jr.'s sales grew by +66% from $20.1 million to $33.4 million, with last year's new store builds and the full year impact of the Forsgren stores acquisition. Same store sales continued to remain negative with Carl's Jr. having to roll over often significant opening sales volumes in prior periods, but this is beginning to turn around as the brand becomes more established.

As a new brand Carl's Jr. is taking some time to deliver acceptable levels of profitability. Shareholders are well aware of some of the "headwinds" Carl's Jr. has faced in terms of high beef prices, the residual effects of the West Coast port strike, some initial labour inefficiencies and the need to "spend ahead of the curve" in advertising expenditure in order to try and build critical sales mass for the brand.

All of these factors meant that EBITDA for the year, whilst double that of the prior year came in at only $0.4 million (1.3% of sales).

The board has placed a top priority on delivering a much stronger earnings performance for Carl's Jr in the new year and we are on target to do that. A brand new management team, headed by Ian Letele, some major menu re-alignment, and better in-store efficiencies in wastage and labour are starting to deliver positive results.

Our Carl's Jr store numbers remained constant at 18, but were increased by two subsequent to balance date as we opened an in-line store in Bush Inn and a free standing drive through store in Hornby (both in Christchurch). These stores are of a new design and are trading very strongly. We are still actively looking for new sites, particularly in the Wellington, Tauranga and South Island markets.

As shareholders are aware, Restaurant Brands has built a significant presence across a variety of brands in the New Zealand marketplace. Our new Carl's Jr. business, after a slower than planned start is starting to gain momentum and the other three brands are well established and delivering steady growth.

At a strategic planning session with the board last year we were challenged to grow the company to a billion dollar enterprise (by turnover and market capitalisation) over the next five years. This represented a doubling of our current targets and clearly the only way by which this was going to be achieved was by acquisition. As we have seen, building new brands in the New Zealand market is a slow process.

We looked at opportunities in the New Zealand market, but there was nothing that was suitable that provided the kind of scale we were seeking. Looking over the Tasman, the QSR business appeared attractive. It had scale (over $100 million in turnover), it operated a brand we were very familiar with (KFC), was in a geography that was understood (New South Wales, Australia) and most importantly it was a successful and profitable business.

The latter point is most important. A number of shareholders will remember our earlier off-shore investment in acquiring a Pizza Hut business in Victoria that turned out to be an unsuccessful cross-Tasman foray. The problem with that acquisition was that we bought a number of very run down businesses most of which were essentially in receivership. We then had to turn these stores around, together with establishing an whole new above store presence to manage them in an intensely competitive marketplace. The QSR acquisition is very, very different. QSR is a profitable, well-established operation with existing management that is providing a positive return from day one.

So why did we select QSR?

- Largest store portfolio in New South Wales at 42 stores (21 Sydney and 21 regional NSW);
- Strong financial performance ($A100 million sales, $A15 million store EBITDA)
- “One step” to significant scale;
- Strong cash flows;
- Experienced management team.

So after an extensive due diligence process and some intensive negotiations with Stephen Copulos we arrived at a satisfactory deal for both sides which saw Restaurant Brands acquiring 100% of the shares in QSR Pty Limited for a total consideration of $A82.4 million.

The transaction was settled on 27 April, partially by the issue of 5 million Restaurant Brands shares at a set price of $4.16 a share (market price at the time the agreement was announced). Subsequently Stephen Copulos has bought another 2.5 million shares, making him our second biggest holder, and he has of course joined the Restaurant Brands board.

So where to from here?

Whilst this acquisition is shareholder value accretive and is able to provide a sound return on investment in its own right, our rationale for the acquisition was for QSR to provide a springboard for growth in the much bigger Australian market. We see four areas of opportunity for growth of the KFC business:

- Expand the existing KFC restaurant network by building more stores. There are a number of infill and green fields opportunities that have been identified ;
- Reinvesting in existing stores. Whilst all stores purchased were at “brand standard” (ie at a level of presentation more than acceptable to the franchisor), there is always room for improvement;
- Performance improvements. Getting more out of existing assets; and

- Further acquisitions. Clearly, with a well-established above-store organisation, there are opportunities for leverage by acquiring independent franchisees. There are around sixty KFC franchisees in the Australian market with over 450 restaurants between them (a further 160 are owned by Yum). We are looking (at the right price) to acquire some of these independent franchisees operating from single store franchises up to small corporates.

In addition we continue to actively evaluate other international brand franchise opportunities.

With our large and diverse workforce of nearly 3,500 people across New Zealand (and now a further 2,000 in Australia) and four different brands, we continue to be challenged in ensuring the highest levels of training and efficient staff utilisation.

Following our establishment in New Zealand of a guaranteed minimum working hours regime for our people, we continue to explore (in conjunction with union representatives) options to improve work arrangements and rewards.

Whilst our reported lost time injuries are slightly up this year we are confident we are on the right track in making the Restaurant Brands workplace a safe place to work. We continue to recognise that the safety of our staff and customers is paramount. As Ted has indicated we have recently commissioned an independent audit of our health and safety practices which has confirmed that we are compliant and generally operating at best practice.

We continue to actively encourage diversity in our business, recognising the benefits that diversity can bring to an organisation. From a gender diversity viewpoint I am pleased to say 54% of our employees, 44% of our senior management team and currently 33% of our board members are female.

The obesity debate continues to take a high profile across the entire food industry. Restaurant Brands is constantly aware of its impact on the health and wellbeing of their customers. We have taken steps to vastly improve and communicate the nutritional content of our products, and continue to make improvements to the nutritional composition of the food with a focus on sodium, sugar, and saturated fat reduction

We do not target any of our advertising at children, but do support sporting events and teams in a sponsorship capacity, such as our Super 15 rugby sponsorship and that of the New Zealand Breakers basketball team. Surf Life Saving New Zealand also benefits strongly from extensive support of our KFC brand.

In conclusion I want to re-iterate that management has taken up the challenge the board has presented us and we are actively engaged in building Restaurant Brands into a billion dollar company in terms of both total revenues and market capitalisation. We continue to actively drive our existing New Zealand operations to underpin the opportunities for further expansion, whilst aggressively searching for growth opportunities that add both size and shareholder value.

Thank you