

26 October 2016

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## ACQUISITION OF PACIFIC ISLAND RESTAURANTS AND NZ\$94 MILLION EQUITY RAISING

### Highlights:

- Restaurant Brands is to acquire Hawaiian Taco Bell and Pizza Hut franchisee, Pacific Island Restaurants, Inc (“**PIR**”) for US\$105 million (subject to settlement adjustments), funded in part through a NZ\$94 million underwritten entitlement offer
- Established in 1971, PIR is the sole Taco Bell and Pizza Hut franchisee in Hawaii, Guam and Saipan, has been consistently profitable in recent years and has a stable, experienced management team (average tenure of 25 years)
- Taco Bell and Pizza Hut are both iconic Yum! brands and have leading positions in their respective markets with attractive and stable margins
- There is an opportunity to execute an investment programme to progressively refresh PIR’s stores, which Restaurant Brands believes will improve PIR’s profitability, reflecting RBNZ’s experience over the last ten years in New Zealand
- PIR provides the next stage of RBNZ’s growth platform and an entry point into the Hawaii market and platform for other potential bolt-on acquisitions
- Hawaii has a stable legal and economic framework, with sound GDP growth of approximately 4% p.a. from 2015 forecast through to 2019<sup>1</sup>
- PIR’s primary exposure is to the domestic Hawaiian market, and provides an opportunity to service a portion of the 8.9 million visitor arrivals to Hawaii each year

### Acquisition of Pacific Island Restaurants, Inc

Restaurant Brands New Zealand Limited (NZX: RBD) today announced it has entered into agreements to purchase 100% of the shares in Pacific Island Restaurants Inc for US\$105 million<sup>2</sup>.

PIR is the sole Taco Bell and Pizza Hut franchisee in Hawaii, Guam and Saipan. PIR’s store network includes 37 Taco Bell stores and 45 Pizza Hut stores.

Restaurant Brands Chairman Ted van Arkel said “Taco Bell and Pizza Hut are both well-established franchises and are leaders in the Mexican and pizza quick service food categories in Hawaii.

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<sup>1</sup> State of Hawaii, Department of Business, Economic Development and Tourism, Outlook for the Economy Q3 2016.

<sup>2</sup> Prior to any purchase price adjustments for cash, debt, working capital and certain other items at settlement.

In particular, Restaurant Brands is excited to gain exposure to Taco Bell, a brand with attractive margins and a product offering that has worldwide appeal.

We have nearly 20 years' experience successfully operating the Pizza Hut brand in New Zealand and will look to leverage this experience to drive the Hawaiian franchise's continued performance.

Restaurant Brands looks forward to working with PIR's highly experienced management team to drive the next phase of PIR's growth in Hawaii, Guam and Saipan."

The acquisition of PIR would be approximately 6% accretive to earnings (excluding non-trading items<sup>3</sup>) per share, based on unaudited non-GAAP pro forma 12 months to September 2016 results for the Restaurant Brands group and allowing for the new shares issued in the entitlement offer and additional debt funding.

"The acquisition of PIR provides the next stage to Restaurant Brand's growth platform and aligns with our growth strategy" said Russel Creedy, CEO of Restaurant Brands. "It also provides an entry point into the Hawaiian market, which has a similar total population to Auckland and is currently benefitting from positive economic growth.

We also see a number of other potential bolt-on opportunities in the market that we may look to pursue over time where they make strategic and financial sense."

## Funding

The acquisition and associated transaction costs are expected to be funded through a mixture of new NZ dollar equity and US dollar debt:

- NZ\$94 million of new equity through an underwritten accelerated pro-rata entitlement offer ("**Offer**"); and
- Approximately US\$42 million US dollar denominated bank debt secured over PIR's assets and non-recourse to Restaurant Brands' existing Australasian banking group.

## Offer

Under the Offer, eligible shareholders are invited to subscribe for 1 new Restaurant Brands share ("**New Shares**") for every 5.15 existing Restaurant Brands shares ("**Entitlement**") held as at 5:00pm (New Zealand time) on Friday, 28 October 2016 ("**Record Date**").

All shares offered under the Offer will be issued at a price of \$4.70 per New Share, which represents a:

- 12.5% discount to \$5.37, being the dividend-adjusted volume-weighted average price of Restaurant Brands' shares as traded on NZX for the last five trading days prior to 26 October 2016;
- 10.6% discount to the dividend-adjusted theoretical ex-rights price ("**TERP**")<sup>4</sup> of \$5.26.

A shorter than usual offer period will be available to institutional shareholders under the institutional component of the Offer as this will be accelerated and occur over two business days immediately after the Offer is announced, with settlement and allotment of New Shares in this component of the Offer to occur on Wednesday, 9 November 2016.

The retail component of the Offer will open to eligible retail shareholders with a registered address in New Zealand on Monday, 31 October 2016 and closes on Wednesday, 16 November 2016. Applications will be accepted online, or

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<sup>3</sup> Non-trading items represent amounts that Restaurant Brands considers unrelated to day-to-day operational performance (including the amortisation of acquired franchise rights and the impact of acquisition accounting).

<sup>4</sup> The dividend-adjusted theoretical ex-rights price is the theoretical price at which Restaurant Brands shares should trade immediately after the ex-date for the Offer and interim dividend. The TERP is a theoretical calculation only and the actual price at which Restaurant Brands shares trade immediately after the ex-date for the Offer and interim dividend may vary from TERP. TERP is calculated by reference to Restaurant Brands' dividend-adjusted closing price of \$5.365 per share on Tuesday, 25 October 2016, being the last trading day prior to the announcement of the Offer.

through completion of an entitlement and acceptance form. Settlement and allotment of New Shares under the retail component of the Offer will occur on Wednesday, 23 November 2016.

The Offer is underwritten by Macquarie Securities (NZ) Limited, excluding the entitlements of entities associated with Stephen Copulos, who is a director of Restaurant Brands.

### **No dividend entitlement**

No shares offered under the Offer will be entitled to receive the FY17 interim dividend announced today.

### **Transaction timeline and additional information**

Completion of the acquisition is expected by late December and is conditional on receipt of approval by Yum! Brands, Inc, the franchisor for PIR's Taco Bell and Pizza Hut stores and for Restaurant Brands' existing KFC and Pizza Hut operations in New Zealand and Australia.

Eligible retail shareholders with a registered address in New Zealand will be able to obtain Offer details at [www.restaurantbrandsshareoffer.co.nz](http://www.restaurantbrandsshareoffer.co.nz) and on the NZX website under the ticker code "RBD". An offer document and entitlement and acceptance form in respect of the Offer will also shortly be sent to eligible retail shareholders. Eligible institutional shareholders will be contacted directly about the Offer. Further details regarding the acquisition of PIR and the Offer are also set out in the Investor Presentation provided to NZX today.

-ENDS-

For further information, please contact:

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*Capitalised terms used in this announcement have the meanings given in Part 6: Glossary of Restaurant Brands' Offer Document dated 26 October 2016, a copy of which has been provided to NZX today.*

*This announcement contains certain forward-looking statements. The forward-looking statements are based on information available to Restaurant Brands at the date of this announcement and are not guarantees or predictions of future performance. Restaurant Brands reserves the right to vary the timetable for the Offer subject to applicable laws and the NZX Listing Rules.*

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