Annual Shareholders' Meeting 2018

Chairman's Address

As we move into the 22nd year of Restaurant Brands' existence, the company has never been stronger. We have a very clear strategy for growth, we have executed the first phase of that strategy and we are poised for further expansion.

Since our last annual meeting in Auckland, we have completed the acquisition of 45 Pizza Hut and 37 Taco Bell restaurants in Hawaii, significantly expanded our KFC business in Australia through buying another 18 stores in New South Wales and seen continuing strong performance from our New Zealand operations.

With nearly 45% of sales and 40% of our store profits now being generated offshore, Restaurant Brands is now truly an international company.

We are making steady progress towards achieving our goal of becoming a 'billion dollar enterprise' in terms of both revenues and market capitalisation.

Total sales for the past year of $740 million were almost three quarters of the way to our billion dollar target, primarily driven by nearly a full year's trading out of the Hawaiian acquisition. Not only were total sales up 49% on prior year, but more importantly, underlying same store sales were positive across all three divisions.

And of course profitability also reached new highs. The 2018 financial year saw our reported profit up 37% to $35.5 million (or 28.8 cents per share) as our new acquisitions began contributing strongly to the group result.

Non-trading costs for the year were $4.8 million (in FY17 they were $5.1 million). These mainly comprised transaction costs associated with the Hawaiian acquisitions and further store acquisitions in Australia. There were also one off costs of gaining a foreign exempt listing on the ASX and some gains on disposal from the sale of Pizza Hut stores in New Zealand.

After adjusting for the impact of these "one-off" items the underlying profit result was up $9.8 million (+32%) on the prior year to $40.4 million (or 32.8 cents per share).

The recent offshore acquisitions have made a marked addition to brand EBITDA, our key measure of business performance. The Group increased its total brand EBITDA for the year by 42% to $121.9 million, of which $24.1 million came from Hawaiian operations and $22.0 million from Australia. However New Zealand still contributed just over 60% of these earnings.

The New Zealand business had yet another record year, generating total sales of $421 million and a store EBITDA of $75.8 million, up 5.4% and 6.5% respectively on prior year. Whilst the three smaller brands (Pizza Hut, Starbucks Coffee and Carl's Jr) all had a solid result, the KFC brand continues to dominate, generating $66 million of the $75.8 million NZ contribution.

This has been a year of record growth and I'm delighted to be able to report on some selected highlights:

- Total sales at a new high of $740.8 million (with most of the growth coming from the Hawaiian acquisition;

- KFC NZ sales setting yet another new record of $319.6 million, up 7.8% in total;
- KFC NZ earnings also set another new record of $66 million, up 7.4% on prior year;
- A maiden result for the Hawaiian Taco Bell and Pizza Hut business with $167.5 million in sales and $24.1 million in brand EBITDA;
- Strong growth from our Australian KFC operations both organically and by acquisition with total sales of $151.8 million and EBITDA of $22 million (up 47%);
- A record final dividend of 18 cents per share, bringing the full year dividend to 28.0 cents per share, a new peak.

As I've said before strong cash flows continue to define this company. Operating cash flows reached new highs of $67.8 million (up $19.9 million or +42% on prior year) mainly because of the contribution from our offshore acquisitions.

Total bank debt was up over $120 million to $166.8 million from funding the Hawaiian acquisition and the 18 KFC stores acquired in Australia. However we maintain considerable headroom with total facilities in place of $253 million.

As I noted earlier, all shareholders will receive tomorrow a final fully imputed dividend of 18.0 cents a share which, in addition to your interim of 10.0 cents, will bring your annual dividend to 28.0 cents per share. This is up five cents or 22% on prior year, and sets yet another record for the annual dividend since we first listed in 1997.

We do not commit to a fixed pay-out policy for our dividends; 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 a current imputation credit balance of $20.2 million we believe that, even with increased diversification of earnings into the Australian and US markets, we will be able to continue to pay fully imputed dividends to New Zealand resident shareholders for some years to come.

Last year we re-implemented a dividend reinvestment plan which was avidly taken up by shareholders. For the current dividend 25% of the shares on issue are subscribing to the plan.

Whilst I remain a reluctant commentator on share price performance, the improvements in the value of RBD stock seen over recent years continues. Two years' ago I noted the share price had reached $5.30 as the market began to attribute more value to the longer term growth prospects of the company and last year the price surpassed $6.00 (despite the dilution impact from the issue of 25 million shares over the past two years to fund the Hawaiian and Australian acquisitions).

RBD's market capitalisation two years ago was $500 million; last year it hit $700 million and I'm pleased to report that last week we hit our $1 billion market capitalisation target as the share price reached an all-time high of $8.10 a share.

We are currently ranked twenty eighth on the NZX50 and number one in the retail market sector.

However, that is no reason to rest on our laurels, as we will need to keep on delivering results

As Restaurant Brands has become more international we have seen increased offshore interest in the company. In order to broaden our investor base and reflect our increased investment in Australia we sought and received a dual listing for Restaurant Brands on the Australian Stock Exchange under foreign-exempt status.

Whilst the board remains small (five in number) it works very well together and has a wide range of complementary skills. Our recent externally facilitated board review clearly identified the skill sets of each member and we have recorded these for shareholders in the directors' section of the annual report.

I'm pleased to say that with David and Stephen both residing in Australia we are particularly well served with support for our Australian operations. However, as we now have our presence in Hawaii and are looking to move into the US mainland we believe that the time is approaching when the appointment of a US-based director would be appropriate. We are looking to do this over the next few months.

Stephen and I are both up for re-election by rotation later in the meeting and we look forward to your continued support.

I am conscious that, having first come onto the board in 2004, there may be concerns in terms of governance "best practice" as to the length of my tenure. It had been my intention to retire from the board at this Annual Meeting, but because of the need for stability at a time of significant growth for the company, the board thought it wise to stay on over this period. With the intended introduction of "new blood" on to the board over the next 12 months, it is firmly my intention to stand down once that is completed.

The matter of directors' fees is also on the agenda for later in the meeting. Your directors are seeking a small (18.7%) increase, reflective of the market and recognising the changing and more complex nature of the company operating in a multinational environment.

As our business has grown we have seen our staff numbers increase accordingly to where we are now the proud employer of over 9,000 staff, 4,000 in New Zealand, 3,000 in Australia and 2,000 in Hawaii.

Your directors have had the opportunity to meet with our newly acquired teams in Australia and Hawaii and it is pleasing to report that they bring the same levels of professionalism and commitment to their jobs that their New Zealand counterparts do. Passionate staff deliver excellent service to our customers and are at the heart of our business success.

You will have the opportunity to meet some of the people from our local stores after the meeting as they will be assisting in serving you a selection of our fine products.

And of course the staff in all three locations are led by a very capable management team. I'd like once again to acknowledge the fine performance of our Group Chief Executive, Russel Creedy and his management team over the past year in delivering a record profit for the company.

As announced last year, the board has set up a long term incentive scheme for senior management which is based on share price growth. Aligning key management remuneration with shareholder wealth as reflected in continued growth in the company's share price ensures that Russel and his team are focussed on what is important in our business.

Our first quarter sales results were released on 31 May. Total sales were up 11.7% to $180.0 million, primarily driven by the impact of additional KFC purchases in Australia.

The two KFC businesses in Australia and New Zealand continue to underpin our sales, generating two thirds of total revenues in the first quarter and with same store growth of 4.3% and 3.7% respectively. Hawaii contributed its first full quarter of same store sales with total sales at $40 million or 22% of the total.

Whilst the new financial year has started satisfactorily, it is very early in the year and your directors are concerned not to create unrealistic expectations as to final outcomes.

We have made no secret of our interest in expanding into the US mainland and of course, given our recent experience with the brand in Hawaii, Taco Bell remains an option in both the New Zealand and Australian markets. There are a number of initiatives under way that could impact upon our total brand portfolio and consequently full year sales and profit result.

We are, subject to any changes occurring in our overall brand portfolio, still expecting the company to deliver a profit in the vicinity of $43-45 million.

I would like to take this opportunity to thank my fellow board members for their continuing support and dedication in what has been a busy year in the life of your company. And in conclusion I would like to thank you, our shareholders, for your continued investment and interest in Restaurant Brands.

As I indicated earlier, this has been a year in which the company has undergone further significant growth. We remain excited by the challenges and opportunities the expanded business brings and we look forward to another good year ahead.

I will now ask Russel to address you further on our results and discuss in more detail overseas acquisitions and our strategies for the new year.