Directors' Report to Shareholders
For the six months ended 30 June 2022
(1H 2022)

Key Highlights

($NZm)	1H 2022	1H 2021	Change ($)	Change (%)
Total Group sales	**584.9**	**540.6**	**+44.3**	**+8.2**
Group NPAT (reported)	**15.3**	**34.5**	**-19.2**	**-55.7**

- Total Group sales for the six months to 30 June 2022 (1H 2022) were $584.9 million, up $44.3 million on the previous half year (1H 2021). Total sales growth was assisted by the inclusion of 17 additional stores and a stronger US dollar.

- Net Profit after Tax for 1H 2022 was $15.3 million (12.25 cents per share), down $19.2 million on 1H 2021. Worldwide inflationary pressures resulted in significant cost increases across all regions. Also, the prior period result included recognition of $11.4 million of loan forgiveness under the US Paycheck Protection Program (PPP).

- Brand EBITDA before G&A was down $3.7 million to $84.3 million. This is a reflection of the significant inflationary pressures facing the company in all markets. This was partially offset by the strong sales and, in particular, a very good overall result for the Hawaii division.

Group Operating Results

Restaurant Brands New Zealand Limited (**RBD**) has earned a Group Net Profit after Tax (NPAT) of $15.3 million for the six months ended 30 June 2022 (1H 2022). This is down $19.2 million on the last half-year's reported result. The company continues to face cost inflation pressures across all markets but is mitigating the impact of these by implementing cost savings and taking price increases where possible. However the extent of cost inflation has meant that the opportunity to pass input costs on in the short term has been limited, with consequent short term adverse profit impacts.

RBD continues to face challenges from COVID-19 with resultant staff shortages hampering operations across all divisions and in some cases forcing reduced operating hours during the period.

Comparisons at a reported profit level are distorted by the recognition of $11.4 million ($US8.1 million) in the PPP loan that was forgiven during 1H 2021. After adjusting for the PPP loan, the underlying NPAT for 1H 2021 would be $23.1 million. This underlying decrease for 1H 2022 of $7.8 million reflects the effect of inflation as well as continued trading disruptions relating to COVID-19.

Total store sales hit a new high of $584.9 million, up $44.3 million or 8.2% on 1H 2021. Sales across all regions were up on 1H 2021 due to 17 additional stores and the strengthened US dollar.

Combined brand EBITDA at $84.3 million was down $3.7 million (4.2%) on 1H 2021, with the impact of cost inflation pressures only being partially off-set by strong sales growth over the current period.

Restaurant Brands' store numbers now total 367, up 17 from 1H 2021. This is primarily driven by new store builds, including 11 new Taco Bell stores across NZ and Australia. There are now 138 RBD-owned stores in New Zealand, 81 stores in Australia, 74 in Hawaii, and 74 in California.

New Zealand Operations

New Zealand store sales were $251.8 million, up $12.5 million or 5.2% on 1H 2021. KFC sales remain strong and Taco Bell sales have grown $6.9 million from 1H 2021. Whilst down from historic highs of

1H 2021, same store sales were up 1.4% for 1H 2022, despite the adverse impact of COVID-19 related staff shortages which required many stores to reduce operating hours and/or operate with reduced capacity. The second quarter of 1H 2022 saw same store sales increase by 3.2%.

EBITDA was $40.6 million, a $2.5 million or 5.7% decrease on 1H 2021 with significant cost pressures, partially off-set by the strong store sales performance. EBITDA margin at 16.1% was down on prior year reflecting the effect of the cost pressures and the mix of less profitable Taco Bell brand sales as this business continues to build.

	1H2022	1H2021	Change ($)	Change (%)
Store sales ($NZm)	**251.8**	**239.3**	**+12.5**	**+5.2**
EBITDA ($NZm)	**40.6**	**43.1**	**-2.5**	**-5.7**
EBITDA as a % of Sales	***16.1***	***18.0***		
Store Numbers	**138**	**132**		

1H 2022 saw the successful introduction of a number of new products into the market, with Hot & Crispy Boneless Chicken (KFC) and Detroit Pizza (Pizza Hut) delivering sales growth. Carl's Jr. continues to perform well. An e-commerce web site has been launched for Taco Bell as the focus on building a digital offering and improving delivery service continues.

The Pizza Hut business in New Zealand continues to grow strongly, not only from RBD's own stores, but also from the 101 stores operated by independent franchisees under a Master Franchise Agreement with the company. Two new stores were opened in the first half with a similar number anticipated by the end of the year.

Operating profit for the NZ division (excluding the effect of NZ IFRS 16) was $22.7 million (down 20.8%). Inflation has had a significant impact on ingredient and input costs and continues to do so. In addition, labour shortages relating to the COVID-19 pandemic have significantly impacted the hospitality industry in New Zealand. This has disrupted the ability to operate at full trading hours across all stores and channels. The situation was particularly challenging during the first quarter of 2022 and, despite improvement during the second quarter, staff shortages remain an ongoing issue with high numbers of unfilled vacancies.

Whilst restricted availability of building materials and store equipment have slowed store development, new store builds continued with one KFC outlet in Whangarei and one Taco Bell outlet at Cuba Mall, Wellington opened during 1H 2022. Despite continued development challenges an additional three Taco Bell stores and two KFC stores are expected to open before the end of the year.

Australia Operations

In $A terms total sales in Australia were $A122.8 million, up $A8.0 million (or 7.0%) on last year, primarily due to the full effect of five additional KFC stores purchased during 1H 2021, the effect of additional store openings, and solid same store sales growth (up 3.4% for the half year).

In $NZ terms the Australian business contributed total sales of $NZ133.5 million (up 8.5%), a store EBITDA of $NZ14.2 million (down 13.3%) and operating profit (excluding the effect of NZ IFRS 16) of $NZ1.4 million (down 74.5%).

	1H2022	1H2021	Change ($)	Change (%)
Sales ($Am)	**122.8**	**114.8**	**+8.0**	**+7.0**
Store EBITDA ($Am)	**13.0**	**15.2**	**-2.2**	**-14.5**
EBITDA as a % of Sales	***10.6***	***13.3***		
Store Numbers	**81**	**76**		

Sales results in the second quarter have continued to see year on year improvement, with strongest recovery in both the CBD and mall stores. These had experienced the greatest adverse impact from COVID-19 in 2020 and 2021. The launch of Uber Eats delivery service throughout the KFC network in June is expected to contribute to further sales growth into 2H 2022.

Store EBITDA margins of $A13.0 million (10.6% of sales) were down $A2.2 million or 14.5% on last year. The Australian business was negatively impacted during the early stages of the year with the escalation of COVID-19 cases impacting both restaurant staff availability and all major chicken suppliers. This contributed to reduced operating hours and store closures due to lack of staff availability and temporary chicken supply shortages.

The business continues to experience major cost pressures with escalating inflation levels driven by ongoing supply chain disruptions and increased freight and other input costs. The floods in northern and some western parts of New South Wales resulted in the temporary closure of a number of stores and has significantly impacted the agricultural sector further impacting supply availability.

The Australian business has continued to invest in the growth of Taco Bell, with the opening of two new stores in 1H 2022.

Hawaii Operations

Total sales in Hawaii for the period were $US76.0 million with store level EBITDA of $US13.7 million (18.0% of sales).

In $NZ terms the Hawaiian operations contributed $NZ115.1 million in revenues, $NZ20.8 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ11.2 million for the period, down $8.2 million on 1H 2021.

However the 1H 2021 result included other revenue of $11.4 million ($US8.1 million) in relation to the PPP loan drawn down at the onset of the COVID-19 pandemic in 2020, that was forgiven in June 2021. When normalised for the PPP loan forgiveness, operating profit (excluding the effect of NZ IFRS 16) for 1H 2022 was $3.3 million up on 1H 2021.

	1H2022	1H2021	Change ($)	Change (%)
Sales ($USm)	**76.0**	**72.7**	**+3.3**	**+4.5**
Store EBITDA ($USm)	**13.7**	**11.6**	**+2.1**	**+17.6**
EBITDA as a % of Sales	***18.0***	***15.8***		
Store Numbers	**74**	**73**		

Reported sales are up $US3.3 million with same store sales up 2.9%. Taco Bell sales increased significantly over 1H 2021 as the brand returned to pre-COVID-19 trading levels.

The Taco Bell Mexican Pizza was so successful that ingredients ran out across the US and required the promotion to finish ahead of schedule. It will be repeated during 2H 2022 and is expected to again drive strong sales for Taco Bell. Pizza Hut is also looking to roll out a new “Melts” product range which is expected to have a positive impact on the lunch time sales segment.

EBITDA margin as a % of sales is up from 15.8% to 18.0% (largely as a result of increased levels of Taco Bell sales in the overall sales mix) Store staffing challenges arising from COVID-19 continue to impact the business with stores having to operate to reduced trading hours on some occasions. The division also continues to face significant cost pressures, including a further increase in the minimum wage to take effect from October 2022.

Overall store numbers in Hawaii are up by one from 1H 2021 with the opening of one new Taco Bell store in April 2022 which is performing above expectations. A further Taco Bell store is expected to open in January 2023.

California Operations

Total sales in California were $US55.8million, up $US0.6m on last year off the back of three new store openings and the acquisition of three additional KFC stores, offset by a same store sales decrease of 3.0%.

In $NZ terms the Californian operations contributed $NZ84.5 million in revenues, $NZ8.8 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ0.4 million for the period.

	1H2022	1H2021	Change ($)	Change (%)
Sales ($USm)	**55.8**	**55.2**	**+0.6**	**+1.0**
Store EBITDA ($USm)	**5.8**	**9.1**	**-3.3**	**-36.3**
EBITDA as a % of Sales	***10.4***	***16.5***		
Store Numbers	**74**	**69**		

The division rolled over high sales in 2021, driven by strong Government stimulus payments. Consequently same store sales fell by 3.0%. A steep rise in the cost of ingredients has affected the business and price increases have been implemented in response. However, as with all divisions these need to be balanced against competitive pressures and the contraction of consumer purchasing power. Additionally, the cost of labour increased during 1H 2022 with staff shortages and increased overtime as teams stretched to cover COVID-19 related absences.

As a result, store EBITDA of $US5.8 million was down $US3.3 million on last year with EBITDA as % of sales of 10.4% vs 16.5% in 2021.

California store numbers grew by five through new builds and acquisition to 74 total stores, up from 69 stores in 1H 2021. Three new KFC stores were opened in 2022 over the span of six weeks in San Bernardino, Perris and Barstow. The opening day at KFC Barstow was one of the largest opening days for a KFC outlet in the United States. Perris and Barstow were among the first innovative 'Next Generation' KFC stores to open in the US market. The three new stores mark the first new store openings for the California division post-acquisition with more new stores scheduled to open later this year. One acquisition was completed in Desert Hot Springs consolidating our strong presence in the greater Palm Springs area.

Corporate & Other

General and administration (G&A) costs were $27.5 million, an increase of $3.1 million on 1H 2021. G&A as a % of total revenue was 4.5%, slightly up on 1H 2021 (4.3%). As with much of the business, this was primarily driven by cost inflation over the period along with the filling of vacancies that had remained open during the COVID-19 pandemic.

Depreciation charges of $21.5 million for the half year were $2.8 million higher than the prior year. The increase is due to the continued high level of new store builds and store refurbishments. Depreciation of leased assets is also up $1.2 million to $19.9 million with new leases increasing the associated right of use asset depreciation.

Financing costs of $19.8 million were up $2.2 million on prior year primarily due to an increase in lease interest of $1.8 million due to both new leases and existing leases being extended. Bank interest costs were $3.7 million, $0.3 million higher than prior year due to increased debt levels.

Tax expense was $5.3 million, down $4.2 million due to the lower earnings. The effective tax rate is 25.6%, up from 21.5% last year due to the higher relative level of assessable income in the Hawaii division.

Other Income / Expenses

Other income / expenses for the half year totalled $2.7 million, an increase of $0.8 million versus 1H 2021. This year's costs included the initial one-off costs associated with the implementation of new company-wide financial systems ($3.4 million), partially off-set by an acquisition gain of $0.9 million. This gain is as a result of the net assets included in the acquisition of a California store being higher than the net consideration paid.

NZ IFRS 16

The impact of NZ IFRS 16 on the Group accounts for the half year is a reduction of $4.8 million on after-tax operating earnings (1H 2021 impact: $4.5 million).

The Consolidated Statement of Financial Position has right of use lease assets of $623.8 million, up $47.3 million since December 2021 due to the inclusion of the newly acquired store in California, various other new stores being opened and lease renewals. Lease liabilities of $725.3 million are also up by $56.5 million reflecting the increase in future lease commitments.

Statements of Cash Flow and Financial Position

Bank debt at the end of the half year was $290.6 million compared to $246.9 million at the previous year end. As at 30 June 2022, the Group had bank debt facilities totalling $NZ381.8 million available. Cash and cash equivalents decreased by $12.0 million during the period with net debt increasing by $55.7 million to

$257.5 million over the half year. This is due to continued commitment to a strong capital investment programme and the payment of a $39.9 million dividend.

The company remains comfortably within all banking covenants with a Net Debt:EBITDA ratio of 2.1:1.

Operating cash flows were $48.4 million, down $14.0 million on 1H 2021. This is a direct reflection of the inflationary impact on trading margins combined with $2.0 million additional interest paid versus the prior half year.

Net investing cash outflows at $34.0 million, were $19.2 million lower than the $53.2 million in 1H 2021. 1H 2021 included the acquisition of stores in Australia for $25.3 million. The underlying spend on new stores as well as refurbishing stores throughout the network was up by $6.1 million.

A dividend of $39.9 million (32 cents per share) was paid to shareholders in April.

Outlook

Store numbers are expected to continue to grow in the second half despite continued building constraints. New store roll outs for both the KFC and Taco Bell brands will continue in New Zealand and Australia. The Hawaiian market will see another new Taco Bell completed in early 2023. The new store development programme is well under way in California, with up to three new KFC stores targeted for opening before year end.

The overall business continues to remain solid across all geographic markets as reflected in the strong sales performance, which is expected to carry over into the second half of the year. Trading results in recent months have also improved due to various actions taken to lessen the inflationary effect on the business.
The current results have been adversely affected by worldwide inflationary and COVID-19 pressures, the company continues work to mitigate their impact and improve profitability over 2H 2022. It is expected that cost inflation and margins will stabilise over the second half – however, it is not anticipated that the impact of a challenging 1H 2022 will be fully reversed by year end.

The continued impact of inflation as well as the rolling issues with COVID-19 makes it difficult to provide firm profit guidance; however the reported net profit after taxation for the 2022 year is expected to be in the range of $32-37 million.

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Consolidated Income Statement
For the six months ended 30 June 2022

$NZ000's	30 June 2022 unaudited	% sales	vs Prior %	30 June 2021 unaudited	% sales
Sales					
New Zealand	251,816		*5.2*	239,274	
Australia	133,473		*8.5*	123,027	
Hawaii	115,139		*14.0*	101,024	
California	84,462		*9.2*	77,316	
Total sales	**584,890**		***8.2***	**540,641**	
Other revenue	27,009		*17.4*	23,012	
Total operating revenue	**611,899**		***8.6***	**563,653**	
Cost of goods sold	(506,797)		*(11.4)*	(454,800)	
Gross margin	**105,102**		***(3.4)***	**108,853**	
Distribution expenses	(3,748)		*10.6*	(4,191)	
Marketing expenses	(30,951)		*(5.6)*	(29,297)	
General and administration expenses	(27,452)		*(12.9)*	(24,312)	
Loan forgiven	-		*n/a*	11,407	
Other income	850		*n/a*	945	
Other expenses	(3,500)		*(88.4)*	(1,858)	
Operating profit	**40,301**		***(34.5)***	**61,547**	
Financing expenses	(19,762)		*(12.3)*	(17,601)	
Net profit before taxation	**20,538**		***(53.3)***	**43,946**	
Taxation expense	(5,258)		*44.3*	(9,440)	
Total profit after taxation (NPAT)	**15,281**		***(55.7)***	**34,506**	
		% sales			% sales
Concept EBITDA before G&A including Government grants					
New Zealand	40,608	*16.1*	*(5.7)*	43,050	*18.0*
Australia	14,156	*10.6*	*(13.3)*	16,322	*13.3*
Hawaii	20,750	*18.0*	*30.1*	15,950	*15.8*
California	8,815	*10.4*	*(30.8)*	12,746	*16.5*
Total concept EBITDA before G&A	**84,330**	***14.4***	***(4.2)***	**88,068**	***16.3***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(13.5)			(11.8)	

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 order centre, advertising and local store marketing expenses.
General and administration expenses (G&A) are non-store related overheads.
Sales and concept EBITDA for each of the concepts may not aggregate to the total due to rounding.

Non-GAAP Financial Measures
For the six months ended 30 June 2022

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand International Financial Reporting Standards ("NZ IFRS"). These financial statements include non-NZ GAAP financial measures that are not prepared in accordance with NZ IFRS. The non-NZ GAAP financial measures used in this presentation are as follows:

1. **EBITDA including Government grants, G&A and other items**. The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation and G&A. The Group also refers to this measure as **Store EBITDA before G&A and other items**. This measure provides the results of the Group's core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.

   The term **Store** refers to the Group's 10 operating divisions comprising the New Zealand brands (KFC, Pizza Hut, Taco Bell and Carl's Jr.), the two Australia brands (KFC and Taco Bell), the two Hawaii brands (Taco Bell and Pizza Hut), and the two California brands (KFC and Taco Bell). The term **G&A** represents non-store related overheads.

2. **Total NPAT excluding the impact of NZ IFRS 16**. Total Net Profit After Taxation ("NPAT") excluding the impact of NZ IFRS 16 is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with the adoption of NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.

The Group believes that these non-NZ 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-NZ 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-NZ GAAP measures and net profit after taxation:

$NZ000's	Note*	30 June 2022 unaudited	30 June 2021 unaudited
EBITDA including Government grants, before G&A and other items	1	**85,401**	**89,944**
Depreciation		(21,022)	(17,618)
Net loss on sale of property, plant and equipment (included in depreciation)		(526)	(1,160)
Lease depreciation		(19,943)	(18,695)
Lease costs		29,293	26,265
Amortisation (included in cost of sales)		(5,051)	(4,459)
General and administration costs - area managers, general managers and support centre		(25,201)	(23,224)
Loan forgiven		850	11,407
Other items		(3,500)	(913)
Operating profit		**40,301**	**61,547**
Financing expenses		(19,762)	(17,601)
Net profit before taxation		**20,538**	**43,946**
Taxation expense		(5,258)	(9,440)
Net profit after taxation		**15,281**	**34,506**
Add back NZ IFRS 16 impact		6,668	6,184
Income tax on NZ IFRS 16 impact		(1,840)	(1,724)
Total NPAT excluding the impact of NZ IFRS 16	2	**20,109**	**38,966**

* Refers to the list of non-NZ GAAP measures as listed above.