RESTAURANT BRANDS NEW ZEALAND LIMITED

NZX/ASX
24 May 2024

Restaurant Brands Annual Shareholders' Meeting
CHAIRMAN'S ADDRESS

I would like to start by thanking our investors, the Restaurant Brands team, and our customers for their support over the past 12-months in what has been a challenging operating environment.

Despite the pressures that the economic climate placed on performance in FY23, it was also a formative year for the Group. Under the leadership of our new Management Team, significant transformation and progress is being delivered against key strategic initiatives that will take the Group into a new era.

With strong momentum behind these innovation and business improvement workstreams, we remain confident in the medium- to long-term outlook for Restaurant Brands and its ability to deliver sustainable value to shareholders.

In FY23, rapid inflation resulted in rising input costs and cost of living pressures. This occurred at a level, and speed, that greatly exceeded earlier expectations.

While price increases were implemented as part of our mitigation strategy, they were not able to be executed at the pace or extent required to fully offset these elevated costs without impacting transactions or brand health.

As a result, while sales reached record levels once again, significant pressure was placed on profits, particularly in the first half of FY23, impacting the Group's full year result. In FY24 we are seeing gradual signs of margin improvement, and our brands remain strong, positioning the Group to unlock improved results moving forward.

I'll now provide you with an overview of the full year result and its contributing factors.

Total sales reached a record high of $1,322.2 million – a strong result given the adverse economic headwinds. All divisions continued to experience ingredient inflation and minimum wage increases, impacting margins and total Store EBITDA, particularly in the first half of the year.

Inflation pressures eased in most regions in the second half, and mitigation initiatives, including strategic pricing and cost control measures, proved to be successful, with margin gains achieved in the second half.

Net Profit After Tax (NPAT) for the year ended 31 December 2023 was $16.3 million. NPAT includes an impairment of $9 million or $6.4 million after-tax.

Total Store Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was $178.4 million, down $1.6 million or 0.9% on the prior year. EBITDA margins reduced from 14.5% to 13.5%.

Regarding dividends, the Board assessed the current and projected financial position of the Group and, in particular, its cashflow, capital expenditure requirements and debt levels.

Given the demands of the store development programme and an increased level of debt, the Board believes it is in the best interests of the Group to retain capital to support growth, maintain funding flexibility and a healthy leverage ratio.

To support this, no dividend was declared for FY23. We will keep shareholders updated if the current dividend position changes.

As I mentioned, it was another record year for the Group, with store sales increasing $83.2 million on the previous year. Growth was delivered across all four operating regions in New Zealand dollars. Same store sales were positive in all regions except for California, which was impacted by an inflation driven reduction in consumer spending.

The Group's total store numbers at 31 December 2023 totalled 498 stores, including company owned and franchised restaurants.

Moving forward, the Group will be reporting on all stores – company owned and franchised. Previously, we have only reported on company owned stores.

Company-owned store numbers totalled 376, comprising: 147 stores in New Zealand, 84 stores in Australia, 70 stores in Hawaii, and 75 stores in California. Franchised stores totalled 122.

Nine new stores were opened across the Group in FY23. We remain committed to our store development programme with further new store builds, refurbishments and portfolio optimisation planned for FY24.

Operating cash flows NZ IFRS 16 adjusted were $98 million. This was slightly higher than FY22 due to improved inventory management and higher sales offset by increased interest rates in FY23.

Net investing cash outflows were $85 million, compared with $92 million in FY22, due lower investments in new store builds. The increase in net debt is a combination of additional proceeds of $7.6 million, slightly offset by higher levels of available cash.

Interest on bank debt for the period ended 31 December 2023 was $20.7 million, up $9.6 million on last year, reflecting the impact of higher interest rates. At the end of 2023 the Group had available loan facility of more than 100 million.

The Group maintains healthy debt ratios. Banking covenants remain in range and there are no forecasted breaches of banking covenants.

I would like to acknowledge the stewardship of the RBD Directors over the past 12-months and thank them for their contribution and sound governance.

In particular, I would like to thank Director Maria Elena Pato-Castel, known as Malena, who has been making a valuable contribution to the Group since she was appointed to the Board in 2021.

Malena has 33 years of experience in the QSR industry, including close ties to the KFC brand as a former owner/operator in Europe and governance positions on the Board of Yum! Brands subsidiaries operating Pizza Hut restaurants.

Malena's background working with large multinational companies during key growth periods has provided valuable insight to our Group strategy.

I would also like to acknowledge the Restaurant Brands Management Team. The ASM last year saw the introduction of RBD's new leadership team - Arif Khan as Acting Group Chief Executive Officer and Julio Valdés as Group Chief Financial Officer.

During the period, we were pleased announce Arif's permanent appointment as Group Chief Executive Officer. As a team, they came in with their sleeves rolled up and very quickly got under the hood of the Group's operations.

While the operating environment will continue to place pressure on profits in the near-term, the Board has conviction that RBD is equipped with strong leadership and the right strategy to achieve both near-term recovery and long-term growth for our investors.

Before I conclude, I'd like to update you on a change to our reporting schedule. Moving forward, Restaurant Brands will no longer provide quarterly sales updates.

Due to the ongoing volatility of input costs and the trading environment, the current sales run-rate is not indicative of the Group’s performance.

The Board and Management Team believe this is a prudent move while inflationary pressures continue to impact margins and offset record sales growth.

We remain committed to our continuous disclosure obligations and any material matters will be communicated to the market in a timely manner.

I’d like to thank our shareholders and the Restaurant Brands team, once again, for your support over the past 12-months. I’ll now hand you over to Restaurant Brands Group CEO, Arif Khan.

ENDS.