Directors' Report to Shareholders
For the six months ended 30 June 2021
(1H 2021)

Key Highlights

($NZm)	1H 2021	1H 2020	Change ($)	Change (%)
Total Group sales	**540.6**	**383.4**	**+157.2**	**+41.0**
Group NPAT (reported)	**34.5**	**11.2**	**+23.3**	**+208.0**

- Total Group sales for the six months to 30 June 2021 (1H 2021) were $540.6 million, up $157.2 million on the previous half year (1H 2020). This is the result of the inclusion of the California business in 2021 and the adverse impact of COVID-19 in 2020.
- Net Profit after Tax for 1H 2021 was $34.5 million (27.66 cents per share), up $23.3 million on 1H 2020. The current result includes recognition of $11.4 million of loan forgiveness under the US Paycheck Protection Program (PPP).
- Brand EBITDA before G&A was up $26.5 million to $89.9 million, of which $12.7 million came from the inclusion of a maiden profit from the new California division. The comparison was enhanced by the effect of COVID-19 store closures in New Zealand in the 1H 2020 result*.

Group Operating Results

Directors are pleased to report that Restaurant Brands New Zealand Limited (RBD) has earned a Group Net Profit after Tax (NPAT) of $34.5 million for the six months ended 30 June 2021 (1H 2021). This is up $23.3 million on the last half-year's reported result. Although the company continues to face challenges from COVID-19 the operating results have remained strong across all divisions.

The result includes $77.3 million in sales and $12.7 million of brand EBITDA from the newly acquired California division. This, combined with the adverse effect of COVID-19 on the 1H 2020 results, compromises the opportunity for direct comparisons between the two half years' reported results. Comparisons at a reported profit level are further distorted by the recognition of $11.4 million ($US8.1 million) in relation to the PPP loan drawn down last year at the beginning of the COVID-19 pandemic, that was forgiven during the period.

After adjusting for the PPP loan, the underlying NPAT would be $23.1 million, up $11.9 million. This increase is due to rolling over the adverse effect of COVID-19 on the 1H 2020 results, the addition of the new Californian business and the strong trading results in the current year.

Total store sales hit a new high of $540.6 million, up $157.2 million or 41.0% on 1H 2020, thanks to the inclusion of $77.3 million in sales from the California business (acquired in September 2020). Very strong same store sales growth from the other divisions also contributed.

Combined brand EBITDA at $89.9 million was up $26.5 million (41.7%) on 1H 2020*, with the increase arising from strong sales growth in the current year, a $12.7 million contribution from the California division and the COVID-19 impact on the prior year's results.

Restaurant Brands' store numbers now total 350, up 60 on the 1H 2020 – again largely due to the inclusion of 69 stores in California. This is partly offset, however, by the sale of New Zealand Pizza Hut stores to independent franchisees. There are now 132 RBD-owned stores in New Zealand, 73 in Hawaii, 69 in California and 76 stores in Australia.

*Including government grant of $22.1 million in 1H 2020.

New Zealand Operations

New Zealand store sales were $239.3 million, up $64.7 million or 37.0% on 1H 2020. Particularly strong sales in KFC and Carl's Jr. made an impact here, as well as rolling the five week COVID-19 lockdown in 1H 2020 (an estimated $40.0 million in lost sales). Same store sales were up a healthy 12.5%.

EBITDA was $43.1 million, a $9.5 million or 28.3% increase on 1H 2020 as a result of the strong store sales performance and rolling the five week store closure in the June 2020 result*. EBITDA margin at 18.0% was slightly softer on prior year with some cost pressures and the mix of less profitable Taco Bell brand sales as this business continues to build.

	Actual 26 weeks 30 June 2021	Actual 26 weeks 30 June 2020	Change ($)	Change (%)
Store sales ($NZm)	**239.3**	**174.6**	**+64.7**	**+37.0**
EBITDA ($NZm)	**43.1**	**33.6***	**+9.5**	**+28.3**
EBITDA as a % of Sales	***18.0***	***19.2***		
Store Numbers	**132**	**150**		

*Including government grant of $22.1 million in 1H 2020.

The result has been led by another strong performance from KFC combined with Carl's Jr. where sales continue to grow through both the delivery and store channels. At this stage, Taco Bell contributes only a small proportion of the New Zealand business sales with the five stores opened to date continuing to track in line with expectations.

Operating profit for the NZ division (excluding the effect of NZ IFRS 16) was $28.7 million (up 68.5%).

The Pizza Hut sub-franchising process continued with seven stores sold to independent franchise operators and two new stores opened by independent franchisees over the first half year taking the total number of stores in the wider Pizza Hut network to 105. The effect of these franchisee store sales on total RBD owned store numbers was offset by one new KFC store opening in Takanini, Auckland, and the fifth Taco Bell store (first in the South Island) opening in the Eastgate Shopping Centre, Christchurch. Both are trading ahead of expectations.

The KFC Takanini store that opened in April 2021 incorporates a range of innovations that improve sustainability, including use of solar panels and energy efficient water heating. Customer experience is also enhanced through new features such as a dual lane drive-thru and a separate click & collect area.

An additional four Taco Bell stores and two KFC stores are expected to open before the end of the year.

KFC is proud to be celebrating its 50th anniversary in New Zealand with the first store having opened in Royal Oak, Auckland in 1971.

Australia Operations

In $NZ terms the Australian business contributed total sales of $NZ123.0 million (up 24.1%), a store EBITDA of $NZ16.3 million (up 37.9%) and operating profit (excluding the effect of NZ IFRS 16) of $NZ5.6 million (up 106.3%).

In $A terms total sales in Australia were $A114.8 million, up $A20.4 million (or 21.6%) on last year, primarily due to the acquisition of five additional KFC stores in February 2021, the effect of additional store openings, and solid same store sales growth (up 5.2 % for the half year).

	Actual 26 weeks 30 June 2021	Actual 26 weeks 30 June 2020	Change ($)	Change (%)
Sales ($Am)	**114.8**	**94.4**	**+20.4**	**+21.6**
Store EBITDA ($Am)	**15.2**	**11.3**	**+4.0**	**+35.3**
EBITDA as a % of Sales	***13.3***	***11.9***		
Store Numbers	**76**	**65**		

Australian operations continue to face challenges with COVID-19 lockdowns. These restrictions have adversely impacted dine-in sales across the network and many of the mall and in-line city store sales are operating below pre-COVID-19 levels. During the initial COVID-19 lockdown restrictions the Australian business successfully expanded home delivery services and generated further growth in KFC mobile ordering. Both initiatives continue to drive strong sales growth through these channels. With continued investment in existing stores in the portfolio and a particular emphasis on driving workplace safety, operational excellence and digital innovation that enhances customer experience the business has succeeded in mitigating some of the impact of the current COVID-19 restrictions.

Store EBITDA margins of $A15.2 million (13.3% of sales) were up $A4.0 million or 35.3% on last year. Although store EBITDA is up on last year this is primarily due to the increase in sales from store acquisitions and new store openings. There remain underlying cost challenges from COVID-19 as well as initial set up costs of operating Taco Bell as we look to scale the business.

Store numbers continue to grow through both new builds and acquisitions. Five KFC stores were acquired in North Sydney early in the half year and one new Taco Bell opened in Green Square Sydney. This store produced record opening day transactions this year for the entire Asia Pacific region. Four more new Taco Bells are scheduled to open by the end of the year. Two Taco Bell and three KFC stores also opened in 2H 2020.

Hawaii Operations

Total sales in Hawaii for the period were $US72.7 million with store level EBITDA of $US11.6 million (15.8% of sales).

In $NZ terms the Hawaiian operations contributed $NZ101.0 million in revenues, $NZ16.0 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ19.3 million for the period. This result includes $11.4 million ($US8.1 million) in relation to the PPP loan drawn down at the onset of the COVID-19 pandemic last year, that was forgiven in June 2021.

	Actual 26 weeks 30 June 2021	Actual 26 weeks 30 June 2020	Change ($)	Change (%)
Sales ($USm)	**72.7**	**68.7**	**+3.9**	**+5.7**
Store EBITDA ($USm)	**11.6**	**10.2**	**+1.4**	**+14.0**
EBITDA as a % of Sales	***15.8***	***14.8***		
Store Numbers	**73**	**75**		

Reported sales are up $US3.9 million with same store sales up 9.9%. Both Taco Bell and Pizza Hut have shown growth on 1H 2020.

Pizza Hut's resurgence in sales and profitability experienced last year has continued into 2021. As Hawaii struggles through the ongoing pandemic, customer loyalty to a reliable and long-established brand that offers product value has helped to maintain sales momentum. This has been reinforced by enhanced delivery and customer ordering capability with Pizza Hut's web orders now accounting for more than 60% of total orders taken.

While Pizza Hut's sales flourished in 2020, Taco Bell's sales were stagnant under Hawaii's initial "stay at home" restrictions instituted in early 2020. Sales have subsequently resurged in 2021 with the recovery in tourism arising from Hawaii opening up its economy. Increased deliveries, largely through third party aggregators and digital sales through Taco Bell's mobile ordering platform also played a large role in sales growth in 2021. Prior to the pandemic, Taco Bell had no presence in the delivery market and nominal digital sales.

Overall store numbers in Hawaii are down by two from 1H 2020 following the closure of three stores late last year as part of the strategy to close some legacy dine-in restaurants. During the past six months one new Pizza Hut store has opened in Pahoa.

California Operations

Total sales in California for the period were $US55.2 million with store level EBITDA of $US9.1 million (16.5% of sales).

In $NZ terms the Californian operations contributed $NZ77.3 million in revenues, $NZ12.7 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ4.0 million for the period. These results were above expectations at the time of completion of the California acquisition in September 2020.

	Actual 26 weeks 30 June 2021	Actual 26 weeks 30 June 2020	Change ($)	Change (%)
Sales ($USm)	**55.2**	**n/a**	**n/a**	**n/a**
Store EBITDA ($USm)	**9.1**	**n/a**	**n/a**	**n/a**
EBITDA as a % of Sales	***16.5***	**n/a**		
Store Numbers	**69**	**n/a**		

The second quarter saw record sales levels in California thanks to the launch of the new KFC Chicken Sandwich, coupled with the third round of Federal stimulus and a relaxation in COVID-19 pandemic restrictions. During June, California relaxed many of the pandemic trading restrictions allowing dining rooms to reopen.

Store numbers have remained constant at the acquisition level of 69 stores. One additional KFC store was acquired from an existing franchisee just after balance date.

Corporate & Other

General and administration (G&A) costs were $24.3 million, an increase of $1.6 million on 1H 2020, largely as a result of inclusion of the California division costs. G&A as a % of total revenue was 4.3% which is much closer to the traditional run rate of 4.0% of revenues. This is a reduction from 5.7% in the prior year due to the increase in revenue and the impact of COVID-19 on the 1H 2020 results.

Depreciation charges of $18.8 million for the half year were $3.1 million higher than the prior year. The increase is from the California division charges ($2.1 million) and the continued high level of new store builds and store refurbishments. Depreciation of leased assets is also up $4.9 million to $18.7 million with new leases increasing the right of use asset depreciation.

Financing costs of $17.6 million were up $3.5 million on prior year primarily due to an increase in lease interest of $3.4 million resulting from both new leases and existing leases being extended. Bank interest costs were $3.4 million, $0.2 million lower than prior year with increased debt levels off-set by lower interest rates.

Tax expense was $9.4 million, up $5.4 million due to the higher earnings. The effective tax rate is 21.5%, down from 26.3% last year due to the lower relative level of assessable income in the Hawaii division with the PPP loan forgiveness.

Other Expenses

Other expenses for the half year totalled $1.9 million, an increase of $0.2 million on prior year. This year's costs included acquisition costs (Australia and California) of $0.7 million and initial one-off costs associated with a new company-wide ERP system ($1.2 million) being introduced. A further $2-3 million is expected to be spent on this project over the balance of this financial year. The entire project is expected to cost in excess of $7 million and will be largely expensed.

PPP Loan

In March 2020 during the onset of the COVID-19 pandemic the Hawaiian operations received $US8.1 million as a Government loan under the Paycheck Protection Program (a US Government assistance package offered to US businesses affected by the pandemic). In June 2021, the US government approved converting the PPP loan to a government grant. This resulted in $11.4 million in Other Income being recognised in the Consolidated Statement of Comprehensive Income.

NZ IFRS 16

The impact of NZ IFRS 16 on the Group accounts for the half year is a reduction of $4.5 million on after tax operating earnings (1H 2020 impact: $2.8 million).

The Consolidated Statement of Financial Position has right of use assets of $537.8 million, up $26.0 million since December 2020 due to the inclusion of the five newly acquired stores in Australia, various other new stores being opened and lease renewals. Lease liabilities of $623.8 million are also up by $33.4 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 down to $222.3 million compared to $235.6 million at the previous year end. As at 30 June 2021, the Group had bank debt facilities totalling $NZ357.0 million available. Cash and cash equivalents decreased by $8.5 million during the period resulting in net debt reducing by $4.8 million to $195.1 million over the half year.

Operating cash flows were $62.4 million, up $24.5 million on 1H 2020 which is a direct reflection of the strong improvement in trading results vs the prior half year and the added benefit from the California acquisition. Operating cash flows in 1H 2020 also included $22.1 million from the New Zealand wage subsidy.

Net investing cash outflows at $53.2 million, versus $23.9 million in 1H 2020, include the acquisition of stores in Australia for $25.3 million. The underlying spend on new stores as well as refurbishing stores throughout the network is also up by $5.6 million.

COVID-19

The company continues to face challenges in relation to the ongoing COVID-19 pandemic including increased operating costs, continued trading restrictions in some markets and ongoing lockdowns in Australia and on 18 August New Zealand. However, there have been opportunities with increased focus on takeout and delivery channels which have helped produce strong results for this half year. Directors acknowledge the continuing efforts of all staff in helping to deliver such a strong result in what remains challenging circumstances.

Outlook

Despite the impact of COVID-19, store numbers are expected to continue to grow in the second half. 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, together with continuing scrape and rebuild refurbishments delivering significant sales growth. A new store development programme is under way in California, with up to three new KFC stores targeted for opening before year end.

The overall business continues to deliver solid results across all geographic markets and this strong performance has carried over into the second half of the year. However, whilst current trading remains strong across all divisions, the prevailing uncertainties with COVID-19, particularly in the Australian and most recently the New Zealand markets make it difficult to provide firm profit guidance.

Authorised by:

Russel Creedy
CEO
Phone: 525 8710

Grant Ellis
CFO
Phone: 525 8710

ENDS

Consolidated Income Statement
For the six months ended 30 June 2021

$NZ000's	30 June 2021 unaudited	% sales	vs Prior %	30 June 2020 unaudited	% sales
Sales					
New Zealand	239,274		*37.0*	174,603	
Australia	123,027		*24.1*	99,137	
Hawaii	101,024		*(7.9)*	109,697	
California	77,316		*n/a*	-	
Total sales	**540,641**		***41.0***	**383,437**	
Other revenue	23,012		*90.9*	12,054	
Total operating revenue	**563,653**		***42.5***	**395,491**	
Cost of goods sold	(454,801)		*(33.8)*	(340,033)	
Gross margin	**108,852**		***96.3***	**55,458**	
Distribution expenses	(4,191)		*(45.2)*	(2,887)	
Marketing expenses	(29,297)		*(39.7)*	(20,969)	
General and administration expenses	(24,313)		*(9.1)*	(22,284)	
Government grants	-		*n/a*	22,071	
Loan forgiven	11,407		*n/a*	-	
Other items	(913)		*44.5*	(1,646)	
Operating profit	**61,546**		***109.8***	**29,338**	
Financing expenses	(17,601)		*(24.6)*	(14,127)	
Net profit before taxation	**43,945**		***188.9***	**15,210**	
Taxation expense	(9,440)		*(136.0)*	(4,000)	
Total profit after taxation (NPAT)	**34,506**		***207.8***	**11,210**	
Concept EBITDA before G&A including Government grants					
New Zealand	43,050	*18.0*	*28.3*	33,562	*19.2*
Australia	16,322	*13.3*	*37.9*	11,832	*11.9*
Hawaii	15,950	*15.8*	*(2.0)*	16,272	*14.8*
California	12,746	*16.5*	*n/a*	-	*n/a*
Total concept EBITDA before G&A	**88,068**	***16.3***	***42.8***	**61,667**	***16.1***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(11.8)			20.5	

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 2021

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 2021 unaudited	30 June 2020 unaudited
EBITDA including Government grants, before G&A and other items	1	**89,944**	**62,462**
Depreciation		(17,618)	(14,973)
Net loss on sale of property, plant and equipment (included in depreciation)		(1,162)	(661)
Lease depreciation		(18,695)	(13,832)
Lease costs		26,265	20,716
Amortisation (included in cost of sales)		(4,460)	(1,916)
General and administration costs - area managers, general managers and support centre		(23,223)	(20,812)
Loan forgiven		11,407	-
Other items		(913)	(1,647)
Operating profit		**61,546**	**29,338**
Financing expenses		(17,601)	(14,127)
Net profit before taxation		**43,945**	**15,210**
Taxation expense		(9,440)	(4,000)
Net profit after taxation		**34,506**	**11,210**
Add back NZ IFRS 16 impact		6,184	3,952
income tax on NZ IFRS 16 impact		(1,724)	(1,161)
Total NPAT excluding the impact of NZ IFRS 16	2	**38,966**	**14,001**

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