Directors' Report

For the year ended 31 December 2024 (FY24)

RESTAURANT BRANDS NEW ZEALAND LIMITED

(Restaurant Brands) and its subsidiaries (the Group)

$NZm	31 Dec 2024	31 Dec 2023	Change ($)	Change (%)
Group store sales	**1,393.6**	1,322.2	+71.4	+5.4
Group Net Profit After Tax (NPAT)	**26.5**	16.3	+10.2	+62.6
Group Store EBITDA[1]	**194.3**	178.4	+15.9	+8.9
Group Store EBITDA as a % of sales	**13.9**	13.5		
Store numbers (owned and franchised)	**521**	498		

1 Store EBITDA is earnings before interest, tax, depreciation, and amortisation. The Store EBITDA amounts referred to throughout this report are before General and Administration (G&A) expenses, NZ IFRS 16 and Other items. Store EBITDA is a non-GAAP financial measure and is not in accordance with NZ IFRS.

OPERATING RESULTS

Total Group store sales reached a record $1,393.6 million for the year ended 31 December 2024. Supported by the implementation of strategic initiatives including effective revenue management programmes, cost control measures, and operational efficiencies, the Group NPAT of $26.5 million represents a considerable improvement from last year.

These initiatives, combined with the consistent delivery of value through price and customer experience, have supported customer loyalty, brand health, and our competitive position, while also partially offsetting rising labour costs and consumer pressures.

Group Store EBITDA increased 8.9% on the prior year, or $15.9 million, reaching $194.3 million, with the implemented measures continuing to deliver gradual margin recovery for the Group.

New Zealand and Hawaii are noteworthy, with improved performance and solid growth delivered in 2024. This continues to offset a slower recovery in Australia and California. We remain on the right track to reach Group Store EBITDA margin levels obtained in FY22, previously established as the baseline for future growth.

Market conditions in Australia and California - including the imposed 29% increase in the minimum wage in California in April 2024 - are still placing significant pressure on consumer spending and labour costs. We are monitoring these trading conditions closely in order to implement and adapt any necessary plans to mitigate their impact.

Despite these challenging market conditions, we have significantly advanced our growth strategy in parallel to our focus on margin and profit recovery. In all markets we are investing in digital channels and increasing digital sales, delivering enhanced marketing programmes, launching innovative new products, and adapting our menus.

Our unique, modern brands continue to grow and provide winning experiences to our customers, driven forward by the highly motivated Restaurant Brands team and our franchisee network. The considerable investments we have made in technology in recent years are delivering cost efficiencies that support our margins and, at the same time, improve customer access and the staff experience across all divisions.

During FY24, we opened nine new stores, including new, innovative formats, furthered our store refurbishment programme, and optimised the store portfolio, focusing on key growth areas. New store openings were offset by four closures in California.

As at 31 December 2024, Restaurant Brands has 521 stores (381 owned and 140 franchised) distributed as follows: 155 owned stores in New Zealand, 85 stores in Australia, 70 in Hawaii and 71 in California. The Restaurant Brands portfolio includes 141 Pizza Hut stores in New Zealand, of which 135 are owned and operated by independent franchisees.

NEW ZEALAND OPERATIONS

	31 Dec 2024	31 Dec 2023	Change ($)	Change (%)
Store sales ($m)	**625.9**	571.8	+54.1	+9.5
Store EBITDA ($m)	**104.0**	80.5	+23.5	+29.2
Store EBITDA as a % of sales	**16.6**	14.1		
Store numbers (owned and franchised)	**295**	269		

Store sales for the New Zealand business were up $54.1 million to $625.9 million, representing a strong 9.5% growth on FY23, primarily driven by KFC and the opening of new stores.

Despite a slowdown in the economy, most markedly towards the second half of the year, same store sales were up 4.6%, with strong transaction growth year-on-year as a result of effective marketing strategies and new product launches.

In 2024, the New Zealand KFC business delivered record sales driven by innovative new products and viral marketing initiatives that contributed to weekly sales records. Pizza Hut marked its 50th anniversary in New Zealand with special celebrations, including the limited return of vintage company favourites such as the all-you-can-eat buffet and special menu items aimed at bringing back core memories for both the Pizza Hut team and our longstanding customers. Taco Bell continued to grow in terms of same store sales, transactions, and new store openings as a result of a consistent brand message and strong menu innovation.

Digital sales continued to grow across all brands, with investments in digital channels enhancing customer experience at store level and through delivery. While KFC remains the leading contributor to New Zealand operations, Taco Bell has solidified its presence in the QSR sector and Carl's Jr. continues to perform in line with expectations.

Store EBITDA was $104.0 million, a $23.5 million or 29.2% increase on FY23, reflecting improved sales performance, cost saving initiatives, more stable roster that enabled the stores to resume full trading hours. Store EBITDA margin was 16.6%, an increase on the 14.1% in FY23, again indicating robust sales growth and strong margin improvements.

The New Zealand division opened eight new stores in FY24, bringing the total number of RBD-owned stores to 155. The division focused on developing innovative store formats designed to boost customer experience, including a premier flagship side-by-side opening of KFC, Taco Bell, and Carl's Jr. stores in a new town centre.

The Pizza Hut store network maintained its strong growth momentum this year, opening 17 new stores in FY24, for a total 141 stores, of which 135 are operated by independent franchisees under a master franchise agreement with Restaurant Brands.

We are continuing to deliver proactive, value-led marketing strategies in the first half of 2025, to address pressure on consumer spending, with an expected improvement in the New Zealand retail environment in the second half.

AUSTRALIAN OPERATIONS

	31 Dec 2024	31 Dec 2023	Change ($)	Change (%)
Store sales ($Am)	**284.2**	286.6	-2.4	-0.8
Store EBITDA ($Am)	**32.3**	34.9	-2.6	-7.4
Store EBITDA as a % of sales	**11.4**	12.2		
Store numbers (owned)	**85**	84		

Store sales for the Australia business were $A284.2 million, down 0.8% on FY23.

Same store sales were down 3.3%, driven by a year-on-year reduction in transaction levels largely due to continued cost of living pressures impacting consumers in the market. Small pricing adjustments were made throughout the year while enhancing value-driven offerings to meet the needs of cost-conscious customers.

Australia continues to face challenging market conditions, with high interest rates, elevated inflation, and occupancy costs driving cost of living pressures. Despite applying pricing uplifts factoring customer demand for value offerings, customers have continued to shift to supermarket options. Additionally, while input costs have remained stable, electricity costs increased markedly. To partially offset this increase, the Group has invested in energy efficiency initiatives such as the expansion of rooftop solar and LED lighting.

Store EBITDA was down $A2.6 million, to $A32.3 million, and Store EBITDA margins declined from 12.2% to 11.4%, which is reflective of the ongoing inflationary cost pressures impacting consumer spending. Although KFC delivered a lower Store EBITDA versus the prior year, it is important to note that the strong 2023 results make for a high comparison base. While Taco Bell performed below expectations, we remain confident that the strategy currently in place will bring the brand to the levels and momentum we are experiencing in the New Zealand market.

In $NZ terms, the Australian business contributed $NZ309.9 million in sales, and Store EBITDA of $NZ35.2 million was down 6.8% on the previous year.

RBD operates 85 stores in Australia. The business opened one new store during the year, and successfully converted a Taco Bell store closed in 2023 into a KFC store. We continue to invest in the store refurbishment program in this market, with a focus on elevating brand standards, employee safety, and customer experiences with new restaurant equipment and digital kiosks.

We are optimistic about the outlook for Australia, with cost of living pressures expected to ease during the second half of 2025. We will continue to invest in the growth of digital channels and develop new store assets while building increased brand resilience in a highly competitive market.

HAWAIIAN OPERATIONS

	31 Dec 2024	31 Dec 2023	Change ($)	Change (%)
Store sales ($USm)	**169.5**	159.5	+10.0	+6.3
Store EBITDA ($USm)	**28.7**	27.6	+1.1	+4.0
Store EBITDA as a % of sales	**16.9**	17.3		
Store numbers (owned)	**70**	70		

Store sales for the Hawaii business were $US169.5 million, up $US10.0 million and 6.3% on the prior year, with solid performance in Taco Bell once again and moderate growth in Pizza Hut. Same store sales increased 4.2% on the prior year.

While Taco Bell continued to deliver strong sales, supported by successful marketing campaigns and product innovations, Pizza Hut sales were below expectations. However, sales at Pizza Hut did improve over FY23 with the implementation of strategies to support employee attraction and retention, which have been successful in improving staffing conditions. Pizza Hut's new offerings, introduced mid-way through 2024, constituted an effective step forward for the brand.

Store EBITDA was $US28.7 million, equivalent to 16.9% of sales, an increase of $US1.1m on last year. However, the margin decreased slightly, resulting from a year-on-year inflation increase and high energy prices that limited consumer spending, despite the Group's focus on value offerings. Store EBITDA growth is mainly driven by Taco Bell, with Pizza Hut having similar performance versus the prior year.

In $NZ terms, the Hawaii business contributed $NZ280.3 million in sales, up $NZ20.6 million, or 7.9%, on the prior year. Store EBITDA increased $NZ2.4 million to $NZ47.4 million, partly supported by a favourable NZD/USD exchange rate.

RBD operates 70 stores in Hawaii (with no openings or closures during FY24).

We continue to implement unique marketing campaigns as well as new offerings and sites to strengthen brand awareness, while also bringing back long-time consumers with favourites from the past.

CALIFORNIAN OPERATIONS

	31 Dec 2024	31 Dec 2023	Change ($)	Change (%)
Store sales ($USm)	107.3	110.9	-3.6	-3.2
Store EBITDA ($USm)	4.6	9.3	-4.7	-50.5
Store EBITDA as a % of sales	4.3	8.4		
Store numbers (owned)	71	75		

Store sales for the California business were $US107.3 million, a decrease of $US3.6 million, or 3.2%, on the prior year.

Same store sales declined 3.9% on the prior year.

The elevated cost of living is still impacting consumer spending in this market, where dining at home continues to make more economic sense than eating out. The average spend per customer has declined as customers gravitate to value-oriented menus and promotional items in an environment of very strong competition. However, same store sales improved during the course of the fourth quarter, driven in part by new marketing campaigns for KFC in the U.S. Changes to in-store kiosks, as well as local restaurant marketing efforts - particularly catering offers – have supported an increase in uptake and value-oriented promotional efforts and innovation introduced this year have delivered strong sales compared to other operators in our market.

Store EBITDA was down 50.5%, to $US4.6 million, mainly impacted by the 29% increase in the minimum wage that came into effect on 1 April 2024, despite the implementation of strategies to mitigate this impact while maintaining a strong customer base. However, there were improvements in key labour indicators regarding retention and staffing levels and investments were made into initiatives to reduce operating costs, improve operational efficiency, maintain brand health and support growth.

In $NZ terms, the California business contributed $NZ177.4 million in sales, down 1.8% on FY23, and $NZ7.7 million in Store EBITDA, a decrease of 49.0%, which was partially offset by a favourable NZD/USD exchange rate.

RBD operates 71 stores in California. As part of the ongoing optimisation of the portfolio to focus on key growth areas, four stores were closed over the course of the year.

Key pillars of our strategy for California include enhanced operational efficiencies (including kiosk rollouts), initiatives to boost our energy efficiency, and the optimisation of our store portfolio. While these and other initiatives have helped to improve performance and partially offset increased labour costs, we anticipate that it will take 12-18 months to see better trading conditions in this market.

CORPORATE & OTHER

Group General and Administration (G&A) expenses were $66.6 million, a decrease of $0.6 million on FY23. G&A as a percentage of total revenue was 4.5%, down on FY23 at 4.8%, supported by continuing initiatives aimed at reducing non-essential G&A expenses across the Group. Depreciation charges of $50.1 million for FY24 were $3.4 million higher than FY23, due to the continued new store builds and store refurbishments, although at a slower rate than the prior year. Depreciation of right of use assets is up $1.0 million, to $43.7 million, with new stores and lease renewals increasing the associated right of use asset depreciation. Financing costs of $57.0 million were up $0.8 million on FY23, primarily driven by a $0.9 million increase in lease interest to $36.2 million due to both new leases and existing leases being extended. This was partially offset by bank debt servicing costs with lower debt levels as a result of the improved cash flows achieved in 2024. Tax expense was $10.3 million, up $4.1 million on the back of higher earnings for the year. The effective tax rate is 28.0% (FY23 27.5%).

OTHER ITEMS

Other items comprise other income and expenses and they totalled $8.0 million (FY23 $6.1 million). FY24 includes a net impairment charge of $7.8 million, and $0.7 million related to the assets write-downs for store closures in California and other expenses of $0.5 million. These charges were partially offset by $0.9 million of insurance recovery proceeds following the wildfire in Lahaina in 2023.

BALANCE SHEET AND CASH FLOW

Total assets of the Group were $1,491.5 million, up $65.7 million on 31 December 2023, primarily due to new store builds and refurbishments which increased the value of both property, plant, and equipment as well as intangibles and right of use assets. Bank debt at the end of FY24 was $284.5 million compared with $289.4 million as of 31 December 2023, due to a combination of net repayments of $27.4 million offset by $22.5 million of exchange rate effects. As of 31 December 2024, the Group had bank debt facilities totalling $405.1 million ($120.7 million undrawn).

In December 2024 the Group paid a special dividend of $22.5 million, as a result of the current and projected financial position supported by the Group's cash flows and capital expenditure requirements.

Cash and cash equivalents decreased by $0.8 million since 31 December 2023 with the higher earnings offset by the dividend payment and the repayment of bank loans. The Group remains comfortably within all banking covenants with a Net Debt to EBITDA ratio of 1.8:1 (2.2:1 in FY23).

Net operating cash inflows were $132.6 million, up $4.8 million on FY23. This increase is mainly driven by higher sales and is partially offset by increased payments to suppliers generating a net cash inflow. The increase in the interest payments on bank debt amounted to $1.4 million, partially offset by lower income tax payments. Net investing cash outflows were $53.5 million, a $31.3 million decrease on FY23, primarily driven by reductions in overall capital expenditure.

DIVIDEND

Following the assessment of the current and projected financial position and considering the recent special dividend payment in December, no additional dividend was declared for FY24. Directors believe it is in the best interests of the Group to retain cash at this time in order to support growth and maintain funding flexibility.

PRO FORMA PROFIT STATEMENT

for the year ended 31 December 2024

$NZ000's	31 Dec 2024		vs Prior %	31 Dec 2023	
Store sales					
New Zealand	625,904		*9.5*	571,771	
Australia	309,930		*(0.0)*	310,050	
Hawaii	280,317		*7.9*	259,677	
California	177,447		*(1.8)*	180,689	
Total sales	**1,393,598**		***5.4***	**1,322,187**	
Other revenue	81,145		*11.1*	73,064	
Total operating revenue	**1,474,743**		***5.7***	**1,395,251**	
Cost of goods sold[1]	(1,224,463)		*(5.1)*	(1,165,352)	
Gross profit	**250,280**		***8.9***	**229,899**	
Distribution expenses[2]	(9,897)		*(4.1)*	(9,509)	
Marketing expenses[3]	(71,899)		*(5.0)*	(68,461)	
General and administration expenses[4]	(66,587)		*0.9*	(67,186)	
Other items	(8,022)		*(30.8)*	(6,131)	
Operating profit	**93,875**		***19.4***	**78,612**	
Financing expenses	(57,042)		*(1.5)*	(56,193)	
Net profit before taxation	**36,833**		***64.3***	**22,419**	
Taxation expense	(10,305)		*(67.4)*	(6,156)	
NPAT	**26,528**		***63.1***	**16,263**	
		% sales			% sales
Store EBITDA before G&A, NZ IFRS 16 and other items					
New Zealand	104,033	*16.6*	*29.3*	80,482	*14.1*
Australia	35,218	*11.4*	*(6.8)*	37,796	*12.2*
Hawaii	47,388	*16.9*	*5.2*	45,040	*17.3*
California	7,673	*4.3*	*(49.0)*	15,059	*8.3*
Total Store EBITDA before G&A, NZ IFRS 16 and other items	**194,312**	***13.9***	***8.9***	**178,377**	***13.5***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	36.4			24.2	

1 Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads.
2 Distribution expenses are costs of distributing product from store.
3 Marketing expenses are order centre, advertising and local store marketing expenses.
4 General and administration expenses (G&A) are non-store related overheads.

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

Store EBITDA before General and Administration (G&A) expenses, NZ IFRS 16 and other items. The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) before G&A, NZ IFRS 16 and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation, NZ IFRS 16 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.

The term **Store** refers to the Group’s 10 operating divisions comprising the four 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.

The Group believes that this non-NZ GAAP measure provides useful information to readers to assist in the understanding of the financial performance and position of the Group, but it should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS and NZ IFRS. This non-NZ GAAP measure as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The following is a reconciliation between this non-GAAP measure and net profit after taxation:

$NZ000's	31 Dec 2024	31 Dec 2023
Store EBITDA before G&A, NZ IFRS 16 and other items	**194,312**	**178,377**
Depreciation	(50,118)	(46,717)
Net loss on sale of property, plant and equipment (included in depreciation)	(1,364)	(909)
Lease depreciation	(43,669)	(42,615)
Lease costs	68,177	65,558
Amortisation (included in cost of sales)	(9,701)	(10,071)
G&A expenses	(56,625)	(58,880)
Gain on lease termination	885	-
Net impairment	(7,845)	(8,985)
Other items	(177)	2,854
Operating profit	**93,875**	**78,612**
Financing expenses	(57,042)	(56,193)
Net profit before taxation	**36,833**	**22,419**
Taxation expense	(10,305)	(6,156)
NPAT	**26,528**	**16,263**