New Zealand Shareholders Association Inc.

NZSA®

Many Investors, One Voice

May 1st 2023

Restaurant Brands Limited (RBD)

The company will hold its Annual Shareholders Meeting at **10.00am Thursday 18 May 2023**

The location **is The Boathouse, Park Hyatt Auckland, 99 Halsey Street, Auckland.**

You can also join the meeting online here.

Company Overview

The company has 488 KFC, Taco Bell, Pizza Hut and Carls Jr restaurants in New Zealand, Australia, Hawaii, and California employing over 11,900 people. It owns 376 stores and franchises 112 stores. During the year it served 57.9 million customers.

The company's majority shareholder is Global Valar S. L. who hold 75% of the shares.

The Group CEO Russel Creedy retired after 22 years, and CFO Grant Ellis is due to retire 31 May after serving 26 years. The New Zealand CEO Arif Khan has been appointed Acting Group CEO and Julio Valdes will replace Grant Ellis as CFO.

Current Strategy

The company has a growth strategy for each market, with new stores planned for Taco Bell in New Zealand and Australia. It also sees significant opportunities in the California market. It will continue to refurbish and refresh stores and look at acquisitions where appropriate.

New Zealand Shareholders Association Inc.

NZSA®

Many Investors, One Voice

Disclaimer

To the maximum extent permitted by law, New Zealand Shareholders Association Inc. (NZSA) will not be liable, whether in tort (including negligence) or otherwise, to you or any other person in relation to this document, including any error in it.

Forward looking statements are inherently fallible
Information on www.nzshareholders.co.nz and in this document may contain forward-looking statements and projections. For any number of reasons, the future could be different – potentially materially different. For example, assumptions may be wrong, risks may crystallise, unexpected things may happen. We give no warranty or representation as to any future financial performance or any other future matter. We may not update our website and related materials for changes.

There is no offer or financial advice in our documents/website
Information included on www.nzshareholders.co.nz and in this document is for information purposes only. It is not an offer of financial products, or a proposal or invitation to make any such offer. It is not financial advice and does not take into account any person's individual circumstances or objectives. Prior to making any investment decision, NZSA recommends that you seek professional advice from a licensed financial advice provider.

There are no representations as to accuracy or completeness
The information, calculations, and any opinions on www.nzshareholders.co.nz and in this document are based upon sources believed reliable. The NZSA, its officers and directors make no representations as to their accuracy or completeness. All opinions reflect our judgement on the date of communication and are subject to change without notice.

Please observe any applicable legal restrictions on distribution
Distribution of our documents and materials on www.nzshareholders.co.nz (including electronically) may be restricted by law. You should observe all such restrictions which may apply in your jurisdiction.

Key

The following sections calculate an objective rating against criteria contained within NZSA policies.

Colour	Meaning
G	Strong adherence to NZSA policies
A	Part adherence or a lack of disclosure as to adherence with NZSA policies
R	A clear gap in expectations compared with NZSA policies
n/a	Not applicable for the company

New Zealand Shareholders Association Inc.
NZSA®
Many Investors, One Voice

Governance

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Directors Fees	G	See below.
Director share ownership	G	Directors are not required to own shares.
Executive Remuneration	R	See below.
Golden parachutes/handshakes	A	See below.
Director Independence	G	A majority of the Directors are independent
Board Composition	A	See below
Director Tenure	G	See below
ASM Format	G	Hybrid. See below.
Independent Advice for the Board	G	See below

Directors Fees: Excellent disclosure. Whilst the Constitution allows for the payment of retirement benefits (a position not supported by NZSA), the company has not paid these.

Executive Remuneration: The CEO is paid a salary, various benefits and a short-term incentive (STI). There is no long-term incentive scheme in place.

NZSA encourages fulsome disclosure in relation to any incentive payments made to the CEO, including disclosure of measures (or measure 'groups'), weightings, targets and the level of achievement associated with any awards.

For RBD, there is no disclosure as to the methodology associated with calculating the incentive payment. We note that the maximum STI payable to the CEO is 50% of base salary. The company also paid a one-off payment to the CEO as an alternative to an LTI (included in the short-term incentive payment disclosed). This implies that the CEO achieved an STI of 21% of the maximum STI, but it is unclear as to how this relates to on-target performance.

Golden parachutes/handshakes: We note the retiring CEO was paid a one-off retirement payment of $1.3 million. Last year, we noted that NZSA prefers disclosure of severance terms associated with the CEO, to provide transparency for shareholders.

Whether or not shareholders were expecting this payment, NZSA acknowledges the long service and strong performance of RBD under the previous CEO.

Board Composition: While Director profiles are provided, there is no skills matrix disclosed to demonstrate how the individual Directors skill sets contribute to the governance of the company.

The company also does not participate in the IoDs Future Director Programme that develops and mentors the next generation of Directors. NZSA expects NZX Top50 companies to participate as part of their social responsibility.

The nature of the company's board indicates a commitment to thought and experiential diversity, with relevant experience for Restaurant Brands.

Director Tenure: NZSA looks for evidence of ongoing succession or 'staggered' appointment dates that reduce the risks associated with effective knowledge transfer in the event of succession. We also prefer a term maximum of 9-12 years, unless there are exceptional circumstances that may apply.

While no Director has served more than 9 years, we note that six out of seven Directors were appointed in 2019. This may result in some 'succession risk,' should the company not adopt staggered succession plans. NZSA will look for further evidence as to RBD's commitment to minimising the risk of knowledge loss through a sudden succession. In part mitigation, the company's majority ownership by Global Valar enables an ongoing ability to support RBD with relevant knowledge.

ASM Format: NZSA prefers 'hybrid' ASM's (i.e., physical, and virtual) as a way of promoting shareholder engagement while maximising participation. We appreciate the commitment shown by Restaurant Brands to this format.

Independent Advice for the Board: NZSA looks for evidence, through disclosures, that a Board has access to appropriate internal and external expertise to support Board assurance activities. Disclosures in the Annual Report and Board Charter indicate Directors have access to external advice and that internal assurance roles have unfettered access to Directors.

While Restaurant Brands offers clear disclosure to investors of the key financial risks facing the organisation in its Annual Report, there is less clarity for shareholders as to strategic, business or operating risks or their mitigations.

Audit

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Audit independence	G	Good disclosure
Audit rotation	A	See below.

Audit Rotation: The company rotates the Lead Audit Partner every 5 years as required by the NZX Listing Rules and reviews the Audit Firm at 5 years (and has a tender process if considered necessary). It does not disclose the appointment date of the Lead Audit Partner but discloses that the Audit Firm (PwC) was appointed in 2008.

NZSA notes that the parent of RBD is an unlisted private company that owns other similar businesses to RBD. We acknowledge that consistency of Audit Firm across these businesses may be beneficial for shareholders.

Ethical and Social

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment	Notes
Whistleblowing	G	Good disclosure
Political donations	G	No donations were made.

Environmental Sustainability

NZSA assessment against its key policy criteria is summarised below:

Policy Theme	Assessment
Approach	G
Sustainability Governance	A
Strategy and Impacts	A
Risk and Opportunity	A
Metrics and Targets	A
Assurance	R

Overall approach: Restaurant Brands has been publishing a specific "Sustainability" section in their Annual Reports since 2019. They concede that while "*we are not able to share our 2022 carbon emissions at this time, we are pleased with the progress we have made*". Key priorities for 2023 include calculating their 2022 Base Year footprint, obtaining third-party verification to assure compliance with ISO standards and developing Emissions Reduction and Climate Adaptation Plans.

This explains Restaurant Brands' relative lack of Environmental Sustainability disclosure. In this context, we appreciate their transparency and their planned actions for 2023.

Sustainability Governance: In the absence of a skills matrix, it is difficult to assess the specific capability requirement on Restaurant Brand's Board.

Strategy and Impact: Restaurant Brands acknowledges the impact climate-change risk has on their strategy, highlighting recent severe weather events and states "*As an enduring business, we need to mitigate the risks, and benefit from the opportunities that lie ahead through sound strategy and good governance. This will be a big focus for us in 2023*".

Risk and Opportunity: Beyond mentioning climate change as risk to its business, no further disclosure of specific environment risks or opportunities are provided. Restaurant Brands expects to be able to report this next year.

Metrics and Targets: Restaurant Brands openly admit that they are not able to disclose their carbon emissions for 2022. They do have other environmental targets related to waste reduction and more sustainable energy use. We can expect Climate Adaptation Plans for Restaurant Brands next year.

Assurance: Given there are no disclosure of emissions or other environmental data, it is unsurprising that there is no assurance given for Restaurant Brand's Sustainability Report for 2022.

New Zealand Shareholders Association Inc.

NZSA®

Many Investors, One Voice

Financial & Performance

Policy Theme	Assessment	Notes
Capital Management	G	Good disclosure.
Takeover or Scheme	n/a	

Restaurant Brand's share price fell from $14.00 to $6.50 (as of 4th April 2023) over the last 12 months – a 54% decline. This compares unfavourably with the NZX 50 which fell by 2% in the same period. The capitalisation of RBD is $811m placing it 40th out of 130 companies on the NZX by size and makes it a large company.

Metric	2020	2021	2022	Change
Revenue	$925m	$1,114m	$1,298m	16%
Gross Profit	$163m	$202m	$221m	9%
NPAT	$30.9m	$51.8m	$32.1m	-38%
Gross Profit Margin	18%	18%	17%	-6%
Inventory Turnover	52.49	46.95	45.45	-3%
EPS[1]	$0.248	$0.416	$0.257	-38%
Capitalisation		$1,746m	$811m	-54%
PE Ratio	53	31	25	
Current Ratio	0.51	0.61	0.52	-14%
Debt Equity	4.09	3.59	3.83	7%
Operating CF	$111m	$126m	$122m	-4%
NTA Per Share[1]	-$0.73	-$0.47	-$0.52	n/a
Dividend Per Share[1]	$0.00	$0.32	$0.16	-50%

[1] *per share figures based off actual shares at balance date (not weighted average)*

Most metrics declined for Restaurant Brands during FY22, and this was most notably felt by a falling share price which fell 54% during the year. Although *revenues* were up by 16% (impressive), Cost of goods sold increased by 18% leading to a slightly lower *Gross profit margin*. Operating expenses were up, most notably marketing, and administrative expenses. In addition, Finance expenses increased by almost $10m to $44.5m. This can be attributed to the large number of leases on the balance sheet.

These cost pressures led to a decline in *NPAT* to $32.1m and in line *EPS* fell to $0.257 placing RBD on a *PE* of 25.

The financial stability ratios all deteriorated slightly with the *debt equity* increasing 7% to 3.83 and the *current ratio* falling by 14% to 0.52. This is still low, but RBD is in a unique position where their inventory turnover is 45.45 and as cash is generated regularly, they are in a position to meet liquidity requirements. The high debt situation is partly caused by IFRS16 which states that leases must be listed as liabilities on the balance sheet. RBD have Lease Liabilities of $715m and interest-bearing debt of $280m.

Operating cashflow declined slightly to $122m.

RBD's *NTA* remains negative and declined slightly. NTA is -$0.52. This is due to the large intangibles that RBD hold on the balance sheet. $358m of intangibles are listed, comprising mainly goodwill and franchise fees.

The company has not provided any forward-looking statements or outlook guidance at this time.

Resolutions

1. **That the Board is authorised to fix the auditor's remuneration for the coming year.**

   This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at https://www.investorvote.com.au/

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **10.00am Tuesday 16 May 2023.**

Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.

The Team at NZSA