

Restaurant Brands NZ

UNDERPERFORM

1H20 — KFC Rules the Roost

Restaurant Brands (RBD) reported a robust 1H20 result, driven by KFC New Zealand, which achieved both positive sales momentum and above target margins to offset weakness elsewhere. RBD has a clear growth mandate, emphasising its material opportunities, however, significant execution risk exists, in our opinion. Whilst the core brands continue to deliver robust sales growth, at 28x 12-month forward PE we believe significant earnings growth is priced in. We rate RBD UNDERPERFORM.

What's changed?

- **Earnings:** Minor positive revisions to Underlying NPAT largely driven by mix changes in favour of KFC, FY20E/FY21E/FY22E +0.2%/+0.9%/+1.5%
- **Target Price:** Increased to NZ\$10.30 from NZ\$9.30
- **Rating:** UNDERPERFORM

KFC a consistent performer

KFC reported positive 1H20 same store sales (SSS) momentum in New Zealand (+6%) and Australia (+6%). KFC New Zealand EBITDA margins continue to be group leading and a key highlight in 1H20 at 21.6%, ahead of expectations and above its target range. Growth in the delivery channel helped both sales momentum and margin. We expect momentum to continue in both in 2H20 and have lifted our forecasts in KFC New Zealand, offsetting negative revisions elsewhere.

Pizza Hut disappointing, Carls Jr improving albeit slowly

Pizza Hut was the key miss versus our expectations with disappointingly weak/low margins in both New Zealand and Hawaii. Input cost pressure, increasing competition, and operating deleverage combined to weigh on margins. We do not see these thematic changes in the near-term and have lowered forecasts accordingly. Taco Bell was again the best of the rest with encouraging SSS momentum (+14%) helped by some store refurbishments, while Carl's Jr, showed signs of improvement (SSS up +10%) with some margin expansion, albeit slower than expected. Both Carl's Jr and Pizza Hut remain small in the context of RBD's earnings.

Growth mandate clear; execution risk heightened

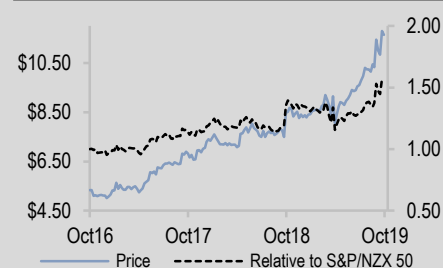
RBD has a growth mandate, offering material opportunity but with elevated risk. Current multiples price in significant earnings growth execution, in our opinion. RBD reiterated a number of its opportunities including (1) opportunistic Australian acquisitions, (2) Hawaii refurbishment activity, namely Taco Bell, (3) Taco Bell roll out across Australasia, and (4) a large (60+ stores) acquisition in the United States. Whilst RBD has had success to date with small acquisitions and refurbishments, new brand roll outs can be difficult (as demonstrated by Carls Jr) and a US acquisition adds group complexity and execution risk.

Investment View

KFC has been the star performer in recent years and continues to have positive momentum. The two recent transformational acquisitions in Australia and Hawaii means RBD is now a materially different business. The combined portfolio offers a material array of growth options, albeit brings additional complexities and higher risk. We rate RBD as UNDERPERFORM with significant growth already priced in.

NZX Code	RBD
Share price	NZ\$11.64
Target price	NZ\$10.30
Risk rating	Medium
Issued shares	124.4m
Market cap	NZ\$1,448m
Average daily turnover	122.4k (NZ\$1,067k)

Share Price Performance



Financials: February	19A	20E	21E	22E
NPAT* (NZ\$m)	42.2	47.1	54.2	61.7
EPS* (NZc)	34.1	38.1	43.8	49.9
EPS growth* (%)	2.8	11.7	14.9	13.9
DPS (NZc)	0.0	0.0	0.0	0.0
Imputation (%)	100	100	100	100

Valuation (x)	19A	20E	21E	22E
EV/EBITDA	15.8	14.6	13.2	12.1
EV/EBIT	24.4	22.2	19.6	17.6
PE	34.1	30.5	26.6	23.3
Price / NTA	n/a	n/a	18.0	n/a
Cash dividend yield (%)	0.0	0.0	0.0	0.0
Gross dividend yield (%)	0.0	0.0	0.0	0.0

*Historic and forecast numbers based on underlying profits

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Restaurant Brands NZ Ltd (RBD)

Priced as at 16 Oct 2019: NZ\$11.64

February year end

Forsyth Barr valuation					Valuation Ratios					
Valuation methodology					2018A 2019A 2020E 2021E 2022E					
Weighted DCF and sum of the parts valuation					EV/EBITDA (x)	15.5	15.8	14.6	13.2	12.1
					EV/EBIT (x)	24.0	24.4	22.2	19.6	17.6
12-month target price (NZ\$)*	10.30	Spot valuations (NZ\$)			PE (x)	35.1	34.1	30.5	26.6	23.3
Expected share price return	-11.5%	1. DCF	9.90		Price/NTA (x)	n/a	n/a	59.6	18.0	10.1
Net dividend yield	0.0%	2. Sum of the parts	9.00		Free cash flow yield (%)	2.5	2.4	2.5	3.2	4.3
Estimated 12-month return	-11.5%	3. n/a	n/a		Net dividend yield (%)	2.4	0.0	0.0	0.0	0.0
					Gross dividend yield (%)	3.3	0.0	0.0	0.0	0.0
Key WACC assumptions					DCF valuation summary (NZ\$m)					
Risk free rate	2.00%	Total firm value			1,351					
Equity beta	1.02	(Net debt)/cash			(131)					
WACC	8.1%	Value of equity			1,220					
Terminal growth	1.5%	Shares (m)			124					
					Capital Structure					
					Interest cover EBIT (x)	11.3	9.6	17.3	29.9	98.9
					Interest cover EBITDA (x)	17.5	14.8	26.4	44.4	>100x
					Net debt/ND+E (%)	43.7	36.8	26.2	13.9	-1.9
					Net debt/EBITDA (x)	1.6	1.3	0.9	0.4	n/a
Profit and Loss Account (NZ\$m)										
Sales revenue	766.3	824.9	862.9	926.9	982.8					
Normalised EBITDA	97.9	100.7	107.2	117.0	127.3					
Depreciation and amortisation	(34.7)	(35.5)	(36.8)	(38.1)	(39.6)					
Normalised EBIT	63.2	65.2	70.5	78.9	87.7					
Net interest	(5.6)	(6.8)	(4.1)	(2.6)	(0.9)					
Associate income	-	-	-	-	-					
Tax	(16.7)	(16.3)	(19.3)	(22.1)	(25.2)					
Minority interests	-	-	-	-	-					
Normalised NPAT	40.8	42.2	47.1	54.2	61.7					
Abnormals/other	(5.4)	(6.4)	-	-	-					
Reported NPAT	35.5	35.7	47.1	54.2	61.7					
Normalised EPS (cps)	33.2	34.1	38.1	43.8	49.9					
DPS (cps)	28.0	-	-	-	-					
					Key Ratios					
					Return on assets (%)	13.9	14.2	15.0	16.5	18.2
					Return on equity (%)	20.3	18.8	17.6	17.0	16.4
					Return on funds employed (%)	17.6	13.7	14.3	15.5	16.9
					EBITDA margin (%)	12.8	12.2	12.4	12.6	13.0
					EBIT margin (%)	8.2	7.9	8.2	8.5	8.9
					Capex to sales (%)	4.1	4.5	5.5	5.1	4.0
					Capex to depreciation (%)	105	122	152	143	116
					Operating Performance					
					Store numbers					
					KFC	94	94	99	101	104
					Pizza Hut	36	30	29	27	27
					Carl's Jr	19	18	18	18	18
					Total New Zealand (ex Starbucks)	149	142	146	146	149
					KFC - Australia	61	61	64	68	73
					Hawaii - Pizza Hut	45	44	46	48	48
					Hawaii - Taco Bell	37	36	38	41	42
					Divisional sales (NZ\$m)					
					KFC	319.6	336.5	362.8	387.4	409.1
					Pizza Hut	41.1	35.4	32.3	30.9	30.1
					Carl's Jr	34.9	31.9	36.3	39.2	40.7
					KFC - Australia	151.8	191.5	200.0	222.4	246.0
					Hawaii - Pizza Hut	72.0	76.7	79.1	81.4	82.2
					Hawaii - Taco Bell	95.5	106.0	120.0	131.6	138.9
					Other	51.3	46.9	32.4	34.0	35.7
					Total revenue	766.3	824.9	862.9	926.9	982.8
					Divisional EBITDA (NZ\$m)					
					KFC	66.5	70.4	76.9	81.0	85.5
					Pizza Hut	3.2	2.0	1.0	1.1	1.2
					Carl's Jr	2.0	0.9	1.7	2.2	2.4
					KFC - Australia	22.0	29.1	30.2	33.4	36.9
					Hawaii - Pizza Hut	4.7	2.8	2.8	3.3	4.1
					Hawaii - Taco Bell	19.4	21.0	23.8	26.7	28.9
					Total store EBITDA	122.6	129.2	136.4	147.5	159.1
					EBITDA margins					
					KFC	20.8	20.9	21.2	20.9	20.9
					Pizza Hut	7.8	5.7	3.0	3.5	4.0
					Carl's Jr	5.6	2.9	4.8	5.5	6.0
					KFC - Australia	14.5	15.2	15.1	15.0	15.0
					Hawaii - Pizza Hut	6.5	3.6	3.6	4.0	5.0
					Hawaii - Taco Bell	20.3	19.8	19.8	20.3	20.8
Cash Flow (NZ\$m)										
EBITDA	97.9	100.7	107.2	117.0	127.3					
Working capital change	(8.7)	(6.5)	0.1	1.0	0.9					
Interest & tax paid	(21.4)	(23.0)	(23.3)	(24.8)	(26.1)					
Other	-	-	-	-	-					
Operating cash flow	67.8	71.3	84.0	93.3	102.1					
Capital expenditure	(31.1)	(36.9)	(47.9)	(46.9)	(39.7)					
(Acquisitions)/divestments	(143.4)	10.2	(0.4)	(2.8)	(3.8)					
Other	1.2	(0.0)	-	-	-					
Funding available/(required)	(105.6)	44.5	35.8	43.6	58.6					
Dividends paid	(23.7)	(17.7)	-	-	-					
Equity raised/(returned)	-	-	-	-	-					
Increase/(decrease) in net debt	129.3	(26.8)	(35.8)	(43.6)	(58.6)					
					Balance Sheet (NZ\$m)					
Working capital	(13.7)	(13.8)	(13.9)	(14.9)	(15.8)					
Fixed assets	157.2	153.4	166.3	179.4	185.0					
Intangibles	246.3	249.1	243.8	238.5	233.0					
Other assets	17.9	20.4	20.4	20.4	20.4					
Total funds employed	407.7	409.1	416.6	423.4	422.6					
Net debt/(cash)	156.7	130.8	95.0	51.5	(7.1)					
Other non current liabilities	49.4	53.6	53.6	53.6	53.6					
Shareholder's funds	201.6	224.7	268.0	318.3	376.2					
Minority interests	-	-	-	-	-					
Total funding sources	407.7	409.1	416.6	423.4	422.6					

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

1H20 Result — KFC the stand out

RBD reported robust 1H20 Store EBITDA of NZ\$72.6m, up +5.0% on the prior comparable period, albeit slightly behind our expectations (NZ\$74.0m). The result was mixed across divisions with KFC New Zealand a stand out, driving growth and beating expectations. However, this was largely offset by weaker performances elsewhere, particularly in Pizza Hut New Zealand, which saw material margin decline on the back of operating deleverage.

1H20 represented the first period of reporting under the new IFRS 16 Leases accounting standard. This had a net negative impact of -NZ\$2.9m on reported NPAT and is expected to have an -NZ\$6.0m impact on reported FY20 NPAT.

Figure 1. 1H20 result summary (NZ\$m, excluding IFRS 16 impact)

	1H18A	1H19A	Change
Store Sales	431.0	442.6	2.7%
Total Revenue	445.8	458.8	2.9%
Store EBITDA	69.2	72.6	5.0%
Total EBITDA	50.3	51.9	3.2%
Normalised Profit	21.9	24.6	12.3%
Reported Profit (FY20 incl. IFRS 16 impact)	20.4	20.0	-2.0%
Underlying EPS (cps)	17.7	19.9	12.6%
DPS (cps)	0.0	0.0	n/c

Source: Company reports, Forsyth Barr analysis

Earnings changes

Our earnings forecasts are largely unchanged, with predominantly mix changes in favour of KFC New Zealand. We have lowered our EBITDA margin assumptions materially across the two Pizza Hut portfolios and made smaller negative revisions to both Carl's Jr and Taco Bell Hawaii. Offsetting that is both higher sales and margin assumptions for KFC New Zealand. Further out our forecasts benefit from a higher FY20 KFC New Zealand base and a higher store roll out assumption for Taco Bell Hawaii. Our forecasts are on a pre-IFRS 16 basis.

FY20 outlook commentary

KFC provided Normalised FY20 NPAT (excluding IFRS 16) guidance of growth in excess of +10% on FY19, implying greater than NZ\$46m. This compares to prior guidance of "in excess of NZ\$45m" and our FY20 NPAT forecast of NZ\$47m.

Figure 2. Earnings changes (NZ\$m)

	FY20E			FY21E			FY22E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Total Revenue	844.0	862.9	2.2%	897.1	926.9	3.3%	948.9	982.8	3.6%
Store EBITDA	136.2	136.4	0.1%	146.5	147.5	0.7%	157.1	159.1	1.2%
Total EBITDA	107.1	107.2	0.1%	116.1	117.0	0.8%	125.5	127.3	1.4%
Normalised Profit	47.1	47.1	0.1%	53.7	54.2	0.9%	60.7	61.7	1.6%
Underlying EPS	38.1	38.1	0.1%	43.4	43.8	0.9%	49.1	49.9	1.6%
DPS	0.0	0.0	n/c	0.0	0.0	n/c	0.0	0.0	n/c

Source: Forsyth Barr analysis

Target price NZ\$10.30; UNDERPERFORM rating retained

We lift our target price to NZ\$10.30 from NZ\$9.30 reflecting a combination of positive earnings changes and peer group rerating.

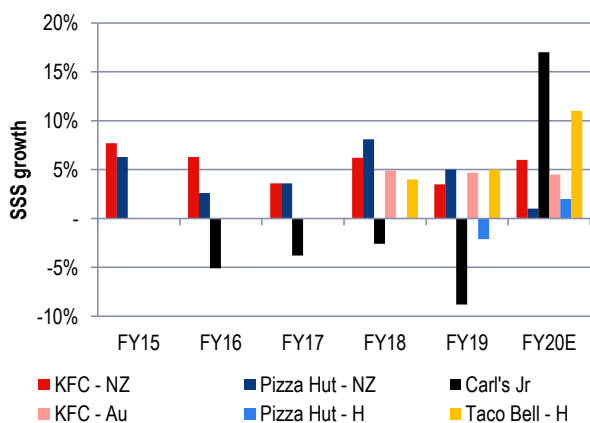
RBD is a well run corporate franchisee with core brands that continue to deliver robust growth. Opportunities for material earnings expansion exist, such as Taco Bell NZ/Australia and a possible large US acquisition, however both will take time to ramp up and carry execution risk. Trading at ~28x forward PE we believe significant earnings growth is already being priced in. We have an UNDERPERFORM rating.

Key result issues

1) Divisional insights

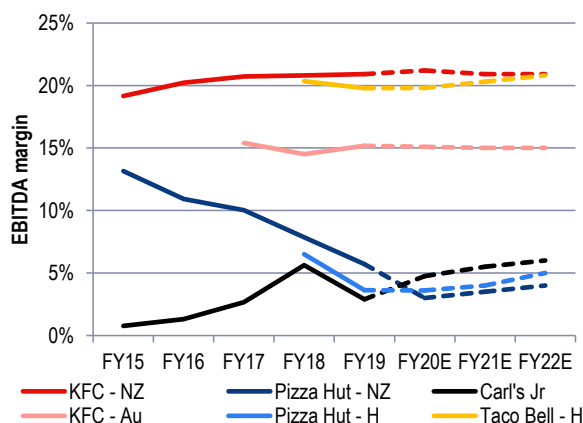
- **KFC New Zealand:** EBITDA of NZ\$41.8m was up +7.9% and ahead of our expectations. EBITDA margin increased to +21.6%, ahead of the company's target range of 20%-21%.
 - The result was helped by a growing delivery channel which has a higher ticket price and better margins. Delivery is now available at c. 1/3 of its KFC stores.
- **KFC Australia:** 1H20 result was largely in line with our expectations with both SSS (up +5.9%) and EBITDA margin (14.9%) robust.
 - Some sales disruption was present in 1H20 and is expected to occur through the remainder of the year as a number of stores go through refurbishments.
- **Hawaii:** Strength in Taco Bell, Pizza Hut disappointed.
 - Taco Bell Hawaii is beginning to deliver on strong SSS growth, up +13.7%, helped by promotional product runs and store refurbishments. The pipeline for store openings and refurbishments is beginning to ramp up and we have upgraded our expansion growth forecasts.
 - Pizza Hut Hawaii delivered flat earnings growth, with margin pressure from rising input costs. Management are reviewing the store portfolio with possible conversions to Taco Bell on the cards.
- **Other New Zealand:**
 - Pizza Hut was a key area of disappointment with material margin contraction driven by a combination of operating deleverage, increasing cost of labour, and increases competitive pressures.
 - Carl's Jr continues to improve albeit at a slower pace than we had expected. The introduction of the delivery channel to a number of stores has been the primary contributor to strong SSS growth.

Figure 3. Same store sales (SSS) growth



Source: Company reports, Forsyth Barr analysis

Figure 4. Store EBITDA margin



Source: Company reports, Forsyth Barr analysis

2) Growth mandate – expansion plans under way

At the FY19 result RBD signalled to the market it had a new growth mandate, cutting the FY19 final dividend as the company looked to retain cash for financial flexibility. This was reinforced through the 1H20 result and unsurprisingly no 1H20 dividend announced. Given the board's growth priority and the plethora of options being considered, we do not expect dividends in the short to medium-term. Growth avenues include:

- **US acquisition front and centre:** RBD is actively seeking acquisition opportunities in the United States, namely California, and expects to be able to provide additional clarity within the next 12 months. We expect the company to target a KFC business with 50+ stores as it attempts to leverage its established expertise. We take a

cautious view on US acquisitions given (1) the added group complexity and risk profile, (2) the more competitive nature of the market, and (3) lack of promotional control.

- **Bringing Taco Bell to market:** Four Taco Bell stores are set to open across New Zealand and Australia in 2H20 (two in each market). The first store in Auckland will open in November 2019. RBD has aggressive roll out plans with a target of more than 60 stores within five years. Although a new brand roll out takes time, as demonstrated with Carls Jr (which is tracking significantly behind expectations with the portfolio being revisited), we are somewhat encouraged by Taco Bell results in Hawaii.
- **KFC Australasian growth – organic, topped up by Australian acquisitions:** RBD continues to target further KFC growth, both through organic roll out in New Zealand and Australia and acquisitive growth. Australian expansion is likely to consist of opportunistic consolidation of smaller operators over time. The market remains fragmented which should offer ample bolt-on opportunities. We view growth in KFC Australasia as the most attractive avenue for RBD, leveraging its existing base and expertise.
- **Hawaii portfolio optimisation:** Resource consent is a lengthy process in Hawaii, which has led to a delay in store refurbishments. The pipeline of work has started to build with refurbishments expected to ramp up through FY20/FY21 onwards. Initial results are encouraging with the Moanalua store reporting sales growth of +29% on pre-refurbishment levels in 1H20.

1H20 result summary

Figure 5. 1H20 result summary (NZ\$m)

	1H18A	1H19A	Change (%)	Comment
Profit and Loss Account				
Sales	431.0	442.6	2.7%	Up +5.9% when adjusting for loss of Starbucks
Total Revenue	445.8	458.8	2.9%	
Cost of Sales	(366.5)	(367.1)	0.2%	
Gross Profit	79.3	91.6	15.5%	Gross margin 20% (1H19 18%)
Store EBITDA	69.2	72.6	5.0%	Margin gains in KFC NZ offset weakness elsewhere
G&A	(16.8)	(18.5)	9.6%	
Trading EBITDA	52.4	54.2	3.5%	
Non-trading items	(2.1)	(2.3)	10.4%	Incl. franchise rights amortisation and closure/relocation costs
Total EBITDA	50.3	51.9	3.2%	EBITDA margin 11.3%, flat on prior period
Depreciation & Amortisation	(18.5)	(17.0)	-7.8%	
EBIT	31.8	34.8	9.6%	
Net Interest	(3.7)	(3.3)	-10.1%	Lower net debt
Profit Before Tax	28.1	31.6	12.1%	
Tax	(7.7)	(8.7)	12.4%	Effective tax rate ~27.5%
Reported Profit pre abnormals	20.4	22.9	12.0%	
After-tax impact of non-trading items	(1.5)	(2.1)	41.9%	
Normalised Profit	21.9	25.0	14.0%	FY20 guidance of +10% on FY19 (~NZ\$46m)
IFRS 16 adjustment	-	(2.9)	n/a	First period reporting under IFRS 16 Leases
Reported profit	20.4	20.0	-2.0%	
Underlying EPS (cps)	17.6	19.9	12.6%	
DPS (cps)	-	-	-	No dividend given growth mandate
Balance Sheet Summary				
Operating Cashflow (adj.)	47.3	53.6	13.4%	Reported NZ\$63.7m but adjusted for IFRS 16
Fixed Assets	158.4	161.7	2.1%	Continued investment in the business
Net Debt	147.6	109.8	-25.6%	Positioned for growth and exploring acquisition opportunities
Divisional Analysis (local currency \$m)				
KFC Sales (NZ\$m)	179.3	193.5	7.9%	SSS +5.7%, three store opened
KFC EBITDA (NZ\$m)	37.0	41.8	12.9%	21.6% margin, above targeted 20%-21% range
Pizza Hut Sales (NZ\$m)	20.5	18.3	-10.5%	SSS -4.4%, increased competition
Pizza Hut EBITDA (NZ\$m)	1.5	0.5	-65.5%	Operating deleverage drove material margin decline
Carl's Jr Sales (NZ\$m)	17.5	19.0	8.8%	SSS +9.8%, helped by introduction of delivery
Carl's Jr EBITDA (NZ\$m)	0.7	0.8	13.6%	4.4% margin, showing slight improvements
KFC Australia Sales (A\$m)	103.4	104.8	1.4%	SSS +5.9%, no new stores but two planned for 2H20
KFC Australia EBITDA (A\$m)	14.0	14.8	5.7%	14.9% margin (1H19 14.7%)
Hawaii Sales (US\$m)	66.1	70.4	6.5%	Taco Bell SSS +13.7%, Pizza Hut SSS +2.9%
Hawaii EBITDA (US\$m)	8.8	9.4	6.8%	Helped by Taco Bell store refurbishments
Total Sales (NZ\$m)	431.0	442.6	2.7%	
Store EBITDA (NZ\$m)	69.2	72.6	5.0%	

Source: Company reports, Forsyth Barr analysis

Investment summary

Restaurant Brands (RBD) is a well-run corporate franchisee, focussed on fast food. Recent earnings growth has been driven by KFC which continues to have positive momentum. Early signs from Taco Bell are encouraging in Hawaii, while Pizza Hut is under pressure and needs work. Carl's Jr continues to underperform but is no longer a growth priority for capital investment. We like the investment attributes of RBD, with above-WACC returns and a supportive industry backdrop and a material array of growth options; however, significant growth is already priced in at current multiples. Our rating is UNDERPERFORM.

Earnings and cash flow outlook

- **Marketing and new products:** Marketing, product innovation and promotional appeal is key to keep the brands fresh and relevant to customers. It is important not to stand still in the quick services business.
- **Store rollout:** There is store rollout opportunity for KFC NZ (~15 stores) and in Australia for KFC through store rollout or bolt-on acquisitions. Hawaii also presents opportunities, albeit this will likely take time.
- **Input costs:** This is dominated by food and labour. RBD's main flexibility to respond to higher input costs is through the product mix of its sales. Customer purchases can be influenced by targeted promotions.

Business quality

- **Recent acquisitions:** RBD's expansion into Australia (KFC) and Hawaii (Taco Bell and Pizza Hut) through acquisition presents a new growth opportunity but also risks. We see Australia as a more natural fit but are more cautious on Hawaii.

Company description

Restaurant Brands is the major fast food operator in New Zealand. It is a corporate franchisee which operates the NZ outlets of KFC, Pizza Hut, and Carl's Jr. KFC is its largest and most successful business. Two recent acquisitions (KFC stores in NSW, Australia and the sole franchisee of Taco Bell and Pizza Hut in Hawaii, Guam and Saipan) have materially changed the business. RBD also recently sold its NZ Starbucks business.

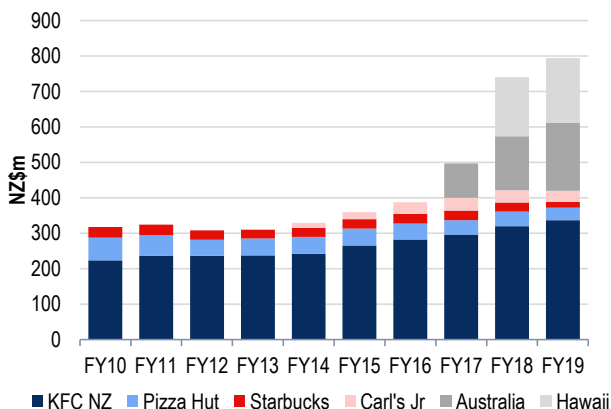
Financial structure

- **Balance sheet and dividends:** FY19 net debt was down NZ\$28m with no interim dividend and continued to fall in 1H20. Gearing is down from 44% to 35%. RBD has announced it has ceased dividend payments to retain funding for growth.

Risk factors

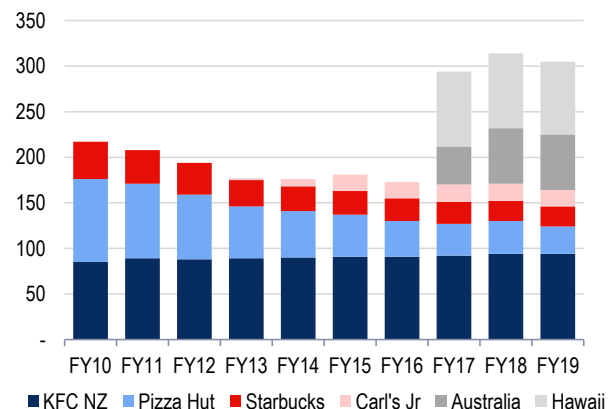
- **Corporate franchisee:** A relationship breakdown with its franchisor, particularly for KFC (its major earnings driver).
- **Fast food operator:** Any change in consumer preference away from fast food or change in government regulation or taxes on fast food.
- **Minimum wage:** Any increase can weigh on profitability, if RBD cannot offset this through price changes and/or menu mix. RBD has pricing power in its key KFC brand and labour productivity can help offset cost pressure.

Figure 6. Divisional revenue breakdown



Source: Forsyth Barr analysis, Company reports

Figure 7. Store footprint



Source: Forsyth Barr analysis, Company reports

Figure 8. Substantial Shareholders

Shareholder	Latest Holding
Global Valar S.L.	75.0%

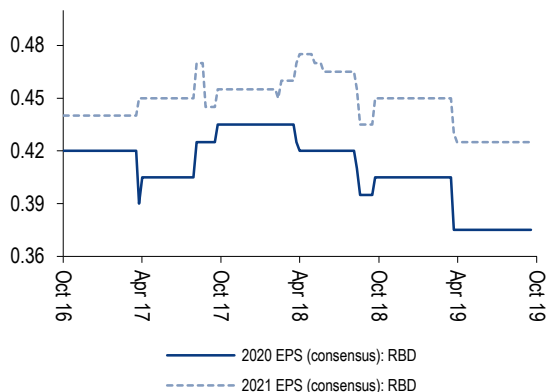
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 9. International Compcos

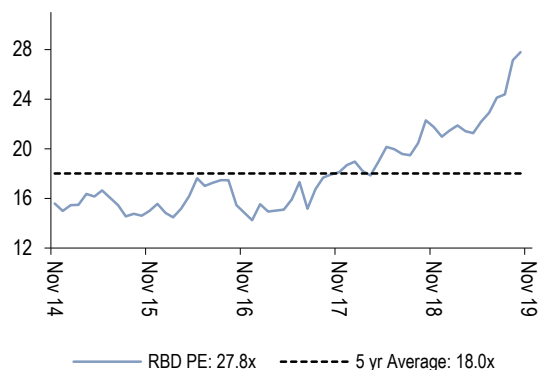
Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash D/Yld
				2020E	2021E	2020E	2021E	2020E	2021E	
<i>(metrics re-weighted to reflect RBD's balance date - February)</i>										
Restaurant Brands NZ	RBD NZ	NZ\$11.64	NZ\$1,448	30.5x	26.6x	14.7x	13.5x	22.4x	20.0x	0.0%
Briscoe Group *	BGP NZ	NZ\$3.65	NZ\$811	12.5x	12.5x	7.7x	7.7x	8.2x	8.2x	6.1%
Hallenstein Glasson Holdings	HLG NZ	NZ\$5.95	NZ\$352	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kathmandu Holdings *	KMD NZ	NZ\$3.09	NZ\$844	11.8x	10.4x	7.2x	5.5x	8.7x	6.7x	5.9%
Michael Hill Intl *	MHJ NZ	A\$0.75	A\$291	10.8x	10.1x	5.2x	5.0x	7.8x	7.3x	7.0%
The Warehouse Group *	WHS NZ	NZ\$2.63	NZ\$912	12.1x	11.0x	5.7x	5.2x	8.7x	8.0x	6.9%
Domino's Pizza Enterprises	DMP AT	A\$48.86	A\$4,192	30.0x	24.9x	16.8x	13.9x	22.5x	18.2x	2.9%
McDonald's Corp	MCD US	US\$207.05	US\$157,251	25.5x	23.4x	18.4x	17.4x	21.4x	20.2x	2.4%
Starbucks Corp	SBUX US	US\$86.30	US\$103,343	29.5x	26.8x	18.4x	16.6x	23.6x	21.0x	2.0%
Wendy's Co/The	WEN US	US\$20.87	US\$4,808	35.0x	30.3x	19.4x	18.3x	27.4x	25.2x	2.2%
Yum! Brands Inc	YUM US	US\$111.15	US\$33,829	28.3x	25.7x	21.1x	19.8x	22.2x	20.7x	1.7%
Domino's Pizza Inc	DPZ US	US\$256.22	US\$10,475	26.6x	23.5x	20.3x	18.5x	22.2x	20.2x	1.2%
Compcpo Average:				22.2x	19.9x	14.0x	12.8x	17.3x	15.6x	3.8%
RBD Relative:				+38%	+34%	+5%	+5%	+30%	+28%	-100%

EV = Current Market Cap + Actual Net Debt

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compcpo metrics re-weighted to reflect headline (RBD) companies fiscal year end

Figure 10. Consensus EPS Momentum


Source: Forsyth Barr analysis, Bloomberg

Figure 11. 12 Month Forward PE


Source: Forsyth Barr analysis

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