

# **Boston Pizza Royalties Income Fund**

**TSX : BPF.UN**

**Investor Presentation**

**February 8, 2018**



# Forward Looking Information

Certain information in this presentation may constitute “forward looking information” that involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Forward-looking information is provided as of the date hereof and, except as required by law, the Fund assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

This presentation should be viewed in conjunction with the Fund’s Q4, 2017 Management’s Discussion and Analysis, a copy of which can be obtained at [www.sedar.com](http://www.sedar.com). All information in this presentation is as at December 31, 2017 unless otherwise stated.



# Presentation Overview

## Investment Highlights

- Distribution history
- Performance highlights

## Boston Pizza International Inc.

- Restaurant concept
- Growth history
- Outlook

## Boston Pizza Royalties Income Fund

- Topline structure
- Financial performance

## Appendix

- Roll-in details
- BP Foundation & awards



# Investment Highlights

- **14.4% average annualized compound return** with reinvestment of distributions since 2002
- **Commitment to sustainable and growing distributions** through 18 distribution increases since the Fund's IPO in 2002
- **Predominantly franchised concept** with four corporately owned restaurants and 387 franchised restaurants
- **53 year history** with first location opening in 1964, listed on the TSX for 15 years
- **Revenue stream is tied to franchise sales** and as such, investors are not directly exposed to underlying business profitability or expenses
- **Annual payout ratio consistently close to 100%** of distributable cash as there is no need for the fund to retain capital for other purposes
- Average annual same store sales growth ("**SSSG**") of **2.9% since 2002**
- **Three distinct dining experiences** (Restaurant, Sports Bar and Take-out & Delivery) and **multiple day parts** provide diverse sales growth drivers
- **Long-term franchisees** with many owning multiple locations resulting in a **strong and stable franchisee base**
- **Constantly updating restaurants** through mandatory renovation program (completed 185 over last 4 years)
- **Operates in 10 provinces and two territories across Canada** providing regional diversity with \$1.1 billion in system-wide gross sales in 2017
- **Strong track record of growth** in restaurants, franchise sales and distributable cash per unit

## **14.4% Return**

*(average annualized compound return with reinvestment of distributions since 2002)*

## **18 Distribution Increases**

*(since 2002)*

## **2.9% SSSG**

*(average annual since 2002)*

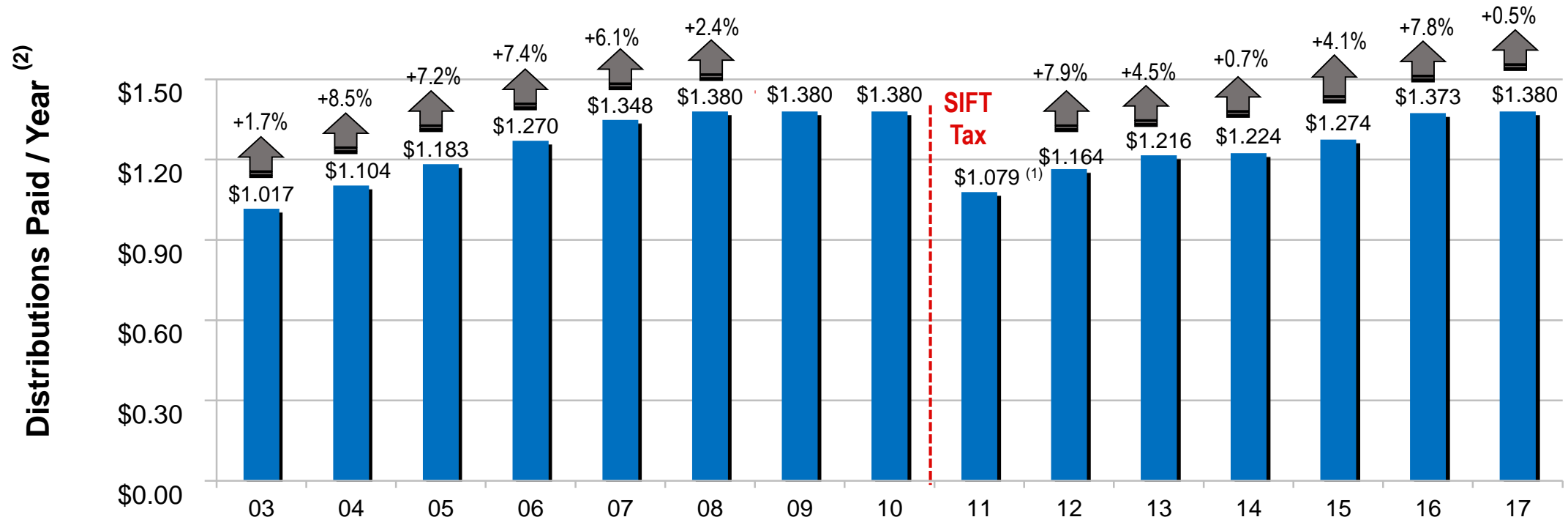
## **\$1.1 Billion**

*(system-wide gross sales in 2017)*



# Annual Distributions Paid

As at February, 2018 the Fund has increased distributions paid to unitholders 18 times. Including the January 2018 distribution payable on February 28, 2018, the Fund will have paid out \$19.38 per unit or \$279.2 million through 187 consecutive monthly distributions to unitholders since the IPO in 2002.



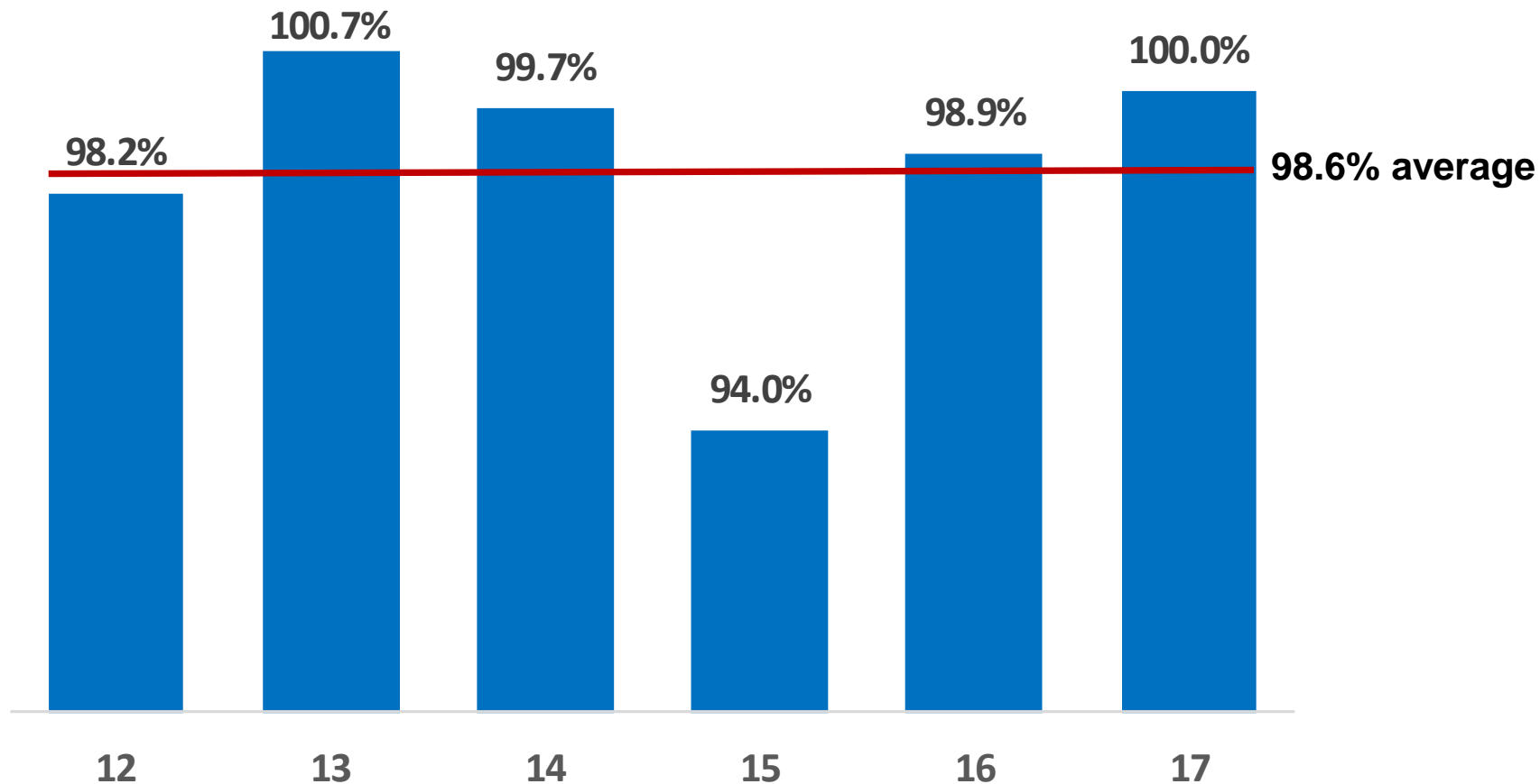
(1) \$1.079 includes the impact of federal SIFT tax (26%) partially offset by a 9.5% increase in monthly distributions paid to unitholders effective July 2011.

(2) All distribution increases represent year-over-year increases.



# Consistent Payout Ratio

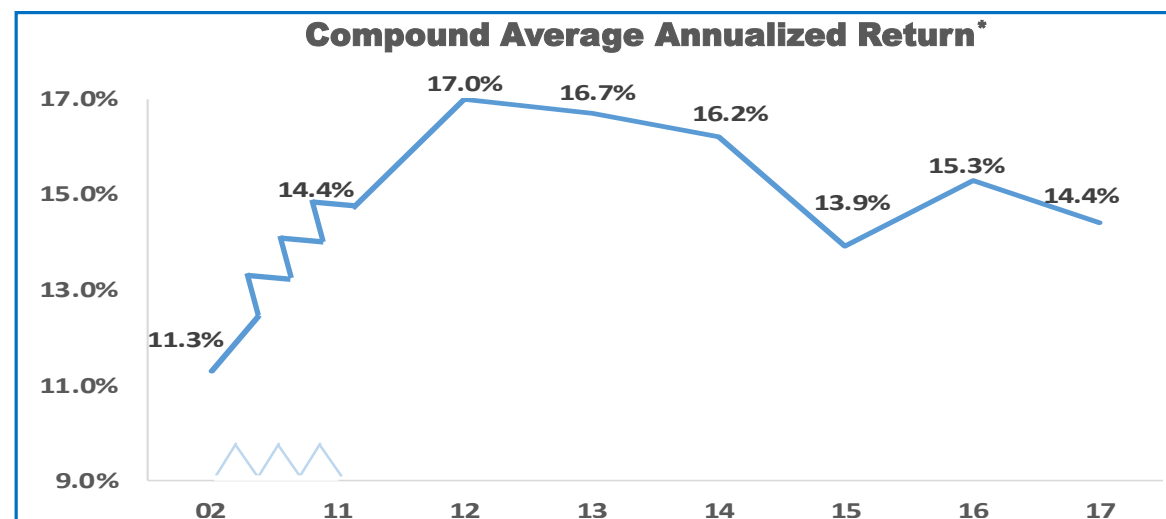
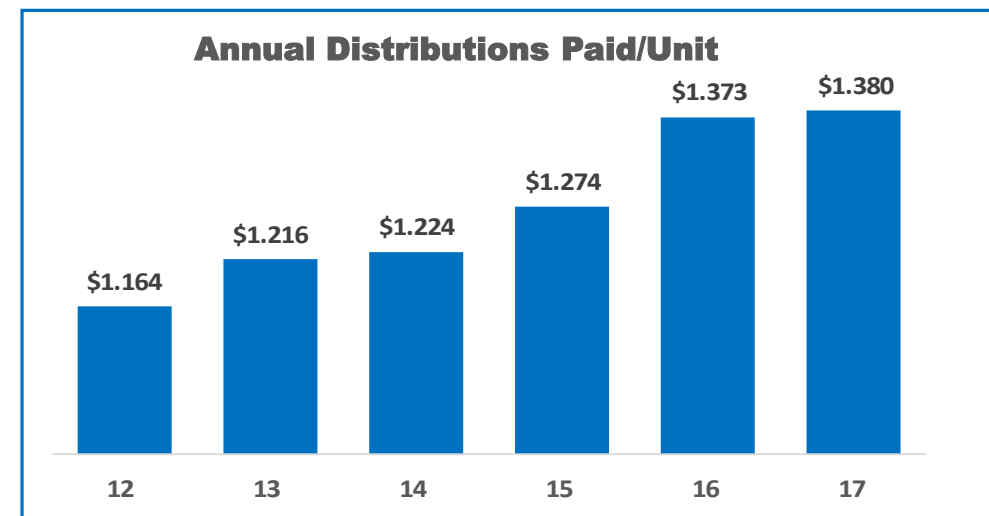
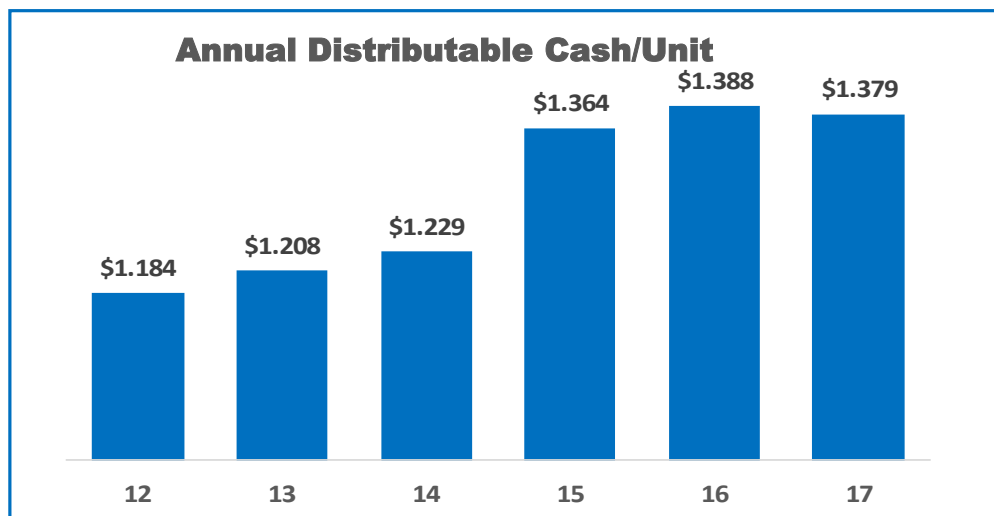
Annual payout ratio is consistently close to 100% of distributable cash as there is no need for the Fund to retain capital for other purposes.



**BOSTON PIZZA ROYALTIES INCOME FUND**



# Excellent Track Record for Unitholders





# National Brand

## Canada's #1 Casual Dining Brand

Boston Pizza operates in 10 provinces and 2 territories, serving more customers in more locations than any other casual dining restaurant brand in Canada



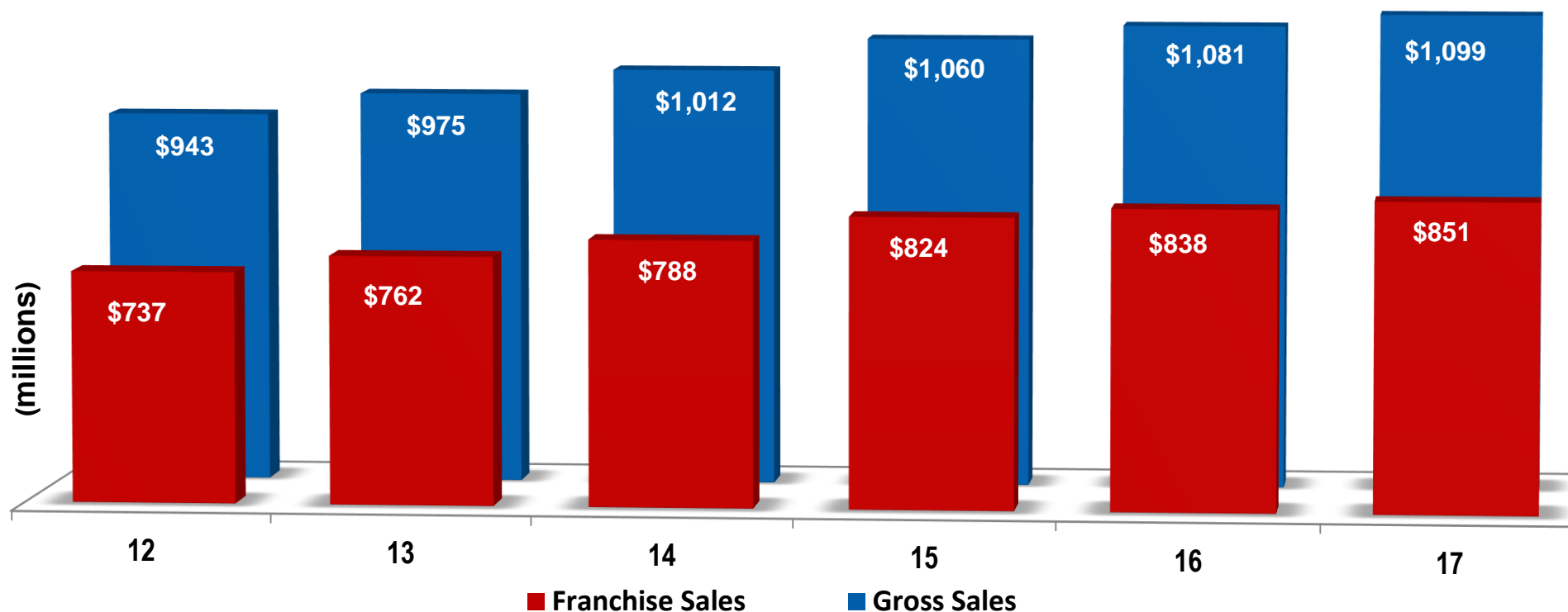
391 locations as of December 31, 2017.

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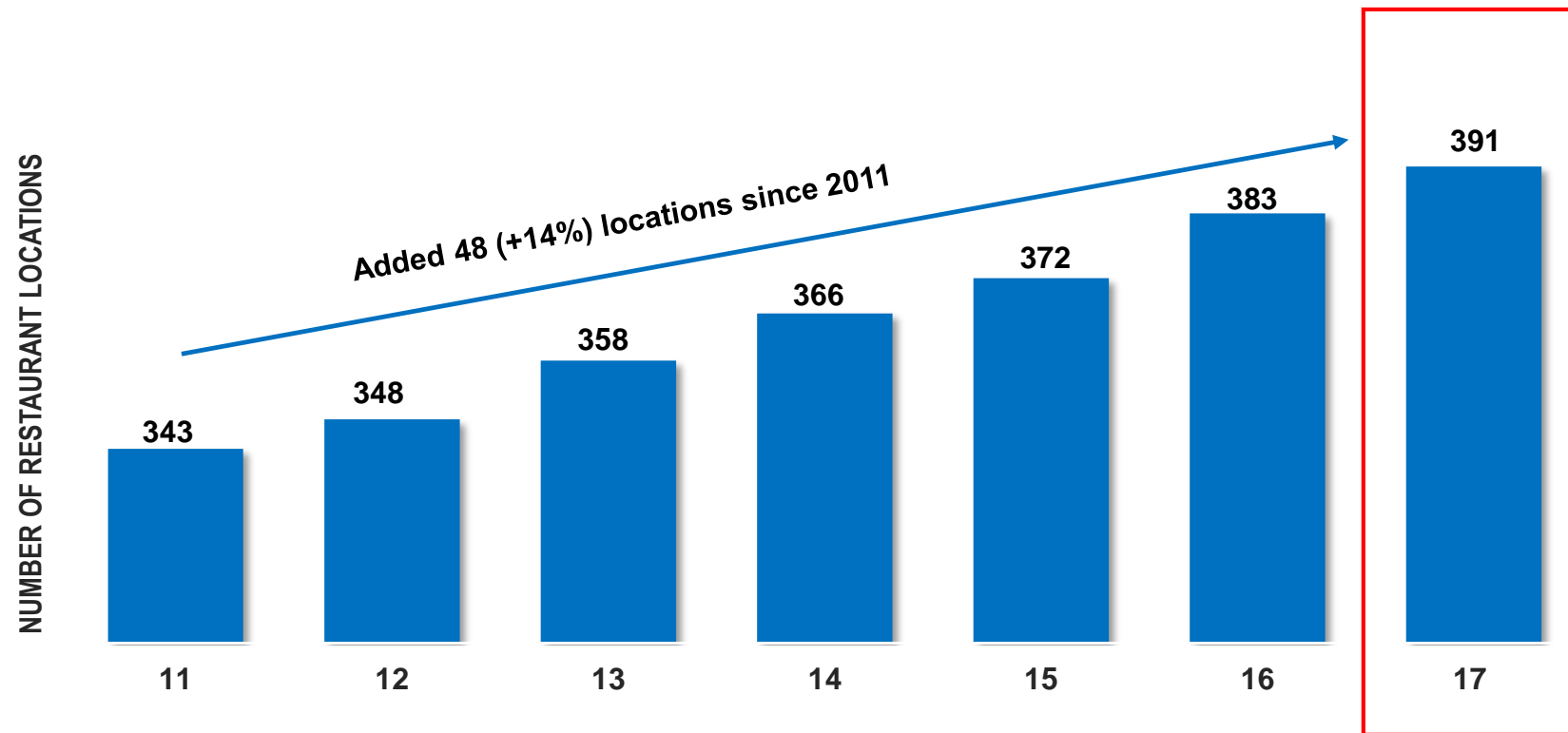




# System-Wide Franchise & Gross Sales



# Restaurant Growth



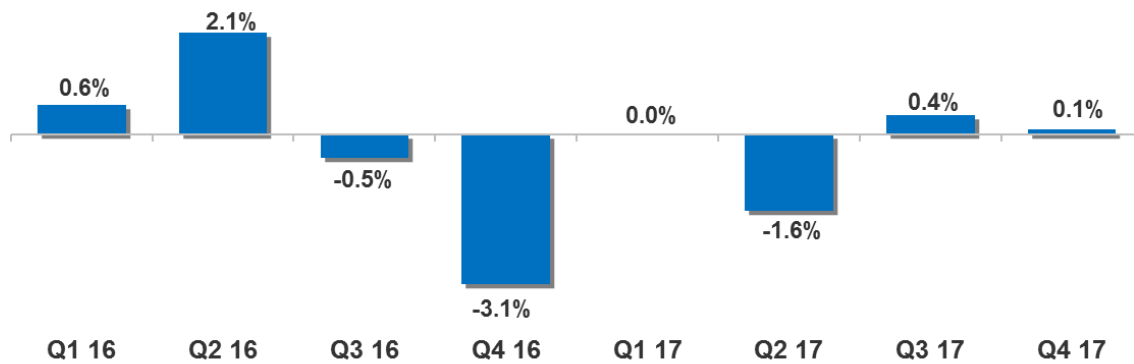
# Competitive Advantages

- Family-friendly restaurant and sports bar attracts two distinct customer demographics
- Well positioned in mid-scale casual dining
- Broad, diversified menu for any dining occasion
- Multiple day parts plus take-out and delivery
- National purchasing power to reduce input costs
- Mandatory seven year renovation schedule
- Marketing co-op funded by franchisees
- Proprietary digital marketing and loyalty programs including MyBP, Team HQ and Online Ordering
- Single brand focus
- Strong franchisee network

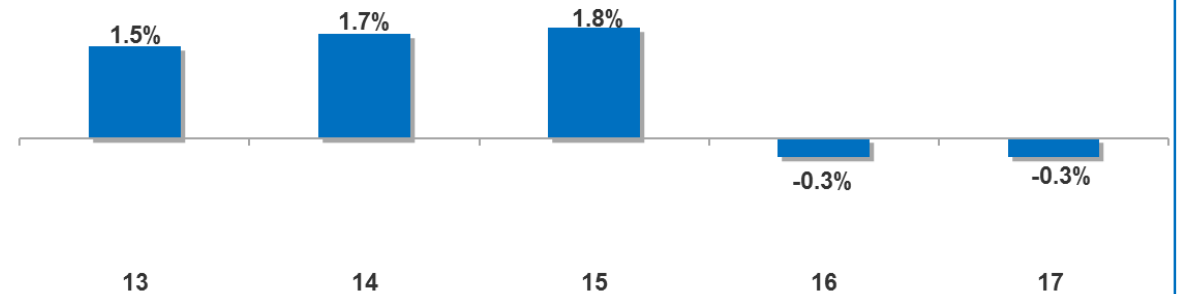


# Same Store Sales Growth

**Quarterly Same Store Sales Growth**



**Annual Same Store Sales Growth**



# Same Store Sales Growth Drivers

SSSG is achieved through:

## Increasing Guest Traffic

- Marketing programs through national franchisee co-op program
- Digital marketing and loyalty initiatives
- Take-out and delivery segment growth
- Continuous menu innovation
- Consistent focus on improving the guest experience

## Increasing Average Guest Cheque

- Boston Pizza's national menu is refreshed annually with new menu items and local price adjustments

## Renovation Program

- Franchisees are required to renovate their restaurants every seven years to the latest design standards, which generally provides incremental sales growth post-renovation





# Marketing and Promotion

**FANTASY HOCKEY IS BACK!**

**WELCOME HOME FOR THE HOLIDAYS**  
ENJOY OUR NEW HOLIDAY MENU

**GO**

**BOSTON SIZE TOUCHDOWN PINT**  
FOR \$100 MORE THAN A REGULAR PINT

**DAILY PICKS, DAILY PRIZES!**

**FAN DRAFT**  
EXCLUSIVELY AT

**WRAP THE MEAL WITH A BOW**  
FUTURE PROSPECTS RED VELVET CAKE  
A portion of sales from every cake is donated to help kids spend time with role models.

**THE HOLIDAY SPIRITS**  
HOLIDAY SANGRIA SMASH  
APPLE-SPICED HOLIDAY SOUR  
HENKELL TROCKEN SPARKLING WINE  
Share the moment with @bostonpizzacanada on Instagram using #BPHoliday2017

**GET A FREE \$10 PROMO CARD**  
WHEN YOU BUY A \$50 GIFT CARD

**2017 WORLD JUNIOR CHAMPIONSHIP CANADA**  
Montreal - Toronto

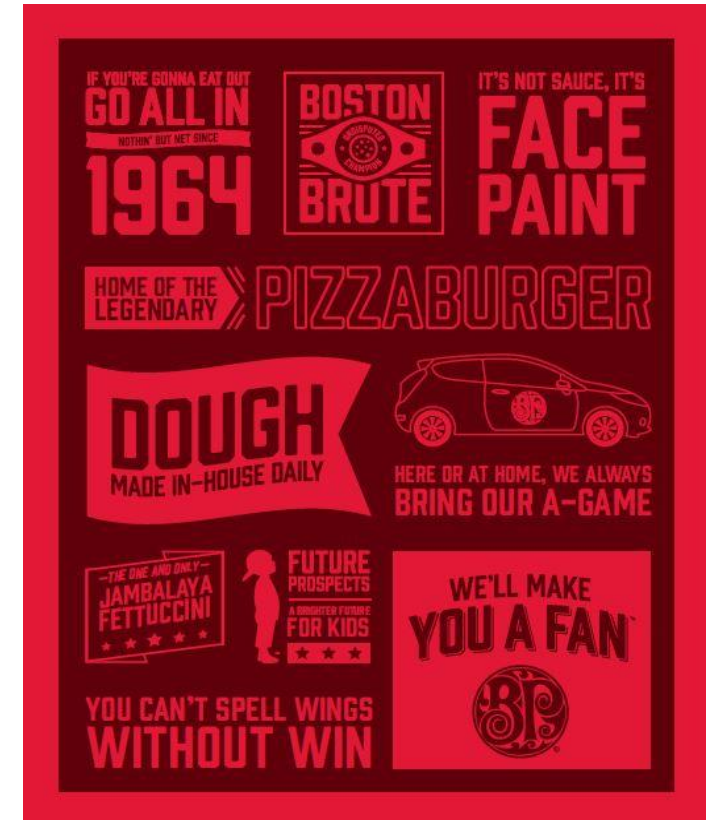
**ACTION DEC. 26 TO JAN. 5**

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# Continuous Menu Innovation

- Annual national menu refresh
- Regional pricing adjustments
- Keeping up with consumer trends by constantly updating menu items
- Executive Chef and BP culinary team lead the process of R&D and menu management





# Continuous Menu Innovation

- Pizzaburger®
- Boston Cream Piescraper®
- Wing sauces
- Cactus Cut Nachos
- Salads
- Fish Tacos
- MVB™
- Doughcano®
- Big Dipper sandwich
- Fire-Grilled Pizza



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# Digital Marketing & Loyalty

- MyBP & Online Ordering:
  - iPhone app launched in 2014 – Android version launched May 2016
  - Targeted loyalty offers
  - Increasing functionality
  - Improving experience and conversion rates
  - Online ordering growth
  - Increased average guest check for online vs. phone orders
- Team HeadQuarters launched nationally September 2017
- New website with enhanced mobile features and online ordering capabilities launched in Q3 2017

*My***BP**<sup>®</sup>



MyBP is a registered trademark of Boston Pizza Royalties Limited Partnership, used under license. Team HQ is a trademark of Boston Pizza International Inc., used under license.

# Restaurant Renovations - Exterior

Before



After



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# Restaurant Renovations – Dining Room

After

Before



# Restaurant Renovations – Sports Bar

After

Before



# New Restaurant Development

- Multi-channel strategy
  - Leverage prototype models to suit area
  - Conversions
  - Non-traditional: hotels and airports
- Franchisee development
- Real Estate





# New Urban Prototype



**BOSTON PIZZA ROYALTIES INCOME FUND**





# Outlook

- Continue to strengthen Boston Pizza's position as Canada's #1 casual dining brand through positive SSSG and new store openings.
- 11 new Boston Pizza locations opened in 2017.
- 28 restaurant renovations completed in 2017.



# Solid Structure

## Top-line income fund structure

- Royalty and distribution income are based on franchise sales
- Investors are not directly exposed to expenses or profitability of Boston Pizza International or Boston Pizza restaurants



# Q4 & Year Highlights

- System-Wide Gross Sales of \$275.5 million for the Period and \$1.1 billion for the Year, representing increases of 1.8% and 1.7%, respectively, versus the same periods one year ago.
- Franchise Sales from royalty pool restaurants of \$207.9 million for the Period and \$844.5 million for the Year, representing increases of 1.8% and 1.9%, respectively, versus the same periods one year ago.
- Same Store Sales Growth of positive 0.1% for the Period and negative 0.3% for the Year.
- Distributable Cash per Unit decreased 2.9% for the Period and decreased 0.6% for the Year.
- Payout Ratio of 104.2% for the Period and 100.0% for the Year. Cash balance at the end of the Year was \$3.3 million.
- Boston Pizza opened 8 net new full service restaurants and completed 28 restaurant renovations in 2017.
- On February 7, 2018, the trustees declared the January 2018 distribution to unitholders of 11.5 cents per Unit.



# Quarterly Financial Performance

*\$ thousands except per Unit data, payout ratio, SSSG and restaurants*

	2017 Q4	2016 Q4
NUMBER OF RESTAURANTS IN ROYALTY POOL <sup>1</sup>	383	372
FRANCHISE SALES BY ROYALTY POOL RESTAURANTS	207,852	204,121
ROYALTY INCOME	8,314	8,165
DISTRIBUTION INCOME	2,797	2,617
INTEREST INCOME	9	452
TOTAL REVENUE	11,120	11,234
DISTRIBUTABLE CASH <sup>2</sup>	7,249	6,925
DISTRIBUTABLE CASH PER UNIT	0.331	0.341
DISTRIBUTIONS PAID PER UNIT	0.345	0.345
PAYOUT RATIO	104.2%	101.1%
SAME STORE SALES GROWTH	0.1%	(3.1%)

<sup>1</sup>The Fund reports changes to the number of Royalty Pool stores each year on January 1 as part of the new store roll-in process

<sup>2</sup>For a reconciliation to the nearest IFRS measure, Cash Flows from Operating Activities, please see the Fund's MD&A for Q4 17



# Annual Financial Performance

*\$ thousands except per Unit data, payout ratio, SSSG and restaurants*

	2017	2016
NUMBER OF RESTAURANTS IN ROYALTY POOL <sup>1</sup>	383	372
FRANCHISE SALES BY ROYALTY POOL RESTAURANTS	844,496	828,619
ROYALTY INCOME	33,780	33,145
DISTRIBUTION INCOME	10,904	10,700
INTEREST INCOME	1,217	1,808
TOTAL REVENUE	45,901	45,653
DISTRIBUTABLE CASH <sup>2</sup>	28,556	28,179
DISTRIBUTABLE CASH PER UNIT	1.379	1.388
DISTRIBUTIONS PAID PER UNIT	1.380	1.373
PAYOUT RATIO	100.0%	98.9%
SAME STORE SALES GROWTH	(0.3%)	(0.3%)

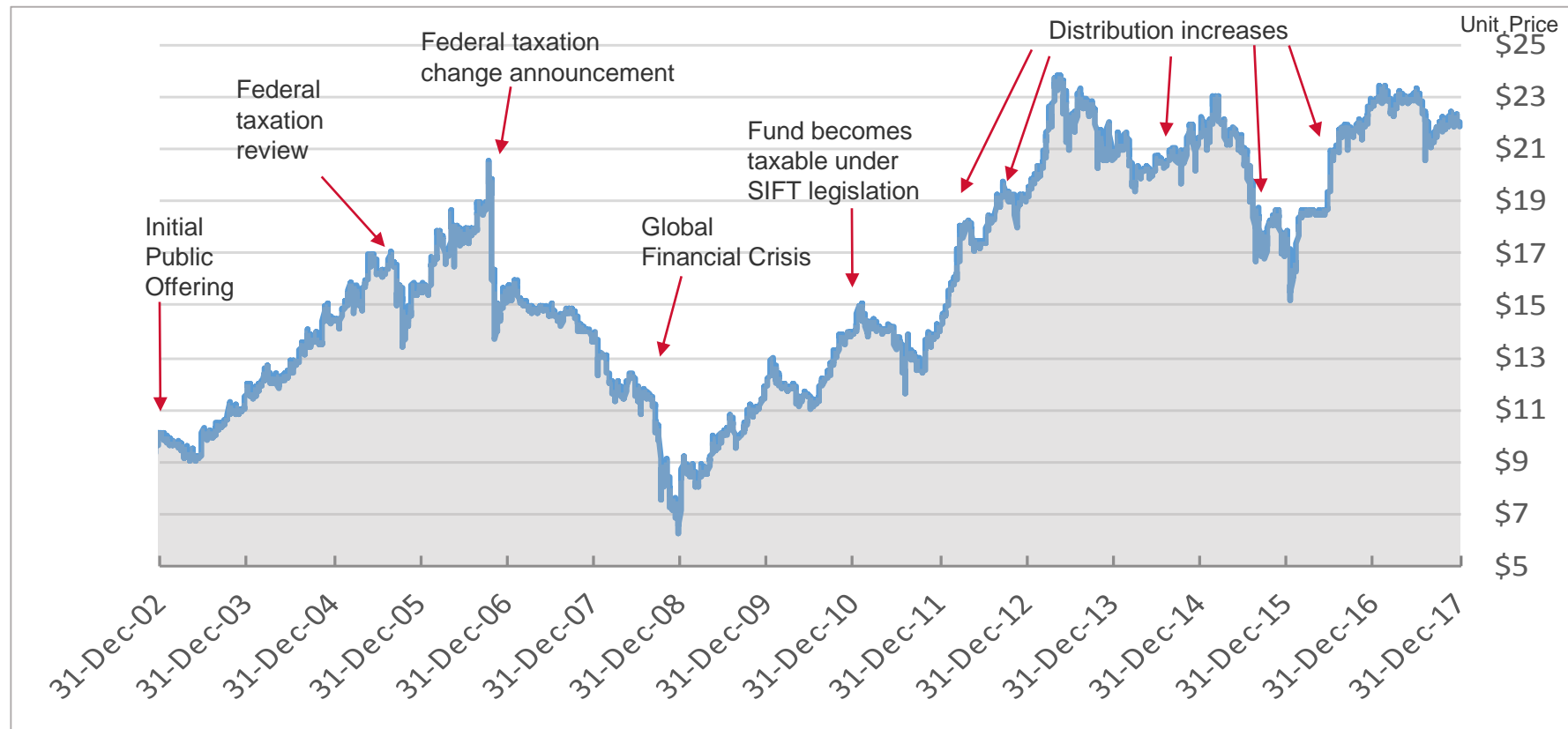
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<sup>2</sup>For a reconciliation to the nearest IFRS measure, Cash Flows from Operating Activities, please see the Fund's MD&A for Q4 17



# Unit Price History

Including the \$19.26 per Unit declared distributions as at December 31, 2017, the Fund has produced a total simple return\* to investors of 311.7% since inception.



\*Excluding reinvestment of distributions paid. As at December 31, 2017 (BPF.UN closed at \$21.91).

**BOSTON PIZZA ROYALTIES INCOME FUND**



# Capital Markets Profile

As at December 31, 2017

TSX Stock Symbol	<b>BPF.UN</b>
Publicly Traded Units	<b>21,886,063</b>
BPI's Unit Equivalents*	<b>2,487,719</b>
BPI's % Ownership*	<b>10.2%</b>
Unit Price	<b>\$21.91</b>
Market Capitalization**	<b>\$534.0 million</b>
Total Debt Maturing in 2020	<b>\$86.8 million</b>
Debt to EBITDA Ratio	<b>2.0 : 1.0</b>
Annualized Distribution	<b>\$1.38/unit</b>
Distribution Yield	<b>6.3%</b>
Cash Balance	<b>\$3.3 million</b>
2017 Distribution Return of Capital	<b>21.9%</b>
2017 Distribution Eligible Dividend	<b>78.1%</b>

**BOSTON PIZZA ROYALTIES INCOME FUND** \*Includes holdback. BPI is required to hold at least 10% of the Fund's Units including holdback.

\*\*Includes BPI entitlements, including holdback





# APPENDIX



# Roll-In Details

- BPI receives additional entitlements of Fund Units on Jan. 1 of each year based on restaurants opened/closed in the prior calendar year
- To determine the additional entitlements received by BPI for the roll-in, estimated franchise sales of opened restaurants are netted against franchise sales of closed restaurants (based on year the closed restaurant was added to the Royalty Pool). The net franchise sales are then adjusted for:
  - Royalty and Distribution Income rate of 5.5% (starting in 2016 – 4.0% prior to that)
  - Discounted by 7.5% (effective since IPO)
  - Reduced by the effective SIFT tax rate
  - Divided by the actual distributions paid per Fund Unit in the prior year
- 80% of the additional entitlements are issued immediately and 20% are held back until the actual franchise sales and effective SIFT tax rate are known
- Estimated franchise sales and effective SIFT tax rate are adjusted early in the following year when actuals are known
- BPI is entitled to receive monthly distributions on the additional entitlements including the holdback



# Roll-In History (3 years)\*

	Actual	Actual	Actual	Estimate
Calendar year opened/closed	2014	2015	2016	2017
Roll-in date	01-Jan-15	01-Jan-16	01-Jan-17	01-Jan-18
Openings	14	12	13	11
Closures	(6)	(6)	(2)	(3)
Net restaurants added	8	6	11	8
Franchise sales for restaurants opened (in \$000s)	23,816	23,416	21,112	18,950
Franchise sales for restaurants closed (in \$000s)	(6,927)	(7,699)	(1,415)	(5,476)
Net franchise sales added (in \$000s)	16,889	15,717	19,697	13,474
Royalty and Distribution Income rate	4.0%	5.5%	5.5%	5.5%
Royalty and Distribution Income before adjustments (in \$000s)	676	864	1,083	741
Discounted by 7.5% (in \$000s)	(51)	(65)	(81)	(56)
Effective tax amount (in \$000s)	625	800	1,002	685
	(141)	(169)	(214)	(171)
Amount used to calculate Additional Entitlements (in \$000s)	484	631	788	514
Distributions paid per unit in year opened/closed (in \$)	1.224	1.281	1.373	1.380
Additional Entitlements received - 80% (in 000s)	316	394	459	298
Holdback - 20% (in 000s)	79	99	115	75
Total Additional Entitlements with Holdback (in 000s)	395	493	574	373
Class B Additional Entitlements with Holdback (in 000s)	395	358	417	271
Class 2 Additional Entitlements with Holdback (in 000s)		134	156	102
Effective tax rate	22.6%	21.1%	21.4%	25.0%

- On Jan. 1/15 royalty rate was 4.0%
- Completed transaction in 2015 to increase rate to 5.5% and create Class 2 Additional Entitlements
- The franchise sales and effective SIFT tax rate for the roll-ins on Jan. 1 of 15/16/17 are actuals (Jan. 1/18 is estimated and will be adjusted to actual in early 2019)

\* Some figures in the table have been rounded

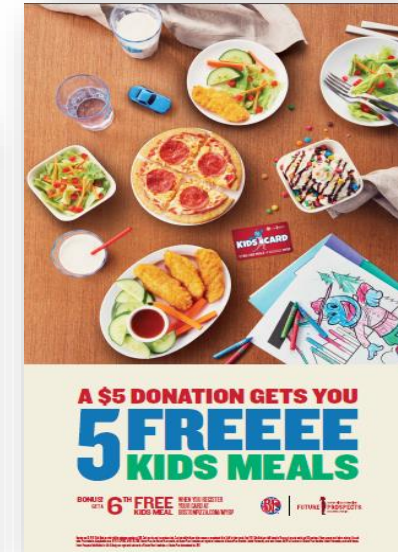


# Boston Pizza Foundation Future Prospects

- Commitment to giving back in communities where we operate BP restaurants.
- Boston Pizza Foundation has raised and donated over \$24 million to various Canadian charities since 1990.
- Signature cause of BPF Future Prospects is role modeling and mentoring opportunities for Canadian youth.

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**BOSTON PIZZA ROYALTIES INCOME FUND**



# Awards Received by Boston Pizza

- **Franchisees' Choice Designation**  
*Canadian Franchise Association (2011-2017)*
- **Canada's 50 Best Managed Companies Platinum Club**  
*Deloitte (2004-2017)*
- **Great Place to Work**  
*Best Workplaces Canada (2017)*
- **Lifetime Achievement Award: Jim Treliving**  
*Canadian Franchise Association (2012)*
- **Tops in Hospitality**  
*Foodservice and Hospitality Magazine (2007-2012)*
- **Gold CASSIES Marketing Awards (2011, 2014, 2015)**



# THANK YOU!



Investor contact: [investorrelations@bostonpizza.com](mailto:investorrelations@bostonpizza.com) | [www.bpincomefund.com](http://www.bpincomefund.com)