

# **Boston Pizza Royalties Income Fund**

**TSX : BPF.UN**

**Investor Presentation**

**August 10, 2017**



# 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.

This presentation should be viewed in conjunction with the Fund’s Q2, 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 June 30, 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



# Investment Highlights

- **15.1% 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 379 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 **3.1%\*** 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 renovations (completed 157 over last 3 years)\*
- **Operates in 10 provinces and two territories across Canada** providing regional diversity with \$1.08 billion in system-wide gross sales in 2016
- **Strong track record of growth** in restaurants, franchise sales and distributable cash per unit

**BOSTON PIZZA ROYALTIES INCOME FUND**

*\*As at December 31, 2016*

**15.1% Return**

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

**18 Distribution Increases**

*(since 2002)*

**3.1% SSSG\***

*(average annual since 2002)*

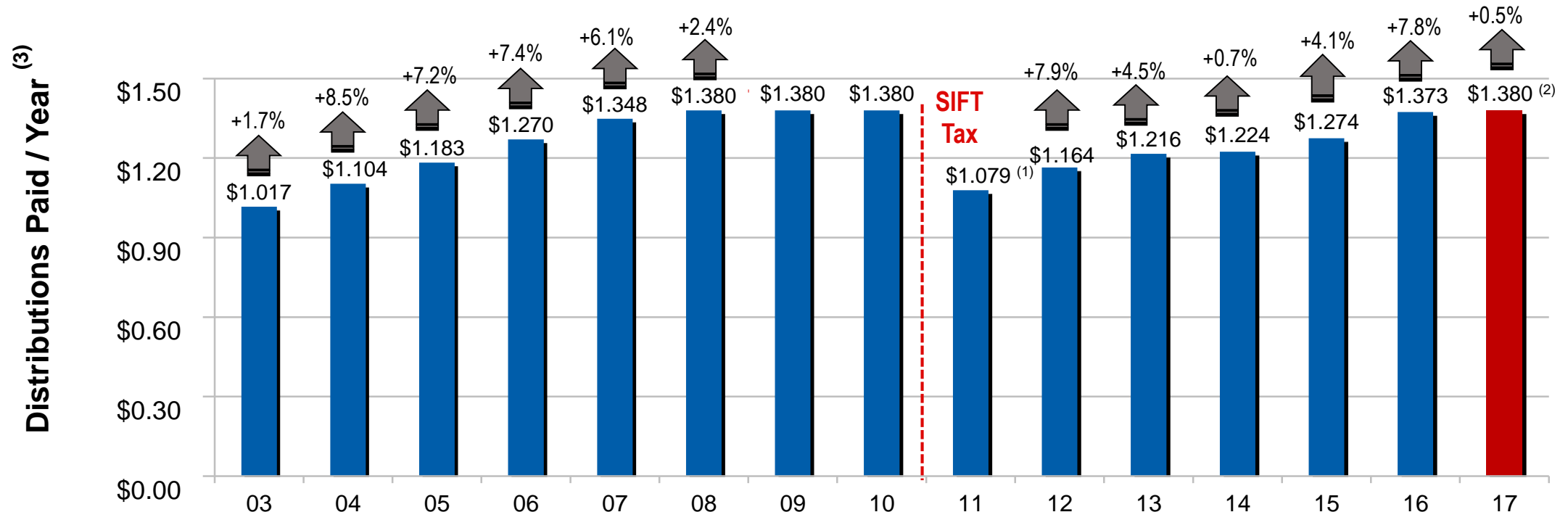
**\$1.08 Billion**

*(system-wide gross sales in 2016)*



# Annual Distributions Paid

As at August 10, 2017 the Fund has increased distributions paid to unitholders 18 times. Including the July 2017 distribution payable on August 31, 2017, the Fund will have paid out \$18.69 per unit or \$264.2 million through 181 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.

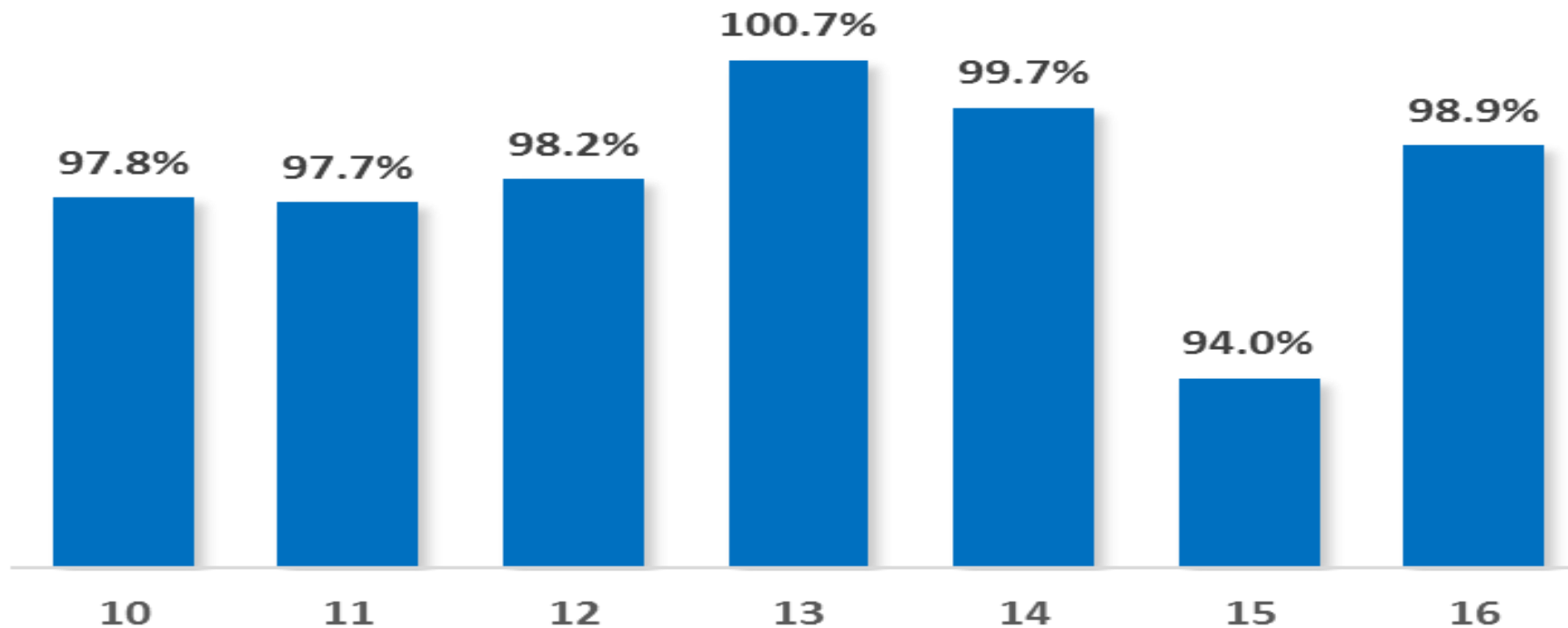
(2) \$1.380 is the annualized distributions for 2017 based on actuals to date and assuming distributions of 11.50 cents monthly for the remainder of 2017.

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



# Consistent Payout Ratio

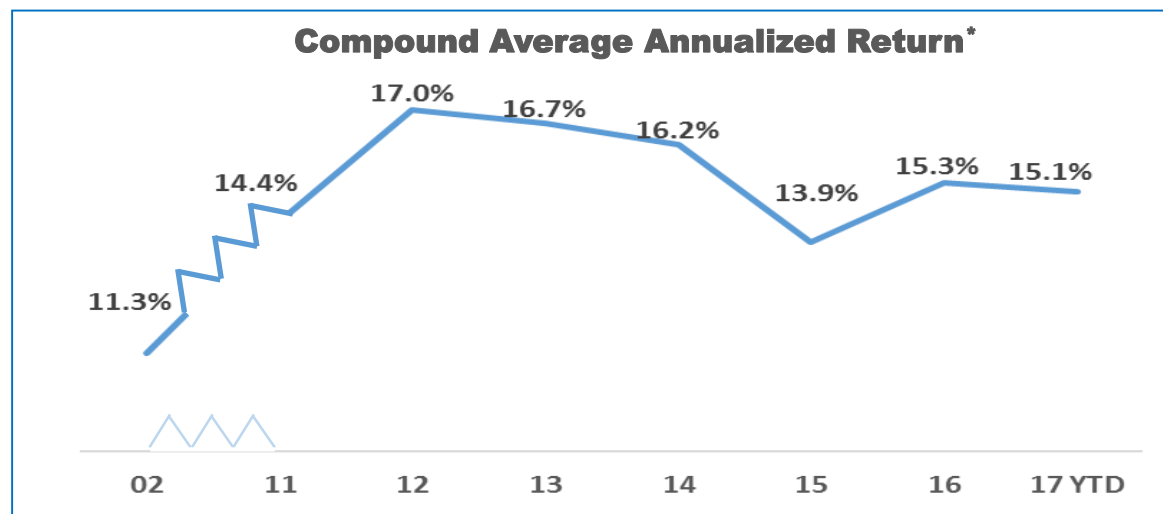
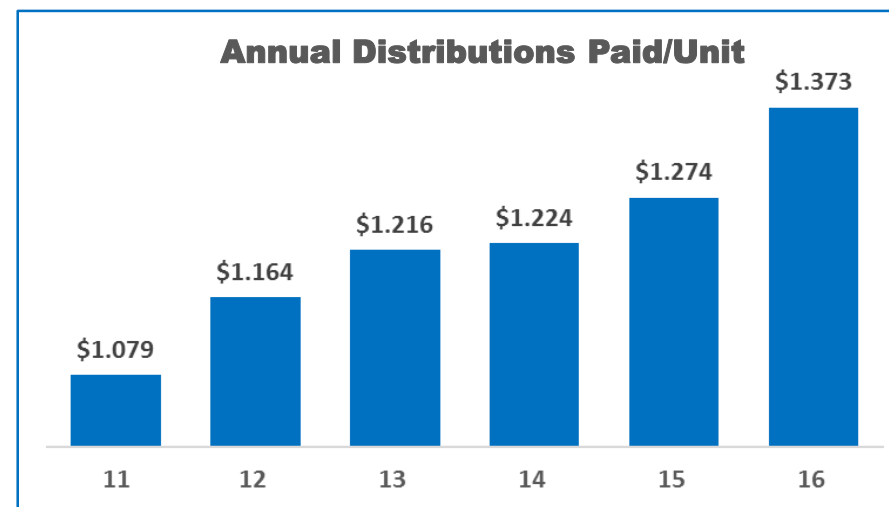
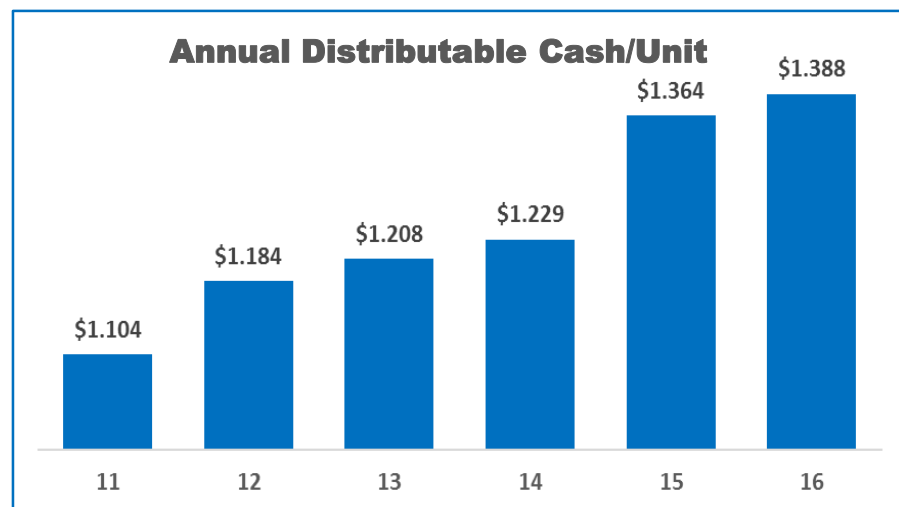
Annual payout ratio is consistently close to 100% of distributable cash as there is no need for the fund to retain capital for other purposes.



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# Excellent Track Record for Unitholders



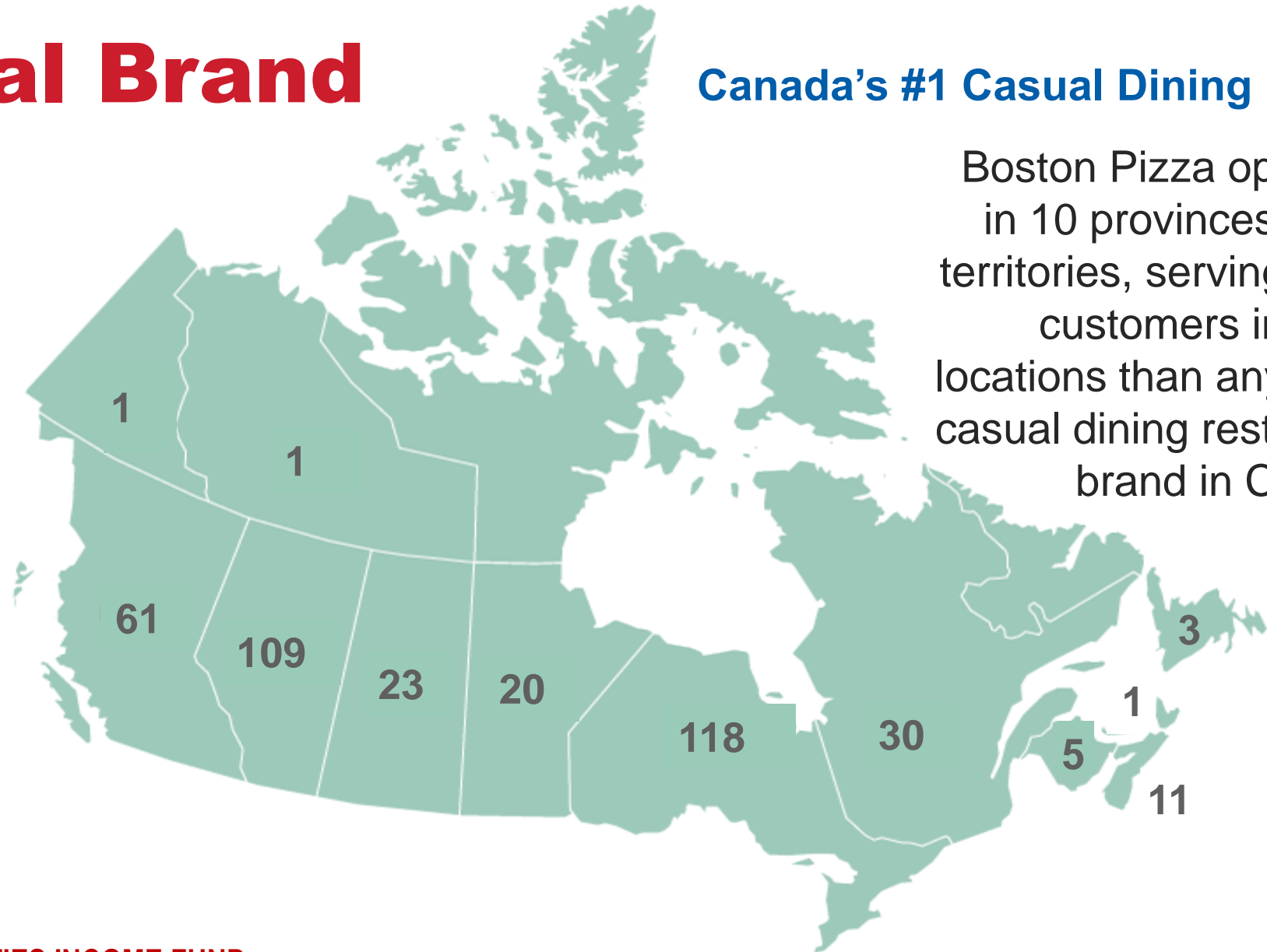
\*Assumes reinvestment of distributions since 2002 measured at the end of each fiscal year.



# 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

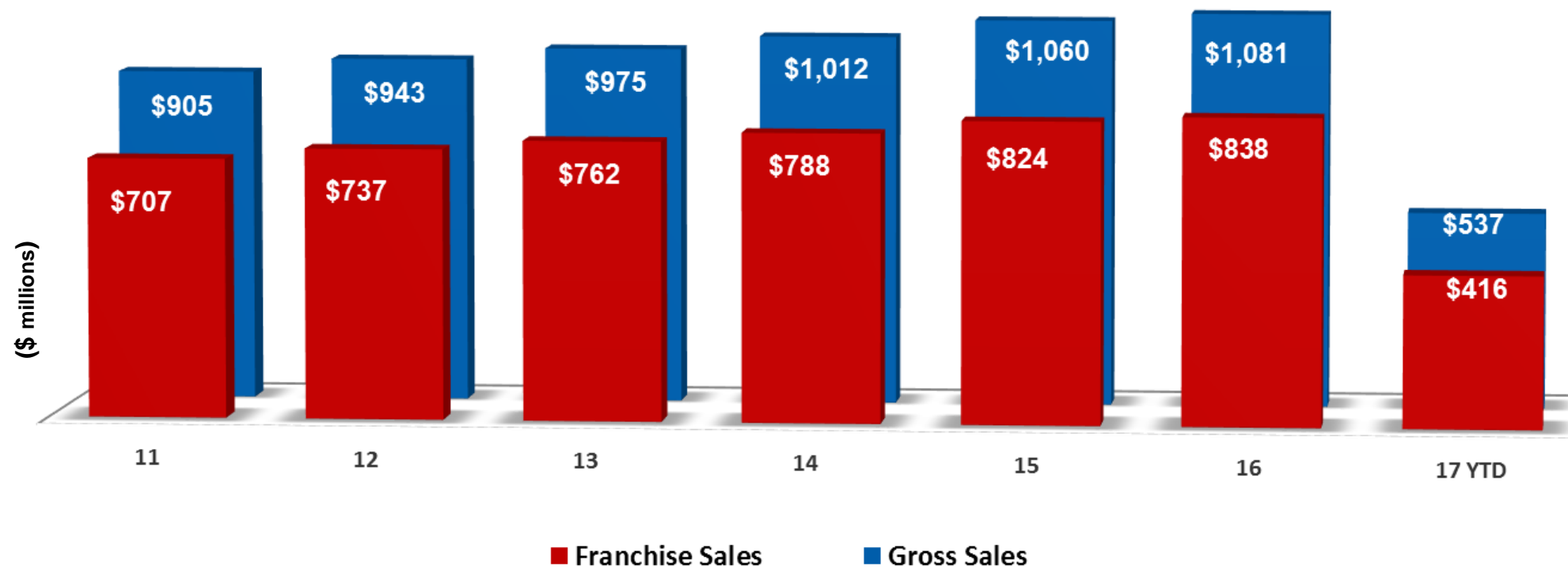


383 locations as of June 30, 2017.

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# System-Wide Franchise & Gross Sales

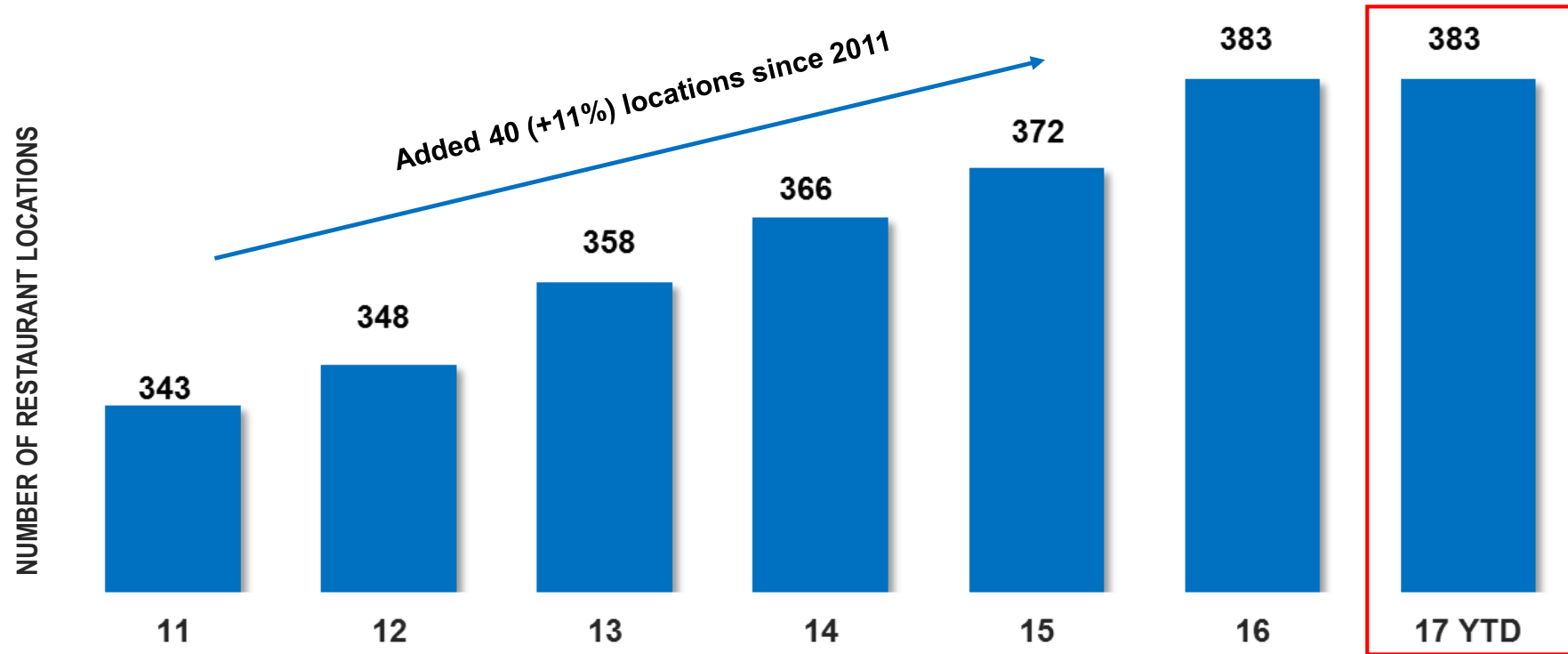


\*All years as at December 31, except 2017 which is the six months ended June 30.

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# Restaurant Growth



\*All years as at December 31<sup>st</sup> except 2017 which is as at June 30.

**BOSTON PIZZA ROYALTIES INCOME FUND**



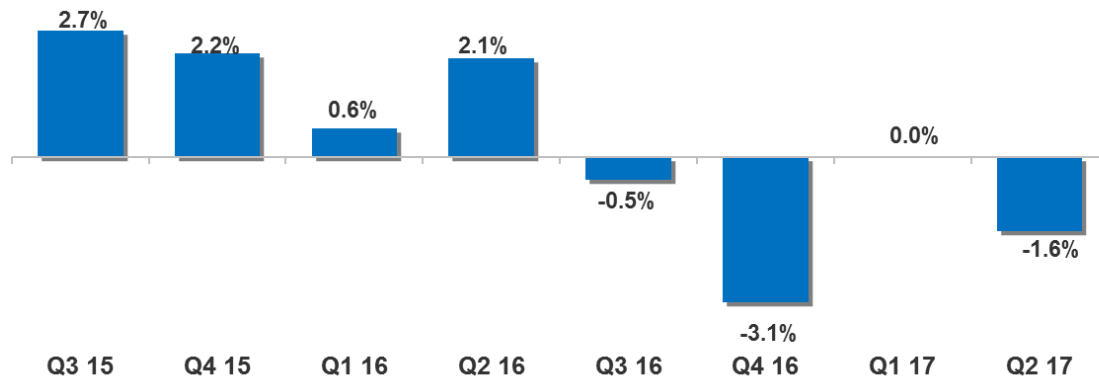
# Competitive Advantages

- 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
- Single brand focus
- Strong franchisee network

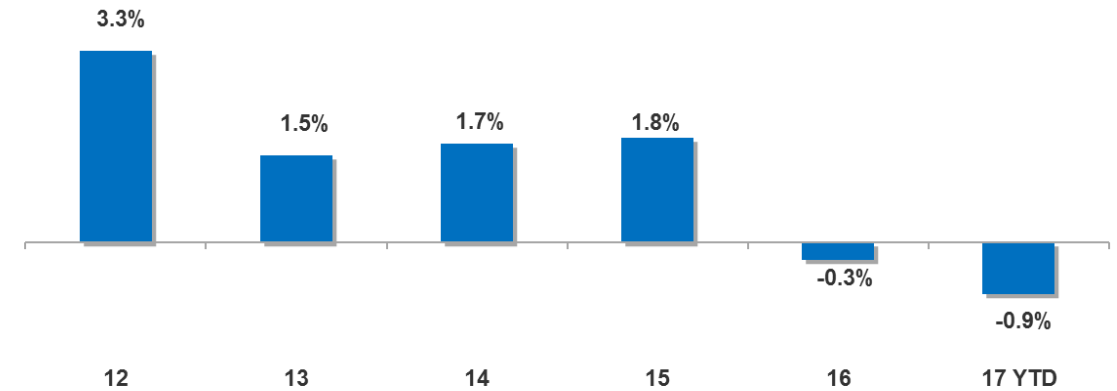


# Same Store Sales Growth

**Quarterly Same Store Sales Growth**



**Annual Same Store Sales Growth**



\*All figures are annual SSSG as at December 31, except 2017 which is the six months ended June 30.



# 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

**Low in Calories,  
High on Refreshment**

Our Handcrafted Quenchers are made with all-natural ingredients and have 45 calories or less. Free refills.

Black Raspberry Quencher

Peach Mango Quencher

Watermelon Citrus Quencher

**Introducing  
Fire-Grilled Pizza**

Our signature dough, hand-stretched to a thin crust, grilled over an open flame and topped with premium ingredients. Pair with a Budweiser. 217 cal./18 oz draught

Pizza Bella

ADULTS AND YOUTH (AGES 13 AND OLDER) NEED AN AVERAGE OF 2,000 CALORIES A DAY, AND CHILDREN (AGES 4 TO 12) NEED AN AVERAGE OF 1,500 CALORIES A DAY. HOWEVER, INDIVIDUAL NEEDS VARY.

CHICKEN SHAWARMA

**STEP ASIDE,  
PEPPERONI.**

THREE NEW PIZZAS, SAME CLASSIC DOUGH.

THAI CHICKEN

**SEE HOW FAR  
WE GO  
FOR OUR DOUGH**

We start from scratch to make our legendary dough, topping it with only the highest quality ingredients.

**TWO  
CANADIAN  
CLASSICS.  
TOGETHER  
AT LAST.**

MOLSON  
CANADIAN

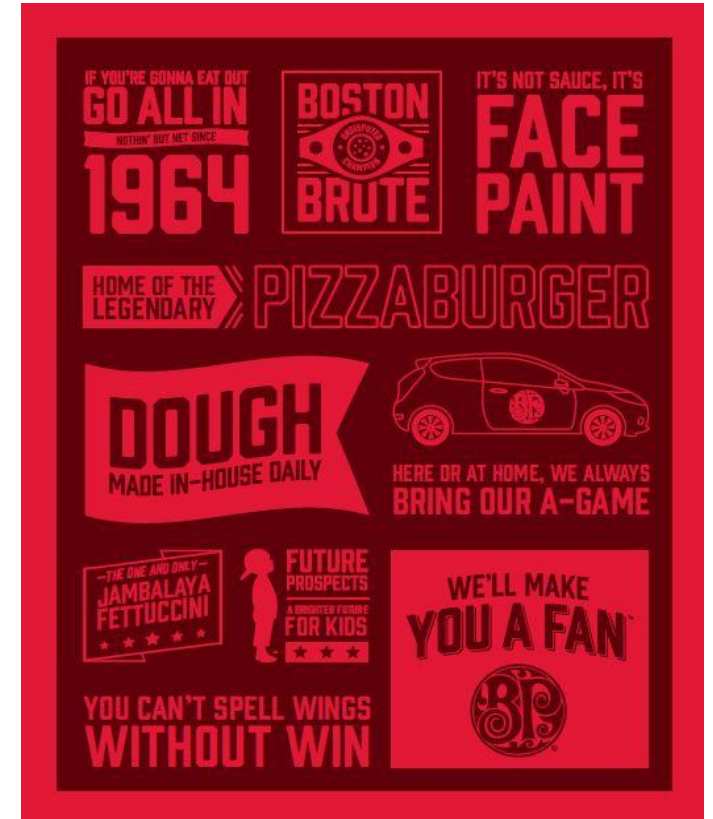
NEW CANADIAN  
BACK BACON PIZZA

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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



Boston Pizza, the Boston Pizza roundel and Boston Cream Piescraper are registered trademarks of Boston Pizza Royalties Limited Partnership, used under license. Pizzaburger, Doughcano, MVB and are trademarks of Boston Pizza International Inc., used under license.

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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 in Ontario & Saskatchewan (National launch in October)
- New website with enhanced mobile features and online ordering capabilities to launch in Q3

*My***BP**<sup>™</sup>



# 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



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# Outlook

- Continue to strengthen Boston Pizza's position as Canada's #1 casual dining brand through positive SSSG and new store openings.
- Two new Boston Pizza locations opened to date in 2017 and nine locations currently under construction.
- Ten restaurant renovations completed to date in 2017, with numerous renovations planned for the remainder of the year.



# 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



# Q2 Highlights

- System-Wide Gross Sales of \$275.6 million for the Period and \$536.8 million YTD, representing increases of 0.6% and 1.6%, respectively, versus the same periods one year ago.
- Franchise Sales from royalty pool restaurants of \$212.7 million for the Period and \$415.1 million YTD, representing increases of 0.9% and 1.5%, respectively, versus the same periods one year ago.
- Same Store Sales Growth of negative 1.6% for the Period and negative 0.9% YTD.
- Distributable Cash per Unit decreased 0.9% for the Period and decreased 1.6% YTD.
- Payout Ratio of 99.1% for the Period, 104.6% YTD, and 100.2% on a trailing 12-month basis. Cash balance at the end of the Period was \$2.9 million.
- Trustees declared July 2017 distribution to unitholders of 11.5 cents per Unit.



# Quarterly Financial Performance

<i>\$ millions except per Unit data, payout ratio, SSSG and restaurants</i>	<b>2017 Q2</b>	<b>2016 Q2</b>
NUMBER OF RESTAURANTS IN ROYALTY POOL <sup>1</sup>	383	372
FRANCHISE SALES BY ROYALTY POOL RESTAURANTS	212.7	210.9
ROYALTY INCOME	8.5	8.4
DISTRIBUTION INCOME	2.7	2.7
INTEREST INCOME	0.5	0.5
TOTAL REVENUE	11.7	11.6
DISTRIBUTABLE CASH <sup>2</sup>	7.1	7.1
DISTRIBUTABLE CASH PER UNIT	0.348	0.351
DISTRIBUTIONS PAID PER UNIT	0.345	0.345
PAYOUT RATIO	99.1%	98.3%
SAME STORE SALES GROWTH	(1.6%)	2.1%

<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 Q2/17



# YTD Financial Performance

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

	2017 YTD	2016 YTD
NUMBER OF RESTAURANTS IN ROYALTY POOL <sup>1</sup>	383	372
FRANCHISE SALES BY ROYALTY POOL RESTAURANTS	415.1	408.9
ROYALTY INCOME	16.6	16.4
DISTRIBUTION INCOME	5.2	5.3
INTEREST INCOME	0.9	0.9
TOTAL REVENUE	22.7	22.6
DISTRIBUTABLE CASH <sup>2</sup>	13.4	13.6
DISTRIBUTABLE CASH PER UNIT	0.660	0.671
DISTRIBUTIONS PAID PER UNIT	0.690	0.683
PAYOUT RATIO	104.6%	101.8%
SAME STORE SALES GROWTH	(0.9%)	1.4%

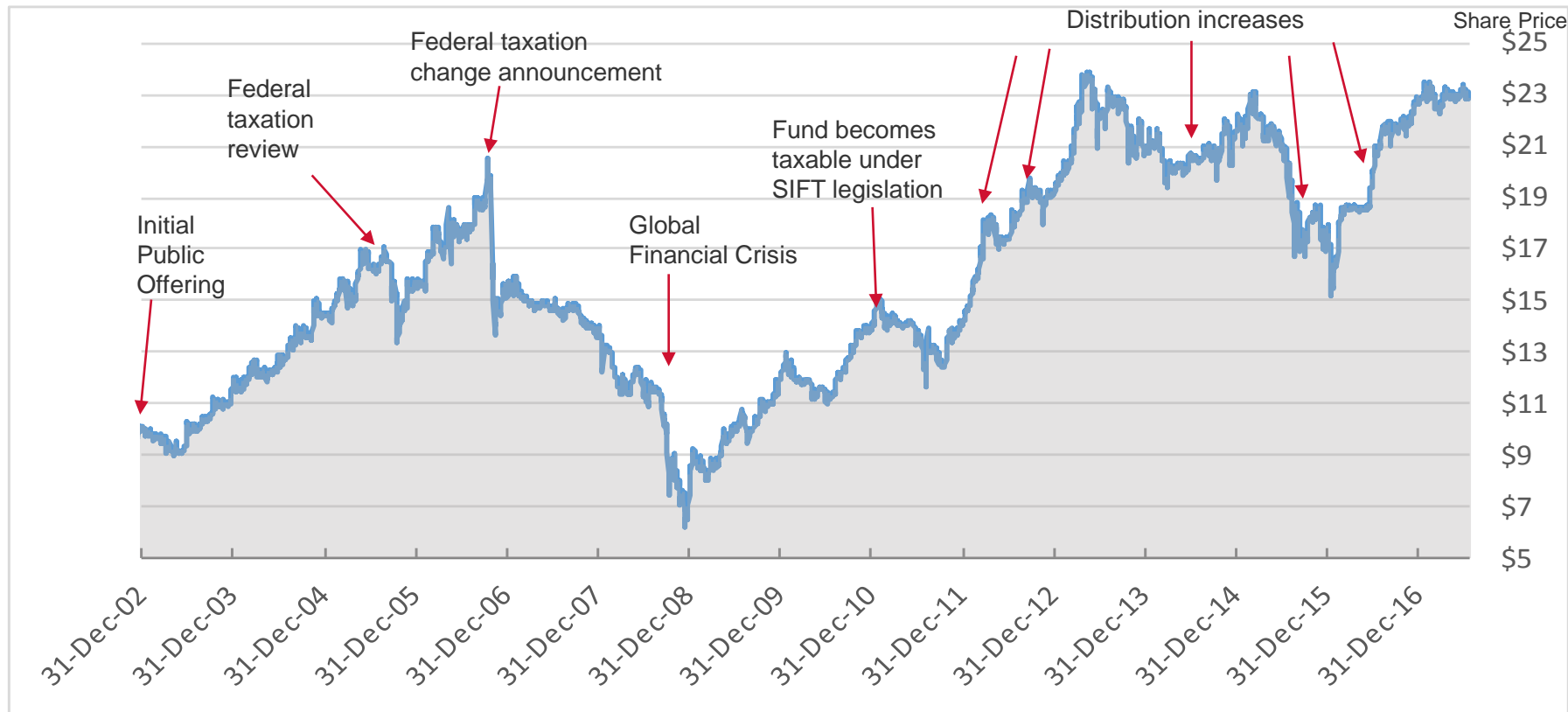
<sup>1</sup>The Fund reports changes to the number of Royalty Pool stores each year on January 1 as part of the new store roll-in process

<sup>2</sup>For a reconciliation to the nearest IFRS measure, Cash Flows from Operating Activities, please see the Fund's MD&A for Q2/17



# Unit Price History

Including the \$18.46 per Unit declared distributions as at June 30, 2017, the Fund has produced a total simple return to investors of 316.6% since inception\*.



\*Excluding reinvestment of distributions paid. As at June 30, 2017 (BPF.UN closed at \$23.20 per unit).

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# Capital Markets Profile

*As at June 30, 2017*

TSX Stock Symbol	<b>BPF.UN</b>
Publicly Traded Units	<b>20,286,063</b>
BPI's Unit Equivalents*	<b>4,087,719</b>
BPI's % Ownership*	<b>16.8%</b>
Unit Price	<b>\$23.20</b>
Market Capitalization*	<b>\$566.1 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>5.9%</b>
Cash Balance	<b>\$2.9 million</b>
2016 Distribution Return of Capital	<b>23.0%</b>
2016 Distribution Eligible Dividend	<b>77.0%</b>

**BOSTON PIZZA ROYALTIES INCOME FUND**

*\*Includes holdback*



# APPENDIX



# 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.

**BOSTON PIZZA ROYALTIES INCOME FUND**



# Awards Received by Boston Pizza

- **Franchisees' Choice Designation**  
*Canadian Franchise Association (2011-2016)*
- **Canada's 50 Best Managed Companies Platinum Club**  
*Deloitte (2004-2016)*
- **Great Place to Work**  
*Best Workplaces Canada (2017)*
- **Lifetime Achievement Award: Jim Treliving/George Melville**  
*Canadian Franchise Association (2012)*
- **Tops in Hospitality**  
*Foodservice and Hospitality Magazine (2007-2012)*
- **Gold CASSIES Marketing Awards (2011, 2014, 2015)**



# THANK YOU!



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