



# Pizza Pizza Royalty Corp

June 19, 2014





# **Paul Goddard**

**Chief Executive Officer,  
Pizza Pizza Limited  
Pizza Pizza Royalty Corp.**

# Royalty Revenues - 2013

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6% of System Sales



**\$24.5M in Royalty Revenue**

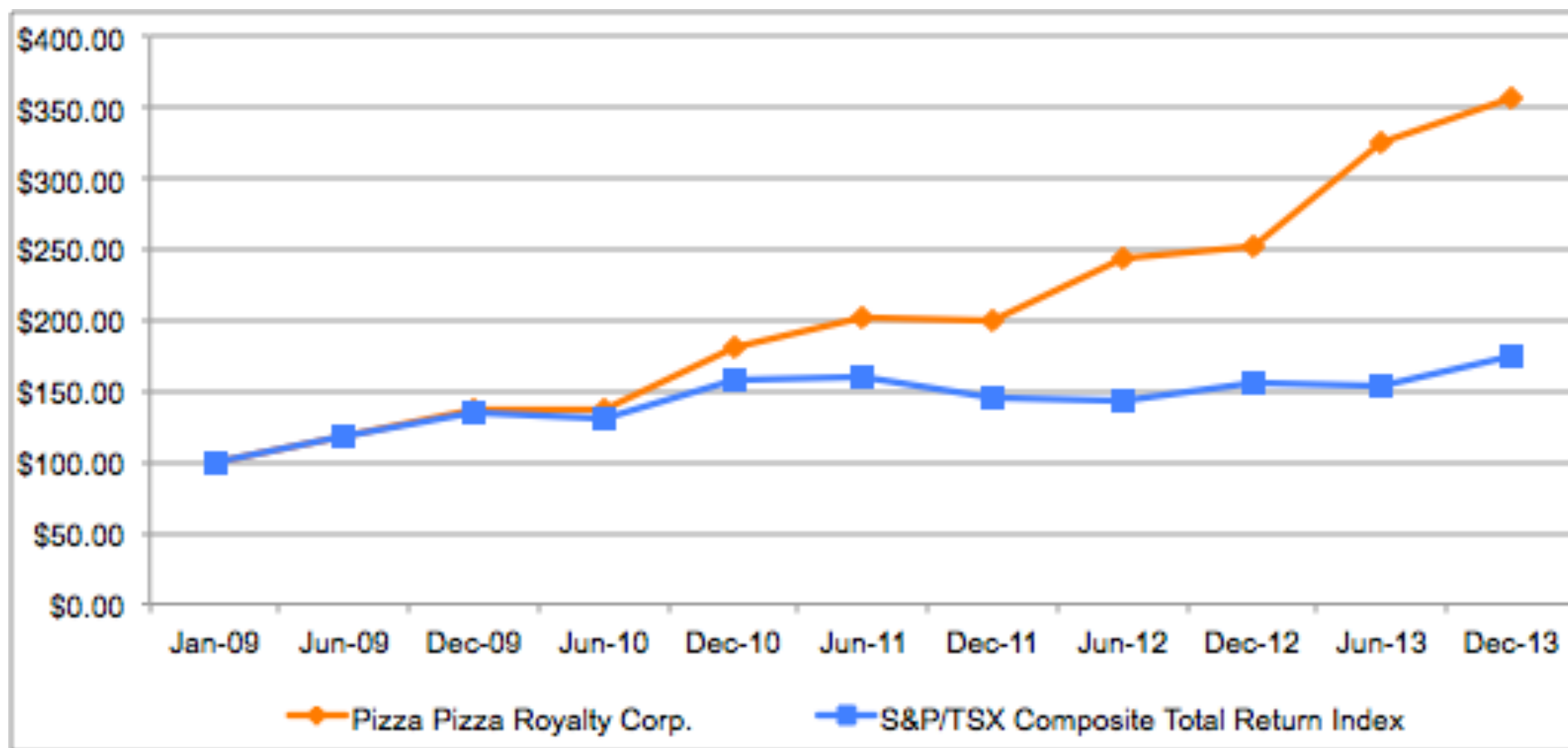
9% of System Sales



**\$7.4M in Royalty Revenue**

**Licence and royalty agreements with Pizza Pizza Limited provide cash flow stability to investors with limited operational risks.**

## PZA compared to S&P/TSX Composite Total Return Index (\$100 invested for last five years)



**\$100 invested in PZA in 2009 would be worth \$350 in 2013,  
far outpacing the TSX Composite.**

# Pizza Pizza Limited - Fundamentals

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- Canada's #1 pizzeria
- Seasoned management team
- Strong and proven business model
- Powerful brands
- Geographic diversification
- Modernized restaurant chain
- Innovation leader since 1967



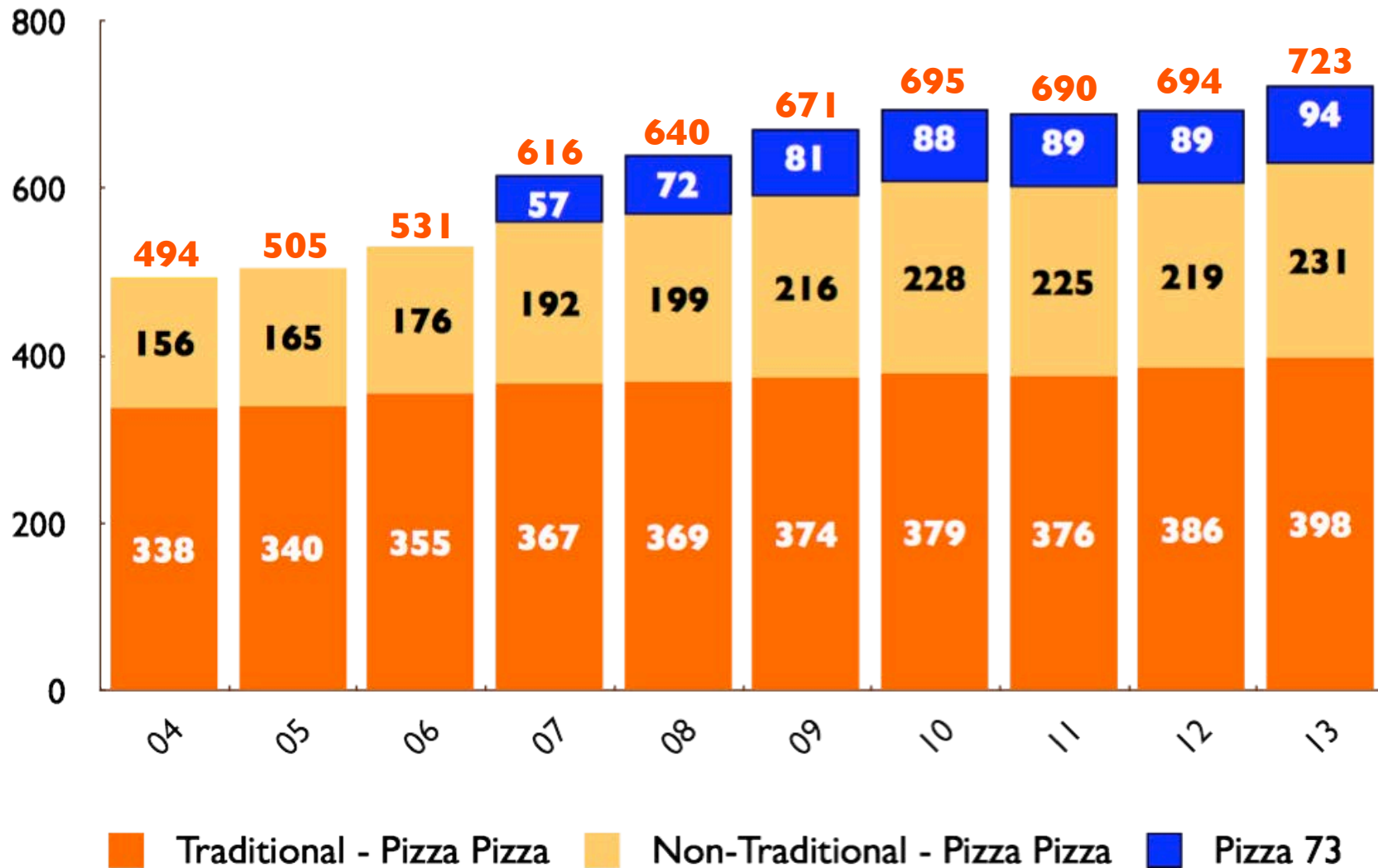
**The private operating company pays a monthly royalty for use of trademarks.**

# Restaurant Success

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- Pizza Pizza provides restaurant operators a high level of service:
  - Centralized food distribution - Volume purchasing
  - Pizza Pizza Training Centre - Operator training
  - Turn-key Operation, plus Centralized Financing
  - Real estate site selection and lease renewal
  - Centralized payment of all operating expenses including rents, mortgages, and sales taxes

# Number of Restaurants



# PIZZA PIZZA

## 957.11.11

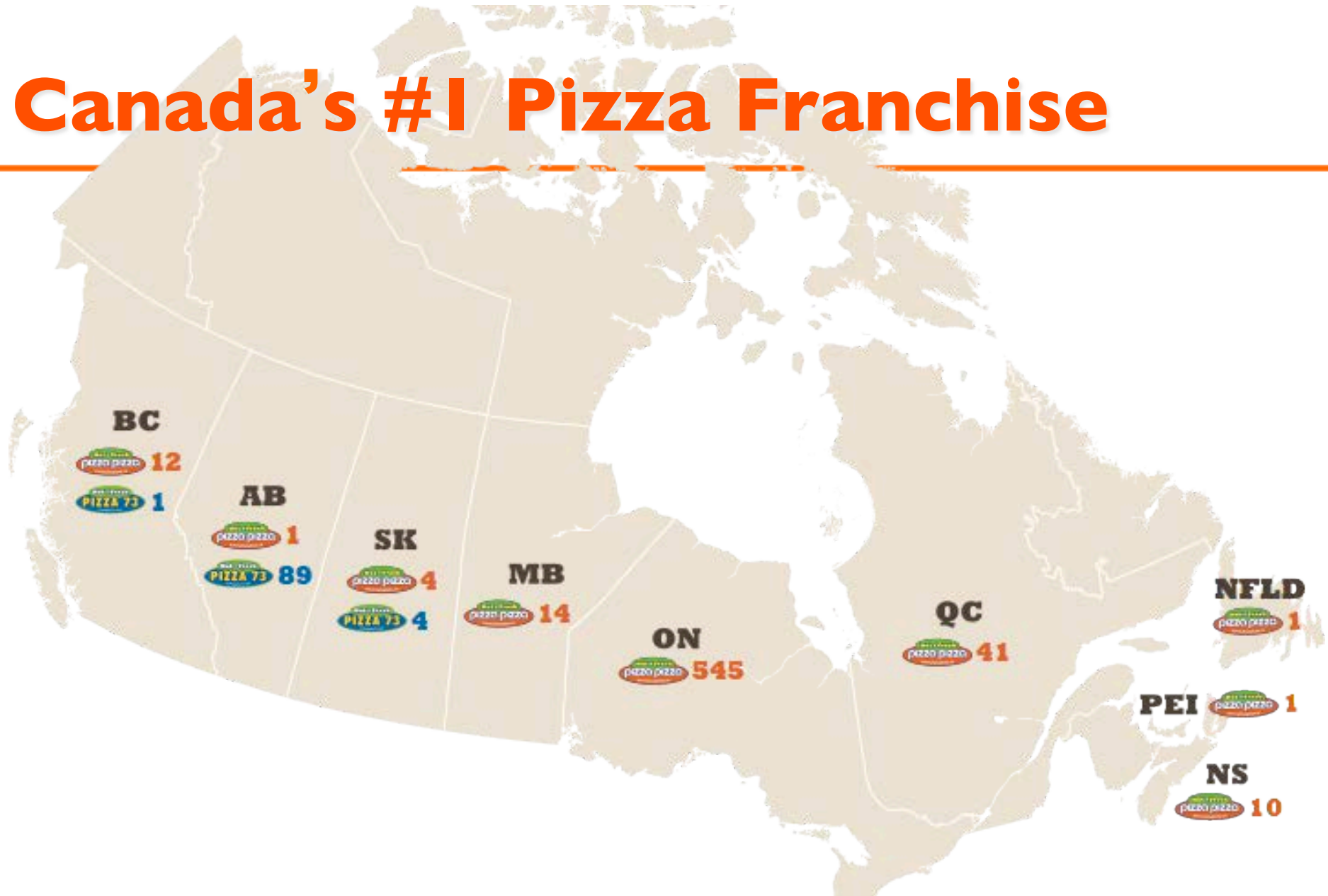
**THIS SATURDAY**  
pepperoni slice french fries **\$9.99** cheese slice onion rings  
Enter to **WIN** Pizza for a Year!





# Canada's #1 Pizza Franchise

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**Building a national presence outside our core  
Alberta and Ontario markets.**

# Non-traditional Partnerships Build Brand Awareness

## Sponsorships



## Non-traditional locations



## Special Events



Partnering with major sports arenas, entertainment venues and special community events provide marketing and business opportunities.



# Value-oriented Menu Offerings

**MEDIUM**  
**PEPPERONI PIZZA**  
**\$5<sup>49</sup>**  
Taxes extra. Walk-in only.  
No phone orders.



**2** **\$5**  
**FOR**  
**CHEESE OR PEPPERONI SLICES**



**CHILI &**  
**POUTINE**  
**\$3<sup>99</sup>** each



**Pizza Pizza is constantly reinventing its offerings to meet consumers' changing needs and desires.**

# Product Innovation

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# Technological Innovation

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**Partnering innovation with consumer convenience  
leads to sales growth.**

# Brand Recognition

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**Pizza Pizza is one of the most recognized brands in Canada.  
Our products are being featured on multiple media.**

# Brand Recognition

**Sprite**  
#31 Terrence Ross  
#10 DeMar DeRozan

**SIZE IT UP!**  
UPSIZE FOR THREE! \$3

**Hot & Fresh PIZZA PIZZA**  
OFFICIAL PIZZA OF THE TORONTO RAPTORS

**GO RAPTORS GO!**  
You could WIN Raptors prizes!



**Pizza Pizza is one of the most recognized brands in Canada. Our products are being featured on multiple media.**



# Social Responsibility



**Our fundraising events have raised over \$1,300,000 for various charities including the Children's Miracle Network.**

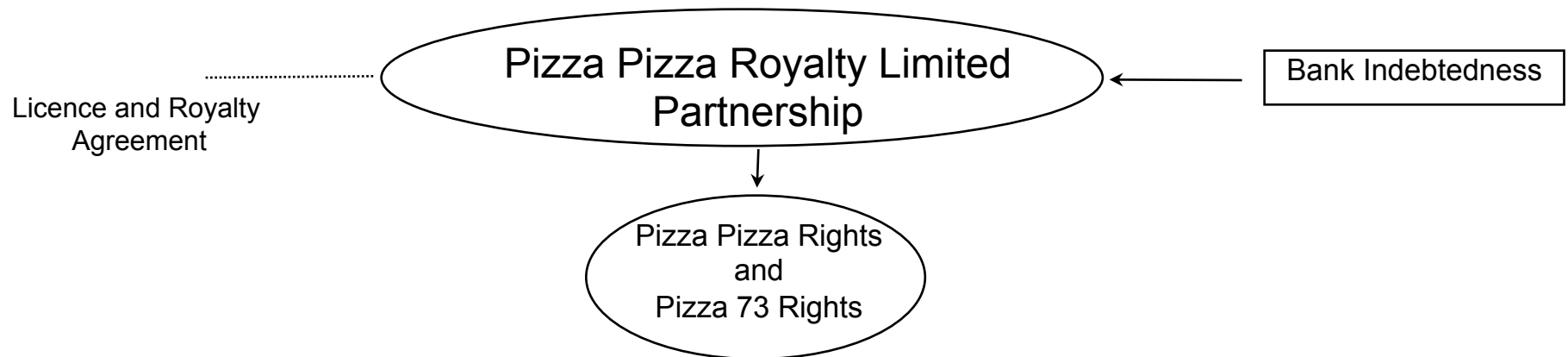
# **Curt Feltner**

**Chief Financial Officer,  
Pizza Pizza Limited  
Pizza Pizza Royalty Corp.**



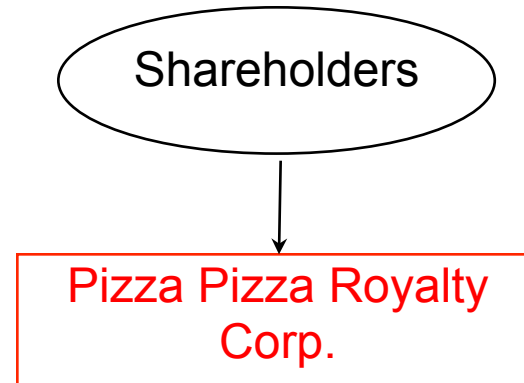
# Organizational Chart

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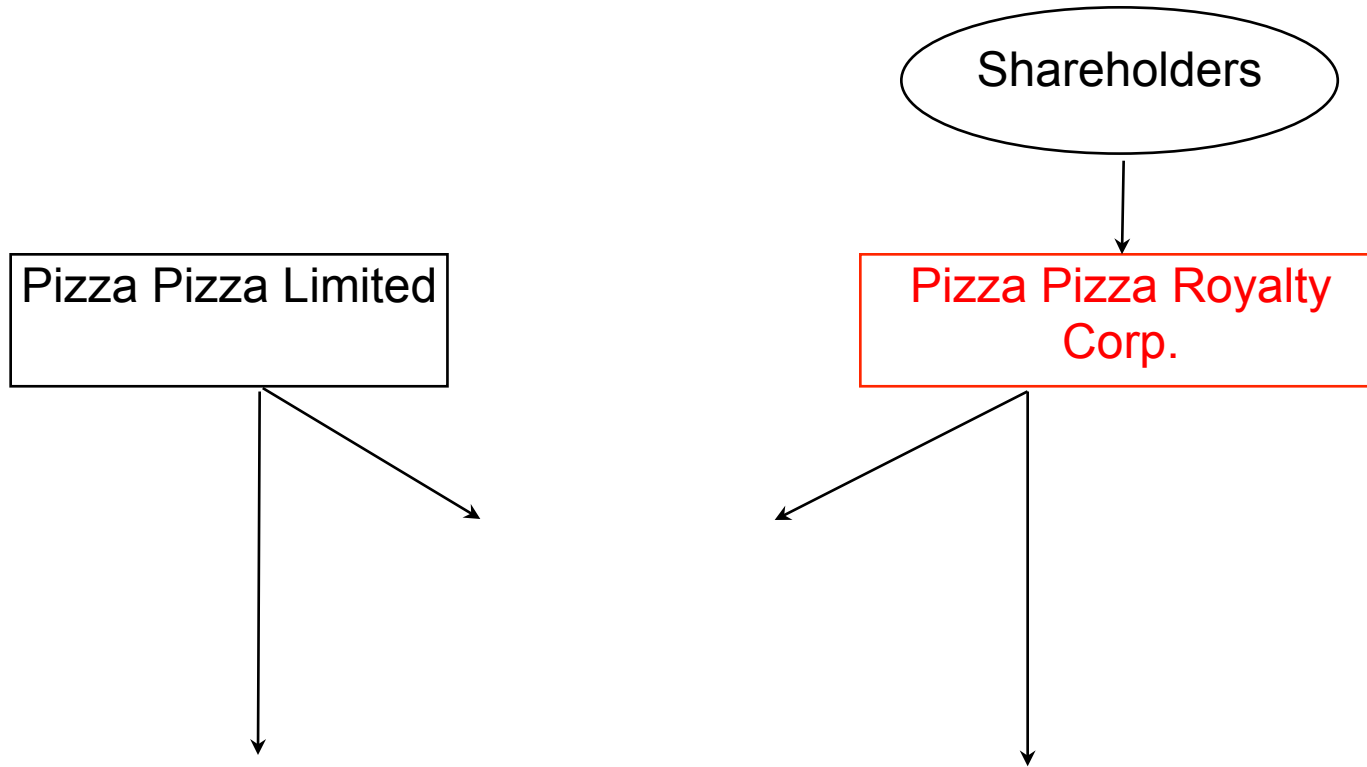
# Organizational Chart

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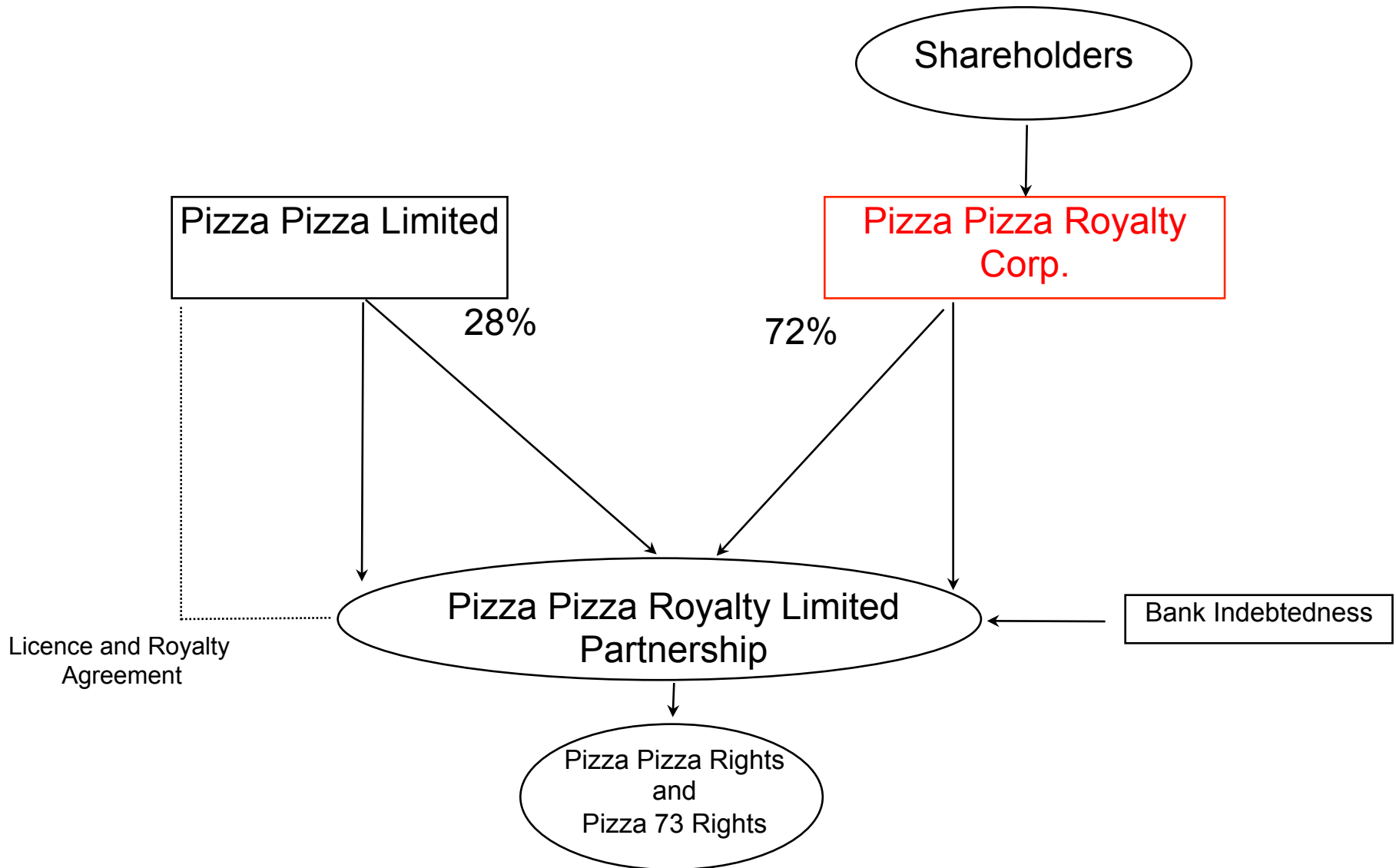
# Organizational Chart

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# Organizational Chart

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# Shareholder Information

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• TSX exchange listing	PZA
• Publicly traded shares outstanding	21,818,392
• Fully Diluted shares	30,300,375
• Market Capitalization	\$410M
• Pizza Pizza Limited's ownership	28.0%
• Current monthly dividend	\$0.0667
• Recent trading price	\$13.60
• Recent yield	5.9%
• Credit facility matures Dec 2016	\$47M

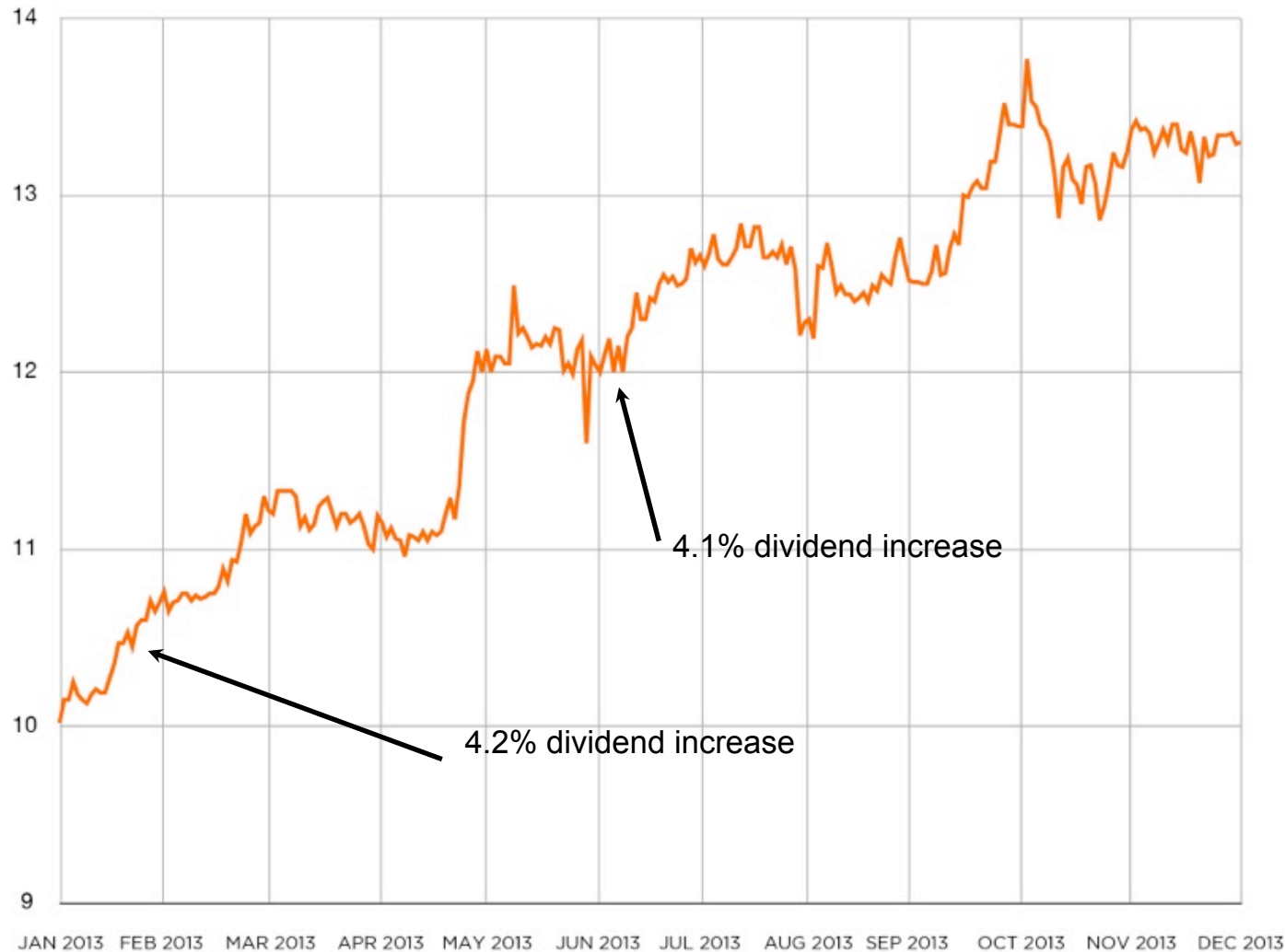
# 2013 Performance Highlights

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- Royalty Pool System sales \$491 M
- SSSG 2.1%
- Number of restaurants in Royalty Pool: 694
- \$5.1 million working capital reserve
- Adjusted earnings per share \$0.838
- Dividends per Fund share \$0.7675
- Pay-out ratio = 97%

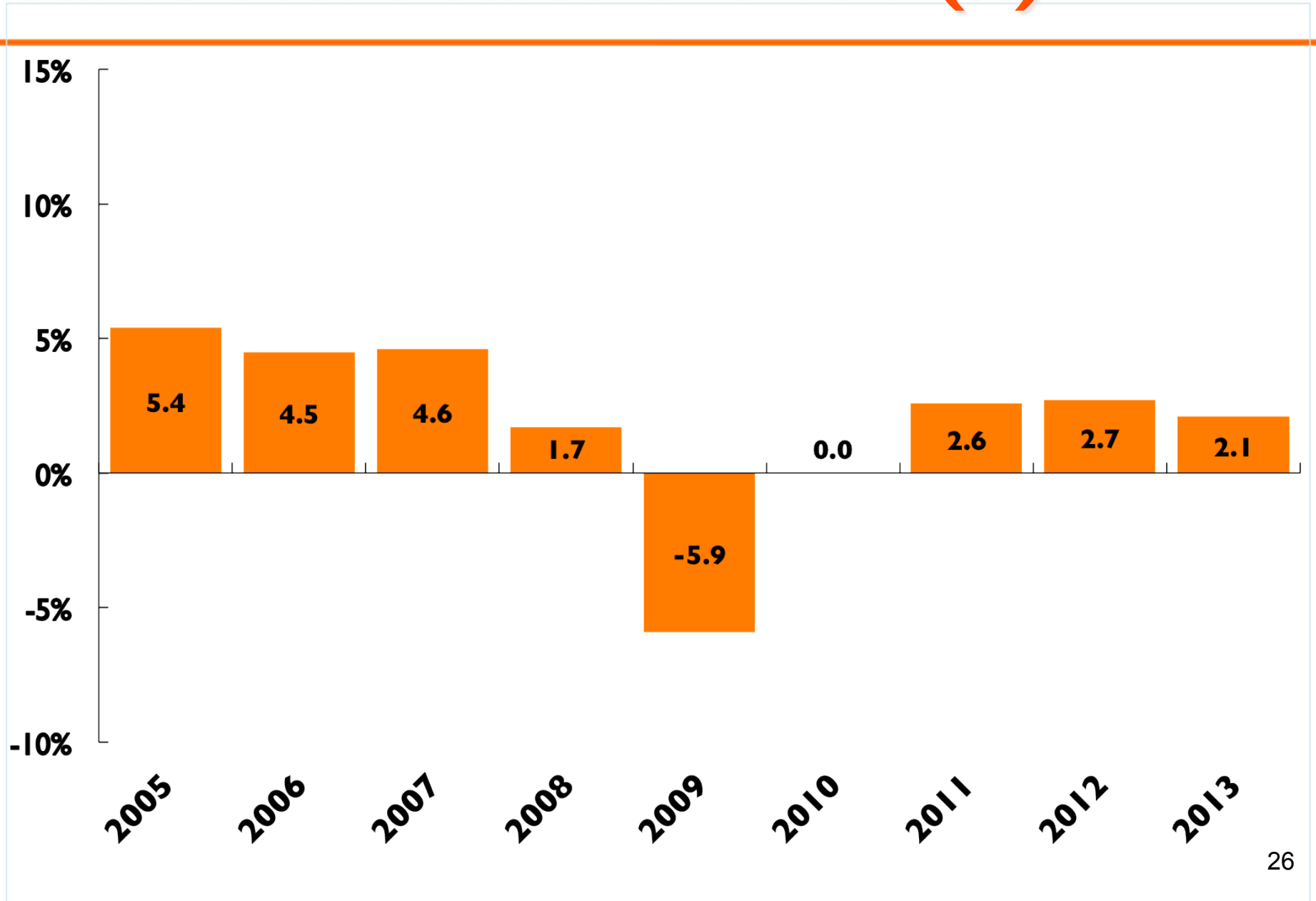


# PZA Share performance 2013

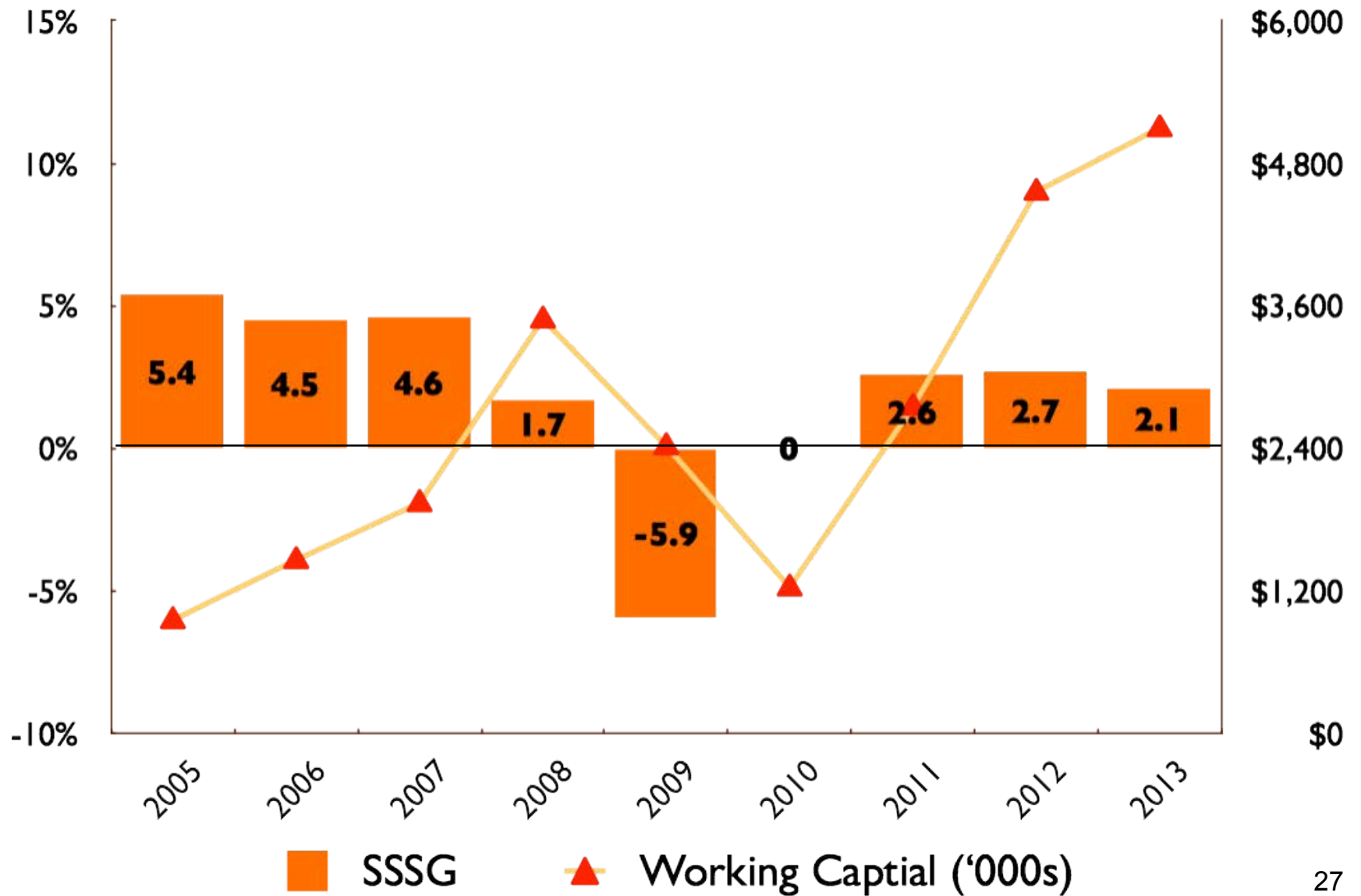


**PZA increased from \$10.02 to \$13.30 over 12 months as of December 31, 2013. Total return, with dividend = 40%**

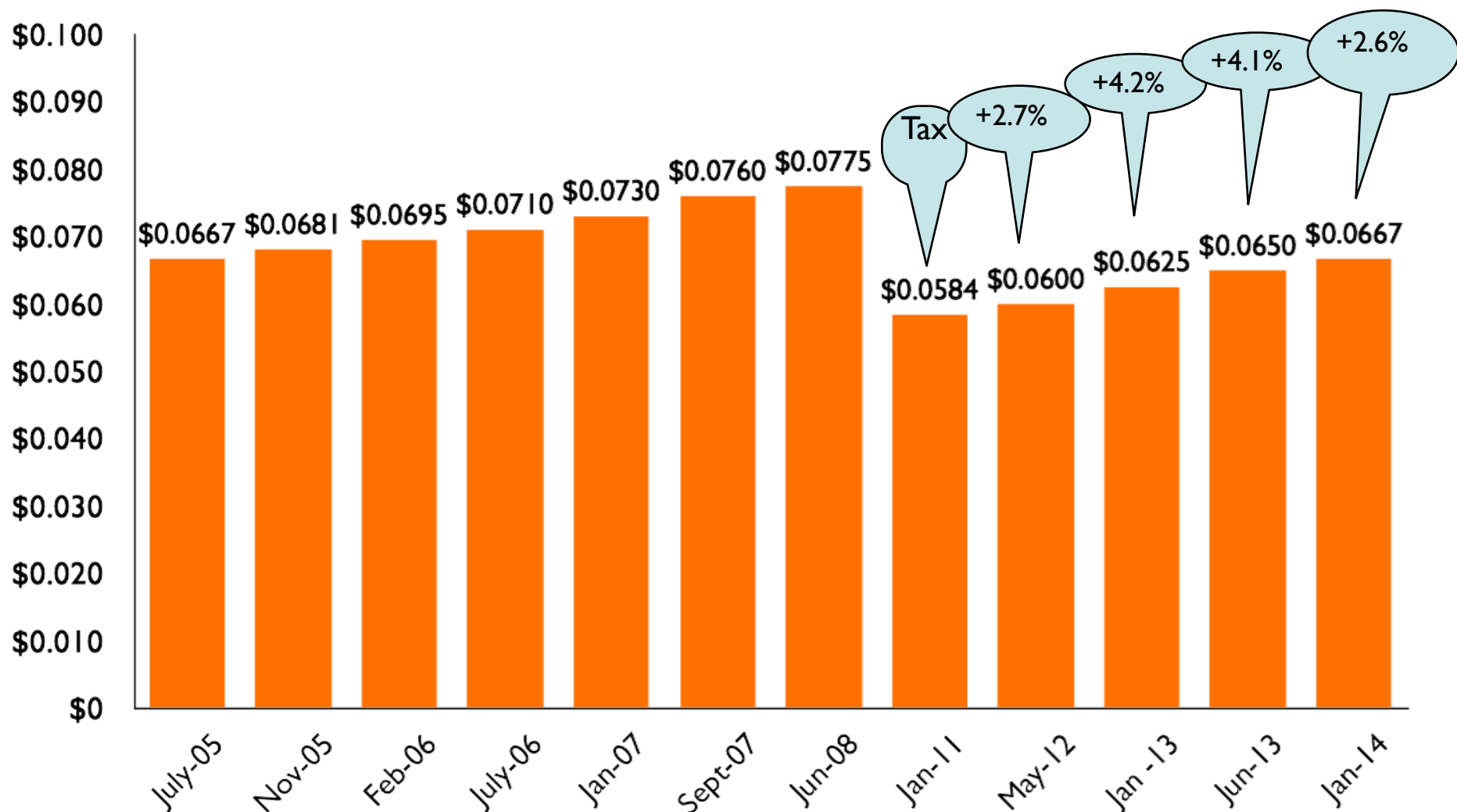
# Same Store Sales Growth (%)



# Cash Balance



# Dividends Since IPO



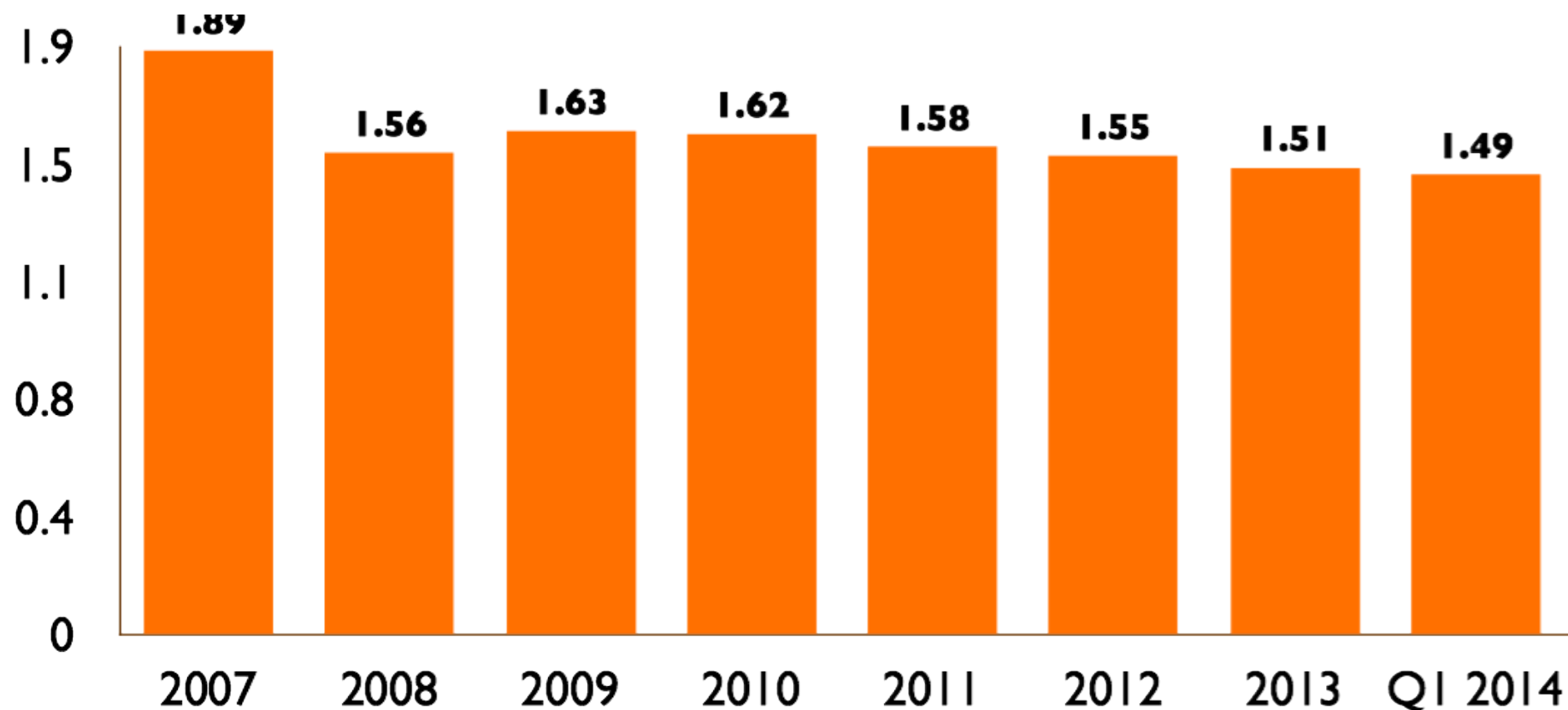
# Q1 2014 Performance Highlights

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- System sales of Royalty Pool \$124 M
- SSSG 1.6%
- Adjusted earnings per share \$0.212
- Dividend per share \$0.2001
- Pay-out ratio = 100%
- Royalty Pool increased to 722 restaurants
- \$1.1 million working capital used for 2014 vend-in
- \$4.0 million working capital reserve

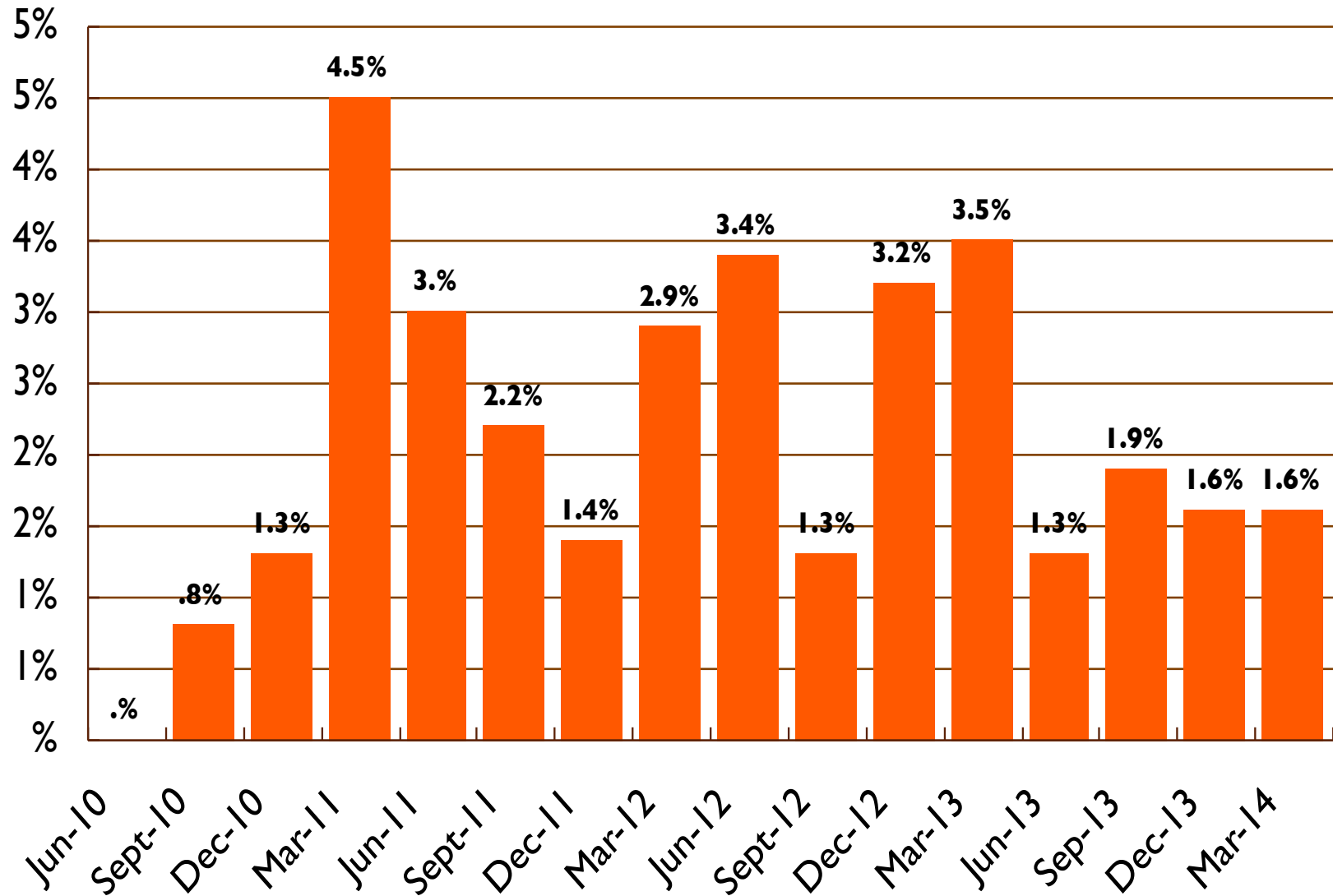
# Credit Facility - Debt to EBITDA

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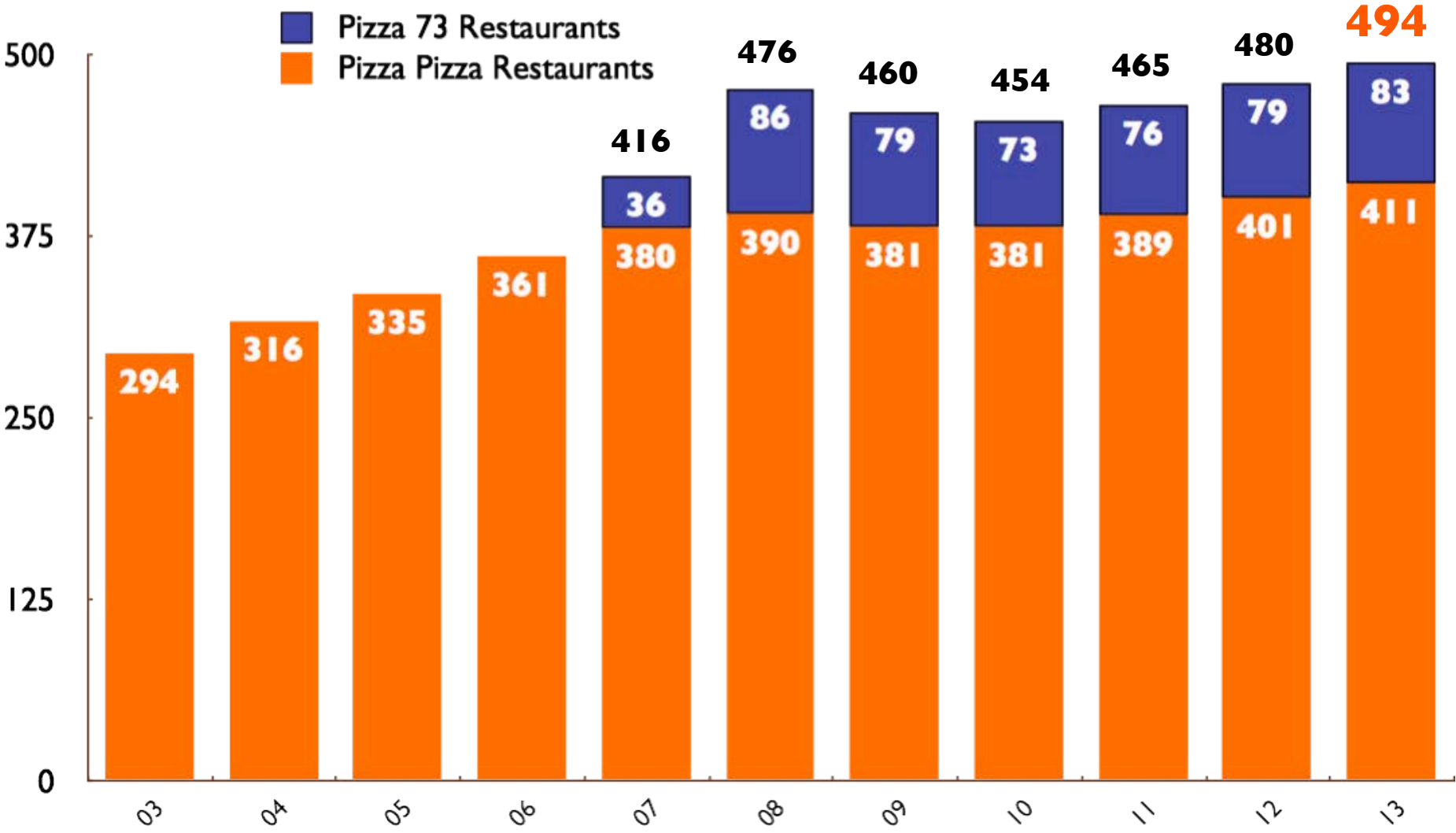


**Consistent decline in Debt to EBITDA ratio on \$47M Credit Facility maturing December 2016.**

# SSSG - Quarterly



# Pizza Pizza Limited - Annual System Sales





# Conversion to a Corporation

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- **Benefits of Corporate structure**
  - Simply the organization structure for investors
    - the story is simplified
  - Simplify financial reporting
    - more transparent
    - earnings per share now fully diluted
    - measurable to industry competitors
  - Enhanced access to capital markets if needed in the future

# Advantages

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- Market leading brands
- Geographic diversification
- SSSG consistency
- Cash reserve \$4.1 Million
- Royalty structure

# Pizza Pizza Royalty Corp.

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