



# Tim's China

Nasdaq: THCH

Q4 2023 Earnings Presentation

April 18<sup>th</sup>, 2024

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## Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, namely adjusted store EBITDA, adjusted store EBITDA margin, adjusted general and administrative expenses, adjusted corporate EBITDA, adjusted corporate EBITDA margin, adjusted net loss, adjusted net loss margin, and adjusted basic and diluted net loss per ordinary share in evaluating its operating results and for financial and operational decision-making purposes. The Company defines (i) adjusted store EBITDA as fully-burdened gross profit of company owned and operated stores excluding depreciation and amortization, and store pre-opening expenses; (ii) adjusted store EBITDA margin as adjusted store EBITDA as a percentage of revenues from company owned and operated stores; (iii) adjusted general and administrative expenses as general and administrative expenses excluding share-based compensation expenses, expenses related to the Commitment Shares, the ESA Offering Costs, and expenses related to the Option Shares, and professional fees related to warrant exchange and other financing programs; (iv) adjusted corporate EBITDA as operating loss excluding store pre-opening expenses, and certain non-cash expenses consisting of depreciation and amortization, share-based compensation expenses, expenses related to the Commitment Shares, the ESA Offering Costs, expenses related to the Option Shares, professional fees related to warrant exchange and other financing programs, impairment losses of long-lived assets, and loss on disposal of property and equipment; (v) adjusted corporate EBITDA margin as adjusted corporate EBITDA as a percentage of total revenues; (vi) adjusted net loss as net loss excluding store pre-opening expenses, share-based compensation expenses, expenses related to the Commitment Shares, the ESA Offering Costs, expenses related to the Option Shares, professional fees related to warrant exchange and other financing programs, impairment losses of long-lived assets, loss on disposal of property and equipment, changes in fair value of convertible notes, changes in fair value of warrant liabilities; and changes in fair value of ESA derivative liabilities; (vii) adjusted net loss margin as adjusted net loss as a percentage of total revenues; (viii) adjusted basic and diluted net loss per ordinary share as adjusted net loss attributable to the Company's ordinary shareholders divided by weighted-average number of basic and diluted ordinary share. The Company believes adjusted store EBITDA, adjusted store EBITDA margin, adjusted general and administrative expenses, adjusted corporate EBITDA, adjusted corporate EBITDA margin, adjusted net loss, adjusted net loss margin, and adjusted basic and diluted net loss per ordinary share enhance investors' overall understanding of its financial performance and allow for greater visibility with respect to key metrics used by its management in its financial and operational decision-making.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. As these non-GAAP financial measures have limitations as analytical tools and may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies. The Company compensates for these limitations by reconciling the non-GAAP financial measures to the nearest U.S. GAAP performance measures, which should be considered when evaluating the Company's performance. For reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the section of the accompanying tables titled, "Reconciliation of Non-GAAP Measures To The Most Directly Comparable GAAP Measures." The Company encourages investors and others to review its financial information in its entirety and not rely on any single financial measure.



# 01. Business Update



# Strong Top Line, Store Development and Loyalty Membership Growth



	Q4'21	Q4'22	Q4'23	YoY % (23 vs 22)
Total stores	390	617	912	47.8%
Net new stores <sup>(1)</sup>	110	131	149	13.7%
Registered Loyalty club members (mm)	6.0	11.3	18.7	65.5%
Digital orders % <sup>(2)</sup>	75.1%	81.2%	83.6%	2.4ppts
Total revenues (RMBmm)	224.0	301.5	391.2	29.8%
System Sales (RMBmm) <sup>(3)</sup>	222.4	285.8	388.5	35.9%
Revenues from company-owned stores (RMBmm)	213.7	272.5	341.5	25.3%
Same-store Sales Growth for company-owned stores (%) <sup>(4)</sup>	8.8%	(7.1)%	2.5%	9.6ppts

(1) The number of gross new stores opened during the period minus the number of stores permanently closed during the period.

(2) Revenues from digital orders, including both delivery and mobile ordering for self pick-up, as a percentage of THIL's revenues from company owned and operated stores

(3) System Sales include sales generated from company-owned stores and franchise stores

(4) The percentage change in the sales of company owned and operated stores that have been operating for 12 months or longer during a certain period compared to the same period from the prior year. The same-store sales growth for any period of more than a month equals to the arithmetic average of the same-store sales growth of each month covered in the period. If a store was closed for seven days or more during any given month, its sales during that month and the same month in the comparison period are excluded for purposes of measuring same-store sales growth

# Strong Top Line, Store Development and Loyalty Membership Growth



	FY'21	FY'22	FY'23	YoY % (23 vs 22)
Total stores	390	617	912	47.8%
Net new stores <sup>(1)</sup>	253	227	295	30.0%
Registered Loyalty club members (mm)	6.0	11.3	18.7	65.5%
Digital orders % <sup>(2)</sup>	73.0%	80.1%	82.1%	2.0ppts
Total revenues (RMBmm)	643.4	1,011.1	1,575.8	55.9%
System Sales (RMBmm) <sup>(3)</sup>	642.7	985.9	1,566.2	58.9%
Revenues from company-owned stores (RMBmm)	617.2	938.1	1,405.4	49.8%
Same-store Sales Growth for company-owned stores (%) <sup>(4)</sup>	20.3%	0.6%	7.6%	7.0ppts.

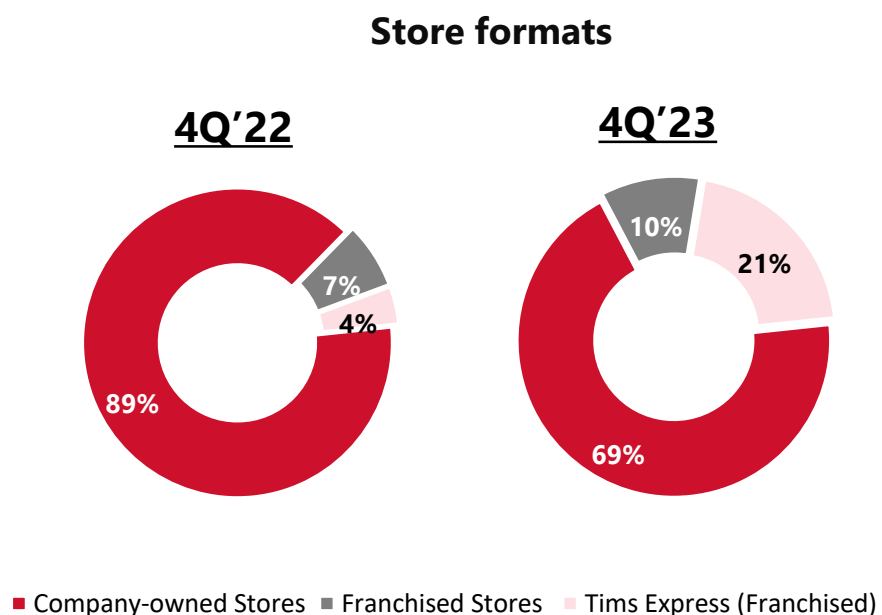
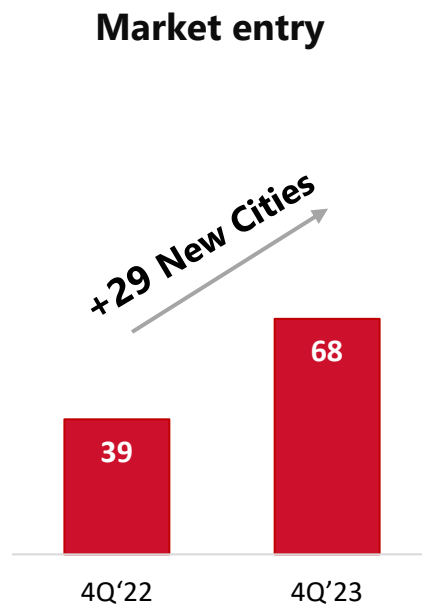
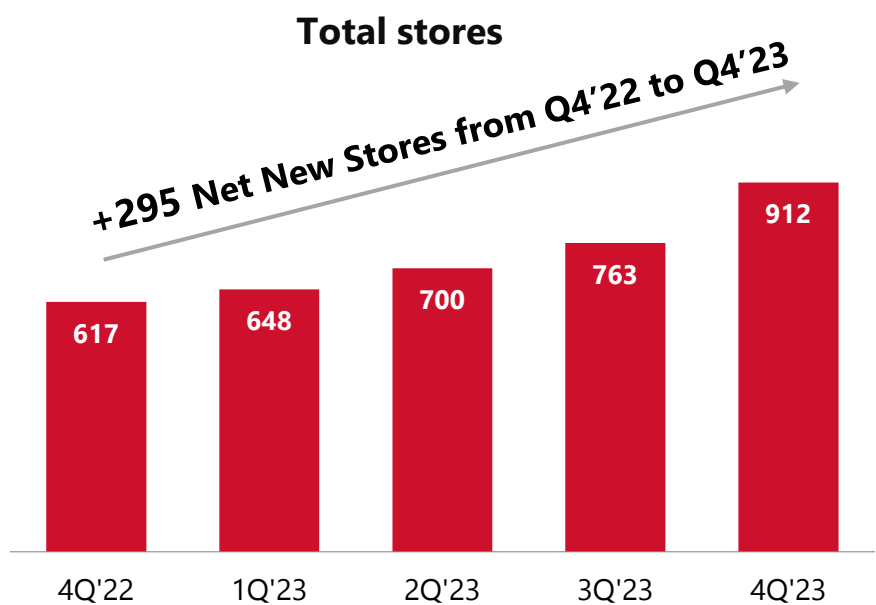
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# Strategic Store Expansion and Accelerated Franchising



**295** Net New Store Openings in FY23



**82** Net Company-owned Store Openings



**213** Net Franchised Store Openings



# Tims Express: Adding Bestore as a New Partner



**“Tims Express” in Beijing  
with Easy Joy**



**“Tims Express” in Chengdu  
with Century 21**



**“Tims Express” in Hangzhou  
Courtyard by Marriott with Ling Ka**



**“Tims Express” in Shanghai  
with Haier Sanyiniao**



**“Tims Express” in Subway  
Station with Shanghai Metro**



**“Tims Express” in Wuhan  
with Bestore**



- ▶ Sinopec’s Easy Joy is China’s largest convenience store chain with more than 27,800 stores nationwide
- ▶ Century 21 is a large real estate agency with more than 10,000 locations nationwide
- ▶ Ling Ka is an affiliate of a real estate developer and hotel operator
- ▶ Haier Sanyiniao operates over 1,000 home appliance retail stores nationwide
- ▶ Shanghai Metro operates the world’s largest metro system
- ▶ Bestore is a leading snacks retailer with more than 3,300 stores across 181 cities in China

# Continuous Product Innovation that Satisfies Local Tastes



## Jasmine Tea Latte



## Orange Flavored Cinnamon Latte



## Strawberry Flavored Latte



## Cloud-Style Pie

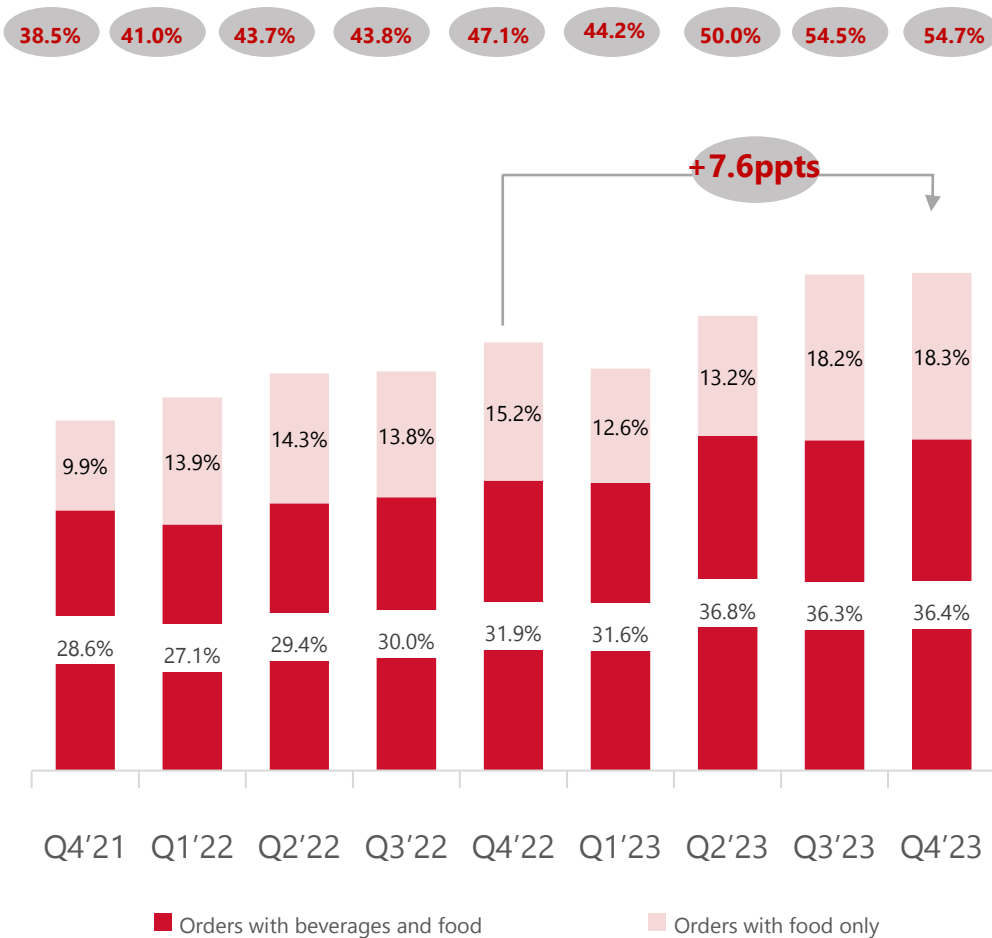




# A Unique and Differentiated Value Proposition: "Coffee Plus"



## Percentage of orders with food



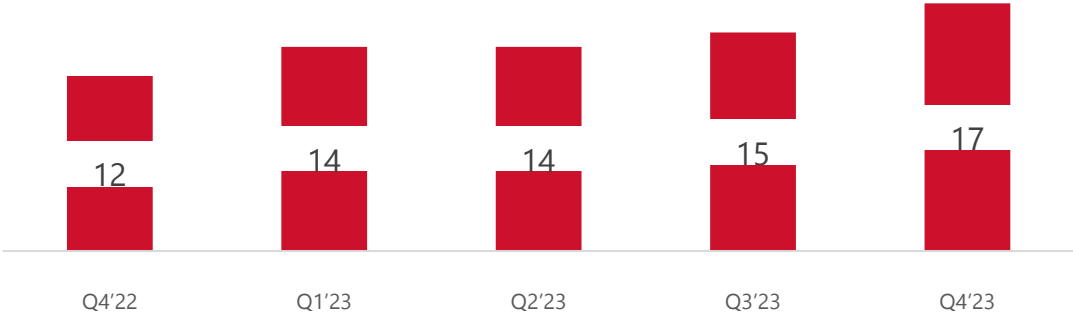
## Signature combos and bagel sandwiches



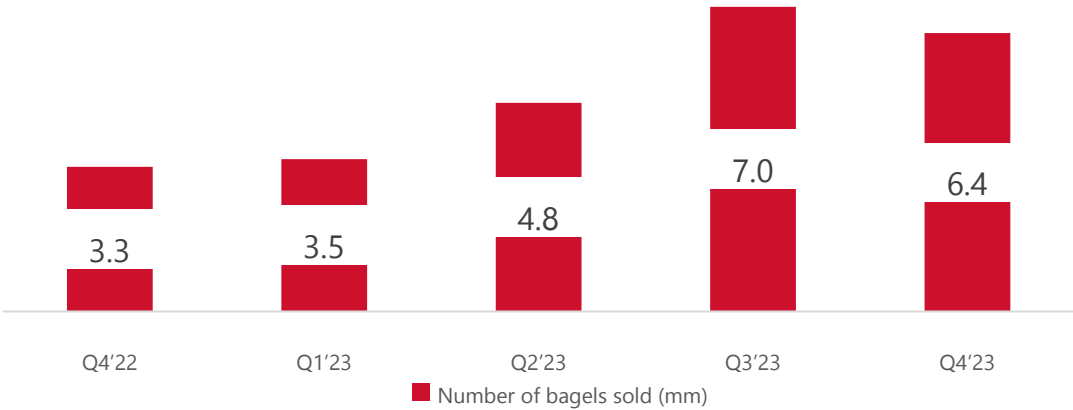
# Bagel Products Continue to Add More Sales to Stores



Bagel SKUs



Number of bagels sold

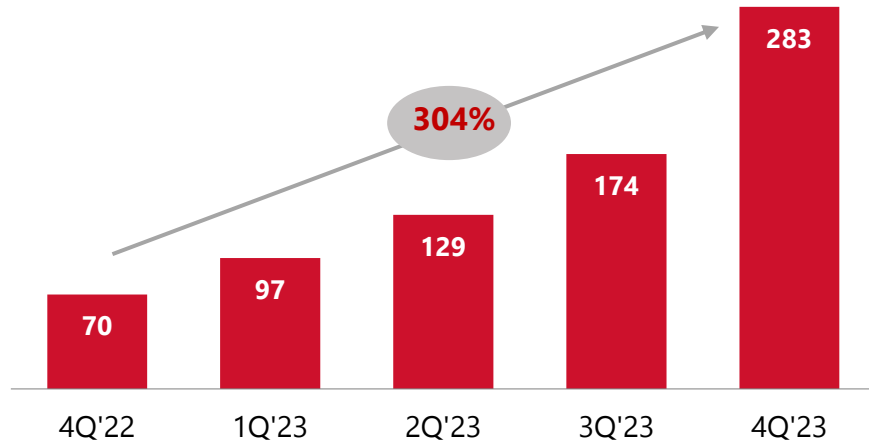


Wednesday Membership Day Campaign

# Accelerating the Expansion of Our Sub-Franchised Network



## Total Sub-Franchise Stores



## Penetrated Into New Cities With Our Franchisees

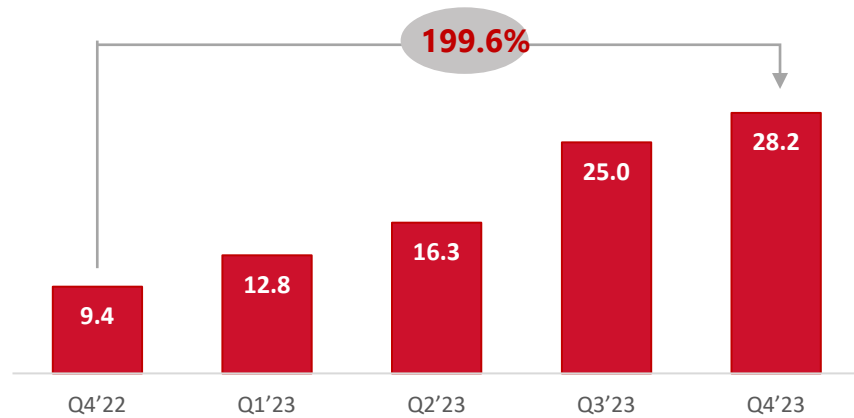


**First store in Pinghu, a tier-3 city located in Zhejiang Province**



**First store in Taiyuan, a tier-2 city located in Shanxi Province**

## Revenues from Sub-Franchise Business (mm)



## Launched Partner Program To Attract More Single-unit Franchisees



# Building Community and Gaining Attention from the Younger Group



Co-branding with SpongeBob



Tims x Didi



Collaboration with Cheng Lei



Co-branding with Ele.me



# Popeyes® – Demonstrated Strong Momentum



## Opening plan

- Launched **10** Popeyes stores within a span of 135 days
- Open **500** more stores in the next five years
- Reach **1,700** Stores over the next decade

## Operating highlight

- ✓ Achieved positive adj. store EBITDA in 2023
- ✓ By the year end of 2023, sold over 154,000 fried chicken and seafood burgers
- ✓ On December 1, 2023, we reached a milestone by selling our 100,000th piece of our signature "Original American Crispy Chicken"
- ✓ The bespoke beverage category has been well received, driven by the innovation of our localized R&D team

## Opened 10 Popeyes Stores Favored by Customers



## Extensive Menu Mixed Classic and Innovative Products





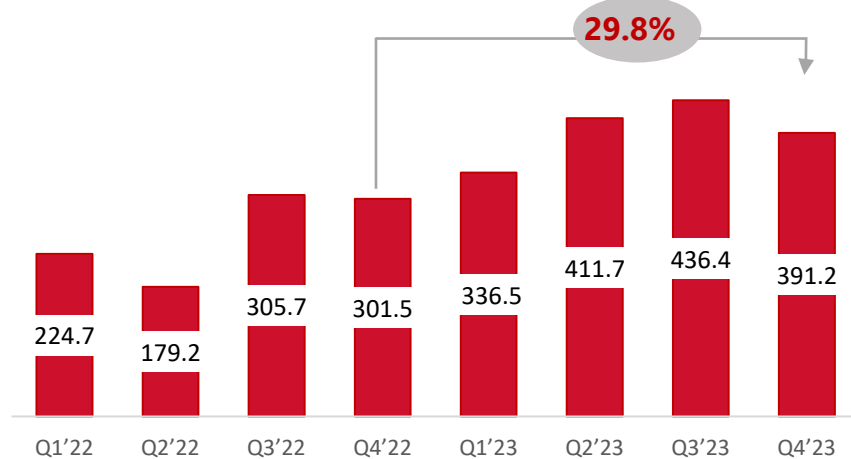
## 02. Financial Highlights



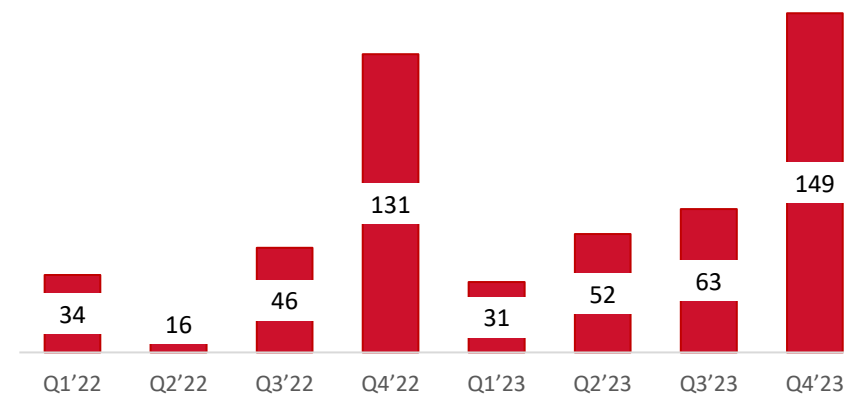
# Record Top-line Driven by Net New Stores and Same-store Sales Growth



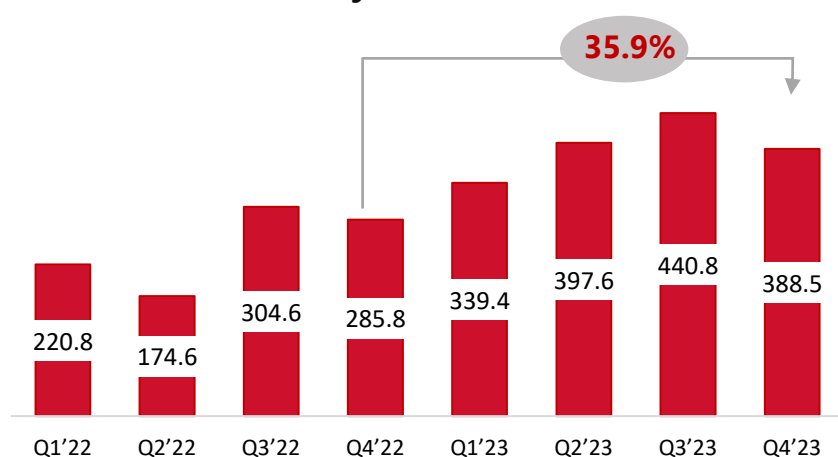
### Total Revenues (mm)



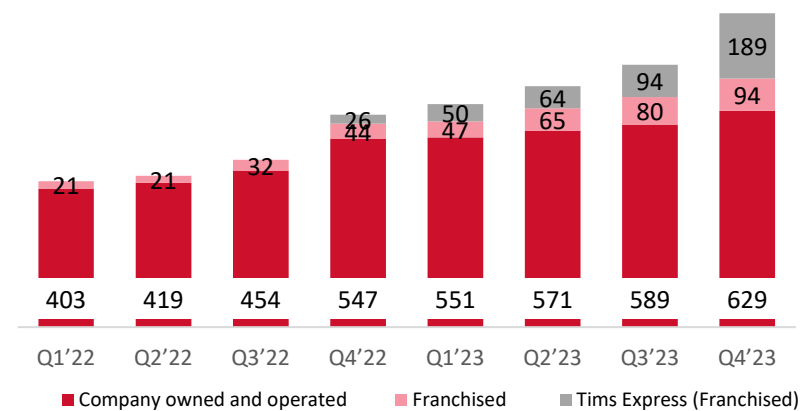
### Net New Store Openings



### System Sales<sup>(1)</sup>



### System-wide Stores

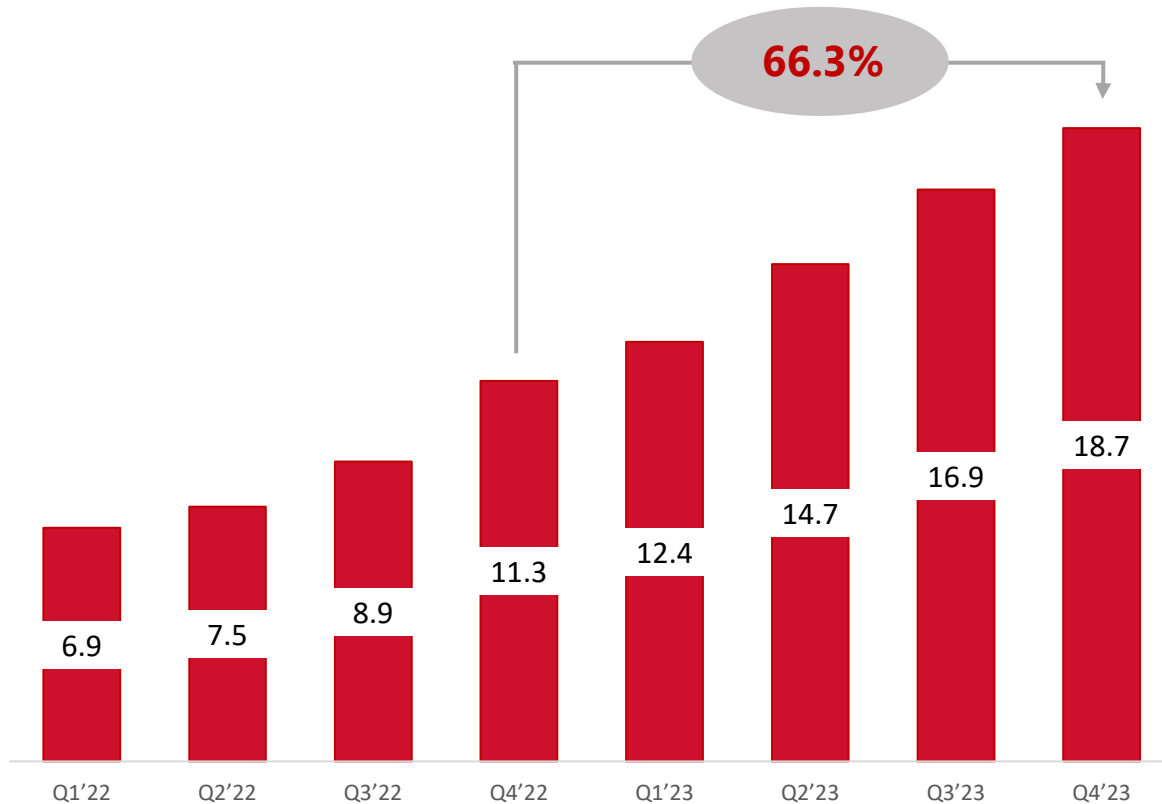


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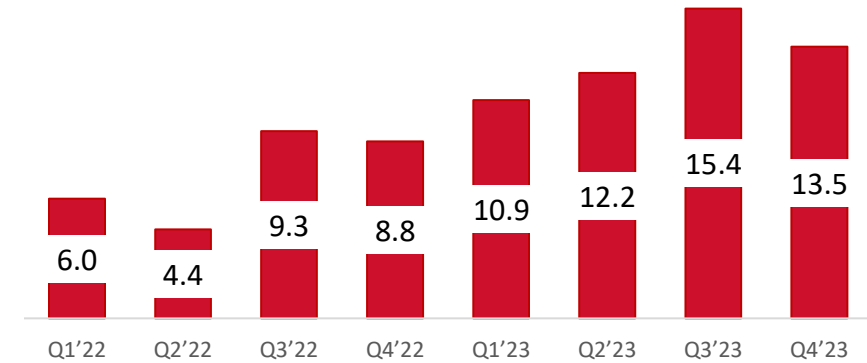
# Growing Number of Loyalty Club Members and Digital Orders



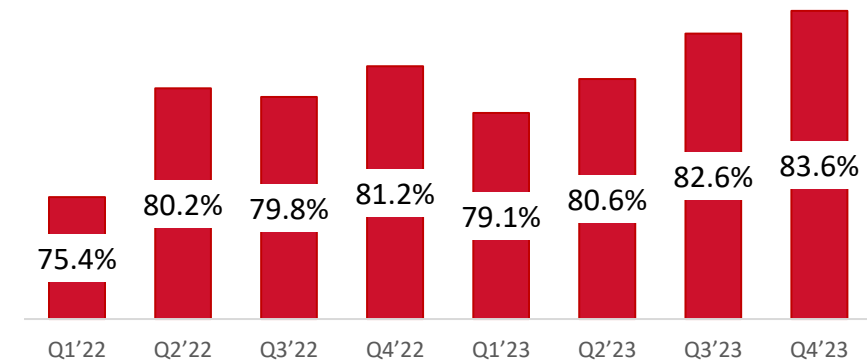
**Registered Loyalty Club Members (mm)**



**Number of Orders (mm) <sup>(1)</sup>**



**Digital Orders% <sup>(2)</sup>**



<sup>(1)</sup> Number of orders for company owned and operated stores

<sup>(2)</sup> Revenues from digital orders, including both delivery and mobile ordering for self pick-up, as a percentage of THIL's revenues from company owned and operated stores



# Continuous Efforts to Improve Cost Structure: Achieved Positive Adj. Store EBITDA Despite Marco Headwinds and Intense Price Competition



	Q4			YOY (23 vs. 22)
	2021	2022	2023	
Food and packaging <sup>(1)</sup>	33.5%	32.8%	35.4%	↑ 260bp
Rental and property management fee <sup>(1)</sup>	26.3%	27.9%	21.0%	↓ 690bp
Payroll and employee benefits <sup>(1)</sup>	33.6%	24.5%	23.2%	↓ 130bp
Adjusted store EBITDA margin <sup>(1) (2)</sup>	4.1%	4.7%	4.6%	-5bp
Marketing expenses <sup>(3)</sup>	9.2%	8.1%	6.0%	↓ 210bp
Adjusted General and administrative expenses <sup>(3) (4)</sup>	26.1%	18.3%	12.5%	↓ 580bp
Adjusted Corporate EBITDA margin <sup>(3) (5)</sup>	(26.5)%	(18.1)%	(13.4)%	+470bp

(1) As percentage of revenues from company owned and operated store

(2) Adjusted store EBITDA margin stands for adjusted store EBITDA as a percentage of our revenues from company owned and operated stores. Adjusted store EBITDA is calculated as fully-burdened gross profit of company owned and operated stores excluding depreciation and amortization, and store pre-opening expenses

(3) As percentage of total revenues

(4) Adjusted general and administrative expenses. Calculated as general and administrative expenses excluding share-based compensation expenses, expenses related to the Commitment Shares, the ESA Offering Costs, and expenses related to the Option Shares

(5) Adjusted corporate EBITDA. Calculated as operating loss excluding store pre-opening expenses, and certain non-cash expenses consisting of depreciation and amortization, share-based compensation expenses, expenses related to the Commitment Shares, the ESA Offering Costs, expenses related to the Option Shares, professional fees related to warrant exchange and other financing programs, impairment losses of long-lived assets and loss on disposal of property and equipment

# Continuous Efforts to Improve Cost Structure: FY23 Adj. Store EBITDA Margin Improved by 9.2%



	FY			YOY (23 vs. 22)
	2021	2022	2023	
Food and packaging <sup>(1)</sup>	33.7%	33.5%	35.1%	↑ 160bp
Rental and property management fee <sup>(1)</sup>	27.8%	25.2%	21.0%	↓ 420bp
Payroll and employee benefits <sup>(1)</sup>	32.3%	28.7%	22.1%	↓ 660bp
Adjusted store EBITDA margin <sup>(1) (2)</sup>	3.2%	(4.3)%	4.9%	+920bp
Marketing expenses <sup>(3)</sup>	7.8%	8.0%	6.5%	↓ 150bp
Adjusted General and administrative expenses <sup>(3) (4)</sup>	27.2%	21.5%	14.9%	↓ 660bp
Adjusted Corporate EBITDA margin <sup>(3) (5)</sup>	(29.1)%	(30.4)%	(15.6)%	+1,480bp

(1) As percentage of revenues from company owned and operated store

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# Near-Term Financial Priorities



**Improve Adjusted Corporate EBITDA Margins<sup>(1)</sup>**

**Optimize Cost Structure**

**Deliver Sustainable Revenue Growth**

**Expand Store-Level Profitability**

**Accelerate Franchising Store Development**

<sup>(1)</sup> Calculated as adjusted corporate EBITDA as a percentage of total revenues.

## **About TH International Limited**

TH International Limited (Nasdaq: THCH) (“Tims China”) is the parent company of the exclusive master franchisees of Tim Hortons coffee shops in mainland China, Hong Kong and Macau and Popeyes restaurants in mainland China and Macau. Tims China was founded by Cartesian Capital Group and Tim Hortons Restaurants International, a subsidiary of Restaurant Brands International (TSX: QSR) (NYSE: QSR).

The company’s philosophy is rooted in world-class execution and data-driven decision making and centered on true local relevance, continuous innovation, genuine community, and absolute convenience. For more information, please visit <https://ir.timschina.com/>.

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