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PARTICIPANTS:

Greg Armstrong, Board Member Tims China

Sara Senatore, Senior Analyst Restaurants Bank of America

Sara Senatore:

Thank you all for joining us. I am Sara Senatore, BofA's Restaurants analyst and I am very pleased to be joined up here by Greg Armstrong. Greg has served as a member of Tims' Board since its 2018 inception and is currently a partner at Cartesian Capital. Prior to joining Cartesian, Greg served as an associate in AIGCP.

For those of you who don't know Tims China, it is the parent company of the exclusive master franchise of Tim Hortons coffee shops for RBI in China, including Hong Kong and Macao. It was founded by Cartesian Capital and Tim Hortons Restaurants International.

So thank you very much for joining us, it is really nice to see you again. I think we last had you here when we were in New York.

Greg Armstrong:

We have done this a few times, but it is always good to be back, and I appreciate your taking the time with us.

Sara Senatore:

Thank you. So let's dive into the demand environment. I know that is something that comes up a lot in conversations, especially for those of us who don't have feet on the ground. So maybe you could give us a bit of an overview of how you are thinking about demand presently but also over time with the coffee adoption curve as you see it?

Greg Armstrong:

For us, we positioned ourselves as a great value for money with a strongly differentiated product offering in an extraordinarily fast-growing market from the beginning. So we positioned ourselves as a strong product offering at the same level of quality as the premium brands – priced at a small discount. We also introduced a compelling, freshly prepared food offering, differentiating ourselves in two key dimensions there. Then positioned of course in what is the fastest-growing coffee market in the world. We think of the macro environment much more about 'how does the coffee market look', because we are in a market that is growing very briskly. So despite the fact that you have been seeing some macro-economic headwinds in China - there was a lot of press around that – in a number of sectors, for example real estate, and some consumption areas are down, the coffee market growth remains remarkably brisk. We have just stood up 300 net new stores in the last 12 months and I think you have also seen very strong restaurant growth in the competitors. The stores we have opened in the last 12 months are among the most profitable we have ever opened, despite the fact that they are brand new. So for us, again, the market, really, as we look at it, is much more about coffee, much more about our differentiated space within that sector. What we see is quite a healthy market.

Sara Senatore:

So you have this long-term structural growth tailwind, but one of the things that have come up a lot in talking about the coffee market– and you mentioned your positioning: a premium quality at a slight discount compared to premium brand brands, in addition to food. But we have heard that the coffee category has become more promotional of late. And so as you think about the new entrants – the growth and the competition – how do you see that playing out? Is that just the new normal, is that the way we are going to be seeing the dynamics in the coffee category going forward? And how do you think about competing in perhaps a more intense value competition?

Greg Armstrong:

That is a very good question. I think the promotional aspect of the market really is driven by one factor and that is Cotti and Luckin having a bit of a price war between the two of them. For those who are not familiar: Cotti was founded by the same person who founded Luckin. The two businesses are tremendously similar to each other. Cotti has grown dramatically, there are over 3,000 units now. Of course, Luckin is considerably larger. But the models are very similar and so I think they have gone head-to-head competing specifically on price. That is what we sought not to do on entry into the China market. We are competing with a quality product that is a great value, but not simply on price, as we are bringing our differentiated food offering. What I think you have there is really a very micro feature of the market that is two companies – of course large-scale companies – that are having intense price competition. I don't think that can last indefinitely.

Sara Senatore:

So the view being that this is just not a profitable, long-term way to run a business…

Greg Armstrong:

I think that is exactly right. You saw it in the Luckin numbers most recently: they reported very strong revenue growth, very strong unit growth, and yet their margins compressed quite a lot. If they are facing that sort of margin pressure, Cotti is more likely than not having much more significant pressure. I don't think that either one of those two brands would like to keep this up for very much longer.

Sara Senatore:

Right. And so to your point this is not a feasible, sustainable long-term model. As you think about consumers coming into the market, are they being brought in by some of these very sharp, very low price points? If that is the case, do you envision then that some of this competition eases? How do you think about growing the market and also growing your share of the market over time?

Greg Armstrong:

They are certainly doing some work for us, introducing coffee to a much broader group of people via a very easy entry point. Easy both from the standpoint that it is very easy to find a Luckin or Cotti – there are lots of them – and at a very low price point. So in terms of growing the market, yes, they are doing that work for us. They are introducing people to the category. As the price competition subsides, and as people in the category want to explore coffee a bit more broadly, I think we are well-positioned there to take up. That said, I think our positioning as we sit draws in a lot of new customers in itself. Our compelling product offering at a compelling price with a fresh food offering is something that we feel that we don't need to take share. Given the growth of the market overall, we have a very good spot for ourselves. Again, we have seen that in the last 12 months. We have opened more stores than we had previously and they are amongst the most profitable that we have ever opened. So the energy and the profitability are coming at the same time. There is certainly no sign of cannibalization even despite this price war. We are doing quite well.

Sara Senatore:

What do you know – and I do want to know about the profitability of the new units and the fact that they are the most profitable so far, I am putting a pin in that for now - about your customer in China? How do they compare to Tims from Canada and the northern reaches of the US; what does your customer look like - whether it is demographics, age, urbanicity? Also how do they use Tims from a day part perspective?

Greg Armstrong:

There are a lot of good questions there! I would say, broadly, demographically, our consumer base is mid-twenties to mid-thirties - it skews somewhat towards female, probably 55% to 60%. University educated, white-collar workers, that is broad sweeps the majority of our consumer base. How do they use Tims? I would say two things: first, the Chinese consumer is amongst the most compelling consumer groups in the world. They are also among the most demanding. They use Tims in a very interesting way. We in the west, someone like me, we have the same coffee every day from the same spot over and over. That is a habitual sort of thing. Our Chinese consumers, when we go through our loyalty program data, even our very frequent users move around a lot. They try lots of different things. So we end up both wanting and needing to develop quite a lot of new products every single year. In the last 12 months we introduced 70 new products. That is to bring these customers back that want the new. They want to try something different. We give them a reason to keep coming back to our stores. That innovation, that continuous refinement of LTOs, of our menu, is necessary. It is something that we are set up to do from the beginning. You saw this with some our earlier experiences in China. That is how they use our product.

In terms of day part, I think of our mix as a third – a third – a third. The first third is the typical morning coffee, a third your typical afternoon day part coffee over lunch – you need something to pick you up to get you through the rest of your day – and then a third day part where you generally would not go to a coffee shop. It would be lunch or dinner, after work. That is a compelling day part for us because that is really where our food offering comes in and is a key differentiator for us. It allows us to sweat the real estate better, it allows us to staff better over a day and not have a very lumpy demand. So that is how I see our day parts being used.

Sara Senatore:

So different from the consumers in the US where, for many coffee shops, lots of sales happen between 8 and 11am. You get a much smoother curve over the course of the day. Has any of that changed at all? Do you see any of that changing? We have heard from some that the habituated AM coffee consumption is growing. Whether it has gone from sort of an afternoon tea time or special occasion; are you seeing changes in the consumption?

Greg Armstrong:

It is a bit tough to call because a lot of our existence was during the pandemic. It seems a distant memory here in the US but in China we have to remind ourselves that zero Covid was only ended in December 2022. 2023 was our first clean year despite the fact there was an infections spike in January 2023. So I don't have a great comparator there because we have had so many disrupted environments. But looking over the one year that we have had, roughly, it is fairly stable. I think you are right, coffee will be a habituated product. I don't know if people are going to change into looking like people in the west, though, where it is one product all the time, every day. I think you will have that desire for the new and different. I think that will be a durable feature of the market as well.

Sara Senatore:

There is that menu innovation being a constant draw: you mentioned loyal customers. What does loyalty look like? And to the extent that you can moderate or mitigate: some of that switching, how do you tie your customers more closely to the brand?

Greg Armstrong:

That is also a great question. We now have 19 million loyalty club members, growing very briskly. They are a great source of data for us in terms of how our brand is used. This is what informs our innovation and our new product development. We can look and see what we really do need to do and whether this is an investment worth making. So I would say it is a robust and growing base. It is also a base that we are excited to learn more about. With the whole management team we spent a week in Princeton – just a couple of weeks ago – with a great group of data scientists to try to understand how to more effectively deliver promotions, without giving away product for free that would have been purchased otherwise. That is a classic pain point for QSR and retail more generally: how do we determine a more efficient way to allocate promotions and marketing? So we are working hard on doing that. It is something that I think is going to be an exciting driver for us going forward as to effectiveness and efficiency of our marketing and promotions.

Sara Senatore:

That is the beauty of all those data, to be able to harness them. As you think about getting better and more targeted, how is it designed? Is it strictly volume and then you get free beverages or food? Or is there a component of this that is tiering? I am just curious - because it sounds like the Chinese consumer really cares about newness and maybe being made aware of things quickly?

Greg Armstrong:

Those are all great features. It is all of the above. When you first sign up for our loyalty program: first of all, it is free so you don't pay for it – like some of our competitors require. Upon sign up you are going to get three coupons, to have discounts on three separate visits to our stores or three separate digital orders. Again, this is intended to drive frequency, to drive that habit of coming to our stores. Then there will be discounts based on volumes that you have spent and there will be tiering of your membership based on how much you have spent. What we are really working on now – that was our work in Princeton – segmenting and understanding what is driving particular groups of people to come back and spend more – and targeting our promotions that way. So historically we have sent out a coupon to someone who has lapsed for a period of time and we say 'Come on back and we will give you a small discount'. We have sent freebies to people who are very frequent users to encourage them to try a new product or a category that they haven't typically spent in. We are working hard on determining how best to do that.

Sara Senatore:

You talked about the food offering. What is your food versus beverage mix?

Greg Armstrong:

The majority of our sales are still beverage, in the neighborhood of 70 percent. But now 55 percent of our tickets come with a food item. I think this is a very healthy thing to say actually the majority of our tickets are people who are coming not just for a beverage but also for food. That makes for a stickier customer. I think that is a better customer for delivery as well, and delivery is a durable part of this ecosystem now. So if people want food and a beverage, they don't want to order from two different outlets. Nor do they want two different riders coming with two different charges at two different times. So to be able to deliver that with one check, with one rider, one delivery fee, that is a compelling thing for us. Delivery is in the neighborhood of half of our orders right now.

Sara Senatore:

This is very different from the US where delivery is nascent with the coffee category.

Greg Armstrong:

Yes.

Sara Senatore:

This goes back to the idea why people choose Tims, do you see a different mix of food versus beverage, in the different day parts, and is one day part more food driven or more beverage driven? Are you learning anything about how your customers behave, and is that potentially an opportunity? It sounds like the sales are pretty evenly spread out but is that an opportunity to drive more sales in the afternoon or during these non-traditional, like lunch and dinner?

Greg Armstrong:

Food is a big part of the afternoon, lunchtime and later. It is a big opportunity for us, broadly, to have people more frequently order more food with their morning coffee as well, have a breakfast. It is a place where we are innovating a lot. We have invested pretty heavily in our lunch time and after-lunch platform. Our bagel platform does very well. We continue to innovate that and bring those up into our breakfast categories, so they are relevant for breakfast too. It is clearly an opportunity. It is an area where we are focused on.

Sara Senatore:

By the way, if people in the audience have questions, feel free to raise your hands. But I will keep going. I have a long list to get through and I want to talk about Popeyes separately too. But first I'd like to talk about the new units. You made the point that those you opened in the last 12 months are the most profitable. What have you done to ensure that? Is it location, footprint, is it volume?

Greg Armstrong:

It is a lot of things. I should probably go back and rewind a little bit. Our broad strategy when we brought Tims to China was a three-phased approach. The first phase was heavy investments in technology, in brand, in guest experience, and in infrastructure. So building up a team and systems and technology that would support very significant growth. Our plan from day one was to have 2,750 profitable restaurants by 2026. That is what we set for ourselves when we entered the market. We did not publish that until later but that is our goal. We built our infrastructure and our systems to support that. We made the investments in the early years with very highly visible store fronts in central Shanghai right across from the Grand Opera. Major city centers, again, investing in the brand, introducing the brand to people, building out a network that was almost entirely company owned – to control that experience and to make sure that we are serving our guests as best as possible. That was a heavy investment period for the company.

The next phase of investment was really densification and building greater relationships with our consumer. Innovating the Tims Go, a smaller format shop, to be able to infill where we did not need a full-scale store, to be able to provide our guests with more convenience. To be able, frankly, to more capital efficiently grow ourselves. We also then started partnerships with some of the other great consumer brands in the market: Lululemon, local brands, Tesla more recently – to be able to interact with our guests in more parts of their lives so that it is not just a coffee occasion that they think about us, but more as a daily pleasure. So like when they go to Lululemon to do their yoga, or to MAC cosmetics to do a makeover. We try to interact with our guests and really become something that they think of as a daily pleasure rather than just a coffee shop.

Phase three really is driving further convenience, driving densification, and beginning to franchise. As I mentioned, until last year, our network was almost exclusively company owned. Last year we aggressively entered a number of strategic partnerships, notably with Sinopec's Easy Joy, the big convenience store chain. They have nearly 30,000 outlets across China. Century 21, the real estate group, they have nearly 10,000 outlets across China. Then, more recently, with the Shanghai Metro, where we have taken very small format stores -they would fit on this stage - and co-locate it with those brands that already have enormous networks. [These are our] strategic franchising partnerships. They have been very successful so far. Those groups continue to grow with us. This year we are seeing the first of our single-unit franchises come through. When I first announced that we were going to bring this brand to China, I got about a 100 calls myself from people who wanted to franchise with us. We said "Wait". Now finally we are where we want to be able to open this up for franchising. We built the infrastructure, the systems. We have confidence in our ability to do this. We have a pipeline now of more than a 1,000 people who have come to us and have requested a franchise. So I think this next phase of growth is going to be about capital-efficient growth in the market, about driving greater convenience for our guests, about rolling out our Tims Go, the small format, and Tims Express, the very small format, much more aggressively, and about franchising.

Sara Senatore:

When you talk about these smaller formats, can we dive into the unit economics a little bit? With the smaller footprint, it sounds like the volumes don't shrink necessarily proportionally, and the costs are lower. What do the economics look like, whether it is restaurant margins or returns on these newer, smaller units?

Greg Armstrong:

So we see these small unit formats on a topline doing RMB 1.4 or 1.5 million a year. And steady EBITDA margins for those stores are high teens. They cost in the neighborhood of RMB 600,000 to stand up and so the pay-back period is really quite compelling. These are the stores that also the franchises find really interesting to open. It is almost a unique proposition in the market where you have a western coffee brand that is allowing you to do a small-format store. Starbucks is very largely corporate owned. Luckin does sub-franchise, but of course they have such density at this point that finding a franchise anywhere that is not extremely far flung or the potential for cannibalization might be a bit tough. We have a compelling offering with great systems around it, a great infrastructure. These are not complicated businesses to operate and I think that is why we have a pipeline of 1,000 people who want to be our sub franchises.

SS: So when we do the math, at RMB 1.4 or 1.5 million, these formats are like US $ 200,000 or 250,000…

Greg Armstrong:

Yes, $200,000 give or take.

Sara Senatore:

As you think about that, those kinds of volumes, and a relatively low build cost, what would be going forward your mix of growth, between franchise and company owned stores? And also, these are the boxes that we should expect to stand upgoing forward? Or are you also foreseeing more traditional stores?

Greg Armstrong:

We have a handful of what we call the classic stores. But those were more inclined to introduce the brand, to build those initial footprints around which we densify. We now have a presence in 60 cities so we have got that scope. Now I think the infill and the densification with the Tims Go format are going to be the thrust. And what we see when we densify is greater marketing efficiency, greater supply chain efficiency, we roll trucks that are full - we have shorter truck rolls generally - and greater staffing and labor efficiency. A single manager can cover a broader group of stores. We see really strong network effects as we densify, and then on the consumer side, of course, it is much easier for them to find us and shorter times for them to get their delivery to their desk or their home. So that is going to be the bulk of the stores we develop. As to the mix between sub-franchise and corporate, what I would say is, historically, they have been very largely corporate stores. It is going to skew towards sub-franchising. I haven't said publicly yet exactly what our target is.

Sara Senatore:

Okay. But more sub-franchises than has been the case?

Greg Armstrong:

Yes, much more so.

Sara Senatore:

Talking about the 2026 goal of 2,750 stores, probable restaurants. What are your thoughts about what the ultimate saturation point looks like? I know this is always tricky with a growing market, but what are your thoughts?

Greg Armstrong:

We are really far away from it. It is not top of mind and I haven't thought about it because at 2,750 stores we are still at the beginning of this market. You see where Luckin and Starbucks are as to unit count and how they continue to grow. Closer to home, we see in the last 12 months how fast we have grown, and how our most recent stores are doing. Those things all reinforce the idea that we are not close to any sort of saturation point.

Sara Senatore:

Okay, so we still have a long runway to go.

Greg Armstrong:

Yes.

Sara Senatore:

And what is the anticipated rate of unit growth – when you think about standing up these units pretty quickly?

Greg Armstrong:

I think, in the neighborhood of 500 a year over the next two years.

Sara Senatore:

It is such a big number, it is more than one a day.

Greg Armstrong:

Yes. It is a pace that we achieved in the fourth quarter. I have said it before, in a couple of cases: we have throttled up a machine in several quarters over periods of years, so we know we can do it, we have done it. This is why we are confident in our ability to do it. As we are focused now more on the small format stores, and more on sub-franchising, it actually takes the burden off our development team relative to history. It is certainly easier to stand up 300 stores when you have a backbone of 1,000 stores to work from. Standing up 300, when you only had 300, that was tough: the stores look like beehives, because we have to have people training in there for the next store. So it is a task that is easier for us now than it was in the past.

Sara Senatore:

So it is an absolute number, it is about the rate of growth. And you can see it in there, with the existing base and all the trained people in there.

One other thing I wanted to talk to you about with respect to margins, I think you said delivery is half. Digital orders are even higher? I guess at this point most of the business is digital. I was going to ask what do margins and check tickets look like– this comes up a lot in the US, - at this point it is sort of the default…

Greg Armstrong:

The larger majority are digital orders: 80 percent. So people who come to the POS are relatively few and far between. I am one of the few. It is hard to intelligently split between digital and non-digital orders. I would say on delivery orders our check sizes tend to be a little bit bigger. You have people who either order for groups or get a food item attached to their beverage so I would say that check size tends to be bigger on delivery.

Sara Senatore:

You mentioned restaurants margins that I would certainly consider very healthy by US standards. From that perspective I don't know if you have thoughts on the 'steadiest of the steady' state or is there room for margins expansion?

Greg Armstrong:

I think on our goals, high teens, steady-state margins are probably where it would sit. I am reasonably confident as we have stores that are there today. Our new stores, as I mentioned, are trading quite well right out of the box. So having our compact store formats in that neighborhood for the foreseeable future is something that I am comfortable with.

Sara Senatore:

And as you look ahead, inflation has been less of a challenge in China than it has in the US, such a 180 degree turn from where it was when I first started covering this space. Going forward, how do you think about inflation - actually we saw some deflation in food, which I know in the US can historically be a challenge, in terms of taking price. But what are your thoughts on the cost dynamics from here?

Greg Armstrong:

We saw a spike in a couple of commodities 12 to 18 months ago; coffee beans in particular was a bit painful. Now, you are right, there has been some deflation in some food categories. One key area we keep a very close eye on is labor. There is a double-edged sword in the Chinese labor market. There is very high youth unemployment at present, which of course is not great for the consumption environment. But it is good for our labor cost and our ability to retain people. Tims is a pretty nice place to work. They are new stores, they are clean. It is not a very difficult place to work. It is not a hot oven that you are cooking over. So our ability to recruit and retain staff has gotten better over the past several years. I think some of that is down to awareness of the brand, some of it down of it is being a nice place to work. Some of it is down to the fact that we have fairly high unemployment rates, so there really is not a lot of inflationary pressure on labor at the moment for us.

Sara Senatore:

So as a result. you don't have to pull the pricing lever to cover your cost of labor…

Greg Armstrong:

I think that is right. Some of what we have seen, going back to Luckin and Cotti, and the price competition there - that should subside over time. I don't think either of those two companies wants that to go on forever. You will probably have some relaxation of that and some expansion of check and margin in that case.

Sara Senatore:

Right. And to your point about the pricing and competition abating, do you have any thoughts on ultimately what the market will look like? This might be an ambiguous question, but when I think about the US or Canada there is sort of one dominant coffee player, Tims in Canada and I think we all know who it is in the US. Do you think it will be like that or will there be room for similarly sized players? That seems to be unique to coffee. In most food categories there is more competition.

Greg Armstrong:

I think the market has stratified itself, in China probably a bit more than in more developed economies. And I do think there is going to be room for a winner at the deep value and the low-priced layer. There will be room for someone to do well in the premium sector and I also think there will be room for us to be a great value for money with a differentiated food offering.

Sara Senatore:

That is a really helpful insight because, to your point, you have these national players that are all things to everybody, in the US.

I do want to touch on Popeyes, so maybe you can give us a little bit of your perspective, and a little bit of history as well?

Greg Armstrong:

We have built Tims with pretty extraordinary support infrastructure to launch a brand in China: digital infrastructure, delivery infrastructure, a team. I think that is an infrastructure that we can and should lever to launch another brand. I think we have done it quite successfully. We signed the deal to bring the Popeyes brand to China in March of 2023, and in five months we opened our first store to record first store traffic. We had 1,760 people come to our store on the first day, which was a record for a new country entry. We have since stood up another 10 restaurants, we have 11 or maybe 12 today. They are trading well right away. Despite the fact that it is very new they are just ramping up. This is a brand-new venture for us. We are already breaking even, or moderately profitable at the store level. So I think it proves the merits and the value of the infrastructure we built in Tims. It proves out that there is appetite for a new fried chicken brand in China. KFC has been there forever, to the point where it is almost perceived as a local brand. The room for a new player with a premium offering is clearly there. We are excited to continue to grow that business.

Sara Senatore:

I am glad you made my transition for me. So there is an existing multinational with a big presence. The category itself, I am thinking of the adoption curve, is obviously different from coffee. It is a different place from coffee. As you think about your growth there, how much of it is consumption growth, how much of it is share gains – from a very big scale competitor? Is that prohibitive, or does it sound like certainly not?

Greg Armstrong:

There are a couple of things going on here. I mentioned earlier that the Chinese consumer has a hunger for the new: hence our new product development engine for Tims. I think they have a new hunger for the new brand as well. So the trialing are people who come to Popeyes who have historically come to KFC, I am almost certain of it. I am sure that these are not people who are having fried chicken for the first time. I am also certain that we have a differentiated and compelling product offering. We iterated our menu twice and that is in the space of just months –to make sure that when we launched, we launched with a compelling product. We have to go to the consumer with something that is locally relevant, a compelling product that still has the DNA of the brand. Will we have people that come over from KFC? For sure. But this is a huge market. Chicken is the biggest western QSR category in China. And again, one [that hasn't had a] new western entrant in quite a long while. Is KFC going to remain much bigger than we are for a very long time? Yes, for sure. But I can be profitable, I can grow profitably and intelligently, and I think you can grow with the market. If it is a market that grows not at the many tens of percents that coffee does but rather single-digit percents a year, there is plenty of room for us to grow without taking material share particularly given our scale. Again, there is room for us to win without having to say that KFC has to lose.

Sara Senatore:

So besides the newness of the brand, when you think about how you will be positioning again, do you see the same stratification as you do with coffee with different price points? Or is it not quite that segmented?

Greg Armstrong:

There are definitely the deep value players as well, that are typically local brands. I think there is room for Popeyes as a premium brand, at least on par or a better product in many cases than the core western competitors. So I don't know if the stratification is as obvious but there are at least two poles: there are deep value players and there are more premium players.

Sara Senatore:

You mentioned being locally relevant, what does that mean in terms of the menu? Popeyes does a fair amount in the US, so would I recognize the menu in China?

Greg Armstrong:

Yes, for sure, you would recognize it. We did work to bring some local product, but the core of the menu is going to be one that you would recognize. We have tuned spice levels, because in some cases it is too spicy to like for the Chinese palate. But the DNA of the product is there. You would recognize it. You can get the same product as you would get here. What I would say that one significant difference is that here in a chicken sandwich where you will get white meat: the Chinese consumer prefers dark meat. So that is what you are going to get in your chicken sandwich.

Sara Senatore:

When I was there, as a die-hard white meat eater, I remember that is not that as easy to come by. So there is a protein preference there.

In the last couple of minutes I did want to ask you about loyalty with Popeyes, and also how you think about breaking into the loyalty, or having loyalty when there is an established player that you are competing against?

Greg Armstrong:

We are differentiated, we are new, and so we are going to get that trial. It is our job then to make sure that we retain that customer and make sure that we give them reasons to come back. So we are going to innovate, we are going to deliver a great product, a great experience. We are going to continue to grow and build density, to allow our consumer to more easily get product from us, not have to search us out and deliver a better product and strong customer experience. It is on our plate to do that, to make sure that we execute. In terms of loyalty, I think we have a real opportunity here. As I mentioned, we have 19 million loyalty club members at Tims. We can introduce Popeyes to all of them very efficiently and essentially at zero cost. To have that inbuilt network, to be able to reach out to them and bring them to our new brand, that is very powerful tool.

Sara Senatore:

Right. And you talked about having established a very strong digital foundation and infrastructure. That us one of the ways that you will leverage it.

Greg Armstrong:

Absolutely.

SS: I know it is very early days, but the other day when we talked about restaurant brands, one of the things that emerges is that the benefits of the portfolio are in franchising as you have established relationships. Do you anticipate ultimately sub-franchising Popeyes too?

Sara Senatore:

Eventually. Again, it is something that we have designed into the system. The first several stores that open are going to be company owned, to make sure that we have got that system working smoothly. It will be quicker than for Tims, because, again, the infrastructure is already built. The supply infrastructure is there, it is all there. The construction teams are there. Our franchise monitoring teams are there. So initially it will all be corporate owned. But we will eventually sub-franchise as well.

Sara Senatore:

It is a fascinating time to be in China and I appreciate all of your insights, on the business and on the markets. Thank you so much for joining us.

A: It is a pleasure, thank you Sara.