

BURGER KING
**Burger King: Expertise, Commitment
and Capital Rebuild a Business**



Burger King opened its first restaurant in 1954. Over the years, the company grew into an iconic American brand with a perceived edge in quality that boasted franchise outlets in all fifty states and in more than 60 countries around the world.

But by 2002, Burger King was in trouble. The company was poised to lose its place as the nation’s number two hamburger chain to Wendy’s. Despite the fact that diners preferred Burger King’s food over that of other chains, nearly one-quarter of the company’s restaurants were in financial distress. Revenues and profits per outlet were falling, driving contentious relations between the company and franchisees.

Under the ownership of English spirits conglomerate Diageo, franchise owners had grown restless. “Our brand was marginalized because of the competing liquor interests,” Julian Josephson, chairman of the National Franchisee Association (and the owner of 10 Burger King franchises), told The Houston Chronicle in 2002. Burger King “was without a doubt an orphan brand within Diageo.”

Sound Enterprise Revitalized

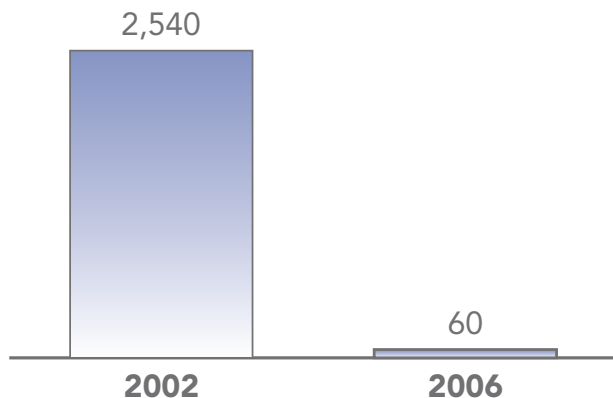
In December 2002, Texas Pacific Group (now TPG) — in partnership with Bain Capital and Goldman Sachs — purchased the chain for \$1.5 billion from Diageo. The private equity investors recognized that Burger King was a fundamentally sound enterprise that suffered from a lack of attention from a parent company that was focused on other businesses. The new owners invested time, money and resources in the company, introducing new management, rescuing franchisees, improving customer service and bolstering internal operations and morale.

Financially Troubled Franchisees Rescued

Under its new owners, Burger King went to work with creditors to assist troubled franchisees. By 2006, the number of financially distressed restaurants had fallen to 60 from 2,700 — a 99 percent reduction. The company also helped franchisees obtain financing to renovate restaurants. These efforts significantly restored franchisee relations.

Burger King’s new owners worked with management to reduce customers’ average wait time by more than 30 percent — to just under 2.5 minutes — and improved order accuracy to serve more diners at peak times.

Financially Distressed Franchises





Seventy percent of Burger King's business comes from drive-through lanes, so more lanes were added and food preparation equipment was upgraded.

The company improved internal communications and offered employees more challenges and opportunities for recognition. Employee morale improved, turnover declined, and the company began adding employees. Under private equity ownership, Burger King's U.S. comparable store sales increased for eight consecutive quarters, and average sales per restaurant climbed 11 percent. The company also began building smaller restaurants, which reduced construction costs by approximately 25 percent.

Remarkable Turnaround

In May 2006, the company's private equity investors took Burger King® public, listing on the New York Stock Exchange under the ticker symbol BKC. After four years under private equity investor management:

- 98 percent of restaurants were financially sound
- Total revenues grew to a record \$2.05 billion in 2006 from \$1.66 billion in 2002
- Average annual store sales in the U.S. and Canada reached a record \$1.2 million
- Comparable sales in the U.S. and Canada grew nine successive quarters after dropping in each of the previous seven
- Net income hit \$27 million
- Debt fell from \$1.3 billion to \$285 million

Outlook: Expansion Plans in U.S., 60-plus countries

Today, Burger King operates more than 11,200 restaurants and is expanding its outlets in all 50 states and more than 60 countries. Revenues for fiscal 2007 reached a record \$2.23 billion, or nine percent above 2006. EBITDA for fiscal 2007 grew to \$397 million, or 33 percent above 2006. On March 15, 2007, Burger King paid its first quarterly dividend since going public and has made two additional quarterly dividends since then. Comparable sales in the U.S. and Canada have grown for thirteen consecutive quarters.

Approximately 90 percent of Burger King restaurants are owned and operated by independent franchisees, many of them family-owned operations that have been in business for decades. Average restaurant sales in 2007 reached \$1.193 million globally. In 2007, the company opened 441 new stores, a 26 percent increase over the prior year.

The company intends to accelerate this momentum. The leadership team is focused on increasing average annual revenue growth to six to seven percent and increasing net income growth to 20 percent in the coming years.

The private equity sponsors continue to retain a 56 percent stake in Burger King.