

**Tim Hortons Inc.**

**Bear Stearns**

**14<sup>th</sup> Annual Retail, Restaurants & Consumer Conference**



# Today's Presentation

- Introductions – Scott Bonikowsky
- Sector Outlook and Tim Hortons Strategy for Growth  
**Paul House**, Executive Chairman
- Business Model and Competitive Advantages  
**Don Schroeder**, President and CEO
- Financial Overview and 2008 Targets  
**Cynthia Devine**, Executive VP & Chief Financial Officer

# Safe Harbor Statement

Certain statements in this presentation and our response to various questions may constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities law. Such forward-looking statements are based on current expectations and involve certain risks and uncertainties. Actual results might differ materially from those projected in the forward-looking statements. In some cases, information regarding certain important factors that could cause actual results to differ materially from any such forward-looking statement appears or is discussed together with such statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in the most recent Form 10-K filed February 26, 2008, press releases and other filings with the Securities and Exchange Commission and Canadian securities regulators. In particular, the factors described under “Risk Factors” in the Form 10-K and other possible factors not listed, could affect our actual results and cause such results to differ materially from those expressed in forward-looking statements.

Many of the factors that will determine our future performance are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements. Except as required by applicable securities laws, we do not have any intention or obligation to update forward-looking statements after this presentation, even if new information, future events or other circumstances have made them incorrect or misleading. You can review the full text of the Company’s Safe Harbor Statement on our website at [www.timhortons.com/safeharbor.html](http://www.timhortons.com/safeharbor.html).

This presentation references Non-GAAP financial information. Reconciliation information to the most directly comparable GAAP financial measure is included in this presentation and is posted on our web-site, as required by Regulation G, under the investor information/presentations tabs.





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PAUL HOUSE

# Investment Summary

- Proven business model that creates competitive advantage and generates several earnings streams.
- Iconic brand status and market share leadership in Canada, with a growing regional presence in targeted core northeast and midwest markets in the US.
- Strong financial performance and cash flow over long-periods of time.
- Same-store sales and unit growth opportunities in both the Canadian and US segments.

# 2007 Corporate & Performance Highlights

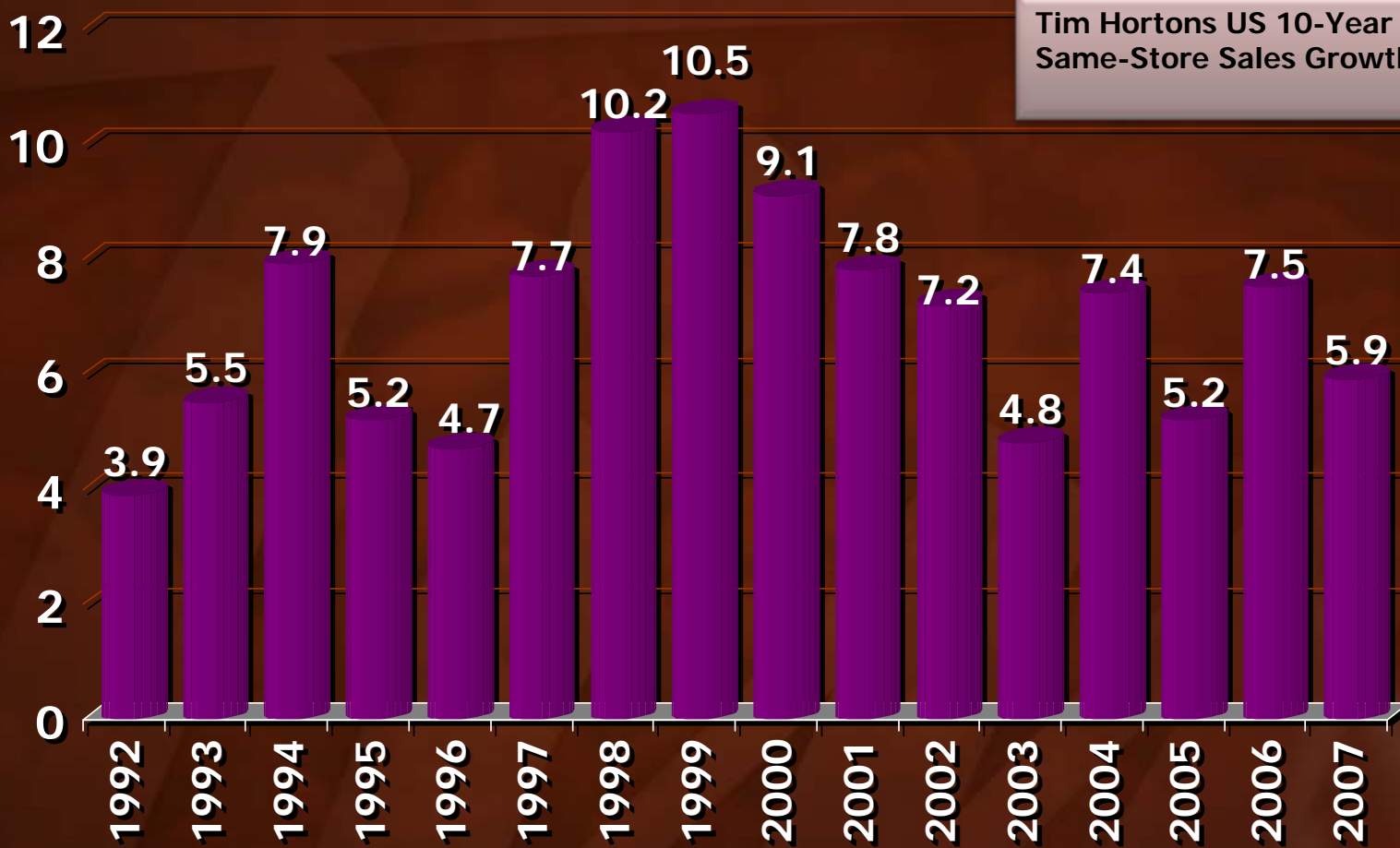
- Record revenues and earnings
- Guelph distribution centre rollout completed, providing 3-channel delivery to 85% of Ontario restaurants
- Shareholder value creation programs
  - C\$200 million share repurchase program
  - 28.6% increase in quarterly dividend announced for 2008

## 2008 sector outlook is challenging.... ....but Tim Hortons is well positioned

- Challenging economic situation facing QSR / fast casual sector, particularly in the US, in first half of 2008.
- Intensified competitive discounting activities across the US restaurant sector to boost traffic.
- We have performed well in good times and bad, and consider ourselves relatively well positioned.
  - Price / quality value position
  - Financial position and layered income streams
    - Franchisee recruitment and real estate opportunities

# Proven performance over the long-term

## 15-Year Canadian Same-Store Sales Performance



*Tim Hortons*



# Executing our core growth strategies



## Same-Store Sales Growth

- Menu expansion focused on key morning and lunch day parts
- Operational excellence including focus on speed of service
- Effective marketing



## Unit Growth

- Develop our Canadian growth markets, in-fill urban cores
- Develop our core US growth markets, expand to adjacent markets
- Non-standard opportunities to increase penetration
- Strategic alliances



## Innovation Agenda

- Product pipeline
- Technology, Equipment, Training and Processes
- Payment systems

# Same-Store Sales Growth Drivers

- **Product innovation**
  - Breakfast day part
  - Lunch day part – hot signature sandwich
- **Emphasis on overall customer experience and speed of service**
- **Brand awareness and loyalty**

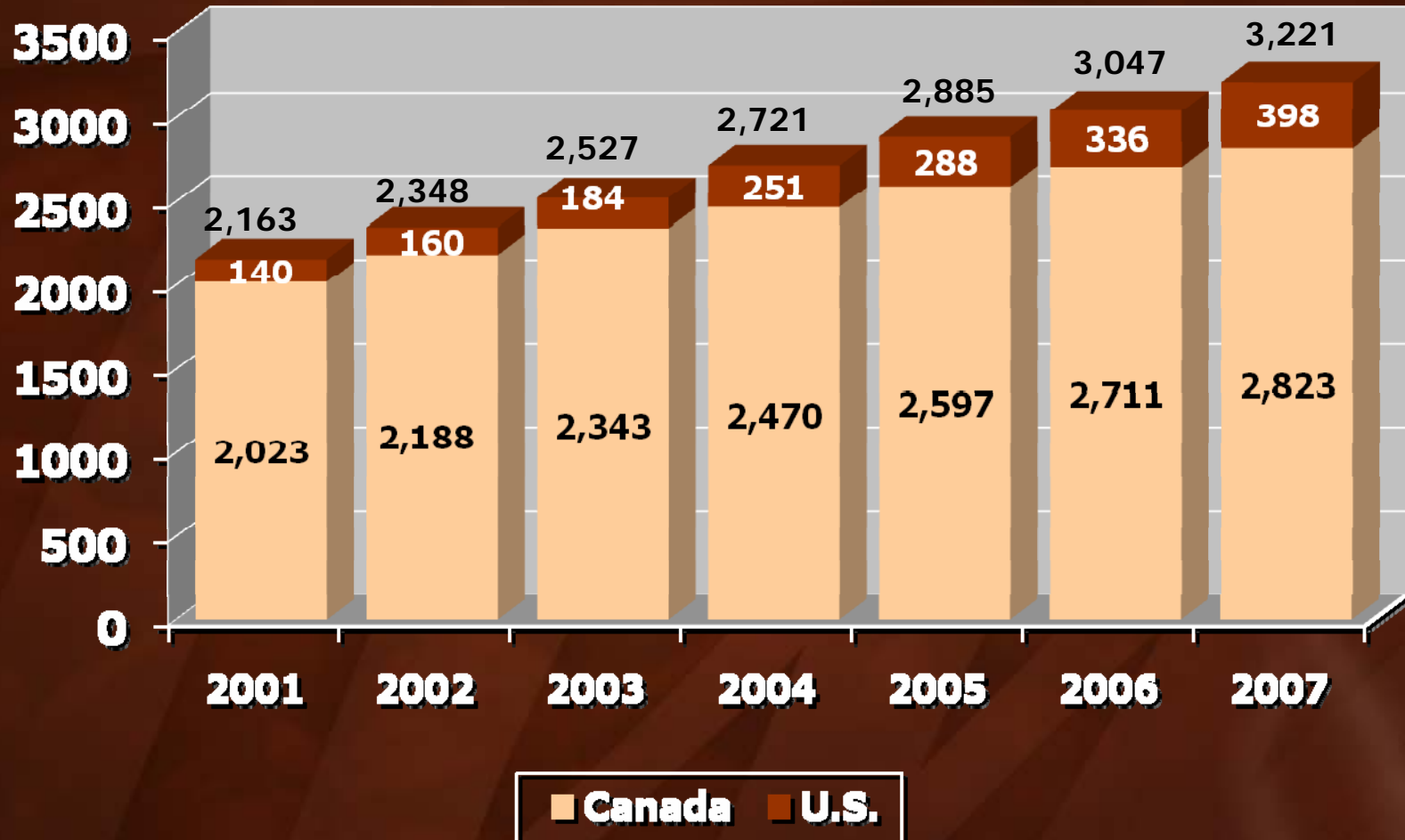


**Tim Hortons**

# Unit Expansion: Consistent Restaurant Growth

Total Units Systemwide

98% Franchised



As of December 30, 2007

*Tim Hortons*

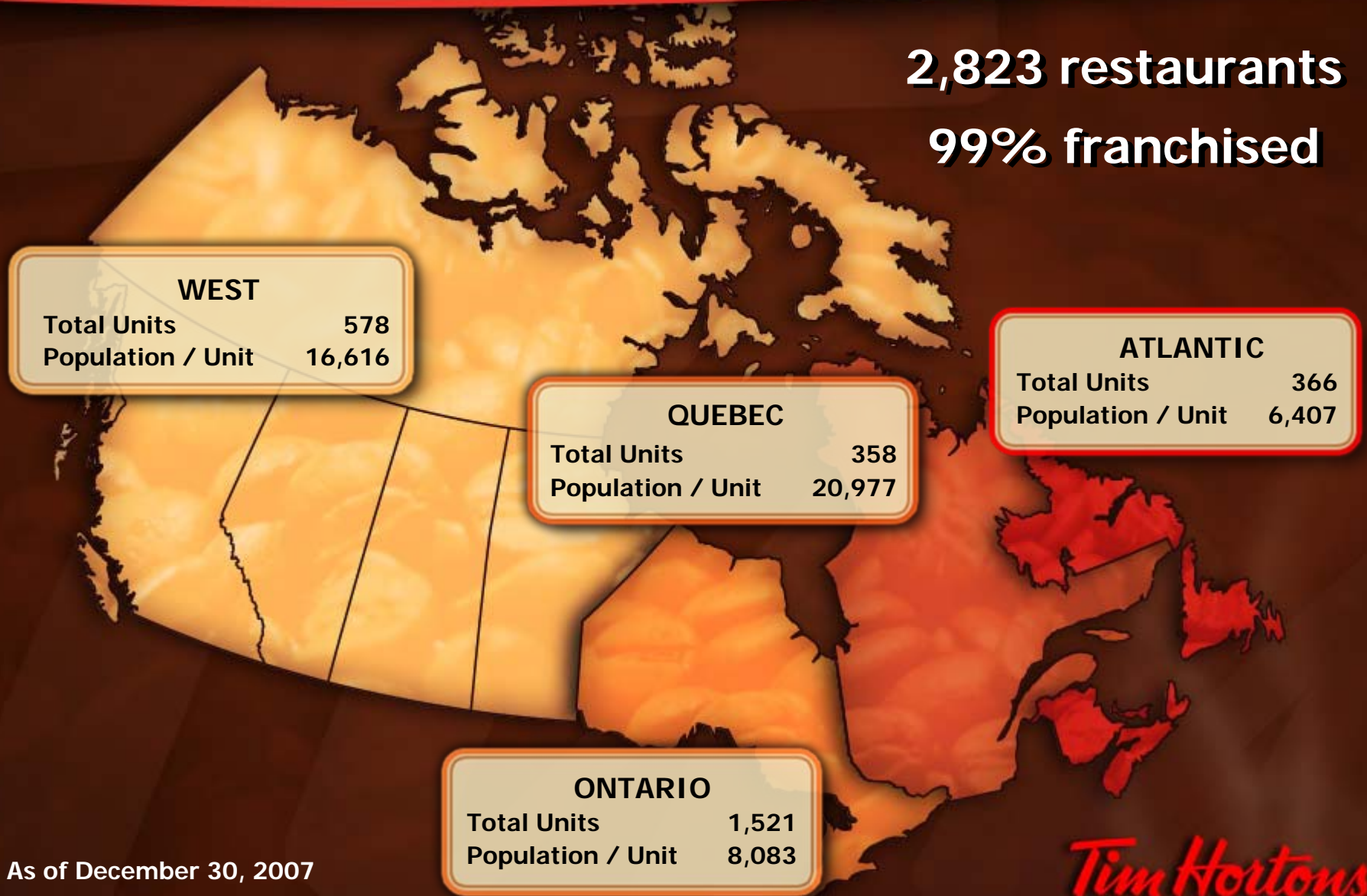


# Unit Growth – Significant Canadian opportunities

## Current Restaurant Penetration

**2,823 restaurants**

**99% franchised**



As of December 30, 2007

*Tim Hortons*



# "We Fit Anywhere"

3,500-4,000 unit potential in Canada

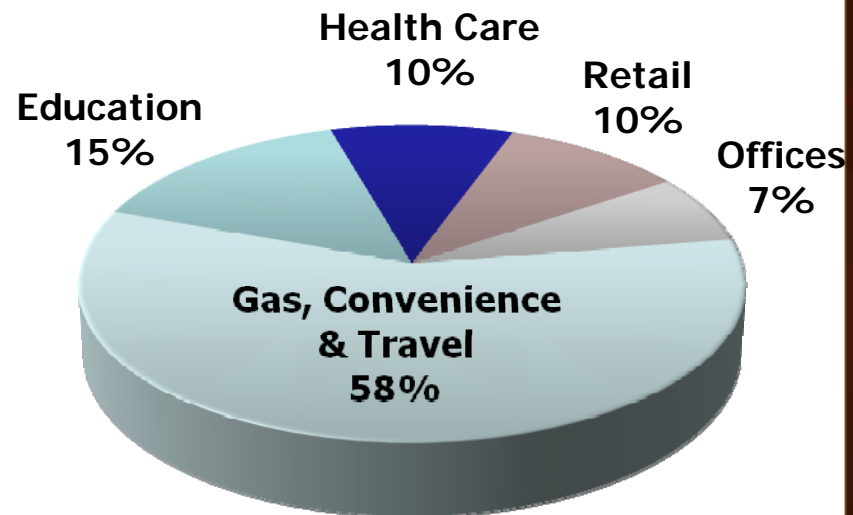
## Standard Restaurants



### Opportunity:

- Western provinces
- Quebec
- Urban centres

## Non-Standard Restaurants



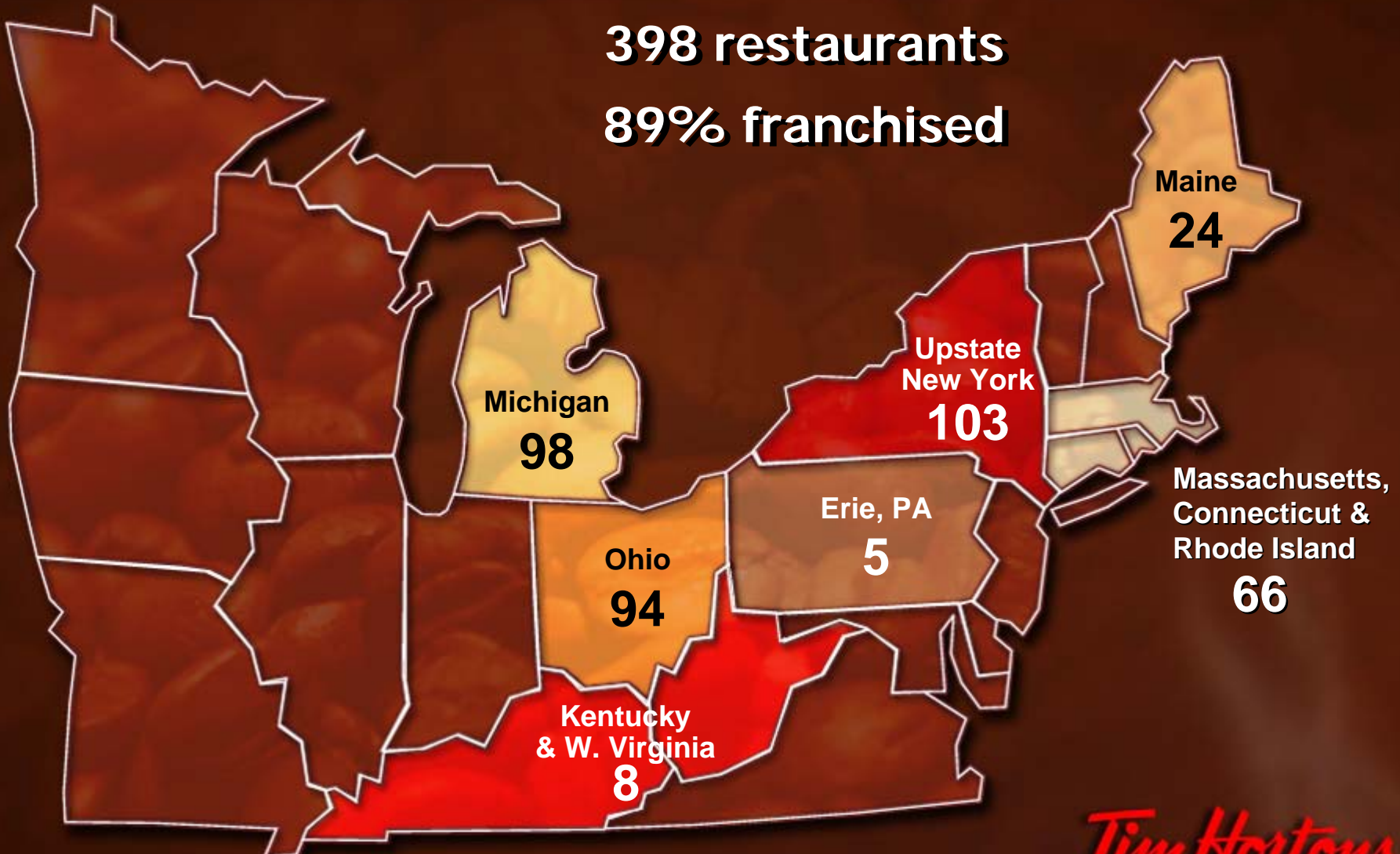
2007 Percentage of non-standard units

# 70 million consumers in our US markets

Tim Hortons US

**398 restaurants**

**89% franchised**



As of December 30, 2007

*Tim Hortons*

Average unit sales volumes have historically experienced positive trending over time

## Tim Hortons US

Average sales per standard restaurant



## Tim Hortons Canada

Average sales per standard restaurant





# Innovation Agenda



**Tim Hortons**





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DON SCHROEDER

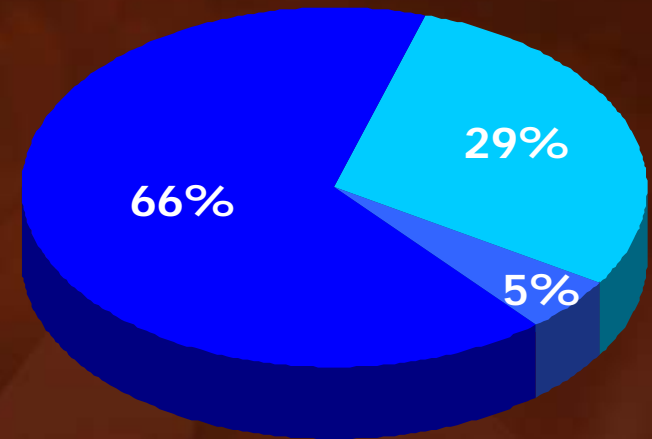
- Business overview
  - Vertical integration as a core strategy
  - Coffee buying capability
- Tim Hortons market position

# Franchising is the core of our system: Our model generates several earnings streams

% of restaurants franchised



% of revenues for fiscal year 2007



- Sales / Distribution
- Rent & Royalties
- Franchise Fees

Source: Company research, 2007

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# Time-tested business model

## Multiple Earning Layers

The **Tim Hortons business model** is time-tested and different than most QSR companies. This model has created a long history of growth and performance.



Real Estate

**Primary formula is rent based on % of sales\***

- 10% - Canada
- 8.5% - US



Franchising

**Primary formula is royalties based on % of sales**

- 3% - Canada
- 4.5% - US



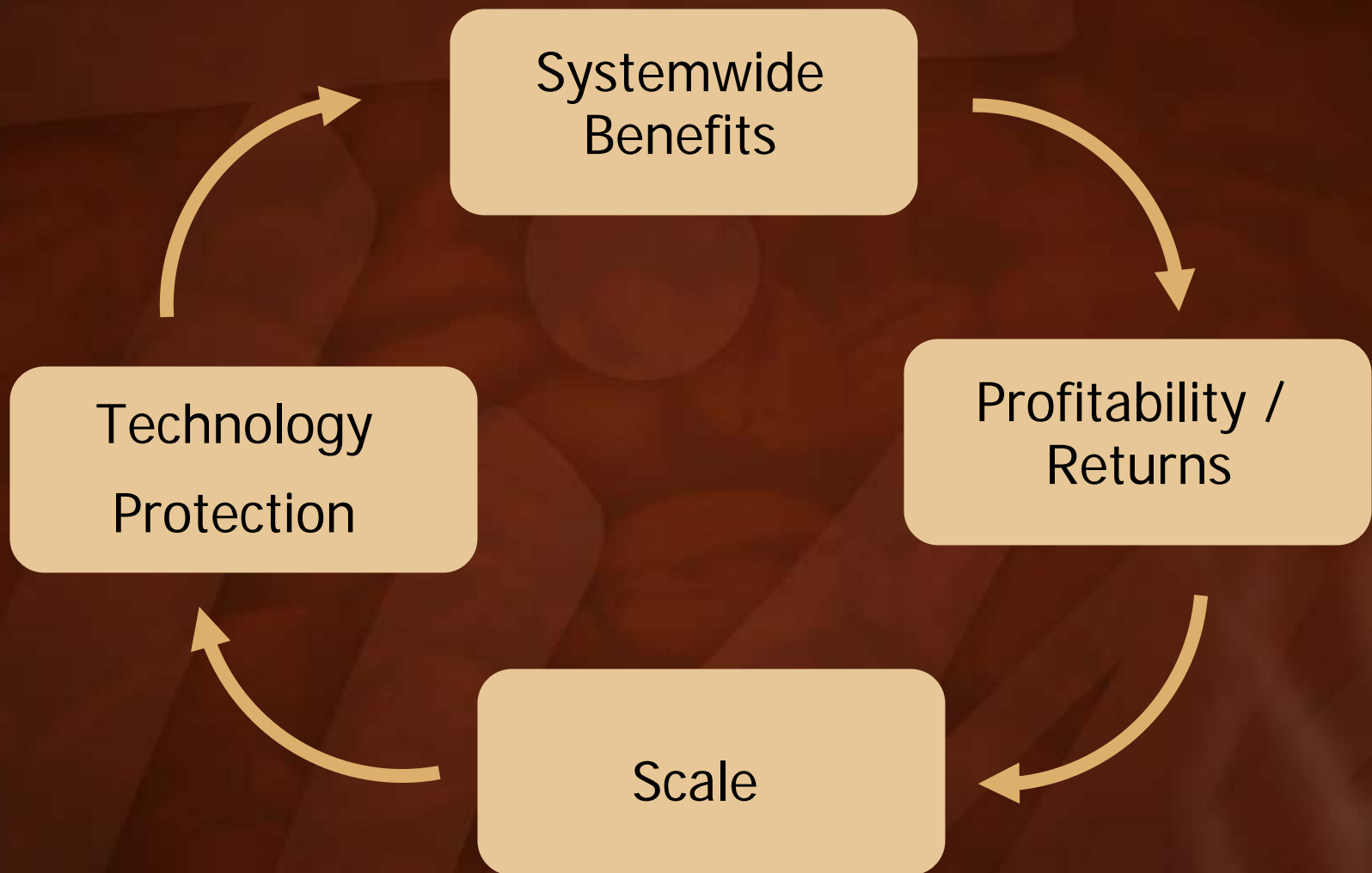
Vertical Integration

- 5 Distribution Centers
- Coffee Roaster
- Maidstone Bakeries (JV)
- Fondant and fills manufacturing

\* Rent owed to Tim Hortons when franchisee leases from Tim Hortons.



# Vertical integration framework



# Current Vertical Integration Capabilities

## Distribution



- 5 Distribution Centers, four shipping dry goods and one shipping 3-channel (dry / frozen/ refrigerated)
- 260,000 square feet of distribution capacity

## Bakery



- Joint Venture Maidstone Bakeries
- Proprietary technologies
- Par-baked donuts, Timbits<sup>®</sup>, selected breads and pastries

## Coffee Roaster



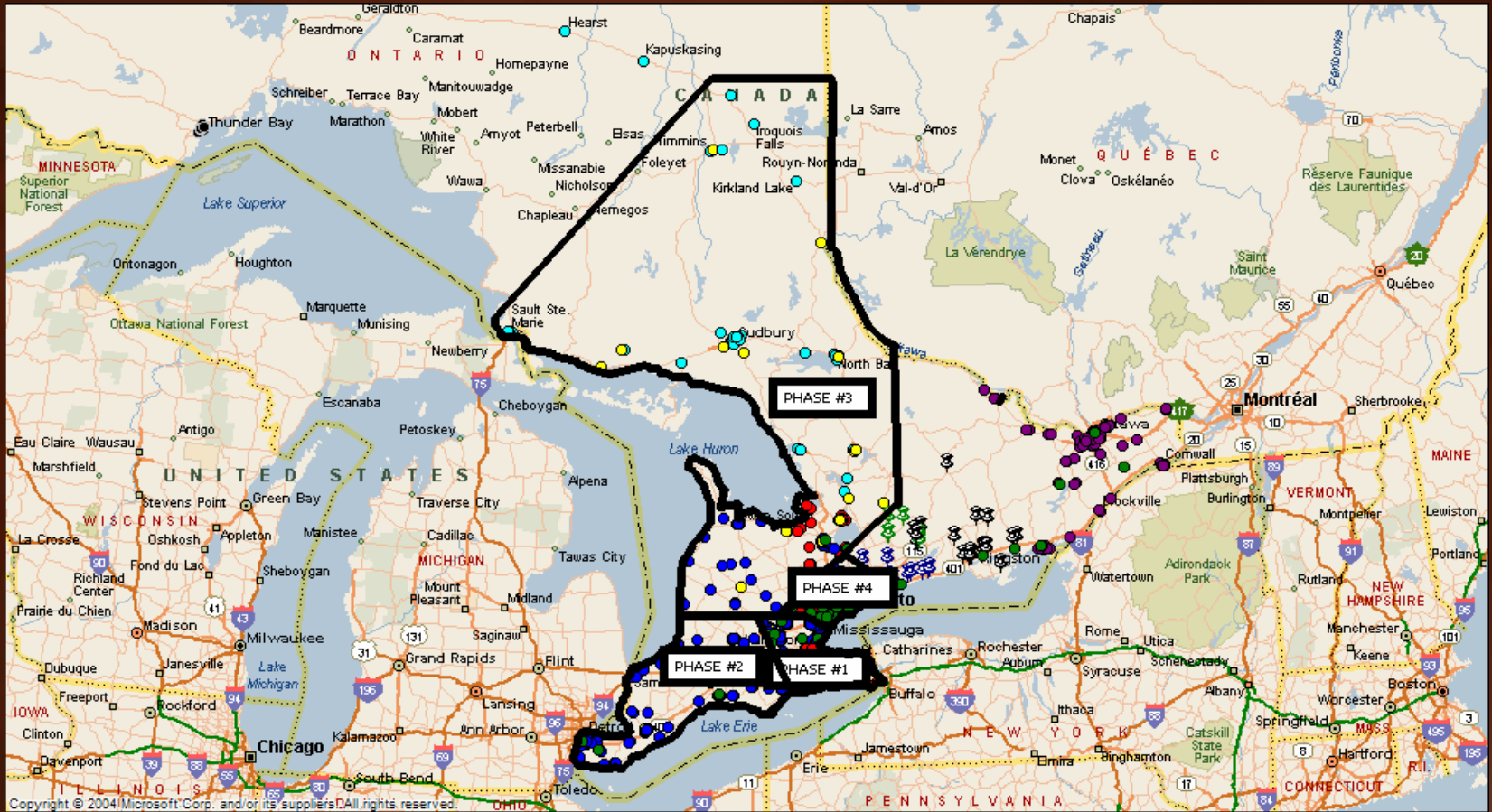
- Supplies about 45% of chain-wide needs
- Quality assurance
- Industry knowledge and expertise

## Fondant and Fills



- Fruition Fruit fondant and fills facility acquired in 2003
- Sole supplier of ready-to-use glaze on a number of Always Fresh products

# Guelph 3-Channel Restaurant Coverage



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# Coffee Buying



**Tim Hortons is one of the world's largest buyers of premium Central American Arabica coffee beans**



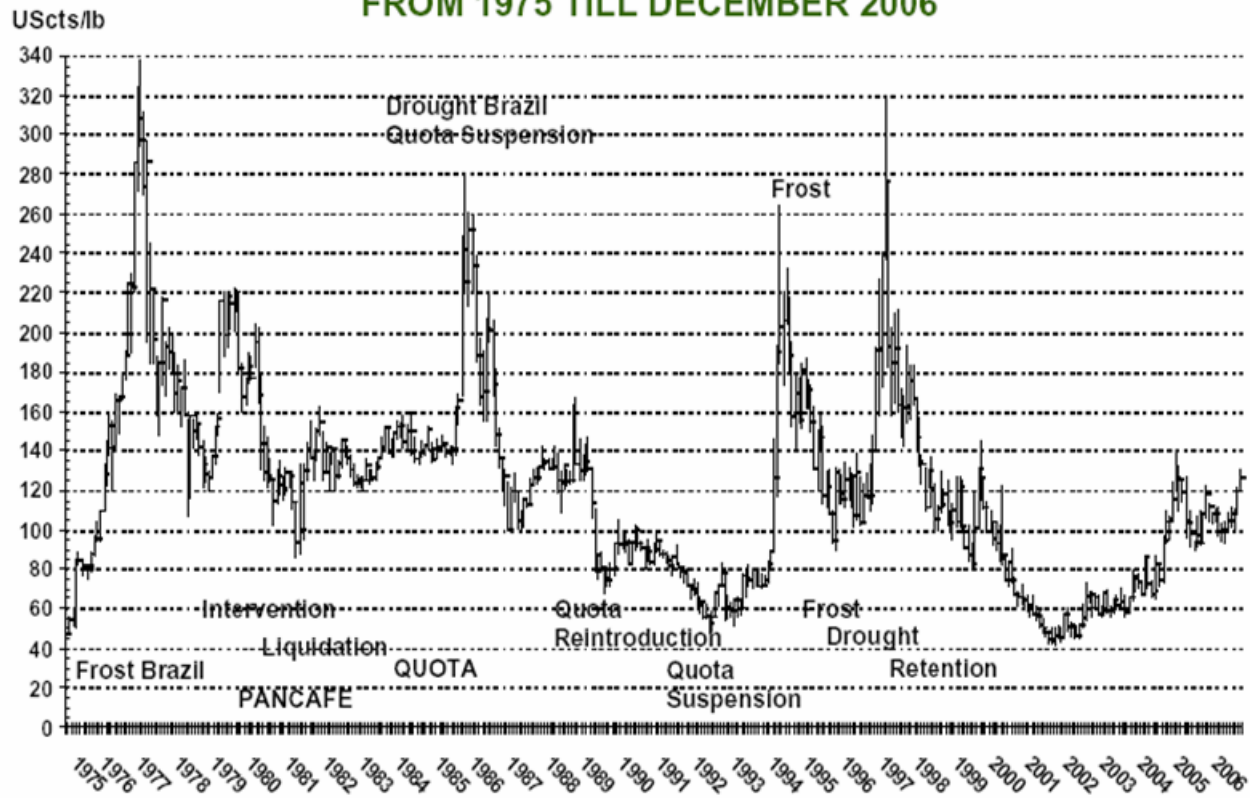
# Buying Philosophy

- Tim Hortons buys only premium Arabica coffee beans similar to other premium coffee players.
- We take a neutral view of trading in the coffee market and are not speculators. We buy out traditionally on a half-year basis to protect us and our franchisees.
- Risk Management
  - We don't keep all our eggs in one basket
  - Consumers become accustomed to flavor and don't like change



# NY "C" MARKET

MONTHLY NEW YORK COFFEE FUTURES (BASIS SPOT MONTH)  
FROM 1975 TILL DECEMBER 2006



# Compelling market positioning

- **Fourth largest publicly-traded North American QSR chain**
- **Account for about 42% of QSR sector traffic in Canada**
- **More than 80% share of coffee, donut, gourmet coffee and tea sector**
- **#1 market share in breakfast day part and #2 share in lunch day part**

**About 40% of our customers visit 4+ times each week**



**Tim Hortons**

# Canadian QSR: Canada - Top Operators

%Share of QSR Traffic, May 2007



Source: NPD Group





# QSR Coffee Donut/ Gourmet Coffee/Tea: Canada - Top Operators

## %Share of QSR Coffee / Donut/ Gourmet Coffee/ Tea Traffic, May 2007



Source: NPD Group

The logo is an oval with a red border and a light beige background. The name 'Tim Hortons' is written in a red, cursive script with a white outline and a drop shadow. Below the name, the text 'CYNTHIA DEVINE' is written in a brown, sans-serif font.

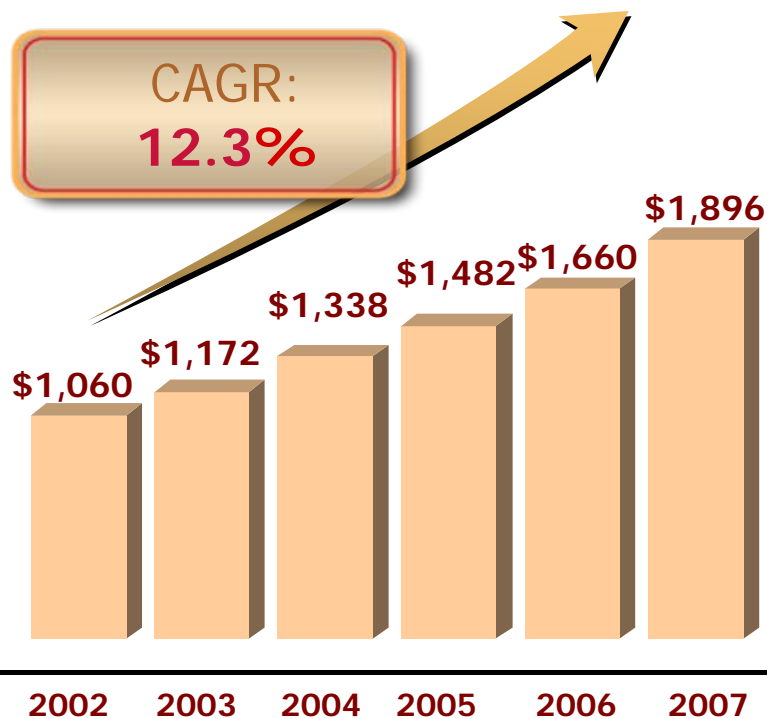
*Tim Hortons*

CYNTHIA DEVINE

# Powerful Track Record of Growth

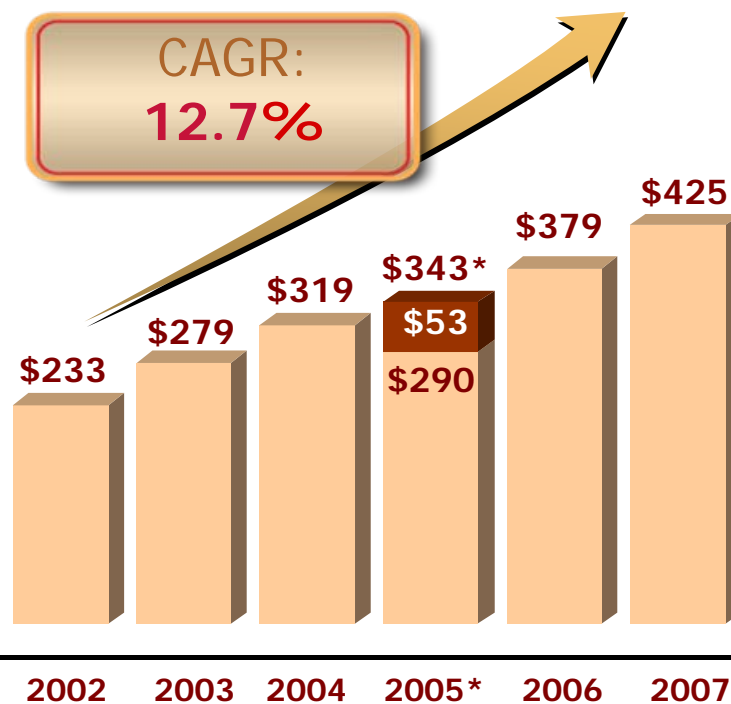
## Revenues

(C\$ millions)



## Operating Income

(C\$ millions)



\* Including pretax non-cash impairment charges of \$53.1 million, 2005 Operating Income was \$290 million. Adjusting to add back the impairment charge, 2005 operating income would have been \$343 million.

# 2007 Performance

- Strong top-line performance in 2007
  - Canadian same-store sales up 5.9%
  - US same-store sales up 4.1%
  - Revenues up 14%
  - Operating income up 12%
- 198 stores opened including 130 in Canada and 68 in the US



# Capital Structure

- Capital structure is sufficient to support short-term business needs
  - Debt currently consists primarily of \$300 million, five-year term loan maturing in 2011.
  - Also have U.S. \$100 million revolver and \$200 million Canadian revolver, both undrawn
  - Can obtain additional liquidity if necessary
- Dividend policy of up to 20-25% of annual normalized prior-year net income: announced 28.6% increase to dividend rate to \$0.09 per share for 2008
- Share repurchase authorization
  - New C\$200 program announced in Q4 2007, following completion of the 2006-2007 \$200 million program

# 2008 Targets\*

- Strong top-line revenue growth
  - Same-store sales targets
    - Canada: 4-6%
    - U.S.: 2-4%
- New restaurant development
  - Canada: 120-140
  - U.S.: 90-110\*
- Operating income growth of approximately 10%
- CAPEX of \$200-250 million, tax rate of 33-35%

\* Includes potentially self-serve kiosk units announced previously.

Targets announced February 20, 2008 and not updated. Refer to the Company's public filings for current information.

The logo for Tim Hortons, featuring the brand name in a red, cursive script font.

QUESTIONS  
*Tim Hortons*  
& ANSWERS



*Every cup tells a story.*