

# Tim Hortons Inc.

## 2008 First Quarter Results

Conference Call and Webcast



# Q1 2008 Speakers (in sequence)

**Scott Bonikowsky**  
**Vice-President, Investor Relations**

**Don Schroeder**  
**President & Chief Executive Officer**

**Cynthia Devine**  
**Executive Vice-President and Chief Financial Officer**

# Safe Harbor Statement

Certain statements in this presentation and our response to various questions in our 2008 First Quarter Conference Call and Webcast 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).





**Don Schroeder, President and CEO**

# Quarterly Update

- New executive structure to streamline and strengthen management accountabilities
- First quarter 2008 results

# Executive Structure Realignment

- **Roland Walton**, Chief Operations Officer, Canada
- **David Clanachan**, Chief Operations Officer, U.S. and International
- **Bill Moir**, Chief Brand and Marketing Officer
- **Cynthia Devine**, Chief Financial Officer, expanded role to include accountability for manufacturing
- **Bruce Wallace**, Executive Vice-President, Supply Chain
- Other management changes to streamline structure: approximately \$3.8 million restructuring charge in Q2 2008, with \$1.5 million in annualized savings beyond 2008.

- Clear lines of accountability and mandates for key areas of the business
- Leverage executive capabilities
- Streamline decision-making
- Dedicated focus on core Canadian business and growing U.S. and international businesses
- Alignment of innovation agenda with brand development
- Alignment of manufacturing and vertical integration under one executive



# Q1 2008 Menu and Promotional Program

- Bagel B.E.L.T breakfast sandwich
- Toasted Almond Flavor Shots, Tuscan Vegetable Soup and Gourmet Cookies
- TimCard™
- Roll Up the Rim™
- Slow Roast Beef Sandwich



Thick, tender carvings of slow-roasted beef topped with savoury caramelized onions and mushrooms.



**Tim Hortons**

# Q1 2008 Same-Store Sales

	Q1 2008	Q1 2007
Tim Hortons Canada	3.5%	6.3%
Tim Hortons U.S.	1.0%	4.0%

## Same-Store Sales Drivers

- Strong menu and promotional programs, offset in part by:
  - Heavy snowfalls in key Canadian and U.S. markets
  - New statutory holidays in Ontario and Manitoba
  - Timing of Easter holiday





# TimCard implementation



Reloadable, cashless  
TimCard

- Strong redemption in Q1 2008

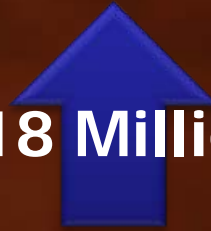
**\$38 Million**



**Q4 2007**

**Restricted TimCard Cash Float**

**\$18 Million**



**Q1 2008**

**Restricted TimCard Cash Float**

- Positive incremental growth beyond successful gift certificate program previously in place
- More than 1 million cards reloading in-stores and on-line.

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# Restaurant Development Activities



- 2008 restaurant development is planned to be back-half loaded
- 210-250 store projects targeted in 2008
- 25 restaurants opened in Q1 2008:
  -  22 restaurants opened
  -  3 restaurants opened

# Self-Serve Irish Kiosk Platform leveraged in U.S. program with Shell stations



- High quality "Bean to Cup" offering
- Coffee and limited baked goods
- Minimal capital
- Seeds brand presence

*Tim Hortons*





**Cynthia Devine,  
Executive Vice-President and CFO**

# Q1 2008 Financial Metrics

Q1 2008

Systemwide Sales <sup>1</sup>	7.2%
Same-Store Sales	
	3.5%
	1.0%
Revenues	8.4%
Operating Income	2.4%
Net Income	4.3%
Diluted EPS	\$0.33

(1) Systemwide sales growth includes restaurant sales at both Company and Franchise restaurants.

Percentages represent year-over-year comparisons, unless otherwise noted.

*Tim Hortons*

# Q1 2008 Results - Revenues

(C\$ Millions)	Q1 2008	Q1 2007	% Change
Sales	<b>\$306.5</b>	\$278.4	<b>10.1%</b>
Franchise revenues			
Rents and Royalties	<b>\$135.9</b>	\$127.2	<b>6.8%</b>
Franchise fees	<b>\$ 17.9</b>	\$ 19.0	<b>(5.7)%</b>
	<b>\$153.8</b>	\$146.3	<b>5.2%</b>
<hr/>			
Total Revenues	<b>\$460.3</b>	\$424.6	<b>8.4%</b>



# Q1 2008 Results – Expenses

(C\$ Millions)

COSTS AND EXPENSES, NET	Q1 2008	Q1 2007	% Change
Cost of Sales	<b>\$272.3</b>	\$247.4	<b>10.1%</b>
Operating expenses	<b>\$ 50.0</b>	\$ 47.2	<b>6.0%</b>
Franchise fee costs	<b>\$ 18.3</b>	\$ 16.4	<b>11.4%</b>
General & administrative expenses	<b>\$ 30.9</b>	\$ 28.8	<b>7.4%</b>
Equity (income)	<b>\$ (7.3)</b>	\$ (9.8)	<b>(24.7)%</b>
Other (income) expense, net	<b>\$ (0.3)</b>	\$ 0.4	<b>N/M</b>
Total Costs & Expenses, net	<b>\$ 363.8</b>	\$ 330.4	<b>10.1%</b>

N/M – not meaningful

# Q1 2008 Results – Income

(C\$ Millions)	Q1 2008	Q1 2007	% Change
Operating Income	\$ 96.5	\$ 94.2	2.4%
Interest (expense)	\$ (6.4)	\$ (5.6)	13.0%
Interest income	\$ 2.0	\$ 2.0	(0.3%)
Income taxes (expense)	\$ (30.3)	\$ (31.3)	(3.2)%
Net income	\$ 61.8	\$ 59.3	4.3%
Diluted EPS (\$ per share)	\$ 0.33	\$ 0.31	7.0%
Diluted Shares outstanding (millions)	185.8	190.6	(2.5%)

# Q1 2008 Balance Sheet Highlights

(As at Q1 2008)

Cash and Cash Equivalents	<b>\$ 77.5 million</b>
Restrict Cash (TimCard Float)	<b>\$ 17.9 million</b>
Share Repurchases	<b>\$ 51 million</b>
Term debt and capital leases	<b>\$383.2 million</b>
CAPEX	<b>\$ 32 million</b>
Depreciation & Amortization	<b>\$ 21.9 million</b>



# 2008 Targets

- Operating income of 10% → Excludes \$3.8 million restructuring charge
- Same store sales target of 4-6% in Canada and 2-4% in the U.S.
- 120-140 restaurant openings in Canada and 90-110 units in the U.S., including non-standard and self-serve kiosk units
- Capital expenditures of \$200 million to \$250 million.
- Tax rate of 33-35%



*Every cup tells a story.*

# FOR MORE INFORMATION

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