International Infrastructure
Resources Needed to Support and Grow An International Franchise Network

International Summit Track 2

Moderated By:  Ned Lyerly
Presenters:  John Kersh
Larry Kruguer
Rogelio Martinez

February 21, 2016
Today’s Agenda

• Presenter Bios
• Infrastructure Profiles – Current State and Future Plans
• Funding International Operations and Growth
• International Best Practices in Support, Training, Operations, Marketing and Development
• Questions and Answers
John Kersh
Vice President of International Development
Anytime Fitness

• Primarily responsible for new market entry, international strategy, budget planning, master-level support
• 8 years with Anytime Fitness
• 11 years in the franchising business
• 23 years in the fitness business
• Member, IFA International Committee
• United Airlines 1K status for 7 straight years
Larry Kruguer, MBA
President, International – Wingstop, Inc.

• 25 years of global business experience focused in the franchising and the consumer services and products arena overseeing functional areas such as marketing, business development, sales, strategic planning and overall general management.

• Involved in diverse industries such as Financial Services, Travel, Sports, Internet, Consumer Retail and Automotive Services as well as Restaurants.

• He has served as an executive with major firms like American Express, Alamo/National Car Rental, CBS Sports and Wendy’s – while also having been involved with successful start-ups such as Sportsline.com, ProntoWash and The Dent Company (TDC).
Rogelio Martinez, MBA, CFE
President, Berlitz Franchising Corp

• 15+ years of experience in sales, franchise development, operations, strategy and marketing
• Worked with companies ranging from Berlitz, Kindermusik, Tutor Doctor, SAP and Oracle
• IFA International Committee Member
• Studied the MBA program at HEC Montreal, Program on Negotiations at Harvard Law School, Franchise Management at Georgetown, Bach. of International Business at Monterrey Tech, International Finance at U. of Geneva and Project Management at U. of Toronto
• Speaks English, French, Spanish, German and Portuguese (current Berlitz student)
Ned Lyerly, CFE
President, International – CKE Restaurants Holdings, Inc.

• 30+ Years of franchising experience including multi-functional roles in international, franchise operations, finance, marketing, franchise development, real estate and sales
• Member IFA International Leadership Council
• Former Chairman of the IFA International Affairs Committee
• 7+ Million Miles Frequent Flyer Miles
Today’s Agenda

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• Questions and Answers
### CKE RESTAURANTS INC. INTERNATIONAL GROWTH

700 Restaurants in 37 Countries representing 19% of total restaurants

#### Countries in International Growth

<table>
<thead>
<tr>
<th>14 EXISTING MARKETS FY09</th>
<th>23 NEW MARKETS FY10-FY16</th>
<th>11 NEAR-TERM TARGET MARKETS</th>
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<tbody>
<tr>
<td>American Samoa</td>
<td>Australia</td>
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**Near-Term Target Markets:**
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<tr>
<th>Name</th>
<th>Title</th>
<th>Company</th>
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<tbody>
<tr>
<td>Rushing,Michele</td>
<td>VP, Int’l Supply Chain Management</td>
<td>CKE International Team</td>
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<tr>
<td>Woita,Michael</td>
<td>SVP, International</td>
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<td>Grieve,Matt</td>
<td>Manager, International Purchasing &amp; Logistics</td>
<td>CKE International Team</td>
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<td>Klein,Owen M.</td>
<td>Director, International Product Development</td>
<td>CKE International Team</td>
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<td>Jones,Donald Vincent</td>
<td>Director, International Construction &amp; Design</td>
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<tr>
<td>Cabrera,Joaquin M.</td>
<td>International Site Development Manager</td>
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<td>* Manager, Product Development (Asia)</td>
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<td>Brown,Andrew David</td>
<td>Sr. Manager, Int’l Purchasing &amp; Logistics</td>
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<td>Voyer,Pedro Jose</td>
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<td>Varnica,Senaida</td>
<td>International, Franchise Coordinator</td>
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<td>Speer,Carl Geoff</td>
<td>VP, Franchise Ops &amp; Dev. (Middle East)</td>
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<td>Guiguis,Alfredo</td>
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<td>Manager, International Site Development Manager</td>
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<td>Lyerly,Neil</td>
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<td>#IFAW2016 Convention</td>
<td>FEBRUARY 20-23, 2016 // SAN ANTONIO, TX</td>
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<td>Franchising</td>
<td>Building local businesses, one opportunity at a time.</td>
<td>CKE International Team</td>
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</table>
Founded in 2002, Anytime Fitness is the world’s largest co-ed chain of health clubs, with more than 3,000 locations open in 22 countries on 5 continents. Entrepreneur Magazine’s Top Global Franchise 2015
International Team

John Kersh
VP Intl. Development

Eric Keller
Operations Director
Key Responsibilities:
- Development plan and annual goal of each designated territory
- Chile, Mexico, India, Japan, Asia, New Zealand, Bahrain, Qatar

Diane Vesey
Operations Director
Key Responsibilities:
- Development plan and annual goal of each designated territory
- UK, Sweden, Netherlands, Spain

Patrick O’Brien
International Technology
Project Manager
Key Responsibilities:
- International billing and software, tech integrations/projects with US

TBD

Brian Olson
Operations Manager
Key Responsibilities:
- Master Support of their franchisees and club performance

Laura Smith
Club Manager, Montreal
Key Responsibilities:
- Manage club and meet annual targets

Rod Hill
General Manager, Spain

TBD
Operations Manager, Spain

Shayna Herman
Intl. Coordinator
Key Responsibilities:
- PM management, Monthly reports, ROD, CAAG, Dev plan, etc., projects as given by Kersh and Libby

Dedicated Intl. Support:
- Ashley Beard = International Project Manager (Development)
- Josh Conroy = Support (Provision)
- Cam Stoeger = Support (Internal Communication)
A POWERFUL, FAST CASUAL BRAND

Category Leader
- Largest national, fast casual wing-focused chain in the U.S. (98% franchised)
- 845 restaurants in 39 states and 7 countries as of YE 2015

Unique Flavor Experience
- **THE** destination when our guests crave fresh, cooked-to-order wings
- 11 bold, distinctive and craveable flavors on bone-in and boneless wings

Strong Value
- Individual combo meals start at ~$8.00
- Family packs have a per person average of ~$7.00

Compelling Unit Economics and Proven Portability
- U.S. AUV of approximately $1.1MM; flexible real estate profile with average restaurant size of ~1,700 square feet
- Sales to investment ratio of 3.0x
- Unlevered cash-on-cash returns of 35-40% in year two of franchisee operation

High-Growth, Asset-Light Model
- 12 consecutive years of positive same store sales (“SSS”); 2012-2014 stacked domestic SSS growth of 36.2% with 2015 SSS growth of 7.9%
- System-wide 2015 sales of $821 Million - 21% year over year growth
- LTM Adjusted EBITDA margin of 35.5%
- High cash flow conversion

FEBRUARY 20-23, 2016 // SAN ANTONIO, TX
**Current Units, Target Markets, and Per Capita Poultry Consumption**

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<td><strong>Europe</strong></td>
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<tr>
<td>Russia</td>
<td>3</td>
<td>20kg</td>
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<td><strong>Leading Candidates</strong></td>
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<tr>
<td>Poland</td>
<td>0</td>
<td>27kg</td>
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<td>Ireland</td>
<td>0</td>
<td>23kg</td>
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<tr>
<td>France</td>
<td>0</td>
<td>16kg</td>
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<tr>
<td>Germany</td>
<td>0</td>
<td>12kg</td>
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<td>United Kingdom</td>
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<td>11kg</td>
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<tr>
<td><strong>Africa</strong></td>
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</tr>
<tr>
<td>South Africa</td>
<td>0</td>
<td>18kg</td>
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<tr>
<td><strong>Asia</strong></td>
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<tr>
<td>Singapore</td>
<td>2</td>
<td>31kg</td>
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<tr>
<td>Philippines</td>
<td>9</td>
<td>8kg</td>
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<tr>
<td>Indonesia</td>
<td>10</td>
<td>4kg</td>
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<tr>
<td><strong>Middle East</strong></td>
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<tr>
<td>UAE</td>
<td>1</td>
<td>21kg</td>
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<tr>
<td><strong>Leading Candidates</strong></td>
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</tr>
<tr>
<td>Saudi</td>
<td>0</td>
<td>39kg</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0</td>
<td>32kg</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0</td>
<td>24kg</td>
</tr>
</tbody>
</table>

- **Americas**
  - Mexico: 34 units, 23kg
  - Brazil: 0 units, 43kg
  - Canada: 0 units, 32kg
  - Colombia: 0 units, 13kg
  - PR / Caribbean: 0 units, 13kg

- **North America**
  - U.S. Consumption: 32kg

- **South America**
  - Leading Candidates:
    - Brazil
    - Canada
    - Colombia
    - PR / Caribbean

- **Europe**
  - Leading Candidates:
    - Poland
    - Ireland
    - France
    - Germany
    - United Kingdom

- **Asia**
  - Leading Candidates:
    - Malaysia
    - Australia
    - New Zealand
    - Taiwan
    - Thailand
    - China
    - India

- **Middle East**
  - Leading Candidates:
    - Saudi
    - Kuwait

- **Additional Information**
  - 6 Markets
  - 59 Locations
GOING FORWARD SAME DNA / ADAPTED PROPOSITION

Pre-Market Launch Assessments to focus on.....

• Design
  – Fast Casual - contemporary
  – Push away from “Fast Food”
  – Dine-in focused
  – Sports alternative model where applicable

• Menu
  – Introduce Wings as center of plate
  – Diminish perceived wait time
  – Sides and Appetizers

• Service
  – Table delivery
  – Plate ware
  – Hospitality
<table>
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<th>Asia and Oceania:</th>
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<th>Middle East and Africa:</th>
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<td>Hong Kong</td>
<td>Bosnia</td>
<td>Egypt</td>
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<tr>
<td>Central America, South</td>
<td>Indonesia</td>
<td>Bulgaria</td>
<td>Gabon</td>
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<tr>
<td>America and Caribbean:</td>
<td>Japan</td>
<td>Croatia</td>
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<td>Argentina</td>
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<td>Jordan</td>
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- Est. in 1878 in US
- Over 450 locations
- 70 countries
- 1st franchise in Germany in 1889
Today’s Agenda

• Presenter Bios
• Infrastructure Profiles – Current State and Future Plans
• Funding International Operations and Growth
• International Best Practices in Support, Training, Operations, Marketing and Development
• Questions and Answers
Funding International Operations and Growth

- What are the key drivers of infrastructure needs for your organizations?
  - Development model and franchise format
  - Brand and industry specific considerations
  - Geographic scope and expansion
  - Pace of international unit level expansion
  - Need for dedicated international functional support

- What are the best practices for budgeting and securing funding for your infrastructure needs?
  - New Unit Development
  - Revenue
  - Foreign Exchange Impact
  - Overhead
  - Research and Investment Spending in New Markets
  - Franchise Sales Marketing Budgets
  - EBITDA and Margin Targets

- What guidelines drive stakeholder expectations on growth, funding overhead and profit?
- Are stakeholders able to take an intermediate to long term view on profitability and value creation?
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## Success factors

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<th>Success factors</th>
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| World-class support system           | • Strong support system attracts high-quality franchisees  
• Validates international royalty rates and fees  
• Allows franchisee to focus on their market and their operations  
• Franchisees are willing to give up some level of control when they receive a high level of support |
| Brand Management and QA              | • Maintain brand equity  
• Ensure consistency of customer experience  
• High quality operations increase customer satisfaction  
• Customer satisfaction builds sales and brand loyalty |
| Localization and Innovation          | • Evolve offering to meet changing customer needs  
• Drives store traffic and grows same store sales  
• Improved store economics makes franchise more attractive  
• Maintain credibility with franchisees by improving their bottom line |
International Best Practices - Training

- What training systems do you have in place for new franchisees?
  - New Franchise Orientations
  - Training for Masters and Area Developers
  - Unit Level Training Programs
  - Training Support for New Market Openings
  - Ongoing Training To Support Product Rollouts and New Business Initiatives

- How do you administer training in foreign markets?
  - Direct Support or Via Masters
  - In-person visits, electronic communications, web-based learning management systems
  - Who handles translation requirements associated with training?
International Best Practices – Systems Transfer

• How do you ensure your brand, products, facilities, operations and systems are properly transferred to international franchise markets?
  ➢ Supply Chain Development and Management
  ➢ Product Quality
  ➢ Marketing – research, products, positioning, advertising
  ➢ Building prototypes – furniture, fixtures, equipment
  ➢ Point of Sales Systems – IT Platform
  ➢ ERP – Above Retail Reporting and Performance Communication

• How much localization is required?
  ➢ Suppliers
  ➢ Language
  ➢ Product
  ➢ Facility
  ➢ Service Modifications
International Best Practices – Operations Support and Monitoring

• What systems are in place to provide ongoing support and system compliance?
  ➢ Field Based Personnel
  ➢ Operational Assessments, Monitoring and Compliance
  ➢ Quality Assurance and Safety – Retail Level and Suppliers
  ➢ Internal and Third Party Resources
  ➢ KPI Reporting – Sales, Service Metrics, Profitability
  ➢ POS and Above Restaurant Reporting
  ➢ Consumer Feedback

• Who is responsible for ongoing support and compliance (Franchisor, Master, Franchisee)?
• How are third party quality audits or compliance reviews funded?
What are the best practices in providing Marketing support to international markets?

- Market Entry Research
- Brand Positioning
- Agency Selection and Support
- Transfer of Brand Assets
- Product Offer and Menu Development
- Social and Digital Media Platform and Presence
- Public Relations and Launch Support
- Localization of Creative Assets and Logos
- Translation Considerations
- Advertising Support

As a franchisor do you deploy funds for marketing and advertising support in foreign markets?

Do you maintain international, local and regional Ad Funds?
International Best Practices – Development and Supporting Growth

• Successful Development Usually Starts with Finding the Right Partners? How do you ensure you onboard the right franchisees in your systems?

• What tools and systems are in place to position developers for success?
  ➢ New Franchise Onboarding and Orientation Process
  ➢ New Market Entry and Planning Process
  ➢ Prototypes: Design Specs, Development Manuals, Material Specs, Equipment Vendors
  ➢ Localization of Materials, Product Sourcing

• What are the best practices for optimizing site acquisition and market penetration?
  ➢ Market Mapping, Trade Area Identification and Market Holding Capacity
  ➢ Real Estate Planning and Site Acquisition
  ➢ Project Management – Layout Feasibility and Design
  ➢ Site Review and Approval
  ➢ Construction in Progress Support

• What additional support do you provide to Master Franchisees?
  ➢ Franchise Sales Training, Lead Generation, Tracking, Application Review and Processing
Successful International Franchisors Invest In:

- People
- Systems
- Processes
- Technology
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