Tim Hortons

The Story of Tim Hortons

The Tim Hortons chain was founded in 1964 in Hamilton, Ontario. The chain's focus on top quality, always fresh product, value, great service and community leadership has allowed it to grow into the largest quick service restaurant chain in Canada specializing in always fresh coffee, baked goods and homestyle lunches.

The first Tim Hortons stores offered only two products - coffee and donuts. The selection of donuts to enjoy was highlighted by two original Tim Hortons creations, the Apple Fritter and the Dutchie. They became the most popular donut choices in the 60's, and remain two of the most popular today.

But as consumer tastes grew, so did the choices at Tim Hortons. The biggest change in the chain's product focus took place in 1976 with the introduction of the phenomenally successful Timbit (bite-sized donut hole), today available in over 35 different varieties. The chain's growth into the 1980's brought about a whole series of new product introductions: muffins (1981), cakes (1981), pies (1982), croissants (1983), cookies (1984), and soups & chili (1985). Sandwiches, which were originally introduced in 1993, were re-introduced as a new and improved line-up of 6 varieties, called "Tim's Own", in 1998. Also, in the 1990's, bagels (1996), flavored cappuccino (1997), Café Mocha (1999) and Iced Cappuccino (1999) were introduced. In 2003, the Turkey Bacon Club sandwich and Maple Pecan Danish were successful menu additions. In 2005 Tim Hortons introduced, Yogurt & Berries, Cinnamon Roll and Hot Smoothee to the menu. Many new great products were added to the menu in 2006 such as the Chicken Salad Wrap and the hot Breakfast Sandwich (eggs, sausage or bacon, processed cheese on a toasted homestyle biscuit).

The chain's biggest drawing card remains its legendary Tim Hortons coffee. The special blend is also available in cans, as are Tim Hortons hot chocolate and English Toffee and French Vanilla cappuccinos, so customers can also enjoy these great tasting products at home.

In addition to our regular stand alone stores, Tim Hortons locations can also be found in shopping malls, highway outlets, universities and hospitals, providing prominent visibility for the chain. Most standard Tim Hortons locations offer 24-hour drive-thru service, catering to consumers on the go. Combo unit locations, which house both a Tim Hortons and Wendy's, offer customers the convenience of both restaurants under one roof.

In 1995, Tim Hortons merged with Wendy's International, Inc., giving new focus and impetus to the expansion of the Tim Hortons concept in the United States. Tim Hortons locations can presently be found in Michigan, Maine, Connecticut, Ohio, West Virginia, Kentucky, Pennsylvania, Rhode Island, Massachusetts and New York, with responsible expansion continuing in these core markets. The Canadian operation is 95% franchise owned and operated, and plans in the U.S. call for the same key strategy to be implemented as expansion progresses. Currently, there are more than 2,800 stores across Canada, and over 400 locations in the United States.

In March 2006, Tim Hortons completed an initial public offering of the company and was fully spun off as a separate company as of September 29, 2006. Tim Hortons trades on the NYSE and TSX (THI).

Franchising Program

Franchise Cost: $430,000 to $480,000* plus all applicable taxes (this includes a drive-thru)

Additional Working Capital: (start-up costs) $50,000 (unencumbered)

At least $144,000 of the franchise cost must be unencumbered (cash or liquid assets) in addition to the $50,000 working capital which must also be unencumbered. The remaining amount may be financed through various lending programs offered by the chartered banks, providing, of course, the candidate meets the normal borrowing requirements.

The specific cost of a Tim Hortons license will depend upon the Tim Hortons building size and the required furnishings and equipment to be installed. The cost of a Tim Hortons license may exceed $480,000 in certain locations due to higher development costs.

Included in the cost of a franchise is the following:

- all equipment, furniture, display equipment and signage
- 8 week training program in the Oakville, ON, Training Centre
- a store opening crew to assist the opening of the Tim Hortons store (for a maximum period of 2 weeks)
- the use of all Tim Hortons Manuals
- right to use trademarks and trade names
- support from Head Office personnel who have vast knowledge in the food service business.

Not included in the cost of the franchise:

- The building
- The property on which the restaurant is built
- The term of the License agreement is usually 10 years and usually with options to renew for up to a further period of 10 years.

The Real Estate and Development Department approves and secures all locations upon which Tim Hortons stores are built, whether they are leased or purchased. Therefore, an applicant is not expected to bring forward a site and/or concern themselves with the development of such. Once the site is secured, the Construction department begins the process of building the store.

* Subject to change without notice.

News Release

Tim Hortons Inc. Announces 2008 Fourth Quarter and Year End Results - Solid performance in core Canadian business; operating income lower due to previously announced restaurant closures and related asset impairment charge

(All amounts in Canadian dollars)

Financial & Sales Highlights

	Q4 2008	Q4 2007	% Change	2008 Full Year	2007 Full Year	% Change
Revenues	$ 563.7	$ 515.4	9.4%	$2,043.7	$1,895.9	7.8%
Operating income	$ 107.9	$ 116.2	(7.2)%	$ 443.6	$ 425.1	4.3%
Adjusted Operating Income(1)	$ 129.1	$ 116.2	11.1%	$ 467.4	$ 425.1	9.9%
Effective Tax Rate	32.8%	32.6%		32.8%	34.0%	
Net Income	$ 69.1	$ 75.7	(8.6)%	$ 284.7	$ 269.6	5.6%
Diluted Earnings Per Share (EPS)	$ 0.38	$ 0.40	(5.9)%	$ 1.55	$ 1.43	8.6%
Fully Diluted Shares	181.4	187.0	(2.9)%	183.5	188.8	(2.8)%

(1) Adjusted operating income is a non-GAAP measure. For information regarding this measure and a reconciliation to U.S. GAAP, please refer to "Disclosure of Non-GAAP Financial Measure" and Table 1 in this release.

($ in millions, except EPS. Fully diluted shares in millions. All numbers rounded.)

Same-Store Sales(2)	Q4 2008	Q4 2007	2008 Full Year	2007 Full Year
Canada	4.4%	3.8%	4.4%	6.1%
U.S.	(0.1)%	4.2%	0.8%	4.1%

Highlights

- Fourth quarter systemwide sales(3) increased 8.2% on a constant currency basis
- Fourth quarter EPS of $0.38 includes negative impact of approximately $0.08 per share for restaurant closure costs (11 units) and a related asset impairment charge
- 161 new units opened in fourth quarter, 266 for full year
- Board approves 11.1% increase in quarterly dividend to $0.10 per share
- $200 million share repurchase program planned to commence in March 2009
- 2009 outlook and targets established

Source:
http://www.timhortons.com/ca/en/about/news.html?c=195616&p=irol-news&nyo=0