
McDonald's Restaurants (New Zealand) Ltd

FRANCHISE PRELIMINARY INFORMATION



Franchising with McDonald's – A Business Partnership Based on Excellence

McDonald's continually seeks a limited number of individuals who are interested in becoming McDonald's franchisees for all parts of the country. Although our needs may vary from time to time regarding specific areas, opportunities become available either through new restaurants or, more commonly, the sale of existing restaurants.

There will be no foreseeable opportunities for the purchase of new or existing restaurants in the four main centres of Auckland, Wellington, Christchurch or Dunedin. New or existing restaurants will most likely only become available in the smaller provincial towns.

Franchising is a business relationship through which the Franchisee operates the business in accordance with a system and conditions as stipulated by the agreement with the franchisor (McDonald's).

McDonald's franchisees have a major role in the company's growth and ongoing brand success.

With more than 85 per cent of its New Zealand restaurants owned and operated by franchisees, the organisation takes great care in the recruitment, training and retention of these franchisees.

Together with the company's suppliers, the franchisees form independent partnerships in a system designed to ensure success for all involved.

A McDonald's franchisee runs a business with the rewards that come from entrepreneurial ownership, while being supported by world-famous systems in the areas of real estate, construction, operations, training, human resources, marketing and purchasing. Franchisees also experience the enjoyment that comes from working with restaurant staff, customers and their local community, as well as contributing to McDonald's overall achievements through the open exchange of ideas.

Franchising Criteria

- Only individuals can be approved as Franchisees. The individual so approved must be personally and fully involved in the operation of the restaurant.
- The term of a standard Franchise is generally 20 years, however this may vary where sites are leased, and the length of the Franchise term will be relative to the real estate tenure. Also if an existing restaurant is purchased, the initial Franchise will cover the remaining term, with provision to be granted a 'New Term' franchise at the date of expiry subject to certain criteria being met.
- McDonald's selects all restaurant sites and either owns or leases the land and building. For a new restaurant, the franchisee purchases an equipment package. If a franchisee purchases an existing restaurant they will pay for the business value, one component of which will be the value of the equipment. The specifics of the relationship between McDonald's and a franchisee are embodied within a formal Lease and Licence agreement.
- McDonald's standard Franchise fee is \$75,000+GST; however if the restaurant is purchased from another franchisee then no franchisee fee is payable.



- A security deposit of \$25,000 applies at time of purchase. This money is held by McDonald's Restaurants as security for non-payment of invoices. At the conclusion of the franchise term or in the event of the franchisee selling; this money will be refunded providing no outstanding debt is recorded.
- Restaurant prices vary depending on whether they are offered 'new' or as a 'going concern'. To that end individuals considering franchise opportunities with McDonald's should be financially sound, with a minimum of \$1,200,000 of unencumbered funds available at the time of application. Regular credit checks will be carried out and also a personal statement of financial position will be requested periodically. This must be signed off by your accountant or lawyer.
- McDonald's pricing philosophy is based on low margins and high volume; therefore, tight controls on inventories and other costs are essential. Volume comes from many areas, not the least being your own personal ability to effectively promote and market your restaurant in your own community, therefore your income really does become based on your ability and commitment.

Franchisee selection and training

The franchisee selection process is competitive and may take several months to complete. As part of this process, applicants may be required to participate in a 3-day restaurant due diligence process. This allows McDonald's to better assess the attributes the applicant possesses, whilst also giving the applicant the opportunity to experience the environment and business first hand. At the completion of this, a recommendation will be made to McDonald's Country Management Team. If successful, a final interview will be conducted; unsuccessful applicants will be notified.

McDonald's seeks to recruit highly motivated individuals with a proven ability to build an organisation and demonstrate a pioneering spirit and leading edge attitude. Honesty and integrity are fundamental attributes of individuals that choose to learn and grow with McDonald's. The ability to motivate, coach and develop others to provide outstanding customer satisfaction is essential.

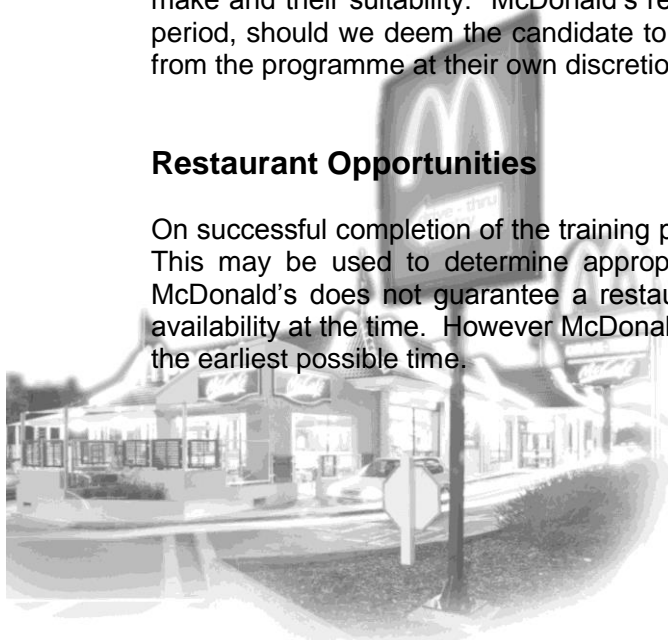
Successful applicants will participate in our 12 month full-time training programme. Ninety five percent of the training is completed in a McDonald's restaurant. Wherever possible, McDonald's will try and accommodate training relative to the candidates home; however this is not always possible. In this instance, McDonald's may require the candidate to move or travel to the appropriate region.

McDonald's makes no payment to the candidate during this training period. In addition the candidate will be required to complete 6 core Management Training Courses. Five of the six courses are held regionally, within New Zealand, the sixth course is held in Australia. All costs associated with attendance at the courses (travel and accommodation) will be the sole responsibility of the candidate.

Being accepted into McDonald's Franchisee Training Programme does not guarantee a Franchise. Throughout the training period, the candidate will continue to be assessed relative to the progress they make and their suitability. McDonald's reserves the right to withdraw the candidate during the training period, should we deem the candidate to be no longer suitable; the candidate can choose to withdraw from the programme at their own discretion without liability.

Restaurant Opportunities

On successful completion of the training programme the candidate's financial position will be assessed. This may be used to determine appropriate opportunities and therefore the timing of the offering. McDonald's does not guarantee a restaurant upon time of completion. Opportunities are subject to availability at the time. However McDonald's will undertake to assist in the facilitation of a transaction at the earliest possible time.



If a restaurant is not available at this time, or the Franchisee Applicant declines the restaurant offered, McDonald's will insist that the Franchisee Applicant continue to remain active within McDonald's until such time that a restaurant is available or the offering favourable.

McDonald's reserves the right, at its sole discretion, to decide which restaurant will be offered. Whilst McDonald's will attempt to meet the preferences of an individual, there is no obligation to offer any particular restaurant or any restaurant in a particular locality.

The information is provided by way of guideline only. It does not purport to be a definitive statement of McDonald's franchising policies.

