

# FINAL TRANSCRIPT

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**THI.TO - Q3 2011 Tim Hortons Inc Earnings Conference Call**

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Nov. 10. 2011 / 7:30PM, THI.TO - Q3 2011 Tim Hortons Inc Earnings Conference Call

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## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by. Welcome to the Tim Hortons third quarter 2011 earnings conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, we will conduct a question and answer session.

(Operator Instructions)

As a reminder, this conference is being recorded Thursday, November 10, 2011. I would now like to turn the conference over to Scott Bonikowsky, Vice President of Investor Relations. Please, go ahead, sir.



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**Scott Bonikowsky** - *Tim Hortons Inc - VP, IR*

Great, thanks Suzie. And, good afternoon, everyone. And, welcome to the Tim Hortons 2011 third quarter conference call. Earlier this morning, we released our results before the market opened. To access earnings material and a presentation supporting today's discussion, please visit our Investor Relations website at [www.timhortons-invest.com](http://www.timhortons-invest.com) and click on the events and presentations tab.

We'll have this material available on the website for a period of about a year. Joining me today on the call are Paul House, our Executive Chairman, President, and CEO, and Cynthia Devine, our Chief Financial Officer. We'll be pleased to take questions after our remarks.

Please note that we may provide forward-looking statements or information this afternoon within the meaning of the Private Securities Litigation Reform Act of 1995 and Canadian Securities laws, which may include discussions about future performance, results, and outlook based on our current expectations and information.

Forward-looking statements are based on a number of assumptions, contain risks and uncertainties and our actual results could differ materially from those statements. Please refer to our 2010 annual report on Form 10-K, we filed this on September 25 of this year, and our quarterly reports on Form 10-Q, which include detailed information regarding risks and uncertainties, which could impact our ability to perform as expected, as well as material assumptions underlying those expectations described in our forward-looking statements.

We'd encourage you to read our full Safe Harbor Statement on our investor website and in the presentation supporting today's call. I'll remind you that all Tim Hortons results are presented in accordance with US GAAP and reported in Canadian dollars unless we note otherwise. For a reference as to non-GAAP measures, a reconciliation to the nearest GAAP measure is provided in our supporting presentation. With that, I'll turn over the call to Paul House, Paul?

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Thank you, Scott. Good afternoon, everyone. Our system enjoyed a strong third quarter with sales momentum in both Canada and the US that contributed to our earnings performance. We built on our progress in the previous quarter by delivering robust third quarter same-store sales growth of 4.7% in Canada and continued our momentum in the US, with strong same-store sales growth of 6.3%.

Several key factors contributed to our performance in the third quarter, and we have also launched initiatives subsequent to the quarter, which I will address in a moment. I believe the growth in our same-store sales is a true testament to the strength of our great brand, as we achieve these results against a backdrop of continued economic weakness and generally challenging macroeconomic conditions.

I attribute much of our strong overall performance this past quarter to continued solid execution of our menu, marketing, and promotional programs, which are designed to build and grow our business. For example, our Real Fruit Smoothies, introduced in Canada earlier this year continue to prove popular with our guests and contributed to the progression we have experienced in average check. This product is a great extension to our cold beverage line-up.

We also introduced two new wrap snackers in the quarter. In Canada we introduced the Greek Feta wrap, and in the US, we introduced the Chicken Chipotle wrap that was also available in a sandwich. These new products strengthened our offering at lunch and during the snacking day parts.

This past quarter, we also added to our bagel lineup with three new specialty bagels, Mixed Berry, Maple Cinnamon French Toast, and Sun Dried Tomato bagel, and, were introduced at a premium price point. We also promoted the hickory smoked

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ham biscuit breakfast sandwich in Canada in the quarter, allowing guests to enjoy our market-leading breakfast sandwiches with smoked ham.

In a competitive environment, with challenging macroeconomic conditions, we actively responded to our guest needs and made further progress in executing our growth strategies. A combination of our same-store sales momentum and new restaurant development contributed to healthy system-wide sales.

From an earnings perspective, there were some moving parts this quarter and in the comparable period of 2010, which Cynthia will provide some color on. But, I will say that we are pleased with our 18% EPS growth, absent the impact of net asset impairment charges and closure cost recovery. I'm going to shift gears now and focus on development.

Consistent with our development strategy, we continue to build our brand scale in Canada and the US during the third quarter, investing in future growth of the system. We opened 41 locations in Canada and 23 in the US in the third quarter, for a total of 64 openings. These sites include a mix of standard and nonstandard restaurants, as well as self-serve kiosks.

As with most years, a significant amount of development in 2011 is slated to take place in the fourth quarter. Our restaurant design continues to evolve both in Canada and the US, as always has been during our history. The restaurants we are building today are very different from the restaurants we built five years ago, and I suspect they will be very different five years from now, as well.

In the US, our restaurant designs have evolved to sharpen our brand position as a cafe and bake shop. We have shown a few images of our current evolution of our US restaurant design on Slides 9 and 10. From a redefined exterior facade that makes it clear to consumers who we are and what we represent to the guest experience inside, our latest designs have significant new elements.

For example, baking is more upfront and center. There is coffee theater as we prepare closer to our guests, and there is a softer seating and lighting. We also have Wi-Fi available at a large number of our US locations, and, the feedback from our guests have been very, very positive.

These and other select design aspects have been introduced into all of our new builds and selectively in renovations where it makes sense. I believe our work in restaurant design supported by additional advertising and operational initiatives have contributed to our brand momentum in the US business.

Our restaurant designs in Canada have also continued to evolve, as we introduce new innovations to respond to our guest needs. As you can see in the images starting on Slide 11, which show a few of our restaurants which opened recently in Canada, we continue to test and significantly enhance restaurant design in our Canadian restaurants.

Our newest designs include more inviting exterior facades, great sight lines, graphic panels that project product quality and freshness, and softer lighting and bench seating, among many other features. In our latest Canadian design, you will also see features such as new floor layout designs to increase the speed at which our guests are serviced and a new format for our kitchens, allowing our guests to enjoy the ambiance of having their food and beverages prepared in front of them.

An important comment I would stress is, that we have a comprehensive ongoing new build, renovation and replacement program that has seen considerable capital investment in our restaurant assets over a long period of time. Historically in Canada, in any given year, we have built somewhere around 140 restaurants, replaced another 20 or so locations that have outlived their useful lives, and renovated, on average, about 100 restaurants a year.

That means we have an opportunity to provide a fresh update for the concept, on average, in more than 250 restaurants each year. In fact, we have opened, replaced, and renovated a collective total of more than 1,300 locations in Canada in the last five years alone.



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We continue to work to defend and grow our brand in Canada. I have shared some of the highlights of the third quarter from a menu and development perspective. And now, I would like to share some additional background on some initiatives that we view as potential future growth drivers.

I spoke about the latest evolution of our Canadian restaurant design and some of our new innovations that we are bringing to the market. Our system is also embarking on a significant rollout of digital menu boards in our restaurants across our Canadian business.

These menu boards are visually striking and we believe will further differentiate us from our competitors. Together with new menu boards for our drive-throughs that allow our guests to move easily, more easily identify their favorite products, while allowing us to improve order accuracy, this initiative represents a combined investment of approximately CAD100 million.

With the additional investment funded through our ad fund. This initiative will be rolled out through the next year in Canada. Most of you probably heard or read about our recent announcement that we are launching espresso-based lattes, mocha lattes, and cappuccinos made with premium espresso across North America.

We believe this exciting new lineup, adding to our already strong specialty offerings under the Tim's Cafe Favorites umbrella, will help bring high quality espresso-based coffee beverages to the main stream at very affordable prices. While specialty coffee represents a relatively small part of the overall coffee market, it is a growing segment, and we believe our entry with such a meaningful and relevant offering will reinforce our continued coffee leadership in Canada.

We will launch November 14 across Ontario, and in mid-December in all other Canadian and US markets, where we have already been testing the offering in various regions. We have worked very hard to create the speed of service and quality that our guests have come to expect from Tim Hortons. However, at the same time, we don't want our guests to break the bank to enjoy a premium espresso-based latte or cappuccino. With a price point starting at CAD2, we believe these drinks are affordably priced and are a great addition to our hot beverage platform.

You may have also noticed that we have recently extended our breakfast hours from 11.00 a.m to noon in Canada. We already enjoy the number one Canadian breakfast market share by a wide margin and sell significantly more breakfast sandwiches, wraps, and coffee at breakfast than anyone else. The breakfast day part is our greatest strength and extending hours to noon responds to our guest needs.

We believe we have an opportunity to grow additional share of the late morning business heading into the lunch day part. Collectively, these, and other initiatives I discussed, in my view provide a great platform for us to continue building momentum and further reinforce loyalty among our guests.

Another avenue of growth I'd like to touch upon very briefly, although, this way of growth is very much focused on the long-term, is international expansion. As many of you are aware, our master licensee apparel opened the doors of the first Tim Horton's restaurant in Dubai in a soft launch in September and the response in the local market was very well received. Initial sales exceeded our expectations, but of course it is very early days.

While the results have been encouraging, we are focused on the bigger picture, as additional restaurants open their doors and we can get a feel for longer term trends and learnings from our experience in the market. We are on track to have five Tim Hortons restaurants in the GCC by the year end, with grand openings planned before the end of the year. We continue to learn from these initial milestones and early progress.

To conclude, overall, we had a strong quarter, with solid sales and underlying earning growth. We are focused on executing our strategic growth plan initiatives and believe that the collective activity we have under way will continue to build on our progress and momentum. With that, I will turn it over to Cynthia.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

Thanks, Paul, and good afternoon, everyone. As Paul mentioned, the business performed well in the third quarter, as we continued to gain traction from new product introductions, promotional activity, and disciplined execution of our operational and other growth initiatives.

Our underlying financial results were driven by strong same-store sales performance. However, it's also important to note at the outset that the year-over-year earnings growth comparisons were impacted by two significant factors, those being our asset impairment charge last year, and the sale of our 50% joint venture interest in Maidstone Bakeries also last year. I'll describe the impact of those two items in more detail when I discuss our earnings.

But, I'll begin by providing some color on our top line growth, which was strong, both in Canada and the US, and then, I'll shift to our financial performance. We grew system-wide sales by 8.2% in the quarter on a constant currency basis, due to our solid same-store sales growth in both Canada and the US and our ongoing restaurant development.

In the third quarter, our Canadian segment built on its same-store sales improvement in the previous quarter, with a healthy 4.7% year-over-year increase. This performance out-paced growth in the first half of the year. Solid gains in average check drove the improvement, benefiting from a combination of favorable product mix related to our new products, and promotional activities, and from pricing that was previously in the system.

We grew total system transactions, as we continued to expand our restaurant base. But, transactions declined moderately on a same-store sales basis. We believe the continued economic weakness and challenging macro operating conditions were factors that contributed to this dynamic.

Once again, our US business had a stellar quarter from a same-store sales growth perspective, increasing 6.3%. Third quarter same-store sales growth in the US was driven mainly by average check, but the business also benefited from moderately higher transactions. Our improvement in average check was due to incremental pricing, which was previously in the system, and from a lesser extent, to favorable product mix.

I'm going to turn to revenues now, that you can find on Slide 18 of the presentation. Our total revenues increased 8.4% in the third quarter to about CAD727 million. That was compared to about CAD671 million last year. Our positive system sales growth resulted in higher rents and royalty revenues and distribution sales that were driven by higher underlying product demand.

Distribution sales, however, did outpace our system sales growth, and that's primarily due to higher commodity costs, particularly relating to coffee, that are moving through our supply chain. Rents and royalties increased by 6.8% during the third quarter, driven by the system-wide sales growth.

And, our franchise fees were up by 3.6%. On Slide 19 of the presentation, you can find information on costs and expenses. Total costs and expenses grew 6.8% during the third quarter. The largest driver of the increase this quarter was cost of sales, which were up fairly sharply by about 13.5%.

This increase reflects the higher system-wide sales that we talked about, and it's also the rise in product costs in our distribution business, again, related primarily to coffee. The increase also reflects the impact from the previous sale of Maidstone Bakeries in 2010.

Cost of sales subsequent to the bakery sale is now recorded at essentially the selling price from the bakery versus the manufacturing costs, as previously was the case. Our cost of sales also incorporates start-up costs from our replacement distribution center in Kingston, Ontario, which were contemplated in our full-year targets.

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Total operating expenses were up just under 6%. These expenses, which represent primarily rent expense, depreciation, and other property and related support costs, were higher mostly due to a greater number of restaurants in our system, and higher percentage rent due to increased restaurant sales on properties which we pay percentage rent.

G&A expenses declined in the third quarter, down by about 3%. This drop was mostly due to lower professional fees compared to last year. And, this was offset in part by additional investments that we directed to advertising and promotional activities in our US business, as well as brand building activities for Cold Stone Creamery in Canada.

I'm now going to turn to earnings, which you can find beginning on Slide 20 of the presentation. But, before I discuss the various earnings line, I'm going to go into -- give some perspective on the two significant factors that I referenced that affected our earnings on a comparable basis to last year.

So, if you'll recall, in our third quarter earnings last year, we included a CAD20.9 million asset impairment charge related to the US New England region. This year we had an asset impairment charge, net of recovery, from previously accrued closure costs of about CAD400,000. I'll describe this in more detail when I discuss the US segment in a moment.

Going the other way, however, our 2010 operating income included CAD16.5 million in earnings from Maidstone Bakeries, which are not in our results in the third quarter of 2011, although we did benefit from CAD2.1 million of deferred gain this quarter that arose from the sale. Third quarter operating income was approximately CAD153 million.

To help quantify the net impact of the impairment charges and the bakery sale, adjusted operating income, excluding these items, was up about 10%, and, that was really driven by our healthy system-wide sales and more moderate growth in our expenses. So, again, I would refer you to our non-GAAP reconciliation of the adjusted operating income to operating income, which is included at the back of the presentation on Slide 26, and that has all the details of the calculation.

Net income attributable to Tim Horton's increased by about 40% due to the two factors that I just reviewed, at a favorable effective tax rate, compared to the same period last year. The significant difference in year-over-year effective tax rate was due primarily to the asset impairment charge taken in 2010, for which there was no tax benefit recorded on that charge.

Third quarter diluted EPS was CAD0.65 compared to CAD0.42 last year. The increase includes CAD0.12 per share impact from the 2010 numbers that arose from the asset impairment charge. Absent this charge and the restaurant closure cost recovery this year, diluted EPS would have increased by just about 18% for the quarter.

The cumulative impact of our share repurchase program has been a substantial contributor to this EPS growth. At the end of the third quarter, we had approximately CAD64 million available in our current share repurchase program, which is due to terminate on or before March 2, 2012.

So, all in all, we were pleased with both the top line sales growth and our underlying consolidated operating performance in the quarter. So, I'll shift gears now and I'll discuss both our Canadian and US segments. You can find the information for these segment reports on Slide 21 of the presentation.

We are again generally pleased with the performance of both our segments in the third quarter, particularly from a top line perspective with the healthy system sales growth that we experienced. Our Canadian segment operating income was approximately CAD160 million, and that was growing at about 4.5% over last year.

The higher system-wide growth drove our rent and royalty revenues and our distribution income. It's also important to note that our Canadian segment operating income growth incorporates approximately CAD6 million of net reduction compared to last year due to the sale of the 50% joint venture interest in Maidstone Bakeries. We also incurred start-up costs for the Kingston replacement distribution center, which are also included in these Canadian results.



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However, we were pleased to deliver this project, which is substantially complete under budget. The Kingston distribution center capital spending is approximately CAD36 million on a budgeted investment of up to CAD45 million. Now, switching over to our US segment. We had operating income of just under CAD3 million.

And, it benefited from many factors, including our strong system-wide sales growth, which, again, boosted rents and royalties and distribution business in the US, as well. We had an overall favorable impact of CAD500,000 in our US segment operating income, which related to a recovery of CAD1.5 million of previously accrued restaurant closure costs from the New England region.

Now, this was offset in part by an impairment charge related to current real estate values in our Portland market. Absent the impairment impact, operating income growth was down in the US segment, due in part to an allowance we recorded on notes receivable under our US franchise incentive program resulting from a decline in the value of associated collateral.

On a year-to-date basis, our US operating income is CAD9.5 million, showing a meaningful improvement over the prior year as the result of a number of targeted initiatives that have supported the strong sales performance that they have achieved. We remain very pleased with the progress in our US business. Now, I'm going to conclude by outlining our financial position at quarter end. You can find that information on Slide 22.

At quarter end, we had approximately CAD91 million in cash and cash equivalents, reflecting investments in share repurchases made since the end of last year when our cash position was much larger due to the proceeds that we received from the sale of Maidstone Bakeries. Our total cash capital expenditures were about CAD43 million in the third quarter, and this is really focused on new restaurants, renovations, and replacements, similar to what Paul spoke about earlier in his remarks.

Depreciation and amortization in the third quarter was approximately CAD29 million, and we had approximately CAD2.1 billion in total assets at the end of the quarter. On balance, we are very pleased with our performance in the third quarter, as we continue to advance our strategic growth initiatives and build our business. So, with that, I'll pass it back to Scott.

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**Scott Bonikowsky** - *Tim Hortons Inc - VP, IR*

Okay. Thanks, Cynthia. Suzie, if you would begin now and start the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

Thank you.

(Operator Instructions)

Irene Nattel, RBC Capital Markets. Please proceed with your question.

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**Irene Nattel** - *RBC Capital Markets - Analyst*

Thanks, and good afternoon, everyone. We have been hearing and reading an awful lot about McDonald's redoubled effort here in Canada around coffee and renovations, retro fits. And wondering what you're seeing, if you're seeing any impact, and whether that might have had any role in the slight transaction count decline in Q3.

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, Irene, there's a fair bit of competitive activity in the whole coffee segment, it's not just McDonald's. As you well know, Subway, and a number of Starbucks, and a lot of people have been very active in the coffee business. I think the economic conditions that we play in today are very challenging. We've grown overall transactions, but we have seen a slight decrease in transactions in some stores.

But, to put your finger on exactly why they are down is difficult, because we have markets where we have very little competition and we see a slight decline in transactions in those markets. So, I think it's reflective of the economy. Overall, sales are up and the fact that we add a lot of restaurants every year.

So, there's a lot of factors that factor into that. So, we're not -- we don't like to see that, but we think it's going to reverse. We think that with the economy improving and with the -- some of our initiatives that we've got under way, I think that you'll see that return to normal.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

And Irene, this is not too dissimilar to trends that we saw back in 2008. We talked about this as well. The consumer was under a lot of pressure at that point in time. And, our customers, or our guests visit us so frequently that sometimes you see that, if they are coming to you multiple times a day, does one of those gets cut out when they're challenged, when you have high gas prices and grocery costs that are also rising.

And so, we saw similar things in 2008 and so we were able to flex our menu and do other things to combat that. You'll see some of the initiatives that we're bringing out now we think are really aimed at those types of things as well.

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**Irene Nattel** - *RBC Capital Markets - Analyst*

That's great, thank you. And, just one more, if I might. Any comment around the CEO process? Not that we don't love you, Paul.

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

I'm still here and alive. Yes, the -- we're still in process, Irene. And, as we said, and I stated a few months ago -- or about three months ago, that, we, we're going to take our time with this. We're doing -- we're looking at external candidates and internal candidates, and we're going to take our time and make sure we have the right successor to name at an appropriate time.

And, we will not cut corners to get there. We're going to take our time, and so, stay tuned. Meanwhile, I'm having fun running the business with the gang and I'm motivated and having great fun. So, I hope they take a little longer. I'm kind of having fun here.

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**Irene Nattel** - *RBC Capital Markets - Analyst*

Well, we love having you here, Paul. Thank you. You, too.

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**Operator**

Thank you. Michael Kelter, Goldman Sachs. Please proceed with your question.

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**Chris Oroni** - *Goldman Sachs - Analyst*

Good afternoon. This is actually Chris Oroni in for Michael. Zeroing back -- or circling back on the traffic declines in Canada, any chance that it could be a response to the pricing you took earlier in the year? And, have you been able to do any consumer testing to figure out what the elasticity to those pricing increases were?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Pricing is a difficult thing. Obviously, any time you take pricing, in our case, in anybody's case, I guess, you don't like having to take it. Certainly in poorer economic times, it's even more dangerous, if you like, for lack of a better term.

But, I think initially any time you change the price, you might see a slight decline. Then it usually recovers from that. So, I think it's more the economy of what we're dealing with in a lot of our markets. And, that is showing some slight decline at this point in time.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

We did see average check go up and one of the biggest drivers was product mix. And, we think because we represent great value at -- quality and value products that we were able to -- people made additional purchases when they came to our restaurants. We think that's a positive sign as well because of the great value that our brand represents.

**Chris Oroni** - *Goldman Sachs - Analyst*

Great. That's helpful. And, really quickly on the US same-store sales figure, which was obviously strong again this quarter. Have you seen any difference between the existing markets, like Buffalo and the markets where you're growing for the first time?

And, within that, helping us to understand whether or not certain day parts are catching on more in these front line markets in the US as opposed to what you see on a normalized basis in Canada. Thanks.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

We saw growth across most the markets in the US that was very strong. And, particularly when you look at the core markets that we've been focused on and we've really stepped up our advertising. We've done a lot around menu expansion and promotional activities. And, we saw growth in all those markets that was significant. And, I think from a day part perspective, I think the US team and the marketing team have done a great job of products at all the day parts.

And, we've done some things with breakfast sandwich in the morning and some things at lunch as well. We were testing a panini sandwich that we've now launched in the US. So, there's been news on all fronts. So, I don't think we could say that it's one day part in particular. But, I think it's a combination of a number of things that are working very well in that market.

**Chris Oroni** - *Goldman Sachs - Analyst*

Great, thanks.

**Operator**

Thank you. Michael Van Aelst, TD Securities. Please proceed with your question.

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**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Hi. Can you give us a little bit of color on the degree of success for the new products that you've launched over the last little while, including the lasagna casserole. And, which of these you think are going to be permanent and which are temporary?

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

Well, it's very early with the lasagna. We've only been in the market for about two weeks. But, we've had great acceptance to the product. And, we got, certainly, lots of publicity on the introduction of the product, which we were pleased with and we've had good feedback.

Our specialty bagels that we did back in September, we had a tremendous response to those, and wonderful feedback. And, they are staying on the menu. They are about a CAD0.35 premium. So, we had fruit smoothies earlier in the year. Our product introductions we've been done this year, we've been very, very pleased with.

**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Okay, great. And, you mentioned on the Kingston, DC, that you have had some start-up costs. Are you able to quantify those at all for us and let us know when you expect these to roll off?

**Cynthia Devine** - Tim Hortons Inc - CFO

They weren't material, obviously, but they were less than a couple million dollars. As we said, we anticipated this as we ramped it up and we expect to get closer to full operation by the end of the year. But, any time, -- as you will recall, when we did this in 2007, I believe, with the Guelph distribution center. Any time you open a facility of this size, you absolutely expect some disruption.

So, the team is working on getting it ramped up and making sure that we get products to our restaurants. That's the most important thing we can do. So, they are focused on it and I think we'll be fully operational at the end of the year or early into 2012.

**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Okay, thank you. And, just finally, on the US business, can you discuss a little bit of why the profit isn't following the same-store sales higher? And, maybe also give us some color on what this allowance on notes receivable was?

**Cynthia Devine** - Tim Hortons Inc - CFO

Sure. That was probably one of the biggest factors, and it was I think about CAD1.1 million related to the allowance that we took on those notes. Given the market conditions, and we've discussed this in the past, that we had chosen to extend the term of certain of our franchise incentive plans financing notes, really beyond the original two-year term that we had established for them.

And, in these situations where we do that, we believe it's better for us to continue to hold the note rather than move the franchisee to third party financing. So, although we believe in most cases that we're either going to collect on the note or we're going to move the owner to an equipment rental arrangement, we're required to take an allowance on the note, really to reflect the current value of the notes collateral.

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And, in this case, the collateral's essentially the net book value of the restaurant equipment, as under the franchise agreement. We actually have the right to take the restaurant back if there's a default on the note. So, what we've done in the quarter is really taken those notes and written them down to essentially the current net book value of the assets.

So it's -- we absolutely believe this is the best way to have our operators and give them the highest chance of success. But, it's just something that we were required to do in accordance with the accounting standards.

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**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Is this a cost that we should expect to see somewhat regularly in the short-term at least?

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**Cynthia Devine** - Tim Hortons Inc - CFO

I think as you -- we're not doing a lot of these notes anymore at all actually. Most of the restaurants that we're opening now, we're opening under a rental agreement right away. But, you'll see some, as we continue, if we hold the notes, you'll see some continued, I'll call it, allowance on it, almost like an amortization of it. But, it shouldn't be to the same magnitude.

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**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

All right, thank you.

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**Operator**

Thank you. Perry Caicco, CIBC World Markets. Please proceed with your question.

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**Perry Caicco** - CIBC World Markets - Analyst

Thank you. On the upcoming launch of the cafe favorites, will there be any material, corporate rollout costs to this business over the course of Q4?

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**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

No. No, there won't, no.

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**Cynthia Devine** - Tim Hortons Inc - CFO

Similar to anything that we launch, we always have, obviously, a lot of support that we put behind it, but it would be no different than significant other launches that we've had through our ad fund.

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**Perry Caicco** - CIBC World Markets - Analyst

And, do you have any indication about the, well, obviously you do, about the margins on the product and whether you think these products will contribute to margins, or -- and/or shift business from current coffee users?

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

I think the biggest thing, Perry, is that the menu price is higher than your regular coffee. And, margins are in line with your coffee line, your overall coffee line, which are favorable. And so, I think it will only help the restaurants in that it should help to raise the average guest check as it gets some penetration. And, should at least maintain or improve the margins that we already experience.

**Perry Caicco** - *CIBC World Markets - Analyst*

Okay, and as you roll out sort of these new products on top of your recent new products, how do you balance the trade-off between the number of items in your offering and the complexity or cost of operation?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, we're always looking at the menu. And, we don't -- there's always product coming off the menu as we put other products on the menu. And, some items are meant to come on the menu and then, for a period of time, and then leave the menu.

So, we keep a close eye on it and we review it with our franchise body all the time and make sure we're not having any overlook. But, I think we've got a very nice balanced menu to date. I think we're excited about this new line-up of specialty drinks. We've been in the business for a number of years, we tested this product in the marketplace.

In fact, we tested bean to cup in the DC market for the past three years. And so, we've had a lot of learnings on this and we're really excited about the technology that we have with our offering and the ease of service at the store level and the real price -- beautiful price point that we can bring to the consumers. So, we think in the long-term, this will be a nice growth vehicle for us.

**Perry Caicco** - *CIBC World Markets - Analyst*

And, it's probably a related question, but could you tell us a bit about the afternoon/dinner day part, how much of your business is it today? And, which of the latest and upcoming products really go after that particular slot?

**Cynthia Devine** - *Tim Hortons Inc - CFO*

When we look at our day parts, we always talk about that no two-hour time period represents more than 20% of our restaurant sales. Obviously, our restaurants are busier in the morning than they are in the afternoon. But, some of the products that we've brought in of late, the fruit smoothies, the wrap snackers, those types of things are really helping drive the snacking occasion, which is your afternoon snacking.

You'll see some of those products in, early evening as well. And then, from a lunch standpoint, things like the lasagna casserole, they are clearly aimed for our lunch business. But, there's a lot of people that see that as alternative for a quick stop-in for the dinner day part as well. And, not that that's necessarily the focus, but we certainly see that we pick up some of that with products like the lasagna casserole.

**Perry Caicco** - *CIBC World Markets - Analyst*

Okay, thank you.

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**Operator**

Thank you. David Hartley, Credit Suisse. Please proceed with your question.

**David Hartley - Credit Suisse - Analyst**

Hi, thank you. Good afternoon. Just picking up on the menu, you've had great success in moving things around and improving the price point.

At what point do you find -- or is there a point where you have to actually simply just add to your menu as opposed to moving things around? In and out type of products or rolling things off the menu as you add new things? When do you -- do you have to get to a point -- will there be a point where you simply are adding?

**Paul House - Tim Hortons Inc - Executive Chairman, President & CEO**

I don't think so. I think if you look at our chain over its history, it's been -- we started as strictly as a coffee and doughnut chain. What I like to use is we had fences of permission from -- by the consumer, which were very narrow.

What we've done over time, very successfully, is we have broadened those fences. Which the consumer gives us permission to play in other day parts. Initially, we were really just an early morning breakfast, offering coffee and so forth. And, by lunch in the early days, we were pretty much done with business.

But, today, by increasing the menu and broadening it, we've been able to increase our business on all day parts. And, as the population changes, and demographics change, menu changes will always be there and needed. But, just to add for the sake of adding, I don't think we'll ever do that.

**Cynthia Devine - Tim Hortons Inc - CFO**

The thing that allows you, though, a lot to play in a lot more categories today than you could in the early days is the technology that's available on restaurant equipment allows you to produce things in a manner that's consistent with our speed of service commitment.

And, it allows us to have that broader menu through the utilization of equipment that is far better than what it was many years back. So, that does allow to us have that broader menu and still continue to meet our service needs.

**David Hartley - Credit Suisse - Analyst**

Does it create any complexity in store with the staff and changing products around? Are you coming up against that a little bit more nowadays, or has technology allowed you to circumvent that?

**Paul House - Tim Hortons Inc - Executive Chairman, President & CEO**

I think technology has allowed us to circumvent that. We play in three main buckets of business in beverage and snacks and prepared foods. Each has its own and each -- the wonderful world of technology today allows you to produce some great products and make it very simple for the staff to prepare and serve.

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And, more importantly, serve -- meet your speed of service requirements. That's the biggest factor to limiting your menu offerings. Can you deliver it with speed? Because that's the biggest hurdle we always have to get over with any product we bring to the marketplace.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

But, the other thing, just in terms of the depth and breadth of our operations team, we take training, when we're bringing something new into the system, we take training pretty seriously to make sure that, to Paul's point, that we can meet the speed of service. There's so many touch points between our operations group and our restaurant owners to make sure when we bring something in, that we have trained people.

It takes -- the good news is that usually when we bring something in, the frequency with which it's purchased helps you learn very quickly to get up to speed, to get up to speed on the preparation of the product. But, it's definitely something we think of every time we roll something out.

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**David Hartley** - *Credit Suisse - Analyst*

Okay, and just changing gears a little bit on the second question here. The US business, you took a charge last year and I believe by closing restaurants, it would save you somewhere in the neighborhood of CAD4.5 million. How much of that savings are you lapping in this quarter from a year ago? Or does it just come into this year's quarter? Did you save like CAD1.5 million this quarter from that?

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

We've saved throughout the year, but as we talked about last year, we reinvested about half of that back into the business.

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**David Hartley** - *Credit Suisse - Analyst*

Right.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

And, in terms of our stepped-up marketing initiatives that we've done in our core markets. And so, we have spent that back. And, I think you're seeing that as one of the big contributors to the top line growth that we're achieving in our US business.

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**David Hartley** - *Credit Suisse - Analyst*

And, have you asked your franchisees to also step up participation in that? Or have you stuck with the program there?

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

We've stuck with the program.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

Our franchisees contribute 4% to the ad fund in the US. So, this is just a contribution above that to try to really increase our share of voice. And, something that -- anyone going into new markets and trying to develop a brand, it's just a great investment.

**David Hartley** - *Credit Suisse - Analyst*

Okay, great. Thanks a lot.

**Operator**

Thank you.

(Operator Instructions)

Peter Sklar, BMO Capital Markets. Please proceed with your question.

**Peter Sklar** - *BMO Capital Markets - Analyst*

Thank you. Can you talk -- what can you say about how much price was in your same-store sales growth numbers in Canada and US? That's something you used to provide some disclosure in the MD&A, but I think your practice is you don't provide that anymore. Is there anything you can tell us about that?

**Cynthia Devine** - *Tim Hortons Inc - CFO*

Sure, yes. I think we talked about it last quarter, and so it hasn't changed a lot. We haven't taken any additional pricing of any significance anywhere. But, it's about 3 points, a little bit lower than that in Canada and a little bit higher than that in the US.

**Peter Sklar** - *BMO Capital Markets - Analyst*

Okay. And, I just had a question, more of an operational question about your premium espresso program. Can you just take us through the time line?

I'm just curious, from concept to trial, to execution, curious to see how long it takes to introduce a program. And, what are the financial burdens for the franchisees and for Tim Hortons corporate?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, I mean, we're testing products all the time. In the espresso, cappuccino lines we've tested bean to cup for the past probably four or five years, in different types of formats. So, we've been looking at this category for a long time. I'll go back to bagels. We tested and looked at different types of bagels for a number of years before we launched them in '96.

And, this one probably is very similar. The machine that we are using in our restaurants, the cost is very reasonable, very easy to execute and use. And so, it's not a huge capital investment for our franchise group. And, just broadens our offering at store level.



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**Operator**

Thank you. Chris Li, Bank of America Merrill Lynch. Please proceed with your question.

**Chris Li** - BofA Merrill Lynch - Analyst

Hi, just one for Cynthia. Just on your G&A expenses for this year, I know for the last -- first, last first quarters it's been trending up compared to the year before. But, in this quarter, the G&A expense dollars were down in absolute dollar terms. Is there -- was there anything unusual going on there?

**Cynthia Devine** - Tim Hortons Inc - CFO

Yes. So, in the first -- in last quarter in particular, we did have approximately CAD6.3 million associated with CEO separation costs, which really caused our G&A to be a little bit higher. And then, this quarter, what -- we were lapping some professional fees and various costs that we had around some strategic initiatives that we invested in last year.

And so, we are lapping those and that helps us offset and have the growth rate be a little bit more moderate. I think with G&A, from time to time, you can have either increases or decreases in a quarter and it's better to look at it over a longer period of time to get the trends.

And, our goal is to always -- we try to over the long-term, that our G&A does not grow faster than our system sales growth. And so, that's kind of a longer term view of it. But, from quarter to quarter, you can have these types of fluctuations.

**Chris Li** - BofA Merrill Lynch - Analyst

Okay, and then the CAD2.1 million of deferred gains from the Maidstone deal, where would that have been shown in the income statement?

**Cynthia Devine** - Tim Hortons Inc - CFO

In our cost of sales line.

**Chris Li** - BofA Merrill Lynch - Analyst

So, that would -- okay. Thanks.

**Cynthia Devine** - Tim Hortons Inc - CFO

But offset, because the loss of Maidstone it really shows up in that line as well for the most part. I mean, it's got various lines, but the real impact is there because you really took what you used to record your manufacturing costs of the baked good products, you're now recording it at your purchase price from the bakery since it's been sold. So, those two things act as a bit of an offset in there. But, obviously the one being much larger than the deferred gains.

**Operator**

Thank you. Keith Howlett, Desjardins Securities. Please proceed with your question.



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**Keith Howlett** - *Desjardins Securities - Analyst*

Yes. I wonder if you could update us on Cold Stone Creamery. I gather you're up to 215 Cold branded units, but where do you think you might get to with that program and how it contributed during the last part of the summer?

**Cynthia Devine** - *Tim Hortons Inc - CFO*

We're continuing to add Cold Stone locations. I think, that the -- we started out probably with one of the toughest starts to the Spring, given the weather. And, ice cream is, to some extent, does play off weather. And, especially a good Spring can really jump sales and then a cold one, like we started with, was a little bit slower at the beginning.

And then, we had obviously a warmer summer, which helped things. But, we're still, we're learning a lot. We've had some, we had some high profile locations that we were involved with this summer. We had a location at the C and E, something at the Rogers Centre, and it's really helping to get the brand out there and get some awareness.

Because right now, it's in a number of locations, but not enough to get the kind of brand awareness that we need. So, we're still learning from that standpoint and trying to do some of the same things we do in the US, how do you make the brand look bigger than it currently is, so the team is very focused on those initiatives right now.

**Keith Howlett** - *Desjardins Securities - Analyst*

Thanks.

**Operator**

Thank you. Chris O'Cull, SunTrust Bank. Please proceed with your question.

**Chris O'Cull** - *SunTrust Bank - Analyst*

Thank you. Good afternoon. Paul, I believe you said that the menu board investments would be funded through the advertising fund. How will that affect the amount of media spending available next year?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

We will be at or greater than this year's media spend. The fund's always growing because of the addition of new stores. And, the expenditure will be amortized over a period of time. So, it's not a one-year hit on the ad fund. It will be taken over a few years. So, it will not be a burden on the ad fund.

**Chris O'Cull** - *SunTrust Bank - Analyst*

Okay. Is there any plan to raise the franchise contribution in Canada to the ad fund?

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

No, there is not. In fact, we're probably one of the few chains anywhere in the world that has actually lowered their ad levy to their franchise group. Contractually, we can take 4%, but we actually only draw down 3.5%. If we ever had to, we could increase back to 4%.

So, we could increase the ad fund significantly from its current levels. But, we don't see any need for that. We were able to initiate all the marketing programs that we want to do and the menu board is an extension of marketing. We think it will make it simpler for the consumer to order, it'll be a little more clearer.

And, we're going to have order confirmation in it and a number of other great features to it. So, we're really excited about this digital menu board. And, we'll be, I believe, the first national chain to put digital menu boards across the country.

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**Chris O'Cull** - *SunTrust Bank - Analyst*

Great. And then, just one last one, I know you guys tested the new specialty coffees. How confident are you that you're not going to see any look and leave issues with the rollout of this?

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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, this is not going to impede service. In fact, we can prepare this as fast or faster than we can an existing cup of coffee. The wonderful world of technology will allow us to keep up our speed of service and so forth. So, we're quite happy where we are.

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**Chris O'Cull** - *SunTrust Bank - Analyst*

Great. Okay. Thank you, all.

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**Operator**

Thank you. Jon Tower, Morgan Stanley. Please proceed with your question.

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**Jon Tower** - *Morgan Stanley - Analyst*

Hi, good afternoon. I'm going to try and sneak in a few questions if I can. First, with the increased pricing that you've taken over the past year, how is the messaging on television and/or other forms of media been in terms of a bar bell strategy? Are you hitting more in the premium end?

I would have to think you are because you're introducing so many new products that are on the high end. But, how have you balance that with some of the value offerings? Second, if I could sneak in coffee costs, obviously have come down quite a bit. Have you locked in for most of '12 yet and started to look at '13? And then, lastly, if you could comment on single serve and where you are in the process?

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

You weren't joking.

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**Jon Tower** - Morgan Stanley - Analyst

Yes, exactly.

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

Well, your coffee costs, let's talk to that. We're always buying out in the future. And, we bought into next year, but we don't -- we stay with the market. When the market is so high, we try to keep some protection in it. And, it's certainly been fluctuating.

It's a market that's very unpredictable. But, we do have coverage into next year. Now, on your first question, I can't just --.

**Cynthia Devine** - Tim Hortons Inc - CFO

Can you go back to your first question and clarify it a little bit?

**Jon Tower** - Morgan Stanley - Analyst

Yes, with all the new products that have been rolled out, most of them are premium focused, so I got to think there's more money being allocated towards these new products hitting shelves so they can -- or hitting stores, so that they can actually sell through.

So, what is happening -- I mean, are you still able to allocate enough money to the low end of the menu in terms of reminding people that, hey, we are still a place where you can get a decent cup of coffee for a relatively low price? How are you able to manage that?

**Cynthia Devine** - Tim Hortons Inc - CFO

I think we have a pretty good handle on what we call coffee equity. Both from an advertising perspective on TV, but you'll also see it a lot in our outdoor. But, you're right. We have had some things like fruit smoothie and lasagna and various things that are higher priced. But, they are not higher price versus the competition necessarily.

They still represent, in our opinion, great value to the consumer as a very affordable solution, whether it's for the snacking day part in terms of the fruit smoothie or for a lunch offering. We still believe that our product offering is great value. It may be a higher check than what they are used to spending at Hortons, but at the same time, it's great value relative to what the competitive landscape has.

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

And, it gets you to people trading down out of road houses and so forth for the price points higher, product offerings like this are very, very well priced competitively. So, that helps you with your overall transaction. And, you got to take care of your customer every day and reinforce value.

And, today we're running hot caps in our stores at CAD1. So, we're not forgetting about the whole price/value relationship. So, we're playing that whole fence of the market and I think rewarding our customers. And, I think our sales are reflective of that.

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**Cynthia Devine** - *Tim Hortons Inc - CFO*

And, we really do always try to focus on that value message that really helps drive transactions. And, whether it was smoothies at CAD1.99, ice cap at CAD1.89, those types of things have really, we believe, allowed us to play on both parts of it.

**Operator**

Thank you. Irene Nattel, RBC. Please proceed with your question.

**Irene Nattel** - *RBC Capital Markets - Analyst*

Thanks. Just looking ahead to the Christmas period, do you have any unusual or special promotions, new products planned?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

We will have some of our usual offerings. The coffee mug is probably our most popular, Irene. We do some pretty nice volumes in that just before Christmas for the last-minute shopper. A lot of our ad, and we do a chocolate offering --.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

White hot chocolate, candy cane. We always have some themed things around holiday time. Merchandise is actually continues to be something that consumers want. And, we have, we've had a history of ornaments. And, we can't tell you what it is because it will be a surprise. But, we always have something in store to give the consumer something new when they come in for the holiday season.

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

You can always get me one for Christmas, Irene.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

It's his bonus. I don't want to tell Paul because I'm still wrapping it.

**Irene Nattel** - *RBC Capital Markets - Analyst*

Excellent. Can you tell us when we'll be able to find it in the store?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Any time now.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

Soon.

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**Irene Nattel** - RBC Capital Markets - Analyst

Excellent.

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

Watch for it.

**Irene Nattel** - RBC Capital Markets - Analyst

Thanks, guys.

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

Okay, thank you.

**Operator**

Thank you. Michael Van Aelst, TD Securities. Please proceed with your question.

**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Getting back to the hedging and the pricing. Can you give us a little color as to how far out into 2012 you think you can go at this point without having to raise prices?

**Paul House** - Tim Hortons Inc - Executive Chairman, President & CEO

Go ahead.

**Cynthia Devine** - Tim Hortons Inc - CFO

Well, we're still buying out. We like to get out far enough away so that we can lock our prices with our restaurant owners for a long enough period of time. We're not at that point yet. But, we're continuing to buy. So, that's a difficult one for us to answer.

We don't only look at coffee pricing when we work with our restaurant owners on understanding the costs that they are facing. We look at all of the costs that are going into the restaurant related to all products. We look at labor. We're looking at all kinds of things. So, it's not driven by one category alone. So, we're early days into thinking about where we might be in 2012.

**Michael Van Aelst** - TD Newcrest/Waterhouse Securities - Analyst

Okay. So, is there a potential that we don't -- we see a quarter or two where you have no price inflation?

**Cynthia Devine** - Tim Hortons Inc - CFO

That's always --.



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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

That would be our hope.

**Cynthia Devine** - *Tim Hortons Inc - CFO*

Yes, exactly.

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

It just depends on the world of commodities, labor, and so many other factors. As you know, we're in a very turbulent world right now, so it's very hard to predict it. Right now, we're going to hold the line where we're at and we'll see as we get into the new year.

**Michael Van Aelst** - *TD Newcrest/Waterhouse Securities - Analyst*

Thank you.

**Operator**

Thank you. Chris Li, Bank of America Merrill Lynch. Please proceed with your question.

**Chris Li** - *BofA Merrill Lynch - Analyst*

Hi. Wonder if you can give us a quick update on the markets where you've been trialing some new cup sizes.

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

We're still in the two markets that we're in. And, we're still learning from the test. And, we'll make some appropriate business decisions very soon on that.

**Chris Li** - *BofA Merrill Lynch - Analyst*

Okay, and my apology, my line was a bit disrupted earlier, but did you answer the question on single serve?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

No, I don't think it was asked. Do you want to ask that question?

**Chris Li** - *BofA Merrill Lynch - Analyst*

Yes, please.



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**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, yes, we're still looking at the market. As you know, and as we've talked about on the call, I mean, espresso lattes has taken our attention and we're rolling that out. Single-serve market is still a relatively small market in Canada. We still enjoy a wonderful takeout business in cans and pouches and so forth, in super markets in our stores and so forth.

Quite frankly, we are not happy with anything that we've looked at to date that satisfies our quality and price point that we want to deliver that single cup. It is in our future plans, but until it reaches certain criteria, we will not come out with it. And, we have not satisfied our criteria at this point in time. And so, all I can say at this point is stay tuned.

**Chris Li** - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

**Operator**

Thank you. Keith Howlett, Desjardins Securities. Please proceed with your question.

**Keith Howlett** - *Desjardins Securities - Analyst*

Yes, I had a question on store design which you focused on in your presentation. I think it's fair to say, Tim Hortons is the third place, so to speak, here in Canada anyway.

But, I'm wondering whether the typical Tim Hortons, even if you are improving a lot of them each year, it's really that contemporary any longer with some of your competitors putting a lot of money into more comfortable spaces, with Wi-Fi and all those sorts of things. So, I guess my question is, do you think you have to move to the cafe and bake shop concept that you're doing in the US a bit faster here in Canada?

**Paul House** - *Tim Hortons Inc - Executive Chairman, President & CEO*

Well, I think as we said, we're going to renovate a large (inaudible) this year and we're going to build a large number of new ones. We've been doing this forever. And, the design is always evolving. And, the cafe style, if you want to call it that, and design fits some markets, but isn't necessarily the design you might use in all markets. You go into a lot of our markets, our dining rooms are still very full.

We are the meeting place. I'll meet you at Tim's, is pretty much a popular line that's right across this country. So, I think the ambiance is the friendship of the staff and the friendship of people you meet there. And, the great quality products that we serve there are more important than the design ever would be. I think that's the reason why people come visit us with such great regularity.

**Operator**

Thank you. That is all the time we have for today, I will now turn the call back to our representatives.

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**Scott Bonikowsky** - Tim Hortons Inc - VP, IR

Great. Thank you very much, Suzie. I know we had a lot of questions and people on the lines today. Hopefully, we got to your questions. If not, as always, feel free to give me a call at 905-339-6186 or by e-mail. And, thanks again for your interest and joining us for our third quarter earnings conference call today. Have a great day, everyone.

**Operator**

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines. Have a great day.

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