



BURGERFUEL GROUP - PRESS RELEASE

Monday, 29th June 2020

BURGER FUEL GROUP LTD PRELIMINARY FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2020

On the 1st July 2019 Burger Fuel Worldwide Limited changed its name to Burger Fuel Group Limited to better reflect the business focus and our recent transformation into a multi-brand business. At the same time, we also migrated to the NZX main board from the NZAX.

The Group will be relying on the NZX class waiver from listing rules 3.6.1, dated 19 March 2020, which provides listed companies with an additional two months to prepare and release annual reports in acknowledgement of the challenges caused by COVID-19. The Group will be releasing the Annual Report by the 31 July 2020.

OVERVIEW – FY20

The Directors of Burger Fuel Group Limited (BFG) present the audited results for the 12 months to 31 March 2020.

Net Profit after tax for the period was \$505,478 representing a 59.1% decrease on the previous year.

The Group has no debt, and cash reserves of \$5.6M.

BurgerFuel Group (unaudited) Total System Sales (all three brands) reduced (2.18%) to \$101.3M on the same period last year. Group Operating Revenue increased by 4.0% to \$21.9M. Whilst revenue is up on FY19, this is mainly due to the opening of our company owned Shake Out store at the Smales Farm complex in Takapuna, Auckland in November 2018, as well as the additional interest income booked for the non-occupied leases as per the new IFRS 16 lease accounting standard \$1.4M.

Revenue is largely comprised of sales from our company owned restaurants, manufacturing, and long-term recurring royalties.

In FY20 we had a reduction in MENA royalty and advertising income and an internal business structure change lowered revenue from our proprietary product manufacturing operation but will ensure that this business unit becomes more financially efficient going forward.

The Group also incurred additional costs around the KPMG process, legal costs, writing off certain obsolete assets and stock write offs due to the closure of restaurants over the COVID-19 lockdown period. The Group has also undertaken significant investment in the ongoing development of the new brands.

As at 31 March 2020 there were 78 BurgerFuel, Shake Out® and Winner Winner® stores operating in NZ and worldwide.

BFG PRELIMINARY RESULTS FOR THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020

	31 March 2020	31 March 2019
	\$000	\$000
Operating Revenue *	20,459	21,028
Interest Income – IFRS 16 non-occupied leases	1,410	-
Total Income	21,869	21,028
Operating Expenses **	(18,663)	(19,172)
Depreciation Expense – IFRS 16 occupied leases	(630)	-
Interest Expense - IFRS 16 non-occupied leases	(1,410)	-
Interest Expense - IFRS 16 occupied leases	(443)	-
Total Expenses	(21,146)	(19,172)
Net Profit (Loss) Before Tax	723	1,856
Net Profit (Loss) After Tax ***	505	1,236

* Revenue includes; Operating revenue and interest income.

** Expenses include; Operating expenses, depreciation, amortisation and interest expense.

*** The New Zealand entities had taxable income and were unable to utilise the foreign tax losses. The overseas entities had minimal tax.

THE YEAR TO DATE AND GROUP OUTLOOK

NEW ZEALAND

Systemwide sales across New Zealand (62 restaurants, all 3 brands) increased by 1.3% on the previous year this was mainly due to the opening of 5 new stores. The COVID-19 Alert Level 4 lockdown resulted in FY20 having 6 less days of trade which impacted the Group's NZ sales by approx. (1.7%). Since our mid-year announcement, trading conditions in Christchurch have remained difficult, however Auckland was showing some improvement prior to the COVID-19 Alert Level 4 lockdown. The distribution of our sales has been inconsistent and is now favouring the suburbs over the city centres as office buildings remain underutilised. It remains to be seen as to whether the cities will return to pre-COVID-19 levels of pedestrian traffic.

Comparable BurgerFuel (same store) sales in NZ decreased by (2.1%) which is partly due to 6 lost days of trade caused by the lockdown. At this stage BurgerFuel NZ will continue with our policy of not undertaking third-party, home delivery as over time we believe this will negatively affect both the brand and individual store profitability. This decision is likely to have impacted our FY20 growth numbers, however we remain committed to this policy at this stage. The COVID-19 crisis delayed the opening of our new BurgerFuel store in Point Chevalier (Auckland). It has since opened and is trading well. There are still some opportunities for new BurgerFuel stores to open in the remaining main centres of New Zealand however, there is much uncertainty in the current environment and we are not able to determine at this stage what new development will be possible.

Shake Out total store sales increased by 243% in FY20. No stores have yet had a full financial year of comparable trade. The main events for Shake Out have been the opening of stores in Browns Bay (Auckland) and Palmerston North. The impending COVID-19 crisis delayed the opening of our new Hamilton East store. It has since opened and is trading well in its first few weeks. The Browns Bay Shake Out did not meet expectations and did not reopen after the COVID-19 Alert Level 4 lockdown. Shake Out has also deployed a portable pop up type operation that uses two shipping containers. It was extremely successful at music festivals and concerts but as those types of events may become less popular, it will be popping up in various locations to sell directly to the public. It is currently operating from the Trusts Arena in Henderson (Auckland).

Winner Winner total sales increased by 56.4% due to two new stores, Courtenay Place (Wellington) and Pukekohe, opening in January 2020. Both new stores were trading well, however the momentum of these two

new stores has been greatly impacted by the necessity to close during the COVID-19 Level 4 lockdown. It remains to be seen how each of those stores will recover over the coming months, but we are optimistic about the Winner Winner brand.

In February and March, the two new brands represented 7.6% of total NZ sales for the group. Unfortunately, expansion plans have now stalled because of the COVID-19 crisis and any future development will depend on the future economic conditions, which at this point remain uncertain.

THE MIDDLE EAST

The Middle East continues to be a difficult market for BurgerFuel with each country experiencing major challenges. We announced the closure of the Iraq store as we now see no future in this country.

In the UAE we have experienced less competitive pressure, as many restaurants are closing, but increasing pressure from the overall economic conditions in the UAE. The UAE as a country is experiencing a downturn that is directly affecting the hospitality and food service industries. Together with the COVID-19 crisis, there is finally some acknowledgment that rents were unsustainable, and they are now starting to reduce. Unfortunately, the Dubai World Expo has been delayed by a year, so we are not expecting any recovery in the UAE trading conditions during FY21. Because of tough economic conditions, and then the impact of COVID-19, our Licensee in UAE has closed several stores with only 2 BurgerFuel stores now operating in Dubai and 2 in Abu Dhabi. At this stage we are uncertain of BurgerFuel's ongoing future in the UAE.

The Kingdom of Saudi Arabia is showing mild improvements, in part because of their populace not leaving the country for entertainment options. We expect that the ever-increasing freedoms within the country will continue to be good for the domestic hospitality & food service industry, potentially at the expense of regional entertainment hubs such as Dubai or Bahrain. Our Licensee opened a new store in the city of Jubail and has another store under construction in the city of Dammam.

Overall, and as always, we continue to caution the market as to the future of the Middle Eastern region for BurgerFuel. These countries remain very uncertain and we anticipate further declines in our revenue from the Middle East region.

UNITED STATES

In the United States we have one licenced store in Broad Ripple, Indianapolis. That store has experienced a decline in sales in the past 12 months and due to the COVID-19 crisis it was forced to close on 22nd March, a few days before the New Zealand lockdown and it has not yet reopened. There are significant challenges in the USA, both with the ongoing community transmission of the COVID-19 epidemic and more recently with the arrival of major civil unrest. We are unsure about the future of BurgerFuel in the USA at this point but will update the market when we receive further information.

OUTLOOK

BurgerFuel Group has completed its transformation to a multi-brand business and was preparing for the additional growth opportunities that the new brands had presented. The COVID-19 crisis has forced us to moderate those plans and prepare for a challenging environment in FY21 and potentially beyond that. We do not anticipate any significant store development in the next 12 months. We remain focused on safeguarding the business and reducing costs in order to endure these uncertain times and be able to take opportunities that may present themselves in the months to come.

BurgerFuel Group in conjunction with its advisors KPMG are still reviewing its options regarding a possible sale, merger, joint venture, international partnership, domestic partnership or alternative process. The Board will keep the market updated with any material developments should they occur throughout the ongoing strategic review process.

We would like to thank all shareholders, staff, franchisees, suppliers and of course our valued customers for their continued support.

Best regards,



Peter Brook
Chairman



Josef Roberts
Group CEO

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