BreadTalk
BreadTalk Group Limited

FOR IMMEDIATE RELEASE

BreadTalk Group forges ahead to deliver improved earnings quality

Records 241.4% year-on-year increase in net profit

Key Highlights:

- **Group EBITDA increased 16.1% year-on-year from $38.4 million to $44.6 million**
- **EBITDA margin improved 2.5 ppt year-on-year from 12.6% to 15.1%**
- **EPS increased 242.1% year-on-year to 4.55 cents**
- **Interim dividend of 1 cent per share, doubling last year's payout**

S$ million	1H FY2017	1H FY2016	Y/Y
Revenue	295.2	304.3	-3.0%
EBITDA	44.6	38.4	16.1%
EBITDA margin	15.1%	12.6%	+2.5 ppt
Net Profit	12.8	3.8	241.4%
Net margin	4.3%	1.2%	+3.1 ppt
EPS S$ cents	4.55	1.33	242.1%

S$ cents	1H FY2017	FY2016	Y/Y
NAV / share	55.4	54.0	2.6%

SINGAPORE – 2 August 2017 – Mainboard-listed BreadTalk Group ("the Group"), a leading lifestyle F&B group, today announced its financial results for the second financial quarter ended 30 June 2017.

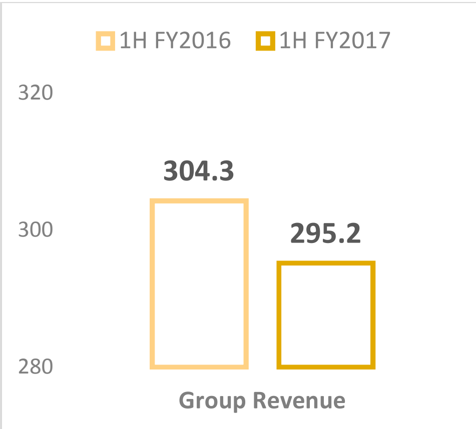
The Group continued to deliver higher quality earnings in spite of a difficult retail environment. This is achieved through the Group's consistent focus on evaluating and streamlining existing portfolios while maximising growth opportunities in more profitable segments of the Business.

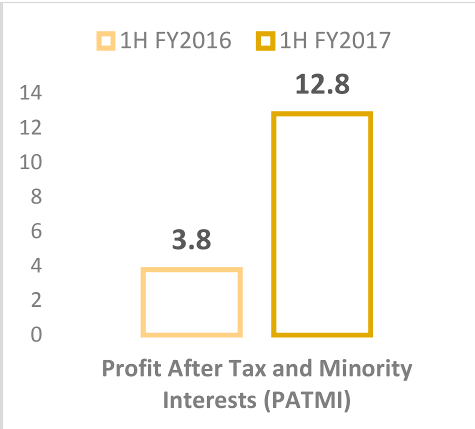
"We are committed to streamline existing portfolios and identify new growth opportunities. This places the Group in a strong position to rise above the difficult retail environment." Dr George Quek, Chairman, BreadTalk Group Limited

As the Group sharpens its focus on delivering higher quality earning through long term growth, it continues to be agile in identifying new trends, joint-venture partnership opportunities and interesting products for an increasingly competitive marketplace.

Group revenue for 1H FY2017 declined 3.0% year-on-year (Y/Y) from $304.3 million to $295.2 million. For the same period, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group rose 16.1% Y/Y from $38.4 million to $44.6 million with EBITDA margin improving by 2.5 ppt to 15.1% (1H FY2016: 12.6%). Profit after Tax and Minority Interests ("PATMI") for 1H FY2017 grew by 241.4% from $3.8 million to $12.8 million. PATMI margin rose by 3.1 ppt to 4.3% (1H FY2016: 1.2%).

Interest income rose 77.6% from $0.4 million to $0.7 million on higher coupon return on investment securities, while interest expense was came down significantly Y/Y by 18% from $3.06 million to $2.5 million, despite a higher interest rate environment as total borrowings reduced by $40.8 million Y/Y from $202.6 million to $161.7 million.





Bakery Division

In the first half of FY2017, revenue declined 3.2% Y/Y to $145.9 million at the Bakery Division. The decline was primarily attributed to weaker direct operated stores performance in Shanghai and Beijing. The Group is reviewing our menu offerings to ensure that we continue to deliver quality products and service to our customers.

While the total direct operated outlet count remained relatively unchanged at 259, the franchise portfolio saw a net reduction of 5 (FY2016: 602) to 597. This is aligned with the Group direction to evaluate and streamline our Bakery Division franchise portfolio. The objective is to deliver sustainable and higher quality franchise income growth.

EBITDA for the Division declined 12.6% Y/Y from $13.9 million to $12.1 million, with EBITDA margin at 8.3% (1H FY2016: 9.2%) on higher raw materials cost and weaker revenue at the Shanghai and Beijing direct operated stores. Looking ahead, the team will adopt a pro-active approach in managing the procurement of our raw materials by diversifying our sources and improving our operating cost structure.

Food Atrium

In line with the overall Group strategy, the consolidated food atrium portfolio in China displayed strong recovery. The vacancy rate across Food Atrium outlets remained at a record low of under 3%. The teams continue their efforts to fine-tune the tenant mix in each outlet to maximise revenue generation. The division's stellar performance is testament to the effectiveness of the Group's strategy.

As a result, EBITDA for the Division rebounded strongly by 363.1% from $2.3 million to $10.8 million with EBITDA margin improving by 11.7 ppt from 2.9% to 14.6%. However, due to the closure of underperforming stores in China, total revenue declined 8.1% from $80.2 million to $73.7 million as number of outlets decreased by 5 (1H FY2016: 61) to 56.

Restaurant Division

Despite the challenging retail landscape, total revenue increased at a steady pace of 3.0% Y/Y from $73.5 million to $75.7 million at the Restaurant Division. This upward trend is driven primarily by the stellar performance of our Din Tai Fung restaurants in Singapore and Thailand, and supported by the declining losses of RamenPlay. The successful conversion of the first 2 Sō Ramen restaurants at NEX Serangoon and BreadTalk IHQ contributed higher revenue. The Group will complete the conversion of all remaining RamenPlay outlets to Sō Ramen by end September 2017.

These key strategic moves helped in the overall EBITDA improvement of 5.7% Y/Y from $13.9 million to $14.7 million, with EBITDA margin rising by 0.5 ppt from 18.9% to 19.4%.

Core F&B business rebounded strongly

In the first quarter of FY2017 saw the recognition of $9.3 million in net capital gain from the divestment of the Group's investment in TripleOne Somerset, while 1Q FY2016 saw the recognition of S$8.8 million in net capital gain from the divestment of 112 Katong Mall. Apart from one-off expenses, core Food & Beverage (F&B) business net profit for 1H FY2017 would have been $7.1 million, a turnaround from a loss of $2.1 million in 1H FY2016.

Interim Dividend

The Board is recommending a tax-exempt interim dividend of 1 cent per share for 1H FY2017 (1H FY2016: 0.5 cent). The interim dividend will be paid to shareholders on 31 August 2017.

Outlook

The Group remains on course to consolidate underperforming operations and expand its footprint in high performing markets. While new outlet openings remain at a cautious pace, the Group will continue to focus on improving overall profitability and quality of earnings for FY 2017.

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About BreadTalk Group Limited

Founded as a bakery brand in Singapore in 2000 and listed on the SGX in 2003, BreadTalk has rapidly expanded to become an award-winning F&B Group that has established its mark on the world stage with its bakery, restaurant and food atrium footprints. With close to 1,000 retail stores spread across 17 territories, its brand portfolio comprises BreadTalk, Toast Box, Food Republic, Din Tai Fung, Bread Society, Thye Moh Chan, The Icing Room, Carl's Jr. in China, Sō Ramen and RamenPlay. The Group has a network of owned bakery outlets in Singapore, PRC, Malaysia, Hong Kong and Thailand as well as franchised bakery outlets across Asia and the Middle East. It also owns and operates the world-renowned Din Tai Fung restaurants in Singapore and Thailand, as well as the award-winning Food Republic food atria in Singapore, China, Taiwan, Hong Kong and Malaysia.

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