



BreadTalk Group Limited ascends above challenging landscape to deliver higher profit numbers

Key Highlights:

- Group 2Q FY2018 Revenue increased 0.8% from \$147.7 million to \$148.8 million
- Group 2Q FY2018 Net Profit increased 10.5% from \$2.2 million to \$2.4 million
- Group's global expansion is on track; with opening of Din Tai Fung London before end 2018

S\$ million	2Q FY2018	2Q FY2017	Y/Y	1H FY2018	1H FY2017	Y/Y
Revenue	148.8	147.7	0.8%	297.4	295.4	+ 0.7%
EBITDA	18.1	18.4	-1.9%	34.4	44.8	- 23.2%
<i>EBITDA margin</i>	12.1%	12.5%	-0.3 ppt	11.6%	15.2%	- 3.5 ppt
Net Profit	2.4	2.2	10.5%	3.6	13.0	- 72.2%
<i>Net margin</i>	1.6%	1.5%	0.1 ppt	1.2%	4.4%	- 3.2 ppt
EPS S\$ cents	0.43	0.39	10.3%	0.86	3.08	- 72.1%

S\$ cents	2Q FY2018	FY2017	Y/Y
NAV / share	36.7	27.5	33.5%

SINGAPORE – 1 August 2018 – Mainboard-listed BreadTalk Group (“the Group”), a leading F&B group, today announced its financial results for 1H FY2018.

Total revenue for 2Q FY2018 was \$148.8 million, an increase of 0.8% from \$147.7 million in 2Q FY2017. This is achieved through the Group’s continual focus on enhancing operational efficiency and growing its portfolio of brands through strategic partnerships. This enabled the Group to perform despite the challenging retail landscape.

Mr Henry Chu, BreadTalk Group CEO said, “It has been an eventful journey over the past six quarters since my re-joining the Group in October 2016 and subsequent appointment as Group CEO in July 2017. My team has been working tirelessly alongside me to sow the seeds for the next lap of growth as well as to make hard decisions when they were due to reorganise various aspects of our business so as to position it for greater strength. I am pleased to report yet another quarter of core earnings improvement powered by growth in our existing brands and contributions coming from new brands which have surpassed expectations.

This was achieved despite costs being incurred to consolidate certain underperforming businesses as well as investments made to boost the efficiency of our backend support infrastructure. On the back of the many corporate actions announced over the past six months, my team and I are excited to get on with the execution to see these initiatives to fruition, so as to deliver greater value to our shareholders.”

Whilst pursuing its global expansion plans with strategic joint-venture partnerships, the Group will continue to broaden its business mix by developing new direct-owned brands such as Sergeant’s Kitchen in Hong Kong, Shanghai and Bangkok and Una-Yu in Food Republic Shanghai Tower.

Group revenue for 2Q FY2018 rose 0.8% Y/Y from \$147.7 million to \$148.8 million, driven by growth by the Food Atrium, Restaurant and the 4orth Food Concepts divisions. These three pillars of growth helped to equalize the sub-optimal Bakery Division’s performance. Profit after Tax and Minority Interests (“PATMI”) for 2Q FY2018 improved 10.5% from \$2.2 million to \$2.4 million. This can be attributed to the Group’s effective cost management and diversity of our brand portfolio.

Amidst a rising interest rate environment and the interest expense attributed to the \$100 million of 5-year, 4.00% Medium Term Note issued in January 2018, whose proceeds will be primarily deployed to the capital expenditure that the Group has planned for the financial year, overall interest expense for 2Q FY2018 increased 111.7% Y/Y to \$2.4 million. However, through prudent treasury management, interest income rose 297.0% Y/Y to \$1.2 million which partially helped to mitigate the impact of higher interest cost.

Share of results of associates and joint ventures were weaker in 2Q FY2018, contributing a combined loss of \$0.5 million compared to a loss of \$0.2 million in 2Q FY2017, with the bulk of the drag arising in 2Q FY2018. These came from weaker performance attributed to Jumbo China, Carl’s Jr Shanghai and BreadTalk-Minor Thailand associates and joint ventures.

Earnings per share (EPS) on a fully diluted basis for 2Q FY2018 was 0.43 cent compared to 0.39 cent for 2Q FY2017.

Outlet numbers across Divisions

	2Q FY2018	FY2017	Net Increase / (Decrease)	2Q FY2017	Net Increase / (Decrease)
Bakery	842	871	(29)	856	(14)
Direct Operating	224	240	(16)	259	(35)
Franchise	618	631	(13)	597	21
Food Atrium	53	53	0	56	(3)
Restaurant	27	25	2	24	3
Din Tai Fung	27	25	2	24	3
4orth Food Concepts	8	5	3	4	4
Sō Ramen	5	5	0	4	1
Song Fa	2	0	2	-	2
Una-Yu	1	0	1	-	1

Bakery Division revenue declined 5.2% Y/Y to \$68.6 million from \$72.4 million for 2Q FY2017, attributed to lower revenue from direct operated stores in Shanghai, Beijing and Hong Kong, and franchise revenue from China. However, the impact was alleviated by higher revenue from direct operated stores in Singapore and international franchises. Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) for the Division declined 40.0% Y/Y to \$4.1 million from \$6.9 million, with EBITDA margin at 6.0% (2Q FY2017: 9.5%). Similar to the lower revenue trends in China, this decline can be primarily attributed to lower profitability at the Shanghai operations.

Food Atrium Division revenue grew 4.0% Y/Y to \$38.8 million from \$37.4 million, with an optimised portfolio of 53 outlets (2Q FY2017: 56 outlets). The strong performance was driven by strong same store sales growth momentum across the entire tenant mix portfolio, especially in China. EBITDA improved 44.3% to \$7.7 million from \$5.3 million with its improved margin at 19.8% (2Q FY2017: 14.3%), attributable to higher revenue.

Restaurant Division revenue rose 7.1% Y/Y to \$37.3 million from \$34.8 million with the addition of three more outlets – one in Singapore and two in Thailand, bringing the total number of restaurants to 27 (2Q FY2017: 24 restaurants). EBITDA declined 2.2% to \$7.1 million from \$7.2 million primarily due to increased administrative expenses for the upcoming United Kingdom operations leading up to the opening of our first Din Tai Fung restaurant before the end of the year. EBITDA margin increased slightly from 20.4% to 21.2%.

4orth Food Concepts revenue increased 53.0% to \$3.0 million from \$2.0 million for 2Q FY2018. The business division’s portfolio comprises of five outlets of So Ramen in Singapore, two outlets of Song Fa Bak Kut Teh (“Song Fa”) and one outlet of Una-Yu in Shanghai, China. The Division turned in an EBITDA loss of \$0.1 million which can be primarily attributed to pre-opening expenses of new outlets. In addition, the profit margin at the outlet level for Song Fa surpassed our expectations so far.

Overall, the Group reported net decreased in cash and cash equivalents of \$4.3million, due mainly to the investing activities, repayment of loans and dividends. The Group ending the period with a cash and cash equivalents of \$206.6 million.

Interim Dividend

The Board is recommending a tax exempt (one-tier) special dividend of 0.5 cent per share for FY2018. The interim dividend will be paid to shareholders on 21 August 2018.

Outlook

Looking ahead, the Group will stay focused on leveraging technology to improve our operational efficiency, cost management and increasing the reach of our portfolio of brands into existing and new markets. In addition, we will continue to develop our pipeline of new brands and getting ready to launch in 2019.

The Management Team continues to reiterate our commitment to build a strong foundation for the next leg of growth for the Group so that it will be sustainable in the long term. We expect short term earnings volatility as certain capital and operating expenditures will need to be incurred and invested to realise our medium to long term goals. We are also mindful of the potential impact that volatility in some key currencies may add to our financial performance.

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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 18 territories, its brand portfolio comprises BreadTalk, Toast Box, Food Republic, Din Tai Fung, Bread Society, Thye Moh Chan, The Icing Room, Sō and Una-Yu. 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. In 2018, BreadTalk Group will open its first Din Tai Fung restaurant in London.

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