



BreadTalk Group Limited continues to grow amidst challenging landscape

Key Highlights:

- Group 9M FY2018 Revenue increased 1.2% from \$449.5 million to \$455.0 million
- Core Net Profit rose 5.2% to \$8.1 million
- Group's global expansion is on track; with planned opening of Din Tai Fung in London and Wu Pao Chun Bakery in Shanghai before year end

| S\$ million | 9M FY2018 | 9M FY2017 | Y/Y |
|--------------------------------|-----------|-----------|---------|
| Revenue | 455.0 | 449.5 | +1.2% |
| EBITDA | 54.6 | 64.9 | -15.8% |
| <i>EBITDA margin</i> | 12.0% | 14.4% | -2.4ppt |
| Net Profit | 6.3 | 16.8 | - 62.5% |
| <i>Net margin</i> | 1.4% | 3.7% | -2.4ppt |
| Core F&B Net Profit | 8.1 | 7.7 | +5.2% |
| <i>Core F&B Net margin</i> | 1.8% | 1.7% | +0.1ppt |
| EPS S\$ cents | 1.34 | 3.58 | -62.6% |

| S\$ cents | 9M FY2018 | FY2017 | Y/Y |
|-------------|-----------|--------|--------|
| NAV / share | 37.8 | 27.5 | +37.5% |

SINGAPORE – 5 November 2018 – Mainboard-listed BreadTalk Group (“the Group”), a leading F&B group, today announced its financial results for 9M FY2018.

Total revenue for 9M FY2018 was \$455.0 million, an increase of 1.2% from \$449.5 million in 9M FY2017. This is achieved through the Group’s continual focus on leveraging strategic partnerships to expand its portfolio while consolidating operations for its existing brands. This enabled the Group to diversify and deliver higher revenue numbers despite the challenging landscape globally.

Mr Henry Chu, BreadTalk Group CEO said, “What has kept us on the international F&B map is our ambition to stay relevant through meeting the needs of consumers in key markets. In the last nine months, we continue to build the pipeline for future growth by entering into strategic joint ventures for our F&B businesses, as well as investing in our support infrastructure.

The lower Y/Y profit during the third quarter was caused by one-off expenses in the run up to the opening of our Din Tai Fung business in London and other new businesses, as well as certain underperforming segments of our Bakery business which we are already in the process of restructuring. Nonetheless, the revenue growth momentum during the quarter was strong at 2.3% Y/Y. This bears testament to our long term strategies of ‘Consolidate Current, Grow New’, which will bear fruit in time to come. My team will continue to stay focused and work hard to deliver the value to our shareholders.”

The Group continues to broaden its global reach by developing our direct-owned brands such as Din Tai Fung and Food Republic in new markets such as London and Cambodia respectively. Din Tai Fung will open its flagship restaurant at Covent Garden in London while the first Food Republic outlet in Cambodia is expected to open at AEON Mall Sen Sok City before end of the year.

Group revenue for 9M FY2018 rose 1.2% Y/Y from \$449.5 million to \$455.0 million, led by growth from the Food Atrium and Restaurant Divisions as well as contribution by the 4orh Division, offset by decline at the Bakery Division. Profit After Tax and Minority Interests (“PATMI”) for 9M FY2018 declined 62.5% from \$16.8 million to \$6.3 million, as 9M FY2017 saw the recognition of \$9.3 million in net capital gain from the divestment of the Group’s investment in TripleOne Somerset. Excluding the divestment gain, core net profit of the Group would have been 5.2% higher Y/Y.

Amidst a rising interest rate environment, overall interest expense for 9M FY2018 increased 101% Y/Y to \$7.3 million on higher total debt as the Group issued \$100 million of 5-year, 4.00% Medium Term Note in January 2018, in anticipation of our capital expenditure requirements for FY2018 and FY2019. Plans are already underway for the construction of our new integrated central production facility in China. This new facility will provide greater production capacity and support the growth of our existing and new businesses. Notably, close to 70% of the Group’s total borrowings are locked in on fixed rate for the next 3 to 5 years, which largely immunizes the Group against the current rising interest rate environment. Through prudent treasury management, interest income also rose 121.5% to \$2.5 million which partially helped to mitigate the impact of higher interest cost.

Share of results of associates and joint ventures were weaker in 9M FY2018, contributing a combined loss of \$0.8 million compared to a profit of \$0.1 million in 9M FY2017.

Earnings per share (EPS) on a fully diluted basis for 9M FY2018 was 1.34 cents compared to 3.58 cents for 9M FY2017.

Net asset value (NAV) per share was 37.8 cents as at 30 September 2018 compared to 27.5 cents as at 31 December 2017

Outlet numbers across Divisions

| | 9M FY2018 | FY2017 | Net Increase / (Decrease) | 9M FY2017 | Net Increase / (Decrease) |
|----------------------------|--------------|------------|------------------------------|--------------|------------------------------|
| Bakery | 839 | 871 | -32 | 859 | -20 |
| Direct Operating | 223 | 240 | -17 | 255 | -32 |
| Franchise | 616 | 631 | -15 | 604 | +12 |
| | | | | | |
| Food Atrium | 54 | 53 | +1 | 54 | 0 |
| | | | | | |
| Restaurant | | | | | |
| Din Tai Fung | 27 | 25 | +2 | 24 | +3 |
| | | | | | |
| 4orth Food Concepts | 9 | 5 | +4 | 5 | +4 |
| Sō Ramen | 5 | 5 | 0 | 5 | 0 |
| Song Fa | 2 | 0 | +2 | 0 | +2 |
| Una-Yu | 1 | 0 | +1 | 0 | +1 |
| TaiGai | 1 | 0 | +1 | 0 | +1 |

Bakery Division revenue declined 5.0% Y/Y to \$212.0 million during 9M FY2018, attributed to lower revenue from direct operated stores in Shanghai, Beijing and Hong Kong, as well as lower franchise revenue from China. This was mitigated by stronger revenue from direct operated stores in Singapore and higher international franchise revenue. Direct operated outlet count decreased during 9M FY2018 from 240 to 223, while franchise outlet count decreased from 631 to 616 during the same period, largely due to reduction in China. Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) for the Division declined 16.1% Y/Y to \$15.7 million, with EBITDA margin at 7.4% (9M FY2017: 8.4%), primarily attributed to weaknesses in profitability at the China operations.

Food Atrium Division revenue grew 4.3% Y/Y to \$117.2 million. During 9M FY2018, the Division opened one food atrium in Shenzhen and one in Hong Kong and closed our only outlet in Hangzhou. Same store sales growth momentum remained strong across the entire portfolio. EBITDA improved 19.2% Y/Y to \$21.1 million with EBITDA margin better at 18.0% (9M FY2017: 15.7%), helped mainly by higher revenue driven by low stall vacancies.

Restaurant Division revenue rose 7.7% Y/Y to \$112.9 million for 9M FY2018, with the addition of two more outlets – one in Singapore and one in Thailand. EBITDA declined slightly by 0.6% Y/Y to \$22.1 million primarily due to certain one-off expenses related to the United Kingdom operations incurred during the third quarter ahead of its official opening in 4Q FY2018. As a result, EBITDA margin declined from 21.2% to 19.6%. Excluding the one-off expenses, both EBITDA and EBITDA margin for the period would have been higher Y/Y.

4orth Food Concepts Division turned in a revenue of \$9.7 million for 9M FY2018. The business division currently comprises five Sō Ramen restaurants and one TaiGai outlet in Singapore, two Song Fa Bak Kut Teh (“Song Fa”) restaurants and one Una-Yu outlet in Shanghai, China. The Division reported an EBITDA loss of \$0.8 million primarily attributed to pre-opening expenses incurred during the first nine months ahead of the opening of TaiGai (in September 2018) and the first Wu Pao Chun outlet in Shanghai (in 4Q FY2018).

On a standalone basis, Sō Ramen has been contributing positive net profit to the Division during 9M FY2018, compared to a net loss during 9M FY2017, following our successful revamp of the now defunct RamenPlay brand, which was completed in September 2017.

Outlook

As we head into the end of FY2018, the Group remains focused on the execution and delivery of our core and joint venture businesses, including the much anticipated opening of Din Tai Fung in London, our first Wu Pao Chun outlet in Shanghai, our first Song Fa Bak Kut Teh outlet in Beijing, as well as our first Food Republic outlet in Cambodia. With an expanded portfolio, we will continue to enhance our brands' positioning and surpass consumers' expectations with high quality product offerings for 2019.

The Management team is committed to build for the future, by investing and laying a solid foundation for the Group so that overall operational costs can be managed and profitability can be sustained in the long term. Our BTG-Shinmei procurement JV commenced operations earlier in the year. Going forward, we expect it to continue to help the Group drive our production costs lower.

We may continue to expect short term earnings volatility in certain of our businesses as we strive to streamline the operations in certain underperforming areas while we put in the necessary capital expenditure investment to position the Group for longer term, sustainable growth.

-end-

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, Nayuki (奈雪), TaiGai (台盖), Sō Ramen and Song Fa Bak Kut Teh in China and Thailand. Song Fa Bak Kut Teh was listed in the 2016 – 2018 Michelin Singapore Bib-Gourmand list.

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. On 5 September 2018, BreadTalk Group opened its first TaiGai outlet in NEX Serangoon shopping mall.

Before the end of the year, BreadTalk Group will open its first Din Tai Fung restaurant in London and its first Nayuki Tea and Bakery café in VivoCity Singapore.

For more information, please contact:

Investor Relations / Analyst Contact

Mr. Chan Ying Jian
Group Chief Financial Officer

Mr. Poh Kah Hwee
Assistant Manager

Tel- (65) 6285 6116 | Email – ir@breadtalk.com

Media Contact

Mr. Glenn Huang
Group Vice-President, Corporate Affairs & Communications
Tel- (65) 6285 6116 | Email – media@breadtalk.com