BreadTalk Group delivers encouraging full year performance

Shaping a growth portfolio with 12 exciting brands

Key Highlights:

- **Group FY2018 Revenue increased 1.7% Y/Y to $609.8m**
- **Group FY2018 Core F&B Profit increased 1.1% Y/Y to $12.7m**
- **Group Brand Portfolio increased by 3 to 12 brands**

S$ million	FY2018	FY 2017 (Restated)	Y/Y
Revenue	609.8	599.6	1.7%
EBITDA	80.3	84.3	-4.7%
EBITDA Margin	13.2%	14.1%	-0.8 ppt
Net Profit	15.2	21.7	-29.9%
Net Margin	2.5%	3.6%	-1.1 ppt
EPS S$ cents	2.70	3.85	-29.9%
DPS S$ cents*	1.50	3.50	-57.1%
NAV S$ cents	28.9	27.5	5.1%

*Adjusted for share split

SINGAPORE – 19 February 2019 – Mainboard-listed BreadTalk Group (“the Group”), a leading lifestyle F&B group, announced its financial results for FY2018 today.

The Group delivered a total revenue of $609.8 million, a 1.7% increase Y/Y from $599.6 million. This was achieved as we remained focused on our strategy of growing our portfolio of brands while consolidating existing brands’ performance in key markets in 2018.

“2018 was a year of many firsts for the Group. We expanded our portfolio of brands and into new markets such as the United Kingdom with Din Tai Fung, strengthened our presence in China and re-entered key markets such as India, Malaysia and Indonesia with new strategic partners.

We posted a 1.7% increase in group revenue year-on-year. Our partnership with Song Fa Holdings continues to bear fruit, as we ended the year with our fourth restaurant in China, and the first in Beijing. We opened our first award winning Wu Pao Chun Bakery flagship store in Shanghai. Looking ahead, we will continue to deliver exciting products to our customers and delight our shareholders with quality earnings respectively.” – Dr George Quek, Chairman, BreadTalk Group Limited.

While the Group continues to pursue long term growth in earnings, it remains determined in identifying innovative food concepts and partnerships, delivering them promptly with quality service to our consumers across our 16 countries.

Group revenue for FY2018 rose 1.7% Y/Y from $599.6 million to $609.8 million, led by growth from the Food Atrium and Restaurant Divisions as well as contribution by the 4orth Food Concepts Division, offset by decline at the Bakery Division. Profit after Tax and Minority Interests ("PATMI") for FY2018 declined 29.9% from $21.7 million to $15.2 million, as 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 1.1% higher Y/Y.

Outlet numbers across Divisions

	FY2018	FY2017	Net Increase / (Decrease)
Bakery	**863**	**871**	-8
Direct Operating	221	240	-19
Franchise	642	631	11
Food Atrium	**60**	**55**	5
Food Courts	55	53	2
Direct Operated Restaurants	5	2	3
Restaurant	**28**	**25**	3
Din Tai Fung	28	25	3
4orth Division	**12**	**5**	7
Sō Ramen	5	5	0
Song Fa	4	0	4
TaiGai	1	0	1
Nayuki	1	0	1
Wu Pao Chun	1	0	1

Bakery Division

Bakery Division revenue declined 5.1% Y/Y to $282.0 million during 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 outlets count decreased during FY2018 from 240 to 221, while franchise outlets count increased from 631 to 642 during the same period. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Division declined 1.8% Y/Y to $22.6 million, with

EBITDA margin at 8.0% (FY2017: 7.8%), primarily attributed to weaknesses in profitability at the China operations.

Food Atrium Division

Food Atrium Division revenue grew 5.1% Y/Y to $156.9 million. During FY2018, the Division opened one food atrium in Shenzhen, one in Hong Kong as well as our inaugural food atrium in Cambodia. We closed our only outlet in Hangzhou. During the year, the Division has also been aggressively adding a new revenue stream as it adapts its business model into smaller store formats in shopping malls with the opening of three additional Direct Operated Restaurants (DOR). The Division now operates five DORs under the "Sergeant Kitchen" brand. Same store sales growth remained generally strong across the entire portfolio. EBITDA improved 24.3% Y/Y to $31.2 million with EBITDA margin better at 19.9% (FY2017: 16.8%), helped mainly by higher revenue driven by low stall vacancy.

Restaurant Division

Restaurant Division revenue rose 8.2% Y/Y to $152.3 million for FY2018, with the addition of four more outlets – one in Singapore and two in Thailand and our first outlet in the United Kingdom during the year. We closed one outlet in Singapore upon the expiry of the lease. EBITDA declined by 6.6% Y/Y to $28.1 million primarily due to higher staff and administrative costs related to the starting up of the United Kingdom operations. As a result, EBITDA margin declined from 21.4% to 18.5%. Excluding the one-off expenses, both EBITDA and EBITDA margin for the period would have been higher Y/Y.

4orth Food Concepts Division

4orth Food Concepts Division turned in a revenue of $14.2 million for FY2018. The business division currently comprises five Sō Ramen, one TaiGai and one Nayuki outlets in Singapore, four Song Fa Bak Kut Teh ("Song Fa") and one Wu Pao Chun Bakery outlets in China. The Division reported an EBITDA loss of $2.9 million primarily attributed to pre-opening expenses incurred ahead of several new outlets opening towards 4Q FY2018. On a standalone basis, Sō Ramen has been contributing positive net profit to the Division during the year.

Overall interest expense for FY2018 increased 69.9% Y/Y to $9.2 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 which will provide greater production capacity to support the growth of our existing and new businesses.

Notably, close to 77% of the Group's total borrowings are locked in on fixed rate, which largely immunizes the Group against the current rising interest rate environment. Through prudent treasury management, interest income also rose 41.4% to $3.2 million which partially helped to mitigate the impact of higher interest cost.

Earnings per Share and Net Asset Value

Share of results of associates and joint ventures were weaker in FY2018, contributing a combined loss of $1.8 million compared to a profit of $0.2 million in FY2017.

Earnings per share (EPS) on a fully diluted basis for FY2018 was 2.70 cents compared to 3.85 cents for FY2017. Net asset value (NAV) per share was 28.9 cents as at 31 December 2018 compared to 27.5 cents as at 31 December 2017.

Outlook

During the year, the Group saw strong momentum in adding new growth frontiers to our core food and beverage (F&B) businesses, with a series of joint ventures and partnerships. The Bakery business re-entered India and Chongqing, China with new franchisee partners. In addition, the Bakery business brought Toast Box into Indonesia with a local partner. The Food Atrium business entered Cambodia as a new market while diversifying its revenue streams by adding more DORs which further strengthened our "Sergeant Kitchen" brand name amongst consumers. The Restaurant team successfully delivered our first Din Tai Fung restaurant in the United Kingdom and deepened our penetration in the Thailand market at the same time. Lastly, the 4orth Food Concepts Division added new growth engines to the Group with a versatile spectrum of well-known F&B brands, including Song Fa Bak Kut Teh, Nayuki, TaiGai, and Wu Pao Chun Bakery. Looking ahead, this expansion strategy will continue into FY2019.

The management team is mindful of the significant headwinds that we faced during the year at our Bakery business. Starting FY2019, we adopted a more aggressive stance to turnaround the business and it will be all hands on deck for the team, with the Group CEO personally leading the efforts. Our centralised procurement efforts have been gaining notable traction in delivering cost savings. Lastly, greater efforts have also been placed into R&D to create a stronger pipeline of products that will help drive revenue.

Adoption of SFRS (I) 16

Commencing FY2019, the Group will be adopting SFRS (I) 16 – Leases for the accounting treatment of all our leases, in line with the new standards. The new accounting standards is expected to have wide ranging implications on retailers, including ourselves, whose business models rely heavily on leases (for our operating premises).

Generally, the new standard will result in the frontloading of lease-related expenses into the profit or loss account compared to the previous standard of accounting for leases on a straight-line amortisation basis. The lease expense which used to be a single operating line item above the EBITDA line will, henceforth, be recognised across 3 different lines, i.e. lease expense (operating, above EBITDA), depreciation (operating, below EBITDA), interest expense (financing, below EBITDA). We expect this to inject some volatility into our FY2019 reported profit or loss, and that certain profitability figures in FY2019 may no longer be meaningful when compared against those of FY2018 and earlier

Over at the balance sheet, we will be required to capitalize the respective "right-of-use" assets and liabilities that will be amortized over the tenure of the leases. All things equal, the transition may potentially bring about higher gearing ratios. We will keep our shareholders informed of the impact of the transition as we enter into the reporting cycle in FY2019. The management team has also done the necessary preparation work to ensure that we will not be falling short of any loan covenants upon the transition, but leave sufficient debt headroom should that be required to fund the Group's expansion plans.

-end-

About BreadTalk Group

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, food atrium and 4orth food concepts footprints.

With close to 1,000 retail stores spread across 16 countries, its brand portfolio comprises direct owned brands such as BreadTalk, Toast Box, Food Republic, Bread Society, Thye Moh Chan, The Icing Room and partner brands such as Din Tai Fung, Nayuki (奈雪), TaiGai (台盖), Sō Ramen, Song Fa Bak Kut Teh and Wu Pao Chun Bakery.

For more information, please contact:

Investor Relations / Analyst Contact

Mr. Chan Ying Jian	Mr. Poh Kah Hwee
Group Chief Financial Officer	Investor Relations

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