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## BreadTalk Group, Singapore's leading lifestyle group Announces FY2019 1Q Financial Results

**Key Highlights:**

- Group 1Q FY2019 revenue increased 6.1% Y/Y to \$157.6M
- Group 1Q FY2019 core profit increased 11.5% Y/Y to \$1.3M
- BreadTalk Group opened its sixth Song Fa outlet under its partnership, first in Thailand

| S\$ million          | 1Q FY2019 | 1Q FY2018 | Y/Y     |
|----------------------|-----------|-----------|---------|
| Revenue              | 157.6     | 148.5     | 6.1%    |
| EBITDA               | 47.2      | 16.3      | 188.9%  |
| <i>EBITDA margin</i> | 29.9%     | 11.0%     | 18.9ppt |
| Net Profit           | 1.3       | 1.2       | 11.5%   |
| <i>Net margin</i>    | 0.8%      | 0.8%      | 0ppt    |

| S\$ cents | 1Q FY 2019 | 1Q FY2018 | Y/Y  |
|-----------|------------|-----------|------|
| EPS       | 0.23       | 0.21      | 9.5% |

| S\$ cents   | 1Q FY 2019 | FY2018 | Variance |
|-------------|------------|--------|----------|
| NAV / share | 26.7       | 28.9   | (7.6%)   |

**SINGAPORE – 6 May 2019** – Mainboard-listed BreadTalk Group (“the Group”), a leading lifestyle F&B group, today announced its financial results for 1Q FY2019.

Revenue for 1Q FY2019 was \$157.6 million, an increase of 6.1% from \$148.5million in 1Q FY2018. This growth can be attributed to our continual focus on improving the quality of our products and overall efficiencies in the central kitchen and procurement efforts.

Mr Henry Chu, Group CEO shares “2018 was a year of milestones for us. We expanded into new markets such as London with Din Tai Fung and brought our joint-venture partners Song Fa Holdings and Wu Pao Chun Food Ltd into strategic markets such as China and Singapore respectively. With the new partnerships, we laid the foundations to diversify our business portfolio so as to achieve sustainable growth for the Group. In addition, we embarked on efforts to increase our central kitchen production facilities in China and Thailand. The 6.1% increase in group revenue show that these efforts are starting to pay off.

Looking forward, we will continue to strengthen our presence of existing brands in key markets. We will continue to develop in talent development and the setup of our third regional office in Bangkok as we position ourselves for growth in Thailand and greater Mekong-region markets.”

Group revenue for 1Q FY2019 rose 6.1% Y/Y from S\$148.5 million to S\$157.6 million, led by growth across all business divisions. Following the adoption of SFRS(I) 16 this financial year, Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) for the Group during 1Q FY2019 stood at S\$47.2 million, 188.9% higher Y/Y, as a significant portion of lease-related expenses that were earlier classified as operating expenses are now recognised as depreciation and interest expense. EBITDA Margin for 1Q FY2019 was 29.9% (1Q FY2018: 11.0%). Profit After Tax and Minority Interests (“PATMI”) for 1Q FY2019 improved 11.5% from S\$1.2 million to S\$1.3 million.

Overall interest expense for 1Q FY2019 increased 136.2% Y/Y to S\$5.9 million, as the adoption of SFRS (I) 16 resulted in the recognition of lease-related interest expense attributed to the amortisation of the lease liabilities on the balance sheet, and is unrelated to our bank borrowings or medium term note in issue. Of the S\$5.9 million of interest expense incurred during the quarter, just S\$2.3 million was related to bank borrowings and the outstanding medium term note, which was 7.0% lower Y/Y.

As presented in notes to the income statement, the adoption of SFRS(I) 16 also resulted in the recognition of lease-related depreciation attributed to the right-of-use assets on the balance sheet. Depreciation and amortisation expense for 1Q FY2019 increased 338.2% Y/Y to S\$38.1 million. Of the S\$38.1 million of depreciation and amortisation incurred, S\$29.0 million was related to the right-of-use assets. Barring the effect of adopting the SFRS(I) 16, depreciation and amortisation would have been 4.3% higher Y/Y, amounting to S\$9.1 million.

1Q FY2019 saw the disposal and de-recognition of our entire interest in Carl Karcher Enterprises (Cayman) Ltd, which had been loss-making, bringing down the losses from Share of results of associates by 81.9% to S\$0.05 million from S\$0.3 million in 1Q FY2018. Share of results of joint ventures turned in a slight profit of S\$0.02 million this quarter, compared to a gain of S\$0.3 million in 1Q FY2018.

Earnings per share (EPS) on a fully diluted basis for 1Q FY2019 was 0.23 cents compared to 0.21 cents for 1Q FY2018.

Net asset value (NAV) per share was 26.7 cents as at 31 March 2019 compared to 28.9 cents as at 31 December 2018.

#### Outlet numbers across Divisions

|                             | 1Q FY2019 | 1Q FY2018 | Net Increase /<br>(Decrease) |
|-----------------------------|-----------|-----------|------------------------------|
| <b>Bakery</b>               | 857       | 857       | 0                            |
| Direct Operating            | 264       | 231       | 33                           |
| Franchise                   | 593       | 626       | (33)                         |
|                             |           |           |                              |
| <b>Food Atrium</b>          | 61        | 57        | 4                            |
| Food Courts                 | 55        | 53        | 2                            |
| Direct Operated Restaurants | 6         | 4         | 2                            |
|                             |           |           |                              |
| <b>Restaurants</b>          | 30        | 27        | 3                            |

|                       |    |    |   |
|-----------------------|----|----|---|
| Din Tai Fung          | 30 | 27 | 3 |
|                       |    |    |   |
| <b>4orth Division</b> | 14 | 6  | 8 |
| Sō Ramen              | 5  | 5  | 0 |
| Song Fa               | 6  | 1  | 5 |
| TaiGai                | 1  | 0  | 1 |
| Nayuki                | 1  | 0  | 1 |
| Wu Pao Chun           | 1  | 0  | 1 |

### **Bakery Division**

Bakery Division revenue rose 2.3% Y/Y to S\$72.0 million during 1Q FY2019, with the consolidation of revenue from the Thailand Bakery business following the acquisition of the 50% interest in BTM (Thailand) Ltd from Minor Food Group. Excluding that, revenue would have been lower by 5.7% Y/Y, attributed to lower revenue from the direct operated stores in Beijing and the franchise business in China, partly offset by stronger revenue by the direct operated stores in Singapore. The consolidation of the Thailand business added 47 BreadTalk outlets to our direct operated store count. EBITDA for the quarter was S\$14.4 million compared to S\$3.8 million in 1Q FY2018.

### **Food Atrium**

Food Atrium Division revenue grew 3.1% Y/Y to S\$38.6 million. During 1Q FY2019, the Division opened 1 direct operated restaurant (DOR) in Shanghai under the “Sergeant Kitchen” brand. Same store sales growth remained generally strong across the entire portfolio with North China, East China and Hong Kong providing the main thrust. Stall vacancy remains low. EBITDA for the quarter was S\$20.2 million compared to S\$5.3 million in 1Q FY2018.

### **Restaurant Division**

Restaurant Division revenue rose 9.8% Y/Y to S\$40.5 million for 1Q FY2019. 1Q FY2019 also saw the full quarter revenue contribution by our first Din Tai Fung outlet in London as well as the CentralPlaza Pinklao outlet in Bangkok, both of which were opened in December 2018. During the quarter, the Division also added 2 more outlets – 1 in Singapore (Great World City) and 1 in Thailand (Terminal 21). Same store sale growth for the Singapore operations came in at a high single digit percentage, signifying the underlying strength of the Din Tai Fung brand amongst consumers. EBITDA for the quarter was S\$10.5 million compared to S\$8.7 million in 1Q FY2018.

### **4orth Division**

4orth Division delivered a revenue of S\$5.5 million for 1Q FY2019 compared to S\$2.7 million for 1Q FY2018. The quarter saw the commencement of our Song Fa Bak Kut Teh operations in Beijing, China and Bangkok, Thailand with the opening of the outlets in Beijing APM Mall and Central World, Bangkok respectively. The Division reported an EBITDA loss of S\$0.5 million primarily attributed to start-up costs related to new outlets. On a standalone basis, Sō Ramen has been contributing positive net profit to the Division.

## **Outlook**

The Group started the year with a positive momentum having successfully divested the loss-making Carl's Jr business in China, consolidated our shareholding in our profitable Food Republic business in Guangzhou, and acquired the remaining 50% in BTM (Thailand) which brought the bakery business in Thailand back into the fold of the Group.

The organic growth momentum of the Group will continue where we expect to see our Food Atrium business deepen its penetration in existing and new markets like Mainland China, Hong Kong, Taiwan and Cambodia. Plans are also underway to deliver the second Din Tai Fung restaurant in London while we remain focused on new outlets pipeline in Singapore and Thailand. The opening of more Song Fa Bak Kut Teh outlets at the 4orth Division will gain further momentum into the rest of the year as we continue to expand across all the five territories of Shanghai, Beijing, Shenzhen, Guangzhou and Thailand. Following its success, plans are also underway to explore new territories to take the brand into. Efforts to turnaround of the Bakery business have intensified and we have seen some positive outcomes.

Our strong balance sheet and cash flow generation capabilities enabled us to repay the S\$75 million, 4.60% medium term notes when they matured on 1 April 2019. The Group has recently established a new S\$500 million multicurrency medium term note programme on 17 April 2019 to avail the war chest for the Group's growth plans, whether organic or inorganic, in the most cost effective manner.

Our recent acquisition of a strategic stake in Thailand-listed NPPG (Thailand) Public Company Limited demonstrates our constant pursuit for undervalued assets whose businesses are synergistic to our core operations. The investment will allow us to leverage on NPPG's capabilities in food packaging and manufacturing as well as access its strong network of local partners in large scale food production and distribution. We will keep the market updated as we execute on our collaboration plans with NPPG as well as its other partners which are expected to create value for BreadTalk Group.

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## **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.

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