



BURGERFUEL WORLDWIDE PRESS RELEASE

Friday, 14th June 2019

BURGER FUEL WORLDWIDE LTD PRELIMINARY FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2019

OVERVIEW – FY19

The Directors of Burger Fuel Worldwide Limited (BFW) present the results for the 12 months to 31 March 2019. The audit of these results is in the process of being finalised.

Net Profit after tax for the period was \$1,236,341 representing an increase of \$1.7M on the previous year.

The Group has no debt, and cash reserves of \$5.5M.

BurgerFuel (unaudited) Total System Sales reduced (2.90%) to \$102M on the same period last year. Group Operating Revenue decreased by (15%) to \$21.0M, however this decline is mainly due to the sale of the company owned USA store to the Founding Director Chris Mason in March 2018, as well as some internal changes. This internal change lowers revenue from our proprietary product manufacturing operation but will ensure that this business unit becomes more financially efficient.

Revenue is largely comprised of sales from our company owned restaurants, manufacturing and long-term recurring royalties.

As at 31 March 2019 there were 78 BurgerFuel stores operating worldwide and 2 single outlets in New Zealand; one for each of our new concepts; Shake Out[®] & Winner Winner[®].

BFW PRELIMINARY RESULTS FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019

	31 March 2019	31 March 2018
	\$000	\$000
Operating Revenue *	21,028	24,774
Operating Expenses **	<u>(19,172)</u>	<u>(24,809)</u>
Net Profit (Loss) Before Tax	1,856	(35)
Net Profit (Loss) After Tax ***	1,236	(463)

* Revenue includes; Operating revenue and interest income.

** Expenses include; Operating expenses, depreciation, amortisation and interest expense.

*** The New Zealand entities had taxable income and were unable to utilise the foreign tax losses. The overseas entities had minimal tax.

THE YEAR TO DATE AND GROUP OUTLOOK

NEW ZEALAND

System sales across New Zealand (56 restaurants) increased by 2.6% on the previous year. We closed our last remaining Australian franchised stores in July & August 2018.

BurgerFuel NZ continues to perform well, although we did experience less growth than we would have liked in the period. At this stage we are not undertaking third party home delivery, as over time we believe it will negatively affect both the brand and individual store profitability. This decision may have impacted our growth numbers, however we remain committed to a no delivery policy at this stage. There are still some opportunities for new BurgerFuel stores to open in NZ, but we will only undertake new openings if we can achieve both the right locations as well as the accompanying franchisees.

We previously advised the market at the last AGM, that whilst we remain fully dedicated to supporting the BurgerFuel brand and driving growth within the BurgerFuel business, the Group is now also focused on the development of our other brands; Winner Winner, the chicken concept purchased by BFW in December 2017, and Shake Out, the new burger concept developed in-house. Our first Shake Out opened in November 2018 at the Smales Farm complex in Auckland. This new company owned restaurant is performing well and we are currently preparing to open more company owned and franchised Shake Out stores in the current year.

The Winner Winner chicken brand we have been working on for the past year is now also ready to roll out. We expect to open new Winner Winner restaurants in FY20.

THE MIDDLE EAST

The Middle East has been very challenging in recent years. We continue to face difficulties in those markets. The UAE, Saudi Arabia and Iraq have all experienced competitive pressures as well as internal political and economic issues over the past 2-3 years. In their own unique way each of these countries remain volatile to sales which are in general, flat or declining.

The UAE especially, continues to see a significant slowdown in the retail sector and the competitor market is becoming even more densely populated, both of which have been reflected in the slowing of sales. Our licensees in the Middle East continue to face disproportionately high rental costs, and accordingly have already closed a number of stores, with plans to close more stores that are no longer financially viable.

Our licensed business in Saudi Arabia has continued to see satisfactory sales, but like our other Middle Eastern markets, they are also facing high retail rents, increasing labour costs and staff shortages due to the changes in work visa requirements. In line with our other Middle Eastern markets, our partners in Saudi are also optimising locations, working to reduce overheads and increase customer reach.

Iraq too, is facing significant challenges, and while the brand did experience positive traction in this market, the political and economic climate is now susceptible to volatility, and this is having an impact on trade. Only one store is now trading in Iraq and we expect the situation there to remain as it is, or worsen, which could mean this single store in Iraq may cease trading.

Overall, and as always, we continue to caution the market as to the future of the Middle Eastern region for BurgerFuel. These countries remain uncertain and we anticipate further declines in our revenue from this market. That said, we remain committed to supporting the BurgerFuel business in this region and will continue working closely with our partners in each country.

UNITED STATES

In the United States we have one licenced store in Broad Ripple, Indianapolis, operated by our licensee, Chris Mason. Whilst the store has experienced a decline in sales in the past 12 months since opening, Chris remains focused on his search for an established US partner. At this stage the US store continues to trade, and we will update the market if anything changes.

OUTLOOK

Last year we advised the market that BFW was transforming from a single brand, international company to a multi-brand New Zealand company. This transition is going well, and we are pleased that we have managed to absorb all the costs associated with this transition, as well as the costs to develop the new brands and provide an acceptable profit for FY19. We will continue to focus on the opening of new restaurants in NZ and we look forward to updating the market with these new openings as the year progresses.

As advised on the 15th February 2019, the board has sought input from KPMG's Corporate Finance team to undertake a full strategic options review of the business and to look at all potential opportunities for the Group. That review is now underway.

A further matter is the dissolution of the NZAX. At this stage the Group will be migrating to the NZSX main board and will continue to operate as a publicly listed company.

On the 28th April 2019 we completed the last tranche of the BFW share buyback from Franchise Brands. BFW bought back and cancelled 5,963,355 (or 10%) shares in total, utilising its cash reserves. The total number of shares on issue in BFW is now 53,670,195.

The Group is focused on profit and growth, as well as development in new areas beyond the BurgerFuel brand. We thank all shareholders for their support, and we look forward to the year ahead.

Best regards,



Peter Brook
Chairman



Josef Roberts
Group CEO

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