



**Burger Fuel Group Limited
Preliminary Full Year Results
For The Year Ended 31 March 2024**

Burger Fuel Group Limited

Preliminary Full Year Results

For The Year Ended 31 March 2024

Chairman and Chief Executives' Review

Burger Fuel Group Limited Preliminary Full Year Results for the 12 months ended 31st March 2024

Overview – FY24

The Directors of Burger Fuel Group Limited (**BFG**) present the results for the 12 months to 31 March 2024. (The audit of these results is in the process of being finalised).

Net Profit after tax for the period was \$1,327,077 representing a 47.4% increase on the previous year.

The FY24 profit result is the Company's strongest since listing on the NZX in 2007. It reflects the growth and investment strategies that the Board has implemented following the considerable disruption to the business from the Covid years FY20 to FY22 and into FY23.

BFG (unaudited) Total System Sales (all three brands, all regions) increased by 10.22% to \$117.1M on the same period last year. The Group achieved solid store sales in FY24 bolstered by the opening of BurgerFuel Dunedin in April 2023 and with the introduction of delivery through BurgerFuel outlets. We also recorded a complete year of sales for BurgerFuel Rolleston which opened in October 2022.

Total income for the Group increased by 13.58% to \$27.3M.

BFG RESULTS FOR THE PERIOD 1 APRIL 2023 TO 31 March 2024

	31 March 2024	31 March 2023
	\$000	\$000
Operating Revenue *	26,248	22,891
Interest Income – IFRS 16 non-occupied leases	1,031	1,089
Covid Government Support	-	36
Total Income	27,279	24,016
Operating Expenses **	(22,948)	(20,368)
Depreciation Expense – IFRS 16 occupied leases	(982)	(829)
Interest Expense - IFRS 16 non-occupied leases	(1,031)	(1,089)
Interest Expense - IFRS 16 occupied leases	(432)	(471)
Total Expenses	(25,393)	(22,757)
Net Profit (Loss) Before Tax	1,886	1,259
Net Profit (Loss) After Tax ***	1,327	900

* 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.

As at 31 March 2024 there were 61 BurgerFuel restaurants operating in NZ (1 more than last year) and 4 operating in the Middle East (3 less than last year) excluding some third party “dark” kitchens operating in the UAE. In April 2024 the BurgerFuel Hereford Street store closed in Christchurch.

As at 31 March 2024 there were 4 Shake Out and 2 Winner Winner restaurants operating in NZ. The Group closed their underperforming company owned Winner Winner Takapuna store in May 2023 and the franchise agreement for the Winner Winner store in Pukekohe was terminated in March 2024.

Return of Capital

The record profit achieved in FY24 was a good result, however it would have been considerably more (circa 70% increase on FY23) had BFG not been required to incur costs to respond to the opposition that was filed in relation to the proposed return of capital (by pro-rata share cancellation) to all shareholders.

The return of capital by way of a scheme of arrangement was approved by 92% of votes of shareholders cast at a special shareholders meeting held on 14 December 2023. However, following the shareholder meeting, a notice of opposition against the proposed scheme was filed by a single shareholder. This was the only opposition and it resulted in a considerable amount of cost, delay, and disruption to the proposed capital return process and the business.

On 8 May 2024 a full day hearing was held at the High Court in Auckland to hear and determine BFG's application seeking Court approval of the proposed return of capital. On 27 May 2024 Justice Andrew issued his decision approving the proposed return of capital by way of a scheme of arrangement.

The Company spent at least \$205,500 in FY24 on legal costs which can be attributed to the notice of opposition response. It should also be noted that the costs incurred by BFG to address and respond to the opposition are ongoing in the current FY25 financial year. Approximately a further \$200,000 is expected to be incurred in relation to legal and professional adviser costs for this matter. These material costs have considerably diminished BFG's profit in both FY24 and expected profit in FY25.

Information on the proposed scheme of arrangement, shareholder vote, notice of opposition and approval of the scheme by the High Court may be found on the NZX or at <https://www.burgerfuel.com/nz/investor-relations#shareholder-information>.

The Year's Results and Group Outlook

New Zealand

The BurgerFuel brand reached a significant milestone in FY24 and achieved over \$100 million (unaudited) in NZ system sales. Total systemwide sales across New Zealand (68 restaurants, all 3 brands) increased by 14.32% on the previous year.

We opened BurgerFuel Dunedin in April 2023. This store has been well received. At this stage the proposed BurgerFuel Whanganui store is scheduled to open later in 2024.

Delivery services for BurgerFuel have been rolled out across the NZ system (except the Te Awamutu store) predominantly through UberEats (and DeliverEasy for some of the regional towns). In FY24 the sales uptake was pleasing, however we are seeing some customer habits shifting from collecting their orders themselves, to now using a delivery service.

We had been reluctant to implement a delivery service for this reason of potential channel cannibalisation and due to concerns around delivery quality (time it takes to deliver our product). BurgerFuel burgers do not travel as well as pizza or other food offers that are more adaptable to transportation and to being re-heated at home. The additional delivery cost to customers is also significant. We expect that eventually delivery will not add much in the way of incremental sales to the total system. However, at this stage we will continue to offer this convenience option for those customers who desire and are prepared to pay for it.

Shake Out total store sales increased by 13.5% in FY24 mainly due to our new company owned Shake Out store in the Commercial Bay precinct, Auckland CBD. This store opened in November 2022 thus FY24 isn't benchmarking against a complete year. During the year we trialled a delivery only "dark" kitchen in Glendene, Auckland. While operationally it was a success, sales volumes were not enough to make this viable in the short term. It has however allowed us to develop the brand further and trial other channel options. For example, Shake Out is now available on a virtual basis (delivery only) in Wellington. We are currently monitoring the results of this trial.

Winner Winner total sales decreased by (28%) mainly due to the closure of our Takapuna company owned store in May 2023. Whilst Winner Winner is a great brand & product, this site never really performed. Affected by Covid and other factors, we decided to shut the store and minimise losses.

In March 2024, the Winner Winner Pukekohe store also ceased operation and the franchise agreement was terminated. This site opened strongly just before Covid, however, it never really recovered from that. Winner Winner is more of a dine-in restaurant concept compared to BurgerFuel and Shake Out, and Covid hit it hard. We now have two stores under franchise, one in Wellington's Courtenay Place and one in Hamilton East, which is the original Winner Winner. There is no significant royalty income from these sites.

For the FY24 the two new brands represented 6.8% of total sales for the Group (7.15% of total NZ sales).

We love both the new brands Winner Winner and Shake Out. We elected to develop these because of the limited growth potential of BurgerFuel in New Zealand, which as we noted last year at the AGM, is a brand reaching maturity. The establishment of new brands takes considerable time and financial investment and accordingly this investment did impact our FY24 bottom line. In the current economic environment where costs remain high and consumers are not spending as much, we have elected to park the development of Winner Winner and focus on Shake Out, thereby reducing total investment costs and risk. We will continue our investment in Shake Out in FY25.

A big issue facing all retail occupants in New Zealand is the unrealistic rental increases being imposed by landlords who seek an ever-increasing expectation of rising rents. It has reached a point where a growing number of landlord expectations for retail rents are out of touch with reality and are simply unsustainable. More and more empty tenancies are appearing in many of the main streets of New Zealand and shopping mall footfall and spend are also down. The retailers' tills are simply not ringing to the point that makes it attractive to enter the growing number of food precincts that are springing up all over the country. This proliferation of food courts together with the overabundance of standalone food outlets, will no doubt provide challenges for both tenants and landlords in the coming year.

The Middle East

In April 2023 we appointed a new Master Licensee for the entire region. This is effectively a Development Agent (DA) Agreement structure. Our approach for rejuvenation in the Middle East is considerably different to the model that BFG built there in earlier years. The past structure of the Middle East meant that our master franchisee could not maintain a sustainable, financially viable model. Corporate models (where one company owns and operates all stores in the region) can be vulnerable and often do not provide the returns needed for them to keep investing. Poor site selection and increased competition also appeared to be a key factor in the demise of BurgerFuel Middle East.

Following an in depth review of the region we decided to salvage what we could of both BurgerFuel UAE and Saudi Arabia and continue with the brand under a new operating model that proposes to build a more secure franchise system by allowing less full scale corporate owned and operated stores and more cluster (groups of 3) or if possible, individually owned and operated franchised stores, that build commitment and strength.

Our “*franchisee first*” approach to the development of the New Zealand system which has resulted in a strong and viable franchise model needs to be duplicated in the Middle East. Development will be slow, but we will also have less exposure to a master licence holder potentially electing to shut down numerous stores in one tranche, as occurred in the UAE. With a DA Agreement we receive less royalties, but this structure requires less investment. Our investment and support in this region is elective. We can elect not to invest at all.

In August 2023 the Dubai World Trade Centre store had a complete refit with a new BurgerFuel interior design. This new look, which is made up of various design elements, has been developed so that it can be incorporated progressively into any BurgerFuel store. It's a stage one concept that will be further developed and eventually rolled out in the New Zealand system over time.

BFG earnings from the Middle East have been non-existent in the past 2 years following Covid but we will now start receiving modest royalties from the MENA region from April 2024. We are hopeful that our Development Agent will commence growing the brand in this region in the later part of FY25, but this remains to be seen.

The Middle East system sales were down 35% in FY24. This is due to Saudi Arabia closing 3 underperforming stores. There are now 3 BurgerFuel stores operating in Saudi Arabia and 1 store in Dubai although Dubai also has some third party, dark kitchen delivery outlets.

Information Technology (IT) Development

Technology is a growing part of almost every business and certainly this can be said about our industry. Throughout FY24 the Group rolled out its own online ordering platform with an integrated loyalty app. This release went relatively smoothly and customer interaction with the loyalty app is going well. We have had a large uptake on the app and we can now engage with our customers directly, updating them on new specials, promotions and targeted loyalty perks. Loyalty is managed via our BF MPB (BurgerFuel miles per burger) rewards system.

The BFG IT platform is a result of the ongoing investment we have made and intend to keep making into proprietary IT systems. The stage one introduction of our own IT system has allowed us to reduce the use of services from some third-party providers, as their rates began to rise at levels which were concerning. As a franchisor it is always our goal to provide as many of the required services as possible directly to our franchisees, thereby reducing the need for SaaS (Software as a service) and other outside providers. This allows us better control over franchisee expenses and data.

We are pleased to advise that in November 2023 we were able to commence the monetising of our stage one IT investment by way of a monthly, sales percentage-based charge to the system, that allows BFG to earn revenue from this IT platform but ensures that our franchisees receive value for this service. This revenue assisted with our profit in the second half of FY24.

As part of our long-term investment strategy, we intend to continue investment into technology. We are currently investigating different approaches to IT investment which will include bolstering our current stage one BF app to a stage two level. We are also considering investment into other areas of technology that our business requires or could benefit from as we become more reliant on advances in technology.

Governance - Directors

The Board are pleased to announce the appointment of two new independent directors Alan Gourdie (appointed 28 September 2023) and Tristram van der Meijden (appointed 11 April 2024). Details of these directors can be found on our website or on NZX.

The FY24 year saw the retirement of Alan Dunn as an independent director and Chair Peter Brook has advised of his intention to retire later in the year. The Company will make an announcement regarding this and any other changes to the Board in due course.

Summary and Outlook

Despite the challenges posed throughout FY24 we believe the Group achieved a strong result. We note that we are experiencing rising costs of compliance in many areas of the business. These costs are not just those required to meet NZX listing requirements but increased legal and other advisers' costs as well as increased management time to ensure compliance is met. Disappointingly, BFG will have spent approximately \$400,000 in various external costs (a bit less than one third of annual net profit after tax) and many weeks of management's time to address and respond to the single notice of opposition, against the proposed return of approximately \$4M of tax-free capital to its shareholders.

The economy remains tough, and we are cautious about any form of crystal balling as to what we can expect in this current financial year. Hospitality is extremely challenging. On a store-by-store basis, in some locations, viable operating numbers are becoming harder to hit. By this we mean not only achieving same store sales growth but also achieving sustainable metrics around the ever-increasing operating costs which have grown considerably in the past 18 months with rent, labour, utilities, and cost of goods all rising substantially.

It is not possible to increase our retail prices to cover all rising costs as we believe we will lose customers by doing this, particularly given the cost-of-living crisis all New Zealanders are currently experiencing. There is a necessary balance that must always be achieved between retail pricing and franchisee/BFG margin. Costs need to be carefully apportioned taking a long-term view and protecting our customer base whilst also continuing to build value. If we feel it is necessary to absorb current or future rising costs, this will affect BFG profits in FY25.

The other significant issue we are facing is the escalating costs to build new restaurants. Since 2019 store construction costs have nearly doubled. In the last 18 months alone build costs are up around 30%. The more expensive a store is to build, the less franchisees we can attract and the longer the return on investment takes for them to achieve. The BurgerFuel Whanganui store will potentially be the only new BurgerFuel store opening in FY25.

Across the Group we remain confident that we will achieve a reasonable level of sales in FY25, however judging by the current state of the economy and sales to date this year, we think this will be flat at best. This is simply the reality of the economy that is now biting hard and affecting a significant proportion of the population with a lack of disposable spend and interest rates looking set to remain at current levels for some time yet. We cannot predict how many of our customers will reduce their frequency or reduce their spend, or both, but we are seeing signs of both occurring in this financial year.

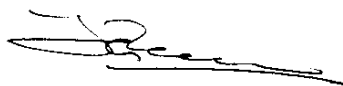
We reiterate our primary, key growth strategies which are that we will remain investing in BurgerFuel, Shake Out and technology systems. This year will see more investment into all these areas. It is too early to determine where the economy will go in the next 6 months, but the sense is that as can be seen over most of the retail sector, it is likely that we will experience slower sales and ongoing compressed margins. If this continues, profits will be affected more than in FY24. That said, the Company intends to remain in profit in the current financial year.

We would like to thank all shareholders, staff, franchisees, suppliers and of course our valued customers for their continued support.

Best regards,



Peter Brook
Chairman



Josef Roberts
Group CEO

Burger Fuel Group Limited

Consolidated Statement of Comprehensive Income

For The Year Ended 31 March 2024

	2024 \$	2023 \$
Revenue	25,949,980	22,799,659
Covid Government wage subsidy	-	35,606
Operating Expenses	(22,356,343)	(19,453,197)
Profit before Interest, Taxation, Depreciation and Amortisation	3,593,637	3,382,068
Depreciation on Property, Plant and Equipment	(361,020)	(648,444)
Depreciation on Right of Use Assets	(982,435)	(828,911)
Amortisation and impairment	(229,793)	(265,676)
	(1,573,248)	(1,743,031)
Profit before Interest and Taxation	2,020,389	1,639,037
Interest Income	297,754	91,600
Interest Income leases non-occupied	1,030,566	1,089,474
Interest Expense	-	(325)
Interest Expense leases occupied	(432,457)	(471,326)
Interest Expense leases non-occupied	(1,030,566)	(1,089,474)
	(134,703)	(380,051)
Profit before Taxation	1,885,686	1,258,986
Income Tax Expense	(558,609)	(358,568)
Net Profit attributable to shareholders	1,327,077	900,418
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement in Foreign Currency Translation Reserve	(5,425)	1,708
Total comprehensive income	1,321,652	902,126
Basic Earnings per Share (cents)	2.64	1.79
Diluted Earnings per Share (cents)	2.64	1.79

Burger Fuel Group Limited

Consolidated Statement of Financial Position

As at 31 March 2024

	2024	2023
	\$	\$
Shareholders' equity		
Contributed equity	11,913,499	11,913,499
Retained earnings	1,536,329	209,252
Foreign currency translation reserve	(289,193)	(283,768)
	13,160,635	11,838,983
Current assets		
Cash and cash equivalents	9,571,160	8,202,024
Trade and other receivables	2,156,732	2,133,744
Return of Capital Direct Costs	215,548	-
Lease Receivable: non-occupied	1,480,505	1,482,830
Contract Asset	35,374	-
Inventories	657,211	578,993
Loans	18,440	16,189
	14,134,970	12,413,780
Non-current assets		
Property, plant and equipment	2,242,482	2,441,342
Right of use asset - leases	5,864,168	6,687,547
Contract Asset	384,100	-
Lease receivable non-occupied	14,541,682	15,602,844
Deferred tax asset	566,380	618,420
Loans	-	29,311
Intangible assets	2,048,342	2,056,255
	25,647,154	27,435,719
Total assets	39,782,124	39,849,499
Current liabilities		
Trade and other payables	1,888,605	1,853,546
Contract Liability	204,149	195,072
Lease Liability	691,690	731,509
Lease Liability: non-occupied	1,480,505	1,482,830
Contract Liability Franchise fees	46,809	-
Income tax payable	320,095	267,063
Provisions	472,386	345,692
	5,104,239	4,875,712
Non-current liabilities		
Contract Liability	438,238	610,240
Lease Liability	6,121,086	6,878,478
Lease Liability non-occupied	14,541,682	15,602,844
Contract Liability Franchise Fees	369,502	-
Provisions	46,742	43,242
	21,517,250	23,134,804
Total liabilities	26,621,489	28,010,516
Net assets	13,160,635	11,838,983

Burger Fuel Group Limited
Consolidated Statement of Financial Position
As at 31 March 2024

	2024	2023
Net tangible assets per share (\$ per share - non-GAAP measure)	0.21	0.18

For and on behalf of the Board who approved these financial statements for issue on 30th May 2024.



Director



Director

Burger Fuel Group Limited

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2024

2024

	Contributed Equity \$	Foreign Currency Translation Reserve \$	Retained earnings \$	Total Equity \$
Balance as at 1 April 2023	11,913,499	(283,768)	209,252	11,838,983
Movement in foreign currency translation reserve recognised in other comprehensive income	-	(5,425)	-	(5,425)
Net Profit for the year ended 31 March 2024	-	-	1,327,077	1,327,077
Total comprehensive income	-	(5,425)	1,327,077	1,321,652
Balance as at 31 March 2024	11,913,499	(289,193)	1,536,329	13,160,635

2023

	Contributed Equity \$	Foreign Currency Translation Reserve \$	Retained earnings/ (accumulated losses) \$	Total Equity \$
Balance as at 1 April 2022	11,913,499	(285,476)	(691,166)	10,936,857
Movement in foreign currency translation reserve recognised in other comprehensive income	-	1,708	-	1,708
Net Profit for the year ended 31 March 2023	-	-	900,418	900,418
Total comprehensive income	-	1,708	900,418	902,126
Balance as at 31 March 2023	11,913,499	(283,768)	209,252	11,838,983

Burger Fuel Group Limited

Consolidated Statement of Cash Flows

For The Year Ended 31 March 2024

	2024	2023
	\$	\$
Cash flows from operating activities		
Receipts from customers	25,903,530	22,567,953
Government support	-	35,606
Interest received	260,251	91,600
Goods and services tax	(54,920)	54,443
Payments to suppliers & employees	(22,300,320)	(18,948,977)
Interest Paid	-	(325)
Interest on leases	(432,457)	(471,326)
Taxes (paid/refund)	(453,536)	(248,832)
Net cash flows provided from operating activities	2,922,548	3,080,142
Cash flows from investing activities		
Repayments of loans	27,060	28,830
Sale of property, plant and equipment	128,147	187,050
Acquisition of intangible assets	(221,880)	(427,050)
Acquisition of property, plant & equipment	(536,584)	(815,465)
Net cash flows applied to investing activities	(603,257)	(1,026,635)
Cash flows from financing activities		
Lease Liability Principal Component	(955,937)	(662,486)
Net cash flows applied to financing activities	(955,937)	(662,486)
Net movement in cash and cash equivalents	1,363,354	1,391,021
Exchange gains / (loss) on cash and cash equivalents	5,782	12,641
Opening cash and cash equivalents	8,202,024	6,798,362
Closing cash and cash equivalents	9,571,160	8,202,024

Burger Fuel Group Limited

SEGMENT REPORTING

Operating Segments

The Group operates in two operating segments; these operating segments have been divided into the following geographical regions, New Zealand and International markets. All the segment's operations are made up of franchising fees, royalties and sales to franchisees. The segments are in the business of Franchise Systems - Gourmet Burger Restaurants. New Zealand's segment result is also due to the amortisation of intangible assets.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

2024	New Zealand	International	Consolidated
	\$	\$	\$
Revenue			
Sales	11,151,620	-	11,151,620
Royalties	6,781,499	-	6,781,499
Franchising fees	228,717	24,991	253,708
Training fees	-	-	-
Property management fees	62,000	-	62,000
Advertising fees	4,863,227	-	4,863,227
Foreign exchange gain	-	11,208	11,208
Sundry income	2,616,060	-	2,616,060
Online Ordering	210,658	-	210,658
Interest received	297,625	129	297,754
Interest Leases	1,030,566	-	1,030,566
Total Revenue	27,241,972	36,328	27,278,300
Interest Expense	-	-	-
Interest Expense Leases Occupied	432,457	-	432,457
Interest Expense Leases non occupied	1,030,566	-	1,030,566
Depreciation	361,020	-	361,020
Depreciation Leases	982,435	-	982,435
Amortisation & impairment	229,793	-	229,793
Segment Result before Income Tax	2,170,588	(284,902)	1,885,686
Income Tax Expense	558,609	-	558,609
Segment Assets	39,382,888	399,236	39,782,124
Segment Liabilities	26,597,351	24,138	26,621,489

Acquisition of Property, Plant & Equipment & Intangible Assets

Other	758,464	-	758,464
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Burger Fuel Group Limited

SEGMENT REPORTING (CONTINUED)

2023	New Zealand	International	Consolidated
	\$	\$	\$
Revenue			
Sales	9,802,833	-	9,802,833
Royalties	5,868,406	-	5,868,406
Franchising fees	422,010	24,991	447,001
Training fees	37,500	-	37,500
Property management fees	59,000	-	59,000
Advertising fees	4,308,488	-	4,308,488
Foreign exchange gain	19,764	(5,481)	14,283
Sundry income	2,053,328	112,320	2,165,648
Rent Relief on Non-Occupied Leases	96,500	-	96,500
Interest received	91,593	7	91,600
Interest Leases	1,089,474	-	1,089,474
Covid Government wage subsidy	35,606	-	35,606
Total Revenue	23,884,502	131,837	24,016,339
Interest Expense	325	-	325
Interest Expense Leases Occupied	471,326	-	471,326
Interest Expense Leases non occupied	1,089,474	-	1,089,474
Depreciation	648,444	-	648,444
Depreciation Leases	828,911	-	828,911
Amortisation & impairment	265,676	-	265,676
Segment Result before Income Tax	1,637,057	(378,071)	1,258,986
Income Tax Expense	358,568	-	358,568
Segment Assets	39,660,424	189,075	39,849,499
Segment Liabilities	27,986,575	23,941	28,010,516

Acquisition of Property, Plant & Equipment & Intangible Assets

Other	1,242,515	-	1,242,515
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Burger Fuel Group Limited

Company Directory

As at 31 March 2024

NZ Companies Office - Registered Office

Burger Fuel Group Limited
66 Surrey Crescent
Grey Lynn
Auckland 1021

Accountants

KPMG
18 Viaduct Harbour Avenue,
Auckland 1140

Company Number

1947191

Bridgepoint Group Accounting Pty Ltd

Suite 301, 8 West Street,

North Sydney

NSW 2060

Australia

Date of Incorporation

14-Jun-07

Directors

Peter Brook - Chairman (Independent)

Alan Dunn (Independent) – retired 24/11/2023

Alan Gourdie (Independent) – appointed 28/09/2023

Josef Roberts (Executive)

Tyrone Foley (Non-Independent)

Auditors

Baker Tilly Staples Rodway

Level 9, Tower Centre

45 Queen Street

Auckland 1010

Board Executives

Mark Piet (Chief Financial Officer / Company Secretary)

Business Headquarters

66 Surrey Crescent
Grey Lynn
Auckland 1021

Bankers

ASB Bank Limited

CBA Bank Limited (Australia)

Solicitors

Dentons Kensington Swan, 18 Viaduct Harbour Avenue, Auckland 1011.

Buddle Findlay, HSBC Tower, 188 Quay Street, PO Box 1433, Auckland 1140.

Wynn Williams PO Box 2401, Shortland Street, Auckland 1140.

Corporate Counsel Limited Solicitors, P.O Box 37-322, Parnell, Auckland 1151