



NEWS RELEASE

ENVICTUS ACHIEVES 14.1% GROWTH IN GROSS PROFIT TO RM155.0 MILLION¹ IN FY2018

- ***Food Services Division records 33.6% surge in revenue attributable to an increase in revenue contributions from Texas Chicken, San Francisco Coffee chain and Delicious restaurant***
- ***New Dairies Division contributes revenue of RM19.8 million***
- ***Gross profit margin up 3.6 percentage points to 36.7% on the back of higher margins from the Food Services Division***
- ***Texas Chicken, Malaysia to open another seven new stores in FY2019***
- ***Texas Chicken, Indonesia has opened three outlets in Indonesia to-date; set to open another outlet in Q1FY2019***
- ***San Francisco Coffee set to open another two outlets in Q1FY2019, and another three outlets by Q2FY2019, including its first standalone store at Caltex petrol station, Ampang; has since opened two new outlets to-date***

Singapore, 28 November 2018 – Envictus International Holdings Limited (“Envictus”, “恒益德國際控股有限公司” or the “Group”), an established Food & Beverage (“F&B”) Group, today announced a revenue of RM422.6 million for the financial year ended 30 September 2018 (“FY2018”), a 3.0% increase from the RM410.3 million reported in the preceding year (“FY2017”). The growth in revenue was mainly attributable to the higher sales contribution from the Food Services Division and the new Dairies Division.

¹Approximately S\$50.8 million. Currency conversion based on S\$1.00 = RM3.05

Envictus' Group Chairman, Dato' Jaya Tan said, "We have continued to streamline our business during the fourth quarter, focusing on the expansion of our higher margin Food Services Division while nurturing a new revenue stream from our Dairies Division, which commenced operations in January this year. At the same time, we've disposed of non-core and loss-making segments including the fresh bakery and beverage businesses under our Food Processing Division, thereby strengthening our financial position."

On the fast-growing Food Services Division and the new Dairies Division, Dato' Jaya Tan added, "Leveraging on Texas Chicken's widely recognised brand, product quality and good value, we now have 49 stores, extending from Klang Valley to the north from Perak to Penang and onto the southern part of Johor Bahru. Notably, we have recently made new strides, extending our reach to Indonesia. San Francisco Coffee too has made good progress, expanding from 28 stores at acquisition just two years ago, to the current 47 stores. We will refresh our food menu and continue to offer value-for-money deals to capture new customers."

On 12 June 2018, the Group signed a 10-year International Multiple Unit Franchise and Development Agreement with US-based franchisor, Cajun Global LLC, for the exclusive rights to develop 80 franchised outlets in parts of Indonesia, which include West Java, Jakarta, Banten, Lampung, South Sumatra and Bengkulu. The first store at Green Pramuka Square, Jakarta was opened on 5 September 2018, followed by the second store at Mall@Bassura on 10 October 2018 and a third outlet at Plaza Festival today. This brings the total number of stores to three in Jakarta, within just two months of opening the first Texas Chicken outlet in Indonesia.

"As for our new Dairies segment, with the successful acquisition of Motivage, we have re-entered the manufacturing of sweetened condensed and evaporated milk, where we have strong expertise in, given our past track record in this area of business. We will explore avenues to deepen and broaden market reach, both locally and abroad," added Dato' Jaya Tan.

Financial Review

In FY2018, the Food Services Division recorded a surge in revenue of 33.6%, from RM129.1 million to RM172.5 million. The growth remained largely driven by Texas Chicken, Malaysia, which added nine new stores in the year under review, further strengthening its brand awareness and favourable market acceptance of its quality products and value. On 5 September 2018, Texas Chicken, Indonesia opened its first store in Jakarta, which contributed revenue of RM0.1 million. San Francisco Coffee added eight stores, contributing an increase of 25.5% in revenue to RM29.0 million. Delicious restaurants posted an increase in revenue of 33.9% to RM8.3 million, on the back of the introduction of a new menu and more promotional activities.

The new Dairies Division, which commenced operation in January 2018, contributed a revenue of RM19.8 million to the Group.

However, the performance of the Food Services Division and Dairies Division were partially offset by a decrease in revenue contributions from the other divisions. The Trading and Frozen Food Division's revenue declined by 9.4% to RM154.8 million as a result of lower sales to the Hotel, Restaurant and Retail sectors. This was due to a shortage of quality beef and dairy products.

The Food Processing Division recorded a lower revenue of RM49.0 million, 35.7% lower than the preceding corresponding year. This was mainly attributable to the disposal of the fresh bakery business in December 2017 and the scaling down of the beverages business in the last quarter of FY2017. Similarly, the Contract Packing for Dairy and Juice based drinks business saw a marginal drop in revenue of 2.2% to RM22.7 million as a result of lower demand from its customers. The decrease in revenue was partially mitigated by the improved performance of the frozen bakery business, which saw an increase in revenue of 43.0% to RM20.3 million, due to increase in new customers.

The Nutrition Division recorded a 22.5% reduction in revenue to RM26.5 million mainly attributable to lower revenue from its Australia Route and New Zealand Retail sectors. The lower revenue was due to a loss in market share on the back of more competitively priced US brands and aggressive competitor promotional programmes.

Gross profit margin of the Group improved from 33.1% to 36.7% year-on-year, derived from a higher sales contribution from the Food Services Division, which achieved a higher margin from its products.

Other income grew 9.2% to RM18.2 million, boosted mainly by the gain on disposal of property, plant and equipment of RM4.8 million and gain on disposal of investment property of RM2.8 million.

Overall, operating expenses contracted by 2.0% to RM193.0 million in FY2018. Excluding the impairment loss on quoted investment of RM32.9 million in the preceding corresponding year, the operating costs rose by RM28.9 million, mainly due to the higher selling and marketing expenses and administrative expenses in tandem with the expansion of Texas Chicken and San Francisco Coffee stores and the inclusion of operating costs from the new Dairies Division. This was partially offset by lower selling and marketing expenses mainly from the streamlining of business processes.

Consequently, the Group's loss after tax narrowed by 48.0% to RM27.9 million, from RM53.5 million in FY2017.

The Group's cash and cash equivalents stood at RM16.4 million while shareholders' equity was RM284.8 million as at 30 September 2018.

Outlook

Looking ahead, for the Group's Trading and Frozen Food Division, Envictus expects that trading condition will be tough due to the supply situation, weakening Malaysian Ringgit and implementation of Sales and Service Tax.

Commenting on the Group's best performing Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "We will continue to build upon Texas Chicken's resounding success to increase our presence both locally and in Indonesia. In Malaysia, we have opened one drive through restaurant in Sungai Petani, Kedah this month and expect to open another seven new stores including two drive throughs for FY2019. In Indonesia, we are pleased to have broadened our reach with the opening of three stores in Jakarta within a short span of time, and plan to open another outlet in Q1FY2019."

"As for San Francisco Coffee, we have opened two new outlets in October, at Capital City Mall and Selangor Bio Bay, with plans to open another two in Q1FY2019, and another three by Q2FY2019 which includes our first standalone store at Caltex petrol station, Ampang. To better cope with competition, Delicious is offering some new seasonal menu across our three rebranded outlets to maintain our competitive edge."

The Food Processing sector remains challenging due to several factors such as the price volatility of raw materials and competition. However, the Group expects an improvement in its butchery business as it increases its exports sales, particularly after the relocation to its newer and bigger factory building in the Selangor Halal Hub in December.

The Nutrition Division has revised its marketing strategy by focusing on new product development and mass channel servicing amidst changing consumer preferences and an increasingly competitive landscape. It has recently introduced a new range of low carbohydrate protein bars and has more exciting products in its pipeline.

The Group is cautiously optimistic about the new Dairies Division, notwithstanding a competitive environment, as the demand for sweetened creamer is stable due to the strong drinking culture in Malaysia, where sweetened creamer is one of the main ingredients used in the preparation of the drinks.

ABOUT ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Listed on SGX Catalist in 2004, and upgraded to the Mainboard in 2009, Envictus International Holdings Limited, is an established Food & Beverage (“F&B”) Group. The Group has an established portfolio of businesses and brands operating under its five business divisions – Food Services, Trading and Frozen Food, Food Processing, Nutrition and Dairies.

Under the Group’s Food Services Division, Envictus holds exclusive rights for a 10-year period since July 2012 to develop and operate the fast growing American-styled Texas Chicken fast food restaurant chains in Malaysia and Brunei. Since its first flagship outlet opened in January 2013 at Aeon Bukit Tinggi Shopping Centre, Klang, Malaysia, the robust demand for the Texas Chicken restaurant concept has driven the Group to expand its store footprint at a healthy pace. To further expand the Group’s presence in key markets in Asia, the Group secured exclusive rights in 2018 to develop 80 franchised “Texas Chicken” restaurants in certain territories of Indonesia over a period of 10 years. Envictus also owns Malaysian homegrown specialty coffee chain business, “San Francisco Coffee” which serves house roasted coffee in Malaysia. Lastly, we have the Delicious restaurants which are new lifestyle restaurants serving hearty Western and Asian-fusion cuisine.

For the Trading and Frozen Food Division, the Group’s wholly-owned subsidiary, Pok Brothers Sdn Bhd, is one of Malaysia’s leading frozen food and premium food wholesaler and is a supplier to several major American restaurant chains in Malaysia. In addition, the division also distributes the Gourmessa quality cold cuts across supermarkets and hypermart chains in Malaysia.

The Group's Food Processing Division comprises of the business segments – Bakery, Butchery as well as Contract Packing for Dairy and Juice based Drinks. Held under the Bakery segment, De-luxe Food Services Sdn Bhd, is the Group's wholly-owned subsidiary which produces frozen bakery items under the brand name of Hearty Bake. The Group's Butchery business manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants under the brand name, Gourmessa.

The Group is in the ready-to-drink segment via our subsidiary, Envictus Dairies NZ Limited, which operates New Zealand's first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products at the Whakatu Industrial Park. The plant currently produces UHT white milk for the China and Taiwan markets, flavoured milk (typically chocolate, coffee, strawberry and banana) for Australasia, pet milk (a lactose free formulation suitable for cats and dogs) and fruit juice (typically from apple or kiwifruit – fresh or concentrate) for local and Asian markets.

For Nutrition, under Naturalac Nutrition Limited ("NNL"), the Group markets its range of branded sports nutrition and weight management food products for mass consumer markets. This includes the Horleys™ brand name and other proprietary brands such as Sculpt™ (a weight management product tailored for women), Replace™ (only available in powdered format) and Covet™ range of nut milks. In New Zealand, NNL's products are primarily distributed through the route channels (gyms, health food shops, specialty stores and specialty nutrition shops) and retail channels (supermarkets, oil and convenience retail outlets) whilst its Australian sales are made predominantly through the route channels.

Held by the Group's wholly-owned Motivage Sdn Bhd, the Group's newly established Dairies Division will manufacture sweetened condensed milk and evaporated milk under the "Sujohan" brand to be sold in Malaysia. There are plans to export the manufactured sweetened condensed milk and evaporated milk to overseas markets under the "Motilait" and "Family Farm" brands.

For more details, please visit the Group's corporate website at www.envictus-intl.com.

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