
NEWS RELEASE

ENVICTUS RECORDS 13.1% TOPLINE GROWTH TO RM410.3 MILLION¹ IN FY2017

- ***Food Services Division achieves robust 60.2% topline growth:***
 - ***Boosted by strong revenue from Texas Chicken***
 - ***Revenue contributions from San Francisco Coffee chain and newly acquired Delicious restaurants business***
- ***Gross profit margin up 2.7 percentage points to 33.1% from increased sales of higher margin products in Food Services Division***
- ***Bottomline largely impacted by impairment loss for a quoted investment amounting to RM32.9 million in Yamada Green Resources Limited and increased expenses to support business growth***
- ***Total store count of 41 Texas Chicken outlets to date; expects to open another 13 outlets, if not more in the next twelve months***
- ***Total store count under San Francisco Coffee at 38 to date; plans to open another 11 stores within the next one year***

Singapore, 28 November 2017 – 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 growth of 13.1% to RM410.3 million for the financial year ended 30 September 2017 (“FY2017”) as compared to RM362.7 million in the previous year (“FY2016”). However, the Group posted a loss after tax of RM53.5 million in FY2017, due largely to the impairment loss for a quoted investment amounting to RM32.9 million in Yamada Green Resources Limited (“Yamada Green”) – a major grower, manufacturer and supplier of fresh and processed agricultural products in China, which was listed on the Mainboard of Singapore Exchange in 2010 as well as increased expenses to support business growth.

¹ Approximately S\$134.1 million. Currency conversion based on S\$1.00 = RM3.06

Envictus' Group Chairman, Dato' Jaya Tan said, "During the quarter, we have continued to invest in the growth of Texas Chicken and San Francisco Coffee and incurred operational costs including a rebranding exercise for our newly acquired Delicious restaurants business. At the same time, we took impact from a one-off impairment loss for our quoted investments in Yamada, which applied for trading suspension on the Singapore Exchange on 6 September 2017 due to various factors, including its inability to produce its financial statements and a fire incident that has destroyed certain financial documents and IT/Computer hardware.

"We continue to look for opportunities to unlock value through selective divestments and at the same time, further grow our profitable business segments. We've recently announced our intention to divest our non-profitable wholly-owned Family Bakery Sdn Bhd and Daily Fresh Bakery Sdn Bhd, which are involved in the manufacture and distribution of fresh baked breads and buns as well as the trading of cakes and biscuits. The proceeds from the divestment will go towards strengthening our other business segments."

Commenting on the success of the Food Services division, Dato' Jaya Tan added, "During the year, we saw continued success and growth of Texas Chicken, which achieved a strong revenue growth, underscoring the good market acceptance of its product quality, value, and brand recognition. We have also seen contributions from San Francisco Coffee and our newly acquired Delicious restaurants and will continue to look at developing a stronger market presence with our quality food and service.

"In addition, we're delighted to welcome back Mr Khor Sin Kok, our Deputy Group CEO, who was one of the key management involved in the setting up of Etika Dairies. His strong expertise and experience will be an asset to the Group as we prudently grow our business."

Financial Review

In FY2017, the Food Services Division recorded revenue growth of RM48.5 million or 60.2% to RM129.1 million. The robust growth was driven by the Texas Chicken outlets which achieved 42.3% higher revenue of RM99.9 million, as a result of the opening of eleven additional new restaurant outlets since FY2016 and improved sales performance attributed to market acceptance of its product quality, value and brand recognition. Concurrently, the San Francisco Coffee chain posted an additional sales of RM12.6 million to the division's revenue whilst the newly acquired Delicious restaurants business contributed a revenue of RM6.2 million in FY2017.

The Food Processing Division achieved a higher sales of RM76.2 million as compared to RM75.1 million in FY2016. This was mainly driven by better performance of its Contract Packing for Dairy and Juice based drinks business which saw a significant sales growth of 35.7% to RM23.2 million. However, the division was impacted by the beverage business which recorded a 31.1% lower revenue of RM12.2 million amid the lower demand arising from the continued slowdown of China market and ongoing keen competition in the local market.

Despite the weak market sentiment, the Trading and Frozen Food Division registered a marginal growth in revenue of RM0.3 million or 0.2%. The improved performance of these three divisions more than offset the decline in revenue of RM2.1 million from the Nutrition Division.

Gross profit margin rose 2.7 percentage points to 33.1% in FY2017 on the back of increased sales of higher margin products from the Food Services Division.

Other operating income declined by 33.0% to RM16.7 million mainly due to a one-off gain of RM9.6 million on the disposal of land and building in Indonesia recorded in the previous corresponding year.

Operating expenses rose from RM127.4 million to RM197.0 million in FY2017, which is mainly attributable to the impairment loss for a quoted investment amounting to RM32.9 million in Yamada Green that suspended trading on the Singapore Exchange on 6 September 2017. The rise in operating expenses was also due to higher selling, marketing and administrative expenses, arising from the opening of new Texas Chicken outlets as well as the inclusion of operating costs of the San Francisco Coffee chain and the newly acquired Delicious restaurants business.

Finance costs rose by RM0.8 million to RM5.0 million mainly due to higher borrowings, coupled with additional hire purchase facilities for the new restaurant outlets.

Consequently, the Group reported a loss after tax of RM53.5 million in FY2017, against a profit after tax of RM1.5 million in FY2016.

For FY2017, the Group's cash and cash equivalents stood at RM48.9 million while shareholders' equity was RM305.3 million as at 30 September 2017.

Outlook

For the Trading and Frozen Food Division, the Group's wholly-owned subsidiary, Pok Brothers Sdn Bhd has completed the construction of its new warehouse facility in the Selangor Halal Hub in Pulau Indah. The move to the new premises, which will cater for future expansion and growth, is expected by end November.

Commenting on the Group's best performing Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "Leveraging on Texas Chicken's strong branding, we have continued to expand, opening 11 additional new restaurant outlets since FY2016 and another two stores recently, to reach the current 41 stores. We will continue to leverage on Texas Chicken's brand and its ability to improve site selections and rental terms by opening the same number of stores, if not more, for the next 12 months."

“San Francisco Coffee has 38 outlets to date and plans to open 11 new stores in FY2018. Notably, San Francisco Coffee has made good progress following its rebranding, refreshed menu and new concepts. In line with its re-positioning, the new concept will enable the brand to make a presence in malls and lifestyle market, diversifying from the current niche market which focuses mainly on office buildings.”

As for the Nutrition Division, the marketing team of the Horleys brand of sports nutrition and weight management products has reviewed each product sub range and are progressively re-launching these ranges to better address consumer needs as well as strengthen and simplify the ‘call outs’ on the product labels. While the team has re-launched the ‘Training Series’ product range and ‘Sculpt’ women’s shaping protein range, the current focus is on the redevelopment of products within the ‘Elite’ range which targets at heavy users. The ‘Elite’ range is scheduled to be relaunched in the second quarter of FY2018. The marketing team is also developing a new E-commerce strategy which will ensure the Horleys brand capture a significant share of the rapidly growing opportunities.

The Food Processing Division’s businesses are pressured by factors such as increasing raw material import prices due to the weak Ringgit, lacklustre consumer sentiment and intense competition. To mitigate these challenges, cost controls and price increase for certain products have been implemented. Moreover, the division is executing strategies to diversify into other markets, as well as focusing on new product offerings to drive revenue potential.

In addition, after taking into consideration the competitiveness and escalating costs of raw materials and labour, the Group’s wholly-owned subsidiary, De-luxe Food Services Sdn Bhd entered into a conditional sale and purchase agreement with Marco Flagship Sdn Bhd and Wong Ng Moh Tian @ Wong Moh Tian on 30 October 2017, to divest its companies, Family Bakery Sdn Bhd and Daily Fresh Bakery Sdn Bhd, which are involved in the production and distribution of the lower end bread bun segment. The disposal is expected to be completed in the 1Q FY2018.

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 four business divisions – Trading and Frozen Food, Food Services, Nutrition and Food Processing.

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.

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. Envictus also owns Malaysian homegrown specialty coffee chain business – San Francisco Coffee – which serves house roasted coffee in Malaysia. As at 21 December 2016, the Group also acquired the Delicious Group business, which will make yet another cafe and restaurant option available for our customers’ enjoyment.

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) and Replace™ (only available in powdered format). More recently NNL also launched a range of nut milks under the Covet™ brand name. The Covet range is manufactured by Envictus Dairies NZ Ltd, a sister company to NNL. 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.

The Group’s Food Processing Division comprises of the business segments – Bakery, Butchery, Beverages as well as Contract Packing for Dairy and Juice based Drinks. Envictus’ Bakery business includes its wholly-owned subsidiary, Family Bakery Group which produces fresh breads and buns under the Daily Fresh and Family brand while De-luxe Food Services Sdn Bhd, another wholly-owned subsidiary, produces frozen bakery items. The Group’s Butchery business manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution to supermarkets, hotels and restaurants. For the Beverages business, the Group’s canned beverages are produced by Polygold Beverages Sdn Bhd in Seremban, Negeri Sembilan. The business’ stable of products include the Polygold brand of carbonated and non-carbonated drinks, Air Champ energy drink and Power Champ isotonic sports drink.

The Group also entered into the ready-to-drink segment via a joint venture in Envictus Dairies NZ Limited to establish New Zealand’s first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products at the Whakatu Industrial Park.

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

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