



NEWS RELEASE

ENVICTUS POSTS REVENUE OF RM101.1 MILLION IN Q2FY2018

- *Food Services Division's 31.7% revenue growth driven by higher revenue contributions from Texas Chicken, San Francisco Coffee chain and Delicious restaurant business*
- *Maiden revenue contribution of RM4.8 million from new Dairies Division*
- *Gross profit margin up 3.0 percentage points to 37.4% due to increased sales and higher margin products from Food Services Division and Contract Packing for Dairy and Juice based business*
- *Generated net operating cash flow of RM1.4 million against net cash used in operating activities of RM0.9 million in Q2FY2017*
- *Total store count of 47 Texas Chicken outlets to date; expects to open another two outlets over the next two quarters*
- *Total store count under San Francisco Coffee at 40 to date; plans to open another nine stores within the current financial year*

Singapore, 2 May 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 RM101.1 million for the three months ended 31 March 2018 (“Q2FY2018”) compared to RM100.3 million in the previous corresponding period (“Q2FY2017”). However, the Group posted a loss after tax of RM5.0 million in Q2FY2018, due largely to the 11.4% higher overall operating expenses.

Envictus' Group Chairman, Dato' Jaya Tan said, "Overall, our Group revenue was driven by a good showing from our Food Services Division, which offset a slower performance by the other three divisions. We have continued to see a robust performance by Texas Chicken, which remains the top performer under our Food Services Division. Its significant revenue growth of 32.7% was driven by the opening of 12 additional stores and favourable market acceptance of its strong branding, value and good quality products. We have also seen a good 'harvest' from both San Francisco and Delicious restaurant business, with the opening of additional outlets for San Francisco; and gradual market acceptance of the latter following the completion of our rebranding exercise respectively. Our new Dairies Division which mainly distributes condensed and evaporated milk, has also added a new revenue stream for the Group.

"Operationally under our Food Services Division, other than Texas Chicken which has achieved positive EBITDA, we will require a longer gestation period for our San Francisco Coffee chain and Delicious restaurant business as we invest in selling, marketing and other related expenses to build-up branding and market share.

"We aim to keep up the growth momentum of our various brands through a well-balanced marketing programme, strategic store expansion, and the continual introduction of new menus where feasible."

Financial Review

In Q2FY2018, the Food Services Division recorded revenue growth of RM10.3 million from RM32.5 million to RM42.8 million. The 31.7% robust growth was driven by the opening of 12 additional stores under Texas Chicken since Q2FY2017 and is also attributable to higher brand awareness and the favourable market reception of its quality product and value. Concurrently, the San Francisco Coffee chain posted an additional sales of RM1.7 million to the division's revenue whilst the Delicious restaurant business contributed a revenue of RM2.2 million, 15.8% higher from RM1.9 million posted in Q2FY2017. Additionally, the new Dairies Division contributed a revenue of RM4.8 million to the Group.

However, the performance of the Food Services Division was impacted by lower revenue contribution from the Trading and Frozen Food, Nutrition and Food Processing Divisions. The Trading and Frozen Food Division's revenue declined 13.4% from RM41.3 million in Q2FY2017 to RM35.8 million in Q2FY2018, which is largely due to the shortage of quality beef as a result of the suspension of two beef plants by the Department of Islamic Development Malaysia (JAKIM) and the Department of Veterinary Services Malaysia (DVS) as well as shortage of dairy products in the market.

The Nutrition Division posted a revenue of RM7.0 million in Q2FY2018 as compared to RM8.8 million recorded in Q2FY2017. The 20.5% lower revenue was primarily due to some loss of market share to the more competitively priced US brands as well as a significant increase in the presence of Australian and New Zealand brands.

The Food Processing Division recorded a lower sales of RM10.8 million as compared to RM17.7 million in Q2FY2017. This was mainly due to a decline in revenue contribution from both the fresh bakery and beverage businesses. Following the disposal of Family Bakery Group in December last year, the remaining frozen bakery business achieved revenue of RM4.0 million against RM10.2 million in Q2FY2017. Similarly, the beverage segment posted a 73.5% lower revenue of RM0.9 million in Q2FY2018 after scaling down its operations. However, the lower sales from the bakery and beverage businesses have been mitigated by the improved performance of Contract Packing for Dairy and Juice based drinks business, which recorded a sales growth of 47.6% to RM6.2 million, driven by the higher demand from its existing and new customers.

Gross profit margin rose 3.0 percentage points to 37.4% in Q2FY2018 on the back of higher sales achieved by the Food Services Division and the Contract Packing for Dairy and Juice based drinks business which derived higher margin from their products.

Other operating income of RM5.3 million comprises mainly of the foreign currency fluctuation gain of RM3.8 million and rental income of RM0.4 million from the corporate building.

Operating expenses rose from RM41.7 million to RM46.4 million in Q2FY2018 mainly due to higher selling, marketing and administrative expenses attributed to costs associated with the opening of new outlets for Texas Chicken and San Francisco Coffee chain and the inclusion of operating costs arising from the new Dairies Division.

Finance costs rose by RM0.1 million to RM1.5 million due to higher bank borrowings to finance the construction of the warehouse catered for the expansion and growth of the Group's wholly-owned subsidiary Pok Brothers Sdn Bhd ("Pok Brothers") as well as additional hire purchase facilities utilised for expansion of new restaurant outlets.

Overall, the Group recorded a loss after tax of RM5.0 million as compared to a loss of RM3.7 million in Q2FY2017.

Backed by its active working capital management, the Group generated a net cash flow from operations of RM1.4 million in Q2FY2018 against net cash used in operating activities of RM0.9 million in Q2FY2017. The Group's cash and cash equivalents stood at RM32.5 million while shareholders' equity was RM288.0 million as at 31 March 2018.

Outlook

Under the Trading and Frozen Food Division, Pok Brothers moved into its new warehouse facility in the Selangor Halal Hub in Pulau Indah in December last year. Moving forward, while the operating costs associated with a bigger facility will impact the bottom line until revenue increases accordingly, the continued strengthening of the Ringgit against major trading partners will help to reduce the cost of imported goods.

Commenting on the Group's best performing Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "We have leveraged on Texas Chicken's strong market acceptance and opened another 12 new outlets since Q2FY2017, with a further addition of three new outlets before the Chinese New Year, which received a resounding response. We now have a footprint of 47 outlets to date and will capitalise on Texas Chicken's established brand name and strong market position to improve site selections and rental terms by opening another two stores over the next two quarters.

"San Francisco Coffee has 40 outlets to date, with the latest store opened in April this year. We plan to open another nine stores in the next two quarters of FY2018 as the coffee chain continues to make new strides with the successful completion of its rebranding exercise, refreshed menu and new concepts. We are optimistic that the new cafe concept with customised design theme for each individual store will enable the brand to expand its presence beyond office buildings and penetrate the malls as well as lifestyle markets."

The Food Processing Division's businesses are pressured by factors such as increasing prices of some raw materials, lacklustre consumer demand as well as competition. Under the division's butchery business, Gourmessa has appointed a distributor in Singapore to distribute its products to supermarkets, independent grocery stores, restaurants and hotels. With the commencement of export sales to Singapore, and possibly Thailand, together with the addition of a new customer, the Group expects revenue from the butchery business to improve in the next quarter. Also, Gourmessa will be relocating to its new factory building in the Selangor Halal Hub, located in Pulau Indah, upon the completion of inspection and audit checks, including obtaining its halal certification from all the relevant authorities, which will likely be in the third quarter of 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. Lastly, we have the Delicious Group of restaurants which are new lifestyle restaurants serving hearty Western and Asian-fusion cuisine.

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.

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

ISSUED ON BEHALF OF	:	Envictus International Holdings Limited
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 55 Market Street #02-01 SINGAPORE 048941
CONTACT	:	Ms Dolores Phua / Ms Carol Chong at telephone
DURING OFFICE HOURS	:	6534-5122
EMAIL	:	dolores.phua@citigatedewerogerson.com / carol.chong@citigatedewerogerson.com

2 May 2018