

Neo Group Limited

**3QFY2018
Results Briefing**

AGENDA

- Introduction
- Corporate Updates
- Financial Highlights
- Outlook & Growth
- Q&A



INTRODUCTION

▶ Integrated Food Solutions Provider

FOOD CATERING	FOOD RETAIL	FOOD MANUFACTURING	SUPPLIES & TRADING	OTHER BUSINESSES
     <p>Kim Paradise</p>	    	 	    	 

9M2018 Segment Revenue:

\$45.3m

\$12.7m

\$35.5m

\$36.4m

\$0.7m

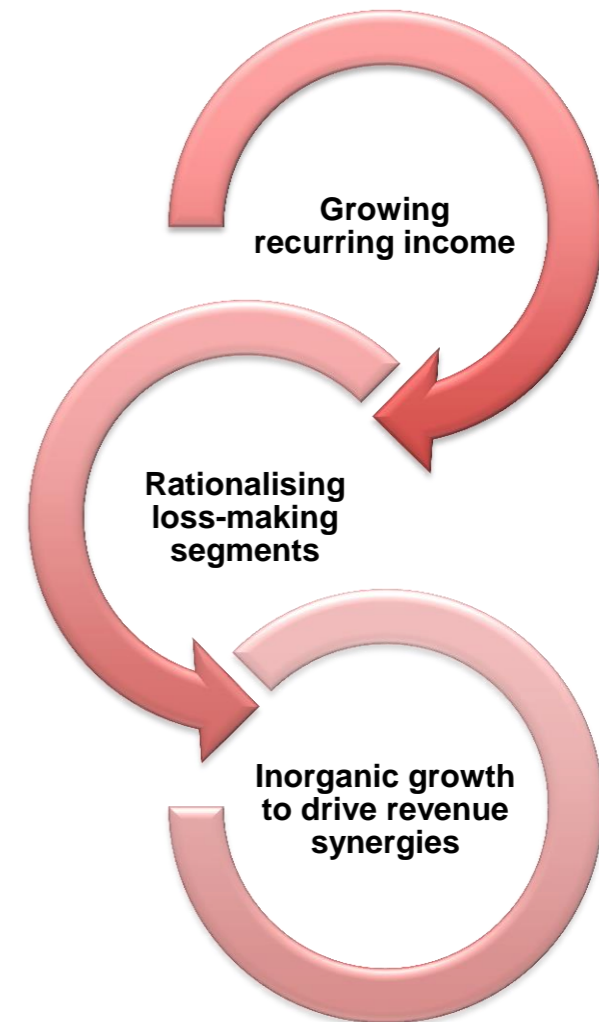


CORPORATE UPDATES



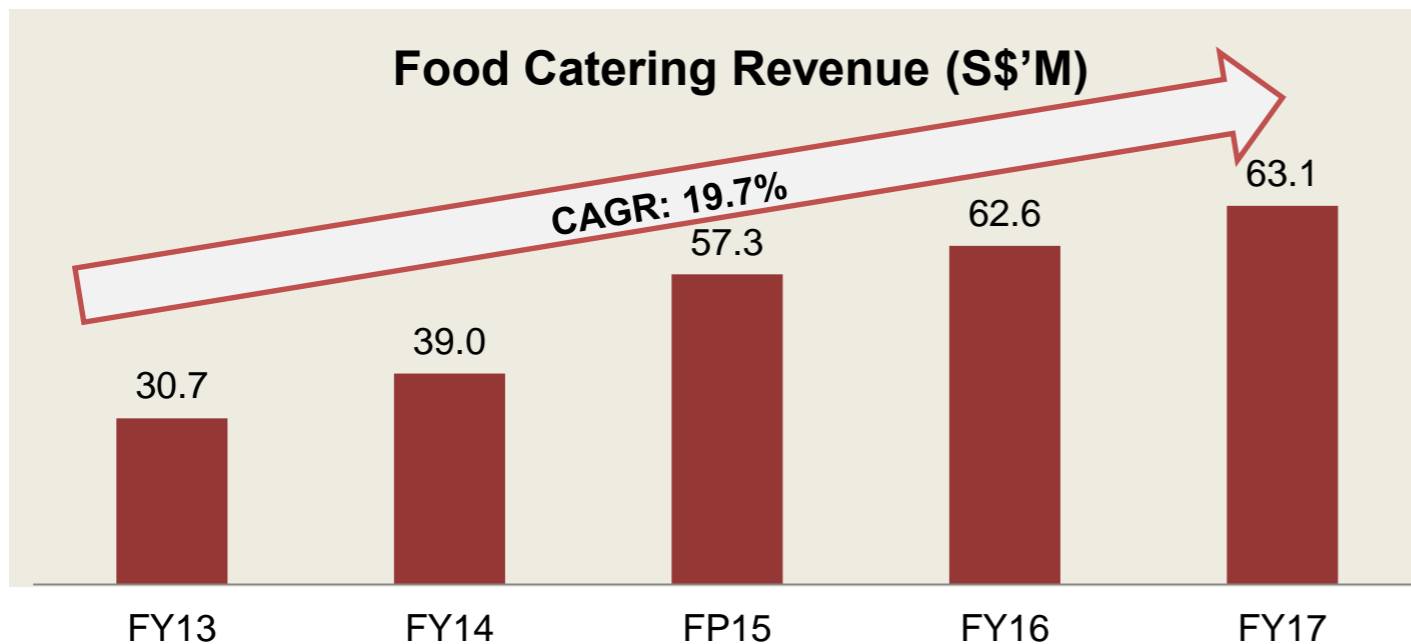
► Corporate Updates

- All of the following business segments grew in 3QFY2018
- 1) **Food Catering:**
 - Business with recurring income base grew 6.3% yoy in revenue to S\$17.9 million in 3QFY2018
 - Establishment of Kim Paradise to be the largest tingkat meal specialist in Singapore
- 2) **Food Manufacturing:**
 - Business turned profitable since 1QFY2018 with sustained momentum into 3QFY2018
- 3) **Food Retail:**
 - Business profitable for two consecutive quarters from 2QFY2018 with positive turnaround momentum
- 4) **Supplies & Trading:**
 - Business faced a challenging year in 2017, mainly as a result of the frozen meats trading business
 - Continue to realign procurement practices and streamline storage and logistics cost
- Group continues to seek inorganic growth opportunities prudently



Food Catering

- Market leader in Singapore – No. 1 events caterer* for seven consecutive years since 2011
- Multi-brand strategy to increase market share by capturing various markets
- Recurring income streams will generate positive operating cash flow to ensure working capital stability



 <p>NEO 梁苑 GARDEN</p> <p>Established in 1992</p>	<p>Flagship brand serving the mid-tier market segment and corporate clients</p>
 <p>Delihub</p> <p>Established in 2004</p>	<p>Offers halal-certified menus serving mass market, corporate, institutional and public sectors</p>
 <p>ORANGE CLOVE</p> <p>Established in 2008</p>	<p>Serving the needs of growing corporate clients and institutional clients</p>
 <p>Best CATERING</p> <p>Established in 2014</p>	<p>Economical buffet menus and daily meal services for the mass market and household segments</p>
 <p>Gourmetz Catering with Passion</p> <p>Established in 2016</p>	<p>Serves the niche childcare, eldercare and student care segments catering</p>
<p>Kim Paradise</p> <p>Established in 2017</p>	<p>Specialises in confinement and nutrition meals that focus on wellness and healing</p>

*As defined in Euromonitor International report, "Events Catering Services in Singapore", dated April 2017 whereby events catering refers to food catering services provided for social or corporate events only and is based upon customer value sales

▶ Food Catering

Kim Paradise – Aims to be the largest Tingkat meal specialist in SG

- Expand our reach in the Tingkat catering space and capture new market segments
- Tap on expertise of newly engaged chefs and partners in confinement and nutrition meals that focus on wellness and healing
- Expand product offerings and diversify our customer base
- Additional synergies: Kim Paradise is able to tap on existing centralised kitchens and Best Catering's established customer base to reap operational synergies and strengthen recurring income



▶ Food Catering: Key Revenue Engine

Revenue increased from S\$44.0 million for 9M2017 to S\$45.3 million for 9M2018

- Recurring income from various brands targeting various market segments
- Boost in contributions from elder-care and childcare market segment by Gourmetz Pte Ltd (subsidiary incorporated in November 2016)



▶ Food Manufacturing

- On 12 June 2015, Neo Group acquired a 55% stake in Thong Siek Holdings Pte. Ltd. (“TSG”)
- TSG has a global distribution network of 25 countries and supplies products to
 - i. Supermarkets;
 - ii. Wet Markets in Singapore and
 - iii. Overseas markets
- Owns locally renowned ‘Dodo Fishball’ and has a strong positioning as industry leader in Singapore and in the region for Surimi-based products
- Synergies include supplying to our Food Catering business which provide cost savings to the Group



▶ Food Manufacturing

The turnaround roadmap

Relocation of existing facility to 22 Senoko Way

- Doubling facility area
- Greater cost savings and operational synergies
- Added space allows for automation and machinery upgrades
- New facility has cold room facilities -> significant savings from cold room rental costs

Automation and machinery upgrades

- Investments in advanced machinery boosted efficiency and productivity
- Reduced reliance on labour and generated cost savings

Reduce material cost and improve process controls

- Wholly-owned subsidiary of Neo Group Limited, NKK, procures and supplies 100% surimi needs
- Improvement in process controls resulting in reduction in defective products and wastage

Successful turnaround

- Contributed positively to the Group's bottom line since 1QFY2018
- Group continues to improve operational efficiencies
- Focus on improving sales to overseas markets

▶ Food Manufacturing: Gaining Traction

Revenue increased from S\$34.6 million for 9M2017 to S\$35.5 million for 9M2018

- Successful turnaround of Thong Siek with
 - Enhanced cost efficiencies
 - Effective restructuring efforts contributed to the Group's bottom-line
- Aided by a global distribution network, sales figures improved as a result of a ramp up in export sales
- Continue to expand product offerings to increase revenue streams



▶ Food Retail



- 26 retail outlets islandwide with innovative and unique dining concepts
- Multiple product lines to capture various market segments
- Establishing a presence in the retail market allows the Group to build brand awareness among consumers



▶ Food Retail: Streamlining of Operations

Revenue decreased from S\$14.5 million for 9M2017 to S\$12.7 million for 9M2018

- Strategic actions taken to turn around business include:
 - Closure of non-performing outlets
 - Improved systems and streamlined menus
- The Group's Food Retail business has been profitable for the last two consecutive quarters



Supplies & Trading



- Global trading network of 35 countries opens up cross-selling opportunities

Sharpening our competitive edge:

- Reduces reliance on third-party suppliers, leading to greater stability in input prices and supply
- Elimination of middleman results in cost savings for the Group
- Generates additional stream of revenue from external customers

Subsidiary	Stake (%)	Synergies
NKK Import and Export Trading Pte Ltd (2010)	100	<ul style="list-style-type: none"> • In-house trading arm to source for raw materials for the Group • Enhance quality control at competitive prices
Liang Yuan Pte Ltd (2008)	100	<ul style="list-style-type: none"> • Process and supply food products such as Japanese food, dumplings and roasted meats for use internally as well as for sale externally
CT Vegetables & Fruits Pte Ltd (2015)	100	<ul style="list-style-type: none"> • Supplies vegetables and fruits to the Group's food catering and food retail segments • Imports a wide variety of fruits and vegetables over a network of 12 countries
U-Market Place Enterprise Pte. Ltd. (2017)	75	<ul style="list-style-type: none"> • Frozen meat supplier serving the Group's food catering needs
Hi-Q Plastic Industries Sdn Bhd (2017)	51	<ul style="list-style-type: none"> • Supplies plastics, resins, moulds and plastic packaging products to the Group's food catering and food retail segments

► Supplies & Trading: Boosted by M&A

Revenue increased from S\$20.4 million for 9M2017 to S\$36.4 million for 9M2018

- Driven by revenue contributions from newly acquired subsidiaries:
 - U-Market in January 2017
 - Maiden revenue contribution by Hi-Q Plastic Industries from April 2017
- U-Market is currently undergoing a business review to enhance performance:
 - Reduce trading transactions for low margin trading items

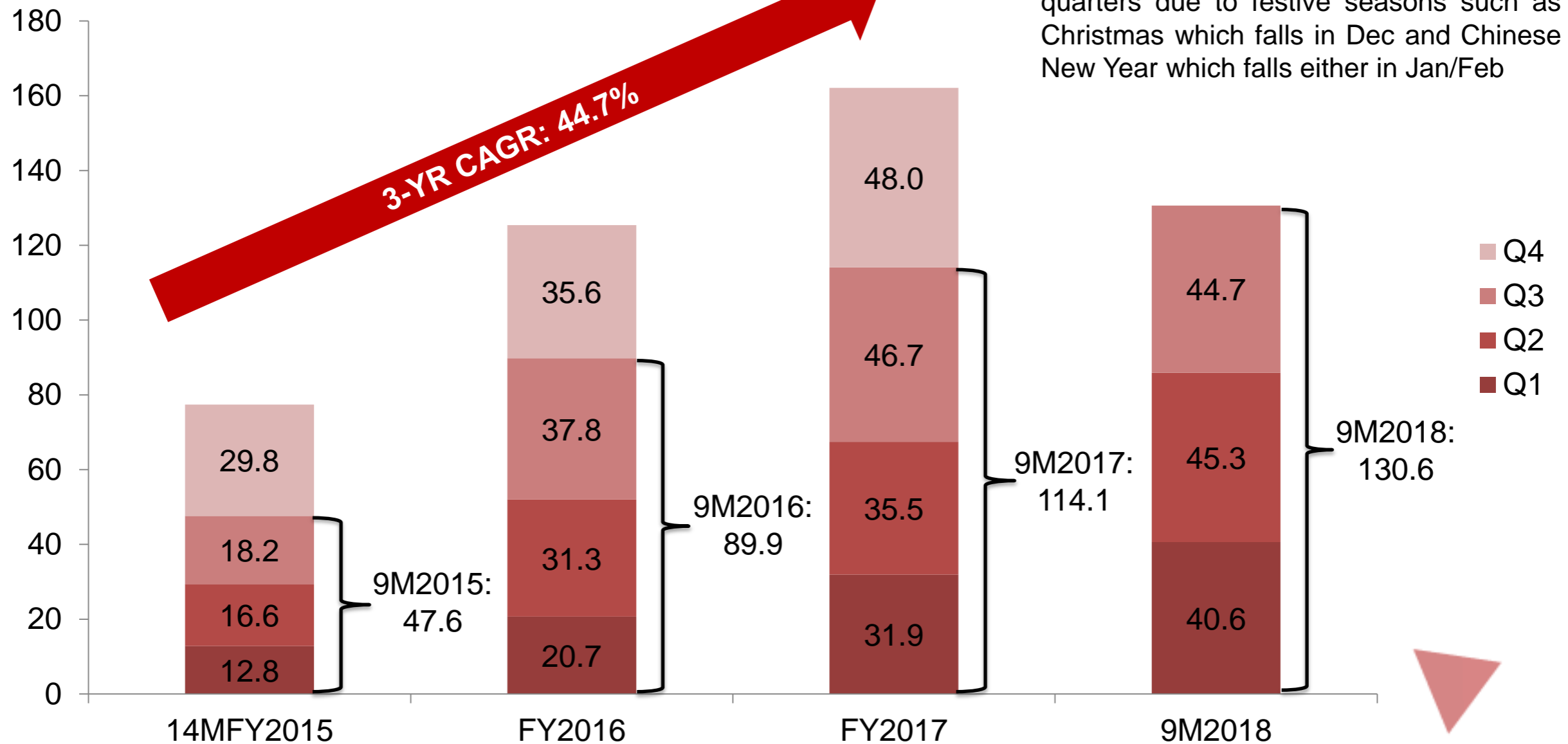




FINANCIAL HIGHLIGHTS

Revenue

S\$' million



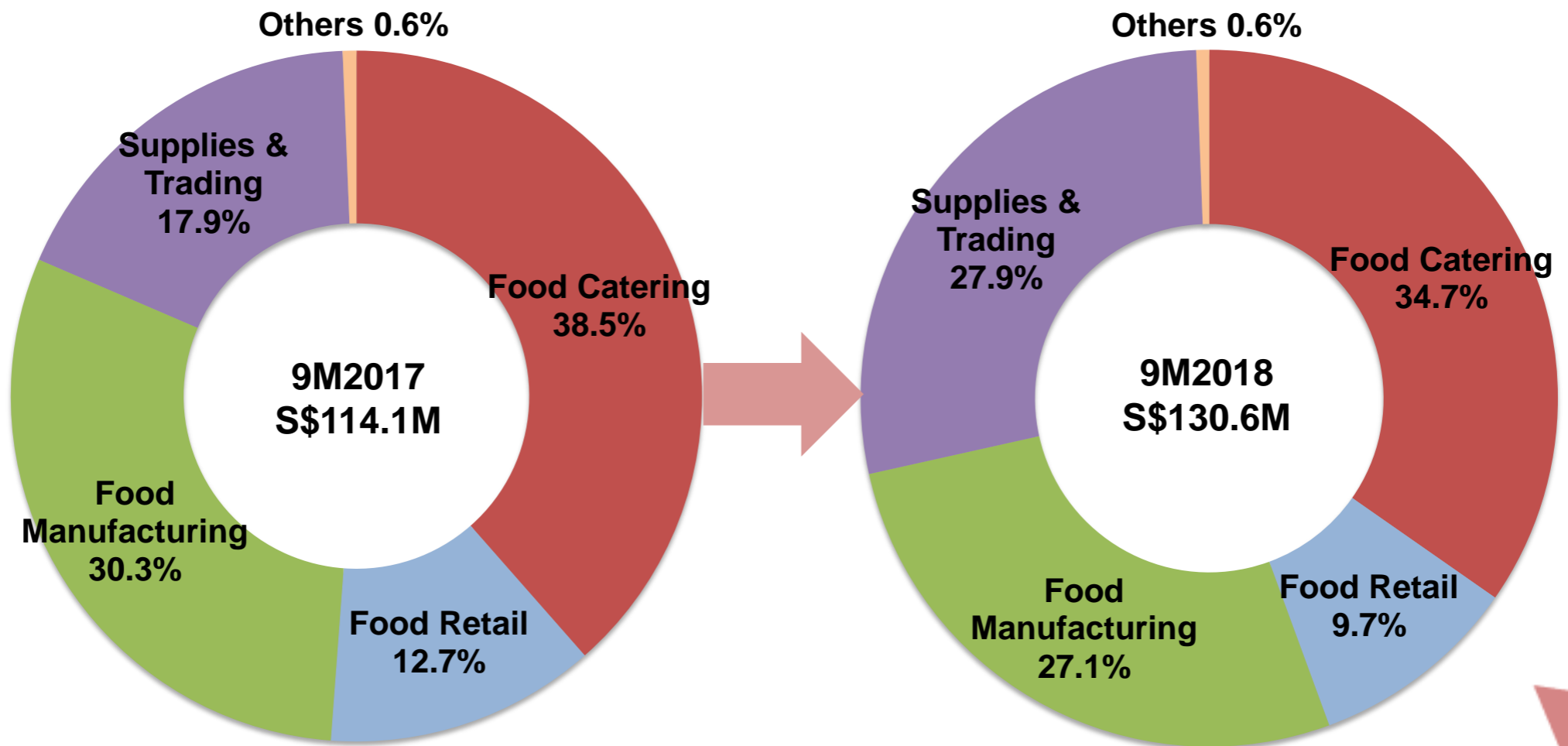
Seasonal trend in revenue

- Q3 and Q4 are generally stronger quarters due to festive seasons such as Christmas which falls in Dec and Chinese New Year which falls either in Jan/Feb

*Some figures may not add up due to rounding

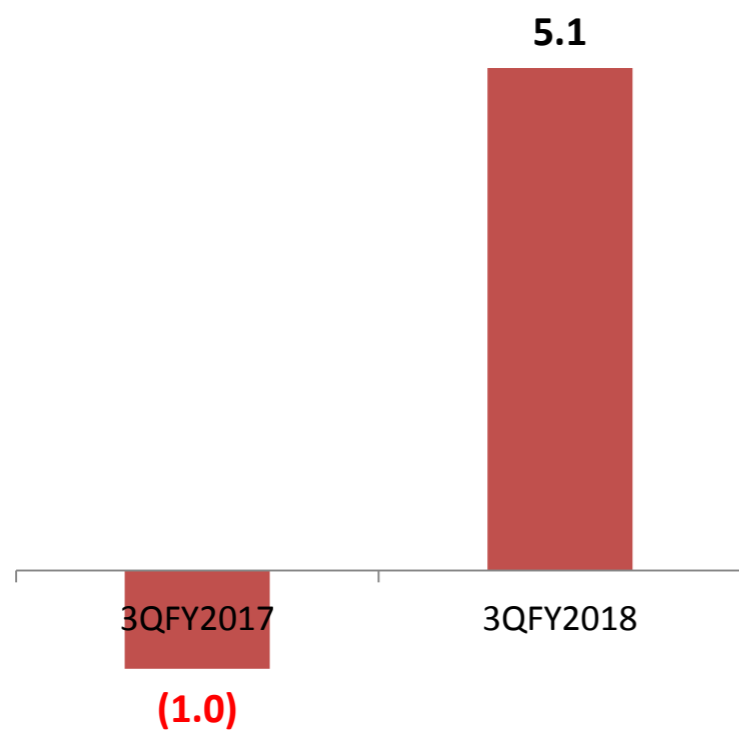
Revenue by Business Segments

- Revenue increased 14.5% yoy to S\$130.6 million for 9M2018
- Transformation into a fully integrated food solutions provider

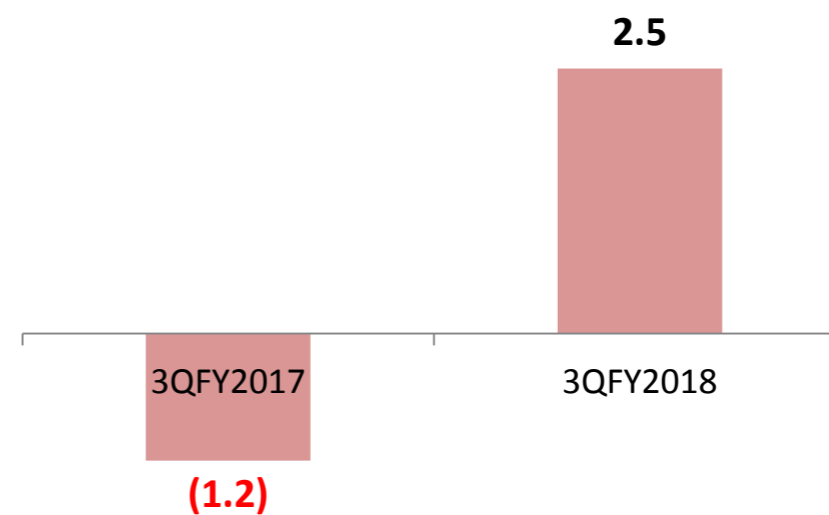


EBITDA and PAT

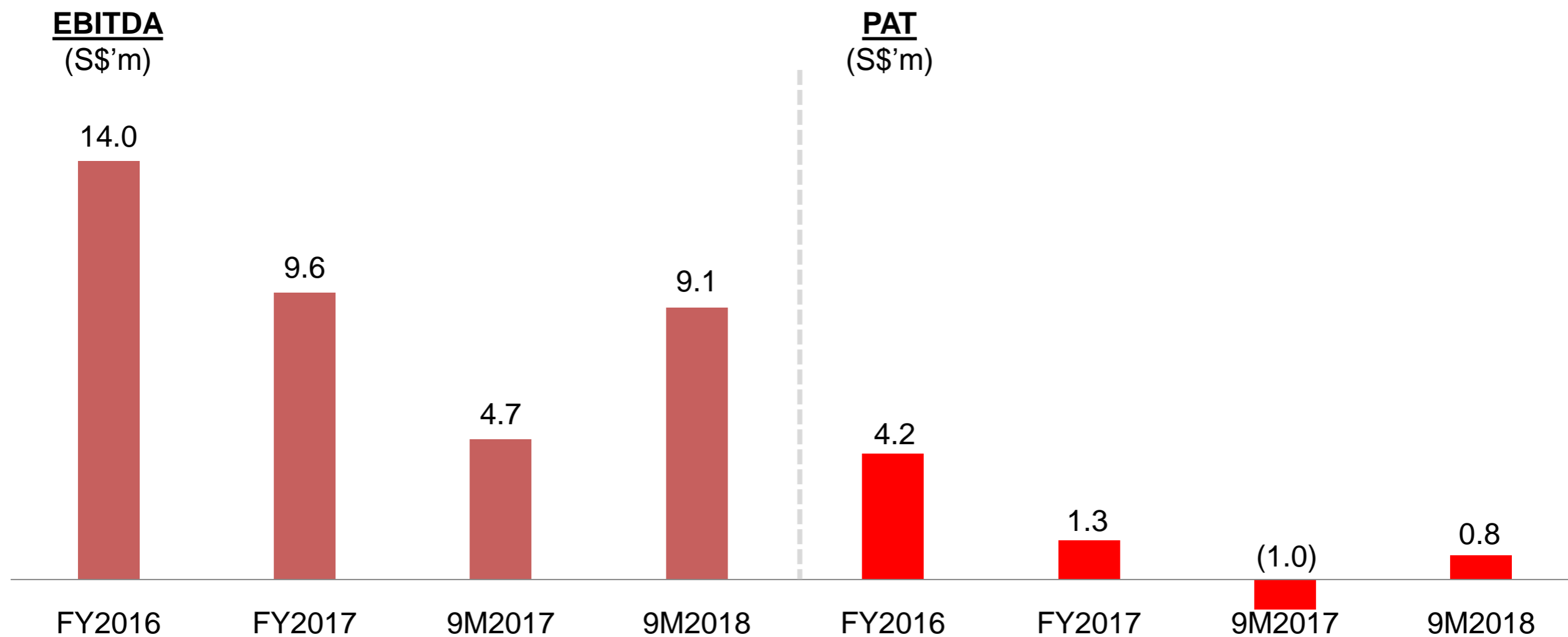
EBITDA
(S\$m)



PAT
(S\$m)



EBITDA and PAT



Financial Position

	Group As at	
	31/12/2017 S\$'000	31/3/2017 S\$'000
Assets		
Current Assets		
1 Inventories	12,395	12,983
Trade and other receivables	21,884	21,663
Prepayments	597	323
Cash & cash equivalents	13,128	10,540
Total current assets	48,004	45,509
Non-current assets		
2 Property, plant and equipment	81,061	75,204
Investment properties	1,215	1,250
Intangible assts	14,034	13,948
Investments in subsidiaries	-	-
Other receivables	3,166	2,583
Available-for-sale financial asset	810	630
Total non-current assets	100,286	93,615
Total assets	148,290	139,124
Equity		
Capital and reserves		
Share capital	7,899	7,899
Merger and capital reserves	179	179
Fair value adjustment account	180	-
Foreign currency translation reserve	315	405
Retained earnings	24,104	24,678
Equity attributable to owners of the Company	32,677	33,161
Non-controlling interests	4,601	4,350
Total equity	37,278	37,511

Liabilities**Current liabilities**

3 Trade and other payables	26,818	22,416
Provisions	433	404
4 Bank borrowings	42,241	36,938
Finance lease payables	1,409	1,481
Income tax payable	507	355
Total current liabilities	71,408	61,594

Non-current liabilities

Other payables	1,555	1,255
Bank borrowings	31,751	33,192
Finance lease payables	3,123	2,395
Deferred tax liabilities	3,175	3,177
Total non-current liabilities	39,604	40,019
Total liabilities	111,012	101,613
Total equity and liabilities	148,290	139,124

1 Mainly due to an overall improvement in inventory management and control

2 Mainly attributable to machinery and equipment acquired and renovation works done on the new property for the Group's Food Manufacturing business at 22 Senoko Way and existing central kitchen at 6A Wan Lee Road for Gourmetz Pte Ltd, as well as a new property acquired by Hi-Q Plastic Industries Sdn Bhd in Johor, offset by depreciation charges

3 Primarily arising from facilities to support the operating activities in the Group's Supplies and Trading business as well as timing differences in
+ non-trade payables in relation to capital expenditures recorded but not yet
4 disbursed

Operating Cash Flow

	Group As at	
	9M2018 S\$'000	9M2017 S\$'000
Operating activities		
Profit before income tax	658	(3,337)
Adjustments for:		
Bad third parties trade receivables written off	7	4
Depreciation and amortisation expenses	6,634	6,419
Dividend income	(45)	(11)
Fair value gain on derivative financial instruments	-	(23)
Gain on disposal of assets classified as held for sale	-	(1,817)
Interest expense	1,848	1,612
Interest income	(164)	(7)
Inventories written down	7	-
Loss on disposal of plant and equipment	10	4,989
Plant and equipment written off	58	18
Operating cash flows before working capital changes	9,013	7,847
Working capital changes:		
Inventories	719	1,681
Trade and other receivables	(448)	(8,047)
Prepayments	(242)	193
Trade and other payables	2,951	562
Provisions	29	47
Derivatives financial instruments	-	(59)
Cash generated from/(absorbed by) operations	12,022	2,224
Income tax refunded/(paid)	208	(432)
Net cash (used in)/from operating activities	12,230	1,792

Net cash from operating activities was S\$12.23 million due to:

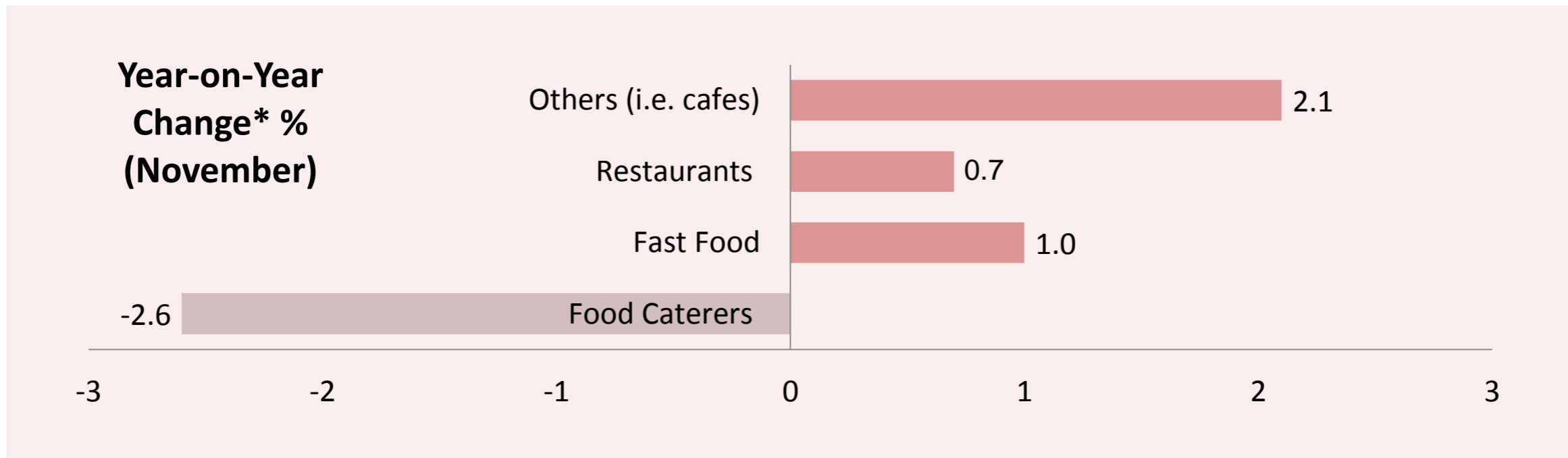
- Operating cash flows before working capital changes of S\$9.01 million
- Increase in net working capital of S\$3.01 million
- Net income tax refund of S\$0.21 million



OUTLOOK & GROWTH



Food & Beverage Service



- Compared to the same period last year, sales of food & beverage services rose 2.1% in November 2017*
- Total sales value of food & beverage services in November 2017 was estimated at \$692 million, higher than the \$678 million in November 2016*
- Singapore's consumer food service in 2016 was valued at S\$8.0 billion by Euromonitor and forecasted to grow at a pace of 1.4% CAGR from 2016 to 2021#

*Information extracted from "Retail Sales Index, Food & Beverage Services" from Singstat, dated Nov 2017

Information extracted from "Guide to disrupting food & beverage" from DBS Business Class

▶ Key Market Trends



- Central kitchens apparent in chained F&Bs growth
 - Facilitates production of key ingredients
 - Minimises kitchen space and preparation time at the outlets
- Automation and going digital
 - Facilitates higher productivity
 - Defray higher rental and labour costs

Above information extracted from “Downstream Consumer (Singapore)” from DBS Group Research , dated 7 June 2017

► Our Strategy is Clear



Continue to grow market share by:

- **Prioritising organic growth**
 - *Enhancing top-line and cost optimisation*
- **Driving expansion inorganically**
 - *Pursuing strategic M&A opportunities*



► Organic Growth

DRIVE REVENUE GROWTH

- Capitalise on synergies across vertically-integrated value chain
- Continue to leverage on trading and distribution networks to increase sales across global sales and marketing network
- Continue to invest in automation and any other initiatives to improve productivity (i.e. yield, operating margin)

DRIVE COST EFFICIENCIES

- Automation for better cost management
- Consolidation of operations and procurement
 - Opportunities for cost savings via real estate optimisation (increased output per square foot): Consolidation of business operations to optimise usage of factory space for higher value-added activities
 - Integration of various business operations and applications (eg. ERP systems) to yield cost synergies

Inorganic Growth

STRENGTHEN MARKET POSITION

- M&A of catering companies in various market segments
- Leverage on market leading position to consolidate smaller players in the fragmented market
- Wider range of catering options boosts brand image; covers a spectrum of customers with varying ASPs and encourages repeat customers

EXPANSION ACROSS VALUE CHAIN

- Seek out suitable targets to propel the Group up the value chain to better differentiate itself as a fully integrated food solutions provider
- M&A criteria includes:
 - Value-added capabilities
 - Vertically integrated
 - Profitable
 - Cash flow positive
 - High growth potential

Summary

- ❖ Fully integrated F&B Group continues to be in growth mode
- ❖ Momentum expected to continue into 4QFY2018 as the Group enters seasonally stronger quarter led by Food Catering business
- ❖ Food Manufacturing continues to contribute positively to the bottom-line as a result of a ramp up in export sales to increase revenue streams

Q&A Thank You

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