



KOUFU GROUP LIMITED

Annual General Meeting
24 April 2019



BETTER *food* BETTER *people* BETTER *life*

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Content



- **Operations Review**
 - Outlet and Mall Management
 - F&B Retail
- **Financial Overview**
- **Transformational Strategies**



Operations Review



Complementary Business Segments with Diversified Revenue Streams



As at 31 December 2018

Outlet & Mall Management

 **46**  **1**

Food Courts

1

Hawker Centre

15

Coffee Shops

1

Commercial Mall

F&B Retail

 **69**  **2**

F&B Stalls

 **9**  **1**

F&B Kiosks

8

Quick-Service Restaurants ("QSR")

3

Full-Service Restaurants

Food Courts



Coffee Shops

F&B Stalls, Kiosks, QSRs and Full Service Restaurants



Multi-Brand Strategy



Price Range	Brands	F&B Outlets
\$20 – \$50		Full-service restaurants
\$5 – \$15		Food courts and QSRs
\$4 – \$12		Food courts, F&B kiosks and QSRs
\$3 – \$8		Food courts and F&B kiosks
\$2 – \$5		Coffee shops and Hawker centre

By focusing on different market segments with different price ranges, we are able to grow our customer base, expand our market share and capture business opportunities in each market segment

Outlet and Mall Management



4 New Outlet Openings in FY2018



2 Koufu 品福

- Fusionopolis
- Sengkang General & Community Hospital (first entry in hospitals)



1 新食尚 GOURMET PARADISE

- Punggol Oasis Terrace



1

HAPPY hawkers 喜多福

- T-Space, Tampines



Re-opening of Rasapura Masters at MBS



- Completion of upgrading and refurbishment works from April to July 2018
- Restructure the stalls layout, more spacious now
- Seating capacity increased by more than 10% upon re-opening – able to serve more customers



F&B Retail



Expansion of Our F&B Kiosks and QSRs – New Openings in FY 2018



5 R&B 巡茶

kiosks

Includes **Marina Bay Sands** flagship store

- Over 1000 cups sold a day on average
- Branding exposure at landmark location to locals and international visitors



1 Singapore
(Millenia Walk)

QSR



1 Macau
(Cotai Sands)

F&B kiosk



1 Singapore
(Fusionopolis)

*closed in FY 2018

QSR

Signature Drinks

R&B 巡茶

Superte
Crazy Tea Lab 疯狂奶茶



老虎出巡

独家首创

Brown Sugar Boba Milk with cheese brulee

R&B 巡茶

红斗青蛙 RED BEAN BROWN SUGAR BOBA MILK

- 慢熬手工黑糖 Unique Brown Sugar Recipe
- Q弹珍珠 Warm Soft Pearls
- 绵密红豆 Quality Red Beans
- 鲜奶 Chilled Fresh Milk

Available at all Outlets!

R&B 巡茶

黑眼豆豆 MILK TEA VERSION OF BOBA MILK

慢熬手工黑糖 Unique Brown Sugar Recipe

Q弹珍珠 Warm Soft Pearls

奶茶 Milk Tea

R&B 巡茶

R&B 巡茶

Mighty Luffy
Hawaiian Fruit Tea + Mixed Fruits

At a Glance – 12 New Openings in 2018



Month	Brand	Location	F&B Outlets
Singapore			
January	<i>Koufu</i>	Fusionopolis	Food Court
January	<i>Grove</i>	Fusionopolis (closed in same year FY2018)	F&B QSR
April	<i>Supertea</i>	Millenia Walk	F&B QSR
June	<i>Gourmet Paradise</i>	Punggol, Oasis Terrace	Food court
June	<i>R&B Tea</i>	Punggol, Oasis Terrace	F&B Kiosk
July	<i>Koufu</i>	Sengkang General & Community Hospital	Food Court
August	<i>R&B Tea</i>	Rasapura Masters at Marina Bay Sands	F&B Kiosk
October	<i>R&B Tea</i>	SingPost Centre	F&B Kiosk
November	<i>Happy Hawkers</i>	Tampines T-Space	Coffeeshop
November	<i>R&B Tea</i>	United Square	F&B Kiosk
November	<i>R&B Tea</i>	Kinex	F&B Kiosk
Macau			
May	<i>Supertea</i>	Cotai Sands, Macau	F&B Kiosk

Integrated Facility – to Drive and Support Growth



- Larger Central Kitchen and Corporate HQ
- Expand central procurement, preparation, processing and distribution functions
- Better support all F&B Outlets and self-operated F&B stalls
- Improve productivity and operational efficiency

**GFA of
20,000 sqm**

More than 5 times larger than our current central kitchens and corporate headquarters

\$40.0 Million

Estimated total construction **including** renovation cost, capital expenditure for equipment and machinery (S\$3.9m land premium paid upfront for 30 years lease)

Commenced construction in **4Q 2018**

Expected completion in **1H 2020**

Improving Productivity – Using Technology As a Key Enabler



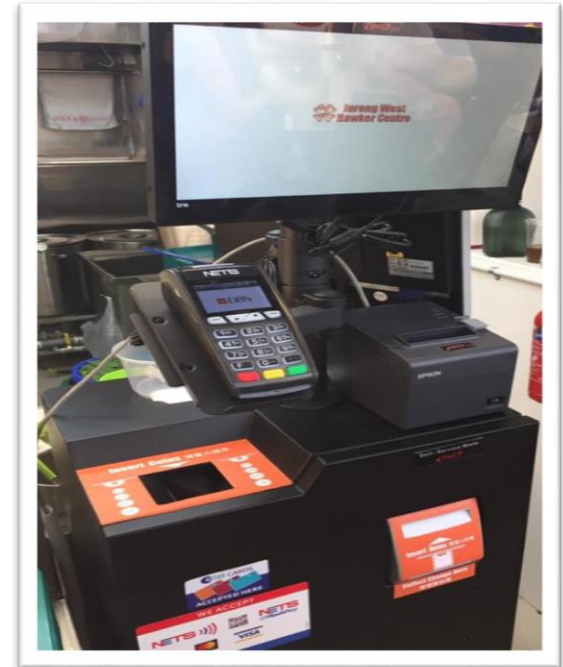
In line with the Singapore government's emphasis on improving productivity through innovation as well as consumer experience, we have implemented the following in FY 2018:



43 **smart tray return robots** deployed to 16 food courts and coffee shops



Mobile ordering application implemented at 19 food courts and coffee shops. To encourage self ordering-payment-collection, customers get to enjoy 10% direct discount

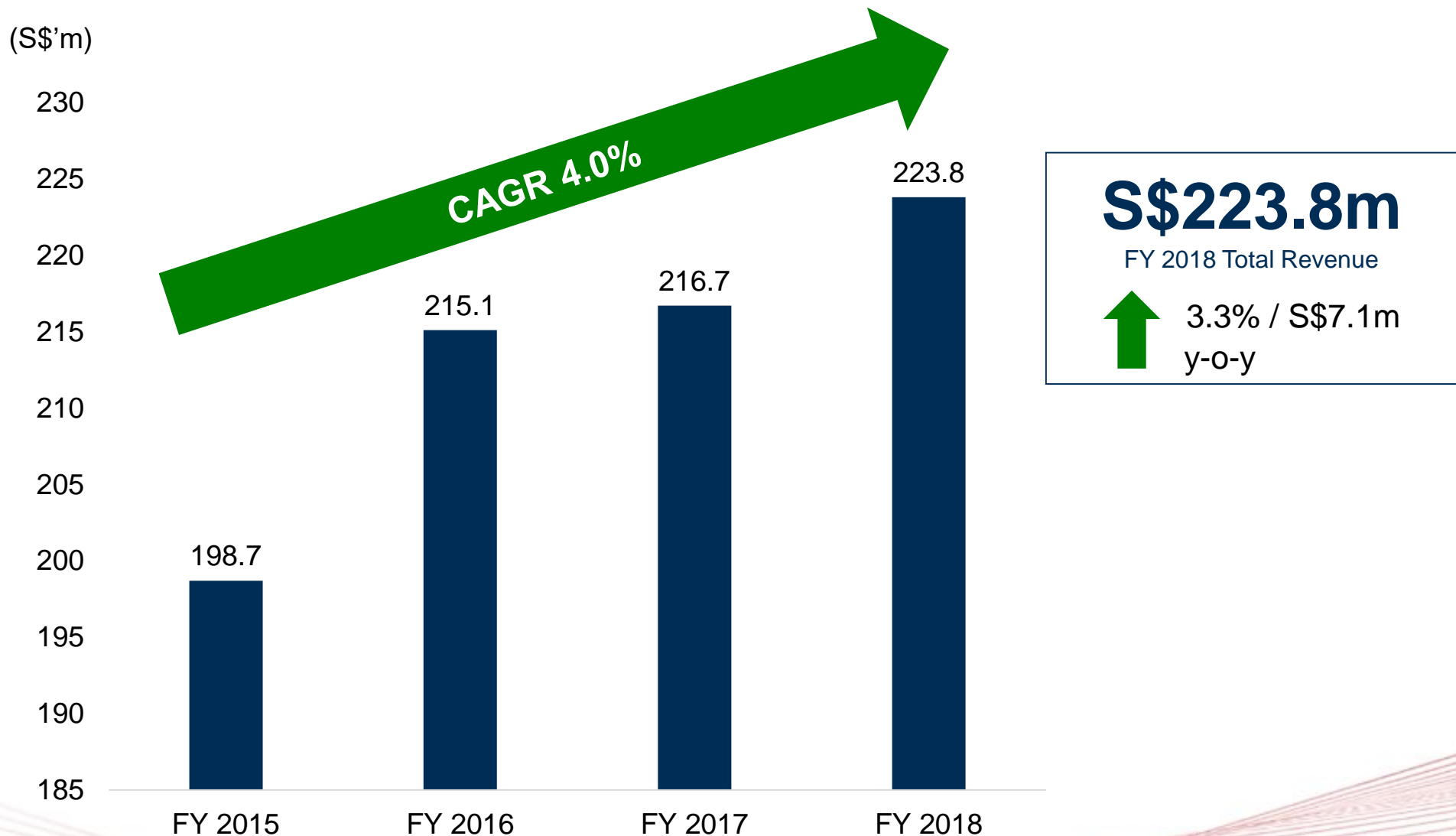


NETS unified payment terminals implemented across 32 food courts; plan to roll out to all food courts

Financial Overview



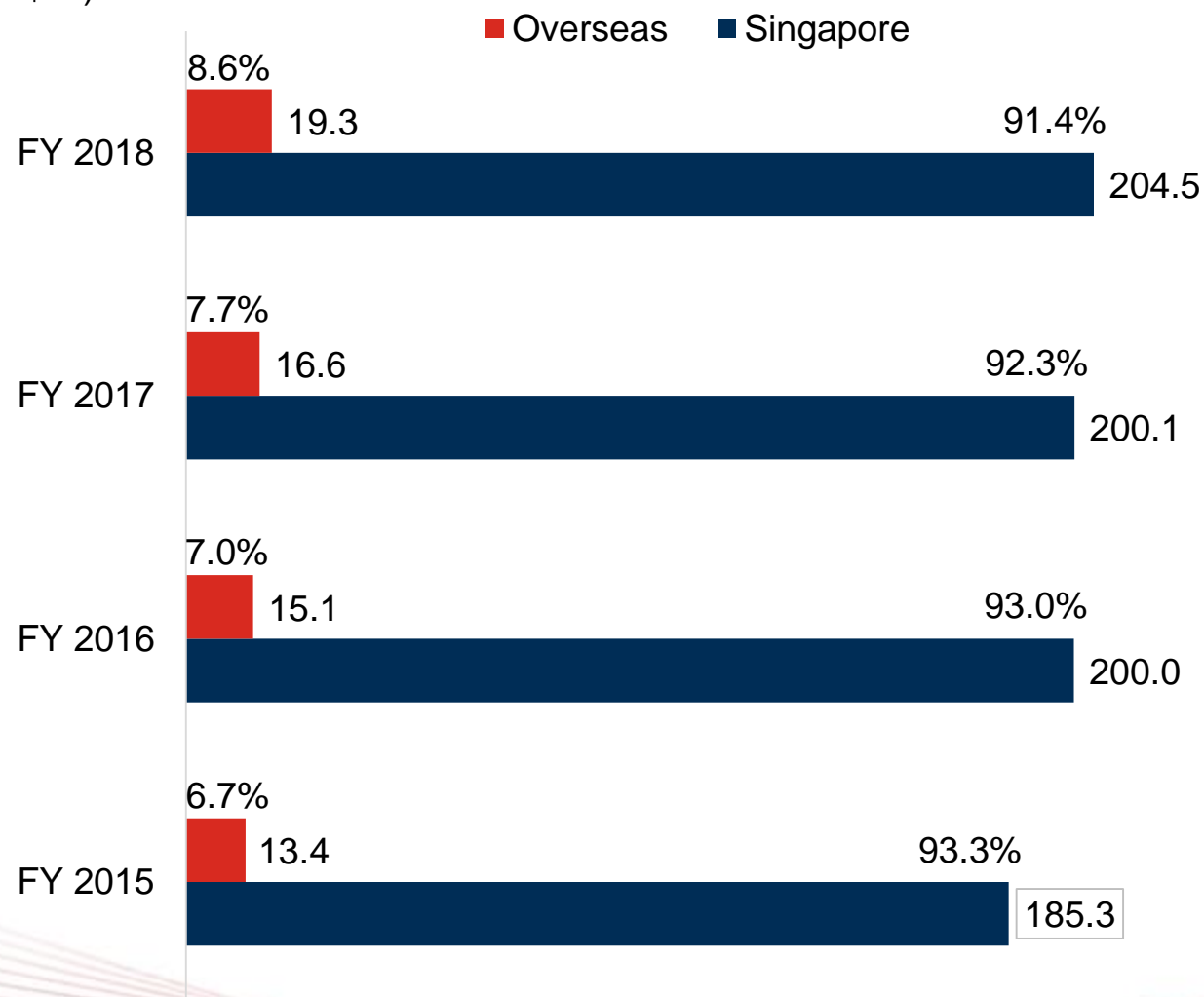
Total Revenue



Revenue Breakdown



By Geography (S\$m)



S\$204.5m

Singapore FY 2018 Revenue

↑ 2.2% / S\$4.4m
y-o-y

S\$19.3m

Macau FY 2018 Revenue

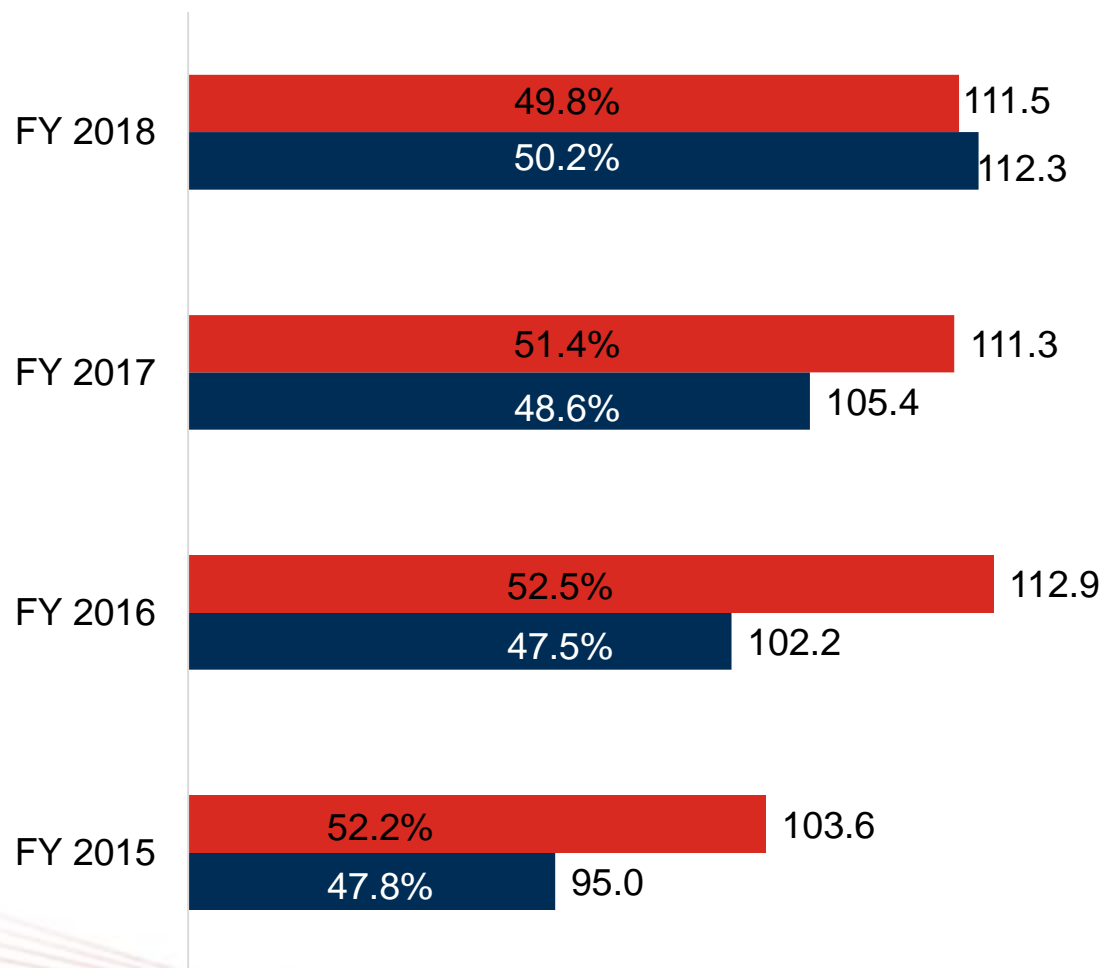
↑ 16.3% / S\$2.7m
y-o-y

Revenue by Segment



(S\$m)

■ F&B Retail ■ Outlet & Mall Management



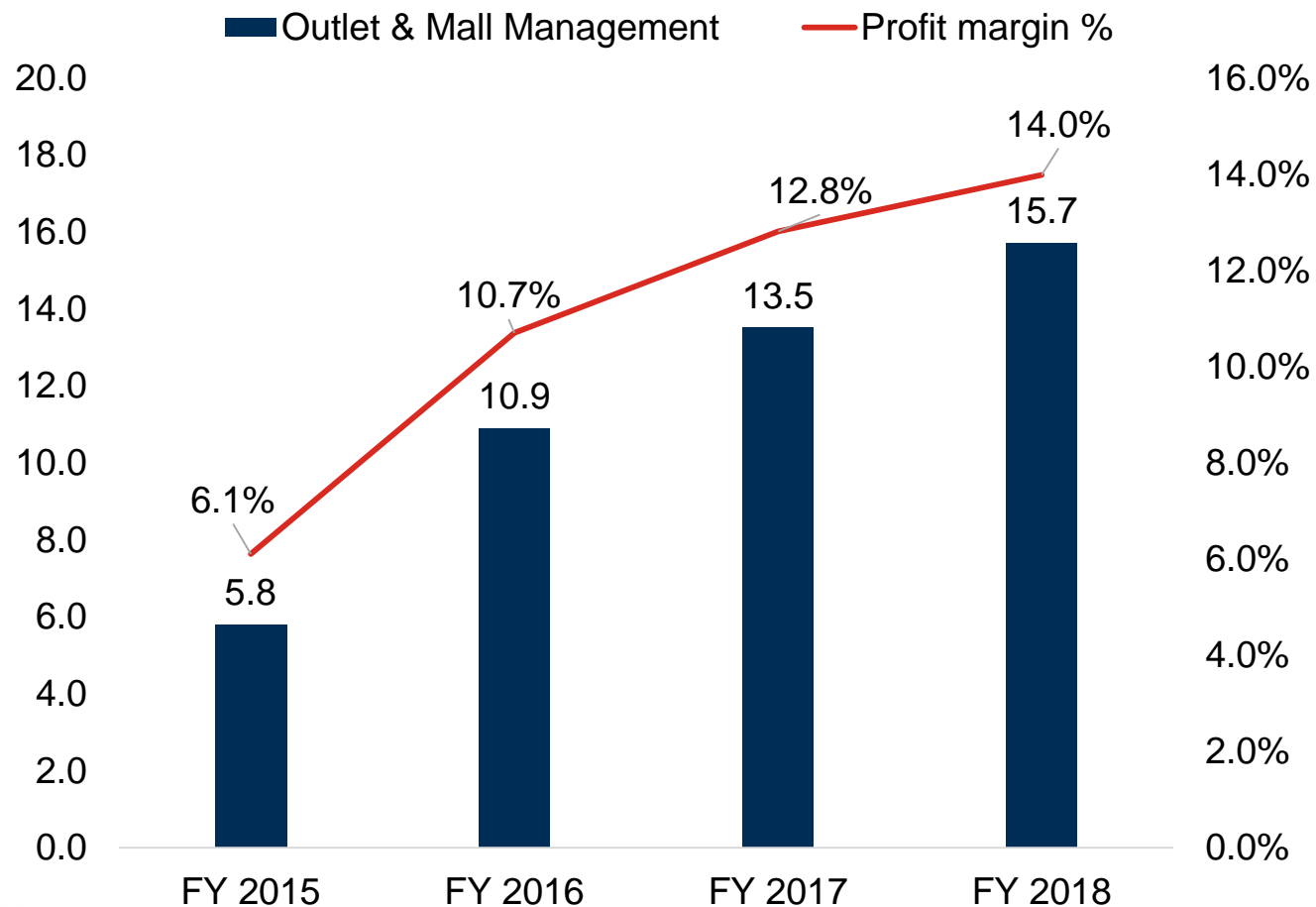
S\$112.3m
Outlet & Mall Management
FY 2018 Revenue
↑ 6.5% / S\$6.9m
y-o-y

S\$111.5m
F&B Retail
FY 2018 Revenue
↑ 0.2% / S\$0.2m
y-o-y

Segment Profit and Segment Profit Margin



Outlet & Mall Management (S\$'m)



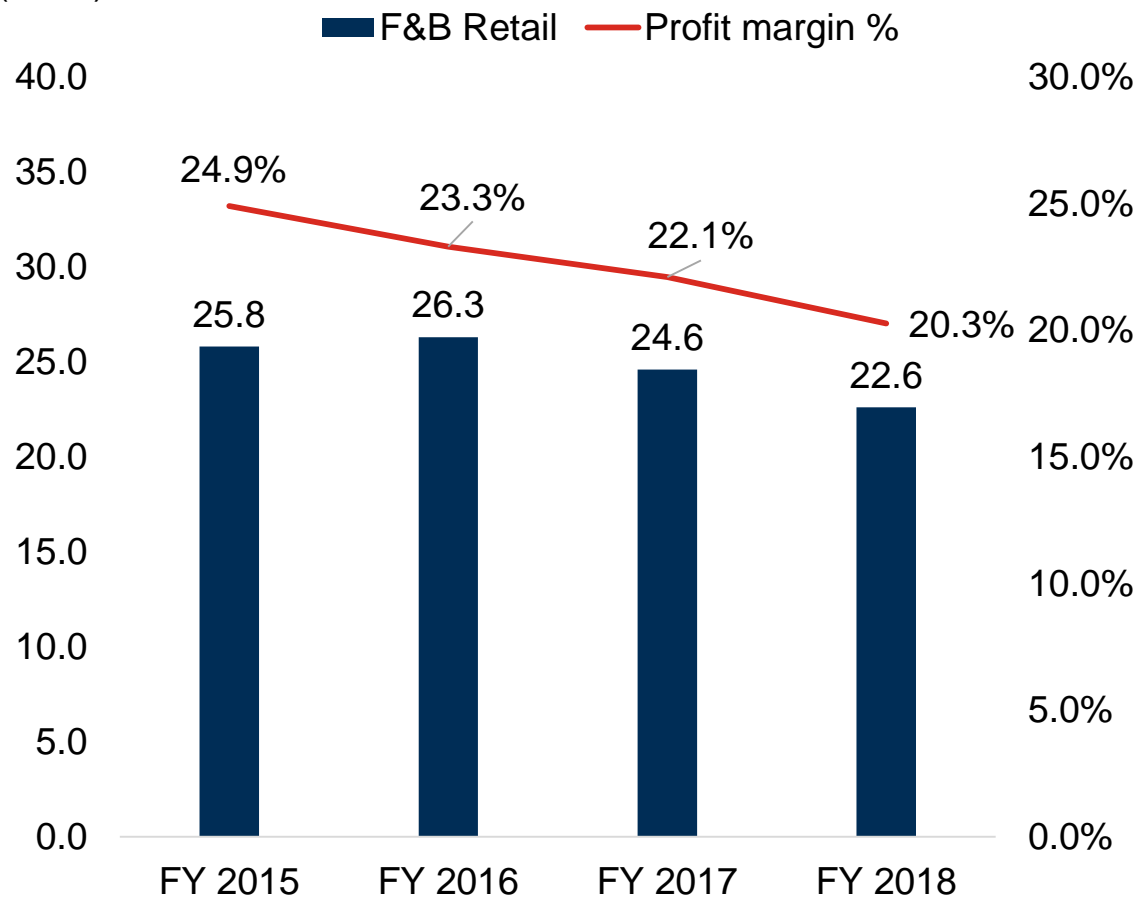
S\$15.7m
Outlet & Mall Management
FY 2018 Profit

↑ 16.3% / S\$2.2m
y-o-y

Segment Profit and Segment Profit Margin



F&B Retail (S\$m)



S\$22.6m
F&B Retail
FY 2018 Profit

8.1% / S\$2.0m
y-o-y

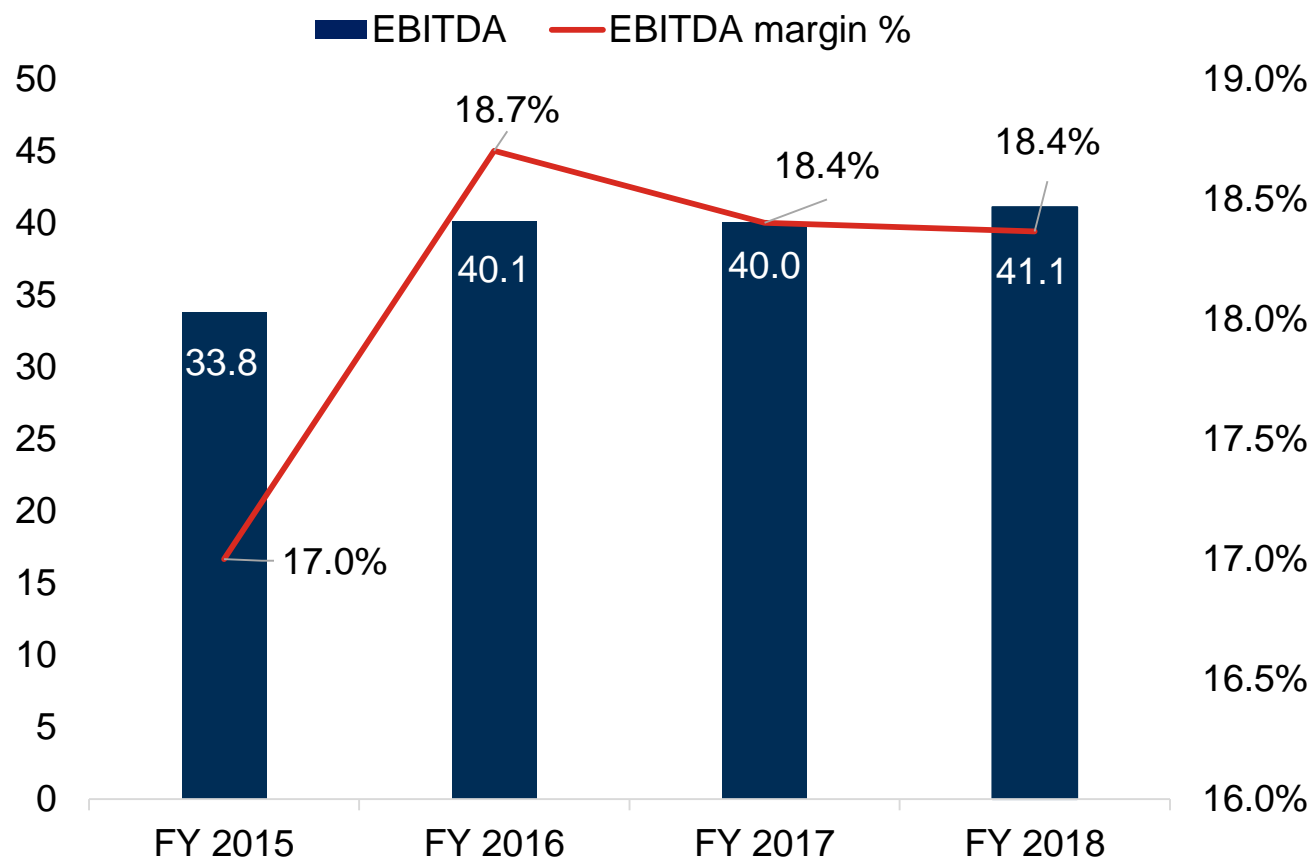
Mainly due to:

- Gestation period required for new brands such as *R&B Tea*, *Grove* and *Elemen*
- Temporary closure of the MBS food court for upgrading and refurbishment
- Expansion of the new concept brands which have lower margins as compared to F&B stalls in food courts

EBITDA and EBITDA Margin



(S\$m)



S\$41.1m

FY 2018 EBITDA



2.8% / S\$1.1m
y-o-y

S\$42.7m

FY 2018 Adjusted EBITDA

(Excluding one-off IPO costs of S\$1.5m)



6.8% / S\$2.7m
y-o-y

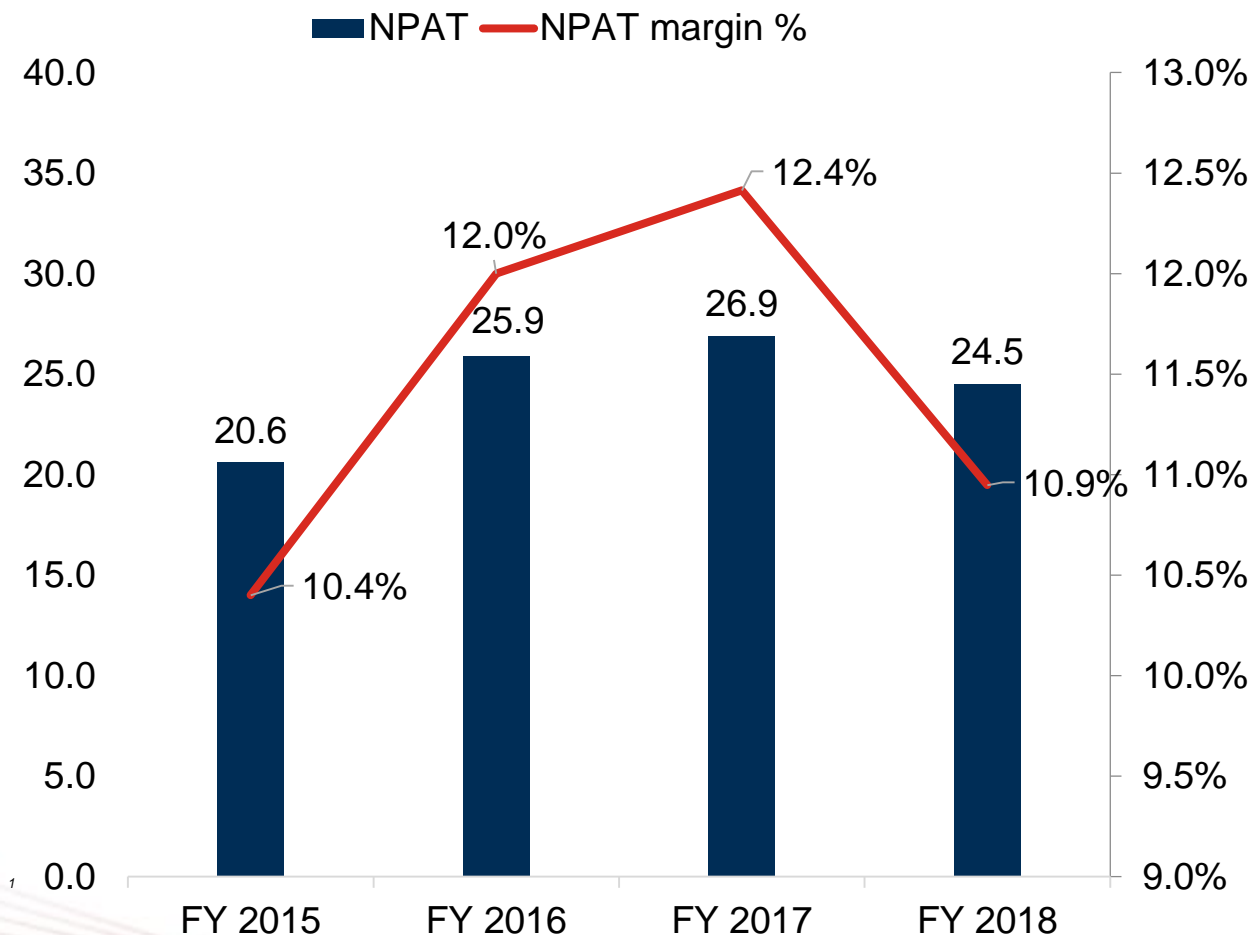
19.1%

FY 2018 Adjusted EBITDA Margin

Net Profit After Tax



Net Profit After Tax (attributable to owners of the Company)
(S\$m)



S\$24.5m

FY 2018 NPAT

↓ 8.9% / S\$2.4m
y-o-y

S\$26.0m

FY 2018 Adjusted NPAT
(Excluding one-off IPO costs of S\$1.5m in FY 2018)

S\$25.6m

FY 2017 Adjusted NPAT
(Excluding S\$1.3m income from convertible loan notes in FY 2017)

↑ 1.6% / S\$0.4m
y-o-y

11.6%

FY 2018 Adjusted NPAT Margin

11.8%

Fy 2017 Adjusted NPAT Margin

Healthy Cashflow & Balance Sheet

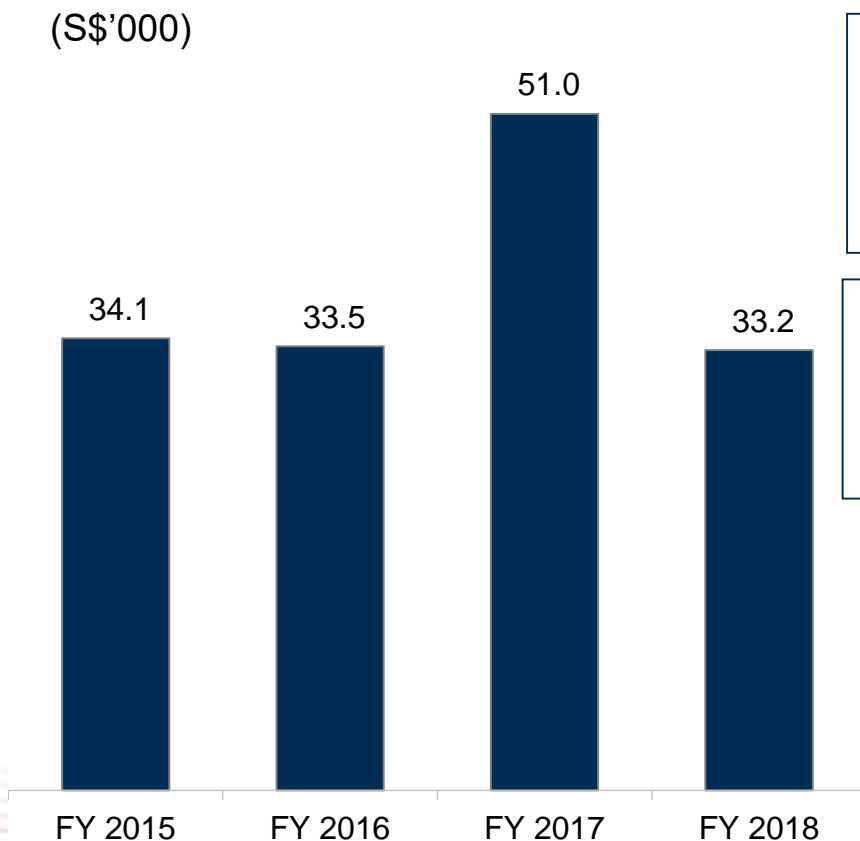


Business is resilient through economic cycles

Cash-generative
Strong operating cash flow
Healthy balance sheet

Net Cash Generated from Operating Activities

(S\$'000)



S\$61.0m

Cash and cash equivalent
as at 31 December 2018

S\$56.2m

Net Cash as at
31 December 2018

FY 2018

- Reclassification of an advance of S\$5.8 m from subsidiary of ultimate holding company to Loan (net cash from financing activities)

FY 2017

- Received repayment of loan of S\$8.0 m from ultimate holding company
- An advance (net of repayment) of \$6.6 m obtained from subsidiary of ultimate holding company

Proposed Dividend



S\$0.012 *per ordinary share*

Proposed Final Dividend

IPO Dividend Recommendation

At least
50%

of **net profits after tax⁽¹⁾** generated
in **FY 2018** and **FY 2019** intended
to be distributed as dividends

S\$0.01

Interim Dividend
paid

S\$0.022

Total FY 2018
Dividend

50%

Payout Ratio as at
31 December 2018⁽¹⁾

(1) Excluding exceptional items and interim dividend of S\$12.5million declared and paid by Koufu in FY2018

At a Glance – P&L



(S\$m)	FY 2015	FY 2016	FY 2017	FY 2018	Change (%)
Revenue	198.7	215.1	216.7	223.8	3.3
EBITDA	33.8	40.1	40.0	41.1	2.8
EBITDA margin (%)	17.0	18.7	18.4	18.4	-
Profit after taxation and Non-Controlling interest	20.6	25.9	26.9	24.5	(8.9)
Profit After Tax margin (%) <i>Attributable to Owners of the Company</i>	10.4	12.0	12.4	10.9	(1.5)
Earnings per Share <i>(SGD Cents)</i>	4.27	5.36	5.56	4.75	(14.6)

Robust Balance Sheet and Healthy Cash Flows



(S\$m)	2015	2016	2017	2018
Total Assets	161.5	186.8	107.2	159.7
Total Liabilities	78.4	84.0	64.1	68.2
Net Assets	83.0	102.9	43.1	91.5
Total Shareholder's Equity	83.0	102.9	43.1	91.5
Cash and Cash Equivalents	38.3	49.0	53.0	61.0
Time Deposits	-	-	-	35.0
Net Asset Value Per Share (S\$)	0.17	0.21	0.09	0.16
Gearing Ratio (x)	0.34	0.16	0.04	0.05
Debt-to-Equity Ratio (x)	0.94	0.82	1.49	0.74
Return on Shareholders' Funds (%)	24.8	25.1	62.3	26.8

Transformational Strategies – Comprehensive Regional F&B Empire



Reinforcing our foothold in Singapore - Expansion of Food Courts and Coffee Shops



Bringing the total food courts to 49 and coffee shops to 16 in Singapore

- **Strategy:** To expand in Singapore with a focus on in new housing estates, hospitals, commercial malls and tertiary educational institutions
- **Recent openings:** Opened 2 food courts in Q1 2019 at The Woodgrove and Buangkok Square
- **Pipeline openings:** New food courts at 164 Kallang Way (FY 2019) and LeQuest (FY 2020) and coffee shop at Blk 289C Compassvale Crescent (FY 2019)
- **Expected closure:** Food court at 100 AM will close in June 2019 due to unjustifiable rental increase for the new lease, its loss of revenue and profit contribution is not material to the Group's revenue and profits.



Extending our network further abroad - Expansion of Food Courts Overseas



Bringing the total food courts to 3 in Macau in FY 2019

Strategy:

- Expand overseas with an initial focus in Macau
- Macau is part of the Greater Bay Area, which is accessible by the Hong Kong-Zhuhai-Macau Bridge, where travelling time between these countries have been significantly reduced
- Rise in visitorship to drive the growth of Macau in gaming and tourism

Pipeline openings:

- Second food court in Macau University opening in Q2 2019
- In the midst of finalising the lease of the third food court



Increasing our Multi-Brand Recognition – Expansion of Concept Stores Both Locally and Overseas



Expected total number of Singapore outlets in
FY 2019 (including pipeline openings)

20 R&B巡茶
Superte
Crazy Tea Lab 疯狂实验室

5 elemen元素
MY EARTH DIET



- **R&B Tea:** Opened 6 new locations at 100 AM, Parkway Parade, Tampines MRT, Yew Tee Point, Buangkok Square and Wisma Atria, with a total of 13 R&B Tea kiosks and 1 Superte QSR to-date
- Further secured 6 more locations and will be opening progressively in FY 2019, bring it to a total of 19 R&B Tea and 1 Superte.
- **Target total number of R&B Tea and Superte outlets in Singapore by end of FY 2019: 30**
- **Elemen:** Expected to open 2 full-service restaurants at Paya Lebar Quarter and Great World City in Q2/Q3 2019, bringing total number of restaurants to 5

Increasing our Multi-Brand Recognition - Expansion of Concept Stores Both Locally and Overseas



Expected total number of Macau outlets in FY 2019



- Opened 1 new *R&B Tea* outlet in Macau University in Q1 2019, bringing the total outlets in Macau to 2
- Overseas expansion of *Elemen* and *R&B Tea* brands to Indonesia, Phillipines, Malaysia, The People's Republic of China and Australia
- Finalising JV terms with partners:
 - Indonesia: Both *R&B Tea* and *Elemen*
 - The Phillipines: *R&B Tea*



Catalyst for Growth and Top-line Contributor - Our Integrated Facility



Artist impression of proposed integrated facility located at Woodlands Avenue 12

<p>Larger Central Kitchen (Tim sum/ Bakery/ Hot Kitchen)</p>	<ul style="list-style-type: none"> ▪ Access to third-party markets, through our potential joint venture businesses, increasing production volume ▪ Reduce the food preparation and processes previously done on-site ▪ Enjoy greater economies of scale, improve production techniques, ensure better consistency ▪ Expand central procurement function; bulk purchase of ingredients and improve purchasing and negotiation power with suppliers
<p>Stallholders Central Kitchen</p>	<ul style="list-style-type: none"> ▪ To support the growth of our stallholders, 20 central kitchen spaces each ranging from 1300 sq ft to 2700 sq ft is allocated for them to build their Central Kitchens
<p>Training Centre</p>	<ul style="list-style-type: none"> ▪ Provide training for employees ▪ Establish and align quality standards
<p>Research & Development Centre</p>	<ul style="list-style-type: none"> ▪ Develop new F&B products and recipes. Research on food preparation process for increased productivity and cost efficiency ▪ Conduct market research and trend analysis ▪ Ensure greater consistency in our food quality with higher nutritional value

At least 70% of the GFA for our own business and operations and JV businesses



Thank You



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