



NEWS RELEASE

ENVICTUS POSTS 7.3% TOPLINE GROWTH TO RM109.1 MILLION¹ IN Q1FY2018

- ***Food Services Division's 47.7% revenue growth driven by higher revenue contributions from Texas Chicken, San Francisco Coffee chain and Delicious restaurant business***
- ***Gross profit margin up 3.5 percentage points to 36.5% from increased sales of higher margin products in Food Services Division***
- ***Total store count of 45 Texas Chicken outlets to date; expects to open another four outlets over the next three quarters***
- ***Total store count under San Francisco Coffee at 39 to date; plans to open another 10 stores within the current financial year***

Singapore, 9 February 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 growth of 7.3% to RM109.1 million for the three months ended 31 December 2017 (“Q1FY2018”) compared to RM101.6 million in the previous corresponding period (“Q1FY2017”). However, the Group posted a loss after tax of RM4.7 million in Q1FY2018, due largely to the 24.3% higher operating expenses.

Envictus' Group Chairman, Dato' Jaya Tan said, “Texas Chicken remains the top performer under our Food Services Division. Its sustained strong revenue growth is driven by the strong execution of our operations, high brand recognition and market satisfaction with its quality good value. To date, we have achieved positive EBITDA for majority of our Texas Chicken stores. We expect Texas Chicken to turn profitable on the back of more store openings over the medium term.

¹ Approximately S\$37.0 million. Currency conversion based on S\$1.00 = RM2.95

“As for our newly acquired business unit, Delicious Restaurant, where we are still at the early phase of growth, we will require a longer lead time operationally to cover costs. Additionally, we look forward to the continued growth momentum and demand for our quality beverage, food and service at San Francisco Coffee and Delicious restaurant business, following the completion of the rebranding exercise implemented for each respective brand in 2017.

“Separately, we are stepping up our marketing efforts for our bakery brand, Hearty Bake, under our Food Processing Division and we expect sales to pick up over the near and medium term.”

Financial Review

In Q1FY2018, the Food Services Division recorded revenue growth of RM13.4 million to RM41.5 million. The 47.7% robust growth was driven by the Texas Chicken outlets which achieved 48.2% higher revenue of RM32.6 million, as a result of the opening of ten additional new restaurant outlets since Q1FY2017 and improved sales performance attributed to well-executed operations, high brand awareness and the favourable market reception of its quality product and value. Concurrently, the San Francisco Coffee chain posted an additional sales of RM2.0 million to the division's revenue whilst the Delicious restaurant business contributed a revenue of RM1.8 million, doubling from RM0.9 million following the completion of the rebranding exercise.

However, the performance of the Food Services Division was partially offset by lower revenue contribution from the Trading and Frozen Food, Nutrition and Food Processing Divisions. The Trading and Frozen Food Division's revenue declined 6.3% from RM44.3 million in Q1FY2017 to RM41.5 million in Q1FY2018, which is largely due to the shortage of meat supplies as a result of the suspension of meat plants by Department of Islamic Development Malaysia (JAKIM) and shortage of dairy products in the market.

The Nutrition Division posted a revenue of RM7.7 million in Q1FY2018 as compared to RM9.5 million recorded in Q1FY2017. The lower revenue was primary due to more competitively priced US brands as well as a significant increase in dealings by Australian and New Zealand brands as they compete to retain market share.

The Food Processing Division recorded a lower sales of RM18.4 million as compared to RM19.8 million in Q1FY2017. This was mainly due to a decline in revenue contribution from both the bakery and beverage businesses. Following the disposal of Family Bakery Group in December last year, the bakery segment achieved a revenue of RM9.3 million against RM11.6 million in Q1FY2017. Similarly, the beverage segment posted a 29.4% lower revenue of RM2.4 million in Q1FY2018 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 45.8% to RM7.0 million, driven by the higher demand from its existing and new customers.

Gross profit margin rose 3.5 percentage points to 36.5% in Q1FY2018 on the back of increased sales of higher margin products from the Food Services Division.

Other operating income of RM3.7 million comprises mainly of the gain on disposal of subsidiaries of RM1.8 million, foreign currency fluctuation gain of RM0.4 million and rental income of RM0.4 million from the corporate building.

Operating expenses rose from RM37.4 million to RM46.4 million in Q1FY2018 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 higher operating expenses of the newly acquired Delicious restaurant business as compared to Q1FY2017.

Finance costs rose RM0.1 million to RM1.3 million due to higher bank borrowings and additional hire purchase facilities utilised for expansion of new restaurant outlets.

Overall, the Group recorded a loss after tax of RM4.7 million from RM1.6 million in Q1FY2017.

For Q1FY2018, the Group's cash and cash equivalents stood at RM46.7 million while shareholders' equity was RM298.2 million as at 31 December 2017.

Outlook

For the Trading and Frozen Food Division, the Group's wholly-owned subsidiary, Pok Brothers Sdn Bhd has moved into its new warehouse facility in the Selangor Halal Hub in Pulau Indah in December last year, and this will cater for the expansion and growth of the sale of frozen and premium food. While the operating costs associated with a bigger facility will impact the bottom line until revenue increases accordingly, the continued strengthening of 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, "Since Q1FY2017, we have opened 10 new Texas Chicken outlets and during the current quarter, we opened four stores. We now have a footprint of 45 outlets to date, including two outlets that were opened in January and February this year. As we continue to expand our Texas Chicken business, we will leverage on its established brand name and strong market position to improve site selections and rental terms by opening another four stores over the next three quarters."

"San Francisco Coffee has 39 outlets to date, with the latest store opened in January this year. We plan to open another 10 stores in the next three quarters of FY2018 since the coffee chain is making good progress following its rebranding, refreshed menu and new concepts. With competition heating up, the new concept and dining experience will enable the brand to expand its presence beyond office buildings and penetrate the malls and lifestyle market."

The Food Processing Division's businesses are pressured by factors such as increasing prices of some raw materials and imported meat, lacklustre consumer demand as well as manpower shortage and levies. Under the division's butchery business, Gourmessa is in the process of appointing a distributor in Singapore to distribute its products to the supermarkets, independent grocery stores, restaurant and hotels. 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.

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