



NEWS RELEASE

ENVICTUS RECORDS 10.3% TOPLINE GROWTH TO RM270.1 MILLION¹ IN 9MFY2016

- *Improved performance of Food Services; and Trading and Frozen Food Divisions leads to topline growth*
- *Gross profit margin rises 3.5 percentage points to 29.8%, mainly due to Food Services Division's product price increases and better food costs management*
- *Four new Texas Chicken outlets opened during quarter, bringing total store count to 28, with two new outlets to be launched in next quarter*
- *Rebranding exercise underway for recently acquired San Francisco Coffee chain*

Singapore, August 12, 2016 – 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 10.3% rise in its topline to RM270.1 million for the nine months ended June 30, 2016 (“9MFY2016”), up from RM244.9 million over the previous corresponding period (“9MFY2015”).

¹ Approximately S\$90.8 million. Currency conversion based on S\$1.00 = RM2.9758

Envictus' Group Chairman, Dato' Jaya Tan said, "We are pleased to have seen good revenue growth, largely driven by our Food Services; and Trading and Frozen Food Divisions. We will continue to develop new revenue streams, notably, following the recent completion of our acquisition of San Francisco Coffee in March this year. We will also further hone existing business operations, with the opening of more Texas Chicken outlets and development of new product offerings within our Nutrition and Food Processing segments, amongst other developments. At the same time, we will stay focused on improvements of process efficiencies to raise productivity and keep a tight lid on costs."

Financial Review

The Group's RM25.2 million growth in topline during the period was primarily due to the better performance of the Food Services; and Trading and Frozen Food Divisions. The divisions witnessed a respective rise in revenue of RM25.2 million and RM4.2 million. However, the improved performance was offset by lower sales contribution from the Nutrition and Food Processing Divisions, which saw a decrease of RM2.0 million and RM1.9 million respectively.

Gross profit margin improved by 3.5 percentage points to 29.8% in 9MFY2016 as a result of the Food Services Division's higher margin, following an increase in prices of some products and better management of food costs.

Operating expenses rose by RM21.6 million to RM97.1 million during the period. This was contributed by an RM11.0 million increase in selling and marketing expenses, a RM5.5 million rise in administrative expenses and a RM4.6 million increase in other operating expenses. Costs associated with the expansion of the Food Services Division's restaurants and newly acquired San Francisco Coffee business, such as additional manpower, rental, royalty fees and utility charges, led to higher selling and marketing expenses, and administrative expenses. As for the increase in other operating expenses, it was largely due to a fair value loss on held-for-trading investments, and a write-off of renovation and equipment due to the relocation of two of its Texas Chicken outlets and office.

As a result of the Group's expansion efforts, including the acquisition of a corporate office building and new business which required the drawdown of borrowings, finance costs rose by RM1.8 million to RM2.9 million.

Despite the improvement in Envictus' overall revenue and gross profit margin, these were largely negated by the increase in overall operating expenses, in part contributed by other operating expenses relating to fair value loss on held-for-trading investments and a write-off of renovation and equipment. These, along with higher finance costs, resulted in a decline in profit for the period to RM1.1 million, from RM7.9 million in 9MFY2015.

For the three months ended June 30, 2016 ("Q3FY2016"), the Group registered an 18.8% increase in revenue to RM94.1 million, up from RM79.2 million in the previous corresponding period ("Q3FY2015"). Gross profit correspondingly increased by 45.5% to RM29.2 million and gross profit margin improved 5.7 percentage points to 31.0% during the quarter. However, largely due to higher operating expenses, income tax expense and finance costs, Envictus recorded a loss for the period of RM2.7 million in Q3FY2016, from a profit of RM1.0 million in Q3FY2015.

The Group's cash and cash equivalents stood at RM42.0 million while shareholders' equity was RM345.4 million as at June 30, 2016.

Outlook

Envictus expects an increase in overall meat prices from Australia and New Zealand over the next quarter. This is mainly due to a severe drought in Australia, and the winter season that will lead to a significant reduction in slaughtering. However, the Trading and Frozen Food Division intends to continue sourcing meat from the two countries, given the faster delivery time as compared to the cheaper beef from Brazil which may take up to three months for shipment. As for lamb shoulder, demand from China has led to an increase in prices since June. Going forward, the principals of agency products have indicated their continued support with funding for advertising and promotions.

Commenting on the Group's Food Services Division, Group Chief Executive Officer, Dato' Kamal Tan said, "Texas Chicken continues to grow from strength to strength on the back of the strong operational execution and successful marketing strategies. The brand too has gained recognition in the Klang Valley as seen from the encouraging support and consumer acceptance. We launched four new outlets during the quarter and now have a total 28 outlets. We look forward to the launch of another two outlets within the Klang Valley area by the next quarter.

"Hot on the heels of the recent successful acquisition of the San Francisco Coffee chain business, we also embarked on a rebranding exercise. This includes the redesigning of stores and revision of food menu items to place us on a firm footing to compete effectively in the coffee market. We will leverage on our extensive experience acquired in the quick service restaurant business, through the successful operation of the Texas Chicken restaurants, to manage and grow the coffee chain business."

For the Nutrition Division, Envictus is in the process of diversifying its product range beyond sports nutrition and weight management products. It is also developing a plant-based protein powder, in light of the market trend and demand towards such products. To capitalise on opportunities in the emerging and growing chilled supermarket segment in Australia and New Zealand, the division is intending to launch a new range of UHT long life non-dairy beverages (PET bottles), almond, macadamia and coconut milks in the coming months.

The Food Processing Division's Bakery, Butchery and Beverage operations remain under pressure given the challenges of slowing demand, competition and costs. For the Bakery business, measures including branding activities; cost control; and price increases for certain products, are currently in place to mitigate impacts to the business. As for the Butchery business, the Gourmessa brand is focused on smaller retail meat packs which continue to garner strong demand among consumers in Malaysia. With the Butchery business' planned relocation to larger facilities at Selangor Halal Hub, Pulau Indah, the division anticipates the increased capacity to meet higher demand; enhance the Gourmessa brand; and allow for other benefits such as tax incentives.

For the Food Processing Division's Beverage business, export sales is expected to continue being impacted by the slower economic growth rate in China. As such, the division intends to turn its attention to the other export markets, including OEM partnerships in ASEAN. For the local market, the division will be launching new products with higher profit margins, and is planning to increase its manpower to support its growth. On the Contract Packing for Dairy and Juice Based Drinks front, the Group continues to see strong demand for its Aseptic PET bottled products. It is also focusing on new nut-based dairy-free alternative milk beverages.

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. Since March 28, 2016, Envictus also has a strategic investment in the specialty coffee chain business – San Francisco Coffee – which serves house roasted coffee in Malaysia.

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™ (an isotonic sports drink in both powder and carbonated format) and Pro-Fit™ (a high protein ready-to-drink beverage). 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. Envictus successfully produced the 325ml PET bottle carbonated drink in June 2014 specially designed to suit the China market and has introduced it to the market. 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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