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Kimly delivers a stable net profit of S$34.0 million for FY2023, excluding the gain on disposal of its Confectionary Business

- Revenue decreased marginally by 1.2% to S$313.9 million due to lower revenue contribution from Food Retail Division

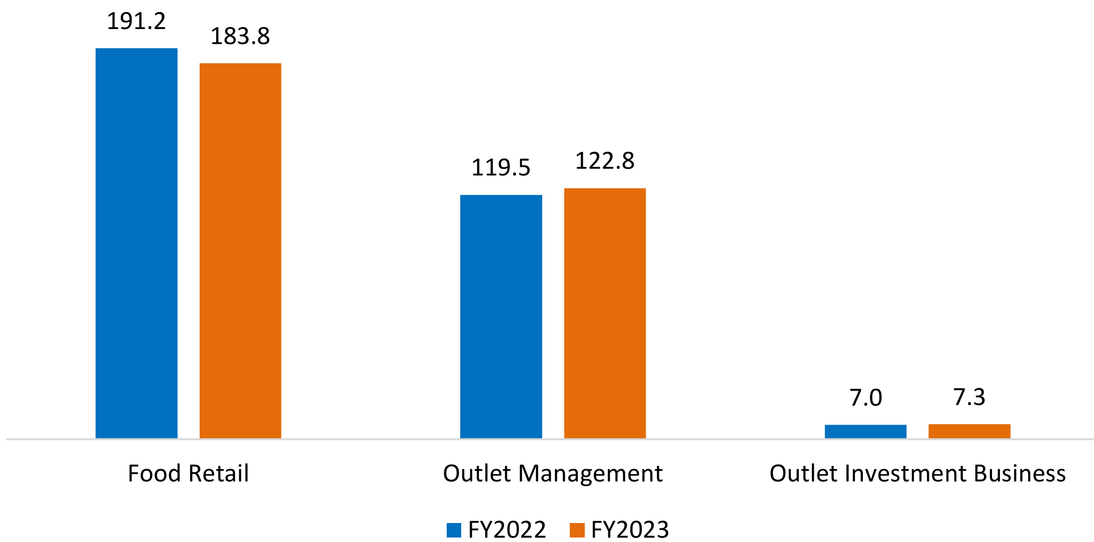
- Proposed a final dividend of 1.12 Singapore cents per share, bringing the total dividend for FY2023 to 1.68 Singapore cents per share, representing about 57.2% dividend payout

SINGAPORE, 27 November 2023 – SGX Catalist-listed Kimly Limited ("金味有限公司") ("Kimly" or the "Company" and together with its subsidiaries, the "Group"), one of the largest traditional coffeeshop operators in Singapore, reported its financial results for twelve months ended 30 September 2023 ("FY2023").

S$ 'million	FY2023	FY2022	% Change
Revenue	313.9	317.7	(1.2)
Gross profit	88.9	91.5	(2.9)
Gross profit margin	*28.3%*	*28.8%*	*(0.5 p.p)*
EBITDA*	94.9	95.9	(1.1)
EBITDA after depreciation of right-of-use assets and interest expense on lease liabilities	51.4^	51.7	(0.6)
Net profit after tax attributable to the owners of the Company	34.0^	34.0	(0.2)

* Earnings Before Interest (interest income and interest expense), Taxes, Depreciation and Amortisation ("EBITDA")
^ Excluding the gain on disposal of the Confectionary Business of S$2.5 million

The revenue breakdown (in S$'million) by different business divisions is highlighted below:



Revenue contribution from the Group's Food Retail Division decreased by S$7.4 million to S$183.8 million in FY2023. This decline can be attributed to several factors, including reduced revenue from existing food stalls/outlets due to the decline in delivery sales as demand for food delivery tapered to a new normal following the easing of COVID-19 restrictions. Additionally, the Group strategically closed 5 Tenderfresh restaurants and 2 stalls during FY2022 which resulted from the post-acquisition outlet/stall repositioning initiatives, aimed to rationalise manpower resources by redeploying the same pool of employees from these underperforming restaurants/stalls to newly opened food stalls. Furthermore, the closure of underperforming food stalls, totalling 7 in FY2022 and 6 in FY2023, and the disposal of the Confectionary Business also contributed to the decrease in revenue.

The decrease in the Group's revenue was partially offset by higher revenue contribution of S$3.3 million and S$0.2 million from Outlet Management Division and Outlet Investment Business Division respectively. This was attributable to revenue contribution from 3 coffeeshops opened in FY2023 and FY2022 respectively, increase in rental income due to decrease in rental rebates given to tenants, increase in sale of beverages and tobacco products due to relaxation of COVID-19 measures, and higher revenue from cleaning services which was partially offset by the termination of management agreements of 4 coffeeshops in 1HFY2023 and 5 coffeeshops in 2HFY2022.

Cost of sales decreased by S$1.2 million to S$225.0 million in FY2023, mainly attributable to the decrease in food ingredient expense and utilities cost which was in tandem with the decrease in revenue but was partially offset by higher employee benefits expenses due mainly to the salary adjustment across the board and higher cleaning expenses and gas expenses. Cost of sales as a percentage of revenue increased from 71.2% in FY2022 to 71.7% in FY2023. As a result, the Group's gross profit decreased by 2.9% to S$88.9 million in FY2023 and the gross profit margin decreased by 0.5 percentage points to 28.3% in FY2023.

Finance income increased by S$1.4 million, in line with higher interest rates. Other operating income increased by S$4.0 million to S$6.6 million in FY2023. The increase was due to the gain on disposal of the Confectionary Business of S$2.5 million and reversal of impairment charge of S$0.2 million.

Moreover, the Group reported a decrease of S$2.1 million in selling and distribution expenses, totalling S$17.0 million in FY2023. This reduction was primarily attributed to lower expenses associated with online food delivery fees and packing materials, aligning with the decline in food delivery sales. Other operating expenses increased by S$0.2 million in FY2023 mainly due to impairment loss recognised on right-of-use assets of an underperforming food outlet.

As a result of the above, the Group's net profit attributable to the owners of the Company, excluding the gain on disposal of the Confectionary Business of S$2.5 million, remains stable at S$34.0 million (FY2022: S$34.0 million). The Group generated S$82.8 million in net cash from operating activities in FY2023 as compared to S$86.9 million in FY2022. As at 30 September 2023, the Group had S$89.1 million in cash and cash equivalents (30 September 2022: S$77.6 million).

The Group has proposed a final dividend of 1.12 Singapore cents per share to acknowledge the unwavering trust and commitment of shareholders. Together with the interim dividends of 0.56 Singapore cent per share declared in May 2023, the total dividend distribution for FY2023 amounts to 1.68 Singapore cents per share, representing about 57.2% payout of profit attributable to the owners of the Company.

The Food and Beverage (F&B) industry in Singapore is currently facing multiple challenges, including high inflationary pressure on raw materials and utilities, which are driving up operational costs. Additionally, the ongoing manpower shortage and the implementation of the Progressive Wage Model (PWM), which mandates annual increases in the minimum wages of workers over three years, continue to pose significant challenges within the F&B industry in Singapore. About 12,000 full-time local workers earning lower wages in the F&B sector will experience an increase in their salaries, rising to a minimum of S$1,750, the entry-level PWM wage. This increment will rise by S$165 each year, ultimately reaching S$2,080 by 2025, marking a 19% increase over the span of three years[1]. Given these hurdles coupled with the intense competition, the Group anticipates that the operating

[1] Food service workers to receive pay increases from Mar 1 under progressive wage model, https://www.channelnewsasia.com/singapore/progressive-wage-model-food-services-industry-salary-pay-increase-wages-3279626

environment in the F&B industry will remain challenging.

Despite the challenges, the Group is taking proactive measures to optimise resources, ensuring sustainable returns for shareholders. Leveraging on its resources and capabilities, the Group is committed to achieving organic growth. This also involves actively exploring new food outlet opportunities to expand its footprints. The Group opened its fifth Halal Coffeeshop, Kedai Kopi at Blk 376 Bukit Batok in September 2023. This Kedai Kopi, together with the Kimly Coffeeshop next door, is the Group's flagship outlet as it is the biggest non-air-conditioned coffeeshop in Singapore, which serves both Halal and non-Halal food varieties and could accommodate over 420 guests.

Riding on the growing demand in the Halal market, the Group will be opening a Tenderfresh restaurant at 71 Geylang Bahru in December 2023 and its third Makcik Tuckshop restaurant at Punggol Park in 1HFY2024. Through the Group's determined initiatives in expanding its footprints, the Group has successfully opened 3 coffeeshops, 14 food stalls, 1 kiosk, 1 restaurant in FY2023. The Group remains dedicated to look for suitable new food outlets and food stalls opportunities in the heartlands of Singapore to deepen its market presence.

The Directors of Kimly, said, **"At the close of FY2023, we achieved a resilient performance despite the challenges posed by the global environment. Tenderfresh Group continued to exhibit robust performance throughout the year and made significant strides in strengthening our presence within Singapore's Halal market. In FY2023, we proudly opened a total of 1 Tenderfresh restaurant, 5 food stalls, and 1 kiosk under the Tenderfresh's brands.**

While our commitment to expanding our Halal business remains unwavering, we are equally dedicated to the growth of our existing businesses. Looking forward, we remain steadfast in our pursuit of suitable expansion opportunities, with the goal of curating distinctive dining experiences tailored to various market segments across Singapore, thereby to broaden our revenue base and focus on strengthening our core competencies to improve operational efficiency and productivity."

- End -

About Kimly Limited

Kimly Limited ("金味有限公司") is one of the largest traditional coffeeshop operators in Singapore with more than 30 years of experience. The Group operates and manages an extensive network of 85 food outlets, 173 food stalls, 10 Tonkichi and Tenderfresh restaurants and 4 Tenderfresh kiosks across the heartlands of Singapore. It also operates Central Kitchen that supplies sauces, marinades and semi-finished food products to its food stalls, which enables it to have better control over its business processes and generate cost savings. Tenderfresh Group's central kitchen also engaged in manufacturing, processing and sale of food products to customers.

Its Food Retail Division comprises Mixed Vegetable Rice, Teochew Porridge, Dim Sum, Seafood "Zi Char", Japanese Food, Western Food and confectionary shops (up to 15 December 2022) operates within the Group's coffeeshops, third party brand's coffeeshops, food courts, F&B kiosks and full-service restaurants. These food products are also available for online ordering through multiple delivery platforms.

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