

PRESS RELEASE

RE&S registers S\$30.3 million revenue for 3Q FY2020

- Revenue declined by 14.7% compared with 3Q FY2019 amidst weak customer sentiments due to the current COVID-19 situation
- *Quick-Service Restaurants, Convenience and Others* (“QSR”) segment contribution increased from 29.3% in 3Q FY2019 to 32.2% of total revenue due to decline in *Full-Service Restaurants* (“FSR”) segment resulting from COVID-19 measures for the F&B sector
- Group to continue its focus on leveraging its existing portfolio and redeploying existing resources to support core business activities while staying vigilant in controlling expenses

Singapore, 13 May 2020 – RE&S Holdings Limited (“RE&S” or the “Company” and, together with its subsidiaries, the “Group”), a Japanese multi-brand food and beverage (“F&B”) operator, announced today its financial results for the third quarter (“3Q FY2020”) and nine months (“9M FY2020”) ended 31 March 2020.

Financial Highlights

S\$'000	3Q FY2020	3Q FY2019	Change (%)	9M FY2020	9M FY2019	Change (%)
Revenue	30,297	35,507	(14.7)	96,775	107,390	(9.9)
Other operating income	764	775	(1.4)	1,183	1,998	(40.8)
Operating expenses ⁽¹⁾	(31,652)	(34,245)	(7.6)	(98,333)	(102,431)	(4.0)
Other expenses (Non-operating)	(465)	(297)	56.6	(2,551)	(2,022)	26.2
(Loss)/Profit before tax	(2,309)	1,667	N.M.	(5,904)	4,723	N.M.
(Loss)/Profit, net of tax	(2,201)	1,244	N.M.	(6,059)	3,395	N.M.

(1) Operating expenses as the summation of the Group's raw materials and consumables used, changes in inventories, employee benefits expense, operating lease expenses, utilities expenses, depreciation expenses and other operating expenses.

N.M: Not Meaningful

Revenue for 3Q FY2020 was S\$30.3 million, a year-on-year (“yoy”) decrease of 14.7% compared with the S\$35.5 million revenue recorded in 3Q FY2019. The decline was largely attributed to the weak consumer demand in the FSR segment due to the COVID-19 pandemic.

Revenue by Segment

S\$'000	3Q FY2020	3Q FY2019	Change (%)	9M FY2020	9M FY2019	Change (%)
Full-Service Restaurants (FSR)	19,880	24,665	(19.4)	65,638	75,884	(13.5)
Quick-Service Restaurants, Convenience & Others (QSR)	10,417	10,842	(3.9)	31,137	31,506	(1.2)
Total Revenue	30,297	35,507	(14.7)	96,775	107,390	(9.9)

Specifically, the revenue for the FSR segment declined by 19.4% from S\$24.7 million in 3Q FY2019 to S\$19.9 million in 3Q FY2020. This was mainly due to the shift in consumption pattern shifting away from FSR toward essential retail and online food services propelled by the series of nationwide COVID-19 measures which significantly affected the revenue from dine-in services.

Revenue from the QSR segment also declined slightly, by 3.9% as compared to 3Q FY2019. The decline was mainly due to the closure of an outlet in February 2020 and weaker consumer demand in relation to the COVID-19 pandemic even though this was partially offset by an increase in revenue from the new food halls concepts at Jurong Point and Great World which re-opened in October 2019 and February 2020 respectively.

Other operating income remained constant at approximately S\$0.8 million for 3Q FY2020 and 3Q FY2019.

The Group's operating expenses⁽¹⁾ were S\$31.7 million, a 7.6% decrease from the prior corresponding period following decreased revenues. On the other hand, there was an increase of 56.6% in the other expenses (non-operating) from S\$0.3 million in 3Q FY2019 to S\$0.5 million in 3Q FY2020. The increase was mainly attributable to pre-opening expenses in 3Q FY2020 relating to the opening of the food hall concept outlets at Great World in February 2020.

As a result of the aforementioned factors, the Group reported a net loss of S\$2.2 million after tax in 3Q FY2020.

Commenting on the Group's operation performance, Mr. Fenton Foo, Executive Director and Chief Executive Officer of RE&S, said, **"We are facing a very challenging operating environment in view of the COVID-19 situation. Measures such as safe distancing have affected the contribution from the launch of &JOY Dining Hall at Great World in February 2020. With the announcement of the circuit breaker measures in April 2020, we are not able to serve dine in customers at our restaurants and we expect our operational and financial performance to be impacted in the next quarter. As a necessary cost cutting measure, we have implemented a temporary salary deduction of 20% across the board. Amidst this difficult period, we will continue to leverage on our existing portfolio by redeploying our existing resources to enhancing our takeaway and delivery businesses. We will also continue to be vigilant in controlling our expenses across the board."**

Outlook

Since the outbreak of the global pandemic COVID-19, both the global and local economies have been severely impacted, resulting in weaker consumer sentiments especially for the local F&B industry. There was a significant decrease in dine-in patrons at the Group's outlets especially after the tightening of measures such as safe distancing in March 2020. With the first announcement of the circuit breaker measures in early April 2020 to take place from 7 April to 4 May 2020 which include prohibition of dining in at restaurants, there was a quick shift in consumers' consumption pattern. In view of the extension of the circuit breaker period to 1 June 2020, the Group expects consumer demand to remain weak in the next quarter from 1 April to 30 June 2020, which will impact its operational and financial performance.

Despite the various forms of support from the Singapore government, including property tax rebates and the enhanced Jobs Support Scheme, the Group expects further challenges within the F&B industry given the lack of visibility on when consumer sentiments will recover and the lifting of 'no dine-in' measure after the end of the circuit breaker period.

Amidst this uncertain period, the Group is determined to remain flexible in redeploying resources to sustain its core business operations. The Group shall stay vigilant in controlling its expenses while continuing to channel its existing fixed resources into enhancing efforts to optimise delivery and takeaway revenue across the Group's concepts.

About RE&S Holdings Limited

Established in 1988, RE&S is a multi-concept owner and operator of F&B outlets in Singapore and Malaysia that provides customers with authentic Japanese cuisine and dining experience. Since its incorporation, RE&S has grown from a single Fiesta restaurant into a network comprising its Corporate Headquarters which houses employees across the corporate office, a central kitchen in Tai Seng, a procurement office in Japan, and more than 70 F&B outlets. Staying true to the RE&S brand promise of “Food for Life”, its diverse portfolio comprising about 20 distinct brands covers the full spectrum of varied market segments today; ranging from fine dining (Kuriya Dining) to family-style (Ichiban Boshi) and convenience (Kuriya Japanese Market). Supported by its ISO 22000:2005-certified Central Kitchen, RE&S is committed to maintaining a high standard of food consistency and quality for its customers alongside constant efforts in strategic innovation.

For more information, please visit <http://www.res.com.sg>

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