

NEWS RELEASE

Katrina Group reports 1H2019 results and accelerates growth plans for hospitality business

- Revenue increased by 31.2% to S\$40.3 million for 1H2019 mainly due to contribution from the recently-acquired hospitality business, as well as from the newly-opened and acquired F&B outlets
- In line with the revenue growth, gross profit rose by 64.1% YoY to S\$3.7 million for 1H2019
- As the Group charges ahead with its growth plans in the hospitality segment, rising operating costs put the Group's net loss at S\$2.1 million for 1H2019
- Group looks towards growing its hospitality business and consolidating its core F&B segment through enhancing high-performing outlets and closing non-performing ones

Singapore, 14 August 2019 – Katrina Group Ltd. ("Katrina" or the "Group"), an established and recognised Food & Beverage ("F&B") group specialising in multi-cuisine concepts and restaurant operations, today announced its financial results for the six months ended 30 June 2019 ("1H2019").

Financial Highlights	1H2019 (S\$'000)	1H2018 (S\$'000)	Chg (%)
Revenue	40,336	30,755	31.2
Gross profit	3,651	2,225	64.1
Gross profit margin (%)	9.1	7.2	1.9 ppt
Operating expenses ¹	4,158	2,408	72.7
Net profit/(loss)	(2,081)	31	N.M

¹ Operating expenses comprise Selling and distribution costs and Administrative expenses
ppt: percentage points

The Group's revenue rose by 31.2% year-on-year ("YoY") to S\$40.3 million for 1H2019 from S\$30.8 million registered in the previous corresponding period ("1H2018"), due to contribution from the hospitality business acquired in December 2018, Straits Organization Pte. Ltd. ("SOPL"), and a net increase in the number of outlets opened and acquired in October 2018. The S\$9.5 million revenue increase YoY stemmed from a S\$5.6 million contribution from SOPL, an additional S\$5.9 million revenue from the new outlets, and a S\$0.2 million revenue increase from existing outlets. These were offset by a S\$2.2 million decrease in revenue recorded for the closed outlets.



In line with the revenue increase, the Group's gross profit rose by 64.1% to S\$3.7 million with gross profit margin at 9.1% for 1H2019. The Group's F&B and hospitality units contributed S\$0.8 million and S\$0.7 million respectively to the gross profit increase YoY.

The Group's operating expenses, consisting of administrative expenses as well as selling and distribution costs, increased by S\$1.7 million or 72.7% YoY to S\$4.1 million. Mainly due to the Group's expansion into hospitality, administrative expenses rose by 75.9% YoY to S\$3.3 million for 1H2019. Selling and distribution costs increased by 60.7% YoY to S\$0.8 million for 1H2019 with more marketing efforts to promote the F&B as well as hospitality businesses.

The Group's finance costs increased by S\$2.9 million due mainly to the unwinding of lease liabilities from adoption of SFRS(I)16 for leases, discounting of refundable rental deposits and provision for restoration costs to present value, as well as interest expense from bank borrowings.

As a result of the above, the Group reported a net loss of S\$2.1 million for 1H2019.

As at 30 June 2019, the Group had cash and cash equivalents amounting to S\$6.2 million with term loans totalling S\$5.6 million.

Commenting on the Group's results, **Mr. Alan Goh (“吴景轩”), Founder, CEO and Executive Chairman of Katrina** said, *“Although the first half of the year was challenging, our performance for 1H2019 reflects what needs to be done for the Group to take off – we consolidated our F&B business through closing non-performing outlets and channelling suitable resources for high-performing outlets; as well as intensified our growth plans for the hospitality business. We conducted major upgrading works for the apartments and co-living hotels we lease and manage, and are continuing our search for strategically-located units to grow our customer base.*

Understandably, the newer F&B outlets will take time to improve profitability, as with our expansion plans in the hospitality segment. Nevertheless, we are cautiously optimistic for the Group's growth plans and strive to deliver exciting updates as and when they arise.”

In Singapore, Japanese restaurant operator Tomo Izakaya was acquired by the Group in October 2018 which increased the number of brands under the Katrina Group umbrella to 10. Overseas, the Group established its fourth So Pho outlet in Shanghai with Ajisen China in January 2019, and made its maiden foray into the Indonesian market with its first So Pho restaurant in Central Jakarta in February 2019.

Another major milestone for the Group was its entry into the hospitality business in December 2018 through the acquisition of diverse and affordable accommodation provider, SOPL. SOPL increased the number of units under lease and management from 141 units as at 31 December 2018 to 210 serviced apartments as well as 3 apartment buildings comprising about 143 apartment units across Singapore and 15 units in Hong Kong as at 30 June 2019.



Business Outlook

While the restaurant industry in Singapore sees a slight improvement on a yearly basis¹, macroeconomic conditions continue to affect the Group's performance. Various factors such as rising operating costs and price competition also exert downward pressure on the restaurant industry² at large.

As at end-June 2019, the Group's core restaurant business has 42 outlets in Singapore with 2 new outlets opened and 3 outlets closed in 1H2019. The Group has 3 more new outlets in its pipeline, with plans to close 2 outlets in the next 12 months. Overseas, the Group opened its maiden outlet in Indonesia in February 2019, at Plaza Senayan, Central Jakarta under the "So Pho" brand, and plans to open 2 outlets in Jakarta in the next 12 months, one at Central Park Mall, West Jakarta and another at Gandaria City Mall, South Jakarta.

Business consolidation will be the focus of the F&B segment, with the Group looking to close non-performing outlets and channel suitable resources for the well-performing outlets. The Group targets to be more selective in the location of its outlets, and optimise its marketing efforts to grow its customer base. Additionally, several tech solutions have been incorporated to enhance the Group's workflow efficiency and reduce its reliance on manpower. At the front-end, the Group has introduced E-Waiters and E-Menus to assist customers patronising the Group's outlets. At the back-end, the Group has implemented Enterprise Resource Planning (ERP), Point-of-Sale solutions (POS), and Offline Procurement System (OPS) to maintain the consistency of its operations and raw materials quality. Such tech solutions have been gradually introduced from FY2018, and the Group targets to roll them out across all its outlets towards the end of the year.

The Group remains committed to grow its business, while prudently managing costs. Alongside its core F&B segment, the Group continues to build up its hospitality business to generate a secondary revenue base and provide cross-sector collaboration opportunities. Certain units under lease and management are undergoing renovation works and the Group continues to scour for suitable units to lease and manage. As at 30 June 2019, the Group leased and managed 210 serviced apartments as well as 3 apartments comprising about 143 apartment units across Singapore and 15 serviced apartments in Hong Kong. Going forward, the Group will also be leasing and managing 5 co-living hotels, which could add an estimated 250 rooms to its portfolio by the end of the year.

Gearing for the second half of the year, the Group is cautiously optimistic of its growth outlook. The Group looks to sustainably grow its business whether internally, through collaborations or acquisitions to add value to its operations both locally and overseas.

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¹ Retail Sales Index: Food & Beverage Service Index <https://www.singstat.gov.sg/-/media/files/publications/industry/mrsmay19.pdf>

² SG SME: F&B Industry fears looming correction <https://www.sgsme.sg/news/government/fb-industry-fears-looming-correction>



ABOUT KATRINA GROUP LTD. (BLOOMBERG TICKER KTG:SP)

With an established history since 1995, Katrina Group Ltd. (“Katrina” or the “Group”) is a Food & Beverage (F&B) group that specialises in multi-cuisine concepts and restaurant operations. As at 30 June 2019, the Group owns and operates 42 restaurants in Singapore under ten different F&B brands, namely, Bali Thai, Honguo, Indobox, So Pho, Streets, Bayang, Hutong, Muchos, RENNthai and Tomo Izakaya. These brands serve a multitude of cuisines, namely Hong Kong, Indonesian, Japanese, Mexican, northern Chinese, Thai, Vietnamese and Yunnan. The Group also has 1 maiden restaurant under the “So Pho” brand in Indonesia and four restaurants under the “So Pho” brand in China through a joint venture with Ajisen (China) Holdings Limited.

Katrina prides itself on the identification of consumer trends and creating concepts that meet the demand of a wide spectrum of patrons from different market segments. Of the Group's ten brands, five are casual dining brands and five are mid-ranged dining brands, all strategically located in convenient and high foot traffic locations. In addition, four of the Katrina Group's brands – Bali Thai, Streets, So Pho and Indobox – are Halal-certified.

Katrina also acquired affordable and diverse accommodation provider, Straits Organization Pte. Ltd. in December 2018. As at 30 June 2019, Straits Organization leases and manages 210 serviced apartments as well as 3 apartment buildings comprising about 143 apartment units across Singapore and 15 serviced apartments in Hong Kong.

<http://katrinagroup.com>

This news release has been by Katrina Group Ltd. (the “Company” and together with its subsidiaries, the “Group”) and its contents have been reviewed by the Company’s Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the SGX-ST assumes no responsibility for the contents of this news release, including the correctness of any of the statements or opinions made or reports contained in this news release.

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