

Neo Group Limited

**6th Annual General Meeting
26 July 2018**

AGENDA

- Corporate Overview
- Financial Highlights
- Business Highlights
- Growth Strategies



CORPORATE OVERVIEW

Milestones

1992



Neo Group's Founder, Chairman & CEO Mr Neo Kah Kiat started Neo Garden in a humble shared kitchen in Joo Chiat (2,000 sq ft) with just 8 employees.

1994



The Group shifted from the East to a coffee shop in Jurong West (4,000 sq ft).

2004



To cope with the growing business, the Group shifted to 6A Wan Lee Road (7,600 sq ft), an expanded premise, and set up the Group's first halal-certified catering brand, Deli Hub.

2007



The Group started its first Japanese quick and convenient dining concept, umisushi at Eunos MRT station. Today, it has around 20 outlets islandwide.

2008



Orange Clove, an East-West fusion catering brand, was set up to cater to the mid to high tier market segment.

2010



NKK Import & Export Trading was set up to source ingredients directly from distributors for better quality & cost control.

2011



The Group marked another milestone, acquiring 30B Quality Road (122,000 sq ft) for further development.

2012



The Group achieved another milestone with its listing on SGX Catalist in July.

2013



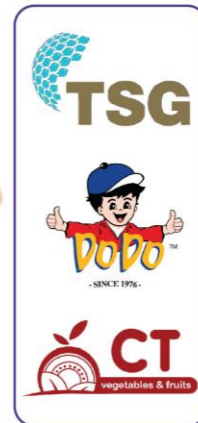
The Group's operations, corporate headquarters and central kitchen were consolidated at 1 Enterprise Road (75,000 sq ft).

2014



Best Catering, NANAMI UDON, issho, Choz Confectionery and I DO Flowers & Gifts were added to the Group's portfolio of brands.

2015



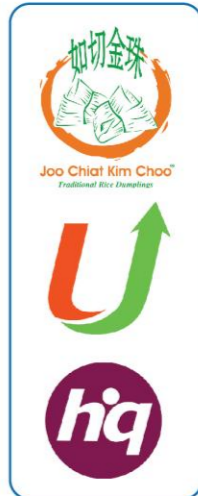
TS Group and CT Veg Group joined Neo Group.

2016



Gourmetz was established to capture the childcare, student care and elderly care market.

2017



Hi-Q & U-Market (including Joo Chiat Kim Choo as its brand), joined the Group.

2018



Kim Paradise was established and aims to be the largest tingkat provider in Singapore. Savoury Catering was established to provide Peranakan meal options.

▶ Integrated Food Solutions Provider

FOOD CATERING	FOOD RETAIL	FOOD MANUFACTURING	SUPPLIES & TRADING	OTHER BUSINESSES
       	     	 	    	 

FY2018 Segment Revenue:

\$S\$66.0m or 37.0%

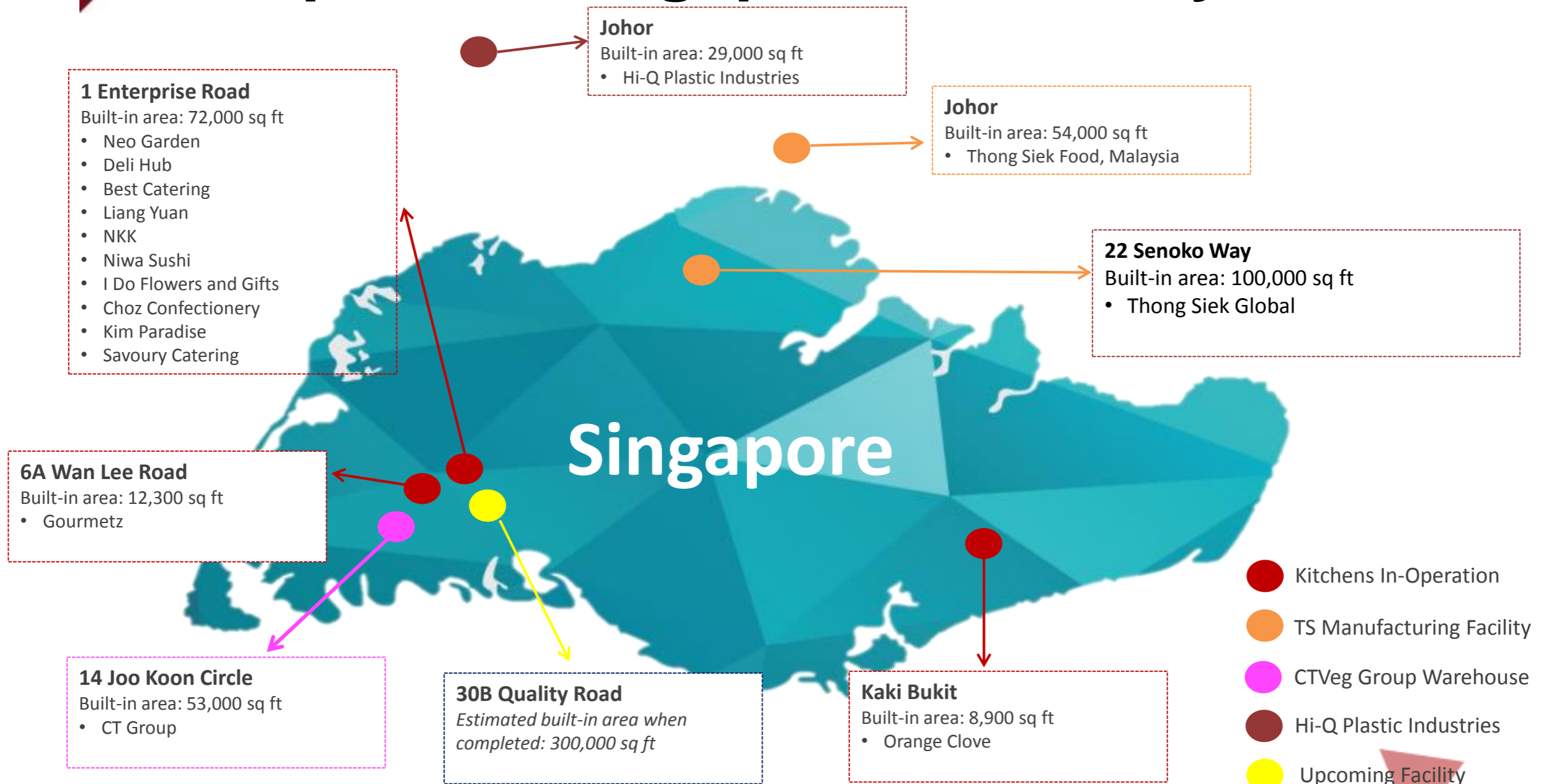
\$S\$16.8m or 9.4%

\$S\$49.4m or 27.7%

\$S\$45.0m or 25.3%

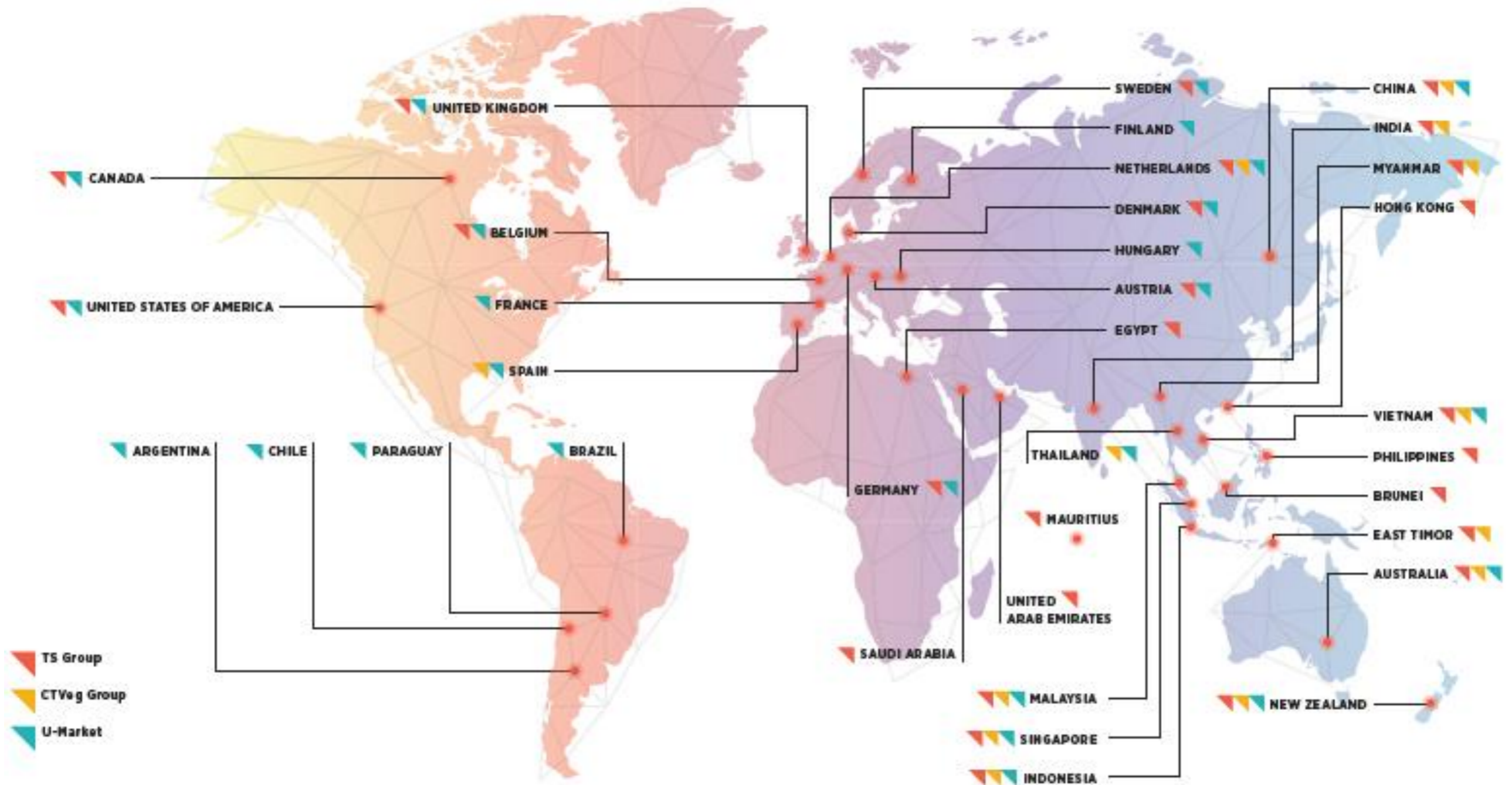
\$S\$1.1m or 0.6%

Footprint in Singapore and Malaysia



Global Trading Network

- The Group boasts an extensive global supply chain of over 30 countries which is instrumental in optimising the company's sourcing processes as well as minimising operational costs



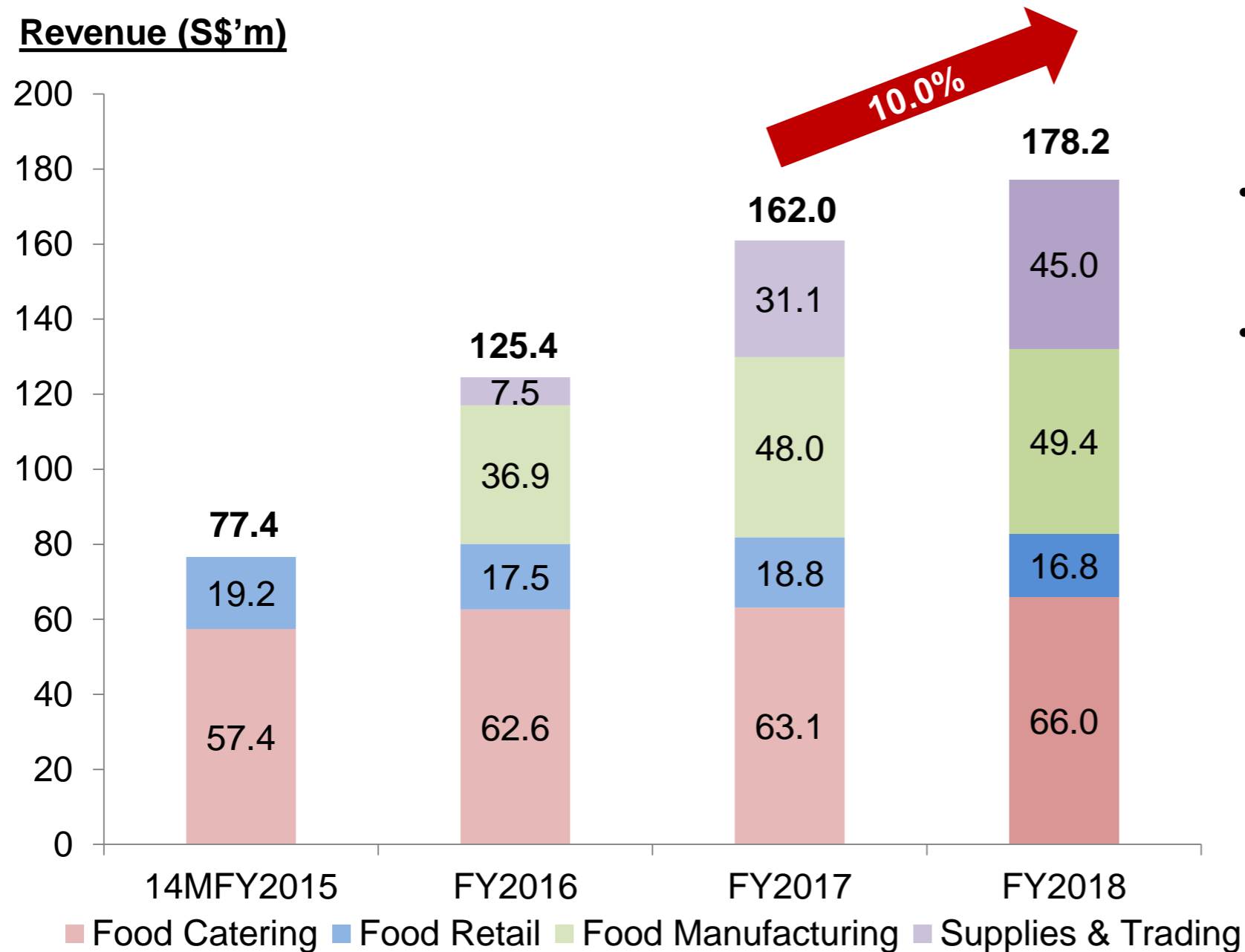


FY2018 FINANCIAL HIGHLIGHTS

Revenue Highlights

Revenue Grows 10.0%

Revenue (S\$m)

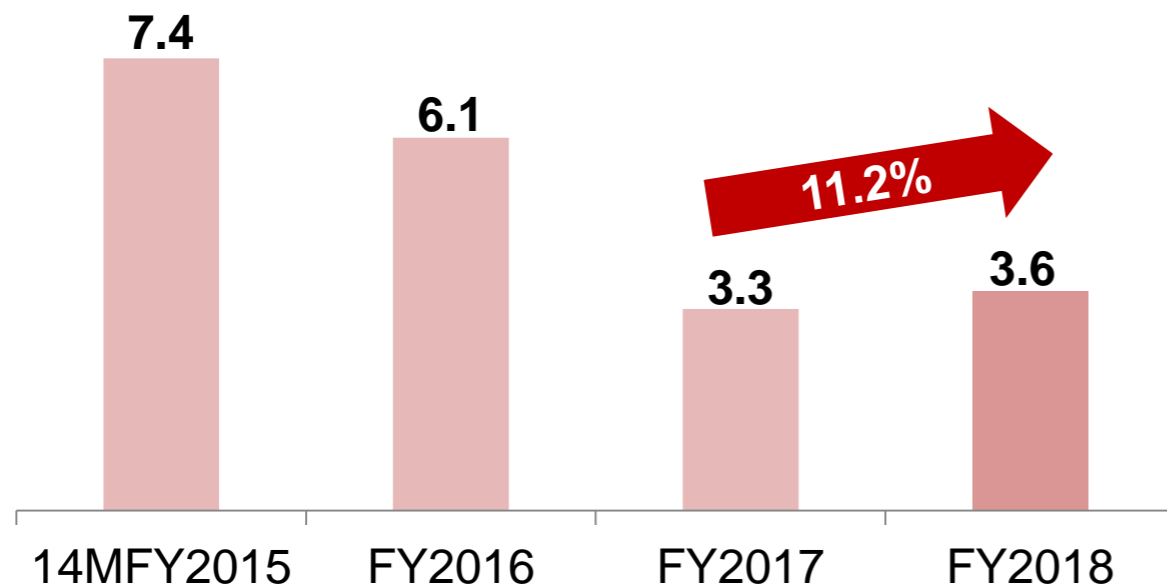


*Some figures may not add up due to rounding

- 10.0% increase in topline to S\$178.2m for FY2018 from S\$162.0m for FY2017
- All businesses apart from Food Retail recorded a stronger performance:
 - Food Catering: 4.6% rise in revenue to S\$66.0m
 - Food Retail: 10.9% decrease in revenue to S\$16.8m
 - Food Manufacturing: 2.9% rise in revenue to S\$49.4m
 - Supplies & Trading: 44.6% rise in revenue to S\$45.0m

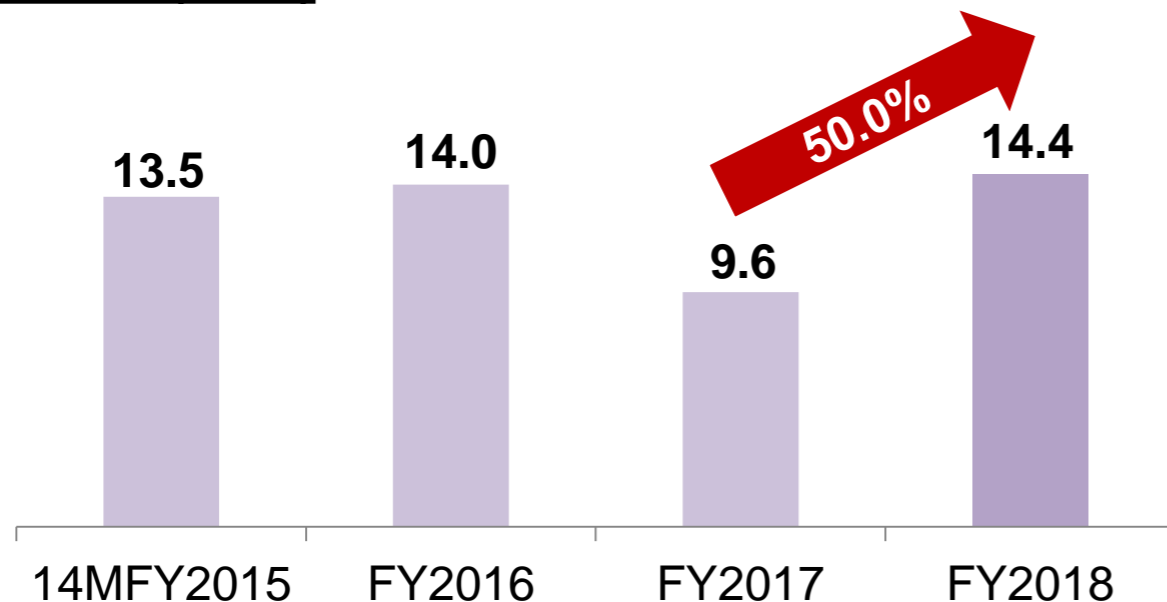
▶ Profit Highlights

Profit attributable to owners of the parent (S\$m)



- FY2018 profit attributable to owners of the parent (“PATMI”) rose 11.2% to S\$3.6m for FY2018 from S\$3.3m for FY2017

EBITDA (S\$m)



- Continues to generate strong operating cash flows from EBITDA with a 50.0% increase to S\$14.4m for FY2018 from S\$9.6m for FY2017

Financial Highlights

S\$m	FY2017 (Audited)	FY2018 (Audited)
Earnings Per Share (SGD cents)	2.24	2.49
Net cash from operating activities	6.7	17.6
Cash and cash equivalents at end of period	10.5	13.7
S\$m	As at 31 Mar 2017 (Audited)	As at 31 Mar 2018 (Audited)
Equity attributable to owners of the parent	33.2	35.3
Net Asset Value Per Share (SGD cents)	22.73	24.22
Net Gearing Ratio ¹	1.91	1.81

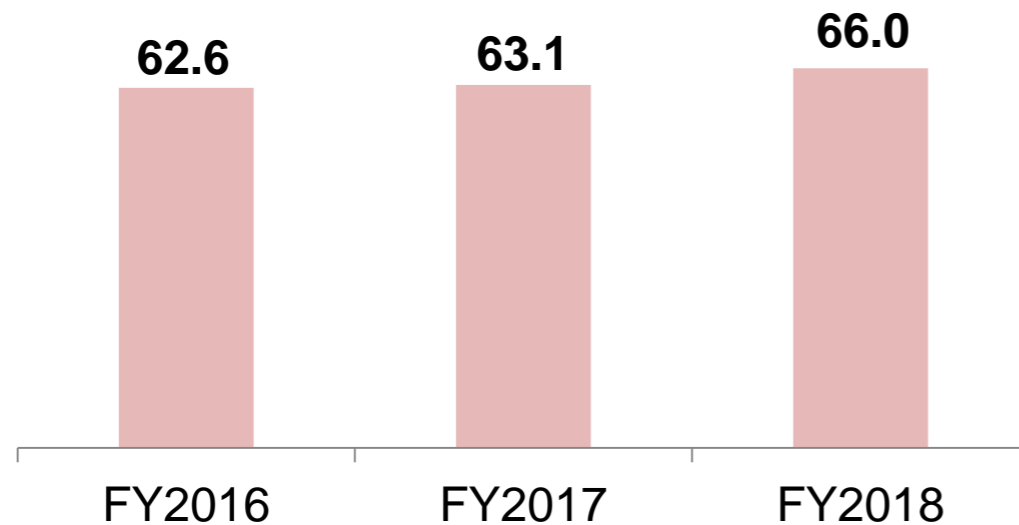
¹ Net Gearing is computed by dividing net debt by equity attributable to owners of the parent

▶ **BUSINESS HIGHLIGHTS**
Food Catering

▶ Food Catering – Highlights for FY2018

Performance Review

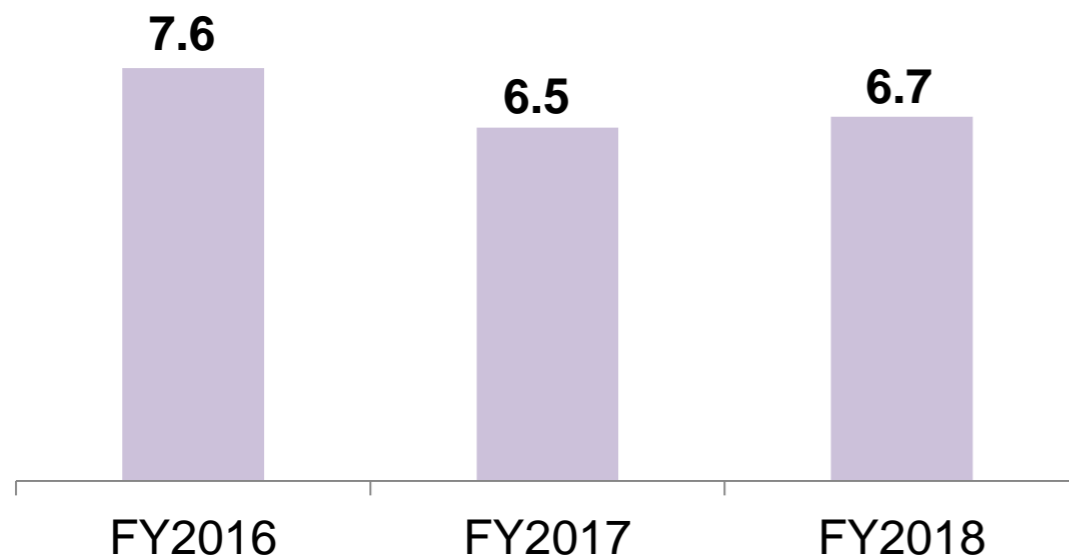
Food Catering Revenue (S\$m)



Revenue increased 4.6% to S\$66.0 million for FY2018 from S\$63.1 million for FY2017

- Revenue growth supported by the boost in contributions from the childcare, student care and elderly care market segments by Gourmetz Pte Ltd (“Gourmetz”)

Food Catering Profit Before Tax (S\$m)



Profit before tax increased 3.6% to S\$6.7 million for FY2018 from S\$6.5 million for FY2017

- Profitability for the segment remains robust as a result of additional income streams contributed by the Group’s various catering brands alongside better control of costs and overheads

Food Catering Developments & Strategies

Building Sustainable Income Streams

- Recurring income streams from Gourmetz, Kim Paradise Pte Ltd (“Kim Paradise”) and Savoury Catering Pte Ltd (“Savoury Catering”) minimises the effect of seasonality experienced by the Group’s other catering brands

Developing a Multi-brand Strategy

- Expand the range of cuisines and catering options available to customers via suite of brands, thereby increasing market share by capturing various customer segments and driving growth
- FY2018 – Established Kim Paradise and Savoury Catering
- FY2019 – Established Chilli Manis Catering Pte Ltd

Driving Productivity & Efficiency

- Made substantial investments to acquire new machinery and develop proprietary systems to improve productivity
- Review and streamline operational processes to yield greater efficiencies (e.g. Paperless invoices, carrot peeling machines)



Established in 1992

Flagship brand serving the mid-tier market segment and corporate clients



Established in 2004

Offers halal-certified menus serving mass market, corporate, institutional and public sectors



Established in 2008

Serving the needs of growing corporate clients and institutional clients



Established in 2014

Economical buffet menus and daily meal services for the mass market and household segments



Established in 2016

Serves the niche childcare, eldercare and student care segments



Established in 2018

Specialises in confinement and nutrition meals that focus on wellness and healing



Established in 2018

Specialises in fresh and healthy gourmet home-cooked meals



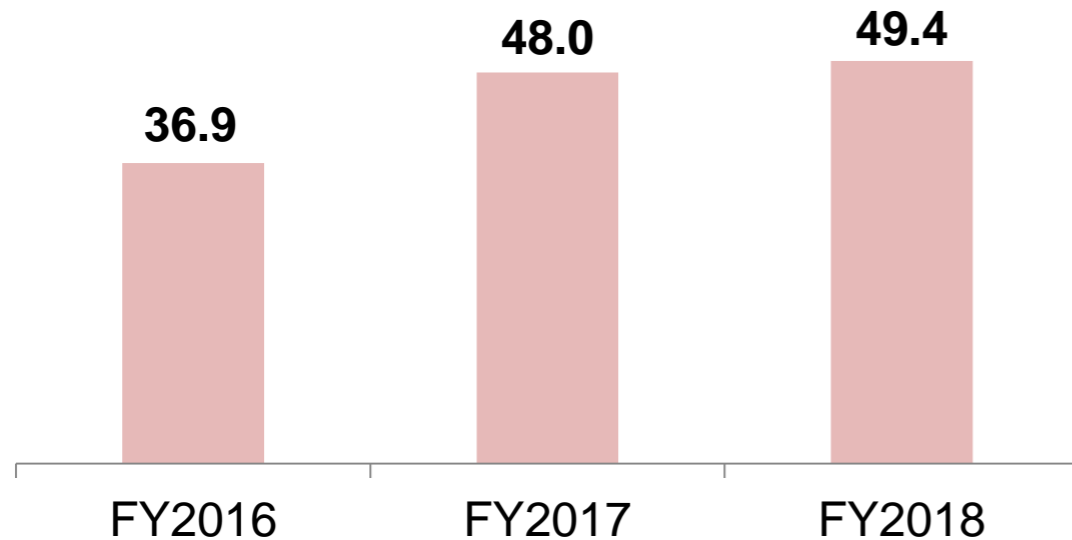
Established in 2018

Specialises in authentic Peranakan cuisine

▶ **BUSINESS HIGHLIGHTS**
Food Manufacturing

▶ Food Manufacturing – Highlights for FY2018 Performance Review

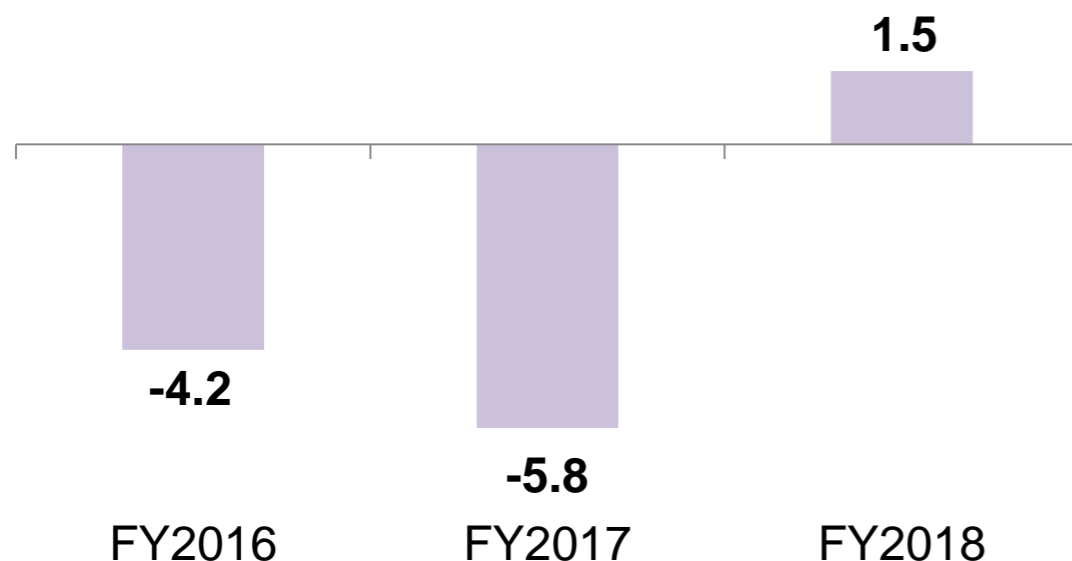
Food Manufacturing Revenue (S\$m)



Revenue increased 2.9% to S\$49.4 million for FY2018 from S\$48.0 million for FY2017

- Aided by the Group's global distribution network, sales figures improved as a result of a ramp up in export sales

Food Manufacturing Profit Before Tax (S\$m)



Achieved profit before tax of S\$1.5 million in FY2018 versus a loss before tax of S\$5.8 million in FY2017

- Successful turnaround of Thong Siek:
 - Enhanced cost efficiencies and effective restructuring efforts led to bottom-line improvement
 - Contributing positively to the Group's bottom-line since 1QFY2018

▶ Food Manufacturing Developments & Strategies



Focus on improving sales to overseas markets

- Continue to tap on the Group's global distribution network to ramp up export sales
- Perform R&D to derive new and improved products for the Group

Automation and machinery upgrades

- Continue to make investments in advanced machinery and other upgrades to reduce reliance on labour while boosting efficiency and productivity

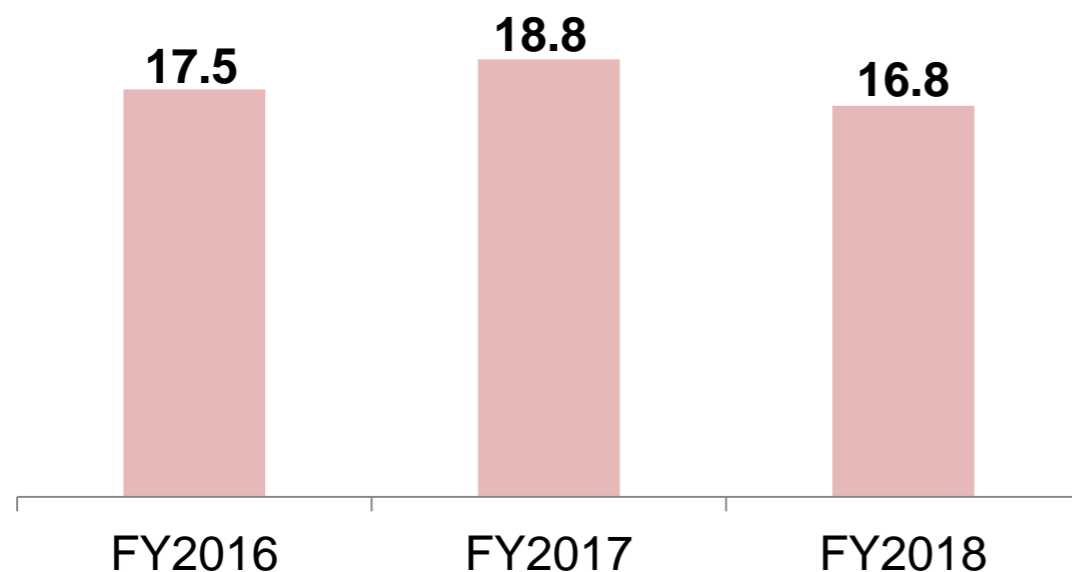
Reduce material cost and improve process controls

- Tap onto wholly-owned subsidiary, NKK Import & Export Trading Pte Ltd ("NKK"), which procures and supplies the Group's business needs; leads to a reduction in raw material costs
- Reduction in defective products and wastage by reviewing and improving process controls

▶ **BUSINESS HIGHLIGHTS**
Food Retail

Food Retail – Highlights for FY2018 Performance Review

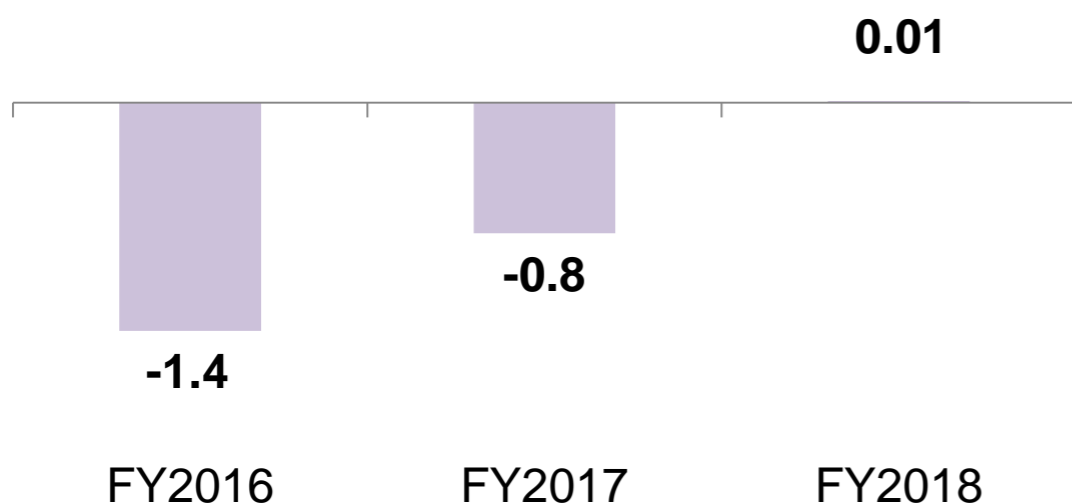
Food Retail Revenue (S\$m)



Revenue decreased 10.9% to S\$16.8 million for FY2018 from S\$18.8 million for FY2017

- Fall in revenue mainly attributable to the closure of non-performing outlets to improve profitability for the segment

Food Retail Profit Before Tax (S\$m)



Achieved profit before tax of S\$0.01 million in FY2018 versus a loss before tax of S\$0.8 million in FY2017

- Closure of non-performing outlets resulted in a S\$0.8 million improvement in performance as compared to the preceding year

Food Retail Developments & Strategies



Strategic Corporate Actions to Improve Profitability

- Performing a business review of the Group's network of outlets with the aim of opening stores in better locations
- Improve systems and streamline menus

Capitalise on Islandwide Presence to Strengthen Brand Equity

- Establishing a presence in the retail market allows the Group to build brand awareness among consumers
- Keep customers engaged by introducing new retail concepts and refreshing menu items

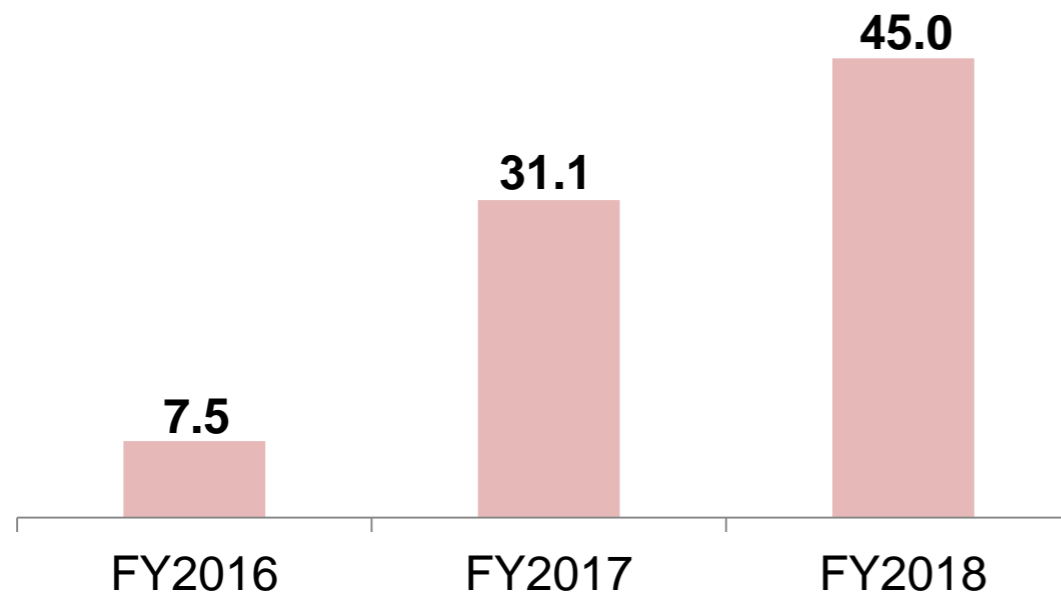
Improved Systems and Increased Automation

- Continue to leverage on proprietary technology (e.g. cash recycling machine/inventory management/delivery tracking systems) to reduce reliance on manpower and optimise operations

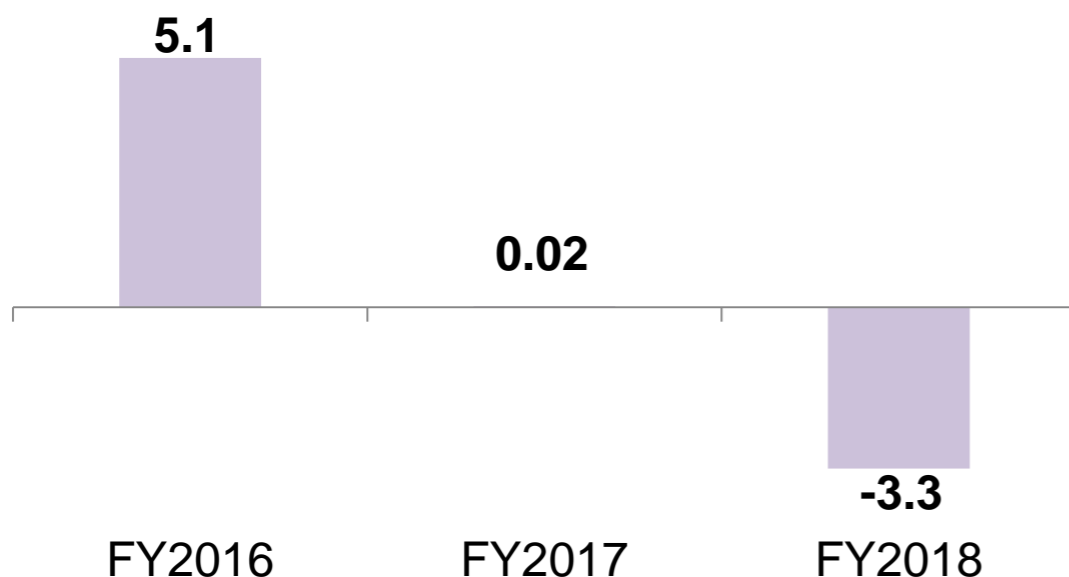
▶ **BUSINESS HIGHLIGHTS**
Supplies & Trading

Supplies & Trading – Highlights for FY2018 Performance Review

Supplies & Trading Revenue (S\$m)



Supplies & Trading Profit Before Tax (S\$m)



Revenue increased 44.6% to S\$45.0 million for FY2018 from S\$31.1 million for FY2017

- Driven by revenue contributions from newly acquired subsidiaries:
 - U-Market in January 2017
 - Maiden revenue contribution by Hi-Q Plastic Industries from April 2017
- Factoring out U-Market, the Supplies & Trading segment continues to contribute positively to the bottom-line
- As a result of weak market sentiments for meat trading, U-Market faced a challenging year in FY2018
- U-Market is currently undergoing a business review to enhance performance:
 - Reduce trading transactions for low margin trading items
 - Tighten procurement
 - Focus on selling to food services and consumers (higher margin)
- Following the strategic business review, management aims to turn around the Supplies & Trading Segment in FY2019

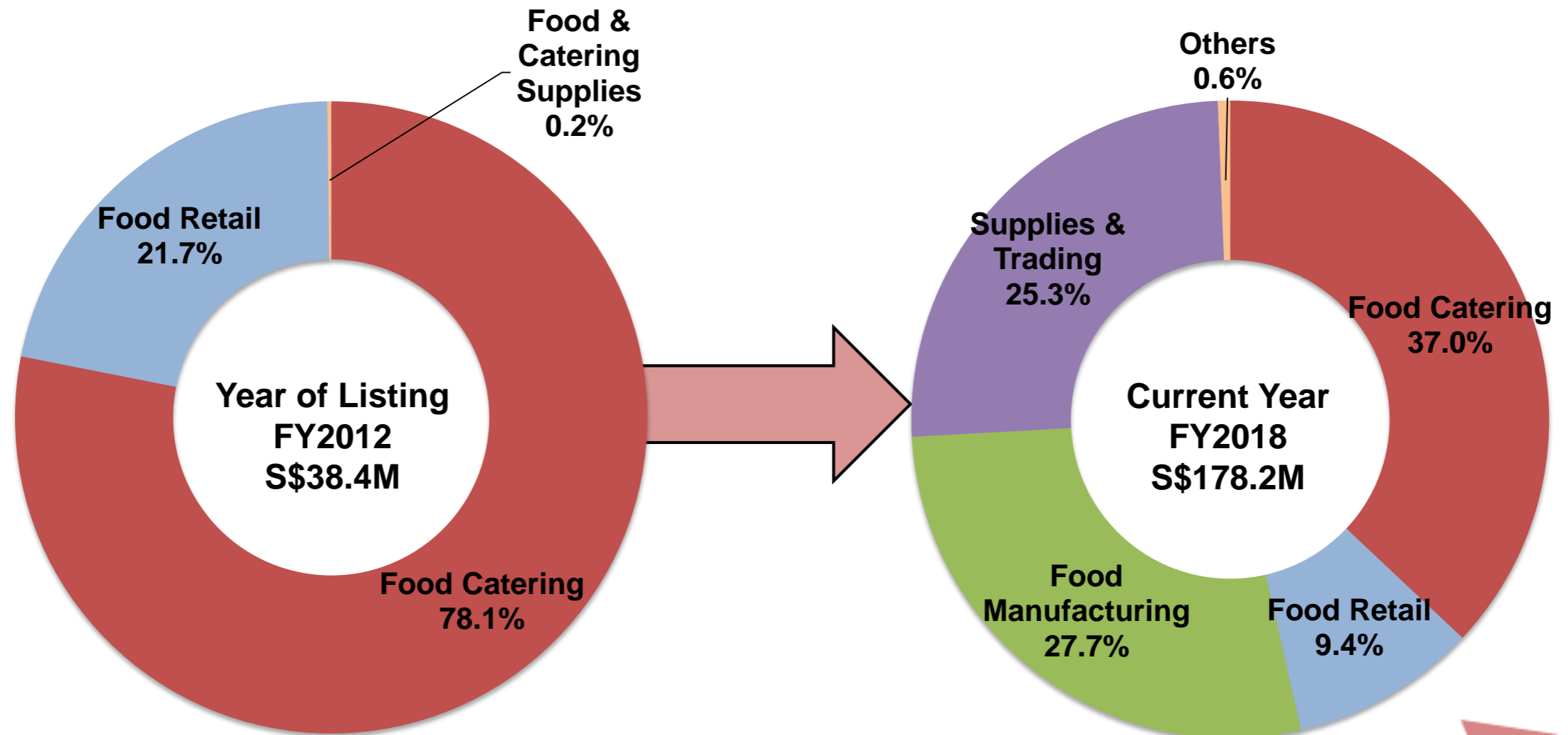


GROWTH STRATEGIES



Beyond Catering

Transformation into a fully integrated food solutions provider



► Organic Growth

DRIVE REVENUE GROWTH

- Capitalise on synergies across vertically-integrated value chain
- Continue to leverage on trading and distribution networks to increase sales across global sales and marketing network
- Continue to invest in automation and any other initiatives to improve productivity (i.e. yield, operating margin)

DRIVE COST EFFICIENCIES

- Automation for better cost management
- Consolidation and integration of operations
 - Opportunities for cost savings via real estate optimisation (increased output per square foot): Consolidation of business operations to optimise usage of factory space for higher value-added activities
 - Integration of various business operations and applications (eg. ERP systems) to yield cost synergies

Inorganic Growth

STRENGTHEN MARKET POSITION

- M&A of catering companies in various market segments
- Wider range of catering options boosts brand image; covers a spectrum of customers with varying average selling prices and encourages repeat customers

EXPANSION ACROSS VALUE CHAIN

- Seek out suitable targets to propel the Group up the value chain to better differentiate itself as a fully integrated food solutions provider
- M&A criteria includes:
 - Value-added capabilities
 - Vertically integrated
 - Profitable
 - Cash flow positive
 - High growth potential

Thank You

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