



## NEWS RELEASE

### NEO GROUP'S 1H2021 NET PROFIT INCREASES BY 685.8% TO S\$18.0 MILLION

- *Group profitability well-supported by diversified business segments and various recurring income streams*
- *Manufacturing business achieves significant improvement in profitability*
- *Optimised and lean operations by leveraging on technology and automation; reduction in advertising and finance costs*
- *Significant decrease in net gearing to 0.98 times*
- *Proposes interim cash dividend of 1.0 Singapore cent per share*

**SINGAPORE – 9 November 2020** – Neo Group Limited ("**Neo Group**", or together with its subsidiaries, the "**Group**"), a homegrown integrated food solutions provider, today announced a profit before tax of S\$20.1 million and net profit of S\$18.0 million for the half year ended 30 September 2020 ("**1H2021**"), representing increases of 679.0% and 685.8%, from S\$2.6 million and S\$2.3 million in the previous corresponding period ("**1H2020**"), respectively. The strong bottom-line growth was backed by higher other income, revenue growth from the Group's core Catering and Manufacturing businesses, as well as an overall reduction in operating expenses.

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(S\$m)	1H2021	1H2020	Change (%)
Revenue	88.1	91.1	(3.3)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	29.1	12.5	132.0
Profit before tax	20.1	2.6	679.0
Profit after tax	18.0	2.3	685.8
Profit attributable to Owners of the Parent	13.6	2.3	486.5
Earnings per share Fully Diluted (Singapore cents)	9.24	1.58	484.8

	As at 30 September 2020 (Unaudited)	As at 31 March 2020 (Audited)
NAV per ordinary share (Singapore cents)	37.69	28.23
Net gearing (times)	0.98 <sup>1</sup>	1.67 <sup>2</sup>

<sup>1</sup> Net Gearing as at 30 September 2020 is computed by dividing net debt of \$54.4 million (derived from total Group's borrowings of \$82.8 million, net of cash and cash equivalents of \$28.4 million) by equity attributable to owners of the parent of \$55.5 million as at 30 September 2020.

<sup>2</sup> Net Gearing as at 31 March 2020 is computed by dividing net debt of \$69.3 million (derived from total Group's borrowings of \$87.4 million, net of cash and cash equivalents of \$18.1 million) by equity attributable to owners of the parent of \$41.6 million as at 31 March 2020.

Neo Group's Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, "With the re-opening of activities in June 2020, we have seen a gradual improvement of the Catering business. We have stayed nimble, adapting to the changing consumer behaviour in the 'new normal' of the food industry. This ranges from the introduction of a good variety of bento sets to mini buffet, healthy take-away meals, to a quick upscale of the recurring "tingkat" business, to meet continued strong demand."

"For the Manufacturing business, we intend to increase our product variety through R&D, including home-cooked and ready-to-eat products to meet changing consumer demand, and at the same time, tap on our global distribution network to expand export sales. We will also increase our manufacturing productivity by leveraging on automated machineries and technologies to improve profitability."

"Through our ongoing transformation for Supplies and Trading, we have consolidated three trading arms into one group. The co-sharing of facilities, coupled with cross-selling functions, pooling of resources and process streamlining, have enabled us to reduce expenses and unlock economies of scale. Notably, we have added a recurring income stream through the external rental of our cold room facilities and we will continue to build-up our recurring revenue streams."

“Our Retail business is now lean, and we will continue to review the performance of our outlets to maximise returns. Moving forward, we see vast opportunities to grow this segment, backed by 13 years of established experience, by having more retail concepts creating new and innovative offerings to appeal to different market segments. Leveraging on different digitalisation platforms and our years of expertise in the delivery business, will also be an important strategy to stay ahead of competition.”

### **Financial Performance**

Despite industry headwinds, the Group’s revenue held steady at S\$88.1 million in 1H2021, representing a slight 3.3% decrease as compared to S\$91.1 million in 1H2020.

The Group’s core Catering business, which contributes over 50% of the Group’s top-line, achieved a 1.7% growth in revenue to S\$44.8 million in 1H2021, from S\$44.1 million in 1H2020. The higher revenue was mainly supported by the short-term dormitory contracts and strengthened recurring income base from the “tingkat” business. This was partially offset by a decrease in the traditional catering business.

The Group's Manufacturing business also achieved strong growth, with revenue increasing 10.8% to S\$26.2 million in 1H2021, from S\$23.6 million in 1H2020. As consumer behaviour continues to shift due to the pandemic, there has been an increase in demand for home-cooked and ready-to-eat products. Driven by the industry trends, the Group's second-largest top-line contributor continues to experience higher sales from supermarkets and export business.

Neo Group consolidated its Supplies and Trading business, and through the sharing of facilities, manpower resources and process streamlining, the Group has successfully reduced its operating expenses, thereby unlocking economies of scale. Overall, as a result of a reduction in low margin trading transactions, the Supplies and Trading business recorded revenue of S\$11.6 million in 1H2021, representing a decrease of 25.1% from S\$15.5 million in 1H2020.

During the period, the Retail business was affected by the safe management measures which resulted in a significant decrease in physical footfall at the Group's retail outlets. As a result, the Group's Retail business revenue registered S\$5.5 million in 1H2021, representing a 26.1% decrease from S\$7.4 million in 1H2020.

The Group recorded other income of S\$9.2 million in 1H2021 as compared to S\$1.0 million in 1H2020 mainly contributed by higher financial grants received from the government during 1H2021, in which S\$8.0 million represents wages support and property tax rebates passed down by the landlords.

The Group successfully implemented technological and automation solutions, improving workflow efficiencies, which resulted in a S\$5.1 million decrease in employee benefits expenses. Given the Group's strong market standing and brand recognition, the Group scaled back on advertising, with a reduction of S\$0.9 million in advertising expenses. Finance costs decreased by S\$0.5 million with the repayment and refinancing of the Group's bank debts through active debt structure reviews.

Overall, the Group's profit before tax and net profit for 1H2021 increased by 679.0% and 685.8% to S\$20.1 million and S\$18.0 million from S\$2.6 million and S\$2.3 million recorded in 1H2020, respectively.

Supported by strong operating cash flows, Neo Group continues to strengthen its financial position, achieving a significant reduction in net gearing to 0.98 times as at 30 September 2020 from 1.67 times as at 31 March 2020, as well as a net current asset position of S\$3.0 million as at 30 September 2020 compared to a net current liability position of S\$23.7 million as at 31 March 2020.

### **Dividend**

To appreciate the Group's shareholders for their loyalty and continuous support, Neo Group has proposed an interim cash dividend of 1.0 Singapore cent for 1H2021. The Group will continue to review the distribution of dividend in view of its business expansion, diversification, and the construction of its headquarters and catering hub at 30B Quality Road.

### **Outlook & Future Strategies**

Moving forward, the Group will focus on growing the market share of its Catering business by building upon its strong market recognition and branding, while strengthening its recurring income streams through pursuing institutional catering. Leveraging on its synergistic business segments, the Group will continue to expand the range of its product offerings and options to capture the changing consumer behaviour. The Group's central kitchens, which are strategically located across Singapore, will support the growth of its business through economies of scale.

The Manufacturing business will continue to ride on the increasing demand from households for home-cooked and ready-to-eat products, as well as leverage on its global distribution network to drive export sales to new and existing markets. Where possible, the Group will also seek to integrate automation into its production lines and adopt technological solutions to increase productivity and profitability.

The Supplies and Trading segment, which supplies food ingredients and products used across the Group's core businesses, will continue to support the Group through cost discipline and vertical integration, as well as ensuring the continued supply of raw materials.

Looking ahead, for the Retail business, the Group will continue to focus on enhancing the performance of its outlets and apply proactive management strategies to optimise profitability. The Group will explore the introduction of new food concepts to appeal to a wider range of consumers.

Nonetheless, with its multi-brand strategy and diversified revenue streams, Neo Group remains confident in its ability to achieve a gradual recovery to pre-pandemic levels of business upon the further relaxation of safe management measures and full re-opening of activities.

Commenting on the Group's diversification into property, Mr Neo added, "Through our diversification into the property business, we aim to unlock additional and recurring revenue streams through rental fees and management fees, as well as potential and beneficial synergies with our existing businesses. This will further diversify our business, strengthen our income base for future growth and enhance shareholders' value."

The Group will continue to monitor the evolving pandemic situation and adjust and react proactively with appropriate countermeasures to minimise the financial impact for the financial year ending 31 March 2021.

*Note: This press release is to be read in conjunction with the related financial results announcement released by Neo Group Limited via SGXNET on 9 November 2020.*



### About Neo Group Limited

Listed on the Catalist board of the Singapore Exchange Securities Trading Limited, Neo Group Limited is a homegrown, integrated food solutions provider. Established since 1992, the Group possesses an award-winning track record and is one of the most recognised brand names in Singapore. The Group has been named the number one events caterer in Singapore and provides one-stop food and catering solutions.

The Group prides itself in providing convenience to customers through its vertically-integrated value chain via four main business segments, namely, Catering, Manufacturing, Supplies and Trading and Retail, combining their synergistic qualities to bring customers top value in delivering fresh and tasty meals on time.

The Group supplies a large variety of quality food and buffets appealing to various market segments through its multi-brand strategy. Neo Group's strong portfolio of over 20 brands includes "Neo Garden", "Deli Hub", "Orange Clove", "Lavish Dine", "Gourmetz", "Kim Paradise", "TS Group", "Joo Chiat Kim Choo" and "umisushi", amongst others. Its food retail network spans over 20 outlets islandwide.

Through its subsidiaries, Neo Group has a trading network across over 30 countries worldwide. Its operations are supported by its central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

For more information, please visit [www.neogroup.com.sg](http://www.neogroup.com.sg)

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**IMPORTANT NOTICE**

*This news release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), Listing Manual Section B: Rules of Catalist.*

*This news release has not been examined or approved by the SGX-ST. 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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