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Kimly registers a net profit of S$18.7 million in 1H FY2023

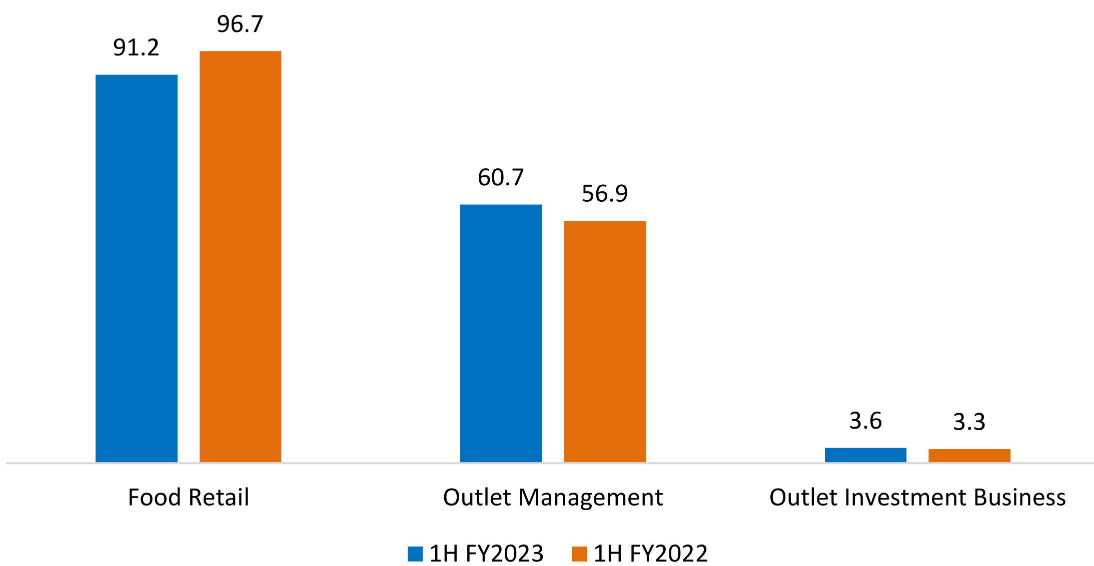
- Revenue decreased by 0.9% due to lower revenue contribution from Food Retail Division
- Profit before tax remained stable at S$23.6 million
- Declared an interim dividend of 0.56 Singapore cents per share

SINGAPORE, 11 May 2023 – SGX Catalist-listed Kimly Limited ("金味有限公司") ("Kimly" or the "Company" and together with its subsidiaries, the "Group") reported a marginal 0.9% year-on-year ("yoy") decrease in revenue to S$155.5 million for the half year ended 31 March 2023 ("1H FY2023"), mainly due to lower revenue contribution from Food Retail Division which was partially offset by higher revenue contribution from Outlet Management Division and Outlet Investment Business Division. The Group registered net profit after tax attributable to the owners of the Company of S$18.7 million for 1H FY2023, an increase of 0.7% yoy.

S$ 'million	1H FY2023	1H FY2022	% Change
Revenue	155.5	156.9	(0.9)
Gross profit	42.5	47.8	(11.0)
Gross profit margin	*27.3%*	*30.4%*	*(3.1p.p)*
EBITDA*	47.1	49.0	(3.9)
EBITDA after depreciation of right-of-use assets and interest expense on lease liabilities	27.0	27.9	(3.4)
Net profit after tax attributable to the owners of the Company	18.7	18.5	0.7

* Earnings Before Interest (interest income and interest expense), Taxes, Depreciation and Amortisation ("EBITDA")

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



The Group's revenue contribution from the Food Retail Division decreased by S$5.5 million to S$91.2 million in 1H FY2023. This was mainly attributable to lower revenue contribution from existing food stalls/outlets due to a decrease in delivery sales as food delivery demand has started to taper to a new normal since the relaxation of COVID-19 measures, the closure of Tenderfresh Group's five (5) restaurants and two (2) stalls during FY2022 to rationalise manpower resources by redeploying this same pool of employees to newly-opened food stalls, disposal of Confectionery Business, and the closure of the Group's underperforming food stalls, seven (7) stalls during FY2022 and four (4) stalls in 1H FY2023.

The decrease in revenue was partially offset by higher revenue contribution from Outlet Management Division and Outlet Investment Business Division of S$3.8 million and S$0.3 million respectively. This was mainly due to revenue contribution from three (3) coffeeshops opened during FY2022 and two (2) coffeeshops opened in 1H FY2023, increase in rental income due to absence of rental rebates given to tenants, an increase in sale of beverages and tobacco products arising from the lifting of dine-in restrictions, higher revenue contribution from the provision of cleaning and utilities services. However, the increase was offset by the termination of management agreements of four (4) coffeeshops in 1H FY2023 and five (5) coffeeshops in 2H FY2022.

Cost of sales increased by S$3.9 million to S$113.0 million in 1H FY2023 and as a percentage of revenue increased by 3.1 percentage points from 69.6% in 1H FY2022 to 72.7% in 1H FY2023. This was mainly attributable to higher rental expenses due to lower rental relief from landlords, higher employee benefit expenses due to rising wages and absence of government grants and higher cleaning fee expenses. The increase in cost of sales was offset by a decrease in depreciation of right-of-use assets and food ingredient expenses which was in line with lower sales of food. As a result, the Group's gross profit reduced by 11.0% to S$42.5 million in 1H FY2023 and the gross profit margin decreased by 3.1 percentage points to 27.3% in 1H FY2023.

The Group's operating income increased by S$2.8 million to S$4.7 million in 1H FY2023 largely due to the gain on disposal of the Confectionery Business and property, plant and equipment, and gain on derecognition of right-of-use assets and lease liabilities in relation to the termination management agreements of 4 coffeeshops under a third-party brand in 1H FY2023.

Selling and distribution expenses decreased by S$2.0 million to S$8.4 million in 1H FY2023 was largely due to lower online food delivery fees and packing materials expenses which was in tandem with the decrease in food delivery sales.

The Group registered an increase of S$1.2 million in administrative expenses to S$13.7 million in 1H FY2023. The increase was due to higher payroll expenses partly due to absence of government grants received for wages support, higher depreciation of property, plant and equipment and right-of-use assets and increase in property tax expenses.

The Group's profit before tax remained stable at S$23.6 million in 1H FY2023 as compared to S$23.8 million in 1H FY2022.

Income tax expenses increased by S$0.1 million to S$3.8 million in 1H FY2023. Effective rate increased slightly from 15.5% in 1H FY2022 to 16.0% in 1H FY2023 in the absence of non-taxable government grants.

As a result of the above, the Group's profit attributable to the owners of the Company increased from S$18.5 million in 1H FY2022 to S$18.7 million in 1H FY2023. The Group generated S$33.4 million in net cash from operating activities in 1H FY2023 as compared to S$40.4 million in 1H FY2022. As at 31 March 2023, the Group had S$76.6 million in cash and cash equivalents (30 September 2022: S$77.6 million).

The Group has declared an interim dividend of 0.56 Singapore cents per share to express gratitude to shareholders for their unwavering support and continued loyalty.

The food and beverage (F&B) industry continues to face persistent challenges in the operating environment due to the escalation of input costs, including food ingredients and labour. The industry also faces a shortage of manpower, which further compounds these difficulties. In addition, with the rising inflation, it will further exacerbate input cost, leading to lower margins. Besides that, the introduction of a progressive wage model for workers in the food services industry adds to the pressure on F&B players, as employees' minimum wages have been raised, and they are set to receive annual pay increases over three years. As a result, F&B players are expected to grapple with numerous challenges in the coming months.

Revenue is expected to taper to a new norm as COVID-19 related community measures have continued to ease, and vaccination differentiated safe management measures were lifted in Singapore from October 2022.

The Group opened its fourth Kedai Kopi outlet at Blk 925 Yishun Central, a new coffeeshop at Blk 3 Lorong Lew Lian and a Tenderfresh Makcik Tuckshop restaurant at Sengkang Riverside Park during 1H FY2023. Moving ahead, the Group will proactively seek out opportunities to secure more food outlet leases in Singapore's heartlands, with the aim of further strengthening our market presence. In addition, the Group will continue to tap on Tenderfresh Group's competitive strengths and brand reputation to fast-track our reach into the promising Halal market.

The Directors of Kimly, said, **"We are delighted that our latest outlets opening, the fourth Kedai Kopi outlet at Blk 925 Yishun Central and Tenderfresh Makcik Tuckshop restaurant at Sengkang Riverside Park, have been met with a positive response from the public. This reception serves as a testament to Tenderfresh Group's established brand reputation in the Halal industry, and we are committed to upholding this standard in all our future endeavors.**

Looking ahead, we will continue to focus on growing our business in the Halal market, while also explore new opportunities that could enhance our profitability and cater to the diverse preferences of our customers. As we strive to maintain our position as a key player in the food and beverage industry, we will remain attentive to emerging trends and changing consumer needs, ensuring that we remain at the forefront of the industry."

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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 84 food outlets, 170 food stalls, 10 Tonkichi and Tenderfresh restaurants, and four (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 and Western Food, which operates within the Group's coffeeshops, third-party 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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This press release has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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