



NEWS RELEASE

ENVICTUS' REVENUE GROWS 7.8% TO RM117.6 MILLION¹ IN Q1FY2019

- ***Food Services Division posts a 24.1% jump in topline on the back of higher revenue contributions from Texas Chicken, San Francisco Coffee and Delicious restaurants***
- ***New Dairies Division contributes to broadened revenue stream***
- ***Texas Chicken, Malaysia and Indonesia increases presence with six and three new stores respectively***
- ***San Francisco Coffee adds 11 stores, bringing store count to 49 as at Q1FY2019***
- ***Plans for Delicious to partner with delivery food providers for home delivery of freshly prepared food***

Singapore, 14 February 2019 – Envictus International Holdings Limited (“Envictus”, “恒益德國際控股有限公司” or the “Group”), an established Food & Beverage (“F&B”) Group, today announced a revenue of RM117.6 million for the three months ended 31 December 2018 (“Q1FY2019”), up 7.8% from RM109.1 million in the previous corresponding period (“Q1FY2018”). However, the Group posted a loss after tax of RM6.6 million, largely on the back of higher operating expenses and finance costs.

Envictus Group Chairman Dato’ Jaya Tan said: “We are pleased that our Food Services Division, the biggest contributor to our topline, is flourishing and continues to grow. The strong brand recognition and acceptance by the market has allowed for the continuous expansion of the Texas Chicken brand in Malaysia and Indonesia. Coupled with the growth of the San Francisco Coffee brand and successful marketing campaigns by Delicious restaurants, the Food Services Division has seen steady revenue gains.”

¹ Approximately S\$39.2 million. Currency conversion based on S\$1.00 = RM3.00

He added, “In the period under review, San Francisco Coffee has embarked on some initiatives to expand the central roasting plant and kitchen. We believe that the bigger central roasting plant and kitchen will be better able to support the growing number of stores and enable us to more efficiently manage costs. This demonstrates our commitment to continually improve the businesses and grow profit margins.”

Financial Review

In Q1FY2019, the Group reported a growth in revenue of 7.8% from RM109.1 million in Q1FY2018 to RM117.6 million, largely driven by stronger contributions from the Food Services and Dairies Divisions. The Food Services Division saw a revenue surge of RM10.0 million or 24.1% to RM51.5 million in Q1FY2019 from RM41.5 million in the preceding corresponding period as a result of the addition of six new Texas Chicken stores in Malaysia, three in Indonesia and 11 new San Francisco Coffee stores. Delicious restaurants also posted a revenue growth of 44.4% from RM1.8 million to RM2.6 million over the same period, driven by the introduction of new menu and aggressive marketing activities. Concurrently, the Dairies Division, which commenced business in January 2018, contributed RM9.2 million to the topline.

However, the increase in revenue was partially offset by lower contributions from the Trading and Frozen Food, Food Processing and Nutrition Divisions. The Trading and Frozen Food Division recorded a slightly lower revenue of RM40.8 million in the period under review, down RM0.7 million from RM41.5 million in Q1FY2018, arising from the reduced sales to Hotel, Restaurant and Retail sectors due to shortage of dairy products.

The Food Processing Division saw a 44.0% decline in revenue to RM10.3 million from RM18.4 million in Q1FY2018, largely due to a non-contribution from the fresh bakery business which was disposed of in December 2017, and the beverage business which ceased operations in the fourth quarter ended 30 September 2018. Revenue for the Contract Packing for Dairy and Juice based drinks business contracted by RM2.6 million year-on-year from RM7.0 million to RM4.4 million in Q1FY2019 due to lower demand from its existing customers. The decreases were partially mitigated by the improved performance of the frozen bakery business which saw a revenue growth of 64.7% from RM3.4 million to RM5.6 million, on the back of a larger customer base.

The Nutrition Division registered a contraction in revenue of RM1.8 million from RM7.7 million in Q1FY2018 to RM5.9 million in Q1FY2019, primarily attributed to the lower revenue from the Australia Route and New Zealand Retail sectors due to a loss of market share to more competitively priced brands from America, Australia and New Zealand.

Gross profit margin rose 1.9 percentage points to 38.4% in Q1FY2019 from 36.5% in the preceding corresponding period, boosted by the higher sales contribution and more efficient cost management within the Food Services Division.

In Q1FY2019, other operating income of RM0.9 million comprised mainly of recurring rental income from corporate building of RM0.4 million. As compared to RM3.7 million in Q1FY2018, other operating income shrunk by RM2.8 million in Q1FY2019 from the absence of one-off gain from the disposal of subsidiaries and foreign currency fluctuations.

Year-on-year, the Group's operating expenses grew by RM4.5 million to RM50.9 million in Q1FY2019, mainly attributable to the higher selling and marketing expenses, in line with the expansion of Texas Chicken and San Francisco Coffee stores, and the inclusion of operating costs from the new Dairies Division. The increases were partially offset by savings in selling and marketing expenses from the divested fresh bakery and beverages businesses, alongside the lower sales from the Nutrition Division.

As compared to Q1FY2018, finance costs increased by RM0.5 million to RM1.8 million in Q1FY2019 due to higher bank borrowings and additional hire purchase facilities for setting up new outlets.

Overall, the Group recorded a loss after tax of RM6.6 million in Q1FY2019, from RM4.7 million in the previous corresponding period.

The Group maintained a healthy balance sheet with an increase in cash and cash equivalents to RM41.0 million and an increase in shareholders' equity to RM339.2 million as at 31 December 2018.

Outlook

Looking ahead, the prospects for the Food Services Division remain positive, notwithstanding the subdued consumer sentiment resulting from the weakening of the Malaysian Ringgit against the United States Dollar.

On the Food Services Division, Group Chief Executive Officer Dato' Kamal Tan said: "FY2019 will be an exciting year for us as we refresh our businesses with improved offerings and services for the customers. We have plans to open another three drive-through Texas Chicken restaurants in Petaling Jaya and Johor Bahru, and a standalone site in Malacca. In Indonesia, besides opening another two Texas Chicken outlets in the next quarter, we have also teamed up with an e-payment gateway to attract more customers and improve our competitive edge. Similarly, Delicious is looking to partner with delivery food providers to increase the offering of home delivery of freshly prepared meals, to better serve the needs of active consumers who are changing their eating habits."

"Meanwhile, San Francisco Coffee has started to source for biodegradable straws, in line with the Group's goal of being more environmentally sustainable and the government's effort to ban the use of plastic straws. We are also planning to revise the food menu, while maintaining the same price range, in the next two quarters."

The Food Processing Division continues to be pressured by volatile prices of main ingredients and increasing competition.

Leveraging on its long nutrition heritage and expertise, the Nutrition Division has revised its strategy and placed greater emphasis on marketing and new product development. The protein bar segment, launched in 2018, has proven successful, and Horleys will continue to launch more exciting products in 2019.

On the Dairies Division, the Group expects the prices of raw materials to remain stable for the next quarter. Dato' Kamal Tan concluded, "Our Dairies Division is doing well and is one of our fastest growing division. We look forward to the completion of the factory at Pulau Indah, which will enable the Group to scale up operations."

ABOUT ENVICTUS INTERNATIONAL HOLDINGS LIMITED

Listed on SGX Catalist in 2004 and upgraded to the Mainboard in 2009, Envictus International Holdings Limited, is an established Food & Beverage (“F&B”) Group. The Group has an established portfolio of businesses and brands operating under its five business divisions – Food Services, Trading and Frozen Food, Food Processing, Nutrition and Dairies.

Under the Group’s Food Services Division, Envictus holds exclusive rights for a 10-year period from July 2012 to develop and operate the fast growing American-styled Texas Chicken fast food restaurant chains in Malaysia and Brunei. The Group has also secured exclusive rights in 2018 to develop 80 franchised “Texas Chicken” restaurants in certain territories of Indonesia over a period of 10 years. Envictus owns Malaysian homegrown specialty coffee chain business, “San Francisco Coffee” which serves house roasted coffee in Malaysia. Lastly, we have the Delicious restaurants which are new lifestyle restaurants serving hearty Western and Asian-fusion cuisine.

For the Trading and Frozen Food Division, the Group’s wholly-owned subsidiary, Pok Brothers Sdn Bhd, is one of Malaysia’s leading frozen food and premium food wholesaler. The division also distributes the Gourmessa quality cold cuts across supermarkets and hypermart chains in Malaysia.

The Group’s Food Processing Division comprises of the business segments – Bakery, Butchery as well as Contract Packing for Dairy and Juice based Drinks. De-luxe Food Services Sdn Bhd, the Group’s wholly-owned subsidiary, produces frozen bakery items under the brand name of Hearty Bake. The Group’s Butchery business manufactures and processes cold cuts, sausages, portion control meat and smoked salmon for distribution under the brand name Gourmessa.

The Group is in the ready-to-drink segment via our subsidiary, Envictus Dairies NZ Limited, which operates New Zealand’s first state-of-art, UHT Aseptic PET bottling line for dairy, juice and water products.

For Nutrition, under Naturalac Nutrition Limited (“NNL”), the Group markets its range of branded sports nutrition and weight management food products for mass consumer markets. This includes the Horleys™ brand name and other proprietary brands such as Sculpt™, Replace™ and Covet™. In New Zealand, NNL’s products are primarily distributed through the route channels and retail channels whilst its Australian sales are made predominantly through the route channels.

Held by the Group’s wholly-owned Motivage Sdn Bhd, the Group’s newly established Dairies Division distributes sweetened condensed milk and evaporated milk under the “Sujohan” brand in Malaysia. There are plans to export to overseas markets under the “Motilait” and “Family Farm” brands.

For more details, please visit the Group’s corporate website at www.envictus-intl.com.

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