



BURGERFUEL WORLDWIDE PRESS RELEASE

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BURGER FUEL WORLDWIDE LTD PRELIMINARY FULL YEAR RESULT FOR THE YEAR ENDED 31 MARCH 2016

OVERVIEW

The Directors of BurgerFuel Worldwide (BFW) present the unaudited results for the 12 months to 31 March 2016.

Group Operating Revenue increased by 9% to \$20.3M.

BurgerFuel Total System Sales up 16.6% to \$96.5M for the 12 month period. (Please note that foreign exchange rate movements account for 6% of this figure, meaning actual sales growth on a year-on-year basis is 10.6%).

Net loss after tax in the period was (\$1,143,655) which is in line with Directors' expectations and can be substantially attributed to expenditure relating to our planned entry into the United States of America.

The group has no debt, and cash reserves of \$6.1M

Our Group Operating Revenue increased by 9% on the same period last year. This revenue is largely comprised of long term recurring royalties & sales. The 16.6% increase in BurgerFuel Total System Sales for the period is made up of both new and existing stores' sales growth.

We have added 12 new restaurants between 1 April 2015 and 31 March 2016 within New Zealand as well as in Australia & the Middle East. We have also implemented the strategic consolidation of stores in both the MENA region and Australia and with this we have closed or relocated 4 stores in the MENA region & 2 in Australia. The total number of BurgerFuel restaurants operating as at 31 March 2016 was 78.

BFW RESULTS (UNAUDITED) FOR THE PERIOD 1 APRIL 2015 TO 31 MARCH 2016

	31 March 2016	31 March 2015
	\$000	\$000
Operating revenue*	20,328	18,678
Operating expenses**	(21,374)	(17,861)
Net Profit/(Loss) Before Tax	(1,046)	817
Net Profit/(Loss) After Tax	(1,144)	532

* Revenue includes; Operating revenue & Interest income.

** Expenses include; Operating expenses, depreciation, amortisation & interest expense

THE YEAR SO FAR

The past year has been challenging in terms of attaining our international growth aspirations in the United States. This is largely being driven by events beyond our control, which we will highlight in the relevant section below.

The Group remains focused on three key areas. Firstly, strengthening and growing the New Zealand and Australian business. Secondly, consolidation in the Middle East, which involves creating a specific distinction between those countries where we see growth and those, that for political and safety reasons, have proven too difficult to operate in. Finally, our big mission remains entering the United States under the Franchise Brands and Subway partnership.

TOTAL SYSTEM SALES UP 16.6% TO \$96.5M.

AUSTRALASIAN REGION

System sales across New Zealand (47 restaurants) & Australia (where 5 BurgerFuel restaurants now operate) have increased by 21%. For yet another year, we have experienced strong sales growth in New Zealand.

More restaurants are planned for New Zealand in both the North and South Islands in the near future and we are positive about our expansion plans in this market.

BurgerFuel New Zealand is the third largest burger concept in the market and continues to act as an incubator and testing ground for the global business. There has been a heavy focus in the NZ market on development, and this has included upgrading systems and training programmes, increasing operational capacity and efficiency, kitchen and cooking process improvements and store design developments.

We have had mixed success in Australia and as indicated, we would consolidate low performing stores as early as possible in their life cycle by either closing them or relocating them.

We can see very quickly if a store will perform well in a particular location and thus, earlier this year, we moved to consolidate two franchised stores within the Australian market. This was a financial decision based on the franchisee's ability to perform within these particular districts. BFW has no company-owned stores in the Australian market, and as these stores are franchised, these closures have no material impact on the Group's results.

Australia remains a challenging and competitive market, however, we do see opportunity there and have achieved some level of success in certain areas. The concerns in Australia are around high operating costs and the length of time required to establish the brand, to the point where we achieve profitable individual franchised units. The Board's view on Australia is to persist with a responsible level of investment for the next 12 months and review the position at the end of the FY17 financial year.

MIDDLE EASTERN REGION

In the Middle East we are focused less on the number of outlets and more on opening larger restaurants with higher turnovers. The reason for this is that retail rents in locations like Dubai remain extremely high in comparison to other countries and we also face economic volatility in these markets due to fluctuations in the price of oil as well as in tourist numbers. This, of course, means a shift in focus and resource to high performing stores as well as looking at the strategic consolidation of low performing stores where necessary – something we have always done in this market.

As earlier indicated we saw very little future in Kuwait so long as regional terrorism and instability continued to contribute to lower volumes than originally anticipated. Subsequently, in January 2016 we moved to close our two Kuwait-based stores. Once again this has no material impact on the Group's results.

In Iraq, our partners there saw enough stabilisation to relaunch BurgerFuel in this market. In mid-May 2016 they opened a large new store in Baghdad and it is performing well so far (please note that these numbers are not reflected in the financial year covered in this report). Once again we caution the market that our outlook in any of these regions can change quickly due to the ongoing potential of volatility and terrorism in the Middle East. We will monitor this market closely with our Iraqi partners.

Business in Saudi Arabia has continued to be difficult due to the Saudiisation programme that continues in that country. This is where the government's key objective is to have local people working as opposed to imported labour and it has been problematic for our Saudi partners staffing wise. In addition, Saudi has seen a proliferation of competitor burger concepts.

Both these factors have impacted our business in Saudi Arabia, however at this stage, our Master Franchisee remains optimistic about BurgerFuel's future in this country and thus we will continue to support the brand in Saudi Arabia, with the view to further growth over time.

Whilst Egypt is a captivating and interesting market for BurgerFuel, the reality is that due to ongoing political turmoil, store turnover is low and consequently, this market will be monitored closely over the coming months with regards to its on-going viability.

The UAE has also experienced the effects of the regional unrest, but not to the same extent as other Middle Eastern countries, and this market continues to perform well for us. In an ongoing effort to innovate globally, a menu update was launched earlier this year, to further meet the requirements of this unique market. Whilst we do not believe there is much opportunity for increased store numbers in the UAE, we do see a solid business that can continue to grow year on year and accordingly our focus will remain on this market as a longer-term development opportunity.

UNITED STATES ENTRY

As previously advised, our entry to the USA has been a lot more complex than we first envisaged, for a number of reasons. Firstly, the timing has been, and still is, governed by the relationship with Subway and Franchise Brands LLC. Subway itself is currently going through significant challenges and changes – largely due to the passing last year of Subway founder, Fred de Luca.

Accordingly, we advise the market to expect further delays to our proposed entry into the United States. At this stage we have not had confirmation from Franchise Brands as to their further involvement in BFW or not. We will update the market as soon as this is confirmed, which we expect to happen in the next few weeks.

Although it could be possible for BurgerFuel to move forward in this market independently of Franchise Brands, we feel the potential support available from a large United States-based organisation is essential to our success in this market and at this stage, we are not prepared to move forward without that support.

GROUP OUTLOOK

We are aware that shareholders will be disappointed by the stall of activity in entering the United States, however the Group continues to make very good progress in other areas of the business. We also wish to point out that all markets, in general, are experiencing a massive surge in food concepts both in the burger space and other categories.

In NZ in particular, we hold a very strong growth position and see great opportunity for continued expansion. The Board will be considering all options for the expansion of the company both in New Zealand and internationally and in this regard, will keep the market informed of progress in due course.

The Group is in a strong position not only financially, but equally from a management and intellectual property perspective.

The Group has no debt and as at 31st March 2016 had cash reserves of \$6.1M.

We would like to thank all our shareholders for their continued support and we look forward to keeping you informed of our progress.

Best regards



Peter Brook
Chairman



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Group CEO

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