



## BURGERFUEL WORLDWIDE PRESS RELEASE

Tuesday, 12th December 2017

# PRELIMINARY HALF YEAR RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2017

## OVERVIEW

The Directors of BurgerFuel Worldwide (BFW) present the unaudited results for the 6 months to 30 September 2017.

Net Profit after tax in the period was \$65,071 compared to a loss of (\$115,328) in the same period last year, showing a gain of \$180,399.

Our Group Operating Revenue increased by 21.9% on the same period last year to \$12.6M. This increase in revenue is mainly due to the new Indianapolis & Takapuna company owned stores. Takapuna was purchased in October 2016 & the Indianapolis store opened in May 2017. BurgerFuel Total System Sales (store sales including franchised stores) are up 9.2% to \$52.7M for the period - this is made up of both new and existing stores' sales growth.

## BFW RESULTS (UNAUDITED) FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2017

	30 September 2017	30 September 2016
	\$000	\$000
<b>Operating Revenue*</b>	12,651	10,378
<b>Operating Expenses**</b>	(12,247)	(10,457)
<b>Net Profit Before Tax</b>	404	(79)
<b>Net Profit After Tax</b>	65	(115)

\* Revenue includes; Operating revenue & interest income.

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

## TOTAL SYSTEM SALES UP 9.02% TO \$52.7M

### AUSTRALASIAN REGION

In New Zealand we continue to receive strong customer support in both the regional areas and cities.

Our focus remains on operational excellence, cost efficiencies, systemisation and the development of world-class training technology and system development and are seeing the benefits of this.

The BurgerFuel NZ company-owned store strategy continues to develop, with last year's purchase of Takapuna becoming a key contributor. We see further potential to own more BurgerFuel outlets over time and will continue to review these opportunities as they present themselves.

While sales continue to grow year-on-year, as previously communicated, the Board notes that the market should expect new store openings in New Zealand to slow down as this market approaches its full potential – especially in the North Island. BFW still sees the opportunity for further expansion in the South Island where we are actively reviewing potential sites and franchisees.

While focus will remain on the protection and growth of the existing New Zealand business, BFW will continue in its exploration of diversification opportunities. As communicated in the Annual Report, the board will continue to consider all options for expansion within the New Zealand Market, both inside and outside the BurgerFuel brand.

Australia remains difficult, and alongside an extremely competitive landscape, we continue to face high operating costs such as rent and labour. In November 2017, our franchisees in the Gold Coast closed their Mermaid Beach store due to a relatively low performance level. This will have no material effect on BFW results.

We will continue to support our existing franchised stores in Australia but comfortable operating margins remain hard to achieve and accordingly further expansion in this market is highly unlikely.

## **MIDDLE EASTERN REGION**

In the Middle East, despite the many adversities we face due to ongoing economic and political unrest, we have seen growth in certain areas and continue to make progress in this market.

As of the 30th September 2017, we now have a total of 25 BurgerFuel stores across the Middle East.

Our business in Saudi Arabia has continued to see growth in sales within the period. As previously communicated, this can be largely attributed to the recent revitalisation of the Saudi economy as well as an increase in BurgerFuel marketing activity.

The UAE, as a whole, is continuing to see a slowdown in the retail sector and this has been reflected in sales. We are also facing a densely populated competitor market. Despite these challenges, our business in the UAE continues to operate reasonably well, and Dubai remains a strong focus for us in the Middle Eastern region.

In Egypt, the ongoing political turmoil as well as the economy there in general, continues to result in extremely low sales volumes. The reality is that should this continue, this is not a market that BurgerFuel can operate in successfully or safely. We are currently working with our local partners to assess our future in Egypt and will update the market with any developments as they come to light. The market should note that Egypt has never contributed in any significant way to BFW results, and therefore a full exit from this country will have no material impact on the group.

In Iraq, where we have one store in Baghdad, sales continue to perform reasonably well. This has given our Master Franchisees in that country confidence to open another site in Baghdad. We hope to announce that the doors have swung open on this store shortly.

In summary, the MENA region continues to be a good contributor for the Group. We do however caution the market every year that our outlook in any of these regions can change quickly due to the ongoing potential for volatility in the Middle East. As such, we continue to monitor these markets closely.

## **UNITED STATES**

The first BurgerFuel USA store in Indianapolis has now been open for 6 months. Initial operations demonstrated strong sales but sales have since softened to a level that whilst still reasonable, are below where we need to be. We are entering our first winter in this market, which in general is a known contributor to a reduction in sales. At this stage, it is too early to advise on the viability of the brand in the USA. Focus will remain on the continued growth of this store and monitoring its performance closely as we come into the warmer months. Costs of operating in America are very high as we do not have a partner in that country and the Board is conscious that major investment is required there in order to both establish and build a brand.

BurgerFuel continues to maintain a high level of awareness in Indianapolis and American consumers are indicating that they like our product. BurgerFuel recently won the 'Best Burger' award and 'Best Restaurant' award in Indianapolis via public vote. The brand has also received some strong exposure on a national level in the United States, placing in the Thrillist 'Top 31 Burgers in America's list. Whilst we are proud of these achievements we are also highly mindful of costs and a potential weakening of the New Zealand dollar. We will keep the market informed of any further developments in the USA.

## GROUP OUTLOOK / SUMMARY

The Group continues to protect and grow the existing business, as well as look for new expansion opportunities both inside and outside of the BurgerFuel brand.

Investment over the last 6 months has continued to be significant due to the resource required to support the USA entry and development plan. Additionally, investments have been made in new product development and business development that will allow the Group to keep moving forward within existing markets and create a strong foundation for further growth.

It is clear to the Board that the cost of doing business in overseas markets is rising and the time required to establish a brand overseas is also lengthening due to the level of high competition in every global market. Rent and labour costs are also approaching levels never seen before and this makes return on investment both longer and more expensive to achieve. It is for this reason that new strategies that allow for diversification within the New Zealand market, where we are well established, have been put in place.

The Group has no debt and as at 30 September 2017 had cash reserves of \$5.3M.

BFW remains in a strong position, not only financially, but also from a resource and intellectual property perspective. This puts the Group in good stead for further growth and the Board will continue to consider all options for further expansion within the New Zealand market.

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

We wish all our shareholders, staff, franchisees, suppliers and of course our valued customers, a safe and Merry Christmas and a prosperous New Year.

Best regards



**Peter Brook**  
Chairman



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