



## BURGERFUEL WORLDWIDE PRESS RELEASE

Tuesday, 11th December 2018

# BURGER FUEL WORLDWIDE LIMITED CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW FOR THE PERIOD ENDED 30 SEPTEMBER 2018

## OVERVIEW

The Directors of Burger Fuel Worldwide Limited (BFW) present the unaudited results for the 6 months to 30 September 2018.

Net Profit after tax for the period was \$646,373 compared to \$65,071 in the same period last year, showing a gain of \$581,302.

Our Group Operating Revenue decreased by 13.3% on the same period last year to \$11.0M. This decrease in revenue is mainly due to the sale of the Indianapolis store and the outsourcing of our packaging distribution. This reduction in revenue was partly offset with the IFRS 15 Revenue adjustment of \$122K which increased the Group revenue for the 6 months to 30 September 2018.

The Group has no debt and as at 30 September 2018 had cash reserves of \$4.5M. The reduction in cash reserves was mainly due to the BFW share buyback from Franchise Brands. This transaction reduced the cash balance by \$1.5M.

BurgerFuel Total System Sales (store sales including franchised stores) are down 4.47% to \$50.3M for the period. This decrease in sales is mainly due to exiting Australia & reduced sales in the Middle Eastern region.

## BFW RESULTS (UNAUDITED) FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2018

	30 September 2018	30 September 2017
	\$000	\$000
<b>Operating Revenue*</b>	10,967	12,651
<b>Operating Expenses**</b>	(10,108)	(12,247)
<b>Net Profit Before Tax</b>	859	404
<b>Net Profit After Tax</b>	646	65

\* Revenue includes; Operating revenue & interest income.

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

## TOTAL SYSTEM SALES DOWN 4.47 % TO \$50.3M

### AUSTRALASIAN REGION

In New Zealand, the BurgerFuel brand has continued to perform well overall. Focus has remained on maximising the potential of our existing store network, as well as seeking opportunities to franchise any new BurgerFuel locations.

In Australia, as previously advised, reasonable operating margins proved too difficult to achieve despite every effort to move towards profit, and we completed our exit from this market in early FY19, closing all franchised stores.

As communicated by the Board at the AGM, while we remain fully dedicated to supporting the BurgerFuel brand and driving growth within the BurgerFuel business, concentration is now also on the development of other brands, like Winner Winner, the chicken concept purchased by BFW in FY18, as well as exploring new opportunities, as part of our efforts to stimulate financial growth for the Group.

During the period, the Group focused on systemising Winner Winner in preparation for further expansion - as well as the development and launch of a new brand into the New Zealand market. Late last month, we opened the doors to the first store for Shake Out, a fast, modern, simple burger concept developed in-house by the existing BFW team. If proof of concept is achieved with this first store, efforts will be turned to the further expansion of this brand here in New Zealand.

## **MIDDLE EASTERN REGION**

In the Middle East, as previously cautioned, we are facing challenging times in this volatile market and sales are down.

The UAE especially, is continuing to see a significant slowdown in the retail sector, and the competitor market is becoming even more densely populated, both of which have been reflected in the slowing of sales. We are also facing disproportionately high retail rent costs, especially in Dubai, and our Master Franchisees in the Middle East who have already closed a number of sites, are planning to close more sites that are no longer financially viable.

As communicated at the 2018 BFW AGM, these closures are consistent with our Master Franchisees strategy to relocate high rent stores to lower rent, key residential areas so as to reduce overheads, while maintaining customer reach. To further assist this strategy, our partners in Dubai have been driving forward with the development of a home delivery service in order to maximise revenue.

Our licensed business in Saudi Arabia has continued to see satisfactory sales, but like our other Middle Eastern markets, they are also facing high retail rent, increasing labour costs and staff shortages due to work visa changes. In-line with our other Middle Eastern markets, our partners in Saudi are also optimising locations, working to reduce overheads and increase customer reach.

Iraq too, is facing significant challenges, and while the brand has experienced positive traction in this market, the political and economic climate is experiencing some volatility, and this is having an impact on trade. We will monitor the situation closely and continue to support our Iraqi partners.

Overall, we caution the market as to the future of the Middle Eastern region for BurgerFuel - these countries remain uncertain and we anticipate further declines in our revenue from this market. That said, we remain committed to supporting the BurgerFuel business in this region and will continue working closely with our partners in each market.

## **UNITED STATES**

In the United States we have one licenced store in Broad Ripple, Indianapolis, operated by our Licencee, Chris Mason. Whilst the store has experienced a decline in sales in the past 12 months since opening, Chris remains focused on his search for an established US partner.

## **GROUP OUTLOOK / SUMMARY**

The past six months have been pivotal for BFW, and the Group now has three brands operating within the New Zealand market.

As previously advised, since the loss of Franchise Brands as our international partner, the reality of global expansion and development has become an expensive and risky proposition. Accordingly, we are now focusing our resources on expansion within New Zealand, where we have an intimate knowledge of the market and the ability to better contain costs.

During the past 6 months the board has sought input from KPMG's Corporate Finance team on potential opportunities and options that could help accelerate the company, beyond what is currently an organic growth strategy. As a result of their input the board has now requested that KPMG Corporate Finance undertake a full strategic options review of the business. This review is now underway, and we will update the market further on any material developments.

BFW remains in a strong position financially, as well as from a resource and intellectual property perspective, putting the Group in good stead for further growth as we continue our efforts to drive forward. We thank all shareholders, staff, franchisees, suppliers and of course our valued customers for their support and wish you all a safe and Merry Christmas and a prosperous New Year.

Best regards



**Peter Brook**  
Chairman



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Group CEO

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