



## BURGERFUEL WORLDWIDE PRESS RELEASE

Thursday, 11th June 2015

# BURGER FUEL WORLDWIDE LTD PRELIMINARY FULL YEAR RESULT FOR THE YEAR ENDED 31 MARCH 2015

### OVERVIEW

The directors of Burger Fuel Worldwide Limited (the Company) and its subsidiaries (the Group) are pleased to report its financial results for the year ended 31 March 2015. The results have been audited by Staples Rodway. They expect to give an unmodified opinion on the financial statements.

**BFW net profit after tax was up 33% to \$532,170 for the year ended 31 March 2015.**

**Group Operating Revenue increased by 30% to \$18.7M with total (unaudited) System Sales up 25% to a record \$82.8M for the 12 month period.**

**The Group has no debt and has cash reserves of \$7.7M.**

The Company has remained profitable while continuing investment into its founding vision of one day becoming a well-recognised and admired global brand. Our determination has seen us once again overcome many difficult challenges as we move the Group forward to occupy an increasing market share in our home country of New Zealand, as well as other international markets.

The past year has confirmed many aspects of BurgerFuel's growth strategy as being on track. Our previous market guidance spoke of anticipated losses in 2015 due to the investment that we must continue to make as a relatively small NZ company, reaching out to build our brand on the global stage. Accordingly, we are pleased to have delivered a profit in the period.

We can report many records in this year; Group revenue, BurgerFuel System Sales (now heading toward our first major milestone of \$100M per annum) and a record number of new restaurants opened. These achievements come amidst a major focus on developing our relationship with Franchise Brands LLC and the opportunities within the Subway® network, as well as studying and coming to terms with the US market.

The Company also purchased its second company owned store (Burgerfuel Henderson Limited) in October 2014. This will enable us to increase revenue and profits for BurgerFuel Worldwide Limited. It will also provide more training facilities for our forthcoming global expansion.

During the past financial year we opened a further 17 restaurants, representing a new restaurant every 3 weeks. It was a year in which we tested many of our own systems and abilities as we continue to prepare for the challenge of landing BurgerFuel successfully in the US.

### RESULTS

**Group Operating Revenue is up 30.0% to \$18.7M with BurgerFuel Total (unaudited) System Sales up 25% to a record \$82.8M for the 12 month period.**

Net profit after tax in the period was \$532,170 being a 33% increase on \$400,656 profit for the same period last year. We had advised the market that losses were likely in this period as we did expect heavier investment into both the US and Australia. The deferment of this expenditure related primarily to management deciding that more time was needed to both explore and understand the US before major capital commitments were made there.

The 30% increase in Group Operating Revenue over the same period last year largely comprised sales & long term, recurring royalties from existing and newly opened BurgerFuel restaurants. The 25% increase in BurgerFuel (unaudited) System Sales for the 12 month period was achieved as a result of solid trading performances and additional restaurants added during the year.

With the additional 17 new restaurants added between 1 April 2014 and 31 March 2015, against 12 in the same period last year, the total number of BurgerFuel restaurants operating as at 31 March 2015 was 72.

## **BFW RESULTS FOR THE PERIOD 1 APRIL 14 TO 31 MARCH 2015**

	<b>31 March 2015</b>	<b>31 March 2014</b>
	\$000	\$000
<b>Revenue*</b>	18,678	14,416
<b>Expenses**</b>	(17,861)	(13,908)
	<hr/>	<hr/>
<b>Net Profit Before Tax</b>	817	508
<b>Net Profit After Tax</b>	532	401

\* Revenue includes; Operating revenue & Interest income.

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

## **TOTAL (UNAUDITED) SYSTEM SALES UP 25% FROM \$66.2M TO \$82.8M.**

### **AUSTRALASIAN REGION**

#### **System Sales (unaudited) across New Zealand & Australia have increased by 31.8%.**

The New Zealand business continues to perform well despite heavy competition in what is fast becoming an overcrowded market of food offerings – not just in burgers but in food generally. Despite this, Kiwis love BurgerFuel as evidenced in our store sales and our ability to keep growing in our homeland. During the period we added a further 4 restaurants to bring the NZ count to 40.

Australia became a focus for us in this year as we opened an additional 5 franchised restaurants there to bring total Australian stores to 7. Australia has and always will be a difficult market for any Kiwi company to win over in the short term. We see the road ahead there as slow but steady. We liken it to starting the business in NZ almost 20 years ago – it will take time to build year on year sales and grow distribution. That said, we now have an increasing footprint and are working closely with our franchisees there to ensure that eventually we achieve prominence in this all important and potentially substantial market.

Growth will continue throughout NZ and Australia in this financial year as we increase distribution by adding further restaurants in both the North and South Islands of NZ and in selected Australian locations.

### **MIDDLE EASTERN REGION**

#### **System Sales (unaudited) across the Middle East have increased 14.4%. There are now 27 BurgerFuel restaurants operating in the region.**

The Middle East continues to experience major turmoil as a region but despite this we have managed to increase our footprint there adding 2 more restaurants in UAE, 2 in Saudi Arabia, 2 in Egypt and 2 in the new territory of Kuwait.

We were forced to close our only store in Iraq due to the increasing security risks in that country. It was a very low volume store and its closure was non-material to our income. Equally we made decisions on Libya which will not be entered into and after 3 years of non-performance by our Master Licensee in Qatar, we also decided to terminate that agreement. We regard these events as non-material to our future prospects and revenue.

In essence we see Middle Eastern development as primarily in the UAE and Saudi Arabia where we are well established. As reported last year both of these countries continue to deal with constant competitor arrivals in the fast food sector, but we are confident that we can keep building the brand as we have been doing since opening our first restaurant there 5 years ago.

It is early days for both Egypt and Kuwait and to date store revenues in both countries are lower than our norm. That said our Egyptian partners are keen to continue development of more stores in Cairo as they take a long term view of establishing the brand. We will announce these and any other new openings in the region, during the course of the year.

## **USA**

Just last week we announced that we will be working with the Subway® network's largest Development Agent – OhCal Foods LLC. Plans are well developed to enter the US and we expect to announce a first location soon. The US has required considerable time to both explore the market as well as ensure that regulatory requirements have been met prior to entry.

## **GROUP OUTLOOK**

As a Board we always prefer to remain cautious in our outlook, despite the fact that we are constantly working to both improve the existing operations and develop new markets. BurgerFuel is known for its determination and grit and in the end that's what drives us to reach our global aspirations.

The world is changing at a phenomenal rate as technology manifests itself in all sorts of areas that render the traditional ways of operating obsolete. Whole industries are struggling to re-invent their offer and remain relevant. We see this everywhere as we travel the world looking to establish in select markets that have potential. Competition is ever increasing and even the multinationals are now suffering at an alarming rate. McDonald's has announced a considerable number of store closures as it struggles to identify itself and appeal to a new market of consumers. The millennials have overtaken the baby boomers as the "new and now" market that demands much higher standards than their previous baby boomer parents. BurgerFuel has always appealed to this emerging market.

The Fast Casual sector that we operate in has developed very rapidly in the past 2 years so it's incumbent on us to ensure that we can keep advancing and meeting customer needs. We feel that we take every opportunity to keep expanding; modifying strategies to suit changing markets as well as applying an enormous amount of skill and effort to get results. It's not only our food offer that has to remain relevant but our brand, which we see as becoming more and more important to the emerging millennial market. BurgerFuel has always been about investment in its brand and this philosophy will continue as over time this will become our edge globally. The reality is that great brands take years to build, but we are well on the way.

Following the recent deal with Franchise Brands LLC which provides access to the Subway® system, BurgerFuel has a big opportunity to grow. It takes time to work out how such a relationship will actually operate and also to develop the right partners within the network. This is now well underway.

As stated last year BurgerFuel is actively preparing for entry into the US. There is a lot of preparatory work required before we can confidently open in the US but we expect that this will occur this year. We want to be sure that we have got things right before we turn on the grills in the home of the hamburger and make our business a success there.

The Board of Directors have set a FY16 budget which anticipates losses resulting primarily from the US expansion but which will be well within our financial capacity.

## SUMMARY

The Directors remain very positive about BurgerFuel's future. We have a fabulous team of people that are working very hard every day to build the business. We have never been a company that talks of short term profits, none the less as we approach our first milestone of \$100M in System Sales we can be relatively pleased with our progress. The NZX and NZAX have many growth stock companies that are making substantial losses just to gain any traction. By comparison, we have lost very little since listing on the NZAX. We have no debt, cash reserves of \$7.7m, the partnership and the courage and ability to make BurgerFuel a much respected global company.

Despite our strong cash reserves, it's important to reiterate our policy of maintaining adequate cash levels for future investment and in this regard there will be no dividends paid. Our share price remains buoyant with considerable swings at times but these are based on low volumes of trades as generally our shareholders, like us, are in for the long haul. We are a growth stock not a dividend stock and will remain that way for the foreseeable future.

Once again we would like to thank all our shareholders for their continued support and look forward to keeping you informed of our progress. We also wish to thank all our staff and franchisees, suppliers and other stakeholders in the business. Everyone is working very hard and we appreciate that. Lastly thank you to our loyal and valued customers.

Best regards



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Chairman



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