

Burger Fuel Group Limited

Preliminary Full Year Results

For The Year Ended 31 March 2021

Results for announcement to the market		
Name of issuer	Burger Fuel Group Limited	
Reporting Period	12 months to 31 March 2021	
Previous Reporting Period	12 months to 31 March 2020	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$ 20,969	(4.1%)
Total Revenue	\$ 20,969	(4.1%)
Net profit/(loss) from continuing operations	\$ 713	41.1%
Total net profit/(loss)	\$ 713	41.1%
Interim/Final Dividend		
Amount per Quoted Equity Security	Not Applicable	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.15	\$0.15
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Group Operating Revenue decreased on the same period last year mainly due the Covid-19 pandemic. Group Net Profit After Tax was also impacted by additional costs establishing our new brands (Winner Winner and Shake Out), additional legal costs for the USA settlement transaction, the KPMG strategic review process, and the partial impairment of goodwill on the company owned BurgerFuel Takapuna and Henderson stores. These costs were however largely offset with rent relief provided by landlords and the Government wage subsidy received.</p>	
Authority for this announcement		
Name of person authorised to make this announcement	Mark Piet	
Contact person for this announcement	Mark Piet	
Contact phone number	021 453 333	
Contact email address	Mark.Piet@Burgerfuel.com	
Date of release through MAP	31/05/2021	

Burger Fuel Group Limited

Preliminary Full Year Results

For The Year Ended 31 March 2021

Chairman and Chief Executives' Review

Burger Fuel Group Ltd Preliminary Full Year Results for the 12 months ended 31st March 2021

Overview – FY21

The Directors of Burger Fuel Group Limited (BFG) present the audited results for the 12 months to 31 March 2021.

Net Profit after tax for the period was \$712,985 representing a 41.1% increase on the previous year.

The results reflect costs associated with establishing our new brands (Winner Winner and Shake Out), exit costs for the USA settlement, the partial impairment of goodwill on the company owned BurgerFuel Takapuna and Henderson store and reduced revenue due to Covid-19. These and other operating costs were however largely offset with the Government wage subsidy received by the group as well as some rent relief provided by landlords.

Trading conditions in our largest market, New Zealand, were more favourable for the second half of the year. It is worth noting that the comparative NPAT for FY20 included many abnormal expenses including some Covid-19 write-offs.

As at 31 March 2021 the Group had no debt, and cash reserves of \$7.1m.

BurgerFuel Group (unaudited) Total System Sales (all three brands) reduced by (12.5%) to \$88.7m on the same period last year. The decrease in sales is mostly due to Covid-19 trading restrictions and the permanent closure of the USA and some Middle East stores including Iraq.

Group Operating Revenue decreased by 4.1% to \$21.0m.

BFG RESULTS FOR THE PERIOD 1 APRIL 2020 TO 31 March 2021

	31 March 2021	31 March 2020
	\$000	\$000
Operating Revenue *	18,654	20,459
Interest Income – IFRS 16 non-occupied leases	1,381	1,410
Covid-19 Government wage subsidy	934	-
Total Income	20,969	21,869
Operating Expenses **	(16,941)	(18,663)
Depreciation Expense – IFRS 16 occupied leases	(699)	(630)
Interest Expense - IFRS 16 non-occupied leases	(1,381)	(1,410)
Interest Expense - IFRS 16 occupied leases	(481)	(443)
Transfer from foreign currency reserve on windup of subsidiary	(131)	-
Total Expenses	(19,633)	(21,146)
Net Profit (Loss) Before Tax	1,336	723
Net Profit (Loss) After Tax ***	713	505

* Revenue includes: Operating revenue and interest income but excludes Covid-19 related Government grants.

** Expenses include: Operating expenses, depreciation, amortisation and interest expense but excludes the transfer from foreign currency reserve on windup of subsidiary.

*** The New Zealand entities had taxable income and were unable to utilise the foreign tax losses. The overseas entities had minimal tax.

Overview – FY21 (continued)

Covid-19 trading restrictions were significant in our New Zealand market, but greater in our Middle Eastern markets. The drop in revenue from the Middle East reflects an entire year of difficult conditions in both UAE and Saudi Arabia. The Group also incurred additional costs around the KPMG process and the winding up of all business affairs in the USA.

As at 31 March 2021 there were 58 BurgerFuel® restaurants operating in NZ and 13 operating in the Middle East excluding third party “ghost” kitchens operating in the UAE. There are 3 Shake Out® and 4 Winner Winner® branded stores operating in NZ.

The Year’s Results and Group Outlook

New Zealand

Total systemwide sales across New Zealand (65 restaurants, all 3 brands) decreased by 4.3% on the previous year. This was mainly due to the Covid-19 trading restrictions and the associated store closures, with some offset from the opening of 4 new stores.

The Covid-19 Alert Level 4 lockdown resulted in FY21 having 27 less days of trade which impacted the Group’s NZ sales by approx. (7.4%). For the balance of FY21 there were a further 106 days (15 weeks) of varying Alert Levels and associated trading restrictions. This was primarily focussed on our largest market, Auckland, but it is worth noting the CBDs and hospitality precincts of Wellington and Christchurch have also been heavily impacted by the significant social change of working from home as well as lack of tourists and students.

BurgerFuel New Zealand opened two new locations in FY21 and now has 58 locations throughout the country. Total sales for the year decreased by 7.3% which is largely due to Covid-19 disruptions and some offset by the opening of a new stores in Point Chevalier, Auckland, in May 2020 and the new store in Whangarei which opened in March 2021. Both new stores are performing well. We continue to focus on recruitment of potential new franchisees for the regional areas that we currently do not serve. BurgerFuel has maintained its policy of not using delivery aggregation services as the prohibitive costs are not sustainable for our franchisees. This may have moderated our sales during the 15 weeks of varying alert levels and operating restrictions. However, preventing the erosion of Franchisee profits is central to sustaining a healthy business for all of our key stakeholders.

Shake Out total store sales increased by 25% in FY21. The Browns Bay location was permanently closed after the Level 4 lockdown, however a new location opened in Hamilton East keeping the total at three Shake Out locations in New Zealand. This new location was also the 7th restaurant for the Group (all brands) in the Waikato and the 1st region in New Zealand where all 3 of our brands are operating in close proximity. Results from the Waikato have been pleasing and have informed us on how future regions can be optimised for the Group.

Winner Winner total sales increased by 98%. This result reflects the opening of two new stores just before the financial year commenced, and a new store in Takapuna late in the FY21 financial year. Winner Winner has a larger mix of dine-in customers and the constantly changing Alert Levels had a larger impact on Winner Winner than our other two brands.

The new company owned store in Takapuna is only two tenancies away from our BurgerFuel location which has not suffered any noticeable cannibalisation, and this is further informing our future network plans. It is early days for this latest Winner Winner store with sales figures lower than expected.

For the entire financial year, the two new brands represented 6.5% of total NZ sales for the group.

The reality of establishing new brands is that it takes considerable time and financial investment. We believe both brands have a future in New Zealand, however resources in terms of cash and management will need to be significantly increased on FY21, if we are to build these brands in line with our vision. This investment is expected to affect cash and profitability through to FY23.

The Middle East

The Middle East continues to be a difficult market for BurgerFuel with each country experiencing major challenges. Total sales for the region have decreased 42% for the year.

At our mid-year update we reported that the UAE had decided to close some of its retail locations and operate via some ghost kitchens that provide home delivery services only. The UAE has exceeded 500,000 Covid-19 cases which has seen most of the population stay at home as much as possible and tourist numbers dry up. BurgerFuel UAE does provide home delivery and this has been the sales channel of choice for many months now. The UAE does have a very high rate of vaccination and we are hopeful that its eventual recovery as an international destination will improve the sales position. However, this remains uncertain at this stage.

BurgerFuel Saudi Arabia opened a new location at Faisaliyah in the city of Dammam and closed two lower performing stores, one in Riyadh and one in Dammam. Saudi Arabia has had in excess of 400,000 Covid-19 cases and trading conditions have been bleak for the entire year. Saudi Arabia's vaccination rate is a lot lower than neighbouring UAE, so we expect these difficult trading conditions to continue for some time yet.

Overall, revenue from the Middle East has significantly declined during the pandemic period and the region is not yet showing signs of bouncing back, but as a nation the UAE in particular is highly committed to recovery. That said, as always, we continue to caution the market in regard to the Middle Eastern region.

Summary and Outlook

The FY21 year brought with it many challenges which overall the Group managed to navigate well. The BurgerFuel brand in particular demonstrated a high level of resilience throughout the various lockdowns and levels imposed as a result of Covid-19. At present the hospitality market feels somewhat devitalised and therefore system development is measured and certainly slower than we would like. The ability to match long term, suitable franchisees to winning operating locations, remains challenging. We are however, pleased that our focus on the basics in FY21, allowed us to operate safely and open further locations in what was an challenging and unprecedented year.

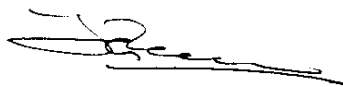
BurgerFuel Group in conjunction with its advisors KPMG are still reviewing its options regarding a possible sale, merger, joint venture, international partnership, domestic partnership or alternative process. The Board will keep the market updated with any material developments should they occur throughout the ongoing strategic review process.

We would like to thank all shareholders, staff, franchisees, suppliers and of course our valued customers for their continued support.

Best regards,



Peter Brook
Chairman



Josef Roberts
Group CEO

Burger Fuel Group Limited

Consolidated Statement of Comprehensive Income

For The Year Ended 31 March 2021

	2021	2020
	\$	\$
Revenue	18,615,623	20,345,736
Covid-19 Government wage subsidy	934,020	-
Operating Expenses	(16,322,939)	(17,973,431)
Transfer from Foreign currency reserve on windup of subsidiary	(130,882)	-
Profit before Interest, Taxation, Depreciation and Amortisation	3,095,822	2,372,305
Depreciation on Property, Plant and Equipment	(477,008)	(545,765)
Depreciation on Right of Use Assets	(698,813)	(630,329)
Amortisation	(142,067)	(143,084)
	<u>(1,317,888)</u>	<u>(1,319,178)</u>
Profit before Interest and Taxation	1,777,934	1,053,127
Interest Income	38,816	113,223
Interest Income leases non-occupied	1,380,726	1,410,421
Interest Expense	(86)	(345)
Interest Expense leases occupied	(480,899)	(442,632)
Interest Expense leases non-occupied	(1,380,726)	(1,410,421)
	<u>(442,169)</u>	<u>(329,754)</u>
Profit before Taxation	1,335,765	723,373
Income Tax Expense	(622,780)	(217,895)
Net Profit attributable to shareholders	712,985	505,478
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement in Foreign Currency Translation Reserve	12,257	(117,216)
Total comprehensive income	725,242	388,262
Basic Earnings per Share (cents)	1.37	0.94
Diluted Earnings per Share (cents)	1.37	0.94

Burger Fuel Group Limited

Consolidated Statement of Financial Position

As at 31 March 2021

	2021	2020
Shareholders' equity	\$	\$
Contributed equity	11,913,499	13,594,825
Retained earnings	(1,267,035)	(1,980,020)
Foreign currency translation reserve	(298,160)	(441,299)
	10,348,304	11,173,506
Current assets		
Cash and cash equivalents	7,114,119	5,570,167
Trade and other receivables	2,076,126	3,189,334
Income tax receivable	-	184,326
Lease Receivable: non-occupied	1,553,671	1,518,310
Inventories	548,352	565,217
Loans	127,722	174,325
	11,419,990	11,201,679
Non-current assets		
Property, plant and equipment	2,609,570	2,462,017
Right of use asset - leases	8,375,067	7,828,007
Lease receivable non-occupied	20,947,424	21,238,840
Deferred tax asset	615,988	689,104
Loans	109,928	134,140
Intangible assets	2,043,642	2,421,445
	34,701,619	34,773,553
Total assets	46,121,609	45,975,232
Current liabilities		
Trade and other payables	1,856,625	1,470,949
Contract Liability	283,965	412,620
Lease Liability	511,735	423,538
Lease Liability: non-occupied	1,553,671	1,518,310
Income tax payable	524,580	-
Provisions	438,163	436,456
	5,168,739	4,261,873
Non-current liabilities		
Contract Liability	1,245,448	1,625,998
Lease Liability	8,371,494	7,635,815
Lease Liability non-occupied	20,947,424	21,238,840
Provisions	40,200	39,200
	30,604,566	30,539,853
Total liabilities	35,773,305	34,801,726
Net assets	10,348,304	11,173,506

Burger Fuel Group Limited

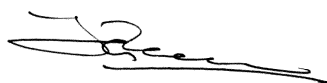
Consolidated Statement of Financial Position As at 31 March 2021

	2021	2020
Net tangible assets per share (\$ per share)	0.15	0.15

For and on behalf of the Board who approved these financial statements for issue on 31st May 2021.



Director



Director

Burger Fuel Group Limited

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2021

2021

	Contributed Equity	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance as at 1 April 2020	13,594,825	(441,299)	(1,980,020)	11,173,506
Buyback and cancellation of ordinary shares	(1,681,326)	-	-	(1,681,326)
Reclassification of FX translation reserve on windup of USA subsidiary	-	130,882	-	130,882
Movement in foreign currency translation reserve recognised in other comprehensive income	-	12,257	-	12,257
Net Profit for the year ended 31 March 2021	-	-	712,985	712,985
Total comprehensive income	-	12,257	712,985	725,242
Balance as at 31 March 2021	11,913,499	(298,160)	(1,267,035)	10,348,304

2020

	Contributed Equity	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance as at 31 March 2019	13,864,066	(324,083)	(2,541,498)	10,998,485
Impact of Changes in Accounting Policies	-	-	56,000	56,000
Balance as at 1 April 2019	13,864,066	(324,083)	(2,485,498)	11,054,485
Buyback and cancellation of ordinary shares	(269,241)	-	-	(269,241)
Movement in foreign currency translation reserve recognised in other comprehensive income	-	(117,216)	-	(117,216)
Net Profit for the year ended 31 March 2020	-	-	505,478	505,478
Total comprehensive income	-	(117,216)	505,478	388,262
Balance as at 31 March 2020	13,594,825	(441,299)	(1,980,020)	11,173,506

Burger Fuel Group Limited

Consolidated Statement of Cash Flows

For The Year Ended 31 March 2021

	2021	2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	18,552,954	20,260,648
Covid-19 Government wage subsidy	445,133	488,887
Interest received	38,816	113,223
Goods and services tax	(79,859)	(5,547)
Payments to suppliers & employees	(15,587,996)	(18,555,148)
Interest	(86)	(345)
Interest on leases	(452,073)	(442,632)
Taxes	187,245	(527,380)
Net cash flows provided from operating activities	3,104,134	1,331,706
Cash flows from investing activities		
Repayments from suppliers & staff	70,816	12,436
Sale of property, plant and equipment	122,015	50,054
Acquisition of intangible assets	(7,264)	(21,507)
Advances to franchisee and staff	-	(150,000)
Acquisition of property, plant & equipment	(690,933)	(512,459)
Share buyback & cancellation	(700,000)	(269,241)
Net cash flows applied to investing activities	(1,205,366)	(890,717)
Cash flows from financing activities		
Lease Liability	(397,744)	(398,984)
Net cash flows applied to financing activities	(397,744)	(398,984)
Net movement in cash and cash equivalents	1,501,024	42,005
Exchange gains / (loss) on cash and cash equivalents	42,928	24,689
Opening cash and cash equivalents	5,570,167	5,503,473
Closing cash and cash equivalents	7,114,119	5,570,167

Burger Fuel Group Limited

SEGMENT REPORTING

Operating Segments

The Group operates in four operating segments; these operating segments have been divided into the following geographical regions, New Zealand, Australia, USA and the Middle East. All the segment's operations are made up of franchising fees, royalties and sales to franchisees. The segments are in the business of Franchise Systems - Gourmet Burger Restaurants. New Zealand's segment result is also due to the amortisation of intangible assets.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

2021	New Zealand	Australia	Middle East	USA	Consolidated
	\$	\$	\$	\$	\$
Revenue					
Sales	7,728,400	-	47,595	-	7,775,995
Royalties	4,662,874	-	158,807	-	4,821,681
Franchising fees	242,742	-	55,262	-	298,004
Training fees	30,000	-	-	-	30,000
Property management fees	57,000	-	-	-	57,000
Advertising fees	3,340,587	-	435	-	3,341,022
Foreign exchange gain	97,739	46,075	-	(114,089)	29,725
Sundry income	1,841,177	21	8,563	27,699	1,877,460
Rent Relief on Non-Occupied Leases	384,736	-	-	-	384,736
Interest received	38,050	766	-	-	38,816
Interest Leases	1,380,726	-	-	-	1,380,726
Covid-19 Government wage subsidy	934,020	-	-	-	934,020
Total Revenue	20,738,051	46,862	270,662	(86,390)	20,969,185
Interest Expense	153	(59)	-	(8)	86
Interest Expense Leases Occupied	480,899	-	-	-	480,899
Interest Expense Leases non occupied	1,380,726	-	-	-	1,380,726
Depreciation	474,279	-	2,729	-	477,008
Depreciation Leases	698,813	-	-	-	698,813
Amortisation	142,067	-	-	-	142,067
Segment Result before Income Tax	1,532,323	33,468	7,240	(237,266)	1,335,765
Income Tax Expense	622,780	-	-	-	622,780
Segment Assets	45,754,881	149,232	217,495	-	46,121,609
Segment Liabilities	35,649,635	24,859	98,810	-	35,773,305

Acquisition of Property, Plant & Equipment & Intangible Assets

Other	698,197	-	-	-	698,197
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Burger Fuel Group Limited

SEGMENT REPORTING (CONTINUED)

2020	New Zealand	Australia	Middle East	USA	Consolidated
	\$	\$	\$	\$	\$
Revenue					
Sales	8,324,238	-	89,253	-	8,413,491
Royalties	4,876,942	-	791,785	15,498	5,684,225
Franchising fees	316,234	-	46,543	13,077	375,854
Training fees	110,000	-	-	-	110,000
Property management fees	53,000	-	-	-	53,000
Advertising fees	3,581,227	-	143,941	-	3,725,168
Foreign exchange gain	(74,525)	(17,095)	(11,485)	245,997	142,892
Sundry income	1,694,215	1,937	65,243	79,711	1,841,106
Interest received	67,076	1,009	834	44,304	113,223
Interest Leases	1,410,421	-	-	-	1,410,421
Total Revenue	20,358,828	(14,149)	1,126,114	398,587	21,869,380
Interest Expense	214	40	-	91	345
Interest Expense Leases Occupied	442,632	-	-	-	442,632
Interest Expense Leases non occupied	1,410,421	-	-	-	1,410,421
Depreciation	542,143	-	3,622	-	545,765
Depreciation Leases	630,329	-	-	-	630,329
Amortisation	143,084	-	-	-	143,084
Segment Result before Income Tax	(190,877)	24,351	588,948	300,951	723,373
Income Tax Expense	219,190	-	-	(1,295)	217,895
Segment Assets	44,383,022	542,381	97,178	952,651	45,975,232
Segment Liabilities	34,698,950	10,611	92,165	-	34,801,726
<u>Acquisition of Property, Plant & Equipment & Intangible Assets</u>					
Other	533,996	-	-	-	533,996

Burger Fuel Group Limited

Company Directory

As at 31 March 2021

Registered Office

Grant Thornton New Zealand Limited
152 Fanshawe Street
Auckland 1011

Company Number

1947191

Date of Incorporation

14 June 2007

Directors

Peter Brook - Chairman (Independent)
Alan Dunn (Independent)
Josef Roberts (Executive)

Board Executives

Tyrone Foley (Chief Operating Officer)
Mark Piet (Chief Financial Officer / Company Secretary)

Business Headquarters

66 Surrey Crescent
Grey Lynn
Auckland 1021

Auditor

Baker Tilly Staples Rodway
Level 9, Tower Centre
45 Queen Street
Auckland 1010

Solicitors

Dentons Kensington Swan, 18 Viaduct Harbour Avenue, Auckland 1011.
Buddle Findlay, PwC Tower, 188 Quay Street, PO Box 1433, Auckland 1140.
Wiggin and Dana LLP, Two Liberty Place, 50 S. 16th Street, Suite 2925, PA, 19102, USA.
Corporate Counsel Limited Solicitors, P.O Box 37-322, Parnell, Auckland 1151.

Accountants

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Auckland 1011

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KPMG
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Auckland 1140

Bankers

ASB Bank Limited
CBA Bank Limited (Australia)
Emirates NBD (UAE)
Bank of America Merrill Lynch (USA)