



BURGER FUEL GROUP LIMITED
Annual Shareholders Meeting of BURGER FUEL GROUP LIMITED.
To be held online via Zoom on
Thursday 07 September 2023 at 11.00 am.

Chairman's Address,

Results for the Year to 31 March 2023.

BurgerFuel Group (unaudited) Total System Sales (all three brands, all regions) increased by 12.77% to \$106.2M on the same period last year.

In FY23 the Group Revenue increased 14.5% to \$24M and the Net Profit after tax for the period was \$900,418 which was a 56.3% increase on the previous year.

This result reflects a less disrupted year compared to the previous two years and total system sales are getting back to pre-Covid levels. The FY23 year however was very challenging. The hospitality sector was hit hard by staff shortages and increased supply chain costs. These costs continue to rise. However, given these circumstances we believe the Group achieved a solid performance and a meaningful profit increase for the year.

The Group had strong store sales in FY23 which were bolstered by the opening of the BurgerFuel Cambridge & Rolleston stores in May and October 2022 respectively. We also introduced delivery sales for Winner Winner and Shake Out, and we are benchmarking against reduced trading days in FY22, when the stores were closed due to Covid (August & September 2021). The CBD stores also had improved sales due to office workers returning to the city centres. The trend of people returning to work in central city offices seems to be continuing, to the benefit of our city stores.

We are hopeful that the sales increase will continue into FY24 with the introduction of online delivery options for BurgerFuel being trialled across selected stores in the BurgerFuel system. However, we are conscious of the fact that the economic environment remains challenging, and this will likely impact sales. We are starting to see some softening of sales in recent weeks. Rising costs in both ingredients and labour have meant that we have had to increase prices and we cannot be sure what impact this will ultimately have on customer purchases.

As at 31 March 2023 there were 60 BurgerFuel restaurants operating in NZ and 7 operating in the Middle East excluding third party delivery only "dark kitchens", operating in the UAE. These third-party dark kitchens in the UAE are however under review as these particular facilities are overwhelmed with other brands, and it is difficult to maintain a quality standard that is synonymous with the BurgerFuel brand in New Zealand. This is a great concept to generate sales but maintaining quality and protecting the brand is of the utmost importance.



General Review

At this stage the Group Performance over the next 12 months remains uncertain with the current worsening economic conditions, but the recent pockets of sales growth are promising, as is the proposed trial of the delivery service for select BurgerFuel outlets.

Regarding franchise opportunities and growth in new stores in FY24, it is unclear if FY24 will yield any potential suitable franchisees for new locations, due to the current economic conditions with construction, operating and financing costs all increasing significantly in the last 12 months. Accordingly, the group is considering using some of its cash reserves to finance franchisees into new sites, so that we may continue to grow throughout New Zealand. This will be evaluated in the coming months.

Once again the past year has confirmed BurgerFuel's robustness as a well-established brand within New Zealand and we are aiming to at least maintain consumer demand (sales) in FY24, despite increased prices.

In summary, the Group's future financial results will depend on many factors including the on-going rising costs, both in the supply chain and labour, and the overall economic conditions that New Zealand is clearly facing. We can see from the other listed companies that fast food is very challenging at present, with the absorption of rising costs coupled with price increases. It remains to be seen if these factors will impact customer purchases, by both volume of transactions, as well as the average ticket price of transactions.

At this stage we are quite pleased with the progress of the Shake Out brand and hopefully some of you have managed to try this faster, simpler burger concept. If not, and you are in Auckland, you can visit either the Commercial Bay or Smales Farm outlets.

Our Winner Winner chicken concept has proven to be more complex to operate than we ultimately want and accordingly we are modifying and simplifying this concept so that any future Winner Winner stores will be in a more streamlined format. We hope to trial this new and simpler format, sometime later in FY25.

Whilst we do have a healthy balance sheet and sufficient cash reserves, we are also mindful of uncertain trading conditions and the need to fund growth by way of financial assistance on greenfield sites and (or) any other opportunities that may arise. Over the last few years, we thought it prudent to let the cash reserves build up to get us through the uncertain Covid times. There are still significant economic headwinds ahead and we want to retain healthy cash reserves for the foreseeable future.

Having said that, if cash is not required for growth and investment in the future, the board will review options and consider potentially distributing some of the cash to shareholders in the most tax efficient manner, however this is yet to be determined.

That concludes my speech for today. Thank you, I will return to address you all later in the meeting, but for now, I would like to hand you over to Josef Roberts our Chief Executive.



Chief Executive's Address,

Good morning, everyone and welcome to our 16th AGM. As Peter noted FY23 was another busy and challenging year for the BurgerFuel Group, as it was for the entire hospitality and fast-food sector.

To begin with, I would like to give you an overview of the events that made up our reported results in FY23, as well as update you on the current year.

FY23 had less disruptions than the previous Covid years, but with the country going into the early stages of a recession, it was a year of navigating through the high inflation levels, increased labour costs and labour shortages. This situation continues with rising costs both globally and locally and there doesn't seem to be any signs of this letting up. However, as Peter noted, despite the turbulence and increased costs, we were able to deliver a 56% increase in profit on the previous year.

Sales were strong in FY23 and are more or less back to pre-Covid levels, but again, the increased sales over the previous year were helped with the opening of two new BurgerFuel stores in FY23, and also benchmarking against a Covid disrupted FY22.

We did encounter floods and weather havoc in the last months of the financial year. All of these events impact costs with disruption, sometimes store closures and certainly supply chain price increases that occur, due to a shortage of certain ingredients from time to time. There is no doubt, that the radical weather patterns both globally and locally will continue to negatively impact costs going forward. Put it this way, nothing is getting cheaper, costs are only rising.

Running a restaurant chain in these times remains challenging, both at an existing store operational level, as well as endeavouring to grow the BurgerFuel brand in new locations. In itself, BurgerFuel is reaching maturity, as to the number of potential outlets available in New Zealand. Attracting new franchisees for new greenfield sites is proving difficult due to higher interest rates, increased build and operating costs, staffing issues and the uncertain times ahead.

We have certainly invested in marketing potential new locations, and we are always endeavouring to locate new operators, but they are not easy to find in this economic environment. As well, BurgerFuel has always prided itself on attracting high quality franchisees who properly represent our brand and generally stay the course of time. We don't just accept anyone as a franchisee, and that policy won't be changing, because we have learnt that short-term operator decisions, only lead to longer term problems.

BurgerFuel New Zealand

The BurgerFuel New Zealand business remains strong and sustainable. We have been well supported by our customers, staff, and franchisees.

We currently have 61 BurgerFuel stores operating in New Zealand, due to the opening of the new BurgerFuel Dunedin store in April 2023. This store has been well received by students and other locals who were waiting patiently for us to get there. To date Dunedin is performing really well.



We are also pleased to announce that BurgerFuel has been trialling online delivery through third party aggregators and we expect this to continue, so that our product should be available for delivery through most stores by Christmas. We have been cautious to enter delivery as we do see potential issues with this model. However, to date we have seen good sales growth with participating stores, and generally, we have been satisfied with the quality of the product being delivered, but we will monitor this closely.

We still pride ourselves on the customer journey and instore experience, because there is nothing like a BurgerFuel burger, hot off the grill. But delivery is now a fact of life, especially following Covid, and this adds to the convenience factor for those of our customers who would like to order this way and are prepared to pay for the service.

Despite the turbulence with the pandemic, weather bombs and rising costs, we are always innovating at BurgerFuel to both fulfil our customers' brand and product expectations, as well as to increase our market share.

Some of you may have seen us on Country Calendar quite recently, helping to utilise venison in the South Island and creating the amazing venison burger we called the "Wild Heart". This was a collaboration about conservation as well as rescuing quality food that would otherwise go to waste. We paired the venison burger with our very own cherry cola made from rescued cherries from the South Island. We also undertook what we term a 360-degree project where we rescued wasted bread to make beer (our very own LagerFuel), to turn it back into flour, to make bread again – in the form of our buns. These innovations are all about supporting local, reducing food waste, and moving towards a better and more sustainable way of doing things. There is a lot of food wasted on this planet and we don't want to be part of this culture for any longer than is necessary. Therefore, we must look much harder at how we source our food and where it comes from.

At BurgerFuel, we are always developing innovative, workable ideas that showcase our brand, and meet our commitment to a lower carbon footprint and better long-term sustainability.

BurgerFuel has always been ahead of the curve on such things as packaging and our general environmental standpoint. Our packaging material is now almost 100% compostable. Whilst there is still a lot more work to do in New Zealand from third party suppliers, in terms of ensuring that all packaging ends up in the right place for composting, we are at least moving in the right direction. In summary there are always things happening at BFHQ to keep the brand moving ahead. Innovation is at the core of everything we do.

There is another constant battle going on, and that is against the SAS – or software as a service business model – or simply put, the ticket clipping. We are continually guarding against these fee-based subscription models that creep into the business if we are not careful. On that note, we are investing a lot more into Information Technology, simply to stay in control of our business and avoid paying others to undertake services that we can better undertake ourselves.

Many companies would like to talk directly to our customers or gain access to them in some way, and we are determined not to let that become the standard. This is a challenging and on-going battle, but one we are well advanced in, especially with the introduction of our



own online ordering platform, a system that has been entirely developed in house and is currently being rolled out throughout New Zealand. Our new loyalty programme will follow soon after.

I.T is becoming an increasingly expensive area, but one that every business simply must invest in, and we are no exception. We have millions of transactions occurring annually and we need to be in control of these, whilst ensuring they are smooth and trouble free for our customers.

These days the business of making hamburgers is a lot more than just that. We must constantly innovate and develop better and faster systems to ensure that we stay ahead of the curve, and remain a place that customers want to visit. I am very proud of the efforts that all of our team at HQ undertake on a daily basis, to deliver the best standout customer experience we can.

Our franchisees are obviously also a huge part of this because without them and their teams all working on a daily basis to a synchronised, systematic approach, we simply would not be here today. BurgerFuel is a well-developed machine, but it requires constant updating and innovation and that will never stop.

Winner Winner New Zealand

Winner Winner total sales increased by 33.5%. This was due to the introduction of delivery services and the benching against reduced sales in FY22. In May 2023 we decided to close our company owned Winner Winner store in Takapuna, Auckland. This site opened during Covid and suffered as a result. It never really performed well, and its closure has reduced the ongoing losses in that location. Winner Winner is a great brand, but growing a new brand in the last few Covid years has proven to be challenging.

We learnt from this restaurant and as a result we are reworking our Winner Winner offer, to reduce complexity and ultimately make the brand more scalable. As Peter mentioned a new, faster, more refined and simplified Winner Winner format is on the cards, and depending on the economic environment, we will hopefully open this new model later in FY 25.

Shake Out New Zealand

Shake Out total store sales increased by 61.6% in FY23 due mainly to the introduction of delivery services in April 2022 and the opening of our company owned Shake Out store in the Commercial Bay precinct, downtown Auckland, in November 2022.

This store is performing quite well and as expected but has had a few disruptions since opening with the Christmas period and then the extreme weather events occurring in early 2023. This site rises and falls off the pedestrian traffic in the Commercial Bay precinct, on a weekly basis. There is no doubt that the CBDs in all centres have had their challenges following more staff working from home, as well as unforeseen weather bombs, but as Peter noted, it appears that slowly the trend is changing and more people are coming back to work in the CBD again, including students.



We have just opened a Shake Out delivery only “dark kitchen” in Glendene, Auckland to test the market for this model. We have a lot of experience with dark kitchens from our operations in the Middle East. It's a model that we think can work well in New Zealand, if managed properly, but equally we also know people ultimately like to visit our restaurants. Hopefully we can get the balance between these two options, spot on here in NZ, as the demand for delivery continues.

It's important to remember that BurgerFuel's first 10 years were very difficult too, but now look at its success. Both WW & SO have had a couple of misfires, and as a Franchisor we are learning from those, but risks will have to be taken going forward to build and establish these new brands. Location strategy is often difficult to get right in the early years.

For FY23 the two new brands represented 9.0% of total NZ sales, which although in itself is not huge, it is important to remember the three years we have just come out of with the Covid disruptions. I'm hoping we can now get a clear run at building up Shake Out.

BurgerFuel Middle East

In April 2022 we appointed a new Master Licensee for the entire region to one company that assumes responsibility for the appointment and operations of individual stores and regional franchisees. This is effectively a Development Agent (DA) Agreement structure.

Under the DA Agreement BFG will receive a share of royalties generated from BurgerFuel sales in the region and each new store will be DA owned or franchised under the terms of the agreement. The DA will be responsible for site selection and store construction as well as training and day to day operations. As previously advised, the Group incurred costs in FY23 in relation to setting up this new DA structure with a view to rebuilding the brand in the MENA region over future years. I personally have been very involved in the re-development of the Middle East. The reason we decided to give it another go up there after Covid is because the brand was successful there some years ago, and it is still well known by local consumers.

The BurgerFuel store in the Dubai World Trade Centre is currently undergoing a full refit, which will reflect an updated store design. It is intended that this new look store will attract potential franchisees within the region and allow further franchising by the DA. The new look will also assist us in providing an updated image here in our New Zealand stores, many of which are coming up for refits.

The future of MENA will be entirely dependent on the success of the new DA structure. Whilst BFG's percentage share of royalties will be lower than in previous years, our operational involvement and costs will also be on a reduced basis.

The Middle East sales are down due to the previous UAE licence holder exiting the brand and closing 3 stores. Saudi Arabia also closed 2 stores in FY23 and 2 stores in FY24 and now have 4 stores operating in this region. There are also several “dark kitchens” operating in Dubai, which is a common business model in this region due to the extreme temperatures, but as Peter noted, these formats are not without their issues and quickly degrade the product quality if they are not tightly managed. We expect that eventually having the “dark kitchens” managed under the DA structure as franchised units, could work very well.



BFG earnings from the Middle East have been diminishing for some years, and the Group doesn't anticipate generating any income from the Middle East until FY25 and even then, earnings will be modest until (and only if) that region can grow. However, unlike New Zealand where growth potential is very limited, the Middle East is really booming in parts, especially Saudi Arabia where younger populations are abundant and there is a real buoyancy that simply does not exist here in NZ. This is why we have made the decision to keep going in this part of the world.

Summary

In summary, it has been a very lumpy few years following Covid and now it is clear that we are in a recession with household debt at its highest levels in years and an economy that is weak and looks likely to stay that way for a while yet. Globally, there are many issues the world is facing and that affect us, here in New Zealand, on a daily basis. These times more than ever mean that we must protect our customers, as well as our franchisee margins.

Fast food is not an easy industry to be in right now, it's very hands on, but rewarding as well. Most people love a good feed at BurgerFuel, and over the years we have built a household brand in New Zealand. It's important that we can keep innovating and investing in better and more sustainable production, finding more efficient ways of doing things and of course building on the many layers of marketing that we have undertaken over the years. It's a combination of all these factors and more that will ensure our survival and growth.

It is for this reason that we are also focused on the new brands and why we must give them the chance to develop and grow like we did BurgerFuel. Our Shake Out brand is also a great concept and over time I hope we will see that move ahead. Winner Winner has both hot and cold spots, it is a long-term project that requires more development, but we intend to persevere with it.

So, what does our future look like? Well, we are not immune to the problems our listed (and unlisted) competitors face with rising costs and a constant need to pass those costs on to the customers. We can only absorb so much ourselves before prices have to rise.

It seems to me that the costs to produce any food products in New Zealand, will continue to rise. Recently we are seeing established hospitality industry outlets and even chains go into liquidation. The Wishbone chain is an example of a significant and well-established business that I respected, fall on hard times. This very recent failure reflects the difficulty of both maintaining sales and managing growing costs, even in well established brands. There is no doubt that having a strong balance sheet with little, or no debt has been comforting in these past years of constant uncertainty.

In terms of acquisitions, we are always looking, but at this stage, we would not want to buy turnover and potentially a whole lot more problems, without certainty of growth, and at present growth is very hard to obtain here in New Zealand. We will simply have to see where things go in the next 12-24 months and focus on maintaining what we have and growing where we can, both at existing store level and numerically if that is possible, with the right opportunities.

During the past year once again there has not been a great deal to communicate with you about. Our 6 monthly updates by way of full and half year announcements contain all relevant shareholder information. As well as our AGMs. That said, we will of course continue



to provide updates on any significant or material events that occur outside of these reports. But for now, its steady as we go, let's keep the wheels on, keep developing the business and most of all maintaining, protecting, and growing our customer base.

That concludes my address today. I would like to thank you and all of our shareholders for your continued involvement and support. I also wish to thank our many stakeholders, suppliers and others that work with us each day. I do once again wish to give a big shout out to our team at the BurgerFuel Head Office, all our in-store staff, and our franchisees. There are around 1,100 people employed within the BurgerFuel system in New Zealand and we are really proud of this home grown and much admired brand, that we have created.

Of course, finally I wish to thank those of you that dialled in to our AGM today. As I like to ask each year at these meetings "when was the last time you visited a BurgerFuel? Or a Winner Winner or a Shake Out?" Well, if there is one near you – do pop in, order a meal and spread the word.

Thank you all for your attendance today. I will now hand you back to our Chairman Peter Brook to continue the proceedings.

Chairman of the Board to close address to shareholders.

Thank you, Josef, and on behalf of the Board, I wish to thank all employees, franchisees, and other business partners for their efforts. I would also like to thank my Board colleagues for their support and the work that they have performed during the year.

Finally, the Directors would like to thank all shareholders for their ongoing support. We look forward to continuing our work to support management and direct the business for the year ahead.