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PRELIMINARY FINANCIAL RESULTS FOR THE 12 MONTHS TO 31 MARCH 2021

Positive trends offset by Covid-19 impact

SUMMARY

- Covid-19 impact on trading was significant in all markets during the year and led to delays in the store development and opening program.
- The acquisition of the fast-growing Triple Two Coffee business in June 2020 has added scale to the core UK market and placed CGF as the #4 Coffee focused chain in UK.
- Trading when outlets were fully open delivered higher revenue compared to prior years and industry comparisons.
- Total group revenue from continuing activities decreased 26.8% to $3.1 million.
- Net loss before tax from continuing operations was $3.6 million which was at the same level compared to the same period a year ago, reflecting the benefits of prior restructuring and reduction of costs against the reduction in revenue caused by Covid-19 lockdowns.
- Cash flow from operating activities was positive $1.2m compared to prior year of $0.2m
- Operating loss before depreciation, amortisation & finance charges was $2.2 million compared to prior year loss of $35k & the operating loss from continuing operations after tax increases to $2.8 million from net loss of $0.2 million last year.
- The revenue declines arising from Covid-19 lockdowns were partly offset by government support packages, particularly in the UK and Ireland.
- While there have been timing delays with new store openings, there have been no closures of existing stores or withdrawal from opening plans of any new stores through the global network attributable to Covid-19.
- The delays in store openings and other operational factors have resulted in a re-classification of revenue of $6.1m into Deferred Income.

Cooks Executive Chairman Keith Jackson said: Whilst the FY21 financial year has been dominated by the Covid-19 pandemic CGF's stores have been resilient in towns and suburbs. Vehicle accessed locations outperformed larger city centre outlets that were affected by the combination of working from home (WFH) a lack of tourists. That combination adversely impacted our stores in cities like Dublin, Windsor and Stratford on Avon. Independent industry research from Allegra Research in the UK showed that the Esquires UK brand outperformed the market in calendar year 2020 with sales down 29% compared to the industry decline of 39%.

The first half of the year saw a comprehensive lockdown for the April to June period in almost all markets in which we operate globally. This was followed by various levels of opening from July – October period but then followed by a second series of lockdowns.

Store sales for the period August – October period saw Esquires UK sales 16% up on the prior year, reflecting that business's more regional and suburban footprint. By comparison in Ireland our store sales were down 14% of the prior year in this period due to the significant impact of a lack of tourists and workers in the CBD in Dublin.

During the financial year the group opened six new stores in the UK and Ireland and one each in Saudi Arabia & Pakistan. We closed seven outlets (UK 1, Ireland 2 and Middle East 4). We had 100 outlets at the end of March 2021.

We had an outstanding team response to the challenges of Covid-19 from Franchisees and our UK and Irish teams.

BALANCE SHEET

Borrowings increased to $7.8 million from $5.5 million at the same time a year ago. These include loans from entities associated with Executive Chairman Keith Jackson as well as certain convertible loan notes. Cooks continues to pursue funding options to better reflect the appropriate mix of equity and debt requirements for the business.

Lease receivables of $18.7m and right-of-use assets of $0.9m, lease liabilities of $19.8m have been recognised this year under IFRS 16 Accounting Standard for Finance Leases and $1.3m of Current and $4.8m on Non-Current Liabilities was classified as Deferred Revenue.

Loans of $1.8m will be converted to equity under a commitment from parties related to the Chairman, Keith Jackson and approved by the Board but subject to shareholder approval at the 2021 AGM.

OPERATIONAL BUSINESS PERFORMANCE

THE UNITED KINGDOM

The United Kingdom entered lockdown from mid-March 2020 to early July and then from mid October 2020 through to mid-2021 and these restrictions are being eased at present. Indoor dining in groups of six has been permitted since 17th May 2021 and outdoor dining was permitted from 12th April 2020 with only delivery and contactless trading permitted prior to that. As a result, many of our franchised stores were temporarily closed for considerable periods of time and others operated as takeaway outlets only. Government support packages have meant that our franchisees were able to maintain their businesses through this period.

This meant that limited income from franchise fees was received by CGF as these relate directly to store sales. Despite store growth being paused due to Covid, the group has continued to build for the future.

Esquires UK store numbers increased to 46 at the end of March. During the year 7 stores were opened and 2 were closed. Constant currency Esquires Coffee store sales for the year were $12.3m which was 60% of the $20.6 million in the same period a year prior. For the period August to October 2020 when all stores were open and trading as per "normal" Esquires Coffee store sales were 16% ahead of the same period for the prior year. This trend has been seen in recent weeks as the restrictions have been relaxed with sales in the first week of stores being able to welcome customers to sit indoors (in socially distanced groups with a maximum number of 6 people) being 14% higher than the same week in 2019.

TRIPLE TWO COFFEE

The Triple Two network that was acquired in June 2020, opened 2 new stores in Manchester and Lakeside in Essex during the financial year and saw growth pre-Xmas with new franchisees being signed up and store fit out work being undertaken for stores to open once the restrictions in the UK were relaxed. This will translate to royalty revenue when the stores are opened and royalty generation from trading. Store opening activity has resumed in FY22 with five new outlets opened in April and May 2021 with another four in the pipeline to be opened in 2021.

Triple Two Coffee's operating result was impacted by an IFRS 15 adjustment to recognise deferred income of $3.2m. This deferred income will be released into the accounts as the relevant stores open in the future.

UK SUMMARY

With 60 stores operating at the end of March the group are the 4th largest coffee focused café chain in the UK after Costa, Starbucks and the Caffe Nero group (based on Allegra Research data). The growth pathway remains positive and as the UK recovers from Covid-19 impacts we look forward to seeing the pre-Covid momentum return and with the combined Esquires and Triple Two brands we believe that we have a scalable business with critical mass and are well placed to deliver strong and sustainable results.

IRELAND & EUROPE

The Esquires network in Ireland added a new outlet in December 2020 in the Ilac Shopping Centre in Dublin which replaced the nearby Savoy outlet which was closed when the landlord decided to upgrade the Savoy Movie theatre complex. The same franchisee established the Ilac store which opened with many of the staff transferring to the new outlet. Outlet numbers at the end of the year were 13 and there is an encouraging pipeline of new stores in development for the balance of 2021 subject to the current program for the removal of Covid-19 restrictions being implemented.

Constant currency total store sales in Ireland were 41% of the FY20 year with the major impact being in the central city locations, particularly Dublin. Retail Parks that are in smaller and more rural locations were 59% of prior year whilst Shopping Centres that were often closed due to the restrictions were 29% of prior year.

The region posted an operating loss of $79k compared against an operating profit of $0.128 million in the same period a year ago.

European business development initiatives have been delayed due to the Covid-19 impact and the existing outlet in Porto in Portugal was significantly affected by Covid lockdowns during the year.

GLOBAL

Cooks operating revenue in the segment was $0.15 million compared to last year operating revenue of $1.4 million, with the fall relating to discontinued international product sales to the Middle East. The global business posted an operating loss of $0.26m compared to an operating profit of $0.6 million in the same period a year ago. The reduction in revenue was offset by significantly lower staffing costs, legal costs and consulting fees than incurred in the prior year. In particular, there was a significant reduction in staffing related to the Design business, equating to a comparative cost saving of $0.7 million.

SUPPLY

Revenue in the supply business decreased by $37k from the same period a year ago. Crux Products recorded weaker sales, due largely to the timing of shipments and the logistics challenges related to Covid factors that were experienced globally. Supply operating profit was $18k compared to $0.124 million at the same time a year ago.

CORPORATE

Corporate costs were $0.8 million as compared to $1.2 million last year last year due to overall reduced expenses, particularly in relation to legal and consulting fees.

Finance and foreign exchange translation costs were $0.8m compared to $0.7m last year.

During the year the overall corporate costs were reduced due to the simplification of the business and the sale of non-core business units. The benefits that will flow from the restructuring are expected to continue to build in future years.

China

CGF has held a minority interest in a Chinese joint venture for several years. That joint venture has been developing cafes, self-serve coffee machines and a coffee roastery in Mainland China.

The joint venture partners have been called on to provide additional capital to fund growth in the joint venture. This has caused the Board of CGF to re-consider the investment. CGF has spent the last 12-18 months withdrawing from non-core business to focus on Esquires and Triple Two in our key European markets. Accordingly, rather than allocating capital to the Chinese joint venture, CGF has decided to withdraw from the joint venture and transfer its interest to the other joint venture partners for nil consideration.

This has not had any impact on the financial statements of CGF for the current financial year as the value of the joint venture interest was written off in FY20.

Debt re-financing

CGF entered new debt facilities of approximately $500,000 with Summit Capital Limited and has now repaid all facilities with ANZ Bank.

SUMMARY

CGF had generated significant momentum in the second half of FY20 and this had begun to show benefits in scale and profitability. The first stages of these benefits were evidenced in the result for the FY20 year. Our permanent restructuring changes completed during the last 12 months have significantly reduced the overhead costs of the group and the group is positioned well for future profitability.

The Covid-19 pandemic has been unfortunate to say the least and at this time we cannot accurately determine the full longer-term impact. We believe that the business model is sound with the focus on clearly defined core business areas that we can scale up and we are well placed to emerge from the outbreak with our ability to respond to local customer preferences through the franchise network placing us well for the recovery.

G. K. Jackson

ABOUT COOKS GLOBAL FOODS

Cooks Global Foods operates in world markets and is listed on the NZX market operated by NZX Limited in New Zealand under the code CGF. It owns the intellectual property and master franchising rights to Esquires Coffee Houses worldwide (excluding New Zealand and Australia). Cooks currently operates or franchises Esquires Coffee in the United Kingdom, Ireland, Portugal, Bahrain, Kuwait, Saudi Arabia, Jordan, Pakistan & Indonesia. For more information visit: www.cooksglobalfoods.com