



Cooks Global Foods

Rights Issue and Placement
Information Memorandum

December 2021



Offer Highlights

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- Cooks Global Foods (“Cooks” or the “Company”) is seeking to raise up to \$8 million through a Rights Offer and a Private Placement of the rights shortfall. The rights will not be quoted on NZX. The Company reserves the right to accept additional subscriptions.
- Issue Price of \$0.03 per New Share.
- The capital raised is intended to reduce debt, making the investment immediately earnings accretive by reducing interest costs (which were c.\$774k in FY21, and c.\$498k for half-year FY22).
- Cooks has reported a first half operating profit (EBITDA) of c.\$626k against a c.\$679k loss in the first half last year setting a solid platform for the balance of the financial year.
- Based on a successful capital raise and no significant impacts of Covid moving forward, the company foresees continued increased profitability in a sustainable and increasing manner.

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Contact:

David Wallace
Armillary Private Capital
Joint Managing Director

P: +64 (21) 419 440

E: david@armillary.co.nz

Kit Kingston
Dalgety Finance
Director

P: +64 (27) 474 8588

E: kit@dalgetyfinancegroup.co.nz

Vision

Cooks seeks to strengthen its position as the fourth largest coffee focused café chain in the UK through organic growth of its franchises and further acquisitions of boutique and artisan food and beverage brands.



Business Overview

- Cooks is a Franchised Coffee chain operator founded on New Zealand's reputation for fresh and quality foods globally. The Company operates in global markets and is listed on the NZX (NZX: CGF).
- Cooks owns the international intellectual property and master franchising rights to the Esquires Coffee brand (excluding Australia and New Zealand). In the UK and Ireland, it directly operates and franchises Esquires Coffee cafés; whilst in Portugal, Bahrain, Jordan, Kuwait, Saudi Arabia, Pakistan and Indonesia, it has master franchise agreements.
- Cooks owns the UK-based Triple Two café chain which is one of the fastest-growing coffee focused brands in the UK market.
- It also owns Crux Products with the goal to channel high-quality products between New Zealand and the Jiajiayue supermarket chain in China.
- The Company focuses on three fundamental business elements:
 - Operations of the international footprint under the established Esquires Coffee brand principally utilising a franchise model. Esquires Coffee uses exclusively Organic and Fairtrade Coffee and delivers artisan style coffee & food through local people.
 - Building the fast-growing Triple Two business initially in the UK followed by international markets.
 - Driving shareholder value through a combination of organic growth, further acquisitions and the appointment of Master Franchises in new markets for both brands.
- The Company will seek to add additional transactions and spend by extending trading into the evenings in selected existing cafés, develop delivery service across the network, expand digital capability including APP & loyalty memberships supported by an enhanced CRM approach to marketing.

The UK Coffee Sector

- The UK has suffered some of the most adverse consequences of the Covid-19 pandemic. Previously estimated at £5b, the branded chain sales declined by 39% in 2020 when compared to 2019. Allegra estimates the UK branded coffee shop segment store sales to be valued at £3b for 2020. ECUK sales in 2021 have outperformed Allegra's industry growth estimates.
- The market is projected to recover to £5.3b by average 2025 at 11.7% CAGR, with outlets due to exceed 9,600 at 1.0% CAGR.
- The main trends driving coffee shop development are:
 - Sustainability – reusable cups, eco-friendly packaging and ethically sourced products
 - Diversity of offering – milk alternatives, vegan options, improved food options
 - Digital integration – online ordering, loyalty schemes, deals and offers
 - Diverse formats – Drive-thrus, click-and-collect, delivery working zones
- The main challenges facing the sector are:
 - Recovering from loss of earnings due to lockdown restrictions
 - Targeting remote/hybrid workers with more people now working from home resulting in threats to the number of customers
 - Differentiating in an increasingly crowded market



There are an estimated 25,483 coffee outlets in the UK of which 9,159 are branded coffee outlets. (Source: Allegra Project Café UK 2021)



As of January 2021, the branded UK coffee shop market is estimated to be valued at £3b. (Source: Allegra Project Café UK 2021)



The UK coffee and food sectors are expected to grow past pre-pandemic levels by 2025 (circa. £5.3b) (Source: Allegra Project Café UK 2021)



Hot drinks remain the most purchased food-to-go product while shopping, bought by 49% of UK shoppers (Source: UK Coffee Shop Sector Report 2021 – IGD)



Cooks ranks 4th by number of cafés among the largest coffee focused chains as measured by numbers of cafes, behind Costa, Starbucks and Caffe Nero



Millennials and Gen-Z have a growing preference towards artisan and boutique café chains over large brands



The pandemic has seen a boost in online and click-and-collect sales. Allegra estimates the UK's food delivery sector is worth £8.5b and the food-to-go sector is forecast to be worth £23.5b by 2022

Locations

- Cooks' brands collectively have 102 cafés across UK, Europe, the Middle East and South Asia and the company forecasts the number of cafés to grow to 191 by FY24. The projected café numbers as at 31st March years are shown in the table below.
- Cooks has a total of 66 cafés in the UK making it the 4th largest coffee focused brand by number of cafés based on Allegra data.
- Esquires Coffee currently has 60 cafés across Western Europe with 46 in the UK, 13 in Ireland and 1 in Portugal.
- Triple Two currently has 20 cafés and forecasts that it will expand to 25 cafés by the end of FY22.
- 64 of the 66 cafés in the UK are franchised and locally owned, while two cafés are owned by Cooks and are being held for sale.

Cooks Projected Café Locations				
	Current	FY2022	FY2023	FY2024
Esquires UK	46	53	63	77
Triple Two	20	25	37	49
Esquires Ireland	13	18	22	25
Portugal	1	1	1	1
Middle East	19	19	25	28
Pakistan	2	2	6	8
Indonesia	1	1	2	3
Total	102	119	156	191



Business Operations

- The Key sources of Revenue for Cooks are:

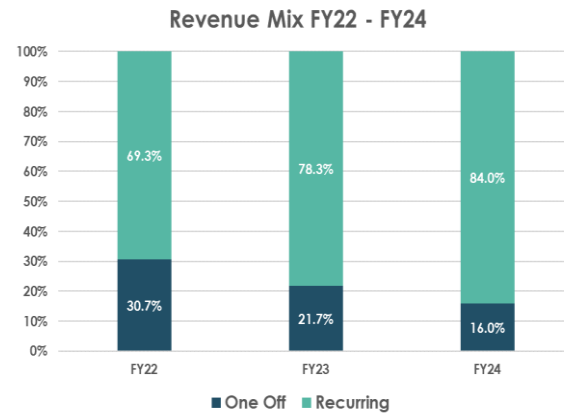
- **Recurring Revenue:**

- Royalties
- Marketing Fees that are used to support the brand
- Supplier incentives

- **One – off Revenues:**

- Sale of café franchises
- Sale of regions in the UK (ECUK)
- Sale of Master Franchises in Europe
- Property Search & Project Management Fees (Triple Two only)
- Design Fees
- Fit Out Fees (Triple Two only)

- The graph showing the trends between FY22-FY24 illustrates recurring revenue growing as the café numbers increase and the proportion of one-off revenue reducing.

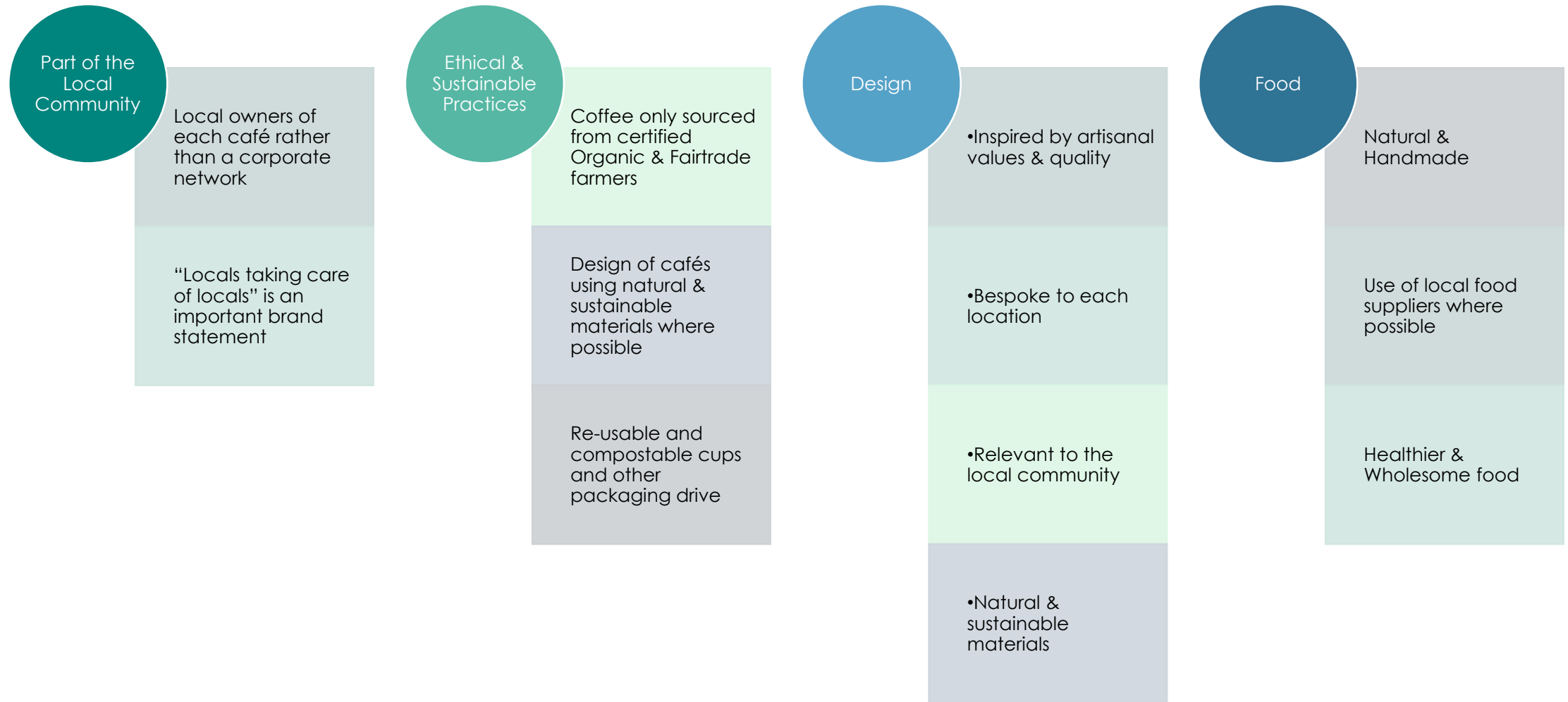


Esquires Coffee

- Cooks owns the global rights (excl. Australia and New Zealand) for Esquires Coffee and the master franchise for the Esquires Coffee UK (ECUK) & Esquires Coffee House Ireland (ECHI).
- The Company strikes a good balance between premium and mainstream and has a strong reputation for its organic coffee and modern food offering.
- Esquires Coffee is certified Organic & Fairtrade. The signature espresso blend is sourced from certified cooperatives in Honduras, Ethiopia, Indonesia and Peru.
- In 2017, the Esquires Coffee business was restructured and consolidated to focus on UK, Ireland and Europe.
- Cooks franchised its first European café in 2017 in Portugal.
- The Company established a master franchise presence in Pakistan and Jordan in 2018.
- The ECUK & ECHI businesses have a high-quality food offering, with cafés more akin to a typical NZ café offering sit down meals as well as Grab & Go.
- Delivery partnerships have been recently established with Deliveroo & Uber Eats.



Brand Differentiation – Esquires Coffee

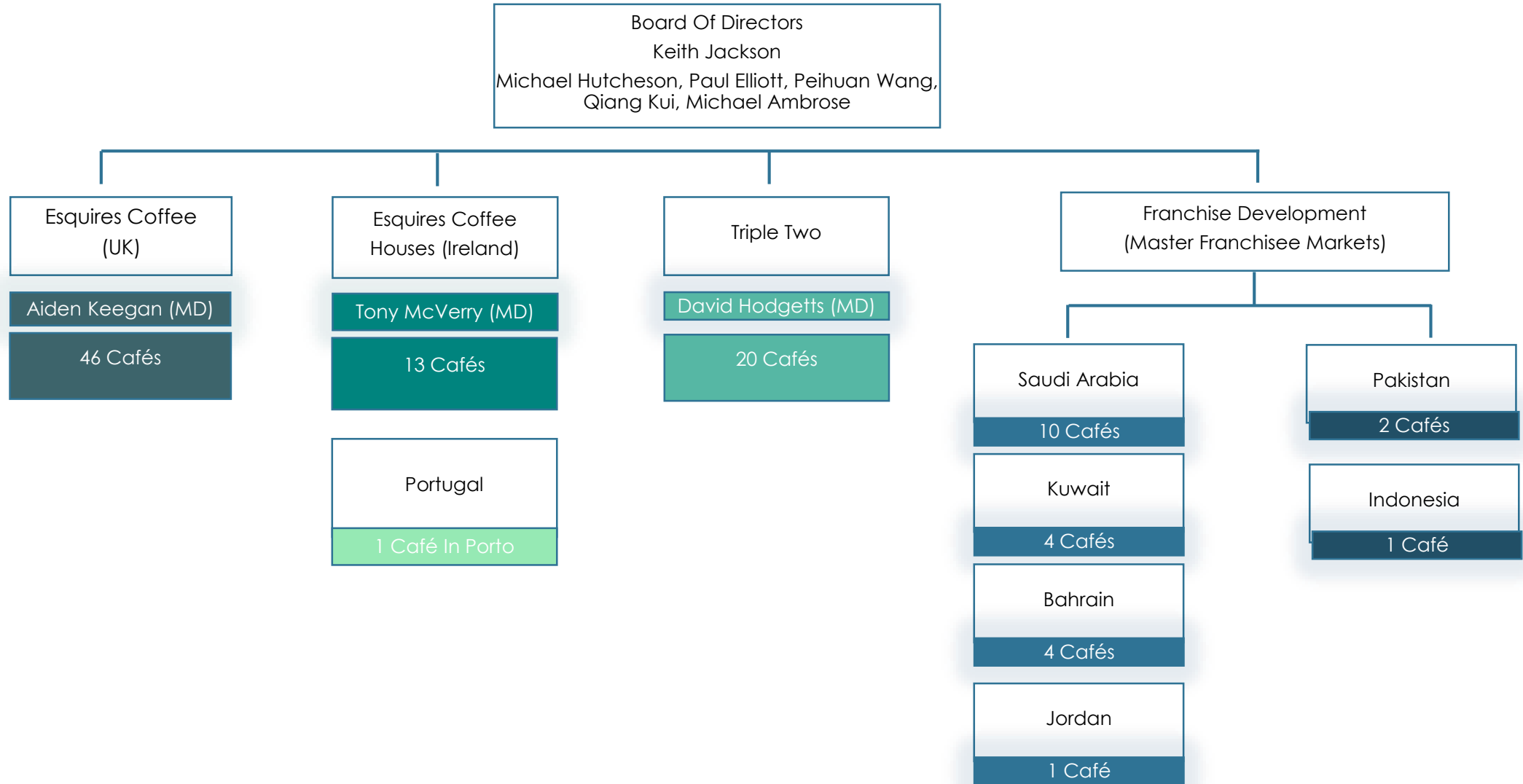


Triple Two

- Triple Two has seen rapid expansion since being founded in 2016 with a kiosk in the Brunel Centre, Swindon, England – just four months later it opened its 3,000sqft flagship café.
- In June 2020, Triple Two was acquired by Cooks and is now opening, on average, one café every month in the UK. There are currently 20 franchised-operated cafés and the chain plans to have at least 25 operating by the end of March 2022.
- The acquisition of Triple Two has added scale to Cooks' core UK market and placed Cooks as the #4 coffee focused chain in the UK as measured by total café numbers.
- Triple Two is an exciting brand and a breath of fresh air in the coffee market. The brand is positioned as a premium boutique coffee provider that offers a high quality of food offering.
- Triple Two provides its customers with their coffee in the morning, their lunch in the afternoon and their coffee or alcoholic beverage in the evening.



Organisation Structure



Future of the Business

Forging Ahead

Cooks is currently focused on the recovery from the Covid-19 period.

The underlying strategy of the business is to build further scale, which will improve efficiencies and attain critical market mass.

In order to build further scale, future growth areas include:

- Improving click and collect capabilities and building up an integrated digital network in order to further improve Covid-19 resilience;
- Growing core markets by establishing new franchise cafés and building café revenues;
- Re-attracting customers lost due to Covid-19 impacts;
- Resuming previous pathway of launching new franchised cafés;
- Exploring complementary business acquisitions in order to grow scale and critical mass in core markets;
- Expanding master franchise arrangements within the core EU region (Sweden, Norway, Denmark, France, Germany and Netherlands);
- Building profitability and cash flow to grow share value; and
- Exploring dual-listing in either UK or Ireland within the next two years.



Recent Performance - Operations

Resilient through Covid-19

- UK café sales were down 39% in the calendar year of 2020 v 2019, however Esquires Coffee UK fared 16% better than the industry average.
- Cooks is now the 4th largest coffee focused café chain in UK.
- Delivery partnerships have been recently established with Deliveroo & Uber Eats in UK & Ireland.
- Cafés in Ireland have been disproportionately impacted by low tourism numbers, yet are still in line with industry average sales.

Esquires Coffee UK performing well

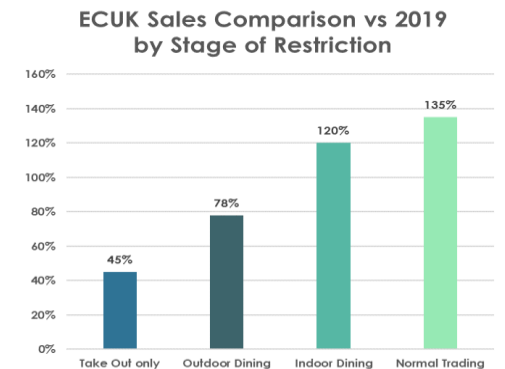
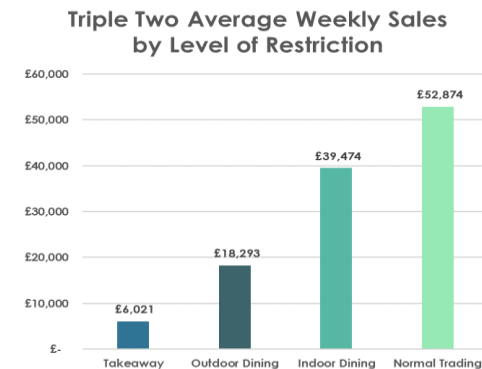
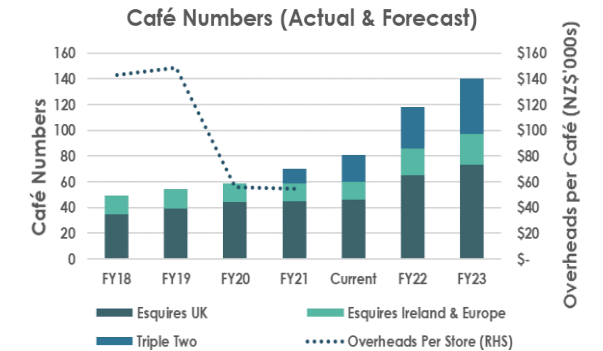
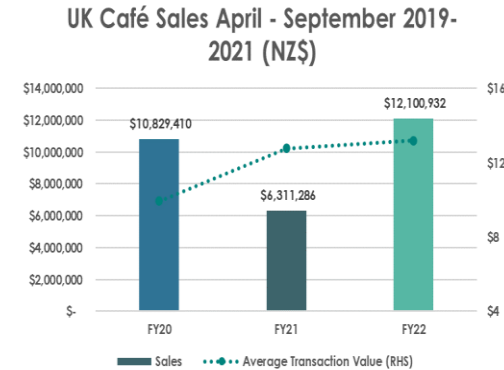
- Same café sales are up 8% on FY20 for YTD, new cafés representing 28% of total sales.
- Order value up 29% on FY20 for the period of “normal trading” from 19 July
- Buoyed by government support and reduction in VAT.
- 46 cafés in operation – growing to 63 by end of FY23.

Esquires Coffee Ireland normalised

- Longer periods of restriction have stifled further growth in Ireland, however normal trading will resume in February 2022.
- 13 cafés in operation – 9 more to open before the end of March 2023.

Triple Two expanding rapidly

- Triple Two business acquired in June 2020. The company went from 9 cafés as at 1 April 2021 to 20 cafés today and plan on ending FY22 with 25 cafés.
- Projection for FY23 is 37 cafés.

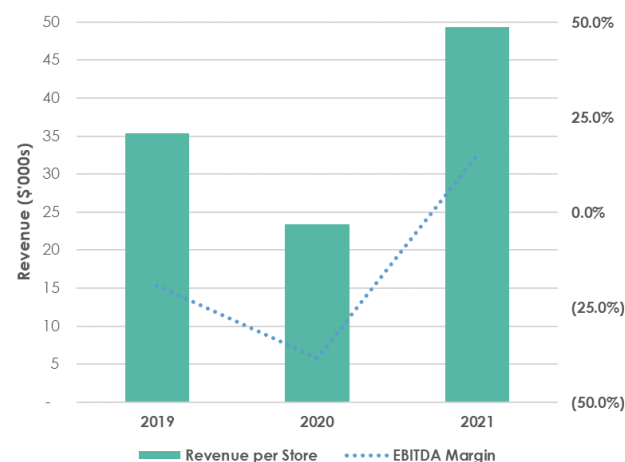


Recent Performance – Half Year Result

Commentary

- Half year financial performance (for the six months to 30 September 2021) has risen significantly from the six months to 30 September 2020.
- Based on a successful capital raise and no significant impacts of Covid moving forward, the company foresees continued increased profitability in a sustainable and increasing manner.
- Deferred revenue relates to cafés that are contracted and either paid for or invoiced, but not yet operational. This item is almost exclusively related to the extensive Triple Two pipeline.
- Major increase in share capital relates to the purchase of Triple Two which included the issuance of shares as part of the consideration.
- Finance costs have remained high throughout recent years. Current debt as of December is comprised of:
 - Third Party c. \$4.2m
 - Related Party c. \$4.0m

Summary Statement of Financial Performance			
As at 30 September NZ\$'000s	2019 Actual	2020 Actual	2021 Actual
Revenue - Continuing Operations	2,085	1,641	4,002
EBITDA	(401)	(628)	656
<i>EBITDA Margin</i>	<i>(19.2%)</i>	<i>(38.3%)</i>	<i>16.4%</i>
EBIT	(490)	(708)	626
<i>EBIT Margin</i>	<i>(23.5%)</i>	<i>(43.1%)</i>	<i>15.6%</i>
Finance Costs	672	333	498
NPBT for Continuing Operations	(1,431)	(1,041)	128



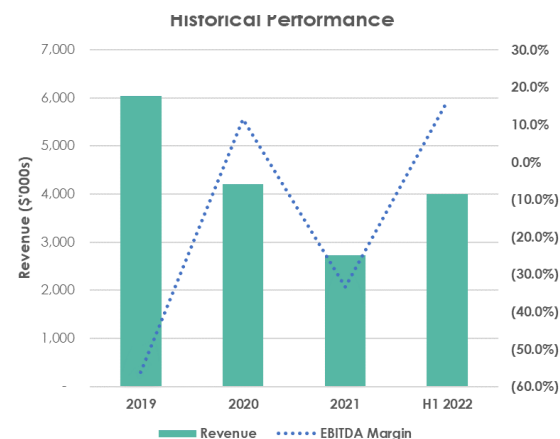
Summary Statement of Financial Position			
As at 30 September NZ\$'000s	2019 Actual	2020 Actual	2021 Actual
Debtors	1,034	4,421	3,556
Lease Receivables	-	1,726	2,626
Other Current Assets	934	701	1,059
Creditors	(5,622)	(8,355)	(6,437)
Current Deferred Revenue	(1,243)	(103)	(897)
Other Current Liabilities	-	-	(6,675)
Net Working Capital	(4,897)	(1,610)	(6,768)
Intangible Assets	2,922	2,835	7,700
Goodwill	-	17,297	11,715
Fixed Assets	3,206	2,613	214
Lease Receivables	-	16,572	16,348
Other Non Current Assets	15	746	103
Total Non Current Assets	6,143	40,063	36,080
Total Non Current Liabilities	-	1,158	5,194
Total Net Operating Assets	1,246	37,295	24,118
Total Capital Employed			
Overdraft/(Cash)	(513)	(1,862)	(1,235)
Debt	7,001	18,711	8,170
Lease Liabilities	-	20,521	19,144
Net Debt	6,488	37,370	26,079
Equity			
Share Capital	42,596	52,220	51,969
Non-Controlling Interests	(80)	(39)	-
Retained Earnings	(50,212)	(54,979)	(56,491)
Reserves	2,454	2,723	2,561
Equity	(5,242)	(75)	(1,962)

Historical Financial Results – Full Year

Commentary

- The majority of Covid-19 related disruption occurred within FY21. The uplift from the acquisition of Triple Two is expected to come into effect in FY22, with operating results impacted by the deferral of income due to IFRS15 recognition.
- The FY22 year so far in the UK the market has been in the equivalent of NZ Covid-19 Level 1 restrictions from 19th July 2021 for 11 weeks of the first half of FY22 as discussed on page 13.
- Corporate overheads for FY21 were reduced from \$2.02m to \$1.27m.
- Sales of Goods relate to Scarborough Fair, a previous group business that was sold to Toasted Coffee Roasters.
- Other Income for FY21 is predominantly made up of Covid-19 related wage subsidies.
- Capital raised is intended to reduce debt, making the investment immediately earnings accretive by reducing interest costs (c. \$498k for H1 FY22)
- Debtors and Creditors have increased due to the addition of the Triple Two business.
- Current Liabilities for FY21 include the earn-out consideration as part of the acquisition of Triple Two.
- Significant increase in Net Assets from FY20 onward are due to the impact of the IFRS 15 & 16 accounting standards.
- Goodwill is related to the acquisition of Triple Two.
- Non-Current Liabilities are comprised of deferred tax and deferred revenue.

Summary Statement of Financial Performance					Summary Statement of Financial Position				
FYE 31 March NZ\$'000s	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	As at 31 March NZ\$'000s	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual
Revenue - Continuing Op's	6,765	6,039	4,202	2,727	Debtors	2,760	296	951	4,615
EBITDA	(647)	(3,393)	480	(909)	Lease Receivables	-	-	1,670	2,085
<i>EBITDA Margin</i>	<i>(9.6%)</i>	<i>(56.2%)</i>	<i>11.4%</i>	<i>(33.3%)</i>	Other Current Assets	770	980	1,083	1,303
EBIT	(891)	(3,657)	(222)	(1,728)	Creditors	(4,604)	(4,565)	(3,996)	(5,401)
<i>EBIT Margin</i>	<i>(13.2%)</i>	<i>(60.6%)</i>	<i>(5.3%)</i>	<i>(63.4%)</i>	Current Deferred Revenue	-	-	(211)	(5,196)
Finance Costs	449	753	687	892	Other Current Liabilities	(22)	(185)	-	(7,073)
NPBT for Continuing Op's	(1,619)	(4,809)	(3,597)	(2,620)	Net Working Capital	(1,096)	(3,474)	(503)	(9,667)
Tax	-	4	(7)	(80)	Intangible Assets	2,948	2,842	2,840	19,064
NPAT for Continuing Op's	(1,619)	(4,813)	(3,590)	(2,540)	Fixed Assets	359	787	2,613	793
NPAT for Discontinued Op's	(2,243)	-	(1,593)	(7)	Lease Receivables	-	-	16,653	16,198
Other Income/(Loss)	(317)	725	(99)	58	Other Non Current Assets	3,102	2,703	15	15
Net Profit/(Loss) After Tax	(4,179)	(4,088)	(5,282)	(2,489)	Total Non Current Assets	6,409	6,332	22,121	36,070
<i>NPAT %</i>	<i>(61.8%)</i>	<i>(67.7%)</i>	<i>(125.7%)</i>	<i>(91.3%)</i>	Total Non Current Liabilities	-	1,146	1,192	3,066
					Total Net Operating Assets	5,313	1,712	20,426	23,337
					Total Capital Employed				
					Overdraft/(Cash)	466	(302)	(255)	(886)
					Debt	3,076	5,713	5,522	6,865
					Lease Liabilities	-	-	20,870	19,079
					Net Debt	3,542	5,411	26,137	25,058
					Equity	1,771	(3,699)	(5,711)	(1,721)



The Offer

The Offer

- A renounceable Rights Issue of 1 New Share for every 2 Existing Shares held on the Record Date. The Rights will not be quoted on the NZX.
- New Shares not taken up by Eligible Shareholders or which are attributable to the rights of Ineligible Shareholders, are being offered through a shortfall Private Placement, after taking into account shares issued under the Rights Offer.
- Eligible Shareholders also have the opportunity to apply for additional New Shares in Rights Issue.
- Full terms and conditions of the Rights Issue can be found in the Rights Issue Offer Document (released on 7 December 2021).

Capital Raised

- Cooks Global Foods is seeking to raise \$8 million under the Rights Issue and Private Placement and reserves the right to accept additional subscriptions.
- These funds will be used to restructure the balance sheet, repay external debt and lower interest costs, and may also be used to fund future growth opportunities.
- The impact will be immediately earnings accretive.

Issue Price

- \$0.03 per New Share.

How To Apply

- Applications under the Rights Issue must be made online at: <https://cooksglobalfoods.capitalraise.co.nz/>
- Applicants for the Private Placement should contact Armillary Private Capital or Dalgety Finance.

Offer Timetable

Notify market of upcoming record date	26 November
Record Date for determining Entitlements	6 December
Entitlement Letters sent to Eligible Shareholders	7 December
Closing Date for the Offer	17 December
Confirm Placements	20 December
Private Placement payment date	22 December
Allotment of New Shares under the Offer (Issue Date)	22 December
Mailing of holding statements	22 December

Contact:

David Wallace
Armillary Private Capital
Joint Managing Director

P: +64 (21) 419 440

E: david@armillary.co.nz

Kit Kingston
Dalgety Finance
Director

P: +64 (27) 474 8588

E: kit@dalgetyfinancegroup.co.nz

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