__BURGERFUEL GROUP__ - PRESS RELEASE

MONDAY, 30 MAY 2022

BURGER FUEL GROUP LIMITED PRELIMINARY FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2022

OVERVIEW – FY22

The Directors of Burger Fuel Group Limited (BFG) present the results for the 12 months to 31 March 2022.The audit of these results is in the process of being finalised.

Net Profit after tax for the period was $575,869 representing a 19.2% decrease on the previous year.

The results reflect a second year of considerable COVID disruption including temporary store closures both during and after periods of lockdown. In addition, substantial costs associated with establishing our new brands (Winner Winner and Shake Out) were also incurred as well as exit costs associated with the termination of the Master License of the UAE and ongoing development assessment costs for that region. These and other operating costs were partly offset with some Government support received by the Group.

As at 31 March 2022 the Group had no debt, and cash reserves of $6.8M.

BurgerFuel Group (unaudited) Total System Sales (all three brands, all regions) increased by 6.22% to $94.2M on the same period last year. The increase in sales is mainly due to benchmarking against reduced sales in April 2020 when the total system was closed for a month due to COVID. There were also reduced sales due to COVID store closures in FY22 (August & September) but not to the same extent. We had also opened the BurgerFuel Whangarei store in March 2021, and that store continues to perform well.

Total income for the Group increased by 0.01% to $21.0M.

As at 31 March 2022 there were 58 BurgerFuel restaurants operating in NZ and 12 operating in the Middle East excluding third party “ghost” kitchens operating in the UAE. From the 1st April 2022 the UAE now only has the World Trade Centre store in operation, taking the MENA region store count to 9 stores.

There are 3 Shake Out and 4 Winner Winner restaurants operating in NZ.

BFG RESULTS FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

	31 March 2022 $000	31 March 2021 $000
Operating Revenue *	19,275	18,654
Interest Income – IFRS 16 non-occupied leases	1,267	1,381
Covid-19 Government wage subsidy	430	934
Total Income	**20,972**	**20,969**
Operating Expenses **	(17,689)	(16,941)
Depreciation Expense – IFRS 16 occupied leases	(780)	(699)
Interest Expense - IFRS 16 non-occupied leases	(1,267)	(1,381)
Interest Expense - IFRS 16 occupied leases	(488)	(481)
Transfer from foreign currency reserve on windup of subsidiary	-	(131)
Total Expenses	**(20,224)**	**(19,633)**
Net Profit (Loss) Before Tax	748	1,336
Net Profit (Loss) After Tax ***	576	713

* Revenue includes: Operating revenue and interest income but excludes COVID related Government support.

** 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.

THE YEAR'S RESULTS AND GROUP OUTLOOK

NEW ZEALAND

Total systemwide sales across New Zealand (65 restaurants, all 3 brands) increased by 5.67% on the previous year.

The COVID Alert Level 4 lockdown resulted in FY22 having 35 less days of trade in the Auckland region and 14 in the rest of the country. All stores were closed between 18 August and 31 August 2021, with the Auckland stores reopening on 22 September 2021. We also had reduced store hours across the system in the tail end of FY22 due to COVID staff shortages.

Shake Out total store sales increased by 6.3% in FY22 and we expect this increase to continue into FY23 with the introduction of online delivery options now being trialled. Delivery is also now available with the Winner Winner brand.

Winner Winner total sales increased by 6.8%. Winner Winner has a larger mix of dine-in customers and the constantly changing Alert Levels had a greater negative impact on Winner Winner, more so than our other two brands. The company owned store in Takapuna continues to remain challenging, however we remain optimistic about sales improvement in this store in FY23, providing COVID does not once again impact the Auckland region.

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

The establishment of new brands takes considerable time and financial investment and accordingly this investment has affected our bottom line. Unfortunately, with the ongoing impact of temporary COVID store closures and reduced hours we were unable to gain much traction with these brands in FY22. We do however believe that both brands have a future in New Zealand, however significant resources in terms of cash and management will need to continue in FY23. The future development of these brands in FY23 is very much dependant on the impact of COVID as well as general market conditions.

THE MIDDLE EAST

The Middle East sales improved in FY22 with total sales up 10.0%. The drop in the Group's royalty revenue from the Middle East reflects COVID support provided to our Middle Eastern partners.

As announced on 25 March 2022 our United Arab Emirates Master License holder AKI Group, ceased operating the BurgerFuel brand in the UAE on 1 April 2022. At present we continue to operate in the UAE with a single store at the World Trade Centre in Dubai and by way of third party "ghost" kitchens. Ultimately, we anticipate the operation of BurgerFuel Middle East will occur under, a yet to be finalised Development Agent (DA) agreement. This structure effectively appoints a Master Licensee for the entire region to one company that assumes responsibility for the appointment and operations of individual stores and regional franchisees.

BFG earnings from the Middle East have been diminishing for some years, but particularly since the arrival of COVID. The Group doesn't anticipate generating any material income from the UAE region or the wider Middle East in the next couple of years, while this proposed new DA structure is embedded and tested. It should be noted that the Group incurred costs in FY22 in relation to both exiting the Master License agreement with AKI Group, as well as the ongoing assessment of this region for further growth.

BurgerFuel Saudi Arabia sales were up on FY21 even after closing two underperforming stores and the "ghost" kitchen operations. A new location was opened at Faisaliyah in December 2020 which contributed to these increased sales.

The future of the Middle East business remains uncertain. This territory will need to be completely redeveloped and although we have made an initial commitment to move forward on this, there can be no certainty of future returns from this region for some time yet.

SUMMARY AND OUTLOOK

The FY22 year was another very challenging year under COVID. The hospitality sector was hit hard by the pandemic but given these circumstances we believe the Group turned in a reasonable performance, in that it was still able to maintain a profit for the year. At this stage the Group Performance over the next 12 months remains uncertain both with COVID but also with the current worsening economic conditions. Like every business in New Zealand, we are experiencing rapidly escalating cost pressures both in the supply chain, but also labour costs and shortages. We cannot see an end to this at present and believe that these increased costs are permanent and therefore will lead to increased prices as the year progresses. Price increases are set to occur right across our sector and also in the wider economy in general.

In regard to franchise opportunities in FY23, whist we expect there to be some activity, it is unclear if the current economic conditions will yield potential suitable franchisees for new locations. Accordingly we expect growth in new stores to be modest with perhaps a few new stores across all brands occurring in FY23. On the positive side, once again the past year has confirmed BurgerFuel's robustness as a well-established brand within New Zealand and we expect to at least maintain consumer demand (sales) in FY23 despite increased prices.

BurgerFuel Group in conjunction with its advisors KPMG continue to remain open to any future strategic options that may present themselves in FY23. 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

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