



NZAX & Media Release

14 December 2018

PRELIMINARY FINANCIAL RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2018

## Cooks benefits from coffee store network momentum

### Summary

- Revenue<sup>i</sup> increases 8.3% to \$2.9 million from \$2.7 million as Esquires coffee stores and supply operations continue to grow strongly
- Net loss from continuing operations after tax rises to \$1.9 million from \$1.2 million, reflecting growth investments, costs from the proposed acquisition of Mojo and restructuring of the business
- Guidance for full year EBITDA<sup>ii</sup> loss revised following the introduction of the new IFRS 15 revenue accounting standard.

Cooks Global Foods (NZAX.CGF) today reports it is seeing growing benefits from the momentum that is building in its global Esquires Coffee operations.

Revenue for the six months to 30 September 2018 increased 8.3% to \$2.9 million from \$2.7 million posted in the same six-month period a year ago. The group saw gains across all its businesses after Esquires Coffee delivered an 11.3% increase in constant currency store sales<sup>iii</sup> for the six months to 30 September to \$24.1 million from \$21.6 million in the same six-month period last year.

Net losses before tax from continuing operations increased to \$1.9 million from \$1.2 million in the same period a year ago, due to the timing impact of new initiatives to drive growth in the UK and Europe, including changes to its royalty programmes as well as a non-cash share of the Chinese joint venture's losses. Higher finance charges and costs associated with the proposed acquisition of the Mojo chain of coffee stores towards the end of the half year also weighed on earnings.

Cooks Executive Chairman Keith Jackson said: "Esquires Coffee is growing strongly around the world and is also benefitting from growth in the group's supply business. These changes along with a reduction in operational overhead costs will deliver a positive impact for the group in the second half of the year and beyond."

### BALANCE SHEET

As at 30 September 2018 Cooks had cash on hand of around \$0.53 million and net debt of \$5.3 million, up marginally on the prior year's \$5.2 million.

Cooks has been in ongoing discussion with ANZ Bank concerning its debt facilities. As we noted earlier this year, the ANZ Bank had agreed to extend the time for repayment to 30 November 2018. With the termination of the proposed Mojo acquisition, ANZ Bank has agreed to further extend the date for repayment to 28 February 2019.

Cooks has meanwhile agreed to extend the date out to 31 March 2019 by which Cooks Investment Holdings Limited, a company associated with Executive Chairman Keith Jackson, must satisfy the terms of the equity underwriting agreement it entered into in March 2017. This is to enable the underwritten shares to be available as part of broader funding discussions now underway.

Following discussions with the Financial Markets Authority, Cooks is also reviewing the \$2.9 million carrying value of its 21% stake in its Chinese coffee joint venture.

The Board has commissioned an independent valuation of the venture. The outcome could impact the group's reported result and the value of its net assets. Cooks will update the market as the valuation comes to hand. It is targeting the inclusion of the valuation in its interim report, which is due to be filed with the NZX by the end of January 2019.

#### **NZX MIGRATION**

Cooks has conditional approval to migrate to the NZX subject to the recruitment of an additional independent director and other administrative changes. It believes the move will help to lift the profile of the company and boost liquidity in its shares. The Board is targeting transition to the NZX before the middle of next year.

#### **OUTLOOK**

From 30 September 2018 Cooks adopted the new IFRS 15 revenue accounting standard. This standard has implications for guidance given amid the negotiations to acquire Mojo, when Cooks forecast a narrowing in EBITDA losses for the year to 31 March 2019 to \$0.5 million from \$1.0 million in the year earlier.

Those forecasts were made using the old accounting standard, which allowed Cooks to recognise revenue generated from the sale of regional franchises at the time of receipt. The new IFRS 15 standard requires Cooks to recognise the revenue over the life of the franchise.

Consequently, following the adoption of this new standard, Cooks now expects EBITDA losses for the year to 30 March 2019 to be closer to \$2.0 million rather than the \$0.5 million previously indicated. Notwithstanding these accounting adjustments, cashflows from the sale of regional franchises is unaffected.

"Cooks continues to make progress putting its operations on a long-term footing. Moreover, we are confident recent restructuring initiatives will start to deliver real benefits in the remainder of the second half and beyond. We will provide an update to the market in the new year," Mr Jackson said.

## **BUSINESS PERFORMANCE**

### **THE UNITED KINGDOM**

UK store numbers increased to 38 at the end of September up from 31 at the same time a year ago and 36 stores at the end of June 2018. Meanwhile, constant currency coffee store sales for the six-month period increased 22% to \$9.8 million from \$8.0 million in the same period a year ago. The region also saw a 17% increase in transaction volumes and a 4% increase in average transaction values.

Revenue in the UK segment rose 15.8% to \$1.4 million from \$1.2 million in the same period of the prior year. Operating losses increased to \$0.47 million from an operating loss of \$0.22 million in the same period a year ago.

However, Cooks did not see the full benefit from this growth due to several one-off effects. In the prior six-month period, the region booked a number of large one-off fees associated with the opening of new stores, including design fees and franchise fees.

Meanwhile, the UK business has a new strategy to create regional franchises and as part of this new strategy, it has restructured the regional franchise fee and royalty schedule to better incentivise franchisees. This has had a short-term effect of lowering revenues to Cooks, but over the longer term, the move is expected to accelerate revenue growth.

Finally, towards the end of the last financial year, Cooks opened a company-owned flagship store in Putney in South West London. The new store is performing well and is rapidly growing sales. It is also setting the standard for Esquires in the UK and serving as a hub for regional training and administration. However, start-up losses associated with the new store have weighed on operating earnings from the region.

### **EUROPE (IRELAND)**

Following the opening of new stores in Portugal and Romania, Cooks has combined the results from these countries with its highly-successful Irish business into a new European segment from a management and operational perspective.

Constant currency total store sales in the broader region were \$7.7 million, 12.1% ahead of the same period a year ago. This result was driven by new stores in Portugal and Romania coming on stream and 7% growth in Ireland itself as three new stores came on stream late in the period. The group is yet to see the full benefits of the strong growth in Ireland. In September, for instance, constant currency total store sales in Ireland were 18% ahead of the prior year and for the second quarter the growth was 14%.

Revenue in the region increased 36.1% to \$0.72 million from \$0.5 million in the same period a year ago. Operating profits in the European business rose to \$64,000 from \$23,000 in the same period of the prior year, with the impact of growth in the region diluted by the costs associated with establishing the new European beachhead.

### **GLOBAL**

The global segment, which incorporates Cooks operations in the Middle East, Canada and Asia as well as the company's design subsidiary Design Environments, saw a 34.2% increase

in half year revenue to \$0.85 million from \$0.63 million in the same period a year ago. Operating losses narrowed from \$68,000 to \$32,000. The global segment benefitted from a step up in royalties, product and merchandise sales following new store openings in Jordan, Pakistan and Bahrain.

Constant currency sales of the Esquires Coffee store network included in the global segment increased 13% to \$5.0 million from \$4.4 million in the same six-month period a year ago. Transaction volumes and transaction values were also up.

However, these gains were offset by a weaker performance in the Design Environments business unit which has now been restructured to focus exclusively on Cook's internal needs rather than seeking to build external revenue.

Cooks meanwhile continues to explore franchise agreements in other territories.

### **SUPPLY AND CORPORATE**

Revenue at the supply businesses increased 20.5% to \$0.42 million reflecting the strong growth in the new 'Grounded' climate-neutral coffee brand.

Operating losses at \$0.11 million compared to \$0.14 million a year earlier, an improvement of 21%. Cook's Crux Products supply business, which is engaged in the export of produce to China, is making progress, and made a small contribution to group revenue and it largely broke-even for the six-month period.

Corporate costs rose by 20.5% to \$0.96 million from \$0.6 million in the same period last year, principally reflecting the costs associated with the planned acquisition of Mojo.

### **CHINA**

The Chinese business is now treated as an equity-accounted associate following its transition to a new joint venture last year. Cooks has an effective 21% stake in the business and booked a \$0.2 million non-cash share of the venture's losses for the six-month period.

While non-binding term sheets have been signed and the restructure of the business significantly advanced, a formal shareholder agreement is yet to be executed and all structural formalities completed.

This agreement is currently in the process of being signed with the terms unchanged from the earlier term sheets. The expectation is that the document will be executed prior to the end of the 2018 calendar year and the final company structural formalities completed shortly after.

### **MOJO**

Just before the close of the financial year Cooks entered into a conditional agreement to acquire 100% of the shares in Mojo Coffee Cartel for approximately \$14 million. The acquisition was conditional on the arrangement of financing, but Cooks was not able to meet that condition by the (extended) transaction closing date and so the transaction was terminated.

## For further information:

### INVESTORS

KEITH JACKSON  
Executive Chairman  
+64 21 702 509

### MEDIA

RICHARD INDER  
The Project  
+64 21 645 643

## ABOUT COOKS GLOBAL FOODS

Cooks Global Foods operates in world markets and is listed on the NZAX 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 Canada, the United Kingdom, Ireland, Portugal, Romania, Bahrain, Kuwait, Saudi Arabia, Jordan, Pakistan, Indonesia and China. For more information visit: [www.cooksglobalfoods.com](http://www.cooksglobalfoods.com)

---

<sup>i</sup> Revenue for the six months to 30 September 2017 has been restated to reflect the introduction of the new NZ IFRS 15 standard. Please refer to note K(c) in the attached Appendix 1 disclosure.

### <sup>ii</sup> Non-GAAP Financial information

EBITDA is a non-GAAP measure of financial performance. Cooks defined and reconciled its forecast of EBITDA in its release to New Zealand Stock Exchange on 31 August 2018. That presentation is available on the Cooks Global Foods and NZX websites and is available by clicking this link [here](#).

### <sup>iii</sup> Network (Store) Sales

Total store sales are the aggregate of sales of all Esquires branded coffee stores, whether franchised or partially/fully owned, across the company's global brand network. Cooks derives income from its franchised stores from franchise related fees, primarily related to these sales levels as well as store sales for those stores directly owned by the company, except in China. Total network store sales, therefore, have a correlation to the portion of revenue earned by Cooks Global Foods relating to recurring franchise fees. Chinese sales are also indicative of the potential value residing in the Chinese venture. However, total network sales are not and should not be confused with the revenue of Cooks Global Foods which is reported in its financial statements as the two do not directly correlate.

### Same Store Sales

Same store sales are the aggregate of all Esquires-branded coffee stores, whether franchised or owned across the company's global brand network that have been operational for at least a full two-year period for the purposes of like-for-like comparison between current and prior periods. The metric measures the improvement in existing store sales within the brand network, excluding new stores opened in the previous 24 months. Same store sales are not the same as revenue in the financial statements for Cooks Global Foods group but can indicate stable revenue growth in the brand network.

### Transactions

Transactions relate to the total individual transactions, which occur within Esquires branded coffee stores, whether franchised or owned. A transaction is defined as a single financial transaction for food, beverage or product that is processed through the point-of-sale system within a coffee store.

### Average Transaction Value

Average transaction values are derived by dividing total Esquires coffee store sales by total transactions recorded over the period. Total (Store) Network All stores whether owned or franchised, which operate under a brand owned by companies within the Cooks Global Foods Group.

## Appendix 1 release

14 December 2018



### Cooks Global Foods Limited

This document covers Cooks Global Food Limited's unaudited financial results for the six months ended 30 September 2018

<b>(CGF) : Cooks Global Foods Limited</b>		
<b>Results for announcement to the market</b>		
Reporting Period	6 months ended 30 September 2018	
Previous Reporting Period	6 months ended 30 September 2017	
	<b>Amount (\$NZ'000)</b>	<b>Percentage change</b>
Revenue from continuing ordinary activities	\$2,928	8.3%
Loss from continuing activities after tax attributable to security holders	-\$1,926	-63.6%
Loss from discontinued activities after tax attributable to security holders	\$0	100.0%
Net loss attributable to security holders	-\$2,032	-8.0%
	<b>Amount per security</b>	<b>Imputed amount per security</b>
Interim Dividend		
No interim dividend has been declared for this reporting period.	\$0.0000	\$0.00000
CGF has no dividend reinvestment plan currently in operation.		
Record Date	N/A	
Dividend Payment Date	N/A	
<b>Comments:</b>		
Refer to commentary in attached release.		

### **B: Cooks Global Foods Limited** **Preliminary announcement for the six months ended 30 September 2018**

Preliminary **unaudited** half **year** report on consolidated results (including the results for the previous corresponding period) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on **unaudited** financial statements.

The accounting policies used in the preparation of these financial statements are consistent with those used in the interim financial statements for the six months ended 30 September 2017 and in the audited financial statements for the year ended 31 March 2018.

The Listed Issuer has a formally constituted Audit & Risk Committee of the Board of Directors.

<b>C: Consolidated Statement of Financial Performance</b>	<b>Unaudited Sep-18 \$NZ '000</b>	<b>Up / Down %</b>	<b>Unaudited Sep-17 \$NZ '000</b>
Revenue	2,928	8.3%	2,704
Cost of sales	(552)	-13.8%	(485)
<b>Gross profit</b>	<b>2,376</b>	<b>7.1%</b>	<b>2,219</b>
<b>Operating expenses and staff costs</b>	<b>(3,777)</b>	<b>-19.2%</b>	<b>(3,169)</b>
<b>Other income</b>	<b>7</b>	<b>-91.8%</b>	<b>85</b>
<b>Operating profit before depreciation and amortisation</b>	<b>(1,394)</b>	<b>-61.2%</b>	<b>(865)</b>
<b>Depreciation and amortisation</b>	<b>(117)</b>	<b>4.9%</b>	<b>(123)</b>
<b>Operating loss</b>	<b>(1,511)</b>	<b>-52.9%</b>	<b>(988)</b>
<b>Share of net loss of associates accounted for using the equity method</b>	<b>(161)</b>		<b>-</b>
<b>Finance costs</b>	<b>(254)</b>	<b>-34.4%</b>	<b>(189)</b>
<b>Loss before income tax</b>	<b>(1,926)</b>	<b>-63.6%</b>	<b>(1,177)</b>
<b>Income tax benefit/(expense)</b>	<b>-</b>		<b>-</b>
<b>Net loss for the year from continuing operations</b>	<b>(1,926)</b>	<b>-63.6%</b>	<b>(1,177)</b>
<b>Net loss for the year from discontinued operations</b>	<b>-</b>	<b>100.0%</b>	<b>(1,297)</b>
<b>Net loss for the year</b>	<b>(1,926)</b>	<b>22.2%</b>	<b>(2,474)</b>
<b>Earnings Per Share (Cents per share):</b>	<b>(0.39)</b>		<b>(0.54)</b>

<b>D: Consolidated Statement of Financial Position</b>	<b>Unaudited Sep-18 \$NZ '000</b>	<b>Up / Down %</b>	<b>Audited Mar-18 \$NZ '000</b>
<b>Assets</b>			
Cash and cash equivalents	531		714
Trade and other receivables	1,133		2,760
Inventories	159		154
Other assets	815		616
Property, plant and equipment	323		359
Investments accounted for using the equity method	2,926		3,087
Other non-current assets	15		15
<b>Total tangible assets</b>	<b>5,902</b>	<b>-23.4%</b>	<b>7,705</b>
<b>Intangible assets</b>	<b>2,897</b>	<b>-1.7%</b>	<b>2,948</b>
<b>Total assets</b>	<b>8,799</b>	<b>-17.4%</b>	<b>10,653</b>
<b>Liabilities</b>			
Trade and other payables	5,070		4,604
Bank overdraft	1,139		1,180
Borrowings and other liabilities	4,678		4,686
Deferred revenue	1,143		-
<b>Total liabilities</b>	<b>12,030</b>	<b>-14.9%</b>	<b>10,470</b>
<b>Net assets</b>	<b>(3,231)</b>	<b>-1865.6%</b>	<b>183</b>
<b>Equity</b>			
Share capital	42,517		42,687
Accumulated losses	(45,673)		(42,535)
Foreign currency translation reserve	(7)		99
<b>Total equity attributable to equity holders of the Company</b>	<b>(3,163)</b>	<b>1360.2%</b>	<b>251</b>
<b>Non-controlling interests</b>	<b>(68)</b>		<b>(68)</b>
<b>Total equity</b>	<b>(3,231)</b>	<b>-1865.6%</b>	<b>183</b>
	<b>Cents</b>		<b>Cents</b>
<b>Total tangible assets per share (New Zealand Cents)</b>	<b>1.21</b>		<b>1.57</b>
<b>Net tangible assets per share (New Zealand Cents)</b>	<b>(1.25)</b>		<b>(0.56)</b>

<b>E: <u>Statement of Changes in Equity</u></b>	<b>Unaudited Sep-18 \$NZ '000</b>	<b>Up / Down %</b>	<b>Audited Mar-18 \$NZ '000</b>
<b>Loss for the period</b>	(1,926)	48.4%	(3,731)
Net increase in issued share capital	(170)		4,812
Foreign currency translation reserve	(106)		(656)
Non-controlling interests	-		(439)
<b>Movements in equity for the period</b>	<b>(2,202)</b>	<b>-15628.6%</b>	<b>(14)</b>
<b>Equity at start of the period</b>	<b>183</b>		<b>197</b>
Impact of change in accounting policy	(1,212)		-
<b>Equity at end of the period</b>	<b>(3,231)</b>	<b>-1865.6%</b>	<b>183</b>

<b>F: <u>Consolidated Statement of Cash Flows</u></b>	<b>Unaudited Sep-18 \$NZ '000</b>	<b>Up / Down %</b>	<b>Unaudited Sep-17 \$NZ '000</b>
<b>Loss for the period</b>	(1,926)	22.2%	(2,474)
<b>Add/(Less) non-cash items:</b>			
Depreciation & amortisation	117		517
Share of losses of associates	161		-
Share based payments	185		-
Reclassification from foreign currency translation reserve	0		-
<b>Add/(Less) movements in assets/liabilities:</b>			
Inventories	(5)		55
Trade and other receivables	325		(520)
Other short-term assets	(199)		(256)
Trade and other payables	378		1,023
Other liabilities	-		646
Assets/liabilities classified as held for sale	-		194
<b>Net cash flow from operating activities</b>	<b>(964)</b>	<b>-18.3%</b>	<b>(815)</b>
<b>Net cash flow from investing activities</b>	<b>(17)</b>	<b>92.1%</b>	<b>(215)</b>
<b>Net cash flow from financing activities</b>	<b>839</b>	<b>-63.3%</b>	<b>2,288</b>
<b>Net (decrease)/increase in cash held</b>	<b>(142)</b>	<b>111.3%</b>	<b>1,258</b>
<b>Opening bank balance</b>	<b>(466)</b>	<b>71.7%</b>	<b>(1,644)</b>
<b>Closing bank balance</b>	<b>(608)</b>	<b>-57.5%</b>	<b>(386)</b>
<b>Made up as follows:</b>			
<b>Cash and cash equivalents</b>	<b>531</b>		<b>1,172</b>
<b>Bank overdraft</b>	<b>(1,139)</b>		<b>(1,558)</b>
	<b>(608)</b>	<b>-57.5%</b>	<b>(386)</b>

**G: Material Acquisition of Subsidiaries** N/A

**H: Material Disposal of Subsidiaries** N/A

**I: Material Investment in Associate**

(a) Name of associate entity	Shanghai Yinshi Food and Beverage Management Company Limited
(b) Percentage of ownership held	20.97%
(c) Contribution to consolidated loss for the period	-\$161
(d) Date from which such contribution has been calculated	1/04/18
(e) Contribution to consolidated profit/(loss) for the previous corresponding period	N/A
(f) Date from which such contribution has been calculated	N/A
(g) Date of disposal	N/A



**J: Issued and Quoted Securities at End of Current Period**

Category of Securities Issued	Number	Quoted
<b>ORDINARY SHARES:</b>		
Total number of shares in issue	489,509,248	489,509,248
Issued during the current period	-	-

**K: Comments by Directors**

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

(a) Material factors affecting the revenues and expenses of the group for the current full year or half year

Refer to Commentary.

(b) Significant trends or events since the end of the current full year or half year

Refer to Commentary.

(c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

IFRS 15 - revenue from contracts with customers has been adopted during this reporting period. This has resulted in deferred revenue as at 30 September 2018 of \$1.143m arising from the sale of regional franchises operating Esquires Coffee stores. This revenue is no longer accounted for at the time of sale, but spread over 10 years being the term of the respective agreements. For detailed accounting policies please refer to Note 3 in the 2018 Annual Report.

(d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

Please refer to Note 3.20 in the 2018 Annual Report.

(e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

Refer to Commentary.



(signed by) Authorised Officer of Listed Issuer

14-Dec-18

(date)

**COOKS GLOBAL FOODS LIMITED**  
**SEGMENT INFORMATION**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	Continuing operations					
	Unaudited Global franchising & design \$'000	Unaudited UK franchising & retail \$'000	Unaudited Europe franchising & retail \$'000	Unaudited Supply \$'000	Unaudited Corporate \$'000	Unaudited Total \$'000
Revenue	847	1,387	720	417	(443)	2,928
Other income	-	5	-	2	-	7
Cost of inventories sold	(37)	(191)	(2)	(322)	-	(552)
Depreciation and amortisation	(15)	(81)	(18)	-	(4)	(117)
Other expenses	(827)	(1,588)	(637)	(208)	(517)	(3,777)
<b>Operating (loss)/profit for the period</b>	<b>(32)</b>	<b>(468)</b>	<b>64</b>	<b>(111)</b>	<b>(964)</b>	<b>(1,511)</b>
<b>Non-current assets</b>						
Intangible assets	62	873	482	-	1,480	2,897
Property, plant and equipment	23	247	28	2	23	323

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Continuing operations						Discontinued operations		
	Unaudited Global franchising & franchising & design \$'000	Unaudited UK franchising & retail \$'000	Unaudited Ireland franchising & retail \$'000	Unaudited Supply \$'000	Unaudited Corporate \$'000	Unaudited Total \$'000	Unaudited China franchising & retail \$'000	Unaudited Supply \$'000	Unaudited Total \$'000
Revenue	631	1,198	529	346	-	2,704	1,746	46	1,792
Other income	-	85	-	-	-	85	271	31	302
Cost of inventories sold	(96)	(96)	-	(293)	-	(485)	(804)	(11)	(815)
Depreciation and amortisation	(18)	(82)	(16)	-	(5)	(121)	(394)	-	(394)
Other expenses	(585)	(1,320)	(490)	(189)	(587)	(3,171)	(2,187)	5	(2,182)
<b>Operating (loss)/profit for the period</b>	<b>(68)</b>	<b>(215)</b>	<b>23</b>	<b>(136)</b>	<b>(592)</b>	<b>(988)</b>	<b>(1,368)</b>	<b>71</b>	<b>(1,297)</b>
<b>Non-current assets</b>									
Intangible assets	58	928	513	-	1,478	2,977	1,550	-	1,550
Property, plant and equipment	76	244	22	3	24	369	460	-	460