



NZX release

26 February 2015

**Veritas announces solid half year result, confirms 70% dividend.**

**Highlights**

- Half year revenue increase of 89 per cent.
- NPAT of \$1.7m for the half year after acquisition costs.
- Full 70 per cent interim dividend declared at 2.7cents per share.
- Nosh Food Markets business (Nosh) acquired and turnaround plan being implemented.
- Nosh General Manager, Rod de Vries appointed.
- The Better Bar Company group business (BBC) acquired. Some risk resulting from legislative changes.
- 40<sup>th</sup> Mad Butcher store opened in Nelson.
- Mad Butcher operating to plan despite supply and price pressures.
- Kiwi Pacific Foods operating above target.

Veritas Investments Limited (NZX:VIL) announces an unaudited net profit after tax (NPAT) of \$1.7m for the six months ended 31 December 2014. The result includes one-off net costs of acquiring both the Nosh and BBC businesses.

Revenue of \$27.4m for the six month period was an increase of 89 per cent from the previous year (\$14.5m) boosted by the addition of Nosh in September 2014 and BBC in late November 2014.

**Business Trading**

**Mad Butcher**

The Mad Butcher opened its 40<sup>th</sup> Store in Nelson in November 2014. The business is tracking to targets although there is some pressure from the tight supply of product and

price pressures. Wholesale red meat prices in particular have been at elevated levels and for longer peak periods, fueled by increased export demand.

As noted in the Financial Statements, Veritas has retained ownership of the Invercargill store and any sale process relating to that store has been postponed until revenues have grown. Mad Butcher also owns the Onehunga and Henderson stores which are now being actively marketed for re-sale. Ownership of stores as a transitional arrangement is a normal part of franchisor activity.

### **Kiwi Pacific Foods**

The joint venture with the Burger King franchisor Antares Restaurant Group is going well and ahead of plan. The combination of winning several new supply contracts and better procurement processes are making a positive contribution to the business.

### **Nosh Food Market**

Nosh was acquired in September 2014 and is a turn-around business that was distressed at the time of purchase and that was reflected in a purchase price below net assets. The Board is pleased with progress and the business is showing positive signs of improvement.

Rod de Vries was appointed General Manager for Nosh and commenced in January 2015. The Veritas Board says Nosh is marginally behind in its turn-around plan and expects to make a small loss in the turnaround period.

The supply logistics plan will be finalised during the next few months and that is expected to materially reduce operating costs. The customer offering has improved markedly. Nosh aims to open a new store in Pakuranga around July 2015 and has secured a high profile site on Pakuranga Road, a major arterial road directly opposite Pakuranga Plaza.

### **The Better Bar Company**

The Better Bar Company was acquired on 28 November 2014 and one month's trading has been included in the half year results. The business is immediately profitable and will be a material contributor to the Veritas Group. The Auckland metro sites are operating above plan. The Hamilton sites that were acquired by the vendors in late 2014 are operating below plan. The three Hood Street sites are all relatively new including the iconic 'Good Home' site. A marketing campaign commences in late February 2015 to launch the bar precinct which is anticipated to lift business and profile.

BBC operates in a highly regulated industry and the new drink-driving legislation that came in to force on 1 December 2014 has had an impact on the business, particularly affecting suburban areas. While a known risk, there has been a larger than expected adverse effect right across the hospitality sector and the business is closely monitoring how that settles down over time and actively working on counter strategies. The industry overall has been slow to react with low alcohol beer and wine alternatives and these industry strategies are now being brought forward.

### **Forecast**

The Veritas Board has reviewed the forecast for the full financial year ending 30 June 2015 and estimates performance at the lower end of the range as indicated in the pro-forma forecasts at the annual general meeting on 25 November 2014. The key determinants of the full year result will be the speed at which the Nosh business improves, performance of the Hamilton BBC sites and the medium term effect of the new drink-driving legislation. The Board will keep the market appraised later in the year.

### **Dividend**

The Veritas Board has declared a fully imputed interim dividend of 2.7 cents per share. This represents a dividend payout of 70 per cent of NPAT, at the top of the dividend policy range.

The record date for the interim dividend is 16 March 2015 and will be paid on 30 March 2015.

### **For and on behalf of the Board**

Mark Darrow, Chairman, Veritas Investments Limited

### **About Veritas Investments Limited**

Veritas Investments is a NZX Main Board-listed investment company focusing in the Food and Beverage sector. The shell company was formed in December 2011 and made its first acquisition of the Mad Butcher franchisor business in May 2013 through a reverse acquisition transaction. A further investment was made in December 2013 for 50% of Kiwi Pacific Foods Limited. In September 2014 Veritas acquired the Nosh Food Market business. In November 2014 Veritas acquired The Better Bar Company group business.

[www.veritasinvestments.co.nz](http://www.veritasinvestments.co.nz)

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