



NZX Release

27th January 2016

Veritas provides updated market outlook and profit guidance

The Board of Veritas Investments Limited (NZX:VIL) announces that overall trading in the second quarter ended 31 December 2015 has been disappointing and below budget, which will impact on the Group's six-month and annual results.

Accordingly, a committee of the Board is currently working with PWC as external advisers to review the operations across all VIL businesses to ensure the Group operates on a stronger and more profitable basis for the longer term.

Interim Results Update

While specific commentary is provided below for each business unit, the Group as a whole experienced highly competitive market conditions during the first half of FY16 with adverse weather conditions impacting on the second quarter results. While the interim results for the Group will be released by the end of February, subject to audit review, EBITDA¹ for the six months ended 31 December 2015 is likely to be in the range of \$3.0m-\$3.1m and Underlying NPAT² will be in the range of \$0.9m-\$1.0m.

Updated Outlook and Market Guidance

Our previous market guidance was for the Group to achieve EBITDA of \$10.5m-\$11m and Underlying NPAT of \$5.3m-\$5.5m for FY16. Given the trading results for the first six months of FY16, the Board believes it is appropriate to update the guidance for the full year to EBITDA of \$8m-\$9m and Underlying NPAT of \$3.0m-\$3.5m.

The Board has also made a preliminary assessment of the carrying values of assets and has resolved to recognise asset impairments and other writedowns of \$5.4m as a result of a number of factors. These include \$3m for the carrying value of Kiwi Pacific Foods due to uncertainty surrounding the arbitration outcome; the already announced loss on sale of the underperforming Hamilton bars of \$0.3m; the current review of unprofitable Mad Butcher stores owned by VIL and other restructuring

¹ EBITDA is earnings before interest, tax, depreciation and amortisation from continued operations excluding significant and/or non-recurring items.

² Underlying NPAT is NPAT from continued operations excluding significant and/or non-recurring items.

costs of \$2.1m.

Mad Butcher

The majority of Mad Butcher stores are trading profitably and the brand continues to be a major contributor to the Group's profitability. Currently, there are five VIL-owned stores in the network that, in spite of extensive support from the franchisor, have consistently failed to achieve budgets for a number of reasons, including location and the inability to find appropriately qualified and experienced franchisees. Two of these stores give indications of potential successful turnaround but the Board believes that the other three stores should be considered impaired assets and is considering a range of options for these stores.

Nosh

Nosh achieved profitability for the month of December although it failed to achieve budget in the preceding two months. Weekly gains are being experienced in customer traffic and VIP sign-up. Significant efforts are being made around gross margin, cost control and increasing sales and the Board is confident of a continuing track towards business profitability over the next six months. At the end of August 2015, a new store was opened in Pakuranga, Auckland, which is still in its establishment phase to build a regular and loyal client base. Also, our shareholding in Nosh Constellation Drive was sold to the existing JV partner in November 2015 to establish the second fully franchised Nosh outlet, the other being Mt Manganui.

Better Bar Company

All outlets traded profitably and materially to budget for the quarter ended 31 December 2015. We advised the market of the sale of three underperforming Hamilton bars in December, which will impact positively on the long term profitability of the Better Bar Company. Some redevelopment of existing sites is taking place to enhance the customer experience including additional space in the two high profile Viaduct Harbour outlets, Danny Doolans and O'Hagans.

Kiwi Pacific Foods

The market has previously been advised of the arbitration outcome. We also advised the market that we are appealing the arbitrator's decision, and this matter is scheduled to be heard before the Courts in the coming months. However, given the uncertain outcome of such appeal and the potential for the arbitration outcome to materially affect the NPAT results for Kiwi Pacific Foods, the Board believes it is prudent to recognise a significant impairment to the carrying value of the business whilst continuing to actively seek an outcome that retains value for the shareholders.

VIL CEO Search

The Board is continuing to actively seek a suitable candidate for the role of CEO of VIL, taking into account any considerations raised by the PWC operational review.

Interim Dividend

The Board has decided that no interim dividend will be declared for the half year ended 31 December 2015.

For further information, contact: Tim Cook
 021 764 401
 timc@corporateadvisory.co.nz

About Veritas Investments Limited

Veritas Investments is an NZX Main Board-listed investment company focusing in the Food and Beverage, Franchise and Hospitality sectors. 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