

NZX Release

28 February 2017

Preliminary results announcement for first half of FY17

Veritas Investments Limited (NZX: VIL) announces that its unaudited net profit after tax (NPAT) for the six months to 31 December 2016 increased to \$1,205,546, compared to a net loss of \$(4,815,958) in the previous corresponding period, an improvement of \$6,021,504.

The Underlying NPAT from continuing operations and before significant items (Underlying NPAT) improved by 29% to \$2,513,762 in the reporting period, compared to \$1,941,386 in the previous corresponding period. There were no significant losses in the first half of FY17 compared to \$(4,223,033) in the first half of FY16. Operating cash flow improved by 128% to \$1,833,467, from \$804,894 in the previous period.

Net revenue for the period was \$15,912,862 compared to \$19,133,865 in the six months to 31 December 2015, a decrease of 17%, due to the closure of a number of underperforming Mad Butcher stores and the sale of three bars in Hamilton. Total losses from discontinued operations were \$(1,308,216) in the first half of FY17 compared to \$(2,534,311) in the first half of FY16.

A reconciliation of the VIL Group's Underlying NPAT to its reported result complying with generally accepted accounting practice (GAAP) is as follows.

Non-GAAP to GAAP profit reconciliation	Half year ended	
	31 Dec 2016 \$000	31 Dec 2015 \$000
NPAT from continuing operations before significant items (Non-GAAP Underlying NPAT)	2,514	1,941
Significant items (net of tax):		
Litigation costs in respect of Kiwi Pacific Foods arbitration	-	(279)
Impairment of carrying value of Kiwi Pacific Foods	-	(2,750)
Impairment of carrying value of accounts receivable	-	(858)
Loss on disposal of Hamilton bars	-	(336)
NPAT from continuing operations (GAAP)	2,514	(2,282)
Trading losses of discontinued operations	(1,211)	(1,465)
Gain on sale of Constellation Drive	-	176
Loss on sale of Mad Butcher store	(73)	-
Transaction costs regarding Nosh sale	(24)	-
Impairment of discontinued Mad Butcher stores	-	(1,219)
Loss on closure of Nosh warehouse	-	(26)
NPAT (GAAP)	1,206	(4,816)

Commentary on Veritas' individual businesses is detailed below:

Mad Butcher

The market has been competitive with supply shortages creating challenges around product choice and pricing. The Board's focus is on ensuring profitability within each store and we are working closely with franchisees to support and maximise their performance. During the first half of FY17, we purchased two stores and sold one store.

The brand continues to be a major contributor to Veritas' profitability generating EBITDA¹ of \$2,132,915 in the period compared to \$1,916,933 in the previous corresponding period.

There are currently 32 Mad Butcher stores, 29 of which are franchised and three are company owned. The Board are exploring a range of options for these company owned stores.

The Better Bar Company

The Better Bar Company exceeded its targets for the period. Some redevelopment of existing sites was completed, including the creation of additional space in the two high profile Viaduct Harbour outlets in Auckland, Danny Doolans and O'Hagan's.

A focus on improving the customer experience through enhanced menu and entertainment options and good cost control has led to improved results, with the bars earning EBITDA of \$3,081,255 in the period compared to \$2,654,912 in 2015.

Nosh

Subsequent to balance date Veritas sold the Nosh business to Gosh Holding Limited on 24 February 2017, with the net proceeds of the sale used to reduce Veritas group's bank debt to ANZ. Accordingly, the results of the business have been reclassified as a discontinued operation. The half year financial statements do not include any amount for the loss on sale, which is expected to be in the range of \$2.2m - \$2.6m after tax.

Kiwi Pacific Foods

All material matters pertaining to the closure and wind up of the business will be completed by 31 March 2017.

Updated Outlook and Market Guidance

Our previous market guidance for FY17 on 1 November 2016 was for the Group to achieve Revenue of \$50m - \$55m, EBITDA of \$7.4m - \$8.0m and Underlying NPAT of \$3.0m - \$3.6m for the full FY17.

Given the reclassification and subsequent sale of Nosh as a discontinued operation, the Board is restating the guidance for the full year to Revenue of \$26m - \$31m, EBITDA of \$7.9m - \$8.5m and Underlying NPAT of \$3.7m - \$4.3m for FY17.

No interim dividend

The Board has resolved that no interim dividend will be declared for the period ended 31 December 2016.

¹ EBITDA is earnings before interest, tax, depreciation, amortisation and significant items.



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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. In November 2014 Veritas acquired The Better Bar Company group business.

www.veritasinvestments.co.nz

APPENDIX

Non-GAAP profit measures

Veritas' standard profit measure under New Zealand GAAP is net profit. Veritas has used non-GAAP profit measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, establish operational goals and allocate resources.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Veritas in accordance with NZ IFRS.

Definitions:

Underlying NPAT:

Net profit after tax from continuing operations, excluding significant items.