



November 8, 2019

PHILIPPINE STOCK EXCHANGE, INC.

PSE Tower, 28th Street cor. 5th Avenue

Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**

Head, Disclosure Department

RE: **Press Release** – Shakey’s earnings growth accelerates to 11%; Efficiency programs and softer input prices boost margins; Systemwide sales up 9% in 9M19

Please be informed that Shakey’s Pizza Asia Ventures Inc (PIZZA) is issuing the attached press release entitled “Shakey’s earnings growth accelerates to 11%; Efficiency programs and softer input prices boost margins; Systemwide sales up 9% in 9M19.”

Very truly yours,

GIOVANNA M. VERA

Head – Investor Relations



Shakey's earnings growth accelerates to 11%

Efficiency programs and softer input prices boost margins

Systemwide sales up 9% in 9M19

Shakey's Pizza Asia Ventures Inc (PSE: PIZZA), the Philippines' leading chained full-service restaurant, saw net income grow 11% year-on-year during the first nine months of 2019. This was a pick-up from the 5% growth registered at the end of June, driven primarily by better margins from improved efficiencies and lower costs. The Company also saw higher sales due to new store openings and the consolidation of *Peri-Peri Charcoal Chicken* beginning June 1, 2019.

For the nine month period ending September 2019, total net income stood at Php594 million, compared to Php535 million during the same period last year. EBITDA and operating income stood at Php1,136 million and Php905 million, respectively, up from Php1,004 million and Php799 million the year before.

In terms of margins, PIZZA saw an expansion of 100bps in EBITDA and 70bps in operating income due to the lower prices of key raw materials relative to same period last year. Cost-control and efficiency programs have also borne fruit with the Company embarking on a "Fit for Growth" strategy towards the end of 2018.

In the third quarter alone, EBITDA and operating margins were up by 220bps and 190bps respectively, coming from their lows in Q3 2018 during the peak of cost pressures and inflation in the Philippines.

All in all, net margins saw an increase of 40bps year-to-date, ending at an industry-leading level of 10% as of end September 2019.

"We are pleased with the results of our initiatives to trim down unnecessary expenses and run a leaner, tighter ship. Year-to-date, raw materials have also moved in our favour adding extra upside to our margins. Nonetheless, we are bracing ourselves for a more challenging year-end with some of our main input costs on an upward trend," said President and CEO Vicente Gregorio.

In terms of topline, systemwide sales - a combined measure for both company-owned and franchised stores - grew by 9% for the period ending September 2019. Total sales stood at Php7.4billion, compared to Php6.8billion a year ago, due to the new store openings in second-tier cities - in line with the Company's push to expand in under penetrated areas of the country.

Same-store sales growth (SSSG), however, remained flat with PIZZA withholding from raising prices during the latest nine-month period. Competition - particularly in the delivery space - has also heated up.



“Same-store sales remain challenged by promotion-heavy programs of various industry players. We are also lacking this year the positive SSSG impact of price increases, which had contributed close to half of same-store sales growth in previous years. Nonetheless, we believe this is a short-term phenomenon and remain optimistic about the long-term prospects of food service in the Philippines,” said Gregorio.

He added, “We will continue to open new stores, especially in second tier cities where we are still seeing many opportunities. For Peri, we are quite encouraged by the market’s reception and will be more aggressive in opening stores to meet unserved demand.”

The three month period ending September saw the first full quarter of consolidation for newly acquired *Peri-Peri Charcoal Chicken* (“Peri”), an emerging fast casual and full service restaurant chain in the Philippines.

PIZZA acquired the brand last June 1, 2019, giving the Company an additional 23 stores and a new brand platform for growth. Since then, it has opened 2 more Peri outlets and plans to open an additional 6 before year-end.

All in all, the Company is looking to close 2019 with a total of 282 outlets, comprised of 31 Peri stores and 251 Shakey’s both locally and internationally.

“Despite a slower start to the year, we are relieved to see growth pick-up, specifically for earnings. We are however expecting cost headwinds coming into the last quarter, and will focus on addressing these short-term challenges head-on,” said Gregorio.

He added, “More importantly, we will continue developing the long-term fundamentals of our business - investing in our brands, investing in our people, and investing in our stores - as we strive to meet the Filipinos’ continuing need for an affordable yet WOW-ing dine out option.”

About PIZZA:

Shakey’s has been creating over 40 years of great times and great memories. Shakey’s is one of the leading operators of Fast Casual Restaurants in the Philippines, focused on family casual dining. It maintains market leadership in both the chained pizza full-service and chained full-service restaurant categories. Shakey’s believes its superior value arises from its differentiated menu offerings, high-quality products, and a mission to consistently provide great times and great memories to every Shakey’s guest. Peri is an emerging fast casual and full service restaurant brand in the Philippines. Its mainstay is charcoal-grilled chicken, marinated for 24 hours, served with an assortment of unique sauces to choose from. Over the last few years, the business has demonstrated consistent profitability, brand strength, and robust growth in both system wide sales and store count.



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