



June 1, 2020

**PHILIPPINE STOCK EXCHANGE, INC.**

PSE Tower, 28<sup>th</sup> Street cor. 5<sup>th</sup> Avenue

Bonifacio Global City, Taguig City

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

Head, Disclosure Department

**RE: Press Release – Shakey’s strong 2020 start dampened by store closures in mid-March; First quarter sales end flat while net income drops 35% year-on-year**

Please be informed that Shakey’s Pizza Asia Ventures Inc (PIZZA) is issuing the attached press release entitled “Shakey’s strong 2020 start dampened by store closures in mid-March; First quarter sales end flat while net income drops 35% year-on-year”

Very truly yours,

GIOVANNA M. VERA

Head – Investor Relations



## **Shakey's strong 2020 start dampened by store closures in mid-March; First quarter sales end flat while net income drops 35% year-on-year**

Shakey's Pizza Asia Ventures Inc (PSE: PIZZA), the Philippines' leading chained full-service restaurant, ended the first quarter with systemwide sales flat versus same period last year, with its strong 2020 start dampened by store closures in mid-March due to the implementation of Enhanced Community Quarantine (ECQ) in the Philippines.

The Company posted systemwide sales growth of 21% in January and February, prior to the ECQ, driven primarily by same store sales growth of 7%, the continued expansion of Shakey's outside Metro Manila, and the consolidation of *Peri-Peri Charcoal Chicken* ("Peri") in June 2019.

Beginning mid-March however, the Company was forced to temporarily suspend operations of majority of its stores due to mall closures, limited public transportation, and the presence of checkpoints following various quarantine guidelines. Store operating policies and procedures were also updated and redeployed in order to ensure the health and safety of both employees and guests amidst the ongoing COVID-19 pandemic.

PIZZA's President and CEO Vicente Gregorio said, "Health and safety remain paramount and, as a result, we've revisited every aspect of our operations to ensure that the necessary procedures and protocols, as aligned with World Health Organization (WHO) recommendations, are properly implemented and put into place. We also made several operating adjustments - including limiting our menu, shortening store hours, as well as reducing and reshuffling our workforce - in order to support our delivery and carry-out businesses amidst the quarantine period's various restrictions."

During the second half of March, the Company only had 9% of its network operational out of a total of 280 outlets - comprised of 249 Shakey's and 31 Peri stores - servicing delivery and carry-out. As a result, PIZZA ended the quarter with systemwide sales of Php2.3 billion, similar to same period last year, and a net income of Php114 million, down 35% year-on-year.

"The temporary closure of a significant number of our stores, combined with the impact of operating leverage and various fixed costs, dampened our bottom line during the period. We expect the second quarter to be worse, possibly the most challenging I've experienced in my career, as we feel the full effects of limited operations and incremental costs due to the crisis," said Gregorio.

He added, "Nonetheless, we have made significant progress gradually re-opening our stores to cater to both delivery and carry-out. Today, almost all of our stores have re-opened, with each one implementing the necessary physical distancing measures and WHO guidelines."

256 Shakey's and Peri outlets have currently re-opened, representing 91% of the Company's total store network. Under revised operating procedures, each unit undergoes intensified safety audits, regular sanitation, as well as temperature checks for both guests and staff. Safety signage and an assigned Health & Safety Officer have also been put into place in each of PIZZA's stores.



Gregorio said, “We are grateful that our multi-channel and multi-format approach, institutionalized even before this pandemic, has allowed us to weather through the challenges with greater flexibility. We were able to re-open stores located outside malls early into the quarantine period, and our existing delivery and carry-out platforms gave us a strong base from which to build and support the growth in in-home food consumption. All these, I believe, put Shakey’s in a good position to bounce back, macro environment permitting.”

Last year, 37% of the Company’s systemwide sales were generated via delivery and carry-out. During the first quarter, this metrics was similarly at 37% of total sales. Dine-in saw good performance during the early part of the year, but quarantine restrictions have since disallowed dining inside the stores.

PIZZA outlets outside malls represented 46% of its overall store network as of end March 2020.

The Company also continues to prioritize its strong cash and liquidity position. It earlier announced cutting its original CAPEX budget by 70%, as well as taking action to reduce unnecessary overhead costs and manage working capital spend. It will also be suspending its 2020 new store openings for now.

“Beyond the ongoing short-term disruptions, we believe that the long-term structural story of the Philippine restaurant space remains intact. We are however taking a more prudent approach over the next few months, observing how consumer behavior and trends will evolve as various lockdowns lift, as well as what the pandemic’s effects will be on the broader economy. In the meantime, we will continue to enhance and invest in existing delivery, digital, and carry-out platforms - building on what we have, as well as introducing new and exciting innovations. We embrace the challenge this pandemic has brought about and look forward to strengthening and evolving as a company to one that can continue to outperform in a new post-COVID world,” said Gregorio.

#### 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 cast 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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