



August 12, 2020

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 posts Php290 million net loss in the first half; Sales decline by 31% as dine-in restrictions offset strong delivery and carryout demand

Please be informed that Shakey’s Pizza Asia Ventures Inc (PIZZA) is issuing the attached press release entitled “Shakey’s posts Php290 million net loss in the first half; Sales decline by 31% as dine-in restrictions offset strong delivery and carryout demand”

Very truly yours,

A handwritten signature in black ink, appearing to read "Giovanna M. Vera", is written over a light blue horizontal line.

GIOVANNA M. VERA

Head – Investor Relations



Shakey's posts Php290 million net loss in the first half; Sales decline by 31% as dine-in restrictions offset strong delivery and carryout demand

Shakey's Pizza Asia Ventures Inc (PSE: PIZZA), the Philippines' leading chained full-service restaurant, ended the first half of 2020 with a Php290 million net loss, a reversal from the Php389 million net income recorded during the same period last year. This was driven primarily by a 31% decline in overall sales, owing to the disruptive impact of the COVID-19 pandemic and strict quarantine measures locally.

The Philippines remains under one of the strictest lockdowns in the world which, at its peak, forced the temporary closure of 91% of the Company's overall store network at the end of March. Quarantine measures have since eased and almost all of PIZZA stores have reopened as of end of June.

267 Shakey's and Peri stores, representing 95% of the Company's total store network, were up and running by the end of the quarter.

For most of the three-month period however, outlets that were operational were subject to shortened hours and limited to delivery and carry-out only. Dine-in largely resumed in June, though at limited capacity and subject to ongoing review of government-mandated quarantine measures.

Nonetheless, lost dine-in sales were partially offset by stronger demand for delivery and carryout which saw record-breaking sales in the last few months. Prior to COVID, the Company already benefitted from a strong out-of-store presence through its own in-house delivery fleet as well as third party aggregators. Combined delivery and carryout accounted for close to 40% of PIZZA's systemwide sales in 2019.

Today, considerable investments in delivery and digital platforms, alongside a well-recognized and much-loved brand, provide Shakey's the much-needed edge in this challenging environment.

Vicente Gregorio, PIZZA's President and Chief Executive Officer, said, "In both Shakey's 45 years in the Philippines and my own multi-decade career in this industry, what we are facing today are perhaps the most challenging times. Nonetheless, there remain a number of bright spots, foremost of which is our core product pizza, which is the quintessential delivery and carry-out product. In addition, our multi-sales channel and multi-store format approach, alongside our industry-leading margins, are giving us the much needed flexibility to weather through this crisis. We are hopeful that the worst is now behind us."

As of end-2019, 45% of PIZZA's stores were located outside of malls – either as free-standing stores, delivery hubs, or in-gasoline station outlets. Full year last year, the Company posted EBITDA margins of close to 24%, well-above the industry standard.

In the six months ending June however, profitability was dragged down by fixed operating costs, at both the stores and head office, amidst lower sales. The Company also incurred one-off charges resulting from various streamlining and efficiency initiatives that are meant to permanently improve cost-structures moving forward. The effects of these initiatives are expected to kick-in beginning second half of the year and benefit all succeeding periods.



In total, the Company posted a net loss of Php290 million during the first six months of 2020, inclusive of one-off costs of Php123 million. Excluding non-recurring expenses, net loss for the period stood at Php167 million.

Gregorio said, “In the short term, our industry-leading margins, access to credit, strong presence in the home, and market-leading brand will be the key components of our tool kit. In spite of continuing lockdowns, we are looking to hit cash breakeven in the second half and should be on our way to recovery by 2021. At the same time, we will continue to enhance our existing delivery, digital, and carry-out platforms, and roll-out new and exciting innovations across our various sales channels.”

Since the start of the pandemic, Shakey’s has launched a number of new offerings including curbside pick-up, al-fresco dining, Peri co-branded locations, and a vegetarian pizza for the more health-conscious consumer. It is also looking to opportunistically expand its smaller store formats, including ghost kitchens and delivery hubs.

At the same time, the Company continues to prioritize a strong cash and liquidity position reducing its CAPEX budget by at least 60% and cutting annual dividend payments from Php0.10 a share to Php0.01 a share this 2020.

Lastly, as the current health crisis persists, the health and safety of both workforce and guests remain paramount. Strict sanitation and safety procedures, exceeding minimum requirements of key health organizations, have been rolled out across all Shakey’s and Peri stores. More recently, the Company partnered with a leading pharmaceutical and healthcare provider to help with the long-term adoption of occupational safety and health measures in all work places.

“Despite the challenges our business and the broader restaurant industry is facing, we remain optimistic about the future and are now readying ourselves to better compete in the so-called ‘new normal’. Adjustments and improvements are being made, while our tried and tested formula of wow-ing culture and guest centricity will remain at the core of what we do. Shakey’s Philippines is no stranger to crises, and while very different and more serious than anything the Company has faced, I am confident that this new test will make us ---- our team and our brands ----- only stronger and better than before,” 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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