



Market Release

26th August 2014

Veritas delivers on Full Year Profit and declares Increased Dividend

Veritas Investments Limited (“Veritas”), which acquired the Mad Butcher business in May 2013 and a 50% share in Kiwi Pacific Foods in December 2013, is pleased to report its full year EBITDA¹ of \$6.3m and net profit after tax (NPAT) of \$4.3 million, in line with earlier market guidance and the forecast in the Investment Statement dated 28 March 2013. Veritas confirms a fully imputed full year dividend of 8.16 cents per share (\$3.047 million), resulting in a final dividend payment of 4.22 cents per share. This represents an 11% increase on the forecast full year dividend.

This result was achieved on the basis of a different contribution across business units to that set out in the FY2014 forecast, due to slower than anticipated sales in the Mad Butcher business over an unseasonal summer period, which were offset by a positive contribution from the Kiwi Pacific Foods joint venture interest.

Mad Butcher Results

“We were particularly pleased with the last quarter’s results from the Mad Butcher business following a difficult summer trading period. As previously mentioned it has been a tough retail environment, with protein shortages and increased competition from supermarkets. By adapting our marketing approach and quickly taking advantage of opportunities resulting from market changes that opened up pork supply, we were able to deliver value to our customers, helping to drive sales for the franchise stores and finishing the year off strongly.” commented Mad Butcher CEO Michael Morton.

Gross margin for the year ended 30 June 2014 was \$7.8m versus the prior year of \$7.4m. Whilst the protein shortages in red meat drove pricing up and changed customer purchasing habits meant that carcass revenue was down on forecast, rebate income from white meat was up, partially offsetting the gross margin impact on this. The slower than expected summer trading and delays in new store openings did result in the gross margin being lower than forecast.

¹ EBITDA is a non-Generally Accepted Accounting Practice (GAAP) performance measure and represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation, including EBITDA contribution from its Joint Venture. A reconciliation of EBITDA to NPAT for the year ending 30 June 2014 is included in Appendix 1 of this release.

Three of the four planned stores were opened in the year, the fourth in Nelson has been delayed to November 2014 due to building consent delays.

The Mad Butcher business contributed \$6.3 million EBITDA (\$4.2 million NPAT) to the group for the financial year.

Kiwi Pacific Foods

Our new investment in Kiwi Pacific Foods has already started to contribute positively to the Group contributing \$0.25m after tax for the seven months and we will now build on those results and look for growth in export markets in the years ahead. The business is tracking to plan. We are enjoying working with our Joint Venture partner Antares Restaurant Group who hold the New Zealand Burger King franchise.

Dividend

In line with the interim dividend in February 2014 the Board has now approved increased fully imputed full year dividend payments of 70% of NPAT resulting in a full year dividend of \$3.047m. This is an 11% increase on the forecast full dividend of \$2.66m.

The record date for the final dividend will be 12 September 2014 and payment date will be 26 September 2014.

Chairman Mark Darrow commented "After a difficult mid part of the year we were very pleased at how strongly the Mad Butcher business finished the year, as well as the initial contribution from Kiwi Pacific Foods that saw us achieve the profit levels outlined in our capital raising prospectus. It has been very satisfying for the Group to achieve the last two years of forecasted results and I thank management and my fellow Directors for all their hard work."

The Year Ahead

Darrow concluded "The Board has completed a lot of work around Investment Strategy and acquisition activity is positive with new opportunities frequently being presented. Our focus is adding other food service related businesses to the Group. Earlier in the year we appointed a CFO, Adrienne Roberts, previously CFO of Charlie's Group to ensure that we have the right level of resources to continually appraise and evaluate acquisition opportunities as they come along and ensure that we are selective with what we bring in to the Group.

We will update the market if and when any opportunity is realised."

At this stage, no guidance on the expected FY15 result will be made to the market. A more detailed presentation will be made at the Shareholders Annual General meeting, scheduled for 5th November 2014.

About Veritas Investments Limited

Veritas Investments is an NZX-listed investment company focusing in the Food and Beverage sector. 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. Veritas continues to look for additional acquisitions in the food, beverage and franchise sectors.

Mark Darrow
Chairman, Veritas Investments
+64 21 88 88 58

Michael Morton
Chief Executive, Mad Butcher
Director, Veritas Investments
+64 21 725 458

Appendix 1

Reconciliation of EBITDA to NPAT from Continuing Operations

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

EBITDA: Earnings before interest, taxation, depreciation and amortisation

GAAP to non-GAAP profit reconciliation

	30 June 2014	30 June 2013	Forecast
EBITDA	\$000	\$000	2014 \$000
Reported net profit from continuing operations (GAAP)	4,489	(847)	4,244
Add back:			
Non-trading transaction impact	-	4,801	-
Tax	1,709	1,771	1,907
Depreciation and amortisation	100	102	47
Interest expense/(income)	(5)	110	-
Other	-	(31)	-
EBITDA	6,293	5,905	6,198

Appendix 2

Final Dividend Table

APPENDIX

Veritas Investments Limited

Final Dividend for 30 June 2014	30 June 2014	Forecast 2014	Change	30 June 2013
NPAT	4,353,419	4,244,200	3%	(847,341)
No of shares	37,342,332	34,599,857	8%	34,599,857
Ratio to net profit	70%	60%		0%
Full dividend	3,047,393	2,546,520	20%	-
Full dividend per share	0.0816	0.0736	11%	0.0000
Interim dividend (paid 28 March 2014)	1,471,288	1,170,000	26%	-
Interim dividend per share	0.0394	0.0338	17%	0.0000
Final dividend payment (payable 26 September)	1,576,105	1,376,520	14%	-
Final dividend payment per share	0.0422	0.0398	6%	0.0000

Final dividend will be fully imputed