



27 June 2023



VSA Daily Consumer Comment

Cooks Coffee Company (CCC NZ/COOK ASE)#

FY23 Results

Cooks Coffee Company (CCC) announced its FY23 results on 20 June. Revenues of NZ\$6.6m (£3.4m) were down 10%, which reflects the Group's revenue recognition policies and timing of store openings, as well as the challenging consumer backdrop. The delay in store openings meant that capital related non-recurring revenues declined 30% to NZ\$2.9m (£1.4m). Positively, however, franchised store sales are up 24%, alongside 15% growth in recurring revenues. Despite the decrease in revenue, the group delivered an adj.EBITDA of NZ\$0.75m (£0.4m).

Steady progress against the well documented headwinds

CCC has delivered encouraging results given the circumstances, and the underlying performance of the outlets remains positive; evidenced by the strong growth in franchised store sales and recurring revenue. Over the year, CCC opened 16 new stores and closed 15, bringing the total to 84 stores in the UK/Eire. While this is slightly behind previous estimates, several store openings were moved into the current year, due to the effects of supply chain disruptions in Q3/4. Reassuringly, these headwinds appear to be easing and a conversion of the strong pipeline should materialise in FY24. This should solidify the Group's positioning as the 4th largest coffee focused café chain in the UK.

Profitability impacted; roadmap to margin expansion evident

Over the year, the group saw its gross margin expand by 5%pts to c85%, which helped drive a positive adj.EBITDA of NZ\$0.75m (£0.4m). On a reported basis, however, PBT was down from NZ\$(0.2)m to NZ\$(3.3)m. This was primarily driven by impairment of goodwill (NZ\$2.5m) and impairment loss on receivables (NZ\$0.5m). The former is associated with the Triple Two business; a mixture of poorer trading results in FY23 (due to the slowdown in store openings vs forecasts) has resulted in a revision to forecasts to reflect a more conservative new store opening schedule in FY24.

Outlook; positive signs going into FY24

The group has started FY24 well; an additional 5 stores have been opened in the UK and Ireland post year end with further store openings planned (5 planned in June alone). This is in line with the long-term strategy, which centres around building on the existing network, augmented by potential synergistic acquisitions/vertical integration. The dual listing on Acquis in Nov'22 and appointment of Elena Garside, the 1st UK based NED, will further support the group wide long-term ambition. On a going concern basis, the Directors have noted that CCC has the ability to meet its cash commitments for the foreseeable future and have established mitigating actions should the backdrop worsen. Management projects a positive cash inflow of NZ\$0.6m in FY24. Additionally, the group has a track record of obtaining financial support from corner stone investors and related parties.

Please note that Alex Estefanous has assumed coverage of the stock and intends to publish an updated recommendation and forecasts in due course.

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Stock Information

Stock	BBG TKR	Exchange	Currency	Mkt Cap (m)	Last Close (p)	Rec	TP	Date of Recommendation
Cooks Coffee Company Ltd#	CCC NZ	NZSE	NZ\$/c	15.7	0.003	UR	n/a	27/06/23
	COOK LN	AQSE	£/p	7.6	0.21			

NOTE: #VSA house stock. **SOURCE:** Eikon, VSA Capital estimates. Pricing as of last close.

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Equities breakdown: 27/06/23	BUY	SPEC BUY	HOLD	SELL
Overall equities coverage	84%	16%	0%	0%
Companies to which VSA has supplied investment banking services	100%	100%	n/a	n/a