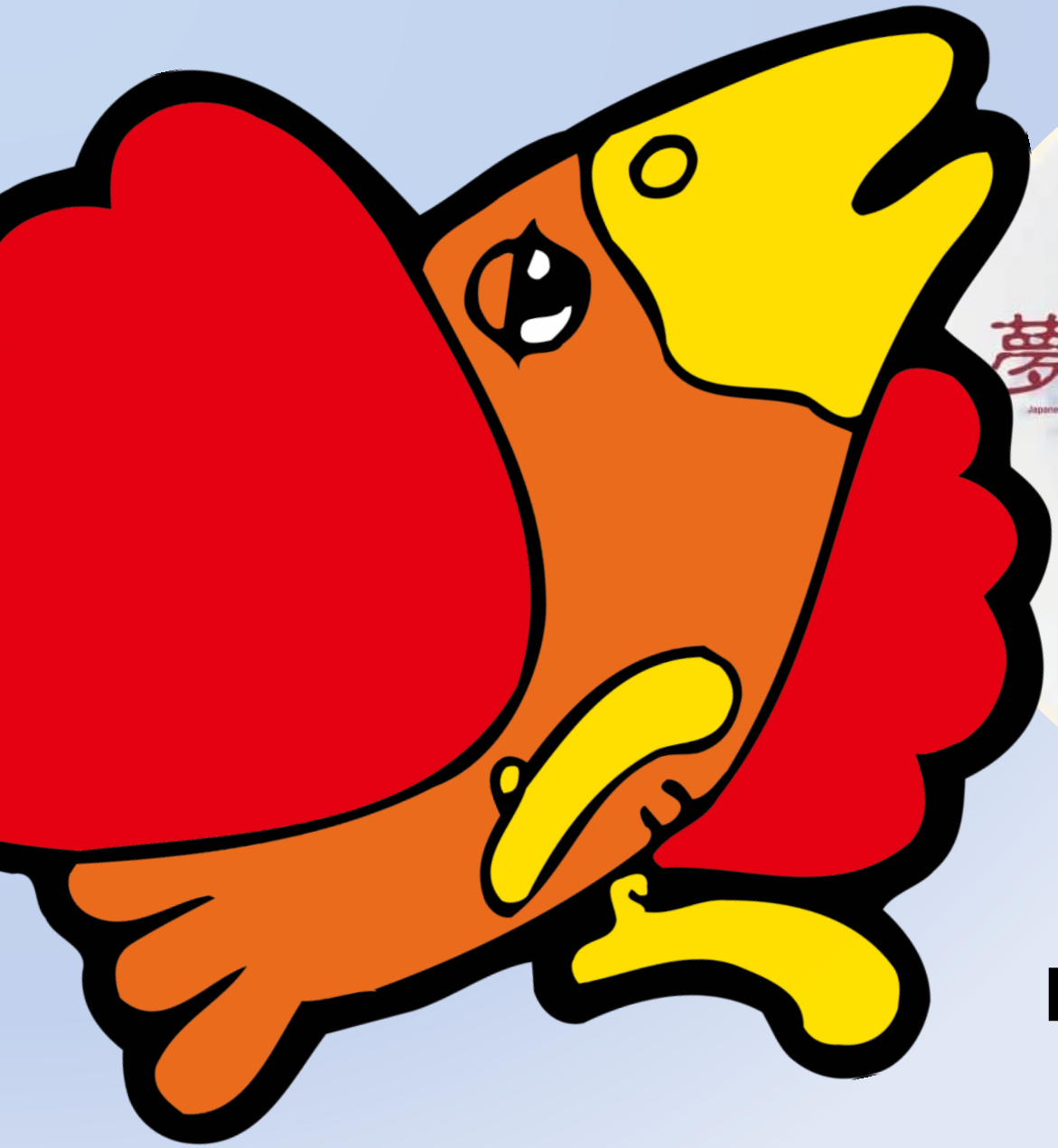




Skylark Co., Ltd.

FY 2017 First Quarter Financial Results

May 10, 2017

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Executive Summary

◆ Achieved YoY increase in sales and operating profit

- ■ Sales +1.3% YoY
- ■ Same Store Sales +0.5% YoY
- ■ Operating Profit +2.1% YoY
- ■ Adjusted Net Income +12.4% YoY

◆ Maintain our annual earnings targets

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Q1 2017 YTD Highlights

	2017 Q1	%YoY
Sales	88.1bn	+1.3%
SSS Growth	+0.5% YoY	—
Operating Profit	6.3bn	+2.1%
Adjusted EBITDA*	10.1bn	(0.9)%
Adjusted Net Income*	3.7bn	+12.4%
Adjusted ROE*	17.3%	+1.2%
Store Footprint	Remodeling 95, Brand conversions 11, New openings 14	

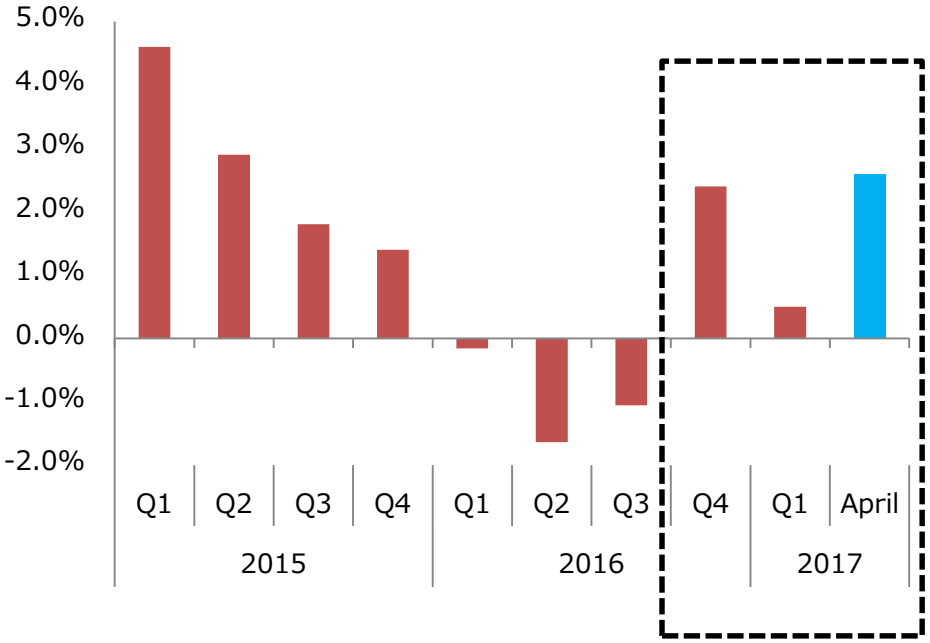
Note:
Adjusted EBITDA=EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing.
Adjusted Net Income = Net income + Advisory fee in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering -related expenses (including special bonus for initial public offering) + Amounts associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments.
The BCPL management agreement represents the former management agreement between the Company and Bain Capital Partners LLC.
Adjusted ROE is for the last 12 months.

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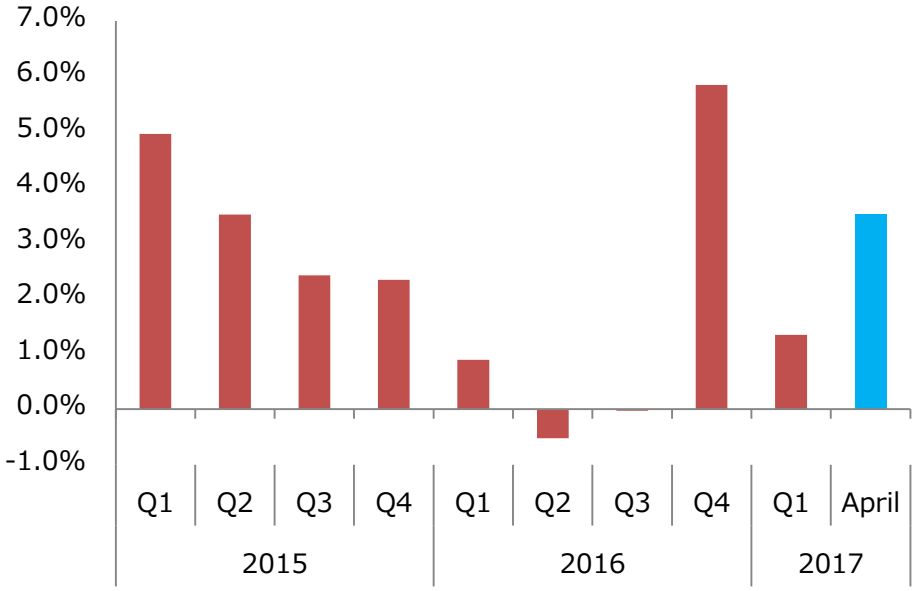
YoY Sales

Return to positive same store sales

Same Store Sales
(%YoY)

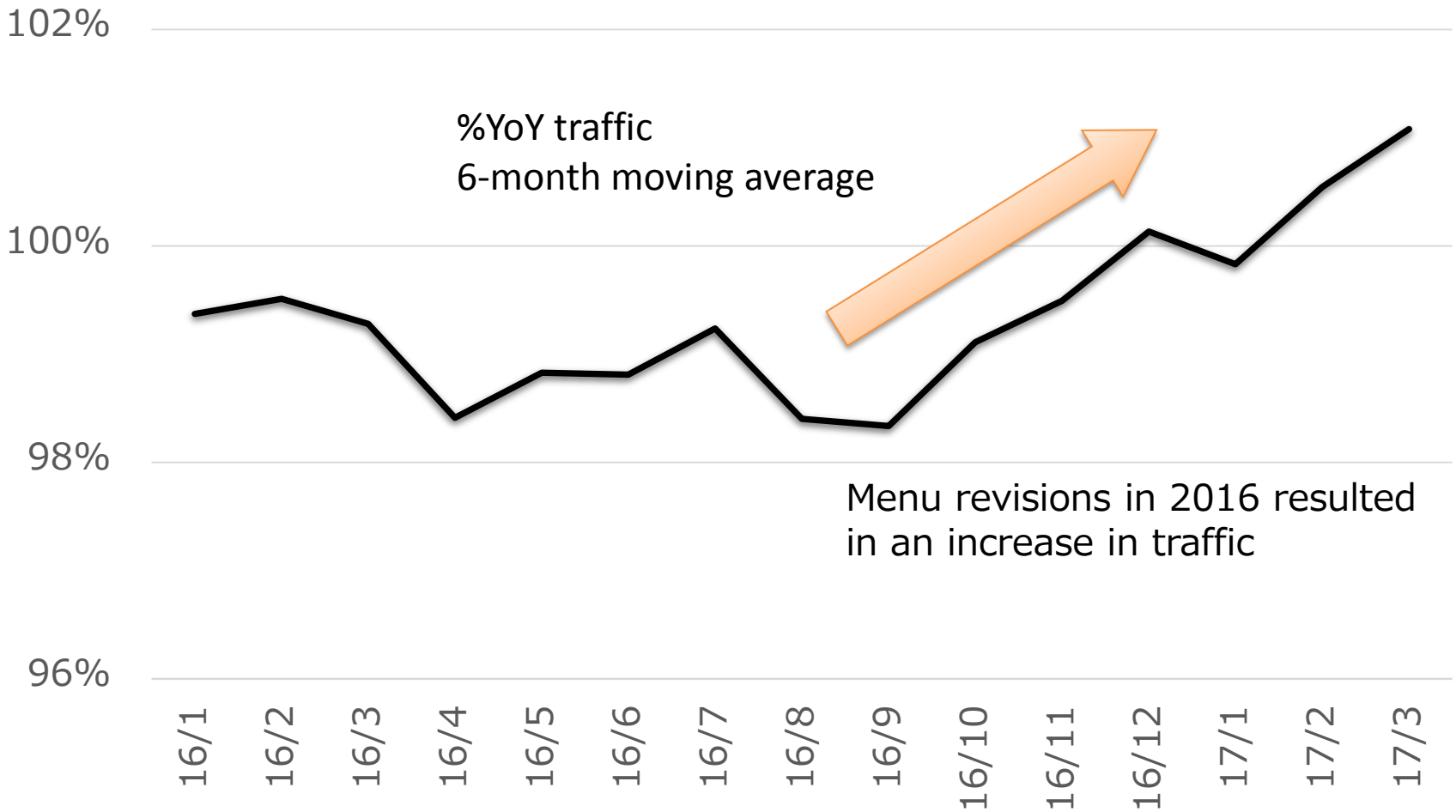


Consolidated Sales
(%YoY)



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Gusto – Strong Traffic Recovery Since Menu Revisions in 2016



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SSS Growth: Menu Innovation Strategy

Expand Variety of Side Menu Items and Promote Menus Enhancing Experience





Increase Party Menus Options



Limited-time offer Menus with Premium Ingredients



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Enhancement of Existing Store: Promotions

Improve marketing/promotion efficiency

- Cross brand promotions
- 1 to 1 marketing
- Improved customer engagement (animation and interaction)





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Acceleration in New Store Openings: Progress on Target

- 14 new openings in Q1
- 24 new openings in Jan-April
- Over 100 new openings are expected in FY2017

# of store openings plan in 2017: 100

Contracts competed and internally approved:
More than 80 locations

+

Basic conditions of contracts agreed: 20 locations

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Restaurant Development: Specialty Brands

	Number of Restaurants End-2016	2017 Jan-April New	2017 Jan-April Conversions	Number of Restaurants End-April 2017
しゃぶ葉	147	8	4	159
じゅうじゅうカルビ Jyu-Jyu Karubi	62	1	3	66
和ごはんとカフェ chawan	8	2		10
むさしの森珈琲	5		4	9
とんから亭	3	2	2	7
Café レストラン ガスト / バーミヤン / 夢庵 / うどん・天ぷら・定食 ゆめあん食堂 / とんかつ かつ久		11	5	
Total		**24**	**18**	

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Acceleration of New Store Openings: Response to Various Demands

Roadside

Tonkara-Tei



Opened: Apr 2017
- Hiroshima kasumi-cho
- Ishioka (Ibaraki)
- Machida (Tokyo)
- Tottori

Musashinomori Coffee



Opened: Mar 2017
- Hiratsuka (Kanagawa)

Opened: Apr 2017
- Mitsuzawa (Kanagawa)
- Kawaguchi (Saitama)
- Tokorozawa (Saitama)

Station-front

Yumean Dining



Opened: Feb 2017
- Tachikawa Station (Tokyo)

Small-sized Bamiyan



Opened: Feb 2017
- Zoushiki Station-front (Tokyo)

Shopping Centre/In-station

chawan



Opened: Mar 2017
- Ecute Tachikawa (Tokyo)
- Aeon Mall, Shinkomatsu (Ishikawa)

Private rooms added for larger groups

Yumean



Opened: Mar 2017
- Kamoi station (Kanagawa)

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Human Resource Strategy

■ Enhance recruitment and retention of employees

✓ Increase number of new graduates hiring as full-time employees

2016:172, 2017: 193, 2018 plan: 235

✓ Increase number of part time employees

2017 Jan-April total:+10%YoY

- Proactively hiring people who have previous work experience with Skylark group
- Develop systems to match needs of applicants and employees
- Establish friend referral system using web and SNS
- Adopt registration system which enable part time staff to work additional hours

■ Working style reforms

✓ Shorten late night operating hours to improve retention

✓ Certified as Health and Productivity Management Organization by METI Program

✓ Introduce Variable Working Hours System

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Finance Part

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Key Financials for Q1

Key Financial Indicators	Unit	Q1 2017 Actual	Q1 2016 Actual	Q1 Variance	Q1 % of change
Company Sales	Bn JPY	88.1	87.0	+1.2	1.3%
Same Store Sales Growth *1	%	0.5%	(0.2)%	+0.6%	-
Guest Count	%	*(1.2)%*	*(1.1)%*	*(0.1)%*	-
Average Ticket Price	%	*1.6%*	*0.9%*	*+0.7%*	-
Gross Margin rate	%	69.8%	69.7%	+0.1%	-
Operating Profit	Bn JPY	6.3	6.1	+0.1	2.1%
(% of Sales)	%	7.1%	7.1%	+0.0%	-
Adjusted EBITDA	Bn JPY	10.1	10.2	(0.1)	(0.9)%
(% of Sales)	%	11.5%	11.8%	(0.3)%	-
Adjusted Net Income	Bn JPY	3.7	3.3	+0.4	12.4%
(% of Sales)	%	4.2%	3.8%	+0.4%	-
EBITDA	Bn JPY	9.6	9.6	(0.0)	(0.2)%
Net Income	Bn JPY	3.7	3.3	+0.4	12.1%
Quarterly EPS	JPY	19.10	17.05	+2.05	12.0%
Diluted Quarterly EPS	JPY	18.94	16.90	+2.04	12.1%
ROE *2	%	17.3%	15.2%	+2.1%	-
Adjusted ROE *2	%	17.3%	16.1%	+1.2%	-

*1 Definition of Same Store Sales: 13month existing stores/including brand conversion/including Delivery GC (calculated by Delivery Sales divided by the average Eat In ATP)

*2 ROE/Adjusted ROE : LTM base. Not audited numbers.

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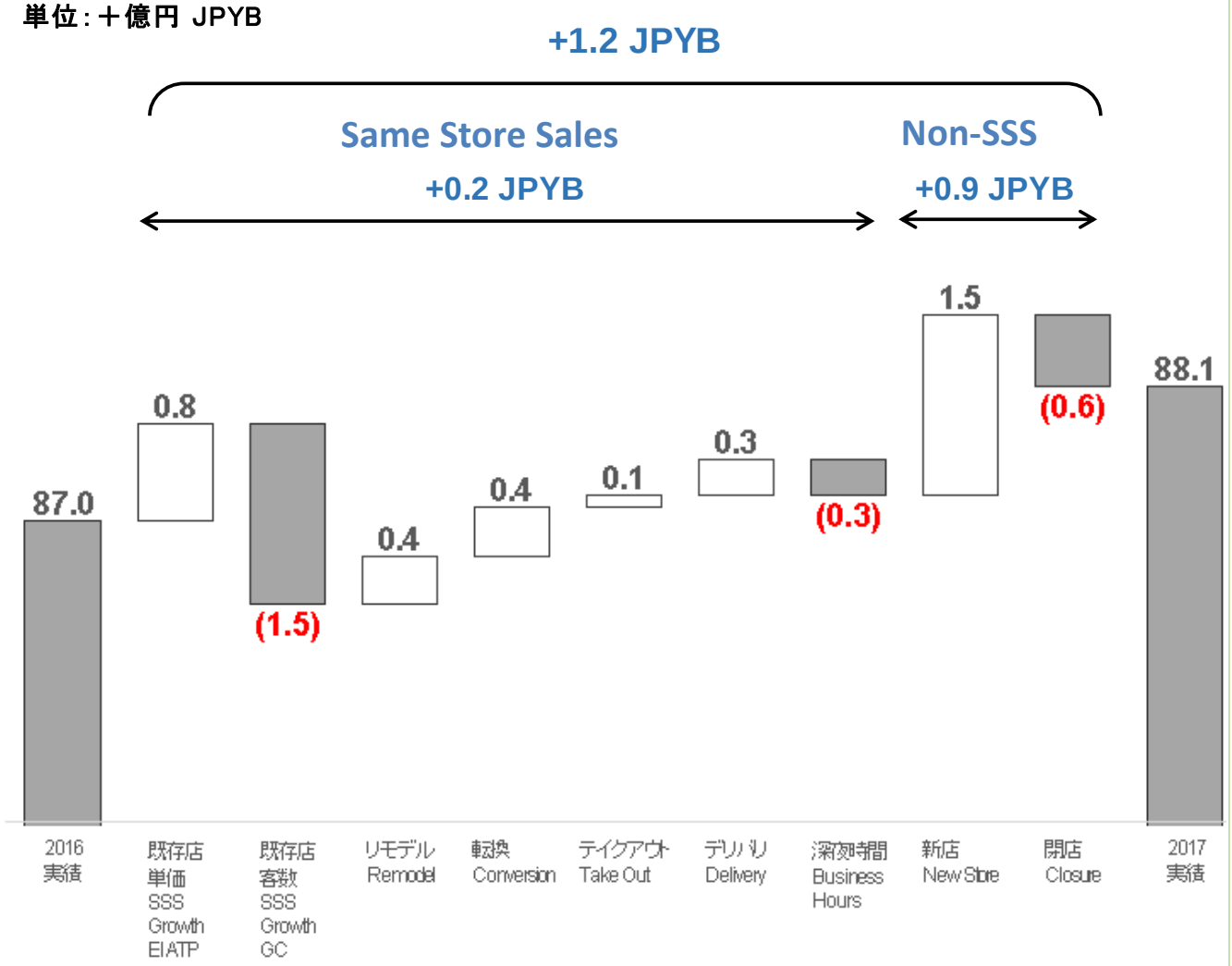
PL Summary for Q1

	Q1 2017		Q1 2016		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	% Sales
Sales	88.1	100.0%	87.0	100.0%	1.2	101.3%
COGS	26.6	30.2%	26.4	30.3%	(0.3)	101.0%
Gross Margin	61.5	69.8%	60.6	69.7%	0.9	101.5%
SG&A	55.2	62.7%	54.4	62.6%	(0.8)	101.4%
Operating Profit	6.3	7.1%	6.1	7.1%	0.1	102.1%
Financing Cost	(0.6)	(0.7%)	(0.7)	(0.8%)	0.1	91.3%
Profit Before Tax	5.6	6.4%	5.4	6.3%	0.2	103.5%
Tax Expense	1.9	2.2%	2.1	2.4%	0.2	89.8%
Net Income	3.7	4.2%	3.3	3.8%	0.4	112.1%
EBITDA	9.6	10.9%	9.6	11.1%	(0.0)	99.8%
Adjusted EBITDA	10.1	11.5%	10.2	11.8%	(0.1)	99.1%
Adjusted NI	3.7	4.2%	3.3	3.8%	0.4	112.4%

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Q1 2017 vs. Q1 2016 : Sales

単位：＋億円 JPYB

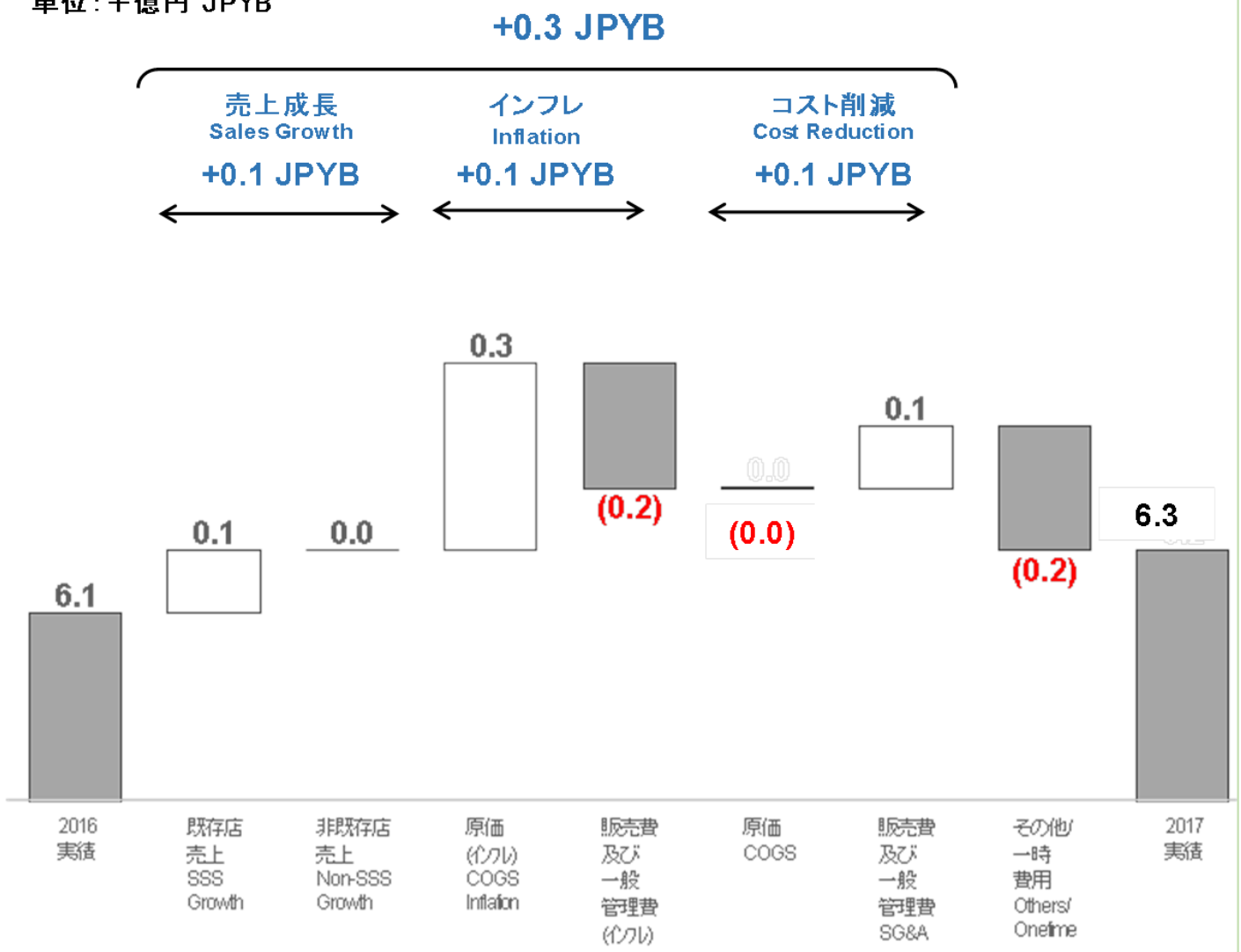


* Sales impact of leap year : (0.7) JPYB

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Q1 2017 vs. Q1 2016 : Operating Profit

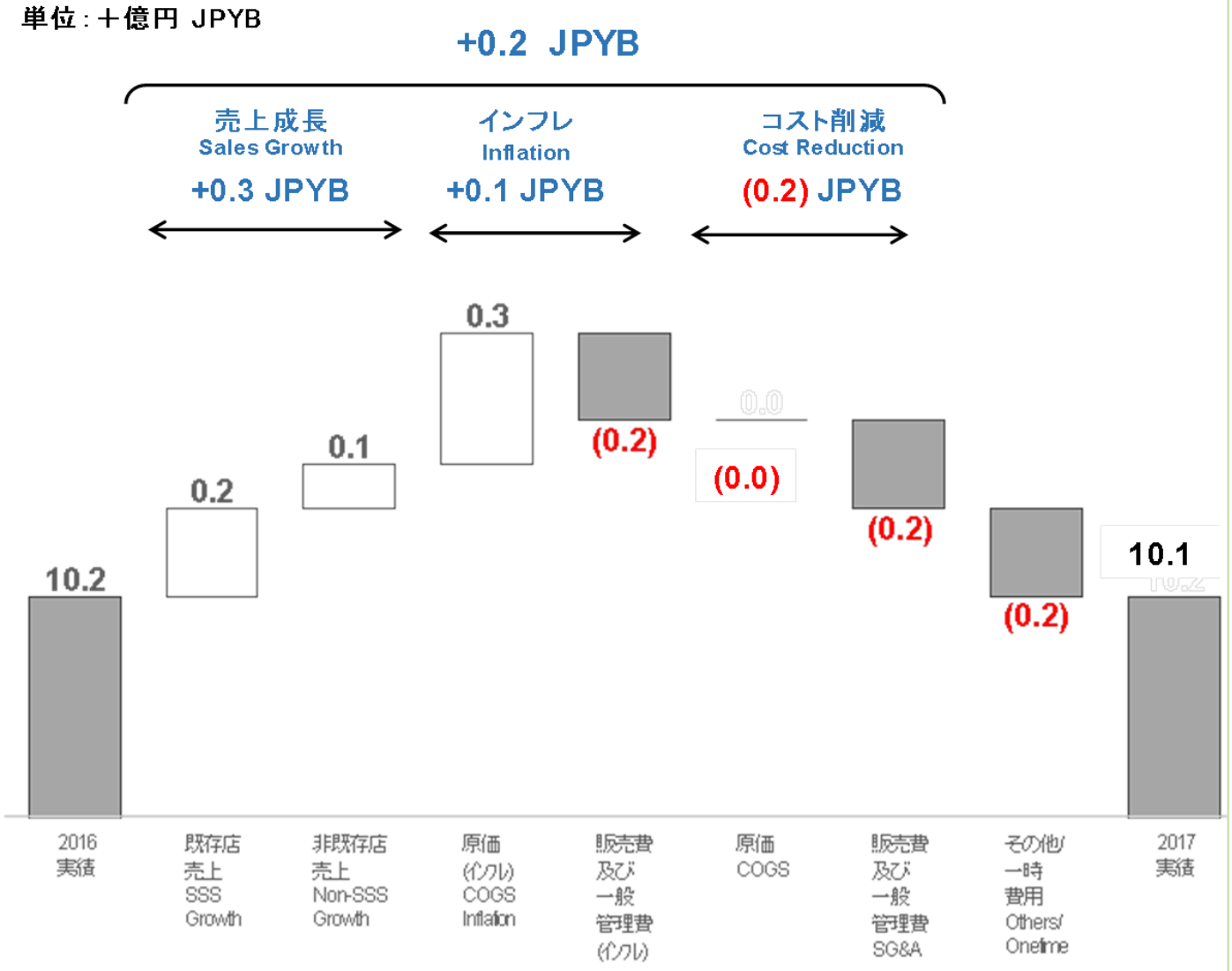
単位：十億円 JPYB



note： Cost reduction includes the cost avoidance.

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Q1 2017 vs. Q1 2016 : Adjusted EBITDA

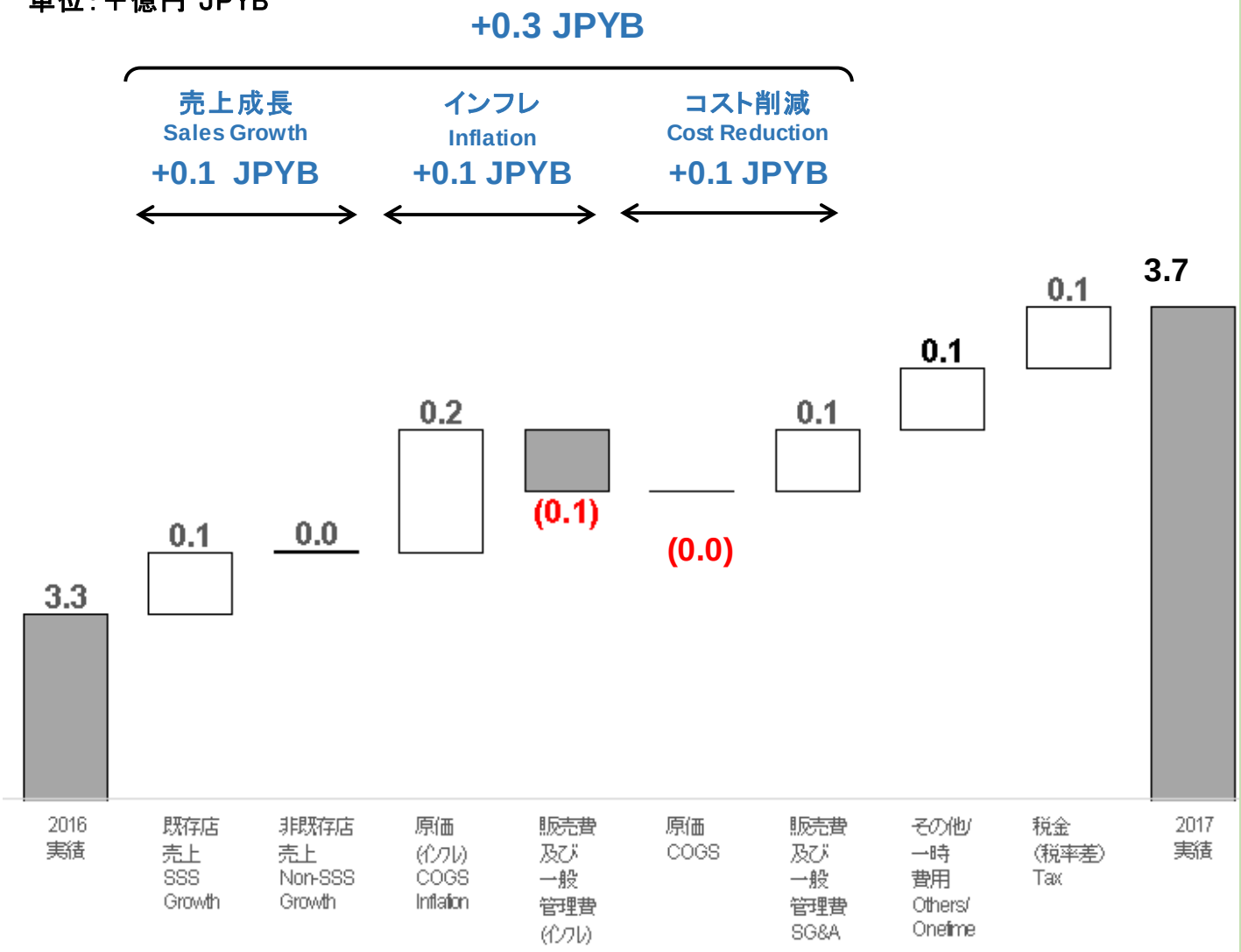


note： Cost reduction includes the cost avoidance.

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Q1 2017 vs. Q1 2016 : Adjusted Net Income

単位：＋億円 JPYB



note： Cost reduction includes the cost avoidance.

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Restaurant Development

From the end of Dec. 2016 to the end of Mar. 2017

Brands		End of Dec. 2016	New	Conversion (+)	Conversion (-)	Close	Closed for conversion	End of Mar. 2017	Variance	Remodel
	Gusto	1,357	1	4	(3)	-	-	1,359	2	48
	Bamiyan	331	2	-	-	(2)	-	331	-	13
	Jonathan's	303	-	-	(1)	(2)	-	300	(3)	13
	Yumean	195	1	-	-	(2)	-	194	(1)	8
	Syabu-Yo	147	4	4	-	-	-	155	8	9
	Steak Gusto	137	-	-	-	-	-	137	-	-
	Others	598	6	3	(14)	(8)	7	592	(6)	4
	Total	3,068	14	11	(18)	(14)	7	3,068	-	95

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Adjusted Items: EBITDA/Net Income

JPY B	2017Q1	2016Q1	Variance
EBITDA	9.6	9.6	0.0
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.2	0.2	0.0
(+) Impairment loss	0.3	0.4	(0.1)
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted EBITDA	10.1	10.2	(0.1)
Net Income	3.7	3.3	0.4
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted subtotal (before tax)	0.0	-	0.0
Tax effects of adjustments	0.0	-	0.0
Adjusted subtotal (after tax)	0.0	-	0.0
Adjusted Net Income	3.7	3.3	0.4

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Adjusted Items: Free Cash Flow

JPY B	2017Q1	2016Q1	Variance
Cash flow from Operation	4.5	3.8	0.7
Capital Expenditure (CAPEX)	(3.1)	(3.6)	0.5
Free cash flow	1.4	0.2	1.2
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted subtotal (before tax)	0.0	-	0.0
Tax effects of adjustments	0.0	-	0.0
Adjusted subtotal (after tax)	0.0	-	0.0
(-) Payment of lease deposits and guarantee deposits	(0.3)	(0.3)	0.0
(+) Proceeds from collection of lease deposits and guarantee deposits	0.2	0.2	0.0
Adjusted Free cash flow	1.3	0.1	1.2

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Appendix

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Monthly Sales %YoY

2016

(%YoY)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Total Sales	2.3%	2.3%	-0.9%	0.5%	-2.3%	1.0%	4.8%	-3.1%	-0.5%	5.1%	1.2%	5.0%	1.2%
Same Store Sales	1.0%	0.8%	-2.0%	-0.7%	-3.6%	-0.4%	3.5%	-4.3%	-2.0%	3.3%	-0.2%	3.8%	-0.1%
Same Store Traffic	-0.3%	0.0%	-2.7%	-1.5%	-3.8%	-1.2%	2.6%	-4.9%	-2.1%	2.2%	-2.4%	0.9%	-1.2%
Same Store ATP	1.3%	0.8%	0.7%	0.8%	0.3%	0.8%	0.8%	0.6%	0.1%	1.1%	2.2%	2.9%	1.0%

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
New Openings	1	3	5	7	4	3	5	1	6	4	6	4	49
Total # of Stores	3,031	3,032	3,031	3,035	3,036	3,040	3,045	3,045	3,055	3,061	3,065	3,068	3,068
Oversea	*41*	*42*	*41*	*41*	*43*	*45*	*45*	*45*	*46*	*46*	*46*	*47*	*47*

2017

(%YoY)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Total Sales	2.0%	-0.1%	2.1%	3.5%									1.9%
Same Store Sales	0.8%	-1.0%	1.3%	2.6%									1.0%
Same Store Traffic	-0.8%	-2.4%	-0.5%	0.9%									-0.7%
Same Store ATP	1.6%	1.4%	1.8%	1.7%									1.7%

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
New Openings	6	3	5	10									24
Total # of Stores	3,064	3,055	3,061	3,075									3,075
International	*48*	*48*	*47*	*48*									*48*

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Changes in Customer Behavior: Eating at restaurants is no longer consuming action



Family＋Customization＋Cooking



Plateau Resort

Offering Experience-based menu





Jonathan’s



Bamiyan



Steak Gusto

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Enhancement of Existing Store: Cross Brand Promotions

Current

	Launched date	# of downloads*
Café レストラン ガスト	October 2014	9.7mn
CHINESE RESTAURANT バーミヤン	November 2015	1.3mn
Jonathan's COFFEE & RESTAURANT	July 2016	590k
しゃぶ葉 SYABU-YO	March 2016	1m

*as of end of March 2017

Future

Skylark Group integrated mobile app to be release during 2017



Development of a 5th app (multiple brands) to incorporate over 2,300 stores
Expand reach numbers through the continuous growth of application downloads and improvement in active user rate

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Data Analysis of Gusto Menu Innovation

2016/2/25 Revision



2016/6/15 Revision



2016/11/24 Revision

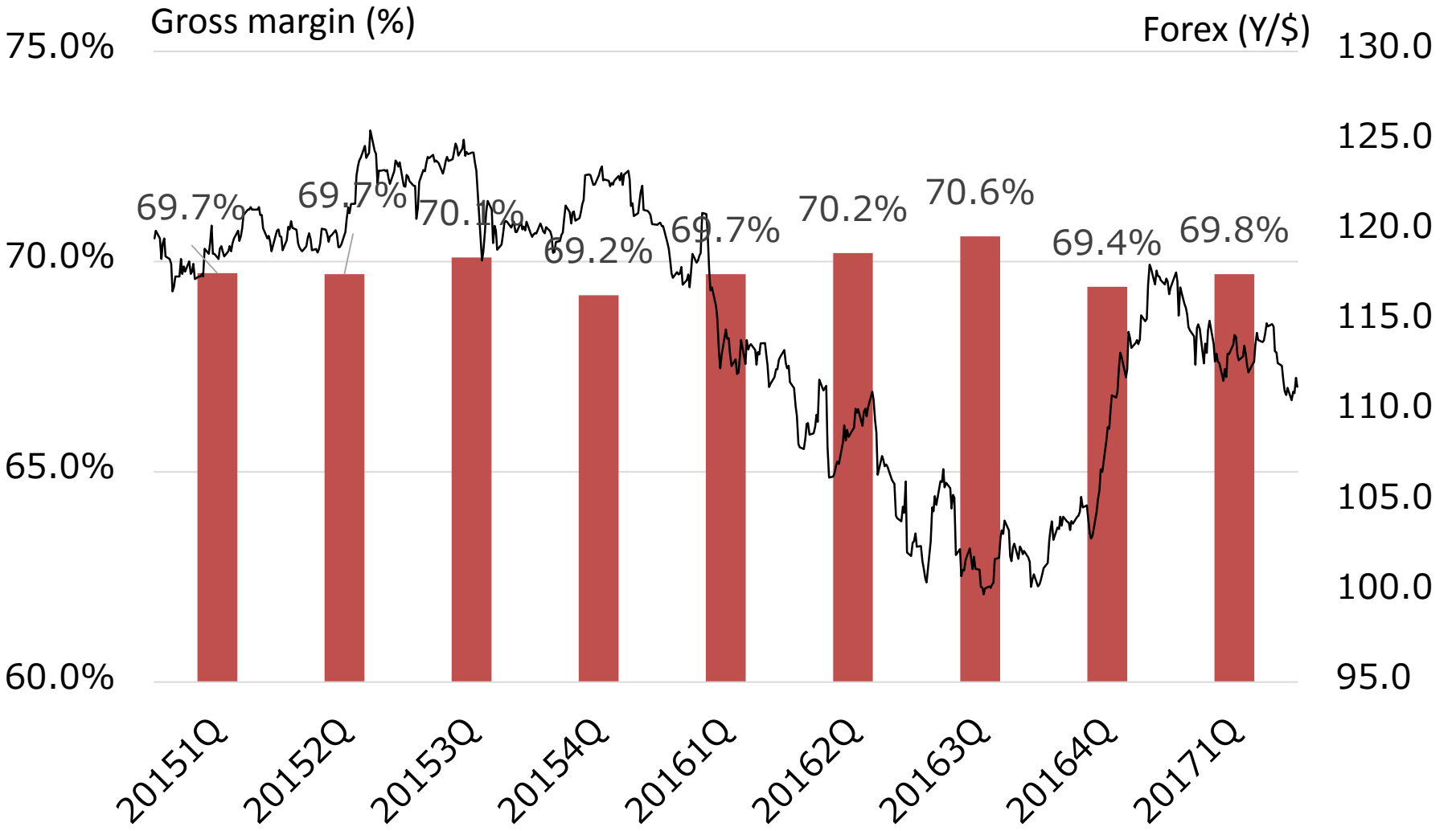


2017/3/17 Revision



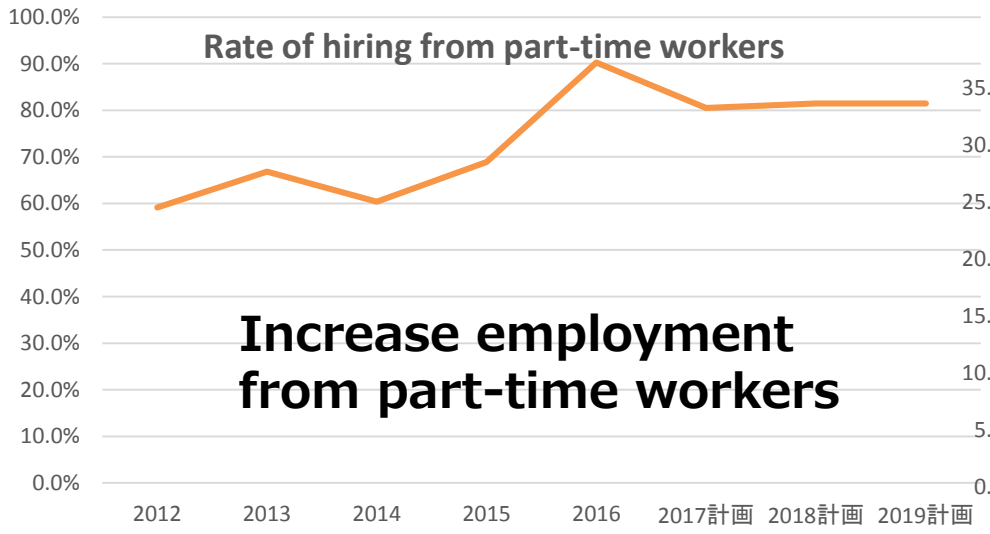
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COGS – Continue to be Stable & Strong Gross Margins



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Initiative for Recruiting







Actively hire our former employees



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Best Domestic Brands 2017

Interbrand

Gusto ranked in Best Japan Brands 2017

Best Japan Brands 2017



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