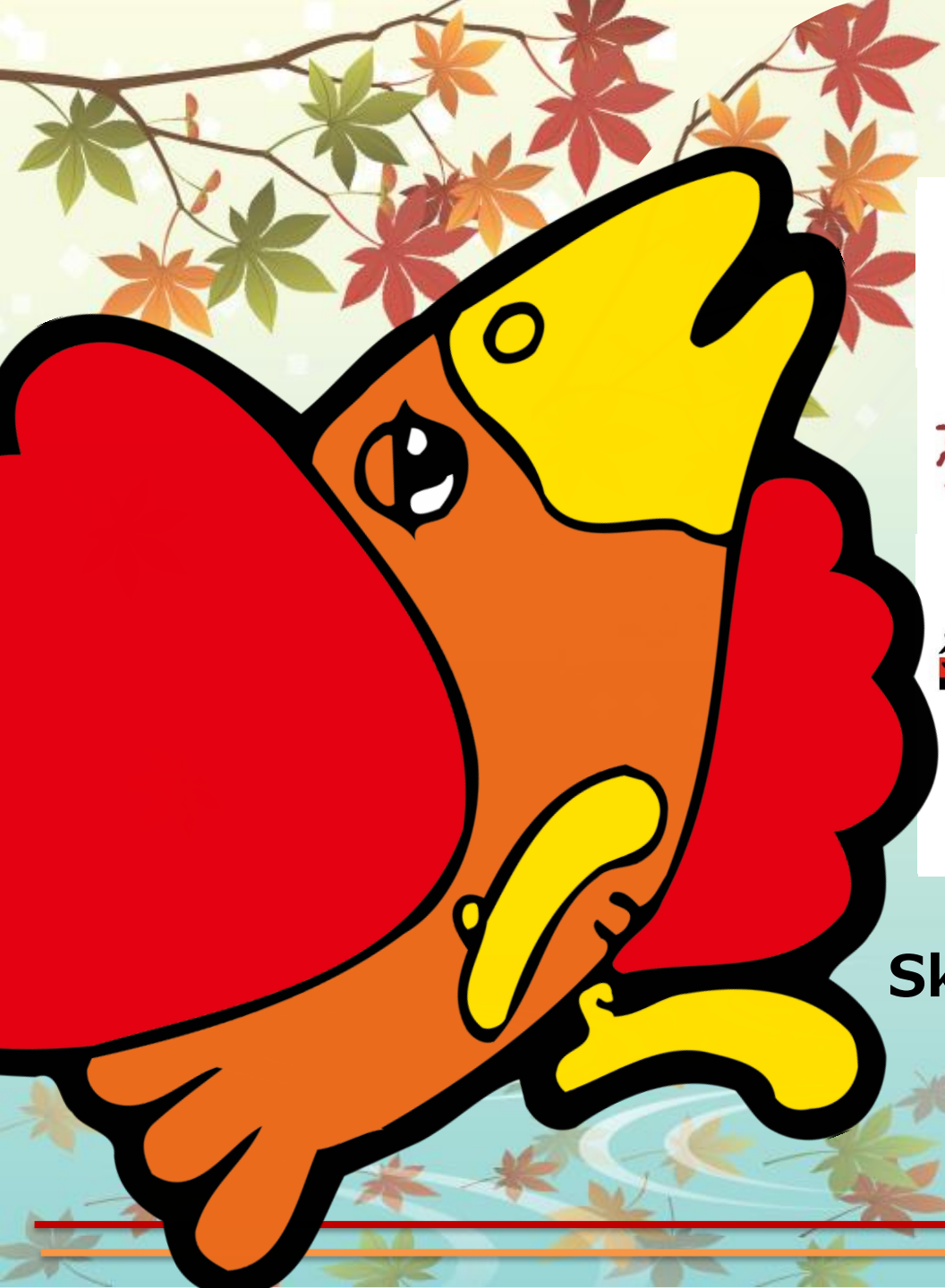


すかいらーくグループ

Café レストラン ガスト
CHINESE RESTAURANT バーミヤン
COFFEE & RESTAURANT ジョナサン
しゃぶしゃぶ ブッフェ しゃぶ葉 SYABU-YO
ゆめあん 夢庵 Japanese Restaurant
STEAK ステーキガスト
PASTA・PIZZA グランチェ ガーデンズ
あいや JAPANESE RESTAURANT 藍屋
魚屋路 新鮮・手握り・回り寿司
和・カフェ chawan
から揚げ専門 から好し
むさしの森珈琲 MUSASHI NO MORI COFFEE
グランブッフェ GRAND BUFFET
Variety Dining House TOMATO & ONION SINCE 1979
じゅうじゅうカルビ Jyu-Jyu Karubi
FLO PRESTIGE

Skylark Holdings Co., Ltd.

FY 2020 Third Quarter Financial Results

November 12, 2020

Executive Summary

3QFY2020 (3-month) Results

- **Sales 74.5bn yen (-23.3bn yen, -23.8%YoY)**
  - ✓ Same Store Sales: 74.9%YoY Traffic: 71.2%YoY ATP: 105.2%YoY
  - ✓ Delivery sales: 8.9bn yen (+150%YoY), Takeout sales 4.5bn yen (+212% YoY)
- **OP (3.1)bn yen (-12.0bn yen YoY)**
  - ✓ Impairment loss of (4.8) bn yen

3QFY2020 (9-month) Reslts

- **Sales 213.6 bn yen (-71.7 bn yen, -25.1%YoY)**
  - ✓ Same Store Sales: 73.2%, Traffic: 69.9%, APT: 104.7%
  - ✓ Delivery sales: 24.1bn yen (+135% YoY), Takeout sales 13.0bn yen (+214% YoY)
- **OP (21.1) bn yen (-41.1 bn YoY)**
  - ✓ Impairment loss of (8.1)bn yen

Store Closing in 2020&2021

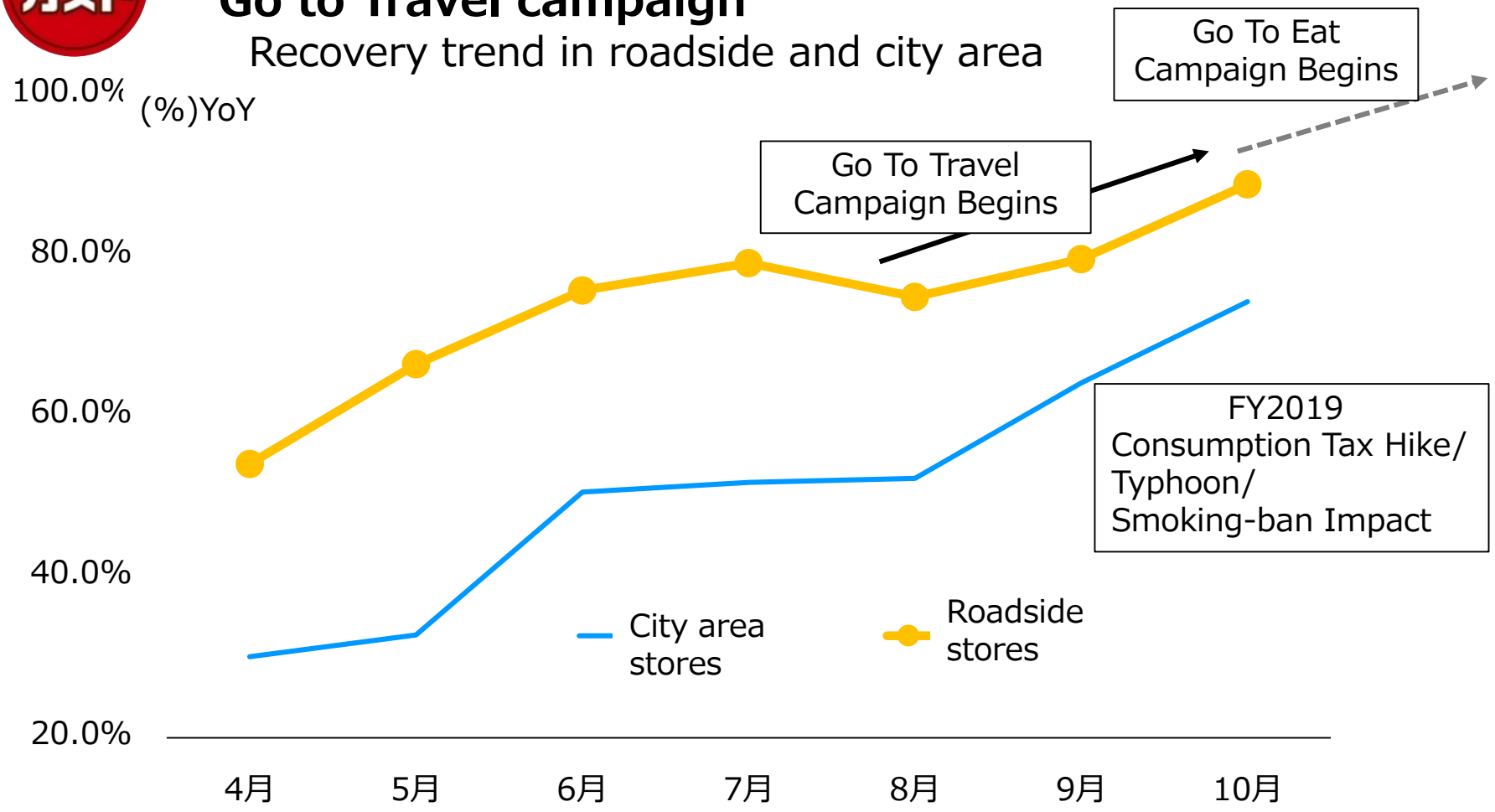
- **Close Approx.200 stores (open/close net: approx.120)**

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Same Store Sales

■ **Consumer sentiment has changed after Go to Travel campaign**

Recovery trend in roadside and city area

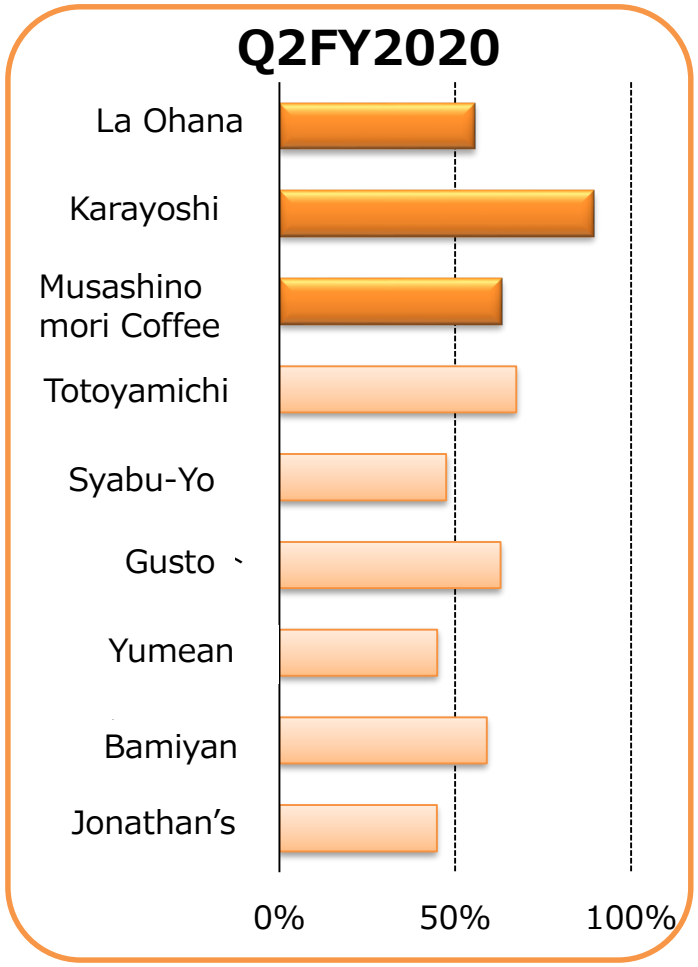


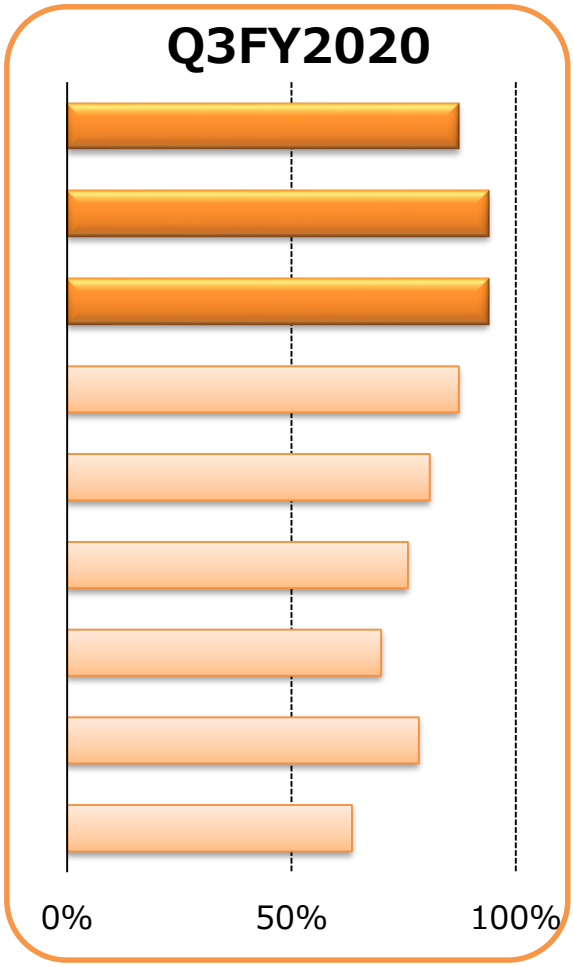
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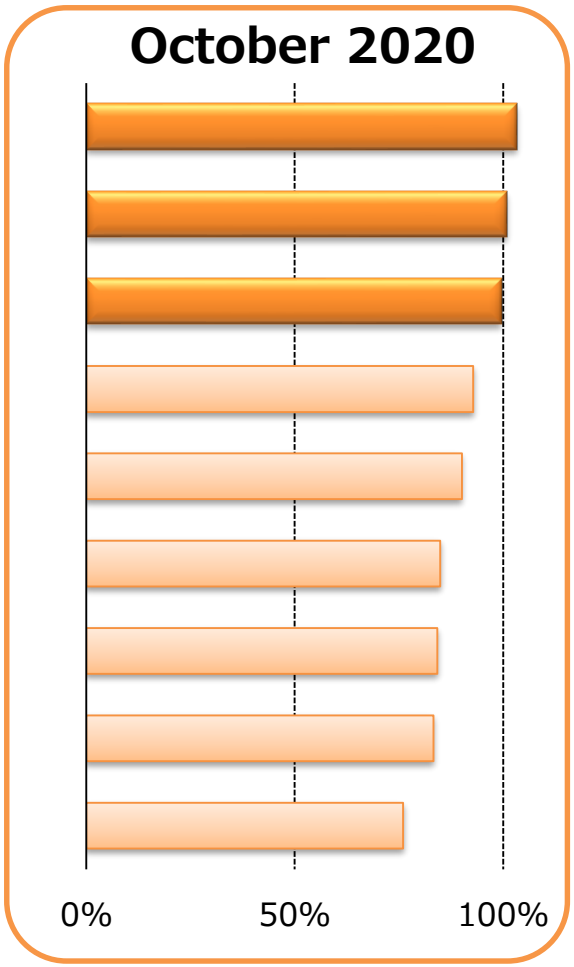
Sales Analysis by Brand

■ Same Store Sales YoY

Specialty Brands such as La Ohana, Karayoshi, Musashinomori Coffee and Totoyamichi show strong recovery





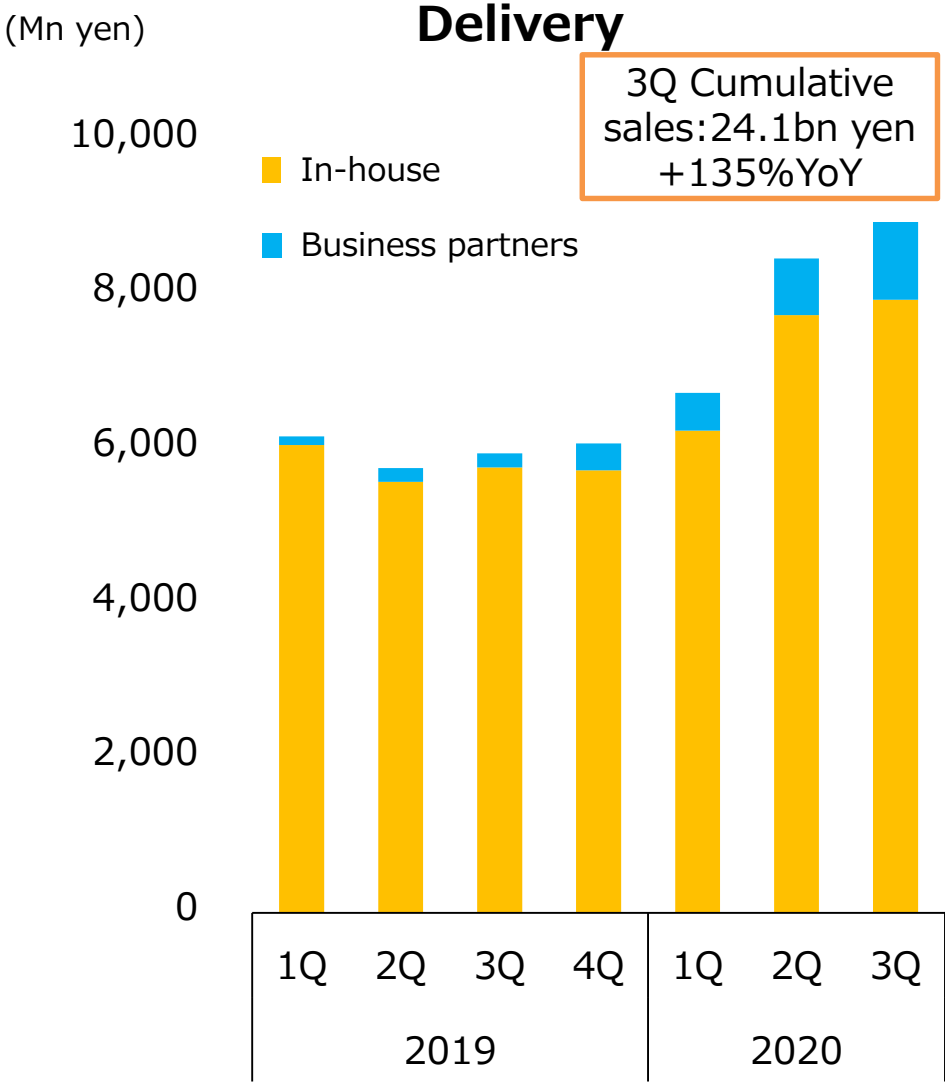


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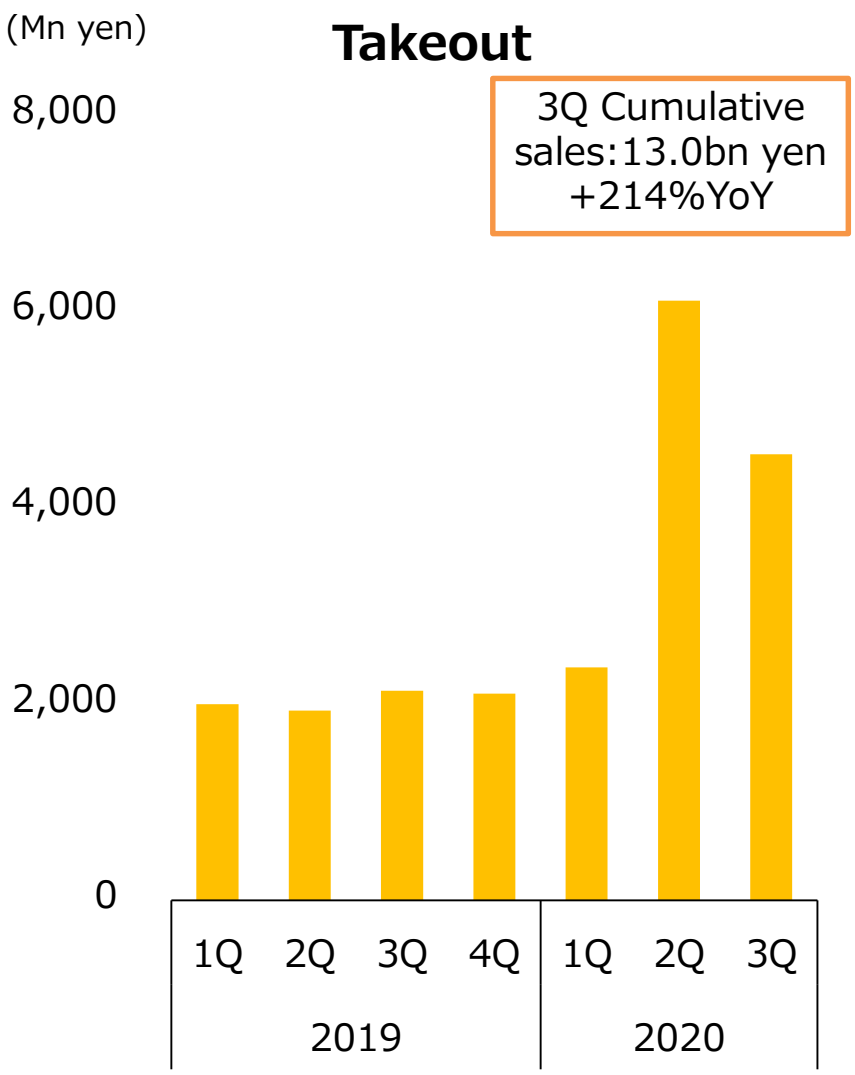
Delivery and Takeout Sales



Delivery



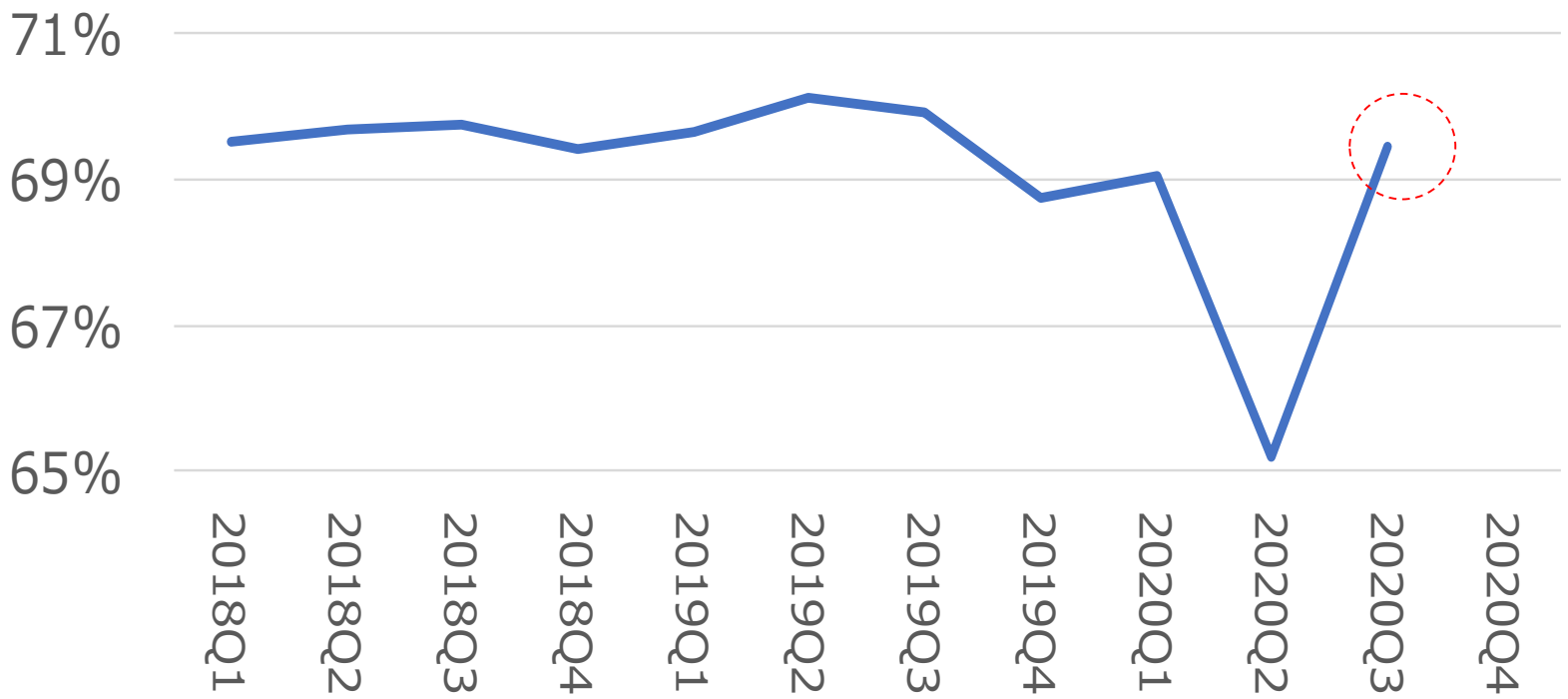
Takeout



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Gross Margin Trend

Q3 gross margin recovered to before the COVID-19 level



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Q3 (3-month) Cost Control

Labor costs

-5.8bn yen YoY

- ✓ Agreed with labor union to reduce employee bonuses by 25% in 2020
- ✓ Continue reduction of executive compensation, which has been implemented since June
- ✓ Reduced working hours by shortening the opening hours of stores and improving productivity etc.

Other SG&A

2.7bn yen reduction excluding impairment loss

- ✓ Other SG&A increased by 1.1bn yen YoY. Among this, 4.7bn yen is booked as impairment loss
- ✓ 3.0bn yen reduction is on advertising expenses, utilities expenses, repair expenses, rent, etc.
- ✓ Received 0.9bn yen as employment adjustment subsidy

Break even sales fall by approx. 5% due to reduction of fixed costs and variable costs

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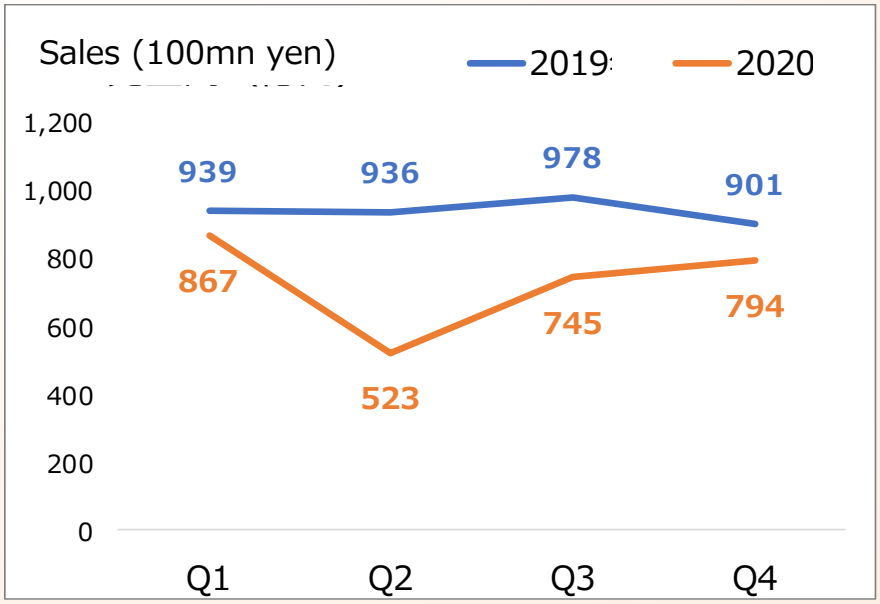
FY2020 Earnings / Dividends Forecast

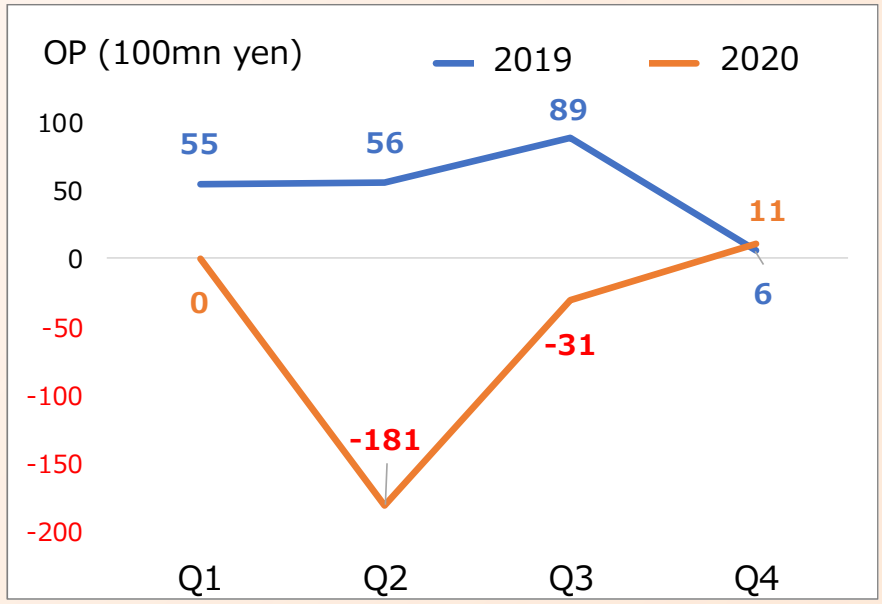
FY2020 Full-Year Guidance

- **Sales** 293.0 bn yen (-82.4bn yen, -22% YoY)
- **Operating Profit** (20.0)bn yen (-40.6bn yen YoY)
- **Net Income** (15.0)bn yen (-24.5bn yen YoY)

No year-end dividend

*Q4 (3-month) OP turn to be profitable and YoY increase





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Change in Shareholder Benefit Program
(announced on Sep 10, 2020)



■ Reasons for the Change

- ✓ While the uncertain business environment continues due to the impact of the COVID-19, we consider the pursuit of sustainable growth as a priority, maintaining the shareholder benefit program with changes
- ✓ Even after the Change, our program provides high shareholder yield compare to other companies in the same industry

Shareholder Benefit Program

The Current Program:

# of Shares Held	Annual Total Amount	Shareholders at end-Jun	Shareholders at end-Dec
100 - 299	¥6,000	¥3,000	¥3,000
300 - 499	¥20,000	¥9,000	¥11,000
500 - 999	¥33,000	¥15,000	¥18,000
More than 1,000 Shares	¥69,000	¥33,000	¥36,000

After the Change:
Applied to shareholders registered at end-Dec

# of Shares Held	**Annual Total Amount**	Shareholders at end-Jun	Shareholders at end-Dec
100 - 299	**¥4,000**	¥2,000	¥2,000
300 - 499	**¥10,000**	¥5,000	¥5,000
500 - 999	**¥16,000**	¥8,000	¥8,000
More than 1,000 Shares	**¥34,000**	¥17,000	¥17,000

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Management Strategy
Coexist with COVID-19

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Management Strategy Coexist with COVID-19



External Factors

- Less outing, Less dining-out ⇒ Traffic Decline
- Shift to daytime lifestyles
- Increased number of specialty restaurants
- Increased demands for Delivery and Takeout

- Make maximum use of the business resources of existing stores
- Maximize delivery and takeout sales
- Reconstruct a store portfolio (brand conversions)
- Carry out menu strategy respond to consumer demands
- Improve productivity (IT digital, Stores, MDC)

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Make Maximum Use of the Business Resources of Existing Stores

■ **Utilize network of existing brand stores**

✓ **Sell products of "Karayoshi" inside "Gusto"**

Location is to rapidly expand;
End-this year: 480
Next March: 1,130





After opening "Karayoshi" in Gusto (as of end-Oct, 195 stores)

Sales	+8%
Takeout	+70%
Delivery	+5%

✓ **Expand Sushi Stores**

Total stores: 256

夢庵 Japanese Restaurant　あいや JAPANESE RESTAURANT 藍屋　魚屋路





■ **Develop New Sales Channels**

✓ Start selling products on Rakuten and Amazon

✓ Launch our own EC site from in 2021





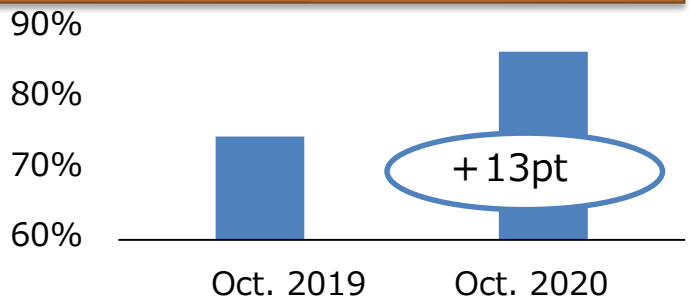
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Maximize Delivery and Takeout Sales

Expand delivery area

- ✓ Increase Gusto delivery stores
- ✓ Expand delivery area due to Gusto conversion
- ✓ Open ghost kitchens

Household penetration rate (Tokyo, Saitama, Chiba and Kanagawa)



Expand delivery sales

- ✓ Review the delivery area and make it a small commercial area. Shortening delivery time and increasing the number of orders
- ✓ Start experiment to reduce minimum order price
- ✓ Expand the number of orders by improving the ordering site and delivery staff app
- ✓ Expansion of delivery channels

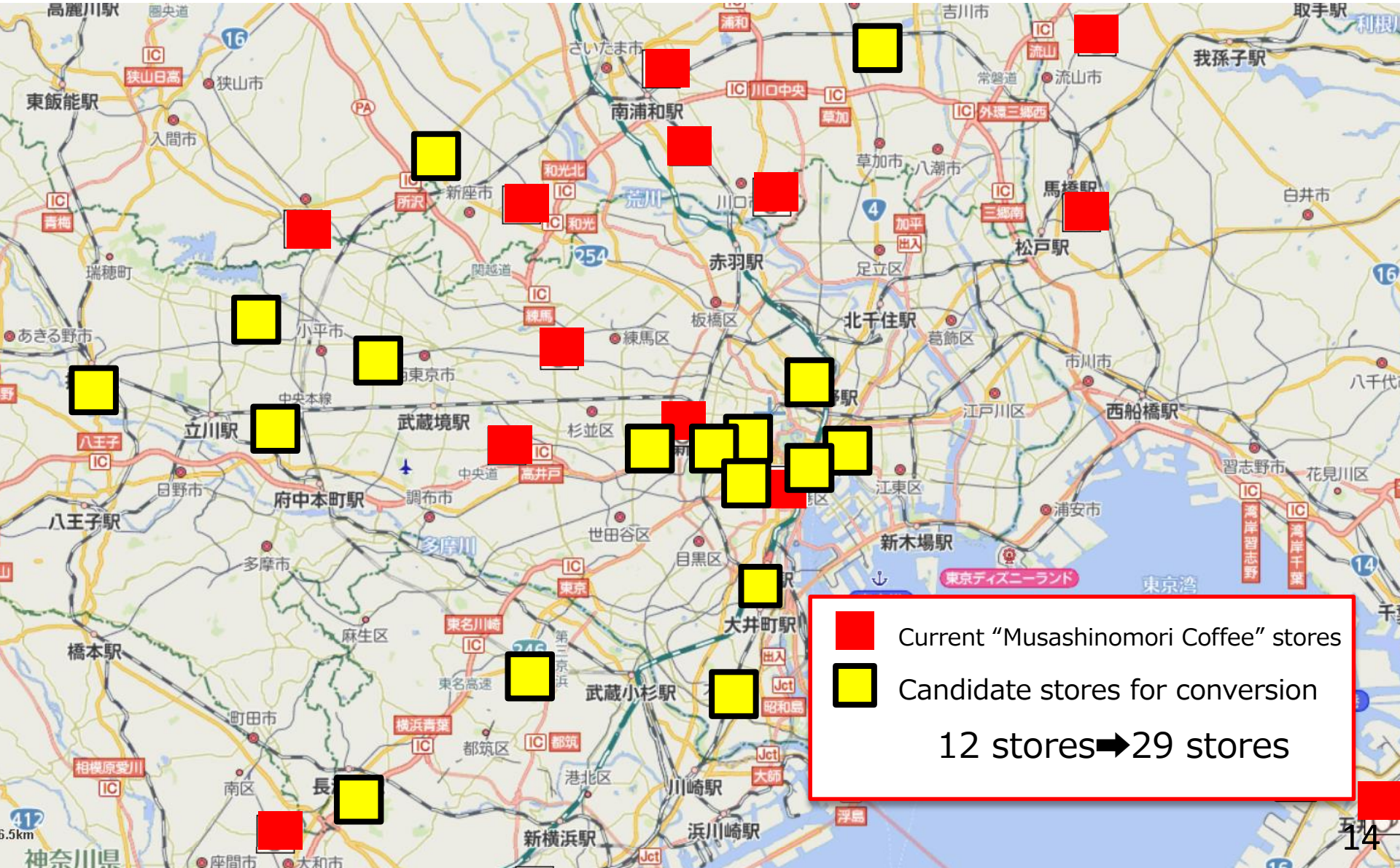
Number of Stores

# of stores	Oct. 2019	Oct. 2020	Growth rate
In-house	1,037	1,200	+16%
Business partner	571	1,517	+166%
***Total**	**1,314**	**1,910**	**+45%**

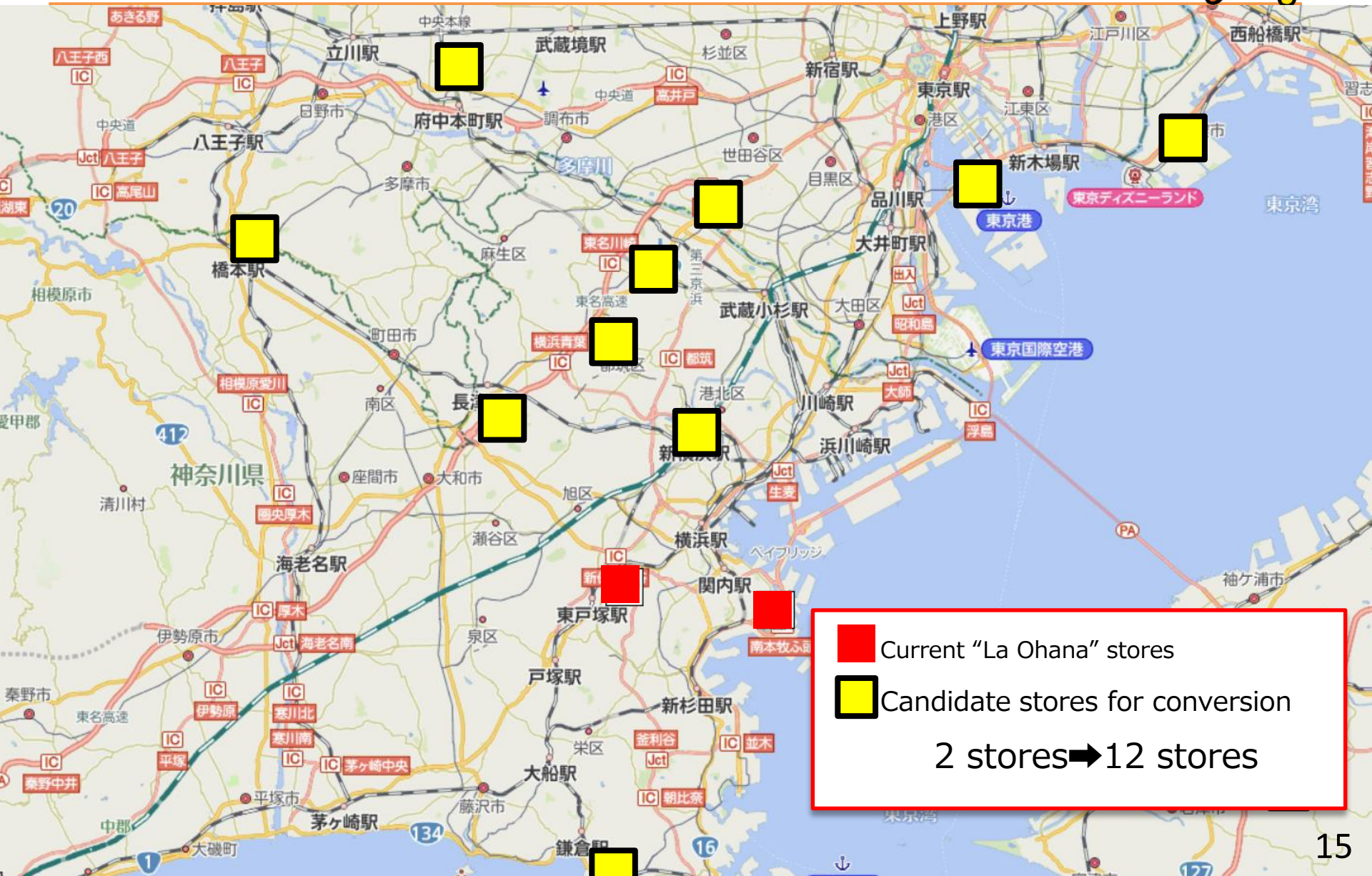
*There is some overlapping

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Reconstruct a Store Portfolio: Candidate Stores for Conversion to “Musashinomori Coffee”



Reconstruct a Store Portfolio: Candidate Stores for Conversion to “La Ohana”



Menu Strategies

■ **Reduce total number of grand menus by 10%**
Meanwhile Strengthen limited-time offering menu items. Strengthen marketing

→ ■ **Improve store productivity**

■ **Reduce the total number (types) of MDC ingredients by modularizing ingredients between brands**

10% reduction in the number of special ingredients by modularization across brands
15% reduction in total number of ingredients of about 2,600 items

→ ■ **Improve MDC productivity**
■ **Cost reduction**

■ **Increase in-house production ratio at our own MDC (10 MDCs nationwide)**

→ ■ **Cost reduction**
■ **Improve quality**






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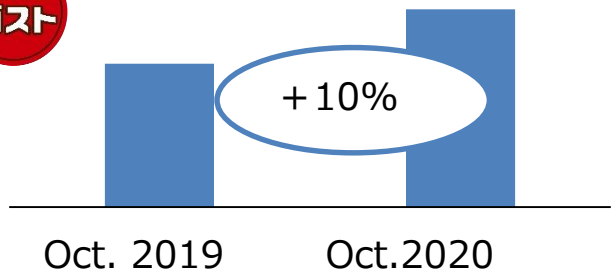
Improve Productivity by Investing IT

■Digital menu book

Number of stores

	Dec. 2019	Oct. 2020
Gusto	135	1,326
Bamiyan	1	340
Jonathan's	6	277
Syabu-Yo	1	266
Steak Gusto	-	135
Other brands	-	9
Total	**143**	**2,353**

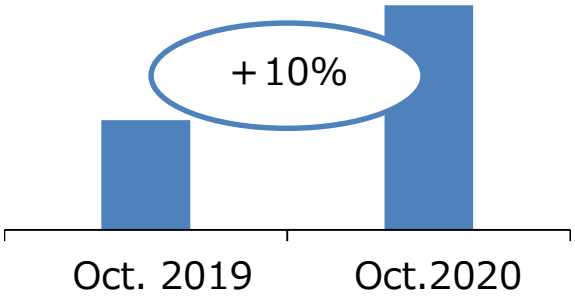
Improve number of customers per employee



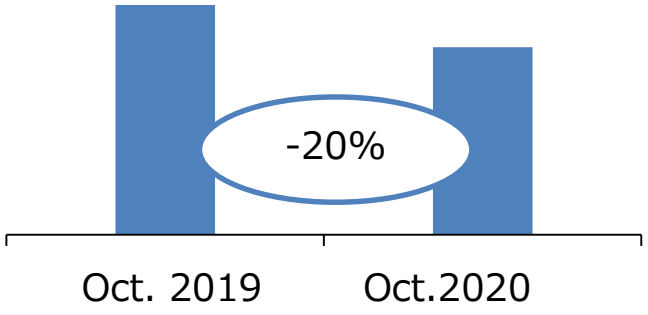
■Delivery staff app

Since introduced in April 2019, the app has continuously been improved

Increased number of deliveries per hour



Reduction in delivery time



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Year 2021

Current outlook for 2021

Sales	**310bn ～ 320bn yen**
Operating Profit	**Approx. 10bn yen**

Assumptions

1. Same Store Sales: approx. 85% (compared to 2019)
   Delivery sales: approx.130%, Takeout sales: approx.200%
2. Cost reductions implemented in 2020 will continue
3. Productivity improvement effects such as IT investment and shortening of business hours that have been implemented also contribute

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Financial Results ended September 30, 2020

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Key Financials for Q3FY2020



- Operating loss of (3.1) bn yen. But it is positive as business base excluding impairment loss of (4.8) bn yen
- Adjusted net income is positive, due to the recording of deferred tax assets for losses expected to occur in the current year in tax expenses
- In order to control cash out, new store openings, brand conversions, and remodeling have been discontinued from March onwards, unless unavoidable

	3Q (3-month)			3Q (9-month)		
	FY2020	FY2019	%YoY	FY2020	FY2019	%YoY
Sales	**74.5bn**	**97.8bn**	(23.8)%	**213.6bn**	**285.3bn**	(25.1)%
Same store sales Growth			*(25.1)%*			*(26.8)%*
Guest Count			*(28.8)%*			*(30.1)%*
Average Ticket Price			*5.2%*			*4.7%*
Operating Profit	**(3.1)bn**	**8.9bn**	(134.4)%	**(21.1)bn**	**20.0bn**	(205.7)%
Adjusted Net Income	**4.3bn**	**5.2bn**	(16.4)%	**(14.6)bn**	**11.0bn**	(232.4)%
Adjusted ROE	**(12.5)%**	**10.2%**	(22.7)%	**(12.5)%**	**10.2%**	(22.7)%
Store Footprint	**New Openings 45, Brand Conversion 30, Remodeling 25**					

Definition of Same Store Sales：13 months existing stores/including brand conversion/excluding discount of shareholder voucher
GC includes Delivery (Delivery GC calculated by Delivery Sales divided by the average Eat In ATP)
ROE: LTM base.

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Condensed Consolidated Income Statements（3-month）

- **Gloss margin:** Fell by (0.5)% YoY to 69.4%. Mainly due to temporary deterioration of production and logistics efficiency as a result of sales decline
- **Labor cost:** Decreased 5.8 bn yen YoY, mainly due to a decrease in working hours due to a decrease in the number of customers and bonus reduction
- **Other SG&A:** Increase by (1.1)bn yen, of which (4.7)bn is increase in impairment loss 3.6bn reduction if exclude the impairment loss.
- **Tax cost:** Recorded deferred tax assets of (9.2)bn yen for losses expected to occur in the current fiscal year

	Q3FY2020(3months)		Q3FY2019(3months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	74.5	100.0%	97.8	100.0%	(23.3)	76.2%
COGS	22.8	30.6%	29.4	30.1%	6.6	77.5%
Gross Margin	51.7	69.4%	68.4	69.9%	(16.7)	75.6%
Labor	27.4	36.7%	33.2	33.9%	5.8	82.5%
Other SG&A	27.4	36.8%	26.3	26.9%	(1.1)	104.1%
Operating Profit	(3.1)	(4.1)%	8.9	9.1%	(12.0)	(34.4)%
Financing Cost	(0.8)	(1.1)%	(0.6)	(0.6)%	(0.2)	124.7%
Profit Before Tax	(3.9)	(5.2)%	8.3	8.5%	(12.1)	(46.6)%
Tax Expense	(8.2)	(10.9)%	3.1	3.2%	11.3	(262.1)%
Net Income	4.3	5.8%	5.2	5.3%	(0.9)	83.5%
Adjusted Net Income	4.3	5.8%	5.2	5.3%	(0.8)	83.6%

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Condensed Consolidated Income Statements (9-month)

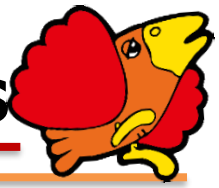


- **Gloss margin:** Fell by (1.7)% YoY to 68.2%. Mainly due to temporary deterioration of production and logistics efficiency as a result of sales decline
- **Labor cost:** Decreased 11.9 bn yen, mainly due to a decrease in working hours due to a decrease in the number of customers and bonus reduction
- **Other SG&A:** Reduced by 0.8 bn yen mainly due to cost control effect. Booked impairment loss of 8.1bn yen
- **Tax cost:** Recorded deferred tax assets of (9.1) bn yen for losses expected to occur in the current fiscal year

	Q3FY2020(9months)		Q3FY2019(9months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	213.6	100.0%	285.3	100.0%	(71.7)	74.9%
COGS	67.9	31.8%	85.9	30.1%	17.9	79.1%
Gross Margin	145.6	68.2%	199.4	69.9%	(53.8)	73.0%
Labor	86.0	40.3%	97.9	34.3%	11.9	87.9%
Other SG&A	80.7	37.8%	81.5	28.6%	0.8	99.0%
Operating Profit	(21.1)	(9.9)%	20.0	7.0%	(41.1)	(105.7)%
Financing Cost	(2.6)	(1.2)%	(3.2)	(1.1)%	0.6	81.0%
Profit Before Tax	(23.7)	(11.1)%	16.8	5.9%	(40.5)	(140.9)%
Tax Expense	(9.1)	(4.3)%	6.3	2.2%	15.4	(143.8)%
Net Income	(14.6)	(6.8)%	10.5	3.7%	(25.1)	(139.1)%
Adjusted Net Income	(14.6)	(6.8)%	11.0	3.9%	(25.7)	(132.4)%

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Condensed Consolidated Balance Sheets



- **Goodwill 146.1bn yen: This occurred when Bain Capital acquired our company and the goodwill is prorated to each brand. Sales decline due to the COVID-19 impact is temporary, and we are not aware of any signs of goodwill impairment at this time.**
- **Debt 152.1bn yen: At end-Q2 long-term debt moved to short-term debt under IAS1 74 because of a violation of financial covenants on debt**

(Unit : Bn yen)	Q3FY2020	FY2019	Variance	Q3FY2020 notes
Assets:				
Current assets	37.4	36.7	0.8	
Non-current assets	409.9	417.3	(7.4)	**Balance of goodwill 146.1Bn yen**
Total assets	447.3	454.0	(6.7)	**Balance of right-of-use asset 121.6Bn yen**
Liabilities:				
Current liabilities	205.7	97.6	108.1	**Balance of short-term debt 132.1Bn yen**
Non-current liabilities	125.4	223.6	(98.2)	**Balance of long-term debt 20.0Bn yen**
Total liabilities	331.1	321.2	9.9	**Balance of lease liability 114.6Bn yen**
Equities:				
Equity attributable to owners of the company	116.2	132.8	(16.6)	
Total shareholders equities	116.2	132.8	(16.6)	
Equity ratio	26.0%	29.3%	(3.3) %	
Adjusted ROE	(12.5) %	7.6%	(20.1) %	
Net leverage ratio	6.0x	3.1x		

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Adjusted ROE is based on LTM
Net Leverage Ratio = Net interest-bearing debt(Debut-Cash)/Adjusted EBITDA

Condensed Consolidated Statements of Cash Flows

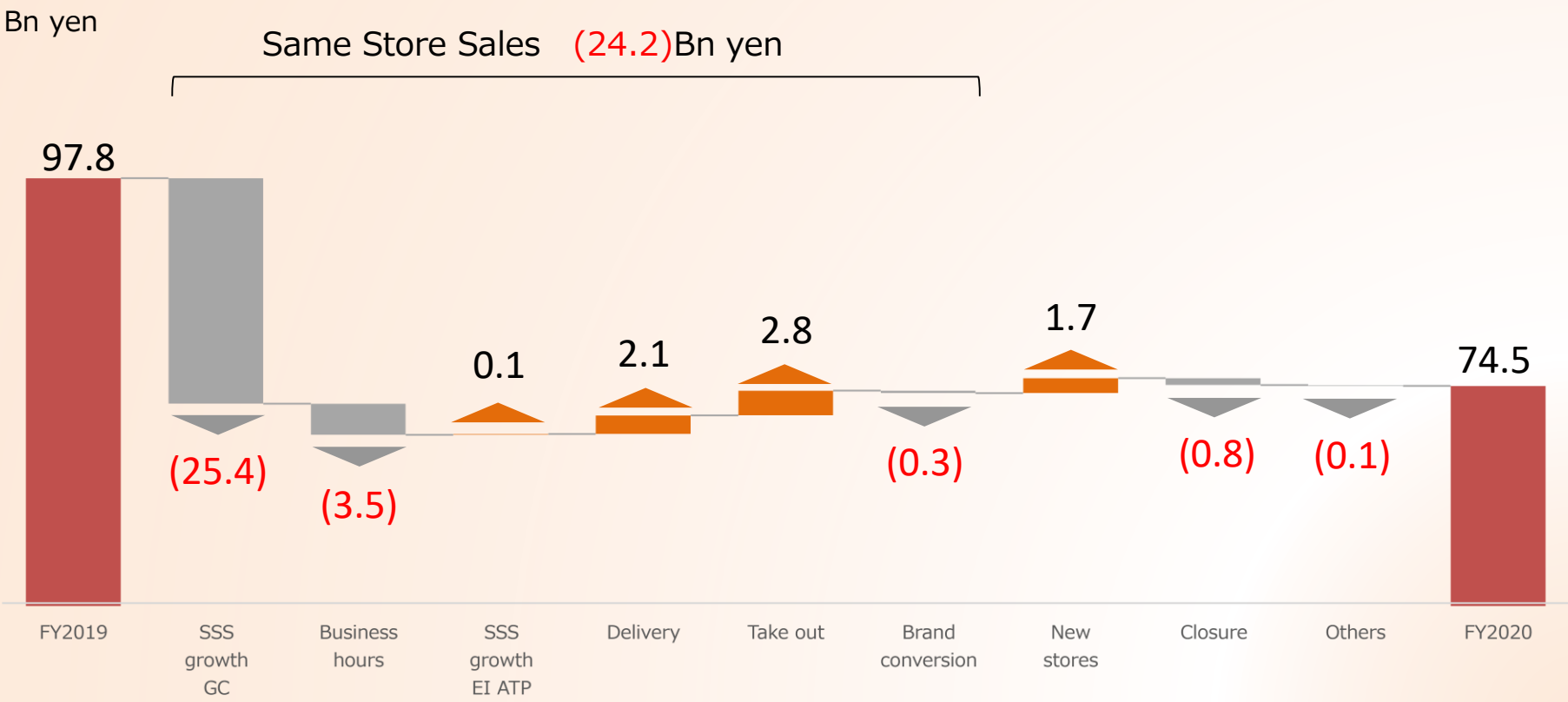
- Operating cash flow: decreased by (30.3) to 21.1bn yen: of which pre-tax income went into red
- Investment cash flow spending reduced by 2.4bn yen to (13.8)bn yen, with control new store openings, store remodeling, etc.
- Financial cash flow: reduced by 29.8bn yen to (7.6)bn yen, increase in borrowing of 25.2bn yen and decrease in dividend payment of 4.1bn yen

(Unit: Bn yen)		Q3FY2020	Q3FY2019	Variance
Operating cash flow	(a)	21.1	51.4	(30.3)
Investment cash flow	(b)	(13.8)	(16.2)	2.4
Free cash flow	(a)+(b)	7.2	35.2	(28.0)
Financial cash flow	(c)	(7.6)	(37.3)	29.8
Loan		22.5	(2.7)	25.2
Dividend		(2.0)	(6.0)	4.1
Others		(28.1)	(28.6)	0.5
Change in cash	(a)+(b)+(c)	(0.4)	(2.1)	1.8
Cash balance at closing		18.6	16.8	1.8

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Sales Q3FY2020 vs. Q3FY2019 (3-month)

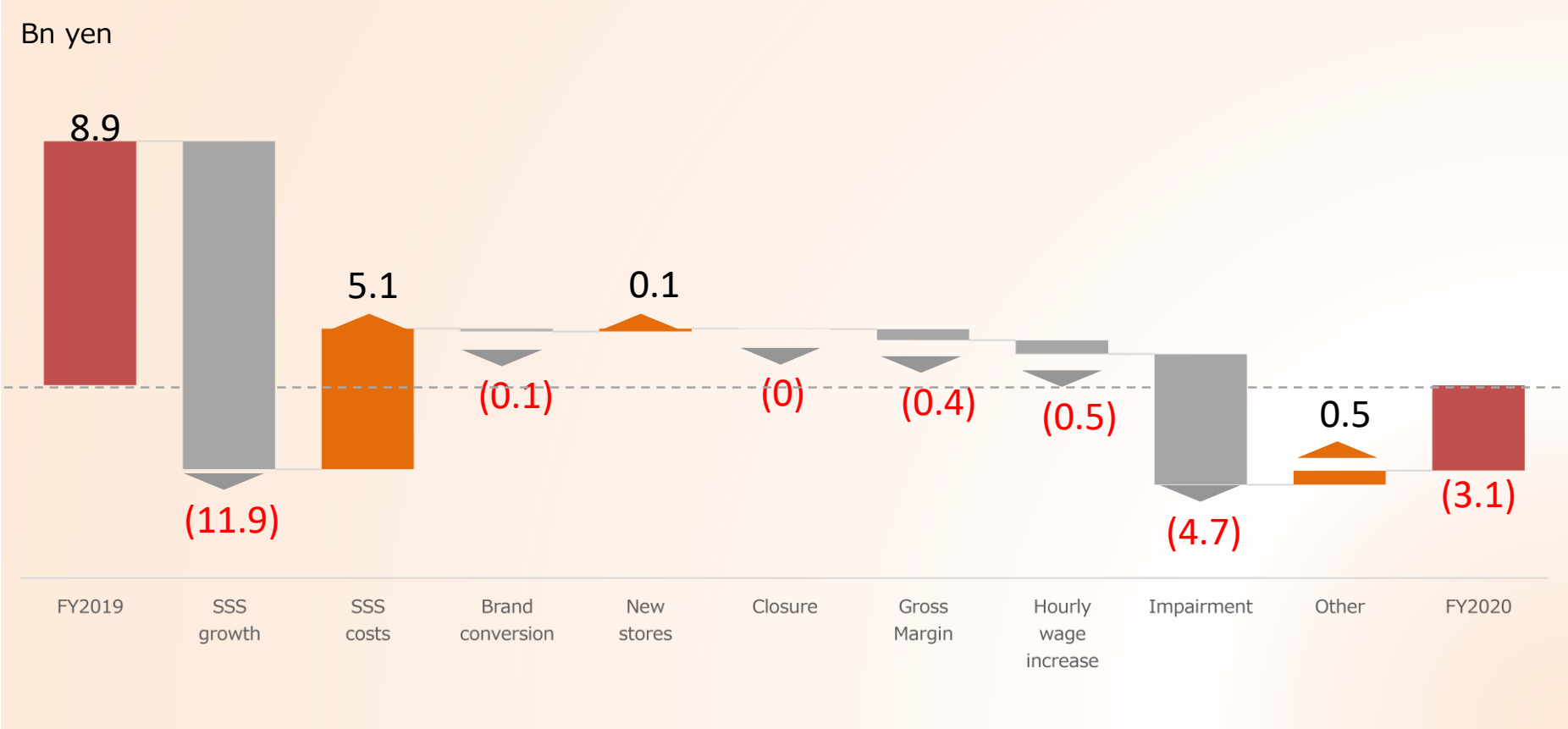
- **Sales decreased by (23.3)bn yen to 74.5 bn yen. Sales from delivery, take out and new store sales are increased**
- **Customer traffic decline due to the COVID-19 impact is the major reason**



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OP Q3FY2020 vs. Q3FY2019 (3-month)

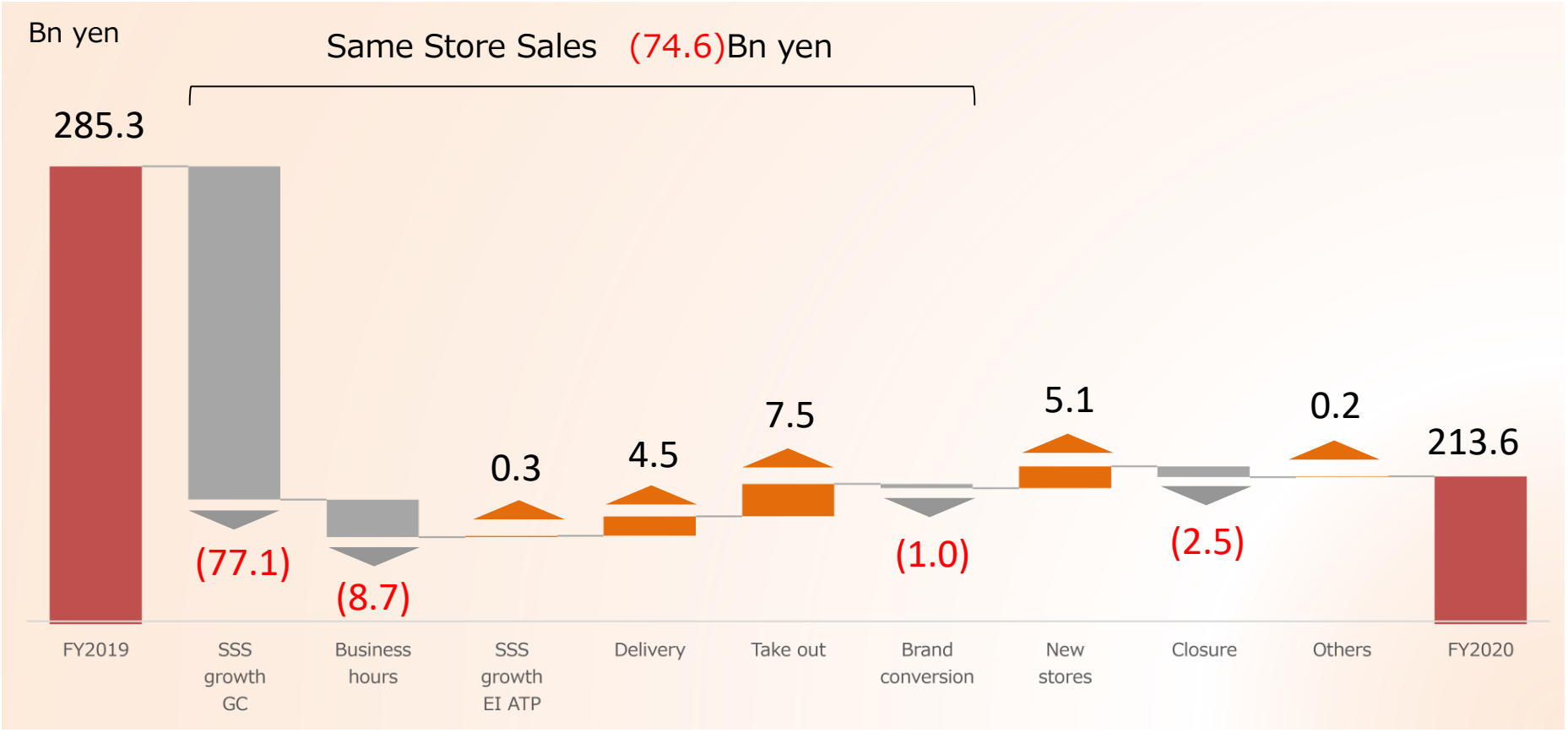
◆ **Operating loss of (3.1)bn yen. But it is positive as business base excluding impairment loss**



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Sales Q3FY2020 vs. Q3FY2019 (9-month)

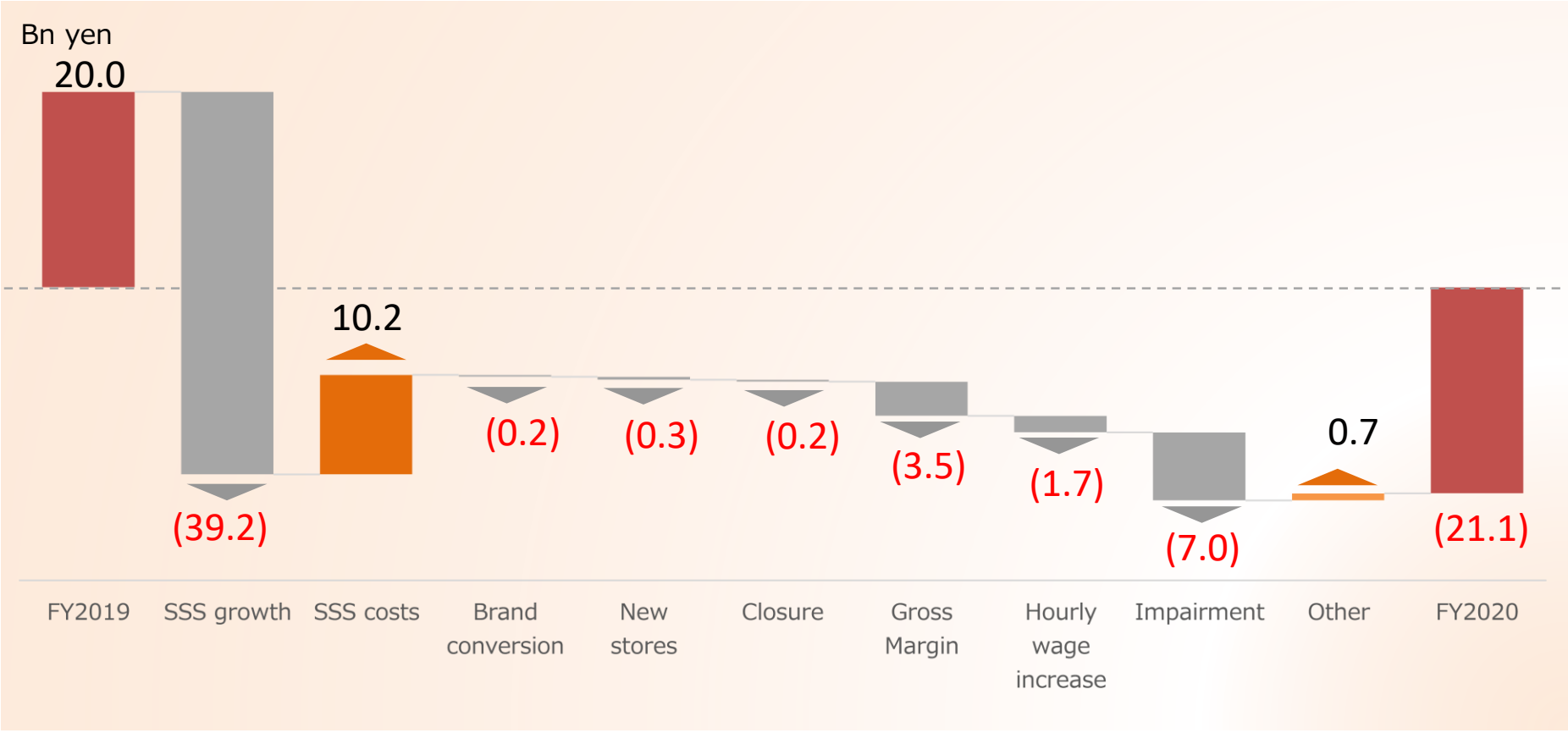
- **Sales decreased by (71.7)bn yen to 213.6bn yen. Sales from delivery, take out and new store sales are increased**
- **Customer traffic decline due to the COVID-19 impact is the major reason**



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OP Q3FY2020 vs. Q3FY2019 (9-month)

- **Operating loss of (21.1)bn yen**
- **Gross profit margin deteriorated due to temporary deterioration in production and logistics efficiency due to a significant decrease in sales**
- **Existing store costs improved by 10.2 billion due to reductions in labor cost and advertising expenses**



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Restaurant Development for 3Q2020



New Openings : 45 new openings mainly Karayoshi and Syabu-Yo. Karayoshi counts 91 stores
Brand Conversions : 19 stores were converted to Karayoshi
Closure : 85 stores closed, mainly Gusto
Remodels : 25 stores remodeled, mainly Jonathan's, Gusto, and Steak Gusto

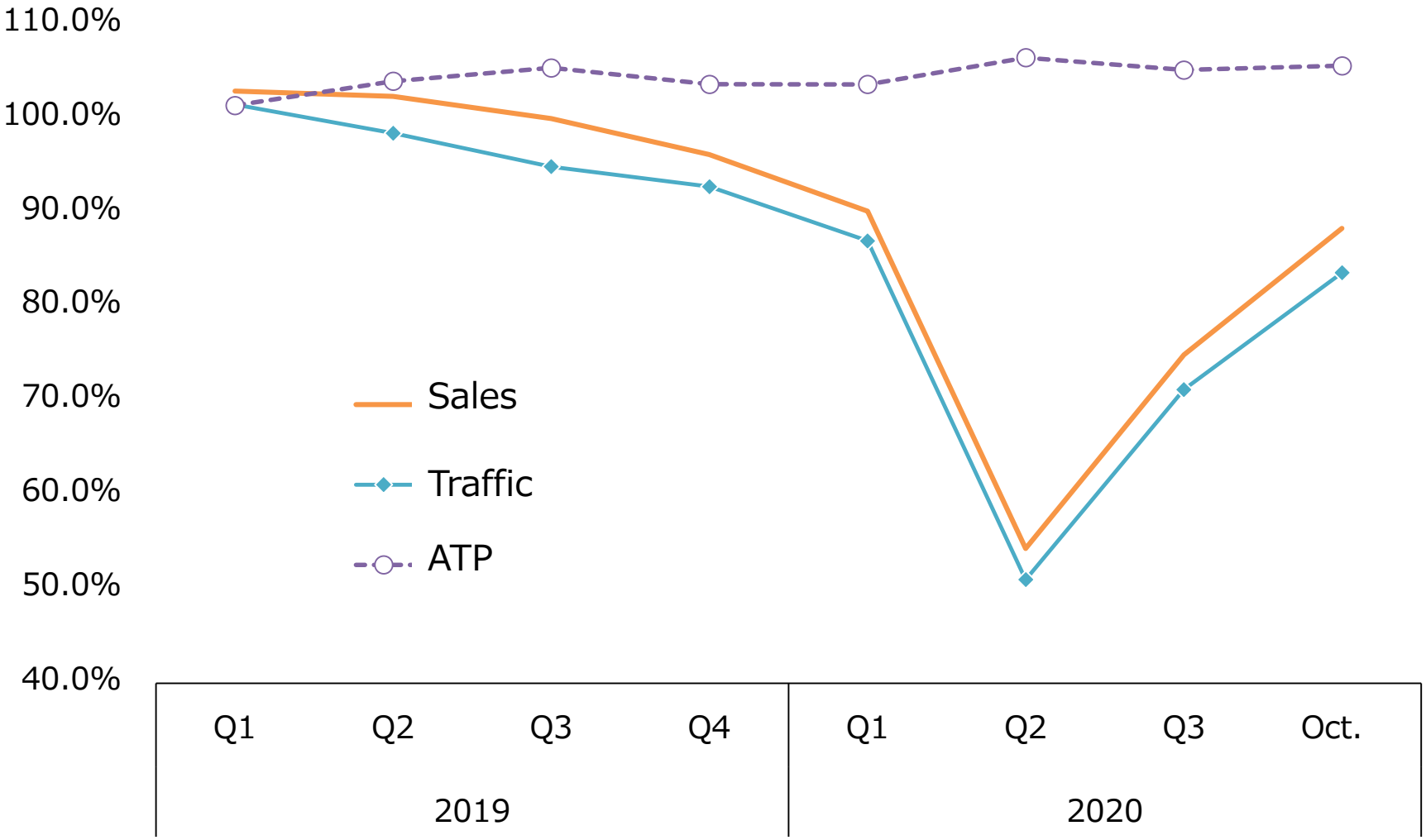
Brand	New Openings	Brand Conversion	Closure	End of Sep.2020	Remodeling
Karayoshi	12	19	(6)	91	-
Syabu-Yo	7	-	(6)	269	-
Gusto	7	4	(16)	1,341	5
Bamiyan	5	4	(4)	339	2
Musashinomori Coffee	5	-	-	42	-
FLO Prestige	3	-	(7)	114	-
Taiwan Skylark Co., Ltd.	2	-	(2)	61	-
Steak Gusto	1	-	(3)	135	6
Jonathan's	1	-	(5)	285	9
Yumean	-	-	-	188	1
Aiya	-	-	-	47	-
chawan	-	-	-	19	-
Others	2	3	(36)	287	2
Group Total	45	30	(85)	3,218 stores compared to end Dec.2019 ▲40	25

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Appendix

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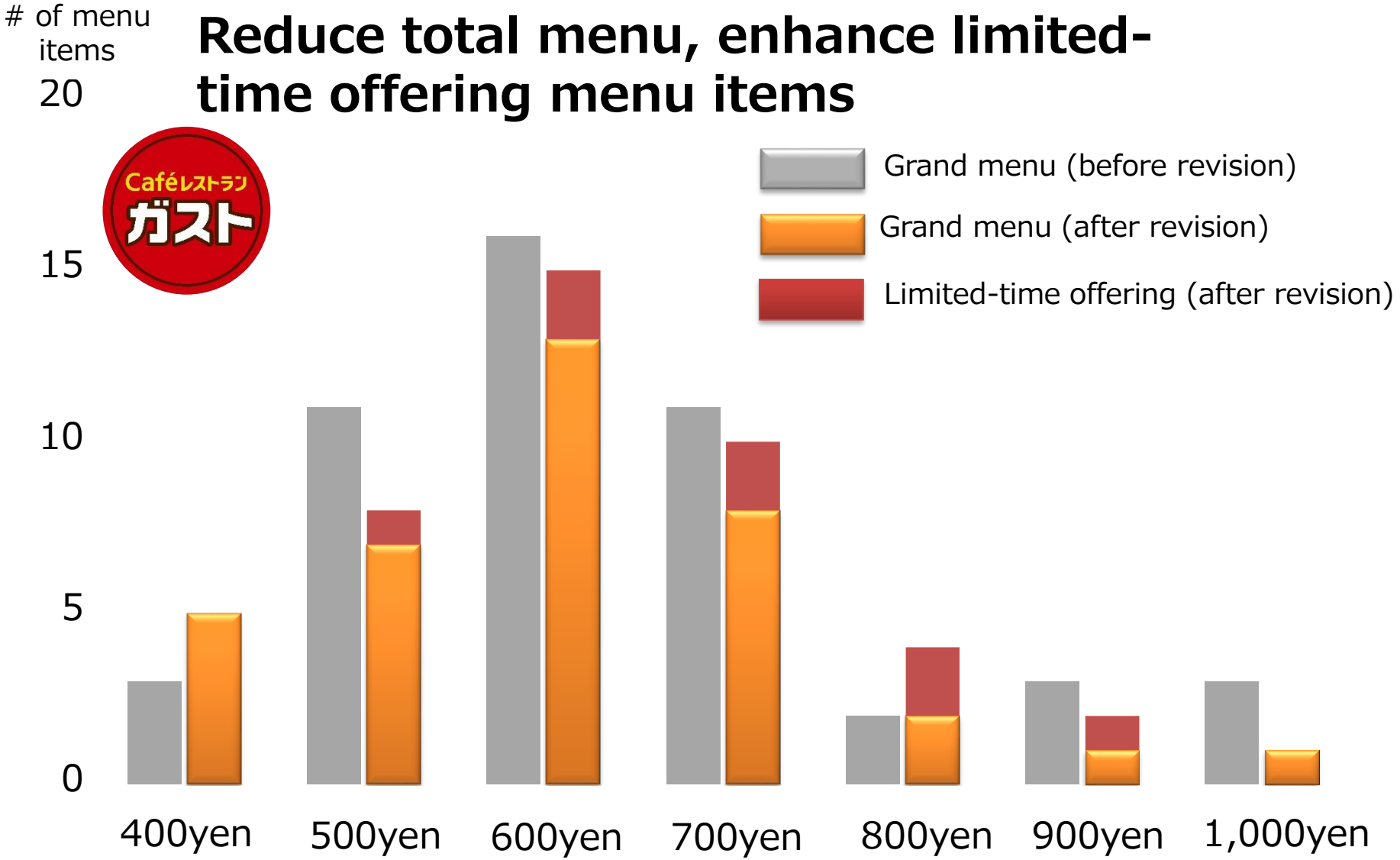
Same Store Sales



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Enhance Limited-time Offering Menus

Reduce total menu, enhance limited-time offering menu items



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Shortening restaurant operating hours for New Year Eve and New Year Day



As a part of work style reform, shorten restaurant operating hours for New Year Eve and New Year Day

Brand	Dec.31, 2020	Jan. 1, 2021
Gusto, Bamiyan, Jonathan's, Steak Gusto, Karayoshi, Grazzie Gardens, Musashinomori Coffee, Tonkaratei, La Ohana	Close at 6pm	Open at 11am Close at 9pm
Yumean, Aiya	Close at 8pm ＊Only takeout available from 4:30pm	
Syabu-Yo	Close at 9pm	
Totoyamichi	Close at 8pm	Open at 12am Close at 9pm ＊Takeout from 9am~
chawan	Subject to tenancy facilities' business hour	Subject to tenancy facilities' business hour

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The COVID-19 Control Measures for Customers and Employees



■ Preventing Droplet Transmission

(Preventing person-to-person infections: Measures against coronavirus spread by droplet contacts)

- ✓ **The Skylark Group encourages customers to wear masks**
- ✓ **Placing partitions between the customers tables**
- ✓ **Installing plastic protective screens in front of cash register**
- ✓ **For the buffet restaurants, installing plastic screens to protect buffet food**
- ✓ **All employees must wear masks**

(Preventing airborne infections: Ensuring restaurant spaces well-ventilated)

- ✓ **Implementing in-store ventilation 4 to 6 times per hour using air conditioning systems**

■ Preventing Contact Infections

(Preventing coronavirus spread by sanitizing and disinfecting contaminated surfaces)

- ✓ **Employees frequently wash hands and use alcohol-based sanitizer**
- ✓ **Placing sanitizing and disinfecting equipment in the restaurant space**
- ✓ **Frequently sanitizing door knobs, handles, handrails, the drink bar corner, tables, order terminal screens and other surfaces**
- ✓ **At buffet-style dining, dividing the buffet area and asking customers to wear nylon gloves and masks**
- ✓ **Regular changing and washing of food tongs for customers**
- ✓ **Using cash trays to avoid direct contact with customers**

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Go to Eat Campaign

■ Sales increase

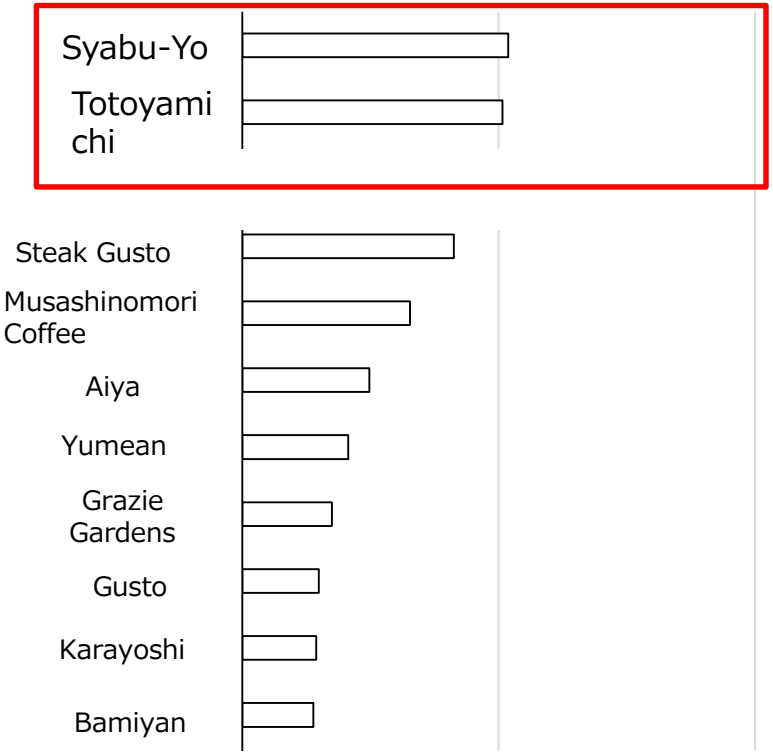
Can use the meal voucher at all brands





Get points by making on-line reservation

■ Meal voucher usage by brands



Tend to be used at higher ATP brands

* Data shows daily amount of voucher used per store

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Oversea Business

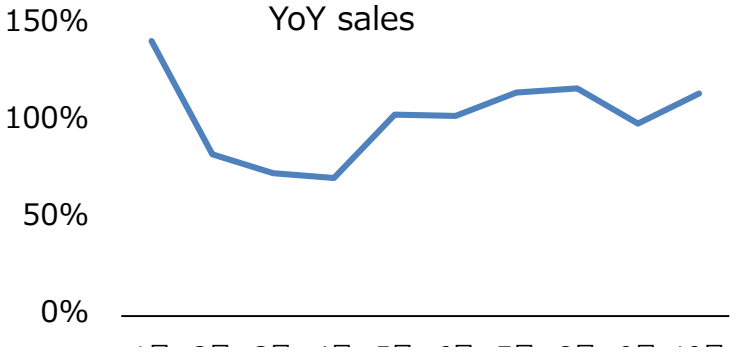
Taiwan

61 stores at end-Oct 2020

-Skylark	7
-Café Grazie	29
-Aiya	3
-Syabu-Yo	21
-Yokohama Steak	1



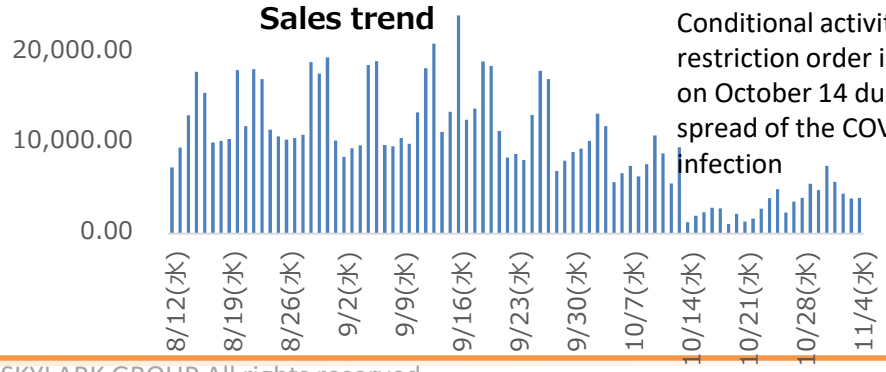
Impact from the COVID-19 eased quickly



Malaysia

The first Syabu-Yo open (Aug.21, 2020)

RM Kuala Lumpur, Sunway Velocity Mall



Conditional activity restriction order issued on October 14 due to spread of the COVID-19 infection



The second and third stores to be opened in next spring

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