

## **K.L.E. GROUP LIMITED**

### **Management Report to Shareholders**

For the 3 months ended September 30, 2014

The Board of Directors of K.L.E. Group Limited is pleased to present the unaudited financial results for the company for the period ending September 30, 2014.

#### ***Q3 Financial Summary:***

KLE continues to improve its overall performance despite the continued deterioration in traffic and spend in the market. A combination of lean, efficient, operations and increase marketing and promotional push have contributed to this improvement.

As at the end of the third quarter, the Company is reporting revenue of \$164.9m, (2013: \$249.1m) reflecting a decrease of 33% as compared with the corresponding period in the prior year. Operating Expenses were reduced from \$200.3m million in 2013 to \$129.5 million to the end of Q3 this year. This represents a \$70.8 million or 35.3% savings over the corresponding period last year. This resulted in a notable improvement of almost \$17m in EBITDA over the corresponding period last year. Having reduced expenses significantly, successful implementation of top line generation will yield direct benefits to the bottom line.

#### ***Highlights & Outlook***

Franchising remains the main focus for KLE. Towards the end of Q3 we executed a 'soft push' of our franchising offering. The response to this has been beyond expectation and we are currently processing those new leads. In addition to this we are aggressively following up the existing leads we have been in dialogue with from before. KLE and our consultants are encouraged by the progress achieved to date.

Usain Bolt's Tracks & Records Marketplace continues making improvements as we move into Q4 2014 and into what we expect to be a bright and promising 2015. With a new Management Team in place, operational improvements and innovative marketing initiatives are being implemented to positively impact product offerings, service and ultimately our bottom line. A new training regime beginning in November will undoubtedly improve the overall customer experience and drive up the average ticket as we continue to roll out our exciting new initiatives.

#### **Things to get excited about:**

##### **➤ Online Gift Shop**

- We are taking the Usain Bolt's Tracks & Records brand online in early Q1 2015 to completely leverage our relationship and goodwill of our international superstar.

- **Online Ordering**
  - Giving our customers multiple ways of ordering will be key to the success of our location. This platform is being launched in Q4 this year.
- **Event/Corporate Rentals**
  - Direct targeting of Organizations, Embassies and Associations to use our Mezzanine facilities for functions especially moving into the holiday season.
- **New Menu Offerings**
  - We will be offering our **Signature Appleton Estate** prepared dishes along with some other exciting menu options.
- **Loyalty/VIP Lunch Programs**
  - To help grow our lunch day part we will be reaching out to key persons and rewarding our loyal customers.
- **New Uniforms**
  - UBT&R will be launching the new standard uniform for the T&R brand, which will be included as a part of our franchise system. The design process is underway and the new uniforms will be launched in Q1 2015.

### **Strategic Partnerships**

We continue to collaborate and strengthen relationships with strategic business partners such as SportsMax and our beverage sponsor partners to maximize the execution of sporting events that are televised at UBT&R.

Famous has employed a new marketing manager and is currently executing a revised strategy designed to capitalise on the traffic potential that exists within its immediate surrounding. These markets, ideally located geographically and densely populated, provide the largest opportunity for growth for this business unit. The revised promotional plan for Q4 2014 is being implemented as we simultaneously draft programmes for Q1 and Q2 of 2015. These include media placements and ambassador programs geared at driving traffic on the core nights. Focus is also being placed on the corporate rentals that provided significant contribution in the same period last year. Famous has committed to executing a major community project in the Portmore area for the end of this year.

The Bessa project is advancing nicely. All the recommendations from the WRA and NEPA have been incorporated in the designs and accepted by the agencies. Informal submissions of the architectural, structural, civil, plumbing and electrical designs have been made to the St. Mary Parish Council. The formal application for building approval will incorporate all the feedback gained in the informal application process and is scheduled to be submitted on November 12, 2014. Given the fact that all agencies have been involved along the way we expect to receive building and environmental approvals by April 2015.

KLE has positioned itself to be able to capitalize on the power of Brand Jamaica through the export of the Tracks and Records concept to international markets through franchising. Having developed the model over the past 3 years the company has begun the recruitment process for suitable

franchisees. This provides a significant opportunity for the company to leverage the strength of its brands, target large developed markets and generate foreign exchange.

While we aggressively execute our growth strategy through franchising, the company continues to identify opportunities to reduce the cost base and improve performance within the existing revenue streams. We look forward to executing our plans to grow KLE to achieve its incredible potential and aim to return maximum value to the shareholders.

On behalf of the Board of Directors:



GARY MATALON