



SPUR CORP.

RESULTS FOR THE YEAR TO 30 JUNE 2015



AGENDA

- Highlights
- Financial Overview
- Operational Review
- Outlook
- Questions and Answers



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

TRADING ENVIRONMENT

- Household income under pressure
- Continued constrained consumer spending
- Trading environment affected by load shedding
- Depreciating rand affected input costs in all areas
- Consumer confidence increasingly fragile – lowest in 16 years
- Rand weakest level ever (against £)

KEY TRANSACTIONS

522

Total number of
restaurants at
30 June 2015

Transactions:

- GPI transaction
- Acquisition of 51% of RocoMamas Franchise Co
- Sale of Panarottis Blacktown, Silver Spur and Panarottis Penrith (all in Australia)
- Closure of Mohawk Spur (UK)
- Opening of first RBW in UK

RESTAURANT COUNT

Franchise brand	South Africa	Inter-national	Total
Spur Steak Ranches	277	43	320
Panarottis Pizza Pasta	75	12	87
John Dory's Fish Grill Sushi	38	1	39
Captain DoRegos	57	2	59
The Hussar Grill	8	-	8
RocoMamas	9	-	9
Total	464	58	522

FINANCIAL OVERVIEW FOR THE 2015 YEAR



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

OVERVIEW – HIGHLIGHTS

Restaurant
sales up
12.1%

R6.2 billion
restaurant
turnover
reached

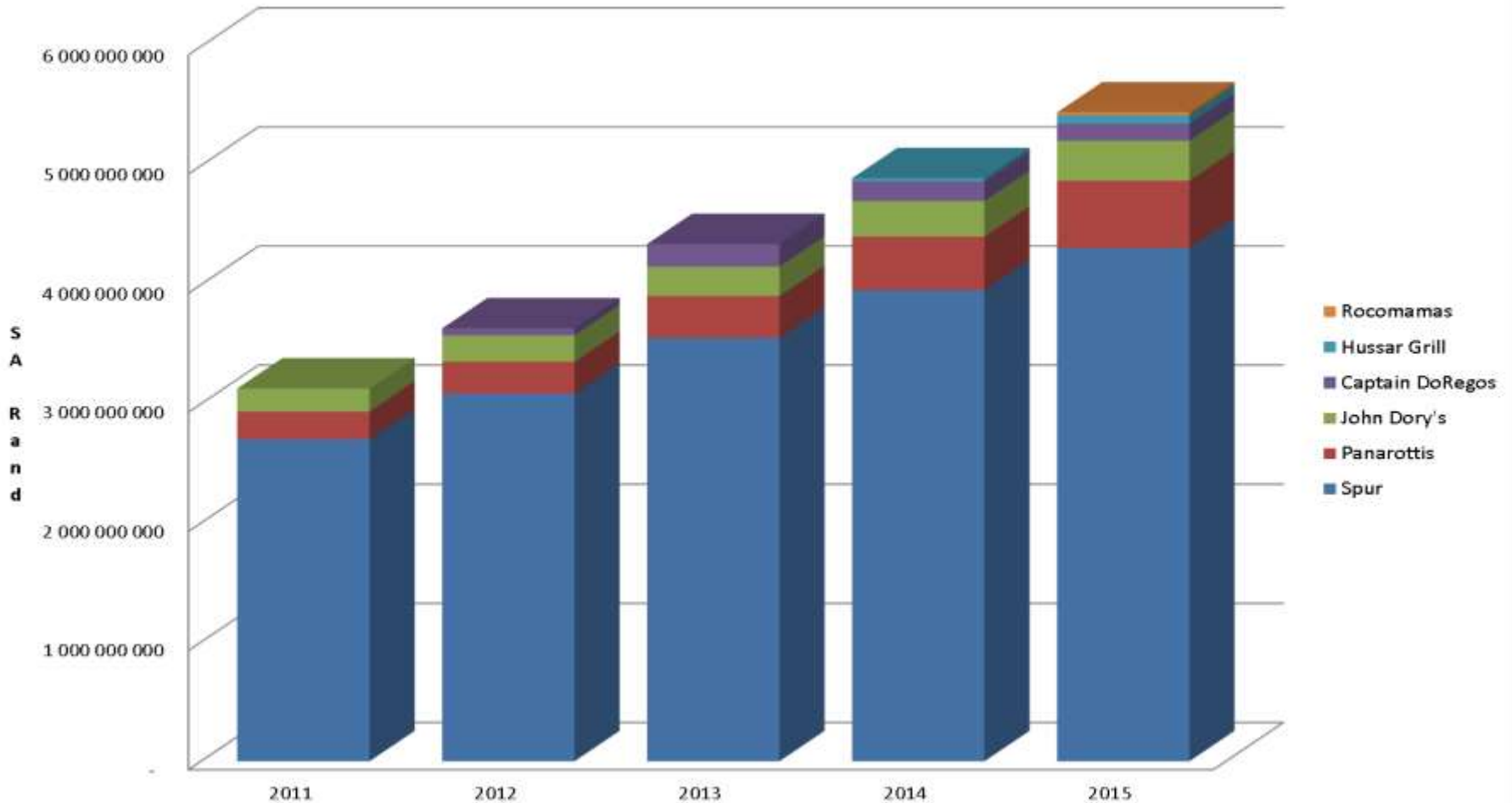
Comparable
profit
before tax
up **10.8%**

Comparable
HEPS
up **14.3%**

Dividend per
share up 9.1%
to 132 cents

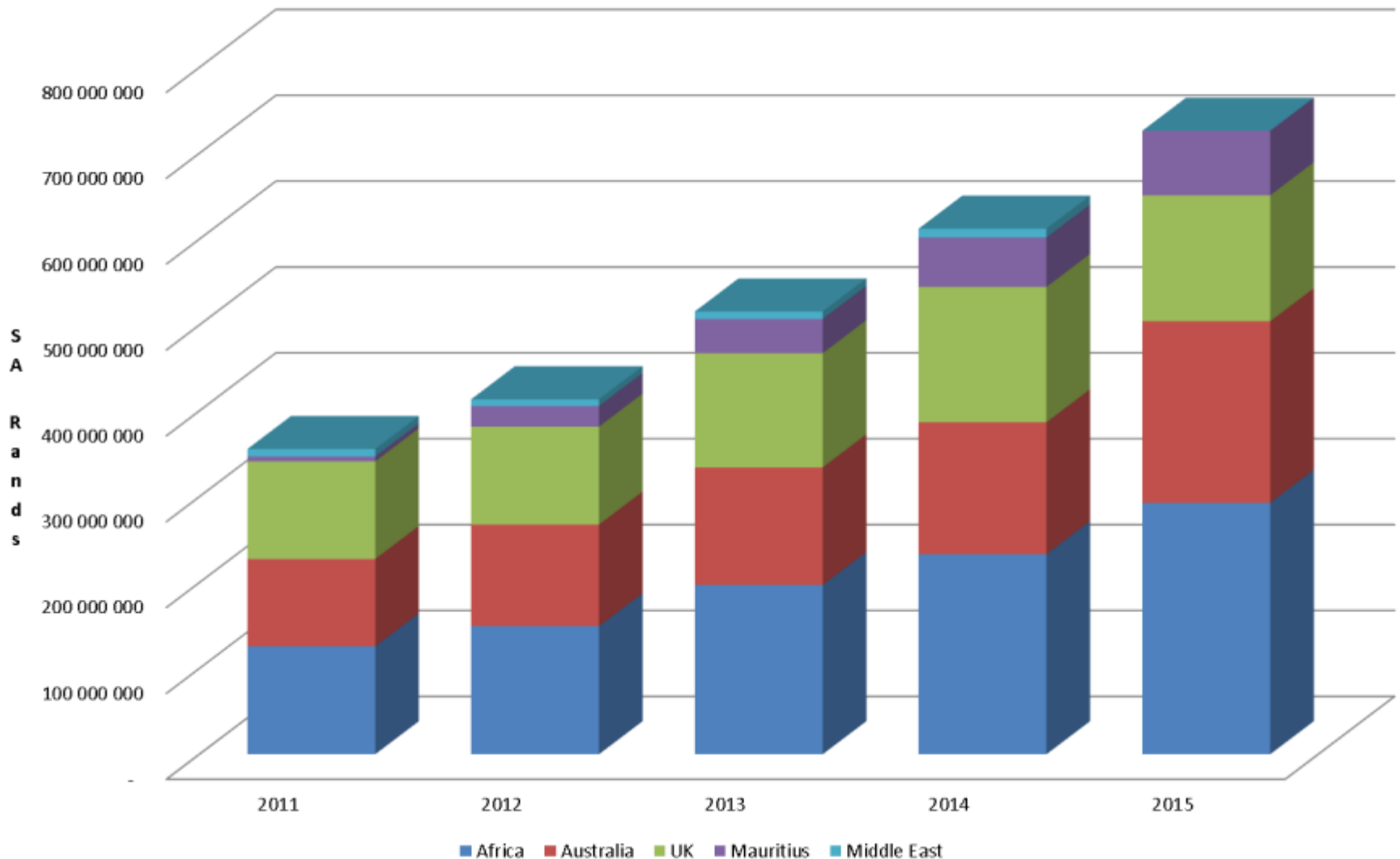
FRANCHISE – South Africa

SA Store Turnover



FRANCHISE – International

International Store Turnover



FRANCHISE – SPUR SA

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	217 276	198 498	9.5
Operating profit	194 037	176 552	9.9
Operating margin	89.3%	88.9%	

FRANCHISE – PANAROTTIS SA

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	27 575	20 932	31.7
Operating profit	18 904	13 117	44.1
Operating margin	68.6%	62.7%	

FRANCHISE – JOHN DORY'S

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	16 220	14 271	13.7
Operating profit	9 119	7 736	17.9
Operating margin	56.2%	54.2%	

FRANCHISE – CAPTAIN DOREGOS

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	6 077	8 185	(25.8)
Operating profit	(11 821)	2 158	(647.8)
Trademark impairment	13 905	-	
Adjusted operating profit	2 084	2 158	(3.4)
Adjusted operating margin	34.3%	26.4%	

THE HUSSAR GRILL (acq. 1 January 2014)

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
<u>Franchise</u>			
Revenue	2 417	700	245.3
Operating profit	1 298	471	175.6
Operating margin	53.7%	67.3%	
<u>Retail</u>			
Revenue	30 760	14 988	105.2
Operating profit	4 645	2 354	97.3
Operating margin	15.1%	15.7%	

FRANCHISE – ROCOMAMAS (acq. 1 March 2015)

R' 000

2015

Revenue

2 175

Operating profit

1 386

Operating margin

63.7%

PROCUREMENT, MANUFACTURING & DISTRIBUTION

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	173 924	176 576	(1.5)
Captain DoRegos depot revenue	-	(22 724)	
Adjusted revenue	173 924	<u>153 852</u>	13.0
Operating profit	67 339	58 520	15.1
Exceptional items			
Captain DoRegos depot closure costs	-	1 326	
Adjusted operating profit	67 339	<u>59 846</u>	12.5
Comparable margin	38.7%	38.9%	

CORPORATE SERVICES & OTHER SA

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	60 581	46 553	30.1
Operating loss	(81 491)	(60 180)	(35.4)
Exceptional items	16 481	4 988	
IFRS 2 (net of related hedge)	4 941	10 195	
GPI preference dividend	(4 125)	-	
IFRS 2 charge (GPI deal)	32 957	-	
Transaction costs (GPI deal)	301	-	
Interest received	(20 227)	(7 118)	
RocoMamas contingent consideration FV adjustment	3 681	-	
Acquisition related costs	233	1 620	
Spur Foundation	(1 761)	(122)	
International structure & tax query costs	481	413	
Adjusted operating loss	(65 010)	(55 192)	(17.8)

UNITED KINGDOM

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	147 657	157 565	(6.3)
Operating loss	(4 714)	(2 232)	(111.2)
Exceptional items	(3 949)	3 553	
Impairment of Mohawk Spur franchise rights and prepaid rent	-	3 478	
Partial impairment of Cheyenne Spur PPE	1 054		
Release of minority shareholder loan	(5 173)	-	
Foreign exchange loss	170	75	
Adjusted operating (loss)/profit	(8 663)	1 321	(755.8)
Add back:	7 233	7 179	
Depreciation	7 199	7 136	
Interest	34	43	
Adjusted cash flow (loss)/profit	(1 430)	8 500	(116.8)

AUSTRALIA

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	55 729	79 366	(29.8)
Operating profit	4 488	(157)	
Exceptional items	(261)	432	
Profit on sale of subsidiaries	(280)	(2 154)	
Impairment of Panarottis Blacktown	-	2 496	
International structure & tax query costs	-	82	
Foreign exchange loss	19	8	
Adjusted operating profit	4 227	275	1 437
Add back:	1 049	2 587	
Depreciation	1 272	2 755	
Interest	(223)	(168)	
Adjusted cash flow profit	5 276	2 862	84.3

AFRICA and MAURITIUS

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Revenue	19 668	14 750	33.3
Operating profit	10 906	8 711	25.2
Operating margin	55.5%	59.1%	

INTERNATIONAL CORPORATE SERVICES

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Operating loss	(6 496)	(4 918)	(32.1)
Exceptional items	661	(1 025)	
Recycling of FCTR to profit	1 920	(3 386)	
International structure & tax query costs	829	1 674	
Foreign exchange (gain)/loss	(2 088)	687	
Adjusted operating loss	(5 835)	(5 943)	1.8

COMPARABLE PROFIT

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Profit before tax	205 421	201 871	1.8
Exceptional items	29 717	10 319	
Captain DoRegos depot closure costs	-	1 326	
Share appreciation rights cost (net of related hedge)	4 941	10 195	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	(7 768)	(6 073)	
Impact of GPI transaction	19 554	-	
International structure & tax query costs	1 310	2 169	
Acquisition related costs	233	1 620	
RocoMamas contingent consideration FV adjustment	3 681	-	
Impairments & associated losses	14 959	5 974	
Profit on sale of Australian restaurants	(280)	(2 154)	
Release of minority shareholder loan	(5 173)	-	
Spur Foundation	(1 761)	(122)	
Foreign exchange loss/(gain)	21	(2 616)	
Comparable profit before tax	235 138	212 190	10.8

COMPARABLE HEADLINE EARNINGS

<u>R' 000</u>	<u>2015</u>	<u>2014</u>	<u>% change</u>
Headline earnings	141 511	135 203	4.7
Exceptional items	23 940	9 851	
Captain DoRegos depot closure costs	-	955	
Share appreciation rights cost (net of related hedge)	3 558	7 340	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	(5 593)	(4 373)	
Impact of GPI transaction	22 236	-	
International structure & tax query costs	973	2 119	
Acquisition related costs	233	1 620	
RocoMamas contingent consideration FV adjustment	3 681	-	
Impairments & associated losses	-	1 612	
Release of minority shareholder loan	277	-	
Foreign exchange loss/(gain)	(1 425)	578	
Comparable headline earnings	165 451	145 054	14.1
WANOS (excluding GPI)	85 429	85 633	(0.2)
Comparable HEPS (cents per share)	193.67	169.39	14.3

FINANCIAL POSITION

<u>R' 000</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Property, plant & equipment	86 481	77 289
Intangible assets & goodwill	384 610	359 742
Loans receivable	142 996	53 450
Trade & other receivables	97 828	82 650
<u>LIABILITIES</u>		
Contingent consideration – long term	31 409	-
Contingent consideration – short term	15 974	-

GPI TRANSACTION

- 10 848 093 additional shares issued at a 10% discount
- 5 year lock in
- IFRS 2 charge R32.957m
- Transaction costs R301 000
- Estimated additional interest and preference dividend R13.7m
- Comparable headline earnings per share excluding GPI transaction and one off and exceptional items increased 14.3%
- HEPS excluding only the GPI transaction up 21.4%

CASH FLOW

<u>R'000</u>	<u>2015</u>	<u>2014</u>
Cash from operations	222 786	198 644
Net interest received	16 825	6 313
	239 611	204 957
Distributions paid	(114 345)	(96 682)
Taxation paid	(83 666)	(66 891)
Working capital changes	(12 883)	3 971
Net investment in fixed assets	(30 706)	(8 891)
Purchase of treasury shares	(11 387)	-
Inflow from share-based payment hedge	20 961	21 364
Loans granted	(15 185)	(8 544)
Cash impact of BEE deal	221 053	-
Cash impact of investments in or disposals of subsidiaries	(4 027)	(72 030)
Landlord contribution received	-	947
Net increase in cash for the period	209 426	(21 799)

DEPRECIATION & CAPEX

- **Depreciation**

- R14.0m to June 2015
- Total R10.2m projected for year to June 2016

- **Spent during the year**

- R13.3m on land and buildings
- R6.2m leasehold improvements
- R3.0m furniture and fittings
- R5.7m plant, equipment and vehicles
- R2.6m computer equipment

- **Plans for 2016 year**

- Extension of Cape Town building (R35m)
- Continued investment in BI and IT (R4.2m)
- UK RBW investment (£0.75m for three restaurants)

OPERATIONAL OVERVIEW FOR THE 2015 YEAR



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS



TRADING PERFORMANCE

- 7.3% existing store turnover growth
- 9.0% turnover growth
- Menu price increases
 - 3.4% November 2013
 - 3.9% May 2014
 - 2.9% December 2014
 - 2.6% June 2015
- Load shedding – impact on turnover estimated at 3%; 205 Spur Steak Ranches (74%) have installed generators (R82m invested by franchisees)
- Opened nine new restaurants, relocated four and revamped 32 (R107.5m spent by franchisees)





TRADING PERFORMANCE

- 15.8% existing store turnover growth
- 25.4% overall growth
- Menu price increases
 - 3.1% July 2013
 - 4.7% December 2013
 - 5.0% June 2014
 - 3.2% in December 2014
 - 5.5% May 2015
- More focused menu; franchisee profitability
- Opened 11 new restaurants; relocated three and revamped seven (R51.1m spent by franchisees)





TRADING PERFORMANCE

- 5.7% existing store turnover growth
- 12.0% overall growth
- Menu price increases
 - 3.7% June 2013
 - 7.5% December 2013
 - 11.6% April 2014
 - 8.3% July 2014
 - 2.9% December 2014
- New design (Somerset West)
- Kids' areas in 81% of restaurants
- Six new restaurants opened and two revamped (R39.0m spent by franchisees)





TRADING PERFORMANCE

- Restaurant turnover R143.0 million
 - 5.7% like for like turnover decline
 - 13.2% overall turnover decline
- Menu price increase / decrease
 - 8.1% December 2013
 - 8.2% May 2014
 - -1.4% December 2014
- Market highly affected by economic environment
- Opened 12 new restaurants; one relocation and revamped one (R15.3m spent by franchisees)



- Restaurant turnover R71.8m
- Menu innovation – quality and generosity
- Load shedding
- Two new franchised restaurants opened
- National roll out planned but cautious
- Need to ensure the correct franchisees and locations are identified



RocoMamas

WE'RE NOT NORMAL

TRADING PERFORMANCE

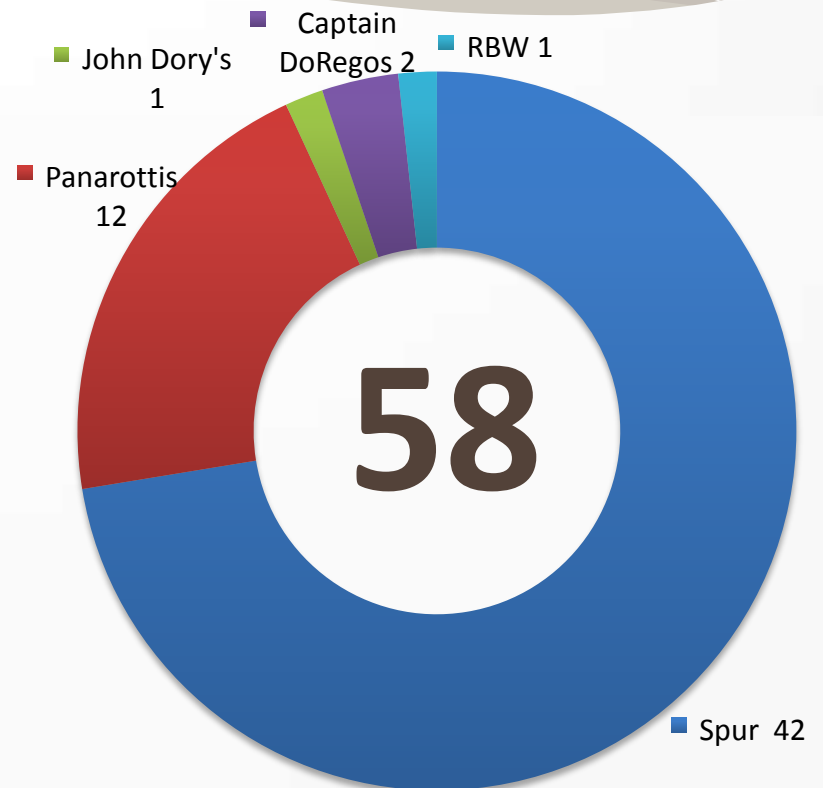
- 51% acquired 1 March 2015
- Fast-casual dining
- Five franchised restaurants at 1 March 2015
- Target market – the Millennials
- Restaurant turnover for three months since acquisition R24.3m
- Social media plays extensive role in this market
- National roll-out planned
- Opened four new restaurants (R13.2m spent by franchisees)



INTERNATIONAL

58 restaurants outside of South African borders

- Five new Spur restaurants opened
 - Three in Namibia
 - One in Tanzania
 - One in Australia
- One Panarottis in Tanzania
- One RBW in UK
- One John Dory's in Zambia



INTERNATIONAL



■ Australia

- Fully franchised
- Store turnover up 37.3% (in AU\$)
- One new Spur Steak & Grill opened in Drovers
- Substantial improvement in the region – R4.4m profit (PY: loss of R0.2m)

■ UK & Ireland

- Eight restaurants
- Store turnover down 10.7% (in GBP)
- Disappointing
- Pressure on food cost, labour and occupancy costs
- Encouraging initial turnovers in new RBW pilot restaurant

INTERNATIONAL

■ Africa & Mauritius

- 41 restaurants
- Turnover strong
- Exciting prospects
- Marketing fund for each country
- Set up office in Namibia
- Dedicated resource appointed in Nigeria



New territories

Angola

Ethiopia

Mozambique

PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Sauce Manufacturing
 - Slight decline in margins
 - Significant increase in R&M costs
 - Increased raw material costs
 - Price increases
 - 4.5% January 2013
 - 4.1% June 2014
 - HACCP certification maintained
 - Emphasis, as always, placed on Food and Health safety
 - Stringent production planning and streamlining production
 - Off-site dry goods store implemented

8.6%

increase in sauce
sales

PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Vector delivery well managed by Procurement department
 - Turnover – R1.3 billion (PY: R1.1 billion)
 - Number of cases delivered 5.4 million (PY: 5.2 million)
 - All depots ISO22000 certified

- Braviz facility operational



MARKETING & LOYALTY

- Combined marketing funds managed R201.2 million
- Moved towards media sponsorships rather than generic marketing
 - Increase in exposure and share of voice
- New TV ads – very well received
- Family card – great success (1.9 million active members)
 - Loyalty spend 29% higher than non-loyalty spend
- Loyalty introduced in Panarottis (August 2015)
- Invested substantially in Social Media
- POPI Act promulgated and Guideline 14 of the Food and Cosmetics Act issued, Liquor licence



OUTLOOK



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS



BRAND STRATEGY

- Smaller units for smaller towns
- Spur Grill & Go
- Continue to offer great value weekday specials
- Improving on gains made in breakfast market
- Targeted television marketing campaigns
- Model efficiencies / menu engineering – ensuring franchisee profitability
- Continuous retraining / up-skilling of HO and franchisee staff
- Refurbishments and strategic relocations
- Grow footprint:
 - Ten new stores





BRAND STRATEGY

- Major focus on family and quality
- Hand-pressed pizza to be introduced
- Basic operational fundamentals and service
- Continue to refine the menu using menu engineering techniques
- Continue to build on relationships with landlords ensuring A grade sites
- Improve margins - ultimately attain 75%
- Grow footprint:
 - Five new stores





BRAND STRATEGY

- Grow footprint and turnover
- Advertising to shift to value-added campaigns
- Grow loyalty
- Roll-out of updated in-store look and feel
- Procurement of product and availability of product remains a challenge
- Improve margin from 56.2% to 60% - ultimately 70%
- Five new stores





BRAND STRATEGY

- Maintain product quality
- Standardising the brand's "look and feel"
 - New signage
- Simplify the menu/offering
- Investigating opportunities in malls and food courts
- Marketing
 - Focus on value added campaigns
 - Local store marketing
- Four new stores



- Entrenching brand values from franchisee perspective
- Entrench excellent meat quality credentials
- Create memorable brand experiences – Nederberg Cook-off Challenge
- Standardise the product presentation nationally
- Four new restaurants to open – all outside of Western Cape; one relocation
 - Opening first restaurant outside of Western Cape in September 2015



RocoMamas

WE'RE NOT NORMAL

BRAND STRATEGY

- Roll-out nationally – projecting to open 13
- Digital marketing to be continued
- Campaigns planned to spread the word via “word of thumb” with adrenalised, jaw-dropping activities
- Maintain franchisee profitability
- Sauce factory in Johannesburg



PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Grow Vector basket in order to increase Cost of Integration income
 - Current Vector basket – almost 70%
- Vertical integration – core products
- Sauce manufacturing
 - Grow product lines
- Increase retail market share with retail partners



TRADING OUTLOOK

- Economic and trading headwinds facing the food and restaurant sector are not expected to abate
- Depreciating currency, continued load-shedding and rising operating costs
- Impact on consumer spending unlikely to improve markedly
- Lower fuel price and lower inflation not sustainable – little respite for consumers
- Current economic uncertainty weighing on consumer sentiment

SPUR CORPORATION OUTLOOK

- Well positioned across all market segments
- Value add and experience/entertainment
- Look beyond traditional business model
 - Vertical integration
 - Core products
- Africa expansion – exciting
- RBW in Australia and UK
- Acquisitions / Joint ventures

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THANK YOU
QUESTIONS?



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