



SPUR

Corporation Limited

AGENDA

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



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

TRADING ENVIRONMENT

- Continued constrained consumer spending
- Lower and middle income consumers – the group’s target market – under most pressure
- Spikes in spending at mid month and month end pay days
- Consumer confidence increasingly fragile
- Load shedding in November and December adversely impacted restaurant sales

OVERVIEW – HIGHLIGHTS

503

**Total number of
restaurants at
31 December 2014**

- **Transactions:**
 - Rib manufacturing facility
 - GPI transaction
 - Sale of Panarottis Blacktown (Australia)
 - Acquisition of remaining 50% of Panarottis Penrith (Australia)

RESTAURANT COUNT

Franchise brand	South Africa	Inter-national	Total
Spur Steak Ranches	275	43	318
Panarottis Pizza Pasta	71	11	82
John Dory's Fish Grill Sushi	33	-	33
Captain DoRegos	60	2	62
The Hussar Grill	8	-	8
Total	447	56	503

FINANCIAL OVERVIEW
FOR THE SIX MONTHS
TO DECEMBER 2014



SPUR CORP.

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OVERVIEW – HIGHLIGHTS

Restaurant
sales up
14.1%

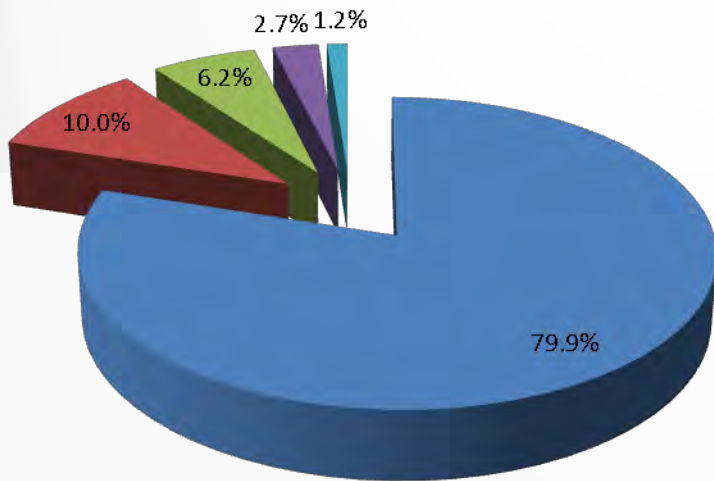
R3.2 billion
restaurant
turnover
reached

Comparable
profit
before tax
(net of finance
income)
up **15.3%**

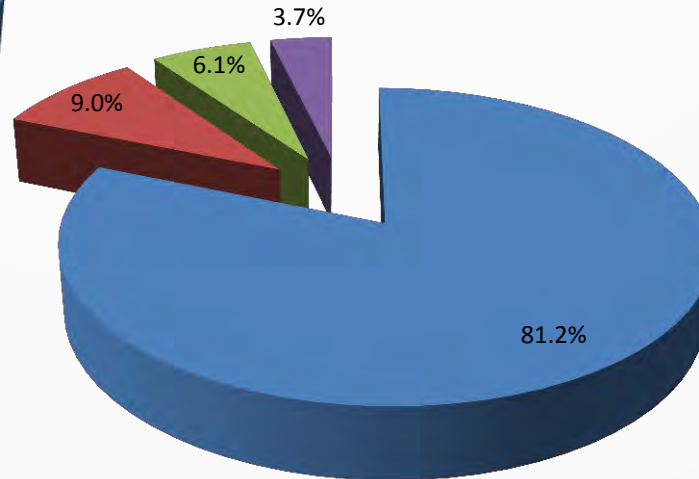
Dividend per
share up 8.8%
to 62 cents

SA BRAND CONTRIBUTIONS TO TURNOVER

HY 2015



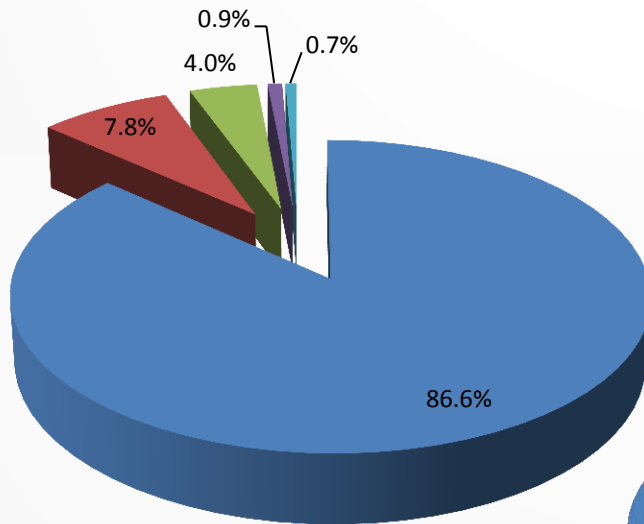
HY 2014



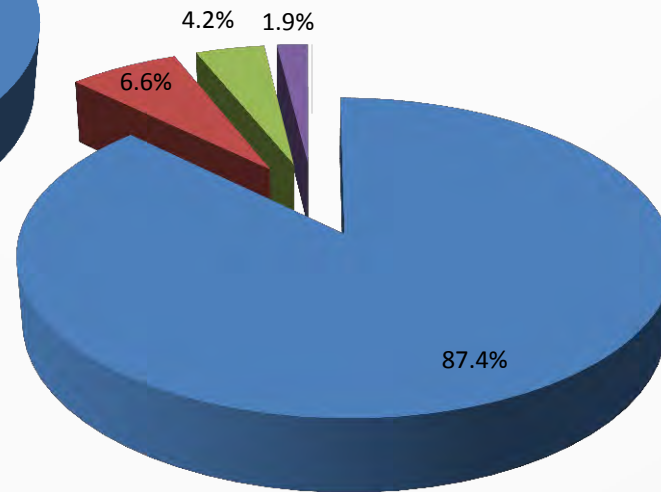
- Spur
- Panarottis
- John Dory's
- Captain DoRegos
- The Hussar Grill

SA BRAND CONTRIBUTIONS TO PROFIT

HY 2015



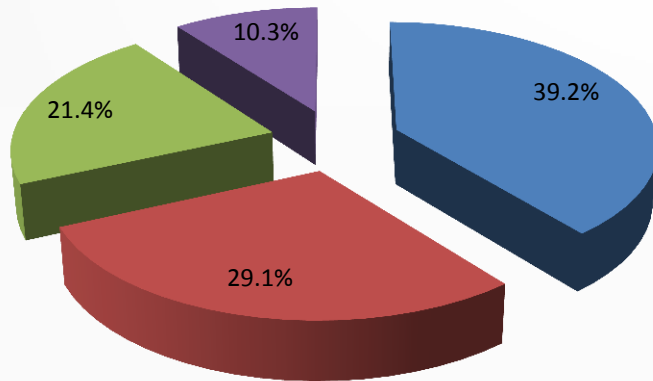
HY 2014



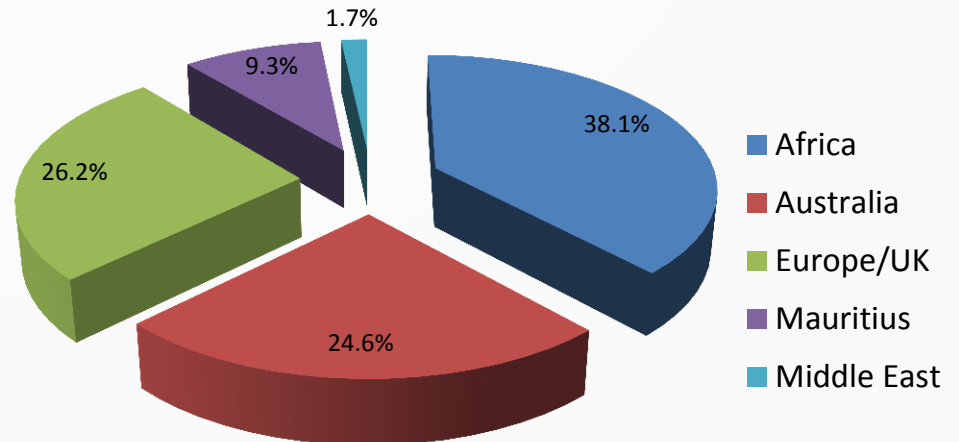
- Spur
- Panarottis
- John Dory's
- Captain DoRegos
- The Hussar Grill

INTERNATIONAL TURNOVER SPLIT

HY 2015



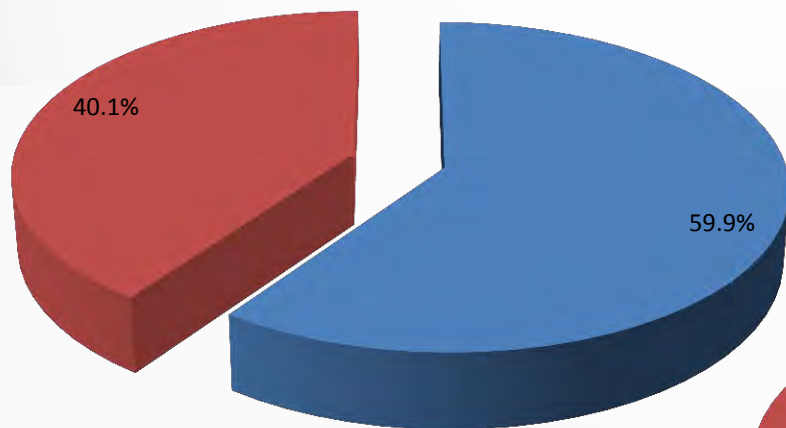
HY 2014



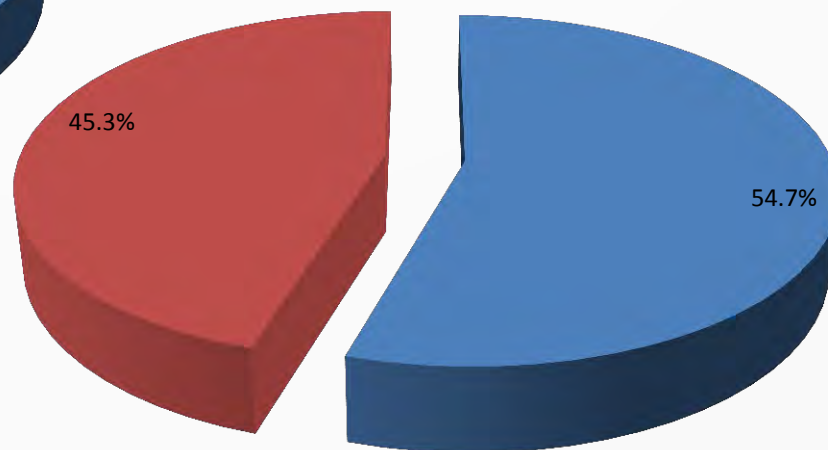
- Africa
- Australia
- Europe/UK
- Mauritius
- Middle East

CONTRIBUTION TO SA TURNOVER

HY 2015



HY 2014

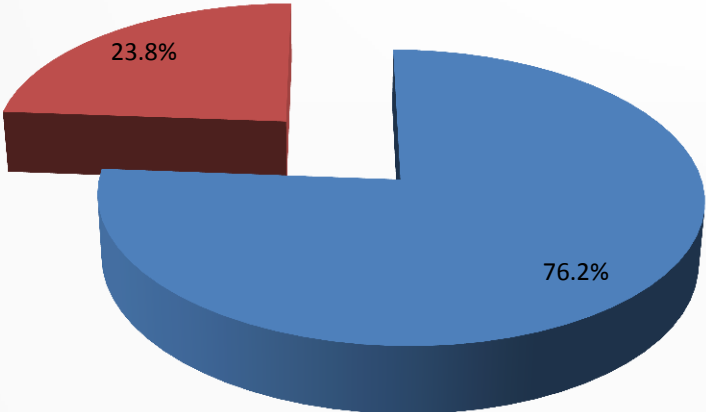


■ Franchise SA

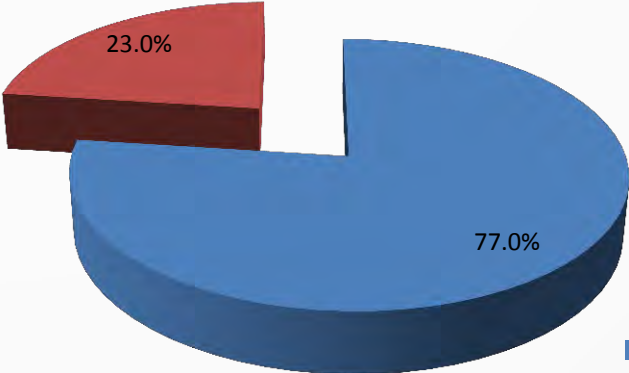
■ Manufacturing & Distribution

CONTRIBUTION TO SA PROFIT

HY 2015



HY 2014



- Franchise SA
- Manufacturing & Distribution

FRANCHISE – SPUR SA

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	112 669	100 737	11.8
Operating profit	100 856	89 919	12.2
Operating margin	89.5%	89.3%	

FRANCHISE – PANAROTTIS SA

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	13 476	10 826	24.5
Operating profit	9 144	6 754	35.4
Operating margin	67.9%	62.4%	

FRANCHISE – JOHN DORY'S

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	8 126	7 192	13.0
Operating profit	4 672	4 225	10.6
Operating margin	57.5%	58.7%	

FRANCHISE – CAPTAIN DOREGOS

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	3 262	4 690	(30.4)
Operating profit	973	1 903	(48.9)
Operating margin	29.8%	40.6%	

THE HUSSAR GRILL (acq. 1 January 2014)

R' 000

HY 2015

Franchise

Revenue	1 226
Operating profit	759
Operating margin	61.9%

Retail

Revenue	14 579
Operating profit	1 985
Operating margin	13.6%

PROCUREMENT, MANUFACTURING & DISTRIBUTION

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	93 035	102 270	(9.0)
Captain DoRegos depot revenue	-	(22 696)	
Adjusted revenue	93 035	79 574	16.9
Operating profit	36 391	30 708	18.5
Exceptional items			
Captain DoRegos depot closure costs	-	967	
Adjusted operating profit	36 391	31 675	14.9
Comparable margin	39.1%	39.8%	

CORPORATE SERVICES & OTHER SA

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	34 296	22 630	51.6
Operating loss	(67 911)	(29 430)	(130.8)
Exceptional items	41 474	5 146	
IFRS 2 (net of related hedge)	11 835	4 818	
GPI preference dividend	(1 043)	-	
IFRS 2 charge (GPI deal)	32 957	-	
Transaction costs (GPI deal)	301	-	
Interest received (GPI deal)	(2 395)	-	
Due diligence	-	80	
Spur Foundation	(518)	20	
Consulting fees	337	228	
Adjusted operating loss	(26 437)	(24 284)	(8.9)

AUSTRALIA

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	37 932	42 754	(11.3)
Operating profit	4 252	825	415.4
Exceptional items			
Profit on sale of subsidiary	(1 506)	-	
Foreign exchange loss	16	2	
Adjusted operating profit	2 762	827	234.0
Add back:			
Depreciation	836	1 358	
Interest	(26)	(143)	
Adjusted cash flow profit	3 572	2 042	74.9

UNITED KINGDOM

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	80 107	77 795	3.0
Operating (loss) / profit	(2 418)	2 206	(209.6)
Exceptional items			
Acquisition of 10% of Trinity Leasing	-	(45)	
Foreign exchange loss	68	246	
Adjusted operating (loss) / profit	(2 350)	2 407	(197.6)
Add back:			
Depreciation	3 562	3 294	
Interest	-	3	
Adjusted cash flow profit	1 212	5 704	(78.8)

AFRICA and MAURITIUS

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Revenue	9 974	7 094	40.6
Operating profit	5 966	4 151	43.7
Operating margin	59.8%	58.5%	

INTERNATIONAL CORPORATE SERVICES

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
International Corporate Services			
Operating loss	(2 176)	(6 495)	66.5
Exceptional items			
International restructure costs	-	127	
Foreign exchange (gain) / loss	(485)	3 075	
Adjusted operating loss	(2 661)	(3 293)	19.2

COMPARABLE PROFIT

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>	<u>% change</u>
Profit before tax	92 139	104 766	(12.1)
Corporate services and other exceptional items	41 474	5 146	
International exceptional items	(1 506)	82	
Procurement, manufacturing exceptional items	-	1 224	
Loss from associate	354	-	
Foreign exchange (gain) / loss	(401)	3 339	
Comparable profit before tax	132 060	114 557	15.3

FINANCIAL POSITION – ASSETS

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>
Property, plant & equipment	83 077	80 495
Intangible assets & goodwill	359 169	324 166
Investments & loans	130 689	16 142
Deferred tax	5 926	11 603
Leasing rights	3 149	5 483
Derivative financial asset	10 586	28 725
Inventory	10 448	13 512
Taxation receivable	11 314	9 682
Trade & other receivables	117 956	103 612
Cash & cash equivalents	312 624	139 924
Total assets	1 044 938	733 344

FINANCIAL POSITION – EQUITY & LIABILITIES

<u>R' 000</u>	<u>HY 2015</u>	<u>HY 2014</u>
Equity	834 153	508 712
Long-term loans	-	459
Operating lease liability	1 338	3 564
Other non-current liabilities	6 869	6 021
Deferred tax	69 552	71 535
Bank overdrafts	2 833	2 147
Taxation	2 766	2 390
Trade & other payables	116 315	122 810
Other current liabilities	10 649	15 334
Shareholders for distribution	463	372
Total equity & liabilities	1 044 938	733 344

CASH FLOW

<u>R'000</u>	<u>HY 2015</u>	<u>HY 2014</u>
Cash from operations	109 407	92 721
Net interest received	5 589	3 590
	<hr/>	
	114 996	96 311
Distributions paid	(54 732)	(47 909)
Taxation paid	(38 635)	(34 740)
Working capital changes	(15 448)	3 182
Net investment in fixed assets	(15 305)	(3 565)
Purchase of treasury shares	(9 345)	-
Inflow from share-based payment hedge	20 565	20 794
Investments in subsidiaries & other loans granted	(4 977)	(9 445)
Cash impact of BEE deal	221 053	-
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Net increase in cash for the period	218 172	24 628

DEPRECIATION & CAPEX

- **Depreciation**

- R7.1m to December 2014
- Total R13.2m projected for full year to June 2015

- **Spent during the year**

- R8.2m on land and buildings
- R2.2m leasehold improvements
- R0.9m furniture and fittings
- R2.9m plant, equipment and vehicles
- R1.0m computer equipment

- **Plans for next six months**

- Extension of Cape Town building (R35m – R40m)
- Continuous investment in BI and IT (R1.5m)
- UK RBW investment (£1m for four restaurants)

OPERATIONAL OVERVIEW
FOR THE SIX MONTHS
TO DECEMBER 2014



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS



TRADING PERFORMANCE

- 9.3% existing store turnover growth
- 11.1% turnover growth
- Menu price increase
 - 3.4% November 2013
 - 3.9% May 2014
 - 2.9% December 2014
- Load shedding – new restaurants to all have generators; encouraging existing restaurants to install generators
- Opened five new restaurants and revamped 25 (R21.6m spent by franchisees)





BRAND STRATEGY

- Smaller units for smaller towns
- Family card
 - 1.8m active members
 - Gift cards (total sales since launch in Dec 2013 – R6.2m)
- Continuous enhancements in family friendly market differentiators
- New kitchen design
- Model efficiencies
- Analysing menu content
- Improving footprint:
 - six new stores to June 2015
 - 15 revamps
 - six relocations



TRADING PERFORMANCE

- 19.0% existing store turnover growth
- 25.4% overall growth
- Menu price increase
 - 4.7% December 2013
 - 5.0% June 2014
 - 3.2% in December 2014
- Advertising highlighting the use of authentic products - well received
- Opened six new restaurants; relocated three and revamped two (R10.0m spent by franchisees)





BRAND STRATEGY

- Major focus on family and quality
- Improved kitchen efficiencies and flows
- Refining the menu using menu engineering techniques
- Continue to build on relationships with landlords
- Introduce loyalty and online ordering (scoping stage - 18 months)
- Improve margins - ultimately attain 75%
- Improving footprint:
 - Continue roll-out of kids facilities (85% completed)
 - Six new stores to June 2015
 - Six revamps and one relocation

- 8.7% existing store turnover growth
- 10.6% overall growth
- Menu price increase
 - 7.5% December 2013
 - 11.6% April 2014
 - 8.3% July 2014
 - 2.9% December 2014
- Delay in new store openings
- One new restaurant opened; one relocation and five revamped (R7.0m spent by franchisees)





BRAND STRATEGY

- Grow footprint and turnover
- Maintain franchisee profitability
 - Key to expansion
- Procurement of product and availability of product remains a challenge
- Grow loyalty – John's Club
 - Now digital
 - Currently 207 000 members
- Improve margin from 57.5% to 60% - ultimately 70%
- Five new stores to June 2015, two revamps
- 50 stores by June 2016



TRADING PERFORMANCE

- Restaurant turnover R75.1 million
 - 8.6% like for like turnover decline
 - 18.2% overall turnover decline
- Menu price increase / decrease
 - 8.1% December 2013
 - 8.2% May 2014
 - -1.4% December 2014
- Market very affected by economic environment
- Assisting franchisees to have stable businesses
- Restructured operations team
- Opened five new restaurants

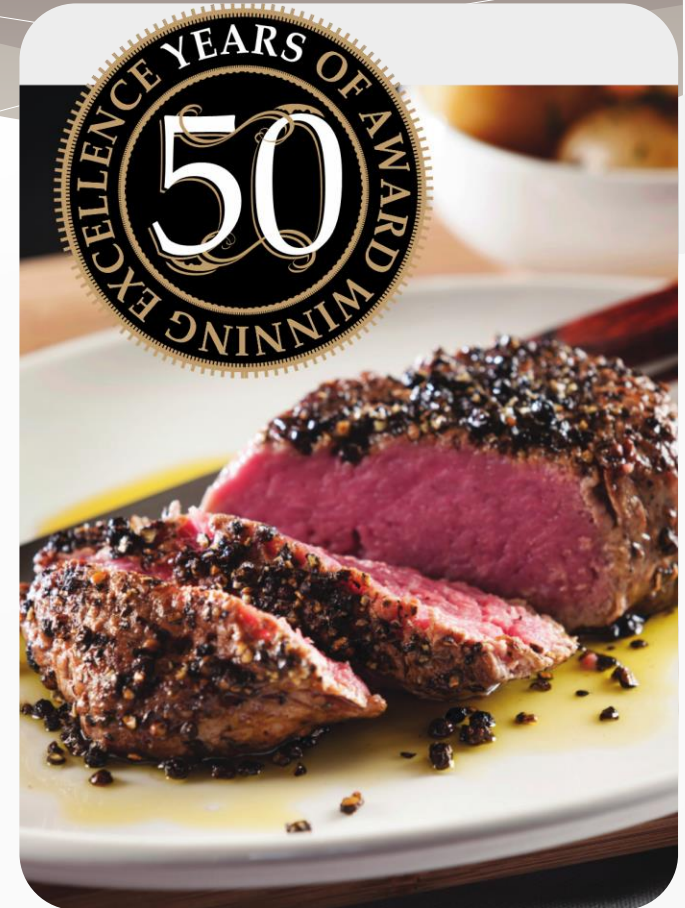




BRAND STRATEGY

- Increase footprint
 - Four new stores to June 2015
 - One refurbishment
- New design in store
- Set up costs reduced
- Continuously analysing sales mix and simplify the menu / offering
- Marketing
 - Focusing on value added campaigns
 - Introducing more quality products onto the menu

- Acquired 1 January 2014
- Higher LSM - more resilient
- 50 years of trading experience
- Restaurant turnover R33.6 million
- Load shedding – affects over the festive season
- Two new franchised restaurants opened
- Cautious roll-out
- Need to ensure the correct franchisees and locations are identified





BRAND STRATEGY

- Entrenching brand values from franchisee perspective
 - Site selection
 - Franchisee selection
 - 20% operating partner
 - Improve margins
- Improving footprint
 - Currently negotiating four new sites

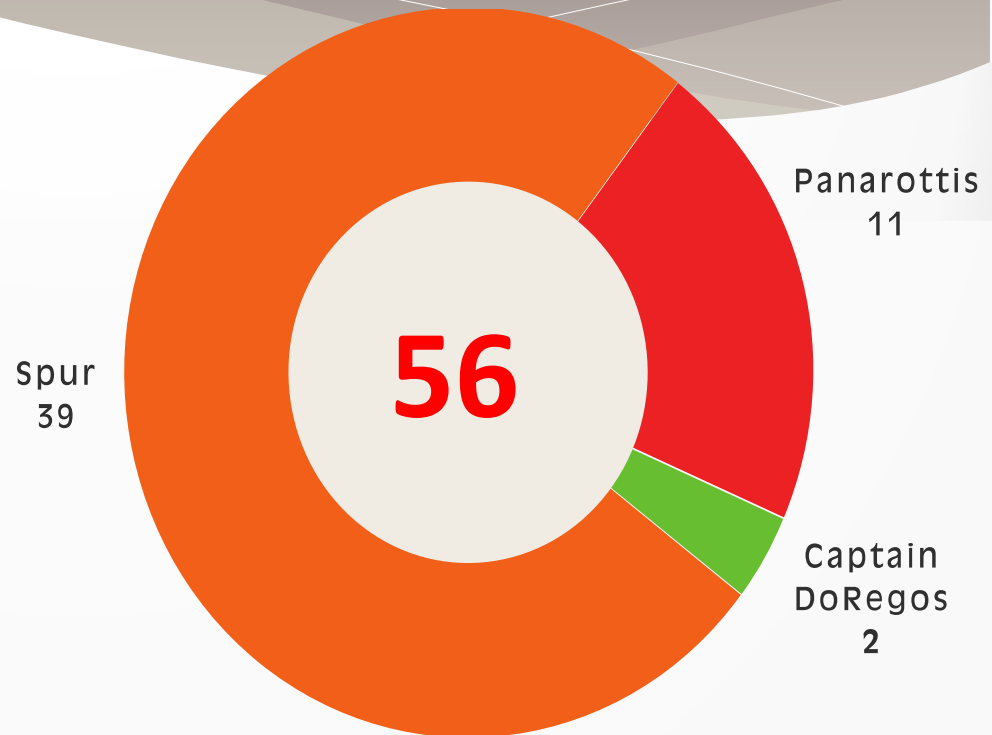
INTERNATIONAL RESTAURANT FOOTPRINT

Location	Spur Steak Ranches	Panarottis Pizza Pasta	Captain DoRegos	Total as at 31 Dec 2014
Australia	5	4		9
UK & Ireland	8			8
Botswana	4			4
Kenya	2			2
Lesotho	1			1
Malawi	1			1
Mauritius	3	5	1	9
Namibia	9	1	1	11
Nigeria	2			2
Swaziland	2			2
Tanzania	2			2
Uganda	1			1
Zambia	2			2
Zimbabwe	1	1		2
	43	11	2	56

INTERNATIONAL RESTAURANT FOOTPRINT OVERALL

56 restaurants outside of South African borders

- Four new Spur restaurants opened in the period
 - Three in Namibia
 - One in Australia



INTERNATIONAL

■ Australia

- Five Spur Steak Ranches; four Panarottis Pizza Pasta
- Plan to be fully franchised by June 2015
 - Negotiations underway to dispose of Silver Spur and Panarottis Penrith
- Revenue 7.3% up in AU\$
- Turnovers encouraging
- 2 new stores by October 2015

■ UK & Ireland

- Eight restaurants
- Revenue down 6.8% in GBP
- Disappointing
- Pressure on food cost and labour
- RBW



INTERNATIONAL

■ Africa

- 39 restaurants
- Turnover strong
- Great prospects
- Planned openings for the next four months:

Spur Victoria Island in Lagos, Nigeria

Spur in Kitwe, Zambia

John Dory's in Lusaka, Zambia

Spur in Arusha, Tanzania

Panarottis in Arusha, Tanzania



New territories

Angola

Ethiopia

Mozambique

Ghana

PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Segment consists of:
 - Sauce manufacturing
 - Rebates from suppliers (no cost of sales)
 - Cost of integration – Central distribution (no cost of sales)
- Comparable operating margin 39.1%
 - Dependent on mix between cost of integration and sauce manufacturing – influenced heavily by third party manufacture
- Limited price increase in manufacturing facility despite high food price inflation
- Franchisee profitability and food inflation to be balanced in future price increase decisions

PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Sauce Manufacturing
 - Margin decline due to:
 - Reduced margin from external retail sauces
 - Significant increase in R&M costs
 - Increased input costs (foreign exchange)
 - Price increase
 - 4.5% January 2013
 - 4.1% June 2014)
 - HACCP certification maintained
 - On-going improvements – third party business

16.7%

increase in sauce
sales

PROCUREMENT, MANUFACTURING & DISTRIBUTION

- Continue with central distribution model (Vector)
 - Health and Safety
 - Franchisee profitability
- Grow Vector basket in order to grow Cost of Integration
 - Current Vector basket – 60%
- Vertical integration – core products
- Sauce manufacturing
 - Grow third party manufacturing
 - Grow product lines
 - Extend to pasteurised sauces



OUTLOOK



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PASSIONATE PEOPLE BUILDING GREAT BRANDS

TRADING OUTLOOK

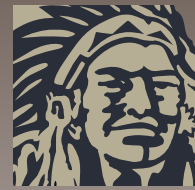
- Consumer spending unlikely to improve markedly in next 12 to 18 months
- Lower fuel price and lower inflation not sustainable – little respite for consumers
- Current economic uncertainty weighing on consumer sentiment
- Load shedding continues to impact restaurant turnover – engaging with franchisees on installation of generators
- Value offering across all brands crucial in attracting customers and growing market share

SPUR CORPORATION OUTLOOK

- Intended acquisition of 51% of RocoMamas
 - Effective 1 March 2015
 - Five franchised restaurants
 - Exciting prospects (four confirmed)
- Well positioned across all market segments
- Value add and experience/entertainment
- Look beyond traditional business model
 - Vertical integration
 - Core products
 - Different marketing
- Africa expansion – exciting
- Acquisitive



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- Spur Corporation has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.
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THANK YOU
QUESTIONS?



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