

WELCOME

**ANNUAL RESULTS
2011**



PERFORMANCE & OPERATIONS

Pierre van Tonder



INTRODUCTION

- Consumers under pressure:
 - Household debt high at 76.8% of disposable income
 - Installment credit extension to private households rose by 5.5% y/y in July 2011
 - Unemployment rate 25.7%
 - Petrol increased 17% since January 2011
 - Electricity hikes
- Improved sentiment in SA
- Stronger second half trading performance



INTRODUCTION continued

- Trading conditions remain difficult in foreign markets
- UK particularly impacted:
 - VAT increased from 17.5% to 20%
 - Increased NI contributions
 - Reduced personal benefits
 - Inflation 4.5%
- Average restaurant visits per month now a third of 2008 levels
- Impairment of two UK restaurants
 - Gateshead
 - Wandsworth



SPUR STEAK RANCHES

- 9.9% turnover growth
 - Menu price increase of 6% in April 2011
 - Existing business growth 7.9%
- Opened 11 new restaurants in SA
- Relocated eight and revamped 24 restaurants
 - R25m invested by franchisees
 - Turnover increased 12 – 15%
- 249 restaurants in SA



SPUR STEAK RANCHES continued

- Innovative marketing
 - Contemporary and humorous elements of SA
- Successful launch of breakfast offering
 - 6% of sales (previously 0.3%)
- Spur Family Card loyalty programme
 - 11.6% of sales from cardholders in June 2011
 - 15% increase in average number of repeat visits
 - 16.9% increase in average spend per loyalty Invoice vs average spend per total Invoice
 - R207 vs R177
- Gift card to be rolled out



PANAROTTIS PIZZA PASTA

- 4.5% turnover growth
 - Menu price increase of 6.7%
- Opened seven restaurants
- New design introduced
- 52 restaurants in SA
- New COO appointed
- Renewed focus on “authentic Italian” offering



JOHN DORY'S FISH & GRILL

- 9.8% turnover growth
 - Menu price increase of 6.0%
 - Existing business growth 4.5%
- Three new restaurants and one relocated
- New menus introduced
- Total restaurants now 27



PROCUREMENT

- Continued growth in basket
 - Volume increased 20%
- Substantial infrastructure investment by Vector
- 3 752 032 cases delivered to our restaurants
- Continued benefits
 - Enhanced quality standards
 - Better pricing benefits franchisee profitability
 - Health and safety – cold chain
- Increased restaurant visits and factory audits



MANUFACTURING

- Manufacturing operations consolidated into one facility in Cape Town
 - Johannesburg building sold
 - Profit on sale R1.205m
 - Benefit of improved efficiencies to be realised in FY2012
- HACCP compliant facility
- Food technologist
- Third party manufacturing to reduce idle time



RETAIL SAUCES & PRODUCTS

- Retail sauce sales up 25.8%
 - Very low margin – brand building
- New Sauce Labels
- Spur Ribs – launched into Spar



INTERNATIONAL – Africa & Mauritius

- Development delayed
 - Nigeria – Ikeja Mall
 - Namibia – Ongwediva
 - Botswana – Airport Junction
 - Malawi – Lilongwe
 - Zambia – Lusaka
- Mauritius
 - Bagatelle
 - Cascavelle



INTERNATIONAL – UK and Ireland

- Ireland
 - Harsh economic environment
 - Lost two franchised restaurants:
 - Limerick
 - Newry
 - Took over Belfast from franchisee
- United Kingdom
 - Opened Gateshead (Newcastle) – performance under expectations – impaired
 - Wandsworth impaired
- Full-time regional head appointed
- Market research
- Consolidate



INTERNATIONAL – Australia

- Tough trading conditions
- Monitor in-store quality of service and product, and efficiency levels
- Marketing individually targeted and tailored to each store
- Region now generating cash
- Further franchise opportunities in WA



INFORMATION TECHNOLOGY

- In-store
 - Point-of-sale upgrade
 - Business intelligence
 - Security
 - Speed of service
- Data warehouse
- Digital marketing
 - Facebook
 - Twitter
 - Websites



ENVIRONMENTAL SUSTAINABILITY

- Eco-warriors
 - <http://www.spur.co.za/EcoWarriors/>
 - User friendly information for consumers – kids focus
 - Totem magazine
- Base-line audits
 - Establish our franchise company footprint
 - Guided our policy development (to be implemented in 2012)
 - Store audit conducted to guide actions and communication campaign (available in English, Afrikaans, Xhosa and Zulu)
- Recycling in our offices
 - 14% to landfill (average of 86% recycled)
 - Our aim is 0% to landfill
 - Composting project at CT office



ENVIRONMENTAL SUSTAINABILITY

- Packaging
 - Migration from plastic and polystyrene to paper based packaging from sustainable forestation
 - Used nationally and internationally



TRAINING

- College of Excellence
 - Six month programme
 - Theory and practical
 - Placed in-store
- THETA accreditation applied for
- Job Fund application



RESTAURANT BASE

Franchise brand	South Africa	Inter-national	Total
Spur Steak Ranches	249	31	280
Panarottis Pizza Pasta	52	5	57
John Dory's Fish & Grill	27	-	27
Total	328	36	364



FINANCIAL PERFORMANCE

Ronel van Dijk



FRANCHISE – SPUR SA

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	137 004	124 411	10.1
Operating profit	118 712	107 339	10.6
Margin (%)	86.6	86.3	

- Focus on operational standards
- Increase in franchise turnover while costs contained

FRANCHISE – PANAROTTIS SA

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	11 526	10 751	7.2
Operating profit	6 837	6 560	4.2
Margin (%)	59.3	61.0	

- New COO – hand over costs
- Increased investment in marketing

FRANCHISE – JOHN DORY'S

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	9 782	8 847	10.6
Operating profit	4 543	4 567	(0.5)
Margin (%)	46.4	51.6	

- Increased investment in human capital
- Consulting fees for new menu development

WHOLESALE AND DISTRIBUTION

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	109 043	94 008	16.0
Operating profit	49 633	44 714	11.0
Exceptional items:			
Manufacturing facility relocation, revamp & retrenchments	951	-	
Adjusted operating profit	50 584	44 714	13.1
Adjusted margin (%)	46.4	47.6	

- Reduction in margin due to increase in cost of raw materials, price increase only late in the year
- Increase in sale of retail sauces – very low margin

CORPORATE SERVICES & OTHER SA

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	19 749	17 554	12.5
Operating costs	(34 918)	(28 911)	(20.8)
Exceptional items:	525	(2 658)	
Capital profit on sale of Gauteng building	(1 205)	-	
Gauteng office and Decor relocation	182	-	
Employee benefits	6 409	1 682	
Interest	(4 861)	(4 340)	
Adjusted operating costs	(34 393)	(31 569)	(8.9)

UNITED KINGDOM

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	65 936	56 080	17.6
Operating loss	(27 688)	(12 396)	(123.4)
Exceptional items:	24 917	11 825	
Bad debt write off	-	1 075	
New restaurants start up losses	5 174	-	
Yellowstone trading losses	1 261	2 756	
Restaurant impairments	13 534	7 994	
Goodwill impairment	4 948	-	
Adjusted operating loss	(2 771)	(571)	(385.3)

UNITED KINGDOM continued

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Cash flow (loss)/profit	(882)	3 270	(127.0)
Exceptional items:	2 818	1 233	
New restaurants start up losses	1 914	-	
Yellowstone trading losses	904	1 233	
Adjusted cash flow profit	1 936	4 503	(57.0)

- Additional costs incurred due to full time employee now based in the UK and research undertaken
- Cheyenne Spur (02 Dome) disappointing due to lack of shows

AUSTRALIA

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Revenue	43 464	30 013	44.8
Operating loss	(1 279)	(1 807)	29.2
Exceptional items:	1 095	(713)	
New restaurants start up losses	1 095	-	
Payroll refund	-	(713)	
Adjusted operating loss	(184)	(2 520)	92.7
Cash flow profit/(loss)	1 480	(978)	251.3
Exceptional item:	376	-	
New restaurants start up losses	376	-	
Adjusted cash flow profit/(loss)	1 856	(978)	289.8

INTERNATIONAL OTHER & CORPORATE SERVICES

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
International other			
Revenue	6 892	6 360	8.4
Operating profit	5 226	5 287	(1.2)
Margin (%)	75.8	83.1	
International Corporate Services			
Operating costs	(4 235)	(2 424)	(74.7)
Exceptional items:			
Foreign exchange loss/(gain)	794	(1 555)	
Adjusted operating costs	(3 441)	(3 979)	13.5

COMPARABLE PROFIT BEFORE TAXATION

<u>R'000</u>	<u>2011</u>	<u>2010</u>	<u>% change</u>
Profit before tax	116 830	122 929	(5.0)
Manu. & Distribution exceptional items	951	-	
Corporate services & other exceptional items	(4 679)	(4 340)	
UK exceptional items	24 917	11 825	
Australia exceptional items	1 095	(713)	
Employee benefits charges - corporate services	6 409	1 682	
Employee benefits charges - other	257	-	
Capital profit on sale of Gauteng building	(1 205)	-	
Foreign exchange loss/(gain)	794	(1 555)	
Comparable profit before tax	145 369	129 828	12.0

FINANCIAL POSITION - Assets

<u>R'000</u>	<u>2011</u>	<u>2010</u>
Property, plant & equipment	70 387	75 184
Intangible assets & goodwill	281 477	279 609
Investments & loans	5 857	14 533
Deferred tax	11 967	11 128
Leasing rights	1 798	2 155
Inventory	5 621	6 389
Taxation receivable	4 410	3 600
Trade & other receivables	58 480	53 499
Cash & cash equivalents	115 966	84 628
Total assets	555 963	530 725

FINANCIAL POSITION– Equity & Liabilities

<u>R'000</u>	<u>2011</u>	<u>2010</u>
Equity	408 236	403 295
Long-term loans	2 923	7 181
Operating lease liability	6 531	3 328
Other non-current liabilities	3 182	-
Deferred tax	60 454	54 060
Bank overdrafts	2 256	3 596
Taxation	6 622	4 832
Trade & other payables	65 147	53 969
Shareholders for distribution	612	464
Total equity & liabilities	555 963	530 725

CASH UTILISATION

<u>R'000</u>	<u>2011</u>	<u>2010</u>
Cash from operations	144 655	134 474
Net interest received	4 861	4 948
	149 516	139 422
Distributions paid	(54 785)	(80 708)
Taxation paid	(41 149)	(49 528)
Working capital changes	2 631	3 394
Investment in leasehold improvements	(14 779)	(8 791)
Purchase of treasury shares	(9 031)	(3 888)
Investment in information technology	(1 059)	(976)
Other asset purchases	(15 251)	(3 152)
Proceeds from disposal of PPE	16 703	547
Additional interest in associate	(253)	(495)
Landlord contribution received	1 676	2 066
(Increase)/decrease in loans & minorities	(1 525)	1 886
Net increase/(decrease) in cash for the year	32 694	(223)

OUTLOOK FOR 2012

Pierre van Tonder



OUTLOOK FOR 2012

- Consumers to remain under pressure
- Increased investment in value-added marketing campaigns with suppliers
- Build on momentum created in the breakfast market
- Brand loyalty to be entrenched through aggressive marketing of the Spur Family Card
- Addressing the performance of the group-owned restaurants in the UK is a priority for management



OUTLOOK FOR 2012 continued

- Continued restaurant growth in SA
 - 11 Spur Steak Ranches
 - Two Panarottis Pizza Pasta
 - Two John Dory's Fish & Grill
- Selective international openings
 - No new group-owned restaurants planned in UK or Australia
 - Malawi, Tanzania, Namibia, Nigeria and Mauritius



QUESTIONS?

Thank you

