

**WELCOME
TO
THE**

**ANNUAL RESULTS
2012**



PERFORMANCE & OPERATIONS

Pierre van Tonder



OVERVIEW

- **Difficult trading conditions in SA**
 - Consumers cash strapped
 - High cost of living
 - Competitive retail environment
- **Success of the group's restaurants due to:**
 - Innovative product offerings
 - Aggressive promotions strategy
 - Stringent operational disciplines



OVERVIEW continued

- Trading conditions remain difficult in offshore markets
- UK
 - Customers focused on “value for money”
- Australia
 - Challenging trading conditions
 - No growth in the retail sector
 - Rising labour and utility costs





OVERVIEW

- **14.2% turnover growth**
 - Menu price increases of 5.8% in November 2011 and 4.6% in April 2012
 - Existing business growth 12.0%
- **Opened 12 new restaurants in SA**
- **Relocated eight and revamped 56 restaurants**
 - R34m invested by franchisees
 - Turnover increased
- **254 restaurants in SA**





OVERVIEW continued

- Continued success of the Spur breakfast offering
- Excellent regional marketing initiatives
- Continuation of weekday specials
- Success of loyalty programmes
 - 1.14m Family Card members,
27% of restaurant turnover, 20% higher spend
 - 1.12m Secret Tribe members
- Gift card to be launched in the near future



- **14.7% turnover growth**
 - Menu price increases of 3.4% in December 2011 and 3.9% in June 2012
- **New sit-down menu launched**
- **Introduction of**
 - R19.95 breakfast promotion
 - Slice bars
 - Kids facilities
- **Entrenchment of weekday specials**
- **Opened three restaurants**
- **Eight restaurants revamped**
 - Fresh, modern look and feel
- **52 restaurants in SA**



- **Now 100% owned by Spur Group**
- **14.2% turnover growth**
 - Existing business growth 14.0%
 - Menu price increases of 4.8% in December 2011 and 7% in June 2012
- **One new restaurant**
- **Total restaurants now 28**
- **New menus launched June 2012**
 - Add to customer value proposition and brand equity





OVERVIEW

- Acquired 1 March 2012
- QSR chain offering a combination of chicken, seafood and burgers
- Opened two new restaurants
- 74 restaurants
 - Strong presence in the Free State, Gauteng and Eastern Cape
- Seamless integration of operations and BOH into Spur
- New menu to be launched towards the end of 2012 calendar year



PROCUREMENT, WAREHOUSING & DISTRIBUTION

- **Continued growth in basket**
 - New products added
 - Increased participation by franchisees
 - Volume increased 10.7%
- **4 151 634 cases delivered to our restaurants**
- **Focus on structured audits**
 - Quality
 - Compliance to specifications
- **DoRego's depot incorporated**



MANUFACTURING

- **Successful consolidation of the two central kitchens into a single facility**
- **Focus on upgrading of the premises**
- **Installation of a bottling plant**
- **Product development**
 - New sauces investigated/tested
 - Existing sauces brought in-house
 - Product improvement
- **Manufacture for external third parties**
- **HACCP compliance**



INTERNATIONAL – Africa & Mauritius

- **Spur brand successfully re-launched and well-received in Zambia**
- **Opened first store in Nigeria, Lagos**
- **Strong footprint in Botswana with Spur**
 - Opened first Panarottis in Gaborone
- **Namibia remains an attractive market**
 - Entered northern Namibia with a Spur in Ongwediva
 - DoRego's to follow
- **Brand awareness is growing in Mauritius**
 - Opened two Panarottis and two Spur restaurants, as well as two Panarottis Express outlets



INTERNATIONAL – UK & Ireland

- **Ireland**
 - Tough economic environment
- **United Kingdom**
 - Turnaround in profitability
 - Cheyenne Spur (O2 Centre) refurbished
 - Wandsworth, Aberdeen and Belfast restaurants trading aggressively
 - Golden Gate Spur (Gatehead) is trading at break-even levels
 - Established relationships with sports clubs and schools
- **Re-branded with new intellectual property**
- **Introduced a “new look” menu**
- **Maintained market-related price points on weekday specials**



INTERNATIONAL - Australia

- Difficult trading conditions
- Emphasis on local marketing promotions
- Focus continues on controlling labour costs and overheads, especially energy costs
- Currently re-engineering the Panarottis menu
- Franchisees looking at new sites in northern Perth
- Opportunity for Panarottis Express model in New South Wales and Western Australia



ENVIRONMENTAL SUSTAINABILITY

- Ongoing training
- Waste programmes
 - average of 87% of waste recycled at Cape Town Head office
- Energy savings campaign in restaurants
- Base line audit on energy efficiencies at three restaurants
- Sustainability awareness:
 - Totem Magazine
 - Eco Warrior website: www.spur.co.za/EcoWarriors
 - e.g. Water week 2012
- Local schools and social programmes
- Packaging



INFORMATION TECHNOLOGY

- **Restaurants**
 - SQL Upgrade – by end of December 2012 all brands (excl. DoRego's) will be on SQL platform
- **Business Intelligence (BI)**
 - Loyalty
 - Gift card
- **Sales mix**
 - Speed of Service
 - Digital advertising network
- **Head Office**
 - Data warehouse (BI)
 - Call Centre – in-house
- **Operations Compliance management tool**



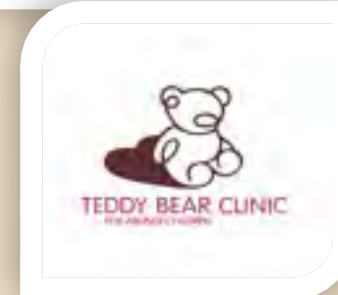
TRAINING

- **Trained a total of 5 171 delegates in 2012 FY**
- **12 training stores located throughout the country**
- **College of Excellence**
 - CATHSSETA accreditation received
 - Ten graduates during the year and six more commenced training
- **A number of new training programmes in the process of being developed**
- **Relocated Cape Town training to Baker Street**



SPUR FOUNDATION

- R670 000 donation by Spur Group
- “Nurture, Nourish, Now”
- Feed and educate children
- **Beneficiaries:**
 - JAM
 - Creating Change
 - Sisanda Fundaytion
 - Teddy Bear Clinic
 - Foodbank
 - Reach for a Dream



RESTAURANT BASE

Franchise Brand	South Africa	International	Total
Spur Steak Ranches	254	37	291
Panarottis Pizza Pasta	52	11	63
John Dory's Fish Grill Sushi	28	-	28
DoRego's	74	-	74
Total	408	48	456

FINANCIAL PERFORMANCE

Ronel van Dijk

FINANCIAL HIGHLIGHTS

- Revenue up **24.8%**
 - Operating profit up **50.9%**
 - Headline earnings up **30.4%**
 - Diluted HEPS up **31.4%**
 - Distribution per share up **31.8%** to **87.0** cents
-

FRANCHISE – SPUR SA

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	155 433	137 004	13.5
Operating profit	136 447	118 712	14.9
Operating margin	87.8 %	86.6 %	

- Franchise fee increased while costs contained
- Increased margin despite once off nutritional analysis costs

FRANCHISE – PANAROTTIS SA

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	12 952	11 526	12.4
Operating profit	7 866	6 837	15.1
Operating margin	60.7 %	59.3 %	

- Franchise fee increased while costs contained (PY new COO handover costs incurred)
- Increased margin despite marketing contribution

FRANCHISE – JOHN DORY'S

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	11 092	9 782	13.4
Operating profit	5 818	4 543	28.1
Operating margin	52.5 %	46.4 %	

- Franchise fee increased while costs contained

FRANCHISE – DOREGO'S

<u>R'000</u>	<u>2012</u>
Franchise revenue	2 498
Operating profit	928
Operating margin	37.1 %

- **Acquired 1 March 2012**

WHOLESALE AND DISTRIBUTION

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	142 821	109 043	31.0
Operating profit	55 662	49 633	12.1
Exceptional items			
Manufacturing facility relocation, revamp & retrenchments	259	951	
DoRego's depot	(948)	-	
Adjusted operating profit	<u>54 973</u>	<u>50 584</u>	8.7
Adjusted operating margin	46.1%	46.4%	

- **No price increase during the 2012 financial year**
- **Higher turnover contribution from lower margin lines**

CORPORATE SERVICES & OTHER SA

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	34 600	19 749	75.2
Operating loss	(35 018)	(34 918)	(0.3)
Exceptional items	(6 570)	(2 702)	
Capital profit on sale of Gauteng building	-	(1 205)	
Gauteng office and Decor relocation	232	182	
IFRS 2 (net of related hedge)	(3 514)	3 182	
Due diligence and legal costs	3 916	-	
Spur Convention	2 000	-	
DoRego's bargain purchase gain	(3 694)	-	
Spur Foundation	670	-	
Interest	(6 180)	(4 861)	
Adjusted operating loss	(41 588)	(37 620)	(10.5)

UNITED KINGDOM

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	81 631	65 936	23.8
Operating profit/(loss)	694	(27 688)	
Exceptional items	(843)	21 070	
Restaurant impairments	-	13 534	
Gain on realisation of collateral	(843)	-	
Depreciation on impaired assets	-	1 482	
Goodwill impairment	-	4 948	
Yellowstone trading losses	-	1 106	
Adjusted operating loss	(149)	(6 618)	

UNITED KINGDOM continued

<u>R'000</u>	<u>2012</u>	<u>2011</u>
Cash flow profit/(loss)	3 971	(882)
Exceptional items	-	904
Yellowstone trading losses	-	904
Adjusted cash flow profit	<u>3 971</u>	<u>22</u>

AUSTRALIA

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	53 140	43 464	22.3
Operating loss	(682)	(1 279)	
Exceptional item			
Impairment	1 564	-	
	<hr/>	<hr/>	
Adjusted operating profit/(loss)	882	(1 279)	
	<hr/>	<hr/>	
Cash flow profit	3 078	1 480	

INTERNATIONAL OTHER & CORPORATE SERVICES

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
International other			
Revenue	9 277	6 892	34.6
Operating profit	5 305	5 226	1.5
Operating margin	57.2%	75.8	
International Corporate Services			
Operating loss	(1 920)	(4 236)	
Exceptional item			
Foreign exchange (gain)/loss	(2 288)	794	
Adjusted operating loss	(4 208)	(3 442)	

COMPARABLE PROFIT BEFORE TAX

<u>R'000</u>	<u>2012</u>	<u>2011</u>	<u>% change</u>
Profit before tax	175 100	116 830	49.9
IFRS2 charge (net of related hedge)	(3 514)	3 182	
Manufacturing and distribution exceptional items	(689)	951	
Corporate services and other exceptional items	3 124	182	
UK exceptional items	(843)	21 070	
Australia exceptional items	1 564	-	
DoRego's franchise	(928)	-	
Capital profit on sale of Gauteng building	-	(1 205)	
Foreign exchange (gain)/loss	(2 288)	794	
Comparable profit before tax	<u>171 526</u>	<u>141 804</u>	21.0

FINANCIAL POSITION – Assets

<u>R'000</u>	<u>2012</u>	<u>2011</u>
Property, plant & equipment	73 492	70 387
Intangible assets & goodwill	320 986	281 477
Investments & loans	8 818	5 857
Deferred tax	7 776	11 967
Leasing rights	1 826	1 798
Derivative financial assets	4 654	-
Inventory	10 304	5 621
Taxation receivable	5 488	4 410
Trade & other receivables	71 866	58 480
Cash & cash equivalents	98 804	115 966
Total assets	<u>604 014</u>	<u>555 963</u>

FINANCIAL POSITION – Equity & Liabilities

<u>R'000</u>	<u>2012</u>	<u>2011</u>
Equity	425 606	408 236
Long-term loans	446	2 923
Operating lease liability	6 564	6 531
Other non-current liabilities	4 520	3 182
Deferred tax	69 048	60 454
Bank overdrafts	1 854	2 256
Taxation	6 052	6 622
Trade & other payables	89 004	65 147
Shareholders for distribution	920	612
Total equity & liabilities	<u>604 014</u>	<u>555 963</u>

CASH UTILISATION

<u>R'000</u>	<u>2012</u>	<u>2011</u>
Cash from operations	171 060	144 655
Net interest received	6 164	4 861
	<hr/>	<hr/>
	177 224	149 516
Distributions paid	(65 108)	(54 785)
Taxation paid	(58 578)	(41 149)
Working capital changes	6 378	2 631
Investment in fixed assets	(6 204)	(31 089)
Acquisition of DoRego's & John Dory's NCI	(41 413)	-
Purchase of treasury shares & options settled	(21 569)	(9 031)
Proceeds from disposal of PPE	133	16 703
Proceeds from share-based payment hedge	198	-
Landlord contribution received	683	1 676
Increase in loans & minorities	(8 602)	(1 778)
Net (decrease)/increase in cash for the year	<hr/>	<hr/>
	(16 858)	32 694

OUTLOOK FOR 2013

Pierre van Tonder



- Consumer cash flow under pressure
- Opening 11 new restaurants
- Momentum in breakfast menu
- Spur Family Card weekday specials
- Ongoing regional marketing initiatives



- Opening seven new restaurants
- Revamping of existing branches
- Improve family offering – upgrading kids' facilities
- Aggressive marketing campaigns





- Opening eight new restaurants
- Refurbishment of existing restaurants
- New menu innovation
- Operational / Food entrenchment / Franchisees





- Opening 10 - 15 new restaurants
- Extension of distribution centre basket
- New menu to be launched towards the end of 2012 calendar year
- Back of house integration into Spur Group
- Revamps scheduled
- Training



PROCUREMENT & MANUFACTURING

- Increase basket size
- Supplier partnerships
- Bottling plant
- Production increase – to begin manufacturing for John Dory's, Panarottis and DoRego's, historically only Spur





- **Selective international openings, mostly in Africa**
- **Abuja (Nigeria), Nairobi (Kenya), Swaziland, Dar-es-Salaam (Tanzania) and Lusaka (Zambia)**
 - all 2nd stores in these countries
- **Two restaurants planned for Namibia, two in Mauritius and one in the Seychelles.**



QUESTIONS?



Thank you

