

# Famous Brands has appetite for expansion

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Famous Brands (Fbr) has set itself an ambitious target of rolling out 90 new restaurants in South Africa, and a further 30 in the rest of Africa over the next six months, adding to its already bulging portfolio.

The restaurant franchise group, with a stable which included Steers, Wimpy and Debonairs Pizza, among others on Thursday reported a 9% increase in headline earnings per share to 125 cents, despite the previously buoyant growth in the volume-based middle class market being curtailed.

Revenue was up 12% to R1.01 billion, while operating profit grew 8% to R184 million.

"The results are disguised to some extent, given that last year we had the FIFA World Cup - so they could have been a lot better if the base hadn't been so swollen," chief executive officer Kevin Hedderwick told I-Net Brideg/BusinessLIVE.

Earlier this year, the group said its 17% boost in profit for the year ending in February was mainly on the back of the football tournament.

In the six months ending August, the company's UK franchising division disappointed, as trading conditions continued to deteriorate as the UK government's austerity measures gained traction and consumer disposable income contracted further.

Revenue declined to R42 million from R57 million and operating profit decreased to R3.5 million.

"The group has elected to delay plans to launch its Steers brand in the UK market until such time as a sustained meaningful recovery of the economy occurs," it said.

Famous Brands which has been credited with introducing the franchise model for the local food industry, recently celebrated the opening of its 2,000th restaurant.

The group would hope to open 24 restaurants per month as part of its aggressive expansion plan, despite a cut-throat trading environment.

"The market place is very competitive and it will remain that way for a while. Pricing, which was never really an issue in the business, is becoming more of a factor.

"We're seeing some very big brands do some strange things like seafood businesses opening at 8am, selling bacon and eggs - that's the type of thing people do to try and get feet through the door," Hedderwick opined.

McDonalds SA, planned to double its local 150-store footprint over the next five years. And Taste Holdings (TAS), whose food division included Maxi's, Scooters Pizza and St Elmo's Woodfired Pizza brands was targeting between 10-15 new stores per brand over a twelve month rolling period.

Famous Brands like other retailers in the food space, was also making a concerted effort to spread its footprint northwards.

With Africa's consumer spending forecast to hit US\$1.4 trillion in 2020, market players were hoping to cash in on a burgeoning middle class, whose disposable income was rising rapidly.

"We are doing a lot of work in Mauritius, Zambia and Nigeria," Hedderwick said.

The group would open 12 restaurants in Zambia and eight in Mauritius, in the coming months.

The company currently had presence in 16 African countries.

At 14:55, Famous Brands shares were trading at R44.60, down R1.50 from R45.28 at its close on Wednesday.

*Source: AFP*

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