Spur expects headwinds to continue

Franchise restaurant group Spur Corporation offers a dim outlook, as it posts financial results that show a 3.2% dip in diluted headline earnings per share to 152.8 cents for the full-year to June 2015...

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The economic and trading headwinds facing the food and restaurant sector are not expected to abate in the year ahead, the group warns in its prospects that accompany financial results. These include the impact of the depreciating currency, continued load-shedding and rising operating costs.

In its latest results, Spur also says consumers are likely to remain under financial pressure.

Despite this gloomy view, the group plans to expand across all regions in which it operates. It intends to open 38 restaurants across its brands in SA, including doubling the existing restaurant base of the newly-acquired RocoMamas chain.

International expansion will focus mainly on Africa where 12 new franchised outlets will be opened.

These include additional restaurants in Nigeria, Zambia, Kenya and Namibia, and the first outlets in Ethiopia. The first international outlets for RocoMamas and The Hussar Grill will be opened in Namibia and Zambia, respectively.

In Australia, one Spur and one Panarottis restaurant will be opened in Perth. In the UK, the group plans to expand the RBW pilot project to a further three sites and suitable locations are being evaluated.

Group revenue increased 3.7% to R760.1 million, with revenue generated in South Africa growing by 11.7%. Profit before income tax increased by 1.8% to R205.4 million. Diluted headline earnings per share fell 3.2% to 152.8 cents.

The final dividend increased by 9.1% to 132 cents.

Spur described its results as "competitive performance", saying it continued to gain market share.

Restaurant sales in South Africa proved resilient and grew by 11.3% in an environment of continued slowdown in middle-income spending and consumer confidence sinking to its lowest levels in over a decade.

Trading conditions were compounded by load-shedding, which reduced local restaurant turnover by an estimated 3%.

"Generators have been installed in 283 of the group's local restaurants, including 74% of Spur outlets, at a cost to franchisees of approximately R106 million. Spend in outlets in shopping malls is nevertheless negatively impacted when other stores in the malls are forced to close during power outages," Spur said.

Spur's operations displayed mixed performance.

Franchise revenue for Captain DoRegos declined by 25.8%. International revenue also decreased 11.5% to R223.1 million, partially due to the closure of a retail outlet in the UK and the disposal of all three retail outlets in Australia during the year.

The Australian operations experienced a more positive trading period and returned to profitability.

The franchise operation in Africa, including Mauritius, delivered strong growth in revenue and profitability, boosted by the opening of six new outlets during the year.

Source: INET BFA