No dividend from Famous Brands as acquisitions send interest bill soaring

By Robert Laing

30 May 2017

Famous Brands shareholders will receive no dividend for its 2017 financial year as it digests a string of acquisitions, it said in its results for the year to end-February 2017, released on Monday morning.

©marcusbouvin via 123RF

In its 2016 financial year, Famous Brands paid a R1.90 interim dividend and R2.15 final dividend, taking the total to R4.05.

Famous Brands' 120m acquisition of Gourmet Burger Kitchen helped its UK revenue grow sixfold to 12% of its total revenue.

The fast-food franchiser, whose chains include Wimpy, Steers and Debonairs Pizza, reported its revenue grew by a third to R5.7bn during the year to end-February.

But the cost of its acquisitions during the reporting period - which besides Gourmet Burger Kitchen included french fries manufacturer Lamberts Bay Foods, a tomato paste plant in Coega, Italian restaurant chain Lupa Osteria and Salsa Mexican Grill - contributed to its net profit falling to R206m, a third of the prior year's R617m.

The group's interest bill jumped to R132m from R7m in prior year as it serviced the R2.4bn loan it took to finance its acquisition of Gourmet Burger Kitchen.

Famous Brands acquires 100% of Gourmet Burger Kitchen, "the biggest deal the group has ever concluded"

2 Sep 2016

Famous Brands broke its results into three geographical regions. Revenue from its South African operations, which contributed 83% of the total, grew 18%.

"Particularly impressive performances were reported by Debonairs Pizza, Steers, Fishaways and Milky Lane, with each of these brands reporting robust double-digit growth," Famous Brands CEO Darren Hele said in the results statement said.

The addition of Gourmet Burger Kitchen to its British Wimpy and Steers outlets led to its UK revenue jumping to R704m from R116m.

Wimpy UK reported a marginal decline in revenue in pounds, which a stronger rand amplified to a 9% drop to R105m. Wimpy UK's operating profit fell 42% to R19m.

Its rest of Africa division, which includes the Middle East, grew revenue 72% to R249m. This division, which covers 15 countries, opened 17 new restaurants during the reporting period, down from 33 in the prior year.

"This disappointing new restaurant roll-out is a function of weak trading conditions in the region, financial institutions' tighter lending criteria and restricted access to foreign exchange for prospective franchisees," Famous Brands said.

Source: BDpro