

Burger King target 'doable'

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Empowerment company Grand Parade Investments (GPI), which is trading at close to a 12-month low, says it is confident of reaching the 75-store target for fast-food business Burger King by the end of June 2018.



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GPI - which has opened 70 Burger King stores across SA since securing the master franchise deal in 2013 - needs to reach the 75-store mark before the end of June to retain the exclusivity clause in the arrangement.

At the annual general meeting on Thursday night, GPI chairman Hassen Adams predicted that Burger King could have 80 stores open by the end of June, which would translate into turnover of about R1bn. The Burger King roll-out is GPI's main operational thrust - and the company has to date spent about R700m on the venture.

But GPI also holds smaller fast-food interests in form of local roll-out rights for Dunkin' Donuts and Baskin-Robbins as well as valuable minority interests in the gaming operations - most notably the SunWest Casino and limited payout machine operator GrandSlots.

Adams said the Burger King network could reach 100 stores by the end of 2018, generating turnover of R1.4bn. He said revenue would be pushed by drive-through capable of making R1.5m-R3m a month in sales. Almost three-quarters of Burger King's store base would be represented by drive-through outlets.

"At the end of the next financial year, we will be able to confidently put Burger King in our books for R1bn."

Asked about profit forecasts for Burger King, Adams said stores on average managed a 13% yield. "The turnaround [of Burger King] was around establishing critical mass. Now we can reduce head office costs " there are contingency measures at place in every store," he said.

Investors, though, have criticised GPI for pressing ahead with Baskin-Robbins and Dunkin' Donuts before first establishing profitable traction for Burger King. Adams emphasised that capital expenditure would be earmarked for investments that were strongly cash generative.

But roll-out strategies for Dunkin' Donuts and Baskin-Robbins would be slowed down, he said. "We are not walking away from Dunkin' Donuts and Baskin-Robbins. We are just not committing large capital to these brands."

Adams said GPI was also considering bringing in a Saudi Arabia-based equity partner at Dunkin' Donuts. "The partner from Saudi Arabia is looking to buy a large chunk of equity, which will mean we don't have to throw more money at Dunkin' Donuts."

GPI is also a significant shareholder in restaurant franchisor Spur Corporation. Adams said that GPI was still looking to buy more shares in Spur, which offered good dividends. There has been persistent market talk about GPI swapping its Burger King investment into Spur in exchange for shares.

Source: Business Day

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