



famous | brands
you're in good company

Financial results presentation

for the year ended 28 February

2
0
1
9



29 May 2019

Agenda

01 Performance overview

02 Financial results

03 Attainment of strategic imperatives

04 GBK update

05 Imperatives for the future

06 Questions



Performance overview



Notes

Revenue

↑ 2%

Operating profit
before
non-operational items

↓ 5%

Notes

Group overview

SOUTH AFRICA

Leading and Signature brands:

- our offering remained very popular, winning numerous consumer awards and retaining or gaining market share
- Leading brands contributed strong results, particularly in H1
- Signature brands under-performed, resulting in further rationalisation of the portfolio.

Supply chain:

- delivered an improved operational performance, but results impacted by:
 - low food inflation
 - high fuel costs
 - margin absorption
- re-allocation of corporate costs.

Notes

Group overview

AME:

- notwithstanding increased competition, solid organic growth was underpinned by investments made in recent years and stronger strategic alliance partnerships
- new store openings were ahead of target.

Notes

Group overview

Wimpy UK:

- further consolidation improved health of the portfolio
- good like-for-like growth achieved.

GBK UK:

- remedial measures improved operational performance; results tracked positively in H2, ahead of market
- CVA programme completed and expected to enhance sustainability of the business.



Notes

2019

Built **Business** capability

- Leveraged ERP investment to enhance analysis and reporting in the business
- Applied a tighter growth agenda and brutal filter to unclutter and streamline the business model
- Definitive allocation of corporate costs to appropriate business units
- Increased focus on ESG improvements (formulated implementation strategies and committed to timeframes)
- Restructured HR function to align closer to KPIs

Notes

Financial results



Notes

Salient features

	F2019	F2018	% change
Revenue (Rm)	7 180	7 023	2
Operating profit before non-operational items (Rm)	850	890	(5)
Cash generated from operations (Rm)	1 034	1 123	(8)
EPS (cents)	(480)	22	
HEPS (cents)	319	393	(19)
Return on equity (%)	20	25	
Net debt:equity (%)	108	126	

Notes

Income statement

	F2019 Rm	F2018 Rm	% change
Revenue	7 180	7 023	2
Gross profit	3 587	3 769	
Selling and administrative expenses	(2 737)	(2 879)	
Operating profit before non-operational items	850	890	(5)
Non-operational items (refer note 1)	(917)	(373)	
Net finance costs	(226)	(251)	
Share of profit from associates	4	4	
(Loss)/profit before tax	(289)	270	(207)
Tax	(134)	(207)	
(Loss)/profit for the year	(423)	63	

Notes

Income statement | non-operational items

Note 1	F2019 R000	F2018 R000
Impairment – GBK	873 925	372 592
Impairment – associate	25 500	–
Once off CVA-related costs	17 223	–
Total	916 648	372 592

Notes

Segmental analysis | Revenue

	F2019 Rm	F2018 Rm	% change
Brands	895	851	5
Leading brands	749	722	4
Signature brands	146	129	13
Supply Chain	4 447	4 328	3
Manufacturing	2 912	2 851	2
Logistics	3 942	3 780	4
Eliminations	(2 407)	(2 303)	5
Corporate	24	11	
South Africa	5 366	5 190	3
UK	1 544	1 581	(2)
GBK	1 431	1 477	(3)
Wimpy UK	113	104	8
AME	270	252	7
Total	7 180	7 023	2

Notes

Segmental analysis | Operating profit before non-operational items

	% of total	F2019 Rm	F2018 Rm	% change
Brands	56	476	431	10
Leading brands	54	457	412	11
Signature brands	2	19	19	(4)
Supply Chain	60	513	509	1
Manufacturing	50	429	405	6
Logistics	10	84	104	(19)
Corporate	(11)	(97)	(50)	
South Africa	105	892	890	—
UK	(8)	(64)	(45)	(44)
GBK	(10)	(82)	(60)	(37)
Wimpy UK	2	18	15	16
AME	3	22	45	(52)
Total operating profit before non-operational items	100	850	890	(5)

Notes

Segmental analysis | Operating margin

	F2019 %	F2018 %
Brands	53.2	50.7
Leading brands	61.1	57.0
Signature brands	12.8	15.1
Supply Chain	11.5	11.8
Manufacturing	14.7	14.2
Logistics	2.1	2.7
South Africa	16.6	17.2
UK	(4.2)	(2.8)
GBK	(5.7)	(4.1)
Wimpy UK	15.7	14.7
AME	8.0	17.6
Group total	11.8	12.7

Notes

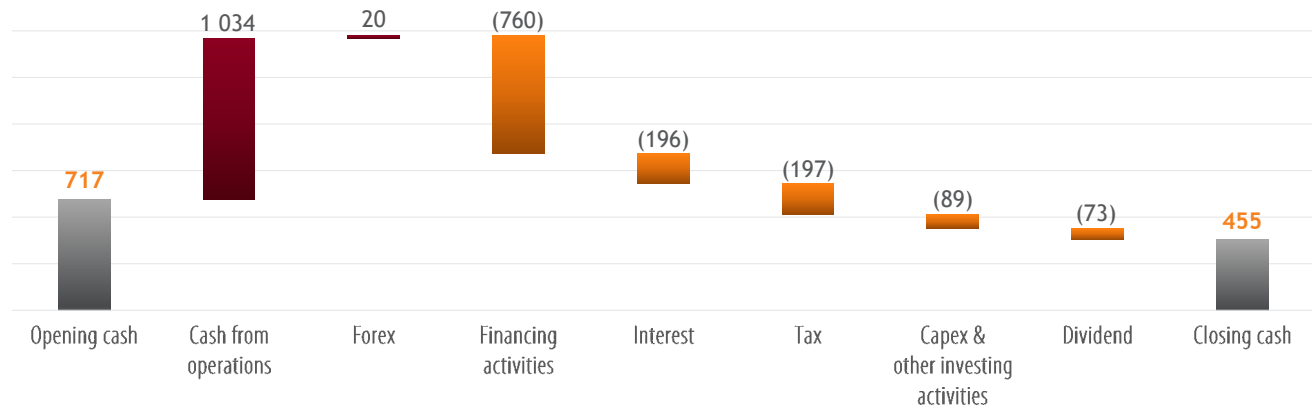
Statement of financial position

Rm	F2019	F2018	% change
ASSETS			
Property, plant and equipment	1 049	1 340	(22)
Intangible assets	2 180	2 548	(14)
Investments in associates	57	81	(29)
Inventories	455	436	4
Trade and other receivables	668	670	—
Cash and cash equivalents	454	717	(37)
Other assets	106	114	(7)
Total assets	4 969	5 906	
EQUITY AND LIABILITIES			
Equity	1 537	1 632	(6)
Borrowings	2 114	2 781	(24)
Derivative financial instruments	118	192	(38)
Lease liabilities	69	97	(29)
Trade and other payables	803	771	4
Other liabilities	328	433	(24)
Total equity and liabilities	4 969	5 906	

Notes

Cash flow

Rm



Notes

Attainment of strategic imperatives



Notes

Brand capability

SA & AME

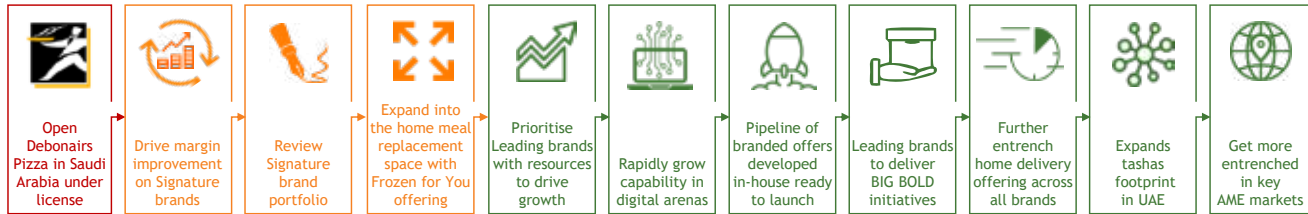


Notes

2019

Goals

Built brand capability

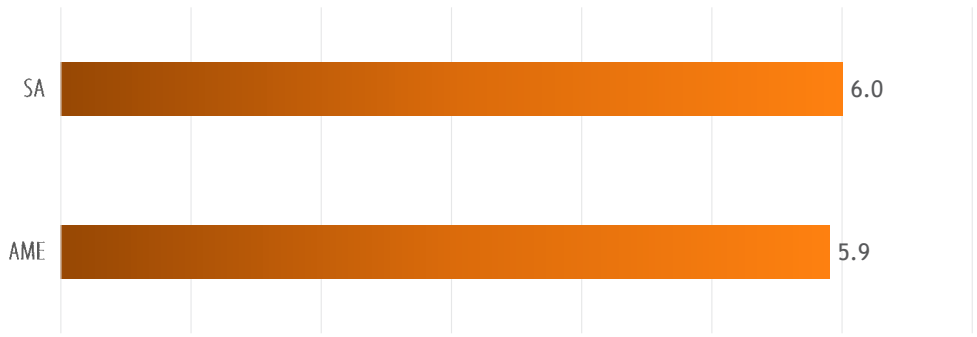


Notes

2019

Brand capability

System-wide restaurant sales growth % (Rands)

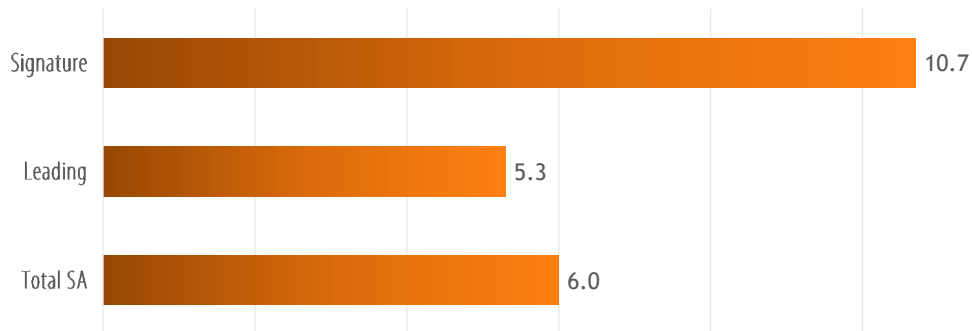


Notes

2019

Brand capability

SA system-wide restaurant sales growth % (Rands)

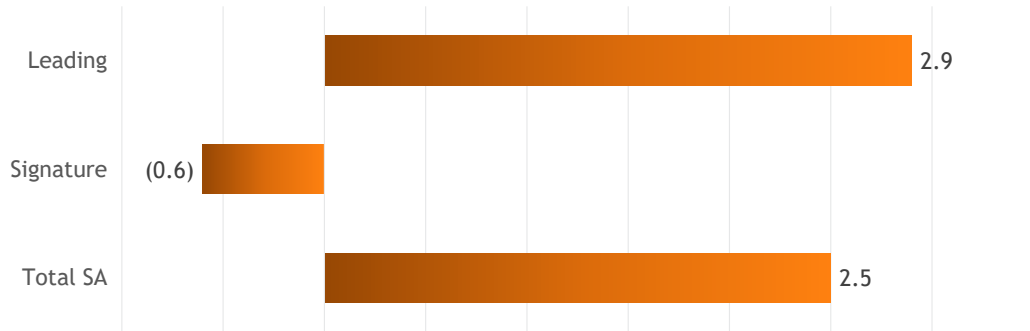


Notes

2019

Brand capability

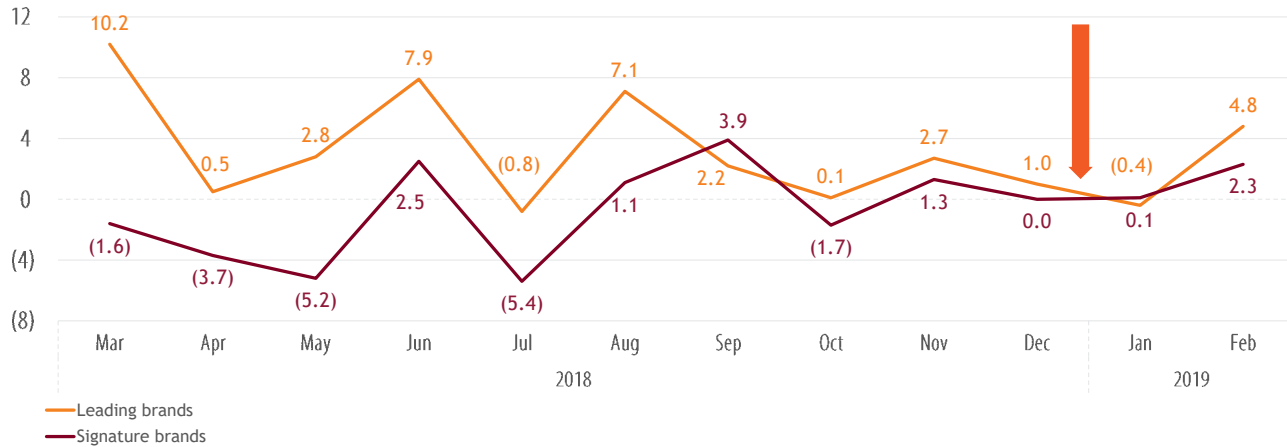
SA like-for-like restaurant sales growth % (Rands)



Notes

Seasonal analysis

SA like-for-like restaurant sales %



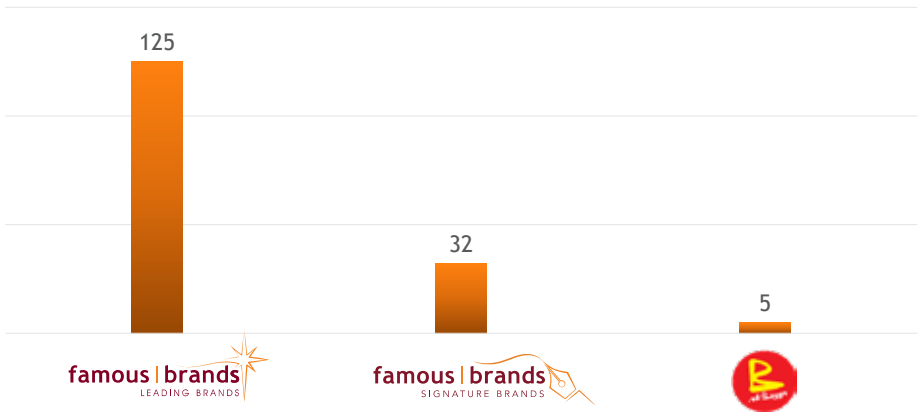
Notes

2019

Brand capability

Total restaurants opened

Total **162**



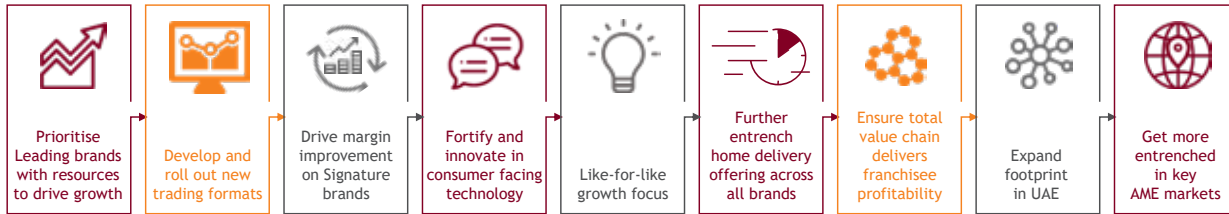
Notes

2020

Goals

Growing

Brand capability



Notes

Logistics capability

SA & Exports



Notes

2019

Built Logistics capability

- Better cost allocation enabled improved insight into real cost structure of underlying operations
- 10-year logistics upgrade programme designed to address capacity constraints commenced with securing Western Cape and Free State relocation sites
- Opened East London cross dock facility

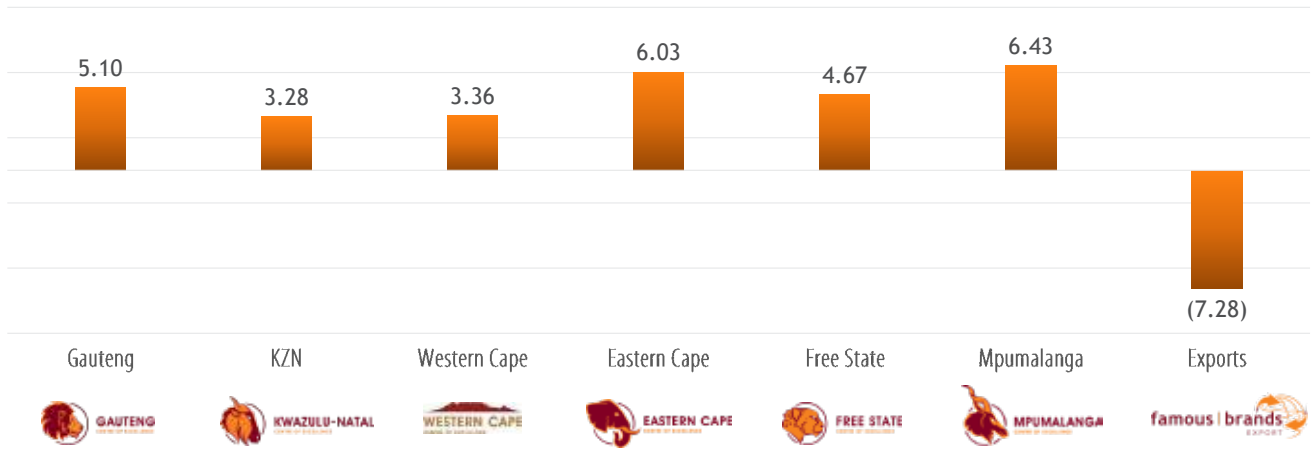
Notes

2019

Logistics capability

Revenue growth 4%

%



Notes

2020

Goals

Growing

Logistics capability



Refer to supplementary slides for additional information

Notes

Manufacturing capability

SA



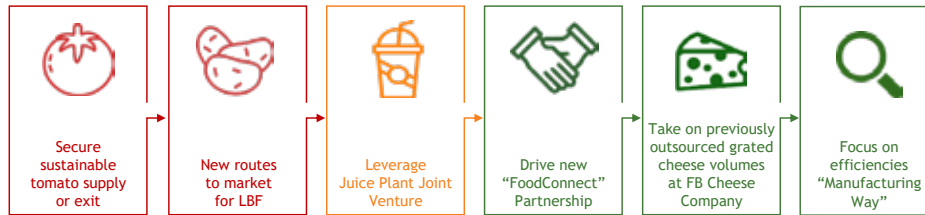
Notes

2019

Goals

Built

Manufacturing capability



● Not achieved ● Underway ● Achieved

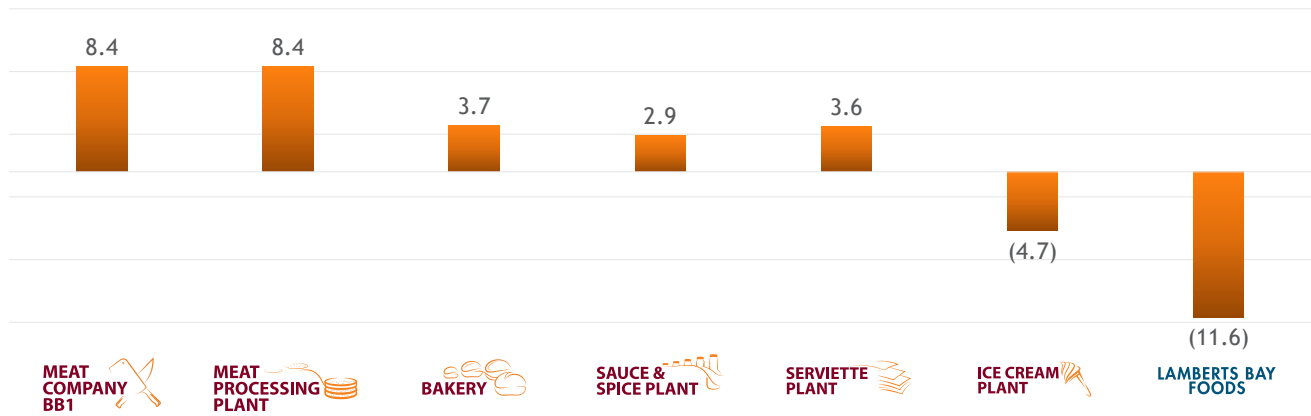
Notes

2019

Manufacturing capability

Revenue growth % – own plants

Total 4.2%



Notes

2019

Manufacturing capability

Revenue growth % – JV plants

Total **0.4%**



Notes

2020

Goals

Growing

Manufacturing capability



Manufacturing Way
to progress to Phases 2 and 3



Overhaul
asset care practices



Intensify focus
on managing and reducing
environmental impact

Notes

GBK update

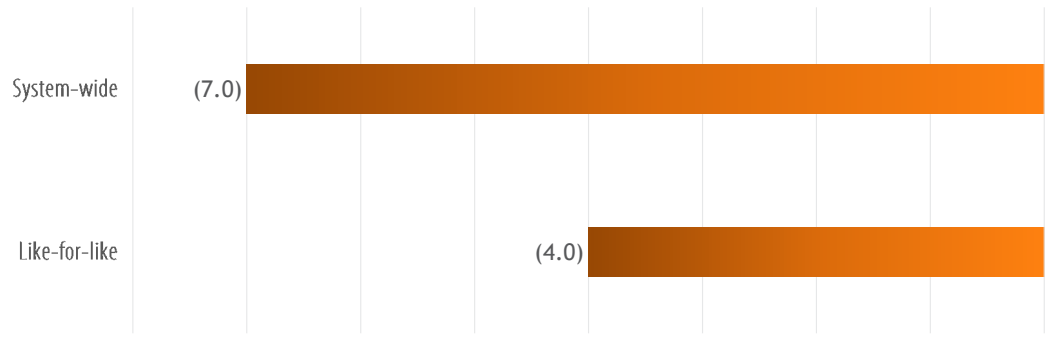


Notes

2019

Brand capability

GBK UK restaurant sales growth % (Sterling)

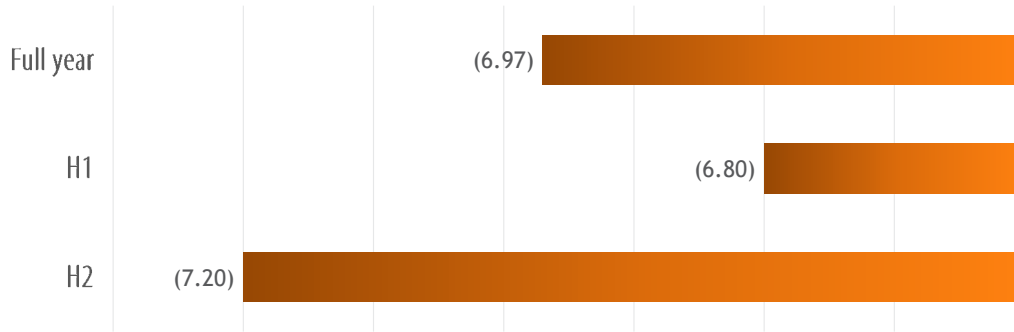


Notes

2019

Brand capability

GBK UK system-wide restaurant sales growth % (Sterling)

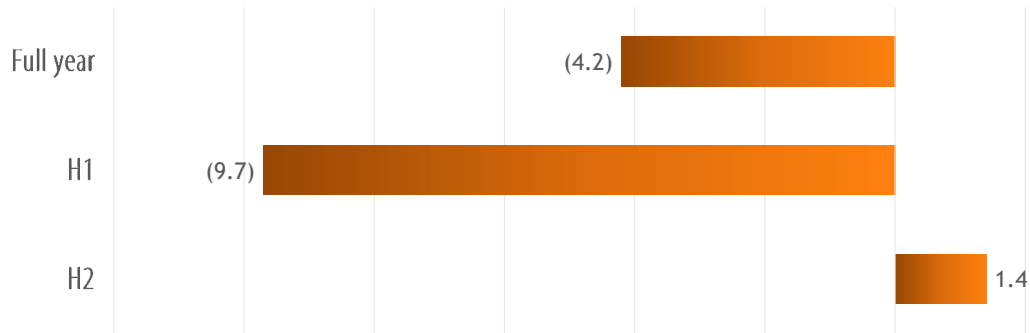


Notes

2019

Brand capability

GBK UK like-for-like restaurant sales growth % (Sterling)

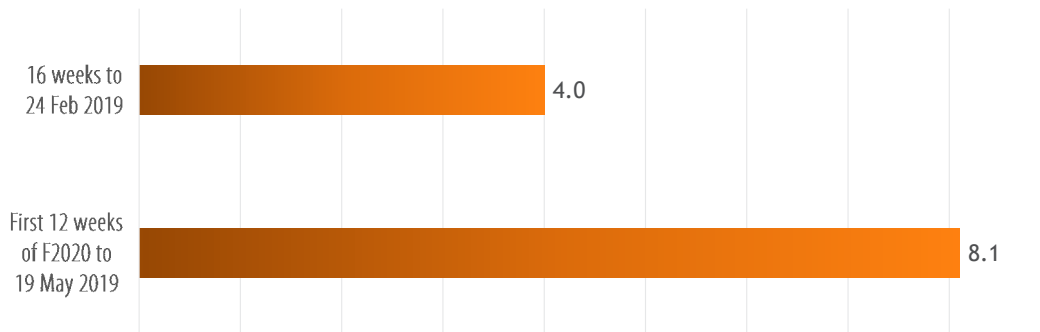


Notes

Recent trading results

Brand capability

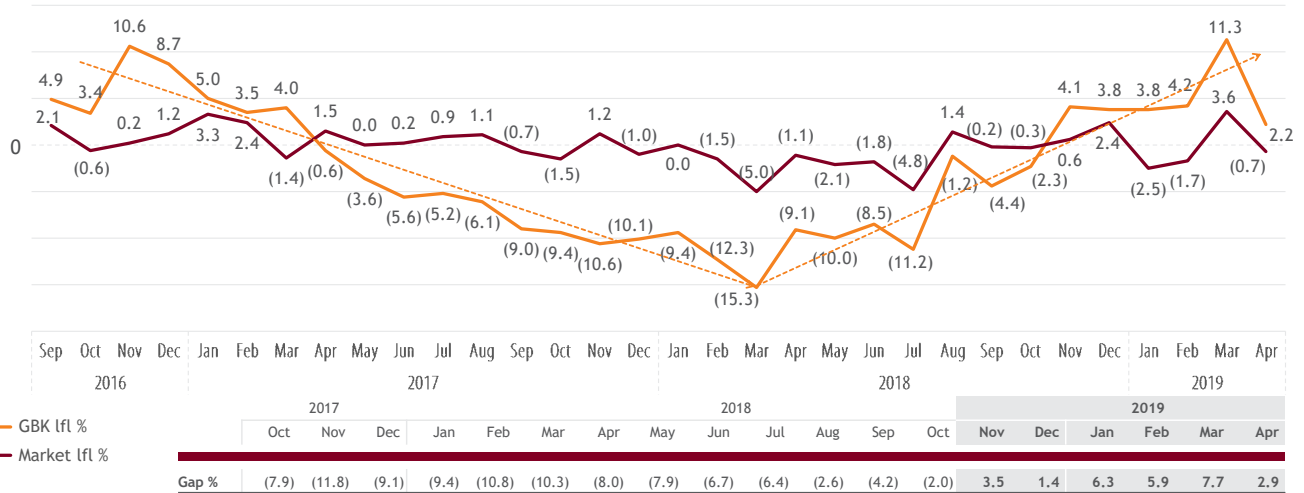
GBK UK like-for-like restaurant sales growth % (Sterling)



Notes

Trading vs the market – September 2016 to April 2019

%



Source: Coffer Peach Business Tracker

Notes

CVA restructure outcome (UK estate)

Launched on 24 October 2018

Completed in December 2018

Sites were categorised into four categories, with different terms for each

The terms of the CVA will remain in place for three years

Category A
leases

39

Category B1
leases

10

Category B2
leases

11

Category C
leases

3

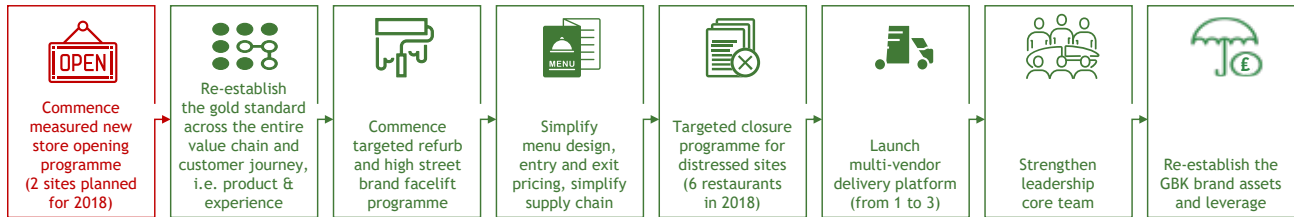
Total: 63 trading sites

Notes

2019

Goals

Key imperatives



● Not achieved ● Underway ● Achieved

Notes

GBK

Outlook

% of revenue	F2020	F2021	F2022
EBITDA	3.1	4.4	5.5
PBIT	(3.0)	(1.5)	0.0

Source: Management disclosure

Notes

Imperatives for the future



Notes

Outlook

Local and global trading conditions remain challenging

Drive profitable sustainable long term growth

Pursue relevant acquisitions in brands and upstream manufacturing segments

Rationalise underperforming assets where necessary

GBK to outperform the UK casual dining market and return to profitability

Align the Leading brands' supply chain and cost drivers to remain competitive.
Leading brands to deliver like-for-like growth ahead of food inflation

Notes

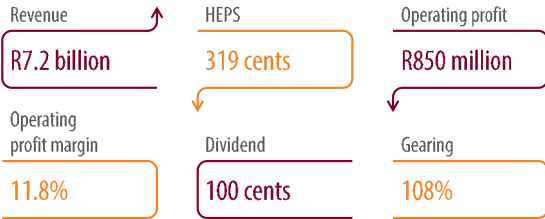
Supplementary information



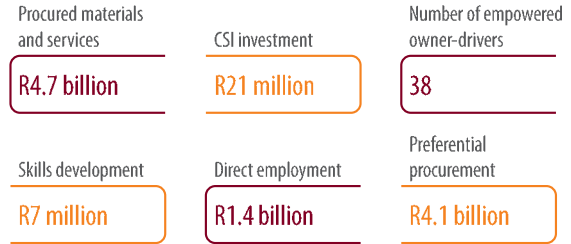
Notes

Performance overview

FINANCIAL PERFORMANCE



VALUE FOR STAKEHOLDERS



Notes



OUR VISION

To be the leading innovative branded franchised and food services business in South Africa and selected international markets by 2020



OUR STRATEGIC INTENT

Our business is focused on growing capability and capacity to position ourselves to deliver unique consumer experiences in the branded franchised and food service space

Notes

Our growth agenda

We are intent on **growing capability, capacity and scale** across manufacturing, branded franchised and food services spaces

We are **obsessed** with being close to our trading partners and consumers across premium and mainstream markets

We are **passionate** about unique consumer experiences through innovation, flawless execution and continuous improvement

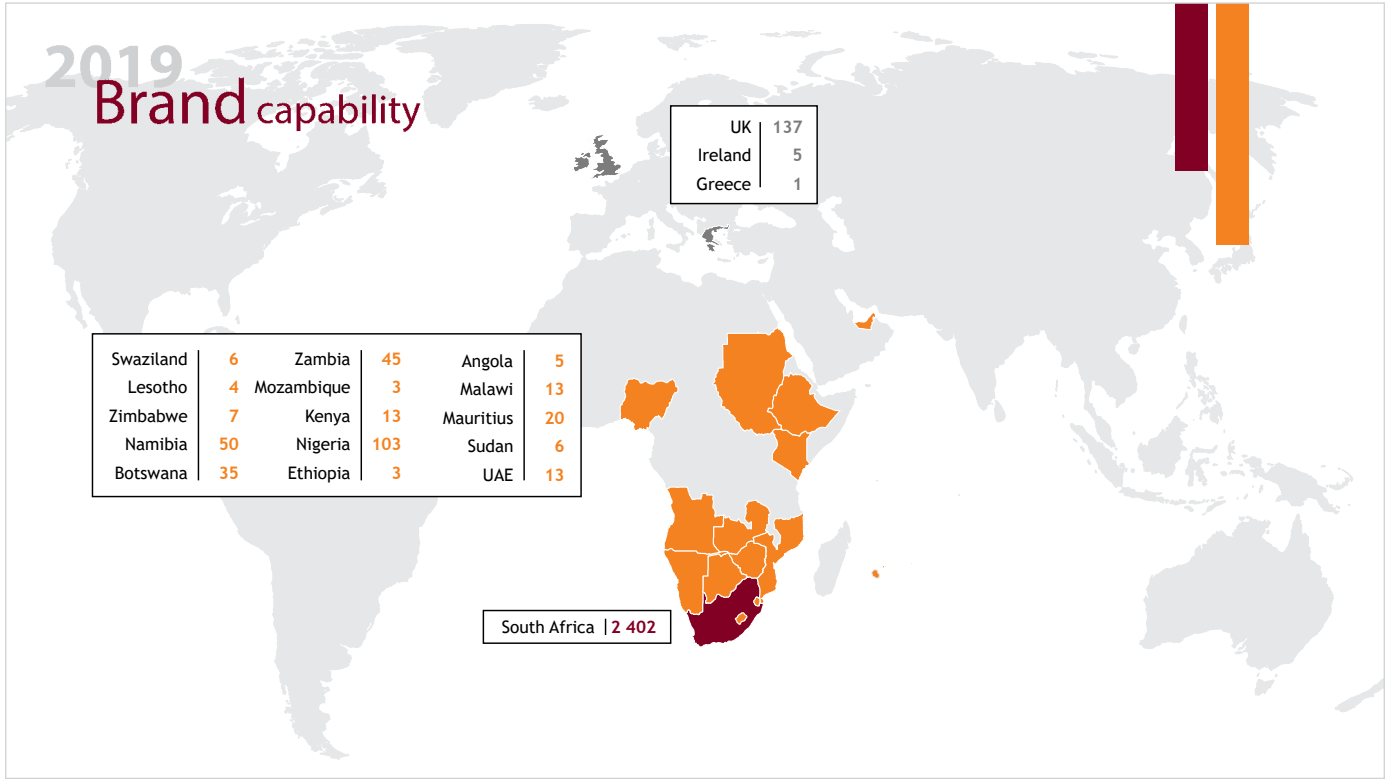
We are a **team of results orientated people** characterised by a unique culture of high performance

We are focused on **organic and acquisitive growth** in South Africa and selected international markets

Notes

2019

Brand capability



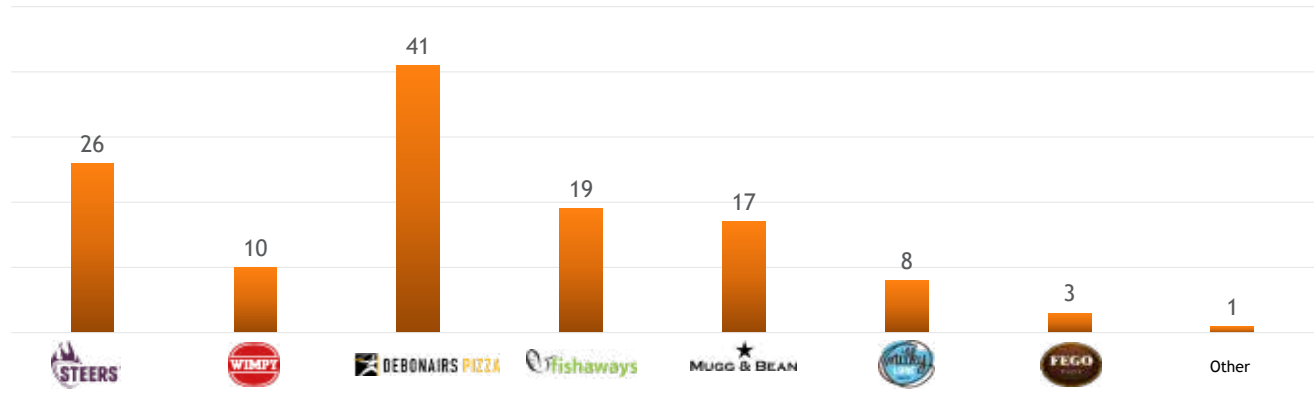
Notes

2019

Brand capability

Leading brands – new restaurants opened

Total **125**



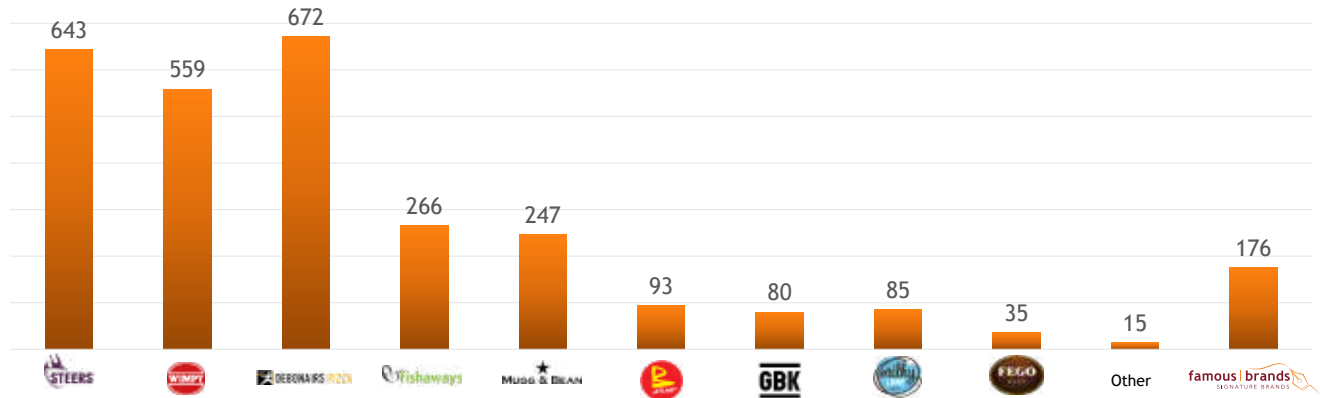
Notes

2019

Brand capability

Total restaurant numbers

Total 2 871



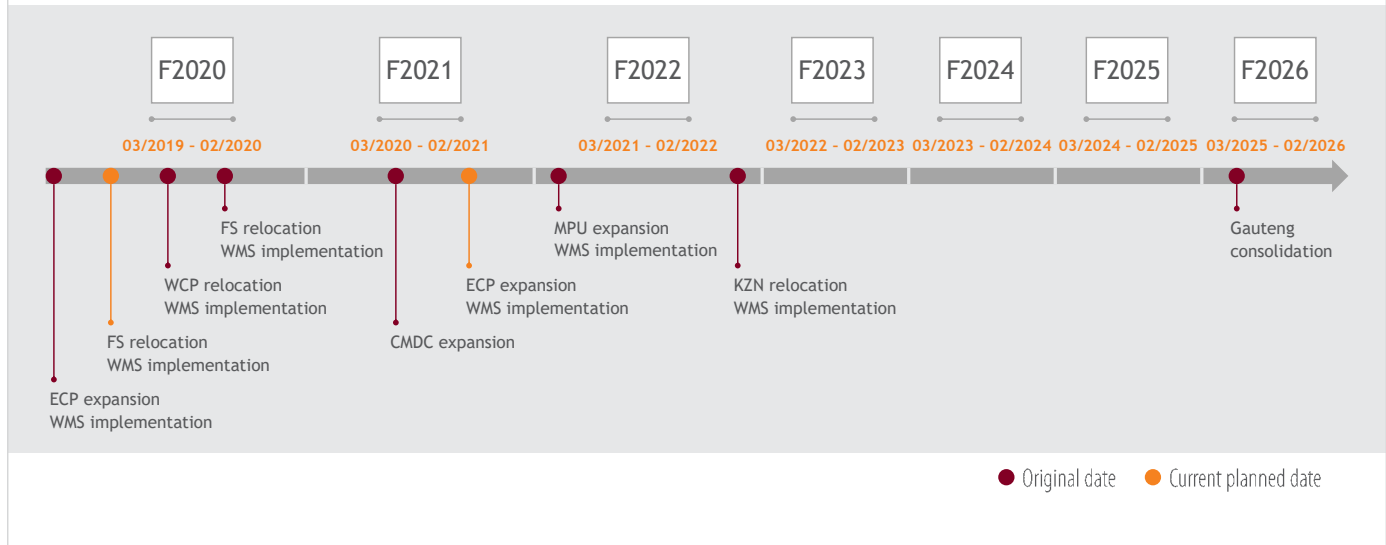
Notes

Project Decade

- Project Decade refers to a managed focus on addressing capacity constraints in our Logistics business unit that commenced early 2018
- Logistics business required a planned investment programme over the next decade
- Needed to address immediate capacity constraints and seek out efficiencies over the medium term
- Margin will improve over time but will be 'lumpy' over the reinvestment period
- F20 year will be challenging due to one off costs of Western Cape and Free State relocations and WMS installations
- We will apprise the market as appropriate

Notes

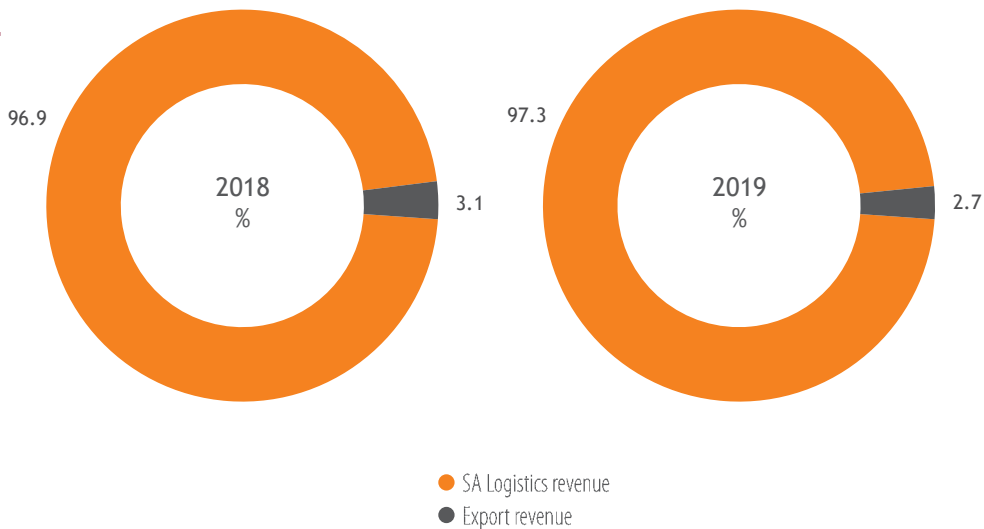
Indicative implementation timing



Notes

Logistics

Local revenue vs exports



Source: Management disclosure

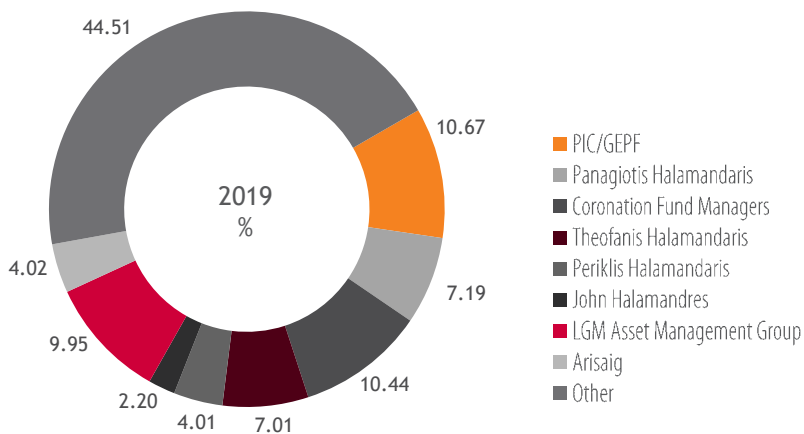
Notes

Board of Directors



Notes

Shareholder analysis



As at February 2019; Source: Sponsor

Notes

Domestic consumer trends



As disposable income remains under pressure, consumer expectations of value are elevated. While affordability remains key to driving feet, true value is driven through a holistic customer experience (quality food, good service and memorable experience)



Technology within the retail space is growing and becoming more entrenched in the customer experience, resulting in consumers growing more comfortable with online and mobile retail and electronic payment systems (digital menu boards, self service terminals, online ordering)



Consumers are demanding authenticity and honesty from brands regarding their impact on the environment. Brands are increasingly held accountable for sourcing and labour practices and publically called out in cases where they are seen to transgress



The category is becoming increasingly competitive as the number of visits are in decline. Consumers' repertoire of brands remains stable, indicating that they are seeking out reliable, trusted and low risk experiences when they do interact with the category. As a result, a number of relatively new entrants have exited the market



Consumer data has become a powerful currency as brands use this to tailor more personalized communication and offers based on consumers' past behavior. The trend is expected to grow into the future, as companies become more equipped to utilize big data to unearth consumer insight and target in a truly relevant manner



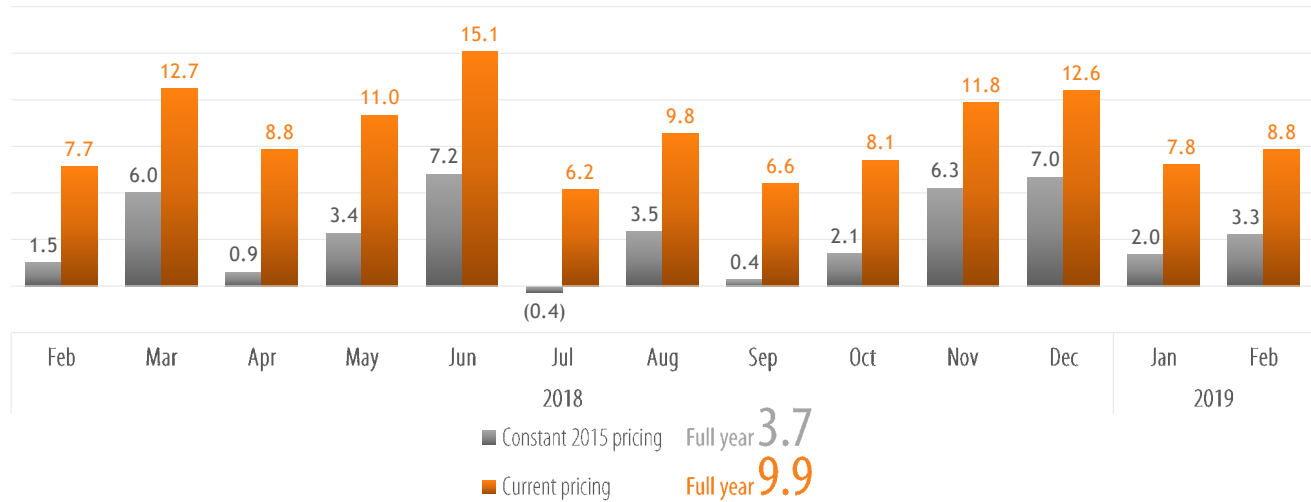
Format expansion and blurring continues to redefine 'eating out' and offering different expressions of convenience. While online and mobile ordering and home delivery continues to grow ahead of brick and mortar stores, many consumers still opt for call and deliver or call and collect options with the largest category volume still driven in-store

Source: Leading brands marketing

Notes

Domestic consumer environment

YOY % change in food and beverage income at constant pricing versus current prices

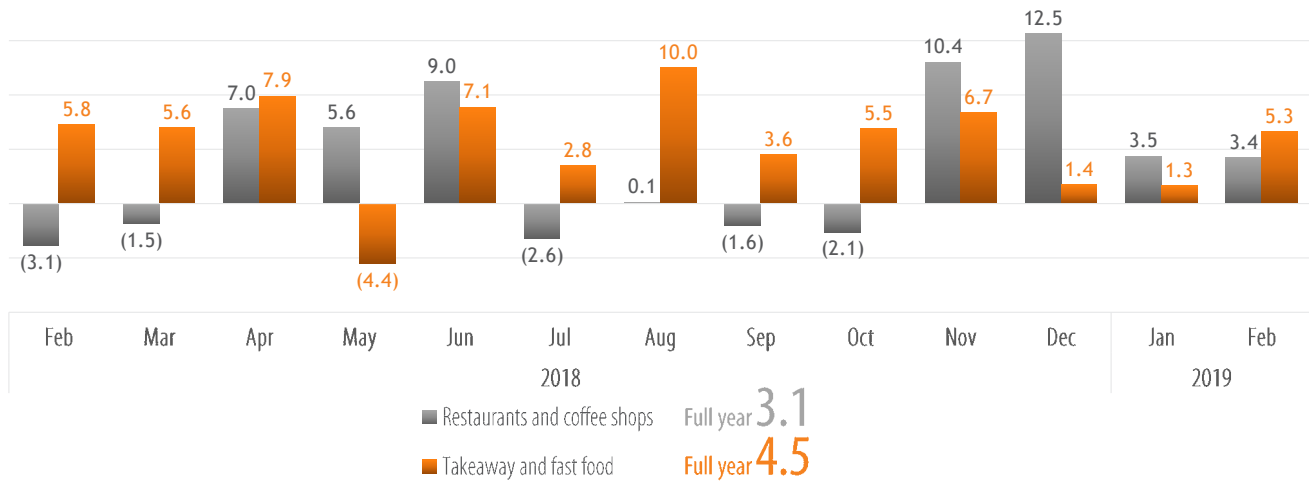


Source: Food and Beverage Report, StatsSA

Notes

Domestic consumer environment

YOY % change in food and beverage income at constant 2015 prices by type of enterprise

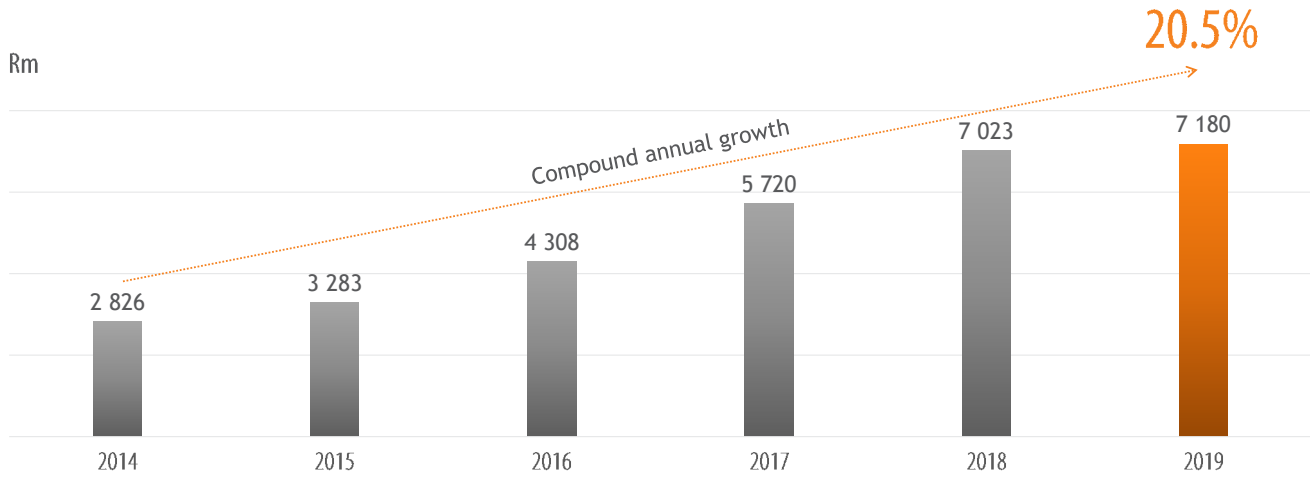


Source: Food and Beverage Report, StatsSA

Notes

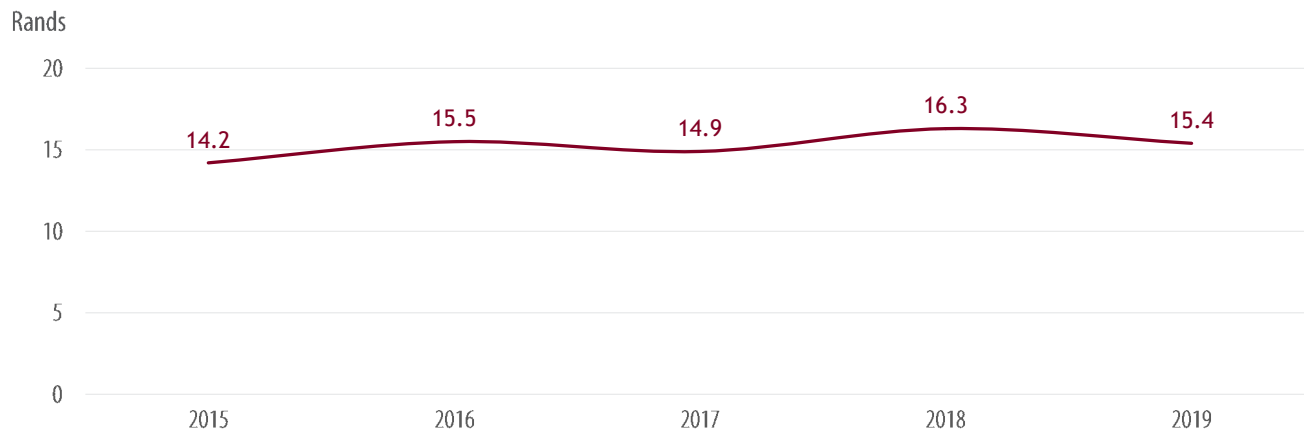
Revenue

Rm



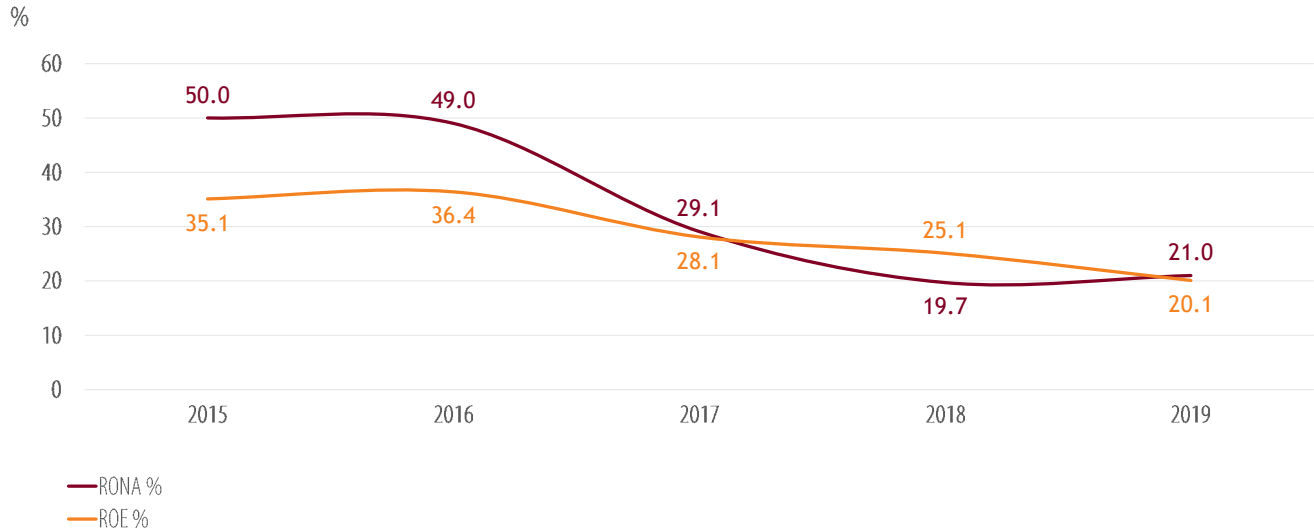
Notes

Ratios | NAV per share



Notes

Ratios | RONA and ROE

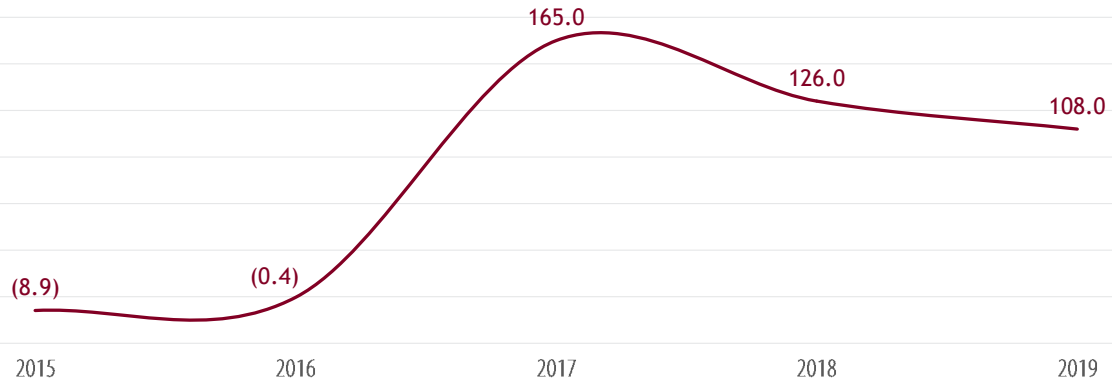


Notes

Ratios

net debt: equity

%



Notes

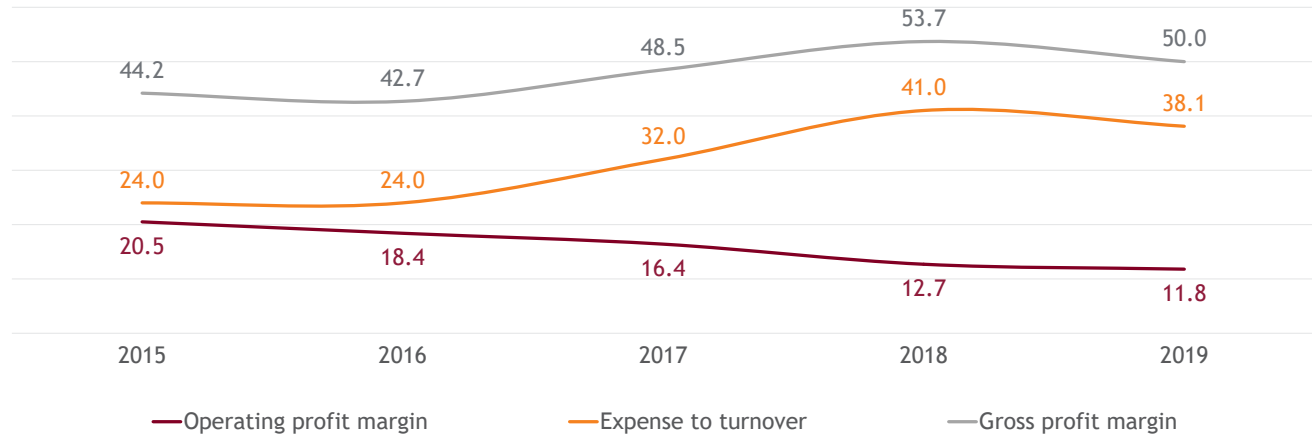
Ratios | ROCE

Summary	F2019 %	F2018 %
SA	20.3	21.6
UK	(355.2)	(203.3)
AME	18.0	23.3
Total	(1.6)	11.4

Notes

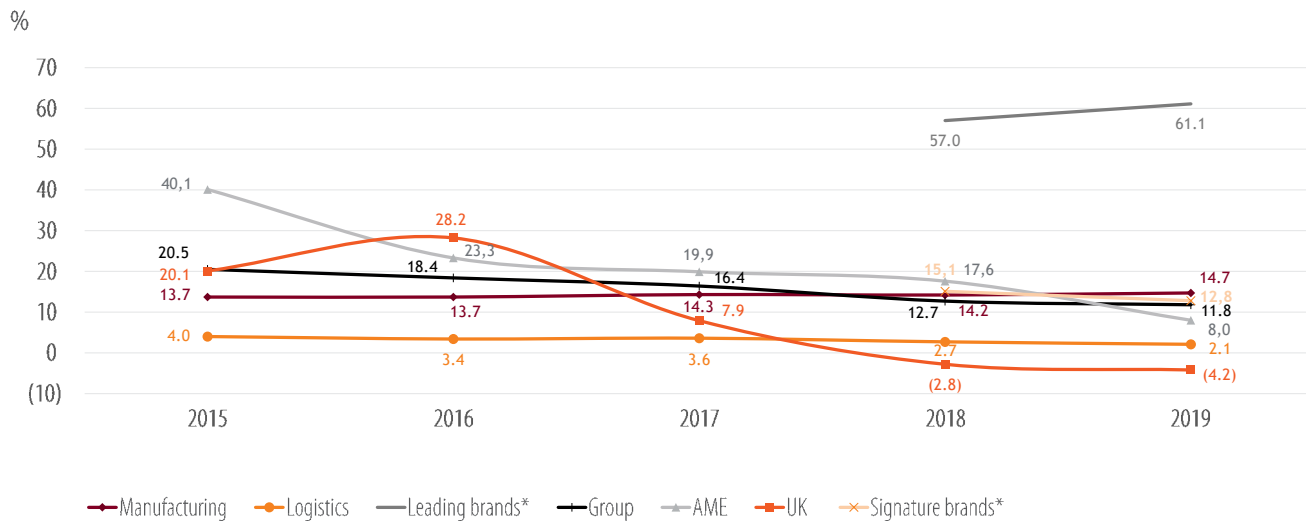
Productivity and margin ratios

%



Notes

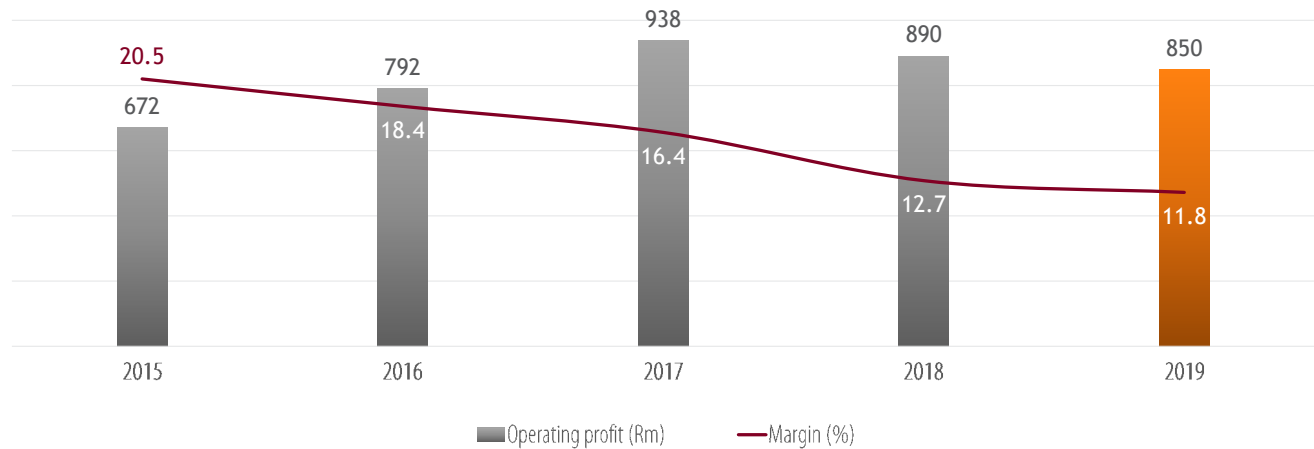
Operating margins by division



* Comparative data not disclosed

Notes

Operating profit before non-operational items



Notes

GBK EBITDA insights

	F2019 £000
Operating loss including impairment and property related provision	(22 452)
Depreciation and amortisation	6 027
Impairment	16 884
CVA costs	967
EBITDA	1 426

Source: Management disclosure

Notes

Capex by business unit

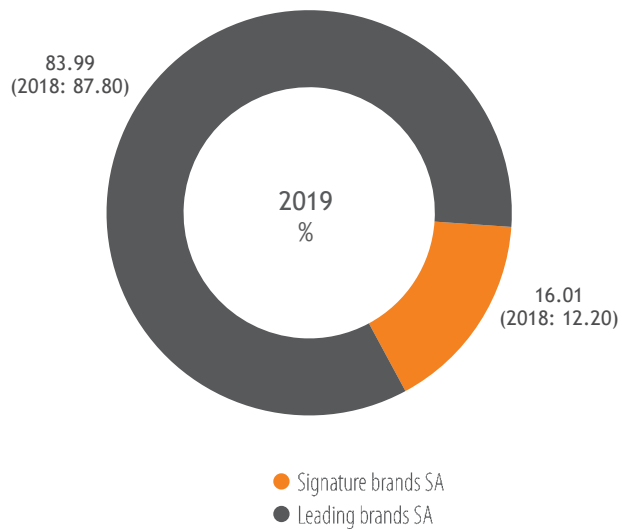
Rm	Actual 2019	Actual 2018
Manufacturing including Retail	40	31
Logistics	7	10
Franchising	37	25
Corporate	8	29
SA Business	92	95
AME	6	10
UK Business	39	125
Total Group	137	230

Source: Management disclosure

Notes

Domestic restaurant sales

Split between Signature and Leading brands

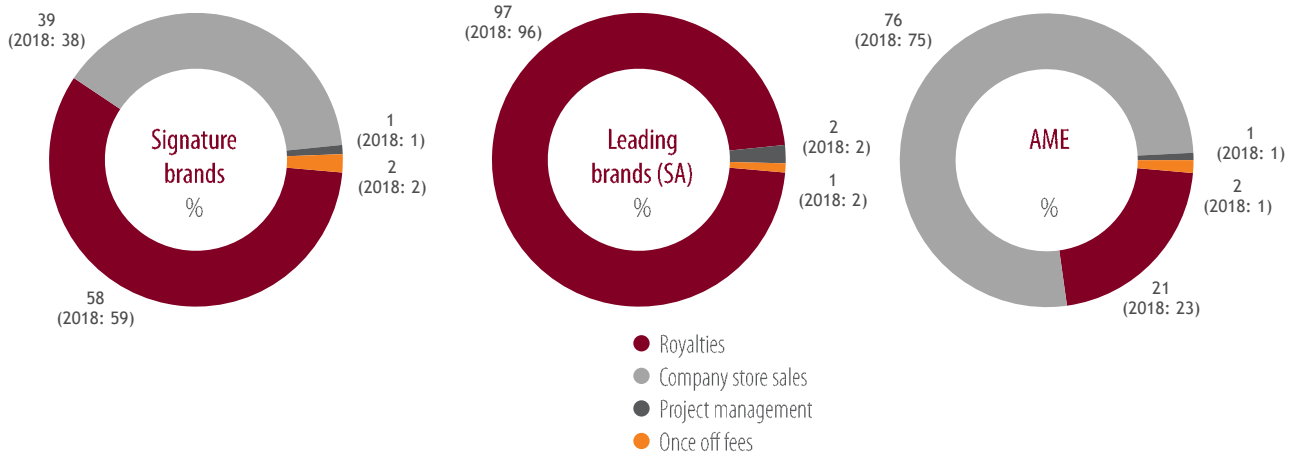


Source: Management disclosure

Notes

Revenue breakdown %

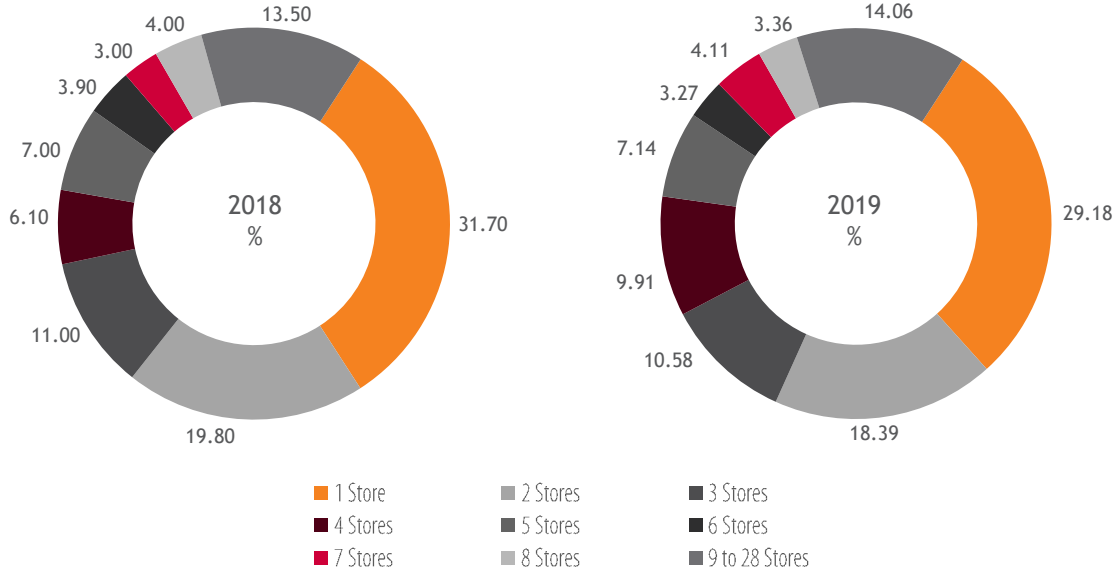
SA and AME



Source: Management disclosure

Notes

Breakdown of domestic franchisee ratio to stores

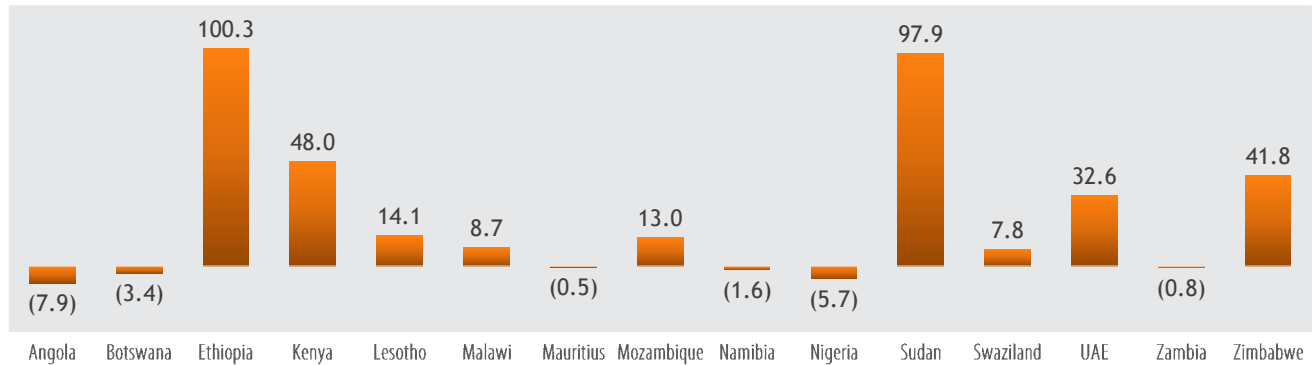


Source: Management disclosure

Notes

System-wide sales in AME by country

System-wide turnover growth % (local currency)



Source: Management Disclosure

Notes

Exchange rate used

Exchange rates (YTD average)	UK ZAR/GBP	EUR ZAR/EUR	USD ZAR/USD	Nigeria ZAR/NGN	Zambia ZAR/ZMW	Botswana ZAR/BWP	Dubai ZAR/AED
Year-end 28 Feb 2018	16.26	14.35	11.75	0.03	1.20	1.21	3.20
Year-end 28 Feb 2019	18.59	15.93	13.99	0.04	1.16	1.30	3.81
YTD average 2018	17.15	15.11	13.08	0.04	1.38	1.26	3.56
YTD average 2019	17.82	15.76	13.53	0.04	1.25	1.28	3.68

Source: Oanda.com

Note: Average is "Financial year to date" average

Notes

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Notes

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They are based on best estimates and expectations which have not been audited by the external auditors. Actual performance may differ materially from the current estimates and expectations and thus may prove to be inaccurate.

Caution should be exercised in placing any undue reliance on this information as unanticipated events will occur and actual future performance may differ materially from current expectations.

Famous Brands assumes no obligation to update or revise any forward looking statements other than may be required by legislation and/or regulation and assumes no responsibility whatsoever for any loss or damage as a result of any reliance placed on the forward looking statements.

Notes



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