



# **GRAND PARADE INVESTMENTS LIMITED**

## **UNAUDITED INTERIM RESULTS**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2015**



**GRAND PARADE**  
INVESTMENTS LIMITED

## **THE JOURNEY CONTINUES**



**GRAND PARADE**  
INVESTMENTS LIMITED

# **BUSINESS OVERVIEW**

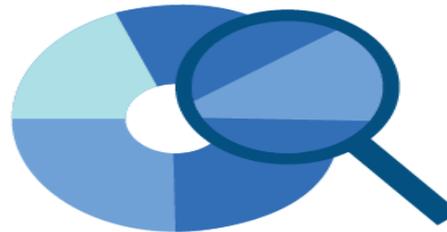
GRAND PARADE INVESTMENTS LIMITED  
UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2015

# STRATEGY



Established  
**Empowerment** company

**Food, Gaming and  
Leisure investment  
holdings** company.



**Current portfolio** of  
assets stands **testament**  
to **objective** of being an  
**active investor** and  
**operator** of **premium**  
**brands**.

GPI is in **continuous**  
**pursuit** of **challenging**  
**new frontiers** in the **food**  
**industry** to **grow** its  
**Grand Foods** brand.



Continues to be a  
**dividend-active**  
**company**, notwithstanding  
its **aggressive** and  
**determined** pursuit of  
**growth**.

# OUR JOURNEY



GRAND PARADE  
INVESTMENTS LIMITED

1997

Incorporated to conduct business as an **investment holding company** with interests in the **leisure, hotel and gaming sectors**

2001

Acquired an initial **8,53% stake in SunWest International**, which was awarded the **exclusive licence for the GrandWest Casino** in 1999



2002

Increase holding in **SunWest to 19.12%**

2004

Acquired **25.1% of GrandSlots** as the empowerment partner to Tattersalls (Australia)



2007

Increase holding in **SunWest to 26.41%**

2008

GPI lists on the **JSE**

Acquired **30.6% of Real Africa Holdings Limited**

Acquired **10% of KingdomSlots**

2009

Increased holding in **SunWest to 29.24%**

2010

Acquired **100% of GrandSlots and KingdomSlots** from Tattersalls

Increased SunWest holding to **30,04%**



2011

Began actively managing the **LPM business**

Acquired an **LPM licence in Gauteng**



2012

Reduced holding in **SunWest to 25.1%**

Disposed holding in **Real Africa Holdings Limited**



## **A GPI SLOTS CASE STUDY**

Until 2010, GPI was a passive partner. Seeing its potential, the Group took control in 2011 and started active management.

# GPI SLOTS: A CASE STUDY



## PHASE 1: REVIEW

Fledgling business limited by a highly regulated industry  
Capex intensive

Flawed site selection in race for growth leading to under-performance

Back office support is a key requirement



## PHASE 2: ACTIVE MANAGEMENT

Introduced financial discipline, formal business practices and reporting

Refined marketing

Tapped into shared services model to reduce overheads

Acquired licences to build critical mass

Added supply chain (machines)

**RESULT: Created huge presence, gained market share and relevance**



## PHASE 3: MATURITY AND NEXT STEPS

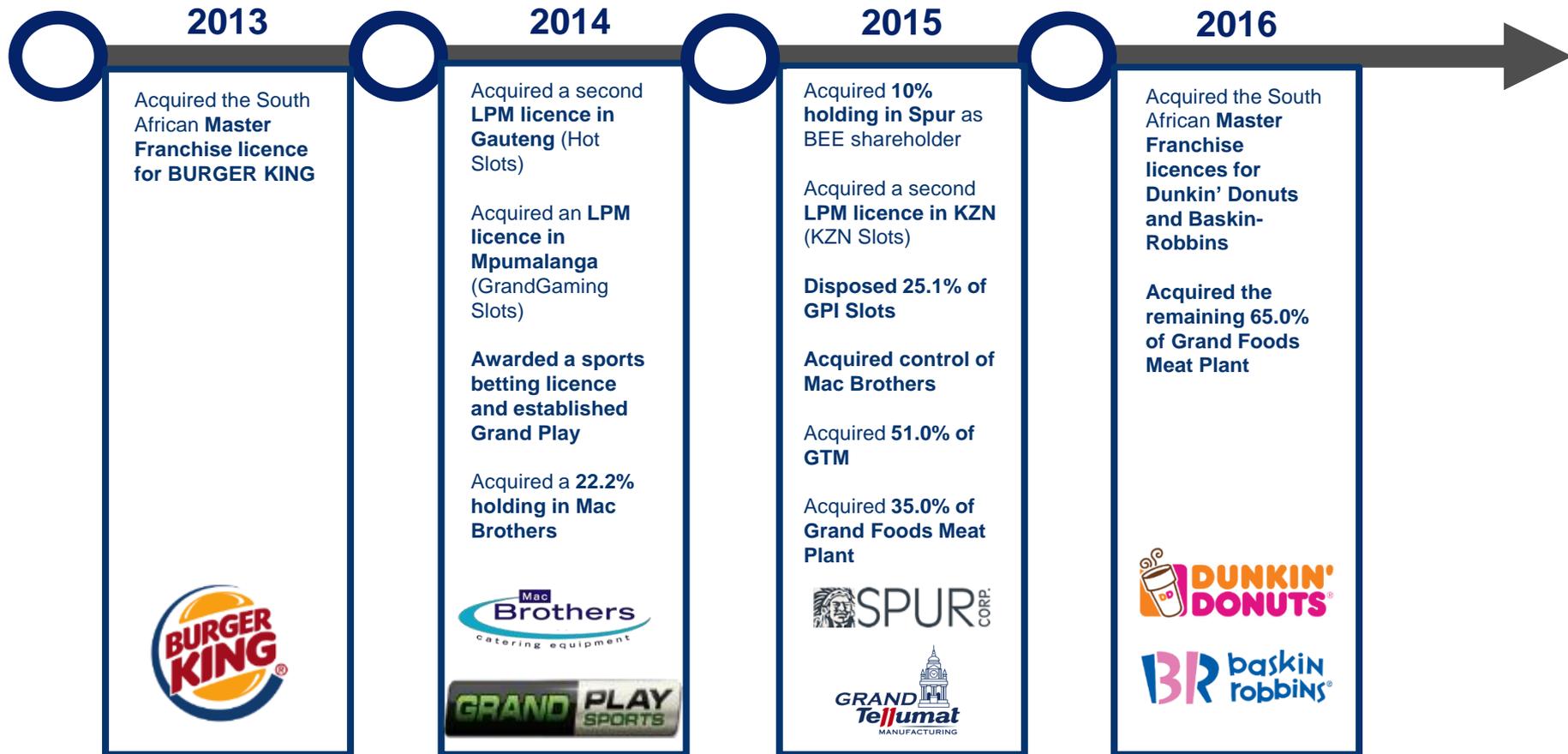
Search for strategic partner

Extract value at appropriate time

Maximise shareholder returns



# OUR JOURNEY



# INVESTMENT HOLDINGS

INVESTMENT	EFFECTIVE HOLDING
<b>FOOD</b>	
Burger King	91.1%
Grand Foods Meat Plant	96.9%
Spur Corporation	10.0%
Mac Brothers Catering Equipment	100.0%
<b>GAMING AND LEISURE</b>	
SunWest	25.1%
Worcester Casino	25.1%
GPI Slots	74.9%
Grand Sport	100.0%
<b>OTHER</b>	
Grand Tellumat Manufacturing	51.0%
Atlas Gaming	4.95%
<b>GROUP COSTS</b>	
Grand Technology	100.0%
GPI Properties	100.0%

# INVESTMENTS

 <p>FOOD</p>	 <p>GAMING AND LEISURE</p>	 <p>OTHER</p>
    	       	 

# EXECUTIVE DIRECTORS

Experienced team with proven deal-making ability and a track record of unlocking value



Qualified engineer Hassen has been **instrumental** in a number of **successful businesses**.

He is the **executive chairman** of GPI and BURGER KING, as well as **non-executive chairman** of SunWest International.



A **chartered accountant** by profession, Alan **joined the Group in 2012** as CEO, prior to which he was the CEO of a national auditing practice.

He serves on all **Group Company Board Committees** and **Spur Corporation's Board**.



Qualified **chartered accountant** and **member of the Chartered Institute of Management Accountants (United Kingdom)**.

Dylan **joined GPI in 2008** as part of the **Slots team** and was **appointed GPI Group Financial Director in 2015**.



**GRAND PARADE**  
INVESTMENTS LIMITED

# GROUP FINANCIAL OVERVIEW

GRAND PARADE INVESTMENTS LIMITED  
UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2015

# SALIENT FEATURES

**INTRINSIC NAV**  
615 cents per share

**COMPARABLE  
HEADLINE EPS**

2.05 cents

122% increase

**BASIC EPS FROM  
CONTINUING  
OPERATIONS**

5.67 cents

157% increase

**DEBT EQUITY  
RATIO**

36.7%

5% reduction

\* Comparable headline EPS contains an adjustment to the prior period's reported headline EPS so as to compare the GPI Slots' earnings on a like-for-like basis. The prior period headline EPS was adjusted to reduce the earnings from GPI Slots from R72.9 million to R13.8 million, which is comparable to the 30% of GPI Slots' earnings, after depreciation and amortisation, recognised in the current period.

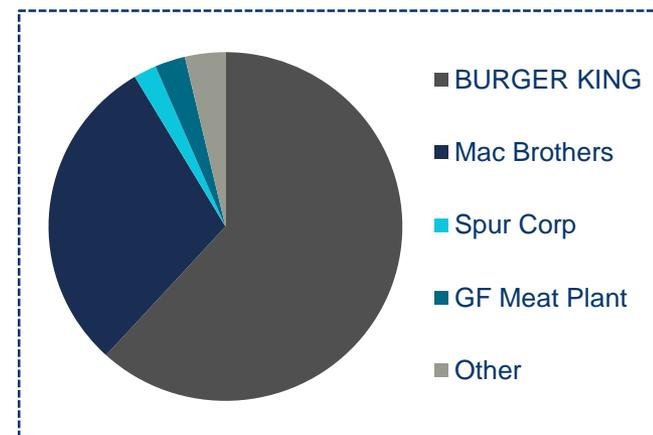
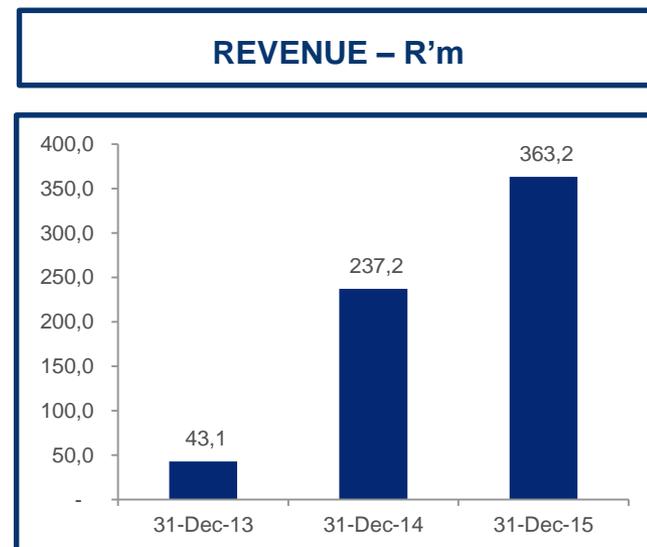
# HEADLINE EARNINGS BY INVESTMENTS



	6 MONTHS UNAUDITED 31 Dec 2015 R000's	6 MONTHS UNAUDITED AND RESTATE 31 Dec 2014 R000's	Variance R000's	Variance %
<b>FOOD</b>	<b>(7 463)</b>	<b>(45 048)</b>	<b>37 585</b>	<b>83%</b>
BURGER KING	(9 180)	(38 473)	29 293	76%
Spur Corporation	(2 353)	(3 177)	824	26%
GF Meat Plant	(122)	-	(122)	-
Mac Brothers	5 575	(3 398)	8 973	264%
GF Management Services	(1 383)	-	(1 383)	-
<b>GAMING AND LEISURE</b>	<b>58 226</b>	<b>128 750</b>	<b>(70 524)</b>	<b>(55%)</b>
SunWest	57 991	59 043	(1 052)	(2%)
GPI Slots	13 195	72 917	(59 722)	(82%)
Worcester Casino	(9 135)	-	(9 135)	-
Grand Sport	(3 825)	(3 210)	(615)	(19%)
<b>DIVERSIFIED</b>	<b>242</b>	<b>(3 952)</b>	<b>4 194</b>	<b>106%</b>
GTM	242	(3 952)	4 194	106%
<b>GROUP COSTS</b>	<b>(41 361)</b>	<b>(64 918)</b>	<b>23 557</b>	<b>36%</b>
GPI Properties	(14 636)	(2 965)	(11 671)	(394%)
Grand Linkstate	(3 166)	(3 562)	396	11%
Corporate Costs	(23 559)	(58 391)	34 832	60%
<b>HEADLINE EARNINGS</b>	<b>9 644</b>	<b>14 832</b>	<b>(5 188)</b>	<b>(35%)</b>
<b>COMPARABLE HEADLINE EARNINGS</b>	<b>9 644</b>	<b>(44 259)</b>	<b>53 903</b>	<b>122%</b>

# EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

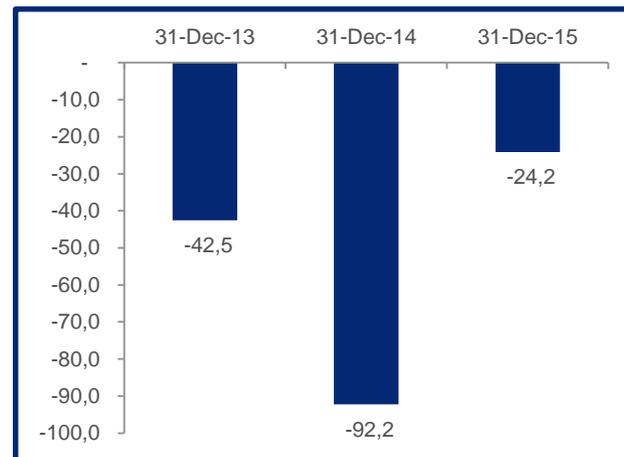
	6 MONTHS UNAUDITED 31 Dec 2015 R000's	VAR %	6 MONTHS UNAUDITED AND RESTATE 31 Dec 2014 R000's
<b>Revenue</b>	<b>363 156</b>	<b>53%</b>	<b>237 248</b>
Loss from operations	(24 186)	74%	(92 214)
Equity-accounted earnings	68 709	12%	61 236
Remeasurement of investment	18 687	-	657
Profit/(loss) before finance costs and taxation	39 927	199%	(40 475)
Profit/(loss) for the period from continuing operations	23 952	150%	(48 118)



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## LOSS FROM OPERATIONS – R'm



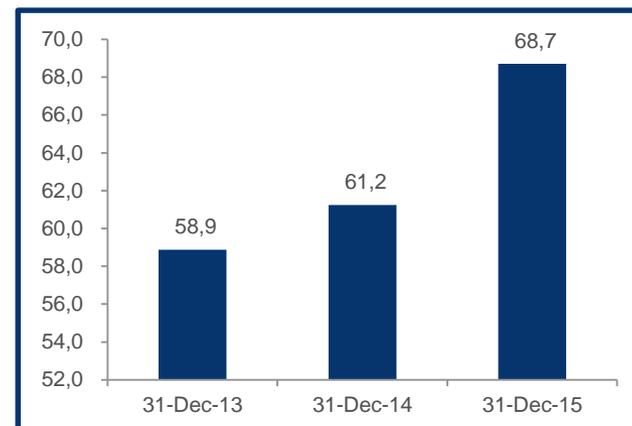
## COMMENTS

- Improvement in BK operating margins
- Improvement in Mac Brothers' operating profit, driven by an increase in revenue and improved margins

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## EQUITY-ACCOUNTED EARNINGS – R'm



	31 Dec 2015 R000's	31 Dec 2014 R000's
SunWest	64 294	65 260
GPI Slots	13 278	-
GTM	242	(3 952)
Mac Brothers	-	390
Worcester Casino	(9 135)	-
GFMP	29	(462)
<b>TOTAL</b>	<b>68 709</b>	<b>61 236</b>

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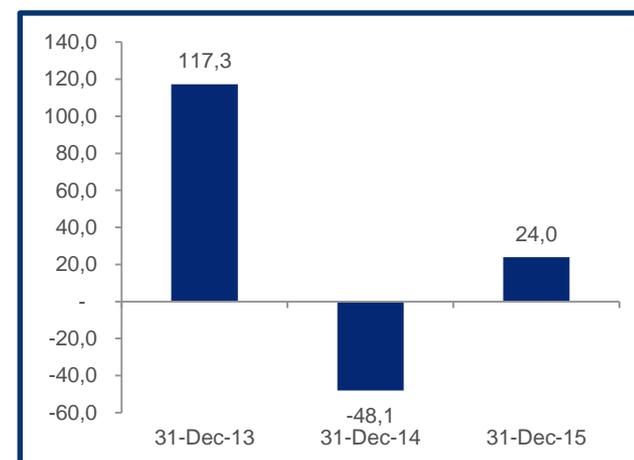
## RE-MEASUREMENT OF INVESTMENT

- IFRS 5 adjustment as a result of acquiring control of GF Meat Plant
- Fair value adjustment to GPI's existing 35.0% holding in GF Meat Plant

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## PROFIT/(LOSS) FROM CONTINUING OPERATIONS – R'm

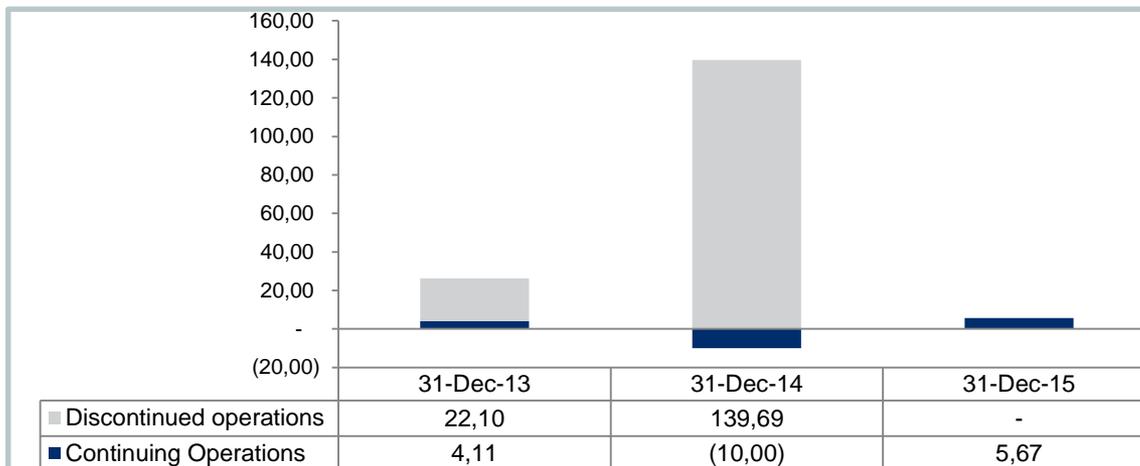


## COMMENTS

- Improvements in BURGER KING and Mac Brothers' operating results
- 30% of GPI Slots' earnings recognised as continuing operations for the first time in current results
- GF Meat Plant re-measurement

# EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

## BASIC EARNINGS PER SHARE – cents



## COMMENTS

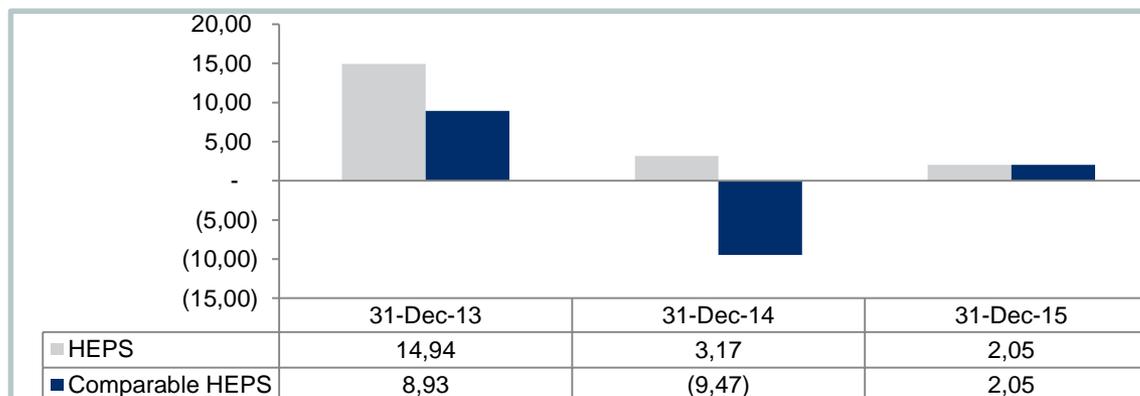
### DISCONTINUED OPERATIONS

- 31 December 2014, comparative basic earnings contain a R611.4 million gain on the loss of control of GPI Slots as a result of the first tranche disposal of 25.1% of the investment.

### CONTINUING OPERATIONS

- The 10.00 cent per share loss for the period ended 31 Dec 2014, is a result of Burger King operating losses during its initial development phase.
- The improvement to 5.67 cents in the current period ended 31 Dec 2015 is largely due to an improvement in Burger King's operating margins.

## HEADLINE EARNINGS PER SHARE – cents



## COMMENTS

- Comparable HEPS compares GPI Slots' earnings on a like-for-like basis between the period (ie: 30% of GPI Slots' earnings recognised).

# GROUP DEBT FACILITIES



GRAND PARADE  
INVESTMENTS LIMITED

		UNAUDITED 31 Dec 2015 R000's	AUDITED 30 Jun 2015 R000's	UNAUDITED 31 Dec 2014 R000's	AUDITED 30 Jun 2014 R000's
<b>HOLDING COMPANY FACILITIES</b>		<b>662 603</b>	<b>662 211</b>	<b>732 086</b>	<b>157 691</b>
SunWest	Preference shares	132 892	132 880	132 758	132 691
SunWest	Credit facilities	300 000	302 000	377 000	25 000
Spur	Preference shares	229 711	227 331	222 328	-
<b>SUBSIDIARIES FACILITIES</b>		<b>190 769</b>	<b>159 541</b>	<b>167 692</b>	<b>68 347</b>
Mac Brothers	Finance leases	18 080	18 612	9 091	-
GF Meat Plant	Finance leases	35 198	-	-	-
Burger King	Finance leases	1 740	1 360	1 032	1 152
Burger King	Related party loans	29 899	30 000	15,999	-
GPI Properties	Term loans (Mortgage)	105 852	109 569	112 011	67 195
GPI Slots	Related party loans	-	-	29 559	-
<b>TOTAL DEBT</b>		<b>853 372</b>	<b>821 752</b>	<b>899 778</b>	<b>226 038</b>
<b>DEBT/EQUITY</b>		<b>36.7%</b>	<b>35.4%</b>	<b>38.5%</b>	<b>13.5%</b>

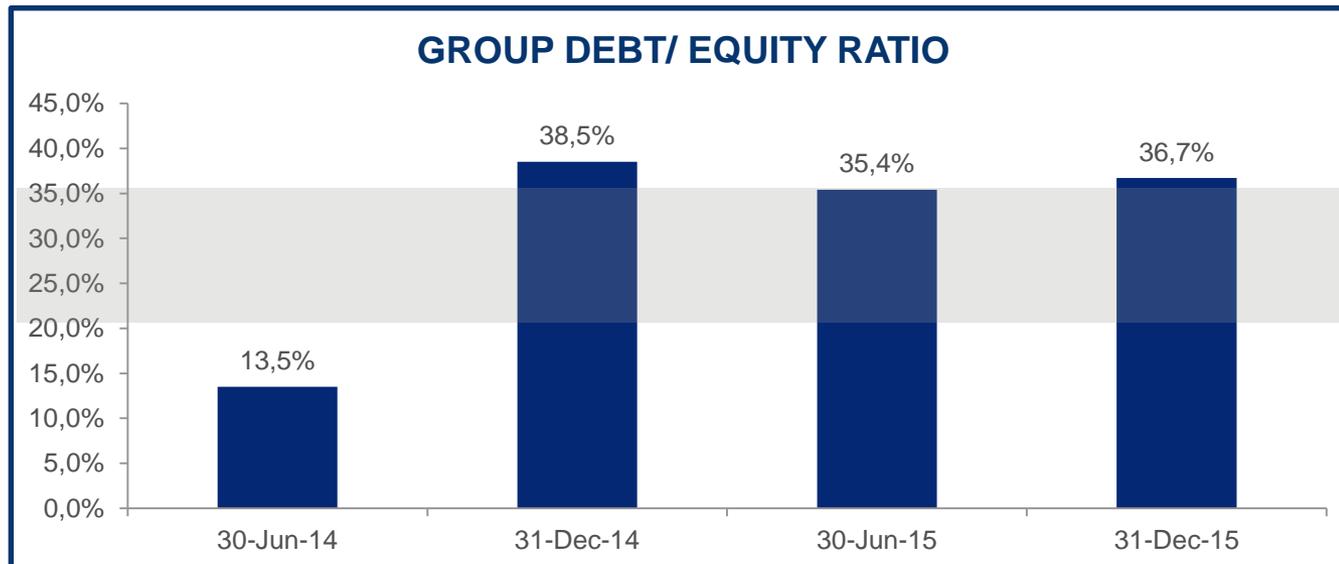
# GROUP DEBT FACILITIES

Target Debt-Equity Range between 20% and 35%

Upper limit breached due to delayed proceed from Slots disposal

Will use proceeds from Slots disposal to reduce debt equity to within target range

Look to move toward the lower end of the range into the future to eliminate risk of rising interest rates



# UNAUDITED INTRINSIC NAV AT 31 DEC '15



	Valuation Methodology	100% Equity Value R000's	GPI Holding %	GPI Equity Value R000's	Related Holding Co Borrowings R'000s	Intrinsic NAV R000's	% of Portfolio %
<b>FOOD INVESTMENTS</b>				<b>1 158 804</b>	<b>(314 628)</b>	<b>844 176</b>	<b>29%</b>
Burger King	DCF	719 775	91.10%	655 715	(31 639)	624 076	21%
Spur	Traded Price	3 259 326	10.00%	325 933	(229 711)	96 222	3%
Mac Brothers	DCF	94 620	100.00%	94 620	(18 080)	76 540	3%
GF Meat Plant	Recent Transaction	85 186	96.89%	82 536	(35 198)	47 338	2%
<b>GAMING &amp; LEISURE</b>				<b>2 206 525</b>	<b>(432 892)</b>	<b>1 773 633</b>	<b>60%</b>
SunWest	EV/EBITDA	4 253 283	25.10%	1 067 574	(432 892)	634 682	22%
Worcester Casino	EV/EBITDA	80 649	25.10%	20 243	-	20 243	1%
GPI Slots							
- Tranche 2 Disposal	Recent Transaction		25.00%	335 050	-	335 050	11%
- Tranche 3 Disposal	Recent Transaction		19.90%	305 561	-	305 561	10%
- Continuing Operations	EV/EBITDA	1 574 369	30.00%	472 311	-	472 311	16%
Grand Sport	Cost	-	100%	-	-	-	-
Atlas Gaming	Recent Transaction	116 886	4.95%	5 786	-	5 786	-
<b>OTHER INVESTMENTS</b>				<b>338 090</b>	<b>(105 852)</b>	<b>232 238</b>	<b>8%</b>
Grand Tellumat	DCF	59 436	51.00%	30 312	-	30 312	1%
GPI Properties	Independent Valuation	305 300	100.00%	305 300	(105 852)	199 448	7%
Grand Linkstate	DCF	4 859	51.00%	2 478	-	2 478	-
<b>Other Group companies' cash &amp; cash equivalents</b>						<b>49 667</b>	
<b>Other group companies' assets &amp; liabilities</b>						<b>32 851</b>	
<b>INAV: Ordinary Shareholders</b>						<b>2 932 565</b>	
<b>Number of issued ordinary shares ('000s) excluding treasury shares</b>						<b>477 180</b>	
<b>INAV per share (cents)</b>						<b>615</b>	



**GRAND PARADE**  
INVESTMENTS LIMITED

# REVIEW OF INVESTMENT OPERATIONS

GRAND PARADE INVESTMENTS LIMITED  
UNAUDITED INTERIM RESULTS FOR THE SIX MONTH ENDED  
31 DECEMBER 2015



**FOOD**





# ACHIEVEMENTS

- BURGER KING near profitability
- Acquisition of Dunkin' Donuts and Baskin-Robbins
- Acquisition of meat production facility (GF Meat Plant)
- Establishment of a shared services company (GF Management Services)



## CREATING AN ALTERNATIVE IN THE LISTED FOOD INDUSTRY

WHY?	HOW?
Growth in emerging middle class	An integrated food services company
Trend towards convenience	Acquire world-class QSR Brands
Urbanisation and Africa opportunity	Create cost efficiencies through supply chain
Time pressures	Focused, active management by GPI
Capitalise on international brand recognition	Harness IP across all food investments
Lower barrier to entry = lower capex	Leverage off cost-efficient central services



# OPERATIONAL REVIEW

## INTEGRATED FOOD BUSINESS

- ✓ BURGER KING®
- ✓ Dunkin' Donuts
- ✓ Baskin-Robbins
- ✓ Spur Corporation
- ✓ Mac Brothers
- ✓ Grand Foods Meat Plant
- Increase **Active Management**
- **Entrench Grand Foods Management Services**

## BURGER KING®

- **61 restaurants**
  - 55 Corporate
  - 6 Franchise
- **15 New Outlets** by FY16
- **Gross Margin improvement;** continue earnings focus
- **Localisation**
- **Control** beef patty manufacturing
- **4-Wall EBITDA: R12.2m**
- **EBITDA profitable in peak months**

## NEW BRANDS

- **Launch** Dunkin Donuts **FY16**
- **Launch** Baskin-Robbins
- **Establishing wider team**
- **Lessons from BURGER KING**

## MAC BROTHERS PROFITABILITY

- **Gross Margin improvement**
  - ✓ Strong sales
  - ✓ Low steel prices
  - ✓ No load shedding
- **New revenue streams**
  - ✓ Extraction systems
  - ✓ Maintenance

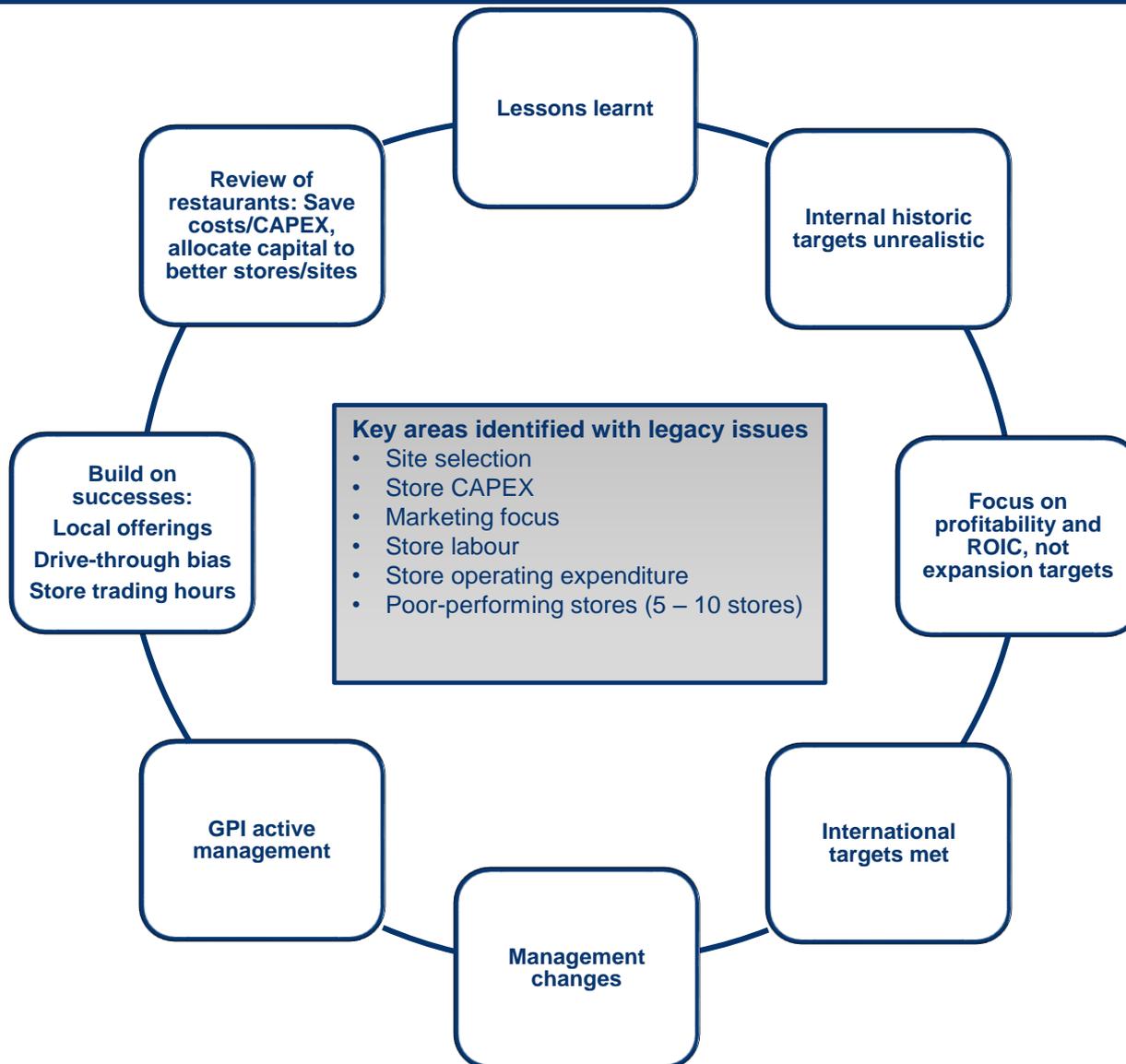


# JOURNEY TO PROFITABILITY & BEYOND





# REVIEW





**Dunkin' Donuts has over 11 500 locations globally, selling around 1.7 billion cups of coffee per year.**

**GPI plans to roll out 250 Dunkin' Donuts restaurants.**





# DUNKIN' DONUTS SALIENT TERMS



ELEMENT	TERMS
Exclusive Master Franchise Term	10 Years + a non-binding option to extend for a further 10 years
Territory	South Africa
ROFR Territories	Namibia; Botswana; Zambia; Mauritius
Market Entry Fee	USD 500 000-00 (ZAR 7 515 000-00 @ R15.03)
Royalties – Corporate Controlled Stores	Yr1 – Yr2: 3.00% Yr3 – Yr4: 4.00% Yr5 – Yr10: 5.00%
Royalties – Sub Franchise Stores	Yr1 – Yr10: 3.00%
Marketing Fund Contribution	Yr1 – Yr10: 5.00%
Marketing Fund Contribution per store opening	Nil
Franchise Licence Fee per Store	USD 15 000-00 (ZAR 225 450-00 @ R15.03)
Development Targets	5 Years: 39 [Corporate] & 110 [Fuel Forecourts] 10 Years: 80 [Corporate] & 210 [Fuel Forecourts]



Baskin-Robbins has **over 70 years of experience** and **more than 7 600 locations globally**. **GPI intends to roll out 70 shops** in the following years.

**Grand Foods will target retail channels to generate two revenue streams** and allow the **brand to appeal to consumers at various access points**.



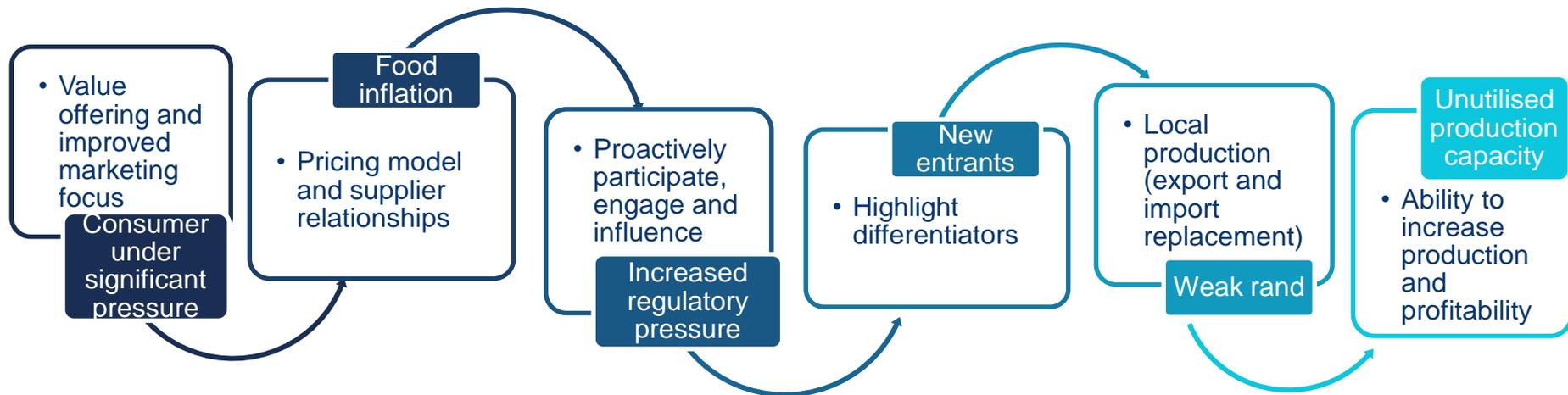


# BASKIN-ROBBINS SALIENT TERMS

ELEMENT	TERMS
Exclusive Master Franchise Term	10 years + a non-binding option to extend for a further 10 years
Territory	South Africa
ROFR Territories	Namibia; Botswana; Zambia; Mauritius
Market Entry Fee	USD 250 000-00 (ZAR 3 757 500-00 @ R15.03)
Royalties – Corporate Controlled Stores	Nil
Royalties – Sub Franchise Stores	Nil
Marketing Fund Contributions	Yr1 – Yr10: 5.00%
Marketing Fund Contribution per store opening	ZAR 55 000-00
Franchise Licence Fee per store	USD 15 000-00 (ZAR 225 450-00 @ R15.03)
Development Targets	5 Years: 31 Stores (Corporate & Franchise) 10 Years: 70 Stores (Corporate & Franchise)



# OUTLOOK





# GAMING





# OVERVIEW

## GAMING PORTFOLIO STRATEGY

- Partner with world-class operators
- Minority holdings
- Not actively involved in operations
- Mature stage, high-yielding businesses
- Currently provides a balance to the early stage investments in the Food portfolio
- Continuous review of Gaming investments

## RECENT DEVELOPMENTS

- Disposal of SunWest cancelled
- Continue to explore options to resolve GrandWest's expired exclusivity in Cape Metropole
- Delays in concluding the second tranche disposal of GPI Slots



# OTHER INVESTMENTS





# STRATEGY

Exit non-core  
investments

Focus on core  
industries and  
realise values

Manage head  
office costs



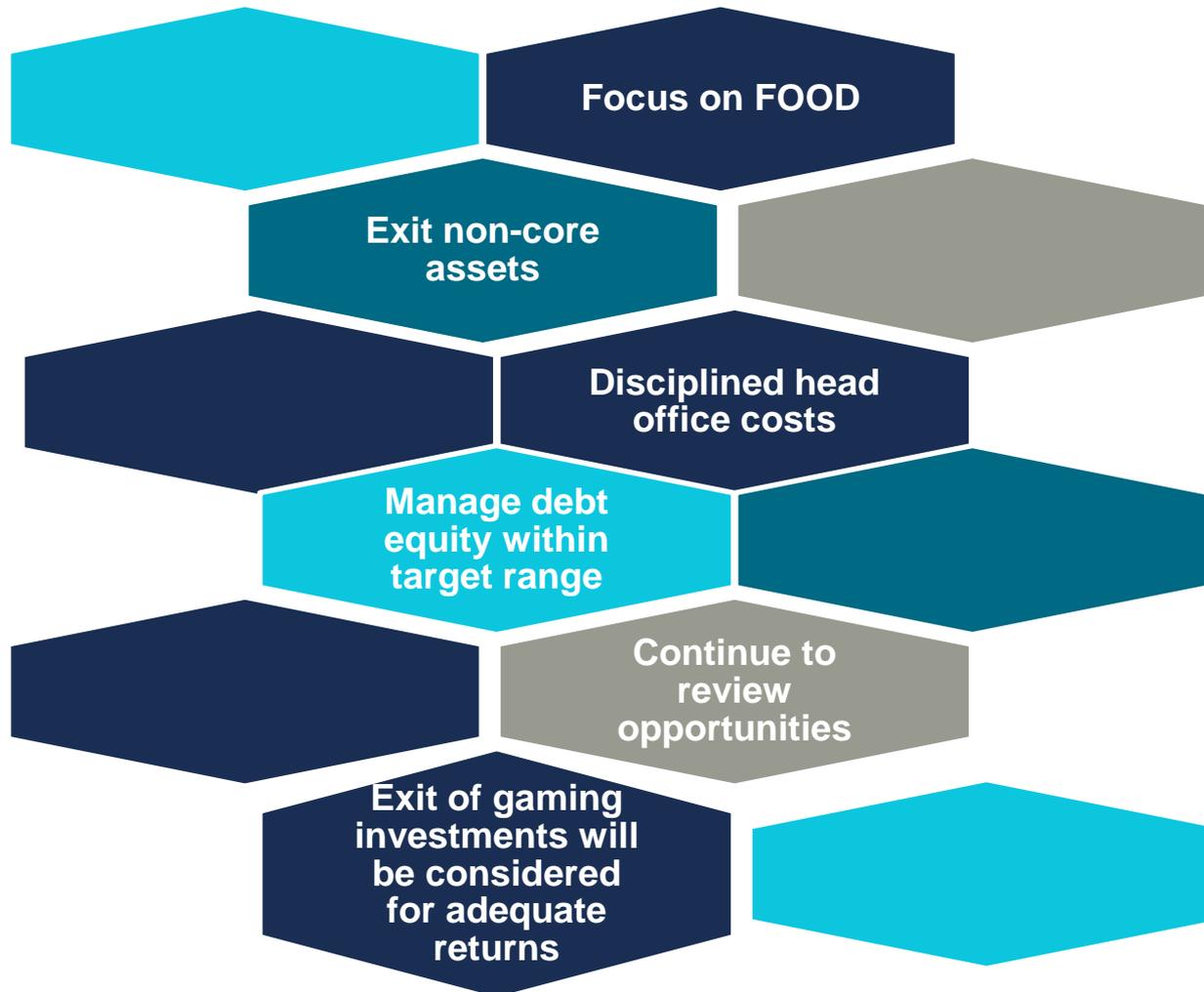
**GRAND PARADE**

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# NEXT STEPS

GRAND PARADE INVESTMENTS LIMITED  
UNAUDITED INTERIM RESULTS FOR THE SIX MONTH ENDED  
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# GROUP OUTLOOK





**GRAND PARADE**

INVESTMENTS LIMITED

# Q&A

GRAND PARADE INVESTMENTS LIMITED  
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All information is proprietary and confidential to the Group.

# THANK YOU!

