



GRAND PARADE

INVESTMENTS LIMITED

**UNAUDITED
INTERIM RESULTS**

for the period ended

31 December 2018



GRAND PARADE

INVESTMENTS LIMITED

WELCOME

SALIENT FEATURES & OPERATIONAL HIGHLIGHTS

SALIENT FEATURES

Revenue

↑ **28%**

R707 million

EBITDA from continuing operations

↑ **11%**

R93 million

Headline earnings

↑ **16%**

Basic earnings per share

↓ **11.0 cents**

(as a result of the impairment of Dunkin Brands)

OPERATIONAL HIGHLIGHTS

- Opened 4 Burger King outlets and closed 1 increasing the total to 84 corporate owned restaurants as at 31 December 2018
- Closed the unprofitable Dunkin Brands and placed the businesses in liquidation
- Reduced central costs' headline loss contribution by 39% to R15.4 million for the period under review

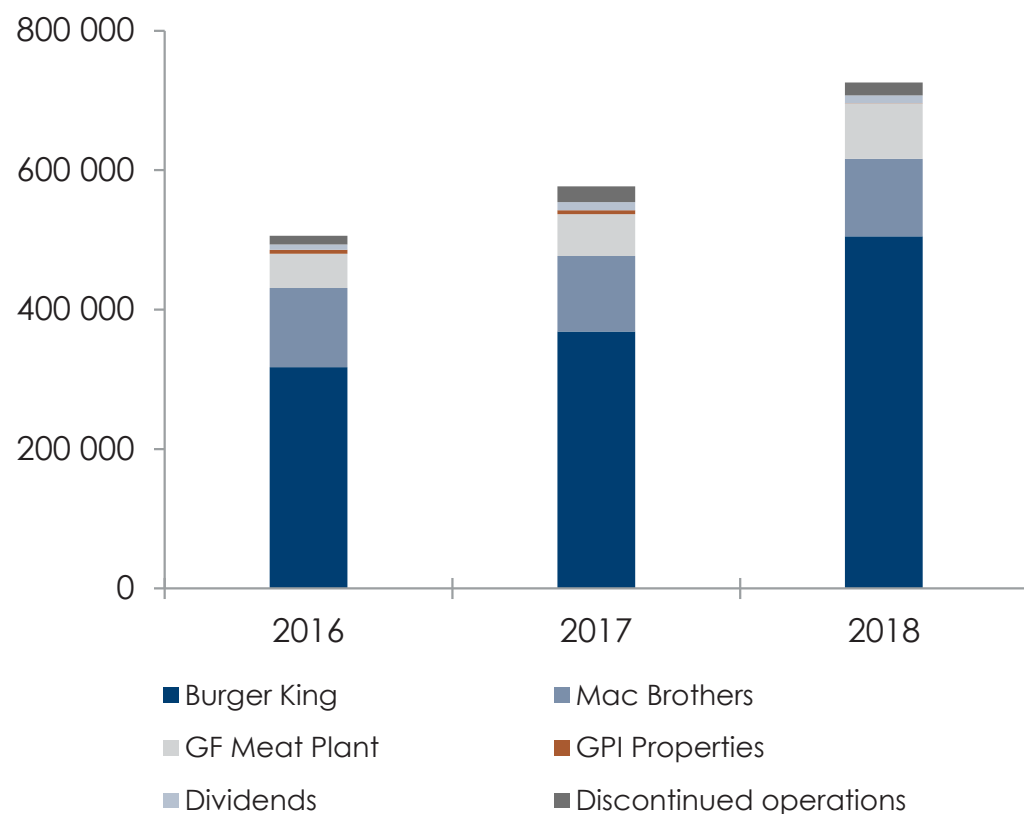
EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME



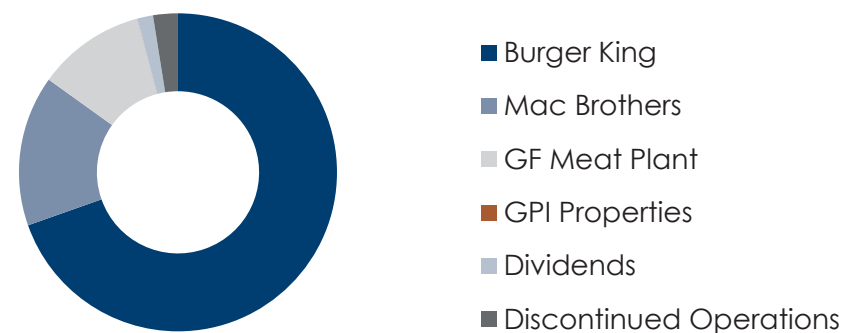
	Dec 2018 (R'000)	Dec 2017 (R'000)	Movement (R'000)
Continuing operations			
Revenue	707 328	554 170	153 158
Cost of sales	(372 354)	(288 417)	(83 937)
Gross profit	334 974	265 753	69 221
Operating costs	(315 379)	(238 944)	(76 435)
Profit from operations	19 595	26 809	(7 214)
Profit from equity accounted investments	73 825	56 683	17 142
EBITDA pre fair value adjustments	93 420	83 492	9 928
Fair value adjustments	(431)	-	(431)
EBITDA	92 989	83 492	9 497
Depreciation and amortisation	(38 962)	(36 190)	(2 772)
Finance income	2 810	2 554	256
Finance expense	(30 349)	(20 573)	(9 776)
Profit before tax	26 488	29 283	(2 795)
Tax	7 959	(626)	8 585
Profit for the period from continuing operations	34 447	28 657	5 790
Discontinued operations			
Loss for the period from discontinued operations	(70 829)	(17 417)	(53 412)
(Loss)/profit for the period	(36 382)	11 240	(47 622)

EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

Revenue R'000



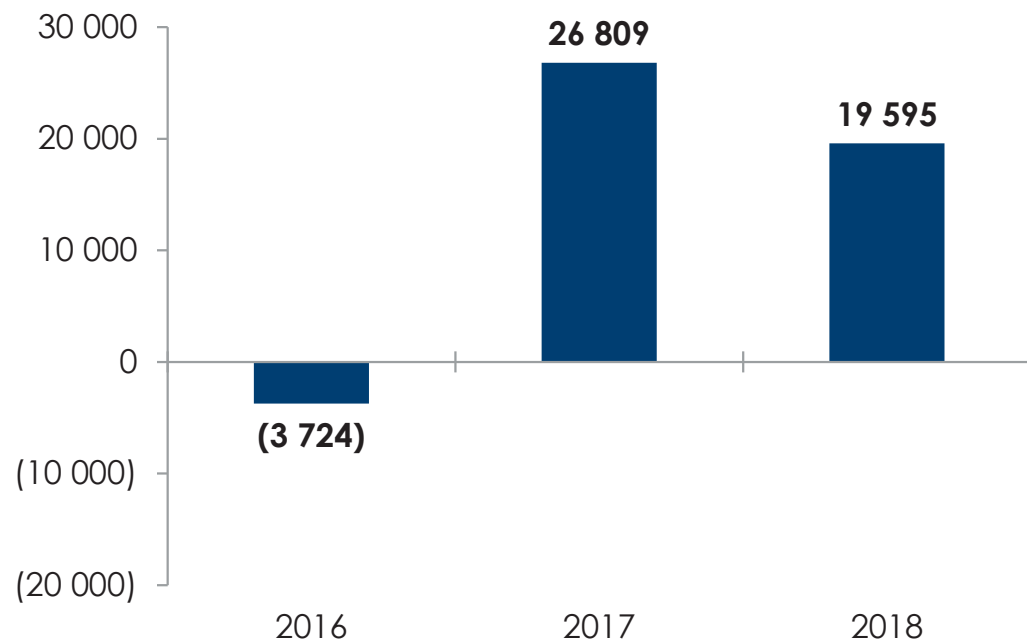
Dec 2018 by investment



R'000	Dec 2018	Dec 2017	Dec 2016
Burger King	504 949	368 607	317 637
Mac Brothers	111 118	108 344	113 389
Grand Foods Meat Plant	79 593	59 783	49 002
GPI Properties	91	5 853	5 645
Dividends	11 577	11 569	7 919
Other	-	14	1 034
Total	707 328	554 170	494 626
Discontinued operations	18 260	22 549	12 130

EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

Operating profit/(loss) R'000

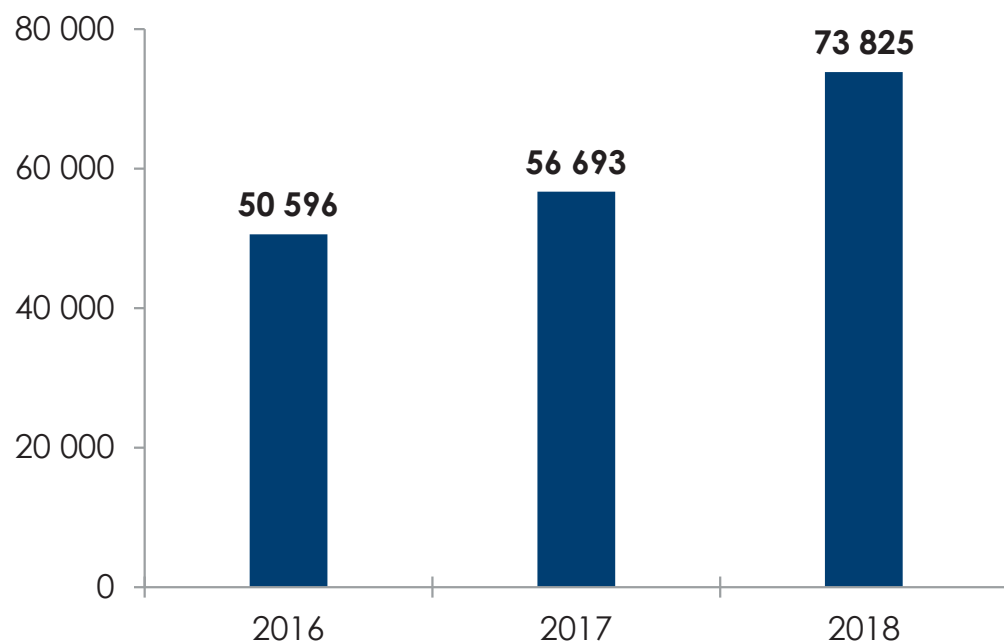


Operating profit/(loss)
contribution

	Dec 2018 R'000	Dec 2017 R'000	% change
Operational entities	23 040	20 651	2 389
Burger King	21 425	20 756	669
Mac Brothers	2 956	4 947	(1 991)
Grand Foods Meat Plant	3 941	(2 153)	6 094
Bakery	(5 282)	(2 899)	(2 383)
Other	(3 445)	6 158	(9 603)
Total operating profit/(loss)	19 595	26 809	7 214
Discontinued operations	(16 325)	(13 362)	2 963

EXTRACTS: CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

Continued Equity Accounted Earnings R'000



	Dec 2018	Dec 2017	Dec 2016
SunWest	43 025	35 142	37 443
15.1% of SunWest	43 025	35 142	37 443
30% of Sun Slots	31 153	19 897	16 825
Worcester Casino	647	1 644	978
GTM	-	-	(4 649)
Total equity accounted earnings	73 825	56 683	50 596

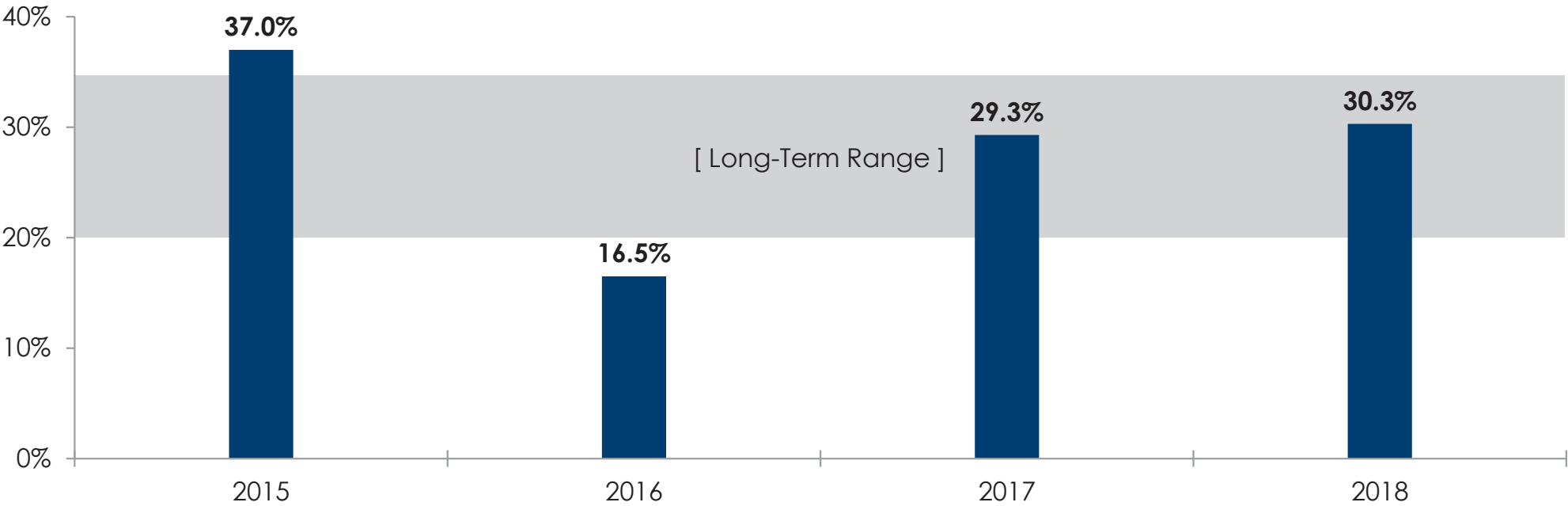
HEADLINE EARNINGS BY INVESTMENT

	Unaudited 31 Dec 2018 R'000	Unaudited 31 Dec 2017 (R'000)	Movement (R'000)	Movement (%)
Food	(11 636)	(11 246)	(390)	(3%)
Burger King	(9 488)	(5 721)	(3 767)	(66%)
Bakery	(5 273)	(3 063)	(2 210)	(72%)
Spur	177	557	(380)	(68%)
Mac Brothers	1 912	887	1 025	116%
Grand Foods Meat Plant	1 036	(3 906)	4 942	127%
Gaming & Leisure	74 171	64 271	9 900	15%
SunWest	43 198	42 656	542	1%
Sun Slots	30 326	19 971	10 355	52%
Worcester Casino	647	1 644	(997)	(61%)
Other	(27 102)	(21 721)	(5 381)	25%
Corporate costs net of finance charges	(15 440)	(25 466)	10 026	39%
Net finance cost	(10 195)	279	(10 474)	(3 754%)
GPI Properties	(1 467)	3 466	(4 933)	(142%)
Headline earnings for the period from continuing operations	35 433	31 304	129	13%
Dunkin Donuts	(13 167)	(10 891)	(2 276)	(21%)
Baskin Robbins	(6 250)	(6 665)	415	6%
Headline earnings for the period	16 016	13 748	2 268	16%

GPI GROUP – 2018 INTERIM RESULTS



Debt : Equity





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for the period ended

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SALIENT FEATURES & OPERATIONAL HIGHLIGHTS

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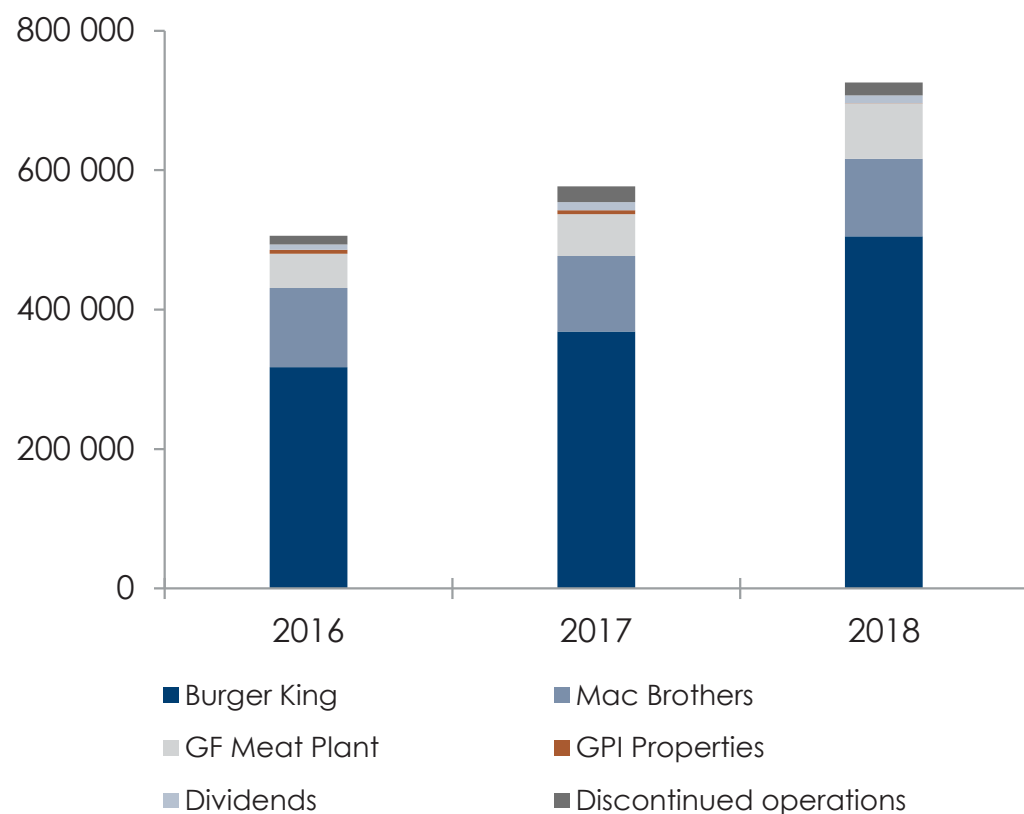
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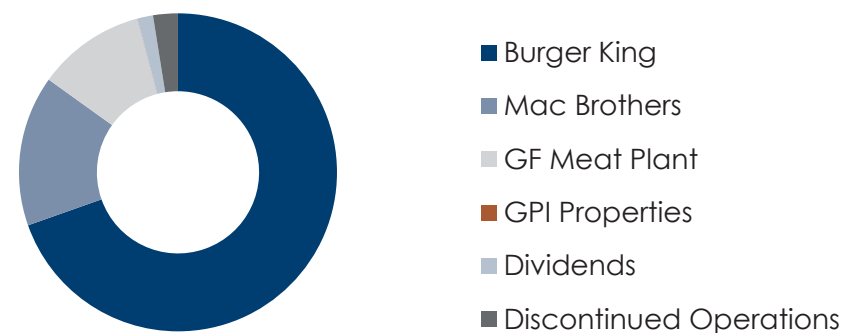
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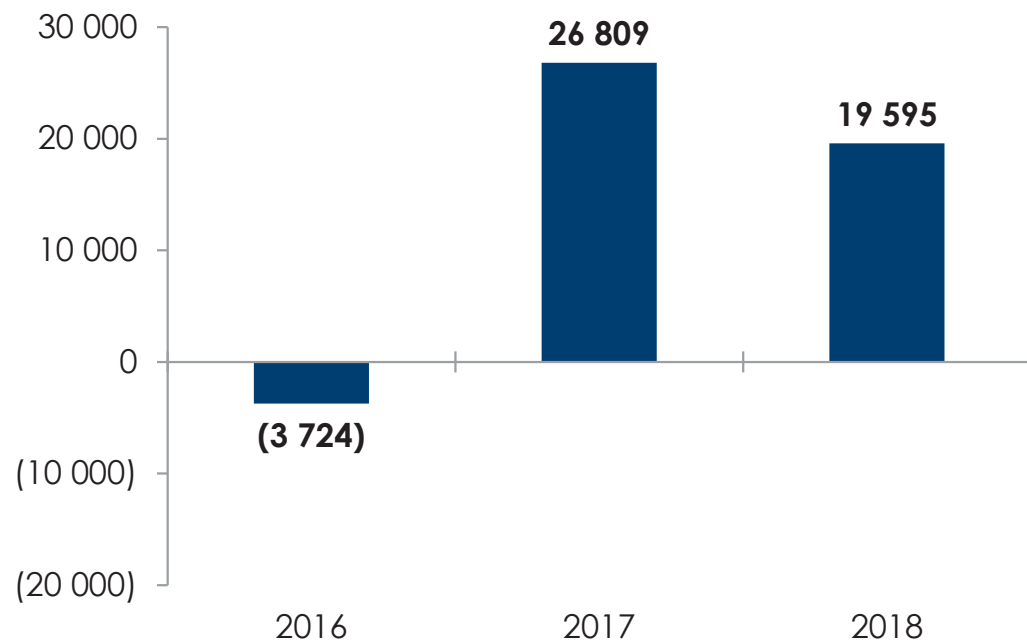
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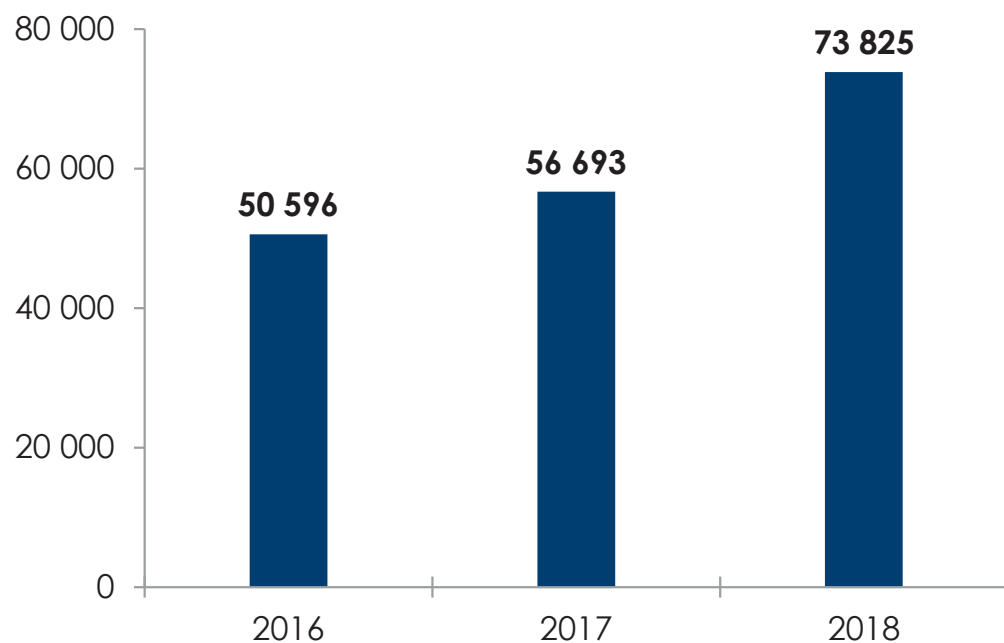


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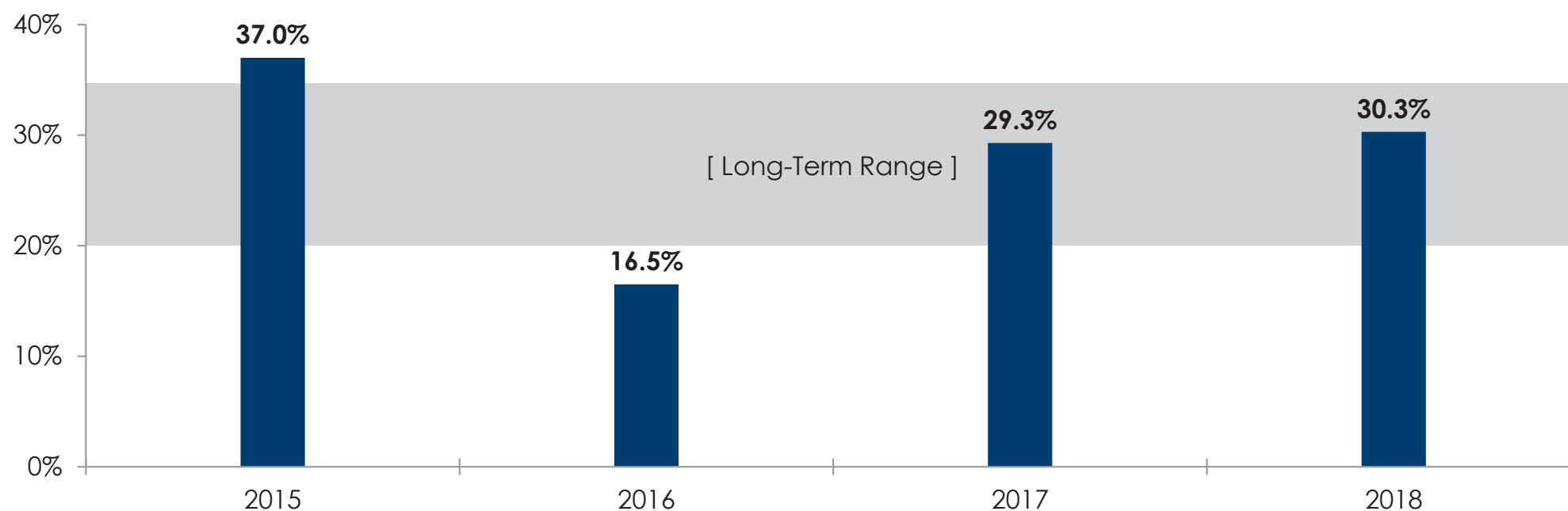
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INVESTMENTS LIMITED

STRATEGIC OVERVIEW

Mohsin Tajbhai

Acting CEO

March 2019

SALIENT FEATURES & OPERATIONAL HIGHLIGHTS

SALIENT FEATURES

Revenue

↑ **28%**

R707 million

Basic earnings per share

↓ **11c**

Headline earnings
per share

↑ **1.3c**

Central Costs

↓ **39%**

- Opened 4 Burger King outlets and closed 1 increasing the total to 84 corporate owned restaurants as at 31 December 2018
- Closed the unprofitable Dunkin Brands and placed the businesses in liquidation

VISION

SHAREHOLDER VALUE

Provide consistent and above average returns to shareholders
Ensure that we remain dividend active

HIGH PERFORMANCE CULTURE

Create a high performance culture through the attraction and retention of talent
Improve employee engagement

**To be the leading
empowering
investment company
listed on the JSE**

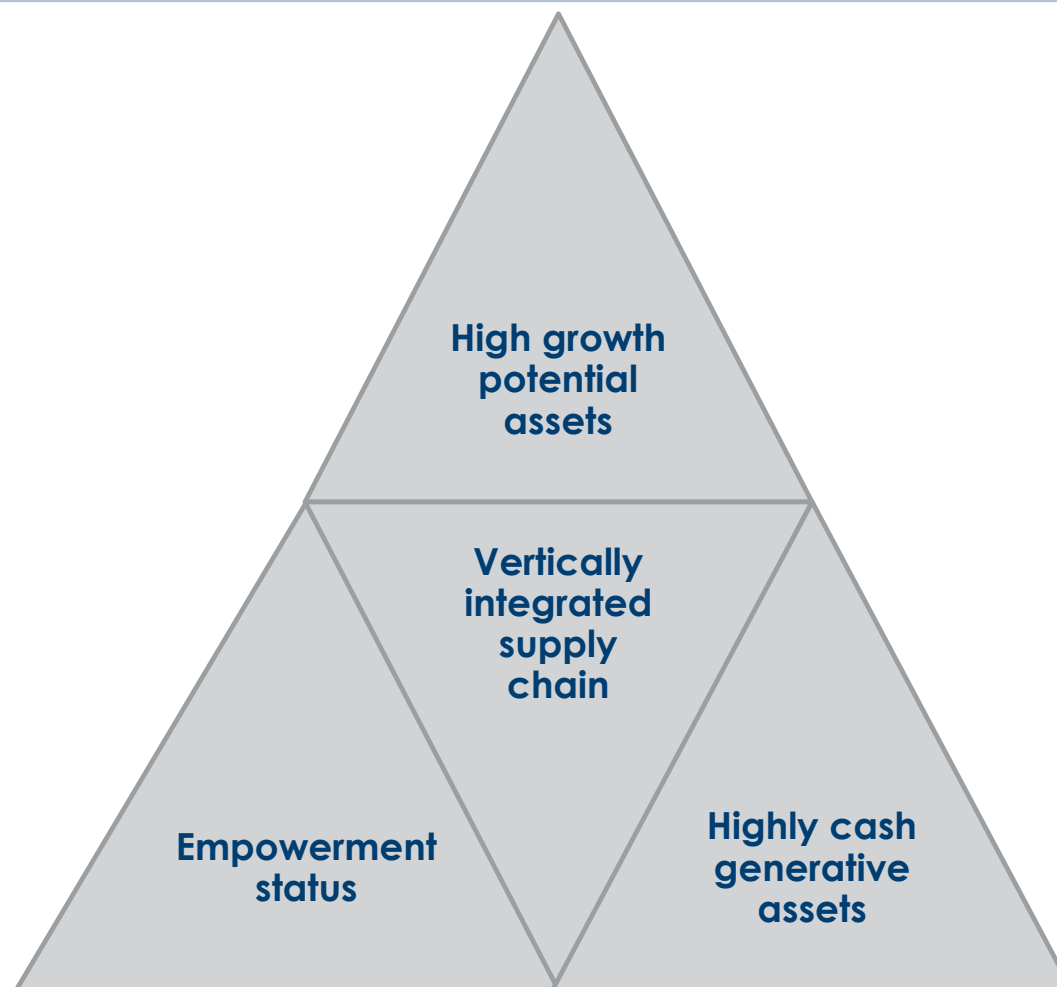
INVESTMENT GROWTH

Maintain investment growth through
Intrinsic Net Asset Value growth
Align key performance indicators with value drivers

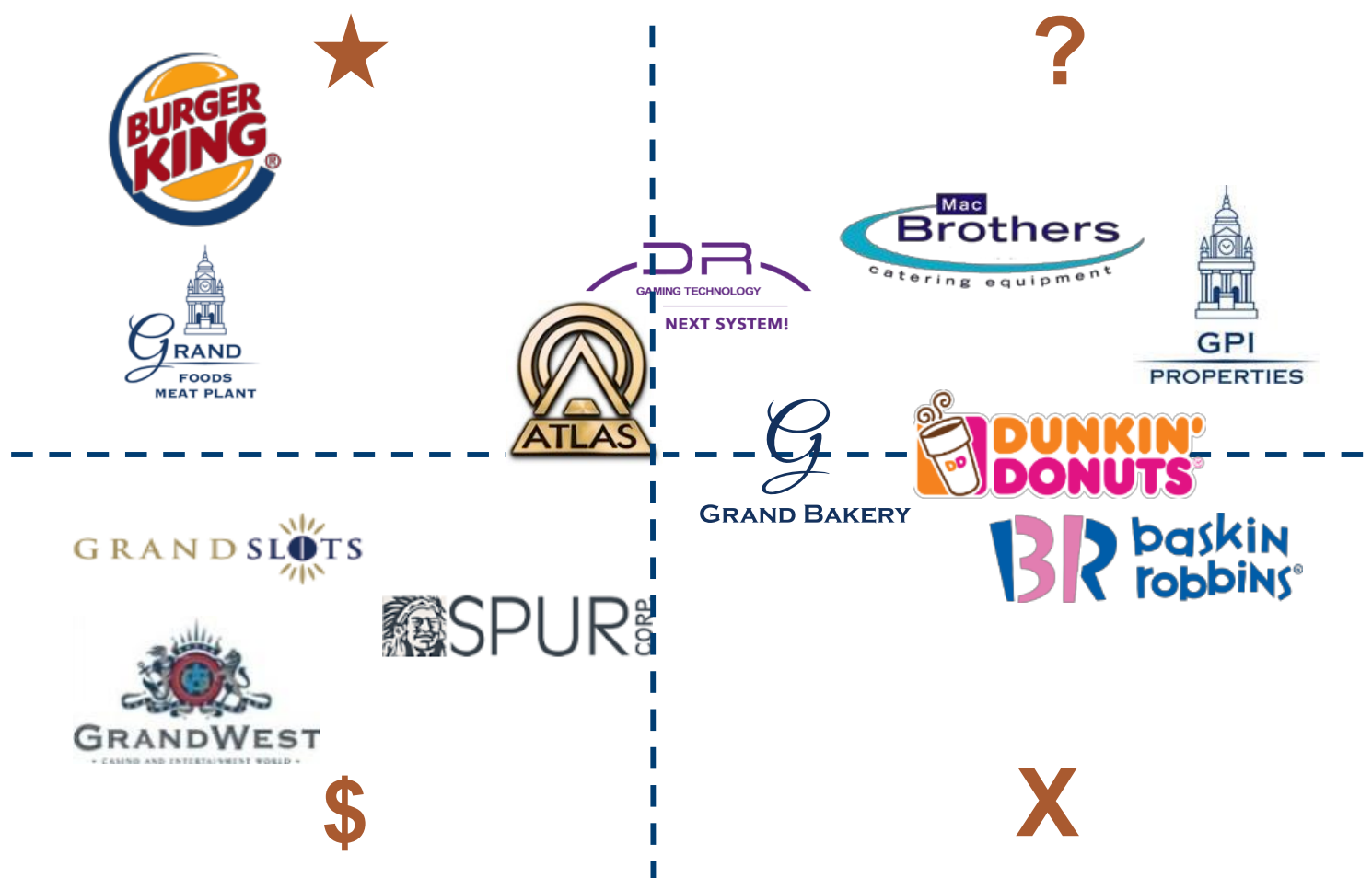
SUSTAINABILITY

Deliver on BBBEE ownership targets
Implement strategic corporate social investment (CSI) initiatives
Implement sustainable businesses practices

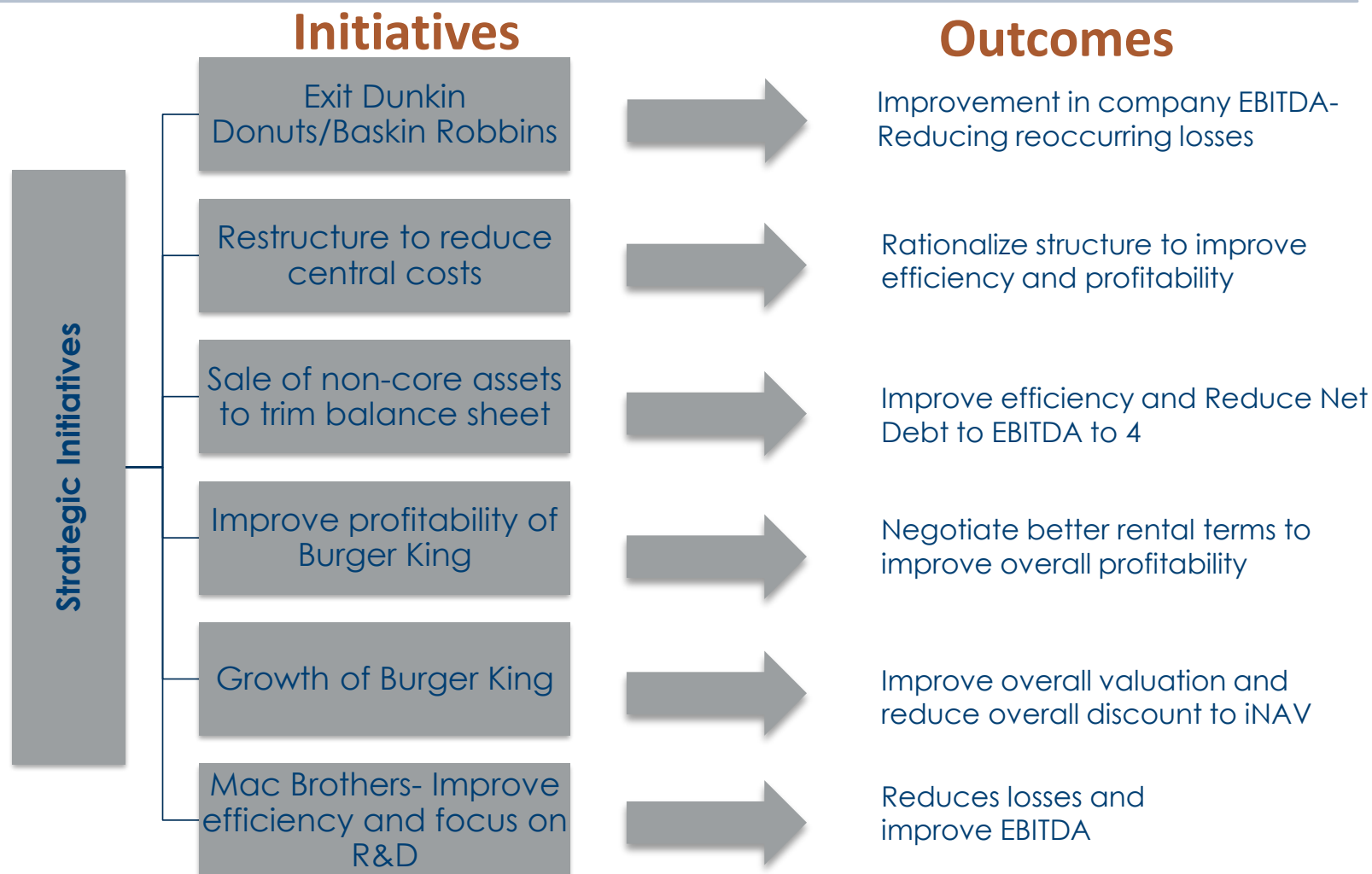
GPI VALUE PROPOSITION



ASSET CLASSIFICATION



SHORT TERM INITIATIVES



KEY PERFORMANCE INDICATORS

Increase in **revenue**

- up 28%

Increase in **EBITDA**

- Up 11%

Decrease in central
operational costs

- Down 39%

Increase in
headline earnings

- Up 16%

Improvement in
ROIC

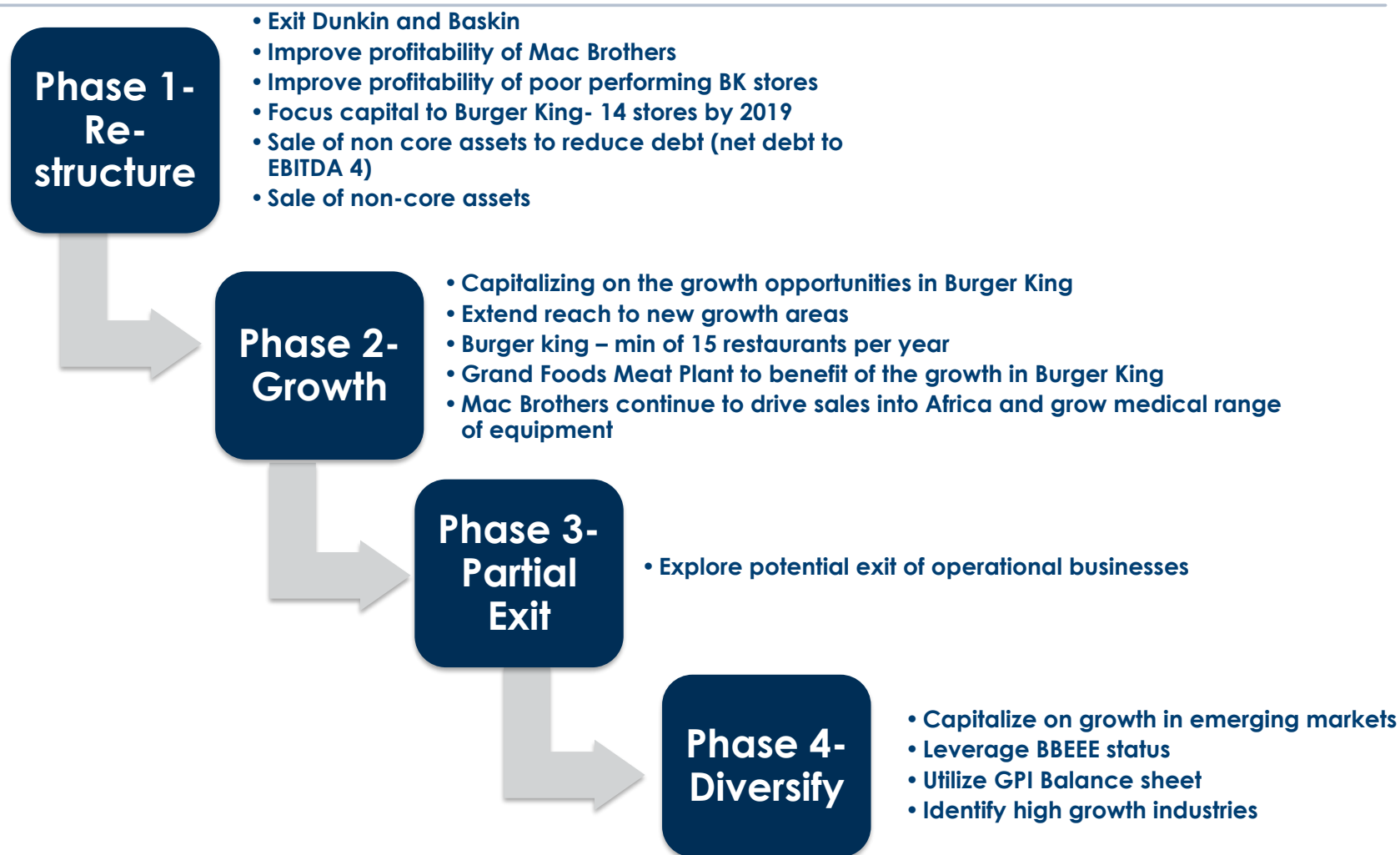
Improvement in
governance
structures and
visibility of business
operations

Building a high
performance
culture with
effective employee
engagement

Compliance with all
regulatory bodies

Improve **BBBEE**
status to level 2

BACK TO AN ACTIVE INVESTMENT COMPANY





BURGER KING SOUTH AFRICA

BUSINESS REVIEW H1 2019

18 MARCH 2019

context

/ˈkɒntɛkst/ 

noun

the circumstances that form the setting for an event, statement, or idea, and in terms of which it can be fully understood.

"the proposals need to be considered in the context of new European directives"

synonyms: circumstances, conditions, **surroundings**, factors, state of affairs; [More](#)

- the parts of something written or spoken that immediately precede and follow a word or passage and clarify its meaning.

"skilled readers use context to construct meaning from words as they are read"

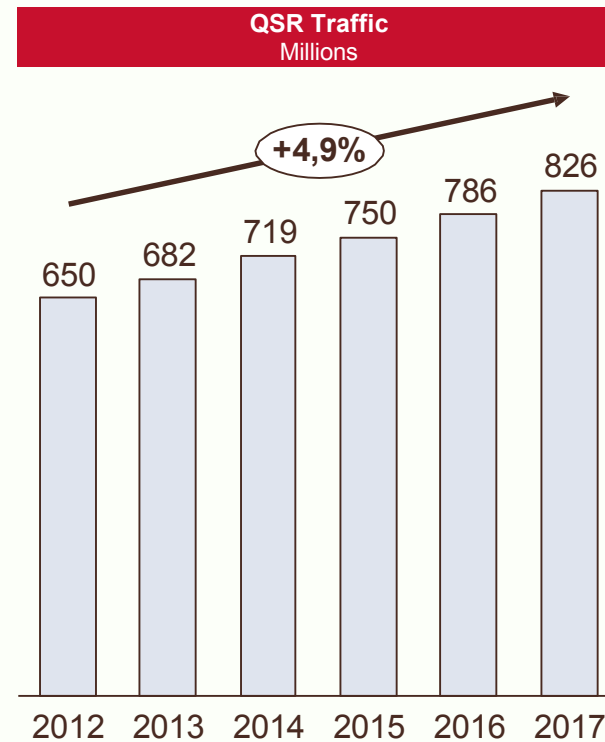
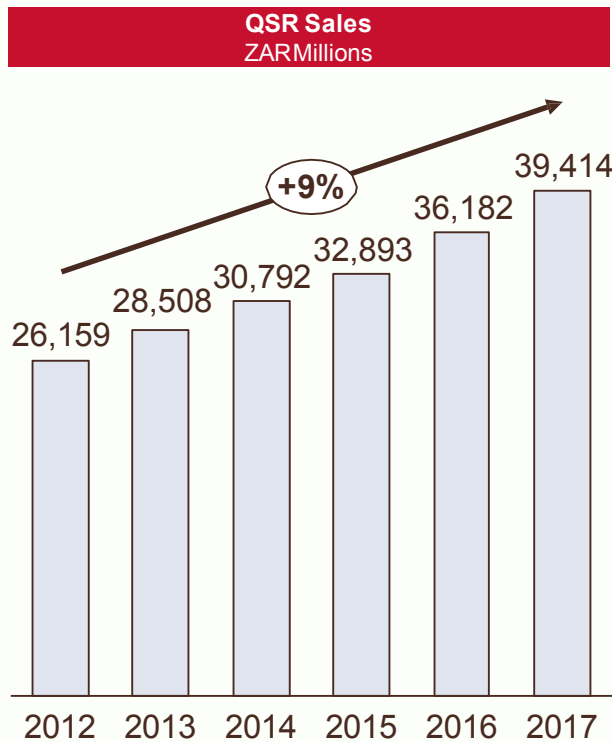


Macro Operational Context

Overall QSR CAGR Strong, But Economic Headwinds Strong



The QSR industry has been growing CAGR +9% in sales and +4.9% in visits since 2012



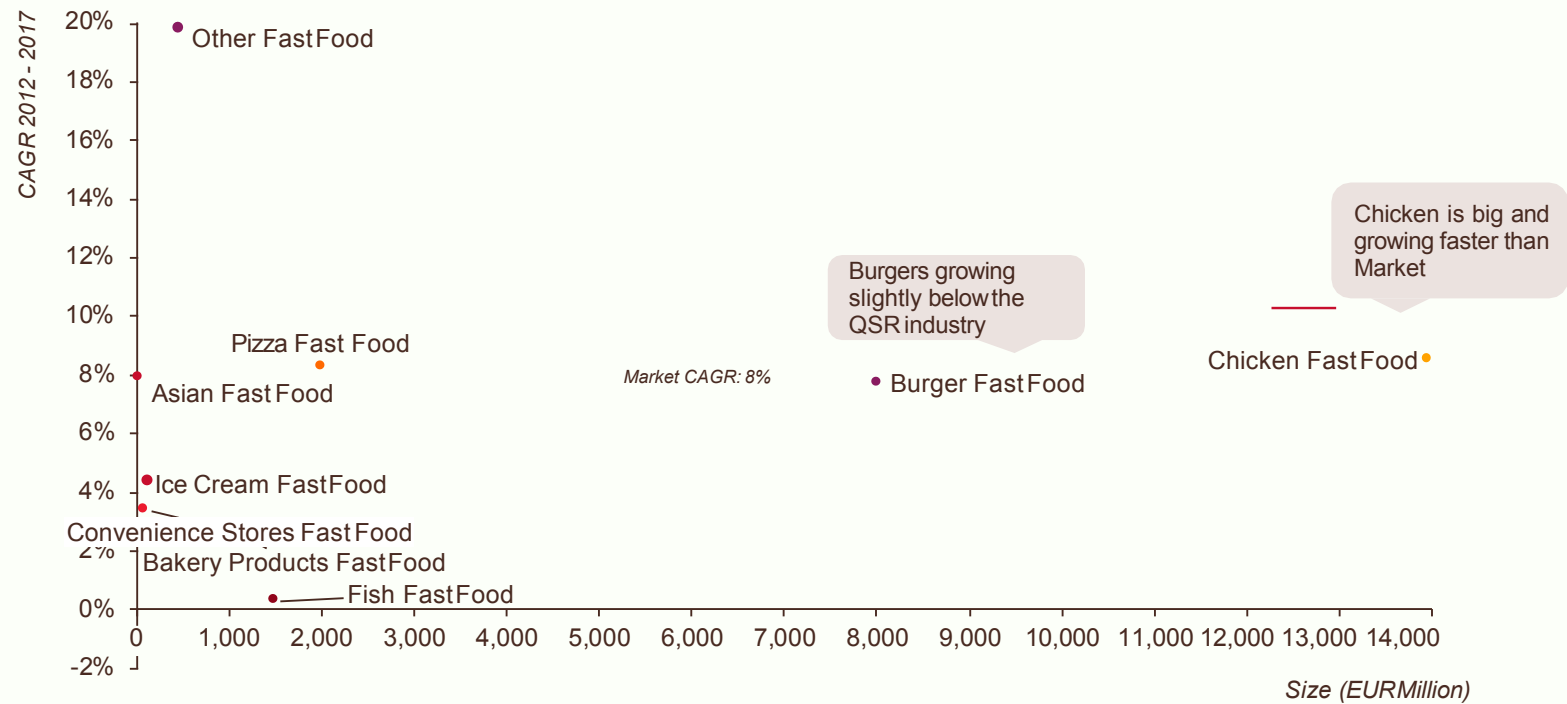
Source: Euromonitor

CONFIDENTIAL AND PROPRIETARY INFORMATION
OF BURGER KING CORPORATION

Across Categories “Burgers” Performing Well



QSR Categories Size & Growth



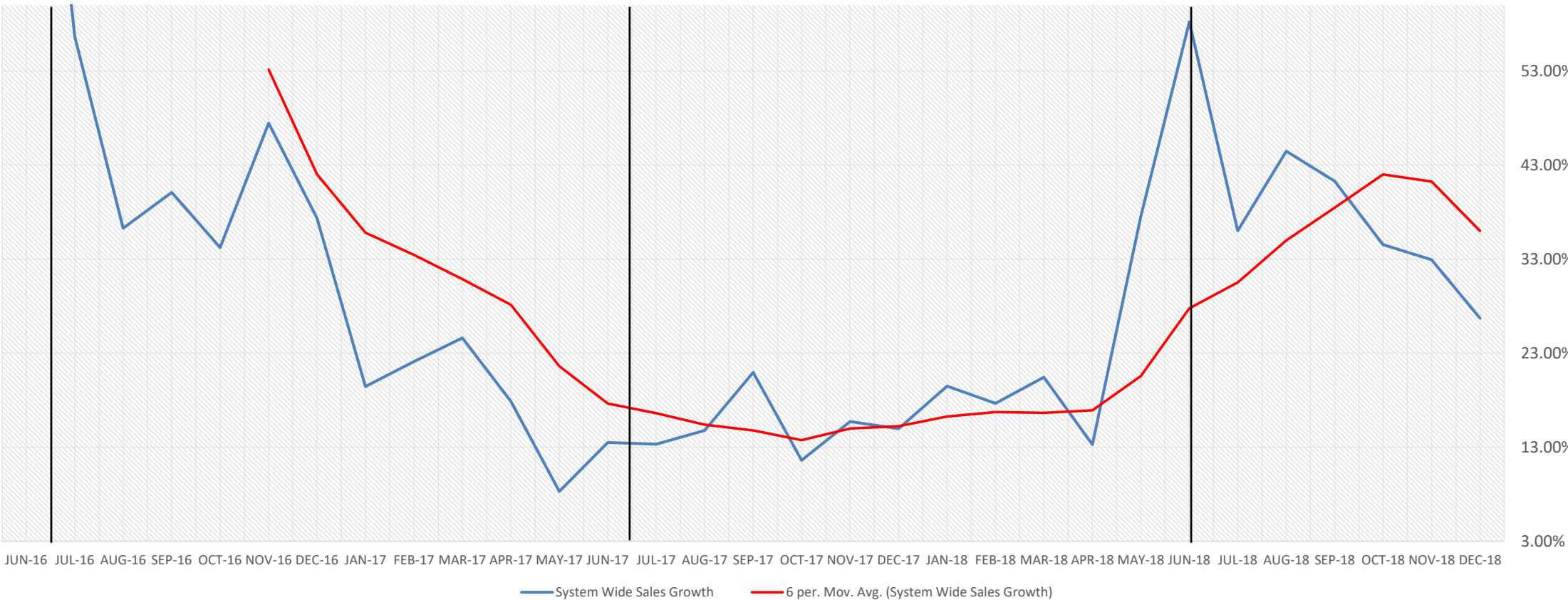
Source: Euromonitor

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BKSA Revenue CAGR Up 34.78% Since 2014, And Can Be Maintained



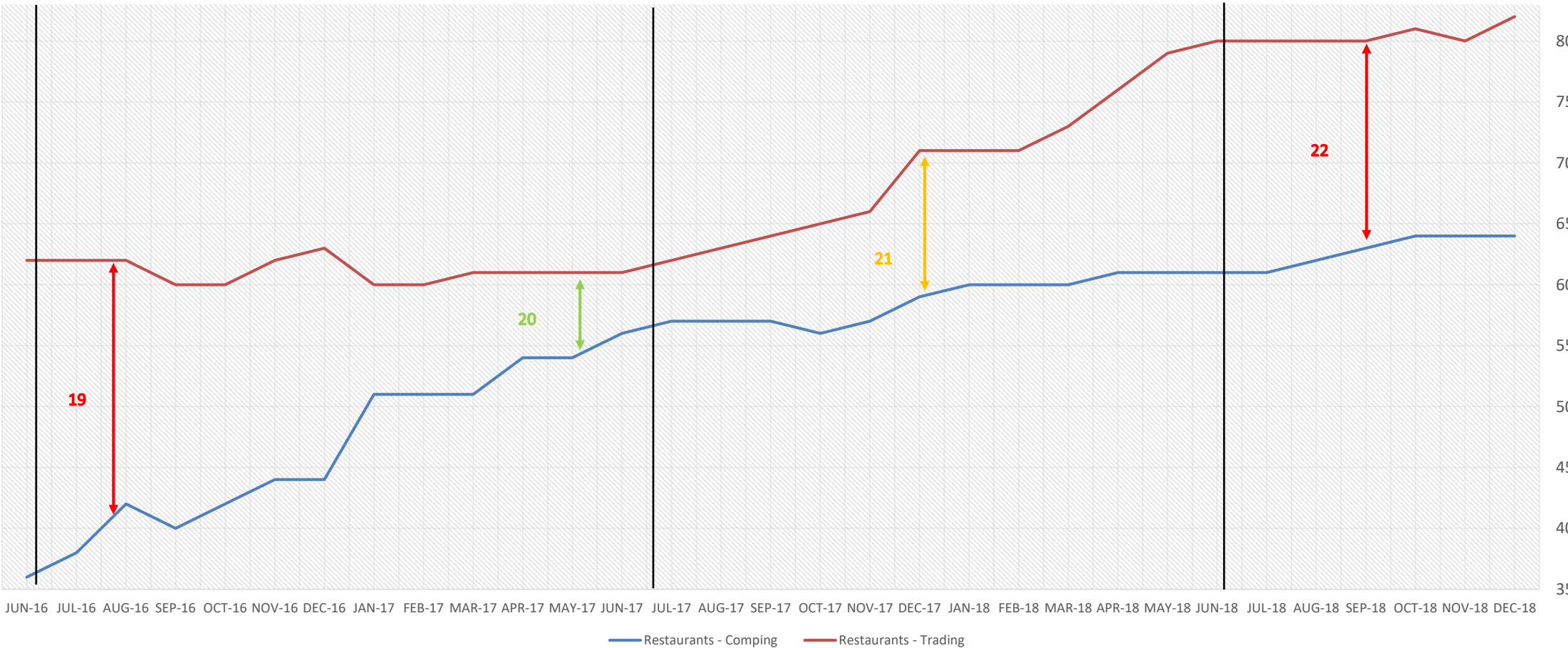
System Wide Sales Growth %



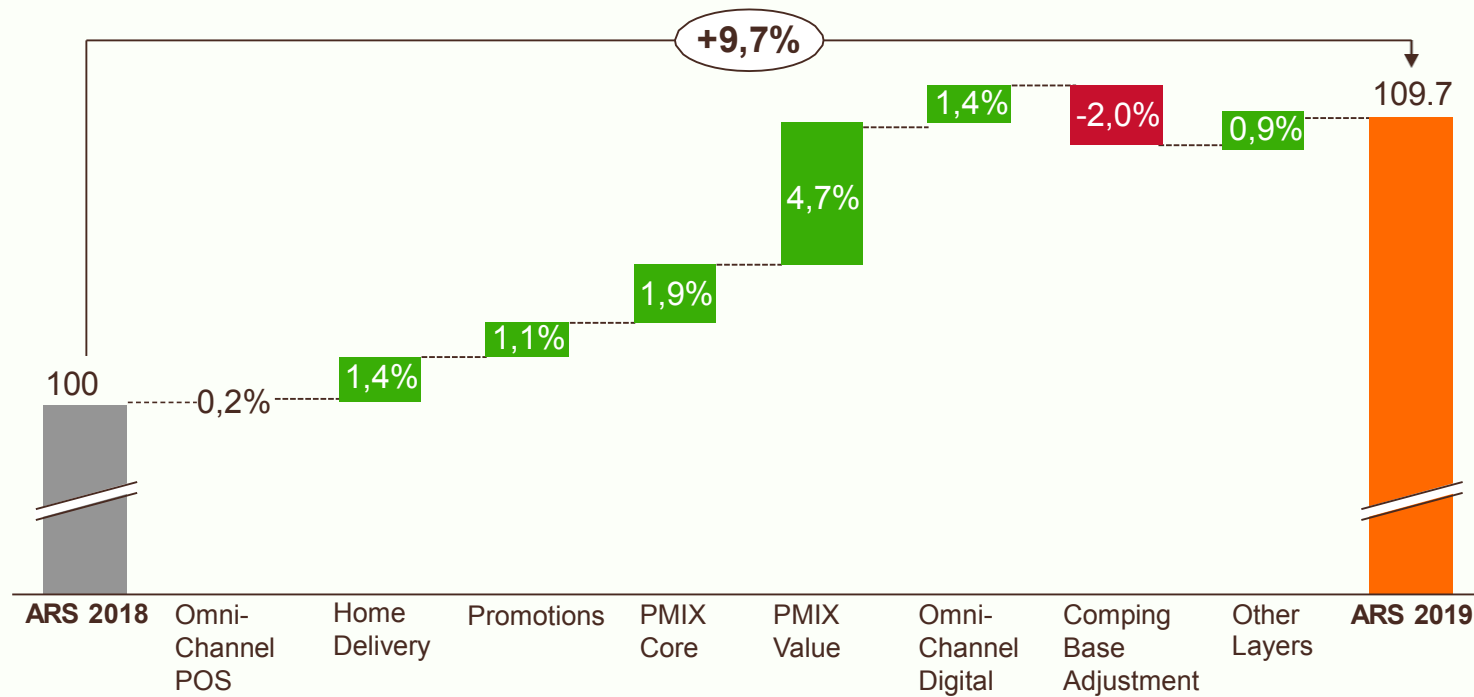
Revenue CAGR Is Driven By System & Comping Growth



Restaurant Growth to Comping Gap



Where Do We See Short Term Growth Potential?

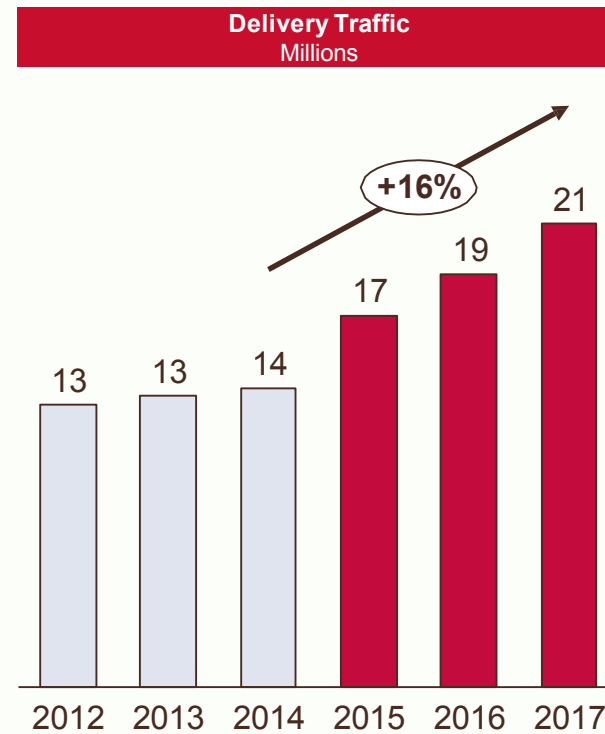
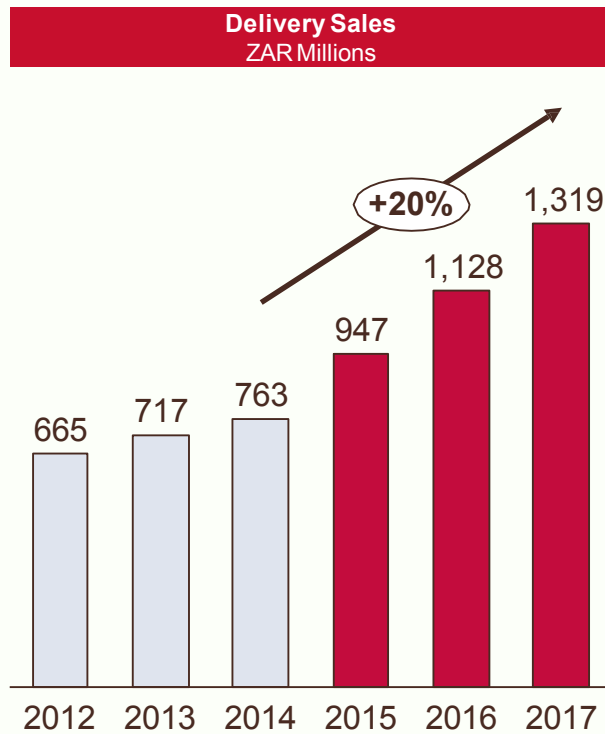


2018 Average Restaurant Sales = 100)

Easiest Untapped Potential



The Delivery industry has been growing faster than the QSR market and especially since 2015 : +20% in Sales & 16% in traffic CAGR



Source: Euromonitor

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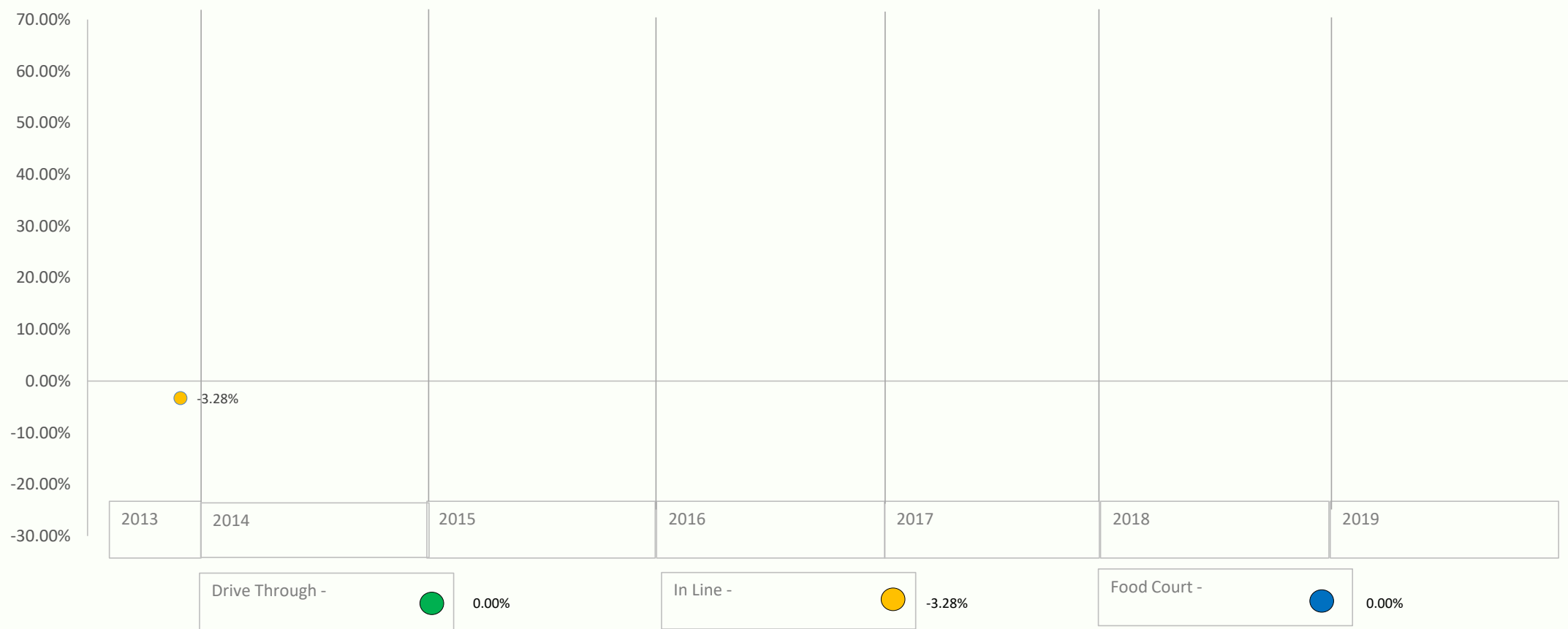


Historical Return on Assets Context

Let's Go Back For Context Of Today & The Future



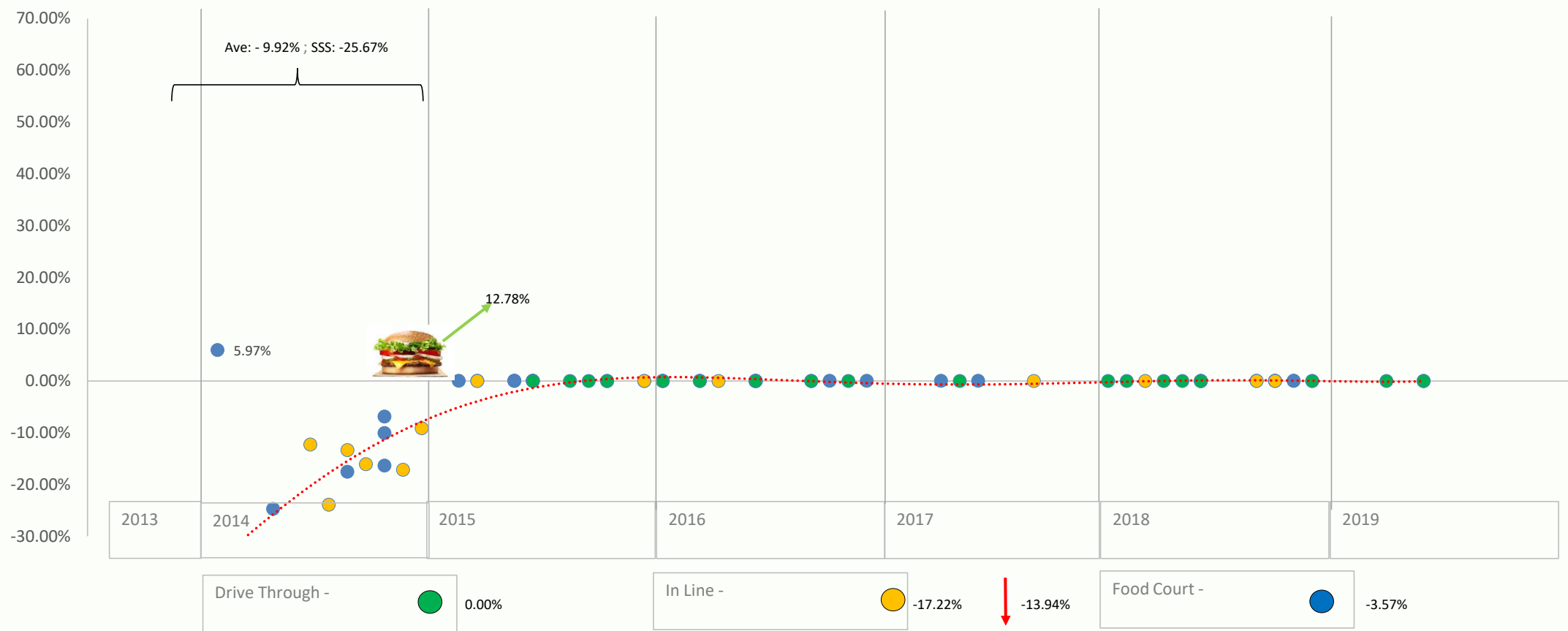
12 Month Average Return on Assets per Type 2013



Imported Food Costs Drove Meat Plant Investment



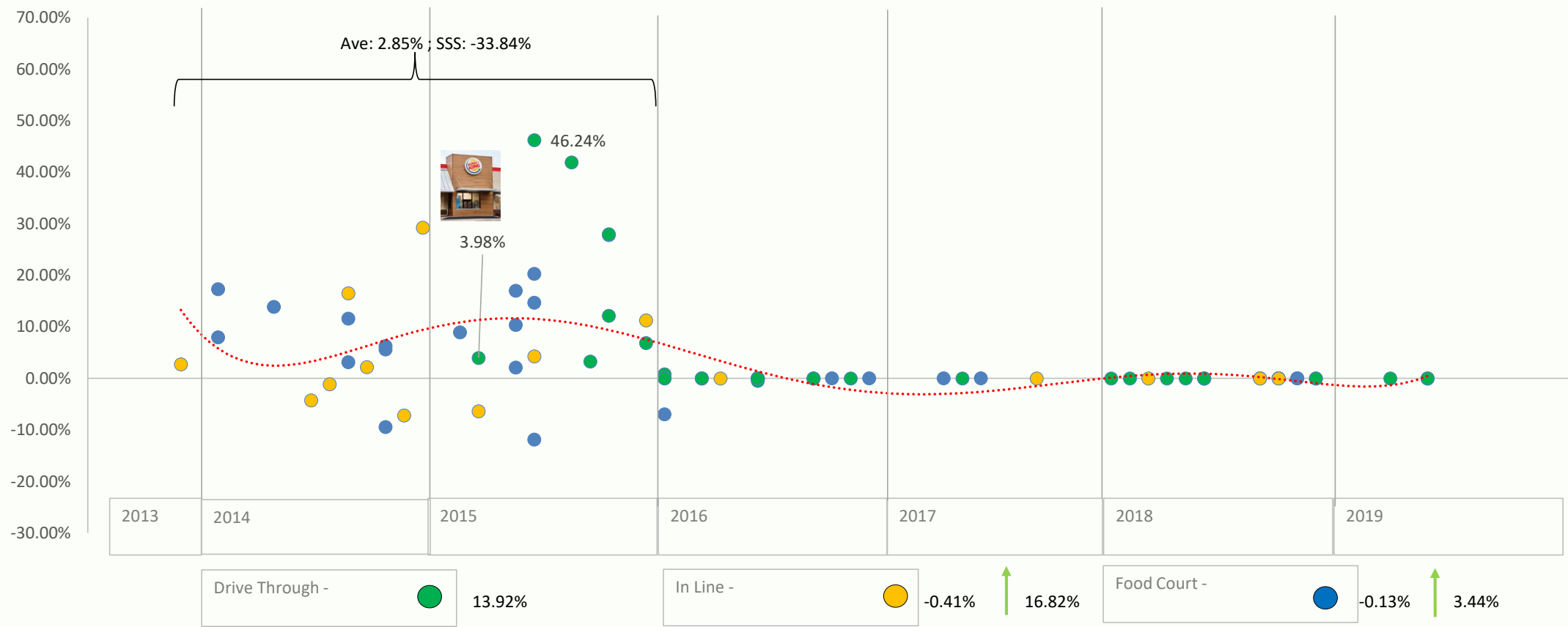
12 Month Average Return on Assets per Type 2014



Margins Better, But DT's Have Long Development Lead-Time



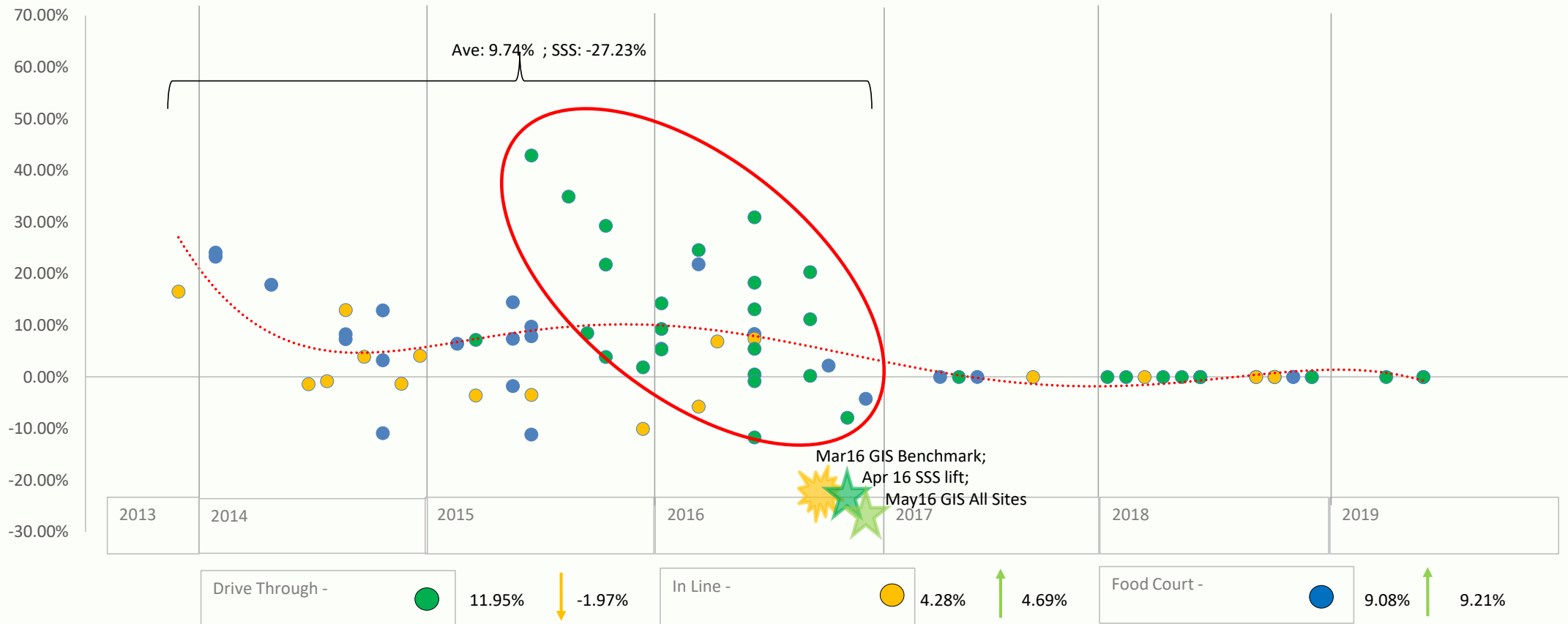
12 Month Average Return on Assets per Type 2015



Negative Sales & Development Not Right, New BKSA Management



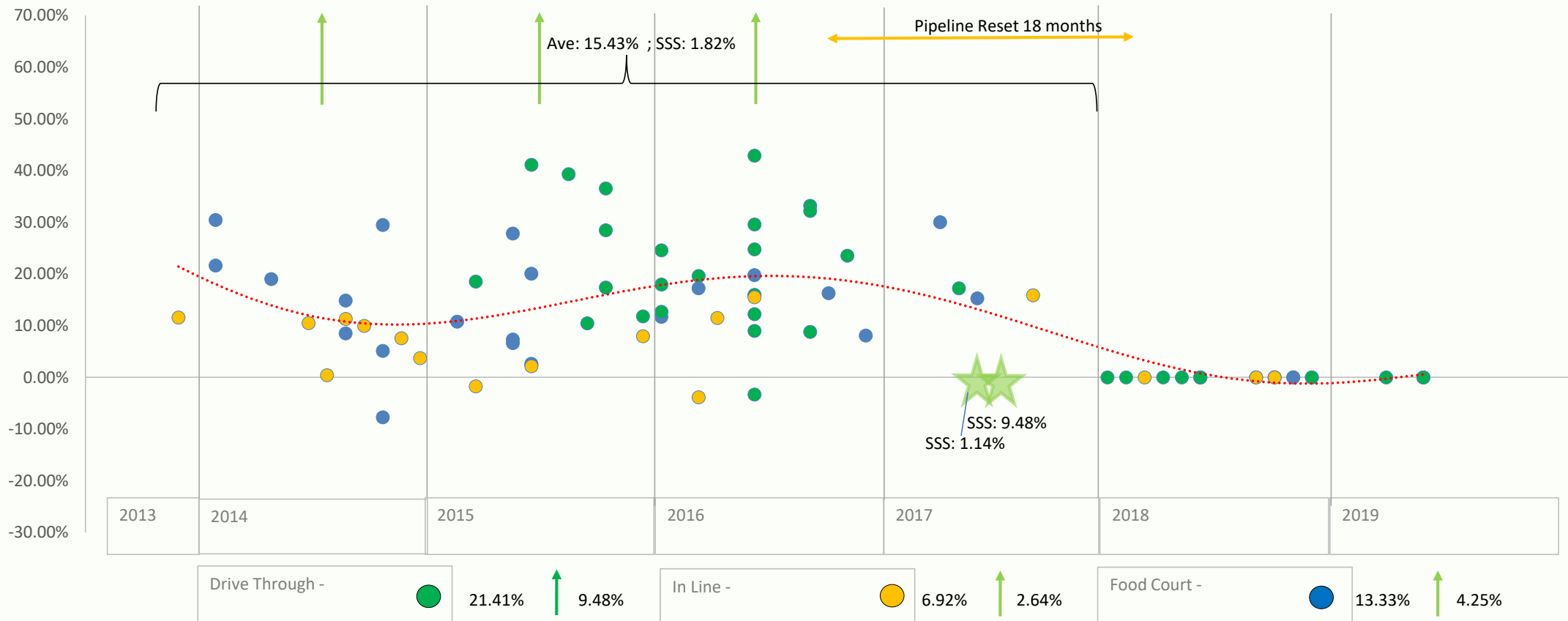
12 Month Average Return on Assets per Type 2016



Sales Lifting, Growth Resetting & Margins Improving



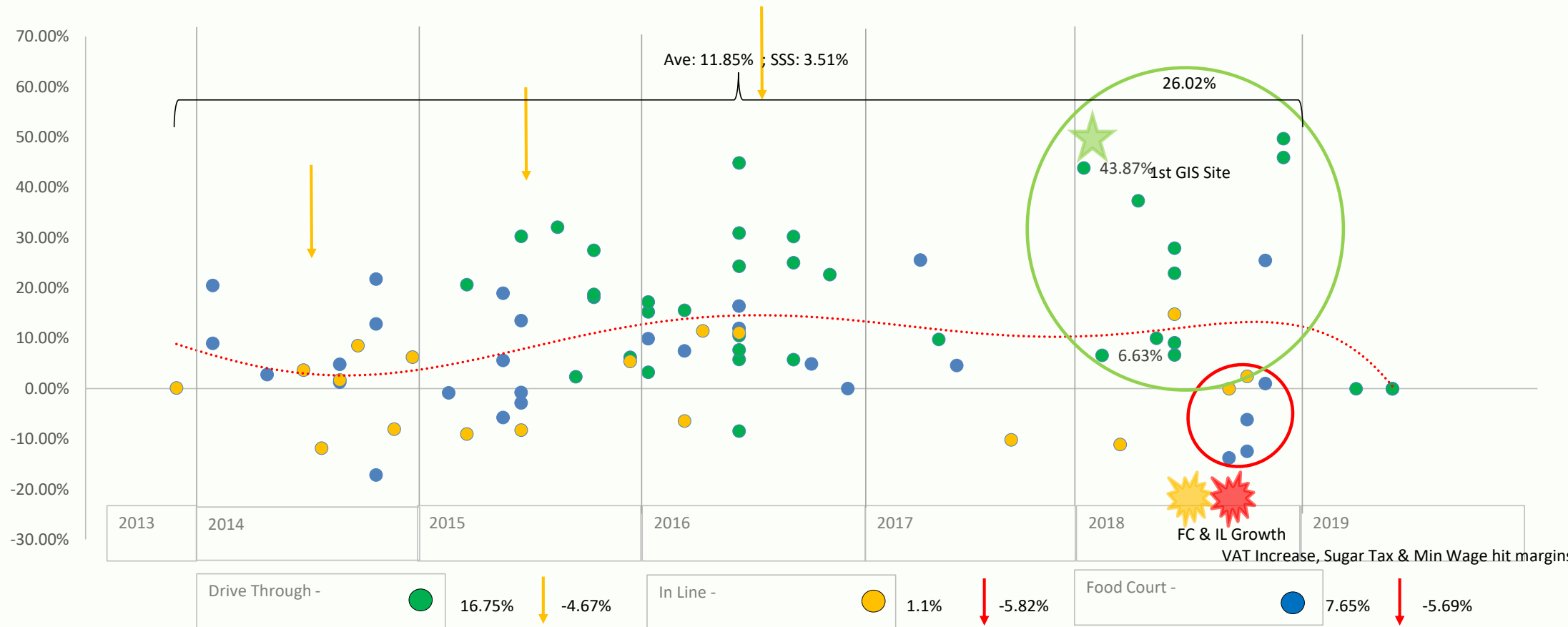
12 Month Average Return on Assets per Type 2017



New Dev Strong, But National Treasury & Value Impact Margins



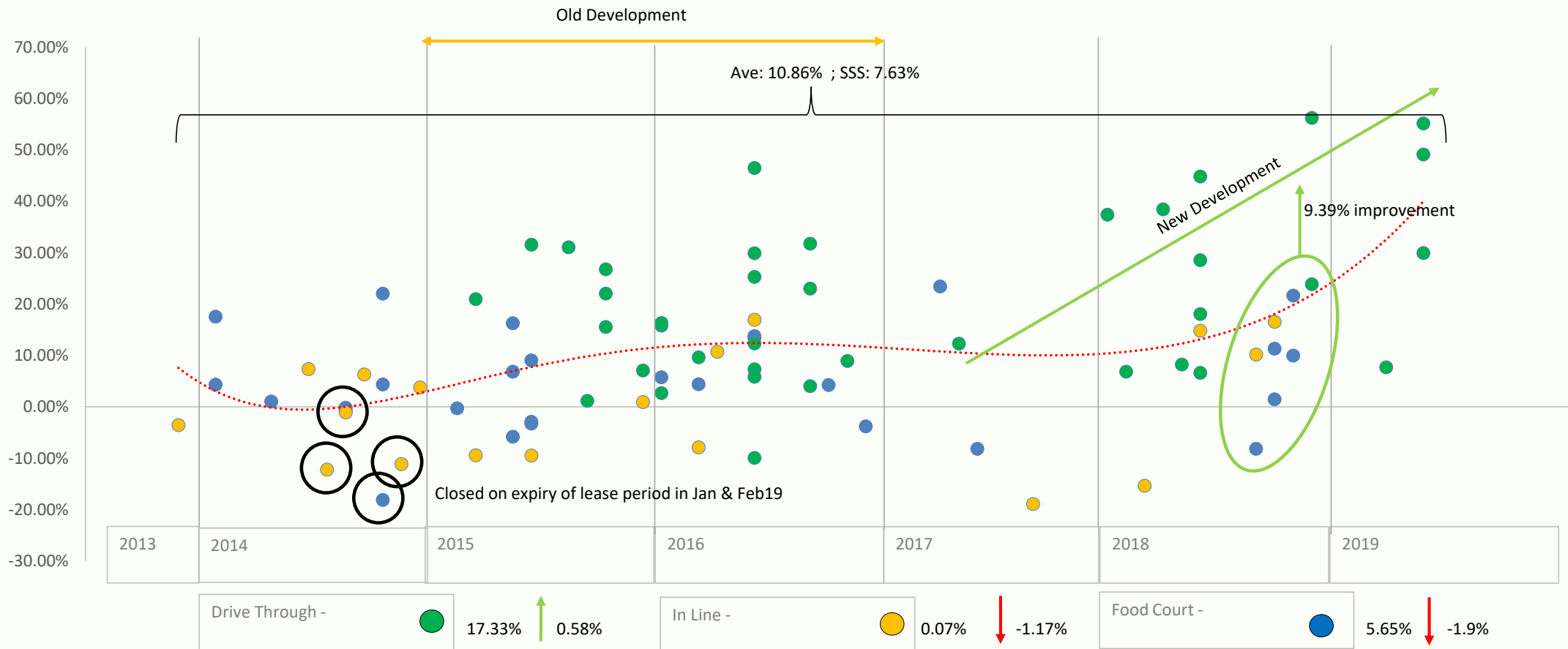
12 Month Average Return on Assets per Type 2018



Value, Value, Value... Is It Enough?



12 Month Average Return on Assets per Type Dec 2018





EBITDA Margin Analysis – The Last 12-24 Months Context

H1 - Food Cost And Repairs & Maintenance Pressures Dilute EBITDA



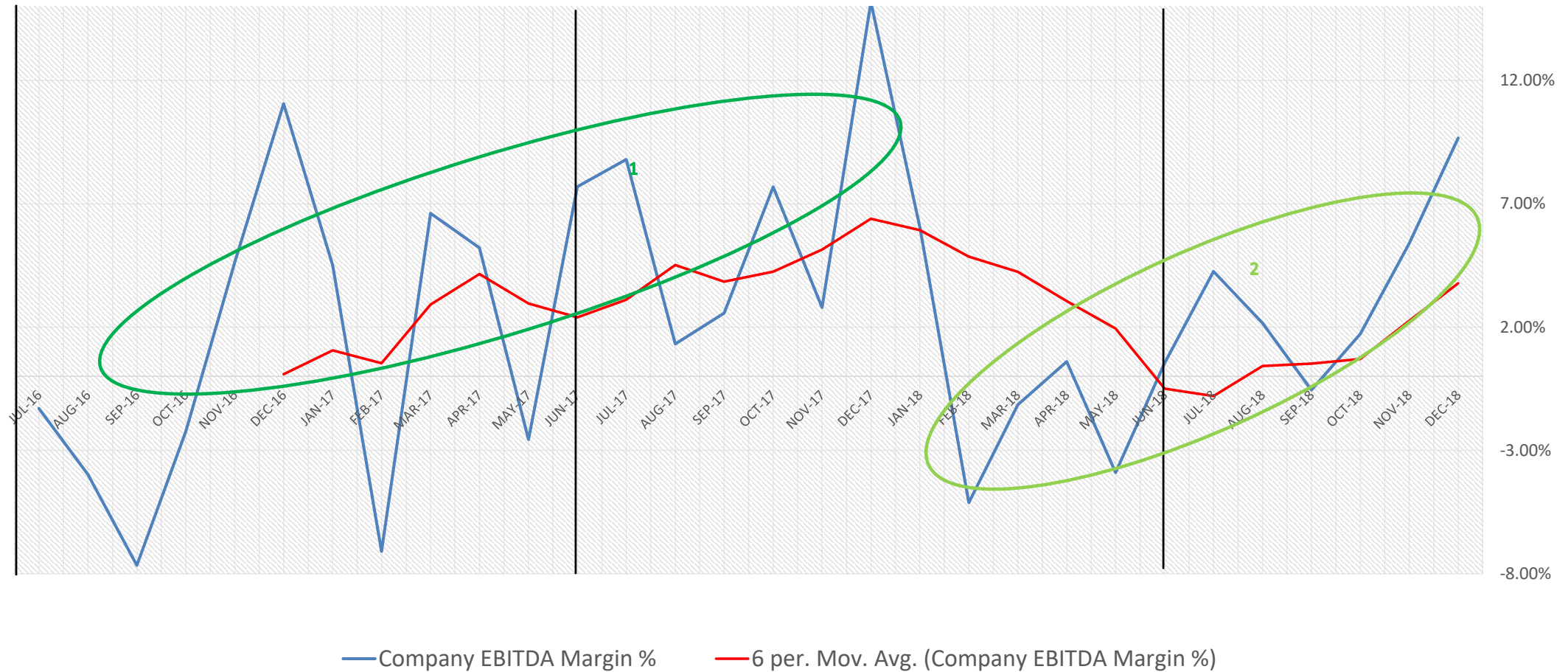
Restaurant H1 EBITDA Margin Bridge 2018



And To Correct The Hard Work Started In January 2018



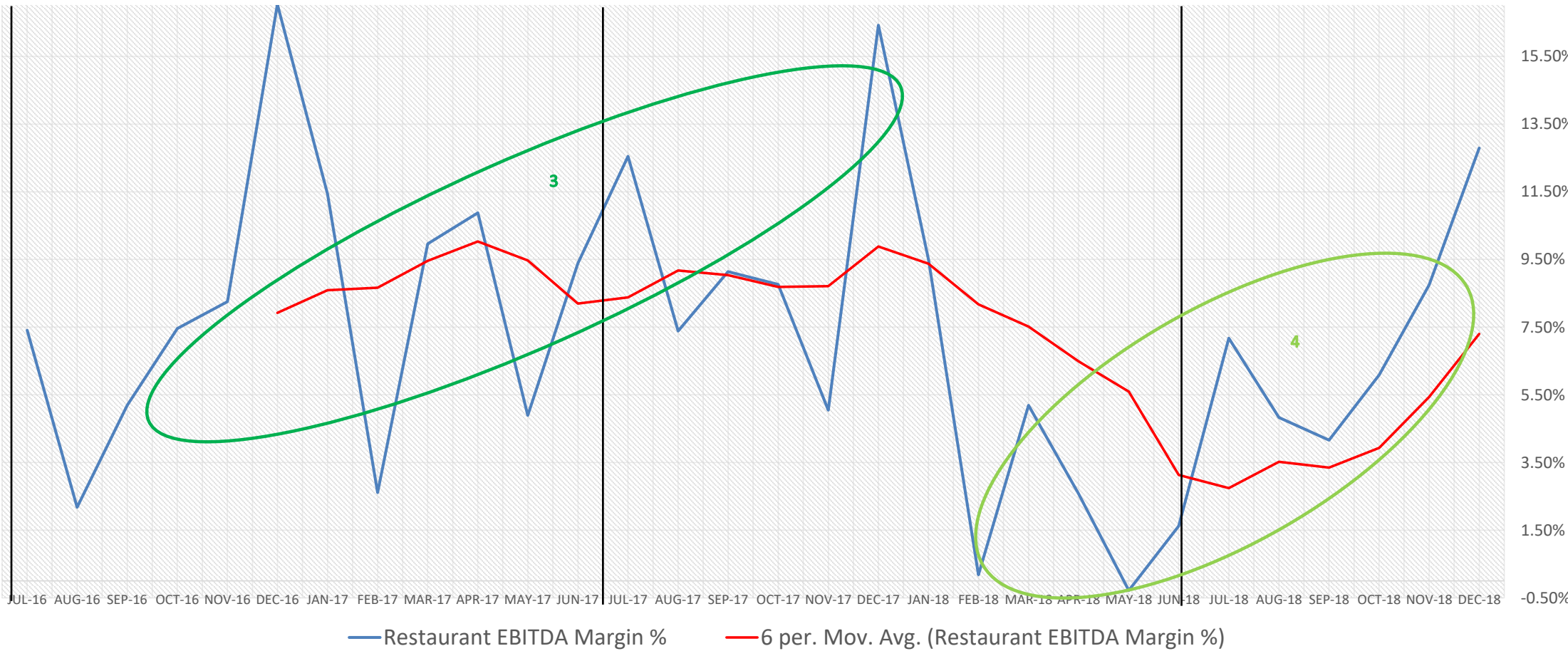
Company EBITDA Margin %



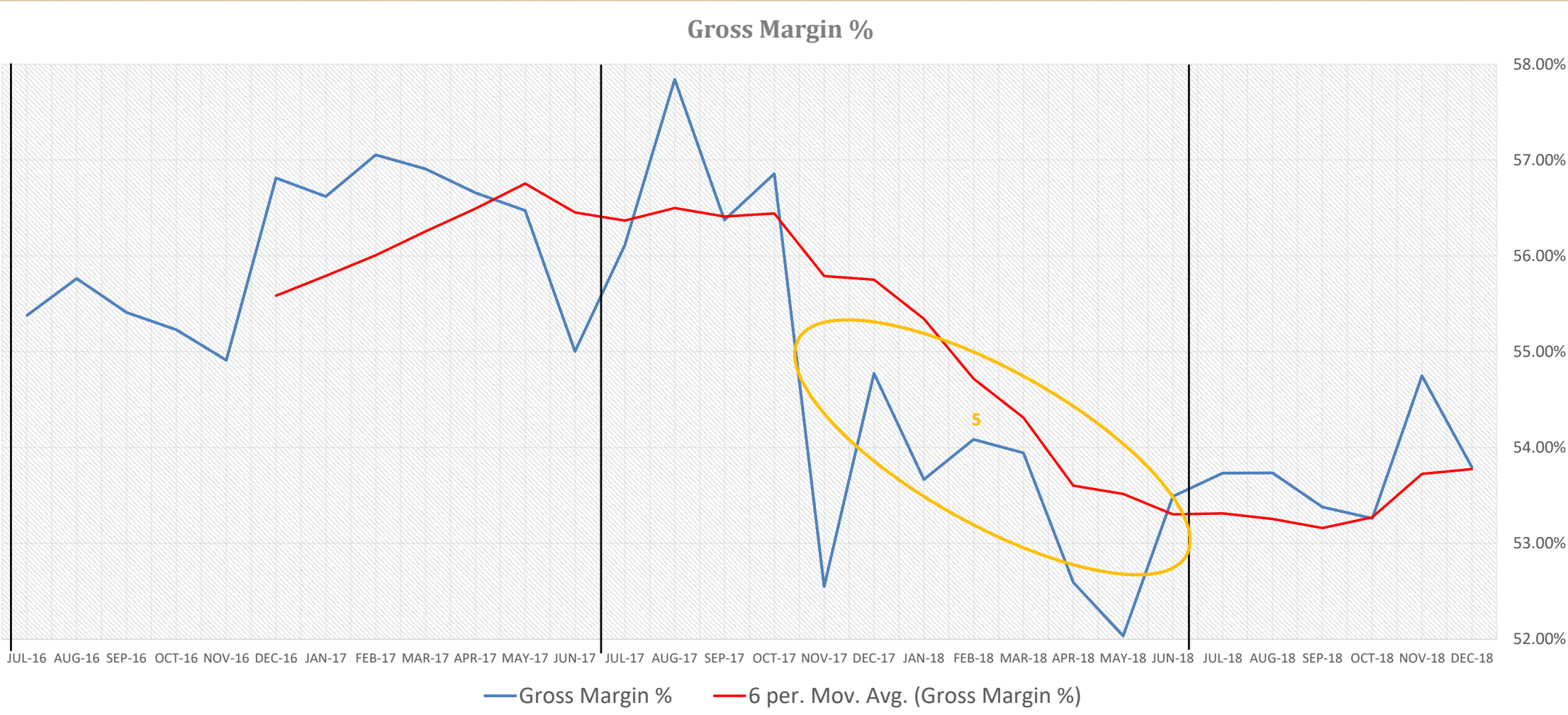
Restaurant Margins Flow to EBITDA From Leverage



Restaurant EBITDA Margin %



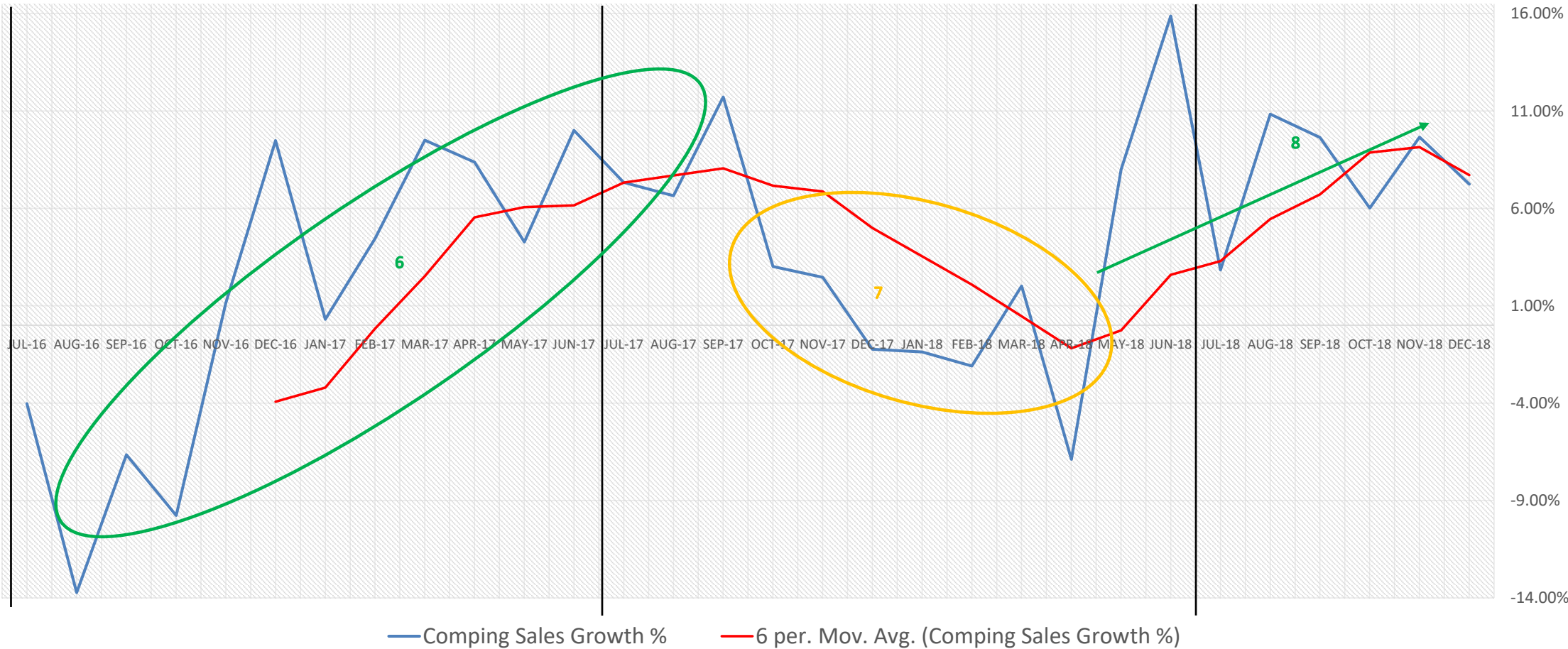
Beef Inflation, VAT & Sugar Tax Destroy Margins



And The Consumer Is Not Going to Pay, So Value Is The Only Way



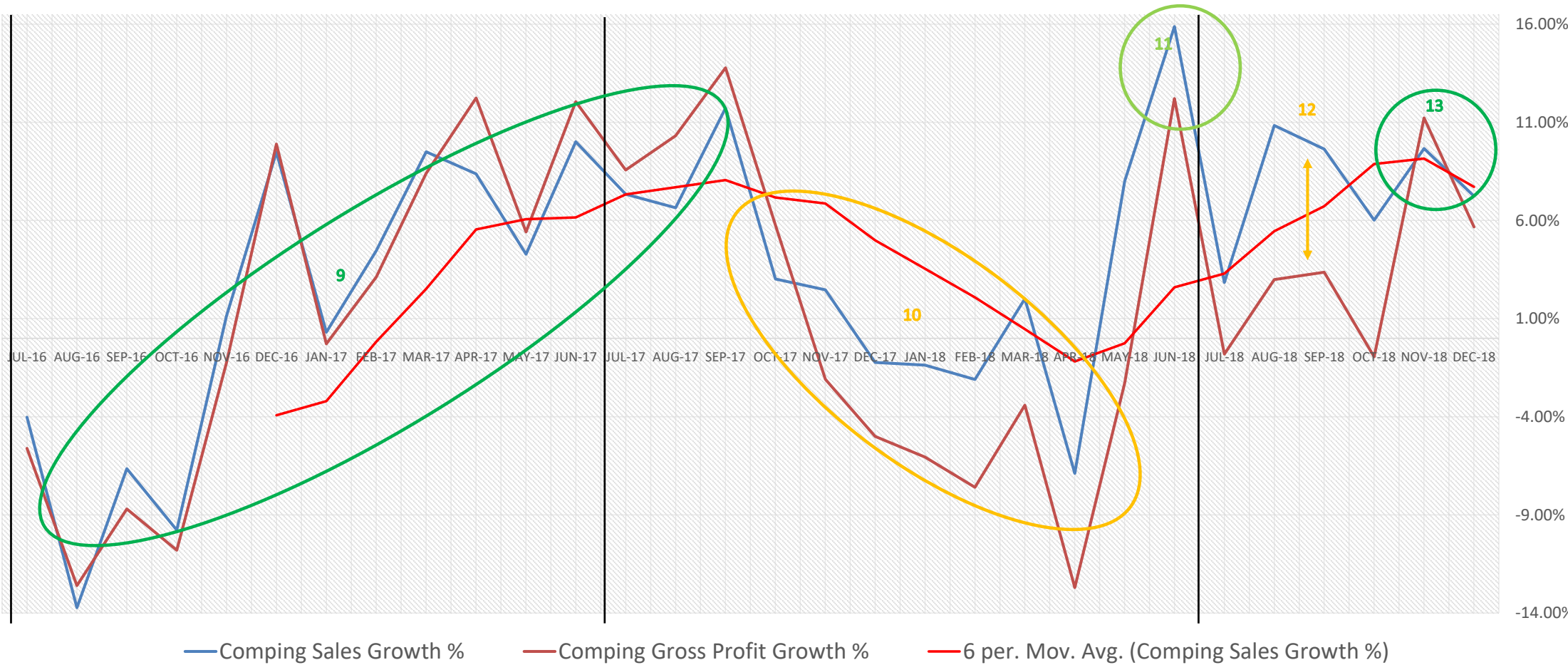
Comping Sales Growth %



So Supply Chain & Marketing Have To Work Together



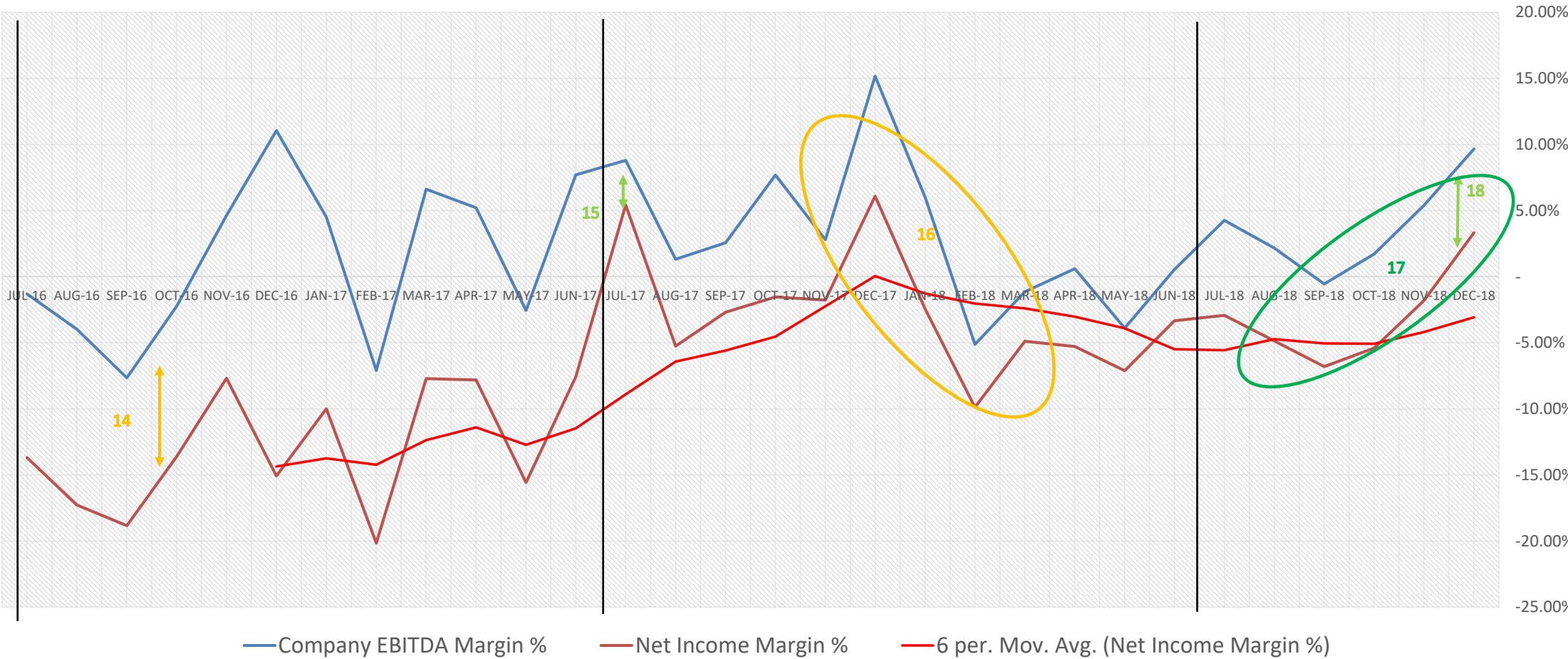
Comping Gross Profit Growth %



Net Income Margin Steady Due To Leverage, Recovery Exponential.



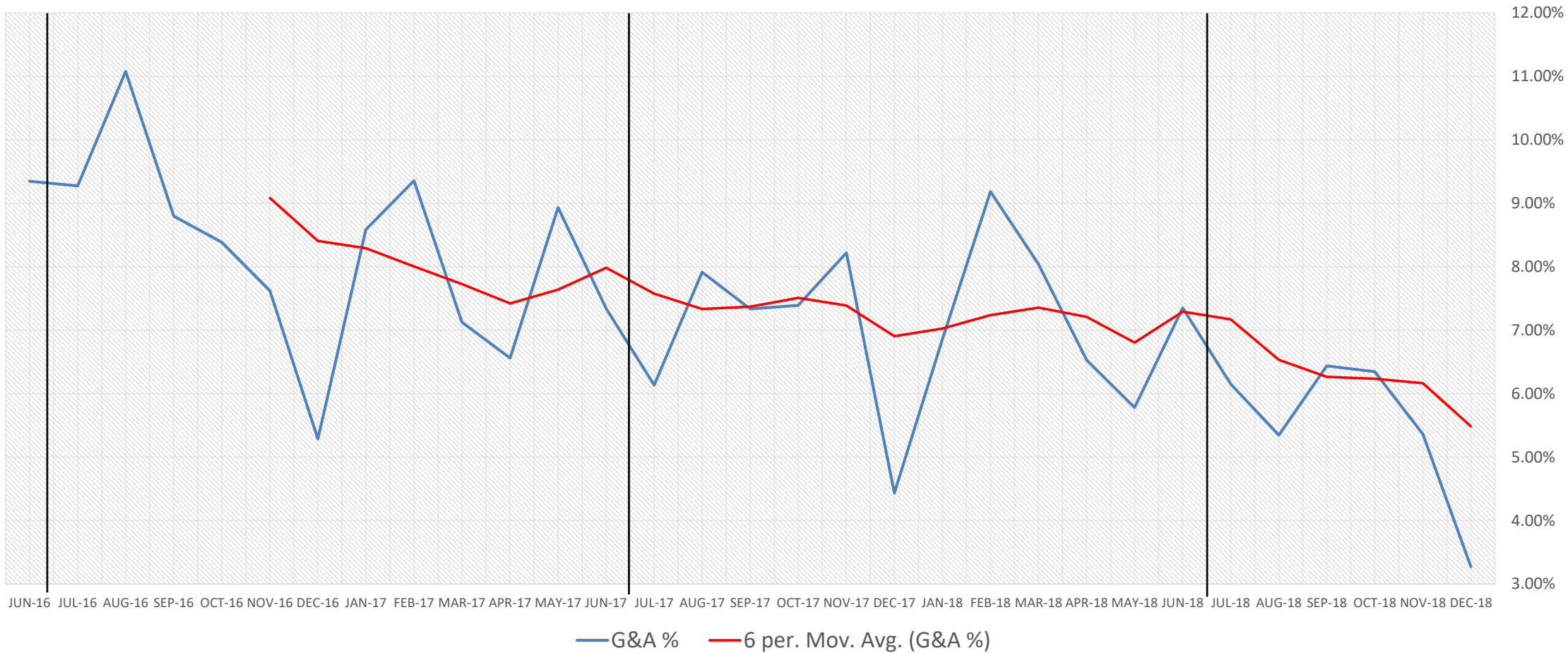
Net Income %



Where Else Are We Seeing Strong Operational Leverage?



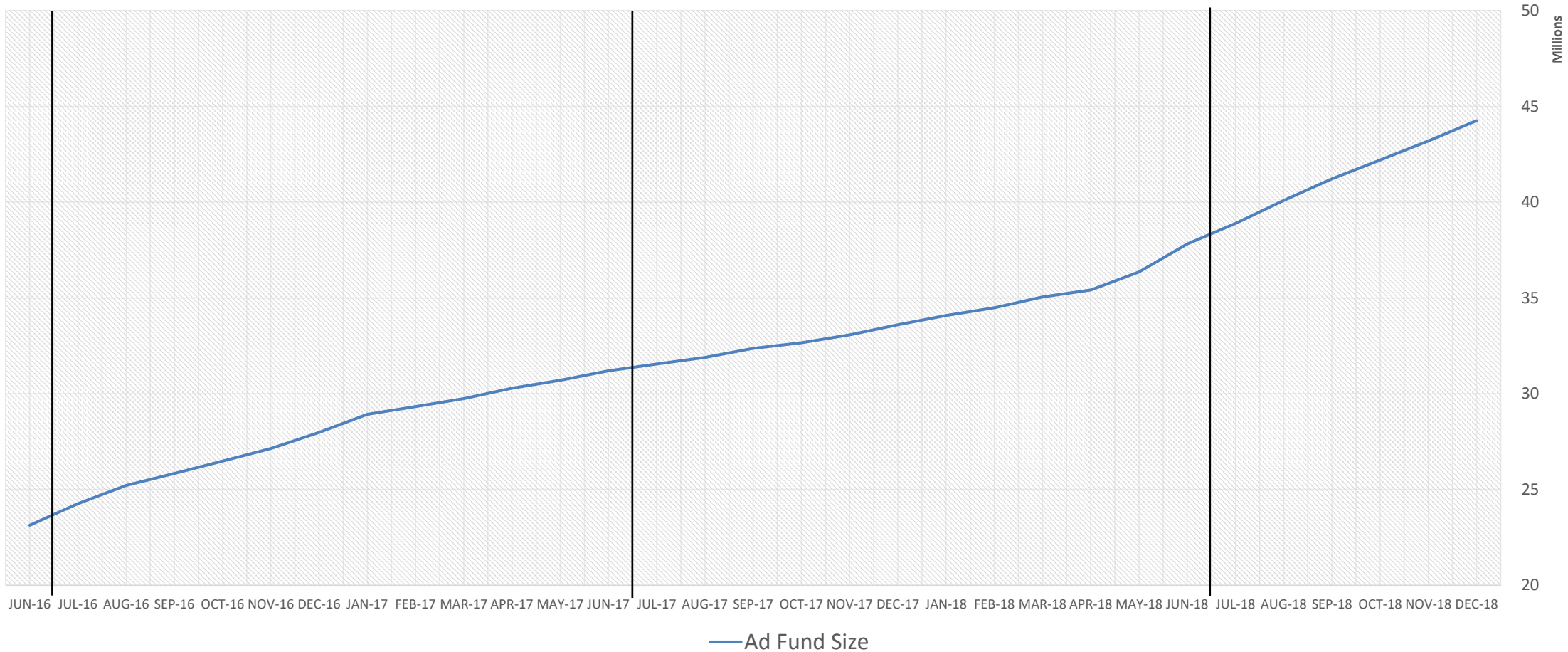
G&A Margin %



Also Ad Fund Allowing Always On, Above The Line Marketing



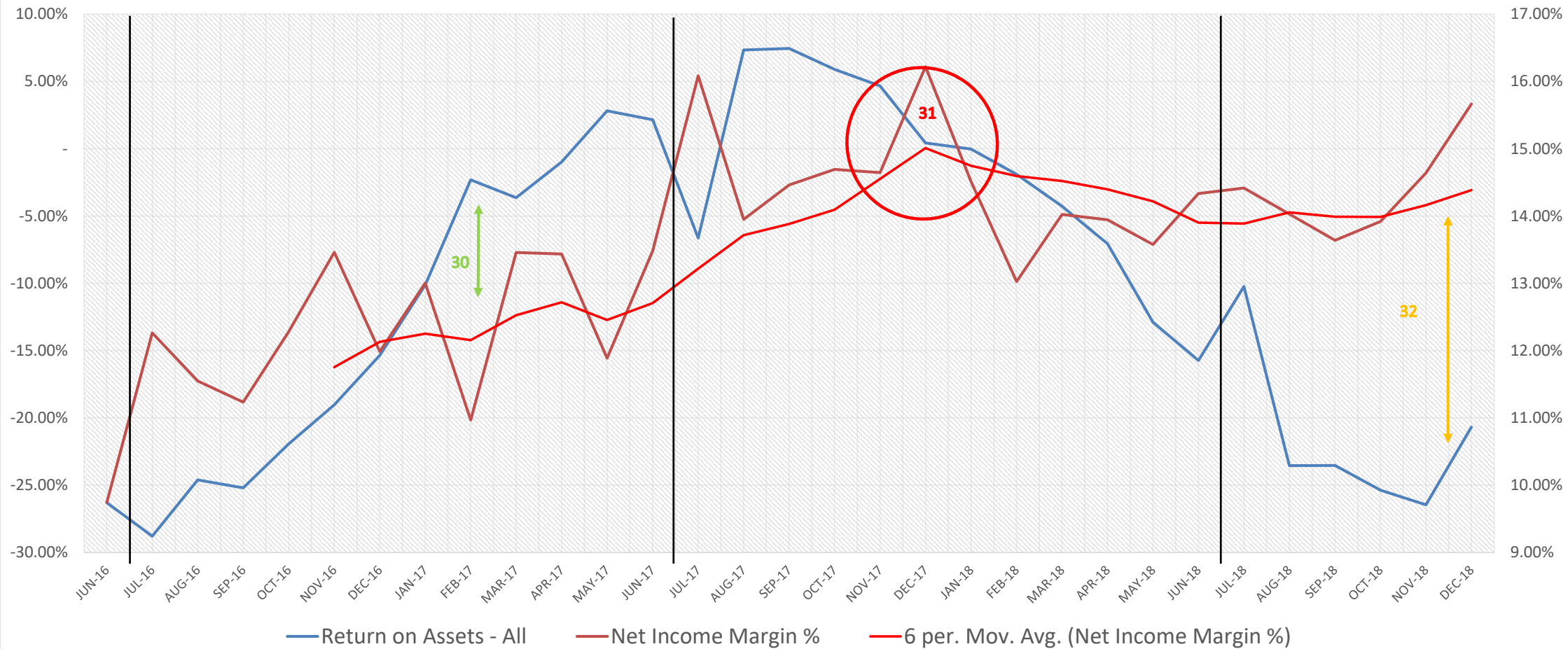
Annual Ad Fund Growth



When Average Returns Dip, Net Income Steady & Recovery Exponential



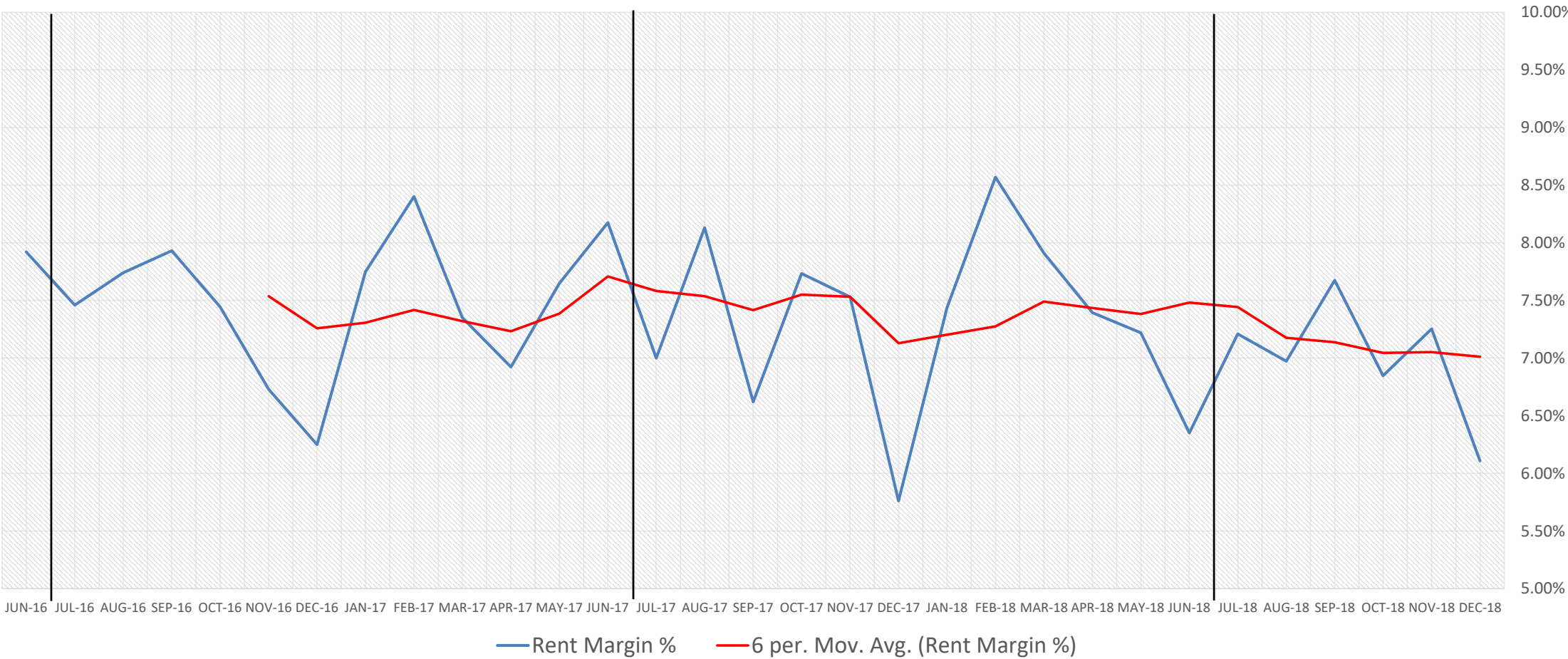
Average Return on Assets vs Net Income Margin



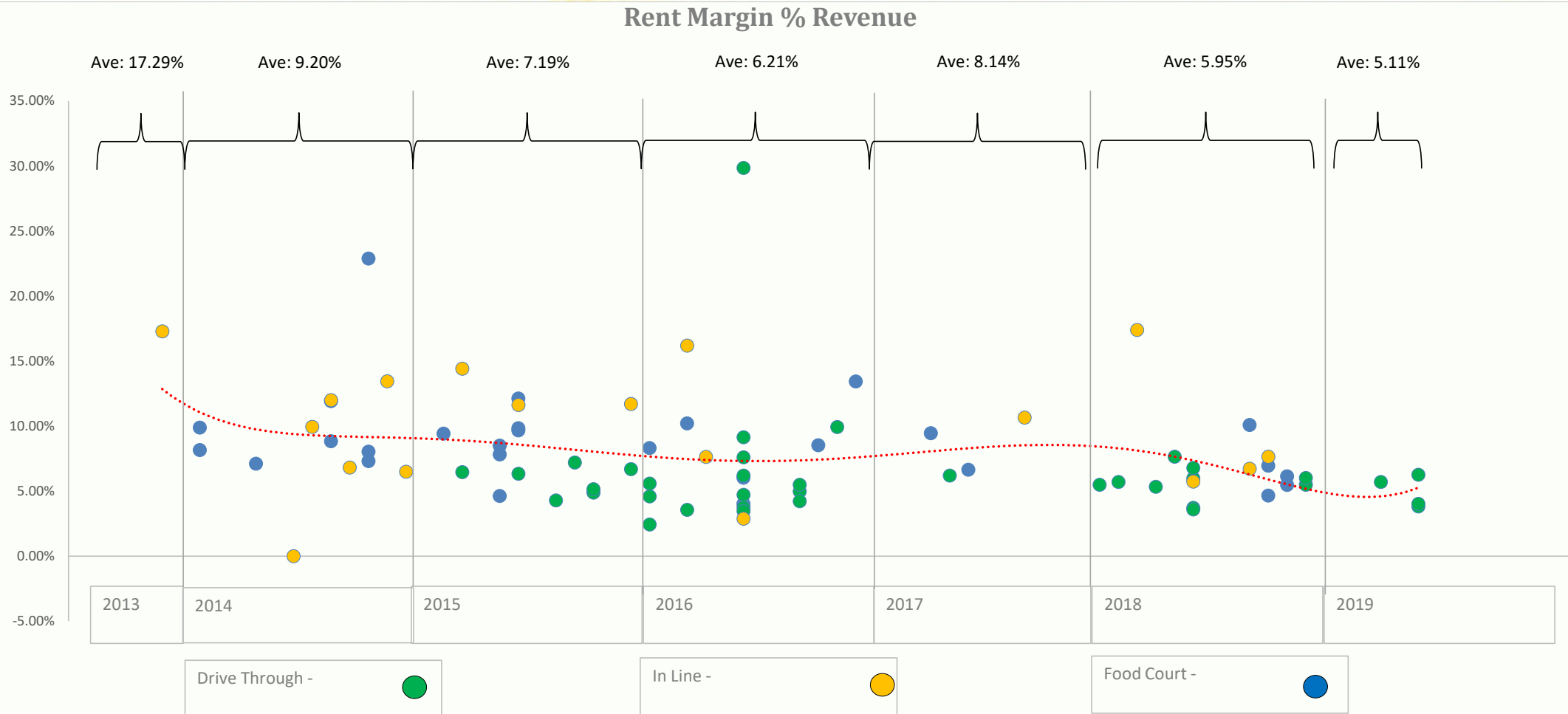
And Our Development Is Getting It Right



Rent Margin %

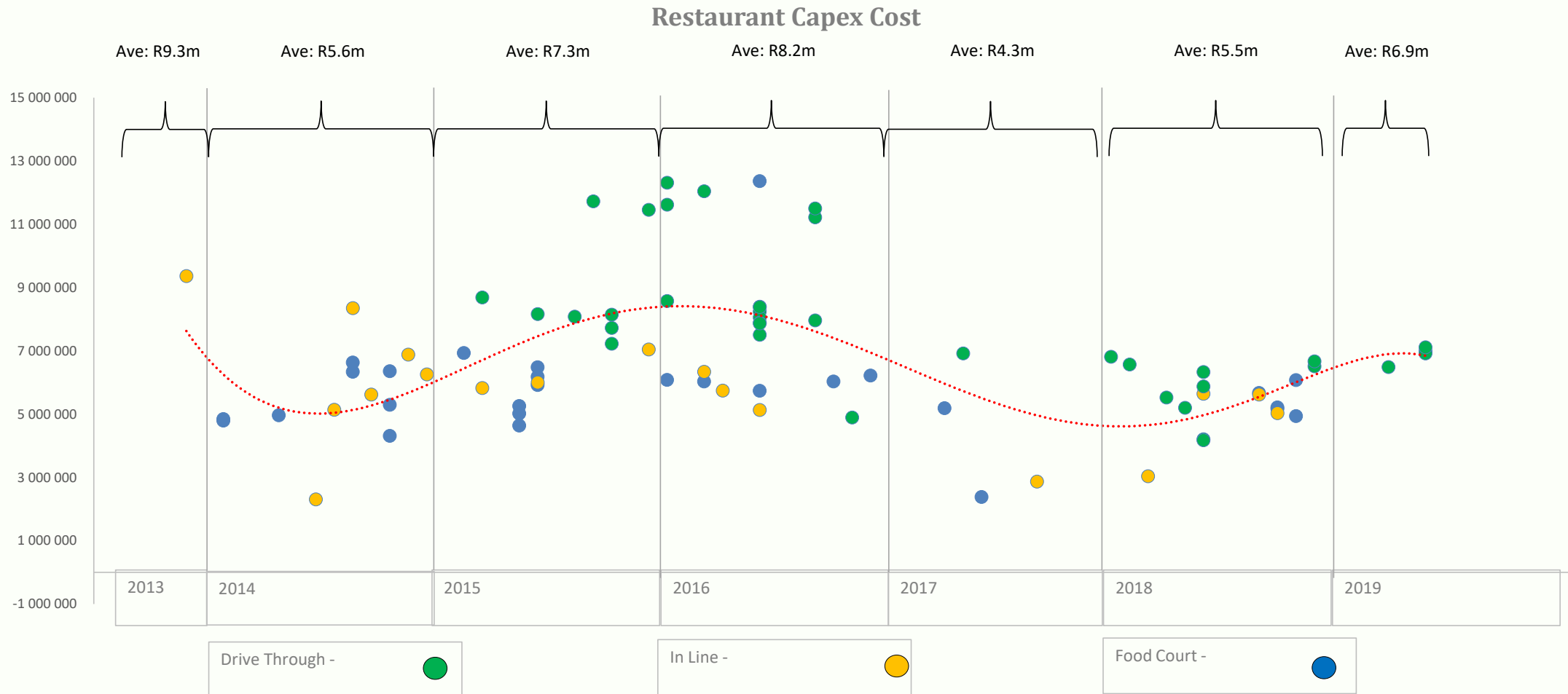


And Our Development Is Getting It Right



Confidential and proprietary information of BKSA

And Our Development Is Getting It Right

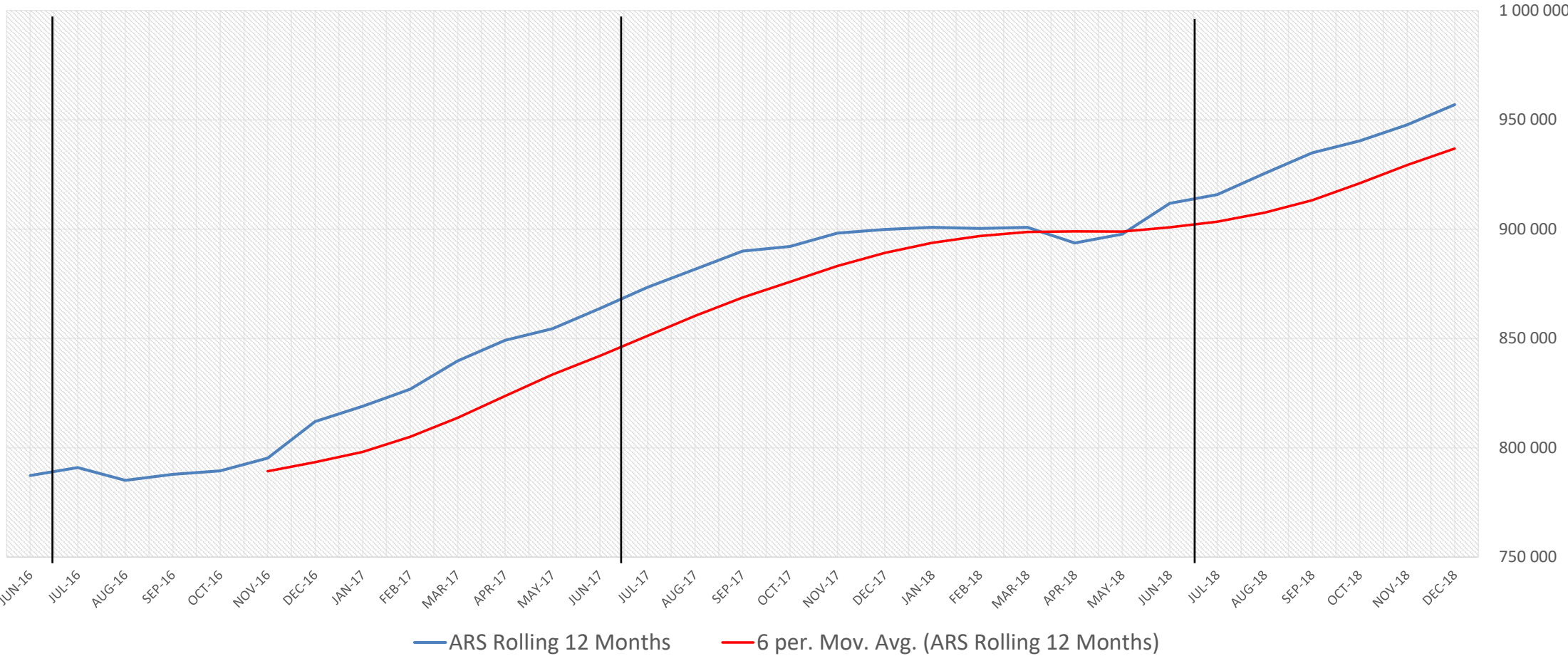


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Increasing Average Restaurant Sales Last 12 Months (LTM) 9.2%



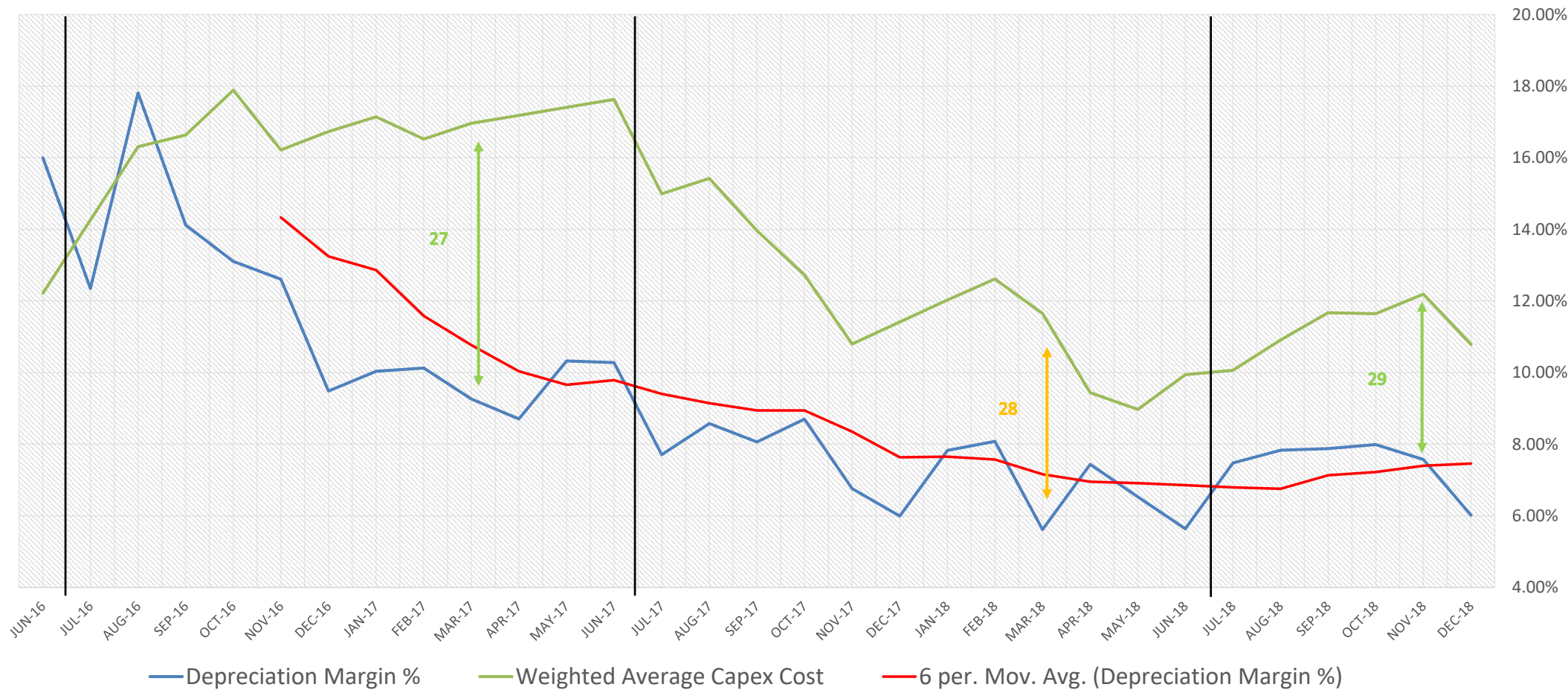
LTM Average Restaurant Sales



Even With A Shift to Higher Cost DT's, Depreciation Margin Is Leveraging



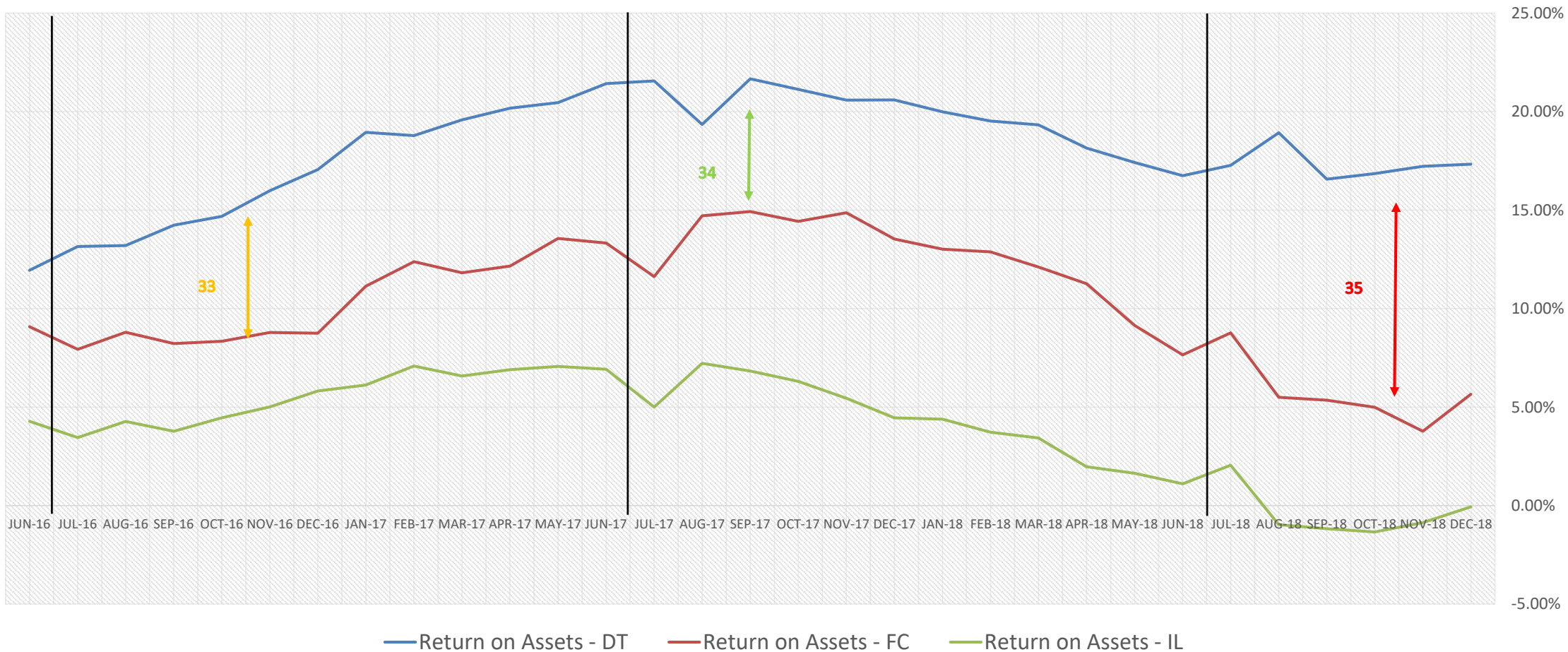
Depreciation Margin vs Average Capex Cost



Known Gross Margin Initiatives Will Get The Other Formats Right



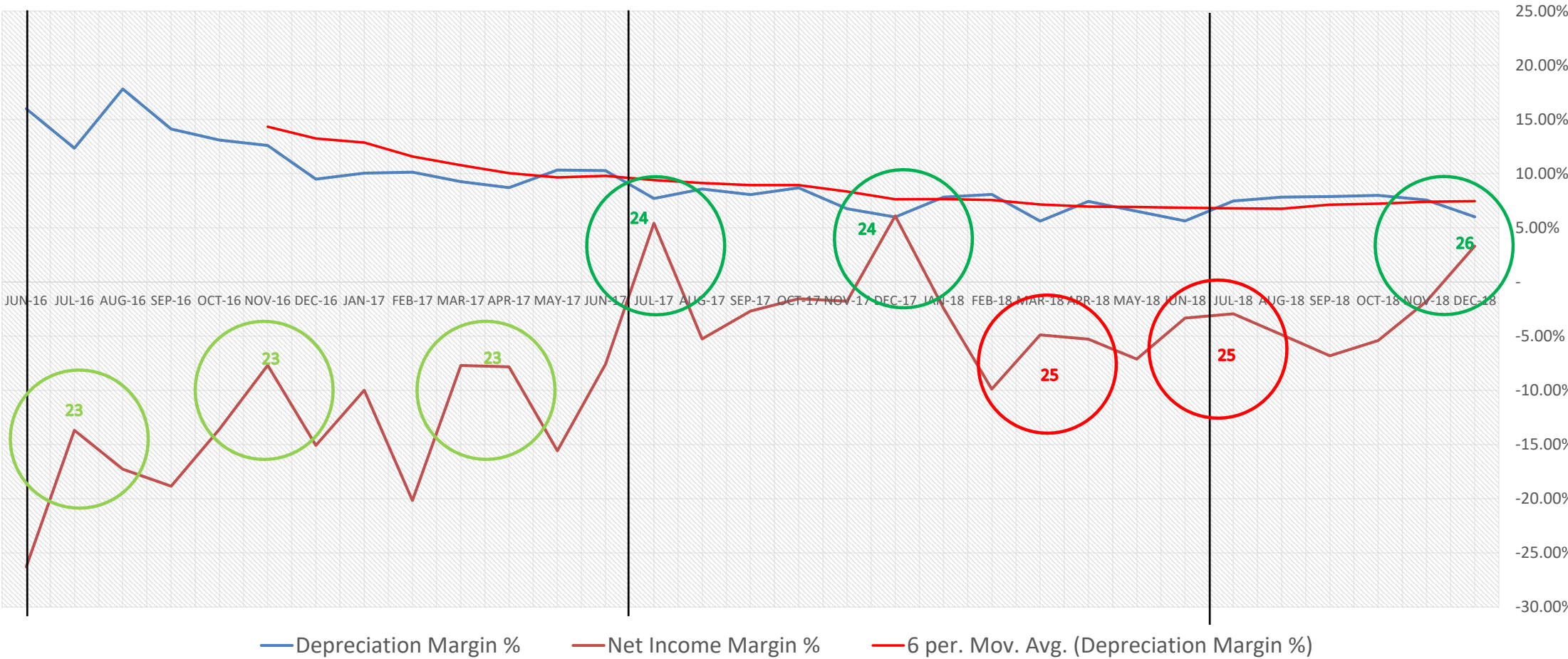
Average Return on Assets by Type



As Our Margins Recover, Our Seasonal Sales & Profits Lever



Depreciation Gap to Net Income %



SWOT Top 3's For Next 12 Months



Strengths

- Achieved Operational Scale Leveraging Margins & Diluting G&A
- Control Ad Fund and Own/Operate All Restaurants
- Localised Supply Chain & Trust In Taste Compliant Supply Chain

Weaknesses

- Lack of Visibility in the Market due to Limited Foot Print
- Long Drive Through Development Lead Times
- High Rentals of Old In-Line & Food Courts in Portfolio

Opportunities

- Accelerated Development Incentives With RBI to close Gap to Market
- Omni-Channel Strategy & Home Delivery
- Food Cost Deflation from Value/Volume & Transition to Digistics 1 Mar

Threats

- Load Shedding & Electricity Inflation
- Health Promotion Taxes & Other Regulatory Taxes
- Remodelling Obligations & Slow Development



THANK YOU

MARCH 2019



GRAND PARADE

INVESTMENTS LIMITED

THANK YOU