

Cash flush Famous Brands to open 243 new stores

By [Zeenat Moorad](#)

20 May 2014

Reporting full-year results yesterday, 19 May 2014, Famous Brands (Fbr), the owner of Steers, Wimpy and Debonairs, said it will open 243 new restaurants in South Africa and expand its food service business through the leisure category into hospitality, beverages, fast-moving consumer goods and food retail.



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The firm, which has a market capitalisation of R10.9bn, reported a 20% increase in headline earnings per share to 406c per share.

Group CE Kevin Hedderwick said Darren Hele had been appointed as CEO of the food service business, "deliberately" leaving room for Hedderwick to "step back" from day-to-day operations to focus on the group's long-term future, strategies and acquisitions.

"We sit right now with a strong balance sheet that has no debt ... in fact we sit with cash (R26m) at the moment. This strong position facilitates further growth, whether by acquisition or organically.

"There is still some work to be done in the food service runway, to really make a step-change and unlock value for shareholders," he said.

For the year ended 28 February, revenue rose 12% to R2.83bn, and operating profit 21% to R566m. The operating margin attained a record high of 20%, up from 18.5%, a year ahead of plan. This was achieved in spite of higher input costs, and reflected increased sales, cost containment and improved efficiencies.

In South Africa, revenue rose 13% to R538m, and operating profit rose in line with turnover growth to R325m. Overall sales rose 11.4%.

Like-on-like sales grew 5.8%. "We did feel some stress in the second half of the year and normally we do the bulk of our businesses in the second half given the fact that we have the benefit of December and the school holidays, and we never

saw that come through so the first half did help us," Hedderwick said.

South African consumers, who have less disposable income due to debt and rising costs, are spending cautiously. The rest-of-Africa division saw robust growth, with system-wide sales up 32.5%. Like-on-like sales grew 17.9%.

It planned to open 41 new restaurants across the brand this year and to enter Angola and Ghana with brands such as Debonairs, Steers and Mugg&Bean. The group has traded outside South Africa for almost 20 years, with a presence in 16 countries.

The region accounts for 8.5% of total sales, and could become increasingly significant, the group said. It added that the region would remain an appealing expansion prospect for South African and international players, and that the race to be first-to-market would intensify.

At its UK operations, revenue in sterling fell 6%, while revenue in rand terms improved 11% to R92m.

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