

FOOD SERVICES

Famous Brands warns restaurants will be under pressure for rest of year

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FAMOUS Brands, Africa's largest branded food services franchisor, warned on Friday in a market update that the restaurant industry across the markets Famous Brand operated in would remain under severe pressure for the balance of the financial year.

The share price on Friday slid 1.25 percent to R56.24.

Famous Brands, the owner of brands such as Steers, Mugg & Bean, Wimpy and Debonairs Pizza, with signature brands including Tasha, Mythos and Lupa Osteria, said the South African lockdown restrictions would remain a major constraint on the group's performance and results while its Signature brands portfolio would continue to experience acute stress.

"We remain confident that we are well positioned for the future," it said, adding that its three-year strategic road map remained relevant.

The third wave of Covid-19 had been the most severe and had resulted in a challenging operating environment in South Africa and to a lesser degree in Africa and the Middle East (AME). Despite these challenges, many franchise partners had delivered exceptional performances, it said.

"Leading brands have adapted to the abnormal trading conditions better than Signature brands, which remain distressed. Our focus remains on reducing costs and preserving cash to facilitate balance sheet flexibility. The group's cash position is stable, and the R200 million general banking facilities raised for contingency purposes has not been utilised," it said.

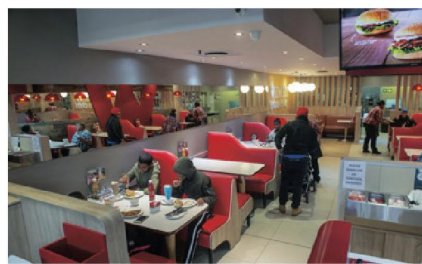
For the period March to June this year leading brands revenue was up 178 percent compared to the same period in 2020, but down 8 percent compared to the same period in 2019.

Signature brands revenue was up 250 percent compared to the same period in 2020, but down 34 percent compared to the same period in 2019.

Manufacturing revenue was up 122 percent compared to the same period in 2020, but down 1 percent compared to the same period in 2019, while logistics revenue was up 129 percent compared to the same period in 2020, but down 4 percent compared to the same period in 2019.

Meanwhile, retail revenue was up 44 percent compared to the same period in 2020, and up 23 percent compared to the same period in 2019.

In South Africa restaurants had been impacted by Covid-19 restrictions, including no sit-down dining allowed from June 28 to July 12, an alcohol ban, and a curfew.



N1 CITY WIMPY. Famous Brand said that the country's lockdown restrictions would remain a major constraint on the group's performance. | **COURTNEY AFRICA**
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The group had also restarted negotiations with SA landlords to secure franchisee rental relief aligned to the lower sales environment.

Meanwhile, civil unrest this month forced the indefinite closure of 90 damaged restaurants. But Famous Brands said royalty relief was in place for casual dining franchise partners for June and July.

More than 600 restaurants were temporarily closed in response to the unrest and this, together with customers staying away, resulted in subdued trading activity between July 11 and 18, said.

Famous Brands warned that it might be required to provide franchise partners with cash flow support if the Sasria, the short-term, state-owned, insurance company insurance process was inefficient.

AME revenue was up 23 percent compared to the same period in 2020, and up 14 percent compared to the same period in 2019.

In the UK revenue was up 3 percent compared to the same period in 2020, but down 3 percent compared to the same period in 2019. Covid-19 trading restrictions were lifted on

