

Franchise sales up 16.8% for Famous Brands

Famous Brands has reported that its franchise sales increased 16.8% in the March to May quarter with a 16% improvement in South Africa and a 27.2% improvement in the rest of Africa region.



The group said on Wednesday (19 June) that like-on-like sales grew 9.6%, with South Africa and the rest of Africa operations delivering growth of 9.3% and 13.2% respectively. The average weighted menu price increase was 4.25% illustrating the real growth achieved.

"These results derive from our extensive portfolio of brands turning in a strong first quarter performance, underpinned by our growing logistics and manufacturing capability," chief executive Kevin Hedderwick said.

"Our top brands all performed exceptionally well with most of them recording comparable year-on-year double-digit growth, notwithstanding the sheer size of these individual businesses and the fact that their growth comes off a huge base," he said.

"It was not just our brands aimed at mainstream South Africa that have done well but the likes of Tashas at the premium niche end of the spectrum also produced astonishing growth, turning in a 22% rise in sales compared with the previous year," said Hedderwick.

He said that during the quarter 34 new restaurants were opened.

"Of the 30 restaurants opened in South Africa, 18 are in new emerging markets. We are especially pleased with our entry into these markets where we were previously under-represented and where our brands are viewed as aspirational. This penetration into new emerging markets is part of a strategy to make our brands available, accessible and affordable," he said.

New Keg pubs opening

"While a moratorium on new liquor licences had hampered the Gauteng roll-out of the revamped Keg brand, the group successfully launched its flagship Keg & Thistle in Durban - the original home of the brand. Two further restaurants, the Keg & Goose in Krugersdorp and the Keg & Copperfield in Lusaka, will open in June and July respectively, providing encouraging evidence that this brand is gaining momentum," he said.

Restaurant openings will increase in the second quarter with 46 new restaurants planned.

The group also recently announced that it would be opening its first Steers restaurant in Clapham, London, and Debonairs Pizza restaurant in Mumbai, India.

"We've long considered exporting Steers to the UK, fuelled by the constant requests from expatriates living in London craving a taste of home. Having researched the market we believe that the timing of this launch is right and that our flame-grilled offering will create as much excitement and recognition in the UK as it has done in South Africa," Hedderwick claimed.

He said that particularly strong drivers for growth in the fast food sector are breakfast and coffee - with 'all-day' breakfasts identified as a key future trend; while coffee is no longer seen as a meal accompaniment but is increasingly being purchased as a snack meal.

Expanding on the quarterly results, Hedderwick said growth in other components of the business was also impressive. The supply chain division delivered a 20.8% increase in sales with the logistics division contributing 15.8% of that improvement and the manufacturing division recorded growth of 34.6%, including the new Famous Brands Coffee Company contribution (23.2% excluding the coffee business).

Opportunities from satellite businesses

"There are a range of opportunities which we plan to capitalise on in the year ahead. Among those is to unlock the potential of our new acquisitions including Turn `n Tender, The Famous Brands Great Bakery Company (The Bread Basket's specialist bakery facility), Famous Brands Choice Meats Company and of course growing the volumes and range out of our Coega Cheese company," he said.

"Additionally, we are enthusiastic about the potential to grow our presence on the African continent. The rest of Africa is fast becoming the playground for opportunistic investors and with more than 12 years experience in the region, we believe our strategy to deepen our presence in specifically targeted markets will continue to serve us well," said Hedderwick.

He concluded that he is encouraged by these results and believes they set the tone for the group's performance for the balance of the current fiscal year.

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