GPI says Burger King will prove profitable in 2017

Empowerment group Grand Parade Investments (GPI) believed its investment in fast food brand Burger King, now operating 67 stores, would find profitable traction by mid-2017.

Speaking after the release of year to end June results on Tuesday, GPI CEO Alan Keet said Burger King should be trading profitably through an 86 store base on an earnings before interest and tax basis by the end of June 2017. Burger King, GPI's main operational asset, cut its losses to R29.9m from R62.6m in 2015.

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GPI disclosed the average monthly store revenues (ARS) reduced by 20% from R1m in 2015 to R800,000 in the 2016 financial year, as a result of the consumer coming under significant pressure and rising prices.

Notwithstanding the pullback in the monthly store revenues, Burger King's revenue jumped 56% to R485m, with 24 new stores opened.

Keet said margins were averaging about 55%, with the top 10% of stores shifting closer to 60%. Market watchers pointed out that Burger King's localisation of manufacturing inputs was bolstering margins.

Keet said that the Burger King operating model was optimised during the year, and said the best 10 Burger King outlets were generating sales of R1.7m a month.

He said the average capital expenditure per new restaurant opened topped R7.7m. "We've brought development costs down nicely."

Keet also said two Burger King outlets had been closed during the year, and reiterated that GPI was not afraid of closing under-performing stores.

GPI, which also owns a significant minority stake in cash-spinning casino group SunWest, said it intended remaining dividend-active. But it advised a dividend on the 2016 profits would be considered only once future cash flows could be determined with more certainty.

GPI receives monthly instalments of R37.5m from Tsogo for the part disposal of the shareholding in SunWest and the Worcester Casino.

The company stands to receive a total of R450m during the 2017 financial year.

The year ahead sees GPI launching newly acquired global brands Dunkin' Donuts and Baskin-Robbins.

Proceeds from selling parts of its gaming investments have seen GPI reduce debt levels by R179m to R643m, reducing gearing to 27%.

GPI reckoned gearing would reduce to less than 18% by the end of the 2017 financial year.

Source: Business Day