

# Ching ching for Zim's Nandos, Chicken Inn

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Cash is proving to be king for fast food operator, Innscor Africa, which runs franchise outlets for Nando's, Chicken Inn and Steers counters mainly in Zimbabwe, Zambia, Kenya and Ghana.

Innskor Africa, a blue chip company on Zimbabwe's stock exchange, has other operations such as retailing, baking and food processing. For the year ended June 30, the diversified conglomerate recorded revenues of US\$516.14 million while operating profit stood at US\$47.66 million - pointing to an after tax profit of US\$41.33 million.

And attesting to the fact that the fast foods retail silo is raking in the cash for the company, chairman David Morgan said this week that the "group acquired the non controlling interest" in both its "local and regional fast foods franchising operations".

Morgan said the fast foods division had performed particularly well for the company during the period under review to the extent that basic headline earnings per share had amounted to 4.82 cents while consumer volumes also surged. "The fast foods business performed well during the year with customer counts increasing by 16% compared to the prior year."

He attributed this phenomenal surge in business volumes for the fast foods business to the addition of new counters, renovation of key food complexes and expanded menu offerings. During the period under review, Innscor opened a "number of new complexes" in areas such as Masvingo, Chinhoyi, Beitbridge and Kwekwe while in Harare, the company opened two new counters, all under Nando's and Chicken Inn franchises mainly.

Additionally, said Morgan, "refurbishment of existing sites" was also undertaken on three key sites in Harare. "The group's Nando's franchised counters were also subjected to upgrades during the period with an outlet in each of Harare and Bulawayo and Mutare converting to the latest Nando's specification during the period."

The regional fast foods operation outside Zimbabwe, reported revenue of US\$38.56 million for the year under review while the profit after tax for this operation was US\$2.62 million. Brown underscored that all the group's regional fast foods operations in regional countries had operated profitably.

"All regional fast foods operations were profitable and total customer counts for the year increased by 11% as compared to the prior year, an additional 19 corporate counters were opened across Zambia, Kenya and Ghana as well as three new franchised counters in Malawi," he said.

Innskor currently operates about 208 fast foods counters regionally and this figure also encompasses the groups' 72

franchised counters in Nigeria and Malawi. Brown said Innscor had declared "a final dividend of 0.6 cents per share".

The Zimbabwean market is anticipating an upward movement in Innscor's share price based on the structure of the group's recent financial performance and past revenue growth.

According to research done by Interfin Securities, Innscor's conglomerate structure, which is mainly a result of forward as well as backward integration is helping the group to secure raw material supplies for its production units as well as markets for its products.

The research says Innscor boasts of top brands which have enabled it to grow its market share in the segments that it serves. "The group's organic growth has seen it strengthening its control of the value chain especially with regard to the FMCG (Fast Moving Consumer Goods) business and this is likely to impact positively on margins," said Interfin.

Analysts said the consumer goods industry's profitability was disposable income-sensitive, driven by macro-economic factors such as gross domestic product (GDP) movements, inflation trends and employment trends, which determine disposable incomes locally and globally.

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