

Taste Holdings profit up, acquisition in sight

Taste Holdings on Wednesday, 12 October 2011, reported an impressive 51% rise in first-half profit, largely on the back of growth in its new food services division to which it supplies sauces, spices and pizza toppings.

By [Zeenat Moorad](#) 13 Oct 2011

The company, which invests in mostly franchised, category specialist restaurant and retail brands represented in 324 locations nationally said diluted headline earnings per share increased to 3.0 cents from 2.0 cents, in the six months to August.

The company's food division includes Maxi's, Scooters Pizza and St Elmo's Woodfired Pizza brands as well as its new food services division that manufactures selected products for those brands. The group's jewellery division incorporates NWJ, the country's third-largest jewellery brand and only vertically-integrated franchise jewellery chain.

For the period under review, revenue advanced 23% to R133.4 million rand, while operating profit grew 44% to R10.7 million rand and system-wide sales grew 27% to R416 million.

CEO Carlo Gonzaga told I-Net Bridge/BusinessLIVE that the company's pizza division, which saw same-store sales rise 10%, had also been a significant driver during the period under review.

While same-store top-line jewellery sales were flat, the division has recently experienced increased spend per transaction to boost the quality of earnings.

For the six month period sales rose 7.9% to R109 million with the company-owned stores achieving growth exceeding 14% on a like-for-like basis.

Gonzaga said the greatest challenge the division faced was managing the increasing price of gold and the impact this had on gross margin maintenance, especially in the context of price-sensitive consumers.

In July, Taste Holdings transferred from the alternative exchange (AltX) to the JSE's main board.

Gonzaga commented that the group's main focus would be on brand acquisitions in its food division. Last month the group issued a second cautionary, saying it was in negotiations. Gonzaga declined to comment further.

Looking ahead, Taste Holdings said it was cautious with regard to the potential negative effects of global financial concerns on local consumer confidence and the impact this could have on new store openings and consumer spending.

In terms of expansion, the group will target between 10-15 new stores per brand and five jewellery outlets over the twelve month rolling period.

