

**FAMOUS BRANDS LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1969/004875/06)

Share code: FBR

ISIN code: ZAE000053328

("Famous Brands" or "the Company" or "the Group")

**VOLUNTARY PERFORMANCE UPDATE AND TRADING STATEMENT****VOLUNTARY PERFORMANCE UPDATE**

The Group's results for the year ended 28 February 2019 will be published on or about 29 May 2019.

In the interim, it is appropriate to provide shareholders with a brief voluntary performance update on the business. This update pertains to the twelve months ended 28 February 2019 for the Group's South Africa ("SA") and rest of Africa and Middle East ("AME") regions. The United Kingdom ("UK") operation narrative relates to the Gourmet Burger Kitchen Restaurants Limited ("GBK") business for the 52-week period ended 24 February 2019. Collectively this reporting period is referred to as the "review period".

During the review period, economic and political uncertainty persisted across all our markets. Challenging trading conditions constrained consumer discretionary spend and keen competitor activity intensified margin pressure. In the SA market, inconsistent power supply further worsened consumer sentiment and negatively impacted on the Company's operations.

**BRANDS**

The Group's restaurants trade in three primary markets, SA, AME and the UK. The brand portfolio is categorised into Leading (mainstream) and Signature (niche) brands.

**SA**

While strong organic growth was reported by the Group's Leading brands in the first six months of the current financial year, trading slowed down over the latter six months, with the Group's traditional peak holiday period results, specifically, failing to meet management's expectations.

In line with recent performance trends, the Group's Leading brands delivered solid results. On balance, the Group's Signature brands under-performed management's expectations, and they remain the subject of critical review.

Across our Leading and Signature brands, combined system-wide sales\* increased 6.0%, while like-for-like sales\*\* grew by 2.5%. Independently, Leading brands# system-wide sales rose 5.3%, with like-for-like sales up 2.9%. Signature brands^ system-wide sales increased 10.7%, while like-for-like sales declined by 0.6%.

#### AME

Our AME operations continued to deliver a good return on investments made over recent years, with pleasing performances reported in the region by Debonairs Pizza, Steers, Wimpy and Mugg & Bean. System-wide sales rose 5.9% in Rand terms.

#### GBK UK

During the review period, system-wide sales (Sterling) in the UK declined by 7.0%, while like-for-like sales decreased by 4.2% compared to the previous year.

Notwithstanding this decline, management is optimistic that remedial actions underway are starting to gain momentum, reflected by the stronger trading results reported for the second 26 weeks ("H2") of the review period compared to the first 26 weeks ("H1"). H1 like-for-like sales were -9.7% while H2 sales were +1.6%.

Furthermore, in the 16 weeks to 24 February 2019, GBK traded ahead of the market, reporting an increase in like-for-like sales of 4.0%.

On 11 December 2018, the Group notified shareholders that the board of directors of GBK had formally completed a Company Voluntary Arrangement ("CVA") aimed at improving the long-term financial viability and sustainability of the business.

In line with management's projections at the outset of the project, the once-off CVA cost is expected to be in the order of £18.3 million. This includes non-cash store write down costs totalling £14.4 million, as well as professional fees, redundancy payments, compensation fund costs and store strip-out charges, totalling £3.9 million.

Twenty four GBK stores were closed during the period in the UK, including closures which took place prior to the announcement of the CVA, as well as those which were part of the CVA close-out process.

## SUPPLY CHAIN: MANUFACTURING AND LOGISTICS

Management's sustained drive to leverage efficiencies continued to enhance performance across the operations, but lower sales and persistently lower food inflation have started to impact on this division's volumes and sales.

\* System-wide sales refer to sales reported by all restaurants across the network, including new restaurants opened during the period.

\*\* Like-for-like sales refer to sales reported by all restaurants across the network, excluding restaurants opened or closed during the period.

# Leading brands' sales refer to sales of the Leading brands trading in SA.

^ Signature brands' sales refer to SA sales as well as sales cross border only where the brand is a Joint Venture partnership and the brand is not managed by its AME management team.

## TRADING STATEMENT

The board of directors of Famous Brands ("Board") does not have the required degree of certainty to provide details of the anticipated range expected for earnings per share ("EPS") for the year ended 28 February 2019. The Board does however have the required degree of certainty that EPS will be below those of the previous year by more than 20%, hence the reason for this trading statement.

As and when the Board has the required degree of certainty to provide a further update on this Trading Statement, it will do so.

The financial information on which this voluntary performance update and Trading Statement is based has not been reviewed or reported on by the Group's external auditors.

11 March 2019

Midrand

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