

Spur Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration number 1998/000828/06)
Share code: SUR
ISIN: ZAE 000022653
("Spur Corporation" or "the group")

IMPACT OF COVID-19 ON BUSINESS OPERATIONS AND TRADING UPDATE

The outbreak of the Covid-19 pandemic in South Africa and the resultant national lockdown and trading restrictions is having a material impact on Spur Corporation's business operations and financial performance.

Trading update for 1 March 2020 to 30 April 2020

Restaurant sales slowed dramatically in March 2020 and declined by 46.7% over the corresponding period in 2019. Sales for the period 16 to 31 March 2020, following the declaration of the state of disaster in the country, were 75.7% lower than the prior period, with trading ceasing on 26 March 2020.

All restaurants in South Africa were closed from the start of the national lockdown on 27 March 2020 until 1 May 2020. As a restaurant franchisor, the group's income comprises primarily franchise fee and related income which is linked to franchised restaurants sales. The group did not earn any material income for this period.

The group granted franchisees discounts of 20% on franchise fees and 25% on marketing fees for the period 1 to 15 March 2020 and waived fees for the remainder of March 2020. There was no trading for the month of April 2020.

Trading under level 4 lockdown restrictions

The country's move to level 4 lockdown status with effect from 1 May 2020 has permitted restaurants to provide delivery-only food to customers.

By 10 May, 155 of the 559 restaurants across the group in South Africa had reopened to offer these delivery-only services. The breakdown of restaurants trading across the brands is as follows:

Brand	Restaurants trading	Total SA restaurants
Spur Steak Ranches	82	303
Panarottis Pizza Pasta	19	87
RocoMamas	47	77
John Dory's Fish Grill Sushi	7	53

In this environment, management's primary operational focus is on online ordering and enabling multi-option delivery partners.

Deliveries are mainly being undertaken by third-party providers Mr D and UberEats, with certain franchisees using small local delivery services or managing their own deliveries.

Additional restaurants are expected to reopen as trading restrictions are relaxed to allow for takeaway services and sit-down eating subject to social distancing protocols. The reopening of further restaurants is also dependent on franchisee rental negotiations with landlords.

While the initial response from customers to the delivery food offering from the beginning of May 2020 has been favourable, it is too early to determine whether the current momentum will be sustained. Competition is also expected to intensify as more national food chains reopen for delivery services.

Management has granted franchisees a 40% discount in franchise fees for May. Marketing fees have been discounted by 75% for the Spur, Panarottis and John Dory's brands, and 50% for the remaining brands. Factors influencing the level of discount are the low revenue expectations for the month, commissions payable to third-party delivery partners, the costs incurred by franchisees related to reopening restaurants and the need for franchisees to pay suppliers to secure future supply. Franchise and marketing fees will be reviewed monthly. Franchisee rental negotiations with landlords are ongoing, with most franchisees not having paid rent for April.

The required Department of Health and National Institute for Communicable Diseases protocols are being implemented across the group, with all restaurants being deep cleaned before trading commences and staff being provided with the necessary personal protective equipment. Restaurants are also being reconfigured to allow access to third-party delivery drivers and to comply with social distancing requirements. The number of staff working in restaurants has also been limited.

International restaurants

Limited trading is being permitted in most of the group's international locations, with 43 of the 87 restaurants currently offering delivery-only or takeaway food, while the other outlets are currently closed.

Cash and cost management

The group's financial priorities are cash preservation and tight cost management. Based on the group's cash resources the directors do not anticipate needing to access external funding for at least the next six months. The group's balance sheet is ungeared and there is capacity to introduce formalised borrowings. As a precautionary measure management is engaging with financial institutions to secure credit facilities should the lockdown extend beyond the current year or should the economic impact of Covid-19 be more severe than currently expected.

As previously advised to shareholders, the payment of the interim dividend for the period to 31 December 2019 has been deferred for six months until 5 October 2020, subject to compliance with the South African Companies Act and JSE Listings Requirements at that time, to provide the group with greater balance sheet flexibility during this period of uncertainty.

Approximately 40% of the group's overhead costs (including marketing costs) are remuneration and employee related. While all staff have received full salaries for April and May, the group will be implementing a reduced work week and commensurate 20% salary reduction for all employees from 1 June in order to preserve cash. Fees for non-executive directors have also been reduced by 20% from 1 June.

Budgets and expenses have been reviewed across all business units and discretionary costs are being reduced, without prejudicing key strategic projects. Marketing costs have been cut by placing all traditional media advertising on hold although the group continues to invest in its growing online and social media presence.

The information in this announcement has not been reviewed or reported on by the group's external auditor.

Cape Town
13 May 2020

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