

SPUR CORPORATION LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1998/000828/06)  
Share Code: SUR & ISIN: ZAE000022653  
("Spur" or "the group")

## **SHORT FORM ANNOUNCEMENT**

### **ABRIDGED CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 ("ABRIDGED RESULTS")**

Shareholders are advised that the group's abridged results, integrated report and consolidated audited annual financial statements for the year ended 30 June 2020, were published on the websites of the JSE Limited and/or the group, today, 20 November 2020.

## **ABRIDGED RESULTS**

### **KEY FEATURES**

Total franchised restaurant sales down 21.7% to R6.0 billion

Group revenue declined by 19.4% to R761.6 million

Profit before income tax declined by 50.3%

Comparable profit before income tax declined by 40.9%

Diluted headline earnings per share 52.1% lower

Group in an ungeared financial position at year end

COVID-19 pandemic and resultant lockdowns severely impacted trading across the group

All restaurants in South Africa were closed for five weeks

68% of South African restaurants and 95% of international restaurants were trading again at year end

### **TRADING PERFORMANCE**

The global COVID-19 pandemic and the resultant national lockdown and trading restrictions in South Africa and all countries of operation has had a material impact on the group's business operations and financial performance.

Total franchised restaurant sales declined by 21.7% to R6.0 billion for the year to 30 June 2020, as the pandemic adversely impacted trading in the last four months of the financial year.

Sales from franchised restaurants in South Africa decreased by 22.3%, with sales from international restaurants decreasing by 16.7% in rand terms. As local restaurant sales comprise 88.5% of the group's total restaurant sales, the lockdown restrictions in South Africa had the most significant impact on the group's trading performance.

After restaurant sales having increased by 6.0% in South Africa and 4.0% in the international operations in the eight months to February 2020, sales declined dramatically in the weeks leading up to the lockdown in South Africa and decreased by 46.7% for March 2020.

All restaurants in South Africa were closed from the start of the national lockdown on 27 March 2020 until 1 May 2020 and the group did not earn any material income during this period.

Trading restrictions were gradually eased and restaurants were permitted to provide delivery-only service to customers from 1 May 2020. Sales for the month of May 2020 reduced by 87.2% in South Africa relative to the prior year. Takeaway services were permitted from the beginning of June 2020 and sales for the month declined by 83.6% in South Africa relative to the prior year.

## **FINANCIAL PERFORMANCE**

The main financial priorities during lockdown were cash preservation and tight cost management. The group entered lockdown with adequate cash resources and an ungeared balance sheet and did not need to access external funding during lockdown while the business generated limited revenue. As previously advised, the interim dividend for 2020 was deferred to preserve cash. Management introduced a reduced workweek and commensurate 20% salary reduction for all employees from 1 June. Fees for non-executive directors were also reduced by 20%.

Group revenue declined by 19.4% to R761.6 million. Revenue from the South African operations, which accounted for 95.7% of total group revenue, decreased by 19.3% while international revenue declined by 20.9% mainly due to the weak performance from the Australasian operations.

Profit before income tax declined by 50.3%. This includes restaurant asset impairments of R7.1 million owing to the weaker outlook due to COVID-19, an impairment recovery of R10.8 million (2019: impairment loss of R6.7 million) related to the Grand Parade Investments Ltd black economic empowerment transaction, impairment allowances for expected credit losses (which increased as a result of COVID-19) of R13.2 million (2019: R10.0 million), an IFRS 16 related charge of R2.9 million for interest and depreciation of right-of-use assets and R1.8 million for the refurbishment of the sauce manufacturing facility. The prior year includes R2.4 million relating to the settlement of a legal dispute with a former franchisee in Zambia and R1.4 million in severance payments following a restructure in the group's décor manufacturing business. Comparable profit before income tax, excluding exceptional and one-off items and the impact of marketing funds, declined by 40.9%.

Headline earnings decreased by 56.1% to R72.5 million. Earnings per share declined by 55.7% to 76.87 cents, headline earnings per share by 52.1% to 83.23 cents, with diluted headline earnings per share 52.1% lower at 82.96 cents.

No final dividend has been declared. Shareholders are referred to the announcement on SENS on 3 September 2020 regarding the deferment of the payment of the dividend of 78 cents per share for the six months to December 2019 until the publication of the group's interim results for the period ending 31 December 2020, which are expected to be released in March 2021.

## **REBOUND IN TRADING FOR THE PERIOD JULY TO OCTOBER 2020**

Trading for the first four months of the 2021 financial year, covering the period since lockdown restrictions were eased to allow sit-down restaurant service, is showing a steadily improving monthly growth trend ahead of management's expectations.

The South African restaurants traded at 92.8% of the prior year's turnover for the month of October, improving from 36.5% for July, 56.7% for August and 73.8% for September.

International restaurants traded at 97.5% of the prior year in October.

The number of restaurants trading has grown consistently since June and by the end of October 2020, 612 of the group's 631 restaurants had reopened.

## **OUTLOOK**

The restaurant industry faces a protracted period of recovery following the devastating financial and social impact of the COVID-19 lockdown on consumers and restaurant owners. The current weak trading environment is expected to continue in the medium term and could be further impacted by expected widespread job losses as well as a second wave of infections similar to what is being experienced in several other countries.

In this tight consumer environment, the group will continue to capitalise on the strength and appeal of its brands and customer loyalty, and remains committed to offering value and a safe and entertaining family restaurant experience.

The group's priority is to ensure the financial sustainability of franchisees. Strategies have been implemented to restore franchisee profitability by driving turnover through promotions and value campaigns.

As franchisees are starting to report stronger turnover levels post the hard lockdown, franchise and marketing fees are being increased but remain at discounted levels. Gradual increases in the fee rates are anticipated as restaurant turnovers continue to recover.

Management continues to focus on the tight cost management disciplines applied from the start of the COVID-19 lockdown and is also reviewing the cost structure of the international operations.

For and on behalf of the board

Mike Bosman  
Chairman

Pierre van Tonder  
Group Chief executive officer

20 November 2020

This short-form announcement is a summary of the information contained in the detailed abridged results announcement which is available as follows:

JSE website - <https://senspdf.jse.co.za/documents/2020/jse/isse/SUR/SpurYE2020.pdf>; and  
Spur website - [www.spurcorporation.com/investors/results-centre/](http://www.spurcorporation.com/investors/results-centre/).

The full announcement is available for inspection, at no charge, at the company's registered office and at the offices of Sasfin Capital (29 Scott Street, Waverley, Johannesburg) and copies may be requested from the company's registered office during business hours. Any investment decision in relation to the company's shares should be based on the full announcement.

This short-form announcement is the responsibility of the board of directors and has been prepared under the supervision of the chief financial officer, Phillip Matthee CA (SA).

The consolidated annual financial statements have been audited by the group's auditors, KPMG Inc, who expressed an unmodified audit opinion thereon. This auditor's report, along with the consolidated annual financial statements for the year ended 30 June 2020, can be downloaded from [www.spurcorporation.com/investors/results-centre/](http://www.spurcorporation.com/investors/results-centre/).

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