

Famous Brands Limited

Incorporated in the Republic of South Africa

Registration number: 1969/004875/06 | JSE share code: FBR | A2X share code: FBR
| ISIN code: ZAE000053328

Summarised Results

FOR THE YEAR ENDED 28 FEBRUARY 2022

Africa's leading branded food services franchisor

Famous Brands owns several well-known brands supported by a vertically integrated business model and operations on three continents.

Famous Brands is a vertically integrated company with 3 968 employees, 17 restaurant brands and a network of 2 824 restaurants.

We operate franchised, master licence and Company-owned restaurants. Our business model comprises four core pillars: Brands, Manufacturing, Logistics and Retail.

Our restaurant network

South Africa (SA): 2 470

The rest of Africa and the Middle East (AME): 287 in 16 countries

The United Kingdom (UK): 67

The Brands portfolio is segmented into Leading (mainstream) Brands and Signature (niche) Brands. Leading Brands are further categorised as Quick Service and Casual Dining.

Our integrated Supply Chain comprises the Manufacturing, Logistics and Retail operations that support our Brands' pillar in South Africa and selected African countries. The primary function of our Supply Chain is to provide a competitive advantage to franchise partners through efficient supply, product innovation and margin management.

Financial highlights from continuing operations

Revenue

R6.5 bn

Up 38%

Headline earnings per share

356 cents

Up 568%

Operating profit

R630 m

Up 428%

Operating profit margin

9.7%

Up 7.2

2022 performance overview

Industry overview

The post-COVID restaurant environment will look entirely different from before, and for the better. Establishments will be cleaner, safer and more efficient.

Our operating environment has changed fundamentally in response to COVID-19, and we have adapted accordingly. Some of these changes will be enduring and beneficial to our business and franchise partners in the long term.

While we are not seeing many new competitor brands emerge, existing competitors are well-entrenched, and competition is fierce. The franchise market has also tightened, with franchisees shopping around for the best value proposition.

Customers are eating out less due to financial constraints and increasingly look for value purchases. We strive to limit our menu price increases to remain competitive. Our promotional activities focus on value for money propositions, including sharing meals. We use our loyalty programmes to incentivise regular purchases.

The year 2022 was characterised by:

- Lockdown restrictions, including curfews, alcohol bans and capacity restrictions.
- High food inflation.
- Economic and political turmoil contributing to low business and consumer confidence.
- Intensifying competition in a constrained consumer spending environment.
- Acceleration of technology adoption.
- South African-specific challenges include high unemployment, unrest, load shedding and deteriorating infrastructure.

GROUP FINANCIAL PERFORMANCE FOR CONTINUING OPERATIONS

Our recovery was slowed by continued COVID-19 trading restrictions, weak economic conditions in all markets, and to a lesser extent, the civil unrest experienced in South Africa in July 2021. All our divisions performed better in this financial year and benefited from our initial financial management measures in response to the pandemic.

Total revenue increased by 38% to R6 476 million (2021: R4 684 million) and is in line with 2020 revenue of R6 495 million. The operating profit increased 428% to R630 million (2021: R119 million), and the headline earnings per share increased by 568% to 356 cents (2021: 53 cents). Compared to 2020, operating profit was down 31% (2020: R912 million), and headline earnings were down by 24%.

Salient features
change

%

(2022

versus

	Unit	2021	2022
2021)			
Revenue	R'million	4 684	6 476
38			
Operating profit	R'million	119	630
428			
Operating profit margin	%	2.5	9.7
Impairments	R'million	(194)	(33)
(83)			
Basic (loss)/earnings per share	Cents	(127)	317
350			
Headline earnings per share (HEPS)	Cents	53	356
568			
Statement of cash flows			
Cash generated from operations	R'million	521	871
67			
Net cash outflow utilised in investing activities	R'million	(57)	(117)
107			
Net cash outflow from financing activities	R'million	(322)	(433)
34			
Cash realisation rate*	%	108	102
-			
Statement of financial position			
Cash and cash equivalents	R'million	352	333
(5)			
Net asset value per share	Cents	390	719
84			
Net debt^	R'million	1 464	1 126
23			
Net debt to EBITDA (leverage)	Times	3.04	1.32
56			
Net debt to equity (gearing)	Times	3.75	1.56
58			
Total equity	R'million	391	721
84			
Return on equity (ROE)**	%	5	64
-			
Return on capital employed (ROCE)^^	%	5	29
-			

* Cash generated by operations as a percentage of EBITDA.

^ Total interest-bearing borrowings (including lease liabilities) less cash.

** Headline earnings as a percentage of average total equity.

^^ Operating profit divided by capital employed (which is calculated as the sum of total equity and interest-bearing debt and net lease liabilities).

CAPITAL MANAGEMENT

The total debt position at 28 February 2022 was R1 138 million (2021: R1 471 million), and Famous Brands repaid R358 million of borrowings in the 2022 financial year. Total debt facilities available at 28 February 2022 was R2 050 million. The Group's gearing improved by 58% from 3.75 times to 1.56 times. Furthermore, its leverage improved by 56% from 3.04 times to 1.32 times, placing

the group in a strong position.

OPERATIONAL REVIEW

BRANDS

Growth in Sub-Saharan Africa has slowed, and while South Africa's economy has rebounded, it is still a smaller economy than before the pandemic. Both system-wide sales and margins remain under pressure.

Brands' revenue was up 62% to R918 million (2021: R567 million), reflecting higher royalty payments due to improved restaurant turnovers. Leading Brands revenue was up 58% to R773 million (2021: R491 million) while Signature Brands revenue improved 91% to R145 million (2021: R76 million).

SA

The South African restaurant industry continued to face headwinds due to COVID-19 restrictions, weak economic conditions and consumer apprehension regarding eating out. In addition, several franchise partners were impacted by civil unrest in July 2021.

Famous Brands continues to provide ongoing direct financial support to affected franchise partners in the form of royalty and marketing fee breaks. Combined system-wide sales for SA across our Leading and Signature Brands improved 37%, and like-for-like sales increased by 35%. Leading Brands' # system-wide sales* improved by 36%, while like-for-like sales** grew by 33%. Signature Brands' system-wide sales^ improved 55%, and like-for-like sales improved by 59%.

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

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

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

^ Signature Brands' sales refer to franchise and Company-owned store sales in SA as well as sales across borders only where the brand is wholly-owned or a subsidiary, and the brand is not managed by the AME management team.

LEADING BRANDS PORTFOLIO

Leading Brands delivered improved results, despite continued COVID-19 restrictions and challenging economic conditions. Quick Service Restaurants continued to outperform Casual Dining Restaurants.

The investment in own delivery capability has paid off. Leading Brands strengthened their strategic partnership with third-party delivery platforms, ensuring that brands were present in all key marketplaces.

SIGNATURE BRANDS PORTFOLIO

Signature Brands overall sales turnover bounced back for the year but is still lower than pre-COVID-19 levels. These brands are particularly impacted by COVID-19 restrictions such as curfews, capacity reductions and alcohol restrictions.

AME

The impact of COVID-19 gradually reduced during 2022, with most markets recovering to 2020 trading levels by year-end. While several African countries have vaccination programmes, vaccination rates tend to be low.

AME revenue increased 9% to R346 million (2021: R316 million). System-wide sales in this region increased by 20%, but are still below pre-pandemic levels. The operating profit increased to R34 million (2021: R30 million).

UK

The UK began 2022 in a lockdown period where restaurants could only offer delivery and take away services. Lockdown measures were eased in May 2021, allowing indoor hospitality to reopen with social distancing measures in place. In July 2021, all COVID-19 restrictions were lifted, allowing restaurants to resume normal operations. The UK restaurant industry faces challenges due to significant utility price increases, rising food inflation, supply chain disruptions, fuel cost increases and poor labour availability.

Wimpy UK recorded revenue of R133 million (2021: R112 million), and operating profit improved 18% to R17 million (2021: R14 million). The operating margin remained 13%, indicating no change from 2021 (2021: 13%) before impairment to goodwill.

Delivery sales declined to reflect that more customers had returned to dining in restaurants.

VERTICAL INTEGRATION

Manufacturing

Manufacturing turnover increased 31% to R2.8 billion (2021: R2.1 billion) driven by increased demand from the front end of the value chain. Operating profit was up 65% on the prior year thanks to good volumes and some inflationary increases.

Depending on the product line, production volumes are up by between 8% and 38% in line with the recovery observed in our Leading Brands and Signature Brands. Demand from Retail sales continued to grow.

Over the year, South Africa has seen significant food inflation, peaking at

6.9%. Our basket price pressures were mainly from beef, green coffee beans, milk and whey powders, oil and spices. The stronger rand has helped soften some significant increases in commodity prices.

COVID-19 continues to disrupt supply chains with a global shortage of vessels and containers, resulting in higher shipping costs, higher costs of imported goods and longer shipping timelines.

In April 2021, Famous Brands sold its interest in the Famous Brands Great Bakery Company. In January 2022 we closed the Gauteng Bakery plant.

Logistics

The performance of Logistics improved due to the easing of COVID-19 restrictions, although this was slowed down by the COVID-19 third and fourth wave and July's civil unrest. Logistics turnover increased 35% to R4.1 billion (2021: R3.0 billion). The operating margin increased to 1.5% (2021: -0.4%), while national case volumes grew by 54%.

Retail

The Retail business continued with its strong performance with a 47% increase in sales to R222 million (2021: R151 million). This is in line with the trend towards increased home consumption. While introducing new products was slow in the first half of 2022 due to retailers looking to limit in-store promotions due to COVID-19, new product introductions have picked up.

DIVIDEND

The Board has declared a dividend of 200 cents per share. The Group has produced significantly improved results which enabled the Board to consider paying a dividend. The Board considered the Group's current performance and future prospects. The dividend is being paid out of profits for the year ended 28 February 2022 in the amount of R200 million.

NOTICE OF DIVIDEND DECLARATION NUMBER 44 AND SALIENT FEATURES

Notice is hereby given that a gross dividend of 200 cents (2021: nil) per ordinary share, payable out of income, has been declared in respect of the financial year ended 28 February 2022. The salient dates for the payment of the dividend are as follows:

Event Dates:

Declaration date	30 May 2022
Last day to trade "cum dividend"	5 July 2022
Shares commence trading "ex-dividend"	6 July 2022
Record date	8 July 2022
Payment of dividend	11 July 2022

Those shareholders of the Group who are recorded in the company's register as at the record date will be entitled to the dividend. Share certificates may not be dematerialised or rematerialised between 6 July 2022 and 8 July 2022, both days inclusive.

In terms of dividends tax legislation, the following additional information is disclosed:

- The local dividend tax rate is 20%.
- The net local dividend amount is 160 cents per share for shareholders liable to pay the dividends tax and 200 cents per share for shareholders exempt

from paying the dividends tax.

- The issued share capital of Famous Brands is 100 202 284 ordinary shares.
- Famous Brands' tax reference number is 9208085846

PROSPECTS

Our focus in 2023 is on operational excellence, prioritising core long-term operations and improving investment returns for franchise partners.

Our short-term focus is to sustain our revenue while achieving positive cash generation, while our medium-term focus is to recover margin. We have reduced our interest-bearing debt in 2022 and expect to continue on this trajectory in 2023.

Our financial and investment decisions in the coming year will be based on the following strategic imperatives:

- Growing our Leading Brands in South Africa and AME.
- Intensifying investment in high return assets.
- Considering attractive and appropriate acquisitions.
- Divesting from non-core activities.
- Expanding our Logistics capacity.

Brands

For the next three years, our strategic focus is generating growth from our existing Leading Brands portfolio through innovation in channels, formats and footprint expansion. We will continue to invest in consumer-facing technology to enhance our value proposition to customers and franchise partners.

Manufacturing

In our Manufacturing division, we are driving operational efficiencies and managing and reducing our environmental footprint. We will invest further into our best-performing manufacturing facilities and divest from selected manufacturing operations if necessary.

Logistics

In Logistics, our next steps are to relocate our KwaZulu-Natal Distribution Centre, move our Gauteng cold storage centre and secure a cross-docking facility near Mthatha.

Retail

We remain on track to double our Retail business by growing our distribution footprint and expanding our product range. We are executing our ambitious plans

to launch a minimum of 12 new products in the year ahead.

On behalf of the Board

SL Botha	DP Hele
Chairman	Chief Executive Officer

Midrand
31 May 2022

Administration

Directors

Norman Adami, Santie Botha (Independent Chairman), Chris Boule, Deon Fredericks (Group Financial Director)*, Nik Halamandaris, John Halamandres, Darren Hele (CEO)*, Alex Maditse, Busisiwe Mathe, Fagmeedah Petersen-Cook.

* Executive

Group Company Secretary
Celeste Appollis

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Transfer Secretaries

Computershare Investor Services Pty Limited

Registration number: 2004/003647/07 | Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 | Private Bag X9000, Saxonwold, 2132

Sponsor

The Standard Bank of South Africa Limited | Registration number: 1969/017128/06 | 30 Baker Street, Rosebank, 2196

Auditors

KPMG | Registration number: 1999/012876/07 | 85 Empire Rd, Parktown, Johannesburg, 2193

Forward looking statements disclaimer

This document contains forward looking statements, which are based on assumptions and best estimates made by management relating to the Group's future performance. Such statements are, by their nature, subject to risks and uncertainties, which may result in the Group's actual performance in the future being different from that expressed or implied in any forward looking statements.

These statements have not been audited by the Group's external auditors. The Group neither accepts any responsibility for any loss arising from the use of the information contained in this report nor undertakes to update or revise any of its forward looking statements publicly.

The content of this announcement is the responsibility of the directors of

Famous Brands. It is a summary of the information contained in the full announcement as published on the 31 May 2022 at at https://senspdf.jse.co.za/documents/2022/jse/isse/fbr/FY_22.pdf and at www.famousbrands.co.za.