

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

Unaudited condensed consolidated interim financial results FOR THE SIX MONTHS ENDED 31 AUGUST 2022

Revenue
UP 19%
R3.6 bn

Headline earnings per share
UP 121%
215 cents

Operating profit margin
UP 3.6
11%*

* Excluding the GBK liquidation dividend operating margin is 8.9%.

Dividend per share declared
130 cents

Africa's leading branded food services franchisor
Famous Brands owns a portfolio of well-established brands supported by a vertically integrated business model and operations on three continents.

Famous Brands is a vertically integrated Group with 3 989 employees, 17 restaurant brands and a network of 2 850 restaurants.

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

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 is comprised of 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 support. The Manufacturing, Logistics and Retail businesses are managed and measured independently.

Our restaurant network
South Africa (SA): 2 489
The rest of Africa and the Middle East (AME): 294 in 17 countries
The United Kingdom (UK): 67

Industry overview
Consumers are facing increased financial pressures due to escalating inflation and interest rates.

During the review period, the South African consumer faced several macro-economic issues, which an inflationary environment has exacerbated.

Rising food and fuel costs have forced many restaurant brands to raise their menu prices substantially in the first half of 2022, with more increases anticipated for the remainder of the year.

Competitors in the restaurant industry are continuously innovating their consumer value proposition through bundle deals, competitions, loyalty programmes and use marketing campaigns to reinforce key quality perceptions.

Since the removal of all COVID-19 restrictions in June 2022, the restaurant industry has seen a positive shift in consumer behaviour as consumers return to restaurants, resume travel and attend sporting events. This has supported improved restaurant turnovers and restaurant marketing spend.

The threat of COVID-19 has subsided, and many consumers are determined to return to normal life. While consumers shop online for convenience or safety, they also crave meaningful interpersonal connections.

While healthy eating continues to gain prominence, it is no longer driven by COVID-19, and consumers also seek indulgence and comfort in their food choices. Consumers continue to embrace technology, and habits formed during the pandemic have become a way of life.

The first six months of our 2023 financial year were characterised by:

- Challenging macro-economic conditions and local and global uncertainty.
- High levels of inflation and spiralling food costs.
- A fierce competitive landscape of established restaurant chains.
- The removal of all COVID-19 restrictions across all markets.
- Continued consumer embrace of technology.
- Local challenges including flooding in KwaZulu-Natal, load shedding, increasing localised civil protest and deteriorating infrastructure.

Group financial performance

The Group continued its post-pandemic recovery, evidenced by strong earnings, cash generation and improved overall financial position.

Total revenue for the review period increased by 19% to R3 579 million (2021: R3 004 million). This revenue is 11% higher than the R3 222 million (excluding Gourmet Burger Kitchen) in the comparable period ending August 2019, demonstrating a strong recovery from COVID-19. The operating profit increased 77% to R393 million (2021: R222 million), while headline earnings per share increased to 215 cents (2021: 97 cents).

The Group achieved its short-term objectives of sustaining its revenue recovery, achieving positive cash generation and managing its cost base. In addition, Famous Brands made a further payment of R150 million of interest-bearing debt during the review period.

The Group invested R60 million in capital expenditure across its four divisions. This capital was allocated in line with the Group's strategy and included investing in Leading Brands, expanding our store base in Botswana, and maintaining and improving Manufacturing infrastructure.

Salient features

Unit	Six months ended 31 August 2022	Six months ended 31 August 2021	% change (H1 2022 versus H1 2021)	
Statement of profit or loss and other comprehensive income				
Revenue	R'million	3 579	3 004	19
Operating profit	R'million	393	222	77
Operating margin [^]	%	11	7.4	3.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	R'million	515	322	60
Basic earnings per share (BEPS)	Cents	259	96	170
Headline earnings per share (HEPS)	Cents	215	97	121
Statement of cash flows				
Cash generated from operations	R'million	552	319	73
Net cash outflow utilised in investing activities	R'million	(71)	(72)	1.8
Net cash outflow from financing activities	R'million	(165)	(161)	(2.4)
Cash realisation rate*	%	107	99	8
Statement of financial position				
Cash and cash equivalents**	R'million	317	298	6.2
Net asset value per share	Cents	783	470	67
Net debt*** ^{^^}	R'million	1 020	1 416	28
Net debt/EBITDA (leverage) ^{^^}	Times	1.98	4.40	55
Net debt/equity (gearing) ^{^^}	Times	1.3	3.01	57
Total equity	R'million	785	471	67

* Cash generated by operations as a percentage of EBITDA.

** Excludes restricted cash related to marketing funds.

*** Total interest-bearing borrowings (including lease liabilities) less cash and cash equivalents.

[^] Operating margin excluding GBK liquidation dividends is 8.9%.

^{^^} Net debt for August 2021 was restated to exclude restricted cash.

GEARING

The Group's total borrowings position at 31 August 2022 was R1 012 million (2021: R1 364 million). Total debt facilities unutilised at 31 August 2022 were R600 million (2021: R725 million). In August 2022, Famous Brands renegotiated its borrowings with its primary lender to a more appropriate debt finance structure in line with our current requirements and strategy.

The Group's gearing improved after payment of R150 million during the period by 57% from 3.01 times to 1.3 times. Furthermore, its leverage improved by 55% from 4.40 times to 1.98 times.

OPERATIONAL REVIEW

Brands

Total revenue for the review period increased by 31% to R534 million (2021: R406 million) as COVID-19 restrictions were lifted in all markets. The operating profit improved by 53% to R206 million (2021: R134 million), while the operating margin improved to 39% (2021: 33%).

Leading Brands' revenue was up 25% to R431 million (2021: R345 million), while the revenue for Signature Brands showed a strong recovery, up 68% to R103 million (2021: R61 million). Better trading conditions allowed Famous Brands to wind down most of its COVID-19 related royalty relief packages on a selective basis.

Revenue
R534 m

Operating profit
R206 m

Operating margin
39%

SA

The removal of all COVID-19 restrictions and improved consumer sentiment supported a recovery in spending on restaurants, travel and entertainment. South Africa also welcomed more international tourists.

However, this spend was hampered by less disposable income due to an inflationary environment. Higher input costs, such as fuel and food, meant we had to increase menu prices in line with food inflation trends. In April 2022, the severe floods in Kwazulu-Natal negatively impacted restaurants for several weeks, with closures and holidaymakers cancelling their Easter plans.

Combined system-wide sales* across our Leading and Signature Brands'^ portfolios improved 20% while like-for-like sales** increased by 19%. Leading Brands'# system-wide sales and like-for-like sales** grew by 18% while Signature Brands'^ system-wide sales and like for like sales each improved 42%.

* 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 franchise and Company-owned store sales in South Africa as well as sales across borders.

Restaurants opened
41

Restaurants revamped
57

Restaurants closed
28

LEADING BRANDS PORTFOLIO

Leading Brands delivered resilient results from its portfolio of compelling brands, continued investment in technology and a return to sit-down dining. Casual Dining restaurants experienced a strong recovery as consumers spent more time in restaurants.

The removal of COVID-19 restrictions slowed down the growth of the home delivery channel as consumers returned to sit-down dining and take away orders. Collect ordering continued to show positive growth as consumers continued to use this channel post the pandemic.

Restaurants opened
36

Restaurants revamped
54

Restaurants closed
20

SIGNATURE BRANDS PORTFOLIO

Signature Brands' overall sales turnover bounced back post-COVID-19 but still lags behind pre-pandemic levels. Turnover continues to improve every month. This recovery was boosted by consumers returning to restaurants, improved evening trade and strong alcohol sales.

Restaurants opened
5

Restaurants revamped
3

Restaurants closed
8

AME

With COVID-19-related trading restrictions lifted across all markets, trading activity returned to pre-pandemic levels. Famous Brands wound down its financial assistance to franchise partners.

System-wide sales increased by 42%, while the region's revenue increased 22% to R205 million (2021: R168 million). Operating profit increased to R11 million (2021: R8 million) while the operating profit margin improved to 5.3% (2021: 4.8%). Debonairs Pizza opened its first restaurants in Oman and the Kingdom of Saudi Arabia. The demand for home delivery continues to grow in several markets.

Restaurants opened
19

Restaurants revamped
9

Restaurants closed
12

UK

The UK's cost of living crisis eroded consumer confidence, resulting in declining spending. Wimpy UK experienced a drop-off in home delivery sales, however, in-store sales did not decline to the same extent.

System-wide sales increased by 14% while revenue in rand terms increased to R71 million (2021: R64 million). The operating profit declined to an operating loss of R20 million (2021: R8 million) resulting in an operating margin of -28% (2021: 13%). Excluding the impairment of R31 million, operating profit would have been R 11 million and the margin 15%.

Restaurants opened
3

Restaurants revamped
0

Restaurants closed
3

VERTICAL INTEGRATION Manufacturing

Capital expenditure
R20 million
(2021: R27 million)

Manufacturing turnover increased 8.2% to R1.4 billion (2021: R1.3 billion) due to good volumes and some inflationary increases. Operating profit improved 11% to R143 million (2021: R129 million), driven by sustained demand from the front end of the value chain.

The operating margin improved to 9.9% (2021: 9.7%) as manufacturing plants improved their production processes and reduced waste. Manufacturing continued to experience high shipping costs and extended lead times for imports of key commodities.

Logistics
Capital expenditure
R0.9 million
(2021: R1.7 million)

Logistics turnover rose 19% to R2.3 billion (2021: R1.9 billion), while operating profit increased 597% to R46 million (2021: R7 million). The operating margin increased to 2.1% (2021: 0.4%). Case volumes grew 8.6% period on period and compare favourably with pre-pandemic levels.

Retail

The Retail business grew its sales by 15% to R121 million (2021: R105 million). However, an operating loss of R1.9 million (2021: 0.3 million) was incurred due to product write-offs. Our well-known brands and value-for-money offerings have enabled Retail to grow volumes and retail footprint. Famous Brands launched four new products during the review period.

NOTICE OF DIVIDEND DECLARATION NUMBER 47 AND SALIENT FEATURES

The Board has declared an interim dividend of 130 cents per share (2021: 0 cents), reflecting the Group's continued improved financial position. The dividend will be paid out of profits for the review period for a total amount of R130 million.

EVENT DATES

Declaration date	Wednesday, 26 October 2022
Last day to trade "cum dividend"	Tuesday, 6 December 2022
Shares commence trading "ex-dividend"	Wednesday, 7 December 2022
Record date	Friday, 9 December 2022
Payment of dividend	Monday, 12 December 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 Wednesday, 7 December 2022 and Friday, 9 December 2022, both days inclusive.

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

- The South African dividend tax rate is 20%
- The net local dividend amount is 104 cents per share for shareholders liable to pay the dividends tax and 130 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

OUTLOOK

We remain agile and committed to ensuring a profitable and sustainable business model for our franchise partners without compromising the value and quality of our products.

Global uncertainty and supply chain challenges will continue to drive up food prices. South African consumers must contend with ongoing inflation, rising interest rates, load shedding and political uncertainty. The combination of the 2022 Qatar Soccer World Cup excitement, Black Friday specials and the festive season should boost consumer spending.

Brands

Managing food costs and developing value offerings remain a focus in menu development. We will continue to invest in delivery technology to enhance our last mile efficiency for own delivery. Partnerships with third-party platforms will remain critical.

Manufacturing

We continue to drive operational efficiencies, improve product quality and explore ways to reduce our environmental footprint. Additional warehouse space is being added to the Sauce and Spice plant, which will be operational by November 2022.

Logistics

The new KwaZulu-Natal distribution centre will be commissioned on 15 November 2022, and the relocation process has already begun. We are still exploring potential sites for a cross-docking facility near Mthatha in the Eastern Cape. Plans are in place to move our Gauteng cold storage centre to Midrand by mid-2024.

Retail

The Retail division will focus on expanding its distribution footprint and growing volumes. The division is on track to deliver its target of 12 new product lines in the 2023 financial year.

On behalf of the Board

SL Botha DP Hele
Chairman Chief Executive Officer

Midrand
26 October 2022

Full announcement and forward-looking statements disclaimer

The contents of this short form announcement are the responsibility of the Board and have not been reviewed or reported on by the Group's external auditors. Shareholders are advised that this short form announcement represents a summary of the information contained in the full announcement, published on <https://senspdf.jse.co.za/documents/2022/jse/isse/fbr/HY2023.pdf> and on Famous Brands' website at www.famousbrands.co.za on 26 October 2022, and does not contain full or complete details of the financial results. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement as a whole and shareholders are encouraged to review the full announcement. The full announcement is also available for inspection at the registered office of the Company and at the offices of Famous Brands' sponsor, The Standard Bank of South Africa Limited. Inspection of the full announcement is available to investors and/or shareholders at no charge during normal business hours.

Administration

Directors

Norman Adami, Santie Botha (Independent Chairman), Chris Boulle, 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

Registered office

478 James Crescent, Halfway House, Midrand, 1685 PO Box 2884, Halfway House, 1685
Telephone: +27 11 315 3000
Email: investorrelations@famousbrands.co.za
website address: www.famousbrands.co.za

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