Spur ramps up restaurant rollout on back of strong revenue growth

Restaurant franchise group Spur Corporation reported strong trading performance for the six months to December 2022, as it continues its post-pandemic recovery. Backup power supplies have helped keep the company's restaurants operating during load shedding, while tourism recovery in the Western Cape in particular has boosted Spur Corp.'s sales growth in the region.

Source: Spur Corporation

The group, which owns brands including Spur, Panarottis, RocoMamas, Hussar Grill and John Dory's, grew revenue by 35.0% to R1.5bn and group profit before tax by 103.0% to R168m.

Revenue growth was driven by the 31.5% increase in franchised restaurant sales, higher sales in the retail company stores and increased sales from the manufacturing and distribution division. Headline earnings rose 191% to R112m and the group declared an interim dividend of 82 cents per share, 67% higher than the prior period.

Group CEO Val Nichas said despite the mounting pressure on disposable income, the group's customer count increased by 21%.

Growth in South Africa was mainly driven by the Spur brand which increased restaurant sales by 33.6%, and which represents 69% of the group's South African sales. Panarottis increased restaurant sales by 28.5% while the speciality brand portfolio increased sales by 62.3%, with strong performances by The Hussar Grill and Casa Bella following a recovery in both local and international tourism.

“Increased tourism in the Western Cape contributed to our sales growing by 31% in the province. We also experienced strong growth in restaurants in high-traffic national locations, such as OR Tambo International Airport and major shopping malls including Canal Walk, V&A Waterfront and the Mall of Africa. Several restaurants in casinos and resorts also delivered higher than expected results,” Nichas said.

International franchised restaurant sales grew by 33.0%, with solid performances reported in Zambia, Namibia, Kenya and Nigeria as trading conditions improved, Spur said.

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Growing restaurant footprint

The group’s restaurant base expanded to 642, with 556 outlets in South Africa and 86 across the international portfolio mainly in the rest of Africa and Mauritius. During the past six months the group opened 18 restaurants locally - seven Spur, five RocoMamas, four The Hussar Grill and two Panarottis stores - while nine local restaurants closed due to the current difficult trading conditions.

The group’s international growth strategy gained momentum as four new restaurants opened, with two RocoMamas in Ghana and one in India, and a Panarottis outlet in Nigeria. Following the opening of the first restaurant in the Democratic Republic of Congo earlier this month, the group now has a presence in 14 countries.

Nichas said 17 new restaurants are planned to open in the second half of the financial year.

The group said that the transformation of its restaurant ownership base has been accelerated, with Black franchise partners accounting for 28% of all franchisees, representing 157 restaurants. The South African restaurants opened in the past six months include six wholly-owned by Black franchisees, while 50% of the new restaurants have Black ownership structures.

The group’s online, delivery-only virtual kitchen brands are well entrenched, including Just Wingz which specialises in a range of chicken wings. According to Spur, these virtual brands allow the group’s full-service restaurants to leverage their existing infrastructure to increase market share of the online food business. Pizza Pug, Just Wingz and Bento are the three top-performing virtual brands in the group.

Load shedding impact

Nichas said South Africa is experiencing its most severe load shedding ever, with expectations that the energy crisis will continue for several years. “Currently 95% of our restaurants have generators or are linked to shopping mall central generators. This ensures that the majority of our restaurants continue to trade during load shedding and provide customers with a consistent dining experience.”

“The increase in power outages has placed pressure on franchisee operating costs with higher diesel and generator maintenance costs,” she said. “We will continue to support franchisees by recommending alternate power solutions to create a sustainable outcome for franchisees and the national grid, as well as exploring a group negotiated rate for diesel supply for our franchisees.”

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Nqobile Dludla 24 Feb 2023

Cautiously optimistic outlook

On the outlook for the second half of the year, Nichas said consumer disposable income among the group's core middle-income target market is likely to reduce further as higher food, fuel and electricity costs, rising interest rates and persistent load shedding place household income under pressure.

"Despite these headwinds we are cautiously optimistic on trading for the remainder of the financial year and will continue to navigate the current market challenges by exploring options for innovation, value and customer experience," she added.