

NWJ deal puts a shine on Taste

Franchise group's acquisition of jewellery company helps boost headline earnings 55%

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FRANCHISE group Taste Holdings drove revenue up 303% to R136,3m in the year to February as its recent acquisition of jeweller NWJ counted towards revenue for the first time.

The group, which franchises Maxi's diners, Scooters Pizza and NWJ though 260 outlets, said that profit had grown 118% to R25,6m in the year despite tough trading conditions. The revenue growth translated into a 55% boost to headline earnings to R15,4m and headline earnings a share grew 29% to 10,2c from 7,9c. The dividend was again waived in favour of investing in the business.

Taste acquired jewellery franchise NWJ Holdings from August last year in a bid to become a vertically integrated diversified franchisor. The results include seven months of NWJ sales.

During the year, Taste acquired sit-down restaurant sites in Caltex forecourts on the national highways belonging to the BJs brand that were converted to Maxi's brand in terms of an exclusivity

HIGHLIGHTS OF TASTE HOLDINGS



CARLO GONZAGA

Graphic: RUBY-GAY

	Feb 28 2006 R000	Feb 28 2007 R000	Feb 28 2008 R000	Feb 28 2009 R000
Revenue	20 916	29 507	33 793	136 345
Operating profit	4 418	10 649	11 715	25 585
Earnings per share	2,8c	7,2c	8,0c	9,6c
Headline earnings per share	3,0c	6,6c	7,9c	10,2c

agreement. Food now accounts for 28% of revenue and 48% of profit, while the jewellery arm accounts for 72% of revenue and 17% of profit due to differing margins.

Chief financial officer Duncan Crosson said food revenue grew 15% in the year to R38,8m. NWJ added R97,6m. NWJ offered the most opportunities for growth.

Maxi's, which saw refurbishments drive up turnover 15%-40%, was set to expand into smaller store formats, said Gonzaga. The two pilot stores performed well.

Gonzaga said that in the past year all the BJs it acquired were converted. The company developed 20 new sites and closed six. It refurbished five new outlets. In the

next two years, 15-20 stores would be refurbished.

It was increasing marketing spend, and its alliance with Caltex would be expanded so that Maxi's would have more of a presence on national roads, said Gonzaga.

Scooters, the second-largest chain in SA, would start opening in malls in addition to the strip-mall

outlets this year. Scooters, which launched a pasta range successfully, would benefit from new ranges launched this year, said Gonzaga. However, it was taking longer for franchisees to receive financing, said Gonzaga.

NWJ, SA's fourth-largest jewellery chain, would focus on gaining market share and making more products in house. The company made about 45% of the brand's range, giving it quicker access to market, said Gonzaga. "We can make the things consumers want."

The company was benefiting from a move towards downtrading within the segment, Gonzaga said.

In the next 24 months, stores would be revamped and the brand repositioned.

Gonzaga said the group would continue to look for acquisitions.

"Taste will continue assessing opportunities in line with its strategy for being a diversified franchisor invested in retail and restaurant brands. Management will grow these divisions by containing costs; driving top-line system-wide sales and extracting synergies between its brands."

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