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Taste eyes growth after buying Fish & Chip Co



ANNALEIGH VALLIE
 Retail Industries Correspondent

AS OF February next year, Taste Holdings will add 170 outlets of the Fish & Chip Co to its offering, hotting up this fast-food category.

Last month, Famous Brands, the owners of the Steers and Wimpy brands, said it would seek to increase its Fishaways store base in the coming months.

Taste, which owns the Scooters and St Elmo’s pizza chains, yesterday said the R66m deal would include all the assets of the business, including stock, trade debtors, the distribution centre and any payments made in advance to secure new stores still to be opened.

“The seller is warranting that there will be at least 195 stores on the takeover date and gross profit of at least R2,4m a month,” Taste Holdings CEO Carlo Gonzaga said.

“This will translate into annualised system-wide sales in excess of R300m. Should this not be achieved, then the purchase price will be reduced by R35 for every R1 below the profit target. For every store less than 195, R450 000 will be deducted from the purchase price.”

Mr Gonzaga said fish was the fourth-largest fast-food category in SA and had shown considerable growth over the past five years.

“The acquisition exposes Taste to the lower LSM (living standards measure) segment,” he said.

“There is significant opportunity for growth and we believe that the chain is potentially a 400-store system in existing store formats.

“The footprint does not include any meaningful penetration into the largely untapped Western Cape and KwaZulu-Natal provinces, which presents Taste with the massive opportunity to expand into these coastal areas. In addition, there is substantial value to be unlocked by adding the volume of its own products, which are ... not manufactured by The Fish & Chip Co, to the current manufacturing capabilities within Taste,” Mr Gonzaga said.

The acquisition would increase the number of outlets in the Taste food division by more than 40% and the annualised system-wide sales in that division to about R800m, and was expected to be earnings enhancing from the first year of consolidation, the company said.

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