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TASTE BROADENS INVESTMENT FOCUS

IN a strategic move that broadens its investment focus, consumer brand holding company Taste Holdings today announced the proposed acquisition of the franchised retail jewellery chain NWJ Holdings for a base price of R120million. The final price will be adjusted based on actual profits achieved for the year ending 30 April 2008.

The move, which received unanimous board approval on Monday, will bolster system sales of the new entity to more than R650million for the 2009 financial year and brings to over 240 the number of retail outlets incorporated within the Taste stable at 1 August 2008, the date on which the transaction is expected to become effective.

Demonstrating their confidence in the new, combined entity, the founders of NWJ have accepted 10% of the purchase price via the issue of new Taste shares. Founder and current NWJ managing director, Hylton Rabinowitz, will also join the Taste board once the transaction is effective.

Taste is a South African based management group that is invested in a portfolio of mostly franchised, category specialist and formula driven, quick service restaurant and retail brands. Taste is involved in establishing and growing franchised brands; marketing and advertising those brands and providing operational support to franchisees. Currently Taste has the well known Scooters Pizza and Maxis brands, having founded the former and acquired the latter in 2005. Taste currently has over 170 outlets across those two brands.

“This acquisition brings to Taste, first and foremost, a good franchise business with a strong brand and track record of success. As far as we’re concerned those are among the key requirements in a franchise business. Additionally, it adds to the national footprint of the Taste group and in so doing, critical mass. With Hylton joining the Taste Board it will also further deepen the human resources that Taste has,” Taste CEO Carlo Gonzaga said.

The deal, still subject to shareholder and regulatory approvals, is expected to become effective on 1 August 2008.

NWJ is a vertically integrated chain of branded retail outlets specialising in quality jewellery and watches for consumers within the LSM6-10 brackets. The bulk of the 70 NWJ outlets are within KwaZulu-Natal and Gauteng major shopping centres.

Rabinowitz established NWJ more than 25 years ago with the brand having secured a host of awards, the most recent being voted “Best Place to Buy Jewellery” in the *Readers’ Choice* survey for four consecutive years. The group owns 14 outlets with the balance being franchised and manufactures around half of the items sold throughout its stores. It also wholly distributes its products including watches, rings, bangles, chains and earrings.

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The transaction will also be earnings enhancing to Taste. Taste CFO, Duncan Crosson expanded, "Assuming that the NWJ business was incorporated into the Taste results for the six months ended 31 August 2007, pro forma figures would have reflected a 64, 7% increase in Taste headline earnings".

Gonzaga said the NWJ business and philosophy was aligned to the current Taste brands including an extensive marketing fund based on turnover. He indicated the Taste management had been setting up the structures to accommodate this type of acquisition since listing Taste on the Alt^X in June 2006. When asked about this and whether it would defocus Taste Gonzaga replied; "We are not asking the Scooters Pizza and Maxi's franchisees to run a jewellery business. Since listing two years ago we have always stated that a principle factor in making an acquisition would be for key management to remain in the business. Franchising is as much about managing the complexities of a franchise system as it is about selling a product," Gonzaga said.

Given that NWJ is the country's largest franchised jewellery group and the fourth-largest chain by outlets, the acquisition is aligned with the Taste strategy for investing in franchised businesses with the ability to become the preferred chain in its segment. The acquisition thus provides Taste with the opportunity to apply its branded, value-based franchise model beyond the quick-service restaurant category that Scooters Pizza and Maxis trade in.

Gonzaga said that NWJ would utilise the Taste Holdings national property management infrastructures to expand into areas outside its KwaZulu-Natal head office.

Rabinowitz said the group had been seeking a strategic partner who "understood the culture of franchising and had the same vision and passion" to boost the NWJ brand. "Their successful brands have been conceived, nurtured and grown into formidable ventures that uphold the highest ethical principles of franchising," he said. He believed the acquisition paved the way for NWJ to double production volumes. The owner-operator model also meant franchisees had a vested interest in growing their businesses to deliver above-average results and service levels.

In terms of the deal, Taste will fund the acquisition via the issue of new Taste shares worth between R12m and R13, 5m to the vendors. The balance will be funded through a combination of current cash balances, debt and equity funding.

Taste anticipates its full year results will be announced at the beginning of May 2008.

Ends.