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Press Release

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Taste Holdings' interims beat expectations

Taste Holdings, the AltX-listed company that owns the Scooters Pizza and Maxi's restaurant brands, has lifted revenue by 40% to R15 million and attributable earnings by 77% to R4.2 million in the six months ended 31 August 2006.

Headline earnings for the company rose 54% to R3.6 million from R2.3 million and headline earnings per share increased 29% to 3.1 cents from 2.4 cents in the same period in 2005. No dividend was declared, in line with the group's policy of reinvesting its earnings.

Taste, which listed on the JSE's AltX board on 21 June 2006, attributed its performance to growing consumer demand for pizza and casual out-of-home dining, and improved margins. It said its existing stores had seen double-digit year-on-year growth.

"These results beat our forecasts, which reflects the strength of our brands within favorable trading conditions," said Taste Holdings chief executive Carlo Gonzaga. "We have now delivered a solid foundation for both acquisitive and organic growth. This will be aided by our cash position, which is strong thanks to the money raised at our listing and the cash that our businesses have been generating."

Cash flows from operating activities increased 61% to R8.9 million from R5.5 million in the same period last year. The group's overall cash position improved to R29.8 million from R6.2 million.

Scooters Pizza experienced its eighth consecutive quarter of positive growth during the six-month period. Sales increased by 46% for the period, accelerating to 59% in August. This increase was a result of 16 new stores – the total number of stores is now 98 – and organic growth in like-for-like sales of 17%, well ahead of the approximately 3% inflationary price increases.

"Particularly promising is the demand for new outlets from existing franchisees, demonstrating the confidence in the brand and business model," said Gonzaga.

Sales for Maxi's grew in line with expectations. They were 34% higher than in the same period last year, driven by a combination of like-for-like increases in existing stores and the 12 new outlets opened. There are now 43 Maxi's stores.

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The 13-year-old brand is being revamped to keep it relevant to its target market of aspirational value-conscious families, thus taking advantage of the growing demand for out-of-home consumption. An improved menu and a new store design – launched in a next-generation store in April 2006 – have positioned Maxi's as a contemporary casual dining destination.

“Initial consumer reaction to the new store design has been positive, and the first revamps of existing stores will take place in the second half of the year,” said Gonzaga. “Our focus on value in both brands will remain a competitive advantage, especially to the growing market of value-conscious consumers. There is a trend towards home-meal replacement, which we can meet through the convenience of Scooters Pizza delivery or out-of-home consumption offered by Maxi's.”

Duncan Crosson, Taste Holdings' chief financial officer, said: “We also expect a strong performance in the second half of the year due to the traditional seasonal increase in consumer spending over the festive season. The better-than-expected growth so far this year has increased the marketing funds for the brands in the second half of the year. Additionally, the group's target of 30 new outlets for the year will be exceeded given that 22 outlets have already been opened in the first six months of the year, and that there are a further 35 prepaid and approved franchisees awaiting sites around the country.”

He said the group had moved to a pure franchise model, which required less capital to fund future organic growth. Combined with the strong cash flows generated by the franchising model, the growth prospects should translate into solid earnings growth for shareholders.

Crosson added that the group's aggressive strategy to acquire key sites in regional centres was paying off, with the first of these scheduled to open before the festive season. Numerous opportunities still existed for consolidation within the sector, as well as for the acquisition of further brands that fell within the core competencies of management. The group's strong cash situation positioned it favourably to acquire these brands, he said, thereby unlocking value for customers and shareholders through acquisitive and organic growth.

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Issued on behalf of Taste Holdings Limited by Ahoy! PR

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