

Taste Buys Zebro's Chicken

Innovative retail management group Taste Holdings has broadened its reach into the lower income market by acquiring Zebro's Chicken for R17 million.

The move will offer potential and existing Taste franchisees another investment opportunity with low start-up costs aimed at the lower income segment. It follows Taste's stated strategy for acquiring businesses with a significant overlap to its existing vertical integration capacity in manufacturing and distribution and is complementary to its existing Fish & Chip Co. brand.

In 2012 the group acquired The Fish & Chip Co. that took Taste into the lower income living standards measure (LSM) market. An aggressive expansion programme has taken that brand to more than 300 franchised stores nationally and was voted the number one fish brand in South Africa in 2013 in the annual Sunday Times brand survey.

As a South African-based management group invested in mostly franchised, category specialist, restaurant and retail brands, the Taste group is currently represented in more than 600 southern African locations through Scooter's Pizza, Maxi's, St Elmo's Woodfired Pizza, The Fish & Chip Co. and NWJ Jewellers.

Zebro's offered another brand targeting LSM 4-6 consumers and was expected to be earnings enhancing from the first year of consolidation.

The deal is effective March 1 and will be paid equally in cash and Taste shares to the sellers. Zebro's co-founder John Hickman will remain with the company for at least a year from the effective date.

Taste Holdings CEO Carlo Gonzaga says Zebro's is a 15-year-old brand with 40 outlets mainly in the Western and Eastern Cape. It was unique in the South African chicken market in that products were prepared over an open fire similar to a braai, offering a truly unique and well understood flavour profile to the market.

"It is arguably the only chain of its size using this preparation method and flavour profile. Honestly when I first heard of a chain that actually braai'd its product I didn't think it was possible. Yet, after 15 years and over 40 stores, these guys have built a unique system and preparation method that is unbelievably tasty. On top of that it's also healthy," he says.

The core menu includes chicken on the bone, chicken burgers, Russian-style sausages, fresh-cut chips and assorted salads with the simplicity resulting in the lowest new-store establishment costs for its category as well as simplified in-store operations. Its pricing is aimed at lower income consumers and represents unbelievable value for money, similar to The Fish & Chip Co. He adds that the current Zebro's business was not vertically integrated, offering further opportunity for unlocking value by adding its volume to the existing Taste capabilities. Taste established the Buon Gusto Food Services distribution business 18 months ago in a bid to maximise vertical integration and believes that Zebros would benefit from the group buying power.

Gonzaga says that this simplicity, low costs and target market made the brand accessible to a wider franchisee audience and promoted opportunities for multiple store ownership. Taste would leverage off its existing franchisee base in aggressively expanding Zebro's nationally and internationally into southern Africa.

The brand currently has one store in Namibia and current site locations include shopping malls, rural towns, taxi ranks and selected higher LSM locations.

Gonzaga says in purchasing Zebro's, a business with a similar trading format to existing Taste food brands, the group recognised lower LSM consumers were currently underserved by formalised quick service restaurant brands. Since its site criteria were also similar to The Fish & Chip Co., Taste would leverage its existing national property infrastructure in growing the brand. "We definitely think Zebros is a great opportunity for franchisees to get into the lower LSM consumer segment with an affordable chicken brand that doesn't compete head on with the current market leaders in terms of product or preparation. Although the deal is effective 1 March we are already answering calls from potential franchisees".

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