

Domino's Pizza licence deal is in the bag, says Taste CEO

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Along with the conversion of 150 Scooters Pizza and St Elmo's outlets to Domino's Pizza, Taste Holdings (TAS) will open a further 100 Domino's Pizza outlets in South Africa in the next five years, CEO Carlos Gonzaga said on Wednesday, 21 May 2014.



A coup for Taste, the Domino's Pizza deal announced last month adds the first major international brand to its food outlet portfolio as global players make a move for the continent and its growing middle class.

Gonzaga, who was upbeat over the US brand's roll-out, drew attention to the advancement of its plans, which included the building of a dough-making facility and trips to Domino's chains abroad.

This came amid accusations earlier in the week over the validity of its licence agreement.

"We are in execution mode already. What I do know is that we have a signed agreement. Their [Domino's] global CEO has announced our deal in every public forum since, including their results.

"They have sent 15 people out here in the past two months. They've handed us the IP [intellectual property]," he said.

Earlier this week, a local consortium accused Domino's of reneging on an agreement that followed on several months of talks, a payment and a three-man team visit to South Africa last year by Domino's, that led the consortium to believe it had secured the rights.

"It's not uncommon for guys to talk to multiple parties when they decide to expand into a country.

"They construct fairly extensive due diligence on people. We have been told by Domino's that we must continue as we are," said Gonzaga.

"We can't comment on the actual allegations though, as we need Domino's response."

Taste, whose brands include Scooters Pizza, St Elmo's, Maxi's and jeweller NWJ, reported a 12% increase in normalised headline earnings per share to 16.9c for the year ended February.

While systemwide sales for the year in its food segment increased 7.1% to R1.2bn, the group saw a noticeable slowdown in same-store sales in the latter half of the year as consumers, especially in the lower-income groups, scaled back the frequency of their purchases.

The curbing of credit, including unsecured lending, poor job prospects and a moderation in income growth are worsening the slowdown in consumer activity in South Africa, especially at the lower end.

"Brands targeting higher income consumers have shown positive same-store sales growth since, in particular Scooters Pizza and St Elmo's," Taste said.

Systemwide sales at NWJ, which is the third-largest jewellery brand in South Africa, rose 8% to R284m.

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