

Spur to shrink UK eateries as losses drag on results

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Spur Corporation has issued a "deliver or depart" ultimatum to its loss-making UK restaurants.



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The poor performance from Spur's company-owned restaurants in the UK detracted from a sound performance from its core South African restaurant franchising operations, results for the year to end June released Thursday, 10 September 2015, showed.

Spur's reliable core business again showed stout margins and strong cash flows, allowing the company to hike the dividend 9% to R1.32 a share.

By contrast, the UK operations posted a 6% fall in turnover to R148m, which translated into a pretax loss of R4.7m (double last year's loss of R2.2m).

Spur's UK restaurants, which are all company owned, account for nearly 20% of total external revenue. But the effect on bottom line was cushioned by Spur's perennially profitable and high margin local operations.

Spur CEO Pierre van Tonder said the performance in the UK and Ireland suffered due to high levels of competition in the quick-service restaurant market, as well as escalating labour, occupancy and food costs.

"We can blame the economic climate (or) the weather. But the truth is management did not have a successful year, and we have not built a successful operational platform."

Spur's strategy in the UK would shift to a smaller format brand, known as RBW (Ribs Burgers Wings).



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Van Tonder said it was critical the Spur RBW roll-out established a sustainable profit base. "We now have a clear strategy in place for the UK, and we have to bite the bullet to see if two or three stores can build a successful platform. If it doesn't work then we come home."

Vunani analyst Anthony Clark questioned Spur's long commitment to the UK when money might be better spent opening up African markets.

Van Tonder said Spur International's board had approved an investment of up to £1m on the new 200m² format. Spur would raise additional capital from the sale of existing leases in the UK.

"We have sold the Aberdeen lease for £450,000 and the Lakeside lease for £480,000. Two other leases being negotiated for sale should fetch £500,000 to £550,000 each."

He said RBW outlets required a lower investment than a regular Spur restaurant and offered a more sustainable formula in the current climate.

Source: Business Day via I-Net Bridge

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