BIZCOMMUNITY

Impairments hit Famous Brands

The share price of Famous Brands fell as much as 12% in early trade on Thursday after the food services franchisor warned investors that it would make impairments of between R241m and R322m in its financial results for the year to February.

The share pared losses to end the day 5.79% lower at R114. The company said the impairments would include between R59m and R78m write-offs on property, plant and equipment at its UK-based Gourmet Burger Kitchen.

Earnings per share for the period are expected to decline by more than 20% compared with the previous corresponding period. The retailer said it also made provision for property-related expenses for Gourmet Burger Kitchen of between R37m and R49m.

Famous Brands acquired Gourmet Burger Kitchen in 2016 when gourmet burgers had become the next big thing in casual dining in the UK. Gourmet Burger Kitchen's stylish stores offer craft beer, mango milkshakes, truffle cheese fries, pulled pork and gluten-free burgers.

Analysts agree that the 120m acquisition of Gourmet Burger Kitchen's entire share capital has put the company under financial pressure and left it facing steep financing costs. The group's share price has lost 33% since the acquisition.

Old Mutual fund manager Warren Jervis previously said that Gourmet Burger Kitchen had been a poor acquisition with weak numbers in the UK coupled with a stronger rand. The impairment comes as shareholders, for the second year, have not been given a halfyear dividend so that Famous Brands can retain cash.

Kevin Hedderwick, the man responsible for Famous Brands making seven acquisitions, including Gourmet Burger Kitchen, resigned in January, eight months after his appointment as a nonexecutive director.

The Famous Brands stable is also home to Steers, Wimpy, Wakaberry, Debonairs Pizza and Mugg & Bean.

Source: Business Day