

# Grand Parade reviews Burger King

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Empowerment group Grand Parade Investments (GPI) is pursuing its expansion of its Burger King franchise with a little less relish, as competition intensifies and cost pressures in the domestic fast-food segment increase.



Image source: [BDOlive](#)

Speaking after the release of interim results to end-December on Wednesday, GPI CEO Alan Keet said the Burger King rollout would probably reach about 75 to 80 outlets by the end of June. GPI, which now has 63 outlets, initially set a target of 100 stores by the end of June this year.

This figure was subsequently revised to 85 stores.

Burger King also saw the sudden resignation of CEO Jaye Sinclair recently.

Mr Keet said GPI management was taking a hands-on approach to Burger King, focusing specifically on profitability in a more competitive fast food market. He conceded the more competitive environment had prompted GPI to lower margin expectations at Burger King to the "mid-fifties". "We've changed our mentality (around pricing) and are prepared to take on our competitors head-on."

He also warned the drought and related increase in food prices would put significant pressure on Burger King's gross

margin during the next six months. GPI was still on track to achieve the 85-store target stipulated in the Burger King master franchise agreement by the end of the calendar year.

"We still think there is capacity for 200 Burger King stores in SA over the longer term."

GPI's results showed Burger King reported a R24m after-tax loss — markedly less than the R40m loss notched up in the previous trading period.

Revenue was hiked 66% to R224m and the "four-wall" earnings (operating profit before head office cost and franchise fees) jumped 352% to R12m.

GPI also recently acquired the South African master franchise licences for Dunkin' Donuts and Baskin-Robbins.

The Dunkin' Donuts licence requires GPI to open 80 corporate-owned restaurants and 210 franchised restaurants over 10 years, while the licence for the Baskin-Robbins ice cream shops requires 71 corporate-owned outlets over 10 years.

GPI's total debt topped R853m, but is underpinned by GPI's valuable gaming investments — most notably Western Cape-based casino company SunWest, and its (reduced) holdings in limited payout machine operations.

GPI recognised R64m in equity-accounted earnings for the period and received R95m in dividends from its 25.1% holding in SunWest, which operates the cash spinning GrandWest casino in Cape Town. Asked whether GPI could sell the stake in SunWest, Mr Keet discounted the chances of it in the short term.

GPI agreed last year to sell its gaming assets as part of a proposed shuffle in the ownership of Western Cape properties between rival casino groups Tsogo Sun and Sun International. The deal fell through.

An investment analyst, who asked not to be named, said that if the deal between Sun International and Tsogo Sun had materialised, GPI would have been worse off, because they would have swapped a share in one of the country's finest businesses, with an effective monopoly in the Western Cape, for a stake in a fast-food operation competing in an overcrowded market.

**Source:** Business Day

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