
Taste reels in The Fish & Chip Co

Taste Holdings announced today that it has entered into a sale agreement with The Traditional Fish and Chips (Pty) Ltd to acquire from it, the approx 170 franchised outlet business of The Fish & Chip Co with effect from 1 February 2012.

The purchase price of R66m includes all assets of the business including stock, trade debtors, the distribution centre and any payments paid in advance to secure new stores still to be opened.

"The seller is warranting that there will be at least 195 stores on the takeover date" said Carlo Gonzaga, CEO Taste Holdings, "and gross profits of at least R2.4m per month. This will translate into annualised system-wide-sales in excess of R300m.

Should this not be achieved then the purchase price will be reduced by R35 for every R1 below the profit target." Gonzaga added that "for every store less than 195, R450k will be deducted from the purchase price."

The Fish & Chip Co is an established brand with strong marketing ties to the South African football fan base through an association with Bafana Bafana player Siphwe Tshabalala and is arguably the largest chain by number of outlets and market leader in the take-away fish category.

"We are excited at this acquisition as fish is the 4th largest fast-food category and has shown considerable growth in the last 5 years and exposes Taste to the lower LSM segment," said Gonzaga. "There is significant opportunity for growth and we believe that the chain is potentially a 400-store system in current store formats. The current footprint does not include any meaningful penetration into the largely untapped Western Cape and KwaZulu-Natal provinces which presents Taste with the massive opportunity to expand into these coastal areas."

In addition there is substantial value to be unlocked by adding the volume of its own products which are currently not manufactured by The Fish & Chip Co to the current manufacturing capabilities within Taste.

The acquisition will increase the number of outlets in the Taste food division by over 40% and the annualised system-wide-sales in that division to in excess of R800m and is expected to be earnings enhancing from the first year of consolidation.

Ends.

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