Not so Famous Brands

Perspectives: October 24th, 2025

JSE listed company, **Famous Brands**, traces its origins back to 1960, when founder George Halamandres opened the first Steers burger restaurant in Jeppe, Johannesburg. By 1988 it had slowly grown to 50 restaurants, but by 1993 they had opened their 250th restaurant. Today it is a business with a network of 3,008 restaurants across multiple brands and formats operating in 20 countries and 3 continents, with a significant food service manufacturing division.

It is in all respects an excellent business, except one that seems small at first.

Famous Brands started expanding outside its core South African market in 1997. Expansion was slow and measured at first, but then, after the founding families relinquished their control, in 2016 it made a significant R2,7bn acquisition of Gourmet Burger Kitchen [GBK} in the UK. The outcome of this acquisition was particularly painful, as GBK was put into business administration in 2020.

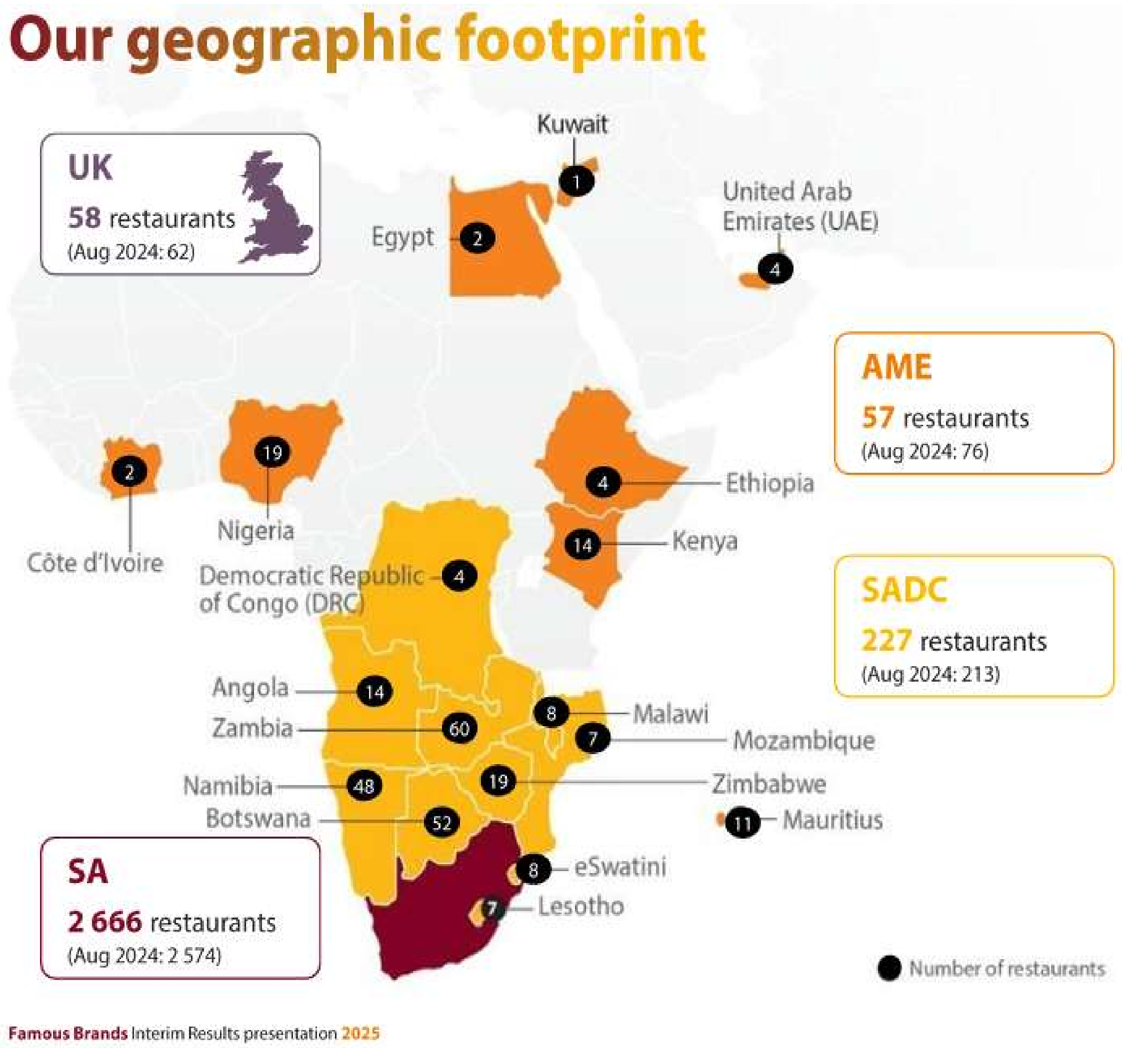
When the 'hard' costs to expand internationally are written off, they conveniently disappear from view on financial statements. That R2,7bn write-off should be added back, in today's money, in order to calculate an accurate return on invested capital with which to evaluate the capital allocation skills of its responsible executives and board members.

There are also a number of 'soft' costs to expand internationally to consider.

Think about the enormous amounts of organisational resources involved in supporting an ambitious and complex international expansion plan – senior executives doing strategic planning sessions; paid external consultants doing market research; employees traveling regularly; the operations team managing food safety risks; the finance department grappling with hyperinflation accounting; the treasury department grappling with illiquid and volatile currency markets.

Now, add on the value of all of the talented executives and employees across the company who have to make time available in their already busy schedules to invest time, energy, and stress to find solutions to incredibly complex problems in far-away countries with vastly different cultures, languages, customs, regulations, and consumer preferences. Finally, also add on the value of lost opportunities due to talented people being otherwise engaged, distracted, and frustrated.

After 28 *years* of expansion outside its core South African market, Famous Brands now have 342 restaurants internationally and 2,666 in South Africa. So, they have 11,4% of their restaurants *outside* South Africa.



In the latest set of results, their combined contribution to revenue was 7,6%, and their combined contribution to operating profits was just 1,5%. They are also grappling with a number of challenges across their international division – including hyperinflation, load-shedding, restaurant closures, and legal matters. Doing business across 19 countries spread across Africa, the Middle East, and the UK, is clearly not a simple matter.

Sensible long-term business owners would calculate the '**Return on Sweat**' on a strategic international expansion. Such a calculation would have in its denominator in today's money (1) all of the hard costs – including adding back amounts written off – *and* (2) all of the soft costs.

You can probably guess where this is going. I do not need a calculator or a spreadsheet to realize that the Return on Sweat of Famous Brands' 28-year international expansion is near zero.

Back to the future. I wonder how much of their organisational resources is still being consumed by their international division. Logic and experience informs me it might be far higher than the 1,5% of profits or 7,5% of revenues being contributed.

Shoprite *eventually* figured out that doing business in Africa is not worth it. They called it a day wherever it did not make sense, took it on the chin, and have been dominating in their core South African home market ever since. *What a surprise.*

Our work continues…

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