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**For immediate release to the market**

**ALLIED BRANDS Limited (ASX: ABQ)**

**Monday 1<sup>st</sup> March 2010**

## **Allied Brands announces half year profit of \$3.001m NPBT.**

**Allied Brands is pleased to advise that it has produced a NPBT of \$3.001m for the FH10 result, which is 15.8% up on the FH09 result. This is in line with previous guidance.**

- The FH10 result was driven by better than expected sales of franchises and master franchises, which over the next 3 years will assist the company achieve growth in store numbers of greater than 40-50%.
- Revenue for the group for FH10 grew by 14.5%, but NPBT grew by 15.8%, which is testimony to the scalable franchise model of Allied Brands.
- Allied Brands experienced growth in store on store sales across the group of 1.86% and growth in system sales of 8%.
- Villa & Hut was voted the 6<sup>th</sup> fastest growing franchise system in Australia in the recent BRW edition for February and March 2010. This business continues to offer growth in the sale of new stores, establishment of new stores through its strategic relationship with Delaware North and DFO's and growth in the supply of "How Ya Bean" Coffee from the Allied Brands centralised factory.
- Baskin-Robbins performed solidly and experienced 12.31% store on store growth. This was driven by the "low cost treats market" and by the introduction of the Allied Customer Service team into the BR brand. Cookie Man experienced flat sales in FH10, but the launch of the Customer Service program in Cookie Man will occur at the beginning of Q4, this is expected to drive sales.
- Kennys Cardiology experienced steady store on store sales of 0.5%, but with company stores up a strong 6% for the Christmas period. This is testimony to the customer service program that the group announced at the AGM in November 2009. This improved sales trend has continued in 2010 for the Kenny's business both in corporate stores and franchised stores.

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- Sales failed to meet expectations in Awesome Entertainment, where access to consumer credit continues to challenge and slow growth.
  - The portfolio of the brands supports the view that Allied Brands is a resilient business model, considering Christmas trade this year was backing up against government fiscal stimulus from the previous year. This makes the result even more satisfactory.
  - The company will move its registered head office to Brisbane as of the 1<sup>st</sup> of March to complement its existing back office support team and to continue to drive improved synergies and cost savings.
  - There are a number of settlements of stores that will occur in the back half of the year. Five stores in the Franchise Services division are under unconditional contract to settle by March 31, which complements the forecast.
  - Operating cash for the FH10 was \$821,000. This was anticipated as in the first half the company had invested heavily in inventory of the conversion stores (Bay Swiss/Freedom) as outlined in previous announcements. In addition, there is the seasonal stock build up for Baskin Robbins in the summer period of December and January. This equated to \$2.9m in the first half.
  - It is anticipated that, with impending settlements, Operating cash, at June 30 will improve, driven by the sales of stores and regions. As outlined in the investor presentations in December 2009, the operating cash flow is expected to be \$2.8m at June 30<sup>th</sup> 2010.
  - The company has experienced sound margins once again with the improved \$AUD/USD exchange rate from September of this year and has hedged its exchange rate in mid January to the end of June to create certainty over currency exposure to June 30. This is a positive for the group as it will create certainty over earnings for FY10 and eliminates any currency risk as was experienced in previous years.
  - Margins have improved across the board in FH10, compared to FH09.

CEO of Allied Brands Shane Radbone said, "we are in a good space, with low cost treats that have shown their resilience to external market conditions. We are very happy with our work in the customer service area at retail level that is delivering positive results in the company stores and resulted in a turnaround in sales. We still however, remain cautious of the retail trading environment"

The Allied Brands group is well positioned with a major focus on the back end of the financial year and focus on delivery to the consumer that positions the company for when market conditions improve to expect strong double digit growth in same store sales. The customer service program has only been launched in two of the brands, and not in all states, as the program makes it's way through the Allied Brands system.

Radbone said, "the second half of the year allows us to generate sound cashflows from the sale of franchises from the re-badging and operating cashflow from the brands. All of the back office steps and investment have been hard, but necessary, if you want to be a multi branded franchise company, and we still have more work to do".

The re-badging program continues successfully in the Villa & Hut business and it is anticipated that by the end of March an announcement on the number of sales of these stores will be made to the market.

Radbone said, “our budget was to sell four of those stores as franchises for the financial year. We have so far successfully sold these four and they are due to settle by end of Q3, and feel very confident that our core franchising expertise will continue to achieve results even in this difficult financial environment”.

The company continues to explore opportunities in the Franchise Services space and will be in a position prior to 30<sup>th</sup> June, to make a positive announcement regarding a joint venture in the Franchise Services division.

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## About Allied Brands Limited

Allied Brands is a company specialising in the franchising sector based in Australia.

Allied has three divisions to its business model.

The first division is the Retail Management division, which includes the following brands : Baskin Robbins, Cookie Man, Villa and Hut and Kenny's Cardiology. This division also has a focus on vertical integration with its own manufacturing facility in Sydney providing a range of products to the franchised stores, including coffee and cookie dough. It makes it's money through a percentage of sales royalty income stream and margin from the manufacturing facility.

The bulk of the Retail Franchised businesses are based in Australia, however, the Cookie Man brand has stores in India, China, Greece and Singapore.

The second division is the Direct to the Home division, which includes the following brands : Awesome Water and Awesome Entertainment. This is a direct to the home model providing water cooler and LCD plasma screens to the home.

The third division is the newly launched Franchised services division. This is a service division to the franchising sector providing services to assist franchise companies and/or those wanting to franchise. The recent announcement in November 2009, included the winning of the first franchise service contract with Bay Swiss/Freedom Homes.

Headquartered on the Gold Coast, Allied Brands is listed on the Australian Securities Exchange, under the ASX code of ABQ. For more information about Allied Brands, visit [www.alliedbrands.com.au](http://www.alliedbrands.com.au)