

6 June 2011

## Global Brands S.A.

Year End	Revenue (CHFm)	PBT* (CHFm)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/09	11.8	(3.0)	(8.0)	0.0	N/A	N/A
12/10	13.8	(2.1)	(1.4)	0.0	N/A	N/A
12/11e	16.2	(0.1)	(0.0)	0.0	N/A	N/A
12/12e	19.8	0.6	0.3	0.0	10.0	N/A

Note: \*PBT and EPS are normalised, excluding intangible amortisation and exceptional items. £0.69/CHF.

### Investment summary: Pizza the action

Global Brands has fully addressed its legacy issues and is moving ahead with exploiting the Domino's Pizza master franchise for Switzerland. It has started to deliver positive EBITDA on a quarter-on-quarter (q-o-q) basis and pre-tax profits are in sight. Recent international corporate activity indicates that the market value of Domino's-branded stores is well ahead of the level at which Global Brands' shares are trading.

### Moving on with the rollout

FY11 plans are centred on developing a sub-franchise model, allowing for a faster and cheaper rollout of the brand than finding and developing own-stores. It also gives the potential for superior returns. The small end-FY10 acquisition of Pagonia brought the first three sub-franchises and gives experience of managing this set-up. For future years, we assume a balance of own stores and sub-franchise. The balance sheet is cash positive and the group is now generating the cash needed to fund the programme, although additional funds would allow the process to be accelerated.

### Extending the portfolio

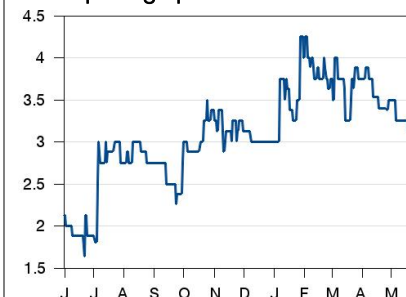
While Domino's Pizza constitutes the current offer, the group has wider ambitions to operate a number of food and/or beverage brands, hence the name. Management's experience and expertise within the complex Swiss market should be valuable for other brands looking to expand in mainland Europe. Their success in turning around the Domino's offer should also stand them in good stead for extending their geographic reach to other European markets.

### Valuation: Below corporate transactions

The Domino's brand is well established in several English-speaking territories and there is now also a small cohort of European early-stage franchisees, although their immaturity makes earnings-based valuation unhelpful. Corporate transactions show that Global Brands is valued at a large discount to others at a similar or earlier stage. On the basis of the most recent transaction, Global Brands would be valued at around 5p per share. Allowing for a discount to reflect the low levels of liquidity in the stock, a price of 4.25p seems reasonable; 42% upside from the current level.

Price 3p  
Market cap £6m

#### Share price graph



#### Share details

Code GBR  
Listing AIM  
Sector Travel & Leisure  
Shares in issue 204m

#### Price

52-week High 4.25p Low 1.60p

#### Balance sheet as at 31 December 2010

Debt/equity (%) N/A  
NAV per share (p) 1.4  
Net cash (£m) 1.0

#### Business

Global Brands S.A. is an international company developing branded food operations in Europe. It owns and operates the exclusive master franchise of Domino's Pizza in Switzerland, Luxembourg and Liechtenstein.

#### Valuation

	2010	2011e	2012e
P/E relative	N/A	N/A	149%
P/CF	N/A	7.2x	4.3x
EV/Sales	0.3x	0.4x	0.3x
ROE	N/A	N/A	23%

#### Revenues by geography

	UK	Europe	US	Other
0%	100%	0%	0%	0%

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## Investment summary: Pizza the action

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### Company description: Branded food master franchisee

Global Brands is the owner and operator of the Domino's Pizza master franchise in Switzerland, Luxembourg and Liechtenstein, which was first granted in 1999. The current management took over in 2009 and have been focusing to date on getting the product and the offer right to suit local market conditions, as well as putting in the systems and procedures essential for a larger, efficient business. The focus is now shifting onto the growth opportunities. It is developing out the opportunity in its main Swiss territory through expanding its own stores and through sub-franchising. It is also seeking further master franchises opportunities for other food and/or drink brands to build a portfolio in Switzerland and other European territories.

### Valuation: The unknown in the pack

The Domino's brand is well established in several English-speaking territories through the brand owner in the US and master and sub-franchisees in other territories. There is now a small cohort of earlier-stage franchisees operating in new European markets. The immaturity of these latter businesses makes earnings-based valuation not particularly helpful, but corporate transactions indicate that Global Brands is being valued at a notable discount to others at a similar or earlier stage of genesis. Based on the most recent transaction, Global Brands would be valued at around 5p per share. Allowing for a discount to reflect the low levels of liquidity in the stock, a price of 4.25p would not seem unreasonable. This represents 42% upside from the current level.

### Sensitivities: Speed of rollout is key

As a consumer company, Global Brands is dependent on economic conditions within Switzerland, which has generally performed more resiliently than its neighbours. Social changes to lifestyles are stimulating demand for quick and easy meal solutions, such as pizza. The key variables in our model are average ticket size and order count, amplified by the speed of rollout of new branches. We have made conservative assumptions including there are no further rounds of funding. If there were, then the pace of expansion could be accelerated.

### Financials: Moving into profit

Q410 was the first quarter when the group delivered an EBITDA profit, and our model illustrates that EBITDA will in positive territory for the full year (although not necessarily in each quarter), even assuming no further new openings within the period. We anticipate the group returning a profit at the pre-tax level in FY12. The key drivers of revenue are average ticket size and order count, which we calculate on a per-store basis. Economies of scale kick in with marketing costs and consumables supply as the top line progresses, as well as higher levels of profitability per store as each matures. The terms of the Master Franchise involve paying a fixed percentage royalty on own-stores' revenues, with sub-franchisees also charged a royalty, of which a proportion is passed through to Domino's Inc. The group has moved into a cash-generative phase which will fund the rollout and there is a net cash position on the balance sheet.

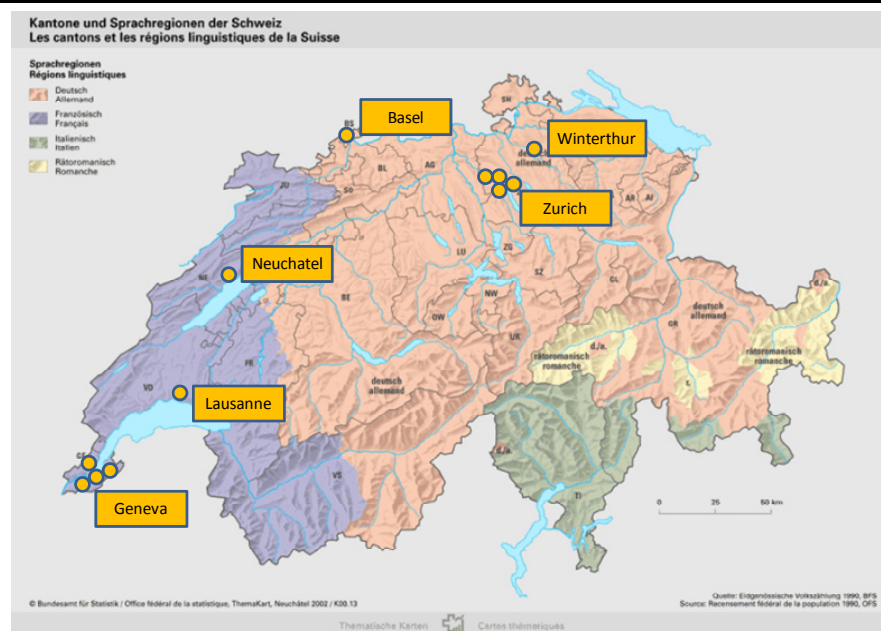
## Company description: Licensed food brands

Global Brands holds the master franchise for Domino's Pizza in Switzerland, Luxembourg and Liechtenstein. Its initial enterprise is in the Swiss market, where there is greatest potential to develop the brand. It is pursuing this objective through a combination of owned stores and sub-franchises. Management's strategy is to assemble a portfolio of licensed food and/or drink brands across various European markets.

### Domino's Pizza franchise in Switzerland

Domino's Pizza, the world's largest pizza delivery brand, was founded in the US in 1960, with 9,379 stores worldwide at end-Q111, 48% of which are located across 70 overseas markets. It has been expanding during recent periods through increased franchising in its domestic market, with geographic diversification through offering master franchises by territory. This allows the franchisee to market and sell product using the brand, within strict guidelines, in return for a percentage royalty payment. Global Brands is a Luxembourg-registered business quoted on AIM, which owns and operates the Domino's Pizza master franchise for Switzerland. It also owns the master franchises for Luxembourg and Liechtenstein, although these are smaller markets and therefore a less attractive investment proposition currently. The master franchise has been held by Global Brands since 1999 and the group listed on AIM in 2005. After a difficult initial trading period, the current management team took over the reins in 2009. Their initial focus was on installing the necessary disciplines to build a sustainable business and repairing relationships with various stakeholders. With last year's small acquisition of Pagonia and three branches of Pizza Taxi (one since closed) now being rebranded as Domino's outlets, they have moved into a phase of accelerating the expansion in the number of outlets, while ensuring that proper procedures are observed.

#### Exhibit 1: Linguistic division of Switzerland with location of Domino's branches



Source: Company; Cartography: SFSO, ThemaKart

The Swiss market for fast food is developing, although it is a long way behind its prevalence in the UK. Changes in lifestyle, higher proportions of immigrant workers and time pressures are all helping stimulate demand. With a well-recognised brand in a comparatively un-crowded market place, Global Brands has the opportunity to become one of the larger players. Major international fast food brands have met with mixed success in Switzerland, with McDonald's doing relatively well but Starbucks performing poorly. There are currently no notable incumbent pizza brands.

Switzerland is far from being a homogenous market and the consumer dynamics vary by locality, influenced by the cultural/linguistic background. Global Brands therefore reports its business in two regions: West and East, typified by the French-speaking and the German-speaking markets respectively, as illustrated in Exhibit 1, above. As at the end of April 2011, the group was operating 15 stores 12 owned and three via a sub-franchise arrangement. Analysing the potential, which ultimately comes down to the proverbial chimney pots, the Swiss market should be able to sustain around 50 stores. The corporate plan is to achieve this level of rollout by the end of 2014 through a combination of own stores and sub-franchises split around 40:60.

## Franchises, own stores and sub-franchising

For any franchise operator, the underlying quality of the brand is key. Domino's is known both in its domestic market and internationally for offering a good-quality product within a short delivery time slot. The balancing of the key elements of quality, price and service determine whether a franchisee or sub-franchisee will be commercially successful.

In order to achieve acceptable returns, it is necessary to grow the top line within a reasonable timescale, with the inevitable conflict between speed of scale-up and capital spend, with branches taking on average 12-18 months to mature. We have assumed in our model a relatively conservative pace, with the emphasis for the current year on converting three of the four sub-franchise branches purchased with Pagonia at the end of 2010, one having since been closed. Although the group's head office is based in Zurich, the company itself is registered in Luxembourg, which causes some minor administrative issues. A corporate restructuring is currently ongoing, which will establish Global Brands as a true holding company, allowing the Swiss operations to appear more 'Swiss'.

Sub-franchising allows other operators to use the brand (under the same strict guidelines) in return for a royalty payment, of which a proportion is paid away to the brand owner. This is a much less capital-intensive route to expansion, allowing for a faster scale-up. As the sub-franchise operation scales up, an additional margin can be made on the sale of goods into the branches. This model has proved very successful in the UK market, which is now entirely sub-franchised. Global Brands intends exercising a degree of control over its sub-franchises through owning the leaseholds on the properties.

## Concentration on KPIs

Branches make full use of the Domino's proprietary software, allowing KPIs to be monitored at branch, regional and group level and forming the basis for quarterly bonuses to the best-performing branches. The most crucial is the 'out-the-door' time: Domino's brand values specify that delivery

must be made within 30 minutes of the order. To achieve this, OTD time is targeted at less than 15 minutes (two minutes to process and prepare the order, six minutes to run it through the ovens, then box up) with a nine minute delivery 'envelope', giving little margin for error. Delivery drivers log in and out, serving walk-in customers and answering phones when in-branch. Each branch now has a branded car as well as the familiar scooters, for use for larger orders and when driving conditions are more dangerous. Customer tracking is phone number-based, automatically routing the order to the appropriate store. Internet orders are increasing, and in April 2011 these accounted for 18% of orders, 24% of sales. The Swiss prefer cash transactions or to pay via SMS/Post Office accounts, with credit/debit cards not widely used. A smartphone app, to be introduced later this year, will be based on that developed by Domino's UK & IRL.

The group has no central commissary, logistics being sub-contracted and supplies delivered twice-weekly. Key suppliers have to be pre-approved by Domino's, with food suppliers vetted both regionally and in the US as part of their strict quality control. Variances on the menu have to be pre-cleared with Domino's US, allowing for some adaptation to local market conditions. Global Brands' key use of this has been to reduce the thickness of the pizza base to something closer to the Italian style. This was in response to local market research, which came out 97% in favour of thin, as opposed to thick, crust. Cheese is the largest single element of food cost at around 40% of the ingredient cost. The import of cheese into Switzerland is restricted, but locally produced cheese is renowned for its quality. Global Brands has two approved indigenous suppliers.

## **Extending the brand portfolio**

Global Brands' management now has valuable experience in the technical procedures and processes involved in Switzerland's complex planning law and practice. It is also building its understanding of effective marketing techniques in the regional and national markets, such as placing promotional literature on trams routed past the doors of outlets, with redeemable vouchers which can then be tracked. Management's intention is to leverage this expertise through taking on other franchises and growing them through owned and sub-franchised branches. Negotiations with YO! Sushi last year did not reach agreement and other discussions are in progress, which would be in the food and beverage sectors. The group is now affiliated to the Swiss Franchise Association, which may well open up additional opportunities.

## **Extending the geography**

As management's record of success in building a profitable branded food operation consolidates, their negotiating position for adding territories will strengthen. The success of management in turning around the Domino's offer within the Swiss market will doubtless have improved their negotiating position on taking the brand into other geographies. While the group has not restricted itself in its previous statements, it seems most likely that any geographic expansion would be in adjacent territories with cultural similarities, such as Austria.

## **Turn-round achieved, now for growth**

CEO Bruce Vanderberg has been in this role since spring 2009, brought in by major shareholder Noble Rock Capital (of which the ultimate beneficial owner is Alexandre Gaydamak), which had

been involved with Global Brands since February 2008. COO Fyl Newington was recruited from First Quench in December 2009 and had previously been with M&S in store management, International Franchise and e-Commerce. Andrew Moore joined in February 2010, initially as Financial Controller, bringing experience in running start-ups as CFO for private equity. Between them, they have implemented considerable changes in how the company is run.

Early changes helped to repair commercial relationships, followed by a period of emphasis on getting both product and fulfilment right. Local marketing specialists were appointed to appraise Swiss attitudes and preferences to meal delivery and pizza, which led to a reorientation of the offer towards an Italian-style product with a thinner base. Pricing was also moved sharply down – 24% in the German-language market – in order to make the offer genuinely competitive. While this had an obvious impact on the top line, increasing order volumes have helped to claw back the differential, as has a focus on up-selling drinks, desserts and side orders. Staff training was stepped up and Domino's proven IT solutions rolled out across the branches to improve efficiency and increase the quantity and quality of management information. Supply arrangements were put on a commercial basis, with dough preparation sub-contracted to Deliciel, a major supplier of bakery and patisserie to the Swiss market and logistical fulfilment to market-specialist, HAVI.

Share placings were completed in October 2009, February 2010 and November 2010, raising a total of CHF4.425m (£2.9m). A further convertible loan facility of CHF1m from Noble Rock Capital was agreed in May 2010. This latter has now been converted into equity early (December 2010 of due date of 30 June 2011), resulting in Noble Rock Capital having an equity position of 41.75%.

With the business properly in order, the next phase of development can move ahead, growing the number of sub-franchised and owned stores. The small acquisition of Pagonia for CHF783k (£0.5m) at the end of 2010 has given the first three sub-franchise branches.

## Swiss market shifting favorably

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**Key trends seen elsewhere with demographic changes, pressures on family time and more mobile populations are also present in Switzerland. However, behavioural patterns vary notably across the internal linguistic borders, necessitating a localised approach to marketing.**

### Urban and cosmopolitan population

Over two thirds of the Swiss population lives in urban areas, with about a third living in and around the five main cities Zurich, Geneva, Basel, Bern and Lausanne. Of the rest, about half live in other urban regions; half in rural areas. Only 16 towns have a population of more than 30,000. Getting the branch locations right within these key conurbations has the greatest influence on their success, with proximity to universities and hospitals the ideal scenario. Non-Swiss nationals account for 21.8% of the population with many working for major international organisations, such as the Red Cross, based in the country. The largest retail brands are Migros and Co-op, which between them have a market share of 68% across a wide range of consumer categories including stores, restaurants and banks. Shopping is still generally done on foot.

## Different languages, different cultures, different pizza habits

The Swiss French and Swiss German areas of Switzerland have different defining characteristics beyond language. The German-speaking north and east of the country is more economically powerful, with lower unemployment (4%) and a 'gravitational' pull towards Germany. The western part is more culturally influenced by France, with higher unemployment (9-10% in Geneva). Pizza-buying habits also vary: in the east, customers are more focused on delivery times, price and product quality. Order frequency is lower and there is a preference for individual pizzas, but customers have a high degree of loyalty. Costs are higher as a percentage of revenues for both food and labour, due to the lower price platform.

In the west, order values tend to be higher as pizza consumption is often a communal, sharing experience. Customers tend to be less sensitive on price and more forgiving on service, as well as being more open to innovation. There is a higher proportion of ex-pats, with Geneva, in particular, having a comparatively transient population.

The Italian-speaking part of the country is fairly small with few major conurbations. However, the Swiss on the whole are well disposed towards Italian culture and cuisine, with Italy a very common holiday destination; pizza is definitely identified as an Italian, not an American, product. Global Brands reorientation of the Domino's offer to a thinner crust has reinforced this perception, as has the additional strap line of 'Ti amo!' on all marketing literature in both French and German.

## Sensitivities

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Consumption of pizza is primarily driven by cost and convenience, and therefore the general **economic environment** will be an influencing factor. However, the Swiss economy continues to be strong, with low levels of unemployment and a relatively affluent population. **Social factors** such as time pressures are more likely to influence the pace of growth than economic ones.

The key to Global Brands meeting internal and external objectives will be the **pace of opening** new branches, either through the direct opening of stores or granting new sub-franchises. The latter obviously puts less of a strain on the cash resources of the group. In the initial phase, there will be a steeper learning curve and a greater call on management resource.

**Food price inflation** has been less of a factor than might be expected, given the volatility of basic input prices over the last year. There is some flexibility in product specification/menu formulation within the constraints of the Domino's master franchise. Raw material purchasing arrangements that have been put in place allow for the group to be reasonably aggressive on price, given that they are already a sizeable customer/potential customer within the Swiss domestic market.

**Labour costs** are governed by the collective bargaining agreement (CCNT or LGAV) which covers workers in the gastronomy industry. This agreement stipulates pay rates well ahead of the minimum wage.

The old adage of '**location, location, location**' applies firmly to the pizza delivery business. Proximity to residential addresses and substantial employers within the key nine-minute delivery envelope, on busy thoroughfares, is an important indicator of whether a branch will be successful. Availability of

suitable properties at sensible rents may become more of an issue as the pace of expansion accelerates. The group has built considerable expertise in managing the planning aspects.

The key issue with increasing the number of sub-franchises, the group's preferred expansion route, will crucially depend on **finding the right individuals** to own and operate the sub-franchised units. Training aspects are now an established part of the business and can be rolled out relatively straightforwardly, but any new sub-franchisee must have the right blend of determination and commerciality. To establish positions in other geographies will also depend on recruiting someone with the appropriate entrepreneurialism, skill set and experience. Global Brands' shares are relatively illiquid, given the sizeable stake held by Noble Rock Capital.

## Valuation

### Peer group context

Unlike many small food and retail quoted companies, Global Brands has a clear international peer group with a range of maturities. Domino's UK & IRL represents the model to which other master franchisees aspire. The most recent addition to the pack is DP Poland, floated in August 2010, which has just opened its first store, compared to Global Brands' twelve established stores. In Q211, Domino's UK & IRL has taken the German master franchise, providing another valuation benchmark. Rather than an absolute valuation technique, the peer group is therefore more of a context. Well established businesses such as Domino's in the US, the UK and Australasia (that also has the French master franchise) naturally have their trading record to justify their ratings. DP Poland is behind Global Brands in its corporate development as it has only just opened its first store. There are, as yet, no published publicly-available estimates for the company in the market. Global Brands is only now registering its first successive quarters of positive EBITDA, and earnings-based valuations are therefore bound to be unflattering. Papa John's is included in the table to give another example of a franchised food and beverage operation.

#### Exhibit 2: Quoted peer group ratios

Note: Priced at 2 June 2011.

	EV/Sales 11	EV/Sales 12	V/EBITDA 11	EV/EBITDA 12	P/E 11	P/E 12
Global Brands	0.38	0.35	12.95	5.76	N/A	14.61
Domino's Pizza UK & Ireland	3.26	2.87	14.42	12.49	21.12	18.67
Domino's Pizza inc	1.49	1.39	9.13	8.30	17.21	15.48
Domino's Pizza Enterprises	1.64	1.51	10.51	9.25	19.44	16.84
Papa John's Intl	0.62	0.61	6.24	5.57	15.49	13.20
<b>Average</b>	<b>1.48</b>	<b>1.34</b>	<b>10.65</b>	<b>8.27</b>	<b>18.32</b>	<b>15.76</b>

Source: Thomson Reuters

Because of the variance of maturity, it is not sensible to base a valuation target on Global Brands on these ratios. On the basis of sales, Global Brands is valued at the bottom of the pack, unsurprising given its mixed history, low liquidity and the lack of market familiarity with the story.

### Corporate transactions provide stronger steer

These arguments are also relevant for DP Poland, however, which provides the closest comparator, holding the master franchise for Domino's Pizza for Poland. DP Poland floated in July 2010, raising £6.5m of the pro forma market capitalisation of £9.9m, with a target of 27 own stores

by end-2012, the first of which has now opened. Its current market capitalisation of £18m gives a value per (end-FY12) store of approximately £646k (discounted at 5%). Our model indicates that Global Brands will have 26 stores by the end of 2012. A similar calculation for Global Brands derives a per store valuation of £228,000, a considerable discrepancy, translating into a share price of 8.5p. On earnings-based measures, this would considerably stretch the rating above the pack.

At the end of April 2011, Domino's Pizza UK & IRL bought a 75% stake in Intergrowth Enterprises, holder of the master franchise for Germany. This is also at an early stage of corporate development, with two stores in Berlin currently operating and a stated aim of at least 400 stores within the next 10 years and with longer-term potential for up to 800. At a share price of 465p on the day the transaction completed, the initial consideration was £6.1m, valuing IEL at £8.2m. This is obviously more a reflection of the potential. An additional tranche of consideration will be paid on the opening of the 35th branch, indicating a total valuation as at that point of £13.6m. With Domino's UK also providing further financing, the 35 store target should be readily achieved by end-2012. Using the same discount rate, the implied value per store is £378,000. Translating this back into an equivalent value per share for Global Brands gives a valuation of 5p per share.

Realistically, we would expect the shares to trade at a discount to this to reflect the liquidity and lack of familiarity issues. A 15% discount would imply a share price of 4.25p; 0.6x EV/sales on our model; and a 42% uplift from the current level.

## Financials

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### Top line driven by order count and average ticket

Around 70-75% of Global Brands' revenues are from sales of pizza with the balance from sales of desserts, drinks, salads and other side items. The group discloses its like-for-like sales on a q-o-q basis, split into the two broad linguistic regions (described as 'East' and 'West' following the division shown in Exhibit 1, page 3). We have based our financial model on the key drivers of order count and average ticket, based on Edison's view on speed of rollout of own stores and sub-franchises, as illustrated in Exhibit 3, overleaf.

Having been loss-making, the group has made considerable progress towards breakeven and returned a positive EBITDA in Q410. We have erred on the side of caution with regard to the expansion, with no new owned stores for the current financial year and two additional sub-franchises beyond the three brought in with Pagonia. Nevertheless, we are anticipating that the group should now show a positive EBITDA for FY11 and achieve profitability at the pre-tax level in FY12. As the top line grows, costs such as marketing will become a smaller percentage, although continuing investment is essential to keep the business healthy with regular flyers delivered through letterboxes providing the most efficient marketing strategy.

Under the terms of the master franchise agreement, Global Brands pays Domino's a royalty on own store sales. Sub-franchisees pay Global Brands a royalty, of which a proportion is paid across to Domino's Inc. As the number of sub-franchises builds, the supply of food and consumables to the sub-franchisees will also start to generate revenues and profits for the group.

The group has considerable tax losses and is some way off paying Swiss standard rate corporation tax, which is imposed at both federal and cantonal levels and typically falls in the range of 13-22%.

### Exhibit 3: Financial drivers

	2010 FY	2011e FY	2012e FY
<b>Average ticket (CHF)</b>			
West	34.96	35.79	36.50
East	28.16	30.14	31.80
<b>Annualised order count</b>			
West	247,195	256,800	266,000
East	166,747	184,200	195,600
<b>Year end no of stores</b>			
West	6	6	8
East	6	6	7
<b>Sales (CHF)</b>			
West	9,095,404	9,190,872	9,709,000
East	4,695,596	5,551,328	6,220,080
Total	13,791,000	14,742,200	15,929,080
Franchise stores		5	11
Revenue derived from franchise stores		1,466,669	3,866,669
Total stores	12	17	26
<b>Total Revenue (CHF)</b>	<b>13,791,000</b>	<b>16,208,868</b>	<b>19,795,749</b>
yoy incr	17.1%	17.5%	22.1%
<b>Food costs %age</b>			
West	22.0%	22.0%	22.0%
East	25.8%	24.0%	24.0%
<b>GP (CHF)</b>			
West	7,094,415	7,168,880	7,573,020
East	3,484,132	4,219,009	4,727,261
	10,578,547	11,387,889	12,300,281
Admin/other costs including royalties	(620,595)	(800,899)	(1,079,309)
Adjustment	57,941		
Gross profit derived from franchise stores		453,750	1,196,250
<b>GP</b>	<b>10,015,893</b>	<b>11,040,740</b>	<b>12,417,222</b>
	72.6%	68.1%	62.7%
<b>Labour costs %age revenues</b>			
West	41.7%	36.0%	36.0%
East	50.3%	46.6%	46.6%
<b>Labour costs (CHF)</b>			
West	(3,792,784)	(3,308,714)	(3,495,240)
East	(2,361,885)	(2,586,919)	(2,898,557)
adjustment	(29,332)	0	0
	(6,184,000)	(5,895,633)	(6,393,797)
<b>Central staff costs (CHF)</b>	(1,469,886)	(1,469,886)	(1,475,000)
	(7,653,886)	(7,365,519)	(7,868,797)
<b>Marketing costs (CHF)</b>	(1,702,450)	(900,000)	(950,000)
% sales	12.3%	6.7%	5.2%
<b>Admin &amp; general expenses (CHF)</b>	(2,217,437)	(2,300,000)	(2,400,000)
	16.1%	14.0%	12.0%
<b>EBITDA (CH)</b>	<b>(1,557,880)</b>	<b>475,221</b>	<b>1,198,425</b>

Sources: Company accounts, Edison Investment Research

### Cash flow positive

Following the considerable improvement in the group's financial position, our model now shows it in a cash positive position, allowing for the steady rollout illustrated. However, were extra funds to become available, then the speed of rollout could be accelerated. Larger-scale expansion, such as a new Master Franchise Agreement, would obviously involve a further cash injection. Capital spend

in the current year has been directed towards upgrading the IT and adding cars to the vehicle fleet. FY12 covers a higher spend on opening new branches.

## Strengthened balance sheet

Global Brands had one share placing in FY09 raising CHF1.9m and a further two in FY10; in February raising CHF625k (£0.39m) at 1.8p and in November, raising CHF1.9m (£1.236m) at 2.75p. In May 2010, the group secured a CHF1m convertible loan from Noble Rock Capital at 7%, due to convert at 1.7p in June 2011. This has been converted early to equity, improving the face of the balance sheet, which showed net cash of just over CHF1m at the December year-end.

### Exhibit 4: Summary financials

Year end 31 December	CHF'000s	2008 UK GAAP	2009 IFRS	2010 IFRS	2011e IFRS	2012e IFRS
<b>PROFIT &amp; LOSS</b>						
<b>Revenue</b>		<b>11,693</b>	<b>11,780</b>	<b>13,791</b>	<b>16,209</b>	<b>19,796</b>
Cost of sales		(2,799)	(2,990)	(3,775)	(5,168)	(7,379)
Gross profit		8,893	8,790	10,016	11,041	12,417
<b>EBITDA</b>		<b>(1,948)</b>	<b>(2,057)</b>	<b>(1,558)</b>	<b>475</b>	<b>1,198</b>
<b>Operating profit (before amort. and except.)</b>		<b>(2,604)</b>	<b>(3,018)</b>	<b>(2,027)</b>	<b>(145)</b>	<b>548</b>
Intangible amortisation		(37)	(42)	(28)	(35)	(35)
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
<b>Operating profit</b>		<b>(2,641)</b>	<b>(3,060)</b>	<b>(2,055)</b>	<b>(180)</b>	<b>513</b>
Net interest		77	56	(56)	6	9
<b>Profit before tax (norm.)</b>		<b>(2,526)</b>	<b>(2,962)</b>	<b>(2,083)</b>	<b>(139)</b>	<b>557</b>
<b>Profit before tax (FRS 3)</b>		<b>(2,563)</b>	<b>(3,004)</b>	<b>(2,111)</b>	<b>(174)</b>	<b>522</b>
Tax		(496)	(10)	443	125	51
<b>Profit after tax (norm.)</b>		<b>(3,022)</b>	<b>(2,972)</b>	<b>(1,640)</b>	<b>(14)</b>	<b>608</b>
<b>Profit after tax (FRS 3)</b>		<b>(3,059)</b>	<b>(3,014)</b>	<b>(1,667)</b>	<b>(49)</b>	<b>573</b>
Average number of shares outstanding (m)		22.9	37.1	114.3	180.0	206.0
EPS – normalised (c)		(13.2)	(8.0)	(1.4)	(0.0)	0.3
EPS – normalised and fully diluted (c)		(13.2)	(8.0)	(1.4)	(0.0)	0.3
EPS – (IFRS) (c)		(13.3)	(8.1)	(1.5)	(0.0)	0.3
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross margin (%)		76.1	74.6	72.6	68.1	62.7
EBITDA margin (%)		-16.7	-17.5	-11.3	2.9	6.1
Operating margin (before GW and except.) (%)		-22.3	-25.6	-14.7	-0.9	2.8
<b>BALANCE SHEET</b>						
<b>Fixed assets</b>		<b>3,318</b>	<b>2,800</b>	<b>3,813</b>	<b>3,758</b>	<b>4,798</b>
Intangible assets		140	99	95	60	25
Tangible assets		3,178	2,702	3,718	3,698	4,773
Investments		0	0	0	0	0
<b>Current assets</b>		<b>1,983</b>	<b>1,301</b>	<b>1,699</b>	<b>2,272</b>	<b>2,785</b>
Stocks		245	277	283	332	406
Debtors		113	148	275	323	395
Cash		1,625	877	1,142	1,617	1,985
Other		0	0	0	0	0
<b>Current liabilities</b>		<b>(4,153)</b>	<b>(4,122)</b>	<b>(3,471)</b>	<b>(3,995)</b>	<b>(4,879)</b>
Creditors		(4,114)	(4,088)	(3,399)	(3,995)	(4,879)
Short-term borrowings		(39)	(34)	(72)	0	0
<b>Long-term liabilities</b>		<b>(48)</b>	<b>(24)</b>	<b>(32)</b>	<b>0</b>	<b>0</b>
Long-term borrowings		(48)	(24)	(32)	0	0
Other long-term liabilities		0	0	0	0	0
<b>Net assets</b>		<b>1,100</b>	<b>(45)</b>	<b>2,009</b>	<b>2,035</b>	<b>2,704</b>
<b>CASH FLOW</b>						
<b>Operating cash flow</b>		<b>(1,871)</b>	<b>(2,093)</b>	<b>(2,436)</b>	<b>1,072</b>	<b>2,084</b>
Net interest		20	(4)	(36)	6	9
Tax		0	0	0	0	0
Capex		(423)	(603)	(174)	(600)	(1,725)
Acquisitions/disposals		0	0	(783)	0	0
Equity Financing		88	1,981	3,649	101	0
Dividends		0	0	0	0	0
Net cash flow		(2,186)	(719)	219	579	368
<b>Opening net debt/(cash)</b>		<b>(3,723)</b>	<b>(1,537)</b>	<b>(818)</b>	<b>(1,038)</b>	<b>(1,617)</b>
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
<b>Closing net debt/(cash)</b>		<b>(1,537)</b>	<b>(818)</b>	<b>(1,038)</b>	<b>(1,617)</b>	<b>(1,985)</b>

Sources: Company accounts, Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
	N/A		Litigation/regulatory	○
			Pensions	○
			Currency	○
			Stock overhang	◐
			Interest rates	○
			Oil/commodity prices	◐

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 08-12e	N/A	ROCE 11e	N/A	Gearing 11e	N/A	Address:	
EPS CAGR 10-12e	N/A	Avg ROCE 08-12e	N/A	Interest cover 11e	24.8x	Ifangstrasse 10	
EBITDA CAGR 08-12e	N/A	ROE 11e	N/A	CA/CL 11e	0.6x	CH 8302, Kloten	
EBITDA CAGR 10-12e	N/A	Gross margin 11e	68	Stock turn 11e	7.5x	Phone	+41 43 255 2141
Sales CAGR 08-12e	14.1	Operating margin 11e	N/A	Debtor days 11e	7.3x	Fax	+41 43 255 2149
Sales CAGR 10-12e	19.8	Gr mgn / Op mgn 11e	N/A	Creditor days 11e	90	www.globalbrands.ch	

Principal shareholders		%	Management team
Noble Rock Capital (Alexandre Gaydamak)		41.8	<b>CEO: Bruce Vandenberg</b>
SBS Nominees Ltd		12.9	Bruce is a Director and Investment Manager of Noble Rock Capital, a private investment vehicle. He has a wide variety of business experience, from intellectual property rights management to football. He is also actively involved at other Noble Rock investments Virto Group (mining equipment) and Sports Brand.
Raven Nominees Ltd		5.4	
Barclayshare Nominees Ltd		3.7	
JIM Nominees Ltd		3.6	
TD Waterhouse Nominees Ltd		3.2	<b>CFO: Andrew Moore</b>
Lynchwood Nominees Ltd		3.1	Andrew is a Chartered Accountant and CEFA with dual Swiss/British nationality. He has extensive experience in the banking sector, including 15 years at Credit Suisse in London and Zurich. He has spent the last ten years in the Private Equity sector, often as CFO of start-ups.
Forthcoming announcements/catalysts		Date *	<b>COO: Fyl Newington</b> Fyl has a retail background in UK and international markets. He started his career at M&S in UK stores, then the Intl Franchise division. After some ecommerce management roles, Fyl ran his own restaurant operation before returning to retail as Director of First Quench Retailing, setting up and running their franchise operation.
Trading update		w/c 11 July	
Interim results		6 September	
* Estimated			
Companies named in this report			
Domino's, Domino's UK & IRL, Domino's Enterprises, DP Poland, Papa John's			

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