BIZCOMMUNITY

Tongaat finds sweet spot in Zimbabwe

Business may be tough in Zimbabwe, but Tongaat Hulett has found the sweet spot, with a reported 40% jump in group operating profit boosted by the performance of the Triangle and Hippo Valley operations.

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In 2016, Zimbabwe banned the importation of sugar, among other items, to shore up local industries. This increased local demand and consumption.

Operating profit in Zimbabwe in the year to end-March increased considerably to R504m, from R9m in the year-earlier period. "Local market sales volumes and mix improved due to there being lower imports into the market," said CEO Peter Staude.

"Exports increased on the back of higher production and prices realised into the EU and regional markets were some 20% above the previous year."

Tongaat, which also has operations in Swaziland, Mozambique, and SA, reported operating profit of R1.27bn from its sugar operations in the year under review, which was a turnaround from a loss of R15m in 2016. The company, which has a R15.7bn market capitalisation, said operating profit in the starch and glucose operation dropped to R510m, from R658m, due to high maize costs as a result of the drought.

Tongaat also generates income from land conversion and development activities. In this regard, operating profit dropped to R641m, from R1.11bn.

Arqaam Capital executive director of research Victor Dima said the starch division had been a weak performer. The performance of the land conversion and development division had also been muted, with only 75ha of land development from 121ha in the year-earlier period, he said.

Tongaat had given a strong guidance for sugar production and land development over the next two years. "However, we remain conservative in our estimates," said Dima.

The final dividend per share was 200c, bringing the total to 300c, which was up 30.4% on the same period a year earlier.
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Source: Business Day