

Zeder aims to level portfolio

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PSG-controlled agribusiness investor Zeder continues to be dominated by its 27.1% "kingmaker" stake in consumer brands giant, Pioneer Foods. According to results for the year to February released on Monday, the Pioneer stake, worth R10.3bn, represents about 66% of Zeder's R15.4bn sum-of-the-parts (SOTP) valuation.



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Vunani Securities analyst Anthony Clark said Zeder needed to secure the "next big investment" away from Pioneer.

Zeder CEO Norman Celliers said the company was aware of market observations around the holding in Pioneer. "We are looking at rebalancing the portfolio, but we would prefer to grow our other investments rather than unbundling our Pioneer investment. We love Pioneer," he said.

Pioneer's overwhelming portfolio presence remained despite a 74% gain in the value accorded to the 39.8% stake in soon-to-be-listed retailer Kaap Agri (from R758m to over R1.3bn). Other meaningful constituents of Zeder's portfolio include a 92.3% stake in seed specialist Zaad (valued at R1.5bn), 97% of fruit exporter and logistics specialist Capespan (worth almost R2bn), 55.9% of Zambian agribusiness Agrivision (R614m) and 26.4% of agricultural commodity business Quantum Foods (R193m).

Clark said one issue to consider was whether Zeder would need to undertake a large rights offer in order to fund new growth initiatives.

Several smaller transactions

Although it seemed Zeder's financial year was uneventful in terms of corporate action, the financial statement did show several smaller transactions at the subsidiary level.

These included Zaad acquiring the laboratory division of Incotec in August 2016 for R8m and Port Stevedores for R33m in January. Capespan acquired the farming operations of Groot Patrysvlei for R73m in September 2016.

Curiously, in October Zeder's Agrivision subsidiary acquired Loza Lodge - a guest house in Mkushi in Zambia - for R4m.

Post balance sheet events saw Pioneer issue a cautionary around potential corporate action and Zaad making a sizeable investment in a Turkish seed business.

Operations in Zambia

While Zeder's performance is best gauged by the growth in its SOTP valuation, which was up 23.1% to 853c a share, cash flow generated from operating activities (including investment income) was a solid R176m. This underpinned a dividend of 11c a share - up 22% on the previous year. Arguably, the most intriguing development reflecting Zeder's results is the reporting of the first meaningful profits at Agrivision.

Agrivision owns and operates two large-scale farming operations and a milling business in Zambia. The firm has developed extensive irrigated productive farmland since 2011, but Celliers said that the focus during the past 18 months had been on achieving acceptable operational efficiencies.

Source: Business Day

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