

Zimbabwe: retailers still going in gingerly

When Massmart left Zimbabwe in 2011 the retailer's chief executive, Grant Pattison, left no doubt about the reason. "Indigenisation law effectively says foreigners are not welcome in Zimbabwe," he told investors at a presentation.



Working against Massmart was its 86% stake in its two Zimbabwe Makro stores. Other SA retailers in Zimbabwe have held their ground and seem unlikely to run foul of the indigenisation drive to enforce 51% Zimbabwean ownership.

But nothing is certain in a country plagued by uncertainty. "No-one can tell what is going to happen in Zimbabwe," says Pick n Pay's chairman Gareth Ackerman.

Among SA retailers, Pick n Pay has the biggest exposure through a 49% stake in TM Supermarkets, Zimbabwe's largest food retailer. In late-2011 Pick n Pay upped its stake in the 53-store TMS from 25% in a US\$13m deal with TMS's majority shareholder, Zimbabwean conglomerate Meikles.

"We planned very carefully before we did the deal with Meikles," says Ackerman. "Meikles is an indigenised company under Zimbabwean law."

For Pick n Pay rival Shoprite, Zimbabwe does not appear to loom large on its list of priorities. "With only one store in Zimbabwe we do not feel we are in a position to comment on indigenisation," says a spokesman for the retailer.

Truworths has a far bigger Zimbabwean footprint - 60 stores - but indigenisation risk appears limited. Truworths' exposure in Zimbabwe is through a 34% stake in Truworths Ltd, a company listed on the Zimbabwe Stock Exchange since 1981.

Truworths' Zimbabwean exposure is small in financial terms. Truworths Ltd has a market cap of US\$10m, putting the value of Truworths' stake at about R70m, a fraction of its R38bn capitalisation on the JSE.

Edcon's situation is similar. Edcon's interest in Zimbabwe is through a 39% stake in ZSE-listed Edgars Zimbabwe, operator of 40 stores. "We believe we comply with indigenisation requirements," says Edcon spokesman Vuyo Mtawa. At Edgars Zimbabwe's current market capitalisation, Edcon's stake is worth R115m.

Source: Financial Mail via I-Net Bridge