

Reaping rewards

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I SOLD my shares in Zeder Investments about three months ago.

It was nothing personal. I love the concept (an influential investment trust targeting opportunities in the value-laden agribusiness sector), but I was not too enamoured with the time horizon one might have to apply to the share.

From the outset, it was clear that PSG controlled Zeder would have its work cut out to build significant or influential stakes in local agri-businesses. The rule of thumb was that Zeder wanted to build stakes of 20% to 25% in any single entity, and would also allow any single investment in an agribusiness to represent up to 20% to 25% of the investment portfolio.

Sometimes finding scrip in unlisted agri-businesses can be like trying to find a needle in a haystack. In other words it could be years it could take years for Zeder to attain its goals - or at least so I thought.

So far Zeder, which raised a fair chunk of capital at listing, has not managed to build anything near a 25% stake in the bulk of its agribusiness investments. Of course, it is early days?

But realistically it has seemed that in the short to medium term the only chance Zeder has of breaching the 20% level is in wine and brandy producer KWV Limited.

Wiese connection

Zeder's foray into KWV was helped when retail tycoon [Christo Wiese](#) swapped his significant minority holding in KWV for PSG shares. The latest figures released by Zeder show that the company's stake in KWV (as at end May) was 15.08% - up encouragingly from the 13.7% reflected at the end of November 2006.

One might suspect that surfeit of "retail" investors in KWV (arguably the most popular listed share in SA) may be swapping into Zeder, preferring to hold listed scrip and perhaps hoping Zeder can unlock value at KWV.

Looking at recent board changes at KWV I get the sense that Zeder is already exercising some influence at KWV, and such endeavours will hopefully be reflected in the liquor group's profit figures in the not too distant future. (KWV, in my opinion, has for too long been propped up by the profit contribution it gets from its excellent associate company Distell).

Somehow I can't imagine KWV will list until its core operations are showing more spirit at bottom line, which probably means that there is considerable scope for Zeder to pick up more shares (offering cash or a swap into Zeder scrip). But rumours that certain well known (and well heeled) Cape business personalities are also showing serious interest in KWV may mean a tad more competition for larger parcels of scrip.

'Vodacom play'

Zeder's holding in KWV is worth a not insubstantial R262m - representing about 18.5% of the total portfolio.

Zeder's biggest holding remains Pioneer Foods, the 5.84% stake worth around R400m or representing around 28% of the investment portfolio. Encouragingly Zeder has also made some headway in bulking up its Pioneer stake, which stood at 4.8% at the end of November 2006.

Zeder may well have an opportunity to cash out of Pioneer if the Swartland-based food giant goes ahead with a much-mooted JSE listing.

But KWV and Pioneer represents over 45% of Zeder's portfolio value. So like Venfin (during its tenure as a listed company) was seen as "Vodacom play", Zeder (if Pioneer lists) could be seen as a KWV play.

If one adds in Zeder's cash-on-hand of R580m (equivalent to more than 100c/share) then the remaining eight agri investments account for less than 10% of the total portfolio value. It is these small, peripheral interests where Zeder may struggle to gain influence, especially since much of the scrip lies in hands of tightly knit farming communities.

Now we know that Zeder (try as they might) cannot increase their stake in Kaap Agri beyond 5% because of an archaic stipulation that no single shareholder can hold more than a 5% stake in the company.

Remarkable progress

Mostly, though, it seems Zeder's advance on smaller agribusinesses is as sluggish as molasses. Since November last year the stake in Senwes grew from 2.7% to 3.94%, KLK Landbou from 7% to 7.8%, OVK Operations from 5.9% to 6.2%, BKB from 2.7% to 2.86% and NWK from 2.9% to 3.5%. A new foothold has been built in Tuinroete Agri, the 0.95% sliver worth a princely R877 000.

But Zeder has made quite remarkable progress in Suidwes Investments, where its stake has grown from a mere 2.3% at the end of November 2006 to a rather nifty 13.57% (worth some R25m).

Presumably if Zeder can turn its significant minority stake in Suidwes to good account, other agri-business shareholders may be less inclined to view the Stellenbosch-based corporate with scepticism. That could open the floodgates in terms of agri-business scrip flowing to Zeder, a development that could add some balance to the investment portfolio.

I note that Zeder's share price of 270c still represents a considerable premium to the last stated Net Asset Value of around 240c/share. That means the market is still backing Zeder's management to pull off a few coups in the platteland.

While Zeder still has a considerable cash pile to spend, the progress in building influential stakes in KWV and Suidwes should keep sentiment smouldering.

All things considered, I may have been a tad hasty (and terribly city slickerish) in harvesting the first profitable sprouts in Zeder...

SPRING CLEANING

ONLY recently did my Monday Bruise column grumble about corporate closure, noting just how many suspended and left-for-dead listings had left their shareholders in the dark in terms of potential (rescue) deal updates, annual reports and general corporate communication.

Since writing that column the JSE has seemingly embarked on a spring clean, terminating the listings of a number of companies that have long been languishing sans signs of activity at HQ.

Included in the cull were Exxoteq, Rareco, Rentsure, APS Technologies and Bryant Technologies. I can only commend the JSE on their strong (if belated action) - although the terminations snuff out the last glimmers of hope for long suffering shareholders.

The JSE's action sends a strong message to the market that prolonged and vague rescue efforts/reverse listing exercises will not be tolerated anymore.

Sure by all means put together a rescue package or reverse listing - but for pity's sake do it within a reasonable time.



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