

Zeder: A 'plougherful' discount

Oct 6 2008 9:01PM

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Cape Town - On Monday night - in the terrible wake of one of the worst trading days on the JSE - agribusiness investor Zeder announced its net asset value (NAV) had grown 4% to 269c/share in the six months to end August.

After Monday's carnage Zeder's announcement probably won't pique too much attention from shell shocked traders.

But what is noteworthy about the NAV announcement is that Zeder's shares finished "Black Monday" at 155c - a gaping 42% discount on mostly unlisted interests held in the R1.6bn agribusiness portfolio at the end August.

Traditionally listed investment companies tend to trade at discounts to NAV. But these discounts usually range from 10% to 25% - depending on the quality of the portfolio. A discount of 40% is rather extreme, especially considering that Zeder offers the only realistic entry point to a number of unlisted agri-businesses.

Zeder's major holding is JSE listed Pioneer Foods - held indirectly through the group's 34% stake in Kaap Agri. Zeder recently also secured a direct stake of 2.3m shares in Pioneer after underwriting a recent rights issue.

While Zeder's NAV is stated as 269c, the group's 'value per share' - based on unlisted share prices on respective OTC (over-the-counter) markets - was calculated at 205c/share. That means at the current share price is discounting the "value per share" measure by more than 25%.

While Pioneer shares have drifted lower (closing at 2 390c on Monday) in recent weeks the double discounts on Zeder's underlying holdings may be viewed as attractive by value seeking investors.

Zeder's other major holdings are KWV Limited (25%), MGK Business Investments (29.9%), Agricol (20%), KLK Landbou (10%), Suidwes Investments (16.4%), NWK (5.4%) and most recently Outspan International (18.3%).

Cash on hand was R42.6m as at the end of August, which suggests Zeder may have to approach shareholders for further capital should a sizeable deal present itself in the short term.

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