



# **Full year results**

## **FY2014**

Presented by:

**Norman Celliers**

Chief executive officer

8 April 2014



# AGENDA

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- Full year results
- Strategy review
- Portfolio overview
- Core investments



# FULL YEAR RESULTS

## *Executive summary*

Sum of the parts

*Sum of the parts per share*

26%



**Feb 13**

R3,903m

R3.99

**Feb 14**

R4,921m

R5.02

**4 Apr 14**

R5,034m

R5.14

Sum of the parts (see-through)

*Sum of the parts per share (see-through)*

21%



R4,164m

R4.26

R5,155m

R5.26

R5,465m

R5.58

Recurring headline earnings

*Recurring headline earnings per share (cents)*

16%



R251,1m

25.7

292,1m

29,8

Headline earnings

*Headline earnings per share (cents)*

28%



R196,3m

20.1

R252,5m

25,8

	<b><u>Feb 13</u></b>	<b><u>Feb 14</u></b>	<b><u>4 Apr 14</u></b>
Sum of the parts <i>Sum of the parts per share</i>	R3,903m R3.99	R4,921m R5.02	R5,034m R5.14
Sum of the parts (see-through) <i>Sum of the parts per share (see-through)</i>	R4,164m R4.26	R5,155m R5.26	R5,465m R5.58
Recurring headline earnings <i>Recurring headline earnings per share (cents)</i>	R251,1m 25.7	292,1m 29,8	
Headline earnings <i>Headline earnings per share (cents)</i>	R196,3m 20.1	R252,5m 25,8	

# FULL YEAR RESULTS

## *Sum-of-the-parts*

Company	<u>2012</u>		<u>2013</u>		<u>2014</u>	
	Interest (%)	Rm	Interest (%)	Rm	Interest (%)	Rm
Agri Voedsel	44,7	1 230,4	45,0	1 475,2	47,4	1 960,0
Capespan	40,9	293,0	37,1	284,2	72,1	777,2
Zaad Holdings	25,1	49,8	92,0	368,9	92,0	678,8
Chayton			73,4	276,9	76,7	560,4
Kaap Agri	33,4	205,5	34,9	343,2	39,9	527,8
Capevin Holdings	39,8	713,1	5,3	287,6	2,7	177,2
Other		147,9		54,0		229,3
Suidwes	23,7	82,7	24,1	90,2		
NWK	19,9	206,5	19,9	224,7		
Overberg Agri	18,6	186,9	18,6	107,3		
<b>Total investments</b>		<b>3 115,8</b>		<b>3 512,2</b>		<b>4 910,7</b>
Cash and cash equivalents		77,5		692,2		376,1
Other net liabilities		(108,6)		(301,1)		(365,4)
<b>SOTP value</b>		<b>3 084,7</b>		<b>3 903,3</b>		<b>4 921,4</b>
Number of shares in issue (million)		978,1		978,1		980,2
<b>SOTP value per share (rand)</b>		<b>3,15</b>		<b>3,99</b>		<b>5,02</b>
<b>See-through SOTP value per share (rand)</b>		<b>3,48</b>		<b>4,35</b>		<b>5,26</b>

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- Interim results
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# STRATEGY REVIEW

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*Over the past 18 months we have reconfirmed our business definition...*

- Long term value investor with a primary focus on Agribusiness, specifically the food and beverage sectors
- Listed on the JSE – ZED - hybrid private equity vehicle
- Key characteristics of investment considerations:
  - Growth sectors or subsectors
  - Management with proven track record
  - High barriers to entry
  - Unique and defensible products (brands)
  - Simple (easy to understand)
  - Scalable business models
  - Focused execution

# STRATEGY REVIEW

*... and our investment focus – the AGRIBUSINESS industry with a specific focus on the food and beverage sub-sectors.*

Upstream ← Midstream → Downstream

Services and support

Food

Beverages

Inputs

production

Processing

Bio Fuels

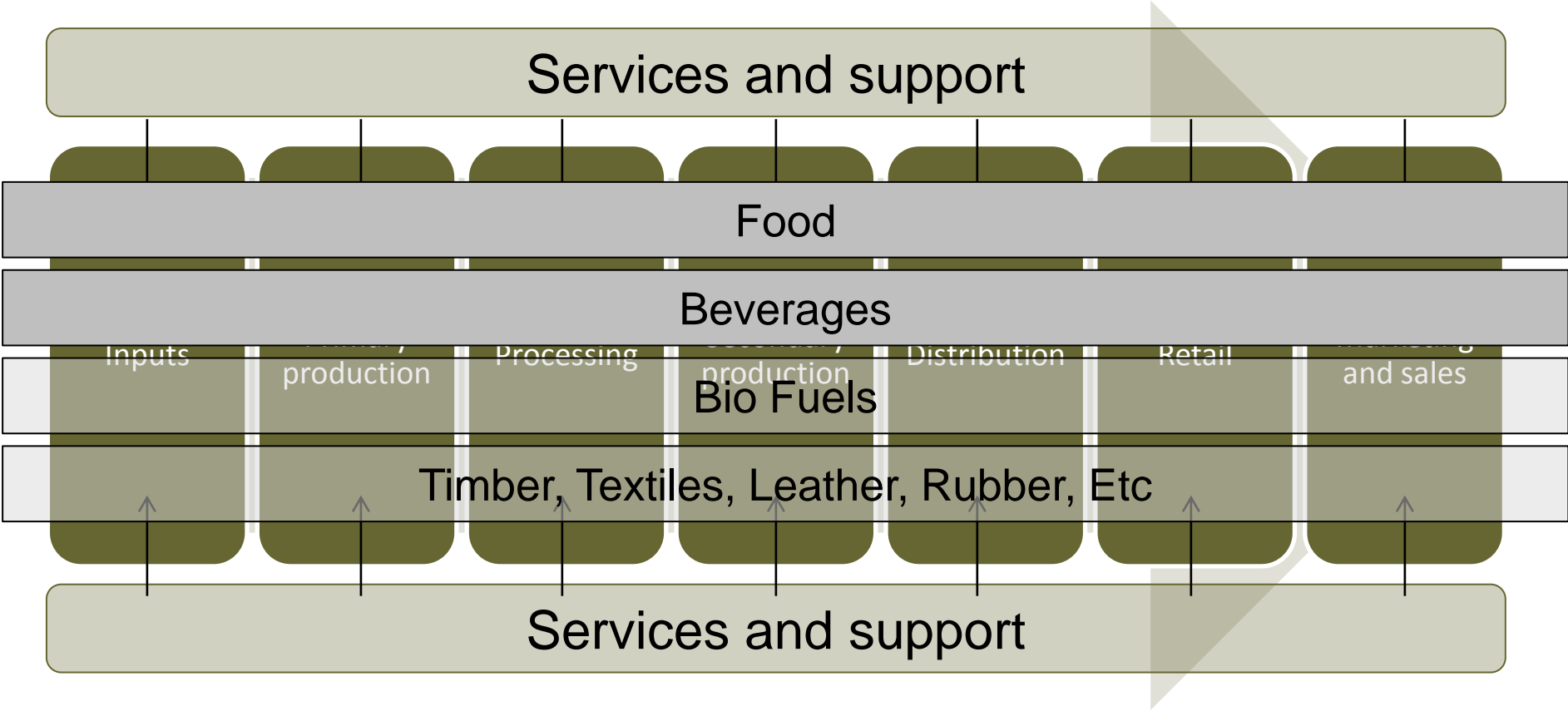
Distribution

Retail

and sales

Timber, Textiles, Leather, Rubber, Etc

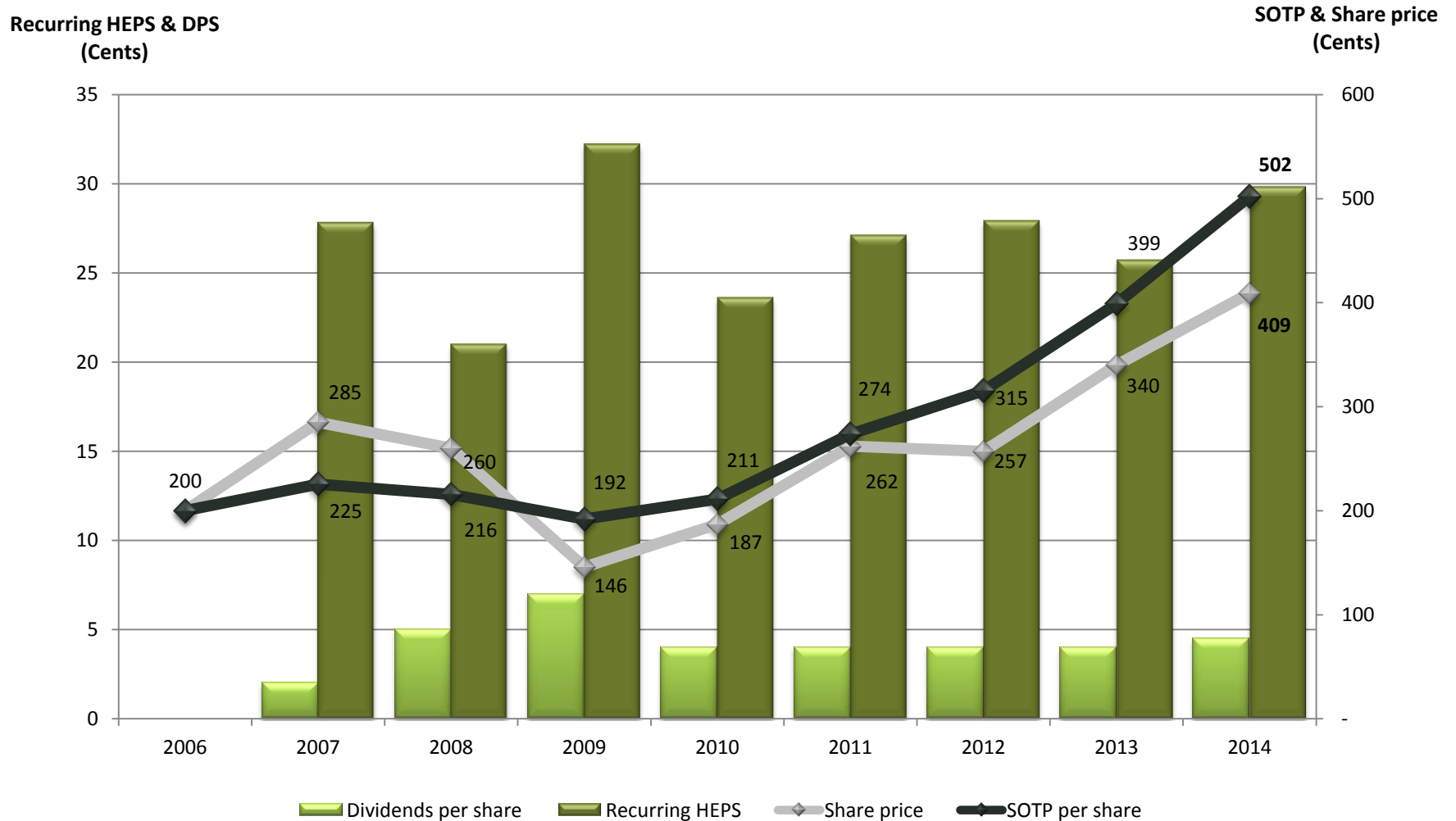
Services and support





# STRATEGY REVIEW

*We recognized that opportunity for P/E rerating has diminished and that longer term value will be derived from earnings growth...*



# STRATEGY REVIEW

*... and expanded our strategy accordingly.*

	Historically	Going forward
<b>Industry:</b>	<ul style="list-style-type: none"><li>• Agribusiness</li></ul>	<ul style="list-style-type: none"><li>• Agribusiness</li></ul>
<b>Sub-sector:</b>	<ul style="list-style-type: none"><li>• Food and Beverages</li></ul>	<ul style="list-style-type: none"><li>• Food and Beverages</li><li>• <b>Bio Fuels</b></li><li>• <b>Non-food (i.e. Rubber, timber)</b></li></ul>
<b>Geography:</b>	<ul style="list-style-type: none"><li>• South Africa (Direct)</li><li>• Rest of World (via portfolio)</li></ul>	<ul style="list-style-type: none"><li>• South Africa (Direct)</li><li>• <b>Sub-Sahara Africa (Direct)</b></li><li>• Rest of World (via portfolio)</li></ul>
<b>Criteria:</b>	<ul style="list-style-type: none"><li>• Arbitrage</li><li>• Undervalued</li></ul>	<ul style="list-style-type: none"><li>• Arbitrage</li><li>• Undervalued</li><li>• <b>Growth sectors</b></li><li>• <b>Consolidation</b></li></ul>
<b>Influence:</b>	<ul style="list-style-type: none"><li>• Passive</li></ul>	<ul style="list-style-type: none"><li>• Passive</li><li>• <b>Active</b></li></ul>

**Invest in and build the businesses of tomorrow**

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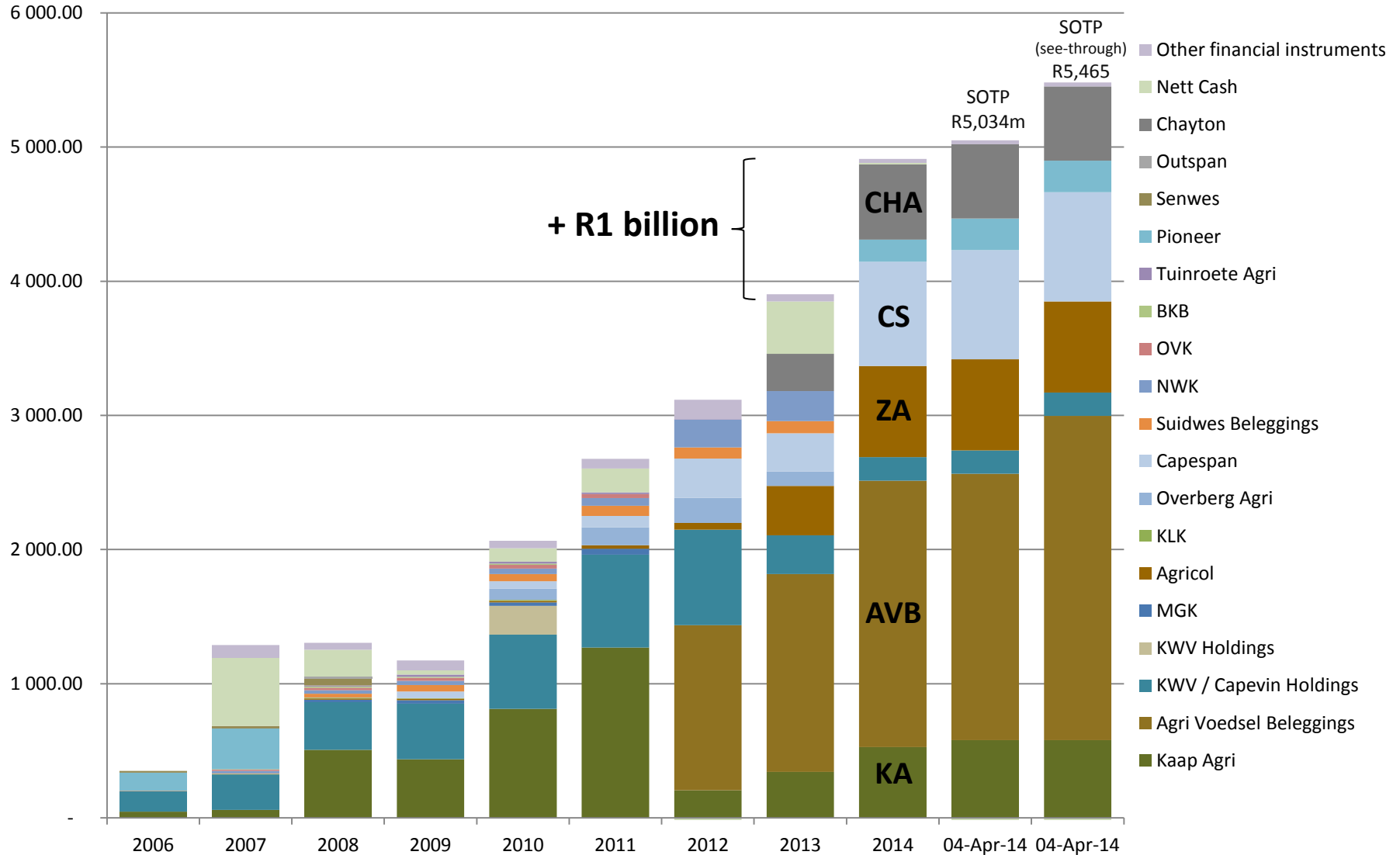
# PORTFOLIO OVERVIEW

*We made big decisions in line with revised strategy...*

Investment	Decision	Reason
Pioneer	Core	Perfect fit with strategy Zeder influence high Will emerge from margin compression Significant opp for efficiency improvement End of capex cycle – improved dividends
Distell	Non-core	No influence at Distell level Shareholder discontent
Kaap Agri	Core	Renewed focus of management team Significant opp for efficiency improvement Growth in SA (organic and consolidation) Growth in Africa (trade and expand)
Capespan	Core	Renewed focus of management team Significant opp for efficiency improvement Restructure for logistics and fruit growth Growth opp in SA through consolidation Growth in international markets
ZAAD	Core	Growth sector SA consolidation – African growth
Chayton	Core	Growth sector African food story
Overberg Agri	Core - changed	Large exposure to Pioneer Opp for consolidation and improvement of own-ops
NWK, Suidwes	Non-core	Current structures inhibiting growth Existing business under pressure

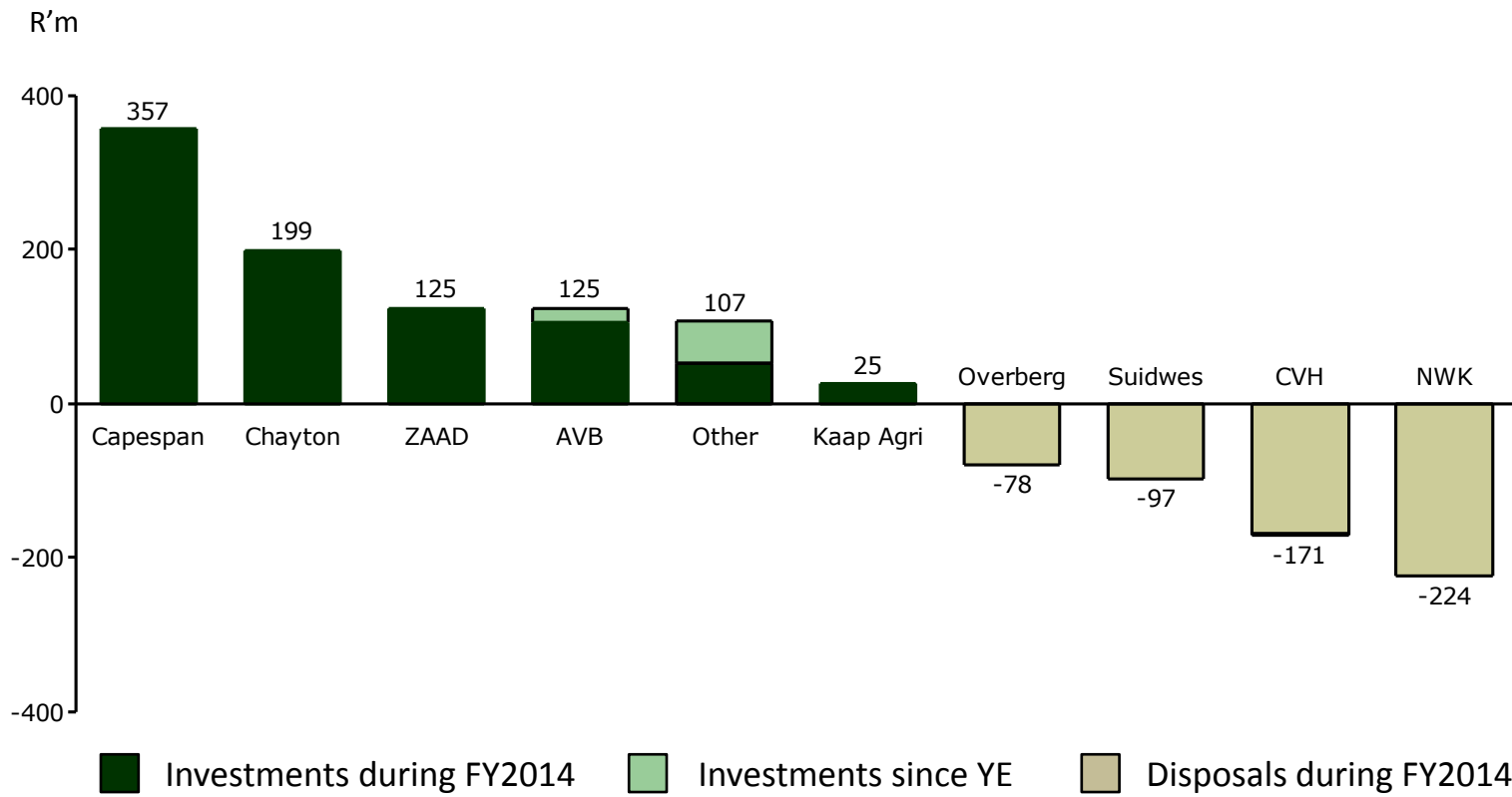
# PORTFOLIO OVERVIEW

*Zeder's portfolio has been rationalised to 5 core investments valued at R4,9m at year-end (~R5,5b see-through – 4 April 2014)*



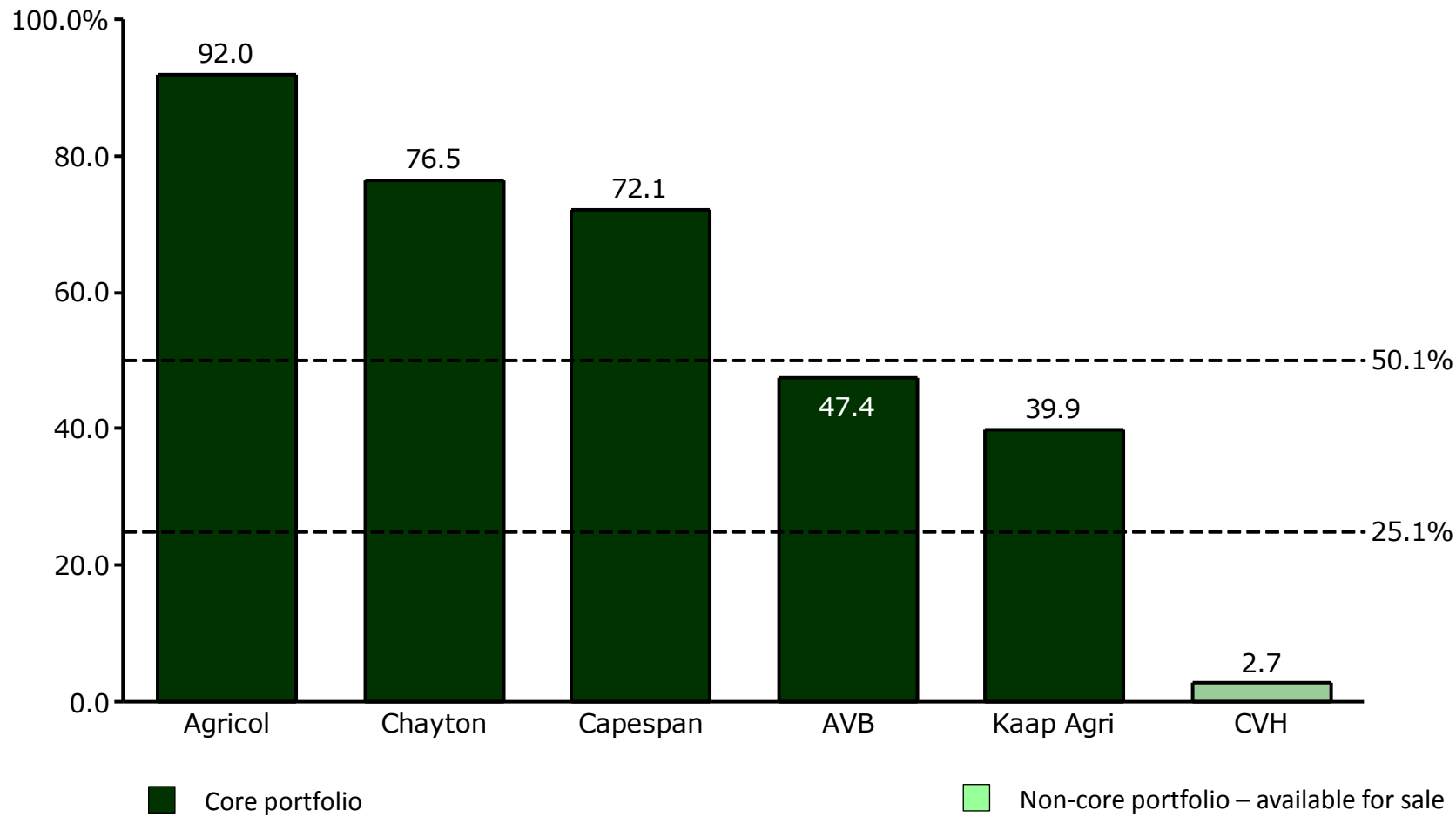
# PORTFOLIO OPTIMISATION

*During FY2014 investments totaling R879m were made while R529m was realised through disinvestments from non-core exposures.*



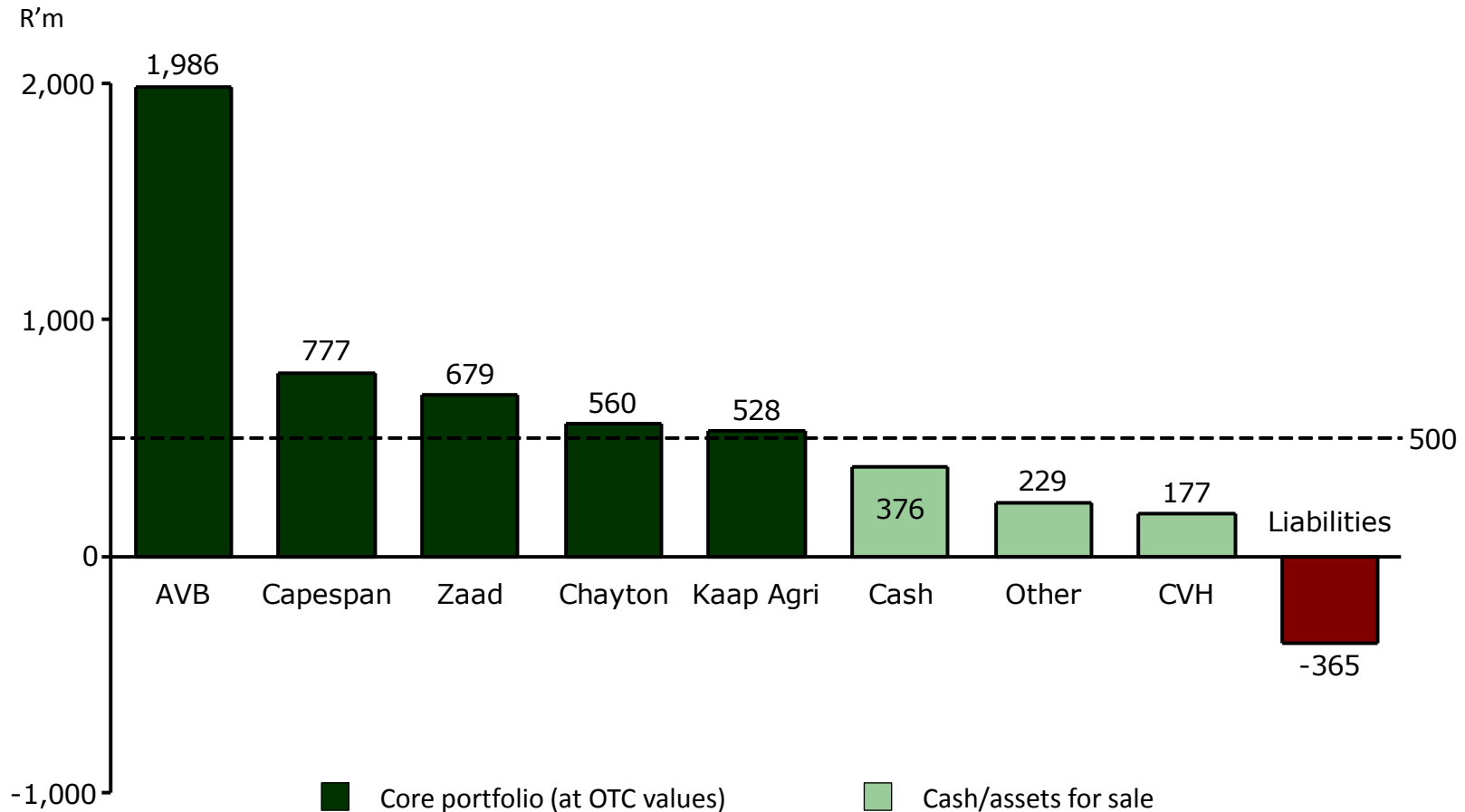
# PORTFOLIO OVERVIEW

*We focused and increased our influence over core portfolio companies.*



# PORTFOLIO OVERVIEW

*Each of our core investments now reflect investment values of at least R500m providing an improved balance to portfolio.*





# PORTFOLIO OVERVIEW – STRATEGIC OBSERVATIONS

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- Clear validation that previous arbitrage strategy is well and truly over
- However, our existing investments have all got the makings to be large successful companies generating sustained profits over medium to long term
- Our portfolio offers very good strategic exposure to target industry and objective is to position Zeder as the most attractive listed entry
- SA industry exposed to tough macro conditions that may affect the short-term performances
- Significant work has been completed at Pioneer, Kaap Agri, Capespan, Zaad and Chayton that will deliver additional results due to internal realignments
- Focus can now shift to actively seek one or two substantial new investments that can “move the needle” while driving growth in existing companies
- Sector has become very competitive (PE funds/Investors) and is “flavour of the month” – all chasing the same deals and value/expectations high despite sideways or declining profits
- Work harder for selective good deals












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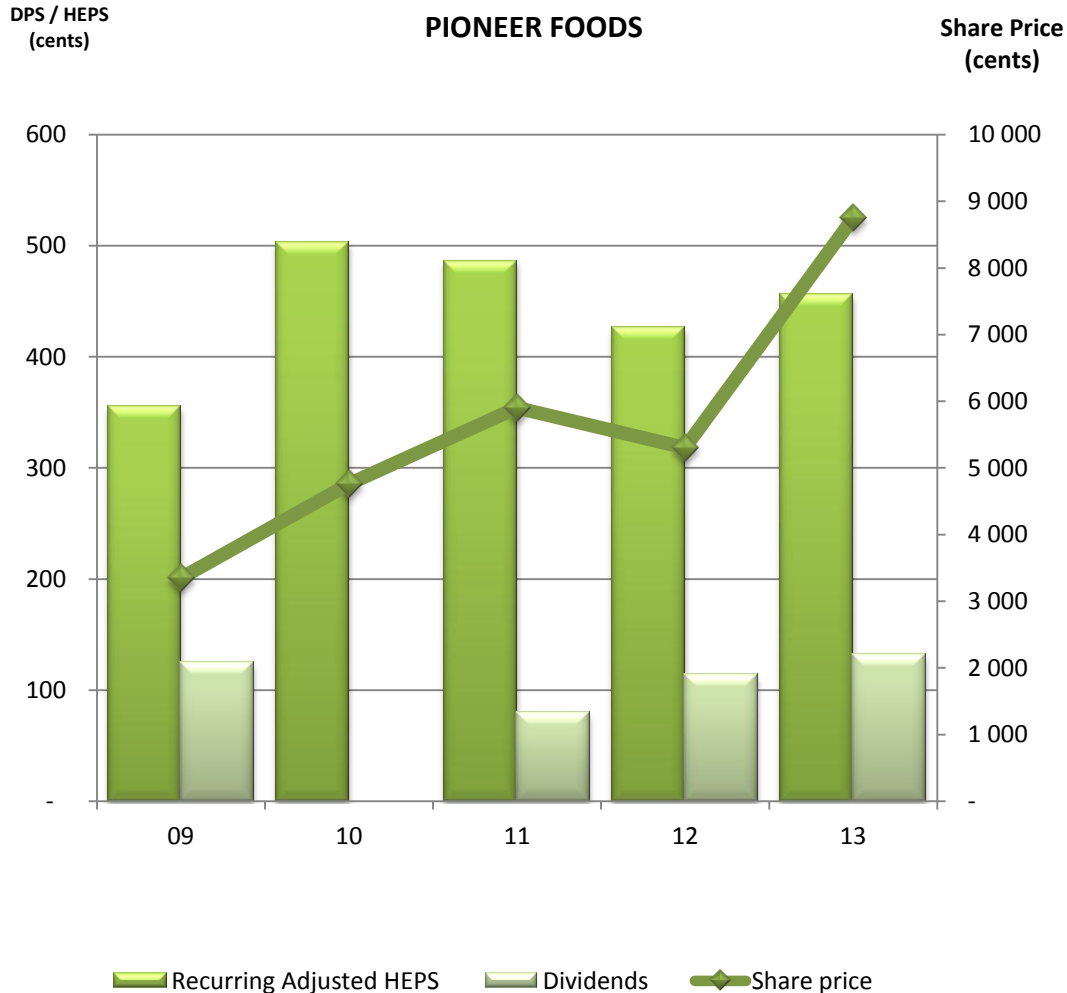
## *Despite difficult conditions, Pioneer delivered good results for the year ended 30 September 2013...*

Performance summary			
	Group	Continuing operations	
Revenue	 10% to R20.6bn	 9% to R17.0bn	
Adjusted operating income	 9% to R1 271m	 7% to R1 270m	
Adjusted HEPS	 13% to 456 cents	 9% to 452 cents	
Adjusted operating margin	 at 6.2%	 at 7.5%	
Final dividend	 23% to 86 cents		
Total dividend for year	 16% to 132 cents		

***... and Pioneer released positive trading update on 4 April 2014 regarding expected results for 6 months (H1) ended 31 March 2014.***

	<b>Expected H1 Low</b>	<b>Expected H1 High</b>
Group Earnings	+80%	+95%
Group Headline Earnings	+95%	+110%
Group Adjusted HE (cont. Operations)	+38%	+52%

## *Zeder is very satisfied with this investment and optimistic about prospects.*



- Very good investment to date
  - Capital invested to date ~ R890m
  - Market value of investment ~ R2,417m\*
- Recent earnings growth encouraging
  - 2012/13 increased by 12%
  - H1 trading update
- Significant growth opportunities
  - End of capex cycle
  - Operational efficiencies
  - Growth categories/geographies
- Motivated and dynamic management
  - Phil Roux and senior team driving
  - Renewed focus throughout organisation

\* On a see-through basis as of 4 April 2014

*Capespan delivered solid results for year ended 31 December 2013.*

## KEY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER

	2013 R'000	2012 R'000	% Change
Revenue	7 182 213	5 631 152	27,5%
Operating profit	169 831	126 658	34,1%
Recurring profit before tax	188 263	166 037	13,4%
Recurring earnings	127 804	88 981	43,6%
Headline earnings	115 416	87 214	32,3%
Headline earnings per share (cents)	36,2	27,6	31,2%
Recurring headline earnings per share (cents)	40,1	28,2	42,2%
Net asset value per share (cents)	429	361	18,8%
Dividend per share (cents)	10,0	9,0	11,1%



# CAPESPAN

*Over 70 years, the Capespan Group has developed two large and complimentary divisions which are increasingly less interdependent.*

## FRUIT



**Profit before tax = R88,7m**

## LOGISTICS



**Profit before tax = R89,7m**

*The fruit division produces, procures, markets and distributes fresh produce from more than 12 countries to more than 60 countries.*

## FRUIT



## Salient features

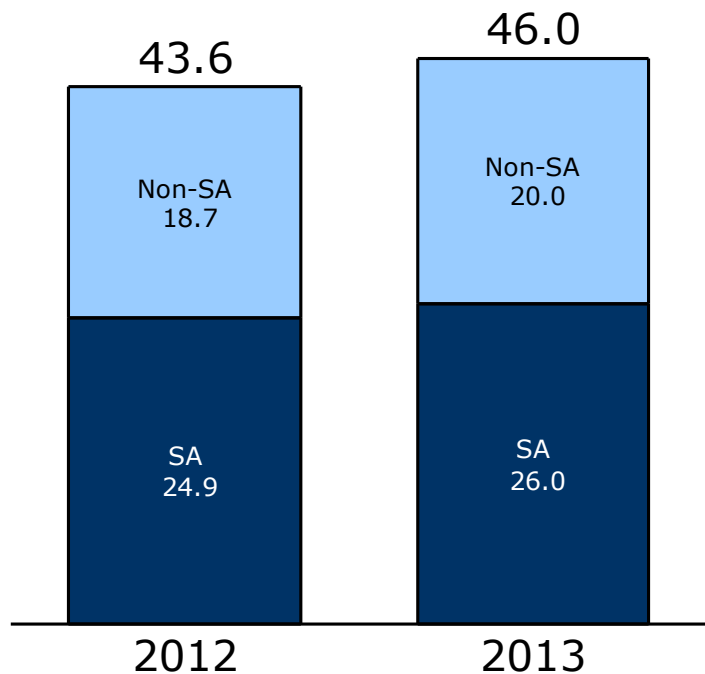
- Capespan markets and delivers exceptional fruit from the orchard to international retail, wholesale and food service partners
- Procures fruit from more than 12 countries and markets and delivers to customers in more than 60 countries on 4 continents
- Fully staffed and integrated marketing companies in 12 countries
- Fully integrated fruit production farms in South Africa and Namibia
- Valuable equity interest in challenging and expanding Chinese market





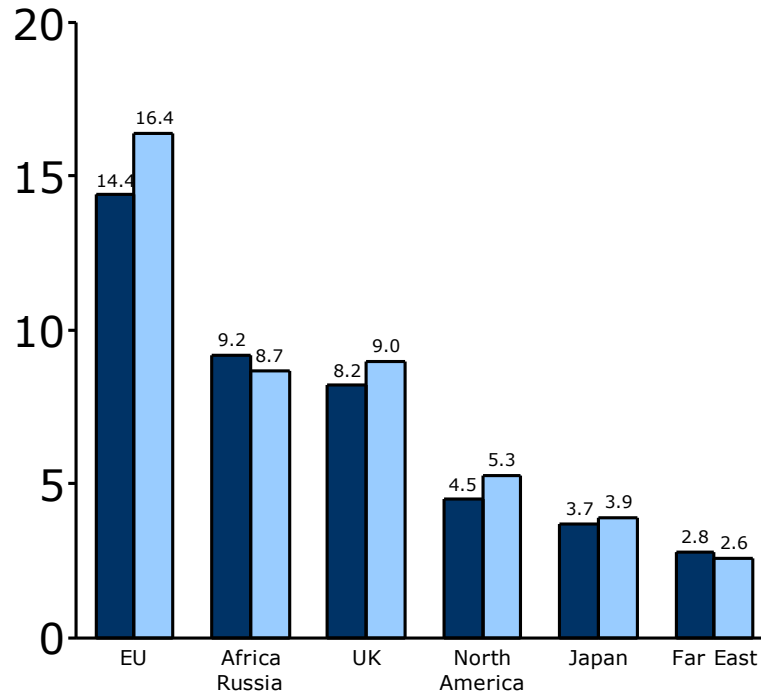
*Capespan remains the largest South African exporter of fruit and increased its volumes by 5% - first increase since 2005.*

## Fruit volumes exported (million cartons)



*Positive volume increases were achieved in largest markets.*

## Fruit volumes exported (million cartons)



OUTSPAN®

cape®

Goldland®

*Note: All volumes exclude Golden Wing Mau business. Far East and China reduction due to business being moved to GWM.*





*Through FPT and MCT, Capespan offers a broad range of landside and port logistic services in South African and Mozambique.*

## LOGISTICS

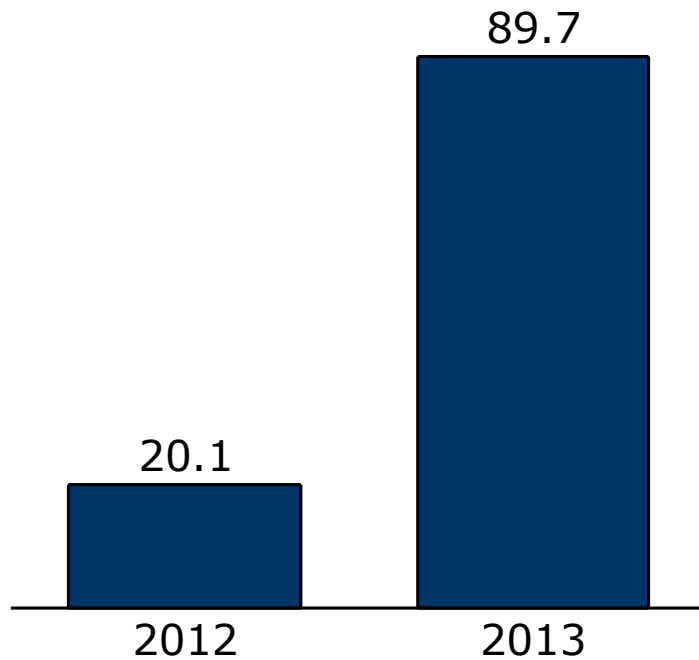


## Salient features

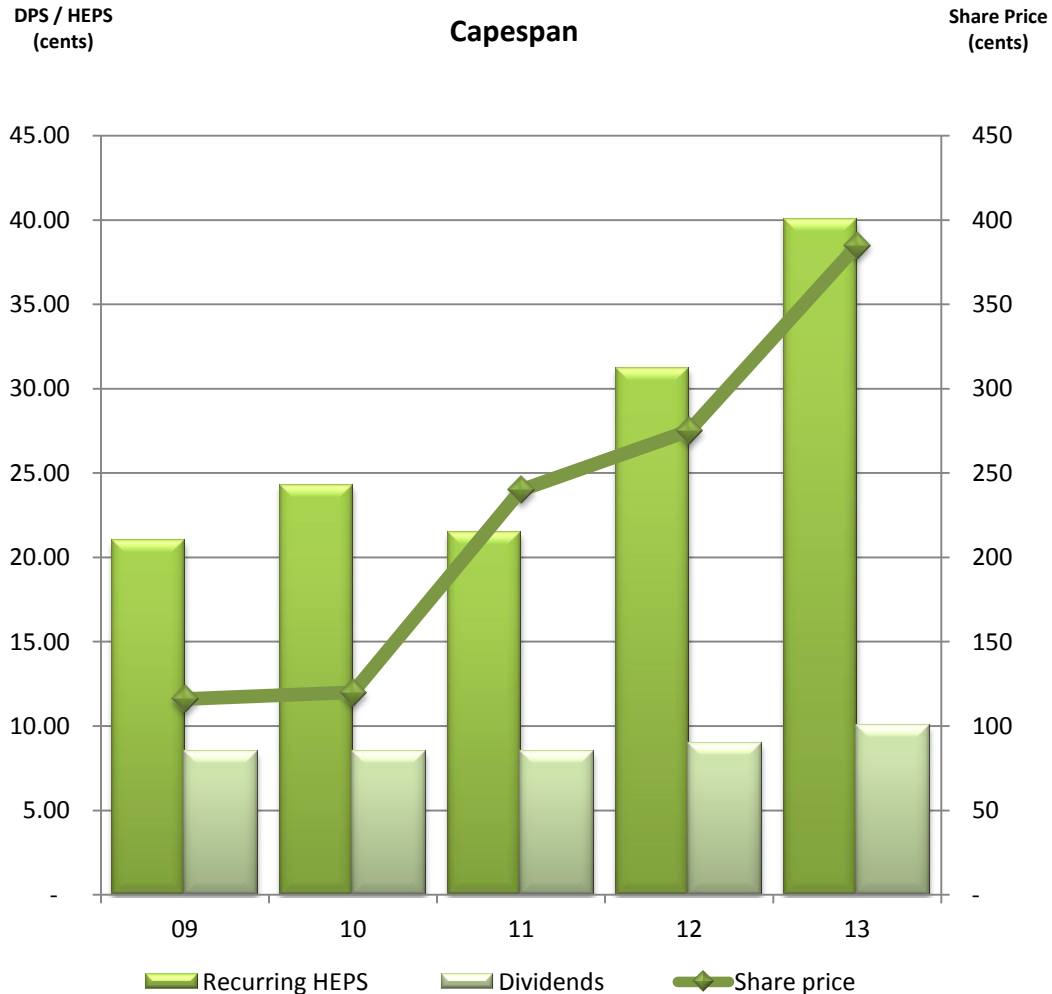
- Owns and operates four multipurpose terminals in Southern Africa situated in the ports of Cape Town, PE, Durban and Maputo
- Terminals handle ~ 1 million pallets of fruit and ~ 1 million tons of general cargo annually
- In recent years it has diversified its activities from fruit cargo to now perform terminal services for dry bulk, various break bulk commodities as well as containers too
- In Mozambique, it has 56 cold rooms of 400 m3 each, 24.000 m3 storage room for general cargo, rail siding accommodating 28 rail trucks and a fully equipped workshop
- South Africa's only private entity with ownership and control over quay side loading

*Very strong recovery in logistics as anticipated following critical license renewals.*

**Profit before tax - Logistics**  
(R'million)



***The increased investment in Capespan produced excellent results during FY2014 and Zeder remains optimistic about future prospects.***



- Very good investment to date
  - Capital invested to date ~ R544m
  - Market value of investment ~ R988m\*
- Recent earnings growth encouraging
  - 2011/12 increased by >45%
  - 2012/13 increased by >25%
- Significant growth opportunities
  - New market entries
  - New sourcing countries
  - Distribution/logistics
  - China (GWM)
- Motivated and dynamic management
  - Johan Dique and team driving
  - Encouraging next level identified

\* As of 4 April 2014



*Kaap Agri celebrated its 101<sup>st</sup> year and has become a well established, focused business with growth ambitions.*



# Kaap Agri

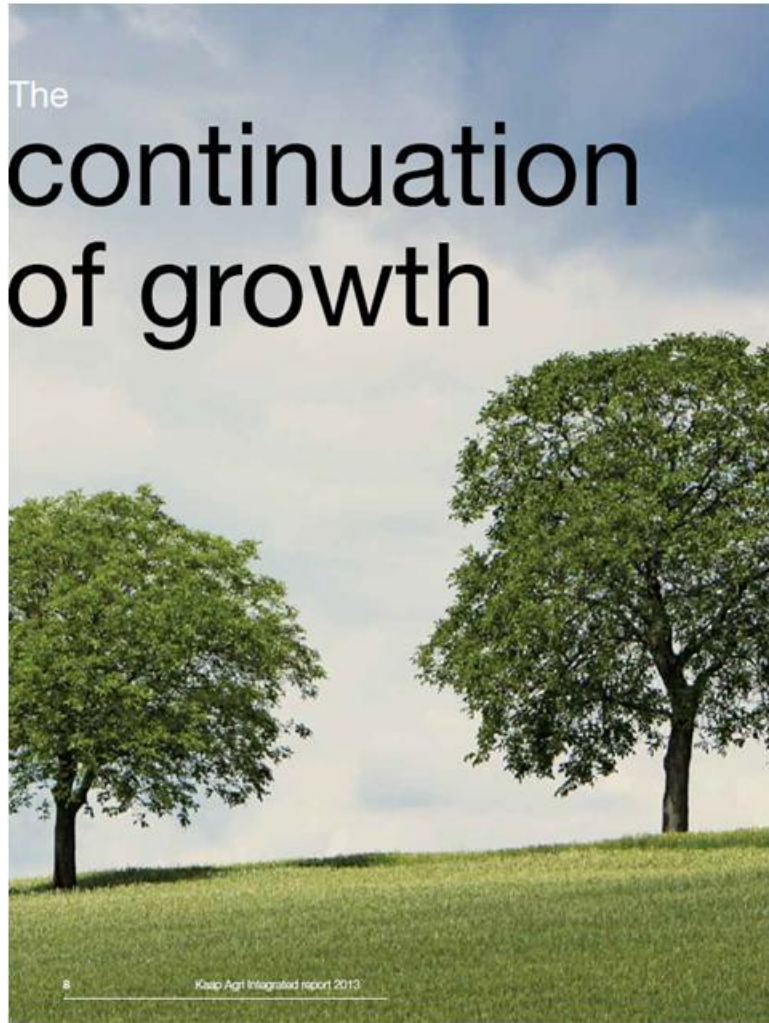
is a retail services group that supplies a **variety of products and services** mainly to the agricultural sector, but also to the general public.

Kaap Agri has 167 operating points that stretch over 88 cities, towns and places, and include areas such as the Swartland, Boland, Winelands, Overberg, Langkloof, Namaqualand, Orange River, Sondags River Valley, Namibia and adjacent areas, as well as Limpopo, Mpumalanga and Gauteng.



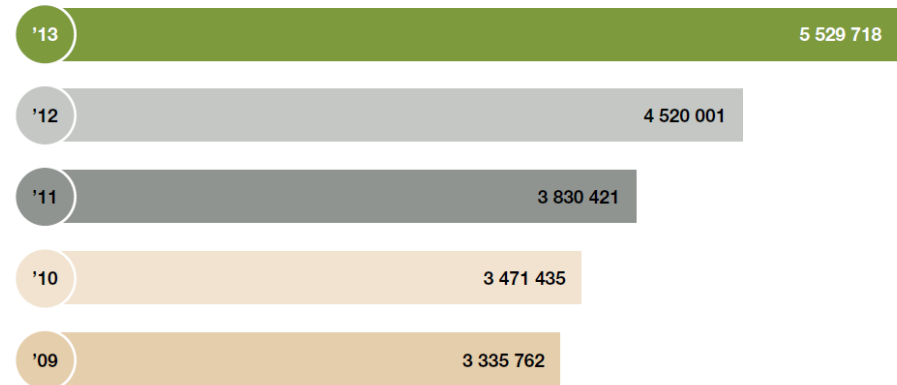


*Over the past 3 years it has delivered strong and consistent results.*



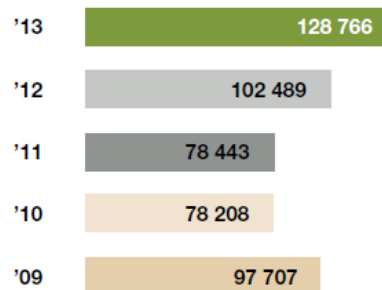
### Turnover (Value of transactions)

R'000



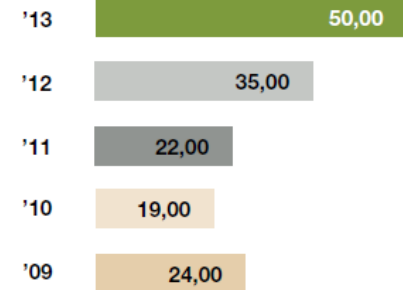
### Headline earnings

R'000

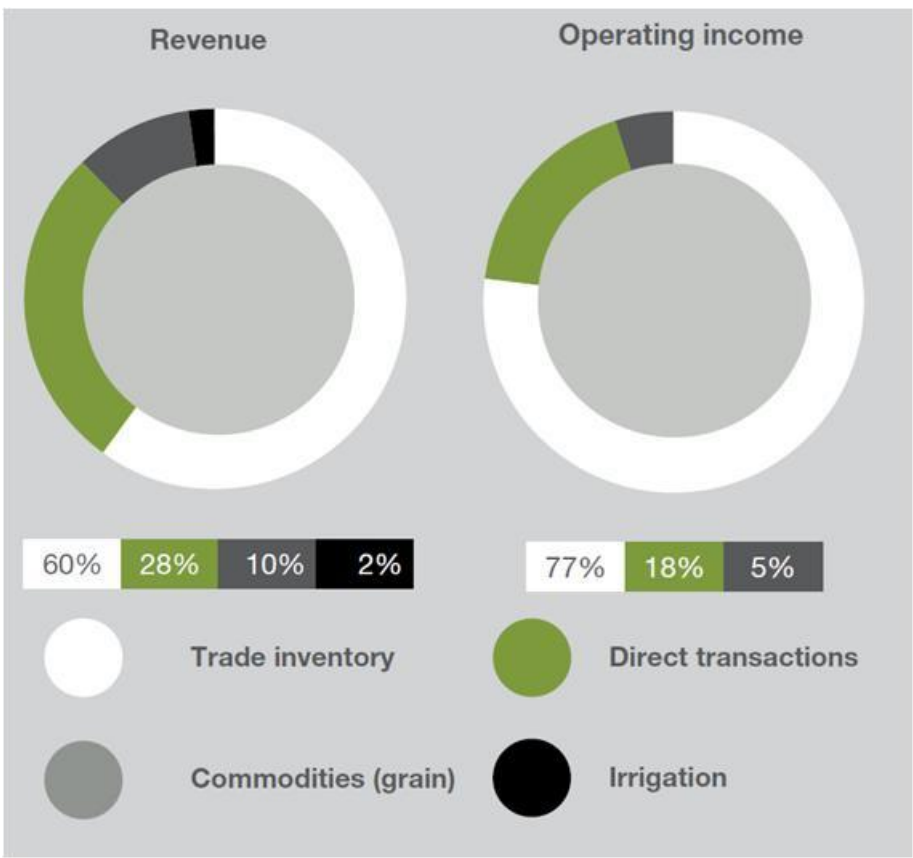


### Dividend

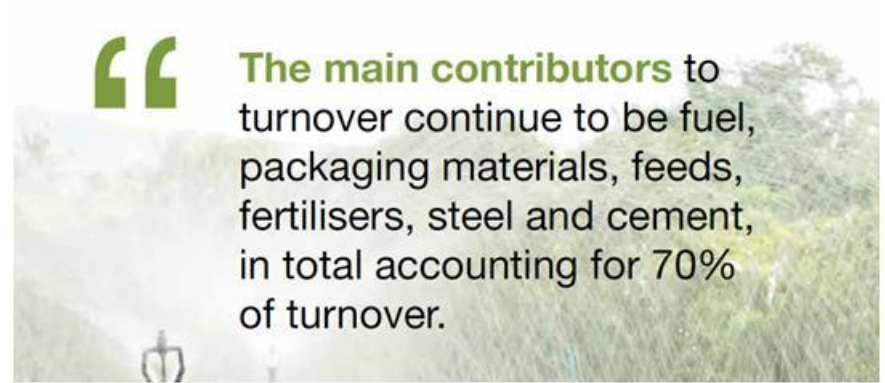
Cents



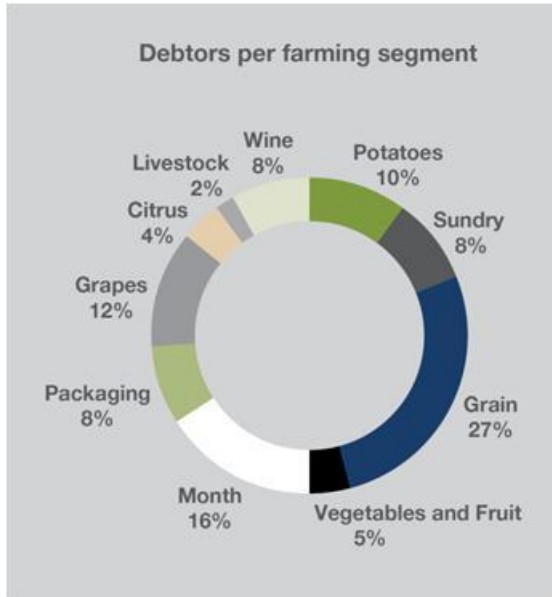
*It's core business activities increasingly focus on agricultural and related trade activities including retail, wholesale and direct.*



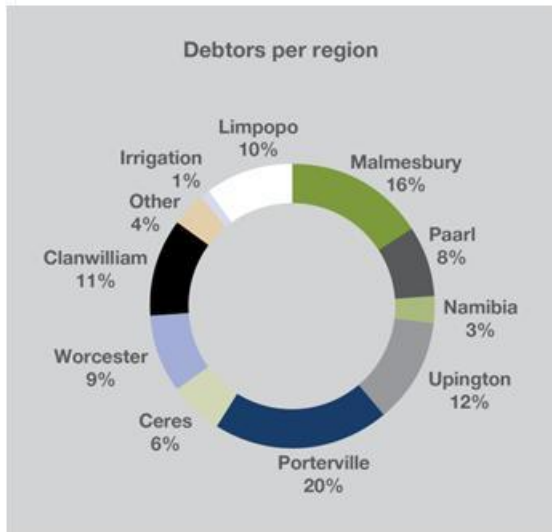
“ The main contributors to turnover continue to be fuel, packaging materials, feeds, fertilisers, steel and cement, in total accounting for 70% of turnover.



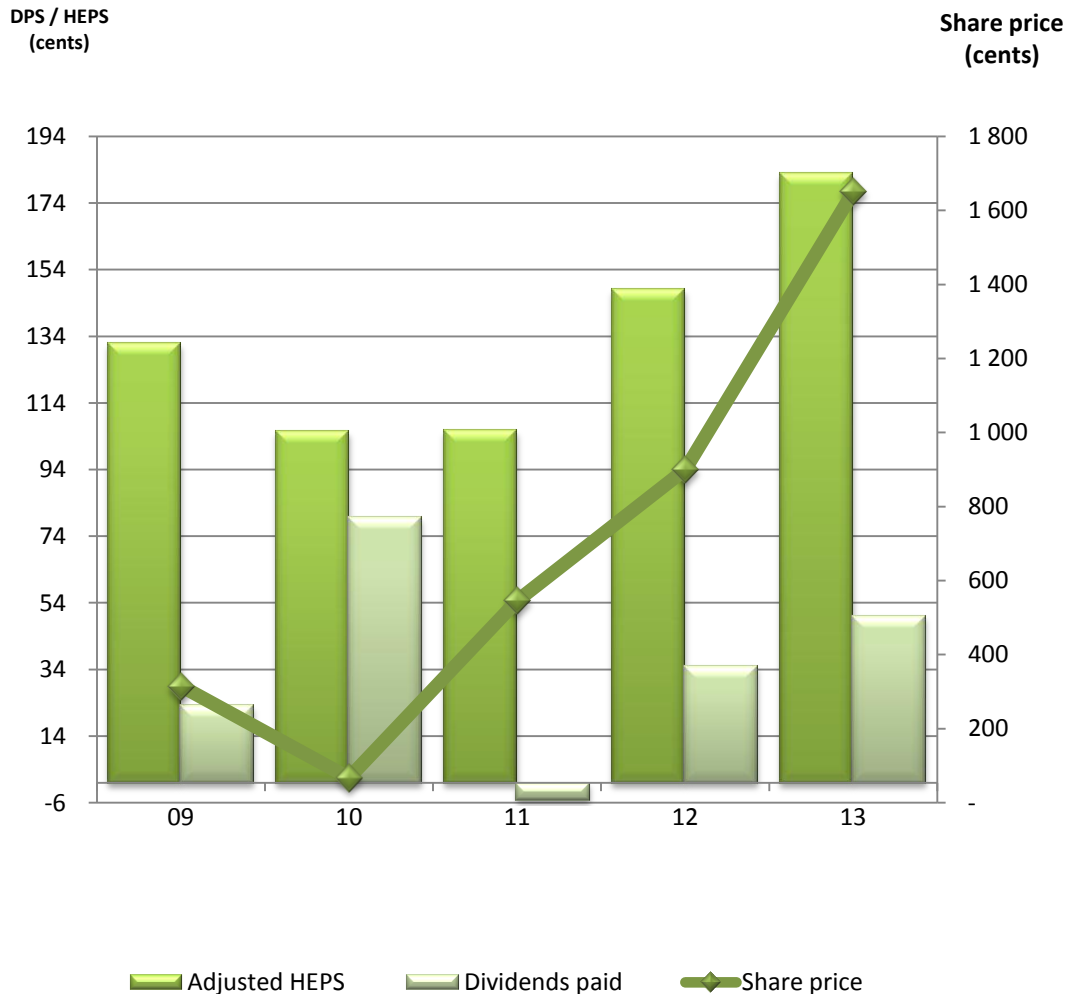
*Business activities are focused around diversified crops and areas.*



Kaap Agri will continue its **growth strategy and expansions**, always seeking growth opportunities geographically as well as focusing on new offerings to existing markets.



*Zeder is very satisfied with this investment and excited about prospects.*

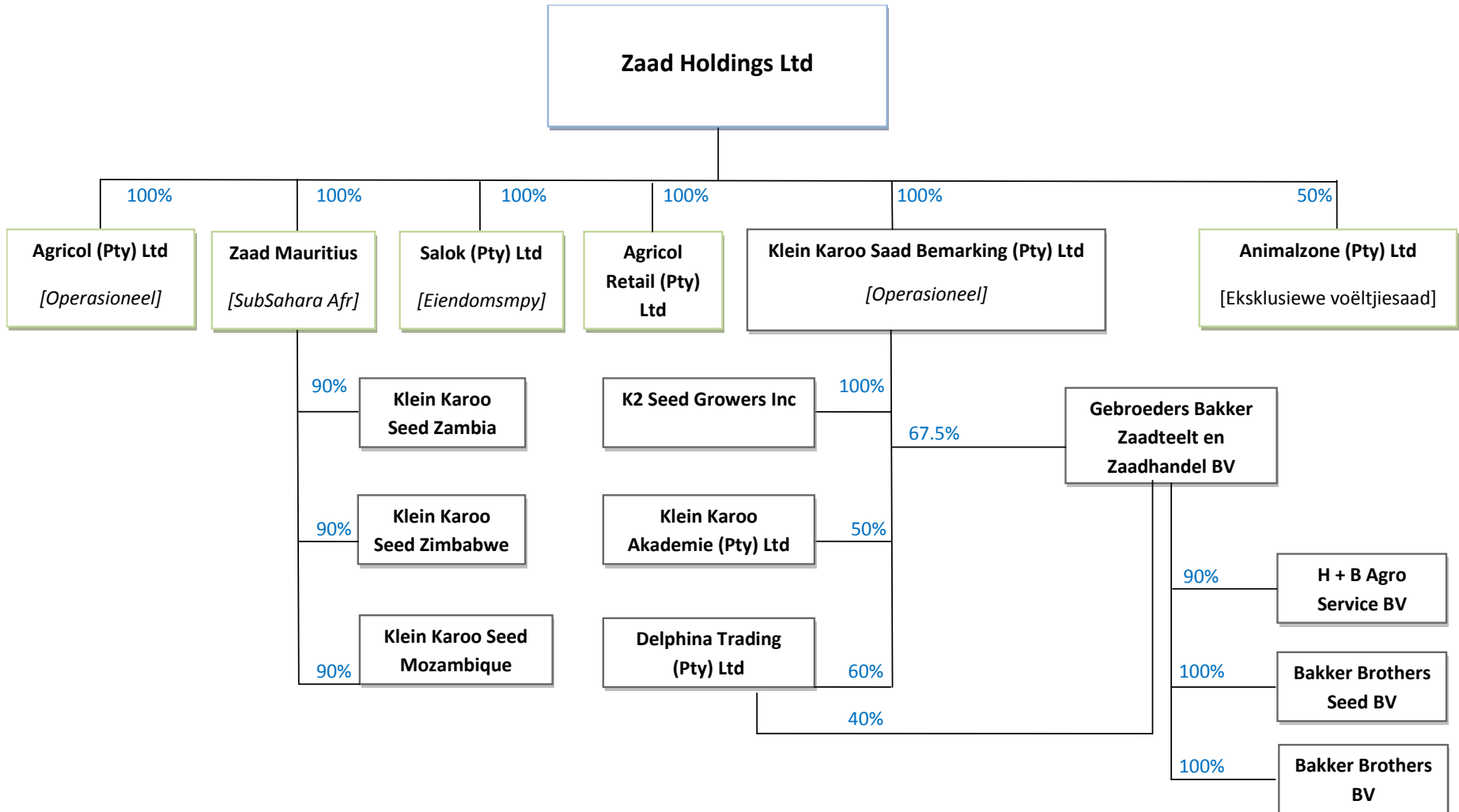


- Very good investment to date
  - Capital invested to date ~ R196m
  - Market value of investment ~ R580m\*
- Recent earnings growth encouraging
  - 2011/12 increased by 26%
  - 2012/13 increased by 24%
- Significant growth opportunities
  - Geographical expansion
  - Range extension
  - Organic or M&A
- Motivated and dynamic management
  - Sean Walsh and team driving
  - Encouraging next level emerging

\* As of 4 April 2014

# ZAAD

*Zaad is an operational holding company through which Zeder has made its investments in Agricol and Klein Karoo Seed Marketing.*





# ZAAD

*Agricol and KKS B are category leaders spanning a broad product range with complimentary geographical footprints and brands.*

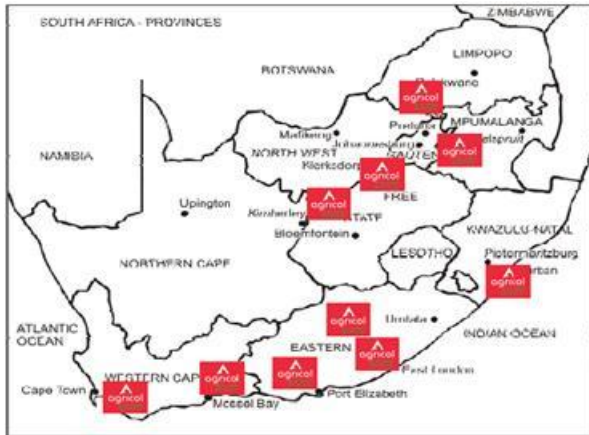
**Strong footprint**

+

**Broad product range**

+

**Trusted brands**



**AGRI**

Saad van die Klein Karoo



**AFRIGRO**

Seed from the Klein Karoo



# ZAAD

*Zeder believes that Zaad is one of the most exciting companies in its portfolio with a scalable platform for sustainable growth.*



- Very good investment to date
  - Capital invested to date ~ R342m
  - Market value of investment ~ R678m
- HEPS growth encouraging
  - 2012/13 increased by 16%
  - Diluted due to acquisition and rights
- Significant growth opportunities
  - Geographical expansion
  - Range extension
  - Organic or M&A
- Motivated and dynamic management
  - Antonie Jacobs and team driving hard
  - World-class skill and knowledge in organisation



*Chayton has thus far been a large scale farming operation in Zambia...*



## Salient features:

- Holding company for grain related operations in Sub Saharan Africa
- Zeder acquired 73.4% during 2012 in Partnership with Norfund
- Start-up company in rapid development phase (3-5 years)
- Double cropping (wheat and soya) for local demand



*... and Zeder has played a significant role in ensuring effective execution and strategic alignment...*

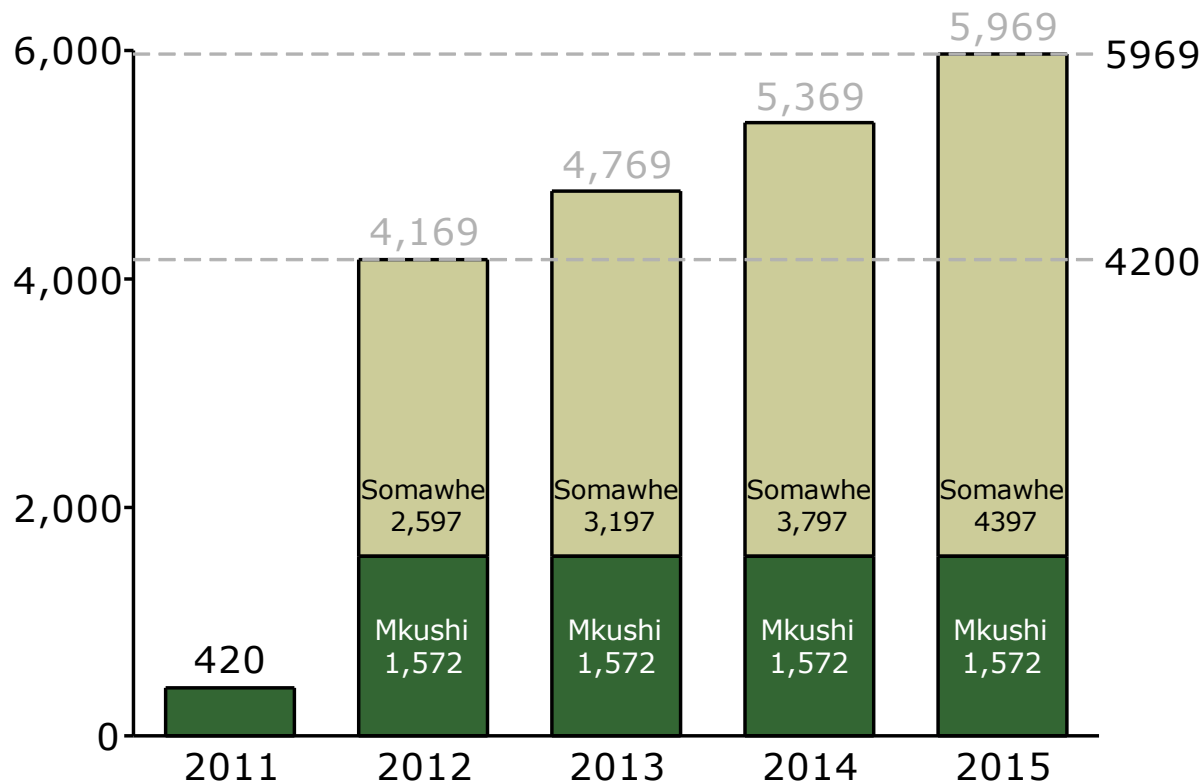
- Fund structure to operating company
- Improved management team
  - W Meyer (CEO)
  - Stuart Kearns /Phil Nicol
- Zambian operations streamlined
- Two current farming units
  - Mkushi
  - Somawhe
- Current strategy and future plans
  - Bed down existing investments
  - Increase scale/efficiency in existing farms
  - Enter new local markets
  - Downstream expansion





*... and a total of 4,200 irrigated hectares have been completed within 24 months and additional capacity is currently being added.*

Irrigated hectares



- Operations under control and efficiency improvements being implemented
- Harvested yields ahead of budget but wheat pricing weak
- Solid investment thus far but high entry price
- Somawhe excellent investment that offers opportunity to scale



***... and a leading mill is currently being acquired and will be integrated with farming operations.***

- Recently acquired Mpongwe Milling in Zambia's Copperbelt
- Maize and wheat milling operations
- 50,000 tons of maize and 24,000 tons of wheat milled annually
- Synergies with the farm operations
- Offers the opportunity to expand across the value chain





# CONCLUSION

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- Questions?

