

# UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020



## Change in accounting policy to that of an Investment Entity

### OVERVIEW

Zeder is an investor in the broad agribusiness and related industries, with a historical focus on the food and beverage sectors. Its underlying investment portfolio was valued at R4.9bn on 31 August 2020.

### CORPORATE POSITIONING

Zeder assists with portfolio and investee strategies, while monitoring and overseeing optimal capital allocations to ensure sustainable investment returns, including capital appreciation. Its portfolio consists of strategic interests in leading companies that provide it with a diversified exposure across the agribusiness spectrum, ranging from strategic agri-inputs to fast moving consumer goods while incorporating related logistical and enabling services.

### NOTEWORTHY TRANSACTIONS

#### Category 1 disposal of investment in Pioneer Foods and application of proceeds

In line with the relevant announcements, Zeder disposed of its entire shareholding in Pioneer Foods on 23 March 2020 for a total consideration of R6.41bn. As a result, Zeder has settled all its debt and related obligations and declared a special gross dividend of 230 cents per share (R3.9bn) to shareholders, which was paid on 28 April 2020.

#### Category 2 disposal of investment in Quantum Foods

In line with the relevant announcements, Zeder disposed of its entire shareholding in Quantum Foods on 12 June 2020, for a total consideration of R308m.

### Zeder share repurchases

Zeder invested R262m in the repurchase of shares during the period. The share repurchases were in terms of the general authority granted by shareholders at the relevant AGMs and were funded out of available cash resources. The 110m ordinary shares repurchased have been delisted and cancelled.

### CHANGE IN ACCOUNTING POLICY

International Financial Reporting Standards (IFRS) require that an entity reassess whether it is an Investment Entity if facts and circumstances indicate changes to one or more of the elements making up the definition of an Investment Entity or the typical characteristics of an Investment Entity.

As indicated in Zeder's SENS announcement dated 2 October 2020, Zeder has reassessed whether, as a result of the Pioneer Foods disposal, it meets the definition of an Investment Entity and the typical characteristics of an Investment Entity and has concluded that it, in fact, did so with effect from 1 March 2020. This date takes into consideration that the terms and conditions attached to the Pioneer Foods disposal were met in March 2020. Zeder's investment in Zeder Financial Services Limited, the 100% subsidiary through which it holds the investment in its underlying subsidiaries and associates, will be measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments, with relevant fair value disclosures of Zeder's investees being provided, including for the fair value determination of its unlisted investments.

Given that Zeder has met the definition of an Investment Entity from 1 March 2020, the change in accounting policy was adopted prospectively with effect from the aforementioned date. The reported results for the interim period ended 30 August 2019 and the financial year ended 29 February 2020 have therefore not been restated (having been prepared in accordance with Zeder's previous accounting policy) and will therefore not be comparable to the results for the six months ended 31 August 2020. The change in accounting policy is expected to provide users of Zeder's financial statements with more relevant financial information to analyse the financial performance of Zeder.

### BUSINESS ENVIRONMENT

The aforementioned Pioneer Foods and Quantum Foods transactions had a positive impact on Zeder's Sum-of-the-Parts ("SOTP") value per share, having been sold at a premium thereto. The prevailing challenging macro conditions has resulted in continued subdued valuations across the remaining portfolio and Zeder's own share price. As a result, portfolio valuations are mostly in line with prior year reported numbers, taking the effects of Covid-19 into account.

### PERFORMANCE OF PORTFOLIO COMPANIES

It is worth noting that many of Zeder's portfolio companies fell within the "essential services" classification under the Covid-19 regulations and were accordingly permitted to continue certain operations during the government-imposed lock-down. As a result, and also due to pro-active portfolio management interventions, we are pleased with the portfolio companies' performance during the reporting period.

The interim reporting period traditionally represents the lesser half of the portfolio's annual earnings as this period reflects the annual input-cost cycle associated with many of its agriculture investments, as well as the softer half of the annual consumer sales and spending cycles associated with its other investments. Year-on-year comparisons at the interim stage of reporting may therefore reflect seasonal variances.

## SOTP value per share R3.73 as at 30 September 2020

### SUM-OF-THE-PARTS ("SOTP")

Zeder's SOTP value per share, calculated using the quoted market prices for all JSE-listed investments and internal valuations for unlisted investments, decreased during the reporting period to R3.72, as at 31 August 2020. The decrease is mainly due to the payment of the R2.30 per share special gross dividend on 28 April 2020 out of cash reserves. At the close of business on Wednesday, 30 September 2020, Zeder's SOTP value per share was R3.73.

Company	29 Feb 2020		31 Aug 2020		30 Sep 2020	
	Interest (%)	Rm	Interest (%)	Rm	Interest (%)	Rm
Pioneer Foods	28.6	6 348				
Zaad	95.7	2 034	95.7	2 034	95.7	2 034
The Logistics Group	98.6	1 028	98.5	1 028	98.5	1 028
Capespan	96.7	999	96.0	999	96.0	999
Kaap Agri	41.0	723	42.3	626	42.3	642
Agrivision Africa	56.0	242	56.0	155	56.0	155
Quantum Foods	32.1	188				
Other		19		31		24
<b>Total investments</b>		11 581		4 873		4 882
Cash and cash equivalents		83		1 050		1 050
Other net assets		40		31		32
Debt funding		(1 500)				
<b>SOTP value</b>		10 204		5 954		5 964
Number of shares in issue (net of treasury shares) (million)		1 710		1 600		1 600
<b>SOTP value per share (rand)</b>		5.97		3.72		3.73

Note: Zeder's live SOTP is available at [www.zeder.co.za](http://www.zeder.co.za).

The SOTP valuations of Zeder's unlisted investments have been based on the respective investee companies' latest financial results. Such valuation methodologies are consistent with those applied in previous years.

The wide-spread impact of Covid-19 on the global economy and financial markets is already evident. The short- to medium term severity thereof and consequent impact on the profitability and valuation of our investments, however, remain uncertain, although they have been considered.

While the SOTP calculation is indicative of the value of Zeder's underlying portfolio of net assets, it does not take into account factors such as adjustments for the size of shareholdings, liquidity of the underlying assets, tax on the potential disposal of underlying assets, head office operating profit/loss and other factors.

### PROSPECTS AND OUTLOOK

The financial results reported and business environment reviewed, reflect the six months ended 31 August 2020, as well as subsequent events that transpired prior to the publication of these results. It is, however, important to note that, at the time of producing this report, the uncertainty around the global coronavirus pandemic remains. While the final outcome is unclear, it is anticipated that the negative economic impact in South Africa and around the world will be severe in the short- to medium term, and Zeder and its portfolio companies will not be immune to these challenges.

However, the climatic cycle within which our companies operate has improved, with good winter rainfall in the Western Cape and above normal summer rains expected. These positive changes should contribute to improved conditions in the short- to medium term and Zeder's portfolio companies are well positioned to benefit from same.

The successful disposal of its investments in Pioneer Foods and Quantum Foods and the declaration of the substantial special dividend are considered in a positive light from a Zeder shareholder's perspective. These transactions understandably also represent a material change to the size and composition of Zeder and its portfolio as they resulted in the disposal and distribution of a substantial portion of the underlying value of the Group.

As a result, the Zeder board has decided to reconsider the strategy of Zeder. The board is currently investigating whether to change the Zeder strategy, including to one of value unlocking in a responsible way. Zeder will in due course communicate in more detail to the market.

### EARNINGS

Shareholders and investors are cautioned that earnings per share ("EPS") and headline earnings per share ("HEPS") as well as net asset value per share ("NAVPS") for the 6 months ended 31 August 2020 are not comparable to those for the previous interim period ended 31 August 2019, given the change in Zeder's accounting policy to that of an Investment Entity.

	Audited	Unaudited		
	29 Feb 20 12 months Rm	31 Aug 19 6 months Rm	Change %	31 Aug 20 6 months Rm
<b>Headline earnings</b>	404	41	n/a	(59)
Continued operations	121	(74)		(119)
Discontinued operations	283	115		60
Non-headline items	157	398		2 188
<b>Attributable earnings</b>	561	439	385	2 129
Continued operations	(234)	(212)		772
Discontinued operations	795	651		1 357
Weighted average number of shares in issue (net of treasury shares) (million)	1 702	1 702		1 671
<b>Headline earnings per share (cents)</b>	23.7	2.4	n/a	(3.5)
<b>Attributable earnings per share (cents)</b>	32.9	25.8	394	127.4
<b>Net asset value per share (cents)</b>	468.5	481.1	(23)	372.6

HEPS decreased to a loss of 3.5 cents per share mainly due to Zeder ceasing to consolidate its subsidiaries and equity account its associates, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

Attributable EPS increased by 394% mainly due to the gain on deemed disposal and reacquisition of investment, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

The NAVPS decreased by 23% mainly due to the significant special dividend paid to shareholders during the reporting period, countered by the gain on deemed disposal and reacquisition of investment, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

Profit before finance costs and taxation from continued operations per Zeder's consolidated income statement increased by R948m from a loss of R116m in the prior comparative period to a profit of R832m, mainly as a result of the gain on deemed disposal and reacquisition of investment, as a result of the aforementioned change in accounting policy to that of an Investment Entity.

### DIVIDEND

Zeder's dividend policy remains to pay dividends conditional on the Group having sufficient reserves to fund its operations, investments, and growth plans. The board continues to maintain a conservative dividend policy during the Covid-19 recovery period and has taken the decision not to declare an interim dividend for the six-month period ended 31 August 2020, also in view of the recent special dividend paid.

### SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("Full Announcement") and does not contain full or complete details. A copy of the Full Announcement is available through the link in the short-form announcement released on SENS and on the Company's website at [www.zeder.co.za](http://www.zeder.co.za) or may be requested in person, at the Company's registered office or the office of the sponsor, at no charge, during office hours. Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement.

Signed on behalf of the board

Chris Otto  
Chairman

Stellenbosch  
7 October 2020

Johann le Roux  
Acting chief executive officer and financial director