



# INTERIM RESULTS

31 AUGUST 2021

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DATE: 6 OCTOBER 2021

# AGENDA

- Noteworthy transactions
- Interim financial results
- Portfolio review
- Prospects and strategy
- Questions – email to [cosec@zeder.co.za](mailto:cosec@zeder.co.za)

# NOTEWORTHY TRANSACTIONS

- Dividends, portfolio transaction and buyback of Zeder shares

## Payment of Special Dividend

- A special dividend of 20c per share was paid to shareholders during May 2021
- R308m of cash resources were returned to shareholders
- In addition to the R3.9bn dividend paid during the FY21 year

## Portfolio Dividends Received

- Dividends received from Kaap Agri, TLG and Capespan
- ~R90m of additional cash resources

## EA Seeds Transaction

- Zaad acquired a 40% interest in EA Seeds (Kenya)
- Zeder provided a bridge loan to assist with the funding of the transaction

## Buyback of Zeder Shares

- No further shares bought back since FY21
- Cautionary announcement
- Zeder in closed period for trading in shares
- During the FY21 year, spent R426m in share buy-backs at an average price of R2.48 per share



# INTERIM FINANCIAL RESULTS

- Results summary
- Sum-of-the-parts
- Covid-19

# INTERIM FINANCIAL RESULTS

## RESULTS SUMMARY

- Intrinsic value of portfolio impacted by valuation adjustments and special dividend
  - *Total Sum-of-the-Parts increased from R4.33 to R4.45 per share during the period as a result of:*
    - *Upward valuations of Kaap Agri and TLG (combined fair value adjustment of R394m)*
    - *Countered by 20c special dividend paid during May 2021 (R308m)*
  - *Annual input-cost cycle associated with agricultural investments (Capespan and Agrivision – no adjustment to valuations at interim reporting)*
  - *Discount remains around 30%*
  - *Not unique to Zeder, prevalent in listed markets*
- Satisfactory cash generation and strengthened balance sheets
  - *Dividends received from portfolio companies (Kaap Agri, Capespan and TLG ~R90m to Zeder)*
  - *Further special dividend of 20c per Zeder share paid (R308m) during May 2021*
  - *Cash balance of ~R476m, strong balance sheet – can assist portfolio companies*
  - *No interim dividend declared*
    - *In light of recent special dividends*
    - *Board remains cautious during Covid-19 recovery period*

# INTERIM FINANCIAL RESULTS

## SUM-OF-THE-PARTS

*The SOTP value per share increased by 25% over the past 12 months, including the effects of the special dividend paid during May 2021.*

Company	31-Aug-20			28-Feb-21			31-Aug-21		
	Interest	Rm	Share of Assets	Interest	Rm	Share of Assets	Interest	Rm	Share of Assets
Zaad	95.7%	2,034	34.2%	97.0%	2,010	30.2%	97.0%	2,010	29.4%
The Logistics Group	98.5%	1,028	17.3%	98.5%	1,325	19.9%	98.2%	1,430	20.9%
Capespan	96.0%	999	16.8%	96.0%	1,117	16.8%	94.6%	1,117	16.3%
Kaap Agri	42.3%	626	10.5%	42.3%	1,102	16.5%	42.3%	1,391	20.3%
Other		217	3.5%		232	3.5%		420	6.1%
Cash & cash equivalents		1,050	17.6%		876	13.1%		476	7.0%
<b>TOTAL ASSETS</b>		<b>5,954</b>			<b>6,662</b>			<b>6,844</b>	
Debt funding		-			-			-	
<b>SOTP VALUE</b>		<b>5,954</b>			<b>6,662</b>			<b>6,844</b>	
Number of shares in issue <i>(net of treasury) (million)</i>		1,600			1,538			1,538	
<b>SOTP value per share (Rand)</b>		<b>3.72</b>			<b>4.33</b>			<b>4.45</b>	
<b>Zeder share price (Rand)</b>		<b>2.40</b>			<b>2.65</b>			<b>3.15</b>	

Note: It should be noted that these valuations are not an indication of the values at which Zeder would consider selling any of its investments

# INTERIM FINANCIAL RESULTS

## COVID-19

- Impact on South Africa and business
  - *GDP retraction and significant job losses (resultant increase in unemployment rate)*
  - *Economy struggling, government debt levels high and business confidence low*
  - *Current low interest rate environment however beneficial*
  - *3<sup>rd</sup> wave and possible 4<sup>th</sup> wave brings additional financial challenges*
  - *Slow vaccination rate (delay in the new normal)*
- Impact on Zeder and its investment portfolio
  - *Pro-active measures taken and implemented by portfolio management*
  - *Portfolio investments resilient, solid recoveries and performance better than expected*
  - *Long term impact obviously remains unclear, especially with continuous “waves” being experienced*
  - *Balance sheets monitored closely – Zeder is well positioned with available cash resources*
  - *Most significant challenge remains in global supply chain constraints (shipping) and resultant bottlenecks*

# PORTFOLIO REVIEW





*Zaad is a specialist agricultural seed and agrochemicals company that develops and supplies a broad basket of proprietary seeds and chemicals to emerging markets.*



# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*Zaad changed its year end in order to better align the financial reporting outside the key summer crop cycle. Zaad reported recurring headline earnings of R177m for the year ended 30 June 2021.*

Summarised Income Statement	Jan 19	Jan 20	Jan 21	Jun 21
	12 months	12 months	12 months	12 months
Historical	R'm	R'm	R'm	R'm
Revenue	1 635	2 113	2 914	2 810
EBITDA *	253	346	379	379
EBIT	199	281	306	299
<b>Recurring headline earnings</b>	<b>131</b>	<b>169</b>	<b>181</b>	<b>177</b>
WANOS (m)	27	33	35	34
<b>Recurring HEPS (R)</b>	<b>4.76</b>	<b>5.14</b>	<b>5.24</b>	<b>5.19</b>
Net debt/(cash)	819	993	1 076	1 074

Notes: \* includes EBITDA from associates

These figures are unaudited proforma financials derived from divisional accounts



# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*The valuation of Zeder's interest in Zaad has remained unchanged at R2.010bn in-line with the flat reported earnings numbers for the year ended 30 June 2021.*

### GENERAL COMMENTS

- Good performances from May Seed (Turkey) and FarmAg
- Covid-19 negative impact on Bakker Brothers (Netherlands)
- KZN unrests - limited damage at an agro-chemical facility
- EA Seeds transaction concluded (East African distribution of Zaad seed varieties)
- Agricultural conditions remain mostly favourable
- Covid-19 related supply chain constraints remains a challenge

### VALUATION CONSIDERATIONS

- Valuation based on comparable EV/EBITDA multiples, adjusted for company specific factors
- Market related multiples split between seed and chemicals
  - Zaad Group: ~8.3x
  - Seed: ~9.5x
  - Chemicals: ~7x
- EBITDA normalised and adjusted downwards to exclude the accounting effect of hyperinflation in Zimbabwe
- Net debt of R1.074bn deducted from the valuation





Port Stevedoring

*The Logistics Group is an asset light business, operating strategic logistical and terminal assets in South Africa, whilst expanding its service offering and capabilities to a broader market base in Southern Africa.*



# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*TLG reported an increase of 178% in recurring headline earnings per share for the six-months ended 30 June 2021. The substantial increase is as a result of good growth, but also due to the prior reporting period Covid-19 impact.*

	Dec 19	Dec 20	Jun 20	Jun 21
Summarised Income Statement	12 months	12 months	6 months	6 months
Historical	R'm	R'm	R'm	R'm
Revenue	949	1 108	423	819
EBITDA	321	372	138	209
EBIT	204	240	72	142
<b>Recurring headline earnings</b>	<b>128</b>	<b>142</b>	<b>31</b>	<b>90</b>
WANOS (m)	367	368	368	369
<b>Recurring HEPS (R)</b>	<b>0.35</b>	<b>0.39</b>	<b>0.09</b>	<b>0.25</b>
Net debt/(cash)	198	93	180	96

Notes: \* excludes EBITDA from associates

These figures are unaudited proforma financials derived from divisional accounts

# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*The valuation of Zeder's interest in TLG has increased to R1.430bn, as a result of an improved performance in recurring headline earnings and good growth prospects.*

### GENERAL COMMENTS

- Business has been resilient post the level-5 Covid lockdown
- Sharp V-recovery seen and continuing into 2021 – demand for commodities/citrus exports
- Exciting growth prospects in Sub-Saharan Africa, Ressano Garcia key asset in terms of Mozambiquan trade corridor
- KZN unrests – temporary disruptions and delays at Durban port operations
- Solid cash generation, growth funded from own balance sheet

### VALUATION CONSIDERATIONS

- Valuation based on comparable EV/EBITDA multiples, adjusted for company specific factors
- Prior year reported audited numbers used as the base, adjusted for year to date interim reported numbers
- Market related EBITDA multiple of ~4-5x applied to the valuation of TLG
- Net debt of R96m and lease liabilities deducted from the valuation



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*Capespan is an internationally diversified group with a primary exposure to fruit farming, marketing, distribution and related services.*

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# PORTFOLIO REVIEW

## FINANCIAL RESULTS

*Capespan reported a loss of R56m for the six-months ended 30 June 2021, compared to the prior period loss of R27m, largely as a result of decisions taken during the prior year Covid-19 period and resultant timing differences on the farms.*

	Dec 19	Dec 20	Jun 20	Jun 21
Summarised Income Statement	12 months	12 months	6 months	6 months
Historical	R'm	R'm	R'm	R'm
Revenue	3 951	3 506	1 730	1 341
EBITDA	72	148	(17)	(36)
EBIT	(10)	76	(54)	(69)
<b>Recurring headline (loss)/earnings</b>	<b>(36)</b>	<b>76</b>	<b>(27)</b>	<b>(56)</b>
WANOS (m)	367	371	369	374
<b>Recurring HEPS (R)</b>	<b>(0.10)</b>	<b>0.20</b>	<b>(0.07)</b>	<b>(0.15)</b>
<b>Balance sheet NAV</b>	<b>1 409</b>	<b>1 478</b>	<b>1 407</b>	<b>1 370</b>
Net debt/(cash)	191	52	76	66

*Note: These figures are unaudited proforma financials derived from divisional accounts*



# PORTFOLIO REVIEW

## FINANCIAL RESULTS

*As a result of the annual input-cost cycle associated with agricultural investments, the valuation of Zeder's interest in Capespan has remained unchanged at R1.117bn.*

### GENERAL COMMENTS

- Farms performance main reason for year on year fluctuations
- Decisions taken during the 2020 pome season as a result of Covid-19 led to timing differences
- KZN unrests - limited impact on citrus side of the business
- Agricultural conditions remain mostly favourable
- Increased shipping rates and availability of containers a concern
- Supply chain constraints should hopefully normalise in-time for the important upcoming grape season

### VALUATION CONSIDERATIONS

- Valuation based on Capespan Group NAV, adjusted for company specific factors
  - Independent 3<sup>rd</sup> party valuations performed on all farms and packhouses
  - Associate investments valued at appropriate p/e multiples
- Market related discount applied to Capespan Group NAV as mentioned above



*Kaap Agri is a leading Agri-related retail, trade, supply and services company that supplies a variety of products and services mainly to the agricultural sector, but also to the general public.*



# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*Kaap Agri delivered strong interim 31 March 2021 results with an increase in recurring headline earnings per share of 23% and an interim dividend payment of 40c per share.*

Summarised Income Statement	Sep 19	Sep 20	Mar 20	Mar 21
	12 months	12 months	6 months	6 months
Historical	R'm	R'm	R'm	R'm
Revenue	8 452	8 575	4 899	5 666
EBITDA	550	588	349	399
EBIT	489	503	308	350
<b>Recurring headline earnings</b>	<b>263</b>	<b>276</b>	<b>177</b>	<b>222</b>
WANOS (m)	70	70	70	70
<b>Recurring HEPS (R)</b>	<b>3.75</b>	<b>3.93</b>	<b>2.48</b>	<b>3.05</b>
Net asset value per share (R)	27.42	28.86	27.34	31.41
P/E	8.3	5.2	6.2	9.2
Share price (R)	31.27	20.50	23.40	36.12

Note: These figures are the latest published results available for the interim period ended 31 March 2021

# PORTFOLIO REVIEW

## FINANCIAL RESULTS

*The valuation of Zeder's interest in Kaap Agri has increased to R1.391bn, as a result of the increase in the JSE listed share price.*

### GENERAL COMMENTS

- Interim reported recurring headline earnings per share (+23%)
- Interim dividend restored
- Pro-active management during Covid-19
- Agricultural conditions remain mostly favourable
- Promising wheat harvest in the Swartland area
- Sale of TFC Properties – R446m (refer to Kaap Agri SENS)

### VALUATION CONSIDERATIONS

- Valuation based on JSE listed share price
- Share price at:
  - 28 February 2021 was R35.20 per share
  - 31 March 2021 was R36.12 per share
  - 31 August 2021 was R44.44 per share
- More information at: [www.kaapagri.co.za](http://www.kaapagri.co.za)



*Agrivision Africa is a vertically integrated, grain-related food supplier that farms, mills and distributes products in the northern region of Zambia and southern parts of the DRC.*



Agrivision Africa



# PORTFOLIO REVIEW

## FINANCIAL RESULTS



*Agrivision reported an improved performance on the farming operations and as a result managed to reduce debt on the balance sheet.*

	Dec 19	Dec 20	Jun 20	Jun 21
Summarised Income Statement	12 months	12 months	6 months	6 months
Historical	\$'000	\$'000	\$'000	\$'000
Revenue	33 932	27 004	11 991	18 652
EBITDA	4 754	5 893	(697)	2 232
EBIT	1 601	3 171	(2 050)	947
<b>Recurring headline earnings/(loss)</b>	<b>866</b>	<b>2 210</b>	<b>(2 835)</b>	<b>532</b>
WANOS (m)	1.9	1.9	1.9	1.9
<b>Recurring HEPS (\$)</b>	<b>0.47</b>	<b>1.19</b>	<b>(1.53)</b>	<b>0.29</b>
<b>Balance sheet NAV</b>	<b>60 135</b>	<b>58 527</b>	<b>56 342</b>	<b>58 771</b>
Net debt/(cash)	21 256	16 406	22 219	14 345

*Note: These figures are unaudited proforma financials derived from divisional accounts*

# PORTFOLIO REVIEW

## FINANCIAL RESULTS

*As a result of the annual input-cost cycle associated with agricultural investments, the valuation of Zeder's interest in Agrivision has remained unchanged at R146m.*

### GENERAL COMMENTS

- Improved results due to:
  - Promising yields in terms of the soya crop
  - Healthy water resources at Mkushi farming block
  - Acceptable commodity prices
- Zambian elections outcome viewed as positive for the country
- Debt reduced as a result of improved results
- Remains a small investment for Zeder (less than 2.5% of Zeder's SOTP)

### VALUATION CONSIDERATIONS

- Valuation based on Agrivision Group NAV, adjusted for company specific factors
  - Independent 3<sup>rd</sup> party valuations done on all farms and milling assets
- Market related discount applied to Agrivision Group NAV as mentioned above, taking into account additional investment risk factors

# PROSPECTS AND STRATEGY



# PROSPECTS

- Portfolio represents strategic interests in well-run organisations that offer value
- Agricultural conditions remain mostly favourable in Southern Africa
- Demand for agri-inputs and commodities positive in the short term
- Increased pressure on farmers as a result of higher fuel price, fertilizer and other agri-inputs
- Covid-19 implications and impact on supply chains continuously monitored
- Portfolio well positioned to benefit from mostly positive trading conditions

# STRATEGY

- Zeder to grow and support the investee portfolio - R1.4bn of value created over the past 12 months
- Zeder remains under cautionary since April 2021 (renewal SENS on 30 September 2021)
- Board is evaluating the approaches received on various portfolio investments
- Good progress in this regard, but Covid-19 has led to delays in certain instances
- Any potential value unlock will be executed in an appropriate and responsible manner in an attempt to maximise shareholder value
- Overall strategy remains – create value for shareholders
- Zeder will communicate in more detail to the market when appropriate



# Thank you

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