



# Interim Results

6-month period ended 31 August 2019

Presented by:

**Norman Celliers**

Chief Executive Officer

- Corporate overview
- Significant transactions
- Interim financial results
- Portfolio review
- Prospects
- Questions



*We play an active role in investee companies through strategic interests with a controlling influence.*

Business definition

## Business definition

- An actively managed investment holding company listed on the Johannesburg Securities Exchange
- Long-term value investor with a primary focus on Agribusiness, food and related industries
- Key characteristics of investment considerations:
  - Sustainable growth sectors or sub-sectors
  - Management with proven track record
  - High barriers to entry
  - Unique and defensible products (brands)
  - Simple (easy to understand) and scalable business models
  - Focused execution

## Strategic Focus

- Industry:**
  - Agribusiness
- Sub-sector:**
  - Food and Beverages
  - *Adjacent and related*
- Geography:**
  - South Africa (direct)
  - Sub-Saharan Africa (direct)
  - Rest of World (via portfolio)
- Criteria:**
  - Arbitrage
  - Undervalued
  - Growth sectors
  - Consolidation
- Influence:**
  - Active
    - Boards
    - Management
    - Strategy
    - Transactions

Invest in **and build** businesses – *and deliver returns to our shareholders*

# Category 1 disposal

# Significant transactions

*An offer was announced and Zeder shareholders voted in favour of disposing of its interest in Pioneer Foods to PepsiCo in terms thereof.*



- PepsiCo has offered to acquire the entire issued share capital of Pioneer Foods
- The main terms of the offer are contained in the detailed SENS released on 19 July 2019
- The offer includes inter-alia the following:
  - All cash offer by PepsiCo to acquire 100% of the Pioneer Foods shares in issue @ R110 per share
  - 56.5% premium to the Pioneer Foods 30-day VWAP of R70.31 per share as at 12 July 2019
  - Final dividend of R2.19 to be paid to Pioneer shareholders on top of offer consideration
  - Pioneer Foods to be delisted
- From a Zeder perspective, disposing of its investment in Pioneer Foods is an affected transaction in terms of the Companies Act, section 112, i.e. it will imply the disposal of all or the greater part of its assets and therefore required shareholder approval
- On 30 September 2019 a general meeting was held and 99.65% of voting Zeder shareholders approved the disposal
- The final implementation remains subject to further terms and conditions but is anticipated to be completed by Feb/Mar 2020



# Application of the proceeds

# Significant transactions

*Once the transaction has been fully implemented, the Zeder Board intends to distribute between R4.25bn and R4.75bn to shareholders and reinvest the remaining portion into existing investee companies and new opportunities.*



## Unaudited indication of anticipated application of proceeds

Gross proceeds from the disposal of investment in Pioneer Foods	R 6,410 m
Provision for settlement of debt, transaction costs and directly related obligations	(R 1,590 m)
<b>Estimated net cash available following the full implementation of the disposal</b>	<b>R 4,820 m</b>

	Intended range	
Intended distribution to shareholders	R 4,250 m	R 4,750 m
Number of issued shares	1,710 m	1,710 m
<b>Intended distribution per share</b>	<b>R 2.49</b>	<b>R2.78</b>

*Immediately following the intended application of the proceeds outlined above, Zeder will own its remaining investments with no material long-term debt – this situation will be assessed by the Board on an ongoing basis taking into consideration the present circumstances at the time. The purpose of this slide is to communicate the current intent.*

# Disposal and unbundling

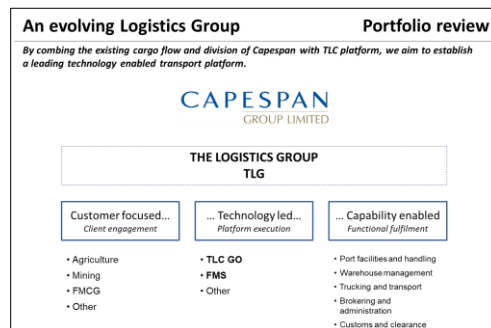
# Significant transactions

*Capespan executed and implemented significant transactions and restructuring since the prior comparative period and the corresponding impact should be noted.*

CAPESPAN  
GROUP LIMITED



- Successfully disposed of the investment in China during 2018
- Fair value gains reported in headline earnings in prior period
- Transaction successfully completed and proceeds received
- **Net cash received = R988m**
- Capital has been applied to reduce Capespan group debt
  - All long-term debt settled in SA
  - Short-term facilities reduced
- Capespan consolidated net debt reduced significantly



CAPESPAN  
GROUP LIMITED



- Successfully separated and unbundled logistics division and merged with TLC on 3 January 2019
- Now two separate stand-alone investments under Zeder named:
  - Capespan Group Limited (CGL)
  - The Logistics Group (TLG)
- Comparative results for prior period on a stand-alone basis not available – indicative pro-forma indicators provided

# Additional commitment to Zaad

# Significant transactions

*Zeder has committed an additional R300m to Zaad during the period in order to fund its underlying transactions, as announced on SENS.*



- Diversified specialist in the formulation, manufacture and supply of agrochemicals
- Number one supplier of agrochemicals to the sugar industry throughout Africa
- More than 130 product registrations in SA alone and a further 100 in other African countries
- Zaad acquired 50% in 2017 – exercised option to acquire remaining 50%
- Effective 1 September 2019



- Leading independent seed co in east and central African regions
- Operations in Kenya, Uganda, Rwanda, Tanzania and Zambia
- Wide distribution network in all major cities throughout eastern and central Africa
- Entered into agreement to acquire 40% equity

31 August 2019

- **Intrinsic value** indicators:
  - *Sum-of-the-Parts increased by 11% to R6.25 per share*
  - *Share price increased by 11% to R4.70 per share*
  - *Discount remains around 25%*
- The **PepsiCo** offer for Pioneer Foods contributed to increase in SOTP values
- Investor sentiment and capital allocation towards country and sector continued to deteriorate during the period under review
- Challenging operating environment amidst **constrained economic conditions**
  - *Recurring Headline Earnings decreased by 63%*
  - *Headline Earnings decreased by 92%*
  - *Attributable Earnings decreased by 5%*
- Satisfactory cash generation and **strengthening of investee balance sheets**



# Sum-of-the-Parts

# Interim financial results

**Zeder's SOTP value increased by 11% to R6.25 as at 31 August 2019.**

31 August 2019

Company	28 Feb 2019		31 Aug 2019		30 Sep 2019	
	Interest (%)	Rm	Interest (%)	Rm	Interest (%)	Rm
Pioneer Foods	27.1	4 689	28.6	6 145	28.6	6 175
Zaad	95.3	2 235	95.3	2 243	95.7	2 243
Capespan	97.4	1 193	97.4	1 081	97.4	1 081
The Logistics Group	97.4	978	97.4	1 028	97.4	1 028
Kaap Agri	41.1	959	41.0	865	41.0	949
Agrivision Africa	56.0	493	56.0	398	56.0	398
Quantum Foods	29.3	216	30.8	228	30.8	225
Other		19		15		17
<b>Total investments</b>		10 782		12 003		12 116
Cash and cash equivalents		254		72		
Other net assets		109		119		121
Debt funding		(1 500)		(1 500)		(1 593)
<b>SOTP value</b>		9 645		10 694		10 644
Number of shares in issue ( <i>net of treasury shares</i> ) (million)		1 710		1 710		1 710
<b>SOTP value per share (rand)</b>		5.64		6.25		6.22

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

# Earnings

# Interim financial results

**Recurring Headline Earnings per share decreased by 63%.**

31 August 2019

	Audited	Unaudited		
	28 Feb 19 12 months Rm	31 Aug 18 6 months Rm	Change %	31 Aug 19 6 months Rm
Recurring headline earnings from investments	604	231		135
Net interest, taxation and other income and expenses	(133)	(64)		(74)
<b>Recurring headline earnings</b>	471	167	(63)	61
Non-recurring headline items	296	348		(20)
<b>Headline earnings</b>	767	515	(92)	41
Non-headline items	(678)	(51)		398
<b>Attributable earnings</b>	89	464	(5)	439
Weighted average number of shares in issue ( <i>net of treasury shares</i> ) (million)	1 702	1 702		1 702
<b>Recurring headline earnings per share (cents)</b>	27.7	9.8	(63)	3.6
<b>Headline earnings per share (cents)</b>	45.1	30.3	(92)	2.4
<b>Attributable earnings per share (cents)</b>	5.2	27.3	(5)	25.8

Recurring headline earnings per share decreased by 63% to 3.6 cents mainly due to the weaker performance of most investees following continued challenging trading conditions experienced by the food and related business sector.

Headline earnings per share decreased by 92% to 2.4 cents, mainly as a result of the above and due to the upward fair value adjustment of the investment in Joy Wing Mau (previously known as Golden Wing Mau) in the prior corresponding period prior to its disposal.

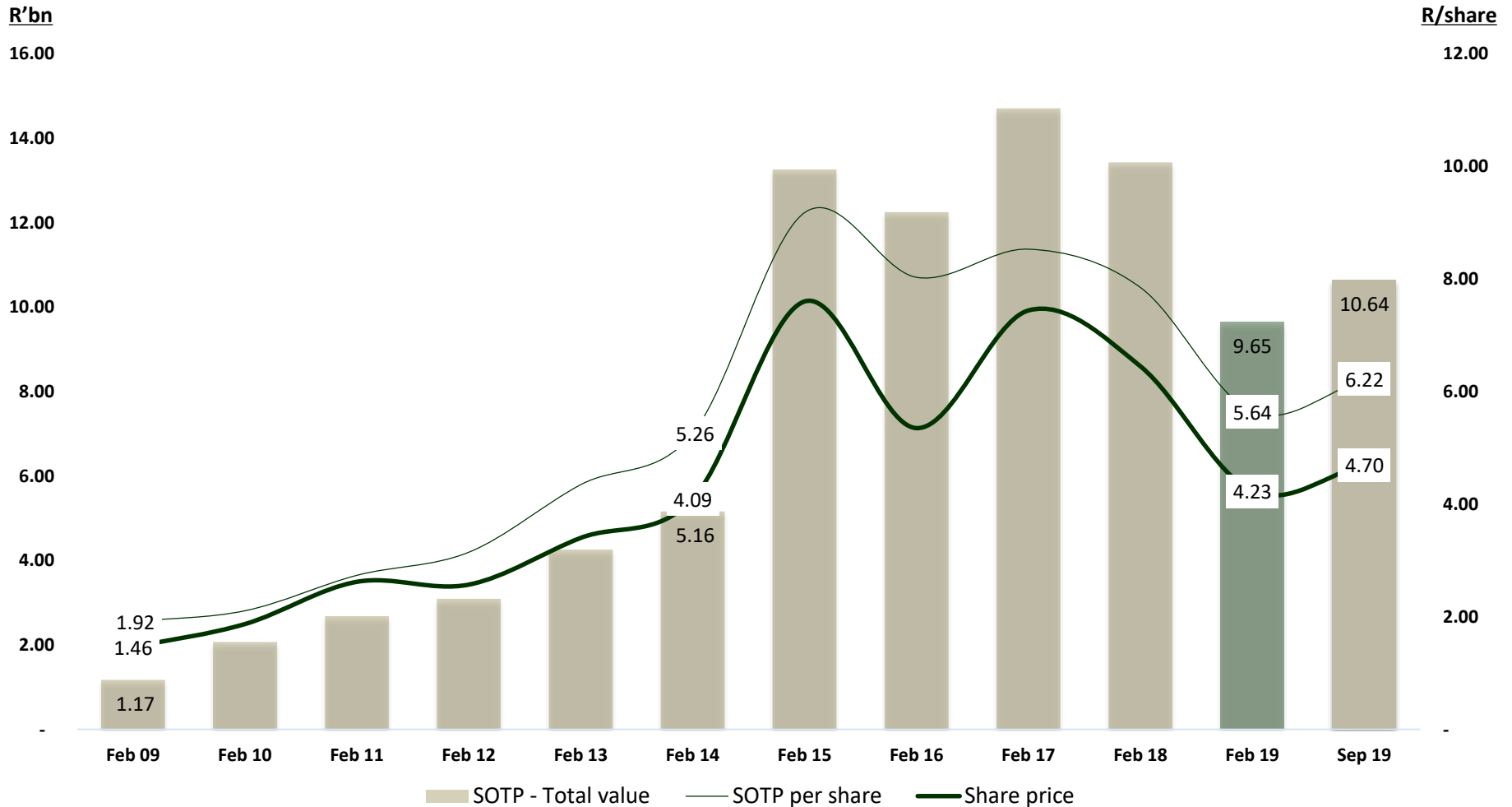
Attributable earnings per share decreased by 5% to 25.8 cents, a lower percentage than recurring headline and headline earnings per share, mainly due to the reversal of the non-headline impairment charge recognised by Zeder on its associate investment in Pioneer Foods which was recognised at the prior year-end.

Profit before finance costs and taxation per Zeder's consolidated income statement decreased by 24% to R535m, mainly as a result of the aforementioned factors.

# Intrinsic value

# Historical review









*Valuations remain in a downward cycle but positively impacted by effect of the PepsiCo offer to Pioneer Foods.*



# Strategic interests across value chain

# Portfolio review

***Portfolio offers strategic exposure to meaningful and leading companies across value chain with strong management teams focused on driving growth in the long-term.***

Company	Salient features	Zeder Share	Zeder Value	Indicative value of 100%
 <b>PIONEER FOODS</b>	<ul style="list-style-type: none"> <li>• SS Africa's 2nd largest FMCG (Food and Beverage) Company</li> <li>• Packaged staple foods, milling, baking, groceries, beverages</li> <li>• Unmatched platform from which to grow and expand</li> <li>• Africa + Exports + Selective international expansion (UK)</li> </ul>	28.6%	R 6,175 m	R 21,591 m
 <b>zaad HOLDINGS</b>	<ul style="list-style-type: none"> <li>• Leading independent non-GMO, Hybrid Seed Company</li> <li>• Broad basket of Agri-seeds and strategic Agri-inputs</li> <li>• Advanced R&amp;D with proprietary Intellectual Property</li> </ul>	95.7%	R 2,243 m	R 2,353 m
 <b>KAAP AGRI</b>	<ul style="list-style-type: none"> <li>• South Africa's leading Agri-retailer</li> <li>• Leading Western Cape grain handler + related services</li> <li>• Well established Fuel-retail and wholesale division</li> </ul>	41.0%	R 949 m	R 2,314 m
 <b>THE LOGISTICS GROUP</b>	<ul style="list-style-type: none"> <li>• Port and warehousing assets in CT, Dbn, PE and Maputo</li> <li>• Inland warehousing plus related services</li> <li>• Leading proprietary tech-led logistical platform</li> </ul>	97.4%	R 1,028 m	R 1,055 m
 <b>CAPESPAN GROUP LIMITED</b>	<ul style="list-style-type: none"> <li>• South Africa's leading fruit exporter with primary production</li> <li>• Global fruit marketing offices ensuring global retail access</li> <li>• Proprietary trading platform under development</li> </ul>	97.4%	R 1,081 m	R 1,110 m
 <b>Agrivision Africa</b>	<ul style="list-style-type: none"> <li>• Zambia's 2<sup>nd</sup> largest commercial grain farming enterprise</li> <li>• Regionally dominant maize and wheat milling operations</li> <li>• Significant development and acquisition completed</li> </ul>	56.0%	R 398 m	R 710 m
 <b>QUANTUM FOODS</b>	<ul style="list-style-type: none"> <li>• South Africa's largest egg supplier (vertically integrated)</li> <li>• Regionally dominant animal feeds operations</li> <li>• Leading broiler, layer (grand-parent + parent) farming ops</li> </ul>	30.8%	R 225 m	R 731 m
 <b>CAN-AGRI vertical farming</b>	<ul style="list-style-type: none"> <li>• A vertical farming start-up with enormous potential</li> <li>• South African concept + patent + innovators</li> <li>• Unique intellectual property with global application</li> </ul>	34.4%	R 81 m	R 81 m
			<b>R 12,180 m</b>	<b>R 29,945 m</b>

\* CAN Agri values reflect loans advanced to date – no equity value recognised yet as it is a greenfield start-up business

# Portfolio review



**Pioneer Foods reported a 15% decrease in adjusted RHEPS for the 6-month period ended 31 March 2019.**

## Historical overview

Summarised Income Statement	Sep 13	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18
Historical	R'm	R'm	R'm	R'm	R'm	R'm
Revenue	16,236	17,699	18,748	20,600	19,575	20,152
EBITDA	1,499	2,006	2,488	2,615	1,664	2,040
<i>EBITDA margin</i>	<i>9.2%</i>	<i>11.3%</i>	<i>13.3%</i>	<i>12.7%</i>	<i>8.5%</i>	<i>10.1%</i>
EBIT	1,153	1,716	2,153	2,273	1,277	1,603
<i>EBIT margin</i>	<i>7.1%</i>	<i>9.7%</i>	<i>11.5%</i>	<i>11.0%</i>	<i>6.5%</i>	<i>8.0%</i>
<b>Recurring headline earnings</b>	<b>853</b>	<b>1,242</b>	<b>1,534</b>	<b>1,637</b>	<b>823</b>	<b>1,032</b>
WANOS (m)	183	184	185	186	186	187
<b>Recurring HEPS (R)</b>	<b>4.70</b>	<b>6.78</b>	<b>8.32</b>	<b>8.83</b>	<b>4.42</b>	<b>5.53</b>
Dividend per share (cents)	132.0	221.0	332.0	365.0	365.0	365.0

## Interim results

- Volumes increased by 2.7%
- Revenue increased by 11.5% to R11bn
- Adjusted HEPS decreased by 15% to 271 cents per share

## Key observations

- Constrained consumer spending and trading environment
- Acceptable market shares across portfolio
- PepsiCo Offer put to shareholders on 15 October 2019

*Note: Interim commentary relates to the interim results of Pioneer Foods for their period ended 31 March 2019*

# Portfolio review

**Capespan reported a recurring loss of R89m for their first 6-months ended 30 June 2019 – revenues and profits traditionally in 2<sup>nd</sup> half of year.**

**CAPESPAN**  
GROUP LIMITED

## Historical overview

Summarised Income Statement	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
Historical	R'm	R'm	R'm	R'm	R'm	R'm
Revenue	7,149	7,392	7,688	8,311	6,619	5,557
EBITDA	228	227	299	250	241	172
<i>EBITDA margin</i>	3.2%	3.1%	3.9%	3.0%	3.6%	3.1%
EBIT	191	169	220	155	123	40
<i>EBIT margin</i>	2.7%	2.3%	2.9%	1.9%	1.9%	0.7%
<b>Recurring headline earnings</b>	<b>139</b>	<b>159</b>	<b>171</b>	<b>98</b>	<b>78</b>	<b>(21)</b>
WANOS (m)	319	321	324	338	362	366
<b>Recurring HEPS (R)</b>	<b>0.44</b>	<b>0.49</b>	<b>0.53</b>	<b>0.29</b>	<b>0.21</b>	<b>(0.06)</b>
Net asset value per share (R)	4.34	4.62	6.26	5.37	5.01	5.55
Dividend per share (cents)	10.0	16.5	19.8	9.6	-	-

## Interim results

- No stand-alone H1 results in prior year (consolidated TLG)
- Fruit and Farming revenues and profits occur in 2<sup>nd</sup> half
- Reported recurring loss of R89m at half-year

## Key observations

- Unbundling of TLG completed – stand alone Fruit Business
- New operating model launched – restructuring underway
- Farming operations acceptable but grape losses must be reversed

*Note: Interim commentary relates to the interim results of Capespan for their period ended 30 June 2019*

**TLG reported a recurring profit of R49m for its first 6-months ended 30 June 2019.**

## Historical overview

Summarised Income Statement	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
Historical	R'm	R'm	R'm	R'm	R'm
Revenue	508	523	511	609	794
EBITDA	152	172	122	172	226
<i>EBITDA margin</i>	29.9%	32.9%	23.9%	28.2%	28.5%
EBIT	122	136	84	120	165
<i>EBIT margin</i>	24.0%	26.0%	16.4%	19.7%	20.8%
<b>Recurring headline earnings</b>	<b>79</b>	<b>79</b>	<b>42</b>	<b>89</b>	<b>125</b>
WANOS (m)	321	323	338	364	366
<b>Recurring HEPS (R)</b>	<b>0.25</b>	<b>0.24</b>	<b>0.12</b>	<b>0.24</b>	<b>0.34</b>

## Interim results

- Revenue of R445m
- EBITDA of R166m
- Recurring headline earnings of R49m

## Key observations

- Unbundling from Capespan completed – stand alone Logistics Group going forward
- Diversification of cargo and capabilities well advanced and delivering results
- Positive momentum with business positioning and expansion

**Kaap Agri reported an increase of 3.2% in RHEPS for their 6-month period ending 31 March 2019.**



## Historical overview

Summarised Income Statement	Sep 13	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18
Historical	R'm	R'm	R'm	R'm	R'm	R'm
Revenue	4,008	4,875	5,341	5,653	6,416	6,549
EBITDA	219	263	311	370	447	478
<i>EBITDA margin</i>	5.5%	5.4%	5.8%	6.5%	6.8%	7.3%
EBIT	202	243	291	338	402	431
<i>EBIT margin</i>	5.0%	5.0%	5.4%	6.0%	6.2%	6.6%
<b>Recurring headline earnings</b>	<b>129</b>	<b>158</b>	<b>183</b>	<b>210</b>	<b>248</b>	<b>249</b>
WANOS (m)	70	70	70	70	70	70
<b>Recurring HEPS (R)</b>	<b>1.83</b>	<b>2.24</b>	<b>2.59</b>	<b>2.98</b>	<b>3.52</b>	<b>3.54</b>
Net asset value per share (R)	14.13	15.83	17.81	19.95	22.45	24.84
Dividend per share (cents)	50.0	65.0	82.0	94.5	112.0	116.7

## Interim results

- Revenue of R4.39bn (+28.7%)
- EBITDA of R303m (+6.6%)
- RHEPS of 230.3 cents per share (+3.2%)

## Key observations

- Revenue growth under tough trading conditions (transactions +21.9%, litres +9.2%)
- Comparable sales +10.7%
- Forge acquisition effective 1 October 2018.
- Q2 retail stabilizing.



**Zaad reported a recurring headline loss of R8.7m for their 6-month period ended 31 July 2019.**



## Historical overview

Summarised Income Statement	Feb 14	Feb 15	Feb 16	Jan 17	Jan 18	Jan 19
Historical	R'm	R'm	R'm	R'm	R'm	R'm
Revenue	465	947	1,217	1,344	1,409	1,635
EBITDA	92	142	223	222	223	253
<i>EBITDA margin</i>	<i>19.8%</i>	<i>15.0%</i>	<i>18.3%</i>	<i>16.5%</i>	<i>15.8%</i>	<i>15.4%</i>
EBIT	80	120	188	185	173	200
<i>EBIT margin</i>	<i>17.2%</i>	<i>12.7%</i>	<i>15.4%</i>	<i>13.8%</i>	<i>12.3%</i>	<i>12.2%</i>
<b>Recurring headline earnings</b>	<b>54</b>	<b>77</b>	<b>98</b>	<b>133</b>	<b>123</b>	<b>131</b>
WANOS (m)	13	17	20	22	24	27
<b>Recurring HEPS (R)</b>	<b>4.06</b>	<b>4.44</b>	<b>4.97</b>	<b>6.04</b>	<b>5.03</b>	<b>4.76</b>
Net asset value per share (R)	25.16	29.00	41.28	41.86	46.90	50.40

## Interim results

- Revenue of R570m
- EBITDA of R20.0m
- Recurring headline loss of R8.7m

## Key observations

- Lower sales than anticipated in South African Operations
- Africa operations ahead of budget due to low inventory cost base based (functional currency/FX impact)
- Summer conditions expected to normalise

**Disappointing recurring losses reported but conservative approach supports Sum-of-the-Parts values in ZAR.**



Agrivision Africa

## Historical overview

Summarised Income Statement	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
Historical	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	14,304	32,532	31,711	39,718	34,994	30,571
EBITDA	2,831	3,576	2,199	7,326	1,726	3,373
<i>EBITDA margin</i>	<i>19.8%</i>	<i>11.0%</i>	<i>6.9%</i>	<i>18.4%</i>	<i>4.9%</i>	<i>11.0%</i>
EBIT	(245)	5	(955)	4,305	(191)	(209)
<i>EBIT margin</i>	<i>(1.7%)</i>	<i>0.0%</i>	<i>(3.0%)</i>	<i>10.8%</i>	<i>(0.5%)</i>	<i>(0.7%)</i>
<b>Recurring headline (loss)/earnings</b>	<b>(1,509)</b>	<b>(3,385)</b>	<b>(3,615)</b>	<b>1,305</b>	<b>(4,109)</b>	<b>(983)</b>
WANOS (m)	0.8	1.3	1.9	1.9	1.9	1.9
<b>Recurring HEPS (\$)</b>	<b>(1.80)</b>	<b>(2.60)</b>	<b>(1.90)</b>	<b>0.69</b>	<b>(2.20)</b>	<b>(0.53)</b>
Net asset value per share (\$)	38.33	30.64	19.08	55.15	52.55	49.45

## Interim results

- Revenue of \$11.7M
- EBITDA of (\$0.3m)
- Recurring headline loss of \$2.9m

## Key observations

- Zambian economy in challenging cycle
- Constrained consumer spending and trading environment
- Volatility of raw material pricing (political)
- Good rainfall and full availability of irrigation water

# Portfolio review

**Quantum Foods reported a decrease of 45% in HEPS and declared dividends of 8c per share during the period ended 31 March 2019.**



## Historical overview

Summarised Income Statement	Sep 13	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18
Historical	R'm	R'm	R'm	R'm	R'm	R'm
Revenue	3,483	3,561	3,468	3,913	4,052	4,122
EBITDA	(40)	84	220	134	232	544
<i>EBITDA margin</i>	<i>(1.1%)</i>	<i>2.4%</i>	<i>6.3%</i>	<i>3.4%</i>	<i>5.7%</i>	<i>13.2%</i>
EBIT	(251)	(21)	164	124	170	473
<i>EBIT margin</i>	<i>(7.2%)</i>	<i>(0.6%)</i>	<i>4.7%</i>	<i>3.2%</i>	<i>4.2%</i>	<i>11.5%</i>
<b>Recurring headline earnings</b>	<b>(80)</b>	<b>26</b>	<b>126</b>	<b>66</b>	<b>112</b>	<b>361</b>
WANOS (m)	233	233	233	233	229	220
<b>Recurring HEPS (R)</b>	<b>(0.34)</b>	<b>0.11</b>	<b>0.54</b>	<b>0.28</b>	<b>0.49</b>	<b>1.64</b>
Net asset value per share (R)	-	6.26	6.49	6.89	7.03	8.82
Dividend per share (cents)	-	-	10.0	6.0	34.0	90.0

## Interim results

- Revenue of R2.10bn (+3%)
- HEPS of 45.4 cents (-45%)
- Interim Dividend of 8 cents (-60%)

## Key observations

- Egg prices normalised after Avian Flu highs
- Raw material cost increases
- African operations stabilised
- Strong cash generation

*Note: Interim commentary relates to the interim results of Quantum Foods for their period ended 31 March 2019*

- Challenging macro conditions expected to remain in the short to medium term
- Anticipated PepsiCo transaction considered positive for stakeholders
- Distribution of R4.25bn – R4.75bn to shareholders if successfully implemented
- Remaining portfolio presents opportunity for value creation
- New opportunities to be explored with available resources
- Inevitable recovery over the longer term