

Fishing unit delivers hefty profit for AVI

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The persistent whisperings that consumer brands giant AVI could be looking to sell off its fishing subsidiary I&J might finally fade out.



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I&J, which specialises mainly in catching and selling frozen hake, appears to be delivering a hefty profit catch for AVI, which has invested substantially in the past financial year.

AVI's recent trading update showed that I&J generated revenue of R982m in the halfyear to December - almost 20% up on the R824m reported in the corresponding six months in 2013.

But AVI, headed by CEO Simon Crutchley, cautioned that its profit growth was tempered by unrealised losses on fuel hedges after the significant drop in oil prices.

In the full year to June, I&J produced operating profits of R245m from revenue of R1,8bn. If the same margin is applied to the interim trading update then I&J could produce between R125m and R130m for the first half of trading.

The strong top-line performance - obviously buoyed by the weaker rand's effect on export sales - comes after AVI invested R108m in a new deep sea fishing trawler and a used freezer factory ship - both of which are expected to be delivered early in the 2016 financial year. In the interim, I&J also opted to buy a second deep sea trawler, which will be used until the end

of May this year.

The stronger operating performance and investment commitments should mute market talk that AVI would offload I&J, which has performed inconsistently over the past decade, in order to concentrate on its higher-margin brand lines.

I&J's performance will also spark optimism among shareholders in empowerment investment counter Brimstone (which holds a majority stake in frozen hake specialist Sea Harvest) and Tiger Brands controlled fishing group Oceana, which recently bolstered its hake offering after buying Foodcorp's fishing business.

Source: Financial Mail via I-Net Bridge

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