Crookes' diversified portfolio assists in countering volatile market

Southern African agricultural and property development operation, Crookes Brothers Limited (CBL), declared a 22% increase in revenue to R664 million for the financial year ended 31 March 2017 with an increase of 15.8% in headline earnings per share to 424.1 cents.

Image Source: Crookes Brothers Limited

“We are very pleased with these results. This is the first year that we have not received the full benefit from the Komati farms sold to government and leased back to CBL. In addition, the accounting standard for the valuation of bio-assets reduced operating profit by R17 million in the year under review,” Guy Clarke, managing director of CBL notes.

Supply constraints following severe drought conditions resulted in higher prices for cane and bananas, which led to these businesses contributing exceptionally well to the overall results. Operating profit increased by 73% to R125 million, from R72 million in 2016. This was despite a R10 million operating loss recorded in the company’s deciduous fruit segment, which resulted from a substantial decline in hard currency export prices in the year, particularly from Africa, accompanied by the strengthening of the Rand.

Cash generated from operations increased by 6% to R102 million.

Clarke explains, “We expect that our rapidly emerging strategy of diversification of crops, farm locations, and markets will increasingly assist to counter volatility caused by drought and currency fluctuations.”

Community partnerships

A key feature of the results is the substantial increase in profit attributable to non-controlling interests of R31.3m (2016: R1.1m) consisting of CBL’s community partners’ share of profit. As of 1 April 2016, CBL converted its rights to the balance of a lease relating to a major portion of the 2,500ha Komati Estate to a 20-year partnering arrangement with the Mawewe community.

“The long-term benefits are significant with nearly 1,500 families forming part of our partner communities. These partnerships promote skills transfer to the communities via mentorship, bursaries, and on-the-job training, as well as supporting education and healthcare in the community. These partnerships are an essential component of the transformation of the SA agricultural sector, in line with the group's empowerment and sustainability objectives. We are currently negotiating a similar arrangement for the rest of the Komati farm," Clarke explains.

Prospects and outlook

"The next year will be challenging as we undertake large scale replanting of drought-damaged fields in Mpumalanga, and banana and cane prices come under pressure as production recovers. The Western Cape is in a dire situation, with most dams at record lows. The performance of the deciduous division in 2018 will depend on rainfall in the current winter months."

Western Cape drought holds serious implications for deciduous fruit industry
25 May 2017

The group's medium-term prospects remain promising, however, with deciduous fruit orchards approaching maturity, an excellent first harvest from the macadamia project and the start of the Renishaw property development during the financial year under review.

Approximately R400 million of assets reflected on the group's balance sheet are currently in development phase and will start delivering a contribution to profits from 2019.

CBL's planned project and capital expenditure for the next 12 months amounts to R226 million. "We plan to extend our banking facilities to bring our ongoing projects to production over the next two years. The additional cash flows generated from new projects is targeted to drive the group into a free cash flow phase in 2019," Clarke concludes.