

Kaap Agri sees good demand at listing

Farming community retailer Kaap Agri enjoyed a strong debut on the JSE on Monday. The company - where PSG aligned Zeder Investments and Dipeo Capital are major shareholders - reached as high as R64.01 in steady trading volumes. This gave Kaap Agri a market capitalisation of close to R5bn. Its share price closed at R63.90.



Kaap Agri lists on JSE in speciality retailer sector

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While no fresh capital was raised ahead of Kaap Agri's listing, there was considerable interest in the share, which had previously traded on an over-the-counter (OTC) market. When trading was suspended on the OTC market in May, Kaap Agri's shares were quoted at R55.

The company is the second large retail listing on the JSE following Dis-Chem, which made its market debut late in 2016. Although markedly smaller than the JSE's mainstream retail counters, Kaap Agri has enjoyed strong profit and dividend growth over the past decade as the company successfully diversified its retail operations.



Left to Right: George Steyn (Chairman), Sean Walsh (Managing Director) and Graeme Sim (FD Director) of Kaap Agri Limited

The company's operations span seven provinces (and Namibia) with the biggest operational footprint in the Western Cape. The main retail brand is Agrimark, but Kaap Agri also operates fruit and vegetable packaging specialist Pakmark, a filling station business The Fuel Company (TFC), nine bottle stores under the Liquormark brand as well as irrigation and grain storage operations.

The company indicated that the JSE listing would provide access to capital to grow the business both organically and by acquisitions. Recently released figures for the half-year to March showed interim revenue for Kaap Agri at R3.46bn, with gross profit coming in at R578m on a sturdy margin of 16.7%. Recurring headline earnings reached R147m, or 208c a share, with an interim dividend of 29.4c per share declared.

Vunani Securities analyst Anthony Clark estimated that the Kaap Agri listing would add 15c to 18c per share (or about 2%) to Zeder's sum-of-the-parts (SOTP) valuation. Clark said his long-term target price for Kaap Agri was R80 based on earnings estimates of 352c per share and 420c per share for the 2018 and 2019 financial years.

Source: Business Day

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