

Nod for Steinhoff Africa assets spin-off

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Analysts have praised Steinhoff's decision to list its African assets separately, saying the move allows the businesses to emerge from the shadow of its international operations.



Sanlam Private Wealth portfolio manager Riaan Gerber said it had been clear since the failed talks with Shoprite that Steinhoff's management team aimed to create a definitive split between the African and international businesses. "This provides an opportunity to unlock value for shareholders if one assumes the new ListCo will be priced at valuations similar to its Southern Africa peer group.

"I believe that the quality of businesses such as Pepkor should justify a premium on valuation," Gerber said.

Cratos Wealth senior analyst Ron Klipin agreed. He said the separation made sense from a focus perspective, with Africa as an emerging market with good GDP growth and the international markets with their own different profile. "These entities could have different ratings based on risk-reward metrics resulting in a value unlock.

"The Africa assets are more diverse, encompassing Unitrans, JD Group, Steinbuild and likely PSG Group. In addition, this conglomerate-type entity will probably swallow up Shoprite, which could be a plus factor."

Klipin said a future deal with Shoprite would hinge on the swap ratio, which, if favourable, would allow Shoprite minorities to approve the deal.

Some domestic investors have raised questions about whether Steinhoff, under the leadership of Markus Jooste, would keep a controlling interest in ListCo.

Steinhoff said the African retail assets comprised great businesses with strong brands and exciting growth prospects.

"Steinhoff International would like to remain invested in these assets and share in the success of these assets. Steinhoff is proud supporters of the new entity's vision to unlock value by creating a diversified listed retail company of significant size and scale with roots in Africa," the company said.

Steinhoff said it planned to raise capital to meet the JSE's free-float requirements. Gerber said to create a free float of at least 20% implied it had to raise about R22bn. The exercise would also provide scope for management to deleverage its balance sheet.

Pepkor was one of Africa's largest retailers, with 22% of total apparel and footwear sales in SA, Gerber said. It was well positioned on the continent for expansion and growth. The other businesses within the new ListCo were market leaders in their own right and in their respective industries.

The businesses include Poco SA and Tekkie Town.

"One would believe that the management of the new ListCo will look at the best fit within all of these businesses for further synergies," said Gerber.

"Since 75% of its business is focused towards Europe, the UK, the US and Australasia, the attractiveness of its African business has been obscure. The listing of ListCo will also provide a good opportunity for investors who only want exposure to its African assets," he said.

Source: Business Day

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