

# Pioneer mum on transaction

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An offshore transaction for cereal and juice manufacturer Pioneer Foods may be on the cards as the group seeks to strengthen its core markets to gain market share.



Phil Roux

Pioneer Foods released a cautionary update on Tuesday warning the market of a material transaction, but CEO Phil Roux remained tight-lipped about the details of the deal.

"Whatever we are doing will strengthen our core markets and that's as far as I'm prepared to say, otherwise people speculate too much," said Roux. He said the group was still in discussions and that the deal was expected to be completed soon.

"Should the transaction be approved by the board then a firm intention will come out with all the details in the next two weeks or so," said Roux.

Some industry pundits have speculated that the transaction may involve a deal in Europe. Anthony Clark, an equity analyst at Vunani Securities, said Pioneer had been looking at the Eastern European market, specifically Poland, which has similar trading and living standards measure (LSM) characteristics to SA and could be a base to expand into other regional markets.

"The Eastern European segment of the food manufacturing sector is like SA, you've got a population which has great

disparities, you've got a large lower middle class and you've got a very rich top class."

Clark said the costs of operating in Eastern Europe were substantially lower than in Germany, France and the UK. "As such there will be greater scope in building a regional presence and if you are going into Europe ... you are going up against massive global brands."

Clark said that Pioneer Foods would be happy to spend the R4bn it had as "easy cash kitty" on a transaction given its cash resources and its available debt. "Anything above that would be an equity placement, which I don't think it would do."

But Roux dismissed this as speculation, saying "the construct of the transaction doesn't necessarily mean that at all, it might be very different to that".

Sumil Seeraj, an equity analyst at SBG Securities, said: "What we don't know is if Pioneer is looking to merge with a company or acquire a company, or whether a company is looking to buy Pioneer." Seeraj said when it came to the R4bn cash that the company had on hand, "there are other ways of facilitating a deal. They could do a share swap, where they issue more shares."

Pioneer bought UK-based Streamfoods for £7.5m in August 2016, which was followed by a 49.89% stake in Weetabix East Africa in November.

Pioneer owns brands such as Sasko, Weet-Bix, Ceres, LiquiFruit and Bokomo.

Seeraj said considering the share price of Pioneer, the group has held up well.

*Source: Business Day*

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