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**Libstar asks for trimming of stake**

Libstar, the food producer and supplier that has struggled to make a mark since its listing in May, wants its biggest shareholder to reduce its stake in a move to boost liquidity in the firm's shares. /Page 10

# Libstar wants shareholder to trim stake

● Private equity fund's holding an overhang on food producer's share price – financial director

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Libstar, the food producer and supplier that has struggled to make a mark since its listing in May, wants its biggest shareholder to reduce its stake in a move to boost liquidity in the firm's shares.

Private equity fund APEF's 36.75% shareholding in the company could be one of the reasons for the lacklustre performance of the company's share price since it listed on the JSE on May 9.

Libstar wants the stake to be no more than 26%.

Since debuting on the JSE at R12.50, Libstar's share has lost almost 21%, outpacing the JSE's food producer index, which is down 11.52% in the period.

APEF's significant shareholding was an overhang on the share price, Libstar commercial and financial director Robin Smith said on Tuesday. "Libstar management would like to assist APEF place some of the shares with strategic or institutional investors. It is something that we think about all the time."

Libstar is the owner of Cape Herb & Spice; Denny, which is widely known for mushrooms; dairy group Lancewood; and other food brands.

The share's poor run was just one of several factors that stood out in Libstar's first few months as a listed entity.

Smith said the company's performance in the six months ended June 30 were "not as vibrant as we would have liked them to be".

In the six months, the company encountered "operating headwinds" such as a six-week strike at the Dickon Hall Foods division.

"Fortunately, [the strike] has been resolved and there will be improved production in the second half of the year," Smith said.

Libstar's consolidation of three Denny Foods factories into Montagu Foods also took longer, affecting production in the six months, he said.

**SINCE DEBUTING ON THE JSE AT R12.50, LIBSTAR'S SHARE PRICE HAS LOST ALMOST 21%**

"We lost sales for about four weeks," he said.

Lower production and prices of fresh mushrooms suppressed revenue and gross profit.

Smith attributed the lower production to the drought in the Western Cape.

On the other hand, mushroom oversupply in the SA market also triggered discounts "in order to move volumes".

He, however, downplayed the influence of the mushroom business on the company's overall financial performance, saying it accounted for R214m of Libstar's R4.5bn revenue. "It is small, from a revenue point of view," he said.

The company expected improved performance from the recent acquisition of Sonnendal Dairies, which is historically a low-margin business, he said.

"We bought Sonnendal in late 2017 in order to gain capacity and technology in the yoghurt category," he said.

Libstar has launched a range of premium dairy products, a move that Smith said would boost margins in the second half of the financial year.

In the six months, Libstar's revenue increased by 14.2% to R4.5bn, while operating profit fell 13.8% to R223m.

Headline earnings per share fell from 25c to 13c.

Gross profit margin was down from the previous 22.4% to 20.9%.

Libstar's shares were up 2.06% at R9.90 on Tuesday.

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**Mushrooming:** Libstar, the owner of Denny, expects improved production in the last part of the year after encountering operating headwinds in the first six months. /Kevin Sutherland/Sunday Times