

Brimstone buys controlling stake in Sea Harvest

A consortium led by JSE listed Brimstone Investment Corporation has announced it is set to acquire Tiger Brands' 73.16% shareholding in Sea Harvest for R541,4 million. Tiger Brands has accepted the offer.

 ByActivRetail 3 Nov 2008

The deal, once completed, would result in Brimstone increasing its effective shareholding in the deep-sea trawler fishing company to at least 55%. The other consortium members, which include key members of Sea Harvest's management team as well as other BEE players, will be the other shareholders in Sea Harvest going forward.

Brimstone currently holds 21.52% of Sea Harvest, while the company's employees hold 5.32%.

The transaction is subject to a number of conditions before it becomes final, including:

- Approval in terms of the Competitions Act
- Approval by the Department of Environmental Affairs and Tourism/the Marine and Coastal Management Department
- Approval of funding by financial institutions

Not just an empowerment deal

Brimstone CEO, Mustaq Brey, says the acquisition of a controlling stake in Sea Harvest reflects Brimstone's own maturity as an investment business. "Over the years we have shown that we have the ability and experience to add value to the companies we invest in. The controlling stake also signifies that this is a sound business transaction, not just an empowerment deal."

Brey says Brimstone is familiar with the operations of Sea Harvest as it has been invested in the fishing company for more than ten years. "Brimstone is positive about the long-term outlook for the international and local demand for Sea Harvest products, as well as strong brand diversification making it an attractive asset. The investment in Sea Harvest will boost Brimstone's exposure to the food industry, which is typically resilient during difficult economic conditions."

With Sea Harvest employing approximately 2,200 people, the deal once again illustrates Brimstone's willingness to invest in labour intensive businesses. "We are committed to protecting and creating jobs in South Africa, as we have shown through our investments in other industrial assets," says Brey. Sea Harvest accounts for more than 30% of the economic activity in the Saldanha/Vredenburg area.

Aligning interests

The inclusion of staff and key Sea Harvest management in the consortium would be consistent with Brimstone's preferred strategy of partnering with those inside the companies it invests in. "We believe there are long term benefits to aligning the interests and goals of staff, management, shareholders and the community," says Brey.

George Bezuidenhout, MD, Sea Harvest says the significant empowerment credentials that the consortium brings to the table will assist in securing additional fishing licences and help Sea Harvest maintain its market leadership for the foreseeable future. "This is an exciting development for Sea Harvest and its employees and we look forward to working closer with the experienced Brimstone team."

Financing

Brimstone will lead and arrange the financing for the acquisition. The long term funding structure will comprise a combination of equity and third party debt financing. "It says something about our business and the quality of this asset that we can raise financing for this transaction, particularly in the current market environment," says Brey.

The transaction is complex and could take several months to finalise. The pro forma financial effects of the acquisition on Brimstone's earnings, headline earnings, net asset value and net tangible asset value per share will be provided in a further announcement, after the final capital structure, proposed shareholding and funding arrangements have been confirmed.

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