

Country Bird still keen on rival

Country Bird Holdings, SA's third-largest producer of chickens, said on Friday it was willing to reopen takeover talks with its smaller rival, Sovereign Foods, less than a month after it sold the large stake in Sovereign it had built up to strengthen its unsuccessful bid for the company last year.

By Michael Bleby 9 Mar 2010

Uitenhage-based Sovereign remained a good fit for Country Bird, and although his company was no longer actively pursuing it, it would revisit the situation if the share price fell sufficiently or if Sovereign management chose to talk to it again, Country Bird's financial director, Robbie Taylor, said. "Consolidation remains an urgent aspect for the industry," Taylor said. "Sovereign is a fit for us."

Sovereign's shares, which were trading a year ago at R4.52, peaked at R13 before talks with Country Bird ended in November. Friday's closing price of R8.50 was still "too high" to contemplate another offer, Taylor said.

SA's chicken game is dominated by two large players, Rainbow Chicken and Astral Foods, both of which produce about 3 million birds a week. Third-ranked Country Bird, with a production of about 1.5-million, wants to catch up to its larger rivals and buying fourth-ranked Sovereign (with about 1-million a week) would go part of the way towards bridging that gap. The country still consumes more chicken than it produces, with imports equal to about 2.6-million birds a week.

Any return to talks would be quite a reconciliation for the two companies. One reason the talks between them failed was Sovereign's decision to hold a rights issue, which was "not supported by Country Bird," Taylor's company said last month.

Sovereign Foods CEO Mike Davis said: "Any possible transaction would have to represent value to our shareholders and would need to be the result of formal discussions."

Still, Country Bird's hand is strengthened by what it perceives to be a lack of interest from other potential suitors for Sovereign. To protect its bid for Sovereign last year and deter any rivals — in particular from diversified food company Afri which was in talks with Sovereign earlier in the year — Country Bird bought up close to 23% of Sovereign. Last month it sold that stake, diluted by the rights issue to about 16%, for R59m. It does not need the stake to make another bid and feels no need to hold a blocking stake.

"We feel that Afri's no longer interested in Sovereign," Taylor said. "That comes from our efforts to sell the shares. When we were trying to sell the shares, the only interest came from institutional shareholders. We assumed Afri may have some interest. If they had taken the stock, they would be in a significant position to negotiate with Sovereign."

Afri CEO Chris Venter said at the weekend his company was not interested. "Sovereign is not going to go anywhere. I do see a lot of other companies trying to get hold of them."

Source: Business Day