

Tongaat Hulett looks to cash in on sales of vast tracts of land

Agribusiness Tongaat Hulett (TON), one of the biggest sugar producers in Africa, looks set to unlock enormous value from extensive property holdings in the medium-term.

By [Marc Hasenfuss](#) 27 May 2015



© wkzzz - [123RF.com](#)

CEO Peter Staude on Monday said its land development initiatives could have a record year. Results for the year to end-March showed that over the next five years Tongaat's property sales were expected to come primarily out of 3,801 developable hectares (of a total 8,091ha) in focus areas in KwaZulu-Natal.

These included urban expansion north of Durban in the Umhlanga and Cornubia areas, the coastal lifestyle areas of Zimbazi and Sibaya, business and residential development near the airport, coastal development north of Ballito in Tinley Manor and in the Ntshongweni area.

It is difficult to value the real estate earmarked for development as Tongaat accounts for the properties at historical value. However, there is useful detail in a document that outlines the property portfolio for land usage on Tongaat's website. The document suggests a profit per developable hectare range from R2.5m to R35m.

For planned high-intensity urban mixed-use developments alone the potential profit could range from R1.7bn to more than R5bn over five years. Government subsidised housing could net anything between R400m to R1.5bn depending how many projects were brought to book.

Rezco portfolio manager Rob Spanjaard - who holds shares in Tongaat - said the property developments provided a reassuring value underpin. "We still see significant value in the property development portfolio. Sometimes the revenue is lumpy, but it will come through ..."

Staude said the value achieved per hectare of land sold increasingly reflected the steadily improving land conversion platform although this varied based on usage and location.

He further stressed that the property developments hinged on co-operation with the government and key property industry stakeholders.

In the past financial year Tongaat's land conversion and development activities generated profit of R829m from the sale of 108 developable hectares representing about 40% of operating profit.

The latest land sales came mainly from industrial, business and retail developments in Cornubia (which yielded an average profit of R8.2m per developable hectare) and Izinga/Kindlewood (average profit of R6.3m).

Tongaat's results showed in the year to end-March, revenue edged up 2.8% to R16.2bn, but margin pressure saw operating profit crumble 12% to R2.1bn.

The core sugar division's profit fell by more than R100m to R806m, but was partly offset by a stronger showing by the starch operations which increased operating profit by 16% to R561m. The dividend payout was hiked almost 6% to 380c/share with cash flow from operations breaching the R2.5bn mark - up 17% over the previous year.

Source: BDpro

For more, visit: <https://www.bizcommunity.com>