Brait plans to offload Consol and Primedia

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JSE-listed investment firm Brait is looking to sell its interests in glass maker Consol and media group Primedia, marking the end of the private equity portfolio that held the assets.

Brait CEO John Gnodde.

Image credit: Financial Mail

Since the global financial crisis, Brait — majority-owned by Christo Wiese — has moved towards long-term investments in sizeable assets.

"We will exit these over the next two years," Brait CEO John Gnodde said on Wednesday of Consol and Primedia.

Business Day understands that bankers are already working on a potential listing of the two companies this year, but he would not be drawn on this.

Gnodde said proceeds from the sale "will be redeployed to growth areas".

The word in the market is that potential buyers have also made approaches for both assets.

The Brait IV Fund owns 30% of Consol and about 25% of Primedia. In turn, Brait holds just less than 10% of the Brait IV private equity fund.

Its portfolio consists of an 89% shareholding in UK retailer New Look; a 78% interest in gym operator Virgin Active; 90% of Premier Foods, the producer of Snowflake flour and Blue Ribbon bread; and 57% of Iceland, a UK-based food retailer.

Other investments include DGB, the producer of the Douglas Green, Boschendal and Bellingham wines.

On Wednesday, Brait said its net asset value had risen 10.4% to R136.34 per share in the third quarter ended-December.

For the 12-month period ended-December, Braits's net asset value per share rose 120% compared to the previous year. Mr Gnodde said this was the result of exiting some assets and using the proceeds for "good acquisitions".

In 2014, Brait sold its interest in Pepkor, the owner of Pep Stores and Ackermans to furniture conglomerate Steinhoff in a cash and share deal. The firm then used cash from the Pepkor sale to buy holdings in gym group Virgin Active for R12bn and high street fashion chain New Look for R14.55bn.

New Look's net asset value has grown about 17% to R72.8bn in the three months ended-December, compared to R61.8bn in September. Virgin Active's net asset value rose 11% to R18.1bn in the period under review, while the net asset values at Premier Foods and Iceland Foods increased 5% to R10.3bn and 220% to R5.8bn, respectively.

At the end of last year, Brait sold its 5% stake in Steinhoff for about R15bn. It then used a portion of the proceeds from Steinhoff to increase its stake in Iceland to 57%, from 19%.

Kaeleen Brown, an analyst at SBG Securities said the quarterly update was in line with expectations. "New Look performed in line with its peers in the UK, Virgin Active continues to do well and Premier is acquisitive, integrating its businesses very well," she said.

Last year, Brait used about R2bn of its cash resources to redeem preference shares, leaving it with cash resources of R4bn that it will use for further growth. "The preference structure was expensive for us. Whatever financing we are using … we have to make sure our costs of finance are as low as possible," Gnodde said. "Preferences worked well for us in the beginning, but other capital instruments have proven to be cheaper than the preference shares."

Gnodde said Brait had an R8.5bn war chest for acquisitions after the redeeming of the preference shares. This was composed of cash and debt.

Source: Business Day