

Brait retains confidence in retail

By [Phakamisa Ndzamela](#)

30 Jan 2013

Investment company Brait (BAT) still has confidence in its retail investments even as investors become more pessimistic about the sector's prospects.

The company's share price has dipped about 13% for the year to date, raising questions whether it has been punished for its exposure to the retail market, which has been sold down in the past weeks.

Brait CEO John Gnodde said the company's retail assets traded well through the December 2012 and January 2013 period.

Brait's investments include Pepkor, Premier Foods and Icelandic Foods in the UK.

"All I can say is the assets we have invested in have continued to trade well. The fundamentals of the companies are very strong. We are well positioned. We have got a good product set, good management teams," Gnodde said.

Gnodde said despite the sell-off in the retail sector, Brait's investments were trading in line and even above expectations. Gnodde said his company would not pull back from the retail sector.

In the middle of January shares in Woolworths, Mr Price and Shoprite slipped over concerns that they had run too hard. Shares in Shoprite and Woolworths last year rose by 50% and 80%, respectively, while Brait had gained about 84% in 2012.

Shoprite reported interim sales this month which fell short of market expectations, sparking a sell down.

A Johannesburg-based analyst said Brait probably moved in line with other retailers.

Ron Kiplin, an analyst from SA Stockbrokers, said Brait's investments in retail were at the bottom end of the market, which was deemed affordable and less affected by tough economic environment.

"The bottom end of the market, particularly the Pep group, are the affordable ones. These guys don't use credit cards."

Last week Brait reported that its net asset value rose 7.3% to R24.70 at the end of the December quarter. It said this was a result of operational performance and cash generation with no adjustment to the valuation multiples.

On the decline in the Brait share price, Kiplin said there might be some international investors selling out. He said the valuation of local stocks exposed to retail had been pushed too high in many cases by international investors.

"However, Brait's conservative methodology of valuing their underlying portfolio still gives scope for upside adjustment," Kiplin added.

Brait shares closed 4.99% down at R31.83 yesterday, 29 January 2013.

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