

# Santova seeks to expand trade corridors

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Supply chain management specialist Santova, could look to push into busy African markets in the financial year ahead.



Santova's Glen Gerber says the company is keen to expand its supply chain management services to a number of African countries.

Image: [Who's Who Southern Africa](#)

Santova earns most of its keep in South Africa (R137m in revenue in the year to February), but also has a meaningful presence in the UK (R33m) and the Netherlands (R26.5m), and smaller operations in Australia (R12m) and Hong Kong (R5.5m).

In its recently released annual report, Chief Executive Glen Gerber raised the possibility of seeking acquisitions globally to develop trade corridors and to control the entire supply chain from supplier to customer.

"In making these acquisitions we would also look to build on economies of scale where we are lacking, alleviate geographical 'stumbling blocks' and enhance intellectual capital," he said.

He cited select zones in Europe, the Americas, and East and West Africa as key to Santova's future strategy. "In East Africa we would be particularly interested in Kenya, while in the west our interest would be Ghana and Nigeria. These countries would serve as access points to over 1bn people who are fast becoming consumers,"

## Africa expansion on the cards

Gerber argued that using these countries as points of entry to neighbouring countries would be easiest because of trading bloc treaties. "With the additional investment being made by the international community into both ports (sea and air) in Africa (specifically Namibia, Mozambique, Angola and Ghana), a reconfiguration of the freight forwarding and logistics business is inevitable."

Santova's shares were up strongly again on the JSE on Tuesday (4 June), touching an intraday high of 230c. Although its shares have more than doubled in a year, there could be further upside in the price since the company still trades on a modest earnings multiple of 8.7 times. Turnover for the year to end February was hiked 21% to R214m, with net profit shifting up 23% to R31m. Headline earnings came in 40% higher at 17.7c/share, yielding a dividend of 3.25c/share.

Gerber said with the world economy expected to show only modest growth, Santova expected intense competition and pressure on price and margins to continue.

He stressed that the company saw tremendous opportunities in offshore markets because intensified foreign competition in local markets was forcing small to medium-sized companies to improve the efficiency of their supply and to mull "internationalising" their businesses.

"Companies are now implementing worldwide sourcing, establishing alternative production sites on each continent and selling their products in multiple markets, all of which require the existence of an operations and logistics solution across geographies," he said.

Supply chain decentralisation had consequently become a preferred strategy for pulling product to demand and reducing total logistics costs, he noted.

"For Santova, this borderless and integrated world economy, driven by globalisation and technological advancements, is an exciting opportunity which has already resulted in strong contributions to our earnings, both onshore and offshore."

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