

# Remgro sells its stake in Unilever

By [Marc Hasenfuss](#)

27 Sep 2017

Stellenbosch-based investment company Remgro has disposed of the largest unlisted position in its R150bn portfolio, announcing on Friday the sale of its 25.75% stake in consumer brands conglomerate Unilever SA.



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The deal was announced about 90 minutes before market close ahead of the long weekend, with Remgro's investment relations consultants indicating that no executives would be available for media interviews. The deal entails Remgro, which also controls food brands conglomerate RCL Foods, selling its significant minority position to Unilever in exchange for the Unilever spreads business in Southern Africa as well as a cash settlement of R4.9bn.

The total transaction is worth R11.9bn, which is about R1.2bn higher than the R10.7bn valuation accorded to the Unilever stake in Remgro's recently released results for the year to end-June. The deal values the spreads business, comprising margarine brands such as Flora, Rama, Stork and Rondo, at R7bn, which reflects a 13.4 times earnings before interest, tax, depreciation and amortisation.

Market watchers on Friday mostly agreed that it made sense for Remgro to swop a minority position in Unilever for 100% ownership of the spreads business. Consensus is that Remgro would usher the spreads business towards its 77.2% owned RCL Foods, which holds brands such as Yum Yum peanut butter, Nola mayonnaise, Sunbake bread, Selati sugar and Ouma rusks.

In 2013 RCL Foods, in a bid to build a diversified foods business, acquired Remgro's 100% owned TSB Sugar business in a R4bn deal.

In a statement, Remgro CEO Jannie Durand said he believed the Unilever spreads business in SA, Botswana, Lesotho, Namibia and Swaziland was "an attractive business with good growth prospects". "This transaction is a vote of confidence in the future of SA, Botswana, Lesotho, Namibia and Swaziland," he said.

Luc-Olivier Marquet, the executive vice-president of Unilever SA, said the group was well positioned for sustainable long-term growth. "By giving us full ownership of the business, this transaction means we are better placed to accelerate that growth, while the spreads business moves on to Remgro where it augments their current portfolio and can be sure of a great future."

Unilever, the owner of household brands such as Omo, Joko, Lux, Lipton, Ola, Knorr, Sunlight and Robertsons, chipped in R449m to Remgro's headline earnings for the year to end June. This was down 2.6% on the previous financial year, and mainly reflective of weaker consumer spending. Unilever's contribution represented about 6% of Remgro's total headline earnings of R7.5bn.

Interestingly, the deal implies a value of R39bn for Unilever SA (excluding the spreads business), which is slightly larger than JSE-listed consumer brands conglomerate AVI (R35bn market capitalisation) but considerably smaller than Tiger Brands (R73bn).

Remgro has held its investment in Unilever for nearly 15 years after merging its Bestfoods Robertsons joint venture into the group in 2003 in exchange for the 25.75% equity stake.

Remgro's major investments include private hospitals group Mediclinic International, insurance hub RMI Holdings, banking counter FirstRand/RMB, RCL Foods and liquor group Distell. These listed investments are worth about R118bn, or 78% of Remgro's intrinsic net asset value.

*Source: Business Day*

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