

Pioneer Foods to continue to invest in profitable bakery division, says CEO

Consumer brands giant Pioneer Foods believes new investment in its bakery division could unlock value in the 2016 financial year.



Writing in the just released annual report, CEO Phil Roux said Pioneer's short-term priority would be to continue outperforming the industry by focussing on generating profitable top-line growth in a constrained market.

Pioneer - which is controlled by PSG-aligned agri-business investor Zeder (ZED) - owns household brands like Sasko, Weet-bix, Bokomo, Ceres, Liqui-Fruit, ProNutro, Marmite, Bovril and Pecks Anchovette. The company generated revenue of around R19bn in the year to end September 2015.

Roux said the company would keep investing in additional capacity where there was a solid investment case. "We believe in fastidious management of fixed-capital allocations."

He said the next financial year's capital investments would create further capacity in Weet-Bix and the company's bakeries. "We are confident in the growth potential to deliver the required returns."

He said ensuring sustainable growth for Pioneer's core essential foods division depended on significant, strategic capital investment decisions. "These projects typically have a multi-year horizon from the investment decision to full production."

Roux argued that Pioneer's largest value unlock opportunity was in the bakeries segment. "Excellent progress has been made... with further growth and improvement opportunities ahead."

Roux said the past financial year saw a R105m expenditure allocated to the replacement and upgrade of the Epping bakery, which was due for completion in 2016.

He said in the next financial year, the division would start a R330m replacement and capacity expansion of the Aeroton bakery in Gauteng.

"This will further enhance manufacturing and distribution efficiency in support of future growth in key markets."

Roux estimated the Aeroton expansion would be completed during 2017.

Source: BDpro

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