

AVI weighs up I&J's future

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12 Sep 2017

Consumer brands conglomerate AVI, which owns household names such as Five Roses, Willards and Bakers, is weighing up options for its fishing business, I&J.



Speaking at an investor presentation for the year to end June results, AVI CEO Simon Crutchley said that with the 2020 long-term fishing rights allocations pending, I&J needed the right structure going forward. "There is significant work in play right now to examine which are our best options."

The investor presentation referred to "testing I&J value realisation options" as part of a portfolio review, which fishing industry sources said might point to I&J selling all or part of its core hake fishing business.

Crutchley said it was imperative to position I&J effectively for the 2020 fishing rights allocation process. In 2017, I&J's hake fishing quota was reduced by 3,344 tonnes due to a lower total allowable catch and lower allocation of inshore rights.

The hake fishing deep sea rights are in place until the end of 2020, with the rights renewal process expected to start in 2018. Recent quota awards suggest that black-owned or black-empowered fishing companies as well as smaller community fishing enterprises stand to gain from new allocations.

About 68% of I&J's profit haul comes from the hake business, with the balance generated almost equally between an abalone farming venture and the Simplot seafood business in Australia. The abalone (which is mostly exported) and Simplot businesses are not affected by the South African quotas.

In fact, the abalone farming business is undergoing an expansion phase, pushing its production capacity to 600 tonnes a year.

Crutchley acknowledged that I&J was perceived as not fitting comfortably into AVI's brand stable. "We know I&J " for some investors " has always been a conundrum in our business. It is a legacy asset - albeit an interesting business - that we have continued to improve and put investment behind."

He said I&J, which generated revenues of nearly R2.4bn and operating profits of R389m, had a reasonable financial year ahead. I&J's local market share in frozen hake increased slightly to 48.5%, from 48.4%.

The company's biggest rival is JSE-listed Sea Harvest, which is controlled by empowerment firm Brimstone. When pressed by a shareholder for more details on AVI's preparation of I&J for the 2020 rights allocation process, Crutchley preferred not to elaborate on a complex issue.

In terms of financial performance, AVI had a satisfactory year after a marked recovery in margins in second-half trading. Revenue came in 8% higher at R13.2bn, with operating profits shifting up about 11%, to almost R2.4bn. Sticking to its generous dividend policy, AVI paid out 80% of its earnings to shareholders in the form of a 405c per share distribution.

Source: Business Day

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