

Rainbow Chicken buys stake in Zam Chick

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Rainbow Chicken will buy a 49% stake in Zambian chicken producer, Zam Chick - owned by Zambeef - for US\$14.25m, the company said on Monday (4 February).



Rainbow, which is SA's largest processor and marketer of chicken, said the deal with Zambeef, which also has operations in Ghana and Nigeria, would allow the companies to work together in order to take the poultry industry in Zambia to a "new level".

Rising commodity prices, inflation and surging chicken imports from Brazil have put pressure on local poultry producers forcing them to seek new avenues and markets for growth.

Avior Research equity analyst Jiten Bechoo said the deal was a good move for Rainbow.

"It allows diversification away from the adverse poultry dynamics in SA to perhaps better prospects in Africa. It's a very small acquisition, my estimate of the after tax earnings contribution is in the order of R16m. But there are better prospects for growth given the fact that Zambeef is looking at regional exports more aggressively," Bechoo said.

Zambeef will continue to manage the day-to-day operations of Zam Chick while Rainbow will provide technical assistance, Rainbow said.

The transaction is subject to approval from the Competition and Consumer Protection Commission of Zambia, as well as the South African Reserve Bank.

In November, Rainbow said it aimed to raise as much as R3.9bn in a rights offer to fund its acquisition of Foodcorp, which is SA's third-largest food producer.

The proceeds from the rights offer will be used to fund the Foodcorp takeover, as well as other strategic growth opportunities. The Zam Chick purchase will be partly funded from a portion of the proceeds from the rights offer, Rainbow said.

Last week, Rainbow warned that earnings per share and headline earnings per share for the six months ended December

are expected to fall by between 65% and 85% compared with the previous year.

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