

Rhodes Food buys a slice of ready-mix pie

Rhodes Food group has added muffins, croissants, cookies and pizza to the list of convenience foods it will distribute after snapping up global food manufacturer General Mills' South African operations.



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The Cape Town-based food company announced yesterday that it had entered into an agreement with General Mills SA to acquire its food services business for an undisclosed amount.

The deal, which marks the fifth acquisition Rhodes has made since listing on the JSE last October would be effective on November 30, the company said.

General Mills has operated its bakeries and food services business in SA for 20 years through its Pilsbury brand, which offers baking and dessert mixes. In the May financial year, the business generated revenue of R65m.

The group's current product offering distributed across Southern Africa and in global markets includes jams and vegetables, Magpie pies and the Portobello cheese brand.

Last month, local competition authorities approved its bid for Boland Pulp, a fruit and vegetable juice purée maker, and Deemster, a manufacturer of pickled food.

Red flags are often raised about the food manufacturer's forward potential price:earnings (p:e) ratio of 28, especially when compared to bigger, more established rivals in the food sector such as AVI and Tiger Brands.

AVI, with a p:e of 20, has delivered consistently through share buybacks, dividend increases and acquisitions, says Ron Klipin, an analyst at Cratos Wealth. However, he sees good prospects for Rhodes Foods in terms of diversifying and being nimble on the acquisition front.

"They have delivered. It looks like they are building up an even bigger food offering (through the General Mills acquisition). Their existing portfolio has some very good brands and they have good relationships with (retailers) like Woolworths," he said.

Rhodes has an exclusive agreement with Woolworths to supply ready-made meals and pies.

Source: Business Day

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