

Premfish gets stake in squid operation

By [Marc Hasenfuss](#)

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Premier Fishing and Brands (Premfish) has hooked its first acquisition since listing on the JSE in March. On Wednesday, the company, which is controlled by black economic empowerment group African Empowerment Equity Investments (AEEI), announced the acquisition of a 53.5% controlling stake in squid specialist Talhado Fishing Enterprises for R106m.



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Premfish has a dominant position in the south coast lobster market and a fast-growing abalone farming enterprise.

The deal looks to represent good value for Premfish, with Talhado reporting a consolidated profit after tax of around R51m for the year to end-August. That infers that it bought the squid business on a modest multiple of about four times.

Port Elizabeth-based Talhado is believed to generate annual revenue of around R300m. It catches, processes and markets squid with both sea and landbased freezing facilities.

It operates 17 vessels and a cold-room facility that can accommodate 800 tonnes of squid. Talhado also secures squid catch from independent boat owners that do not have export infrastructure and logistics capabilities.

A highly strategic move by Premfish

The fact that the existing shareholders in Talhado were retaining a significant minority stake was telling, Premfish director and AEEI CEO Khalid Abdullah said. "It shows the shareholders trust us to help grow the business and know that we understand the fishing market," Abdullah said.

Synergies between Premfish (which already owns Sea Diamond Squid) and Talhado would be realised in the short to medium term. "This will lead to further efficiencies within the existing operations and the overall group," he said.

Vunani Securities analyst Anthony Clark believed the Talhado deal was a highly strategic move by Premfish. "It expands the range of [seafood] products, adds offshore diversification and should drastically increase revenue profit margins."

Quality assets at good prices

Clark argued the deal underlined the prudent nature of Premfish, which had indicated it would only buy quality assets at good prices.

The Talhado transaction would be the first of many acquisitions for Premfish, which raised more than R500m on listing, Abdullah said. "We have opportunities we are looking at. But we are determined to do deals at the right price and not overpay for assets. In the case of Talhado, we waited seven to eight months to clinch the deal."

Clark hoped that in the run-up to the 2020 new fishing rights allocation, Premfish could snag opportunities in the hake and horse mackerel sectors. In the meantime, Premfish does have a first right of refusal to acquire the remaining minority shareholdings in Talhado. Interestingly, if such a deal is struck then Premfish will settle up with minority shareholders on a markedly higher six times earnings multiple.

Premfish closed unchanged at 387c on the JSE, well off its high of 520c achieved shortly after listing.

Source: Business Day

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