

**06 July 2018**

This week's Tatler comes to you from an island off the coast of Maine, where we are giving the millions an airing and hoping to make the brief but happy acquaintance of one or two of the lobsters for which the area is rightly famed. And if we happen to bump into Dan Loeb (see Nestlé) we'll be sure to pass on your regards. Enjoy the read.

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## RETAILERS AND WHOLESALERS

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### Pick n Pay

#### OK, maybe it is all about the money

We normally don't fill these precious column inches with news about director's dealings, as they're often dense and arcane. Sometimes, though, they offer rare insights into the health and strategic imperatives of a business, and thus it is with the long-term share option scheme Pick n Pay has extended to CEO Richard "Mr." Brasher. Despite certain targets *vis-à-vis* the share price not having been met, you see, Pick n Pay's remuneration committee has extended the terms of his original arrangement with the business, on the grounds that like everyone else, Mr. B was blindsided by the harsh economic realities of recent years and has taken some decisions which might be injurious to the share price on the short term, but good for the long-range success of the business – for e.g., the Voluntary Severance Programme (VSP) undertaken to get the payroll under control, but which the markets didn't initially like.

**Comment:** Lots to get one's head around. But at the end of the day, a vote of confidence from the board in the status quo.

[Moneyweb 02/07/18](#)

### Shoprite

#### Upstairs and Downstairs

Trouble down at the mill for Shoprite, whose stores were threatened with shutdown last week in a dispute between the National Transport Movement (NTM) union and service providers contracted by the Big Red One. Drivers and Warehouse workers were militating for a minimum wage of R12,500 per month plus benefits; but have apparently been told that this is unrealistic. Also at issue, it seems, is the shadowy presence in the mix of labour brokers, who have a long history of clouding the wage issue in South African labour practices. In other Shoprite news, the shareholders got jittery last week in the as-it-turns-out-incorrect news that Oom Christo was selling 17million of his shares. In fact, he was simply placing them with the banks as collateral for loans – although, whether these are new or existing loans, remains unknown.

**Comment:** It seems unfair that the fortunes of the Shoprite share should be tied to the personal travails of Christo Wiese, but that, one supposes, is the model, and there's little that can be done about it.

[IOL 29/06/18](#), [Business Day 29/06/18](#)

### Massmart

#### Silver linings playbook

Good news for the Men in Black, at a time when they have seen precious little of the stuff from the analysts, is that Sentio Capital have identified them as a good buy against the time when the dear old SA economy bursts through the two percent growth mark and really gets going. Sentio point to Makro and Builders Warehouse as the two divisions to watch – and indeed, they have been the performers of the Group through this depressing ambit. This, after a trading update last week which saw shares fall -18% in a single day on the news that sales for the first 18 weeks of the FY2019 were up just +0.8% to R31.4billion, with food sales actually down -2.3% and the Massdiscounters and Masscash divisions taking particular strain, at a time of transition and difficult choices for both businesses – each with their own challenges and indeed opportunities.. By contrast, Masswarehouse (which encompasses Makro and Fruitspot) was up +5.6% and Massbuild +6.1%.

**Comment:** Hard work ahead, but definitely some silver linings for Massmart, a ship whose movements seem linked more closely with our economic tide.

[Investors Monthly 30/06/18](#)

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Danone

#### The Artificial Cows Department

French dairy giant Danone is going to be a business to watch in the years and the decades ahead. In 2016, it set up an investment fund, Danone Manifesto Ventures, with plans to acquire 20 to 25 start-ups by 2020. So far, the fund has spent half of its \$150million budget, on outfits as diverse as coconut water brand Harmless Harvest and baby food business Yooji, which brings home cooked goodness to babies in a box. Not the babies, obviously, the product. In the box, that is. The businesses in which Danone is seeking to invest are not just promising start-ups in

FMCG however – they might offer Danone entirely new routes-to-market, such as subscription models, or access to new categories, like non-animal proteins, an area of growing interest, if we are to replace the destructive agricultural practices which threaten our health and that of our planet.

**Comment:** Interesting times for Danone, with echoes of Unilever's recent acquisitive strategy.

[Food Dive 25/06/18](#)

## **Nestlé**

### **To the barricades!**

"Nestlé's insular, complacent, and bureaucratic organization is overly complex, lethargic, and misses too many trends," says Dan Loeb, a guy who actually likes the business. Loeb, you will recall, bought somewhere in the region of 12% of the business through his hedge fund, Third Point, about a year ago, and has since been making a damned nuisance of himself as activist shareholders are wont to do. He's stepped it up on the anniversary of his acquisition, however, in a letter urging the board to renounce incrementalism, to rapidly spin off subsidiary non-core businesses like those in ice cream, frozen foods and confectionery, and to disentangle its arcane management structure, organizing the business into three divisions: beverages, nutrition and grocery. Ominously for management, the letter was accompanied by a 34-slide PowerPoint presentation, and a website.

**Comment:** If he goes for the hashtag, everyone under your desks.

[Reuters 01/07/18](#)

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## **TRADE ENVIRONMENT**

### **Manufacturing**

#### **What's the point?**

The Manufacturing Purchasing Manager's Index (PMI), a measure of manufacturing productivity here in the Beloved Country, has declined by -1.9 points for the month of June, down to 47.9 points from 49.8 points in May. As you might expect, anything under 50 means the sector is shrinking. We did pop our heads over 50 in February, but that proved to be a blip. And moving on – while we did record a trade surplus of R3.52billion in May, our overall deficit rose to R17.77billion between January and May, compared with R7.89billion in the corresponding period last year (just to be clear: this is not a good thing). Back to the surplus though: the big winners were vegetable products, with exports up +56%, vehicle and transport equipment, up +29% and chemical products, up +28%. It's against this backdrop that the World Economic Forum's extraordinary forum in Jozi last week about reconstruction in the post-Zuma era is imbued with such urgency.

**Comment:** A new compact between government, business and labour is needed for us to return to meaningful growth.

[Business Day 02/07/18](#), [IOL 02/07/18](#)

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## **IN BRIEF**

### **Woolworths**

#### **Deep sixed in the deep south**

In further confirmation that Australia is a blasted wasteland where South African retailers go to scourge themselves of their sins and emerge pink and blinking into the light of a new day, Woolies is getting rid of 16 head office staff over at troubled retailer David Jones, in order to staunch the bleeding and enhance its competitiveness. Woolies bought David Jones for around R21billion four years ago, and the consensus is that this was roughly R7billion too much.

[Business Times 01/07/18](#)

### **Unilever**

#### **Smooth move. And luxuriant. Glossy, even.**

And speaking of le Grand Bleu, which we were, tangentially, just a few stories to the north, Unilever has agreed to acquire a 75% stake in Italian personal care and well-being company Equilibra. This, in further evidence of a strategy to entrench its presence in this lucrative market, even as the food business continues to stagnate globally.

[Forbes 28/06/18](#)

### **International Retailers**

#### **You can all go home now.**

Tesco and Carrefour, in a move which flies in the face of Brexit, the Napoleonic Wars and Agincourt itself, have announced that they will be working together in an alliance aimed at getting better deals from multinational suppliers, cutting costs, and combating increased competition in their domestic markets. Sacre Bleu! In other Tesco-related news, they are trialling an app that would allow customers to use their phones to scan groceries and pay for them, because the final goal of capitalism is to put absolutely everyone out of a job so that they'll have nothing to do but spend money all day. What could possibly go wrong with that?

[Tatler Reporter03/07/18](#)

## THE WEEKLY GURU

"When you come to the end of your rope, tie a knot and hang on."

Franklin D. Roosevelt

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