Critical investor blasts Satara

But stung kiwifruit co-operative says it treats its shareholders equally

Sarah McDonald

A stoush is brewing between a listed kiwifruit co-operative and its biggest institutional investor.

Elevation Capital, a disgruntled shareholder of market minnow Satara, is demanding a raft of changes in light of the company's recent profit downgrade.

The boutique fund manager was especially critical of what it sees as a disparity between holders of the two classes of Satara shares.

The company has a complicated hybrid co-operative capital structure with "transactor" shares held by growers and "investor" shares traded on the NZAX.

Transactor shareholders earn money through getting a payout per tray of kiwifruit set by Zespri and an additional rebate set by Satara, while "investor" shareholders get a dividend per share.

This investor dividend is funded by a capital charge deducted from the company's earnings, to compensate investors for putting up the cash to fund Satara's asset base.

Satara's board has the power to set this capital charge and lowered it at the company's annual general meeting in April.

Elevation Capital managing director Chris Swasbrook said he didn't think this was the right thing to do in light of the fact that interest rates had been steadily increasing for the last 12 months.

"We're not getting a return that properly assesses the risk … investor shareholders just want to see an appropriate return on capital, and are being treated unfairly," he said.

"We would like increased transparency and answers provided to all shareholders."

Mr Swasbrook also said there was a lack of transparency around how the capital charge was calculated and inadequate communication from the board to shareholders.

Elevation has had no response from Satara to a detailed letter it sent the board on October 17.

It sent another letter this week reiterating its concerns.

These include what Elevation sees as an inefficient balance sheet; underperformance as evidenced by a lower net profit per tray and a more extreme decline in orchard gate return than competitors; and the continued poor performance of Satara's orchard division.

This part of the company recorded a $2 million loss in 2006 and a $3.8 million loss in 2005.

Satara chairman Andrew Fenton said the company got a lot of correspondence from shareholders and couldn't respond to individuals on specific points.

"[Elevation] is entitled to their view but I wouldn't make any comment on it.

"They knew the structure of the company when they bought their shares, and we treat all our shareholders equally," he said.

Elevation Capital began buying into Satara in February, when the share price was around $1.10. It is currently at $1.04, near its 52-week low of $1.00.

Elevation's 6.12% stake is worth about $1 million.

Earlier this month, the co-operative revised its profit guidance from $5.1 million before rebates and tax to "less than achieved in the previous year."

Last year the company made $3.6 million before rebates and tax.

It has not given any indication of how far under last year's profit its new result is expected to fall.

Mr Swasbrook said none of the reasons given by the board for the downgrade were unpredictable and he's not going to stop demanding answers.

But despite this, Elevation is not planning to sell its stake until Satara's valuable asset base is better reflected in the share price.

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Morrison, Infratil top awards

Infratil founder Lloyd Morrison scooped the pool at the Deloitte/*Management* magazine Top 200 Awards, held in Auckland last night.

Mr Morrison beat off competition from NZ Post chief executive John Allen and Foodstuffs Auckland's Tony Carter as the top business executive for 2007.

Infratil was named company of the year.

The judges said Mr Morrison, who had his first board meeting as an Auckland International Airport director this week, was an astute man and strategically brilliant.

"Under his visionary leadership and early recognition of the potential of infrastructure and utilities, Infratil has produced consistently excellent results," they said.

"The company is becoming one of the world's most enlightened, best managed, focused and risk-wise investors in growth infrastructure.

"It is thoughtfully led, articulates its strategy and corporate objectives and has performed consistently over time."

Queenstown businessman Eion Edgar won the Designworks Enterprise IG Visionary Leader Award for his contributions to business, education, arts and sport.

Nelson's John Palmer, chairman of Air New Zealand and Solid Energy, was named QBE Insurance Chairperson of the Year.

Other awards winners:

Kensington Swan Ethical Governance Award: NZ Aluminium Smelters

Marsh Most Improved Performance Award: Kiwibank

Colliers International Best Growth Strategy: Mainfreight

Deloitte Emerging Enterprise Award: Endace

NZIM/Eagle Technology Young Executive of the Year: Mason Pratt, managing director, Provoke Solutions.

Warehouse in play

From page 1

and retain the status quo, perhaps on the offchance another bidder shows up.

But any third bidder would struggle to make a full takeover given the blocking stakes held by the two supermarkets.

Given Mr Tindall put The Warehouse into play himself and the share price rose above his own bid, it seems reasonable for other shareholders to expect Mr Tindall to take the highest offer, provided it's fair.

But there's always a chance Mr Tindall just cannot part with his baby or is courageous enough to hold out for an outrageous price.

Although Woolworths didn't get to make a takeover bid for The Warehouse, its offer was rumoured to be in the range of $7-7.50.

But Forsyth Barr analyst Guy Hallwright said if the Commerce Commission pursued an appeal the share price would probably drift off as investors factored in that uncertainty.

"If they [the supermarkets] can't come back with a bid it is not worth the share price," he said.

The Commerce Commission yesterday said it remained concerned about competition in the supermarket sector and was studying the judgment before considering whether it would appeal the decision.