

Wiese, Steinhoff take full control of Shoprite

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Steinhoff and Christo Wiese are to emerge as the outright controlling shareholders of Shoprite after Shoprite shareholders' backed the repurchase of 8.7-million shares from former CEO Whitey Basson.



The unexpected nudge beyond the critical 50% control mark was revealed in Steinhoff Africa's (Star's) prelisting circular. The circular was released to the market late on Monday, not long before Tuesday morning's extraordinary meeting of Shoprite shareholders.

About 60% of the Shoprite shareholders entitled to vote participated in the meeting and 88% of them voted in favour of the R1.7bn share repurchase.

One analyst said the recent increase in the Shoprite share price to about R222 may have persuaded shareholders to back the repurchase, which was priced at R201 a share.

The repurchase and cancellation of Basson's shares means that Star's voting power in Shoprite will increase to a controlling 50.6% from 49.8%. It also means German-listed Steinhoff will be able to consolidate the Shoprite results.

Shareholder activist Theo Botha, who had urged Shoprite shareholders to vote against the repurchase, said on Tuesday it

was hard to understand why they had voted overwhelmingly in favour of the motion. He said his primary objection was that it was totally inappropriate for Shoprite to borrow more than R1bn to buy shares.

"And now we see the shareholders have just handed control of Shoprite to Christo Wiese and Star without the prospect of a change of control premium ever having to be paid."

Botha acknowledged that a change of control out of Wiese's hands was always unlikely, but he questioned how the 50% level could be passed without triggering regulatory obligations.

Lucky Phakeng, executive director of the Takeover Panel, said the panel had not been involved in the matter.

The implications of the share repurchase were explained in the Star prelisting circular, which noted that agreements with the Public Investment Corporation and a number of Wiese-aligned entities would give Star about 22.7% of the economic interest and about 49.85% of the voting rights in Shoprite. It says that if the repurchase of Basson's shares goes ahead, "the percentages will increase to approximately 23.1% and 50.6% respectively".

Reina de Waal, a spokeswoman for Steinhoff, said on Tuesday that "according to the interpretation of the Companies Act and Takeover Regulations on minority offers, we are not required to make an offer to minority shareholders".

On the issue of listing a pyramid structure, the JSE's Andre Visser said although Star exercised control of 50% or more of Shoprite's voting rights, it did not qualify as a pyramid structure.

Shoprite would have to generate 75% or more of Star's pre-tax attributable income or account for at least 50% of Star's gross assets. At this stage it accounts for about 43% of Star's gross assets. The Star circular also shows how meteoric Pepkor's growth has been since it was delisted 15 years ago.

"Pepkor is much bigger than anyone thought. What it's done in 15 years is amazing," said retail analyst Syd Vianello.

The distribution of Pep outlets across Africa suggested there were considerable opportunities for it to work with Shoprite in setting up infrastructure and developing distribution networks, Vianello said. The estimated price:earnings target of about 20 times looked on the expensive side but might be attainable given the limited free float.

One of the stated reasons for the listing of Star is to allow investors who wanted to access the African growth story to invest directly in the company.

Former trade unionist Jayendra Naidoo will be the independent non-executive chairman.

Source: Business Day