

PPC merger opposition grows

By [Mark Allix](#)

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Visio Capital Management, which holds 7% of PPC, is the latest investment manager to come out against a partial conditional offer for a merger with SA's largest cement group by AfriSam and Canada's Fairfax Africa Investments.



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This means at least 25% of shareholders are opposed to a merger. Visio's rejection comes after Value Capital Partners, the holder of about 5% of PPC stock, said earlier on Monday, 9 October, that it was against the AfriSam-Fairfax bid because the intrinsic value of PPC was at least R10 a share.

"Visio Capital is not supportive of the proposed merger in its current form since there can be no certainty as to its final outcome," Douglas Wallace, a Visio Capital fund manager, said on Monday. "Furthermore, material uncertainties exist around the potential competition remedies that would be required. These remedies could be value destructive," he said.

As part of the offer, Fairfax had undertaken to buy R2bn of PPC ordinary shares at R5.75 a share. This values PPC at a 62% premium based on pro forma earnings multiples applied to the two businesses, according to AfriSam. The bid included a R4bn recapitalisation of AfriSam before any merger.

"Visio would prefer for PPC's management, in as much as it is legally possible, to walk away from the Fairfax conditional offer and to stop wasting valuable management time and company resources towards an uncertain and most likely messy

outcome," Wallace said.

He said it could take at least 12 months before the Competition Commission announced any remedies.

Visio said PPC's focus should be on dealing with challenges in its South African market and African operations.

"There is far more value to be unlocked that way for PPC and its shareholders," Wallace said.

Earlier in October, Prudential Investment Managers, which holds about 14% of PPC, said it opposed a proposed merger between PPC and rival AfriSam as this undervalued the group.

Meanwhile, on Monday, AfriSam said that "fake news" had been sent out to a certain media agency with "somebody" spreading unsubstantiated claims that the cement group's results had not been audited in the past few years. This was not correct, AfriSam said.

"We have been audited every single year since [major shareholder] Phembani and the PIC [Public Investment Corporation] came in [in 2012]," AfriSam acting CEO Rob Wessels said.

Electus Fund Managers equity analyst Mish-al Emeran said the AfriSam-Fairfax bid "materially undervalues PPC".

"Based on Electus's sum-of-the-parts valuation methodology, we consider PPC's fundamental valuation to be around R8 a share. On a replacement cost basis - which should be representative of value as cement plants are capital-intensive ... assets - PPC would be worth more than our [sum-of-the-parts] valuation," he said.

Source: Business Day

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