

# US lawyers investigate MultiChoice payments

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Naspers's hopes of a speedy resolution to the high-profile controversy around payments its 80% subsidiary MultiChoice made to SABC and ANN7 were dealt a hefty blow on Tuesday, 5 December 2017, when a US law firm, specialising in class actions, announced it was investigating the company.



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Pomerantz issued a statement in New York saying it was investigating claims on behalf of Naspers's investors.

"The investigation concerns whether Naspers and certain of its officers and/or directors have engaged in securities fraud or other unlawful business practices," Pomerantz said.

The law firm, which has been described by some US-based investors as the corporate equivalent of an ambulance chaser, has invited Naspers shareholders to join a class action. It pioneered corporate class actions and has been involved in many high-profile cases. "They're not always successful but these are people you don't really want looking into your business," said an analyst.

The firm did not respond to queries about the level of support it had received.

In its statement, Pomerantz referred to MultiChoice's decision to initiate a probe into whether improper payments were made to television station ANN7. There was no reference to MultiChoice's payments to the SABC.

Although Naspers is listed on the JSE and does not have a secondary listing on any other market, the US firm is able to contemplate action on the basis of Naspers's American Depositary Receipts (ADRs).

Pomerantz said these fell 5.6% on 1 December.

It is unclear whether the action is restricted to holders of Naspers's ADRs or is accessible to all shareholders.

Naspers spokeswoman Meloy Horn said this type of release from law firms was not uncommon in the US following announcements related to listed entities. "They don't mean any legal proceedings are under way or will happen, and we have not been informed of any legal action from any of our investors," she said.

The ADR price movement referred to by Pomerantz should be seen in the context of adjustments in global tech markets that took place around that time. "We reiterate our position with regards to the recent allegations. We take them seriously and once the MultiChoice SA board has investigated " we will verify that they have addressed the matter adequately."

Since the leaked Gupta e-mails revealed details of the MultiChoice payments to ANN7, there have been growing calls for a parliamentary hearing into the matter. In addition, the Competition Commission has said that it remains determined to investigate the circumstances around MultiChoice's payments to the SABC as well as any possible abuse of dominance by MultiChoice.

Pomerantz explains on its website that it identifies potential securities fraud claims and analyses clients' potential damages. "If we determine that the client was significantly 'damaged' due to the alleged fraud, we analyse the merits of the case by studying publicly available information."

When warranted it uses forensic accountants and private investigators to assist. Based on its detailed analysis Pomerantz will recommend whether its clients should move to be appointed lead plaintiff in a legal action or remain a class member. "We also discuss and pursue any objectives the client may have relative to the subject company and any corporate governance reform issues which may be addressed through litigation."

On Tuesday, the Naspers share price lost 3% to close at R3,520. The weakness was in line with the fall in the Tencent share price in Hong Kong.

In the past few days, for reasons unconnected to Naspers's local challenges, the Tencent share price has given up a little of the gains made in 2017. Most analysts remain bullish, but believe the almost doubling in price in 2017 was overdone.

*Source: Business Day*