

Shareholder questions family control of Pick n Pay

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The value of retaining the Ackerman family's "artificial" control of Pick n Pay was again questioned at the supermarket giant's annual general meeting on Monday, 2 July 2014.

The Ackerman family holds 48.5% of Pick n Pay Holdings (Pikwik), which in turn holds 53.57% of Pick n Pay Stores.

Pick n Pay has glaringly underperformed its retail peers in the past few years. This has led to investors questioning whether a cumbersome family control structure has impeded the company's response to increased competition from rivals Shoprite, Woolworths and Spar.

Shareholder activist Chris Logan, the CEO of Opportune Investments, argued it was possible to dismantle the Pikwik pyramid control structure without the Ackerman family relinquishing control. If the Pikwik structure was removed, the Ackerman family would still remain by far the biggest shareholder in Pick n Pay with a stake of about 26%.

"Is Pick n Pay not making a mountain out of a molehill?" Logan asked. "If you abolish the Pikwik pyramid structure, the family will still be in control."

"At 26%, (the level of) family control becomes a powerful enabler for change."

Logan stressed he was not attacking the family control of Pick n Pay but rather the manner in which it was structured.

Pick n Pay chairman Gareth Ackerman was adamant that the Pikwik structure would remain, at least for now. But nonexecutive director Jeff van Rooyen offered some leeway.

"Pick n Pay's priority in recent years has been to turn around the business," van Rooyen said. "We will still look at the control structure, and do what is in the best interest of all shareholders."

In a preamble before the formalities of the meeting, Ackerman reiterated that family control of Pick n Pay would continue.

The company, which recently appointed former Tesco executive Richard Brasher as CEO, had shifted from being "family run" to being "family controlled and professionally run", he said.

Ackerman discounted arguments that family control diluted shareholder rights and upheld a high dividend payout relative to peers in the retail sector. Instead, family ownership brought stability of ownership, a dynamic approach to risk and

investment, as well as decisionmaking focused on the company's long-term interests.

"Our ability to focus on longerterm strategic goals has been referred to as 'patient capital' and allied to it is the importance of a sense of history and origins," Ackerman said.

However, Logan argued that retaining family control should not be a licence for long periods of underperformance.

"The last seven years of underperformance should not have happened."

Ackerman said Pick n Pay's underperformance was not because management was complacent. "We needed time to change our operating systems.

"Concentrating on reviewing the 'back-end' of the business meant we lost focus on the front end - our customers."

Ackerman said that the Ackerman family deserved some credit, especially for the role it had played in recruiting and retaining Brasher, "someone completely independent of Pick n Pay".

Source: Business Day

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