

# MultiChoice lends TopTV R500m

By [Thabiso Mochiko](#)

2 May 2013

MultiChoice this week emerged as the surprise financial backer in the race to buy ailing pay-television service TopTV, in a last-minute move that could potentially stymie Chinese consortium StarTimes and keep the rival channel in local hands.



The DStv pay-channel giant raised eyebrows on Monday (29 April) when it confirmed market rumours that it had agreed to lend Top TV R500m to finance a potential transaction.

Businessman Given Mkhari confirmed on Monday that his MSG Afrika Media Group and Malose Kekana of Falk Trading were involved in the MultiChoice-funded offer for TopTV under the name of the Dynamic TV consortium.

Analysts said the deal raised potential competition issues, but MultiChoice's chief executive Imtiaz Patel claimed it was a tangible demonstration of MultiChoice's ongoing commitment to enterprise development and empowerment.

Patel said it was providing funding to Dynamic TV as part of the information and communications technology transformation and black economic empowerment (BEE) codes, which require companies to invest in enterprise development.

"The decision was not made to block competition from China," he said. StarTimes and MultiChoice already compete in other African states.

Dynamic TV stressed empowerment in its statement released on Monday (29 April), and hinted that the South African taxpayer would in effect be bankrolling StarTimes' deal for On Digital Media's (ODM) TopTV, which entered bankruptcy or business rescue proceedings last October.

## Investment

"The total amount of investment by South African development funding institutions and investors in ODM is in excess of R1,4bn. StarTimes has, in terms of the business rescue proposal, proposed to buy ODN for a cash price of R98,4m," Dynamic TV said.

"This implies that the first R1,4bn in profits must be repaid to StarTimes and repatriated offshore, tax free, before local shareholders can benefit," he said.

Turning around TopTV's fortunes "presents the only realistic opportunity for the pay-TV market to have a credible second player", and "also represents a rare opportunity for black people to own a commercial broadcasting licence, generally considered to be a scarce resource".

MSG chief investment officer Andile Khumalo said the proposed shareholding structure "circumvents the foreign ownership restriction provisions of the Electronic Communications Act".

"StarTimes claims to enable 65% black shareholding, however with only a 20% black economic interest in the business. This sophisticated version of 'fronting' undermines the strategic objectives of BEE as it will probably not result in any meaningful value to the black shareholders," Khumalo said.

Competition Commission deputy commissioner Trudi Makhaya said that while a merger was often about a change in shareholding, there were other ways in which one firm could acquire control over another, including through financing arrangements.

For more, visit: <https://www.bizcommunity.com>