

Remgro, Distell to gain from dismantling Capevin

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Liquor giant Distell, which owns best-selling brands such as Savanna, Hunters, Nederburg and Klipdrift, has uncorked a proposal that fortifies the position of its biggest shareholder, investment giant Remgro. The proposed deal could potentially also boost Distell's international deal-making and investment appeal by collapsing an archaic and unpopular pyramid holding company structure.



On Thursday, Distell proposed dismantling Capevin, a JSE-listed holding company that holds a 26% stake in Distell as its only asset. The central figure in the transaction is Remgro, which holds a 26.4% direct stake in Distell, as well as a 19% stake in Capevin. Other major shareholders in Capevin are asset manager Coronation and pension manager the Public Investment Corporation (PIC).

While there has been a persistent clamour to break down the pyramid, speculation about a possible dismantling of Capevin mounted this week following a Financial Mail article, that noted that Remgro had acquired more shares in Capevin in May to shift its stake from 15% to 19%.

After the dismantling of the Capevin structure, Remgro will remain the biggest shareholder in Distell with a 31.4% stake. The PIC will speak for about 31% and Coronation just more than 5%.

Most critically, the unbundling of Capevin's shareholding means the free float in Distell shares improves markedly from less than 20% to about 38%. The mechanism of the transaction involves the creation and listing of a new entity, New Distell, which will acquire all the shares in Capevin and Distell. Shareholders in both companies will receive shares in the newly listed New Distell as settlement.

An important twist in the transaction is that Remgro will be issued with unlisted B shares. These shares have no economic rights, but will provide Remgro with the same voting rights in Distell as it held before to the transaction via Remgro=Capevin Investments.

This means Remgro's 31.4% stake will actually speak for 52.8% of the new Distell. This is an important rider since Remgro appeared to be outbid by the PIC for SABMiller's 26.42% stake in Distell in 2016.

Remgro held pre-emptive rights on the SABMiller stake and was widely tipped to buy the shares after the takeover by Anheuser-Busch InBev.

According to a statement issued by Distell, the PIC and Coronation will support the transaction. Distell CEO Richard Rushton said that shareholders had been asking for the dismantling of the Capevin structure for a number of years.

He said the transaction would boost the general marketability of Distell stock to local and international investors. "It should also improve our ability to raise additional capital in the future, if required, to fund our growth ambitions."

Distell - which has enjoyed huge success with its cider brands - has lately shown an inclination to build a meaningful global presence. It has done this via the acquisition of cognac brand Bisquit cognac and whiskey brand Scottish Leader as well as new points of presence in the US and China.

Long-time Distell shareholder Chris Logan, the CEO of Opportune Investments, described Distell's proposals as very positive and a long time coming. He said that the Capevin structure was undoubtedly the main culprit in Distell never making value-accretive acquisitions with its scrip.

Source: Business Day

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