

Tribunal nod for PIC holding in Distell

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The Competition Tribunal has approved the Public Investment Corporation's (PIC) acquisition of Anheuser-Busch InBev's 26.5% stake in Distell but no details of the price have been made public.



PDPhotos via [Fxabay](#)

In mid-December, the PIC emerged as the unexpected buyer of the Distell stake. Remgro, which had a pre-emptive right to take up the shares, is thought to have walked away from the deal rather than get into a bidding war with the PIC. The tribunal said on Wednesday the confidential conditions were part of the conditions that were agreed to when AB InBev acquired SABMiller.

The tribunal – and not the Competition Commission – imposed the condition that ABInBev sell off the 26.4% stake SABMiller held in Distell. Although Remgro had a preemptive right to take up the stake, in terms of the tribunal's condition, if Remgro did not acquire it, a BEE party was the preferred bidder.

"As there were no BEE bidders, [the Government Employees Pension Fund, through the PIC] purchased the share and will now sell a portion to a BEE company," the tribunal said.

The stake had been held by SABMiller since Distell was established through a market-sharing agreement set up in the late

'70s. Remgro and KWV were the other major shareholders with the three entities holding just under 90% of Distell. In terms of that agreement, SAB undertook to limit its involvement in the wine and spirits market and Remgro undertook to stay out of the beer market. Due to restructurings over the years, Remgro has emerged as the single-largest shareholder with an effective controlling stake of 52%.

In September 2016, when Remgro announced plans for a R9.3bn rights issue, investors assumed it was preparing to exercise its pre-emptive rights over Distell at the then ruling share price of about R150.

When PIC emerged as the buyer, investors speculated the government-aligned investor had been prepared to pay a steep premium on the ruling share price. One source suggested it was as high as R180.

To date, the PIC and AB InBev have not disclosed details of the price but sources close to the deal say it was closer to R170 a share. This compares with the current price of R141 and is around the level at which the share was trading in October 2016 when Remgro was tipped as the most likely buyer.

Paying a premium for a noncontrolling minority stake is unusual and indicates the PIC was keen to get a share of the drinks company. The 26.4% holding does allow the PIC to block any special resolutions.

The removal of SABMiller from the ownership structure may open up opportunities for Distell to play a more aggressive role in the extremely competitive drinks market. Even Distell's dominance of the cider market has recently waned as better-funded competitors moved in on its territory. Heineken, through its Strongbow brand, has made significant inroads in the local market and AB InBev is also expected to become more aggressive with its Stella Artois Cidre.

To grow its market share in SA and internationally, Distell will need shareholders who are willing to support the necessary rights issues.

Neither the PIC nor Distell would comment on Wednesday on the tribunal's confirmation of the transaction.

Source: Business Day

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