

Tribunal ruling blow to HCI restructuring

By Ann Crotty 14 Sep 2017

The plans of Hosken Consolidated Investment's (HCI) to restructure gaming assets held in two of its subsidiaries, Tsogo Sun and Niveus, were thrown into disarray on Tuesday following a ruling by the Competition Tribunal that will require HCI to seek competition approval for the planned restructuring. The ruling was issued just 36 hours before Niveus and Tsogo Sun shareholders were due to vote on the restructuring.



© Kheng Ho Toh – <u>123RF.com</u>

HCI chairman Johnny Copelyn indicated on Wednesday that the two meetings would be going ahead. But given the possibility that the competition authorities could impose conditions on the restructuring, there was some uncertainty about what would be voted on. A Niveus shareholder said he was looking forward to attending the meeting, which he expected to be "very interesting".

HCl did not approach the competition authorities for approval in December 2016, when it first announced the restructuring. It told the tribunal it believed the restructuring proposal did not constitute a merger and was merely a consolidation of its gaming interests.

HCI argued that, as it already had a controlling shareholding in Tsogo and a controlling interest in Niveus, the transaction amounted to an internal restructuring. It sought an advisory opinion from the commission in July, confirming the restructuring was not a notifiable transaction. On August 17, the commission advised HCI that the proposed restructuring had to be notified as a merger. This was the day after Niveus issued a long circular to shareholders, providing details of the deal and the shareholders' meeting.

That circular makes no reference to the need to secure the competition authorities' approval. The conditions precedent include approval from the Takeover Regulation Panel and the Northern Cape Gambling Board, but not from the competition authorities.

Two areas of concern for the commission are likely to be that the deal bumps HCI's holding in Tsogo up to 51%, from 47.6% and the possibility that it will affect employment or other publicinterest matters.

Instead of notifying the commission, HCI turned to the tribunal with an urgent application, seeking a ruling from it that the proposed transaction was not notifiable. On Tuesday, the tribunal dismissed the application. The transaction must, therefore, be notified. The proposed transaction would let Tsogo Sun, which holds numerous casino licences, acquire Niveus's limited-payout machine operations and its electronic bingo terminal operations.

The alternative-gaming assets have been packaged into the entity Gameco, which will be unbundled to Niveus shareholders. Tsogo will acquire HCl's nearly 50% in Gameco and will offer to buy out Gameco minority shareholders.

Source: Business Day

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