

# Sovereign slips on ruling against CBH

By [Ann Crotty](#)

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Within hours of the Takeover Regulation Panel ruling on Tuesday that the offer by Country Bird Holdings (CBH) for Sovereign Foods had lapsed, the JSE-listed poultry producer lost more than 7% of the value of its shares. The share price dropped from R9.19 to close the day 7.4% lower at R8.51.



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Shareholder activist Albie Cilliers said he was surprised the share had not dropped further and that its relative strength suggested a buyer had emerged to mop up shares as soon as the ruling had been announced.

"Given the uncertainty now facing the company, it's difficult to imagine who could be buying or why; we will probably find out in the coming days or weeks," Cilliers said.

About 200 shareholders, holding 13.4% of the Sovereign shares, had accepted CBH's R9 offer and were waiting completion of the deal to receive their cash. The ruling means CBH will not be allowed to acquire these shares. CBH will hold onto the 34.1% block that it accumulated in the market before Sovereign sought the ruling in September.

The panel's decision creates an uncertain future for Sovereign, which will now have to deal with a hostile shareholder holding 34.1% of the company. This stake will prevent the board from passing any special resolutions, including resolutions needed to approve the controversial black empowerment scheme that was blocked at a 2015 shareholders meeting.

In terms of the takeover code, CBH cannot launch another offer until September 2017, which is 12 months after the panel ruled this offer to have lapsed.

The reasons for the ruling, which was taken by a special committee of the panel, will be released within 30 days.

Sovereign said in a Sens statement on Tuesday that the committee had decided unanimously that CBH's waiving of the conditions attached to its offer was contrary to the Companies Act and to the Companies Regulations.

In early September CBH waived the condition requiring acceptance by 50% plus one share for the 900c a share offer it announced in July. At the time it waived the condition, Sovereign had built up a stake of 34.1% and had undertakings that would lift this to 47.5%.

However, it could not take its stake above 34.9% without approval from the Competition Commission. CBH has sought approval from the commission, which is expected to give its ruling on a merger between CBH and Sovereign within the coming weeks.

Marthinus Stander, CEO of CBH, said on Tuesday that his company was considering its options. "The fight is not over. We made it clear from the start we're going nowhere."

He said CBH was considering its options, which included taking the ruling on review.

Sovereign CEO Chris Coombes did not respond to requests for comment.

**Source:** Business Day

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