

# Brimstone walks out of Rextru meeting

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Representatives of empowerment group Brimstone (brT) staged a walkout during last week's tense annual general meeting of African and Overseas Enterprises (Af&Over), the pyramid holding company of struggling fashion retailer Rex Trueform.



Image courtesy of stockimages at [FreeDigitalPhotos.net](http://FreeDigitalPhotos.net)

After the meeting Brimstone executive TJ Tapela told *Business Day* the walkout was in official protest against the refusal by Af&Over and Rextru chairman Michael Krawitz to constructively engage on questions over conflicts of interest in his position.

## Company structure

The tensions about Krawitz's position stemmed from his determined fobbing off of requests by shareholders to ask the board to examine the Af&Over pyramid holding structure and low voting N-share structure.

This archaic structure - now outlawed by the JSE - ensures control of Rextru remains in the hands of the Shub family, who own only a 7% economic interest in the firm.

Shareholders suggested Af&Over should unbundle its shares in Rextru, a move that would effectively see the Shubs lose control of the operating business.

The calls for the dismantling of the Af&Over pyramid come at a time when Rextru's main operating asset, the 55-strong Queenspark fashion chain, has posted two consecutive years of losses - in stark contrast to its larger listed rivals.

Krawitz seemed open to the board contemplating possible changes to the control structure after shareholder Abdul Mia pointed out that the pyramid cost the company more than R1m a year.

But Krawitz appeared to have a change of mind after Mia's proxy - who declined to be identified - and Tapela recommended that the Shub family and Krawitz recuse themselves from discussions on changing the Af&Over control structure.

Krawitz retorted: "I withdraw the offer to put it to the board."

Asked by shareholder activist Chris Logan when the board would consider the matter, Krawitz responded: "I don't know when I will consider it. I don't want to...."

## Protest

Tapela's parting shot was asking Krawitz - who is legal counsel for Af&Over and Rextru - whether he was not conflicted in making a decision on behalf of the meeting. Tapela told *Business Day*: "We left in protest because we don't believe a chairman should behave that way."

During the three-hour long meeting Krawitz was interrogated by several shareholders, who grew increasingly frustrated that on several occasions he simply declined to answer questions.

Logan went so far as to argue that Krawitz was prejudicing the survival of a struggling Rextru by refusing to consider shareholder requests to collapse the Af&Over pyramid.

A collapse would hand effective control of Rextru to Brimstone and investor Hugh Roberts, who collectively hold about 75% of the company.

There are very few pyramid holding company structures protecting family interests left on the JSE - the most famous being Pick n Pay and Pikwik - which ensures control of the supermarket giant remains in the Ackerman family's hands.

## Suggested delisting

One suggestion offered by Krawitz was to take Af&Over private (delist it from the JSE to save on listing costs).

Logan asked whether Rextru would remain listed under such a scenario, prompting another vague response from the chairman: "I don't know the answer."

Logan pointed out that rising occupancy costs at Queenspark measured against weak revenue growth was grinding Rextru's viability down.

"The business lacks scale. If there was to be a rights issue would Af&Over even be able to follow its rights? This seems a relevant question considering the pressure Rextru is under."

Krawitz noted Rextru had cash in the bank (R56m as at the end of June), and had noted earlier in the meeting that Queenspark was likely to return to profitability this year depending on December sales. "We are not under pressure."

Source: BDpro via I-Net Bridge