BIZCOMMUNITY

Casino rivals unite to increase Cape share

By Ann Crotty

14 Apr 2015

Tsogo Sun and Sun International will be spending much of this month trying to persuade the Competition Tribunal to ignore the Competition Commission's recommendation that their planned Cape market-share agreement be prohibited...

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Tsogo's proposed acquisition of a 40% stake in Sun West International and Worcester Casino, which are currently 100% owned by Sun International, will see Tsogo get considerably increased exposure to the Western Cape. The tribunal hearing, which kicked off this week, will continue next week and the following week with closing arguments scheduled for 13 May.

Why Sun International would allow its major South African competitor to get a substantial foothold in its Western Cape operations became a little clearer on Friday. A commission expert contends that Tsogo has plans to sell Sun International a 25% stake in its Caledon Casino licence as soon as it is relocated to the Cape Town metro area.

If the tribunal does approve the deal, there is still the matter of approval from the gambling board.

The proposed merger sees a continuation of the recent consolidation of an industry that held so much promise in the early days of the new South Africa.

Back in the late '90s, potential players fought hard for a slice of the casino action that was expected to generate enormous profits.

The industry, however, never quite managed to meet these exuberant expectations.

Third time lucky for Zeder

Zeder, which is a PSG-aligned investment company that focuses on agribusiness, surprised many of its ardent fans this week: it made a generous offer to the minority shareholders in Capespan.

It is third time lucky for Zeder, which has been trying to acquire OTC-traded Capespan since 2011.

That first offer was pitched at a derisory 225c a share, and failed to attract any takers. The minority shareholders were evidently not swayed by the opinion expressed by independent expert Bravura that the offer was fair and reasonable.

Bidvest entered the scene at about this time, muddying the waters with a slightly more generous offer for a chunk of shares. This move ensured the failure of Zeder's offer.

According to Anthony Clark of Vunani Securities, Zeder acquired Bidvest's 7.8% and Total Produce's 25.3% stakes in Capespan in 2013.

This brought Zeder's holding up to 72.1%.

This week, Zeder made an offer that could not be refused: 85 Zeder shares for every 100 Capespan shares. Given that Zeder is currently trading around 850c, this implies a value of 723c for each Capespan share.

The uncharacteristic level of generosity may have been influenced by the fact that there is only a 28% minority holding involved and also that Zeder will not be handing over any cash.

Certainly, no one will accuse Zeder of taking advantage of the FSB-related difficulties in which Capespan shareholders find themselves. OTC trade in the shares was suspended last year after the FSB clampdown on "unregulated" markets - so shareholders had limited scope for trading. This makes Zeder's offer look all the more generous . and surprising.

NET1-UEPS subsidiary Cash Paymaster Services (CPS), which controversially has the lucrative social-grants tender, has to notify the Constitutional Court by Thursday if it has any objections to the draft request for proposals (RFP) for a new tender about to be issued for social-grants distribution. If there are no objections, the RFP, drafted by the South African Social Service Agency (SASSA), will be issued to everyone by Friday.

All bids for distribution of the social grants must be submitted by May 17, and SASSA must award the new tender by October 17.

The country's top court certainly has its work cut out trying to limit CPS's delaying tactics, which has already seen a number of legal challenges to the tender-renewal process.

In the latest Constitutional Court outing, last month, the parties were reminded that in its original judgment the court had ruled that CPS had no right to benefit from what was deemed an unlawful contract to distribute grants.

To this end, CPS is required to file with the court an audited statement of incurred expenses, the income received and net profit earned from the contract. SASSA is also required to independently audit the details. This is presumably with a view to CPS handing over whatever profits it made from the SASSA contract.

Attempts to audit CPS's activity might be made a little easier by the fact that holding company Net1UEPS has a Nasdaq listing and is required to report quarterly. This means there is a fairly detailed audit trail available.

Eskom

Given all the shenanigans at Eskom's top level, the surprising thing is not that we struggle to secure a reliable electricity supply - but that we have any electricity at all.

That light shines when we turn on a switch, or that a kettle boils when it is plugged in, is owed to the commitment of the thousands of Eskom employees who battle on despite the growing challenges of a dysfunctional board.

Source: Business Times