

## PIC mum on detail of its Distell stake

Almost two months since the [Public Investment Corporation \(PIC\) emerged](#) as the unlikely purchaser of Anheuser-Busch InBev's (AB InBev's) 26% stake in Distell, there is still no indication of when the deal will be finalised or what price the PIC paid to secure the stake.



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The PIC would not confirm or deny speculation that it paid the equivalent of about R180 a share, a hefty premium on the price of about R150. It represents a demanding price-to-earnings ratio of more than 23.

The PIC did not respond to requests for comment and Dennis Matsane, a spokesman for Distell, said he was unable to comment on the matter, which is still subject to approval by the Competition Commission.

"This is a matter between the shareholder and the Competition Commission and will follow normal governance and due process," he said.

The pricing of the deal does not have to be disclosed until it is given the go-ahead by the competition authorities.

The closest the share price has come to the speculated purchase level was R172 last September. The premium suggests the PIC has ambitious plans for the group, which has always been profitable, but has generally tended to fall short of market expectations.

The investment community assumed Remgro would be the purchaser after it announced a R9.9bn rights offer last September. It was the first time in more than 40 years that Remgro had raised capital in the market.

While some Remgro shareholders were happy the board had not been dragged into a bidding war with the PIC, Opportune Investments CEO Chris Logan said he was disappointed Remgro had not acquired the stake. "Remgro should have gritted its teeth and paid more than they wanted to so they could have been in position to drive the changes needed in an increasingly competitive global market," said Logan, who believes the drinks group has strong growth potential.

The stake has been in SABMiller's hands since Distell was established through a marketsharing agreement decades ago.

The Competition Commission required in its conditional ruling on the merger between SABMiller and AB InBev that the merged entity sell the Distell stake within three years of the deal being finalised.

One analyst, who did not want to be named, said he looked forward to the PIC disclosing its plans for the group and hoped it would be beyond the sort of transformation on which the PIC has tended to focus. "It's hard not to think of it in terms of the PIC's investment in Daybreak, which isn't very encouraging," said the analyst referring to the R1.5bn acquisition of chicken producer Daybreak from Afgri on behalf of black investors in May 2015.

Details of that investment, which was one of the PIC's 250 unlisted investments, were made public in 2016 due to determined efforts by the DA's David Maynier. The detailed list of investments revealed generally low levels of return.

Industry sources say Daybreak is under considerable pressure due to the drought-induced increase in input costs and of imports. At last week's ANC national executive committee lekgotla, secretary-general Gwede Mantashe said the government should buy poultry farms that were being closed.

Industry insiders say there is scope for transformation at Distell where top management is dominated by white men.

*Source: Business Day*

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