

Some shareholders feel the media group is worth more than offer, writes Chantelle Benjamin

# Takeover hinges on value put on Avusa

**W**HETHER the market sees media group Avusa as having strong prospects or not, it believes the R30 buy-out price for Avusa being asked for by some shareholders is not unreasonable. This, some analysts warn, could eventually scupper the deal if shareholders refuse to budge.

A consortium led by Capita Holdings announced in a Stock Exchange News Service statement on Tuesday last week that its cash deal of R26 cash, or a reinvestment option, had been taken up by 59% of Avusa's shareholders — Coronation, multimedia company Universal Hirt & Carter (UHC) and Mvelaphanda.

Of those, Mvelaphanda Holdings and UHC, which make up 38% of Avusa's shareholders, have undertaken to support the offer and vote against any other offer. But this would not be enough, even with Coronation's support, to push the deal through.

Coronation's senior portfolio manager, Neville Chester, says while they think it is a good offer, Coronation would consider other options. He says there are no other offers at present.

Two of Avusa's shareholders that have rejected the price on offer are Kagiso Fund Managers (12,5%) and Cadiz Asset Management (4%), which say the R26 per share offered is fair value but does not include a "control premium". Cadiz has suggested it would consider R30 per share, but Kagiso has said it would expect a higher offer.

Avusa CEO Prakash Desai has remained silent on the deal, releasing a statement saying only that the bid was "unsolicited" and is dependent on "firm cash confirmations,

### DETAILS OF BUY-OUT OFFER FOR AVUSA

Share price, weekly close (cents)

Close: 2 500

↑ 1,75%

A M J J A S O N D J F M A

10 11

- A Capita-led consortium announces R26 per share offer on Tuesday
- Market reacts pushing Avusa's share price from R21 to R25
- Kagiso and Cadiz reject the offer, asking for at least R30 per share
- Exclusive undertaking is given by UHC and Mvela of support
- Coronation accepts R26 per share, but will consider offers
- Capita CEO David Field says there will be no layoffs or hiving off of businesses

**PRAKASH DESAI**

Graphic: KAREN MOOLMAN Source: I-NET BRIDGE

unconditional approvals from Capita and RMB Investment committees, and the consortium and Avusa agreeing on the scope and nature of a due diligence investigation". It is not clear what Avusa's position is on the deal, but Mr Desai has said it is not the first expression of interest received by Avusa.

Kagiso Asset Management research head Abdul Davids says it believes Avusa's value will become apparent only in the next two to three years.

Mr Davids believes the downturn in recruitment advertising, which had hit Avusa flagship the

Sunday Times hard, is about to lift, and that Durban-based multimedia company UHC, bought by Avusa last year for R925m, will begin to deliver value.

Mr Davids is supportive of Mr Desai and his management team.

"We believe Avusa is undervalued. The Sunday Times went through a rough patch when it lost recruitment advertising, but we believe this will eventually revive ... There is a strong link between trends seen in Nielsen's national adspend data and Sunday Times adspend," says Mr Davids.

He says a lot of work has also

been done by Mr Desai and "his team" to introduce synergy between its various brands.

"Work has been done on rationalising the cost structure and developing a synergy between divisions that can be considered strictly media and brands in the retail sector. The brands at Avusa have brand equity and there has been a lot of interest over the years by smaller groups in Exclusive Books and NuMetro," he says.

Mr Davids believes that UHC offers a new dimension to Avusa, offering an "old-school print business" on the one hand and an

"exciting business with lots of retail intelligence" that can be used with Avusa's other offerings to present a comprehensive advertising package for companies wishing to advertise. "The value of this we do not see emerging for another two to three years."

Despite repeated assurances from Capita CEO David Field that the leveraged finance specialist has no intention of stripping assets, Mr Davids believes "private equity generally has to hive off small businesses to realise some short-term value".

He is not expecting a counterbid for Avusa.

"The appetite at this point for a product of this complexity is not big at the moment."

Avior Research media analyst Richard Tessendorf is not as upbeat about Avusa's prospects, expressing concern about its strategy. He says, however, that while the R26 offer is decent, "it does not include a control premium", which would certainly take the offer higher.

"Considering the long-term headwind faced by core businesses within Avusa, the long-term prospects are not promising, especially in light of encroaching technology and the internet in particular," he says.

Mr Tessendorf says it is possible that Capita has more insight into Avusa's business than the market and can see value that is not immediately apparent.

Some analysts have suggested that Avusa is better value than its competitor, Naspers, but Mr Davids says both companies are facing the same problem in that "their earning potential is not coming through at the moment".

benjamin@bdfm.co.za