

Pick n Pay's new structure 'not enough'

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The pyramid structure that secured control of Pick n Pay in the hands of the Ackerman family is set to be unwound, 36 years after it was put in place to ward off a suspected hostile bid.



Raymond Ackerman.

Picture: [Sunday Times](#)

The dismantling will result in Pick n Pay Holdings (Pikwik) being delisted at the end of August. From that date Pick n Pay Stores will be the only point of entry for investors.

But control of the company will remain firmly in the hands of the Ackermans through the issue of unlisted B shares in Pick n Pay Stores.

The unlisted shares, which will be issued only to the Ackermans and will have no economic rights, will ensure the family controls 52.8% of the voting rights in Pick n Pay Stores.

The change in the control structure did not go down well with all the shareholders attending Monday's meeting, which dragged on for more than three hours. While the Pikwik shareholders, who will enjoy a R3bn-plus windfall, were enthusiastic supporters, shareholders in Pick n Pay Stores, who are facing a 34% dilution in their voting rights, were far from enthusiastic. Activist Theo Botha was not persuaded that the promised benefits of increased liquidity in Pick n Pay Stores and improved ability to raise capital were adequate compensation for the dilution in his voting rights.

Independent director Jeff van Rooyen told the meeting the Ackerman family had made it "abundantly clear" from the start that the pyramid would not be collapsed unless they could keep control. "As the controlling shareholder this was their

prerogative; they put the proposal to us and said they would not vote on it, that it would be up to the minorities to decide," he said, explaining the difficulty the board faced as it tried to remove the pyramid but retain control.

Of the Pikwik shareholders, 99.35% voted in support of the proposal, and 82.5% of Pick n Pay Stores gave their support.

Analysts said most shareholders were invested in both companies and so would have supported the deal. The 17.5% of Pick n Pay Stores that opposed it represented a large portion of the investors who are invested only in Pick n Pay Stores.

Pikwik shareholder Chris Logan told the meeting he was delighted with the proposal, but added, "It's unfortunate you didn't go the whole way." Logan said he had approached founder Raymond Ackerman in the late 1990s about getting rid of N shares, which were used at the time (in addition to the pyramid) to secure control.

The N shares were removed in 1998. Logan wondered if the next step in moving towards what he called a "full democratic dispensation" would take another 18 years. He said removal of the pyramid would save on the costs of running the holding company, which were R2.6m in financial 2016.

CEO Richard Brasher said the dilution in voting rights at Pick n Pay Stores "is more maths than substance", as there had always been a controlling shareholder in Pikwik. "This may not go as far as some people want but it is progress, take it."

After the two annual general meetings that followed the general meetings, Ackerman thanked Brasher for his leadership. "You've completely rejuvenated Pick n Pay," said the man who, in 1967, set up one of SA's most successful retail groups.

In his chairman's comments ahead of the Pick n Pay Stores annual general meeting, Gareth Ackerman said updating the structure would enable it to present a more coherent face.

"It is only a small part of the modernisation of our company, and is clear evidence of us addressing concerns raised by shareholders," he said, referring to years of agitation by some shareholders.

Source: Business Day

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