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Zuma and Mandela eye Labat

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Cape Town - Aurora Empowerment Systems - the company headed by Nelson Mandela's grandson Zondwa Mandela and President Jacob Zuma's nephew Khulubuse Zuma - is the reason behind the recent surge in the share price of fizzled empowerment group Labat.

Labat, which has traded at below 10c on the JSE for almost a year, suddenly shot up from 6c to an annual high of 26c/share this month.

Clearly excitable punters got wind of the transaction detailed on Thursday, which sees Aurora proposing to buy a controlling stake in Labat for R4.5m. Aurora is buying no operational assets, only the shell of the Labat listing.

Labat, headed by former SA rugby supremo Brian van Rooyen, came to prominence in the late 1990s when it built a mini-conglomerate comprising interests in technology, retail and services.

Things went awry, however, and through a series of debt-induced disposals and an unbundling Labat was reduced to an also-ran in the empowerment stakes.

Thursday's announcement discloses that Aurora will acquire a 45.7% stake in Labat from Link private equity, paying 5 cents per share.

Link will, in turn, buy Labat's operating assets for a maximum price of R4m.

Aurora has also received irrevocable undertakings from shareholders holding another 23.7% of Labat's shares.

This would effectively give Aurora a holding of 69.4% in Labat. A mandatory offer - pitched at 5c/share - has been extended to all other Labat shareholders.

The deal is somewhat surprising, since Aurora already acquired control of shell company in the form of Cenmag. Recent proposals suggested Aurora were keen to inject forestry assets (Redwood Timber) into the old Cenmag shell.

But the original Cenmag/Aurora deal recently lapsed - "due to the effluxion of time". Cenmag did, though, indicate it was still in negotiations with Aurora to clinch the deal as originally proposed.

Whether Labat is a "replacing" Cenmag as Aurora's dedicated shell listing is not clear at this stage. Labat's share price dipped 26% on news of the Aurora deal, which suggests the market is in two minds about the transaction.

Why Link is buying Labat's assets is also uncertain. Labat's remaining operational asset is SA Micro Electronic Systems (Sames), a loss-making microchip manufacturer. According to the announcement, Sames "does not have the prospects to become profitable in the short term" and production would be stopped at its Koedoespoort plant.

Sames manufacturing would be moved to a plant in China, and alternative uses for the plant would be sought.

While the possibility of using the premises for pharmaceutical and medical diagnostic manufacturing has been mooted, Labat's directors indicated the establishment of such a plant would be a "lengthy and expensive" process that would best be managed in an unlisted environment.

Labat shareholders would, however, still be given the opportunity to reinvest in an unlisted Sames.

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