BIZCOMMUNITY

Sale of Burger King SA blocked due to lack of Black shareholding

The Competition Commission has prohibited the takeover of Burger King South Africa (BKSA) by Emerging Capital Partners (ECP) Africa, due to a lack of BEE shareholding in the acquiring firm.

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The proposed transaction would have seen ECP, a US-founded private equity fund focused on Africa investments, acquire Burger King South Africa and Grand Foods Meat Plant from JSE-listed Grand Parade Investments. BKSA operates more than 90 fast food restaurants across South Africa, while Grand Foods Meat Plant primarily supplies Burger King with burger patties.

The Commission found that the merger would lead to a significant reduction in the shareholding of historically disadvantaged persons in the target firm, from more than 68% to 0% as a result of the merger.

Sale price of Burger King SA renegotiated due to impact of Covid-19
31 Jul 2020

The deal is unlikely to result in a substantial prevention or lessening of competition in any relevant markets, but the Commission said that the target firms are ultimately controlled by an empowerment entity wherein historically disadvantaged persons (HDPs) hold an ownership stake of more than 68%, while ECP Africa has no ownership by HDPs.

"Thus, as a direct result of the proposed merger, the merged entity will have no ownership by HDPs and workers. The Commission is therefore concerned that the proposed merger will have a substantial negative effect on the promotion of greater spread of ownership, in particular, to increase the levels of ownership by historically disadvantaged persons in firms in the market as contemplated in section 12A(3)(e) of the Competition Act. Thus, the proposed merger cannot be justified on substantial public interest grounds," the Commission said.

"The Commission has therefore concluded that the proposed transaction has raised significant public interest concerns in that it has a substantial negative effect on the promotion of a greater spread of ownership, in particular the levels of ownership by historically disadvantaged persons and workers in firms in the market," it added.

GPI's debt burden

Grand Parade, which owns, announced its intention to sell Burger King in February last year.

Fin 24 reports that the listed food and gaming empowerment group is buckling under a massive debt burden, due in part to its unsuccessful launch of US fast-food brands Dunkin' Donuts and Baskin Robbins in the country.

South Africans, say goodbye to Dunkin' Donuts and Baskin-Robbins
15 Feb 2019

By May it was forced to lower its sale price by 15% due to the impact of Covid-19. The price for Burger King SA was cut from R670m to R593m, and the price for Grand Foods Meat Plant from R27m to R23m.

In a Sens announcement published this morning, GPI said it had highlighted to the Commission that the sale of BKSA and Grand Foods Meat Plant would result in a foreign direct investment into South Africa and payment of up to R498m to GPI, a JSE listed entity with a majority HDP shareholding, which would unlock significant value and allow GPI to pay down debt and resume dividends to its shareholders.

In light of the Commission's decision, GPI said it and ECP would be considering their options and shareholders will be advised of their decision in due course.