

Aplitec exit sees spikes

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By Belinda Anderson

APLITEC will be delisted from the JSE on Monday February 16, but the market continues to pile into the stock with the prospects of owning shares in a new US-listed entity.

Since January 8, the shares have spiked sharply from R5,45 to close at R7,50 yesterday, a 4,9% gain on the day.

Some of the buyers may be acting solely on the advice of Allan Gray's chairman Simon Marais, who last week picked the stock as his share for 2004. Allan Gray has committed to taking the reinvestment option currently open to shareholders. This will give them some cash as well as shares in the US-listed entity into which Aplitec will be sold; NUEP, rather than just cash and no part in the company's future performance.

Speaking on CLASSIC BUSINESS last week, Marais said there was a "massive mismatch" in the price of the stock in SA and in the US. NUEP currently trades on the OTC (over-the-counter) Bulletin in the US.

When the transaction was first announced in late October, Aplitec shares initially jumped as high as R6.70, before falling back sharply to R4.90.

At the time, the terms of the reinvestment option had been laid out, and the cash offer raised from R4.75/share to R5/share, the reinvestment option converted into about R30 an Aplitec share.

NUEP was, at that stage, trading at about \$5.25, but it is now trading as high as \$7.25 earlier this month.

This would imply the value of one Aplitec share should be more than R40 a share.

Marais did say, however, that the big volume in the stock traded in SA. So that should not be taken as an indication of what the actual value would be.

"But I think we've generally found when good-quality stocks here list offshore, they move up."

Polaris Capital, managers of the Necor Rainmaker Fund, agree there's good value in Aplitec. The share made up 2,7% of the fund at the end of the quarter, rising to 3,5% after the recent run in the price.

Polaris, which sprang from African Harvest when Tim Allsop and his team broke away to form a new company, has been a long-standing shareholder in Aplitec, and also owns the shares in its other portfolios.

Fund Manager Anthony Sedgwick said there were elements of the deal Polaris was unhappy with. But it recognised the benefits of the reinvestment option and of moving the company's listing to the US and consequently was willing to take the leap of faith with management, he said.

On the negative side, Sedgwick said the cash portion of the offer was too low. So any investor who could not hold shares in the US entity would not be getting good value.

Sedgwick said Brait was buying a significant portion of the business at a low price, while the existing, long-standing shareholders were being diluted.