

Revenge of the ‘Nerds’ (*Minority Shareholders*) – Act 1

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Starting in 2019, it was not a surprise at all to see corporates and executives take advantage of South African listed companies at fire sale stock market prices. Intelligent corporates and businesspeople know that a long-term investment strategy to buy low and sell high is how they win, and win big. A lot of money is at stake in these transactions, but there are additional considerations that can matter; for example, an unlisted business can be managed more efficiently and with far less costs, bureaucracy, transparency, and public scrutiny.

However, something interesting started happening in the South African stock market in 2024 that has continued into 2025. Buyout offers and delistings of at least three JSE listed companies have been roundly rejected and voted down by their minority shareholders. At two of them, **Ascendis** and **Barloworld**, the heat got turned up significantly as accusations surfaced that some of the key insiders may have significant conflicts of interest.

Focusing in on **Barloworld**, what appears to have angered minorities the most is that its own CEO, Dominic Sewela, would be personally invested as part of the investor consortium doing the buyout. This is brazen - even by emerging market standards! Bear in mind he already made on average R55mn a year over the course of 2023 & 2024.

Minority shareholders often act or *appear* as if they are toothless, but as a collective they have extremely valuable and legally enforceable minority shareholder rights. It is unwise to poke this sleeping bear. Not only did the Barloworld minorities show up en masse to cast their votes (an 85% participation rate is excellent); they resoundingly voted down the offer; but in addition, they have also voted down the *independent* board members' remuneration.

Such a clear implied vote of no confidence in the CEO and the independent non-executive directors of a JSE listed company is highly unusual. The regulations and best practice principles are clear – independent directors are supposed to act independently of C-suite executive management, and in the best interest of the company. The eight independent non-executive directors, and all of the rest of the board members of Barloworld are now being held up to a glaring spotlight. Only time will tell what happens next - proxy battles and boardroom dramas can be complex, drawn out affairs, often with multiple acts.

If Barloworld remains a listed company it will be fascinating to observe how its shareholders will vote when any member of its current board of directors – both executive and non-executive - are nominated and stand for re-election at future annual general meetings.

Our work continues...

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