

COMPANY COMMENT

Shoprite's Basson has built great value

SHOPRITE CEO Whitey Basson is used to being questioned on the size of his pay packet, which totalled about R50m last year. So it was no surprise when this week's Mergence pay gap report put his remuneration at a whopping 725 times that of his average employee, beating second-placed AVI (375 times) and Aquarius Platinum (311 times) for the dubious honour.

When journalists quizzed chairman Christo Wiese about his CEO being the highest paid executive in the country a few years back, he emphasised that immense value has been built up under Mr Basson over 40 years — the company was started with just R1m, and at yesterday's prices Shoprite had a market capitalisation of R93bn. The share price of more than R160 has made some investors very rich indeed; it was at just 65c in 1991. But it is little consolation for the lowest-paid employees struggling to make ends meet.

Mergence's research into pay gaps is by no means a witch-hunt — the black-owned financial services group is quick to say it only considers it a problem when executives are rewarded who have not performed.

But shareholders need more say on executive salaries. A rule change is needed to ensure that when they vote against a pay rise, it is binding — this is not the case at the moment.

What is clear from the Mergence research is that the main reason retailers often have the largest pay gaps worldwide is that they have a lot of relatively low-paid employees, whereas banks, for example, do not. Yet they often pay their executives more in absolute terms.



THE market has warmed to the latest acquisition by fast growing private education venture Curro Holdings, whose ability to rapidly expand its core brand and complement this roll-out

SHOPRITE HOLDINGS

Share price, daily close (cents)



Graphic: SHAUN UTHUM Source: INET BFA

with select private schools seems to appeal to the increasing numbers of investors willing to look past the company's heady market rating.

In the past few weeks a number of highly rated small caps, including newly listed Advanced Health and technology group Poynting, have seen their demanding market ratings "reality checked". But Curro's stiff rating has not been rattled in the least; it still has a historic earnings multiple of well over 200 times.

While Curro's business model is premised on "going big" with a mass-market, affordable private schooling offering, there is a steep learning curve in terms of development and execution risk. So far it has delivered on its promises in terms of profit and is well ahead of its targeted school roll-out.

But the competition is coming. Last week, UK-based Pearson, a formidable player in the international private education space, confirmed it intends creating a meaningful presence in local private education. Some wags have mulled the possibility of a determined Pearson buying Curro. But forking out at a forward earnings multiple of more than 100 times? Unlikely.

■ *Dave Marrs edits Company Comment (marrsd@bdfm.co.za)*