

Capitec flags Black empowerment deal that will cut profits

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Capitec said on Wednesday (19 January) it will offer shares worth up to R1bn to employees at a discounted rate in a Black economic empowerment (BEE) transaction that will lower its earnings per share.



Customers sit on plastic chairs outside Capitec Bank at a mall as South Africa starts to relax some aspects of a stringent nationwide coronavirus disease (Covid-19) lockdown in Soweto on 5 May, 2020. | Source: Reuters/Siphiwe Sibeko

BEE is a government initiative to reverse ongoing economic inequalities almost three decades after the end of apartheid, and encourages companies to meet quotas in areas including Black ownership, employment and procurement.

Ownership targets require Capitec group subsidiary, Capitec Bank, to have at least 25% Black ownership. Its current level is 19.39%, Capitec said and the BEE transaction is to rectify this.

"The issue aims to improve Capitec's broad-based Black economic ownership status while giving participating employees the chance to become shareholders," it said in a stock market statement.

Capitec shares were down 1% at 0743 GMT.



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In a table illustrating the potential impact of the transaction, Capitec said it could lower the bank's earnings per share and headline earnings per share - the main profit measure in South Africa - by over 13%.

The calculations were based on an issue price of 1,074.50 rand per share, though the actual price will be a 50% discount to the opening price per Capitec share on the date of a shareholder meeting to vote on the transaction.

Capitec will offer eligible employees loans to pay the remaining cost per share, with Capitec retaining 50% of dividends paid to those shareholders to cover interest. Those participating in the scheme will have five years to repay the loan.

A maximum of 625,000 shares will be issued under the scheme.

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