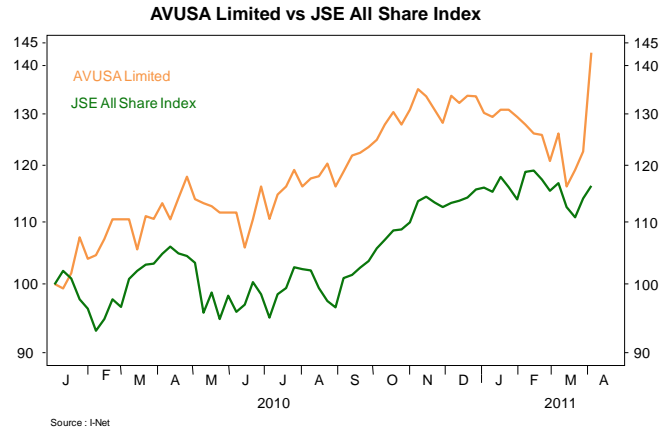


OMIGSA Comment – Yasmine Ganief, Analyst: Industrials

Capitau’s offer for Avusa is fairbut without any take-out premium



Capitau’s offer of R26 per share is in line with the current fair value of the Avusa share, but does not include any sort of take-out premium. On the whole, the offer is fair, considering that there remains a lot of execution risk as to whether management can achieve the growth factored into the R26 valuation, especially if you take into account the current weak print market. However, I expect the synergies from the UHC (a Durban-based multi-media company) acquisition to be significant.



On the other hand, it has been rumoured for a while that Mvela would be a part of the consortium to make an offer for AVUSA minorities. However, this did not seem feasible at the time as a result of their Avusa shareholding, which had fallen below 25% following Avusa’s acquisition of UHC, and also as a result of the large amount of capital that would have been required by Mvela.

As it turned out, Mvela is not involved in the consortium which made the offer, which includes Capitau Holdings. Not much is known about Capitau, except that they were involved in the Primedia takeover about four years back. Capitau has received irrevocable undertaking, in support of the proposed transaction, from 59% of shareholders, which includes Mvela and most likely Coronation, and perhaps the Public Investment Corporation (PIC) as well. Mvela has indicated that it would like to remain invested in the Newco company to be formed once AVUSA is delisted.

OMIGSA holds just under 3% of the shares, and so is not a significant shareholder of AVUSA.

25 - 31 March 2011 in a nutshell

Global: Global equities were mixed this week, with worries over Europe taking the centre stage. The S&P 500 in the US gained 1.22%, while its European counterpart was flat at 0.03% and emerging market shares rallied 3.17%.

South Africa: In tandem with its emerging markets peers, the local bourse was in the black this week, with the FTSE/JSE All Share Index rising 1.76%. The biggest winners were financials, climbing 3.17%.

Markets and Economics - Highlights

Global

- The US initial jobless claims fell last week for the third straight week, the government said in a report, offering fresh evidence the ailing labour market is recovering. The number of first-time claims for unemployment insurance payments dropped to a seasonally adjusted 388 000 in the week ending March 26, from an upwardly revised 394 000 in the prior week, the Labour Department reported.
- Portugal’s budget deficit ballooned above target last year, figures showed yesterday, while concerns about banks’ losses from Europe’s debt crisis rose ahead of the results of Irish stress tests. Revised figures showed Portugal’s deficit was more than a percentage point above target at 8.6% of gross domestic product, bringing the overall debt burden that Lisbon is struggling to finance to 92.4% of its annual output, said the Business Day newspaper.

- Emerging-market currencies will probably extend a two-year rally as their growth outlooks and yield advantage over developed countries attract overseas inflows, according to Standish Mellon Asset Management. The Brazilian real, Chilean peso, South Korean won and the Turkish lira also strengthened against the dollar yesterday. The rand is the 17th most actively traded currency, and the seventh most actively traded of the emerging-market currencies.

South Africa

- The cost of goods leaving South African factories and mines rose at a faster pace in February than in the previous month as fuel and food prices surged. Producer prices increased an annual 6.7% after gaining 5.5% in January, Statistics South Africa said on its website.
- Stronger retail sales growth and signs of a return to discretionary spending helped to drive capital growth in the retail sector to 4.4%, which was the highest of any sector, according to the latest South African Property Association/Investment Property Databank property index.
- Households face a series of price hikes, starting with steeper petrol prices next month and a 25.8% electricity tariff increase in July. The move would push a litre of 95 octane unleaded petrol in Gauteng to R9.87 from a low of R8.07 in September last year, said Tony Twine of Econometrix.
- Growth in credit demand by the private sector quickened to 5.43% year-on-year in February from a 5.01% rise in January, Reserve Bank data showed. Growth in the broadly-defined M3 measure of money supply slowed to 7.55% year-on-year compared to January's figure of 8.19%. Economists surveyed by Reuters this week forecast private sector credit would expand by 5.1% year-on-year in February. Growth in M3 was seen at 8.6% year-on-year.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 31.03.2011	% Performance Return
United States	S & P 500 (US\$)	1.22%	1,326	5.41%
Europe	Euro Stoxx 50 (Euro)	0.03%	2,911	4.22%
Emerging Mkts	MSCI Emerg Mkts (US\$)	3.17%	1,171	1.72%
South Africa	FTSE/JSE All Share (ZAR)	1.76%	32, 204	0.26%
Global	MSCI (US\$)	0.76%	1,334	4.22%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.75%	6.75	2.12%
ZAR/Pound	Rand/£ (ZAR)	-1.99%	10.84	5.14%
ZAR/Euro	Rand/Euro (ZAR)	-1.64%	9.57	8.26%
JSE	Industrials	2.67%	27,410	-9.87%
JSE	Financials	3.17%	21,609	-0.18%
JSE	Resources 20	1.07%	57,241	1.67%
JSE	Small Companies	2.22%	31,737	-5.88%
JSE	Listed Property	3.08%	368	-4.91%
JSE	RAFI@ ALSI	2.11%	6,769	1.71%
JSE	RAFI@ 40	2.20%	6,510	0.66%
JSE	SWIX	2.02%	6,703	-0.61%

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