

Loss of Media24 contract weighs on Novus shares

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A Sens statement confirming the termination of Novus Holdings' single most valuable printing contract hit the company's share price on Tuesday, taking it back towards the all-time low reached two weeks ago.



Image credit: Russell Roberts / [Business Day](#)

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Tuesday's announcement coincides with the unbundling of Media24's controlling stake in Novus as ordered by the Competition Commission.

The statement represents a reversal of an announcement made in late April that the agreement between Novus and Media24 would not be terminated. That announcement followed a meeting with the JSE, which had been prompted by public criticism of Novus' initial statement in January 2017 that the death of former CEO Lambert Retief had triggered Media24's right to terminate the printing contract.

The agreement, which relates to the contract to print papers and magazines for Media24, is estimated to account for about

30% of Novus' revenue and an even larger percentage of its profit.

Charl Kocks, corporate governance expert and executive director of Ratings Afrika, criticised the announcement that the contract was being terminated. He said the right enjoyed by Media24 had not been disclosed to Novus shareholders at the time of its listing in 2015.

"There is in our view no doubt that the lack of disclosure is unsound governance of a breathtaking nature." The only fair resolution would be for the agreement to be kept in place and for Media24 to relinquish its right to terminate.

After the April meeting with the JSE, Novus said Media24 had waived any right that it may have had to terminate the existing printing agreements.

The Sens statement on Tuesday said the management and the printing agreements entered into between Media24 and Novus in early 2015 were terminated on 26 September.

On 29 September, Media24 gave Novus six months "written notice of the termination of the printing agreements". The current printing arrangement will end on 31 March 2018.

Novus said it intended to start talks with Media24 on new arrangements but said, "there can be no certainty that discussions will be commenced or that new printing arrangements will be concluded".

Industry sources said the favourable terms of the contract secured by Retief, at a time when Novus was a wholly owned subsidiary of Media24, are unlikely to be replicated in any new arrangement.

But Media24 has limited options if it cannot reach an agreement, so it will be restricted in the demands it can make.

The only other major printer able to handle Media24's large requirements appears to be Caxton. But relations between Caxton, Media24 and its parent company Naspers, can best be described as strained.

Source: Business Day

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