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Great brands, inspired ideas and really smart timing

GRAPEVINE

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HOME-GROWN brands hit the big time over the past few weeks.

MXit, which provides cheap messaging to millions of young cellphone users, was sold by Naspers and founder Herman Heunis to Alan Knott-Craig junior's Avatar for an undisclosed sum. The estimate doing the rounds, though, is about R500-million.

BOS, a homespun iced tea made from Rooibos, attracted investment from Remgro venture-capital arm VenFin and Manchester United manager Alex Ferguson.

Not bad for two local brands and a shot in the arm for the creative flair of South African entrepreneurs. Both are great brands, born out of inspired ideas.

While Grapevine thinks MXit was a truly inspired, if not visionary, business idea, the sale was, at least for MXit's former owners, fortuitous, to say the least.

It is only a matter of time — and in terms of technology, change happens fast — before every cellphone user has a smartphone. The messaging on smartphones is free, meaning MXit may not have a market.

MXit may have a long-term game plan, but it is certainly not obvious what that game plan would be, given the exponential rise of free apps like BBM and WhatsApp.

This deal has echoes of the sale of Mark Shuttleworth's business — a case of selling at exactly the right moment.

Totally ridiculous

PRAKASH Desai, the CEO of Avusa, which owns this newspaper, is leaving his job tomorrow and is likely to take a ridiculously large settlement with him — understood to be in the region of R28-million.

This should ring some bells. It is pretty close to the R29.3-million he took home in 2008 in one of the most controversial examples of remuneration excess in recent years.

Desai is going to be paid out for the time left in his contract, which he will not work, and for the share options he would have received had he stayed with the company.

This is of course ridiculous, and obscene, and should never have been ratified by a remuneration committee.

There are some lessons to be learnt.

First, high-earning people should not be hired on fixed contracts. Second, they should never be paid out for share options that vest at a date after they have left the company.

This, one would have thought, was the obvious reason for having them vest at future dates. But, in the ridiculous world of executive pay, this kind of logic does not apply.

Easy to be diligent

THE ArcelorMittal BEE deal with politically connected people, who also happen to be connected to the hijacking of its mining licence, has fallen through.

It should always have been a non-starter, but the company seemed to feel this was the best way to get out of its pickle.

It appears that a due diligence became the sticking point. This is not surprising at all.

After all, some of the companies involved in the deal had been in operation for the total of a few days, if memory serves.

I imagine the due diligence was a pretty quick process, as there was not much there to see.

Now this is the way

MEANWHILE, ArcelorMittal's nemesis, Kumba Iron Ore, pulled off one of the most inspired moves of the year, awarding more than 6 000 of its people pretty large sums as their share option scheme matured this year.

People who negotiate bizarre executive salary schemes should please note that this is how the schemes should work. They reward the people who are still in the company's employ.

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