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The Discount to Net Asset Value, Unbundling and Shareholder Interests

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Abstract

The argument has recently been made by powerful political voices that the large South African corporate conglomerates (or groups) should be broken up into their constituents or “unbundled”, as the process has become known in South Africa. Critics of these groups in the financial markets have pointed to the existence of a discount of the quoted share price to the so-called Net Asset value of the Mining Finance houses, which are either the parent companies of the groups or constitute an Important element of them. Unbundling, it is contended, will “unlock” value for shareholders by eliminating this discount. This paper examines the notion of a discount to Net Asset value and shows why such claims about unlocking value are largely unfounded.

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