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## PITY ABOUT THE LOST LISTING

By Mzwandile Jacks and Chris Gilmour

**The global private** equity industry is discovering SA. This month's R5.4bn buyout of building services group Waco by Hong Kong-based CCMP Capital and JP Morgan Partners (Asia) is not only SA's largest private equity deal, it is also the most significant investment here by a foreign private equity firm.

Private equity is one of the fastest-growing areas in the global financial services industry. The SA private equity industry is well developed but has yet to muster the resources to do the really large, multibillion-rand deals.

Chris Niehaus, head of corporate finance at UBS, says private equity firms now account for around 30% of global mergers and acquisitions volumes. "They have a lot of money looking for a new home," he says.

The Waco deal is one of three large private equity transactions over the past year, the others being the Ethos-led buyout of Delta Electrical and Advent International's acquisition of Boart Longyear from Anglo American.

Niehaus suggests private equity firms, both local and global, will build on this trend over the next few years as they seek new investment opportunities.

The downside of Waco's private equity deal is that it cut short the company's plans to list on the JSE and deprived the stock market of one of its largest listings in years.

This may still happen when CCMP exits Waco in a number of years, but for now the focus is on growing the business, says Waco CEO Royden Vice.

Waco is a global concern with hire, sales and manufacturing operations. Its two lines of business are scaffolding & shoring and relocatable modular buildings and they operate in many large markets, with a strong presence in Australia, SA and the UK.

"We are well positioned to grow this business by moving into new sectors and into new countries," says Vice, who with other managers will hold 15% of the company. CCMP controls 57% and JP Morgan 28%.

CCMP was clearly attracted by the 18% return on net assets that Waco has regularly reported over the past few years and which Vice is confident can be maintained.

Waco's structures are lean and decentralised. It has a small head office with 13 managers and staff.

While SA remains the largest contributor to Waco International's revenue and earnings, Vice says global "management peer groups" across the same businesses ensure that "best practice is continually shared around the group". Vice says there was no need to change either the structure of the group or its management team as the company enters into its new growth phase.

Part of Vice's optimism is grounded in the expected building boom in many of the countries it operates in. "There is infrastructure spending in SA on roads, hospitals and housing. In Australia there is demand for resources, infrastructure and nonresidential. In the UK, government spending has increased on education and health care. These are all good indicators for Waco," says Vice.

"Backed by the large spending required for the 2010 soccer World Cup and the London Olympics in 2012, we are predicting a healthy market," he adds.

Waco Africa's project book is already looking impressive. "Projects like the Gautrain, Eskom's new power plants and other civil works underpin our future growth strategy," says Vice, who points out that Waco has supplied 5 000 t of access scaffolding to Sasol's Turbo project and 600 t of scaffolding to the new Michelangelo Towers in Sandton, and provided 30 000 temporary seats for the A1 Grand Prix in Durban in January.

It also has large projects in Tanzania and Nigeria, among others. "Simply, wherever concrete is poured, we want to be involved," says Vice.

Waco's roots go back to Wiel & Ascheim (W&A), an industrial holding company founded by the flamboyant Mannie Simchowitz in the 1970s. W&A was acquired by the equally flamboyant Jeff Liebesman's FSI group in the 1980s. Waco contains elements of the FSI/W&A group, most notable being Form-Scaff. But it is now far more focused on commercial and industrial hire and service, specifically scaffolding, forming and shoring, as well as relocatable and modular building.

Waco was bought by local private equity from Ethos for R2,4bn in 2000. The plan was to list the company on the JSE eventually. But the current management team preferred to remain a private equity business and the CCMP offer scuppered the listing plans