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JSE might get Waco!

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Guest(s): Royden Vice

The JSE Securities Exchange could get its largest listing this year - if local industrial group Waco International picks the SA bourse for its listing. The R3.5-billion group that specialises in scaffolding and modular building is also considering listing in Australia. With Waco chief executive Royden Vice

STEPHEN GUNNION: Can you tell us a little bit more about Waco - you're owned by private equity investors?

ROYDEN VICE: That's correct. The biggest shareholding is held by Ethos - one of the largest private equity groups in South Africa - and groups like Rand Merchant Bank, Old Mutual, Coronation etcetera.

STEPHEN GUNNION: Would a listing be used as their exit from the investment?

ROYDEN VICE: Yes, we haven't finalised all the exact details of it, but it would give them an opportunity to at least establish what the value of the company is - secondly to realise some of their investment. The feeling at the moment is that there will be some that will remain invested, and some who would like to get out - which is the nature of private equity investments anyway.

STEPHEN GUNNION: What sort of value do you place on the company - there's about R3.5-billion a year in revenue?

ROYDEN VICE: Yes. We would expect value - if you talk about enterprise value obviously you deduct debt from that - but enterprise value would be between R4-billion and R5-billion.

STEPHEN GUNNION: What's the option to listing - once the private equity players want to move out?

ROYDEN VICE: The options in terms of listing? Once they have listed they would be selling their investments into the market - and the general public, in the form of asset managers etcetera would be acquiring their shares. That would create the float that you require in a listing - so it would be a very large liquid float, and we believe it would be attractive to a lot of the institutions.

STEPHEN GUNNION: You're still deciding whether you do want to list - if you decide not to list how do those private equity investors exit from Waco?

ROYDEN VICE: We haven't finally worked out all the options, but basically we have made the decision that we will list. The other option would be that someone comes along and buys their shares - and they could realise their investments in that manner. The decision was really around the best market to list - at the moment fortunately South African economic conditions are very favourable, and so a listing at the moment in South Africa is very attractive - partly because of the strong market in South Africa, and also to some extent a flattening of the market in Australia over the last two months.

STEPHEN GUNNION: You listed previously, but in a different form - how has the business changed since the listing was terminated, and what Waco actually does.

ROYDEN VICE: When it was listed in 2000 and before it was a conglomerate - it had a number of investments from Continental Tyre to MacPhail's coal. What we've done since then is focus the business on two lines of business - one is the forming, shoring and scaffolding side, the other is in modular buildings. We've got these businesses basically in the UK, USA, Australia, New Zealand, Chile and Southern Africa. We've focused into these two lines of business - that's what's different from when we were a conglomerate of investments.

STEPHEN GUNNION: Modular building - is that the same as prefabricated building?

ROYDEN VICE: Yes, we obviously try to go away from that terminology - because that's the historical word, and it often has connotations of a square box. Today there are big factory buildings, office buildings, hospitals, schools and mine accommodation. We've just finished building a magistrate's court in Cambridge in the UK as an example. We try to get away from the concept of a "prefab." It's really a building that's made in a factory - and can be relocated to a site and installed - it's therefore the speed, efficiency and cost that's the attraction to this.

STEPHEN GUNNION: Are they suitable for housing? I ask that because of the housing shortage in South Africa.

ROYDEN VICE: Yes, they are. We're generally not concentrated on residential in Australia, New Zealand and the UK - where our three big markets are. We've tended to focus on education, schools, healthcare and mining - particularly mining in Australia. In the US we haven't got an operation - we've got a scaffolding business in the US - but a huge portion of that market is in modular buildings made in factories.