

Waco and CCMP in biggest SA private equity transaction

Senior management has bought industrial services group Waco International for R5,4bn

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Business Correspondent

IN THE biggest private equity deal yet in South Africa, unlisted industrial services group Waco International has been sold for R5,4bn to its senior management, CCMP Capital and JP Morgan Partners.

No jobs were expected to be lost due to the sale. The structure of Waco would remain intact with management keeping a stake in the business, the company said.

Waco's headquarters would remain in Johannesburg. Waco has sales and manufacturing operations in South Africa, Australasia and the UK.

The deal would help position the management team to grow Waco's market leading position in its two chosen lines of business – forming, shoring and scaffolding, and relocating modular buildings.

It is also expected to boost foreign direct investment in South Africa.

"There will be a considerable inflow of foreign capital into South Africa. This substantial investment by CCMP Capital reflects confidence in the South African investment climate," Waco chief executive officer Royden Vice said. "We are pleased with the value this transaction has unlocked for shareholders. We were looking to list, but after reviewing CCMP Capital's offer we had to review that decision."

CCMP would be investing through its Asia Fund, and JP Morgan Partners through its Global Fund. It is CCMP Asia's first investment in Africa.

CCMP Capital is a leading private equity firm with about \$11bn in capital under management. Since its inception in 1984, CCMP Capital has invested more than \$15bn worldwide in consumer, media, energy, industrial, financial services, health-

care, hardware and software companies.

CCMP Capital owns Brand Services, another leading scaffolding group based in North America. CCMP Capital Asia is one of the largest financial sponsors in Asia with \$2,7bn under management.

"This is our first investment in Africa and we look forward to rewarding returns. We support Waco's strong growth agenda and anticipate our investment growing," said Stephen King, a CCMP partner.

Waco, formerly part of the W&A group, delisted from the JSE in 2000 when a consortium of private equity groups, Ethos

Private Equity, took control of it. At the time, it was the largest pure private equity transaction in South Africa. Since then the company has undergone transformation. It turned a profit and boosted its annual earnings by about 30% over the past three years.

It boasts an annual sales total of about R4,5bn. Waco earns its revenue mainly through its rental business. The hiring of equipment provides a more predictable stream of income than Waco generates from its sales business.

Danie Jordaan, senior partner at Ethos Private Equity, said: "The subsequent exceptional performance by Waco management has produced equally exceptional earnings growth through an acquisition strategy, strong management focus and continuous expansion growth."

A new management team under the leadership of Vice was appointed in 2002 and in 2003 that team introduced a co-ordinated optimisation programme aimed at overhauling Waco's performance.

The disposal of noncore assets was also completed and by the beginning of 2004, the success of these initiatives allowed Waco to pursue a strategy more focused on growth.

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— Stephen King
CCMP partner

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