

Waco makes LBO history

After flirting with the JSE, Waco concludes a R5,4bn private equity buyout

Julius Cobbett

WACO International, which was delisted from the JSE in 2000, announced yesterday that it had been sold to a private equity consortium for R5,4bn.

Waco, which specialises in scaffolding, modular building and formwork systems, was sold to a group of 11 private equity investors for about R2,4bn when it was delisted.

As Form-Scaff, it had earlier been one of the foundation stones of Jeff Liebesman's W&A Investments, which flew very high before being brought to earth ignominiously under the burden of its debt.

Waco has traded successfully since its delisting. In August last year the company announced

that it was seeking a JSE listing, after it had investigated the merits of both South African and Australian bourses.

At the time, inside sources told *Moneyweb* that the company was targeting a listing valuation of R4bn.

Waco derives more than half its earnings from Australia and the rest in roughly equal portions from the UK and South Africa. Its CEO Royden Vice told *Moneyweb* that its current tag of R5,4bn represents a forward price to earnings (PE) ratio of approximately 12 times, and an historic ratio of 15/16 times.

In October last year, Waco announced that it was withdrawing its plans to list on the JSE because of continued negotiations with unidentified potential buyers.

The identities of these buyers are now known as CCMP Capital Asia, (formerly known as JPMorgan Partners Asia), the senior management team led by

CEO Royden Vice and JPMorgan Partners Global Fund.

According to a company press release, the transaction constitutes the largest private equity deal in South Africa and Australia to date and highlights a significant flow of capital into South Africa.

Vice estimates that roughly 8% of the company's share capital will be left in South Africa, which management will hold. The deal will see Waco's management double its stake from 7,5% to 15%. This is likely to ease the minds of the new buyers, because it shows increased confidence in the company's profit prospects.

Vice stresses that the sale will have little effect on the day-to-day running of the business: "The structure of Waco, its subsidiaries, management and staff will remain intact, with management retaining a stake in the business. No redundancies are expected as a result of the sale." — *Julius@moneyweb.co.za*

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