

# RMB CORVEST

Newsletter



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As the year progresses we would like to bring you up to speed on what we have been up to over the past 18 months or so. Last year was a very busy one for us and we will go into those details later.

Just a bit of background first though. RMB Corvest is a private equity company in the FirstRand Group. It has been operating for 17 years and completed its 130th deal last year. Currently we manage a portfolio of 55 investments across a broad spectrum of industries including media, pharmaceuticals, manufacturing and services.

The team has expanded considerably over the years. Established in 1989 by Neil Page, Dick Merks and Dave Rissik, RMB Corvest now has a professional staff complement of seven people with collective experience in investment banking of about 90 years. These executives include:

- Neil Page – one of the founding members with many years experience. Neil is married to Margaret and they have two children
- Dick Merks – the one with the financial flair, Dick is married to Magda and they also have two children
- Gary Macdonald – married to Janda and they – you guessed it, have two children! Another noteworthy point about Gary is that he drives a Vespa!
- Stephen Brown – married to Marianne and they have one child. Stephen and Marianne live in Pretoria and nobody knows why
- Martin Coetzee – single and looking
- Kerry Hurst – single and looking
- Mike Donaldson – married to Christine and they too have two children!

Dave Rissik, one of the founding partners, has decided to retire from institutional private equity in order to pursue other interests. Dave's departure will facilitate a restructuring of the company but it is likely that he will continue to provide consulting services to Corvest, due to his extensive involvement in the industry for the past 20 years. RMB Corvest thanks Dave for his invaluable contribution and wish him every success in his new life.



Over the last year or so RMB Corvest has been involved in a number of deals which include:

## Fidelity Cash Management Services

July 05: Through the unbundling of the entire Fidelity Group, an asset which had been held previously by RMB Corvest for 14 years, RMB Corvest reinvested alongside Safika Investments as part of the management buy out. RMB Corvest acquired 30%, Safika Investments 20%, BEE player ZICO 5% and the balance was acquired by management. Fidelity Cash Management is the largest mover of coins and notes in the country.

## SA Leisure

September 05: RMB Corvest acquired a two-thirds stake in SA Leisure - the country's largest injection moulding business - as part of a management buyout of the group. SA Leisure management and a staff trust acquired the remaining 34%.

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## Crisp Air

October 05: RMB Corvest funded a R50 million management buy in (MBI) of South Africa's leading after market automotive air-conditioning supplier, Siel SA, trading as Crisp Air.

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## Fidelity Supercare Services Group

March 06: Also as a result of the unbundling of the Fidelity Group, RMB Corvest acquired a 25% stake in Fidelity Supercare, together with management and ZICO. Fidelity Supercare is involved in the contract cleaning and hygiene industry.

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## Shanyela Timbers

April 06: RMB Corvest holds 19% of, and assisted in the BEE funding, of this timber supply business to the major mining houses

## Chemspec

April 06: RMB Corvest acquired a 44.9% stake in the management buy out together with Tandem Capital in one of SA's leading paint manufacturers.

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## Fidelity Security Group

Nov 06: The last of the three unbundled companies from the Fidelity Services Group. RMB Corvest has acquired a 15% stake together with Khulani Holdings Limited, New Seasons Investments Holdings Limited and management. RMB Corvest assisted in providing debt to the company and to the BEE partners.

## Aluvert

May 06: RMB Corvest acquired a 49.9% stake in this manufacturer of Venetian, vertical and roller blinds for office and home use.

## Quantum Asset Management

July 06: Acquisition of 52% of a provider of secondary credit in the domestic housing market in Perth, Australia

## Servest

September 06: The most recent deal to be completed was the acquisition with Safika Investments of an equity stake in Servest. The shareholders comprise RMB Corvest 14%, Safika Investments 26% and management the balance. This is one of the largest non-listed diversified services businesses in South Africa which provides business support services to corporates and operates leading brands in cleaning, hygiene, horticulture, security and marine services, and office automation.



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In addition to the above, RMB Corvest has been instrumental in a number of BEE initiatives over the past few years. In early 2005, Safika Investments, a R310 million fund was set up in conjunction with Safika Holdings, RMB and RMB Corvest. Safika Investments invests in companies requiring an empowerment shareholder where the equity exposure in a single company is between R15 million and R50 million.

Since the inception of Safika Investments, RMB Corvest has been assisting in the training and transferring of skills to Safika employees.

Other Safika Investments deals that have not already been mentioned above and which have been completed to date include:

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## **Highbury Safika Media**

September 05: Safika Investments acquired a 30% equity stake alongside RMB Corvest which acquired a 38% stake in this contract media house.

## **Wade Walker**

November 05: Safika Investments acquired 40% in Wade Walker, one of the mining industry's leading suppliers, and a preferred supplier for mining giant Anglo American. We are currently in the process of divesting of this investment to Murray and Roberts.

## **TransUnion Receivables Management**

June 06: Acquisition by Safika Investments of a 25,01% shareholding in TransUnion Receivables Management Company, an administrative and debt collection business.

## **Enaleni Cipla**

January 06: Safika Investments acquired an effective 2.9% equity stake through a BEE SPV. Enaleni is a listed pharmaceutical company, and acquired Cipla Medpro in early 2006 for R1,2bn. Although this is not the typical private equity transaction that Safika Investments gets involved in, it was a good opportunity nevertheless.

## **Molapo Technology**

November 06: Safika Investments acquired a 36% stake in Molapo, and an additional 25,1% of the shares in the company were allocated to Molapo's black employees through a holding company and direct ownership. As a result, Molapo Technology is now 61,1% black owned. RMB Corvest and management hold the remaining 38.9%. Molapo operates in the repair and service industry, focusing on the repair of electronic telecommunications equipment in the fixed line and mobile services arena.



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A second BEE initiative in which RMB Corvest has been involved is Tandem Capital, a broad-based black managed and controlled investment company that is 40,2% owned by RMB Corvest. EmpowerDex awarded Tandem Capital the full 20 points allocated to the ownership scorecard of the Department of Trade and Industry's Draft Codes of Good Practice. With 51% of the company owned by almost 4 500 employees, Tandem Capital is truly a broad-based, black-owned investment company.

Tandem Capital specialises in smaller deals requiring up to R15 million BEE equity investments. Deals concluded by Tandem Capital include:

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## Industrial Health Services

October 04: RMB Corvest has been invested in IHS for 8 years, but in order for this deep cleaning and hygiene services company to continue growing, it required a BEE shareholder. IHS was the first deal that Tandem Capital concluded and IHS has seen the benefit of having a broad based, black owned company as a 40% shareholder.

## Insimbi Alloy Supplies

October 04: The management buy-out of Insimbi Alloy Supplies, a trader of metal alloys, saw it parting ways with its previous shareholder, Metallurg Inc. The company is now owned by Tandem Capital, RMB Corvest and management.

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## Surgitech

October 04: Surgitech supplies disposable medical devices to the private and state hospitals, both of which require their suppliers to be empowered.

## Gazelle Plastics

January 06: Tandem Capital purchased 40% of Gazelle Plastics, RMB Corvest 7.5%, with management retaining the remaining 52.5% of one of SA's leading HDPE and PVC piping manufacturers.

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## Filter & Hose Solutions

January 06: Tandem Capital purchased a 40% interest in the merged business, RMB Corvest 10%, and the new group's management retained 50% of this filter distribution company.

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## Chemspec

January 06: A R205 million management buy out (MBO) of and BEE investment into Chemical Specialities (Pty) Ltd (Chemspec), one of SA's leading paint manufacturers.

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## Al Clad Interior Systems

March 06: The empowerment of an existing investment of RMB Corvest, which designs, manufactures installs and sells shop fittings and ancillary products.



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As you can see we have been fairly busy over the last few years. Private equity deals have gained momentum recently, due to the improved economic upswing in SA together with the various charters driving black economic empowerment. We continue to seek out good quality deals, in order to complement our already established and broad base of quality investments.

We sincerely thank the management and staff of the companies in which RMB Corvest is a shareholder, for all their hard work they have put in over the past year, and the results we see coming through clearly indicate that such work has paid off for many. We look forward to working with you in the future and sharing the benefits that go with hard work and dedication.

Thank you  
The RMB Corvest team

For further information on RMB Corvest, Safika Investments or Tandem Capital, or if you wish to discuss your needs with one of the RMB Corvest executives, please call +27 11 268 0555 or visit [www.rmbcorvest.co.za](http://www.rmbcorvest.co.za)

