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Resurgent group aiming to double R4bn turnover, writes **Evan Pickworth**

A formula for Servest with a smile

MULTISERVICE provider Servest is bouncing back with a bang since it took a battering on the JSE in 2001 and delisted.

The group intends to double its R4bn turnover in five years by growing its pipeline of long-term contracts to catch a growing wave of clients, from small end-users in Africa to major UK shopping groups seeking an integrated service, rather than multiple-outsourcing contracts.

Most individual management contracts include add-on fees and then strive to cut margins to the bone for each service provider used, which has seen many property groups in SA frequently flipping over service providers to the ultimate detriment of users of those facilities.

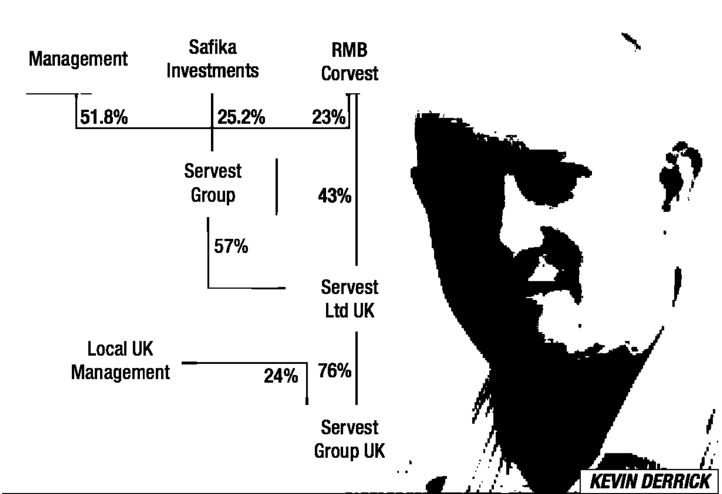
Servest CEO Kevin Derrick said on Friday it should not be difficult to double growth in the next five years off the back of 12%-15% annual growth and 10%-12% organic growth, with light bolt-on acquisitions thrown in the mix. The stock listed in 1998, but while enough capital was raised to make a few acquisitions, the experience ended badly when the share price pulled back to 90c after hitting R4 at one point.

While plans exist to expand into Eastern Europe, a serious African growth strategy is also being developed to expand beyond the six countries Servest is in at the moment.

"We need to be in the country before our clients get there," Servest ECH Solutions director Patrick Dominy says. In November last year, the group bought South African facilities consulting company ECH Solutions to advance its strategy.

The company has been on the acquisition trail and in April this year acquired camp management and catering business ACMS Shelela.

MANAGERS ON THE HOOK



Graphic: SHAUN UTHUM Source: SERVEST

In November last year, it bought water-purification specialists Hydro Health. A week ago, it restructured its divisional boards, bringing in four new managers to contribute to the companies' black economic empowerment (BEE) transformation strategy. One of them is Farzana Mahomed, from the international division for the South African Sugar Association, who has been appointed as the group financial executive for Servest Africa Management. Management has a high degree of equity invested in the group at 51.8%, with the other key stakeholders being private equity company RMB Corvest with 23% and empowered investor Safika Investments at 25.2%.

Mr Derrick says the move to an integrated multiservice model is happening far more quickly in the US, UK and other European countries, with Africa behind the curve. "We can cut out tiers of management and costs. It is leading to opportunities and we are enjoying massive organic growth. Clients become very interested because of the cost savings," he says.

"But asset managers and property owners (in SA) may need to take a little more strain to bring us to something different. The US and UK had to change quickly in terms of doing their procurement buy-in."

Mr Dominy says: "Outsourcing doesn't have a very good name in industry — clients want more solutions-based offerings and we can structure this better than contract management."

He says the growing number of US and UK businesses coming to Africa brings expectations of one-service offerings, which then ties in with the solutions Servest is offering across the continent. "We are well geared for foreign investment into the continent — there are exciting times ahead." While competitors struggle to put baskets of products under one roof, Servest is starting to win some big business with long pipelines.

On July 1, it begins a full integrated solution at Dishaba, an Anglo American mine, while a major new deal entails refurbishment and facilities management for 28 hospitals and 600 clinics in Botswana — the health ministry in Gaborone has more than a billion pula to spend in the next few years. "Healthcare is a huge sector on this continent and we can replicate our business in any country," Mr Dominy says.

The company is also moving strongly into the business of maintenance and engineering of client assets and Mr Derrick will make growth in this area a priority in the next year as it is not a well-developed market in SA at a national level.

The group is making headway with its bottled water unit, and is bringing out sachets of water as a new venture — one of its clients is FNB Stadium, where it already does cleaning and landscaping, with the water sachets expected to be popular at the stadium's big events.

Another growth area is energy management, where the move to green technology is gaining momentum. Servest's strategy is to deliver sustainability by offering technology that controls the main sources of energy from a central control room and reduce charges levied by Eskom. It was recently involved in the consolidation of 20 buildings in Dubai.

"Green building design pays lip service to what should be done on the ground," Mr Dominy says.

Servest has 7,000 clients across government departments, property companies and other end users.

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