continue to support Libstar's successful buy and build strategy across South Africa as well as in Sub-Saharan Africa.

Thierry Dalais, Executive Chairman of Metier, shares the origins of the Libstar investment.

"Libstar's strategy originated in 2005 when we [Metier], along with Andries van Rensburg and Robin Smith, articulated an ambition to create and grow Libstar. We have been integrally involved in Libstar's development and are proud of what has been achieved. As private equity investors there comes a time when we need to pass the baton on and trust that Abraaj will run hard and be worthy owners of the business. We wish them all the very best."

The number of people employed by Libstar increased from 1 510 in 2006 to 4 100 in 2013. Libstar spent over R20m in education, training, donations and improvement of previously disadvantaged communities in the last 3 years.

Over the holding period Libstar has grown its EBITDA by a compound annual growth rate of 36% - what had started out in 2005 as a R90m revenue business was sold to Abraaj in August 2014 with revenues approaching R5bn. A truly remarkable feat.

All eyes on Abraaj as it picks up the baton.

RMB Corvest, the on-balance sheet private equity arm of the FirstRand Group under the RMB brand, celebrates a quarter century of dealmaking this year.

RMB Corvest celebrates 25 years of dealmaking

Catalyst caught up with directors Stephen Brown and Mike Donaldson to look back on a journey that has witnessed 184 total deals to date, of which 84 are BEE deals – a large driver of deal flow.

"RMB Corvest was really established in 1989 by Neil Page, Dick Merks and Dave Rissik," explains Brown. "It wasn't always part of Rand Merchant Bank as it was initially owned by Corbank and then subsequently RMB acquired its stake in 1992."

Rissik left the team in 2007 but Merks and Page remain as part of an expanded team of 14 investment professionals. Brown gained lending experience as a Business Analyst at the Industrial Development Corporation before joining RMB Corvest in 1997.

Donaldson initially gained corporate finance experience with Coopers & Lybrand (UK) and thereafter with Investec Bank. He later cut his teeth in private equity at Investec prior to joining RMB Corvest in 2004.

Both Brown and Donaldson believe that the support of RMB, and the fact that being a captive fund has allowed them to focus on dealmaking rather than fundraising, have been significant advantages over the years.

"And then the second advantage, especially from a black empowerment point of view, is that we don't have to close out a fund," explains Brown. "We can hold transactions for a longer time and you don't necessarily want your black empowerment partner to be forced to sell because they're having a fund closure, so that's strategically important."

"So, when you have a downturn in a market cycle we can play and take a longer term view in a market and in terms of timing the cycle in the market we can exit when the time is best," adds Donaldson.

On-balance sheet private equity funds have come under pressure following the global financial crisis largely due to regulations like the Volcker rule in the US and Basel II globally. These regulations sought to increase the cost of perceived riskier capital and many bank captive private equity finds were subsequently spun out.

Brown says this has forced the firm to become more conscious of the return on capital. But he points to RMB Corvest's large portfolio as a significant advantage and buffer against the challenges presented by regulatory changes such as Basel III.

"Because we have an established portfolio we have been able to secure dividends and earnings, as well as sell various investments, which in effect have generated sufficient capital and return on capital to do new deals. So when you've got a large portfolio you can manage those constraints but it would be difficult to start up a new private equity portfolio as part of a bank, because the cash inflow takes six to eight years to come through."

BEE

Black Economic Empowerment has always been an important driver of deal flow. Typically realisations for BEE deals, given the complex funding structures, take longer to realise and hence fit better within the captive funds as there are no fixed time constraints placed by Limited Partners in which to return the invested capital and gains.

"It was before the BEE codes were even published that we saw black empowerment becoming very important in South

Africa as a driver of deal flow, so we set up a broad-based trust where, effectively, the employees of our investee companies were the beneficiaries of that trust," explains Brown. "We had a number of companies who wanted to be involved and it represented 4 500 employees. It was structured so that 90% of the benefits would go to black people and 10% to white people and that gave the fund excellent BEE credentials. It was done under the name Tandem Capital which invested in a number of different businesses."

"The BEE codes which have been changed from time to time ended up placing a major burden on the underlying investee companies to comply with the broad based codes at the time," he continues. "An example was that you had to hand out financials to every single participant which made it expensive and difficult to manage if you wanted to achieve the full points for the broad based ownership. However, it generated significant wealth for those 4 500 people. We paid out between R35 to R40 million rand in total."

Mike Donaldson

Stephen Brown

Donaldson laments the fact that the codes didn't lend themselves to do more of those structures.

In the end RMB Corvest unfortunately sold out of that structure and paid all the employees out.

That led to the formation of Shalamuka Capital which bought the Tandem Capital portfolio.

Brown says RMB Corvest wasn't involved in establishing the Shalamuka Foundation, which was founded by Paul Harris (former CEO of the FirstRand Group) to address South Africa's on-going need for quality education in disadvantaged communities.

Paul's vision was to create a long-term, sustainable funding vehicle that would not just pay lip service to problems in the community regarding education, but one that would make a real difference to inspire, educate and empower teachers, learners and communities.

The Foundation earmarked Penreach – a non-profit, in-service skills development programme that supports educators in Mpumalanga and surrounding communities, as a suitable vehicle to realise its vision.

The Foundation subsequently partnered with RMB Corvest in 2008 to establish Shalamuka Capital as its Broad-Based Black Economic Empowerment private equity company, to generate long-term sustainable funding for Penreach through private equity and BEE deals.

Shalamuka Capital is a Broad-Based Black Economic Empowerment,

on-balance sheet provider of private equity for mid-sized management buyouts, leveraged buyouts, development capital and funded BEE solutions.

"As the private equity company for the Shalamuka Foundation, we partner with and invest in sustainable, non-listed businesses that show future growth potential to raise funding for our investments," explains Brown.

Penreach's involvement in education ranges from early childhood development (ECD) to the mentoring of school governing bodies. Penreach also supports the upgrading of facilities, from computer rooms to kitchen lapas and communities are taught self-sufficiency through food gardens and the sinking of boreholes for water.

Starting out with 40 educators from 10 schools in 1994, Penreach today reaches more than 2 000 teachers, 350 000 students and over 900 schools a year, thanks to the funding and support from the Shalamuka Foundation, directors and stakeholders.

Fidelity still stands out

Looking back on some of the standout transactions RMB Corvest has been involved in over the last 25 years both Donaldson and Brown single out the Fidelity transaction, the second ever deal concluded by RMB Corvest, as the one that stands out.

"It has gone through various corporate activities. It originally was only a cash-in-transit business, then it bought Springbok Patrols, then it bought Supercare, then in order to enhance the BEE credentials and align management interests it unbundled the group into three different businesses. All of these different businesses have gone through various corporate activities and we are still very much involved with Fidelity Security to this day. The reason we still have an interest is because it has created value over the 25 years and continues to do so."

RMB Corvest at 50

Catalyst asked Donaldson to gaze into his crystal ball and tell us what he believes RMB Corvest will look like in another 25 years' time. And his answer speaks to the core of the business model's success over the years and that's continued concentration on the portfolio.

"We're going to continue to focus on the portfolio. We're currently sitting on 68 investments and we'd like to see that 68 grow over the years to come. We have a solid base and platform and we would be very disappointed if the business was not multiples in size from what it is today. We want to keep the diversity – we're across every single sector in South Africa."

Donaldson also want to increase exposure to the African growth story.

"We would like to have more Africa exposure but that we're going to have to do slowly. We do have some presence in Africa but on a very niche scale. We need to get that African experience because currently we just parachute people in from this office so we would like to build that portfolio."

Donaldson is confident the staff are all aligned and properly incentivised, which is critical to future success. "But it is very unlikely that two of the founders who are still present today would still be here in 25 years."

However, because of the ethos and passion developed within the firm, Donaldson and Brown remain unperturbed about any succession issues. The two are assured that the business model which has brought such success will continue to deliver the kind of outperformance that has seen RMB Corvest achieve the quarter of century milestone, and see it achieve many more on the road to another quarter century.

On October 31, 2014, the COMESA Competition Commission published its 2014 Merger Assessment Guidelines. The guidelines provide much needed clarity on the interpretation of the COMESA Competition Regulations in so far as merger control is concerned.

Long-awaited clarity provided by COMESA Competition Commission

Anton De Bruyn

Although South Africa is not a COMESA Member State, the COMESA Competition Regulations apply to all firms (including South African firms) "operating" in COMESA Member States. The COMESA Member States are: Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

In terms of the new COMESA Merger Assessment Guidelines:

- A merger must be notified to the COMESA Competition Commission when either the acquiring firm or the target firm "operate" in two or more COMESA Member States. However, an undertaking will only be considered to "operate" in a Member State if its annual turnover or value of assets in that Member State exceeds US$5m.
- A merger will not be a notifiable merger where the target firm does not operate in any Member State in the Common Market.
- Likewise, a merger will not be a notifiable merger where each of the merging parties realises more than two-thirds of its annual turnover or value of assets within the same Member State in the Common Market.
- Internal restructures within a group of undertakings will not be regarded as an acquisition of control for purposes of merger notification. Internal restructures are defined as instances where one undertaking already controls the other undertaking, or the undertakings concerned are ultimately controlled by the same undertaking.
- The COMESA Competition Commission may be approached for a "comfort letter" or a "pre-notification consultation" if uncertainty exists regarding the potential notifiability of a merger.

Even if a merger is not notifiable to the COMESA Competition Commission, always consider whether the merger must be notified to another competition regulator in Africa or elsewhere in the world.

Bear in mind that a "merger" occurs when one undertaking establishes direct or indirect "control" over the whole or part of the business of another undertaking. "Control" is not always a clear-cut concept in law and the assessment of whether a merger is formally notifiable to the COMESA Competition Commission can be quite complex. It is important for specialist input to be obtained in each instance.

De Bruyn is a director in the Competition Law Advisory Practice at KPMG