



# Newsletter

Issue 1 • December 2011

## Message from the team...

2011 has proved to be another memorable year for all of us at RMB Corvest. We've expanded our portfolio and welcomed a number of new companies to our stable. We've also started growing our footprint beyond South Africa's borders, extending our reach further up Africa and into India. BEE has remained a key driver of our business during this time: six of our nine most recent deals all incorporated some element of this.

With so many happenings to celebrate and reflect on, we thought this the ideal time to share all of this news with you. Added to this news, we've included links to some of the articles we've featured in during the past 12 months so that you can enjoy these at your leisure. In the spirit of silly season, we've also taken you behind the scenes with the team – giving you greater insights into how we all got here and why we love it! We hope you'll enjoy this edition as much as we've enjoyed putting it together for you.

Without any further ado then, we'd like to thank each of you for another exciting year here at Corvest and take this opportunity to wish you and yours a peaceful and happy festive season. May 2012 bring you all that you wish for.

Happy reading!

The RMB Corvest team

## Adding to our portfolio...

Over the past 18 months RMB Corvest has grown its portfolio significantly. We've continued to invest in the industrial, services, retail and consumer, and financial sectors, while retaining our BBBEE focus. We welcome all of the below companies to our stable – and look forward to being part of their sustained growth...

### Industrial

#### Efficient Engineering

Founded in 1968 by Guiseppe Cimato, Efficient Engineering is a sheet metal fabrication, machining, manufacturing and heavy duty engineering business. Located in Elandsfontein in Johannesburg, the company employs almost 150 employees – many of whom have been with the Cimato family since the very beginning. Efficient Engineering is the preferred supplier of various multinational companies that manufacture heavy duty equipment used in the

## Raising our profile...

Over the past couple of months, you will no doubt have seen more about RMB Corvest in the media. We've embarked on a strategic public relations campaign in order to raise our profile in the market and attract new deals to our stable. Directors Mike Donaldson and Stephen Brown have given their insights and views on a variety of topics, including specific deals, local PE drivers and activity, and mergers and acquisitions. These are some of

mining, construction and power industries.

In December 2009, RMB Corvest partnered with the management team of the company, as well as with a number of BEE investors to purchase a portion of Efficient Engineering.

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## Services

### Continental Outdoor Media

Continental Outdoor Media is the largest owner of billboards in South Africa and Africa.

In December 2009, we purchased a 12,8% shareholding in INM Africa which changed its name to Continental Outdoor Media. This transaction saw us become part of an investor group that includes Helios Investment Partners, Citigroup Venture Capital International and MSG Afrika.

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## Retail and consumer

### Table Charm

Table Charm is a very successful, direct selling business that sells tableware, kitchenware and dinnerware directly to the public. Making use of a network that includes distributors and over 17 000 sales managers and consultants, the company sells products it sources from Europe, Asia and South America. Products are sold nationally, as well as to various neighbouring countries.

In January 2010, RMB Corvest and RMB Private Bank acquired a 35% shareholding in Table Charm together with management.

### Autozone

Autozone is a retail motor spare parts business with approximately 160 stores countrywide. The company has a presence in neighbouring countries including both Namibia and Botswana. Its main focus is the distribution of automotive parts for cars older than five years.

In June 2010, RMB Corvest funded the leveraged buy-out of Autozone from Super Group Limited. Acquiring a 45% stake of the business, we became co-owners with Zico Capital which acquired 34,5% of the business. As such, there was a strong BEE element to this deal.

### Autovest

Autovest is South Africa's largest original equipment manufacturer (OEM) and approved supplier of automotive accessories including canopies, fixed and detachable towbars, stainless steel accessories, heavy duty truck and bus exhaust systems, and related products. With its accessories sold through OEM dealerships, Autovest has a national footprint of more than 130 franchised fitment centres.

The business recently embarked on an expansion strategy acquiring companies such as Maxe, Bucco Canopies, SA Canopy, Rhino Linings, Kilber and Star Trek.

In September 2011, we bought 28% of the business from Nedbank Capital Private Equity.

the articles and supplements we've featured in...

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## Shalamuka corporate report (Financial Mail, 1 April 2011)

To create greater awareness about Shalamuka Capital – and the difference it is making through the Shalamuka Foundation – we partnered with Financial Mail to compile a corporate report. The report gave insight into the origins of Shalamuka Capital and the objectives of this black private equity fund. It detailed how the fund is one of RMB Corvest's innovative joint ventures, and how it is a source of sustainable long-term funding for the Shalamuka Foundation's sole beneficiary – the Penreach Whole School Development Programme.

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## Mergers and acquisitions feature (Business Day, 20 July 2011)

In July 2011, Business Day ran a feature giving greater insight into the current mergers and acquisitions climate both locally and internationally. Insights from RMB Corvest were included in this feature. These related to how a greater proportion of private equity is still required to structure deals, despite there being more stability in the market. We commented on the fact that management teams and private equity players have to be far more realistic in terms of their expectations, and cautioned investors not to "overpay" for companies...

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## Private equity feature (Business Brief, August/September 2011)

The August/September edition of Business Brief included a feature on private equity. An opinion piece penned by Mike was included in this feature. The article discussed how the past three years have reset benchmarks in private equity and debt markets. It mentioned that the economic downturn has brought with it an

## BBBEE

### Vuya! Investments

Vuya! Investments is a women-managed broad-based black economic empowerment group in the Western Cape. Vuya! owns 26% of Henkel South Africa, an adhesives company based in Alrode in Gauteng.

Henkel manufactures and markets adhesives for the consumer, industrial and automotive industries. Its product range includes bonding, sealing, surface treatment, and industrial and engineering adhesives.

In October 2010, we facilitated Zico Capital's acquisition of 75% of Vuya! Investments.

### Elster Kent

Elster Kent is the South African subsidiary of the Elster Group SE. It assembles and distributes water meters, as well as importing and distributing electricity meters.

In October 2010, RMB Corvest provided funding for a BEE investment made by the Lilly Investment Trust. This improved Elster Kent's BEE status significantly.

### XON

Established in 1996, XON designs, builds, operates, and manages information and communication technology (ICT) solutions that it creates specifically for customers.

In November 2010, we assisted Kapela Holdings, a BEE investment company to acquire a 40% stake in XON. This move saw Kapela Holdings' executive directors, Israel Skosana and Makhup Nyama appointed as chairman of the XON board, and a board member with executive responsibilities respectively.

### Precrete - Nozala

Precrete-Nozala is a mining support services business. It specialises in the production and distribution of premixed concrete for construction, and other mining-related applications, mainly in the platinum sector. Its wholly owned subsidiary, GFC Construction (Pty) Limited specialises in shotcreting, a process that involves reinforcing the walls of mineshafts using premixed concrete. As a result, Precrete is a recognised leader when it comes to mine safety.

In January 2011, RMB Corvest funded Zico Capital's acquisition of 20% of Precrete-Nozala. (The remaining shareholding is held by Paladin Capital, Thembeke Holdings and management.)

increasingly realistic and sober approach to investment, and that there is an additional appreciation in the market that one can no longer expect to realise the same level of gearing as before.

The piece also highlighted the role of management teams when it comes to ensuring the long-term success of any newly acquired business, and emphasised that aligning the interests of all parties concerned must remain a priority in all management buyouts.

## Investing in Africa (Business Day, 23 August 2011)

On 23 August 2011, Business Day ran a detailed feature on investing in Africa. With RMB Corvest already actively seeking out opportunities in Africa, we were able to comment on the far more favourable investment climate and the opportunities emerging in African markets. With "super" returns no longer available locally, chasing higher returns requires looking further afield. RMB Corvest's approach is to limit risk, cultivating local understanding in these markets so as to ensure strategic investment.

## Mergers and acquisitions (Business Brief, October/November 2011)

Business Brief recently ran a mergers and acquisitions feature which, among others, looked at how private equity continues to drive M&A activity. The article included our comments regarding how BBBEE is catalysing many local PE deals by assisting to improve black ownership status and to increase the liquidity of established BBBEE companies.

### Did you know?

RMB Corvest pays a commission of between 1% and 3% of the funds that it invests in deals referred to Corvest

## Spotlight on BEE...

**Black Economic Empowerment (BBBEE) has started driving PE deals from three key perspectives, notably:**

- compliance with empowerment requirements in order to improve BEE credentials;
- mature BEE investors selling off some of their equity to the next generation of BEE shareholders and subsequently reinvesting; and
- liquidity generation for the much-needed expansion of BEE businesses

This increase in BEE-related deals is something we're continuing to see at RMB Corvest: of the nine deals we completed this year, six involved empowerment. As such, we anticipate that local appetite for mergers and acquisitions will remain positive in the short term as BEE and the demand for liquidity, among others, continue to fuel activity in the market.

With a number of reputable BEE vehicles to draw on, RMB Corvest will continue to find you the right partner for your business when this is required. Alternately, if you have a preference for a specific BEE party for your deal, we can also assist in facilitating the deal.

## Introducing our BEE vehicles...

Through our partnerships with broad based empowerment organisations, RMB Corvest is able to offer clients an alternative BEE partner. Our empowerment partners include Safika Investments, Zico Capital and Shalamuka Capital.

### Shalamuka Capital

Shalamuka Capital is a BBBEE investment vehicle. In 2008, the Shalamuka Foundation acquired a majority stake in Shalamuka Capital. The Foundation partnered with RMB Corvest in this joint venture.

All profits generated by Shalamuka Capital go directly towards the Shalamuka Foundation – continuing to build, nurture and foster the potential of learners and teachers in South Africa.

Shalamuka Capital has a stake in the following businesses: AI Clad, Bedrock MS, Burlington Data Print, Chemspec (listed), Efficient Engineering, Surgitech and West Rand Engineering.

### Zico Capital

Zico Capital is a black empowerment, private equity investment vehicle. Managed by Sandile Zungu, a successful and highly regarded businessman, Zico's management team is headed up by Tshego Sefolo. It comprises individuals with extensive local and global networks.

Through its holding company, Zungu Investments Company (Pty) Ltd, Zico Capital (in partnership with RMB Corvest) is an active shareholder in Autozone, G4S Cash Solutions, Vuya! Investments (Henkel SA), Somerset Education and Precrete. RMB Corvest also sits on the board

### Safika Investments

Safika Investments is a South African investment holding company. It has a broad range of interests in the industrial, gaming, financial services, human resources, TMT telecommunications, media and technology sectors.

Deals we have facilitated with Safika include Chemimpo SA, Enaleni Cipla (listed), Highbury Safika, G4S Cash Solutions, Micros SA, Molapo Technology, Servest and Transunion Receivables. This is a closed fund.

### Did you know?

If you amend anything in your company's existing shareholders agreement (for example, if there is a change in shareholding), or if you try to bring your existing memorandum and articles of association in line with the new Companies Act, the amended document must comply in full with the new Companies Act from that moment on. This means the two year grace period for the amended document will cease to apply. Not all amendments to your existing memorandum and articles of association will mean the grace period falls away however – only those aimed at aligning the memorandum and articles of association with the new Companies Act will terminate the grace period. As a result of this complexity in the law, if you make any amendments to your existing company documents, seek legal advice!

of Zico Capital.

## Africa/India focus

### Expanding our footprint...

As more and more global investors turn their attention towards emerging markets, RMB Corvest is exploring various strategic opportunities in Africa and India. By leveraging our relationship with FirstRand, we have already identified some promising leads and are currently exploring potential deals in various parts of Africa and India...

#### Africa

Africa's emerging markets are showing far greater potential to yield higher long term returns than local markets. This has prompted RMB Corvest to partner with FirstRand to explore investment opportunities in select African countries. Our strategy is to spread risk and go after comparatively smaller deals.

With debt markets still very tight across the continent, there is definite opportunity for smaller private equity firms like ourselves to provide much needed liquidity to mid-cap African companies that are currently not being targeted by larger foreign private equity funds. We will be using our expertise to tap into this market gap, initially focusing on consumer-driven businesses.

#### India

As an emerging market, India caught the attention of numerous international investors almost a decade ago. RMB Corvest has been watching this market for opportunities for some time now, and we have recently partnered with Mumbai-based Infrastructure Leasing and Financial Structure, IL&FS, a finance company based in India in order to capitalise on this trend. In July 2011, we concluded a US\$25 million deal transaction with IL&FS, joining their fourth Private Equity Fund.

Our choice of IL&FS was based on the company's credentials and expertise. As one of India's leading infrastructure development, private equity and finance companies, it is supported by the Central Bank of India, the Housing Development Finance Corporation Limited and the Unit Trust of India. Its institutional shareholders include the State Bank of India, Life Insurance Corporation of India, ORIX Corporation (Japan) and the Abu Dhabi Investment Authority.

Although India has relatively lower investment risks as compared to Africa, its different market and pricing structures have deterred us from going into the country directly – hence our partnership with IL&FS.

### Did you know?

RMB Corvest invests in companies with profits (before interest and tax) of at least R30 million.

## Behind the scenes...

Ever wondered what Kerry wanted to be when she was growing up? Or why Philile chose a career in finance? Or what song Neil would sing if he was auditioning for Idols? We thought it would be fun to take you behind the scenes with the team and tell you more about what makes them tick...

### Introducing our very own Ally McBeal...

Always wanting to become Ally McBeal when she grew up, Gen was conned into a career in finance by the lies her recruitment agent told her. Several years later, her favourite thing about what she does is sharing the passion of the entrepreneurs and MDs she works with.

### Still waiting to receive the best advice of her life...

As one of the younger members of our team, Philile was told a career in finance would make her rich. She abandoned her plans to

become a doctor accordingly. Today she enjoys making key decisions across a number of different industries. And, when she's not relaxing with a glass of champagne with close friends or family on a Saturday night, you might find her practicing Beyonce's "to the left, to the left".

### **Driven by the excitement of closing a deal...**

Dick (who would incidentally sing "My Sarie Marais" for his Idols audition) always wanted to be a CA when he was growing up. In fact, the best advice he ever received was to join Barclays Merchant Bank – which was the start of his career in private equity. Dick loves reading fiction and gambling (which he only ever does with his own money).

### **From farmer to marketing assistant to managing director...**

Growing up, Neil wanted to become a farmer. Despite his first job being that of a marketing assistant (with a paycheck of R460 per month), he soon received "an offer he couldn't refuse" which led to a career in finance. Neil would recommend going to the bush or a walk on a lonely beach as the best ways to relax. Oh, and he'd sing "you light up my life" if auditioning for Idols.

### **Apply your mind...**

Born the son of a pilot, Martin was also keen to become one – until being discouraged by his father. He pursued a career in finance instead, starting out as an article clerk with KPMG. Martin's pet peeve is dealing with call centres. He'd much rather be out enjoying a long mountain bike ride or socialising with friends over good food and wine. As to the best advice he's ever received? It would definitely be "if you apply your mind, you can achieve most things in life".

### **Earning his wings – just in private equity...**

Stephen also wanted to be a pilot growing up. An aptitude test redirected him into a career in finance however, and the rest is history. While his pet peeve is traffic, Stephen doesn't often complain about it. After all, the best advice he's ever received is "don't complain – nobody listens".

### **Counting down to the end of year end...**

Adelene's favourite time of the year is the end of year end. Even though she originally wanted to become a doctor, the lure of the financial world finally got the better of her and she started out as an article clerk. Like Neil, she's also a firm fan of the bush – with this one of the reasons why she loves living in South Africa.

### **Gone surfing...**

You might not be surprised to discover that Mike originally wanted to be a professional surfer. When he couldn't make enough money doing this (earning a paltry R10 a day in a surf shop), he decided to leave it up to Jordy Smith and the boys. Mike believes that one of the real perks of private equity is the fact that you don't have to wear a tie to work.

### **On a different note...**

When Samantha isn't analysing deals or going for a run, she's usually busy tinkling the ivories. After deciding the life of a Travelling Wilbury wasn't all it was cracked up to be, she settled for a career in finance – as she was particularly good at maths. (That way she could fund her piano hobby without having to make her hobby her career.) Her pet peeve is noisy eaters, and she'd sing (and play) Elton John's "your song" if asked to audition for Idols. (Eat your heart out, Gareth Cliff.)

### **Walking on sunshine...**

Kerry's favourite thing about working at RMB Corvest is that she's empowered to make decisions. Even though she wanted to be a hairdresser, we're glad that her love of accounting shone through. Kerry earned her client service wings working for the United Building Society as a switchboard operator. She loves drinking champagne on Saturday nights, bubblebath and our country's sunshine.

### **Heads or tails?**

When faced with the critical choice of whether to become a CA or an engineer, Francois used a tried and tested method to determine his fate – and flipped a coin. Fortunately for us, heads meant CA. A sports fanatic, Francois loves having friends over for a braai. He also loves those great South African moments when we all pull together in the same direction.

**Did you know?**

Certain areas of the new Companies Act apply to all existing companies – no matter what your current company documents say. There is no two year grace period before your company has to comply with these sections:

- \* duties, conduct and liability of directors;
- \* rights of shareholders to receive any notice or to have access to any information;
- \* meetings of shareholders and directors, and adoption of resolutions;
- \* fundamental transactions, takeovers and offers as per Chapter 5; and
- \* approval of any distribution, financial assistance, insider share issues, or options (even if approved before the effective date).