



# Newsletter

July 2014

## Message from the team...

It is amazing how time goes by so quickly, we are already at the end of the second quarter of 2014 and yet it only feels like yesterday when we sent out our last newsletter.

We've expanded our portfolio and welcomed a number of new companies to our stable. While BEE has remained a key driver of our business, amendments to the BEE codes have meant we've all had to refresh our education. We've included some points for you to ponder.

We've also taken you behind the scenes with some of the newer members of 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.

Happy reading!

The RMB Corvest team

## What We Have Been Up To...

### Transactions Completed:

#### **Dupleix Liquid Meters**

Dupleix Liquid Meters is a market-leading supplier of overpressure protection systems and instrumentation. The business was formed over 60 years ago and maintains long standing relationships with both its client- and global supplier base. The company is renowned for providing high levels of responsive technical support through an extensive branch infrastructure. In 2011, RMB Corvest and Shalamuka Capital partnered with the management team to purchase 100% of the company.

#### **Fintech**

Fintech is one of South Africa's largest independent financiers of technology used in business and provides asset rental finance to a wide variety of businesses. Whilst its core business is the finance of office rental equipment, the business has diversified to provide general asset financing to clients. In 2012, RMB Corvest and Shalamuka Capital purchased a combined 37% of the business.

## **JoJo Tanks**

JoJo was started in Groblersdal (Limpopo Province) by Jan Joubert in the late 1970's as an adjunct to his agricultural business interests, which were subsequently dwarfed by the commercial success of JoJo. Tanks were initially constructed of fiberglass, which then replaced the majority of the traditional corrugated iron sheeting and asbestos tanks. Since the early 1980's tanks have been exclusively manufactured from polyethylene using roto-moulding technology. Key applications include rainwater harvesting, related water storage, liquid fertilizer and chemical storage and an extensive range of sanitary applications. The investment into JoJo made sense when one looks at the future water issues facing South Africa and the accessibility thereof. RMB Corvest acquired a 34% equity stake alongside RMB Ventures, Stockdale Street and a BEE group Pan African Private Equity.

## **Vital Products**

RMB Corvest and Zico jointly invested 25% in Vital Products Plc, a fruit juice and tomato paste manufacturer, based in Lagos, Nigeria. This is RMB Corvest's first direct investment into Nigeria (although we have in the past had exposure to the market through investee companies operating in that territory). The deal also heralded the first leveraged finance transaction in the territory for our sister company, RMB Nigeria. The proceeds of our investment were used to finance the acquisition of a plot of land and the erection of a brand new factory. The new manufacturing facility, which was officially opened on 26 March 2014, was built to the same specification as international food producers such as Heinz. We are excited to be part of the growth story of what has recently become the largest economy in Africa.

## **Eaton**

Eaton Corporation is a global leading diversified power management company that has been operating for over 100 years. It is a technology leader in electrical components and systems for power quality, distribution and control. In 2011, Corvest funded Shalamuka Capital's purchase of 25% of Eaton Electric South Africa and is a shareholder alongside Eaton Corporation. The South African business provides reliable, efficient and safe power management for cities, buildings and utilities.

## **Trudon**

Trudon delivers affordable, effective advertising and marketing options to the SMME and corporate market, with more than 127 000 companies making it their advertising provider of choice. The flagship brand is Yellow Pages, the globally trusted directory that is now in the forefront of advances into their new media communications and delivers arguably the best and most versatile local commercial search options. RMB Corvest forms part of a consortium that purchased the 35,1% minority shareholding not owned by Telkom.

## **MineRP**

In 2012, RMB Corvest and Shalamuka Capital acquired a joint 61% of MineRP, a market-leading producer of underground mine planning software and technical systems, from Gijima Group. The balance of the shares are owned by Hasso Plattner Ventures Africa and Management. The Company has offices in all major global mining centres and its systems are utilised by most of the mining majors around the globe.

**The balance of the transactions completed in 2013 and 2014 will be highlighted in our next Newsletter.**

## Spotlight on BEE...

Latest news is that the new BEE codes will be effective from April 2015. Of interest is that only "Empowering Suppliers" will qualify for "Preferential Procurement" on their customers' scorecards.

So what is an "Empowering Supplier"? The requirement is set out in paragraph 3.3 of Code 400. In essence, you need to achieve THREE of the following four requirements:

**LOCAL CONTENT:** At least 25% of cost of sales, excluding labour and depreciation, must be procured from local producers (a different criteria exists for service industry);

**JOB CREATION:** 50% of jobs created are for black people;

**VALUE ADD:** at least 25% transformation of raw material / beneficiation which includes local manufacturing, production and/or assembly, and/or packaging;

**SKILLS TRANSFER:** Spend at least 12 days per annum of productivity deployed in assisting small black companies to increase their operation or financial capacity.

This is an overriding requirement and if you do not qualify as an "Empowering Supplier", your customers will not be able to bring your scorecard into account at all! A thorough understanding of these calculations and proper planning ahead will be a necessity. For more information, go to [www.dti.gov.za](http://www.dti.gov.za).

### Did you know?

The BBBEE Codes awards points based on seven elements:

ownership, management control, employment equity, skills development, enterprise development and socio-economic development.

## Our Investment Criteria

We invest in a wide variety of transaction types and sizes. Our private equity investment criteria include:

- South African companies making sustainable annual earnings above R30 million EBITDA;
- Sub-Saharan African companies making sustainable annual earnings above US\$3 million operating profit;
- Profitable and cash generative companies;
- An experienced and competent management team;
- Demonstration of market or niche dominance/leadership; and
- Good growth prospects.

### We do not invest in the following:

- Agriculture (except for the financing of agri-processing);
- Mining ventures (except for the financing of mining support services);
- Property ventures;
- High tech ventures; or
- Start-ups and turnarounds.

### Did you know?

RMB Corvest pays a deal introduction commission of 2% of the Corvest investment value of any successfully concluded deals that you bring us.

# The Protection of Personal Information ("POPI")

## What is POPI?

The POPI Act recognises everyone's right to privacy; which includes a right to protection against the unlawful collection, retention, dissemination and use of personal information. The act establishes conditions and minimum requirements for the processing of personal information.

In essence, the Act aims to safeguard personal information when being processed by responsible parties, and introduces a new regulatory body to fulfil the rights of the Act, and finally provides persons with rights and remedies when processing does not happen in accordance with the Act.

POPI defines personal information as – name, contact details, religion, sexual orientation, personal views, private correspondence, health records, employment records and any biometrics (DNA fingerprints etc.) along with financial records.

## How does this affect me?

On a personal level, each individual will have more rights in terms of the collection, retention, dissemination and use of their personal information – the Act also introduces civil remedies to individuals where the items mentioned above are done unlawfully. The Act protects both natural persons (individuals) and juristic persons (companies).

An entity will need to ensure that it is compliant in the manner in which it collects, protects, maintains and distributes any information. This includes obtaining consent from individuals themselves.

## Why is POPI compliance so important?

POPI regulations are being implemented in many countries internationally. South Africa has decided to introduce POPI in order to ensure that we align with international best practices for the protection of personal information. POPI needs to be taken seriously to avoid becoming liable for large fines, loss of reputation, and possibly even imprisonment.

**For more detailed information, please contact Kerry Gouws at RMB Corvest on Tel: 011 380 8300.**

## Getting to know you...

We thought it would be fun to find out a little bit more about our newer team members, and reveal what lurks under their cool professional exterior...

### The spirit of scientific enquiry

Her ambition to be the female host of the MythBusters television programme (to be viewed on Discovery) means that **Christine's** love of problem solving is well utilised in her career in finance. Her love of sport ensures that weekends are rather busy - watching the Springboks, the Sharks, the Proteas, the Buccaneers (aka Pirates). And yes, she'll be quite happy to explain the offside rule to you.

### Inspired by success...

Having access to some of the best private companies in South Africa and meeting the people behind their success is **Brendan's** inspiration and his favourite thing about working at RMB Corvest. According to his star sign (Sagittarius) – 'Knowledge is Key'. Saturday nights are spent relaxing with his wife and two dachshunds and occasionally they invite two-legged visitors over as well.

### Woman of international mystery...

**Benka** wanted to be a detective when she was growing up. Her career choice means that she gets to work through rather a lot of information and analyse investments, so really a bit of detective work has crept through. She completed her masters at the London School of Economics, so if you need any help with directions to the homes of Sherlock Holmes or Hercule Poirot, Benka can help.

### Catch and release...

**Arnold** is passionate about fly fishing – in a previous life he was once called a professional fly fisherman, with a part time job in investment banking. Not so at Corvest, where he tirelessly casts his fly in the uncharted waters that is private equity, hoping to hook that big one that will change people's destinies. He never takes himself too seriously though, believing that having a bit of fun in the process is a pre-requisite.

### On the road again...

**Shaun** is a classic car enthusiast, and has raced at almost every circuit in South Africa in cars that are older than most of the senior executives at Corvest. You'll be happy to know that this is the only time speed takes precedence over research. He spends time on evaluating potential investments, but each deal generally develops a life of its own that you need to work with.

## In Closing...

The Team at Corvest are acutely aware of how difficult trading conditions in South Africa are at the moment and given recent and pending strike action, the climate is probably going to remain challenging over the near future. Our portfolio of 65 companies has held up pretty well considering the head winds we have faced over the past six months and in particular the environment and conditions faced by our mining services portfolio. However, we still remain confident in "South Africa Inc." and believe that adversity will bring opportunities.

To quote Sir Winston Churchill, "a pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty. "

All the best over the next six months and please remember we are only a phone call away.

*Mike & Stephen*