

It was another relatively lean year in volume terms when it came down to selecting a short-list for the Catalyst Private Equity Deal of the Year but the quality of dealmaking on display was still of a notably high standard.

Catalyst Private Equity Deal of the Year 2012

After some considerable debate between members of the Independent Selection Panel the short-list was distilled into two contenders: the Ethos-led secondary buyout of Waco and the minority investments made by the Pembani Remgro Infrastructure Fund and Carlyle into Export Trading Group as part of a transaction led by Standard Chartered's Africa Private Equity division (SCPE).

Unsurprisingly, Ethos featured heavily in the deliberations. The firm is an undisputed powerhouse in the local private equity industry and is never far away from the really big or clever buyouts or exits.

Ethos led a consortium including RMB Ventures, Standard Bank and Waco management, in the secondary Buyout of Waco International, featured in the third quarter of Catalyst, stood out for a number of reasons, not least Ethos's regular ability to unearth great management and run with them.

As Ethos partner Stuart MacKenzie said at the time, there's little merit in the thesis that secondary buyouts are great ways to spend dry powder in uncertain time. "By all accounts secondary buyouts have mixed reviews internationally," he ventured, before adding hastily, "but Waco's management team had a growth vision that stood up to the due diligence and we're backing them."

The Ethos-led buyout followed the successful sale in 2011 of the group's large Australasian relocatable modular building business, Ausco Modular. Mackenzie says the sale of Ausco changes significantly the geographical focus of the business, which was weighted roughly three quarters EBITDA to Australia, but is now weighted towards the African growth story.

Before the sale of Ausco Modular, Waco's turnover for 2011 was almost R50bn delivering an EBITDA of roughly R800m. That's a measly margin of 1,6% and, despite the business now looking significantly different without Ausco, the clever lads at Ethos will be licking their lips at the opportunity to drive that margin higher.

The second finalist, featured on page (2), captured the attention of the adjudication panel for its focus on Africa and the role the investment can play in delivering on some important socio-economic goals in the Sub-Saharan region.

Pembani Remgro Infrastructure Fund – a joint initiative established by renowned rainmaker Phuthuma Nhleko and Remgro – and Carlyle Group announced mid-November that they will make a strategic minority investment as part of a

US\$210m (R1,87bn) transaction with Export Trading Group (ETG), an African agricultural commodities supply chain manager.

"SCPE led the initial round of equity investment into ETG in January 2012," explains Peter Baird who leads the Standard Chartered Private Equity team for sub-Saharan Africa. "After a lot of work with the company, we co-ordinated and led the second wave in November 2012, bringing in Remgro and Carlyle as our partners."

The Export Trading Group deal is proof that sometimes deals can make Limited Partners, General Partners, Management, upstream and downstream clients and service providers, and broader society all winners.

While not matching the Waco transaction in terms of size – Baird says it is still the largest PE transaction in East African history – the deal more than held its own when the independent adjudication panel consisting of Neil Penman, David Gleason, Martin Irish, and chaired by Peter Schneider, ran it through their various performance metrics, speed/time, regulatory challenges, shareholder benefits/market acceptance, size, complexity and uniqueness.

The feedback from Schneider when he conveyed the panel's decision at arriving at its choice for deal of the year was clear.

"We feel that the Export Trading Group deal delivers not only in terms of jurisdictional complexity but also in terms of providing smallholder African farmers with an increased opportunity to participate in the mainstream African economic growth story of the time. While this is important we also believe that the investors, such as Carlyle, will be able to bring their vast management knowledge and expertise to bear on the business to generate significant returns as well."

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