

# BLACK ECONOMIC EMPOWERMENT

## Agency offers flexible funding for construction-materials deal



GERHARDT GREEFF AND TSHIDI SEANE Celebrating the formation of Inca Concrete Products

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State empowerment catalyser the National Empowerment Fund (NEF) has approved a R46-million disbursement to Western Cape-based empowerment consortium Amaza Brickworks that will facilitate the acquisition of a 74% share by Amaza in False Bay Bricks through a new company called Inca Concrete Products.

The business side of the newly formed company will continue to be run by False Bay Bricks CEO **Gerhardt Greeff** and False Bay Bricks financial director **Bennie van Greunen**, who reinvested R16,8-million of the proceeds of the sale into Inca Concrete Products to acquire the remaining 26% of the business. Amaza's **Tshidi Seane** will assume the leadership of the company as executive chairperson, while Amaza's **Zingile Dingani** will sit on the board as a nonexecutive director.

Through the NEF's funding, Amaza was able to acquire equity in the existing business. This transaction will see black economic- empowerment (BEE) investors entering at an executive level in the organisation, with mutual skills transfer in accordance with the BEE Codes of Good Practice, which provide guidelines for companies entering into BEE deals.

Greeff and Seane will be responsible for the skills transfer, with Greeff assuming the leading role on sector-specific issues, and Seane on general business leadership and governance issues.

Seane maintains that the Codes of Good Practice are essential in ensuring that BEE deals do not result in window-dressing.

“When the sector charters are finally gazetted, their value will only be in helping to give direction and measuring minimum success towards black empowerment.

“Only when companies realise that it makes business sense to embed empowerment as their basic philosophic approach in all that they do as businesses will they have a platform to grow beyond their own expectations and targets.

“Those businesses that seek simply to comply with the law, and avoid penalties, may just as well resign themselves to history books,” he says.

Seane says that, initially, Amaza identified the construction sector as a profitable and significant sector that would support economic growth and have a direct contribution to job creation, as well as personal and community empowerment.

The next step, he notes, was to identify a company within the sector in which Amaza could invest.

“We identified False Bay Bricks owing to its healthy growth record, good reputation in the market place, and being driven by people with whom we share values,” says Seane.

He says that Amaza chose to use the NEF as it wanted to have a flexible financing model, and to strike a partnership for future growth.

Seane believes that the NEF appreciated the package offered by Amaza, as it is committed to ‘rolling up sleeves’, immersing itself in the operations of the acquired business and has a business plan with ambitious growth targets that will empower employees and others in the future.

NEF CIO **Frencel Gillion** says that the trans- action value was determined through the directors’ valuation, a third-party valuation of the business and a third-party valuation of the assets. He says that, in deciding on the company to provide funding to, not only was the historical performance of the business looked at, but the industry was also assessed to determine the value of the business.

Four valuation methods were used, namely net asset value, enterprise value/earnings before interest, taxes, depreciation and amortisation, price earnings ratio, and data capture facility. These valuation methods provided a market valuation of R76,5-million, based on an average of each valuation method.

“The NEF looked at the historical performance of the business as well as the industry to determine its value. “These valuations reflected a market valuation of R76,5-million for the business. This is based on an average of each valuation method used. This investment is the NEF’s single largest to date,” says Gillion.

The initial approval by the NEF was made in March 2007, and thereafter there were a number of discussions and reiterations between Amaza and financiers. Amaza also had to comply with a number of statutory or regulatory requirements before it eventually took over the business on November 1, 2007.

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