

NEF Disburses R46m to Inca Concrete Products

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NEF

Empowerment catalyst, the National Empowerment Fund (NEF), has approved a R46m disbursement to Western Cape-based empowerment consortium, Amaza Brickworks (Amaza). The deal will facilitate the acquisition of a 74% share by Amaza in False Bay Bricks business through a new company structure called Inca Concrete Products.

NEF – improving access to BEE capital

Says NEF's Chief Investment Officer, Frenchel Gillion: "The deal was facilitated through the NEF's Corporate Fund, which is aimed at improving access to BEE capital for black-owned and managed enterprises as well as black entrepreneurs seeking equity shares in established organizations. The transaction will enable Amaza to enter a mature and stable organization and to increase the empowerment footprint for the construction sector in the region as a whole."

"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," adds Gillion.

Inca – the oldest and one of the few largest in the Western Cape

False Bay Bricks (now Inca Concrete Products) manufactures a widest range of pre-cast concrete pavers, bricks and blocks in the Western Cape. INCA is the oldest and one of the largest concrete product factory in a single location in the province. It has its roots from 1972 when Calsica was first established. Calsica was later acquired through the entities called False Bay Bricks and Western Granite collectively trading as INCA Western Cape. These two factories produce in excess of 5-million bricks per month. The products manufactured and distributed include masonry products such as Rockface bricks, Pavers, stock bricks and hollow concrete blocks. The business is located in Eerste Rivier, in Cape Town.

Says Inca's Executive Chairman, Tshidi Seane: "Amaza Brickworks (Pty) Ltd is a wholly owned black company, and has concluded an acquisition of businesses that manufacture masonry products known as False Bay Bricks (Cape) CC and False Bay Bricks (Pty) Ltd, trading as Inca. The transaction means that all False Bay Bricks business is transferred to a new company, Inca Concrete Products (Pty) Ltd, in which Amaza holds the majority stake".

Inca Concrete Products is valued at R76.5 million, and Amaza has negotiated a 74% purchase of the business, requiring the sellers to provide R 16 380 000 000 for their 26% shares in the new business. Amaza looked to the National Empowerment Fund ("NEF") to provide debt funding of R32 634 000 and equity funding of R13 986 000 totalling R46 620 000.

"The business has a strong financial record, and has enjoyed continual growth both on the top- and bottom-line for the last five years, with the last financial year ending in turnover figures of R 90,2 million," Seane says.

The business will continue to be run by Gerhardt Greeff (CEO) and Bennie van Greunen (Finance Director) – who reinvested R16.8 million of the proceeds of the sale into Inca Concrete Products to acquire the remaining 26% of the business. Tshidi Seane will now assume the leadership of the company as Executive Chairman, while Zingile Dingani will sit on the board as a non-executive director.

Advancing the Codes of Good Practise

Through the NEF's funding, Amaza was able to purchase equity in the existing business. This transaction will see BEE entrants entering at an executive level in the organisation, with mutual skills transfer in accordance with the Codes of Good Practise.

The transaction is compliant with all aspects of the NEF mandate in terms of its BEE partners, the size of the transaction, skills transfer, broad based recognition and funding instruments.

Gillion says the transaction value was determined through the directors' valuation, a third party valuation of the business and a third party valuation of the assets. Funding not only looked at the historical performance of the business, but also assessed the industry to determine the value of the business. Four valuation methods were used, namely NAV, EV/EBITDA, PE ratio and DCF. These valuations methods provided a market valuation of R76,5 million - based on an average of each valuation method.

NEF's Fund Management Division

Through its Fund Management Division, the NEF has registered meaningful achievements by exponentially increasing disbursements to black-empowered enterprises, having approved 115 transactions worth R932 million as at 30 November 2007, and disbursed 99 transactions worth 612 million as at the same date.

By value, construction is the NEF's leading funded sector at 26,51%, represented by R162m, and is followed by ICT and Media at 14,8% or R90 million, as well as Food and Agro Processing at 13,1% or R80 million.

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