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Media release

Vantage Risk Capital funds acquisition of Tsebo Outsourcing Group

Vantage Risk Capital today said it had contributed R200 million in mezzanine financing towards the acquisition of Tsebo Outsourcing Group, one the country's leading catering and facilities company, by a grouping of black economic empowerment partners, Tsebo management and Absa Capital.

The transaction saw Absa Capital lead a consortium of existing management of Tsebo, Nozala Investments and Lereko Investments acquire Ethos Private Equity's stake in Tsebo. Ethos is exiting its investment in Tsebo after eight years.

Tsebo is the country's largest player in the South African catering and facilities sector and owns Fedics, Equality Food Services, Tsebo Cleaning Services, Tsebo Retail Services and the Drake & Scull businesses. It has an annual turnover in excess of R2 billion and operates in South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland, DRC and Nigeria. It employs in excess of 10 500 people, 98% of whom are based in South Africa.

The deal was funded through equity by the Absa-led consortium, senior debt by Investec and mezzanine finance from Vantage Capital.

Luc Albinski, managing partner at Vantage Risk Capital, said his Fund had been attracted to the deal by Tsebo's long and successful track record in the catering and facilities management sector, the role it was playing in service delivery through public-private partnerships, and its strong cash flows.

"Tsebo is a well run company and owns some of the country's leading brands in this sector, with Fedics having a 37 year history. The company has a solid track record of being able to weather both the good and bad times in the economy, a critical factor when we look at investing in a business."

Albinski said Vantage was also attracted to the deal as it formed part of the Fund's mandate to assist in providing finance to black economic empowerment (BEE) deals.

"As an asset class, mezzanine finance is able to fund BEE partners who lack capital to achieve their ownership objectives in a way which is cost-efficient and equitable. Mezzanine, with its focus on debt-based returns, also minimises the potential equity dilution for BEE participants and reduces the time for BEE investors to enjoy full unencumbered economic ownership of their assets."

Vantage Risk Capital is the country's only black-owned independent mezzanine fund manager with commitments from third party investors and management of over R1 billion. Combined with the borrowing capabilities of the Fund, Vantage Risk Capital is able to deploy more than R1,3 billion toward investing in South Africa and sub-Saharan African markets.

Vantage Risk Capital has already invested or committed in excess of 75% of its Fund. Tsebo is the third large transaction funded by Vantage to date, following:

- R125 million in mezzanine funding to facilitate York Timber's purchase of the Global Forest Products business for R2 billion; and
- The R190 million acquisition by Thebe Investment Corporation, a leading empowerment group, of a 21% stake in polymer manufacturer Safripol.

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