

KTH acquires 51% of Servest in a landmark transaction

Investment holding company, Kagiso Tiso Holdings (“KTH”) announces the successful acquisition of a 51% shareholding in the Servest Group (“Servest”) to form the largest, majority black-owned, facilities management company in Africa, in a transaction valuing the group at approximately R4.5 billion.

The Servest investment offers a compelling proposition, consistent with KTH’s strategy, as the business has significant presence in South Africa, United Kingdom and the rest of Africa with multi-currency earnings. Servest provides integrated facilities management solutions to more than 6 500 clients on 24 000 sites in South Africa, with key markets in East, West and Southern Africa as well as the United Kingdom. Key services include *inter-alia* cleaning, parking, catering, hygiene, office service, landscaping to prominent clients such as Transnet, Netcare Group, Anglo Platinum, Debswana, Sasol, Sainsbury, BBC and UK’s House of Parliament among others.

Commenting on the acquisition, Vuyisa Nkonyeni, Chief Executive Officer of KTH, said: *“This transaction demonstrates clear delivery against KTH’s strategy of acquiring meaningful or majority stakes in fast growing companies which are supported by strong management teams and have good exposure to African market opportunities. In the South African market, we will identify investments that will afford us significant influence or control alongside like-minded partners.”*

The transaction makes Servest the largest, majority black-owned, facilities management company in Africa, strongly positioning it to expand its footprint across the rest of the continent. In the South African context, this will give Servest an advantage over other large facilities management companies, with over 51% black ownership, under the new revised BEE codes which came into effect on 1 May 2015. As part of the transaction, KTH and Co-Founder, Mr Kenton Fine, will facilitate equity participation of management as part of a talent management and transformation plan.

“This deal means that Servest is now 51% black-owned, but it represents so much more than just an empowerment transaction,” says Kevin Derrick, Chief Executive Officer of Servest. *“This not only clearly demonstrates our ongoing commitment to transformation and long term sustainability, but brings with it significant opportunities for future growth, expansion and job creation.”*

KTH’s Chief Investment Officer, Jacob Hinson, said: *“Our investment strategy*

seeks to achieve active participation in fewer, prominent investments, with strong management teams that will drive growth across the continent. Servest is a unique investment that meets all our criteria. We were therefore able to execute this transaction on pure commercial terms without any external or vendor facilitation with an equity cheque of approximately R1 billion. We look forward to working with our new partners to create a truly global facilities management business. “

KTH has been executing its strategy of becoming an emerging pan-African investment champion, having concluded transactions which involved R5.1 billion of disposals, follow on investments and portfolio company restructurings to date; R3.3 billion of new deals since 2011, including a maiden pan-African investment in Fidelity Bank and a landmark minority take-out and delisting of Kagiso Media in 2013. In addition to this transaction, KTH expects to conclude another significant acquisition in West Africa imminently.

Servest Co-founder and Group Chairman, Kenton Fine, said, *“We have enjoyed a very successful and long-standing relationship with our exiting shareholders, RMB Corvest and Shalamuka, and are delighted at the prospect of partnering with a professional organisation of the calibre of KTH. With similar values entrenched in both organisations, we look forward to embracing the additional experience and knowledge that KTH will bring, further underpinning our continued ambitious growth strategy into the future“.*

Beyond the commercial rationale, both parties see the transaction as an important step in driving further transformation at Servest. The company has embarked on an ambitious staff development drive and the establishment of the Management Trust reinforces its commitment to transformation.

The KTH-Servest acquisition remains subject to regulatory approvals including South African Competition Commission approval.