



Jacci Myburgh

Transactors Talk

Jacsi Myburgh, head of Old Mutual Private Equity (OMPE), gives first-hand viewpoints on deal-making.

What trends do you see around deal-making in Southern Africa?

JM: While limited auction processes are sometimes used to ensure some form of price discovery or pricing tension, there seems to be a trend in South Africa towards sellers being willing to engage with buyers on a bilateral basis.

Such a bilateral engagement is viable provided that:

- The price represents a so-called premium price (sufficient to convince the seller that full price discovery is not necessary)
- There is a very high level of commitment from the buyer which is demonstrable. Trust clearly plays a big part here, so it helps if the seller or sellers know the buyer or their reputation
- The buyer would be a good owner of the business and has the support of management.

We have also witnessed over the last two years large pan-African funds increasingly operating in South Africa, as well as traditionally South African-focused funds venturing more definitively into sub-Saharan Africa outside of South Africa. One could say the borders between South Africa and the rest of sub-Saharan Africa have to some extent fallen away as far as private equity is concerned.

A third trend is warranty insurance increasingly being used for the benefit of both buyer and seller. This has arguably led to transactions being to some extent easier to consummate.

In which deals were you involved over the past year?

JM: OMPE concluded three investments in 2015: TiAuto, Morecorp and In2food. All three businesses are retail focused with a bias towards the upper-end consumer. TiAuto and In2food both have strong defensive characteristics while Morecorp has a very distinctive growth strategy that can be executed independently of general economic growth (i.e. a market-share based strategy). We have positioned our fund for a scenario where growth could be quite muted in South Africa over the next few years, so we would be looking for business situations that are defensive or which show attractive growth prospects and potential, independently of general economic growth. 