

Case Study: Southey

Southey's story

Southey Holdings (Pty) was founded in 1939. Its original business focus was industrial painting and contracting services to the mining and heavy industry sectors.

Over the years the group diversified with a series of autonomous, decentralized businesses to become one of the largest and most respected privately owned groups in South Africa. Originally based in South Africa, Southey now operates from permanent bases throughout Africa and the Middle East.

The group now includes a wide range of companies, many of them leaders in their market segment. They include: Dormac (Pty) Ltd (ship repair), Southey Contracting (Pty) Ltd (industrial painting and thermal



insulation), Tate & Nicholson (cladding and roof sheeting installation), Eventscaff (scaffold supply and installation), Concord refrigeration (manufacture of refrigerated units for catering and retail), Parkhome (modular accommodation unit manufacture), Rudnev (insulated panel manufacturer for coldrooms), Gascon (pressure vessel manufacturer), Okapi Industries (knife and blade manufacture), Isolite (expanded polystyrene manufacture).

The role played by Private Equity

Following its investment, Aureos decided to focus its efforts on expanding Southey and introducing corporate best practices into the business.

Aureos together with Southey's management initiated a strategic review of the group. It looked at the performance of each business unit and its potential, organizational structure and how the corporation could enhance growth, both organically and through acquisitions.

Casting a fresh eye on the company revealed how resources and staff could be better allocated between units. The strategic review also showed that Southey had tremendous pan-African growth potential, yet to be fully exploited. Aureos identified key African markets for Southey's potential expansion such as Nigeria (second biggest oil and gas market in Africa after Angola) and Kenya (main commercial platform in East Africa). The firm is also looking beyond Africa to broaden

Southey's horizons: drawing on its extensive international network, Aureos is exploring links with the shipping industry in South-East Asia and has introduced Southey to some of its other investees to explore potential synergies.

Aureos was also instrumental in getting Southey to look beyond private equity capital for funding. It encouraged the group to plan ahead and helped Southey gain access to new business and financing markets. Aureos is also bringing more discipline to areas such as corporate governance, acquisitions and finance.

Aureos and Southey are now looking to develop a milestone project: building Southey's very own dry dock in Durban, Africa's busiest port. The port of Durban is currently run by a state company and with increased activity expected in the medium to long term, a public-private partnership is required to ensure infrastructure capacity is in line with growth.

The Company



Essentials

Company: Southey Holdings (Pty) Ltd, www.southey.co.za

Region: Africa

Country: South Africa

Sector: Diversified industrial

Business focus: Leading player in contracting services, ship building and repairs, manufacture of oil and gas tanks and refrigeration rooms and cabinets

Investor: Aureos, www.aureos.com, global private equity manager investing in small and medium size businesses in emerging markets

Investment: Aureos Africa Fund holds 49.4% of the share capital of Southey (Sept 2010)

Impact Highlights

With support from Aureos, Southey undertook a strategic review of the company that resulted in identifying new initiatives and growth prospects in other emerging markets.

Southey is now present throughout Africa and the Middle East. Growth across the group has been around 20% per annum since 2000.

With Aureos on board, Southey is developing more strategically and rigorously, and capitalizing on international opportunities, such as oil and gas in Nigeria and construction of a dry dock in Durban.

Southey set up a share participation scheme for all its employees, with priority given to previously disadvantaged individuals.

The Company View

“Aureos has turned us into a more professional business. We used to set out goals at Southey but it was fairly informal and didn’t have a detailed action plan. Aureos encouraged us to formalize that process by adopting a methodology to establish our objectives and measure our progress. That ensures we don’t just talk about goals but actually achieve them.

Aureos is helping us grow the business at a faster tempo and with a more international outlook. We’ve brainstormed new business ideas such as entering the warehousing and logistics market in Southern Africa and exploring further opportunities in Nigeria.”

“Aureos’s involvement has made everyone more focused about creating value and getting a quicker return rather than just waiting for natural growth to happen.”

Barry Wickins,
CEO, Southey

Southey Contracting: Onshore painting of the Hein Bronkhorst telescope



“We’re backing a management team we know and a business model we trust, which mitigates many of the risks when entering new markets in Africa and other emerging markets. This along with Aureos’ international office network and local capability, particularly in Africa, puts Southey in a strong position.”

Sandeep Khanna, Partner, Aureos
and Non-Executive Director, Southey

A force for good

Southey already had a solid ESG policy in place, notably with regards to health and safety and environmental stewardship, to the extent that Aureos has replicated some of Southey’s initiatives in its other portfolio companies.

Aureos was not only keen to uphold these high standards but also to improve aspects of Southey’s governance protocols. Aureos suggested the creation of an audit and remuneration committee to monitor the performance of each business unit and facilitate reporting for external auditors. Aureos also encouraged Southey to move beyond mere compliance to assume a leadership position by being proactive in ESG matters. A full time HS&E (health, safety and environment) manager reports to the CEO and full auditing and training is carried out across all of the group units to ensure international norms are not only met, but exceeded. A good example of this in practice was the recent zero-incident refurbishment and refitting of an offshore

Southey Contracting: An offshore rope access painter at work



storage vessel for a leading oil company, completed in an intense and challenging 12 week period. Building on Southey’s existing Black Economic Empowerment initiatives, including training and a commitment to equal opportunities within the group, Aureos introduced a share participation scheme. The scheme is weighted towards previously disadvantaged individuals but open to all Southey employees to give them all a stake in growing and enhancing the value of the business.