Brandcorp’s story

Brandcorp was created in 1997 as a specialist distributor of branded and niche products to the consumer market. The company emerged following the acquisition of Interbrand (leisure and accessories) and MIC/Prestige (house and home products) by a specialist distribution consortium. The company was listed on the Johannesburg stock exchange in November 1997.

In January 1998, Brandcorp acquired Matus, a tool and hardware business. The transaction nearly doubled the company’s size overnight and laid the foundation for an industrial division.

Both consumer and industrial activities grew steadily during the early 2000s to the point where it started attracting the attention of a number of suitors, including Ethos. Ethos’ insights and style endeared the firm to stakeholders, who agreed to the buyout of Brandcorp.

Following Ethos’ investment, Brandcorp completed two high profile acquisitions: a 90% stake in Renttech in 2009/10 and the purchase of Burncrete in 2010. The industrial division now accounts for two-thirds of Brandcorp’s turnover.

The role played by Private Equity

Ethos had spotted the growth potential of Brandcorp. The industrial division, which the company wanted to expand, was well-positioned to benefit from the increase in infrastructure spending in South Africa from both the government and the private sector. The consumer division had a promising outlook due to a growing black middle class and rising disposable incomes. Brandcorp’s management team was highly rated and keen to expand the scope of their activities.

Ethos devised a 100-day plan which identified opportunities to grow Brandcorp’s product range and identify potential acquisitions.

A major success was the acquisition of industrial rental business Renttech in October 2009. As well as providing ZAR60.7 million for the ZAR87 million transaction, Ethos was intimately involved in all aspects of the transaction, from due diligence to negotiations with the seller, to structuring the transaction and implementing it. Ethos also sourced and helped negotiate Brandcorp’s acquisition of the specialist lifting equipment wholesale supplier, Burncrete, in August 2010.

To fund the Burncrete acquisition, restructure its debt and return funds to shareholders, Brandcorp has recently issued a ZAR750 million high yield bond into the South African Capital Market. This refinancing represents the ‘first’ major issue by a private equity controlled company in South Africa.

Ethos and Brandcorp have been exploring overhead and co-operation synergies between Brandcorp and other companies in Ethos’ portfolio too, such as Busby (consumer products), Plumblink (plumbing) and Savcio (engineering services).

With encouragement and guidance from Ethos, Brandcorp has institutionalized and improved many aspects of its governance and internal controls, including accounting procedures, succession planning and board reporting. Ethos introduced and Brandcorp appointed a new highly experienced and independent chairman to the board and put a tiered-equity participation scheme in place for management.

The strategy has borne fruit: despite the global economic crisis EBITDA has grown 15% per annum since 2007.
The Company View

“The best thing about Ethos is that they are consummate professionals and only work with the very best. They have introduced us to terrific organisations such as Sphere and DEG, which has improved our strategic positioning within the marketplace.

When Ethos approached us with their business proposal back in 2007, we felt that they were very responsive to our aspirations to develop a BEE shareholding and to grow both organically as well as through acquisitions.

Ethos is helping us expand an already strong business into a better business not only by investing into capacity enhancing initiatives and acquisitions, but also by providing valuable strategic insights.”

Colin Datnow, CEO, Brandcorp

““Our partnership with Brandcorp epitomizes our strategy of building better businesses by committing capital, expanding horizons and enhancing decision making.”
Shaun Zagnoev, Partner, Ethos

A force for good

One of Brandcorp’s express goals at the outset of the partnership with Ethos was to increase the company’s Black Economic Empowerment (BEE) profile. The company was already active on BEE through training and equal opportunities but Brandcorp felt that pushing the agenda with a share participation scheme was the right thing to do.

Ethos introduced Brandcorp to a BEE investor group called Sphere, which chose to invest in a 3% stake in the company. The firm then introduced Brandcorp to German development finance institution DEG¹ who then funded a 12% stake for previously disadvantaged employees of Brandcorp through an innovative financing structure.

With DEG and Sphere on board, Brandcorp launched a number of other initiatives, such as the introduction of a comprehensive HIV-AIDS programme (co-funded by DEG and Brandcorp) as well as the construction of a clinic on site.

¹ Deutsche Investitions- und Entwicklungsgesellschaft mbH, part of German development banking group KfW