

Treacle: yachts ... money for jam?

CAPE-based private equity investment specialist Treacle has over the years shown a penchant for investing mainly in technology companies - which makes its decision to take a new tack with local yacht builder Robertson & Caine all the more interesting.

Does this mean Treacle believes Robertson & Caine are about to catch a massive wave of orders that will buoy the profits for the foreseeable future?

The details of the deal see Robertson & Caine letting go 30% of their equity to Treacle for R40 million. That effectively values the Cape Town yacht builder - reckoned to be the third biggest catamaran manufacturer in the world - at around R130 million.

The press release accompanying the deal proclaims that the agreement with Treacle ensures the expansion of Robertson & Caine's operations in Atlantis "to create 650 vital new industry jobs".

The yacht manufacturer has long expressed a desire to build a new shipyard in Atlantis (at a cost of R100 million) to complement its current shipyard which is situated in Woodstock. Naturally the R40 million from Treacle will give Robertson & Caine's funding efforts much needed momentum...

Robertson & Caine partner Ellian Perch says the stability of Treacle's organisation and proven track record in establishing credible BEE partnerships played a big role in choosing them as partner.

"The management of Treacle has an in-

depth understanding of the investment climate in South Africa. It is a boost for us that they clearly see the big opportunities that lie ahead for boat-building in the Western Cape."

Perch reckons confidence from the new investors would also have an influence on the clients and could even lead to other new investments in boat-building. "We have said for a while at R&C that we are excited about the future in the Cape."

"It is exactly the right time to announce our deal with Treacle."

What puzzles - or rather intrigues CBN - is that the Robertson & Caine deal sees Treacle entering new investment waters. It's, on the face of it, a very brave move.

Treacle's first R244 million private equity fund comprised mainly technology investments - most notably Datacentrix and ERPCom (both listed on the JSE with solid operating records) as well as small investments in SourceCode, Parsec and Volition. A sixth investment - FishyPete - which distributed fishing flies and Fly of the Month Club memberships via the internet - was placed into liquidation.

Treacle's second fund, which raised R463 million in 2005 - was also anchored by a technology investment in the form of SecureData. But there was a shift away from technology when Treacle opted to invest (via an empowerment arrangement) in agribusiness, Senwes. The Robertson & Caine investment forms part of this fund.

According to Business Report, Christoff

Botha, a director at Treacle, says the new investment is in line with company strategy to invest in local manufacturing companies that have developed niches in which they are globally competitive.

He added that Treacle was hoping to invest about R100 million in R&C in the long run.

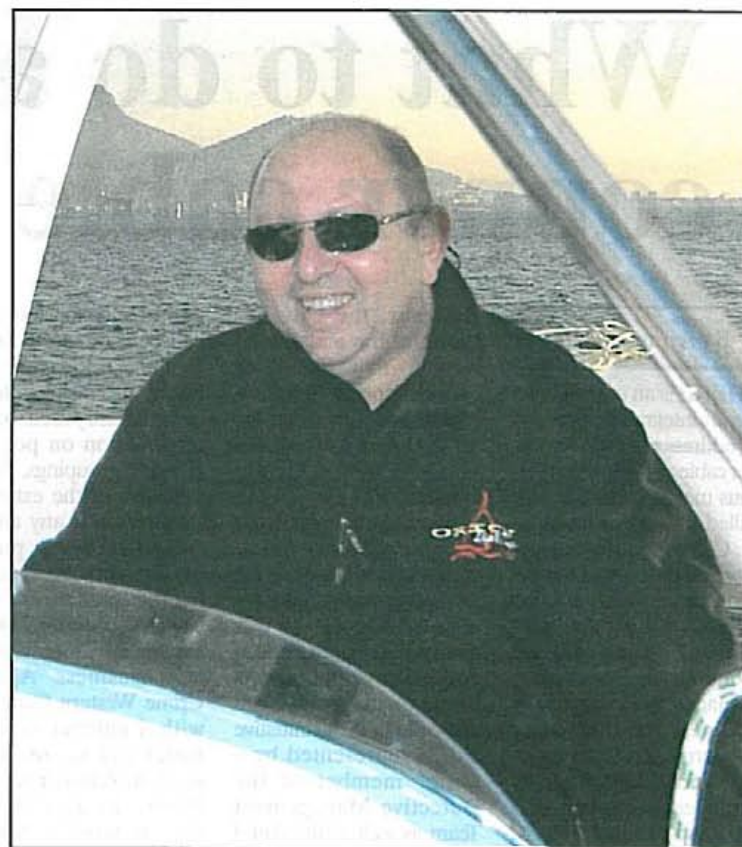
By CBN's reckoning that would give Treacle at least a

50% stake in the yacht building company, and effective control of Robertson & Caine. Clearly there is a lot more potential to specialist yacht building than meets the eye.

Perceptions that the industry is a difficult proposition because of sporadic order flows may even be erased by Treacle's confident investment.

Recently Wesgro noted that SA boat yards produce 28% of the world's catamarans, and that the Western Cape boat building sector directly employs 3 200 people, who produce export turnover of around R1.2 billion.

The desire by Robertson & Caine to have two fully fledged shipyards operational in the



Robertson & Caine's Ellian Perch now expects even more new investments in boat-building.

medium term certainly suggests the yacht manufacturer has a robust order book going forward at least a few years.

Treacle, which usually takes a seven to nine year horizon view on its investments will probably be hoping to recoup much of its initial investment in dividends in the next few years.

But how will Treacle exit Robertson & Caine? Treacle could sell off its stake - possibly including an option to sell the shares back to Robertson & Caine management.

Or - possibly the best option - is to charter a course that will take Robertson & Caine to the JSE or even an international course.