

Medu Capital adds to portfolio of established enterprises

South African private equity company, Medu Capital (Pty) Ltd. has acquired 100% ownership stake in Universal Paints and Elite Truck Hire for a total of R450 million. The investments were made through Medu Capital's third private equity fund, Medu III, and will include a management buy-in component.



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Universal Paints, founded in 1982 by Tony Ferreira, manufactures and supplies decorative paint and coatings. 16 dedicated factory outlets in Gauteng are the sole suppliers of Universal's products, thereby eliminating the costly middleman and high retail overheads. These savings are passed directly on to its customers, which include homeowners, professional painters and the construction industry.

Elite Truck Hire has provided short and long term truck hire including Full Maintenance Leasing (FML) services to the South African industry for over 25 years. With offices on the East and West Rand, in Midrand and Cape Town, the company is now black owned, following the acquisition, and services more than 150 customers with a fleet strength exceeding 1,200 vehicles. The company has expanded into the refrigeration and construction industries with refrigeration equipment and crane trucks now available.

Two associated businesses include Elite Line Haul which is a heavy, long distance transport operator linking centres throughout the country as well as to destinations in Zimbabwe, Zambia and Mozambique. Elite Forklift Rental offers a comprehensive range of forklift trucks on Full Maintenance Leasing and short term rental.

Investing in established enterprises

Medu Capital invests locally and internationally sourced institutional capital in established medium sized enterprises in South Africa and the rest of Africa. The executive management team invests alongside its investors, and believes in partnering with various owner-managers in growing and developing the portfolio companies.

Medu Capital executive Paul Moeketsi, who was involved in each deal, said that new managing directors have been appointed to each company, both of which have invested alongside Medu Capital. Moeketsi adds that the acquisitions are in line with Medu Capital's strategy of investing in well-established businesses with a proven record of success. "Both Elite and Universal deliver high-quality products and services to its customers and have experienced and successful management teams. In the case of Elite, we have increased our initial 27% stake acquired in 2007 to 100%, which we believe sends a clear signal of our confidence in the company and its management."

Byron Corcoran, the new managing director of Elite Truck Hire, says that he is excited about the opportunity to lead the company, which is a successful business with a strong platform for growth. "We chose to partner with Medu Capital because of their established track record and significant experience as a private equity investor in partnering owner-managed businesses," he adds.

Nhlanganiso Mkwana, Medu Capital co-founder and director, says that Medu Capital is actively seeking portfolio companies in which to invest. "We closed Medu III in 2014 with capital of R1.1 billion and this fund still has significant capital to invest. That is great news at a time when confidence and investment in the country is low."

While Medu is typically interested in medium-size businesses, it favours enterprises that are well established, as is the case with Universal Paints and Elite Truck Hire. "We prefer businesses with sound systems and strong management. We identify opportunities in well-run businesses that have the potential to become bigger: companies that could become corporate entities but require greater depth in terms of their commercial skills, systems or capital. This is where our particular skill set and expertise adds significant value and dovetails with the experience of the management team," concludes Mkwana.

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