

## Transcripts index

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**Rick Jackson: CEO, Sanyati**

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**MONEYWEB:** Well, a company that David Shapiro describes as a really good, neat little business is Sanyati. Not so little - a R1bn company now, market cap, David. And today an announcement of a R220m transaction, so I suppose about a fifth of the size of the company, growing by another 20%. Chief executive Rick Jackson is on the line. You like this one, have you got it in your portfolio?

**DAVID SHAPIRO:** No, not because I don't like it. I just haven't got enough room for all the construction companies. But certainly a lot of my private clients have got it.

**MONEYWEB:** Rick, it's interesting, you are a civil engineering and construction business, but today's acquisition is buying a specialist in telecoms infrastructure. Do you have to stretch a point a little to find some synergies?

**RICK JACKSON:** No, not really, Alec. What it's about is just looking for niche markets now. We have enough bulk in our civil engineering operation, and telecommunications are still part of civil engineering but it's a specific niche market that we're looking for.

**MONEYWEB:** Is that a part of the market that is still continuing to boom, telecoms? Some would say that the cellphone systems in South Africa have been around for a while and are starting to mature now.

**RICK JACKSON:** Yes, but you've got to understand Meyker don't only do that. That just happens to be one the niche market enterprises. They also do railway cable hanging and stuff like that, which is similar to what we do in Durban, but it's a different niche market for us. High profitability. But they're also involved in things like the Bloemfontein Soccer Stadium.

**MONEYWEB:** Meyker - is that named after a family?

**RICK JACKSON:** No, it's not, actually. It's just a name that they picked off a shelf. It was a shelf company that they operated under, and it just grew to become their trade name.

**MONEYWEB:** I see they're from the Free State - they didn't get their spelling wrong?

**RICK JACKSON:** No, that's right.

**MONEYWEB:** But it is interesting where the focus is for this company - Free State, Northern Cape, Limpopo, Botswana, so the north part of the country, whereas you guys are very strong in KwaZulu-Natal.

**RICK JACKSON:** Well, we did state that it's part of our acquisition strategy to try and improve our geographical footprint so, going into those provinces is exactly what we anticipated doing.

**MONEYWEB:** On your company's perspective, you've been selling some shares. Some gentleman called Mr Ramkisson has been selling some shares, and then we saw recently your advisers, you designated advisers also selling shares. Is this a signal that maybe you think you're topping out a bit?

**RICK JACKSON:** No, not at all. It's also part of our strategy. We're trying to increase our BEE profile, so we have wrestled with some of the vendors to get them to part with shares to increase that BEE shareholding. You'll see we've got up to 43%. Our target is 51%, and unfortunately the only way we can do it is really to take away from white vendors and sell to black entrepreneurs.

**MONEYWEB:** Why are you taking it to 51%, Rick?

Moneyweb - Transcripts index - Rick Jackson: CEO, Sanyati

Page 2 of 3

**RICK JACKSON:** We believe that's what the government is going to look for in the future, and we're going to be rewarded for it. I mean, we certainly are probably the biggest BEE company in the civil engineering industry in terms of black shareholding, and we think when we get to 51% we're going to be rewarded for it.

**MONEYWEB:** Are you seeing any benefits yet from some of the contracts?

**RICK JACKSON:** Certainly. We're already preferred bidders in KZN for a lot of clients - specifically eThekweni Council, Moreland Estate - for our BEE initiatives. So we look forward to more rewards in the future.

**MONEYWEB:** This transaction with the Meyker Group - it is a business that's been around since 1996, so I guess there would have been other potential bidders.

**RICK JACKSON:** Yes, I'm sure there were. We've been trying for the last six months to tie this deal together, because it was strategically the right one for us, and certainly I'm sure they've spoken to other people. But we got in first and, ja, we got the reward.

**MONEYWEB:** And the chemistry?

**RICK JACKSON:** Very, very good. They've got some great engineers and technicians, and their business philosophy fits into ours. They're also a high BEE-owned company, so it fits in very, very nicely for us.

**MONEYWEB:** You do say it's going to be earnings-accretive to the extent of 45% improvement in the most recent set of numbers that you've introduced. What kind of P/E, then, have you bought this company at?

**RICK JACKSON:** It averages out at a 6 P/E, which we think is very good value in today's market.

**MONEYWEB:** How did you manage to get them so cheap?

**RICK JACKSON:** [Laughter] It's been a long time. You know, we've been discussing it for a long time and we think that they see a lot of value in our company, and they would like to be part of a growing organisation such as ours. So I think they've discounted it a bit for that.

**MONEYWEB:** And taking a lot of shares as well?

**RICK JACKSON:** Yes they are, ja.

**MONEYWEB:** David Shapiro, your eyebrows rose there at 6 P/E. Before we let Rick go, a couple of skeletons there that you'd be worried about at that kind of...?

**DAVID SHAPIRO:** No, at 6 P/E - look, I think in all fairness I don't think Rick came onto the market, I don't think Sanyati came on at much higher than that. I think it was at probably about a seven or eight multiple that they actually came onto the market, but of course, now they're...

**MONEYWEB:** A bit scary, 27 at the moment. Rick, is that correct?

**RICK JACKSON:** Yes, ja, that's right.

**MONEYWEB:** Even with your new earnings that's 27 price/earnings ratio - wow, that's pushing it out. So, it's not surprising that this is a big earnings-accretive deal.

**RICK JACKSON:** Yes.

**MONEYWEB:** Yes. No more comment. [Laughter] Rick Jackson, chief executive of Sanyati.

## ABOUT THE INTERVIEWER

**Alec Hogg** - Alec Hogg is a writer and broadcaster. He founded Moneyweb and is its editor-in-chief.

Moneyweb - Transcripts index - Rick Jackson: CEO, Sanyati

Page 3 of 3

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