



Waco's Winning Way



Waco International is a South African success story 60 years in the making. Today, it services two lines of business: forming, shoring and scaffolding, and modular buildings and sanitation. After being offshore-held for a number of years, it was recently acquired by a South African consortium led by private equity group Ethos. CEO Stephen Goodburn is optimistic about the company's growth prospects, particularly in Africa, the recession notwithstanding.

Waco International has changed dramatically in the 23 years since Goodburn joined the group as Administration Manager in Gentyre's Bloemfontein distribution centre. "We were a typical South African conglomerate; we owned tyre companies, mining houses, textile and pantyhoose companies, and nuts and bolts companies. However, in 2000, we started focusing on our core business, which is the scaffolding and modular-building industry," he recalls.

Today, Goodburn is CEO of Waco International and Chairman of subsidiary Waco Africa, which, in turn, is 25% held by black-empowered Kagiso Strategic Investments. "For the last decade, Waco International was offshore-held by a consortium from Hong Kong and London. The focus was the big, international group and, in the long run, would probably have resulted in a listing offshore. The asset would have been removed out of the local market had it not been for the global financial crisis, when we saw a significant downturn in our international assets. When the opportunity arose, we decided that a change of ownership back to a local owner would bring several benefits, most notably introducing a strong shareholder base sharing Waco's growth strategy," he explains.

"I guess I'm a true, patriotic South African – I like the South African market. Waco International grew up in South Africa; it's been around since 1952, with SGB-Cape being our oldest company. We were once listed on the Johannesburg Stock Exchange and it would be great to see us listed again. There have been very few listings in South Africa over the last 10 years, which I think is a pity, because there are some great companies out there that are held privately. It would be good to see the local bourse grow, and, hopefully, we will be one of those companies listing at the right time," Goodburn continues.

Another benefit of having local shareholders is that they are "down the road when one needs advice", he continues. "It's easy to access them, as there are no time differences and they understand our management style. When you are working with people from different cultures, it's a bit more complicated getting your mind around issues. We now talk the same language. There's almost always a clear understanding of what we're trying to achieve," he notes.

Other than that, not much has changed since July when the Ethos buyout took place. "Private equity usually comprises dormant shareholders. Our previous shareholders were very silent. The new shareholders are actually quite interactive, which is great for me, because I now have a sounding board.



We've been very successful, particularly in the last 12 to 18 months, in getting our companies to see the benefit of being part of the group and to leverage off each other's best practices. – Stephen Goodburn, CEO: Waco International and Chairman: Waco Africa

Stephen Goodburn, CEO of Waco International and Chairman of Waco Africa

So, I guess the change for me is that I've got a more interested shareholder and leadership than a year ago. Although it can be frustrating, as I now have to go through a process to get things done, it's also very useful, because I now have access to tools, people and thoughts that I never would have had access to. It's no longer just one person thinking, but a whole lot of people thinking who all have the same goal, and that is to do well," Goodburn muses.

As for his growth plan for the company, it centres on three initiatives, namely finding business opportunities despite the global financial crisis, directing Waco's focus to prospects that are not as cyclical as the construction industry, and focusing on industry and geographic hot spots.

"My challenge to my managers is that we're not only as good as the economy; we're paid to be better than it. Let's find opportunities that make us better than that. The next challenge is that, historically, Waco is very construction focused, which is cyclical. Let's try and make our business less cyclical. In any economy, some industries are quiet while other related industries are booming, for example construction is pretty flat at the moment while mining is doing well. In South Africa at the moment, sanitation is a hot spot, while our hygiene business is countercyclical, so, for this reason, we're focused on growing Sanitech. Another hot spot in South Africa is infrastructure, with government investing in power generation and classrooms; hence our focus on Abacus Space Solutions.

"Since Waco International is a South African group, the rest of the continent presents an obvious growth path. A lot of African countries are growing at very high, single-digit rates, anything from 7% to 9%, and we are focused on benefiting from that. We understand the culture, and we are looking at delivering our product in specific hot spots at a good return," says Goodburn. Waco is about to open two branches in Mozambique, where coal mines and liquefied natural gas developments offer significant opportunities for all the Waco Africa companies, most notably Form-Scaff, SGB-Cape and Abacus Space Solutions. The group has also just opened a branch in Ghana.

"We're focusing on those African countries' economies which have high GDP [gross domestic product] growth, where it's easy to do business, where English is the business language, and where the banking and regulatory systems work. We already have a number of businesses in Africa, namely in Zambia, Madagascar, Namibia and Mauritius, so the continent is not new to us. It's just that we're being a bit more aggressive on the growth front in Africa," he adds.

As for its competitors in the African market, Goodburn is realistic; Waco doesn't compete with Chinese companies, for example, on megaprojects. "Where we do compete is on all the services around general mining. We are effective, we offer the best service at the right price, and we're in close proximity if equipment is needed up there. That's one of the

reasons why we're opening up new branches in Ghana and Mozambique. Our message to potential customers is: 'We're in your country, we're local and we can supply'"

Underpinning Waco's growth strategy is its commitment to offering clients something of a turnkey solution. "We've been very successful, particularly in the last 12 to 18 months, in getting our companies to see the benefit of being part of the group and to leverage off each other's best practices. Waco's four businesses in South Africa have a very similar client base, so they are able to share the knowledge and access the client base. For our clients, it means that we can offer them a turnkey solution. Come to us and we will provide you with a solution for your access, forming and insulation, accommodation and sanitation," notes Goodburn.

He's particularly passionate about the room for growth for Sanitech and Abacus Space Solutions. "It is important in my view to treat people with dignity, and sanitation facilitates human dignity. The opportunity for government to deliver to its citizens is there – it has the money, but it is just not spending it quickly enough. Through Sanitech, we have a solution that may be temporary, but, at least, it is a solution while the infrastructure is being rolled out. Government has agreed to ensure that all people have sanitation by 2020, but it is way short of its targets. It is estimated that about 1.4 million households in South Africa are without sanitation, which is a big number when you think there are just over 50-million people in the country. Go into many informal settlements and you'll see that sanitation doesn't exist. We are blessed as people who are homeowners and have running water and sanitation facilities.

Waco International

CEO: Stephen Goodburn

Waco Africa

Chairman: Stephen Goodburn

Abacus Space Solutions

Modular space

MD: Gavin Turner

Head office and factory in Boksburg

7 South

African branches

100 permanent staff members

650 rental units

Sanitech

Portable toilets & sanitation

MD: Robert Erasmus

Head office in Boksburg

19 South African

branches

640 staff members

15 000 units, 130 vehicles



Robert Erasmus, Managing Director, Sanitech

Waco International places much emphasis on health and safety within the group, not just because of the moral imperative but because it is vital for business. A robust health and safety management system helps a company like Sanitech to protect its most valuable resources, which are its employees, its customers, broader communities and, ultimately, the operating environment. – Robert Erasmus, MD, Sanitech

We don't realise how undignified or unsafe it is to have to 'go' in the bush. It's time that our solution becomes more accepted. People look at it and say it's the old, smelly plastic toilet, but it's not true anymore. We have world-class chemicals that remove the smell, and, if these facilities are serviced regularly, they will be clean and hygienic. Ultimately, our goal is to help improve the lives of all citizens, and sanitation is one of the ways in which to do that," says Goodburn.

Abacus Space Solutions offers opportunities in two spheres: in the education market and – thanks to a new, flat-packed product kit called EzeeSpace – the African industrial and mining market. "When you're transporting big, modular buildings, you're basically transporting air. With the new product, we can flat-pack them and transport six of them at a time, and then cost-effectively erect them, especially at mining camps in the rest of Africa," he adds.

In South Africa, Abacus Space Solutions is focusing on supplying the national Department of Education with mobile classrooms. Goodburn concedes that, particularly in Gauteng, one must give government its due for a job well done in the provision of classrooms. While a bricks-and-mortar school would take between 18 and 24 months to build, Abacus can erect the very same school within four to six months. "Where I think government is missing an opportunity is in having the ability to move buildings, and school buildings in particular, around to meet the demands of urbanisation. Empty bricks-and-mortar schools cannot be moved, but, when people move, our product will allow government to move the school to an area where it is needed. Also, when you have a higher intake of pupils, a school could hire a classroom to meet a short-term need while more permanent classrooms are being built. Government has done really well, but I still think there's more opportunity for it to spend its education budget more effectively," he maintains.

His can-do attitude clearly informs the group's continuous-improvement philosophy, dubbed Waco's Winning Way, which encourages every Waco employee to suggest and

implement changes to the way a job is done in order to reduce waste, inflexibility and variability and thereby improve Waco's performance.

"We are in exciting times at the moment, with committed shareholders and a fantastic management team that was part of the buyout and is invested. We have robust growth plans in place that, given a fair wind, we should be able to deliver to in the next couple of years. That doesn't mean that we don't have challenges – the economy isn't great at the moment and will continue to be under pressure for the next 18 months, but we've been dealt a hand and we've got to run our business with the hand we've been dealt with," Goodburn concludes.

Sanitation Solution

One of Waco Africa's success stories is Sanitech, a leading mobile-sanitation provider in South Africa. Sanitech Managing Director Robert Erasmus says that, when the company opened its doors in the early '80s, it was one of the first to offer portable-sanitation services in the country. By the time the privately owned company was snapped up by Waco in 2007, it had a decent market share of the local construction and eventing sanitation markets, providing portable toilets for hire in areas with no sanitation services.

The company's fortunes have risen rapidly since its acquisition, thanks to Waco's efforts to improve the company's branding, to grow its footprint and vehicle fleet, and to advance its health and safety processes. "In fact, when I joined the company as Business Development Director four years ago, one of my first tasks was to change the look and the feel of the brand, the vehicles and the overall company image," recalls Erasmus.

Five years on and the company's two divisions, Sanitech Toilet Hire and Sanitech Hygiene, still provide high-quality products and services for customers in the construction and eventing sectors, and, increasingly, for informal settlements. Sanitech Toilet Hire supplies and services a range of portable toilets, and septic and conservancy tanks, and provides event-sanitation management services. Sanitech Hygiene rents out and services a range of bathroom equipment, including soap dispensers, hand dryers and paper-towel dispensers, and sanitation bins. Erasmus describes this division as a relatively small player in the market, but one that is "growing nicely". Sanitech is in the process of expanding its hygiene representation through the national network of Waco companies. With fully functional sales and service teams established in all its major centres, Erasmus is optimistic that the division will grow even more rapidly and offer its customers the national support that the other Waco businesses offer.

As for Sanitech Toilet Hire, the company sources its portable toilets both locally, from a handful of manufacturers, and abroad, from the world's largest portable-toilet manufacturer, Satellite Thal, which is based in the United States.

Sanitech currently has a fleet of about 15 000 toilet units, serviced by a fleet of 130 vehicles, including a mixture of light delivery vehicles and pump trucks, and 640 staff members based countrywide.

Sanitech initially serviced just the local construction sector, finding success with clients working on big industrial and mining projects. "Thanks to the acquisition, our original six branches have grown to 19 nationwide, as we have managed to leverage off the footprint of other Waco companies, particularly Form-Scaff and SGB, in order to expand very quickly without much in the way of resources, which has definitely helped us to grow, particularly in the mining and industrial areas of the country," says Erasmus.

"Where the real industrial action is taking place is in our inland region, around Gauteng, Secunda, Rustenburg, Witbank, Steelpoort and Lephalale, and then, to a lesser extent, in KwaZulu-Natal in Durban, Richards Bay, Pietermaritzburg, Glencoe and in the Northern Cape," he observes. Both its branches in Steelpoort and Lephalale, for example, initially piggybacked off other existing Waco company branches, which number 90 throughout South Africa. Similarly, it shares its Secunda office with Abacus Space Solutions. "There are still one or two geographic growth opportunities for us, as we aren't in every town as yet, but where this growth is to take place is still to be finalised," says Erasmus.

We have robust growth plans in place that, given a fair wind, we should be able to deliver to in the next couple of years. – Stephen Goodburn, CEO: Waco International and Chairman: Waco Africa

Sanitech is also "doing particularly well" with parastatal organisations, which he attributes to the fact that it is one of the few, if not the only, ISO 18001-certified sanitation companies in South Africa. This certification covers Sanitech's standard operating procedures, working conditions, the wearing of the correct safety gear, staff training and waste management.

Sanitech received its certification in January this year, with Erasmus describing it as part of a journey that will include securing ISO 9000 and ISO 14001-accreditation in the future.

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Sanitech eventing toilets at the recent South African Music Awards held at Montecasino, Sandton

While the industrial market currently accounts for about 60% of Sanitech's revenue, it is interesting to note that Erasmus maintains that the informal settlement sector offers the company the greatest potential for growth.

South Africa's sanitation crisis regularly makes the news headlines. In September, a report entitled 'The Quality of Sanitation in South Africa' was discussed in Parliament. One of the report's key findings was that, of South Africa's households, 1.4-million, or about 11%, have no sanitation facilities or services, and that a further 26% of households where infrastructure does exist are on the brink of collapse. Government needs to invest R44.5-billion to solve the sanitation crisis, the report continued.

"We recognise that our product is not a permanent solution, but it's better than no solution. While government is still rolling out the formal infrastructure, portable sanitation offers a temporary solution to certain communities," observes Erasmus. The South African market is unique in terms of the need of the informal sector for portable toilets, he adds, although the eventing and construction market is pretty similar to anywhere else in the world. Worth noting is that the United States is by far the biggest market, with the need for a million portable sanitation units. "As Sanitech, we operate with some 15 000 units and have about 50% of the market. That makes South Africa one of the biggest markets for portable toilets in the world, outside of the United States. In South Africa, as in most of the world, the greatest need for portable sanitation exists where there are massive expanses of land without formal infrastructure," he observes.

While Erasmus hasn't ruled out expanding Sanitech's business into Africa in support of a customer or in pursuit of a large and long-term industrial or mining project, he explains that it would be "tough logistically. Our business is a logistical one that requires the servicing of our products once, twice or three times a week. In any remote area, the challenge is a lack of infrastructure. Our business relies on roads and municipal dumping facilities, which are problematic in remote areas, even here in South Africa. This comes at a heavy cost in terms of the maintenance of our fleet of vehicles," he explains.

Maximising opportunities for business with existing clients presents a more realistic opportunity for growth for Sanitech. "It's about providing a combined hygiene and sanitation solution for the big industrial and mining companies, a scenario where we could provide them with everything from below-ground sanitation to above-ground sanitation, to the pumping of conservancy tanks, to hygiene services in respect of all toilets. We will be placing a lot of emphasis on this holistic service in the coming year, because we believe that it brings all of our expertise in the hygiene and sanitation services to bear in the one sector of the market that we have the greatest experience in and leverage with," notes Erasmus.

At a time when most companies seem to be in the vice-grip of the recession, he is optimistic about Sanitech's growth prospects. "The barriers to entry in terms of toilet hire are not big, but, in order to be efficient, you need a critical volume of units, which we have. We are also the only real, national, portable-sanitation provider, so, wherever your project, event or community is in South Africa, we have the experience, the product, the range and the drive to deliver successfully to your needs," concludes Erasmus.

Abacus – Space Solution

Abacus Modular was founded in 2001 by two entrepreneurs with one objective: to service the public sector, in particular to provide the Department of Education with classrooms. By the time Waco International decided to enter the South African modular-space market, five years later, Abacus Modular had done well to secure government business, but, as is often the case with many small businesses, did not have sufficient cash to grow.

The company caught Waco CEO Stephen Goodburn's eye and was acquired by the group in 2006. "The way I see it, the acquisition was a perfect fit to the Group because it was an opportunity for Abacus to identify and replicate the Group's modular best practices from its market leadership in the Australian and United Kingdom markets, and to get its cash flow going," observes Gavin Turner, who is Managing Director of Abacus Space Solutions, as the company was renamed.

Like Robert Erasmus at Sanitech, Turner joined the company in 2008 as Business Development Director and was tasked with growing Abacus's brand. He took over as Managing Director shortly thereafter.

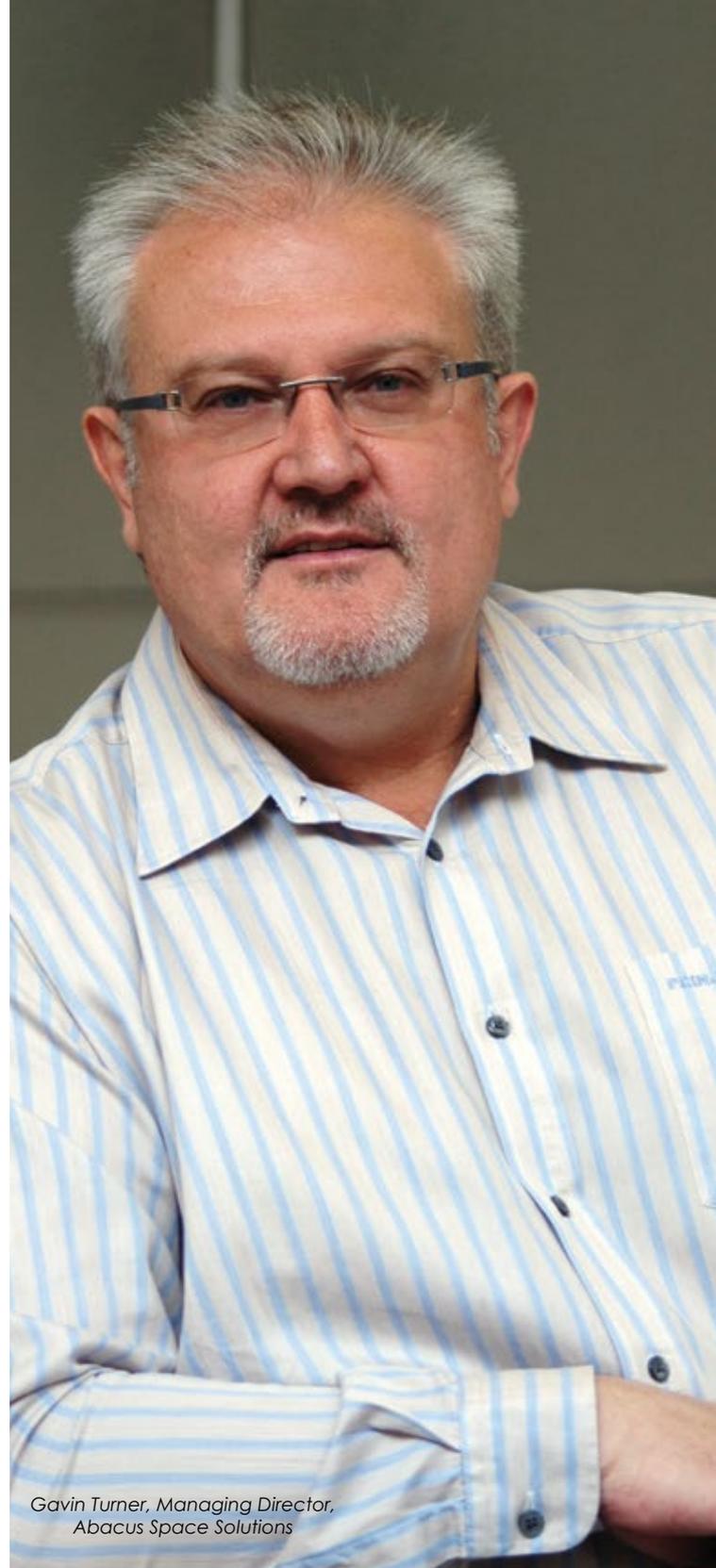
"My objectives were to develop the brand, because, at the time, the brand wasn't well known, nor did it reflect the solution philosophy of the company. The second objective was to pursue growth in the private sector, as part of its cash-flow issue was that it was solely focused on government business, which has a very cyclical nature," recalls Turner. Thirdly we were adamant that we needed to develop and grow our rental fleet. Four years on, and Abacus has grown its 5% market share to being one of the market's 'big five' players; its one branch is now one of seven, and government business now accounts for about 75% of its revenue, with less cyclical private-sector business accounting for the remainder.

"We've opened branches in Isando, Secunda, Lephalale, Kendal, Steelpoort and Rustenburg, a strategy which is about ensuring that we have a footprint where it counts. We have focused on Waco's hot spots, especially where our sister companies are to be found. There's no need to reinvent the wheel and being part of the Waco group has offered us some wonderfully synergistic opportunities," explains Turner.

The company's Secunda branch, for example, is largely focused on servicing petrochemicals giant Sasol in terms of its modular needs during maintenance shut-downs.

Much of Abacus's growth in the private sector is due to the growth of its rental fleet, he adds. "When I started at this business, we had fewer than 50 units; we now have over 650 units and growing, which are ideal for shut-downs, mining camps, construction sites and events. Mining and industrial infrastructure development is a significant market for us in the rental space. There is a great need for modular space solutions for mining camps in South Africa and the rest of the continent, and we are seeing great activity in this space at the moment. To meet this activity and provide a modular solution we intend to bring to the marketplace a new Care Away product service offer, including a rental option, which no one else has done," says Turner.

Given the company's largely cyclical business, Turner has also seen fit to introduce a more flexible operating model at its factory in Jet Park, Boksburg. Government tends to buy



Gavin Turner, Managing Director,
Abacus Space Solutions

I don't think we've even scratched the surface of modular applications in this country. Africa is the new frontier, and provides many opportunities and if we address its needs through product innovation, and introduce applicable products into each country, we should show good growth. – Gavin Turner, MD, Abacus Space Solutions



Abacus Space Solutions modular units for industrial sites

classrooms in the second half of each calendar year, and so, to avoid inefficient production cycles, the company has developed a strong supplier database, moving more from a pure production operating model to an assembly model, and an equally strong contract skills base. "This philosophy has worked particularly well for us; in the last year, we produced over three times more square metres than in the previous year, building everything from classrooms to more complex mining administration blocks," notes Turner. Just over a 100 people work for the company, but, during peak times, it employs an extra 80 people in its factory.

He is adamant that the company was able to transform itself not only by being part of a bigger industrial group, but also by recruiting and retaining good-quality people. "Having the right people in your company makes a huge difference. People are a key enabler, and we have employed committed people who are customer-focused. Our goal was to bring in enthusiastic, driven people who are committed to change. This approach ties in with our new branding, which is focused on solutions with excellence and people – the key drivers. In this industry, companies are often very good at overpromising and underdelivering. Our objective is to deliver in full on time. For us, it's about a commitment to 'the promise we make is a promise we keep'. The last four years have been about developing an effective engine room and ensuring that this business can ready itself not only to catch up in the marketplace, but also to become the market leader," Turner elaborates.

But just what advantage does a mobile-space solution have over a bricks-and-mortar building? "The key differential is time. The many challenges facing our growing country from a service delivery and establishment of suitable infrastructure in tight deadlines has created a need for speedy services and solutions. In South Africa, space isn't a problem, but people do require facilities as soon as possible. In terms of classrooms, the reality is that commu-

nities would prefer bricks-and-mortar-structures – let's not fool each other – but they take forever to build. To put this into perspective, and demonstrate the time differential that modular can provide, in a six-month period our factory alone was able to build over 500 fully commissioned, erected and switched-on classrooms. You could never achieve that with bricks and mortar. Aside from the time-saving benefit, the quality is good; our buildings have a 50-year life span if looked after," says Turner. In terms of cost, modular buildings are slightly cheaper than bricks-and-mortar ones, but the time element has huge benefits in particularly from a service delivery perspective.

Turner is enthusiastic about the imminent launch of Abacus's new product, EzeeSpace, a flat-packed, modular building kit. "Waco's intention is to develop its footprint into Africa, and we will follow suit, which is where this new product holds great potential for us. We currently have no presence elsewhere on the continent, but where they go, we will follow," says Turner. Even the new product's development was synergistic within the group, he points out. Abacus approached sister company Form-Scaff to improve on similar existing products. "The result is impressive: EzeeSpace can be flat-packed, these packs can be stacked five high, it's got the best leak-proof roof ever designed for modular, and can be erected in under an hour." A further key application for the EzeeSpace product is industrial camps. Abacus is currently trialling the product at a sister company in Kendal, where it is serving as a 50-person accommodation camp, and will launch it in the new year.

"We've firmly established ourselves in the southern African market as a supplier of top-quality, instant modular buildings that provide cost-effective space solutions for our clients. However, Waco companies are generally number one in their markets. Abacus is not there yet, so we're very excited about the opportunities the future has in store for us," says Turner. □