

BEE is a new incentive

Author:

Black economic empowerment has added another element to the reasons for listing a company.

Kevin de Villiers, CEO of Arcay Investments, says many companies are using their listings on the Alternative Exchange (AltX) as a way to put their black economic empowerment (BEE) credentials in place.

“At the same time as listing they will bring in an appropriate empowerment partner or increase the level of existing black ownership in the company so that the listed entity meets the trade and industry department’s requirements.”

Another trend is that older family businesses are using listings as a longer term exit strategy, though this is seldom provided as the main motivation.

“This is a healthy trend that is bringing a number of quality companies to the exchange.”

Byron Nichles, director at Bridge Capital, says there has been a steady improvement in the size and quality of companies listing on AltX.

Nichles says a reason is that advisers are being more quality conscious and selective when it comes to the companies they are prepared to take to the market.

Many of the last 20 AltX listings have been in the construction sector, he says.

“The construction boom and governments planned expenditure on infrastructure makes the sector very attractive.”

Nichles says many companies use their listings to bring BEE partners on board to gain access to government projects.

“Many new listings obtain additional benefit by using them to attract and retain key talent and to acquire smaller players to obtain skills and execution capacity.”

He says the fact that construction companies are trading at p/e’s of more than 20 makes listing attractive. “Many investors have seen their investment universe shrink as private equity deals have delisted companies, and they are looking for somewhere to put their money.”

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