



All MBOs should look like this.

Ethos Puts the pleasure back into fast foods

Ethos has sold its Fund III interest in the Wimpy and Whistle Stop brands to Steers Holdings Limited. The enterprise value of the deal is R150 million, and concludes a process started in 1996 when Ethos bought control of Pleasure Foods from Anglovaal. Earlier this year, Ethos sold the two Pleasure Food brands, Jucy Lucy and Milky Lane, to Ola a division of Unilever.

The 1996 deal was a classic management buyout. The business has sustainable cash flow, experienced management and a strong market position although the brands were a little jaded.

The buyout and subsequent financial restructuring of Pleasure Foods gave the management team strategic freedom to succeed in rejuvenating the existing brands and developing new brands, thus enabling Pleasure to outperform its direct competitors during Ethos' investment period.

Despite a low level of general economic activity over that investment period, and in the face of global branded business competing in the South African marketplace, the group increased its number of stores from 375 to 558 and improved EBIT by 160 percent.

Ethos partners with quality management teams to invest in business with strong growth potential. The Pleasure Foods transaction is an example of Ethos' proven ability to arrange meaningful exits when the circumstances so demand, during a period of depressed M&A activity.

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