

ETHOS

PRIVATE EQUITY



A hard act to follow...

We tapped into Cobra's great potential.

Ethos has sold its majority interest in Cobra Watertech, South Africa's pre-eminent supplier of taps and plumbing products.

The Cobra transaction is a classic demonstration of the power of private equity at work. The opportunity to purchase the shareholding arose from Cobra's multinational owner deciding to refocus on its core business. This enabled Ethos, together with Cobra's management, to acquire a majority stake in one of South Africa's best-known brands that also had a dominant market share.

Management were freed up to focus on operational and cash flow improvements, which swiftly generated substantial cash flows, enabling further leverage in the business and resulting in early returns of capital to the shareholders. Cobra's marketing profile was revitalised and this, together with the uptick in the construction sector, positioned the business to take advantage of the overall growth in the South African economy.

The exit was driven by rapid changes in the plumbing market as a result of the strong rand and increased quality in low-cost imports. Cobra needed to change its business model and channels to market in order to maintain its competitiveness. These changes were best achieved by merging Cobra's activities with the activities of JSE-listed Dawn (Cobra's largest customer and a major distributor of tap and plumbing products).

The merger will remove duplicated overheads and enables Dawn to give more focus to the