

ETHOS

PRIVATE EQUITY



"That's show business."

34% annual compound growth - that gets everybody listening

Ethos Fund III has sold its majority stake in Western Cape radio station Kfm to a consortium comprising Nail subsidiary New Africa Media Holdings (NAM) and Western Cape empowerment group Broadcape Investments. NAM has acquired 70% of the station, with Broadcape increasing its shareholding from 10% to 30%.

The privatisation of six regional radio stations owned by the South African Broadcasting Corporation (SABC) during 1996 provided Ethos with the perfect opportunity to enter the broadcasting industry. Ethos had been targeting radio stations with the foresight that regional broadcasters had great potential to grow in the wake of restructuring that was taking place in the industry. The Ethos led consortium comprised Ethos, management, and empowerment partners IPG Radio, Broadcape, and Brimstone Investment Corporation.

Ethos partner Danie Jordaan says: "We chose to invest in Kfm because it was one of the fastest growing radio stations in the SABC stable and showed potential for further growth".

Lewis Skweyiya from IPG Radio was appointed non-executive chairman and says the three empowerment partners Brimstone Investment Corporation, Broadcape and IPG embody the perfect mix of social demographic representation, skills and industry knowledge.

"Kfm has performed extremely well since it was privatised, having delivered a 34% compound growth in operating profits", says Ethos partner John van Wyk. As a direct result of private equity investment, transaction wealth has been created for both management and the empowerment groups, one of which is now able to increase its participation in media investments.

Since 1992, eleven of Ethos' investments have incorporated significant black ownership participation, accounting for 40% of Ethos' investments during this period. Fourteen empowerment groups have participated in these transactions.

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