

## WESTJEWEL? A LITTLE GEM

VENTURE CAPITAL FUNDER Stratcorp believes it has broken its duck with regard to notching up returns from small, unlisted companies. While a surfeit of small/venture capital unlisted companies have successfully tapped the public for funding over the past six years not one has managed a tangible return to shareholders. It's a shocking statistic and one that ensures a veil of scepticism hangs over the industry.

CEO David Harington says that low-key project Westjewel (a jewellery wholesale company) has generated tangible returns for its shareholders, paying its first R1,2m distribution to linked unit holders late last year.

That's an achievement that small, unlisted hopefuls such as Vanguard, Lazeron, Agave Distillers and others have not been able to emulate.

Essentially, Stratcorp, which specialises in funding start-up projects, raised the capital necessary for Westjewel to buy out Cape Town-based jewellery company Richard and Carol's in November 2004. While Westjewel is showing encouraging progress, it's a pity that the positive rub-off on the unlisted venture capital market may be limited. Harington says that Westjewel attracted more than 8 000 investors.

The company is controlled by Keystone Corporations (48%) with directors, management and an employee trust owning another 43%.

Harington takes heart from the Westjewel experience. "They're a simple operation with solid prospects. Westjewel did a R20m turnover in its first nine months of trading, generating profits of R1,5m." The early successes at Westjewel may also have much to do with the Richard and Carol's operation being well established with a trading history of nearly two decades.

While success (by Stratcorp and others) in notching up returns for shareholders in classic unlisted venture capital businesses is still proving elusive, Harington believes that the funding on "more established" businesses provides a balance to funding activities. "We'd like to work on a one-to-three ratio when it comes to considering funding projects for established companies and start-up companies."

Harington says that Stratcorp, whose share price has lately meandered weakly on the JSE, has "seven or eight" funding projects in the pipeline. "With lack of adequate funding being the biggest issue affecting unlisted start-up companies previously, we're not looking at less than R10m per project."

Finweek understands that Vanguard, a grape packaging technology company, is one unlisted venture ready to re-approach the public for second round funding to expand operations.

Stratcorp's current major project is a R16m fund-raiser for APMI Holdings, the technology company marketing the automated pool maintenance system called PoolCop. Harington believes that Stratcorp will comfortably find funding for its R8m portion of APMI's fund-raising exercise.

Naturally, if APMI can notch up returns in the Westjewel mode (and Finweek, as always, remains sceptical) then Stratcorp's fund-raising efforts will be a cinch.

By the same token, if recent high profile projects such as Vanguard, Lazeron, Agave and APMI don't deliver to their prospectus forecasts, the renewed enthusiasm for unlisted venture capital projects will quickly evaporate. In the interim, uncovering another Westjewel or two would really help Stratcorp's cause in 2006.