

Tale of two vehicle recoverers

TWO vehicle recovery companies – both with strong roots in the Western Cape – are seeing major changes in ownership.

Stellenbosch-based industrial giant Remgro indicated last month that it had entered into discussions concerning the possible sale of its 34.5% stake in Tracker.

Remgro was instrumental in founding Tracker in the mid-eighties, and has helped build the business into a formidable force in installing vehicle tracking systems for the recovery of stolen vehicles in SA.

With Remgro's backing Tracker has grown to – according to the company's website – 'by some margin the largest recovery fleet on the continent'.

Tracker can also claim the most recoveries in the world – with its technology recovering almost 300 000 stolen and hijacked vehicles throughout the world. (In SA alone, Tracker has recovered nearly 50 000 vehicles in only 13 years), more than any other tracking company in Africa.

Globally there are around 2 million Trackers fitted to vehicles throughout 30 countries – SA accounting for around 30% of this number.

These are impressive numbers, which begs the question of why Remgro

is considering selling its stake in Tracker.

In truth, Tracker – which generated revenues of R1.25 billion and operating profits of R339 million in the year to end December 2010 – is relatively small in Remgro's life.

Perhaps there is also a tacit acknowledgement that Tracker is reaching maturity, and that further gains in profit will be a hard slog.

Remgro would bank at least R1.2 billion for its stake in Tracker. But who would the buyer be? Currently FirstRand (Wesbank to be exact) holds a 36.5% stake in Tracker with 29.4% belonging to the Mine-workers Investment Corporation (MIC).

Whether the other shareholders are keen buyers, or are also keen to sell out is not clear at this juncture.

MiX Telematics, which was developed and nurtured in the unlikely surrounds of Franschoek by Control Instruments, is experiencing something completely different.

Recently logistics giant Imperial Holdings snapped up a strategic 26% stake in MiX – a deal that speaks volumes about the vehicle tracking technology that has been developed in Stellenbosch.

MiX, albeit somewhat smaller than Tracker, is

a fairly sizeable operation with turnover of R886 million and operating profits of R117 million. Like Tracker, MiX also earns much of its keep globally, boasting customers in 111 countries (accounting for more than 40% of total revenue).

Imperial have a reputation for making really smart acquisitions, and they clearly are not buying MiX just to ensure their fleets are kitted out with tracking devices. It would seem there are expectations for MiX to profitably extend its global footprint quite rapidly in the next few years.

And that is where MiX's design and product engineering facility could come in.

MiX CEO Stephen Joselowitz says significant new resources have been added in the Stellenbosch facility. "This will accelerate speed of new products to market, improve innovation, and ultimately enhance our competitiveness."

One suspects that while Remgro looks keen to relinquish its hold on Tracker, it would not be surprising if Imperial was to grab more equity in MiX.

It's an interesting dynamic, and only time will tell which of these heavyweight investors has made the correct call on vehicle tracking.