

Consolidated Steel Industries saved as creditors collectively owed over R1 billion approve business rescue plan

Two thirds of workforce - 500 jobs - saved, business rescue plan completed within 25 days and business restructured for a sustainable future

Johannesburg, Wednesday 9 September 2020 – One of South Africa’s leading independent construction materials conglomerates Consolidated Steel Industries (CSI) has had its business rescue plan adopted, with the plan having been approved by more than 98% of creditors present and voting.

As part of the approved plan, post-commencement finance worth R257 million was negotiated with CSI’s biggest creditor to help ensure continuity of operations while the company completes its restructuring in the months ahead.

CSI comprises the established brands Global Roofing Solutions (GRS), one of the largest and oldest metal roofing and roofing accessory manufacturers in South Africa and Stalcor, one of the top three distributors of stainless steel and aluminium products in the country.

“Since the CSI management team and board made the decision to enter Business Rescue on 13 July 2020, we have acted with speed to proactively protect our customers’ interests and save as many jobs at CSI as possible. Business rescue is not liquidation – and with the business rescue practitioners we took the protection from creditors afforded to us and used that breathing space to ensure the business could come out of this process stronger and better equipped to serve customers,” said Chris Ransome, Chairman of CSI.

“Critically, since the lifting of the Stage 4 Lockdown, CSI’s trading activity has resumed at between 50% and 60% of pre-Covid-19 levels, which is a gratifying early result of our restructuring efforts and the faith our key customers took in us to turn this business around,” Andrew Winter, CSI’s Group CEO emphasised.

CSI grew rapidly in the years prior to 2020, but a slowing South African economy and the Covid-19 pandemic with the resulting shutdown of the construction and steel fabrication industries created a significant liquidity issue. In June 2020, the company was facing the depletion of its cash resources by the end of August 2020.

“Just eight weeks ago, with CSI straining heavily under the burden of the weak economy and Covid-19, the outlook for creditors was a lot bleaker than it is now. Through rapid strategic cost cutting, margin improvement and re-negotiation of debt we have created a new, leaner business that is cash flow positive and can sustainably grow,” said Ian Fleming, joint business rescue practitioner and CEO of Engaged Business Turnaround.

“We believe it is critical to move very fast and very effectively in order for business rescues such as CSI to work. To this end we strive to publish the business rescue plan within the 25 business days prescribed by the Companies Act. We achieved this goal with CSI, and furthermore implemented some very robust turnaround interventions from the outset which enabled the company to turn cash flow positive in less than 3 weeks from commencement of business rescue. This level of operational effectiveness enables us to commence the rebuilding of the company as soon as the business rescue plan is approved by creditors,” stated Fleming.

“The management team and the business rescue practitioners were not going to walk away from this business without fighting for its survival. We pulled in a team of experts to save the company and avoid mass retrenchments and in so doing managed to preserve around 500 out of 769 jobs. In

implementing the plan we believe we will achieve the best deal possible for creditors and employees and have placed CSI in a strong and sustainable position to continue serving key customers,” said Sello Mkhondo, joint business rescue practitioner and part of the management team of Engaged Business Turnaround.

Since commencement of the business rescue process there has also been significant interest generated in the purchase of the various business units and the African subsidiaries and associates. Stakeholders will be notified in due course of the progression of these processes. Deloitte Corporate Finance have been appointed to manage this process and are engaging with the various interested parties.

About CSI

CSI comprises the established brands Global Roofing Solutions (GRS), a business dating back to the 1950's and currently one of the largest metal roofing and roofing accessory manufacturers in South Africa and Stalcor, established in the 1970's, one of the top three distributors of stainless steel and aluminium products in the country.

About Engaged Business Turnaround

Engaged Business Turnaround was established in 2016 as a highly effective turnaround operation providing stakeholders with assurance that their exposures are managed in their best interests, in order to achieve the most favourable possible outcome for them under the circumstances.

A multi-disciplinary business turnaround and rescue team, Engaged is headed up by experienced businesspeople and entrepreneurs holding inter alia CA (SA), MBA, LLB and PhD qualifications. Between them they have extensive turnaround experience, having built successful businesses of their own and either managed or played key roles in the restructuring and turnaround of diverse entities, in both a proprietary and consulting capacity.

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