

Savvy hi-tech entrepreneurs strut their stuff ▶ **INNOVATIONS**

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# Man of steel

How the elusive  
tycoon built SA's biggest  
unlisted company

SA: R13,50 inc Vat  
Namibia: N\$19,50 excl Vat



Eric Samson



## HARD FACTS

### Macsteel Service Centres SA

- 50 service centres in SA and 18 in the rest of Africa
- Turnover R7bn
- More than 5 000 employees
- Sales of 1,2 Mt

### Macsteel Service Centers USA

- 30 service centres around the US
- Turnover over \$1,8bn
- 1 500 employees
- Sales of 1,8 Mt

### Iskoor Metals & Steel

- Turnover of \$250 000
- 375 employees
- Sales of 200 000 t

### Macsteel International Trading, MUR Shipping and Kumba joint venture

- Turnover of \$6bn
- 425 employees
- Operates a fleet of 90-130 ships

01 September 2006

Macsteel

STEELY RESOLVE

By Heather Formby

SA's self-made tycoon presides over a company with a bigger sales turnover than De Beers

**Eric Samson showed** signs he would make a great businessman while still at school. After a cake sale at Parkview Junior, the principal announced that Samson had raised the largest amount of money ever from selling biscuits and sweets - £19, 9s, 6d.

That was nearly 60 years ago. Since then the Macsteel Holdings co-chairman has applied his entrepreneurial skills to building a formidable empire in steel manufacturing and trading, and shipping, with a global footprint. He now presides over the biggest unlisted company in SA - bigger by sales even than De Beers.

Samson's success is an extraordinary story of a man who started his business life at the age of 19 - armed with no more than a matric certificate from Parktown Boys' High - selling wire and steel products for his father. Today he runs a company with turnover of almost US\$9bn (De Beers had sales of \$7,1bn last year). This puts Macsteel in the same sales league as listed companies Bidvest and Sasol and makes it

twice the size of Pick ' n Pay or Sappi and four times the size of Nampak.

Macsteel's products are used across SA industry. Every SA company that makes anything out of steel is likely to be supplied by Macsteel. That goes for steel roofing, fencing, construction companies, or even washing machine manufacturers.

"He has built a gigantic, world-class business without going public. No other SA businessman has done that. I can't think of a better businessman," says Cyril Ramaphosa, a member of Macsteel Holdings' board.

What makes Samson's story all the more remarkable is that he has built his empire below the radar. He has kept out of the public eye, mainly because Macsteel is an unlisted company.

This means that, unlike listed companies, Samson doesn't have to tell anybody anything. The company does not have to disclose profits to the public or declare dividends.

But that explains only part of why so little is known about the man and his company (analysts the *FM* spoke to admitted to having scant information but were intrigued to know more). Samson has seldom given interviews - the last was to an online newsletter of the Metals Service Center Institute in February 2005.

This lack of exposure seems to have more to do with an aversion to the limelight than a dislike of the media. "We've never needed the glorification. We have simply got on with our business," he says.

Samson agreed to an interview with the *FM* ahead of a large black empowerment deal due to be unveiled this week (see box on page 27). In the first interview of its kind, he agreed to talk about how he had built Macsteel into an SA giant and a global player.

"I earned all my business degrees through my father's business," says Samson, who is now 67.

Within a few years of joining his father's wire and steel business, he defied his father's wishes by selling fencing material directly to farmers rather than acting as an agent. "My father thought this was a recipe for bad debts and would tie money up in inventory," says Samson. "But an agent is reliant on commissions and I wanted to be the master of my own destiny."

In two years, his side of the business was bigger than the original business and Samson knew it could grow even faster. He says he realised very early on that steel was the future.

"I could see so many opportunities in that field because of strong demand. In the wire

business we were dependent on the agricultural sector, whereas steel had a far wider spread."

Spotting a gap in the market, and the thrill of doing deals and taking calculated risks, have been the hallmarks of Samson's style ever since. (He admits he promised his wife he would retire 12 years ago but for him the lure of a great deal has become addictive. "I love negotiating a deal," he says.)

Samson made his first bold expansion move at the age of 27, when he formed a joint venture with steel products retailer S Machanick & Co. The deal gave him his first serious managerial job as joint MD, as well as a sales network that covered almost the entire country.

He soon realised that more money could be made through steel stockholding, where the margins were higher. So he bought land in Wadeville, south of Johannesburg, where Macsteel is headquartered to this day, to begin Machanick Steel & Fencing.

Nine years after the Machanick deal, Samson went on to buy out the family and created Macsteel. The deal was done "with the help of the banks" and left him owning 100% of the company.

The buy out cemented Samson's way of making acquisitions, of which there were dozens more to come.

"I've always tried to borrow from the banks rather than raise capital on the stock market," Samson says. "We've never needed to list. We've ploughed back our profits and funded our own expansion."

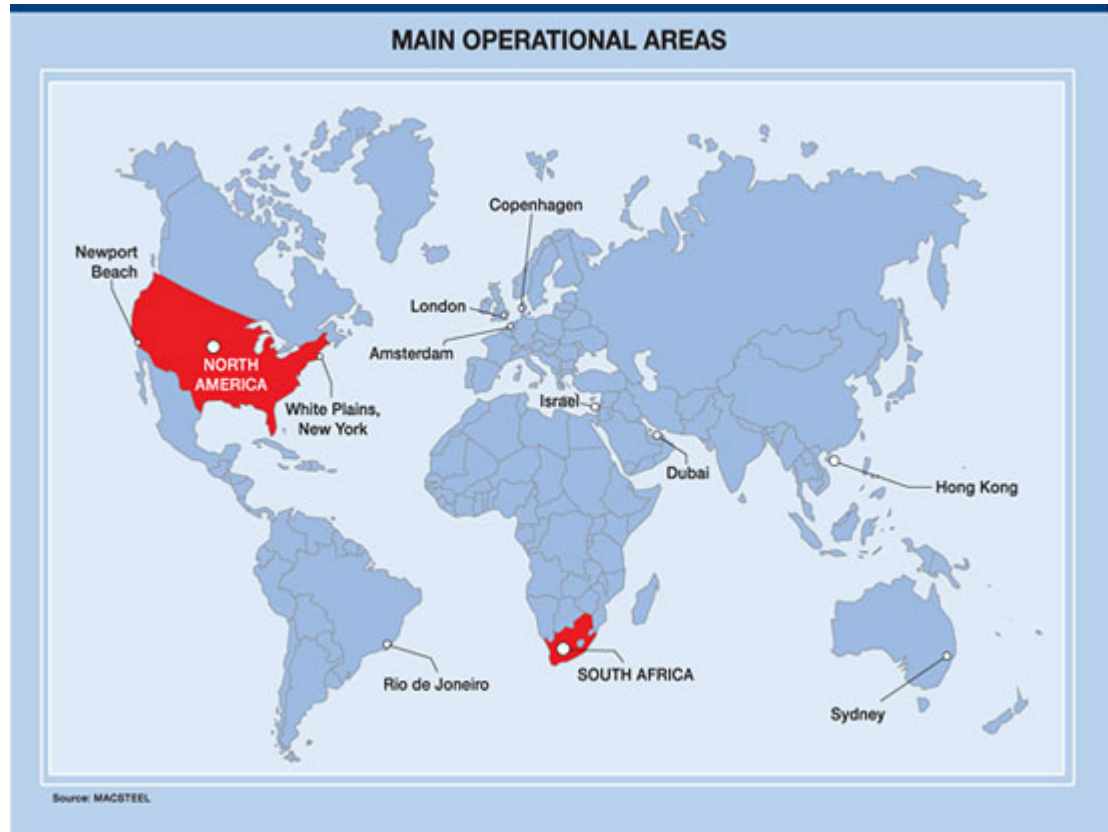
The political turbulence of the mid-1970s prompted Samson to make his next bold move. He began looking for opportunities abroad.

"After the Soweto riots in 1976 I had the feeling that we should spread our risk globally," he says.

Samson describes venturing internationally as "probably the biggest highlight of my business career."

In 1977, Macsteel opened trading offices in Houston in the US and in London. This was the beginning of a global march which was to propel Macsteel into the big league.

Apart from its SA activities, Macsteel today has steel service centre businesses in the US and Israel.



Service centres are the link in the supply chain connecting steel mills to manufacturers. Steel mills and other metal producers make metal in specific sizes and grades. Service centres process the metal and sell it to manufacturers in a readily usable form.

Samson also owns a steel trading business with Mittal SA, called Macsteel International, which in turn owns a shipping group, MUR Shipping.

In total the Macsteel business manufactures, trades in and ships more than 32 Mt of steel and commodities a year.

Macsteel Service Centers USA is now one of the top 10 service centre businesses in America and is Macsteel's largest operation. It has more than 30 service centres turning over \$1,8bn and selling 1,8 Mt of steel a year. It employs nearly 1 500 people. Its biggest competitors in the US are Ryerson (which had revenue of \$4,5bn in the first nine months of 2005), Reliance and Olympic.

The two companies that put the US business on the map were a large warehousing and processing operation, Ferro Union , which covered the US west coast , and Edgcomb Metals, which extended the group's reach to the east coast.

Macsteel acquired its service centres in Israel when, in 1988, it bought 49% of

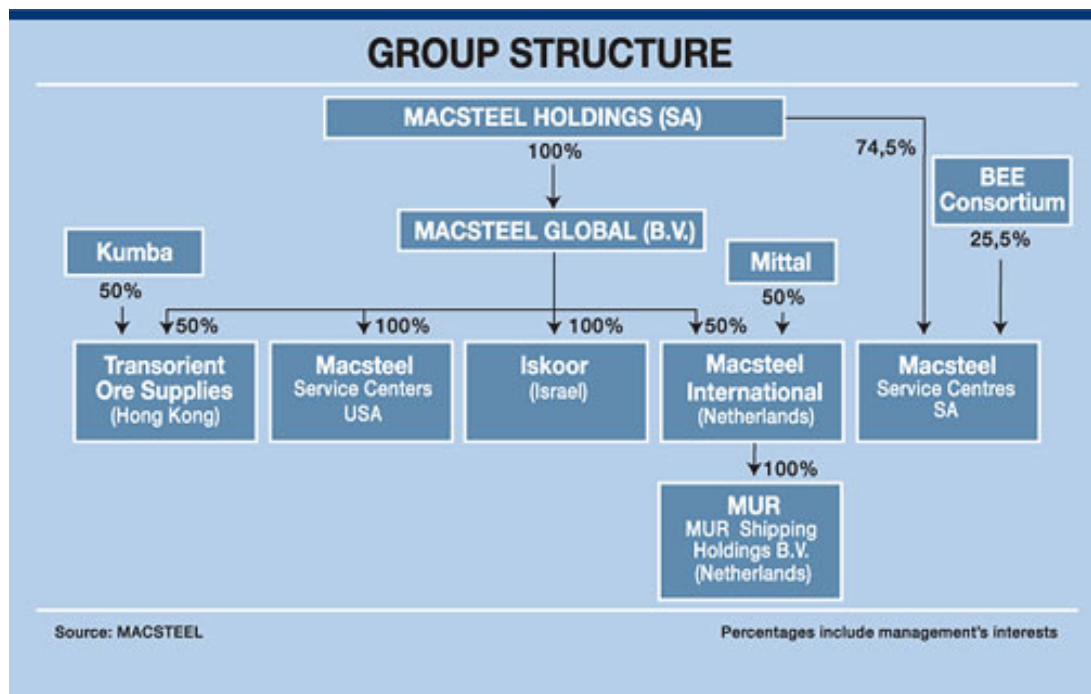
Iskooor, a service centre joint venture between Iscor and Israeli conglomerate Koor Industries. Soon afterwards Macsteel bought the remaining 51%.

Foreign expansion remains a pillar of Samson's strategy. The group is looking for opportunities in Dubai and Eastern Europe, though Samson sees the US offering the greatest opportunity .

"The US market is the most fragmented and the biggest in the world for service centre growth. We see it as the future. Unlike in Europe, mills in the US don't like to own service centres."

Samson says he devotes much of his time to growing the US market, where he spends about four months a year. "We're looking at buying some smaller companies there to complement our existing business."

Samson's ability to expand abroad was possible only because of the solid base he had built over more than two decades back at home. Today Macsteel's local service centre business is the largest in SA. It sells 1,2 Mt of steel, has a turnover of R7bn and employs almost 5 000 people. Its major competitor is Trident, with a turnover of R5bn.



A milestone in Macsteel's growth here was its takeover of SA's biggest commodity trading company, Leo Raphaely & Sons, in 1982. It bought the trading group because of its contract with Iscor, the then state-owned steel giant, which allowed it to market Iscor's steel to the Far East.

This was a significant chunk of Iscor's exports and combining this with Macsteel's own contract to export Iscor's steel to the South American market helped position it to become Iscor's (now Mittal SA) sole exporting partner.

In a deal struck in 1995, Iscor and Macsteel shared joint control of Macsteel International, a trading company which now markets all Mittal's steel around the globe. Mittal has the benefit of earning 50% of the total profits, which include those earned from trading non-Iskor products. Originally non-Iskor tonnages were substantially greater than Iskor products. Now, tonnages vary from year to year.

Macsteel International's arrangement with Mittal has brought Samson into conflict with SA's competition authorities. The deal is part of a simmering controversy about Mittal's steel prices, which are being discussed in the competition tribunal. Mining company Harmony has called for the arrangement between Mittal and Macsteel International to be dismantled, and Macsteel International has been drawn into the battle.

Samson's keen eye for a gap in the market led to the creation of MUR Shipping, which started as a service to the trading business. "Because of the vast quantities of steel being sent to the Far East through our relationship with Iscor, it was an obvious sector to become involved in," he says.

MUR Shipping, which is headquartered in Dubai, owns and charters ships and has between 90 and 130 operating at any time. It is one of the top five operators of dry bulk vessels in the 16 000 t-60 000 t bracket in the world, with steel now comprising only 18% of total cargo. Other commodities transported range from granite and timber to coal, coke and fertilizer .

Samson's success hasn't gone unnoticed. He was recently honoured by the Metals Service Center Institute, an international trade association in the US, and given a lifetime award as a steel industry pioneer.

As a pioneer, he is still involved in the strategic direction of the business but says he leaves the day-to-day work to his "trusted" colleagues, led by Jack Gerber (Macsteel Holdings co-chairman), Michael Hoffman (Macsteel Service Centers US president and CE), Leon Price (CE, Macsteel International), Oscar Goldstuck (CFO, Macsteel Service Centres SA) and Michael Pimstein (CE, Macsteel Service Centres SA).

Significantly, the members of Samson's top team have been with him for many years. Gerber, for example, has been with the group for 25 years, Hoffman for 23 and Price since the purchase of Leo Raphaely 14 years ago. All are South African but live and travel all over the world.

What will happen to Macsteel when Samson eventually decides to retire is a moot point.

The Samson family owns 100% of Macsteel Holdings, the group holding company. Executives, directors and managers have shares in the subsidiaries.

Samson says he hasn't decided what will happen to the company once he retires. The group has been in the hands of his executives for some time and he doesn't see that changing for now.

It will be difficult for any of them to repeat his success and, possibly more importantly, to emulate his style. A friend of the tycoon describes him as "kind and generous". Ramaphosa says he regards Samson "as a giant of SA business. He's not ruthless. He's kind, he's modest and he's humble."

Samson is known for having good relationships with everyone, from the store man upwards. "I've tried to keep in touch with people, but as we've got bigger, it has become more difficult," he says. "I believe people are our biggest asset ."

One of the people Samson admires most is Nelson Mandela . . . "the greatest statesman in the world . . . I have a very close friendship with him and admire what he's done and is still doing. We can all learn a lesson from him - to forgive but not forget."

Samson is a philanthropist and donates funds mostly to causes supporting education and health care . Ramaphosa attests to his generosity to a variety of causes. Says Samson: "I believe the more you give, the more you get." He also gives to the aged, because, as he puts it: " If you forget the old, you forget yourself."

Describing his personal credo, Samson says: "No money in the world can buy honesty and loyalty."

Samson says he'd like to spend more time with his family: his wife, who is also on the board of Macsteel Holdings, his three children and his nine grandchildren. His son, Jeffrey, is on the board of the US business and lives in California, while his two sons-in-law are involved in the SA business.

But, from the tone of the interview, it's clear he's not ready to give up doing deals - just yet.