

FINANCIAL

Andre Redinger: The man who almost bought ISG

23 SEP 2024 | BY COLIN MARRS



Andre Redinger

Andre Redinger has a lot to say. Via a video call, he speaks to *Construction News* from his South African homeland less than 24 hours after ISG, the company he spent six months trying to buy, announced it was filing for administration. The previous evening, ISG chief executive Zoe Price told staff by email that the deal had fallen through because the buyout vehicle jointly run by Redinger – Antipodean Holdings – could not “satisfy the funding needed to recapitalise the business”. Rudinger’s account of the deal’s demise is somewhat different.

Redinger tells *CN* that his involvement with ISG began when one of the contractor’s former employees approached his business partner, Peter Overton, suggesting the firm as a potential acquisition target. A bid for one of the UK’s largest construction firms might seem an unlikely move for someone born into a fourth-generation sugar and timber business in KwaZulu-Natal. Millhouse, the firm Redinger has run since 2009, provides food fortification products within sub-Saharan Africa. Profits are funnelled into two philanthropic organisations aimed at tackling malnourishment in the region.

Despite his lack of experience in UK construction, Redinger says he was intrigued by the opportunity to turn around a well-known firm within the relative stability of the UK economy. “Our Rand [South African currency] is very volatile. So I was looking at creating and adding value in a jurisdiction where the currency is strong and stable, where the laws exist, legislation is strong, and rights are strong.”

Redinger says he initiated talks in February with William Harrison III, chief executive of ISG’s owner, Texas-based Cathexis. “We were told ‘this would be the price that could work,’” he says. The acquisition was to be funded via a mix of Rudinger’s private funds and credit from merchant banks.

A process of going through the complicated set of books of ISG and its subsidiaries followed, in an attempt to calculate how much working capital would be required to get ISG onto a sustainable footing. “I’ve spent over £3m on due diligence alone,” Redinger claims. However, the longer his team dug into the company’s finances, the more Redinger became convinced that ISG needed far more working capital than originally anticipated.

“I was concerned that the for-profit businesses such as the fit-out business, which is a good brand, were carrying the weaker businesses. I would say intercompany loans played a role. And then, of course, the fact is that revenue was not matching trade commitments. [The gap between] what was owed and what was coming in the hole was large.”

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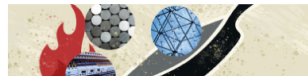
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He formed the view that ISG was highly constrained by the financial relationship with its parent company. "ISG is very much collateralised by Cathexis, so it wasn't allowed to really grow in any way. It wasn't allowed to raise its own funding."

This financial arrangement led ISG to effectively rely on subcontractors to finance operations, Redinger believes (seemingly unaware that the practice is far from rare in the UK). Despite his mounting concerns, Redinger remained hopeful about a deal, believing that with the right financial restructuring, ISG could be put on an even keel.

Deadline

An informal deadline for a deal had been set for August. In July, ISG's chairman Matt Roche **told staff that the company's sale would be completed "within days"**. But Redinger was not ready to sign on the dotted line. "I sat there and started looking at the numbers and started going, 'Wait, I'm not here on certain things'. It was very obvious that the hole was bigger than we ever thought, and it required a rethink and a new proposal."

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In August 2024, Redinger came back to the negotiating table with a revised offer. This significantly lower bid was not welcomed by ISG, Redinger says. "I think because it took so long for me to come back, it could have been perceived as a counterplay. Or maybe the perception was that I didn't have the funds. Who knows what they were thinking?"

"I was spinning across more comfort saying, 'Guys, this can be done. We can get this over the line.' I got a few responses. They were just acknowledgements. But no phones were being answered like they used to be. No calls were being taken. No messages were being responded to. It just died. It literally died."

A statement released by EY following its appointment as administrators for the ISG subsidiaries disputes this version of events. It said: "While there has been misleading speculation surrounding the potential sale in the last few days, we wish to be clear to employees, suppliers, and customers that it was not possible to conclude a sale as the potential purchaser could not, despite repeated requests of them to do so, adequately demonstrate that they had the funding needed to recapitalise the business and keep it solvent."

Statement from William Harrison and Cathexis Holdings

William Harrison and Cathexis Holdings dispute Mr Redinger's version of events. They stated that Mr Redinger's conduct denied them the opportunity to find an alternative purchaser for ISG. They made clear to Mr Redinger the level of funds needed to recapitalise ISG, but stated that the prospective purchasers were unable to demonstrate the funding necessary for the purchase and recapitalisation of the business.

The mysterious 'silver fox'

Redinger's goal had been to implement a "disciplined turnaround plan" which he claims would have transformed ISG's fortunes. "We were not looking at this as a quick turnaround solution and leave. We were looking at this as a long-term play," he says.

He is coy, however, about giving away details of the plan. "We wouldn't share our business model, because it's very different to what was being done and it might still happen. We might have to find a new company in the UK to achieve that. But what excited us was that we knew the new business model would create a stronger asset base, and a much better EBITDA."

Redinger does, however, reveal one intriguing detail about his intentions for ISG. An agreement to chair the contractor had been made by a "very notable, experienced individual in the UK...who's very senior".

"I would prefer not to mention him, because I haven't got his permission to mention him," Redinger says. "But I thought it through, and what I needed was someone really comfortable with the construction industry as well as relationships, knowing government well, knowing the private sector well, knowing the big boys, affable, approachable, well experienced. So a bit of a 'silver fox'. We were honoured to have him agree, and then that would have also been a great benefit to the company."

Alongside the chairman, Redinger also identified "some short-term options" to fill the chief executive role. Overton, who has worked in construction in Australia, would have been installed on the board. He envisioned a hands-on "accountability system where senior management are actually on the ground with their boots on, looking at the construction sites, where we were in touch with our people".

The collapse of the deal leaves these plans unfulfilled.

Mind matters

Redinger says his background amid the Zulu culture, and the socio-economic challenges of post-apartheid

South Africa, shaped his values. "Growing up in a Zulu environment, my understanding of community and my sensitivity to, you know, community and communal care is hyper, is sensitive, as well as the understanding of deprivation. I have a lot of the baggage that we carry and process in our country, and it sensitises me very much to the working class and workers," he says.

One aspect of Redinger's plan for ISG focused on employee wellbeing, specifically mental health, he says. In South Africa, his businesses have integrated mental health initiatives into their operations, and he hoped to bring similar programmes to ISG. "One of my biggest wishes was to bring my mental health units into ISG and offer mental health services to the staff," he says. "It's not just about the bottom line. It's about humanity."

Redinger expresses regret over the fate of the 2,000 ISG staff who are now left without work. "I'm really sad for them," he says. "I do know whoever I spoke to when I did my due diligence was how committed they were, how proud they were of their work, how good the work was. The brand was because of them. Each site had a community and a special story. My heart goes out to them."

His sympathy extends to the senior management team at ISG, who he says were "desperate" for the deal to succeed. "I feel for them. I have compassion for them. They all belong somewhere. They all have families. I don't know why they stopped talking to me, but I'm not willing to just throw a stone at them."

Earlier in his life, Redinger gained a degree in industrial psychology. Perhaps this helps explain his reluctance to criticise the actions of his negotiating partners at ISG. "It's human nature," he says. "I honestly don't take it personally. I don't hold any bad feelings other than the deepest wish that this would have worked. I wish it would have somehow got over the line."

This article was updated on 10 October 2024 with the statement from William Harrison and Cathexis Holdings

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