

Pioneering Transformative Growth beyond the Pandemic

NEF Mandate...

Established by the
National Empowerment Fund Act No. 105
of 1998, the NEF is an agency of ***the dtic*** and
is a driver and a thought-leader in promoting and facilitating
black economic participation through the provision of financial
and non-financial support to black-owned and managed
businesses, as well as by promoting a culture of savings and
investment among black people.

The only DFI exclusively mandated to grow B-BBEE

NEF funds across all sectors of the
economy from R250 000
up to R75 million

The NEF's strategic outcome-oriented goals

1. To provide finance to business ventures established and managed by black people.
2. Invest in black empowered businesses that have high employment creating opportunities
3. Support the participation of black women and youth in the economy
4. Maximise support for township and rural economies.
5. Facilitate investment across all provinces in South Africa
6. Encourage and promote savings, investment and meaningful economic participation by black people
7. Advance black economic empowerment through commercially sustainable enterprises
8. Establish the NEF as a financially sustainable DFI in South Africa.



The strategic planning framework...

Broad Based Black Economic Empowerment The Codes of Good Practice

**NEF Act:
Objectives**

**the dtic
Objectives - Industrial
Policy Action Plan**

NEF Sectors

Tourism; Construction & Materials; Agri-processing; Transport; ICT & Media; Mining Services; Franchising, Property; Energy; Services; Creative Industries; 4th Industrial Revolution; Financial Services; Food & Beverages; Engineering; Manufacturing; Automobile; Printing; Retail; Clothing & Textiles etc

Government Priorities:

- 1) Acceleration of economic growth and transformation, creating decent work and sustainable livelihoods;
- 2) Infrastructure development to achieve social and economic goals and rural development;
- 3) Skills and human resource development;
- 4) Build a developmental state and improve public service.

NEF Sectors in line with national industrial objectives

Life to date performance milestones

	Output	Achievements
1	Approvals	<ul style="list-style-type: none"> Approved 1058 transactions worth more than R10.61 billion across the country.
2	Disbursement	<ul style="list-style-type: none"> Over R7 billion has been disbursed to these companies since inception.
3	Integrity	<ul style="list-style-type: none"> Secured clean external audit opinions for 17 years running.
4	Supporting jobs	<ul style="list-style-type: none"> Since inception, the number of job opportunities supported is 101 183 of which 68 989 were new.
5	Industrialisation	<ul style="list-style-type: none"> 24 strategic and industrial projects worth R12.5 billion, with the potential to support over 52 000 jobs. 75% of the transactions are at an advanced development stage. Since inception 3 600 job opportunities have been created.
6	A culture of savings & investment	<ul style="list-style-type: none"> In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women.
7	Investor education	<ul style="list-style-type: none"> Reached approximately 87 632 people in villages and townships through 322 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets.
8	Entrepreneurship training / incubation	<ul style="list-style-type: none"> Business skills training provided over 3808 potential entrepreneurs who attended 398 seminars from 2012 to date.
9	National footprint	<ul style="list-style-type: none"> Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit.
10	Collections	<ul style="list-style-type: none"> Over R3.7 billion has been repaid by investees.

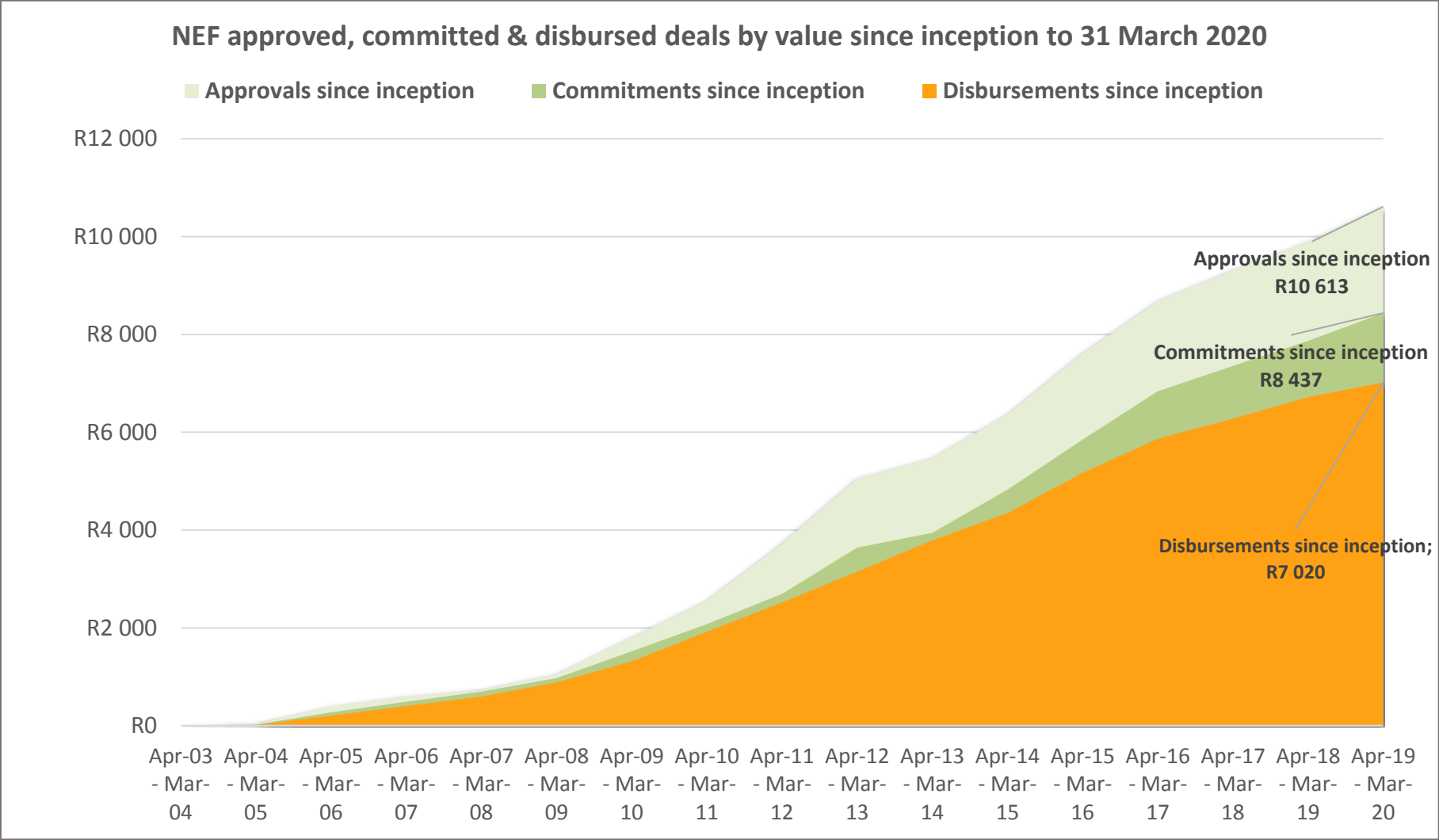
Annual NEF Approvals, Disbursements and Commitments

Year	Approval (R millions)	Commitments (R millions)	Disbursements (R millions)
Apr-03 - Mar-04	R 5.00	R 5.00	
Apr-04 - Mar-05	R 30.00	R 20.00	R 12.70
Apr-05 - Mar-06	R 357.00	R 251.00	R 192.90
Apr-06 - Mar-07	R 205.00	R 219.00	R 199.00
Apr-07 - Mar-08	R 128.00	R 203.00	R 192.10
Apr-08 - Mar-09	R 329.00	R 279.00	R 288.10
Apr-09 - Mar-10	R 749.20	R 548.50	R 429.20
Apr-10 - Mar-11	R 749.30	R 552.10	R 608.00
Apr-11 - Mar-12	R 1,162.23	R 620.17	R 597.00
Apr-12 - Mar-13	R 1,332.00	R 946.00	R 632.00
Apr-13 - Mar-14	R 418.00	R 303.00	R 636.12
Apr-14 - Mar-15	R 895.00	R 879.00	R 562.00
Apr-15 - Mar-16	R 1,248.00	R 1,028.00	R 819.00
Apr-16 - Mar-17	R 1,067.00	R 982.00	R 699.00
Apr-17 - Mar-18	R 634.00	R 521.00	R 411.00
Apr-18 - Mar-19	R 576.06	R 513.05	R 437.00
Apr-19 - Mar-20	R 726.51	R 566.86	R 304.00
Total	R 10,611.30	R 8,436.67	R 7,019.12

PERFORMANCE SINCE INCEPTION

- To date the NEF has approved over R10 billion to black entrepreneurs.
- Committed transactions have exceeded R8 billion in value.
- Cumulative disbursements currently sit at over R7 billion.

Cumulative NEF Approvals, Disbursements and Commitments



NEF Investment Funds

	uMnotho	iMbewu	Strategic Projects Fund	Rural and Community Development	Women Empowerment Fund
Objectives	Provides capital for expansion of businesses, the buying of shares in white-owned businesses or funding new ventures	<ul style="list-style-type: none"> • Supports start-up businesses • Provides capital for the expansion of small enterprises 	Funds the development of projects through stages of projects	Supports the development and growth of a rural economy in rural communities, which is achieved by the mobilisation of structures such as cooperatives	• Supports businesses that are more than 50% owned and managed by black women
Products	<ul style="list-style-type: none"> • Acquisitions • New Ventures • Expansion • Capital Markets • Liquidity and Warehousing 	<ul style="list-style-type: none"> • Franchise financing • Procurement/ Contract • Entrepreneurship funding 	<ul style="list-style-type: none"> • Venture Capital funding structures • Development of Black Industrialist funding in strategic sectors 	<ul style="list-style-type: none"> • New Ventures • Business Acquisition • Expansion 	The product offerings cut across all products provided by the different Funds
Range	Funding ranges from R2 million to R75 million	Funding from R250 000 to R15 million	Funding up to R75 million	Funding ranges from R1 million to R50 million	Funding from R250 000 to R75 million

Non-Financial Support



Pre-investment

As the first-point-of-contact the unit provides product advisory services, manages the online business-plan solution, manages the administration of applications, incubation and entrepreneurial training.



Socio Economic Development

Empower black people in existing NEF transactions and other broad based groups through various interventions such as promotion of saving and investments, social facilitation, entrepreneurial training, investor education, corporate governance training and market access for the acceleration of meaningful participation.



Post-investment support

Monitor investments, provide ongoing portfolio management, manage mentorship support and collections as well as legal compliance



Turnarounds, Workouts and Restructuring

Rehabilitate distressed transactions and reduce impairments Through a combination of measures including balance sheet restructuring, equity and /or working capital injection, operational restructuring, introduction of a strategic equity partner and / or turnaround specialist and business rescue.

NEF's Performance and Investment Criteria...

“The Empowerment Dividend”

The assessment of impact is not driven only by financial returns but by measurement in terms of “The Empowerment Dividend” made up as follows:

- Broad Based Black Economic Empowerment
- Ownership, management control, employment equity etc.
- Black Women Empowerment
- Job Creation
- Growth Sectors
- Geographic Spread
- Investment Return



Sectors Funded by the NEF

	Government Sector Focus	Examples of NEF Investment Breakthroughs
1	Black industrialists	Create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested about R900m in developing projects (with a total of 24 projects currently under development) with a total of 5 operational businesses that have created over 3600 jobs and leveraged over R4 billion of third party funding.
2	Support SMEs	A dedicated fund that has supported entrepreneurship, procurement & franchise funding, as well as business planning, incubation, training and mentorship support. To date, NEF disbursed over R1.6 billion into the support of 454 small and medium enterprises.
3	Township & Rural Economy	A dedicated fund that supports businesses in rural areas and townships. The businesses are in various sectors including property (shopping malls), petroleum sector (petrol stations) and tourism. To date the NEF disbursed over R2.1 billion in support of entities in rural and township economies.
4	Property	To respond to the market failures of low ownership of property by black businesses, the NEF introduced the property funding product to contribute to transformation of the sector. To date the NEF has approved over R372 million in the property sector. These investments are expected to contribute in job creation, infrastructure development, addressing the lack of student accommodation and supporting government's economic stimulus and recovery plan. In the past year alone, the NEF approved approximately R150 million in this sector, leveraging close to R600 million in third-party funding.
5	Tourism	The NEF continues to invest in community-owned hotels and lodges to drive the growth of the tourism sector. This includes investments in tourist attraction projects like the Graskop Gorge Lift, a flagship project that will drive tourism development in the Panorama Tourist Route in Mpumalanga, and is the first of its kind in Africa. To date the NEF has disbursed over R251 million into this sector and continues to identify opportunities in partnership with the Department of Tourism.
6	Affordable housing	In partnership with various industry stakeholders, supported the construction of several social housing, student accommodation and related projects. To date, NEF invested over R272 million in this sector.
7	Agro-processing	Supported beneficiation investments across the agricultural value chain such as processing of castor oil, fruit juices, condiments etc. To date, NEF invested over R316 million in this sector.
8	Energy	Invested over R885 million in service stations countrywide, 40% of which are owned and managed by black women.

NEF COVID-19 Black Industrialist Business Fund Milestones



Received a R200 million endowment from **the dtic** for concessionary funding of black businesses to manufacture and supply healthcare products and essential foods, in fighting the COVID-19 pandemic.



Over **R207 million approved for 33** transactions comprising R166 million from *the dtic's* endowment and R41.2 million from the NEF's balance sheet.



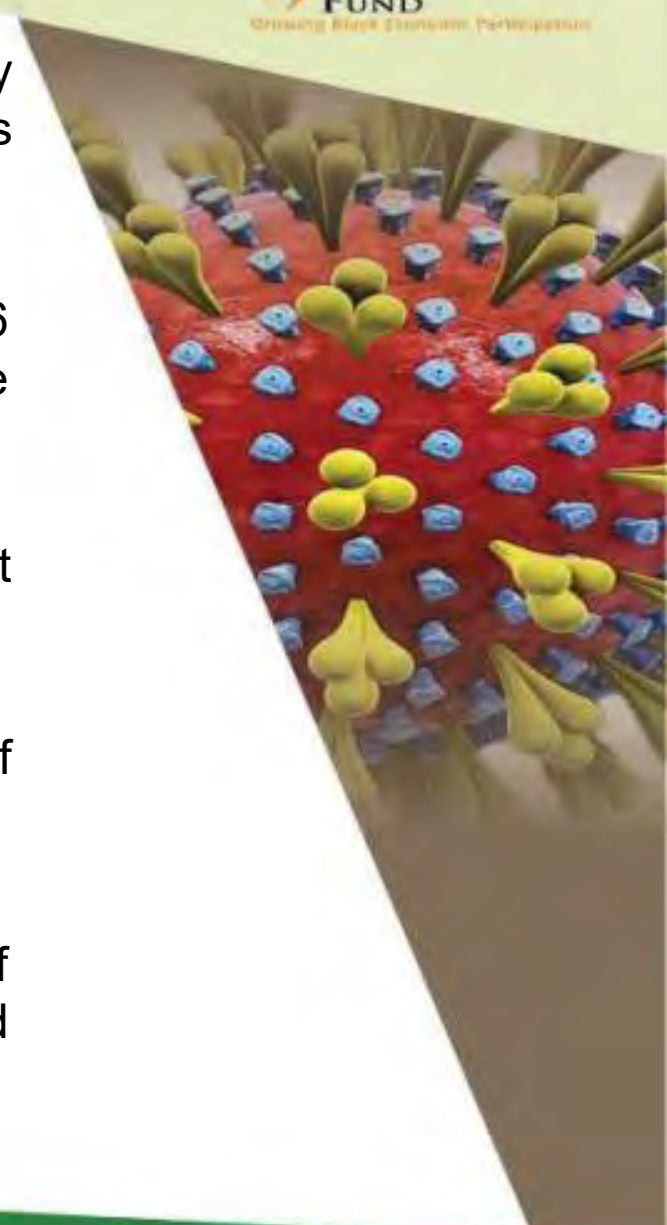
As at 22 September 2020 the Fund had received 395 applications valued at more than R2.1 billion for equipment and working capital.



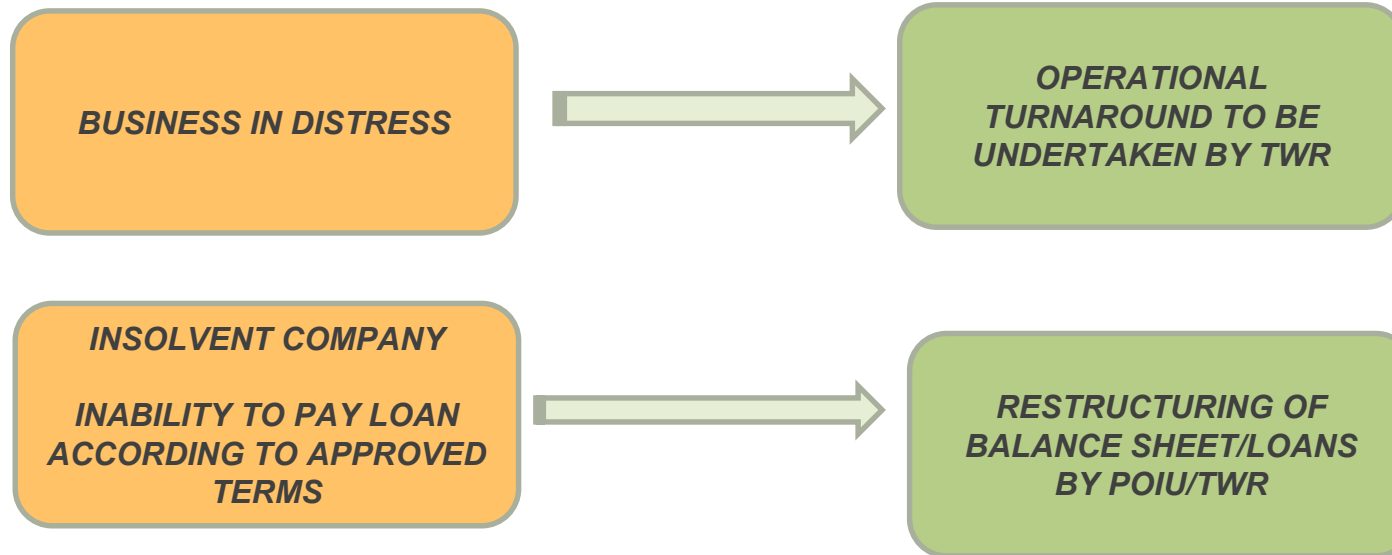
Shortened turnaround times to ensure disbursement within 2 weeks of approval.



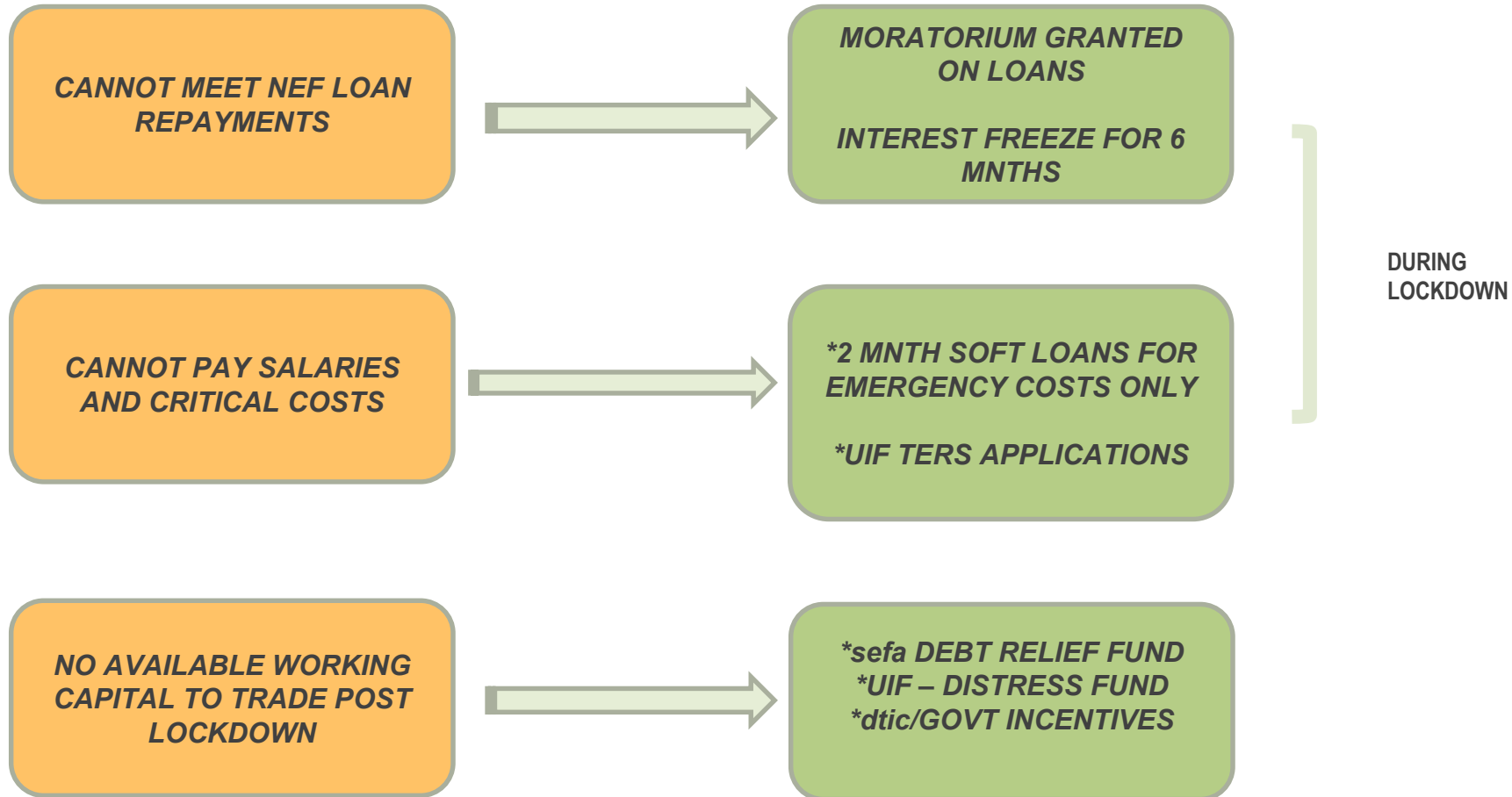
Declined applications comprised objectives not related to COVID-19, lack of requisite track-record with healthcare products, focus on distribution instead of manufacturing and incomplete documents.



NEF Covid 19 Initiatives



NEF Covid 19 Initiatives



R50 million COVID-19 Relief Measures for NEF investees

- NEF granted 47% of existing investees a loan repayment holiday for a period of up to three months from **April to June 2020**.
- This was to help safeguard the sustainability of the businesses whose operations had been affected by the lockdown.
- This amounted to a total **R30 million** postponement in capital repayments. In addition, NEF granted a zero rating on interest for these eligible investees over the same period, which will result in a total **R20 million** benefit for the clients.
- Total COVID-19 relief package amounted to **R50 million**.
- These concessions ensured that when the lockdown was eased, the businesses were not confronted by an ominous debt obligation.

Ongoing Support to NEF Investees

- The NEF continues to provide ongoing support to its investees in the form of mentorship, post investment and back office support.
- The investees are provided with financial relief in the form of interest and capital repayment moratoriums on a case by case basis.
- **The NEF has submitted a proposal to the National Treasury via the Department of Trade, Industry and Competition (the dtic) for an allocation in the amount of R200 million.**
- If the above allocation is approved, it would be used for supporting investees who have been adversely affected by COVID-19.
- The support would be in the form of working capital support to finance the businesses to enable them to return to normal operations and to retain jobs that have been lost as a result of COVID-19.



OVERVIEW OF NEF FUNDING



Empowering the Black Youth (2010-2020)

Youth Sector Focus ▾	Amount Approved ▾	Active Deals ▾	Jobs Impact ▾
Arts & Culture	21,398,500	3	1570
Services	61,145,553	7	535
Energy	88,843,000	13	448
Construction	7,300,000	2	258
Mining	13,000,000	1	93
Property	78,369,002	4	83
Retail	12,622,000	5	81
Food & Beverages	13,792,529	6	68
Manufacturing	35,101,240	5	64
Agro Processing	15,750,000	2	47
Transportation	16,136,718	3	30
Tourism & Entertainment	4,051,859	2	17
Distribution	5,000,000	1	6
Engineering	6,500,000	1	1
Total	379,010,401	55	3301

- Young Entrepreneurs have increasingly found expression through the funding of the National Empowerment Fund.
- Creative industries have proven to be a great factor for unlocking broad-based impact with the number of jobs created per funds invested proving to be a great catalytic factor for the NEF.
- The Youth Owned Business portfolio has proven to be as diverse as it is sustainable with investments across numerous industries.

Black Women Owned Businesses -(2010-2020)

Financial year	Value Approved Transactions	Number of Approved Transactions
2020	R84 628 553	5
2019	R161 913 736	16
2018	R125 370 874	15
2017	R200 806 627	21
2016	R235 943 610	34
2015	R187 851 238	28
2014	R23 125 000	3
2013	R129 532 003	21
2012	R135 443 683	22
2011	R81 422 727	15
2010	R17 283 526	6
TOTAL	R1 383 321 577	186

- In the past 11 years the NEF approved black woman-owned transactions worth over **R1.3 billion**.
- Total volume approved transactions is **186**.



NEF Investments in the Fuel Sector

- Within the NEF's franchise portfolio, service stations rank as the most vibrant and successful both commercially and in terms of the repayment trends to the NEF.
- Relationships have been created with the various petroleum companies in line with the NEF SME Strategy that seeks to leverage the technical expertise provided by the oil companies for the benefit of black and women-owned enterprises.



R885 million



110 fuel stations



3 473 jobs



31% successful exits



44% women-owned



R100 million
guaranteed

Success attributes:

- ❖ Hands-on approach by the owner
- ❖ Location is very critical
- ❖ Branding – new and revamped sites
- ❖ Continuous marketing with stakeholders
- ❖ High volume-based forecourt
- ❖ New developments in the area
- ❖ Non-financial support
- ❖ NEF personnel continuous monitoring & advice



bp



CALTEX



sasol
reaching new frontiers



TOTAL

Supporting Tourism

- In June 2018 the Department of Tourism signed an MOU with the NEF to establish the Tourism Transformation Fund (TTF).
- NDT will transfer R120 million to the NEF over a 3-year period to transform the tourism sector.
- The NEF has funded various lodges and hotels within the tourism industry throughout the country:
 - **Total approved is over R372 million.**
 - **Secured R52 million in 3rd-party funding from the Department of Tourism.**
 - **Over 950 jobs supported as a result of investments made in the sector.**
- The impact of these transactions have influenced social and infrastructure development in the respective communities:
 - Road Infrastructure
 - Housing
 - Retail and Shopping Centers
- The transactions have been structured such that the local communities become shareholders in the funded facilities.



Rural and Township Economies

- The NEF also drives black economic empowerment by supporting the growth of township and rural economies, where the majority of the NEF's target market resides.
- Over **R2.1 billion** has been invested in the development of businesses in townships and rural areas, having supported 18 989 jobs, with the majority of beneficiaries being women.
- Black-owned shopping malls, hotels, social housing developments, student accommodation, procurement, franchises, clothing and footwear manufacturers, among many others, including converting existing spaza shops into mini supermarkets that can compete with established retailers, constitute some of the investments made.

Examples of Township Property Sector

Name of Investee	Location	NEF Commitment	Jobs Created	Black Women Ownership
Something Nice Market	Western Cape	1 730 000	22	49%
BVN Market Store	Gauteng	1 430 000	16	0%
Matlala's Market Store	Gauteng	1 550 000	22	0%
Eden Park Market Store	Gauteng	1 395 000	14	100%
		6 105 000	74	

Examples of Rural/Township-based enterprises

Name of Investee	Location	Total Project Cost	NEF Commitment	Number of Beneficiaries	Jobs Created	Black Women Ownership
Umlazi Mega City	KZN	51 800 000	51 800 000	450	2500	60%
Qumbu Shopping Centre	Eastern Cape	55 226 000	48 886 000	350	235	60%
Willowvale Shopping Centre	Eastern Cape	26 421 000	23 321 000	17	120	33%
Eyethu Mall	Gauteng	500 000 000	50 000 000	40 000	1101	60%
		633 447 000	174 007 000	40 817	3 956	

Human Settlement

- Out of a University student population of approximately 530 000, there is currently only enough student accommodation for 100 000 students.
 - Less than 10% of 1st year university students can be accommodated
- Technical and Vocational Education and Training (“TVET”) colleges have over 710 000 college students, only with 10 120 beds
 - Colleges can provide accommodation for only 1.4% of students
- Increase in accommodation costs** - poorer students will increasingly find themselves in tough competition with those who can afford to pay for the cost of accommodation.
- Limited land for development** at Universities
- By 2030, to meet the enrolment targets set out in the Post School Education and Training policy and the National Development Plan, **an extra 400 000 beds would be needed.**

Below is a sample of the housing projects funded by the NEF:

Total Project Cost	NEF Commitment	Number of Beds	Jobs Created	Black Women Ownership
52 159 000	33 375 000	308	128	50.4%
232 545 000	50 000 000	1062	490	0%
50 025 253	34 530 961	264	255	35%
390 588 517	48 000 000	1168	1151	25,10%
49 327 000	25 705 000	106	366	100%
120 330 000	32 176 000	312	321	0%
894 974 770	223 786 961	3 220	2 711	35%

Creative Industries & Media

- In 2015, global revenue from cultural and creative industries accounted for 3% of the world's Gross Domestic Product (GDP), or a total of \$2 250bn. It also created a total of 29.5 million jobs worldwide, or 1% of the world's actively employed population.
- South Africa is aligned with this trend where in 2014, according to some early mapping of the sector, the country's creative economy contributed over R90.5bn to the national economy and contributed 2.9% of the GDP, exceeding, for instance, the contribution of agriculture to GDP (2.2%). In 2014, the industry accounted for 2.9% of employment in South Africa, equating to 443 000 jobs.
- R390 million creating over 2300 jobs since inception to date.

Below is a sample of the creative industries & media funded by the NEF:

Name of Investee	Location	Total Project Cost	NEF Commitment	Nature of Business	Jobs Created	Black Women Ownership
Long Walk to Freedom	KZN	296 097 916	50 000 000	Movie	799	0%
Power 98.7	Gauteng	132 736 522	75 121 416	Media	107	0%
SkyRink Studios	Gauteng	240 442 291	40 000 000	Production Studios	114	0%
Sew Winter into my skin	Western Cape	12 500 000	3 500 000	Movie	37	50%
Diprente	Gauteng	8 412 000	7 612 000	Animation Studios	140	0%
		690 188 729	176 233 416		1197	



Logistics

- South Africa is home to the farthest-reaching and highest-quality transport network on the African continent, which is good news for aspiring transport entrepreneurs.
- For decades the country's extensive road, air, rail and sea links have underpinned economic and social development not only in the domestic market but through the region as a whole.
- As with all sectors of the economy, however, transportation and logistics remain largely untransformed.
- The NEF has invested R385 million in the sector, which comprises 3,27% of the invested portfolio. NEF investment has supported 3101 jobs.
- 14% has benefitted black women entrepreneurs.

Below is a sample of the logistics businesses funded by the NEF:

Name of Investee	Location	Total Project Cost	NEF Commitment	Nature of Business	Jobs Created	Black Women Ownership
APM	Gauteng	79 050 000	45 000 000	Passenger Transport	179	6%
AB 350	Eastern Cape	23 668 000	12 268 000	Passenger Transport	501	23%
Desert Oil	Western Cape	50 000 000	37 390 122	Wholesale Fuel Retailer	31	0%
Gibela Rail	Gauteng	300 000 000	90 000 000	Train Manufacturing	31 121	60%
Bapo Transport	North West	176 571 000	65 928 000	Passenger Transport	174	30%
		629 289 000	250 586 122		32 006	



Construction

- The construction sector plays a powerful role in South Africa's economic growth and this is in addition to producing structures that add to productivity and quality of life.
- This sector is also labour-intensive and operating at full capacity, a sizeable number of the nation's workforce are active.
- Construction is the NEF's largest funded sector, with investments in excess of R785 million, which comprises 14.41% of the total invested portfolio. NEF investment has supported 6205 jobs, and 29% has benefitted black-women entrepreneurs.

Below is a sample of the construction projects funded by the NEF:

Name of Investee	Location	Total Project Cost	NEF Commitment	Nature of Business	Jobs Created	Black Women Ownership
Motheo Construction	Randburg	62 783 000	62 783 000	Construction	1150	52%
Comberero	Midrand	29 144 963	25 850 000	Concrete Pumping	85	100%
Stutt Brick	Stutterheim	30 000 000	28 634 438	Manufacturing	271	60%
Crowie Holdings	Sandton	50 000 000	50 000 000	Construction	480	0%
Inca Western Cape	Cape Town	46 260 000	46 260 000	Manufacturing	225	0%
		218 187 963	213 527 438		2211	42.4%



Building the economy, brick by brick



Construction of 312 social housing apartments in Kempton Park, Ekurhuleni, to be known as *Kempton Village*. Its scale and magnitude, developmental essence and the entrepreneurial spirit that birthed it, define the courage and vision of the NEF and its co-funders.

SUPPORTING BLACK INDUSTRIALISTS

Industrialisation Focus and Objectives

Creation of new manufacturing and industrial capacity.

Creation of new jobs as opposed to replacement capital finance.

Investment of new fixed capital into economically depressed areas or poverty nodes.

Creation of an inclusive economy by increasing industrial investment participation of black businesses.

Increase RSA export earning potential and reduce import dependence.

Increase co-investment and linkage with foreign direct investment.

Black Industrialists supported (2010-2020)

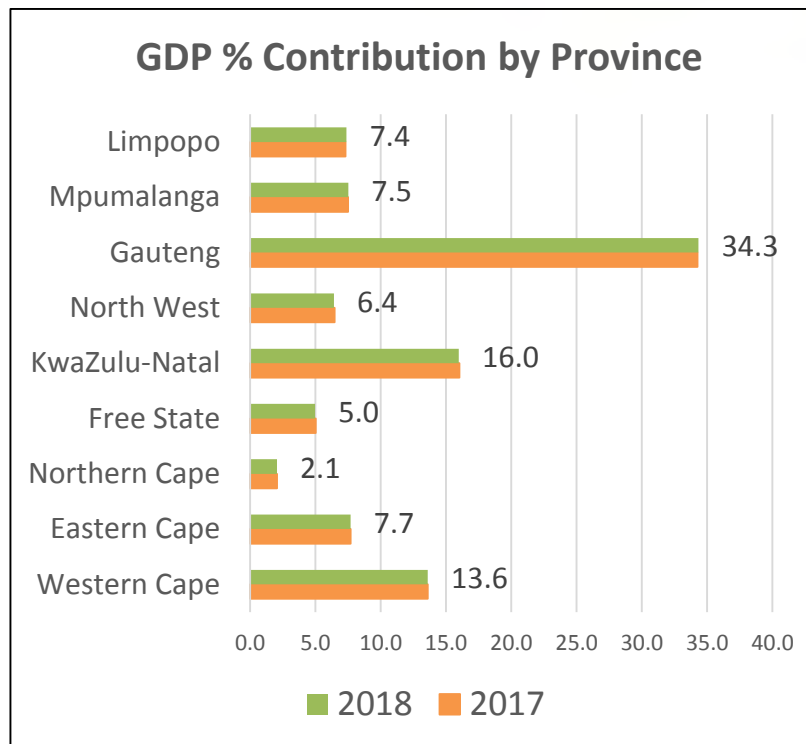
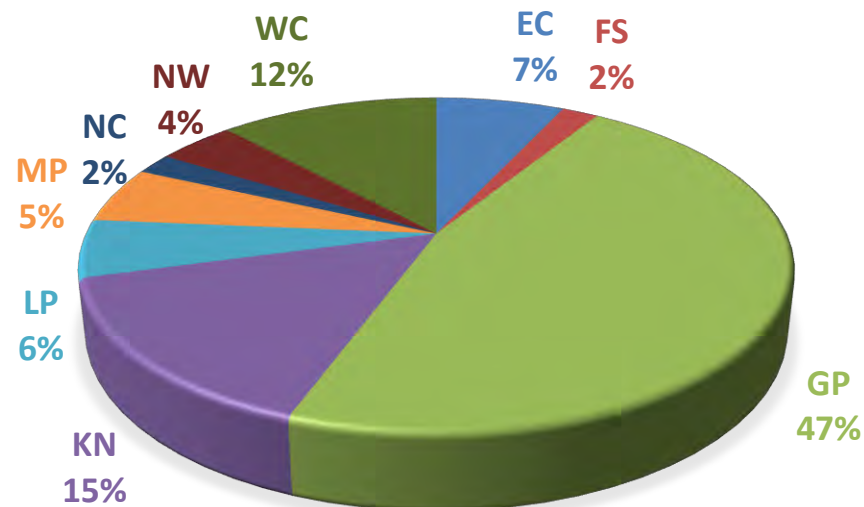
Financial Year	Value of Approved Transactions	Number of Approved Transactions	Jobs Supported
2020	R604 659 745	60	3 498
2019	R500 413 206	57	5 273
2018	R528 188 074	71	7 653
2017	R572 649 381	76	2 954
2016	R1 096 375 777	130	20 626
2015	R842 546 561	84	6 393
2014	R398 099 787	22	6 522
2013	R891 541 859	98	16 571
2012	R915 795 966	92	10 455
2011	R569 105 633	52	6 723
2010	R783 238 793	53	4 554
TOTAL	R7 702 614 781	795	91 222

- In the past 11 years the NEF approved transactions worth over R7.7billion.
- **Since 2015 the NEF has supported 478 BI's through approvals of R4.1 billion.**
- Total volume approved transactions is 795.
- Total number of jobs supported is 91 222.
- The NEF has crowded in third-party funds of over R3.1billion.

Black Industrialists supported (2010-2020)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Services	51,380,001	80,395,000	43,128,504	202,169,144	156,400,000	147,032,750	127,696,658	183,335,688	37,390,827	19,270,600	68,397,697	1,116,596,869
Energy	23,960,000	38,132,000	128,582,000	118,986,380	46,405,000	183,621,223	65,760,464	62,721,215	122,402,000	57,790,000	38,610,000	886,970,282
Construction and Materials	250,000	57,350,501	110,075,998	91,923,406	45,638,730	73,053,019	146,404,752	67,745,000	79,700,000	49,000,000	-	721,141,406
Manufacturing	4,619,871	15,595,000	81,875,965	91,150,000	50,411,057	96,634,200	96,285,500	47,210,000	77,966,983	22,992,336	36,711,000	621,451,911
Retail	1,200,000	54,833,500	79,060,500	98,315,245	-	10,242,610	63,901,610	36,333,488	74,671,870	70,945,000	88,740,000	578,243,823
Property	-	50,000,000	700,000	6,600,000	-	86,255,323	57,880,986	-	81,964,394	141,398,310	49,299,193	474,098,206
Agro Processing	44,500,687	46,241,030	125,471,759	45,889,952	-	10,100,000	126,700,000	18,100,000	-	-	34,011,850	451,015,278
Media	170,010,000	31,900,000	50,000,000	76,244,000	-	5,000,000	84,276,944	-	8,500,000	13,568,500	-	439,499,444
Engineering	133,520,049	9,300,000	143,000,000	17,420,000	-	35,650,585	47,480,000	7,950,000	-	29,902,410	-	424,223,044
Transportation	30,000,000	51,945,563	5,000,000	9,375,210	95,945,000	15,960,032	73,293,750	75,429,408	5,820,000	-	47,411,750	410,180,713
Tourism and Entertainment	96,705,358	-	9,666,960	56,299,158	-	-	33,400,000	9,831,832	-	38,316,487	128,016,560	372,236,355
Mining Industry	10,000,000	50,000,000	33,500,000	8,500,000	2,100,000	87,568,169	35,309,000	2,000,000	13,000,000	15,000,000	35,446,033	292,423,202
Food and Beverage	53,403,632	11,211,300	38,048,200	21,154,234	-	46,208,650	30,898,610	16,678,750	10,907,000	5,725,000	2,000,000	236,235,376
Chemicals & Pharmaceuticals	-	17,200,011	53,500,000	-	-	45,220,000	-	-	-	8,520,000	1,250,000	125,690,011
ICT	50,001,000	-	-	7,215,130	-	-	39,820,000	4,500,000	480,000	5,000,000	14,875,000	121,891,130
Maritime	71,380,000	9,800,000	-	-	-	-	-	-	-	-	-	81,180,000
Distributors, Dispatchers and Processors	-	-	-	30,800,000	-	-	7,580,000	17,736,000	3,535,000	5,000,000	-	64,651,000
Financial Services	-	25,002,510	12,000,000	1,000,000	-	-	-	8,050,000	-	3,485,000	15,000,000	64,537,510
Motor Industry	-	2,672,734	2,186,080	-	1,200,000	-	27,487,473	-	350,000	-	15,950,000	49,846,287
Arts and Culture	-	10,000,000	-	-	-	-	-	-	-	14,499,563	23,940,662	48,440,225
Textiles	-	-	-	8,500,000	-	-	17,200,030	-	-	-	5,000,000	30,700,030
Printing and Publishing Services	22,308,195	7,526,484	-	-	-	-	-	-	-	-	-	29,834,679
Wholesale	-	-	-	-	-	-	-	12,788,000	10,000,000	-	-	22,788,000
Equipment Rental and Leasing	20,000,000	-	-	-	-	-	-	-	-	-	-	20,000,000
Education	-	-	-	-	-	-	15,000,000	2,240,000	1,500,000	-	-	18,740,000
Total	783,238,793	569,105,633	915,795,966	891,541,859	398,099,787	842,546,561	1,096,375,777	572,649,381	528,188,074	500,413,206	604,659,745	7,702,614,781
Provincial Split	20	20	20	20	20	20	20	20	20	20	20	Total
GP	364,663,661	304,949,256	271,920,229	390,276,234	107,305,000	274,642,240	553,015,906	191,626,670	325,169,204	301,738,976	279,684,954	3,364,992,330
KN	219,309,574	26,726,484	314,634,698	120,567,941	4,700,000	60,049,250	131,289,030	151,965,838	55,190,870	37,031,765	29,112,253	1,150,577,703
WC	142,715,520	41,350,000	82,816,978	65,447,210	174,913,000	60,346,232	90,256,000	33,709,408	17,050,000	36,600,055	39,011,000	784,215,403
EC	49,500,038	114,017,563	70,150,000	110,540,100	44,138,730	156,722,323	31,631,500	24,290,000	40,295,000	6,140,000	39,930,000	687,355,254
LP	-	53,664,000	74,263,000	43,762,374	-	102,689,750	64,323,610	12,260,000	19,100,000	50,000,000	67,694,856	487,757,590
MP	3,500,000	17,448,330	53,121,358	36,638,000	14,445,000	64,201,565	105,890,000	20,451,000	41,548,000	45,602,410	62,927,110	465,772,773
NW	3,550,000	3,000,000	28,278,000	10,000,000	-	94,205,201	71,038,506	111,380,715	17,970,000	1,700,000	56,631,949	397,754,371
FS	-	-	4,750,000	99,945,000	10,000,000	29,690,000	21,443,752	11,965,750	8,330,000	6,600,000	20,000,000	212,724,502
NC	-	7,950,000	15,861,703	14,365,000	42,598,057	-	27,487,473	15,000,000	3,535,000	15,000,000	9,667,623	151,464,856
Total	783,238,793	569,105,633	915,795,966	891,541,859	398,099,787	842,546,561	1,096,375,777	572,649,381	528,188,074	500,413,206	604,659,745	7,702,614,781

Geographic Split Life to Date



- The NEF has supported Black Businesses throughout the length and breadth of the country.
- As a development financier the NEF has prioritised the provinces with the smallest GDP contribution to spread the empowerment dividend countrywide more effectively.

Qualifications Statistics

No	Qualification	Number
1	Chartered Accountants	15
2	Master's degree	17
3	Engineers (additional 3 holds Master's degree)	4
4	Honours degree	22
5	Bachelors degree	39
6	LLB degrees (8 are admitted attorneys)	9
7	Advanced Diploma	1
8	Diplomas	20
9	Certificates	30
10	Abet	3
Total		160

Head Count – Core vs Support

	No.	Percentage
Core	106	66%
Support	54	34%
Total	160	100%

Average age of NEF employees is 39 years – maturing organisation

- **60% of the employee complement is female**
- **41% of MANCO is female**



NEF Financial Position

A Promise to Fund the Funder

State of the Nation Address, 21 May 2004, former
President Mr Thabo Mbeki:

“The National Empowerment Fund will announce new financial and non-financial empowerment products, within the next three months. In this context, we must bear in mind that Government has provided R1 billion for black economic empowerment during the current fiscal year, with R10 billion provided for over the next five years”.



Deployment of Trust Capital

Cash funds received from <i>the dti (at the time)</i>	R2.3 billion
Investment in listed shares (MTN) at cost	R171 million
Total Trust Capital	R2.4 billion
Net asset Value as at 31 March 2020	R3.6 billion
Net appreciation in assets since inception	R1.2 billion
In 2020 received support from the dtic for the NEF COVID Fund	R200 million

With the **R2.4 billion** total recapitalisation since inception, the NEF has **increased** its initial capital by 50% and delivered the following socio-economic benefits:

- Over **R10.6 billion** in approvals, **R7 billion** of which has been injected into the economy.
- **R3.4 billion** approved for the empowerment of black women.
- Over **101 183 jobs** opportunities supported.
- Provided financial and non-financial support to entrepreneurs across **all 9 provinces** of the country

NEF Capitalisation

1. Trust capital of R2,47 billion
 - cash transfers by National Treasury of R2.3 billion (awarded in 2005 and received over a 5 year period to 2010); and
 - allocation of MTN shares valued at R171 million (2002/3 financial year).
2. NEF Asonge Share Scheme (R1 billion raised through the retail offer) during the 2007/8 financial year.
3. Initially operating expenses supported through **the dti** (at the time) transfers of R322 million over a 5 year period to 2010.
4. Self-sustained through dividends, interest on investments and deposits, as well as ED Funding.
5. In 2020 received R200 million from **the dtic** for the NEF COVID Fund.



NEF Cash Balance

	Unaudited Actuals	Unaudited Projections
	Month	12 months
	31-Mar-20	1 April 2020 - 31 March 2021
Inflows	R	R
Bank balance	1 419 514 008	271 443 277
Collections	-	296 952 920
Dividends	-	56 505 244
Interest on cash Investments	-	48 391 345
Capital raising Fees	-	3 600 000
Enterprise Development Fund	-	5 200 000
Other income	-	1 150 000
Bad Debts Recovered	-	8 000 000
	1 419 514 008	691 242 786
Outflows		
Approvals	-	600 000 000
Commitments	723 037 181	-
Disbursement		
Cancellations		
Opex & Capex	-	252 167 205
Conditional Enterprise Development	425 033 550	
	1 148 070 731	852 167 205
Unencumbered cash	271 443 277	-160 924 419

Unlocking Third Party Funds

In partnership with other stakeholders, the NEF leveraged a total of **R782m** third party funding during FY 2018-2019

	uMnotho	iMbewu	RCDF	SPF	Total
Total value of funded projects	R952m	R61m	R18m	R135m	R1166bn
NEF funding	R304m	R34m	R8m	R37m	R383m
Third party funding	R647m	R27m	R10m	R98m	R782m
% funding leveraged	68%	44%	55%	73%	67%

- Average leverage of 60% across the Funds, with higher leverage in uMnotho and SPF (also driven by limited available capital for the NEF),
- NEF is a catalyst for unlocking economic value.

Life to date the NEF has leveraged third party funding amounting to R8.8 billion.



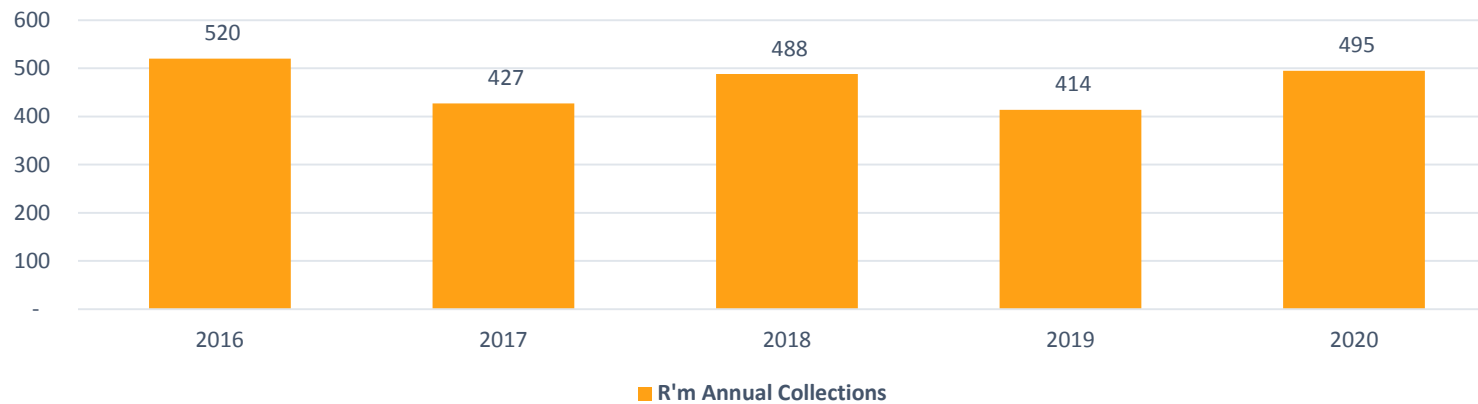
Annual Collections

Year	R'm Annual Collections
2016	520
2017	427
2018	488
2019	414
2020	495

Settlement agreements paid:

- Ubumbano R140m
- Matlosana R52m

Annual Collections
R'm



- Over R2,3bn collected during the last five years
- Effective portfolio management
- Culture of loan payments entrenched
- In 2016, the amount was high due to Busamed's part settlement of R196m

A partner trusted by many

No.	Funder	Launch Date	Total Funds Received	Primary Objective of Fund
1	Daimler Chrysler SA	September 2011	R4 800 431,26	To empower two former employees of Chrysler to start their own business
2	Dept. of Economic Development (WC)	August 2012	R40 302 775,00	Co-funding black entrepreneurs in the Western Cape
3	Bakwena Ba Mogopa	November 2012	R5 000 000,00	Co-funding black SMME's in the North West.
4	Evrax Highveld	December 2012	R2 000 000,00	Co-funding black SMME's participating in the steel and Vanadium value chain in Mpumalanga
5	Transalloy	December 2012	R250 000,00	NEF to provide funding on a 60:40 ratio to black suppliers participating in the ED Gas supply chain in Emalahleni.
6	Intersurgical	December 2012	R400 00,00	Co-funding black entrepreneurs in the Inter-surgical value chain
7	ED Gas	December 2012	R350 000,00	Co-funding black entrepreneurs in the ED Gas value chain
8	BPSA	February 2017	R53 000 000,00	Support black entrepreneurs to acquire filling stations
9	Bakgatla Ba Kgafela	March 2013	R5 000 000,00	Provide financial and non-financial support for SMME's and entrepreneurs in the community.
10	Dept. of Rural Dev. & Land Reform	March 2016	R583 222 424,57	Support farms workers to become land owners
11	Department of Sports Arts & Culture	September 2016	R75 000 000,00	Unlocking business opportunities in the arts and heritage sectors
12	Department of Tourism	March 2017	R120 000 000,00	Tourism Transformation Fund (TTF)
13	Nissan South Africa	March 2016	R5 305 900,00	Allocate business vehicles to black entrepreneurs
14	Transnet Port Terminals	April 2019	R15 000 000,00	To empower SME's operating within the Transnet value chain.
15	Bakubung	December 2019	R3 000 000,00	Empower SME's in host communities of Bakubung in line with the Enterprise and Supplier Development obligations of the SLP.
16	City of Ekurhuleni Metropolitan Municipality	December 2019	R33 000 000,00	Invest in SME's conducting business within the City of Ekurhuleni
	Total		R945 631 530.8	

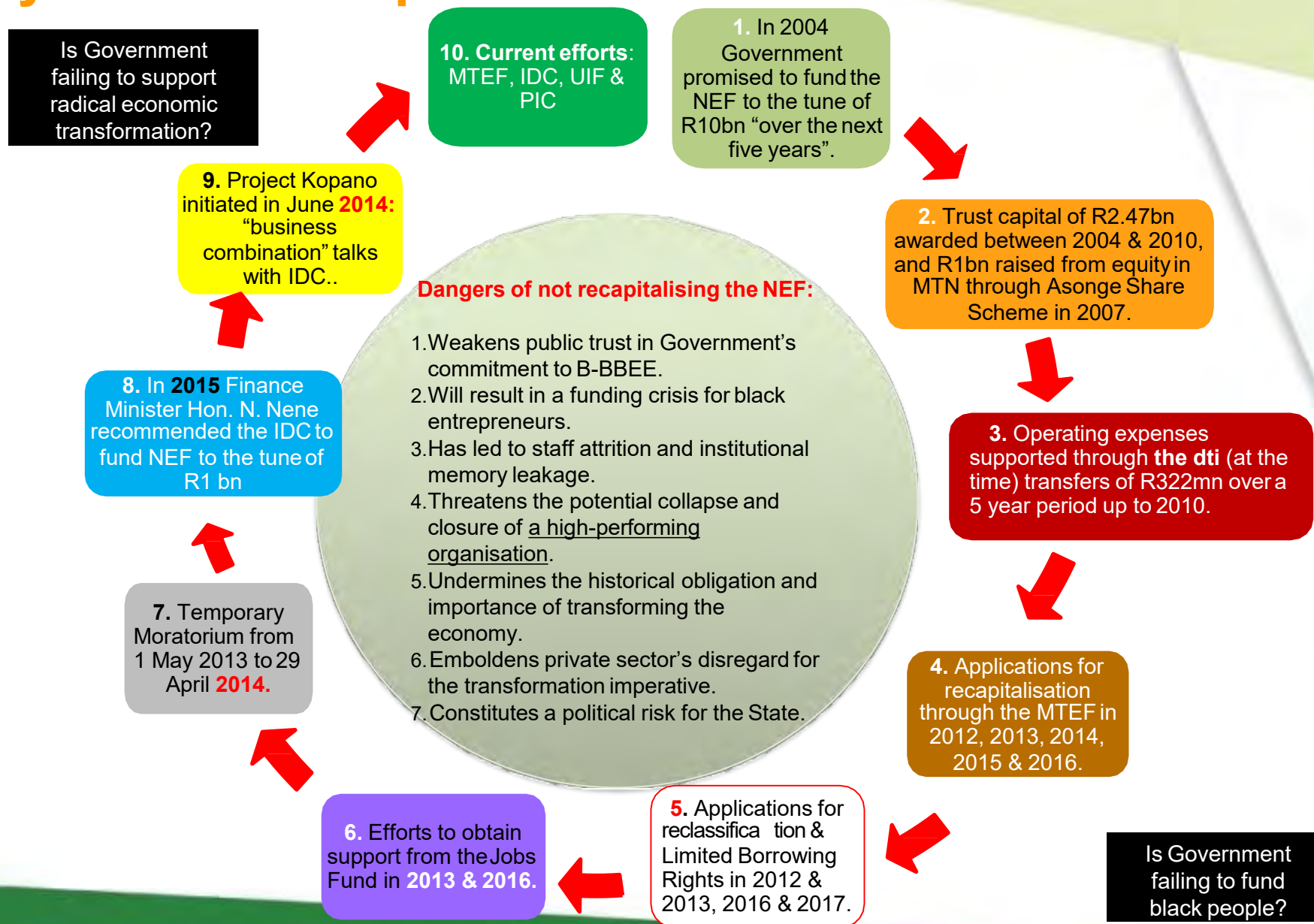
Enterprise & Supplier Development Partners

NEF ESD PARTNERS



Recapitalisation of the NEF

Journey of NEF Recapitalisation



Key Risks of not capitalising the NEF

- | | |
|----|--|
| 1. | A funding crisis for black entrepreneurs who have very few alternatives to seek funding from. |
| 2. | Regrettably, the NEF may be forced to declare a moratorium on the funding of new transactions, thus placing a break on the entry of new black entrepreneurs into the economy and placing jobs on the line. |
| 3. | Potential to weaken public trust in Government's commitment to B-BBEE. |
| 4. | Threatens the potential collapse and closure of <u>a high-performing organisation</u> . |
| 5. | Undermines commitment to economic transformation. |
| 6. | Could embolden the private sector's disregard for the transformation imperative. |

NEF Market Gap

The NEF has over 280 active investees who will face closure should the organization cease to exist

Over 30 247 jobs could be lost if the recapitalization is not finalized. On the other hand, an additional 9000 jobs can be created if the NEF is recapitalized (and therefore immediate 18 000 jobs potential through the decision to recapitalize – old and new jobs)

Over the next 5 years there is a potential to create a further 52 000 jobs from the NEF strategic investments

There is no other DFI funder for the segment of R5 million to R75 million especially for black SME's, construction sector, medical healthcare, rural and township economies, the petroleum sector, property investments, retail and franchising and financial services which are not funded by the IDC and for which Sefa is not able to fund

The NEF is the only DFI with a mandate of providing investor education to rural communities and which provides mentorship and back office support at no cost to its investees. All this will be lost to the black investors if the NEF is not recapitalized.



NEF – IDC BUSINESS COMBINATION

- Project Kopano is a process that began on 18 June 2014 following a **dti** (at the time) letter to NEF and IDC stating that “....a process should unfold to merge the NEF into IDC”. The following structural options subsequently emerged:
 - ❖ Continue as is (independent)
 - ❖ Arms length subsidiary
 - ❖ Closely managed subsidiary
 - ❖ NEF as a division of the IDC
 - ❖ Complete merger into the IDC
- At the time, the NEF and **the dti** (at the time) recommended the implementation of an *Arms Length subsidiary* where NEF assets and business are transferred to a company that is a subsidiary of the IDC.

NEF – IDC BUSINESS COMBINATION

- Project Kopano, which is the process of incorporating the NEF into the IDC, began in July 2014.
- The process reached a higher trajectory in February 2017 when the Minister of Trade & Industry and the Minister of Economic Development approved the merger.
- As part of the business combination process, the Ministers have recommended that the IDC grants the NEF a bridging facility effective 1 April 2017 to continue its operations pending finalisation of the business combination process.
- In March 2017 the IDC Board approved a facility of R500 million, however this has not been disbursed subject to the following conditions precedent:
 - **Cabinet endorsement of the merger,**
 - **Pledge of MTN shares held by the NEF,**
 - **NT approval of NEF's limited borrowing rights.**
- The IDC agreed to consider waving the above CPs subject to NT granting approval for limited borrowing rights.
- **THE FACILITY WAS NOT DISBURSED**



NEF – IDC BUSINESS COMBINATION

- In August 2018 the IDC Board approved a second facility of R500 million to address the funding issues in a different format, with the following conditions precedent:
 - **Approval by the dti; EDD & NT in terms of s54 of the PFMA,**
- The approvals were delayed and the facility was not disbursed to the NEF
- In November 2019 the IDC Board approved a third facility of R500 million and this was meant to be a fund management arrangement
 - The IDC and NEF teams are still negotiating terms of the facility
 - The Minister of dtic has approved the facility and implementation will be as soon as there is agreement on the terms
- THE PROCESS OF BUSINESS COMBINATION IS ONGOING AND CURRENTLY AWAITING THE APPROVAL OR IN PRINCIPLE SUPPORT OF THE CABINET.



Moody's Analysis – 20 Feb. 2017

Following the February 2017 announcement of the NEF becoming a subsidiary of the IDC:

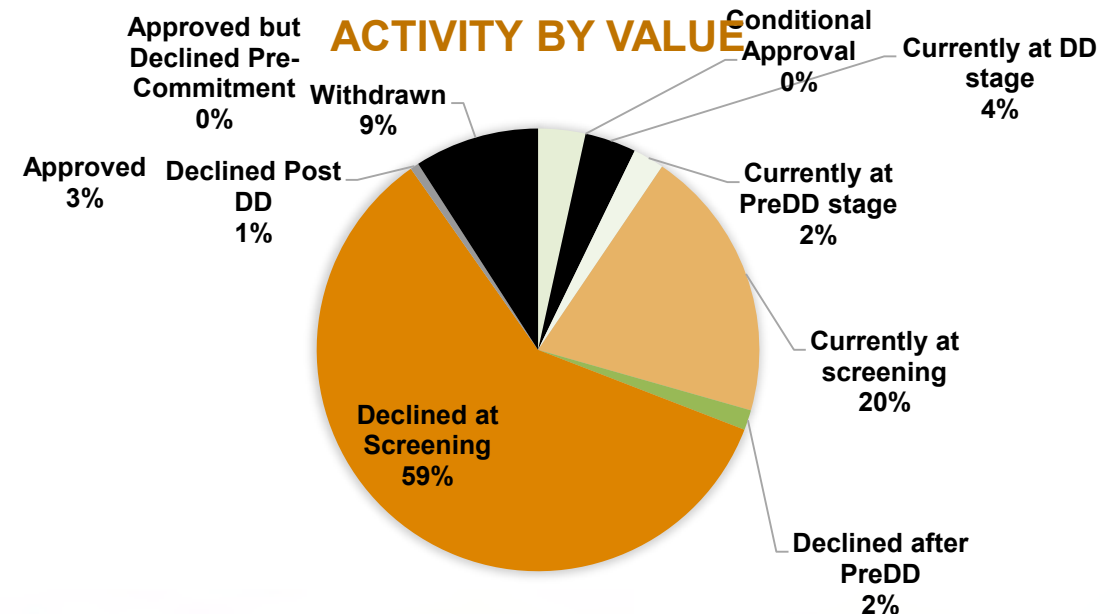
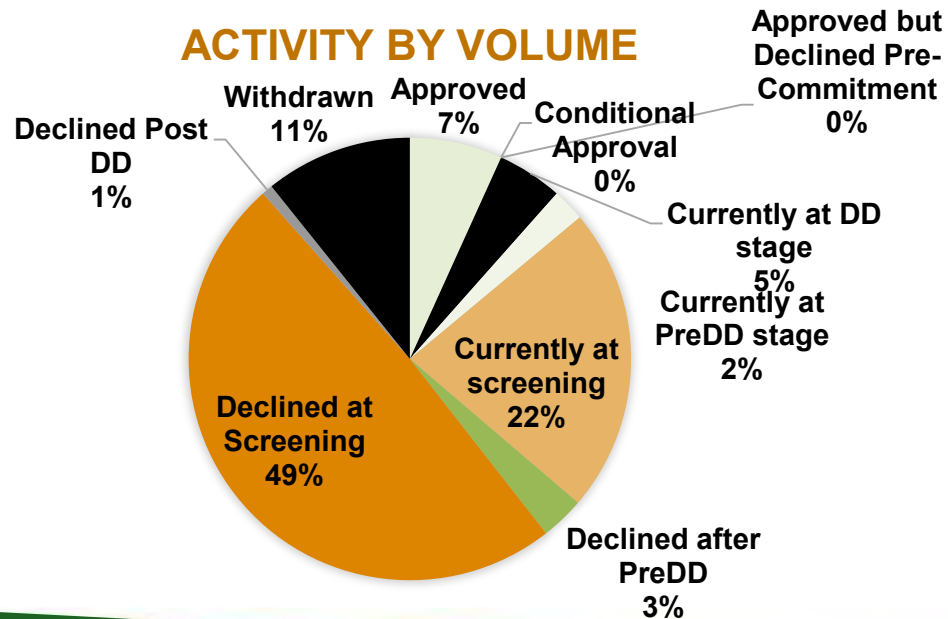
- ❖ "...a credit positive for the IDC".
- ❖ "IDC will benefit from the NEF's strong capitalization and liquidity metrics, and will be able to use NEF as a conduit to disburse additional funding to black-owned enterprises, further diversifying its income streams".
- ❖ "NEF has no borrowings given its status as a trust".
- ❖ "We estimate that NEF's significant capital base (trust capital plus accumulated surplus accounted for 95.5% of total assets) will improve IDC's pro forma ratio of tangible common equity/ tangible managed assets by two percentage points to 40% from 38% as at March 2016".
- ❖ "We also expect IDC to benefit from the NEF's expertise in its core business of black empowerment investments, particularly among emerging and existing black entrepreneurs.
- ❖ The incorporation will help IDC meet its five-year strategic targets to lend and invest ZAR23 billion in black-owned enterprises by 2020. IDC has fallen behind in this segment in recent years, completing only ZAR2.9 billion in transactions in fiscal 2016 and ZAR2.0 billion in fiscal 2015".

Proposed Funding Solution for the NEF

Proposed NEF Recapitalization Plan		
	Institution	Amount
1	<u>Immediate Funding Requirement:</u>	
	National Government (immediate funding for current financial year)	R500 million
	Industrial Development Corporation (approved facility)	R500 million
		<hr/> R1 billion
2	Proposed annual allocation over the next 5 years	R1 billion per annum

Activity Summary

Category	FYE 2020				FYE 2019			
	Volume	Vol %	Value	Value %	Volume	Vol %	Value	Value %
Approved	17	7%	R250 955 537	3,45%	18	113%	R305 448 063	5,53%
Approved but Declined Pre-Commitment	0	0%	R0	0,00%	1	6%	R15 000 000	0,27%
Conditional Approval	0	0%	R0	0,00%	2	13%	R42 667 623	0,77%
Currently at DD stage	12	5%	R272 250 000	3,74%	13	81%	R150 889 610	2,73%
Currently at PreDD stage	6	2%	R165 330 000	2,27%	12	75%	R329 146 000	5,96%
Currently at screening	56	22%	R1 449 877 412	19,94%	51	319%	R1 233 118 887	22,31%
Declined after PreDD	8	3%	R106 774 805	1,47%	2	13%	R23 000 000	0,42%
Declined at Screening	123	49%	R4 317 439 675	59,38%	86	538%	R2 994 585 501	54,18%
Declined Post DD	2	1%	R46 000 000	0,63%	9	56%	R150 446 900	2,72%
Withdrawn	27	11%	R662 670 000	9,11%	16	100%	R282 900 000	5,12%
	251		R7 271 297 429		210		R5 527 202 584	



Thank you

Contact Details

	WHERE	TELEPHONE
1	Head Office, Johannesburg	011 305 8000 or 0861843 633 / 0861 THE NEF
2	Eastern Cape	0861 633 327 / 0861 NEF ECP
3	Free State	0861 633 377 / 0861 NEF FSP
4	KwaZulu Natal	0861 633 596 / 0861 NEF KZN
5	Limpopo	0861 633 546 / 0861 NEF LIM
6	Mpumalanga	0861 633 678 / 0861 NEF MPU
7	Western Cape	0861 633 927 / 0861 NEF WCP
8	North West	0861 633 697 / 0861 NEF NWP
9	Northern Cape	0861 633 627 / 0861 NEF NCP

www.nefcorp.co.za



A Sample of NEF Investees

Nkomazi Cotton Development

- **Nkomazi Cotton Development** – The project was progressed to financial close in the FY2020.
- The project is aimed at the development and operation of a cotton lint manufacturing plant to be located in Mpumalanga
- The project requires R300 million at financial close
 - The NEF has committed **R50 million** to the project.
 - The Project will be applying for Agro-processing Support Scheme incentive (dtic) targeting incentive assistance of R20 million.
 - Capital raising currently underway for the balance of ca. R230 million with progress being managed with AgriSA, IDC and Cane Growers' Association.
- Upstream analysis showed the upside potential of increasing employment to 16 500. Currently employment in the small holder farms ranges between 3 500 – 5 000 depending on how much of the land is committed to cotton production in any given year.



Graskop Gorge

Live the view, feel the forest!



The Graskop Gorge Lift Company is the latest and most innovative tourism development in South Africa. This jewel of Mpumalanga's Panorama Route is located in the breath-taking Afromontane forest and may be accessed via a viewing elevator that travels 51-metres down into the Gorge. The centre also offers a restaurant perched on the edge of the gorge, an art gallery, African fashion, curios, crafts and much more.

The journey begins as the visitor drops off the grassy cliff top plateau in a custom-designed 26-passenger outdoor elevator. It travels down the cliff face into the cool mountain forest below. The forest trail is a sensory delight and environmental splendour, full of natural sounds, texture and unforgettable sights. Water drips down rock faces, moss grows in abundance, the river dances across boulders and the waterfall cascades. A rich, earthy aroma lingers, and little flowers vie for attention next to towering trees as exotic birds glide gracefully in their pristine habitat.



APM Busses

- APM provides intercity passenger transport services.
- APM started its operations with four rented/leased buses before obtaining NEF funding.
- APM received R50.5 million expansion finance from the NEF.
- The company has sales offices in Pretoria, Johannesburg and Durban.
- APM has 32 operating licenses for all the routes envisaged in the business plan.
- Black ownership is 100% and includes black women and youth.
- Through this investment, 30 jobs were retained and 33 new jobs were created.
- Localisation: All NEF-funded buses were assembled in South Africa.
- Local content of body value is 31%, chassis is 19%. Average of 25%.



BusaMed – transforming healthcare in SA

Busamed's vision is to be a consolidator of the fragmented health care market. This has been kick-started with the commercialisation of 4 hospital licenses for 630 hospital beds, spread over three provinces, namely Western Cape, Gauteng and the Free State. The aim is to develop centres of excellence, which will provide world-class services. The first hospital (a cardiologic centre) commenced operations & admitted its first in May 2015. The second hospital was launched in Johannesburg's Modderfontein in November 2016, while the third was launched in Harrismith at the same time. The Bloemfontein hospital began operation in 2018.



PIC invested circa R700 million in BusaMed



Park Inn Hotel – R45.8m

- Presently the 3-star graded hotel with 160 rooms, centrally located in Polokwane within 3 kms from the CBD, next to a Golf course and Peter Mokaba Stadium, about 6kms to the airport and within walking distance to many professional firms and entertainment.
- Targeted at local and international business and leisure travellers.
- Traveller who requires quality services, a comfortable and safe environment.
- Offering all amenities including restaurant, conference facility and other related facilities typical of a 3-star midscale hotel experience.
- NEF funding of R45.8 million has enabled B-BBEE ownership of 83%, including the NEF equity as well as effective black women shareholding of 30%.
- And effective black woman shareholding is 30% and black male is 30%.
- This investment supports 108 direct permanent jobs.



The People Shall Share...



1. Bussing over 20 000 daily
2. R66 million supporting 174 jobs



1. Transportation of ore from shafts
2. R15 million supporting 152 jobs



1. Supply Personal Protective Equipment
2. R15 million supporting 62 jobs

- Community of 50 000 households located in North West Province, Brits, in Marikana.
- Total NEF funding = R96 million.
- Supporting 388 direct jobs.
- Contracts worth R1.65 billion range between 5 and 8 years.



POWER 98.7 - Now We're Talking

- The NEF has funded POWER 98.7 to the tune of R49,3million in a total project cost of R132 million.
- The radio station aimed at creating a platform that serves as a catalyst for frank talk about key issues and concerns in the hearts and minds of the audience.
- The company's core target market is aspirational black men and women aged between 25 and 49 years old in LSM 6 to 10.
- POWER 98.7 is licensed to broadcast up to 70% of its air time as talk and at least 30% of its air time as music.

POWER 98.7
NOW WE'RE TALKING

Construction

Motheo Construction Group (Pty) Ltd is a black-woman controlled construction company that is active in general building, civil engineering and rail infrastructure. The company's primary focus is social housing throughout South Africa. Motheo's CIDB grading was recently increased to 9GB and 9CE. This was achieved through the NEF's initial funding, which enabled the company to meet all the criteria for a CIDB 9 grading. Motheo is 54% black owned with more than 51% being held by black women. Motheo is an award-winning construction company with a solid record of accomplishment built on having completed R5.5 billion worth of projects since inception. Over the years, Motheo has grown its order book from R463 million to R2.8 billion in total, NEF has invested R61m in Motheo. Motheo has increased its staff personnel by almost 100% the total staff complement is 1 884 people. .

Building black Industrialists



**Motheo Construction
Group (Pty)Ltd.
(R61million)**





Appendix- How the NEF Compares with other DFIs

Comparative Portfolio Impairment Ratios

Entity	2018/19	2017/18	2016/17
NEF	18%	15.41%	17.55%
DBSA	4.5%	4.50%	5.06%
IDC	28.4%	17.4%	16.7%
Business Partners	9.2%	6.9%	7.3%
Sefa (direct lending)	47%	69%	70%

Business Partners is owned majority by institutional investors and funds people who can provide security (e.g. properties). DBSA funds infrastructure and mainly as senior debt and therefore its funding is mainly not accessible to black business. Those entities have lower impairments because they take less unsecured risks.

The IDC and Sefa, which have portfolio profiles (developmental) similar to NEF have both posted impairment ratio higher than NEF. The latter uses GRAP whereas the former use IFRS to measure and recognise impairment.

Comparative Cost to Income Ratios

Entity	2018/19	2017/18	2016/17
NEF	59%	61.3%	55.7%
DBSA	22.9%	21.7%	18.8%
IDC	50%	39.0%	46.0%
Business Partners	53.9%	49.5%	48.9%
sefa	105%	109%	161%

NEF: the cost to income ratio for the NEF has been constant at 60% over the last 3 years.

DBSA and Business Partners: reported 23% and 54% respectively in 2018/19 FY, However, the two entities have been experiencing steady deterioration from 2016/17 FY to date.

IDC : the ratio has worsen by 28% between 2017/18 and 2018/19 FY. The growth was primarily driven by decline in revenue while operating cost structure has remained the same. If this growth is maintained, IDC may fail to absorb operating costs from operation income in the medium to long-term.

Sefa: Sefa's cost to income ratio remains high above 100%. However, the ratio has been coming down year-on-year.

Conclusion: While cost-to-income for NEF has been constant for the last three year, IDC, Business partners and DBSA have been experiencing unfavourable growth over the same period.