



**ADDRESS BY THE CEO OF THE NATIONAL EMPOWERMENT FUND,
Ms PHILISIWE BUTHELEZI,
ON THE OCCASION OF THE LAUNCH OF THE VALUE CEMENT**

12 June 2012 in WESTONARIA, 11H00

- The Board, Shareholders and management of Value Cement (Pty) Ltd,
- The Chairperson, Trustees and management of the National Empowerment Fund,
- Representatives, strategic partners and friends of Value Cement,
- Respected members of the media here present,
- **Distinguished Guests,**

Good morning. On this cold winter's day, we are met here to celebrate a truly heart-warming culmination of an intense process that began with pre-investment assessment for a business case, followed by fund-management scrutiny, due-diligence and executive oversight, and ultimately, approval by the NEF's Board Investment Committee. Resounding congratulations are therefore due to Value Cement for presenting a formidable and compelling value proposition, as well as to the NEF's team of diligent investment associates, Fund Managers and Executives, for giving us this day. While one is currently away on official business abroad to assess investment opportunities in the nuclear sector, I am privileged to recognise in our midst here this morning some of the people from our team who have been part of this journey, and these are:

- In her official absence as stated, **Ms Hlengiwe Makhathini**, the Divisional Executive for Venture Capital and Corporate Finance, who is a Chartered Accountant,
- **Ms Louisa Stephens**, another Chartered Accountant and Manager of the uMnotho Fund, a funding vehicle within the NEF that is designed to increase access to BEE capital, and under whose auspices this transaction was domiciled, as well as
- **Mr Zakhele Mzolo**, the Transaction Leader and a professional of admirable finesse,
- **Mr Joel Mphela**, a Senior Investment Associate and specialist who provided investment support,
- **Ms Nokuthula Nhlapo**, a young and illustrious Chartered Accountant who played a key role as a Financial Analyst, and last, but not least,

- Ms **Emily Hendrickse**, a remarkable corporate lawyer who provided advice on all matters legal.

NEF Milestones

Ladies and gentlemen, as you are aware, the NEF is a development finance institution that is mandated by legislation to promote and facilitate black economic participation through the provision of financial and non-financial support to black empowered businesses, on the one hand, and by promoting a culture of savings and investment among black people, on the other.

With regard to the urgent need to entrench this culture of savings and investment, many will remember the highly successful NEF Asonge Share Scheme, which was followed by an Investor Education campaign that saw the NEF recently reaching over 17 000 people in 74 villages, towns and cities across all 9 provinces, to provide grassroots communities practical financial literacy on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets, among others.

Distinguished guests, what brings us here today is another important leg of the NEF's mandate, which relates to the provision of finance for start-up, expansion and equity transformation purposes. This mandate has met with many significant achievements and has seen the NEF approve over R3,7 billion for funding black entrepreneurs across virtually all spheres of the economy. Today we unveil and celebrate one these many beneficiaries of the NEF's funding mandate – VAUE CEMENT.

About the transaction

Distinguished guests, two of the NEF's funding products whose criteria were followed in assessing the funding requirements of this dynamic business, are *New Venture Finance* and *Acquisition Finance*. The collective intent of these two products, respectively, are to provide start-up capital in greenfield projects by black entrepreneurs with proven industry knowledge, professional expertise and a management track-record, as well as to facilitate access to capital for equity purchases in medium to large companies, with active and direct operational involvement by black partners being one of the principal obligations.

As you have heard from **Mr Jabulani Cekwana**, the Managing Director of Value Cement, who by the way is himself a Chartered Accountant, this company whose strides we are celebrating today, Value Cement, is a black-owned company that blends, produces and sells cement to a wide range of customers.



The funding provided by the NEF to the value of R35 million, will facilitate the subscription of 25,1% black shareholding in Value Cement, over a 7-year horizon.

This will comprise 3 disbursements for the acquisition of property, plant and equipment, working-capital requirements and acquisition of delivery vehicles.

The sterling attributes that attracted the NEF to this transaction include:


- 57% direct and operational involvement by black management
- 43% woman participation, which, for me personally in my humble and reluctant capacity as South Africa Business Woman of the Year, was sweet music to my ears,
- In this regard allow me to recognize and commend Ms Sphindile Ngiba, an Accountant and entrepreneur who is an inspiration and a role-model to many.

Among the other strengths that attracted the NEF to this transaction are:

- A national infrastructure backlog that confirms meaningful market opportunities for Value Cement,
- Strong public-sector market potential given the company's empowerment credentials,
- A five-year off-take agreement with the MICA Group, which has over 145 stores nationally and with an operating history of 39 years,
- Since March 2011, Value Cement has supplied the MICA Group, which requires between 100 000 and 300 000 bags of cement per month.

And as if these attributes were not enough, the NEF was also excited by:

- Value Cement's strong competitive advantage arising from certification of their products by SABS, attesting to the technical superiority of their products,
- Strong black management with requisite industry knowledge,
- As well as the potential for expansion into SADC and the rest of the African Continent, attended by the prospect for foreign currency generation.



The NEF is truly proud to be a part of this important and historic landmark project. Value Cement is unique because it becomes an icon of transformation in a critical industry, one with the potential to for significant social impact in the delivery of affordable cement to all in support of Government's low cost housing and other infrastructure needs. As an early-stage venture the business affords an opportunity to ensure the creation of new jobs and the fulfillment of employment equity expectations, in respect of the participation of black people at junior, middle and senior management levels.

These patently strong attributes mean that all possible risks have been identified and mitigated, and these include market take-up and a viable business model that is underpinned by a long-term off-take agreement and infrastructure backlog in the economy, as well as product risk which is supported by SABS certification, transformation, proven industry knowledge and strategic partnerships.

Ladies and gentlemen, while it is tempting for any financier to want to take credit for such a remarkable transaction, the glory belongs exclusively to Value Cement, its leadership and partners, for the courage of their conviction, for an illustrious vision that is anchored on impeccable skills and track-record, for commercial merit and a patriotic commitment to the service of the republic and our Continent.

ABOUT THE NEF

Ladies and gentlemen, as I conclude, it would be remiss of me NOT to market the NEF and its value proposition. *I have bragged about Value Cement. Allow me to brag a bit about the NEF.*

The NEF receives a vast number of applications from aspirant entrepreneurs who would typically not be successful in raising funds from commercial funders. While the NEF places precedence on commercial viability, our mandate also focuses on softer measures in assessing applications for funding, and these include development indicators such compliance with all relevant laws; black management and operational involvement; risk sharing by entrepreneurs; black women empowerment; community involvement; black ownership, which must comply with NEF product criteria; job creation, and the geographic location of the business.

Accordingly, as a driver of the Codes of Good Practice for Broad-Based Black Economic Empowerment, the NEF has developed finance products ranging from R250 000 up to

R75-million for black entrepreneurs, and it is in this context that the NEF has seen value and merit in providing funding Value Cement.

Non-financial support

In this regard the intervention of the NEF is not only limited to the provision of innovative finance. An important component of the NEF's support involves the provision of non-financial services.

In response to the constraints facing some black entrepreneurs, such as the challenge in producing top-quality business plans and the lack of accurate and reliable financial information from applicants, the NEF has since launched a comprehensive online *Business Plan tool*, which is available for free to the public on the NEF's website.

The tool is designed to assist applicants in initiating, improving and refining the quality of their business plans, including completion of financial projections through an interactive, step-by-step question-and-answer process.


Through its Post-Investment Business Unit the NEF monitors the performance of its growing number of investees for risk, and provides ongoing business support when required, which includes free *mentorship* and business-coaching to its existing clients. The business mentors are deployed across the country and possess a wide spectrum of business expertise, which proved invaluable to NEF investees at the height of the global economic downturn.

Programme Director, Ladies and Gentlemen, my duty this morning would not have been done if I did not urge you to encourage the black entrepreneurs within your circles to come forward and apply for the NEF's innovative funding solutions. I urge you, Ladies and Gentlemen, to help spread the word that the NEF, the National Empowerment Fund, is the home of hope for the black entrepreneur.

To give you a final example of this, I am pleased to inform you that very solid work has gained momentum in the NEF's Strategic Projects Fund, SPF, established with a mandate to increase the participation of black people in early stage projects that are aligned to national Government policy. Value Cement is a mirror-image of work in this regard.

The fund uses a sector-targeted approach in developing its portfolio and these sectors include Tourism, Mining, Minerals Beneficiation, Agri-processing, Renewable Energy,

Business Process Outsourcing and Infrastructural Projects. A successful implementation of the fund will see the NEF take the lead in the following:

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- Expansion and creation of new industrial and manufacturing capacity,
 - Investment in economically depressed areas or poverty nodes,
 - Warehousing equity for the future benefit of BB-BEE in national strategic projects and increasing the participation of the BB-BEE in these projects,
 - Increasing South Africa's export earning potential, and
 - Reducing South Africa's dependency on imports.

These projects, which are worth a staggering R30 billion, and have the potential to generate between 150 000 and 200 000 jobs over the next 3 years, are discussed in the booklets on display here today.

Once again, congratulations to Value Cement, and as you grow from one milestone to another, may the path ahead be paved with stars and applause.

I thank you for your attention.

Ms Philisiwe Buthelezi
Chief Executive Officer
National Empowerment Fund