



# NEF Fuel Webinar



 **NATIONAL  
EMPOWERMENT  
FUND**  
Growing Black Economic Participation

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## 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**

# Life to date performance milestones

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

# Sectors Funded by the NEF

	<b>Government Sector Focus</b>	<b>Examples of NEF Investment Breakthroughs</b>
1	<b>Black industrialists</b>	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	<b>Support SMEs</b>	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	<b>Township &amp; Rural Economy</b>	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	<b>Property</b>	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	<b>Tourism</b>	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	<b>Affordable housing</b>	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	<b>Agro-processing</b>	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	<b>Energy</b>	Invested over R885 million in service stations countrywide, 40% of which are owned and managed by black women.

# 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"> <li>• Supports start-up businesses</li> <li>• Provides capital for the expansion of small enterprises</li> </ul>	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"> <li>• Acquisitions</li> <li>• New Ventures</li> <li>• Expansion</li> <li>• Capital Markets</li> <li>• Liquidity and Warehousing</li> </ul>	<ul style="list-style-type: none"> <li>• Franchise financing</li> <li>• Procurement/ Contract</li> <li>• Entrepreneurship funding</li> </ul>	<ul style="list-style-type: none"> <li>• Venture Capital funding structures</li> <li>• <b>Development of Black Industrialist funding in strategic sectors</b></li> </ul>	<ul style="list-style-type: none"> <li>• New Ventures</li> <li>• Business Acquisition</li> <li>• Expansion</li> </ul>	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

# Stakeholders



energy

Department:  
Energy  
REPUBLIC OF SOUTH AFRICA



CALTEX



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*reaching new frontiers*



TOTAL



# 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



# Advantages of Franchising

- Effective means for enabling black economic participation.
- Training, marketing, operational systems and general entrepreneurial support typically provided by franchisors.
- Agreements with oil companies for more service-station outlets to be owned by black entrepreneurs, with focus on women empowerment.
- Support includes funding, enterprise development and supplier development.



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*reaching new frontiers*



# 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



Risk Sharing  
Model

## 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



# State of the Retail Petroleum Industry

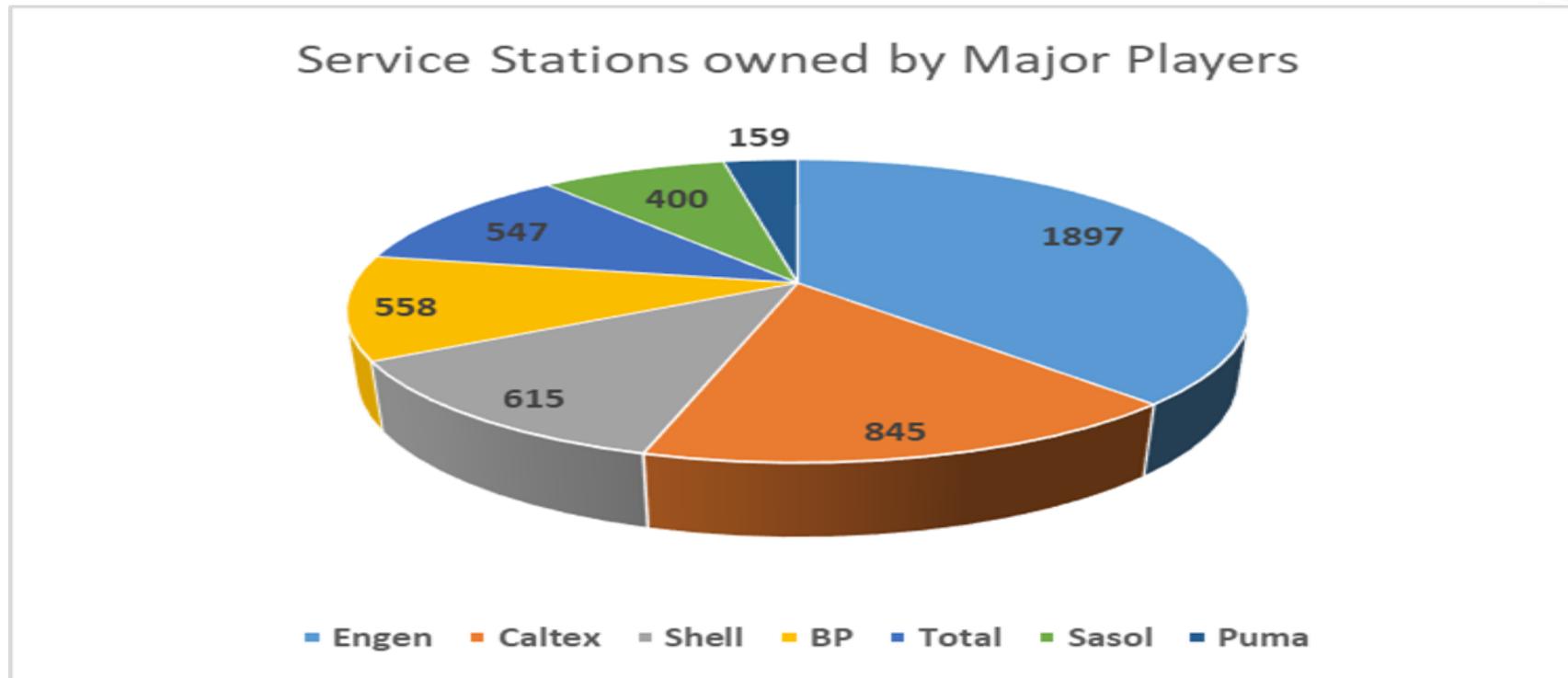
- Fuel retail sector continues to grow in spite of the relatively sluggish economic growth in South Africa. According to the South African Petroleum Industry Association (SAPIA), this sector contributes 6 % to the South African Gross Domestic Product (GDP).
- The liquid fuels sector provides more than 100,000 direct and indirect jobs. Estimates indicate that over 70,000 jobs are provided by fuel retail stations.
- There are almost 6,000 fuel service stations in South Africa to cover the country's 1.2 million square kilometres with a combined annual turnover of approximately R220bn.
- South Africa's refining capacity is 700,000 barrels per day. Petrol and diesel consumption exceed refinery capacity production. The South African downstream refined product market has seen a shift from a net export market to a net import market in the last 17 to 20 years, importing a total of nearly 8 billion litres in 2018.



# Over 10 million cars on SA roads



# State of the Retail Petroleum Industry



- According to a 2019 industry report, Engen is the market leader in the number of retail fuel stations owned with 1897 sites, followed by Caltex with 845 sites, Shell with 615 sites, BP with 558 sites, Total with 547 sites and Sasol with 400 sites.
- Sasol is the world's leading coal-to-chemicals firm and is becoming a major international petrochemicals and fuels player.

# Valuation of service stations

The valuation methodology as per the industry norms for petrol stations is based on a monthly EBITDA multiple of between 30 and 36 as illustrated in the fictitious example below:

	2017			2018			2019		
	VOLUME	MARGIN	GP	VOLUME	MARGIN	GP	VOLUME	MARGIN	GP
Petrol	350 000	1,76	R 616 000,00	360 000	1,87	R 673 200,00	370 000	1,98	R 732 600,00
Diesel	50 000	1,24	R 62 000,00	55 000	1,40	R 77 000,00	60 000	1,40	R 84 000,00
<b>Total Volumes</b>	<b>400 000</b>		<b>R 678 000,00</b>	<b>415 000</b>		<b>R 750 200,00</b>	<b>430 000</b>		<b>R 816 600,00</b>
	<b>SALES</b>	<b>MARGIN</b>	<b>GP</b>	<b>SALES</b>	<b>MARGIN</b>	<b>GP</b>	<b>SALES</b>	<b>MARGIN</b>	<b>GP</b>
Shop	R 500 000	28%	R 140 000,00	R 520 000	28%	R 145 600,00	R 530 000	28%	R 148 400,00
Car Wash	R 40 000	80%	R 32 000,00	R 45 000	80%	R 36 000,00	R 50 000	80%	R 40 000,00
			<u>R 172 000,00</u>			<u>R 181 600,00</u>			<u>R 188 400,00</u>
<b>Total Gross Profit (pm)</b>			<u><b>R 850 000,00</b></u>			<u><b>R 931 800,00</b></u>			<u><b>R 1 005 000,00</b></u>
<b>AVERAGE MONTHLY GP OVER THE PAST 3 YEARS</b>						<b>R 928 933,33</b>			
	<b>EXPENSES</b>	<b>NPBIT</b>	<b>MULTIPLE</b>	<b>PURCHASE PRICE</b>					
Value at 70%	R 650 253,33	R 278 680,00	36	<u>R 10 032 480,00</u>					
Value at 75%	R 696 700,00	R 232 233,33	36	<u>R 8 360 400,00</u>					
Value at 80%	R 743 146,67	R 185 786,67	36	<u>R 6 688 320,00</u>					
	<b>Business Value</b>			<b>R 8 360 400,00</b>					

## Success of this portfolio depends on the following key factors

### Location

- Location plays an important role for the demand of the fuel which is linked to the geographic area and demographics such as traffic volume and proximity to the major routes.
- The business is location driven, therefore the success of these businesses are based on good viable location.
- Service Stations that are located in townships tend to perform well on the forecourt sales as compared to the ones in the suburbs.

### Performance

- The fuel retail business is a volume scale business whereby the higher the volume sold on the forecourt the higher the profits in rand value;
- Investees who are financially discipline and operationally involved on full time basis contribute to the success of the service station;
- Sites pumping 300,000 litres of fuel and above are viable and do not face cash flow constraints.

### Reasons for underperformance of service stations:

- New competitors entering the fray post acquisitions of the site
- Loss of commercial and account customers post acquisition of the site
- Taking over dilapidating sites
- Lack of adequate financial management by dealers
- Sites in poor location with low traffic flow

# Thank you

## Contact Details

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6	Mpumalanga	0861 633 678 / 0861 NEF MPU
7	Western Cape	0861 633 927 / 0861 NEF WCP
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