



**SADC Development Finance
Resource Centre (DFRC) -
Association of African Economy and
Development (AFRECO)**

Webinar

Thursday 29th July 2021

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Speakers



Mr Cross Kgosidiile
BDC Managing Director



Ms Boitshwarelo Lebang
Head of Corporate
Affairs & Strategy



Mr Oteng Keabetswe
Investment Principal

About BDC

'Beyond 2019' Strategy

COVID 19 Relief Fund

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About BDC – The investment arm of Government

A private company established in 1970 under the Companies Act

Our Mandate



- To provide, facilitate and support financing of commercially viable developments in order to contribute to a sustainable and diversified Botswana economy
- To stimulate the growth of the private sector, diversify the economy and create wealth for the shareholder
- To invest in the region and internationally
- To conduct its business on a commercial basis and exercise special care and regard to economic and commercial merits.

BDC Quick Facts



- **Structure:** A private company limited by shares
- **Ownership:** 100% Government of Botswana
- **Governance:** Independent Board
- **Sources of Funding:** Self funding (banks, bonds, divestments, distributions)
- **Solutions:** Debt, equity, mezzanine
- **Group Assets (2020):** P5,1 Billion
- **Group Revenue (2020):** P536 Million
- **Group operating profit (2020):** P341 Million
- **Disbursements (2020):** P706 Million into projects
- **Core Industries:** Energy, Infrastructure, Property, Industry, Services, Agriculture, Tourism, Technology.
- **Sustainable Development:** Profitable 45 of the 50 Years

About BDC continued...

A 50 year history of investments in Botswana

As the country's main agency for development and one of the biggest investors in Botswana, BDC is ready to lead the way in the Economic Transformation of Botswana by deeply integrating Botswana into the global economy through investments and partnerships.

**History of
Success**

**Strong
Shareholder
Support**

**Strong
Balance
Sheet**

**Diversified
Portfolio**

**Resilient
Business**

**Robust Strategic
Plan 2021-2026**

History

- Since 1970, our mandate has been to provide, facilitate and support funding of commercially viable enterprises.

Business Solutions

- Debt and equity funding
- Mezzanine funding



Beyond 2019 Strategy

- BDC is positioned to undertake a bold new direction for the Corporation Economic Transformation, which runs from 2021-2026

Strategic Goal

- From economic development to Economic Transformation

About BDC

A successful record of successful investments and positive impact

BDC's contribution has permeated every major industry in Botswana and the Corporation has been responsible for some of the most important companies in Botswana.

Pioneering New Industries



Industrialisation



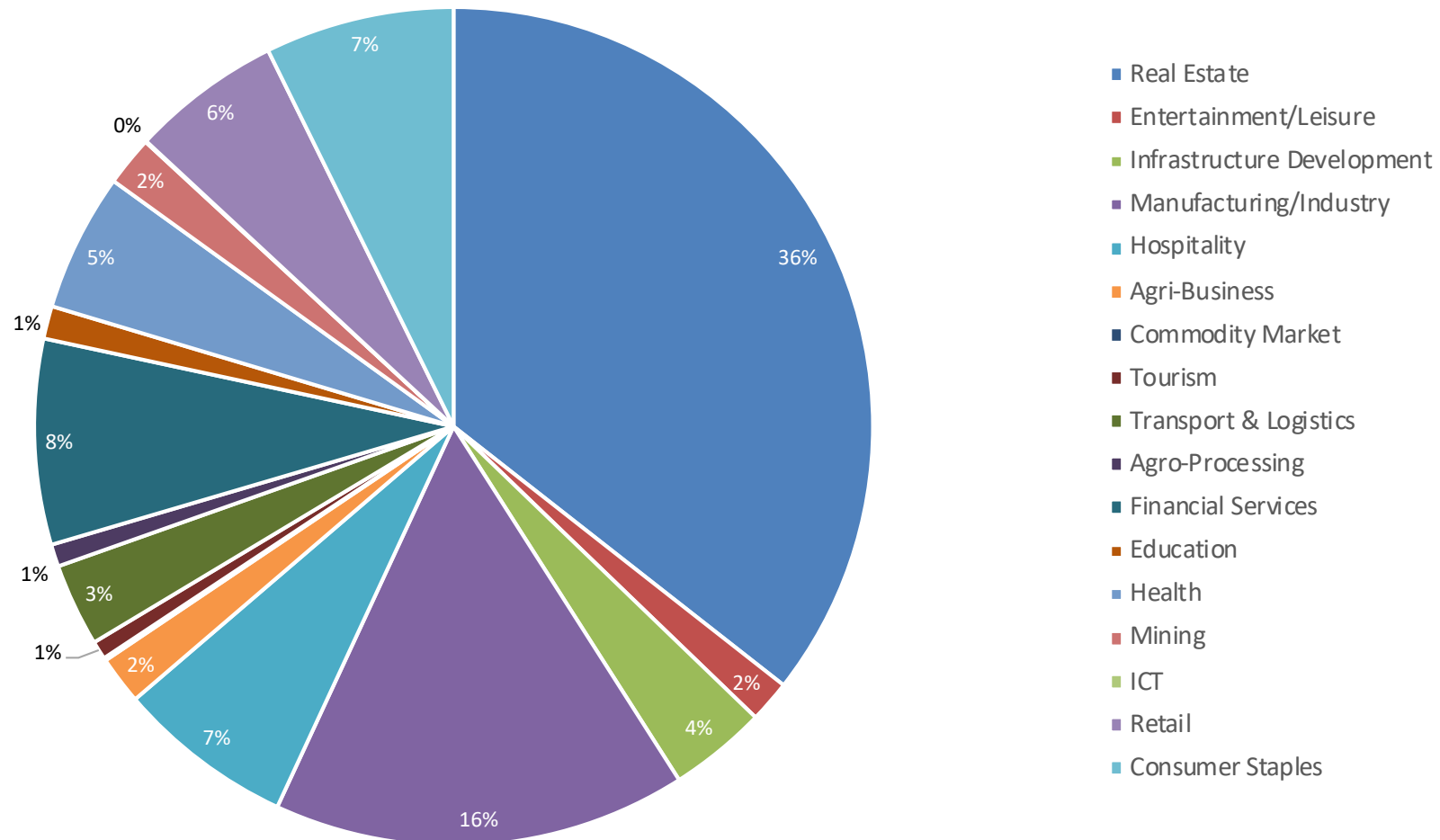
Facilitating Sustainable Employment



About BDC

BDC's Asset Split by Sector

The Real Estate sector leads the concentration at **36%**, followed by Manufacturing and Industry at **16%**. Financial Services Sector at **8%**, consumer staples at **7%** and Hospitality at **7%** rounds off the top 5. The rest of the sectors all share in the **26%** balance as shown in the diagram below.



'Beyond 2019' Strategy

Writing A Bold New Chapter

Beyond 2019 is a Bold New Direction for the Corporation to maximise long-term value for the shareholder and create wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships.

"Beyond 2019 moves us from Economic Development to ECONOMIC TRANSFORMATION"



Investing with the sole purpose of maximizing long term returns.



Investing locally in large scale export-orientated businesses (Vision 2036) with a key focus in citizen economic empowerment.



Investing globally in high-return commercial and strategic projects.



Integrating Botswana into the world economy through commercial investments and partnerships.



Pioneering industries and unlocking value in untapped sectors across Botswana.

'Beyond 2019' Strategy

Writing A Bold New Chapter

BDC's TRANSFORMATION JOURNEY BEGINS:

ENABLEMENT

We will do so through our renowned **commitment to service excellence** by pioneering industries and unlocking value in untapped sectors across Botswana; investing locally in large scale export orientated businesses; investing globally in high-return commercial and strategic projects; integrating Botswana into the world economy through commercial investments and partnerships as well as driving economic transformation, diversification and export-led growth.

"DTB5"

We framed our 2014 – 2019 strategy to **'get our house in order'**, the bulk of which was premised on fixing and preparing the business for growth (e.g. cost reduction, service delivery model, centralisation, etc.). And in doing we had hoped to "double the business' net worth, from 1.3 billion to 2.6 billion by 2019

"BEYOND 2019"

Our new strategy highlights our ambition to move away from being largely focused on creating operating efficiencies to **'maximising long-term value for the shareholder and creating wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships'**. Moreover, in fulfilling our purpose of **"creating sustainable economic value as a strategic investor of inclusive, impactful and productive enterprises"** we endeavour to become **"a premier investment partner of choice in the transformation of Botswana's economy"**

IMPACT

Over the next five (5) years, we expect that 'the way BDC does business' will fundamentally change. We will make fewer, bigger bets. We will partner proactively within the business and externally. We will experiment and scale in new areas of the business. We will also reduce spend but achieve more impact.

EXECUTION

Over five (5) years, we managed to transform our operating model, strengthen our balance sheet, find and realize significant savings, build capacity, fortify our core business and develop a robust ecosystem of partners to support delivery.

DISRUPTION / DEMAND

The success of our transformation, coupled with the pressures of market forces, has created new opportunities and challenges that must be addressed. As such we are readying for the next 'horizon' of impact.

AMBITION DELIVERED.

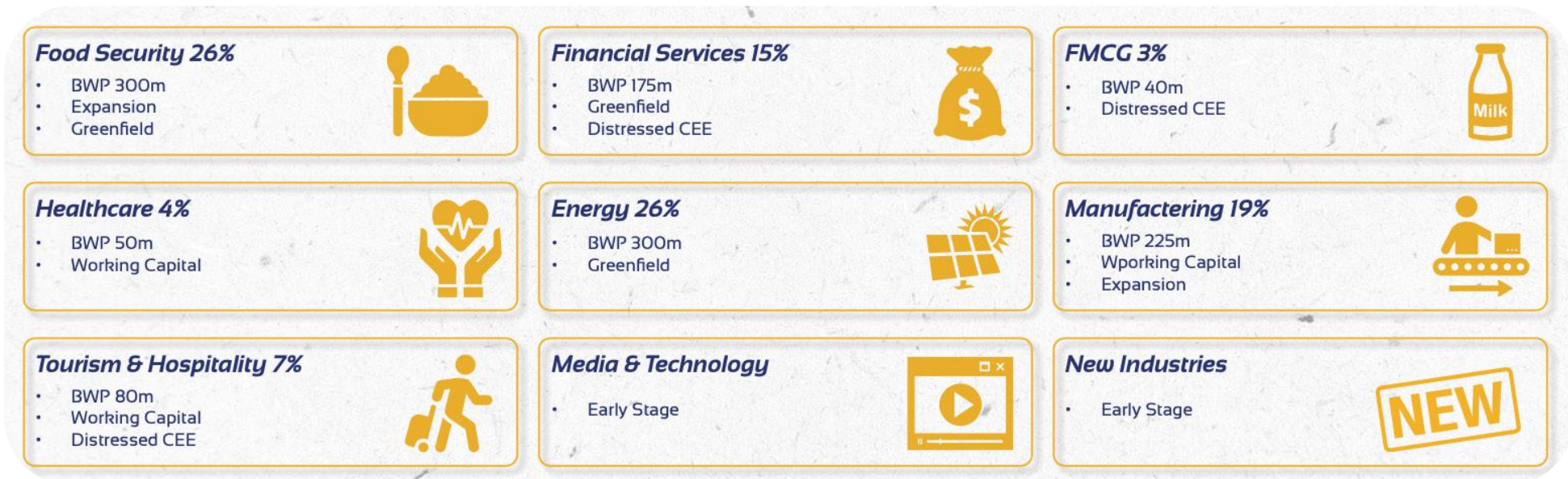
BDC

Corona Virus (Covid-19)

BDC Relief Funding For Distress Business

In alignment with the objectives of the National Economic Recovery and Transformational Plan ("ERTP"); BDC is offering assistance to companies that are in distress resulting from the COVID-19 pandemic.

The funds (BWP300 million) will be deployed to BDC clients and other businesses operating within the ERTF mandate. While our BWP 1,5 billion pipeline remains fluid, we have qualified local transactions across most of the following key sectors of the economy based on our pipeline conversion ratio 30% - 40%:



Corona Virus (Covid-19)

BDC Relief Funding For Distress Business

Our Investment Strategy will focus on situations where our ability to add value is clear to investee companies. BDC will invest in companies that meet at least 2 Of 4 BDC key impact criteria.

1

Citizen Economic Empowerment

Supporting citizen entrepreneurs with deep understanding of the market and strong links to the community.

2

High Quality Job Creation

Increasing domestic consumption & giving individual agency to improve their own lives.

3

Import Substitution

Using local input & supplying local businesses creates a virtuous circle of positive externalities for job creation and economic growth.

4

Keeping the money in BW

Replacing imported goods & services with local production onshore profits while reducing foreign dependence & conserving FX.

Corona Virus (Covid-19)

BDC Response to Covid-19

BWP75 million

As a response to the Covid-19 pandemic, BDC availed P75 million in contingency funds towards affected companies in the form of equity injections and loans.

This was meant to help the affected investee companies to maintain operations of the affected investee companies and to ensure that jobs are preserved and that the businesses are also sustained.

BWP266.2 million

BDC has received requests amounting to BWP266.2 million through the ISF route.

BWP100 million

4 applicants have been approved to the value of P100 million with BWP 75 million disbursed to date.

Payment Holiday

A further provision for restructuring of loans through payment holidays was made available for the affected businesses.

Government of Botswana prepared a medium to long term Economic Recovery and Transformation Plan (ERTP) for mitigating the effects of the COVID -19 pandemic.

BWP1.3 billion

This resulted in Government appropriating resources in the form of the Industry Support Facility to the tune of P1.3 billion.

BWP300 million

BDC has been mandated to administer a BWP300 million Facility on behalf of the Government for large businesses, which administration shall include, inter alia, receipt of the application for the loan from eligible businesses, assessing the loan application, disbursing the funds and monitoring the loan performance post disbursements.

Post Covid-19 Economic Recovery Plan

- Furthermore, the outbreak of Covid-19 has brought about key learnings and opportunities that BDC will adopt and drive as part of the Corporation's strategy. The Corporation's strategic overview also has a strong emphasis on citizen economic empowerment and economic diversification to achieve self-reliance as an economy.
- To achieve this, BDC targets to invest approximately BWP1.3 billion in the next twelve months on projects that will ensure that the economy is better prepared to withstand similar shocks in future.
- Origination efforts are currently focused towards realising the objectives of the National Economic Recovery and Transformation Plan (ERTP)
- These projects are anticipated to drive Botswana's economic transformation envelope, drive priority sector development, increase citizen economic participation and create more jobs for Botswana.



WASH
HANDS



DISINFECT
SURFACES



DISINFECT
HANDS



USE
FACE MASK

Reset Priority Sectors

In implementing “Botswana’s Change Mandate”, key priorities sectors :



Manufacturing

Agriculture and its Value Chains



Tourism



Project Pipeline

| PROJECT | DESCRIPTION | FUNDING REQUIRED (BWP'000) | | | SECTOR | PROJECT STAGE |
|-----------|--|----------------------------------|---------|-----------|--------------------|---------------|
| | | EQUITY | DEBT | TOTAL | | |
| Project 1 | Buy in to one of the biggest manufacturing companies in Botswana looking to consolidate operations in SADC and increase capacity | 300,000 | - | 300,000 | Manufacturing | Term sheet |
| Project 2 | A start up company in the process of setting up a 1,200 ha citrus farm in Selibe Phikwe | 32,000 | 131,000 | 163,000 | Agri-business | Approval |
| Project 3 | Restructuring of a brick manufacturing plant - CAPEX and working capital support | - | 80,000 | 80,000 | Manufacturing | Due Diligence |
| Project 4 | An operating bank seeking tier II capital | - | 200,000 | 200,000 | Financial Services | Approval |
| Project 5 | A multinational plastic processing company looking to set up in Botswana | 5,341 | 30,813 | 36,154 | Manufacturing | Term sheet |
| Project 6 | An existing private hospital operating company seeking to funding to expand operations | 19,960 | 115,230 | 135,190 | Healthcare | Term sheet |
| Project 7 | Expansion of production capacity for an Agricultural business | 80,000 | - | 80,000 | Agribusiness | Unqualified |
| Project 8 | International diamond jewellery manufacturing company looking to expand across continents including Africa (Botswana) | - | 159,822 | 159,822 | Manufacturing | Term sheet |
| | | 437,301 | 716,865 | 1,154,166 | | |

Projects/programmes BDC is planning to implement

Lessons Learnt and Opportunities

| CHALLENGES / LESSONS | OPPORTUNITIES (BDC TO LEAD) | PROJECTS AND TIMELINES |
|--|--|---|
| Lack of a large industrial manufacturing sector to support the large-scale procurement in industries such as rail, energy and water | <ul style="list-style-type: none"> Establish large scale equipment manufacturing industry to support key sectors such as rail, energy and water Ramp up Automotive Components manufacturing | <ul style="list-style-type: none"> Capitalise on gains from Pasdec to ramp up Automotive Components manufacturing clustered in Lobatse, a pipeline project is the manufacturing of vehicle leather seats which should also act as a catalyst in the establishment of the leather park: 18-36 months Establishing large scale equipment manufacturing industry to support key sectors such as rail, energy and water: 18-36 months |
| Over-reliance on imports in key sectors of the economy (agriculture, health and manufacturing etc) | <ul style="list-style-type: none"> Increased food production to meet local demand (E.g. Potatoes, Citrus and other food produce) Increase milk production to meet full local demand with vertical integration on milk products (e.g. yoghurts and cheese) Increase sorghum milling capacity for local and export revenues Use of indigenous plants for large scale manufacturing of health and food products (e.g. hand sanitizers, juices and health supplements) | <ul style="list-style-type: none"> BDC is working with the lessee of its Talana Farms to evaluate the level investment required to enhance and diversify the farm's production capacity: 12-24 months Investment in Kamoso, a large food and healthcare distribution and manufacturing company, to help increase and diversify the manufacturing capacity of the company: Ongoing Investment in RFG Botswana Partnership, an internationally recognized producer of convenience meal solutions for customers throughout South Africa, sub-Saharan Africa and in major global markets. Investment Provides an opportunity to build a resilient supply chain and safeguard food security for Botswana. Ongoing Through partnerships with research institutions, we plan to increase the use of indigenous plants for large scale manufacturing of health and food products (e.g. hand sanitizers, juices and health supplements: 24-36 months |
| Lack of citizen industrialists and low citizen participation in key sectors leading to limited citizen capacity to participate meaningfully in the economic recovery | <ul style="list-style-type: none"> Increase real (controlling equity stakes) citizen participation in key sectors of the economy (banking, insurance, manufacturing, tourism etc) | <ul style="list-style-type: none"> Immediate and on-going |

Projects/programmes BDC is planning to implement

Lessons Learnt and Opportunities

| CHALLENGES / LESSONS | OPPORTUNITIES (BDC TO LEAD) | PROJECTS AND TIMELINES |
|---|---|---|
| Limited local funding options for entrepreneurs and start-up ventures to sustain and diversify economic development | <ul style="list-style-type: none"> Set up a strong local financial services sector that will unapologetically commit its capital to support the local economic agenda of facilitating financial inclusion, and shifting Botswana to a high-income status | <ul style="list-style-type: none"> 12 - 24 months |
| Under exploitation of natural endowments e.g. Sunlight and Coal | <ul style="list-style-type: none"> Harness abundant sunlight and land to set up Solar Energy farms across the country with patents and manufacture of the related technology | <ul style="list-style-type: none"> Funding and partnerships with Independent Power Producers: 12-36 months •Develop and patent technology to benefitate our coal resource for clean energy: 24 - 36 months |
| •High risk of loss of revenue especially from the mining and tourism sector | <ul style="list-style-type: none"> Establish a large distressed business fund capitalized with seed funding from BDC with other funders locally and internationally focused on the turnaround of viable businesses impacted by COVID-19 (e.g. Tourism). Use the unique opportunity of low-priced quality global assets to acquire distressed international companies with skills and patents that will increase local innovation capacity leapfrog Botswana towards a knowledge-based economy | <ul style="list-style-type: none"> 6 - 12 months |
| Infrastructure Gap (alternative routes to the sea) | <ul style="list-style-type: none"> Develop Namibia and Mozambique as alternative routes and establish profitable dry ports in the respective countries | <ul style="list-style-type: none"> Leverage of our existing investee companies in transport, logistics and distribution (Transport Holdings) to develop Namibia and Mozambique as alternative routes and establish profitable dry ports in the respective countries: 24-36 months |



Thank you.