Investment Opportunities from Targeted Privatization Assets of the Government of Botswana

Presentation to Potential Investors
Public Enterprises Evaluation & Privatisation Agency (PEEPA)

PEEPA

• Privatisation of State Owned Entities
• Monitoring the performance of State Owned Entities

Guiding Principles

• Privatisation will be conducted in a manner that benefits all
• Conducive regulatory and supervisory environment
• Development citizen owned businesses
• Transparency, equity and safe guarding employee interests
Establishment
Botswana Meat Commission Act of 1965 BMC operates a number of subsidiaries and three abattoirs; one based in Lobatse which opened in 1965 (largest export abattoir in Africa), Francistown which opened in 1989 and Maun which opened in 1983.

Mandate
Purchase and slaughter cattle and prepare and sell the products of such slaughtering or, if BMC thinks fit, sell on the hoof cattle so purchased
May, in its discretion and with the consent of the Minister, promote schemes for the development and improvement of the livestock industry

Unique Selling Point
BMC currently has the monopoly to export beef and beef products of Botswana. There are prospects for industry protection arrangements with participating investors.

Markets
The European Union and South Africa are the largest market for lean beef. Other products are traded in the domestic market.
EU – Norway, Cyprus, Czech Republic, Germany, Greece, Italy, Netherlands, Norway, Portugal, UK, Belgium
Regional – Botswana, South Africa, Angola, Zimbabwe, DRC, Mozambique
Other markets – Hong Kong, Kuwait, Vietnam

Supply Dynamics
- 40% of households involved in cattle rearing
- Over 80% of the national herd is held in communal land
- National herd is estimated to be around 2.5 million.
- District offices in Molepolole, Mahalapye and Tsabong

Most profitable Customer base
| EU | 21% of total production |
| BWP 40.55 | 2010 |
| BWP 70.14 | 73% | 2017 |

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Participation in the Value Chain
- Livestock Procurement
- Transportation
- Operations
- Marketing, Sales & Distribution

Value enhancement opportunities
- Other markets
- Focussed participation in the value chain
- Outsourcing non-core areas
- Extraction of greater value from by-products

In 2015, the sector contributed approximately 3% to Botswana's GDP

Sector accounts for approximately 30% of the country’s total direct and indirect employment

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**BMC PLANTS & THEIR CAPACITY**

- **Lobatse**
  - Slaughter capacity of **650** a day
  - **Slaughter Capacity**: 80 per hour
  - **Deboning Capacity**: 80 per hour

- **F/Town**
  - Slaughter capacity of **400** a day
  - **Slaughter Capacity**: 50 per hour
  - **Deboning Capacity**: 50 per hour

- **Maun**
  - Slaughter capacity of **130** a day (after 2015 refurbishments)
  - **Deboning Capacity**: 12 per hour
  - **Deboning Capacity**: 12 per hour

- **Cannery - Lobatse**
  - Production capacity of **9 Tons** of canned products a day
Compliance and Accreditation

- EU license
- HACCP SANS 10330:
- ISO 9001:2008
- British Retail Consortium Food Safety standard Issue 6: 2011
- Halaal certificate
BMC on a strong rebound

Shareholder Equity

Total Assets & Liabilities

BMC Cattle Slaughter 2006 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Lobatse</th>
<th>Francistown</th>
<th>Maun</th>
<th>Total</th>
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<td>135286</td>
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<td>2795</td>
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<td>2013</td>
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<td>27618</td>
<td>17333</td>
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<td>2016</td>
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<td>2017</td>
<td>88986</td>
<td>12846</td>
<td>29160</td>
<td>130992</td>
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Establishment
Air Botswana – Corporation established in 1988, through Air Botswana Act Cap 74:04 of the Laws of Botswana, for the provision, development, operation and management of air transport services and for matters connected therewith or incidental thereto.

Regulatory Framework
Civil Aviation Authority of Botswana (CAAB), established through the Civil Aviation Act of 2004.

Markets
- Business travellers (international & regional)
- Tourist/Leisure travellers (international and regional)

Services
- Passenger services
- Charters
- Cargo
- Ground handling services
- Aircraft maintenance services

Operational environment
The Airline operates scheduled flights from
- four (4) international major airports,
- And potential for three (3) international minor airports, and
- Charter services from Fifteen (15) aerodromes.

Competition
- four (4) foreign international air carriers operate scheduled passenger services
  - South African Airways
  - South African Express Airways
  - Ethiopian Airlines, and
  - Air Namibia.
- five (5) private air operators
- fourteen (14) other non-scheduled local operators
Unique Selling Points

• Botswana centrally located with easy access to the rest of Southern Africa.
• Close proximity to lucrative South Africa market,
• Young population with travelling culture
• Southern Africa Development Community headquarters
• Gaborone one of the safest cities in the world
• Bilateral Air Services Agreements in place including an Open Skies Agreement with South Africa (S.A)
• Accounts for 5% African tourism market

Value enhancement opportunities

• Significant route expansion potential
• Rationalisation of non-core operations and Establishment of SBU
  • Ground handling
  • Property
  • Approved Training Centre
  • Maintenance and Repair Organisation
• Freighter business expansion and development
• Hub and spoke approach leveraging off geographic location and lower airport taxes
• Greater linkages to growing regional tourism (over 2m in 2016)
• 2nd most international arrivals in the region (2014)
Establishment
National Development Bank (NDB) was established under the National Development Bank Act of 1963.
• Owned by the Government of Botswana
• Operates from a head office in Gaborone and has branches in Maun, Francistown and Palapye

Mandate
To provide a varied range of financial services to Botswana’s business sector and the public at large while aiming to earn satisfactory returns on shareholder’s funds.

Competitive Landscape
Operates within the highly competitive banking industry of Botswana, regulated by the central bank, the Bank of Botswana. Currently, in total, there are eight (8) licensed commercial banks in the country, dominated by the four large banks (in terms of asset base) namely
• First national Bank Botswana (FNBB),
• Barclays Bank,
• Standard Chartered Bank, and
• Stanbic.
Most banks are controlled by parent companies based outside Botswana.
Other banks in the market
• BANC ABC
• Bank of Baroda,
• Bank Gaborone,
• Bank of India and
• Capital Bank.
Other Government owned institutions
• Citizen Entrepreneurial Development Agency (CEDA)
• Botswana Development Corporation (BDC).

Target sectors
Provides loan financing for new and existing undertakings falling under the following sectors:
• Agriculture – All Agricultural projects
• Commerce - All all retail, service and Tourism Industries
• Industrial - All Industrial, Manufacturing, Processing and Mining
• Real Estate - Property development and purchase (office, retail, industry and commercial residential space)
• Human Development- Educational loans, residential loans etc.
Unique Selling Points
- Pro development,
- Specialist in start-ups,
- Recognised as lead financier for Agricultural projects

Value enhancement opportunities
- Product expansion
- Commercial Banking license
- Focused participation in the value chain
- Outsourcing non-core areas
- Extraction of greater value from by-products

NPL’s as a % of total Loan book

Recovering profit margins & improving debt ratio

NDB Challenges
- High attrition rate - experiencing high number of loan settlements due to high costs of loans at NDB. As at December 2015, the value of settled loans was P84 million while disbursements were at P125 million.
- High costs of funding - The bank’s average cost of funding has increased from 8.5% to 9.2%
- Inability to raise capital - The Bank is about to reach the BWP 1 Billion borrowing Cap
## Privatisation Masterplan

<table>
<thead>
<tr>
<th>QUADRANT A</th>
<th>QUADRANT B</th>
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<tbody>
<tr>
<td>• BVI</td>
<td>• Botswana Railways</td>
</tr>
<tr>
<td>• BAMB</td>
<td>• Air Botswana</td>
</tr>
<tr>
<td>• BTCL</td>
<td>• Botswana Meat Commission</td>
</tr>
<tr>
<td>• NDB</td>
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<table>
<thead>
<tr>
<th>QUADRANT C</th>
<th>QUADRANT D</th>
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</thead>
<tbody>
<tr>
<td>• WUC</td>
<td>• University of Botswana</td>
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<tr>
<td>• BHC</td>
<td>• BDC, BSE, Botswana Savings Bank</td>
</tr>
<tr>
<td>• BPC</td>
<td>• Botswana Motor Vehicle Accident Fund</td>
</tr>
<tr>
<td></td>
<td>• Botswana Trade Commission, SPEDU, SEZA, BNPC, BOFINET, BITRI,</td>
</tr>
<tr>
<td></td>
<td>• Botswana Postal Services</td>
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Privatisation Process

• Conducive regulatory and supervisory environment
• Transparent public procurement and disposal process
• Citizen economic empowerment
Thank You