



INTERSITE  
ASSET INVESTMENTS

# PORTFOLIO COMMITTEE ON TRANSPORT (PCOT) PRESENTATION:

## Intersite Asset Investments SOC LTD Annual Report 2018/19

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INTERSITE IS A SUBSIDIARY OF  prasa

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# THE HISTORICAL CONTEXT & STRATEGIC OVERVIEW

# THE MANDATE OF INTERSITE



- The mandate of Intersite Assets Investments SOC LTD derives from PRASA's secondary mandate
- The secondary mandate of PRASA:
  - The **second object** and secondary business remains that PRASA shall generate income from the exploitation of assets acquired by it.
- In addition, PRASA shall have due regard to key Government:
  - Social objectives
  - Economic objectives
  - Transport objectives

# THE PROBLEM STATEMENT



- The major limitations obstructing Intersite from achieving its objectives are:
  - Zero assets (no assets on its balance sheet);
  - Zero borrowing powers (cannot borrow or raise debt);
  - Zero capital allocation (no capital grant funding allocation for investments);
  - Blurring/overlapping mandates between PRASA CRES & Intersite;
- The above has severely limited the ability of Intersite to deliver sustainable & impactful value to its shareholder.

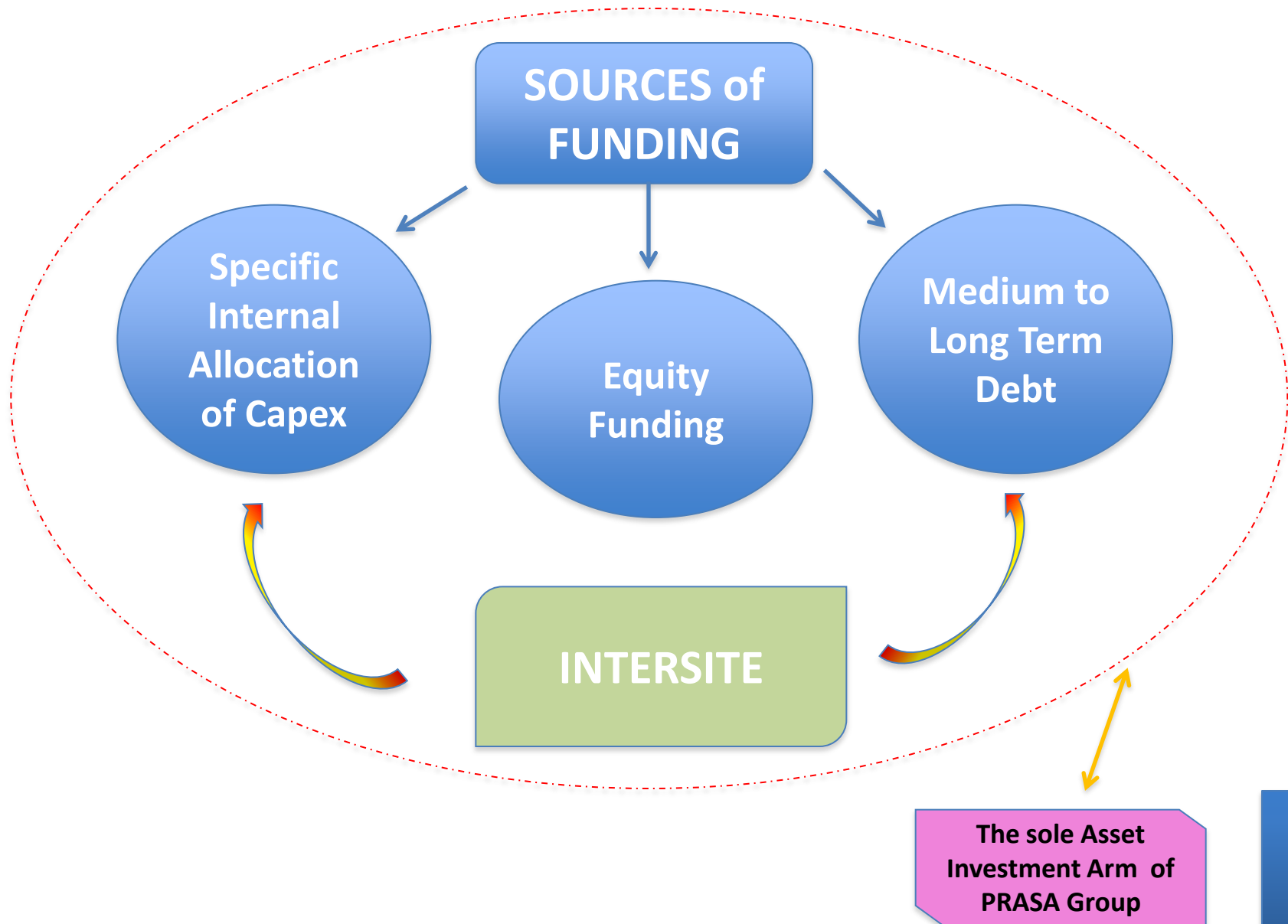
# PROPOSED SOLUTIONS TO ADDRESS THE PROBLEM



1. Exclusive rights over the secondary mandate (i.e. asset commercialization) & its implementation;
2. Consolidation of PRASA CRES & Intersite into a single entity drawing from the GTAC consolidation blueprint;
3. Transfer of assets or rights from PRASA to Intersite (e.g. Real estate; Telecoms/ICT, Energy & Advertising);
4. Capital grant allocation and/or borrowing powers to co-invest;
5. Specific PFMA exemptions to make it easier to do business;
6. The use of strategic partnerships to crowd in private sector investors.

# PROPOSED SOLUTION TO ADDRESS THE FUNDING PROBLEM

## – SOURCES OF FUNDING & OPTIMAL FUNDING STRUCTURE



# LOCAL & INTERNATIONAL BENCHMARKINGS: NON-FARE/NON CORE REVENUE CONTRIBUTORS

COUNTRY	ENTITY NAME	INDUSTRY SECTOR	SUB-SECTOR	% CONTRIBUTION (OPERATING INCOME)
1. GERMANY	DEUTSHE BAAN	RAIL	PROPERTY	33%
2. JAPAN	JAPANESE RAIL	RAIL	PROPERTY	39%
3. HONG KONG	MTR	RAIL	PROPERTY	49%
4. RSA	ACSA	AVIATION	PROPERTY*	45%*
5. RSA	TELKOM	TELECOMS	PROPERTY**	TBC**

- \* NON AERONAUTICAL REVENUE
- \*\* TO BE CONFIRMED

COUNTRY	ENTITY NAME	INDUSTRY SECTOR	SUB-SECTOR	KMs FIBRE NETWORK	% CONTRIBUTION
1. INDIA	RAIL TEL	RAIL	TELECOMS & ICT	45 000	N/A
2. MOROCCO	ONCF	RAIL	TELECOMS	2 000	N/A
3. FRANCE	RFF	RAIL	TELECOMS	4 500	N/A
4. RSA	TFR	RAIL	TELECOMS	9 000	N/A
4. RSA	PRASA	RAIL	TELECOMS	1 004	<1%



# KwaMnyandu Station – Retail Development



**KwaMNYANDU**  
SHOPPING CENTRE



AERIAL PERSPECTIVE VIEW

With ample convenient on grade parking at the eastern end, and the balance on the roof, the roof parking has direct access to the shops at the upper ground level.

Vertical access is serviced by escalators and trolley lifts making all levels accessible to the parking roof level.



# KwaMnyandu Station – Retail Development



- Developed on PRASA owned land & launched in 2015, this 22 000m<sup>2</sup> mall is linked to the KwaMnyandu railway station in Umlazi, one of the busiest stations in the KwaZulu-Natal (KZN) region.
- KwaMnyandu Development was made possible through partnership between PRASA & the private sector. Jobs created include 540 temp & 200 perm jobs.
- KwaMnyandu is in close proximity to the King Zwelithini Stadium and the Mangosuthu University of Technology & was identified as a key education & sporting development node within the urban regeneration plans.
- Lost opportunity to co-invest by Intersite up to 30% in the R330m development foregone due to lack of capital for investments.

Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Costs (Rm)	Status
KwaMnyandu Mall	KZN	Retail	22 000		330	Tra



# Langa Station – Retail Development



# Langa Station – Retail Development



- 4500m<sup>2</sup> Langa Junction Retail Centre represents a unique yet fit for purpose offering to the low income community of Langa and about 45 000 train users on a daily basis.
- About 100 jobs were created during the construction phase and 200 permanent jobs secured at the opening of the shopping centre in 2015.
- The development is built on PRASA land and links with the current Langa Station concourse and pedestrian routes constructed by the City of Cape Town.
- Lost opportunity to co-invest by Intersite foregone due to lack of capital for investments

Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Langa Centre	WC	Retail	4500		55	Trading



# Umgeni Business Park



# Umgeni Business Park



- The Umgeni Business Park is a product of a successful partnership between PRASA/Intersite & the private sector. The development will be R1.5bn when complete
- Located within the Springfield Industrial precinct the development takes advantage of the thriving Umgeni Business & Light Industrial node.
- Launched in 2018, Umgeni Business Park will create a mix of tenants that add value to the park & its occupants, therefore becoming a single destination to source décor, lifestyle & other related offerings.
- Lost opportunity to co-invest by Intersite up to 50% foregone due to lack of capital for investments

Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Umgeni Business Park 2	KZN	Light Industrial	67 000		1500	Phase Const



# Umlazi Station Development



# Umlazi Station Development



- The Umlazi Station Development is located 17km south of Durban CBD (bordered by Sokesimbone Str. & Dingane Rd).
- The proposed 13 000m<sup>2</sup> mixed use development comprises of retail and a small commercial component.
- The proposed retail is characterized as a neighbourhood shopping centre with a strong focus on servicing the rail commuters and the surrounding neighbourhood.
- Opportunity to co-invest by Intersite negotiated and agreed

Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Umlazi	KZN	Retail	13 000		195	Planning



# Tembalihle Station: Retail Development



Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Tembalihle Station Retail	KZN	Retail	9000		160	Planning

# Social Housing Developments: Heideveld & Goodwood Station



Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Heideveld Social Housing	WC	Residential		220	80	Pre-Con



# Goodwood Station



Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Goodwood Social Housing	WC	Residential		1080	280	Pre-Com

# Social Housing Developments: Heideveld & Goodwood Station



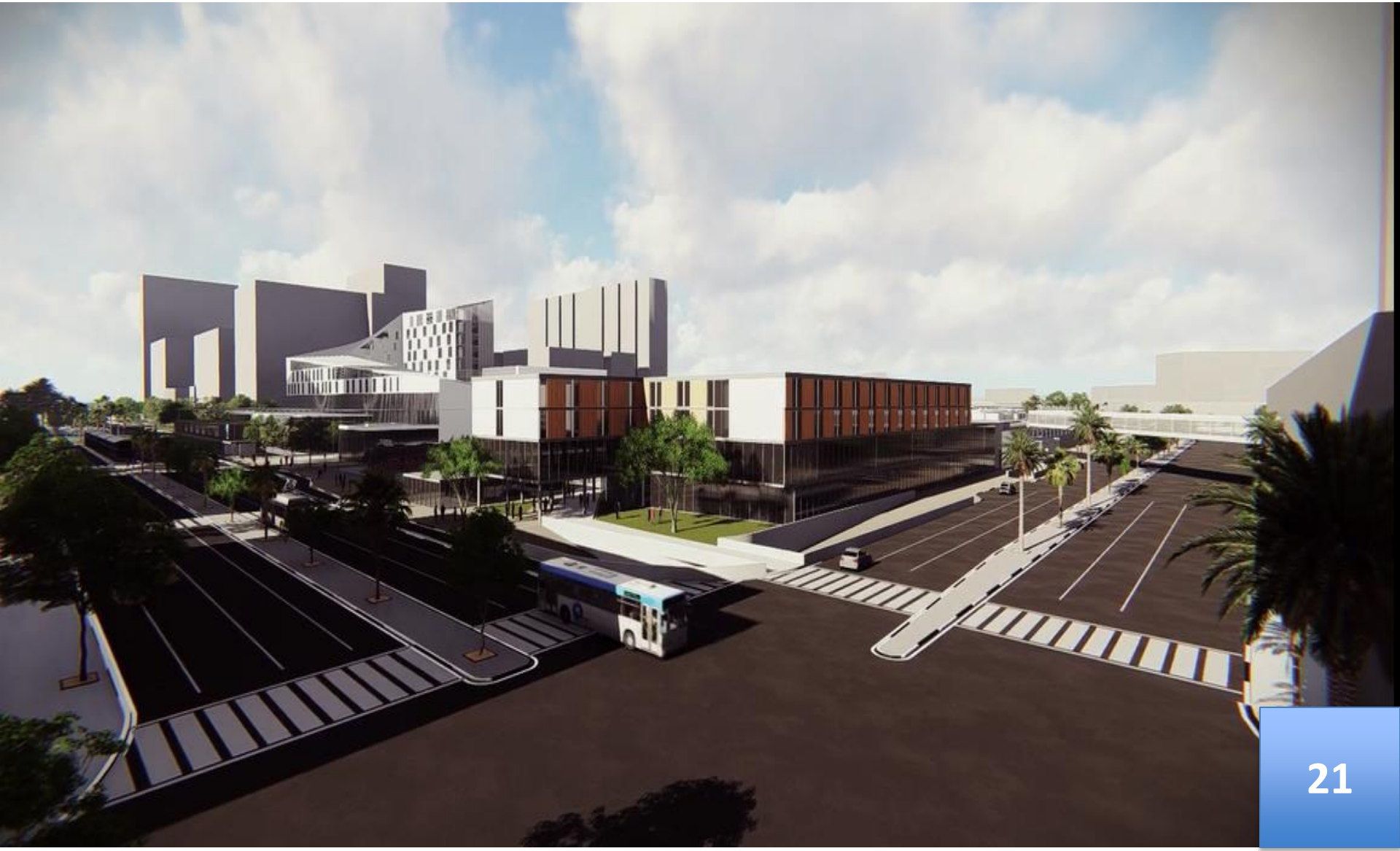
- For purposes of addressing the housing backlog and fostering social cohesion, a development scheme comprising of 1300 units (Goodwood and Heideveld) of social housing apartments is proposed and due for construction in 2018/19.
- In partnership with SHRA, PRASA/Intersite and the developer introduced one unique offering serving the needs of the lower LSM markets between R750 –R1500 closer to cheaper modes of transport address developmental challenges and spatial planning issues facing the province.
- Intersite together with the Dept of Human Settlement (DoHS) is in the process of reviving an MOA with the DoHS to fast-track collaboration in areas of Transit Oriented Developments (TODs) & corridor densification in support of Govt. transport & social objectives

# Cape Town Station Mixed Use Development





# Cape Town Station Mixed Use Development



# Cape Town Station Mixed Use Development



- The rezoning of 42 000m<sup>2</sup> the forecourt area on the western portion of Cape Town station adjacent to Adderley Street has been approved from a transport zone to general business, to develop a 120-room hotel, office and retail complex.
- This Transit Oriented Development is aimed at harnessing and optimising PRASA assets by utilising air-rights obtained from the FIFA 2010 station upgrade project. Full development costs are R1.2bn.
- The development is expected to promote business and economic opportunities within the City’s densification policy, positive in the sense that more activity, lighting and density may increase the safety for all commuters.

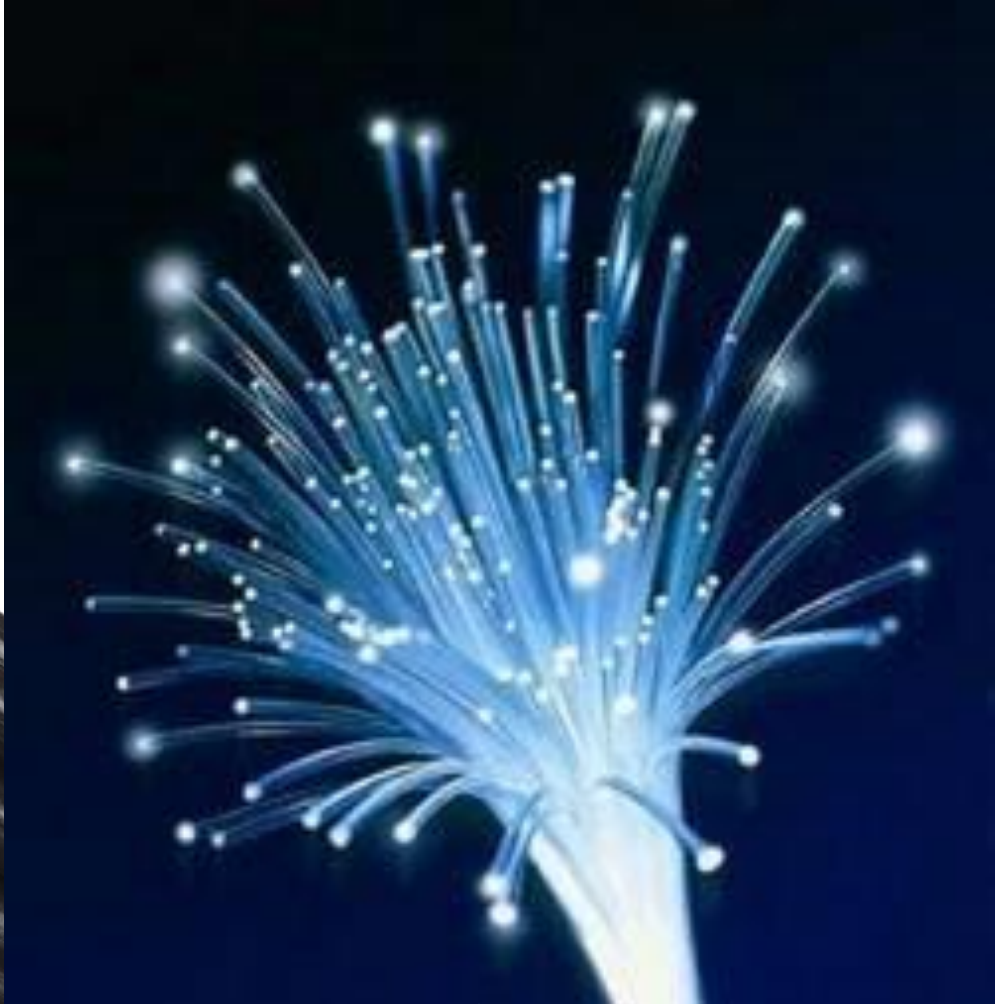
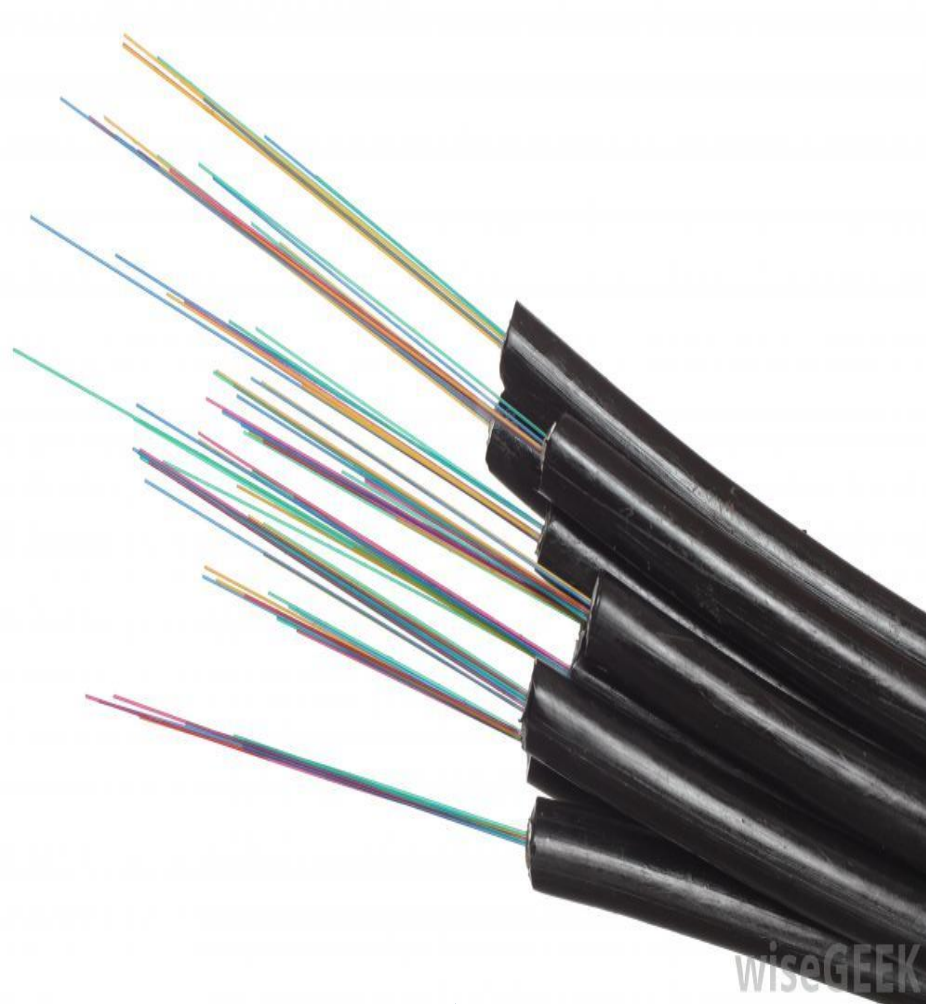
Projects	Province	Type	GLA (m <sup>2</sup> )	Units	Cost Rm'	Status
Cape Town Phase	WC	Mixed	42 0 00		1200	Planni

# INCREASE IN VALUE CREATED BY INTERSITE THROUGH INVESTMENT WITH THIRD PARTY DEVELOPERS ONTO PRASA PROPERTY



	NO INVESTMENT	INVESTMENT	INVESTMENT
	Land rental only	Land rental and	Increase in value
Station	NPV	Investment NPV	in NPV
KwaMnyandu	23 977 753	106 332 152	82 354 399
Berea	13 292 706	84 696 912	71 404 206
Umgeni II	140 978 145	391 996 683	251 018 538
Cape Town (Phase 1A and 1B)	0	176 696 405	176 696 405
Cape Town (Phase 1C and 1D)	175 478 796	539 887 203	364 408 406
Naledi	48 270 126	179 475 303	131 205 177
Umlazi	45 332 342	148 026 945	102 694 603
<b>TOTAL</b>	<b>447 329 869</b>	<b>1 627 111 603</b>	<b>1 179 781 734</b>





**Dark Fibre**

**Lit Fibre**

# FIBRE LEASING & FRE PUBLIC WI-FI AT PRASA STATIONS



- The Wi-Fi service is aimed at any users of PRASA stations, shop owners (current) as well as commuters on board PRASA trains (later).
- The free public Wi-Fi service is provided on the back of the optic fibre network which allows for a seamless commuter experience from train station through trains to next train station.
- Students from disadvantaged communities and unemployed will benefit massively from this service.
- PRASA itself will also be able to utilise this platform to advertise its services, train schedules or changes thereto; interact with the commuter base using various APPs; and potentially have a platform for transacting e.g. train ticket purchases, etc.
- Major limitations to the programme:
  - PRASA fibre in a poor state across the board
  - Unable to meet market demand for leased fibre
  - Limitations on free WiFi services rollout, provision & expansion
  - Net result is revenue loss for PRASA

# KEY REQUIREMENTS TO EFFECTIVELY IMPLEMENT THE SECONDARY MANDATE & BE SELF SUSTAINABLE



1. Effective institutional arrangements between DOT, PRASA and Intersite;
2. Exclusive rights to Intersite over the secondary mandate & its implementation;
3. Consolidation of Intersite & PRASA CRES to address overlaps & inefficiencies;
4. Control or transfer from PRASA to Intersite of select assets or rights (i.e. Real estate; Telecoms/ICT infrastructure & services; Energy & Advertising);
5. Capital grant allocation and/or borrowing powers;
6. Specific PFMA exemptions to enable ease of doing business;
7. Appropriate PFMA scheduling to support the secondary mandate & commercialization i.e. PFMA schedule change from 3B to 2;
8. The use of strategic partnerships to crowd in private sector investments.



# ANNUAL FINANCIAL STATEMENTS 2018/19

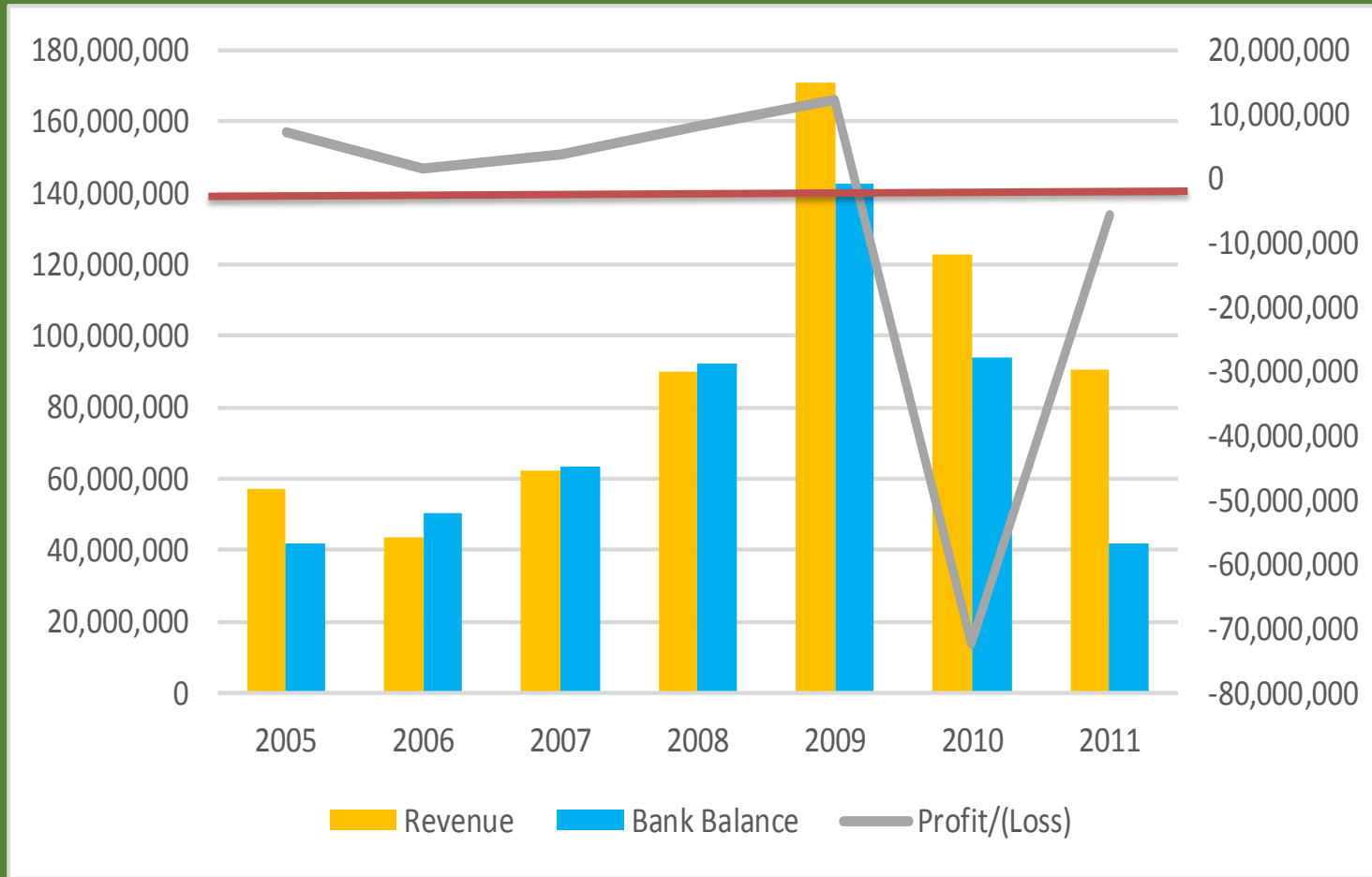
# EXTERNAL AUDIT TRENDS SINCE INCEPTION



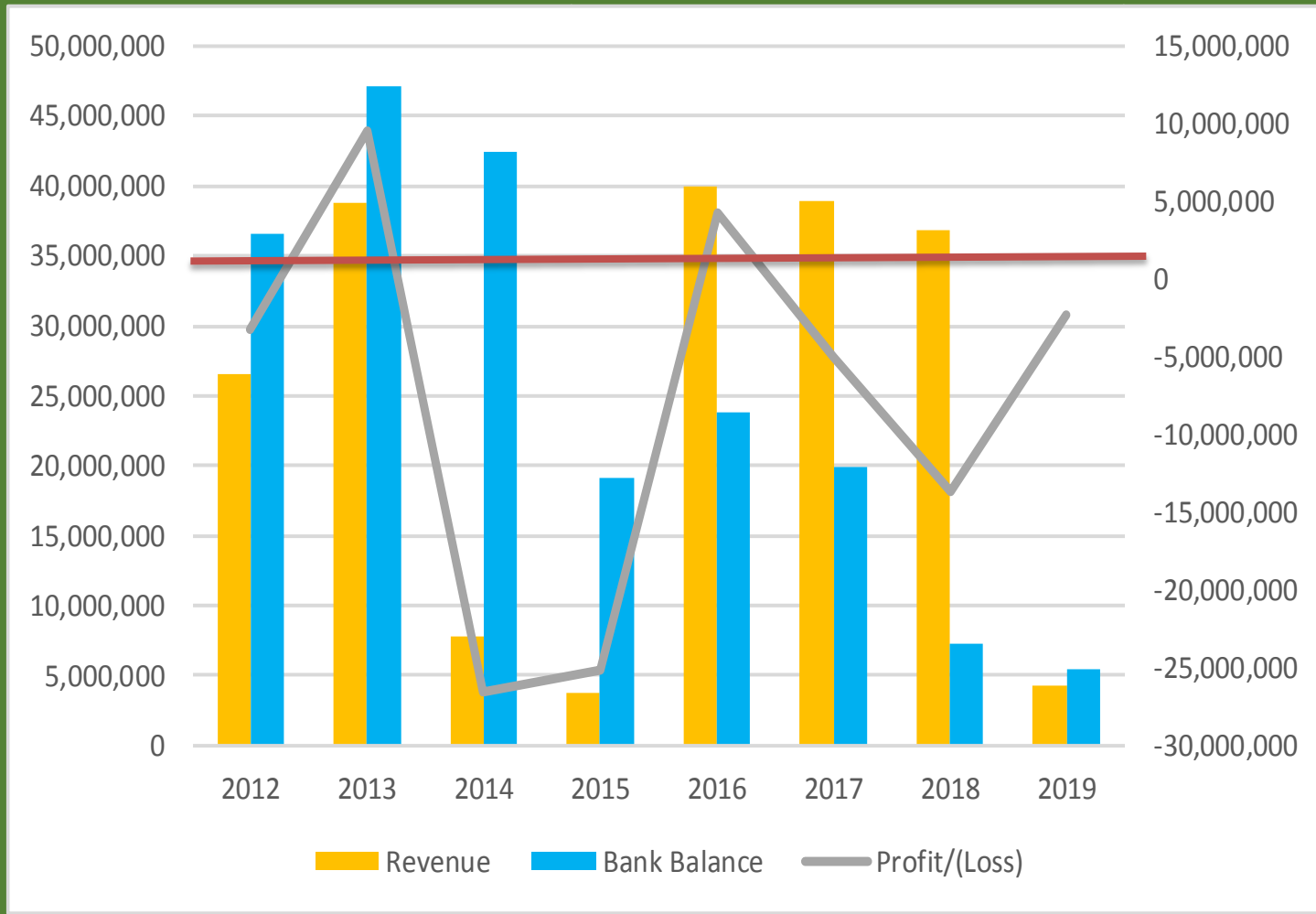
Financial Year	AUDIT OPINION		
	Unqualified	Qualified	Clean Audit
2012	✓		
2013	✓		
2014	✓		✓
2015	✓		✓
2016	✓		
2017	✓		
2018	✓		
2019		✓	

-Undersstatement of revenue due to the withdrawal of the Retainer Fee  
 - Understatement of fibre lease expense due to a PRASA approved waiver not being reaffirmed  
 - Going Concern Risk

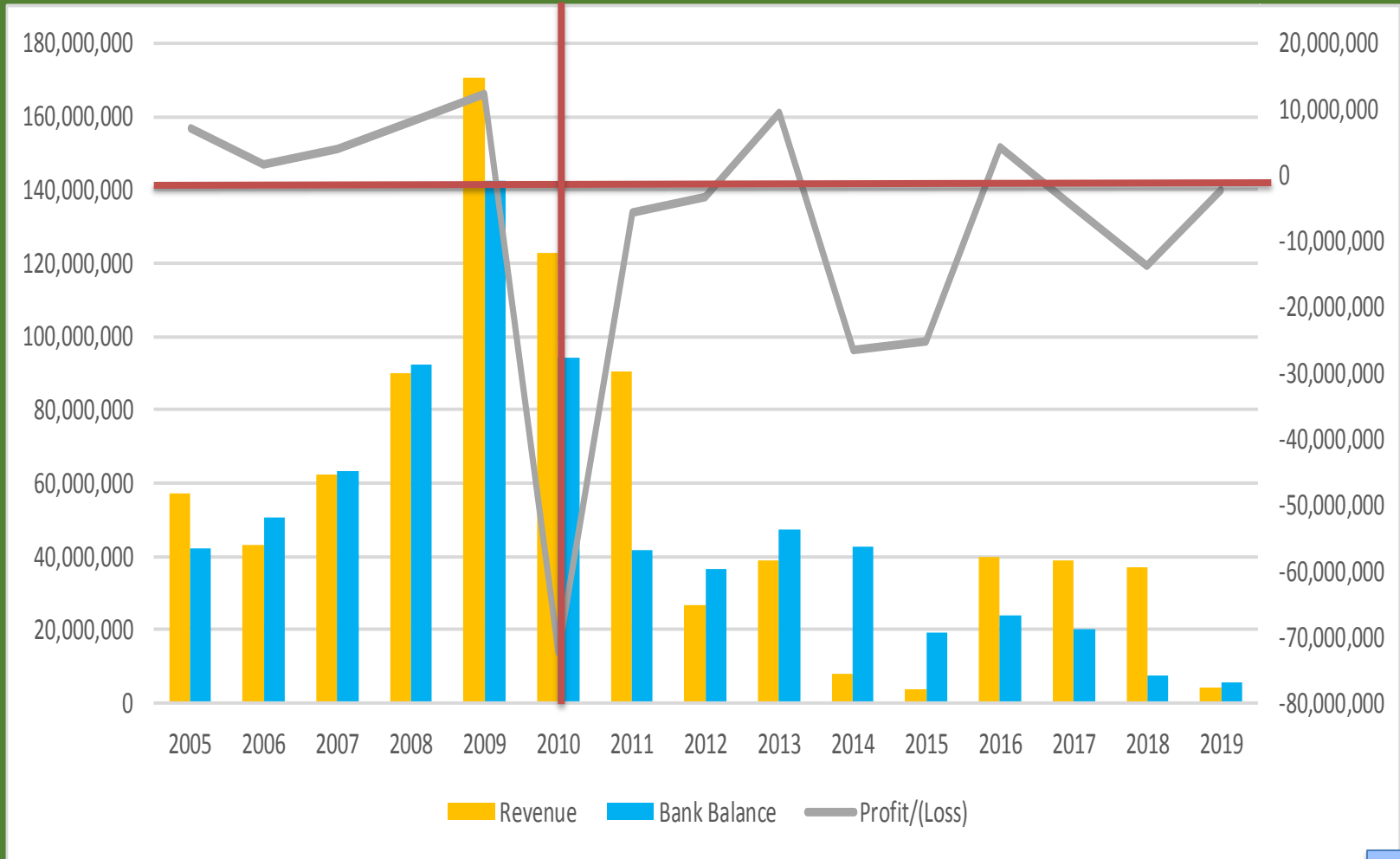
# FINANCIAL TREND ANALYSIS: PRE-2010 INTERSITE SPLIT



# FINANCIAL TREND ANALYSIS: POST-2010 INTERSITE SPLIT



# FINANCIAL TREND ANALYSIS: PRE & POST 2010 SPLIT



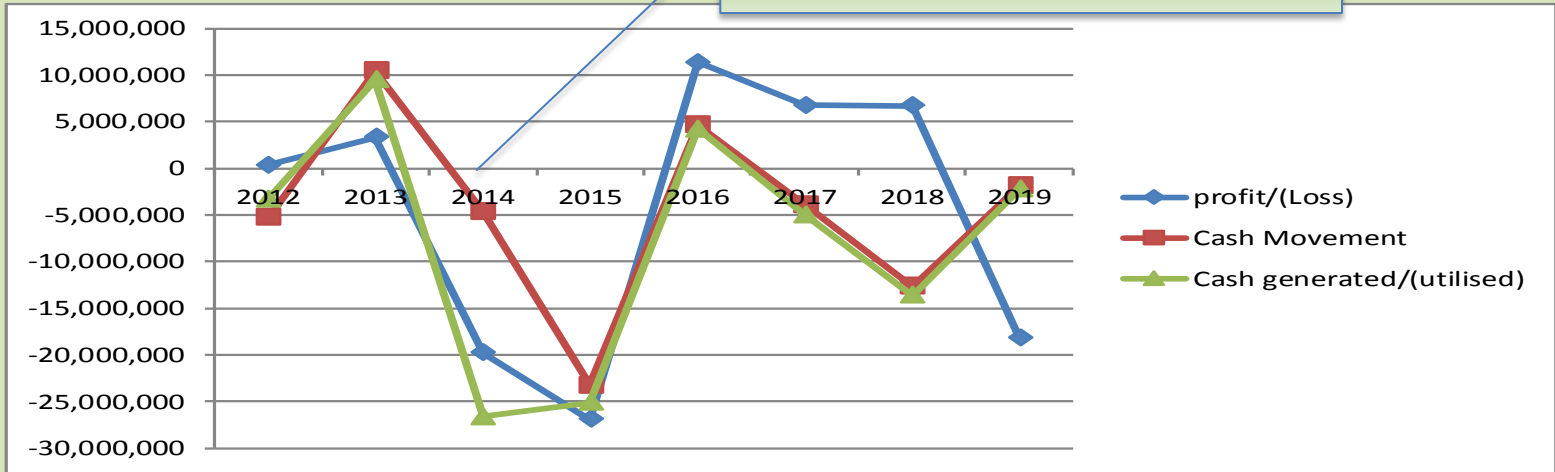


# FINANCIAL TREND ANALYSIS SINCE INCEPTION

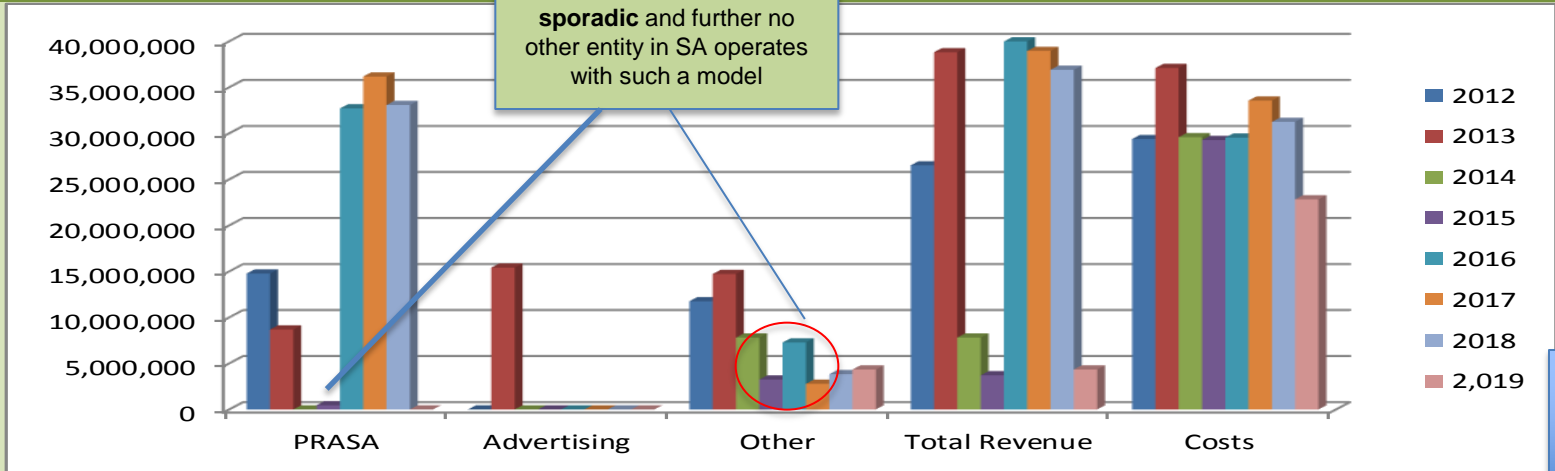


The decline is attributed to:

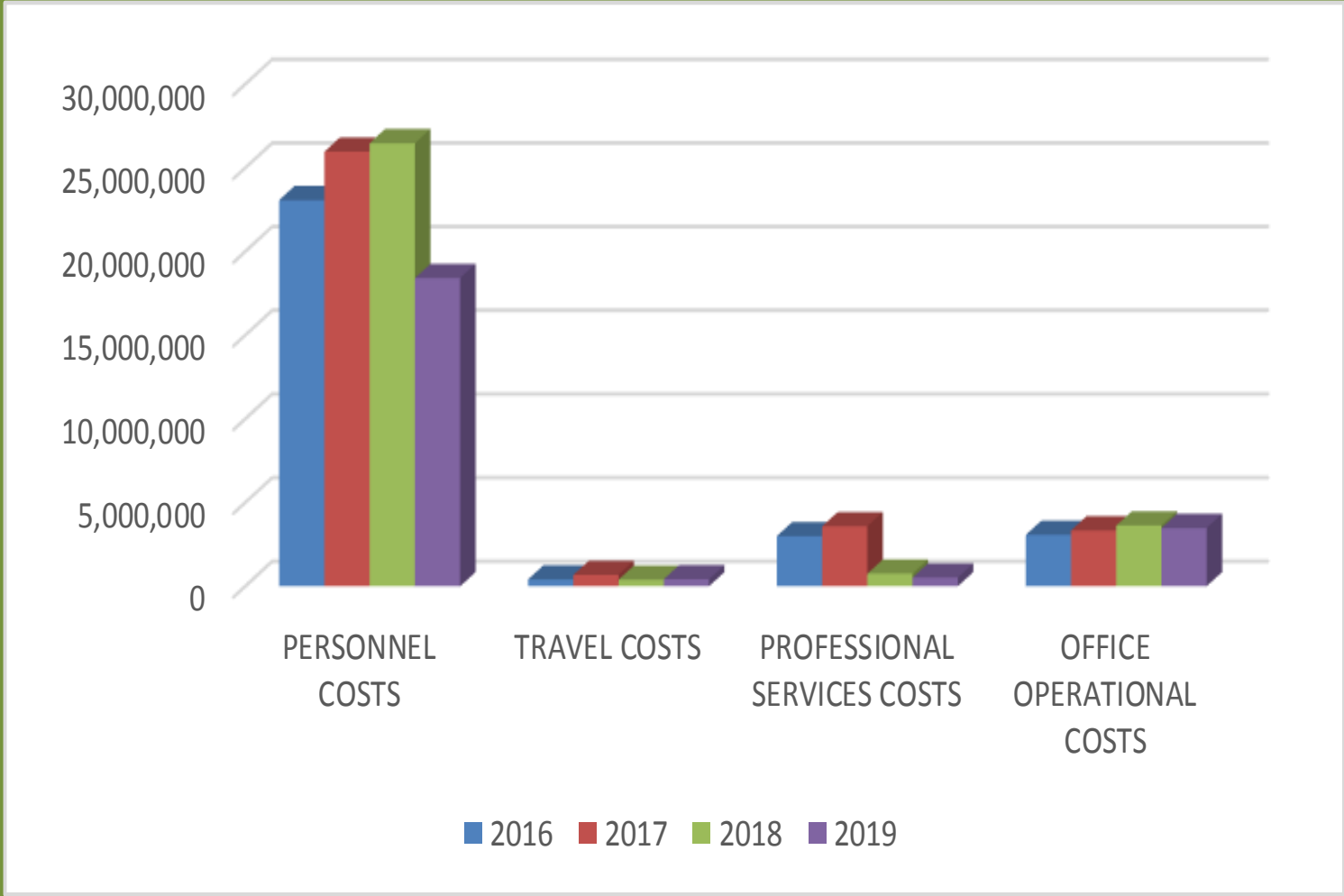
- Removal of the advertising portfolio
- Change in the revenue model
- Contract with LDRT reaching finalisation



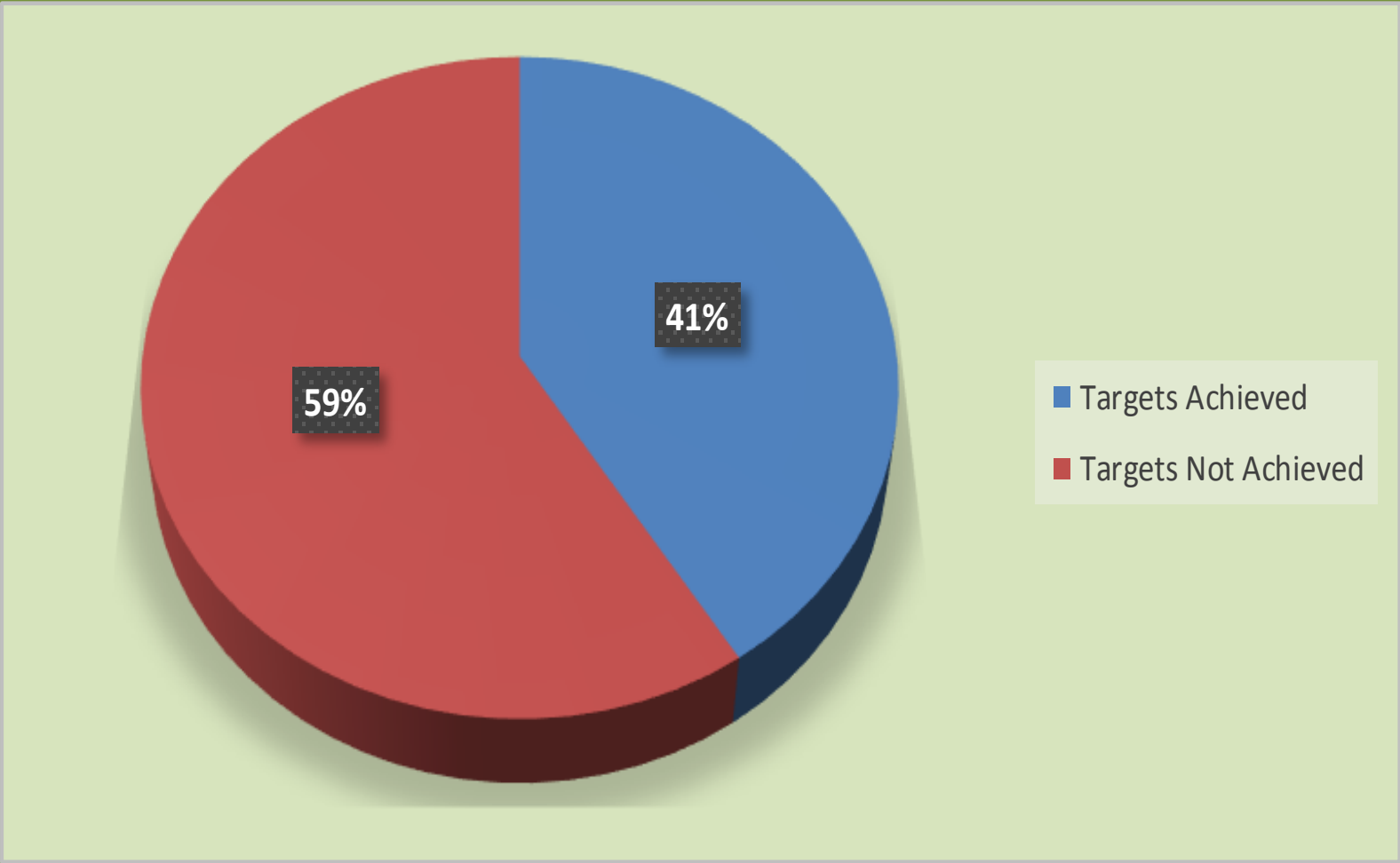
Nature of Income is **sporadic** and further no other entity in SA operates with such a model



# EXPENDITURE TREND ANALYSIS SINCE 2016



# 2018/19 PERFORMANCE AGAINST TARGETS



# 2018/19 PERFORMANCE ANALYSIS



## Significant Targets Achieved

- Contracted two viable development partners on Naledi and Diepriver
- Commenced with development planning processes on approved projects Retreat and Tembalihle.
- Increased revenue growth from the commercialization of dark fibre
- Signed Shareholders Compact
- Risk Management Framework approved

## Significant Targets Not Achieved

- Concluded of 2 of 3 tenant developments – Umgeni Development
- Unable to secure funding for investment purposes
- Unable to secure funding for master planning on three flagship station projects
- Unable to secure funding for professional services to develop a business case for the commercialization of PRASA's energy assets
- Unable to secure funding for the expansion of the dark fibre network for commercialization purposes






# 2018/19 PERFORMANCE AGAINST TARGETS

## continued....



- Major Shareholder dependencies outstanding to date:
  - The Property strategy with regards to co-investments/investments has not been implemented to date.
  - The Telecoms strategy (Fibre leasing and Value Added Services provision) has not been implemented to date.
  - No investment capital made available to Intersite to date (no CAPEX allocation) and no borrowing powers for investment.
  - Zero asset base since inception
  - No control over relevant property assets to date; control remains with PRASA.
  - Significant performance targets during the prior periods not achieved – this has been the trend since inception.
  - Sustainability of the entity is a serious concern and this has been raised as a repeat finding in the recent External Audit Report from the Auditor General

# 2018/19 STATEMENT OF COMPREHENSIVE INCOME

	2019	2018	
Revenue	4,338,309	36,904,520	
Operating Costs	(22,826,693)	(31,245,188)	
<b>Operating (Loss)/Profit</b>	<b>(18,488,384)</b>	<b>5,659,332</b>	
Investment Income	363,192	1,027,276	
<b>(Loss)/Profit</b>	<b>(18,125,192)</b>	<b>6,686,608</b>	






# 2018/19 STATEMENT OF FINANCIAL POSITION



	2019	2018	
Property, Plant and Equipment	354,890	605,820	
Trade and Other Receivables	17,464,062	40,834,564	
Cash and Cash Equivalents	5,424,656	7,315,238	
Capital and Reserves	22,961,877	41,087,069	
Accumulated Loss	(65,249,684)	(47,124,492)	
Trade and Other Payables	2,346,393	8,698,228	

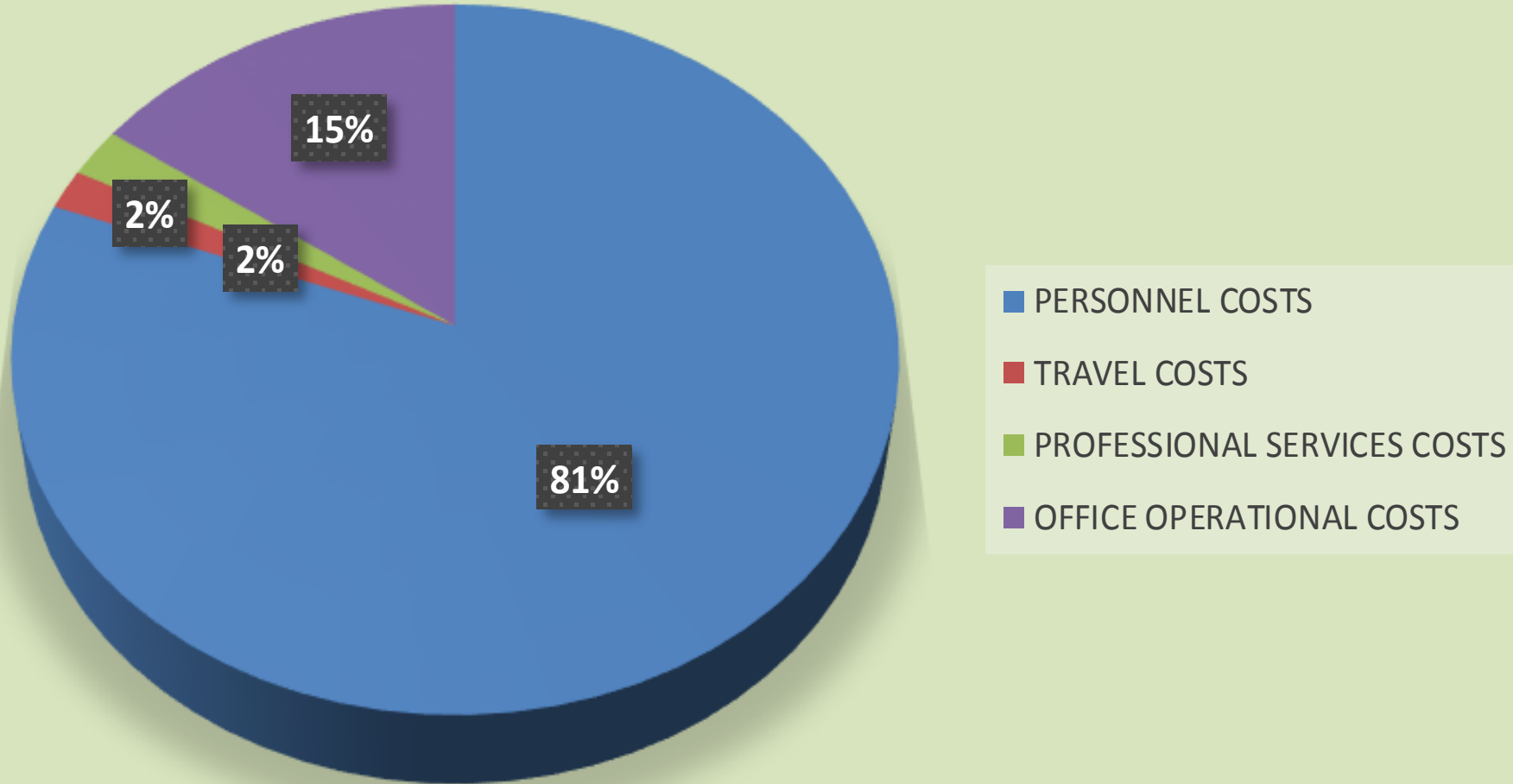
# 2018/19 CASH FLOW STATEMENT



	2019	2018	
Cash Receipts from Customers	27,173,732	17,338,272	
Interest Income	363,192	1,027,276	
Cash Paid to Suppliers	(29,427,506)	(30,963,845)	
Cash Utilised in Operations	(1,890,582)	(12,598,297)	
Decrease in Cash & Cash Equivalents	(1,890,582)	(12,621,503)	



# 2018/19 OPERATING COSTS ANALYSIS





# SUMMARY AND CONCLUSIONS AND WAY FOWARD

# WHAT IS REQUIRED TO MAKE INTERSITE AN INVESTMENT COMPANY?



REQUIREMENTS	STATUS
Independent vehicle to suit lenders and National Treasury requirements	<b>Completed – Intersite is available</b>
Assets that are income producing and credit worthy	<b>No assets in place</b>
Skills and knowledge that suit those of an investment company	<b>In place, new skills acquired as needed</b>
Capital and borrowing powers to raise funding	<b>No borrowing powers in place to raise funds nor capital from PRASA</b>
Viable investments available to invest into	<b>Current pipeline projects are ready for investment</b>

# SUMMARY & CONCLUSIONS



5 point plan in order to implement a Turnaround of Intersite:

1. Transfer from PRASA to Intersite of select assets or rights over those assets.
2. Capital grant allocation &/or borrowing powers to co-invest (Fund the Intersite mandate);
3. Specific PFMA exemptions i.e. PPP & S54 requirements;
4. The use of strategic partners to crowd in investors;
5. Use GTAC blueprint to consolidate PRASA CRES & Intersite in order to improve performance, address mandate overlaps & improve efficiencies;

# SUMMARY & CONCLUSIONS



Key performance areas to focus on in order to effect turnaround:

- Real Estate/Property:
  - Historical Development Lease buyback
  - Development lease co-investments vs. land lease only
- Telecoms/ICT:
  - Telecoms infrastructure commercialization
  - ICT services provision
- Renewable Energy:
  - Renewable energy program for PRASA
  - Storage, generation & transmission
- Advertising:
  - Digital & static advertising

# WAY FORWARD



- Finalize consolidation of PRASA CRES & Intersite;
- GTAC blueprint for consolidation;
- Exclusive rights over the secondary mandate & its implementation;
- Transfer from PRASA to Intersite of select assets or rights for commercialization e.g. Real estate; Telecoms; Energy & Advertising;
- Capital grant allocation and/or borrowing powers to co-invest;
- Specific PFMA exemptions to enable ease of doing business;
- Use of strategic partners to crowd in private sector investors.





**INTERSITE**  
ASSET INVESTMENTS

# THANK YOU

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