



Calling Pathfinders

Funding Black Entrepreneurs in ICT



Ms Innocentia Pule
Chief Financial Officer
31 October 2016

NEF Mandate...

Established by the National Empowerment Fund Act No. 105 of 1998, the NEF 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 NEF is an agency of the dti and is the only DFI exclusively mandated to grow B-BBEE



NEF Understanding of ICT

- > Sector contributes more than 10% to GDP.
- > Major telecommunications players in South Africa are competing for market share in the next growth wave, making significant enabling investment for LTE and advance LTE services.
- > The current deployment of fibre to the home (FTTH) in the major metros which is expected to be extended to the rest of the country and the imminent migration to DTT is expected to further explode demand for broadband and services across the sector.
- > There have been significant investments in national backbone networks and international broadband connectivity infrastructure which may prove insufficient in light of the potential growth of the sector in South Africa.
- > While South Africa is a regional leader in the areas of online retail, electronic banking, mobile banking, social media and cloud computing, it lags behind other countries in the continent in the development of e-government, e-health, and e-learning applications – fundamental bandwidth-hungry applications creating an exponential demand for broadband access.
- > The NEF is here to find partners and pathfinders to journey with into the future following anticipated recapitalisation.

3

Ideal B-BBEE Targets

- > **Localization**: possible on some electronics products which are currently designated i.e. televisions, computer monitors, decoders etc.
- > **Black (Women) Ownership**: various percentage ownership requirements possible for different value chains within ICT i.e. on the applications side (e.g. creation of locally developed content).
- > **Ownership requirements** of at least 51% for local content; could be lower however retaining significant influence for access side and transmission side.
- > **The barriers of entry** could be considered as being inversely proportional to ownership requirements in each aspect of the value chain.
- > On the **pure services side** ownership can be as high as can possibly be due to skills transfer being relatively easy.

4

Lessons Learnt in B-BBEE Financing

- Long working capital cycle (due to waiting on either Government to make payment as a customer or for late grant endowments).
- High capex costs as infrastructure sharing has not been legislated in SA.
- Need for non-financial support interventions:
 - ❖ Online business plan solution,
 - ❖ Incubation,
 - ❖ Entrepreneurial training,
 - ❖ Social and community facilitation,
 - ❖ Mentorship,
 - ❖ Enterprise and supplier development and
 - ❖ Turnarounds, workouts and restructures.

5

Infrastructure & Manufacturing

LINK AFRICA

The business is positioned to deploy Last Mile Fibre Optic cables across the country. It employs patented technology which can be deployed four times faster at less than half the cost of normal fibre. The fibre is laid out inside existing sewer and other currently existing infrastructure as opposed to the normal method of digging up trenches to lay fibre optic cables. An initial capital investment of R300 million has led to the establishment of a well positioned South African Last Mile Fibre Optic Infrastructure Company, Link Africa.



Location	National
Project Development Stage	Operational
NEF Investment to date	R100 million
Project Promoter	Link Africa Pty Ltd
Projected Financial Close Requirement	In excess of R1.1 billion
Jobs	200 direct and 800 indirect



6

Key Performance Milestones

1



Approved 814 black businesses worth over R8.1 billion countrywide

2



Clean external audit opinions for 11 years running

3



Supported over 90 000 jobs & assisting well over 850 000 beneficiaries nationwide

4



25 strategic and industrial projects worth R27 billion with potential to support over 86 500 additional jobs.

7

NEF Funding Thresholds

From
R250 000

To
R75 million

Start-up, expansion and equity transformation purposes as well as use of concessionary facilities

Co-funding with third-party financiers for higher quanta

8

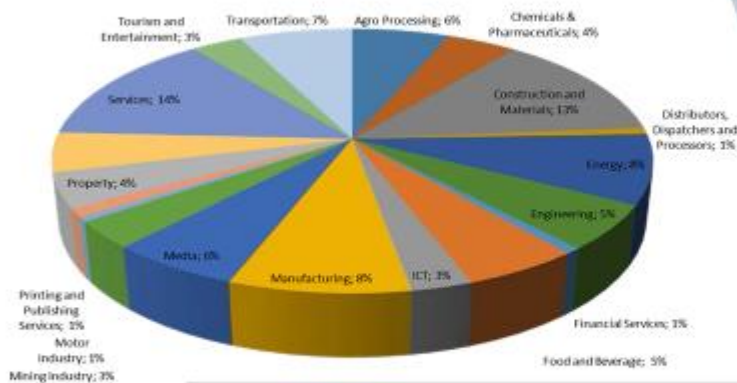
NEF Funding Products

On average, the NEF's business loans are repayable over 5 to 8 years, and up to 10 years where marked with an asterisk (*) below:

Product / Fund	Description	Funding amounts
Entrepreneurship Finance	For starting a new business	R250 000 – R10 million
Procurement Finance	For tenders and contracts	R250 000 – R10 million
Franchise Finance	For pre-approved franchise licenses	R250 000 – R10 million
Acquisition Finance	For black investors acquiring a stake in medium to large companies	R2 million – R75 million
Expansion Capital	For growing an existing business	R250 000 – R75 million
*Project Finance	Participation in green-field projects	R5 million – R75 million
Capital Markets	Listing on the JSE or its junior AltX markets	R2 million – R75 million
Liquidity and Warehousing	The NEF has Black Facilitator status, which can help black shareholders and companies wishing to sell a stake while keeping the shareholding black	R2 million – R75 million
*Rural and Community Development Fund	for agri-processing, tourism, mining & beneficiation, manufacturing etc	R1 million – R50 million
*Strategic Projects Fund	Venture-capital fund investing in early-stage projects for the purpose of developing strategic industrial capacity in poverty nodes, in renewable energy, business process outsourcing, tourism, manufacturing, mining and mineral beneficiation etc.	R1 million – R75 million

NEF Investment by Sector

NEF Invested Portfolio by sector by value since inception -31 August 2016



NEF funds across the economic spectrum.
ICT presently accounts for 3% of total portfolio.
 Need to increase and match 10% + contribution to GDP.

An Ideal Fund Management Partner



- NEF possesses the skills, expertise and track-record necessary in deriving funding models to suit the unique needs of an identified value chain.
- Experienced in managing funds from external agencies, and has become a partner trusted by many.
- Ability to partner with other DFIs and or external financiers to unlock value in capital intensive projects.
- As financial partner of choice to industry the NEF has ability to be align synergies with Government and the private sector in deriving detailed roll out plans for various initiatives as envisaged by the white paper.



BETTER TOGETHER.

11



Funding Black Industrialists



12

SPF Mandate

Strategic Projects Fund (SPF)

A unit of the NEF established with a mandate to increase the participation of black people in early-stage projects

Aligned to national Government policy.

Seeks competitive opportunity for the South African economy and the inclusion of black participation in opportunities at the outset of projects, as opposed to doing so during equity closure

13

Creating Black Industrialists



Together with local & international partners the NEF has developed 25 strategic and industrial projects worth R27bn, with the potential to support over 86 500 jobs.

The NEF's future equity rights will total R4 billion at financial close.

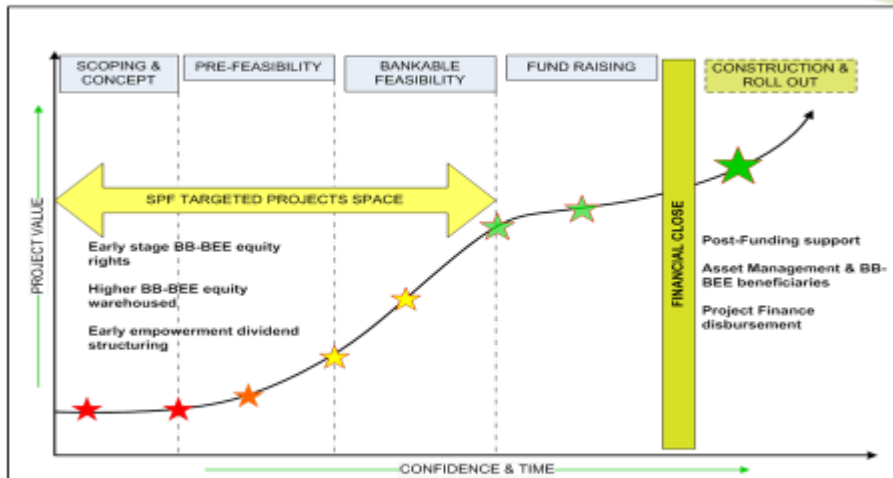
Strategic Industrial Sectors

RENEWABLE ENERGY	MINERAL BENEFICIATION	AGRO-PROCESSING	INFORMATION & COMMUNICATIONS TECHNOLOGY	INFRASTRUCTURE	TOURISM
Biofuels Biomass Biogas Solar Wind Hydro	Mining & Mineral Beneficiation	Chemicals Agriculture	Infrastructure and related services Data storage and services Telecommunications Broadcasting	Roads Dams and Bridges Sewer and Bulk Services	B&Bs Hotels Guest Houses (Women-owned) Real Estate

15



Beneficiation Project Life Cycle



16






Department of Trade and Industry
REPUBLIC OF SOUTH AFRICA

Thank you

Contact Details

011 305 8000 or
0861 843 633 / 0861 THE NEF

www.nefcorp.co.za



17