



MIC

**Mineworkers
Investment
Company**

Khulisani Ventures

Active Equity Partners

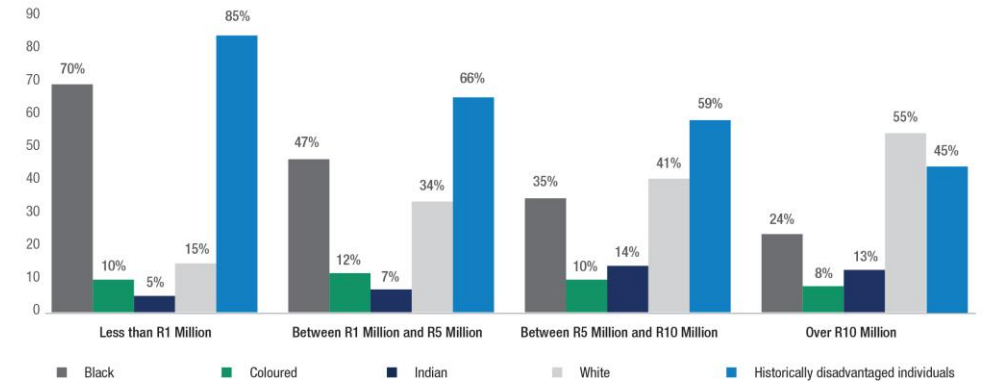
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Setting the Scene

PROBLEM STATEMENT

- Black owned **early-stage investors** (whether at seed capital stage or later) are few and far between
- A significant number of funded deals come through **networks** therefore this often results in difficulties for black entrepreneurs trying to source capital
- Black-owned high growth companies face the additional challenge of having to overcome a perceived '**credibility gap**'
- Most businesses** in South Africa are black-owned, therefore capital should be flowing in that direction, but it currently is not.

SMMES BY RACE AND TURNOVER

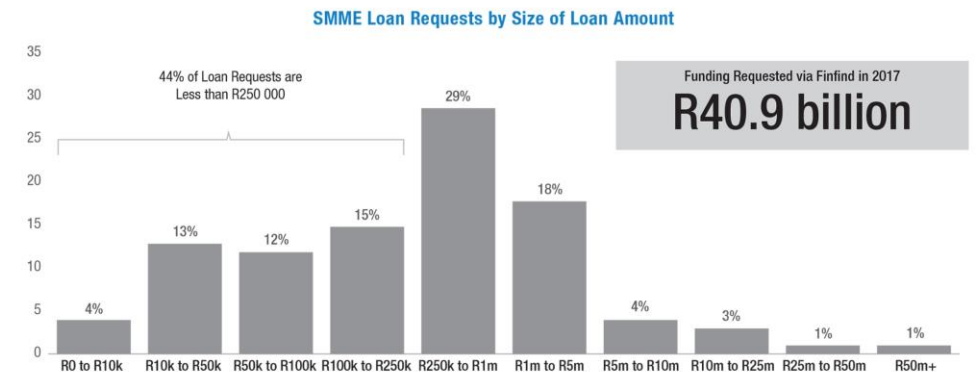


The data indicates that there is a large number of Black, Coloured and Indian businesses that could be supported in Enterprise Development programmes and incubators, especially those with an annual turnover of between R1m – R10m.

Source: Finfind data (2017)

DEMAND VS SUPPLY: SIZE OF FUNDING REQUEST

WHAT LOAN SIZES ARE SMMES REQUESTING?



A large number of SMMEs are requesting loans for less than R1 million, and of these, the majority of the loans requested were for less than R250 000.

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Problem Area Further Described



The 3 key pillars for success for high-growth potential businesses:

 <h3>Access to Markets</h3> <p>Introduction to more potential paying customers</p>	 <h3>Access to skills</h3> <p>Business skills around the entrepreneur, including marketing, sales & financial reporting</p>	 <h3>Access to Capital</h3> <p>Growth capital to finance product for customers, growth capital for bringing skills inhouse</p>
<p>These two platforms for growth are critical for the success of any SMME, and what has come out of our conversations with entrepreneurs is that black-owned SMMEs access these platforms primarily via ESD programs of large corporates. However, their experiences of ESD programs reveal a limited efficacy in developing black-owned enterprises beyond being EMEs or QSEs.</p>		<p>Lack of capital is a constraint only within the context of funding early-stage breakout companies</p>




Any suggested solution to support growing businesses would need to address all three of these pillars in a meaningful way.

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Solution

THE SOLUTION

We created a special investment vehicle, namely **MIC Khulisani Ventures**, to focus specifically on black-owned innovative and highly scalable businesses

CAPITAL AMOUNT	<p style="text-align: center;">R150m</p> <p>This is the amount MIC is earmarking to invest directly in breakout black businesses through this on-balance sheet investment vehicle</p>
NUMBER OF INVESTMENTS	<p style="text-align: center;">5 – 7</p> <p>Targeted investment per entity will be in the R15 – 25m range</p>
OWNERSHIP	<p style="text-align: center;">25% – 49%</p> <p>We target businesses with a significant minority shareholding in the entities concerned</p>
MILESTONE BASED INVESTMENT APPROACH	<p>Disburse the investment tranches over time based on pre-determined milestones agreed upon between all stakeholders</p>
TECHNICAL ASSISTANCE	<div style="display: flex; justify-content: space-around; align-items: center;">    </div> <p>We have technical assistance partners that we aim to plug into the business to assist their growth path</p>

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AGNOSTIC SECTOR FOCUS

The overarching theme for this portfolio of investments is that they should be INNOVATIVE businesses

We see innovation as being applicable in the following ways:

1. Innovative products or services for traditional markets
2. Innovative ways of delivering existing products and services culminating in improved efficiency and affordability
3. Innovative products and services for addressing growing problems in the world today

Examples of areas that attract us

 <p>Technology Enabled Businesses</p>	 <p>Energy Solutions</p>
 <p>Cybersecurity Solutions</p>	 <p>Water Solutions</p>
 <p>Internet Connectivity Solutions</p>	 <p>Education Solutions</p>
 <p>Drone Services and Technology</p>	 <p>Healthcare Solutions</p>
<p>Note that these represent examples and aren't exhaustive, but fall within the overall theme of INNOVATION</p>	

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Detailed Criteria



Entity Specific Criteria	Specific Exclusions
<ul style="list-style-type: none">• Post revenue• Minimum 3 years in operation• > 51% Black owned• Scalable business model• Investment size up to R30 million (min: R15m) per opportunity• Strong Management Team<ol style="list-style-type: none">1. Knowledgeable in their field,2. Previous leadership experience,3. Examples of proven success either in a previous business or at their previous employer	<ul style="list-style-type: none">• Fast food franchises• Seed stage investments• Primary agriculture
	Key Portfolio Target
	THE OVERALL PORTFOLIO IS TARGETING A SIGNIFICANT PROPORTION OF FEMALE LED/OWNED BUSINESSES

We will consider relaxing some of these criteria on the basis that the potential investee company meets one of the following criteria:

1) Highly Innovative, and scalable

2) High potential for entering global markets

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Investment Support Partners



Given that a material part of the support all entrepreneurs require is access to markets and skills in order to grow their customer base, we propose providing mentorship and entrepreneur development services (**Technical Assistance Services**) in the following manner:

	<p>The Grindstone Accelerator team has strong expertise in technology enabled ventures. Therefore, we will engage their support for the businesses that we are invested in that lend themselves to being more technology focused.</p>
	<p>(IAAE) Has a broad network of experienced professionals who can assist in providing mentorship services. Their expertise is broad enough to also cater for innovative businesses that are not necessarily technology enabled.</p>
	<p>We believe that we can leverage our brand to support our investments to win new customers and assist them with market access within our portfolio and through our network at large.</p>
	<p>The founders of this advisory firm have years of experience in assisting large corporates on strategy development and incorporating technology in a practical manner to facilitate growth. In their journey, they have built businesses for large corporates and understand what is required to build successful technology enabled businesses.</p>

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Process



1

The application window is 6 weeks
(7th July - 15th August)

2

2 weeks process to evaluate the applications
against our criteria to select the top 20
(15th August - 27th August)

3

The remaining 20 over a period of 4 weeks will be
assisted to prepare/update their formal pitch
decks to be provided to MIC's deal team to
review
(27th August to 17th Sept)

4

The final 20 will then be reduced to 10 over
a period of approximately a week based on
these pitch decks
(17th Sept -24th Sept)

5

Due Diligences will be performed on these
entities from the
24th September to the 31st October

6

These will be put into a pack to be distributed to
the investment committee and the final 10 will
then present to the IC During **November**
(estimate is the 2nd or 3rd week of November)
due notice will be provided to all participants.

In this process we will finalise our preferred
investments.
*(A further software and legal DD may still be
required to reach the conclusion)*

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Summary



VEHICLE SIZE:

R150m

SECTOR FOCUS:

SECTOR AGNOSTIC FOCUS ON INNOVATION

DIFFERENTIATOR:

**INVESTING IN MAJORITY BLACK-OWNED EARLY-STAGE BUSINESSES
MILESTONE-BASED INVESTMENT APPROACH**

BUSINESS LIFE CYCLE FOCUS:

EARLY STAGE, INNOVATIVE, SCALABLE BUSINESSES

OWNERSHIP:

SIGNIFICANT MINORITY POSITIONS (20% - 49%) R15m – R30m

**TECHNICAL ASSISTANCE
PROVIDERS:**





Thanks