

## A. ENTREPRENEURSHIP FINANCE

Imbewu Entrepreneurship Finance would provide risk capital to new businesses and to early stage businesses owned and managed by black people meeting the following criteria:

- BEE applicant should be actively involved in the business
- Minimum black ownership of 50.1%
- Industry experience in consortium i.e. from BEE party or non-BEE partners
- NEF mentorship programme, participation is obligatory
- Capital structure should be sustainable. NEF to provide shortfall in equity/quasi-equity capital
- Business with clear value add – sustainable business model
- Business should employ minimum of 5 people
- Maximum NEF funding of R5m
- The NEF investment horizon is 5 to 7 years
- NEF will target a nominal pre-tax IRR of between 12% to 18% on its funding

## B. PROCUREMENT FINANCE

Imbewu's procurement finance product is a debt product aimed at financing working capital requirements associated with procurement contracts. The product enables BEE groups to access preferential procurement opportunities whilst simultaneously providing mechanisms aimed at mitigating NEF investment risk.

**The key features of the NEF product would be as follows:**

- Primarily short to medium term debt product
- Repayment terms matched to contract terms
- NEF funding generally limited to R10m
- Active BEE management participation
- Minimum black ownership of 50.1%
- Industry knowledge within the Borrower's management structure
- NEF will seek to co-finance with commercial banks to mitigate risk
- NEF reserves the right to oblige applicant to participate in the NEF mentorship programme

**C. FRANCHISE FINANCE**



The Imbewu Franchise Finance is geared towards enabling black people to leverage the infrastructure available within the franchise industry in order to gain access to economic opportunities whilst reducing investment risk.

The criteria of the product are:

- NEF has a preference to fund top 40 rated franchises
- Active management participation by BEE parties
- Minimum BEE shareholding of 50.1%
- Transactions will be structured with sustainable capital structure,
- NEF funding to bridge shortfall in equity
- BEE party to have pre-qualified with franchisor
- NEF funding generally limited to R5m
- NEF will target a nominal pre-tax IRR of between 12% to 15% on its funding
- The NEF investment horizon is 5 to 7 years

#### **D. RURAL & COMMUNITY DEVELOPMENT**

The rural and community development projects facilitates community involvement in projects promoting social and economic upliftment. In accordance with the BB-BEE Act, it aims to increase the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises. Also it supports the BB-BEE Act objectives of empowering local and rural

communities.

- Involvement of black managers at a senior operational level as owners
- Active presence of black investors at board level, including women, as owners
- Substantial ownership by black employees
- Joint ventures between black and non- black partners with the objective of skills transfer
- Minimum BEE shareholding of 50.1%
- NEF will invest using debt, equity and quasi-equity instruments
- NEF will target a nominal pre-tax IRR of 10% to 12%
- NEF funding generally limited to R20m
- The NEF investment horizon is 7 to 10 years



This products for BEE applicants seeking to buy equity in existing businesses and provides funding from R5m to R100m.

- Focus on medium to large companies
- Focus on partnerships with existing management teams and other equity investors
- Minimum BEE ownership of 25.1% post NEF investment Active BEE management participation
- Active BEE involvement in investee companies
- BEE financial contribution determined on case by case basis
- Investment instruments to include debt, equity and mezzanine finance NEF reserves the right to oblige applicant to participate in the NEF mentorship programme
- Typical investment horizon of 4 to 7 years
- Security to include personal suretyship

This product provides capital of R5m to R25m per project for BEE seeking to participate in medium sized green-fields projects with total funding requests of between R10m and R200m.

**Key features are:**

- Minimum 25.1% BEE shareholding
- Investment instruments to include debt, equity and mezzanine finance in support of BEE
- BEE specific financial contribution assessed on a case by case basis
- NEF exposure to the project not to exceed 50% of total project costs
- Proven management experience within consortium
- Active BEE involvement in investee companies
- Debt funding raised from the market to match equity funding provided by NEF and other project sponsors
- NEF funding limited to R25m
- NEF investment horizon is 5 to 10 years
- Security to include personal suretyship

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- NEF funding limited to R25m
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NEF will provide funding of R5m to R100m to entities that are already black empowered, but seek expansion capital to grow the business.

**Key features are:**

- Investment instruments to include debt, equity and mezzanine finance in

support of BEE

- BEE Shareholding should be minimum of 25.1%
- Pricing based on instrument, risk matrix, security package etc.
- Typical investment horizon of 4 to 7 years
- Active BEE involvement in investee companies
- Security to include personal suretyship



This product invests in BEE enterprises, particularly those owned by Black women, that seek to list on the JSE or its junior AltX market. The Corporate Fund will also help listed BEE companies to raise additional capital for expansion.

All other key features are similar to those of the **Acquisition Finance** product.



This product assists BEE shareholders who need to sell a portion or all of their shares (as minority stakes in unlisted firms are hard to sell). Also acquires and temporarily warehouses these shares before on-selling them to new BEE shareholders, and refinances BEE shareholdings where existing financing structures are costly and/or inefficient.

***All other key features are similar to Acquisition Finance Fund.***

The strategic project finance will facilitate the acquisition of equity in large strategic projects where the NEF assumes the role of BEE partner.

The NEF will warehouse equity on behalf of BEE participants with the aim of driving transformation within large national projects of a strategic nature.

## Non-Financial

### a. Pre-Investment Business Support Unit



Applications for funding may be excellent entrepreneurs, but often struggle to navigate the necessary application procedures and manage their businesses. The NEF therefore assists with funding advice, business planning and general assistance to help ensure that applications are of sufficient quality to complete all steps in the application process. The first point of contact for many potential clients, the PIU's primary functions are to:

- • Provide information on NEF products and procedures
- • Control and assist in drawing up funding applications
- • Identify applications that will qualify for funding
- • Keep clients informed on the progress of their applications
- • Advise applicants and assist with drawing up business plans

### b. Post-Investments Business Support Unit

Black businesses need to be robust and self-sustaining for BB-BEE to succeed. Recognising this fact, the NEF established structures to monitor its clients for risk and provide advice when needed. Although start-ups are inherently higher risk, the rewards for success are jobs and increased capital for further start-ups.

The unit is responsible for:

- • Monitoring and preparing management information on investments
- • Administering investment contracts
- • Coordinating mentorship programmes
- • Facilitating investment valuations with fund managers
- • Working with distressed clients and recommend solutions such as liquidations, turnarounds and

restructurings

- • Conducting strategic reviews

### **c. Legal Services Unit**

The LSU provides legal services to the entire NEF and drafts legal agreements, assists with due diligence reviews and registers necessary documents.