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ASISA ESD FUND QUARTERLY NEWSLETTER

SEPTEMBER – NOVEMBER 2017

The ASISA ESD Fund concluded an impactful third quarter, which has pushed our impact metrics to impressive new levels. To date the Fund has:

- Achieved a 27% average revenue increase across supported SMEs;
- Deployed R250 million in SME support & investments; and
- Shifted R105 million in procurement spend
- Developed 470 SMEs (supported 2500 jobs and creating 500 new jobs), and
- Created optimal ESD investments for 40 funders

We are also hugely excited about teaming up with the Insurance Sector Education and Training Authority (INSETA) for the second time to deliver another INSETA Black Brokerage Development Programme early in the New Year. More news on this is included further on in this newsletter.

Also on the cards for 2018 is an ambitious goal to reach more black-owned “disruptor enterprises”. These are usually tech start-ups that deploy innovative technology to provide solutions to challenges facing the industry. One such example is RecoMed, also featured in this newsletter.

We are very pleased about the gazetting of the long awaited Amended Financial Sector Code (FSC) on Friday, 1 December. The Fund was created to help ASISA member companies and other stakeholders meet the transformation targets of the Amended FSC. We therefore encourage you to make contact with us to discuss how we can assist in you in meeting the revised targets.

We hope you enjoy the highlights from our previous quarter illustrating the Fund's delivery on its mandate in partnership with its investors.

INVESTMENTS

SECOND LOAN FACILITY LAUNCHED TO SPEED UP TRANSFORMATION



The Board of Trustees of the ASISA ESD Fund (the Fund) approved a R15 million Property Services loan facility in November with the aim of transforming the supply chains of short-term insurers that form part of the conglomerates within ASISA's membership.

A sizeable portion of short-term insurance claim spend is channelled into property services, specifically general construction and plumbing. Yet, less than a quarter of this spend currently goes to black-owned small and medium enterprises, despite a target of 40% in the revised B-BBEE codes. To help transform member supply chains in this area the Fund created the Property Services loan facility.

The facility is intended to assist qualifying black-owned SMEs with:

- Replacement capital for commercially sourced expensive SME working capital and overdraft facilities;
- Funding of required equipment; and
- Additional working capital reserves for the funding of projects that require a strong balance sheet.

The Property Services loan facility is the second loan facility created by the Fund. A loan facility available to qualifying black-owned Independent Financial Adviser (IFA) practices from past and current ASISA IFA Development Programmes was introduced in the previous quarter.

ASISA ESD FUND INCREASES SUPPORT FOR RECOMED ALONGSIDE NEW INVESTORS



The phenomenal growth of RecoMed, an online healthcare appointment booking platform, has pushed the black-owned technology start-up firmly onto the radar screen of investors and venture capital companies.

Launched only four years ago by experienced tech founder, Sheraan Amod, RecoMed has grown into South Africa's largest health marketplace and online booking platform. RecoMed enables consumers to easily book appointments with a diverse group of healthcare providers 24/7, who in turn benefit from increased patient traffic and practice efficiencies.

The ASISA ESD Fund (the Fund) recognised the exceptional potential of the RecoMed platform for ASISA members across life and health insurance as well as employee benefits. The Fund therefore supported RecoMed in early 2016 with an initial equity capital investment of R6 million. Post investment, the company was selected to participate in the Sanlam Enterprise and Supplier Development (ESD) Programme, which is managed by the Fund, thereby providing RecoMed with access to business development support.

The Fund recently participated in a further round of funding for RecoMed in partnership with investment and advisory firm HAVAÍC and Growth Grid Venture Capital Partners. The R4.5 million investment will be used by RecoMed to fund further growth initiatives and for marketing its products and services.

RecoMed's short-term objectives are to complete several new integrations with leading industry healthcare software systems while at the same time growing its current client base of 1 400 health practitioners. The company also aims to double monthly bookings to 40 000 a month. RecoMed generates revenue by charging doctors and specialists a transactional booking fee and a value-added percentage on the appointment value. New patients make up between 20% and 50% of bookings that doctors receive from RecoMed, depending on their specialisation and level of engagement on the platform.

The functionality of the RecoMed platform enables it to be easily integrated into existing healthcare technology systems. This seamless integration proposition has resulted in several exciting opportunities with ASISA member supply chains, which we believe will have a dramatic effect on the company's continued stellar growth.

RecoMed has developed white-label solutions for, amongst others, Discovery Wellness Clinics, Old Mutual (via their subsidiary iMeds), Metropolitan Health Group, Medicross (owned by Netcare), Biokinetics Association of SA, and several other leading national healthcare players.

Discovery was the first ASISA member to implement the RecoMed functionality. Used by five Discovery Executive Wellness clinics, the platform processes more than 1 500 online bookings a month. The introduction of the RecoMed platform has reduced telephone bookings for Discovery Executive Wellness clinics to between five and 10 in a month. The platform is also used as a booking platform for some 10 000 Discovery staff members.

ACCELERATION PROGRAMMES

INSETA & ASISA ESD FUND PARTNER ON SECOND BLACK BROKERAGE DEVELOPMENT PROGRAMME



The Insurance Sector Education and Training Authority (INSETA) is again teaming up with the ASISA ESD Fund (the Fund) to deliver the second INSETA Black Brokerage Development Programme.

This follows the Fund's successful delivery of the pilot phase of the INSETA Black Brokerage Development Programme in 2015, which facilitated the development of eight black-owned Independent Financial Adviser (IFA) practices (also referred to as brokerages) from around the country over 12-months. Participating practices reported on average a 43% growth in revenue and a 200% increase in profitability. All businesses finished the programme with a good understanding of compliance best practice and key industry regulation.

The second programme kicks off in February 2018 with 15 black-owned IFA practices that fall into the Small, Medium and Micro Enterprise (SMME) category. The aim is to expand the pool of scarce and critical skills within South Africa's savings and investment industry by growing the pool of small and medium black-owned IFA practices.

Nominations were invited from various industry bodies such as the Black Brokers Forum (BBF), the Association of Black Insurance Brokers (ABIB), the Financial Planning Institute (FPI), and the Financial Intermediaries Association of Southern Africa (FIA).

Nominated practices are currently undergoing a rigorous selection process. The selection panel is looking for black-owned practices with significant job creation potential through growth.

Successful practices will undergo 12 months of intensive business consulting, which includes individual coaching and mentoring from expert SME business consultants. The programme will include hands-on development suited to the unique needs of each business as well as generic components of business and industry-related development.

There will be no financial cost to the participating practices, but the programme demands dedication, commitment and a desire to grow and succeed. Practices selected to participate in the programme will be required to comply with a code of commitment to the programme.

FEATURED PROGRAMME

ACHIEVING MEANINGFUL IMPACT IN PARTNERSHIP



Various research papers confirm that between 70% and 80% of small businesses in South Africa never make it past their fifth year. Yet the National Development Plan (NDP) places its hopes in the SMME sector to help drive economic growth and reduce unemployment to 6% by 2030.

The ASISA ESD Fund (the Fund) was established in March 2013 by the savings and investment industry to help achieve the NDP target of fast-tracking job creation by unlocking the growth potential of South Africa's small and medium enterprise (SMEs) sector. And since ambitious targets are best achieved in partnership, the Fund joined forces with Sanlam in 2013 to establish the Sanlam Enterprise and Supplier Development (ESD) Programme.

Now in its fourth year, the Sanlam Programme is the Fund's longest standing partnership. Together the Fund and the Sanlam Programme support the strategic growth and development of small and medium enterprises linked to Sanlam's supply chain and distribution networks to achieve meaningful transformation through job creation.

On completion of each 12-month phase, the impact and effectiveness of the programme is measured. The findings are summarised in a comprehensive Measurement and Evaluation (M&E) Report. This enables Sanlam and the Fund to take on key learnings and improve the programme approach.

The most recent M&E Report shows that over the three years to end 2016 the Sanlam Programme achieved the following:

- 172 SMEs developed
- 165 new jobs created
- 1 046 jobs supported
- Total revenue growth across all participating SMEs of 19% or R17 million

The following feedback has been received from some of the SMEs that successfully completed their business development with Sanlam and the Fund:

“Our Business had grown from a non-profitable Company to an extent we had to now pay SARS for the first time in 24 years Provisional Taxes due to making a Profit since we started the programme. We will forever be grateful for all that has been done for us! Looking forward attending future SME events to keep up to date.”

“Let me also take this opportunity to thank the Sanlam & co. teams for such valuable interventions in the business, this is an experience we do not take for granted especially due to valuable life changing insights and learnings we have been exposed to by being on the programme.”

“Thanks to all the role players it has been an absolute blast the mentorship is something money cannot pay for. On behalf of the management and staff of Reynolds Auto Care we thank you whole heartedly. P.s. a candle only improves its flame by lighting another candle.”

The Fund is running several business development programmes in partnership with ASISA member companies as well as the Insurance Sector Education and Training Authority (INSETA). More information on these initiatives can be found [here](#).

HOW YOU CAN SUPPORT & BENEFIT

Funders and investors can:

1. Make an equity investment in the Fund;
2. Provide loan capital to the Fund; or
3. Contribute a grant to the Fund.

Funders and investors will benefit from ESD points in terms of the Amended Financial Sector Code while also assisting in the development of SMEs and job creation.

The Fund will work with interested investors to maximise the value of ESD contributions.

For further information feel free to contact us on:

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