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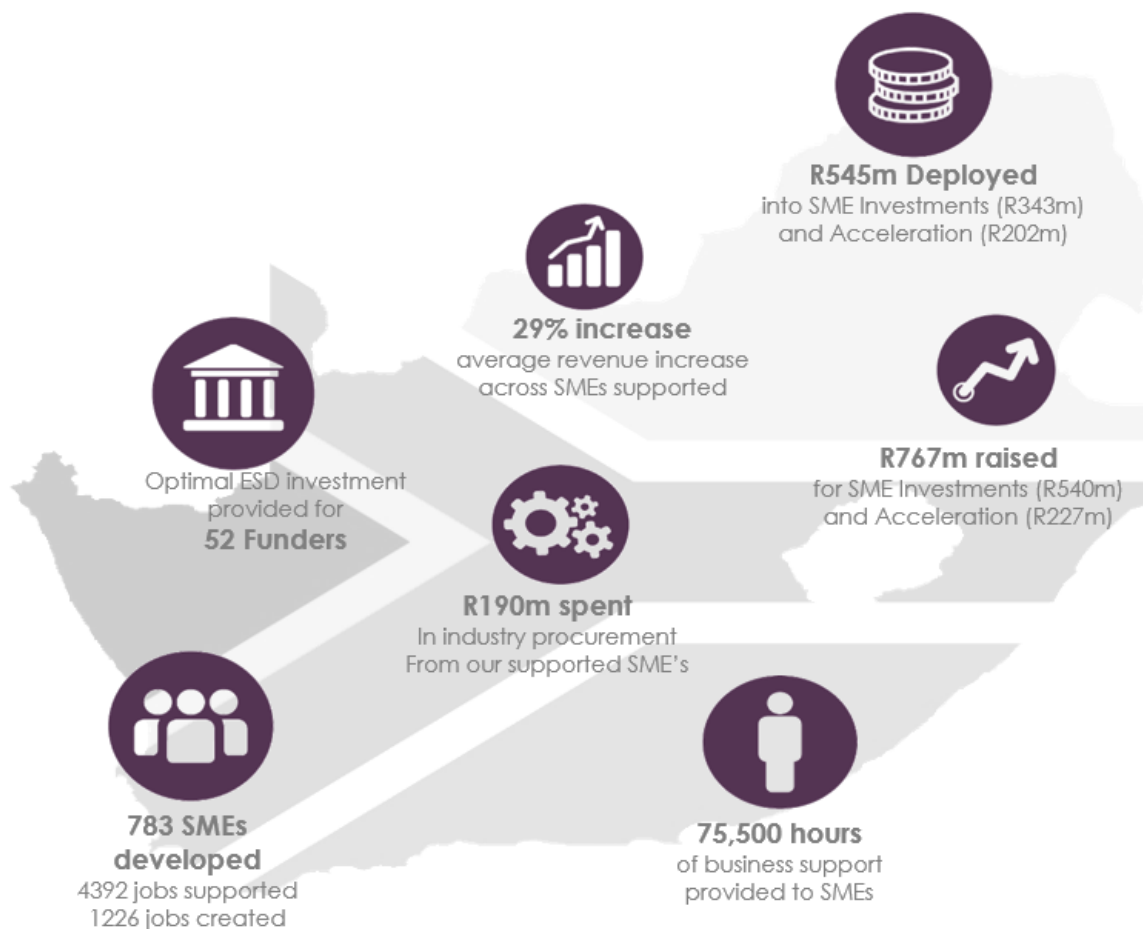


QUARTERLY UPDATE: APRIL – JUNE 2020

During the second quarter of 2020, ASISA's Enterprise and Supplier Development (ESD) initiative committed R34 million towards funding developmental support of industry aligned, high potential black-owned small and medium enterprises (SMEs). We also received an additional R11 million in new loans, investments and project funding for the continued support of black-owned SMEs.

As we enter the third quarter of 2020, we will continue to focus on equipping SMEs in our investment portfolio as well as development programmes to deal with the impact of the COVID-19 pandemic.

Our impact since inception is detailed in the diagram below:



Covid-19 Support

The Covid-19 pandemic is having a material impact on our nation and the SME sector has been particularly hard hit. We therefore put in place the following support mechanisms during the period under review to help SMEs in our investment portfolio as well as development programmes survive the lock-down period and beyond.

Investment Portfolio

- o **Three-month repayment freeze.** This was offered to all investees to provide some financial breathing room.
- o **Restructured financing agreements.** These offers included re-visiting rates charged and payment terms.
- o **Provision of additional capital.** Accelerated follow-on funding to unlock growth was provided where required, together with access to additional funding where short-term survival was an issue.
- o **Non-financial support for high-risk and high potential investees.** Two-thirds of businesses expressed the need for this sort of support, which consisted of a mix of business mentorship, implementing financial management support measures, identifying alternative access to market opportunities, assisting with potential labour relations interventions and crafting new business strategies in response to changes in the business landscape. Additional budget has been allocated for this.

SME Development Programmes

- o **Online.** Face-to-face support via bootcamps and one-on-one coaching/mentorship sessions was replaced by webinars, Zoom & MS Teams sessions.
 - o **Modified content.** Topics in these sessions were modified to deal with critical elements to help businesses deal with the impact of Covid-19.
 - o **Grant funding.** Additional financial support in the form of grants was requested from funders to provide immediate support.
 - o **Extended business development support.** Where programmes were reaching conclusion, requests were made to extend the support offered, to enhance survival of SMEs into the growth phase.
 - o **Repurposing of funds.** Where possible, funds that had not been allocated in a programme were repurposed to focus on survival of SMEs through the Covid-19 period.
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NEW INVESTMENTS

The ASISA ESD Investment Committee approved the deployment of capital adequacy funding from the ASISA ESD Prefunded Settlement Guarantee (PFSG) loan facility to Navigare Securities. The PFSG facility was launched last year to reduce some of the financial barriers that black-owned stockbrokers face in their struggle to become significant players in the market. Access to funding for capital adequacy requirements enables emerging black-owned stockbrokers to take on larger trade volumes, which in turn supports growth, profitability and cash flow generation within these SMEs.



Navigare Securities is a 51% black-owned and managed securities trading business founded in 2009. Between 2009 and 2016, the Navigare team built a strong brokerage business, installed world-class trading and compliance systems and bought back a 25% stake in the business from their angel investor, Blackstar Plc.

In 2016, Navigare embarked on a new trajectory, prioritising transformation. Black shareholders acquired a 51% share in the business, attracting new skills to take the business to the next level.

The capital adequacy guarantee will enable Navigare to trade a larger amount of equities on any given day, increasing revenue and enhancing the firm's bottom line. Navigare is committed to using its improved financial position to continue developing young black talent in the financial services space by taking on additional graduate programme candidates and junior managers.

Navigare was a participant in the 2019 ASISA ESD Stockbroker Development programme.

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IN THE SPOTLIGHT

PINEAPPLE



June started off on a high note with the announcement that Pineapple has been ranked 55th on the S&P Global Insurtech 100 global index of innovative insurance companies expected to be hugely successful. Pineapple is South Africa's first peer-to-peer digital short-term insurance platform. Using the latest digital and computing technologies, the core concept of the Pineapple model is to create co-insurance pools to connect policyholders who know and trust each other to reduce fraudulent claims and thereby reduce costs.

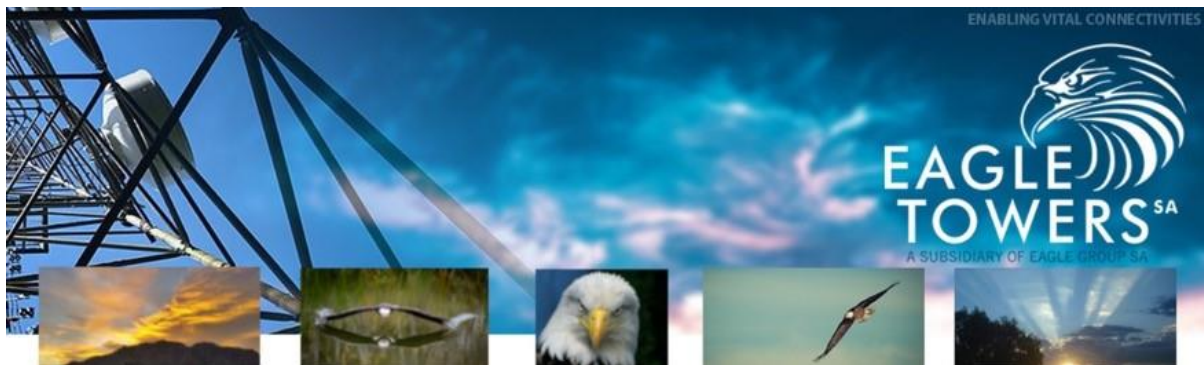
Pineapple was founded in 2016 by Matthew Elan Smith, Ndabenhle Junior Ngulube and Marnus van Heerden as part of an innovation competition run by Hannover-Re. Seed funding from Hannover-Re started Pineapple's development into a business, which was launched in July 2018.

A year ago, the ASISA ESD Investment Committee approved an investment into Pineapple, which was used to grow the team and develop the business further to increase policy sales and expand its offerings.

Pineapple successfully launched its motor insurance product with Old Mutual Insure in April 2020 and is in the process of rolling out more products and features as this fruitful partnership continues.

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EAGLE TOWERS



In June we celebrated the exit by Eagle Towers South Africa from the ASISA ESD investment portfolio. Having an investee company exit our portfolio is good news since it means that the company achieved phenomenal success enabling it to repay the loans granted and to stand on its own two feet.

Eagle Towers, a 100% black owned South African telecommunications company, was founded in 2015 and first received funding from the ASISA ESD initiative in 2016. At the time, the company had only one mobile telecoms tower, which it owned and leased to a mobile network operator (MNO). Additional funding was approved in 2017 and Eagle Towers also attracted the attention of Mergence Investment Managers, an ASISA member, resulting in a sizeable equity and debt investment deal.

Eagle Towers South Africa exited the ASISA ESD investment portfolio after selling 50 of its 65 towers to Helios Towers in the UK. This enabled Eagle Towers to settle its ASISA ESD loan and retain enough capital to fund its ambitious expansion plans. In 2019, Eagle Towers was awarded a Vodacom Deep Rural tender to build towers in rural areas across South Africa, which is now the key focus of the business.

It was a privilege to have walked this journey with Eagle Towers founder and CEO, Avril Van Der Rheede, and we are proud of what Eagle Towers has achieved.

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SUPPLIER DEVELOPMENT PROGRAMMES

Launched in 2015, Blue Skies is Liberty's flagship Enterprise and Supplier Development (ESD) Programme. The programme is managed by the ASISA ESD initiative and aims to invest in the strategic growth of value-chain aligned small businesses as part of Liberty's commitment to transformation. To date the programme has supported 45 SMEs. The Liberty Blue Skies programme consists of the Supplier Development Programme and the Intermediary Development Programme.



LIBERTY BLUE SKIES SUPPLIER DEVELOPMENT PROGRAMME

In June we presented Liberty Holdings with the Measuring and Evaluation Report for the Liberty Blue Skies 2019 Supplier Development Programme (Enhance Phase), which was concluded in February 2020. The Enhance phase is the third and final phase in the Liberty programme. In this phase SMEs that have progressed through the preceding programme phases (Engage and Empower) receive lighter business mentorship and support to continue growth initiatives. Six SMEs completed the 12-month programme, achieving an average revenue increase of 18% and an average profit growth of 411%. In addition, two full time jobs were created and five part-time jobs.

This is what two of the participating entrepreneurs had to say at the end of the Enhance Phase in February this year:



The programme has been a key part of my life for the past three years now. During that time I have learned the following: (1) Nothing is permanent (even what we consider the worst-case scenario will pass) (2) Building relationships is imperative in business (it sometimes takes just one referral to change everything!) (3) It usually requires patience to achieve the most important milestones in business. (4) Knowing and understanding your business's numbers can set any entrepreneur apart in terms of understanding where his/her business is going. (5) It's become non-negotiable for all businesses to adapt to new environments, otherwise they will be left behind and could even become extinct! All the initiatives that I outlined with my mentor are starting to bear fruit. I smile when I say that, but they are coming together slowly (but also very FAST).

Julius Ntoba, Bathon House





The programme has definitely improved my confidence levels and helped me to become more strategic in building my business. I am a control freak but understand the significance of delegating tasks and how that approach helps to capacitate me as the owner. The importance of staying in touch with the industry has enabled me/company to respond to trends and plan accordingly. Previously I was more inward looking (i.e. focussing on my business) but maintaining a balance is key.

Margot Van Graan, MVG Recruitment Specialists



The Liberty Blue Skies 2020 Supplier Development Programme (Empower Phase) kicked off in April 2020. This 12-month programme will provide SMEs selected from Liberty's supply chain with focused business incubation support to enable sustainable growth.

LIBERTY BLUE SKIES INTERMEDIARY DEVELOPMENT PROGRAMME

Liberty launched its first Black-Woman Owned (BWO) Intermediary Development Programme in 2019 under the Blue Skies ESD banner. Nine black-woman owned independent intermediaries received customised business development support for a period of 10 months from April 2019 to January 2020.

Collectively, the group achieved an average revenue growth of 26% and average profit growth of 7% percent, creating six full time jobs and six part time jobs during the course of the programme.

We presented Liberty Holdings with the Measuring and Evaluation Report for this programme in June. Below is the feedback received from three of the participants:



The programme made me realise that I am stronger than I thought and boosted my confidence. Being part of a group of powerful ladies told me that anything is possible when it comes to my business. There was much more to the business than selling a funeral cover. When I started out I was comfortable enough to just do funeral business and make money out of it. During the programme I realised I need to do more. There is a lot that I still need to do. My mentality has shifted so that I want to be THE broker that is offering a variety of products rather than just one. If not for the programme I might have closed down my business by now.

Glorina Nxongo-Bantubonke Financial Solutions



The experience has been beyond my expectations. It made me feel so special to be chosen for the programme. I know that I will be able to point to benefits that will come from indirect investment in my business. The website on its own says it all-I am branded properly. I was exposed to mentoring and it initially took time for me to appreciate the mentor at the first go. When the bulb went on, I wished that I had appreciated the impact of it earlier. I was exposed to the different facilitators in the bootcamps that made things real and reminded us of gaps that need to be taken care of. Edge Growth made it feel like home where you could take your problems to.

Feziwe Tiane, Boundless Financial Planning



The programme was on point - well thought of and spoke to every aspect of running a business. It ticked a lot of boxes. The marketing initiatives helped us brand ourselves and redefine who we are. It forced me to dig deep into what I stand for as a business and that one must live out your brand. The only suggestion would be to have a greater focus on the insurance industry specifically. The mentorship was awesome. Very helpful. I was able to bounce off ideas and work on applying the ideas in the business sphere. It enabled me to elevate my thinking about the business.

Malebo Tindleni, Emasini Financial Services



The 2020 edition of the Liberty Blue Skies Intermediary Development Programme was launched in April. This programme will run over 12 months to March 2021 with an intake of 10 independent intermediaries from the KZN region. This group will receive specialised

business development support with the aim of providing growth support to black-owned intermediaries and enhancing the industry's distribution channels.

LET'S ENGAGE

We are excited about continuing and strengthening our relationship with you, our valued stakeholder. If you have any questions about this report or if you would like to discuss new opportunities, please feel free to contact us on:

Call: +27 (021) 671 2658

Email: info@asisaesd.org.za

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Thank you!

