



# INCENTIVES SA

Helping Your Business Grow

## New Industries (IDC)

### Description:

The IDC's goal is to identify the most promising new and emerging industries and technologies, which we will then support and nurture to become significant South African industries of the future.

Accordingly, the New Industries unit will look at trends and innovations to identify investment opportunities. Some potential sectors include:

- Additive manufacturing – including 3D printing machinery
- Alternative fuelled vehicles – including electric vehicle components and vehicle assembly, to enabling infrastructure such as recharge stations
- Fuel cells – conversion of chemicals into electricity
- Medical technologies – including the use of reactors to separate basic chemicals into medical isotopes, and expanding telemedicine procedures that include medical consultation and operations performed over the internet
- Mining technologies – including the prototyping and manufacture of new mining technology and machinery
- Renewable energy – including manufacturing components, machinery and equipment
- Water infrastructure – including factories for waste water purification to convert it back into a usable form, and the construction of water desalination plants to service agricultural, industrial and household needs

### Outcomes:

The IDC envisage that through their funding and project development activities, the IDC can achieve the following outcomes:

- Establish sustainable new industries with significant growth and job creation potential.
- Enable localisation of manufacturing.
- Stimulate entrepreneurship in the technology innovation space, with a special focus on the creation of new black technopreneurs.



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## Doing business with the unit:

The IDC's focus is to convert unique technology-based ideas into viable, competitive and market-ready products. The IDC invest in technology start-up companies and provide post investment advice and support.

The IDC provide funding in the form of equity (ordinary shares and shareholder loans).

- The IDC will only invest if they believe that they will be able to realise a return in excess of a 30% real after tax Internal Rate of Return.
- Although the IDC does not require BBBEE shareholding in the business at the outset, they require the right to exit all or a portion of our share of the investment to a mutually agreed upon BBBEE party, when the time is right.
- The IDC's equity stake will entitle us to proportional board representation as well as the right to attend monthly management meetings with the objective of providing strategic support, guidance and advice where necessary.

## Who should apply for funding?

The IDC support the development and commercialisation of new South African technologies through identifying potential new industries.

The IDC look to creating meaningful direct employment, earning foreign revenue, and unlocking local opportunities – putting South Africa on the world map from a technology innovation perspective.

## Funding criteria:

The IDC's mandate is to enable the completion of the development of technology-rich South African intellectual property (IP) into a market-ready product, followed by commercialisation.

A key requirement relating to the IP is that it has to be globally unique and science-based.



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Funding of up to R40-million per project is provided, with a maximum of R15-million allowed in the first round. In return for the funding that the IDC provide, the IDC require a significant minority equity stake of between 25% and 50%, which will be determined by their valuation of the business.

- The intellectual property must be owned by the company in which the IDC invest.
- The development of the intellectual property must be done in-house. The IDC will, however, consider situations where intellectual property has been acquired and then further developed in-house.
- The intellectual property should preferably be patentable. If it is not patentable, it should provide some form of sustainable competitive advantage to the business.
- The management team must include people with all the key competencies required to make a success of the business. If this is not the case, then clear plans need to be in place to bring them on board at the appropriate time.
- The key founding shareholders should be involved in the business on a full-time basis.
- The business should display good prospects of being economically viable.

### **Applying for funding:**

Application for funding should be in writing, including a funding request letter, an executive summary and a complete business plan.

The business plan should give the IDC enough information to make an initial assessment of whether or not the application meets our funding criteria. The business plan should include:

- Details regarding the IP owned by the applicant and a motivation why it is considered to be globally unique.
- A description of the technology-based product to be developed and/or commercialised.
- An overview of the commercialisation plan, including an analysis of the target market (including competition within the market), the specific competitive advantages of the product being offered, the envisaged revenue model/s, and so on.



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- A financial analysis of the business comprising projected balance sheets, income statements and cash flow statements for at least five years.
- Details of the members of management and the product development team.
- Any other information deemed necessary to properly evaluate the proposal.

## Minimum requirements:

- Compliance with international environmental standards.
- Shareholders/owners are expected to make a financial contribution:
  - The contribution of historically disadvantaged people under special circumstances may be lowered, in which case the IDC will be prepared to extend finance in excess of the owner's contribution.
- The project/business must exhibit economic merit in terms of profitability and sustainability.
- The IDC does not re-finance fixed assets since our aim is to expand the industrial base.

For more information please contact Incentive SA on the following numbers.

**Cape Town:** 021 671 4400

**Johannesburg:** 011 026 2680

**Durban:** 031 836 08 41

[www.incentivesa.co.za](http://www.incentivesa.co.za)