Annex 3

Slide Presentation

On April 29, 2009, the following slides were presented to representatives of infoDev and the IFC. The slides are also available as a PowerPoint file.
Why Business Incubation?

Successful economic development tool in the US, and other developed countries.

- No. of incubators in US ~ 1,000
- No. of incubators worldwide, ~ 7,000
- NBIA membership growth > 10% each year
- 35% of NBIA incubators have begun operations since 2003
- 74% of incubators in UKBI have begun operations since 2000.
Slide 3

Can Incubation be Profitable?

Private Sector Incubators:

- Viasphere – Yerevan
- Rose Tech Ventures – New York
- Raizcorp – Johannesburg
- Idealab – Pasadena

SmartXchange – a technology incubator in Durban, ZA, 5 years old.
- Owned by the City of Durban
- Two buildings, two floors of incubation space, four more of commercial rentals – ideal for graduate companies.
- City subsidizes but the model is trending toward financial sustainability.

Slide 4

ICT Incubator Mission Statement

- Safe, stable and secure place to start and grow ICT companies.
- Create employment in both ICT and other markets.
- Promote development through training and education.
- Strong management and leadership.
- Access to equipment required by the client companies.
- Focal point of entrepreneurial activity; networking; access to the business community and potential partners.
- Referrals to sources of capital.

Slide 5

Key Success Factors

- Scalable incubator model
- Real estate is major cost driver
- Sustainability achieved by: rents, fees, equity, etc.
- Companies need both working capital and expansion financing
- Corporate sponsors important
- Brand Identity = Efficient market reach
- Public and private sectors must be engaged
- Post-Graduate support required (marketing, sales, accounting, legal, networking, other)
- Franchise model
**Slide 6**

**Parameters of Model Incubator**

- Management Staff = 3 to 6
- 20-30 tenants
- 2,000 sq.meters
- 7-10 years to sustainability
- Tenants stay about 3 years
- Financed by public sector and partners
- Post Graduate facility integral to the program

**Slide 7**

**Sustainable Incubator Growth**

**Investment Sources**

- Parent System
- Co-op Bank
- Post Graduate Condominium
- Graduate Company
- Graduate Company
- Local Business Community

**Economic Impact**

**How to Measure Success of Incubator**

Measurement of economic impact reflects:

- Employment created / value
- No’s. of client company contracts (Year-on-Year growth of sales)
- Aggregate client company annual turnover
- Aggregate financing raised by clients
- Post Graduation, Year-on-Year annual turnover growth
Estimated Impact of the Roll-out

**Ten year roll-out:**

After five years (22 incubators):
- Tot. Investment = $45M
- Tot. SME’s supported = 175
- Tot. jobs created = **1,970 @ $23K/job**

After ten years (30 incubators):
- Tot. Investment = $45M
- Tot. SME’s supported = 475
- Tot. jobs created = **12,060 @ $3.7K/job**

**IRR= 11% on Operations of each incubator**

---

Value of Project to IFC

- Model creates 475 growth-oriented SME’s leveraging ICT
- Each SME requires:
  - Additional financing for expansion
  - Financing during incubation
    working capital
  - Technical assistance

---

The Exit Strategy

Three scenarios for IFC to exit:
- Leveraged buy-out by the incubator management company
- Sell the management company to a large operating company to repay the investment
- IFC takes an equity position and/or assists in taking the company to public market.
**Oversight Organization**

- IFC & infoDev
- Construction Company
- Incubator Mgmt. Co.
- Partner Bank(s)
- Regional Mgr. (Southern Africa)
- Incubator AN #1
- Incubator AN #2
- Incubator TZ #1
- Incubator TZ #2
- Incubator TZ #3
- Incubator UG #1
- Incubator UG #2
- Incubator UG #3

---

**The Model in Summary**

- Management standards and reporting
- Incorporate technical assistance to client businesses
- Integrated oversight of program
- Post-Grad Facilities are essential
- 2-Year pilot with rapid expansion
- Requires “patient” financing (up to 7-10 years)
- Close ties to an investment fund

---

**Next Steps**

- Develop a comprehensive business plan.
  - Determine target locations and conduct feasibility studies.
  - Select the development team.
  - Initiate Pilot operation.
  - Adjust the Timeline to fit the results of the pilot.
- Execute the Business Plan
Slide 15

**Q&A**

Innovative Partners, Inc.
Tel: +908-789-3424
E-mail: jeffm@innovativepartners.com
Web: www.innovativepartners.com

Slide 16

**Timeline for Pilot Operation***

<table>
<thead>
<tr>
<th>Task #</th>
<th>TASK</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commit Funds</td>
<td>1/09</td>
<td>7/09</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Identify Partners</td>
<td>2/09</td>
<td>5/09</td>
<td>6/10</td>
</tr>
<tr>
<td>3</td>
<td>Feasibility study criteria</td>
<td>3/09</td>
<td>5/09</td>
<td>9/10</td>
</tr>
<tr>
<td>4</td>
<td>Operating criteria</td>
<td>4/09</td>
<td>7/09</td>
<td>11/10</td>
</tr>
<tr>
<td>5</td>
<td>Institute manager training</td>
<td>5/09</td>
<td>6/10</td>
<td>5/11</td>
</tr>
<tr>
<td>6</td>
<td>Feasibility studies 1 &amp; 2</td>
<td>6/09</td>
<td>2/10</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Real estate selection sites 1 &amp; 2</td>
<td>7/09</td>
<td>12/09</td>
<td>9/10</td>
</tr>
<tr>
<td>8</td>
<td>Construction, sites 1 &amp; 2</td>
<td>8/09</td>
<td>10/10</td>
<td>12/10</td>
</tr>
<tr>
<td>9</td>
<td>Pilot operation, sites 1 &amp; 2</td>
<td>9/09</td>
<td>12/09</td>
<td>5/10</td>
</tr>
<tr>
<td>10</td>
<td>Feasibility studies, sites 3&amp;4</td>
<td>10/09</td>
<td>2/10</td>
<td>6/11</td>
</tr>
</tbody>
</table>

* Presumes a completed business plan.

Slide 17

**Sustainable Incubator Environment**

Goods and services flow between incubator, tenants, and other members of the business community.

Investment Sources: banks, VC, angels, gov't.

Attorneys

ISPs

Regulators

Consultants

Telcos

Accountants

Local Business Community