

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.



Slide 2

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.

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The slide content is overlaid on a white circular shape against the same globe and sunset background as the title slide.

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.



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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



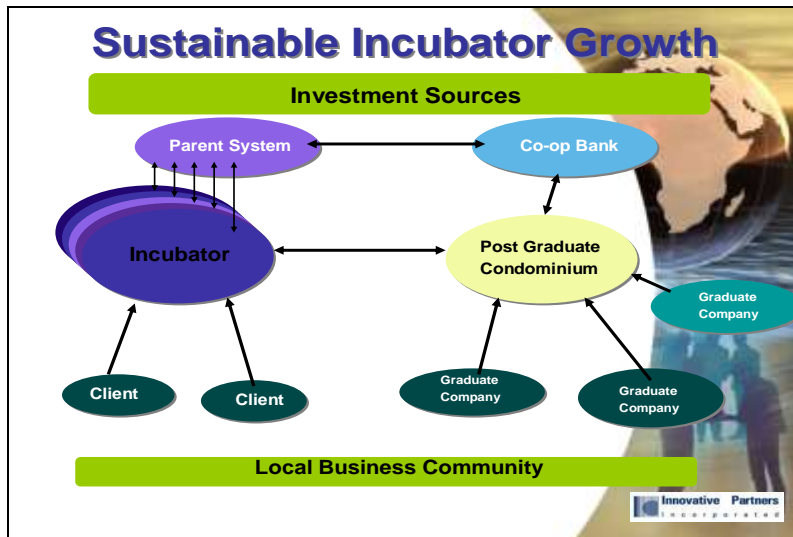
Slide 6

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



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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



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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




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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



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The Exit Strategy

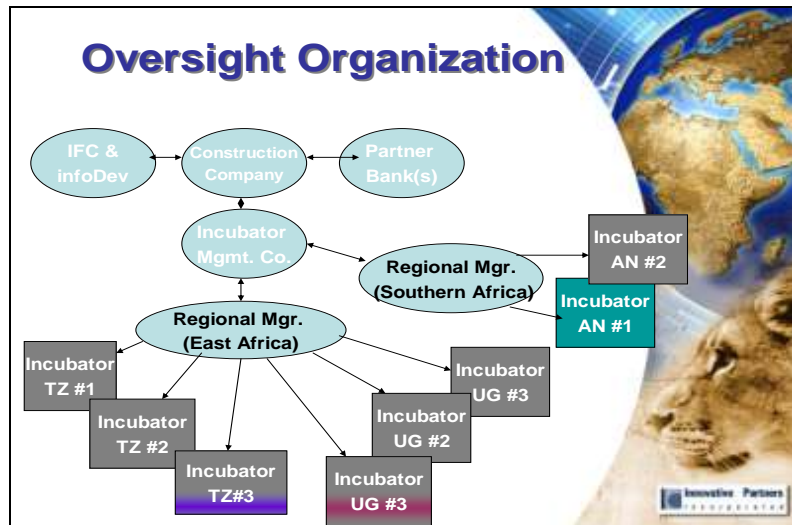
Three scenarios for IFC to exit:

- 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.



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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

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Next Steps

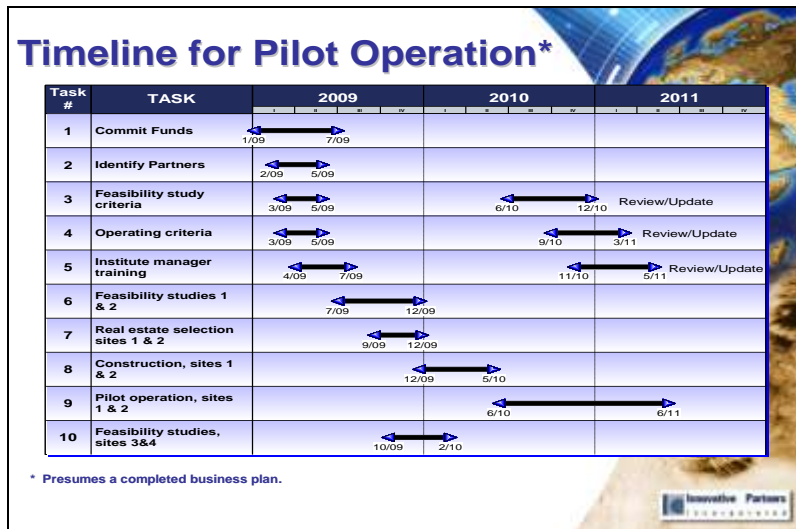
- Develop a comprehensive business plan.
 - Determine target locations and conduct feasibility studies.
 - Select the development team.
 - Initiate Pilot operation.
 - Adjust the Timeline to fit the results of the pilot.
- Execute the Business Plan

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Q&A

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