SME SOUTH AFRICA

WOMEN ENTREPRENEURS & FUNDING

Case Studies

WOMEN'S MONTH 2020

SETTING THE SCENE

The Small Enterprise Development Agency (SEDA) notes that 72% of micro-enterprises and 40% of small enterprises are currently owned by women[1]. Female entrepreneurs are growing in numbers, but without access to appropriate funding many find it difficult to grow their businesses.

The total financing gap for women in Sub-Saharan Africa has been estimated at USD 42 billion for the whole of Africa, according to a report by the African Development Bank, 'Affirmative Finance Action for Women In Africa'[2].

The report identifies the factors contributing to this. "Women often lack access to productive resources, including land, property rights, markets and networks to grow their businesses," reads the report.

"40% of small enterprises are currently owned by women"

"They find it difficult to secure financing from banks and other financial institutions due to inherent biases in the system, such as the lack of appropriately designed financial products, weak institutional capacity and lack of incentives within banks to target and lend to women."

Despite this there are some good stories to tell. The **SME South Africa's 'Women Entrepreneurship & Funding' Case Studies** aims to celebrate and provide visibility for accomplished women entrepreneurs, their funding successes, and outstanding performance.

FEATURED ENTREPRENEURS

- **SALAMINA MOSESE – SORELE MEDIA**
- **STACEY BREWER - SPARK SCHOOLS**
- **MUKUNDI LAMBANI - AMBANI AFRICA**
- **TLALANE NTULI - YALU**

1. Seda. Women-Owned Enterprise Development Information Booklet. http://www.seda.org.za/
2. African Development Bank. Affirmative Finance Action for Women In Africa. https://www.afdb.org/en

SALAMINA MOSESE Sorele Media

SORELE MEDIA

Years in business: 5 years
Product/Service: Media and Film Production
Funder/s: Emerging Black Filmmakers Transformation Fund, managed by the Industrial Development Corporation (IDC), the Department of Trade and Industry (DTI) and the National Film and Video Foundation (NFVF).
Funding amount: R5,8 million.

sorelemedia.co.za

Sorele Media is a film and TV production house based in Johannesburg. It is co-owned by business partners and long-time friends, **Salamina Mosese and Stephina Zwane**.

In 2015, they launched the business which focused on making content for their digital platform, AzaTV Africa. They entered the film arena in 2016. In 2018 they released their hit film, Baby Mamas.

At what stage of your business did you consider getting external funding - how did you know you were ready?

In 2016, when we decided to pivot our business into film specifically, we produced our film with our own funds. But these were limited, and we were not able to make a high-budget film, and we made a direct-to-TV film. So when the idea for Baby Mamas was born, we knew it had to be a cinema-quality product, and that necessitated us looking for external funding.

We knew we were ready because we had already made a 90-minute feature, and that we had the capacity to deliver if we were supported by the traditional film funders.

We knew that we would need to understand how the traditional film development bodies worked, and fully grasp what sort of support was out there for young, up-and-coming filmmakers such as ourselves.

How did you find out about the various funding options available?

We looked on the website of the National Film and Video Foundation (NFVF). The information on the Transformation Fund was there, and seeing as we were a youth, and Black-owned production house with experience in film, we met the criteria to apply.

What work went into applying for that specific fund?

You must ensure that all the company documents are up to date and that you have a good base for your operations. There is a lot of planning and administration that goes into the application process.

Applying for funding is also tiresome and intense.
We found the mountains of paperwork intimidating and difficult. It can also be quite expensive for a small business. Compliance can really trip you up, and many new applicants get stuck at this phase.

"There is a lot of planning and administration that goes into the application process"

What support did you have during the process?
We had good support from the NFVF and our deal makers at the IDC. This included holding our hands through the legal processes as well to help get us through their due diligence process. Countless phone calls and emails were exchanged daily.

What were some of the challenges that you encountered during the process?
I remember at some stage having to borrow money to pay for printing, binding, and accounting services, just to adequately prepare and complete the application process. The process also took long, so it requires that you be really on top of things in terms of the paperwork and administration of the whole process. Also, have other sources of income or generate some other business while you wait for the funding to be approved.

How did you decide how the funds would be used in the business?
We applied for Production funding per film project, so all the money goes back into the budget and towards all production and film related expenses.

"Rejection is also a difficult by-product of the whole process. We were rejected twice for our film, Baby Mamas, and it was only on our third try that we finally got funded"

What impact did the funding have on the growth of your business?
The funding we applied for did not go into the company directly, because each film project needs to be registered as its own entity, with its own accounting, funding, financing, and management controls. So the funding does not necessarily grow the business directly, but of course, getting a film project well-made and distributed is good for the business's reputation and helps to develop us as business people and project managers.

What don't many entrepreneurs know about securing external funding?

It is by no means an easy process; in fact, I am starting to believe that it does not get easier no matter how many times you do it. However, in the film industry, the government has tried to create avenues to get new players into the industry - something that you don't find in other countries, so people must at least try to tap into this help offered and apply, apply and apply.

Rejection is also a difficult by-product of the whole process. We were rejected twice for our film, Baby Mamas, and it was only on our third try that we finally got funded. So, one might need to keep going back to the drawing board. Try to not to give up until something gives.

SALAMINA'S FUNDING ADVICE

- **Research what sort of funding options are available to you and understand what each fund's terms and conditions are. For example, the DTI offers a tax rebate, and this is not money that needs to be paid back. However, other funders such as the IDC offer funding that business owners will need to pay back. They also charge interest on the loan amount.**

- **Do not be afraid to ask questions. It's important that you understand all that will be required of you.**

- **Applying for funding is not the only way to take your business to the next level, however it can be a good option either at the start of the business or to move to the next stage. However, one needs to be wary of relying too much on this kind of assistance.**

- **Put good financial checks and balances into place, if it is not something that you are personally good at work hand in hand with a trustworthy accountant.**

STACEY BREWER SPARK Schools

STACEY BREWER – SPARK SCHOOLS

SPARK SCHOOLS

Years in business: Established 2012
Product/Service: SPARK Schools is a network of private schools offering affordable, globally competitive education.
Funder/s: Angel investors and impact funds.
Funding amount: Over R300 million

www.sparkschools.co.za

Stacey Brewer together with co-founder, Ryan Harrison co-founded SPARK Schools – a network of primary schools. They are dedicated to delivering accessible, high quality education by using a blended learning programme, which combines traditional classroom teaching and online learning, to individualise education for all students. SPARK Schools has 10,000 enrolled students and 21 schools in their network.

The co-founders have won numerous accolades including the Innovator of the Year title in the 2016 Entrepreneur of the Year competition sponsored by Sanlam and BUSINESS/ PARTNERS. Stacey, who is the CEO, is also a member of the Endeavor Network for high-growth entrepreneurs around the globe.

At what stage of your business did you consider getting external funding - how did you know you were ready?
We had to raise seed capital to start SPARK Schools. Unfortunately starting a school requires a decent amount of capital, and we had to raise funding from angel investors.

How did you find out about the various funding options available?
It has been through referrals from getting angel investors to invest in the early stages of SPARK Schools to then connecting with international impact funds. If you get the right investor on board, they will be able to bring other like-minded investors.

What work went into applying for that specific fund?
We had to build a business plan and financial model along with a pitch deck to attract the capital into the business.

"It is tough to raise seed capital in South Africa"

Most of our time was spent meeting with potential investors and pitching. Once we had drawn potential investors, the organisation would have to go through a due diligence process followed by legal agreements before a deal was concluded.

What support did you have during the process?
Previously management ran with the process with the help of a legal firm, but as the amounts raised to become more prominent and more complicated, we appointed a corporate advisor and sizeable legal firm to support the process.

What were some of the challenges that you encountered during the process?
It is tough to raise seed capital in South Africa where everyone is looking for a proof of concept first, and generally, the risk profile of investors is very conservative. It seems that more international impact funds are willing to take a risk on an early stage business and want to ensure that it [achieves both] impact and returns as opposed to pure commercial returns.

In addition to financial support, what other non-financial support did your funder provide?
We have been very fortunate where our angel investors and two of our early-stage impact funds have provided much help to the organisation in terms of driving efficacy on the learning model, assistance for what it takes to build an organisation and overall mentorship for the management team.

How did you decide how the funds would be used in the business?
It has always been decided that funds raised will be utilised to cover working capital as SPARK Schools opens new schools.

"I would advise being very careful and selective on ensuring that you bring the right investors in your business and encourage you to do your due diligence on investors as they can either make or break your organisation"

What impact did securing funding have on the growth of your business?
The funding that we have raised to date has allowed us to start and grow the SPARK Schools network which will enable us to serve more families in South Africa.

What don't many entrepreneurs know/understand about securing external funding?
I would advise being very careful and selective on ensuring that you bring the right investors in your business and encourage you to do your due diligence on investors as they can either make or break your organisation. We have experienced both types of investors and its imperative that the investor aligns with the vision and mission of the organisation. Instead, do not raise capital from the wrong investor.

STACEY'S FUNDING ADVICE

- **Be careful of raising capital for specific periods, rather raise capital to get you to a significant milestone that also allows free cash flow.**

- **Be careful about creating a shareholder base that is misaligned - this will cause a lot of unnecessary shareholder management and distraction. As a result, you will not be able to focus on running your business.**

- **Shareholders should be management's partners and not police them. They should support management in building the strategy, address strategic issues and provide additional support/expertise where possible.**

- **Ensure that you get the right shareholder for your stage of business. If an investor claims they are impact, check with the rest of their portfolio and if both interests are not aligned in the same direction, it will be hugely damaging and could compromise the mission and vision of the organisation.**

MUKUNDI LAMBANI

Ambani Africa

MUKUNDI LAMBANI – AMBANI AFRICA

AMBANI AFRICA

Years in business: 2 years in September
Product/Service: Educational Learning Content
Funder/s: Injini, CITI SEFA Program and I'M IN
Funding amount:
- R100 000
- R180 000
- (Undisclosed)

AMBANI
ONLINE AFRICAN LANGUAGE LEARNING

www.ambaniafrica.com

Mukundi Lambani is the founder of Ambani Africa, an African language content platform for young learners. The platform uses Augmented Reality to gamify the African-language curriculum for early childhood learning.

The company was started with a desire to use technology to create more learning content and support material in African languages with the goal of promoting and preserving African language and culture.

Q: At what stage of your business did you consider getting external funding – how did you know your business was ready?
We considered getting external funding approximately six months into developing the product. We knew we were ready to look for funding when our product was near completion and we had something to present to potential investors and it was no longer just an idea.

Q: How did you find out about the various funding options available to you?
Finding out about the different funding options required thorough research on my part as the founder. I also engaged with different programs that offered the type of support our business needed which in turn provided information on other funding options.

Q: What work went into applying for that specific fund?
We had to do our due diligence, gather relevant data regarding our position as a business in terms of the financial, legal, and administrative aspects and our technological needs and ensuring we communicate our current and future value.

"Finding out about the different funding options required thorough research on my part as the founder"

Q: What support did you have/need during the process?
During the process we needed financial, legal, and administrative support to ensure that Ambani would be protected. We had the support of individuals who bought the augmented reality cards while we explored funding.

Q: What are some of the challenges that you encountered during the process?

The challenges we faced varied with each new stage of the process. The one that sticks out is having potential investors who would say they are interested but give us the run around and disregard our efforts. Another challenge is finding outlets and distributors for Ambani. COVID-19 has also brought to our attention to look at a new way that our business would need to operate.

What impact did the funding have on the growth of your business?

It really opened a lot of doors for the business and exposed us to a network of mentors and collaborators within the programs we are in. The funding has also helped with regards to getting the necessary publicity.

"Securing one funder that offered even just a little made other funders more comfortable investing knowing that someone else had already endorsed the business, so work on securing the first funder as this is the hardest"

What don't many entrepreneurs know/understand about securing external funding?
You should be strategic about the different places where you could potentially get funding. Instead of trying to find one funder to give us everything we needed, we tapped into different programs that spoke to our different dimensions, such as social impact, educational departments, and technology.

Securing one funder that offered even just a little made other funders more comfortable investing knowing that someone else had already endorsed the business, so work on securing the first funder as this is the hardest.

In addition to financial support, what other non-financial support did your funder provide?
Access to various experts, mentorship, access to their social capital/networks, research support and an experienced sounding board for decision making in the business.

MUKUNDI'S FUNDING ADVICE

- **Apply for everything. We think we are not qualified enough to apply for certain things, so we disqualify ourselves from opportunities, try anyway. I decided late last year to apply, apply, apply and there have been many rejections but there have also been many successes from this.**

TLALANE NTULI

Yalu

TLALANE NTULI - YALU

YALU

Years in business: 2 years
Product/Service: Credit Life Insurance
Name of funder: Public Investment Corporation (PIC)
Funding amount: Available in PIC's annual report

www.yalu.co.za

Tlalane Ntuli is the Chief Operating Officer (COO) and co-founder of Yalu, a credit life insurance brand she co-founded with Nkazi Sokhulu. Yalu's self-service credit life insurance platform replaces a customer's current policy with a more affordable, simpler and rewarding policy.

In 2018 Yalu was also selected as one of eight black-owned startups awarded entrepreneurial packages in one of SA's richest startup initiatives by Rand Merchant Investment Holdings (RMIH), through AlphaCode.

At what stage of your business did you consider getting external funding – how did you know you ready?

Insurance is an extremely capital-intensive industry that is also long term from an investment perspective. Unlike many types of businesses, it takes many years before an investor sees profit coming out of an insurance business like Yalu.

As a result, we knew from the onset that the business would require quite a lot of upfront investment from an investor who not only could afford it but one that also has a mandate beyond just quick investment returns.

From the point of conceptualisation, we knew that without this kind of investor, there was no way we would be able to launch Yalu.

How did you find out about the various funding options available?

One of the first things we did while conceptualising the business was to make a list of potential investors who "fit the brief" so to speak. Each one of us was allocated investors and given the task of finding out everything we could about them.

That meant doing as much research as possible about what funding each investor had available. We took this task very seriously and met on a weekly basis to report back to each other. We spent a lot of our time researching online and where possible to tap into our various networks.

Every piece of information or lead we received was followed up thoroughly and all possible options of engaging potential investors were exhausted.

"We spent a lot of our time researching online and where possible to tap into our various networks"

What work went into applying for that specific fund?
It took us about a year to get the funding, and in this period a lot of work went into developing a business case as well as a Minimum Viable Product (MVP) that the investor could make sense of.

We firstly had to outline the size of the market and the size of Yalu's opportunity. With Credit Life Insurance being a very unknown subindustry, we spent a lot of time educating our investor not only on our own product but also on how the industry itself works. Once there was some understanding at this level, we then had to develop the Yalu product which required that we secure an underwriter and a reinsurer that would be willing to work with us before any funding could be secured.

As an offering that is heavily dependent on IT, we were required to find IT developers that could show the funder how the product would work from both a back-and-front-end perspective. We had to also create a prototype that could allow them to experience the customer take-up journey.

At some point during this process the potential investor (as they were at that point) also wanted us to undertake customer research to validate our idea and our prototype, a project we had to undertake with a reputable and trustworthy research company at our own cost.

"As an offering that is heavily dependent on IT, we were required to find IT developers that could show the funder how the product would work from both a back-and-front-end perspective"

What support did you have during the process?
We needed and had a lot of support. Firstly, from the PIC themselves in getting us to understand their processes and requirements and from providers who are now critical business partners like the underwriter (OMART) and reinsurer (RGA).

We also got support from service providers who we used to do some of the work for that was needed as part of the funding requirements like the research and prototyping. These guys understood our situation and really went above and beyond, whether it was in the form of the work they were doing for us, or the payment terms they gave us.

"Deals fall through – dust yourself off and move on to the next thing. There is no point wallowing in self pity"

How did you decide how the funds would be used in the business?
We aligned our priorities to our strategic imperatives and priorities as defined in our business case to the PIC. First off, we had to build the product which required a significant investment in technology.

We also knew that the product on its own would not be enough and that we needed to secure the right team. So within the limits of what we could pay, we sourced good people who could help us deliver on our vision. In addition, the right partnerships were critical – these don't come easy and they don't come cheap either, but they can make or break your business.

What impact did securing funding have on the growth of your business?
Without the funding we would not have even started the business.

TLALANE NTULI - YALU

What don't many entrepreneurs know about securing external funding?

Once you have secured the funding, your investor is effectively your employer. The money you receive is not yours, it is the investors' and you are obliged to use it wisely towards creating long term value for them. You therefore need to ensure that you implement the right governance policies and structures to manage your business. At Yalu, we submit monthly business performance reports to our investor outlining all operational issues both good and bad. We also have quarterly board meetings, with a board made up of non-executive directors that are mostly from the financial services industry as well as a PIC representative.

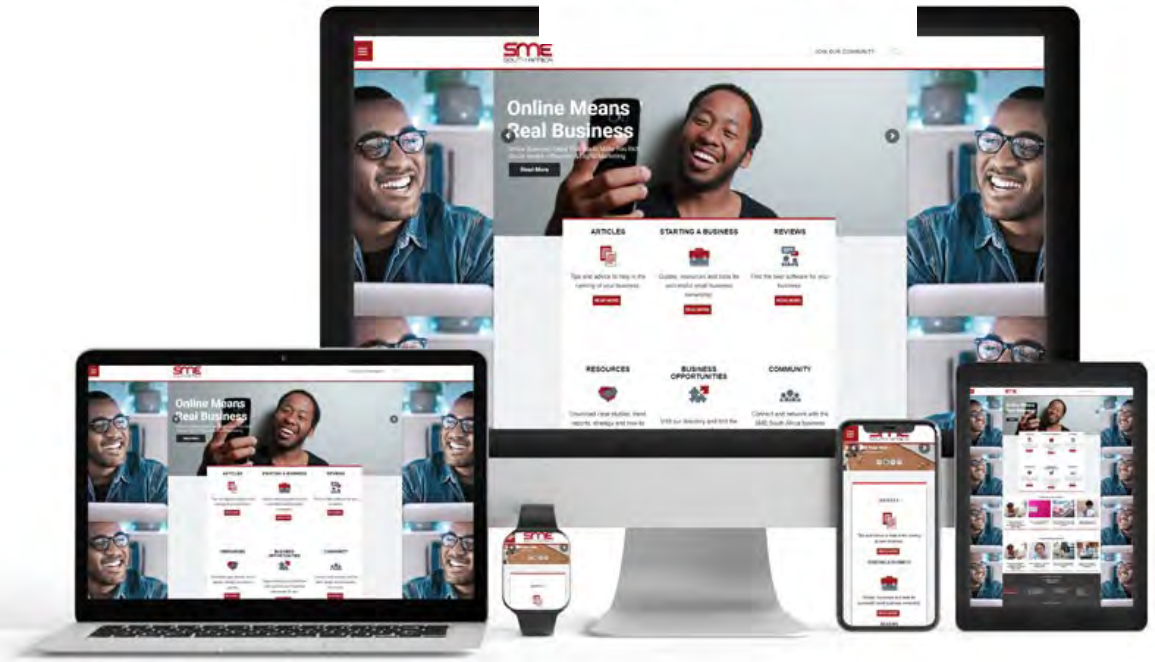
Fund raising is not a once-off job, it is something that must be owned by someone in the business as part of their KPI's and must always be ongoing . We made the initial mistake of resting for a few months and focusing on other things after we had secured our first round. The reality is that you must kiss a lot of frogs before you meet the prince and to do that you need time and determination.

TLALANE'S FUNDING ADVICE

- **It takes time; so be patient and resilient.**
- **Surround yourself with a strong support system that will carry you both emotionally and financially when things get tough.**
- **South Africa has a small investor pool, do not think you are going to only knock at one door once, sometimes it takes multiple knocks with different people to open that one door.**
- **Deals fall through – dust yourself off and move on to the next thing. There is no point wallowing in self pity.**
- **If the investor is not the right one, no size of cheque will make them right – look and ask for more than just money.**

About SME South Africa

The SME South Africa is the **number one resource platform for entrepreneurs and SMEs stakeholders in South Africa**, we bridge the gap by connecting entrepreneurs and brands through strategic content, data, and results-driven advertising solutions.



SME South Africa - Web, Social & Email Stats

80,000

The total number of monthly unique visitors on SME South Africa

25,408

Total email subscribers receiving the weekly emailer.

20,876

Total downloads of reports, surveys and eBooks produced in 2019/20.

46,912

Total followers on Facebook, Twitter, LinkedIn and Instagram.

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