



ANNUAL RESULTS

FOR THE YEAR ENDING 31 MARCH 2021

Resilience through turbulent times

For the Parliamentary Portfolio Committee for Trade Industry and Competition

23 November 2021



Your partner in development finance

AGENDA



FY2021
OVERVIEW



COVID -19
INTERVENTIONS



FINANCIAL
PERFORMANCE



LOOKING
AHEAD

OVERVIEW OF THE YEAR

TP NCHOCHO

CHIEF EXECUTIVE OFFICER



Industrial Development Corporation

Your partner in development finance

A YEAR CHARACTERISED BY SERIOUSLY CHALLENGING ECONOMIC ENVIRONMENT



ECONOMIC ACTIVITY AND SUPPLY CHAIN DISRUPTION

- 1** Covid-19 pandemic and the resultant hard lockdown impacted both production and consumption
 - ▶ IDC Investee companies adversely affected across all sectors
- 2** Several project delays and cost escalations due to restrictions in movement of goods and people
 - ▶ Resulting in significant opportunity costs in terms of investment and employment
- 3** The tourism and hospitality and clothing and textiles sectors were the hardest hit

A YEAR CHARACTERISED BY SERIOUSLY CHALLENGING ECONOMIC ENVIRONMENT



BUSINESS CONFIDENCE

1

Investment decisions were put on hold as investors tried to understand the risk while building cash buffers. This is evident in the low volumes of new lending and investment generally

2

Gross fixed capital formation declined by 19.6% in real terms during the review period to its lowest level in 14 years

3

Capital moved to portfolio investments - perceived to be safer

INITIAL RESPONSE TO THE COVID-19 PANDEMIC

A FOUR-PRONGED APPROACH TO SUPPORT OUR STAKEHOLDERS AND DELIVER ON OUR MANDATE



EMPLOYEE WELLNESS

Provided employee
wellness support



CLIENT AND ECONOMIC SUPPORT

Supported businesses to
ride out the impact of the
pandemic



SUSTAINABILITY MEASURES

Successfully met debt and
disbursement obligations



SOCIAL SUPPORT

Delivered support to the most
vulnerable through Corporate
Social Investment

MORE THAN R1 BILLION INVESTED TO ADDRESS THE IMPACT OF COVID-19

VALUE OF FUNDS COMMITTED

R5.4 billion

FY2020: R9.5 billion

JOBS EXPECTED TO BE CREATED,
SAVED AND SUSTAINED

13 354

FY2020: N/A

FUNDING COMMITTED TO BLACK
EMPOWERED COMPANIES

R3.9 billion

FY2020: R7.5 billion

DISBURSEMENTS

R6.3 billion

FY2020: R8.4 billion

FUNDING COMMITTED TO
BLACK INDUSTRIALISTS

R3.0 billion

FY2020: R5.1 billion

FUNDING COMMITTED TO WOMEN
AND YOUTH EMPOWERED
COMPANIES

R2.0 billion

FY2020: R3.3 billion



PRIORITISED INVESTMENT IN PRODUCTIVE SECTORS



MINING & METALS, INFRASTRUCTURE, ENERGY



R2.5 billion

⚙️ 1 534

R2.2 billion

⚙️ 759



MANUFACTURING



R2.9 billion

⚙️ 6 021

R2.5 billion

⚙️ 1 053



AGRO-INDUSTRIES, SERVICES & SMALL BUSINESSES



R474 million

⚙️ 5 799

R815 million

⚙️ 441

NEW FUNDING APPROVED:

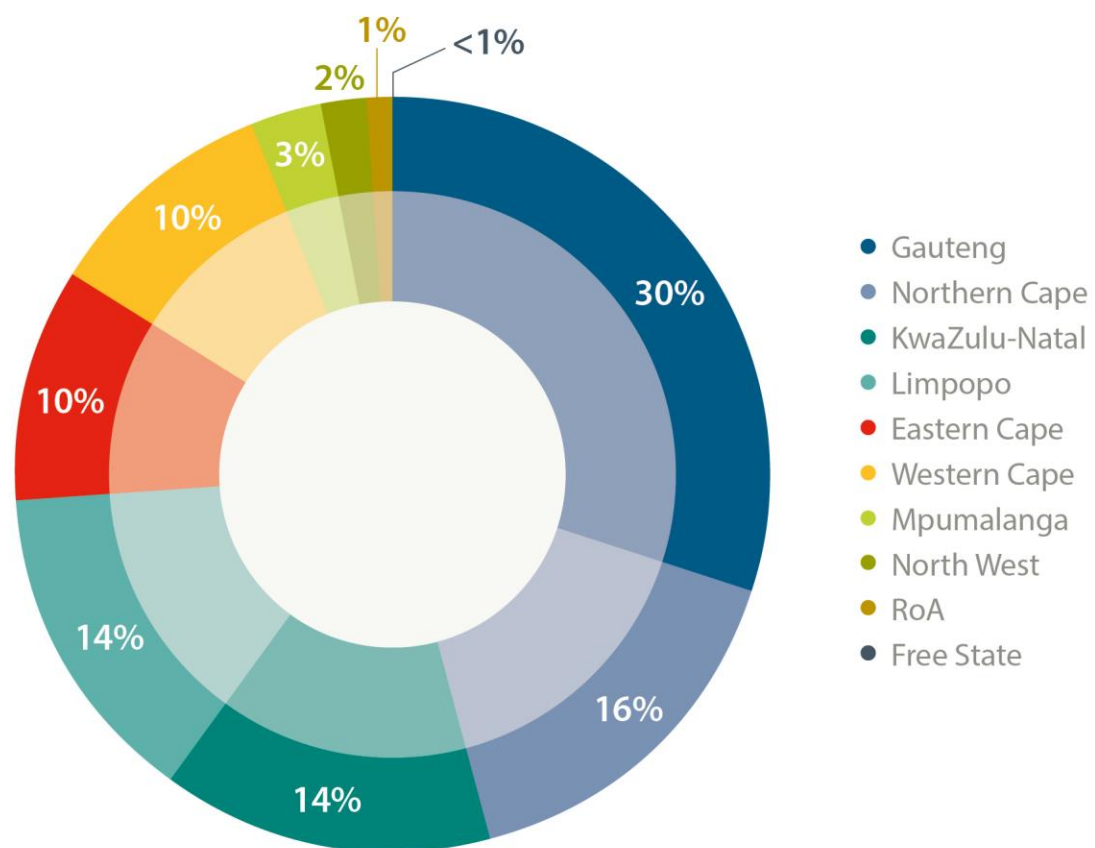
JOBS (INCLUDING JOBS SUSTAINED):

FUNDING COMMITTED:

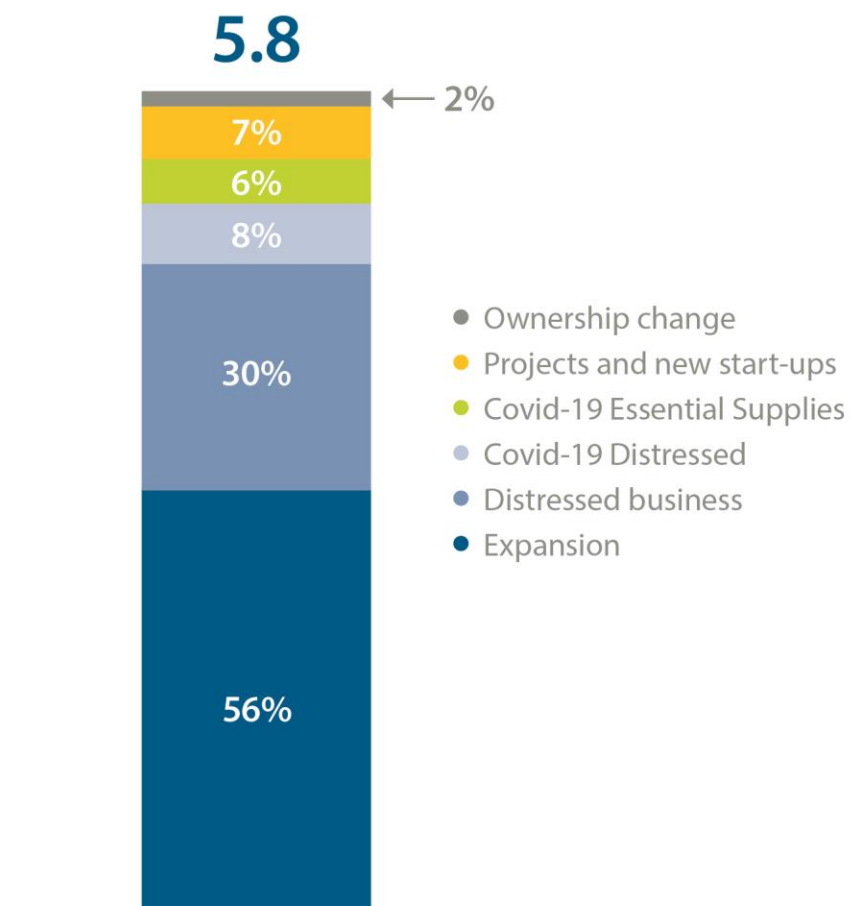
JOBS:

INVESTMENT FLOW MIRRORS THE COUNTRY'S MUTED ECONOMIC ACTIVITY

DISBURSEMENTS PER PROVINCE

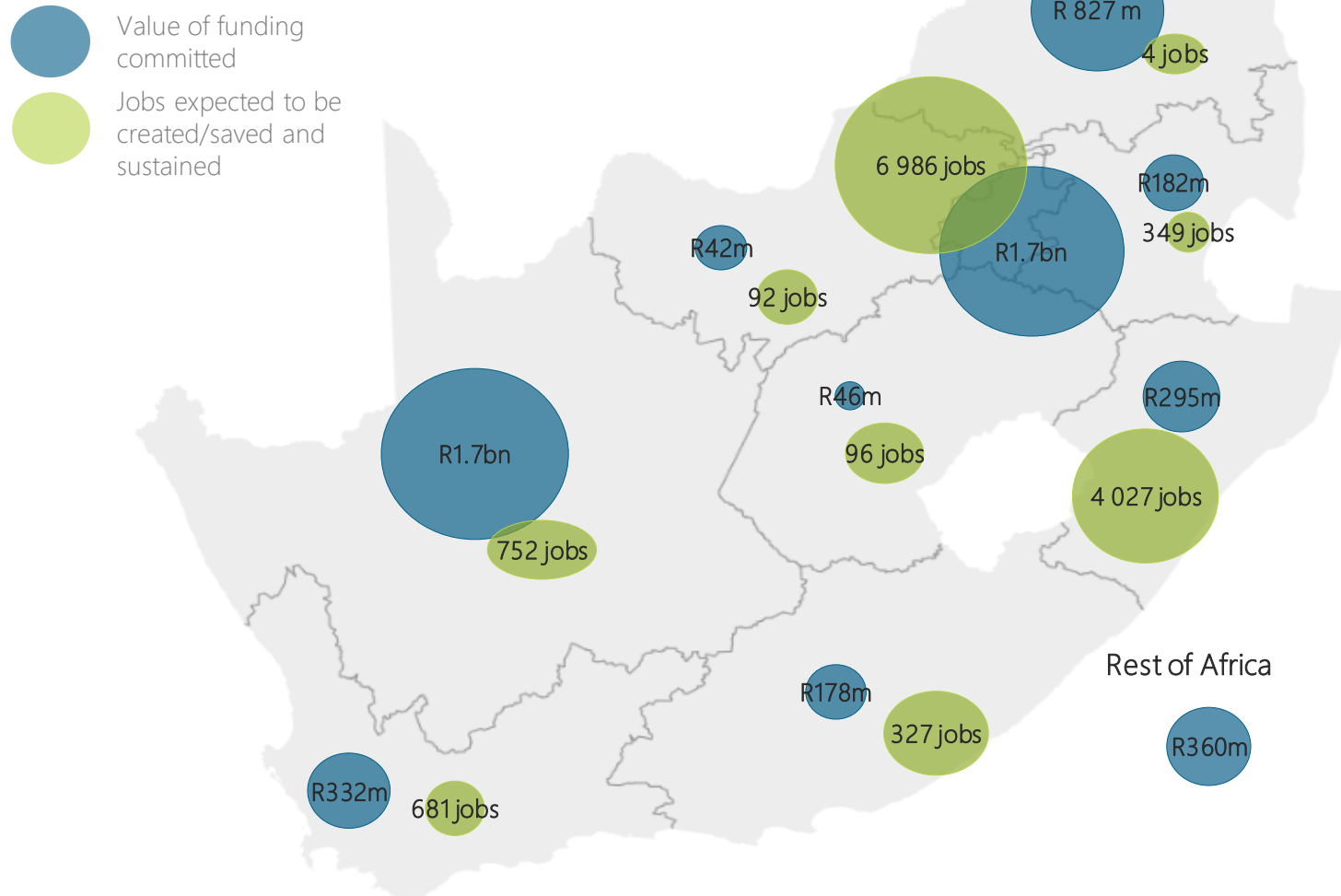


APPLICATION OF NEW FUNDING APPROVED (R'BN)



PRIORITISED INVESTMENT IN PRODUCTIVE SECTORS

ACTIVITY BY REGION



SUMMARY



- 1** Our operating performance reflects the challenging economic conditions of the year under review
- 2** We continued to pursue our mandate in the face of difficult trading conditions
- 3** We maintained financial sustainability in a challenging economic environment

COVID-19 INTERVENTIONS

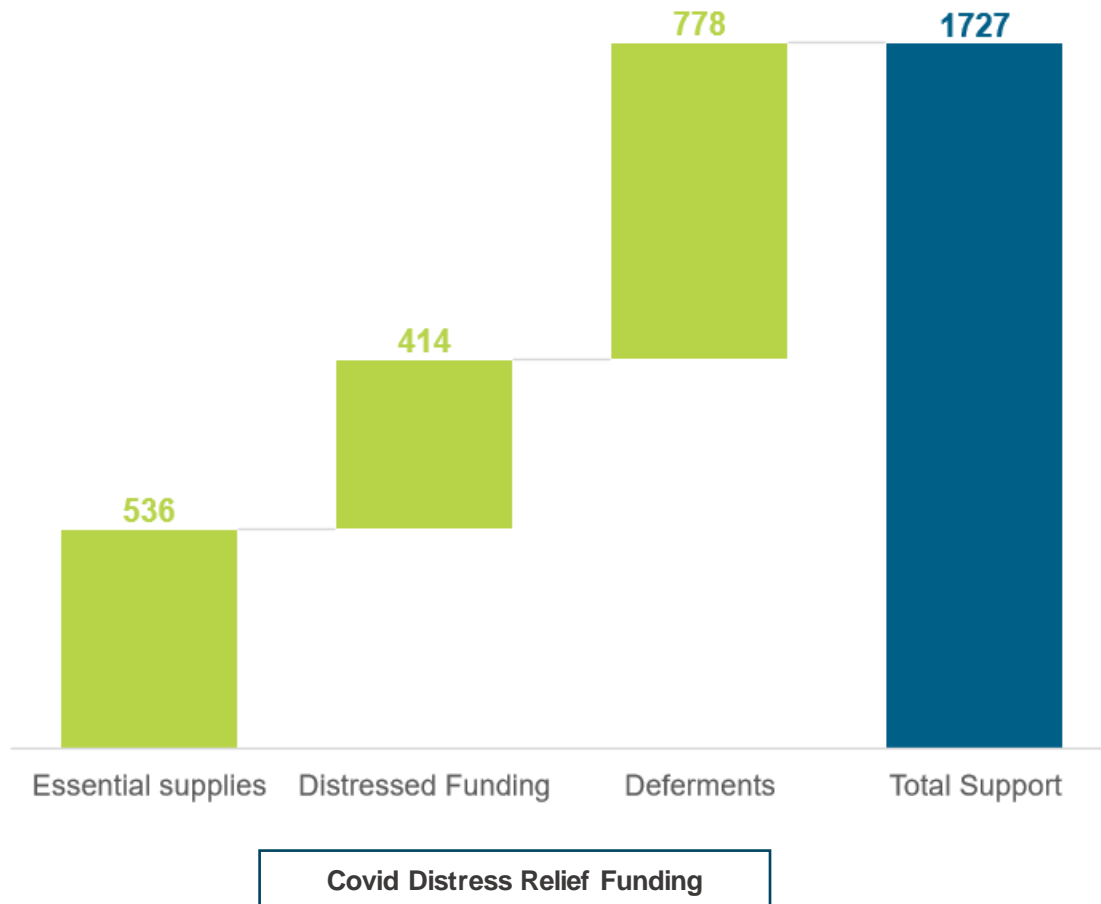


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NOTABLE INVESTMENTS MADE IN RESPONSE TO THE COVID-19 PANDEMIC

FINANCIAL SUPPORT TO BUSINESSES IN RESPONSE TO COVID-19 (Rm)



The primary objective of our interventions was to:

- Ensure security of supply of Covid essential supplies
- Provide cashflow relief to businesses

Impact:

- R536 million utilised to secure essential supplies (includes surgical masks, hand sanitisers, gloves, rapid test kits, humidifiers, and medicine packaging).
- R414 million approved for 15 companies under the Covid Distressed Fund
- 475 companies benefited from deferments and restructuring of existing facilities for a 12-month period that totalled R769 million

COVID ESSENTIAL SUPPLIES
AND DISTRESS FUNDING

R1.0 billion

FY2020: N/A

COVID DEBT PAYMENTS RELIEF
AND DEFERMENTS

R0.8 billion

FY2020: N/A

DISTRESSED FUND

IDC launched the Covid-19 Distress Relief Fund in May 2020, which is aimed at alleviating the impact of the Covid-19 pandemic on the economy

- Due to the balance sheet and cash flow constraints on the IDC, the scheme parameters were set to balance support to the economy with managing IDC risk
 - Support included prioritising guarantees for bank funding, sharing risk with other funders, offering deferments to existing clients
- Due to low uptake of the fund and when the IDC's financial position had improved, the fund criteria were adjusted resulting in an increase in pipeline and approvals
- A Tourism focused intervention of R250m was approved, considering the on-going distress in this sector
- Other sector focused interventions have been explored including funding to Furniture and CTFL in support of masterplan objectives in these distressed sectors, resulting in R300m per annum being committed towards these sectors



Supporting businesses and sustaining jobs

The IDC's vision of an industrious and prosperous South Africa, even through the difficult times presented by the Covid-19 Pandemic, has not diminished.

To help the businesses that drive economic growth get back on their feet, the IDC is offering assistance for companies that have been negatively impacted by the pandemic through The COVID-19 DISTRESSED FUND.

DISTRESSED FUNDING DEPLOYED TO SUPPORT POST UNREST BUSINESS RECOVERY

Distressed Fund deployed over a period of 11 months to 31 March 2021

	<u>Distressed Fund</u>	
Initial Covid Distressed Fund	2 500	
Reallocation to Post Unrest Funds	- 1 400	
Available Distressed Funds	1 100	
Less Funds Committed	894	19% of initial fund
Less: Approvals to date	475	
Less: Sector Specific Schemes		
Tourism - R250m balance uncommitted	119	
CTFL & Furniture (First Year)	300	
Total available	106	
Disbursements to date		188 8% of initial fund

A stronger balance sheet allowed IDC to respond to the unrest with deeper concessions

R1.4bn
reallocation
plus R100m
township
grant

R100m grant for
Township Economy

R700m grant for all
clients

R700m loan for all clients

1 Post Unrest Business Recovery Fund

The IDC's response to the civil unrest

Since the unrest, the IDC has:

- Monitored the impact of the turmoil on business activity
- Engaged our business partners to gauge the effect on their operations and employees, and the support they require
- Affirmed solidarity with all those affected by the unrest
- Engaged key industry stakeholders, civil society organisations and the government to ensure that the IDC participates in collective efforts to rebuild economic activity and support affected communities

The IDC has tailored a comprehensive package that includes funding support for businesses and communities affected by the unrest. The considered response comprises a recovery package totalling more than R1.5-billion.

R1.4 billion

Post-unrest Business Recovery Fund to assist all businesses (existing and new clients) that operate in sectors funded by the IDC. The funding will be available at concessionary rates to ensure significant development impact. For instance, loans will be offered at 0% for the first 12 months, and thereafter at a fixed 5%.

R100 million

Partnership and Regional Programmes grant allocation to provide technical and financial assistance to small businesses in townships, rural areas and small towns that have been affected by the unrest and associated supply-chain disruptions. In Gauteng, the IDC is partnering with the Gauteng Enterprise Propeller, which has set aside R50-million to co-invest with the IDC.

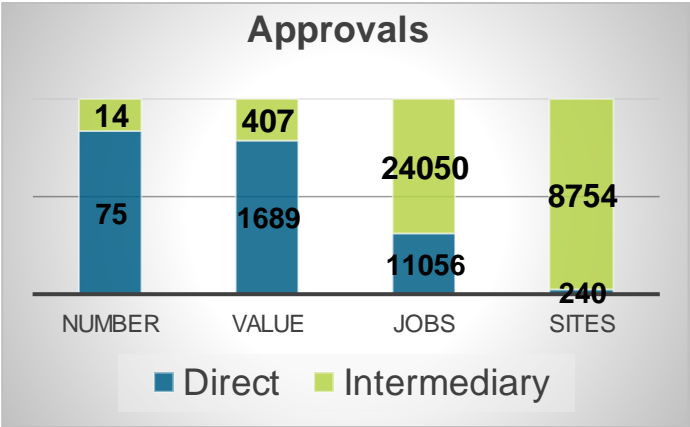
R10 million

Corporate Social Investment (CSI) allocation to support food security and recovery efforts in affected communities. This funding will cater for school infrastructure rebuilding, and support care facilities and clinics. The IDC's focus will mainly be on rural, outlying and less-developed areas that now face

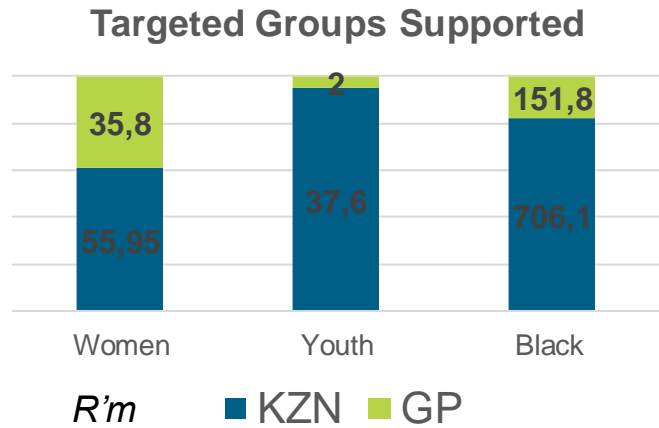
Fund	Post-unrest Business Recovery Fund
Purpose	This fund is earmarked as a response to assist businesses that are either existing or new clients, that fit into the IDC's mandate for this fund and that have been adversely affected by the unrest.
Amount	R1.4-billion
Application of funds	<ul style="list-style-type: none"> To provide bridging finance, pending the receipt of insurance proceeds arising from the unrest (equipment, property (limited to industrial and retail property and warehouses), business loss, working capital etc.) Funding to cover short-term operational losses, provided that the client demonstrates a clear and reasonable business plan for recovery of operations Working capital funding Capital expenditure/equipment finance where funding used to replace assets that were damaged or destroyed and where such assets were uninsured or underinsured Property finance where property was not subject to finance. This will be limited to industrial and retail property and warehouses Guarantees
Salient Features	<ul style="list-style-type: none"> Businesses that can demonstrate that they were affected by the unrest and with a high level of certainty that they will be profitable and sustainable in future Limited to South African companies affected by the unrest only Client to undertake that there will be no retrenchments the duration of the funding support
Financial instruments Terms and other	<ul style="list-style-type: none"> Debt/Subordinated Loans/Guarantees/Grants Maximum investment amount - Debt and Subordinated Loans: R100-million per applicant - Bridging finance <ul style="list-style-type: none"> - Price 0% - Term: 12 months - Maximum term: 12 months - Term loan

POST UNREST RESPONSE LEVERAGED EXPERIENCE FROM DISTRESSED FUND RESULTING IN RAPID DEPLOYMENT OVER A 3 MONTH PERIOD

	Fund	Approved	Grants	Loans
IDC Fund Allocation	2 500	1 717	336	1 381
MCEP Economic Stabilisation	900	379	76	303
MCEP Infrastructure	400	-		
Total	2 800	2 096	412	1 684
Disbursements				866



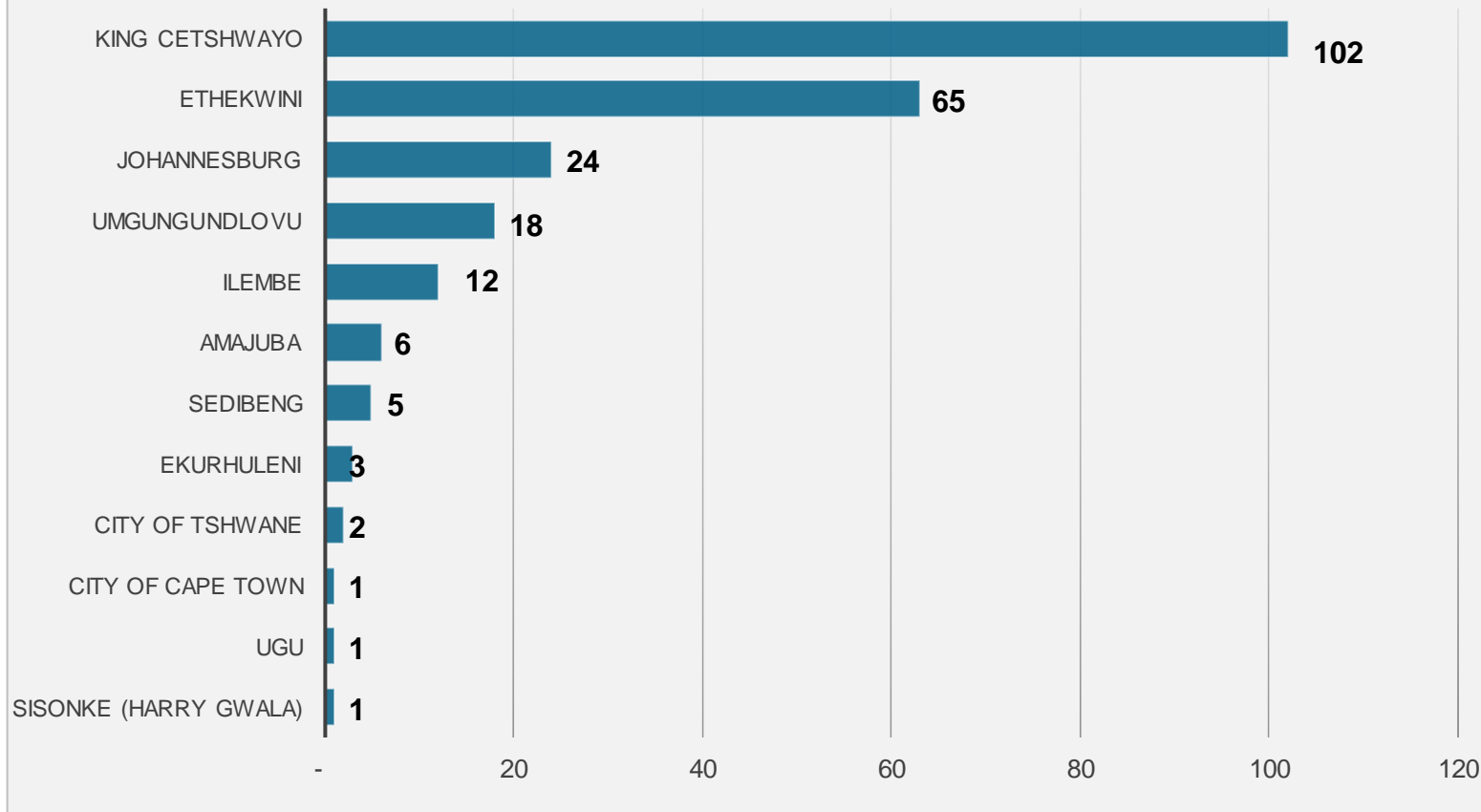
	Funding to Direct Beneficiaries	Funding to Intermediaries	Total
Total Approvals To Date	75	14	89
Sites Approved	240	8 674	8 914
Rand value of approvals	R1 689m	R407m	R2 096m
Disbursements	R676m	R190m	R866m
Disbursement as % of approvals	40%	47%	47%
Jobs affected	11 056	24 050	35 106



The Critical Infrastructure Grant is only available to un- or under-insured companies. The property transactions are being progressed. Allocation of grant can only take place once SASRIA has confirmed the insured amount

PUBRF APPROVALS TO END BENEFICIARIES – SITES BY DISTRICT

IDC has funded 240 sites in different districts

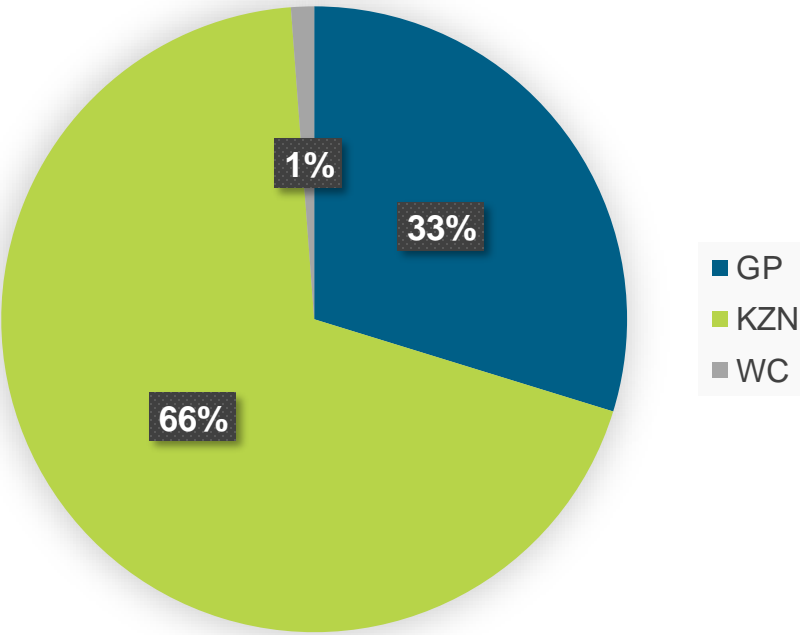


INSIGHTS

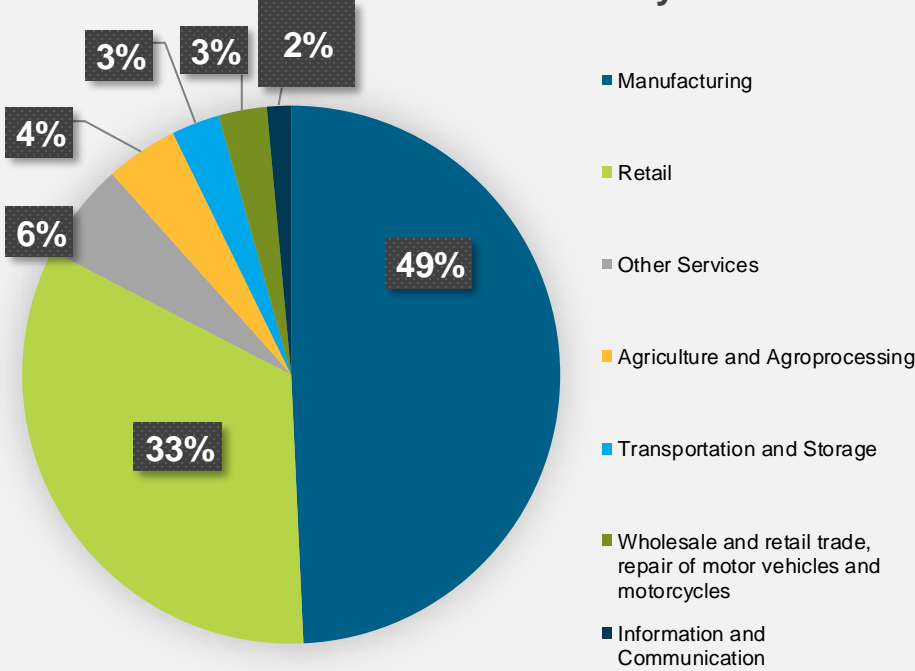
- Many of the approvals that IDC has made are for enterprises in multiple locations and districts
- Most of the affected sites are in King Cetshwayo, Ethekekwini and Johannesburg districts

PUBRF APPROVALS BY PROVINCE AND SECTOR

Percent Applications per province



Distribution by Sector

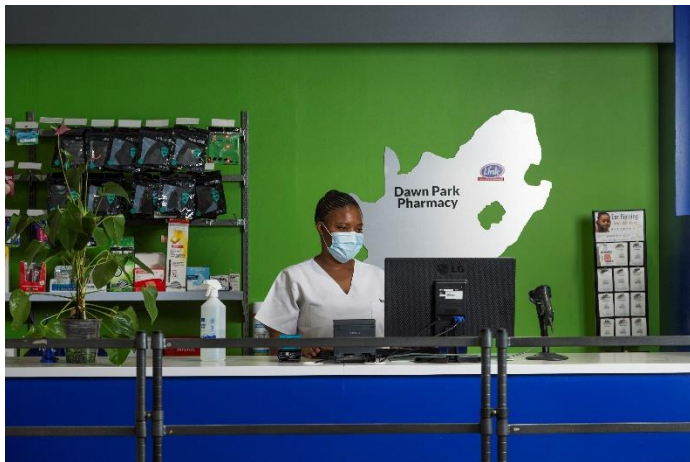


INSIGHTS

The bulk of the approvals are in KZN, one in the Western Cape (supplier in KZN impacted).

The majority of the applications (by number) are in the manufacturing and retail sectors

CLIENT PROFILE : DAWN PARK PHARMACY



Name of Business	Dawn Park Pharmacy	Owner	Bulelwa Dunywa-Maponya
Nature of business	Retail Pharmacy	Jobs	6
Location	Dawn Park, Ekurhuleni, Gauteng	Demographics	Black Woman-Owned
Nature of impact	<ul style="list-style-type: none"> The Pharmacy was completely looted and vandalised incurring damages totaling R1.5 million. The business was partially insured which is partially insured. 		
IDC Support	<ul style="list-style-type: none"> Grant Funds used for stock replacement, electronic equipment , vaccine fridge, generator and operating expenses 		
Client Feedback	<p><i>Bulelwa describes the employee from the IDC as ‘a sister from another mother’. Bulelwa says the IDC’s willingness to listen and act swiftly meant that she could still maintain her integrity as a healthcare practitioner and be open for business to be of service to her community.</i></p>		

CLIENT PROFILE : ZA GEAR



Name of Business	ZA Gear	Owners	Zuraida and Mohamed Saib
Nature of business	Textile and Clothing	Jobs	200
Location	Mayville, EtheKwini District Municipality	Demographics	Black- Owned
Nature of impact	<ul style="list-style-type: none"> • Factory burned down • Machinery damaged 		
IDC Support	<ul style="list-style-type: none"> • Loan 		
Client Feedback	<p><i>After hearing about the IDC's Post-Unrest Business Recovery Fund from other entrepreneurs, they too decided to apply and were pleasantly surprised to find the fund's application process to be smooth and transparent. They were continuously informed of the progress of their application and within weeks it was approved. Zuraida says the funding came just 'at the right time' - their dreams to become a world-class Design House were back on track.</i></p>		

CLIENT PROFILE : GAUTENG SCHOOLWEAR



Name of Business	Gauteng Schoolwear	Owner	Boni Dibate
Nature of business	Textile and Clothing	Jobs	11
Location	Vosloorus, Spruitview (Ekurhuleni), Soweto (City of Johannesburg Metro)	Demographics	Black Woman-Owned
Nature of impact	<ul style="list-style-type: none"> The unrest resulted in the store at Naledi Mall Vosloorus being burnt down and all stock, embroidery equipment and fittings being lost. Due to the strained profit margins, GS was not insured, the loss incurred was R1.8m. 		
IDC Support	<ul style="list-style-type: none"> Grant Funds were used to secure stock, machinery, instore furniture and instore equipment 		
Client Feedback	<i>During a site visit by the IDC, Boni says 'the IDC's passion and commitment to see us back in business gave us hope and helped us create more jobs'.</i>		

FINANCIAL PERFORMANCE



IMPROVED FINANCIAL PERFORMANCE BOOSTED OUR LIQUIDITY AND CAPITAL RESERVES



EARNINGS

Significant **turnaround in operating income**, driven by improved Revenues and effective reduction of impairments

Impairment charge contained through robust implementation of our Portfolio Value Improvement Strategy



ASSETS AND LIABILITIES

Improved financial leverage on the back of improvement in unlisted valuations, and rebound in listed investments

Comparatively lower disbursements in loans and advances



LIQUIDITY

Improved liquidity driven by well-timed cash management initiatives implemented during Covid lockdown

The rebound in the resources sector saw IDC investments deliver improved dividend payouts

ROBUST FINANCIAL PERFORMANCE ON THE BACK OF SOLID STRATEGY EXECUTION AND IMPROVED CONDITIONS AS THE YEAR PROGRESSED

IDC COMPANY (MINI-GROUP)



REVENUE

R9.5 billion

FY2020: R8.8 billion



GEARING

51.4%

FY2020: 77.2%



PROFIT/(LOSS)

R3.3 billion

FY2020: (R3.1 billion)



CREDIT LOSS RATIO

0.7%

FY2020: 13.4%



COST TO INCOME RATE

25.0%

FY2020: 21.0%



IMPAIRMENTS – TOTAL BOOK

37.9%

FY2020: 36.8%

IDC COMPANY



REVENUE

R17.1 billion

FY2020: R16.2 billion



TOTAL ASSETS

R143.7 billion

FY2020: R109.6 billion



PROFIT/(LOSS)

(R0.03 billion)

FY2020: (R3.8 billion)



RESERVES

R86.0 billion

FY2020: R60.1 billion



BORROWINGS

R42.7 billion

FY2020: R41.2 billion

BALANCE SHEET HEALTH IMPROVED SATISFACTORILY

Company R'm	2021	2020	2019
Statement of financial position			
Cash and cash equivalents	12 637	7 043	9 233
Loans and advances	24 520	28 199	29 094
Investments	108 801	75 603	116 706
Property, plant and equipment	318	53	58
Other assets	1 153	1 612	363
Total assets	147 429	112 510	155 454
Capital and reserves	82 990	53 851	93 097
Other financial liabilities	56 910	56 038	54 125
Other liabilities	7 529	2 621	8 232
Total equity and liabilities	147 429	112 510	155 454
Statement of comprehensive incomes			
Profit / (loss) before taxation	3 579	-4 421	-824
Taxation	-282	1 305	354
Profit/(loss) for the year	3 297	-3 116	-470

NOTABLE BALANCE SHEET MOVEMENTS AND KEY DRIVERS



GROWTH IN ASSETS

- ▶ Cash increased driven by collections and dividends received
- ▶ Loans and advances impacted by decline in disbursements
- ▶ Investment portfolio values increased driven by recovery of the listed portfolio

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NOTABLE BALANCE SHEET MOVEMENTS AND KEY DRIVERS



INCREASE IN LIABILITIES AND RECOVERY OF RESERVES

- ▶ Capital and reserves increased due to rebound of investments and a turn around in the IDC operating income

BALANCE SHEET HEALTH IMPROVED SATISFACTORILY

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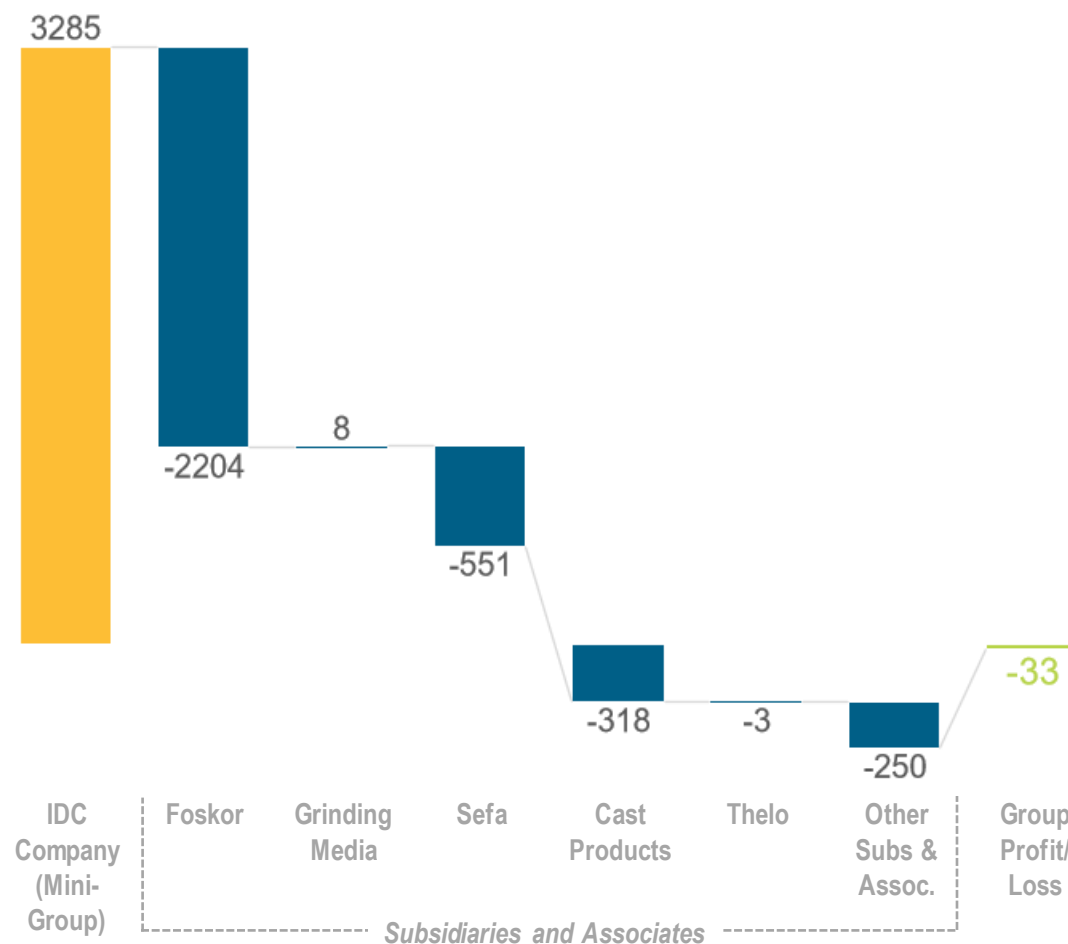
STATEMENT OF COMPREHENSIVE INCOME

TURNAROUND IN OPERATING INCOME

- Significant **turnaround in operating income**, driven by improved Revenues and effective reduction of impairments

SUBSIDIARIES IMPACT ON IDC GROUP FINANCIAL PERFORMANCE

COVID-19 IMPACTED NEGATIVELY ON THE KEY HIGHLIGHTS FINANCIAL PERFORMANCE OF SUBSIDIARIES (R 'M)



KEY HIGHLIGHTS

Foskor

Losses of R2.2bn (2020: R1.6bn loss) were exacerbated by the following:

- ▶ Reduced sales volumes
- ▶ Impairment of the Cash Generating Unit of R892m
- ▶ Reversal of deferred tax assets of R800m

Grinding Media

Profits of R8m (2020: R51m profit) impacted by increase in production costs

Sefa

Losses of R551m (2020: R417m) impacted by decline in revenue and increased impairments on the back of Covid-19

Cast Products

Losses of R318m (2020: R442m) impacted by decline in demand for its products owing to Covid-19 pressures

LOOKING AHEAD



Industrial Development Corporation

Your partner in development finance

OUR STRATEGY REMAINS RELEVANT



WHERE WE STARTED FROM

Grow IDC's **proactive pipeline of opportunities, connections and partnerships**

Execute quality deals efficiently, driving client-centricity and partnerships



WHERE WE PERFORMED

Maximise **investment value growth** across IDC's portfolio

Build and grow the right mix of **IDC's financial capability / health and funding sources**



OUR FUTURE

Ensure **the right mix of people and organisational capability** to deliver on IDC's strategic objectives

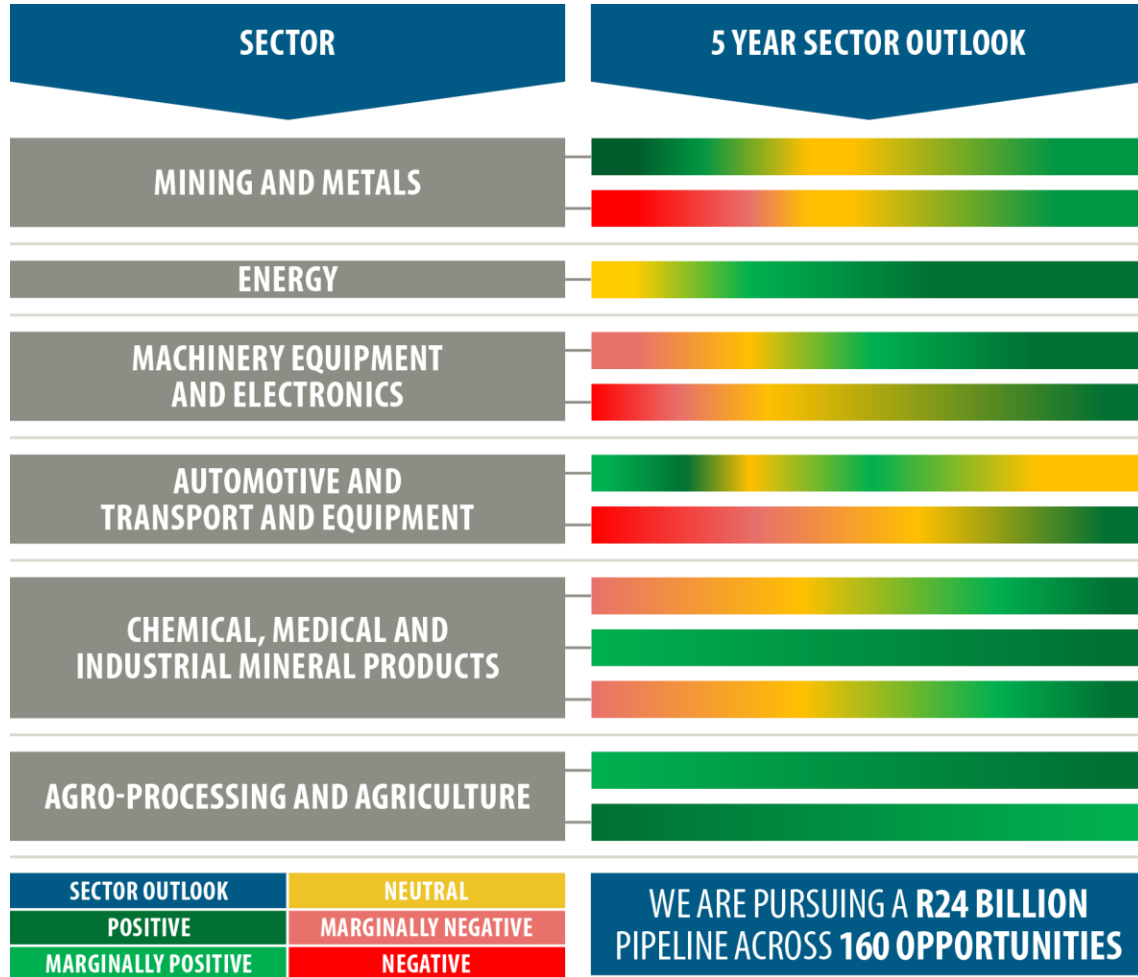


OUR FUTURE

Leverage our impact in pursuit of **industrial development** through **strategic stakeholder partnerships**

WE ARE WELL PLACED TO SUPPORT ECONOMIC RECONSTRUCTION AND RECOVERY

KEY SECTORS SUCH AS ENERGY, MINING AND METALS, AUTOMOTIVE AND AGRO-PROCESSING AND AGRICULTURE HAVE A STRONG PIPELINE...



...AND WE CONTINUE TO PURSUE TRAJECTORY SHIFTING INITIATIVES

- ▶ Developing projects and setting up institutional arrangements in new opportunity areas such as green hydrogen and New Energy vehicles
- ▶ Spatial Integration leveraging off balance sheet funding and corporate partnerships
- ▶ Supporting RSA businesses to capitalise on the opportunities presented by AfCFTA
- ▶ Increasing focus on climate change and Environmental, Social and Governance (ESG)
- ▶ Small Business Finance

CONCLUSION



- 1** Strong commitment to development outcomes that drive competitiveness and industrial capacity preservation
- 2** Remain a pioneer and innovator in funding economic transformation
- 3** Solid financial performance, portfolio value creation and migration towards long-term sustainability
- 4** Significant investment in new venture creation through project development
- 5** Good governance practices

The year gone by was challenging for our employees, our clients, the economy and communities we operate in but we remained steadfast in delivering on our mandate

A special acknowledgement to our clients, funders, shareholder, partners and all stakeholders who make our aspirations a reality



THANK YOU



Industrial Development Corporation

Your partner in development finance