



Industrial Development Corporation

Your partner in development finance

Media and Motion Pictures



Promoting investment
and development.



Technological advancement in the service-related industries (ie telecommunications, personal computers, mobile phones) has accelerated the contribution of these industries to wealth creation (as measured in both gross domestic product and gross national product).



The SBU's business areas include:

Media publishing

Technological advancement in the service-related industries (ie telecommunications, personal computers, mobile phones) has accelerated the contribution of these industries to wealth creation (as measured in both gross domestic product and gross national product). The media and motion picture industries form part of the fast-growing information, communication and technology (ICT) industry sector, traditionally dominated by the printing and publishing subsectors. The motion picture industry has been traditionally biased towards the information-entertainment area of the ICT industry sector.

The explosion of media technology and numerous product delivery channels in world markets has resulted in the proliferation of independent publishers and film producing companies. This in turn has meant that the ICT sector drives information content-producing and publishing industries. The ICT industry sector has also been at the forefront of the economic progress of countries such as the US, UK, Canada, Australia, Ireland and India due to its high industry multiplier effect.

Against this backdrop, the IDC established the Media and Motion Pictures SBU in 2001 to promote investment in and development of this sector.

The media and the motion picture industries form a logical value system within the ICT sector that is primarily driven by content production for information and communication. The globalisation of the world's economies has led to the expansion of the markets for information-based products. The deregulation of global information and communication channels such as print media, radio and television coincided with the development of the computer-based channels such as the internet and satellite communications.

All these have opened up numerous opportunities. The Media and Motion Pictures SBU is focused on optimising these opportunities by meeting the needs of a broad spectrum of services within the sector. This, together with our understanding



of the integrated nature of the industries within the ICT sector, has led to the development of a balanced portfolio.

Publishing

- Books, brochures, musical books and other publications;
- Newspapers, journals, and periodicals;
- Recorded media; and
- Photos, engravings, postcards, forms, micropublishing, works of art or any other printed matter.

Printing

- Printing of the published materials (magazines, journals, newspapers, etc) on a fee or contract basis;
- Reproduction of printed materials and recorded media; and
- Printing on clothing, textiles, plastics, metals and glass on a fee or contract basis.

Radio and television

- Radio and television programming; and
- Radio and television studios.

Motion pictures

- Production of motion pictures' films and video recordings (including developing and printing of films); and
- Feature films, documentaries and television series of any genre (thriller, social realist, drama, sci-fi, horror, etc).

Our financing facilities

Equity investment

This involves the direct investment into a project in the form of ordinary and/or preference equity ownership. This facility involves participation of up to 49% (minority interest) as the IDC does not seek control or direct management participation.

The globalisation of the world's economies has led to the expansion of the markets for information-based products.

Commercial loans (debt finance)

Term loans up to six years structured to fit business cash flow profile (asset-based finance and working capital).

Owners' contribution required for adequate financial structuring of the project.

Venture loans (quasi-equity)

Minority interest in high-risk ventures with high financial returns and developmental impact. Terms and conditions of other investment funds to be compatible to the IDC investment requirements.

Investment criteria

Media

- Minimum commercial and/or venture loans of R1 million;
- Each project to be considered on its merit and show sustainable commercial viability;
- Balanced management team;
- Rates are charged according to the project's risk-return profile;
- The IDC will require some form of security; and
- Comprehensive business plan including audited financial statements and/or financial projections (income statement, balance sheet and cash flow statement).

Motion pictures

This involves the direct investment into a project in

the form of ordinary and/or preference equity ownership.

This facility involves participation of up to 49% (minority interest) as the IDC does not seek control or direct management participation.

Term loans up to six years structured to fit business cash flow profile (asset-based finance and working capital).

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- Each project to be considered on its merit and show sustainable commercial viability;
- Balanced management team;
- Rates are charged according to the project's risk-return profile;
- The IDC will require some form of security;
- Comprehensive business plan including audited financial statements and/or financial projections (income statement, balance sheet and cash flow statement).
- Minimum IDC participation of R1 million (debt finance,

- quasi-equity and/or equity finance);
- Each project to be considered on its merit and must show sustainable commercial viability;
 - Projects to deliver products for commercial exploitation in South Africa and the rest of the world;
 - The IDC's participation of up to 49% of a project subject to the potential risk/return profile;
 - Project to secure a significant theatrical release and/or high profile television airing with a distributor or broadcaster acceptable to the IDC;
 - The IDC's cash flow to be subject to the confirmation of all third-party funding and the drawdown schedule;
 - The IDC requires raising and commitment fees;
 - The IDC requires a back-end profit share commensurate with financial participation;
 - Recoupment on a pro rata pari passu basis with other investors;
 - The IDC will expect to share in the rights (copyrights and ancillary rights) proportional to its investment;
 - All credits (front and end) to be negotiated in good faith between the parties;
 - The IDC's representatives to be entitled to attend all stages of production;
 - The IDC's investment to be expensed only in South Africa and/or SADC countries.

Required documentation

- Comprehensive business plan for a project including:
 - Script or screenplay;
 - Finance structure (terms and conditions of other financiers);
 - Final budget (full budget and top sheet);
 - Distributor as well as terms and conditions of distribution (deal memos including P&A and distribution plans);
 - Underlying rights (chain of title documentation including script and music);
 - Director, producer and principal cast (track record or CV); and
 - Detailed sales estimates including pre-sale letters and/or agreements. No disposal of rights in any territory or media will be made below the minimum terms without the approval of the IDC.
- Co-production agreements where applicable;
- Completion guarantor and its insurance agreement that includes the IDC as a beneficiary;
- Collection agent and terms of agreement where applicable; and
- Script coverage from reputable source.

Delivery requirements

- Audited statements of final costs from an approved auditor;
- Two VHS and DVD copies of the film; and
- Copies of all posters and promotion kits available.

Business plan guidelines

Applicants should submit a formal application in the form of a detailed business plan to enable the IDC to fully assess the business proposal.

In constructing the business plan, the following information is mandatory to ensure the evaluation process is accelerated:

- Information on applicant (contact details);
- Executive summary;
- The company (history; mission statement; strategic objectives; shareholding structure; directors; current business activities; key strategic partnerships/alliances);
- Product description (detailed description of products on offer; status of development; key milestones achieved and still to be achieved; cost breakdown; technology employed; intellectual property; patents; royalties; competitive advantages; SWOT analysis);
- Information (description of process; details of plant, equipment and building requirements; details of actual and projected operating costs and capital expenditure; information on raw materials and suppliers);
- A brief description of the additional capacity which is planned with details of additional working capital and other capital requirements, as well as a sales budget and information on the size and growth of the markets which are to be served, the potential clients, the most important competitors and the proposed methods of marketing;
- Present employment and the number of new employment opportunities to be created;
- Market analysis (market trends; industry analysis; customer profiles; market research results; competitor analysis; substitute products; three-year sales forecast – units and value; market share; entry barriers; potential market segments – size and growth);
- Marketing plan (overall marketing strategy; pricing; advertising and promotion; sales tactics; distribution);
- Management team (organisational chart with responsibilities; CVs of key people);
- Critical risks (highlight key risk areas and describe plans to minimise their impact);
- Funding (details of funding required and application thereof; capital invested to date; owners' contribution);
- Financial plan (valuation; key assumptions; three years' historical (audited in the case of an existing company) and projected income statement, balance sheet and cash flow; break-even analysis; business ratios); and
- Material contracts and/or agreements.

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