

CASE STUDY

Uzenzele Holdings Secures R67m in Beneficiary Funding While Saving 82% of Benefactor's ESD Budget

ABOUT CLIENT

Uzenzele Holdings was initially referred to South32 to apply to the Jobs Fund and, in doing so, submitted a corporate profile highlighting the former's specialisation in capital raising through Development Funding Institutions (DFIs) and the dtic.

This caught the interest of a financial manager on the transformation committee at South32, who approached Uzenzele Holdings to help the Measured Entity (South32) with business development support services related to access to finance for an ESD beneficiary, Bingelela Alloys.

Uzenzele was thus referred to Bingelela Alloys by its benefactor, South32, to address an urgent need for working capital and funding for longer-term capital projects.

Uzenzele Holdings met with Bingelela Alloys over a video call to understand their needs. The firm then submitted a high-level proposal and work began within a day.



**0% default on
repayment
arrangement**

**R67m in non-ESD
funding secured for
the beneficiary**

**82% of the ESD
budget freed up for
benefactor**



THE CHALLENGE

As with many developmental initiatives, enterprise and supplier development affects both the Measured Entity (benefactor) and the beneficiary. In the case of South32 and Bingelela Alloys, this dynamic meant that the challenges each party faced were related, but distinct. Uzenzele adopted a collaborative approach to align multiple stakeholders with universally beneficial outcomes.

As the incumbent Measured Entity, South32 faced constraints on their ESD budget availability, especially as the ESD team wished to distribute the available funding to other, equally deserving projects.

The team expressed concern about the ongoing funding and the potential for the SME's dependency on the benefactor, underscoring the importance of aligning with the B-BBEE and ESD codes of good practice.

They emphasised the goal of not only providing financial support but also ensuring holistic business development assistance to foster sustainable independence and growth for the SME beneficiary.

In this regard, the transformation team at South32 identified that their beneficiary's financial strategies stood to benefit from further development. They also found that the understanding of the need for funding could be more clearly articulated and backed more robustly by richer detail and evidence.

As for Bingelela Alloys, the SME's primary challenge was that they needed access to working capital and long-term funding, as well as an enrichment of their financial and financing acumen to ensure the **long-term viability** of both their capital projects and their development relationship with South32.

THE SOLUTION

Uzenzele adopted a highly collaborative, three-step approach to meet the needs of both South32 and Bingelela Alloys with the ultimate objective of applying for third-party development funding to relieve pressure on South32's ESD budget without compromising the working capital needs of Bingelela Alloys.

Step One: The Finance Readiness Audit

As a first step, Uzenzele conducted a **Finance Readiness Audit (FRA)** for Bingelela Alloys, one of the services the firm specialises in for SMEs seeking a detailed understanding of the business's readiness to receive financing.

The FRA saw Uzenzele perform a six-week-long period of **thorough due diligence** on various commercial, technical, financial, and legal/regulatory areas to assess the business's funding readiness.

Uzenzele's FRA service not only prepares SMEs for the high standards of assessment held by DFIs, the dtic, and other funders but also equips business leaders with a detailed and objective comprehension of the gaps which exist in internal controls and mechanisms of the business.

Uzenzele led the FRA for Bingelela Alloys with a central focus on developing the team's funding readiness while enriching their understanding of the business's commercial viability and historical financial performance.



THE SOLUTION

This included:

- Requesting and receiving volumes of available data and information and determining what information gaps existed and why
- Carefully **analysing various funding submissions**, models, contracts, financial statements and records, and business documents to determine the correlation between the underlying supporting information and the request for funding
- Identifying gaps in the compliance, commercial, financial, legal, and technical areas of the business

Step Two: Restructuring the balance sheet

Following the outcomes of the FRA, Uzenzele explained to Bingelela Alloys' board and its stakeholders that the balance sheet had to be restructured. This entailed working with their auditors to effect the necessary adjustments to ensure the long-term financial competitiveness of the company.

To this end, Uzenzele adopted a **collaborative** and iterative approach to working with various stakeholders associated with the beneficiary (including South32), suppliers, technical experts, potential third-party **funders**, auditors, accountants, and board members to develop winning strategies and solutions that met everybody's needs.



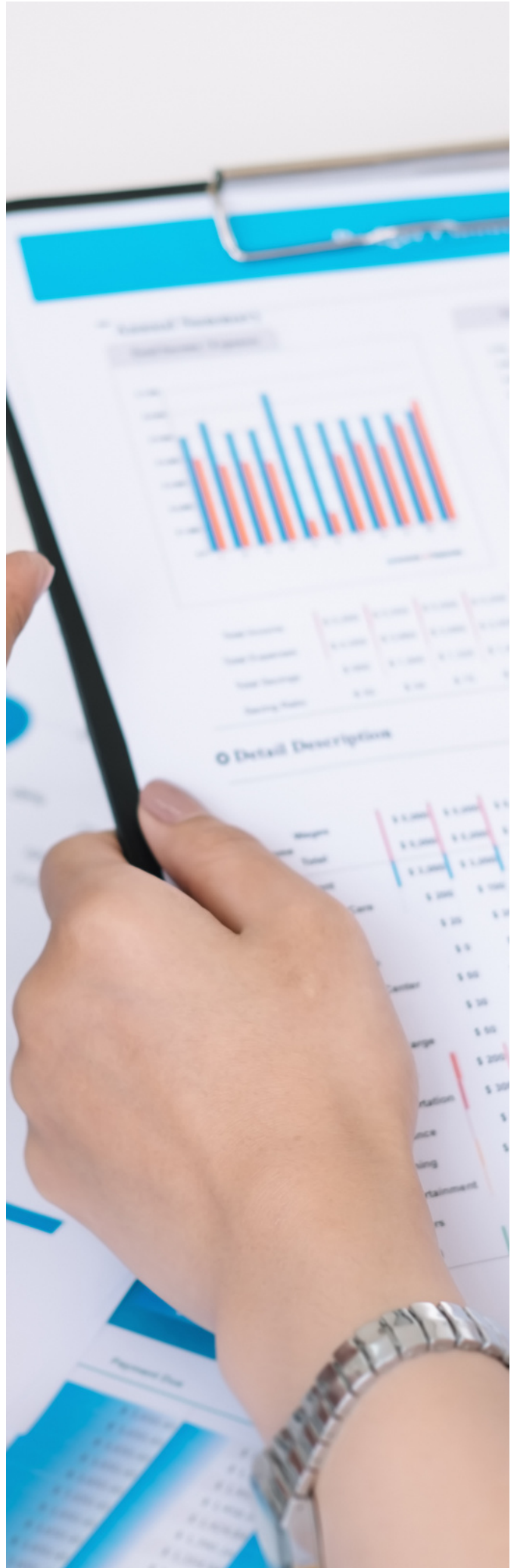
THE SOLUTION

Step Three: Comprehensive funding application

With a carefully informed understanding of the requirements of both Bingelela Alloys and South32, as well as insights from the FRA, Uzenzele Holdings prepared and submitted comprehensive funding applications including investment memos, business plans and evidence-based financial model to various funding stakeholders and carefully selected potential third-party funders.

This included:

- Defining and **closing the skills gap** between the financial acumen of the beneficiary and the expectations of the benefactor and third-party funders
- Developing financial planning, tracking, and reporting skills to strengthen the advisory relationship between the beneficiary's board members and their finance committee chairperson
- Developing robust, data-driven, and evidence-backed financial models to address and explain revenue and capital restructuring
- **Patient and skillful preparation** of the client for due diligences, facilitation of flow of information with funders and the management of multiple stakeholder interests including coordinating these interests with 4 legal teams representing differing interests and negotiating for win-win funding solutions for all parties involved, including security for the benefit and best interests of the relevant stakeholders



THE RESULTS

Uzenzele worked jointly with a range of stakeholders with varying interests and requirements to implement winning solutions and strategies for universally **beneficial outcomes**. As a result of the multi-stakeholder partnership, the team at Bingelela Alloys strengthened their financial infrastructure and refined their financial acumen and understanding of their business.

Furthermore, **Uzenzele secured R67 million in non-ESD funding** for the beneficiary by restructuring the company's balance sheet.

Through these same efforts, **South32** was able to **free up 82% of its ESD budget** to be redistributed to other projects. Finally, the supportive interventions made by Uzenzele Holdings facilitated an environment in which the long-term ESD partnership between South32 and Bingelela Alloys was both sustainable and mutually beneficial.

