



Magenta's ESD Solution

Increase profit and save time with our reliable, straight-forward approach to Enterprise and Supplier Development

Magenta's ESD Offering

Profit enhancing

Over five years, save more than:

- 10% of NPAT (Generic Sector) and
- almost 18% of NPAT (ICT Sector).

Quick and user-friendly

Implemented within days of your Financial Year End.

Certain

Verified by every Verification Agent that has seen it (11 and counting).

Magenta's ESD Offering

Reliable

Verification Agent ready documentation.

Pro-active

Evidence your Verification Agent requires, provided *before* your Verification, every year.

Dynamic and robust

Adapted for any variations among Verification Agents and changes in interpretation of the Codes.

Our Expert Team



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What is Enterprise and Supplier Development?

What is Enterprise and Supplier Development (ESD)?

ESD aims to support Black owned businesses with a turnover of less than R50m.

Companies can provide this support in three ways:

- 1. Enterprise Development:** helping prepare qualifying beneficiary entities *before* engaging in business with them
- 2. Preferential Procurement:** doing business with these beneficiary entities
- 3. Supplier Development:** providing support to these beneficiary entities *after* they have become suppliers to the company.

What is the target for ESD Contributions?

What is the target for ESD Contributions?

For the **Generic Sector**:

- 1% of NPAT earns 5 points for Enterprise Development (ED)
- 2% of NPAT earns 10 points for Supplier Development (SD).

Both Enterprise Development and Supplier Development are considered **Priority Elements**.

- This means that at least 40% of the target must be met to avoid the company being discounted an Empowerment Level.

How is ESD measured?

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- ESD is primarily measured by cash Grants given to qualifying beneficiaries.
- The Grant amount divided by NPAT is compared to the target, which is then multiplied by:
 - 5 points for Enterprise Development (ED)
 - 10 points for Supplier Development (SD).
- The payment must be made within the company's financial year.
- A new contribution is required each year.

Alternatives to a cash Grant

What forms may ESD Contributions Take?

- **Monetary contributions:** such as a Grant
- **Non-monetary contributions:** such as providing services with a monetary value.

Alternatives are valued as a percentage of a cash Grant.

An interesting alternative to a grant is a **Recoverable Contribution**.

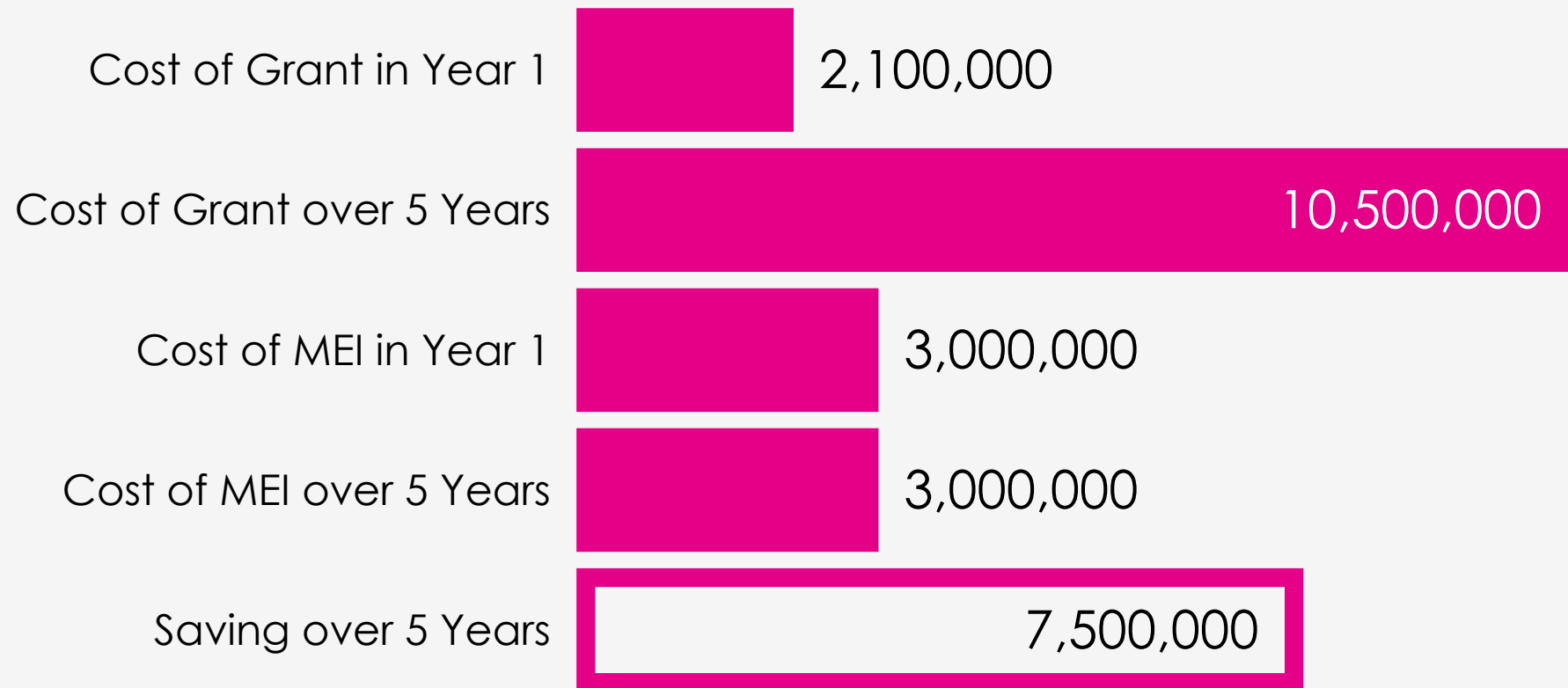
Recoverable Contributions

Recoverable Contributions

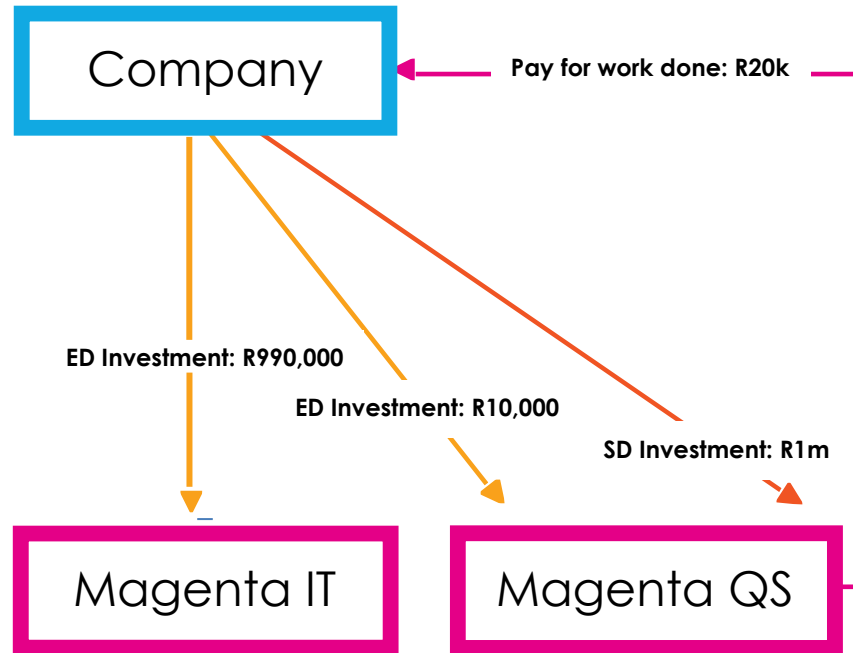
- Recoverable Contributions, like loans and Minority Equity Investments (MEI) may be recovered every year.
- The same contribution can be repaid by the beneficiary, and advanced again, qualifying for recognition every year.
- Minority Equity Investments are recognized at 70% of face value.

Cost of ESD: Grant vs Minority Equity Investment

For a company in the Generic Sector with an NPAT of R70m per annum for five years:



How does Magenta's process work?



A Company wants to achieve 100% of the points available for ESD

Its estimated NPAT is R70m, so it must contribute:

- 1% of NPAT for ED = R700k and
- 2% of NPAT for SD = R1.4m.

MEI is recognized at 70% of face value

To achieve 100% for ESD, the company must invest:

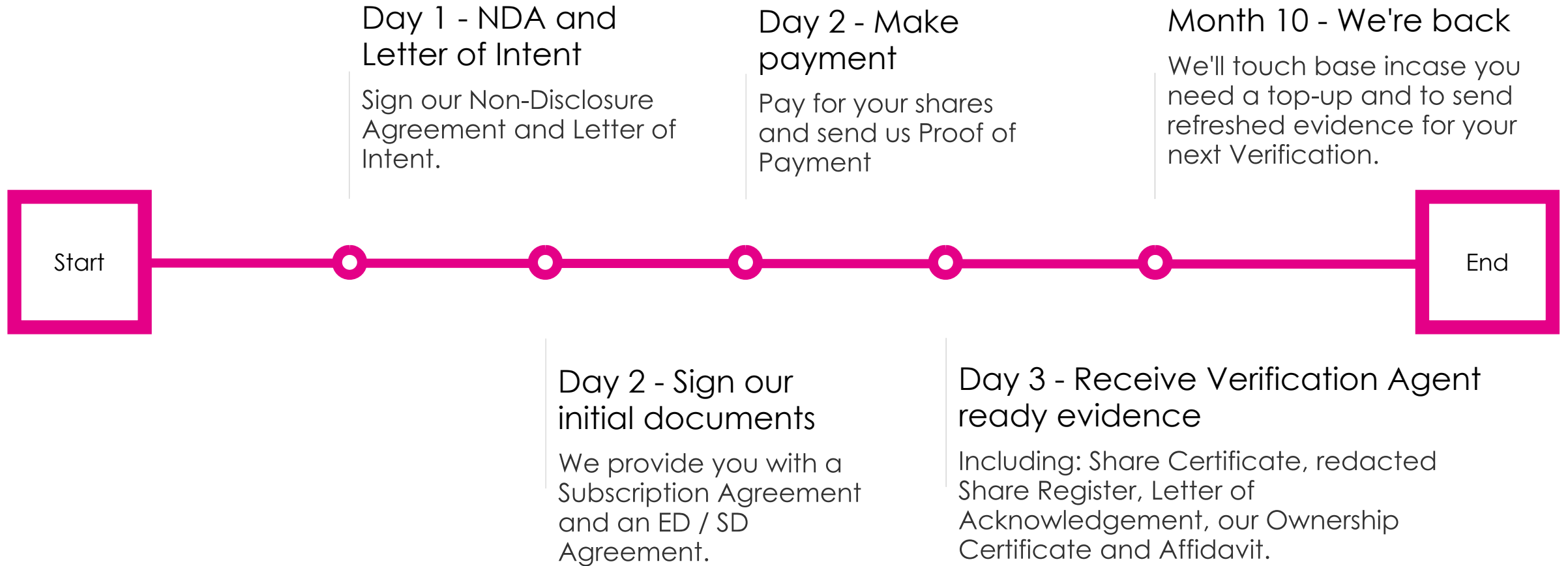
- $R700k / 70\% = R1m$ for ED and
- $R1.4k / 70\% = R2m$ for SD.

The Company:

- Invests R10k in MQS and R990k in MIT, both as ED
- Pays for work done by MQS, turning MQS into a Supplier
- Invests a further R2m into MQS as SD.

The Company achieves **5 pts** for ED, **10 pts** for SD and a **bonus point** for Graduation (in the first year).

What is our process and why is it so quick?



Verification Agent Recognition (so far)



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