



CASE BUSINESS: FLORENCE NANDAWULAU IN UGANDA HAS LOANED EUR 250 THROUGH FED. SHE MAKES 50 FIREWOOD COOKERS A DAY AND SELLS THEM FOR EUR 0.25 A PIECE.

By the end of 2008, MYC4 aims to reach 25,000 investors and facilitate investments of EUR 12.5 million in more than 5,000 African businesses.

The MYC4 business model

The MYC4 business model has been developed to tackle the problem that finance is available for large and micro-businesses in Africa, but limited for the many small and medium sized businesses. African macro-businesses are funded with international commercial finance by large banks, whereas micro-businesses are supported by donor money through a growing presence of microfinance opportunities.

Experience, however, shows that the wealth of nations is measured by the number of thriving small enterprises they possess, not by the giants. This is why MYC4 is determined to end poverty in Africa through growth amongst small and medium sized businesses deprived of funding from traditional financing institutions or faced with excessive interest rates from local money lenders.

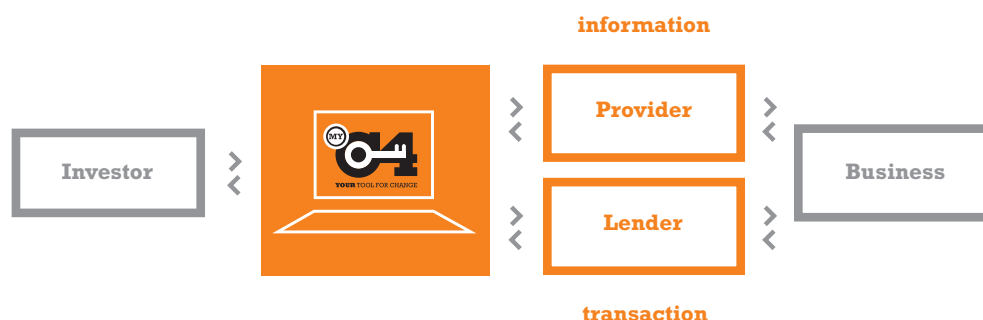
Today, MYC4 is operating at the top of the microfinance market (loans > EUR100) and at the bottom of the meso-segment, medium sized and small businesses (loans < EUR 100,000) with loans being offered not to the poorest of the poor but to entrepreneurs who already have a small business or company but lack access to finance. In the future, loans will also be offered to a broader section of the meso-segment.



“THE MISSING MIDDLE“
Finance is available for large and micro businesses,
but is limited for the small in the developing countries

The platform

The MYC4 platform is built around a network of local Providers screening the people who would like to obtain a loan and local Lenders handling the financial transactions. All businesses interested in obtaining a loan undergo a thorough investigation process to make sure they provide healthy economic prospects for growth before they are classified as investment businesses on the MYC4 platform. The due diligence process include a background check of the business to check reputation, track record and whether the business is involved in any other business in conflict with the vision and mission of MYC4.



An Investor can invest in one or as many businesses as desired. Investors invest as individuals, as a team/group, or as a company/organisation. On the MYC4 platform investors can see all businesses open for bidding, with a description of the business, the amount of lending needed, and the maximum interest rate that can be paid by the potential borrower. The bidding process is based on a Dutch auction principle, which basically means that the more investors interested in investing, the more favourable the terms the African business will get.

The business model is based on transaction fees alone. Investing via the platform is free of charge, and it is free of charge for the African business to try to obtain a loan as the model works on a “no cure – no pay” principle. MYC4 charges fees for providing the infrastructure that handles the transactions. The African business will be charged a flat fee of 2% of the amount of the loan, payable only when the loan is actually disbursed. When the loan is repaid, the African business pays an additional fee of 2% of the amount repaid on the basis of a declining balance.

A self-regulated marketplace

With this model everyone wins: the borrowers get the loan at a rate they can repay; the investors earn income from the interest; and MYC4 gets 3% from the borrower over time. The Provider and the Lender will also charge a fee for their services. Due to the nature of the platform with its open bidding process, the model ends up providing a self-regulated marketplace that encourages the borrowers and providers to perform well and the investors to offer lucrative interest rates.

The loans are repaid monthly with an incentive for the borrower to repay as early as possible since the interest rate is applied on a declining balance basis. Early or on-time repayment also gives borrowers a good track record with MYC4, allowing them to apply for a bigger loan next time.

All investments are potentially a risk, and there is no guarantee that the investors will receive a return on their investment. However, the screening process ensures that the selected African businesses are solid (due diligence) and have good prospects in terms of sustainability, repayment and return on investment. The average return on investment for investors in 2007 was 11.7%.

All loans are funded in euros, but, depending on the amount of the loan, loans can be issued in local currency.

Transparency

The transparency of the flow of money being transferred via the MYC4 infrastructure is desirable for all parties involved. Consequently, MYC4 not only aims for full transparency and accountability in all areas and operations in the MYC4 business model, but also invests in quality and compliance assurance systems and procedures to ensure sustainability at all levels.

The average loan processing time on MYC4 is 14 days – from the time when the borrower uploads his application to the time when the transfer is made. The bidding process starts at EUR 15. The average amount invested is EUR 342, and the highest investment to date is EUR 250,000. Often the final deal is a combination of several investors chipping in at a rate that the borrower is confident of being able to repay.

Capacity building and scalability

In line with MYC4's capacity building strategy for the African continent, MYC4 invests in training providers and entrepreneurs as part of a grants and donations programme developed with the purpose of leveraging entrepreneurial skills among the African people.

MYC4 is currently active in Uganda, Ivory Coast and Kenya, and also plans to spread its activities to Tanzania, Rwanda, Ghana and Senegal in the course of 2008. With respect to new products, MYC4 is considering start-up loans, rural loans, fixed-interest loans, private equity and bonds in 2009 and 2010. MYC4 operates side by side with non-governmental organisations (NGOs) but does not operate in disaster areas.

To ensure scalability of the business model and the desired volume of reliable African businesses, MYC4 will look to attract known financial institutions to act as MYC4 lenders and NGOs to act as providers. In addition, MYC4 will be targeting international companies with activities in Africa to convince them to take on roles as providers and lenders as part of their global CSR activities or as part of investing in their own supply chain.

The business model of MYC4 has been piloted in Denmark, with the majority of the investors being Danish. Moving forward, MYC4 is increasing its outreach to also include Iceland, Sweden, and the Netherlands in 2008. From 2009 MYC4 will operate in the US.

MYC4

By focusing on the power of business as the driving force to end poverty, MYC4 provides investors with a dynamic platform to create and support new enterprise and commercial innovation in Africa. MYC4 sources financing for the 'unfundable', bringing people together in business deals at the best market price with the Internet acting as a catalyst for change.

MYC4 is striving to become a universal platform that unites capital, people and knowledge in a common pursuit of promoting sustainable businesses in Africa.

The goal of MYC4 is to become the first company in the world to be owned by the world. In essence this would mean 6.6 billion shareholders. By the end of 2008, MYC4 aims to reach 25,000 investors and facilitate investments of EUR 12.5 million in more than 5,000 African businesses.

MYC4 is headquartered in Copenhagen, Denmark, and has an IT development centre in Kampala, Uganda. MYC4 A/S was founded in May 2006 as a joint venture between Mads Kjær, Kjaer Group A/S, and Tim Vang.

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