

VENTURE SOUTH
financing the missing middle

REPIC-Community of Practice on Mini-Grids

Portfolio and criteria for funding of mini-grids

11 May 2017

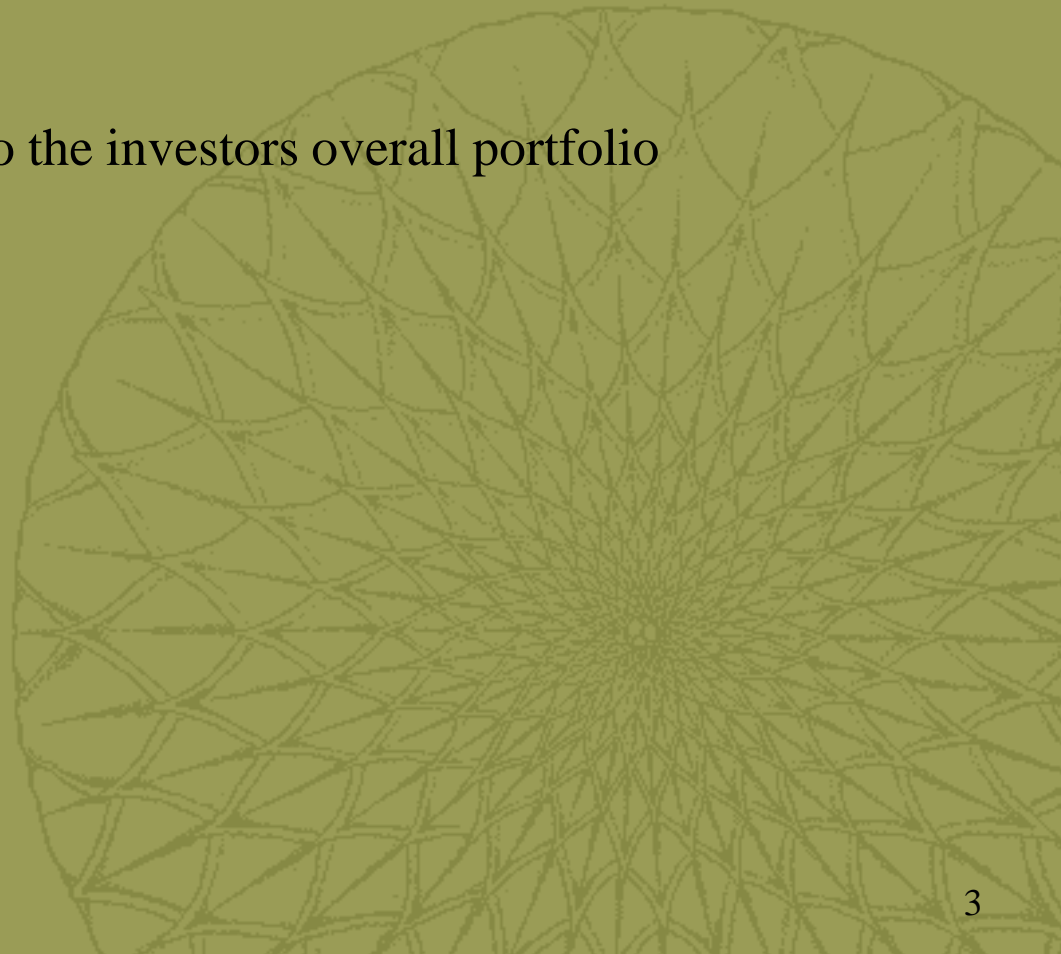
George Petty
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Commercial Funding of Mini-Grids

- “To achieve universal energy access by 2030, there needs to be a dramatic increase in access to finance for the off-grid lighting and power industry.”
- Equity
- Debt - Purchase Order / Working Capital / End User financing
- Companies spend their time fund raising because of end user financing
- When the viable model comes, there will be more than enough money

Equity Financing Questions

- What is the Exit Strategy?
- Is there a Replicable Technology?
- Is it a Viable Business Model which can Scale?
- Country Risk / Currency Risk?
- How does the Investment Fit into the investors overall portfolio

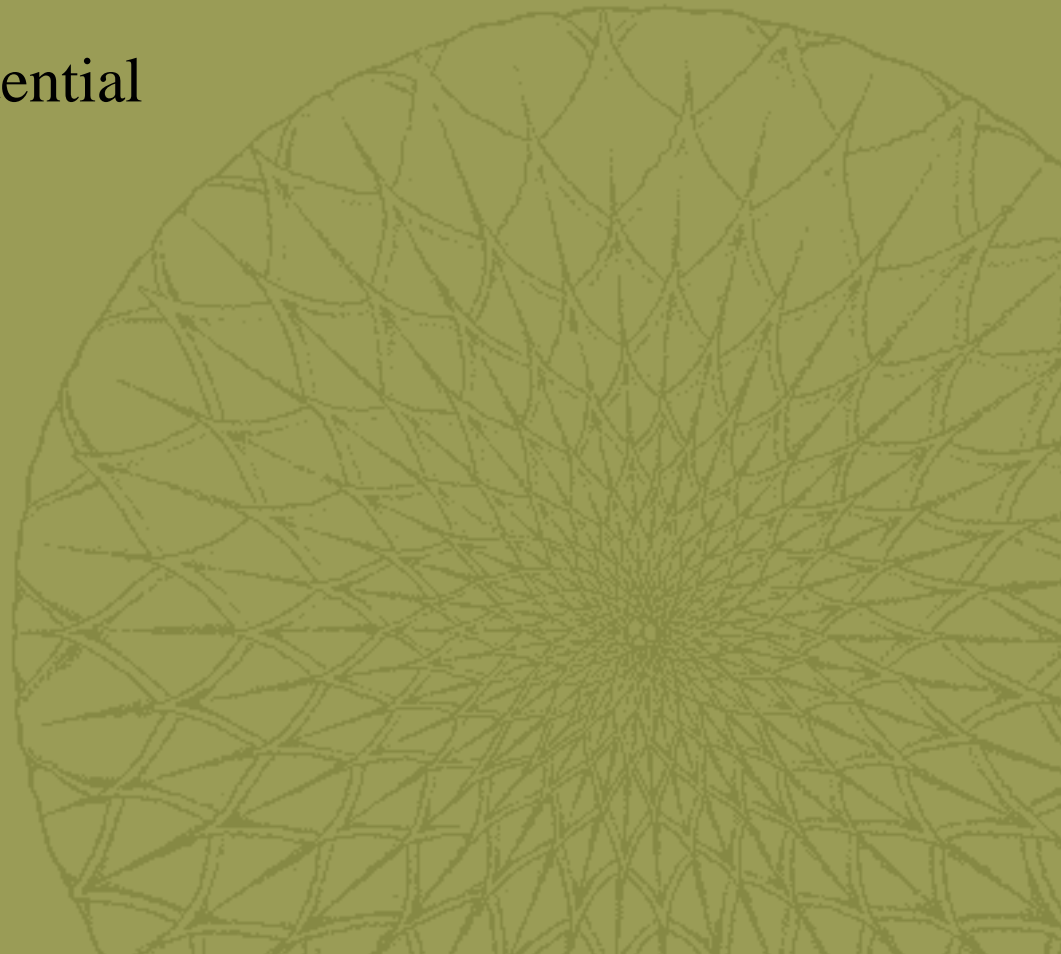


Debt Financing Questions

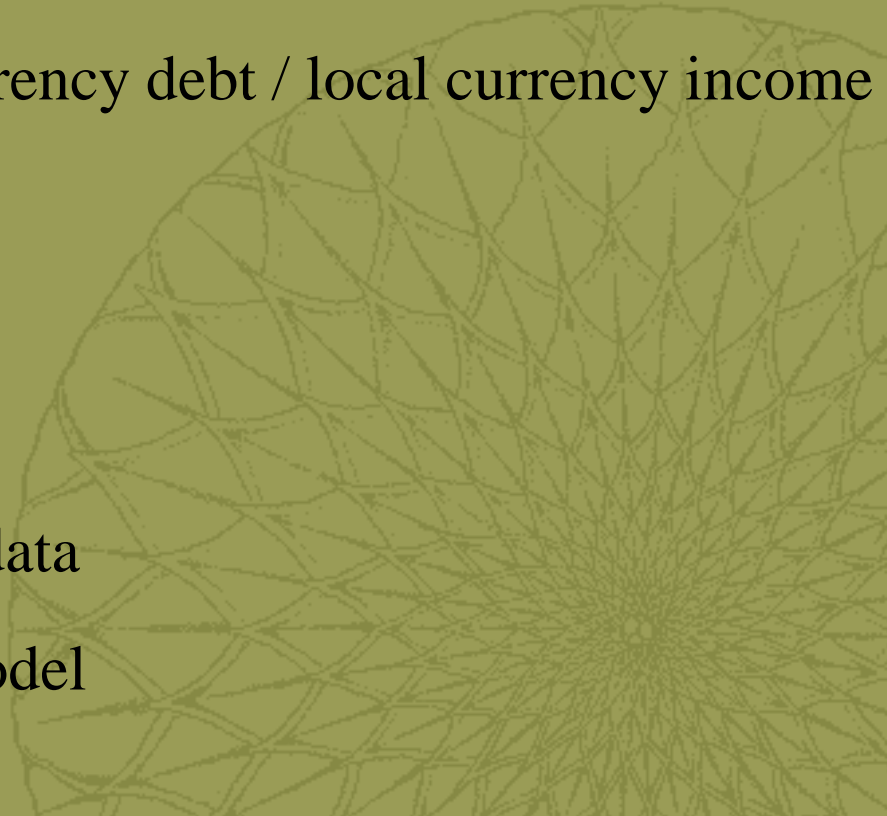
- What is the legal entity being lent to?
 - Governance
 - 3 year cash flow?
- What is the track record?
 - Good technology? Product guarantee? After sales service?
 - Have they already learned lessons?
 - Good management?
- What is the payback period?
 - The longer the period, the more can go wrong
- Timing of the Funding
- Country Risk / Currency Risk?
- Debt to Equity Ratio

Strong Points

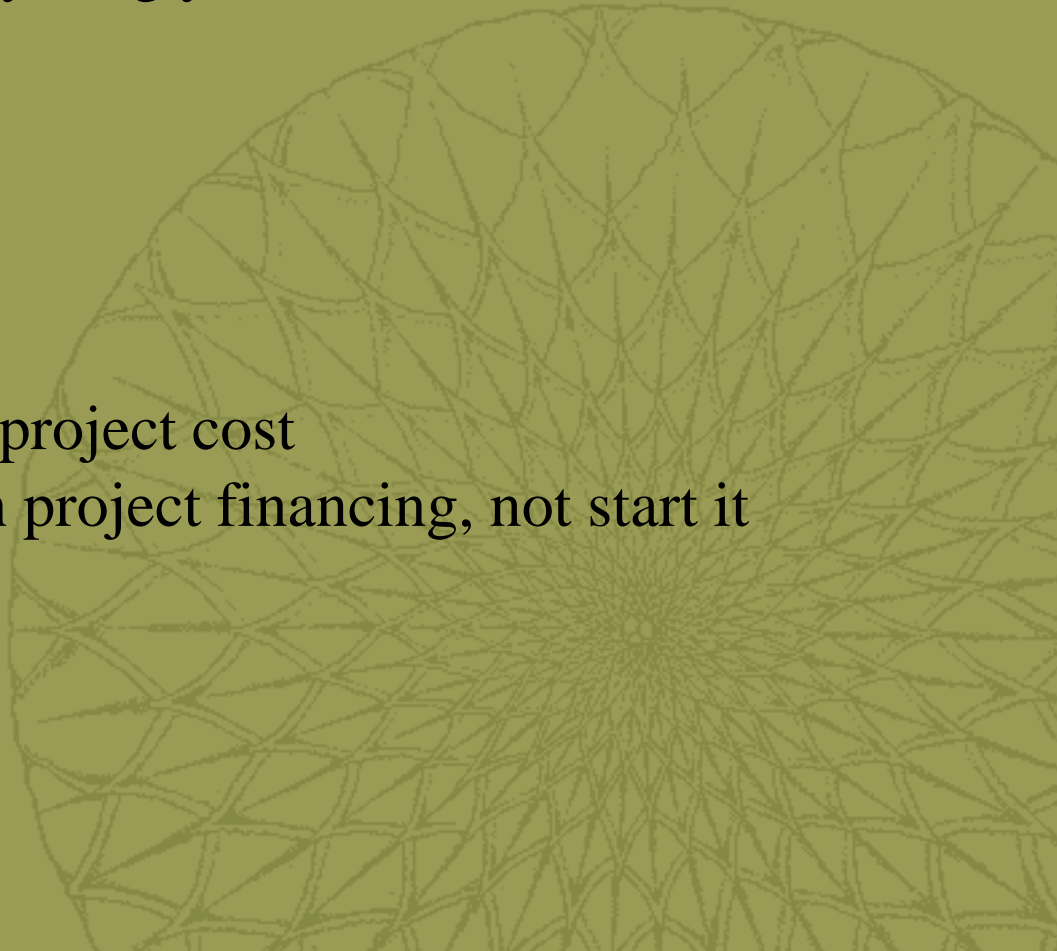
- Lots of Investor Interest
- Replicable Model
- Guarantee with resale potential
- Leasing is an option



Barriers

- Investors don't have experience / know the market
 - Loan duration may extend beyond the life of their fund
 - Currency Risk – hard currency debt / local currency income
 - Investment size
 - Track record
 - Proven cash flow
 - Lack of industry market data
 - Lack of break through model
 - Everyone wants to be 2nd
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Solutions

- Building Track record
 - Investable model
 - Partnerships will help build the market
 - Accept you wont get everything you want
 - Equity
 - Franchise model
 - Identifiable exit
 - Debt
 - Not more than 50% of project cost
 - Debt comes in to finish project financing, not start it
 - Not more than 5 years
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Contact



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Financing partners:

