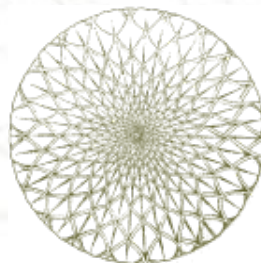


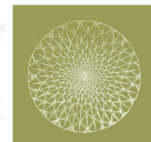
Biashara na Fedha (Venture South Kenya)



financing the missing middle

Solar Loan Portfolio

2 May 2018 – Fribourg, Switzerland
Venture South International



VENTURE SOUTH



Introduction



- **Venture South International is a Swiss holding company, which lends to the underserved yet high potential niche above microfinance and below bank size tickets (USD 2,000 – 50,000 range), through subsidiary lending companies**
- **VSI's subsidiaries in Kenya and the Philippines lend to financially sustainable and socially responsible Small and Growing Businesses**
- **VS has made over 2,400 loans totaling USD 18m since 2008**
- **Loans include finance of solar powered products and agricultural equipment (Kenya, Tanzania) and electric vehicles (Philippines)**
- **Acting as Investment Advisor to an Impact Fund that targets lending to SMEs in the US\$ 20,000 – US\$ 300,000 bracket**
- **VS has a local network, local legal structures and the ability to source and manage local deals**
- **Repic support provided the initial capital needed to start lending in Kenya**

Origins of Kenyan Solar Lending



- Solar companies' clients can't afford to buy their products in cash
 - Clients also take a loan as a kind of insurance that equipment works
- Neither commercial banks nor MFIs lend in this space
 - Different lending model
 - No track record
 - Uncomfortable with product and technology risk
- To sell their products, the solar companies began to lend to their clients directly
- A few years ago product quality was a real problem
- Lending directly to clients uses the solar company's working capital
- This reduces their ability to buy more product or requires them to raise more debt and or equity to sustain growth
- The solar company spends their time on fund raising for lending, rather than expansion, product design etc.

OMNI 10

- 3LED Bulbs
- Panel 10W
- Battery size 36Wh 12V
- Battery Type Lithium(LiFePO4)
- Wiring Cables
- Phone Charging Kit
- Radio
- Torch
- Free Installation
- 24 Months Warranty

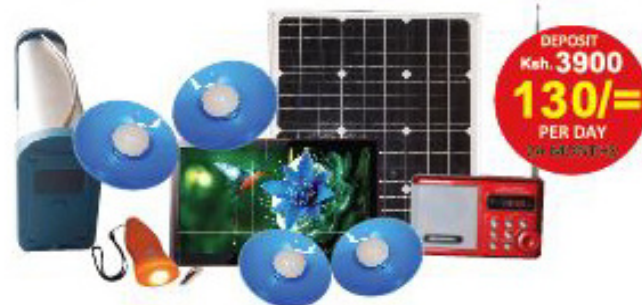


OMNI 55 STD

- 4 LED Bulbs
- Panel 55 W
- Battery size 180Wh 12V
- Battery Type Lithium(LiFePO4)
- Wiring Cables
- Phone Charging Kit
- Radio
- Torch
- Free Installation
- 24 Months Warranty

OMNI 55 PLUS

- 4 LED Bulbs
- Panel 55 W
- Battery size 180Wh 12V
- Battery Type Lithium(LiFePO4)
- TV 19 Inch digital (DVBT2)
- Wiring Cables
- Phone Charging Kit
- Radio
- Torch
- Free Installation
- 24 Months Warranty



DEPOSIT
Ksh. 4500
150/=
PER DAY
24 MONTHS



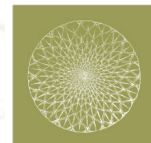
OMNI 75

- 5 LED Bulbs
- Panel 75 W
- Battery size 180Wh 12V
- Battery Type Lithium(LiFePO4)
- TV 24 Inch digital (DVBT2)
- Wiring Cables
- Phone Charging Kit
- Radio
- Torch
- Free Installation
- 24 Months Warranty

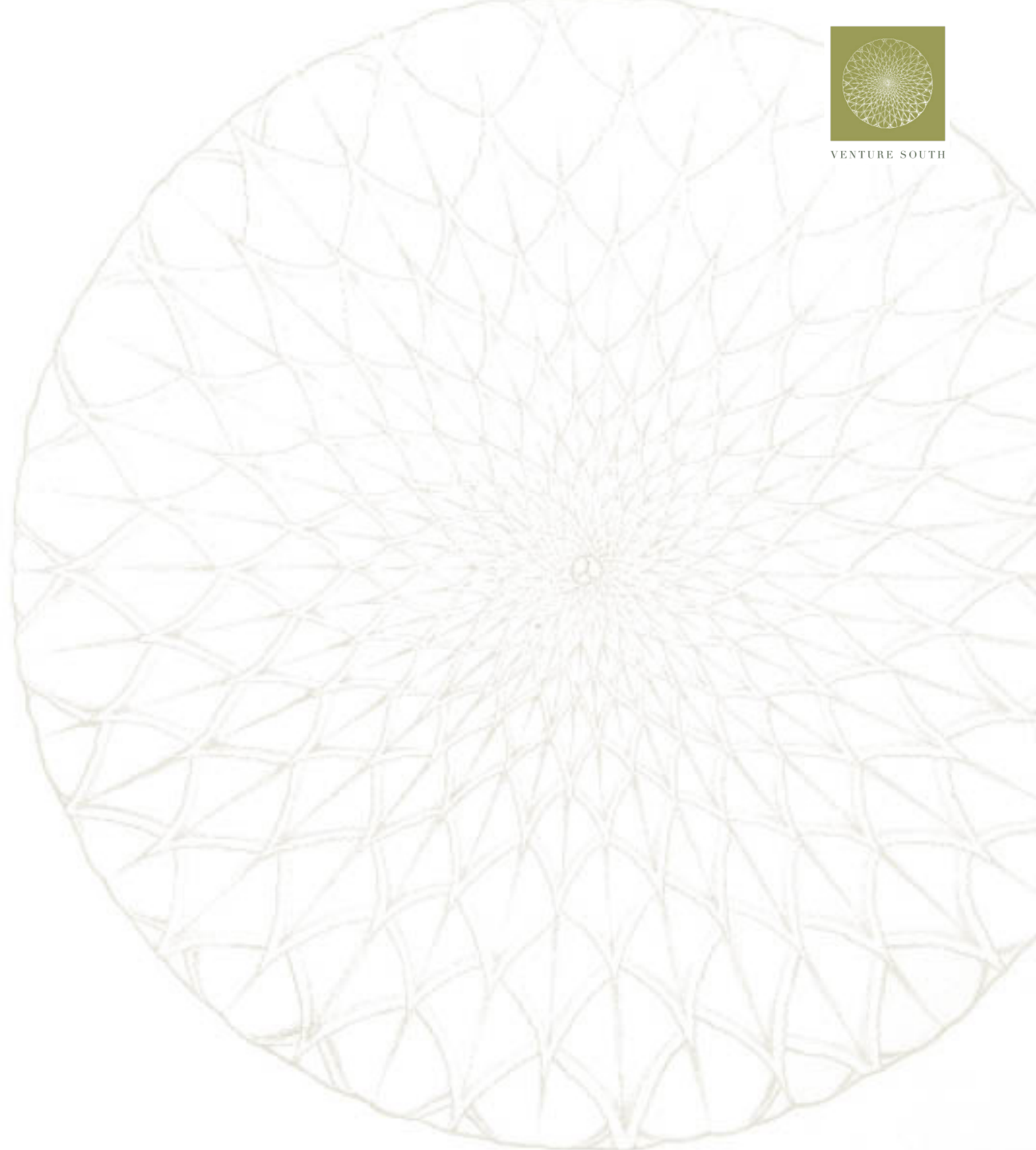
Kenyan Solar Lending Model



- Focus on your area of expertise
 - Solar companies market, lending companies lend
- Venture South buys loan receivables from solar companies
- Solar companies remain as the primary contact with the client throughout the loan duration. Solar companies seek an ongoing relationship with their client for after sales service and follow on sales
- Solar companies install the solar panels and or delivers the products to each client
- The solar products serve as guarantees for the loans/lease agreements
- The solar company only sells receivables when they want to
- VSK loans work like a line of credit for the solar company
 - VSK funds allows the solar company to realize their profit right away, rather than waiting for the loan to be repaid
 - VSK provides liquidity so they can buy more product and grow faster



VENTURE SOUTH

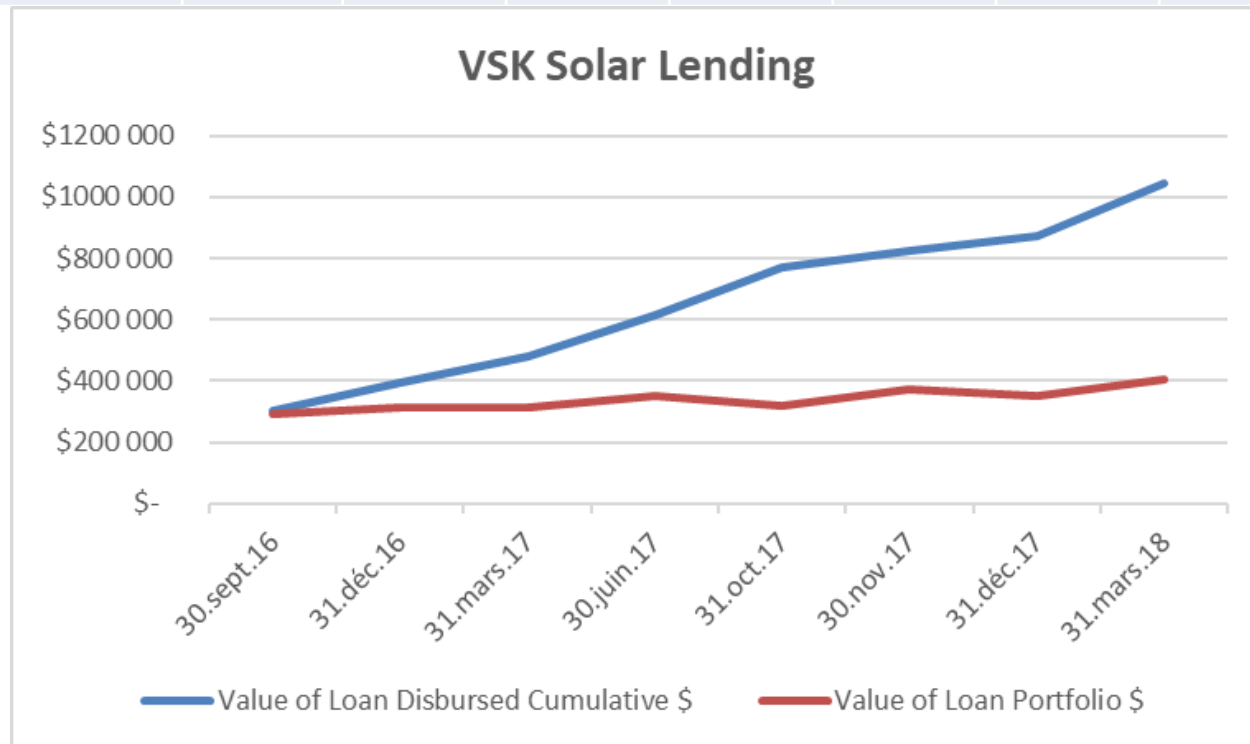


Current Status of Portfolio in Kenya



VENTURE SOUTH

Up to and including	30.sept.16	31.déc.16	31.mars.17	30.juin.17	31.oct.17	30.nov.17	31.déc.17	31.mars.18
Number of Households in VSK portfolio	639	811	997	1322	1716	1859	1980	2367
Value of Loans Disbursed Cumulative	30 194 989	39 528 307	47 898 811	61 701 506	77 000 875	82 569 792	87 347 751	104 635 479
Value of Loan Disbursed Cumulative \$	\$ 301 950	\$ 395 283	\$ 478 988	\$ 617 015	\$ 770 009	\$ 825 698	\$ 873 478	\$ 1 046 355
Value of Loan Portfolio	28 948 102	31 361 734	31 267 390	34 853 679	32 131 877	37 102 477	35 174 273	40 509 608
Value of Loan Portfolio \$	\$ 289 481	\$ 313 617	\$ 312 674	\$ 348 537	\$ 321 319	\$ 371 025	\$ 351 743	\$ 405 096
	FX Rate	100						



Current Status of Portfolio in Kenya



- The loans have been paying very well. There are no loans in default or arrears. The solar partner buys back loans in arrears
- The solar partner doubled their sales in three months after we began lending to them
- There is demand to double this portfolio immediately from our existing partner
- More than 5 solar companies are requesting to partner with Venture South
- Companies from Tanzania and Uganda also wish to partner with Venture South
- We are repaid every two weeks and relend right away

Barriers to Growth



- The market is still relatively new
 - Creditors like to see 10 year track records before investing
 - PayGo technology is still new
 - Not all solar products have a credit track record – productive use loans
 - Most solar companies are not yet profitable
- Most creditors want large volume – more than US\$ 2m
 - This makes it difficult for smaller solar companies to work with large creditors
 - Is there a risk that only the largest companies will survive?
- Currency risk
- Much of the attention has gone to Kenya



Lessons Learned



- **Operational relationship is key to success**
- **Important to review partnership agreements regularly because market is evolving**
- **Twice monthly payments**
- **Solar off-grid market has huge potential but also still many risks**
 - **Fully paid solar assets are being used as collateral for new loans**
 - **Product and equipment prices continue to fall**
 - **Access to energy ranks high in consumer priorities**
 - **Too much credit puts clients at risk of over indebtedness**
 - **Clients would be blacklisted in the credit system**
 - **High reliance on fintech will reduce human interaction**
 - **Technological risks (obsolescence, repairs)**

Future Growth



The solar market in Africa is undeniably expanding and has lots of room for growth. VS will work with specific loan products with reliable partners. The financing needs to meet demand are in the billions of US\$. VS wants to work with 5 – 8 partners in each country of operation in at least three countries. This may be spread between direct loan portfolio, bonds and a fund.

Replicable Loan Products

- Productive Use Loans
- SHS
- Solar Water Pumps
- Mini-Grids

Expand in E. Africa

Expand with partners Kenya, Tanzania and Uganda

Diversifying risk by company and country

Expand in Africa

Use VS contacts and partners to expand to other regions of Africa. Replicate successes from Kenya

The underlying partnership strategy of working with solar partners will not change. Work with solar companies who have:

- A strong product
- After sales service
- Guarantee which lasts longer than any loan
- Buys back loans in arrears
- Ability to switch off equipment remotely in case of non payment

Biashara na Fedha (Venture South Kenya)



Venture South International
www.venturesouth.net

Existing financing partners:



State Secretariat for Economic Affairs SECO
Swiss Agency for Development and Cooperation SDC
Federal Office for the Environment FOEN
Swiss Federal Office of Energy SFOE