Logistics

1. We want this and future sessions to be interactive, open to questions or points of discussion at any time, so please unmute and speak up at any time.

2. To minimize outside noise, however, your mics have been muted on entry. Please keep yourself muted throughout the call unless you have a question.

3. **You may ask a question or make a comment at any time during the call.** To ask questions you can:
   a. Use the Chat.
      ➢ To ensure that your question is seen by the moderator, select “All Participants” from the drop-down menu before sending the question.
   b. Unmute yourself and ask a question remembering to re-mute yourself when done.

https://www.findevgateway.org/organization/paygo-perform
KPI Working Group
Survey Results & next steps

PAYGO PERFORM

March 28, 2019
Agenda

1. Overall context
2. Review of Survey Results
3. Objectives / Goals of WG KPIs
4. Sub-Committee Objectives, Tasks and Timeline
Agenda

1. Overall context
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WHY PERFORM?

• **Attract more funding from existing and new investors**
  - Greater transparency
  - Increased sector insights
  - Easier due diligence

• **Performance benchmarking**
  - Benefits both PAYGo companies AND investors
    - Peer comparison
    - Internal diagnostics
PAYGo PERFORM (Performance, Reporting, and Measurement)

Industry Process: Stakeholders to agree and refine over time

- Reaching consensus
  - Joint ownership
  - Participation
  - Broad-base stakeholders
  - Investor community (private debt investors, private equity investors, local banks, international banks, DFIs)

- Process has to be:
  - Open
  - Self-subscribing
  - Objective
  - Technically focused
  - Clear mechanisms (participation, decisions, producing content)
Joining Forces and Combining Strengths

Steering Group

- Global Reach & Select Country Presence
- Long Term Vision
- Deep Industry Knowledge
- Strong Convening Power
- Technical Skills
- Track Record in Consultation

- Convenes Stakeholders
- Determines Strategic Direction of Process
- Proposes Initial Framework for Process
Consultative Group

- All stakeholders who want to be involved
- Meet at main milestones of the process to give feedback
- Umbrella function

Technical Working Group(s)

- Draws members from the consultative group who want to be more deeply engaged
- Pulls in experts when needed
- Co-chaired by one investor and one company
- Technical focus: conducts analysis and gathers input
- Meeting frequently
Defining the Working Groups

To consider:
- Is this right set of KPIs?
- What’s missing?
- Which KPIs are problematic and will need to be reviewed (and what support will be required by your working group to be able to make a recommendation)?
- What additional tools or frameworks are useful?

KPIs
- Portfolio Size
- EBITDA Breakeven
- Standards Compliance
- FX Exposure
- Comparability
- Revenue recognition

Portfolio Quality
- Average Credit Period
- Portfolio at Risk (PAR)
- Churn
- St Dev of Amount Ahead / Amount Behind on Payments
- Utilization Rate
- Cohort Analysis
- Credit Provisioning

Unit Economics
- ARPU
- Average Unit Cost
- Average Customer Deposit
- Average Total Expected Revenue
- Average Maintenance Cost
- Interest
- Customer Acquisition

*categories in italics not part of KPIs 1.0
Proposed Timeline

- **Q1 2019**: formalize and set up technical working groups, including co-chairs
- **Q1 & Q2 2019**: review and update KPIs 1.0 -> KPIs 2.0. Giving an update on the progress in June at GOGLA AGM
- *(expected)*: Q3: Piloting KPIs 2.0 by companies incl. data collection
- *(expected)*: Q4: Update KPIs 2.0 with learnings from Piloting -> KPIs 2.1
Key Activities of the KPI Working Group

1. Review of Goals/Objectives
   - Holistic approach of what are the main objectives/goals
   - What KPIs are needed to achieve the goals

2. Review of Current KPIs
   - Do we keep this KPI?
   - Do we agree with the KPI definition?
   - Does this KPI apply to all business models?

3. Additional/Alternative KPIs
   - Are there additional/alternative KPIs that have not been addressed?

   - Are there any analytical tools that can be used for evaluation?

Survey to collect information
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General Information on Survey Participants

Total Survey Participants: 22
**Overall Goals of the KPIs: What information should the KPIs convey?**

- Respondents reported that KPIs should broadly convey information about overall financial performance, operational KPIs and descriptive KPIs.

- **Examples of specific information include:**
  - **Informational / descriptive KPIs** - provide context and help understand the position of a company and their product.
  - **Financial Performance KPIs** - which break down one sub-component of overall performance.
  - **Operational KPIs** - expected to contribute to financial performance in the long run / benchmarking operational performance.
### Summary Analysis of KPIs

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Portfolio Size</th>
<th>EBITDA Breakeven</th>
<th>Standards Compliance</th>
<th>FX Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance (Crucial and Important)</td>
<td><img src="#" alt="68%" /></td>
<td><img src="#" alt="32%" /></td>
<td><img src="#" alt="16%" /></td>
<td><img src="#" alt="21%" /></td>
</tr>
<tr>
<td>Keep the KPI</td>
<td><img src="#" alt="89%" /></td>
<td><img src="#" alt="79%" /></td>
<td><img src="#" alt="95%" /></td>
<td><img src="#" alt="84%" /></td>
</tr>
<tr>
<td>Agree on definition</td>
<td><img src="#" alt="63%" /></td>
<td><img src="#" alt="58%" /></td>
<td><img src="#" alt="84%" /></td>
<td><img src="#" alt="63%" /></td>
</tr>
<tr>
<td>Relevant to all PAYGo business models</td>
<td><img src="#" alt="84%" /></td>
<td><img src="#" alt="79%" /></td>
<td><img src="#" alt="79%" /></td>
<td><img src="#" alt="89%" /></td>
</tr>
</tbody>
</table>
## Outcomes per KPI

<table>
<thead>
<tr>
<th>Portfolio Size</th>
<th>EBITDA Breakeven</th>
<th>Standard Compliance</th>
<th>FX Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep this KPI</td>
<td>Although a large % wants to keep this KPI, it is also understood that this KPI is hardly relevant on its own</td>
<td>Keep this KPI</td>
<td>Keep this KPI; although it was also argued that this is more company specific for DD and not as part of KPI set</td>
</tr>
<tr>
<td>TO DO: Definition should be revised</td>
<td>It is a metric to understand cash flow and profitability, but other KPIs might be better suited</td>
<td>Definition is largely agreed upon</td>
<td>Focus should be on the definition and on benchmarking with other sectors; so as a sector KPI how are we performing compared to other sectors</td>
</tr>
<tr>
<td>Descriptive KPI to understand the type of business, particularly for benchmarking</td>
<td>TO DO: decide whether EBITDA break even definition should be revised, or if the KPI should either be replaced by or strengthened with additional KPIs such as EBITDA margin, net income margin or other more descriptive / operational KPIs</td>
<td>Quality and the costs of warranty services / performance are not really tracked</td>
<td>TO DO: decide on which level of information this KPI should give; company specific or sector overall and than follow up on how to shape this</td>
</tr>
<tr>
<td>Helps in grouping relevant cohorts</td>
<td></td>
<td>TO DO: should we add operational KPIs tracking quality performance? (like e.g. cost of warranty as % of avg portfolio value; # of warranty replacements as % of open contracts; staff-hours of call center calls spend on technical support as % of total call center staff hours; avg time to resolve customer technical issues from first contact etc)</td>
<td></td>
</tr>
<tr>
<td>TO DO: Define building blocks of this (and other) metric</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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## Survey; Suggested additional KPIs

<table>
<thead>
<tr>
<th>Descriptive KPIs</th>
<th>Financial KPIs</th>
<th>Operational KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of business</td>
<td>Solvency ratios – including write offs and provision policies</td>
<td>Products Sold</td>
</tr>
<tr>
<td># distribution outlets</td>
<td>Average payback period (actual) vs expected</td>
<td>Average selling price</td>
</tr>
<tr>
<td></td>
<td>Revenue Realization (turning receivables into cash)</td>
<td>Cash collections; collection rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer acquisition cost</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales per outlet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repossession rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Repair / Recycling rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales agent turn over rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Avg customer distance to nearest warranty service center</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inventory turnover rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Utilization rates</td>
</tr>
</tbody>
</table>
Agenda

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## Details Required per Indicator

<table>
<thead>
<tr>
<th>Icon</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑️</td>
<td>DEFINITION. A concise explanation for what the indicator represents.</td>
</tr>
<tr>
<td>🤔</td>
<td>WHY DOES IT MATTER? Analytical insights of each indicator that make each indicator, as defined here for standardized reporting, useful for analysis by companies and investors.</td>
</tr>
<tr>
<td>📋</td>
<td>CALCULATION. How to generate the indicator from data inputs.</td>
</tr>
<tr>
<td>📝</td>
<td>NOTES. Considerations for using each indicator, including commentary on what is included in the definition and calculation, as well as practical considerations for use with real data. <strong>Over time we may include results and feedback/ tips from piloting exercise.</strong></td>
</tr>
<tr>
<td>🚀</td>
<td>Considerations by BUSINESS MODEL.</td>
</tr>
<tr>
<td>⚽️</td>
<td>WORKING GROUP. (i. Which Technical WG is it allocated to and ii. Status of being discussed across the WG (i.e. feedback consolidated across KPI WG)</td>
</tr>
<tr>
<td>🔄</td>
<td>STATUS. Is it agreed and final or subject to discussion? (red/amber/green)</td>
</tr>
</tbody>
</table>
Existing KPIs for this WG

• Relatively little changes need to be made to the existing set of KPIs and definitions
  • **Portfolio Size:**
    • Definition should be revised
    • Define building blocks of this (and other) metric
  • **EBITDA Break Even**
    • decide whether EBITDA break even definition should be revised, or if the KPI should either be replaced by or strengthened with additional KPIs such as EBITDA margin, net income margin or other more descriptive / operational KPIs
  • **Standards Compliance**
    • should we add operational KPIs tracking quality performance? (like e.g. cost of warranty as % of avg portfolio value; # of warranty replacements as % of open contracts; staff-hours of call center calls spend on technical support as % of total call center staff hours; avg time to resolve customer technical issues from first contact etc)
  • **FX Exposure**
    • decide on which level of information this KPI should give; company specific or sector overall and then follow up on how to shape this
Adding new KPIs – descriptive

Descriptive metrics on their own tell you very little about how well a company is doing and should generally not be very sensitive information. Rather they tell you something about what a company is doing.

To get to a good set of information KPIs, a good starting point would be to decide upon what are the principal dimensions of differentiation in the business models of PAYGo companies. Here are some examples:

- **Payment plan vs. Cash sales.** One important dimension would be the extent to which a company relies on cash sales versus payment plans. One way of capturing this difference could be to add a metric like “% of revenues derived from cash sales.” This KPI also has the benefit of capturing B2B sales, though perhaps that’s an entirely different dimension.

- **Customer segment.** Another important dimension would be the customer segment that a company is focused on; lower income segments, or more of the MSME market. One simple way to get at this difference would be metrics like “avg system size” or “avg total system cost”

- **Maturity of business.** Clearly a young company will look different than an old one, and a small one different than a large one. “Years in operation” could be a good one. Another proxy could be “avg yearly units sold.”

- **Length of Contract.** A company with a longer term contract has a fundamentally different business model than one with a shorter term contract, so this could be another informational KPI.

- **We will need to define 3-4 really key dimension and then try to make sure the descriptive information KPIs provide insight into them**
Adding new KPIs – operational performance

Operational Performance metrics tell you something about how a company is doing in terms of operations, not translated into financial performance. These metrics are important in performance benchmarking and in understanding where you are out-performing or underperforming compared to peers on non-financial topics.

Here as well, to get to a good set of operational performance KPIs, a good starting point would be to decide upon the 3-4 key dimensions of operations. The categories mentioned in the survey are around (SUGGESTIONS FOR DISCUSSION):

• Customer satisfaction
• Products (sales prices, # sold....)
• Sales agents performance (maybe difficult to measure? Is this tracked today?)
• Cash collection rates and changes
• Utilization rates
• Inventory turnover rates
• Maintenance costs
Underlying Definitions – coordinated final check

Coming to Agreement on Underlying Definitions that affect all Working Groups
Some of these terms are:
• “Active”
• “Late”
• Write-off
• [Others]

➢ Check with UE and PQ WG what definitions they are working on
➢ Check if there are definitions that are the same or closely related and that are being worked on by >1 WG
➢ Cross WG definitions should be marked clearly and definitions should be approved by all WGs; timing is of essence
➢ The KPI WG will do a final check on all definitions of all KPIs before finalizing the total set of KPIs v 2.0 to make sure the definitions are coherent
➢ Signaling back to WGs when definitions or the total set of KPIs are not coherent
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3 Sub Committees

1. Sub Committee 1 Descriptive KPIs – co-chair Daphne
2. Sub Committee 2 Operational Performance KPIs + revise 4 existing KPIs (portfolio size / EBITDA break even / FX exposure / Standards compliance) – co-chair Joao / Siten
3. Sub Committee 3 Overall definitions & Coherency check – co-chair Avi
## Working Group Timeline Sub committees 1 & 2 (new KPIs)

<table>
<thead>
<tr>
<th>Weeks 1 &amp; 2</th>
<th>• Agree on 3-4 basic dimensions / groups of KPIs that should be added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 3</td>
<td>• Determine relevant insightful KPIs per group, including definitions and calculations</td>
</tr>
</tbody>
</table>
| Week 4      | • Identify missing ancillary / informational indicators  
• Present recommendations to working group |
## Working Group Timeline Sub committee 3 (existing KPIs & definitions)

| Weeks 1 & 2  | • Revise existing KPI definitions based on survey feedback  
|             | • Collect cross-over definitions from UE and PQ WGs |
| Week 3      | • Check & harmonize cross over definitions |
| Week 6      | • Overall check on the coherency of the total set of KPIs and definitions from all WGs – flag inconsistencies and overlapping or missing metrics & KPIs |
1. Do you agree with the Subcommittees?
   a) Yes – these are the right ones to start with
   b) No – the topics need to be changed or modified
   c) No – we should take another approach than breaking up into Subcommittees
2. Which SubC would you like to participate in?
   a) SubC Descriptive KPIs
   b) SubC Operational Performance KPIs + revision existing KPIs
   c) SubC Overall definitions & Coherency check
   d) I do not want to participate in a Subcommittee
## Working Group Timeline

<table>
<thead>
<tr>
<th>Month</th>
<th>Activities</th>
</tr>
</thead>
</table>
| March - April | • Revise definitions existing KPIs  
                 • Identify and define additional descriptive and operational KPIs  
                 • Identify cross-over definitions |
| April - May   | • Recommend additional KPIs and gather feedback  
                 • Final coherency check on all definitions and total KPI set  
                 • Identify any other outstanding items |
| May – June    | • Present to broader set of WGs and gather feedback  
                 • Finalize KPIs |
| June AGM & July Webinar | • Make Portfolio Quality recommendations to CG |
Thank you

To learn more, please visit

https://www.findevgateway.org/organization/paygo-perform