Logistics

1. Your mics have been muted on entry. Please keep yourself muted throughout the call unless you have a question.

2. You may ask a question at any time during the call. To ask questions you can:
   a. Use the Chat box on the right-hand side of the WebEx session.
      ➢ 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.
PAYGo Performance, Reporting, and Measurement (PerfoRM)

PORTFOLIO QUALITY WORKING GROUP KICK OFF MEETING

March 1, 2019
Path to PERFORM

2016-17: GOGLA and Lighting Global convened PAYGos and investors
- To enhance data use and harmonize financial metrics for off-grid energy companies
- To improve operations, optimize business models, facilitate finance

2018 Jan: Hong Kong Off-grid Solar Conference
- KPI Technical Guide: definitions of selected key performance indicators
- Taxonomy: standardized qualitatively categorizing different business models
- Data Playbook: how data is collected and utilized to improve their operations

April: CGAP joins GOGLA and IFC on PAYGo PERFORM

June-November: Consultations and Pilots
- Consultations with PAYGos and Investors
- Piloting of KPIs Version 1.0 with 7 companies
- Consultations with Investors

November – December: Workshop in Kigali, Rwanda and Webinar
- Consultation Workshop + Webinar attended by over 100 industry stakeholders
- Mandate to review and revise KPIs in proposed working group structure
Understanding the Complexity

VERTICALLY INTEGRATED: FOUR IN ONE

MANUFACTURING

SOFTWARE DEVELOPMENT

DISTRIBUTION

DISTRIBUTION & FINANCING

FINANCING
WHY PERFORM?

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

• Performance benchmarking
  o 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)
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
Consultative Group
*Comprised of all Stakeholders*

Steering Group
*IFC, GOGLA, CGAP*

Technical Working Group(s)
*Made of members from CG & Experts as appropriate; co-chaired by company & investor representatives*

Consultative Group

Steering Group

Consultative Group

Steering Group

Consultative Group

Recommends formation of Technical Working Group(s) (TWG)

Accepts CG's request and constitutes a TWG; coordinates groups & participants; and sets expectations in terms of time, resources, budgets, etc.

Researches and deliberates (drawing resources from SG); makes a recommendation to the CG

Opportunity for additional diligence and input (drawing resources from SG) before making final recommendation to the Steering Group

Considers CG recommendation with necessary support and implements
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
Working Group Leads

**Working Group 1**: Key Performance Indicators: getting from v1.0 to v2.0; reviewing, revising, and adding metrics

• **Co-chairs**: Siten Mandalia + João Magalhães (Solaris Offgrid) & Avi Jacobson (SunFunder)
  – Steering Group Coordinator: Daphne Pit (GOGLA)

**Working Group 2**: Portfolio Quality – Metrics and Tools/ Frameworks

• **Co-chairs**: Anish Thakkar (Greenlight Planet) & Ralph Gunn (Standard Bank)
  – Steering Group Coordinator: Nicky Khaki (CGAP)

**Working Group 3**: Unit Economics – defining a common language and joint definitions. Opportunity to draw from path to profitability work

• **Co-chairs**: Shagun Jain (Rural Spark) & Geoff Manley (CDC Group)
  – Steering Group Coordinator: Miguel Soriano (IFC - Lighting Global)
Meet Your Co-chairs

Anish Thakkar  
Co-Founder, Greenlight Planet

Greenlight is a leading manufacturer of off-grid solar energy systems used today in 10 million households worldwide. Greenlight operates the industry’s largest Pay As You Go distribution network, selling 35,000 consumer-financed solar home systems each month through its network of 140 branch stores and 3,000 commissions-based agents in Kenya, Uganda, Tanzania and Nigeria.

Anish served as Greenlight’s CEO until 2016 and today leads debt fundraising and new products initiatives.

Ralph Gunn  
Senior Manager - Corporate & Investment Banking, Standard Bank

Ralph is in the Energy & Infrastructure Financing team focusing on Financing of Decentralised Energy across the continent. He has been involved in the REIPP programme, spent over 2 years in Nairobi, Kenya with Standard Bank Investment Banking leading the debt teams in East Africa and now driving the decentralised energy funding strategy from Johannesburg.

Deal Experience: Ralph has been responsible for advising, arranging, and executing more than 25 transactions spread across sectors and type of financing. Ralph has specialised in hybrid financing structures fit for purpose on the continent.
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
## Process – Key Activities / Milestones

<table>
<thead>
<tr>
<th>Activity</th>
<th>Objectives</th>
<th>Participants</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick-off Call with Co-chairs</td>
<td>Discuss overall objectives, responsibilities, survey, timeline</td>
<td>Co-chairs, SG Coordinators</td>
<td>2nd / 3rd Week of February</td>
</tr>
<tr>
<td>Kick-off Call with WG</td>
<td>Introductory call, review survey and objectives of WG; define initial issues</td>
<td>Co-chairs, SG Coordinators, WG Members</td>
<td>3rd / 4th Week of February</td>
</tr>
<tr>
<td>Co-chair Monthly Calls</td>
<td>Touch base on the progress of the different work activities and action items from the Working Group and sub-committees</td>
<td>Co-chairs, SG Coordinators</td>
<td>Mid-March, Mid-April, 1st Wk of May</td>
</tr>
<tr>
<td>WG Monthly Calls</td>
<td>Formal call with all WG members to discuss the progress of the different work activities and any issues that need to be addressed</td>
<td>Co-chairs, SG Coordinators, WG Members</td>
<td>Mid-March, Mid-April, 1st Wk of May</td>
</tr>
<tr>
<td>May Overall Progress Presentation</td>
<td>Presentation on overall progress made by each WG</td>
<td>Co-chairs, SG Coordinators, WG Members of all WG</td>
<td>Mid-May</td>
</tr>
<tr>
<td>June AGM Progress Report</td>
<td>Present recommendations on KPI 2.0</td>
<td>KPI, PQ, and UE WG Co-chairs, SG Coordinators, WG members, GOGLA / IFC / CGAP Senior Leaders</td>
<td>Mid-June</td>
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</table>
## KPIs 1.0: Mapping By Working Group

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Portfolio Quality</th>
<th>Unit Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Size</td>
<td>Average Credit Period</td>
<td>ARPU</td>
</tr>
<tr>
<td>EBITDA Breakeven</td>
<td>Portfolio at Risk (PAR)</td>
<td>Average Unit Cost</td>
</tr>
<tr>
<td>Standards Compliance</td>
<td>Churn</td>
<td>Average Customer Deposit as a Proportion of Unit Cost</td>
</tr>
<tr>
<td>FX Exposure: Net Open Position as a Percentage of Equity</td>
<td>Standard Deviation of Amount Ahead / Amount Behind on Payments</td>
<td>Average Total Expected Revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average Maintenance Cost</td>
</tr>
</tbody>
</table>
# KPIs 2.0: Potential Considerations

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Portfolio Quality</th>
<th>Unit Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparability</td>
<td>Utilization Rate</td>
<td>Interest Recognition</td>
</tr>
<tr>
<td>Revenue Recognition</td>
<td>Cohort Analysis</td>
<td>Customer Acquisition Costs</td>
</tr>
<tr>
<td>Operational KPIs for Benchmarking</td>
<td>Credit Provisioning</td>
<td>Unit Gross Profit Margin</td>
</tr>
<tr>
<td>FX Exposure: Net Open Position as a Percentage of Equity</td>
<td>Write-offs</td>
<td>Unit EBIT</td>
</tr>
</tbody>
</table>
Key Activities of the Portfolio Quality 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
Average Credit Period

Definition

Average nominal number of days between system acquisition and expected final payment.

Formula

Sum over units of (Expected final payment date - system acquisition date [Days])/ (Total # of active [Units]).

Next Steps

• Keep Unchanged?
• Modify?
• Remove / Replace?
Portfolio at Risk (PAR)

**Definition**
Total amount owed on units with any balance billed in the last 90 days which is overdue by 30 or more days, divided by total amount owed by customers.

**Formula**
Sum of (Total amount owed by customers with any balance billed in the last 90 days which is overdue by 30 or more days) / Sum of (Total amount owed on active units).

**Next Steps**
- Keep Unchanged?
- Modify?
- Remove / Replace?
Churn

Definition
Fraction of units that have gone inactive over the previous 90 days.

Formula
Sum of (# of units on which no payment was made in the preceding 90 days)/ (# of active [Units] as calculated 90 days ago).

Next Steps
• Keep Unchanged?
• Modify?
• Remove / Replace?
Standard Deviation of Amount Ahead / Amount Behind on Payments

**Definition**
Total revenue received minus total amount expected up to present date, in local currency, divided by number of active units.

**Formula**
Mean and Standard Deviation over active units of (Total revenue received from unit acquisition to present, exclusive of unscheduled maintenance - Total revenue expected from unit acquisition to present [Local Currency]).

**Next Steps**
- Keep Unchanged?
- Modify?
- Remove / Replace?
Additional / Alternative KPIs – Potential List

- Utilization Rate
- Credit Provisioning
- Write-offs
Questions?
Next Steps / Resources

1. Stay tuned for an email with a link to the live web-based survey – please fill out the survey by Friday, March 8th
2. Next WG call will be mid-March – invite will be sent shortly
3. Website: https://www.findevgateway.org/organization/paygo-perform
4. Email: paygoperform@gogla.org | nkhaki@worldbank.org
5. KPI Technical Guide
PAYGo PERFORM

Thank you!