



PAYGo Performance, Reporting and Measurement (PERFORM)

UNIT ECONOMICS WORKING GROUP
KICK OFF MEETING

March 5, 2019

Logistics – Before we Start

1. **Your microphones 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.

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

fenix intl

M-KOPA SOLAR

LUMOS

mobisol

d.light

ZOLA

Cazuri

BBOXX



MANUFACTURING

sunking.

BioLite

renew it

AMPED INNOVATION

foser

SOFTWARE DEVELOPMENT

Paygee
The PayAsYouGo Ecosystem

SOLARIS OFFGRID

angaza
Your Pay-As-You-Go Partner

DISTRIBUTION

Baobab

VITALITE

easy solar

DISTRIBUTION & FINANCING

sunking.

COLU

FINANCING

PEG

ZONFUL ENERGY
SOLAR POWER FOR THE PEOPLE

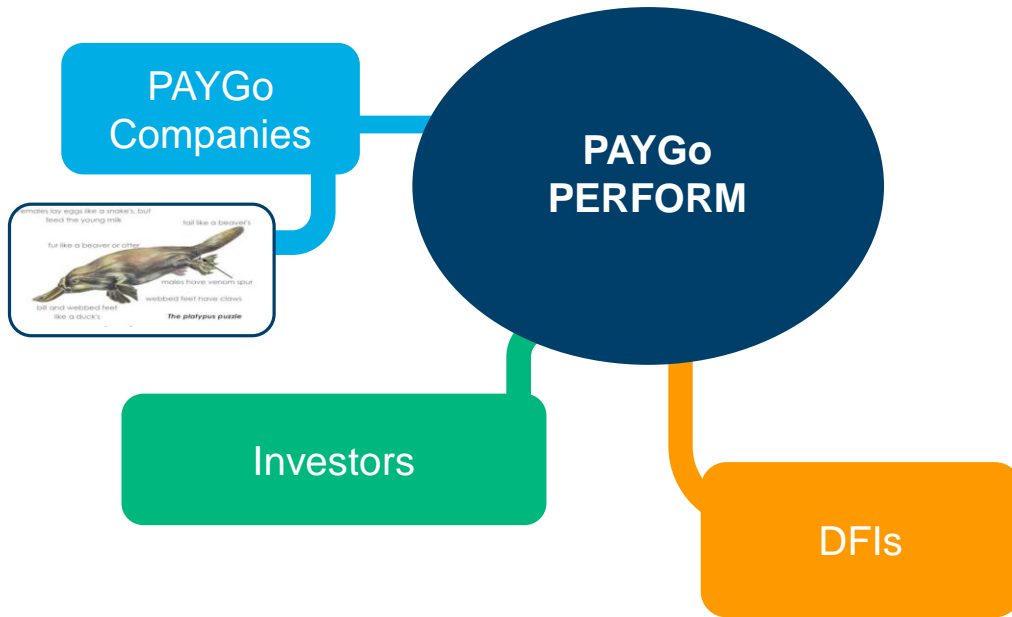
sunny money

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

Fora for Consultation

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



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?



**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)

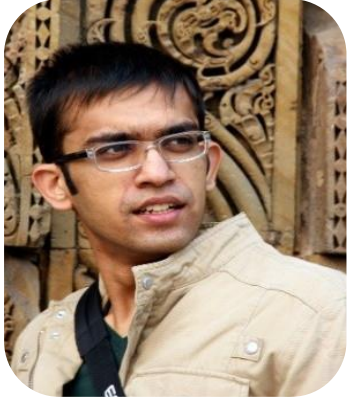
Working Group 2: Portfolio Quality – Metrics and Tools/ Frameworks

- **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



Shagun Jain

VP, Strategic Partnerships
Rural Spark

- Shagun heads Strategic Partnerships for Rural Spark, an innovative company which develops smart grid solutions that enable rural villagers across Africa to generate and sell energy
- Shagun brings extensive operational experience and background in the off-grid solar and other industrial sectors in emerging markets



Geoff Manley

Investment Director
CDC Group

- Geoff is the Investment Director at CDC leading its off-grid solar debt finance initiative
- CDC Group is UK's development finance institution, which invests in businesses in Africa and South Asia to create jobs and make a lasting difference to people's lives

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

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

KPIs 1.0: Mapping By Working Group

KPIs	Portfolio Quality	Unit Economics
Portfolio Size	Average Credit Period	ARPU
EBITDA Breakeven	Portfolio at Risk (PAR)	Average Unit Cost
Standards Compliance	Churn	Average Customer Deposit as a Proportion of Unit Cost
FX Exposure: Net Open Position as a Percentage of Equity	Standard Deviation of Amount Ahead / Amount Behind on Payments	Average Total Expected Revenue
		Average Maintenance Cost

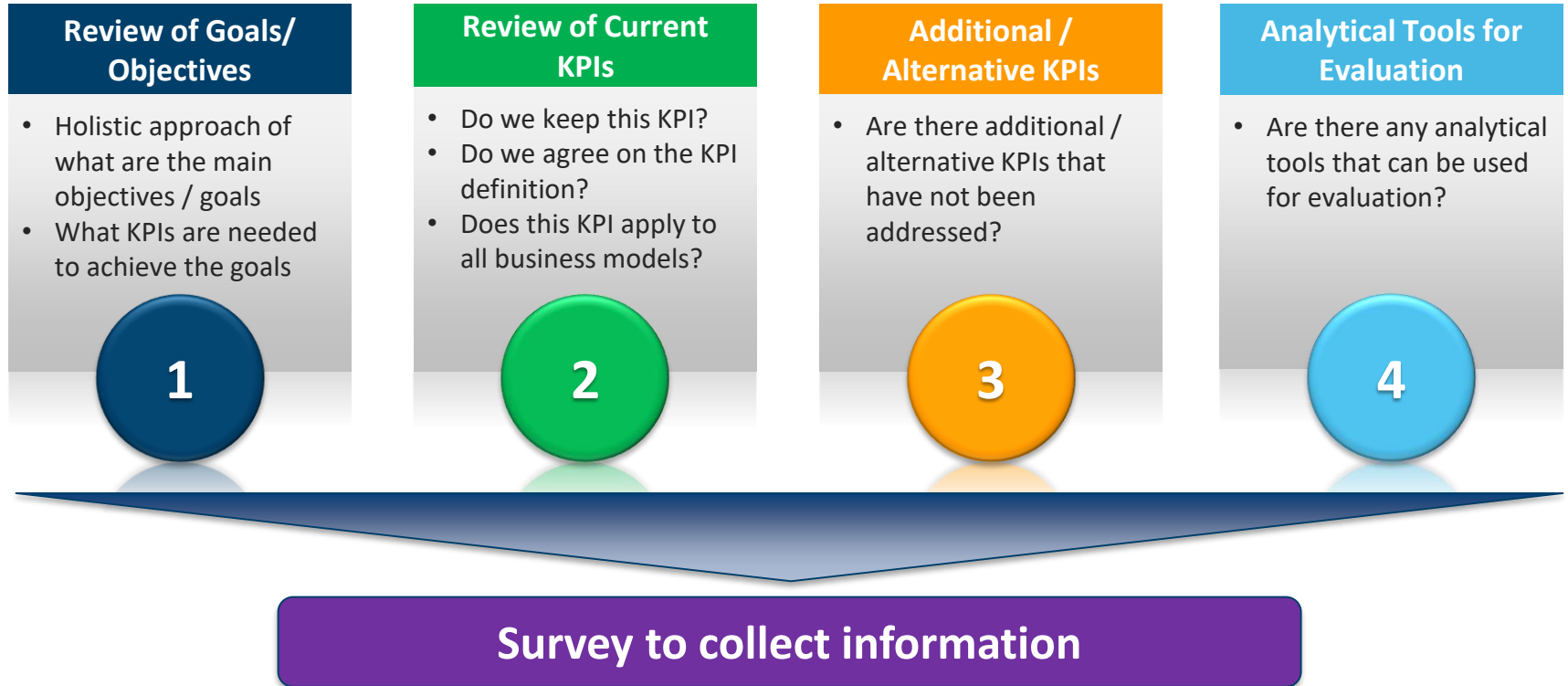
KPIs 2.0: Potential Considerations

KPIs	Portfolio Quality	Unit Economics
Comparability	Utilization Rate	Interest Recognition
Revenue Recognition	Cohort Analysis	Customer Acquisition Costs
Operational KPIs for Benchmarking	Credit Provisioning	Unit Gross Profit
FX Exposure: Net Open Position as a Percentage of Equity	[More]?	Unit EBIT
[More]?		[More?]

Working Group 3 Unit Economics

First Steps

Key Activities of the Unit Economics Working Group



Average Revenue per Unit (ARPU)

Definition

Total payments received over the last 30 days divided by portfolio size

Formula

$$\frac{\text{(Total revenue over most recent 30 days [Local Currency])}}{\text{(Total \# of active [Units])}}$$

Next Steps

- Keep Unchanged?
- Modify?
- Remove / Replace?

Average Total Expected Revenue

Definition

Mean total anticipated payments, including deposit but excluding unscheduled maintenance, in local currency

Formula

Sum of (Total expected payments from active units, excluding any unscheduled maintenance [Local Currency]) / (# of active [Units])

Next Steps

- Keep Unchanged?
- Modify?
- Remove / Replace?

Average Customer Deposit as a Proportion of Unit Cost

Definition

Average customer deposit as a fraction of total unit cost

Formula

Mean over active units of (Deposit received [Local Currency]) / (Cost of hardware plus cost of transportation, import taxes, stock insurance, and installation [Local Currency])

Next Steps

- Keep Unchanged?
- Modify?
- Remove / Replace?

Average Unit Cost

Definition

Mean cost of active units, inclusive of hardware plus transportation, import taxes, stock insurance, and installation, if any, but exclusive of customer acquisition and maintenance

Formula

Sum of (Cost of hardware plus cost of transportation, import tax, stock insurance, and installation on active units [Local Currency]) / (# of active [Units])

Next Steps

- Keep Unchanged?
- Modify?
- Remove / Replace?

Average Maintenance Cost

Definition

Total payments received in local currency for scheduled and unscheduled maintenance, over the last 30 days

Formula

$$\frac{\text{(Total maintenance payments received over most recent 30 days [Local Currency])}}{\text{(Total \# of active [Units])}}$$

Next Steps

- Keep Unchanged?
- Modify?
- Remove / Replace?

Additional / Alternative KPIs – Potential List

Customer
Acquisition
Cost

Interest
Recognition

Unit Gross
Profit

Unit EBIT

?

?

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 Tuesday, March 12th
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 | msoriano1@ifc.org
5. [KPI Technical Guide](#)

PAYGo PERFORM



Thank you!