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
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)
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
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**

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.

**Technical Working Group(s)**

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

**Consultative Group**

Considers CG recommendation with necessary support and implements
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

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
<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>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>1st Week of March</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>
</tr>
</tbody>
</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>Average Total Expected Revenue</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</td>
</tr>
<tr>
<td>FX Exposure: Net Open Position as a Percentage of Equity</td>
<td>[More]?</td>
<td>Unit EBIT</td>
</tr>
<tr>
<td>[More]?</td>
<td></td>
<td>[More?]</td>
</tr>
</tbody>
</table>
Working Group 3
Unit Economics

First Steps
Key Activities of the Unit Economics 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 on 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 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](https://www.findevgateway.org/organization/paygo-perform)
4. Email: paygoperform@gogla.org | msoriano1@ifc.org
5. KPI Technical Guide
Thank you!