Summary Revenue Subcommittee call

Date: April 17, 2019

The objective of the call was to discuss the newly introduced Unified Framework for the Unit Economics Working Group and to address the definition of each of the proposed KPIs.

1. Unified Framework

Based on the Unified Framework for the Unit Economics KPIs which we had discussed in our Unit Economics Working Group 1st Call, the following Revenue-related KPIs were proposed:

- Average Customer Deposit
- Average Expected Follow on Revenue
- Average Expected Revenue = Average Customer Deposit + Average Expected Follow on Revenue

Based on the results of the survey, it was clear that **the proposed Revenue KPIs seem to be relevant; however, the proposed DEFINITIONS NEED TO BE MODIFIED/DISCUSSED.**

2. Highlights per KPI

Average Customer Deposit

- This metric refers to the upfront deposit that is usually made by PAYGo customers
- Given that this metric ONLY applies to the PAYGo business model, it is important to EXCLUDE cash unit sales from this metric
- A few different options were considered for the definition of this metric:
    i. Customer deposit value (i.e. down payment) divided by the total number of units sold – however, by looking at it in this way, the metric can be distorted depending on the size of the unit
    ii. Customer deposit value divided by total expected revenue – therefore, the metric will be a percentage. This way, we address the issue of unit size
    iii. You can also treat the deposits individually per product line and calculate the deposit % per product line. After, you could take an average of the customer deposits in percentage to make sure that you can average out all the different % deposits per product line. This is a slight variation to the second option
- It was agreed that Average Customer Deposit would be expressed as a % of total expected revenue, as it removes the complications around unit size and differences in business models
- In addition, we will have another metric of Average Customer Deposit which would be the value of the customer deposits divided by the total number of units sold. This metric can be useful to calculate Unit Gross Profit

Average Expected Follow on Revenue

- This metric refers to the total expected payments to be made, excluding Customer deposits, divided by the total number of units
- The metric should consider a "default" rate. If we take it into account, we should rather consider "repossess", "redeploy", or "write-off" or define a different terminology (e.g. at risk) as PAYGo customers don't "default". We should, however, not incorporate write-off and repossession rate in the average expected follow on revenue but rather keep it as a separate cost.

- One way to account for the repossession / write-off is by looking at the Utilization / Collection Rate metric, which is being defined by the Portfolio Quality Working Group
- There are two factors that need to be considered for Average Expected Follow on Revenue:
    i. The present value of the expected payments, since the payments will be taking place in the future. Therefore, a discount factor will be essential to have
    ii. Adjusting the Expected Revenue for the risk of non-payment. Here, the Utilization / Collection Rate can be used, as well as modifying the discount rate by adding a risk premium
- It was decided that these two adjustments to Average Expected Follow on Revenue should be accounted as SEPARATE figures; in fact, there are two metrics within the Cost KPIs that address them (These KPIs will be discussed on the Follow Up Call scheduled on Tuesday, April 23):
    i. Average Credit Cost
    ii. Average Financing Cost

3. Follow up questions/comments

- This topic was not discussed in the call, but where do we include interest received from the financing of the units? Should this figure be included in the Average Expected Follow on Revenue?
- To be consistent, the denominator to calculate the Average Expected Follow on Revenue and Average Customer Deposit should be the same as the Unit Cost KPIs. Therefore, we need to come to an agreement of what figure to use. Based on the summary sent for the Cost Subcommittee Call, the following options are proposed:
    - Total Assets in Circulation (from Persistent Energy)
    - Total Installed Assets (from Persistent Energy)
    - Active Units
    - Other options?

Finally, there is an overlap between the Revenue Subcommittee and the Cost Subcommittee as it relates to the credit costs and financing costs (i.e., whether to include it in the follow-on revenue or not). This will be discussed in the follow-up call April 23.