

## Summary second Unit Economics Working Group call

**Date: March 29, 2019**

The Working Group call covered three main topics: (1) Overview of Survey Results, (2) Objectives/Goals of Unit Economics KPIs, and (3) Sub-Committees – Objectives, Tasks and Timeline.

### 1. Survey Results

- **Based on the feedback from the survey responses, it is clear that a “Unit” should be defined as an individual solar device.** However, one of the WG members in the call brought up the fact that we should also think that the “Unit” could also be defined as the “Value of a solar device”, which may be useful for comparability purposes. This is something that the Working Group can look at as a way to complement the KPIs
- **While many of the existing KPIs seem to be relevant and should be kept, the definitions need to be reviewed and/or revised for a few of them.** For instance, survey responders believe that the definitions of ARPU and Avg. Maintenance Cost need to be revised
- Unit Cost KPI is important, but the way it is defined makes it difficult to calculate
- **Most survey responders were in agreement that Unit Gross Profit and Customer Acquisition Cost should be added as new KPIs.** There is very little support for firm level KPIs such as Free Cash Flow, Net Income, EBIT and Interest

### 2. Objectives/Goals of Unit Economics KPIs

- **We introduced a “Unified Framework” that would holistically combine the different revenue and cost KPIs to calculate Unit Profit.** Essentially, the framework shows how the combination of revenue KPIs subtracted by the cost KPIs would result in a Unit Profit figure. This framework makes it easier for investors and PAYGo companies to see the relationship of these KPIs
- **Most participants in the WG call agreed with the Framework approach – in particular, they are interested in the approach where the cost KPIs include Cost of Capital, Financing Costs, and Credit Costs.**
- **There was discussion during the call on whether we need to have a Cost of Capital KPI –** this would introduce a bit of complexity in the calculations and would require that a discount rate be defined, which may be subjective and difficult to calculate. Also, if Revenue is discounted by the cost of capital, then it would make sense to discount some of the Cost-related KPIs such as Maintenance Costs and Servicing Costs. This item needs to be addressed in the Cost Sub-Committee (see below)

### 3. Sub-Committees: Objectives, Tasks and Timelines

- **In order to be most efficient in the development of the latest set of KPIs for Unit Economics, we propose that the Working Group be divided into two Sub-Committees:** (i) Revenue Sub-Committee and (ii) Cost Sub-Committee
- **The goal of each Sub-Committee is to develop a set of KPIs for their particular area that are easy to calculate, have the most explanatory power with the least number of metrics.** The work would involve the following:
  - i. **Based on the Unified Framework approach and the existing KPIs, determine which are the right KPIs to have for Revenue and Costs. Develop the definitions for these KPIs**
  - ii. Address issues related to Revenue and Costs – such as:
    1. Revenue recognition

2. Cash vs. Accrual basis
  3. Cost of Capital, Financing Costs
  4. Allocation of Overhead Costs
- We ask all WG members who want to actively participate to please sign up for one of the Sub-Committees
  - Each Sub-Committee is headed by one of the Co-Chairs
    - i. Shagun Jain = Revenue Sub-Committee
    - ii. Geoff Manley = Cost Sub-Committee

#### 4. Next steps

- Sign up for one of the two -subcommittees (1) Revenue subcommittee and (2) Cost subcommittee. As part of each subcommittee, your job will be to discuss, determine the right KPIs, and develop definitions for them.
- Follow up with an email on homework assignment for the subcommittee members, and timing for the next meeting.