

Webinar: Crowdfunding Debt Finance

12/02/2020

An initiative by:







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Agenda

Overview of access to finance challenge: Jessica Utichi, GDC

Debt crowdfunding models: Davinia Colgan, Energy 4 Impact

Micro loan models: Richard Hansen, Soluz Inc. Honduras

Early stage working capital model: Ben Jeffreys, Atec Bio

Questions & Answers



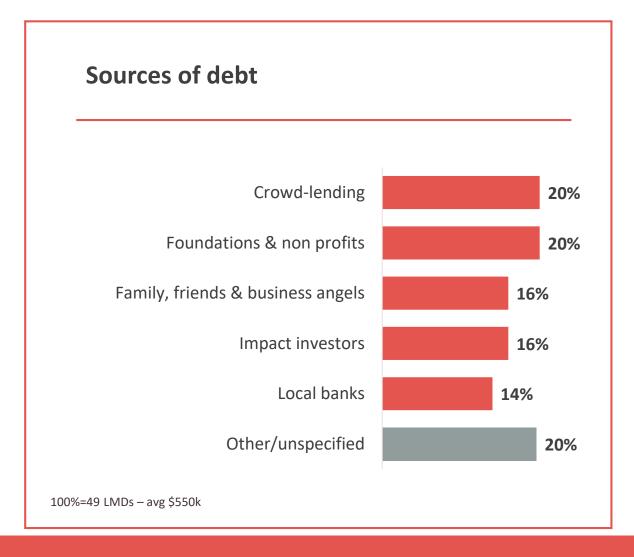


Objective

Get a clearer idea of the type of crowdfunding that could suit your capital needs



Distributors LMDs struggle to access long-term growth capital







Debt Crowdfunding for Energy Access

An Overview of Debt Crowdfunding Models

Agenda

01 | Crowd Power overview

02 | Early-stage working capital

03 | Later-stage working capital

04 | Micro-loan model

05 | Key takeaways

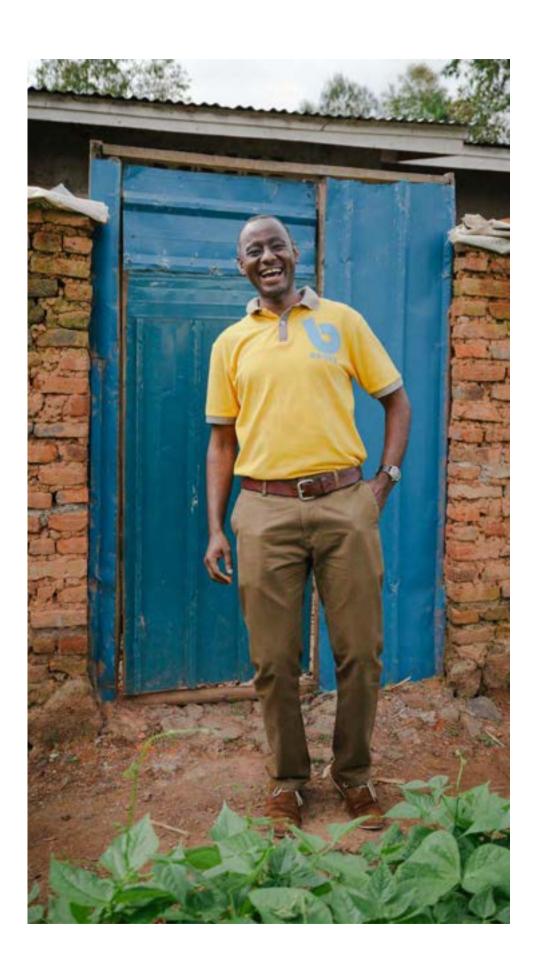


Crowd Power

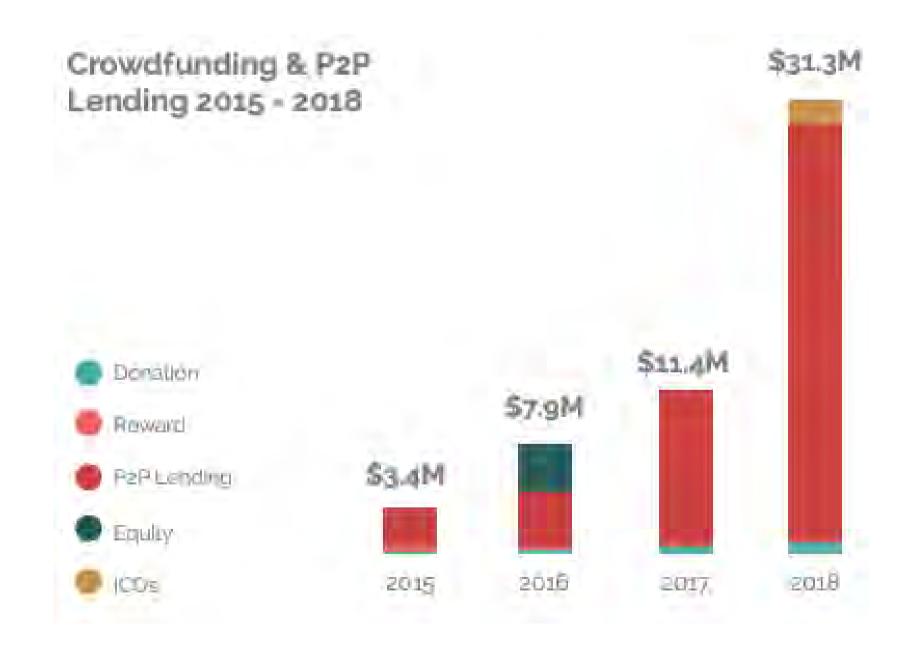
/ Est. 2015 to research the role of crowdfunding in capital raising for energy access businesses

/ Funded 260 energy access crowdfunding campaigns
 - donation, reward, debt, and equity - delivering
 energy access to 360,000 individuals

/ Crowd Power publishes research and provides match funding, first-loss capital, and gift vouchers via platform partners



Crowd Power



Energy access crowdfunding is growing exponentially. Growth is due to debt crowdfunding/P2P lending; mostly, due to the increase in later-stage working capital loans facilitated by platforms in the UK and Europe.

Early-stage working capital

Borrowers must demonstrate pay back.

While this is considered early-stage debt, borrowers usually have an established track-record (2 yrs+) and can demonstrate a clear capacity to repay the loan.

Loans from \$10,000, up to \$100,000.

Loans are provided in USD or GBP, although Charm Impact (UK) offers local currency options.

There are few active platforms.

The two main platforms are Kiva DSE (USA) and Charm Impact (UK). Currently Kiva DSE offers zero-interest loans, while Charm Impact charges interest (~10% p.a.).





PROS

/ No or low interest rate loans
/ Flexible loan size
/ Flexible loan terms
/ Lenders prioritise social impact

CONS

/ Loan size capped at ~\$100,000 / No platforms operating at scale / Platform financial model is not sustainable

Later-stage working capital

Loans are akin to commercial debt facilities.

Platforms originate loans and conduct due diligence; loans are funded by retail investors in the UK and Europe. The typical retail investment is \$500 to \$1,000 in each campaign.

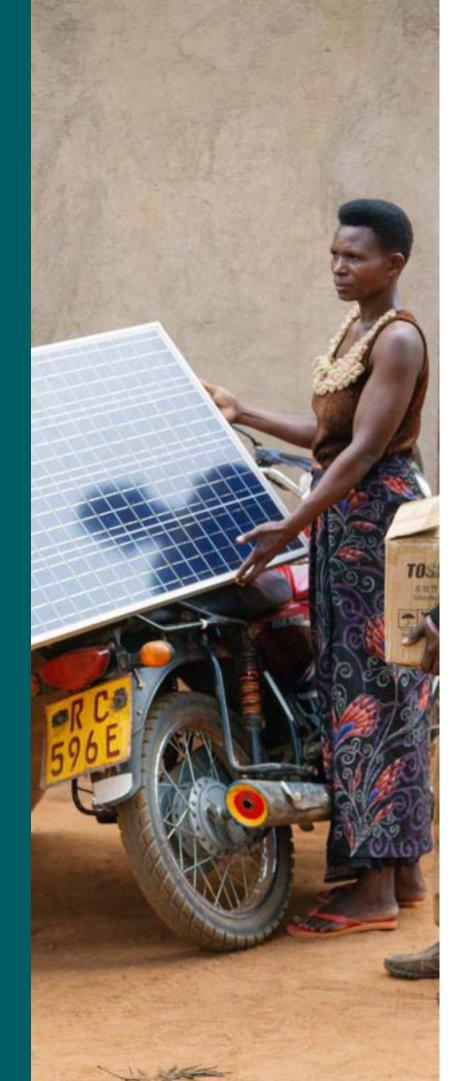
Loans from \$200,000, up to \$7,000,000.

Debt is usually raised in tranches and each campaign is a tranche. For example, a \$1M loan may be raised in five tranches of \$200k. Loans are mostly in EUR or GBP.

All active platforms are in Europe and the UK.

At this scale of lending, there are only four active platforms: bettervest (Germany), Energise Africa (UK), Lendahand (Netherlands) and TRINE (Sweden).





PROS

/ Flexibility as funding is raised in multiple tranches
/ Generally faster lead time than impact investors
/ Typically unsecured lending

CONS

/ Commercial interest rates
/ Mismatch between receivables and loan currencies
/ Transaction time takes 3 months+

Micro-loan model

A way to refinance loans to customers.

Social enterprises become a member of a micro-lending platform, such as Kiva, and raise debt to refinance customer loans. Helps to maintain liquidity.

Individual loans are \$100 to \$5,000.

The social enterprise may post a group of loans at once, but loans usually perform best when staggered over the month. The social enterprise is responsible for obtaining images, creating the borrower narrative and posting the content; they are also responsible for loan administration.

The administrative burden can be high.

This model requires an investment in internal capacity. Successful partners have a strong internal credit function.





PROS

/ No or low interest loans
/ Flexibility with loan size and timing
/ Permits flexible loan terms

CONS

/ Requires an investment in internal capacity
/ High level of credit administration
/ Must become an official partner before posting loans



EARLY-STAGE WORKING CAPITAL

One of the only options for early-stage concessional debt, but the borrower most demonstrate servicing.



LATER-STAGE WORKING CAPITAL

Driving the growth of crowdfunding, but only really suitable for growth-phase companies.



MICRO-LOAN MODEL

A way to refinance customer loans, but the administrative burden can be high.

Davinia Cogan

Programme Manager, Energy 4 Impact davinia.cogan@energy4impact.org

Images

- 00 | Rachel Couch
- 01 | Power Africa, Energy 4 Impact
- 02 | Rachel Couch
- 03 | Matthew Chene
- 04 | Rachel Couch
- 05 | Pawame, Azuri Technologies, Simusolar



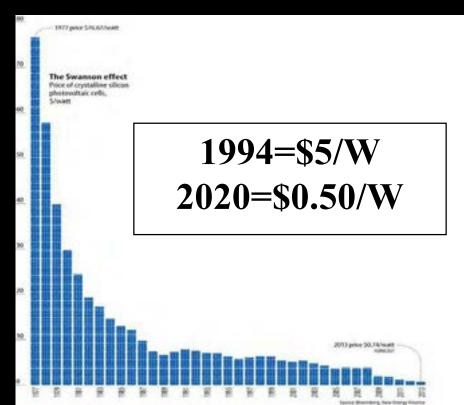
Experience with KIVA Micro-Loans for Soluz's Customers

Richard D. Hansen, Founder & President Soluz, Inc.

Global Distributors Collective (GDC) February 12, 2020

About Soluz

- Soluz, Inc. was incorporated in the Commonwealth of Massachusetts, USA in 1993 to advance the use of solar PV technology in developing countries.
- Soluz, Inc. has two lines of business:
 - Consulting services to institutions advancing access to energy.
 - Delivery of solar PV products and related financing in Honduras.
- In 1994 Soluz established Soluz Honduras, an impact enterprise that has:
 - Supplied >20,000 off-grid PV products for homes, enterprises & community facilities.
 - Recently introduced grid-tied PV systems for small businesses & social institutions.





Soluz Honduras: Off-grid PV Opportunity

- Access to electric grid: 5 Countries in the Region
 - #1 Haiti: 30-40%, (7M of 10.6M no access)
 - #2 Honduras: 74%, (2.3M of 9.0M no access)
 - #3 Nicaragua: 81.6%, (1.1M of 6.0M no access)
 - #4 Guatemala: 92%, (1.24M of 15.5M no access)
 - #5 El Salvador: 95.4%, (0.3M de 6.2M no access)

Source: Honduras – Universal Energy Access Program (PAUE): SREP Submission 2017

SOLUZ Customers: Households



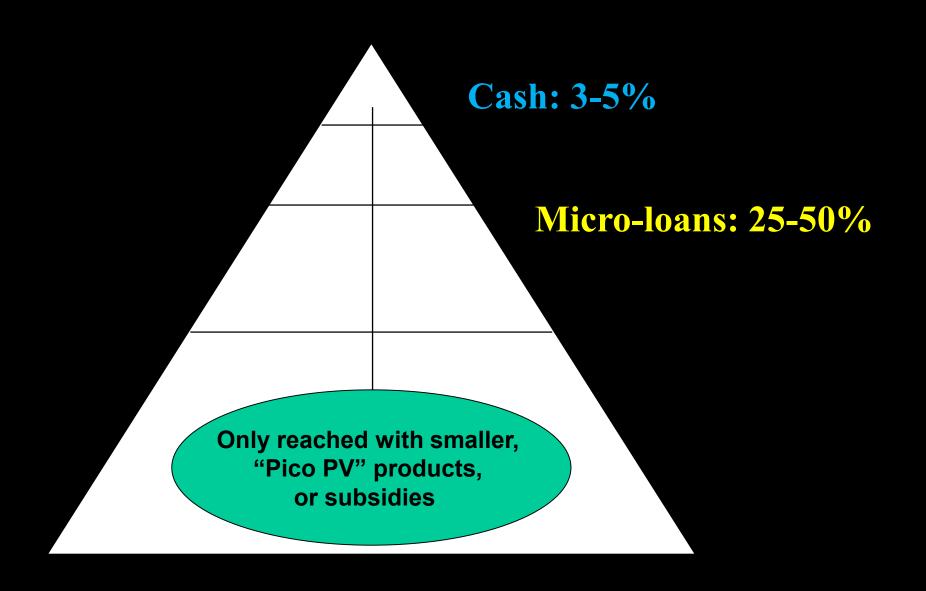
SOLUZ Customers: Micro-Enterprises

Solar-powered freezers in stores.

Financed by: SOLUZ-KIVA



Analysis of PV Payment Plans (40W-200W)



Why Kiva and the micro-loan model?

- Contacted KIVA in 2006 when they were just getting starting with a focus on lending thru Micro-Finance Institution (MFI) partners.
- In 2013 I learned that KIVA had started a program for "Experimental" partners. Soluz applied and became a KIVA partner in 2014.
- Soluz Honduras needed customer financing after completing our participation in "PROSOL", a Government/World Bank project.
- We started with a \$50,000 credit line with KIVA. Then we secured the next level, a \$200,000 credit line.
- Loans terms are: \$150 to \$5,000. 12-24 months. Interest rate 18%.
- In the past five years we have made over 600 micro-loans totaling over \$500,000. Our default rate is less than 0.5%.

What is required to run this successfully?

- The enterprise staff needs to take online KIVA training related to using the platform.
- Providing Consumer loans requires professional expertise in microfinance. (KIVA Coordinator)
 - Soluz has a full-time credit manager, a person with substantial prior experience in the micro-finance sector.
 - The credit manager trains the solar promoters on how to gather the proper information for the credit application.
- KIVA requires annual audited financial statements.
- KIVA performs on-site monitoring to verify loans.
- The cost of low-interest is information (significant)

Information on the KIVA Platform



Funded

Total loan: \$425

Powered by 15 lenders

Moises



Cortes, Honduras / Home Energy

Moises's story

Moises is 31 years old. He is married and for some years has earned a living working at a gas station. He lives in a community of Cortes, Honduras with his spouse, who is his greatest support, and three children. He has as a goal to work producing cacao and cardamom in the future to improve his family's income.

Currently, the community where Moises lives does not have access to electricity, so he is asking Soluz Honduras for financing to purchase a solar-powered lighting system which will improve his family's living conditions and eliminate the use of candles and kerosene lamps, in addition to being able to charge his cell phone.



Translated from Spanish by Kiva volunteer Wendy Harris. View original language description.

Lenders and lending teams













United Sta Renkum, N





Richard

Boston, M/









Academy f seattle, W/

Honolulu, I



Chelmsfore











Mountain L

+ 0 anonymous lenders

Luke

Hide

Contributing teams (8)











How do these loans fit into the wider financing needs of Soluz?

- Soluz has a need for two distinct types of financing:
 - For Working Capital to Maintain Product Inventory
 - Short-term needs, 3-12 months according to inventory turnover.
 - Types of Financing:
 - Owners Equity (Investment and retained earnings)
 - Trade credit from suppliers. 30 days to 90 days
 - Debt Financing (Short Term Loan or Credit Line)
 - The enterprise is responsible for full repayment.
 - For Consumer Lending (KIVA Micro-loans)
 - Portfolio of Longer term, 12-36 month, micro-loans.
 - Soluz needs to manage the portfolio: collecting payments and controlling defaults.
 - KIVA Lenders assume the risk of customer default.
- KIVA allows us to build a portfolio of consumer microloans, freeing up our own capital for inventory.

Richard D. Hansen

richard@Soluzusa.com















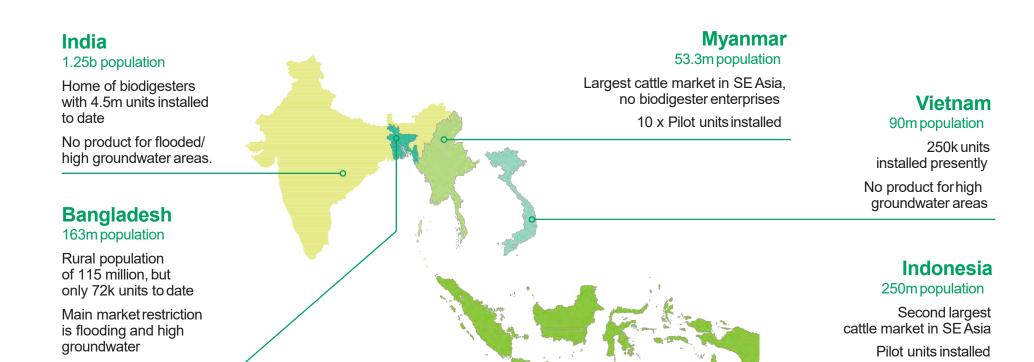






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