



EnPower Capital

*Financing sustainable energy solutions to unleash
productive capacity*

Morgan Stanley Sustainable Investing Challenge
April 17th, 2015



MSMEs drive significant growth in Africa

Provide income

Provide employment

Provide majority of goods and services

Lack of reliable electricity is one the biggest obstacles to growth of African MSMEs

85%



45%



2%



Addressing energy poverty: an investment opportunity



INVESTMENT SCALE

A total of **US\$75 billion** is needed to provide electricity access to off grid communities in Africa

ENERGY DEMAND GROWTH

African off-grid commercial and industrial electricity demand to **grow by 234%** by 2040

EnPower's starting point: Tanzania's 2 million underpowered MSMEs

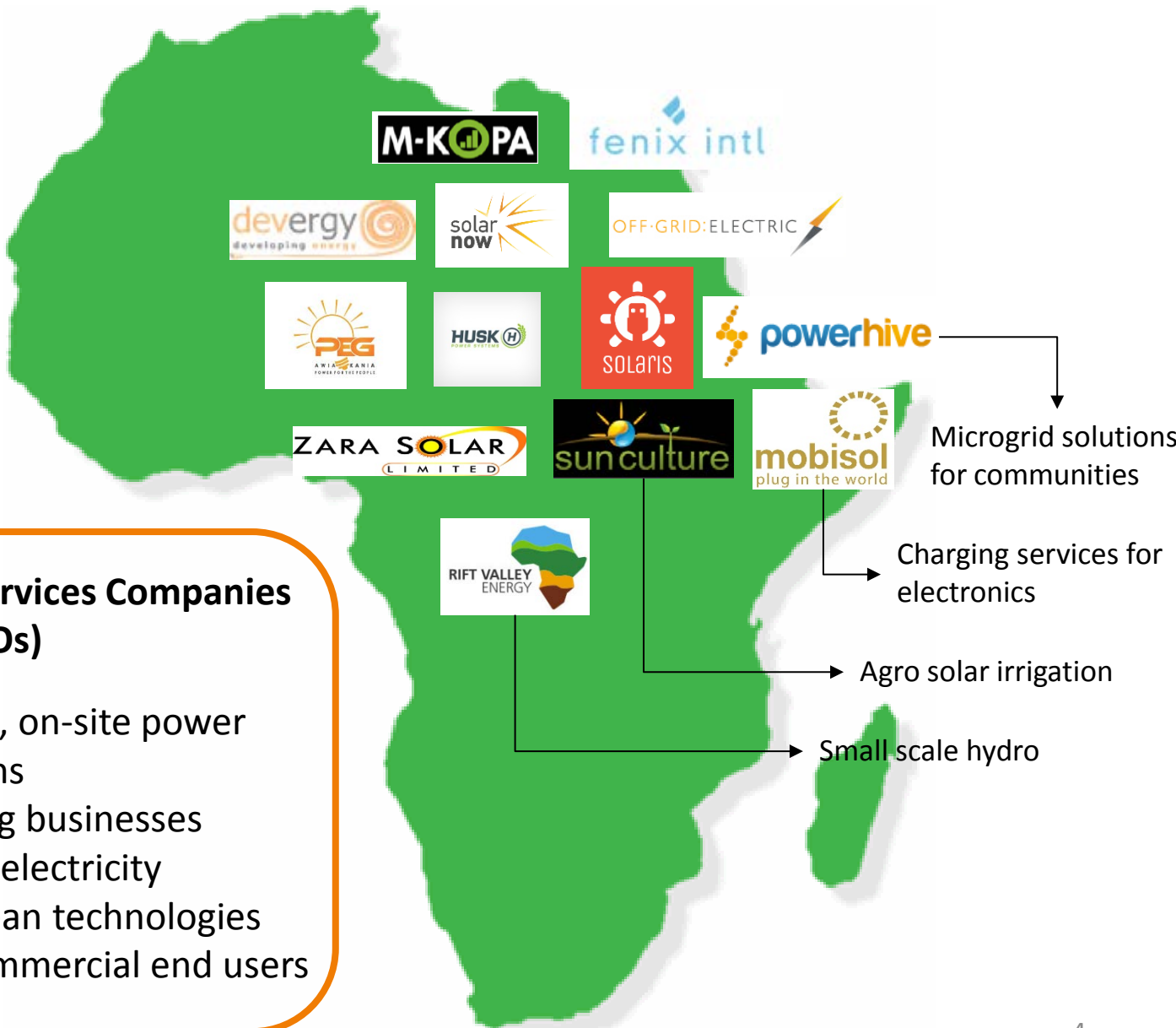
ECONOMIC POTENTIAL

Access to reliable energy would unlock **US\$1 billion** in annual sales from SMEs

INVESTMENT NEEDS

US\$10 billion to reach Tanzania's off grid communities

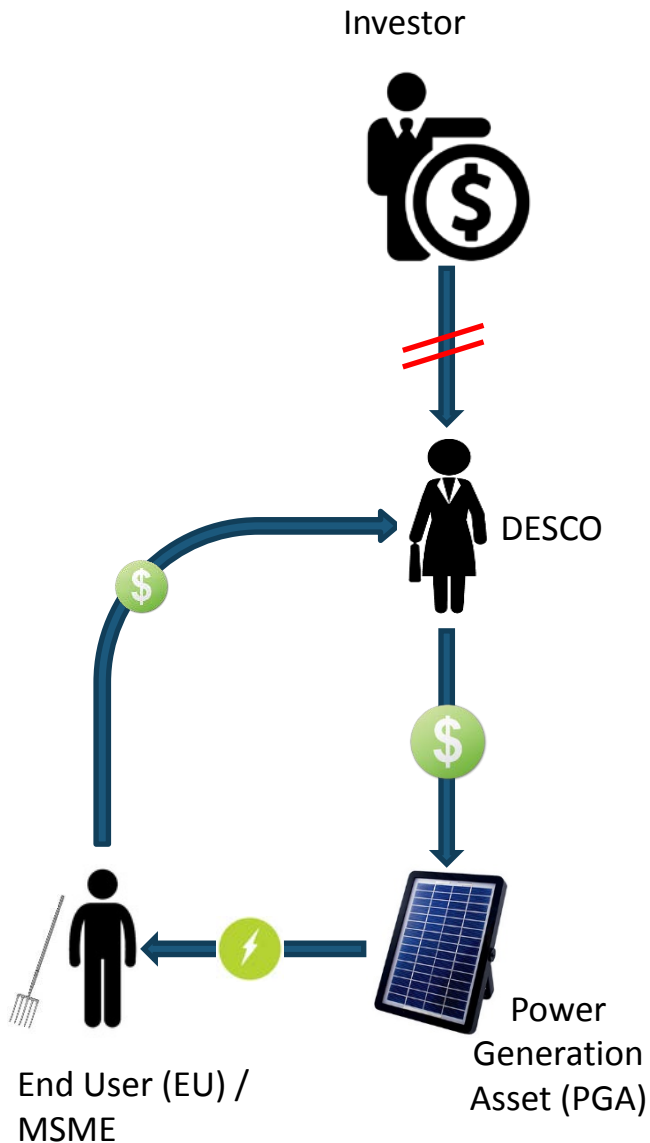
New energy companies provide partial solutions



Distributed Energy Services Companies (DESCOs)

- Provide small scale, on-site power generation solutions
- Revenue generating businesses
- Provide affordable electricity
- Use proven and clean technologies
- Residential and commercial end users

DESCOs cannot solve the problem alone



INVESTOR



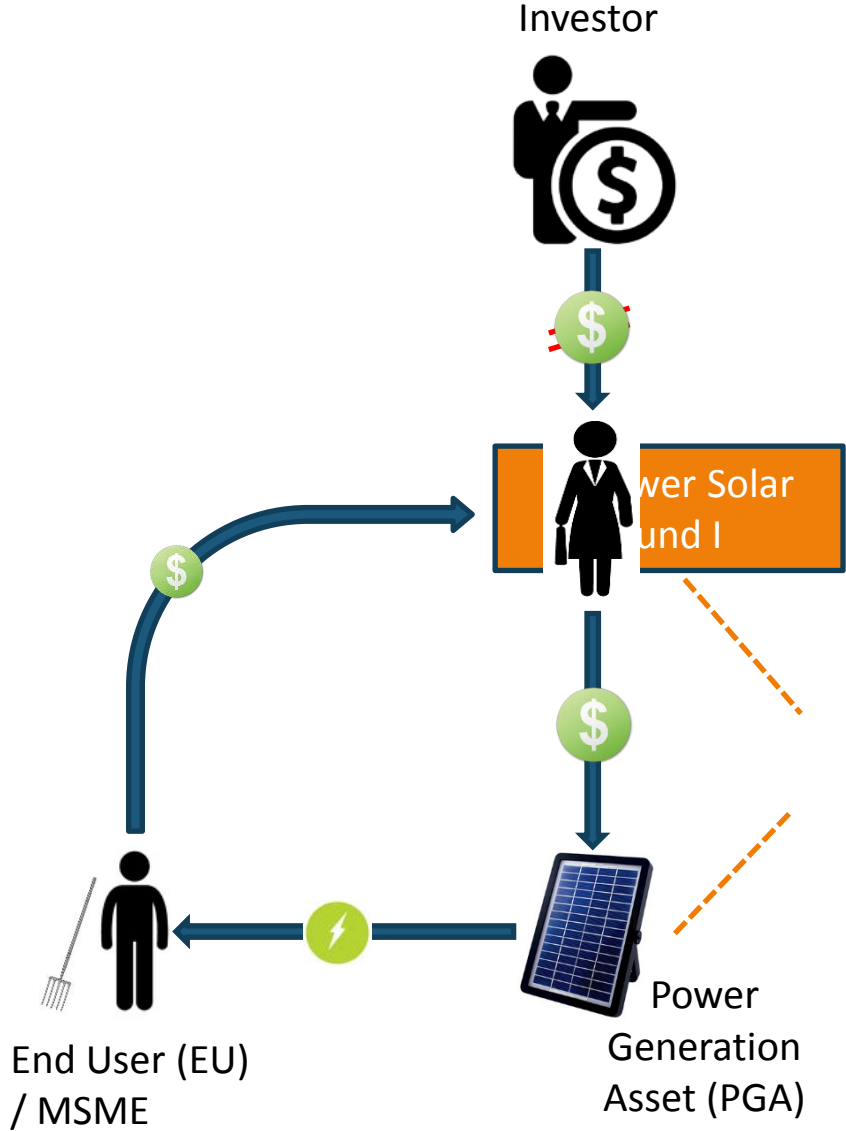
- Risk / return mismatch
- Limited access to emerging market renewable energy investments
- Difficult to diversify investments
- High transaction costs
- Information gaps

DESCO



- Limited internal resources slows ability to scale
- Unmet financing needs from donors, social investors and commercial banks
- Working capital constraints due to long sales cycle

EnPower Capital addresses the barriers to investment



EnPower Capital provides benefits to all stakeholders

INVESTOR

- Risk-adjusted attractive returns
- Diversified energy investments
- Access to due diligence & expertise



DESCO

- Increased access to financing
- Improved annual returns
- Release capital locked in assets
- Economies of scale and increased market access



END USER / MSME

- Increased productivity
- Access to clean energy
- Affordable energy through periodic payments



EnPower in Operation: Investment Example



A DESCO offering solar charging docks for electronics to micro-entrepreneurs in rural Tanzania.

100 End Users

Monthly Revenues: **US\$2.2K**

80% of assets in PGAs

Annual ROI: **19%**

EnPower Solar Fund I
US\$70K Investment in PGAs

>530 End Users

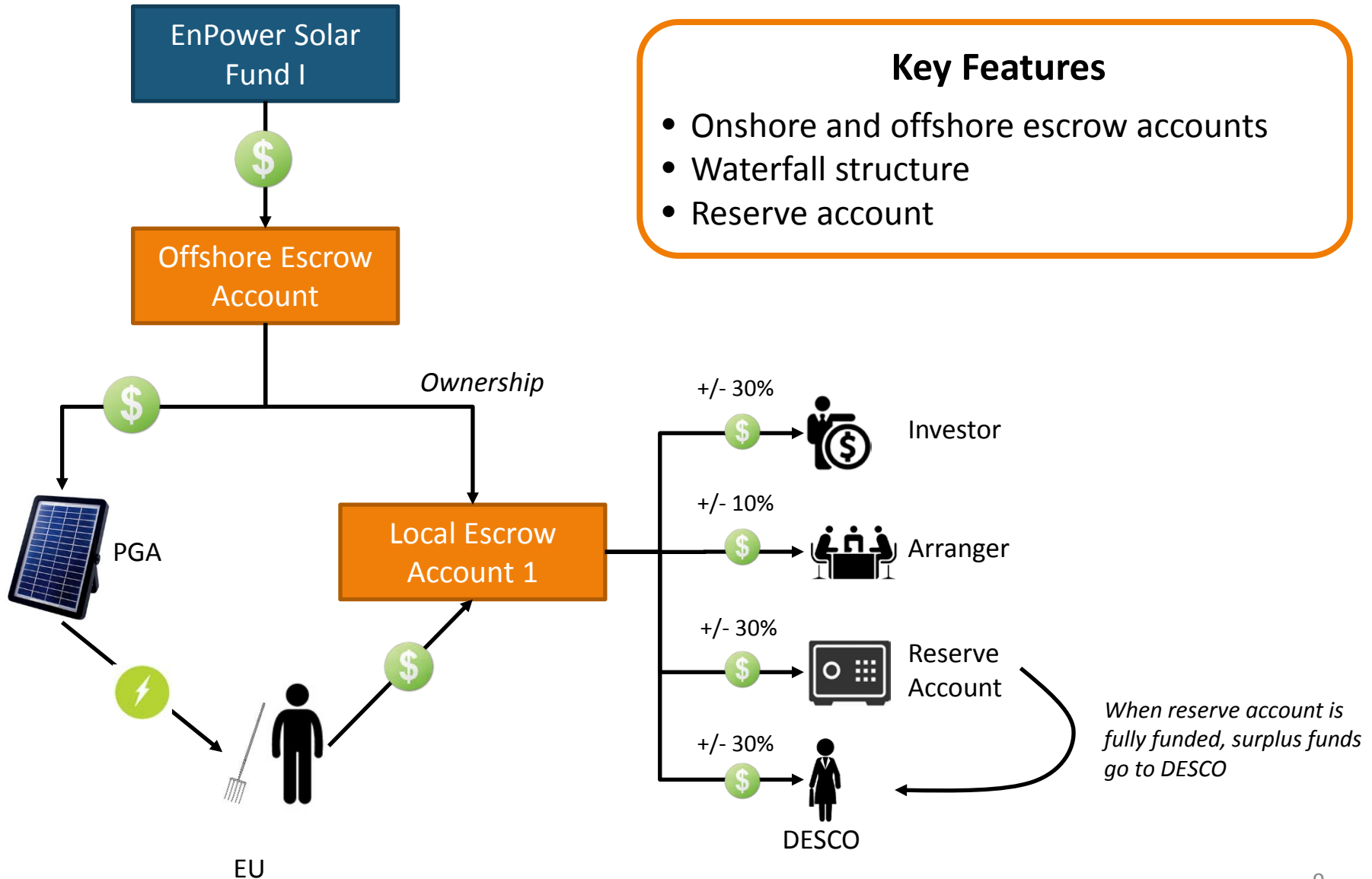
Monthly Revenues: **US\$3.5K**

0% of assets in PGAs

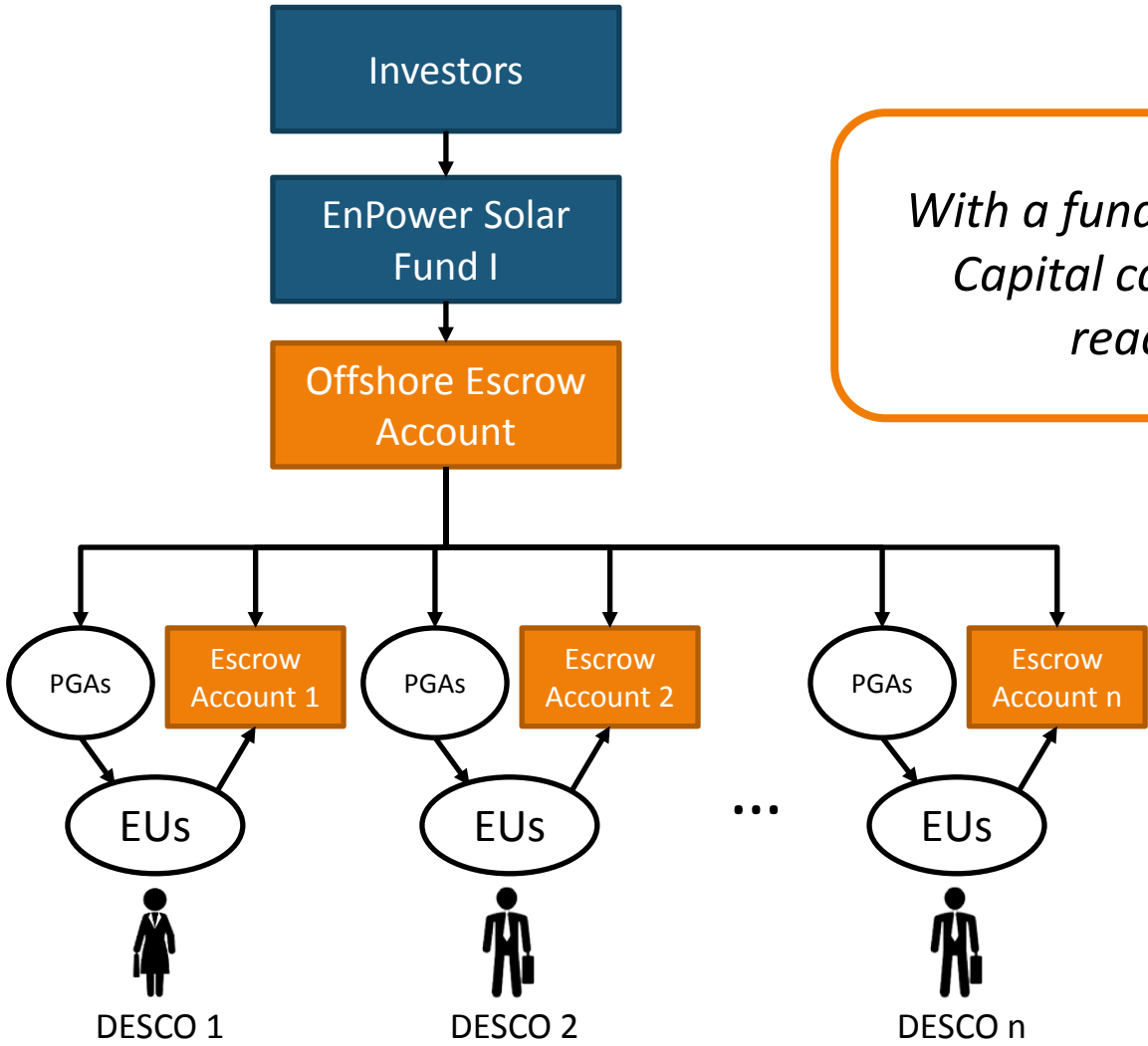
Annual ROI: **80%**

- DESCO's existing capital redeployed from PGAs to scale business
- EnPower Fund Gross IRR: 20%

EnPower in operation: Flow of funds



EnPower in Operation: Full Fund Structure



*With a fund size of US\$10M, EnPower Capital can support 25 DESCOS to reach **5,000 End Users***

EnPower Solar Fund I: Investment Criteria

Investment Size

Required capital: US\$50K – 1M

Geography and Sector

Operating in East Africa
Provide solar energy solutions for SMEs
Focus on rural and off-grid communities

Business Model

Recurring fees from end users

Current operating stage

Proven business model & existing technology
Initial user base
Sufficient potential EUs identified
DESCO growth stage

Management team

Strong track record and local knowledge
Desire to operate as a long term partner
Ethical and inclusive business practices

EnPower Solar Fund I: Summary and Returns

Fund name	EnPower Solar Fund I
Fund size	US\$10M called over 3 years
Geography	East Africa (Tanzania primarily)
Target Investors	Impact investors - Energy & SSA focus
Subscription amount per investor	US\$ 500K to 5M
Term of investment	7 years + 1 + 1
Payment structure	Quarterly coupons from year 2
Target IRR to investor	15-17%
Arranger Fees to EnPower Capital	10% of payments from End Users

Investment Risks & Mitigants

Risks	Mitigants
End User Delayed Payments or Default	<ul style="list-style-type: none">• Target MSMEs as End Users• Waterfall payment mechanism• Reserve Account• Target diverse EUs using mobile payments and co-guarantees• Explore development finance institution guarantees
Scalability	<ul style="list-style-type: none">• Different geographies and renewable technologies• DESCOS with strong local presence• Market currently underpenetrated – US\$75B need
Underperforming DESCOS	<ul style="list-style-type: none">• Proven business model• Robust due diligence process• Diversification – numerous DESCOS
Political	<ul style="list-style-type: none">• Offshore Escrow Account• Prioritize countries with relative political stability• Political risk insurance
Foreign Exchange	<ul style="list-style-type: none">• Hedging options explored

Potential Impact of EnPower Solar Fund I

Economic Impact

Annual impact on 5,000 MSMEs reached

Reduced lost sales due to electric outages

US\$1M

Increased productivity from using better tools

US\$3.5M

Increased productivity from longer working hours

US\$1.1M

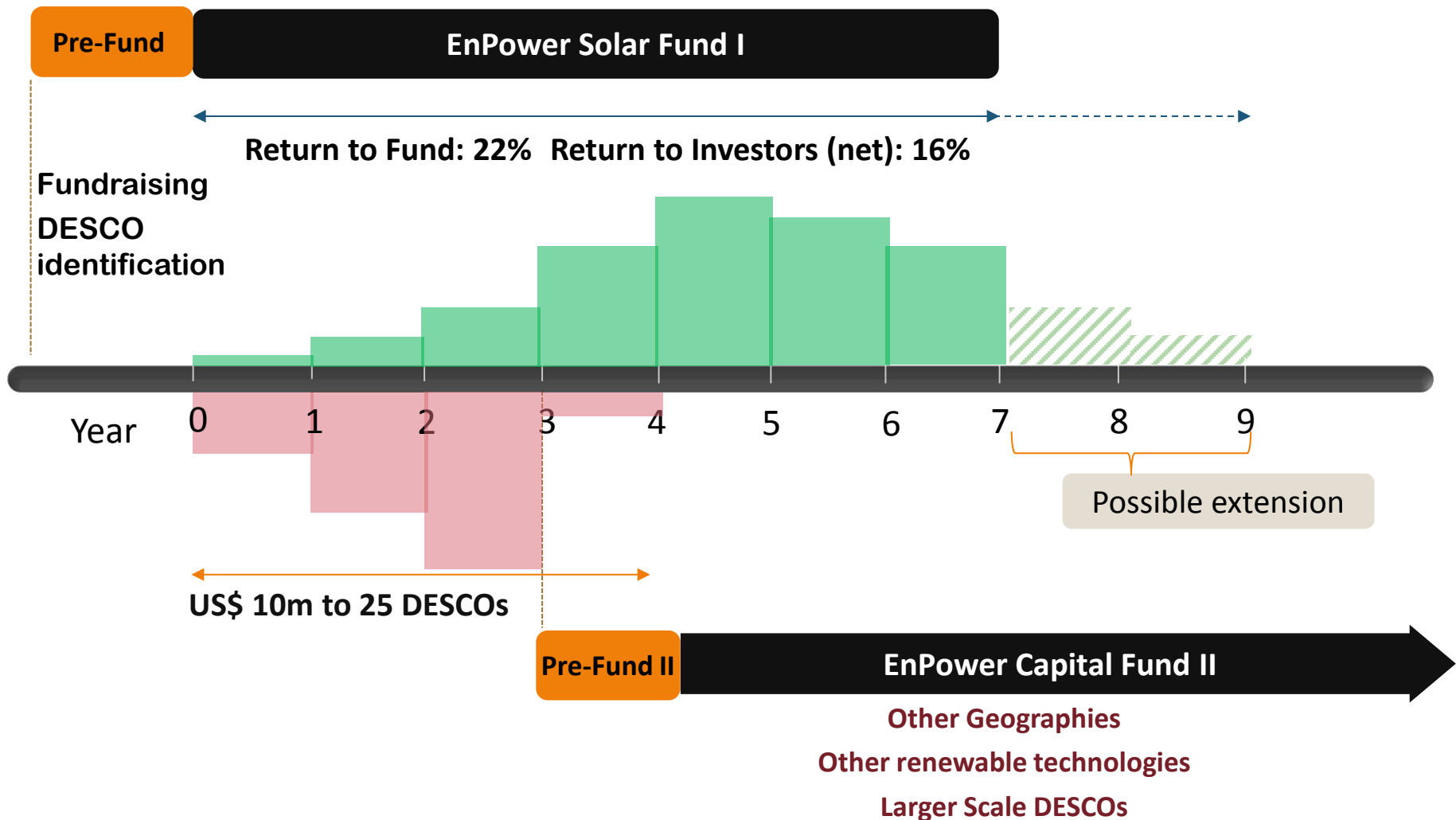
Social Impact

- Unlocks new business opportunities requiring energy
- Creates jobs at DESCOS in local communities
- Increases electricity availability for households

Environmental Impact

- Replaces diesel generators with clean energy
- Reduces use of solid biomass
- Creates momentum for growth of clean energy businesses

Implementation and Scale: Solar Fund I and Beyond



Through subsequent funds EnPower Capital expects to reach a scale of US\$50-100M in commitments within 10 years

Thank you from the EnPower Team



Radhika Gupta

Former emerging markets finance professional with six years' experience in structured finance, capital raising and syndications and transactional experience in power and infrastructure financings across Latin America and Sub Saharan Africa.



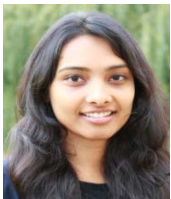
Elizabeth Swanton

Former management consultant with seven years' experience in operational improvement, corporate due diligence and public policy in the transport sector across multiple emerging markets and in non-profit program management in southern Africa.



Juan Pablo Mejia

Former investment banking associate at Credicorp Capital, with transactional experience across the energy industry, including power generation, transmission and distribution. In 2013 joined Plan International to work as volunteer on a mobile banking project to empower rural communities in Zambia



Amrita Kundu

Researcher with prior experience with the World Bank in public policy consulting and project management in sustainable energy and climate finance in Latin America and South Asia.