

# M-KOPA CONNECTS LOW INCOME HOMES TO AFFORDABLE SOLAR ENERGY - FAST!

**FOUNDED IN 2011, KENYA-BASED SOLAR HOME SYSTEMS PROVIDER M-KOPA HAS CONNECTED NEARLY 500,000 HOMES IN KENYA, TANZANIA AND UGANDA TO SOLAR POWER - ADDING OVER 500 EVERY DAY.** Two solar home systems are offered: an 8W system with three lights, mobile phone charging and radio, and a 20W system, which also includes a digital TV.

M-KOPA's products and pricing are designed specifically for low-income homes. For example, customers in Uganda pay UGX 1700 (about USD 50 cents) per day for one year in order to complete payment for their 8W solar home system. This is less than what they would have been spending on kerosene, batteries and candles.

Consequently, over 90% of customers are able to pay as scheduled. They are then able to build a positive credit score with the credit reference bureau and access a range of M-KOPA upgrade products. These include more lights, water tanks, smart phones and energy-efficient cook stoves.

M-KOPA can accurately forecast receivable cash flows (14-15 months duration) and match cash in- and out-flows in both timing and currency terms.

## Required: tailored financing products to support M-KOPA's regional expansion

responsAbility Investments AG is a leading asset manager in the field of development investments. One of its funds has provided M-KOPA with indexed loans in Uganda Shillings and Kenya Shillings, each amounting to USD 1 million. By matching M-KOPA's currency cash flows these loans strengthen M-KOPA's credit score.

responsAbility-managed funds have been providing local currency loans since 2005, predominantly working with currency hedging providers to minimize currency risks.



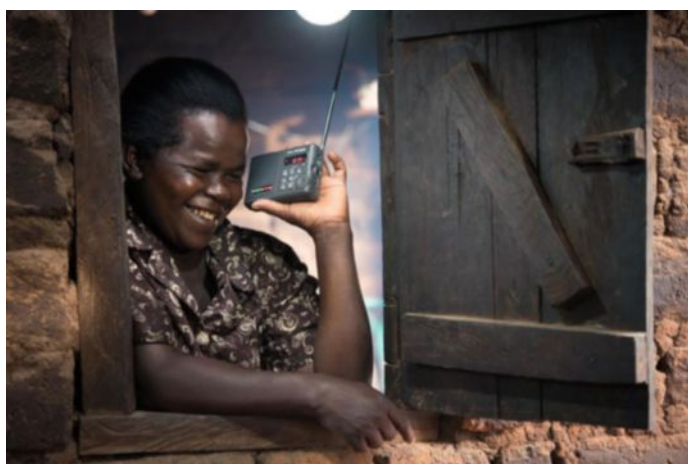
**MFX and TCX have supported responsAbility's local currency lending by offering currency hedging solutions when commercial products were not available.**

MFX is a specialist provider of currency hedging products for microfinance and SME finance which is now also actively supporting access to energy and renewable energy finance with its risk management products. MFX has worked with responsAbility since 2011, offering currency hedging contracts without collateral requirements, which reduced the liquidity drain on responsAbility's funds allowing them to devote more of their capital to their mission.

All responsAbility funds working with MFX have had to go through an outsourced due diligence and credit rating process. Additionally, all funds have an equity investment in MFX.

MFX passes on the currency risk to commercial counterparties in existing markets, or if such markets do not exist, to TCX.

TCX can offer hedges for currencies and tenors not served by the commercial market thanks to innovative macro-risk pricing tools and patient blended capital, including a first loss capital tranche provided by the German and Dutch governments, TCX pools currency risks of DFIs and specialized players such as MFX in a single fund. Risk pooling and global diversification significantly improves its risk-return profile compared to undiversified FX risk taking. Whenever possible, TCX partially shares the "easier" parts of its risk portfolio with the private sector.





**CHAD LARSON, CHIEF CREDIT OFFICER M-KOPA**

"We chose responsAbility for their pricing, but also the ease of doing business and flexibility on maturity date, covenants, and other critical structural items to make sure their loans fit well within our total financing package. We always found their process to be transparent and not burdened with unnecessary procedure. Plus – they have a strong Nairobi team, work quickly and are very responsive during the process. We absolutely can and will use them for future financings".



**STEFAN ISSLER, HEAD OF DIRECT INVESTMENTS, ENERGY DEBT FINANCING, AT RESPONSABILITY INVESTMENTS AG**

"We tailor our offer to our clients' specific needs. Working with hedging partners allows us to provide local currency financing without impact on the fund's risk profile."



**BRIAN COX, CEO MFX SOLUTIONS**

"To hedge renewable energy investments, we needed to explore new ways. Renewable energy funds, like EAF, will typically have access to MFX without any collateral. It was fairly easy to work with EAF since we know their business."

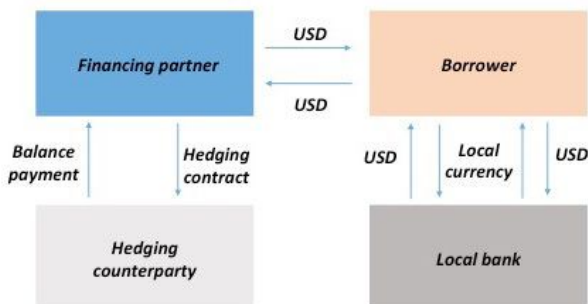


**RUURD BROUWER, CEO TCX**

"TCX helps to make renewable energy financially sustainable. New solar and mobile banking technologies, combined with innovative and well-priced local currency financing solutions will allow us to provide access to electricity to the poor rural population in the coming years.



**Indexed loans: how they work**



- The financing partner and the hedging provider close a hedging contract
- The financing partner provides a loan in USD to the borrower
- The borrower exchanges the USD for local currency at their bank at the day's exchange rate
- The borrower uses local currency as working capital
- When repayment is due, the borrower exchanges the same amount of local currency into USD at the day's exchange rate to repay the loan
- Due to fluctuating exchange rates, the USD amount is not the same
- The difference is made up by the hedging counterparty
- The financing partner receives the full agreed amount in USD