Are you Investor-ready?

FINANCIAL MODELING FOR C&I 101

21st November
10.00 AM CAT

Ruth Muthoni
Investment Associate

Andrew Githaiga
Investment Manager
C&I Financing 101
Become investor-ready today
Meet the team

Ruth Muthoni
Investment Associate, Odyssey Energy Solutions
Prior to Odyssey, Ruth worked as an analyst at Mirova SunFunder where she helped deploy two renewable energy private debt funds. She has also covered three private equity funds in the real estate sector. Ruth has a Bachelor's degree in Economics and Finance and is a CPA finalist and a CFA Level 3 candidate.

Andrew Githaiga
Investment Manager, Odyssey Energy Solutions
Prior to Odyssey, Andrew held a number of roles focused on deal origination, structuring and advisory in renewable energy. He was an Investment Manager at Trine, Head of East African Investing at Mirova SunFunder and Head of Medium Enterprise at Jamii Bora Bank.
Over 2,400 renewable energy companies use Odyssey to finance, procure equipment for, and operate their projects. The Odyssey platform houses the world's largest ecosystem of DRE stakeholders:

- $1.3B of available financing
- 40 financing programs
- 2,400+ renewable energy companies
WHO WE ARE
Odyssey supports DRE companies at every step of project development

1. Plan & Forecast
Odyssey’s free software allows you to estimate load, design & size systems, submit proposals to funders and monitor your assets.

2. Finance
Use the Odyssey platform to access over $1.3B of available capital from diverse sources for all types of distributed assets.

3. Procure
Odyssey Procure makes it easy for developers to find equipment quickly and cost-effectively, with the goal of making the sector more efficient.

4. Operate
Get real-time performance data and impact metrics with Odyssey's hardware and software that sits on top of distributed assets.
What is a Financial Model and why is it important?

Components:
- Assumptions and drivers
- Financial statements
- Sensitivity analysis
- Charts and graphs

Uses:
- Valuation
- Capital allocation
- Budgeting
- Forecasting
- Monitoring
- Capital raising
- Mergers and acquisition
What are the key components that go into a C&I financial model?
These are basic numerical assumptions that drive the model. In a C&I developer model, some of the key inputs may include assumptions pertaining to:

- Time
- Development and Operational costs
- Revenue | Pricing
- Energy generation
- Financing
- Others
This is where the logic of the model is built when coming up with projections. Other than headings and row titles in the calculation sheet(s), all cells should be formulae built up from numbers entered in the inputs sheet.

### Sample Calculation: Quarterly Revenue

<table>
<thead>
<tr>
<th>Row Name</th>
<th>Cell Workings</th>
<th>Cell Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (kWp)</td>
<td>(=\text{Average size per project (kW)} \times \text{No. of projects} ) =200 \times 60</td>
<td>12,000</td>
</tr>
<tr>
<td>Net energy generated (kWh)</td>
<td>(=\text{Capacity (kWp)} \times \text{Quarterly P90 yield} \times (1- \text{Quarterly Degradation Rate}) ) =12,000 \times 500 \times (1-0.125%)</td>
<td>5,992,500</td>
</tr>
<tr>
<td>Tariff (USD/kWh)</td>
<td>(=\text{PPA tariff (USD/kWh)} \times (1 + \text{Quarterly inflation rate}) ) =0.15 \times (1 + 0.75%)</td>
<td>0.1511</td>
</tr>
<tr>
<td>Revenue from customers (USD)</td>
<td>(=\text{PPA tariff (USD/kWh)} \times \text{Net energy generated (kWh)} ) =0.1511 \times 5,992,500</td>
<td>905,617</td>
</tr>
</tbody>
</table>
This is a conclusion of the model, which informs decision making. It gives an overview and summary of the numbers, and is customized to answer the fundamental business question of the end user/decision maker.

Examples of output materials:

- Financial Statements
- Investment KPIs
- Scenario and sensitivity analysis
- Visual dashboard of financial performance
What are THE MAIN OUTPUTS financiers are looking for?

- Income Statement
- Balance Sheet Statement
- Cash flow Statement
What are THE MAIN OUTPUTS financiers are looking for?

**Key Equity KPIs:**
Project IRR and NPV, Equity IRR, Return on Equity (ROE) and Multiple on Invested Capital (MOIC)

**Debt KPIs:**
Debt Service Coverage Ratio (DSCR), Loan-to-value (LTV), Debt-to-equity ratio (D/E) and ability to service reserve accounts such as the Debt Service Reserve Account (DSRA) and Maintenance Reserve Account (MRA)
What are THE MAIN OUTPUTS financiers are looking for?

Scenario and sensitivity analysis

This helps in evaluation of risks by showing the impact and magnitude of varying key risk inputs on key outputs.
What are common mistakes that developers make when putting together a financial model?

1. Not adhering to best practices of building a model
2. Building large, complex, and over-granular models
3. Building oversimplified models with insufficient robustness
4. Using overly optimistic assumptions
5. Not including historical results (if available) as a baseline for projections
6. “Hard-coding” non-input cells, making it harder to sensitise results
What are the different types of commercial capital that is available for C&I projects?

Financial Instruments

- Long Term
  - Long term loans
  - Bonds
  - Equity
  - Mezzanine

- Short Term
  - Inventory Finance
  - Guarantees
  - Letters of Credit

- Credit Enhancement
  - Insurance
  - Guarantees

- Int’l Banks, DFIs
- Crowdfunders
- Large asset owners, private funds
- Specialty funds, DFIs
- Local Banks
- DFIs, Insurance Cos
What can developers do to be investor ready?

Investment readiness is the process an entrepreneur undertakes to seek external capital. Below are some tips to help you present a compelling case to potential investors:

- Define the type of financiers most suited to your business
- Have an easy-to-share data-room
- Develop a compelling narrative
- Funds set aside for specialist advice like lawyers, accountants and tax experts
- Demonstrate the use of funds
- A healthy dose of patience
Distributed Energy at Scale
United States | Europe | Africa | Asia

www.odysseyenergysolutions.com

Link to sign up for the free modeling tools