



**PERSISTENT**

## Portfolio Quality and application of KPI

PAYGo FAR Workshop      Kigali,  
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## Principal at Persistent

- Graduate of Business & Economics (BA) and International Affairs (MA) with a focus on Accounting & Finance
- Prior background in venture building in Central Africa with focus on Finance and Logistics and in management consulting on major digital transformation projects in Europe
- At Persistent focus on providing expert advisory to investees as well as due diligence processes and internal knowledge building

## Interim CFO for off-grid PAYG company and IT solutions provider

- Operational mandates with portfolio companies as part of venture building approach to fill the skill gaps that exist in early-stage management teams. Typical areas of responsibility are financial management, fundraising and business development.

## My 3 points today:

1. *Know who your target audience is (lender, investor, management)*
2. *Measure performance of portfolio as indicator for quality*
3. *Transparent analysis is enabled by IT*



Different actors -  
different KPI  
requirements

## Lender

Should I lend funds  
to this business?  
Can the business  
repay the debt  
service?

Transparent analysis  
of expected  
cashflows – no  
comparative KPI's  
required

## Investor

Should I invest funds  
into this business?  
Does this business  
offer higher return  
potential than other  
opportunities?

KPI's to compare  
opportunities and  
estimate equity need

## Management

How can I improve  
my operational  
performance?

KPI's for analysing  
trends and  
benchmarking



## More vs. less meaningful KPIs

### Meaningful performance indicators

Return on assets in circulation	Measure of profitability that includes operations (net return) and product margins (gross return)
Cashflow from operations	Measure of need for equity
Utilization rate of assets	Measure of portfolio quality - can be complemented with churn indicator

### Less meaningful performance indicators

Churn	Efficient companies can have a high churn and high utilization rate
PAR values	The PAR values is less meaningful without a transition matrix that indicates probability of default and loss given default and also influenced by growth stage of the company.
Default rates	Not clear what that means, high default rates are not the end of days if systems can be effectively repossessed and redeployed.



## Raising debt doesn't require KPIs

### Would you lend to a business if:

The business can pay the debt service from portfolio cash flows.

**Measure:** Projected cash revenue exceeds debt service.

The performance of the portfolio is not dependent on its growth; growth doesn't mask problems in the portfolio.

**Measure:** Utilization rates are stable or improve.

The business has enough equity (or access to additional equity) to finance losses from operations after debt service.

**Measure:** Equity or access to equity exceeds losses from operations after debt service.

The business key performance measure for portfolio quality is stable, not volatile.

**Measure:** Volatility of utilization rate is low.



## Portfolio quality from an investor's point of view

### Portfolio quality has an impact on investment decision and success

Portfolio quality impacts...

...Equity need until cash breakeven is reached

...(expected) Performance of the portfolio (independent of growth)

**How to analyze:**

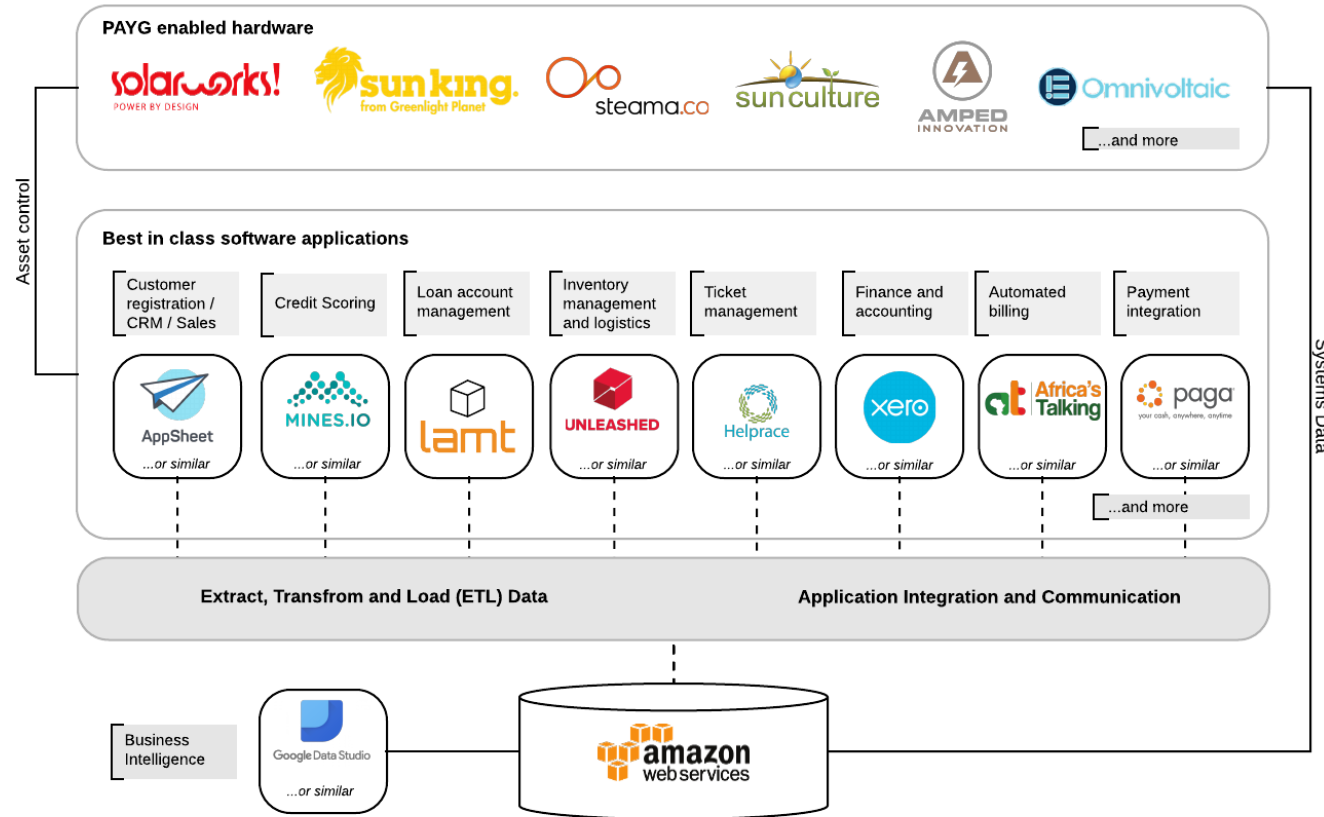
- **Performance:** Cashflow from operations
- **Risk:** Gross return potential *ideally risk adjusted present value of receivables over assets in circulation*
- **Borrowing capacity**

**Measure performance:** Return on assets in circulation

*Measure of profitability that includes operations (net return) and product margins (gross return)*



# KPIs enabled by IT



Application networks can provide real time data generated by various applications used within a business.

*Application networks enable (big) data.*



# KPIs

## Comparing PAYG companies



<https://www.persistent.energy>

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[PDF file](#)

The toolkit enables analysts to compare PAYG firms.

The Toolkit enables the measurement of financial performance of any PAYG business evaluating outputs (i.e., return) in relation to inputs (i.e., capital).

Companies can use this toolkit to prepare for the questions they will be asked by investors who try to benchmark the business.

Some of the measurements can provide the basis for an analysis required to raise debt.





## Who is Persistent

We believe that building commercially successful businesses is the best approach to improving livelihoods of people in underserved markets.

We believe that building businesses which provide clean energy is the best approach to fighting climate change.



## Two components of the venture building approach

1) Persistent provides **seed equity capital** to finance initial ramp-up.

2) Persistent is a platform of experienced and skilled professionals that if required can provide deep operational support through **interim executive mandates**.

- Purpose is to fill the skill gaps that exist in early-stage management teams.
- Persistent professionals know the business model and have “skin in the game”.
- Typical areas of responsibility are financial management, fundraising, legal advisory, IT infrastructure, marketing, business development, and technology.

→ Active operational support helps de-risking the critical path to profitability.

**Track record:** Deep expertise in the Sub-Saharan African off-grid sector.

- Provided seed capital to 15 distribution businesses in 16 countries.
- Successfully exited 2 companies.



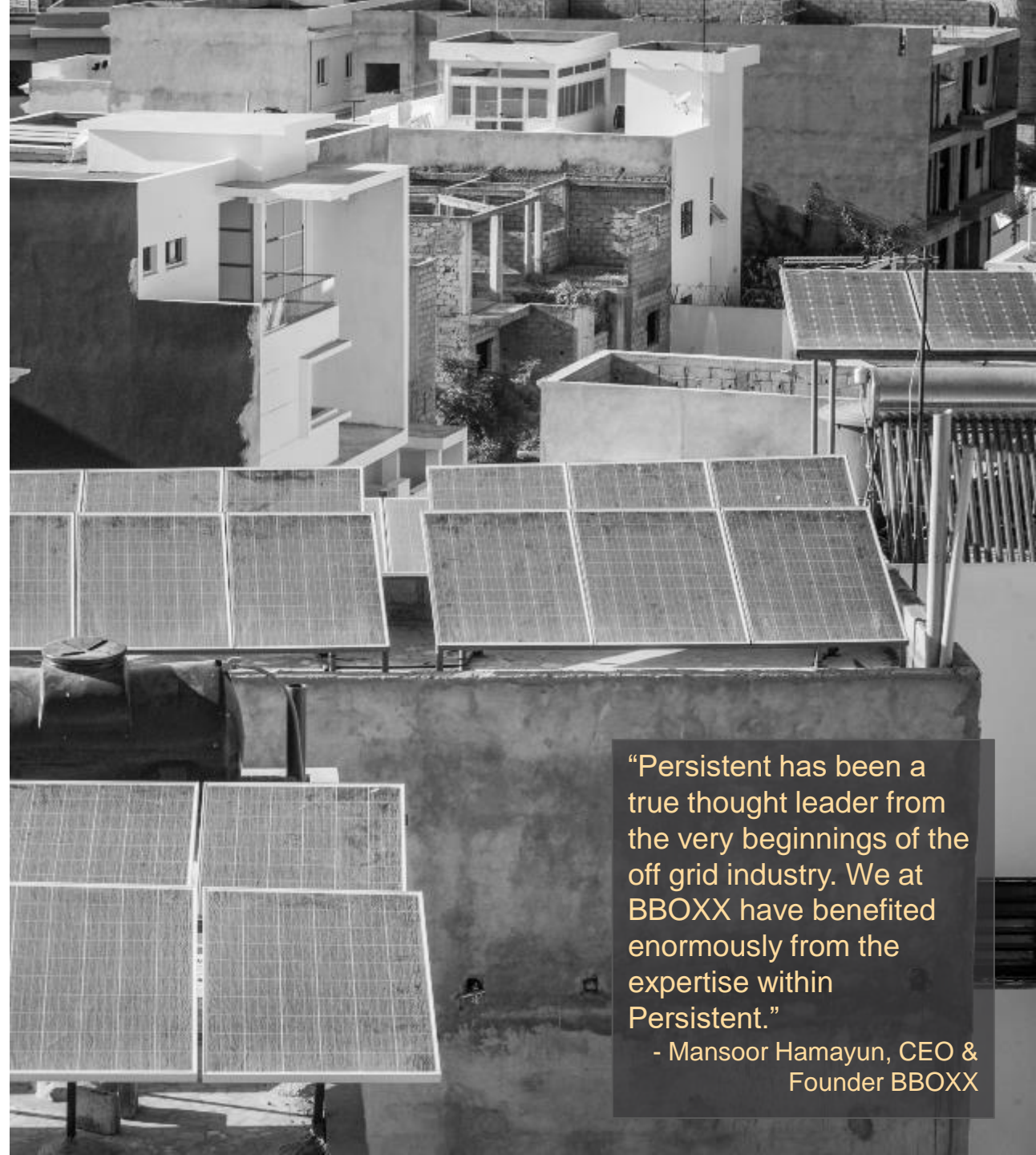
**PERSISTENT**

Persistent builds impact ventures in underserved markets.

We provide deep operational and strategic support to exceptional entrepreneurs.

Our investments generate attractive financial, social and environmental returns.

[www.persistent.energy](http://www.persistent.energy)  
Lagos | New York | Zurich



“Persistent has been a true thought leader from the very beginnings of the off grid industry. We at BBOXX have benefited enormously from the expertise within Persistent.”

- Mansoor Hamayun, CEO & Founder BBOXX