SunFunder
Unlocking beyond the grid solar finance

Scaling finance for energy access: syndicating deals between multiple lenders

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About SunFunder

SunFunder is a specialist provider of working capital, structured finance and other debt to the off-grid, mini-grid and C&I solar sectors.

- $40 million unlocked
- Over 90 transactions completed
- Less than 1% default rate
The sector’s debt financing needs

- Debt makes up around 30% of the $470m closed by pay-as-you-go solar companies...

...now demand is growing for double-digit debt facilities

Source: Bloomberg New Energy Finance.
Why is the sector ready for this?

Growing debt capacity

- Exceeding some lenders’ capacity / appetite
- May make “initial ask” for new lenders more difficult

Funder / debt management complexity

- More debt arrangements = more management time
- Mismatched debt can reduce company financeability
Syndicated loans

- Defined as a loan offered by a group of lenders (the syndicate) for a single borrower
- Typically led by an “arranger”, who pitches for, and negotiates with, the borrower
- Arranger establishes the basic terms of the facility and launches the transaction to a group of “participants” who will join to form the syndicate
Syndicated loans (cont.)

- Well established in developed markets
- Defined standards make loan process easier for both borrowers and lenders
  - LSTA (US)
  - LMA (EMEA)
What does off-grid solar syndication look like?

Short term outlook

- Typically hard currency deals, though increasingly local currency is possible for some lenders
- Limited numbers of investors
- Individual due diligence
- Significant management involvement still required
- Little/no bank involvement
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**Medium term outlook**
- Multicurrency deals
- Group of “industry experts” leading deals and driving due diligence process to develop information memoranda for investors
- Streamlined debt raising process
- International and local bank involvement
What are the bottlenecks?

- Investor education
- Concurrent competitive / collaborative relationships between investors
- DFI requirements around security and seniority that can discourage other investors
- Educating borrowers on the value proposition of syndicated loans
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