

USD 127 million Social Impact Securitization Vehicle for Off-Grid Solar Sector in Kenya

BLK1 has increased the size of its local currency receivable financing facility for d.light's Kenyan business to USD 127 million with an additional USD 15 million of senior debt from Norfund.

The expansion sees Norfund join DFC as a senior lender in the BLK1 structure, which is a local currency impact financing vehicle dedicated to providing d.light's Kenyan PAYGO SHS business with access to on-going, flexible and sustainable receivables funding.

Nairobi, Kenya, 21 January, 2021 - Solar Frontier Capital Limited (**SFC**), a wholly-owned subsidiary of African Frontier Capital (Mauritius) LLC (**AFC**), d.light design Inc. (**d.light**), a leading global innovator of solar energy products and **Norfund**, the Norwegian Investment Fund for Developing Countries, have jointly announced the expansion of Brighter Life Kenya 1 Limited (**BLK1**). The expansion sees Norfund join the United States International Development Finance Corporation (**DFC**), who acted as the original cornerstone senior lender, in the structure as a co-senior lender.

BLK1 is an off-balance sheet financing vehicle that is dedicated to acquiring pay-as-you-go (PAYGO) Solar Home System (SHS) accounts receivables from d.light's Kenyan subsidiary, d.light Limited (**d.light Kenya**). It has been set up to provide the company with flexible, working capital to finance its continued growth. As a social impact venture, the newly expanded BLK1 is expected to finance the provision of:¹

- improved energy access and financial inclusion to 1.9 million people living off-grid in Kenya;
- The creation of USD 88 million of additional income for the Kenyan economy and its consumers; and
- Over 600,000 tons of greenhouse gases saved.

BLK1 has been structured to provide d.light Kenya with local currency financing (up to the Kenyan Shillings equivalent of ca. USD 127 million in face value of receivables purchased²) over a two year commitment period and is intended as the first in a series of vehicles designed to provide d.light with continuing access to sustainable and affordable local currency receivable financing.

Part of BLK1 is being financed by a senior debt facility with USD 20 million of commitments from DFC and USD 15 million from Norfund³. SFC acts as the subordinated lender and the master servicer under the transaction and, more generally, as sponsor of the structure.

Commenting on the transaction:

- **d.light CEO Ned Tozun** said, "We are excited to announce that Norfund has joined the Brighter Life Kenya funding structure which we have in partnership with SFC. BLK1 provides us with the flexible local currency receivable financing we need to make our Kenyan business sustainably cash flow positive. Being cash flow positive is a key metric of business sustainability and will enable us to grow and to impact many more lives in Kenya for the long term."
- "As a long-term equity investor in d.light, Norfund has been impressed with how d.light has given millions of people access to clean energy. Access to flexible and affordable working capital is vital for the company to continue its impressive growth. We are pleased to be part

¹ As per standardized GOGLA metrics (<https://www.gogla.org/impact/calculator>)

² USD denominated senior debt is being hedged by BLK1.

³ Purchase of receivables is financed by senior debt, subordinated debt, first loss tranche and internally generated cash flows

of the solution for d.light in securing suitable financing through this novel financing structure for d.light and the sector as a whole” said **Mark Davis, Executive Vice President for Clean Energy in Norfund**.

- “DFC is pleased to have Norfund leverage DFC’s original facility and join this innovative structure that expands affordable clean energy to more than a million Kenyans living in off-grid communities,” said **DFC Vice President for Structured Finance & Insurance Tracey Webb**. “Despite challenging macroeconomic conditions, to date the facility has proved resilient and has performed within or even above the original projections. The addition of Norfund brings further validation to the receivables financing strategy and we greatly look forward to working with them, d.light and AFC.”
- **Eric De Moudt, founder and CEO of AFC**, remarked that, “We are excited with the success of BLK1 to date and delighted to be partnering with d.light, as a leading innovator in the distributed energy access sector, and DFC and Norfund, as leading investors in the sector on this high impact receivables financing structure. We look forward to continuing to support d.light with on-going access to affordable and sustainable financing for its mission to impact so many lives in Kenya and around the world.”

About d.light

Founded in 2006 at Stanford, d.light is a global leader in solar energy, dedicated to providing the most reliable, affordable and accessible solar lighting and power systems for people living in the developing world. d.light provides distributed solar energy to households and small businesses in 70 countries, impacting the lives of over 100 million people. Our mission is to transform 1 billion lives with sustainable products. For further information about d.light, visit: <https://www.dlight.com> & follow us on twitter.com/dlightdesign & <https://www.facebook.com/dlightdesigninc>. You can also get in touch with us on media@dlight.com.

About Norfund

Norfund is the Norwegian Investment Fund for developing countries. Our mission is to create jobs and to improve lives by investing in businesses that drive sustainable development. Norfund is owned and funded by the Norwegian Government and is the Government’s most important tool for strengthening the private sector in developing countries to reduce poverty. Norfund’s committed portfolio totals 2,8 billion USD with direct and indirect investments in more than 1,000 companies in Sub-Saharan Africa, South East Asia and Central America. Norfund has four investment areas: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure. Investments in Clean Energy account for about 50% of the portfolio and 50% of the portfolio is in Sub-Saharan Africa. For more information, please visit www.norfund.no

About SFC

SFC was established in 2017 by AFC as a dedicated impact investment vehicle to provide working capital financing to PAYGO off-grid SHS distributed energy companies. SFC’s approach is centered on acquiring pools of accounts receivable (AR) from PAYGO companies, thereby monetizing future cash flow streams and allowing the operators to grow sustainably. The company was established with

support from USAID's Scaling Off-Grid Energy (SOGE) Partnership Program, which aims to extend energy access to 20 million households across sub-Saharan Africa by 2030. SFC is an awardee of the SOGE Grand Challenge for Development (2017) grant program which is a global partnership of USAID, Power Africa, Shell Foundation, UK's Department for International Development (DFID), and the African Development Bank. For further information, visit <https://africanfrontiercapital.com/solar-frontier-capital.html>. To get in touch, please email us on info@africanfrontiercapital.com.

About DFC

U.S. International Development Finance Corporation (DFC) is America's development bank. DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. We invest across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. DFC investments adhere to high standards and respect the environment, human rights, and worker rights.

Advisors

AFC was advised by:

- Allen & Overy LLP's London Securitisation team as lead counsel on the transaction;
- Allen & Overy LLP's London and New York Securitisation teams as to matters of, respectively, English law and New York law;
- Kaplan & Stratton, Advocates Kenya as to matters of Kenyan law; and
- Walkers (Jersey) LLP as to matters of Jersey law.