

Funding Your ISP: Capital for Connectivity

BOF Presentation for



Connectivity
Capital 

February 2019

Context



A Little About Me: Jim Forster

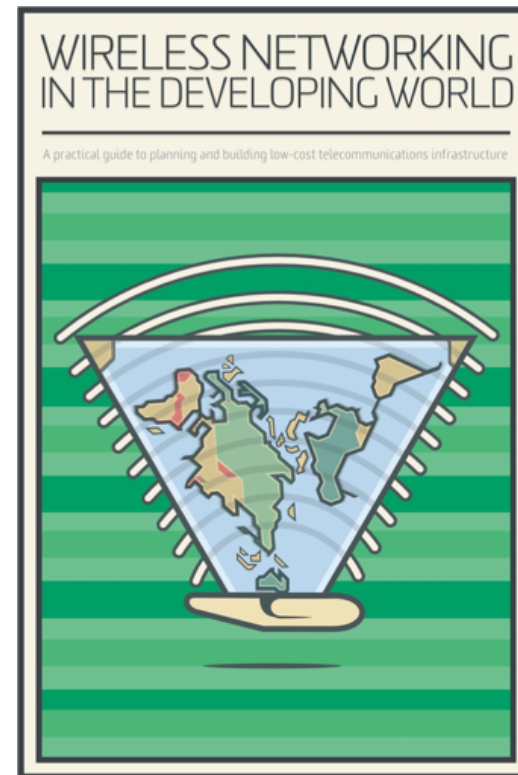


Contributing author of
Wireless Networking in the Developing World.
Over 2M+ downloads in seven languages.

Key Experiences

30+ years in Networking

- 20 years at Cisco. Distinguished Engineer
- 10+ years investing in ISPs in Africa, India
- More info at: INIHoldings.com



ISP Investments

- India: AirJaldi



- Kenya: Mawingu



- South Africa: Too Much WiFi



- Tanzania: Habari Node



- Malawi: CTN

Key Takeaways from this BOF

Problem Statement:

ISPs thrive on economies of scale. Large companies can borrow money (and often do). However, it is very difficult for small and medium companies to do so as hard assets required and fees are required.

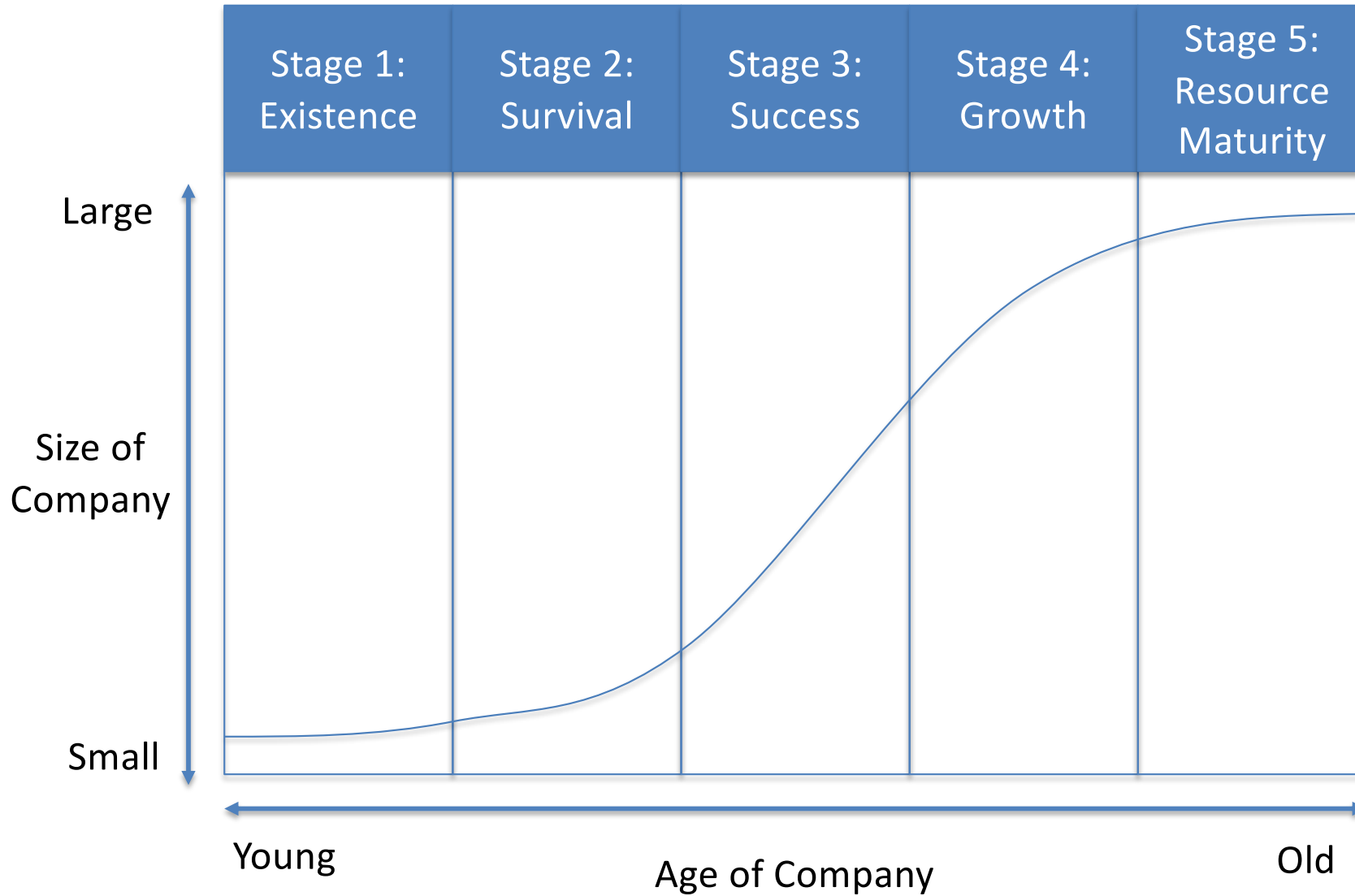
Leave today with two questions in mind:

1. What are my specific financing needs?
2. What are the key considerations for different financing types?

What is capital for “growth”?

It depends on where you are in your company lifecycle

Five Stages of ISP Growth



Five Stages of ISP Growth

Stage 1: Existence	Stage 2: Survival	Stage 3: Success	Stage 4: Expansion	Stage 5: Resource Maturity
<i>Sweat Equity</i>	<i>Initial Traction</i>	<i>Equity Investment</i>	<i>Takeoff</i>	<i>The Big Leagues</i>
<ul style="list-style-type: none"> • Trial network up • > 3 people • > 50 Mbps 	<ul style="list-style-type: none"> • Traction with >100 customers • 1-3 POPs • > 100 Mbps 	<ul style="list-style-type: none"> • 100-300 customers • 5-10 POPs • > 250 Mbps 	<ul style="list-style-type: none"> • 300+ customers • Cash flow positive • > 500 Mbps 	<ul style="list-style-type: none"> • Fully operational business units • >1 Gbps+
<ul style="list-style-type: none"> • Grind away 	<ul style="list-style-type: none"> • Angel / Friends & family investment • Possible grant Funding (ISOC, ISIF, Community Networking) 	<ul style="list-style-type: none"> • Early stage equity 	<ul style="list-style-type: none"> • Growth capital through loans • Equity investments from institutional investors 	<ul style="list-style-type: none"> • Access to multinational lenders • Multinational equity investors

Financing Network Expansion

Key questions to consider:

1. Where are you at in your company lifecycle?
2. What type of control are you willing to give up? Information, governance, shares?
3. What is the true cost of capital? Transaction cost, control, and cost of capital.

Rule #1: – “Sales is the cheapest form of financing”

Grants vs Debt vs Equity

	Grants	Equity	Debt
Stage	Early (Stage 1-3)	Early & Growth (Stage 2-5)	Growth (Stage 3-5)
Pros	<ul style="list-style-type: none"> • Non-dilutive • Risk-tolerant 	<ul style="list-style-type: none"> • No interest payments • Long term expectation 	<ul style="list-style-type: none"> • Non-dilutive • Fixed length
Cons	<ul style="list-style-type: none"> • Cyclical Availability • Reporting Requirements • Restrictions on use 	<ul style="list-style-type: none"> • Dilutes Ownership • Liquidity Expectations 	<ul style="list-style-type: none"> • Repayments • Interest

Trade-offs: Economics - Control - Transaction Costs

The Financing Process



Key Considerations for financing:

1. How much information do you want to share?
2. What is your capital needs and expansion timeline?

Needs Analysis: What, Why, When, Where, How...

WHAT: My growth objective is....

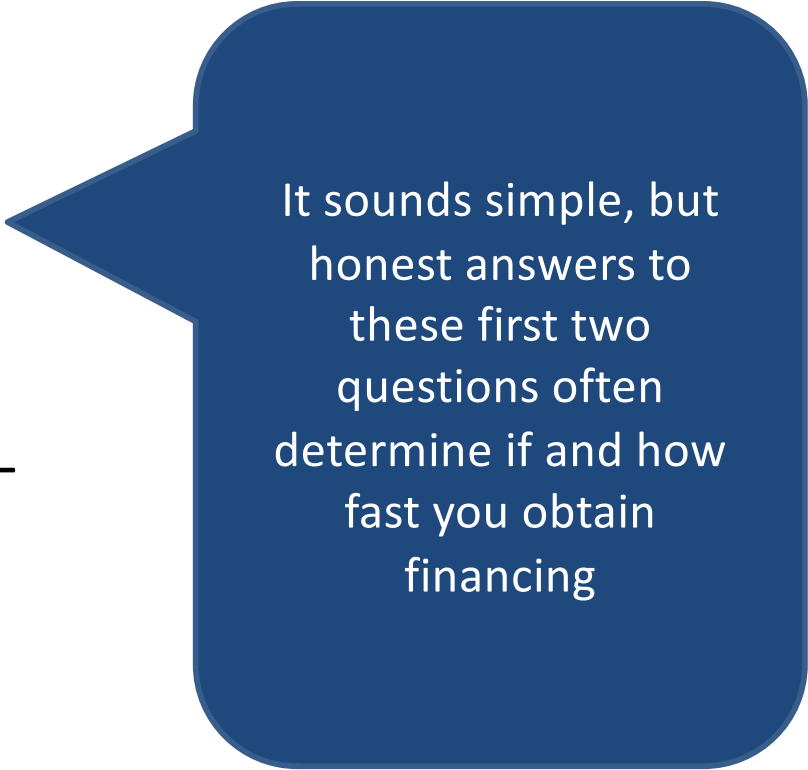
What are you financing?

- Operational losses
- New network expansion
- Customer equipment
- Etc.

WHY: my ISP's goals for the next 18-36 months are...

WHEN/WHERE/HOW:

- This is the network planning/value engineering/spreadsheet part



It sounds simple, but honest answers to these first two questions often determine if and how fast you obtain financing

ISP Performance Metrics

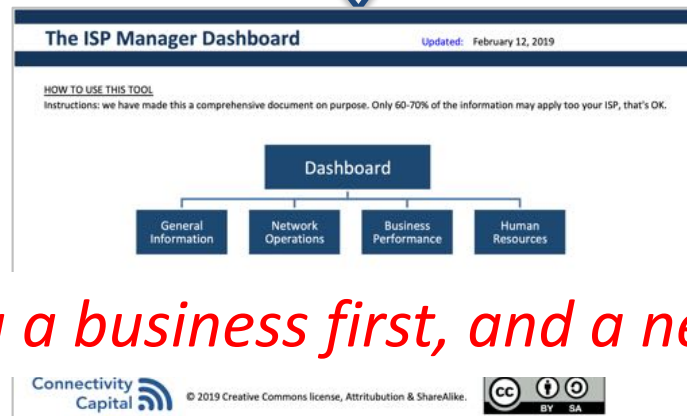
Networks Operations

- Monitor network performance
- Ease of tracking against benchmarks and milestones
- Expansion planning and value engineering
- Cost schedules & use of funds

Common Terminology
Transparent Calculations
Reduce Time to Close

Financial

- Cashflow from operations
- Growth performance vs plan
- Ability to test different repayment scenarios
- Interest rate, collateral, and covenants



You're running a business first, and a network second

Connectivity Capital: Loan Criteria

STAGE: Established ISPs with expansion plans

GEOGRAPHY: Global, with near-term focus on Sub-Saharan Africa & South Asia

LOAN TERMS:

- ⇒ \$200K to \$2M USD loans
- ⇒ Term up to 36 months
- ⇒ Flexible ISP-specific collateral arrangements

LOAN REQUIREMENTS:

- Over 2 years of operations
- Strong management team
- Minimum annual revenue of \$250,000
- Documentation:
 - Audited financials or management accounts
 - Identified use of funds and CapEx plan

Connectivity Capital
Debt capital to connect the next half of the world

PRODUCT: Debt financing
FOCUS: Internet Service Providers (ISPs)
STAGE: Established ISPs with expansion plans
USE OF FUNDS:

- Working capital
- Equipment purchases &
- CapEx investments in network expansion

GEOGRAPHY: Global, with near-term focus on Sub-Saharan Africa & South Asia
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Debt capital to expand Internet access in frontier markets

BACKGROUND
Connectivity Capital invests to expand access to the Internet in frontier markets. We are a sector-focused investment management firm providing debt capital to Internet Service Providers (ISPs) and communications technology companies. We identify, invest in, and partner with market leading ISPs and communications technology companies that share our passion for providing affordable, reliable, and high-speed connectivity.

OUR PROCESS
As an entrepreneurial business, we know the potential frustrations of dealing with traditional financial institutions governed by inflexible rules and overly prescriptive terms. It's why we developed an innovative and tailored alternative finance solution specifically for ISPs; to better enable your company to grow and let you focus on your business:

Qualification → Needs Analysis → Underwriting & Funding

Complete a short loan inquiry form to get pre-qualified. → We identify financing options based on your objectives. → Our team is there to guide you every step of the way.

WHY WE'RE DIFFERENT?
Sector-Focused. As a sector-focused investor, we understand the unique capital needs of ISPs and connectivity companies. Our sector-specific approach allows for better understanding of risk and enables us to work with companies to provide right-fit financing solutions.
Expansion Capital. We provide debt financing to companies with a proven track record. We look for ambitious teams that understand both the technical and commercial challenges of expanding a network. We work in partnership to develop unique CapEx plans and provide the necessary financing for growth.
Impact-at-Scale. We partner with like-minded companies that share our passion for expanding access, quality, and affordability of connectivity. We believe that a customer centric approach is necessary to achieving impact at scale.

READY TO GET STARTED? Visit us at ConnectivityCap.com/getstarted

Connectivity Capital Asian Activities

Objective

Expand the types of capital available for ISPs to grow

Criteria

1. At least 2 years of operations
2. Minimum annual gross turnover of \$250,000 USD
3. Audited financial or management accounts
4. Hold appropriate licenses and memberships

Focus Geographies

Indonesia, Philippines, Myanmar, Bangladesh & Sri Lanka

Apply online: [Connectivitycap.com/Getstarted](https://connectivitycap.com/Getstarted)



For more information
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