

Blue Power Solutions - Executive Summary

The Business Opportunity

South Africa's energy needs for domestic, commercial and industrial purposes have historically been met by the monopolistic, state-owned Eskom, a utility which provides power generation, transmission and distribution (although some municipalities such as the City of Joburg and City of Cape Town purchase electricity from Eskom and distribute it directly to their customers). Rapid growth in South Africa's economy in the 2000s combined with the electrification of previously unsupplied areas placed Eskom under pressure. Current demand plus neglected, failing infrastructure means that frequent planned power outages to limit capacity, known as load shedding, are a regular occurrence. The need to repair and replace infrastructure on a national scale has also driven the price of grid-based electricity higher, with further increases inevitable.

Meanwhile, renewable energy, including solar, is becoming more affordable and more attractive, and within the reach of the small business or domestic consumer. The market has seen a proliferation of installers and electricians offering solar PV solutions, of varying quality.

The Opportunity

Blue Power Solutions (Pty) Ltd (BPS) is a micro-Independent Power Producer (IPP) providing smart monitored and controlled alternative electricity solutions. This allows residents, owners and tenants to manage their own power for residential and office/commercial properties according to their specific needs. BPS will educate and provide guaranteed outputs, 100% uptime and no load shedding downtimes, at a fixed cost lower than their current electricity provider, with a targeted cumulative supply of over 27GWh per annum from 5,197 properties.

The Target Market

The target market for our renewable energy solutions comprises households in Socio-Economic Measure (SEM) levels 8-10, i.e., the 20% of South Africans who earn more than R10,000 (c.\$690/€578) per month. Nearly 15% of them earn more than R40,000 (c.\$2,760/€2,312) per month. Although many in this income bracket can afford to pay for a solar installation in one payment, they are more likely to seek to reduce monthly outgoings and will find the BPS solution well suited to their requirements.

Our Products and Services

BPS offers a single point of contact micro IPP to the customer, providing a range of renewable energy products from manufacturers, suppliers, installers and electricians. We initially provide a 2kWh and upward, grid-tied solution with battery backup for a fixed monthly fee. The BPS IPP plan boasts an innovative financial structure that uses business intelligence modelling to build a profitable product proposition that will increase clients' property values and is fully transferable.

Our Marketing and Sales Strategy

Phase 1 - BPS aims to create a working database of 5,197 households from an initial target of 90,000 prospects approached of which 157 will convert in the first year to completed contracts and installations at an estimated onboarding rate of 13 per month. We will use Google Ads and a CRM strategy to reach

prospective customers in SEM 8-10, with a conversion rate indicated by Google data of 6%. The CRM strategy will also exploit other opportunities within social media platforms and advertisements on Unified Messaging Platforms and mobile media using interstitials (an advert that appears while a chosen website or page is downloading).

Phase 2 – BPS will extend its working database to include lower SEM groups and community-based projects utilising the leverage and profitability of phase 1 to empower, educate, train and develop entrepreneurs including women to drive and work closely within United Nations Sustainable Development Goals (SDG).

BPS invites suitable investor companies to assign technical and entrepreneurial candidates to work under the guidance and mentorship of the BPS board of directors. BPS’s role will be to work with the companies and their investors to assist and achieve significant growth of their capital in South Africa whilst at the same time using the BPS projects to provide working experience and skills for young entrepreneurs.

Share allocations will be issued to the investors who will appoint a CEO designate to take over the reins of the business after 5 years into the 15-year project. The persons assigned will work as core members of a dynamic team; consulting and advising. BPS has defined and will further develop the market opportunity once funding is secure. BPS is proud to announce two key objectives to generate value for a market segment that has a strong need for entrepreneurial support and business development.

United Nations – 17 x Sustainable Development Goals



The Competition

The competitor landscape for small-scale renewable energy solutions might seem to be crowded, however many companies allocate their time for tenders to the limited number of large-scale REIPP Government projects. Competitors are both direct and indirect, comprising local resellers, electricians and installers, DC installers and companies involved in import and distribution. Some competitors will also be our suppliers. Renewable energy solutions for the residential and SMME market is made up of several functions, e.g., funding, installation, maintenance, remote monitoring of load, insurance, upgrades, education, etc. None of our competitors offers every feature in one package. BPS is a micro IPP, a one-stop shop that looks after the customer for the entire life cycle of the renewable energy system.

Financial Analysis

Phase 1 - The funding requirements are for R2m (c.\$138k/€116k) as equity at start-up followed by a revolving credit facility with a limit of R250m (c.\$17.2m/€14.5m). Capital outlay over the first 12 months will finance 157 installations and thereafter 30 new installations every month for at least 15 years. The funding required for these installations is R25m (c.\$1.7m/€1.5m) in year 1; R55m (c.\$3.8m/€3.2m) in year 2 and a further R123m (c.\$8.5m/€7.1m) over the next eight years. This will support the acquisition of R631m (c.\$43.5m/€36.5m) worth of power-producing assets, of which R428m (c.\$29.5m/€24.8m) will be funded from our own operations. From year 8, with the maximum loan due at R246m (c.\$17m/€14.2m), the business will acquire a further R733m (c.\$50.6m/€42.4m) worth of power-producing assets while settling the credit line in full and accumulating a further R432m (c.\$29.8m/€25m) in cash. This will deliver an investment IRR of 21% with projected accumulated earnings after tax in 15 years of R1,496m (c.\$103.2m/€86.5m). Net profit after tax (NPAT) will be R331m (c.\$22.8m/€19.1m) per annum, on the assumption that we continue to sign up 30 installations per month to replace the contracts that come to an end.

Our Management Team

The management team consists of Niall Beazley and Peet van Jaarsveld. Niall is a self-motivated extrovert with excellent interpersonal skills, extensive experience in risk management and team development that included a JSE listing for an interactive media company with a R250m (\$17m/€14.5m) capitalisation. He setup and provided the sales and marketing training to attract more than 30,000 new clients for a new start up business within a two-year period. Peet is a highly accomplished international business leader with extensive experience in all aspects of management operations. He has expertise in developing processes, streamlining procedures, resolving discrepancies, and finding innovative and cost-effective technology solutions, including the corporate governance requirements for large corporations and public entities. Having setup pharmaceutical operations in Barbados and Ireland with over 500 staff; his roles include CEO, CFO and senior management positions. They both have the technical expertise and entrepreneurial capability to establish and grow BPS.

Project Implementation Plan - Phase 1

Part 1	Past year – 3 months Jan 2020 – 21	Match supply and demand. Ensure solutions perform as planned.	Completed
Part 2	3 months - 6 months Jan - Mar/Jun 22	Preparatory launch – Establish operations, formalise existing vendor relationships, build marketing collateral, and start communications.	R7m (c.\$483k/€405k)
Part 3	3 months - 12 months Mar 22 – Jun/Mar 23	Soft launch – Build the market (three months). Keep marketing focused on one geographical area.	R16m (c.\$1.1m/€925k)
Part 4	9 months - 12 months Jun 22 – Mar/Jun 23	Official launch – Mature the market & advertising modules. Expand geographical scope.	R35m (c.\$2.4m/€2m)
Part 5	12 months – 5 years Mar 23 – Mar/Jun 28	Maturing Business – Regularly review new markets, technologies, and annual funding drives to launch into new markets/tech. Review/revise exit strategy – subject to maximising shareholder value.	R230m (c.\$15.9m/€13.3m)
Part X	Open	Exit strategy: IPO or buy-out	

Project Implementation Plan - Phase 2

Part 1	Within 2 years Jan 2023	Community Roll out	Completed
Part 2	3 months - 6 months Mar - Sep/Dec 23	BPS Academy Entrepreneurial Training Programme	R?
Part 3	3 months - 12 months Sep 23 – Jun/Sep 24	BPS Academy ETP Soft launch – Build community market (three months). Keep community marketing focused on one geographical area.	R?
Part 4	9 months - 12 months Sep 22 – Sep/Dec 23	Official launch – Mature the market & advertising modules. Expand geographical scope.	R?
Part 5	12 months – 5 years Sep 23 – Sep/Dec 28	Maturing Business – Regularly review new markets, technologies, and annual funding drives to launch into new markets/tech. Review/revise exit strategy – subject to maximising shareholder value.	R?

Please feel free to contact us on niallb@bpsafrica.co.za or peetvj@bpsafrica.co.za for further information.

NB. Exchange rates used @ 1st Oct 21 US\$1 = R14.5 & EUR€1 = R17.3.