

October 2019

GREEN BUILDINGS – SCALABLE FINANCIAL INSTRUMENT

DELIVERING a EUROPEAN BUILDING ENERGY EFFICIENCY FACILITY

Follow the Money

FUNDING FOR FUTURE (F3)

- F3 is a private investment management company that finances proprietary Energy Performance Contracts (EPC+) that satisfy its rigorous Investment Guidelines
- F3 currently operates in Latvia and is exploring the opportunity to set up additional investment fund entities in a number of other central and eastern European countries including Slovakia, Bulgaria and Poland
 - Latvian Building Energy Efficiency Facility (LABEEF)
 - Slovakian Energy Efficiency Facility (SKEEF)
 - Bulgarian Energy Efficiency Facility (BGEEF)
 - Poland Energy Efficiency Facility (PLBEEF)
- F3 is managed by a multi-disciplinary team, who have years of experience in finance and energy efficiency project. The team has both financial and technical know-how in management of EE projects
- F3 has received funding from European institutional investors and the European Bank for Reconstruction and Development
- Overarching requirements for financing of EPC contracts is reduction of energy consumptions by over 50% and repayment of investment through generated savings of up to 20 years

MARKET – FUND STRUCTURE REPLICATION



Slovakia – *F3 is looking to set up financing vehicle by year end*

- Opportunity predominantly in the public sector, as 80% of housing stock complete
- Off-balance sheet EPC approved by Min of Finance and according to Eurostat Guidelines
- 38,150mln sq.m. floor area of non residential buildings
- At €250 per sq.m. costs, investment requirement of **€9 537.5mln**

Bulgaria – *F3 is contemplating the set up of financing vehicle post set up in Slovakia*

- 101.5mln sq. m. of floor of residential buildings and 63 843 sq.m. of non residential buildings
- At €150 per sq.m. costs, investment requirement of **€15 234mln**

Poland – *F3 is closely co-operating with the Polish National Environmental Fund and the Environmental Bank for financing of pilot projects based on the LABEEF model*

- 638mln sq. m. of floor of residential buildings and 358 380 sq.m. of non residential buildings
- At €250 per sq.m. costs, investment requirement of **€159 593mln**

Germany – *F3 is in discussion with the GdW Federal Association of German Housing and Real Estate companies to replicate the financing instrument for the social housing stock in Germany*

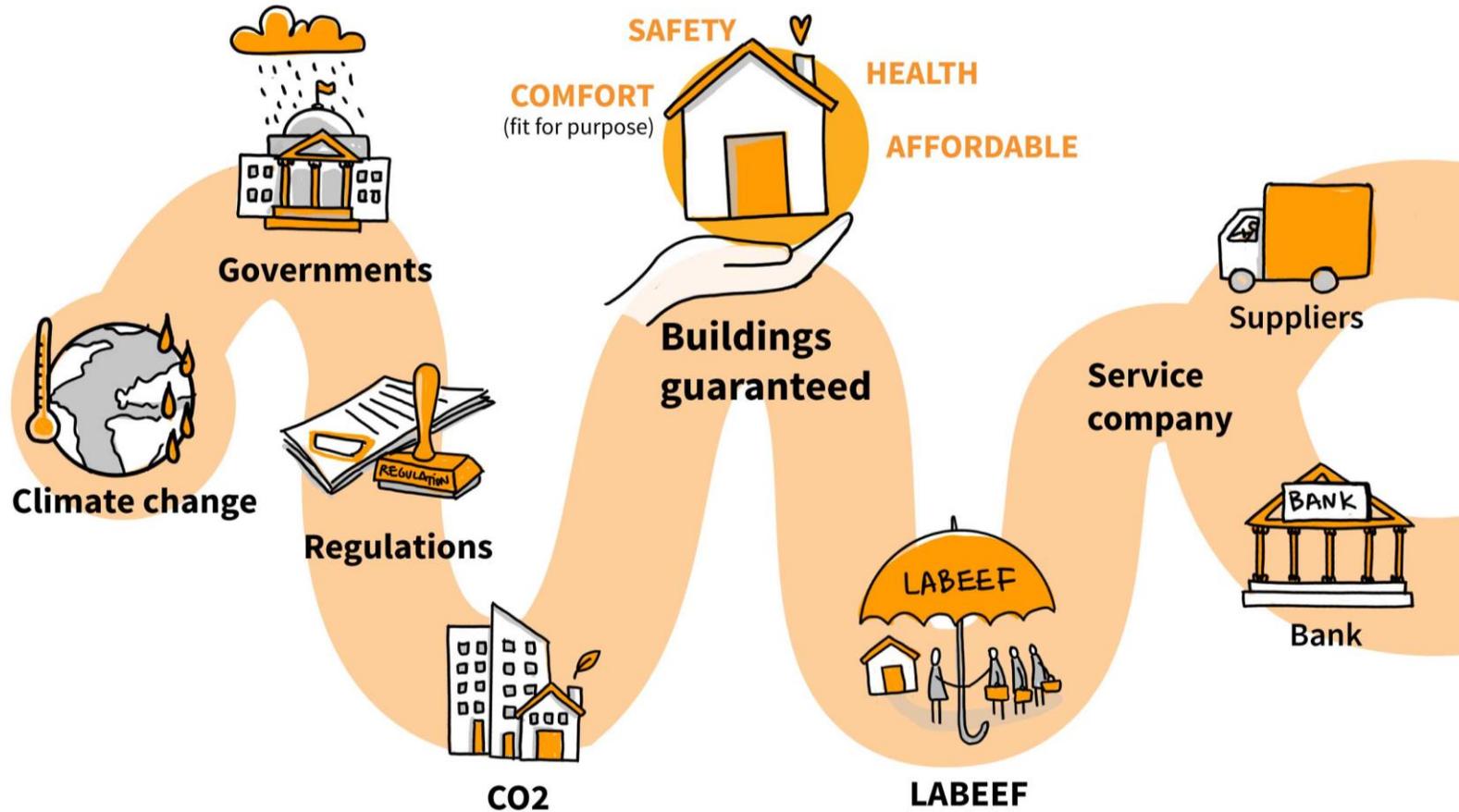
- Pilot projects through municipality of Bremen
- 41.6m of housing units with 2 52 0315 mln sq.m of floor space
- At average cost of €400/sq.m. investment requirement of **€10800mln for one region only!**



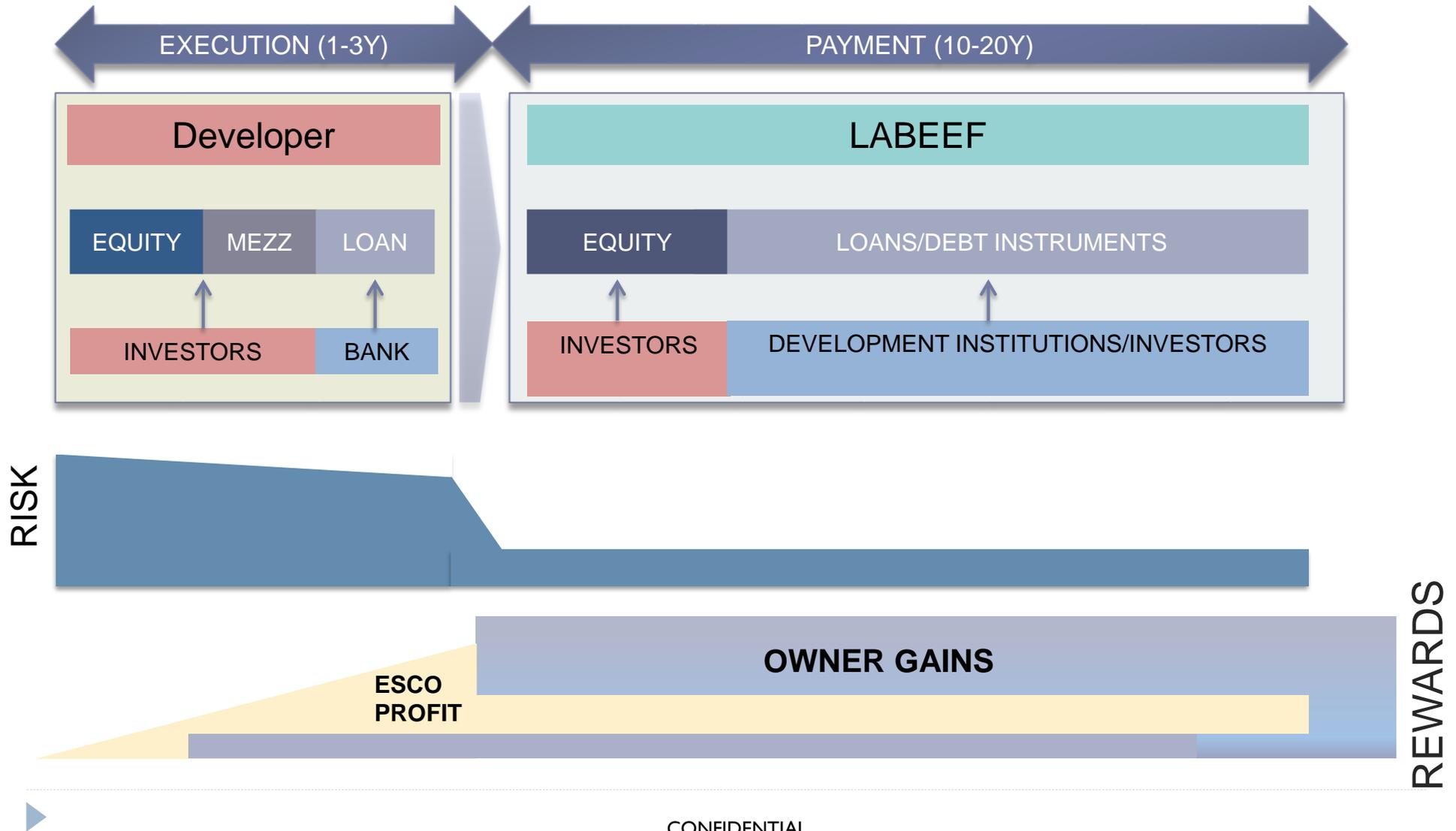
The opportunity is enormous and F3's strategy is to follow a methodological and well structured method of replicating the LABEEF's fund structure

PROJECT FLOW

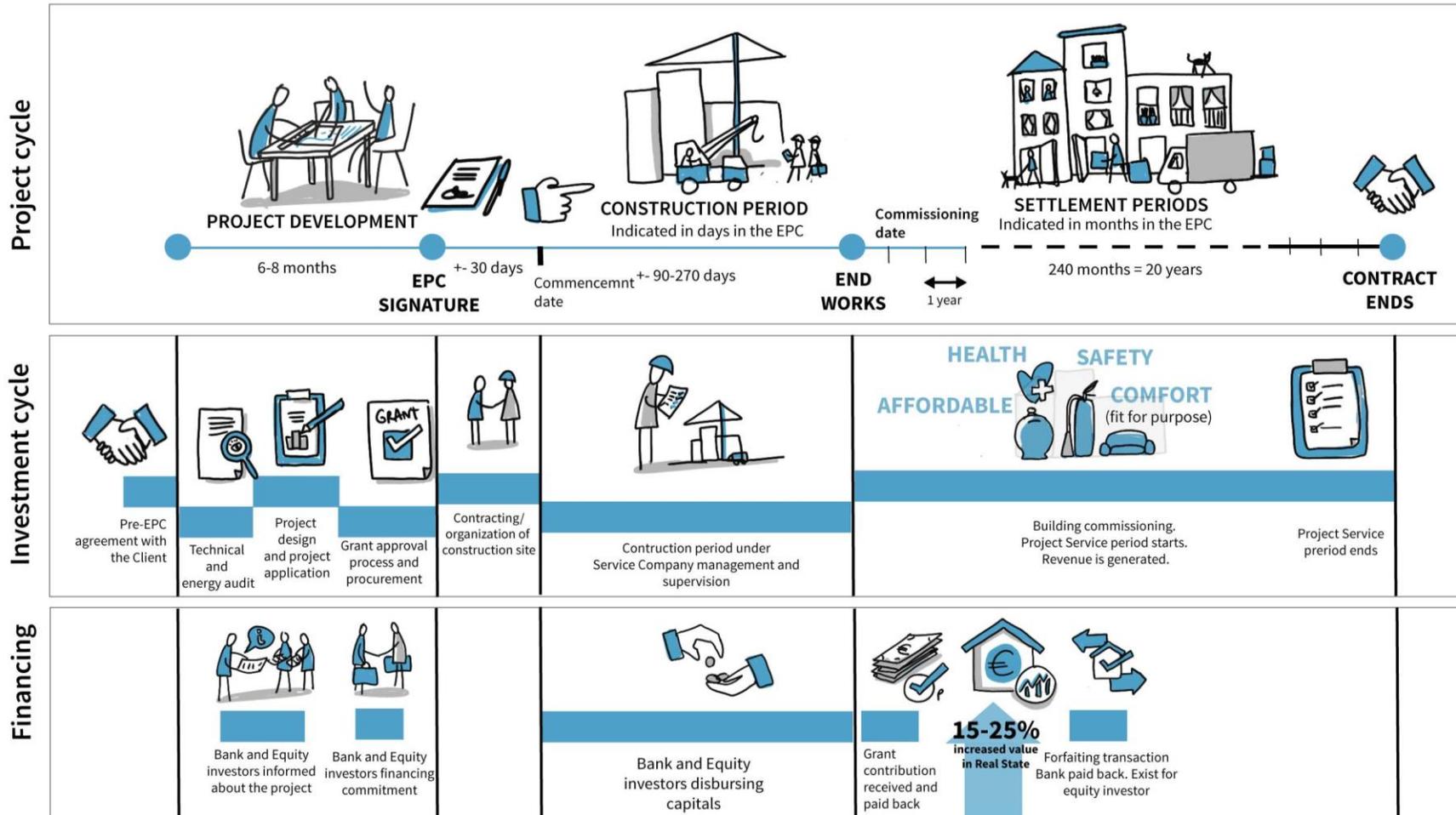
The Flow: aligning the interests of each stakeholder on final beneficiary's benefits-LABEEF guidelines guarantee Safe Healthy Buildings Sustainably financed from Energy Savings



RISK IDENTIFICATION AND MANAGEMENT



ADVANCED RENOVATION LIFE CYCLE



LABEEF OPERATIONAL PRINCIPLES

- ▶ LABEEF buys payment cash-flows backed by Energy Performance Contracts that satisfy its rigorous Guidelines covering creditworthiness, quality of works, safety, affordability and most importantly energy savings and thus would:
 - guarantee reduced energy consumption by over 50%, as well as structural, safety, health guarantees
 - increase Energy Security in Central and Easter Europe by decreasing reliance on imports
 - decrease CO2 emissions

- ▶ **Replicability - LABEEF is:**
 - financing investments in deep renovation through the generated savings over 15-25 years
 - is highly replicable across the rest of Eastern Europe

- ▶ **Fiduciary responsibility - LABEEF follows:**
 - international and European protocols
 - B Corp principals and rigorous standards of execution

- ▶ **Scalability through Standardization Online**
 - AI Costing Model, and Automated Contract preparation
 - LABEEF operations are deployed through its online platform- sharex.lv

LABEEF IN LATVIA



LABEEF INVESTMENTS TO DATE

- ▶ LABEEF has come to preliminary agreement with RenEsco on the acquisition of 15 building portfolio in Latvia:
 - Location: Cēsis, Valmiera, Sigulda, Riga
 - Average Energy Efficiency: 57%
 - EPC maturity from 2028-2034 (16 years average remaining maturity)
 - Zero default rates in portfolio
- ▶ Guaranteed and secure income stream to LABEEF, backed by Renesco reserve provisions and downside risk coverage commitments
 - ▶ Conservative Cash Flow baseline scenario (outdoor temperature, energy efficiency, energy price)
- ▶ Transaction value estimate EUR 1.6M. Discount rate: 6%



LABEEF INVESTMENT PIPELINE

- ▶ Pipeline is generated through various companies/institutions with ability to generate pipeline in Latvia
 - ▶ Several ESCOs in the Sunshine/Accelerte SUNSHINE consortium:
 - ▶ current near-term pipeline: 15-30 buildings
 - ▶ target to reach: >150 buildings – 400,000 m²
 - ▶ investment need €50m
- ▶ Pressure on district heating companies due to EU and national regulation. For instance, Riga District Heating company annually has to generate savings equivalent of 300 renovated buildings, to avoid breaches
- ▶ Overall financing needs in multi-apartment residential buildings in Latvia by 2030 – EUR 4.3BN
- ▶ LABEEF has expanded to public EPC forfearing. Pipeline estimate – 44M by 2023

INVESTMENT TEAM

<p>CEO Nicholas Stancioff</p>	<ul style="list-style-type: none"> •CEO at Housing and Energy Conservation Bureau (2012) •CEO ICPD Intercapital Property Development Company (2004-2012) •Principal Banker/Deputy representative EBRD (1993-1998) •MBA, Darden School of Business, University of Virginia
<p>Directors:</p> <p>Investment Gunta Cekule</p>	<ul style="list-style-type: none"> • Head of Corporate Product at Citadele banka (2010-2016) •Head of Sales Support Division and Head of Product Development, Project Manager at Swedbank (2002-09) •Master's Economics Latvia University, Economics Banking Institute
<p>Corporate Development Asen Charliyski</p>	<ul style="list-style-type: none"> •Associate Director, Energy Project Finance, Lloyds Bank (2009-2016) •Deputy Executive Director, Energy Efficiency & Renewable Energy Fund (2016 - 2018) •Finance Consultant, Econoler (2018) •MBA Energy Management, Aberdeen Business School
<p>Technology Claudio Rochas</p>	<ul style="list-style-type: none"> •CEO at RenEsco (2014) •CEO at Ekodoma (2006) •Professor at Riga Technical University •Master's degree from Polytechnic Institute of Turin (oil and gas engineering) •PhD (energy efficiency and renewable energy sources) from Riga Technical University
<p>Finance Harijs Švarcs</p>	<ul style="list-style-type: none"> •Founding Partner at SG Capital Capital AIFP •CEO Swedbank Investment Management Latvia (2007-2015) •Portfolio manager, analyst, economist at Central Bank of Latvia (1999-2007) •MSc in Finance and Economics at Cass Business School, City University (London) •CFA Charterholder

LABEEF KEY TERMS

LABEEF's legal structure	Latvia registered Joint Stock Company
Manager	Funding for Future B.V., registered in Netherlands
Strategy	Forfeiting of energy performance contract (EPCs) receivables generated by ESCOs
Target investors	Development Institutions. Strategic investors
Sectors	Multi-apartment residential & Public buildings
Facility term	Revolving
Investment returns	Expected IRR phase A 5%. Phase C - above 10%
Leverage	Target 50% initially. Max 90%
Currency	EUR
Target size	First financing round – EUR 8M. EUR 500M+ long term
Management fee	Max 3% of receivables. Performance fee.
First close	1Q 2019
Exit	Securitization or Bond Issuance

LABEEF RECOGNITION

- ▶ **Chosen as best practise example by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) in Germany for sustainable finance**
- ▶ **Associated member at Finance Latvia Association**
- ▶ **Invited to apply for B-corp Certification**



Federal Ministry
for the Environment, Nature Conservatio
and Nuclear Safety

FINANCE 
LATVIA 
ASSOCIATION 



FIRST MOVER IN PRIVATE SECTOR SUSTAINABLE FINANCE

- ▶ Funding for Future (F3) manages the Latvian Building Energy Efficiency Facility (**LABEEF**) and is looking for additional equity financing (€5-6m over the next 12 months to implement its pipeline in Latvia)
- ▶ LABEEF's focus – forgoing of EPC receivables to address ESCO equity needs
- ▶ Market segment: **multifamily buildings** and **public sector** in PL, LV, SK, RO, BG
- ▶ Facility target size in Latvia – EUR 15m in 3 years and 100M in 8Y time
- ▶ Expected **IRR** phase A: 6-8%
- ▶ Exit: Securitization or Green Bond Issuance
- ▶ Experienced, international team based in Riga and Sofia
- ▶ **EBRD** cornerstone debt investor with EUR 4M at Stage 1 and EUR 4m of additional soft commitment
- ▶ 9 buildings for €1.6m have already been committed, in 2018 and 6 buildings refinanced.

THANK YOU

CONTACTS

Nicholas Stancioff, Tel. +371-29569921. nicholas@fcubed.eu

Gunta Cekule, Tel. +371-29470754 gunta@fcubed.eu

Asen Charliyski, Tel. +359-889585546. asen@fcubed.eu

DISCLAIMER

This document is for informational purposes only relating to planned activity and does not constitute an offer. The document should be regarded as strictly private and confidential and should not be distributed, published or reproduced, in whole or in part, nor should its contents be disclosed by recipients to any other person. The document is of preliminary nature and is subject to verification and amendment.