

ACEEE – Financing Small

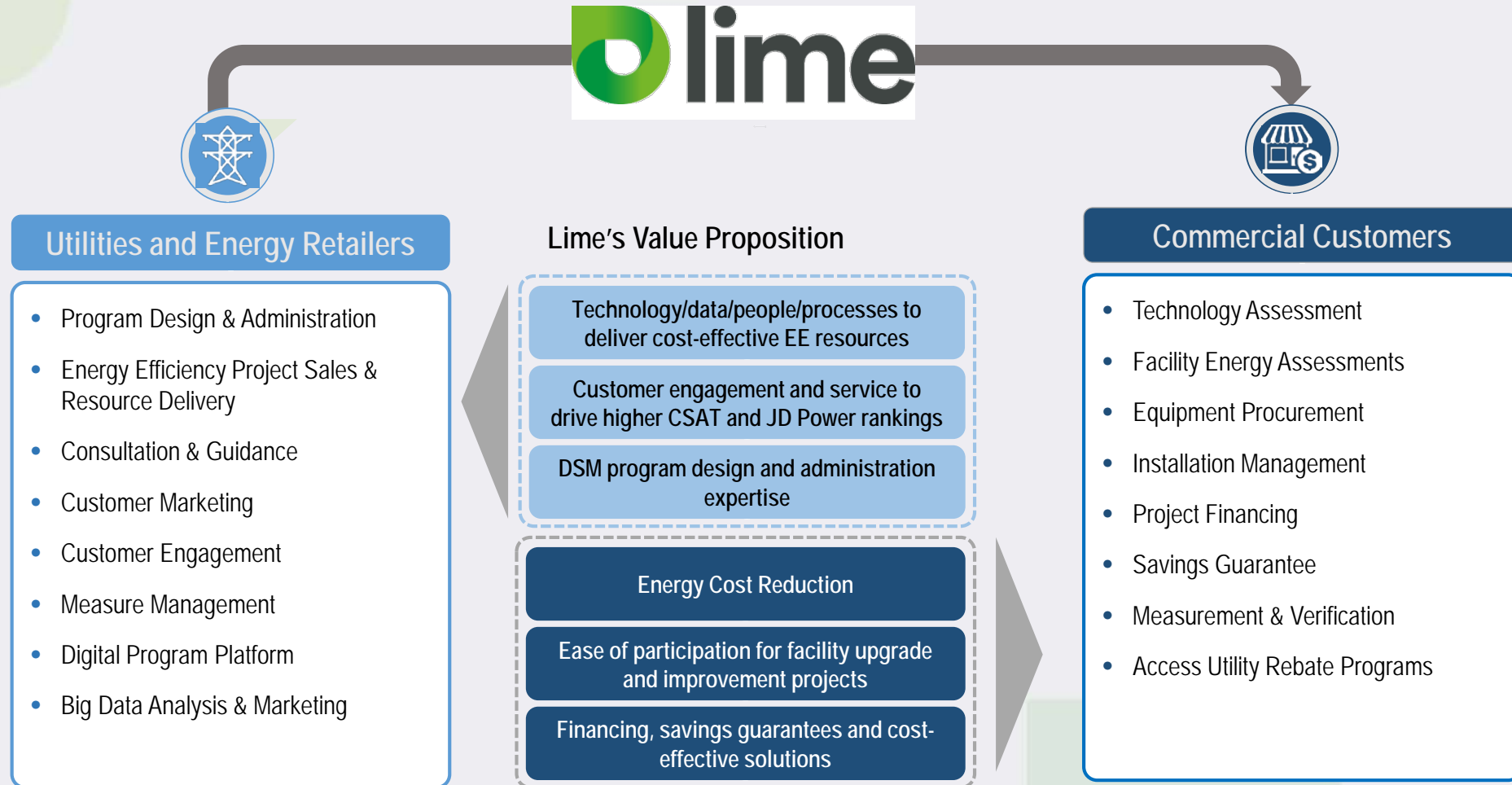
May 21-22, 2018

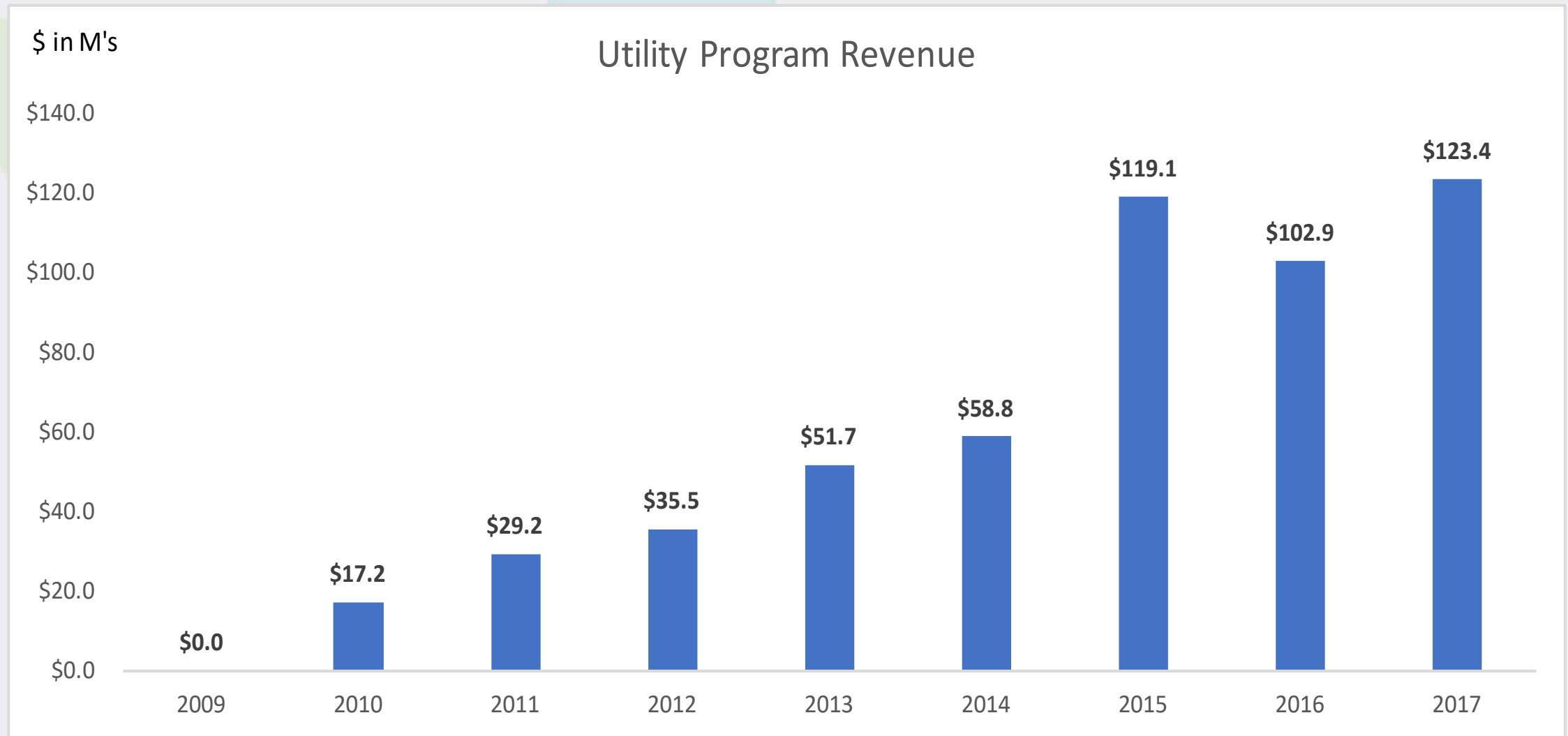
Lime Energy

Unlocking Energy's Business Potential

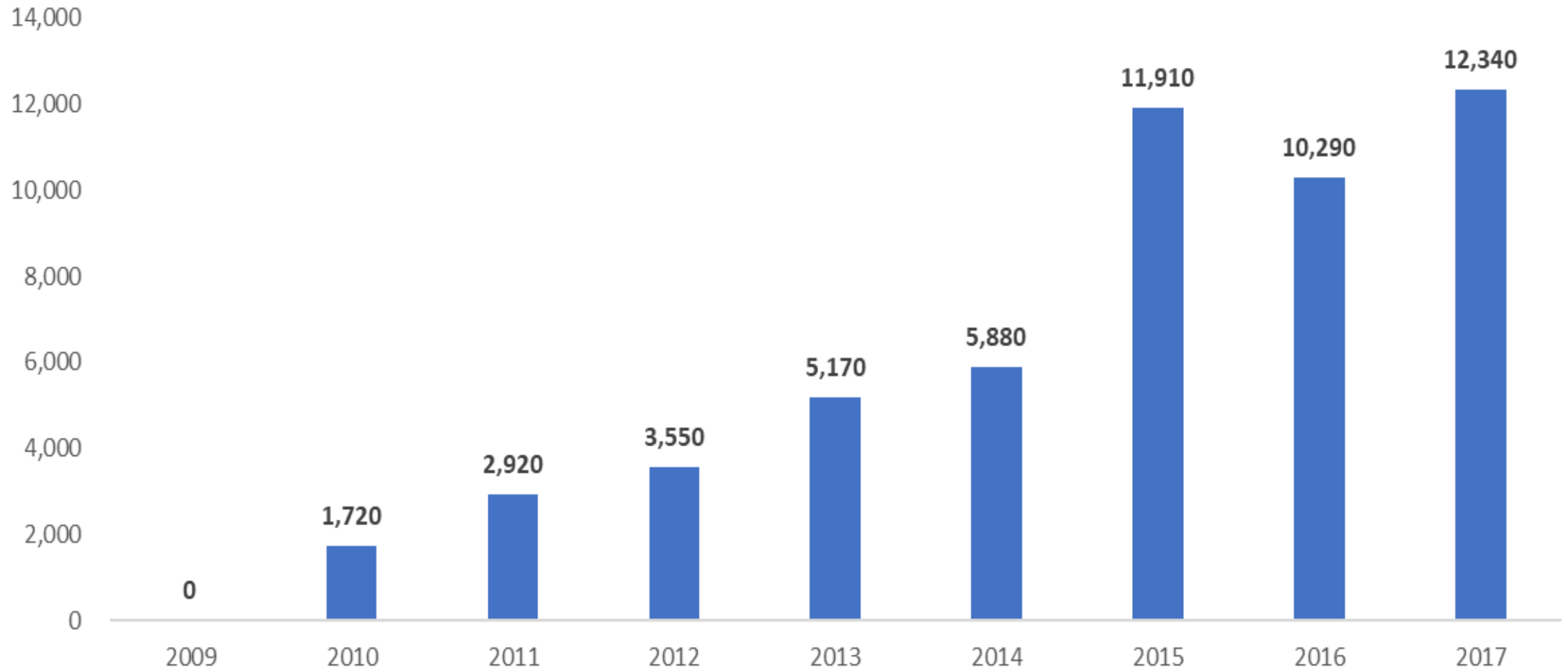
lime What We Do?

Lime has created a unique market in between utilities and their commercial customers, with a single business model that simultaneously delivers high value to both sets of customers



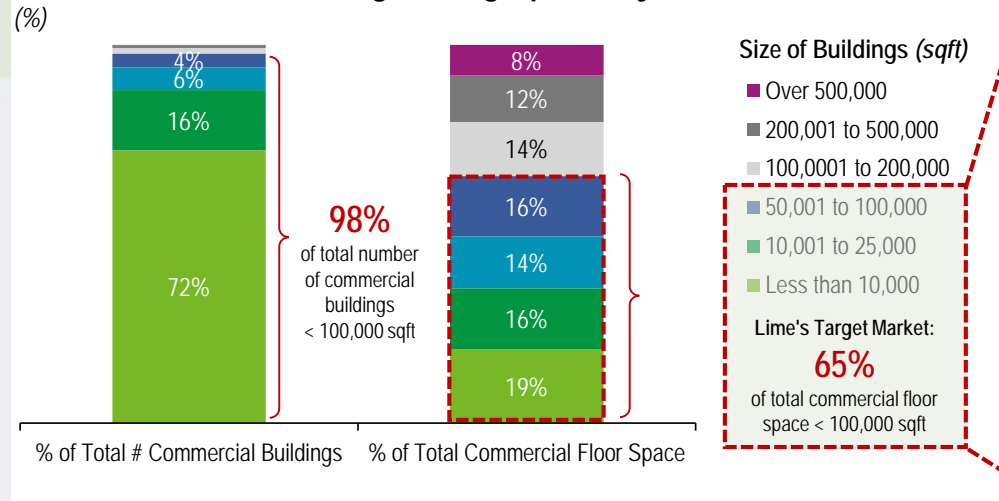


Est. Projects at \$10,000 Per Project



- **Where are the CFO's? This is a Finance Forum**
 - Lack of financial sophistication in the industry
- **Energy Efficiency Firms were very small or very large**
 - Scale matters
- **Lenders were very eager to finance energy efficiency projects**
 - Until I told them we needed to finance projects under \$10K

U.S. Commercial Building Demographics by Size



Lime's Target Market – Small & Medium Commercial Building DSM

- Commercial Direct Install (CDI) is an approach which has demonstrated unprecedented ability to deliver SMB EE
- CDI programs typically address commercial customers with peak demand of less than 300 kW who generally occupy buildings no larger than 100k square feet, representing 65% of total commercial floor space
- These customers represent more than 95% of commercial customers nationwide and ~2/3 of all commercial energy usage
- As energy services companies have historically focused on providing energy efficiency retrofits for larger buildings, the small and medium commercial market that CDI targets represent a massive and significantly underserved market opportunity

Source: ACEEE, EIA's 2012 "Commercial Buildings Energy Consumption Survey", Management analysis.

Avg. Project Size	\$10,000	\$10,000
Utility Incentive	70.0%	50.0%
Paid by Utility	\$7,000	\$5,000
Paid by Customer	\$3,000	\$5,000
Est. Monthly Savings	\$275	\$275
Payback in Months	10.9	18.2
12 Month Payments	(\$250)	(\$417)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	\$25	(\$142)
24 Month Payments	(\$125)	(\$208)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	\$150	\$67

lime Future – NY REV Wants More Private Capital To Foot Bill

Avg. Project Size	\$10,000	\$10,000
Utility Incentive	15.0%	25.0%
Paid by Utility	\$1,500	\$2,500
Paid by Customer	\$8,500	\$7,500
Est. Monthly Savings	\$275	\$275
Payback in Months	30.9	27.3
12 Month Payments	(\$708)	(\$625)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	(\$433)	(\$350)
24 Month Payments	(\$354)	(\$313)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	(\$79)	(\$38)
36 Month Payments	(\$236)	(\$208)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	\$39	\$67
48 Month Payments	(\$177)	(\$156)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	\$98	\$119

- **LIME piloting “Pay for Performance” projects here in New York**
- **Measuring the saving using proprietary equipment**
- **Customer only pays a percentage of savings achieved**
- **Extending terms to 3-5 years**
- **Currently - funding these projects with our current balance sheet**

- **Large Commercial Banks** – Not interested
- **Large Regional Banks** – Haven't spoken with them
- **Credit Unions & Savings Banks** - Heard there is some interest but local
- **Specialty Lenders (DLL, HBC)** – Really want to fund larger projects; willing to fund smaller projects
- **Community Development Financial Institutions (CDFI's)** – Very interested; Have talked about different structures; Green Bank of NY; Reinvestment Fund (PA)
- **Private Equity/Capital** – Always interested at Mid-Teen Rates

➤ Scale

- +\$10M to create a fund/loan worth talking about

➤ First Position in Rights to Receivables

- Negotiate around current debt agreements

➤ 3rd Party Collections

- Expensive at low volumes; scaling issue
- On-bill collections from utility would be preferred

➤ Credit for Small Business Customers

- Performing credit checks
- Default Rates
 - ✓ Lime's default rate – Very low; 2-4% one-two year receivables
- EE projects by their nature provide the positive cash flow to return the cash