



Sustainability | Leadership | Innovation



2017 WINNER
START-UP AND GROWING ENTERPRISES

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

MEP WERKE AND STRASSER CAPITAL

Strasser Capital is a German private equity firm specialising in the renewable energy sector. Its long-term vision was to make the green economy open to a much wider market and, in particular, to extend the benefits to all German households. It aimed to transform the solar business from a high-end, capital-intensive investment into a low-cost and popular domestic product accessible and affordable in an uncomplicated way to private households.

The catalyst that brought about the change was finance. Strasser Capital's financing system allowed for a 20-year leasing term offering ordinary consumers a solar power system at a small monthly rate through its subsidiary MEP Werke. Such a long tenor could only be financed by issuing 20-year long-term financing instruments which could be rated by professional rating agencies and sold to institutional investors.

MEP Werke originated portfolios of solar lease contracts and 20-year solar lease receivables to creditworthy German house owners being the underlying asset for continuous green bond or green loan issuances. 'Institutional investors,' said Sandra Wagner, PR Officer at MEP Werke, 'Are looking for opportunities to invest in strong fixed income producing green investment products. But there are not sufficient green investment products available in such a market niche.' Strasser Capital was the first company to develop a structured financing solution targeted at long-term residential solar leasing in Germany. And it opened up the private energy transition market of this asset class in Germany to institutional investors. It offered them green fixed-rate financing products structured as a bond or a loan and secured by a highly granular diversified portfolio of 20-year solar lease receivables from eligible German householders. It is a very attractive investment for long-term investors such as pension funds or insurance companies looking for green secured investment opportunities. The first €30m tranche was placed in December 2016 and it was structured to meet the Climate Bonds Standard v2.0 and therefore is Climate-Bond Certified.

The green loan was then used to refinance MEP Werke's original sources of debt capital that financed the growth and origination of the solar lease portfolio. This laid the foundation for the new leasing business. In terms of the financial viability of the business model, the successful issuance of the first residential solar lease green loan was fundamental for securing further and larger asset financing from reputable financial institutions and paved the way for a stream of future green financing products. This was one of the main critical aspects of what Strasser Capital achieved. Another important milestone was the verification and certification of the green bond by the Climate Bond Initiative (CBI). 'Investors can be assured that an investment in MEP's solar lease business model is not green-washing,' said Wagner, 'And that it is a real green energy product that they are investing in.'

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More than 7,500 solar power systems have been leased out to German households

'This financing structure,' said Ulrich Bogner, Director Corporate Finance and Investments, 'Opens a new market niche of private energy transition to new industry competitors and to international investors. It allows the long-term leasing of all household-related green energy products and appliances using the same complex financing techniques,' he said.

Based on MEP's small ticket solutions, domestic households in Germany are paying a small monthly rate for their own production of solar power. The green electricity produced can be used for other purposes, like electric cars. After initial scepticism from the consumer market, MEP Werke now has leased out more than 7,500 PV-systems to German customers. MEP started to offer this type of instalment payment for solar electricity at the right time. 'Cultural change,' said Sandra Wagner, 'Has made people prefer such business models. What is important now is easy access to products. It is all about leasing cars, car sharing, the internet and streaming products. People today don't need to own anything that they use any more. They can use products without a lot of effort, without high costs. Consequently our business model was introduced to the market at the right time.'

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The breakthrough for MEP's business model came with the innovative financing structure and programme. The market demand, MEP expects, will grow rapidly. 'We are just at the beginning,' said Sandra Wagner. 'We have established an exceptional financing structure which can now be adapted to other green energy related small ticket business models. Our vision is to offer affordable green energy and technological innovations to every income bracket of our society. So we are now starting to adapt our existing leasing business model to new products, for energy-efficient household appliances, e-cars and further products that are related to green energy.'

The key lesson learned in the whole process was the importance of a continuous and repeatable long-term financing programme of the business model at the very beginning of the process. Strasser Capital started to develop this green energy long-term receivables financing platform immediately after inception of MEP's solar lease product. And that, they think, brought them a really big advantage.



Smart meters with an online monitoring tool enable the customers to monitor the electricity production and consumption

What the judges said

MEP Werke and Strasser Capital clearly demonstrate how an identified sustainability challenge can be a driver to a new business model. The finance team overcame technical challenges to structure a solar lease product that packaged the financing together, offering complete energy as a service to the customer, with a financial return. The finance team showed tenacity to pursue this vision and their solar lease package is now being developed for businesses.