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*Romania ESCo  
Development Task:  
Road Show for Investors*

Prepared by:

Electrotek Concepts, Inc.  
Arlington, Virginia USA

Prepared for:

United States Agency for International Development  
Bucharest, Romania and Washington, DC  
Contract No. DHR-C-00-95-00064-00

December 30, 1997

**Introduction:**

The attached presentation is actually an amalgamation of three presentations given by Energy-Serv with assistance from the Electrotek project team. The presentations were made to the Romanian Post Privatization Fund (RPPF), the Romanian-American Enterprise Fund (RAEF), and, more recently, the Oresa Venture Fund during the months of June, September and December 1997. While the original deliverable called for one 'Road Show' presentation to investors, the complexity of mobilizing venture capital has led to a number of iterations with the funds, revisions to the business plan, and significant discussions on the details of negotiating an agreement. For convenience, the attached presentation combines the introductory slides from the first presentation together with the more recently updated information presented during September and December.

**ENERGY SERV, S.A.**

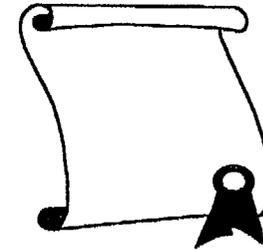
**A Proposal for ESCo Formation**

Catalin Dragostin



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# Catalin Dragostin



## **A brief biography:**

**Deputy Director - Finance Division-RENEL  
(Romanian Power Utility);**

**Deputy Director - Finance -Rehabilitation Group  
(financial management of rehabilitation projects  
financed by RENEL, WORLD BANK, EBRD,EIB)**

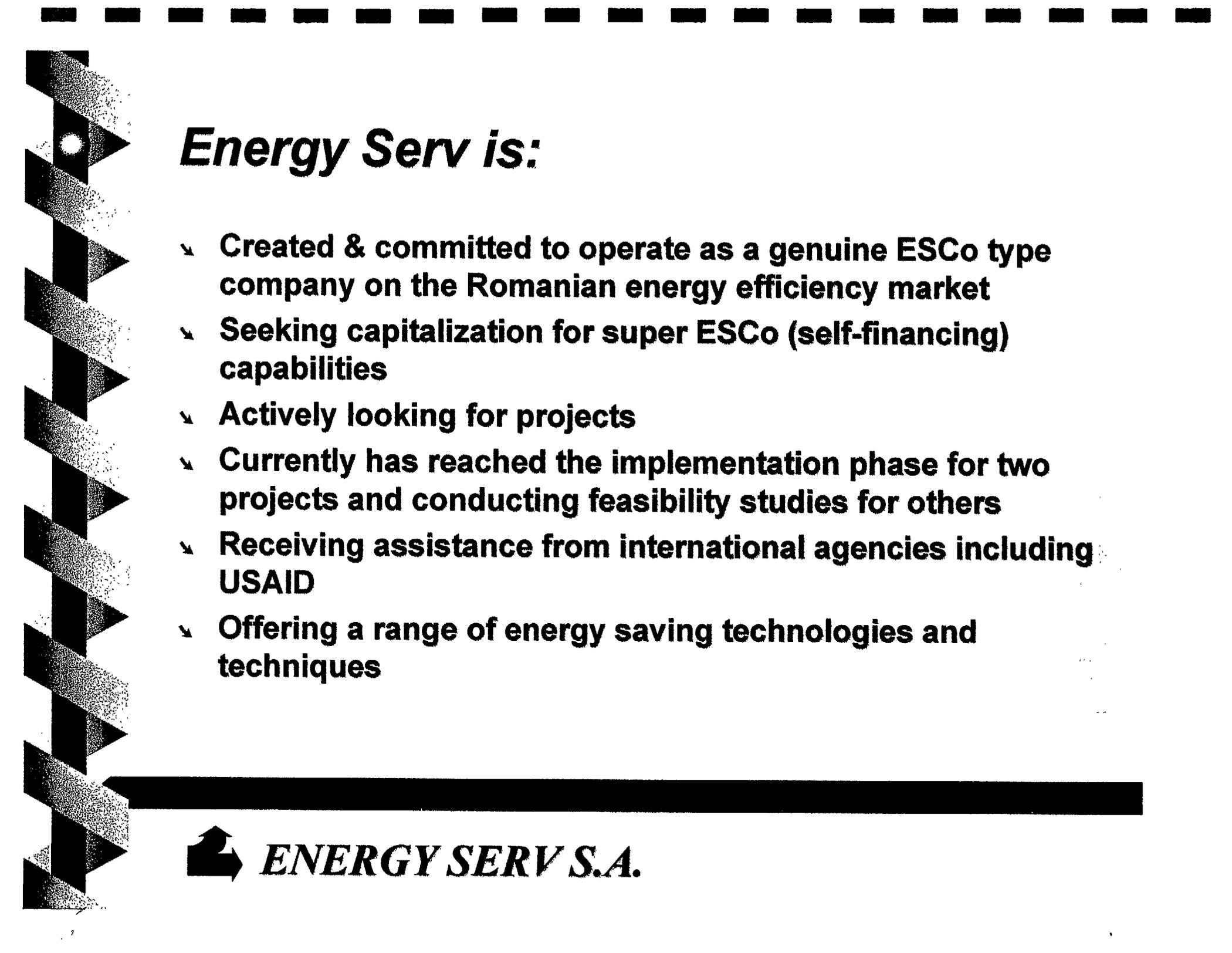
**Present: Executive Director of**

**ENERGY SERV SA**

**(a developing Energy Service Company)**



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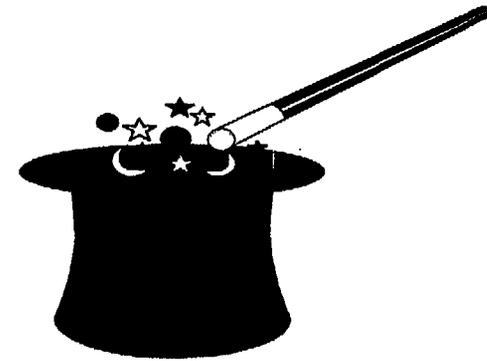
## ***Energy Serv is:***

- ✧ **Created & committed to operate as a genuine ESCo type company on the Romanian energy efficiency market**
- ✧ **Seeking capitalization for super ESCo (self-financing) capabilities**
- ✧ **Actively looking for projects**
- ✧ **Currently has reached the implementation phase for two projects and conducting feasibility studies for others**
- ✧ **Receiving assistance from international agencies including USAID**
- ✧ **Offering a range of energy saving technologies and techniques**



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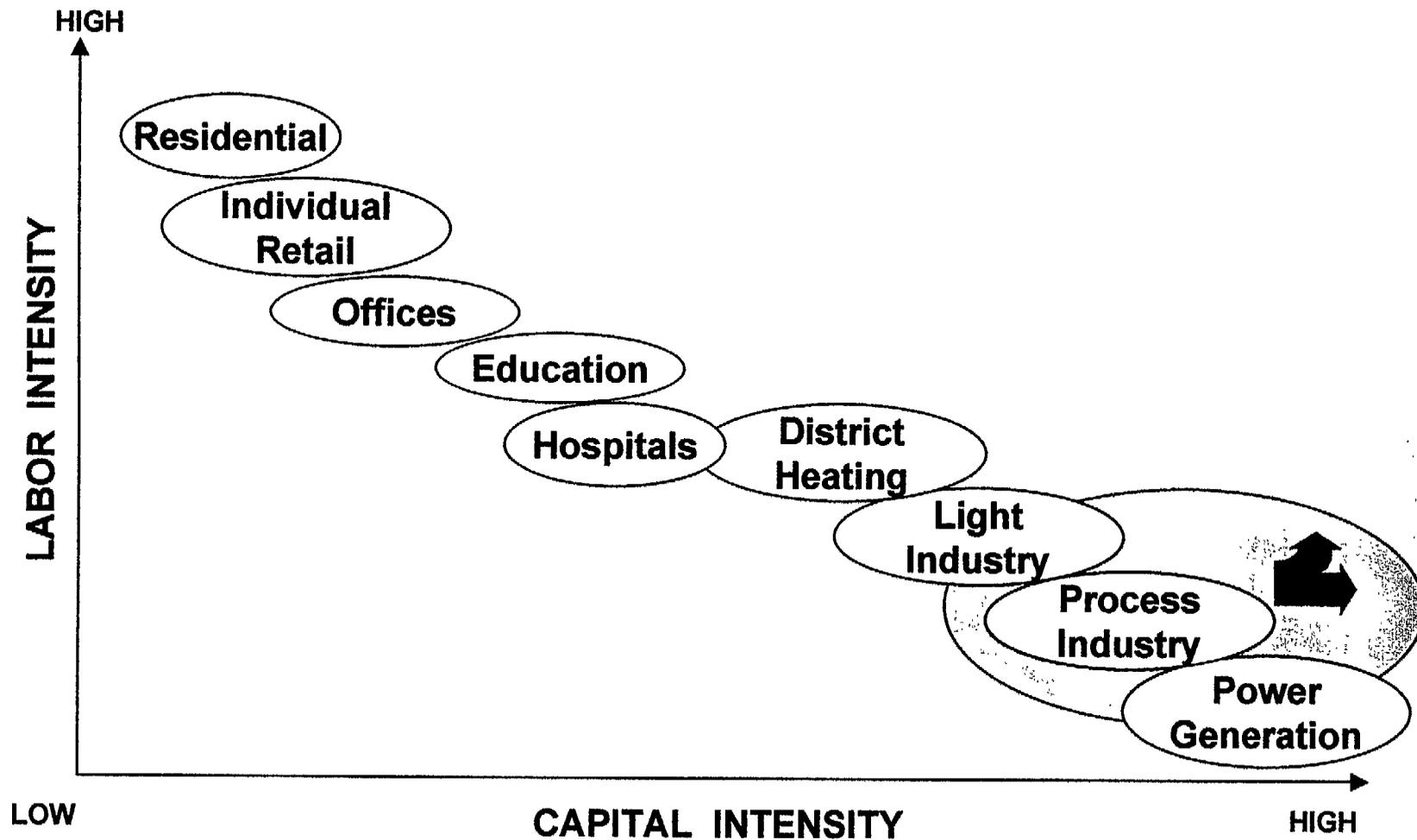
***Energy Serv has:***



- ↘ **Technical expertise -- Romanian and foreign**
- ↘ **Financial expertise**
- ↘ **Local and international sources of finances**

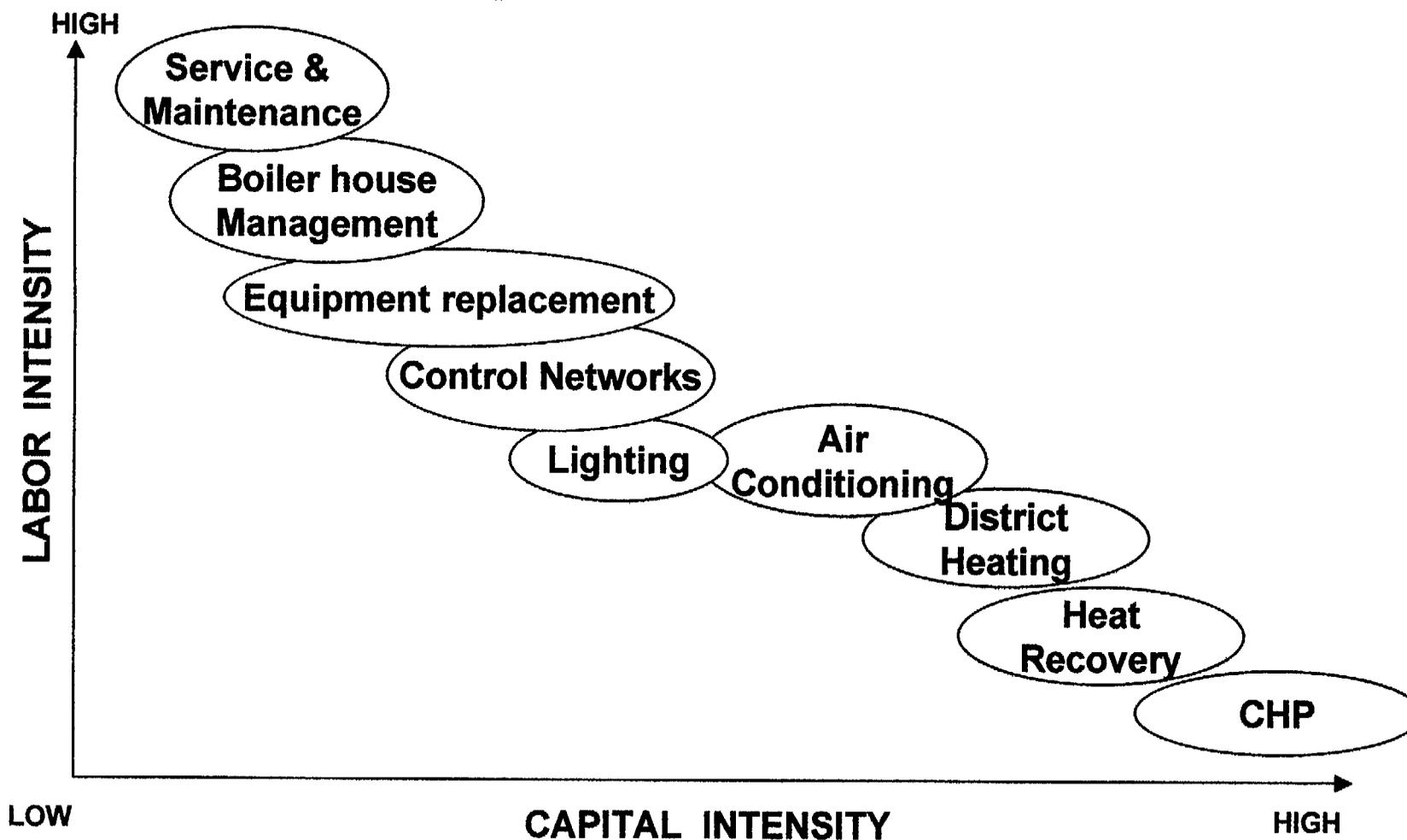
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# *Energy Serv position on the market:*



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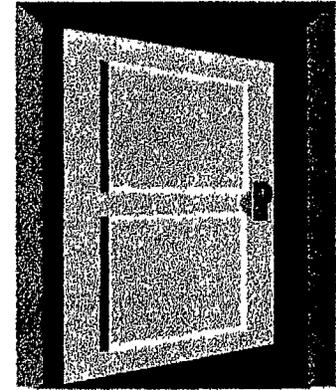
# *Service components:*



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## ***Main Entry Points into EPC:***

- ↘ Capital
- ↘ Manpower
- ↘ Technology



## ***Opportunities in Romania:***



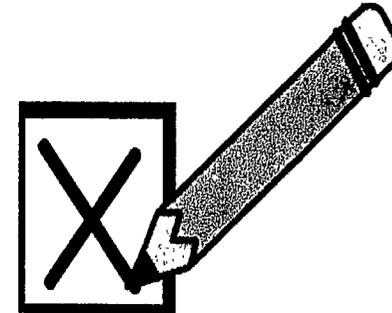
***Energy efficiency projects -- available practically anywhere because of the complexity and diversity of the Romanian industry / energy use***

- ✦ **Energy supply projects (heat only, heat and power)**
- ✦ **Industrial cogeneration**
- ✦ **Reducing the losses (electricity, fuel, heat, etc.)**
- ✦ **Restructuring and conversion of the energy use**

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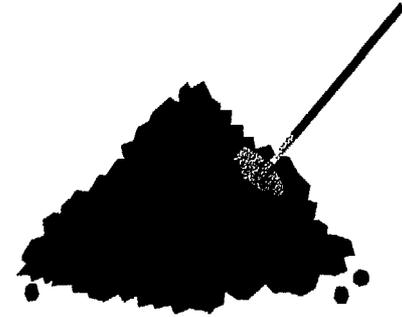
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## ***Viabile projects:***

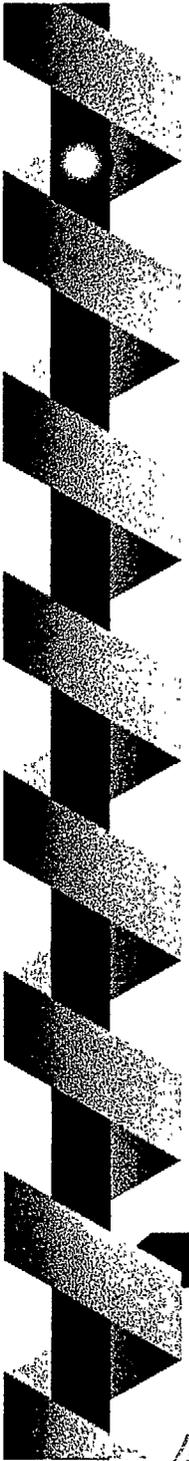


- ↘ **Range of \$2 M to \$10 M**
- ↘ **Significant impact on client's profitability**
- ↘ **Good solid clients, i.e. viable companies**

## ***Project 1 - short description:***



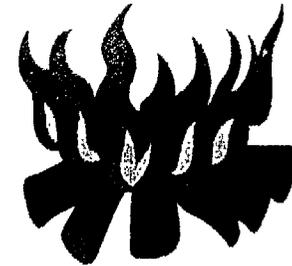
- ✧ **Steam consumption 75% of total energy**
- ✧ **Electricity consumption 25% of total energy**
- ✧ **Steam auto-production 33% of total demand  
( $\eta \approx 60\%$ )**
- ✧ **Process control & metering - does not exist**
- ✧ **Energy costs rising**



## ***Project 1 - after EPC:***

- ✎ **Reduction of total energy costs by 40%**
- ✎ **More output and better quality of products**
- ✎ **no steam purchase**
- ✎ **no power purchase**
- ✎ **all energy demand covered**

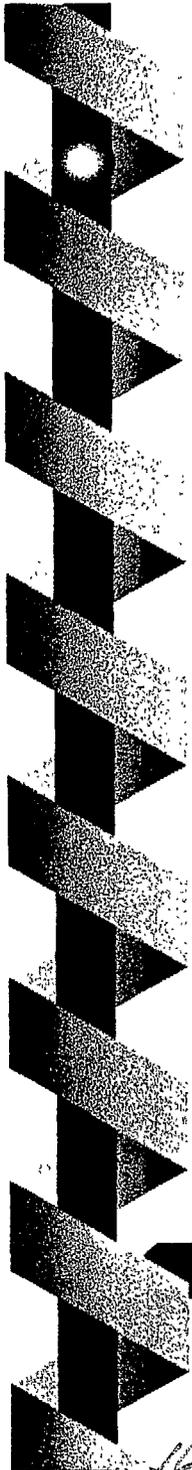
## ***Project 2 - short description:***



- ↘ **Gas consumption 60% of total energy**
- ↘ **Electricity consumption 40% of total energy**
- ↘ **Low efficiency burners**
- ↘ **Process control - does not exist**
- ↘ **Energy costs raising**



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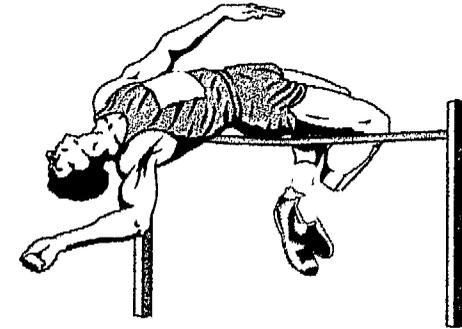


## ***Project 2 - after EPC:***

- ↘ **Reduction of energy costs by 30%**
- ↘ **More production volume and better quality**
- ↘ **Cogeneration economic benefits**

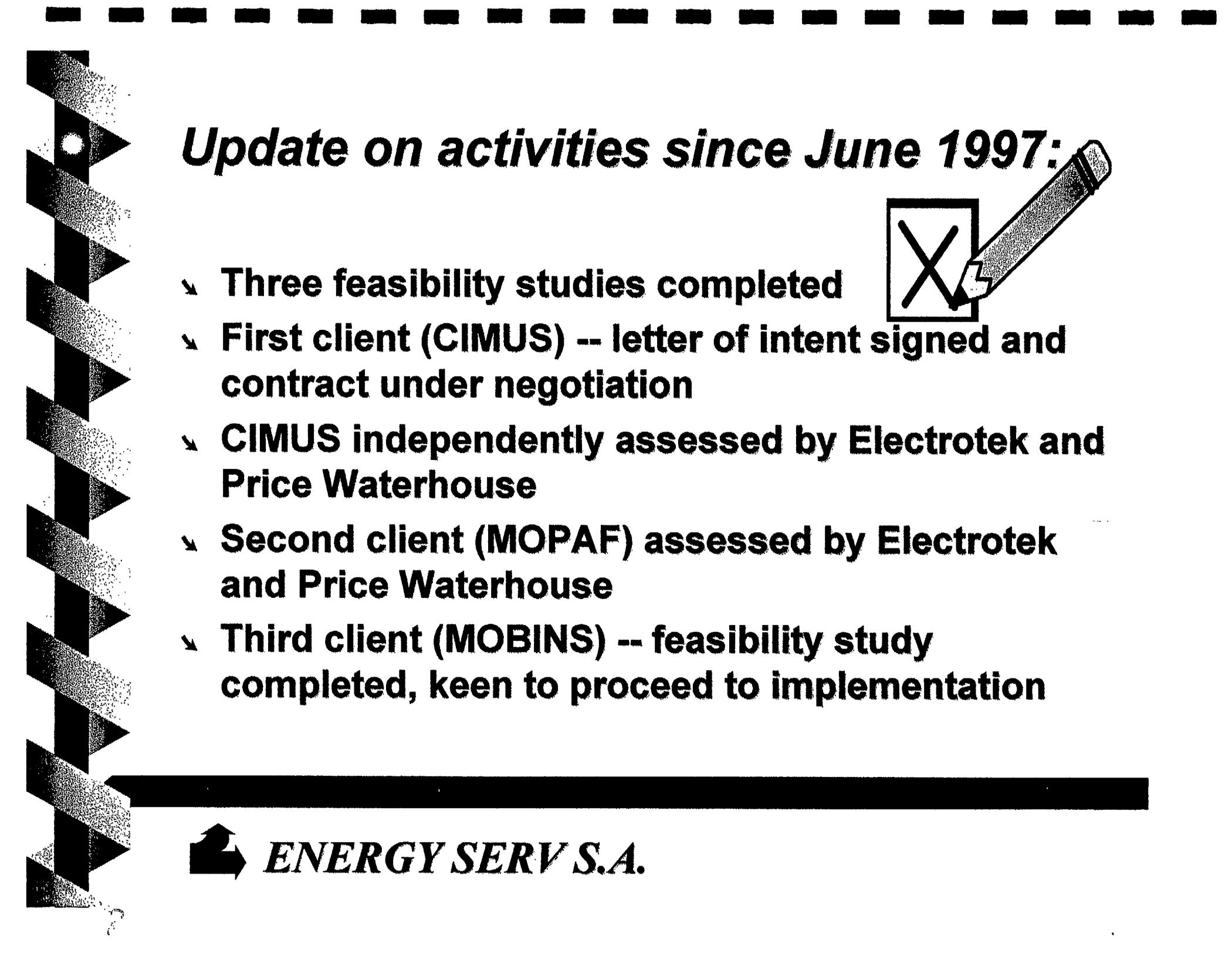


***Training program --  
objectives achieved :***



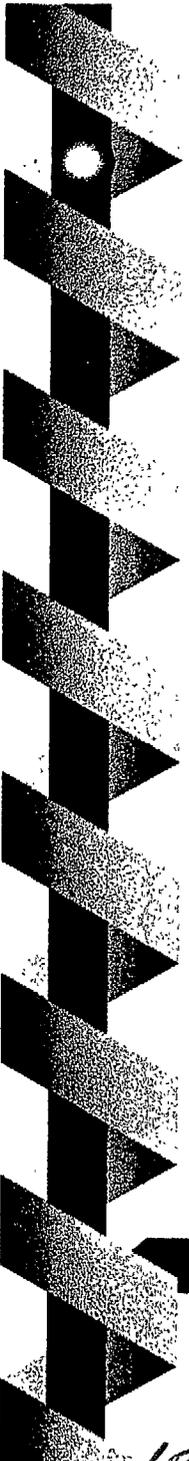
- ✦ **Better understanding of financial / marketing / legal aspects concerning ESCo activities**
- ✦ **Hands on work on specific and relevant projects**
- ✦ **Improve our skills in preparing ESCo projects**
- ✦ **Increase specific technical knowledge**
- ✦ **Experience**

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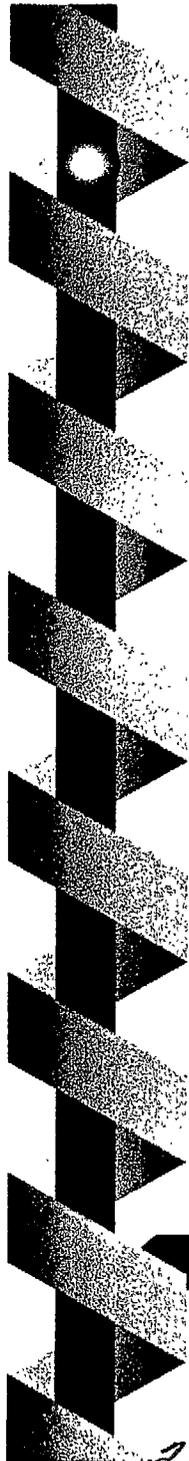
## ***Update on activities since June 1997:***

- ↘ **Three feasibility studies completed**
  - ↘ **First client (CIMUS) -- letter of intent signed and contract under negotiation**
  - ↘ **CIMUS independently assessed by Electrotek and Price Waterhouse**
  - ↘ **Second client (MOPAF) assessed by Electrotek and Price Waterhouse**
  - ↘ **Third client (MOBINS) -- feasibility study completed, keen to proceed to implementation**
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***Update on activities since June (cont.):***

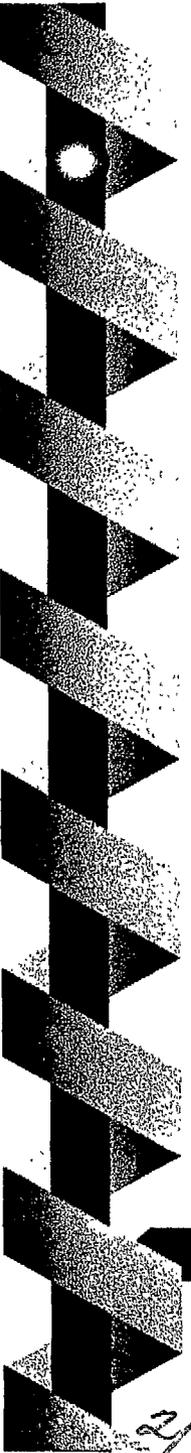
- ✦ **Negotiating two further feasibility studies**
- ✦ **Continuing assistance from USAID**
- ✦ **Change in key personnel (departure of Radu Deac and addition of two designate directors in Finance and Operations)**



***Revised business plan and funding  
proposal to be presented to Funds***

Revisions required due to:

- ↘ **Greater detail on client requirements from completed feasibility studies**
- ↘ **Changes in law regarding foreign investment**



## ***Summary of revised business plan and funding proposal***

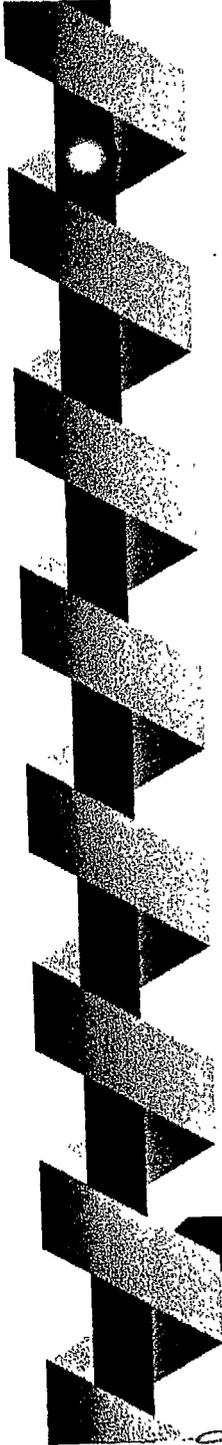
- ✦ **\$6 M initial investment into off-shore company (up from \$5 M in Romanian company)**
- ✦ **\$5 M equity transferred as share capital in Energy-Serv**
- ✦ **\$1 M loan in year 4 repaid in year 5**
- ✦ **Off-shore company buys 100% of Energy-Serv S.A.**
- ✦ **Key personnel given shares and share option in off-shore company**
- ✦ **10% initial shares, 15% exit bonus if IRR (diluted) > 30% at end of year 5**



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## *Pro Forma Income Statement (\$ '000s)*

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total Revenues	1,999	5,997	8,996	11,995	14,995
Fuel	902	2,705	4,058	5,410	6,763
O&M	116	349	523	697	872
Corporate Costs	654	706	773	861	975
Depreciation	45	490	935	1,157	1,602
Interest	-	50	200	192	231
EBIT	283	1,698	2,508	3,677	4,551



## ***Next Steps***

### **Funds:**

- ✧ **Consider revised business plan and proposed financing structure**
- ✧ **Revise agreement in principle (AIP)**

### **Energy-Serv**

- ✧ **Sign revised AIP**
- ✧ **Sign implementation contracts with CIMUS and MOBINS**



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