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We transform environmental  
footprint into value

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*Business plan 2021-2025*



Geronimo Martínez – CEO & Co-founder

[Geronimo.martinez@s2g.energy](mailto:Geronimo.martinez@s2g.energy)



Luis Carmona – COO

[luis.carmona@s2g.energy](mailto:luis.carmona@s2g.energy)



[www.s2g.energy](http://www.s2g.energy)

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# EXECUTIVE SUMMARY

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For every dollar one of our mature customers have spent in our Energy-Management-as-a-Service (EMaaS) solution, they have had a return of 3.4 dollars in cost reduction through energy resources efficiency in 24 months.

S2G Energy is a Mexico City-based startup company founded in 2014 dedicated offering digital energy efficiency solutions to enterprises. We bundle our customized optimization software with a lean change management service to guarantee adoption, value capturing, and, consequently, a digital energy transformation.

In S2G Energy, we solve the financial and sustainability problem that large commercial and industrial enterprises have due to the inefficient, uncontrolled, and commonly unknown use of energy resources in close correlation with their operations.

In 2019 we reached the USD 546k revenue mark in which 41% came from ARR and represented a 51% growth against 2018. In 2020 we aim to reach USD 600k of revenue due to how our sales cycles have extended by COVID-19.

But in reality, the future of our sector is prominent thanks to our target customers extreme focus on cost control/reduction, remote operations, sustainability targets, green incentives, low-occupancy load management, and the difficulty of procuring cheap green energy in Mexico. As recently referred to by McKinsey & Company: *Operations-driven sustainability is the way to optimize operations to unlock simultaneous environmental and financial benefits.*

That is why we're setting ourselves up to scale-up in the next five years and, for the first time, raise funds. We're looking to team up with the right partner and together head straight up to our Series-A round. The still untapped opportunity to offer digital energy efficiency services in combination with our current traction in customer success and product development will allow us to expand into widely unattended sectors and markets in Mexico and the region.

## TEAM OVERVIEW

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S2G Energy is the vision from the ground up of the **CEO and Co-founder Geronimo Martinez** with the financial backing and support of three very successful friends based in Guatemala, Venezuela, and New York. Starting as a solar lease solution provider in 2015 for residential and small commercial customers in Mexico, a decisive pivot in 2017 has placed S2G Energy at the forefront to deliver digital energy efficiency services to large commercial and industrial in Mexico and the region.

Before starting S2G Energy, Geronimo lead supply chain, commercial, and strategy roles for a multinational beverage company in Latin America. He was also a Strategy Business Consultant for seven years, where he was able to support global clients in Colombia, Brazil, Venezuela, and Mexico. Geronimo holds a BS in Mechanical Engineering, and Advanced Management Programs from IESA and IPADE.



**Luis Carmona, COO** - Our Business Development and Energy industry guru, brings over 12 years of experience in the energy industry to our strategy and execution, including overseeing business development, business operational and financial improvements.

Before S2G-Energy, Luis spent over a decade advising companies in the oil & gas, power & utilities, and industrial sectors in Mexico, Latin America, and the US as part of strategy consulting firms. He also held roles in financial advisory in New York City. Luis holds an MBA from Columbia Business School and received his BS in Electrical Engineering from Universidad Metropolitana in Caracas, Venezuela.



**Erika Santana, Customer Success Manager** - Is our industrial customers expert. She firmly believes that changes begin within people and from the desire to spread ideas throughout the world. That's why she loves data as a medium to communicate and influence. Erika came from Ecuador to Mexico through a full scholarship, and she holds a BS in Mechatronics Engineering from ITESM. Erika is a team player, ambitious, and motivated to have a sustainable life and planet. She loves to be in continuous learning, interested in new cultures, and to grow in challenging environments.

# TEAM OVERVIEW



**Oscar Villamar, Customer Success & Operations Manager** - Is our commercial customers and operational excellence bastion. He is an entrepreneurial, passionate, and results-driven leader with over eight years of experience in Energy Efficiency in the LATAM and EMEA Region. Always keen to build and develop successful teams in continually changing environments. He focuses on obtaining fast and effective business growth from creative and out-of-the-box thinking. He has worked in diverse fields such as automotive, IT, NGO's, and energy startups. Oscar holds a BS in Mechanical and Electrical Engineering with ISO:14001 Energy Management Certification. He is part of the Mexican Electrical Mechanical Committee.



**Vivian Espinosa, Business Development Manager** - Is our queen of the funnel and deal-flow. Previous to joining the S2G Energy team, she worked in global companies in the LATAM region. Her focus was on developing long-term strategic alliances and goals, launching new products to market, and drive profitability by managing global end-customers' accounts. Vivian holds an MBA from Thunderbird School of Global Management and ITESM Campus Monterrey. She received a BS in Chemical Engineering from ITESM Campus Monterrey.



**Alba Rodriguez, Finance Lead** - Is our north star to cash discipline, profitability, and decision making. She has a Bachelor's degree in Business Administration and a Master's degree in Energy from ITESM. She has prior experience working in the oil and gas industry. Alba is committed to creating a brighter future for humanity by caring for the planet.



**Our brand new, CIO** - The tech and product development guru represents the outstanding top talent recruiting process to be completed once our fundraising efforts end. We already have potential candidates on the radar.



# INVESTMENT OPPORTUNITY

At our company's first funding round, we turn to the investment community for pre-Series-A capital infusion of USD 1.5m through a debt security to boost our growth for the next eighteen months in line with our five-year scale-up strategy.

By a Simple Agreement for Future Equity (SAFE) with a post-money valuation cap of USD 15m and no discount, investors will receive a total of 10% of equity shares when an equity financing round occurs.

The capital will be crucial to move to a scale-up stage and into what will be an even more fruitful Series-A round. The funds will mainly be directed to talent and operations (65%), being the recruitment of a Chief of Tech is the most critical task. Product development (12%) to fast-track our learnings and iron our expansion, and finally, go-to-market (10%) to invest in pilot programs as the catalyst of our growth strategy and also opportunity-based investment across the region.

Ticket	<b>\$1,500,000</b>		
POST-MONEY VALUATION CAP	<b>\$15M</b>	MINIMUM INVESTMENT	<b>\$500,000</b>

## Reasons for investing

- We've revenue, durable unit economics and have proven our growth and results hypothesis within both commercial and industrial customers
- We're playing in a relevant and still untapped sector (digital energy efficiency solutions), in a greenfield market with large unattended customers
- Our cost-to-serve from Mexico allows us to develop the local market and deliver our services effectively while being geographically and cost-effective in serving customers across Latin America and the U.S., all in all, with the best talent
- Our land-and-expand model is going to create both substantial barriers for entry while building strong reasons for an exit strategy through a potential acquisition by a future strategic partner
- We're a purposeful team driven by a purposeful vision of changing the relationship between organizations (people) and how they use energy resources, forever

# COMPANY OVERVIEW

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## Market opportunity

In Mexico, a 5% electrical power demand efficiency represents USD 1.25b of cost reduction opportunity in the commercial, industrial and agro sectors. In the U.S. represents USD 10b and USD 37b globally. The opportunity is to become the definite solution for multi-site enterprises craving to quickly tap cost-reduction and sustainability value behind efficiency while transforming their organization for a digital, electrical, and sustainable future.

There are options, of course. But the gaps we consistently see and represent our critical be-the-best-in-the-world at factors are:

**Why so expensive, where's my payback?** Both OEM's (i.e., Siemens, Honeywell, etc.) and analytics-based solution providers, doesn't have the strategic focus, cost-effective approach, nor the flexibility to adapt their solution to the customer needs

**Who owns the knowledge?** Almost all options are black-boxes or costs to build/transfer capabilities to the customer are high or not even an option

**Do you know my basics?** Customers want to use their data and existent hardware, correlate energy usage to operations in their terms, prove or disprove the inefficiency anecdotes they have had for years, visualize and analyze something that speaks their operational language. The flexibility required to offer this is not hard, but it's not at the core of any of the business model out there

**Who is the expert?** Anyone coming with a solution that assumes the customers' inefficiency and wants to charge for a piece of the prize, is the de facto expert. Being the energy digitization integration and analytics expert arm to our customers' operational experts, produces a different partnership from a very early stage

**What's the value, and who/what produces it?** Defining the short-term and long-term value figures is easy. The hard part is delivering it through your customers' organization actions and their buy-in of your solution. This is indeed one of the most significant opportunities, as it implies the delivery of a digital energy transformation.

**A tool or a substitution?** Most of the options sell substitutions with different trendy names (i.e., Industry 4.0), conceptually in their most mature state, they are destined to reduce headcount radically. A highly flexible and evolving tool, in contrast, will help to reinforce and nurture the man-machine binomial required to evolve to a highly digital operational state while delivering well-defined results in the adoption journey

**Is closeness credibility?** Being close to the customer operational front-line to decision-makers is an opportunity. Forming a team to crack the most relevant problems, delivering short-term value without losing sight of the future, and jointly agreeing on expansion opportunities, is a critical non-existing factor in the current options. This is the most valuable element to receive and act upon feedback, both positive and negative, to develop your product and solution.

## Company synopsis

Energy-Management-as-a-Service has been our response to these questions for the last three years. Agnostically we are leveraging advance technology, developing the solution while rapidly learning with our customers, and continually tightening our model to the demand-side energy market trends that are here to stay: digitization, sustainability, electrification, ESG investing and most recently, remote operations, predictive analytics, asset performance optimization, cost reduction, and energy efficiency for sustainable economic recovery.

The market for our solution is mostly untapped, and our growth, as it has been the fact so far, comes from picking a few large customers, blowing their minds with short-term results, and rendering the convincing case to scale our solution throughout their operational footprint.

Our model aims at becoming a long-lasting and capable partner to our customers. The loyalty we build by everyday working jointly and empowering front-line teams with actionable insights also puts us in a risky situation because changing behaviors and ways of working is often steep, and a lot of companies either fail or avoid to do it.

That is why EMaaS embeds three elements that are always present in all of our engagements, although on different scales. Digitization: to nimbly integrate hardware, software, and analytics to solve our customers' specific problems. People empowerment: by driving a lean change management approach that adapts to our customers' culture and appetite to gain absolute control of the solution over time. Value: the way we set expectations on results and how they are measured, validated, and unlocked when expanding at scale.

The loyalty we build by delivering value initially through energy resource optimizations allows us to be in a favorable position for expanding our offering and revenue. Utilities provide the low hanging fruit because of the financial and sustainability case they provide. But the opportunity to become a total asset optimization partner for our customers is literally in front of us. Our solution can natively consolidate elements of Health, Safety, Environment, and Quality that are now also becoming relevant due to occupancy density control and contact tracing.

So far, by focusing almost entirely on utilities, we have been able to yield more than USD 2m in cost reduction to our industrial and commercial customers when they have invested less than a third of that in our EMaaS solution. These are the solid grounds in which we base our growth hypothesis in the number of customers and services in the next five years.



## Product offering

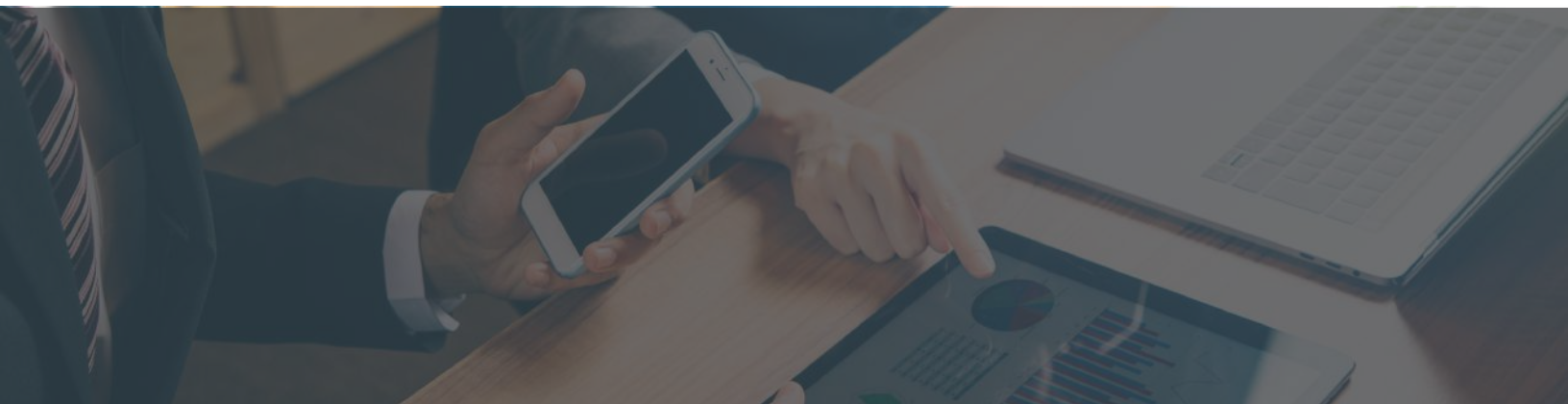
Platforms			
Web	Real-time resource information, insights and analysis	Visualize, get insights and control your resource consumption, processes and equipment performance	<ul style="list-style-type: none"> <li>Resource and equipment information centralized in one platform</li> <li>Data correlation to extract valuable insights</li> <li>Secure data access</li> </ul>
Bot	Control specific equipment and access relevant information	Receive alerts, control and get accurate information regarding your resources through your mobile device with our chatbot	<ul style="list-style-type: none"> <li>Personalized information</li> <li>24/7 assistance</li> <li>Executive summary of information</li> </ul>

Features			
Custom Information	Information that speaks our customers' business language	Correlate business data with resource consumption and have all your operational data in an easy-to-read visualization	<ul style="list-style-type: none"> <li>Enhanced productivity</li> <li>Centralized information</li> <li>Low training requirements</li> </ul>
Demand-side Management	Leaner and more efficient operation	Through information-based strategies lower your energy consumption in peak hours and non-operative hours	<ul style="list-style-type: none"> <li>Efficient performance during non-operative hours</li> <li>Peak hour charges reduction</li> <li>Short-term results</li> </ul>
Process Optimization	Ensure operational excellence and continuous KPI's improvement	Identify and improve influence variables, best practices, and performance of equipment or operational areas	<ul style="list-style-type: none"> <li>Detect best and worst-performing processes</li> <li>Identify influence variables of the process</li> <li>Continuous cost optimization</li> </ul>
Smart Control	Guarantee productivity and comfort while optimizing resources	Remote control of your resources with integrated machine learning models that will ensure a continuous optimization	<ul style="list-style-type: none"> <li>Easy-to-use</li> <li>Efficient HVAC usage</li> <li>Maintain user comfort based on occupancy</li> </ul>
Smart Maintenance	Mitigation of equipment failures	Through IoT sensors and algorithms, always analyze your equipment performance to detect faults and avoid downtime	<ul style="list-style-type: none"> <li>Avoid downtime</li> <li>Avoid decreases in equipment efficiency</li> <li>Mitigate maintenance costs</li> </ul>

# Product offering

Integration			
Hardware	IoT sensors for digitization and real-time measurement	Discover valuable data through IoT sensors	<ul style="list-style-type: none"> <li>• Minimum Operation Downtime</li> <li>• High-level technical assistance</li> <li>• Resource Digitization</li> </ul>
Data	Easy integration of any external data source	We integrate data and extract valuable information	<ul style="list-style-type: none"> <li>• Integration is not limited by any format or communication protocol</li> <li>• Deeper correlation models</li> <li>• Centralized data</li> </ul>

Empowerment			
Lean Change	Set a vision for change and empower your team to accomplish it	We provide a lean change management approach, engaging the right audience to address the most urgent problems first	<ul style="list-style-type: none"> <li>• Understand the value hypothesis of every initiative we drive forward</li> <li>• Engage with crucial end users from the conceptualization stages and until organization-wide deployment</li> <li>• Prepare, experiment, and validate adoption before full-scale deployment</li> </ul>
Value	Financial and sustainability goals jointly built	By delivering short-term, time-bound, measurable, and verifiable results is how we set the standard for the long-term at scale value potential	<ul style="list-style-type: none"> <li>• Align corporate objectives with value-based digital efficiency</li> <li>• Validate value at a controlled scale previously to a big-bang deployment</li> <li>• Invest on a long-term digital energy transformation with a short payback period</li> </ul>



## Revenue model

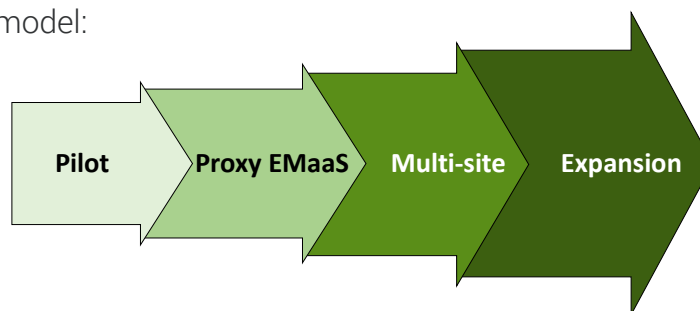
Our model consists of a turn-key solution priced according to clients' requirements, which determines the digitization scope and the sophistication level of monitoring, analytics, and automation tools needed.

The model escalates by leveraging the multi-site factor of our clients' operations and the cost-effectiveness of integrating new variables of consumption to be monitored, analyzed, and controlled from the same platform already developed for them.

Pricing of the EMaaS program consists of two components:

1. **Set-up:** an on-time fee that includes the deployment of all IoT sensors to have real-time measurement and all activities related to data integration of new sensors and existent data sources from client's operations.
2. **Service:** a recurrent fee for a period of 12 to 36 months where all data coming from the set-up component is processed in a custom-built platform for visualization, monitoring, and modeling, deploying analysis tools for efficiencies' opportunity identification and decision making and ultimately leveraging control and automation features. Service also includes on-going support from the Customer Success team to maximize platform usability, ensure methodology adoption, and influence behavioral changes in an organization to enable value capture and sustain it.

Revenue growth model:



We start from proof of concept, where we invest in a limited scope pilot where our potential customer can validate our platform's capabilities and fit to their operations. After a successful pilot, the actual sale of our first location or few locations of EMaaS takes place. We move forward to capture value through our "Proxy EMaaS" and deliver a quick project payback time that allows us to build a solid business case for multi-site deployment replicating the pricing model as often as sites the client has.

Ultimately, we incorporate other variables to leverage all software developments made for the client, including optimization of other resources, typically water and gas, and elements related to personnel safety or area occupancy levels, to name a few.

## Key milestones & future developments

We've taken advantage of the COVID-19 period to implement further structure and discipline to our execution. As a key internal milestone, we have been able to deploy a new organizational structure in strict alignment with our company priorities, objectives, and expected key results. The three pillars of our organization Customer Success & Operations, Product & Engineering, and Business Development, are already working tightly and transparently pursuing quarterly OKR's.

Achievements of this reorg include the growth of our BD funnel to 62 opportunities in 15 different sub-sectors at the beginning of Q3, totaling a still early-stage pipeline of USD 3.1m. Our Product Team has been gaining traction in their sprint process by fast-tracking the learning and development of our solution while also supporting the BD team with Product marketing insights and demo sales tools. Our Customer Success teams have been able to deliver custom tools and analytics to our customers that have enabled them to cope with the strict cash flow constraints during the lockdown period. We have been able to sustain the deployment of projects in critical industrial customers supported remotely by the exhaustive documentation that is part of our internal processes.

Our multi-sector model has proven resilient throughout the pandemic period. Even though 57% of our ARR comes from the heavily impacted hospitality sector, we have been able to sustain and grow our revenue in industrial customers.

The main future developments on the Product side are related to recruiting a Head of Tech that will enable us to build momentum behind our technology in every perspective. We aim to start experimenting with image recognition algorithms to detect people concentration, occupancy, and safety in industrial sites and further extend our hardware technology integration capabilities to address specific customer's requirements.

On the BD side, we expect to offer full-time positions to two critical team members currently under a temporary contract. This will allow us to guarantee a thoroughly walked sales cycle with each prospect in the funnel.

Finally, we expect to start investing aggressively in proof of concept pilots under our BD Team's opportunity priorities and lead by our Customer Success and Operations Team. This investment represents around 25% of the funding for the next 18 months.

# INDUSTRY OVERVIEW

## Target market

We start by defining our target client's characteristics, where we have chosen to play in the B2B space focusing on commercial and industrial players with a combination of the following features:

- Annual revenue higher than USD 150m
- Multi-site operation
- Power demand greater to 40 GWh a year

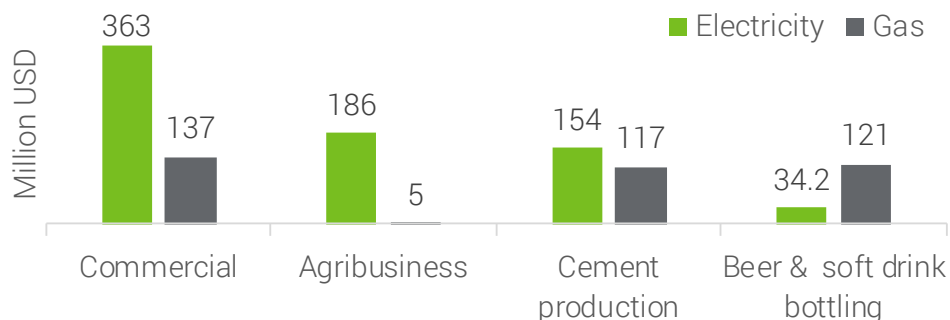
We also evaluate other treats, such as the company's focus on cost control, especially where energy is in the top 3 operational expenses, operations excellence, and a robust sustainability plan with clear public goals.

Buildings in sectors such as hospitality, commercial retail, and retail banking, have been underserved by traditional players given their high-cost offering. The reasons include the difficulty to adapt to the multiple "small area" store footprint even though the aggregated energy consumption is considerable. We have also identified opportunities in sectors such as data centers, education, healthcare, and niche opportunities with REITs.

On the industrial side, traditional energy solutions players have a more significant presence; nevertheless, their offering is centered on sophisticated and high-cost equipment. The complex systems require the client to develop specialized capabilities across their organization to deploy and manage the solution effectively. In the food, beverages, and agribusiness sectors, where legacy equipment and experienced operational teams prevail, the barriers to adopting complex systems are high. That's why providing a cost-effective solution that facilitates their endless task of optimizing production combined with the relative energy usage optimization, is a gap that we're currently and will continue to target. When we move up the ladder on the industrial side for highly energy-intensive sectors such as cement, the sophistication in optimizing production to energy is high, and that's why it does not represent a target sector for us.

Our main market today is Mexico and we have been developing most of our activity in the commercial sector (hospitality), agribusiness and beverages sectors but the potential diversification of clients is high when looking the untapped potential on a variety of selected sectors.
















Estimated consumption value addressable for efficiency programs



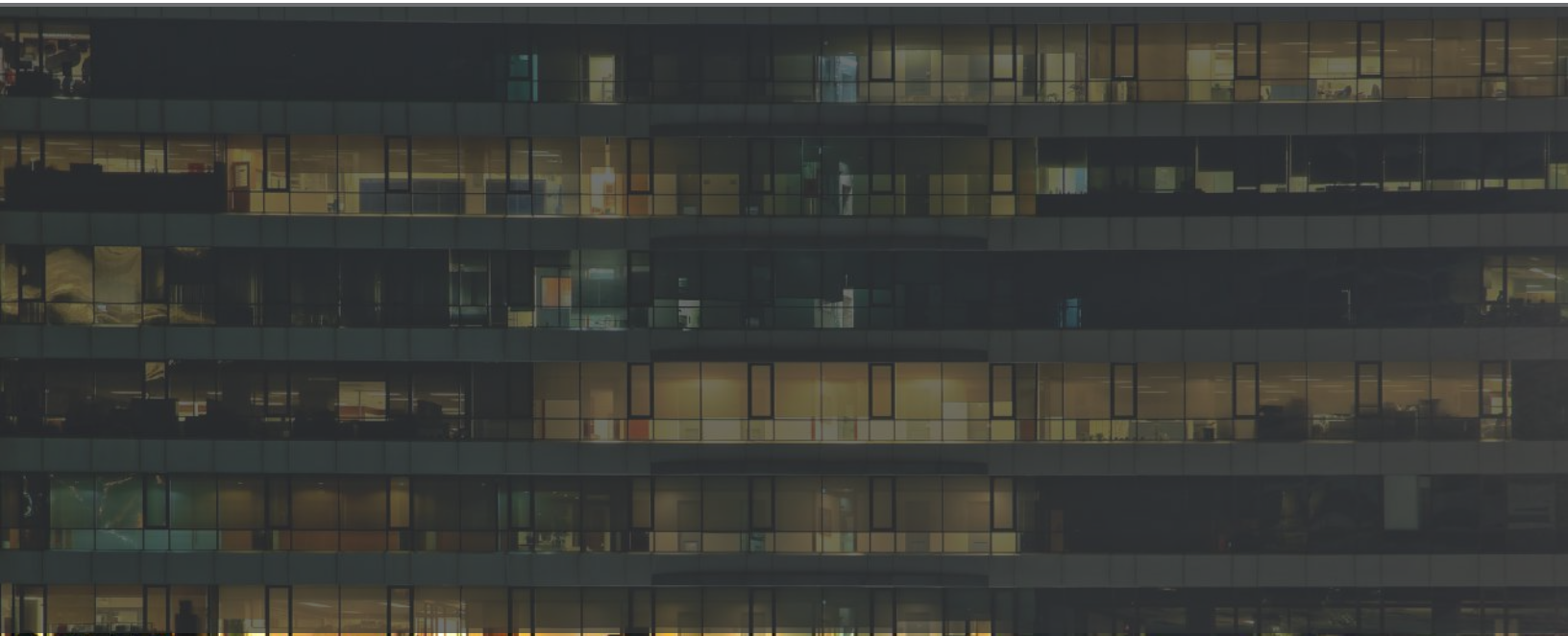


# Current client base

We currently have a base of 8 clients but also have completed a variety of pilots, most of them during the latter part of 2019 and beginning of 2020

Commercial & Buildings		Industrial		
<b>Hospitality</b>  Largest restaurant operator in Mexico  2nd Largest restaurant operator in Mexico  Important restaurant operator in Mexico	<b>Banks</b>  3rd Largest bank in Mexico (Largest Mexican owned)	<b>Agribusiness</b>  Leading Mexican agro exporter <b>Other Industrial</b>  Hardware manufacturer	<b>Beverages</b>  Leading spirits distiller  Global spirits distiller	
<b>Pilots</b>				
<b>REIT</b>  Largest REIT in Mexico	<b>Retail</b>  Auto parts retailer*  Supermarket chain* <small>*Mexico stores</small>	<b>Data Centers</b>  Leading Data Center in Mexico and Latam	<b>Food &amp; Beverage</b>  Leading soda bottling companies in Mexico 	<b>Other Industrial</b>  Global Mexican cement and concrete producer

During 2020 we are expanding our services within our agribusiness client and negotiating an addition of restaurant units in our main hospitality sector client.

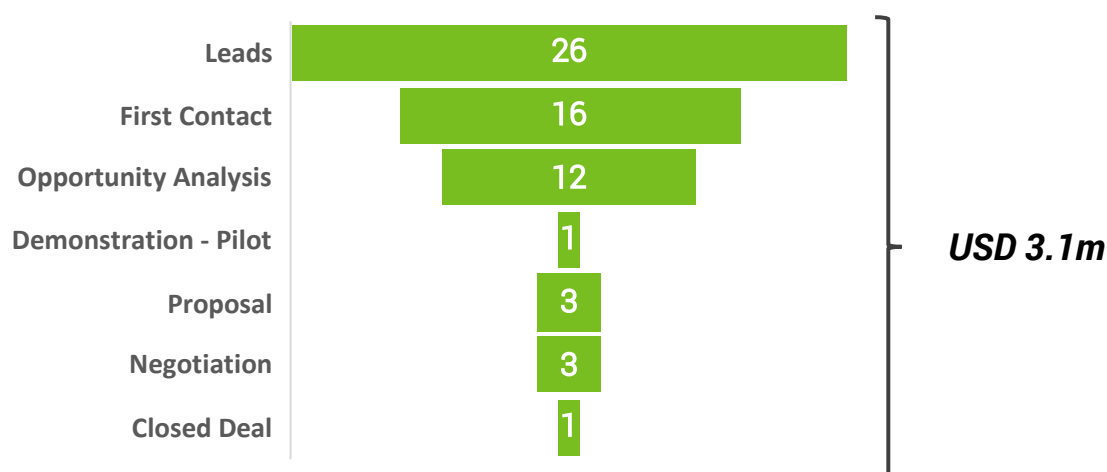


## Business development efforts

We established a formal BD unit within S2G Energy's organization in mid-Q1 2020 and have structured an institutional methodology and process to source, contact, and mature client prospects in a systematic and professional manner aligning commercial and marketing efforts to revenue targets.

The BD funnel has grown to a total of 62 opportunities in 15 different sub-sectors by the end of July, reflecting our focus on building a strong deal-flow and team. The total pipeline size is USD 3.1m. Most opportunities are still in the early stage of development. We are continually correcting pipeline value to reflect capture probability while keeping deal-flow sufficient to meet end-of-year revenue targets.

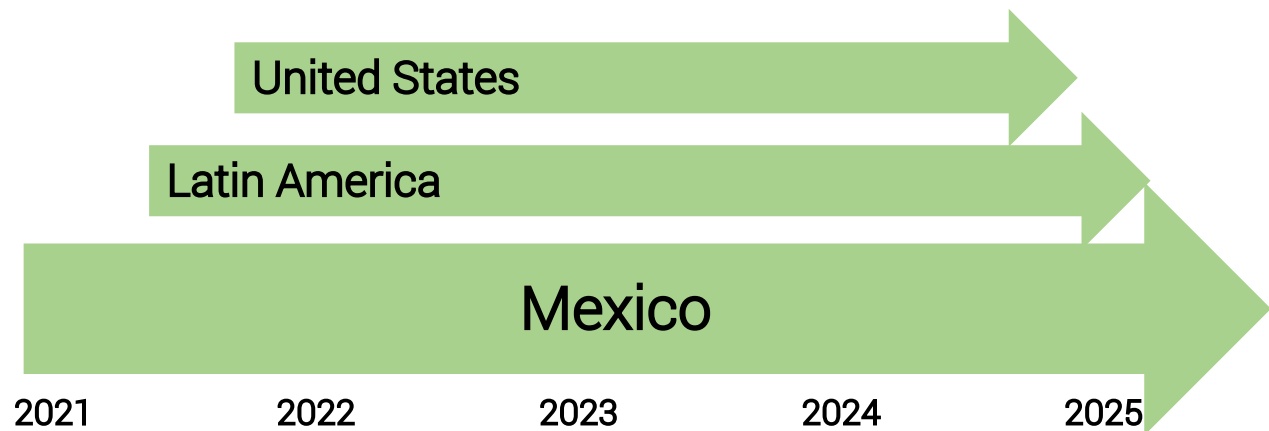
Current pipeline status as of July 2020



Sectors represented in BD funnel	
Sector	Number of deals
Food	15
Retail	10
Hospitality	10
Beverage	5
Agro-industrial	4
Pharmaceutical	3
Banks	2
Data Centers	2
Others	11

## Geographic market focus

Given the market size and potential of Mexico, we expect that 80% of our growth will come from this market in the next five years. Consequently, we aim to start our internationalization efforts as soon as 2021 to capture international revenue in 2022.



Our international market expansion will be structured by leveraging our current customer base in Mexico with global operations or through partners, especially in Latin America. Here our hospitality clients operate brands present in countries such as Colombia, Peru, and Chile.

Our market entry to the United States is centered in Texas, where we expect to mature our contacts portfolio in the public and private sectors, given our participation in The ION Smart and Resilient Cities Accelerator with the city of Houston during the first half of 2020.

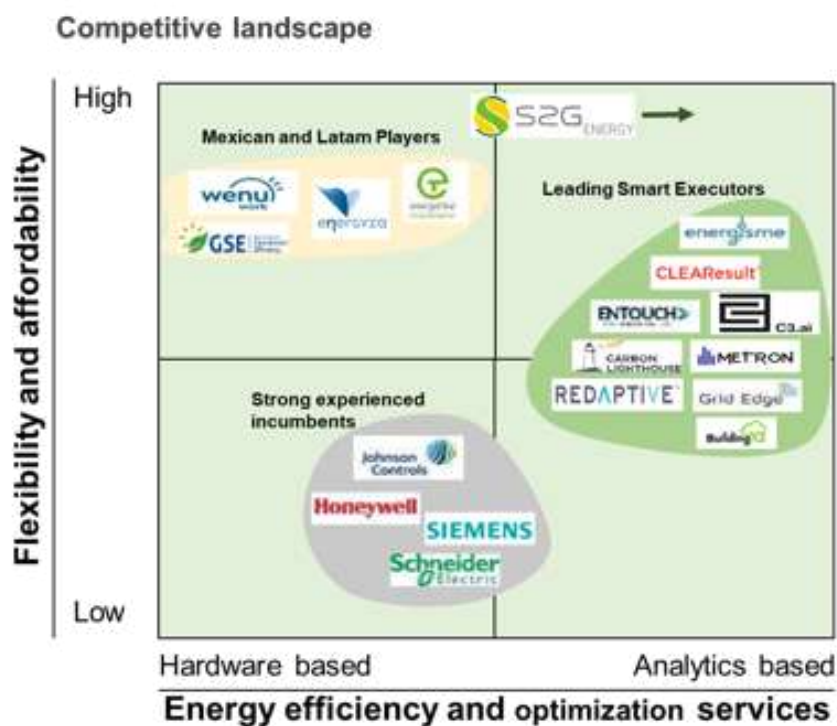
Texas is the largest energy-producing and energy-consuming state in the nation with a diversified commercial and industrial ecosystem. We expect to leverage the close business ties between Mexico and Texas to either engage with Mexican companies operating there or tap the active network of Mexican-American owned businesses. Particularly in the commercial sector, our customer-centric service model can make a difference as a competitive advantage.

Lastly, we will explore alternative distribution channels that will allow us to penetrate new markets without the need to set up a local business development operations. Some options are new technology partners that carry IoT sensors in their portfolios or through joint ventures with energy efficiency players who want to add a cost-effective analytics-based solution to their offering.

# Competitive landscape

The energy efficiency industry landscape seems highly fragmented when “looked from afar”; nevertheless, the approach to solve inefficiencies varies considerably. The durable, experienced incumbents or traditional players have developed large and robust systems that leverage high-end but costly hardware catering to big industrial players and vast building complexes. Then we have the ESCO’s that leverage a financial play to finance new, highly efficient equipment to replace legacy assets and share the benefits with the client. We have seen the emergence of new high-tech, affordable alternatives to digitize and measure energy consumption. These players manufacture a new wave of IoT sensors that come along with an off-the-shelf generic software solution.

Lastly, the analytics-based players focus on integrating multiple data sources and turn data into actionable information enabling AI and machine learning tools to model, predict, control. They focus on facilitating real-time decision-making to clients, in most cases, with a black-box approach and allowing them to cater to value in the short term and sustain it in the long run.



We have seen a lack of Latam players participating in the analytics-based space, even though talent and local capabilities in AI and other software development have grown significantly, especially in Mexico, given the multiple companies populating the Fintech and Consumer App markets. U.S. players are not showing signs of turning into the Latam market yet as they have their vast greenfield. European ones have shown interest but lack the scale and market knowledge to offer a customized and personalized experience at a competitive price.



# Differentiating factors

S2G Energy is the only player in the market, offering a full end-to-end solution with a highly competitive cost-to-serve from Mexico to any client in the world. We can do this by tapping the robust engineering talent pool in Mexico and in the region to lead the development of advanced software-based solutions. To deliver a high degree of customization and personalized service to cater to the specific client's needs is also possible due to our geographical location, capabilities, and unique business model. We sell results and transformation as opposed to merely hardware or tools for our clients to figure efficiency out.

We enable our differentiators through what the client perceives as high flexibility and fast adoption.

High flexibility	
How?	Why is it important?
<ul style="list-style-type: none"> <li>• Data collection agnostic, can work with existent data capturing systems if open and available</li> <li>• Quick installation non-invasive IoT measurement</li> <li>• Adaptable scope at any time</li> <li>• Short-lead times for insights and analytics</li> </ul>	<ul style="list-style-type: none"> <li>• Remove all barriers or constraints to data collection, processing and usage</li> <li>• Cost-effective and truly scalable</li> <li>• Investment allocated where the business needs it</li> </ul>
Fast adoption	
How?	Why is it important?
<ul style="list-style-type: none"> <li>• Tailored visualization, analytics, control and automation designed alongside the client team</li> <li>• Solution embeds in the client's workflow/low training requirements</li> <li>• Centralization of insights and decision making</li> <li>• Dedicated customer success team working as "energy partners" leveraging change management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Direct energy savings up to 18% during the first year</li> <li>▪ Clear ROI of sustainability initiatives</li> <li>▪ Additional savings from continuous operational improvements</li> <li>▪ High switching costs for the client to switch to other platforms</li> </ul>

## Differentiation double check

Our largest and most mature customer on the commercial side has had a return of five dollars for every dollar invested in EMaaS in 39 months. That's equivalent to 18 GWh or 32% accumulated efficiency. On the Industrial side, in 19 months, our largest customer has had a return of 1.8 dollars for every dollar invested in our solution, which is equivalent to 12% efficiency and 13 GWh.



# FINANCIAL OVERVIEW

## Economic model

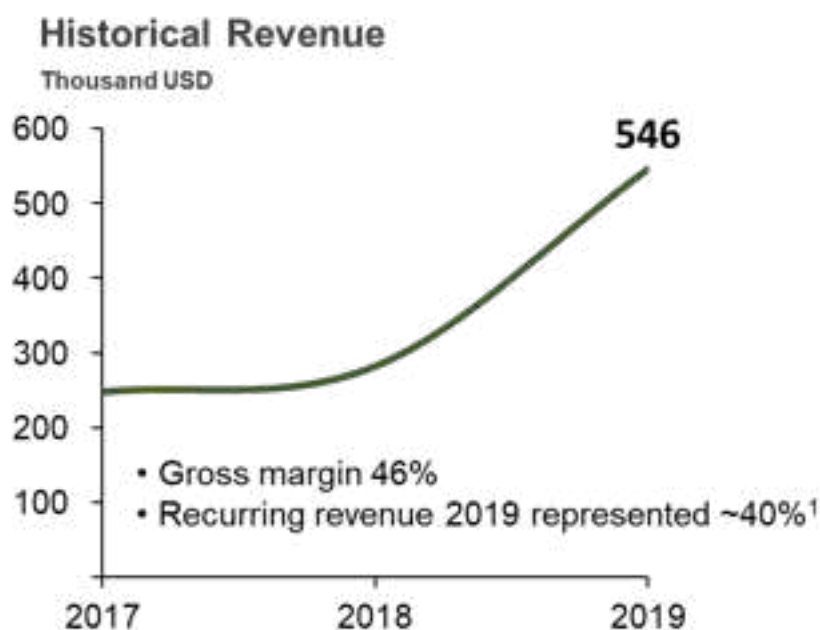
S2G Energy's unit economics are very attractive, especially in gross margin terms, we see an opportunity to increase our CAC to shorten the sales cycle.

Lifetime Value (LTV)	\$1.2m
Client Acquisition Cost (CAC)	\$22k

	Commercial	Industrial
Annual recurring revenue per client	\$105k	\$76k
Gross margin	66%	49%
Energy expense savings	10 – 12%	5 – 8%
Typical service contract duration	36 mo.	24 mo.

## Historical revenues

Since pivoting to be an energy efficiency technology player in 2017, we have grown to surpass the USD 500k mark in 2019. We achieved a weighted gross margin of 46% in 2019 and expanded our recurring revenue to 40% of the total revenue base.

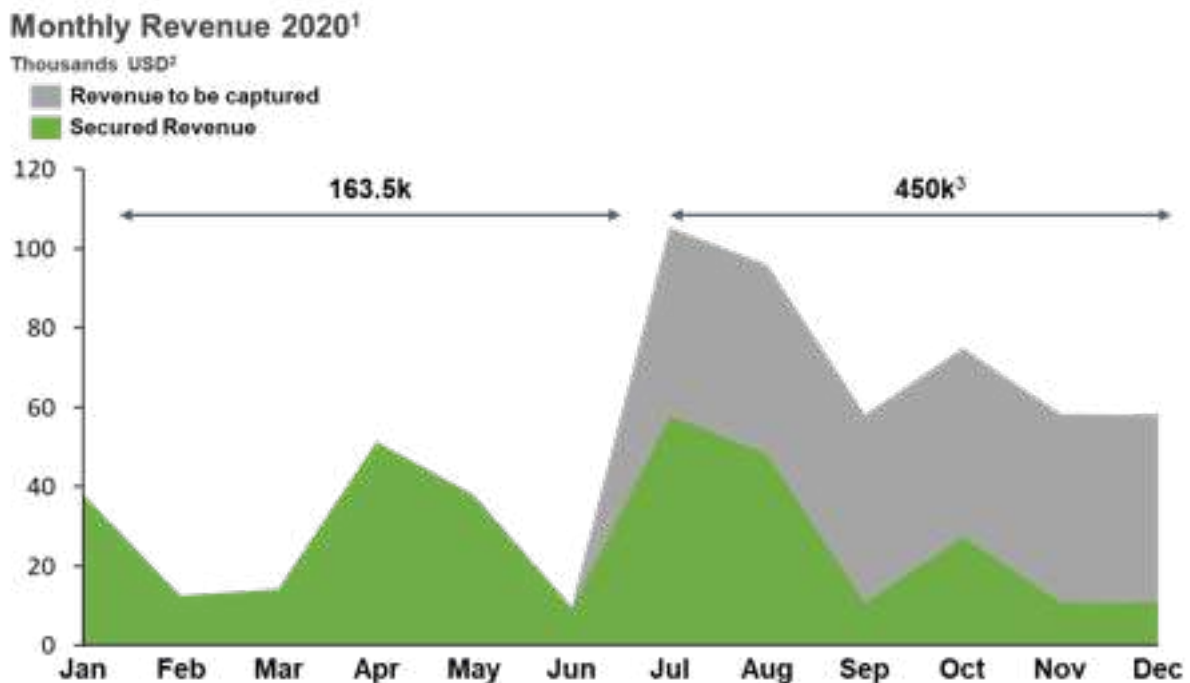


<sup>1</sup> Split of EMaaS Revenue

## 2020 Revenue forecast

At the end of 2019, we set an aggressive revenue growth goal for 2020. Nonetheless, given the impact the pandemic has had on the general economy and especially on the hospitality sector, where we have a critical client base, we had a revision of our goals. We decided to focus on helping our current clients adjust their cost base quickly to the new operational reality, and develop resilient strategies to be efficient with their existing asset configuration, thickening our energy partners relationship.

Our corrected revenue target was calculated to have an approximate growth of 30% in nominal Mexican peso value against 2019. But given currency exchange factors, the USD value would stay with a minimum increase, which we would treat as a “flat growth scenario” in hard currency.



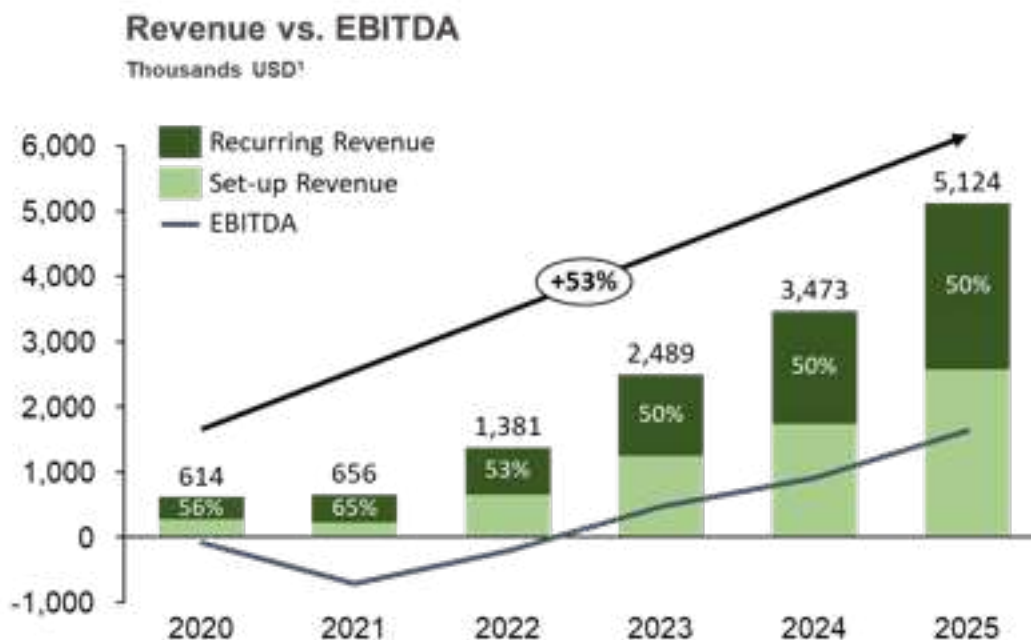
<sup>1</sup> Projects with quarterly invoicing have been normalized to monthly revenue

<sup>2</sup> Revenues have been converted to USD at exchange rate of MXN \$21.72/US\$ Secured revenue in H2 totals USD 163.3k

Even though almost all H1 activity got delayed due to COVID-19, we have entered H2 with good prospects. In part for the reactivation of our recurring revenue collection and the acceleration of a water digitization and management project under deployment for an agro-industrial client.

## Financial projection

We are projecting a revenue growth of 10x by 2025 compared to 2019, where we achieve EBITDA positive status by 2022.



<sup>1</sup> Currency figures have been converted to USD at exchange rate of MXN \$21.72/USD

We are modeling a minimum of a 50/50 revenue split between set-up and recurring revenue.

Cumulative EBITDA from 2020 to 2025 adds USD 2M, and the average EBITDA margin for the period is 15%. Nevertheless, EBITDA margin in 2025 equals 32%

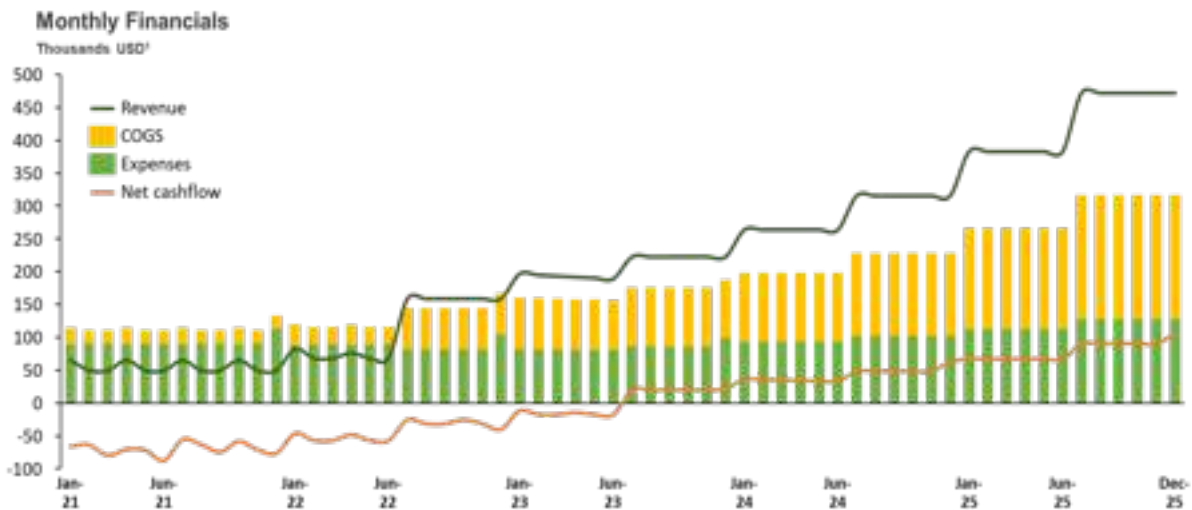
We have estimated that our growth is supported by an increase in the number of clients aligned with our business development efforts and capabilities and our strategic advantage of expanding our services with an acquired customer.

New clients added per year				
2021	2022	2023	2024	2025
3	5	9	10	14

The new client mix is expected to be 70% industrial and 30% commercial. But most importantly, we have estimated that our new revenue from acquired clients will grow from 10% in 2021 to 50% in 2025 in line with our “land and expand” model and taking into account that our revenue churn rate has been minimal. Nonetheless, we are considering a 2% churn rate in our conservative assumptions.

## Monthly financials projection

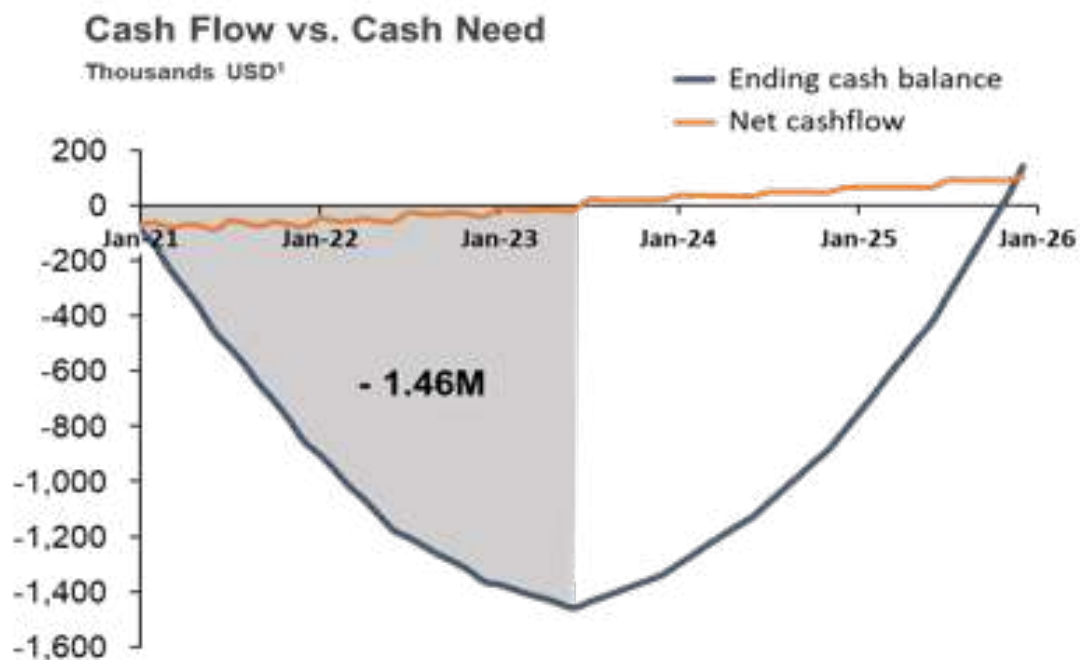
When examining the monthly behavior of our revenue growth, we can see that we can cover our cost base starting July 2022 and turn cash flow positive on July 2023.



<sup>1</sup> Currency figures have been converted to USD at exchange rate of MXN \$21.72/USD

## Cash flow vs. cash needs

Projections show cash needs bottoming out at USD 1.46m in June 2023 to support operations and growth expectations for the first 18 months. The business generates sufficient cash flow to support its operations through the end of 2025, where a potential Series A should fuel a new growth wave.



## Burn rate and use of funds

At the beginning of 2020, we started executing our growth budget in alignment with sales targets for the year and fundraising tasks planned. In April, we rapidly applied hand brakes to our expenses, including pay cuts, strict cost reduction, and started a precise daily cash management exercise. That put us at half of our burn rate with which we're currently operating.

The scale-up period requires bringing and retaining the talent, developing the product, and investing behind our go-to-market strategy mainly in the form of pilots to customers. Other critical positions to be filled include a Data Science lead, BD Manager, and a Digital Adoption Manager.

Burn rate evolution:



Use of funds during the scale-up period from term sheet until June 2022:

USD ('000)	10 MONTHS Sep20-Jun21		6 MONTHS Jul21-Dec21		6 MONTHS Jan22-Jun22		TOTAL SCALE-UP PERIOD Sep20-Jun22	
<b>Revenue</b>	<b>\$428</b>		<b>\$323</b>		<b>\$435</b>		<b>\$1,187</b>	
Gross profit	\$265		\$194		\$261		\$720	
Gross margin	62%		60%		60%		61%	
<b>Expenses</b>								
Talent	\$496	64%	\$362	67%	\$343	66%	\$1,201	65%
Product	\$120	16%	\$49	9%	\$49	9%	\$217	12%
Go-to-market	\$66	9%	\$58	11%	\$58	11%	\$181	10%
Admin expenses	\$52	7%	\$39	7%	\$32	6%	\$123	7%
Operations	\$20	3%	\$33	6%	\$40	8%	\$93	5%
Others	\$16	2%	\$2	0%	\$2	0%	\$20	1%
<b>Total Expenses</b>	<b>\$770</b>		<b>\$543</b>		<b>\$523</b>		<b>\$1,835</b>	
<b>EBITDA</b>	<b>\$504</b>		<b>\$349</b>		<b>\$262</b>		<b>\$1,115</b>	
Ending cash balance	\$687		\$1,153		\$1,442		\$1,442	
Monthly Burn rate	\$75		\$75		\$51		\$71	
Cash injection per period	\$687		\$466		\$289		\$1,442	





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Contacts:

Geronimo Martinez  
CEO

[geronimo.martinez@s2g.energy](mailto:geronimo.martinez@s2g.energy)

Luis Carmona

COO

[luis.carmona@s2g.energy](mailto:luis.carmona@s2g.energy)

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energy advantage*

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