

EXECUTIVE SUMMARY

ILUMEXICO (ME-L1321)

According to the National Institute of Statistics and Geography (INEGI), 1.8% which account for 2.6 million people of Mexico's vast population (130 million¹) is still underserved in terms of access to energy, causing families to rely on substitutes such as diesel, candles or wood which have negative environmental and health consequences. In recent years innovative off-grid household solutions have emerged from the solar energy sector which, depending on the systems installed, can allow families to power lightbulbs, charge cellphones, run small and large appliances, or even operate water pumps.

COVID-19 evidenced more serious basic deficiencies behind the more visible challenges of Latin America: inadequate urban infrastructure and lack of access to critical services, as well as a pressing need for sustainable employment opportunities and progress in the formal economy². At the same time, it has shown that technology could be a powerful instrument to mitigate these gaps. Increasingly, innovative startups are meeting the growing demand for digital services and facilitating the adoption of modern technologies within these sectors.

IDB Lab has an extensive track record in supporting innovative models for expanding access to cleaner and more efficient energy and investing in Seed and VC funds in the region. Key lessons from these experiences were considered during the design of this project. These lessons stress the importance of industry and local technical expertise had by CEOs/managers; experienced multidisciplinary team; good relationships with project sponsors; knowledge of local clean energy market; and the need to use flexible and blended financial instruments - grants, equity, mezzanine instruments and debt-, when necessary.

It is estimated that, worldwide, the off-grid solar industry has grown into a \$1.75 billion annual market, providing electricity and other energy services to more than 420 million users. In LAC, it is estimated that there is a total addressable market of 22M people (about the population of New York). In addition, \$2 Billion will be rolled out in subsidies to extend access to energy in the Americas. Few companies³ such as [Illumexico](#) offer alternatives for sustainable clean energy that have become effective solutions for isolated communities in rural areas worldwide. Illumexico currently has more than 24,000 clients (households) which consist of over 111,000 beneficiaries from poor and vulnerable populations in Mexico. However, this market still has room to grow – there are still approximately 2M people living “off the grid” in rural, remote, and impoverished areas, without access to electricity in Mexico. Still today, many among these families are spending US\$10+/month on hazardous and polluting lighting sources or up to US\$100/month in ice for refrigeration. Meanwhile, alternative energy solutions have become more competitive, innovative, and affordable, and have reached a level of maturity that allows for scaling and growth.

¹ World Bank

² Confirm reference

³ Other companies are: [Kingo Energy](#), [PEG Africa](#) and [Fenix Intl.](#)

Illumexico's is a Mexican company specialized in delivering affordable technology to poor and vulnerable households, implementing efficient last-mile distribution methods through a hub-and-spoke solar PV distribution model. The company is well known by IDB Lab. In 2012, the company received a USD 238,000 grant from the Bank to strengthen the company's business plan and design of potential financial sustainability.

The model works as follows: First households get a remote solar power system installed with low up-front cost. In parallel Illumexico empowers local entrepreneurs to sell Recargas Illumexico (recharging codes) to households. These local entrepreneurs who sell Recargas also earn a commission, which results in additional income for them (Recargas is integrated with more than 5000 payment points). With the code in hands, clients (households) insert the code into an Illumexico's pay-as-you-go Meter (called Colibri) that grants them access to clean energy. All the operation is monitored 24 hours a day, 7 days a week.

Thus far, the company has installed solar systems in over 24,000 rural households in Mexico (representing 21 different indigenous groups) with an installed capacity of over 4.1 MW. Currently, it has 94 full-time employees and 350 jobs created in total. The company also has a revenue of US\$ 3.9M in 2020 and closed the same year as Ebitda⁴ positive.

Illumexico is raising a Series A round of US\$ 8M (equity and debt). IDB Lab contribution of US\$ 1.5M as a revenue-based loan with a conversion option at a 20% discount for IDB Lab and its use of proceeds will be used to support the expansion of Illumexico's in rural Mexico.

⁴ Earnings before interest depreciation and amortization.