

# THE WALL STREET JOURNAL.

WEDNESDAY, APRIL 10, 2024

© 2024 Dow Jones & Company, Inc. All Rights Reserved.

BUSINESS & FINANCE

## LeapFrog Investments Sees Benefits From Lower Costs of Clean Energy

BY LUIS GARCIA

Leaders of impact-focused **LeapFrog Investments** said the declining costs of clean-energy technologies make it easier to convince investors it can produce financial returns along with benefits to communities and the environment—despite a broad retreat from many fund strategies that also make such claims.

LeapFrog, which is run from Mauritius and invests in developing markets in Africa and Asia, looks to back businesses involved in solar energy, transportation and agriculture through a newly formed climate investment strategy. At the same time it seeks to invest in other sectors, such as healthcare and financial services, from other pools.

In its latest deal, LeapFrog said last week it led a \$48 million investment in **Electronica Finance**, a provider of loans to small and midsize businesses in India, including for rooftop-solar installations.

“Twenty years ago, those were premium technologies and low-income people don’t pay a premium,” LeapFrog founder and



LEAPFROG INVESTMENTS

Andy Kuper, founder and chief executive of LeapFrog Investments, said he thinks recent changes have been driven by mobile phones, and ‘so many of the middlemen are cut out.’

Chief Executive Andy Kuper said, referring to solar power and electric vehicles. “Now those technologies are cheaper—you’re not saying to the consumer, ‘Pay a big premium and we’ll sell you a dream.’ You’re saying, ‘This is more affordable.’”

Government incentives and decreased costs of solar panels in India make rooftop solar power increasingly attractive to consumers, according to industry analysts. A projected record of four gigawatts of rooftop power

capacity was forecast to be installed across the subcontinent during a 12-month period ended in March, according to the Institute for Energy Economics and Financial Analysis, a nonprofit that promotes the shift to clean energy.

India’s electric-vehicle market is experiencing a similar trend, said Nakul Zaveri, a LeapFrog partner who co-leads the firm’s

© 2024 Dow Jones & Co. Inc.  
Licensed Use: Web post and organic social media  
Licensed to: LeapFrog Investments  
Expiration Date: 10/25/2024

climate investment strategy. He pointed to the rising demand for electric bicycles and scooters. EVs are expected to account for 60% to 70% of India's new sales of two-wheel vehicles by 2030, according to consulting firm McKinsey & Co. India's ubiquitous two-wheelers represent more than 70% of all vehicles on the road there.

Rising adoption of solar energy and electric vehicles in developing regions creates opportunities for impact investors to back clean-energy businesses, as they can more easily show both the potential for returns and social benefits, Zaveri said.

The same is true of other sectors in which LeapFrog invests, such as healthcare and financial services, he said. LeapFrog has said its portfolio companies provide services or products to nearly 500 million people.

"In emerging markets, financial returns cannot exist without having a social premium to consumer businesses because 95% of their target audience is low-income," Zaveri said.

The company last year pledged to invest \$500 million in businesses that help address climate change, with the backing of **Temasek Holdings** in Singapore and the **European Investment Bank**. Temasek roughly three years

ago committed \$500 million across LeapFrog funds, including \$100 million for its new climate strategy.

LeapFrog's concentration on businesses that cater to low-income consumers also helps differentiate the firm from other fund managers focused on broader environmental, social and corporate governance benefits, Kuper said. Investor enthusiasm for so-called ESG strategies has waned in recent months.

---

## The company backs businesses in developing markets in Africa and Asia.

---

"Impact focuses on a much narrower set of opportunities that have positive outcomes," he said. "You're not just trying to take everything in the world and make sure it doesn't have negative outcomes. You're selecting certain things that rightly you think have measurable positive outcomes. It's been both narrower and more rigorous than ESG."

Asked why many investors are still reluctant to put money in

emerging markets, Kuper said government incentives for clean energy products in developed countries out-shine other alternatives, but will eventually fade. Meanwhile, he said, wide use of smartphones reduces investment risks in emerging markets by enabling businesses to reach customers directly and decentralize operations.

As an example, he cited LeapFrog's investment about seven years ago in Goodlife Pharmacy, which operates in East Africa, comparing it with a hypothetical investment in a large hospital. Goodlife's roughly 140 pharmacies provide services such as diagnosing illnesses and nutritional advice. Many locations also have telemedicine rooms that enable rural customers to speak to a doctor remotely.

Goodlife can set up a new store in a month or two, while developing a new hospital probably would take years, Kuper said. Goodlife operations in rural areas serve scattered populations whose income wouldn't support a locally situated hospital, he added.

"I think there's been a material change in the last five to 10 years and it's driven by the mobile phone, the billions of people who are now on the grid and so many of the middlemen are cut out," Kuper said.