

## The Investor

INSITOR

Founded in 2009, Insitor Partners backs entrepreneurs building solutions for low-income consumers across South and Southeast Asia, where over 650m people are excluded from access to basic services such as education, healthcare, drinking water and housing. The firm is based in Singapore with country offices in Cambodia, Myanmar, India and Pakistan. Across its three funds, Insitor has invested in 29 companies serving 51m low-income consumers.

### FUND NAME

Insitor Impact Asia Fund

### FUND SIZE

USD33.5m

### TOTAL AUM

USD92m

## The Company



Khmer Water Supply Holding (KWSH) is a piped-water utility company expanding access to safe and affordable water across rural Cambodia. Launched in 2013 as a greenfield company with core funding from Insitor Seed Fund and initial project management from Devenco, the company offers treated water to households in licensed geographies by using a piped-water system. It aims to address the exclusion of rural households from the market by acquiring rural private water stations with unrealized potential and increasing their production and distribution capacities.

### LOCATION

Cambodia

### SECTOR

Water

### WEBSITE

[www.kwsh.com.kh](http://www.kwsh.com.kh)

### DATE(S) OF INVESTMENT

JULY '18, JUNE '21

### AMOUNT

USD1.7M

### STAKE

14%



Khmer Water Supply Holding (KWSH) was launched in 2013 with seed funding from Insitor Seed Fund and initial project management from Devenco as a water utility platform serving Cambodia's rural population of 12m people. In Cambodia's privatized rural water sector, over 400 operators have acquired licenses from the state to build and manage small piped-water utilities serving 2,000-10,000 households each. These operators generally lack the technical capabilities and capital necessary to increase their water station's capacity and provide reliable services at scale. As a result, pipe infrastructure covers only about 45% of households in each license area, and only 50% of those covered households are actually connected to the pipeline. In all, only 17% of Cambodia's rural population has access to piped water. Most rural Cambodians depend upon unreliable, unsafe and labor-intensive water sources like wells, rivers and rainfall, supplementing in the dry season with costly bottled water. KWSH was established to acquire promising but underperforming rural water stations and increase their production capacities and pipe networks.

By 2018, KWSH was operating two water stations, but it had not yet reached sufficient scale to access local bank or DFI financing for additional expansion. At the same time, Insitor was evaluating opportunities in Cambodia for its first institutional vehicle, Insitor Impact Asia Fund (IIAF), and was already deeply familiar with the company through its Seed Fund investment. In addition to a clear social impact from improving water supply services in rural Cambodia, KWSH presented a low-risk commercial opportunity through its yield-generating assets providing low-cost, essential services to an underserved market.

## The Deal

IIF first invested in KWSH in July 2018, facilitating the acquisition of three water stations to bring the company's portfolio to five utilities, each consisting of a treatment plant, water storage tank, pumps and underground piping. In addition to upgrading the existing infrastructure, KWSH has installed over 320,000 meters of new pipe and managed over 400,000 meters as of the end of 2021.

Insitor supported KWSH in refining its marketing strategy and processes, including the development of tactics to increase KWSH's customer base by lowering the barrier to entry for households. Through KWSH's two-fee pricing model, households pay a one-time connection fee of USD35-70, followed by a nominal usage fee averaging USD0.50 per cubic meter. To address households discouraged by the upfront connection cost, Insitor helped KWSH institute frequent sales promotions offering connection fee discounts of up to 50%.

Insitor assisted KWSH in developing a revamped marketing campaign focused on the advantages of piped water that were most attractive to local communities. These selling points include the convenience of on-premise water access and the long-term cost savings of having a steady water source, especially during the dry season. KWSH rescaled the usage fee listed in its marketing materials from a price per cubic meter to a price per equivalent 20L bottle of water, allowing consumers to more easily compare costs.

Through these efforts, KWSH increased the number of connected households from 6,000 at the time of IIF's initial investment to over 17,000 as of mid-2022. The rate of connection among households with access to KWSH piping is 92% today. KWSH's annual revenue and EBITDA grew at a CAGR of 42% and 41%, respectively, from 2018 to 2021.

"We set out to build a company with superior engineering and governance practices so that we would have a competitive advantage in raising capital for ongoing expansion. We have begun to see that thesis play out."

—Nicholas Lazos, Co-Founder and CIO, Insitor Partners

KWSH recently closed a USD2.3m debt financing agreement with InfraCo Asia Development to complete the pipe network expansion projects for all of KWSH's existing water stations, a project that is expected to increase the number of households served to 30,000. The company is also about to close a USD7m credit facility from the U.S. International Development Finance Corporation (DFC) to identify and acquire new water stations that will more than double the number of households in KWSH's licensed areas to 85,000.

## Inclusive & Sustainable Growth

Since IIF first invested, KWSH has increased its customer base by more than 3x. The company now provides over 2b liters of clean water annually, serving over 80,000 individuals as of the end of 2021.

Through its core business function, the company reduces the risk of waterborne illnesses and contributes to the economic prospects of



rural populations in Cambodia, especially women. Sanitation-related infections contribute to 11% of maternal mortality worldwide, as well as 26% of neonatal deaths, according to the United Nations. Women and girls are often responsible for collecting water from unregulated sources and traveling long distances to do so, preventing them from exploring other livelihood opportunities. In a 2022 impact field review, Insitor collected testimonials from women customers who reported reduced incidences of illness and an improved ability to effectively run their businesses as a result of KWSH's services.

KWSH and Insitor have also expanded water access to Cambodia's poorest households, which can often afford water usage fees but not the initial connection cost. Insitor has helped KWSH structure deals with grant funders, such as Aqua for All, to subsidize the connection fee for households below the poverty line, bringing it down to an accessible USD10. Aqua for All is also supporting an initiative to help KWSH expand pipelines into extremely remote and commercially unviable areas in order to reach the most vulnerable segments of the population. Insitor continues to help KWSH onboard additional philanthropic partners to double down on these initiatives.

## Outcome/Outlook

KWSH is aiming to double the households served over the next two years to about 40,000 through new water station acquisitions and pipe infrastructure buildouts. In the long term, the company anticipates opportunities to expand into other services, leveraging its business model and brand equity to improve service delivery in areas beyond water. ●