



TCX Feature Story

Yellow Malawi

The story is based on an interview with:



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CEO of Yellow Malawi

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Creating financial stability to support sustainable energy access in Malawi

With nearly 80% of Malawians living in rural areas and less than 25% having access to electricity, energy poverty remains a key barrier in the country's development. The lack of reliable and affordable energy limits economic opportunities, hampers the delivery of education and healthcare, and reinforces cycles of poverty — particularly in rural communities.

As the country pushes toward its goal of achieving universal energy access, unlocking innovative and scalable technical and financial solutions is key. The opportunities ahead breed many innovators, but entrepreneurs are often reliant on foreign, USD-based financing to finance their growth. To avoid a currency mismatch on the balance sheet of emerging energy companies, lenders hedge with TCX to improve the financial sustainability of their investees and help growing businesses become more resilient to an uncertain macro environment.

This feature story highlights a USD 2 million investment by Acumen's Hardest-to-Reach Initiative (H2R) in the unique Malawian energy company Yellow, supporting its efforts to bridge the energy gap across the country. It also explores how TCX's partnership with the European Commission and KfW enabled affordable funding indexed to the local currency.

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Yellow Malawi was founded in 2018 with a focus on expanding access to energy and digital services in rural Malawi. Yellow distributes affordable solar home systems and smartphones through a decentralized network of local agents and local merchants: **“We have recruited over 1000 agents across Malawi and some other countries in which we operate, and they’re completely responsible for marketing our product, managing customers and payment collection.”** The agents use a pay-as-you-go model with extended tenor compared to market averages, allowing customers to make small, flexible payments over an extended time, which makes solar energy and technology more accessible to low-income households. By combining last-mile distribution with digital innovation and local ownership, Yellow empowers rural communities and promotes financial inclusion.

“The company’s model works and is ready to be scaled up progressively”, says William, CFO of Yellow, **“but how to finance is a key consideration. We have seen many similar companies operating from other countries struggle with currency volatility, which is not unique in Africa. Malawi is not unlike others, but we also had a significant amount of unhedged hard currency on our balance sheet a few years back.”** After seeing the impact of depreciation in other countries, the Yellow team decided that any new USD debt would have to be indexed to the local currency, because, **“if something goes wrong by a little bit, it has such a massively outsized, and potentially destructive impact on our business — and ultimately our customers.”**

Yellow’s sound financial foundation has helped the company in its fundraising efforts, but the company’s leadership increasingly sees the ecosystem as split into two — lenders offering traditional, vanilla dollar-

based products and lenders offering a more nuanced, bespoke approach to financing solutions. Acumen’s H2R Initiative is an example of an established impact investor bringing energy access to the most underserved and remote communities in sub-Saharan Africa by taking companies’ needs as the starting point for investments.

H2R recognizes that traditional market-based approaches often fail to reach the poorest, most isolated populations due to high distribution costs, lack of infrastructure, and limited purchasing power. Therefore, H2R aims to deploy USD 250 million to provide 72 million people with electricity in the 16 countries with some of the lowest electrification rates in sub-Saharan Africa. The initiative takes a creative approach to financing companies, allowing for the co-creation of financing structures in line with the needs of investees.

Yellow Malawi

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Recently, the BBC produced a StoryWorks short documentary about the company, their mission and impact on local communities in Malawi. It will be aired on BBC digital in the next weeks.

[Watch the preview →](#)

Within the growing group of lenders that take such a demand-driven approach, discussions around local currency have become more frequent in recent years, according to Maya: **“Three to four years ago, nobody was talking about local-currency-indexed loans. Now we’re seeing a chunk of players who are starting to look at FX risk mitigation as an opportunity to differentiate themselves, rather than as a risk, especially with interventions such as the EC facility improving the bankability of individual transactions.”**

The increased focus on risk-resilient financing can be explained by the significant volatility of recent years. The result is a stronger risk-awareness on the part of borrowers such as Yellow and more widespread availability of de-risking products at manageable rates. Protecting borrowers against currency risk in markets where forecasts predict volatility is

costly and can lead to prices that render individual transactions unfeasible.

The Pricing Facility, which allowed TCX to reduce the cost of hedging by 5% in MWK for the transaction, played a critical role in making the deal work for both Yellow Malawi and Acumen. Sandra explains: **“Expanding energy access is the core objective of what we do, and we are always looking for different ways by which we can be additional to the market. In this particular case, being able to provide the right type of financing at reduced rates effectively enabled us to achieve that target.”**

In fact, **“Without TCX and EC pricing facility, it would have been really hard to make this transaction possible,”** says William. **“When considering additionality, without access to the**

local-currency-indexed funding, there would have been many thousands of homes not electrified; quite simply, without this facility, that rollout would not have happened. Such tangible impact cannot be realized or sustained when operating in an uncertain exchange rate environment,” says Rosalie: **“We do believe that financial sustainability and impact are very much aligned.”**

The collaboration between Acumen H2R and Yellow is expected to enable the Yellow team and the 1000+ agents to expand their inventory and reach 182,000 people with energy access, including 145,000 (80%) people who will be plugged in for the first time. Although the outcomes may be difficult to quantify at this point in time, the immense value of shops staying open after dark and for kids doing homework post-sundown needs no explanation.