

# MPC Energy Solutions N.V.

Renewables - Netherlands



**Buy** (Initiation)

04.04.2024

**NOK 23.00** (Initiation)

## Here comes the sun // Initiate with BUY

**MPC Energy Solutions (MPCES) is ready for a virtuous growth cycle:** The integrated IPP owns 144 MW (99 MW proportionate) of PV and CHP assets (incl. under construction) and has a 336 MW development backlog (225 MW of mature projects).

The regional focus of MPCES is **Latin America and the Caribbean**, which offer plenty of attractive growth prospects. Although boasting an impressive overall renewable energy share of 63%, certain nations, notably the Caribbean countries, find themselves trailing behind with a meagre average of 8% but with targets of 50-100% during the next 10-20 years. This created a **lot of pent-up demand**: Until 2030, the regions need an **incremental 50 GW of renewable assets to remain on the net-zero trajectory**.

**Assets in these regions are in high demand** due to attractive returns (>15% equity IRRs) on the back of high power/power purchase agreement (PPA) prices coupled with strong solar irradiation leading to high full load hours and long-term PPAs with private corporates, private and state-owned utilities.

However, access to suitable assets remains one of the key bottlenecks in the industry. By **offering tailored energy solutions for each client** with a technology agnostic approach rather than trying to find clients for halfway developed projects, MPCES put itself at the forefront of the regions' transformation, since it is (1) able to de-risk its projects and (2) gain access to sufficient high-quality PPAs.

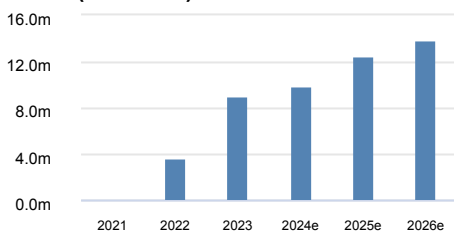
**Ready to kick-start a cycle of growth.** While FY23 was a transition year with the departure of the former CEO and the resulting strategy overhaul (divestment of several projects and focus on co-investments to improve equity IRRs), the company's mid-term should be marked by strong growth. MPCES' current proportionate production portfolio can generate annual sales of around \$ 11.4m (eNuW). This is seen to strongly increase as MPCES executes its backlog. San Patricio alone (construction started at the end of Feb.) should contribute \$ 4m additional sales annually. The remaining 225 MW of mature development projects could **boost annual proportionate sales to roughly \$ 31m** (eNuW, 51% ownership and \$ 65 per MW/h). With incremental EBIT margins north of 40%, the **group's EBIT margin would hence surpass 30%** (not reflected in eNuW until the projects are under construction).

**Initiate with BUY and a NOK 23 PT.** We value MPCES on a sum-of-the-parts (SOTP) valuation, separately accounting for the value of its current IPP portfolio (NPV) and its development backlog (multiple).

Y/E 31.12 (USD m)	2021	2022	2023	2024e	2025e	2026e
Sales	0.0	3.6	9.1	9.9	12.6	13.9
Sales growth	n.a.	n.a.	150.7%	8.9%	27.2%	40.5%
EBITDA	-2.9	-3.2	-1.7	3.2	6.0	7.6
Net debt (if net cash=0)	-56.9	18.7	23.4	41.9	60.7	57.6
FCF	-14.0	-10.6	-12.9	-19.0	-18.7	3.1
Net Debt/EBITDA	0.0	-5.9	-13.7	13.0	10.1	7.6
EPS pro forma	-0.12	-0.23	-0.25	-0.07	-0.05	-0.02
EBITDA margin	n.a.	-87.2%	-18.7%	32.5%	47.9%	54.5%
ROCE	-7.0%	-5.5%	-7.5%	-0.2%	1.7%	2.6%
EV/sales	n.a.	11.6	5.2	6.6	6.7	5.8
EV/EBITDA	11.6	-13.4	-27.5	20.3	14.0	10.7
PER	-127.4	-4.5	-4.2	-15.9	-21.3	-47.1
Adjusted FCF yield	5.0%	-33.7%	-13.7%	0.5%	2.9%	3.3%

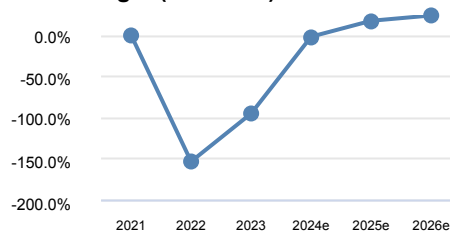
Source: Company data, NuWays, Close price as of 03.04.2024

### Sales (2021-26e)



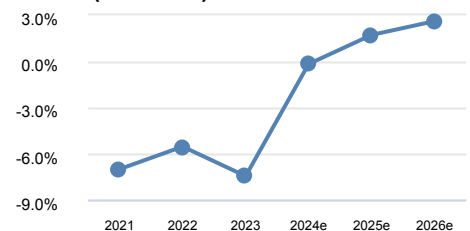
Source: NuWays Research

### EBIT margin (2021-26e)



Source: NuWays Research

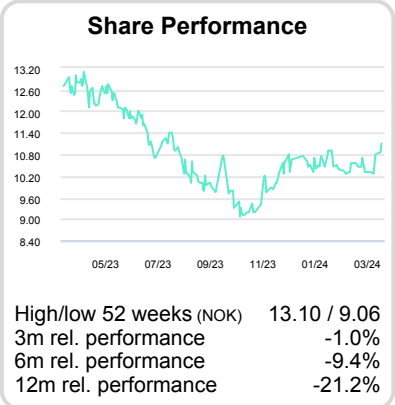
### ROCE (2021-26e)



Source: NuWays Research

### Company description

MPC Energy Solutions is an independent power producer that develops, owns and operates renewable assets across the high-yielding Latin American and Caribbean region. The production portfolio comprises 99 MW of PV and Combined Heat and Power solutions.



### Market data

Share price (in NOK)	11.10
Market cap (in NOK m)	251.4
Number of shares (in m pcs)	22.2
Enterprise value (in NOK m)	699.4
Ø trading volume (6 months)	14,500

### Identifier

Bloomberg	MPCES NO
Reuters	MPCES.OL
WKN	A2QMBK
ISIN	NL0015268814

### Key shareholders

MPC Capital	20.5%
Helikon Investments	15.7%
Paladin Asset Mgmt.	9.7%
Klaveness Marine Finance	4.8%
Farvatn	3.7%
Free Float	45.6%

### Estimates changes

	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

### Comment on changes

### Guidance

- 2024: 145 GWh energy output
- 2024: \$ 12m project sales and \$ 8.5m project EBITDA

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## Introducing MPC Energy Solutions

- Vertically integrated independent power producer (IPP) for a focus on **Latin American and the Caribbean**
- **99 MW production portfolio, 336 MW development backlog** whereas 225 MW are mature developments

MPCES is an **IPP** that develops, owns and operates renewable assets **across the high-yielding Latin American and Caribbean region**. While being generally technology agnostic, most of its portfolio and development backlog comprises photovoltaic (PV) installations (98%) while efficiency solutions (Combined Heat and Power, or CHPs) account for only 2%. *Note: Through a potential sale of the CHP project, MPCES could become a PV pure play.*

While being founded only three years ago (IPO in Jan. 2021), the company's **proportionate production portfolio** (operational or near operational assets) **already comprises seven assets with a proportionate capacity of 99 MW** (only accounting for their implied stakes in the case of co-owned projects).

	Plant	Country	Technology	Status	MW	MPCES Stake	Net MW	MPCES' equity stake
Production Portfolio	Neol CHP	Puerto Rico	Energy Efficiency	Operational	3.4	95%	3.2	\$ 9.0m
	Los Girasoles	Colombia	PV	Operational	12.3	100%	12.3	\$ 11.3m
	Planeta Rica	Colombia	PV	Operational	26.6	50%	13.3	\$ 8.8m
	Santa Rosa & Villa Sol	El Salvador	PV	Operational	21.3	100%	21.3	\$ 6.2m
	Los Santos I	Mexico	PV	Operational	15.8	100%	15.8	\$ 4.6m
	San Patricio	Guatemala	PV	Construction	65	51%	33.2	\$ 2.1m
	<b>Σ</b>				<b>144.4</b>		<b>99.1</b>	<b>\$ 42.0m</b>
	Plant	Country	Technology	COD	MW	MPCES Stake*	Net MW	MPCES' equity stake**
Mature dev. backlog	San Antonio	Guatemala	PV	2025	40	100%	40.0	\$ 8.8m
	Acacia	Jamaica	PV	2025	65	100%	65.0	\$ 14.3m
	Santa Teresa	Panama	PV	2025	90	100%	90.0	\$ 19.8m
	El Abuelo	Panama	PV	2025	10	100%	10.0	\$ 2.2m
	La Perla	El Salvador	PV	2025	20	100%	20.0	\$ 4.4m
	<b>Σ</b>				<b>225</b>		<b>225.0</b>	<b>\$ 49.5m</b>
Immature dev. backlog	Pacande	Colombia	PV	tbd	60	100%	60.0	
	Matarredonda	Colombia	PV	tbd	25	100%	25.0	
	TAISOL	Dominican Republic	PV	tbd	50	51%	25.5	
	<b>Σ</b>				<b>135</b>		<b>110.5</b>	

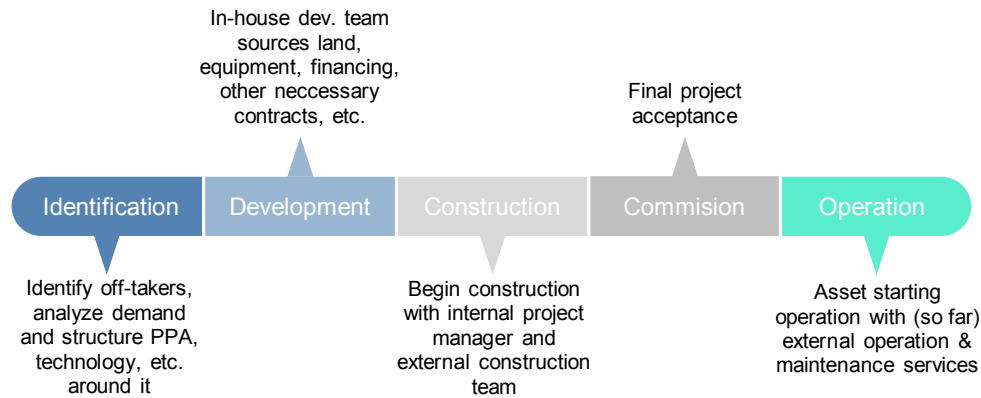
Source: NuWays Research, company data \*targeted ownership of 51% \*\*at 100% ownership, 80% leverage and construction costs of \$ 1.1m/MW

MPCES invested in building up its **development backlog to 336 MW**. It comprises 225 MW of "mature" projects. Those projects are in advanced development phases, partially "ready-to-build". The company can either sell those projects to players without inhouse development or keep, construct (through external construction company) and keep the operational asset. The remaining 111 MW of development backlog are considered "immature", describing less advanced or concrete projects.

As operator of the assets, MPCES **sells the electricity to a variety of off-takers** ranging from private companies (e.g. Leoni) to utilities (e.g. Celsia, AES El Salvador). Importantly, electricity prices and volumes of **all projects have been secured by power purchase agreements (PPA)**, which range from 8 to 20 years. Their average remaining lifetime of the whole portfolio stands at around 16 years.

**MPCES is a vertically integrated IPP** that covers the whole value chain: identifying off-takes, structuring PPAs to their needs, developing and constructing the asset (project management) and owning and operating it. Having all those parts in-house, allows MPCES to notably de-risk the development phase, secure access to sufficient high-quality projects and enables higher project IRRs (MPCES saves the developer margin for a ready to build project of \$ 50-100k per MW).

## Renewable value chain



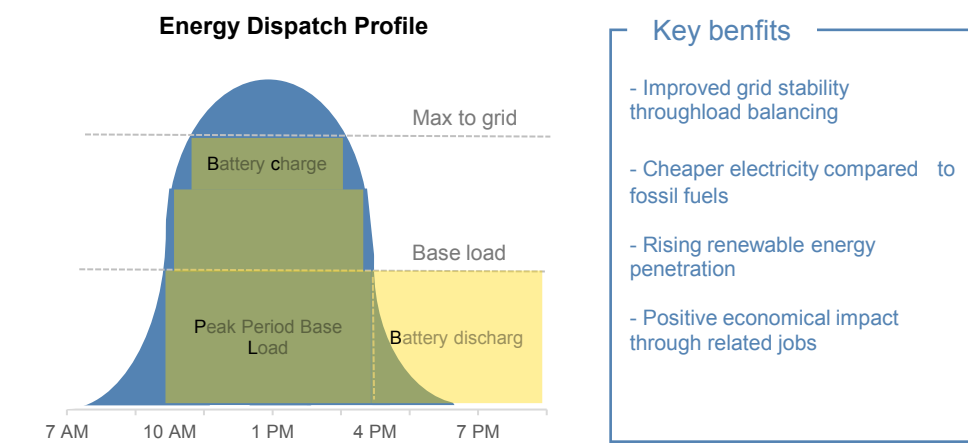
Source: NuWays Research

While MPCES is active in several mature markets with a high renewable shares, the Caribbean remains highly underdeveloped with a nearly 100% reliance on expensive (~30% more expensive than renewables) and unreliable fossil fuels (8% avg. renewable share).

Going forward, we expect hybrid solutions, i.e. utilizing the abundance of solar irradiation through PV combined with energy storage to secure the grid's base load throughout a day, to play an important role in the regions energy transition.

Know-how from the recently discontinued (mainly due to a changed political landscape) but fully developed project in St. Kitts should allow MPCES to also offer hybrid solutions going forward.




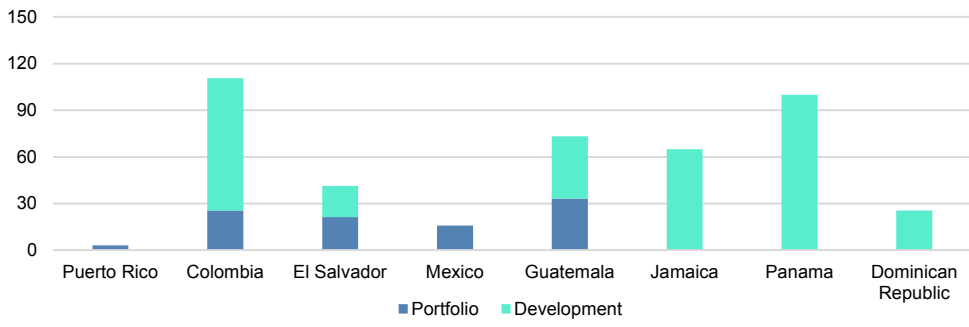
## Exemplary hybrid solution



Source: NuWays Research

# MPC Energy Solutions N.V.

Full note / Initiation - 04.04.2024

MPC Energy Solutions																												
<b>Description</b>	MPC Energy Solutions is an independent power producer that develops, owns and operates combined heating and power as well as PV installations across Latin America and the Caribbean.																											
<b>Off-takers</b>	<p><u>Private corporates</u></p>  <p><u>Private utilities &amp; traders</u></p> 																											
<b>Competitors (selection)</b>																												
<b>Technological split (as of March 2024)</b>	<table border="1"> <thead> <tr> <th>Category</th> <th>Technology</th> <th>Percentage</th> <th>Total MW</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Portfolio</td> <td>PV</td> <td>98%</td> <td rowspan="2">99 MW</td> </tr> <tr> <td>CHP</td> <td>2%</td> </tr> <tr> <td rowspan="2">Mature Backlog</td> <td>PV</td> <td>100%</td> <td rowspan="2">225 MW</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td rowspan="2">Immature Backlog</td> <td>PV</td> <td>100%</td> <td rowspan="2">111 MW</td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table>	Category	Technology	Percentage	Total MW	Portfolio	PV	98%	99 MW	CHP	2%	Mature Backlog	PV	100%	225 MW			Immature Backlog	PV	100%	111 MW							
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<b>Proportionate sales 2024e (\$ m)</b>	11.4																											
<b>Proportionate EBITDA 2024e (\$ m)</b>	8.4																											
<b>Target equity IRR</b>	>15%																											

Source: NuWays Research, company data

## Competitive Quality

- **Vertical integration** allows for de-risking and access to sought-after renewable projects
- **Improving IRRs through Co-Investors** before costly construction phase
- A dedicated **focus on a high-yielding/growth region**
- Kick-starting operations through **access to the MPC universe**
- **Long-term cash inflows** from own power production guarantee financial stability

Despite being “the new kid around the block” MPCES has been able to quickly establish an 99 MW proportionate production portfolio (incl. those that are under construction) and built up a 336 MW development backlog. This is thanks to **high levels of competitive quality amidst a fragmented and dynamically growing market**, which points towards generally low barriers to entry. Here is how:

### Vertical integration allows for de-risking and access to sought-after renewable projects

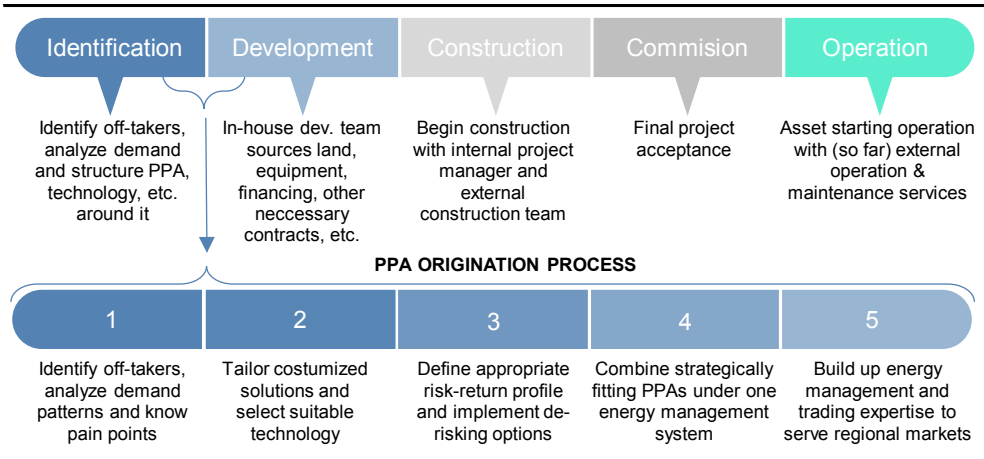
MPCES is an IPP that covers the full life cycle thanks to the implementation of an integrated business model. The company identifies, develops, constructs (as project manager) and thereafter owns and operates its renewable projects. Being able to control the whole value chain come with several competitive advantages:

**In-house development ensures access to projects and boosts IRRs:** Renewable projects across MPCES’ target region are highly sought after thanks to their attractive return profiles. By developing its own projects the company is able to ensure sufficient access to projects in order to sustainably grow its development backlog and ultimately its production portfolio.

What’s more, MPCES is able to retain the development margin (eNuW: ~ \$ 50-100k/MW for a ready to build project), thus reducing its investment costs, resulting in substantial hidden reserves. This is a valuable proposition considering that competitors for producing assets such as pure play power producers or financial investors face rising developer fees in the secondary market due to the supply crunch of developed projects.

Consequently, project IRRs for MPCES should **exceed those of non-integrated players by c. 150-200bps**, in our view.

### Renewable value chain

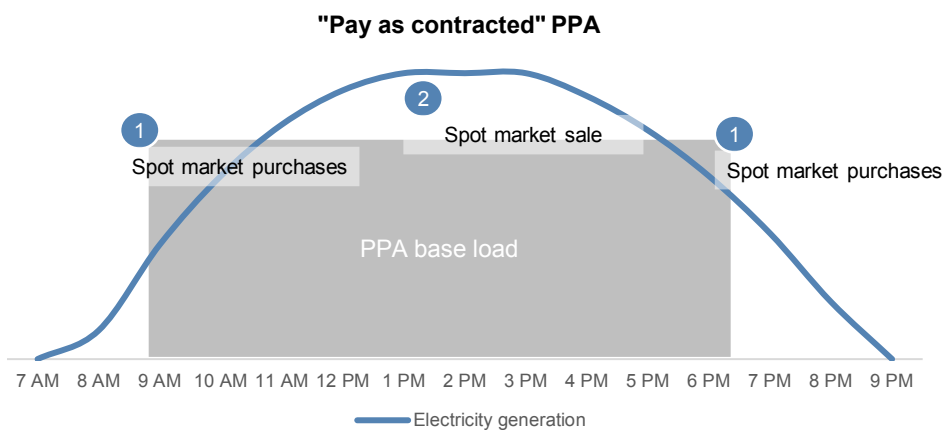


Source: NuWays Research, company data

**De-risking the development phase through secured commercialization from day one:** MPCES stands out by customizing energy solutions for future off-takes. Instead of searching for clients to fit their projects during the development phase, they tailor energy solutions for each client/use case with a technology agnostic approach. Depending on the off-taker's requirements, some projects require active energy management and potential participation in merchant market, capacity market and ancillary services.

Through this "problem solver" mentality, MPCES is able to **secure PPAs early on in the development phase, notably reducing development risks**, ensuring fewer projects falling through the cracks, saving both time and money.

## Customized PPA example



Source: NuWays Research, company data

**Customized PPA example:** MPCES ensures a constant base load for a Colombian off-taker during standard working hours. To meet the contracted volumes, MPCES buys electricity from the spot market when the PV park's production falls short in mornings and evenings. Additionally, they sell excess mid-day energy into the spot market. The spot market exposure accounts for 5-10% of production.

We therefore also consider the company's **development backlog as considerably more tangible** compared to other players', which could justify higher development margins than currently reflected in our valuation.

## Improving IRRs through Co-Investors before costly construction phase

As announced during its strategy update at the end of February, MPCES will increasingly focus on cooperating with co-investors before entering the construction phase.

**How it will work:** Following the development phase, MPCES brings on a co-investor that is willing to own up to 49% of a project. In return, the potential co-investor will have to invest 49% of the required equity (equivalent to his 49% ownership stake) plus 50-75% of the equity that MPCES would have to bring to the table as compensation for developing the project. Here is the rationale behind it:

1. **Reduced equity requirements.** By bringing co-investors onboard, MPCES can significantly reduce its equity requirements per project, allowing the company to faster scale up its operational portfolio, notably reducing cluster risks.
2. **Monetizing the development work.** By receiving a 51% ownership stake in an operational asset for which MPCES has only paid ~25% of the required equity, the company has found a way to earn a development margin on the finished projects.

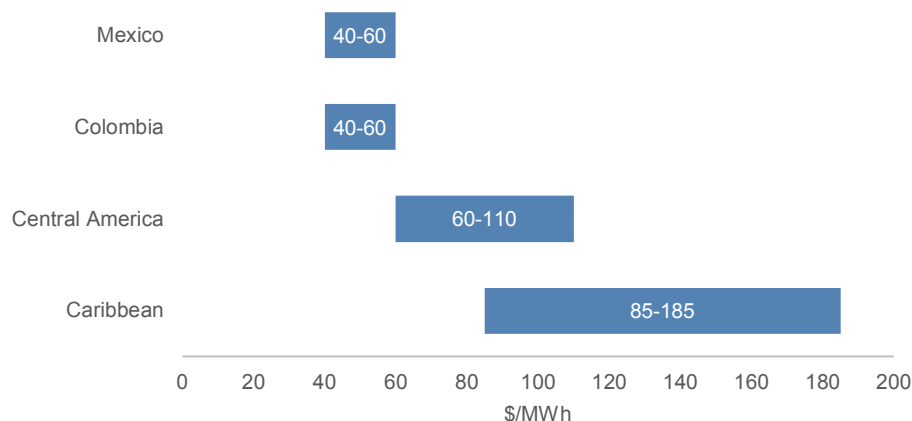
3. **Increasing equity IRRs.** Receiving 51% of an operational asset for which MPCES has paid 25% of less of the equity should notably improve the returns on its equity. Doing the math: In the case of a 10MW PV park with 80% leverage and \$ 11m EV, MPCES would have to pay only \$ 0.55m, vs. \$ 2.2m for 100% ownership. The implied equity IRR would increase from 11.2% to 18.3%, eNuW.

## A dedicated focus on a high-yielding/growth region

MPCES' focuses entirely on the Latin American and Caribbean region in order to maximize yields/IRR. The key reasons are:

- **High power prices:** With a few exceptions, Latin America and the Caribbean region feature some of the highest electricity prices globally, mainly as a result of rising fuel prices, inefficient transmission and distribution networks as well as the inability to benefit from economies of scale given the small market size of individual island states. On average, prices are 30-40% above the US average and some 20% above the global average.

### Power prices in USD/MWh



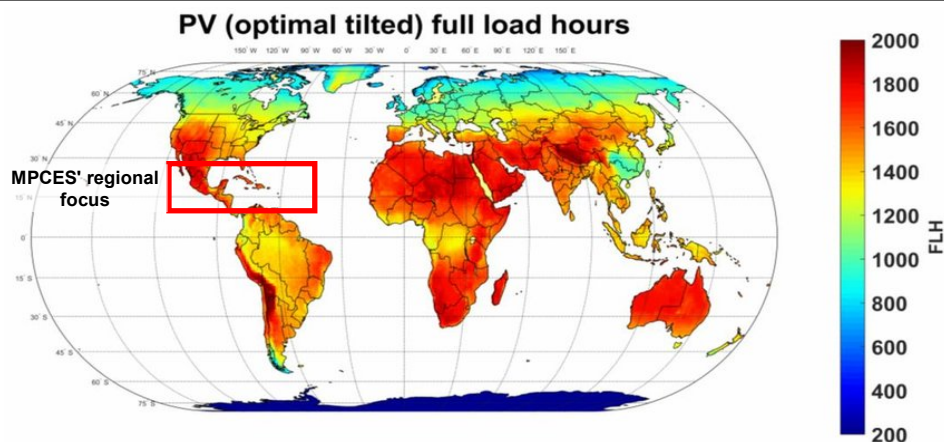
Source: NuWays Research

- **High abundance of solar irradiation:** Next to power prices, the amount of solar irradiation is available throughout the year, it the second most import variable in a park's P&L. This is often measured in full load hours (FLH). MPCES' target region offers some of the highest FLH globally. For comparison, while projects in Europe offer 500-1000 FLH p.a., the company's operational PV parks come in at roughly 2000 FLH. While MPCES is generally technology agnostic, we would expect PV to make up most of the company's production portfolio (at least 70-80%, incl. hybrid solutions)

*Note: Full load hours (FLH) is a metric used to assess the energy production and performance of a park. FLH represents the number of hours per year that a PV park operates at its maximum capacity or generates electricity at its rated power output.*



## Global overview of PV full load hours



Source: NuWays Research

- **Plenty of growth opportunities:** The renewable energy industry in Latin America and the Caribbean region is poised for strong growth. This should particularly be true for Caribbean islands, whose renewable shares are lagging behind; 8% vs 63%. During the next 6 years, 50 GW of renewable asset will have to be built in order to keep up with the net-zero trajectory. During the past two years, MPCES has managed to “get its foot in the door” in that region.

Projects across MPCES's target region offer equity IRRs of >15% (assuming 75-80% leverage on project level), notably above Europe with 7-8% returns. The higher returns should more than compensate for the slightly higher risk profiles from increased environmental, political and construction risks. As MPCES' offtakers are usually large multinational companies, the offtaker risks should be relatively low.

## Kick-starting operations through access to the MPC universe

MPCES was launched by MPC Capital (global asset and investment manager for real assets focusing on real estate, renewables and shipping) in 2021 as new investment vehicle focusing entirely on the high-yielding Latin America and Caribbean region. Thanks to MPC Capital's vast experience in that space with >15 years and 976 MW cumulated project volume, MPCES has been able to access a large pool of dedicated industry experts and a vast network including potential off-takers, providers of financing options, construction companies and policy makers.

**This enabled MPCES to focus on key tasks:** bringing its first own projects online but also strongly building out the development backlog (currently 336 MW). More importantly, being backed by a regionally known partner/shareholder should have made it possible to pitch for larger projects in the first place.

## Long-term cash inflows from own power production

MPCES proportionate power production portfolio should produce roughly 268 GWh electricity annually (once San Patricio is operational), which is being sold at predefined, terms through long-term PPAs, **providing predictable cashflows**. With a remaining avg. PPA lifetime (weighted) of ~16 years, the company can rely on **\$ 228m contracted revenues with ~ \$ 175m EBITDA** (proportionate), eNuW. NB: The PV parks should be able to produce electricity for up to 35 years (technical lifespan).

Excluding development expenses (no further projects following San Patricio), MPCES should be able to generate some \$ 4.7m of free cash flow per year (from FY26e onwards), which can be invested into further growing the portfolio or paid out as dividends. **At a 50% payout ratio, this would imply NOK 1.1 per share or a 11% yield** (based on the current price).

## Growth

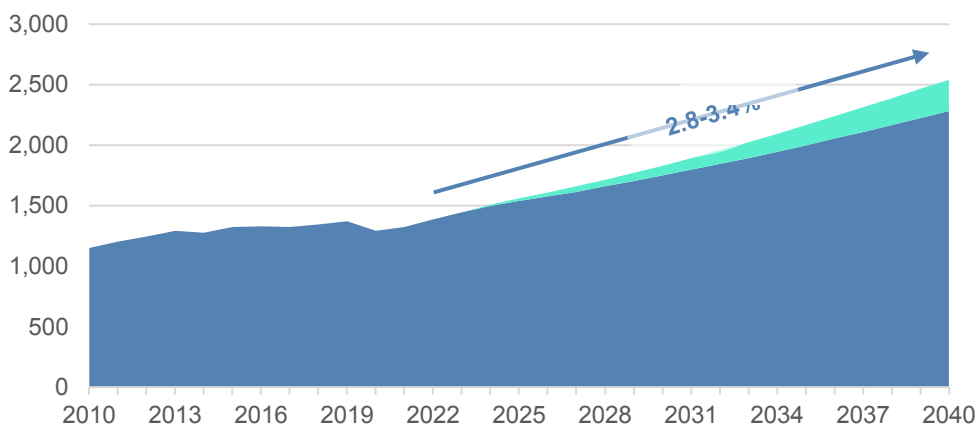
- **Strongly growing demand** for renewable assets across MPCES' focus region, especially the Caribbean
- **Group sales to grow to \$14m** (2026e) thanks to a growing production portfolio with 268 GWh in 2026e (IFRS)
- **Quickly turning profitable** on group level as new assets become operational and reduced opex

### Substantial growth potential across MPCES' geographical focus

MPCES' total addressable market for renewable power production is driven by **general electricity demand growth** across its geographical focus and the significantly more impactful **transition away from fossil fuel**.

The overall **demand for electricity** in Latin America and Caribbean **is seen to grow by 2.8-3.4% p.a.** (above the global average of 2.6%) until 2040, reaching 2,300-2,600 TWh. Most of the incremental demand looks set to come from a rising average household consumption (lighting, space & water heating, cooling and cooking) and heavy industries.

### Electricity demand growth in Latin America and Caribbean (in TWh)



Source: NuWays Research, iea

Even more important for the growth of renewable energy sources is the **rapidly accelerating energy transition** with the goal to fully eliminate fossil fuels in the region's energy mix during the next 10-25 years (depending on the country). The drivers behind that trend are:

- **Energy independence:** The Ukrainian war has further affirmed the key issue (next to the CO<sub>2</sub> emissions) that comes with a high dependency on fossil fuels. Prices for such are extremely volatile, limiting plannability of industrial and commercial off-takers. In the case of islands, supply disruptions are inevitable, further limiting reliability. Only renewable energy sources allow for a truly independent energy supply.
- **Grid expansion, resilience and stability:** Latin America and the Caribbean region are an attractive production region for multinational consumer goods brands. In fact, foreign direct investments (net inflows) have reached a new all-time high in 2022 (\$ 215bn, +50% yoy and 7.4% CAGR '02-22) are seen to further increase during the next few years. One of the key bottlenecks is a reliably but also renewable electrical grid. Many of those companies have implemented **strict green procurement policies**, making the use of renewable energy sources unavoidable. As **existing grids are often outdated and unreliable**, power outages are a common thing, especially in larger countries such as the Dominican Republic, Haiti and Cuba. What's more, the existing plants are quite old and need to be replaced during the next few years to prevent a further deteriorating grid stability.

- A good prerequisite to advance the expansion of a decentralized energy system. Instead of connecting a new factory to the grid, which is usually expensive and time consuming, a company is likely to work with an IPP such as MPCES who can build a customized solution right next door. In order to remain/become an attractive for foreign investments, local policy makers strongly support (easier permits, tax benefits, etc.) renewable energy projects.

The cherry on the cake is the **significant cost advantage of electricity from renewable energy sources compared fossil ones** (20-30% on a per MWh basis).

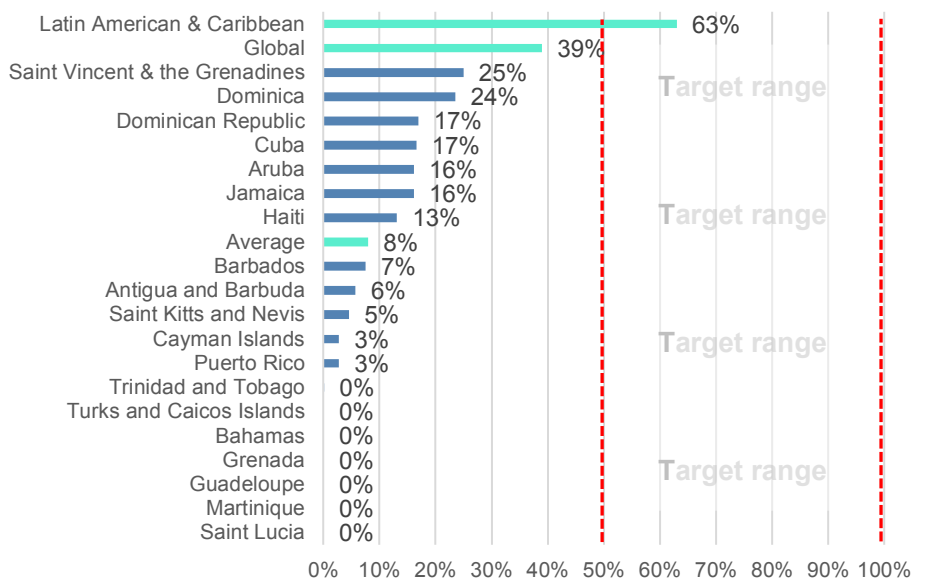
- **Fighting climate change // net-zero future:** In order to comply with the Paris agreement, which all Latin American and the Caribbean countries have ratified, reaching net-zero carbon dioxide emissions by around 2050 and substantial reductions of CO2 emissions by 2030 are required. This is only feasible by fully relying on renewable energy sources.

In sum, MPCES' target region offers plenty of growth levers during the next few years. Staying on the net-zero trajectory will require **50 GW of renewable asset to be build build by 2030**.

## Transforming the Caribbean

**The issue:** Unlike some countries such as Paraguay, Costa Rica or Colombia, most of the electricity used across the Caribbean region (~ 45m people) is produced using high cost imported oil and diesel while being blessed with an abundance of renewable domestic natural resources, especially solar irradiation. As a result, Caribbean islands pay some of the highest electricity prices in the world, undermining economic growth in the region and creating real competitiveness issue for the region's industries. **The share of renewable energy sources across the Caribbean stands at an average of only 8%** (2021/22 data), significantly below the share across MPCES' whole target region (63%).

### Renewable energy shares



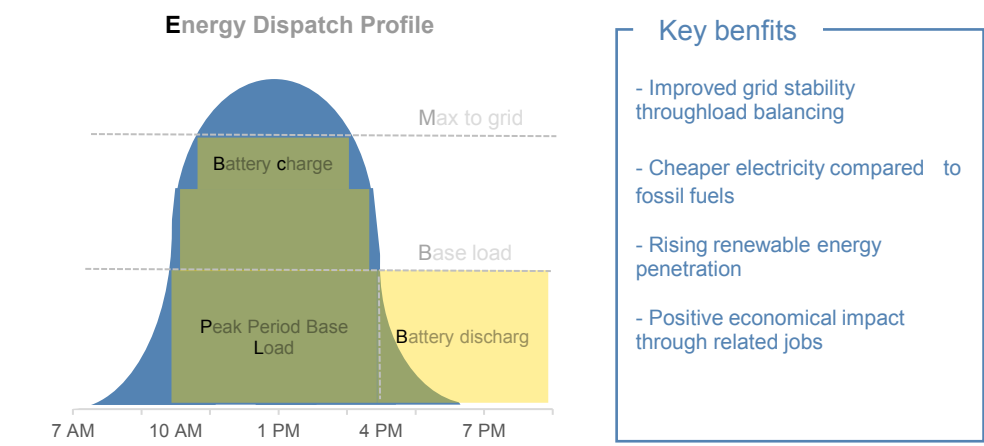
Source: NuWays Research, Ember Climate

**Solution:** Many countries across the Caribbean have realized this and are now setting up ambitious energy transition plans. For instance, Jamaica plans to increase the 2030 renewable target to 50%.

**MPCES' role in this:** The company has been taking an active role in the transformation of the region and is expected to continue doing so as reflected by the development backlog.

**Hybrid solutions could offer another leg of growth.** Especially smaller islands usually have a decentralized/unsophisticated electricity grids. Hybrid set-ups, i.e. PV coupled with storage solutions, could be part of the solution. With batteries charging during the day, a grid's base load can be guaranteed well into the evening (some six hours of incremental base load).

## Exemplary hybrid solution



Source: NuWays Research

## Development backlog execution to drive topline growth

MPCES grew its production portfolio from 0 MW in 2021 to 99 MW, which should fully contribute to the topline from mid 2025e onwards, **generating proportionate sales of \$ 15.4m p.a.** (FY22: \$ 3.6m). Besides the annual efficiency loss of the used solar panels (-0.4% p.a.), sales of the existing assets are considered stable, thanks to **long-lasting PPAs** (16 years remaining) and **low standard deviations of solar**.

	2021	2022	2023	2024e	2025e	2026e	CAGR ('22-26e)
(in \$ m)							
<b>Group sales</b>	<b>0.0</b>	<b>3.6</b>	<b>9.1</b>	<b>11.4</b>	<b>14.1</b>	<b>15.4</b>	<b>44%</b>
yoy	n.a.	n.a.	153%	25%	24%	9%	
MW (year-end)	0	80	66	99.1	99.1	99.1	
GWh	0	28	101	153	189	225	
Op. Expenses	0.0	1.5	4.7	2.9	3.4	3.7	
<b>EBITDA</b>	<b>0</b>	<b>2.1</b>	<b>4.4</b>	<b>8.4</b>	<b>10.6</b>	<b>11.7</b>	<b>54%</b>
Margin	n.a.	58%	48%	74%	76%	76%	
D&A	0.0	1.0	2.7	4.0	4.4	4.8	
in % of sales		28%	30%	35%	31%	31%	
<b>EBIT</b>	<b>0</b>	<b>1.1</b>	<b>1.8</b>	<b>4.5</b>	<b>6.2</b>	<b>6.9</b>	<b>58%</b>
Margin		31%	19%	39%	44%	45%	

Source: NuWays Research

Importantly, **we don't model any additional revenue/earnings contributions from the backlog until the individual projects are "ready to be build"** (secured financing, PPA, land, construction partner, etc.) in order to reduce the level of uncertainty in our estimates. *Note: we reflect a development margin of \$ 20-50k per MW (depending on the development stage) in our valuation.*

## New projects to boost the group's KPIs in the mid-term

The group's current development backlog comprises 336 MW (proportionate) of PV projects. **225 MW of which are considered mature**, as those projects are approaching the final development stages and hence have a very high likelihood of being built. Those projects could notably contribute to MPCES P&L once operational.

Assuming an average electricity price of \$ 65 per MWh and a 51% ownership (in line with co-investor strategy) **proportionate group sales should jump to ~ \$ 32m** with the annual power production of 475 GWh (28GWh in 2022).

	Project	Country	Technology	COD	MW	MPCES stake	FLH	GWh	PPA estimate \$/MWh	Sales p.a. (eNuW)	EBITDA p.a. (eNuW)	EBIT p.a. (eNuW)
Mature backlog	San Antonio	Guatemala	PV	tbd	40	51%	2150	44	65	2.9	2.1	1.1
	Acacia	Jamaica	PV	2026	65	51%	2150	71	65	4.6	3.5	1.9
	Santa Teresa	Panama	PV	tbd	90	51%	2150	99	65	6.4	4.8	2.6
	El Abuelo	Panama	PV	tbd	10	51%	2150	11	65	0.7	0.5	0.3
	La Perla	El Salvador	PV	tbd	20	51%	2150	22	65	1.4	1.1	0.6
	<b>Σ</b>				<b>225</b>			<b>247</b>		<b>\$ 16.0m</b>	<b>\$ 12.0m</b>	<b>\$ 6.4m</b>

Source: NuWays Research

## Note: Difference between the proportionate and IFRS P&L

As typical in the industry, MPCES reports two sets of figures. The **IFRS P&L** includes income and expenses of all consolidated projects and recognises non-consolidated ones at equity. It also includes all expenses from the holding company.

The **proportionate production P&L records all assets** (incl. minority stakes and JVs), the resulting income and expenses in proportion to the percentage of ownership. It does not include any financials from the holding company.

	2021	2022	2023	2024e	2025e	2026e	CAGR ('22-26e)
(in \$ m)							
<b>Group sales</b>	<b>0.0</b>	<b>3.6</b>	<b>9.1</b>	<b>9.9</b>	<b>12.6</b>	<b>13.9</b>	<b>40%</b>
yoy		<i>n.a.</i>	<i>151%</i>	<i>9%</i>	<i>27%</i>	<i>10%</i>	
MW (year-end)	0	53	55	55	55	55	
GWh	<i>n.a.</i>	<i>n.a.</i>	105.2	128	198	269	
<b>Material expenses</b>	0	1.5	4.7	2.6	3.1	3.3	
in % of sales	<i>n.a.</i>	<i>42%</i>	<i>52%</i>	<i>26%</i>	<i>24%</i>	<i>24%</i>	
<b>Personnel</b>	0.9	1.6	1.9	1.3	1.4	1.4	
in % of sales	<i>n.a.</i>	<i>45%</i>	<i>21%</i>	<i>13%</i>	<i>11%</i>	<i>10%</i>	
<b>Other opex</b>	2.0	2.7	4.2	2.9	2.2	1.7	
in % of sales	<i>n.a.</i>	<i>73%</i>	<i>46%</i>	<i>29%</i>	<i>17%</i>	<i>12%</i>	
<b>EBITDA</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-1.7</b>	<b>3.2</b>	<b>6.0</b>	<b>7.6</b>	<b>n.a.</b>
Margin	<i>n.a.</i>	<i>-61%</i>	<i>-19%</i>	<i>33%</i>	<i>48%</i>	<i>55%</i>	
<b>D&amp;A</b>	0.0	2.4	7.0	3.4	3.8	4.3	
in % of sales	<i>n.a.</i>	<i>67%</i>	<i>77%</i>	<i>34%</i>	<i>30%</i>	<i>31%</i>	
<b>EBIT</b>	<b>-2.9</b>	<b>-4.6</b>	<b>-8.7</b>	<b>-0.2</b>	<b>2.2</b>	<b>3.3</b>	<b>n.a.</b>
Margin	<i>n.a.</i>	<i>-127%</i>	<i>-95%</i>	<i>-2%</i>	<i>17%</i>	<i>24%</i>	
<b>Adj. EBIT*</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-4.1</b>	<b>-0.2</b>	<b>2.2</b>	<b>3.3</b>	<b>n.a.</b>
Adj. margin	<i>n.a.</i>	<i>-97%</i>	<i>-45%</i>	<i>-2%</i>	<i>17%</i>	<i>24%</i>	
Financial result	0.2	0.0	-2.4	-1.7	-3.1	-2.7	
At equity income	-0.1	-0.2	-1.5	-0.1	0.0	0.0	
<b>EBT</b>	<b>-2.7</b>	<b>-4.9</b>	<b>-9.8</b>	<b>-1.9</b>	<b>-0.9</b>	<b>0.6</b>	<b>n.a.</b>
Tax	0	0.8	-1.3	-0.5	-0.2	0.2	
<b>Net income</b>	<b>-2.7</b>	<b>-5.6</b>	<b>-8.5</b>	<b>-1.5</b>	<b>-0.7</b>	<b>0.5</b>	<b>n.a.</b>

Source: NuWays Research; \*Adjustments in 2023 comprise € 2.9m of impairments related to the divestment of the project on St. Kitts and € 1.7m from energy trading losses from the Los Girasoles project

## Bottom-line to turn positive as portfolio scales

Until the end of FY 2026e, **EBIT of MPCES' proportionate production portfolio is seen to 4.7x** (vs. FY22), **reaching \$ 6.9m** (45% margin). Importantly, this does **not include any new projects** from the development backlog. On a consolidated IFRS basis, group EBIT should improve from to \$ 3.3m during, despite still being negatively impacted by some \$ 1m of development expenses.

Mind you, if MPCES realizes additional projects from its pipeline (as outlined above), they would offer some 40% incremental EBIT margins. The current **five mature developments with 225 MW could increase the group's EBIT by roughly \$ 6.4m**, resulting in a margin north of 30%.

Major cost items on the group's IFRS P&L include:

- **Material expenses** include expenses related to the production of electricity, mainly operation & maintenance, which is currently done by third-party contractors.
- **Personnel** covers all expenses related to the group's employees (15 FTE at the end of FY22). With a growing portfolio, the group's headcount is seen to grow less proportionate, providing operating leverage.
- **Other opex** includes a variety of expenses including IT, marketing, PR, IR, legal, office rent but also development expenses to fill the project backlog. We assume that the company will spend an incremental \$ 4.7m on project development until the end of FY26e. Assuming that MPCES does not launch any additional development projects thereafter, other opex should revert to normal levels.
- The **financial result** comprises interest expenses incurred from financial loans for projects as well as interest income from shareholder loans and convertible notes in connection with the group's engagement with the Planeta Rica PV park. Interest income is from short-term and interest-yielding deposits.

## FY23 financials burdened by strategy shift and one-offs

In FY23, the reported EBT loss stood at almost € 10m ((+100% yoy). However, this was mainly driven by the company's strategic overall triggered by the departure of the CEO and project delays. Impairments from the divestment of the St. Kitts project alone came in at € 2.9m, coupled with € 1.7m of energy trading losses from the Los Girasoles project.

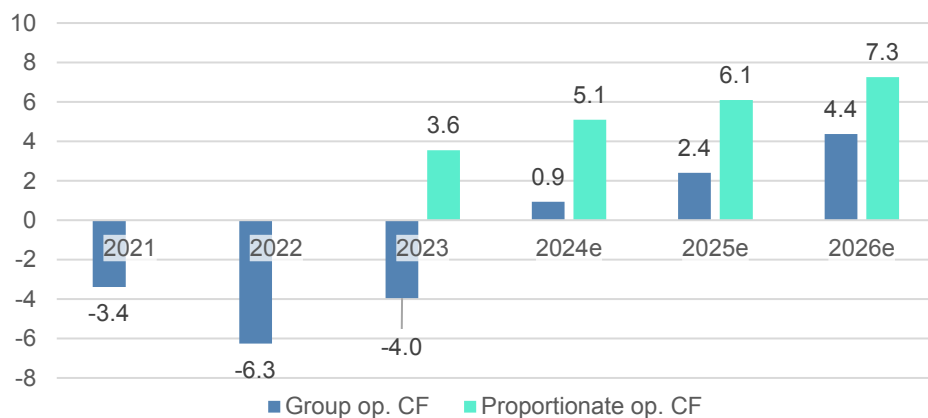
FY24 to show massive improvements. Management has implemented several measures to significantly reduce operating expenses (i.e. somewhat reduced headcount and renegotiated contracts with multiple third-parties). In sum, we expect the operating expenses in FY24e to decrease by roughly 30% vs FY23. With the absence of further impairments and trading losses, the consolidated group EBT looks set to notably improve by almost € 8m to € -1.9m, in our view.

## Utilizing cash flows to continue on growth path

In line with the expansion of MPCES' IPP portfolio (no additional projects from the development backlog), the **group's operating cash flow is estimated to increase to \$ 4.4m in FY26e** from \$ -6.3m in FY22. This is driven by projects starting operations, but also by decreasing development expenses and a tighter cost control.

**As a result, operating cash flows from MPCES proportionate portfolio are seen to grow to \$ 7.3m by FY26e.**

## Operating cash flows in \$ m



Source: NuWays Research



## Valuation

- We value MPCES based on a **SOTP calculation**, which derives a **fair value of NOK 23 per share**
  - **The NPV model is used to value operating portfolio of MPCES**, pointing towards a fair value per share of NOK 16.6
  - To value the **development pipeline**, we rely on a **multiple approach** assuming a pipeline sales as of today

The **NAV per share strongly underpins the current steep undervaluation of MPCES**, a potential (partial) divestment of an asset could reveal the true value of the assets

### SOTP calculation – fair value of NOK 23 per share

Our SOTP calculation is based on a NPV model for the company's operating portfolio and a multiple approach for its development pipeline.

The key **assumptions of our NPV model** are:

- We only include assets that are either already operational or already under construction.
- While the CHP is being sold following the initial PPA duration, we assume a 30 year lifetime for the PV parks, which is often covered by a performance warranty of solar panel producers. Mind you, modern solar panels should comfortably be able to produce electricity for 35 years.
- Once the PPAs expire (remaining average PPA duration of 16 years), we expect MPCES to either negotiate follow-on PPAs at similar conditions or sell the produced energy into the spot markets. Given the lack of long-term price predictions, we assume gradually decreasing prices compared to the group's current average of (\$ 83/MWh).
- A project debt's repayment schedule ends years prior to the end of its PPA
- The average cost of debt before taxes stands at 7.45%.
- The required return on invested capital of 8.9% is based on a risk-free rate of 3%, a 7.5% equity risk premium and a beta of 0.8.

Assumptions regarding the **valuation of the development pipeline**:

- The development pipeline is divided into two stages, mature and immature projects.
- We apply different margins to account for varying realization rates, which were derived from channel checks.
- As the mature development pipeline (225 MW) comes with a high likelihood of being developed, MPCES should be able to easily sell those projects (if needed) and earn a development margin of \$ 50k per MW.
- For the immature part of the development pipeline (111 MW), we assume a fair value of \$ 20k per MW.

In sum, **MPCES's 336 MW development pipeline should already explain some 57% of its current market cap** or 6.5 NOK/share, while the NPV of the production portfolio (excl. debt) stands at 16.6 NOK/share.



NPV Production segment (USD m) + Cost (SG&A and Development)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e-2055e
NOPAT	0.3	2.0	2.9	3.6	3.5	3.5	3.4	73.6
Depreciation	4.0	4.4	4.8	4.8	4.8	4.8	4.8	75.7
Capex	20.0	21.2	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow</b>	<b>-15.7</b>	<b>-14.7</b>	<b>7.7</b>	<b>8.4</b>	<b>8.3</b>	<b>8.3</b>	<b>8.2</b>	<b>149.2</b>
Present value	-15.0	-13.2	6.5	6.6	6.2	5.8	5.4	55.6
WACC	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%

Development pipeline					
Stage	MW	Gross profit per MW in USD k	Gross profit in USD m	Per share in NOK	in % of current MCap
Mature	225	50.0	11.3	5.4	48%
Immature	111	20.0	2.2	1.1	9%
<b>SUM</b>	<b>336</b>		<b>13.5</b>	<b>6.5</b>	<b>57%</b>

NPV per share derived from		WACC derived from	
Total present value	71	Cost of borrowings before taxes	7.5%
Net debt (net cash) at start of year	23	Tax rate	25.0%
Equity value	48	Cost of borrowings after taxes	5.6%
No. of shares outstanding	22.3	Required return on invested capital	9.0%
		Risk premium	7.5%
USD/NOK	10.7	Risk-free rate	3.0%
<b>Discounted cash flow per share (in NOK)</b>	<b>23.0</b>	Beta	0.8
<b>upside/(downside)</b>	<b>104%</b>		
<b>Share price</b>	<b>11.3</b>		

Source: NuWays Research

## NAV approach confirm our SOTP results

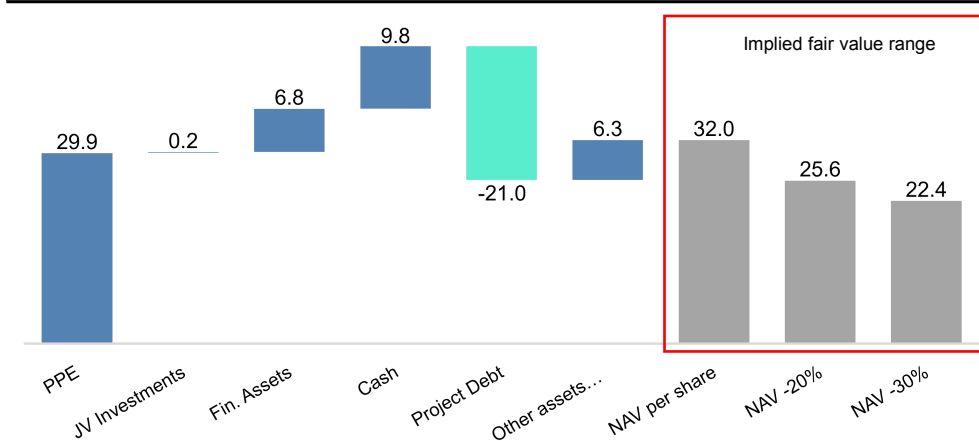
The current share price of MPCES does not adequately reflect the value of its portfolio as pointed out by our SOTP valuation. The undervaluation is further underpinned when considering the NAV of the assets on the balance sheet.

**Assuming the liquidation of all projects, MPCES should be worth around 21-30 NOK per share**, depending on the applied discount to the NAV. While we don't expect the projects themselves to be sold at a discount to their NAV (recent transactions across the industry rather ended up with a notable premium), we plan a 1-2 year timeframe to fully close down the group's operations. While a 30% discount to the NAV would imply \$ 9.6m of settlement costs, it still offers substantial upside.

# MPC Energy Solutions N.V.

Full note / Initiation - 04.04.2024

## NAV per share (in NOK)



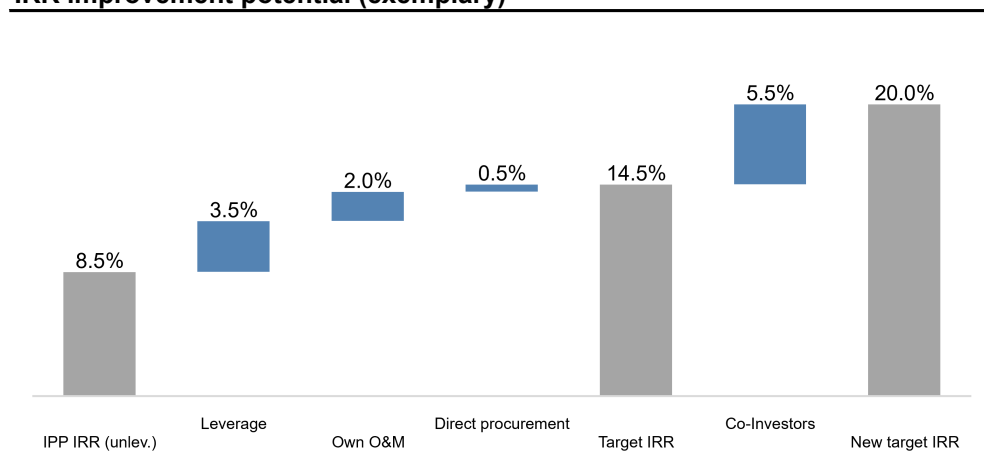
Source: NuWays Research

## Theme

### Increasing the shareholder value through IRR improvements

MPCES has implemented several measures to boost the shareholder value directly by improving equity IRRs, but also indirectly through accelerating the scale up of the group's portfolio. The key measures include 1) the proper use of leverage, 2) insourcing operation and maintenance (O&M) of the parks O&M once a certain portfolio size is reached, 3) directly procuring key components (e.g. solar panels) and 4) bringing co-investors onboard (on project level).

#### IRR improvement potential (exemplary)



Source: NuWays Research

### Recycling cash by operating under a proper leverage

Using an adequate financing structure, i.e. 75-80% leverage ratio, is an essential part to increase a project's IRR. In the case on an exemplary 100 MW PV park, the positive impact of using a 75% leverage ratio compared to an all equity financed project is around 350bps.

As of now, the proportionate debt ratio of MPCES's portfolio stands at around 64%, below the industry's standard of 75-80%. Two projects are so far entirely equity financed and a third one operates at 56% leverage. This was initially done to speed up the development phase due to challenging debt markets. By optimizing financing structures across the portfolio, MPCES should not only be able to **increase IRRs** but also **free up equity that can be re-invested into new assets**. This would allow the company to faster scale up portfolio growth, diversify operations and hence de-risk to overall company, opening access to better financing options.

### O&M insourcing

Currently, MPCES is using third parties for (O&M) services as the overall portfolio is still quite small and scattered across several countries. With a growing portfolio it becomes increasingly more sensible to insource those services. The resulting **improving operating margins** (20-30% saving potential to lead to 3-4pp EBITDA margin increase, eNuW) **should allow for an up to 200bps IRR increase**. Mind you, O&M is usually the largest single opex item of a park in operation.

As a full set up takes some time and requires scale, **we don't expect this to impact the company's P&L before 2026e** (not yet included in our estimates).

### Direct procurement

The third lever that should allow for increasing IRRs is the reduction of capex by **directly procuring key components** needed for the initial set-up of a project and the subsequent maintenance of it. This predominantly includes solar panels and battery cells (in the case of a hybrid solution). A 7-8% reduction of a project's capex should

boost its IRR by roughly 50bps(eNuW). Like insourcing O&M, the implementation would require certain scale, which should easily be reached during the next 1-2 years.

## Co-Investors

As per its recently released strategy update, MPCES plans to regularly bring co-investors onboard of new projects. Once a project is fully developed (ready for construction), MPCES plans to sell up to 49% of a project to an outside investor. In return, the co-investor has to pay 75% of the required equity, MPCES would pay the remaining 25%. This allows MPCES to (1) monetize its previous development work, (2) significantly decrease the amount of own funds needed to build a project and (3) boost equity IRRs as shown below.

In the case of the exemplary 10 MW project, MPCES would be able to generate equity IRRs north of 18%, which compares to only 11% without a co-investor.

### Exemplary change of equity IRRs through co-investors

<p><b>Assumptions:</b></p> <p><b>Technology:</b> PV  <b>Size:</b> 10 MW  <b>PPA duration:</b> 20y  <b>PPA price:</b> \$ 55 MW/h  <b>Construction price:</b> \$ 11m  <b>Depreciation schedule:</b> 25y + linear  <b>Leverage:</b> 80%  <b>Interest:</b> 8%  <b>Debt repayment:</b> Linear  <b>Tax rate:</b> 25%</p>	<p><b>100% ownership</b></p> <p>Invested equity: \$ 2.2m (100% of equity)                      FCF during PPA duration: \$ 6.75m</p> <p>-&gt; <b>Equity IRR:</b> 11.2%</p>
	<p><b>51% ownership + 49% co-investor</b></p> <p>Invested equity: \$ 0.55m (25% of equity)                      FCF during PPA duration: \$ 3.45m</p> <p>-&gt; <b>Equity IRR:</b> 18.3%</p>

Source: NuWays Research

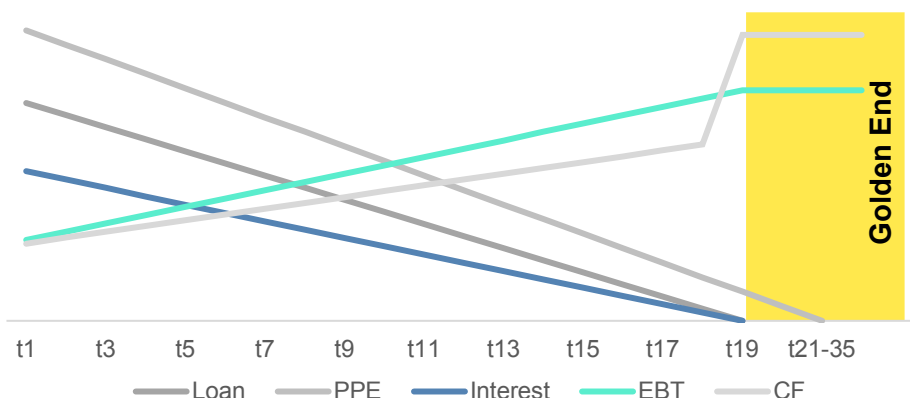
## The “Golden End”

The lifespan of a project (PV) is generally bound to the duration of the PPA (typically 20 years in the case of MPCES), as it offers nearly 100% planability. During that period, the asset's value will be gradually depreciated and the debt borrowed to stem its acquisition/capex will be fully paid back (PPA duration -2 years), which leads to steadily increasing EBT.

After 20 years, solar parks are still able to operate for another 10-15 years, while being debt free and having (almost) no residual value on the books. During that time, the parks offer particularly high returns. In the case of MPCES, we have reflected a total lifespan for PV parks of 30 years (modules should operate still at 89% efficiency, eNuW). If MPCES would be able to operate its PV parks for another five years, their **NPVs would on average increase by 20-25%**.

Besides continuing to operate solar parks beyond the originally planned 20 years, selling the assets and using the proceeds to develop new ones is of course also a valid alternative along the way.

## Illustration of the "Golden End"



Source: NuWays Research

## On the hunt for a new CEO // temporary vacancy no issue

At the beginning of July of last year, the former CEO of MPCES, Martin Vogt, decided to resign and step down from his position with immediate effect. For the time being, the company's CFO Stefan Meichsner will take over the responsibilities. We would expect the company to announce a successor until the end of Q1.

Most importantly, we regard the departure and temporary vacant CEO as no reason for concern, since: (1) the CFO has been involved in all relevant processes and should have no issue taking over the responsibilities due to his >12 years of experience in the renewable space, (2) the former CEO also worked at MPCES' parent company MPC Capital, limiting the involvement within MPCES and (3) MPCES is able to access additional manpower at the parent company, if necessary.

## Company Background

### Description

MPC Energy Solutions is an independent power producer that covers the full life cycle of renewable assets, thanks to the implementation of an integrated business model. The company serves as the owner, developer and operator of the projects, helping to ensure meeting the highest possible standards while maximising the generated returns. The renewable projects are located entirely across Latin America and the Caribbean region to capitalize on the soaring demand for renewable energy source and the resulting superior risk-return profiles.

### Geographical footprint



Source: NuWays Research, company data

### Portfolio overview

MPCES's proportionate production portfolio (operational assets but also the ones under construction) already **amounts to roughly 99 MW**, comprising five PV parks (~96 MW) and one CHP (~3 MW) currently spread across five countries in Latin America and the Caribbean region.

	Plant	Country	Technology	Status	MW	MPCES Stake	Net MW	MPCES' equity stake
Production Portfolio	Neol CHP	Puerto Rico	Energy Efficiency	Operational	3.4	95%	3.2	\$ 9.0m
	Los Girasoles	Colombia	PV	Operational	12.3	100%	12.3	\$ 11.3m
	Planeta Rica	Colombia	PV	Operational	26.6	50%	13.3	\$ 8.8m
	Santa Rosa & Villa Sol	El Salvador	PV	Operational	21.3	100%	21.3	\$ 6.2m
	Los Santos I	Mexico	PV	Operational	15.8	100%	15.8	\$ 4.6m
	San Patricio	Guatemala	PV	Construction	65	51%	33.2	\$ 2.1m
	<b>Σ</b>				<b>144.4</b>		<b>99.1</b>	<b>\$ 42.0m</b>

Source: NuWays Research, company data

More importantly, **MPCES has built up a 336 MW development backlog** out of which 225 MW are considered "mature". The remaining 111 MW are immature and less concrete projects.

	Plant	Country	Technology	COD	MW	MPCES Stake*	Net MW	MPCES' equity stake**
Mature dev. backlog	San Antonio	Guatemala	PV	tbd	40	100%	40.0	\$ 8.8m
	Acacia	Jamaica	PV	2026	65	100%	65.0	\$ 14.3m
	Santa Teresa	Panama	PV	tbd	90	100%	90.0	\$ 19.8m
	El Abuelo	Panama	PV	tbd	10	100%	10.0	\$ 2.2m
	La Perla	El Salvador	PV	tbd	20	100%	20.0	\$ 4.4m
	<b>Σ</b>				<b>225</b>		<b>225.0</b>	<b>\$ 49.5m</b>
Immature dev. backlog	Pacande	Colombia	PV	tbd	60	100%	60.0	
	Matarredonda	Colombia	PV	tbd	25	100%	25.0	
	TAISOL	Dominican Republic	PV	tbd	50	51%	25.5	
	<b>Σ</b>				<b>135</b>		<b>110.5</b>	

Source: NuWays Research, company data \*targeted ownership around 51% \*\*at 100% ownership, 80% leverage and construction costs of \$ 1.1m/MW

## Management

### Stefan H.A. Meichsner – CFO + interim CEO

Stefan H.A. Meichsner has been the CFO of MPC Energy Solutions since May 2021, bringing over 12 years of experience in finance and renewables to the table. He began his career at Siemens Energy and later served as an investment manager at Stadtwerke Munich, overseeing subsidiaries including a solar power plant in Spain and a wind/solar project developer in Germany. Stefan holds an MBA and a graduate degree in Economics, providing a strong foundation for his financial leadership at MPC Energy Solutions.

## Company history

**Jun. 2020** – Founded as a Dutch public limited liability company

**Jan. 2021** – MPC Capital launches MPCES as new renewable energy platform // \$ 100m private placement ahead of Euronext Growth Oslo listing (shortly after)

**Aug. 2021** – MPCES have commenced construction of Solar Planeta Rica (26.6 MW)

**Feb. 2022** – Acquisition of first PV park, Los Santos I (15.8 MW)

**Mar. 2022** – Acquisition of Noel CHP (3.4 MW) completed

**Apr. 2022** – First quarter with revenues (\$ 0.5m), coming from the portfolio's first asset, Los Santos I

**Feb. 2023** – Start of operations at Santa Rosa and Villa Sol (21.3 MW)

**Mar. 2023** – FY 2022 annual report with \$ 3.6m sales

**Mar. 2023** – Acquisition of J&J Anasco (2.6 MW)

**Mar. 2023** – Start of operations at Parque Solar Los Girasole (12.3 MW)

**Apr. 2023** – Q1 2023 underpins MPCES operational ramp-up: sales >3x yoy

**Jun. 2023** – Groundbreaking of SOLEC power plant (35.7 MW)

**Oct. 2023** – Exit of CHP project J&J Anasco (2.6 MW)

**Nov. 2023** – Exit of SOLEC power plant (35.7 MW), \$ 10.8m recouped

**Dec. 2023** – Start of operations at Planeta Rica power plant (26.7 MW)

**Feb. 2024** – Groundbreaking of San Patricio power plant (65 MW)

# MPC Energy Solutions N.V.

Full note / Initiation - 04.04.2024

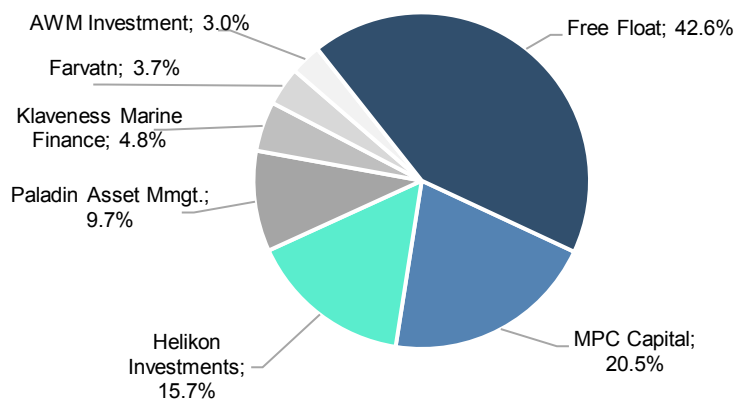
## Shareholder structure

MPC Energy Solutions has 22.25m shares outstanding with the free float amounting to roughly 42.3%. Key shareholder of the group are:

- **MPC Capital Beteiligungsgesellschaft** (20.5%): German-based globally active asset and investment manager for real assets focusing on real estate, renewables and shipping
- **Helikon Investments** (15.7%): A London-based investment advisory firm focused on a variety of alternative investments including private equity, real estate, private debt, infrastructure and natural resources
- **Paladin Asset Management** (9.7%): German asset manager focusing on liquid asset across Europe
- **Klaveness Marine Finance** (4.8%): Norwegian investment firm focusing on real estate, maritime and new energy
- **Farvatn** (3.7%): Norwegian investment firm active across a range of asset classes, including real estate, shipping, private equity, equities, bonds and venture
- **AWM Investment** (3.0%): A US-based hedge fund with a diversified investment strategy

Management currently holds 27k shares or 0.12%, with no option program in place.

## Shareholder structure



Source: NuWays Research, company data

## Investment risks

As with any investment, there are certain risks associated with investing in MPC Energy Solutions. The key investment risks, in our view, are:

- **Construction risks.** As MPCES is active along the value chain, the company develops and constructs most of its project itself (own project management with external contractors). Supply chain constraints, delayed permits, severe weather, etc. could delay the commercial operation day and hence impact the returns.
- **Inability to enrich the development pipeline with sufficient high-quality projects.** In order to sustainably grow its production portfolio during the mid- to long-term, MPCES needs to continuously source new projects. While Latin America and the Caribbean region should offer plenty of potential projects (see *Growth section*) MPCES also need to be able to turn prospects into a firm pipeline.
- **Environmental risks:** The Caribbean region, one of MPCES' target locations, is often exposed to cyclones and hurricanes, which could heavily affect installed PV



# MPC Energy Solutions N.V.

Full note / Initiation - 04.04.2024

parks. Not only are those parks insured against such events, but structures are built increasingly more resilient, which should notably reduce down-times following cyclones and hurricanes.

- **Capital market risks:** Disruptions on the capital markets could come with notable share price movements, which can be unrelated to the operational performance of the company. Limited liquidity can also cause additional volatility during eventful times.
- **Financing risks:** Access to sufficient capital, equity and debt, (through a variety of different options incl. capital recycling at project level, capital increases at group level, etc.) is essential to facilitate additional growth.

## Financials

Profit and loss (USD m)	2021	2022	2023	2024e	2025e	2026e
<b>Net sales</b>	<b>0.0</b>	<b>3.6</b>	<b>9.1</b>	<b>9.9</b>	<b>12.6</b>	<b>13.9</b>
Sales growth	n.a.	n.a.	150.7%	8.9%	27.2%	40.5%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>0.0</b>	<b>3.6</b>	<b>9.1</b>	<b>9.9</b>	<b>12.6</b>	<b>13.9</b>
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0
Material expenses	0.0	1.5	4.7	2.6	3.1	3.3
Personnel expenses	0.9	1.6	1.9	1.3	1.3	1.4
Other operating expenses	2.0	3.6	4.2	2.8	2.2	1.7
<b>Total operating expenses</b>	<b>2.9</b>	<b>6.8</b>	<b>10.8</b>	<b>6.7</b>	<b>6.6</b>	<b>6.3</b>
<b>EBITDA</b>	<b>-2.9</b>	<b>-3.2</b>	<b>-1.7</b>	<b>3.2</b>	<b>6.0</b>	<b>7.6</b>
Depreciation	0.0	1.0	2.6	2.3	2.7	3.1
<b>EBITA</b>	<b>-2.9</b>	<b>-4.1</b>	<b>-4.3</b>	<b>1.0</b>	<b>3.3</b>	<b>4.5</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	1.0	1.5	1.2	1.2	1.2
Impairment charges	0.0	0.4	2.9	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>-2.9</b>	<b>-5.6</b>	<b>-8.7</b>	<b>-0.2</b>	<b>2.2</b>	<b>3.3</b>
Interest income	0.3	0.7	0.9	0.7	0.4	0.5
Interest expenses	0.1	1.8	3.3	2.4	3.5	3.2
Investment income	-0.1	-0.2	-1.5	-0.1	-0.0	-0.0
Financial result	0.2	1.1	-3.9	-1.8	-3.1	-2.7
<b>Recurring pretax income from continuing operations</b>	<b>-2.7</b>	<b>-4.5</b>	<b>-12.6</b>	<b>-1.9</b>	<b>-0.9</b>	<b>0.6</b>
Extraordinary income/loss	0.0	-0.4	2.8	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>-2.7</b>	<b>-4.9</b>	<b>-9.8</b>	<b>-1.9</b>	<b>-0.9</b>	<b>0.6</b>
Income tax expense	0.0	0.8	-1.3	-0.5	-0.2	0.2
<b>Net income from continuing operations</b>	<b>-2.7</b>	<b>-5.6</b>	<b>-8.5</b>	<b>-1.5</b>	<b>-0.7</b>	<b>0.5</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-2.7</b>	<b>-5.6</b>	<b>-8.5</b>	<b>-1.5</b>	<b>-0.7</b>	<b>0.5</b>
Minority interest	0.0	0.0	0.0	0.0	0.4	1.0
<b>Net profit (reported)</b>	<b>-2.7</b>	<b>-5.6</b>	<b>-8.5</b>	<b>-1.5</b>	<b>-1.1</b>	<b>-0.5</b>
Average number of shares	22.2	22.2	22.2	22.2	22.2	22.2
<b>EPS reported</b>	<b>-0.12</b>	<b>-0.25</b>	<b>-0.38</b>	<b>-0.07</b>	<b>-0.05</b>	<b>-0.02</b>

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
<b>Net sales</b>	<b>n.a.</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Sales growth	n.a.	n.a.	150.7%	8.9%	27.2%	40.5%
Increase/decrease in finished goods and work-in-process	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>n.a.</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
Material expenses	n.a.	42.3%	51.6%	26.0%	24.3%	23.6%
Personnel expenses	n.a.	45.1%	21.4%	12.7%	10.7%	9.8%
Other operating expenses	n.a.	99.8%	45.7%	28.8%	17.2%	12.0%
<b>Total operating expenses</b>	<b>n.a.</b>	<b>187.2%</b>	<b>118.7%</b>	<b>67.5%</b>	<b>52.1%</b>	<b>45.5%</b>
<b>EBITDA</b>	<b>n.a.</b>	<b>-87.2%</b>	<b>-18.7%</b>	<b>32.5%</b>	<b>47.9%</b>	<b>54.5%</b>
Depreciation	n.a.	27.2%	28.5%	22.8%	21.3%	22.4%
<b>EBITA</b>	<b>n.a.</b>	<b>-114.4%</b>	<b>-47.2%</b>	<b>9.7%</b>	<b>26.6%</b>	<b>32.2%</b>
Amortisation of goodwill	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	n.a.	27.2%	16.2%	11.6%	9.1%	8.3%
Impairment charges	n.a.	12.1%	32.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>n.a.</b>	<b>-153.8%</b>	<b>-95.3%</b>	<b>-1.9%</b>	<b>17.4%</b>	<b>23.9%</b>
Interest income	n.a.	20.5%	10.3%	7.5%	3.4%	3.7%
Interest expenses	n.a.	50.6%	36.6%	24.3%	27.6%	23.0%
Investment income	n.a.	-5.3%	-16.9%	-1.0%	-0.4%	-0.0%
Financial result	n.a.	30.2%	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>n.a.</b>	<b>-123.6%</b>	<b>-138.6%</b>	<b>-19.7%</b>	<b>-7.2%</b>	<b>4.6%</b>
Extraordinary income/loss	n.a.	-10.2%	30.2%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>n.a.</b>	<b>-133.8%</b>	<b>-108.3%</b>	<b>-19.7%</b>	<b>-7.2%</b>	<b>4.6%</b>
Tax rate	0.0%	-15.8%	13.7%	25.0%	25.0%	25.0%
<b>Net income from continuing operations</b>	<b>n.a.</b>	<b>-154.9%</b>	<b>-93.5%</b>	<b>-14.8%</b>	<b>-5.4%</b>	<b>3.5%</b>
Income from discontinued operations (net of tax)	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>n.a.</b>	<b>-154.9%</b>	<b>-93.5%</b>	<b>-14.8%</b>	<b>-5.4%</b>	<b>3.5%</b>
Minority interest	n.a.	0.0%	0.3%	0.2%	3.3%	7.1%
<b>Net profit (reported)</b>	<b>n.a.</b>	<b>-154.9%</b>	<b>-93.8%</b>	<b>-15.0%</b>	<b>-8.8%</b>	<b>-3.6%</b>

Source: Company data, NuWays

Balance sheet (USD m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	5.1	19.3	20.0	20.1	20.2	20.3
Property, plant and equipment	0.0	57.2	62.3	78.8	96.0	92.9
Financial assets	23.8	24.7	14.6	14.6	14.6	14.6
<b>FIXED ASSETS</b>	<b>28.9</b>	<b>101.3</b>	<b>96.9</b>	<b>113.4</b>	<b>130.7</b>	<b>127.7</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.3	2.0	5.6	5.4	6.9	7.6
Other assets and short-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	56.9	24.2	20.5	1.9	11.1	8.7
Deferred taxes	0.0	1.4	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.1	0.2	0.2	0.2	0.2
<b>CURRENT ASSETS</b>	<b>57.2</b>	<b>27.7</b>	<b>26.2</b>	<b>7.5</b>	<b>18.1</b>	<b>16.5</b>
<b>TOTAL ASSETS</b>	<b>86.1</b>	<b>129.0</b>	<b>123.1</b>	<b>121.0</b>	<b>148.9</b>	<b>144.3</b>
<b>SHAREHOLDERS EQUITY</b>	<b>82.8</b>	<b>75.2</b>	<b>69.3</b>	<b>68.3</b>	<b>67.6</b>	<b>68.1</b>
MINORITY INTEREST	0.0	0.2	0.1	0.1	0.1	0.1
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.0	0.1	0.4	0.4	0.4	0.4
Short-term liabilities to banks	0.0	2.5	3.1	5.1	5.1	5.1
Accounts payable	0.5	3.3	3.9	2.7	3.5	3.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	2.6	1.2	2.1	2.1	2.1	2.1
Deferred taxes	0.0	5.8	3.3	3.3	3.3	3.3
Deferred income	0.2	0.4	0.1	0.1	0.1	0.1
<b>CURRENT LIABILITIES</b>	<b>3.2</b>	<b>4.5</b>	<b>5.9</b>	<b>4.8</b>	<b>5.5</b>	<b>5.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>86.1</b>	<b>129.0</b>	<b>123.1</b>	<b>121.0</b>	<b>148.9</b>	<b>144.3</b>
<b>Balance sheet (common size)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Intangible assets	5.9%	15.0%	16.3%	16.6%	13.6%	14.1%
Property, plant and equipment	0.0%	44.4%	50.6%	65.1%	64.5%	64.4%
Financial assets	27.7%	19.2%	11.8%	12.0%	9.8%	10.1%
<b>FIXED ASSETS</b>	<b>33.6%</b>	<b>78.5%</b>	<b>78.7%</b>	<b>93.8%</b>	<b>87.8%</b>	<b>88.5%</b>
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.3%	1.6%	4.5%	4.5%	4.6%	5.3%
Other assets and short-term financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquid assets	66.1%	18.7%	16.6%	1.6%	7.4%	6.1%
Deferred taxes	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>CURRENT ASSETS</b>	<b>66.4%</b>	<b>21.5%</b>	<b>21.3%</b>	<b>6.2%</b>	<b>12.2%</b>	<b>11.5%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>96.1%</b>	<b>58.3%</b>	<b>56.3%</b>	<b>56.4%</b>	<b>45.4%</b>	<b>47.2%</b>
MINORITY INTEREST	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.0%	0.1%	0.4%	0.4%	0.3%	0.3%
Short-term liabilities to banks	0.0%	1.9%	2.5%	4.2%	3.4%	3.5%
Accounts payable	0.6%	2.6%	3.1%	2.2%	2.3%	2.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	3.0%	0.9%	1.7%	1.7%	1.4%	1.4%
Deferred taxes	0.0%	4.5%	2.7%	2.7%	2.2%	2.3%
Deferred income	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%
<b>CURRENT LIABILITIES</b>	<b>3.7%</b>	<b>3.5%</b>	<b>4.8%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>4.1%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (USD m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-2.7	-5.6	-8.5	-1.5	-0.7	0.5
Depreciation of fixed assets (incl. leases)	0.0	1.0	2.6	2.3	2.7	3.1
Amortisation of goodwill & intangible assets	0.0	1.0	1.5	1.2	1.2	1.2
Others	84.2	-0.1	0.0	0.0	0.0	0.0
Cash flow from operating activities	-3.4	-8.2	-8.0	-2.5	-1.4	0.1
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.2	-1.9	-2.2	0.1	-1.5	-0.7
Increase/decrease in accounts payable	-0.2	0.9	3.0	-1.2	0.7	0.4
Increase/decrease in other working capital positions	-0.2	-1.7	-0.6	0.0	0.0	0.0
Increase/decrease in working capital	-0.7	-2.6	0.1	-1.0	-0.7	-0.4
<b>Cash flow from operating activities</b>	<b>-3.4</b>	<b>-6.3</b>	<b>-4.0</b>	<b>0.9</b>	<b>2.4</b>	<b>4.4</b>
CAPEX	10.6	28.8	9.0	20.0	21.2	1.2
Payments for acquisitions	2.5	8.2	-0.1	0.0	0.0	0.0
Financial investments	12.5	1.5	-2.1	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	10.7	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-25.6</b>	<b>-38.4</b>	<b>-0.3</b>	<b>-20.0</b>	<b>-21.2</b>	<b>-1.2</b>
Cash flow before financing	-29.0	-44.7	0.1	-19.0	-18.7	n.a.
Increase/decrease in debt position	-0.8	12.4	1.0	0.0	27.9	-5.4
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	2.5	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	84.2	-0.1	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.3	0.4	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>85.9</b>	<b>12.3</b>	<b>1.0</b>	<b>0.0</b>	<b>27.9</b>	<b>-5.4</b>
Increase/decrease in liquid assets	56.5	-31.9	1.0	-19.0	9.1	n.a.
<b>Liquid assets at end of period</b>	<b>56.9</b>	<b>24.2</b>	<b>20.9</b>	<b>1.9</b>	<b>11.1</b>	<b>8.7</b>

Key ratios (USD m)	2021	2022	2023	2024e	2025e	2026e
<b>P&amp;L growth analysis</b>						
Sales growth	n.a.	n.a.	150.7%	8.9%	27.2%	40.5%
EBITDA growth	n.a.	263.5%	-40.9%	-201.9%	-454.0%	-340.0%
EBIT growth	n.a.	540.8%	200.4%	-96.6%	-125.3%	-159.7%
EPS growth	n.a.	531.4%	213.0%	-73.6%	-87.0%	-91.1%
<b>Efficiency</b>						
Sales per employee	0.0	241.7	586.6	660.3	813.0	897.9
EBITDA per employee	-339.5	-210.8	-109.9	214.8	389.2	489.7
No. employees (average)	8	15	16	15	16	16
<b>Balance sheet analysis</b>						
Avg. working capital / sales	n.a.	-21.7%	2.2%	22.3%	24.5%	26.1%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover		204.4	223.6	200.0	200.0	200.0
Accounts payable turnover	n.a.	335.4	155.3	100.0	100.0	100.0
<b>Cash flow analysis</b>						
Free cash flow	-14.0	-10.6	-12.9	-19.0	-18.7	3.1
Free cash flow/sales	n.a.	-293.3%	-142.4%	-192.1%	-148.7%	22.5%
FCF / net profit	513.2%	189.3%	152.3%	1302.2%	2736.1%	650.0%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	-56.9	18.7	23.4	41.9	60.7	57.6
Net Debt/EBITDA	0.0	-5.9	-13.7	13.0	10.1	7.6
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	n.a.	4.3%	7.6%	5.5%	6.0%	5.9%
<b>Returns</b>						
ROCE	-7.0%	-5.5%	-7.5%	-0.2%	1.7%	2.6%
ROE	-3.3%	-7.5%	-12.3%	-2.2%	-1.6%	-0.7%
Adjusted FCF yield	5.0%	-33.7%	-13.7%	0.5%	2.9%	3.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.12	-0.25	-0.38	-0.07	-0.05	-0.02
Average number of shares	22.2	22.2	22.2	22.2	22.2	22.2
<b>Valuation ratios</b>						
P/BV	4.2	0.3	0.3	0.3	0.3	0.3
EV/sales	n.a.	11.6	5.2	6.6	6.7	5.8
EV/EBITDA	11.6	-13.4	-27.5	20.3	14.0	10.7
EV/EBIT	11.6	-7.6	-5.4	-345.4	38.4	24.4

Source: Company data, NuWays

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Company	Disclosures
MPC Energy Solutions N.V.	2,8

### Historical target price and rating changes for MPC Energy Solutions N.V.

Company	Date	Analyst	Rating	Target Price	Close
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## Contacts

### NuWays AG

Mittelweg 16-17  
20148 Hamburg  
Germany

+49 170 119 8648  
info@nuways-ag.com  
www.nuways-ag.com



**Christian Sandherr**

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



**Frederik Jarchow**

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



**Philipp Sennewald**

Analyst

philipp.sennewald@nuways-ag.com



**Henry Wendisch**

Analyst

henry.wendisch@nuways-ag.com



**Mark Schüssler**

Analyst

mark-hendrik.schuessler@nuways-ag.com



**Konstantin Völk**

Analyst

konstantin.voelk@nuways-ag.com

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