



MPC Energy Solutions

Q1 2023 Results

Thursday, 27 April 2023

This transcript of MPC Energy Solutions NV's webcast and conference call is produced by a third party. MPC Energy Solutions takes no responsibility for possible discrepancies between this transcript and the original audiocast and conference call. This transcript contains minor modifications from the original for accuracy or clarification, none of which change the substance of the original. Please also refer to the cautionary statements included in the webcast slides.

INTRODUCTION

Heike Hülle

WELCOME

Good morning to all and we welcome you to the Q1 2023 webcast of MPC Energy Solutions. I have the pleasure of guiding you through the presentation and also through the Q&A later on.

This morning at 7.00 MPC Energy Solutions published its financial statements for the first quarter 2023. We would therefore like to take the opportunity to walk you through some of the highlights of the financial statements and share some insights into project updates of the last few weeks with you.

After our presentation, we will, as usual, hold a Q&A session, and we'd be happy to answer any questions you may have. You can send your questions via the text function in the webcast. There's a little window underneath the video that you're seeing on your screen. And we'll answer them at the end.

Just to let you know, this webcast is being recorded and will be published later, together with the transcript.

FORWARD-LOOKING STATEMENTS

Let me just remind everyone that certain statements made on this call, including financial estimates and comments about our plans, expectations, beliefs or business prospects, and other statements that are not historical in nature, may constitute forward-looking statements under the Securities Laws. We make these statements on the basis of our views and assumptions regarding future events and business performance at the time we make them, and we do not undertake any obligation to update these statements in the future. Forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from the results expressed or implied in light of a variety of factors, including factors contained in our financial statements, filings and other releases.

I'll pass the word on to Stefan Meichsner, the CFO of MPC Energy Solutions. Go ahead, Stefan.

Q1 PERFORMANCE

Stefan H.A. Meichsner

Thank you, Heike, and good morning everyone joining this webcast here today.

Two years ago, our company had a few projects under development and \$87 million in cash that we raised from our investors. Today, just two years later, I can proudly say that we are, by almost every measure, in a stronger position than at any time since the IPO.

We now have four power plants connected to the grid, we have three more under construction, and we have a development backlog of 420 megawatts. We are a different company than we were two years ago. We have

MPC ENERGY SOLUTIONS Q1 2023 RESULTS

Thursday, 27 April 2023

delivered the proof-of-concept, we have created an organisation that is ready for expansion and we will soon enter the next growth phase and scale up significantly.

MILESTONES IN Q1

During the first quarter, we achieved significant milestones. Three more projects were connected to the respective power grids, namely in El Salvador, Colombia and Puerto Rico. The projects in El Salvador and Colombia were developed and built by us from beginning to end. We took them from greenfield stage to commercial operation. It is a great testament of our ability to be a true full-cycle IPP and ultimately it is the proof-of-concept for our business model.

Overall, we now have a proportionate installed capacity of 53 megawatts across four countries connected to the grid and we expect another Colombian project, Planeta Rica, to connect later this year.

In addition, we secured two long-term power purchase agreements with private off-takers, which will enable them to purchase clean and affordable energy from our company, reducing their carbon footprint and securing reliable supply at predictable energy costs. We and I are particularly proud of the PPA that we signed in Guatemala with the IMSA Group. IMSA is one of the regions and country's truly formidable companies and signing this contract also underlines our ability to originate new opportunities, to enter new markets and, above all, it shows the advantage we have from being present in the region with our own local teams. This is an advantage only a few companies have and MPCES is one of them.

FINANCIAL REVIEW

So, we made progress and the effects of this scale-up that we plan and that we have built our team for, they are already visible in the first-quarter results. Revenues increased to \$1.7 million, which is three times what we had a year ago in the first quarter of 2022. And of course, it's also based on a much larger energy output as more projects become operational. Consequently, our operating profits contributed by our projects also increased.

These are not the right... I'm sorry, we are just trying to find the right slides here, bring up the Q1 results. There's a small delay here. It will be right up. Just a moment. Yes, super.

So again, revenues in the first quarter increased to \$1.7 million. It's three times what we had a year ago and consequently, operating profits contributed by our projects also increased.

Without a \$200,000 loss we incurred from energy trading activities in Colombia, which lowered our profits, we would have shown higher EBITDA in the first quarter, but overall, the contribution from the power producing assets that we have are in line with our expectations and if we exclude trading activities we see \$1.4 million in revenues and \$900,000 in EBITDA.

Our company remains well capitalized, given the low debt ratio that we have and the available free cash we can use for further project development, capital deployment into new projects, and also to pay overhead.

I read a comment this morning that our costs are still too high, which I strongly disagree with. If you want to grow a company, this company, and if you want to grow it quickly, like we do, you need to invest in the set-up. And it naturally takes time for our project cash flows to catch up with the overhead cost that we have. But as we will see by the end of this year already, the point of costs being too high is only temporary and really misses the point, in my view.

We shared our outlook for 2023 during our Capital Markets Day a month ago. That outlook shows around \$10 million in revenues this year and \$7 million in project-level operating profit. That outlook remains unchanged and, as I said, it puts the idea of costs being too high to rest, in my view.

MPC ENERGY SOLUTIONS Q1 2023 RESULTS

Thursday, 27 April 2023

ROAD TO 1,000 MW

Martin, our CEO, outlined our goal during the Capital Markets Day that we want to have 1 gigawatt of installed capacity under construction and operation by the end of 2027. The majority of the additional capacity we will ramp up will come from our own greenfield developments. We therefore intend to significantly expand the development backlog that we have today; and to reach the 1-gigawatt goal, we want to have 800 megawatts of development projects ready-to-build by the end of 2025, with construction starting between now and then.

Our teams are actively working on this task. In addition to the backlog we have today, new developments have already been identified and we are in the first steps of new developments. In Panama, for example, we are about to sign development service agreements with local developers that have the experience and the market access. And a key role in this expansion is, of course, also the capacity of our own development team in Colombia and Panama.

We will keep the investment community closely updated on our progress on the development side and during the next webcast we also intend to share a financial projection related to this 1-gigawatt goal and give you an idea of the financial outcome of our plan once it is fully executed.

RETURN BOOST THROUGH LEVERAGE

Another important target we have is to increase the overall leverage that we have on our balance sheet. The simple most important task on the financing side, I will say, is to secure project debt for our existing unlevered projects and for the new projects we have in the pipeline. And this has two reasons.

One, we can recycle the invested cash, which can then be redeployed into new projects, which allows us to scale up more quickly and allows us to diversify and thereby de-risk the portfolio, which in turn also enables us to secure better financing costs. I call this the financing cycle.

And secondly, adding leverage to a project is by far the most important tool to boost equity returns overall. We are currently looking at a debt ratio in our projects proportionately of around 50%, which is significantly below our peers and our mid-term target of 75%. Of course, in the debt market conditions in the past year or year-and-a-half, these conditions have not been ideal, which is why we decided to maintain all equity funding in some of our projects. But we expect this to change and we are already in active talks with lenders for our projects, and we will keep you posted on our progress on that front.

SECURED CASH FLOWS

Last but not least, I want to underline once again that we have signed power purchase agreements that really reflect the value of our company. A significant portion of this value lies of course in the project cash flows that we have secured through these long-term agreements, and as of today, we have eight such agreements in place. And as we've said before, we continue to be mostly exposed to US dollars. We look at the weighted average length of these contracts of 16 years and the proportion of total revenue of these projects is \$430 million.

Needless to say, our plants will operate for longer than these 16 years and overall, they will also generate higher numbers in revenues and profits. By just applying an average EBITDA margin of 75% to what we have already secured, predictable and de-risked in revenue today, this alone should be an indication about the operating profits and cash flows that our investors can expect from us in the years to come.

Now, a few closing remarks.

Heike Hülle: Okay, thank you very much.

Stefan Meichsner: There we go. I just – sorry, I want to make one more comment. I'm just bringing it up. So, today's really a bit tricky. There we go. Okay.

MPC ENERGY SOLUTIONS Q1 2023 RESULTS

Thursday, 27 April 2023

I want to thank our shareholders, first and foremost of all, for their continued trust and support. I want to thank Martin, our CEO, and I want to thank our teams in Amsterdam, in Bogota and Panama for their daily effort, for the support, for putting us on the map and for making sure that we actually have the best projects. We will stay focused, we will stay lean and we will continue to execute well. Results always follow actions and the financial results of our actions over the past two years since the IPO will be fully visible in 2023 and also 2024.

And with that, I apologize for the few difficulties we had – not a big deal. Thank you for your attention so far and I'm now happy to answer any questions you might have. Thank you, Heike.

Heike Hülle: Okay, thanks a lot. We'll give you a minute to send in any questions in case you have any questions for this presentation.

[pause]

Okay, well, it seems we've answered all the questions today.

Stefan Meichsner: That is terrific. Of course, you will find this presentation, as well as the Q1 report, on our website for download and also in the webcast interface that you are currently using. We are always available through our contact email address and if any questions come up between now and the next time we present to the market, please do let us know and contact us. We are more than happy to take a look.

Heike Hülle: Okay. Thank you very much.

Stefan Meichsner: Thank you.

[END OF TRANSCRIPT