



# Q1 2022 WEBCAST

MPC Energy Solutions N.V.

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**28 April 2022, 9:00 a.m. CET**

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## OPERATOR

Good day and thank you for standing by. Welcome to MPC Energy Solutions' first quarter 2022 results conference call. At this time, all participants are in listen-only mode. After the speaker presentation, there will be a question-and-answer session. To ask a question during the session, you'll need to press "star" and "1" on your telephone keypad. Alternatively, you can submit questions via the webcast. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your host today, Ms. Heike Hülle. Please go ahead.

## HEIKE HÜLLE

Good morning, everybody. I have the pleasure to welcome you to the Q1 2022 webcast of MPC Energy Solutions. I'll be guiding you through the presentation today and also through the Q&A session later on.

This morning at 7 o'clock, MPC Energy Solutions published its financial statements for the quarter ended March 31st, 2022. And we'd like to, therefore, take the opportunity to walk you through some of the highlights of the financial statements, and also share some insights into project updates of the last few weeks with you.

As the operator just mentioned, we will hold a Q&A session after the presentation, in which we'd be happy to answer any questions you may have. You can send in your questions via the text function of the webcast or ask them via the phone and we will answer your questions at the end. You can send your questions via the webcast at any time during the presentation.

So before we get started, let me just remind you of the forward-looking statements. 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.

Let me then introduce you to Stefan Meichsner, our CFO, who's going to start the presentation today. Stefan, over to you.

# Q1 2022 WEBCAST

## STEFAN MEICHSNER

Thank you, Heike. Good morning to everyone listening and a particularly warm welcome to those of you joining for the first time. I would like to begin by talking about the highlights of the first quarter. And to start off with a very important milestone right away: For the first time in our young company's history, we have now generated and sold electricity in one of our projects and concordantly generated revenues.

This is a direct consequence of the acquisition of Los Santos I, a solar PV plant in Mexico, which has been operational since 2017. We acquired 100% of the project in early February. And in the first two months under our ownership, the project has generated 5.3 GWh in electricity and generated a little more than half a million dollars in revenue. And during these first two months under our ownership, the asset has actually performed slightly above budget.

I want to thank our team. I think this is now signaling a new stage for our company, which of course is still building and ramping up, but step-by-step the hard work of the first 12 to 15 months since the IPO is paying off. And with more and more assets coming online over the next few months, we will see that being reflected in our financial performance.

Speaking a little bit about the two acquisitions that we closed in the first quarter, I already mentioned Los Santos, maybe a few additional data points here. As I said, the asset has been operational since 2017. We expect the annual output to be 34 GWh for the remaining lifetime of the plant and at the moment, we have PPAs in place with Leoni Cables and the De La Salle Educational Network. Though it should be mentioned that a large portion of the electricity, and therefore also a significant portion of the revenue comes from Leoni Cables, who is the predominant off-taker in this relationship. We also mentioned when we announced the conclusion of the acquisition that we acquired, along with the asset, a right of first refusal to expand the current setup of the plant by an additional 73 MW to roughly 90 MW in total. These additional megawatts are now under development by an external partner. And we do intend to make use of that purchase option down the line. But this is, of course, still out one or two years depending on the development progress.

Another acquisition that we closed, and this is the first project that was delivered to us, so to speak, by our strategic partner, Enernet Global, the microgrid operator from the U.S., is the Neol CHP plant, a combined heat and power plant in Puerto Rico, which will deliver steam and electricity to a pharmaceutical company in Puerto Rico. We closed the acquisition right at the end of the quarter. So, therefore, there was, of course, no revenue or electricity generation from that as of yet, and it's therefore not reflected in the Q1 numbers. But we do expect official commercial operation, which is still pending an approval from the backup grid operator, to commence earlier next month, so that we should then see first contribution from this asset in the second quarter of the year.

Looking into our investing activities in the first quarter, we continue to deploy the capital that we still have available from the IPO. In the first quarter, we continued to fund construction for our projects in Colombia and El Salvador. We also, as just mentioned, closed the acquisition of Los Santos I and Neol CHP, and most of the purchase prices negotiated and most of the equity investments related to these projects have been made. And we did subscribe to a convertible note, which was issued in the first quarter by Enernet Global. Our contribution was a million U.S. dollars, which would convert into equity when Enernet raises equity the next time. And I think they have that planned for later this year.

And it's very noteworthy that along with this additional financing contribution to Enernet, we were also able to extend the asset development agreement we have with them, which gives us exclusive access and the right of first refusal to the assets they develop and build by one year. And the plan that we had to use Enernet also as an access point to markets in Southeast Asia and Australia has now also been added to the asset development agreements sooner than originally anticipated. So in return for the additional funding we provided, we also secured a prolongation of that strategic and exclusive partnership, which we value very highly.

# Q1 2022 WEBCAST

Overall, we had US\$ 72 million from the IPO and cash allocated to be invested into projects. And a total of US\$ 56 million has mostly been invested. And the rest is pending certain conditions that need to be met by other parties. But that means that US\$ 16 million, at the moment, are remaining to be deployed. And if you remember our project update in early March, we put the project in Honduras on hold for the moment. We had US\$10 million assigned to that project. So that now out of the US\$ 16 million, the US\$ 10 million that we had reserved for Honduras will have to be reallocated, but we have already done that since, and we will get to that. Enernet is making good progress on additional Puerto Rico projects. The funding will very likely be -- or the now available extra funding will be invested into that backlog.

We are often asked what has happened to the projects that our shareholder MPC Capital contributed during the IPO. And what will happen with these projects and other projects over the next 12 to 18 months. So let me take some time and briefly guide you through it.

What you see here in the table are the projects that we own and that a part of our development backlog. So you see three projects in Colombia, one in Jamaica, and one in the Dominican Republic. The first four, the three in Colombia and the one in Jamaica, they are part of the projects that were contributed by MPC Capital. All of the projects that were contributed during the IPO were still under development and these four projects are still under development today.

We expect major milestones to be achieved over the next 12 months, namely either a ready-to-build status, which is relevant mostly for the Colombian projects, and also the ready-to-tender for the Jamaica project.

And in addition to that, two projects that were part of this IPO pipeline, if you will, Santa Rosa and Villa Sol in El Salvador, and Los Girasoles in Colombia. As we previously communicated in detail, these are already under construction. So we took them from the development stage since the IPO, and we are now in the construction stage. And both projects will come online later this year.

And in addition, we were able to add a development project in the Dominican Republic, very much a key market in the region also for us. And we partnered with Soventix Caribbean to develop a 50 megawatt solar PV plant in the Dominican Republic. So this is something that we added since the IPO. And that is also under our majority ownership. We own 51% in that project.

As you can see, and we also previously communicated this, while we have seen delays, of course, following COVID on the development front, and things are taking a little bit longer than originally anticipated, we are still making very good progress on these projects. And making progress means developing them to ready-to-build and thereby adding value to our pipeline. And this is what we have been doing. And we see that progress on this project in El Salvador and in Colombia. The others will soon follow.

We are also trying to actively add to our development backlog, for example, by partnering up with companies like Soventix Caribbean.

If we look ahead at 12 to 18 months, we will see that on top of the projects we already have under construction - which is one in El Salvador, two in Colombia - we will see our project in St. Kitts, the Basseterre project, to commence construction over the next few weeks. And we also see that Enernet Global, our partner, signed additional PPAs now for the projects in Puerto Rico that were also communicated during the IPO. And we would expect these to start construction this year as well.

# Q1 2022 WEBCAST

And then out of our proprietary projects, at least two in Colombia, and the one in the Dominican Republic, will start construction next year. So if you look at the proportionate numbers that we report here, we would expect over the next 18 months to see another 135 MW proportionate capacity, meaning, the stakes owned by us, to commence construction on top of the 49 that are already underway and that will commence operations later this year. So I would say that, overall, this also reflects the progress that we've seen, this reflects the value that we inherited, so to speak, during the IPO. And that we're going to take to the next level.

We would like to give you a brief update on Mexico. In our business, and this is my view, we consider the off-taker risk to be much more visible and tangible than let's say the country, the political or the regulatory risks that we see in the country. But in Mexico, and we factored this into our purchase price, and we communicated this previously, we had a situation where the new energy reform threatened to deprioritize renewable energy plans, including Los Santos I, and to change the regulatory framework in an unfavorable way. The good news here is that the Mexican Congress shut down the energy reform and the local courts have ruled against the reform and the de-prioritization as well. So we see that these risks that we priced into the acquisition have not even materialized. And the second stage of the development, the additional 73 MW, weren't affected anyway.

Overall, this is a very good outcome, the government will appeal the court rulings, but we totally expect this appeal to be rejected over the next two to three months. So that this final slight pending risk is then fully eliminated. And this adds to our view that this acquisition of the well-performing operational assets with good off-takers is also less risky than from an outside view might be anticipated. And we looked at this very, very carefully during the due diligence stage and it's good to see that our assumptions and our view on this have been confirmed and this risk has been removed.

With that, we move over to the brief financial review of the first quarter. And I would also like to refer you to the actual Q1 report that we published this morning, which of course provides more details.

As I mentioned, the first quarter marked the quarter that we generated first revenues from our asset in Mexico. Operating expense, and I think this was also mentioned by one of the analysts in communications this morning, was a little bit higher than anticipated. But this is quite normal in our business, because the expenses in the first quarter are usually front-loaded, if you will, meaning, that we see a lot of expenses either coming from the previous year or that have to be paid the start of the year, for example, lease contracts need to be settled or insurance premiums have to be paid, so that the expenses for the first quarter are usually much higher than what we will see in subsequent quarters.

Meaning that overall we are very much in line with the budget that we have for this year. And we would expect this to be reflected in the operating result also over the next quarters, so that the overall targets and the overall margins that we have projected will then actually be reflected here.

Investment cash flow is in line with what I previously showed on the other slide. And we also received first disbursements for our project in El Salvador from Banco Agricola, which is, of course, a positive cash inflow that we see on a group level.

Overall, we were left with roughly US\$ 43 million in consolidated cash reserves at the end of the first quarter of which, and this was shown on one of the previous slides, US\$ 24 million, roughly, were still available on HoldCo level for future investments and operational spending.

# Q1 2022 WEBCAST

Which brings us to our financial position our balance sheet. Important to note here, the acquisition of Neol CHP and Los Santos I will require us under the IFRS to perform a purchase price allocation. This was not completed at the end of the first quarter. But it will be during the second quarter, meaning that for now, we have simply conducted a preliminary purchase price allocation. And this is the reason why you see an intangible asset being recognized in the amount of US\$ 14.1 million. I'm not saying that this will change, but it might following the actual results of the purchase price allocation. And this is simply the difference between the asset value that we see when we made the acquisitions and what we see on the balance sheets of the respective assets as, of course, fair value is determined by future cash flows and not so much by the book value of the assets that you see following depreciation patterns, et cetera.

Otherwise, what you see reflected on the liability side is that we now can show project finance loans related to, as I mentioned, our project in El Salvador and also to Los Santos I. So while we still have no long-term corporate debt, on the project level we now see financing coming in.

Which brings us to the outlook for this year. And this confirms what we previously communicated from the asset in Mexico and from our plant Neol CHP which back up 4.5 to 5 million in revenues this year, depending how quickly now Neol CHP can officially start operations, and this would result in a roughly 70% EBITDA margin out of these two projects. And depending on how aggressively we can capitalize development expenses, there is a very good chance that we will show a zero or a slightly positive corporate EBITDA as well for this year. It should be noted that we have three other projects, namely Santa Rosa and Villa Sol in El Salvador, Los Girasoles in Colombia, and Planeta Rica in Colombia, which are also scheduled to come online in the fourth quarter of this year. They will generate electricity. If they do, they will generate revenues. But we're not factoring this into our outlook. We are simply using Mexico and Puerto Rico as the two only projects to be on the conservative side, which is in line with what we've previously communicated. So there is a slight upside here, but it will depend on how well we can execute and finalize construction of the existing projects.

We will have our annual general meeting on the 23rd of June. Invitations will go out one month in advance, including the agenda and the possibility, of course, for all shareholders to cast their votes.

And then we will continue with the Q2 and Q3 reports, as usual, but also factoring in holiday times and vacation times during the summer, which is why the Q2 report will be released a little bit later than maybe anticipated, because we want to make sure that we actually have an audience that is not on holiday to read and see the Q2 results.

And with that, I would already like to wrap-up the presentation and hand back to Heike, so that we can might take some questions from the audience. Thank you for listening. And I'm very happy to enter the Q&A session now. Thank you.

## HEIKE HÜLLE

Okay, thank you very much, Stefan. As I mentioned, we'll now continue with the Q&A session. We will pause for a minute now to give you some time to either send your questions through the text function in this web conference if you have not done so yet, or you can just press "star" "1" on your phone if you want to ask a question by other telephone line. Let me start with the phone question.

Operator, do we have any questions?



# Q1 2022 WEBCAST

## OPERATOR

There are no questions at this moment.

## HEIKE HÜLLE

Okay. Thanks a lot. Then we'll move over to the web chat. I see no questions coming in at this point of time. Maybe I'll give you a few more seconds in case anybody has a question for this webcast. Okay, well, it seems, Stefan, you answered all the questions already.

## STEFAN MEICHSNER

I'm glad to hear that. Thank you.

## HEIKE HÜLLE

We can conclude the Q&A session and the webcast. Of course, if there are any questions you would think of after this presentation, please feel free to contact us directly. You can find all the contact details on our website, you can just e-mail us directly or you can also send us an e-mail at [ir@mpc-energysolutions.com](mailto:ir@mpc-energysolutions.com). And of course, we'll be happy to answer your questions going forward and to stay in touch with you. Thank you, everybody, for joining us and have a great rest of the day.

## OPERATOR

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone have a great day.

**END**