



Transcript for MPCES 2023 review, strategy update and outlook 2024

MPC Energy Solutions N.V.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:00:01 - 00:00:59

Heike Hülle: Good morning, everybody, and welcome to the MPC Energy Solutions 2023 review, strategy update and 2024 outlook. We would like to take the opportunity to walk you through some of the highlights of last year and give an outlook on project development in the coming months. If you have any questions during the presentation, feel free to type them in the text box and we will answer them at the end. Just to remind you, this webcast is being recorded and will be published later together with a transcript on our website. Okay, before we start, let me remind you that we include certain forward-looking statements in the presentation. Certain information and statements shared in this document, including financial estimates and comments about our plans, expectations, beliefs, or business prospects, and other information and statements that are not historical may constitute forward-looking statements under the securities laws.

00:00:59 - 00:01:39

Heike Hülle: We make these statements based on our views and assumptions regarding future events and business performance at the time we make them. We do not undertake any obligation to update these information and statements in the future. Forward-looking statements are subject to several 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 now introduce you to Stefan, our CFO and acting CEO of MPC Energy Solutions, who will present our business update to you.

00:01:45 - 00:02:47

Stefan Meichsner: Good morning, everyone. To those of you joining a webcast of our company for the very first time, welcome, and for those of you who are regulars and have followed the development of our company over the past few years, welcome back. In today's session, as Heike mentioned, we will review our preliminary unaudited 2023 financial results. We will also provide an outlook for 2024 and the years beyond, and we will dive into the adjusted strategy that we have defined for the coming years. Before we dive into these topics, I would like to briefly review our company's business and what we're all about, especially for those of you joining for the very first time. MPC Energy Solutions was founded only three years ago. We went public in early 2021 on the Oslo Stock Exchange, and our business ultimately is to own and operate power plants that use renewable sources like wind and solar to deliver energy, clean and affordably, to off-takers in developing markets.

00:02:48 - 00:03:41

Stefan Meichsner: We don't only own and operate these plants, we also develop them from scratch, which means we secure the land that the power plants and the transmission lines are ultimately built on. We sign long-term delivery agreements with off-takers who use the energy once it's operational, and we also make sure that we have all the permits in place and that we can connect the power plant either to the public grid or, for off-grid solutions, to the power network of our client. Furthermore, we oversee the construction of these projects, which is predominantly done by turnkey contractors who take the project from ready-to-build to the ready-to-operate stage under our supervision. In that sense, we cover the entire project lifecycle from development through construction to operation and ultimately decommissioning many decades later.

00:03:43 - 00:04:41

Stefan Meichsner: The predominant technology that we're currently deploying is solar PV, but we also look into wind onshore solutions, and we believe that storage solutions will become very important in the coming decade,

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

both to stabilize power grids and also to extend the power curves of the renewable sources that we use. Currently, our business is fully focused on Central America and the Caribbean, from Colombia up to Mexico and then into the Eastern Caribbean. We selected these regions for several factors. Firstly, solar especially, but also wind along the coastlines, is available abundantly in this region, so we have a very good renewable base and resource. Secondly, in these countries, renewable energy is either under-represented in today's energy mix or it's undiversified. In Colombia, for example, which is mainly dependent on hydro energy.

00:04:42 - 00:05:31

Stefan Meichsner: Power prices in this region are among the highest in the world, in some cases leading global energy prices for the end consumer, which offers us an opportunity to provide cleaner and more affordable energy to these markets, while at the same time being compensated for the perceived additional risk that we take when we invest in these markets. Governments in the region are also very actively pushing for the energy transition to make sure that their reliance on fossil fuels is reduced over time. The power prices are coming down, which will ultimately benefit the country and the end consumer, meaning the voters in these countries. As an ultimate goal, we intend to become the leading independent power producer in the region in the coming years.

00:05:33 - 00:06:28

Stefan Meichsner: Over the past three years, despite the many challenges we had to face like the COVID pandemic, supply chain disruptions, very persistent inflation, and higher interest rate environments, we managed to connect five projects to the grid, taking them from the development through the construction phase all the way into operation. This means that, as of today - actually as of late 2023 - our company owns and operates around 80MW throughout Central America and the Caribbean. As we announced this morning, we just started construction on a new 65-megawatt plant in Guatemala, more on that later. We also have additional developments in Jamaica, Guatemala, the Dominican Republic, Panama, and El Salvador ongoing so that we are actually, with new green-field developments, securing the future growth of this company while we're adding the Guatemala project to our portfolio.

00:06:31 - 00:07:25

Stefan Meichsner: Let us review 2023, which has been exciting and successful for us as a company, but also very much transitional. We commissioned four new projects to the power grids in their respective countries, thereby significantly increasing the installed capacity that we now have under operation. This happened throughout the year, with two plants coming operational in January and February last year. One of them in the middle of the year and one at the end of the year, so overall, what we saw was a transition from MPC having one project under operation to MPC having five projects in operation in 2023. It is very important to note, however, that our entire portfolio has never seen a full-year performance yet. This will only happen in 2024 and this is why I say that it's been very much transitional.

00:07:27 - 00:08:33

Stefan Meichsner: In February last year, we also signed a long-term power purchase agreement with the IMSA Group in Guatemala for the 65-megawatt solar PV plant I just mentioned. We just commenced construction today by signing the EPC contract, and also by issuing the limited notice to proceed to the EPC contractor. In order to securing future growth, we've started new developments in Panama, El Salvador, and Guatemala and continue our developments in Jamaica and the Dominican Republic. Especially Central America, the countries that I just mentioned, we believe offer the greatest potential in the short term, while other, much bigger markets like Mexico

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

and Colombia are, at least for the short term, not open to receiving any promising renewable investments, or at least not renewable energy investments that meet our criteria. Despite 2023 being transitional, the pure fact that more plants became online and contributed to the revenue and profit of our company meant that we will see significant increases in the key parameters that we track on our financial side.

00:08:34 - 00:09:35

Stefan Meichsner: Last but not least, also a highlight for us in 2023, is that we successfully divested from our projects in St. Kitts, and one project in Puerto Rico. The reason behind these divestments was twofold. One, we did not believe and do not believe that these projects were meeting our investment requirements any longer, so we decided to step out of these projects and repatriate the cash that we had invested in them, which significantly boosted our free cash position, which allowed us to be even more flexible than we were before when deploying capital in the future. It also made sure that we protect our portfolio from projects that we believe no longer meet our investment criteria. Overall, it was a very exciting and very thrilling 2023 in our young company's history, where we truly took it from a one-project under operation to a five-project operation company, and where, despite the transitional factor, we and our team can be very proud of the accomplishments that we've done.

00:09:37 - 00:10:57

Stefan Meichsner: This brings us to the preliminary financials for 2023. I want to highlight that these are still unaudited. The audit process is ongoing. We will publish our audited annual financial results for 2023 at the end of March, but the preliminary numbers, we don't expect them to change all that much. Our total revenues for 2023 were 9.1 million. These consisted of 8.3 million we saw from power-producing assets, and roughly 700,000 Dollars contributed by energy trading activities. This is a significant increase to the 2022 numbers and already demonstrates the scalability that this business has once more and more projects come online, while our substructure overhead and administrative expenses remain relatively firm. We were also able to more than double our operating profits from these projects, especially the power-producing part with 5.4 million in EBITDA generated met our expectations, and also the forecast that we shared with the market in the third quarter of 2023 last year. But because of the trading activities that we had to conduct in Colombia -

00:10:57 - 00:11:52

Stefan Meichsner: - more on that in a minute - the overall EBITDA from projects was only 4.4 million, which is of course not what our expectations are for the long run, but being the transitional year that 2023 was, this is very much explained. The trading losses in Colombia were also very much the main downside for these results in 2023. The reason here was that we saw a construction delay for our plants in Colombia, but the power purchase agreements became already active, so we had to deliver energy to the off-takers. However, because the power plants were not yet operational, we had to buy the energy in the open market, and because of the El Niño phenomenon, which led to consistent droughts in Colombia, a country that's very much dependent on hydropower, spot markets increased significantly above the price that we receive for the energy under the power purchase agreements, and this created a trading loss in 2023.

00:11:53 - 00:13:03

Stefan Meichsner: However, these trading losses are now contained because the plants are fully operational, so in 2024, we will no longer incur a trading loss and we will finally see that also the Colombian projects contribute very positively to the overall result of our company. Altogether, our portfolio generated more than 100,000 megawatt-hours last year. This was a very significant and thrilling milestone for us, more than tripling the output that we saw in 2022. And the average price per megawatt hour that we secure with 83 Dollars is also significantly

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

above any average that we see in developed nations, Europe or other markets, which as I mentioned earlier, is one of the predominant reasons why we are investing in developing nations like Central America and the Caribbean. If we look at our balance sheet – again: preliminary and unaudited numbers - we once again close the year with a very solid foundation with a 57 percent equity ratio on a group level. No corporate debt.

00:13:03 - 00:14:11

Stefan Meichsner: We only have non-recourse project debt on our group balance sheet, but on a corporate level, we remain unlevered as of today, and we ended the year with over 14 million Dollars in free cash. This is money that we can deploy on short notice for project development, for overhead expenses, or additional projects. It is significantly higher than the number that we reported at the end of Q3 last year, and the predominant reason is, of course, our divestment from the St. Kitts project, as well as seeing in Q4 2023 already the first impacts and positive results from our cost-cutting measures that we will see take full leverage during 2024. If we look at the quarterly distribution of last year's results, this very much follows the seasonal pattern of our installed base, which is mostly solar PV based as of today, so of course, the third and the second quarter of every year deliver much higher revenues and profits than the remaining quarters of the year.

00:14:11 - 00:15:21

Stefan Meichsner: Our base at the moment, as I said, is solar technology, and the highest output is expected in these quarters, 2023 was no exception, and we should see a very similar pattern in 2024, too. Looking at our projects, what we saw was a tremendous performance of our asset in El Salvador, Santa Rosa & Villa Sol. The plant generated revenues in line with our expectations, achieving an EBITDA margin of above 82 percent. This is the one project that delivered what we wanted it to deliver. The other projects have underperformed a little, but we also need to see this in perspective. I already mentioned that the Colombian assets suffered from trading losses. If we exclude these trading losses, the plan in the first few months of its operation performed quite solidly. The same goes for the Neol CHP project in Puerto Rico, which has underperformed a little bit as we saw a restructuring on the off-taker side, which led to lower power demand, so overall, while the cost base for this asset is fairly fixed, the revenue did not quite meet expectations.

00:15:21 - 00:16:31

Stefan Meichsner: Then we have the Los Santos power plant in Mexico that we acquired in 2022. We have done a restructuring of this project ever since. We have made technical improvements. We started lowering the cost base of this project, so in 2022 and 2023, we very much had to optimize the assets to be in line with the performance that we expected, but of course, this is not fully reflected yet in the 2023 numbers. The EBITDA margin from this project just over 60 percent was way below our expectations, but of course, also driven by the steps that we have taken, so 2024, especially for this particular project, will look entirely different and therefore lead to much higher contributions on the profit side from Mexico. One final comment on our current portfolio. In December last year, we commissioned another power plant in Colombia, the Planeta Rica Power Plant. This did not contribute anything to revenues and EBITDA yet in December because it only came online last year, and it just started generating revenue in 2024.

00:16:31 - 00:17:41

Stefan Meichsner: Therefore, we did not share any results and account for any results from this project in 2023. Needless to say, after a transitional 2023, 2024 will look very different, and I will get to that in a moment, but before that, I like to share the exciting news that we also published to the market this morning:

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

We started construction on our project San Patricio in Guatemala. It's a 65-megawatt power plant solar PV that, once completed in mid-2025, will generate more than 140 gigawatt hours a year. The PPA that we signed with the IMSA Group, the region and country's largest producer of refined sugar and also the processor of sugarcane and one of the most important energy generators in the country, has a tenor of 16 years, which will commence once construction is completed. It is a build, own, operate and transfer structure, meaning after the 16-year tenor, the asset will be sold to the IMSA Group and then continue operations under their ownership.

00:17:42 - 00:18:45

Stefan Meichsner: Guatemala remains a very interesting country and market for us, so we will certainly see other projects that we are developing and building in this market over the next few years. The IMSA PPA, and the San Patricio project, are the very first step. We also signed the EPC contract just on Friday and published the news this morning. We issued a limited notice to proceed. It is noteworthy that the EPC contractor is the same one that already built our Santa Rosa & Villa Sol solar power plant in El Salvador, a plant that was completed in time and budget. Our experience with the Enerland Group is very good and we hope that they can repeat their stellar performance for this particular project in Guatemala, which is significantly bigger, but at the same time, it's the same technology and it's fairly close to the core of Enerland's business and expertise. We will also secure financing from a local bank. We cannot disclose the name or the exact terms at this stage because the loan agreement is not officially signed, even though it's been negotiated.

00:18:45 - 00:19:48

Stefan Meichsner: The project will see an 80 percent contribution from the bank for its financing, and the tenor is also 16 years, matching the tenor of the PPA. Overall, this project is very much what we would like to see as the proof of concept for our new business model, which is to take projects from Greenfield ourselves rather than acquiring them from a third-party developer, and to really in record time with a very lean and focused development phase, taking it to the ready to build stage, benefiting from excellent prices at the moment for module prices and investors. This project demonstrates what we as a company can do. When we go out, we secure a power purchase agreement from creditworthy off-takers, and then we take it through the development stage and make sure that it's ready to build in a very short period, and both from an economic perspective as well as from a size perspective, San Patricio, for us is one of a kind.

00:19:49 - 00:20:59

Stefan Meichsner: It would nearly double our current base of installed capacity, and economically speaking, it's by far the one that we expect to deliver the highest contribution in terms of revenue, profits, and returns for our company and to our portfolio. San Patricio is a big milestone for our company, and at this stage, I'd already like to thank all of the team that worked on this. The construction team, the development team, and everyone supporting this from a legal and financial perspective. Very well done, guys! And it's just one of many projects to come, but this is really truly something that will change the face of our company entirely once it's commissioned. I'm very proud of everything we've accomplished here, thank you! San Patricio is also one of the projects that clearly meets the criteria that we set for investments, and I just like to reiterate what these are. Of course, we have clear equity return requirements that we need to meet. Of course, our mission is to help with the energy transition and to make sure that clean and affordable energy is being delivered in the markets that we're active in, but we cannot do so if the economic parameters are not working for us.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:20:59 - 00:22:08

Stefan Meichsner: We have very high equity return requirements also to meet the expectations of our shareholders and meet the necessities under the current high-interest rate environment. San Patricio is checking all the boxes and future projects that we invest in, and simply have to read these standards as well, even if they offer a certain strategic value the economic return perspective, in my view, cannot be compromised. The size of the projects that we're looking at, San Patricio certainly being at the higher end of the range is, utility-scale 25 to 75 megawatts is what we're looking for in solar PV projects. This, clearly a change in direction rather than owning projects 100 percent in the future, we want to start selling down assets early on, preferably when they're ready to build. Every project also needs to offer an attractive opportunity for potential co-investors and offer us the potential to either farm it down entirely once it's ready to build or in part. This also largely depends on who is the off-taker. We have signed PPAs with public utility companies, with private utility companies, and with industrial off-takers.

00:22:09 - 00:23:06

Stefan Meichsner: It's clear that there's a wide range available, but our job is to look into who is the right off-taker, who can be bankable at the end of the day, who is the one that can be stable for 16 years, 20 years, 25 years, or however long the PPA term is. Of course, IMSA is a group where we believe it ticks all the boxes. The other off-takers that we have for other projects are also very much in line with that, but we believe we pay greater attention in the future to make sure that we get the right off-takers for our projects. The only missing piece in the Guatemala project is that we have not yet officially closed the deal with the Co-investors. In line with our revised strategy, once the project is ready to build, we want to start farming this project down. The reason here is that we believe this is where we can instead of paying a development fee, actually secure it.

00:23:06 - 00:24:11

Stefan Meichsner: We believe that the value increase we see from starting a greenfield development to bringing it to ready to build is quite significant, and this is our opportunity to take money off the table early and to see the value that we've created realized by selling down part of the asset, and also in the process reducing the equity requirements we have when investing in the project because part of the equity that we need to invest to build a project is being covered by the development fee that we are recording. This means that our capital exposure is lower. It's a form of de-risking the project for us, and it significantly boosts our IRRs, and this is why this part of the strategy, the successful greenfield development and the partial farm down and ready to build, will be much more dominant in the foreseeable future because this is really where I believe the greatest value can be created for us, and where we can balance the need for high equity returns and steady growth of our capacity in the best manner.

00:24:11 - 00:25:06

Stefan Meichsner: We don't have to retain 100 percent through our construction and operation. We need to make sure that we bring the right partners in very early on for strategic reasons, and also for economic reasons. During our last webcast, we shared the cornerstones of the revised short-term goals and strategy that we're employing, and I'd like to report a little bit on the progress that we've made. We said that we needed to quickly shore up cash reserves to create maximum flexibility for us to make sure that we have the maximum number of alternatives and what to do with that money without relying on external sources of funding in times when interest rates are very high, and in times where bringing on corporate debt or raising new equity is maybe not so beneficial, especially not if you want to do it for the best of the shareholders. We have done so by divesting our St. Kitts project.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:25:06 - 00:25:53

Stefan Meichsner: We have done so by divesting one of our Puerto Rico projects for which the money has not yet been returned but will be returned shortly, so overall, the shore up of the cash reserves has worked, ensuring that for the foreseeable future, we are in a very comfortable and solid cash position. We can make and meet the commitments that we've made for the San Patricio project and other projects. We can pay for our overhead. We can pay for additional development without depending on external funding in the near future to make this work, so we can grow our company and we can boost our returns without having to raise additional capital, which I find not only liberating but very important in the current market environment. The optimization of our existing portfolio is ongoing. I already elaborated on what we did in Mexico with technical improvements and cost-cutting measures.

00:25:53 - 00:26:46

Stefan Meichsner: This is something that we apply to our entire portfolio on a constant basis, we always look for optimization potential, whether that's re-contracting a PPA, lowering costs, or making improvements to boost the output and performance of the plant. This is something that's continuously ongoing, in Mexico the team already did a great job, so 2024 will be very different for this particular asset, but we will make sure to look at every part of our portfolio and certainly continue to fine-tune the performance. The greater focus on developing greenfield projects has also been successfully employed other than the success we now see in Guatemala. We are very actively working towards a PPA tender in Jamaica, a project that we've owned for some time and where we're now ready to tender, where we believe we have very good ambitions and opportunities to bring in the PPA for this project and then conclude development later this year.

00:26:46 - 00:27:53

Stefan Meichsner: We've also commenced new project developments in Guatemala, El Salvador, and Panama, focusing very much on Central America and as of today, more than 300MW are under active development, and we should see them move towards ready-to-build over the next 12 to 36 months, depending on the country and the size of the project. I mentioned the greater emphasis we want to put on farming down assets early on, bringing in co-investors and ready to build to boost our IRR. San Patricio is a project in Guatemala where we will see this happen fairly shortly. I'm not able to disclose anything yet, but we are very actively working on it. Of course, a very important cornerstone of our future ambitions is also that we bring down structural costs. We had a fairly high cost base in 2022 and 2023, of course, a lot of one-off items, but we also had a structure that did not truly meet the growth plans that were realistic at the time. So, we're now slowly bringing down the organizational structure, making sure that the setup meets the current portfolio, and offers the scalability that our business model has.

00:27:54 - 00:29:02

Stefan Meichsner: We should see savings compared to 2023, in the range of 1.5 to 2 million in 2024, and we will share a status update on this more precisely during the Q1 result webcast, which will be at the end of April, but we can already see the results as of today. I think that this is very important to make sure that the good performance we're expecting from our projects is also met by a more solid and reasonable overhead cost base on a corporate level. Which brings me to 2024 and the outlook. What are we expecting? I mentioned that 2023 was very much a transitional year, but before we get to 2024, let us look at what we're trying to achieve as a company. Ultimately, we want to be the leading IPP in the region, but we also want to be profitable. We want to be self-sustainable. We do not want to rely on outside funding if we need it. We want to make sure that our portfolio is strong enough to deliver solid cash returns, which we can then re-deploy into new developments and new constructions, so we want to be more resilient in any kind of market environment.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:29:02 – 00:29:48

Stefan Meichsner: Of course, as a young company that's just starting operations, that's difficult to achieve, but we're now on the threshold of getting exactly there with the five projects we have under operation, with the San Patricio project in Guatemala being built over the next year, we are seeing exactly the right basis that we need to make this work. As part of it, we will focus on exploiting the greenfield return I mentioned, where we're seeing steady capacity build-up, but we're not compromising the return requirements that we have. We will also try to maintain the balance between the scalability of our business, which is there, we can add the Guatemala project without having to hire any additional staff or create any additional costs, so doubling the capacity does not mean you're doubling your structural costs.

00:29:48 – 00:30:48

Stefan Meichsner: They remain more or less unchanged, so you're seeing the scalability, but at the same time, we also want to make sure that we take money off the table after the development phase, see the value that's been generated turns into cash for our company and our shareholders, and that's why we will here try to seek the balance between scaling up quickly, but at the same time also bringing in co-investors and optimizing returns. Last but not least, this has always been our competitive advantage. We have a presence in the region. We have offices in Colombia. We have offices in Panama. Our local team, our lean team, the organization that we have, they really make all the difference, but they make even more of a difference if we work effectively and if we keep the structure lean, and we will always have an eye on making sure that the scalability our business has is not threatened by us overdoing on the structural and overhead side. The outlook for 2024, 2023, again was very transitional.

00:30:48 – 00:31:51

Stefan Meichsner: Why will 2024 be so different? Because one, for the very first time, all five projects, the entire portfolio will see a full-year output rather than a partial outlook in 2023 and 2022, so this alone will drive up revenue and will drive up profits quite significantly. Then the trading losses we incurred because of the construction delay in Colombia are now contained. The projects are now under normal operation and they will start delivering normal expected EBITDA contributions rather than being diluted by trading results, which are not controllable at the time. In addition, I mentioned this, the post-acquisition output and cost optimization of the Mexican project have been completed, so we will see a significant margin improvement in 2024. The revenue of the project with 3.6 million alone was already very good. Now we need to make sure that the EBITDA margin comes closer to the 75 to 80 percent range where it belongs. The overhead cost-cutting measures we implemented already show the first results.

00:31:51 - 00:33:08

Stefan Meichsner: As I said, you will see this displayed in the Q1 results, which we will publish at the end of April. Of course, also important for 2024, we are building a fairly big power plant in Guatemala, so the construction phase, monitoring this very closely, managing this efficiently and appropriately will very much be a focus in 2024 as well. All of this contributes to the clear fact that we will see a significant increase in output, we will see a significant increase in revenue, and we will see a significant increase in operating profits from our projects. We expect energy output to go as high as 145 gigawatt hours from the five projects that we have and this is only our economic share, so it's a proportionate value. The same for revenue, where we see a 30 percent increase to 12 million, and consequently, the EBITDA will also increase, almost double to 8.5 million.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

These are the expectations that we're having from the existing portfolio based on the existing performance and measures that we've taken. This is very much what I mean when I say 2023 was transitional because 2024, now that five projects are operational, will be entirely different.

00:33:08 - 00:34:16

Stefan Meichsner: It would very much surprise me also if we wouldn't be able to report an operating profit on corporate level, so after deducting overhead costs in 2024 as well, this has very much been the target, and I think four years after establishing the company, this is a fairly rapid development where we see us going from zero to being a profitable business in a developing market region with very high EBITDA contributions from its projects. This is something that I am very optimistic about materializing. I find these predictions are highly probable based on our internal analyses and if the projects perform as planned, including all the risk contingencies that we have included in the calculation, these are the results that we will see at the end of 2024. And I'm sure that in Q1 and Q2 of this year, we will already see the upward trend and we will see us meeting this outlook and these expectations. What's happening beyond that? I already mentioned that the Guatemala project is under construction. It will come online next year.

00:34:16 - 00:35:10

Stefan Meichsner: The project alone will contribute more than 8 million in revenues to our group at an above 80 percent EBITDA margin, so if you look back at our outlook for 2024, where we are seeing 12 million in revenue, once Guatemala is fully operational, this will move us above the \$20 million revenue per year threshold, and it will also be reflected in an improvement of the overall portfolio EBITDA margin because the Guatemala project is expected to be just way more profitable than most of our other projects. On top of that, we still have our active development in Jamaica, where we will try to secure a PPA in the upcoming tender this year. Once we win this tender, there will be another development phase of around six months in which we will decide whether we want to keep the project, we want to sell the project, or we want to build it together with a co-investor in line with our existing strategy.

00:35:10 - 00:36:14

Stefan Meichsner: The first step is to win the tender. We expect quite a competitive environment, so we are working very hard to make sure that our bid can be successful. The bidding deadline is in early April and we are very well positioned to participate in that tender. And then, of course, as I mentioned, new projects have commenced development. Our team is very actively working on moving these projects forward, securing additional PPA, securing the land, and securing the interconnection permits. So our company overall is making sure that we are working along the entire life cycle to make sure that we are taking the next step for our company. Again, the impact of San Patricio will be significant. Let's just really frame this what this one project can do. It will double our capacity as a company. It will double our energy output. It will deliver more than 8 million in revenue for our company and 6.5 million in EBITDA, and this over a secured 16-year PPA tenor. We need no additional group overhead to make this work.

00:36:15 - 00:37:13

Stefan Meichsner: The construction is completely financed by the free cash that we have available and the bank loan that we secured, so there's a very limited risk here that this will not materialize, and I think we need to understand the upside that this can have for our company. Again, I'm very proud of this. I think this project is truly transformational and we should see it as what it is.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

It's unique for a young company like ours to take a step only three years after being established and starting operations. All right. I stumbled a little bit through the last few sentences here, but thank you very much for your attention. I will now hand the call back to Heike to make sure that I can answer any questions you might have, which you can of course ask by posting them in the chat function. I think a few questions are already in, so again, thank you for your attention. Thanks to our entire team for their tremendous effort, work, and performance. Heike, back to you. Happy to take any questions that the audience might have.

00:37:15 - 00:37:34

Heike Hülle: All right. Thanks a lot, Stefan. Yes, as you already mentioned, we have quite a couple of questions already in our activity feed. Let me just look through them. All right, let's start with one of the more general questions, what is the growth strategy in Central America and the Caribbean?

00:37:35 - 00:38:28

Stefan Meichsner: Yes. Thank you. As I outlined, greenfield, new greenfield developments in the region are very much what we're focusing on for the near future. This will be Central America, meaning Guatemala, El Salvador, and Panama. We also have an active development ongoing in the Dominican Republic with a local partner. We have a Jamaica project, so overall we will continue to see greenfield developments, and then we can continue to see us investing in building these projects, but not alone, but with a co-investor to make sure that we can take money off the table early, boost our returns, making sure that the projects are meeting our equity return requirements. Our growth strategy is very much what we saw before. We want to continue deploying clean and affordable energy throughout the region, but with the right balance, with the right approach, and without compromising any equity returns that we might have. The region itself offers significant potential.

00:38:28 - 00:38:59

Stefan Meichsner: I mean, there are at least 40 gigawatts that need to be installed over the next ten years. We are already a very good, recognizable brand in the region. There's rarely a project that we don't know of, so I would say that we are very well positioned to help with the energy transition and to make sure that a lot of that additional potential is landing on our table, and then it's just a matter of securing the financing and making sure that the capital is available so that we can scale up even more quickly once the market sentiment changes and interest rates come down again.

00:39:04 - 00:39:13

Heike Hülle: All right. Now the next question is, what is the expectations for new Neol CHP in 2024, in terms of EBITDA margin?

00:39:14 - 00:39:58

Stefan Meichsner: Overall, we want the project to be in the 65 percent to 70 percent EBITDA margin range. The reason that it's performing lower than solar PV plants is that you have higher fixed costs for operation and maintenance, for example. These are much more maintenance-intensive, so the cost base won't change all that much, but we need to make sure that revenue goes up.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

Our client, the Neolpharma Group, is a pharmaceutical company that has undergone some restructuring in their Puerto Rico operations in 2023, and we now expect them to ramp up manufacturing again, which in turn will ramp up the requirement for energy that we can then deliver. Once the project goes to its projected normal revenue levels of around \$1.8 million, we will see normal margins also.

00:39:58 - 00:40:28

Stefan Meichsner: If we see that the project is not performing all that well, we just have to increase our ambitions of maybe selling down part or the entire asset, depending on how it goes. CHP is not a focus of our company, not now or going forward, but as long as the asset in Puerto Rico, Neol CHP, is helping us deliver stable returns and is helping us cover overhead expenses, it's fine to be part of our portfolio. If it doesn't perform, we have to pay attention to it.

00:40:31 - 00:40:48

Heike Hülle: All right. Now, there are quite a couple of questions coming in on the Guatemala project. Let me just try to group them since we were just talking about overhead. Maybe I'll start with this question. Can you comment on how you will make San Patricio work without requiring additional overhead?

00:40:49 - 00:41:38

Stefan Meichsner: Yes, of course. So we already have the development team and the construction team on board. The construction itself is done by an outside general contractor on a turnkey basis, so our small team can oversee this. We don't need additional employees that we don't already have to do this work, and during the construction phase, the turnkey contractor is taking care of it. Afterward, our existing team and asset management providers will operate the plant, so whether it's a 10, 20, or 65-megawatt project, it doesn't really change the work that is involved and the existing setup that we have and the existing partners that we have in the regions can cover this. That's the simple reason why we don't need to hire anyone to make this work. We already have them as part of our staff and in our partnership network.

00:41:41 - 00:41:48

Heike Hülle: Stefan, can you comment on the equity portion of the Guatemala project and how we should think about the CapEx schedule for this project?

00:41:49 - 00:42:50

Stefan Meichsner: Yes, so the overall investment cost is estimated to be around 42 million, of which 80 percent will be delivered by the financing bank. There will be a relatively small down payment of around five percent of the CapEx to secure the module prices, the inverter prices, and start the early works: site clearing, basic engineering. And the rest will then be deployed pro-rata over the next 12 to 15 months. The down payment is happening now and the rest will be deployed as the construction progresses, and usually, it's that the equity goes first and then the bank comes in at a later stage once the equity is fully deployed. We are still working on the exact schedule because it also depends on the partner that we're bringing in. See who exactly contributes what and when. But if we don't do this with other partners, if we go alone, then we expect to deploy around 8 million in equity over the next six months, and then the rest is being taken over by the bank.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:42:52 - 00:42:56

Heike Hülle: Okay. If you can say it already, what's the cost of financing for San Patricio?

00:42:58 - 00:43:34

Stefan Meichsner: I'm not in the position at the moment to reveal this because we have confidentiality agreements, but I think based on the current SOFR rate, which is the base rate for this project, and then there will be a margin applied to it. The margin is relatively low. If I say that the total financing costs will be somewhere between six and a half and eight, I think that's a fairly good estimate for now, but it also will depend on how SOFR goes over the next few years because this is the base rate for the project. I think if we're talking about mid to a little bit over mid-single digits, that should be a very good estimate.

00:43:36 - 00:43:45

Heike Hülle: Okay. These two are related. Can you comment on any interest you've seen to Co-invest in Guatemala?

00:43:46 - 00:44:48

Stefan Meichsner: Oh, yes, absolutely. The interest has been quite incredible. We fielded a lot of requests early on when we first signed the PPA with the IMSA Group a year ago. That's when the conversation started. Of course, we have already selected a preferred partner, someone that we believe is not only relevant for this project, but also for many projects to come. Someone that we believe does not only bring financial competence and strength, but also strategic relevance. The negotiations are going well, but we also know what this project is worth. We know it from our experience. We know it from the many requests that we've seen to join forces with us here. So despite all the benefits that a long-term partnership might have, the economics also need to work, so we are still finalizing the deal as we speak. At the end of the day, it's important to note that we don't necessarily need a partner for this project to make this work, but it's part of our strategy, so we want a partner. We have selected a preferred partner.

00:44:48 - 00:45:42

Stefan Meichsner: We hope that we can reveal who it is and that we can sign the deal closely, and if it doesn't work out, then we will simply speak to the other parties that expressed interest early on, but that we excluded from the transaction for now, while we are in discussions and negotiations. It should also again be noted we just started construction. Meaning day by day we are de-risking the project, and as we de-risk the project as it inches closer to operations, theoretically the value increases. We are in no hurry to sign any deal. We want to make sure that we sign the right deal with the right partner to see the value that the project really has to do the best for us and our shareholders, and whether this takes an additional four weeks or an additional two months depends on how conversations are going, but I'm truly optimistic that we will have something to report much earlier.

00:45:44 - 00:45:51

Heike Hülle: All right, great. Stefan, could you give a price range per megawatt that you would like to achieve for a project at this stage?

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:45:52 - 00:46:30

Stefan Meichsner: Well, for this particular Guatemala project, we believe that the price is certainly above 120,000 Dollars per megawatt peak. There are other factors to consider. We can always agree on upsides depending on how construction is going. If we see a particular strategic value from joining with a partner or long-term value because we don't only look at one project, we look at several projects, it might be a little bit below, but I think it's fair to say that 120,000 per megawatt is the benchmark that we've seen also from other interested parties, and that's very much what we see as the absolute minimum for this particular project..

00:46:32 - 00:46:44

Heike Hülle: All right. The follow-up question here is, should we expect any changes to the power prices per megawatt? Any risk that it will drop or should we expect some inflation adjustments for 2024?

00:46:45 - 00:47:42

Stefan Meichsner: As you've seen on the slide, the power price per megawatt hour will go up a little bit. This is an inflationary tendency overall. Especially with Guatemala the portfolio average will go down because the Guatemala project has a price of below 80 per megawatt hour, but we will always see prices also in our portfolio on average, that are much higher than what you see in the US or Europe. As we add new projects to the mix, especially big projects like Guatemala, this will of course dilute the average price, but if you look at, for example, Mexico and El Salvador we are very close to 100 Dollars per megawatt hour or even above. Other projects are below that, so at the moment with the 83-85 range that we are seeing for 2024, we can be very comfortable. Once Guatemala becomes online, we will have a little bit of a dilutive effect, but they will remain comparatively high compared to what you may see in Europe, for example.

00:47:45 - 00:47:55

Heike Hülle: Okay. Stefan, what are your current equity return requirements, and are you able to achieve this in Guatemala even without farming down the asset?

00:47:57 - 00:48:18

Stefan Meichsner: Yes, so our current equity return requirements, given the market environment, depend a little bit on country per country, but I've communicated internally that 15 percent is what we should see across the board for new investments. The Guatemala project, with a partner or without a partner, meets those requirements, and there's a margin of safety that we have.

00:48:20 - 00:48:25

Heike Hülle: All right. There's a question, what is your target for ownership after farm down?

00:48:27 - 00:48:47

Stefan Meichsner: If we stay invested through the construction and operational phase, we want to retain a majority, whether that's 51 or 60 percent is to be negotiated.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

I don't think that we would farm down an asset and retain a minority stake. That's not the business that we're in, so if we farm down more than 49 percent, we're selling the entire project.

00:48:49 - 00:48:58

Heike Hülle: Okay. Now then we have a slightly more general question. What is the expected cash flow from the projects in operation?

00:48:59 - 00:49:17

Stefan Meichsner: Stefan Meichsner: The five projects in the portfolio should, depending a little bit on the debt repayment schedule, you can certainly understand that, but generate somewhere between three and a half to five million in free cash flows that can be returned to our group once they're fully operational, which is now the case, and once they've started downpaying their debt.

00:49:20 - 00:49:37

Heike Hülle: Okay. Then moving on to the next question, 2023 was a year in transition, as we heard, how will this translate into the corporate level? Are you expecting to be profitable in 2024 on the corporate level?

00:49:38 - 00:49:57

Stefan Meichsner: Yes, so with the projected revenue and EBITDA contributions from our projects for this year and the cost-cutting measures that we've taken on a corporate level, it would be a big surprise for me. Big surprise if we didn't show an operating profit on a corporate level as well as on a group level for 2024.

00:50:00 - 00:50:19

Heike Hülle: Okay. Thank you. Looking at the last question for now. Which markets would you consider to be the key focus in 2024? Is Guatemala still a tick all the boxes market as you said before, and do you have any other locations you are actively looking at?

00:50:20 - 00:50:58

Stefan Meichsner: Yes, absolutely. The first part of the question, Guatemala indeed ticks all the boxes, especially if you can secure a power purchase agreement like we have with a company like the IMSA Group. I'm sure that the IMSA Group also has ambitions to grow beyond this one project with us, so there might be a chance that we have phase two of San Patricio or an entirely new development, but regardless of IMSA, Guatemala is a core market for us. I'm sure that there's potential for at least another 200 megawatts for us alone that we could exploit. On top of that, Panama, where we also have an office, which I consider more or less our home market in the region, we don't have an asset there yet. We've been looking for a while now.

TRANSCRIPT FOR MPCES 2023 REVIEW, STRATEGY UPDATE AND OUTLOOK 2024

00:50:58 - 00:51:27

Stefan Meichsner: We've started our greenfield development, so I think Panama is very high on our list. Jamaica, I already mentioned several times. On top of that, we have El Salvador and the Dominican Republic. We see that the Mexican market now, with the change in government, is slowly opening up again. The only market that at the moment I don't consider seeing any additional investments from us shortly or developments, is Colombia. All the other markets are of interest and Central America is absolutely the core focus.

00:51:30 – 00:51:56

Heike Hülle: All right. Thanks a lot. This concludes the questions that I can see now in our chat box. Of course, let me just remind you that if there are any further questions that we haven't covered today or if you can think of another question you would like to ask, please feel free to send them to us via email: IR@MPC-energysolutions.com and then we'll try to answer the question also after this event directly to you.

00:51:59 – 00:51:59

Stefan Meichsner: Thank you, everyone.

00:52:00 - 00:52:06

Heike Hülle: This concludes the session today. I'd like to thank everyone for joining us and have a great rest of the day.