Enerside

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European Small & Mid-Cap Awards

LIGHT HOUSE INDEPENDENT EQUITY RESEARCH IEAF

EQUITY - SPAIN
Sector: Independent Power Producers (IPP)

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Enerside (ENRS), is a fully integrated renewables platform (in transition towards a build-to-own model) specialised in solar photovoltaic energy. It currently has a pipeline of +4.5GW of solar photovoltaic projects at various stages of development distributed in Latam (Brazil, Chile and Uruguay; 80% of the pipeline) and Europe (Spain and Italy; 20%). The Board controls 62.8% of capital.

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Market Data		
Market Cap (Mn EUR and USD)	231.4	235.0
EV (Mn EUR and USD) (1)	207.5	210.8
Shares Outstanding (Mn)	37.3	
-12m (Max/Med/Mín EUR)	6.92 / 5.77 / 4.79	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation(2)	5.5	
Factset / Bloomberg	ENRS-ES / ENRS SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)(6)	
Joatham Grange	19.2
Antoni Gash	19.2
Demonte Energy Investments	11.5
Tomás Casanovas	9.9
Free Float	19.7

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	28.0	37.3	37.3	37.3
Total Revenues	8.4	43.8	82.8	127.9
Rec. EBITDA	0.5	2.9	17.3	36.9
% growth	*942.4*	*462.5*	*505.4*	*113.5*
% Rec. EBITDA/Rev.	*6.0*	*6.5*	*20.8*	*28.8*
% Inc. EBITDA sector(3)	*11.6*	*20.9*	*6.9*	*4.4*
Net Profit	-0.3	-2.0	7.7	14.2
EPS (EUR)	-0.01	-0.05	0.21	0.38
% growth	*-87.1*	*-395.1*	*487.7*	*85.6*
Ord. EPS (EUR)	0.01	0.04	0.21	0.38
% growth	*152.2*	*569.9*	*440.7*	*85.6*
Rec. Free Cash Flow(4)	-2.5	-38.9	-83.6	-122.1
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	2.1	15.0	103.6	225.7
ND/Rec. EBITDA (x)	4.1	5.3	6.0	6.1
ROE (%)	*n.a.*	*n.a.*	*17.4*	*25.9*
ROCE (%)(4)	*2.6*	*6.9*	*10.5*	*10.3*

Ratios & Multiples (x)(5)				
P/E	n.a.	n.a.	30.2	16.3
Ord. P/E	n.a.	n.a.	30.2	16.3
P/BV	n.a.	5.7	4.8	3.7
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	n.a.	4.74	2.51	1.62
EV/Rec. EBITDA	n.a.	n.a.	12.0	5.6
EV/EBIT	n.a.	n.a.	14.6	7.0
FCF Yield (%)(4)	*n.a.*	*n.a.*	*n.a.*	*n.a.*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Utilities.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.
(6) Others: Alternative Green Energy 8.3%, Francisco Javier García-Mateo 5.9%, Alejandro Alorda 6.4%

An invitation to consider

A GROWTH STORY IN A SECTOR THAT IS ALSO GROWING (RENEWABLE ENERGY)…
The renewable energy sector has very positive prospects for the coming years and solar PV stands out as the winning technology. While not having any proprietary assets in operation yet, ENRS has a pipeline of +4.5 GW of PV plants at various stages of development in Latam (Brazil, Chile; c. 80% of the pipeline) and Europe (Spain and Italy; 20%).

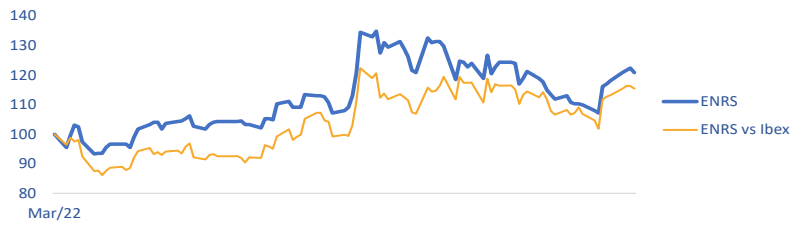
…ON THE VERGE OF A STEP-UP IN REVENUE AND EBITDA. We expect a very strong increase in revenue and EBITDA to levels of EUR 127.9Mn and EUR 37Mn in 2024e, respectively (vs EUR 8.4Mn and EUR 0.5Mn in 2021). And, perhaps most interestingly, we expect this growth to occur in its three areas of activity.

STRONGER CAPITAL STRUCTURE. In a net cash position after the capital increase (EUR 34Mn) in March 2022, something that is crucial for its generation business (IPP), where funding is via Project Finance and leverage is very high. This will cause debt to grow continuously until 2024e (24e ND: EUR 225Mn; 24e ND/EBITDA: c. 6x, in line with its main listed peers).

THE NEXT TWO YEARS ARE CRITICAL. The final snapshot is that of a "different" company (as is its exposure to Brazil) and 100% exposed to the "winning renewable" (photovoltaic). And well placed to exploit this both through its EPC construction for third parties business, and through IPP development and generation. However, in the end everything will depend on the degree of success of the execution of the pipeline, the model's main question mark and risk (and that 2022e will help to resolve).

MOMENTUM AND EV/MW WARRANT (AT THE LEAST) ATTENTION. Momentum because our central scenario is for a step-up in revenue and EBITDA already in 2022e (continuing until 2024e). Also, there is the heavy penalisation of ENRS' EV/MW vs peers: so large that the conclusion can only be that today ENRS, at least, "invites consideration" as the value reserve and investment opportunity could be very attractive, especially in a company for which the materialisation (in terms of revenue and EBITDA) of the profitability associated with its pipeline is imminent. It will begin to be visible already in 2022.

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-2.5	15.2	n.a.	n.a.	n.a.	n.a.
vs Ibex 35	0.3	21.3	n.a.	n.a.	n.a.	n.a.
vs Ibex Small Cap Index	3.7	25.5	n.a.	n.a.	n.a.	n.a.
vs Eurostoxx 50	-5.3	19.2	n.a.	n.a.	n.a.	n.a.
vs Sector benchmark(3)	-4.7	24.1	n.a.	n.a.	n.a.	n.a.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Enerside (ENRS) is a BME Growth Company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

Abbreviations

Energy

KWh	Kilowatt-hours
MWh	Megawatt-hour (1,000KWh)
GWh	Gigawatt-hour (1,000MWh)
TWh	Terawatt-hour (1,000GWh)

Power

KW	Kilowatt
MW	Megawatt (1,000KW)
GW	Gigawatt (1,000MW)
TW	Terawatt (1,000GW)

Project phases

RTB	Ready to Build
COD	Commercial Operating Date

Other

APS	Announced Pledge Scenario
NZE	Net Zero Emissions Scenario
PPA	Power Purchase Agreement
PMDG	Pequeños Medios de Generación Distribuida
IPP	Independent power producers
EPC	Engineering, Procurement and Construction
BOS	Balance of System
CAPEX	Capital Expenditure
OPEX	Operating Expenditure

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A genuine growth story in a growing sector (renewable energy)

Enerside (ENRS) is a Spanish renewable energy company specialised in solar photovoltaic energy present throughout the sector value chain, from the initial development of projects to their construction (including development for third parties with proprietary EPC) and subsequent operation and maintenance.

A solar PV platform in the middle of transitioning

It has a pipeline of projects of > 4,500 MW mainly in Latam (Chile and Brazil; c. 80% of the total), based on solar photovoltaic technology (although it is also studying a possible entry in wind power). ENRS' business is undergoing transition from one that until now has been dominated by the development of projects and the provision of EPC services for third parties, to a business model based on the development and construction of photovoltaic plants to maintain under ownership (build-to-own model) and so to operate as an independent power producer (IPP).

With a pipeline of +4.5 GW at various stages of development (and with differential exposure to Brazil)

The above invites consideration of three key questions: (i) What is the ability of the company to develop its pipeline? (ii) What will be the impact in terms of revenue growth and the evolution of margins? And finally, but no less importantly, (iii) what level of investment and financing will be required? Answering these questions requires a systematic analysis of the company's P&L. Which should allow us to assess whether this growth story in a sector that is growing (renewable energy) is sustainable (and profitable) in the long term. But before then, and as a first step, what is ENRS today?

A) A fully integrated solar PV platform (with differential exposure to Brazil) in the middle of a ramp-up stage

ENRS's business comprises the following activities:

- **Full development of PV projects.** ENRS carries out the development of its projects internally, from the initial generation of the opportunity to obtaining all the permits, licences and authorisations required for the installations to reach RTB status, when ENRS can sell the project to a third party (and crystallise the value generated) or begin its construction with a two-fold objective: (i) sell the project at the COD stage or (ii) keep it in ownership with the goal of having proprietary assets in operation (IPP). In 2021 the company made its first RTB stage sale with the divestment of 280MW in Brazil for EUR 4.9Mn (58.3% of 2021 revenue; estimated IRR of 25% from the beginning of development in 2018).

Fully integrated: with a presence throughout the value chain

- **Construction services (EPC/BOS) and operation and maintenance for third parties.** Acting as a provider of turn-key engineering for utility-scale PV projects (> 1MW) with clients such as Trina Solar, Hanwha, Sungrow Power, EMGD and DISA, among others. In 2021, the construction business (EPC/BOS) contributed EUR 3.3Mn in revenue (41.7% of 2021 revenue). At April 2022 it had an order book of 156 MW for a total amount awarded of EUR 45Mn justifying the significant step-up in size of the P/L we expect for 2022e. By countries, 74% of the order book corresponds to projects in Chile and 13% to projects in Brazil.

- **Independent power producer (IPP).** Although at the date of this report, ENRS has no projects in operation, company strategy is clear: maintain in the medium and long term a significant part of the assets it develops, builds and brings on stream. The IRR objective for non-OECD projects is > 12% (c. 80% of the pipeline; estimated IRR of 8-9% for OECD projects). At the date of this report, the company has 6 PV plants under construction for a total of 19 MW corresponding to PMGDs in Chile (characterised by shorter development periods, fewer environmental requirements and certain financial benefits).

And in the middle of a ramp-up stage: the P&L has yet to reflect the capacity for growth

The snapshot is that of a company with a still nascent business in the middle of a ramp-up stage. The P&L is, today, as yet immaterial (2021 revenue and EBITDA: EUR 8.4Mn and EUR 0.5Mn) and does not reflect the business' capacity for growth. ENRS has been traded on BME Growth since March 2022, a listing that can be directly explained by the advantages of being in the market in terms of financing; a factor that is crucial for a company that wants to exploit the growth opportunity that the renewables sector offers (and that will require significant resources, given the highly capital-intensive nature of this industry).

B) And facing an authentic turning point: 2022e will mark the beginning of a high-growth stage (multiplying 22e revenue x3 in 24e)

At a turning point: 2022e will mark the beginning of a high-growth stage

Now the question is what can be expected of ENRS in the mid and long term (2022e-2024e)? The renewable energy sector has very positive prospects for the coming years (electricity generation via renewable sources of 50% in 2030 vs c. 29% in 2020). And solar PV stands out as the winning technology (it will account for a third of installed renewable capacity). In our view, ENRS is facing a true inflection point that will mark the beginning of a high-growth stage Our projections for 2022e-2024e can be summarised as follows:

2024e revenue: c. EUR 130Mn (vs EUR 8.4Mn in 2021), with the take-off of its three divisions

- **A genuine step-up in size in revenue (2024e revenue: EUR 127.9Mn vs EUR 8.4Mn in 2021)…** We estimate very strong revenue growth to c. EUR 130Mn in 2024e (Table 1) and, the most interesting point, is that we expect this to occur in the three divisions. Earnings momentum is very good in the EPC/BOS construction business (April 2022 order book at highs; +20% vs 2021 close), whilst in the development and IPP business the company is exploiting the winning technology (PV) in a winning sector (renewable energy).

The change in the mix makes a significant improvement in margins credible (24e EBITDA margin: 28%)

- **… compatible with a significant improvement in margins (24e EBITDA margin: 28% vs 6% in 2021).** What is perhaps the most interesting is that the explosive growth in revenue over 2022e-2024e is compatible with a significant improvement in margins. A credible improvement in margins explained mainly by the change in the revenue mix; with a progressive reduction in the weighting of the EPC / BOS construction business (80% in 2022e vs 40% in 2024e) in favour of the development and operation of PV plants activity (with much higher EBITDA/Sales margins and intuitively the businesses with the largest contribution to make in terms of value).

High estimated Capex…

- **Although the development and construction of the pipeline will require very high Capex (that will prevent the generation of positive FCF until, at least, 2025e)** Our central scenario envisages the construction and bringing on stream of c. 250 MW until 2024e (a figure that rises to c. 500 MW looking ahead to 2025e). This implies high capital requirements that will prevent the generation of positive FCF in the coming years.

…that will be reflected in an increase in debt (24e ND/EBITDA: c. 6x)

- **This will inevitably be reflected in an increase in the level of debt that will peak in 2024e (24e ND: EUR 225Mn; 24e ND/EBITDA: c. 6x).** The business of electricity generation as an IPP, that involves Project Financing (independent financing for each plant) and where gearing is very high (the investment is made with overleveraged capital structures: c. 70% debt vs 30% equity), means debt will grow continuously until 2024e, when we estimate net debt of EUR 225Mn (24e ND/EBITDA: c. 6x; in line with the company's main listed peers).

Table 1: Summary of Lighthouse's financial projections (2021-2024e)

EUR Mn	2019	2020	2021	2022e	2023e	2024e
Construction services (EPC/BOS)	3,5	3,5	3,5	35,0	42,0	48,3
Development projects	0,0	0,0	4,9	8,5	37,2	65,4
Independent power producer (IPP)	0,0	0,0	0,0	0,3	3,6	14,2
Total Revenues	**3,5**	**3,5**	**8,4**	**43,8**	**82,8**	**127,9**
Opex	(3,3)	(3,5)	(7,9)	(41,0)	(65,6)	(91,0)
Recurrent EBITDA	**0,2**	**(0,1)**	**0,5**	**2,9**	**17,3**	**36,9**
Working Capital Increase	(0,7)	(1,7)	(1,4)	(10,6)	(15,2)	(17,6)
Capex	(0,1)	(4,3)	(1,1)	(30,1)	(79,1)	(125,7)
Recurrent Free Cash Flow	**(0,7)**	**(6,2)**	**(2,5)**	**(38,9)**	**(83,6)**	**(122,1)**
Capital Increase	-	4,9	4,0	34,0	-	-
Net financial debt	**2,2**	**3,5**	**2,1**	**15,0**	**103,6**	**225,7**
Deuda Neta/EBITDA	n.a.	*n.a.*	4,06x	5,26x	6,00x	6,12x
KPIs (MW)						
Total RTB sales (MW)	*0*	*0*	*280*	*424,0*	*661,0*	*1.094,0*
Installed capacity at closure (MW)	*0*	*0*	*0*	*7,6*	*85,9*	*245,5*
Average installed capacity (MW)	*0*	*0*	*0*	*3,8*	*46,7*	*165,7*

C) What are the consequences of this kind of growth? The company is changing in three ways

All the above translates to radical and structural changes in the company that can be summarised as:

- **Business.** A progressive reduction in the weighting of the EPC/BOS construction business in terms of revenue (80% of the revenue mix in 2022e vs 40% in 2024e) in favour of the development business (c. 50% of 24e revenue vs 20% in 22e) and operation of proprietary PV plants activity (c. 11% of 24e revenue vs <1% in 22e) with much higher EBITDA/Sales margins and intuitively the businesses with the largest contribution in terms of value.

The company is changing in three ways: (i) Business, (ii) Geographical presence and (iii) capital structure

- **Geographical presence.** Given the current situation of ENRS's business, we think asset rotation will play a key role in the self-financing of growth. By geographies, we estimate that the development and progressive sale of projects at the RTB stage in countries such as Brazil (c. 80% of estimated disposals) and the company's focus on developing and building its projects in Italy and Spain, should result in a change in the geographical mix of its installed capacity (we estimate that in 2024e c. 50% of installed capacity will be in Europe vs a weighting of 20% of the current pipeline). This will mean a more balanced pipeline (compared to the current strong exposure to Brazil).

- **Capital structure.** The company is involved in a heavy investment process to develop its pipeline. This will require a strong increase in debt (at present it has a net cash position after the EUR 34Mn capital increase in March 2022), although always in line with sector levels (24e ND/EBITDA: c. 6x). A financial structure that is compatible with investment in assets whose demand is almost guaranteed (renewable energy) and with sector, regulatory and even social tailwinds, and that, in our view, facilitates value creation (ROCE-WACC spread) due to a combination of: (i) high debt (with a financial cost of c. 6.5%; WACC 8.4%) and (ii) businesses with very high growth rates.

D) In conclusion, a high growth story in a growing sector. ENRS' momentum and multiples warrant (at the least) consideration.

Having got to this point: How should an investor deal with ENRS? It is a company that is mutating (both quantitatively and qualitatively) and that from a purely static/reductionist viewpoint could be seen as merely a pipeline company. As a first step, we would underline 5 aspects:

- **Momentum: a renewable energy company in the middle of ramping up:** the P/L today is still immaterial. This will imply significant operating growth (24e revenue: c. EUR 140Mn vs c. EUR 8.4Mn in 21) in the coming years. Although critically, take-off begins already, in 2022e and we expect it to be visible in first half results.

- **Total control over the entire value chain for PV projects.** From development and construction to operation and maintenance. This integration favours the generation of synergies, lowers costs and reduces delivery periods.

In conclusion, a high growth story in a growing sector

- **Pipeline of projects with high visibility and asset rotation strategy.** Although as yet without proprietary assets in operation, it has a pipeline of +4.5 GW of which c. 2 GW will reach RTB stage between 2023e and 2024e. The rotation of assets at the RTB stage will play a key role by generating resources that can be reinvested in the construction of the company's own PV plants. This makes the financing of the CAPEX required to support the expected growth credible.

- **Unique exposure to Brazil.** A high growth market through a portfolio of over 2GW of advanced projects. Exposure to the Brazilian PV market that is unique to ENRS in the Spanish stock market.

- **The strategic sense of the project itself, 100% focused on a growing sector** (like many others) but unique in its ambition to balance the risks: i) renouncing over exposure to the Spanish market; ii) significant (but not exclusive) exposure to Latam as an area of strong growth; and iii) a combination of a development and disposal at the RTB stage model and a build-to-own model.

The final snapshot is that of a "different" company that is 100% exposed to the "winning renewable" (photovoltaic) and, apparently, well placed to exploit this both through its EPC construction for third parties business, and through IPP development and generation.

The key point lies in assimilating the character of a business that is different and at the ramp-up stage (without a P/L yet) while accepting that it is difficult to assign value under these conditions.

The value of the pipeline depends (essentially) on the technological mix, its geographical location and its degree of progress and visibility. Here we can define a universe of listed Spanish peers focusing exclusively on photovoltaic and/or wind power (leaving out Ecoener: c. 30% hydro). This reduces the peers to Solaria, Grenergy and Greenalia. The goal is to have an idea of ENRS's relative value vs its peers. To this effect:

1) we estimate MWs adjusted on the basis of the level of development of each company's pipeline. Thus arriving at a quantification of MWs that are theoretically comparable among the companies,

2) we calculate a price per MW (EV/MW) that has eliminated the distortion of the degree of progress of each company's pipeline and

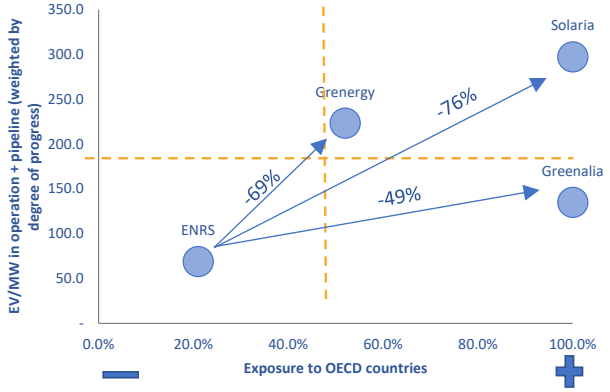
3) we compare each company's price and simplified geographical mix (Europe + USA vs Latam).

Table 2. Summary of the pipeline and assets in operation of the main peers in Spain and EV/MW multiples adjusted for degree of progress

Geographical mix of MW in operation	SOLARIA		GRENERGY		GREENALIA		ENERSIDE	
Spain	10,671	69.1%	2,197	19.1%	3,097	68.9%	50	1.1%
Italy	4,060	26.3%	768	6.7%	-	0.0%	878	19.2%
Poland	-	0.0%	628	5.5%	-	0.0%	-	0.0%
Portugal	715	4.6%	-	0.0%	-	0.0%	-	0.0%
UK	-	0.0%	513	4.5%	-	0.0%	-	0.0%
USA	-	0.0%	1,882	16.3%	1,395	31.1%	-	0.0%
Total USA + UE	**15,446**	**100.0%**	**5,988**	**52.0%**	**4,492**	**100.0%**	**928**	**20.3%**
Brazil		0.0%	-	0.0%	-	0.0%	3277	71.7%
Chile	-	0.0%	2,891	25.1%	-	0.0%	197	4.3%
Colombia	-	0.0%	1,457	12.7%	-	0.0%	-	0.0%
Peru	-	0.0%	1,177	10.2%	-	0.0%	-	0.0%
Uruguay	-	0.0%	-	0.0%	-	0.0%	169	3.7%
Total Latam	**0**	**0.0%**	**5,525**	**48.0%**	**0**	**0.0%**	**3,643**	**79.7%**
Total Pipeline	**15,446**		**11,513**		**4,492**		**4,571**	
Projects in operation	**807**		**541**		**125**		**0**	
Total portfolio of MW	**16,253**		**12,054**		**4,617**		**4,571**	

Analysis by degree of progress	Theoretical Probability	SOLARIA		GRENERGY		GREENALIA		ENERSIDE	
Identified	25%	3,963	24.4%	4,728	39.2%	-	0.0%	-	0.0%
Early Stage	50%	1,175	7.2%	2,567	21.3%	989	21.4%	1,746	38.2%
Advanced	75%	3,523	21.7%	2,746	22.8%	-	0.0%	2,756	60.3%
Backlog	90%	5,535	34.1%	811	6.7%	2,529	54.8%	-	0.0%
Construction	100%	1,250	7.7%	661	5.5%	974	21.1%	69	1.5%
Operation	100%	807	5.0%	541	4.5%	125	2.7%	0	0.0%
Total portfolio of MW		**16,253**		**12,054**		**4,617**		**4,571**	
Average probability of the portfolio (indicator of the degree of pro		**69.3%**		**53.6%**		**83.8%**		**65.8%**	
Total portfolio of MW weighted by degree of progress		**11,259**		**6,457**		**3,870**		**3,009**	
Other indicators									
EV (ND + Mkt Cap at date of this report) (EUR Mn)		***3,347***		***1,442***		***522***		***208***	
EV/MW without degree of progress (000 EUR)		*206*		*120*		*113*		*45*	
EV/MW adjusted for degree of progress (000 EUR)		*297*		*223*		*135*		*69*	

Chart 1. ENRS vs listed Spanish peers (EV/MW weighted by degree of progress vs geographical mix)



The lure of a potential take-off of EBITDA advises against losing sight of ENRS's numbers

The goal is not to value but to indicate a potential reserve of value. The price spread between ENRS and its direct peers is enormous and *a priori* is not explained either by a difference in technology, or by the different degree of progress of each company's pipeline (that has been taken into account in the calculations). So this difference can only be attributed to two factors:

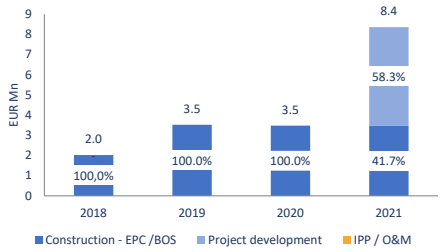
- A smaller value of the flows generated in Brazil vs Europe/USA (due to lower operating profitability or a higher cost of capital),
- But also (and this is the point of greater interest) due to an overvaluation of the geographical risk associated with the "more Latam" portfolio of the four companies analysed. The most penalised (ENRS) is the one that has by a long way the smallest exposure of its pipeline to Europe/USA. Something that, on the other hand, we expect to change in the next two years: estimating that in 2024e some 50% of the MWs in operation will be in Europe (vs 20% of the current pipeline).

The price difference is so large that the conclusion can only be that today ENRS, at least, "invites consideration" as the value reserve and investment opportunity could be very attractive. This invitation to consider or to not lose sight of ENRS begins now, in 2022.

Business description

A fully integrated solar photovoltaic (PV) platform in the middle of a ramp-up stage (and with unique exposure to Brazil)

Chart 1. Revenue mix by business line (2018 - 2021)



Note: In 2021 the first RTB disposal of a project that had been fully developed by ENRS took place (280MW in Brazil for EUR 4.9Mn). This explains the significant increase in the turnover of the project development business in 2021.

Chart 2. Evolution of the Solar PV pipeline since 2017 (GW)

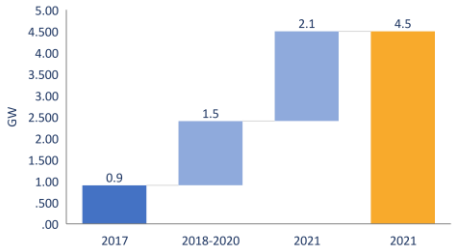
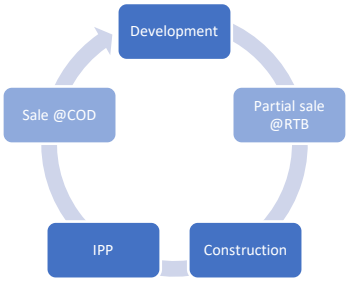


Chart 3. Complete investment cycle



Enerside (ENRS) is a renewable energy company specialised in solar photovoltaic energy present throughout the value chain, from the initial development of projects to their construction (including development for third parties with proprietary EPC) and subsequent operation and maintenance. It has a pipeline of +4.5GW of solar photovoltaic generation projects in Latam (Brazil, Chile and Uruguay; c. 80% of the pipeline) and Europe (Spain and Italy; 20%). At the date of this report, it has c.65 MW under construction or secured, with a Commercial Operation Date (COD) between 2022 and 2023: This will allow ENRS to begin operating as an IPP. The company has been listed on BME Growth since March 2022 with a EUR 34Mn capital increase at the time of its placement. The current Market Cap is EUR 231 Mn.

ENRS is undergoing transition from a business dominated until now by the development of projects and the provision of EPC services for third parties (Chart 1), to a business model based on the development and construction of photovoltaic plants to keep under ownership (build-to-own model) and operate as an independent power producer (IPP). Currently, ENRS has a headcount of c. 300 employees (204 at the 2021 close, 75 in 2020 and 30 in 2019) of which c. 20% work in Spain, 50% in Brazil and 30% in Chile. This significant increase in the workforce underlines the ramp-up stage at which the company finds itself. It has subsidiaries in Chile and Brazil and offices in Peru and Uruguay.

Listed peers in Spain include Solaria (with an installed capacity at the end of 1Q22 of 987 MW vs a target of 2,000 MW by the end of 2022; Mkt Cap: c. EUR 2.6Bn), Grenergy and Ecoener. Renewable energy companies present in emerging markets, mainly Latam (where ENRS is developing > 70% of its pipeline), include Neoen, Voltalia and Scatec.

A 100% renewable energy company, specialised in solar photovoltaic, fully integrated (undergoing transition towards a build-to-own model), and…

ENRS has a fully integrated business model, from the design and development of a project to its construction (with proprietary EPC) and subsequent operation and maintenance. This allows it to capture all the development business margin and increase the return on its projects. Specifically, ENRS's business comprises:

- **Development projects (58.3% of 2021 revenue).** ENRS carries out the development of its projects internally, from the initial generation of the opportunity to obtaining all the permits, licences and authorisations required for the installations to reach RTB status, when ENRS can sell the project to a third party (and crystallise the value generated) or begin its construction with a two-fold objective: (i) to sell the project at the COD stage or (ii) keep it under ownership with the goal of having proprietary assets in operation (IPP). At the 2021 close, ENRS had a pipeline of +4.5GW of solar photovoltaic generation projects (vs 0.9GW in 2017; Chart 2).

  During the development stage, ENRS incurs in all the expenses necessary for a project to obtain all the permits, licences and authorisations needed to reach RTB status (mainly structural and external services costs required from a technical point of view). Given the current situation of ENRS's business (at the ramp-up stage and in transition towards a build-to-own model) the rotation of assets at the RTB and COD stage (developed entirely by the company) plays a key role in its strategy, by crystallising the value generated during the development stage (Chart 3).

  In November 2021, the company made its first RTB stage sale with the divestment of 280MW of the Ribeiro Gonçalves project in Brazil (a 320MW project, with ENRS keeping 42MW under ownership).

This deal brought in revenue of EUR 4.9Mn in 2021 (Chart 1) with a gross margin of 53% (estimated IRR of 25% from the start of development in 2018 until the estimated sale at the COD stage of the 42MW in 2024). At current prices, the margin on the sale at the COD stage could be up to 30% higher than the sale at the RTB stage (due to the elimination of construction risk).

Chart 4. State of the EPC/BOS business backlog (April 2022)

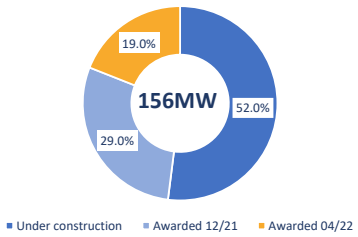
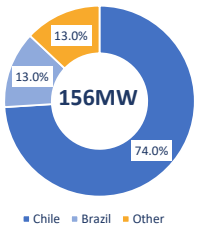


Chart 5. Geographical distribution of the EPC/BOS business backlog (April 2022)



- **Construction services (EPC/BOS) and operation and maintenance for third parties (41.7% of 2021 revenue).** ENRS acts as a provider of turn-key engineering for utility-scale PV projects (> 1MW) via the signing of EPC or BOS agreements (the contractor carries out all the necessary work except purchase of the PV modules), executing the construction work and installing all the necessary connection infrastructure until commercial operations begin (the COD; Commercial Operation Date). The main clients of the construction business (EPC/BOS) include companies like Trina Solar, Hanwha, Sungrow Power, EMGD and DISA, among others.

Depending on its size, a solar PV project can take between 3 and 12 months to execute. It is a recurrent business (that provided 100% of ENRS' revenue in 2019 and 2020), with an EBITDA margin of c. 10% and very intensive in working capital. In 2021, the construction business (EPC/BOS) contributed EUR 3.3Mn in revenue (vs EUR 3.5Mn in 2020). Revenues that mainly came from progress on the construction of projects such as Macao (10.1 MW; Chile), Lagarto (3.0 MW; Brazil), Cabildo (11.0 MW; Chile), Gui (1.4 MW; Brazil) and La Victoria (10 MW; Chile).

At the 2021 close, ENRS had an orderbook of 126 MW (18 different projects in Chile and Brazil, of which 81 MW were under construction and 72 MW corresponded to recurrent clients; Chart 4) for a total amount awarded of EUR 30Mn (of which EUR 3.3Mn had already been invoiced in 2021). By April 2022 the orderbook had increased to 156 MW (+24% vs 2021; Chart 6) for a total amount awarded of EUR 45Mn (+50%) to be executed between 2022e and 2023e. This largely justifies the significant step-up in size in terms of revenue we expect for 2022e (in 2020 ENRS built 8 MW). By countries, 74% of the orderbook corresponds to projects in Chile and 13% to projects in Brazil (Chart 5).

In addition, ENRS is able to provide O&M (Operations and Maintenance) services to solar plants that have already been developed. Although at present this service lacks critical mass (ENRS provides O&M services to 9 third party PV plants with a total capacity of 21MW; 2021 revenue EUR 0.2Mn) what often happens is that after an EPC project is carried out for an installation, the O&M of the plant is awarded to the company that carried out the EPC (this should already significantly boost the revenue generated by this activity in 2022e).

Chart 6. EPC Backlog in MW (Apr. 2022)

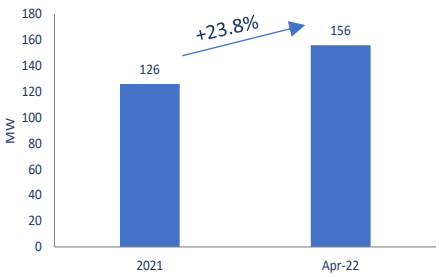


Chart 7. EPC Backlog in EUR Mn (Apr. 2022)

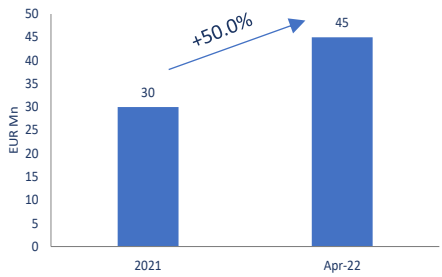


Table 1. Projects currently under construction to be kept as an IPP

	RENAICO I	LINARES I
Location	Chile	Chile
MWp	3.6	1.8
Irradiation KW/h	1916	1946
Regulation	PMGD DS 244	PMGD DS 244
Start of construction	Oct-21	Dec-21
COD expected	2S22	2S22
Stabilized energy price $/MWh	50$/MW (2022) 46$/MW (2025)	55$/MW (2022) 51$/MW (2025)

- **Independent power producer or IPP.** This business is highly capital-intensive, but once commercial operation of the installations under construction begins, it provides a source of recurrent revenue, high margins and high visibility of FCF generation. In our opinion, ENRS is in the middle of transitioning from a development and provision of EPC services to third parties business to a business based on the development and construction of photovoltaic plants to keep under ownership (build-to-own model; that will need a lot of capital).

Although at the date of this report, ENRS has no projects in operation, in 2021 it began to build its first two PV projects in Chile, (Renaico I and Linares I, with 3.6 and 1.8 MW respectively; Table 1) whose start-up (COD) is envisaged for the second half of 2022.

Also, in the first few months of 2022, 4 new construction projects were signed in Chile, so at the date of this report the company has 6 PV plants under construction for a total of 19 MW. The construction projects have obtained Project Finance from CIFI (a Latin American bank specialised in funding medium-sized projects).

The 6 plants under construction in Chile are PMGDs (Pequeños Medios de Generación Distribuido or Small Means of Distributed Generation), that have shorter development periods, fewer environment requirements and certain financial benefits (such as exemption from tolls and the possibility of joining the stabilised pricing system; that implies enhanced revenue visibility). Specifically, for the Renaico I and Linares I projects, a sale price has been set for the energy of 50$MW and 55$MW, respectively in 2022 (46$/MW and 51$/MW in 2025). The target IRR for non-OECD projects is > 12% (8-9% for OECD projects).

…with an ambitious growth plan (pipeline of +4.5 GW of PV projects), and presence in Latam (Brazil and Chile; > 70% of the pipeline) and Europe (Spain and Italy)

From a strictly valuation point of view, ENRS's main asset is its pipeline of PV projects (+4.5 GW). A pipeline at various stages of development (Chart 8) in Brazil, Chile, Uruguay, Italy and Spain (Chart 9), for which ENRS has a two-fold strategy: on the one hand, selling some of these projects at the RTB or COD stage and, on the other, building the projects in order to have proprietary assets in operation (IPP).

Chart 8. Degree of pipeline development

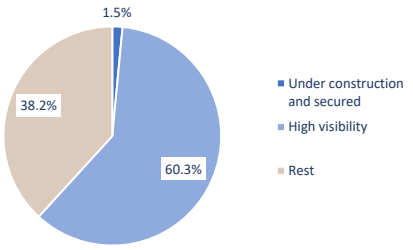
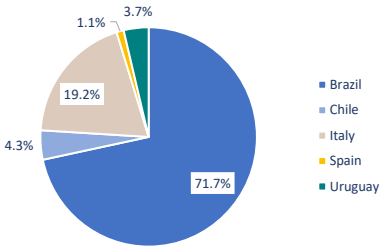
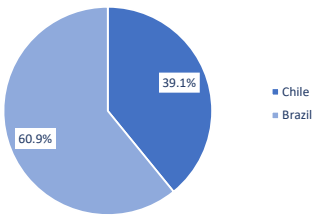


Chart 9. Pipeline by geography



And, although only 55 MW were at the RTB stage at the 2021 close, in 2023e > 1GW should reach this. ENRS classifies projects according to the following stages:

Chart 10. Geographical mix of projects under construction or secured (69 MW)



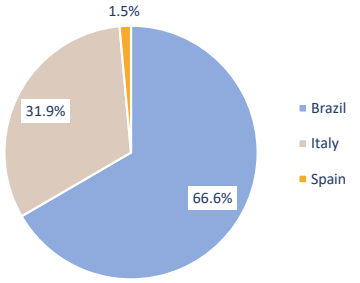
- **Projects under construction or secured (69 MW; 1.5% of the pipeline).** These are various projects in Chile (27 MW in 7 projects) and Brazil (42 MW corresponding to the Ribeiro Gonçalves project) for a total of 69 MW, at the construction stage (19 MW in Chile) or close to commencement. The start-up or COD (Commercial Operating Date) for 5.4 MW is expected in 2022 and the rest in 2023.

  These projects are already secured or will be in 2022 via the execution of an electricity purchase agreement (public or private; Table 2) and (ii) via Project Finance funding.

Table 2. Summary of projects under construction or secured

Project	Country	Power MWp	RTB	NEH	Load Factor	Remuneration target
Renaico I	Chile	4	2021/2022	1,995	23.1%	Regulated-PMGD with the Republic of Chile
Linares I	Chile	2	2021/2022	2,019	23.4%	Regulated-PMGD with the Republic of Chile
Renaico II	Chile	4	2022/2023	2,002	23.2%	Regulated-PMGD with the Republic of Chile
Linares II	Chile	4	2022/2023	1,990	23.0%	Regulated-PMGD with the Republic of Chile
Teno	Chile	3	2022/2023	2,178	25.2%	Regulated-PMGD with the Republic of Chile
Bulnes I	Chile	3	2022/2023	2,112	24.4%	Regulated-PMGD with the Republic of Chile
Bulnes II	Chile	7	2022/2023	2,082	24.1%	Regulated-PMGD with the Republic of Chile
Ribeiro	Brazil	42	2021/2022	2,248	26.0%	70% Private PPA + 30% merchant
Under construction or secured		**69**				

Chart 11. Geographical mix with high visibility (2.7 GW)



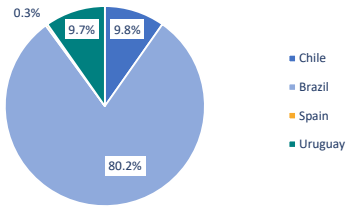
- **Projects with high visibility (2,756 MW; 60.3% of the pipeline).** Projects for which the long-term rights to use the land have been granted or are expected to be granted and connection to the grid has been secured (or is expected to be secured within a period of 24 months).

  In addition to the projects with high visibility developed entirely by the company (1.8GW), in November 2021 ENRS acquired 920 MW in 4 projects in Italy and Spain from Alternative Green Energy Italy, that received 10% of ENRS's capital at the time of the transaction and will receive an incentive when the projects reach RTB status (c. EUR 10Mn payable in 2022e and 2023e). This deal shows that ENRS can also act as an integrator in a market in consolidation. For the projects with high visibility, ENRS estimates the RTB stage will be reached between 2022 and 2023 (Table 3).

Table 3. Summary of projects with high visibility (including M&A)

Project	Country	Power MWp	RTB	NEH	Load Factor	Remuneration target
Itabira	Brazil	3	2021/2022	1,579	18.3%	100% Private PPA
Rota do Sol	Brazil	4	2021/2022	2,348	27.2%	100% Private PPA
Tremp	Spain	3	2022/2023	2,018	23.4%	100% Private PPA
Pudong - I	Brazil	207	2022/2023	2,235	25.9%	70% Private PPA + 30% merchant
Pudon - II	Brazil	277	2022/2023	2,235	25.9%	70% Private PPA + 30% merchant
Camboata I	Brazil	711	2022/2023	2,289	26.5%	70% Private PPA + 30% merchant
Camboata II	Brazil	454	2023/2024	2,289	26.5%	70% Private PPA + 30% merchant
Poço Verde	Brazil	180	2023/2024	2,057	23.8%	70% Private PPA + 30% merchant
High visibility		**1,839**				
Sardignia I	Italy	440	2023/2024	1,987	23.0%	70% Private PPA + 30% merchant
Sardignia II	Italy	220	2023/2024	1,990	23.0%	70% Private PPA + 30% merchant
Puglia	Italy	220	2023/2024	1,901	22.0%	70% Private PPA + 30% merchant
Canarias	Spain	40	2023/2024	1,931	22.3%	70% Private PPA + 30% merchant
High visibility (M&A)		**920**				
High visibility (total)		**2,759**				

Chart 12. Geographical mix of projects at advanced stage of development (1.7 GW)



- **Projects at an advanced stage of development (1,746 MW; 38% of the pipeline).** Projects for which the long-term rights to use the land have been granted (or are expected to be granted within a maximum period of 12 months) and connection to the grid is expected to be secured before 2025. ENRS estimates that the projects at this stage will reach RTB status between 2023 and 2025 (Table 4).

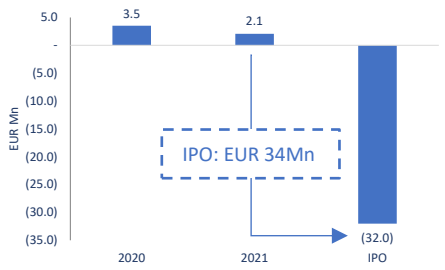
Table 4. Summary of projects at an advanced stage

Project	Country	Power MWp	RTB	NEH	Load Factor	Remuneration target
Panquehue	Chile	3	2023/2024	2,054	23.8%	Regulated-PMGD with the Republic of Chile
Calera de Tango	Chile	2.4	2023/2024	2,183	25.3%	Regulated-PMGD with the Republic of Chile
Colina	Chile	6	2024/2025	2,183	25.3%	Regulated-PMGD with the Republic of Chile
Ribeiro Gonçalves II	Brazil	260	2024/2025	2,248	26.0%	70% Private PPA + 30% merchant
Paysandú	Uruguay	170	2025/2026	2,128	24.6%	70% Private PPA + 30% merchant
Jerez	Spain	6	2025/2026	2,018	23.4%	100% Private PPA
Beberibe	Brazil	640	2025/2026	2,375	27.5%	70% Private PPA + 30% merchant
Paracatú	Brazil	500	2025/2026	2,221	25.7%	70% Private PPA + 30% merchant
Quintero	Chile	100	2025/2026	2,183	25.3%	70% Private PPA + 30% merchant
Peñaflor	Chile	6	2025/2026	2,183	25.3%	Regulated-PMGD with the Republic of Chile
Batuco	Chile	50	2025/2026	2,054	23.8%	70% Private PPA + 30% merchant
Marchihue	Chile	3	2025/2026	2,054	23.8%	Regulated-PMGD with the Republic of Chile
Estado Avanzado		**1,746**				

The capital increase (EUR 34Mn; March 2022) strengthens the capital structure and provides the opportunity to accelerate the beginning of ENRS' activity as an IPP

ENRS's business model is highly intensive in capital. With 2021 revenue of EUR 8.4Mn and EBITDA of EUR 0.5Mn, the company closed 2021 with EUR 2.1Mn of net debt (vs EUR 3.5Mn in 2020; after collecting EUR 1.2Mn from the disposal of the Ribeiro Gonçalves plant in Brazil and EUR 3.9Mn in capital increases).

Chart 13. Evolution of net debt



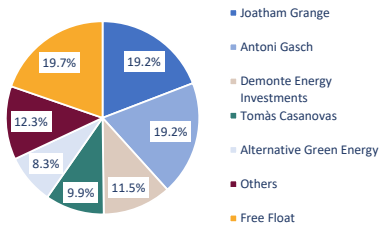
Given the high level of investment necessary to develop its pipeline and start operating as an IPP, in 2022 ENRS increased capital by EUR 34Mn on its market listing. After the capital increase (1Q22) the net cash position is c. EUR 30Mn (Chart 13).

In addition, in July 2022 ENRS put pen to a new capital injection by Inveready for EUR 6Mn via two convertible bonds (EUR 3Mn each) equivalent to c. 2% of capital (that implies a valuation of c. EUR 250Mn vs a Mkt. Cap of EUR 231Mn at the date of this report).

This is a healthy capital structure that not only represents an obvious opportunity to grow and develop its pipeline to begin its activity as an IPP, but that also validates the business model's attractiveness for investors (that should allow the company to go to market to continue funding growth). Although the company's ability to self-finance its own growth with the cash it

generates will improve over time (due both to the rotation of assets and the start of its activity as an IPP), developing the pipeline will require a high level of investment.

Chart 14. Shareholder structure



Note: Other shareholders include Francisco Javier García-Mateo (5.9%; through Vernon Inversiones & Wilcox Corp) and Alejandro Alorda (6.4% through Mass Investments ARK 2021).

The Board of Directors has control of the company and heads the management team. Free Float 20%.

After its listing on BME Growth (March 2022) the members of the Board of Directors maintain control of the company with a total shareholding of 62.8% divided among: (i) Joatham Grange (founder and CEO; fully involved in the running of the business) with a 19.2% stake, (ii) Antoni Gasch (VP Engineering & Operations; has been with the company since 2012) with an interest of 19.2%, (iii) Luis Felipe Suarez Olea (proprietary director with an 8.75% stake held through Demonte Energy Investments, owner of 11.5% of capital), (iv) Tomàs Casanovas (Chair of the Board; 9.9%) and (v) Francisco Javier García-Mateo (5.9%).

In addition, Alternative Green Energy (not represented on the Board of Directors) received its shareholding (8.3%) as part of the purchase price of the 920 MW (880 MW in Italy and 40 MW in Spain) under development acquired by ENRS in November 2021. There is full alignment of interests among the Board of Directors, the management team and minority shareholders. Free Float of c. 20%.

In conclusion, what is ENRS today? Where is it heading?

ENRS is a 100% renewable energy company focusing on the development, construction, operation and maintenance of solar PV plants in high-growth markets (such as Brazil, Chile, Italy and Spain). Currently, ENRS is in the middle of transitioning from a model of disposal of RTB projects to a business based (not exclusively) on the development and construction of photovoltaic plants to maintain under ownership (build-to-own model) and, so, to operate as an independent power producer (IPP). From an investor's perspective we see 5 big opportunities in ENRS:

1) **A renewable energy company in the middle of ramping up** (the P/L today is still irrelevant). This implies significant operating growth in coming years.

2) **Total control over the entire value chain for PV projects.** From development and construction to operation and maintenance. This integration favours the generation of synergies, lowers costs and reduces delivery periods.

3) **Pipeline of projects with high visibility and asset rotation strategy.** More than 2,000MW will reach RTB status in 2023 and 2024. The rotation of assets at the RTB stage will play a key role by generating resources that can be reinvested in the construction of the company's own PV plants (the disposal of 87% of the Ribeiro Gonçalves plant, developed entirely by the company, should not be seen as a one-off but as the strategy to follow).

   Moreover, M&A could be a lever of further growth (the acquisition of 920MW in Italy and Spain in November 2021 is an example of ENRS' ability to act as an integrator in a market in consolidation).

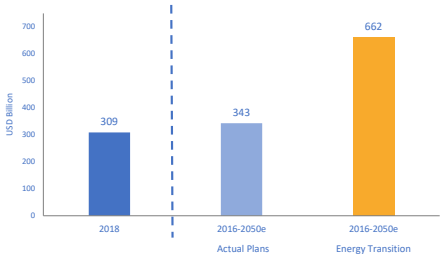
4) **Unique exposure to Brazil.** A high growth market (construction of 1GW of solar PV capacity each quarter) with a portfolio of over 2GW of advanced projects. Exposure to the Brazilian PV market that is unique to ENRS in the Spanish stock market.

5) **The strategic sense of the project itself, 100% focused on a growing sector** (like many others) but unique in its ambition to balance the risks: i) renouncing over exposure to the Spanish market; ii) significant (but not exclusive) exposure to Latam as an area of strong growth; and iii) combination of a development and disposal at the RTB stage model and a build-to-own model.

Sector, regulatory and even social winds are favourable and by themselves alone explain the opportunity for ENRS to develop its pipeline (+4.5 GW) and materialise its transition to an independent power producer (IPP; that would imply a significant step-up in size and value). The only restriction to ENRS's model is the capital necessary to accelerate the development of its pipeline. This implies assuming that additional financing requirements will continue to be met mainly, at least in the short term, by solutions that involve equity and so dilution.

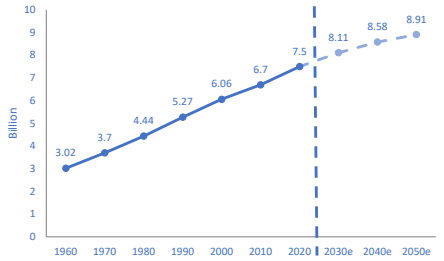
Solar PV: the winning technology of a winning sector (renewable energy)

Chart 15. Annual investment requirements for the energy transition (2016-2050e)



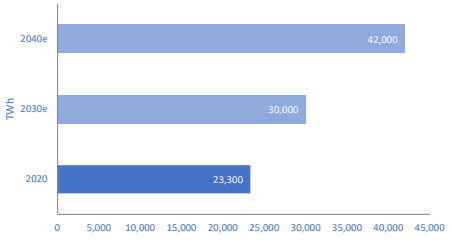
Source: IRENA (International Renewable Energy Agency).

Chart 16. World population (1960-2050e)



Source: UNESCO.

Chart 19. Total electricity demand (2020-2040e)



Source: International Energy Agency (IEA).

The main challenge for the energy sector is climate change. The Paris Agreements (2015) established the goal of significantly reducing emissions to restrict the increase in global temperature this century to 2°C and achieve climate neutrality in 2050 (that is to say, net zero carbon dioxide emissions). To achieve this, a very significant increase in the weighting of electricity in the energy mix will be required (and renewables will be the main players). According to the International Renewable Energy Agency (IRENA), increased electrification, improved energy efficiency and renewable energy could all provide c. 90% of the global reduction in emissions required for the de-carbonisation of the economy.

Green investments will be the cornerstone of this change. To achieve "Net Zero Emissions" targets (NZE; Chart 18) some USD 27.0Trn of investment will be needed over 2016-2050 (IRENA). To date, the agreements reached among countries that have agreed to reduce their emissions represent total investment of c. USD 14.0Trn until 2050e (USD 343Bn a year; Chart 15). Accordingly, current investment will have to be doubled to USD 662Bn a year to achieve a real global energy transition.

The energy transition is already a reality and inevitably involves the electrification of the economy

The International Energy Agency in its central scenario estimates that energy consumption is set to rise by 16% in 2050e compared to 2020 for the following reasons: i) population growth (+0.6% CAGR 2020-2050e; Chart 16), ii) the urbanisation of emerging countries, iii) the increase in per capita GDP (+2.4% CAGR until 2040) and iv) the progressive electrification of the economy (that will drive the energy transition). In other words, global energy consumption will grow at a CAGR of 0.5% until 2050e (Chart 17).

The 2021 World Energy Outlook, in its central scenario (Announced Pledges Scenario, APS) that takes into account the pacts already signed to reduce emissions, predicts that electricity consumption will increase 10p.p. to c. 30% of total energy consumption in 2050e (vs 20% in 2020; Chart 18). However, for the Net Zero Emissions target, in addition to the reduction in energy consumption thanks to improved efficiency as a result of technological advances, it is expected, in the best-case scenario, that electricity consumption's share will grow to 50% of total global energy consumption in 2050e (vs 30% in the central scenario; Chart 18). In this context, renewable energies will multiply their installed capacity c. 5.5x to over 16.5TW in 2050e (vs 2.9TW in 2020; +6% CAGR over 2020-2050), with double-digit growth in solar PV, that will consolidate its position as the leading technology in the renewables sector.

Graph 17. Total energy consumption

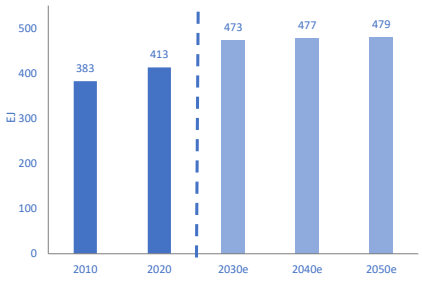
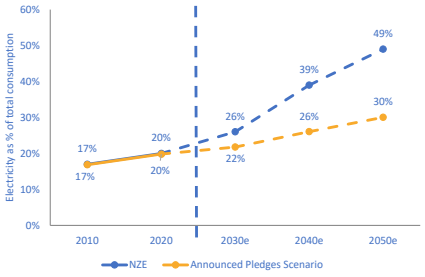


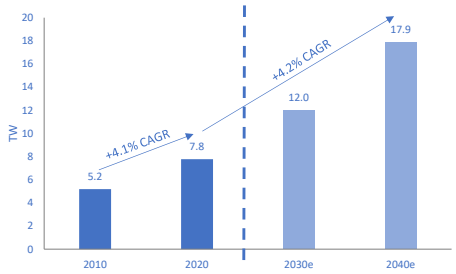
Chart 18. Electricity share/total consumption



Source: International Energy Agency (IEA).

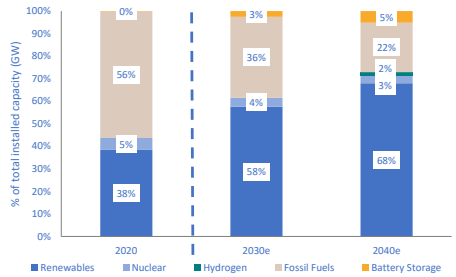
While Covid-19 reduced energy consumption by c. 5% in 2020, electricity demand only declined by 1%. The resilience of electricity consumption is the result of higher demand from sectors such as transport due to the penetration of electric vehicles, and industry due to the electrification of processes, crucial to cutting emissions. All this means that total electricity demand will increase 30% to 30TWh in 2030 and double 2020 levels (23.3TWh; Chart 19) in 2040, at 42TWh. So the envisaged increase in renewable installed capacity will be necessary to satisfy the increase in electricity demand.

Chart 20. Total installed electricity capacity (TW)



Source: International Energy Agency (IEA).

Chart 21. Total installed electricity capacity mix (2020-2040e)



Source: International Energy Agency (IEA).

Renewable energy: crucial to the energy transition (and solar PV is consolidating its position as the winning technology)

We think growth in new electricity installations (mainly renewables) has high visibility, thanks essentially to: (i) global initiatives to mitigate climate change (Paris Agreements, Agenda 2030 for Sustainable Development and the UN) and (ii) the improved efficiency and competitiveness of renewable energy sources. So total installed electricity capacity (including non-renewables) is going to multiply 2.3x in the next 20 years to 17.9TW in 2040e (+4.2% CAGR 2020-2040e; Chart 20).

Countries' governmental support for the installation of clean energy generators will be the main driver of renewable energy continuing to increase its weighting of total installed electricity capacity, from 38% at present to almost 68% in 2040e, that would imply a 2020-2040e CAGR of 7.3% to 12.1TW of installed renewable capacity (vs 2.8TW of installed renewable capacity in 2020; Chart 21).

The sharp fall in the installation cost of PV plants has been one of the main reasons for the increase in installed capacity. In the last ten years, the price per MW of solar PV has decreased -85% from USD 4.4Mn/MW in 2010 to the current USD 0.7Mn/MW. The two main reasons for this fall in price are: i) the improved efficiency of the technology used, that has significantly increased the generation capacity of each panel installed and ii) the deflation of prices resulting from greater efficiency of installation costs.

Chart 22. Ev. of cost of installing a Solar MW

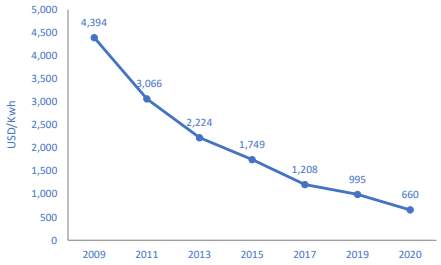
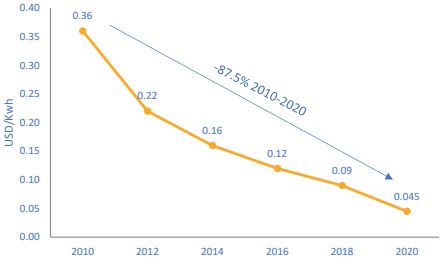


Chart 23. Generation cost of solar energy

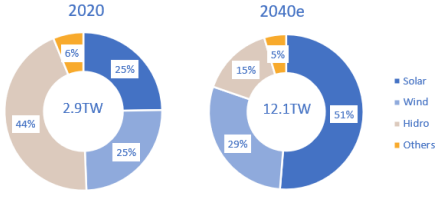


Source: IRENA.

The improvement in the costs of renewable technologies such as solar and wind is going to continue thanks to innovations in the materials used to manufacture panels and turbines. Although at a slower rate than that seen from 2009 until now.

Unlike the situation ten years ago, the generation cost of renewables is now very competitive with respect to other technologies. The fall in price of both installation (-85% -10y) and generation (-87.5% -10y; Chart 23) of PV and other sustainable technologies (wind, hydro, bio) means their prices are attractive within the electricity mix.

Chart 24. Breakdown of installed renewable electricity capacity (2020-2040e)



Source: International Energy Agency (IEA).

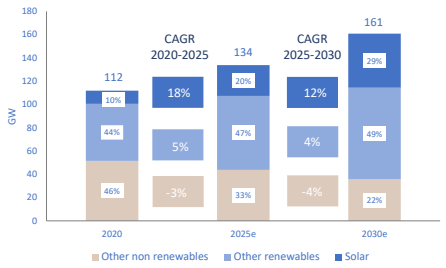
Solar PV energy is going to become the spearhead of renewable technologies in coming years. With double-digit growth (+11.2% CAGR 2020-2040e), installed solar PV capacity is going to increase 8.4x (vs 4.7x for other renewable sources such as wind; according to the IEA) accounting for 51% (Chart 24) of total installed renewable electricity capacity in 2040e. In the central scenario of the International Energy Agency, in 2040e a third of renewable electricity generation will be PV energy.

Given current uncertainty (the war in Ukraine, high inflation, interest rate hikes), the risks facing the renewable technologies sector are: i) a halt in the reduction of installation and generation costs, restricting development capacity and ii) high financing costs that could limit start-ups.

Spain, solar PV installed capacity: +15.1% CAGR 2020-2030e

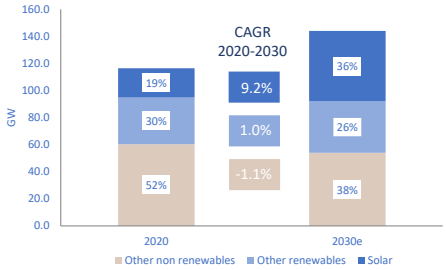
Spain's targets for 2030 are outlined in the National Energy Plan (*Plan Nacional Integrado de Energía y Clima*) 2021-2030, with renewable technologies expected to account for 70% of total electricity generation (achieving energy neutrality in 2050). Some EUR 240Bn are going to be earmarked for this over the next 20 years (38% on renewables and 24% on grids and electrification). Spain had 112GW of installed electricity generation capacity in 2020, of which 11GW are solar PV.

Chart 25. Installed electricity generation capacity in Spain (2020-2030e)



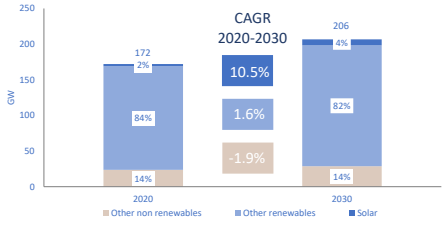
Source: MITECO
Other non renewables include Coal, Combined Cycle, Cogeneration, Fuel/Gas and Nuclear.

Chart 26. Installed electricity generation capacity in Italy (2020-2030e)



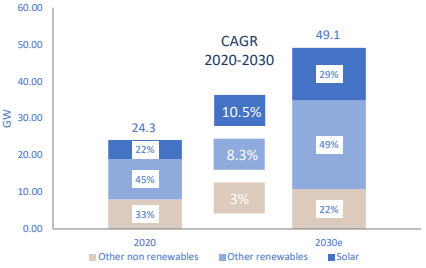
Source: TERNA
Other Non-renewables includes Coal, Gas, Nuclear and Thermal.

Chart 27. Installed electricity generation capacity in Brazil (2020-2030e)



Source: Plano Decenal de Expançao de Energía 2020-2030 Brasil.
Other Non-renewables includes Coal, Cogeneration, Fuel/Gas and Nuclear.

Chart 29. Installed electricity generation capacity in Chile (2020-2030e)



Source: Ministry of Energy Chile
Other Non-renewable includes Coal, Gas, Geothermal.

The Ministry for the Ecological Transition and Demographic Challenge expects this figure to increase to 161 GW of installed electricity generation by 2030e (+3.7% CAGR 2020-2030e). Government estimates envisage a four-fold increase in installed solar power capacity in the next 10 years (+15% CAGR 2020-2030e) followed by wind power (2x in 2030; +6% CAGR 2020-2030e) to 46GW and 50GW, respectively. Over 2022-2025e, some 25GW of Solar power and 21GW of wind power are expected to be auctioned. There are three ways to sell electricity in Spain: i) the electricity pool (a wholesale market), ii) PPAs (bilateral contracts): according to LevelTen, the price of solar power in Spain for this way of selling electricity is c. 38 EUR/MWh (+11.8% vs 2020), that, despite the rise in price, is still the cheapest in Europe, and iii) renewable generation capacity auctions.

The electricity system regulations of the Canary Islands are different. ENRS has 40GW in its pipeline (c.1% of the pipeline) with RTB status expected in 2023e. Although their geographical location means they are highly dependent on fossil fuels, the government wants to develop renewables capacity so that this accounts for 50% of the islands' total installed capacity by 2025e (c.20% in 2020). The Canary Islands have tax breaks such as a corporate tax rate of 6.25% for the first 15 years of operation and 12.5% for the following years.

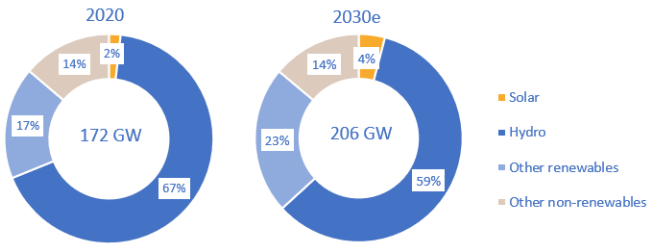
Italy, solar PV installed capacity: +9.2% CAGR 2020-2030e

Italy has put its National Energy and Climate Plan into operation with a target that, by 2030, 28% of total electricity consumption (vs 18.8% in 2018) and 55% of electricity generation will be renewable. According to Terna, by 2030e Italy aims to have installed electricity generation capacity of 144GW (vs 115GW in 2020; Chart 26), of which 52GW will be solar PV energy (+9.2% CAGR 2020-2030e; vs 22.2GW in 2020). It also intends to close its coal-fired plants by 2025. The markets on which electricity is sold in Italy are: "*Mercato Elettrico a Pronti*" (MPE), that is the wholesale market and *Mercato elettrico a Termine dell'energia elettrica con obbligo di consegna e ritiro*" (MTE), the retail market. According to LevelTen, the price of the PPAs in 2021 was c. 51 EUR/MWh.

Brazil, solar PV installed capacity: +10.5% CAGR 2020-2030e

Brazil is one of the countries with the largest capacity for electricity generation by renewable energy with 148GW installed (of 172GW of total installed electricity generation capacity in 2020) that satisfies c. 45% of primary electricity demand. According to *la Empresa de Pesquisa Energética* (EPE), 67% of installed capacity is hydro, the main source of energy in the country in 2020.

Chart 28. Mix of total installed electricity generation capacity in Brazil (2020-2030e)



Source: Plano Decenal de Expançao de Energía 2020-2030 Brasil

In Brazil solar PV energy is still at an early stage with 3GW of installed capacity in 2020 (2% of total electricity generation capacity vs 10% in Spain in 2020).

The 2030 Ten-Year Energy Expansion Plan envisages a considerable increase in solar PV installed capacity to 4% of the total with 8.4GW in 2030e (+10.5% CAGR 2020-2030e). Brazil has a favourable climate and size for the development of solar PV installations.

Chile, solar PV installed capacity: +10.5% CAGR 2020-2030e

Chile had 24GW of installed electricity generation capacity in 2020 (of which c.16GW were renewable; 5.2GW of solar PV according to the Chilean Energy Ministry). In 2020, Chile received USD 4.6Bn of investments to increase installed renewable energy capacity. In 2030e Chile expects 88% of its installed capacity to be renewable. The National Energy Plan envisages 49GW of total electricity generation capacity in 2030e of which 14.2GW will correspond to solar PV energy installations (+10.5% CAGR 2020-2030e).

The Chilean market is complex due to its exposure to external factors: i) hydro plants, ii) the availability of fossil fuels, iii) restrictions on electricity transmission and iv) the political instability of recent years. The main ways of selling power in Chile are: i) on the spot market, ii) PPAs and iii) pubic auctions. In addition, there is special remuneration for *Pequeños Medios de Generación Distribuido* or Small Means of Distributed Generation, for projects not larger than 9MW, at a price of c. 55 USD/MWh (ENRS has 12 of these projects with a total capacity of 48MW, of which we expect c. 27 MW to be on stream by 2023e).

Table 5. Summary of installed renewable capacity by geography (2020-2030)

		Installed Capacity (MW)		CAGR
		2020	2030	2020-2030
España	Solar	11.4	46.5	15.1%
	Renewables	49.0	63.5	2.6%
Italia	Solar	21.7	52.0	9.2%
	Renewables	34.3	38.0	1.0%
Europa	Renewables	528.5	1,236.0	8.9%
Brasil	Solar	3.1	8.4	10.5%
	Renewables	145.3	169.6	1.6%
Chile	Solar	5.2	14.3	10.5%
	Renewables	10.9	24.1	8.3%
LATAM	Renewables	259.6	412.5	4.7%

Source: Data extracted from (Spain; MITECO, Italy; TERNA, Europe; IRENA and EU, Brazil; EPE, Chile; Government of Chile, LATAM; OLADE).

In conclusion, renewable energies are going to be crucial for the global energy transition (not just in Europe)

Despite the current uncertainty (characterised by inflation and the slowdown of the principal economies), the energy transition is a reality that a large number of countries have signed up to. The de-carbonisation of the economy is a common goal and in this respect electrification, improved energy efficiency and renewable energy are going to play a key role. The sector's evolution will be shaped by:

- **Environmental commitments and national energy plans.** Adopted by countries through agreements to reduce emissions (2015 Paris Agreements, 2030 Agenda with sustainable development goals) that are driving the ecological transition via agreements among the main European countries to achieve energy neutrality by 2050e. Both in Europe (Spain, France, Germany and Italy) and Latam (Brazil, Colombia and Chile) countries have unveiled national plans with the goal of increasing the share of electricity generation via renewable energies (mainly solar and wind).

- **The reduction in the installation and generation prices of solar energy.** The price of installing solar panels has fallen from USD 4.4Mn/MW in 2010 to 0.7Mn/MW in 2020; mainly as a result of: i) the improved efficiency of the technology required for installation making them more affordable and ii) the investment made in the last 10 years that has made it possible to develop solar power plants in more countries. All this has made this technology more competitive. Electricity generation costs have also fallen, by -87.5% -10y, allowing this decrease to be passed along to end clients. The IEA estimates that the installed capacity of solar PV energy will represent 51% of total installed renewable energy capacity by 2040e. This makes PV the winning technology in the transition towards a renewable generation model.

- **A breeding ground for M&A, favoured by significant interest in renewables.** Historically, the sector has relied on inorganic growth to increase both installed capacity and geographical presence. In this respect, it is common for renewables companies to buy projects at the RTB or COD stage, avoiding the risk of development (in the case of RTB) and construction (ENRS has local teams in the markets in which it operates, that allows it to develop its projects from the start and capture all the developer margin). This environment opens up the possibility of ENRS being involved in corporate deals (in a sector that tends naturally towards concentration).

  In the transaction price not only the installed capacity is valued but also the value of the pipeline depending on its visibility. Another factor that affects the price per MW is the state of the project portfolio (RTB or COD) and the country in which the transaction is taking place.

Table 6. Recent transactions in renewables

Country	Date	Target	MW	Technology	Comprador	EUR Mn	EUR Mn/MW
Spain	May-22	Q-Energy*	4,582	Solar/Wind	Verbund*	1,000	0.2
Spain	Mach 2022	TRIG	132	Solar	Repsol	117	0.9
Spain	Jan-22	Progressum Energy Development	508	Solar	Green Arrow Capital	400	0.8
Spain	Dec-21	EDP Renovaveis	181	Wind	GTC	300	1.7
Brazil	Dec-21	Voltalia**	336	Solar	GTC**	120	0.4
Spain	Feb-21	Asterion Industrial Partners	845	Solar	BP	600	0.7
Spain	Dec-20	Elawan	714	Wind	Orix	1,200	1.7
Spain	Jul-20	EDP - Viesgo Renewables	511	Wind	EDP	565	1.1
Chile	Feb-19	Grenergy	30	Solar	Carbon Free	29.1	1.0
Brazil	Jan-19	Enel	540	Solar	CGN Energy	700	1.3
Italy	May-17	Terni Energía	19	Solar	T1 Roncolo	59	3.1

Note*: The Q-Energy deal includes the acquisition of an operating regulated PV portfolio (installed capacity of 82 MW) and another under development (wind and PV) comprised of 2,100 MW at an advanced stage and 2,400 MW of projects at the greenfield stage. All the projects are in Spain.
Note**: The transaction has been carried out with all projects in RTB phase.

At a turning point: 2022e will mark the beginning of a high-growth stage (multiplying 22e revenue x3 in 24e)

In our view ENRS should be seen as a renewables platform with a still nascent business in the middle of a ramp-up stage (the P&L is at present, immaterial; revenue at the 2021 close: EUR 8.4Mn). ENRS is present throughout the value chain, from the initial development of projects (from an early or Greenfield stage until RTB status is reached) to their construction (including development for third parties with proprietary EPC) and subsequent operation and maintenance.

And, although at the date of this report it does not yet have any projects in operation, its pipeline of PV projects should allow it to begin a period of high growth (visible already in 2022e).

ENRS has a pipeline of projects of > 4,500 MW mainly in Latam (Chile and Brazil; c. 80% of the total), based on solar photovoltaic technology (although it is also studying its entry in wind power). And the strategy for the following years is clear: maintain over the medium and long term a significant part of the assets it develops, builds and brings on stream (although given the current state of the business, asset rotation will play a key role). Specifically, of this project portfolio, c.65 MW are currently under construction and will come on stream between 2022 and 2023 and we expect some 500 MW to begin operating over 2022e-2025e (c. 80% of the MW capable of achieving COD status in 2025).

The above invites consideration of three key questions: (i) What is the real ability of the company to develop its pipeline? (ii) What will be the impact in terms of revenue growth and the evolution of margins? And finally, but no less importantly, (iii) what level of investment and financing will be required? Answering these questions requires a systematic analysis of the company's P&L that should allow us to assess whether this growth story in the renewables sector is sustainable (and profitable) in the long term.

Chart 30. Revenue (2021-2024e)

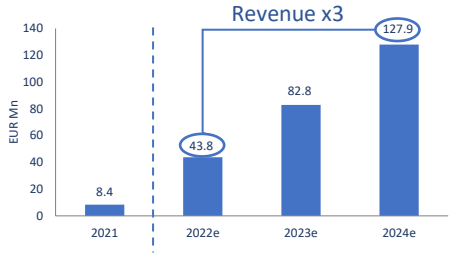


Chart 31. Contribution to the revenue mix by business (2021-2024e)

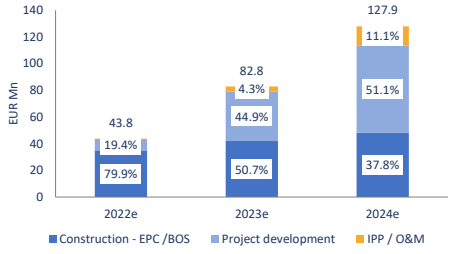
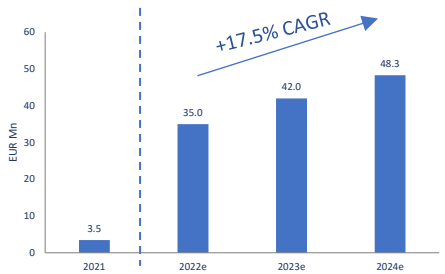


Chart 32. Revenue from EPC/BOS construction business (2021-2024e)



The take-off of the EPC business will drive revenue (2022e), while the pipeline is developed (that should multiply 22e revenue x3 in 24e)

Our central scenario for 2022e-2024e envisages a genuine "take-off" of ENRS's P&L with revenue of c. EUR 127.9Mn in 2024e (Chart 31). A level of revenue that implies very strong growth compared to the revenue generated in 2021 (EUR 8.4Mn) and that is underpinned mainly by:

- **The take-off of the EPC business in 2022e (2022e revenue: EUR 35Mn and capacity to growth at double digits until 2024e; +17.5% CAGR 2022e-2024e).** The construction business (EPC/BOS) for third parties will be the main lever driving revenue in the mid term (while the pipeline of proprietary projects is developed). For 2022e we estimate extremely strong growth in the EPC business to revenue of EUR 35Mn (vs EUR 3.5Mn in 2021; Chart 32). Large growth explained almost exclusively by the order book at the 2021 close (126 MW distributed among 18 different projects in Chile and Brazil, of which 81 MW were under construction and 72 MW corresponded to recurrent clients) for a total amount of EUR 30Mn (EUR 27Mn executable in 2022e; c. 80% of estimated 2022e revenue).

  An orderbook that at April 2022 had increased to 156 MW (+24% vs 2021) for a total amount awarded of EUR 45Mn to be executed between 2022e and 2023e. This explains the 20% growth estimated for the EPC business in 2023e (23e revenue: EUR 42Mn). In our opinion, the focus on high-growth markets (like Brazil and Chile; c. 90% of the order book of the EPC business), should allow ENRS to grow its business at double digits in 2022e-2024e, to achieve revenue of c. EUR 50Mn in 2024e (+17.5% CAGR 22e-24e; Chart 32). This would imply the construction for third parties of some c. 200 MW/year.

Chart 33. Revenue from the Project develpment business (2021-2024e)

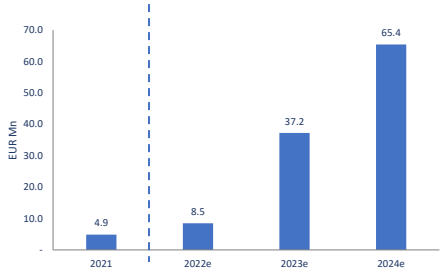


Chart 34. Sale of projects at the RTB stage by geography vs EUR/MWp (2021-2024e)

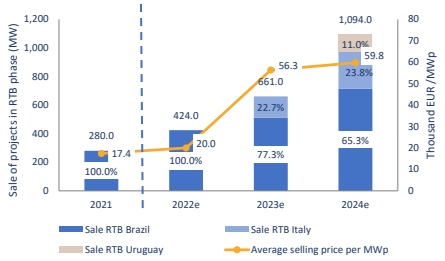
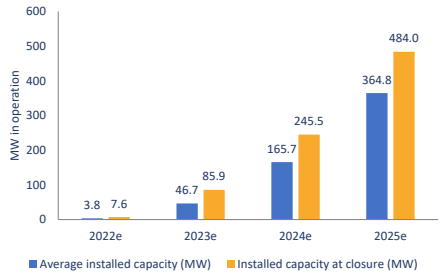


Chart 35. Average installed capacity vs installed capacity at the close (2021-2025e)



- **Project development: the rotation of assets at the RTB stage will continue to play a key role (2022e revenue: EUR 8.5Mn; 19% of 2022e revenue).** In 2021 ENRS completed the first sale of a project at the RTB stage (280 MW of the Ribeiro Gonçalves project in Brazil) for EUR 4.9Mn (Chart 33). Given the current state of the business, we think asset rotation will continue to play a crucial role as an essential lever to finance the development and growth of the company's activity as an independent power producer (IPP).

Although the speed of development of the projects until these reach the RTB stage is the main question mark (and limitation) of ENRS' model, we use the current degree of progress of the pipeline as a reference (c. 2,800 MW with high visibility that should achieve RTB status between 2022e and 2023e) in order to estimate the company's ability to generate revenue (and cash) with the sale of these projects once they reach the RTB stage.

Over 2022e-2024e our estimates envisage the disposal of 2,179 MW (c. 50% of the pipeline at the date of this report; 85% of the projects that should achieve RTB status in 2023e excluding the MW that will be built to operate as an IPP) for a cumulative total value of EUR 111.1Mn (Chart 33). Divestments that we expect to peak in 2024e (the year in which we envisage c. 50% of the estimated sales; Chart 34). By geographies, we consider that 80% of the MW sold will correspond to projects developed in Latam (mainly Brazil; average sale price at the RTB stage: 20,000-25,000 euros MWp) and 20% in Italy (with an average sale price at the RTB stage of 180,000-220,000 euros MWp, that will increase the average revenue per MW from 2023e).

- **Whist waiting for the electricity generation as an IPP business (that we expect to begin to take off in 2023e).** We allocate various percentages of probability depending on the degree of progress of each project and the date that each is expected to come on stream (100% for projects under construction, 85% for projects with high visibility and 60% for those at an advanced stage with a COD in 2025e).

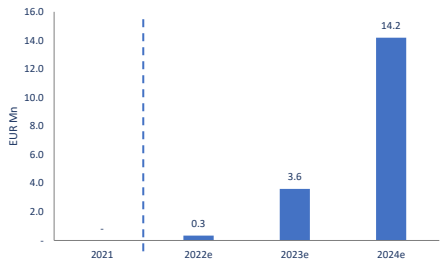
This assumption leads us to estimate the installation of 250 MW between 2022e and 2024e, reaching 500 MW in operation at the end of 2025e (Table 7). As the installed capacity is not operational from the start of each year, we take the annual average (Chart 35) as a reference for our estimate of revenue.

Table 7. Installed capacity at the close estimated by Lighthouse (2022e vs 2025e)

Project	Country	RTB Date	Power MWp	Probability	NHE	2022e	2023e	2024e	2025e
Total installed capacity (MW)			**4,574.4**			**7.6**	**85.9**	**245.5**	**484.0**
Ribeiro	Brazil	2021/2022	42.0	100.0%	2,248	-	-	-	-
Renaico I	Chile	2021/2022	4.0	100.0%	1,995	3.6	3.6	3.6	3.6
Linares I	Chile	2021/2022	2.0	100.0%	2,019	1.8	1.8	1.8	1.8
Renaico II	Chile	2022/2023	4.0	100.0%	2,002	-	4.0	4.0	4.0
Linares II	Chile	2022/2023	4.0	100.0%	1,990	-	4.0	4.0	4.0
Teno	Chile	2022/2023	3.0	100.0%	2,178	-	3.0	3.0	3.0
Bulnes I	Chile	2022/2023	3.0	100.0%	2,112	-	3.0	3.0	3.0
Bulnes II	Chile	2022/2023	7.0	100.0%	2,082	-	7.0	7.0	7.0
Itabira	Brazil	2021/2022	3.0	85.0%	1,579	2.6	2.6	2.6	2.6
Rota do Sol	Brazil	2021/2022	4.0	85.0%	2,348	-	3.4	3.4	3.4
Tremp	Spain	2022/2023	3.0	85.0%	2,018	-	2.6	2.6	2.6
Pudong - I	Brazil	2022/2023	207.0	85.0%	2,235	-	51.0	51.0	51.0
Pudon - II	Brazil	2022/2023	277.0	85.0%	2,235	-	-	-	-
Camboata I	Brazil	2022/2023	711.0	85.0%	2,289	-	-	-	85.0
Camboata II	Brazil	2023/2024	454.0	85.0%	2,289	-	-	-	-
Poço Verde	Brazil	2023/2024	180.0	85.0%	2,057	-	-	-	-
Sardignia I	Italy	2023/2024	440.0	85.0%	1,987	-	-	119.0	119.0
Sardignia II	Italy	2023/2024	220.0	85.0%	1,990	-	-	-	93.5
Puglia	Italy	2023/2024	220.0	85.0%	1,901	-	-	-	-
Canarias	Spain	2023/2024	40.0	85.0%	1,931	-	-	34.0	34.0
Panquehue	Chile	2023/2024	3.0	60.0%	2,054	-	-	1.8	1.8
Calera de Tango	Chile	2023/2024	2.4	60.0%	2,183	-	-	1.2	1.2
Colina	Chile	2024/2025	6.0	60.0%	2,183	-	-	3.6	3.6
Ribeiro Gonçalves II	Brazil	2024/2025	260.0	60.0%	2,248	-	-	-	-
Paysandú	Uruguay	2024/2025	170.0	60.0%	2,128	-	-	-	30.0
Jerez	Spain	2025/2026	6.0	60.0%	2,018	-	-	-	-
Beberibe	Brazil	2025/2026	640.0	60.0%	2,375	-	-	-	-
Paracatú	Brazil	2025/2026	500.0	60.0%	2,221	-	-	-	-
Quintero	Chile	2025/2026	100.0	60.0%	2,183	-	-	-	-
Peñaflor	Chile	2025/2026	6.0	60.0%	2,183	-	-	-	-
Batuco	Chile	2025/2026	50.0	60.0%	2,054	-	-	-	30.0
Marchihue	Chile	2025/2026	3.0	60.0%	2,054	-	-	-	-

Note: Total installed capacity (MW) assuming different percentages of probability of success depending on the degree of progress of each project. We exclude from our calculations those projects that we estimate will be sold at the RTB stage and those with an estimated RTB date subsequent to 2024e.

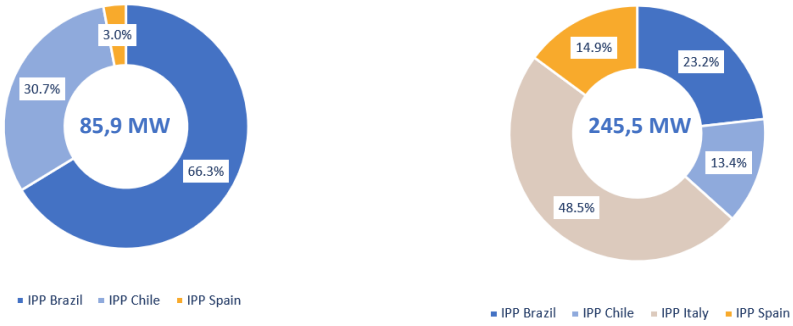
Chart 36. Electricity generation revenue (2021-2025e)



The estimated annual average installed capacity, together with our assumptions for prices (EUR/MWh) by region and the load factor of each project (Table 7 on the previous page) lead us to estimate revenue from electricity generation as an IPP that, while still immaterial in 2022e (EUR 0.3Mn), should contribute c. EUR 14Mn in 2024e (c. 11% of the revenue mix). Revenue that, looking ahead to 2025e (a year for which we estimate average installed capacity of 360 MW; c. 500 MW at the close) should already have reached levels of turnover of c. EUR 30Mn (c. 20% of the revenue mix; that would significantly increase profitability and recurrent cash flow generation capacity).

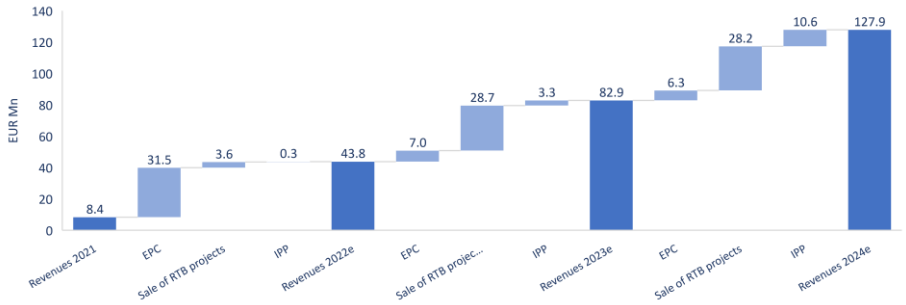
By geographies, we estimate that the progressive sale of projects at the RTB stage in countries such as Brazil (c. 80% of estimated total disposals) and the company's focus on developing and building its projects in Italy and Spain, should result in a change in the geographical mix of the installed capacity, visible from 2024e when we estimate that > 50% of total installed capacity at the year close will be in Europe (mainly Italy; Chart 37).

Chart 37. Geographical mix of the installed capacity at the close (2023e vs 2024e)



All the above translates to explosive growth in revenue to levels of c. EUR 130Mn in 2024e (vs EUR 8.4Mn in 2021; Chart 38). What are the consequences of this kind of growth? From a revenue mix point of view, we would highlight two big implications in the mid and long term: (i) the gradual decline in importance of the EPC / BOS construction business (80% in 2022e vs 40% in 2024e) in favour of the development and operation of solar PV plants (with much higher EBITDA/Sales margins and intuitively the businesses that will make the largest contribution in terms of value) and (ii) the change in the geographical revenue mix (with a larger weighting of revenue in Europe from 2024e, vs a business generated mainly in Latam in 2022e).

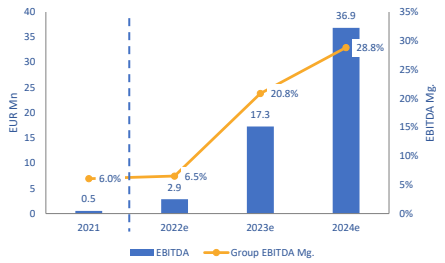
Chart 38. Revenue growth by business (2021-2024e)



The change in the revenue mix will result in a rapid improvement in margins (that should drive 2024e EBITDA to over EUR 37Mn; EBITDA margin 28%)

In our opinion, the explosive growth in revenue estimated for 2022e-2024e is compatible with a significant improvement in margins, although this will have to wait until 2024e. Specifically, in 2022e we estimate recurrent EBITDA of c. EUR 3Mn (EBITDA margin 6.5%) as a result of: (i) a revenue mix in which the EPC/BOS construction business will continue to have a very large weighting (c. 80% of the revenue mix; with an EBITDA margin of c. 8%) and (ii) c. EUR 4Mn in structural costs that will continue to weigh heavily on the P&L.

Chart 39. EBITDA and EBITDA margin (2021-2024e)

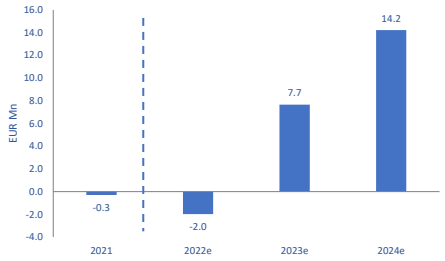


From 2023e we estimate rapid growth in the EBITDA margin to levels of c. 28% in 2024e (vs c. 6% in 2021 and 2022e; Chart 39). A very significant margin improvement underpinned mainly by:

- **The change in the revenue mix,** with a significant increase in the weight of the development business (EBITDA margin c. 40-45%) and of the operation of solar PV plants business (with an EBITDA margin, depending on the plant, of c. 70-75%) to c. 60% of the revenue mix in 2024e (vs 20% in 2022e).
- **Exploiting a certain operating leverage.** Over 2022e-2024e we estimate a CAGR of c. 20% for structural costs (c. 10% of 2022e total costs). This implies a CAGR for operating costs (opex) of c. 50% between 2022e and 2024e (vs revenue growth of c. 70%).

This explains the strong growth estimated over 2022e-2024e in terms of EBITDA, to EUR 37Mn in 2024e (EBITDA margin of 28% vs 6.5% in 2022e). Looking ahead to 2025e (average installed capacity of c. x2 vs 2024e), this strong growth in EBITDA should result in levels of c. EUR 50Mn (EBITDA margin c. 30%).

Chart 40. Net Profit (2021-2024e)



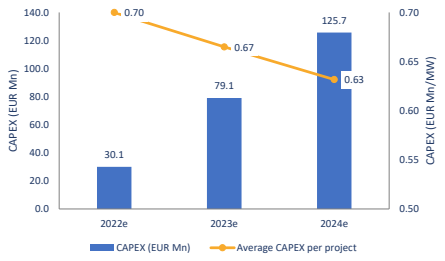
Net profit: with the capacity to generate c. EUR 14Mn of NP in 2024e. Although 2022e will continue below breakeven

Below the EBITDA line we would highlight:

- **Sharp increase in amortisation expense…** from c. EUR 1Mn in 2022e to c. EUR 7Mn in 2024e. The result of the high level of investment required to develop and build the pipeline of PV projects. We estimate a useful life for the PV plants of 30 years.
- **… and financial expenses.** We estimate increasing debt as a result of the high level of investment envisaged for 2022e-2024e. In 2024e we estimate net debt of EUR 225Mn and a cost of debt of c. 6.5% (financial expenses of c. EUR 11Mn).
- **With no significant impact of minority shareholders.** At present, ENRS' stake in most of its projects amounts to c. 100%.
- **Tax rate. We use an average tax rate of 25% over the entire estimated period.**

All the above translates to 2022e net profit of EUR -2Mn (impacted by c. EUR -3Mn of extraordinary expenses related to the listing on BME Growth in March 2022 and the convertible funding agreement with Inveready). Looking ahead to 2024e, the strong revenue growth and the expected increase in the EBITDA margin, will take net profit to EUR 14Mn (10.8% of 2024e revenue).

Chart 41. CAPEX and CAPEX per MW under construction (2022e-2024e)



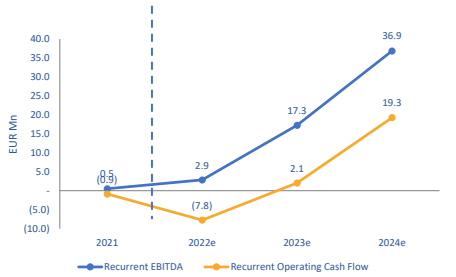
Free Cash Flow: the development and construction of the pipeline will require very high Capex (that will prevent the generation of positive FCF in the medium term)

FCF generation over 2022e-2024e will be shaped mainly by:

1) **Working Capital:** our estimates envisage a significant increase in the company's investment in working capital (working capital/sales: c. 40%) for two main reasons: (i) the strong growth in the EPC construction business (highly intensive in working capital) and (ii) the collection conditions of the plants that are sold (collection of 100% of the sale price may take over a year).

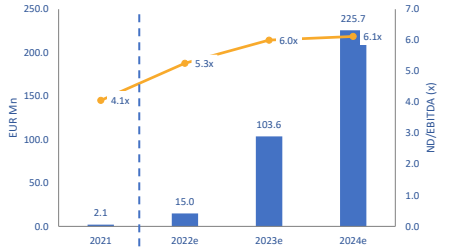
2) **CAPEX:** The company is involved in a heavy investment process and the electricity generation as an IPP business will account for the bulk of the company's investment programme. We estimate CAPEX of EUR 700,000/MW, that will progressively decrease to EUR 630,000/MW in 2024e (Chart 41). This leads us to estimate CAPEX of EUR 30Mn in 2022e that will increase to EUR 125Mn in 2024e driven by the investment needed to start up the company's own PV plants (a year in which we estimate an average of 200 MW under construction).

Chart 42. EBITDA vs Recurrent operating cash flow (2021-2024e)



Note: Recurrent Operating Cash Flow = EBITDA +/- Working Capital Increase.

Chart 43. Net Debt (2021-2024e)



The high level of investment envisaged means that over 2022e-2024e no positive recurrent Free Cash Flow will be generated. The reason is obvious: the heavy investment (with 2024e CAPEX of c. EUR 125Mn vs EBITDA of EUR 37Mn) needed to develop and build the company's pipeline of PV projects (today its main asset).

However, if we turn our attention to recurrent operating cash flow (that excludes the CAPEX required to start up new PV plants) we find a company with the ability to gradually increase its operating cash generation capacity and so generate positive FCF once CAPEX normalises (Chart 42).

This will inevitably be reflected in a high level of debt, that will peak in 2024e (24e ND/EBITDA: c. 6x)

The business of electricity generation as an IPP, that involves Project Financing (independent financing for each plant) and where gearing is very high (the investment is made with overleveraged capital structures: c. 70% debt vs 30% equity), means debt will grow continuously until 2024e, when we estimate net debt of EUR 225Mn (24e ND/EBITDA: c. 6x; in line with the company's main listed peers). However, a significant part of the debt (that assigned to PV plants) only has recourse against the individual plant and this significantly reduces the risk assumed.

The company's financial structure is compatible with investment in assets whose demand is almost guaranteed (renewable energy) and with sector, regulatory and even social tailwinds. And that, in our view, facilitates value creation due to a combination of: (i) high debt (with a financial cost of c. 6.5%) and (ii) businesses with very high growth rates. The trend for the ROCE-WACC spread is structurally positive in this business (spread of c. 2p.p. in 2024e).

ENRS' market listing can be directly explained by the advantages of being in the market in terms of financing; a factor that is crucial for a company that wants to exploit the growth opportunity that the renewables sector offers (and that will require significant resources, given the highly capital-intensive nature of this industry).

Table 8. Net debt and main associated indicators (2021-2024e)

Cash Flow (EUR Mn)	2019	2020	2021	2022e	2023e	2024e
Recurrent EBITDA	**0.2**	**(0.1)**	**0.5**	**2.9**	**17.3**	**36.9**
Working Capital Increase	(0.7)	(1.7)	(1.4)	(10.6)	(15.2)	(17.6)
Capex	(0.1)	(4.3)	(1.1)	(30.1)	(79.1)	(125.7)
Recurrent Free Cash Flow	**(0.7)**	**(6.2)**	**(2.5)**	**(38.9)**	**(83.6)**	**(122.1)**
Capital Increase	-	4.9	4.0	34.0	-	-
Net financial debt	2.2	3.5	2.1	15.0	103.6	225.7
Net financial debt/EBITDA	*n.a.*	*n.a.*	*4.06x*	*5.26x*	*6.00x*	*6.12x*

In conclusion, 2022e can be seen as a true inflection point (that will mark the beginning of a high-growth stage)

The snapshot is of a company with maximum (and growing) exposure to renewable energy: a booming sector. And, apparently, ENRS is well placed to exploit growth in this "product" (PV power) both through the EPC construction business for third parties, and through generation as an independent producer.

In addition to the above, there are two other characteristics that make ENRS unique among listed renewable sector companies in Spain: (i) business momentum (with a P&L in the middle of a ramp-up stage and as yet with no installed capacity on stream), and (ii) exposure to geographies such as Chile and Brazil (c. 80% of a pipeline of > 4,500MW). However, in the end everything will depend on the degree of success of the execution of the pipeline, the model's main question mark and risk, and that the evolution of the business in 2022e and 2023e will help to resolve.

The lure of a potential take-off of EBITDA and of the degree of progress of its pipeline from 2023e (our central scenario) advises against losing sight of ENRS's numbers.

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value (1)
Free Cash Flow "To the Firm"	**(45.8)**	**(85.6)**	**(113.9)**	**n.a.**

			Best Case	Worst Case
Market Cap	**231.4**	At the date of this report		
Net financial debt	**2.1**	Debt net of Cash (12m Results 2021)		
Cost of Debt	6.5%	Net debt cost	6.3%	6.8%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**5.2%**	**Kd = Cost of Net Debt * (1-T)**	**5.0%**	**5.4%**
Risk free rate (rf)	2.0%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	7.0%	R (own estimate)	6.5%	7.5%
Beta (B)	0.9	B (own estimate)	0.8	1.0
Cost of Equity	**8.3%**	**Ke = Rf + (R * B)**	**7.2%**	**9.5%**
Equity / (Equity + Net Debt)	99.1%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.9%	D	=	=
WACC	**8.3%**	**WACC = Kd * D + Ke * E**	**7.2%**	**9.5%**
G "Fair"	**2.5%**		**2.0%**	**2.0%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Solaria	SLR-ES	2,783.9	35.2	29.8%	21.6	35.1%	18.3	36.4%	84.5%	n.a.	21.7%
Grenergy	GRE-ES	1,155.9	36.2	45.5%	19.4	53.4%	6.7	29.1%	34.5%	n.a.	8.0%
Greenalia	GRN-ES	371.4	25.8	47.2%	10.1	44.2%	4.8	28.8%	47.7%	n.a.	51.2%
Ecoener	ENER-ES	347.4	8.7	31.3%	5.9	32.4%	4.4	29.1%	73.9%	n.a.	47.1%
Renewable Energy companies in Spain			**26.5**	**38.5%**	**14.3**	**41.3%**	**8.5**	**30.9%**	**60.1%**	**n.a.**	**32.0%**
Neoen	NEOEN-FR	4,572.9	80.1	22.3%	20.2	18.7%	17.3	20.0%	86.0%	n.a.	-22.6%
Voltalia	VLTSA-FR	1,979.0	70.1	52.5%	14.3	26.5%	6.4	15.9%	44.3%	n.a.	21.9%
Scatec	SCATC-NO	1,750.2	n.a.	77.2%	13.9	33.3%	9.4	30.4%	67.7%	n.a.	n.a.
Greenvolt	GVOLT-PT	1,238.6	38.2	94.7%	15.1	58.5%	6.7	53.5%	44.1%	n.a.	-86.3%
Renewable energy companies			**62.8**	**61.7%**	**15.9**	**34.3%**	**9.9**	**30.0%**	**60.5%**	**n.a.**	**-29.0%**
ENRS	**ENRS-ES**	**231.4**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**4.7**	**70.8%**	**6.5%**	**n.a.**	**-61.3%**

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	22.9%	19.0	10.9x
Central	20.8%	17.3	12.0x
Min	18.7%	15.5	13.4x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 23e		
EBITDA 23e	85.9%	95.5%	105.1%
19.0	(73.9)	(81.9)	(89.8)
17.3	(75.7)	(83.6)	(91.6)
15.5	(77.4)	(85.4)	(93.3)

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow.

1. **Delay to the start up of the PV plants.** Our estimates envisage c. 170 MW coming on stream on average in 2024e, that would imply revenue of c. EUR 14Mn and EBITDA of c. EUR 10.5Mn (c. 25% of 2024e EBITDA). A reduction in the number of MW coming on stream on average in 2024e to c. 125MW (-25% vs our central scenario) would imply a decrease in our 2024e EBITDA estimate of c. -11%.

2. **Fluctuations in electricity prices.** We estimate that over 2022e-2024e most of ENRS's generation will be covered by PPA contracts (or through regulated projects in Chile for which a sale price of 50$MW-55$MW has been established), that significantly reduces ENRS' exposure to fluctuations in the electricity pool price.

   However, it should be taken into account that ENRS has yet to sign the PPAs of its projects, so any significant change in current market conditions would impact the expected profitability of the business.

3. **Delay in the sale of developments at the RTB and COD stages.** Given the current business momentum, EBITDA and FCF generation largely depends on ENRS' ability to develop its pipeline until projects reach the RTB and COD stages and asset rotation play a key role as a financing lever for ENRS. Our estimates include the sale of 661 MW at the RTB stage in 2023e, of which c. 80% corresponds to projects in Brazil and 20% in Italy. Any change in either the estimated sale price or the timing of deals would have a significant impact on our projections.

   Specifically, a reduction in the number of MWs sold at the RTB stage in 2023e to 600MW (-10% vs central scenario) would mean a decrease in 2023e EBITDA of -10%.

4. **Weather risk.** Electricity generation via solar energy is subject to weather conditions and solar radiation at the site where the panels are located. The profitability of the projects, then, will depend on the weather conditions at the sites of the plants. There is also the risk of damage to the panels due to natural phenomena or power surges.

5. **Increase in raw material costs.** The price of the raw materials needed to build the solar panels is subject to fluctuations, that could have a negative impact on the margins of the EPC business and affect the viability of future projects. A reduction in the EBITDA margin of the EPC business to 3.5% (vs 8% in our central scenario) would imply a reduction in 2023e EBITDA of c. -11%.

6. **Dilution risk.** ENRS's business model is highly capital-intensive. An acceleration of the growth plan or the need for a higher level of investment due to the appearance of new projects, could mean a need for new capital that would require the company to look to the market again to fund this growth with potential dilution for shareholders.

   In July 2022, and despite the macro and market situation, ENRS signed a financing agreement with Inveready for EUR 6Mn involving the issuance of convertible bonds (at a price of EUR 6.8/share; convertible 18 months after the signing of the agreement). In our view, this deal underlines ENRS' ability to turn to the market to continue funding growth.

7. **Interest rate hikes** Our estimates envisage a high level of investment over 2022e-2024e. This will obviously be reflected in the company's net debt (2023e net debt: EUR 103.6Mn; 2023e ND/EBITDA 6x) and financial expenses (2023e: EUR 4Mn).

   Recent rate hikes will mean a higher cost of financing for companies. An increase in the cost of ENRS's debt to 8% (vs 6.5% in our central scenario) would mean an increase of c. 25% in the company's financial costs (that would reduce 2023e net profit by c. -10% and increase 2023e.

8. **Forex risk.** ENRS is exposed to forex risk due to its exposure to Latam countries (c. 64% of 2021 revenue was generated in Brazil and c. 34% in Chile) and there are no hedges that mitigate the impact on the bottom of the P&L (impact of forex differences in 2021: c. 12% of EBIT). Increased exposure to countries outside the Eurozone (80% of the development pipeline and 100% of the EPC business' orderbook) will bring with it higher forex risk (currently concentrated in currencies such as the Brazilian real and the Chilean peso).

9. **Concentration of the pipeline.** At present, c. 80% of ENRS' pipeline is in Latam (c.70% of the total in Brazil), that in itself implies a risk to the extent that there is over exposure to a region classified as emerging (the yield on the 10y Brazilian government bond is c. 13% at the date of this report).

10. **Tough competition for new projects.** The high growth expected for the renewables sector is making it increasingly competitive. This could hinder the generation of new projects or reduce the IRR of the projects acquired.

11. **Risk from regulatory changes**. The renewable energy sector is highly regulated. Any change in the current regulatory framework of the markets in which ENRS operates could have a direct impact on its FCF generating ability.

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A balanced board: 60% owners – 40% independents

Joatham Grange (founder) and Antoni Gasch (who has been with the company since 2012) are both core shareholders (19.2% of capital each), members of the Board of Directors and hold executive positions (CEO and VP of Engineering and Operations, respectively). Tomàs Casanovas (Open Learning; 9.9% stake) is the Chair of the Board of Directors (non executive). The key aspects of ENRS's corporate governance are:

1. **A balanced Board of Directors.** Between April 2021 and February 2022, ENRS renewed its Board: at present this is comprised of 8 members (vs 7 in 2021). This renovation has resulted in a larger weighting of independent directors (37.5% today vs 12.5% in 2020; Table 11).

   With no "purely" executive directors (that's to say, without shareholdings) the Board of Directors comprises five proprietary directors (two of whom are also executives) and three independents. According to the company's bylaws, the position of director is held for a maximum term of 4 years, renewable for periods of equal duration with no limit to the number of terms a director may serve.

   All together, the Board controls 62.8% of capital (Table 10) that, in principle, implies close alignment with the interests of minority shareholders.

Table 9. Shareholder structure

Nombre	Total
Joatham Grange	19.2%
Antoni Gasch	19.2%
Demonte Energy Investments	11.5%
Tomàs Casanovas	9.9%
Alternative Green Energy	8.3%
Otros inversores	12.3%
Free Float	19.7%
TOTAL	100.0%

Note: Other investors include the shareholdings of Francisco Javier García-Mateo (5.9% through Vernon Inversiones & Wilcox Corp) and Alejandro Alorda (6.4% through Mass Investments ARK 2021).

Table 10. Board of Directors

Name	Category	Date	%Capital
Tomàs Casanovas (Open Learning)	Executive	2021	9.9%
Pedro Nueno	Independient	2021	0.0%
Joatham Grange (Loptevi Investments)	Propietary	2021	19.2%
Antoni Gasch (Antonio Gasch Investments)	Propietary	2021	19.2%
Luis Felipe Suárez (Demonte Investments)	Propietary	2021	8.8%
Francisco Javier García-Mateo	Propietary	2021	5.9%
Anna María Birulés	Independient	2021	0.0%
Lidan Qi Zhou	Independient	2022	0.0%
Silvia López Jiménez	NonBoard Member Secretary	2022	0.0%
Total			62.8%

Table 11. Key corporate governance indicators

KPI	2020	2021	Today
% of independent directors	12.5%	28.6%	37.5%
% of proprietary directors	87.5%	71.4%	62.5%
% of executive directors*	0.0%	0.0%	0.0%
% of women on the board of directors	12.5%	12.5%	25.0%
% Remuneration of the board/personnel costs	11.9%	8.2%	*n.a*
Number of confirmed cases of corruption	0.0	0.0	0.0

*Note: In addition to being proprietary directors, Joatham Grange Sabaté and Antoni Gasch Domenjó also carry out executive functions, holding the positions of CEO and VP of Engineering and Operations, respectively.

2. **Remuneration of the Board of Directors.** In 2021 the remuneration of the Board of Directors amounted to EUR 0.3Mn (c. 8% of personnel costs; in line with 2020). The remuneration established for each director from 2022 (after the company's listing on BME Growth) comprises fixed remuneration of EUR 48 thousand and variable remuneration of up to EUR 30 thousand (depending on the extent to which the Business Plan is achieved; MWs coming on stream).

3. **Remuneration of senior management.** In 2021 and 2020 remuneration of senior management remained at levels of EUR 0.5Mn. There are 4 members of senior management. The CEO (Joatham Grange representing Loptevi Investments) has a senior management contract with annual fixed remuneration of EUR 0.2Mn and variable remuneration of EUR 0.15Mn.

   In addition, in 2022 extraordinary incentive payments were approved (because of the company's listing on BME Growth) for the board of directors, management and employees for a total value of EUR 1.9Mn. There are no commitments for complements in respect of pensions, share options, sureties or guarantees granted in favour of the Board of Directors and senior management.

4. **Golden parachute clause for the CEO.** If the senior management contract signed in July 2020 by the CEO (Joatham Grange) is terminated by ENRS before the fifth year (2025), five annual remuneration payments must be made to him by way of compensation and, after this period, four annual remuneration payments must be made.

5. **The percentage of independents has increased to c. 40% (acting as a counterbalance in the decisions of the owners).** Independent directors occupy 3 seats on the Board (37.5% of the total). The independent board members are: (i) Anna María Birulés former Spanish minister of Science and Technology (Chair of the Audit Committee), Lidan Qi Zhou, a lawyer with 20 years' experience in the import and export of commodities from Asia and (iii) Pedro Nueno (Vice-Chair of the Board and Chair of the Appointments and Remuneration Committee).

   Some 66.7% of the members of the Audit, Control and Compliance Committee and of the Appointments and Remuneration Committee are independent. The weighting of independent directors ensures a counterbalance and control in the owners' decisions, something that is of special interest during the strong investment and strategy definition stage (products, markets) facing the company.

6. **ESG policies.** In 2020 ENRS published a sustainability report reaffirming its commitment to the UN's 2030 Agenda for Sustainable Development and 10 of its principles. In this respect, it has also developed 15 specific programmes included in its 2021-2025 Sustainability Plan.

   It also has corporate policies in the three aspects of ESG: (i) Environmental (in addition to the alignment of the activity with environmental goals and an environmental policy, the company has specific plans to reduce polluting elements in the manufacture and installation of solar panels), (ii) Social (a programme to attract and retain talent, and a plan for achieving pay equity) and (iii) Corporate Governance (with the goal of transparent corporate governance in decision-making, a Code of Ethics and Disciplinary Code, and an anti-corruption policy). At the date of this report, 25% of board members are women (vs the 40% recommended by the Code of Good Governance for 2022; 30% in 2021).

7. **No shareholder remuneration.** ENRS has no dividend policy and does not expect to pay one in coming years. Today, the focus of the business is on developing and building the pipeline (+4.5 GW of PV projects) in order to be able to operate as an independent power producer (IPP); that will require capital.

8. **Balances and transactions with related parties.** The main item in this respect is loans granted to related companies for EUR 1.1Mn in 2021 (of which EUR 1Mn correspond to a loan granted to Desert Rose; a company owned by Luis Felipe Suarez Olea, member of the Board of Directors and shareholder with an 8.8% stake). There are no significant transactions with related parties.

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Intangible assets			0.0	0.0	0.1	0.1	0.1	0.1
Fixed assets			0.1	0.1	0.6	35.0	116.1	234.8
Other Non Current Assets			0.1	0.3	1.1	1.1	1.1	1.1
Financial Investments			0.1	2.1	2.2	2.2	2.2	2.2
Goodwill & Other Intangilbles			-	-	-	-	-	-
Current assets			4.7	5.7	12.5	31.5	58.4	89.5
Total assets			**5.0**	**8.1**	**16.5**	**69.8**	**177.8**	**327.7**
Equity			1.7	4.1	8.2	40.3	47.9	62.2
Minority Interests			(0.1)	(0.0)	0.0	0.0	0.0	0.0
Provisions & Other L/T Liabilities			0.0	0.0	0.2	0.2	0.2	0.2
Other Non Current Liabilities			-	-	-	-	-	-
Net financial debt			2.2	3.5	2.1	15.0	103.6	225.7
Current Liabilities			1.3	0.5	6.0	14.3	26.1	39.6
Equity & Total Liabilities			**5.0**	**8.1**	**16.5**	**69.8**	**177.8**	**327.7**

P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
Total Revenues			**3.5**	**3.5**	**8.4**	**43.8**	**82.8**	**127.9**	***54.3%***	***n.a.***
Total Revenues growth			*n.a.*	*-1.3%*	*141.4%*	*422.7%*	*89.0%*	*54.4%*		
Opex			(3.3)	(3.5)	(7.9)	(41.0)	(65.6)	(91.0)		
Recurrent EBITDA			**0.2**	**(0.1)**	**0.5**	**2.9**	**17.3**	**36.9**	***58.3%***	***n.a.***
Recurrent EBITDA growth			*n.a.*	*-129.7%*	*942.4%*	*462.5%*	*505.4%*	*113.5%*		
Rec. EBITDA/Revenues			*5.8%*	*n.a.*	*6.0%*	*6.5%*	*20.8%*	*28.8%*		
Restructuring Expense & Other non-rec.			(0.0)	0.0	(0.3)	-	-	-		
EBITDA			**0.2**	**(0.1)**	**0.2**	**2.9**	**17.3**	**36.9**	***7.2%***	***n.a.***
Depreciation & Provisions			(0.0)	(0.0)	(0.1)	(0.7)	(3.0)	(7.0)		
Capitalized Expense			-	-	-	-	-	-		
Rentals (IFRS 16 impact)			-	-	-	-	-	-		
EBIT			**0.2**	**(0.1)**	**0.2**	**2.1**	**14.2**	**29.8**	***-4.5%***	***n.a.***
EBIT growth			*n.a.*	*-147.7%*	*290.9%*	*n.a.*	*566.5%*	*109.5%*		
EBIT/Revenues			*5.6%*	*n.a.*	*2.2%*	*4.9%*	*17.2%*	*23.3%*		
Impact of Goodwill & Others			-	-	-	-	-	-		
Net Financial Result			(0.1)	(0.2)	(0.3)	(0.7)	(4.0)	(10.9)		
Income by the Equity Method			-	-	-	-	-	-		
Ordinary Profit			**0.1**	**(0.3)**	**(0.1)**	**1.4**	**10.2**	**19.0**	***-74.1%***	***n.a.***
Ordinary Profit Growth			*n.a.*	*-398.3%*	*65.5%*	*n.a.*	*620.9%*	*85.6%*		
Extraordinary Results			-	-	-	(3.0)	-	-		
Profit Before Tax			**0.1**	**(0.3)**	**(0.1)**	**(1.6)**	**10.2**	**19.0**	***-74.1%***	***n.a.***
Tax Expense			(0.1)	0.2	(0.2)	(0.4)	(2.6)	(4.7)		
Effective Tax Rate			*77.2%*	*n.a.*	*n.a.*	*n.a.*	*25.0%*	*25.0%*		
Minority Interests			(0.0)	(0.0)	(0.0)	-	-	-		
Discontinued Activities			-	-	-	-	-	-		
Net Profit			**0.0**	**(0.2)**	**(0.3)**	**(2.0)**	**7.7**	**14.2**	***n.a.***	***n.a.***
Net Profit growth			*n.a.*	*n.a.*	*-68.4%*	*-560.2%*	*487.7%*	*85.6%*		
Ordinary Net Profit			**0.1**	**(0.3)**	**0.2**	**1.4**	**7.7**	**14.2**	***60.1%***	***n.a.***
Ordinary Net Profit growth			*n.a.*	*-645.8%*	*147.0%*	*793.4%*	*440.7%*	*85.6%*		

Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
Recurrent EBITDA						**2.9**	**17.3**	**36.9**	***58.3%***	***n.a.***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(10.6)	(15.2)	(17.6)		
Recurrent Operating Cash Flow						**-7.8**	**2.1**	**19.3**	***48.2%***	***n.a.***
CAPEX						(30.1)	(79.1)	(125.7)		
Net Financial Result affecting the Cash Flow						(0.7)	(4.0)	(10.9)		
Tax Expense						(0.4)	(2.6)	(4.7)		
Recurrent Free Cash Flow						**(38.9)**	**(83.6)**	**(122.1)**	***13.5%***	***n.a.***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(5.0)	(5.0)	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(3.0)	-	-		
Free Cash Flow						**(46.9)**	**(88.6)**	**(122.1)**	***38.3%***	***n.a.***
Capital Increase						34.0	-	-		
Dividends						-	-	-		
Net Debt Variation						**12.9**	**88.6**	**122.1**		

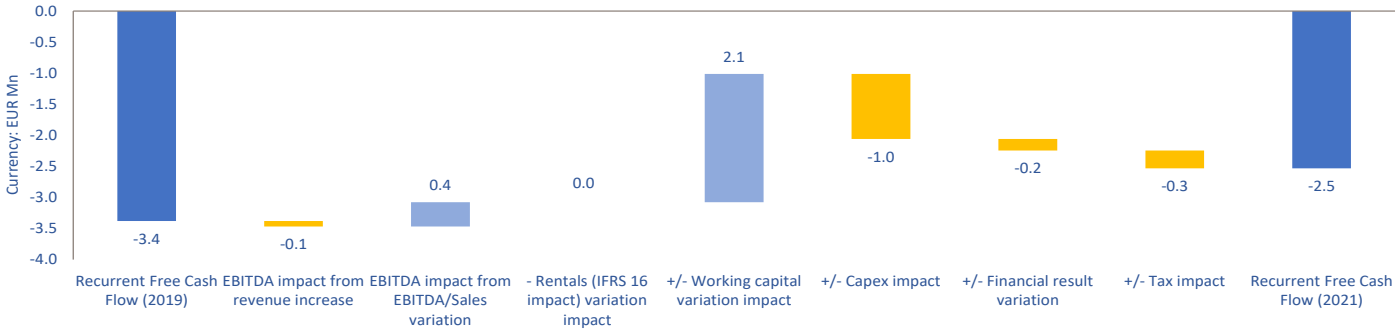
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
Recurrent EBITDA		**0.2**	**(0.1)**	**0.5**	**2.9**	**17.3**	**36.9**	***58.3%***	***n.a.***
Recurrent EBITDA growth		*n.a.*	*-129.7%*	*942.4%*	*462.5%*	*505.4%*	*113.5%*		
Rec. EBITDA/Revenues		*5.8%*	*n.a.*	*6.0%*	*6.5%*	*20.8%*	*28.8%*		
- Rentals (IFRS 16 impact)		-	-	-	-	-	-		
+/- Working Capital increase		(3.4)	(1.7)	(1.4)	(10.6)	(15.2)	(17.6)		
= Recurrent Operating Cash Flow		**(3.2)**	**(1.8)**	**(0.9)**	**(7.8)**	**2.1**	**19.3**	***48.2%***	***n.a.***
Rec. Operating Cash Flow growth		*n.a.*	*45.2%*	*51.0%*	*-793.3%*	*126.5%*	*839.2%*		
Rec. Operating Cash Flow / Sales		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*2.5%*	*15.1%*		
- CAPEX		(0.1)	(4.3)	(1.1)	(30.1)	(79.1)	(125.7)		
- Net Financial Result affecting Cash Flow		(0.1)	(0.1)	(0.3)	(0.7)	(4.0)	(10.9)		
- Taxes		(0.0)	(0.0)	(0.3)	(0.4)	(2.6)	(4.7)		
= Recurrent Free Cash Flow		**(3.4)**	**(6.2)**	**(2.5)**	**(38.9)**	**(83.6)**	**(122.1)**	***13.5%***	***n.a.***
Rec. Free Cash Flow growth		*n.a.*	*-83.1%*	*59.1%*	*n.a.*	*-114.8%*	*-46.0%*		
Rec. Free Cash Flow / Revenues		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
- Restructuring expenses & others		-	-	-	-	-	-		
- Acquisitions / + Divestments		-	0.0	1.2	(5.0)	(5.0)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	-	-	(3.0)	-	-		
= Free Cash Flow		**(3.4)**	**(6.2)**	**(1.3)**	**(46.9)**	**(88.6)**	**(122.1)**	***38.3%***	***n.a.***
Free Cash Flow growth		*n.a.*	*-82.8%*	*79.2%*	*n.a.*	*-88.8%*	*-37.7%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
Free Cash Flow Yield (s/Mkt Cap)		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		

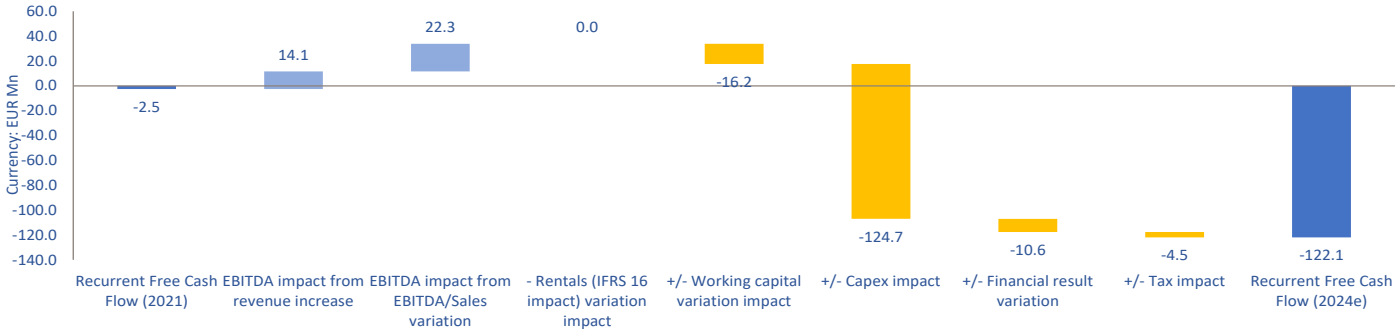
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2018	2019	2020	2021	2022e	2023e	2024e
Recurrent FCF(FY - 1)			**(3.4)**	**(6.2)**	**(2.5)**	**(38.9)**	**(83.6)**
EBITDA impact from revenue increase			(0.0)	(0.1)	2.1	2.5	9.4
EBITDA impact from EBITDA/Sales variation			(0.3)	0.7	0.2	11.9	10.2
= Recurrent EBITDA variation			**(0.3)**	**0.6**	**2.3**	**14.4**	**19.6**
- Rentals (IFRS 16 impact) variation impact			-	-	-	-	-
+/- Working capital variation impact			1.7	0.3	(9.2)	(4.6)	(2.4)
= Recurrent Operating Cash Flow variation			**1.5**	**0.9**	**(6.9)**	**9.8**	**17.2**
+/- CAPEX impact			(4.2)	3.2	(29.0)	(49.0)	(46.6)
+/- Financial result variation			(0.1)	(0.1)	(0.4)	(3.3)	(6.8)
+/- Tax impact			0.0	(0.3)	(0.1)	(2.2)	(2.2)
= Recurrent Free Cash Flow variation			**(2.8)**	**3.7**	**(36.4)**	**(44.7)**	**(38.4)**
Recurrent Free Cash Flow			**(6.2)**	**(2.5)**	**(38.9)**	**(83.6)**	**(122.1)**

C) "FCF to the Firm" (pre debt service) (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
EBIT		**0.2**	**(0.1)**	**0.2**	**2.1**	**14.2**	**29.8**	***-4.5%***	***n.a.***
** Theoretical Tax rate*		*30.0%*	*0.0%*	*0.0%*	*0.0%*	*25.0%*	*25.0%*		
= Taxes (pre- Net Financial Result)		(0.1)	-	-	-	(3.6)	(7.5)		
Recurrent EBITDA		**0.2**	**(0.1)**	**0.5**	**2.9**	**17.3**	**36.9**	***58.3%***	***n.a.***
- Rentals (IFRS 16 impact)		-	-	-	-	-	-		
+/- Working Capital increase		(3.4)	(1.7)	(1.4)	(10.6)	(15.2)	(17.6)		
= Recurrent Operating Cash Flow		**(3.2)**	**(1.8)**	**(0.9)**	**(7.8)**	**2.1**	**19.3**	***48.2%***	***n.a.***
- CAPEX		(0.1)	(4.3)	(1.1)	(30.1)	(79.1)	(125.7)		
- Taxes (pre- Financial Result)		(0.1)	-	-	-	(3.6)	(7.5)		
= Recurrent Free Cash Flow (To the Firm)		**(3.3)**	**(6.0)**	**(2.0)**	**(37.8)**	**(80.6)**	**(113.9)**	***23.4%***	***n.a.***
Rec. Free Cash Flow (To the Firm) growth		*n.a.*	*-80.5%*	*67.5%*	*n.a.*	*-113.2%*	*-41.3%*		
Rec. Free Cash Flow (To the Firm) / Revenues		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
- Acquisitions / + Divestments		-	0.0	1.2	(5.0)	(5.0)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	-	-	(3.0)	-	-		
= Free Cash Flow "To the Firm"		**(3.3)**	**(6.0)**	**(0.7)**	**(45.8)**	**(85.6)**	**(113.9)**	***53.5%***	***n.a.***
Free Cash Flow (To the Firm) growth		*n.a.*	*-80.3%*	*88.0%*	*n.a.*	*-86.9%*	*-33.1%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		
Free Cash Flow "To the Firm" - Yield (o/EV)		*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*		

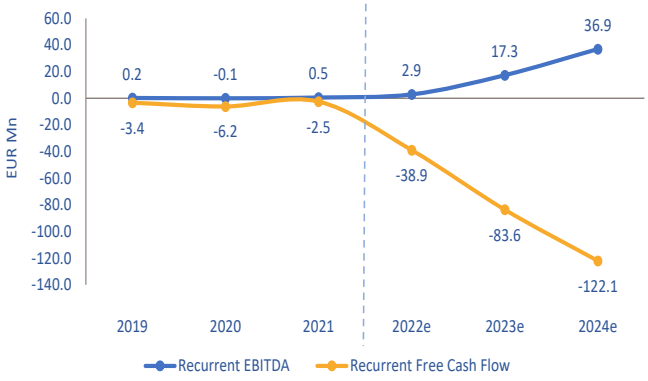
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



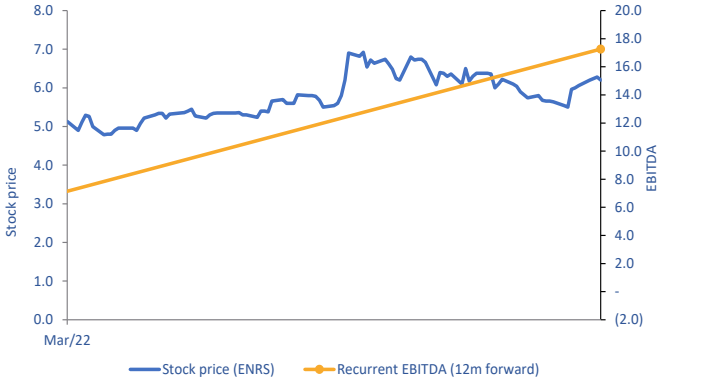
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	231.4	
+ Minority Interests	0.0	12m Results 2021
+ Provisions & Other L/T Liabilities	0.2	12m Results 2021
+ Net financial debt	2.1	12m Results 2021
- Financial Investments	2.2	12m Results 2021
+/- Others(1)	(24.0)	Lighthouse 2022
Enterprise Value (EV)	**207.5**	

(1) Others includes: (i) EUR 34Mn capital increase at the time of its placement and (ii) EUR 10Mn pending to be paid for the projects acquired in Italy and Spain.

Appendix 4. Main peers 2022e

		Renewable Energy companies in Spain					Renewable energy companies					
	EUR Mn	Solaria	Grenergy	Greenalia	Ecoener	Average	Neoen	Voltalia	Scatec	Greenvolt	Average	ENRS
Market data	Ticker (Factset)	SLR-ES	GRE-ES	GRN-ES	ENER-ES		NEOEN-FR	VLTSA-FR	SCATC-NO	GVOLT-PT		ENRS-ES
	Country	Spain	Spain	Spain	Spain		France	France	Norway	Portugal		Spain
	Market cap	2,783.9	1,155.9	371.4	347.4		4,572.9	1,979.0	1,750.2	1,238.6		231.4
	Enterprise value (EV)	3,347.0	1,442.2	522.3	453.8		7,508.5	2,782.3	3,541.6	1,563.8		207.5
Basic financial information	Total Revenues	182.9	216.2	108.0	103.8		433.0	437.9	376.7	235.1		43.8
	Total Revenues growth	*92.4%*	*162.0%*	*17.8%*	*62.2%*	*83.6%*	*29.8%*	*-5.1%*	*23.2%*	*67.1%*	*28.8%*	*422.7%*
	2y CAGR (2022e - 2024e)	*36.4%*	*29.1%*	*28.8%*	*29.1%*	*30.9%*	*20.0%*	*15.9%*	*30.4%*	*53.5%*	*30.0%*	*70.8%*
	EBITDA	154.6	74.5	51.5	76.7		372.3	194.1	255.0	103.7		2.9
	EBITDA growth	*73.6%*	*78.5%*	*27.9%*	*80.1%*	*65.0%*	*30.0%*	*52.2%*	*18.5%*	*82.6%*	*45.8%*	*n.a.*
	2y CAGR (2022e - 2024e)	*35.1%*	*53.4%*	*44.2%*	*32.4%*	*41.3%*	*18.7%*	*26.5%*	*33.3%*	*58.5%*	*34.3%*	*n.a.*
	EBITDA/Revenues	*84.5%*	*34.5%*	*47.7%*	*73.9%*	*60.1%*	*86.0%*	*44.3%*	*67.7%*	*44.1%*	*60.5%*	*6.5%*
	EBIT	124.4	58.1	35.6	58.8		227.4	108.7	76.5	70.8		2.1
	EBIT growth	*81.1%*	*67.8%*	*12.8%*	*101.2%*	*65.7%*	*27.1%*	*63.9%*	*-42.6%*	*130.4%*	*44.7%*	*n.a.*
	2y CAGR (2022e - 2024e)	*33.4%*	*49.4%*	*44.6%*	*34.3%*	*40.4%*	*18.8%*	*34.2%*	*97.1%*	*71.2%*	*55.3%*	*n.a.*
	EBIT/Revenues	*68.0%*	*26.9%*	*33.0%*	*56.6%*	*46.1%*	*52.5%*	*24.8%*	*20.3%*	*30.1%*	*31.9%*	*4.9%*
	Net Profit	82.1	30.8	13.7	39.6		65.1	29.6	(53.2)	30.8		(2.0)
	Net Profit growth	*71.0%*	*88.7%*	*-4.8%*	*146.1%*	*75.2%*	*58.7%*	*n.a.*	*-236.2%*	*284.6%*	*35.7%*	*-560.2%*
	2y CAGR (2022e - 2024e)	*28.7%*	*47.2%*	*50.9%*	*33.7%*	*40.1%*	*25.1%*	*53.6%*	*89.4%*	*97.8%*	*66.5%*	*n.a.*
	CAPEX/Sales %	*264.9%*	*168.1%*	*231.7%*	*124.5%*	*197.3%*	*203.0%*	*118.0%*	*85.5%*	*83.5%*	*122.5%*	*68.6%*
	Free Cash Flow	(388.9)	(277.5)	(190.4)	(76.7)		(620.7)	(425.4)	(73.9)	(118.7)		(46.9)
	Net financial debt	879.6	543.3	634.6	389.9		2,947.2	1,168.0	1,754.9	275.7		15.0
	ND/EBITDA (x)	5.7	7.3	12.3	5.1	7.6	7.9	6.0	6.9	2.7	5.9	5.3
	Pay-out	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*14.4%*	*2.3%*	*-87.0%*	*0.0%*	*-17.6%*	*0.0%*
Multiples and Ratios	P/E (x)	35.2	36.2	25.8	8.7	26.5	80.1	70.1	n.a.	38.2	62.8	n.a.
	P/BV (x)	8.7	5.3	8.4	1.9	6.1	3.7	3.0	2.1	2.8	2.9	5.7
	EV/Revenues (x)	18.3	6.7	4.8	4.4	8.5	17.3	6.4	9.4	6.7	9.9	4.7
	EV/EBITDA (x)	21.6	19.4	10.1	5.9	14.3	20.2	14.3	13.9	15.1	15.9	n.a.
	EV/EBIT (x)	26.9	24.8	14.7	7.7	18.5	33.0	25.6	46.3	22.1	31.7	n.a.
	ROE	*24.8*	*14.6*	*32.6*	*22.3*	*23.6*	*4.6*	*4.2*	*n.a.*	*7.2*	*5.4*	*n.a.*
	FCF Yield (%)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
	DPS	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.10*	*0.01*	*0.29*	*0.00*	*0.10*	*0.00*
	Dvd Yield	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.2%*	*0.0%*	*2.6%*	*0.0%*	*0.7%*	*0.0%*

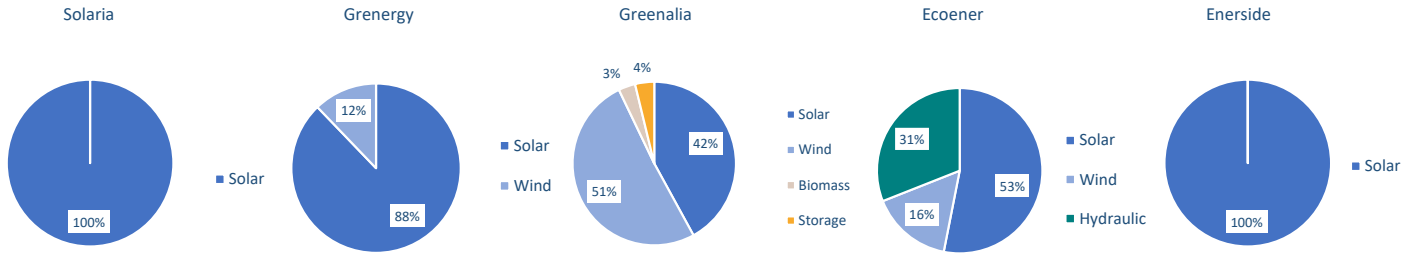
Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers (II)

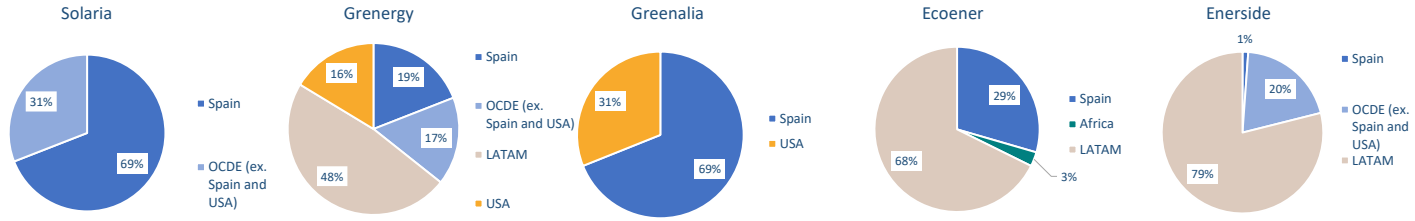
	Solaria		Grenergy		Greenalia		Ecoener*		Enerside	
Projects in Operation	**807**	**MW**	**541**	**MW**	**125**	**MW**	**171**	**MW**	**0**	**MW**
Pipeline	**15,446**	**MW**	**11,513**	**MW**	**4,492**	**MW**	**1,665**	**MW**	**4,571**	**MW**
Pipeline by degree of progress										
Identified (25%probability)	3,963	25.7%	4,728	41.1%	0		0		0	
Early Stage (50%probability)	1,175	7.6%	2,567	22.3%	989	22.0%	953	57.2%	1,746	38.2%
Advanced (75%probability)	3,523	22.8%	2,746	23.9%	0		294	17.7%	2,756	60.3%
Backlog (90%probability)	5,535	35.8%	811	7.0%	2,529	56.3%	275	16.5%	0	
Construction (100%probability)	1,250	8.1%	661	5.7%	974	21.7%	143	8.6%	69	1.5%
Pipeline by technology										
Solar	15,446	100.0%	10,111	87.8%	1,888	42.0%	884	53.1%	4,571	100.0%
Wind			1,402	12.2%	2,284	50.8%	265	15.9%		
Biomass					150	3.3%				
Hydraulic							516	31.0%		
Storage					170	3.8%				
Pipeline by Country										
Spain	10,671	69.1%	2,197	19.1%	3,097	68.9%	210	29.5%	50	1.1%
Brazil									3,277	71.7%
Chile			2,891	25.1%					197	4.3%
Colombia			1,457	12.7%			242	34.0%		
USA			1,882	16.3%	1,395	31.1%				
Italy	4,060	26.3%	768	6.7%					878	19.2%
Kenya							20	2.8%		
Peru			1,177	10.2%						
Poland			628	5.5%						
Portugal	715	4.6%								
Dominican Republic							240	33.7%		
UK			513	4.5%						
Uruguay									169	3.7%
EV	**3,347**	**Mn**	**1,442**	**Mn**	**522**	**Mn**	**454**	**Mn**	**209**	**Mn**
EV/MW (operation + pipeline)	*205.9*	EUR Thsnd	*119.6*	EUR Thsnd	*113.1*	EUR Thsnd	*247.2*	EUR Thsnd	*45.7*	EUR Thsnd
EV/MW in operation + pipeline (weighted by degree of progress)	*297.3*	EUR Thsnd	*223.4*	EUR Thsnd	*135.0*	EUR Thsnd	*360.6*	EUR Thsnd	*69.5*	EUR Thsnd

* Note Ecoener: does not include Early Stage breakdown by country.

Pipeline by technology



Pipeline by country



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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Jul-2022	n.a.	6.20	n.a.	n.a.	Initiation of Coverage	David López Sánchez