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O [00:03] Good morning, ladies and gentlemen and welcome to the Encavis AG conference call regarding the interim statement for Q1 2023. At this time, all participants have been placed on a listen-only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to Christoph Husmann.

CH Good morning, ladies and gentlemen. A warm welcome on these first summer days to our Q1 2023 financial results, which were released this morning. Before we go into the details of Q1, my colleague Mario Schirru will guide you through the achievements of 2023 so far. Mario?

MS Thank you, Christoph. Beginning with the... let's go through the highlights of the first quarter and let's start with the buildout, which has been quite successful. In Q1 we have announced acquisition of projects totalling 209.2 megawatts. [01:00] Out of these 11.2 have been contributed by a German wind farm, 105 by a German solar park, and recently we have also announced additional 93 megawatts of capacity to be built in Italy. All of the projects will be built throughout the year and will start contributing to our financial figures over the year or actually, in the Italian case, even in the next one, but it has been a very good start in the year.

To be totally honest, the first two projects still count for the goals that we have set in 2022, the 500 megawatt that we reached. Given the fact that the acquisitions and the negotiations were advanced and it was just the finalisation of the acquisition that was left for the year. We have also placed a green promissory bond. [02:01] It has been a success since we managed to raise four times the volume that we initially envisaged and the total is 210 million. This will give us enough fuel for our growth this year and we are very, very happy that this has worked out so well in a situation which was quite difficult on the market. We are proceeding with integration of Stern Energy, in particular we have extended the management board. Now we have two members of Encavis AG sitting on the board, plus Encavis has nominated additional three members, so we have a strong majority. Things are going very well. We have established several working groups to work on the projects that we are tackling this year.
[03:00]
One thing we are very proud of is, and this is just an example of what this collaboration and this integration can bring, we have managed to increase the capacity of one existing solar plant by 41% simply by exchanging modules that were older and less performant and this is just as I said before, one of the many advantages that this stronger collaboration with Stern can give us. We have also had a good start of the year looking at the Encavis Asset Management. There we have closed; we have advised on transaction totalling23.6 megawatts, so things have had a good start also in that segment and we are more than confident that this year will be a successful year again. One thing that is important, if you look at page six then [04:00], this graph

shows you the actual capacity that will be contributing to the figures in 2023. These are the plants that we have acquired and are already connected to the grid or were already connected to the grid by the end of 2022. It's a total of 268 megawatts. As I said before, many of the projects that we have announced last year and this year are in construction or are soon going to be built. So, this is just to provide clarity on what the figures will be based on in this year.

CH Thank you very much, Mario. Well, ladies and gentlemen, we released our Q1 figures this morning, and we released revenue increase by 9% from net, that means after price caps, from 90.4 million up to 98.8 million, which is a plus of 8.4 million. [05:00] Well, how did these figures evolve and to understand these figures better, it is very important to go into the details of the energy production. In our existing portfolio we have seen a decrease of the energy production by 5% and this is due to the poor weather conditions specifically in wind, but as well in PV in Germany, Italy, France, UK and Netherlands, but only positive development in Spain compared to the Q1 of last year. This is no trend; this is just a quarterly figure and there is no basis on that to forecast any deviation to the future. So, April and specifically May are very sunny already again. So having said that, we suffered here 5% decrease in energy production, [06:00] but that was more than overcompensated by our new acquisitions, like Mario just pointed out, the 268 megawatt we connected to the grid during the course of last year.

This Q1 now produce electricity that overcompensates not only the shortfall due to meteorological conditions, but in total we have an up by 6% compared to previous year, which is 43 gigawatt hours more than last Q1. This plus 6% of energy production then result in, again, revenues increase by 9% and this is boosted by our new acquisitions as I pointed out and fully reflects Stern acquisition which we fully consolidated in Q4 last year and now for the first time is fully incorporated in our figures of Q1 [07:00]. As well as usual, we have a delayed remuneration from our Dutch PV portfolio, which is including these figures as well. So, this up of 9% in revenues is not fully reflected in the EBITDA.

The EBITDA is on the level of Q1 last year, but I would like to remind you that this is exactly more or less what we expected. You remember during our explanations of the guidance of 2023 we have shown you that the EBITDA margin in the group will slightly shrink compared to previous years. Within the PV and wind business we will stick and keep more than 75% of EBITDA margin, but with the more and bigger additions of service business to our group which come along with the usually lower EBITDA margin, there [08:00] is some group level dilution of the EBITDA margin. And this is somewhat more extreme in this Q1, but this has just a technical reason. As Mario pointed out, we are currently, ongoingly integrating Stern into our business and here there are some learning curves for both sides and one is that Stern is a privately held company, which in the past was not used to release their Q figures so early. And in the increasing number of project related businesses like revamping, like repowering, they need now to do a percentage of completion method to reflect the margin with the ongoing revenues. As a matter of fact, they were not able to do so now in Q1 and therefore the revenues of that project related business [09:00] is at cost, that means without any margin. That's the reason why we see later on that in Q1, but only for that technical reason, and this should be one time of only, there is only a 6% margin in Stern business. We expect that we will correct that percentage of completion within the Q2 or Q3 and they will come up to more or less 18% as they were announced in the guidance 2023. So, there will be at least a million or more of EBITDA than reflected for Q1. The operating EBIT grew than by 1%. Here we have the same effect as in the EBITDA with Stern. The operating cash flow shows 51.8 million, which is 30 million below Q1 of last year. I would like to recall what I told you in Q1 2022 [10:00] when we have shown you that for the first time in operating cash flow, which was exceeding the EBITDA in that quarter, which was quite unusual for growth business, having in mind that there are some delays in the payments usually compared to the EBITDA you earn. And the point was that we had pretty high prices already seen in the Spanish market in Q4 2021 and Q1 2022, and we cashed in all the revenues from selling the electricity under a financial PPA in the market and the compensational payments we owed to the off-takers, that was paid out later. So, the trade payables increased tremendously in Q1 2022. And that is the effect where the operating cash flow was somewhat boosted temporarily last year [11:00]. Compared to that and since the electricity prices are somewhat down now compared to last year's Q1, there are no such delayed out payments on our side and therefore the operating cash flow is lower than last year, but if you compare Q1 2023 operating cash flow with Q1 2021 operating cash flow, there you see the growth of the company which we have. So it is just 2022 which was slightly and somewhat higher than usual. The operating earnings per share is increasing again. We had an outstandingly good result in Q1 2022 and we exceeded that now with 13%. The reason for that is that the interest costs of the parks is further reducing by further amortisation of high interest carrying debt. [12:00]

Ladies and gentlemen, if we compare then our reported figures with the average of the consensus, then we do see that the figures are somewhat even better than your high expectations. So, we are in net revenues 10% above the expectation. The same applies to the EBITDA and even 23% in EBIT better than expected. In both figures EBITDA and EBIT, we are on or even above the most extreme top consensus estimate of one of your colleagues. So, these figures are very well, the same applies to the operating EPS.

If we then have a look into our segments, well with the growth of the PV services with the first reflection of the Stern figures in our group and the boost of the revenues there from [13:00] 1.1 to 10.3 million, representing 10% of our revenues, for sure the other segments have to meltdown. The solar parks with the hefty investments of 199 megawatt of new connected to the grid parks as Mario pointed out, keeps the portion of revenues on the level of 57-56%. The wind farms where we have only approximately 20% of our new capacities included here is decreasing from 39 to 31% in revenues top line. Asset management keeps on the same level of 4%.

The margins are coming or returning to usual levels which we have seen before the year 2022. Solar firms have an increase of the operating EBITDA margin of 74%, yet it is currently below 75% but it is Q1 which is not so sunny. [14:00] So in Q2 and Q3 the operating EBITDA margin will be far higher than 75%. So that in years average it will reach that target. And the wind firms come down somewhat from 86 to 80% coming back to normal. PV services having 6% EBITDA margin. I think I explained what is going on there.

Let's go into the segments. Well, first of all we have an increase of revenues, here we have a shortfall of the power production by 4%. So here we lose more or less 14 gigawatt hours compared to previous Q1 2022. But we have new additions to the grid and here we have in the low radiation quarter already almost 9 gigawatt hours of new energy production in Italy, [15:00] Netherlands, Denmark and Sweden. As with these new acquisitions the operating EBITDA margin as a point out came back. The power prices were slightly below last year's Q1 level but on plans level. As a matter of fact, we have seen when we talk about the power prices were below last year's figures, then we are talking and referring to the prices we have seen the markets which could realise with a few open positions we are having. But I would like to point out that due to our policy of closing some of the merchant positions via short term PPAs, we were able for instance, to earn in our UK portfolio 2 million euros more of revenues this year compared to Q1 last year without any meaningful addition in PV and that due to securing higher power prices by our short term PPAs. And we have the [16:00] delayed enumeration in the

Netherlands included here. In the wind portfolio, we see a decline of the revenues by 11% and that is mostly driven in this usually very windy quarter by a 6% lower power production compared to Q1 last year. So here we lose 22 gigawatt hours of energy production due to meteorological regions, but that is by power production level overcompensated by the newly acquired Lithuanian wind farms with 69 kilowatt our product. Due to lower power prices, we have seen in Q1 in these different jurisdictions we have then a lower EBITDA margin of 80%.

Well, in Stern we show you split revenues as well, but honestly said when we talk of net [17:00] revenue, this on the left side, the 10.2 are the total revenues of Stern and on the right-hand side the 8.2 million are the external revenues, meaning that 2.1 million euros of revenues are done internally and are not shown in the group P&L. So, they will be consolidated. Here we see a sharp increase in that segment due to the first reflection of the Stern acquisition in our figures. And again, just remind you the project related revenues are included, but the margin is understated because it is consolidated at cost only. The asset management business is developing like usual. So, although there are someturbulences in the market and the interest rates are turbulent [18:00] in these days, it is that the appetite of our customers for investment into renewables is still there. So, we have seen in these days growth and the revenues of the asset management compared to Q1 2022 that the operating EBITDA margin is shrinking slightly is just that we hired some new people to better serve our customers and to foster the growth of the company. They are already there. The revenues will come over the year. So here we stick to our guidance as well, but there are some slightly shrinking EBITDA in Q1.

In our last, well it's hard to call this a segment, here we have a mixture of headquarters as well as the consolidation of the internal revenues of Stern with our PV segment, so, the negative revenues here is purely the [19:00] consolidation effect. In total the cost within the headquarters in Q1 2023 are lower than in 2022.

Ladies and gentlemen, these were the figures of Q1 and now I would like to flip over to page 19 because as we already ligned out the guidance to you in a call not too far away from now, so therefore, our job is today to reconfirm to you our guidance which we placed in the market in March. So, we are confident that we will reach our revenues of more than 440 million euros net, with an EBITDA of more than 310 million euros and an EBIT of more than 185 million and earnings per share of 60 euro cents. The operating cash flow of 280 million euros we certainly confirm as well. [20:00] Ladies and gentlemen, thank you very much for listening and now we are open to your questions.

O Ladies and gentlemen, we will now begin the Q&A session. If you would like to ask a question, please press nine and * on your telephone keypad. In case you wish to withdraw your question, press nine and * a second time. This question comes from Anis Zgaya - ODDO, please go ahead with your question.

AZ Yes, good morning. Good morning, thank you for taking my question. I have two questions. First one is on the delay remuneration from the Dutch Parks. Could you please tell us how much you included in Q1 from the Dutch [21:00] delayed termination? And the second one is on capacity addition. Could you give us more colour on under construction assets and the capacity additions you are expecting in the coming quarters? Thank you.

CH Yeah, thank you very much for the question. So, I take the first one and Mario the second one. So, we are regarding the delayed renumeration of parts from the Netherlands. This is approximately 8 million euros which are included here.

AZ Thank you.

MS And in terms of capacity additions, the 268 that you see on page six have already been connected to the grid. All the other projects we have acquired so far are in construction and will be connected throughout the year [22:00] at different times of course starting with Q4 2023 and then in 2024.

AZ Okay, thank you very much.

O At the moment there seem to be no further questions. If you would like to ask a question, please press nine and * on your telephone keypad. And we have one more question coming up from Charles Swabey -HSBC, please go on with your question.

CS Hi, good morning and thank you very much for taking my question. My question is on power prices, could you comment on how capture prices have been year to date and how they compare to your estimates of 23, and then what are you seeing in forward prices for the year? Thank you.

CH [23:00] Well, as you see here on... Thank you very much for the question. As you see here on the chart, which we already produce to you during our guidance, we have shown you that there is a huge decline in power prices in all technologies and in all countries. So first of all, nothing which really should irritate all of us. The reason for that is that although there is a huge percentage wise decline, it is compared to a previous year with extremely high-power prices and now they are coming down on the level which we usually haven't seen before 2022. So, in 2021 and 2020 the power prices were far lower. So still these power prices which we see in the market or although they're declining, are very positive in supporting the IRSs of our projects. Currently we see in Q1 more or [24:00] less that the prices are on level of our expectation and we currently see that the expectations during the course of the remaining year, there are in our expectation as well, there are some countries where there are at the lower end and others are more centred in our range of expectation. But we will see how that will evolve. We see in the market that there is some optimism regarding the power prices and this is what we already always include in our guidance. But honestly said, we expect that this optimism will not necessarily evolve. We already do some warning signals in the market that there might be in the second half higher than expected power prices.

CS Thank you very much. [25:00]

M And the next question comes from on Anders Knudsen - SEB. Please go ahead with your question.

AK Yeah, good morning, guys and thank you for the update. Perhaps you could give us an update on construction cost and access to components, martials, et cetera given the very volatile world that we have improved last couple of quarters and also giving now more normal electricity prices, perhaps an update on the PPA market, that could also be interesting. Thank you.

CH Sure, thank you very much for the question. So, in terms of construction costs, we, to be honest, are quite relaxed. We've seen a little bit of increase during some periods of last year. Overall module prices are down by 7% on average in 2022. So, meaning that [26:00] despite some smaller spikes, the trend is still going in the right direction for us. We do see some, I would say, let's call it troubles or delays in the delivery of high voltage components. This is still the case. We have already started with the procurement of the components for our new projects. Since we can use these components also in several of our parts that will be built so we can place some flexible in one or the other project. But yes, here the attention on our side is very high. And in general, you also ask the question on PPAs, we see that the market is taking off again. Last year the price have been very high, yes, but the appetite has been ultimately quite low since everyone was a little bit waiting for the market to stabilise and for prices to become, yeah, [27:00] I mean for the liquidity to increase and the price to become sort of more based on traded or on actual executed contracts. So strong demand, again, prices that are still at the higher end compared to the forecast or the expectation that we had I would say two or three years ago. So also, from this point of view we are relaxed.

AK Perfect. Thank you very much. Sounds encouraging.

O The next question comes from Martin Tessier- Stifel, please go ahead with your question.

MT Yes sir. Good morning. Thank you for the presentation. One question on the Stern energy segment, could you just confirm that you said that with the accounting adjustment there should be around 1 million euro for Q1? And if this is true, could you just also [28:00] confirm on the margin that would be around 12% margin versus 28 last year. So still a decline in margin, so maybe some precision from you would be very helpful. Thank you.

CH Yeah, Martin, thank you very much for the question. Honestly said then obviously I have to say it more precisely. So, what I said is that they should have 18% margin as we have shown in the guidance. And so, it is 1 million euros more or even more, which we have to add to the EBITDA. So, it is--

MT 1.6.

CH Excuse me?

MT So, 1.6 million.

CH Yeah, Martin, I cannot say so precisely. The issue is if I knew it precisely, we would've accounted for it. The issue is that the margins have to, for every specific project, these are [29:00] several many, many margins. The projects which have to be analysed. But it should be, and this is a rough guess, 1 million euros and more, which have to be added to the currently shown EBITDA.

MT Okay. Very clear.

CH Thank you.

MT Thank you.

O So at the moment there are no more questions, so maybe just one last time if you would like to ask a question, please press now nine and * on your telephone keypad. And we have one more question from Teeresa Schinwald of Raiffeisenbank International. Please go ahead with your question.

TS Hi. Good morning. A follow up on the 8 million Euro effect of the delay of the Dutch Parks remuneration, just to get it right, this was booked in this quarter or when are the 8 million to be expected? Sorry, I'm a bit confused.

CH [30:00] They were booked. Thank you very much for the question. They were booked in Q1.

TS Thank you.

CH You're welcome.

O And now there are no more questions from the audience.

CH Okay then ladies and gentlemen, thank you very much for joining us already in the morning for our Q1 call. As usually Q1 is pretty short and not so meaningful Q2 and we will be more meaningful then we will listen and see each other at latest in August with the release of the Q2 figures. Thank you very much for dialling in. Have a good day and please stay safe and healthy. Thank you very much. Bye.