

Transcript of the Conference Call of Encavis AG

Conference Call on the preliminary, unaudited KPIs of FY 2022

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JP Jörg Peters (Head of Corporate Communications & IR), Encavis AG

JB Jan Bauer, Warburg Research

SK Sven Kürten, DZ Bank

JP: So, the recording starts now. Thank you, Christoph.

CH: Thank you, Jörg. Well, as a matter of fact, I would like now to guide you through these figures. As a matter of fact, as you might be aware of, we still had the plan to acquire 500 MW of additional capacities during the course of last year. As we already reported, we are currently at 387 MW. As a matter of fact, 105 MW are still missing. We still count them in for last year because it was a long-lasting and for many years acquisition process which was pretty intense in the course of the past year, and we are now - since the end of last year - still waiting for the approval. The approval of the 105 MW is now scheduled for the next weeks. So, we are hopefully expecting to announce this then ready-to-build status of the 105 MW project at the beginning of March. So hopefully we will reach this target then as well.

As a matter of fact, during the course of the last year we had some better wind and solar performance than in the previous year. In total our own portfolio in the Encavis Group amounted to a power production of 3.1 terawatt hours (TWh) or 3,133 gigawatt hours (GWh), which is 14% up compared to previous year.

Here two third of the energy production came from solar, which was 18% up compared to previous year. This looks to be enormous, and a very positive deviation compared to the previous year, but in 2021 we had a pretty poor solar year, and we had some additions to our portfolio in 2022. We will come to that on the next page.

As a matter of fact, compared to the previous year's plan we had only 1% of more solar production than planned. In wind we have a 6% up in the energy production now almost totaling to 1 TWh in 2022 which is 6% up, but that is 8% below plan. As a matter of fact, the whole energy production which we show here is somewhat below plan, but it is certainly above previous year.

If we then have a look more into the details of the 3.1 TWh, 2,859 out of them are from the existing portfolio which we already owned in 2021. Here we see just a 4% upward trend. You recall most likely that in the previous quarters we had higher deviations in this line because specifically the first quarter 2021 was a pretty poor weather, so it was pretty dark and not very windy, so it was a pretty lousy quarter. But the fourth quarter 2021 was really good. And so, it was not possible to be better in 2022.

Ladies and gentlemen, we added additional capacities to the Group, as I pointed out, and this increased our power production then to the 3.1 TWh.

In total, we realised revenue of 480 million euros in 2022, which is certainly above the previous year, but this came to our surprise as well. Why? On the 23rd of January of this year, the Association of Auditors (IDW) published a memo saying that the price cap mechanisms which were implemented in Europe in the last year, we were not allowed to deduct these price caps in the revenue, but have to show the revenue and the real prices realised in the market and to show the price caps as „other expenses“. So that EBITDA is not infected by it anymore, but revenue have to be shown gross and the net effect after price caps has to be deducted in „other expenses“. So, EBITDA is therefore net of such price „effects“, I mean, price „caps“, sorry.

So therefore we had to correct our revenue expectation from 455 million euros up to 480 million euros, because we had some price effects in the past year of 25 million euros. This is to a very minor extent the German price cap being effective in December last year only. But to a major extent the Italian and Spanish price caps which we accounted for since the first quarter of last year but deducted them during all three quarterly reports last year from the revenue already.

So this boosts our revenue now merely to a technical effect. The real revenue we had enjoyed in the last year were approximately 455 million euros, which is 36% more than the fiscal year 2021 or plus 122 million. These additional 122 million euros come approximately 55 million euros from prices, again, including already the price caps, 26 million euros from new acquisitions, 31 million euros from the production of the already existing portfolio and 11 million euros, half of it from the first consolidation of Stern and the other half of an improvement of our Asset Management business.

With the as I would say, commercially sound 455 million euros, the 36% increase in revenue the operating EBITDA increased by 33% in line and amounted to 340 million euros. If we then calculate the EBITDA margin on the revenue, reduced by the price caps, then we stick to our 75% EBITDA margin.

The EBIT increased accordingly by 30% to 195 million euros and the operating cash flow accordingly to 320 million euros. The accounting is not finalised yet. So, deviations in the figures are still possible, but we are confident that they will be in the end not lower than the figures which we show you here. In the end, this might come up then to an operating EPS which is above 58 eurocents, again 20% above the 48 eurocents we have seen in 2021. With these figures, we are certainly above our guidance of fiscal year 2022.

Whether we take the price-capped revenue of 455 million euros or the not price-capped 480 million euros, which we finally have to show in our books, although they do not show commercially our real revenue. All these figures are above the raised guidance 2022 and they are specifically the revenue and the EBITDA and the EBIT above our >>Fast Forward 2025 figures. With these figures, if they materialise - and again we are very confident that this will be the case - the 2022 figures will show the same strong growth of revenue, operating EBITDA and EBIT, which we have seen over the past eight years. And they are fairly above of all these figures of 2025.

When we have a look into our >>Fast Forward 2025, we promised in the beginning of 2020 to increase the capacity of our Group from at these days 1.7 GW to 3.4 GW. We are currently at constructed and already connected to the grid capacities of 2.1 GW and additional 300 MW already signed parks, which are currently under construction. So now it stands in total at 2.4 GW. So, for the last remaining three years, only 1.0 GW is missing, which would be on a run-rate of 330 MW per year, which would be below what we have realised in the past year.

With revenue of 455 million, here again we commercially adjusted it to the price caps, we are certainly above the 440 million euros target and with the EBITDA of 340 million euros above the 330 million target, the operating EBITDA margin still stands at 75%. Only the EPS is currently not yet on the level of 70 eurocents. Firstly again, this is a preliminary figure and we're hoping to improve it over the course of the next weeks. But as a matter of fact, what is the difference to the 2025 target? Well, in three consecutive years we would have amortised expensive debt on park level and therefore would have improved by refining new parks with lower interest rates, and therefore would have improved our profit and that is in the end the gap to the 70 eurocents.

Ladies and gentlemen, this was a first view on our preliminary figures. Regarding our dividend policy, we are stating the same for approximately one year now. As you might recall, we had a very stable dividend policy from 2016 to 2021. Over 5 consecutive years we increased our dividend every year by two eurocents, and that was possible due to the increasing distribution out of the parks. As a matter of fact, we said last year that obviously in the past year with the start of the war in Ukraine, everything was turned upside-down in the economy as well as in the society and the need to repower EU became clear to everyone. So, the wake-up call of the war materialised. So, as a matter of fact, we said that we will decide this year based on the profitability of the Group and the success of the Group during the course of 2022 how we will go on with a potential dividend payment. I think here we can tick the box. The profits are quite favourable, but we said at the same time depending on the capital needs for the growth which we realised in 2022 and the further growth we expect in 2023 going forward and the situation on the financial market, we will decide on that. So, we will announce at the end of March whether we will pay a dividend and if in what amount.

Ladies and gentlemen, this was what I wanted to show you today depending on our preliminary figures, and now I'm available for you and for your questions.

JP So, please show your hand that I know who would like to ask the first question and then I will address the speaker who could ask the questions one by one.
So, please "JB", I can't see the name, only "JB". JB would like to ask the first question. I would assume Jan Bauer. It's up to you.

JB Yes, it's true. I hope you can hear me. Just regarding revenue, so about 50% of the revenue increase is price related. Can you give us an idea of how much of these higher prices you can carry on into 2023?

CH: Mr Bauer, good morning. So, although I do understand your question very well, I certainly would like to answer it on myself. First of all, we learned the past days that we had to do the accounting for 200 parks again, because we had to look for all price caps, which we already had accounted for in the revenue reducing them and had to revert that. And so therefore we were extremely busy in realising that and then we found out that we had to go ad hoc.

It's a matter of fact. We didn't have time to analyse what the current price effect will be during the course of the year. We are absolutely confident that the commercially successful development of the Company will go on, but I cannot say more at this moment of time, but please keep posted at the end of March with our new guidance to tell you more.

JB: All right. Thank you.

CH: Jörg?

JP: Yes, if there's anyone who would like to raise his hand or to ask a question, please feel free to start. So, there are no questions. Everybody is so happy ((laughing)).

CH: OK.

JP: Oh, there is a question from Sven Kürten, please.

SK: Yes, I don't know if you can hear me because I'm right on the train, with some disturbed line.

JP: Yes, we can hear you.

SK: But.... ((unclear words))

JP: Could you please repeat or may send or type the question into the chat? Then I could give it to everyone.

SK: Yes, maybe yes. Yes, maybe, maybe I repeat it.

JP: Yes, please.

SK: Is it likely that we will see a further growth in 2023 from this very elevated level which we've seen in 2022?

CH: So, Mr Kürten, thank you very much for the question. It goes into the right direction and also into the same direction of Mr Bauer. As a matter of fact, we will have a lot of things changing in 2023. Certainly, on the current basis, we see some energy prices in the markets which are different than these ones which we have seen during the past year. Some of them are higher, some of them are lower. In addition to that, we firstly will have a full-year effect of the acquisition of Stern. And we will have a further growth of the Asset Management business, and we will have new capacities added to the Group.

So, as I pointed out, we just had to redo the accounting for 200 parks to take out all cut-off revenue due to price caps, which we have done over the past year and had to redo that within three weeks. And then we found out again yesterday, that we had to go ad hoc. Having said that – sorry, I cannot tell you that. But certainly, we will grow further on. How much, this will be shown in 2023. I cannot tell you now. I think we have to wait six more weeks for that. We will announce that on our new guidance, but growth is our DNA. So therefore, we are focused on that and, well, hope to give you news on that at the end of March.

SK: Ok, thank you.

CH: So, if there are no further questions now, I thank you all for dialing-in so early. And if you have any further questions, if you digested all this information, please do not hesitate to contact Jörg or Oliver, and they will be happy to answer your questions. We know that we certainly would have liked to show you more on 2023 by now, but unfortunately BaFin doesn't let us enough time between recognising the ad hoc necessity on the one hand side and announcing the ad hoc news on the other hand side. And so, we were not able to go ahead for that, but we will answer you all questions then at the end of March. Thank you again for dialing-in and have a good day. Thank you.

JP: Recording stopped now.