

**Transcript Conference Call Encavis AG**  
**Q2/6M Interim Report 2022**  
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M Moderator  
CH Dr Christoph Husmann  
MSc Mario Schirru  
JB Jan Bauer, M.M. Warburg  
MSz Michel Sznajer, Ecofin  
MT Martin Tessier, Stifel

M: Ladies and Gentlemen, a warm welcome to today's conference call. At this time, all participants have been placed on the listen only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to your host, Christoph Husmann.

CH: Hello. Good morning. Usually, I would welcome you with a warm welcome but in these heat days, I would like to send you a cool welcome to our today's half year conference call. This morning we released our figures for the half-year, the first half-year, 2022. These figures, as you have seen, are higher above the previous year's key figures, and therefore the board decided to erase the guidance for this year. Those figures were half-year key performance indicators, as well as our key performance indicators for the guidance, were already published in our ad-hoc news on August 3<sup>rd</sup>. Well, today we have a very special meeting because for the first time, now [01:00], three people are answering your questions. First of all, as you might know, Dierk Paskert is in the call - our CEO, myself, Christoph Husmann being the CFO, and our newly appointed colleague Mario Schirru, our Chief Investment Officer, and Chief Operating Officer. And since we are here all together, first of all, I would like to hand over to Mario Schirru to give him a chance to introduce himself. Mario.

MSc: Thank you, Christoph. I began with Encavis in late 2013, almost nine years ago. During six years, from 2013 to 2019, I'd been working in investment teams, as an Investment Manager first, and as an Investment Director, then. In 2019 I got the chance to move to our operations team where I took over the responsibility for the management of our wind and solar power plants, and for the IT. Before joining Encavis, I'd been working for five years as a product developer, which means that I have been experiencing the whole value chain of renewable energy projects [02:00] My background is engineering with a Bachelor's degree in Mechanical Engineering and a master's degree in Control Engineering, both from the University of Pisa. In 2015, I earned an M.B.A from Mannheim Business School. I am an Italian citizen (02:17) and grew up with a strong connection to German culture, and I attended German school in Rome. This had several practical consequences: First is that, my people's understanding of two different cultures turned out to make business in multi-cultural environments much easier. The second one is that I do not pay any more attention to how my surname is pronounced or mispronounced [laughs]. And three, I have two children and a wife, and in my little free time I do some sports.

CH: Thank you very much, Mario, and just to pronounce it correctly... Schirru. Knowing you for eight years now, we are all looking forward to work with you together in the board and in the years to come. Thank you [03:00].

- CH: Well, Ladies and Gentlemen, let's turn to our figures. Before we start to discuss the first half-year's figures. I think we all have to be aware how many capacities we've connected to the grid, when. Because this is the basis of the knowledge, we need to understand the development of this year's figures. In 2021, as we recall, in the first half year we connected Talayuela to the grid. It was connected to the grid beginning of January and had a ramp up phase until the end of March, and then during the second quarter fully contributed to the development of our production. Out of the remaining 135 megawatt, which we connected to the grid last year, the major chunk was connected to the grid between mid of November and end of December, so did not contribute to the first half year's figures last year at all. And if we have a look into the 132 [04:00] megawatt, which were connected to the grid in the first half 2022, then it is, that there's only 132 parks with 24 megawatt were connected to the grid in January, at the end of January, but the other ones like Groß Behnitz, and Rødby Fjord and, Svoldrup with together more than 100 megawatt, were connected to the grid end of March, beginning of April, so contributed only three months to this year's half year's figures. So, we have to understand that all these capacities which were connected to the grid during the course of the second half of last year, and the first half of this year, do make a difference for the half years figures.
- CH: Well, this morning we reported revenue for the first half-year 2022 of 226.4 million euros, it is up by 64 million euros or [05:00] +40%. If we want to analyse these figures, then we have to go into the energy production of the existing portfolio, that is the portfolio which we already owned at the end of first half year of last year, partially or fully. Here we do have an increase of the gigawatt power production by 9%. This is due to the improved weather conditions this year.
- CH: Well, the weather this year is not substantially above plan, it is more or less on plan. But last year's first quarter was a meteorological-wise, extremely poor year. So, therefore there is an improvement due to the standard, well more or less standard weather, we have currently. Then, in addition to that, if we then go one line up to the energy production gigawatt arrow, then we see a 17% increase in [06:00] our gigawatt per hour production. Since nine percentage out of that, comes from meteorological conditions, the remaining 8% do come from additional capacities. So overall, the better weather contributed 19 million euros of more revenues and the additional capacities 14 million. So, it is slightly more than half of the revenue increase comes from capacity or meteorological improved conditions. The remaining part of the revenue increase came in from higher electricity prices, power prices, we currently see in the market. The additional EBITDA, or increase of EBITDA by 40% is seen in the EBITDA as well, oh the revenue sorry. The revenue increase of 40% is seen in the EBITDA increase by 40% as well. And it comes down to 60% in EBIT and additional 46% in cash flow [07:00]. The EPS, in relation to last year's figures, increased by 83%.
- CH: Well, if we compare then the different quarters, because I don't want to go through all the colours, through all the columns, but if we just focus on the comparison of Q1 2022, in comparison to Q1 of 2021, and then Q2 2022 in comparison to Q2 2021, then we see that the overall existing full years energy production increased in the first quarter 2022 by 23%, and only in the second quarter, only that single quarter, just by 1%. So, we see here that the better meteorological condition was happening in the first quarter, not in the second quarter.
- CH: If we then go to the total energy production gigawatt hours, then we see that 32% increase we enjoyed [08:00] for the total energy production increased in first quarter, at only 8% in second quarter. So, that means that the capacity addition contributed more heavily to the

first quarter compared to the second quarter, where it was lower. But if we then go into the revenues, then we see that the first quarter, we enjoyed an increase in total of 52% revenue increase while we only had in the second quarter alone a 32% increase. What I want to say with that is, that the meteorological effect fully happened in the first quarter, the capacity was mostly in the first quarter, but the price effect in the first and second quarter. And, if you follow the logic of the politicians, and what they are currently discussing, it is expected that these high energy prices will accompany us for the years to come.

CH: Ladies and Gentlemen if we then [09:00] go into the segmentation report. We see in the solar parks a growth of our revenues by 37%, so pretty much in line with the 40% on group level. So, the solar parks still contribute more than 72% of the revenues to the overall group's revenue line. With wind farms, we see a stronger increase of 58% from 36 million to 57 million euros in revenues, contributing 1/4 of the revenues of the group. So, these two segments contribute in total 97%, the remaining part is from the asset management. Let's go into the specific segments. Again, the revenue from the solar parks increased by 37%, and that, on the back [10:00] of higher production of electricity, and due to capacity increases, which is the major chunk here, because most of the capacities was reconnected to the grid during the course of the second half of the last year and the first half of this year was solar. Only very few wind capacities were built. So, the higher production here comes mainly from capacity additions, and only to a minor extent from higher power prices.

CH: The reason for that is that we enjoy with the solar, for the most part, for the very most part of our parks Feed-in-Tariffs or PPAs which are fixed. The operating EBITDA moves substantially but we have minor shrinking of the EBITDA margin. The reason for that is that we [11:00] are currently started a program to improve the efficiency of our parks by further investments into these parks. These investments, in the past, were not possible because by these investments into the parks, by increasing the efficiency, we freed up slightly new capacities to the parks, which then with respect to the merchant prices, which apply to them, are very nice investments. And this without any additional Improvement necessary, which is a very slim process and this is very helpful in these days. But, such investments into the improvement of the efficiency are usually accompanied by some costs, which have to be shown in the P&L, and that reduces EBITDA margin slightly. But this is an investment into the future. [12:00] If we had a look into the windfarms, here we do see a 58% increase in the revenues. And I pointed out that there were very few capacity additions in the windfarm business, but we had an 8% higher production, this is mainly due to the extremely weak Q1 2021 meteorological performance which was now with standard weather 8% better. So, the major chunk of the revenue increase this year, comes from power prices, and if you compare that the revenues increased by roughly 20 million euros this year, the operating EBITDA and the operating EBIT increased by 20 million as well, so here, in this segment, the additional revenues from higher power prices will lead to up-down to the profit line.

CH: That was a bit fast [13:00], no. Ok then. PV, wind..., so, now I got it.

CH: So, Asset Management. If we have a look into the Asset Management here you see with revenues of 6.7million euros, revenue is on the level of last year, but profit-wise the EBITDA shrinks from 1.9 million to 0.9 million. This is a more timing issue. The reason for that last year in the first half, we got pretty early investments into new funds and with those funds we earned structuring fees, which then, in that moment of time, are not covered, are not compensated by cost, because these costs were already incurred in the previous years. While in the first half 2022 there was little new investment into new funds but the preparations of

new parks for new investments for the second half are prepared, and we are confident that the guidance will **[14:00]** be reached, or even surpassed. But these current revenues are due to consultancy works, and these consultancy works are usually accompanied by higher costs, and therefore were due to again, time-wise operating EBITDA. In the headquarters we do have, in line with our old guidance and the plan, an increase of - due to the overall growth of the company costs - to 5.1 million euros.

- CH: Well, Ladies and Gentlemen due to that very positive development of the first half year, which in some parts is exceeding our plans we raised our guidance of fiscal year 2022.
- CH: We **[15:00]** raised our guidance for the revenues from 380 million to 420 million euros. The idea behind that is quite simple. Firstly, as you know, approximately 95% of our revenues are a long-term or short-term contracted revenues, where the price is fixed. As a matter of fact, in the meantime, between March and today, we signed new short-term hedges and they certainly on a higher power price than we have seen in the past. So therefore, we could add some more revenue to our guidance. For the merchant part in our revenues, we stick to the same policy as we did with our first guidance. And that is, that due to the high volatility of the power prices in the current environment, we cannot handle a solid basis for guidance where **[16:00]** we say that we are confident that we will exceed it. So therefore, we did not take the current high electricity price level in our guidance but stick still with the merchant power prices, with these power prices which we have forecasted at the end of 2021, for the full year 2022.
- CH: The increase of our revenues of 40 million euros, is accompanied with a 25 million increase of our operating EBITDA guidance to 310 million euros and it's 19 million euros increased to 185 million euros for the operating EBIT. We expect that the earnings per share now will be not 51 euro cents anymore, but at 55, and with the increase of the EBITDA, we increased our forecast of **[17:00]** the operating cash flow. The operating cash flow is not increased in the same extent as the EBITDA, maybe in the way you might expect after having analysed our half-year figures. The reason for that is quite simple. Currently, since we are based on solar, with the high power prices, we've built up a huge bulk of trade payables, and that contributes to the half year operating cash flow figures. But that then will be paid in the 4<sup>th</sup> quarter to the remaining, the off-taker, and therefore the operating cash flow will be reduced somewhat, compared to the half-year figures.
- CH: Well, let's have a look into the guidance of the respective segments. So, we plan to have now an operating **[18:00]** revenue of our solar farms of 292 million euros, which is an increase of 16 million euros, compared to the old guidance of 58 million euros compared to previous year. We will expect approximately 230 million euros operating EBITDA, keeping our EBITDA margin at 79%, and the reason for that is that we do have some investment into the improvement of the efficiency of our solar parks backed on the current electricity prices which we can earn with that, and so that incurs some cost.
- CH: The operating EBIT will then grow to 138 million euros. In the windfarms, we see this increase of the power prices which we have enjoyed in the first half, and this **[19:00]** in the end, is added to the revenues line, so we've a little bit more than 20 million euros, and as you might have seen in our press release this morning, and in our ad-hoc last week, that we've based our new guidance already on the experience of the first 7 months because we already know how well the July has worked.

- CH: We keep then with the wind farm's high margins with 81% operating EBITDA margin and 49% EBIT margin. I referred to the first half-year's figures of the Asset Management that structurally in the first half-year, this year they were more based on consultancy works instead of structuring fees. And I said that we are confident that this will even-out during the course of the year, and in fact we raised our guidance for [20:00] the Asset Management by 1 million euros as well. So formerly in the old guidance it was 20 million, now it is 21 million euros, with an increase of the EBITDA and the EBIT by 1 million respectively.
- CH: Well, Ladies and Gentlemen, I think it is worthwhile to have a look on our fast-forward 2025. Well, in our fast-forward 2025 we have forecasted for the year 2025 revenues of 440 million euros, operating EBITDA of 330 million euros, and EPS of 70 euro cents. Well, if we then have a look on the 2022 figures, for some of these key figures we come relatively close to it. So, we expect revenues of 420 million [21:00] euros this year, at least 420 million euros, compared with 440 million euros we expected for 2025. As a matter of fact, we will see how the remaining 5 months of the year will be, but certainly as we already lined out in our press memo on August 3<sup>rd</sup> that our fast-forward 2025 is expected to be reached, in parts, even earlier than may be expected, so assume as we see that we will reach this we will certainly approach you with a new target for the future. Ladies and Gentlemen, having said that I would like to thank you for listening into this brief introduction in our half-year figures, as well as into the guidance, as now we are available for you, for your questions.
- M: Ladies and gentlemen, if you'd like to raise a question now [22:00], please press "9" and "star" on your telephone keypad, in the case that you'd like to withdraw your question, please press "9" and "star" again. And the first question comes from Jan Bauer. Your line is open now.
- JB: Hey, I hope you can hear me. Just one question about growth. So we see this new shortage in the oil industry. Can you give us a little bit of a feeling how much you intend to acquire in the remaining year, and probably how many projects you thought you could add to your portfolio this year, might be shifted to next year, or even further
- CH: Thank you very much Mr Bauer, so first of all, you know that we are fighting to reach our goal, and we don't give up, so yes we see some obstacles, yes we see that the administration, the authorities are not speeding up in [23:00] authorising the construction of such parks, and you know this is mandatory and honestly said, that it is beyond our control [laughs], but we are working on it hard. We have currently a pipeline in front of us which exceeds the 500 megawatt, but, please, to make it clear, not all of that can be realised in time. Because this, again, it depends a lot on the authorisation. So, we are currently still positive that we will get the signing of the 500 megawatt done, and I have a gut feeling that in pretty near future you will hear of the first acquisitions.
- JB: Ok, thank you, second question would be about the hedge in Spain. So, from my understanding that proportion of the output, it is not priced fixed by the PPA initially, it's hedged by you on a yearly or a little bit longer basis. So, given that [24:00] you would have to roll this hedge, maybe in December or beginning of next year, how do you see the pricing to securing this proportion, and is there any adverse regulation from power price caps, that with regard to the Spanish parks, would be an obstacle for you, with regard to the current pricing.
- CH: So, thank you very much. First of all, as you might know, out of both parks, La Cabrera and Talayuela, 75% of the gigawatt hours we produce there, are long term hedged. 25% in each

cases can be marketed by Encavis. In La Cabrera the 25% of the Gigawatt hours are hedged in a short-term hedge, with a duration of 15 to 18 months, something like this, on very favourable prices, and so, as a matter of fact [25:00] we look at it on a daily basis, whenever it looks to us reasonable, we do a forward hedge, and can therefore extend the hedge or make a new one, and these days maybe even on higher prices. In Talayuela, the 25% are more or less merchant, and as a matter of fact here, yes, we are hit by the price cap in Spain. Honestly said, and to make that very clear, yes there is a price cap, but on a level which we never, even in the best case, have ever included in any calculation.

JB: Ok, so we can assume that the pricing mix in Spain will be broadly the same as you'd seen it in this year.

CH: Yes, so we don't expect there any major changes. [26:00]

JB: Ok, alright thank you very much.

CH: You're Welcome.

M: So currently we do not have any further questions so you may repeat once to press "9" and "star" on your telephone keypad, to ask a question now. And there's a question from Michel Sznajer. Your line is open now.

MSz: Yes, Hi, good morning and congratulations on a great set of results. I wanted to confirm your assumptions for your new guidance. You say it's on current... on 2021 power prices, and on existing set of assets, so is it fair to assume that if we were to market power prices today, your guidance would be much higher and can you quantify that? And then also, we should expect you to close some new assets, that should be operating before the end of the year? [27:00]

CH: And so, thank you very much for the question, as a matter of fact for the very first half of your question, I am able to give you an answer. Yes, certainly. If we would apply today's power prices for the remaining 5 months where we have last year's forecast of prices, which were pre-war prices, into consideration then certainly the revenues would be higher. The second question, can I quantify that? Well, to be very blunt, if I were able to quantify it, we would have integrated it into the guidance. As a matter of fact, we see on a daily basis, changes in the forecast of power prices which would mean that we could raise our guidance forecast to previous days forecast by 50-20%, the next day we could slump [28:00] it back by 15%. What value does it make? So, there are huge volatilities, there are tips and tops, and whatever we do, everything would be a guess. And so, since we do have a tradition here, to have guidances of the market which we exceed, we say we currently cannot forecast any solid revenue line for the future, where we are confident that we can reach and exceed it. So therefore, we stick with the forecasted figures of end of last year. By the way I think it is pretty much standard in the industry currently, I don't know anyone really forecasting just on market prices. I've been given a third part of the question regarding capacities which we ... what was that ... could you please repeat that?

MSz: Yeh, no your guidance is based [29:00] on existing operating assets and you, do you expect any additional assets to be operating and contributing before the end of the year?

CH: Let's put it that way, it could happen [laughs] and certainly, so it might happen, but the issue is there are two issues. Firstly, if it is a park which we acquire and which is not built yet, it's certainly, I think it's easy to understand, it won't contribute to the P&L topline. If it is a park,

which is already operating and then there are some closing requirements which have to be fulfilled by authorities or the developer, then the day of the closing, marks the day from which on we can reflect the revenues in our P&L. So having said that, these are decisions and authorisations which are beyond our control [30:00], and therefore, we only can tell you, we bought it and then in a some certain amount of time it will be consolidated, but we don't know when. So yes, there will be new acquisitions, as I pointed out, we stick to our 500 megawatt. Secondly, some part of it will be operational. Thirdly, I don't know when they will be fully consolidated and how much they will contribute to our revenues.

MSz: Ok, now that's very clear. Thank you very much.

CH: You're welcome.

M: And the next question comes from Martin Tessier. Your line is open now.

MT: Yes, hi, good morning, congrats on the results. I have one question on your upcoming new guidance for 2025. It seems like the earlier than expected achievement of target is mainly driven by high power prices, but can you be a little but more precise on the volumes and on the capacities [31:00]? To put it in another way, assuming normal price environment, do you think that you would have a consolidated guidance?

CH: Sorry Martin I'm not sure whether I really got your question acoustically correctly. So did you ask whether we would have raised our guidance without the price effect.

MT: Exactly.

CH: Ok, no!

MT: Ok, very clear.

[laughs]

MT: Short and clear.

M: So there are no further questions from the audience.

CH: OK, then ladies and gentlemen, thank you very much for accompanying the company for such a long time, thank you very much for your interest in the company and for dialling in. If you have any further questions in the next days, please do not hesitate to contact us, we'll happily answer your questions. Thank you very much. Goodbye and [32:00] hopefully the heatwave will cool down soon. Thank you, bye!