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Transcript for "MPCES H1 Report 2026"

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Stefan Meichsner: Good afternoon, and welcome to today's webcast of MPC Energy Solutions, where I will be presenting the results of the first half of 2026. My name is Stefan Meichsner. I'm the managing director and CFO of MPC Energy Solutions. Today will be an audio-only webcast. I apologize for that, but you will naturally be able to see the presentation slides on the screen in front of you.

As you can infer from the agenda, there will be quite a few forward-looking statements today. So before we begin, I would like to point out our disclaimer concerning such forward-looking statements shared here on the screen, and you can also find it in the slide deck that you can download from our website. Should you have any questions during the webcast, please use the Q&A function that is embedded in the webcast tool to ask it. I will address those after my prepared remarks. And as always, the recording of this webcast and a transcript will be made available on our website after the webcast.

To begin, I'd like to point out the highlights and lowlights over the past few weeks and months. The big news of the week is, of course, that we successfully completed the sale of our projects in Guatemala and El Salvador. Overall, we expect to collect 28.3 million in connection with the sale, with part of the funds currently still being held in escrow until certain post-closing matters are cleared. So that is a big milestone for us and by extension, for our team. And I also believe our shareholders. Operationally, after a subpar first quarter, recovery until year end got underway. Our key metrics are all pointing in the right direction, which - today I'm happy to confirm our guidance for 2026, which you will see on a slide later today. This is overall supported by disciplined spending on overhead. We had several non-recurring expenses in Q2 of 2026, but towards year end we still target an overall reduction of 30% compared to 2025. We are standing at 18% at the end of 20 – sorry - the first half of 2026.

There were two matters during the last few months that were not in line with our plans for this year. Firstly, we had to settle a legal matter. We disclosed this in our last annual report, but the final settlement, a total of $2 million, was higher than anticipated and this had the respective negative impact on our free cash position. And secondly, we are facing some challenges in Mexico. We have a 16-megawatt solar PV plant there that we acquired in early 2022. And the Mexican government has made changes to the energy law and is now attempting to increase transmission charges for renewable energy plants, even for legacy projects like ours. And I will talk a little bit more about that later today.

With that, let's take a look at the operational results of the first half of the year. Uh, overall key metrics, uh, slightly down year over year, but recovered compared to the numbers that we had in the first quarter. I will focus on everything here in red squares, so the like-for-like comparison. Energy output 49.4 GW hours compared to 50.3 last year, corresponding to a revenue of $5.3 million, which is just slightly below last year's number. The project-based EBITDA came in at 3.8 million. The reduction of 6% compared to last year is still mainly affected by the metering error we referred to in our Q1 webcast that we experienced in Mexico, which cost us an entire month of revenue for that project. And this, of course, trickled down entirely to the project - the project's profit, and correspondingly, the EBITDA margin is also still trailing behind last year's but is sitting solidly over the 70% benchmark. So overall, I still consider this a very solid performance. Not much has changed like-for-like compared to previous years and especially the last year, and we can overall use this to be confident that we will meet our guidance for 2026.

We are looking a little bit on the project level itself. As I said in Mexico., the project lost nearly a month of revenue in January and still hasn't entirely recovered. And that loss, of course, directly impacted the operating margin, which is 68% compared to 75% last year. But overall matters are looking up. The subpar weather conditions which we faced during the first quarter have also improved. In El Salvador., the plant is operating well. We have now sold it, of course, but before that it was, uh, showing an increase in energy output and also revenue still supported by high energy tariffs in the country and the EBITDA margin thanks to our, excellent cost discipline is also at 87% and therefore basically on the same level as last year. In Los Girasoles, I cannot say, so, Colombia, that the weather conditions have materially improved. Energy output is still down year over year, but thanks to some currency movements, the overall revenue and EBITDA in absolute terms was higher. And we report that based on a fairly flat and solid operating margin. But because of the lower production, as we have seen many times, we are forced to buy more energy in the spot market than we would necessarily like, and this is a great cost burden for the project. Moving away from the operational results to the overhead. As I said in the introduction, we're down 18% year over year on spending, despite the fact that we had some non-recurring expenses during Q2, mainly related to our transaction activities. So transaction fees, legal and tax advisory costs are the predominant ones. We also face additional legal expenses related to the settlement we made in El Salvador. But overall, we're on track and we maintain that spending in the second half of the year will be much lighter because the big divestments are now done. We are also in the process of reducing our headcount further and overall, based on lighter spending in the second half of the year, we should meet our target of a 30% overhead cost reduction year over year. So here our projection and our discipline have not changed.

The other key metrics almost not changed quarter by quarter until recently. Of course, in the upcoming Q3, the big divestment we did will affect the total assets and the project debt and consolidated cash. But overall, these numbers are fairly in line with what we've seen before. And that brings me, I guess, to the point that most of you are interested in. I know the questions many are asking are when and how much will we now distribute to our shareholders now that the big transaction is done? The shareholders approved a reduction mechanism for the share capital in May, and with the transaction closed, we're, of course, getting closer to the distribution. Before I address that question, however, let me just provide a more detailed overview about where we stand and what we're projecting. So free cash at the end of June was 3.4 million. The reduction was mainly driven, the reduction in Q2, I should say, was mainly driven by additional investments in Guatemala to bring the project online and also associated with the legal settlement in El Salvador that I already mentioned. The sale we just closed, of course, increased the free cash substantially of the 28.3 million total proceeds. 2.2 million are currently being held in escrow. This is related to, as I said before, post-closing milestones and matters that we need to clear up. And I personally expect this amount to be released in its entirety to us as early as September of this year. But it is relevant to note that the release, and especially the full release, of course, depends on us achieving the post-closing milestones, and we can therefore not guarantee that we will indeed receive the full amount. But the 2.2 million is currently allocated to an escrow and therefore not included in our free cash calculation. But we expect that to change over the remainder of the year. And then as part of the sale, this was disclosed when we communicated the transaction last year, for 12 months, we will retain 2.8 million, or 10% of the divestment proceeds, as a minimum cash to protect the buyer's interests. And after 12 months, part of that minimum cash, half of it actually, will be released to us, and 18 months from now, the remainder will then also be released, provided, of course, that no claims arise that, you know, require us to use the money to settle it. But there's really no indication that this should happen. With that, and looking ahead for the remainder of the year. We are expecting another project, divestment, really very soon. And when I then also factor in overhead and transaction costs and so on for the remainder of the year, we project that the free cash will increase on a net basis by another 6.5 million. So without considering the planned distribution, the year end projection of free cash is 33 million. And again, there is a minimum cash that we are not factoring in here. So the total cash of the group will of course be higher.

Which brings me to the distribution. So the legal waiting period under Dutch law that needs to expire before we can officially make a distribution will end or expire in the second half of August. So legally speaking, that's when we would be allowed to distribute if no objections are raised. Before that, I will now call a supervisory board meeting to ask the board for the necessary distribution approvals. The recommendation that I will make is to execute the share capital reduction steps one, two and three that the shareholders approved in May. I kindly refer you to the documents of the general meeting if you want the details behind that. So if the Supervisory Board agrees to my recommendation, and the waiting period under Dutch law ends without any objections being raised, then I expect that we can distribute around $29 million later this quarter, either in one payment or in two, depending on how quickly we can now actually close the additional divestment.

But again, and this is very important, this projected amount and the distribution itself are subject to the supervisory board approval, the Dutch law clearance and of course ultimately also movements in the exchange rates at the time of the distribution. But our plan remains unchanged. It's now becoming more concrete and we will keep you updated as we move along.

Which brings me to an overall look at what we have left as an asset base and what our plans are. Just to give you some idea about what is coming next. So Project Merlin, the sale of the project in El Salvador and Guatemala, is closed. Um, with regards to the project we still own in Colombia. We have been looking for a buyer. We now actually received a binding offer, and we are in serious final negotiations of the terms of a transaction which we believe is beneficial to us. And once we can report that the contract is actually signed and or the deal is closed, then we will certainly do so. Um, this has not happened yet. So there's not a 100% certainty, but we're working on it, and I'm quite confident that we will have something to report on this fairly shortly, which would then leave the project in Mexico and an equity investment that we have made into microgrid developer even before the IPO, where we still own around 7% of the company, which we currently value at 1.5 million. We would like to exit that position. We have not found a buyer yet, but we are working on it. At the same time, the timing of a sale of these shares and how much we will actually collect for them is at the moment uncertain. We are working on it, but this is one of the remaining assets that may stay with us for a while.

Which brings me to Mexico. Of course, we would like to also divest the Mexican project. We have been in touch with potential buyers, which all shied away from an acquisition because of the regulatory uncertainty prevailing in the Mexican energy market. This uncertainty has now, if you will, thankfully been removed by the Mexican government, but it came with a quite negative impact for legacy projects such as ours. So in June, the Mexican government announced changes. What they're basically trying to do is increase the stronghold of the state-owned utility on the overall energy market and the power grid. And they do want renewable energy projects to carry a larger stake of the overall infrastructure costs, even though legacy plants such as ours were built originally under the promise that, um, they would be exempt from certain charges, and it was part of the incentive structure set up at the time, to entice investments in renewable energy. But now it seems that we're not able to protect against that. So in order to make sure that the project doesn't lose its entire value and the business case becomes untenable, what we're currently doing is we're assessing to migrate the plan to the new regulatory regime that was set up. This will require us to obtain an extension of the permit to operate the plant. It will also then require us to renegotiate the PPAs we have in place. And the financing. All of that is still under preparation. Our assessment is not entirely complete, but there is work to be done. And before this work is done, it is very unlikely that we will be able to sell the plant at any reasonable price. So this is why we put active divestment discussions with interested parties, or no longer interested parties, on hold and interest from potential buyers has, because of the regulatory uncertainty, has been muted anyway and we can at the moment not predict when and for how much we can realistically sell the plant. And we can currently also not say how quickly we can implement the required changes and restructuring to protect the value of the plant.

So while Project Merlin is closed and I believe we can sell Los Girasoles shortly, the project in Mexico and the equity stake in the US microgrid developer will likely stay with us beyond the end of 2026, but there are assets on our balance sheet and there is value in this, and we will try to materialize that value for our shareholders.

To round out my prepared remarks, just a brief confirmation. This is the year end outlook we provided at the beginning of the year. Energy output of 75 gigawatt hours, project revenue corresponding to that 7.5 million with a 5.5 million project-based EBITDA, and also a positive group EBITDA in group EBIT, and now adding the free cash projection - again before distributions - of 33 million. This projection is now confirmed. There is some upside here, because the project in Guatemala was operational for basically a month during testing and before we sold it. The contributions here will either impact the forecast entirely, or it will at least minimize the downside, so to speak, when we divest the Colombian project. Earlier in our original forecast, Colombia was considered for the full year. And again the most important part, subject to supervisory board approval and the completion of the applicable legal process in the Dutch law, the first distribution that I will recommend is expected during Q3 of 2026, and we will share details when the time comes. That concludes my prepared remarks.

We can now move to the Q&A session. Again, a reminder you can use the Q&A function of this webcast tool to post them. I will now briefly go through the questions and answer those that I have not already addressed in my prepared remarks. So I addressed, of course, the questions surrounding the distribution, the timing and the size.

Then the question is here. Okay, this is the new one. So the 33 million free cash guidance by year end also refers to further divestment proceeds. Should we understand this as proceeds from the remaining assets, Los Santos and Los Girasoles, or just related to the final adjustments from Merlin?

So, as I said, it's both. The release of the escrow is part of that. Um, divestment proceeds will also include the sale of Los Girasoles, which we expect to happen. And this is then also factoring in overhead and any other costs associated to it. So the 6.5 million mentioned on the slide, that is a net uh, additional free cash generation until year end factoring all of this in.

What would you consider a conservative fair value range for the remaining portfolio?

So for Los Girasoles, since we're in active negotiations, I will not comment on any commercial terms. Um, for Los Santos, we acquired the project for 4.5 million. We invested another 0.8 million. So in total we invested 5.4 million into the project in early 2022. Now, given the change, the impact is quite severe. We were targeting divestment proceeds of, let's say, around 4 million before this happened and the recovery that we are attempting to do, hopefully we can get back to that value. So I will say for Los Santos 4 million would be a fair value if the restructuring that we do somewhat compensates almost fully for the regulatory impact. Otherwise it will be much lower. For Los Girasoles, as I said, I will not comment.

Then there is a question here whether we should expect any further capital contributions from MPC Energy Solutions into Los Santos in connection with the regulatory restructuring, or do you intend to keep your exposure limited to the equity already invested?

So we want to keep this limited. This is a non-recourse structure. We are not responsible for what is happening. We have no obligation to save the entity if the regulatory impact is so extreme that it will basically cause the plan to default. So as long as I am sitting in this chair, I don't see why we would invest any additional money in Los Santos. If, let's say, we have to incur some costs to successfully restructure it, that is perfectly fine. But spending part of our free cash to invest it into Los Santos unless we somehow, at the end of the day, make sure that this leads to a sale at a much higher valuation, is very, very, very unlikely to happen.

There's a question here. What plans are there for our company for - I like the our company as we are all in this together. Thank you for this - what plans are there for our company following the sale of all assets? Will there be a delisting or are there plans to reactivate the then empty shell?

I think I've addressed this before. All options are on the table. I think I've said many times that a company that only has one project, uh, some cash and not even five employees should not remain listed. I think the cost base for that is not warranted. So in that case, the delisting is certainly a good option, something that we will discuss and communicate in due course. But of course, it's definitely also possible that some investors believe, um, MPC Energy Solutions, whether listed or not listed, but with what it has left, is an interesting platform for someone. We're open to analyzing this. What I can say is that MPC Energy Solutions, with its current business model, has no plans to raise additional capital and then invest in new projects. And I hope that answers the question.

There is a question here about the legal dispute in El Salvador.

Based on the settlement that we've reached, I will not disclose any details, but I can say that the settlement amount of 2 million is lost. We are not insured against this. There is no indemnification or appeal. This is a proper settlement. So, the 2 million is gone. We will not recover it. We are insured with regards to the legal expenses. So I don't think that will hurt us and the 2 million are now actually paid. In the 2025 annual report, we recorded a provision of 1.2 million for this case. So, the actual difference is $800,000. I think overall, um, still beneficial to the potential other outcome of going to court.

Is the sale of the project Los Girasoles already projected in the free cash flow of 33 million, or the free cash of 33 million?

The answer is yes, but I will not go into details.

Then there is a question here on the Project Merlin proceeds hold back. Of the 28.3 million Merlin proceeds, 2.2 million sits in escrow for post closing milestones, and 2.8 million is a 12-month minimum cash requirement, so roughly 5 million are being withheld in total. Why are both mechanisms needed instead of just one?

Because they are serving different purposes. The 2.8 million minimum cash is for any representations and warranties that we have given in connection with the sale, and it covers any breaches of contract that we might commit or any damages that come from us not telling the truth or disclosing relevant information. The 2.2 million is an account, an amount, sorry, related to specific matters. For example, getting tax exemptions for the projects in El Salvador, which had not happened at closing. And we agreed with the buyer that rather than, you know, deducting the money entirely, they will give more time for these milestones to be achieved and then we will get the money. And this is why these are two separate buckets. And they should also be seen entirely separately. And as I said, the 2.2 million for me is a short-term deferral. I cannot guarantee that we will get all the money. Um, and the 2.8 million is, uh, just a buyer protection for general reps and warranties.

Um, okay. There's a question here again, on the carrying amount of value and fair value of the project. I think I have addressed this. And then there is a question here. If Colombia is also sold, only Mexico and the minority stake will remain in the portfolio, what will be the quarterly cash burn in that case? Well, it depends on whether we stay listed or not. I think based on the limited size, we can certainly operate this company at a very, very limited spending basis. We're currently spending around 150 to $200,000 a month, and the target would be to reduce that significantly. But without clarity and for clarity, we need to make a decision and discuss the options on what we will actually do. We are you know, I'm not prepared to make a definite statement, but you can consider 150 to 200,000 to be the current spending, and whatever happens next will certainly be significantly below that.

Okay, there's one more question here, which I will answer before ending the call. I'm not sure I fully understand the question, but I will just read it as it says here and then interpret it. So what is expected cash payment in total after the 33 million without discussing timing?

Let me see. So if you're asking how much money the shareholders will get back at the very end of the day. That, of course, depends. We still need to sell the project in Mexico and our stake in the US company. Um, we need to pay for some overhead in between. Then we need to make sure that we, you know, um, fulfill our post-closing obligations from all the deals. But at the end of the day, um, at the end of this year, even after the planned distributions, we will have 4 million in free cash. Um, then we at one point should get the 2.8 million minimum cash back. And we will try to limit spending in between. And then it's whatever we get on top of that from, uh, Los Santos and the US microgrid developer investment. So there will be more. Um, that is my clear expectation. How much more is very, very difficult to project at this time. The shareholders approved a mechanism of making total distributions of up to 45 million. We are covered up to that amount. And if we need to change the mechanism in between, we will certainly ask shareholders for approval to do so. So let us focus on the short term. The short term is that a supervisory board meeting will be called. We will propose to make a distribution of up to 29 million whenever the waiting period under Dutch law is cleared. And once that is done, we will focus on the remaining tasks and all the different options that we have. There's still a lot of work to do, and we cannot be precise on every single thing that we expect to happen.

Wonderful. With that, I will close today's Q&A session and webcast. Thank you all for your attention and for asking the questions and for listening. A transcript and the recording will be published later this week. And until next time, I'm wishing you all [call ends].