Transcript for MPCES H1 Report 2024 Webcast

00:00:09 - 00:01:09
Maria: [silence 00:00:01-00:00:08] Hello, and welcome everyone to the webcast of MPC Energy Solutions. This morning, MPC has released its financial statements for the six months ended June 30th, 2024. Therefore, we would like to take the opportunity to walk you through the half-year review and share an overview of recent developments with you. There will be a Q&A session at the end of the presentation, in which we'd be happy to answer any questions that you may have. You can send in your questions via the text function at any time during the presentation, and we will answer them at the end. This webcast is being recorded and will be published later together with the transcript on the company's website. Before we get started, let me remind everyone that certain statements made on this call, including financial estimates and comments about our plans, expectations, beliefs, or business prospects, and other statements that are not historical in nature may constitute forward-looking statements under the securities laws.

00:01:10 - 00:01:49
Maria: We make these statements on the basis of our views and assumptions regarding future events and business performance at the time we make them, and we do not undertake any obligation to update these statements in the future. Forward-looking statements are subject to a number of risks and uncertainties. Actual results may differ materially from the results expressed or implied in light of a variety of factors, including factors contained in our financial statements, filings, and other releases. Now, let us welcome Stefan Meichsner, the CFO of the company, who will guide you through the presentation. Hi, Stefan, over to you.

00:01:50 - 00:02:47
Stefan: Hello, Maria, and thank you very much for the kind introduction. Good day also to everybody joining this webcast today. For those of you who have regularly been following us in the past few quarters or years, welcome back. Before I dive into the details of our financial performance and results in the first half of the year, and give an outlook for the coming years, I would like to briefly underline what our company does and what we focus on. For me, that starts with looking back over the past 12 months and recognizing that we are a different company today than we were a year ago. When I say different, I mean better, and I mean better in every way. The most tangible change is the foundation of it all, which is our portfolio. 2024 is the year in which we left the initial ramp-up phase of our company. We left it behind us, and we now have five projects in operation for the very first time in our history.

00:02:48 - 00:03:42
Stefan: Naturally, this positively impacts our top line, our bottom line, and as you will see, the overall results as we go through this presentation here today. Secondly, and perhaps the most important change that we've made was what I would call the very necessary change to our strategic focus. We're still a full-cycle IPP. We still develop, build, own, and operate renewable energy projects, but the development phase is now really, in my view, the core element of our business model. It always should have been. The change at the top that we had in the middle of last year really allowed us to make this necessary adjustment, because the development phase is where we as a developer can create the greatest value. What we need to make sure is that that value is actually visible and that we actually benefit from it and from the work that we've done during the development phase.

00:03:42 - 00:04:39
Stefan: This can truly only be accomplished if we de-risk our project early on, meaning that when we hit the ready-to-build stage, that's when we bring in co-investors, somebody who's willing to share in the construction risk and the operational risk, and also someone who's willing to pay us a development fee, and therefore compensate us for the development risk that we have taken on, so that we can take money off the table earlier than we usually would. This greater emphasis on development is aligned with what I would call a narrower focus on the core markets in the region that we're active in, markets where we see the greatest potential, markets where we also see the most favorable environment. Originally, we spread across the entire region, Central America and the Caribbean. I believe it was important for us to acknowledge that not every country is a good fit for us.

00:04:39 - 00:05:47
Stefan: It was good that we decisively moved out some markets and concentrated our resources on what we believe are the most promising ones. Most notably, you will remember that we exited the St. Kitts project that we originally were invested in. We also started our exit from the Puerto Rico market with a divestment later this year, later last year. Sorry. You take all of this and you pair it with the now much lower overhead expenses and the better cost control that we have, and that we've demonstrated year-to-date with a 30 percent reduction year-

on-year, which we maintained through the first half of the year. There is plenty of reason to be positive about our prospects and to really grasp the value that our company has. We will continue to focus on this. We will continue to create shareholder value by making sure that the center of it all, the foundation of it all, is a strong operational performance that allows us to push the development progress, with really creating a strong, valuable backlog that we move forward through the development phase.

00:05:47 - 00:06:36
Stefan: It allows us to bring in co-investors, as I alluded to, that help us boost our returns and de-risk our investments. When the opportunity arises, we need to continue looking for project debt for our unlevered assets. Overall, we need to control the spending that we have on overhead and to reduce the reliability that we in the past had after our IPO on external funding sources. These are the deliverables that we are focused on. At the end of the day, and as you will see in the Q1 results now, sorry, the half-year results now, this is what we are also seeing being reflected in our financial performance. What we've seen in the first half of the year is continued growth year-on-year, and also higher operating profits and operating margins.

00:06:36 - 00:07:47
Stefan: We see the top line grow. Energy output is significantly up. Project revenue is up more than 50 percent in the first half of the year compared to 2023. Also, our project EBITDA and the corresponding EBITDA margins on an operational basis are significantly better than they were in 2023. On the one hand, this is of course a result of simply adding more projects to the portfolio that's operating. That's why we see a significant increase across the core KPIs that we have. We're also benefiting from some inflationary tendencies and some spot market trends, like higher energy prices. Of course, also from the positive impact that we take when we put a greater emphasis on not only controlling spending in our overhead and group structure, but also in the projects themselves. With the results that we're seeing, nearly 60 gigawatt hours produced in the first half of the year and delivered to clients, a proportionate revenue exceeding 6.1 million and a corresponding project EBITDA of 3.9 million, these are excellent figures. These are figures that allow us to confirm the outlook that we've given for the entire year of 2024.

00:07:50 - 00:08:48
Stefan: If we take a little bit of a deep dive into the projects, we will see that we have actually had mixed results from our entire portfolio. Very good results from Mexico and very good results from El Salvador. They are really in line with our expectations, exceeding them to a certain extent. We've also seen that the joint venture we have with Akuo Energy in Colombia, the Planeta Rica project. Now that it's online, which happened last year in December, it's really contributing as it should be. This overall is also part of the reason why we're seeing a significant increase year-on-year. We have, however, also seen a little bit of an underperformance from our project in Puerto Rico, and especially from one of our projects in Colombia. Let me allude to that a little. The issue that we have in Puerto Rico is that at the moment the plant is basically not producing energy and delivering it to the client because the client doesn't have demand for that energy.

00:08:48 - 00:09:38
Stefan: They are revamping their manufacturing capabilities and facilities. Until the energy demand picks up, we will not be able and needed to deliver energy to that off-taker. However, the contract allows us to invoice a minimum. Of course, we're invoicing that minimum. This is why we're seeing contributions to revenue and to EBITDA, even though it's below what we would see if the plant would be fully operational and really delivering at the levels that we want to deliver. We will see or hope that this situation is rectified. It's in the hand of the off-taker at the end of the day, when they will start picking up manufacturing, and thereby energy demand again. Until then, we continue to run the plant as needed. We will continue to see contributions, but especially on a margin perspective lower than expected.

00:09:38 - 00:10:38
Stefan: In Colombia, clearly a bit of a disappointment in the first half of the year. We were facing some extra costs from energy trading that we're not supposed to see, but a metering error between our plant and the grid substation triggered an energy purchase that was not required. We will try to reverse that effect. The discussions with the grid operator are ongoing. I'm being told that this is a one-time impact that will be rectified in the future, so that we should see margins going up. Even though the first half, of course, delivered margins that we simply cannot accept. Despite this, despite the small underperformance in Puerto Rico and the significant underperformance of Los Girasoles in Colombia, we're still delivering high top-line growth both on a basis of proportionate values and also on a basis of consolidation, which we're showing here, where we're excluding the projects that are not fully consolidated. We're taking a consolidated view.

00:10:38 - 00:11:47
Stefan: Even here, and I'm just highlighting a few things, you can see revenues are up significantly, and costs are down. Compared to last year, we significantly increased the group EBITDA when accounting for overhead expenses from 900,000 negative to 1.7 million positive in the first half of the year. This is, of course, underlining the scalability and making the scalability of our business more visible. It is in part supported by cost control. At the beginning of the year or late last year, we implemented measures and we said we want to bring down costs by around 30 percent year-on-year. In the first half of the year, we have done exactly that. We continued the trend we already saw in Q1. At the moment, there's really no reason to believe why we should not meet these targets for the entire year of 2024. Which will, of course, help us to, on an operational basis, break even on a group level as the year progresses. Especially considering that the third quarter of any year for us is the one where we see the highest energy output, where we see the highest contribution to revenue in EBITDA.

00:11:47 - 00:13:01
Stefan: The third quarter will, together with the now lower cost base, increase revenues, profits, also on a group level even more. If we're looking at some other key financials, the story is very much the same as it was in the past. We still are considered unlevered by standards in our industry when looking at our peers. The 50 percent equity ratio is clearly too high. Main reason here is that two of our projects are still unlevered. We are looking at financing options, and we're having discussions. I'm sure that we can bring down the equity ratio, and thereby free up cash more significantly down the road as the interest rate environment eases up a little or at least stabilizes. I will speak about the free cash position in a minute. I just want to highlight that if we don't account for non-cash FX effects in the first half of the year, the adjusted earnings per share is nearly zero. We are approaching break-even here on a consolidated level. Also, very good news for us and a message that I want to share with the market that we have left the high loss, especially on an adjusted basis, the high loss period of the past behind us as we ramp up the portfolio and keep costs under control.

00:13:03 - 00:14:07
Stefan: Another core performance indicator that we're looking at is what we call the free cash position. We define this as the money that we truly have available to spend on overhead, to spend on project development, and to deploy into projects. Now, this free cash position was significantly reduced in the first half of the year because we started construction on our largest project to date, the Guatemala project San Patricio, which is a 65-megawatt project. We funded the entire equity ourselves for now. That led to a significant reduction in the first half of the year of the free cash position. However, this is not a concern for us at the moment. We will recoup most of the investment in the project once we bring in the co-investors later this year. We are also looking at financing options in Colombia, which is an option for us to elevate the free cash position. We have no further project commitments and we have a lower overhead base. At the moment, this is a very stable level that we're seeing here. This should be rectified by the end of the year.

00:14:14 - 00:15:12
Stefan: Bringing this slide back by popular demand from our investors. What we are showing here is we're breaking down the book value of our assets, liabilities and thereby our equity or net asset value on a per share basis in Norwegian Kroner. If you understand and believe that our financial statement on a consolidated basis represents the fair value of everything we have, both in terms of assets and liabilities, then the net asset value, and the book value of the equity per share also reflect the fair value of the company. What we see on the asset side is what you would typically see for a company like ours. We have actual tangible assets, solar plants, and CHP plants that you can touch where you have substructures, you have modules, you have cables, you have inverters. This, of course, is a significant portion of the assets per share that we have in our company. These are carried at costs and they're being depreciated.

00:15:12 - 00:15:59
Stefan: We're not overstating or not marking them to market or considering any upside from future sales here. This is simply the book value of the assets that we carry on our books. Of course, with the total cash position that we have on a consolidated basis, most of it now is sitting inside the San Patricio project. Cash is also still a relevant asset that we are carrying, and that contributes to the total asset per share, the asset value per share. On the liability side, it's really just mostly project debt, which is still below what we would consider industry standards in terms of leverage ratios, which, of course, is the largest portion of what has to be deducted. Today we're trading at, I think, a share price of around 13.4 NOK. Net asset value according to the books is over 30 NOK.

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Stefan: We believe that the intrinsic value of the company actually is much, much closer to the net asset value that we show per share based on our book values, as we carry these at fair values and as we monitor these developments closely. The question, of course, is how can we make sure that the true intrinsic value of the stock is being reflected? I think one core element of that, as we look into the future for this year and beyond, is and remains the San Patricio project. The impact of this project, we've said it before, is fairly transformational. It is the biggest project that we've undertaken to-date. Once it is completed and the construction is currently on track and expected to connect the grid by the middle of next year, it will nearly double our capacity and our energy output.

00:16:49 - 00:17:41
Stefan: It has a significant contribution to the top and the bottom line. All of this is already in place. The project is fully financed. We have provided the equity. A local bank has provided the debt financing for the project. No matter what, this project will go online next year, and it will have the impact that we're showing here on our financial results. We don't need to add any new people to our staff. We don't need to increase overhead because of this or do anything else. This is something that we have already implemented and that we have started. That's why there's also a significant upside. When you look at the impact that this project will have on the total group, as I will show in one of the next slides. Perhaps a few pictures to also give you an impression of the construction process itself. The construction, as I said, is progressing as planned.

00:17:41 - 00:18:35
Stefan: We are working together with a Spanish EPC contractor who is building the project for us on a turnkey basis. At a fixed price and taking over full responsibility for delivering that project to us. This contractor also built our plant in El Salvador on time and on budget. There was a previous relationship. So far, we're seeing the excellent performance that they delivered in El Salvador repeated in Guatemala again as they mobilize to the side, as they started earthworks, they started fencing works, which are all, of course, the preliminary works you do before the equipment arrives on-site, and you can actually start building the substructures and the solar plant itself. Purchase orders for main equipment have been placed. Deliveries will happen over the next three months, so there's also no more risk associated with the cost of this equipment. Neither the models nor the substructures or inverters or anything else that we need will change in price.

00:18:35 - 00:19:18
Stefan: We have closed the purchase orders, and therefore the current construction budget, which was defined a few weeks and months ago, is still very much what we're expecting this project to cost us. Also good news, usually the connection to the power grid is some kind of a bottleneck because we rely on third parties to provide the substations on time. In this case, the off-taker itself, the company that we will deliver energy to in the future, is responsible for building the substation. They started building that substation before we officially started construction. They will also finish before we will conclude construction of the project, so that we see a very minimal risk of us not being able to connect to the grid once our construction portion is completed.

00:19:21 - 00:20:15
Stefan: I would like to close my prepared remarks by looking a little bit into the future. I'm doing this not based on some ideas about what additional projects we could add, but really just based on what we have today. What we have today is a portfolio of five projects that is fully operational, and that is delivering the numbers that I've shared with you here today. It is the San Patricio project, which will come online in the middle of next year. Just looking at these six projects and already factoring in that we will sell part of the San Patricio project, we still see that proportionate revenues, proportionate profits from these projects, and also the margins will increase over time. We have very high visibility on these projections because we know the projects, and we have the contracts in place. They are, for the most part, already operational.

00:20:15 - 00:21:18
Stefan: What we will see, aside from us confirming the outlook for this year, with 12 million revenue and 8.5 million in profits from the project, we will see the portfolio itself increasing its output, its revenues, and its profits in the coming years. Of course, the impact of adding San Patricio in the middle of 2025, and then especially 2026 is quite significant. That's why we are positive that even with the existing structure that we have, where we have nothing to add to achieve these numbers, we don't need to add anything. We are looking at a very, very positive outlook here and a very significant uptick in both revenues, profits on a project level, and on a group level. This is why I believe the prospects of this company are basically already written by what we've done, and they remain very, very positive. Maria, this concludes my prepared remarks. Thank you, everybody for listening so far. I think we can now get started with the Q&A session.

00:21:19 - 00:21:44
Maria: Thanks a lot for these insights, Stefan. Exactly. We will now continue with the Q&A session. As I can see, we have already received quite a lot of questions on different topics. First one, Stefan, are you concerned about the free cash position of the company, especially given the significant reduction in the first half of the year? Looking ahead for 12 months, won't you run out of cash at some point?

00:21:46 - 00:22:39
Stefan: Thank you for that question. No, I'm not concerned, and no, I don't think we will run out of money. As I said, we deployed a significant amount of cash to fund the construction of the Guatemala project. Most of that cash will be returned to us as we sell down the asset. Meaning that when we sell, let's say, 50 percent, the new partner coming in will take over 50 percent of the equity that we've already provided. On top of that, they will pay us a development fee. That's a significant amount of cash that will be returned to us once we close that deal. On top of that, we are looking at financing our unlevered project in Colombia. We are an active discussions with a financing institution in the country, which could free up some cash, which we could then bring back and deploy elsewhere. There are different resources, including some of the farm downs that we're planning, for example, in Colombia of a development project.

00:22:39 - 00:23:03
Stefan: We have plenty of cash resources that we can tap into. If you pair that with a now a much lower overhead and cash burn, if you will, that means we also have a longer period for which we can use the cash. No, I'm not concerned. If we do our job well on the sell-side this year, Guatemala, Colombia, and other projects, there's no need to worry at all.

00:23:06 - 00:23:22
Maria: Thanks a lot. Then next question, will you be able to further reduce costs if you decide to stop investing in new projects? Maybe as a follow up to this one, does reducing the company's overhead costs limit its ability to bring on and execute new projects?

00:23:23 - 00:24:18
Stefan: The question about can we reduce costs further if we stop investing in new projects? Naturally, the answer is yes. If we step out of the part of the business that is development and construction, then we will basically see a structure where we would only have an operating portfolio like a pure yield company, if you will. We could, of course, run that at a very lean cost structure. The questions that I would ask is, why would we stop investing in projects? Why would we get out of a lucrative portion of the business that is development? Of course, you can think about things like splitting the company in two. You have a yield company with a very, very lean setup that is just there to generate cash and distributed it to shareholders. You have a development and construction company or construction supervision company that takes care of the early stages of the business.

00:24:18 - 00:25:19
Stefan: At the moment we are a the full cycle IPP, the answer to the question is, yes, we could reduce costs, but this is not what we're planning for. I think the second portion of the question was whether the reducing overhead cost that we've done limits our ability to grow. I would say no. That's certainly not the case. I would say it's even the contrary. First of all, we have all the pieces in place that we need to develop our backlog. We have the development team that is working on this on a daily basis, and saving money on overhead without touching that development resource, and we haven't touched it, basically means that we're freeing up cash. We're freeing up cash that we could potentially deploy into additional development resources and into additional development projects. We're not doing this at the moment. We have a clearly defined budget, and that's the money that's going into it. Overall, cost reduction on the one side is really making us more flexible and creates greater flexibility that we could then refocus to other parts of the business.

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Maria: Thank you. Next question refers to the project in Guatemala. Why is the search for a co-investor in Guatemala taking so long, were you not expecting to close the deal in Q2 already?

00:25:36 - 00:26:36
Stefan: It is true that we were very far along in the process with a potential buyer. That buyer had exclusivity. We couldn't speak to any other interested parties. Then that buyer backed out of the deal. We have since re-initiated talks with other interested parties and there are several. I'm really not worried that we will not find a partner for this project and be able to close a deal. It should also be clear that we are not accepting any deal. We

know what the project is worth. As the construction, which is fully funded, progresses, we are de-risking the project. In that sense, a delay in closing the deal makes the project and the potential deal more valuable. That being said, yes, I think we originally anticipated to already close the deal now, but we are not really under pressure to get it done because we want to get it done right. I have no worries that we won't be able to do this. M&A, it just takes time.

00:26:38 - 00:26:53
Maria: Next question. Do you have ambitions in other more mature markets, for example, Europe? Would it not be a good idea to de-risk the country's focus? Would you be able to apply the same business model to such markets?

00:26:55 - 00:27:52
Stefan: That's actually an interesting question. I was not expecting that. Our company focuses on developing and emerging markets. This is where we see the most attractive risk-return possibilities. Our shareholders are our shareholders because they seek that exposure. Meaning focusing on more mature markets, I think you mentioned Europe, I don't think it's in the stars for us. That being said, the dynamics and business model that we would apply to such markets are the same. Ultimately, I believe the core of our business is that we control the development pipeline. We no longer rely on third-party developers. That control allows us to really boost returns and be in an interesting part of the business. At the same time, we are ready to add trends in the market, like storage solutions, whether they are co-located or standalone. Overall, the drivers are the same.

00:27:52 - 00:28:25
Stefan: The competitive environment and mature markets like the one you mentioned is certainly different. At least as an IPP and not a pure-play developer, certainly your returns are also different. All of that being said, we want to work in a high-return environment like we do. We feel comfortable where we are right now. We control the pipeline. We know the market. We know what we're up against. I personally have no plans to refocus the company on more mature markets, whether it's Europe or the US or whatever else we might consider.

00:28:27 - 00:28:38
Maria: Stefan, could you share some details on the development backlog, and especially the timeline for getting the projects to the ready-to-build stage and what comes after Guatemala?

00:28:40 - 00:29:41
Stefan: Happy to. Our development backlog at the moment, it's six active projects in four countries. These countries are Guatemala, Panama, El Salvador, and the Dominican Republic. It's around 300 megawatts in total. The projects are in different stages. Our top priority is to sign new PPAs for these projects, so that we have the commercial basis for these new projects. Ideally, in an ideal world, we will be able to start building the next project once the Guatemala project comes online. Rarely development timelines are that predictable or fitting that nicely. Nonetheless, we're aiming for late 2025 or early 2026 to get new projects ready-to-build. Until then, we will just continue to see higher revenues and profits from the existing portfolio. We will add San Patricio. That is, of course, the first thing we need to do, and then we will see all the positive upsides that I shared in the outlook from earlier.

00:29:43 - 00:29:49
Maria: What will you do to improve the margins of the CHP project and your Colombian projects?

00:29:50 - 00:30:38
Stefan: In Puerto Rico, for us, the main goal is to return to a proper operating mode. The cost structure is really fixed for us, more or less. As I said, we're currently invoicing the contractual minimum. Going beyond that minimum requires that the off-taker increases its manufacturing output and, therefore, its energy demand. Then we will see margins improve very quickly. That is, for the most part, out of our hands. In Colombia, I believe we will see the recovery happening fairly quickly. We have a special situation with the metering errors. We will, of course, continue to see somewhat higher costs because of the security situation in Colombia, where we have to make sure that the plant, the equipment, and especially our employees on the ground are protected.

00:30:38 - 00:31:13
Stefan: Other than that, I would expect that in Q3 and Q4, we already see margins returning to a level where they belong. We will not be able to recover everything we've lost in the first half. From next year onwards, the 70 percent plus profit margins for Colombia should be achievable. I would again like to highlight that despite what we see in Puerto Rico or Colombia, in this particular case, we have delivered very good numbers and we

have confirmed our guidance. The portfolio itself is clearly strong enough to counter some weaknesses that we saw in the first half of the year.

00:31:15 - 00:31:25
Maria: As we received so many interesting questions, we will extend a little bit. Let's continue with the next one. Do you plan to sell stakes in existing operating projects?

00:31:27 - 00:32:35
Stefan: I wouldn't necessarily limit our sell-side activities only to development projects. Farm downs can happen throughout the entire portfolio. I would say we are open if the valuation offered to us is right, especially in a non-core market like Puerto Rico, or non-core technology like the gas-based CHP we have there. Naturally, asset values will react positively to a lower interest rate environment. While I don't think that rates will significantly come down in the foreseeable future, I think there will be some positive trends that we can benefit from. We need to consider that every sale will ultimately also reduce our cash flows, the ones that we generate to cover overhead and development expenses. The smaller we make our own portfolio and operating cash flows, the more volatile, the more development focused, or development cash flow focused this business becomes. We might enter a stage where we once again have to rely on external funding, which we don't want to do. I would say looking at the current portfolio, we're open to discussing, but we are not actively trying to farm these down.

00:32:38 - 00:32:46
Maria: Then the next question, do you have a hedging strategy to reduce the negative impacts of forex movements?

00:32:48 - 00:33:43
Stefan: Yes. If you look at the numbers that we presented, you see that there is a significant FX loss. I think it's important to understand where this comes from. First of all, this is non-cash related. This is a pure accounting adjustment that we have to make, but an accounting adjustment that we usually wouldn't see in the profit and loss, but just in an equity reserve on the balance sheet. What has happened here? We have two FX exposures when it comes to translating financial statements of our subsidiaries back to US dollars, which is our functional and reporting currency. The first one is the joint venture we have in Colombia. We provided shareholder loans, and, of course, the value of these shareholder loans, which are denominated in Colombian pesos, they fluctuate as the US dollar and Colombian pesos rates fluctuate. Last year this led to a gain. This year it will lead to a loss, at least in our books. This is what we show in the P&L. That is the smaller impact.

00:33:44 - 00:34:33
Stefan: The larger impact comes from our subsidiary in Mexico. The situation there is really quite unique. IFRS says we must determine the functional currency in Mexico, that's clearly the US dollar, we generate revenues in US dollars. We pay expenses in US dollars. The entire financing structure is in US dollars. However, the Mexican local law does not agree with IFRS. They say you have to prepare statements in Mexican pesos. What happens is we first translate from US dollars to Mexican pesos, which may lead to a gain or loss on the currency side, like what we've seen here. Then we translate it back. The effect on the consolidated side that you would usually not see in the P&L remains there, because the Mexican peso statement fluctuates with the value of the US dollar loans.

00:34:33 - 00:35:29
Stefan: It's quite a unique situation. I think both the Colombian pesos and the Mexican pesos, over the past year have seen high volatility, sorry, against the US dollars, some 10 to 15 percent in both cases. It's technically possible to hedge the exposure, but we don't intend to do it for a couple of reasons. One, this is a non-cash. It's a purely accounting-related matter, and I would not pay too much attention to it at the moment because last year we had a significant gain. This year we're looking at a loss, but it might reverse somewhat over the next quarters. Any kind of hedge that we could implement would also require us to put down a lot of cash in margin accounts, cash that we currently don't want to disperse for that purpose. Implementing a hedge to, let's say, rectify an accounting movement is really not what we want to do. I know it's a bit technical, but I hope that answers the question.

00:35:32 - 00:35:48
Maria: We'll now take our final question, which refers to the stock price. The company's shares are trading on a 65 percent discount to the net asset value of the company's assets, which measures the MPC's intent to take to increase the stock price.

00:35:49 - 00:36:50
Stefan: Thank you for that. There are factors that we cannot control. I think ultimately the investors will need to say, "Hey, this is a company that we believe is undervalued and we will buy the stock." Over time, we might close in on the fair valuation that we believe should be there. What can we do as a company? I think we can stay first and foremost on the path that we defined when I took over. That means deliver a solid performance operationally with profitability on corporate level. Also, as we see the portfolio numbers grow and our cost being under control, and thereby also steadily increasing our cash flows, and thereby the value of the company. We also have to make sure that the market value or the value that we see in our development projects becomes more transparent. We can do that by doing one of the core things in our business, meaning farming down development projects, which also boosts our returns and helps us to take money off the table earlier.

00:36:50 - 00:37:49
Stefan: It provides a data point for investors to say, "Oh, I understand this is what a ready-to-build project is worth. They've demonstrated it and proven it to me." Ultimately, this is an infrastructure business. By nature, it's a long-term business. I think the value will increase over time as the market gets more and more visibility on the performance and the prospects that we have. We should also note that the stock is up 50 percent since its lows last year. It's up 25 percent this year. This is not unique in our sector, but I'm certainly seeing the right trend, and a trend that we think is justified, and that we want to continue to follow. Maybe as a final remark on this, if the public market does really not allow us or our shareholders to get the true value out of this because the liquidity in the stock is low, or because there's market sentiment or sector sentiment that drags us up and down as other companies much bigger than us drag the market up and down, then maybe we should consider not being public anymore.

00:37:49 - 00:38:26
Stefan: I think we've seen in recent private transactions what these renewable assets can be valued at or are valued at, even in a high interest rate environment or relatively high interest rate environment. That in these transactions apparently the fair value wasn't adequately reflected in the stock prices. I will maintain that we are undervalued, period. I think we will be able to demonstrate this by delivering solid numbers every quarter and every year. Sooner or later, the true value will be reflected.

00:38:28 - 00:38:51
Stefan: Thank you very much, Stefan. With this, I would like to conclude the Q&A session and the webcast. Should there be any further questions we have not covered today, please feel free to send them to us via email at ir@mpc-energysolutions.com. We'd like to thank everyone for joining us today. Have a great rest of the day.