

Transcript for "MPCES Q1 2026 Results"

Heike Hülle:

(00:00:00 - 00:00:59)

Hi and good afternoon, everybody. Welcome to today's webcast for MPC Energy Solutions. In our webcast today, we will review the results for the first quarter of the year 2026. The quarterly report was published this morning and you can find it on our website. Please note, as usual, that this webcast is being recorded and it will be published later, together with the transcript and the presentation slides, on our website. We're happy to answer your questions after the presentation, so please feel free to type them into the text box anytime during the webcast, and we will cover them in a Q&A session at the end.

So just as a reminder, as usual, we will be making certain forward-looking statements in this call. Please refer to the disclaimer included in the presentation for details on those forward-looking statements. All right. I now have the pleasure to hand over to Stefan Meichsner, CFO of MPC Energy Solutions, who will continue and lead you through the webcast.

CFO, Stefan Meichsner

00:01:02 - 00:14:20

Thank you. And a very good afternoon to everyone joining today and dialed into the call. It was overall a relatively uneventful first quarter, I would say, especially compared to the last one in which we announced the agreement to sell our two largest projects. And before I walk you through the results, the highlights, the lowlights, the outlook for the future and some comments on our upcoming annual general meeting, please allow me to refresh your memory about what our current portfolio looks like.

So, we currently have four projects in our portfolio, of which three are operational, combining for 49MW. These projects are located in Mexico, Colombia and El Salvador. And of course, we have our project in Guatemala, which is slowly and steadily inching through the final phase of the permitting stage. As you can see from the slide, our very original plan was to start commercial operations of the plant in the middle of last year, and we are now nearly a year delayed, even though the project started or completed construction as planned in mid-2025. Once Guatemala is operational, this will also mark the milestone, if you will, to complete the sale that we announced in November of 2025, namely, the sale of the two projects framed here in red, which we refer to as Project Merlin, which we at this stage, this time, still expect to be concluded at the end of the second quarter of this year. And once that has happened, we will, of course, have a much smaller portfolio, just Mexico and Colombia, combining for 28MW. Until that happens, though, the project in El Salvador, of course, is contributing to our results. And that is also reflected in the numbers for the first quarter.

Which brings us to the Q1 results. Just walking through the highlights and lowlights. So on the plus side, we continue to be very much disciplined on how we spend our money and how much we're spending. Overhead costs once again down year over year, significantly, 31% in the first quarter. Um, we will get to that later, what the development over time shows. But overall we're eyeing 25 to 30% cost reduction this year compared to 2025. And we are very well on track to achieving that. Also on the plus side is that we sold our project La Paella in El Salvador. It's a very early stage development project that we spent some money on. We now sold it. We recovered some of the historical costs already, and the agreement that we have in place will allow us, if the project is successful, meaning it goes through the development stage, we will not only recover our historic development costs, but we also secured some upside in case the project is then actually sold or built for a premium. One of the other highlights for the quarter - not the quarter per se, because the payment was collected on the 1st of April, so it's not reflected in the end of the quarter numbers - but we collected an unexpected earn-out payment related to Planeta Rica, a project that we sold in Colombia last year, and the 300,000 - actually 338,000 - we collected on the 1st of April marked an annual payment that, of course, increased our free cash position after the reporting date.

What are the lowlights? I will speak about Guatemala. First, the good news is we're making progress. It's one permit that's missing. All the documents we have to prepare, even with third party support, have been filed. We're now waiting for the authorities to review it. What permit is missing? It's a permit that is issued by the grid authority that basically establishes the rules, the procedures, the technical requirements for connecting a plant to the national electricity system, the transmission system. The final permit we need here, which we originally believed we did not have to obtain, and if we needed it, it was not our responsibility. More on that later. We're now working towards securing that. Two reports were required from third party experts to be submitted to the authority to support our approval request. And the authorities now have these two reports, and we expect them to issue the permit in the coming weeks, after which we can then start the testing and commissioning phase. Of

course, the significant delay I mentioned - one year compared to the original deadline, timeline - also means that costs are piling up for site staff, for meeting debt service payments, especially interest payments, until COD can be achieved. And that required us to invest an additional one million during the first quarter, which of course will help fund part of the second quarter. But the more this drags out, the more we will have to cover for the costs and expenses that are being incurred. Um, meaning that if, for whatever reason, which we're currently not expecting, but if for whatever reason this is delayed further, and then of course into, let's say, into July, August, um, then additional funding might still be required. But for now, we covered what the project needs until what we now consider the timeline to COD, which is the end of the second quarter, including the closing of the related Project Merlin. And then the low light for the quarter was a metering error, a technical error that we incurred during January in our plant in Mexico, which basically prevented us from invoicing an entire month of energy that was produced, which impacted the numbers negatively. Not by much, but you will see that it made all the difference in the year-over-year comparison, which I will address now.

Looking at these key metrics, we will focus on the like for like comparison. So we will compare the projects in Colombia, Mexico and El Salvador year over year, excluding the project that we sold last year in Colombia. Otherwise it was distort the figures a little bit too much. So as you can see, energy production basically on the same level as last year, that was not the issue, but because we could not invoice the entire output from the plant in Mexico, the revenue is down year over year by roughly 3%, and operational profit is also down by roughly 8%. The deltas are not big, and we intend to recover them throughout the remainder of the year. But of course, in the short run, meaning for the first quarter, it had an impact not only in absolute terms, but also with regards to the margin across the portfolio, which was 71% compared to 75%. If we go a little bit into details.

Project by project level, you will see that in El Salvador we managed to slightly increase the output. Revenue is higher, in part benefiting from the higher tariffs. Profit margin is stable while the absolute profit is up a little bit. In Colombia, where very poor weather conditions throughout the entire first quarter led to a lower energy output than expected and also generated in the previous year, with an impact on revenue, with an impact on operating profit in absolute terms. But at least we were able to keep the margin on the previous level, at the previous year's level relatively steady. So the big impact really comes here from the project in Mexico, where revenue and EBITDA, because of the metering issue, are down and that impacted the margin negatively. We expect the Mexico project to climb back to its 75% margin that we achieved last year over the remainder of the year, but in the first quarter, this had a negative impact, which is clearly displayed in the overall portfolio figures. So we're trailing Q1 year over year, not by much. And we expect to reclaim that over the coming months.

Looking at other key metrics, I think what really stands out is our continued cost discipline. So compare that to a couple of years ago, several years ago, in 2023, when we spent over 1.4 million per quarter, this number is now down to slightly over 600,000. We budgeted 2.3 million for the entire year. We are very well on track to achieving that, and this is clearly one of the things as we scale down our portfolio that we have been very attentive to and where we continue to execute well. Free cash is down a little bit more than expected at the end of the quarter. Of course, not including this number, the 7.5 is not excluding the 338,000 that we collected the day after. So let's say 7.8 million. The difference being explained, of course, by the overhead spending of a little over 600,000 in the first quarter and the additional million we had to invest into the Guatemala project to cover that. Going forward, we expect free cash to only go down related to overhead, unless for whatever reason, Guatemala continues to be delayed and additional funding is required. The project itself, side staff interest, ancillary costs is around 150,000 per month. So if this drags beyond Q2, this is what we can then add to the outflow that is required per quarter per month, sorry with regards to the project, but overall strong cash buffer, comfortable situation, absolutely on track on the overhead side.

So not much to complain about here, which also goes for the remainder of the metrics. If you look at our balance sheet: Total assets very little changes quarter to quarter, year over year, the equity ratio has been relatively stable, as has the relation between consolidated cash and project debt. Part of the numbers that you see here, if you look at the balance sheet, are classified as held for sale assets and liabilities, simply because the two projects which we agree to sell, which we refer to as Project Merlin, are classified as held for sale. But this is basically the view that you would get if that wasn't the case. So much for the key metrics. Slow start to the quarter, not trailing much behind. Super good execution on the overhead cost side. Still comfortable on free cash and a fairly unchanged balance sheet structure.

What does that mean for the remainder of the year? So of course, our top priority remains to get the project in Guatemala online, thereby allowing us to close the sale of the two projects and collecting the sales proceeds. Once that has been accomplished. Distributions to shareholders can start as planned. And in the meantime we're looking, of course, to divest the other projects as well, which will take more time. But at the same time, as long

as this hasn't happened, the project in El Salvador and the two projects that will remain in our portfolio for now will contribute to our financials. And the outlook for 2026, based on that is, 7.5 million in revenue and a group EBIT of 1.6 million. Given the lower overhead, the margins should be fairly in line with what we have reported for the year 2025. And in this outlook, we expect that Mexico and Colombia will contribute for the full year. Might not be the case if we sell one of those projects or both projects beforehand. But you understand the planning premise here and El Salvador to contribute until the end of Q2, when we expect the deal to close. Which brings me to one subject, meaning that we said we intend to begin distributions of our cash to shareholders this year.

We will lay the groundwork in the upcoming annual general meeting. We sent out the notice, the invitation last week outlining the agenda and the proposed resolutions in detail. Just a few highlights here.

So the AGM will take place on the 27th of May this year at our office in Amsterdam. You're more than welcome to join us here in Amsterdam, but you're of course, also invited to join virtually. And should you not come here and cast your vote in person, you can do so by using the voting form that we included in the notice. This is standard procedure for us. We've been doing it for five years. If you were a shareholder on the 29th of April, you can cast your vote on the proposed resolutions. The proposed resolutions are fairly standard, but resolutions number five and six, they are really the ones that will lay the groundwork for the distributions that we're planning. You will find all the details in the documents. When you have not seen them, go to our website. You will find the full set of materials where they are. These resolutions are really important to make sure that we can distribute cash as we plan later in the year, and also in 2027. Should you have any questions, anything is unclear., you need more guidance before you can cast your vote, feel free to reach out and submit your questions to the email address that you all well know.

Wonderful! So, so much for the prepared remarks. I will now hand the call back to Heike for the Q&A. We can spend plenty of time on it as the prepared remarks only took a couple of minutes. So let's really dive deep into the Q&A, as many questions as you like, Heike, go ahead.

Heike Hülle

00:14:20 - 00:14:22 Sure. All right.

Heike Hülle

00:14:24 - 00:14:38

So the first question that came in, Stefan, what is your plan for the two remaining projects? Can you operate the company profitably with only two projects remaining?

CFO, Stefan Meichsner:

00:14:40 - 00:16:02

Okay, let me address the second part of that question first. So whether we can operate the two projects and be profitable. The short answer is yes. The longer answer is yes, but not with the current structure. So in a normal year, these two projects would generate 5 million in revenues. 3.5 million in operating profits. And bottom line would be small net profit, small free cash flow. But that of course does not factor in the overhead. And I think this is key. If we want to operate such a small portfolio of just two projects, you would have to scale the organization down to an absolute minimum. And by that I mean you cannot be publicly listed. And you basically just have one person surrounded by third party service providers on project level, um, who operates this, then it can work. But that's certainly not manageable, as I said, with the current structure, it's also not an equity story. So this would be likely privately held portfolio, but we're not there. Which is why I think and I strongly believe that ultimately, um, and this brings me to, if I understood correctly, the first part of the question, we will sell these projects. And if we can get a good risk adjusted price for them, then I think that is also to the benefit of the shareholders.

Heike Hülle

00:16:03 - 00:16:18

Okay. Understood. Then the next question I think that ties in a bit into this. So how much are you spending in Guatemala on a monthly basis until you can start operations? And how is this being funded?

CFO, Stefan Meichsner

00:16:19 - 00:17:29

Yeah, I mentioned it during the prepared remarks. So the running costs per month are currently around \$150,000 that spent on sites staff on uh, ancillary services, and also on the interest that we have to pay on the on the bank

debt. Um, on top of that, of course, we have payments to settle with the with the EPC contractor who's been waiting for nearly a year for final payments. So at the end of the day, let's say 150,000 per quarter, um, the first and the second quarter have already been funded by the investment that we have made. And this is funded from our free cash because the project is not generating any income itself. That's where the money has to come from. I just want to repeat again, we expect the project to become operational at the end of the second quarter and for the deal to close, and I don't expect any funding to be required if that happens, should this for whatever reason - again, we're not expecting it - but should this drag out and I think we've made projections in the past that have been wrong, otherwise we wouldn't be so severely delayed, um, then, of course, additional funding might be required, but we're not foreseeing that at this time.

Heike Hülle

00:17:30 - 00:17:37

Okay. And one question that came in. Could you please put some more color.

CFO, Stefan Meichsner

00:17:37 - 00:17:46

Into why San Patricio needed another 1 million, as it was expected that it was contributing turnover. Is the project producing and selling?

CFO, Stefan Meichsner

00:17:47 - 00:18:11

No. The project is still awaiting the final permit to start the testing and commissioning. Only after which it can start operations. And once that happens, we will sell it. So we're not seeing revenues or income or anything from the San Patricio project in Guatemala. What we're seeing is the costly reality of a substantial delay, where the project is going through the final stages, and we just have to keep it funded until we can sell it.

Heike Hülle

00:18:13 - 00:18:26

Thanks. And another question that came in. Would you say that the value of these two last projects has increased with this latest surge in energy prices.

CFO, Stefan Meichsner

00:18:28 - 00:20:01

Well, that's, uh. Theoretically, I would have to say yes, but I think this is a bit more, uh, or requires a bit more detail. Let's let's look at this. Energy prices are going up. This region is affected like any other region. They have a very high penetration of renewable energy. But that doesn't mean that gas prices are not setting the market prices and that they're not dependent on, on, uh, importing oil and gas for, for different purposes or for, um, derivative products. So in Colombia, the high prices mostly hurt us because especially with poor weather conditions, when the plant is not generating enough energy to meet the pay as contracted PPA obligations, we have to purchase the energy in the market. If that energy is more expensive, it's more costly for us. In, um, in Mexico, um, the project has a determined price increase structure, which is dependent on inflation. Of course, if inflation goes up because energy prices are higher, that usually increases the tariffs for that project as well. And that should have a positive impact. Whether this can immediately be translated into a much higher valuation. That really depends on the assumptions that potential buyers will take on future electricity prices. If this is something they believe is sustainable, the current levels will be maintained for the next five years. Sure. And then we would push for that. If there is any view that this could be relaxed again over the next 12 months, then I don't think it will have a significant value impact.

Heike Hülle

00:20:04 - 00:20:15

All right. Thanks a lot. Um, do you expect further reduction of your free cash position in the magnitude shown during Q1?

CFO, Stefan Meichsner

00:20:17 - 00:20:52

Uh, no, I do not expect that. Um, it would also be foolish of me to promise it, because I cannot do that. I cannot look into the future. But in a normal quarter, the free cash will only decrease by the overhead which we're spending, which is roughly 600,000 a quarter. Beyond that, it really depends on Guatemala. As I said again before, if for whatever reason, this is delayed further, 150 000 per month is what we would have to cover out of our funds. Other than that, you see the free cash, you see the overhead, and that's the relation that matters.

Heike Hülle

00:20:54 - 00:21:14:

Okay. Now the next question is that came in and I'm grouping them a little bit together. How much will you distribute to shareholders during 2026. And related to this probably please explain how you intend to carry out the capital repayment?

CFO, Stefan Meichsner

00:21:16 - 00:22:42

So as we outlined in the proposed resolutions for the upcoming annual general meeting, what will happen is that we will take an equity capital reserve that we have from the IPO, so-called share premium. We will convert that to nominal share capital. This does not require any new shares to be issued or it will not change the equity overall. It will just make sure that we have sufficient share nominal share capital and then through a capital reduction, several capital reductions, we can return money to shareholders. And we're not required to withhold any, any taxes as we would have if we were to pay dividends. But we don't have any profits to do that. Or if we were to distribute directly from the share premium, it would also be less tax efficient. So this is the steps that we're undertaking. This is the how. The how much is, of course, to intend - we intend to distribute the proceeds from the sale of Project Merlin. I've said that many times. I will also suggest that we distribute more money beyond that from the free cash reserve. The first part of this rests with the shareholders. If you all agree to do this, and you support the resolutions that we put forth for the annual general meeting, um, you vote in favor of the plan that we are proposing, then that hurdle is done. And once we have that in place, the management board, including myself, and the supervisory board, will discuss the individual distribution steps and when to take them.

Heike Hülle

00:22:45 - 00:22:54

Okay. Um, so what will remain of the company after the capital repayment? Do you plan to invest any money into new projects?

CFO, Stefan Meichsner

00:22:56 - 00:23:49

Well, look, after the capital repayment, what we will have left is two projects in our portfolio. Uh, cash in the bank and several obligations, like staff on the payroll. Um, of course, we need to keep, uh, minimum cash in the bank account, as we have outlined when we announce the deal of Project Merlin. And overall, I mean, I would just give a generic answer here. Our job is to work, um, for the benefit of the shareholders. Right. And I currently believe that is best served by divesting the portfolio and distributing whatever we can to shareholders. I think that has at the moment the greatest benefit. At the same time, we have an obligation to monitor opportunities, alternatives, but it will ultimately depend on the shareholders which direction we should take. I certainly have my thoughts. Other people might have other thoughts. What I can say is we currently have nothing else in the pipeline.

Heike Hülle

00:23:50 - 00:24:01

Understood. Another question that came in is: what is the status of the sales negotiations?

CFO, Stefan Meichsner

00:24:03 - 00:24:29

I guess this refers to everything else, not Project Merlin, because the Project Merlin sales agreement has been signed and we are working towards closing the transaction, meeting all the closing obligations. For the other projects: We are in touch with potential buyers, but we have not received any binding offers or signed any contracts or made any significant progress with regards to signing a binding agreement. We will certainly notify everyone if that would be the case.

Heike Hülle

00:24:31 - 00:24:45: All right. Next question. Why does the market seem to disbelieve your announcements? And how else could the share price, the current share price of 1.20 EURO be explained?

CFO, Stefan Meichsner

00:24:46 - 00:25:40

Well, I think the share price was much lower, um, seven months ago. Then we signed an agreement for a price to sell to projects way above what we invested and the book value. So at the proper fair value. And I think the share went up significantly in part reflecting that, certainly leaving some room for uncertainty or outflow for overhead. So I'm not sure that I'm not being believed. The share price has been very stable since the announcement. Um, we are working on getting this done. And shareholders who don't believe us, I think, sell the share and then no longer care. But it doesn't seem to be the case that much looking at the trading volume. So I'm super confident that this will be resolved in the coming weeks and months. And then the distribution can be made, and then we will see that we find a solution for the rest.

Heike Hülle

00:25:42 - 00:25:55: Okay. Right. Well I think you've answered this one. But um, there was a question that came in. What plans does your parent company have for the MPC Energy Solutions shell, I suppose, after the project has been sold.

CFO, Stefan Meichsner

00:25:56 - 00:26:36

Oh, we're not a shell yet. But I guess with maybe parent company, you mean MPC capital? They own 20%. We're publicly traded. We have many investors, also larger ones. Um, at the same time, you have to ask MPC Capital. I run this company. I have proposed a divestment plan and a distribution plan, and we're working on that. And ultimately, then there will come a time when MPC Capital, the other big shareholders, ourselves, we all sit together and we discuss what to do with this, uh, with this company going forward. And the decision will be taken at that time. At the moment, that is not top of mind and not a priority to discuss that. We have other stuff to do.

Heike Hülle

00:26:38 - 00:27:00

All right. Thanks, Stefan. Well, I think this covered the questions that came in so far. Um, if anyone feels that your question has not been answered, or if any question comes up after the call, please feel free to send your question as usual to us via email at IR@mpc-energysolutions.com.

CFO, Stefan Meichsner

00:27:02 - 00:27:09

So then I'd like to say thanks to everyone for listening today. Thanks, Stefan for presenting and have a great rest of the day.