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MPC Energy Solutions NV (MPCES.NO)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

Good morning, everyone, and welcome to the Q3 2023 Webcast of MPC Energy Solutions. I have the pleasure of guiding you through the presentation and the Q&A later on. This morning at 7:00 AM, MPC Energy Solutions published its results for the third quarter of 2023. We would therefore like to take the opportunity to walk you through some of the highlights of the results and share some insights into project updates of the last few weeks with you.

After our presentation, we will as usual hold a Q&A session, in which we'd be happy to answer any question 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 a transcript on our 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. 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 and 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, I would like to hand over to Stefan Meichsner, the CFO of MPC Energy Solutions. Good morning, Stefan.

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

Thank you, Maria, and good morning, everyone. I appreciate that you're joining us today for our third quarter update. When I spoke to you a few months ago, our company had just undergone a leadership change, and I'm happy to say that we have taken the time since to define adjustments to our strategic approach and to really narrow down and prioritize our short-term goals and priorities. Some decisions in this regards have already been taken, others will follow in the coming [indiscernible] (00:02:27) weeks and months. And I will share today what I can. But before we look ahead into the future and what to expect from us, I'd like to take some time to review the year-to-date.

Starting with the most relevant updates on the project and company side. As you know from our press releases, part of the strategic adjustment that we've made is the decision to exit our second CHP project in Puerto Rico. This project was under construction, in the early stages of construction and procurement, and we decided to use an opportunity to get out of the project and repatriate the funds that we've already invested. As a consequence, we are also no longer on the line for the [ph] funds (00:03:11) that we're originally committed.

Why did we take this decision? Because neither combined-heat-and-power nor Puerto Rico, for a number of reasons, is currently in the focus of our activities. It's a market that is clearly more acceptable to US investors, especially when you look at the debt market and available funding for these size of projects. And along with other projects in the pipeline of our partner, Enernet, that have a lot of appeal and a lot of merits for other investors, I'm sure they simply do not fit our own approach and our own priorities, neither strategically nor financially.

As I said, the upside is that we will soon recover \$2.4 million of the money that we have already invested, which in turn will shore up our free cash reserves that we can redeploy and we no longer have to provide the funding to complete the construction of the project. If you remember, the total investment costs for MPCES for these projects were up to \$6 million, and we no longer need to invest the \$6 million, which, of course, fits us very nicely.

Another update concerns our joint venture in Colombia, the solar PV plant Planeta Rica. This is a 50:50 joint venture we have with French developer, Akuo, who's also the construction [ph] manager (00:04:35) for the project. This project, at least the solar plant has completed construction, actually did so a while ago and underwent the necessary testing [ph] that could be done (00:04:45) without being connected to the grid. Unfortunately, the connection to the grid is – continue to be delayed. This is out of our scope. It's the responsibility of the local grid operator. And at the moment, there is nothing we can do other than be supportive and wait.

Our new updated timeline that we have aligned with the grid operator is that the plant will connect mid-November, and that it will then start to generate income for its shareholders. Unfortunately, given that we believed the plant would connect early in this year, it is indeed a bit of a downside for our year-end projections, and I will get to that later today.

And then finally, our overall strategic partnership with Enernet had also – has also seen a change. We noted this in this morning's released Q3 report. We did have an agreement with Enernet Global that allowed us a right of first refusal to the projects that they developed in selected countries.

We have decided to end this collaboration agreement, one because the countries, especially Puerto Rico and the CHP projects that Enernet is developing [ph] there, it's (00:05:53) no longer part of our strategic focus and our financial focus. And we also wanted to give Enernet the flexibility to engage with other investors in these projects from the very beginning and not be tied down to an agreement that we knew we would not make use of in the upcoming years.

We are still a shareholder in Enernet and we will remain a shareholder in Enernet. The company is a microgrid developer. It is active not only in the Caribbean, but also in Africa and Australia. It has a lot of potential. It has a strong portfolio. Just because the portfolio no longer fits our needs, it does [ph] fit (00:06:29) the needs of other companies and investors. So we believe there's a lot of upside still that Enernet can achieve, and that's why we, for now, will remain invested in the company.

Looking at the financials year-to-date, it is no surprise that all the numbers, output, revenue, project EBITDA, the key metrics that we track during the year are up. This is due to the fact that we have simply connected more projects to the grid. Three more came online this year. So you see a natural uptick, of course, in the numbers.

And I'm also proud to say that, and we will get to that on the next slide. The third quarter of 2023 was the strongest quarter that we ever had, in terms of output, in terms of revenue, in terms of project EBITDA. The numbers all outweighed previous quarters and certainly the previous year.

To be more specific, year-to-date, we generated nearly 75 gigawatt hour of electricity and sold these to several off-takers. This corresponds to nearly \$7 million in revenues and \$3 million in project EBITDA. If you just look at the power-producing assets, if you exclude the trading losses that we had to incur in Colombia earlier this year connected to our solar PV plant, Los Girasoles, then the numbers are actually \$6.3 million in revenue and \$3.6 million in project EBITDA, reflecting that negative impact on the trading side. These losses from trading have now been contained, as you know, in early – late Q2, apologies.

Los Girasoles is connected to the grid. It is now fully operational. It is feeding electricity into the grid and it's generating income under the power purchase agreements and the trading losses are contained. So the losses that we incurred in the first half of the year will no longer impact the project down the road, which is, of course, the major milestone.

We also remain well capitalized. Our equity ratio is still significantly above 50%, as we did not amp up leverage on the corporate level this year as we originally anticipated. During the Capital Markets Day, we shared that we wanted to benefit from the foreseeable downside trend of interest rates. Year-to-date, this has not happened, and therefore, we have been very quiet on raising capital on the debt side on corporate level.

Looking at each individual quarter of this year, you can see that the portfolio, now that the projects are coming online [ph] into operation, full – four quarters (00:09:05) start to show their full potential. We are clearly not where we want to be. But you can see that quarter-over-quarter, we have significantly increased our output because more projects came online. Also, this is part of the seasonal pattern that we see in most of our solar PV projects. And correspondingly, revenues have gone up and project EBITDA has also gone up.

If we look at the individual projects that we have, our portfolio is still quite small, so it makes sense to look at each project individually. Our Santa Rosa & Villa Sol project, the solar project in El Salvador is performing very well. It's one of our two prime assets that we currently hold. The same goes for Los Santos in Mexico, a project that we acquired in early 2022.

On the downside, Neol CHP, one of our projects in Puerto Rico is unfortunately not running at full capacity. This is due to the fact that the off-taker this year has lower energy demands because it's undergoing restructuring, realigning its manufacturing site. So next year, we will see an upside in that capacity. But for now, the plant is not reaching its full output potential. And subsequently, revenues are below our expectations, while costs are fairly fixed for these kinds of installations. This is another reason why we believe it makes sense to focus more on solar PV and less on more fixed cost-driven CHP installations in the Caribbean.

Los Girasoles, I've mentioned this before. The trading losses are what's keeping project EBITDA down overall, [ph] and what it's creating (00:10:42) a slightly negative impact on the overall result. But we will see better numbers down the road because, as I mentioned, the trading losses have been contained. All of this, unfortunately, forces us to lower our year-end outlook.

We previously shared an expectation of \$10 million in revenue and \$7 million in project EBITDA [ph] sorry (00:11:11) and we are now lowering that outlook to \$9 million to \$9.5 million in revenue and \$5 million to \$5.5 million in project EBITDA, nearly having to factor in all of the downsides from the trading losses and the subdued

operational performance from Neol CHP, and of course, the aforementioned delay of Planeta Rica to connect to the grid.

I do apologize. I've been dealing with a wasting cough this week, and it's still not entirely gone. So if I am taking a break every now and then, thank you for your understanding. While 2023 is so far not entirely matching our expectations, we see a lot of upside potential for 2024. Due to the fact that, as I mentioned before, Neol CHP will not only see its full operational year for the first time, but the off-taker is also due to complete its restructuring of the manufacturing site, meaning that capacity of production on the site will go up and consequently, energy demand will also go up, so that our plant can produce closer to its full capacity.

For Santa Rosa & Villa Sol, the project that is already doing very well, we will see an uptick in the PPA prices. The project experienced a small delay compared to what was defined in the power purchase agreement, which triggered a discount that had to be applied for the PPA price in 2023. That discount will go away in 2024, and therefore, we should see power prices to increase by as much as 20% for next year, which will, in turn, elevate the output and the performance of the plant [indiscernible] (00:12:59).

To our plant Los Santos I, we have made technical improvements during the year, both on the [ph] total (00:13:06) maintenance and on the maintenance CapEx side. This is why the overall EBITDA margin from the project this year is a little bit lower than you would normally anticipate. But this will lead to improved output next year to increase production and the margins will return to its level that we expect them to be, which is around 75% of revenue.

Los Girasoles, we no longer will incur trading losses. We will also be able to see the full operational year. We will actually be able to supply under the PPA and to just operate the project in its normal way. And that means next year, we will also see solid solar PV plant margins from the plant and not something that is such – so dramatically lower by energy trading in the spot market, which in Colombia, because of the massive drop this year, has been extremely challenging. Hedging instruments were not available, spot market prices were just significantly high.

The country relies on hydrocarbon for its electricity demands. And when there is a significant [ph] draught (00:14:10), spot prices simply go up significantly. In [ph] the El Niño year (00:14:15) that we are having this year, we just didn't see an opportunity to adequately hedge the exposure and that is why we incurred losses. And with Planeta Rica, of course, a fifth plant will soon connect to the grid, and this will overall give us an uptick in the performance. So there is plenty of upside for 2024, and we are 100% certain that we can benefit from these upsides. And that 2024, we'll see a significant elevation of the overall numbers that we can see from our portfolio.

Another key metric that's important for us is our free cash position. We define this as the cash that we have actually free to disperse for project investments, for funding our overhead. And for spending it on development expenses, we stood at around \$8 million by the end of September, the end of the third quarter. This does, of course, not yet factor in the \$2.4 million we will return from the Añasco project in Puerto Rico. This will happen latest by March 2024. That is the time we gave our partner to make the repayment. And then, we have other measures underway that I cannot elaborate on in detail today, that we believe will also significantly ramp up our cash reserves by the end of the year for the simple purpose that I will go into in a minute.

Where do we go from here? I spoke about strategic adjustments earlier in the call, and about steps that we're taking to really turn this company in the right direction. What I mean by that is that we are trying to build in the short run, a profitable, self-sustaining business. A key measure for this is to shore up our free cash reserves. We are sitting on a solid cushion of free cash at the moment. We will improve this further. And we believe that this cash is relevant to really create the maximum number of alternatives.

If we are not reliant on external funding to invest in new projects, in an environment, quite frankly, where interest rates are high, where debt funding is expensive, where equity funding is more expensive because return expectations are higher. If we have the cash reserves and if we find the right projects with the right returns, the returns that need our benchmarks, then we can act very, very flexibly, and we do not have to rely on third-party funding to make this work. And this is why shoring up the cash reserves by exiting projects is one of the key measures that we are taking, so that we can really be flexible – more flexible than we are today, and therefore, have all the alternatives that we need and options that we need to have to make the right decisions.

We also need to optimize the performance of our portfolio. I've elaborated on what did not work so well this year-to-date, the upsides that we will see in 2024. We have a good team working on this so that in 2024, we can eliminate the remaining issues that we're having in the operating portfolio. We will no longer see the ramp-up costs required in the first few months of operation, so that we should also see much better portfolio performance in 2024, and this is clearly part of the necessary steps that we need to take in order to balance the cash flows that we see from our projects with the overhead and development spending on the other side. We want to be profitable in the short run, we want to be self-sustainable. The project cash flow is the source of income that we primarily need to make that happen.

We will also put a much greater focus on greenfield developments. If you look at our portfolio today, there is one project that was already operational that we acquired. There is one project that was developed by – two projects that were developed by a third-party, if you include Planeta Rica, and there is two projects that we developed ourselves and that we brought online ourselves and took them all the way through construction. So we will remain a full [ph] cycling (00:18:20) IPP, but at the same time, the greenfield development is really where we can create the greatest value, where we can make sure that if we bring in co-investors, we are the ones collecting a development fee and not paying a development fee. And this, of course, can boost return significantly. And this is what we will focus on more and which project is particularly concerned, I will go to – into on the next slide.

We have spoken about selective farmdowns before. We are still in the process of making these transactions happen. And I believe, down the road, lesson learned is also, we don't have to invest 100% for each project ourselves. It's perfectly fine to develop a project ready-to-build and farmdown, sell part of the project, pre-construction, bring in a co-investor, thereby collect the development fee, reduce our own capital requirements and still be able to build our operating portfolio by staying invested. This is what we will try to achieve with the upcoming projects, and this is why the greater focus on greenfield development to form the basis for this is so important.

Another key aspect, it was elaborated on in our Q3 report as well, is that we need to reduce our overhead costs. We're not growing as quickly as we anticipated because of the many market challenges that we have faced. So our short-term need is that we reduce overall overhead spending. We predict that we can achieve \$1.5 million to \$2 million in cuts next year. A significant part of this is one-off items that we faced this year or certain measures that we took certain initiatives that we started. This is fully reflected in our P&L year-to-date. So [ph] of the (00:20:10) around \$4 million overhead costs you see in our P&L, roughly \$1 million is for one-off items that we simply will no longer see in 2024. So there's already a significant driver in cost reduction that we can anticipate.

And on top of that, we will focus on fewer projects to move forward to ready-to-build, which in turn reduces a lot of support costs that we have for the individual project companies. So there are several hundred thousand dollars that we can save on that front. And then depending on the FIDs that we're taking or not taking, this will, of course, impact the overall staffing that we require. And depending on whether we take in FID or we decide to sell a

project, that will, of course, have an impact on the overall head count that we need and on potential redundancies that we will see.

So we will definitely see costs coming down. Whether it's \$1.5 million or \$2 million, depends on the investment decisions that we will be taking in the next months. And speaking about this, there's, in particular, two projects in our development backlog that currently see a lot of momentum. The first one is our solar PV plant in Guatemala. The plant has already secured its construction permit. Due diligence with the bank is underway. We have secured exceptionally positive debt terms for this project, which we are very happy with. Our team is now working hard to conclude the development phase to [ph] then conclude (00:21:37) the financing negotiations. And we are also actively looking for co-investors for this project.

So the FID will come up soon. We have not yet made a decision, but it's clear that especially this project in San Patricio has not only seen exceptional progress, so far it also checks all the white boxes when it comes to potential returns, when it comes to the overall structure of the project. So I'm highly confident that even with the available cash that we have, bringing in a co-investor, this is a positive FID that we will take in the coming weeks, but nothing is decided yet. And once we've taken a decision, either way, we will, of course, give you an update.

The other one is the project Acacia in Jamaica. The long-expected tenure in Jamaica has finally been announced. Final tender documents are being shared. The deadline for submitting a tender is in February of next year. We believe our project is in a very good position in a competitive environment to make a successful bid. But we are still assessing whether we should enter the bid alone, whether we should bring in the co-investor or whether we should partner the project now and have someone else take the opportunity because, of course, there's no definite outcome to the tender, and we need to be very selective about which projects we pursue, especially given that we have so many other good developments in Guatemala, Panama, El Salvador, that we ultimately want to pursue.

It's very challenging to do all of this with our small setup at the same time, and that's why we will be very selective. And again, an FID engine for Jamaica has not been taken, but this is also a decision that we will be facing in the upcoming months, and we're doing everything to be in the right position to make the right decisions. But our backlog overall, it remains significant in size, it remains very strong. I do believe it considers a fair value assessment that we're currently not seeing reflected in the valuation of our company, and we are working on steps to make sure that we can provide price points and data points to the market to be more transparent on this. But this is basically built on the solid foundation that we already have. What the future of the company can look like in the upcoming years is reflected here in our development backlog.

This already concludes my prepared remarks for today. Of course, as always, more than happy to take any questions you might have. And I will – first of all, thank you for listening, and then hand the call back to Maria to moderate the Q&A. Thank you very much.

QUESTION AND ANSWER SECTION

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Thank you very much, Stefan. Yeah. We will now continue with the Q&A session. Just a small note from my side. Please note that depending on your screen size, you may have to scroll a little bit down the page in order to see the chat box at the bottom of the page. But I can see that the first questions already came in. So let me start with the first question. Stefan, do you already have initial talks with any partners to co-invest within your project pipeline?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

The answer is, yes. But please understand that we cannot share any details for the matter of confidentiality. But of course, once we have reached certain milestones in these discussions, we will immediately release the update to the market. But the answer is, yes. Co-investments are a cornerstone of every future investment that we will make, and also the farmdown plans that we have. So, of course, we are in active discussions.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Thank you. Next question that came in regarding Los Girasoles project. So what is the expected margins levels in 2024 on this project?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

Well, this Colombian asset, we expect around 70% EBITDA margin from power production only now that the trading losses are concerned. So for 2024, I would expect revenues to be around \$1.2 million to \$1.3 million, depending on the exchange rate, of course, and an operating margin between \$900,000 and \$1 million.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Okay. We have another question here. So do the measures you presented mean that there will be a strict cap on expansion and growth of the portfolio?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

No. No. I wouldn't say there is a strict cap on expansion plans. We still intend to grow the portfolio based on the foundation that we've built in the past years. As I elaborated, there's two FIDs coming up shortly, and especially, as I said, the Guatemala project really hits all the boxes in terms of benchmark returns, in terms of progress [ph] with the talks with (00:26:21) co-investors. The development is going very well. The risk exposure in this project, because certain items are outsourced to the off-taker, is really, really well, very good, sorry.

And key is, of course, to grow more quickly availability of funding. And in the current environment, we know that [ph] their (00:26:43) costs are high, we know that equity costs are higher. So we need to be very mindful about making decisions to raise capital. And this is why it's so important that we shore up our own cash reserves, so

that we can make these investments even if external funding to our view might be available, but simply not at the right attractive conditions. So it will always be a mix of external funding, internal funding, and this will also determine the pace of our growth. But of course, we want to build a significant IPP in the region, and that's why we will continue to invest in projects.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Okay. Next question regarding the share price. So given the development of the share price, can we expect buybacks?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

I believe our money is best invested in developing projects to create the greatest value and then to invest – co-invest in projects that deliver exceptional returns. So at the moment, share buybacks are not on my priority list, because I believe the money belongs into these projects, because we want to build a lasting company, a bigger company, a more profitable, self-sustainable company. So we have not taken any steps to allow share buybacks, which, by the way, would require the approval of the general meeting. So if we plan to do so, it would have to be approved first and that means our plans will have to be made public first.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Thanks, Stefan. And next question regarding the cost-cutting program. So how exactly are you planning to cut costs and for how long?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

Yeah. So I think, as I mentioned, in 2024, we will definitely see some reduction of around \$1 million from one-off items that we [ph] phased (00:28:25) this year for ramp-up cost projects for certain initiatives that we took on the corporate level also related to assessing the option of fundraising this year. That's a key component. That's basically half of the target that we have for next year. And the rest then we will lower spending because we have fewer projects to focus on. That means the support costs that we currently pay to third-parties will be lower as well, as well as the development expenses.

And then as I said, it really depends on our short-term investment decisions. If we are building Guatemala, and if we're entering the tender in Jamaica, then of course, the current structure that we have [ph] needs to stay in place (00:29:04). If we, for whatever reason, decide not to invest in these projects, but rather part with them, sell them entirely, then I cannot rule out that there will be redundancy simply for the fact that we do not require certain services. But we are working very hard to prevent this, because this is clearly not the steps that we want to take. So the main drivers will be to cut down on third-party costs for project support and administrative support and also to eliminate the one-off items and make sure they don't pop-up again next year.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

All right. And given the time, maybe we come to the last question for today. So what kind of projects are you looking for now exactly? And are you planning to switch to different countries?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

To the latter part of the question, changing to different countries, no. We are currently very focused on Central America and the Caribbean. But we will definitely shift our focus for now more to Central America. We believe the strongest markets at the moment, the most attractive projects are in Guatemala, they are in El Salvador, they are in Panama.

We've made experiences in Colombia that lead us to believe that the market for now, is for several reasons, not as attractive as it was two to three years ago. Especially debt financing is currently not available for project. We've seen some unpredictabilities in the frameworks for development and especially getting timely grid connections as is reflected in our project Planeta Rica.

So overall, Colombia will take a less important role in the upcoming year or years. Central America will be a greater focus. Caribbean is really a project-by-project call. We know that there is a very attractive, but also competitive market in Dominican Republic. We are active in Jamaica already, and we will take that decision soon. But Central America will certainly be the core focus in the upcoming years. And beyond that, we have not taken any decision.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Thanks, Stefan.

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

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If there is one or two more questions, I still have time. So don't just end the call because of me, because 30 minutes are over. If there's anything else, maybe we give it another minute.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Sure. So then we actually have some more questions. There's one question regarding the St. Kitts project. And basically, what is the current status on St. Kitts?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

All right. Very good question. The project has a lot of merits. It has a lot of potential. It can truly change the energy setup of the island, reduce the dependence on diesel, reduce the generation costs. But as you know from our, let's say, lack of real updates, the project has also seen very, very small progress. We entered the early stages of construction. And now the project is stuck in a situation where certain permits and waivers from the government still need to be secured and where other steps need to be taken.

We are in very close discussions with our partners. I don't want to influence these discussions or jeopardize them by sharing too many details today, but I promise that we will have an update shortly, hopefully, in the coming days, and then we can go a little bit more in detail. But at the moment, the situation is that we're invested in the project, we're trying our best to move it forward, but the progress, for whatever reason, has unfortunately been very slow.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

A

Thanks, Stefan. And then there is one last question. So basically, what's the outlook for 2024? What can we expect? And could you elaborate a little bit more on the upsides you mentioned?

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

A

Of course. So what are the upside? The upside is we will move from four operational assets to five once the Planeta Rica plant is connected. All of these projects will, for the first time, see a full operation year. Neol CHP in Puerto Rico didn't have a full operational year. Los Girasoles didn't have a full operational year. Santa Rosa & Villa Sol didn't have a full operational year. So this alone, that we can actually see output from all of these projects for five months will show a significant upside compared to the numbers that we are projecting [ph] totally (00:33:19).

For Neol, there's also an important notion. As I mentioned, the plant has a larger capacity than what it's running at today, for the simple reason that the off-taker this year does not need as much electricity. They're a pharmaceutical company, they are restructuring the manufacturing capabilities and set up for new products that they want to launch. And next year, when the restructuring is done, which is actually supposed to be completed in November of this year, they will see an uptick in production themselves and consequently an upside in energy demand. And that's why the project itself will return higher revenues, while the cost structure is relatively fixed, and that will be an uptick for that project [ph] itself (00:34:00).

On the Santa Rosa project in El Salvador, I mentioned this briefly, the project did not meet its original PPA delivery milestone. It missed it by around two months. And consequently, the PPA stipulated that we have to apply a discount to the PPA price for the year 2023. This discount will be eliminated when we start the new year and the uptick is around 20% on power prices. So Santa Rosa will not only see a full operational year, they will also see an uptick in power prices, combined with an already very good performance, there is just significant upside there.

For Los Santos, it's similar. But here, we made technical improvements last year after acquiring the plant, improvements that now have been completed. For example, we exchanged certain faulty inverters, fixed certain trackers that were installed, but not properly functioning. This was part of our initial investment case. And now in 2024, we will see the output of energy go up because of the measures that we've taken over the past 12 to 18 months. So that's another big upside.

Then, of course, I mentioned the cost savings. So moving away from the projects, we will see the corporate spending go down, and therefore, make sure that project cash flows and corporate spending are more closer aligned and balanced.

So I believe that next year will be the year where we can show positive operating profits on corporate level already when we've taken all these measures. We will not give definite guidance now, but we will share the guidance for next year like we did this year after the publication of our annual report in March.

So that's when we will come out with numbers of what to expect. But what I can say, already, based on the portfolio that we will have and the measures that we're taking, we should see revenues above \$10 million with corresponding EBITDA in the range of 70% to 75% overall margin, and then the lower corporate spending. So this is what we're targeting, but allow us to give more detailed numbers when we share them early next year.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

All right. Thank you very much, Stefan.

Stefan Meichsner

Chief Financial Officer, MPC Energy Solutions NV

Of course.

Maria Rudnick

Investment Associate, MPC Energy Solutions NV

So this concludes the Q&A session and the webcast. If there are any further questions we have not covered yet, please feel free to send them in via e-mail at ir@mpc-energysolutions.com. We would like to thank everyone for joining us. Have a great rest of the day.

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