

Transcript for "MPCES Q3 report 2025"

00:00:01 - 00:00:58

Heike Hülle: Hello and good afternoon everybody, and welcome to today's webcast for MPC Energy Solutions. In our webcast today, we will review our results for the third quarter of the year 2025. The quarterly report was published this morning, and it's available on our website. As a reminder, as usual, please note that this webcast is being recorded and it will be published later, together with the transcript and the presentation slides on our website. We are happy to answer your questions after the presentation, so please feel free to type them into the text box anytime during the presentation, and we will cover them in a Q&A session at the end.

As a reminder, 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. Now, let me introduce you to Stefan Meichsner, who will lead you through the presentation today. Stefan, over to you.

00:01:02 - 00:02:14

Stefan Meichsner: Thank you, Heike, and a very good afternoon, and a sincere welcome to everyone dialed into the call. In today's webcast, I will address two main subjects. First, a detailed review of our third-quarter and year-to-date results. Afterwards, I will share my thoughts on what our shareholders, you, can expect next regarding several operational and strategic areas. I'd like to begin by saying that overall, 2025 has been good to us so far. Looking back two and a half years, MPC Energy Solutions was a very different company, certainly with loftier ambitions, but less focused, less structured, and less prepared. Over time, however, we have become much more focused, structured, and prepared. This is evident in the results we are presenting today. To borrow a proverb from my colleagues on the shipping side: You cannot control the wind, but you can certainly direct the sail. I believe we have done that successfully. We have been decisive. We have been pragmatic. We've made a lot of adjustments. Now I think we're very much moving in the right direction.

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Stefan Meichsner: With that, let us take a look at the highlights and main events of the third quarter of 2025. First and foremost, the key metrics that we're reporting, namely energy output and revenue from projects, and operating profit from the projects, are up significantly year-over-year, and our operating margin has substantially improved. This is both very important and quite respectable. We can pair these solid operational results with a much lower overhead cost structure, with overhead spending year-over-year down 14 percent. If you compare that to 2023, it's even down an astonishing 40 percent. We've really looked hard at every single spending item that we have, and we've brought down costs to a level that is much more sustainable and helpful to the overall structure of our company. I'm very happy that my predictions on this subject, which I shared during the last webcast, have materialized.

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Stefan Meichsner: Equally important is our free cash position, which is now much higher than it was a few months ago. At the end of Q2, we reported a little over \$2 million. We've now improved that free cash position to over \$9.5 million. I think that's very important. This is a result of a combination of factors. Most predominantly, of course, our divestment of a project in Colombia, which we executed during the third quarter. Overall, the lower overhead spending, our real carefulness about spending on new developments, and the overall lower run rate really come into play here and help us to maintain a solid cash position going forward. Lastly, although I will not go into details at this time, we have made, and are still making, progress on additional divestments. I don't want to jeopardize any ongoing negotiations, but we expect to share some information in the coming weeks. I believe this is something our shareholders are eagerly anticipating, and it will also influence our distribution strategy going forward.

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Stefan Meichsner: Unfortunately, not everything was positive. There is a grain of salt I need to report on. As you know, we anticipated our project in Guatemala to begin testing, since construction was completed several months ago, but we are still not there yet. The delay we are experiencing mainly relates to permitting. It's not just our solar plant that's affected, it also involves the grid operator, who needs to secure certain permits for the substations that we are connected to. We have taken all reasonable and proper steps to accelerate the process to conclude the permitting process. However, as I mentioned last time, we are truly at the mercy of the national and regional authorities. I can assure you that no one is more frustrated by the slow progress that we are seeing than me. To the extent possible, we will certainly reclaim any commercial impact this delay has on the company and the project. However, for the moment, it is really just a waiting game. We have done our homework, now the national authorities and the partners involved have to do theirs.

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Stefan Meichsner: This is where we stand, and, as I think is no surprise, the result of the delay is that we are forced to slightly revise our year-end guidance. We are still within the range we previously shared, but we are now firmly at the lower end of that range in terms of revenues and operating EBITDA from our projects. I will share the updated numbers in greater detail later. That concludes the general overview, and I think it is now time to look more closely at some of the figures. I already said that operationally, our key metrics are all up year over year. You see, this year, on a like-for-like basis, energy output is up four percent. Revenue is up seven percent on a like-for-like basis. On top of the good technical availability and output of the plant, which we're seeing despite lower solar radiation levels across the region this year, revenue is up significantly, in part supported by prevailing high energy prices, particularly in El Salvador.

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Stefan Meichsner: As a consequence of the higher revenue, and also because our cost optimization measures within the projects are really bearing fruit, operating profit, which we measure as EBITDA, is up 15 percent year-over-year, at \$6.8 million year to date at the end of September. For me, most importantly, it's also reflected in the margin. We are finally at a level, 74 percent operating margin in our projects, that we should be seeing from a normal solar PV portfolio. Even though we're still seeing lower margins from Colombia and the project we just sold, which also contributes to lower margins, we're approaching, at a portfolio level, the numbers we aim to achieve. There's really no reason to expect this to go down again, especially since we have now sold one of our lower-margin projects in Colombia. These 74, 75 percent operating margins from the portfolio should not only stabilize, but we can reasonably expect to maintain them going forward.

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Stefan Meichsner: Across the board here, improved operational results are something that we can be proud of and something that puts us on a much more stable footing going forward. As I said, we can pair these good operational results with lower overall expenses, which I will get to in a moment. However, just as a quick reminder, what the portfolio looks like. We do have a project in Mexico that is performing really well. Technical availability is high, and costs are down. When we took the project over three years ago, the margins were in the low to mid-60s. We're now at 76 percent operating margin. That is basically very much a result of the hard work that the team put in to make sure this is a properly managed solar PV plant and not just an asset that is performing under its potential. It no longer is. It's performing very well, and I'm sure that going forward we will see good things out of Mexico.

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Stefan Meichsner: Same story as in El Salvador, where the plant is on its way to generate record energy output, record revenue, and record operating profits this year. The margin still sits close to 90 percent, which has been the same in the past. It appears to be very sustainable. As long as energy prices in the country remain where they are now, we will see results like this from El Salvador. This is clearly also one of the driving factors behind the total operating results that we've seen.

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Stefan Meichsner: Also, unchanged is the story we see in Colombia. We do have higher security costs and overall higher operating costs, meaning that the margins are fairly low, including the project that we just sold, Planeta Rica. It will no longer contribute to revenues and profits in the future. It's now gone, and we are, as you know, also working on divesting the second project in Colombia. This is weighing down margins a little bit, but since the size of the remaining project in Colombia, as part of the overall portfolio, is relatively small, it is not a matter of big concern. It's just something we have to deal with, and I'm sure that we will be able to eventually announce the signing of a sales agreement. Everyone should be happy about that.

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Stefan Meichsner: That brings me to the overhead expenses. The story here is really good. It took a lot of effort. It took a lot of pain. Of course, not everyone was happy with it because people are directly affected by what we've done. However, it was clear that our overhead structure relative to the size of the portfolio was too high, and we took steps to reduce it. What you can see is really a very impressive downtrend over the years. Looking forward to the next 12 months, I don't think that we will be spending more than \$2.5 million at peak over 12 months. If you compare that to the two previous periods, it is clearly a very astonishing cost reduction. At the same time, the question is, can we lower costs further?

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Stefan Meichsner: The answer is nearly always yes, but I think we will then have to look very carefully at the setup that MPC Energy Solutions has to maintain, because what is left now inside the \$2.5 million I'm forecasting for the entire next 12 months is payroll, it's the compensation of the management board and the supervisory board. Then the larger structure that we maintain, including all the audit, legal, and tax advisory fees that we need to keep as a publicly listed company. We've made tremendous progress. Scaling down costs further will require a much more substantial implementation of the structure or a change of the structure that we have established today.

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Stefan Meichsner: Last but not least, the overall review, what we're seeing is that free cash is up significantly. As I said, lower spending, very carefully money is going out on development, but only on a small scale, and we're making divestments. These divestments increase our free cash. We sold the project in Colombia, Planeta Rica, and also collected additional money, about \$1 million, from the sale of our CHP plant last year. Overall, this is now going in exactly the right direction. We made good progress divesting projects and increasing free cash. We are also in advanced stages of announcing additional sizable divestments that we're planning. You pair that with a lower overhead cost, and overall, we have good flexibility and room to maneuver with the cash position we hold.

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Stefan Meichsner: As I've said before, we are planning to return capital to shareholders in the very near future. The details and the timing that we want to communicate here, I ask for a little bit more patience. A proposal has been made, put up in front of the board. It's being discussed. There is a small preference for making a larger distribution once additional divestments have been made, rather than handing out piecemeal amounts. However, this discussion is still ongoing, and we will have greater visibility by the end of the year once we also have greater visibility on the Guatemala project and commitments that might come out of that, and also have greater visibility on, as I said, the additional divestments we are currently working on.

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Stefan Meichsner: If we look very briefly at how this translates into the consolidated financial statements, you will see very much the same story. Operating profit is up, and the margins are up substantially. Overall, we're looking at profit levels and profit margin levels that are much more sustainable. We did incur an impairment related to our sale of the Colombia project, not because we think that we ultimately will not be able to recover the value, but because we have now received an upfront payment, which was quite substantial. It was nearly \$7 million, and there are potential earn-out payments over the next 12 months that we may collect, in addition. However, we have now, let's say, removed the book value of the assets and anything that comes in in the future, then is recorded as a profit in the next financial year. This has been a concise accounting decision to say we remove the project from our books. However, as more money is expected to come in, we treat this as an upside. Since this is a non-cash impairment, I also believe that it's not super relevant or substantial relative to what we've shown as an overall growth this year in our operating results.

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Stefan Meichsner: Looking at some of the other key financial metrics, our total asset base is not changing very much. Guatemala is built, and therefore, the total asset base is what it is. No more CapEx is going into the project. Other projects are in the operational phase, already depreciating, so the total asset base is not moving much. The equity ratio sits firmly at around 37 percent, which is still, compared to our peers, relatively underlevered, but we're fine with that. That's a comfortable position. Free cash I reported on was \$8.7 million at the end of September. It's \$9.6 million now. An additional \$5 million is sitting in project entities, in part waiting to be distributed to us. We are expecting cash back from some of our projects by year's end, which will then again increase the free cash position further. There's, of course, also money still sitting in projects, which is not freely distributable. It's needed to pay back debt or meet other ongoing commitments.

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Stefan Meichsner: So much for the Q3 and year-to-date review. Just to sum up again. Good operational results. Overheads are down. Free cash is up. We have room to maneuver, and the only downside is that we still haven't connected or started the testing in Guatemala. However, we're working on it, and it's a matter of time and not so much a matter of if it will happen. That brings me to the big question of what's next? What can the investment community expect from our company going forward? I've listed here a number of areas that I would like to address briefly.

00:16:29 - 00:17:21

Stefan Meichsner: First is the year-end guidance. I mentioned that because of the delay in Guatemala, we are not factoring in any contribution from the project this year. This, of course, lowers our year-end guidance necessarily, because Guatemala was part of that. In part, the lower contribution from Guatemala is compensated by the Colombian assets we still had and have, because they were not considered in the original plan for 2025. Effect of this, yes, we're lowering our guidance, but we're really lowering it just to the lower end of the previous range. We now expect revenues to be \$12 million at the end of the year. Project EBITDA to be nine and group EBITDA to be six, all on a proportionate basis. Especially, the project EBITDA and group EBITDA would be new records for the company.

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Stefan Meichsner: I already mentioned that the operational start of Guatemala is delayed, construction is completed, we have secured one of the three permits we need, and we are expecting an additional permit to come out of a regional authority meeting next week or the week after that. The timeline, however, as I said, it depends on other authorities, not on us, we cannot issue the permits ourselves. The substations are also affected, meaning the grid operator also needs to secure permits that he does not yet have. We have taken all reasonable measures at the end of the day. However, we are, as I said, at the mercy of the national authorities. I know that any prediction I've made on the subject that I have received from our team that I've shared with you, consequently, has so far always proven to be too optimistic. What we will do is, we will inform you once we actually start the testing, we have received the permits, and everything has been sorted out. As I also said, it doesn't just depend on us. It also depends on the substations being ready to go, but overall, the project is built, it's in good shape, and once it becomes operational, it's the biggest part of our portfolio.

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Stefan Meichsner: I think it's perfectly okay to be patient and wait for that, even though I know it can be stressful. It certainly is for me. That brings us to the cash distribution that we're planning to make to shareholders. The free cash position is relatively comfortable. We look at lower overhead spending and other very few commitments that we have to meet. Overall, we have room to maneuver, and we are therefore planning to make a cash distribution to our shareholders in the near future. That has already been agreed at the board level and is now just a question of magnitude and timing, especially with regard to gaining clarity on Guatemala and also other divestments that we are working on. We will communicate our plans in more detail before the year is out. It's now early November, so it's not that many weeks to wait for this, but please allow us to discuss what we want to do and how to best approach this. Then I think everyone should ultimately be happy with the outcome.

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Stefan Meichsner: Good. Heike, this completes my prepared remarks. I'm more than happy to hand the call back over to you for the Q&A, inviting everyone really to ask whatever is on your mind. I will answer any and all questions. Thank you.

00:19:58 - 00:21:02

Heike Hülle: Thank you very much, Stefan. As promised, we will now continue with the Q&A session. You still have time to type your questions into the message box on your screen. We will try to cover all the questions today, as Stefan promised. Yes, we received a couple of quite interesting questions. Stefan, some of them have been partially answered by you already, so I will try to maybe group one or two together so you can decide how much more detail you want to provide. One of the questions, for example, is, in May, you were still confident that Guatemala would be producing electricity in July. Now it's November and only one of three permits has been granted. Why do you have no visibility on the process despite the long lead time? Is there a risk that it will drag on for further quarters? Perhaps grouping with this question came the question, what's the reason for the impairment charge related to Planeta Rica?

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Stefan Meichsner: On Guatemala, there is absolutely no one more frustrated about this than I am. You're right. Contractually, we said it would be May, then it was pushed to July, and then to October. Now, we are once again being told: "Oh, by the way, we're not ready yet to issue the permit." We have submitted a lot of documents, we've answered all the questions, and now we have to wait. What are we waiting for? We are waiting for the board of national and regional authorities to come together and make a decision, which is just issuing the permit, and there's really no historic basis where this hasn't happened. That's not really the risk. The question is, when will they sit? Normally, they come together every month or every two weeks. Sometimes they put stuff on the agenda, sometimes they don't. I know this is super frustrating. I would also love to have greater

visibility, but I'm not in charge of the regional or national authorities in Guatemala. Neither is anyone of our team. That is the sad truth that we are dependent on third parties to do our jobs, including the grid operator at his substations. That's what we're waiting for.

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Stefan Meichsner: You asked whether this can drag on for additional quarters. I certainly don't hope so, because I'm being assured once again that this issue will be resolved shortly. However, as I said, our predictions so far have been too optimistic. I think even after nearly six years in the region, we're still underestimating sometimes how long things can take. Even though we include buffers in our timelines and are careful about what we communicate, at the end of the day, I know you want information. I'm trying to share that information. However, at this time, I cannot promise you that we will be starting the testing and commissioning by year's end. That's all I can say at this point. It's a good operational year regardless, but I would have loved to communicate that Guatemala is finally generating revenue. We have to wait a little bit longer.

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Stefan Meichsner: As to the impairment of Planeta Rica, as I said, the asset had a certain remaining value on our balance sheet. We removed that value entirely, factoring in also transaction costs and the money that we received upfront. Now we're waiting for additional earn-out payments over the next 12 months, which will then be recorded as a profit. We're basically being very careful here. We are pre-empting an expense, if you will, by just impairing the asset, including any transaction costs related to this. Then moving forward, whatever comes in next is just a profit and an increase of the free cash position, so that we don't have to bother about making constant assessments of what we think the remaining fair value is. In this case, we're being careful. I think it's commercial prudence that we're taking, but that is the decision that was made.

00:24:01 - 00:24:19

Heike Hülle: Understood. Now there's a question that ties into the same topic. A question regarding Guatemala. The authorities seem to have been highly unpredictable in terms of permitting time, which obviously caused lost income. Do you expect to receive compensation for this later on?

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Stefan Meichsner: We will certainly take any steps, methods, or tools at our disposal to reclaim any of the lost income. We also need to factor in that once the operation starts, the PPA tenor starts. At the moment, we have to carry some additional monthly expenses which are not neglectable. However, at the end of the day, we're not losing absolute value in terms of income. We're losing relative value, present value, and net present value of income, and we will try to reclaim that. The question then becomes, who's responsible for this? Of course, the different parties involved, ourselves, the grid operator, the off-taker, the authorities, everyone has his or her own view. At one point, we will come together and discuss how best to allocate the extra costs. We will do our best to reclaim part of it.

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Stefan Meichsner: First and foremost, the top priority is to move that back to later, because now we just need to solve the issue. Once the plant is operational, everyone's happy, including the authorities, the grid operator, and us. Once that is resolved, we will think about how we can best make sure that we are fairly compensated for the waiting time. We're certainly not forgetting about this, but I think the priority is very clear. Let's get the plant up and running. Let's get the substations up and running, and everything else will follow.

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Heike Hülle: Sure. There's a lot of interest, obviously, in the Planeta Rica project. Another question that ties into this. Could you please clarify in what sense the 1.4 million impairment for Planeta Rica is voluntary, given that both the sale price and the book value should be determined at the time of the transaction?

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Stefan Meichsner: Yes, and this is exactly what we did at the time. We calculated with different exchange rates when that was determined. There is a currency effect that we're seeing. In the book value that we maintained, in line with what we discussed with our auditor at the time, we also considered part of the earn-out payments that we're expecting. I just decided to remove these remaining potential payments now because I think this financial year, it's perfectly fine to do so, also looking ahead at what I expect to happen in the remaining few weeks. Therefore, that's the voluntary decision. At the end of the day, additional money will come in, and then we will record that, and we don't have to record it against future impairment expense, but rather something that we can take as an upside. I don't see what else I can say about this.

00:27:07 - 00:27:18

Heike Hülle: Sure. There are some more specific question. What is the timeline for the recovery of the Guatemalan VAT?

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Stefan Meichsner: That's a good question. Thank you for this. The VAT that we have as a receivable on our balance sheet, which is around \$4 million, can be reclaimed once operations start. Then it depends on the level of revenue. We believe it will take 18 to 24 months following the operational start to recover the full amount, more towards the first 18 months. It will be relatively quick once we start operations. There's also precedence in Guatemala and in these projects that this will materialize. Here it's also again a matter of timing rather than a question of whether it will happen.

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Heike Hülle: Okay. Then moving on to the more general questions. Group EBITDA after overhead is up \$3.7 million after nine months, but operating cash flow minus \$3.4 million. Why this big difference?

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Stefan Meichsner: We referenced this in our Q3 report, which we published under IFRS. Certain cash flows, like the VAT charge that we're taking in Guatemala or interest paid on bank debt in the projects, are recorded as operational cash flow. That's why you still see a discrepancy, because the financial expense is actually recorded below EBITDA in the income statement, but it's factored into the operating cash flow. There you have a discrepancy. If you take these out, then you will actually see that operating cash flow is much closer to the actual operating profit that we were reporting. However, the rules under IFRS stipulate that we have to allocate it to operating cash flow, and that's where the difference is coming from.

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Heike Hülle: Thank you. Another financial question. Cash flow from financing activities is \$7.2 million after nine months. Is this from proceeds from project finance loans? If so, for which projects and why were these expanded?

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Stefan Meichsner: I don't understand what expanded means, but this is a net result of the additional money we borrowed from the loan for Guatemala. There's a \$34 million total loan, and there's roughly \$9.1 million we called this year. This is the increase that you're seeing in the positive impact. Then this is netted by the loan repayments we've made for other projects. This is how the total number is put together. It's cash from the bank in Guatemala to spend on the project, and then it's repayment of loans in El Salvador and Mexico.

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Heike Hülle: All right. A more general question. How long from the start of the test to being operational is actually normal in the business?

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Stefan Meichsner: For Guatemala, we have a two-week testing schedule. During this testing, we are still energized, and energy is actually generated, and we can sell that energy to the market. The start of testing is actually also when we will start generating revenues. We allocated a two-week period for the total testing schedule because we have some experience, now, let's say it's three, but during this time, we will already be generating revenues and profits. Then, after the testing, commissioning is complete, getting the official COD certificate will take another two to three weeks. I would say from the start of testing to also, legally speaking, being fully operational is a four- to six-week period.

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Heike Hülle: All right. Thank you. The next question is, do you expect to have a positive operational cash flow in 2026 even without the Guatemala project?

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Stefan Meichsner: If everything else remains equal, meaning we also don't divest any other projects, which I think is [not a realistic assumption], but let's just assume that is the case, then I would say we should have an operating cash flow that is indeed positive without Guatemala, and lowering our overhead costs even further, breaking even on a net income level will be a challenge. Guatemala is the project that will move us across every

reasonable threshold and turn us into a profitable company immediately. Without it, operating profit, I think, yes. Operating cash flow, I also think yes, because we've done the homework to achieve it. Net income will be a challenge.

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Heike Hülle: Okay, the next question on the list is, do you need a clearer timeline on the Guatemala project before you can decide on the size of a distribution, or is it more realization of further divestments that holds you back?

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Stefan Meichsner: I think that the main question is: Do we want to make several smaller distributions or a larger one? For that question, additional divestments are more relevant. At the same time, we need to be cautious because as long as Guatemala is not operational, there are ongoing costs, and at one point, the cash reserves of the project are no longer there, so we would have to fund it with additional capital, which is not the plan at the moment. We don't foresee it at the moment, but again, if the timeline is uncertain, we don't know. At the same time, the magnitude of these potentially additional investments won't be very high. To answer your question, I would say it's visibility on further divestments over the next few weeks, which is much more relevant because that will translate into the question of small distribution now, larger one next year, or just a larger one all at once at the right time.

00:33:28 - 00:34:02

Heike Hülle: All right. Looking at the time, I think this brought us to the last question we can cover today. If there are no more immediate questions coming up, this will conclude the Q&A session and also the webcast for today. Of course, if there are any further questions that come up or questions that we have not covered today, please feel free to send them to us via email at ir@mpc-energysolutions.com. Thank you, everyone, for joining us today. Have a great rest of the day.