Advanced Soltech Sweden AB (publ) enters into a refinancing sale and leaseback agreement of approx. SEK 820 million

Advanced Soltech Sweden AB (publ) enters into a refinancing sale and leaseback agreement of approx. SEK 820 million. The first step of the agreement entails approx. 670 MSEK for the repayment of the secured bond SOLT5. After repayment of SOLT5 the remaining part of the agreement amounting to 150 MSEK will be completed. The funds will be used to repay the bonds SOLT2 and SOLT 3 together with a planned directed share issue of approximately SEK 140 million. The company estimates an annual SEK 61 million decrease of the financial costs as the refinancing gaining full effect. The company restates its' financial target to reach 1000 MW of installed capacity from 2024 to 2026.

Overview

Advanced Soltech Sweden AB (publ) and its concerned subsidiaries (the "Company"; the "Group", or the "Group Companies", depending on the context) have entered into financing agreements with the Chinese JiangSu Financial Leasing Co., Ltd. ("JiangSu Leasing") to be a part of the refinancing of the Company's outstanding bonds. The financing is a so-called sales and leaseback financing that provides the Group with CNY 541 million (approximately SEK 820 million) (the "sales and leaseback financing").

In addition, as part of the refinancing of the Company's outstanding bonds, the board of directors has initiated a process with the purpose to carry out a directed share issue of approximately SEK 140 million based on the authorization of the annual general meeting held on 19 May 2022 (the "Directed Issue").

By a completed sale and leaseback financing and a successful directed share issue of SEK 140 million, the Company has procured funds to repay the bonds SOLT2, SOLT 3, and SOLT5 before or on time according to their repayment conditions and securing the future growth of the Group. After the repayment of the bond SOLT 5, the installations under construction with a power capacity of 41 MW will be available for new financing as collateral.

The refinancing by the sale and leaseback financing, and a successfully carried out directed share issue, the costs are estimated to decrease by SEK 19 million on a quarterly basis compared to Q1 2023 and compared to the financial year 2022 to decrease with SEK 61 million on an annual basis.

Due to that the refinancing process of the Company's outstanding bonds have taken longer time than anticipated, the Company has updated its financial targets to reach 1 GW in installed power, by prolonging the time to reach the target to 2026 from 2024

The Company assesses that the currently connected installations of approximately 250 MW supplemented with the completion of installation under construction of 41 MW would, under the current conditions and prerequisites, provide annual revenues of SEK 274 million.

More information on the above is found below.

CEO's comment

"The refinancing in China of the outstanding bonds is very positive. We achieve lower interest and tax costs, while we also almost eliminate the currency risk. With the new financing, we have limited the collaterals for the current financing, and by that, created a good financial platform to achieve our goal of 1 GW installed, and at the same time laid the foundation for continued profitable growth.", comments Max Metelius, CEO.

Background

The Company has since 2022 been working to find a refinancing solution for the outstanding bonds of the Company with an aim to lower the interest rate and obtain financing in the currency Chinese Renminbi (CNY) to reduce foreign exchange risk and local Chinese taxes. The bond SOLT5 has limited the Group's possibilities to finance its continued growth in solar installations by its conditions to have direct and indirect almost unlimited collaterals of the Group's business.

Sale and leaseback financing

The Group Companies have entered into financing agreements with JiangSu Leasing to be a part of the refinancing of the Company's outstanding bonds. The financing is a so-called sales and leaseback financing that provides the Group with CNY 541 million (approximately SEK 820 million).

The structure of the refinancing includes a sale of a portfolio of solar energy installations with a capacity of 250 MW, equal yearly payments during seven years for installment and interest with an annual rate of 6.95% at the current interest level in China, and a repurchase right at the end of the 7-year period concerning the sold installations for a price of 1 000 CNY (approximately SEK 1 500). The yearly payment for the financing (the lease fee) amounts to approximately SEK 140 million with the current interest level and exchange rate, which is covered by the Company's cash flow with a good margin. The agreed refinancing is similar to an ordinary bank loan with the difference that instead of collaterals are provided to the lender, the ownership of the installations is transferred to the lessor against a purchase price, and the lessee has the right to repurchase the facilities for a symbolic amount (1 000 CNY) when all of the purchase price and related interest has been paid as a lease fee.

JiangSu Leasing is one of China's larger leasing companies, founded in 1985 and is listed on the Shanghai Stock Exchange since 2018. The five largest owners are JiangSu Communications Holding Co Ltd (a provincial state-owned infrastructure investment company), Bank of Nanjing Co Ltd, Jangsu Yangtze Highway Bridge Co Ltd, BNP Paribas, and International Finance Corporation (part of the World Bank). For more information on JiangSu Leasing please see https://www.jsleasing.cn/en/.

Evaluation of the conditions of a directed share issue

The directed issue is intended to be carried out with deviation from the shareholders' preferential rights, and the subscription price and the total number of shares in the directed share issue assume to be determined through negotiations with targeted investors. Several current shareholders, among others, the main shareholders Soltech Energy Sweden AB (publ) and Advanced Solar Power (Hangzhou) Inc, have expressed support of the directed share issue and indicated interest to subscribe shares for significant amounts in the directed share issue. The Company will announce in a subsequent press release the outcome of the directed share issue if and when the directed share issue has been carried out or announce when the process of evaluating the conditions of a directed share issue has ceased without a directed share issue has been carried out.

If the directed share issue is successfully carried out, the board of directors intends to decide on a compensation share issue in order to compensate shareholders for the dilution that the part in the directed share issue that is subscribed by shareholders causes to the extent the shareholders do not subscribe in the directed share issue ("Compensation Share Issue").

Repayment of bonds

By a completed sale and leaseback financing and a successful directed share issue of SEK 140 million, the Company has procured funds to repay the bonds SOLT2, SOLT 3, and SOLT5 before or on time according to their repayment conditions and securing the future growth of the Group. The Company has the intention to repay the SOLT4, maturing 8 November 2023, with an issued nominal amount of SEK 70.4 million with the proceeds from the potential Compensation Share Issue and/or other procured funds.

Financial effects of the sale and leaseback financing and the directed share issue

The Company calculates approximately that the refinancing of SOLT2 – SOLT5 by the sale and leaseback financing and a successful directed share issue of SEK 140 million, the costs are estimated to decrease with SEK 19 million on a quarterly basis compared to Q1 2023 and compared to the financial year 2022 to decrease with SEK 61 million on an annual basis. The cost reduction consists of decreased interest costs, amortizement of capitalized borrowing expenses and taxes related to intragroup interest. The annual lease fee of approximately SEK 140 million regarding the sale and leaseback financing as well as other operating costs, are assessed to be covered by the cash flow of the Group with good margin. The sale and leaseback financing in CNY reduces the exposure to changes in the exchange rate.

The financing by the bond SOLT5 has limited the Group's financing of new investments in solar installations by its conditions of almost unlimited collaterals in the Group's business. With the new sale and leaseback financing from JiangSu Leasing with collaterals limited to the transferred 250 MW installations, the Group has now the possibility to finance new investments by providing the new installations as collaterals. After the repayment of the bond SOLT 5, the installations under construction with a power capacity of 41 MW will be free for new financing as collateral.

The preliminary assessment is that the sale and leaseback financing arrangement is accounted as a financial lease agreement, and according to the Company's applied accounting principles K3, the lessee should in its consolidated financial statements, recognize the financial lease agreement in the balance sheet as the corresponding assets and liabilities.

Updated financial targets

The Company has revised its financial targets after having secured the sale and leaseback financing. Due to that the refinancing has taken longer time than anticipated , the Company has updated its financial targets to reach 1 GW in installed solar power by prolonging the time to reach the target to 2026 from 2024.

There are no indications that the demand has decreased in China for the offered solutions, and the Group anticipates continued strong demand for the Group's offerings. The current order backlog not built/started amounts to 58 MW, and the Group has frame agreements (but not yet signed orders) of approximately additional 705 MW.

Assessment of the annual revenue-generating capacity after completion of installations under construction

The Company assesses that the currently connected installations of approximately 250 MW, supplemented with the completion of installation under construction of 41 MW, would, under the current conditions and prerequisites, provide annual revenues of SEK 274 million. The required additional investment to complete the installation under construction amounts to approximately SEK 135 million on top of the installations under construction as of 31 March 2023 with a book value of SEK 149 million. Completion of the installations under construction is expected during the fourth quarter 2023.

For more information, please contact:

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About the China venture

in China ASAB operates through, its wholly owned local subsidiaries Advanced Soltech Renewable Energy (Hangzhou) Co. Ltd, ASRE and Longrui Solar Energy (Suqian) Co. Ltd. The business model consists of financing, installing, owning and managing solar energy installations on customers' roofs in China. The customer does not pay for the plant, but instead enters an agreement to buy the electricity that the plant produces under a 20-year agreement. Current income comes from the sale of electricity to customers and from subsidies. The goal is to have an installed capacity of 1,000 megawatts (MW) which is fully connected to the electricity grid by 2026.

ASRE and Longrui Solar Energy (Suqian) Co. Ltd. are wholly owned subsidiaries of Advanced Soltech Sweden AB (publ).

This information is information that Advanced SolTech Sweden is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2023-06-13 09:30 CEST.

Attachments

Advanced Soltech Sweden AB (publ) enters into a refinancing sale and leaseback agreement of approx. SEK 820 million