

## 2021 CAPITAL MARKETS DAY

Paris, March 11, 2021

### **Neoen targets over 10 GW of capacity in operation or under construction by 2025 and aims to win new projects at a pace of at least 2 GW per year**

- Neoen is targeting at least 10 GW of assets in operation or under construction by year-end 2025, or more than twice the 4.1 GW it had in operation or under construction at year-end 2020
- Neoen aims to progressively accelerate the pace at which it wins new projects to at least 2 GW per year as from 2025, up from 1 GW in each of 2019 and 2020
- To attain this objective, Neoen will leverage in particular its strengths in countries where it is already established and is a leader, and which continue to present very attractive growth opportunities
- Neoen will also leverage its ability to propose competitive, high value-added projects for both government and corporate customers, harnessing its expertise in storage and energy management
- Neoen estimates the investments necessary to meet its 10 GW target at around €5.3 billion over the 2021-25 period
- To fund these investments, Neoen plans to raise capital over the implementation period of its investment plan; the total amount of additional capital required is estimated at a maximum of €1.2 billion over the 2021-25 period
- The Group highlights that it is free to lower this amount by selectively reducing its percentage ownership in certain assets that it will hold long-term
- Neoen forecasts EBITDA<sup>1</sup> of between €295 million and €325 million<sup>2</sup> in 2021 and is targeting an increase in its EBITDA of more than 20% in 2022, followed by double-digit annual growth over the 2023-25 period

Neoen (ISIN: FR0011675362, Ticker: NEOEN), one of the world's leading and fastest-growing independent producers of exclusively renewable energy and one of the most dynamic in the world is today holding its Capital Markets Day event, at which it is presenting its strategic roadmap out to 2025.

**Xavier Barbaro, Neoen's Chairman and CEO, commented:** *"We are pleased to present our roadmap to 2025 and to unveil our ambitious growth targets. Building on our substantial pipeline, we plan to accelerate the pace of new project awards to give us a capacity of over 10 GW in operation or under construction by 2025. This goal is predicated in particular on the strong development prospects of the countries in which we currently operate and on the quality of our local teams. It rests also on our experience and our ability to successfully develop stand-out projects incorporating a storage dimension and harnessing the expertise of our energy management teams. To achieve our targets, we will continue to develop our own energy projects,*

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<sup>1</sup> EBITDA is defined in the same manner as at December 31, 2020 with the following two exceptions:

- EBITDA will exclude the expense resulting from application of IFRS 2, which had an impact of €(1.8) million in 2020
- EBITDA will include net proceeds from secured portfolio asset disposals as part of the farm-down business described in this press release.

<sup>2</sup> Neoen notes that the EBITDA<sup>1</sup> contribution from farm-down transactions will be less than 20% in 2021.

*to sign long-term power purchase agreements with high-quality partners and to hold these assets over the long term. We also plan to selectively sell assets to help fund our strong growth. Combined with maintaining a very high level of operational and financial discipline, the gradual entry into operation of new assets will drive steady growth in our EBITDA and sustain further value creation for our shareholders and our other stakeholders.”*

## **Strong increase expected in the pace of new project awards**

Amid highly supportive conditions around the world for the creation of new green energy generating capacity, Neoen intends to capitalize on the factors that have powered its success in order to accelerate the pace at which it wins new projects (“awarded projects”). After announcing at the time of its October 2018 IPO that it planned to win 0.7 GW in new projects every year, then clinching new capacity amounting to 1 GW per year in 2019 and 2020, Neoen has now set itself the goal of outperforming that figure from this year onwards and progressively accelerating towards a pace of at least 2 GW per year as from 2025.

This goal is underpinned by Neoen’s existing advanced pipeline (projects at an advanced stage of development) of 6.9 GW at year-end 2020, plus more than another 4 GW in projects at an early stage of development. Neoen has demonstrated its ability to replenish this pipeline regularly, and to continue to feed it.

Neoen is prioritizing expansion in markets where it is already established as it looks to accelerate progressively towards this 2 GW per year. target from 2025. These countries and regions continue to present very significant development potential and are expected to account for at least 80% of new project wins over the 2021-25 period. Neoen plans to increase its market penetration in these countries by winning larger-scale projects and by bringing to bear the expertise of its local teams and its ability to design competitive projects, including cross-border contracts. Neoen also plans to offer at least two and in some cases all three of its technologies (solar, wind, storage) in these markets where this makes sense.

In addition, Neoen intends to press ahead with its strategy of expanding into new countries, with a special focus on Europe, while maintaining a ratio of at least 80% of its installed capacity in OECD member countries. Neoen will continue to apply the same criteria as before, which entails:

- focusing on markets where the Group can operate at or below grid parity
- entering into power purchase agreements (PPAs) denominated in hard currencies
- prioritizing long-term PPAs with solid counterparties
- raising non-recourse debt denominated in the same currency as the corresponding PPA, and
- doing so in countries where Neoen is able to establish a leading position.

While it plans to continue taking part in government calls for tender, Neoen anticipates further growth in the volume of private tenders and will thus seek to expand its customer base by establishing PPAs with industrial companies. This approach is based in particular on Neoen’s ability to offer competitive prices and a storage capability, leveraging the expertise of its dedicated energy management team.

For its projects, Neoen will target internal rates of return (IRRs) now calculated over 30-year periods of 7.5% (+/- 150 bp) in Europe, 8.5% (+/- 150 bp) in Australia, 6-10% in other OECD countries and over 10% in non-OECD countries when responding to government or private calls for tenders and in private contract negotiations.

## Target of at least 10 GW in assets in operation or under construction at year-end 2025

Neoen has set itself a goal of having an asset portfolio in operation or under construction of at least 10 GW by year-end 2025, in particular by accelerating the pace at which it wins new projects. The Group had had 4.1 GW of assets in operation or under construction at year-end 2020 and confirms targeting over 5 GW in operation or under construction by the end of the current year, with the entire 5 GW expected to be operational by year-end 2022.

Neoen's target is now for its installed capacity in operation with exposure to market prices not to exceed 20% of its total capacity in operation (excluding dedicated grid-connected storage facilities).

The develop-to-own model that has underpinned Neoen's development since its inception will remain the cornerstone of its growth strategy. It indeed enables Neoen to secure the quality and performance of its assets over the long term, gives it a major competitive advantage in the tendering process, enables it to create value throughout the life cycle of its projects, to control risk/reward profile and, lastly, to secure land ownership beyond the expected operating lives of assets, providing potential repowering opportunities.

As a complement to its organic growth model, Neoen may, as it has in the past, make acquisitions in particular of devalued assets with restructuring potential or generating assets near to the end of their life with repowering potential.

Neoen has also decided to adopt a farm-down policy of selling full ownership or a majority stake in projects in its secured portfolio. This policy will be introduced this year and then applied regularly in future years. Under this policy, which will be pursued selectively, the Group intends to prioritize keeping a minority shareholding in the relevant projects, continuing to manage their administration and operation and retaining the relevant land rights, so it may take part in the subsequent repowering of the projects.

Made possible by the planned acceleration in the pace of new project wins, this farm-down policy will enable Neoen to realize the value created by project development by selling either full ownership or a majority stake in them. These transactions will participate to optimizing Neoen's balance sheet and financial capacity and therefore contribute to financing the construction of its assets to reach its target of 10 GW in operation or under construction by year-end 2025. Capital gains recorded on these farm-down transactions will be included in Neoen's EBITDA<sup>1</sup>.

Assets sold pursuant to Neoen's farm-down policy will not exceed 20% of the gross annual increase in its secured portfolio.

## Investments of around €5.3 billion over the 2021-25 period

Factoring in a further improvement in construction costs per MW, especially in solar energy, Neoen anticipates that the total investment required for the projects included in the 10 GW target and not yet in operation amounts to approximately €5.3 billion over the 2021-25 period. This amount includes the cost of potential asset acquisitions.

Neoen plans to maintain an overall approach to project financing similar to that used to date. It will in particular continue to optimize the funding mix between equity (typically between 10% and 50%<sup>3</sup>) and project debt arranged via special-purpose companies in the form of senior or mezzanine debt (usually between 50%<sup>3</sup> and 90%) to fit each project's individual characteristics.

At consolidated level, Neoen has set itself the target of a leverage ratio of over 70% of the capital invested on an all-in basis, including all of the Group's debt, whether corporate or project financing arranged by

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<sup>3</sup> With some exceptions, certain projects with higher exposure to market prices may have leverage ratios of 40%

special-purpose companies in the form of senior or mezzanine debt. Neoen also targets a net debt to EBITDA<sup>1</sup> ratio of between 8.0x and 10.0x at year-end 2025.

In addition to project and corporate debt, further funding for the approximately €5.3 billion investment program will be provided by the cash flow generated by assets in operation and capital gains from farm-down transactions.

To finance this program while maintaining a solid balance sheet, Neoen plans to raise capital over the implementation period of its investment plan with a calendar depending on market conditions and the progress of its investment plan. The total additional capital needed to fund the Group's growth targets over the 2021-25 period is estimated at maximum of €1.2 billion. The Group highlights that it is free to lower this amount by selectively reducing its percentage ownership in certain assets that it will hold long-term, within the framework of its develop-to-own strategy.

## **Neoen targets a strong increase in its EBITDA<sup>1</sup>**

Neoen is embarking on a completely new growth trajectory out to 2025 and beyond and has reevaluated its EBITDA<sup>1</sup> forecasts for 2021 and its targets for 2022 accordingly. Neoen has in particular factored in the delays to the scheduled launch of construction and start-up of operations at certain projects due in particular to the health crisis and, to a lesser extent, the level of market prices.

For 2021, Neoen forecasts consolidated EBITDA<sup>1</sup> of between €295 million and €325 million<sup>2</sup>, with an EBITDA<sup>1</sup> margin of around 80%.

In addition, these 2021 forecasts assume a relative stability in the Group's operating environment.<sup>4</sup> They also assume the absence of delays in commissioning of the projects scheduled to enter service in 2021 and the absence of impacts on operating conditions or construction of assets as a result of the Covid-19 health crisis.

The Group's target is to generate EBITDA<sup>1</sup> growth in excess of 20% in 2022 relative to 2021, then annual growth of over 10% between 2022 and 2025.

These targets reflect the expected growth in the Group's installed capacity and its expectations concerning further growth in the volume of private tenders, the shift towards electricity prices being set by competition, and trends in the global renewable energies market.

## **Formalization of Neoen's CSR program**

Neoen's business model is built to meet the challenges arising from the energy transition. As a specialized provider of renewable energies, it generates green electricity that helps to lower CO<sub>2</sub> emissions and provide affordable energy.

At its first Capital Markets Day, Neoen is unveiling its Sustainable Framework. The aim of the program is to scale up its contribution towards meeting the United Nations Sustainable Development Goals. Neoen has drawn up an ambitious roadmap for each of the three pillars of its program:

- a Corporate pillar, incorporating ethics, diversity and carbon footprint reductions
- a Projects pillar, accommodating the aspects of health and safety, environmental management and end-of-life installation recycling

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<sup>4</sup> Exchange rates; political, regulatory and tax environment; market prices for electricity and frequency control ancillary services (FCAS); electricity grid constraints.

- a Society pillar, based on constructive relationships with local stakeholders, contribution to regional economic development, and initiatives implemented with and for the benefit of local communities.

## Introduction of a dividend policy

In view of its medium-term targets, Neoen expects to be able to pay a dividend for the first time in 2022 in respect of the 2021 financial year. The size of this potential dividend will depend on market opportunities and the Group's analysis of the best means of achieving a total shareholder return given the market conditions prevailing at the time. Beyond 2022 and until 2025, the Group intends to gradually increase its dividend in light among other things of trends in its earnings and its financial position.

## Webcast

Neoen will comment on its full-year 2020 results during its Capital Markets Day in a live webcast at 9.00am (Paris time) on Thursday, March 11, 2021.

To join the webcast live or hear a playback, please copy and paste the following URL into your browser: [https://channel.royalcast.com/landingpage/neoen/20210311\\_1/](https://channel.royalcast.com/landingpage/neoen/20210311_1/)

## Next financial reports

**First-quarter 2021 revenue and operational data:** May 11, 2021

**First-half 2021 revenue, operational data and results:** July 30, 2021

**Nine-month 2021 revenue and operational data:** November 9, 2021

Annual general meeting will be held on 25 May 2021 at 2.00 pm

## About Neoen

Neoen is one of the world's leading and fastest growing independent producers of exclusively renewable energy. With a capacity of more than 4.1 GW in operation or under construction, Neoen is a high-growth company. Neoen is notably active in Argentina, Australia, El Salvador, Finland, France, Ireland, Jamaica, Mexico, Mozambique, Portugal, Sweden and Zambia. In particular, Neoen operates France's most powerful solar farm (300 MWp) in Cestas, and the world's first big battery (150 MW / 193.5 MWh storage capacity) in Hornsdale, Australia. Neoen is targeting at least 10 GW capacity in operation or under construction by end of 2025. Neoen (ISIN Code: FR0011675362, ticker: NEOEN) is listed in Compartment A of the regulated market of Euronext Paris.

For more information: [www.neoen.com](http://www.neoen.com)

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