

## UPDATE ON THE 2021-25 STRATEGIC ROADMAP

Paris, March 1, 2023

### **Neoen confirms its 2025 targets and plans to reach 20 GW of assets in operation or under construction by 2030**

- Confirmed target of over 10 GW of assets in operation or under construction by year-end 2025
- Decision to increase the storage duration per installed MW of the Group's future batteries, corresponding to an additional equity financing of €150 million over the 2023-25 period
- Total investment increased to €6.2 billion over the entire 2021-25 period from the €5.3 billion announced in 2021
- Total equity requirement estimated at €750 million over the 2023-25 period
- Adjusted EBITDA expected between €460 million and €490 million<sup>1</sup> in 2023 vs. €414 million in 2022
- Confirmed target of double-digit annual growth in adjusted EBITDA<sup>1</sup> over the 2023-25 period and ambition to achieve an adjusted EBITDA over €600 million<sup>1</sup> in 2025
- Policy of a progressive rise in dividend per share over the 2023-25 period reaffirmed
- Renewed ambition to attain the pace of at least 2 GW in new project wins per year from 2025
- Plan to reach over 20 GW of assets in operation or under construction by 2030

Neoen (ISIN: FR0011675362, Ticker: NEOEN), one of the world's leading independent producers of exclusively renewable energy, is today holding a mid-term update of its 2021-25 strategic roadmap. The Group will also present its full year 2022 results which will be published in a separate press release simultaneously.

**Xavier Barbaro, Neoen's Chairman and CEO, commented:** *"Neoen announced ambitious targets in 2021. Since then, we have demonstrated our ability to execute our strategic roadmap and have displayed strong operational and financial discipline. We have delivered balanced growth across our technologies, geographies and customer segments. We have also been able to capitalize on our storage assets and our energy management expertise to successfully develop innovative yet competitive projects that accentuate Neoen's differentiation. These achievements over the past two years make us particularly confident of reaching our 2025 targets and allow us to look beyond positively. We are pleased to present our vision for 2030 today: with over 10 GW of assets in operation or under construction by 2025 and the prospect of reaching the 20 GW milestone five years later, Neoen is now truly establishing itself among the world's leading energy producers."*

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<sup>1</sup> Note that the adjusted EBITDA contribution from farm-down transactions will be less than 15% in 2023 and less than 20% in 2024-25.

## **Rapid growth, in line with the target announced in March 2021 of reaching at least 10 GW of assets in operation or under construction by year-end 2025**

As renewables really gain traction around the world, Neoen has demonstrated its ability to identify and develop a constantly growing pipeline of new projects. Thanks to the know-how and work of its teams, 5.4 GW of new projects were added to its advanced pipeline in 2022. The latter stood at 11.9 GW at year-end 2022, including 2.0 GW of tender-ready projects, not taking into account more than 10 GW of early-stage projects.

The sharp increase in the size of the portfolio of future projects, combined with Neoen's track record in successfully converting this pipeline into secured projects (more than 1.3 GW in 2022), underpins the Group's ambition to win at least 2 GW of new projects per year from 2025.

Neoen has also demonstrated its strong operational momentum with both the launch of new construction and the commissioning of new assets. In 2022 alone, Neoen launched the construction of more than 1.1 GW of new assets.

Thanks to this solid trajectory, Neoen is reiterating the target presented in March 2021 of reaching at least 10 GW of assets in operation or under construction by year-end 2025 (compared to 4.1 GW at year-end 2020 and 6.6 GW at year-end 2022). Looking ahead to 2030, Neoen firmly believes it has the capability to cross the bar of 20 GW of assets in operation or under construction.

## **Neoen is reiterating its geographical focus, its ability to win government tenders and private contracts, as well as its plans to accelerate in storage**

Neoen intends to pursue development on three fronts:

- **Strengthening its position in existing geographies through the deployment of its three technologies (solar, wind, storage)**

To progressively reach the level of 2 GW of new projects secured per year from 2025, Neoen will pursue its development strategy by focusing on countries where the Group already has a leading position such as Australia, France and Finland, or in countries where it is already established, such as Ireland and Portugal, but also in countries where it has launched in 2022 the construction of its first assets, namely Canada and Sweden. In addition, there are other countries with great potential where Neoen has started to develop projects such as Italy and Ecuador, soon to be followed by Germany.

- **Expanding its customer base by the signing of a growing number of Corporate PPAs**

The growing appetite from companies and other private players for power purchase agreements (PPAs) is likely to continue driving the renewable energy market, because PPAs help to green up their energy mix and secure their energy supply. As reflected by the numerous Corporate PPAs secured by the Group in recent years, Neoen has demonstrated its ability to offer competitive prices and innovative solutions. These successes rely in particular on Neoen's ability to combine its solar or wind energy generation with its batteries' storage capacity and its energy management expertise. Aside from the expected momentum of the Corporate PPAs market, Neoen will naturally continue to work very actively with its other counterparties – governments, grid operators and utilities.

- **Stepping up storage investments to expand the range of value-added services offered**

At year-end 2022, the Group had an installed storage power capacity of 1.1 GW<sup>2</sup>, with 16 assets in operation or under construction. Neoen intends to increase the size of its battery portfolio while extending the duration of its new batteries to 2 hours (i.e. 2 MWh per MW). Originally, the Group had planned to continue installing batteries with an energy capacity of between 1 hour and 1.5 hours. Thanks to the increase in the duration of its future batteries, combined with its energy management expertise, to date deployed mainly in Australia and Europe, Neoen will be able to offer a wider range of value-added services with every new battery. The successful signing of Neoen's first baseload contract in 2022 with Australian mining group BHP demonstrates Neoen's ability to integrate its various assets into a single offering and optimize their value.

### **Profitability and value creation targets maintained**

Neoen maintains its internal rates of return (IRRs) targets in governmental, private calls for tender, or in private contract negotiations, which range from 7.5% (+/- 150 bp) in Europe, 8.5% (+/- 150 bp) in Australia and other OECD countries, to over 10% in non-OECD countries. The hike in prices at which Neoen sells electricity, as a result of market conditions and of the value-added services the Group provides, has offset the impact of the higher construction, operating and financing costs faced since 2021.

The develop-to-own model underpinning Neoen's development since its inception will remain the cornerstone of its growth strategy. This model provides Neoen with a major competitive advantage in tender processes. It allows to ensure the quality and performance of Neoen's assets over the long term, to create value throughout the life cycle of its projects, to control the risk/reward profile of its portfolio and, lastly, to retain ownership of land beyond the expected operating lives of assets, which provides repowering potential.

As announced at its Capital Markets Day in March 2021, Neoen will continue to regularly assess the opportunity to sell full ownership or majority stakes in selected projects or assets from its secured portfolio. This farm-down policy crystallizes value from the development of projects that are divested. These transactions strengthen Neoen's financial ability to contribute to the funding of the construction of new assets. Assets sold under Neoen's farm-down policy will not exceed 15% of both the gross annual increase in its secured portfolio and its adjusted EBITDA in 2023, and not more than 20% over the 2024-25 period.

Note that under this farm-down policy, Neoen will seek to retain, where relevant, a buyback call option after 30 years to benefit from the repowering potential of those assets, as Neoen usually secures land rights for long periods of time. This was the case for farm-down transactions involving the *Le Berger* and *Les Beaux Monts* wind farms in 2021 and the *Saint-Sauvant* facility in 2022. Neoen has indeed retained a minority shareholding in these assets and continues to handle their administration and operations, thus keeping the option to take back majority control in 30 years.

### **Investments expected at around €6.2 billion over the 2021-25 period**

Factoring in the increase in construction costs per MW for solar, wind and storage, Neoen anticipates that its 2021-2025 investment plan to meet its 10 GW target will now amount to approximately €6.2 billion. This represents an increase of €900 million on the plan initially presented in March 2021. Of this amount, €150 million specifically relates to the longer duration per MW of future batteries. Note, however, that this change will expand Neoen's offering of storage services beyond what was initially anticipated in the strategic roadmap it presented in 2021.

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<sup>2</sup> Including 534 MW in operation and 548 MW under construction

Neoen plans to maintain the same approach to project financing which is currently implemented. It will continue to optimize each project's funding structure, based on its specific features, combining equity with project debt arranged via special-purpose companies to provide senior non-recourse debt.

To complement project financing at asset level which will remain the cornerstone of the financing of the growth, the Group intends to gradually increase debt at corporate level, supported by the steady growth of its cash flow generation. This will contribute to maintain the average total cost of debt at a competitive level. Therefore, Neoen confirms its target of a total gearing ratio of over 70% of capital invested, including all of the Group's consolidated debt, and also confirms its target of a net debt to adjusted EBITDA ratio between 8.0x and 10.0x at year-end 2025.

In addition to project and corporate debt, the cash flows generated by assets in operation and the capital gains from farm-down transactions mentioned above will also contribute to the funding of the investment plan.

Regarding its equity needs, Neoen announced in March 2021 its intention to raise equity during the implementation period of its investment plan, in order to fully fund the plan while maintaining a strong balance sheet structure. After having raised €600 million of equity in April 2021, the equity needed to fund the remaining part of its investment plan over the 2023-25 period is now estimated at €750 million. This includes the €600 million previously anticipated in 2021 for the second part of the initial investment plan and the additional €150 million to invest in longer duration batteries, being specified that batteries are mainly financed through equity. As expected, Neoen plans to raise equity under a timing that is subject to market conditions and to the progress of its investment plan.

As part of its *develop-to-own* strategy, the Group indicates that it may selectively reduce its ownership in certain assets that it wants to hold in the long-run.

### **Strong increase in its adjusted EBITDA targeted**

For 2023, Neoen expects adjusted EBITDA of between €460 million and €490 million<sup>1</sup>, with an adjusted EBITDA margin of around 80%. In 2022, Neoen achieved an adjusted EBITDA of €414 million.

This 2023 guidance assumes a relative stability in the Group's operating environment<sup>3</sup>. They also assume no delay in the commissioning of the projects scheduled to become operational in 2023.

The Group's target is to generate double digit annual growth in adjusted EBITDA over the 2023-25 period, aiming at exceeding €600 million<sup>1</sup> of adjusted EBITDA in 2025.

For the first time, the Group paid out a dividend of €0.10 per share for the 2021 financial year and will propose a dividend of €0.125 per share for the 2022 financial year, i.e. a 25% increase on the previous year. Over the 2023-25 period, the Group intends to gradually increase its dividend per share, notably in relation to its earnings growth and its financial position.

These targets reflect the Group's expected growth in its assets in operation or under construction, and its expectations regarding the private tenders' market growth, a continued move towards competitively set power purchase prices, and trends in the global renewable energies market.

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<sup>3</sup> Exchange rates; political, regulatory and tax environment; market prices for electricity and frequency control ancillary services (FCAS); electricity grid constraints.

## Significant CSR progress

The challenges from the energy transition are at the core of Neoen business model. As an exclusively renewable energies producer, Neoen generates green electricity that helps to directly reduce CO<sub>2</sub> emissions.

In addition, renewable energy has become extremely competitive over the past years, promoting access for all to sustainable and affordable energy. Neoen thus contributes directly towards two of the United Nations Sustainable Development Goals (SDGs).

At its first Capital Markets Day in 2021, Neoen detailed its CSR approach, summarized in a Sustainability Framework. This approach, which aims at scaling up its contribution towards meeting the SDGs, is based on three pillars. For each of these pillars, Neoen has set out a proactive roadmap and achieved tangible results:

- a *Corporate* pillar, incorporating ethics, diversity and carbon footprint reductions. At year-end 2022, 100% of employees had formally committed to abide by Neoen's Code of Conduct. In addition, 30.7% of employees were women. For the first time, Neoen calculated its carbon footprint across scopes 1, 2, and 3
- a *Projects* pillar, covering health and safety, environmental management and end-of-life installation recycling. In 2022, the number of occupational accidents was halved. In addition, 91% of the assets Neoen commissioned in 2022 underwent an environmental impact assessment. Purchases of approximately 1 GW of new capacity featured a recycling clause
- Lastly, a *Society* pillar, based on constructive relationships with local stakeholders, contributions to regional economic development, and initiatives implemented with and for the benefit of local communities. Information or consultation meetings with local communities were held for 91% of the assets Neoen commissioned in 2022, while many initiatives were carried out locally in terms of economic development and benefit-sharing with communities.

Neoen's CSR policy has been recognized by numerous independent rating agencies. For example, Moody's ESG Solutions awarded Neoen a score of 65/100 ESG in 2022, ranking it among the top 2% of 5,000 companies assessed worldwide.

## Webcast

The presentation of the FY22 financial results and the update on the 2021-2025 strategic roadmap is held on Wednesday, March 1, 2023 at 9.00am (Paris time)

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/20230301\\_1/](https://channel.royalcast.com/landingpage/neoen/20230301_1/)

## Next financial reports

**First-quarter 2023 revenue and operational highlights:** May 2, 2023

**First-half 2023 earnings:** July 27, 2023

**Nine-month 2023 revenue and operational highlights:** November 2, 2023

The Annual General Meeting will be held at 2.30 pm on May 10, 2023

## About Neoen

Founded in 2008, Neoen is one of the world's leading independent producers of exclusively renewable energy. With proven expertise in solar power, wind power and storage, the company plays an active role in the energy transition by producing competitive, green, local energy on four continents. After a six-fold increase in the last six years, its capacity in operation and under construction now stands at 6.6 GW.

Neoen's flagship operations are France's most powerful solar farm (300 MWp) in Cestas, Finland's largest wind farm (404 MW) in Mutkalampi, one of the world's most competitive solar plants in Mexico (El Llano, 375 MWp) and two of the world's most powerful large-scale storage plants, both in Australia: Hornsdale Power Reserve (150 MW/193.5 MWh storage capacity) and the Victorian Big Battery (300 MW/450 MWh).

A high-growth company, Neoen is targeting 10 GW in operation or under construction by the end of 2025. Neoen is listed in Compartment A of Euronext's regulated market in Paris (ISIN code: FR0011675362, Ticker: NEOEN) on the SBF 120 and CAC Mid 60 indexes.

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

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