THIRD QUARTER 2023 EARNINGS CONFERENCE CALL

Yosef Lefkovitz: VP M&A and Corporate Finance

Thank you, Operator.

Good morning, everyone and thank you for joining our third quarter 2023 earnings conference call for Enlight Renewable Energy.

Before beginning this call, I would like to draw participants' attention to the following: Certain statements made on the call today, including but not limited to statements regarding business strategy and plans, our project portfolio, market opportunity and potential growth, discussions with commercial counterparties and financing sources, progress of Company projects, including anticipated timing of related approvals and anticipated production delays, expected impact from various regulatory developments, completion of development, the potential impact of the current conflicts in Israel on our operations and financial condition and Company actions designed to mitigate such impact, and the Company's future financial and operational results and guidance, including revenue and adjusted EBITDA, are forward-looking statements within the meaning of U.S. federal securities laws which reflect management's best judgment based on currently available information. We reference certain project metrics in this earnings call and additional information about such metrics can be found in our earnings release. These statements involve risks and uncertainties that may cause actual results to differ from our expectations. Please refer to our annual report filed with the SEC on March 30, 2023 and other filings for more information on the specific factors that could cause actual results to differ materially from our forward-looking statements. Although we believe these expectations are reasonable, we undertake no obligation to revise any statements to reflect changes that occur after this call. Additionally, non-IFRS financial measures may be discussed on the call. These non-IFRS measures should be considered in addition to and not as a substitute for or in isolation from our results prepared in accordance with IFRS. Reconciliations to the most directly comparable IFRS financial measures are available in the earnings release and the earnings presentation for today's call, which is posted on our Investor Relations webpage.

With me this morning are Gilad Yavetz, CEO and Co-founder of Enlight, Nir Yehuda, CFO of Enlight, and Jason Ellsworth, CEO and Co-founder of Clenera. Gilad will provide some opening remarks and will then turn the call over to Jason for a review of our U.S. activity and then to Nir for a review of our financials. Our executive team will then be available to answer your questions.

Gilad Yavetz: CEO and Co-founder of Enlight

Thank you, Yosef, and thank you all for joining us today.

Before talking about the business and our quarterly performance, I would like to address the current situation in Israel. Over a month ago Israel was brutally attacked by a terrorist organization, and now finds itself in a state of war with the aim to defend its civil population as well as the values of freedom and democracy. Given all the extreme events taking place in the country, we are quite proud that Enlight has succeeded in maintaining its normal operations, and in parallel engaging in support for our society, with extensive community outreach and acts of goodwill during this difficult period. It is a tribute to our employees and our company's values that we are able to maintain our commercial growth and success while at the same time looking after families and small businesses that have been affected by the war. In terms of our operational projects in Israel, all are producing power without interruption. Moreover, our geographically diversified portfolio is a source of strength for our company. In the first nine months of 2023, 74% of our revenues were generated in Europe and the U.S, with the remaining 26% in Israel.

Moving on to a discussion of our business, Enlight's results for the the third quarter and nine months were solid. Third quarter revenue grew 3% year over year to $58m, net income grew 35% to $26m, and Adjusted EBITDA grew 32% to $47m in the quarter. Revenue for the first nine months of 2023 grew 39% year over year to $182m, nine month net income grew 201% to $82m, and Adjusted EBITDA grew 64 % to $142m for the nine-month period. We also saw significant growth in our operating cash flow, which reached $31m during the quarter and $126m for the first nine months of 2023, an increase year over year of 57% and 135% respectively. Continuing our momentum from last quarter, we are pleased with the progress made on Project Björnberget in Sweden, which has reached full production. On the back of solid third quarter results, we reaffirm our full year 2023 guidance.

Before Jason and Nir go deeper into our projects and results, I would like to focus on our Company's two mains objectives: 1) delivering above-market project returns and 2) delivering above-market growth.

First, let's discuss returns. In recent months, there has been a growing debate amongst investors as to whether project returns are high enough to withstand rising interest rates. This concern has grown in light of recent announcements from several major companies in the renewable energy sector cutting their outlooks, whether across offshore wind, residential solar, or utility yieldcos. I would like to tackle these concerns head on and be very direct. Project returns at Enlight remain robust and are increasing. This has been achieved through our clear and defined strategy, which includes:

1) Amending existing PPA pricing higher, while driving pricing significantly higher on newly signed PPAs
2) Remaining nimble on supply chain, enabling us to capture the value of rapidly easing costs across solar panels and batteries
3) Reaping the benefits of the IRA, which uniquely favor our portfolio

I will now provide details on each of these points:

First, we amended over 1.8 GW of legacy PPAs in the past 18 months with price increases on average of 25%. There are several more amendments currently under negotiation. Moreover, on newly contracted projects, PPA pricing has moved higher. During the third quarter we signed PPAs in the U.S. at prices on average 25% higher than what we were seeing a year ago. Similarly, in Europe we signed an inflation-linked 15 year CfD at close to 70 EUR per MWh. How have we managed to amend existing PPAs and drive new PPA pricing higher? With our interconnection advantage. Put simply, we are uniquely positioned to deliver large scale renewables to utilities who urgently need power now – and our customers are willing to pay.

Second, we have secured a competitive advantage on supply chain. While many have opted to lock in module supply in the U.S. through long term arrangements at very high pricing, we chose to enter into flexible contracts that enable us to capture the value of wafer price declines. As a result, today in the U.S. we can buy up to 2 GW of panels at less than 30 cents a watt. We were modeling between 36-40 cents a watt across our U.S. projects just a few months ago. In Europe, the decline has been more dramatic. We can acquire panels today in Europe at less than 20 cents a watt. Similarly, battery container pricing has come down dramatically in the last three months, from $250 to $180 per KWh on average – a nearly 30% decline.

In short, some in the sector have been dragged down by legacy PPAs which have not been amended, coupled with take or pay equipment contracts at high pricing. On the other hand, we have been able to generate significant operating leverage from declining equipment costs while pushing PPA prices higher, driving robust project returns.

Finally, we are reaping the benefits of the IRA in the U.S. In addition to the additional tax equity we can raise on projects under the PTC track, which benefits our West Coast focused portfolio, we also stand to benefit from tax credit adders. Approximately one quarter of our U.S. projects are eligible for the energy community adder. The most recent examples of this are Atrisco, Quail Ranch and Rustic Hills, all of which are in our Mature Portfolio.

Putting this all together, based on the above factors, we are now modelling a substantial improvement in the returns we expect to generate from our 3.6 GW and 5.5 GWh of projects that are expected to COD between 2024 and 2026. This portfolio is now expected to generate an unlevered ratio of around 10%, approximately 80 basis points higher than our expectation from models we prepared in the second quarter. Even in a higher base rate environment, with these unlevered returns, we expect to deliver healthy mid-teen levered project returns.

And to be very clear, our focus on returns is a fundamental feature of our joint developer and IPP business model. The alignment of interests that results from both the developer and IPP being under one umbrella means that Enlight is focused on developing projects that our internal IPP can profitably hold.

Driven by these strong project fundamentals, we aren't giving up on our growth – we are continuing to accelerate it. We reached commercial operation on 256 MW of generation and 90 MWh of energy storage during the quarter, including Genesis Wind, the largest renewable energy project in Israel. We have thus completed the entirety of our plan to reach 1.8 GW of operational generation by the end of 2023. We also made significant strides on the conversion of our development portfolio. We added 530 MW and 1.3 GWh to our Mature Project portfolio, including Country Acres, a new and substantial project in California, as well as Quail Ranch, the second phase of our flagship Atrisco project. Both projects, which have signed PPAs and signed interconnection agreements, are targeted for commercial operation in 2026 and 2025 respectively.

However, I do want to note that we are now expecting a delay at Project Co Bar, which is expected to COD in 2026 versus our original expectation in 2025. The delay has been driven by an interconnection queue reform being implemented by APS in Arizona, which will delay receipt of our interconnection agreement. While we are disappointed with the delay and are working to shorten it, we have been able to accelerate some of our other major projects from 2026 to 2025, highlighting the depth of our development engine. Jason will elaborate more on Co Bar and our plans for 2025 and 2026 in the U.S.

Finally, to deliver above-market growth and above-market project returns, we must access the required capital. We are in the final stages of achieving financial close on two major projects: the solar portion of Atrisco in the U.S., as well as the Solar + Storage cluster in Israel. In total, we expect to secure above $500m of project finance. We hope to be able to update you in the coming weeks as we complete each of these transactions. Post closing, we expect to recycle $300m of excess equity invested in these projects back to Enlight. The capital recouped from these projects, plus the cash we have on hand and cash flow we expect from operational projects is expected to provide us with the equity required to deliver a total operational portfolio of 4.6 GW and 3.6 GWh – extending into 2026 CODs.

To fund further growth thereafter, we expect to execute on our capital recycling strategy – selling down minority stakes in projects. We began to execute this capital recycling strategy during the third quarter. We sold off our 10% stake in Faraday, a 680 MW pre NTP project in Utah for $190,000 per MW, obtaining $13m of capital for future use. We also sold our 50% share in several small operational projects totaling 25 MW in Israel for $6m. These transactions, while small, nevertheless illustrate the potential to unlock value and growth capital through sell downs.

In summary, we see attractive fundamentals in our business: pricing power for our projects, an easing supply chain and access to project finance, which will all enable us to deliver on our twofold objective of above market project returns and above market growth.

I will now hand it off to Jason who will provide more details on some of our U.S. projects.

Jason Ellsworth, CEO of Clenera

Thank you Gilad. In the U.S., project fundamentals remain strong. PPA prices are increasing and equipment pricing is falling. At the same time, we are making steady progress in growing and advancing our project portfolio. Against that positive backdrop, it is likely that our flagship CO Bar will be delayed approximately one year due to an interconnection queue reform by Arizona Public Services.

Construction on the solar portion of Atrisco in New Mexico, comprising 364 MW, remains on schedule. All major equipment is on site. Our project racking is 99% complete, and 96% of modules are installed. We plan to achieve COD at the beginning of the third quarter of 2024. As Gilad mentioned, we've materially finalized the definitive documents required for project finance on the solar portion of Atrisco, including term debt and tax equity and closing is expected imminently.

However, the storage portion of Atrisco, comprising 1.2 GWh is now delayed due to supplier issues. We are evaluating the possibility of a change to our battery supplier in order to meet the project schedule. COD is expected during the fourth quarter of 2024.

In parallel, we are expanding the potential of our Atrisco complex, under our "Land & Expand" strategy. We are pleased to announce that in October 2023 we signed a PPA with PNM, the current offtaker of Atrisco, for an expansion of Atrisco. The new project, called Quail Ranch is sized at 120 MW of solar and 400 MWh of storage. The project will benefit from Atrisco's completed development status and therefore has been added to our Mature Project portfolio this quarter. Moreover, like Atrisco, Quail Ranch will benefit from an energy community tax credit adder. Under our "Land & Expand" strategy, we can reduce risk and compress development timelines while increasing returns. We plan to start construction in 2024 and achieve COD in 2025.

In addition to Quail Ranch, we also added a large new project to the Mature Portfolio this quarter called Country Acres. Located in California, it is sized at 392 MW of solar and 688 MWh of storage. We recently executed a PPA and interconnection agreement with the Sacramento Municipal Utility District. The solar is contracted for 30 years and storage for 20 years under busbar agreements. Clēnera has a long history of project development in California and we are excited about this new major project and the quality of our partner. We expect construction on Country Acres to begin in 2024, and commercial operations in 2026.

Finally, we expanded our Roadrunner project with Arizona's AEPCO by an additional 44 MW of solar and 140 MWh. We continue to work with AEPCO to meet their growing need for clean and reliable power and capacity.

In total, between Quail Ranch, Country Acres, and the Roadrunner expansion, we added 556 MW of solar and 1,228 MWh of storage to our Mature Portfolio in the U.S during the quarter.

On CO Bar, our 1.2 GW solar and 800 MWh storage project located in Arizona, we expect to see a one-year delay. As Gilad mentioned, in September, Arizona Public Services (“APS”) enacted a reform of its interconnection queue process. The reform changes APS’ interconnection study review from a “first-come, first-served" basis to a “first-ready, first-served" approach. While Co Bar’s real estate, permitting, offtake, and system impact study are already secured, it is expected that the revised process will cause an approximate one-year delay to the project. As a result, we have moved the project’s expected COD from 2025 to 2026. We are working with our partners in the state to try and shorten this delay given the project’s advanced status.
To help offset the impact of the Co Bar delay, we are accelerating the scheduled COD for Roadrunner (that’s 294 MW of solar and 940 MWh of storage) from a 2026 to a 2025 COD. As I mentioned a moment ago, Quail Ranch, including 120 MW and 400 MWh entered the Mature Project portfolio and is also expected to reach COD in 2025. These projects are both mature and well suited for 2025 completion. While we are disappointed with the delay to Co Bar, the depth of our development portfolio affords us the ability to be nimble.

Recapping, we are encouraged by our team’s progress in the development and construction of our U.S. portfolio. Where there are delays, we are advancing other portfolio projects to fill our schedule and continue to deliver strong results. Our projects are well sited and well developed, evoking strong demand from offtakers. And, we are benefiting from falling equipment prices. Overall project returns are robust and we are encouraged by the strength of the US market.

With that I'll turn it over to Nir to review the Company’s financials.

<u>Nir Yehuda: CFO, Enlight</u>

Thank you Jason.

In the third quarter of 2023, the Company’s revenues increased to $58m, up from $56m last year, a growth rate of 3%, year over year. Growth was mainly driven by the revenue contribution of new operational projects and inflation indexation embedded in PPAs for already-operational projects. This was largely offset by a decline in revenues at Gecama year over year, driven by lower electricity prices relative to the prices observed in the same quarter last year.

Since the third quarter of last year, 544 MW and 81 MWh of projects started selling electricity, including Björnberget in Sweden, Apex Solar in the U.S., ACDC in Hungary, and several small solar and storage projects in Israel. These projects collectively contributed $8m of revenue during the third quarter of 2023. The biggest contributor was Björnberget ($5m), which is now operating at full production. Gecama revenues fell year over year by 38% ($8m y-o-y), driven by lower power prices relative to last year’s peak electricity pricing.

Finally, the Company also benefited from inflation indexation embedded in its PPAs, which contributed an additional $3m of revenue during the quarter. This reflected an average indexation of

7.2% across 592 MW of PPAs for projects that have been operational for a full year. Net FX impact was immaterial to results for the quarter.

Net income increased to $26m, a growth rate of 35% year over year. There was a non-cash benefit of $8m this quarter attributed to the mark to market of interest rate hedges the Company entered into ahead of the financial close process at Atrisco. The residual change in net income was driven by a reduction in the expectation for earnout payments linked to the acquisition of Clenera of $12m, compared to a $18m reduction during the same period in 2022, and gains recognized on project divestitures of $8m.

In the third quarter of 2023, the Company's Adjusted EBITDA grew by 32% to $47m compared to $36m for the same period in 2022. Aside from the factors which affected our revenue growth, important items included gains recognized from project divestures; and the final $2m instalment of compensation payments from Siemens Gamesa linked to the delay in reaching full production at Björnberget

With respect to divestures, the Company sold its 10% stake in the Faraday solar project in the U.S. for $190,000 per MW. We recognized a gain of $3m in the third quarter and expect to recognize an additional gain of $2m in the fourth quarter. Similarly, the Company sold 50% of several small operational projects in Israel (25 MW) for $465,000 per MW, recognizing a gain in the third quarter of $5m. These gains were offset by a $1m increase in overhead.

Moving to 2023 guidance, we are pleased to reaffirm our full year 2023 outlook provided last quarter. We expect annual revenue between $265-275m, with adjusted EBITDA between $188m and 198m.

Looking to our balance sheet, Enlight engaged in a number of capital raising transactions during the quarter. In September, the Company raised 319 million shekels – approximately $84m at the time – of unsecured corporate debt in Israel at an effective rate of 5.8%, expanding on the existing senior unsecured 6 series. We have also been working to achieve financial closing on both Atrisco Solar in the US and our Solar + Storage project in Israel. We've almost reached the finish line, as definitive documents have been finalized. We hope to be able to update you in the coming weeks as we close each of these transactions.

The combined sum of these two transactions is expected to be more than $500m. From this amount, there is more than $300m of excess equity capital which we expect to be recycled back to Enlight. These transactions should further strengthen our balance sheet, reinforcing the financial footing needed to deliver the future growth of our business.

Finally, as of the end of the quarter, we had $170m of revolving credit facilities at several Israeli banks, of which $110m remain undrawn. The facilities provide us with additional financial firepower and flexibility as we allocate equity investment in projects and optimize project financing over time.

In conclusion we benefit from a strong funding position and access to capital with clear plans to deliver on our Mature portfolio. We are executing well, and are very excited about the future.

With that I'll turn it over to the operator for your questions. Operator?