



FOURTH 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 fourth quarter and full-year 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, utility demand and potential growth, discussions with commercial counterparties and financing sources, pricing trends for materials, progress of Company projects, including anticipated timing of related approvals and project completion 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, expected changes in Clenera's leadership, 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 2022 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 are posted on our Investor Relations webpage.

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

Gilad Yavetz: CEO and Co-founder of Enlight

Thank you all for joining us today for Enlight's fourth quarter and full-year 2023 earnings call.

In 2023, we continued to deliver on the Enlight story: above-market growth and above-market project returns. Moreover, we built the necessary foundation to take the next major step in 2024 and beyond. Enlight is now on the cusp of another major expansion as we begin the construction of several flagship solar and storage projects, particularly in the United States. I will first review the important achievements we've made in 2023 and will then describe our outlook into 2024 and beyond.

Let's start with our strong full year 2023 financial results. Revenue for the whole of 2023 grew 33% year over year to \$256m, net income grew 157% to \$98m, and Adjusted EBITDA grew 45% to \$189m annually. We also saw significant growth in our operating cash flow, which reached \$150m for the full year, an increase of 66% over 2022. In the fourth quarter, revenue grew 21% over last year to \$74m, net income grew 48% to \$16m, and Adjusted EBITDA grew 8% to \$47m. Overall, we delivered strong growth and profitability in 2023, even amidst a challenging macroeconomic backdrop.

Driving the growth in our financial parameters was our project additions. In 2023, we connected over 480 MW across Israel, Europe and the U.S, a growth of 33%. This included Genesis Wind in Israel and Apex Solar in the U.S, while we also ramped up production at Björnberget in Sweden. As of today, we have 1.9 GW of operational generation as well as our first operational storage projects with a capacity of 277 MWh. These results testify to the strength and resilience of Enlight's geography and technology diversification, combined with our Developer plus IPP model. As a result we benefit from recurring and growing income from our IPP while our greenfield development activity fuels continued growth at high returns.

In 2023, we also saw a rapidly improving outlook for electricity demand. Electricity demand is rising in the U.S. for the first time in two decades, driving increased PPA pricing. Moreover, equipment costs have come down significantly, while the cost of finance is now in decline. As a result, we expect to see continued demand for our projects at attractive PPA prices. We demonstrated that in 2023 by successfully amended PPA pricing upwards on over 1.8 GW by an average of 25%, while signing new PPAs at even higher levels. Our pipeline of large-scale projects and competitive access

to the grid allows us to continue to capitalize on the need for electricity with favourable prices. At the same time, panel and battery pricing fell considerably throughout the year. These trends have continued to consolidate in the fourth quarter. Higher PPA pricing and lower construction costs contributed to improving project returns, which we expect to reach 10% on an unlevered basis for projects reaching COD between 2024 and 2026. On top of that, in the fourth quarter we saw nearly 70 bps decline in interest rates. When overlaying this with our **unlevered** project returns of 10%, we can generate average **levered** equity IRRs in the mid to high teens and in some cases even higher.

In 2023, we also continued to convert additions to our Mature Portfolio. Our greenfield development teams converted 871 MW and 2.7 GWh from our large development pipeline into Mature Projects. The additions included several major flagship projects in the United States, such as Roadrunner and Country Acres, which will commence construction in 2024.

And finally, substantial financing is required to sustain and accelerate such growth, and in 2023 we successfully raised capital from a diverse set of sources. Given the constrained financing environment, this constitutes a notable achievement. We raised \$271m in equity through an IPO on the NASDAQ at the start of the year, and secured over half a billion dollars in project finance and tax equity. Also important was the completion of our first asset sell-down in the U.S. and some sell downs in Israel, totaling \$19m. While these initial disposals were small, they set the precedent for sell-downs to become an increasingly important source of funds in the future.

To sum up, 2023 was a year in which Enlight delivered on its above market growth and above market return story. We secured various sources of financing, expanded the portfolio of projects to be built in the near term and improved future project returns, all amidst a challenging macroeconomic environment.

Looking to 2024, we forecast further revenue growth and profitability. We expect to add 543 MW of generation and 1.6 GWh of energy storage to our operational assets, among them Atrisco project in the US. This represents our major move into energy storage with 580% growth at this segment. Moreover, we expect to commence construction on upwards of 1 GW and 2.9 GWh of capacity in 2024, which reflects an over 55% increase on our current operational generation and 1040% increase on our operational storage. This includes major projects such as Roadrunner, Country Acres, and Quail Ranch in the U.S., Gecama Hybrid in Spain and several Stand-Alone Storage project in Israel and Italy. In total, including Atrisco, these projects are expected to generate \$307m in revenues and \$221m in EBITDA in their first full year of operation. This is a massive step in the growth of the Company and therefore execution on these projects is our highest priority. These new builds will also help diversify Enlight's current geographical mix, introducing significant U.S. exposure, while adding a major element of solar and storage to our technological mix, which is largely wind today.

In 2024, we also expect to convert more of our large development pipeline into Mature Projects. Examples of this include our unique portfolio of solar and storage in PJM in the U.S., totaling 1.4 GW and 2.2 GWh. These projects, which benefit from exceedingly low interconnection costs, have been moved to PJM's interconnection fast track, significantly easing their path to further development. In addition, we have additional large scale solar and storage projects across the Western U.S. and wind projects in Europe that are approaching maturity. The depth and breadth of our development pipeline is a strategic resource for Enlight; with 15 GW and 25 GWh of potential, it ensures that we maintain a sizable buffer of imminently available Mature Projects on which we can work.

Finally, it is important for me to stress that with the capital we raised last year, we have all the equity needed to fund 2024's activity. We will have to secure significant project finance commitments, however the success in raising project finance during 2023 provides us with confidence that we will achieve this. With macroeconomic conditions now more settled, our all-in interest rate for project finance now stands at 5.25%-5.75%. In 2024, we also plan to execute larger asset sell-downs, either of minority or majority stakes in U.S. projects, further underpinning the company's financial position.

As Enlight continues to grow, our ability to self-finance also gathers steam: a larger IPP provides more operating cashflow, while additional conversion of projects increases the potential for sell-downs. Both these represent sources of funds for future growth, and when combined with our extensive pipeline of development projects, provide a path for growth without the need for external capital.

Turning to our 2024 guidance, we expect revenues between \$335 and \$360m, 36% higher than in 2023 at the midpoint, and Adjusted EBITDA between \$235m and \$255m, 30% above that of 2023 at the midpoint. Growth continues to be robust as we add new projects to our operational portfolio. Nir will describe in detail the assumptions that underly this guidance later in the call.

To tie it all together, we made important steps in building up the Company in 2023, whether this be in project conversion and development, construction, or finance. In 2024, Enlight will harness these resources to grow considerably in all markets, but especially the US. And as before, we aim to continue delivering on our two-fold objective: above-market growth and above-market project returns.

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Before handing the call over to Jason for his remarks, I'd like comment on the Clēnera leadership transition we announced in January. After more than 10 years as CEO of Clēnera, Jason accepted a call from the Church of Jesus Christ of Latter-day Saints to serve as a full-time mission president in Chile. He will leave his post with Clēnera at the end of June. Clēnera's COO and co-founder, Adam Pishl, will assume the role of CEO. Adam is an amazing leader and responsible for building Clēnera beside Jason during the last 10 years. We anticipate a smooth transition over the next 6 months, as Adam and the amazing Clēnera leadership team remain and continue to move the company and its projects forward.

I thank Jason for his leadership and expertise in creating and cultivating Clēnera. His vision, leadership and tireless work, coupled with his talented and dedicated, propelled the company to make a huge impact on the US renewable market. Adam has always been a big part of Clēnera's success and I'm fully confident in his skills, experience and leadership, and his ability to take Clēnera to the next level, which we at Enlight shall continue to support and accelerate.

Jason?

Jason Ellsworth, CEO of Clēnera

Thank you Gilad. I will certainly miss working with you and the rest of our amazing team at Enlight and Clēnera. Regarding our US business, 2023 was foundational, and in 2024 we expect to launch from that foundation into a period of significant growth.

During 2023 we successfully completed Apex Solar, a 106 MW project located outside Dillon, Montana. Apex was the first project completed together by Enlight and Clēnera in the U.S. We also made progress toward completing our Atrisco Solar project in New Mexico. As of today, equipment supporting the full 364 MW is installed, and work is underway to finalize mechanical completion. Further, during the fourth quarter we closed tax equity and debt financing on Atrisco Solar, raising \$300m of construction and term debt and \$198m in PTC tax equity. The transaction, which released \$204m of excess equity back to Enlight's balance sheet, demonstrated our continued access to competitive project financing, including tax equity. We have reached a mutual resolution of a supplier matter on the 1.2 GWh battery storage portion of Atrisco and now expect the solar site will reach COD in 3Q24, and the storage installation in 4Q24.

Our overall project portfolio in the US advanced steadily in 2023, with approximately 10 GW through system impact study. We signed PPAs on 806 MW and 2 GWh that will enter construction in 2024. This includes Country Acres, a 392 MW and 688 MWh project delivering to Sacramento Utility District in California; Roadrunner, a 294 MW and 940 MWh facility contracted with AEPSCO in Arizona; and

Quail Ranch, a 120 MW and 400 MWh project that represents the second phase of our Atrisco facility in New Mexico and delivering to PNM. The full 806 MW and 2 GWh will start construction during 2024, launching a new phase of Clēnera's expansion and growth in the US.

In addition to advancing and constructing projects in the US, we improved returns by amending many of our existing PPAs. Over the past 18 months, our team successfully raised prices by an average of 25% on contracts covering 1.8 GW of capacity. Strong utility relationships, and large-sized projects that are deliverable in the near term, made these pricing negotiations possible. And as Gilad mentioned, we are also experiencing economic tailwinds by way of falling equipment prices. Since the beginning of 2023 we've seen our solar panel prices drop by approximately 25% and battery prices by more than 30%.

We continue to focus on converting our earlier stage development projects into mature projects. As an example, in PJM we are advancing a portfolio of projects totaling 1.4 GW and 2.2 GWh capacity that have negligible interconnection costs. Prices in the regions where these projects are being developed are high due to a growing appetite for renewable energy and limited availability of feasible interconnections. With final interconnection agreements expected by the end of 2024, we anticipate achieving attractive PPA terms on these assets. In the western U.S., we continue to see significant utility demand for our solar and storage projects. With power demand continuously on the rise, our roughly 10 GW portfolio of developing and mature projects (all with advanced interconnection) puts us in prime position to meet rising demand with attractively priced generation.

Finally, as previously announced, I will be stepping down from my position as Clēnera's CEO at the end of June. Adam Pishl, Clēnera's co-founder and current COO, will take my place. I'm supremely grateful for the years I've had working with Gilad, Adam, and the Clēnera and Enlight teams. The company is an industry leader because the organization, and its partners, are comprised of what I consider to be the most dedicated, talented, and genuinely good people in the business. Both Gilad and Adam are dear friends and trusted leaders. I'm excited to see all the great projects and exciting developments they deliver in coming years!

Now I'll let Adam Pishl introduce himself and add some comments.

Adam Pishl, COO of Clēnera

Leading alongside Jason for nearly two decades has been an incredible journey. Together, we have built three renewable energy companies, developed 100's of solar projects, and most importantly have built an incredible team of professionals who are now leading Clēnera, into its greatest period of growth.

While execution is our highest priority for 2024, Enlight and Clēnera continue to invest in our growing development portfolio that will take us through the next decade and beyond. I am passionate about renewable energy, this incredible organization, and our dedicated team, and I am excited about this expanded role. I am confident in our 2024 execution plan, and look forward to sharing more of this developing growth story during future earnings calls.

Thank you, and let me turn the call over to Nir.

Nir Yehuda: CFO, Enlight

Thank you Adam.

In the fourth quarter of 2023, the Company's revenues increased to \$74m, up from \$61m last year, a growth rate of 21%, year over year. Growth was mainly driven by new operational projects compared to last year, while being offset by a decline in revenues caused by much lower electricity prices in Spain relative to the prices observed in the same quarter last year.

Since the fourth quarter of last year, projects in the US, Hungary, and Israel started selling electricity. The most important of these is Genesis Wind which contributed \$9m to revenue. In addition, Björnberget, which barely sold power in 2022, contributed \$6m in this quarter. Gecama generated revenues approximately \$14m in revenues, however its contribution fell 36% year over year due to much lower Spanish power prices compared to 4Q22 and relative to expected prices in 4Q23. We sold power in Spain at an average price of EUR 50 per MWh this quarter versus EUR 115 per MWh in the same period last year. In addition, we were impacted by the slower-than-expected ramp up in production at Genesis Wind and the Israel Solar and Storage cluster.

Fourth quarter net income increased to \$16m, a growth rate of 48% year over year. There were three non-cash items this quarter: a mark to market loss related to interest rate hedges on the financial close process at Atrisco Storage of \$8m; gains related to the reduction in expected earn-out payments linked to the acquisition of Clēnera of \$12m; and a loss of \$5m due the impact of Israeli Shekel volatility on foreign currency liabilities. These figures are all net of tax.

In the fourth quarter of 2023, the Company's Adjusted EBITDA grew by 8% to \$47m compared to \$43m for the same period in 2022. Aside from the positive factors which affected our revenue growth, the y-o-y decline in revenues at Gecama, as well as slower than expected ramp up at projects in Israel, and \$3m increase in overhead, resulted in lower profit margins and slower growth in Adjusted EDITDA y-o-y. We recorded \$2m as final payment recognized from the sell down of Faraday completed last quarter.

Looking to our balance sheet, Enlight completed a large financing deal during the quarter, reaching the closing on both Atrisco Solar in the US and our Solar + Storage project in Israel. These raised a combined \$511m in project finance, from which \$325m of excess equity capital was recycled back to Enlight. These transactions strengthen our balance sheet, and reinforce the financial footing needed to deliver the growth of our business in 2024. To reiterate, no new equity capital is needed to deliver on our plans for this year. As of the date of today's report, we had \$260m of revolving credit facilities at several Israeli banks, none of which have been drawn. This is \$90m above what we reported in our 3Q23 results.

Moving to 2024 guidance, we expect annual revenue between \$335-\$360m, with adjusted EBITDA between \$235m and \$255m. Of our total forecasted revenues, 40% are expected to be denominated in Israeli Shekel, 55% Euros, and 5% in US Dollars. Noting our large exposure to the Shekel and the current high degree of volatility in this currency, our guidance is predicated on average annual exchange rate assumptions of 3.8 Shekels to the Dollar and 1.05 Euros to the Dollar, which are lower than current levels. In addition, 90% of 2024 generation output will be sold at fixed prices either through hedges or PPAs. Our guidance reflects annual growth of 36% and 30% at the midpoint compared to 2023 respectively, demonstrating our accelerated growth path in 2024 and the years ahead.

I'll now turn it over to the operator for questions.