enlight

Prepared Remarks

THIRD QUARTER 2024 EARNINGS CONFERENCE CALL

YONAH WEISZ: Director of Investor Relations

Thank you, Operator.

Good morning, everyone and thank you for joining the third quarter 2024 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, 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 2023 annual report filed with the SEC on March 28, 2024 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, and Adam Pishl, CEO and Co-founder of Clenera. Gilad will provide some opening remarks and will then turn the call over to Adam for a review of our U.S. activity and then to Nir for a review of our third quarter results. Our executive team will then be available to answer your questions.

GILAD YAVETZ: CEO and Co-founder of Enlight

This was an outstanding quarter for Enlight, and we are pleased to present an extremely strong set of financial results for the first nine months and third quarter of 2024. Starting with 9 months results, revenue grew 56% to $285m compared to the same period in 2023, Adjusted EBITDA grew 50% to $214m, and net income dropped to $58m, but excluding one off items grew by $8m from $48m to $56m, an increase of 17%. Cash flow from operations rose by 25% to $158m.

And now for the third quarter results, revenue was up 88% to $109m. In addition to new projects, production volumes at our already operational sites grew 11% year-on-year, illustrating Enlight's operational proficiency. Adjusted EBITDA grew 86% to $88m, and net income was $24m versus $26m, though excluding one off items grew by $15m from $11m to $26m, an increase of 114%. Cash flow from operations rose to $66m, up 115%. On the back of these results, we are pleased to increase our 2024 guidance ranges for the second consecutive quarter. This represents an increase of an additional $10m at the midpoint for both revenue and adjusted EBITDA guidance. Nir will explain in more detail later on.

Enlight continues to roll out its major expansion plans on all fronts, and this quarter saw significant CODs, significant new project construction, and a significant addition to our Mature phase Portfolio. During the past nine months, we have added new generation capacity of 0.5 GW and a new energy storage capacity 1.5 GWh to our operational portfolio. These include Atrisco solar and energy storage project in New Mexico and additional projects in Europe and MENA. This capacity is expected to contribute approximately $105m in revenues and $80m in EBITDA in 2025. In addition, we have begun construction on 810 MW of generation and more than 2 GWh of storage at three additional projects in the US, which are expected to contribute $137m in revenues and $110m in EBITDA on an annual basis when fully operational. In the next three years our global generation and energy storage capacity will triple, reaching 6 GW generation and 7.6 GWh energy storage by 2027.

The demand for electricity in the United States is soaring. Power consumption is rising fast, attributed to the electricity needs of data centers, AI and electric vehicles. It's estimated that data centers alone will consume approximately 12% of the country's electricity output by 2030, up from about 3% in 2023. As a result of this trend, PPA prices continue to remain high, reflecting high returns for our projects. We believe that the market's critical need for electricity will continue intensify the need for our projects. Given these conditions, potential changes in future regulations on tariffs and tax incentives may have more of an impact on electricity prices, and less on the building of new projects or rates of return.

We are also securing growth in 2026, 2027, and beyond. This quarter we are introducing Snowflake A into our Mature phase Portfolio, with a capacity of 600 MW solar and 1.9 GWh energy storage, as well as announcing a 20-year PPA for this project with Arizona's APS. Snowflake is a high return project that is expected to begin construction as early as mid-2025. Adam Pishl, CEO Clenera, will expand on all these developments in just a bit.

The favourable balance between our offtake price, cost of equipment, and cost of capital continues to generate high returns for our projects. As shown in our financial reports and releases, our unlevered asset returns reach double digits, and reflect attractive mid teens returns after leverage even at the current interest rates, which have already started to decline.

Our European projects are benefiting from very strong market conditions. Revenues this quarter were up 24% compared to last year. Spanish electricity prices have reached their highest points this year, and are resulting in excellent returns at Gecama. We have hedged 65% of Gecama's anticipated 2024 generation for EUR 100 per MWh, and have already have built a substantial hedge for 2025, which covers 60% of next year's anticipated output at a price EUR 65 per MWh. With new capacity commissioned and large-scale development portfolio, we see continuous growth in this geography.

MENA is showing significant growth this year, fueled by the rapid expansion in Solar & Storage Clusters, and the strong ramp up of Genesis Wind farm, one of Israel's largest RE projects. As a result, revenues this quarter were up 223% for this region compared to last year. This quarter we achieved COD at three new solar and storage project, completing the 12-site Solar and Storage Cluster, with a total capacity of 248 MW and 625 MWh. We expect the complete cluster to generate revenues of $35 million and EBITDA of $25 million in 2025. A portion of the Cluster has already been operating and contributing revenues during 2024. On the offtake side in Israel, during the third quarter we signed 3 new corporate PPAs with clients in the electronics and electronics and manufacturing sectors; we have entered into a total of 9 corporate PPAs so far this with annual consumption volumes of 105 MW.

To sum up: we are proud to repeatedly show strong results and increased guidance ranges. Solid offtake demand, low equipment costs and declining interest rates support our attractive project returns. We believe that demand will continue to drive growth in all geographies, even under different incentive regimes, and that any potential change in tax incentives may translate into higher electricity prices rather than negatively impact project deployments or returns. We continue converting our very large development portfolio into mature-phase projects, driving future revenues and profits.

I'd now like to hand the call over to Adam.

ADAM PISHL: CEO of Clenera

Thank you Gilad.

Enlight and Clenera are achieving great milestones in fulfilling our substantial growth objectives for the US market. This quarter highlights the magnitude of these objectives and some great achievements we've made as we continue to successfully deliver quality construction projects and exciting development assets. We are in the final steps of Atrisco energy storage COD in New Mexico; we started construction on major projects all located in the western United States; and lastly, we announced the signing of the Snowflake A PPA, another very large project entering Enlight's Mature Portfolio at near RTB status, located in Arizona. Together these five projects total approximately 1.8 gigawatts of solar and 5.1 gigawatt hours of energy storage capacity.

In October we achieved full COD on the Solar portion of Atrisco, located near Albuquerque, New Mexico. This project includes 364 megawatts of solar and 1.2 gigawatt hours of energy storage. We are completing the energy storage connection to the grid, and expect full COD for the energy storage portion in the coming weeks. Atrisco, which is one of the largest solar and battery projects in the U.S., is Enlight and Clenera's flagship project. Its completion paves the way forward to begin the next stages of our expansion in the U.S. market.

We are starting construction of three projects, with a total of 810 megawatts of solar and over 2 gigawatt hours of energy storage capacity.

The first, Country Acres, a 392 megawatt solar and 688 megawatt hour energy storage project in California has started construction, beginning with improvements to adjacent public roads needed to accommodate construction traffic into the site. Work has also begun on the PV site. We are also excited to partner with the University of California, Davis to include agrivoltaics on a portion of this project to further study dual land uses in utility-scale solar sites. This project is expected to achieve COD in the second half of 2026.

Moving from California east to Arizona. Located 60 miles east of Tucson, our Roadrunner project includes 290 megawatts of solar and 940 megawatt hours of energy storage. I am pleased to report we have secured all regulatory permits for this project. Construction crews are mobilized and work to build a road network throughout the site is underway. This project is scheduled to achieve COD in the second half of 2025.

Quail Ranch, an expansion of the Atrisco project outside Albuquerque, New Mexico, will begin mobilization in December. Leveraging Atrisco's interconnection, Quail Ranch brings an additional 128 megawatts of solar and 400 megawatt hours of energy storage to our portfolio. All required permits have been approved, and site work will begin by the end of the year. We anticipate completing commissioning on this project by the end of 2025.

In parallel to these activities, we are also closing in on financing and tax equity arrangements for each project. We look forward to providing you with more updates on the financing of these projects early next year.

I am also excited to introduce the first phase of the Snowflake Complex, located in northern Arizona. This overall complex consists of over a gigawatt of land and interconnection rights. We are in the final stages of design and permitting for the first phase of this complex, which we are calling Snowflake Solar A. As recently announced, we have secured a power purchase agreement with APS for this first phase, which includes 600 megawatts of solar generation and 1.9 gigawatt hours of energy storage. The PPA offers a solid economic foundation for the project which is scheduled to begin construction in 2025, with COD anticipated in mid-2027.

Achieving this milestone for Snowflake exemplifies our ability to convert high quality assets from our Advanced Development portfolio into projects ready for construction. Both in terms of size and profitability, Snowflake is an impactful project to the overall Enlight portfolio.

On a broader level, Snowflake is an example of how the U.S. energy market provides a positive backdrop for our project fundamentals. The scarcity of new projects, especially very large projects like Snowflake, along with growing demand for energy, drives positive tailwinds for electricity prices. Combined with decreasing equipment prices and interest rates, these trends result in attractive unlevered returns for our current and future projects in the U.S.

Lastly, our global supply chain strategy and deep relationships have continued to be a strength. Supply contracts for Roadrunner are completed and we expect to sign the remaining contracts for both Quail Ranch and Country Acres this month. With our strong supplier partnerships we have been able to secure competitive pricing with good resilience against potential trade impacts. This resilience comes in part from contractual terms but also domestic supply.

In conclusion, our third quarter results highlight our team's incredible ability to continue to overcome the ever-present market and supply chain hurdles and execute on our substantial growth objectives in the US. I look forward to continuing to share this developing growth story on future calls.

I'll now turn the call over to Nir for a review of our quarterly results.

Nir?

NIR YEHUDA: CFO of Enlight

Thank you Adam.

In the third quarter of 2024, the Company's revenues increased to $109m, up from $58m last year, a growth rate of 88% year over year. Growth was mainly driven by new projects compared to last year as well as higher production at our existing projects, and better merchant prices.

Since the third quarter of 2023, 12 new projects in the US, Hungary, and Israel started selling electricity. The most important of these is Genesis Wind which contributed $15m to revenue, followed by the Israel Storage and Solar Cluster, which added an additional $16m.

Gecama revenues increased 40% year over year to $18m, as the project benefited from positive pricing and production trends. We sold electricity at an average of EUR 96 per MWh versus EUR 76 per MWh for the same period last year, while production was up 8% from the same period last year.

The average price realized through our hedging strategy was EUR 100 per MWh, covering 69% of the quarter's production. Merchant prices in Spain during the quarter reached their highest point this year.

Third quarter net income decreased from $26m last year to $24m this year, a decline of 7% year over year. The impact of new and existing projects added $13m. This was reduced by a $4m loss on the revaluation of foreign currency assets. In contrast, in 3Q23, the Company recorded a $6m non-cash profit on the mark to market of interest rate hedges linked to Atrisco's financial close. A number of other income items impacted the current quarter, resulting in a $15m benefit. In comparison, other income items in 3Q23 amounted to a $16m benefit.

In the third quarter of 2024, the Company's Adjusted EBITDA grew by 86% to $88m compared to $47m for the same period in 2023. On the whole Adjusted EBITDA growth was driven by the same positive factors which affected our revenue growth and which contributed $49m, though offset by an additional $9m in higher operating expenses linked to new projects and a $3m increase in overheads. Other income included $10m in compensation from Siemens linked to inadequate performance of turbines at the Björnberget project in Sweden, compared to $8m from the sale of non-core assets in 3Q23.

Looking to our balance sheet, Enlight raised approximately $133m in gross proceeds of debt in Israel after the balance sheet date by way of expanding its existing Series D notes traded on the Tel Aviv Stock Exchange. The notes were sold at an effective yield of 6.3%, with a duration of 3.7 years. In addition, Enlight has $320m of revolving credit facilities at Israeli and international banks, none of which have been drawn as of the publication of this report. Moreover, in the third quarter of 2024 cash flow from operations was $66m, an increase of 115% year over year.

Moving to 2024 guidance, given the strong set of results we delivered for the third quarter and first nine months of 2024, we are raising our Financial Outlook for the year. Our range for 2024 revenue guidance rises to $355-$370m from $345-$360m previously, and our adjusted EBITDA guidance range rises to $255-$270m from $245-$260m previously. This represents an increase of $10m from previous midpoints for both metrics, and further demonstrates the financial strength of the Company as it continues to deliver rapid growth and expansion.

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