



# **Photosol acquisition**

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**Operator:** Good day and thank you for standing by, welcome to the Rubis announcement. At this time all participants are in the listen only mode. After the speakers' presentation there will be a Question & Answer session... I would like to hand conference over to Rubis Chief Financial Officer Bruno Krief and Rubis Head of Investor Relations Anna Patrice.

**Bruno Krief:** Thank you. Good morning everybody. I am very happy to announce this transformative acquisition by Rubis of a leading photovoltaic solar player in France. I am here with Anna Patrice, Head of Investor Relations and you have already got the press release earlier this morning and you have also a link in the press release of the website to obtain or get further information and the presentation on this deal.

To come back to this great news. This acquisition marks the evolution of Rubis over the last 3 decades in the energy sector combining a successful multi-country Marketing & Retail business together with a strong foothold in logistics & infrastructure – a basic business you already know for Rubis. And then today it makes the entry of Rubis into the energy transition era.

It is a game changer for Rubis. It's a game changer for various reasons:

- Size: Almost a \$1 billion deal if combined with its recent entry into hydrogen sector earlier this year and the total assets entering in this new branch that we would name Rubis Renewables will represent some 20%-25% of total assets.

So, it's clearly a big acquisition, not only in assets, but also of course we are expecting contribution in terms of EBITDA from this acquisition to increase from current EUR25m in 2022 to triple-digit EBITDA contribution in the next 5 years post acquisition.

- It's a game changer in terms of business model also: you have here Rubis entering into a business which is made of very long-term contracts – 25 to 30 years or more, under regulated environment and long-term contracts price-indexed also, which are securing long-term revenues and supporting high leverage in this business which is of course to lower on cost of capital of this branch. At the same time, we are purchasing a business which has formidable pipe of new projects which will not require further equity injection. So it is a business that supports itself in terms of financing. And leaving Rubis to continue with its stable dividend policy thanks to balance between Rubis Énergie and the existing business, Rubis Terminal, which are generating present free cash flow and good visibility and to fund the dividend policy and secure Rubis' dividend policy .

- It's a game changer also because this business –the renewable and photovoltaic business – is benefitting from a unique growth reservoir supported by various governments commitments as the need for green energy is huge on a worldwide scale to adapt for the call for new energy mix. Here with Photosol we are present exclusively in France and as you know the plan of the government is extremely ambitious including multiplied by 10 the existing capacities of photovoltaic panels and electricity between 2020 and [2050]. It's a huge challenge.

- Rubis is going to leverage the existing strong niche position of Photosol and its know-how in a view to develop synergies with existing portfolio of Rubis Énergie in Africa, a continent which lacks energy and electricity production so there is huge potential.

- This reshaping of Rubis' business portfolio will result in immediate greater visibility and accelerating earning dynamic mid-term. I would say 4 to 5 years from now – time that we need to get existing projects within Photosol to emerge in terms of profits and as capex programme delivers.

So Photosol is a unique company with a material pipe of new assets to develop. It has a highly competent and experienced team and before all, it is the human dimension: it is the best fit we can find to propel the Group across the energy transition era.

So we stroke the deal yesterday and the plan is to execute it by the end of Q1 2022 and consolidate as soon as it the deal completed. So Rubis starts the year 2022 with this new material asset which is changing and reshaping the Group.

So this is an introduction to the discussion, you have received this morning the press release that gives explanation about the deal. There is a presentation on the website and of course I am here with Anna to give you more colour and answer any questions you might have. So, we are ready for the exchange here and there if you need more clarification.

As you know for the past 18 months, Rubis has been investigating various ways of expanding its business out of the fossil energy sector, our traditional business. We have now baskets of maturing operations – Retail & Marketing, basket of infrastructure & logistics, all very powerful, very niche business. And now we are adding this renewable energy sector – the photovoltaic electricity production and it should be combined tomorrow within the new branch including hydrogen operations and this will form this new leverage for Rubis.

So maybe we have questions?

## Q&A session

**Participant A:** Good morning, nice to talk to you before the Christmas season, very interesting acquisition, game changer as you said. Maybe some details? Can we have the level of sales of Photosol just to understand its profitability?

**Bruno Krief:** In terms of sales, we have EUR32m for the year ending 2020, for the current year expected 10% increase – EUR33m of sales and as we told you EUR15m EBITDA reported for last year and EUR25m expected for the year 2022 – so the first year we will fully consolidate the business.

What is important in this business is critically, we have to... as analysts you have to have differentiated view on how to analyse the mature business on one side and this type of business, which as you know is organised differently and given the pipe of new business and material investment which is in the range of EUR600m to EUR700m to be invested over the period 2022-2028. What is very important is that the existing model is self-sufficient. I mean Rubis won't have to inject new money into the system but all the new investments will be made under SPV – special purpose vehicles – each will represent a [politic] asset with its dedicated debt structure, making that at the top company level, there is no need for new injections. Existing pipe is already generating surplus cash flow and you can recharge the debt level as soon as you start to reimburse the past operations. So, this announced EUR25m EBITDA in 2022 is expected to get to a triple-digit level by the year 2027, I mean 5 years post acquisition.

**Participant A:** So, triple-digit level means more than EUR100m.

**Bruno Krief:** Yes, to reach the EUR100m region by 2027.

**Participant A:** That's why you are talking about mid-term target of reaching 25% of Group's EBITDA coming from that acquisition?

**Bruno Krief:** Exactly, while immediately if I take this acquisition combined with hydrogen, we are talking about some USD1bn total assets. The current acquisition which is valued at equity at EUR470m and to which we can add the debt which is already in the company of let's say EUR400m. So, we have EUR870m for 100%. If I have the hydrogen assets today, we are very close to USD1bn. And this amount represents currently some 20% of total assets of Rubis combined of Rubis Énergie plus the terminalling business. So, this is a very material move.

**Participant A:** It is USD1bn of total assets but for the EBITDA of EUR25m, but you do expect high growth in the coming years.

**Bruno Krief:** This is the nature of this business, which is different from the business you know. We are building new pipe and the pipe of the business is made of identifying operations, engaging with various parties, identification of the land, which is a very critical element to start the deal, and prepare the package to answer to the tender offers from the government, or tomorrow to enter the PPA sector which is more business to business contracts. So today, I would say most of the 100% of the plans are within the CRE<sup>1</sup>, so the government, with a price which is already set up, a return which is already set up, the price indexed and with tariffs that are already set up for the next 25 to 30 years. Okay, so, this is what is today generating EUR33m revenues, these are the existing projects, but at the same time, if we turn to the year 2027-2028 we are talking about expected sales turnover of EUR150m.

So, this is how you should look at it. And what is important in terms of margin, in terms of EBITDA margin to sales revenues – we are talking about 75% of sale revenues. This is where the business model is different from the Rubis Énergie's.

And of course, in terms of leverage this is something that you are not prepared to, because we have accustomed the market to the discipline of, you know, 2.0-2.5x net debt/EBITDA. But if we look at Photosol today, don't be afraid as ratio 20x net debt/EBITDA but you cannot compare it to the traditional business as you have a pipe of future projects.

**Participant A:** And does that mean you can go higher than 3.0x leverage in the future meaning that you are still looking for acquisitions in your core business meaning Rubis Énergie and Support & Services?

**Bruno Krief:** It doesn't put pressure on Rubis Énergie or Support & Services or Rubis Terminal, because the debt which is in Photosol or in the renewable business is a specific category of debt. It's at the level of the SPV, with a very high leverage of almost 100% leverage, 95% debt and 5% equity, which is non-recourse and so, the security are specifically the assets, the photovoltaic panels, and so it's autonomous in terms of financing. It will be located in this new branch - Rubis Renewables. So, this branch will live with a very high leverage of course, but you cannot compare with the 2.0 -2.5x net debt/EBITDA that you have at Rubis Énergie, or 5.5x you have today within Rubis Terminal. Consequently, to the partnership which we put together with I Squared and the high-yield bond financing, we have also within Rubis Terminal quite high leverage situation. But I would say that Rubis Énergie will keep its autonomy, to be

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<sup>1</sup> CRE – Commission de régulation de l'énergie – the French Energy Regulatory Commission.

independent, generating its EUR500m cash flow, EBITDA so we are generating this material amount in terms of EBITDA. It will seal its capacities to make further developments. So, we don't want to sacrifice the existing business, we want to combine the development of both the Renewable energy plus the Rubis Énergie and Rubis Terminal and also try to find the right synergies and complements between the two branches.

**Participant A:** Okay, last question. Do you have a call option on the 20% remaining stake still owned by the key managers?

**Bruno Krief:** You know, the key managers are young. We have been lucky to be able to meet them, to find that we have a formidable fit with them. They are just in their early 40s. They are the founders of the company. The idea is clearly that they are very keen to keep 20%, could be more than that – or 30% depending on the final discussion, completion in 3 months from now.

Then, there will be different options. First, they are there, and they are with us, you know, to pursue this challenge of developing this company which is very young. They just started to operate in the years between 2008 and 2012. So very early stage of the company. And then they need the development of Photosol to become among the top French companies, as an independent company, apart from Engie of course or EDF. They are young, they are very keen to stay along with us, we are sharing the same view in terms of future developments and synergies we can make in all Rubis territories.

The exit, if there is an exit, could take different forms, including why not an IPO, an IPO of the part of the capital of Photosol. But this is something we can talk about not before 5 years from now, when the portfolio will get more mature.

**Participant B:** Good morning and congratulations for this operation. I have several questions. Out of the 3.4 GW pipeline, could you qualify more – are there projects which are already authorized but not yet in construction, or does it... how should we look at this pipeline? And second question would be - out of 100 WM in construction how much of the capex have been spent for this part which is under construction?

**Bruno Krief:** Hi, yes of course. The pipe is made of what can be qualified as identified pipeline for which the land is already reserved for discussion with the different parties are more than mature and which will be invested over the next 3 years, so 2022-2024.

**Participant B:** What is the identified part? How much out of 3.4 GW is the identified part?

**Anna Patrice:** Hi, this is Anna Patrice. This 3 point something GW (3.4) is all identified pipeline. What we say in our press release that we want to operate 2.5 GW that is what we think is quite achievable and is calculated on the probability basis.

**Participant B:** Ok, understood, thanks.

**Anna Patrice:** And then there will be considerable projects to add new capacities over the next years.

**Bruno Krief:** So you know you have the company that was able to get very massive market share over the recent CRE tender offers over the past 3 years, winning most of the new tender offers. Then if we just take the photovoltaic, the ground mounted, not the rooftop, in France, we are talking about a situation today where you have installed part corresponding to 6 GW.

And this 6 GW should get to 25 GW by the year 2028. So what is interesting is that Photosol has the capacities not only to keep in the early stage, the existing market share but to increase also to some 15% of the market share of the new market – which is 25 GW of the installed panels by the year 2028. This is how we can build these projections – its capacity to maintain and develop further its market share, things that it has already achieved over the past 3 years.

**Participant B:** Ok, understood.

**Participant C:** Hello all, many thanks for this presentation. I was just wondering because you mentioned the synergies in terms of geographies, especially with the African continent, I don't know if there were other let's say obvious synergies with your other business lines in their activities.

**Bruno Krief:** We are present today as an energy supplier between Europe, the Caribbean region and Africa in general from Morocco to South Africa and from Djibouti to West Africa, including Eastern Africa region. So, we are very involved in the problematic of energy. So far, it has been mostly linked to our positioning in fossil energy.

But we know that things are changing. This change is accelerating in this continent, where growth is increasing, demand for power is also today increasing, the continent is facing huge deficits of electricity and power production. So there is a huge potential and you have today many parties, institutions ready to finance and support the development of the renewable power plants in Africa. So, we are very well positioned because we already have a footprint, already established position from Kenya to South Africa and Morocco. So we know, because we have been solicited over the past 3 years, in various projects including hybrid energies and facilities, hybrid combining solar plants plus natural gas or LPG or fuel to deal with the problem of intermittence.

We know that there is a strong demand. But now we can look at projects differently because we have a team and an expertise in-house with Photosol to go with us, discuss, make the diagnostics and launch new projects. So, this will definitely change the game.

**Participant C:** Ok, many thanks. And to be curious on this target of installed capacity and projects to be developed going forward, they are mostly in France for Photosol?

**Anna Patrice:** Yes, for the time being what we are talking about is only France. We are just announcing this acquisition, we have not signed yet (i.e. not completed) and we cannot announce yet any synergies etc. So, it is only for France and in France already Photosol targets to increase its capacities by almost 10x. Now I think it is also quite important to highlight that they have very good success rate, so over the past years it was over 80% success rate. And they are seen within top 3 best solar companies in France. So effectively Rubis is buying one of the best, almost a leading independent player in solar in France. So, the idea is to accompany them in the first place with the development in France and at the same time also to look for opportunities for cooperation in all our areas, but especially in Africa because as you know the population there is growing, and because large part of population there does not have access to electricity.

**Participant D:** Hi, good morning. Just from my side I would like to ask your thoughts about the impact on cash and returns from this business particularly... both in the year and longer term.

**Anna Patrice:** Well, on the cash return in the next few years obviously the business will have to invest, so there will be only outflow for the capex. And Bruno has already said that accumulated capex will be in the range of EUR700m. At the same time from Rubis Group perspective this accumulated capex will be covered by the new debt coming on the SPV level. So that means that on the Rubis corporate debt level it will not affect its covenants, it will not affect its corporate leverage. So basically the way it will work, as Bruno has explained, that we will have the Renewables division with a significant amount of debt, but on the rest of the Group – i.e. on the Rubis Énergie – the leverage will be significantly lower. That's the first thing.

And then, from roughly 2028 onwards it should be able to generate sufficient cash flow to be self-financed.

If we look at the returns – we can look at it in two ways. If we look at the underlying operating returns in the solar segment, they are not significantly elevated, probably around 5-7% returns. But it also depends how you look at it and if you are looking at internal rate of return (IRR) – assuming that for example, the exit price or how the company, this part of the business will be valued, let's say in year 5 when we will be able, ready to prove and to develop and to have much higher installed capacities plus have also significant pipeline in France and outside France in the countries where Rubis is already present. From that perspective we should have quite an interesting profile, significantly above what I have mentioned before.

**Bruno Krief:** As you know Rubis is made of two businesses today, which are strong cash generator, which are mature businesses – Rubis Énergie plus the terminalling operations. So, with this first branch we can combine this situation when there is huge potential for growth and fantastic visibility in terms of contracting and securing the business within renewable energy, we don't have immediate cash flow, but we have future cash flow. While in the existing business we have year after year we have strong cash flow generation securing both money for acquisitions, for organic growth and also for the dividends we serve to the shareholders. For sure the renewable energy sector taken independently cannot support the dividend policy which is also part of Rubis. But renewable energy combined with the existing business of Rubis makes this possible. Combining strong future growth, strong investments and also serving high dividend.

**Participant D:** Ok, and on the 5-7% return is that pre or post leverage of the renewable company?

**Bruno Krief:** It is post leverage, it's following leverage close to 100% in some circumstances.

**Participant B:** I noted that Photosol has operations in France, what you are purchasing, and operations in the US, with a bigger pipeline in the US. How will the management of Photosol allocate their time, between both, or is the management fully dedicated to France only?

**Bruno Krief:** Actually, we are purchasing only the French operations. And the US business will be carved out before the completion. So the US business is completely distinct and it won't be part of the deal. So, the focus today is only in France. And all the team is dedicated to France.

**Anna Patrice:** The team in France is for France, but the company has also the team in the US that is taking care of the US business.

**Bruno Krief:** So there is no interaction and the company has 80 full-time employees dedicated to France.

**Participant D:** Ok, and maybe just one more question. Out of 1 GW that you plan to have installed for Rubis Renewables by 2025 and 2.5 GW by 2030, from today which is not easy to answer probably, how much comes from Photosol and how much comes from HDF projects?

**Bruno Krief:** Today HDF is not operating anything.

**Participant D:** Yes, it is 2025 that I mean.

**Bruno Krief:** Yes, as we are launching the work in Guyana and the excavators will start to operate in January, in the first quarter 2022. And after a period of 18 months, you will see the first plant in operation. That means the second half of 2023. But the pipe, to come back to your question, the pipe for HDF is that there are 10 projects representing EUR1.3bn total capex. An example in CEOG in Guyana we are talking about 50 MW. While today, at the end of 2021, there will be 427 MW of plant capacity in Photosol. And 313 was at the end of 2020. Oh sorry, 2021.

**Participant D:** So, 313 MW by the end of 2021 and 427 MW by the end of 2022, understood. And the capital expenditure for that is mostly cashed out already, ok. Thank you

**Operator:** There are no further questions at this time.

**Bruno Krief:** So, thank you very much all for being present at this discussion. You will find all the documentation relative to this deal on the website. And of course, don't hesitate to come back to us and investor relations at Rubis. So, thank you very much all, bye-bye.

[END OF TRANSCRIPT]