



COMPANY WEBCAST

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Corre Energy Full Year 2021 Results

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Corre Energy Full Year 2021 Results

Operator: Hello, and welcome to the Corre Energy Annual Results webcast.

I will now hand you over to your host, Mr Colin Grant, Equity Analyst of Davy, to introduce the management team. Thank you.

Colin Grant: I'd like to introduce the CEO of Corre Energy, Keith McGrane; the interim CFO, Matt Savage; and the Chief Strategy Officer, Patrick McClughan. So I'll hand it over to you, Keith, to run through your presentation. Thank you.

Keith McGrane: Great, Colin, and good morning, everyone. It's a pleasure to be here today. I'm delighted to walk you through our achievements in the company for 2021 and want to emphasise that the Corre Energy solution provides a much needed time-shifting of renewable energy by absorbing surplus generation, avoiding grid congestion, whilst providing a range of grid services such as inertia, fast frequency response, and black start to grid operators who were seeing a deficit of zero carbon synchronous generation, particularly in Western and Southern Europe, as we see dramatic increases in renewable energy.

Energy storage plays a very significant role in ensuring flexibility and security of supply in the energy system, like facilitating the integration of renewable generation, supporting the grid, and shifting energy to the time when it's most needed. This reduces renewable energy waste and reduces the reliance on conventional fossil fuel plants in the energy system.

Our agenda today is going to start with an overview of 2021 given by myself, followed by an account of our business and projects by Patrick McClughan. This will lead into the financial highlights section which will be delivered by Matthew Savage, our interim CFO, and then Matt will hand back to me to provide a summary outlook for the business. And for reference, there are appendices also in the slide deck.

You can see a disclaimer there, which we will come back to the section about Corre Energy, but the disclaimer is there for reference. So many of you joining the call today would be familiar with the company and what we do. But just to remind ourselves, Corre Energy is in the business of the development, operation and commercialisation of long-duration energy storage.

On the right-hand side, the Corre solution is illustrated. In summary, our solution provides for the storage of renewable energy at scale. We do so through the compression of air into underground salt caverns, storing that air when electricity prices are low and renewable output is high. At later stages, when prices are high and renewable output is low, the electricity generation from the storage redelivers stored renewable energy to the grid. And the effect of this is the time-shifting of renewables, while the action of compression and generation provides

critical grid services to the transmission system operators, keeping the system in balance and enabling highest levels of renewable energy.

What's unique in terms of this solution is that we can store renewable energy for 84 hours or three-and-a-half days with a 320-megawatt generation output. This is a key selling point to our customers and to system operators. And in addition, benefiting society through the acceleration of renewable energy, the reduction of electricity costs and CO2 emissions, while enhancing energy security.

Our key achievements across 2021 starting with, on the right-hand side, a summary of the main points I want to draw attention to, the total funding for the period to December '21 amounted to €23 million. Our funding position has recently been augmented with an equity raise of €10.9 million on 23rd May. And this is in response to quite unprecedented measures called out in REPowerEU, which was announced by the European Commission in response to the Ukrainian situation.

Our closing cash balance as of December '21 was €13.4 million to be exact. And in terms of key operational highlights, we secured grid capacity for the flagship compressed air Zuidwending project of 640 megawatts. We have 11 projects designated in the European Union's ten-year network development plans. And we have secured partnership agreements and arrangements, specifically with Geostock for ten years and Siemens Energy under a collaboration memorandum of understanding.

I'm now going to hand over to Patrick, who will bring us through business and projects. Patrick?

Patrick McClughan: Thank you, Keith. Hello, everybody. So, we listed in 2021 under a development-led model that involves sell-down at financial close. And today, we have a platform approach across several markets, involving the parallel development of projects.

Our plan will transition our business to storage IPP, where we seek to maintain majority ownership on each project. On a selected basis, we sell-down an equity portion of a project, then recycle that capital back into the pipeline. Doing so positions us well to provide value-adding growth for shareholders. And by 2030, we aim to have eight projects in operation with another four to five in construction or development.

When built, our fleet will provide baseload controllable power to system operators and reminding ourselves that by 2030 Europe will move to a 45% renewable target. You can correlate how compressed air energy storage, solves a range of issues for transmission system operators.

So on the left of this slide, we see that as transmission system operators integrate more renewables, they experience more balancing issues, and in turn they require more storage capacity over longer time periods. Corre Energy can provide hundreds of megawatts for over 84 hours. And as you can see, that puts our pipeline right into a sweet spot for shareholder returns.

Today's electricity system operators are placing a heavier reliance on grid balancing and electricity storage. And we will see inexpensive intermittent wind and solar being asked to guarantee supply, if they are to be connected and integrated to a grid that has to offer secure and reliable energy to its customers. This places a reliance on considerable electricity storage

capacity, which will be rewarded for providing long-duration energy storage and bulk power management for days and weeks.

Top right of the slide, we can see that Corre Energy's projects have some of the highest discharge in electricity storage capacity outputs of all the key storage technologies. And that's not something I made up, as this statement has been independently validated by a range of independent advisors during all of our 2021 transactions.

So here's our Dutch project, Zuidwending 1, a fantastic construction project with a very well-balanced risk profile that has certainty of revenue. We have tremendous support from a broad range of stakeholders, as shown here. And having received EU co-financing, secured 640 megawatt of grid, commenced permitting and selected an institutional investor, we see how important our strategic partnerships are to de-risking operations and protecting our captive market position.

The salt dome in this location is very well understood with a 100% permitting record for solution-mined caverns. Commercial off-take arrangements involve large utilities and energy companies who want fixed-price, upside sharing, long-term 15-year contracts. And with €200 million of capital already allocated on a very manageable checklist to financial close, we, at Corre Energy, see Zuidwending as a quality project for equity investors; all in all, a very attractive project.

And here we are in Denmark, this time we have the whole integrated value chain and our approach to integrating electrolysis from an economic perspective. The green hydrogen hub is our blueprint for the pipeline; and co-locating electrolysers with hydrogen storage and CAES strengthens and improves economics, in turn making our projects unique, as bulk hydrogen storage allows us access seasonal storage. And this means we can always provide a complete and secure supply of 100% green renewable power by using hydrogen to power the CAES facility.

Using green hydrogen to generate green power via compressed air energy storage allows our product to optimise downstream, where electricity demand is always independent of renewables. Those downstream consumers cannot wait for the sun to shine or the wind to blow for the power, they want it 24/7.

And with a high value portfolio, partnerships become key to de-risking our operational environment, and are an important factor in planning for success. We take these relationships seriously because they add to our competencies and enhance our capabilities. With Nobian for example, we own exclusive rights to develop solution-mined CAES caverns in the Netherlands and beyond. This shared benefit extends beyond the parties and directly adds to the advantageous partnership with Siemens Energy, where we facilitate project and technology collaboration alongside joint advocacy and demonstrating the value and benefits of LDES.

Our funding partners are also powerful advocates for, and strong supporters of the long-term value accretive opportunity they are invested in. We have long enduring relationships with the EU, and they now consider electricity storage assets as being in the overriding public interest and requests that member states facilitate permitting for their deployment. And indeed, two of our projects hold PCI designations and are hailed as investible by the European Clean Hydrogen Alliance.

As a regulated industry, we ensure activities have due regard to the relevant legislation. And we are a strong voice in advocacy across a range of forums in that regard. In the Netherlands, Denmark and Germany, we have strong allies such as Gas Storage Denmark, alongside system operators, Energinet and TenneT, having spent many years building strategic partnerships both for success and longevity. Matt?

Matt Savage: Thank you, Patrick. 2021 was a pivotal year for Corre Energy from developing our projects to the initial listing on Euronext Growth, which, alongside additional investment puts us on a strong financial foundation to support our ongoing growth.

During 2021, we raised net proceeds of €12 million from our September Euronext Growth listing, a substantial achievement and thanks to the team at Corre and our listing partners. We also secured our relationship with the IEEF II, the Italian reserved alternative investment fund set up and managed by FIEE, and received their equity participation contribution of €11 million.

To-date, we have capitalised €5.2 million of development costs for Zuidwending, two significant outputs from this investment have been securing 640-megawatt grid connection and ongoing customer negotiations for offtake agreement. Our disciplined approach to capital allocation has enabled us to meet our strategic plan during 2021 and with a strong cash balance at the end of the year.

Our full year 2021 total operating expense was €7.6 million, employee costs of €2.7 million. Our admin costs of €4.8 million consisting largely of €4.1 million related to legal and professional costs. This cost was offset by the recognition of grant income received on Zuidwending. Our headcount at period end was stable at 23, which has grown to 41 at the end of May. Our focus is having the correct blend of highly skilled owned and contracted resource at the right time.

In relation to legal and professional costs, a large part of this expense was related to advisory and consultancy and other legal costs that relate to the private placement on Euronext and not directly attributed to the transaction which we see as a one-off exceptional cost relating to the listing.

The finance costs related directly to the options granted in relation to the equity-linked funding agreements with our partners at FIEE. And looking forward, we expect operating expenses to gradually increase as we initiate our next phase of growth, notably around project resource and development. We invest in our talent, and we build the infrastructure to support the continued growth of the business and ensure we execute this growth in a controlled manner.

Carried in cash resource at €13.4 million has further been strengthened by our recent equity raise. Our long-term loans are with investment grade partners and alternative investment managers, IEEF II. Further value will be added to our balance sheet as we develop our projects in 2022 and beyond.

As announced last week, we've secured an additional €10.9 million of equity funding with leading investment grade investors. We believe in having a secured funding path that is diverse and unconcentrated. This is made up of a mixture of highly rated existing funding partners, increased investor activity, new funding partners, and this is reflected by strong share price in volatile equity markets. This recent equity raise further secures our runway for strategic growth plans of the business.

In closing, it's important to understand that we are well capitalised, well organised and built for the long term, with substantial cash resource to fund our operations through numerous value-creating events this year and next.

Thank you, and I'll hand the call back to Keith.

Keith McGrane: Thanks very much, Matt. So we're going to look at the key outlook for the company, and, as it says, our journey to predictable and profitable growth.

So what we do is stable and predictable. Our track record, our focus and the opportunity, to scale is proving highly attractive to investors. Pipeline revenues are greatly de-risked as our projects have clearly defined DevEx and CapEx requirements. The techno economics of our projects have been validated independently, and modelled EBITDA is conservative.

Taking all of this into account, we feel we have an excellent and executable portfolio with a strong value-enhancing strategy to support its growth. You see on the left-hand of the slide the sequence financial closes, which we can monetise the value of our projects. And we see a corresponding range of commissioning dates, taking us all the way to the end of the decade in 2030 when we plan to have eight projects in operations with four to five more in development or construction.

Owning 100% of all eight projects will translate into an EBITDA of €700 million by 2030, demonstrating the significant opportunity we have as a company to accrue a large cumulative EBITDA line. A range of funding solutions can be sourced to finance this ambition.

EU co-financing, project finance such as with our partners, Infracapital, and green bonds plus the recycling of cash flows, like selling down equity in our projects at financial close, which can fund ongoing CapEx and DevEx across the pipeline of projects.

In terms of ESG, this is a very important cornerstone of our business, specifically the societal value of our projects, which have a deep and meaningful impact. For example, our projects can accelerate renewables integration. It can reduce overall electricity cost and carbon emissions, avoiding the need to curtail renewable energy and enhancing energy security.

Our ESG credentials are tied into the UN Sustainability Development Goals, and we're proud of the contribution that we're making towards accelerating the energy transition.

In terms of the outlook summary for the company and looking forward. Corre Energy is a leader in long duration energy storage being the only listed LDES company with a specific expertise in underground energy storage, involving near term projects and an extensive pipeline of projects under development across Northern Europe.

We are interfacing into quite a unique geopolitical backdrop which has dramatically heightened the need to accelerate the build out of renewables and address energy security. And more recently, we've seen the RePowerEU measures specifically calling out electricity storage as being in the overriding public interest, and for which the permitting of these, most important projects, need to be facilitated.

The company is extremely well-positioned to respond to these explicit measures announced by the EU Commission and accelerate renewables, facilitating electricity storage deployment. And we're responding to this need, accelerating our near-term projects and expanding the pipeline of ambition across Northern Europe. And that has been recently enabled by the €10.9 million

equity raise, alongside the additional funding that the company has secured through the facilities from Infracapital and Fondo Italiano, which can be drawn subject to the achievement of milestones.

I want to thank everyone at Corre Energy for their hard work and dedication to our mission. Also to our investors and shareholders for what has been a very successful 2021. And we look forward to continuing that success into the remainder of 2022 and beyond.

Thanks very much for joining our call this morning. And we look forward to Q&A. And I'm going to hand back to Colin Grant from Davy. Thanks very much.

Questions and Answers

Colin Grant: Great. Thank you, Keith. I'd like to start the Q&A, actually just with a couple of opening questions before we open it out to everybody else on the line. So in that presentation, Keith, you mentioned RePowerEU, and really this has to do with the government backdrop. So we have the European Commission introducing RePowerEU, very supportive. The Energy Secretary at the Department of Energy in the United States has launched an RFI for more data and to do more in LDES. And there's a \$0.5 billion funding package on that. So the US also fully getting behind this.

And then we've recently had the Secretary General of the United Nations come out and voice his support for energy storage. So we're getting this overwhelming level of top level support for the industry. And I suppose it's – really the question has to do with the specific impacts that you think this is going to have on Corre Energy. Could you outline maybe in a bit more detail some of those that you see coming through? Maybe I'll start with that. Thanks.

Keith McGrane: Thanks, Colin. Yes, I mean, if I draw a specific attention to RePowerEU, and as I mentioned in the presentation, like the explicit reference to electricity storage acting in the overriding public interest, and its permitting to be facilitated, I mean, that is called out because of the heightened ambitions to accelerate the deployment of renewable energy. We're talking about a doubling and trebling of renewables capacity by the end of this decade. I mean, that's quite extraordinary. And it comes hand in hand with the build out of long-duration energy storage. And you pointed out the reference to what's happening in the United States where there's a \$0.5 billion being allocated to such projects.

So consequently, what that means for Corre Energy is a corresponding acceleration of our near-term projects and pipeline ambitions, and increasing the capacities of our projects to address what is a bringing forward of the ambition across member states in Europe to deploy renewable energy. And in addition to that, we see heightened interest from a whole range of customers towards the company and its projects.

So you have this unique confluence of factors that underpins Corre Energy's ambition to accelerate and scale faster. And that's been reflected in the recent successful raise of €10.9 million, which we completed last week.

Colin Grant: Great. Thank you.

Patrick McClughan: Yeah, Colin, I might just to add something on –

Colin Grant: Yeah.

Patrick McClughan: Sorry, Colin, I might just add something on RePowerEU in reference to Corre's unique pipeline of TYNDP projects, specifically being located in an area of Europe where there is an absolute deficit of synchronous generation that is zero carbon and inertia-based. And to have the policy itself, the plan itself now call out and promote the development of electricity storage, as Keith had referenced as being in overriding public interest, is a pivotal moment for this company, and 2021 has contributed massively to allowing us to leap off that platform, and then to supporting RePowerEU and then be playing a key part in the transition.

And that is for a number of reasons, storage, for example, is key for enhancing security of supply. Storage is now called out clearly as playing a significant role in ensuring flexibility and deeper, more meaningful integration of renewable generation.

We see this especially on the customer track process that we're running in Zuidwending, our Dutch project, where the players in that process are actively seeking out partnerships, long-term meaningful, up to 15-year offtake agreements, to ensure that their projects can receive the financial investment decision to proceed.

And ultimately, energy storage, electricity storage reduces the use of gas power plants in the energy system. And that is indeed what the transition is all about. So as we've heard a couple of times today, we're perfectly placed to now accelerate and deploy our fleet of European projects.

Colin Grant: Great. I appreciate that, Keith and Patrick. Thank you very much. Just a second question from me, before we hand it on, is to do with energy trading. So a number of the battery energy storage operators have recently talked about their desire to increase the share of their revenues that come from energy trading. And they tend to have, particularly if I think about lithium-ion batteries, they tend to have a duration of one to two hours. And just I suppose the question really is, what level of competitive advantage does CAES technology have that you use at Corre relative to those batteries in terms of energy trading? How can you kind of quantify the advantages you have there? Thanks.

Keith McGrane: Thanks, Colin. Well, one of the distinct characteristics being able to store renewable energy underground and at the scale that we can is the duration that we benefit from. We can store renewables for three-and-a-half days or 84 hours. And how that actually translates into enhanced and heightened revenue opportunities is via the long duration capability of the system that we're able to co-optimize the revenue streams.

So we design our plants where we have two independent compressed air energy storage frames that benefit from this 84-hour duration. And then we look at scheduling the capacity across the various market segments. So you have the day ahead market, you have the intraday market, and then you have the balancing market, where you have in balance revenues and ancillary services. And within the ancillary services revenue segment, you've got multiple products.

So you have this revenue diversity that you can capture increasing revenues at an increasing rate with increasing levels of renewable energy. And the more and more renewables you build, the more and more value you can capture because of the ability to target the various revenue streams via the longer duration capacity that you enjoy. And that's a distinct advantage

compared to other solutions which are fast response but short duration. And these solutions actually act in complementarity.

So I think when people look at the storage market, they tend to look it through the lens of there's going to be one technology. And we actually see an ecosystem of storage. We have a very clear distinct advantage being able to capture multiple revenue streams because of the long duration characteristics of the system, and the benefits of being able to store energy underground.

Colin Grant: Great. Thanks, Keith. Look, I'd like to hand it over now to Ben and see if there's any questions on the line. Thank you.

Operator: Bear with me, please. We've got a question apparently from Adam Forsyth.

Do you think market structure, for example, design of energy capacity and ancillary services market is optimal for LDES in your target markets? Could this change either for better or worse? Is there anything to learn in other geographies from the UK's LDES consultation?

Keith McGrane: Yes, it's Keith here. I'll take that question. What I can say, and this is called out in RePowerEU, is that market design and rather reform of flexibility markets in general, are headed in the right direction. And that's got to be hugely welcomed and will benefit long-duration energy storage and specifically Corre Energy's projects.

At the moment, in our target markets, you can benefit from being able to stack various ancillary services. And so, whilst we have a clear market signal for building these projects, clear demand from customers, we see an increasing need to design the market that is going to reward for the additional value that long-duration energy storage provides, specifically energy security payments or security of supply payments.

I think that's one important feature of the future market that we will benefit from and enhance our revenue streams, and including new ancillary services, which are likely to be required, and we called it out in the presentation, such as inertia, for example, which refers back to the UK where I know that National Grid are paying for inertia-based services to the system. So thanks very much for your question, and I hope that answers it adequately.

Operator: We've got a second question coming from Adam Forsyth. How susceptible are your caverns to pressure swings or other geological risk?

Keith McGrane: The caverns, and when we just talk about storing energy underground in Europe in salt caverns, we're dealing with an industry that's decades old. And it's a proven and safe method for the storage of renewable energy at scale. And most of the gas storage in Europe is stored in underground salt caverns. And air storage is a proven and known method first developed in 1978, would you believe, in Germany, with plants still operating today. And to operate the plants, it requires small variations in air pressure. And you're dealing with pressures which are designed specifically around the ability to enable more levels of renewable energy and the cavern design can facilitate 320-megawatt output of the plant and the long-duration capability, all confined within existing and proven methods for the storage of air underground.

So, we are dealing with a technology that we've adapted for the 21st century, the particular application for renewables integration.

Operator: We currently have no more questions, so we'll hand over to you to conclude today's conference. Thank you.

Keith McGrane: Thank you. Thanks for the questions.

Speaker: That concludes the investor presentation today. Thank you very much to the audience for joining. And if you have any other questions or want any follow up, please do reach out to the Investor Relations team at Corre Energy. Thank you.