

17 July 2023

<b>Price (p)</b>	<b>3.44</b>
Shares in issue (m)	70
Mkt Cap (£m)	242
Net debt (£m)	28
EV (£m)	271
BVPS (p)	19.9

#### Share price performance

1m	7.5%
3m	9.6%
12m	44.5%
12 m high/low	4/2
Ave daily vol (30D)	16,464

#### Shareholders

Bloomsbury Holding	38.7%
Lorlen Investments	25.4%
Air Corre Limited	7.4%

## LOW PRICES ENABLE CHEAP CHARGING

The underlying power prices behaviours that drive Corre's project economics are starting to behave as we expect. While overall pricing in the first half of 2023 has fallen back from the unusual highs of 2022, the low prices at which long duration storage will pay for charging have been lower and there are more of them. We think these low price periods will grow with renewable energy penetration to the benefit of long duration storage projects such as those being developed by Corre.

### H1 23 pricing behaving more like 2021 than 2022

Electricity prices have clearly fallen back from the high levels seen in 2022. When we published our assessment of the economics of Corre's initial ZW1 project in February (Modelling ZW1, Longspur Research, 17 February 2023) we expected pricing patterns to look more like 2022. We are now able to examine pricing for H1 23 and find that this is broadly true with the price duration curve following a similar pattern to 2021 and below that of 2022.

### A tripling of negative pricing periods

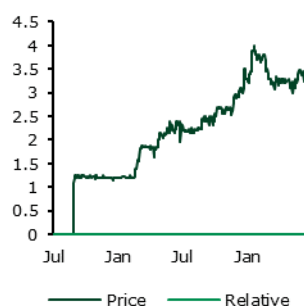
However recent pricing has shown that the low points are starting to get very low and to be sustained for longer periods. In fact, the number of zero or negative price hours in H1 23 has roughly tripled compared with both 2021 and 2022. July has seen even lower pricing with the 2nd day of the month showing prices down to -€500/MWh. Notably this was not an isolated trading period. Prices were negative for fifteen hours of the day and the -€500/MWh low point was sustained over three hour trading periods.

#### Next news

Ints Q3

#### Business description

Developer of energy storage systems based on compressed air and hydrogen



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### July showing very low prices down to -€500/MWh

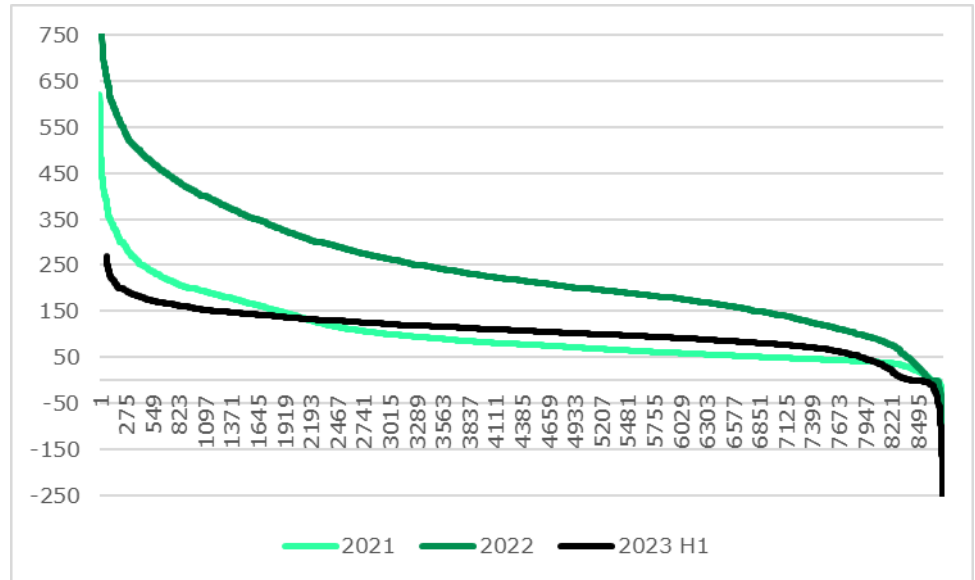
These low prices reflect higher renewable energy penetration when demand is low. We think more extreme lows will happen as renewable energy grows in the market. This will allow long duration storage providers such as Corre to charge at very low costs and sell into the market when demand is high and prices are normal. While lithium ion batteries with two to four hour duration will benefit as well, they will not be able to capture as much cheap power on days when the price is negative for 15 hours.

€,'000 Dec	2021a	2022a	2023e	2024e	2025e	2026e
Sales	5	0	0	50,000	5,082	57,540
EBITDA	-6,628	-14,622	-11,272	13,224	-11,822	35,481
PBT	-7,600	-34,261	-12,612	11,884	-13,124	34,155
EPS	-0.1	-0.4	-0.2	0.1	-0.1	0.2
CFPS	-0.2	-0.3	-0.1	0.0	-0.5	0.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-1,650	28,421	28,282	-65,027	-5,565	-26,727
Debt/EBITDA	0.2	-1.9	-2.5	-4.9	0.5	-0.8
P/E	-37.4	-8.4	-21.1	48.4	-32.5	16.8
EV/EBITDA	0.2	-2.0	-2.5	-4.9	0.5	-0.7
EV/sales	na	na	na	0.0	-0.3	0.0
FCF yield	-0.1%	-0.1%	0.0%	0.0%	-0.1%	0.0%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# H1 PRICING IN THE DUTCH MARKET

As expected, Dutch power prices in H1 23 have fallen in all periods when compared with 2022 and are appear closer to 2021.

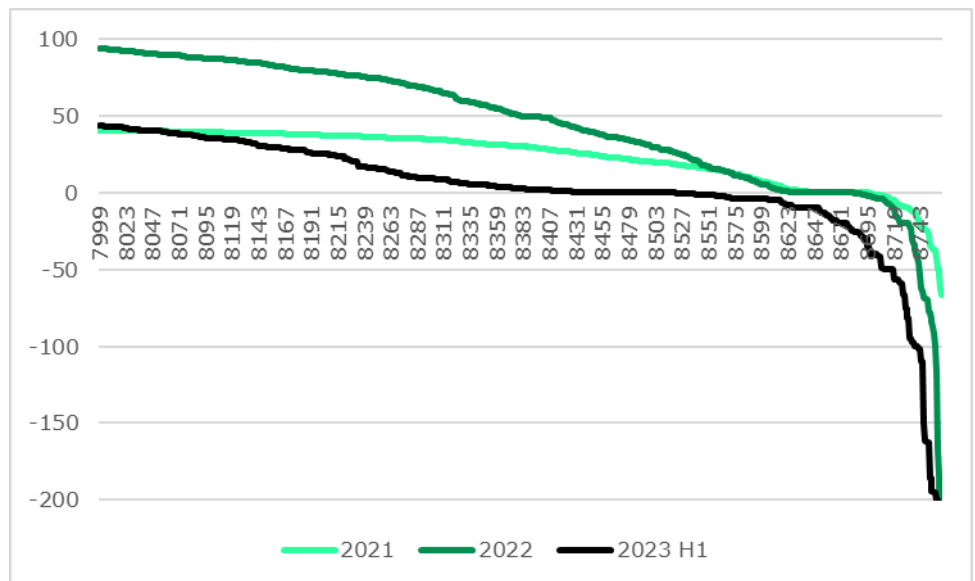
## Netherlands day ahead hourly prices



Source: Longspur Research, ENTSO-E

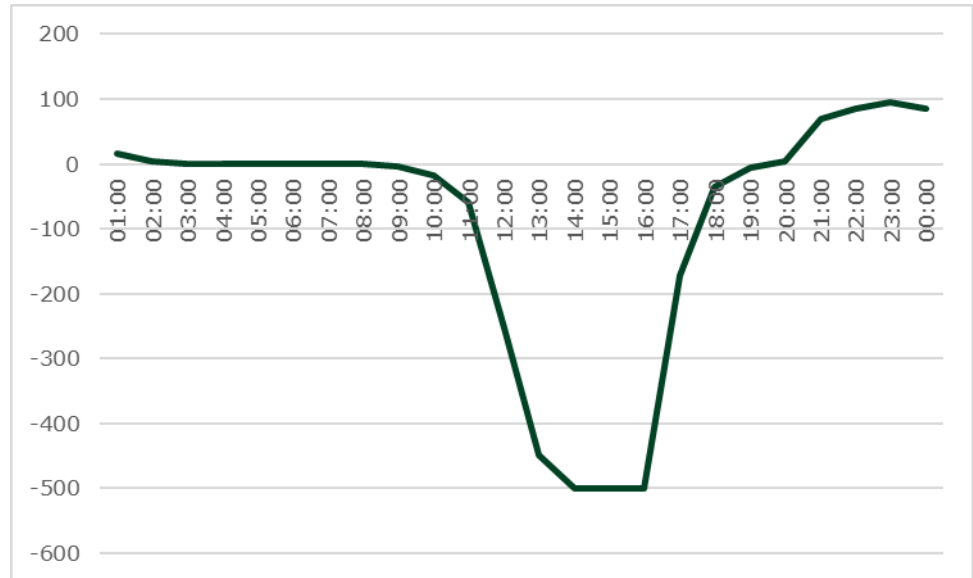
More interesting is the low right hand end of the graph. Zero or negative pricing periods have roughly tripled when compared with either 2021 or 2022. There were 70 negative pricing hours in 2021, 85 in 2022 and 127 in H1 2023 which annualised gives 254.

## Netherlands day ahead hourly prices



Source: Longspur Research, ENTSO-E

This phenomena is continuing into July with 2nd July in particular standing out. 15 of the trading hours that day saw negative prices with three hours at -€500/MWh.

**Netherlands day ahead hourly prices (2<sup>nd</sup> July 2023)**

Source: Longspur Research, ENTSO-E

The data here is for the day ahead market with prices for the Dutch market shown. Denmark, where the company's second project is located, has also seen a lot of negative pricing events. Corre projects will additionally find revenue in intra day pricing, balancing markets and ancillary services and these markets are also likely to see growing volatility from which Corre can benefit.

## FINANCIAL MODEL

### Profit and Loss Account

€,'000, Dec	2021a	2022a	2023e	2024e	2025e	2026e
<b>Turnover</b>						
Project income	0	0	0	0	0	0
Central costs and fees	5	0	0	50,000	5,082	57,540
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>50,000</b>	<b>5,082</b>	<b>57,540</b>
<b>Operating profit</b>						
Project income	0	0	0	0	0	0
Central costs and fees	-6,643	-14,689	-11,339	13,378	-9,372	16,559
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Operating profit</b>	<b>-6,643</b>	<b>-14,689</b>	<b>-11,339</b>	<b>13,378</b>	<b>-9,372</b>	<b>16,559</b>
<b>P&amp;L Account</b>						
Turnover	5	0	0	50,000	5,082	57,540
Operating Profit	-6,643	-14,689	-11,339	13,378	-9,372	16,559
Investment income	0	0	0	-221	-2,517	18,854
Net Interest	-957	-19,572	-1,273	-1,273	-1,235	-1,259
Pre Tax Profit (UKSIP)	-7,600	-34,261	-12,612	11,884	-13,124	34,155
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-7,600	-34,261	-12,612	11,884	-13,124	34,155
Tax	3,653	4,044	0	-3,066	0	-8,812
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-3,947	-30,217	-12,612	8,818	-13,124	25,343
Dividend	0	0	0	0	0	0
Retained	-3,947	-30,217	-12,612	8,818	-13,124	25,343
EBITDA	-6,628	-14,622	-11,272	13,224	-11,822	35,481
EPS (p) (UKSIP)	-0.09	-0.41	-0.16	0.07	-0.11	0.20
EPS (p) (IFRS)	-0.09	-0.41	-0.16	0.07	-0.11	0.20
FCFPS (p)	-0.23	-0.28	-0.15	-0.04	-0.47	0.02
Dividend (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

### KEY POINTS

- During development phase company is spending c. £12m per annum
- ZW1 comes online in 2026 with €50m project development revenue in FY 24
- Project income shows income from investments still negative in first year
- GHH1 comes online in 2026 increasing development revenue
- Project income goes positive in 2026 and PBT moves fully into the black

## Balance Sheet

€,'000, Dec	2021a	2022a	2023e	2024e	2025e	2026e
Fixed Asset Cost	5,365	12,554	12,554	12,554	12,554	12,554
Fixed Asset Depreciation	-5	-25	-92	-159	-226	-293
Net Fixed Assets	5,360	12,529	12,462	12,395	12,328	12,261
Goodwill	0	0	0	0	0	0
Other intangibles	618	618	618	618	618	618
Investments	0	0	0	7,136	70,832	75,079
Stock	0	0	0	0	0	0
Trade Debtors	2,582	9,678	9,920	26,606	1,671	18,917
Other Debtors	3,641	7,704	7,704	7,704	7,704	7,704
Trade Creditors	-823	-1,044	-1,070	-9,316	-1,671	-18,917
Other Creditors <1yr	-2,657	-10,750	-10,750	-10,750	-10,750	-10,750
Creditors >1yr	-1,845	-1,845	-1,845	-1,845	-1,845	-1,845
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	6,876	16,890	17,039	32,549	78,887	83,067
Cash etc	13,375	3,432	3,571	96,880	37,418	58,580
Borrowing <1yr	0	0	0	0	0	0
Borrowing >1yr	11,725	31,853	31,853	31,853	31,853	31,853
Net Borrowing	-1,650	28,421	28,282	-65,027	-5,565	-26,727
Share Capital	279	306	6,014	50,262	50,262	50,262
Share Premium	11,501	21,560	28,752	84,504	84,504	84,504
Retained Earnings	-3,250	-33,467	-46,079	-37,261	-50,385	-25,042
Other	-4	70	70	70	70	70
Minority interest	0	0	0	0	0	0
Capital Employed	6,876	16,890	17,039	32,549	78,887	83,067
Net Assets	8,526	-11,531	-11,243	97,575	84,451	109,794
Total Equity	8,526	-11,531	-11,243	97,575	84,451	109,794

Source: Company data, Longspur Research estimates

## KEY POINTS

- Projects assumed to be equity accounted so fixed assets remains constant
- Investments build from FY 24 as initial projects starts to deploy
- Working capital expands with sales growth
- Equity raise in FY 23
- Further assumed equity raise in FY 24

## Cashflow

€,000, Dec	2021a	2022a	2023e	2024e	2025e	2026e
Operating profit	-6,643	-14,689	-11,339	13,378	-9,372	16,559
Depreciation	15	67	67	67	67	67
Provisions	0	0	0	0	0	0
Other	0	0	0	0	0	0
Working capital	-1,000	430	-4,260	-11,507	20,356	-8,812
Operating cash flow	-7,628	-14,192	-15,532	1,938	11,051	7,814
Tax paid	-107	-12	4,044	0	-3,066	0
Capex (less disposals)	-2,107	-6,771	0	0	0	0
Investments	-189	0	0	-7,357	-66,212	-5,733
Net interest	-24	-17	-1,273	-1,273	-1,235	-1,259
Net dividends	0	0	0	0	0	20,340
Residual cash flow	-10,055	-20,992	-12,761	-6,692	-59,462	21,163
Equity issued	10,837	10,085	12,900	100,000	0	0
Change in net borrowing	-1,650	30,071	-139	-93,308	59,462	-21,163
Adjustments	868	-19,164	0	0	0	0
Total financing	10,055	20,992	12,761	6,692	59,462	-21,163

Source: Company data, Longspur Research estimates

## KEY POINTS

- Net operating outflows across period
- Project investment outflows in FY 24, 25 and 26
- First project dividend in FY 26 not enough to cover investment outflow that year
- Equity issue in FY 23
- Follow up issue in FY24 assumed to cover project investment although more efficient options are likely

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