



ENERGY PARTNERS

POWERED BY RESULTS

56.7%

BUSINESS OVERVIEW

- Energy Partners is a **fully integrated private utility business** that sells solar energy, cooling and heating to commercial and industrial clients
- The primary business focus is to **grow the investment portfolio of energy assets**
- By owning the assets, Energy Partners secures **recurring income** and a greater share of the lifetime value of the assets

Divisions retained

Brief rationale

Solar

Large scope for photovoltaic solar plants (both as cash and PPA* projects) as well as battery energy storage systems given the cost advantages compared to grid alternatives

Refrigeration

Significant potential to design, build, own and operate industrial and commercial refrigeration plants exists in South Africa where value can be unlocked through the funding model, exceptional design, execution and operation of assets

Steam

The potential exists to design, build, own and operate boilers in South Africa where we have offered clients savings through superior design, control and operations. Assets are typically large and attractive on a PPA model

Energy Intelligence Solutions

The support required to track asset performance and bill utilities is invaluable to our three divisions building assets, as well as to large corporates clients such as Netcare and Pick n Pay

**Power Purchase Agreement, where Energy Partners owns the asset*

BUSINESS MODEL AND BASIS OF VALUATION

The business model comprises two components:

1. Operations business

- Constructs and sells energy installations to external customers or to the Energy Partners investment business*

**Inter-company transactions occur on an arms-length basis*

2. Investment business

- Owns energy-related assets with long-term off-take agreements with private sector clients

Basis of valuation – EV/EBITDA multiple:

- **The following EBITDA multiples are used to value the respective components of the business:**
 - › Operations business - 6.0x
 - › Investment business - 10.0x
- **The following adjustments are made in the interest of accuracy:**
 - › The EBITDA from assets commissioned in the last 12 months is annualised (otherwise the debt would be overstated)
 - › Available cash and the cost of work-in-progress assets are added to the valuation
 - › All debt is deducted from the valuation
 - › Inter-company transactions are not eliminated for valuation purposes (the two businesses are valued independently)
 - › Loss-making operating divisions are valued at zero (these are expected to become profitable or will be closed otherwise)

BASIS OF VALUATION: EV/EBITDA MULTIPLE (CONTINUED)

Historical financials (YE: Jan) (Rm)	FY17	FY18	FY19	FY20	FY21	FY22	5-year CAGR
Cumulative commissioned energy assets (owned by EP)	52	100	159	253	345	452	54%
Work-in-progress energy assets	-	7	15	48	86	233	n/a
Total capital value of energy assets	52	107	174	300	431	685	67%
EBITDA from Investments	7	17	29	35	50	62	54%
EBITDA from continued Operations	5	34	8	16	15	28	40%
Enterprise value					586	790	
Debt net of cash					(139)	(354)	
Add work-in-progress asset value					86	233	
Equity value					534	669	
PSG Alpha shareholding					57.2%	56.7%	
PSG Alpha valuation					305	379	
Average yield on assets	13.8%	16.7%	17.9%	14.0%	14.4%	13.7%	