WESTBRIDGE RENEWABLE
(WEB CN)

14 Nov 2024

Current Price (C$)	**0.82**
Shares in issue (m)	101
Mkt Cap (C$m)	83
Net debt (C$m)	6
EV (C$m)	89
BVPS (C$)	7.8

Share price performance

1m	-5.7%
3m	-1.2%
12m	6.7%
12 m high/low	1.1/0.7
Ave daily vol (30D)	42,856

Shareholders

Romanin Stefano	17.7%
Kelly Scott	7.2%
McKenna Margaret	4.8%
Vassilakakis P	4.8%
Marianna Alifuoco	4.0%
Yang Marcus	3.7%
Stubbs Phillip	0.7%
Fmr LLC	0.0%

Total for top 8	42.9%
Free float	57.1%
Source: Bloomberg	*12 Nov 24*

Next news Q3s Q4

Business description

Developer of PV and BESS projects

Research
Adam Forsyth
adam.forsyth@longspur.com
+44 (0) 131 357 6770

Max Campbell
max.campbell@longspur.com
+44 (0) 7900 206039

Distribution
Adam Robertson
adam.robertson@longspur.com
+44 (0) 203 940 6602

UNIQUE MODEL DELIVERS HIGH RETURNS

Westbridge is rapidly monetising an initial development portfolio of solar photovoltaic and battery energy storage systems with C$89m already received and potential proceeds on its first five projects of up to C$346m. Its model maximises return on invested capital, targeting over 5x in the longer term. It has a pipeline of over 2.8GW of PV and over 6.1GWh of BESS. We can build a value progression for the business with the first six projects delivering C$1.6 per share, adding the mid-stage projects taking this to C$2.4 and the early-stage pipeline giving C$3.2. This is not a limit as the company continues to work hard to add new projects, reinvesting cash and taking our final valuation to C$4.1.

Developer with GW Pipeline

Westbridge Renewable Energy is a developer of solar photovoltaic (PV) and battery energy storage system (BESS) projects initially concentrating on taking these to the ready to build stage and selling before capex on projects accelerates, thus maximising return on invested capital. 1.6GWdc of PV and 1.2GWh of BESS have already reached an agreement to sell to a subsidiary of energy and metals company Metlen (MYTIL GA) and we estimate this will yield a ROIC of over 15x. Beyond this, Westbridge has 914MWdc of PV and 1.1GWh of BESS in mid-stage development and a further 672MWdc of PV and 4.2GWh of BESS in its early-stage pipeline.

Strong Management Experience in Project Development

Westbridge's ability to see these projects through to monetisation is built on a strong management team with over 20GW of successful project development experience across the globe. With management holding over 40% of the equity the team is both skilled and incentivized to deliver. The mix of PV and BESS addresses current power market needs and has potential to serve the growing demand from data centres.

Base Case Valuation of C$1.6 per Share but Pipeline gets $4.1

Based on just the late-stage projects we get a base case valuation of C$1.6 per share. If we add all the mid-stage projects this rises to C$2.4 which we see as a good near-term central case. Adding all the projects in the identified pipeline gives us a high case valuation of C$3.2. All these projects have secured sites and have favourably completed feasibility studies. Options to invest directly in projects beyond the ready to build point could add further value. With significant cash generation to reinvest this is a key element of future value taking the valuation to at least C$4.1 in our view.

C$,000 Nov	2022a	2023a	2024e	2025e	2026e	2027e
EBITDA	-2,345	-3,564	61,949	84,954	104,709	92,325
PBT	-2,340	-5,647	60,466	84,326	105,491	95,075
EPS	-2.8	-3.1	60.5	80.5	98.3	90.8
CFPS	-5.9	-33.9	48.7	70.8	97.4	87.7
DPS	0.0	0.0	15.0	13.7	24.3	37.7
Net Debt (Cash)	-1,192	34,388	5,861	-41,127	-106,710	-153,754
Debt/EBITDA	0.5	-9.6	0.1	-0.5	-1.0	-1.7
P/E	-29.4	-26.1	1.4	1.0	0.8	0.9
EV/EBITDA	-19.4	-22.8	0.8	0.1	-0.6	-1.2
EV/sales	na	na	na	na	na	na
FCF yield	-7%	-41%	59%	86%	119%	107%
Div yield	0%	0%	18%	17%	30%	46%

INVESTMENT SUMMARY

Clean energy developer building a track record

Westbridge Renewable Energy originates clean energy projects and develops these through to the ready to build (RTB) or shovel ready stage. This involves securing land, designing the project, building stakeholder and community support, clearing planning and permitting, and securing grid interconnection and regulatory approvals. The company then has options for monetisation. With limited spend at this point a project sale can be very efficient and deliver the highest return on invested capital. However, the company retains options for continued participation either through a royalty model or even building and operating the project.

Strong team with significant development experience

Westbridge has put together a strong team with experience of developing over 20GW of clean energy projects in locations ranging from Canada to Italy with almost 85 years of combined experience. The strength of the team is already evident in progress to date with agreements on selling projects secured, giving the team a 100% success rate to date.

First five projects have a sales agreement

The company has already reached a definitive agreement to sell its first five projects to a subsidiary of energy and metals company Metlen (MYTIL GA) with total proceeds potentially reaching over C$346m if additional battery energy storage systems are completed and the projects are eligible for the Canada Clean Technology Investment Tax Credit (CT ITC) as they should be.

Cash already received from first two deals

In Q1 24 Westbridge received C$47.6m representing part of the proceeds of its Georgetown project sale and this week received C$41.4m representing part proceeds on the Sunnynook project. That two projects can generate cash more or less equivalent to the current market capitalisation of the company and three more have agreed sale terms and will complete over the next three years shows the value that the company has already generated. With only the Georgetown project having formally reported earnings, the return on invested capital for the company as a whole is already over 3x. We estimate that incorporating all five projects in the Metlen agreement could take this to over 15x and the company is targeting over 5x in the longer term.

Strong and visible pipeline

Having sold the Georgetown and Sunnynook projects representing 610MWdc, Westbridge has 2.8GWdc projects in its pipeline as well as 6.1GWh of storage. All these projects have secured sites and have favourably completed feasibility studies. While the company will share project gains through dividends, we expect it to reinvest cash to build further value beyond the pipeline.

Asset mix maximises return and mitigates risks

Westbridge has included co-located storage projects on all its initial projects. We see storage as a key growth area in markets where renewable energy penetration is growing. We also see co-located storage as adding optionality to any renewable energy project potentially creating further opportunity and mitigating potential risks as power markets evolve.

Geographic spread diversifies policy risk

Westbridge is actively developing projects in four countries, Canada, the US, the UK and Italy. The management team have a strong international record in these geographies and beyond and we expect this to be a continued feature of the company as it adds more projects. This brings useful diversity and mitigates risks from policy and market changes.

Markets remain attractive

The development pipeline is targeting opportunities in Alberta, British Columbia, Ontario, Texas, New Mexico, Colorado, Louisiana, Nebraska and Alabama. Outside North America it is developing projects in the UK and Italy. All these markets have attractions with clean energy forecast to grow strongly in all cases. Even under the incoming Trump administration, the US continues to see power demand growing and PV and storage remain attractive options in our view, with tax credits well established and likely to remain in place in the near term.

Data centres offer further opportunity

Westbridge has begun to explore viable opportunities for deploying PV storage with BESS to provide secure distributed power to data centres targeting emission reductions. The hyperscalers such as Amazon AWS and Microsoft Azure are moving quickly to source decarbonised power supplies and, given Westbridge's track record, this could result in projects with rapid development timelines given the ability to go ahead without a grid connection.

BULL POINTS

- Monetisation agreed for first five projects with AUC approvals on first three
- Strong team with development experience
- Target markets offer continued growth opportunity
- Additional demand appearing from data centres

BEAR POINTS

- Project pricing not guaranteed beyond existing agreement
- Market saturation could occur in some markets
- Market policy changes

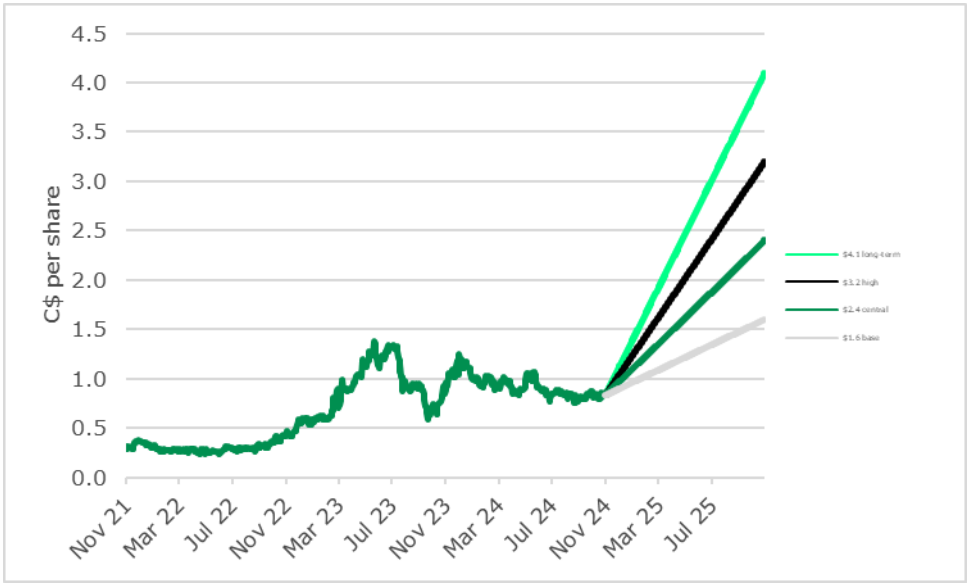
CATALYSTS

- More projects move to sale with Dolcy now with AUC approval
- New committed definitive sales agreements
- New projects moving through development as a result of capital reinvestment

VALUATION

We have valued the company using a DCF approach with a discount rate of 10.0%. Using this approach we have built build a value progression for the business with the first five agreed projects delivering C$1.6 per share, adding the mid-stage projects giving C$2.4 and the early stage pipeline giving C$3.2. This is not a limit as the company continues to work hard to add new projects and can add further value through investing beyond the ready to build stage. We estimate that this could easily take the valuation to C$4.1.

Share price performance and valuation outlook



Source: Longspur Research, Bloomberg

RISKS

We see the main risks to our valuation as failure to reach project sale, project delays, pricing uncertainty and market saturation. There is considerable mitigation to these risks in our view. The company has been successful so far in project sales and pricing. Project delays are less likely to be a major issue during the early development phase with issue arising during construction more likely to have an impact should the company start to invest through to the project operational stage. Market saturation would have an impact on ability to sell projects or on price. However, as we show in this report, all the markets in which Westbridge are active continue to show strong demand for renewables and so we expect there to be continued interest in new projects for some time. Additionally, the geographic diversity of the portfolio adds to the mitigation of this risk.

WESTBRIDGE RENEWABLE ENERGY

Westbridge Renewable is a clean energy development company focused on solar photovoltaic (PV) and battery energy storage systems (BESS). It is headquartered in Calgary, Alberta, Canada where it has early success in developing and selling two projects to Greek energy and metals major Metlen as part of a definitive agreement to sell a further three projects when they reach the end of their development phases. This was originally expected to net Westbridge between C$217m and C$346m but revised project capacities will now raise this to between C$242m and C$378m.

The company is actively dveloping projects beyond its late-stage pipeline with 914MWdc of PV and 1.1GWh of BESS of announced mid-stage projects and a further 672MWdc of PV and 4.2GWh of BESS early stage projects. It continues to prospect and given the scale of demand for clean energy supply, driven both by dearbonisation needs and also by the rise in electiricy demand from data centres, we expect substantial new projects to be added to the portfolio. While early focus has been on Canada, projects are being developed in the USA, UK and Italy with opportunities also being pursued in Ontario and British Columbia.

Projects Under Development

Project	Country	Location	MWac	MWdc	BESS MW	BESS MWh
Sold projects						
Georgetown	Canada	Alberta	230	278	100	200
Sunnynook	Canada	Alberta	270	332	100	200
Sub total			500	610	200	400
Late-stage pipeline						
Dolcy	Canada	Alberta	300	375	100	200
Eastervale	Canada	Alberta	300	345	200	400
Red Willow	Canada	Alberta	225	290	100	200
Accalia Point	USA	Texas	200	221	0	0
Sub total			1,025	1,231	400	800
Mid-stage pipeline						
Fiskerton	UK	Lincolnshire	0	0	53	106
Gierre Solare	Italy	Lazio	25	32	0	0
NM Solare	Italy	Lazio	23	30	0	0
Normandeau	Canada	Alberta	250	325	100	200
Delphine	USA	Louisiana	100	130	50	200
Holmwood	USA	Louisiana	200	260	100	400
Autrey	USA	New Mexico	100	137	50	200
Sub total			698	914	353	1106
Early-stage pipeline						
Happy Life	USA	Colorado	0	0	150	600
Corry	USA	Texas	250	325	100	400
Ivy	USA	Colorado	160	207	50	200
Albion	USA	Nebraska	105	140	50	200
Moundville	USA	Alabama	0	0	350	1,400
Aster	USA	Alabama	0	0	350	1,400
Sub total			515	672	1050	4200
Total under development			2,237	2,817	1,803	6,106

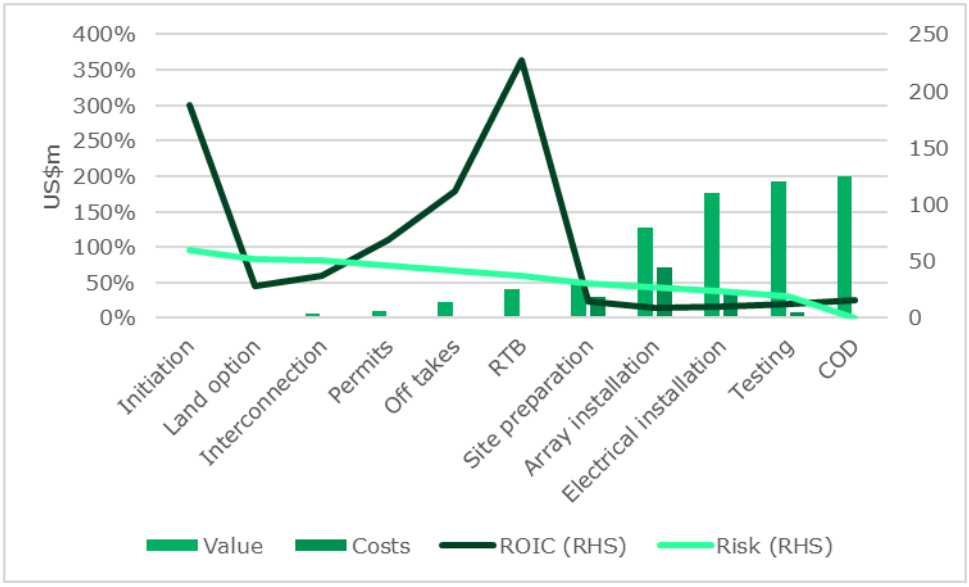
Source: Longspur Research, company data

MAXIMISING RETURNS THROUGH TIMING

In order to maximise its return potential, Westbridge is developing projects through to the ready-to-build (RTB) or shovel-ready stage with all permitting and grid connection agreements in place and funding identified. It then looks to sell to companies who will build own and operate the projects. This is a well established practice with operators often having different skills from early stage developers. The big advantage is that it avoids the high capital requirements once construction starts.

The ready to build (or shovel ready) stage is where good value can be obtained for a minimal cash outlay. It represents the highest return on invested capital at any stage of the development cycle of a PV project.

ROIC by Stage for a Typical PV Project



Source: Longspur Research

Westbridge has already found a buyer for its first five projects at agreed prices that confirm this model and has already executed on the first of these.

METLEN DEAL

Westbridge's first five projects represent the Alberta Project Portfolio and in June 2023 the company reached a definitive agreement to sell these to Metka, a subsidiary of energy and metals company Metlen (MYTIL GA). This will see each project sold at RTB stage. The purchase prices will be subject to adjustements for working capital and indebtedness and also for any interconnection costs above initial estimates. The total consideration is expected to range between C$217m and C$346m depending on the final capcaity of each project. It already looks as if this range could be exceeded given the higher capcaity settled on the Sunnynook project.

The overall deal is structured so each project receives C$165k per MWdc of capacity plus C$50k per MWh of BESS capacity at each project if the buyer goes ahead with storage as we think is likely. Additionally as ITC tax credits should be available an additionaly C$55k per MWdc will be paid.

The first two projects at Georgetown and Sunnynook have now been sold with a total of C$89m to be received in FY 24. This initial project had a higher payment for the PV element at C$167.5k rather than C$165k. The third project at Dolcy has both now received approval from the Alberta Utilities Commission.

Metlen Deal Economics

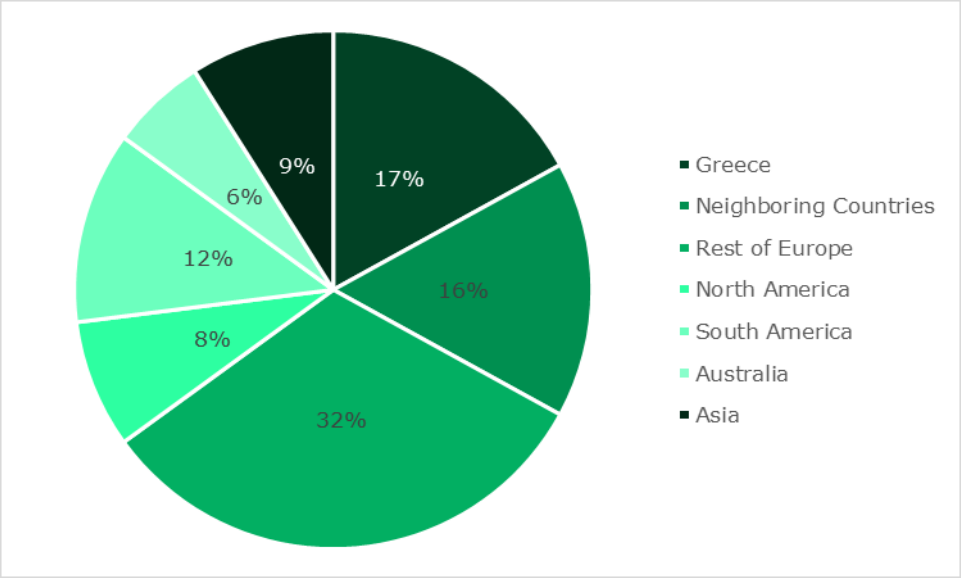
C$m	MWp	MWh	PV proceeds only	Add BESS and ITC
Georgetown	278	200	46	71
Sunnynook	332	200	31	46
Dolcy*	375	200	61	92
Eastervale*	345	400	57	96
Red Willow*	290	200	47	73
Total	1,620	1,200	242	378

Source: Longspur Research, company data, *Project capacity ahead of original estimates

A MAJOR STRATEGIC PARTNER

Metlen is a leading industrial company with internationally diverse activities in Energy & Metals, operating via a unique synergetic business model encompassing both construction and operation. It is listed on the Athens Stock Exchange with a market cap of €4bn and has a strong balance sheet with €0.9bn of cash and €0.6bn of committed credit lines. Metlen senior notes have been rated BB by S&P and BB+ by Fitch. Its current global renewable energy portfolio stands at 13GW and it is executing 30 projects in 10 different countries, across all 5 continents.

Metlen Global Renewable Energy Pipeline



Source: Metlen

Given Metlen's continued interest in developing energy assets we would not rule them out as counterparies in further project sales. In particular the relative underweighting of projects in North America could see them continuing to partner with Westbridge given the focus of the near term portfolio.

GEORGETOWN CASE STUDY

Westbridge's first project is a 278MWp solar PV site at Georgetown, southeast of Calgary in Alberta. The project was originally acquired in 2021 through a business combination with the project development company. Environmental and wildlife studies were completed that year along with preliminary layout engineering and design work. Approvals for both PV and a 200MWh co-located BESS were received from the Alberta Utilities Commission in November 2022. A C$4.83m loan was secured in December 2022 to fund

the AESO grid fee and a C$30.45m loan in May 2023 funded the Generating Unit Owners Contribution (GUOC) payments on this and the other four projects the company has under development in Alberta. Note that the latter loan is collateralised against the money held on deposit with the GUOC payment only made if the project closes or is returned. At the same time Westbridge also entered into a US$4.9m loan to support other development costs at these projects and also to support the origination and expanions of the development pipeline.

The Georgetown project exit was included in the definitive agreement reached with Metka, then a subsidiary of Greek based energy and metals company Mytilineos, now Metlen.

Westbrige competed the exit of the Georgetown project on 14 December 2023 with a sale of the project to a Mytilineos paid 3% of the base purchase price on signing and 92% on closing with a further 5% held to be paid when the project reaches commercial operation. In addition Westbridge will receive money when the BESS is commissioned and an ITC payment on commercial operation. On closing the funds received were C$47,564,002 with a further 5%, the ITC and BESS milestone payments still to come. In line with policy the company has used some of this cash to fund a 5% share buyback (under a normal course issuer bid (NCIB) programme and a C$0.10 per share return of capital.

This project has put cash on the balance sheet allowing new origination to be funded while still allowing a return to shareholders. It has proven that the company can find, develop and sell good quality projects.

Most of the company's expenditure to date has been on the five initial Alberta projects although increasingly the company is spending on other development projects. Taking the postion at the end of H1 24, with only the Georgetown project having reached financial close, the return on invested capital for the company as a whole is already over 3x.

Group ROIC Estimate to H1 24

C$	2021	2022	2023	2024
Operating cash flows	426,346	1,541,191	2,007,213	3,445,840
Investments	1,324,167	2,619,145	3,533,226	863,922
Total	1,750,513	4,160,336	5,540,439	4,309,762
Cum cash outflows	1,750,513	5,910,849	11,451,288	15,761,050
Gain on disposal	0	0	6,589,500	41,961,000
Cum gain	0	0	6,589,500	48,550,500
ROIC				308%

Source: Longspur Research, company data

While progressing Georgetown the company continued to work on new project origination as now evidenced by the strong project portfolio and pipeline. The ROIC calculated above includes within the invested capital figure sums spent on the development of the wider portfolio so the figure shown is a significant underestimate of the actual project ROIC. If we weight the cummulative cash outflows by the PV capacity of Georgetown retlative to the other Alberta projects the ROIC rised to over 15x, and that is before the expected additional revenue from ITC and BESS.

ROIC Estimate on Georgetown (initial PV monetisation only)

Georgetown MWdc	278
Aberta projects MWdc	1415
Cum. outflow weighted by MWdc	3,096,517
Cum. gain less 2023 weighted	47,255,884
Est ROIC on Georgetown	1,526%

Source: Longspur Research

Critial to delivering this type of return is not to dilute it with projects that don't reach the ready to build stage. In this regard Westbridge has a strong track record and to date no projects have entered the pipeline that have not gone to ready to build. The skill set of management has been a key driver of this performance. The company has a target of delivering a ROIC of over 5x with over 10x appearing very achieveable on current project economics.

WESTBRIDGE SKILL SET

Westbridge has been able to deliver these returns by being able to bring projects through to the ready to build stage with a very high success rate and it has been able to monetise between c.C$217m and C$346m of project sales through its deal with Metlen. It has succeeded because it has a highly experienced team with over 40 successful renewable energy project exits worldwide. This totals more than 20GW and 85 years of renewable energy development experience in the team. The Westbridge team has proven that it can identify the projects that can win permitting without major issues, have the right grid access and are attractive to buyers. Key staff have experience in Canada, US, UK and continental Europe.

Key Management Development Experience

Individual	Role	PV Development (GW)	Years Experience
Stefano Romanin	CEO	> 5 GW	> 20 yrs
Margaret McKenna	Chief Operating Officer	> 4 GW	> 10 yrs
Scott Kelly	Chairman	> 3 GW	> 20 yrs
Phil Stubbs	CFO	> 3 GW	> 10 yrs
Pandelis Vassilakakis	Chief Business Development Officer	> 2 GW	> 20 yrs
Francesco Paolo Cardi	Vice President, Development	> 3 GW	> 5 yrs

Source: Longspur Research,

FINANCING SUPPORT

On Georgetown, Westbridge showed that it could attract finance to cover the projects key development cost of the GUOC and has clearly built a strong relationship with lender Leyline. This is essentially asset backed debt funding for the project SPVs and is non-recorse to the parent company. However, these development loans can be seen as higher risk by lenders due to less certainty that the development asset will be economically viable and with fewer project assets to take as collateral.

This makes these loans more costly than a construction loan facility but prehaps more importantly they are not always available to smaller developers with less credit. Additionally, these loans are non-recourse loans at the SPV level and although they are recognised on the group balance sheet a considerable proportion are offset by prepayments. Additionally the GUOC loan is collateralised by deposits with the utility. This leaves the topco effectively ungeared. But even at the project level we see the availability of debt finance for development as giving Westbridge a key advantage at a point when its competitive position appears to be improving.

Following the reciept of the main payment Georgetown, Westbridge returned cash to shareholders via a 5% Normal Course Issuer Bid (NCIB) equivalent to a share buy back and with a C$0.10 per share return of capital. The company intends to continue to pay out cash from successful project completions as these arise whilst retaining sufficient cash to develop and originate new projects without the need to come back to the equity market.

KEY MARKETS

CANADA

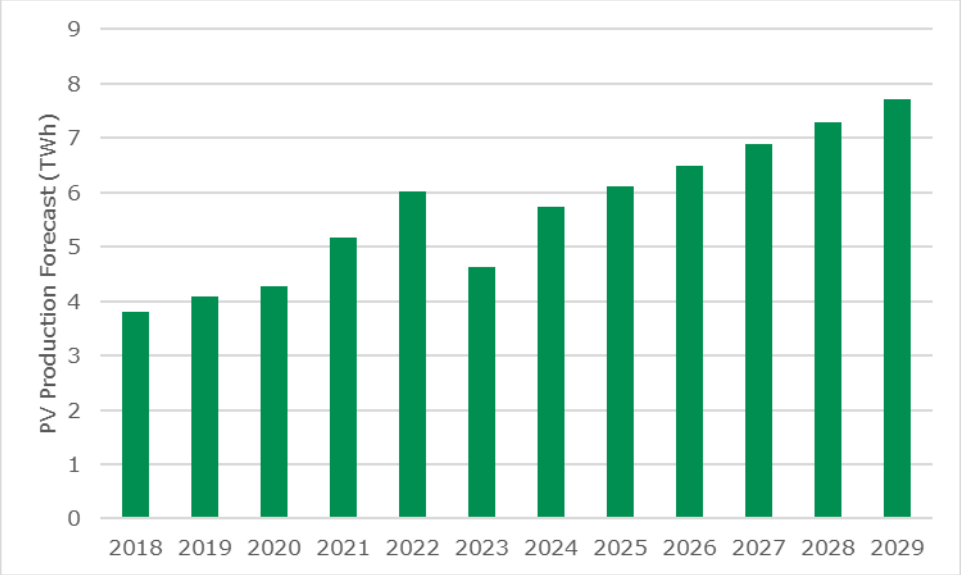
Canada has a policy objective to move the national electricity grid to net zero by 2035. It has put in place an investment tax credit support policy as a key element of achieving this.

Canada Clean Technology Investment Tax Credit (CT ITC)

The CT ITC is a refundable tax credit for capital invested into new clean technology projects in Canada. It offers up to 30% of the capital cost of the project and that becomes available for use between 28 March 2023 and 31 December 2033. In 2034 the rate will drop to 15% and the credit is unavailable after 2034.

The support of these policies has seen PV become well established and growth is expected to continue. PV output is expected to show a CAGR of 9% from 2023 to 2029. 2023 saw a drop thanks to a moratorium on development in Alberta but this has now ended and growth is expected to resume.

Canada PV Outlook



Source: Statistica

Alberta market distorted by moratorium

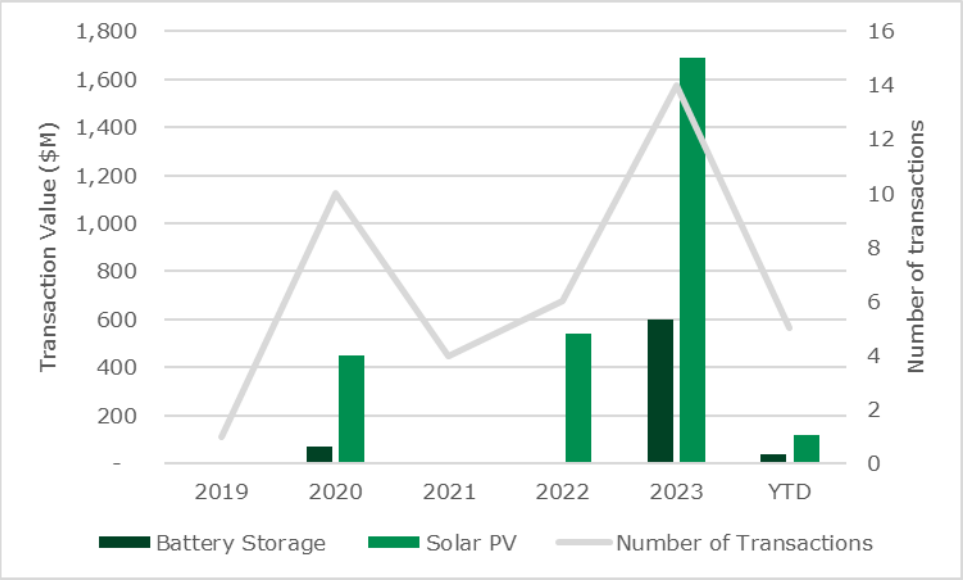
In 2022 three quarters of all renewable energy projects build in Canada were in Alberta. On 3 August 2023 the provincial government announced a seven-month moratorium on approvals for new renewable energy projects over 1MW. This has now been removed although only after the introduction of restrictions on projects on agricultural land deemed to have excellent or good irrigation potential, and the imposition of buffer zones of up to 35 km around areas classified as having pristine views.

118 projects were impacted by the moratorium including the five projects under active development by Westbridge. While these and many others are now going ahead, an estimated 54 projects have been permanently cancelled representing 8.6GW of capacity. It is likely that this has led to the exit of a number of smaller developers and they are unlikely to return to the market. The larger developers such as Westbridge had the financial

resources to weather the storm and this appears to have paid off with a more concentrated market resulting.

The market in PV and BESS assets has grown in the past two years but the impact of the Alberta moratorium resulted in a slow down going into 2024. Now that the moratorium is over we expect activity to pick up again and the company to see further opportunities in Alberta but also in Ontario and British Columbia.

Alberta, Ontario and British Columbia PV and BESS Transactions



Source: Infralogic

USA

The US has supported renewable energy through tax credits ever since the Energy Tax Act of 1978 was introduced in response to the 1973 oil crisis. This support has evolved to the current support under the Inflation Reduction Act of 2022. While Donald Trump has said he will repeal the act, 70% of IRA investment has been directed to Republican districts and 18 Republican representatives have signed a letter to the House speaker asking him not to prematurely repeal energy tax credits, which materially mitigates the risk of IRA repeal. In the mean time, the current Investment Tax Credits have already received US Treasury guidance and could remain in place to 2032.

Even without this support, demand for power continues to grow with AI adding potentially 2% to US demand over and above existing levels. And even with tariffs preventing Chinese components being used on US projects, PV remains the cheapest form of new power generation and can also be deployed far faster than other technologies. This is also true for BESS and while new tariffs here are likely, the costs of batteries are dropping dramatically. As a result, while we see the Trump presidency as a negative for hitting climate mitigation goals, the impact on Westbridge is minimal. In fact if tax credits were withdrawn at some point, near term projects which can still avail of existing committed spend would see a degree of scarcity value making Westbridge's US pipeline more valuable.

With an established history, the current version of the tax is available under the Inflation Reduction Act of 2022. This is available for investment in renewable energy projects including solar and energy storage. It is 6% for qualified investment but rises to 30% if Prevailing Wage and Apprenticeship (PWA) requirements are met. These broadly ensure that labourers working on the project are paid market rates and given the tax benefit we expect these requirements to be met. The 30% basic credit runs until 2033 and drops to

22.5% in 2034 and then to 15% in 2035 before going to zero in 2036. There are also bonuses for projects in low income communities and with domestic content or in energy communities.

BETTER COMPETITIVE POSITIONING IN THE US

In the US, the Federal Energy Regulatory Commission (FERC) has increased the upfront deposit requried to secure a grid interconnection. These will for the first time include commerical readiness deposits which can be lost if the project is withdrawn or does not achive commerical operation. Note these costs are in addition to state grid connection fees which will vary from location to location.

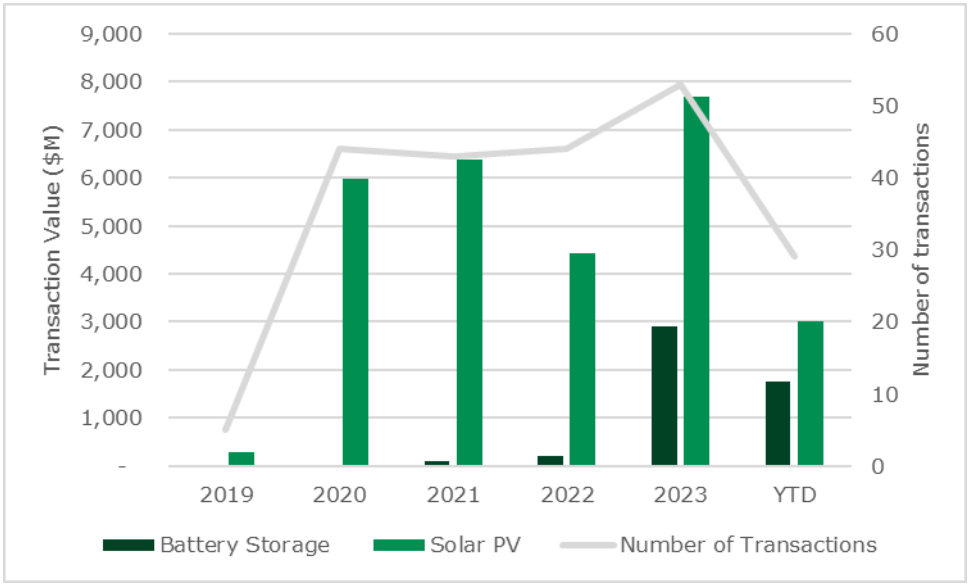
FERC Grid Connection Fees

Size of Proposed Generating Facility	Amount of Deposit
>20 MW <80 mw	$35,000 + $1,000/MW
≥80 <200	$150,000
≥200 MW	$250,000

Source: FERC

These higher and riskier fees combined with longer grid connection times and a higher cost of interest is putting a considerable financial burden on smaller less well funded developers. This has resulted in them existing very early stage projects. It both reduces rival supply in the market and also potentially creates an opportunity for Westbridge to pick up the better projects.

PV and BESS Transactions in Texas, Colorado and Alabama



Source: Infralogic

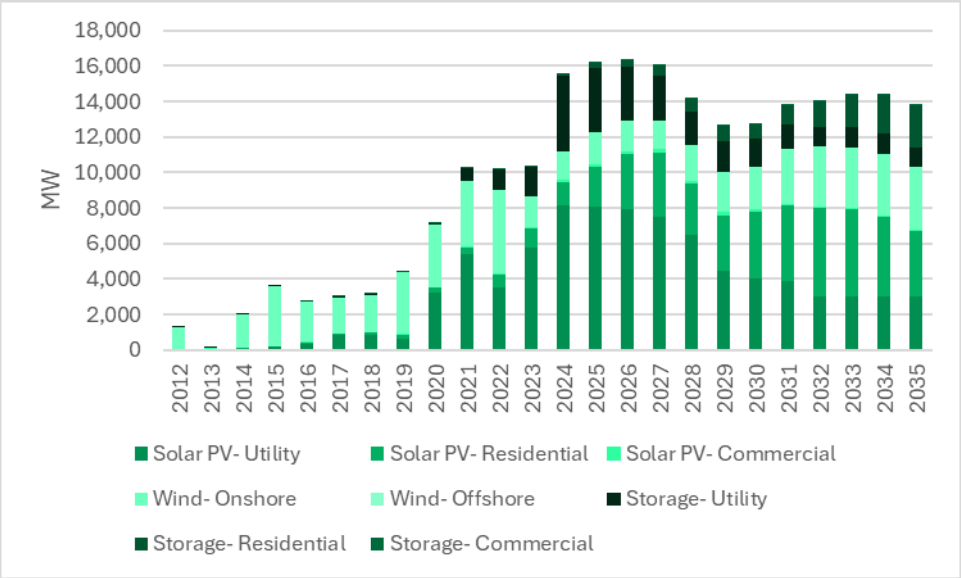
KEY US LOCATIONS

Texas / ERCOT

Westbridge currently has a project in development in Texas and continues to look at developing more. Texas runs its own transmission area, the Electric Reliability Council of Texas (ERCOT). Developers are currently building record levels of solar and storage thanks

to the ease of development and interconnection in the area and the hope they will be able to benefit from volatile power prices in the region, particularly during power price spikes in summer. Grid congestion is expected to significantly reduce the volume of wind additions over the next decade and solar and batteries are expected to fill the gap.

ERCOT Capacity Forecast



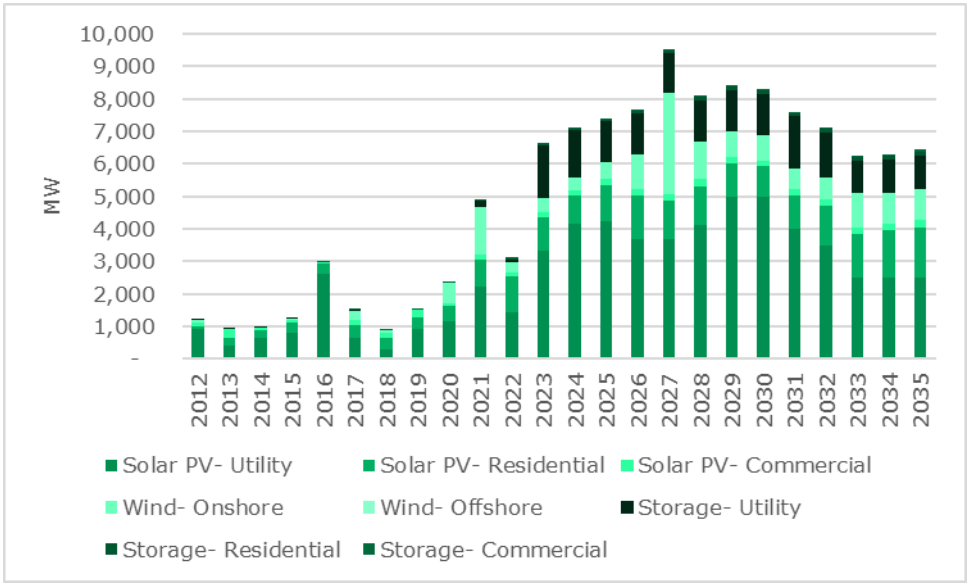
Source: BNEF

Colorado / Mountain West

Westbridge has an early stage project in Colorado and multiple projects in Alberta, both of which sit in the Western Electricity Coordinating Council transmission area (WECC), which stretches from Alberta and British Columbia down to Mexico and includes 14 US states in between. Deployments in the US West Coast area are being driven by good wind and solar resources, available land and growing demand from large integrated utilities. PacifiCorp, the second largest utility by electricity sales in the Mountain West region is expecting to add 7.5GW and 8GW of storage and solar respectively between 2024 and 2037 for example.

In Alberta, following the end of the moratorium on new solar and wind developments, launched in 2023 and ended in 2024, there have only been 3 new project additions (totalling 13MW of generation capacity). There remains a significant pipeline of projects in development pre-moratorium, however the moratorium appears to have increased uncertainty in the region in, particularly as there remains a lack of clarity on future permitting around restrictions near agricultural land and protected areas.

South West Capacity Forecast

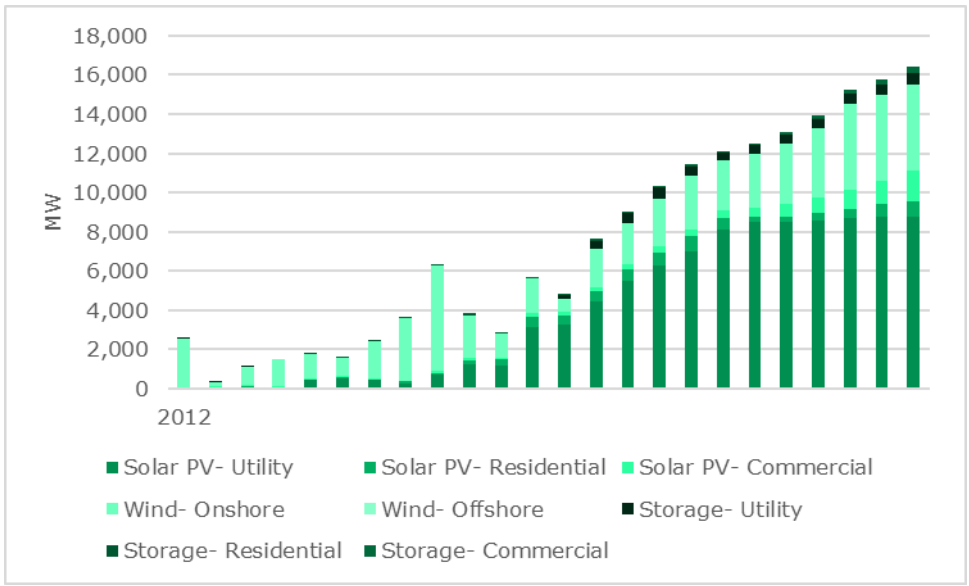


Source: BNEF

Alabama

Westbridge has two large BESS projects at an early stage in Alabama. The market across the Southesat is dominated by large utilities with aggressive PV procurement plans. With high insolation and available land the region is forecast to have more solar than any other US region by 2035. This will need to be balanced with storage creating an opporutnity for BESS projects.

MISO Capacity Forecast

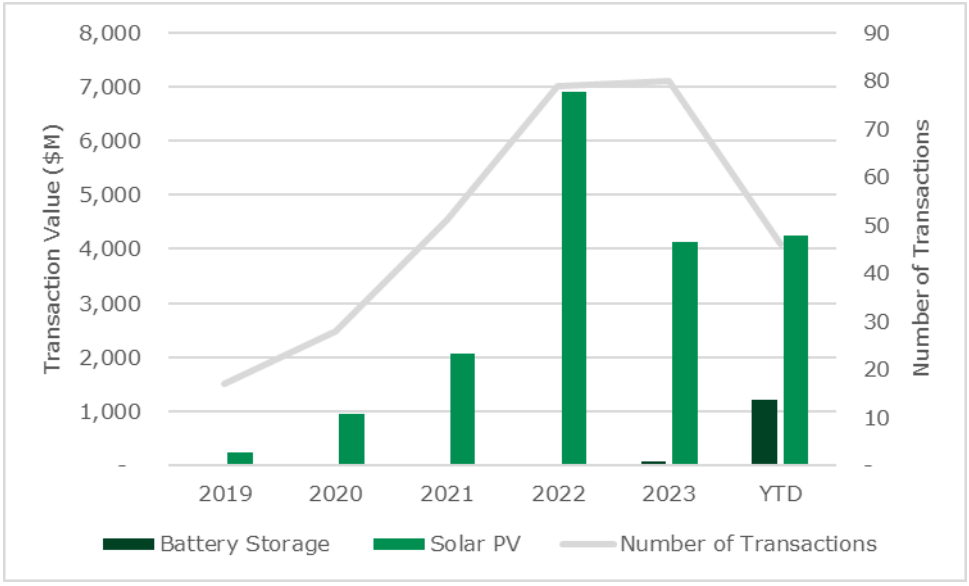


Source: BNEF

ITALY

After a period of low growth, Italy implemented new permitting regulations for commercial and industrial installations leading to a doubling of PV installations in 2023 compared with 2022 adding 5.3GW against 2.5GW in the earlier year. However the new Agricultural Decree, approved by ministers on 6 May 2024 has prohibited the construction of new PV on land intended for agricultural use. Because this will only impact new projects it may add value to existing projects potentially making Westbridge's two projects in Lazio worth more.

PV and BESS Transactions in Italy

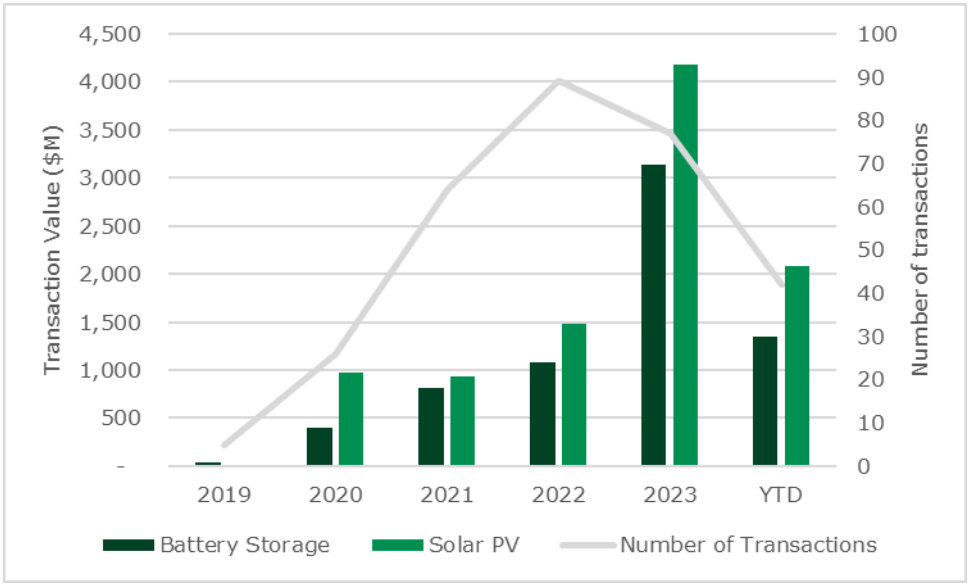


Source: Infralogic

UK

The market for PV solar assets in the UK remains active. The statistics are dominated by the sale of 53 assets totalling 513MW as a result of developer Toucan Energy going into administration at the end of 2022. The assets were auctioned, going eventually to Schroders Greencoat, with a number of disappointed bidders. We think this is likely to see these frustrated bidders come back to the market in due course and with the new Labour government pledging to reduce grid connection times for renewable energy this market remains attractive.

PV and BESS Transactions in the UK



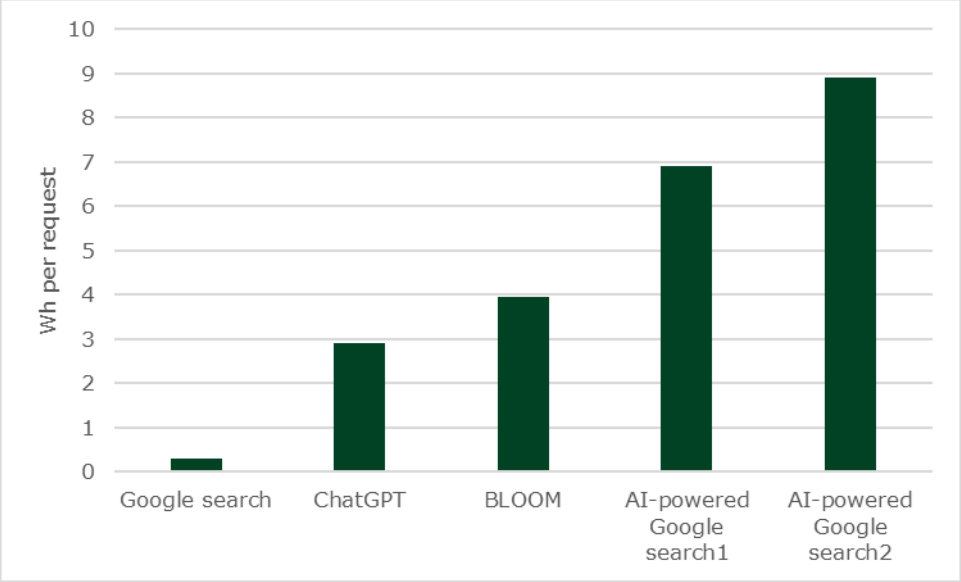
Source: Infralogic

THE DATA CENTRE OPPORTUNITY

Data centre power demand is already growing and Goldman Sachs estimates that data centre power demand will grow by 160% by 2030. This is partly driven by increased use of artificial intelligence (AI). While some AI innovations will increase computing speed more than they increase their electricity consumption, poor use of AI such as simple searches are likely to see an increase in processing and hence power usage.

A single ChatGPT enquiry will need 2.9Wh of electricity compared with 0.3Wh for the same search on Google. A request to a Large Language Module such as BLOOM could use almost 4Wh and if Google fully integrated AI into its searches electricity per search could increase to between 6.9Wh and 8.9Wh.

Electricity Consumption per Request



Source: EPRI

As a result, there are a number of forecasts suggesting that data centre demand could become a major part of energy demand with the EPRI presenting a number of forecasts showing data centres representing between 5% and 9% of US electricity consumption by 2030.

US Data Centre Consumption Forecasts

Scenario	Source	Share of 2030 consumption
Low growth	Statista	4.6%
Moderate growth	EPRI low	5.0%
High growth	McKinsey	6.8%
Higher growth	EPRI high	9.1%

Source: EPRI

Most data centre power requirements show a fairly flat load profile requiring a baseload supply. As grids become more reliant on intermittent renewable energy this profile becomes more challenging to deliver. Westbridge sees PV with co-located storage as having an opportunity here and is working to bring forward projects. Data centres are moving to source power through behind-the-meter configurations. This allows the data centre to function independently from the local utility only relying on it as a supplier of last resort.

THE ECONOMICS OF RENEWABLE ENERGY

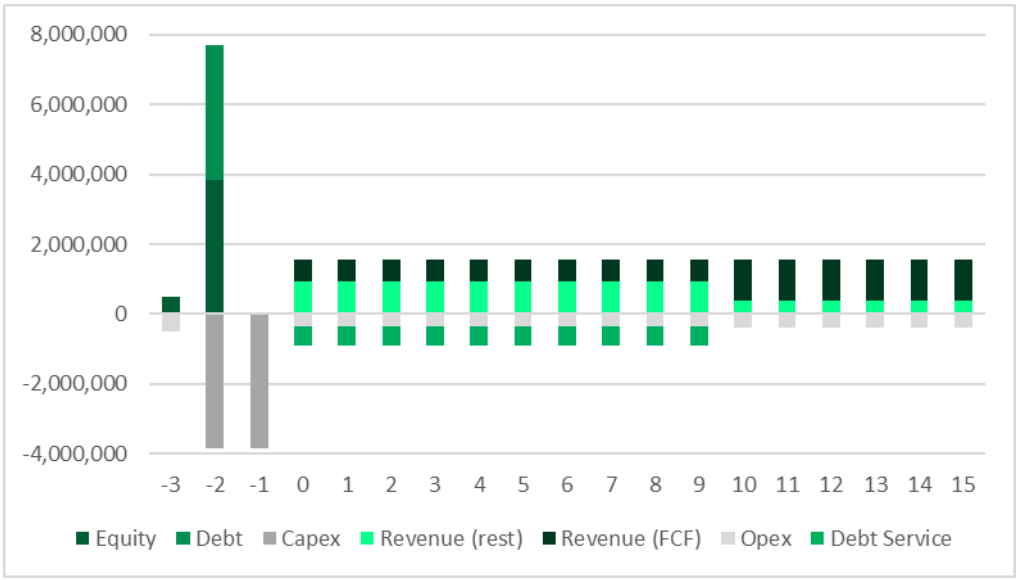
A quick review of the basics

Solar PV generation, along with wind generation, is a form of renewable energy that might better be described as fuel-less generation. The energy input or fuel is free and as a result reported operating margins are very high with EBITDA margins of 80% typical for subsidised projects. The resulting high cash generation makes these very suitable assets for income generating funds.

The cashflow profile of a typical project shows initial funding in equity and debt being used to pay for the development and construction of the project. Once operational, the project then earns steady revenues which will only vary with price and output. The latter may vary but should exhibit mean reversion over the life of the project. If the price can be fixed by subsidy or contract this means the project is effectively an annuity.

The cash outflows are comprised of operations and maintenance (O&M) expenditure, interest payments and repayment of any amortising debt. Once the debt is paid off the net cashflows increase. Often debt is timed to match the period of any subsidy.

Typical PV project cashflows



Source: UNEP

The valuation of these projects is relatively straightforward with a DCF approach entirely valid given the reasonably predictable cashflows.

The present value of the project cashflows is given in the formula below which is a good representation of the relative importance of the key drivers of the value of a yieldco.

$$PV = \sum_{t=0}^{n} \frac{\left((PE - O)(1 - T) + \frac{C}{n}T\right)}{(1 + r)^t}$$

Where:

- P is price
- E is energy output
- O are cash operating costs
- T is the marginal tax rate
- C is the capital cost
- n is the life of the project
- r is the discount rate which is impacted by funding choices
- $(1-T)+\frac{C}{n}T$ is the impact of tax including the depreciation tax shield

The NPV is the above less the capital cost of the project and efficient capital costs are a key area of value for investors in yieldcos.

Note also that we assume that any end of life value is equal to any end of life site remediation costs and so is zero. This is a convenience and in reality we would expect some positive value at the end of a project life, notably with the option to redevelop the site a lower risk given a documented operating history.

We can maximise NPV by the following:

Pricing. A higher price is clearly beneficial but also a price that can be relied upon over the life of the asset. Price inflation can also have an impact here.

Energy output. Delivering better than planned output can be achieved through good management of the assets.

Operating costs. These need to be considered along with energy output. Paying more for better O&M can result in higher output so these two factors need to be considered together.

Capital cost. The lower the better subject to the risk that cutting corners will increase O&M fees and potentially reduce project life.

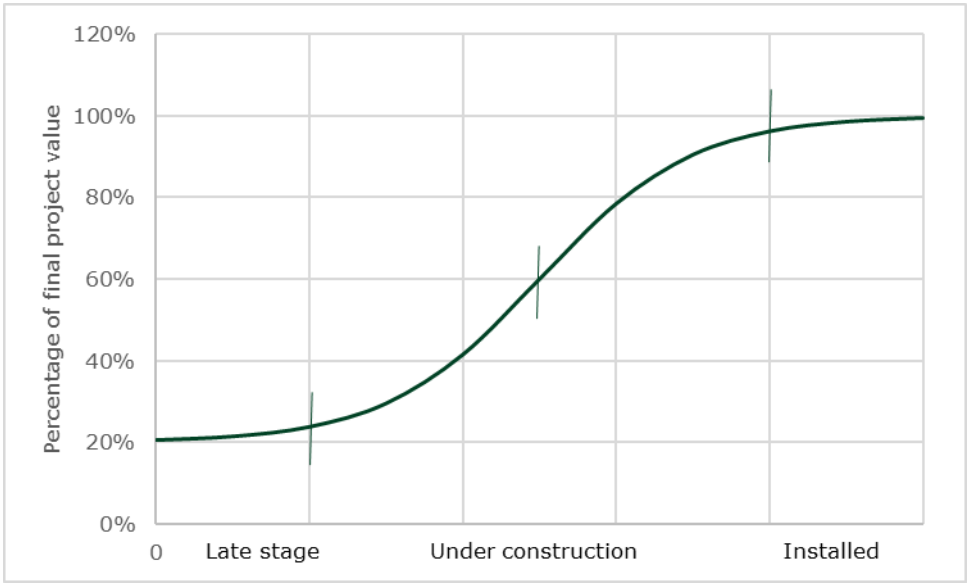
Project life. Life extensions create value as can avoiding early failures which again is a function of good asset management.

Discount rate. More efficient funding can lower the discount rate and create value for investors.

Value by stage

There is quite a variation in selling prices of ready-to-build (RTB) or shovel-ready projects. Deloitte has in the past undertaken useful work surveying project values at different stages, looking at onshore and offshore wind and solar PV. The work is now a little dated but at the time the typical valuation compared to the final operating project valuation for an early-stage project was 20% with a range between 13% and 27%. Under construction projects averaged 53% and ranged from 40% to 60%.

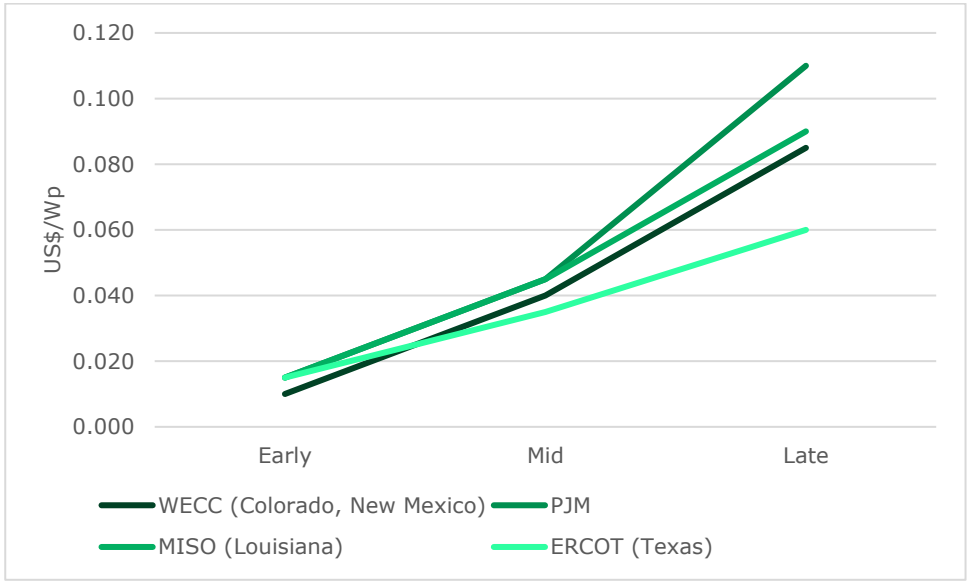
Typical project discount by development stage



Source: Longspur Research, Deloitte

The valuation of the development stages are particular crucial for Westbridge. Consultants, Level Ten Energy, have publised pre-construction valuations for some the main US markets and these broadly confirm the picture suggested by Deloites.

Pre-Construction Project Valuation by Development Stage



Source: LevelTen Energy

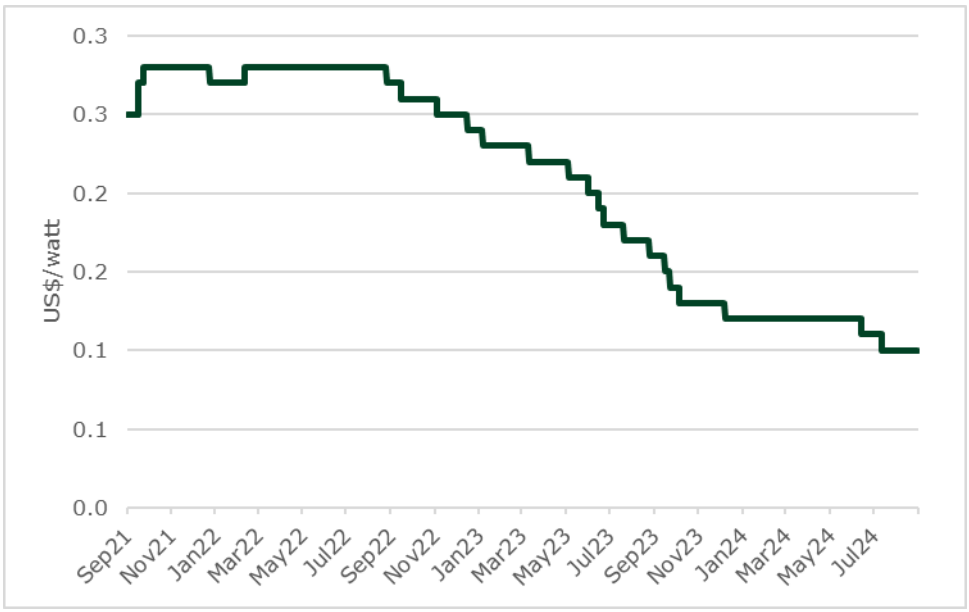
With Westbridge active at the late development stage where valuations remain attractive the overall approach remains relevant and, as we have shown, maximises return on invested capital.

PV PROJECT ATTRACTIVENESS BOOSTED BY MODULE COSTS

The price of solar modules globally has been falling with increased silicon production capacity reducing module input costs. Solar grade silicon pricing has fallen 75% in the past twelve months and standard monocrystalline module prices are down 52%. With modules representing c.25% of PV project costs last year, overall project costs are down 14%.

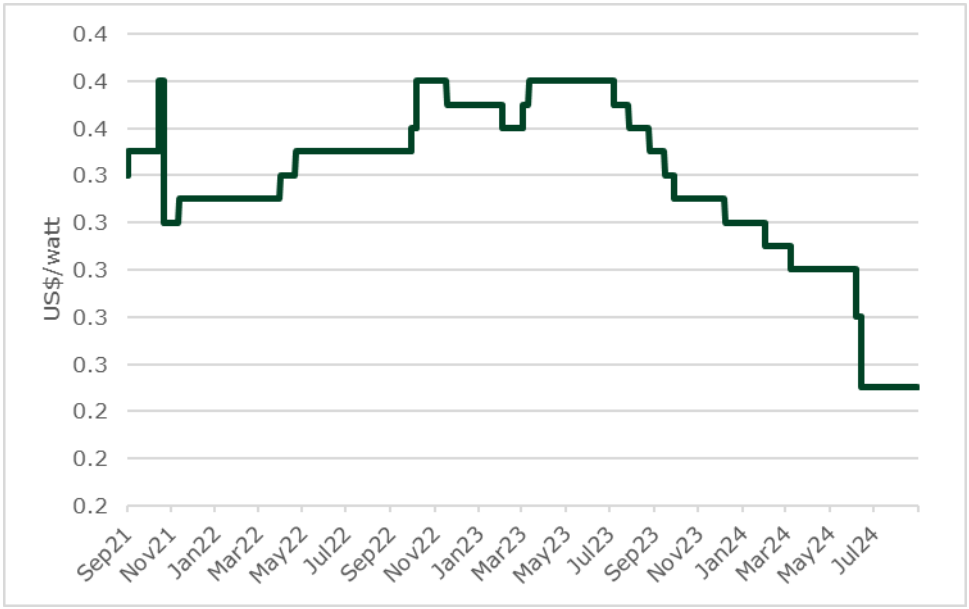
For solar developers in Europe a further benefit has arisen. The protectionist US Inflation Reduction Act and Indian tariffs and other measures have meant that Chinese PV module manufacturers are dumping product into Europe. There are reportedly 65GW of modules now warehoused in Europe, equal to a year's worth of installation at current rates. This is likely to mean even lower prices developers and for prices to remain low for longer allowing better long term returns on new projects brought to completion.

Mono-crystaline Silicon Module Shipped to EU



Source: Bloomberg

Mono-crystaline Silicon Module Shipped to US



Source: Bloomberg

North America – tariffs

In June 2024, the U.S. Trade Representative (USTR) doubled tariff rates on Chinese PV cells (whether or not incorporated into modules) from 25% to 50% and counterveiling duties of over 200% on certain cells and modules from Vietnam, Cambodia, Malaysia, and Thailand are proposed. Also likely is the revocation of an exception for biofacial modules which account for 98% of all modules imported into the US.

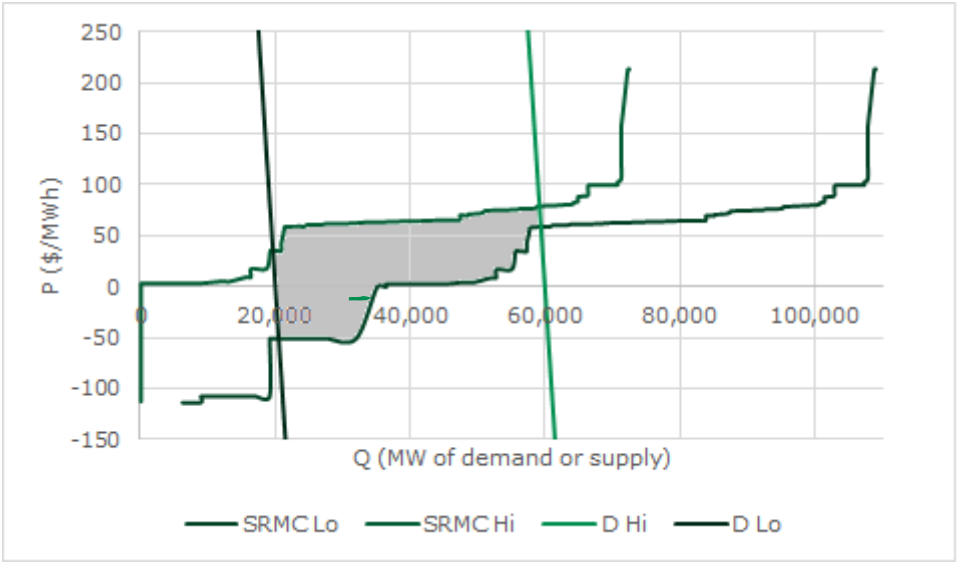
Despite the tariff threat in the US, PV module prices there have remained competitive and are expected to continue to do so. There are two key reasons for this. Firstly, there is already a considerable inventory of PV modules in the US. At the end of Q1 24 this was estimated to be c.35GW. Second, there has been a major expansion of the global supply chain in the solar industry over the past two years initially driven by supply chain constraints. Many major suppliers have moved cell and module supply chains outside the targeted countries. As a result, developers are reporting that project pricing remains broadly on track.

ADDING STORAGE

Westbridge is adding co-located storage at most of its PV projects as well as developing three stand-alone BESS projects in Alabama and Colorado. Storage economics can be complex with storage assets often taking advantage of multiple market opportunities to form a revenue stack. We have simplified our analysis to focus on just the ability to conduct simple trades across time periods and in the key Alberta market there is only an energy market, so this is a fair reflection of that market. There will be many additional aspects to consider but, overall, we see our analysis as presenting a strong base case for storage.

We can examine the economics of electricity storage using a traditional supply and demand graph. Because of the instantaneous nature of the market, we really need to show two demand curves, one with the peak demand in the year (D Hi) and one with the minimum demand (D Lo). Also, because intermittent renewable supply varies, we think it is helpful to show the limit points in two supply curves (based on short run marginal cost), one with all renewable capacity available (SMRC Lo) and one with no renewable capacity available (SRMC Hi). Prices across the year should all fall in the shaded area between the curves.

Electricity market supply and demand in a 60GW peak market



Source: Longspur Research, BNEF, National Grid FES

The average price for the year will be predominantly in the middle of the shaded area. The low supply curve includes renewables with negative short run marginal costs resulting from subsidy programmes. The subsidy is only paid when the generator runs, so there is the potential that they are prepared to bid negatively, down to the level of subsidy. This may be rare but does happen and is increasing as more renewables are added to the system.

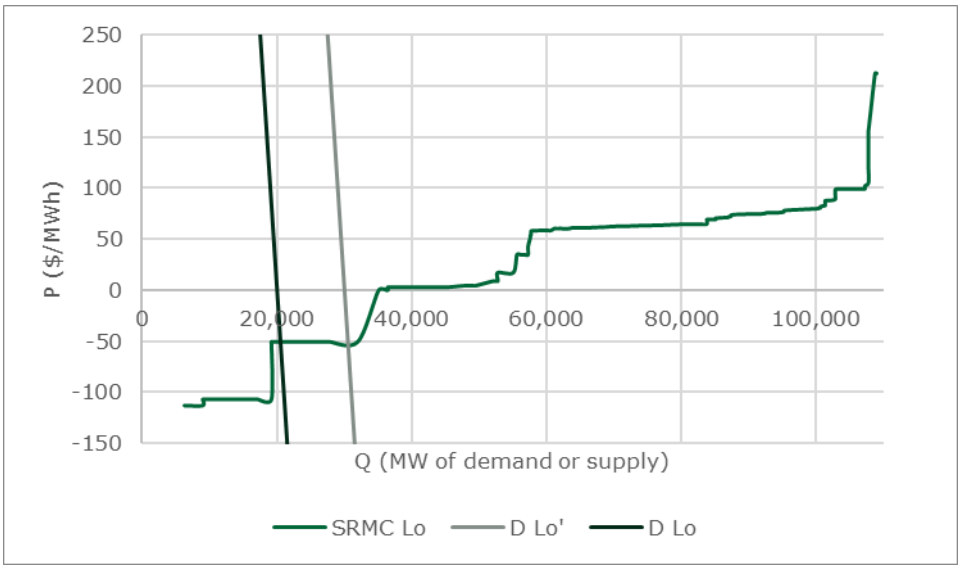
Adding storage

Storage is both a source of demand and supply. Storage charges as demand and discharges as supply. This charging and discharging can be delivered, and can change direction, more rapidly compared to any other assets on the grid. Charging will ideally take place when supply is at a maximum and demand at a minimum. With negative pricing, energy storage could be paid to charge.

Battery storage makes money by taking advantage of multiple opportunities across time between and within the various energy markets including the day ahead, intraday and imbalance markets. However, to understand the overall opportunity we simplify our

analysis to an assumption that discharging will try to take place when demand is at a maximum and supply at a minimum. If we add storage capacity two things happen. The capacity moves the low period demand curve to the right to represent the additional demand caused by charging.

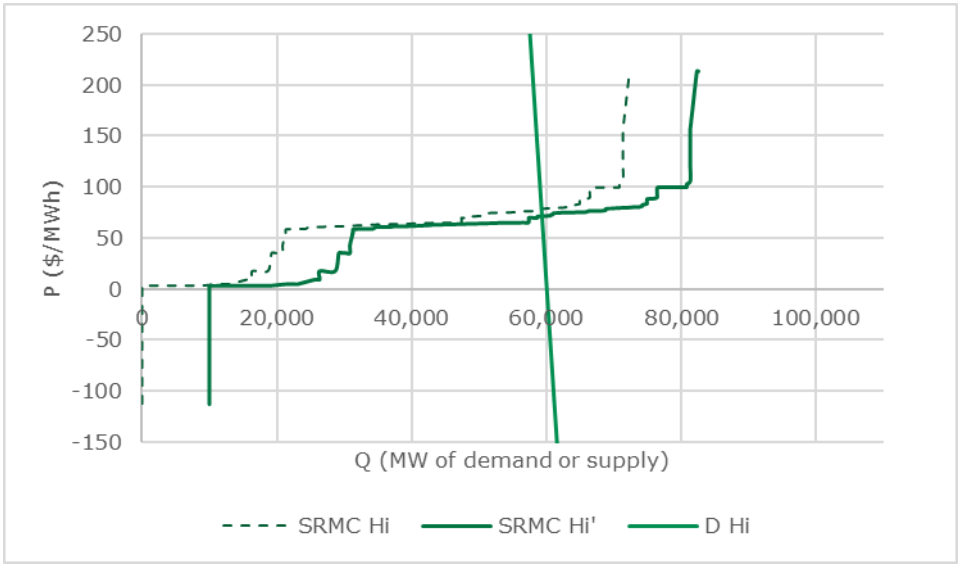
Impact of 10GW of storage charging



Source: Longsur Research

Then the high period supply curve is also moved to the right (new supply is added), representing discharging.

Impact of 10GW of storage discharging



Source: Longspur Reseach

Looking at these graphs we can see that we can add over 30GW of new storage before the charging cost rises materially above zero and before the discharge price falls below $50/MWh. We would caution that this is the extreme range available, but it does give a useful illustration of the fact that trading spreads can remain attractive even with a lot of new storage capacity in the market. 30GW represents c.50% of the peak demand in our market example and is a significant opportunity.

Pricing of Trades

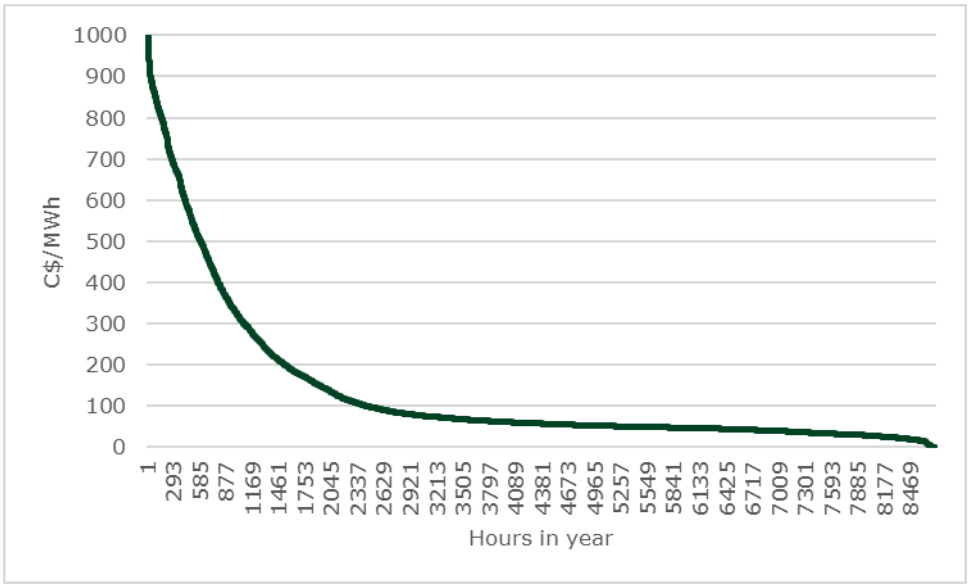
Power trading is the key element of the revenue stack of a typical battery installation and the only one applicable in Alberta. The economics of power trading, or arbitrage to use the energy industry term, are based on the ability to buy power and charge batteries when prices are low and to sell power by discharging when prices are high.

Our analysis of the Alberta market suggests that the average spread between high and low prices can be significant. We think we can read forward from this recent past to show that projects can deliver even stronger returns as renewable penetration grows.

Broadly speaking, generators in electricity markets compete on the basis of their short run marginal costs. When renewables are running, they have a very low short run marginal cost. As renewables take up more of the system, low price periods become more frequent. However, when there are not enough renewables to meet demand, more expensive fossil fuelled generation becomes price setting. These periods are expected to remain expensive as fossil fuel generators will increasingly have to cover costs and margin over a shrinking number of operating hours.

We can look at the distribution of prices in what the power industry has historically termed a price duration curve with highest prices shown first at the left-hand end and low prices at the right-hand end.

Alberta Price Duration Curve 2023

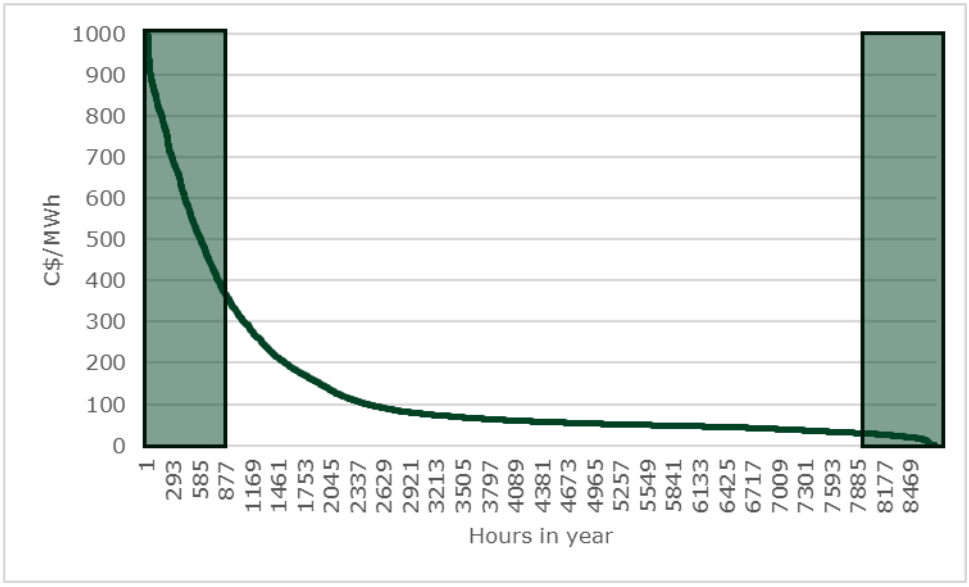


Source: AESO

Impact for a Typical Battery

Looking at the price duration curves we can estimate the average charging cost and discharging price assuming utilisation of 8.3% based on 2 hours of storage duration with one cycle a day (2/24=0.083). The resulting average spread will then be the difference between the average prices in the two green boxes below.

Calculating the storage spread



Source: Longspur Research, AESO

We have shown the top and bottom 8.3% of prices in the table below with the resulting spread. This is a high number reflecting the high prices seen in peak hours in the province. Currently developers are tending to secure long term offtake agreements for batteries locking in pricing. This perhaps misses capturing some of this spread but at least provides certainty and allows projects to proceed to financing.

Alberta Two Hour Storage Spread 2023

C$/MWh	High 8.3%	Low 8.3%	Spread
2023	665	19	646

Source: Longspur Research, AESO

FINANCIALS

EARNINGS OUTLOOK

To forecast earnings, we have modelled each project based on our standard clean energy project model. This allows us to value each project and then assume a discount for the stage at which each project is sold, this being the ready to build stage.

We have split projects into separate PV and BESS project models even where these are co-located. For the PV projects we have assumed an EPC capex cost of US $1,000/kW and a 30 year life. A capacity factor suitable for the project location derives our assumed output and we have used market data for capture price where available or near markets where not. For BESS projects we have assumed an EPC capex of US$300/kW and a 10 year life, assuming a single cycle per day and a round trip efficiency of 90%. The Canadian and UK projects are assumed to have a two-hour storage duration translating into an 8.33% capacity factor and the US is assumed at four hours. Peak power pricing and charging costs based on actual pricing data where available and assumed where not. Capacity and ancillary services prices have been added for the UK project only. Project net present values are then calculated using our assumed group WACC.

In order to calculate the sale proceeds at the shovel ready stage we discount the project NPVs. The discount for the Alberta Project Portfolio has been aligned with the announced Metlen economics. All other projects have been valued according to stage with late-stage at 25%, mid-stage at 20% and early stage at 15% which aligns with the valuations per Wdc published by LevelTen and equates to the typical valuation for this stage reported by Deloitte.

We then recognise 95% of the gain on sale at project FID with the remaining 5% a year later. BESS projects see 95% recognised on commercial operations date (COD) with 5% a year later and tax credit gains are recognised at COD as well. Administration costs are based on historic costs plus inflation assumption of 2.5% with an additional staff bonus based on the Georgetown payment reported in Q1 24 and allocated on a pro-rata base. Tax is weighted according to project locations with 15.3% on the initial Alberta projects, rising to 21% on US projects.

The immediate earnings future of the company is driven by the five Alberta projects which have already secured a sales agreement. Georgetown has completed and the Q1 results announcement shows C$47.1m of cash and a gain of C$41.6m. Sunnynook has also completed and we expect a gain in line with the C$41.4m of cash receipts adding to the FY 24 results. This accounting treatment will be typical of the company going forward with operating profit reflecting discrete project sales set against an ongoing administration and development cost base. The company has set basic salaries low with high bonus payments driven by successful project sales to align staff with the delivery of completed projects.

The gains from both Georgetown and Sunnynook represent 92% of the total PV gain value, 3% having already been received as an upfront payment for all five projects. Each project should also see subsequent gains from the sale of the BESS component, but these will not be available until each project is running which should be within a year of these gains. There will also be additional value created by investment tax credit eligibility which can only be guaranteed once the project is running, again within a year of the initial gain. Finally, 5% of the gain value is held back until the project is running.

This means that FY 25 will also see further gains from Georgetown and Sunnynook. However, we also expect the main PV gains on Dolcy and Eastervale to also be recognised that year creating a major overall gain of C$105m. We also expect to see some early upfront payments on the other announced pipeline projects making this year a high point in terms

of total gains. While sales have not yet been agreed we have assumed proceeds in line with the Deloitte survey at the valuations percentages stated above.

FY 26 should see further growth as more gains come through and even into FY 27 will remain above C$100m as the other announced projects start to deliver alone with the Red Willow project on which terms have already been agreed.

BALANCE SHEET

The cash received from the sale of Georgetown left Westbridge with a strong cash position with C$28.1m as at 31 May 2024. The company has subsequently paid out C$9.4m to shareholders in the distribution announced on 29 May and the Normal Course Issuer Bid had only cost C$176k at the period end and could end up seeing c.C$4m paid out assuming the current share price of C$0.8. The Sunnynook completion means FY 24 will see a stronger position yet with an additional C$41.4m in initial proceeds.

Some of the cash from the sales of both Georgetown and Sunnynook has been used to repay the Leyline loan facilities covering the GUOC fees for the firsts four initial projects with Red Willow only having just paid its GUOC and still financing this on the project SPV balance sheet.

Our earnings estimates, driven initially by the Alberta projects, will see the company generating strong cash flows over the next three years at least and further pipeline development will extend this. While the company will continue to return cash to shareholders through dividends, we expect it to retain a comfortable cash balance to allow it to continue to grow. We have forecast the company to payout a third of project gains and to retain the rest for paying down any debt and for investment in future growth.

Should the company consider full investment in projects beyond the shovel ready stage it could have sufficient cash to minimise any additional calls on the equity markets although this will depend on the number and size of projects taken forward.

VALUATION

There are very few clean energy development companies with the same model as Westbridge and the potentially variable earnings profile makes comparison difficult. Accordingly, we have performed our valuation using a well-constructed DCF model for the currently announced project and potential future projects.

We have used a weighted average cost of capital of 10.0%. This is based on the high end of the most recent UK's Competition and Markets Authority assessment on cost of capital. We see this as one of the best contemporary estimates based on thorough work that if required must be able to stand the scrutiny of a judicial review. This gives a real risk-free rate of -1.0% which with a 2.5% inflation assumption gives 1.5% nominal. The market premium is 8.5% based on historical ex-post market returns going back to 1900. The median beta of our comparator group is 0.8 but we have more conservatively used 1.0 assuming a Bayesian convergence over time. With no assumed debt this gives us a WACC of 10.0%.

Weighted Average Cost of Capital

Risk free rate	1.5%
Market premium	8.5%
Loan margin	3.5%
Marginal tax rate	21.0%
After tax cost of debt	4.0%
Debt/total capital	0.0%
Beta	1.0
Cost of equity	10.0%
Weighted cost of capital	10.0%

Source: Longspur Research, CMA

We have forecast cashflows to the date of the last project closing plus an additional three years of cost to cover run off. We have not used a terminal value assuming projects simply terminate at the point of closing. However, we do factor in further value as discussed below.

Our central case valuation is based only on the agreed projects and the mid-stage pipeline.

DCF Valuation – Central Case

C$'000	2024e	2025e	2026e	2027e	2028e	2029e
Operating cashflow	54,351	76,677	99,327	96,079	62,729	29,557
Cash from associates	0	0	0	0	0	0
Tax paid	2,571	-4,654	-12,930	-18,312	-14,558	-12,482
Interest tax shield	-171	-96	0	0	0	0
Capex & investments	-12,049	-9,252	0	0	0	0
Free cashflow	44,702	62,675	86,397	77,768	48,171	17,075
Terminal growth	0.0%					
Terminal valuation	0					
Terminal EV/EBITDA	0.0					
Implied enterprise value	255,320					
Implied market cap.	216,932					
Implied share price	2.4					

Source: Longspur Research, Forecasts go out to 2033

This gives a central case valuation of CS$2.4 per share based on just these projects. There is not terminal value as we are only valuing these projects. We have looked at other scenarios which will include longer term income in the valuation.

SCENARIOS

Our forecasts models include modelling the individual projects so we can examine valuations based on selected projects brought to shovel ready stage and sold. Our base valuation assumes only the five Alberta projects for which sales prices are already subject to agreement. This feels a very conservative case given the company's pipeline beyond these projects but at least gives a solid base.

Our central case assumed the mid-stage pipeline projects are monetised, and our high case assumes that the early-stage pipeline is also brought to the shovel ready stage. Beyond this we have added an additional conservative assumption of continued reinvestment in as yet unidentified projects driving additional value. We have added a terminal valuation to recognise this based on a Gordon's growth model and a 2.5% inflation assumption factoring a view of project realisations at a historic level in real terms.

DCF Valuation – Long Term Case

C$'000	2024e	2025e	2026e	2027e	2028e	2029e
Operating cashflow	54,351	76,677	99,409	96,072	106,028	92,563
Cash from associates	0	0	0	0	0	0
Tax paid	2,571	-4,654	-12,930	-18,230	-14,484	-23,889
Interest tax shield	-171	-96	0	0	0	0
Capex & investments	-12,049	-24,913	0	0	0	0
Free cashflow	44,702	47,015	86,479	77,841	91,544	68,674
Terminal growth	2.5%					
Terminal valuation	1,177,822					
Terminal EV/EBITDA	13.7					
Implied enterprise value	416,596					
Implied market cap.	378,208					
Implied share price	4.1					

Source: Longspur Research, Forecasts go out to 2034

DCF Scenarios (US$/share)

Case	Scenario	C$/share
Base	Agreed Alberta projects	1.6
Central	Mid-stage pipeline	2.4
High	Early-stage pipeline	3.2
Long term	Long term reinvestment	4.1

Source: Longspur Research

Comparative multiples are fairly meaningless given the early stage of many companies as the clean energy space continues to develop. We have included multiples from a variety of companies involved in renewables and storage, but none are really direct competitors with Westbridge.

Comparative Multiples

	Market Cap (C$m)	EV (C$m)	PE current	PE prosp.	EV/EBITDA current	EV/EBITDA prosp.
Westbridge	83	118	-26.1	1.4	-30.1	1.7
North American Peers						
Emeren Group	149	216	6.2	3.9	4.4	3.7
Revolve	15	19	na	na	na	na
Solarbank Corp	114	166	na	na	na	na
Polaris Inc	5,272	8,109	20.8	17.9	9.0	8.6
Altus Power Inc	889	2,915	12.1	na	18.5	15.6
EU SMID Peers						
Greenergy	12	6	na	na	na	na
Metlen	6,970	10,497	7.0	6.3	6.4	5.8
Scatec Asa	1,563	4,871	15.9	17.5	7.8	8.2
Voltalia Sa- Regr	1,482	4,326	na	59.6	13.3	10.2
Pne Ag	1,226	2,548	na	na	39.4	26.8
Magnora Asa	197	152	4.7	6.6	4.2	5.7
Grenergy	1,252	2,408	19.3	9.2	14.9	7.4
Solaria Energia	1,820	3,372	12.8	12.5	11.4	10.3
7C Solarparken Ag	234	508	34.6	14.6	7.1	6.1
Audax Renovables	1,097	1,557	14.8	12.2	9.0	8.0
Soltec	216	546	6.7	5.5	5.1	4.8
Others						
Ox2 Ab	2,068	1,686	26.8	12.2	18.8	8.3
Neoen Sa	8,891	14,515	72.4	47.8	18.1	13.8
ERG Spa	4,478	7,947	14.3	13.5	9.6	8.9
Encavis Ag	4,038	7,068	31.5	28.3	15.1	14.0
Mean	2,003	3,502	17.1	16.8	10.1	9.3
Median	1,226	2,408	14.5	12.3	9.3	8.3
Max	8,891	14,515	72.4	59.6	39.4	26.8
Min	12	6	-26.1	1.4	-30.1	1.7

Source: Bloomberg, Longspur Research

FURTHER OPTIONS FOR VALUE

Westbridge's approach to the market is to avoid the high capital costs of taking project through to operations and thus maximising returns on a limited capital base. We expect that for FY24 with recognised gains on the disposal of the Georgetown and Sunnynook projects, Westbridge will see a return on capital employed of up to 3x. In our base case model, we have assumed that Westbridge remains a pure developer selling on projects at the RTB stage and returning cash to investors.

In the longer term the company has the option to invest in its own projects. While it can make the best return only investing to the ready to build stage this requires a constant pipeline of new projects opportunities which is not always guaranteed. Alternatively, when it has already taken a project to the ready to build stage the risks start to go down. While the return will also go down thanks to the capital commitment this approach can still add an attractive marginal return.

Valuation of this strategy is highly dependent on funding. We can make the conservative assumption that the company funds project equity from its own balance sheet, sourcing any new equity required through issuance at the holding company level. This will clearly depend on the share price at the time. We have conservatively evaluated the option using the current share price of C$0.82 per share to price any equity raises.

While we think it less like the company could also consider following a royalty model combined with project debt.

Moving to an IPP

Individual project funding remains a matter for negotiation. For modelling and valuation purposes we have assumed that the projects can attract gearing of 80%. We then assumed that Westbridge retains 100% ownership with the company funding the equity directly with new share issues if required, undertaken at points of significant progress. We have assumed a raise at a conservative 20% discount to the current share price of C$0.82.

Are our debt assumptions sensible?

We can take a view on typical debt funding might be achievable for similar types of PV and BESS projects based on our experience of North American transactions. Individual projects will of course vary in location connection and other factors and without a full engagement these can only be illustrative.

- Gearing 80% to 90% for PV and 60% to 90% for BESS
- Margin over SOFR 200-300bps, usually a higher margin ratchet during construction, then falls during first year of operations, and then gradually up every few years to incentivise a refinancing.
- Tenor between 5-18 years dependent on the lender

Overall, this feels consistent with our modelling debt assumptions which are at the low end of these gearing ranges, and we are happy to keep these unchanged.

Royalties - An Alternative Option

A royalty option could see Westbridge farm-out equity in its projects in return for the funding of the project, with Westbridge receiving a royalty representing a proportion of the project income. This is essentially a farm-out royalty type agreement in which Westbridge as the holder of a project option (the farmor) assigns the interest in the project to another company (the farminee) in exchange for funding of a work programme. Farm-outs may be conducted at any stage in the lifecycle of a project but are more commonly found at the development stages.

Farm-outs are common in the oil industry and often used by junior oil companies to fund exploration expenditure in a licence area. A junior oil company with a 100% interest in a licence will seek a farm-out agreement with potential partners who consider the licence attractive. A farminee might offer to pay 100% of the costs of drilling an exploration well to obtain a 75% interest in the licence or alternatively take a 100% interest but pay a royalty to the farmor. In this case, the farmor pays zero costs for constructing and operating the project, so has what is essentially a free carry. With Westbridge we expect 100% of project ownership to pass to the farminee in return for a royalty which could be 25% of the project income.

This farm-out royalty model is an attractive means of funding:

1. The farmor surrenders their equity interest in the project only which may be preferable to raising new company equity and diluting the listed shares.
2. A new project partner may help confirm independent technical endorsement of the project.
3. Development and commercial risk are reduced.
4. The farminee may have specific technical, commercial or other expertise to bring to the project and farmor.
5. The farminee takes up the operations of the project releasing resources at the farmor to develop new projects.

Of course, oil and gas exploration is inherently risky and a farmout can help reduce the risk by allowing portfolio diversification and mitigation of geological risk and financial exposure. In the case of Westbridge projects there is far less risk with most key variables determinable within a realistic range. Importantly the concept of a “dry well” is not an issue for Westbridge.

Also, as we have seen in other companies, equity can also take a position that gives it a right to invest in the companies next project, thereby accelerating the potential development of other phases.

Valuation Scenarios Using Different Solutions

Our existing valuation of the full pipeline is based on selling all projects at the ready to build stage for an average of 20% of their full value (other than those already priced) and cash reinvested in new projects. This gives a valuation of C$4.1 per share.

However, if we assume that the project equity is funded through new Topco equity raises with Westbridge retaining full ownership we get a valuation of C$8.1 per share.

If instead we assume a royalty model with a new company funding 100% of remaining project capex and Westbridge receiving a 25% royalty stream but bearing development costs to date, then our valuation also comes in at C$7.9 per share.

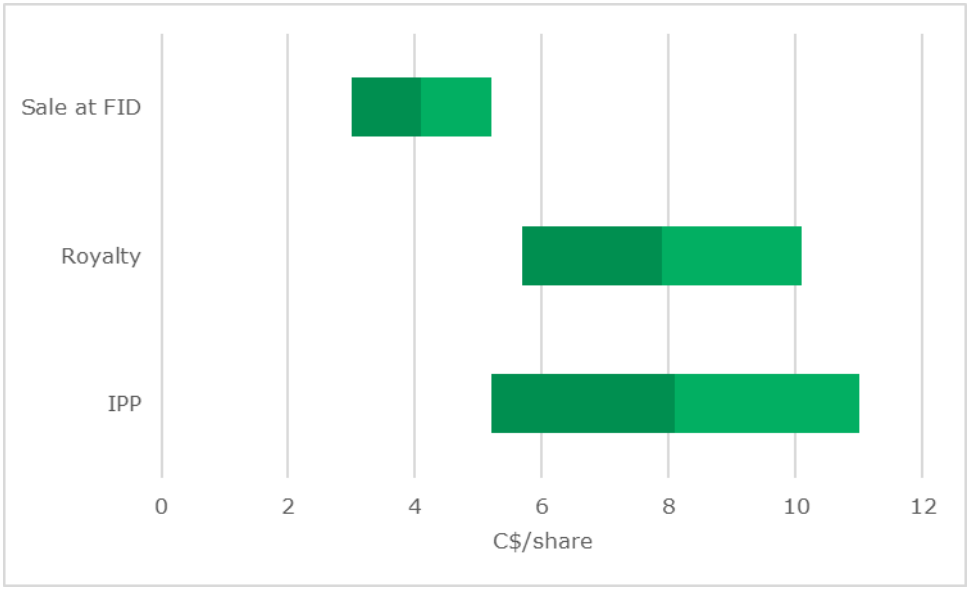
We have also undertaken these funding scenarios with a low case assuming a PV capture price and a storage spread 25% lower than our central assumptions a high case with these prices 25% higher than our central assumptions.

Valuation scenarios against storage spreads

C$/share	Low	Central	High
RTB	3.0	4.1	5.2
Royalty	5.7	7.9	10.1
Own	5.2	8.1	11.0

Source: Longspur Research

Valuation ranges



Source: Longspur Research

In all cases the outcome represents strong upside from today's valuation. Exact details may vary but the message is clear that in the long run that Westbridge has a number of options for playing the growing renewable energy market which we think de-risks the way to realising the value of the business.

We have used the post development sale model for our central forecasts. While this seems to result in a lower valuation, remember we are only valuating the visible pipeline plus a low reinvested capital assumption. With a faster time to monetisation the opportunity for the company to recycle more cash into new projects is higher and we do not rule this out leading to higher values given the continued demand for new PV and BESS projects in the company's key markets. However, our analysis does show that there are several routes to higher value for the company.

RISK

We see the main risks to our valuation as failure to reach project sale, project delays, pricing uncertainty and market saturation. Mitigation includes continued strong demand, avoiding late stage development risks and continued demand for new projects in the company's chose markets.

Failure to reach project sale

Cleary the Westbridge model relies on the ability to sell projects at the ready to build stage and thus to find willing buyers. Given the growing demand for clean energy projects in the markets in which Westbridge choses to operate we expect demand to remain for some time. The company's successes to date also give comfort here.

Timing uncertain and delays possible

This is always a risk and the moratorium on new project approvals in Alberta is a key example of delaying factors. However, because Westbridge does not deploy significant capital it is less financially exposed to delays compared to those involved in project construction where delays are likely to cause more financial pain.

Pricing uncertainty

Clearly until projects are sold there is no certainty that prices will remain attractive. However, the ability to find the attractive projects in markets where demand remains strong makes it likely that good prices can continue to be achieved in our view. This risk is related to market saturation and as we show below, early experience of this in the UK BESS market suggests it may be a temporary phenomenon.

Market saturation

We have already experienced market saturation in the UK BESS market despite ongoing growth in both renewables and storage demand. Our experience here leads us to believe that saturation can be short lived, and we are already seeing some signs of renewed interest in projects. The geographic spread of projects is also a major mitigating factor here.

MANAGEMENT

BOARD & KEY MANAGEMENT

Stefano Romanin, CEO & Board Director

Stefano is an experienced investor in private equity and energy, with over $2 billion in wind, solar, and biomass deals. He has developed $1 billion in solar PV across Europe and North America and founded a 1.45GW solar PV platform. Previously, he worked at JPMorgan in private equity.

Scott Kelly, Director & Executive Chair

Scott is an experienced entrepreneur, venture capitalist and public company board chair with a successful track record of building and selling companies and 25 years of working in all aspects of capital markets and with a senior exchange. He is a Queen's University graduate and completed a Venture Capital Executive Program at UC Berkeley.

Margaret (Maggie) McKenna, COO & Board Director

Maggie is a lawyer managing over 1300MW of solar projects in Canada and the U.S., including the Georgetown Project. She has experience as general counsel and in-house counsel for real estate and technology companies.

Philip Stubbs, CFO

Philip, a Chartered Accountant, has worked at Deloitte and as a finance director in real estate, infrastructure, and renewable energy, focusing on investment structuring and funding. He holds a BSc in Physics from the University of Bristol.

Marcus Yang, Director & Audit Chair

Marcus is a qualified accountant with 20+ years of experience, having worked at KPMG, Deloitte, GE Capital, RBS, and Wetherby Growth.

Pandelis Vassilakakis, Chief Business Development Officer

With 17 years of experience, Pandelis has developed over 5 GW of solar PV and wind farms. He has held senior roles at Talesun Energy and Canadian Solar, originating and developing over 1,200 MW of solar PV worldwide.

Francesco Paolo Cardi, VP, Development

Francesco oversees greenfield and M&A solar PV projects, having developed 3GW+ of solar assets in North America. He previously worked on a 1.45GW solar pipeline in the UK, Italy, and Canada.

Alex Dickinson, Special Advisor, Enabling Technologies

Alex has 30+ years of experience in energy, specializing in thermal renewable power, hydrogen fuel, and Battery Energy Storage Systems. He has worked on energy projects worth over $2bn globally.

Paul Larkin, Advisor

Director of US Geothermal, a renewable energy company listed on the NYSE, from 2000-2018. Mr. Larkin held various accounting and banking positions for over a decade before founding New Dawn Group, an investment and financial consulting firm located in Vancouver, in 1983.

FINANCIAL MODEL

Profit and Loss Account

C$,000, Nov	2022a	2023a	2024e	2025e	2026e	2027e
Operating profit						
Project income	0	0	0	0	0	0
Project development	-2,392	-3,711	61,949	84,954	104,709	92,325
Grants etc	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-2,392	-3,711	61,949	84,954	104,709	92,325
P&L Account	**2022a**	**2023a**	**2024e**	**2025e**	**2026e**	**2027e**
Turnover*	0	0	0	0	0	0
Operating Profit	-2,392	-3,711	61,949	84,954	104,709	92,325
Investment income	0	0	0	0	0	0
Net Interest	51	-1,936	-1,483	-628	782	2,749
Pre Tax Profit (UKSIP)	-2,340	-5,647	60,466	84,326	105,491	95,075
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-2,340	-5,647	60,466	84,326	105,491	95,075
Tax	0	2,571	-4,654	-12,930	-18,312	-14,558
Post tax exceptionals	0	0	0	0	0	0
Minorities	6	-4	0	0	0	0
Net Profit	-2,335	-3,080	55,812	71,396	87,179	80,517
Dividend	0	0	-13,862	-12,156	-21,596	-33,473
Retained	-2,335	-3,080	41,950	59,240	65,583	47,044
EBITDA	-2,345	-3,564	61,949	84,954	104,709	92,325
EPS (c) (UKSIP)	-2.79	-3.14	60.51	80.49	98.28	90.77
EPS (c) (IFRS)	-2.79	-3.14	60.51	80.49	98.28	90.77
FCFPS (c)	-5.88	-33.86	48.65	70.77	97.40	87.67
Dividend (c)	0.00	0.00	15.03	13.70	24.35	37.74

Source: Company data, Longspur Research estimates, *Project monetisation recognised as a gain on investment and not as turnover

KEY POINTS

- Project monetisation recognised as gains at operating profit level
- Initial gains on Georgetown and Sunnynook projects in FY24
- Further project gains in following years with Alberta projects in FY 25
- Deferred gains from ITC and BESS see continued project income further out
- Administration expenses running at c.C$4m before development costs and bonuses

Balance Sheet

C$,000, Nov	2022a	2023a	2024e	2025e	2026e	2027e
Fixed Asset Cost	560	2,157	2,157	2,157	2,157	2,157
Fixed Asset Depreciation	-57	-209	-209	-209	-209	-209
Net Fixed Assets	503	1,948	1,948	1,948	1,948	1,948
Goodwill	0	0	0	0	0	0
Other intangibles	0	0	0	0	0	0
Investments	5,359	48,383	60,432	69,684	69,684	69,684
Stock	0	0	0	0	0	0
Trade Debtors	1	1,016	0	0	0	0
Other Debtors	174	3,644	3,644	3,644	3,644	3,644
Trade Creditors	-654	-1,390	0	0	0	0
Other Creditors <1yr	0	-8,949	-8,949	-8,949	-8,949	-8,949
Creditors >1yr	0	-4,257	-4,257	-4,257	-4,257	-4,257
Provisions	-59	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	5,325	40,395	52,818	62,070	62,070	62,070
Cash etc	1,645	2,823	9,200	56,188	121,772	168,816
Borrowing <1yr	80	35,929	10,029	10,029	10,029	10,029
Borrowing >1yr	373	1,283	5,033	5,033	5,033	5,033
Net Borrowing	-1,192	34,388	5,861	-41,127	-106,710	-153,754
Share Capital	10,987	12,505	12,504	12,501	12,501	12,501
Share Premium	1,433	2,352	1,353	-1,643	-1,643	-1,643
Retained Earnings	-6,028	-9,108	32,842	92,083	157,666	204,710
Other	30	25	25	25	25	25
Minority interest	95	232	232	232	232	232
Capital Employed	5,325	40,395	52,818	62,070	62,070	62,070
Net Assets	6,517	6,006	46,956	103,197	168,780	215,824
Total Equity	6,517	6,006	46,956	103,197	168,780	215,824

Source: Company data, Longspur Research estimates

KEY POINTS

- Asset light model means limited fixed assets
- Cash grows and could mean further distributions above our assumed dividend
- Borrowing assumed paid down in FY 25

Cashflow

C$,000, Nov	2022a	2023a	2024e	2025e	2026e	2027e
Operating profit	-2,392	-3,711	61,949	84,954	104,709	92,325
Depreciation	47	147	0	0	0	0
Provisions	0	0	0	0	0	0
Other	1,019	1,071	0	0	0	0
Working capital	-216	486	-7,599	-8,276	-5,382	3,754
Operating cash flow	-1,541	-2,007	54,351	76,677	99,327	96,079
Tax paid	0	0	2,571	-4,654	-12,930	-18,312
Capex (less disposals)	0	0	0	0	0	0
Investments	-3,380	-31,191	-12,049	-9,252	0	0
Net interest	-85	-225	-1,483	-628	782	2,749
Net dividends	0	0	-13,862	-12,156	-21,596	-33,473
Residual cash flow	-5,006	-33,423	29,527	49,988	65,583	47,044
Equity issued	0	0	-1,000	-3,000	0	0
Change in net borrowing	0	35,581	-28,527	-46,988	-65,583	-47,044
Adjustments	0	-2,158	0	0	0	0
Total financing	0	33,423	-29,527	-49,988	-65,583	-47,044

Source: Company data, Longspur Research estimates

KEY POINTS

- Cash inflows with project sales in all forecast years
- No capex assumed as company retains existing model
- C$4m equity return in FY 24 and FY 25 through NCIB

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Longspur Research

10 Castle Street,

Edinburgh. EH2 3AT

UK

Longspur Capital

20 North Audley Street,

London. W1K 6WE

UK