

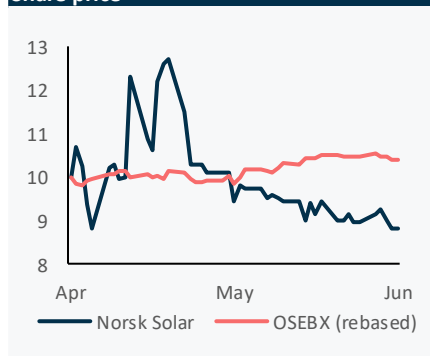
## Norsk Solar

BUY

### Key share data

Sector	Energy
Ticker	NSOL
Market Cap (NOKm)	659
Net debt (NOKm)	22
EV (NOKm)	700
Net debt / equity	63%
Issued shares, m	74.8

### Share price



### Performance

	1m	3m	12m
NSOL	-10%	na	na
OSEBX	6%	7%	39%

### Upcoming events

1H 2021 report	August 20, 2021
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Norne Securities is a market maker in the shares of Norsk Solar

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## Ambitious growth goals with focus on emerging markets

We initiate coverage of Norsk Solar, a Norwegian integrated solar power producer focusing on emerging markets and corporate and industrial clients. The solar market is booming thanks to significant cost reductions and government policies, and the fastest growing segment is the commercial and industrial segment which is the focus area of Norsk Solar. Norsk Solar currently has ownership in 70 MW of solar power plants in operation or under construction but aims to expand it to 2GW by the end of 2025. We see good value in the stock and recommend Buy with a target price of NOK 15/sh.

### Investment case

- Solar market is booming.** Investments in renewable energy have been growing rapidly in recent years. Solar stands out as the segment with the highest growth thanks to significant cost reductions. Within the solar market, the fastest growing segment is the commercial and industrial segment which is the focus area of Norsk Solar, driven by benefits to customers such as low costs, no up-front investments and improved sustainability metrics.
- Ambitious growth target.** Norsk Solar plans to grow impressively within the coming five years, aiming to expand its gross production capacity from current 59 MW to more than 2 GW by the end of 2025.
- Good value in the stock.** Our Sum-Of-The-Parts valuation approach, based on risk-weighted DCF, yields a total company value of NOK 23 per share. We set our target price at NOK 15/sh. after applying a 30-40% discount to account for various uncertainties.

### Key financial figures (NOKm), consolidated

	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	1	9	16	70	346	677	993
EBITDA	-12	-5	-2	33	265	535	793
EBIT (adj)	-12	-11	-9	-9	113	319	506
Pretax profit	-12	-26	-22	-73	-18	137	300
Net profit	-11	-20	-22	-69	-19	56	117
EPS (NOK)	-0.25	-0.37	-0.28	-0.72	-0.15	0.38	0.74
DPS (NOK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	na	na	0.0%	0.0%	0.0%	0.0%	0.0%
NIBD	62	22	424	1,376	2,550	3,246	3,551
EV/Sales	na	na	62.5	34.4	12.1	7.7	5.8
EV/EBITDA	na	na	neg	75.5	15.9	9.8	7.3
EV/EBIT (adj)	na	na	neg	neg	37.4	16.5	11.5
P/E	na	na	neg	neg	neg	23.4	11.9
P/B (excl. goodwill)	na	na	3.7	2.9	2.1	1.7	1.3
ROE (excl. goodwill)	-70%	-92%	-20%	-28%	-4%	8%	12%
ROCE (adj)	-20%	-13%	-3%	-1%	5%	9%	12%

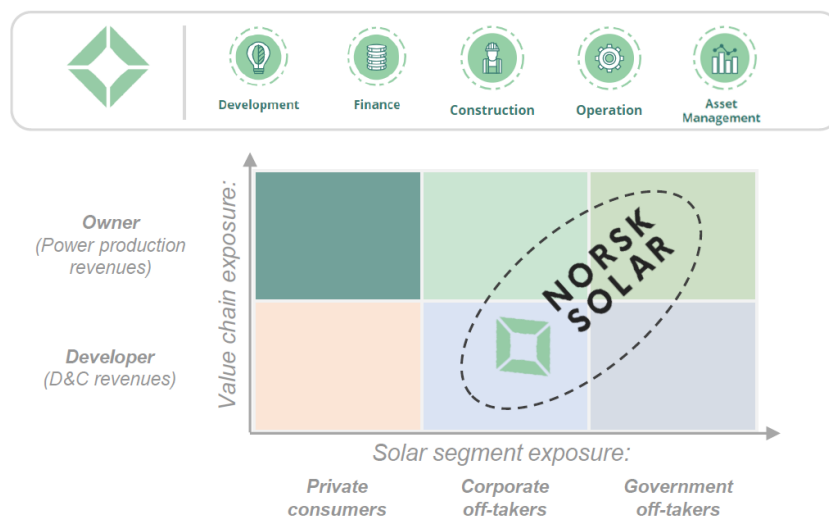
## Company Profile

Norsk Solar AS is a vertically integrated independent solar power producer focusing on emerging markets and corporate and industrial (C&I) in addition to utility-scale off-takers. The company develops, finances, builds, owns and operates photovoltaic solar power plants. Currently, Norsk Solar has ownership in 70 MW of solar power plants in operation or under construction and a project pipeline of 2 GW. Norsk Solar is headquartered in Stavanger, Norway and has offices in Ukraine, Nicaragua, South Africa, Brazil and Vietnam and currently counts more than 20 employees.

Norsk Solar was established in 2017 by Valinor AS (formerly Norsk Vind AS) and a group of entrepreneurs. It was listed on Euronext Growth (Oslo), operated by the Oslo Stock Exchange, on April 19, 2021 under the trading symbol (ticker) "NSOL". The largest shareholder remains Valinor AS, a renewable energy company with over 900 MW of renewable energy projects commissioned.



### Value chain positioning and market exposure



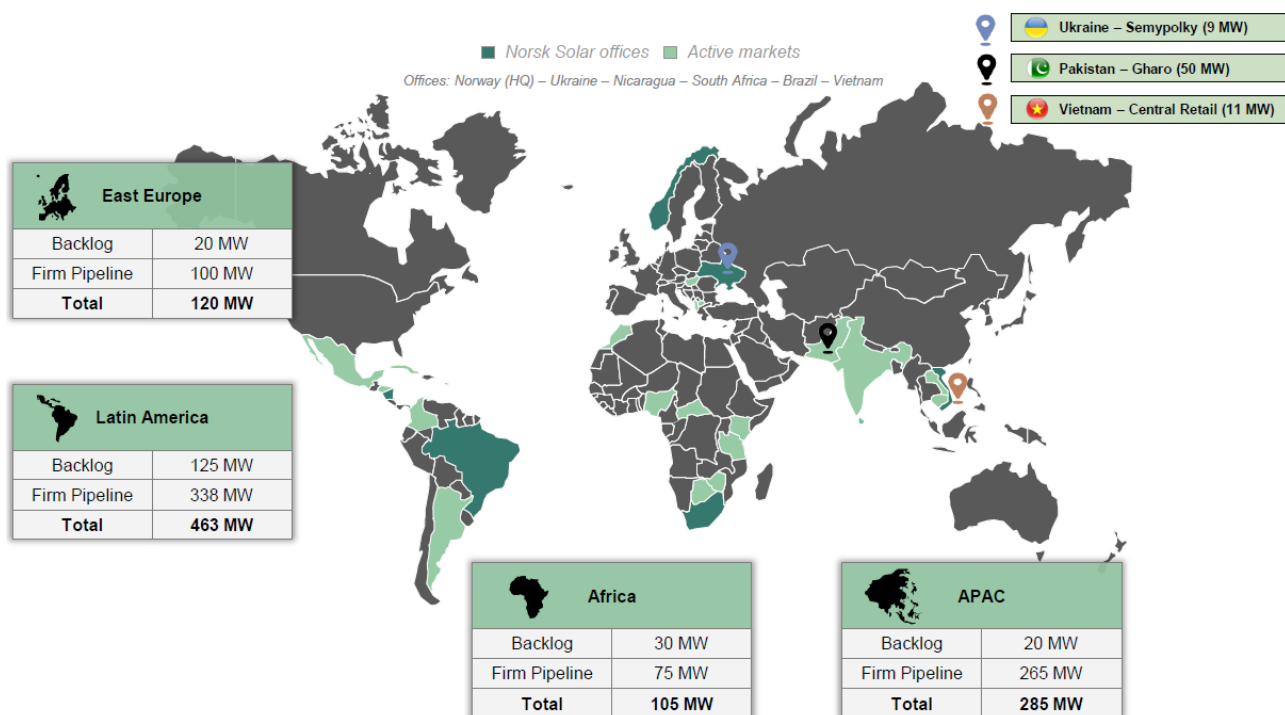
## Projects

Norsk Solar currently operates two solar power plants:

- **A C&I large scale 50 MW asset in Pakistan (Gharo)** which has been in operation since December 2019 where the company is a co-sponsor with a 10% ownership, and ...
- **... a utility-scale 9 MW asset in Ukraine (Semypolky)** which has been in operation since June 2020 where the company is a lead sponsor with a 45% ownership.

In addition, the company has a **C&I small scale 11 MW asset in Vietnam** (client: Central Retail) which is under construction, where the company is a lead sponsor with 100% ownership, but planned farm-down to 28% effective ownership, while maintaining control of the asset.

## Portfolio of Norsk Solar's solar PV assets:



Source: Norsk Solar

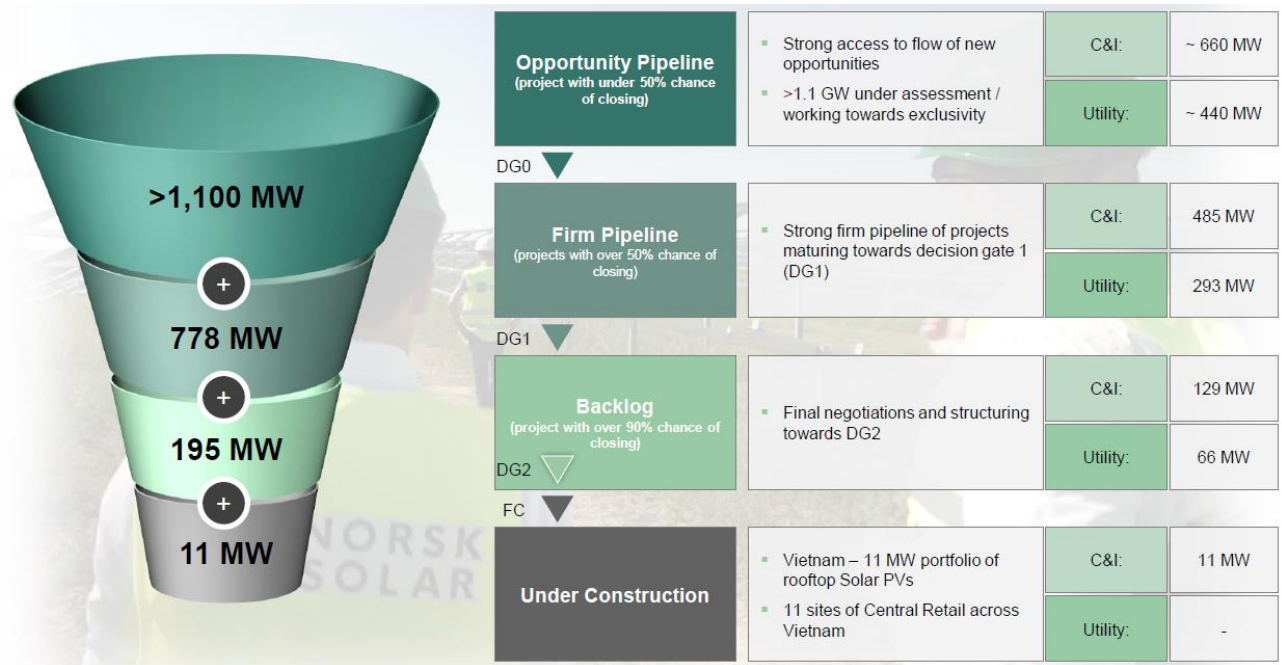
## Assets in operation and under construction:

Illustration	Pakistan - Gharo	Ukraine - Semypolky	Vietnam – Central Retail
Capacity	50 MW	9 MW	11 MW
Norsk Solar Role	Co-sponsor (10% ownership)	Lead sponsor (45% ownership)	Lead sponsor (TBD% ownership)
Segment	C&I – Large scale	Utility	C&I – Small scale (portfolio)
Status	In Operation (Dec 2019)	In Operation (Jun 2020)	Under construction
Total CAPEX	USD 46.6m	EUR 8.9m	USD 8.2m
PPA duration	25 years (2020-2044)	10 years (2020-2029)	20 years (2021-2040)
Partners	FMO	NEFCO	

Source: Norsk Solar

Thus, the company currently has ownership in solar plants with a combined gross capacity of 59 MW, and an 11 MW plant under construction. Based on contractual power prices and estimated production volumes, the company has secured solar power sales contracts with a total nominal undiscounted value of more than NOK 1.55 billion for plants in production and under construction.

The current project backlog represents additional capacity of 195 MW, assessed as projects having more than a 90% likelihood of being realized. Adding to this, the company has a firm pipeline of more than 778 MW of projects assessed as having more than 50% likelihood of being realized. The company has furthermore verified the feasibility and business cases for project opportunities representing a combined capacity of approximately 1.1 GW (“opportunity” pipeline: projects with under 50% chance of closing).



Source: Norsk Solar

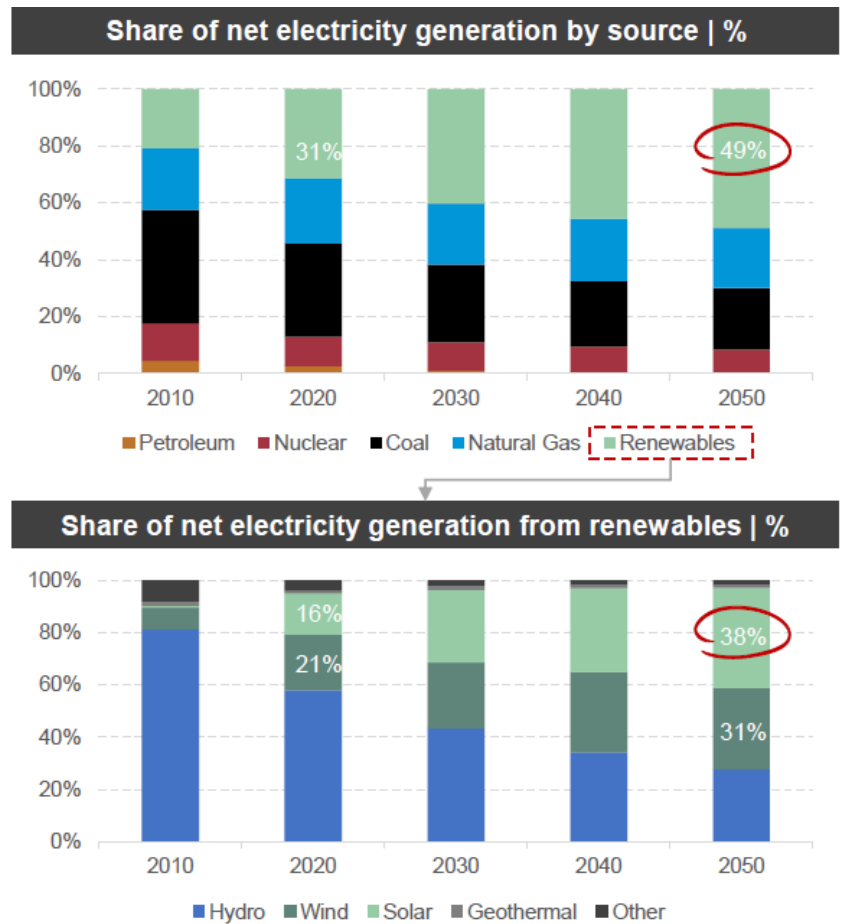
# Market Overview

The deployment of renewable capacity has been growing at a rapid pace in recent years. Among all the renewable energy technologies, solar PV power installations has been dominating the renewable industry in recent years. The breakthrough in Solar PV capacity additions has largely been achieved due to significant cost reductions and government policies, including deployment policies and research and development (R&D) funding.

Over the coming years, multiple drivers support further growth:

- Solar is in many regions now the power generation technology with the lowest cost;
- Cost is expected to decline further;
- Low technical risk and short construction time;
- Strong Government policies supporting renewable energy.

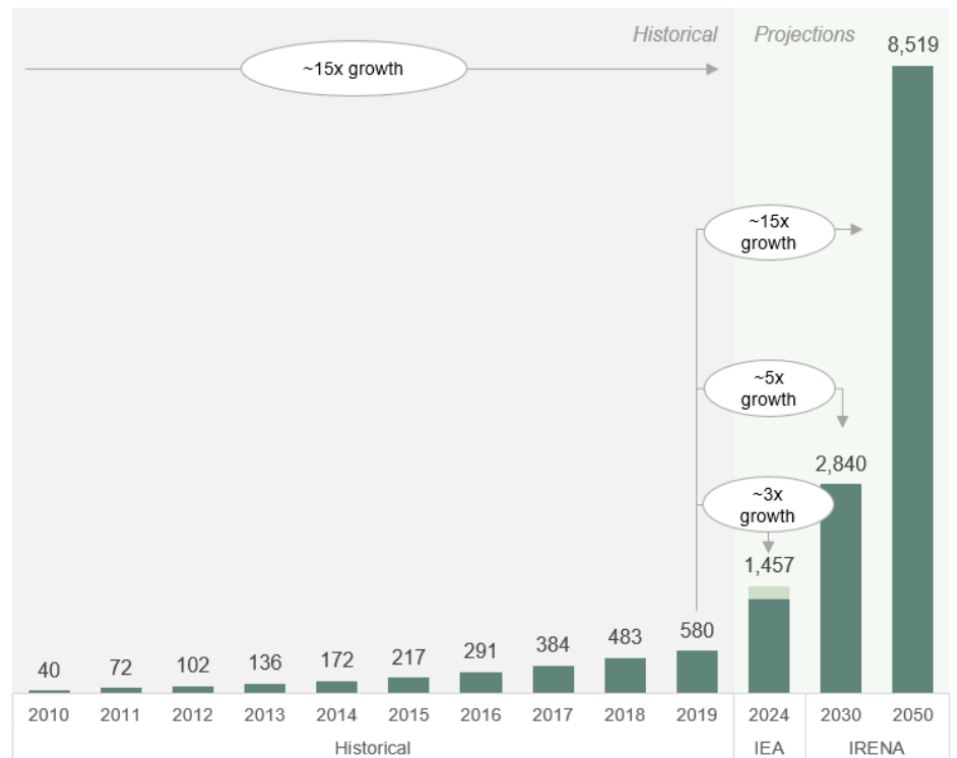
Solar is expected to make up close to 40% of the renewable energy mix by 2050 according to EIA, up from current ca. 15%.



Source: Source: EIA, Norsk Solar

Analysis from IRENA shows that installed capacity of solar PV could grow five-fold from 2019 to 2030, reaching a cumulative capacity of 2,840 GW by 2030 and rising to 8,519 GW by 2050.

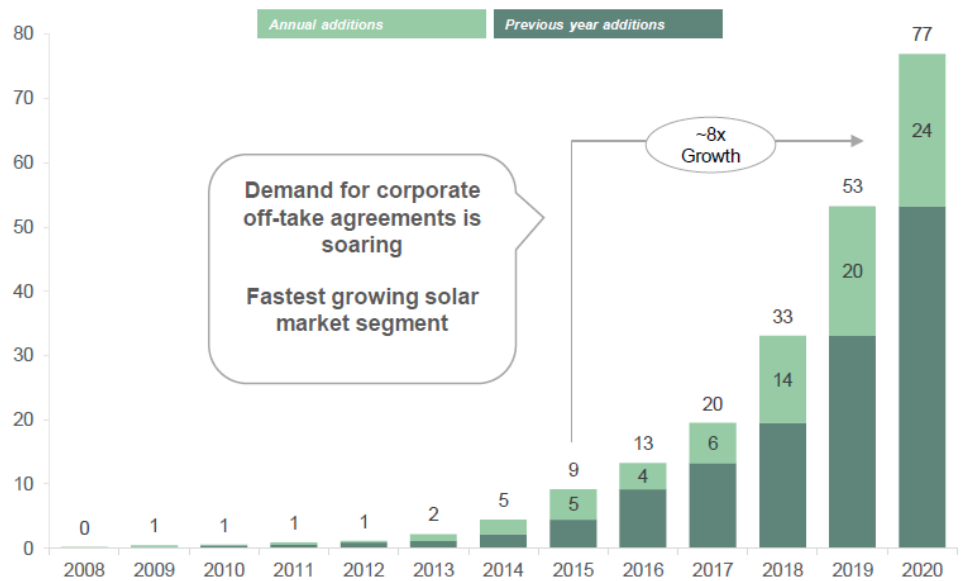
## Solar PV - Installed capacity | GW



Source: IEA, IRENA, Norsk Solar

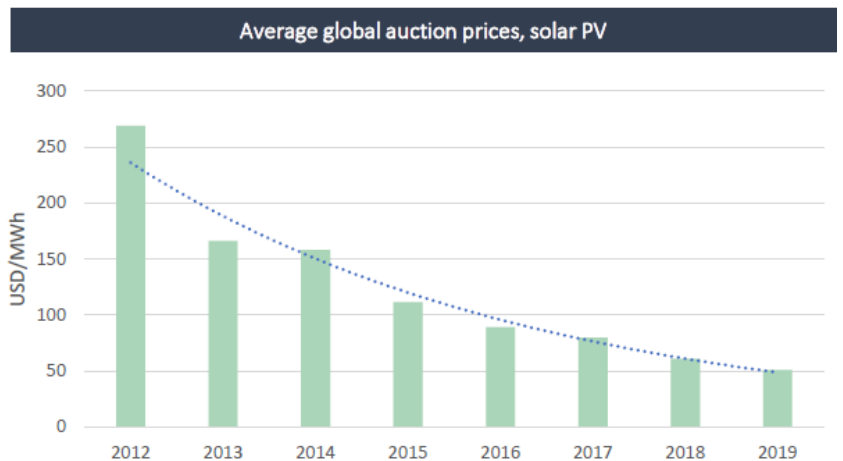
It is also worth noting that demand for corporate off-take agreement, an area of focus of Norsk Solar, has soared particularly in recent years. Installed solar PV capacity with corporate off-take agreements has grown from 9 GW in 2015 to 77 GW in 2020 making the commercial and industrial market the fastest growing segment within the solar market. The growth is being driven by benefits to customers such as low costs, no up-front investments, lower carbon footprint and improved sustainability metrics.

## Solar PV – Installed capacity, Corporate off-take agreements | GW

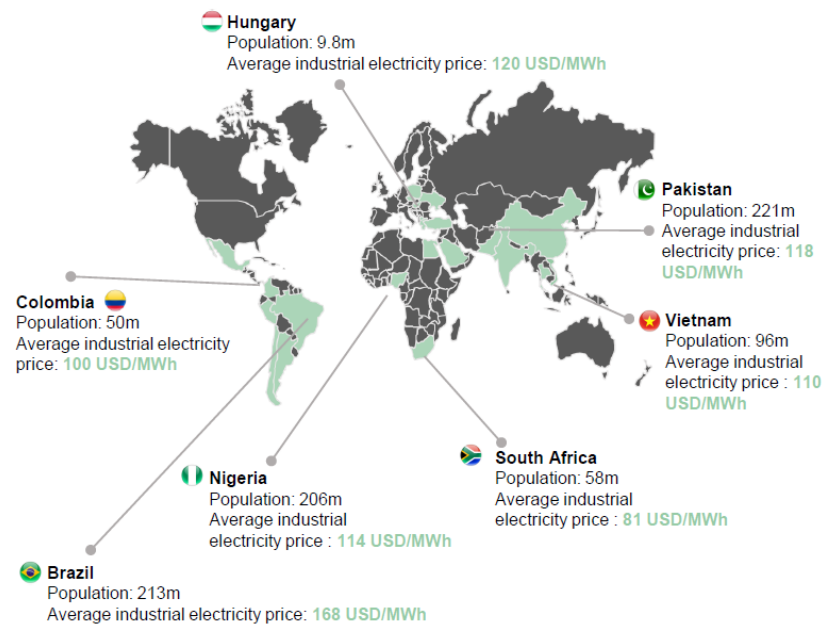


Source: BNEF 2020, Norsk Solar

As illustrated below, PPA (power purchase agreement) prices have been trending downwards and in many countries below the average industrial electricity prices, creating an incentive to utilize solar.



### Selected Emerging markets



Source: Norsk Solar

# Business Overview

## Solar market value chain

The value chain from production of raw materials to a fully operational power plant producing electricity can be divided into six steps. As illustrated below, Norsk Solar's business encompasses five of these six steps: the company is not engaged only in the manufacturing of solar panels.



Source: Norsk Solar

**Project development:** The most important activities in project development includes site identification and permitting, plant design, development of business case, securing of grid connection, PPA negotiation, and tendering activity. Competition in this part of the value chain is typically related to securing attractive land, and to tendering rounds where numerous parties may compete.

**Financing:** This stage involves securing financing for new solar PV projects and preparation of the new projects for commercial operations. The process includes structuring of debt and equity and due diligence processes. The funding of a new project can vary widely, although senior debt typically forms the dominant source of funding together with junior debt and equity. Other examples of sources of funding can be subsidized loans, grants or tax credits.

**Construction:** The construction phase includes activities related to building and finalizing PV plants, such as project management, construction, supplier and construction monitoring, quality assurance, and cash flow management.

**Operations:** This part of the value chain includes services related to operating, monitoring, maintaining and repairing PV power plants to maximize plant performance and availability. The business related to operation and maintenance is driven by PV capacity and has conventionally been a source to stable margins.



**Power production:** The last part of the value chain involves selling power to off-takers. Normally low variation of solar irradiation, PPAs (power purchase agreements) and feed-in-tariffs ("FiT") ensure fairly predictable returns once the plant is connected. A strong decline in prices for PV systems as well as an increase in the general level of electricity prices and/or grid tariffs in Norsk Solar's target markets have led solar PV generated electricity to become competitive with conventional sources of energy on equal terms in some segments in some countries, a development that is expected to continue. This development is important when evaluating the profitability of potential projects, and the development will make power producers less dependent on policymakers' future subsidy schemes. However, competition for electricity sales is not an issue as soon as power off-take agreements are acquired as the company then will sell its production in accordance to contracted arrangements.

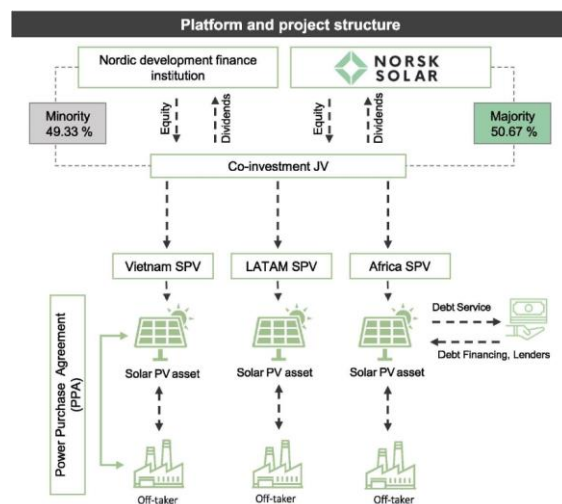
Norsk Solar believes the integrated business model can create competitive advantages through lower cost, higher speed and improved project execution in emerging markets. The experience gained from constructing and operating the plants is used in developing and designing new projects and vice versa.

## Competition

Typical competition is with other IPPs (independent power producers) with global reach in the utility/governmental space, mainly companies such as Scatec and Canadian Solar and in the C&I space companies like Sunseap, BayWa r.e. and Better Energy. In certain regions Norsk Solar can see competition from regional players like MPC Energy Solutions. Norsk Solar currently does not compete in the private consumer space.

## Financing platform

On April 30, 2021 Norsk Solar announced the establishment of a joint investment company with Finnfund, a development financier and impact investor majority owned by a Nordic state, for impact investing in developing countries. The investment company is named "Nordic Impact Cooperation AS". The initial capital contribution in the investment vehicle, between the parties, will amount to up to NOK 150m, with a potential to grow to NOK +1,000m. Such funds are exclusively earmarked for Norsk Solar's projects within the C&I segment and other related projects across developing markets. The support and credibility of Finnfund provides Norsk Solar with a significant advantage in financing smaller C&I projects to which previously it was difficult to obtain debt and equity financing.



# Financials

## Balance sheet

By year-end 2020, the group had assets of NOK 109m whereby cash was NOK 27m. Book value of shareholders' equity was NOK 35m, corresponding to an equity ratio of 32%.

The cash holding was early this year further boosted by net proceeds of NOK 27m from the private placement closed in December 2020 with settlement on January 15, 2021, also NOK 110m private placement of equity made prior to the listing of the company (where 11.5 million shares were issued at a price of NOK 9.50/sh.)

The group's debt amounted to NOK 50m at the end of 2020, consisting of:

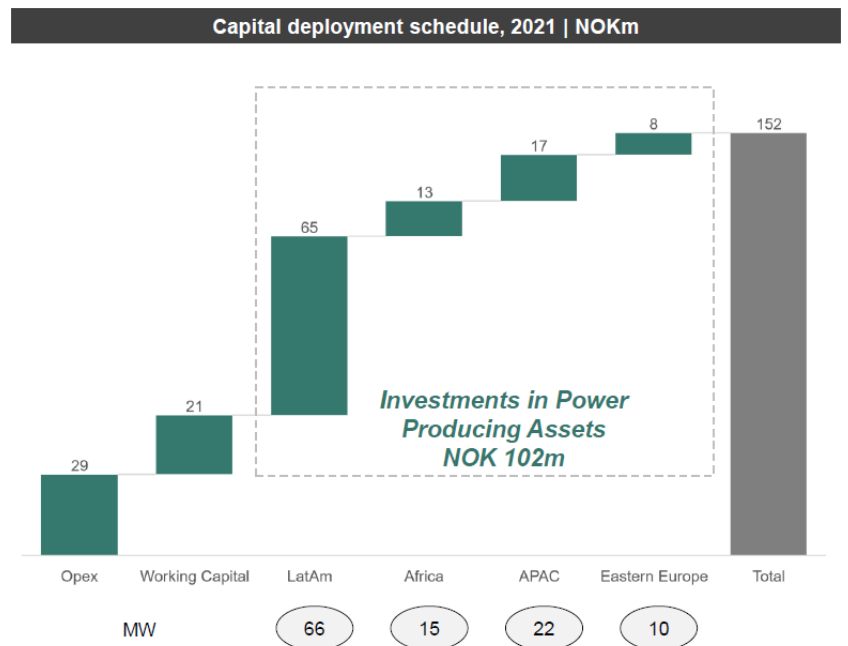
- A loan from Innovasjon Norge AS of NOK 5m. The debt matures July 10, 2027, interest on the loan is 3.4% p.a. with no interest for the initial 12 months and no down payments for 24 months.
- A EUR loan in the Semypolky SPV (Ukrainian project) equivalent to NOK 43m and maturing on December 31, 2029.
- A small NOK 0.4m debt to Valinor AS, the largest owner of the company.

There is also available RCF facility of NOK 50m.

## Guidance and estimates

The management of Norsk Solar has an ambition to secure ownership of a portfolio of solar power plants with a gross capacity of +2GW by the end of 2025, which translates into NOK 3.1 billion in revenue in 2025. Equity IRR from power producing assets is expected at 10%-15%.

Norsk Solar plans equity investments of NOK 102m in the producing assets in 2021 (covering 51% of the equity part of the financing).



Source: Norsk Solar

Note that the company's target of NOK 3.1bn revenue in 2025 is based on proportionate method (based on ownership share in the projects) and includes revenues both from power production business and development & construction (D&C), whereas the official reporting according to NGAAP is based on 100% consolidated revenues, but only from power producing assets.

We generally follow the company's guidance in our estimates but being slightly on the conservative side, and we also apply probabilities of success for the realization of the backlog and the pipeline which are the mid-points of the indicated ranges.

Based on the indicated debt-equity financing ratio of 70/30, we estimate that Norsk Solar may need new equity of around NOK 700m to finance new projects before the end of 2025.

## Valuation

Our Sum-Of-The-Parts valuation approach, based on risk-weighted DCF using WACC of 6.1% (cost of equity 9.8%), yields a total company value of NOK 23 per share. We set our target price at NOK 15/sh. after applying a 30-40% discount to account for various uncertainties. Our recommendation is Buy.

### SOTP valuation

Shares, m. 74.8

	Value (unrisked)	Comment	Probability	Risk-weighted value NOKm	NOK/sh.
Producing & under construction	127	DCF	100%	127	1.7
Backlog	439	DCF	95%	417	5.6
Firm Pipeline	1,703	DCF	70%	1,192	15.9
Opportunity Pipeline	2,389	DCF	25%	597	8.0
Total personel, administrative & other cc	-743	DCF	100%	-743	-9.9
Net debt	-22	Last reported	100%	-22	-0.3
Equity issues in 1Q 2021	135	Completed	100%	135	1.8
<b>Total company value</b>	<b>4,028</b>			<b>1,703</b>	<b>22.8</b>

### WACC

Debt ratio	70%
<b>Cost of debt (after tax)</b>	<b>4.6%</b>
Risk free rate	2.0%
Beta	1.3
Market risk premium	6.0%
<b>Cost of equity</b>	<b>9.8%</b>
<b>WACC</b>	<b>6.1%</b>

## Annual financial & operating data

Income statement (NOKm), consolidated	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	0.1	0.1	1.1	9.1	15.9	70.4	346.3	677.4	993.3
Other operating income	0.1	0.0	1.7	2.5	3.0	3.0	3.0	2.5	2.0
<b>Total operating revenue</b>	<b>0.2</b>	<b>0.1</b>	<b>2.8</b>	<b>11.7</b>	<b>18.9</b>	<b>73.4</b>	<b>349.3</b>	<b>679.9</b>	<b>995.3</b>
Cost of goods and services	-0.2	-1.3	-0.1	-5.3	-1.9	-8.1	-40.6	-79.5	-116.6
Salaries and administrative expenses	-1.5	-1.1	-4.7	-7.8	-14.7	-26.1	-35.7	-53.2	-71.2
Other operating expenses	-0.3	-1.7	-9.6	-3.9	-4.5	-5.7	-7.9	-11.8	-14.9
<b>EBITDA</b>	<b>-1.9</b>	<b>-4.0</b>	<b>-11.6</b>	<b>-5.4</b>	<b>-2.3</b>	<b>33.5</b>	<b>265.1</b>	<b>535.3</b>	<b>792.5</b>
Depreciation & amortisation	0.0	0.0	-0.1	-5.8	-7.1	-42.2	-152.5	-216.7	-286.1
<b>EBIT (adj)</b>	<b>-1.9</b>	<b>-4.0</b>	<b>-11.7</b>	<b>-11.2</b>	<b>-9.4</b>	<b>-8.7</b>	<b>112.6</b>	<b>318.7</b>	<b>506.4</b>
Non-recurring items	0.0	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>-1.9</b>	<b>-4.0</b>	<b>-11.7</b>	<b>-12.4</b>	<b>-9.4</b>	<b>-8.7</b>	<b>112.6</b>	<b>318.7</b>	<b>506.4</b>
Net financial items	0.0	-8.5	0.0	-13.9	-12.3	-65.6	-131.8	-182.9	-207.8
Equity earnings	0.0	0.0	0.0	0.0	-0.3	1.0	1.0	1.1	1.1
<b>Pre-tax profit</b>	<b>-1.9</b>	<b>-12.5</b>	<b>-11.7</b>	<b>-26.4</b>	<b>-21.9</b>	<b>-73.2</b>	<b>-18.2</b>	<b>136.8</b>	<b>299.8</b>
Taxes	0.2	0.1	0.0	0.0	0.0	0.0	0.0	-32.4	-71.4
Minority interest	0.0	0.0	0.3	6.0	-0.2	4.0	-0.6	-48.4	-111.1
<b>Net profit</b>	<b>-1.6</b>	<b>-12.4</b>	<b>-11.3</b>	<b>-20.4</b>	<b>-22.1</b>	<b>-69.3</b>	<b>-18.7</b>	<b>56.1</b>	<b>117.3</b>
EPS (NOK)	0.00	-0.52	-0.25	-0.37	-0.28	-0.72	-0.15	0.38	0.74
Dividends per share (NOK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Balance sheet (NOKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Property, plant & equipment	0.0	0.0	38.7	52.6	643.3	1,892.8	3,497.2	4,588.2	5,320.8
Intangible assets	0.0	1.3	1.3	0.4	0.4	0.4	0.4	0.4	0.4
Other investments	0.0	0.6	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Other long-term receivables	0.0	0.0	6.8	5.9	5.9	5.9	5.9	5.9	5.9
<b>Non-current assets</b>	<b>14.2</b>	<b>2.0</b>	<b>61.4</b>	<b>73.5</b>	<b>664.0</b>	<b>1,914.5</b>	<b>3,520.0</b>	<b>4,612.1</b>	<b>5,345.7</b>
Inventories	0.0	0.0	0.0	3.5	0.6	4.1	15.7	30.0	41.5
Accounts receivable	0.0	0.0	1.1	2.6	2.3	15.7	58.8	112.6	155.5
Other current assets	1.4	15.5	36.1	2.6	2.6	2.6	2.6	2.6	2.6
Cash & cash equivalents	3.3	6.9	19.8	27.0	42.7	46.2	21.8	19.7	24.4
<b>Current assets</b>	<b>4.8</b>	<b>22.4</b>	<b>57.0</b>	<b>35.7</b>	<b>48.2</b>	<b>68.6</b>	<b>98.8</b>	<b>164.9</b>	<b>223.9</b>
<b>Total assets</b>	<b>19.0</b>	<b>24.4</b>	<b>118.4</b>	<b>109.3</b>	<b>712.2</b>	<b>1,983.2</b>	<b>3,618.8</b>	<b>4,777.0</b>	<b>5,569.6</b>
Shareholders' equity	18.4	23.6	9.0	35.4	186.6	312.2	546.5	803.9	1,101.2
Non-controlling interests	0.0	0.0	20.2	19.3	56.2	243.3	486.4	681.8	859.0
<b>Equity</b>	<b>18.4</b>	<b>23.6</b>	<b>29.3</b>	<b>54.7</b>	<b>242.7</b>	<b>555.6</b>	<b>1,033.0</b>	<b>1,485.7</b>	<b>1,960.2</b>
Long-term interest bearing debt	0.0	0.0	55.1	43.9	461.6	1,416.1	2,565.6	3,260.0	3,569.5
Non-current liabilities to owners	0.0	0.0	26.7	0.4	0.4	0.4	0.4	0.4	0.4
<b>Non-current liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>81.8</b>	<b>44.3</b>	<b>462.0</b>	<b>1,416.5</b>	<b>2,566.0</b>	<b>3,260.5</b>	<b>3,569.9</b>
Current interest bearing debt	0.0	0.0	0.0	5.2	4.5	5.5	5.5	5.5	5.5
Accounts payable	0.2	0.3	1.2	2.6	0.5	3.1	11.9	22.8	31.5
Other current liabilities	0.4	0.6	6.1	2.5	2.5	2.5	2.5	2.5	2.5
<b>Current liabilities</b>	<b>0.6</b>	<b>0.8</b>	<b>7.3</b>	<b>10.3</b>	<b>7.5</b>	<b>11.1</b>	<b>19.9</b>	<b>30.8</b>	<b>39.5</b>
<b>Total equity and liabilities</b>	<b>19.0</b>	<b>24.4</b>	<b>118.4</b>	<b>109.3</b>	<b>712.2</b>	<b>1,983.2</b>	<b>3,618.8</b>	<b>4,777.0</b>	<b>5,569.6</b>

Cash flow (NOKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Operating profit	na	-4.0	-11.7	-12.4	-9.4	-8.7	112.6	318.7	506.4
Depreciation & amortisation	na	0.0	0.1	5.8	7.1	42.2	152.5	216.7	286.1
Other items	na	8.5	0.0	-13.9	-12.3	-65.6	-131.8	-182.9	-207.8
Paid taxes	na	0.0	0.0	0.0	0.0	0.0	0.0	-32.4	-71.4
Change in working capital	na	-7.9	-23.8	21.5	1.0	-14.2	-45.9	-57.2	-45.6
<b>Cash flow from operating activities</b>	<b>na</b>	<b>-3.4</b>	<b>-35.4</b>	<b>0.9</b>	<b>-13.5</b>	<b>-46.3</b>	<b>87.4</b>	<b>262.8</b>	<b>467.7</b>
Purchase of property, plant & equipment	na	0.0	-38.7	-19.0	-597.8	-1,291.6	-1,756.9	-1,307.6	-1,018.6
Other investments	na	-2.0	-8.8	-0.1	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investment activities</b>	<b>na</b>	<b>-2.0</b>	<b>-47.5</b>	<b>-19.1</b>	<b>-597.8</b>	<b>-1,291.6</b>	<b>-1,756.9</b>	<b>-1,307.6</b>	<b>-1,018.6</b>
<b>Free cash flow</b>	<b>na</b>	<b>-5.4</b>	<b>-82.9</b>	<b>-18.2</b>	<b>-611.3</b>	<b>-1,337.9</b>	<b>-1,669.5</b>	<b>-1,044.9</b>	<b>-550.9</b>
Change in interest bearing liabilities	na	0.0	81.8	-5.8	417.0	955.5	1,149.5	694.5	309.5
Dividend paid	na	0.0	-5.3	0.0	0.0	0.0	0.0	0.0	0.0
Share issues / buy-backs	na	17.5	0.0	18.5	175.0	209.4	265.7	161.1	72.5
Other items	na	0.0	19.2	12.8	34.9	176.6	229.8	187.3	173.6
<b>Cash flow from financing activities</b>	<b>na</b>	<b>17.5</b>	<b>95.7</b>	<b>25.5</b>	<b>626.9</b>	<b>1,341.5</b>	<b>1,645.0</b>	<b>1,042.8</b>	<b>555.5</b>
<b>Change in cash</b>	<b>na</b>	<b>12.1</b>	<b>12.9</b>	<b>7.3</b>	<b>15.6</b>	<b>3.6</b>	<b>-24.4</b>	<b>-2.0</b>	<b>4.7</b>

Operating & market data	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Gross capacity in oper., MW, period-end	0	0	0	59	70	165	392	691	900
Net capacity in oper., MW, period-end	0	0	0	8	12	61	176	329	435

## Semi-annual financial & operating data

Income statement (NOKm), consolidated	1H 2021E	2H 2021E	1H 2022E	2H 2022E	1H 2023E	2H 2023E
Revenue	7.8	8.0	16.1	54.3	143.0	203.2
Other operating income	1.5	1.5	1.5	1.5	1.5	1.5
<b>Total operating revenue</b>	<b>9.3</b>	<b>9.5</b>	<b>17.6</b>	<b>55.8</b>	<b>144.5</b>	<b>204.7</b>
Cost of goods and services	-0.9	-0.9	-1.8	-6.3	-16.7	-23.8
Salaries and administrative expenses	-6.1	-8.7	-11.7	-14.3	-16.6	-19.1
Other operating expenses	-2.2	-2.4	-2.6	-3.1	-3.8	-4.1
<b>EBITDA</b>	<b>0.2</b>	<b>-2.4</b>	<b>1.5</b>	<b>32.0</b>	<b>107.4</b>	<b>157.7</b>
Depreciation & amortisation	-3.5	-3.5	-14.0	-28.1	-64.6	-87.9
<b>EBIT (adj)</b>	<b>-3.4</b>	<b>-6.0</b>	<b>-12.5</b>	<b>3.9</b>	<b>42.8</b>	<b>69.7</b>
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>-3.4</b>	<b>-6.0</b>	<b>-12.5</b>	<b>3.9</b>	<b>42.8</b>	<b>69.7</b>
Net financial items	0.0	-12.2	-24.5	-41.0	-55.8	-75.9
Equity earnings	0.0	-0.3	0.5	0.5	0.5	0.5
<b>Pre-tax profit</b>	<b>-3.4</b>	<b>-18.5</b>	<b>-36.6</b>	<b>-36.7</b>	<b>-12.5</b>	<b>-5.7</b>
Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.1	-0.1	4.0	-0.1	-0.2	-0.3
<b>Net profit</b>	<b>-3.5</b>	<b>-18.6</b>	<b>-32.5</b>	<b>-36.7</b>	<b>-12.7</b>	<b>-6.0</b>
EPS (NOK)	-0.05	-0.23	-0.37	-0.36	-0.11	-0.05

Balance sheet (NOKm)	1H 2021E	2H 2021E	1H 2022E	2H 2022E	1H 2023E	2H 2023E
Property, plant & equipment	132.0	643.3	1,130.1	1,892.8	2,576.5	3,497.2
Intangible assets	0.4	0.4	0.4	0.4	0.4	0.4
Other investments	14.7	14.7	14.7	14.7	14.7	14.7
Other long-term receivables	5.9	5.9	5.9	5.9	5.9	5.9
<b>Non-current assets</b>	<b>153.0</b>	<b>664.0</b>	<b>1,151.3</b>	<b>1,914.5</b>	<b>2,598.7</b>	<b>3,520.0</b>
Inventories	0.6	0.6	1.2	4.1	11.0	15.7
Accounts receivable	2.3	2.3	4.7	15.7	41.4	58.8
Other current assets	2.6	2.6	2.6	2.6	2.6	2.6
Cash & cash equivalents	74.6	42.7	60.0	46.2	19.7	21.8
<b>Current assets</b>	<b>80.0</b>	<b>48.2</b>	<b>68.5</b>	<b>68.6</b>	<b>74.6</b>	<b>98.8</b>
<b>Total assets</b>	<b>233.0</b>	<b>712.2</b>	<b>1,219.8</b>	<b>1,983.2</b>	<b>2,673.4</b>	<b>3,618.8</b>
Shareholders' equity	166.8	186.6	226.5	312.2	406.8	546.5
Non-controlling interests	19.3	56.2	125.7	243.3	346.5	486.4
<b>Equity</b>	<b>186.1</b>	<b>242.7</b>	<b>352.2</b>	<b>555.6</b>	<b>753.3</b>	<b>1,033.0</b>
Long-term interest bearing debt	38.8	461.6	858.8	1,416.1	1,903.3	2,565.6
Non-current liabilities to owners	0.4	0.4	0.4	0.4	0.4	0.4
<b>Non-current liabilities</b>	<b>39.2</b>	<b>462.0</b>	<b>859.2</b>	<b>1,416.5</b>	<b>1,903.7</b>	<b>2,566.0</b>
Current interest bearing debt	4.7	4.5	5.0	5.5	5.5	5.5
Accounts payable	0.5	0.5	0.9	3.1	8.4	11.9
Other current liabilities	2.5	2.5	2.5	2.5	2.5	2.5
<b>Current liabilities</b>	<b>7.7</b>	<b>7.5</b>	<b>8.4</b>	<b>11.1</b>	<b>16.3</b>	<b>19.9</b>
<b>Total equity and liabilities</b>	<b>233.0</b>	<b>712.2</b>	<b>1,219.8</b>	<b>1,983.2</b>	<b>2,673.4</b>	<b>3,618.8</b>

Cash flow (NOKm)	1H 2021E	2H 2021E	1H 2022E	2H 2022E	1H 2023E	2H 2023E
Operating profit	-3.4	-6.0	-12.5	3.9	42.8	69.7
Depreciation & amortisation	3.5	3.5	14.0	28.1	64.6	87.9
Other items	0.0	-12.2	-24.5	-41.0	-55.8	-75.9
Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	1.1	-0.1	-2.5	-11.7	-27.3	-18.5
<b>Cash flow from operating activities</b>	<b>1.2</b>	<b>-14.7</b>	<b>-25.5</b>	<b>-20.8</b>	<b>24.2</b>	<b>63.2</b>
Purchase of property, plant & equipment	-83.0	-514.8	-500.8	-790.8	-748.2	-1,008.7
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investment activities</b>	<b>-83.0</b>	<b>-514.8</b>	<b>-500.8</b>	<b>-790.8</b>	<b>-748.2</b>	<b>-1,008.7</b>
<b>Free cash flow</b>	<b>-81.8</b>	<b>-529.5</b>	<b>-526.3</b>	<b>-811.6</b>	<b>-724.0</b>	<b>-945.4</b>
Change in interest bearing liabilities	-5.5	422.5	397.7	557.7	487.2	662.2
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0
Share issues / buy-backs	134.8	40.3	80.5	128.8	112.7	153.0
Other items	0.1	34.8	65.4	111.2	97.5	132.3
<b>Cash flow from financing activities</b>	<b>129.3</b>	<b>497.6</b>	<b>543.7</b>	<b>797.8</b>	<b>697.5</b>	<b>947.6</b>
<b>Change in cash</b>	<b>47.5</b>	<b>-31.9</b>	<b>17.4</b>	<b>-13.8</b>	<b>-26.6</b>	<b>2.1</b>

Operating & market data	1H 2021E	2H 2021E	1H 2022E	2H 2022E	1H 2023E	2H 2023E
Gross capacity in oper., MW, period-end	59	70	94	165	324	392
Net capacity in oper., MW, period-end	9	12	24	61	141	176

## Ratios & other data

Share data	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Shares outstanding, year end (mill.)	na	24.0	45.0	55.6	79.3	103.1	133.3	151.5	159.8
Share price, year end (NOK)	na	na	na	na	8.81	8.81	8.81	8.81	8.81
Market cap (NOKm)	na	na	na	na	699	908	1,174	1,335	1,408
Enterprise value (NOKm)	na	na	na	na	1,179	2,527	4,210	5,263	5,818

Valuation	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
EV/Sales	na	na	na	na	62.5	34.4	12.1	7.7	5.8
EV/EBITDA	na	na	na	na	neg	75.5	15.9	9.8	7.3
EV/EBIT (adj)	na	na	na	na	neg	neg	37.4	16.5	11.5
P/E	na	na	na	na	neg	neg	neg	23.4	11.9
P/B (excl. goodwill)	na	na	na	na	3.7	2.9	2.1	1.7	1.3
Dividend yield	na	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%

Balance sheet	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Net interest-bearing debt (NIBD)	-3.3	-6.9	62.1	22.5	423.8	1,375.8	2,549.7	3,246.2	3,551.1
NIBD / Equity	-0.2	-0.3	6.9	0.6	2.3	4.4	4.7	4.0	3.2
NIBD / EBITDA	1.8	1.7	-5.4	-4.2	-186.7	41.1	9.6	6.1	4.5
Equity / Assets	97%	97%	8%	32%	26%	16%	15%	17%	20%

Growth (YoY)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	na	-21%	>1,000%	313%	62%	289%	376%	95%	46%
EBITDA	na	nm	nm	nm	nm	nm	692%	102%	48%
EBIT (adj)	na	nm	nm	nm	nm	nm	nm	183%	59%
Net profit	na	nm	nm	nm	nm	nm	nm	nm	109%
EPS	na	nm	nm	nm	nm	nm	nm	nm	97%

Margins	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
EBITDA	-1232%	-3349%	-411%	-46%	-12%	46%	76%	79%	80%
EBIT (adj)	-1232%	-3376%	-413%	-96%	-50%	-12%	32%	47%	51%
Net profit	-1061%	-10375%	-402%	-175%	-117%	-94%	-5%	8%	12%

Profitability	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
ROE (excl. goodwill)	na	-59%	-70%	-92%	-20%	-28%	-4%	8%	12%
ROCE (adj)	na	-19%	-20%	-13%	-3%	-1%	5%	9%	12%

# Appendix 1: Management and Board

## Management

### **Øyvind L. Vesterdal** – *Chief Executive Officer (CEO)*

Øyvind L. Vesterdal has a strong technical background with extensive experience with project and business management roles, from large corporations like General Electric Oil and Gas to smaller ventures in the energy sector. Prior to joining Norsk Solar, Mr. Vesterdal was a co-founder and CEO of Kolent AS. He holds a master's degree in Engineering from the Norwegian University of Technology and Science.

### **Helga Cotgrove** – *Chief Financial Officer (CFO)*

Helga Cotgrove has more than 20 years' experience in various roles within M&A, strategy, tax, finance, accounting and auditing in the energy sector. Prior to joining Norsk Solar, she was director of corporate development for Haliburton in Houston. She is currently also a board member of Altus Intervention and the chair of the board at Kelda Dynamics. She holds a degree in accounting and auditing and an MBA in Management control from the Norwegian School of Economics and Business Administration (NHH) and is also a state authorised public accountant in Norway.

### **Trond Debes** – *EVP Legal and Compliance*

Trond Debes holds more than 15 years of experience from primarily the financial services industry, where he held positions such as Chief Compliance Officer in the Nordics for GE Money Bank, and Nordic Legal and Compliance Director in Santander Consumer Bank. Prior to his roles in finance, Mr. Debes worked as a lawyer for DLA Piper Norway. He holds a Masters' Degree in Law from the University of Bergen.

### **Filippo Comelli** – *EVP Project Development & Project Finance*

Filippo Comelli has more than 10 years' experience in the renewable energy sector. Having worked with leading renewable energy IPPs across Europe and emerging markets, he has significant experience in bringing projects from concept to completion. Mr. Comelli holds an MBA degree in Corporate Finance from EMLyon Business School and an MSc in Economics and Business Administration from Copenhagen Business School.

## Board of directors

### **Pål S. Valseth** – *Chairman of the Board*

Pål S. Valseth has more than 20 years of experience from the finance, technology and energy industry, with more than 15 years from C-level management positions. He has held CFO positions in Apply Group, Simtronics and in WellConnection. Today he is the CEO of Valinor, the largest shareholder in Norsk Solar. Pål S. Valseth holds a master's degree in Business from BI Norwegian School of Management, and two MBA degrees from NHH, in Audit and Accounting and in Finance.

### **Nils Petter Skaset** – *Board Member*

Nils Petter Skaset is the CEO of Aega ASA, a position he has held for more than 3 years. Aega is a renewable energy investment company listed on the Oslo Stock Exchange, Euronext Expand. He has more than 20 years of experience from primarily the financial industry, being partner and board member in NorgesInvestor for more than 13 years. Nils Petter holds an Msc in Business from the Norwegian School of Business and Administration (NHH).

### **Kristin Skofteland** – *Board Member*

Kristin Skofteland is a Chief Commercial Officer & Legal Counsel of Beyonder AS, a Norwegian renewable energy company, and she is a board member of Petoro, the Norwegian State's company managing the Norwegian financial interests in the oil sector. She was previously 17 years in Total E&P Norge AS where she had roles such as head of legal department and director of business development. She has a Master of Law from University of Tromsø and an MBA from TRIUM Global Executive MBA program.

### **Joakim Johnsen** – *Board Member*

Joakim Johnsen is currently Senior Investment Manager for Aquila Capital, following his engagement as 14 years in Latin America as Director of business development, CEO, and country manager for SN Power's and later Statkraft's country organization in Brazil. Joakim has an MBA from the University of Manchester and ESADE, as well as a CFO executive program from the University of Chicago – Booth School of Business.



## Appendix 2: Shareholders (top 20)

Shareholder	Shares	Ownership
Valinor AS	35,532,861	47.52%
Pictet & Cie (Europe) S.A	4,978,194	6.66%
Selber AS	4,696,230	6.28%
ØLV Holding AS	4,696,230	6.28%
Berker Group AS	4,696,230	6.28%
Aega ASA	3,989,170	5.33%
Nordic ESG and Impact Infrastructure AS	2,631,578	3.52%
Røros Kobberverk AS	2,448,120	3.27%
Caceis Bank	1,075,000	1.44%
Austavind AS	1,052,631	1.41%
Helgø Invest AS	1,000,000	1.34%
Remaining top 20 holding less than 1% each	4,040,389	5.40%
Remaining shareholders	3,933,754	5.27%

Last updated: 23.04.2021

Source: Norsk Solar

## Recommendation, valuation, risk and sources

### Recommendation and target price

Recommendation history for Norsk Solar during the previous 12 months:

Date	Recommendation	Target price (NOK)
18/06/2021	BUY	15

### Valuation

To arrive at our share price target, we have used the SOTP technique, based on risk adjusted DCF models of the company's projects.

### Risks

The main risks to our target price and recommendation on Norsk Solar:

- **Operational risk.** The main operational risks relate to projects in pipeline through financial close and to construction, completion of construction of solar plants on time and within budget and the performance of the operating plants.
- **Political risk.** The group is subject to political risk in the countries where it operates. The company operates in many jurisdictions subject to various laws and regulations. Practices and legal framework differ materially. Therefore it may be difficult to ensure compliance with all changes in regulatory requirements in all geographies at any time.
- **Risks related to power purchase agreements ("PPAs").** There can be no assurance that any or all of the power purchasers will fulfil their obligations under their PPAs or that a power purchaser will not become bankrupt.
- **Risk related to subsidies/incentives.** A reduction, modification or elimination of government subsidies and economic incentives for renewable energies may reduce the economic benefits of existing solar parks and the opportunities to develop or acquire suitable new solar parks.
- **Market risk.** The profitability of the company will largely depend on the prices of the electricity produced by the solar installations. Electricity prices are inter alia dependent on substitute or adjacent commodity prices such as e.g. other renewable and fossil energy prices, but also dependent on meteorological conditions, CO2 pricing and other supply and demand factors. Low prices on the electricity produced could have a material adverse effect on the company.
- **Currency risk.** Because parts of the company's business is conducted in currencies other than its functional reporting currency (NOK), the company is exposed to volatility associated with foreign currency exchange rates.

### Sources

The sources used in the preparation of this report were: Norsk Solar, Scatec, Infront, Oslo Stock Exchange.

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Norne Securities' general recommendations – Buy, Hold and Sell – are based on the expected absolute return on the financial instrument within the next 12 months, which equals to an upside to the target price, in combination with a risk profile. The target price represents the price level which the analyst expects the financial instrument to trade at within the coming 12 months. The table below shows the ranges of returns under different risk levels, based on which the recommendation is being determined:

Risk	Total return next 12 months (upside to target price)		
	Buy	Hold	Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 25%	5% - 25%	< 5%

Our risk assessments range from “high risk” to “medium risk” and “low risk” and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Share prices used in the report are as of market close on the last trading day if the report is being published before the stock market opening, or market price within 15 min. before the publication if the report is published during the trading hours of the Oslo Stock Exchange.

### TARGET PRICE AND UPDATES

Target prices may be based on one or several valuation methods, for instance, the discounted cash flow (DCF) analysis or applying “fair” pricing multiple(s) based on historical valuation or peer pricing level. Target price may not necessarily equal to the “fair value” of the financial instrument – certain discount or premium is possible due to various reasons, depending on the analyst’s view of what the price may be within the 12 months period. Norne Securities plans to update the recommendation based on the following events: the target price is achieved; new accounting figures are released; any significant news on the company or its industry is announced.

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This report has been presented to the issuer before dissemination for a check of factual information. Amendments of factual information have not been made following this.

Share holdings of Norne employees in Norsk Solar:

Responsible analyst(s)	0
All Norne analysts	0
Other Norne employees	0
Norne Securities AS	0

The overview of share holdings is updated continuously. A list of total share holdings of the Norne Securities' employees and the date of last overview can be found on [Compliance | Norne Securities](#). Shareholdings that Norne Securities AS owns as a result of own-account trading that is part of its investment services operations (such as market making) are not included in the table above.

Distribution of Norne Securities' recommendations during three months up till March 31, 2021:

	Buy	Hold	Sell
Total recommendations	60	37	3
% of total	60%	37%	3%
Corporate clients*	26	11	1
% of corporate clients*	68%	29%	3%

\* Includes publicly disclosed not immaterial investment banking services or issues of financial instruments where Norne Securities AS has been lead manager or co-lead manager, and market making clients during the 12 months prior to the overview date.

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