

11 February 2022

NEW ENERGY SOLAR (ASX: NEW)

**BUSINESS UPDATE – COMPANY REVISITS STRATEGIC REVIEW TO MAXIMISE
SHAREHOLDER VALUE**

Summary

- Operational and financial performance during H2 2021 was below expectations due to the ongoing remediation at Rosamond, with business interruption payments ceasing in July 2021 and the plant not returning to full capacity until November
- The Australian asset sale and capital management initiatives to date have reduced gearing and returned some value to shareholders however NEW's trading discount has persisted
- The Company now intends to further consider the recommendations of the 2020 Strategic Review, which include the sale of its remaining United States solar assets, to maximise shareholder value
- While the Company is in this phase, the Board has elected to pay a lower dividend reflecting the challenging operating conditions the Company faced in 2021
- With US Solar Fund plc (**USF**) exercising its purchase option over a further 25% interest in Mount Signal 2 (**MS2**) on 10 February 2021, the Company expects to declare a further dividend or return of capital¹ of 3.0 cents upon close of that sale
- The on-market buyback will not operate while the Company revisits the recommendations of the 2020 Strategic Review

2021 Operating and Revenue Performance

Over the course of 2021, the Company focused on rectifying asset performance issues and remediating the fire damage at the Rosamond plants. Progress has been made on the performance issues at MS2 and Rosamond was returned to full capacity in November 2021, however, generation performance for the second half of 2021 was 9% below expectations and revenues were 7% below expectations, bringing full year generation to 13% below expectations and full year revenues to 6% below expectations.

¹ Subject to shareholder approval.

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Generation Performance		H1	H2	FY
Actual Generation	<i>MWh</i>	450,319	433,335	883,655
Weather Adjusted Budget Generation	<i>MWh</i>	533,036	477,556	1,010,592
Generation Performance	%	84%	91%	87%

Revenue Performance		H1	H2	FY
Actual Revenue	<i>US\$'000</i>	26,612	26,413	53,025
Weather Adjusted Budget Revenue	<i>US\$'000</i>	28,103	28,407	56,510
Revenue Performance	%	95%	93%	94%

Additionally, in order to accelerate the remediation timetable, the Company funded approximately A\$7 million of work at Rosamond during the second half of 2021 and, with further insurance proceeds not expected until the first quarter of 2022, free cash flow was reduced.

While expected cash generation over the life of the assets supports dividends, the current operating circumstances and debt amortisation have resulted in lower-than-expected cash flow and accordingly, the dividend for H2 2021 has been reduced to 1.0 cent per share. While a refinancing of US debt would enhance dividend coverage, the Company does not intend to undertake such a refinancing, or incur the costs associated, while it is focused on realising value through the sale of its solar assets.

On 10 February 2022, USF advised the Company of the exercise of its purchase option over a further 25% interest in MS2 (**Tranche Two**). Subject to customary regulatory approvals and third-party consents, this transaction is expected to close in the second quarter of 2022. Upon transaction close and receipt of the US\$21 million purchase price for Tranche Two, the Company expects to declare a further dividend or return of capital² of 3.0 cents to supplement the lower H2 2021 dividend.

Strategic Review, Asset Sales and Capital Management

Following the Strategic Review announced in October 2020³, NEW implemented its first phase with the sale of 25% of Mount Signal 2⁴ and the two Australian solar power plants. These transactions were completed in 2021 and the proceeds were used to pay down corporate debt and fund an off-market and an on-market share buyback. Through the off-market buyback 35.5 million shares were bought back at \$0.91 per share, equivalent to approximately 9.9% of the Company's issued capital. Following completion of the off-market buyback, a small number of shares were purchased via the on-

² Subject to shareholder approval.

³ <https://wcsecure.weblink.com.au/pdf/NEW/02298541.pdf>

⁴ In December 2020, the Company announced it had sold up to a 50% interest in its Mount Signal 2 plant to US Solar Fund Plc (USF). This transaction was structured in two tranches with the first 25% tranche closing in March 2021. USF has an option over the second 25% tranche which expires on [1 April 2022]



market buyback. NEW's share price, after a short-term recovery to \$0.90, has continued to trade between \$0.80 and \$0.85 since the off-market buyback.

In assessing the first phase of the Strategic Review, the Board recognises that it has succeeded in reducing gearing and returning some value to shareholders. However, as the share price has continued to trade at a significant discount to net asset value the Board, together with its advisor RBC Capital Markets, is revisiting the recommendations of the 2020 Strategic Review with the objective of maximising shareholder value. These recommendations include the sale of the Company's remaining United States solar assets either in a whole-of-portfolio transaction or individual transactions. The US renewable energy market saw a high level of utility-scale solar divestment and acquisition activity in 2021; driven by low interest rates, ESG considerations, and aggressive renewable energy and decarbonisation targets. This is expected to continue in 2022⁵.

The on-market buyback will not operate while the Company is focused on asset sales. Updates will be provided in due course and in accordance with NEW's disclosure obligations.

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Authorised for release by New Energy Solar Limited

Important Information

This information may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.

About New Energy Solar

New Energy Solar was established in November 2015 to invest in a diversified portfolio of solar assets across the globe and provide investors with exposure to the global shift to renewable energy. The Business acquires large scale solar power plants with long term contracted power purchase agreements. In addition to financial returns, this strategy generates significant positive environmental impacts for investors.

Since establishment, New Energy Solar has raised over A\$500 million of equity, acquired a portfolio of world-class solar power plants, and has a deep pipeline of opportunities primarily across the United States. New Energy Solar's shares trade on the Australian Securities Exchange under the ticker, NEW.

For more information, visit: www.newenergysolar.com.au

⁵ <https://www.fticonsulting.com/insights/articles/us-renewable-energy-ma-review-2021-outlook-2022>

