

Raen S.A.



Price target: PLN 1.90

Initiating Coverage

Rating: n.a.

Raen S.A. is an integrated Polish company from the renewables sector, which acquires, finances and develops solar and in the future also wind and biogas projects. In the long run, the company also plans to sell energy directly to business clients. Currently, it has 1,450 MW of photovoltaic projects under development and is negotiating another >1,400 MW. The team including the CEO and largest shareholder Adam Guz has long experience in M&A and consulting, also related to energy. Raen's geographical market is highly attractive as Poland, which still generates most energy from coal, has set the goal of becoming CO2-neutral by 2050E. We initiate coverage of Raen Energy with a 12-months PT (80% DCF, 20% peer group) of PLN 1.90 (currently: EUR 0.49). Based on our estimates, which are more conservative than management's guidance of PLN 10m of EBITDA this year and PLN 15m in 2024E, the stock is trading at an EV/EBITDA 2023E and 2024E (fully-dil.) of 5.9x and 3.9x respectively. The main risks, which we see, are a small scale of operations, issues with obtaining financing, changing regulations and dilution (planned capital increase & conversion of 55m warrants at PLN 0.01 in '24E-25E if Raen reaches EBITDA targets).

According to its strategy 2023E-25E, Raen wants to become an independent producer and distributor of renewable energy with own assets. The company already has projects at a different stage of development in Northern, Western, Central and Eastern Poland, which it develops for large international corporations e.g. French Engie and Greek Mytilineos. In the next two years, the volume of projects under JDAs (Joint-Development Agreements) is supposed to grow from 1.45 GW currently to 3 GW. At the same time, Raen plans to establish own production assets with a capacity of 58 MW. The planned investments are supposed to be financed by an equity issue (5m shares, 10.6% of the current shares outstanding), but at a price much above the current one.

Poland is a very attractive market as c. 70% of the country's energy still stems from coal, but by 2050E it has to become CO2 neutral. This requires a reduction of CO2 of between 2.6% and 11.8% per year in the coming years. In 2022, only 21.2% of Poland's energy production stemmed from renewable sources compared to 44% in Germany.

Company profile

Raen S.A. is a provider of complex solutions in the area of renewable energy in Poland.

Date of publication	26 September 2023 / 6:30 am
Website	www.raen.pl
Sector	Renewable Energy
Country	Poland
ISIN	PLIQPRT00017
Reuters	RAE.WA
Bloomberg	RAE PW

Share information

Last price	0.49
Number of shares (m)	47.08
Market cap. (PLNm)	23.16
Market cap. (EURm)	5.04
52-weeks range	PLN 0.74 / PLN 0.24
Average volume (shares)	39,568

Performance

4-weeks	-1.60%
13-weeks	-1.60%
26-weeks	-8.21%
52-weeks	84.96%
YTD	79.56%

Shareholder structure

Adam Guz (CEO)	28.68%
Wojciech Przylecki*	13.39%
Dien Sp. z o.o.*	9.48%
Maciej Hazubski*	3.25%
IQ Partners Sp. z o.o.**	2.06%
Free float	43.14%

* relates to the shareholders of PunkPirates S.A., a gaming company, with which Raen conducted a reversed merger in Q1/23

** Owned by Messrs Maciej Hazubski (50% stake) and Wojciech Przylecki (50%)

Financial calendar

H1/23 report	October 2, 2023
--------------	-----------------

Analyst

Adrian Kowolik
a.kowolik@eastvalueresearch.com

in PLNm	2022*	2023E	2024E	2025E	2026E	2027E
Net sales	0.02	25.53	35.67	50.16	63.50	99.25
EBITDA	-1.59	8.93	13.55	18.56	22.86	34.74
EBIT	-1.61	8.53	12.65	16.86	20.36	31.84
Net income	-1.34	6.86	10.21	13.63	16.48	25.80
Diluted EPS	-0.03	0.15	0.13	0.13	0.15	0.24
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	-67.40%	151.45%	60.29%	41.45%	34.28%	37.26%
Net gearing	-1.64%	-105.46%	-115.61%	-102.08%	-97.33%	-97.79%
EV/Sales (dil.)	3295.69x	2.07x	1.48x	1.05x	0.83x	0.53x
EV/EBITDA (dil.)	neg.	5.90x	3.89x	2.84x	2.31x	1.52x
P/E (dil.)	neg.	3.4x	3.7x	3.9x	3.2x	2.0x

* 2022 figures reflect the results of the PunkPirates, the company with which Raen conducted a reversed merger in March 2023

Content

Investment Case	2
Valuation	4
Financial forecasts	8
Business description	10
Market environment	14
Profit and loss statement	20
Balance sheet	21
Cash Flow Statement	22
Financial ratios	22
Disclaimer	23

Investment Case

- Raen S.A. (RAE) is a Warsaw-based company with a highly experienced international team, which acquires, finances and develops solar (and in the future also wind and biogas projects) for third parties. The company, which went public through a reversed merger in March 2023, already develops solar projects with a capacity of 1.45 GW at different stages of development. The development is conducted based on Joint Development Agreements (JDAs) with international corporations such as Engie and Mytilineos.
- The Polish renewable energy market, which is still at the beginning of its development, is highly fragmented, with only a few larger players and many local project developers. Based on its current strategy, Raen plans to expand its project portfolio – both organically and through acquisitions - to 3 GW by 2025E and build/acquire own production assets with a capacity of 58 MW. It plans to distribute renewable energy from own assets based on Power Purchase Agreements (PPAs) with industrial customers or utilities that are long-term and include fixed delivery volumes & prices.
- According to Agencja Rynku Energii and Umweltbundesamt, the installed capacity of renewable energy plants in Poland currently equals 25.4 GW compared to 150 GW in Germany. Last year, 21.2% of energy production stemmed from renewable energy sources, while in Germany it already equalled 44%. Poland, which still derives c. 70% of its energy from coal, has agreed to reduce its CO2 emissions to zero by 2050E, which means a yearly reduction of between 2.6% and 11.8% per annum in the future. This will require large investments in renewable energy plants.
- Raen has only been listed on the Warsaw Stock Exchange since Q1/23 and entered the stock market through a reversed merger with the gaming company PunkPirates. Thus, there is no historical comparison for its current financial results. We believe the company, which at the end of H1/23 had only little interest-bearing debt, has a cash burn of PLN 200k per month. In order to finance its ambitious plans, it plans to issue 5m new shares in the short term, but at a much higher share price than the current one. Management guides for an EBITDA '23E & '24E of PLN 10m (EBITDA in H1/23: PLN 4.3m) and PLN 15m respectively. In our view, given the potential of the Polish market and the competence & network of Raen's team, a significant double-digit EBITDA growth rate could be maintained beyond 2024E. As management sees many growth opportunities, we do not expect that the company will start paying out dividends before 2026E.
- We initiate coverage of Raen S.A. with a 12-months PT (80% DCF, 20% peer group) of PLN 1.90, which is 3.9 times above its current share price. In our valuation, we have accounted for all warrants and planned share issues. Based on our estimates, the stock is currently trading at a fully-diluted EV/EBITDA '23E and '24E of 5.9x and 3.9x. We like the company's experienced international team and the fact that the Polish renewables market offers many opportunities to grow. Risks include e.g. difficulties to obtain necessary growth financing, regulatory changes and the significant dilution from the planned capital increase as well as the potential conversion of the existing 55m warrants at PLN 0.01 per share in '24E-'25E. We would like to emphasize that the full conversion will only happen if Raen achieves its EBITDA guidance for 2023E and 2024E of min. PLN 10m and min. PLN 15m respectively.

SWOT Analysis

Strengths

- Project developer, financier and (in the future) also operator of renewable energy projects in Poland, where the energy transformation has only just started
- International team with a combined experience of >100 years in the areas of strategic and financial advisory
- Pipeline of 1,450 MW, ongoing negotiations regarding projects worth >1,400 MW
- According to Raen's strategy, the company is supposed to generate an EBITDA of PLN 10m already in 2023E
- Only little interest-bearing debt on the balance sheet
- CEO owns 28.7% of Raen. All key employees have received warrants, which they will be allowed to convert into shares if Raen achieves its EBITDA guidance (2023E: PLN 10m, 2024E: PLN 15m)

Opportunities

- Expansion of renewable energy projects to 3 GW (by >100%) in 2025E and building up of own production capacity of 58 MW
- Poland, which still generates c. 70% of its energy with coal power plants, has obliged to become CO2 neutral by 2050E. This requires a yearly reduction of CO2 emissions by 2.7%-11.8% per annum in the future
- Last year, only 21.2% of the country's energy production stemmed from renewable energy sources vs. 44% in Germany. The existing renewable energy plants have a total capacity of 25.4 GW compared to 150 GW in Germany, which is the leader in Europe
- Regular and attractive dividend payouts in the long run

Weaknesses

- Raen became a listed company through a reversed merger, which many investors do not like because such a transaction is conducted without an official prospectus
- The company is still a small player without a longer track record
- There are 55m of warrants, which can be converted by management into shares at PLN 0.01 in 2024E-2025E if the EBITDA guidance will be achieved. While there will be a lock up on the new shares, the dilution is significant (116.8% of current shares outstanding)
- Potential payment of max. PLN 4.8m to Mr Adam Guz in 2024E-2025E, depending on the EBITDA achieved in 2023E-24E, for his shares in Seed Capital Sp. z.o.o, the predecessor of Raen S.A.

Threats

- Difficulties to raise financing for projects
- Changes of regulations
- Loss of key employees and difficulties to hire qualified people

Valuation

We have valued Raen S.A. by using a weighted average of our DCF model (80%) and peer group (20%). In our valuation, we have used a WACC of 20% to account for the company's early stage of development. Our approach, which accounts for the planned capital increase of 5m shares as well as the conversion of all 55m warrants into new shares, derives a 12-months price target for the stock of PLN 1.90. This implies an upside of 287% at present.

DCF model

in PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	25.53	35.67	50.16	63.50	99.25	133.77	165.38	196.98	228.59
(y-o-y change)	n.a	39.7%	40.6%	26.6%	56.3%	34.8%	23.6%	19.1%	16.0%
EBIT	8.53	12.65	16.86	20.36	31.84	42.93	52.57	61.76	70.50
(EBIT margin)	33.4%	35.5%	33.6%	32.1%	32.1%	32.1%	31.8%	31.4%	30.8%
NOPLAT	6.91	10.25	13.65	16.49	25.79	34.78	42.58	50.02	57.11
+ Depreciation & amortisation	0.40	0.90	1.70	2.50	2.90	2.95	3.00	3.05	3.10
= Net operating cash flow	7.31	11.15	15.35	18.99	28.69	37.73	45.58	53.07	60.21
- Total investments (Capex and WC)	6.21	-2.39	-4.92	-4.83	-3.21	-1.97	-2.30	-2.48	-2.66
Capital expenditure	-0.62	-2.90	-5.70	-5.50	-4.90	-3.45	-3.50	-3.55	-3.60
Working capital	6.83	0.51	0.78	0.67	1.69	1.48	1.21	1.07	0.94
= Free cash flow (FCF)	13.53	8.76	10.44	14.16	25.47	35.75	43.28	50.59	57.55
PV of FCF's	12.89	6.95	6.91	7.81	11.70	13.69	13.81	13.45	12.75
PV of FCFs in explicit period 99.96									
PV of FCFs in terminal period 71.57									
Enterprise value (EV)	171.53								
+ Net cash / - net debt (30 June 2023)	-0.05								
+ Investment / - minorities	0.00								
Shareholder value	171.48								
Fully-diluted number of shares (m)	107.08								
WACC	20.0%								
Cost of equity	9.4%								
Pre-tax cost of debt	12.4%								
Normal tax rate	19.0%								
After-tax cost of debt	10.0%								
Share of equity	100.0%								
Share of debt	0.0%								
Fair value per share in PLN (today)	1.60								
Fair value per share in PLN (in 12 months)	1.92								
		Terminal EBIT margin							
		27.8%	28.8%	29.8%	30.8%	31.8%	32.8%	33.8%	
	16.0%	2.55	2.59	2.64	2.68	2.73	2.77	2.81	
	17.0%	2.33	2.37	2.41	2.45	2.49	2.53	2.56	
	18.0%	2.15	2.18	2.22	2.25	2.28	2.32	2.35	
	19.0%	1.99	2.02	2.04	2.07	2.10	2.13	2.16	
	20.0%	1.84	1.87	1.90	1.92	1.95	1.97	2.00	
	21.0%	1.72	1.74	1.76	1.79	1.81	1.83	1.86	
	22.0%	1.61	1.63	1.65	1.67	1.69	1.71	1.73	

Source: East Value Research GmbH

Peer Group Analysis

We have found the following listed companies, which operate in the same segment as Raen. Management compares itself especially to Encavis, which is one of the largest producers of renewable energy in Europe and a popular stock in Germany.

In Poland, where the market is highly fragmented, Raen's main peers include for example privately-held R.Power S.A., which in 2022 had revenues of PLN 18.1m and an EBITDA of PLN 891k. According to its website, the company operates PV plants with a capacity of 790 MWp in Poland and abroad. Its current project portfolio has a capacity of >8 GWp.

- (1) *Encavis AG*: Encavis, which is based in Hamburg/Germany, acquires and operates solar and onshore wind parks in Europe and internationally. The company's renewable energy plant portfolio includes >210 solar parks and >90 wind farms with a capacity of approximately 3.5 gigawatts. It also provides asset management and fund solutions services to institutional investors in the renewable energy sector; and technical operation and maintenance services for PV parks. In 2022, Encavis, which has a market cap of EUR 2.1bn, generated revenues of EUR 487.3m and an EBITDA margin of 66.3%. Its ROCE equalled 4.5%.
- (2) *4C Solarparken AG*: 7C Solarparken, which is based in Bayreuth/Germany, owns and operates PV farms primarily in Germany and Belgium. It has a combined asset portfolio of 485 MWp. In 2022, 7C Solarparken, which has a market cap of EUR 274.1m, generated revenues of EUR 85.8m and an EBITDA margin of 81.8%. Its ROCE equalled 5.6%.
- (3) *clearvise AG*: clearvise, which is headquartered in Wiesbaden/Germany, is an independent electricity producer from renewable sources. Its operational portfolio consists of wind and solar parks, and a biogas plant in four countries with an installed capacity of approximately 303.6 MW. In 2022, clearvise, which has a market cap of EUR 162.1m, generated revenues of EUR 64m and an EBITDA margin of 72.5%. Its ROCE equalled 5.9%.
- (4) *Energiekontor AG*: Energiekontor, which is based in Bremen/Germany, engages in the planning, construction, and operation of wind farms and solar parks in Germany, Portugal, Great Britain UK and France. It owns and operates 140 wind farms and 15 solar parks with a total output of approximately 1.3 gigawatt. In 2022, Energiekontor, which has a market cap of EUR 1.2bn, generated revenues of EUR 187.6m and an EBITDA margin of 53.4%. Its ROCE equalled 12.1%.
- (5) *PNE AG*: PNE, which is based in Cuxhaven/Germany, develops, constructs, and sells onshore and offshore wind farms; provides technical and commercial operation management services for wind farms, PV plants, and transformer stations; and generates electricity from wind and biomass power plants. It is also involved in the development of photovoltaics and hybrid solutions. Currently, the company, which is active in 15 countries in Europe, South Africa, North America and Asia, has a pipeline of 16.6 GW (wind & PV) and own plants with 346 MW. In 2022, PNE, which has a market cap of EUR 987.3m, generated revenues of EUR 126.2m and an EBITDA margin of 21.6%. Its ROCE equalled 0.5%.

- (6) *Photon Energy NV*: Photon Energy, which is based in Amsterdam/the Netherlands, provides development, engineering, construction, installation, operation and maintenance of photovoltaic systems. The company also invests in and generates electricity through photovoltaic power plants. It has a project pipeline of 1.2+ GWp in Australia, the Czech Republic, Hungary, Slovakia, Poland, and Romania and own electricity generation assets of 113.1 MWp. In 2022, Photon Energy, which has a market cap of PLN 605.4m, generated revenues of PLN 437.4m and an EBITDA margin of 23.6%. Its ROCE equalled 22.8%.
- (7) *Voltaia SA*: Voltaia, which is based in Paris/France, develops, constructs, operates, and maintains wind, solar, hydro, biomass, and storage plants. As of December 31, 2022, the company had a project pipeline of 14.2 GW and operated solar power plants with an installed capacity of 1.7 GW in Europe, Africa, and Latin America. In 2022, Voltaia, which has a market cap of EUR 1.8bn, generated revenues of EUR 469m and an EBITDA margin of 27.2%. Its ROCE equalled 1.9%.
- (8) *Neoen SA*: Neoen, which is headquartered in Paris/France, operates through Solar Power, Wind Power, Storage, Farm-Down, Development and Investments segments. It operates in Argentina, Australia, Canada, Ecuador, the United States, Finland, France, Ireland, Italy, Jamaica, Mexico, Mozambique, Portugal, El Salvador, Sweden, and Zambia. Currently, the company has 8 GW of assets in operation, under construction and awarded. In 2022, Neoen, which has a market cap of EUR 4.3bn, generated revenues of EUR 503.2m and an EBITDA margin of 79.7%. Its ROCE equalled 3.6%.

Company	EV/Sales		EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2023E	2024E	2023E	2024E	2023E	2024E	Latest	Last FY	Latest
Encavis AG (EUR)	7.7x	7.0x	10.6x	9.8x	20.8x	19.3x	1.8x	66.3%	119.1%
7C Solarparken AG (EUR)	6.7x	6.2x	7.7x	7.2x	19.5x	19.5x	1.2x	81.8%	80.7%
clearwise AG (EUR)	6.4x	6.7x	7.7x	10.0x	28.5x	n.a	1.5x	72.5%	117.7%
Energiekontor AG (EUR)	4.5x	3.9x	12.9x	11.5x	23.0x	20.7x	9.1x	53.4%	227.1%
PNE AG (EUR)	10.3x	8.5x	34.9x	25.3x	n.a	n.a	4.6x	21.6%	242.3%
Photon Energy NV (EUR)	1.5x	1.2x	10.6x	6.0x	25.3x	13.0x	8.4x	23.6%	228.2%
Voltaia SpA (EUR)	4.9x	4.2x	10.0x	8.3x	30.6x	28.7x	1.5x	27.2%	76.7%
Neoen SA (EUR)	11.6x	9.6x	14.2x	11.9x	53.0x	43.9x	1.6x	79.7%	92.6%
Median	6.5x	6.4x	10.6x	9.9x	25.3x	20.1x	1.7x	59.8%	118.4%
Raen S.A. (PLN)*	2.1x	1.5x	5.9x	3.9x	3.4x	3.7x	35.8x	n.a	3.4%
Premium/Discount	-68.4%	-77.0%	-44.4%	-60.7%	-86.7%	-81.5%			
Fair value Raen (PLN)	1.53								

* On a fully-diluted basis incl. 5m new shares and 55m warrants (= 55m shares)

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	1.60	80%
Peer Group Analysis	1.53	20%
Weighted average (present value)	1.59	
In 12-months (PV * (1+WACC))	1.90	

Source: East Value Research GmbH

Financial forecasts

Revenues and Profitability

Currently, Raen is only generating revenues from planning, financing, commissioning and servicing third-party projects. According to preliminary figures that were issued on July 28, 2023, they equalled PLN 12.7m in H1/23, while the EBITDA amounted to PLN 4.3m (33.7% margin, company guidance for full-year 2023E: PLN 10m). The sale of renewable energy will only contribute to results in a few years and it is not yet clear whether Raen will own a majority in the respective project companies or only a minority stake. Thus, we have decided to base our forecasts only on the existing project development segment.

After signing a contract with a partner, who wants to develop a renewable energy plant in Poland, Raen takes over all tasks related to the preparation of the project incl. land leasing from farmers, raising funding from external investors, filing for an environmental decision, filing for a building permit, connection of the project to the public energy network. Usually, the whole process takes 2-3 years, during which Raen receive in total EUR 45,000-EUR 70,000 per MWh that is split into 6-7 milestone payments.

Currently, Raen services 6 regionally dispersed projects with a total capacity of 1,450 MW. Management publicly stated that its backlog amounted to >1,400 MW. We believe that the company is in talks with new clients from North America, Asia and Europe.

In our model, we have assumed that at the end of 2023E Raen will have signed project management contracts over 1,800 MW, which should bring the average MW over 12 months at 1,625 MW. At the same time, as the projects have only recently started, we have set the average yearly fee per MW at EUR 3,400 (thus, EUR 10,200 over 3 years). By 2025E, the contract volume in terms of MW should grow to 3,000 MW and the average annual fee per MWh to EUR 4,300. As in the long run the market will saturate, we have assumed that from 2027E – when the project volume will reach its peak at 3,500 MW – Raen will not sign new contracts for the management of third-party renewable energy plants. Regarding the average fee per MWh, in our view it will increase to EUR 15,550 (or EUR 46,650 over 3 years) by 2031E.

We have assumed that the average PLN-EUR FX rate will decrease from 4.62 in 2023E to 4.32 in 2025E and 4.20 in the long run.

in PLNm	2023E	2024E	2025E	2026E	2027E
Project capacity at the start of the year (in MW)	1,450	1,800	2,400	3,000	3,300
Project capacity at the end of the year (in MW)	1,800	2,400	3,000	3,300	3,500
Average project capacity (in MW)	1,625	2,100	2,700	3,150	3,400
Average fee per MWh per year (in EUR)	3,400	3,800	4,300	4,800	6,950
PLN-EUR FX rate	4.62	4.47	4.32	4.20	4.20
EBITDA margin	35.0%	38.0%	37.0%	36.0%	35.0%
Net sales	25.53	35.67	50.16	63.50	99.25
(change y-o-y)	n.a	39.7%	40.6%	26.6%	56.3%

Source: East Value Research GmbH

in PLNm	2023E		2024E		2025E		2026E	2027E
	est.	guid.	est.	guid.	est.	guid.	est.	est.
Net sales	25.53		35.67	33.90	50.16	65.90	63.50	99.25
EBITDA	8.93	10.00	13.55	15.20	18.56	42.90	22.86	34.74
<i>EBITDA margin</i>	<i>35.0%</i>	<i>n.a</i>	<i>38.0%</i>	<i>44.8%</i>	<i>37.0%</i>	<i>65.1%</i>	<i>36.0%</i>	<i>35.0%</i>
EBIT	8.53		12.65		16.86		20.36	31.84
<i>EBIT margin</i>	<i>33.4%</i>		<i>35.5%</i>		<i>33.6%</i>		<i>32.1%</i>	<i>32.1%</i>
Net income	6.86		10.21		13.63		16.48	25.80
<i>Net margin</i>	<i>26.9%</i>		<i>28.6%</i>		<i>27.2%</i>		<i>26.0%</i>	<i>26.0%</i>

Source: East Value Research GmbH

CAPEX and Working capital

We have assumed a gross CAPEX of PLN 620k and PLN 5.7m between 2023E and 2027E due to investments in renewable energy plants. Regarding working capital, we expect a cash inflow rather than outflow in the future due to Raen's business model.

Business description

Raen S.A., which is based in Warsaw, is at the forefront of the energy transformation in Poland that has only just started. It became a listed company through a reversed merger with the gaming company PunkPirates S.A. in March 2023. Raen (previously Seed Capital Sp. z.o.o) acquires, finances and develops renewable energy projects. In the future, the company also wants to sell renewable energy that is generated in its own solar, wind and biogas plants. Its portfolio of third-party projects currently comprises projects with a capacity of 1.45 GW and is supposed to grow to 3 GW by 2025E. Apart from Warsaw, Raen has offices in Poznan and Gdansk. The company employs 13 people.

Company history

11/2022: Raen's predecessor, PunkPirates S.A., decides to change the area of operations from gaming to renewable energy projects.

12/2022: PunkPirates sells all its games and gaming assets for PLN 720k.

03/2023: PunkPirates S.A. (now Raen S.A.) signs an agreement with the shareholders of Seed Capital Sp. z.o.o, Mr Adam Guz (owner of the 90% stake) and his team (10%), regarding a reversed merger. The value of the transaction equals PLN 1.5m-PLN 7m, is payable in three instalments and dependent on the audited EBITDA of Raen in 2023E and 2024E. As a results, Mr Guz becomes the largest shareholder of Raen S.A. The previous owners of PunkPirates S.A. – Messrs Maciej Hazubski and Wojcech Przylecki – maintain a stake of 22.9%, but are only financial investors.

04/2023: The transaction is being recorded in the Polish company register.

Raen's business segments

Currently, Raen focuses on project development for large international clients such as French Engie, for which it receives a remuneration of EUR 45,000-70,000 over 2-3 years. The remuneration is paid in installments that are based on achieved milestones. There are 6-7 milestones e.g. leasing of land from farmers based on 29-30 year contracts, raising of financing (according to management, Raen has >150 international investors in its network), grant of the environmental approval, grant of the building permit.

The projects are acquired by Raen's international team, which has contacts in Europe, North America and Asia and many years of experience in raising financing, M&A transactions e.g. in the energy industry and negotiations with the public administration.

The company's current portfolio includes photovoltaic projects with a total capacity of 1,450 MW. While the portfolio of third-party projects is expected to grow rapidly over the next few years, in the long run – with the increasing saturation of the Polish renewable energy market – Raen plans to focus on sales of energy directly to business clients (based on long-term Power Purchase Agreements with a fixed price and volume) that it wants to produce in its own photovoltaic, wind and biogas plants. Management wants to acquire either 100% in such plants or become a minority shareholder in joint ventures with a partner.

Visualisation of Raen's business model

Acquisition of renewable energy projects (ready-to-build or existing ones)

Raising of financing on international markets

Planning, developing and servicing of projects in the JDA model

Development of own renewable plants and sale of energy in the PPA model

Sources: Company information, East Value Research GmbH

Key staff

Adam Guz (CEO): Mr Adam Guz is Raen's CEO and its largest shareholder. Previously, Mr Guz was Founder, Managing Partner and Member of the Management Board of Seed Capital Sp. z.o.o., which is the predecessor of Raen S.A. He advised on 13 successful IPOs, including Graal and Integer/InPost. During his career, he acted as advisor in >100 corporate finance transaction. From 2000, he was Member of the Management and Supervisory Boards of the following companies: Alumast S.A., Consorg sp. z o.o., Superfish S.A., Graal S.A., Sare S.A. and GO TFI S.A. From 2019, he was involved in the implementation of renewable energy projects as CFO of the largest trading company in Poland Respect Energy S.A. Author of fiction novels set in business realities, including "19 Holes, or How to Steal a Company" and "Banksters", of which the film adaptation appeared in cinemas in 2020. Mr Adam Guz graduated from the Higher School of Management in Warsaw and the University of West London.

Mirosław Barszcz (Business Development Officer): Mr Mirosław Barszcz is Raen's Business Development Officer. In the past, he has been among others Senior Manager at PwC, Partner at Baker & McKenzie, Undersecretary of State in the Polish Ministry of Finance, Advisor in the Ministry of Justice, Supervisory Board Member at the 2nd largest Polish bank PKO BP and CEO of the state-owned real estate fund PFR Nieruchomosci. Besides his role at Raen, he also works part-time as Advisor of the Polish Entrepreneurs' Association and Chairman of the Committee for International Investment at the Polish-Ukrainian Chamber of Commerce. Mr Barszcz graduated with a Master's degree in Law from the Catholic University in Lublin.

Roman Rafał Rachalewski (Head of the Supervisory Board): Mr Roman Rachalewski is the Head of Raen's Supervisory Board. In 1998-2000, he worked for the US-American consulting firm IMPAC, where he participated in process improvement projects e.g. at large Polish companies Rafako, Okocim and Unicom Bols Group. Between 2007 and 2017, he was employed at the private equity fund EMSA Capital, which invested in medium-sized and large distressed assets in Central and Eastern Europe. Between 2018 and 2020, he worked among others at the leading wholesaler of car parts Inter Cars S.A., where he led the motorcycle department. Mr Rachalewski graduated in Accounting from the University in Lodz, passed the CFA examination and completed the Polish-Canadian Executive MBA UQUAM SGH program.

David Meister (Head of Marketing): Mr David Meister is Head of Marketing at Raen. He has had an impressive career in advertising roles in Poland, USA, the Czech Republic and Serbia e.g. at Leo Burnett, Tribal DDB, Ogilvy & Mather, Perla Browary and MTV. He also founded a co-working space for startups in Warsaw called Strych na Wroble. Mr Meister graduated with a Bachelor's degree in International Relations and Affairs from the University of Nebraska-Lincoln.

Marc Boyle (IRO): Mr Marc Boyle is in charge of investor relations at Raen. For more than 25 years, he has been advisor in the area of M&A, strategic consulting, post-acquisition integration and investor negotiations in the US and Europe. His client lists includes such names as Commerzbank, Saint Gobain, Carrefour, Marathon, Talisman Energy, Alfa Bank, AIB Bank, Norilsk Nickel, Bull, SAP and numerous private equity firms.

James Nam (Business Development Asian Markets): Mr James Nam is in charge of business development in Asia. He is Head of the Association of Koreans in Poland and a graduant of the Korea University.

Market environment

The European Green Deal

With its „Green Deal“ that was passed in 2020, the EU has set the ambitious goal to make Europe the first CO₂ neutral continent by 2050E. By 2030E, it wants to reduce carbon emissions by at least 55% compared to their level in 1990. The goals, which are obligatory for all 27 EU member states, are supposed to be achieved through investments worth EUR 600bn among others in the modernization of buildings, reforestation, restoration of wetlands and peatlands and production of renewable energy. For planes, ships and energy-intensive products from countries with less strict environmental laws, the EU wants to introduce CO₂ pricing. By 2030E, the share of renewable energy in total energy production is supposed to grow from 22% in 2022 to 40% EU-wide and the consumption of energy is to be reduced by 36-39%.



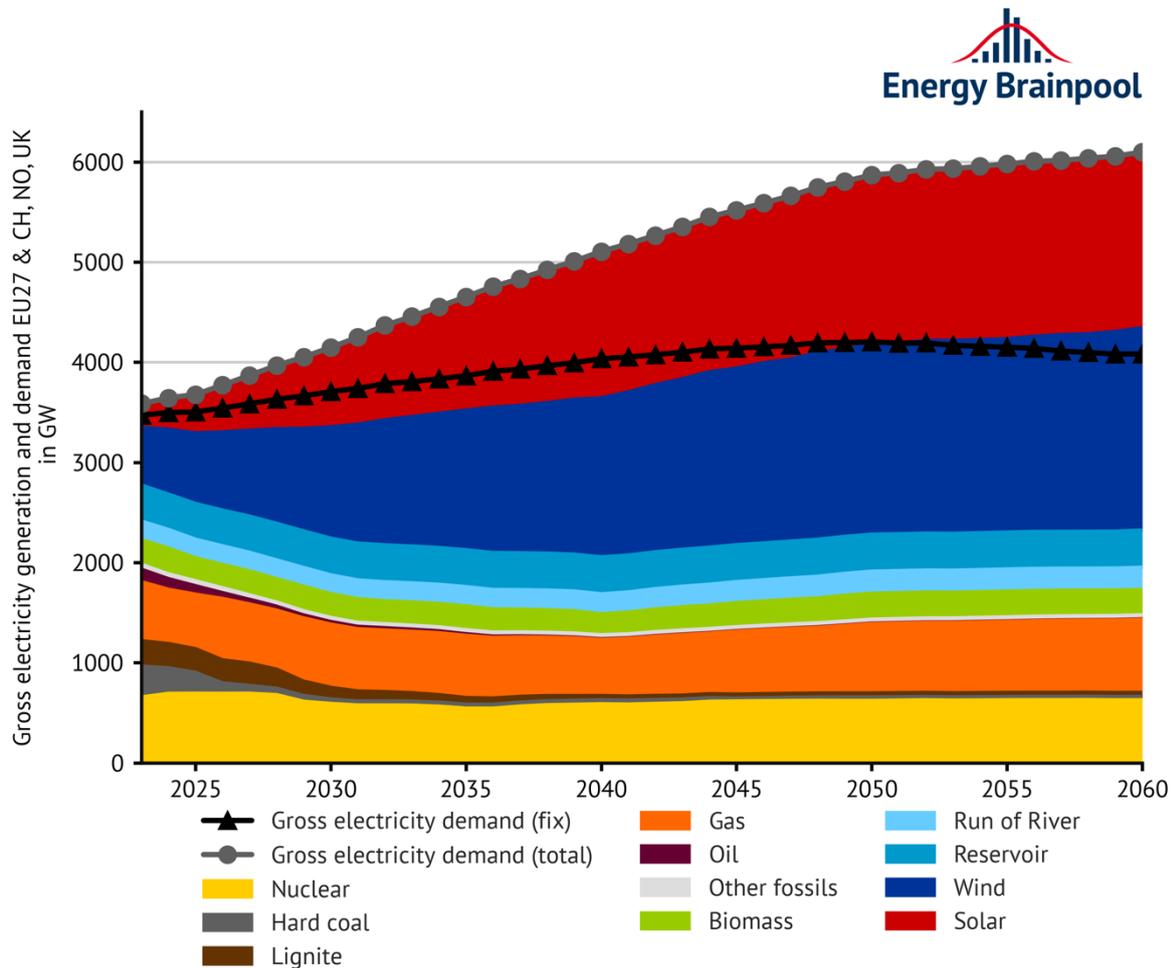
Source: europa.eu, East Value Research GmbH

Forecasts for energy demand in Europe

According to McKinsey, by at least 2030E the electricity demand in Europe will be impacted by the "European Green Deal". The consultancy estimates that between 2021 and 2030E the demand will rise at a CAGR of 6.5%, up from 2% in 2018-2021. Initially, much of this increase will likely stem from the electrification of transport, where the demand for electricity is expected to rise at a CAGR of 13%. After 2030E, the use of green or potentially red hydrogen (hydrogen created with nuclear energy) for manufacturing is expected to ramp up substantially to 200 TWh. In total, McKinsey expects the absolute electricity use across Europe to increase from 2,900 TWh in 2021 to 3,700 TWh in 2030E (+76.2%).

The forecasts of Energy Brainpool, which apart from EU-27 also include Switzerland, Norway and the UK, foresee a gross energy demand of 6 TWh by 2060E, compared to c. 3.5 TWh currently. Thereof, the share of energy from wind and solar power is expected to grow rapidly at the expense of mainly coal and oil.

Energy demand in EU-27, Switzerland, Norway and the UK until 2060E



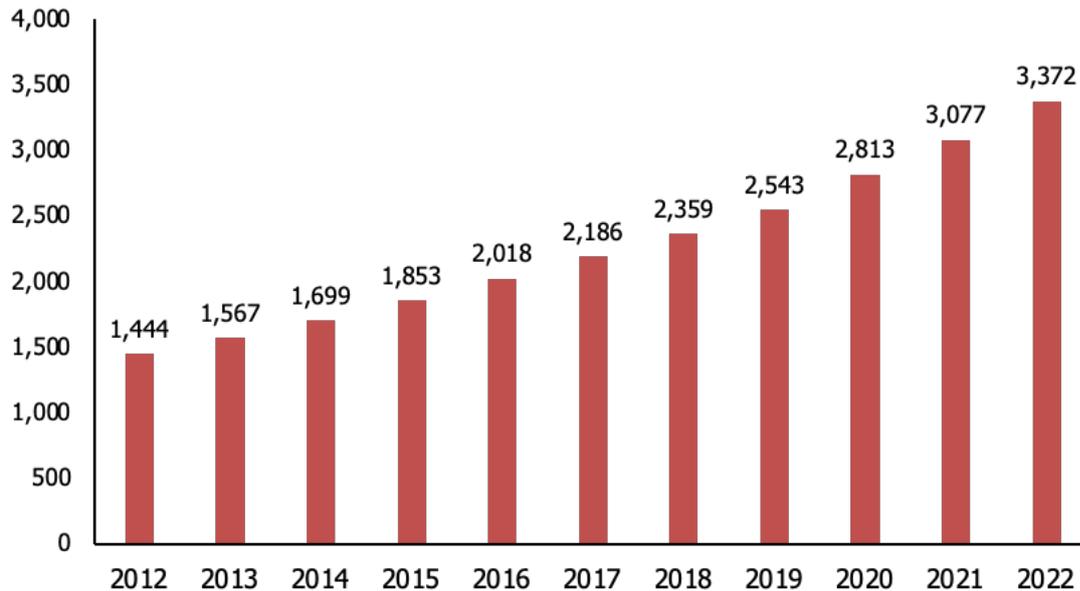
Source: Energy Brainpool, East Value Research GmbH

Current state of the renewable energy sector in Europe and its prospects

2022 was an exceptional year for the European energy sector. While Russia’s invasion of Ukraine temporarily resulted in record-high oil and gas prices, European governments quickly managed to diversify away from Russian oil & gas deliveries. Gas storages were filled with gas from the US and Arab countries and the production of renewables was further increased. In addition, the relatively mild winter and energy savings led to a lower than previously feared demand for electricity & gas in Q4/22.

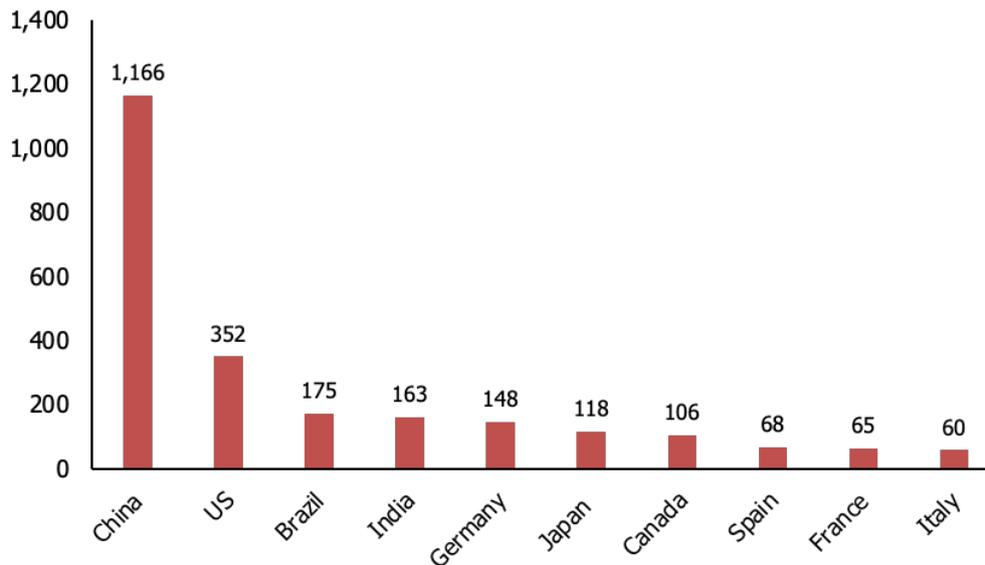
According to the International Renewable Energy Agency (IRENA), the capacity of renewable energy plants worldwide in 2022 reached 3,372 GW (+9.6% y-o-y or 295 GW). Last year, almost half of all new capacity was added in Asia, which had a total capacity of 1,630 GW. The largest growth was reported in China (+141 GW), Europe (+57.3 GW) and North America (+29.1 GW). In Europe, the total installed capacity of renewable energy plants in 2022 equalled 822.9 GW.

Capacity of global renewable energy plants (in GW): 2012 – 2022



Source: Statista.com, East Value Research GmbH

Countries with the largest renewable energy capacity worldwide in 2022 (in GW)

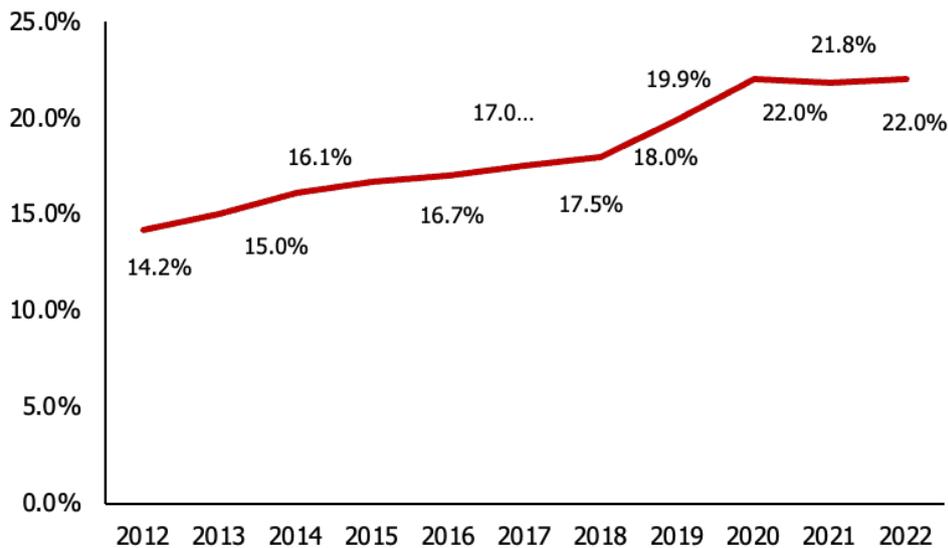


Source: Statista.com, East Value Research GmbH

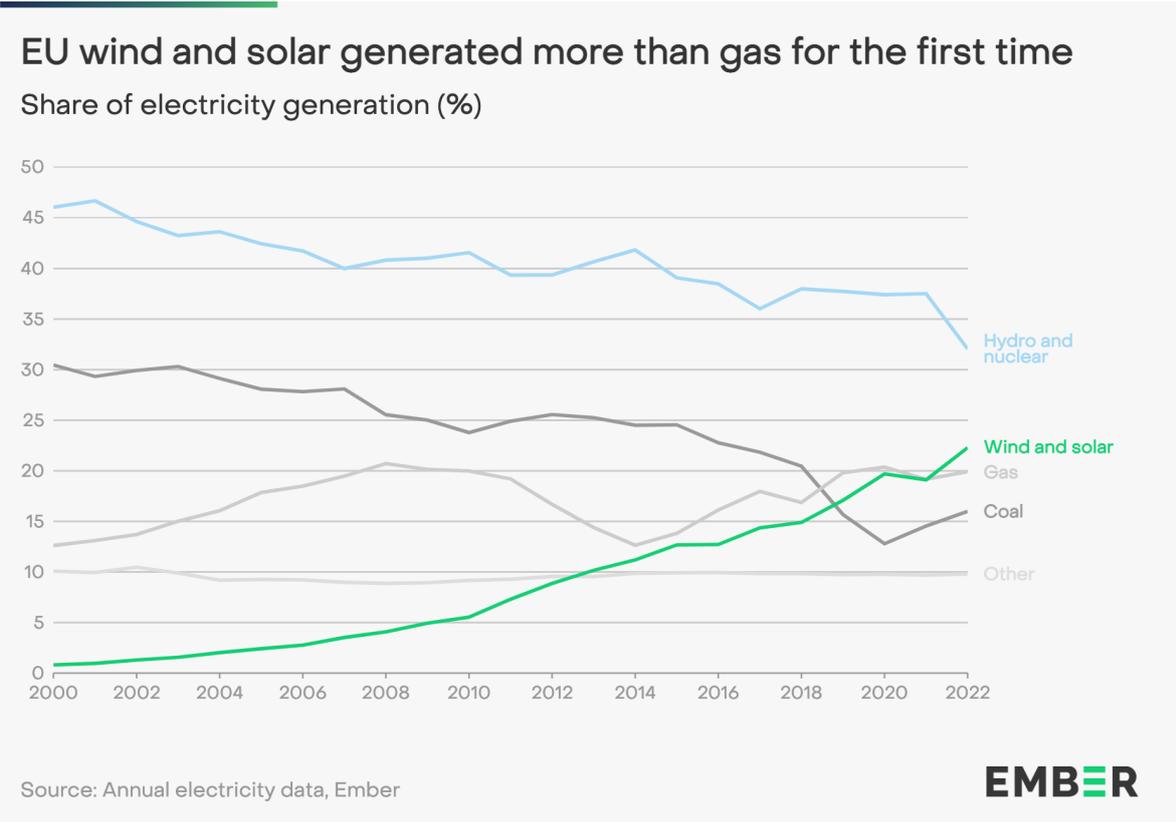
While China leads worldwide by far, Germany is the No 1 in Europe when it comes to installed renewable energy plants. It has more installed MWs than Spain (No 2) and France (No 3) combined.

As the below chart shows, in 2022 the production of energy from wind and solar reached 22% of the total in Europe and thus was higher than from gas for the first time. Only in 2012, the share of renewable energy equalled 14.2%. While in Germany the production of renewable energy reached 44% of the total in 2022, it was the highest in Luxemburg (85.7%), Denmark (84%) and Austria (76.6%).

Share of energy from renewable sources in Europe 2012-2022

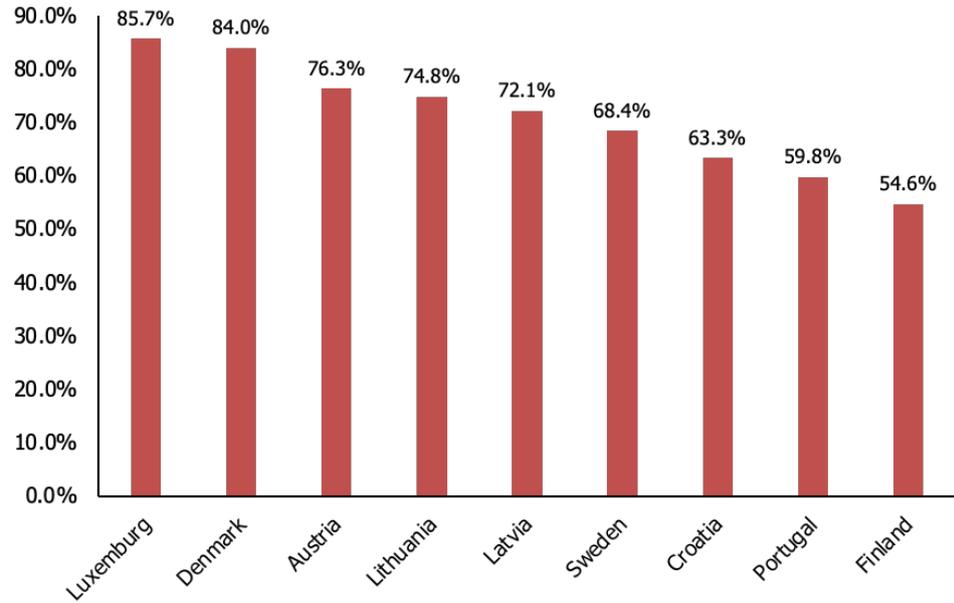


Source: Statista.com, East Value Research GmbH



Source: Energy think tank Ember, East Value Research GmbH

Countries with the highest share of renewable energy production in Europe (2022)



Source: Ember, East Value Research GmbH

Regarding the prospects of the renewable energy sector in Europe, the consultancy Ember reckons that the energy crisis in 2022 has acted as a trigger for an acceleration of respective investments. However, for the development of hydropower, it sees extreme droughts across Europe as a major risk. In 2022, which was a very dry year, hydro power generation in Europe fell to 283 TWh, the lowest level in more than two decades.

The state of the renewable energy sector in Poland

As a member of the EU, Poland has to comply with EU rules including the EU Green Deal. In 2022, only 21.2% of the country's energy production stemmed from renewable sources, which is far behind countries such as Germany or Lithuania. At the end of 2022, the installed capacity for renewable energy generation equalled 22.67 GW, which corresponds to a 37.6% share in the total production capacity incl. fossil fuels of 60.24 GW. Last year, 650 MW of new renewable plants were added.

At the end of December 2022, photovoltaic installations had the highest share in installed renewable energy plants (12.19 GW). Wind installations accounted for 8.26 GW, hydro plants for 978 MW, biomass for 969 MW and biogas for 279 MW.

Profit and loss statement

in PLNm	2022*	2023E	2024E	2025E	2026E	2027E
Total revenues	0.02	25.53	35.67	50.16	63.50	99.25
Direct costs	0.00	-16.00	-21.05	-29.54	-37.34	-58.26
Gross profit	0.02	9.53	14.62	20.61	26.16	40.99
Other operating income	0.33	0.80	0.88	0.97	1.06	1.17
Administrative expenses	0.00	-0.70	-0.91	-1.17	-1.36	-2.03
Other operating expenses	-1.93	-0.69	-1.04	-1.85	-3.01	-5.40
EBITDA	-1.59	8.93	13.55	18.56	22.86	34.74
Depreciation & amortization	-0.02	-0.40	-0.90	-1.70	-2.50	-2.90
EBIT	-1.61	8.53	12.65	16.86	20.36	31.84
Net financial results	0.34	-0.07	-0.05	-0.03	-0.01	0.01
EBT	-1.27	8.46	12.60	16.83	20.35	31.85
Income taxes	0.08	-1.61	-2.39	-3.20	-3.87	-6.05
Minority interests	-0.15	0.00	0.00	0.00	0.00	0.00
Net income / loss	-1.34	6.86	10.21	13.63	16.48	25.80
Diluted EPS	-0.03	0.15	0.13	0.13	0.15	0.24
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Share in total sales						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Direct costs	0.00 %	-62.68 %	-59.00 %	-58.90 %	-58.80 %	-58.70 %
Gross profit	100.00 %	37.32 %	41.00 %	41.10 %	41.20 %	41.30 %
Other operating income	2056.25 %	3.13 %	2.47 %	1.93 %	1.68 %	1.18 %
Administrative expenses	0.00 %	-2.74 %	-2.54 %	-2.34 %	-2.14 %	-2.04 %
Other operating expenses	-12087.50 %	-2.71 %	-2.92 %	-3.69 %	-4.73 %	-5.44 %
EBITDA	-9931.25 %	35.00 %	38.00 %	37.00 %	36.00 %	35.00 %
Depreciation & amortization	-118.75 %	-1.57 %	-2.52 %	-3.39 %	-3.94 %	-2.92 %
EBIT	-10050.00 %	33.43 %	35.48 %	33.61 %	32.06 %	32.08 %
Net financial results	2112.50 %	-0.27 %	-0.14 %	-0.06 %	-0.02 %	0.01 %
EBT	-7937.50 %	33.16 %	35.34 %	33.55 %	32.05 %	32.09 %
Income taxes	487.50 %	-6.30 %	-6.71 %	-6.37 %	-6.09 %	-6.10 %
Minority interests	-925.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	-8375.00 %	26.86 %	28.62 %	27.18 %	25.96 %	25.99 %

* 2022 figures reflect the results of the PunkPirates, the company with which Raen conducted a reversed merger in March 2023

Balance sheet

in PLNm	2022*	2023E	2024E	2025E	2026E	2027E
Cash and cash equivalents	0.02	8.39	29.96	40.67	54.82	80.31
Other financial assets	0.14	5.10	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00
Trade accounts and notes receivable	0.14	0.00	0.07	0.21	0.39	0.82
Other current assets	0.58	0.10	0.10	0.10	0.11	0.11
Current assets	0.87	13.59	30.13	40.98	55.32	81.23
Property, plant and equipment	0.00	1.00	3.00	7.00	10.00	12.00
Other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Long-term financial assets	0.79	0.00	0.00	0.00	0.00	0.00
Deferred tax assets	0.01	0.00	0.00	0.00	0.00	0.00
Non-current assets	0.79	1.00	3.00	7.00	10.00	12.00
Total assets	1.66	14.59	33.14	47.99	65.33	93.24
Trade payables	0.30	1.53	2.02	2.83	3.58	5.59
Short-term financial debt	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.12	5.10	5.20	5.31	5.41	5.52
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities	0.42	6.63	7.22	8.14	8.99	11.11
Long-term financial debt	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.14	0.00	0.00	0.00	0.00	0.00
Long-term liabilities	0.14	0.00	0.00	0.00	0.00	0.00
Total liabilities	0.56	6.63	7.22	8.14	9.00	11.11
Shareholders equity	1.10	7.95	25.91	39.84	56.33	82.12
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities and equity	1.66	14.59	33.14	47.99	65.33	93.24

* 2022 figures reflect the results of the PunkPirates, the company with which Raen conducted a reversed merger in March 2023

Cash Flow Statement

in PLNm	2022*	2023E	2024E	2025E	2026E	2027E
Net income / loss	-1.34	6.86	10.21	13.63	16.48	25.80
Depreciation & amortization	0.02	0.40	0.90	1.70	2.50	2.90
Change of working capital	-1.26	6.83	0.51	0.78	0.67	1.69
Others	1.21	0.13	0.00	0.00	0.00	0.00
Net operating cash flow	-1.37	14.22	11.62	16.12	19.65	30.38
Cash flow from investing	1.29	-0.62	-2.90	-5.70	-5.50	-4.90
Free cash flow	-0.08	13.60	8.72	10.41	14.15	25.48
Cash flow from financing	0.10	-5.23	12.85	0.30	0.00	0.00
Change of cash	0.02	8.37	21.57	10.71	14.15	25.48
Cash at the beginning of the period	0.00	0.02	8.39	29.96	40.67	54.82
Cash at the end of the period	0.02	8.39	29.96	40.67	54.82	80.31

* 2022 figures reflect the results of the PunkPirates, the company with which Raen conducted a reversed merger in March 2023

Financial ratios

Fiscal year	2022*	2023E	2024E	2025E	2026E	2027E
Profitability and balance sheet quality						
Gross margin	100.00%	37.32%	41.00%	41.10%	41.20%	41.30%
EBITDA margin	-9931.25%	35.00%	38.00%	37.00%	36.00%	35.00%
EBIT margin	-10050.00%	33.43%	35.48%	33.61%	32.06%	32.08%
Net margin	-8375.00%	26.86%	28.62%	27.18%	25.96%	25.99%
Return on equity (ROE)	-67.40%	151.45%	60.29%	41.45%	34.28%	37.26%
Return on assets (ROA)	-101.15%	47.47%	30.96%	28.47%	25.25%	27.66%
Return on capital employed (ROCE)	-121.61%	86.90%	39.55%	34.27%	29.28%	31.40%
Economic Value Added (in EURm)	-1.76	5.32	5.07	5.69	5.23	9.36
Net debt (in EURm)	-0.02	-8.39	-29.96	-40.67	-54.82	-80.31
Net gearing	-1.64%	-105.46%	-115.61%	-102.08%	-97.33%	-97.79%
Equity ratio	66.24%	54.53%	78.21%	83.03%	86.23%	88.08%
Current ratio	2.07	2.05	4.17	5.04	6.15	7.31
Quick ratio	0.69	2.03	4.16	5.02	6.14	7.30
Net interest cover	4.76	121.91	253.10	561.91	2036.14	-3183.61
Net debt/EBITDA	0.01	-0.94	-2.21	-2.19	-2.40	-2.31
Tangible BVPS	0.02	0.17	0.34	0.37	0.53	0.77
Capex/Sales	15156.25%	-2.41%	-8.13%	-11.37%	-8.66%	-4.94%
Working capital/Sales	1843.75%	-25.60%	-19.75%	-15.61%	-13.38%	-10.26%
Cash Conversion Cycle (in days)	n.a	-35	-34	-34	-33	-32
Trading multiples						
EV/Sales (fully-diluted)	3295.69	2.07	1.48	1.05	0.83	0.53
EV/EBITDA (fully-diluted)	-33.19	5.90	3.89	2.84	2.31	1.52
EV/EBIT (fully-diluted)	-32.79	6.18	4.17	3.13	2.59	1.66
P/Tangible BVPS	21.1x	2.9x	1.5x	1.3x	0.9x	0.6x
P/E (fully-diluted)	-17.3x	3.4x	3.7x	3.9x	3.2x	2.0x
P/FCF	-642.5x	3.9x	6.0x	5.1x	3.7x	2.1x

* 2022 figures reflect the results of the PunkPirates, the company with which Raen conducted a reversed merger in March 2023

Disclaimer

This document (prepared on 25 September 2023) does neither constitute an offer nor a request to buy or sell any securities. It only serves informational purposes. This document only contains a non-binding opinion on the mentioned securities and market conditions at the time of its publication. Due to the general character of its content this document does not replace investment advice. Moreover, in contrast to especially approved prospectuses, it does not provide information, which is necessary for taking investment decisions.

All information, which have been used in this document, and the statements that have been made, are based on sources, which we think are reliable. However, we do not guarantee their correctness or completeness. The expressions of opinion, which it contains, show the author's personal view at a given moment. These opinions can be changed at any time and without further notice.

A liability of the analyst or of the institution, which has mandated him, should be excluded from both direct and indirect damages.

This confidential study has only been made available to a limited number of recipients. A disclosure or distribution to third-parties is only allowed with East Value Research' approval. All valid capital market rules, which relate to the preparation, content as well as distribution of research in different countries, should be applied and respected by both the supplier and recipient.

Distribution in the United Kingdom: In the UK this document shall only be distributed to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves about any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or sent to the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

Declaration according to § 34b WpHG and FinAnV on potential conflicts of interest (As of July 24, 2013): East Value Research has been commissioned to prepare this report by Raen S.A.

Declaration according to § 34b WpHG and FinAnV on additional disclosures (As of July 24, 2013):

It is the sole decision of East Value Research GmbH whether and when a potential update of this research will be made.

Relevant basis and measures of the valuations, which are included in this document:

The valuations, which are the basis for East Value Research` investment recommendations, are based on generally-accepted and widely-used methods of fundamental analysis such as the Discounted-Cash-Flow method, Peer Group comparison, or Sum-of-the-Parts models.

The meaning of investment ratings:

Buy: Based on our analysis, we expect the stock to appreciate and generate a total return of more than 10% over the next twelve months

Add: Based on our analysis, we expect the stock to appreciate and generate a total return between 0% and 10% over the next twelve months

Reduce: Based on our analysis, we expect the stock to cause a negative return between 0% and -10% over the next twelve months

Sell: Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht
Lurgiallee 12
60439 Frankfurt