

Doral Group Renewable Energy Resources

April 20, 2021

Stock Exchange
TASESymbol
DORLSector
TechnologySub-sector
CleantechStock price target
NIS 21.9Closing price
NIS 13.2Market cap
NIS 1,895 MnNo. of shares
143.9 MnAverage Daily
Trading Volume
6,392 stocksStock Performance
(Since Jan. 2021)
-12%

Q4 Update – A 58% increase in the total MW of the company's projects pipeline since November 2020, along with the signing of significant agreements in the US and Europe; we update our target price to NIS 21.9

Doral consistently meets our expectations with an emphasis on developing the company's projects pipeline abroad; we update its valuation based on its progress and achievements and given the industry trends and growth. We update Doral's share price target to be NIS 21.9.

Market and trends - In the wind energy market, Frost & Sullivan forecasts that around 900 GW of new capacity will be added between 2020 and 2030. The annual investment will vary from \$140 to \$160 billion.

In the PV market, Frost & Sullivan forecasts that around 1,500 GW of new capacity will be added between 2020 and 2030, accounting for a total investment of \$1.5 trillion. We believe that the wind and PV market will continue to grow based on global demand and governmental plans.

Strategy - Doral targets Israel, the USA, and Europe as its main markets for the foreseeable future. It has the experience, the capital and knowledge to promote its projects; however, the test will be in converting pipeline projects due in 1-5 years to grid connected facilities. Thus, in our economic model we used probabilities to quantify this conversion.

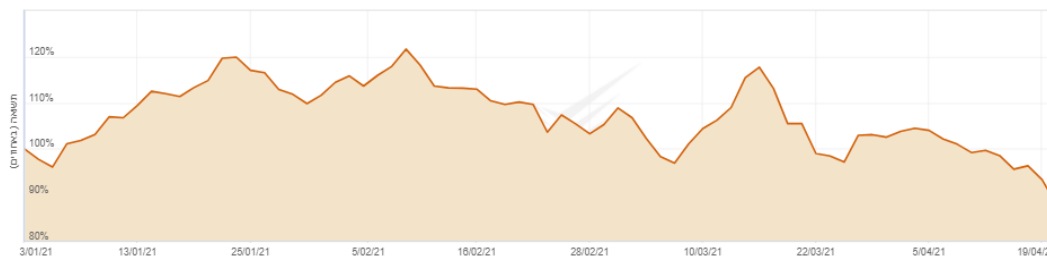
Specifically, the company's strategy is to select and operate in markets that demonstrate a combination of factors, with specific emphasis on supportive policy, regulations, favorable market conditions, an opportunity to optimize technology and increase installed capacity. In international markets, the company partners with local entities that have competitive advantages at the initial and early stages of development.

Valuation - Our valuation encompasses 33 identified clusters of projects. We calculated NPV for each project based on the probability of the projects and percentage of holdings. Furthermore, we calculated other assets and liabilities the company has, as we elaborated in our initiation report. This valuation excludes additional, unidentified, projects in the company's pipeline, which may have additional upside

We evaluate the company's equity value at NIS 3.1 billion; price target ranges between NIS 20.2 to NIS 23.7 and on average NIS 21.9.

On the next page, we present the main events in the fourth quarter (2020) and the past months of 2021.

Year	Revenues (000 NIS)	Operating profit (000 NIS)
2020A	59,847	55,188
2021E	168,369	137,182
2022E	379,493	303,547



Lead Analyst

Dr. Tiran Rothman

Equity.Research@frost.com

Tel.: +972-9-9502888

Key events in the fourth quarter (2020) and the passing months of 2021:

- **Expansion of the company's operations in the US** – The scope of projects in the advanced stages of initiation and development is approximately 3 GWp. A significant development in the company's projects in Indiana, Illinois, and Pennsylvania.
 - Indiana -. 1) Signing an agreement for the sale of electricity for the first phase of the Indiana US project (**approx. 480 MW DC**). At a fixed price for 15 years from the date of commercial operation, the client committed to purchasing all the electricity and green certificates produced at the PV facility. 2) The company has received approval from a planning court for another land division that will allow the construction of an **additional phase of about 390 MW (DC)** as part of the PV project
 - Illinois, Pennsylvania - Signing of land use right agreements (approx. 3,360 acres) to construct PV projects with an **aggregate capacity of approx. MW800 (DC)** with a projected investment of approximately \$650M.
- **Expansion of the company's activities in Europe** – The scope of projects in various initiation and development stages is approximately 1.25 GWp. The signing of significant memoranda of understanding agreements for cooperation in Poland and Romania.
 - Poland - Signing of memoranda of understanding with third parties to initiate joint projects with a combined capacity of MW420.
 - Romania - Signing an agreement for cooperation in the initiation and construction of PV projects, with a total capacity of approximately MW300 (DC), with a projected investment of roughly \$ 200 million.
- **Doral will invest approx. \$8M in Phienergy**, which provides green energy solutions through aluminum-air and zinc-air technologies to produce, transport, and store energy.
- **Expansion of activity areas** - the company's board of directors approved the promotion of "energy independence" projects, including electricity generation, storage, and electricity network management solutions for large customers.

Executive Summary

Investment Thesis

Globally, the renewable energy sector is in growth momentum in most countries as a result of government decisions and organizations to reduce dependence on polluting fuels and reduce greenhouse gas emissions, which are reflected in governments' actions to meet renewable energy targets they are committed to according to the Paris 2015 agreement.

The implementation of government decisions translates into policies, regulations, and licensing processes of companies that build renewable energy electricity generating facilities that are supposed to provide electricity over many years in a reliable, safe and economical manner.

Doral is well respected in its industry, both locally and globally. Their reputation extends across the Renewable Energy value and supply chains, as well as within their specific business ecosystem. The company has successful experience across all steps and stages of renewable energy projects, including initiation, development, financing, construction, management, operation, ownership, and sale of assets.

The company aims to continue creating value by leveraging its significant land reserves and proven expertise in working with landlords, in Israel and internationally. The company's strategy is to select and operate in markets that demonstrate a combination of factors with specific emphasis on; supportive policy, regulations, favorable natural resources, an opportunity to optimize the development, and market size that supports future growth. In international markets the company partners with local entities that provide advantages in the initial early stages of development.

Doral's value proposition to investors, partners, and suppliers include:

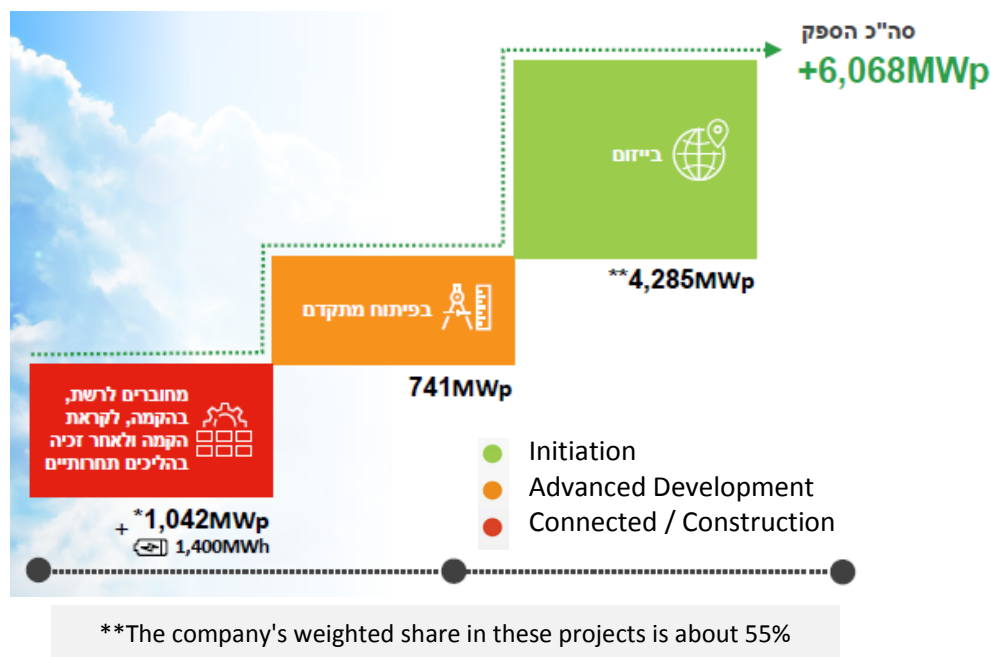
- Experience in evaluating projects and uncovering upside opportunities.
- Focus on markets that are mature or maturing in terms of renewable energy policy and regulation, and such markets where renewable energy sources provide competitive electricity prices without the need for subsidies.
- Identify opportunities to optimize projects' capacity or timetables immediately and/or in the long term and high likelihood to secure financing due to corporate reputation and industry relations.
- Leveraging experience to generate margins from optimization, development, and construction.

We forecast that by 2021 Doral's projects' (representing 100% holdings) will generate revenues of NIS 168 million in 2021 and by 2022 revenues be more than double to NIS 379 million.

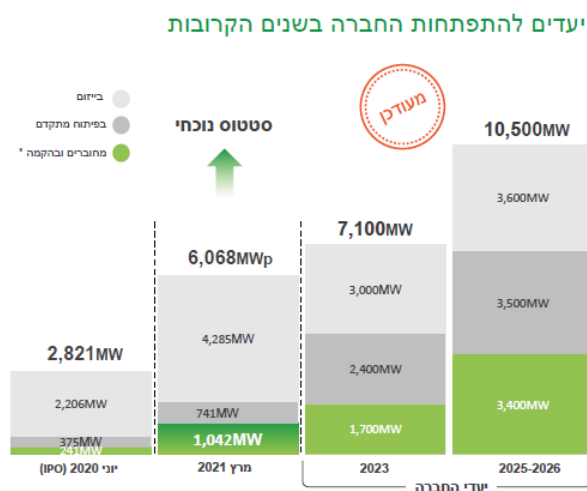
Company Overview

Doral Renewable Energy Resources Group (TASE:DORL) initiates, develops, builds and operates renewable energy projects across Israel, the US and Europe. The company's vision is to implement their renewable energy projects on a global scale. In the US and Europe the company has 4,015MW worth of energy projects currently in planning phases and has a goal of reaching an 10,500 MW total portfolio of projects from planning to implementation by 2025-2026. Doral believes in the implementation of cutting-edge technologies and has different areas of activity of renewable energy including the combination of solar energy and energy storage. Doral is the biggest winner of the first and second Israeli Solar + storage tenders; will install approximately 1400MW/h of storage capacity.

Project pipeline overview:



Goals for the development of the company in the coming years:



The Company has four main divisions of activity:

- 1) The Israel Division where solar energy predominates the energy portfolio.
- 2) The US Division where joint ventures are expected to increase the Company's renewables portfolio substantially.
- 3) The European Division where joint ventures in Italy, Poland and Romania are expected to increase the Company's renewables portfolio substantially.
- 4) The Division which includes: Doral Tech activity, Environmental Infrastructure Projects in the fields of Bio Gas, Waste and Wastewater Management, Wind Energy in Israel, and Cogeneration.

To support these divisions Doral's strategic strengths include: 1) A well-seasoned team with vast experience and professional knowledge 2) The ability to navigate regulatory requirements and authorities 3) Close work with first-class manufacturers of advanced technology equipment 4) Established relations with financing banks and Institutional Investors 5) Partnership agreements with the majority of kibbutzim throughout Israel, for the establishment of energy production systems.

All of these strengths have allowed Doral to come to the table and offer truly competitive value that has led to long lasting partnerships.

Israel Activity

In 2008, Doral was the first company to connect a solar photovoltaic system to the national electricity grid in Israel. As of today, Doral owns and operates hundreds of operational Solar PV systems in Israel, ground mounted, rooftops and reservoir PV facilities. With the connection of the solar facilities that are currently under construction and the solar facilities that won the tenders, the supplier of the facilities owned by the company will be approx. 1,042 MW. The Company has established PV systems on a variety of scales from large infrastructure projects to small systems designed for self-consumption. The company is a market leader in storage activities and engaged in technologically advanced projects combining solar energy with energy storage capacity.

Two major Israeli projects that Doral is currently preparing for construction are, significant tender for solar fields that will include energy storage and Hadarei She'an.

Hadarei She'an - One of the biggest (200 mega-watts) PV power stations in the Middle-East located in the Beit She'an Valley.

Doral has a partnership agreement with Invenergy LLC one of the largest privately held power producer in the United States and 11 kibbutzim from Beit She'an Valley. The project represents an investment of 537 million NIS, is projected to produce revenues of 55 million NIS per year, and expected to be commercially operational in 2023/24. Doral owns 32.5% of this project.

Energy Storage Tender – Doral is a major player in the Israeli energy storage market and has won 300 MW (AC) of PV and 1400MW/h of storage capacity out of the 777 MW tender presented by the electricity authority. The projects are projected to bring in between 242.7million NIS, has a total capacity of 750MWp, an EBITDA of 191.3million NIS and FFO of 156.6million NIS. Doral owns ~64% approximate and chained (weighted average) of these projects.

US Activity

In order to achieve its goals of international presence, Doral signed on a term sheet with Clean Air Generation LLC regarding the establishment of a joint venture, which will operate through Global Energy Generation (GEG). GEG will manage the initiation, development, construction, maintenance and operation of energy production projects in the US. The agreement stipulates that the Global Group will be jointly managed by the aforementioned parties; the owner of Clean Air Generation LLC will be entrusted with the management of the Global Group's day-to-day operations, in accordance with the parties' guidelines.

This joint venture secured Doral several major US projects:

- 1) A project for the construction of a solar field in the state of Indiana, with a capacity of about 1,650 megawatts (1.65 gigawatt) at an expected establishment cost of \$1.43B and NTP expected in 2022
- 2) A project for the construction of a solar field in the state of Illinois, with the capacity of about 690 megawatts at an expected establishment cost of \$560M and NTP expected in 2023
- 3) A project to establish wind turbine farms in the state of Pennsylvania, with the capacity of about 175 megawatts, at an expected establishment cost of \$300M and NTP expected in 2022.
- 4) A project for the construction of a solar field in the state of Pennsylvania, with the capacity of about 366 megawatts at an expected establishment cost of \$295M and NTP expected in 2022
- 5) A project to build a solar field in Delaware, with a volume of about 143 megawatts at an expected establishment cost of \$150M and NTP expected in 2023

European Activity –

Italy

Doral founded a joint venture to expand its activity into Italy further. Doral entered into a cooperation agreement with a third party regarding the initiation, development, and establishment of renewable energy systems at a capacity of approx. 450 MW at an expected establishment cost of 450M\$ and RTB expected in 2022-2023. One of the main projects under this cooperation is a 120 MW solar project in southern Italy.

Poland

The group entered into memoranda of understanding with local entrepreneurs to initiate, manage, develop, and construct renewable energy facilities in Poland, with a capacity of approx. 400 MW. Also, the company has purchased projects with a total capacity of about 23 MW; these projects have construction permits and a permit to reserve a place in the electricity grid.

Romania

Doral has agreed with a third party to cooperate in the initiation and construction of approximately 300 MW (DC) of PV projects in Romania, which are in various initiation stages with a projected investment of approx. \$200 million.

Renewable Energy Activity

Because Doral is a future oriented company, it has spread its reach far beyond just the traditional solar and wind renewable solutions. Below are its additional branches of activity:

- 1) **Energy Storage** - The energy storage industry is one of the fastest growing market segments in the renewables ecosystem. Energy storage solutions are expected to integrate naturally into renewable energy power generation systems, thereby enabling renewable energy production facilities to be similar in terms of availability, to conventional production facilities.

The Company's activities to realize the storage potential contain 3 main areas:

- Renewable energy facilities including storage.
- "Behind the meter" storage facilities.
- Frequency regulation facilities.

- 2) **Environmental Infrastructure (waste and wastewater management)** - The increasing global population along with the growth of the global economy has drastically increased waste production, particularly solid and organic waste. The need for end-point waste treatment solutions is on an upward trend and represents serious market potential. Doral has initiated "Waste to Energy" projects such as bio-gas anaerobic digestion facilities for organic waste treatment and power generation. Currently Doral is developing multiple bio-gas projects along with domain leaders totaling 10MW and representing an investment of 150M ILS.

Recently, Doral completed an investment in Paulee Cleantech, a privately owned, start-up company aimed at international markets (Brazil, USA, and more), which developed a revolutionary technology that converts any organic disposal into qualified fertilizers in a short and quick process at the production site without the need for mobilizing the organic waste and the fertilizers. The product is a mineral organic fertilizer with no odor, environmentally friendly, and is approved as fertilizer to enrich a variety of agricultural crops. The company is in advanced development stages of several unique applications with a proven competitive edge in relevant markets, each with significant revenue potential.

- 3) **Doral Tech** – The company established Doral Tech, a limited partnership owned by the company. Doral Tech works to find entrepreneurial, innovative companies that develop groundbreaking green technologies to address significant sustainability challenges and whose activities are synergistic with Doral's activities (hereinafter: "target companies"). The target companies are in various stages of raising capital, and Doral group invests in them, both in capital and in management resources. Doral Tech's activity purpose is to provide the target companies with an encompassing infrastructure for project development, accompany the projects at all stages of development, assist them in creating the necessary connections for development, and accelerate their growth path. Doral Tech provides capital, development and testing sites, technological capabilities, guidance regarding products, academic collaborations, marketing, business development. At last, Doral would have the primary right to benefit from the mentioned technologies.

Below we will introduce the global renewables market in detail and focus heavily on wind and solar energy because the lion's share of Doral's activities is within these domains. We will further specifically detail the US market and give a comprehensive overview of the Israeli renewables ecosystem to give readers a solid understanding of Doral's landscape.

Global Renewable Market Introduction

Historically, global power generation was dominated by centralized energy sources such as coal, nuclear, oil, and large hydropower plants. These plants were usually state-owned, and the electricity generated would be transmitted across the country via a centralized grid. There was a minimal competition within the market, and the environmental impact was hardly considered. This situation has gradually changed over the past two decades, mainly driven by market decentralization and favorable regulatory frameworks (which boosted competition), concerns over the impact of climate change, and supportive renewable incentive programs.

Driven by the transformation across the energy sector, renewable energy sources (RES), primarily wind energy and solar energy, have become well established low-carbon energy sources to meet global energy demand because of their widespread availability, cost-effective nature, and flexibility compared to other RES. An increase in the adoption of wind and solar energy technologies would significantly mitigate and alleviate issues associated with energy security, climate change, unemployment, etc. and help in reducing global CO₂ emissions by more than 50% between now and 2050.

The impact of the renewable revolution has been felt in many global markets, but European nations and the US have been at the forefront, later joined by China. Although the incentives schemes for renewable energy in many markets have gradually become less generous, this has largely been offset by consistent declines in renewable energy technology and project costs, construction and service innovation, and the continuation of favorable regulatory frameworks that ensure renewables have priority access to the grid. Once a wind or solar plant is online it is basic common sense anyway to ensure that the power generated is given priority, as the fuel cost is zero.

Wind power and solar PV dominate global renewable investment (large hydropower, which is still a significant technology in a number of markets, is not considered truly renewable because of the potential environmental damage to the river networks). Global investments in renewable energies accounted for \$282 billion in 2019, with wind and solar energies accounting for ~97% of non-hydro renewable investment in 2019. A total of ~\$3 trillion is forecast to be invested across the next decade in renewable energy sources, with annual renewable energy investment exceeding ~\$300 billion in 2030. Further cost reductions mean that both technologies will reach grid parity (a situation where it is as cheap to build a solar plant as it is a coal plant) in an increasing number of markets over the coming decade, further supporting the business case for investing in renewables.

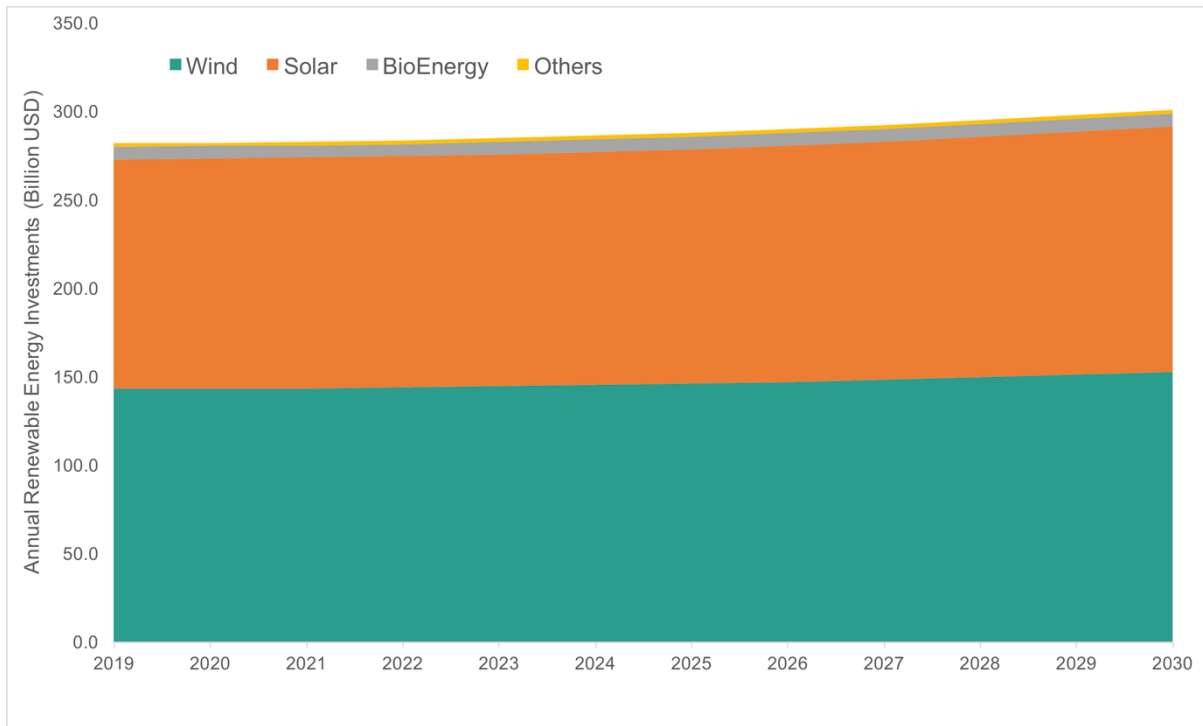
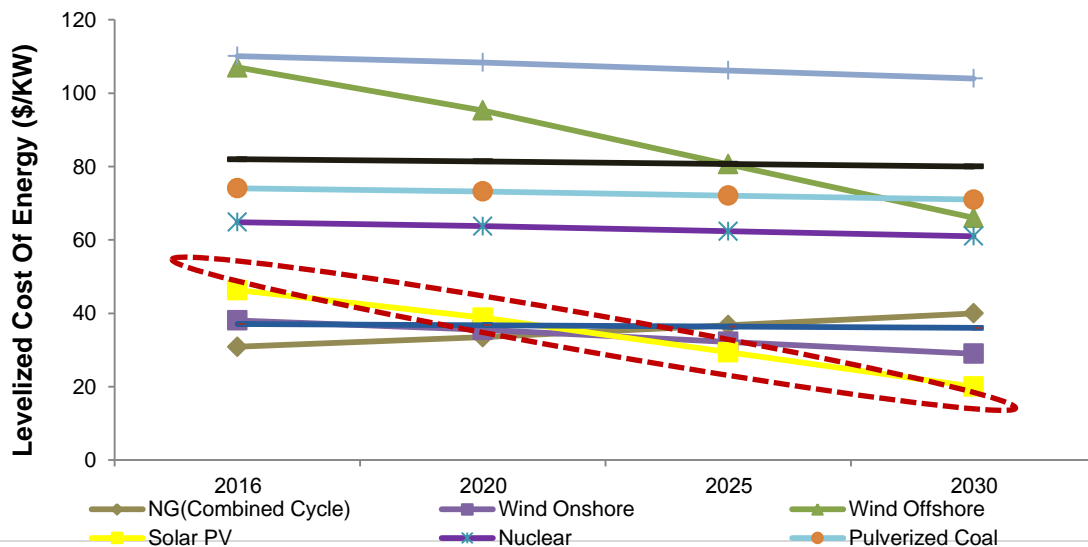


Figure: Annual Global Investments in Renewable Energies (Billion USD)

Continued Decline in Wind and Solar Technology and Project Costs

The decline in renewable energy project costs started around 2010, with solar PV leading the way. Solar module costs have declined by around 82% across the course of the decade (modules account between 35% and 45% of total project costs). Wind technology cost declines started later, but have also been substantial – the global average price per MW for an onshore wind has declined by 39% and offshore wind by 29% between 2010 and 2019.

Continued cost reductions are forecast for both wind and solar, through a combination of lower core technology costs (larger turbines and taller hub heights are a significant factor for wind projects); a reduction in total project costs (greater efficiencies in construction and commissioning), and lower servicing costs.



Israel Renewables Ecosystem

The growth engine behind renewables in Israel is the government's vision to utilize "natural gas or renewables only" for the production of energy by 2030. In order to realize this vision the government is putting major systems and regulations in place in order to completely replace the energy produced from coal with energy produced from solar sources. This transition is projected to produce a 6 fold increase in renewables and a 10 fold increase in energy storage capacity.

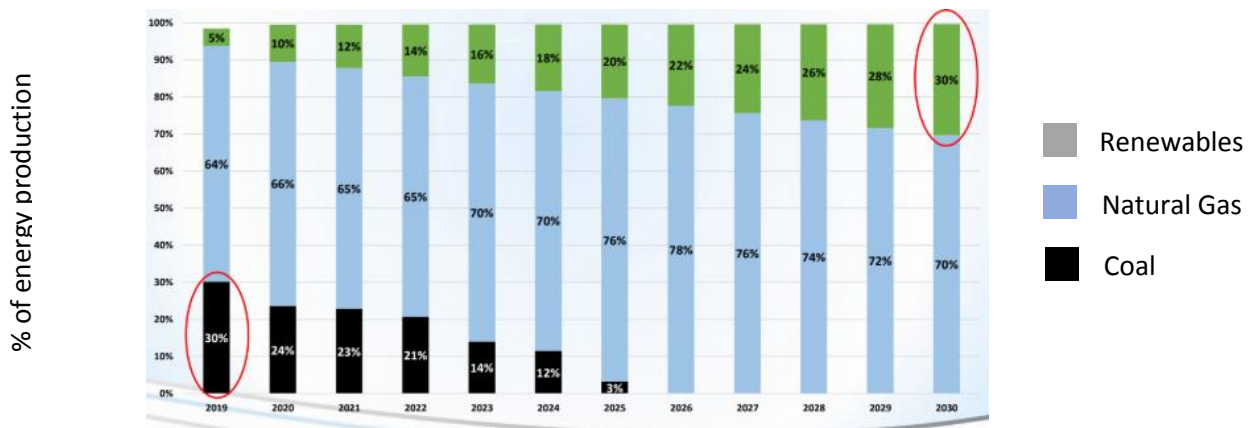
The four major drivers of the renewable energy market in Israel as stated in the Ministry of Energy's economic plan are: 1) the decreasing cost of solar technology 2) the global shift to electric vehicles 3) energy security 4) pollution regulations

These trends propel Israel into a reality that requires a heavy transition to renewable energy sources and therefore promotes the need for energy storage solutions.

Israel is exceptional in its high population growth rate as well as its high electricity consumption. Today, solar power is almost exclusively the country's renewable energy source and this will be true through 2030.

Israel's Energy Source Composition

Renewables Will Replace Coal over the Next 10 Years



In 2030 **Israel is positioned to be the world leader in solar energy dependency** at a staggering 26% of energy produced by the country. By 2030, during the noon hours, 80% of the electricity generated in Israel will come from solar sources and this solar energy will surpass consumption demands during certain hours of the day.

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For further inquiries, please contact our lead analyst:

Dr. Tiran Rothman T: +972 (0) 9 950 2888 E: equity.research@frost.com

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