

Doral Group Renewable Energy Resources

June 22, 2021

Stock Exchange
TASESymbol
DORLSector
TechnologySub-sector
Renewable EnergyStock price target
NIS 23.6Closing price
NIS 14.2Market cap
NIS 2,037.9 MnNo. of shares
143.9 MnAverage Daily
Trading Volume
3,489 stocksStock Performance
(Since Jan. 2021)
-4.4%

Q1 Update – The Company's projects pipeline increased to 6.3 GW; signing an agreement for capital investments and a credit line with Migdal Insurance Company Ltd.; further expansion of the company's operations in Europe - signing significant agreements in Poland and Denmark; price target NIS 23.6

Doral consistently meets our expectations with an emphasis on developing the company's projects pipeline in Israel and abroad; we update its valuation based on its progress and achievements and given the industry trends and growth.

Market and trends - The global growth potential is far from being exhausted. Investment in renewable energy peaked at \$350 billion in 2020, with solar and wind energy accounting for \$290 billion of the total. 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 34 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 stock price target to be in the ranges of NIS 22.0 to NIS 25.3 and on average NIS 23.6.

Year	Revenues* (000 NIS)	EBITDA* (000 NIS)
2020A	59,847	55,188
2021E	157,100	130,920
2022E	188,586	155,824



*Expected annual revenues/ebitda from projects (representing 100% holdings in projects assuming a full year of operation), not including management fees and additional income at

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Doral

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Key events in the first quarter and the passing months of 2021:

- On June 13, 2021, Doral announced the signing of an agreement with Risen Energy America. Doral will purchase (through a controlling company) photovoltaic panels in approx. NIS 455 million for the first phase of the Indiana US “Mammoth” project.
- Extensive investment by Migdal Insurance Company Ltd. in Doral:
 - Migdal's total investment in the company's activity is estimated **at NIS 1.15 billion.**
 - **Migdal will transfer \$110 million to Doral** in exchange for a 20% stake in Doral LLC. Doral reported that Migdal made the first payment of \$70 million.
 - **Migdal will invest an estimated \$100 million** in the first part of the Indiana project (480 MW) (DC).
 - Migdal will provide Doral LLC with a **credit line of \$130 million.**
- **Expansion of the company's activities in Europe** – The scope of projects in various initiation and development stages is approx. 1.3 GWp. The signing of significant agreements for cooperation in Poland and Denmark.
 - Poland - Doral Poland has completed the signing of agreements with two local third parties to initiate projects with a combined capacity of MW370 (DC). In addition, the company holds projects in the amount of approx 25. MW that have a building permit and a permit to connect to the electricity grid. The company is preparing for the initiation of their construction.
 - Denmark - Doral Denmark has announced the signing of an agreement to initiate and develop solar projects in Denmark with a combined capacity of approx. 360 MW (DC), which are in the initial development stages. According to the company, the total investment in these projects is estimated at €200 million.
- **Doral begun to collaborate with Phienergy, via a project that includes the integration of Phienergy's zinc-air technology in Doral's facility.** Doral invested about NIS 8 million in Phienergy as part of its pre-IPO round. Phienergy provides green energy solutions through aluminum-air and zinc-air technologies to produce, transport, and store energy.

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:

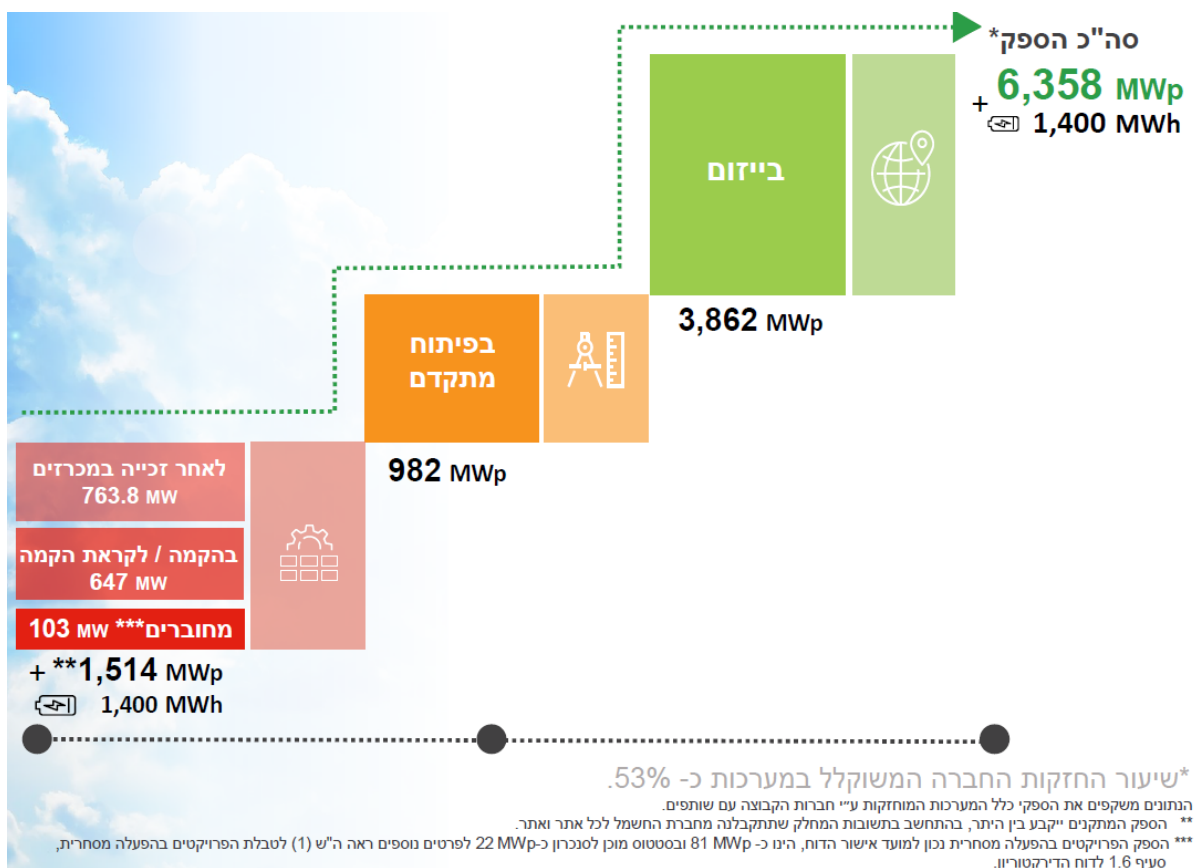
- Experience in evaluating projects and uncovering upside opportunities.
- Focus on markets that are mature or maturing in terms of renewable energy policy and regulation, and such markets where renewable energy sources provide competitive electricity prices without the need for subsidies.
- Identify 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 in projects assuming a full year of operation) will generate revenues of NIS 157.1 million in 2021 and will increase to NIS 188.6 million by the end of 2022.

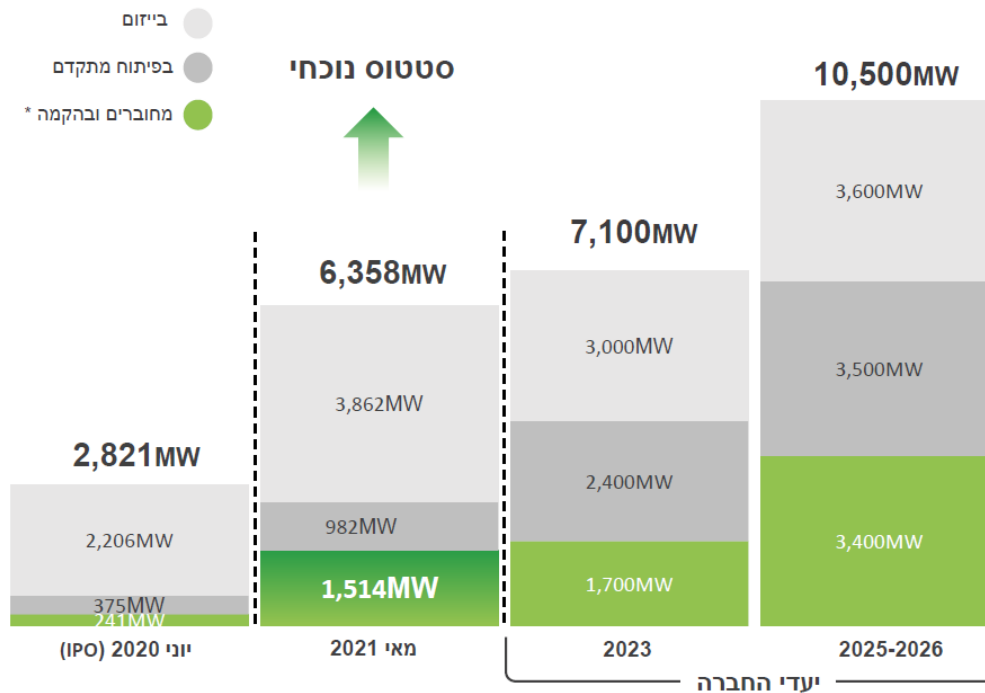
Company Overview

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 4.4 GW 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. The company is a market leader in storage activities and is engaged in technologically advanced projects combining solar energy with energy storage capacity. The company has large Israeli projects in preparation for construction, which are the product of the first and second competitive procedures that combine facilities for

generating electricity from solar energy with energy storage. Currently, Doral initiates, establishes, maintains, and operates renewable energy facilities in Israel with a capacity of approximately 1.96 GW (DC), including hundreds of solar systems of ground, reservoirs, pools, and roofs projects. The total amount of solar facilities connected to the grid, currently under construction and that won the tenders stands at approx. 1,514 MW (DC). The Company has established PV systems on various scales, from large infrastructure projects to small systems designed for self-consumption.

Hadarei She'an – Doral holds 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 242.7 million NIS, has a total capacity of 750MWp, an EBITDA of 191.3million NIS and FFO of 156.6 million 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 1,600 MW at an expected establishment cost of \$1.3B and NTP expected in 2021 and 2022.
- 2) A project for the construction of a solar field in the state of Illinois, with the capacity of about 650 MW 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 MW, at an expected establishment cost of \$300M and NTP expected in 2022.
- 4) A project for the construction of facilities in the state of Pennsylvania, with the capacity of about 408 MW 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 MW at an expected establishment cost of \$150M and NTP expected in 2023

European Activity –

Italy

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. 528 MW at an expected establishment cost of €450M and RTB expected in 2022-2024. One of the main projects under this cooperation is a 120 MW solar project in southern Italy.

Poland

The group cooperates with two local third parties to initiate, manage, develop, and construct renewable energy facilities in Poland, with a capacity of approx. 370 MW. Also, the company has purchased projects with a total capacity of about 25 MW; these projects have construction permits and a permit to reserve a place in the electricity grid. The company is preparing for the initiation of their construction.

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.

Denmark

Doral Denmark has announced the signing of an agreement to initiate and develop solar projects in Denmark with a combined capacity of approx. 360 MW (DC), which are in the initial development stages. According to the company, the total investment in these projects is estimated at €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.

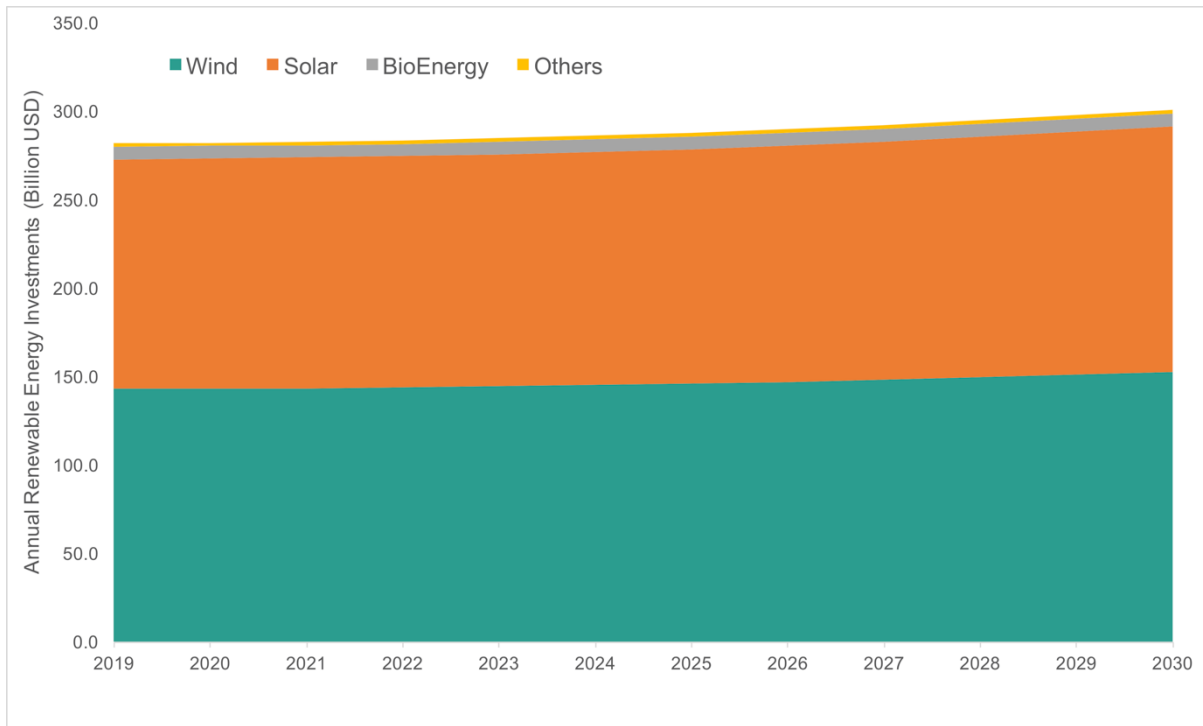
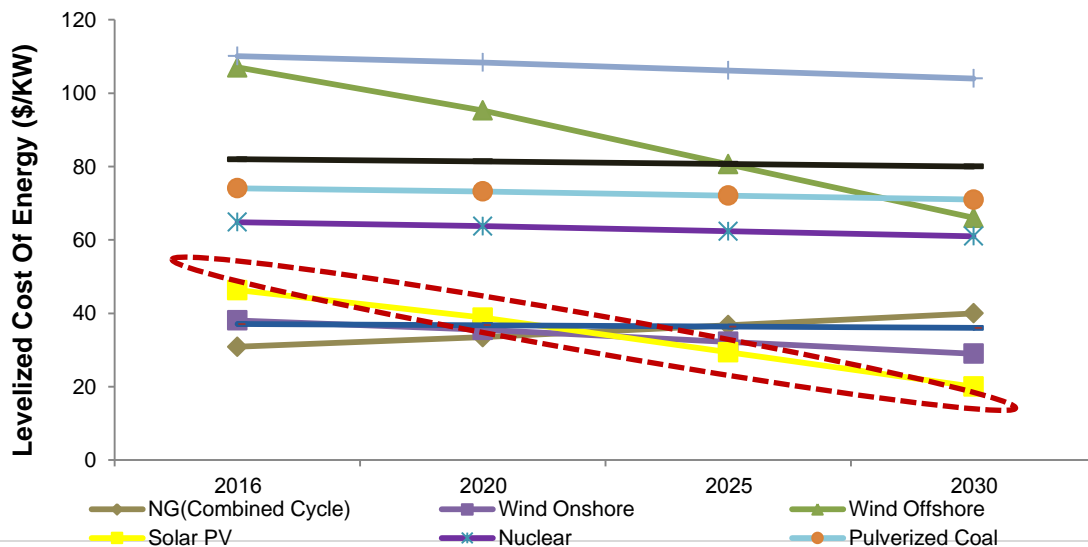


Figure: Annual Global Investments in Renewable Energies (Billion USD)

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.

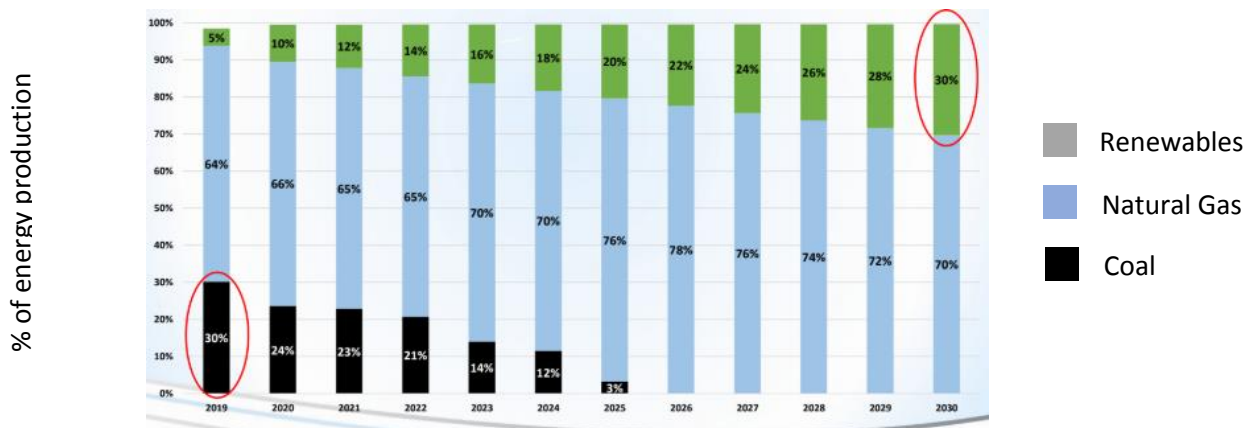
The four major drivers of the renewable energy market in Israel as stated in the Ministry of Energy's economic plan are: 1) the decreasing cost of solar technology 2) the global shift to electric vehicles 3) energy security 4) pollution regulations

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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