

Doral Group Renewable Energy Resources

Doral is establishing its global status with a portfolio of over 6 GW in the U.S. and continuing to expand its activities in the country; significant revenue growth; price target is unchanged











Doral shows further growth in its operations alongside revenue growth. Doral finished Q3 2021 with revenues of approx. NIS 40.1 million, according to non-GAAP data. The company is showing a significant increase in its portfolio to about 10 GW, of which 2 GW are due (projects in commercial operation and ready for connection, in construction or nearing construction, and/or after winning competitive bids or PPA signing). It should be noted that in recent months, the company has shown accelerated progress in its activities in the field of photovoltaics (PV) in the U.S., with an addition of approx. 2.9 GW for projects and beginning construction of the Mammoth North project. As one of the dominant players in Israel, Doral enjoys benefits for size in procurement and so on. In addition, the company has established Doral Tech, which invests directly in start-up companies that are engaged in the development of singular technologies for the company's operations.

Additional significant events in Q3 2021:

- Issuance of bonds through expanding the series to a total of approx. NIS 555 million (an increase of approx. NIS 201 million gross).
- Examination of entry into the production of green hydrogen from renewable energy.
- Signing another agreement for the sale of electricity, amounting to approx. 360 MW (DC), for Mammoth Solar South.
- An addition of approx. 2.9 GW (DC) to the backlog of Doral LLC projects in the USA.
- Filed building permit to establish a solar field in Pennsylvania.
- Signing of an agreement for the initiation and development of solar projects in Denmark with a combined capacity of approx. 360 MW (DC).
- Completion of a transaction for some of Doral Poland's shares in Elmor Electric, with the intention of establishing an EPC and O&M company in Poland.
- Winning a tender for competitive procedure No. 1 for dual-use PV facilities in Israel, amounting to approx. 100 MW (AC).
- Purchase of 100% shares in a 2-MW biogas power plant in Hadera.

Recall that global growth potential is far from being exhausted. Investment in renewable energy peaked at \$350 billion in 2020, of which solar and wind energy account for \$290 billion. In addition, we see potential for renewable energy in the US by huge programs promoted by the Biden administration totaling \$3 trillion.

We expect significant growth in the company's activity in 2023, along with entry into commercial activity of projects in the U.S. and the entry of storage activity in Israel. We update the economic model based on the company's progress in various projects and the capital injection into the company. **On the following page, we include details of major events in Q3 and the passing months of 2021**

	Stock Exchange TASE
	Symbol DORL
	Sector Technology
	Sub-sector Renewable Energy
	Stock price target NIS 23.6
	Closing price NIS 13.9
	Market cap NIS 2,044 Mn
	No. of shares 146.9 Mn
	Average Daily Trading Volume 2,328 stocks
	Stock Performance (Since Jan. 2021) -7.0%

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

- Issuance of bonds, for a gross consideration in the amount of approx. NIS 555 million. The bond raising is expected to serve the company's business activities, including procurement and preparations for construction following the company's wins in competitive proceedings and projects in Europe.
- On August 29, Doral's Board of Directors approved **the expansion of its activities to the field of green hydrogen**. Following that decision, Doral announced that it had received funding from the Ministry of Energy in the amount of NIS 3.3 million, for the construction of a pilot project for the production of green hydrogen with a capacity of 400 kilowatts of electricity to be produced in a photovoltaic facility to be built in Kibbutz Yotvata, using H2Pro's hydrogen production technology, which will be used for energy storage and industrial and / or transportation applications.
- On July 28, Doral Renewables LLC subsidiary and AEP Energy and have signed an additional 15 year renewable energy purchase agreement for the second phase of the Mammoth solar project in Indiana.
 - The 360 MW (DC) Mammoth Solar South is part of the 1.65 GW (DC) Mammoth project under development by Doral LLC in Starke and Pulaski counties in northern Indiana. Mammoth Solar South is expected to begin construction in 2022 and reach commercial operation in 2024.
 - This agreement follows 15 years renewable energy purchase agreement previously executed between the parties in April 2021 for the first phase of the Mammoth Solar North, which covered 480 MW (DC).
- On October 4, the company announced a significant expansion of the Doral Renewables LLC subsidiary portfolio, following the release of an analysis of feasibility with the MISO power grid, with a capacity of 2,900 MW (DC) in approx. 45,000 acres of property in Missouri, Wisconsin, and Illinois.
- On November 19, the company announced it received an update from its subsidiary, Doral Renewables LLC, regarding significant progress in the process of developing a solar field in Pennsylvania with an estimated capacity of 240 MW (DC), enabling the filing of an application for a building permit.
- Doral Denmark announced the signing of an agreements for the initiation and development of solar projects in Denmark with a combined capacity of approx. **360 MW (DC)**.
- On November 11, Doral reported completing a transaction to sell 27% of Doral Poland's shares to Elmore Electrical Installation and Services in exchange for 4.99% of Elmore's share capital. Under the agreement, the parties agreed to establish a dedicated corporation that will engage in the engineering, procurement, and construction (EPC) and operation and management (O&M) of renewable energy projects in Poland. The designated corporation will be given priority for the provision of the above services for the company's projects in Poland.
- On November 10, the company announced that it had won a guaranteed quota and tariff for a capacity of 100 MW (AC) in Competitive Procedure No. 1 for dual-use PV facilities.
- On December 7, Doral entered into an agreement to acquire 100% of the rights to a biogas

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 strategy is to target 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.

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

- Capabilities of developing and initiating renewable energy facilities, from identifying the appropriate land for the project to connecting the facility to the electricity grid and holding it in the long-term.
- Creating larger profit margins due to exceptional accessibility to land in Israel, Europe, and the United States and optimizing the development processes.
- 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.

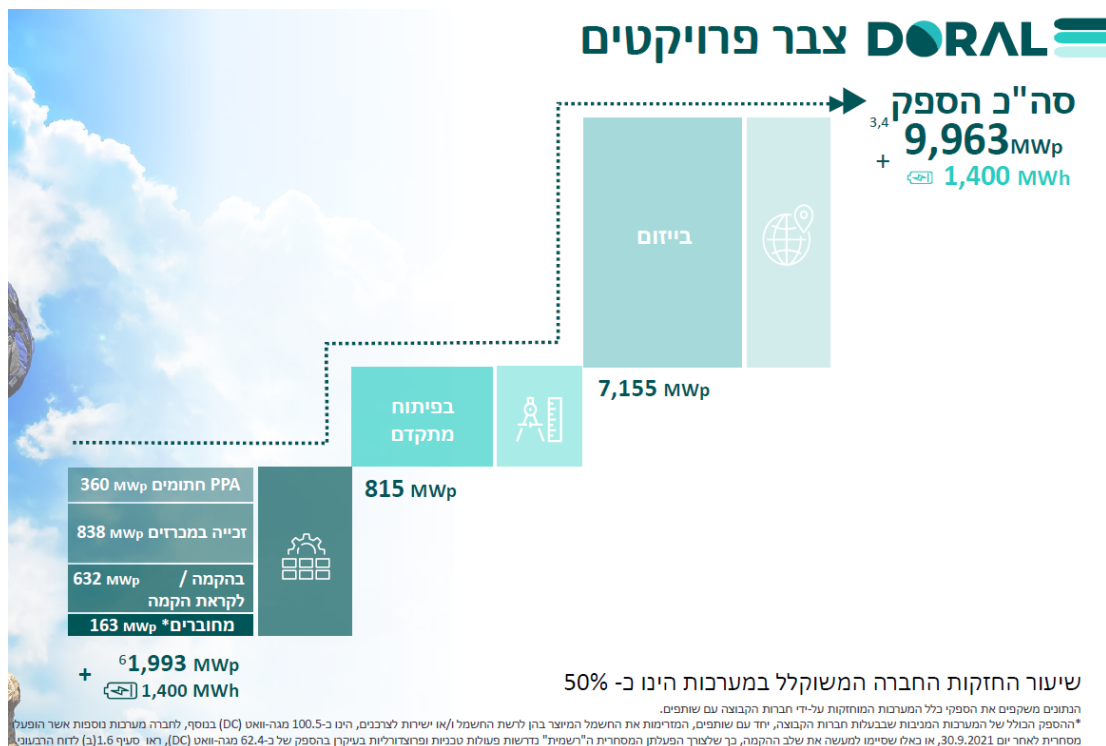
- Size advantage in the purchase of equipment for projects, financing of projects, and contracts with entities to sell electricity.
- High probability of obtaining financing due to a positive reputation and established business relationships in the industry.
- Identifying opportunities, creativity, innovation, and daring.

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.

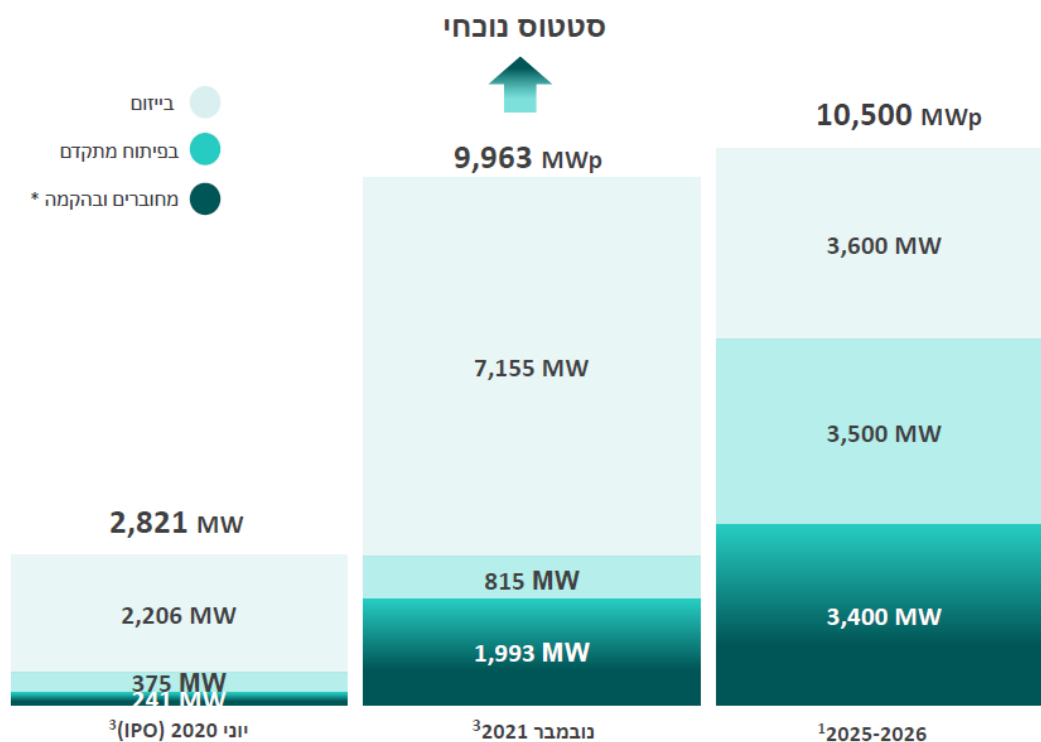
Company Overview

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 globally. The company has 9.96 GW worth of energy projects in various stages of initiation and development; at the beginning of the year, the company set a goal, which is already within reach, to reach an 10,500 MW total portfolio of projects from planning to implementation by 2025-2026. Doral believes in the implementation of innovative 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 1,400MW/h of storage capacity.

Project pipeline overview:



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



¹פרויקטים בהפעלה מסחרית ומוכנים לחיבור, בהקמה או לקראת הקמה ו/או לאחר זכייה בהליכים תחרותיים, הרשמה למכסות תעריפיות אשר אינן מצריכות זכייה בהליכים תחרותיים או חתימה על הסכם PPA.

The Company has five 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 further increase the Company's renewables portfolio substantially.
- 3) The European Division where joint ventures in Italy, Poland and Romania are expected to further increase the Company's renewables portfolio substantially.
- 4) The Doral-Tech division is the innovation division that invests in synergistic technological ventures for the company's operations that are in various stages of growth.
- 5) The Environmental Infrastructure Division, which operates in the fields of biogas, waste management and wastewater treatment.

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.

US Activity

- Over 6 GWp portfolio of projects, of which 480 MWp in preparation for construction, and additional 960 MWp in advanced development.
- Project Mammoth: PPA agreements for a capacity of 840 MWp, expected to yield NIS 580-660 annually. Additional revenues are expected from selling electricity at the open market.
- Competitive advantage - Self-initiation and control of the entire value chain. Direct contact with landowners in agreements under optimal conditions, development of projects, financing, construction, and operation.
- Experienced team – qualitative advantage: Ex-members of the elite renewable energy companies in the US. The company's staff has decades of accumulated experience in initiating, developing, and establishing projects.

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 scheduled in 2022-2024. One of the main projects under this cooperation is a 120 MW solar project in southern Italy. The company received a permit to reserve space in the electricity grid for facilities with about 412 MW (DC) capacity from its projects portfolio in the initiation of about 528 MW (DC). Also, the company is preparing to construct photovoltaic projects with a capacity of approximately 18 MW (DC).

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 33 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.

In addition, Doral Poland (through the project company it owns) won a tender from the Polish Electricity Authority for a guaranteed tariff for electricity generation for projects with a total capacity of about 20 MW (DC).

In addition, the group, together with Elmore, is establishing a dedicated corporation that will deal with the planning, procurement, and construction (EPC) and the operation and maintenance (O&M) of renewable energy projects in Poland. Doral Poland will hold the designated corporation at 50% and by Elmore at 25%, and a Polish contractor engaged in the fields of electricity and energy at 25%. The designated corporation will be given priority in contracting with Doral Poland to provide EPC and O&M services for projects initiated by Doral Poland, whose scope of establishment work is estimated at NIS 1 billion.

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 to energy storage, environmental infrastructure (waste and wastewater treatment) i.e. bio-gas.

In addition, 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 solar energy because the lion's share of Doral's activities is within this domain. 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.

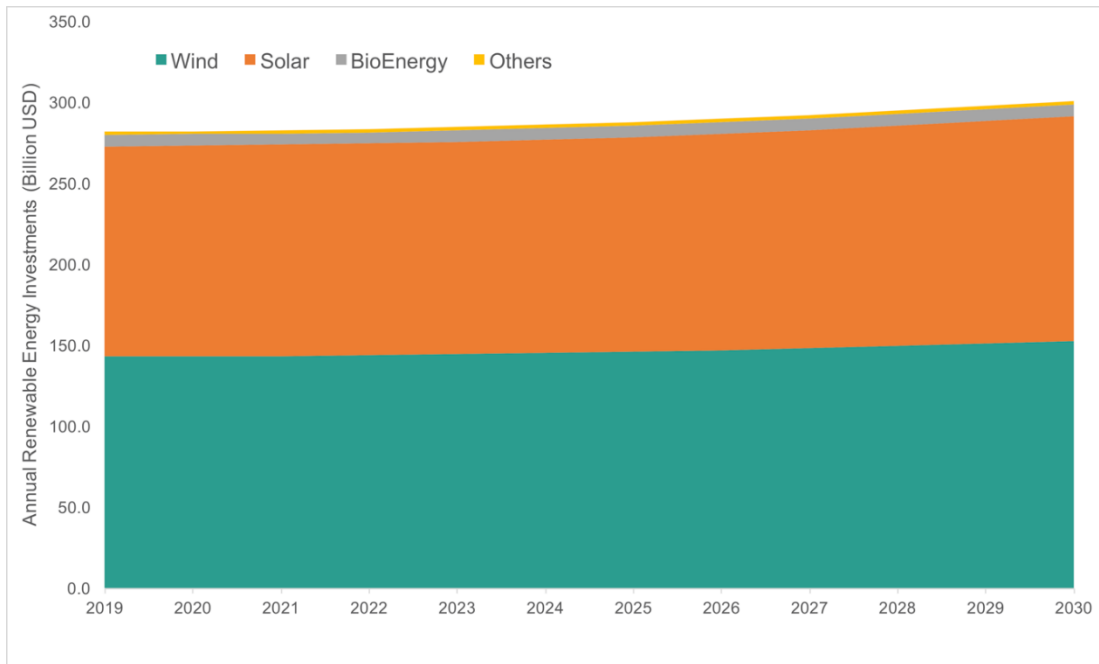
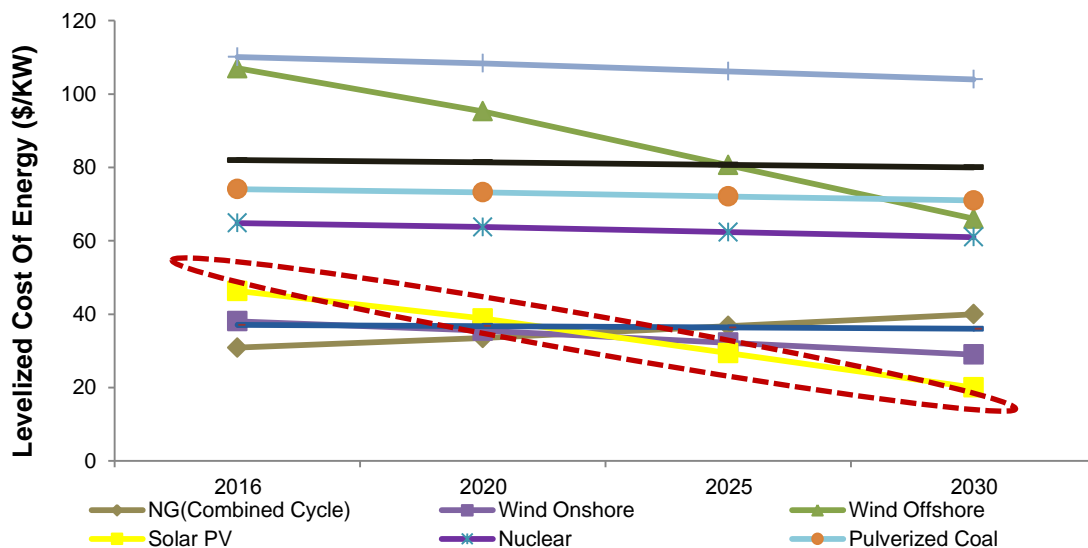


Figure: Annual Global Investments in Renewable Energies (Billion USD)

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.

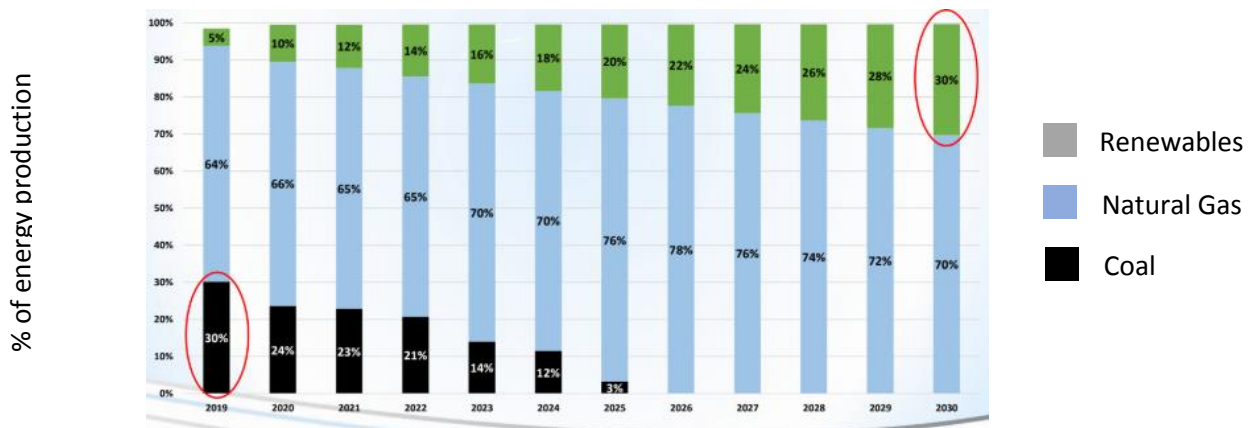
The four major drivers of the renewable energy market in Israel as stated in the Ministry of Energy's economic plan are: 1) the decreasing cost of solar technology 2) the global shift to electric vehicles 3) energy security 4) pollution regulations

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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