

12.04.2022

Doral Group Renewable Energy Resources

Doral is establishing its global position with a portfolio of over 6 GW in the US and continues to expand its operations in the country; growth in the company's revenues; price target remains unchanged.

Doral shows further growth in its operations alongside revenue growth. Doral ended 2021 with revenues of approx. NIS 56.6, according to Non-GAAP data. The company shows a significant increase in the portfolio to about 10.7 GW, of which about 3 GW are due (projects in commercial operation and ready for connection, construction or prior to construction and / or after winning competitive procedures 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 in the US, with the addition of 2.9 GW to the US project backlog, the construction of the first part of the Indiana Mammoth project, Mammoth North (480MWp), will be connected and operating in 2023, and the completion of the power sale for each Indiana project at a volume of approx. 1.6 GW for 15 years, alongside additional Merchant revenues. Activities in a variety of different technologies, including solar, solar + storage, stand-alone storage, wind and bio-gas.

As one of the dominant players in Israel, Doral enjoys benefits for size in procurement, etc. The company also established Doral Tech, which invests directly in start-up companies that are engaged in the development of synergistic technologies for the company's operations.

Additional significant events in Q4 2021:

- Began construction of a solar + storage project as part of competitive procedure No. 1 in which it gained a capacity of approx. 238 (DC) MW + 481 MWh storage facilities.
- Migdal Insurance Investment in another project of Doral, Mammoth South.
- Received a permit from the Israeli Ministry of Energy and Agriculture for the construction of agro-voltage facilities and a permit from the Electricity Authority for a power supply license.
- Signed agreement for the initiation and development of solar projects in Denmark with a cumulative capacity of approx. 360 MW (DC).
- Entered into an agreement to sell 27% of Doral Poland's share capital to Elmore Electric, in exchange for 4.99% of Elmore's share capital
- Won a tender for competitive procedure No. 1 for dual-use PV facilities in Israel in the amount of approximately 100 MW (AC).
- Purchase of 100% shares in a 2MW biogas power plant in Hadera paper mills.
- Entered into energy storage and charging of electric vehicle through a number of signed cooperation agreements.

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 Q4 and the passing months of 2022.



Stock Exchange
TASE



Symbol
DORL



Sector
Technology



Sub-sector
Renewable Energy



Stock price target
NIS 23.6



Closing price
NIS 14.0



Market cap
NIS 2,058 Mn



No. of shares
146.97 Mn

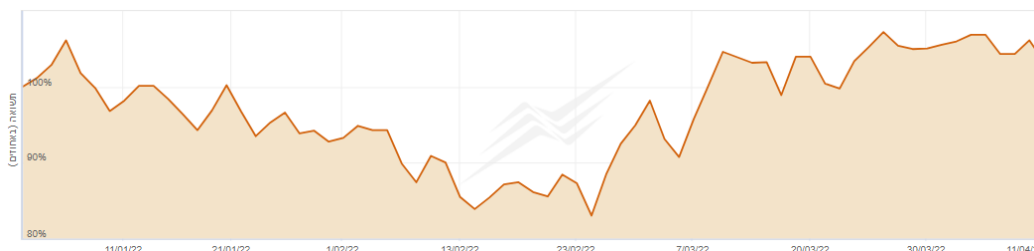


Average Daily
Trading Volume
2,617 stocks



Stock Performance
(Since Jan. 2022)
1.82%

Year	Revenues* (000 NIS)	EBITDA* (000 NIS)
2020A	39,099	12,263
2021A	56,578	-44,076
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 the corporation level.

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Key events in the Q4 2021 and the passing months of 2022:

- On March 24, the company signed a MoU to purchase 50% of the shares of Eco Consul S.U.R.L, owned by a local Italian entrepreneur, engaged in waste treatment and energy production using biogas. This is a significant milestone in the company's efforts to expand its activities in Europe in the field of energy waste and waste treatment.
- On March 22, Doral signed 2 additional agreements with American Electric Power for the sale of electricity, with a cumulative power of approx. 530 MW (DC), for the second half of the project in central Indiana and the Goonies project in Pennsylvania.
- On March 16, the Company entered into an agreement with Constellation New Energy, Inc. One of the leading U.S. power supplies and green solutions, in a power sale agreement and green certificates for half of the Mammoth Central project in Indiana, USA. The company estimates that total sales receipts stand at \$ 350 to \$ 375 million in the first 15 years alone.
- On March 7, the company entered into an EPC agreement with Solv Energy LLC, a leading U.S. contracting company to carry out the construction of the North Mammoth project in Indiana.
- On February 21, Doral signed a joint agreement with Phoenix and Ampa for cooperation in the field of energy storage and charging of electric vehicles. This collaboration will include initiating, developing, constructing and operating or selling such facilities. The relative share of each company is as follows: Doral will hold 50%, Phoenix will hold 25%, and Ampa will hold 25%. The expected capacity of this project is hundreds of MW per hour.
- On January 11, the company announced that it had received the approval of the Electricity Authority for a power supply license, which took effect on January 5. The installation was publicized as part of a gradual process of transition to a decentralized, competitive, efficient electricity market in Israel while reducing the regulatory burden and emphasizing a significant combination of renewable energies.
- On January 11, Doral received approval from the Ministries of Energy and Agriculture for the construction of 17 agro-voltage installations with a cumulative capacity of approx. 17 megawatts.
- On January 5, Doral announced that Migdal Insurance Company Ltd. had invested in another project of the company - Mammoth North, with a capacity of approximately 360 MW (DC). The company invested \$ 75 million for a 22.5% holding in the project.
- On January 4, 2022, the company announced its entry into the electric vehicle field with the signing of a cooperation agreement with EV Motors Ltd to initiate charging stations. Doral will hold 51% of the corporation and EVM will hold the other 49%.

Key events in the passing months of 2022 continued:

- On December 7, Doral entered into an agreement to acquire 100% of the rights in the biogas power plant at the Hadera paper mills.
- On November 19, the company that received an update from its subsidiary, Doral Renewables LLC, announced significant progress in the process of developing a solar field in Pennsylvania, with an estimated capacity of 240 MW (DC), enabling the application for a building permit for the land division in which it will be established.
- Doral Denmark has announced the signing of an agreement for the initiation and development of solar projects in Denmark with a combined capacity of approximately 360 megawatts (DC), which are in the initial development stages.
- On November 11, the Company reported the completion of a transaction for the sale of 27% of Doral Poland's shares to Elmore Installations and Electrical Services, in exchange for an allotment of 4.99% of Elmore's share capital to the Company. Under the agreement, the parties agreed to establish a dedicated corporation to deal with 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 quota and a guaranteed tariff for a power of 100 MW (AC) in Competitive Procedure No. 1 for dual-use PV facilities.
- On October 4, the company announced, following the completion of a feasibility study from the MISO power grid, that it would significantly expand its portfolio of subsidiary Doral Renewables LLC, with a capacity of 2,900 MW (DC), in a cumulative area of approximately 45,000 acres, Missouri, Wisconsin and Illinois.

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 Doral's projects' (representing 100% holdings in projects assuming a full year of operation) will generate revenues of NIS 188.6 million by the end of 2022.

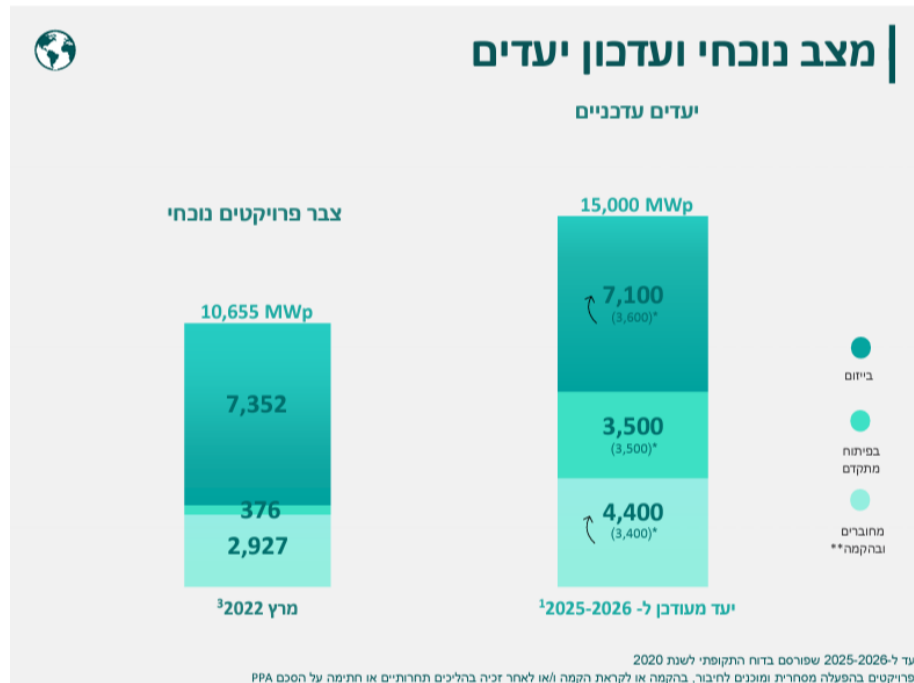
Company Overview

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:



The Company has five main divisions of activity:

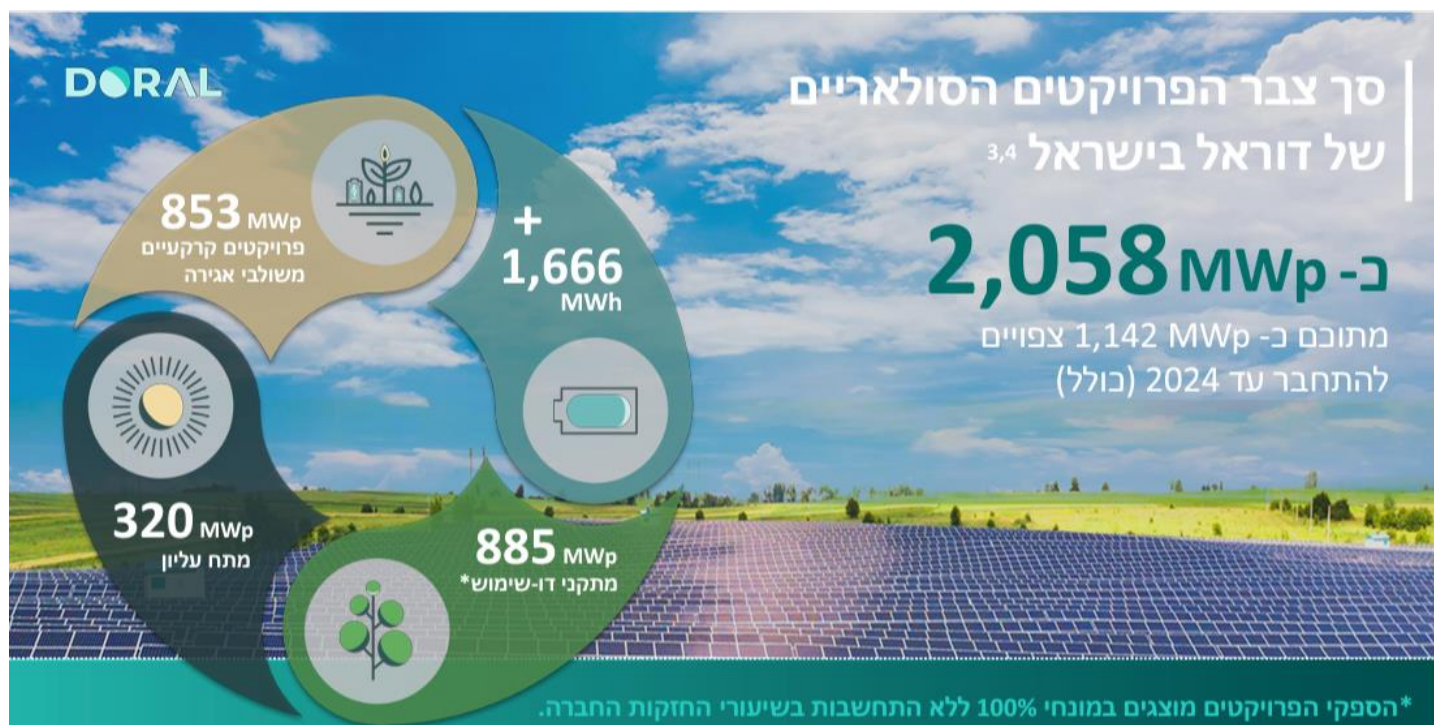
- 1) The Israel Division where solar energy predominates the energy portfolio.
- 2) The US Division where joint ventures are expected to further increase the Company's renewables portfolio substantially.
- 3) The European Division where joint ventures in Italy, Poland and Romania are expected to further 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.

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 2.08 GW (DC), including hundreds of solar systems of ground, reservoirs, pools, and roofs projects. The Company has established PV systems on various scales, from large infrastructure projects to small systems designed for self-consumption.



Among others, Doral holds `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 242.7 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.

Doral is a leader in the field of PV combined with storage in Israel - the company holds about 40% of the total solar + storage quotas in Israel.

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.

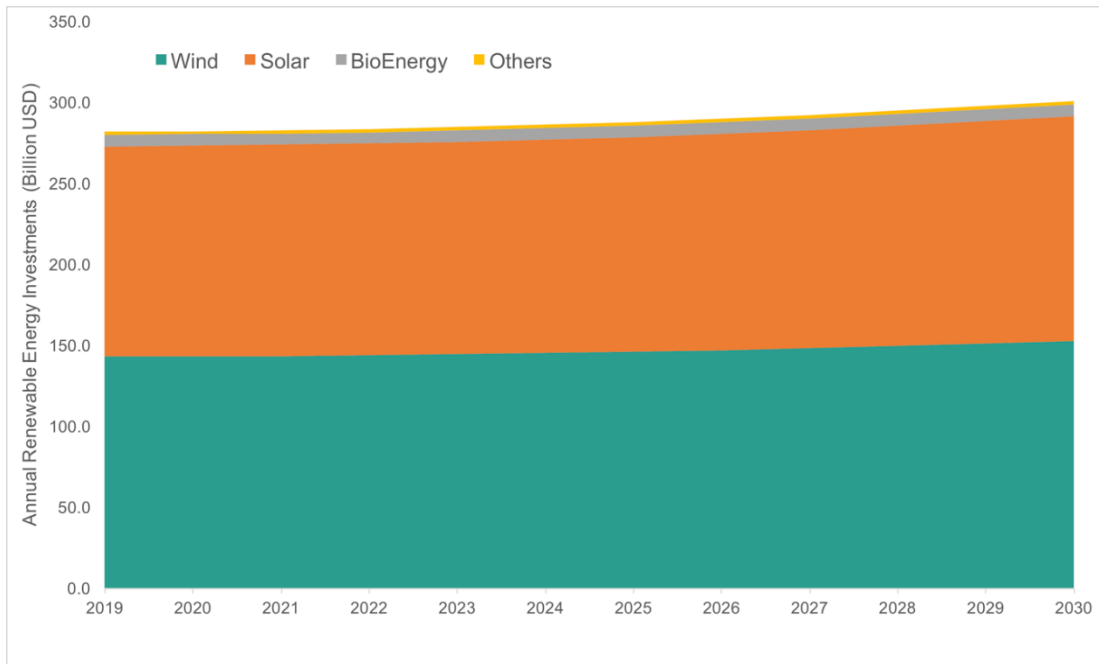
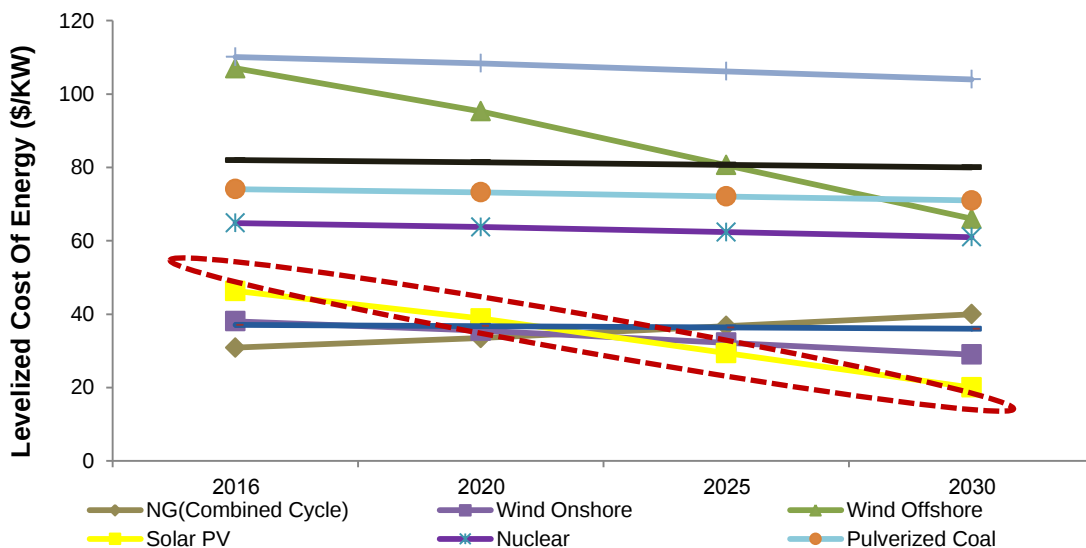


Figure: Annual Global Investments in Renewable Energies (Billion USD)

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.

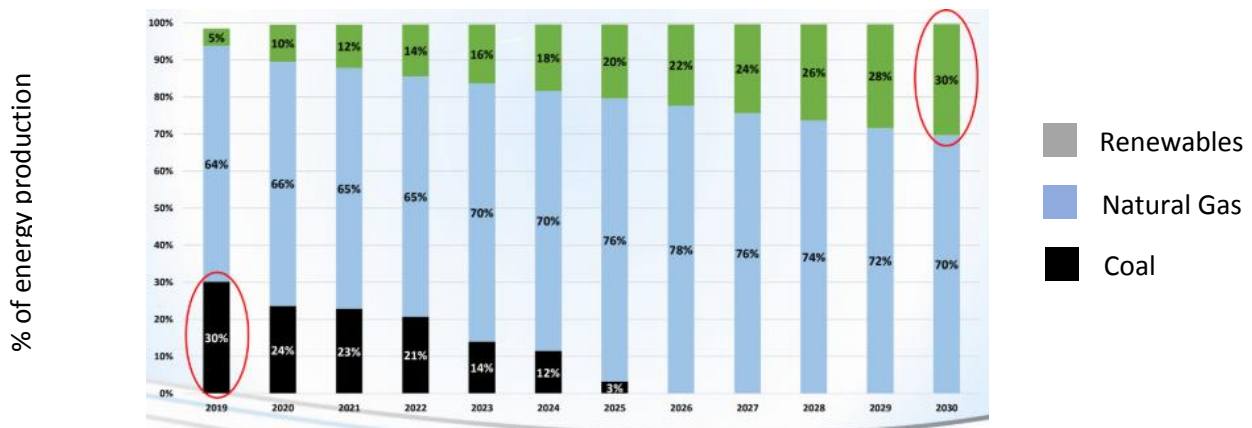
The four major drivers of the renewable energy market in Israel as stated in the Ministry of Energy's economic plan are: 1) the decreasing cost of solar technology 2) the global shift to electric vehicles 3) energy security 4) pollution regulations

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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