

# Cindrigo Holding Ltd.

## Crystalizing expansion plan with 200MW geothermal platform

Johan Widmark | 2024-06-19 08:00

In a relatively short period of time, a series of structural measures have propelled Cindrigo to one of the most exciting clean energy baseload production ventures in Europe. In addition to the ongoing restart of a 25+85MW CHP plant in Finland, Cindrigo has now excited the geothermal project in Croatia to focus on a German project with 80 MW as initial target, and potential capacity exceeding 300 MW, in both geothermal power and heat generation. Taking the highly supportive and transparent German public funding schemes for geothermal into account (covering up to 40% of construction CAPEX plus a 250 EUR/MWh feed-in-tariff), the German project alone boasts an Unlevered NPV (15%) of EUR 460m. Combined with the smaller Kaipola in Finland, offering more near-term revenues beginning Q4'24, we now find support for a fair value of GBP 2.74 / EUR 3.22, before accounting for the yet undisclosed price tag for the German projects.

### Building a solid platform for expansion

With the recent announcement that Cindrigo has exited the Slatina 3 geothermal project in Croatia, citing better investment stability and value in Germany, the Company has strategically realigned its portfolio to focus on high-value, lower-risk renewable energy projects across Europe. By prioritizing the 110 MW Waste to Energy plant in Finland and three geothermal projects in Germany, Cindrigo aims to harness immediate revenue potential and scalable growth opportunities.

### Kaipola set to generate first revenues in Q4'24

Having closed the acquisition in Finland means Cindrigo has now secured a significant foothold with a 50-year lease on a 110 MW Waste to Energy (WTE) combined heat and power (CHP) plant in Kaipola. With the plant already built, currently undergoing maintenance and upgrades, this will offer revenues already in Q4'2024, with a projection to generate EUR 15 million in its first year of operation, and annual revenues of EUR 40m at full capacity, then contributing EUR 10m in EBITDA.

### Remarkable government support for geothermal production

In April, Cindrigo announced the signing of a term sheet with Zukunft Geowärme GmbH to acquire three geothermal energy projects in the Upper Rhine Valley. With an initial target capacity of 80 MW, and a significant expansion potential exceeding 300 MW combined geothermal power and heat, this will give Cindrigo a ca 200MW under contract proving a strong platform for further expansion. Importantly, Germany offers strong government support for geothermal projects with substantial incentives, including a feed-in tariff of EUR 250 / MWh for 20 years and up to 40% federal funding for construction CAPEX. A federal insurance policy is also underway which will essentially eradicate all explorative geothermal drilling risk. This robust support framework positions Cindrigo well to capitalize on Germany's ambitious target to increase its geothermal heating capacity by 2030.

With the German projects expected to begin generating revenue by Q3/Q4 2027, our NPV shows an Unlevered NPV (15%) of EUR 460m. This however does not take financing or the acquisition cost, which is still undisclosed, into account, and runs a high risk of requiring additional funding to reach its full production potential.

### Cindrigo

Fair Value, GBP / EUR	2.74 / 3.22
Shares (M)	155.7
Market Capitalisation (MSEK)	n.a.
Net Debt (MSEK)	n.a.
Enterprise Value (MSEK)	n.a.
Market	n.a.

MGBP	2024e	2025e	2026e
Revenue	2.6	12.8	12.8
EBITDA	-0.4	-19.1	-19.1
EBIT	-0.4	-19.1	-19.1
EPS Adjusted	0.00	-0.12	-0.12
Sales Growth, %	-	-	100%
EBITDA Margin, %	neg.	neg.	neg.
EBIT Margin, %	neg.	neg.	neg.
EV/Sales	-	-	-
EV/EBITDA	-	-	-
EV/EBIT	-	-	-
P/E	-	-	-

Source: Emergers

## Financial Model and NPV for German Geothermal Projects

		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Capacity	MW		-	-	40	80	110	140	200	230	260	290
Production	MWh		-	-	315,360	630,720	867,240	1,103,760	1,576,800	1,813,320	2,049,840	2,286,360
Price	EUR/MWh		250	250	250	250	250	250	250	250	250	250
<b>Revenue</b>	<b>EURm</b>		0	0	79	158	217	276	394	453	512	572
OPEX	EURm		-25.0	-25.0	-55.2	-110.4	-151.8	-193.2	-275.9	-317.3	-358.7	-400.1
<b>EBITDA</b>	<b>EURm</b>		-25	-25	24	47	65	83	118	136	154	171
<i>EBIT-margin</i>	%		-	-	30%	30%	30%	30%	30%	30%	30%	30%
Equity Financing	EURm		6	9	3	6	4.5	4.5	9	4.5	4.5	4.5
Public funding, 40%	EURm		4	6	2	4	3	3	6	3	3	3
CAPEX	EURm		10	15	5	10	7.5	7.5	15	7.5	7.5	7.5
<b>NPV</b>												
Discount Period		1	2	3	4	5	6	7	8	9	10	11
Discount factor	15%	1	0.870	0.756	0.658	0.572	0.497	0.432	0.376	0.327	0.284	0.247
Operating Profit	EURm	0.0	-25.0	-25.0	23.7	47.3	65.0	82.8	118.3	136.0	153.7	171.0
NWC Adjustments	EURm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPEX	EURm		-6.0	-9.0	-3.0	-6.0	-4.5	-4.5	-9.0	-4.5	-4.5	-4.5
FCF	EURm	0.0	-31.0	-34.0	20.7	41.3	60.5	78.3	109.3	131.5	149.2	171.0
PV of CF	EURm	0.0	-27.0	-25.7	13.6	23.6	30.1	33.8	41.1	43.0	42.4	289
NPV	EURm		464.4									

Source: Emergers

This refined strategy also include plans for a new stock market listing to reflect its enhanced business offering. CEO Lars Guldstrand emphasizes the company's strengthened position, highlighting the near-term revenue generation from the Kaipola plant and the extensive growth potential in the German geothermal sector. With a clear focus on sustainable energy and robust government support, Cindrigo is poised for significant growth and value creation in the coming years.

## Cindrigo Group Financials

Financials		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Group Revenue</b>	<b>GBPm</b>	<b>2.6</b>	<b>12.8</b>	<b>12.8</b>	<b>101.3</b>	<b>168.4</b>	<b>218.8</b>	<b>269.2</b>	<b>369.9</b>	<b>420.3</b>	<b>470.7</b>
growth	%	-	400%	0%	692%	66%	30%	23%	37%	14%	12%
OPEX Plants	GBPm	-1.9	-30.9	-30.9	-72.6	-119.6	-154.9	-190.1	-260.7	-295.9	-331.2
Overhead	GBPm	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
<b>EBITDA</b>	<b>GBPm</b>	<b>-0.4</b>	<b>-19.1</b>	<b>-19.1</b>	<b>27.7</b>	<b>47.8</b>	<b>62.9</b>	<b>78.1</b>	<b>108.3</b>	<b>123.4</b>	<b>138.5</b>
Depr	GBPm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>GBPm</b>	<b>-0.4</b>	<b>-19.1</b>	<b>-19.1</b>	<b>27.7</b>	<b>47.8</b>	<b>62.9</b>	<b>78.1</b>	<b>108.3</b>	<b>123.4</b>	<b>138.5</b>
<i>EBIT-margin</i>	%		-1.5	-1.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Net Fin	GBPm	0.0	0.0	0.0							
PTP	GBPm	-0.4	-19.1	-19.1	27.7	47.8	62.9	78.1	108.3	123.4	138.5
tax	GBPm	0.0	0.0	0.0							
<b>Net Income</b>	<b>GBPm</b>	<b>-0.4</b>	<b>-19.1</b>	<b>-19.1</b>	<b>27.7</b>	<b>47.8</b>	<b>62.9</b>	<b>78.1</b>	<b>108.3</b>	<b>123.4</b>	<b>138.5</b>
NOS		155.7	155.7	155.7	155.7	155.7	155.7	155.7	155.7	155.7	155.7
<b>EPS</b>	<b>GBP</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>
IB Debt	GBPm	6.7									
Convertible	GBPm	0									

Source: Emergers

## Most but not all pieces in place for a transparent valuation of long-term potential

Before any new listing, the most recent data point on valuation is the EUR 1.1 per share at which the payment in shares for Kaipola was made. This implies a Market Cap of GBP 146m / EUR 171m.

Scaling the capacity in Finland and Germany at a linear CAPEX / Production ratio and a 15% WACC supports a NPV for the group of GBP 434m. At 155.7m shares after the Kaipola acquisition, this translates to GBP 2.74 / EUR 3.22 per share. This number however needs to be adjusted with the acquisition price for the projects in Germany, which is still undisclosed but should till leave plenty of upside potential in the valuation.

To materialize the Company's long-term target of 1,000MW we believe that additional external financing will be needed, diluting the Cindrigo

shareholders further. The dilution is dependent on how successful the initial rollout is, and how much can be re-invested into new plants.

In our view, the investment case of Cindrigo boils down to how quick, and at what terms new capital can be raised to finance the rollout. Since the company is pursuing a somewhat untouched market with huge growth opportunities, and is run by a management with proven track record, almost all the pieces are in place for success.

## Cindrigo Group Valuation

Valuation		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
GBP/EUR		0.852	0.852	0.852	0.852	0.852	0.852	0.852	0.852	0.852	0.852	0.852
Price per Share	EUR	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Price per Share	GBPm	0.937	0.937	0.937	0.937	0.937	0.937	0.937	0.937	0.937	0.937	0.937
Implied Mkt Cap	GBPm	145.9	145.9	145.9	145.9	145.9	145.9	145.9	145.9	145.9	145.9	145.9
Implied Mkt Cap	EURm	171.2	171.2	171.2	171.2	171.2	171.2	171.2	171.2	171.2	171.2	171.2
Debt	GBPm	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Est. EV	GBPm	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6
EV/Sales	x	59.7	11.9	11.9	1.5	0.9	0.7	0.6	0.4	0.4	0.3	0.3
EV/EBITDA	x	-422.6	-8.0	-8.0	5.5	3.2	2.4	2.0	1.4	1.2	1.1	1.0
P/E	x	-404.2	-7.6	-7.6	5.3	3.1	2.3	1.9	1.3	1.2	1.1	0.9
<b>NPV</b>												
Discount Period		1	2	3	4	5	6	7	8	9	10	11
Discount factor	15%	1	0.870	0.756	0.658	0.572	0.497	0.432	0.376	0.327	0.284	0.247
											<b>Terminal Value</b>	
Operating Profit	GBPm	-0.4	-19.1	-19.1	27.7	47.8	62.9	78.1	108.3	123.4	138.5	G: 2%
NWC Adjustments	GBPm	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	r: 15%
CAPEX	GBPm	-1.7	-6.0	-7.7	-4.2	-5.1	-3.8	-3.8	-7.7	-3.8	-3.8	
FCF	GBPm	-2.1	-25.1	-26.8	23.5	42.7	59.1	74.2	100.6	119.6	134.7	1057
PV of CF	GBPm	-2.1	-21.8	-20.2	15.5	24.4	29.4	32.1	37.8	39.1	38.3	261.2
NPV	GBPm	433.6										
Net IB Debt	GBPm	6.7										
NPV net of Debt	GBPm	427.0										
NOS		155.7										
<b>NPV per share</b>	<b>GBP</b>	<b>2.74</b>										
<b>NPV per share</b>	<b>EUR</b>	<b>3.22</b>										

Source: Emergers

## A brief history

Cindrigo is a renewable energy company bringing together a team that has a long track record of delivering high quality power plants and investment returns. The team is composed of well-known leaders, such as former Swedish Minister of Energy and Minister of Interior Jörgen Andersson, former CFO and deputy CEO at Vattenfall Dag Andresen, energy developer and financier Jordan Oxley, Swedish IT-entrepreneur Dan Olofsson, and former CEO of Eniro Lars Guldstrand who has over 35 years of global executive experience. With this team, Cindrigo now has a space at the top of the value chain as an IPP (Independent Power Producer).

Cindrigo management has a vision to become a solid player within renewable energy, with several projects in different niches, based on a core of geothermal plants in Europe. Other prioritized projects include renewable energy projects, this allows Cindrigo to utilize its experience from managing various projects and to focus on plants where the technical competence is of importance and personnel intensity is low.

## The geothermal power industry

With a yearly global market growth of 5%, the market for geothermal power is expected to reach a value of 6.8 billion USD by 2026. Producing energy through utilizing steam from heat reservoirs deep in the earth, geothermal is a stable and independent power source. As a clean source of baseload power, growth is driven by implementation of new and tighter regulations related to climate change. Fossil fuel power plants will be phased out, but the demand of reliable power production will increase along with further electrification driven by industrial and population growth.

## Listed peers

	Fx	Market Cap	Revenue EV (3y CAGR)	EPS (3y CAGR)	EBITDA% (LTM)	EV/S	EV/ EBITDA	Stock dev. 1y	
EDP Renovaveis	EUR	14,310	23,750	8.7%	-21.7%	49.6%	9.7	12.1	-29.0%
Eversource Energy	USD	20,790	48,970	7.0%	-31.1%	34.5%	4.3	12.4	-18.0%
Ormat Tech	USD	4,465	6,797	8.5%	16.3%	47.2%	7.6	12.8	-13.0%
Polaris Infrastructure	CAD	279	458	4.1%	-26.5%	72.9%	4.3	05.8	-9.0%
<b>Average</b>							6.5	10.8	
<b>Median</b>							5.9	12.3	

Source: Finchat.io, Emergers

Cindrigo differs from these peers in the sense that they are more of a project-based company, owning project rights in areas where geothermal needs are high, and a large number of wells are drilled already, reducing the risk. Running a very slim and cost-efficient type of business, margins are estimated at higher levels than industry peers. Despite the high projected growth Cindrigo will operate their geothermic plants mainly in EU or select non-EU jurisdictions with strong energy sectors and suitable for project finance, but are still associated with some uncertainty.

## Risks

**Financing risk:** All the initial projects are dependent on an external financier, and the anticipated success is based on finding these partners as well as they are fulfilling their commitments. We judge that the risk is mitigated by the vast experience, the network of the Cindrigo management team and that it is a sector with appreciated good returns.

**Construction risk:** As well as with the financing, the construction phase is as crucial to the success and the partners in this area will be of most importance.

**Key positions:** The success of Cindrigo's future projects and future expansion into other markets is tightly linked to a few key people, based on these people's network. Therefore, the company is sensitive to personnel and management turnover.

## Corporate Governance

**Chairman of the Board:** Jörgen Andersson is the former Minister of Energy and former Minister of Interior of the Swedish government. He brings strategic knowledge of the energy sector both from the business and a state policy perspective. He was previously the Chairman of Vattenfall and a Director of Sydkraft.

**CEO & Director:** Lars Guldstrand has more than 35 years of experience in corporate leadership and international investing in the energy, telecom and media sectors. He has held executive positions in a number of private and public companies in Europe, USA, Middle East and Asia.

**Independent Director & CFO:** Dag Andresen has an extensive banking background and industry experience. Previously Group CFO & Deputy CEO of Vattenfall (Sweden), one of the largest European power companies, Group CFO at Vestas Wind Systems (Denmark), a leading manufacturer of wind turbines, and banking background with several executive positions at Nordea, e.g. head of Internal Audit and Business Area Transaction and Finance Banking.

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