

Cloudberry Clean Energy ASA

Norway | Renewable Energy | MCAP NOKm 2,628

21 February 2024

Buy

Target price: 13.8 NOK
 Current price: 9.0 NOK
 Upside 53.3%

Cloudberry – The golden berry in your basket

Cloudberry Clean Energy (Cloudberry or “The Company”) is an experienced actor in the renewable energy industry. The Company owns, develops, and operates hydropower plants and wind farms in the Nordic, with a strong focus on quality over quantity of the projects they own and develop. Through Cloudberry’s experienced team, the Company is strategically positioned on the market and is set to capitalize on the growing demand for renewable energy. Cloudberry’s revenue is estimated to grow at a CAGR of 38.5% from 282 NOKm to 748 NOKm between 2023E-2025E. The high growth rate is motivated by the Company’s maturity in the annual production portfolio, and stronger performance through the Company’s projects under development, potential acquisitions, and a potential expansion into a new segment.

Key takeaways

- **Well-positioned to capitalize on the increasing demand for renewable energy:** Nordpool have forecasted energy consumption to rise by 25% between 2021A-2030E in the Nordic markets. Through the recent partnership with the Danish company Skovgaard, Cloudberry has a strong advantage in expanding in the Danish market through joint ventures. The partnership is expected to function as a steppingstone into the solar panel segment.
- **Investments in financial activities are expected to drive up both electricity generation and revenue with 44% between 2024E-2026E:** From 2020A to 2022A, Cloudberry witnessed a substantial leap from producing 21 GWh to 268 GWh. Between 2021A and 2022A, the production portfolio grew by 129% while the revenue increased 355%. In 2023E, Cloudberry is estimated to generate an all time high of 480 GWh while the annual production portfolio is set to grow from 1040 GWh to 1490 GWh in the forecasted period 2024E to 2026E, stemming from projects in development and joint ventures.
- **Strategically positioned with access to lucrative price zones:** Through an acquisition of the Odin portfolio located in Denmark, Cloudberry gains further diversity in the portfolio, while accessing one of Europe’s highest electricity price zones. During the same time, the project is also estimated to increase Cloudberry’s annual production portfolio with 70% (311 GWh).

Analysts

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Samuel Arctaedius	Equity Analyst

Market Data

Exchange	Nasdaq First North
MCAP (NOKm)	3,258
EV (NOKm)	3,954

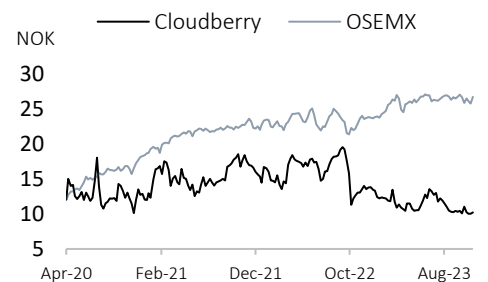
Financial Forecast	22A	23E	24E
Revenue (NOKm)	217.0	551.5	654.7
Rev. growth y/y	430.6%	154.2%	18.7%
Gross Margin	93.5%	96.4%	96.6%
EBITDA Margin	69.6%	54.5%	59.0%
EBIT Margin	53.5%	38.2%	44.1%
NOPAT Margin	41.7%	29.8%	34.4%
Profit Margin	56.2%	71.5%	48.6%
EPS (NOK)	0.5	1.4	1.1

Metrics & Drivers	22A	23E	24E
EV/S	11.7x	9.7x	8.9x
EV/EBIT	15.4x	17.6x	33.8x
ND/EBITDA	Neg.	3.1x	2.4x
ROIC	4.4%	7.8%	8.1%

Major Shareholders

Ferd AS	12.2%
JOH Johansson Eiendom AS	10.1%
Havfonn AS	8.5%
Snefonn AS	5.6%
Total insider	29.6%

Price Development



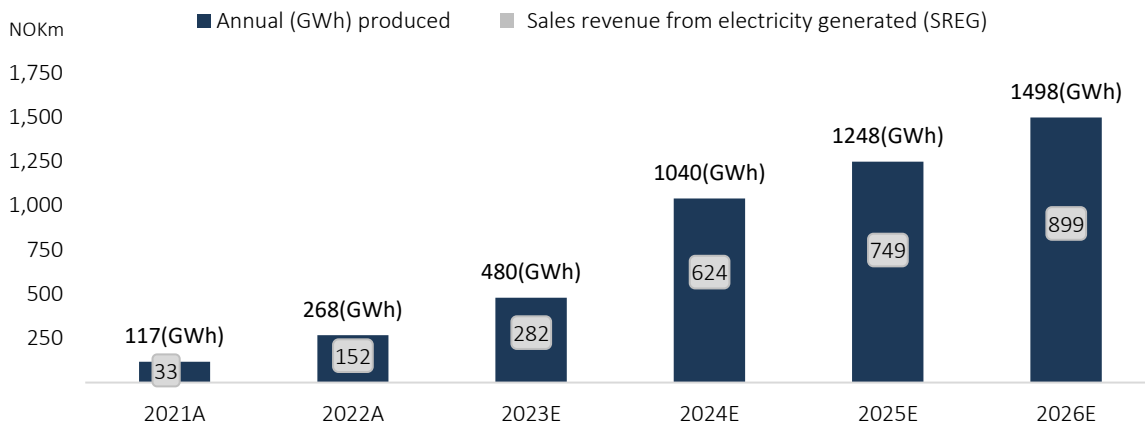
Investment thesis in charts

Nordpool est. electricity consumption in the Nordic to rise 25%

Anticipated (TW/h) consumption	2021A	2025E	2030E	2040E
Norway	139	147.8	173.4	185.4
Sweden	140	147.9	159.9	185.3
Finland	85	93.1	110.7	129.4
Denmark	35.4	42.7	56.5	71
Nordpool	399.4	431.5	500.5	571.1

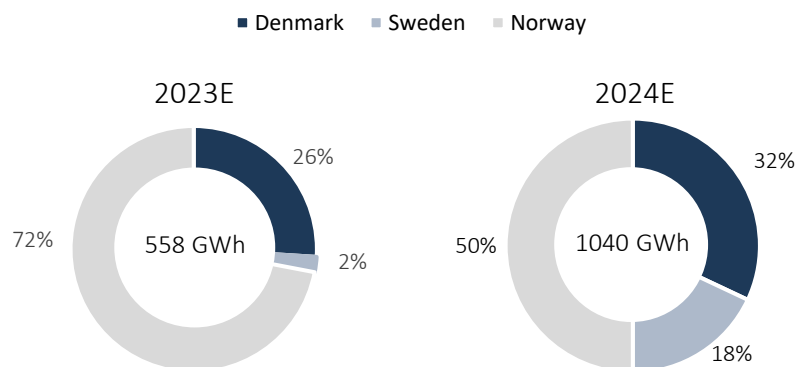
Sources: Nordpool

Forecast of expected revenue from electricity produced



Sources: Analyst estimates

Expected annual performance in production portfolio divided by market



Sources: Analyst estimates

All Nordic electricity price zones



Zones Cloudberry is targeting and owns projects in

EUR/MWh	SE 1	SE 2	SE 3	SE 4	DK 1	DK 2	NO 1	NO 2	NO 3	NO 4	NO 5
2022A average cost	59.1	62.0	129.2	152.1	219.0	210.2	192.5	211.3	41.9	24.5	192.1

Sources: Nordpool

Investment thesis

Cloudberry is well-positioned to capitalize on opportunities in the electric transition

The European Union's commitment to reduce net greenhouse gas emissions by 55% by 2030E increases the demand for renewable energy across various industries and transportations. Nordpool market projections indicate a substantial 25% surge in electricity consumption from 2021A to 2030E. Cloudberry is estimated to experience significant portfolio expansion, driven by a robust pipeline of projects. Furthermore, the recent collaboration with Skovgaard, a company operating in renewable segments including solar panels, adds a strategic dimension to Cloudberry's portfolio through a more predictable revenue stream and cheaper development. This joint venture in Denmark signifies a promising partnership aimed at undertaking numerous projects together. Additionally, Cloudberry has exclusive negotiation rights for an additional 350 GWh in Denmark, primarily comprising solar and wind projects. This exclusive right further solidifies Cloudberry's position in the renewable energy sector, extending its reach into the solar segment. With a diversified portfolio and exclusive negotiating rights, Cloudberry is well-equipped to capitalize on the burgeoning demand for renewable energy. With the Odin project and negotiation rights, the Company is expected to gain 661 GWh annually (Odin project already acquired) to their production portfolio. Growing Cloudberry's annual production portfolio by 156% from 425 GWh to 1086 GWh. As a result, sales revenue is expected to grow at a CAGR of 16.3% from 282 NOKm to 1275 NOKm between 2023E-2032E, during the same period EBIT is expected to grow at a CAGR of 12.3% from 211 NOKm to 672 NOKm.

Investments in financial activities is set to drive up electricity generation

From 2020 to 2022, the Company witnessed a substantial leap from producing 21 GWh annually to 268 GWh. The second graph illustrates a notable performance surge between 2021 and 2022, with revenue increasing 355% and their annual energy production growing 129%. 2024 suggests a continued growth based on the current portfolio projects, with an anticipated generation of 1040 GWh for 2024E. The Company currently has five additional projects in various stages of development, with three under construction expected to be operational by the second half of 2024E. The remaining two projects, awaiting permits, are anticipated to be operational before the end of 2026E. Additionally, one key strength contributing to Cloudberry's investment success lies in the Company's effective board, which is skilled at pitching projects to attract investor funding and support expansion initiatives. Cloudberry are already in talks with Skovgaard about doing joint ventures together which the analysts believe will be accomplished before 2026 contributing to 15% more of their annual production portfolio.

Strategically positioned with access to lucrative price zones

Cloudberry strategically positions itself for substantial production and revenue growth through the acquisition of the Odin portfolio in Denmark, in collaboration with Skovgaard Energy. The 80% ownership stake in the Odin portfolio, centered in the lucrative DK1 zone, grants access to one of Europe's highest electricity price markets, ensuring favorable revenue dynamics. Anticipated to contribute 311 GWh of annual net production, the Odin project significantly boosts Cloudberry's renewable energy output. Strategic hedges, particularly focused on the Odin portfolio, mitigate risks of volatile power prices.

Company overview

Providing clean renewable energy for future generations

Cloudberry is a Norwegian company established in 2017. Cloudberry operates in the renewable energy industry. The Company owns, develop, and operate hydropower plants and wind farms in Norway, Sweden, and Denmark. Cloudberry is committed to maximize local value creation, hence the focus on the Nordic region. The Company's portfolio consists of in-house developed projects, structured deals and M&A.

Cloudberry holds a strong advantage with a highly experienced management, with several members amassing up to two decades of expertise within the industry.

Business Model

The strategy behind Cloudberry's projects

Cloudberry builds and develops projects independently from the ground, as well as developing projects obtained through acquisitions, doing everything from planning the projects cost, locate land for projects, hiring builders, and finding peers failed investments. The Company is heavily focused on the quality of their projects, putting a lot of emphasis on requirements for each project during the developing phase.

These requirements are brought forward by their board which consists of highly experienced members with many years within the industry. This is very effective when Cloudberry is looking for new acquisitions, the Company takes advantage of peers failed projects through discounted transactions, further developing them so they can meet Cloudberry's standard.

Benefitting out of every possibility through the Company's positioning

Cloudberry further develops qualities through the Company's geographical strategic positioning. The Nordic, being one of the best places in the world due to the weather conditions, makes it easier for hydropower plants and wind farms to continuously generate electricity all year-round compared to central European peers. Cloudberry also differentiate from peers through focusing on owning projects in the southern parts of the Nordic countries which consists of lucrative price zones. The southern parts are more expensive due to them being used as interconnections for exporting electricity to other European countries such as Germany. Especially with Germany having higher electricity prices, it becomes rational that the Nordic zones used as interconnections import Germany's electricity prices, making it more expensive than other zones.

Market Overview

Rising demand for renewable energy

An underlying factors for this demand is the Europe Union pushing for the electricity transition through EU fit for 55 with a plan to reduce greenhouse gas emissions by at least 55% by 2030. A second factor is the electrification of industries and transport, which is connected to the EU plans. Nonetheless, Nordpool projects a total 25% growth in energy consumption across Nordic markets from 2021 to 2030. In addition, due to the absence of nuclear plants in Germany, Germany is anticipated to face challenges and may need to import electricity from the Nordic region.

Consequently, the pricing zones for interconnections are likely to import Germany's electricity prices as they buy energy from the Nordic region.

Valuation

Peer valuation indicates an upside of 18.0%

Cloudberry's peers have been chosen from industry similar companies. Since the energy industry is recognized by high and unpredictable capex and D&A, an EV/EBIT multiple is considered the most suitable for comparing peers. Cloudberry is trading at 9.3x EV/EBIT during 2025E, which is significantly lower than today's peer median of 12.0x. Due to higher expected revenue growth as a result of better performance in the Company's production portfolio, resulting in a revenue CAGR of 38.5% between 2023A-2025E. Further, this implies an upside of 18.0% and a share price of 13.1 NOK.

Peer valuation	Market data (NOKm)		Market data (NOKm)			Valuation 2025E
	Market Cap	Enterprise Value	EBIT margin 2022A	EV/EBIT 2022A	23A-25E Revenue CAGR	EV/EBIT
	2023A					
ABO wind	4,809	6,797	23.3%	18.0x	8.8%	12.0x
Arise	1,976	2,339	67.9%	2.4x	10.5%	8,71
Encavis AG	26,067	46,766	45.9%	30.7x	6.8%	18.8x
Eolus	2,257	1,957	3.4%	28.3x	(6.5%)	4.8x
Opdenenergy holding	10,032	18,329	60.7%	13.1x	11.2%	12.0x
Orrön	2,335	3,130	6.9%	490.0x	16.2%	36.8x
OX2	14,648	13,365	14.7%	15.4x	27.5%	7.3x
Median	4,809	6,797	23.3%	18.0x	10.5%	12.0x
Average	8,875	13,240	31.8%	85.4x	10.6%	15.3x
Cloudberry	3,258	3,954	53.5%	31.1x	38.5%	9.3x

Sources: Analyst estimates, Bloomberg

Discounted cash flow and peer valuation implies a share price of 13.8 NOK

The DCF is based on free cash flow forecasted on a 10-year timeframe. The terminal value was calculated with a terminal growth rate of 2.5%. The WACC of 11.5% is motivated by the Company's debt to equity ratio of 78% with a CoD of 2.0% and a CoE of 14.2%, which resulted in a DCF target share price of 14.5 NOK. Through an equally weighted average between a DCF and peer valuation a target share price of 13.8 NOK is implied.

DCF valuation breakdown		TGR	WACC						
			10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%
Sum of forecasted period (NOKm)	2,351		10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%
Terminal value (NOKm)	9,302	1.0%	16.7	15.3	14.1	13.0	12.0	11.2	10.3
Discounted TV (NOKm)	2,813	1.5%	17.4	15.9	14.6	13.5	12.4	11.5	10.6
Enterprise value (NOKm)	5,165	2.0%	18.2	16.6	15.2	14.0	12.9	11.9	11.0
Net debt (NOKm)	930	2.5%	19.1	17.4	15.9	14.5	13.3	12.3	11.3
Market cap (NOKm)	4,235	3.0%	20.1	18.2	16.6	15.2	13.9	12.7	11.7
No. Shares outstanding (m)	291.4	3.5%	21.3	19.2	17.4	15.8	14.5	13.2	12.2
Equity value per share	14.5	4.0%	22.7	20.4	18.4	16.6	15.1	13.8	12.6

Sources: Analyst estimates, Bloomberg

Appendix

Income statement, NOKm	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales revenue	3.6	35.2	208.0	282.0	624.0	748.8	898.6	952.5	1,009.6	1,070.2	1,134.4
Other income	0.0	5.7	9.0	269.5	30.7	32.6	34.5	36.6	38.8	41.1	43.6
Total revenue	3.6	40.9	217.0	551.5	654.7	781.4	933.1	989.1	1,048.4	1,111.3	1,178.0
COGS	(0.1)	(5.4)	(14.0)	(20.0)	(22.4)	(25.1)	(28.1)	(31.5)	(35.2)	(39.5)	(44.2)
Gross profit	3.5	35.5	203.0	531.5	632.3	756.3	905.0	957.6	1,013.1	1,071.8	1,133.8
<i>Gross margin</i>	<i>96.1%</i>	<i>86.7%</i>	<i>93.6%</i>	<i>96.4%</i>	<i>96.6%</i>	<i>96.8%</i>	<i>97.0%</i>	<i>96.9%</i>	<i>96.6%</i>	<i>96.5%</i>	<i>96.3%</i>
Salary and personnel expenses	(17.4)	(28.1)	(91.0)	(108.0)	(114.5)	(121.3)	(128.6)	(136.3)	(144.5)	(153.2)	(162.4)
Other operating expenses	(12.3)	(55.3)	(81.0)	(123.0)	(131.6)	(140.8)	(150.7)	(161.2)	(172.5)	(184.6)	(197.5)
OPEX	(29.9)	(88.9)	(186.0)	(251.0)	(268.5)	(287.3)	(307.4)	(329.0)	(352.3)	(377.3)	(404.1)
Net income/(loss) from associated companies and JV	(3.6)	16.4	120.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	(29.8)	(31.6)	151.0	300.5	386.2	494.1	625.7	660.0	696.1	734.0	773.9
<i>EBITDA-margin</i>	<i>Neg.</i>	<i>Neg.</i>	<i>69.6%</i>	<i>54.5%</i>	<i>59.0%</i>	<i>63.2%</i>	<i>67.1%</i>	<i>66.7%</i>	<i>66.4%</i>	<i>66.1%</i>	<i>65.7%</i>
Depreciation and amortizations	(3.3)	(9.7)	(35.0)	(90.0)	(97.7)	(106.0)	(115.0)	(124.7)	(135.3)	(146.8)	(159.3)
Operating profit (EBIT)	(33.1)	(41.4)	116.0	210.5	288.6	388.1	510.7	535.3	560.8	587.2	614.5
<i>EBIT-margin</i>	<i>Neg.</i>	<i>Neg.</i>	<i>53.5%</i>	<i>38.2%</i>	<i>44.1%</i>	<i>49.7%</i>	<i>54.7%</i>	<i>54.1%</i>	<i>53.5%</i>	<i>52.8%</i>	<i>52.2%</i>
<i>Financial income</i>	<i>1.0</i>	<i>6.4</i>	<i>67.0</i>	<i>281.0</i>	<i>70.0</i>	<i>70.0</i>	<i>70.0</i>	<i>70.0</i>	<i>70.0</i>	<i>70.0</i>	<i>70.0</i>
<i>Financial expenses</i>	<i>(2.1)</i>	<i>(28.7)</i>	<i>(61.)</i>	<i>(94.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>	<i>(40.0)</i>
<i>EBT</i>	<i>(34.3)</i>	<i>(63.6)</i>	<i>122.0</i>	<i>397.5</i>	<i>318.6</i>	<i>418.1</i>	<i>540.7</i>	<i>565.3</i>	<i>590.8</i>	<i>617.2</i>	<i>644.5</i>
<i>Income tax expense</i>	<i>0.4</i>	<i>0.6</i>	<i>0.0</i>	<i>(3.0)</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>
Profit/(loss) after tax	(33.9)	(63.0)	122.0	394.5	318.1	417.6	540.2	564.8	590.3	616.7	644.0

Sources: Analyst estimates

Key Cash Flow adjustments, NOKm	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	116.0	210.5	288.6	388.1	510.7	535.3	560.8	587.2	614.5	642.8	672.0
Taxes	(25.5)	(46.3)	(63.5)	(85.4)	(112.4)	(117.8)	(123.4)	(129.2)	(135.2)	(141.4)	(147.8)
NOPAT	90.5	164.2	225.1	302.8	398.3	417.5	437.4	458.0	479.3	501.4	524.1
D&A (+)	35.0	90.0	163.7	195.3	233.3	247.3	262.1	277.8	294.5	312.2	330.9
CapEx (-)	(379.0)	(1,686.0)	(458.3)	(546.9)	(140.0)	(148.4)	(157.3)	(166.7)	(176.7)	(187.3)	(198.5)
NWC chg (+/-)	(25.0)	(51.0)	(78.6)	(93.8)	(112.0)	(118.7)	(125.8)	(133.4)	(141.4)	(149.8)	(158.8)
Unlevered free cash flow	(228.5)	(1,380.8)	9.0	44.9	603.6	635.1	668.1	702.5	738.5	776.1	815.3

Sources: Analyst estimates, Bloomberg

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