



Increase in revenue from electricity sales in H1-2018 due to full commercial operation in Ireland and in Croatia; Housing Cabinet approval for the Bereshit Project received; Acquisition of rights to a wind energy project in Spain; All other projects are progressing as scheduled; In light of the company meeting our expectations stock target price remains unchanged.

Primary Exchange: TASE

Ticker: TLV:ENLT

Sector: Cleantech

Industry: Renewable Energy

Data as at 20 September, 2018

(Source: TASE)

Closing price: NIS 1.91

Market cap: NIS 1.0B

of shares: 536.2M

Stock performance (12 mos.): 28%

Daily-trading-vol. (12 mos.): NIS 2.2M

Stock target price: NIS 2.41

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Company Overview

Enlight Renewable Energy Ltd. is an Israeli company founded in 2008, and is publically traded on the Tel Aviv Stock Exchange. The company specializes in the initiation, development, financing, construction, management, and operation of projects involving the generation of electricity from renewable energy sources. It is currently active in the fields of Solar Photovoltaic (PV) and Wind Energies.

Highlights & Analysis

Enlight released its Q2-2018 report on 30 August, 2018 detailing the following:

Growth in the Company's revenues from electricity and first revenues from the Company's project in Croatia and Ireland; as planned.

- As planned, commercial operation in Croatia and Ireland has yielded revenue.
- In the last 12 months, the Company's revenues from electricity revenues amounted to NIS 140 million from the Company's projects in Israel, and in addition NIS 22 million from the Company's new projects in Croatia and Ireland. Compared to NIS 146M in the 12-months ending 31.12.2017. Total EBITDA in the last 12 months was NIS 140 million, meaning that there has been consistent growth in recent quarters.

The Bereshit wind project has received an important approval

- Further to our [immediate report dated 22 July, 2018](#). On July 16, 2018, the National Committee for Planning and Construction of National Infrastructures approved the transfer of the plan for the Bereshit project for final approval of the Housing Cabinet. **As we see it, this is the final stage of approval for the plan.**

Gecama Wind Project in Spain with a total capacity of approx. 300MW

- In July 2018, the company acquired all the rights to a Spanish wind energy project in advanced stages of development, and requiring investment of €310M-€350M.
- Expected revenues for the project in the first 10 years are approx... €34M-€40M p.a.
- We exclude this project from our valuation until development is actualized.

In light of the above, we increase the company's value to NIS 1.29 billion, corresponding to a target price ranging between NIS 2.29 and NIS 2.54; a mean of NIS 2.41 per share.

- EBITDA multiples in the industry are 15.0 versus 9.2 in our estimate, reflecting additional potential value in the company.
- For our valuation methodology, see our [initiation report of January 28, 2018](#).

The following is our revenue and EBITDA forecast for 2018-2020:

Forecast (NIS 000s)	EBITDA	Revenues
2017A	127,000	146,502
2018E	144,526	178,069
2019E	235,105	291,699
2020E	378,109	472,110

Source: Frost & Sullivan Analysis

H1-2018 Updates

Growth in revenues derived from increased electricity generation and first revenues from the company's project in Croatia

In the last 12 months, the Company's revenues from electricity amounted to approximately NIS 140 million from the Company's projects in Israel. In addition, the Company's new projects in Croatia and Ireland received additional income of NIS 22 million, i.e., there was a significant increase compared to total revenues of NIS 146 million as at the 12 months ending 31.12.2017. EBITDA in the last 12 months totaled NIS 140 million, meaning that there has been consistent growth in recent quarters.

Gecama Wind Project in Spain with a total capacity of approx. 300MW

In July 2018, the company acquired all the rights to a wind energy project in Spain, which is in advanced stages of development. With an estimated investment of €310M-€350M. The expected revenues for the project in the first 10 years are approximately €40M-34m p.a., in the Company's estimation. However the exact extent will be dependent upon the market price of electricity and the facility's electricity sales mix, which is expected to be divided between direct sales at market prices and the sale of commercial electricity agreements. The Company estimates that the project's development and closing processes will be completed within 12 to 18 months. The date of commercial operation of the project is estimated at 2021. For the time being, we do not include this project within the framework of the economic model, as long as there is no certainty in realization of the development processes.

Bereshit Wind Project

Further to our [immediate report dated 22 July, 2018](#). On July 16, 2018, the National Committee for Planning and Construction of National Infrastructures approved the transfer of the plan for the Bereshit project for final approval of the Housing Cabinet. **To the best of our understanding, this is the final stage of approval for the plan.**

The plan includes the construction of 42 wind turbines in the Tel-Peres area in the southeastern Golan Heights. The project has a 130MW conditional license. This regulatory progress is in accordance with our estimations as reported in our [update for Q1-2018, published on 20 June 2018](#).

In our estimation, operation of the project and initial receipts from the sale of electricity are expected in 2021.

- The coming approvals are: Official approval of the Housing Cabinet, building permit and approval of tariffs.
- The probability of obtaining all the approvals, including the approval of the rate from the Electricity Authority and the financial closing, is, in our opinion, 60% for the full operating capacity of the project.

Emek HaBacha Project

In July 2018, the Company completed the financial closing of the project with a consortium headed by Bank Hapoalim for a 96 MW wind energy project in Emek HaBacha. On June 7, 2018, the Company received notice that the Electricity Authority granted a conditional rate approval For the project (35.81 Agorot per kilowatt-hour). The rate approval received attests to completion of all the development and regulatory processes required to reach financial closing and to advance the project's construction.

The Company estimates that the revenues of the project in which it holds 36% of the electricity revenues are expected to amount to NIS 100-110 million per year for the period of the license, which will be spread over 20 years. The cost of establishing the project is estimated at approx. NIS 660M. We expect operations to commence no earlier than 2021.

Lukovac Wind project in Croatia

During 2017, the company completed the construction of the project and all the required pre-operative processes and tests have/will commence in Q2-2018. During May 2018, the company received all the required approvals for full commercial operation of the project.

Full commercial operation in Ireland

In the year beginning end-December 2017, Enlight began full commercial operation of a wind project in Ireland with 14MW capacity, which is forecasted to generate electricity receipts of NIS 11 million per year.

Acquisition of rights to three solar projects in Hungary with a total capacity of 57 megawatts

Construction is expected to commence by the end of 2018, with operation commencing a year thereafter. The expected electricity receipts from the project total NIS 28 million on the basis of an initial investment of NIS 250 million. Enlight has a 50% stake in the portfolio.

Solar projects in Israel with total capacity of 86MW

Two major projects (Sunlight 1 and 2) are expected to begin construction in the coming months. We reiterate that in January 2018 the Company signed a framework agreement for the financing of solar projects in Israel with institutional entities of the Clal Insurance Group and financial closing for 49MW of the project was executed. These projects are included in our economic model.

Sale of holdings by stakeholders in the Company

In May 2018, the controlling shareholders in the company, Eurocom Communications Ltd. and Givon Investments announced that as part of the process of selling private tenders to financial institutions in the capital market, they sold 100% of Eurocom's holdings and 65% of Givon's holdings in the company.

Capital Raising

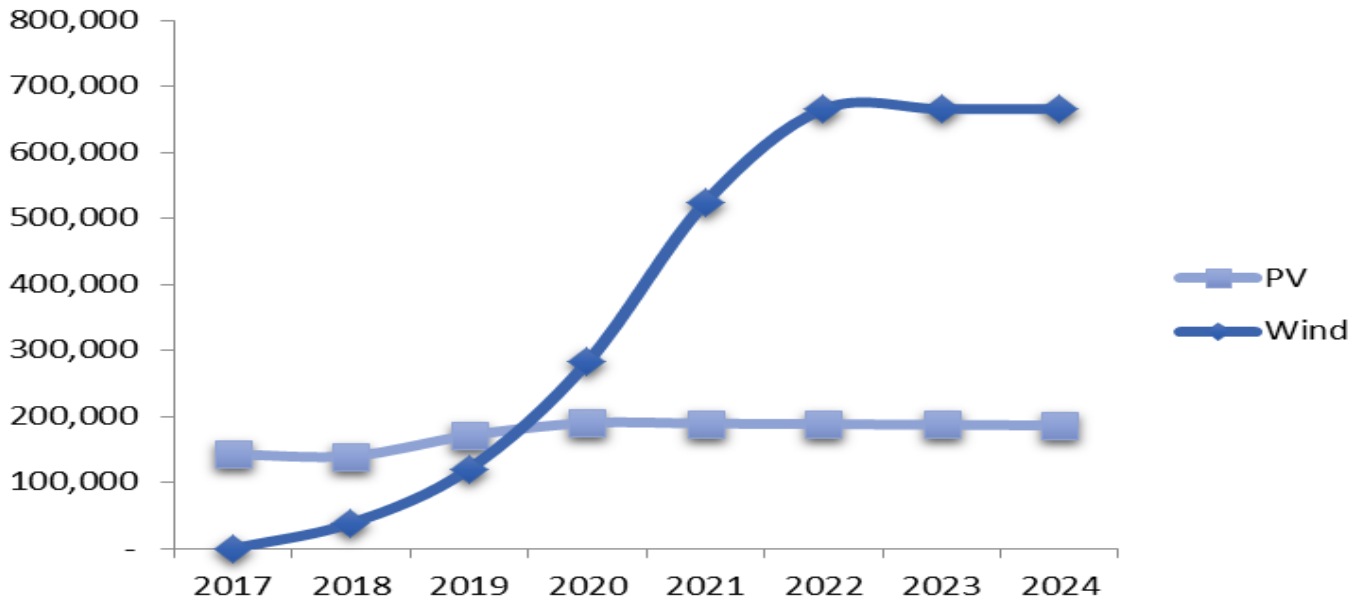
In May 2018, the Company completed a private placement to classified investors of approximately 33.7 million ordinary shares of the Company of NIS 0.01 each, at a uniform price of NIS 1.78 per share, for a total gross consideration of NIS 60 million.

On June 6, 2018, Enlight raised gross proceeds of NIS 139 million through bonds and options.

Analysis

Enlight is progressing as planned across all projects, including achievement of an especially consequential milestone for the project in Croatia and in the progress of the Emek HaBacha project (previously discussed in our [previous update dated April 30, 2018](#)). Enlight estimates that its revenues in 2018 will amount to between NIS 180 million and NIS 190 million. We estimate that the company will invest NIS 180 million in 2018 and NIS 292 million in 2019. This is mainly due to the commencement of commercial operation for several additional projects including those in Serbia, Croatia and Hungary, and in the course of 2019, the establishment of three large wind energy facilities in Kosovo and Israel (Bereshit and Yatir).

The diagram below depicts growth in the company's revenues from sales of electricity according to forecasted connection of wind and solar projects, particularly the expected commencement operation of several large wind energy projects in 2021:

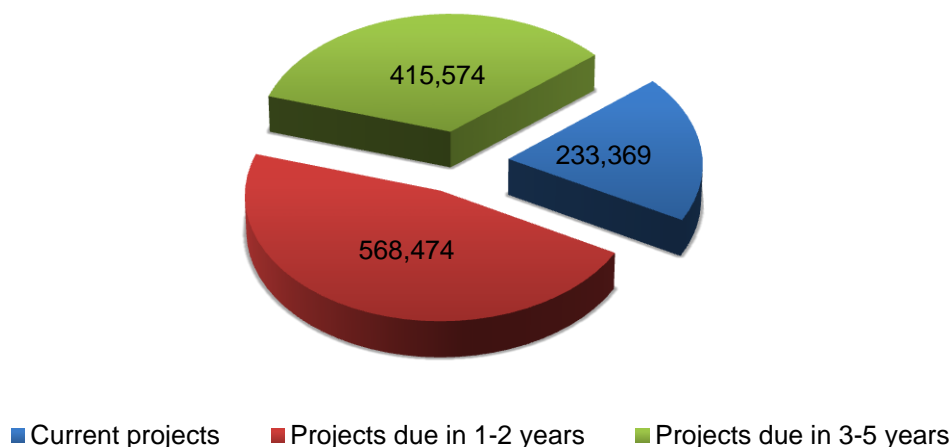


Source: Enlight; Frost & Sullivan Analysis

Based on our [initiation report of January 28, 2018](#), we estimate the value of the Company's development pipeline based on the specific criteria for each project, the probability of realization, the date of their operation, and their cost and financing at NIS 1.4 billion higher than our previous estimate of NIS 1.13 billion. This increase occurs in the context of the integration of the Kosovo project into the Company's development pipeline and the progress described above during Q1-2018, and to date in Q2-2018.

The value of the Company's development pipeline can also be examined through project times and certainty. Recall that we examine each project on the basis of the probability level of receiving electricity receipts based on several parameters such as; the status of the negotiations for acquisition of the rights, construction and financial closing. Based on these, we analyze the value of the projects according to the date on which receipts began/will begin to be received. The following chart shows that most of the value of the development pipeline is provided in respect of existing projects, or those set to be operational within the next 24 months.

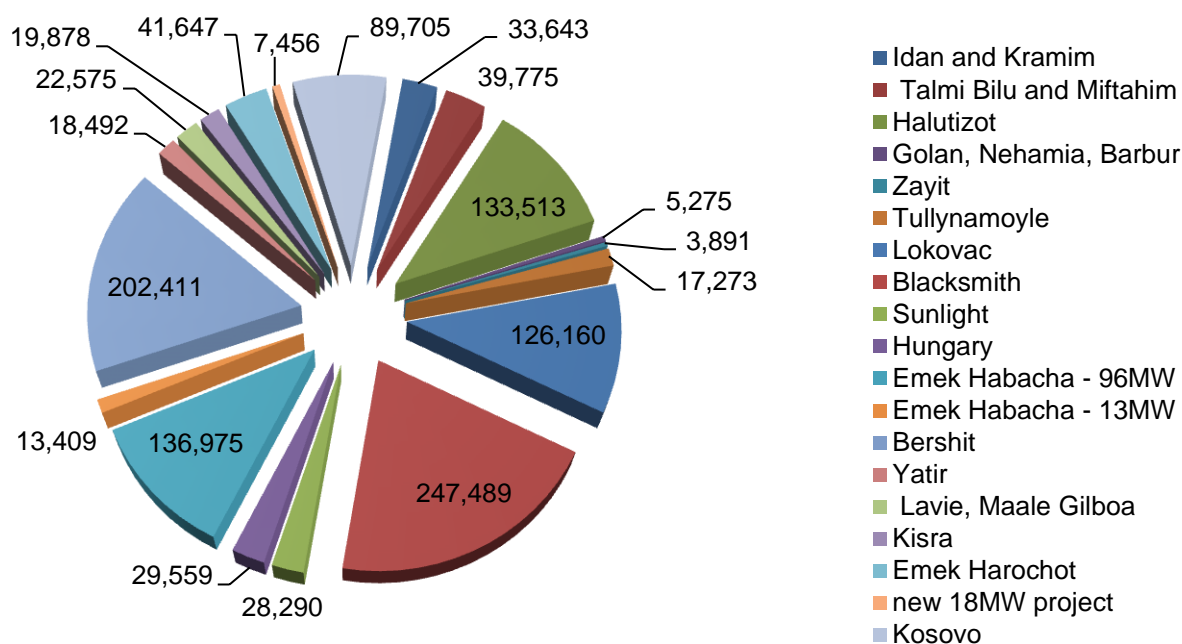
Enlight's Project Pipeline (NPV; NIS 000s)



Source: Frost & Sullivan Analysis

On the financial side, the company enjoys strong financial backing that has been further strengthened by recent capital raising, attesting to the confidence of the capital market in the company.

Below is Frost & Sullivan's valuation of the Company's pipeline (in NIS 000s):



Source: Frost & Sullivan Analysis

Number	Country	Project Name	Holding	NPV
1	Israel	Idan and Kramim	100%	33,643
2	Israel	Talmi Bilu and Miftahim	100%-51%	39,775
3	Israel	Halutzot	79.5%	133,513
4	Israel	Golan, Nehamia, Barbur	100%-51%	5,275
5	Israel	Zayit	100%	3,891
6	Ireland	Tullynamoyle	50.1%	17,273
7	Croatia	Lokovac	50.1%	126,160
8	Serbia	Blacksmith	50.1%	247,489
9	Israel	Sunlight	77.0%	28,290
10	Hungary	Hungary	50.1%	29,559
11	Israel	Emek Habacha - 96MW	36.5%	136,975
12	Israel	Emek Habacha - 13MW	36.5%	13,409
13	Israel	Bershit	60%	202,411
14	Israel	Yatir	50%	18,492
15	Israel	Lavie, Maale Gilboa	60%	22,575
16	Israel	Kisra	85%	19,878
17	Israel	Emek Harochot	60%	41,647
18	Israel	new 18MW project	100%	7,456
19	Kosovo	Kosovo	*60%	89,705
Total pipeline				1,217,418

Source: Frost & Sullivan Analysis

The value of the company's development pipeline plus headquarters costs, alongside management fees from its projects, as well as non-operating assets and liabilities at the corporate level, were added to our assessment of the company's value (for details of the methodology, see the [initiation of coverage report published 28 January 2018](#)).

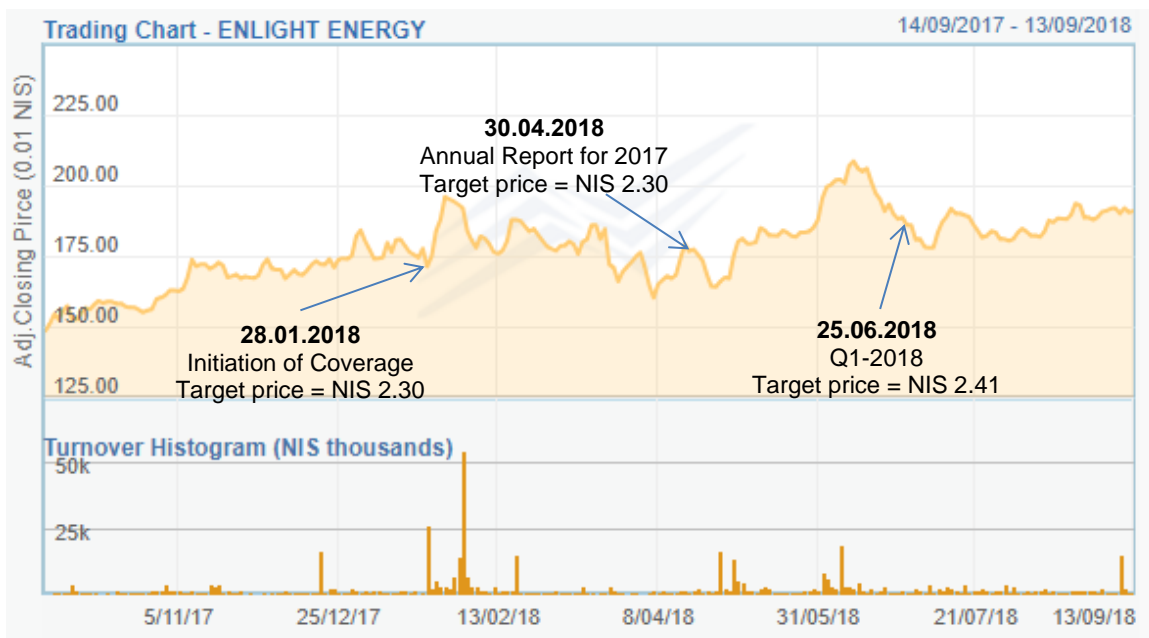
In view of all the developments and the company's progress as planned across its project portfolio, we keep the company's value at NIS 1.29 billion, corresponding to a target price range between NIS 2.29 and NIS 2.54; a mean of NIS 2.41 per share.

Significant forthcoming milestones

Input	Project	Capacity	Country	Event	Significance	Timeline	Status
	Lokovac	49MW	Croatia	Connection to the grid	High	Mid-2018	Achieved
	Blacksmith	105MW	Serbia	Connection to the grid	High	Mid-2019	
Wind	Golan Heights	250MW+	Israel	Various regulatory milestones, including; approval from the Israel Electricity Company re the project's transmission line, zoning permits, building permits, and more	High	H2-2018	

Source: Enlight; Frost & Sullivan Analysis

12 Months Stock Movement



Source: Tel Aviv Stock Exchange; Frost & Sullivan Analysis

Appendix - Financial Reports

Balance Sheet (NIS 000s)	31.12.2017	30.06.2018
Cash & Cash Equivalents	114,494	273,215
Restricted Cash	34,828	52,457
Financial Assets at Fair Value	69,232	43,586
Outstanding Customer receipts	8,940	27,181
Accounts Receivable	7,851	22,361
Concession for Current Maturities of Contractual Assets	41,712	42,860
Total Current Assets	277,057	461,660
Restricted Cash	57,617	47,809
Accounts Receivable	1,836	1,847
Deferred Project Costs	80,633	97,927
Deferred Credit Costs	28,499	57,160
Investment (balance method)	-	4,276
Investment loan (balance method)	-	12,784
Concessions for Contractual Assets	1,002,303	988,691
Net Fixed Assets	412,828	601,559
Intangible Assets	126,324	128,049
Deferred Tax	1,565	2,788
Total Assets	1,988,662	2,404,550
Credit and current maturities in respect of loans from banks/financial institutions	40,770	56,131
Suppliers and service providers	29,607	4,764
Accounts payable	43,832	39,684
Current maturities in respect of debentures	15,221	19,946
Current maturities in respect of convertible bonds	1,559	497
Current maturities of loans from other credit providers	8,868	9,198
Total Current Liabilities	139,857	130,220
Bonds	159,519	273,100
Convertible bonds	2,958	462
Loans from banks and other financial institutions	862,821	1,070,859
Loans from other credit providers	152,629	147,677
Non-controlling interest loans	165,306	181,300
Other financial liabilities	12,030	17,717
Deferred taxes	34,105	38,295
Total Liabilities	1,529,225	1,859,630
Total Equity	459,437	544,920
Total Liabilities + Equity	1,988,662	2,404,550

Statement of Profit and Loss (NIS 000s)	Year ending 31 December 2017	Six-months ending 30 June 2017	Six-months ending 30 June 2018
Revenue	37,388	17,982	34,044
Cost of sales	(20,341)	(10,338)	(16,724)
Gross profit	17,047	7,644	17,320
General and administrative expenses	(13,509)	(6,109)	(8,161)
Sales, marketing and promotion of projects	(4,400)	(2,145)	(2,477)
Operating profit (loss)	(862)	(610)	6,682
Financing income	77,463	39,841	48,752
Financial expenses	(62,062)	(39,099)	(34,334)
Share in profits of investee company	251	114	-
Profit before taxes on income	14,790	246	21,100
Tax on income	(3,921)	79	(4,327)
Profit after taxes on income	10,869	325	16,773
Total other comprehensive income (loss) for the period	1,841	1,214	1,560
Net Profit	12,710	1,539	18,333

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