INVESTMENT FUND
PLURAL ENERGY INNOVATION

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GESTORA DE ATIVOS

19/02/2025

Plural Energy Innovation

Regulated investments in renewable energy assets.

Fund	Plural Energy Innovation, FCR
Type of fund	Private Equity (10-year term)
Objective	Capital preservation with expected annualized returns above the average annual return of the S&P500 index.
Regulator	Comissão de Mercado de Valores Mobiliários (CMVM)
Depositary	Plural Markets – Empresa de Investimento, SA
Auditor	Ernst & Young
AUM máx.	80M€
Geographical focus	Portugal and Spain
Sectorial focus	Renewable Energy
Management team	Manuel Fernandez; Rui Couto; Tiago Vaz Serra
Strategy	Investment in the newly created Energy Communities segment
Stages	Fundraising: July 2026 Investment: 2025- 2026 Cash flow generation: 2026-2028 Divestment: from the end of 2028
Distribution policy	Annual distribution of 100% of cash flow after the investment phase
Expected maturity	Although the Fund's legal term is 10 years, the manager's objective is to sell all the fund's assets and return them 3/4 years after the end of the fundraising phase.
Management fee	2.0% annual
Performance fee	20% after hurdle rate
Hurdle rate	9% anual
Liquidity	Best efforts policy
Share classes	Class A – mgmt. company Class B – minimum investment of 50.000€ (2,5% subscription fee)

Management team

MANUEL FERNANDEZ (Chairman Investment Committee) - Manuel has 38 years of experience in financial markets. He held the position of managing partner responsible for the brokerage business of Genial and BTG Pactual, where he also led the market-making desk. Having been in the United States for 9 years, he acquired Plural Holdings in 2018, an American financial institution under SEC supervision. In 2022, he expanded operations to Portugal with the acquisition of Luso Partners Empresa de Investimento, now known as Plural Markets.

RUI COUTO BÁRBARA (CIO/Manager) - Rui has over 25 years of experience in the capital markets. His career spans various roles, including:

- Financial analyst at Portugal's largest fund management company;
- Fund manager and head of Equities at specialized boutique firms.

Responsible for investments in international markets (notably fixed income) in Banco Bradesco's Private Banking division

TIAGO VAZ SERRA (Manager) Tiago is an entrepreneur and angel investor in startups focused on Energy and Impact. He has over 25 years of experience in investments and has managed long-only, long-short, and venture capital investment funds. He holds a degree in Business Management from Católica Lisbon and an MBA from AESE/IESE. Tiago has completed additional training in Scaleups (Instituto de Empresa, Madrid), Private Equity (London Business School, London), and Renewable Energy (Católica Lisbon). He is also an accredited angel investor by IAPMEI.

Experienced and innovative group, having carried out more than 100 billion euros in transactions across a diverse set of sectors and geographies

Extensive track-record of investment in the European renewable energy sector and Asset Management

Investment opportunity

- **The Fund focuses on a segment of the renewable energy sector, namely Energy Communities, which was recently created by European/Portuguese legislation.**

- The Energy Communities business **allows for the capture of all the electricity sector value chain**, from generation (based on solar plants) to the distribution to end customers, within a geographical area of 4km around each plant.

- **This model has enormous advantages over typical solar generation projects** , in which 100% of sales are made to the national transmission company at the "wholesale" price, that represents only 30-40% of the final consumer price, additionally there is no waiting time to connect to the national grid (currently an average of 5 years) as all connections are made locally (at low and medium vs. high voltages).

- **Most importantly, Energy Communities have a very advantageous cost structure compared to large electricity distribution companies, namely:**

    - The network connection is only local, which allows this type of business model to save on long-distance transport fees (high voltage) which typically represent around 50% of the sales to the end customer.

    - They do not need to obtain a distributor license, which involves a long and complex approval process, with high requirements in terms of equity and structure.

Fundamentals

- This new segment allows the **fund to invest in projects with expected returns comfortably above the historical average of the S&P500**, currently, with a conservative leverage level of around 50%.

- **Resilient business model:** in a scenario of failure/ competition above the historical level for end customers, **communities can always choose to sell to the national network operator**, who is obliged to purchase at the wholesale price.

- **The fund's partnered with one of the two pioneering companies in this segment** (they were involved in defining the regulation), regarding the structuring of projects/communities and the operational part of their management.

Scenarios	IRR	Cash multiple	Parameters
Scenario of selling at low prices to the grid	**7,4%**	**1,6X**	Low customer adherence (40% of sales to the network) generation price -3% p.a.)
Base case scenario	**16,0%**	**2,7x**	Customer demand represents 95% of installed capacity, commercial expenses above Pessimistic scenario
Sale of assets after 4/5 years	**25,0%**	**2,2x**	Total sale of the fund's Assets at a higher multiple than in other cases.

The presented scenarios are an estimate of future performance based on the manager's assumptions regarding the evolution of key variables in the portfolio of invested projects and the electricity market in Portugal. These are not an exact indicator nor a guarantee of return.

- **Our operational partner** has mapped and contracted (in various stages) a set of energy communities in Portugal amounting to investment total exceeding 150 million euros and is currently starting this process in the **Spanish market**, which is in more initial phase but with a **potential of 6/7x the Portuguese one.**

- Given the fundamentals of this segment, is expected a growing interest, over the next few years, from a diverse range of investors (from pension funds to the traditional distribution companies), making the case for the sale of all the fund's assets over a period of 4/5 years under favorable conditions. There is no corporate tax at the fund level. At the investors' level, there is a 10% capital gains tax for Portuguese individual tax residents and no capital gain taxes in Portugal for foreign investors (both corporate and individuals).

Window of opportunity

Recent legislation creates an opportunity that has not yet been fully explored in the market

- The Portuguese market for Renewable Energy Communities is relatively new, in that sense, **there is not yet an excess of capital putting upward pressure on the acquisition value of projects.**

- In Spain, the market is even more recent, and the legislative process that will frame decentralized production and consumption models is still ongoing.

- **Some large international investors are starting to look at this class of investments**, such as **KKR**, with the acquisition of the Portuguese Greenvolt, or **Octopus Energy**, with a projected investment of 100 million euros for the Portuguese market.

- It is Plural's opinion that **there is currently an opportunity** to occupy this market from an investment point of view, **taking advantage of the high profitability rates**, which will tend to fall because of the future entry of new investors and capital.

Solar

Octopus invests in Ireland, Portugal to develop 250 MW of solar sites

The generation arm of Octopus Energy has invested in two renewables developers in Ireland and Portugal that together plan to build 250 MW of solar projects on rooftops and business sites, the British company said on Friday.

Solar park in Italy. Image by: Octopus.

Octopus Energy Generation has taken a majority stake in Ireland's Verde Energy Group, which will use the investment to develop more than 50 solar projects with a combined capacity of 100 MW across the country by 2027.

Deals

US fund KKR secures control in takeover bid for Portugal's Greenvolt

By Sergio Goncalves

December 21, 2023 1:07 PM GMT · Updated 4 months ago

Annex 1. Energy Communities

We take advantage of the recent European legislation opening the energy markets to further decentralization

Energy communities are regulated since 2019

2019 – Clean energy for all Europeans package

2020

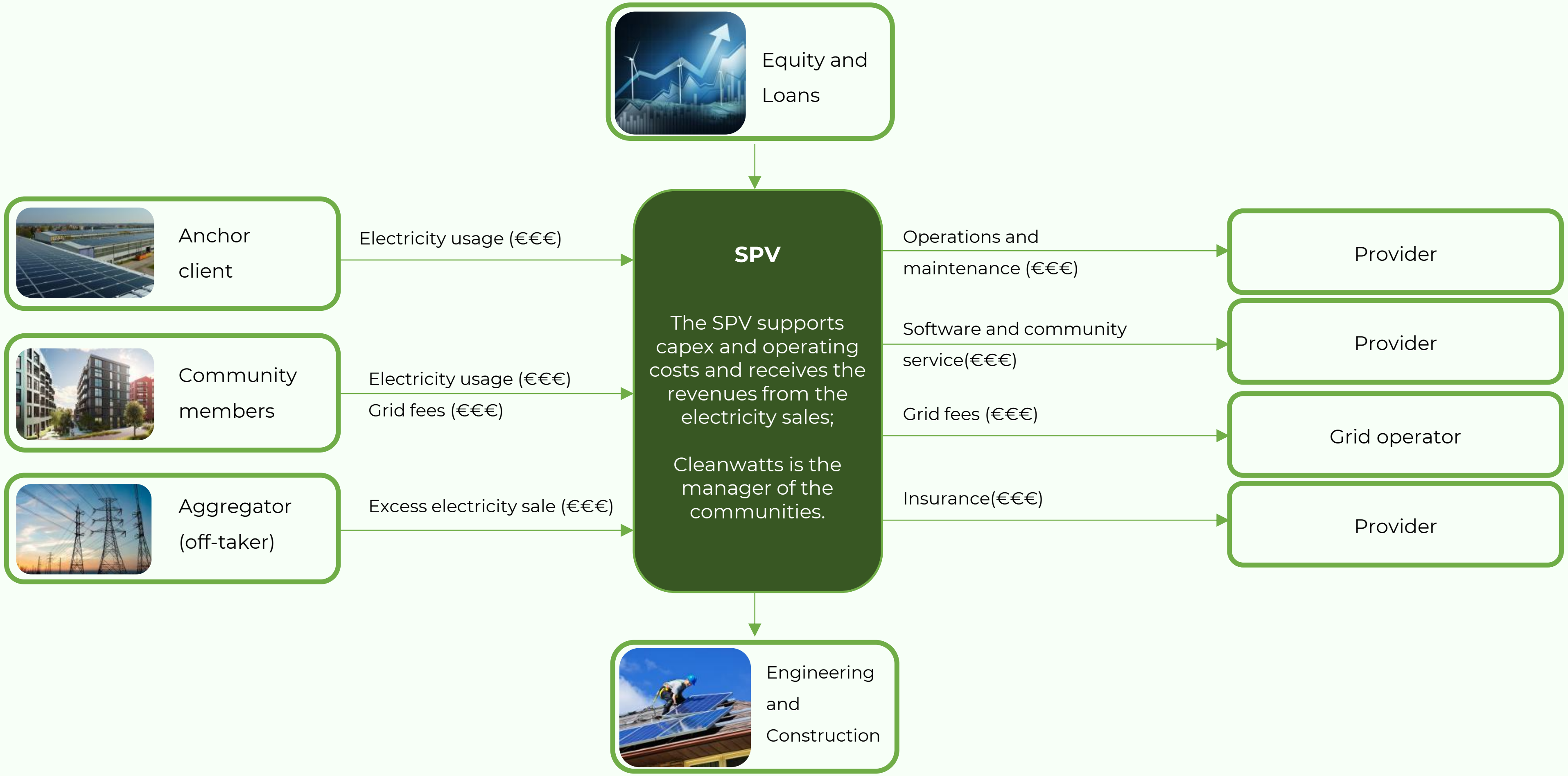
2021 – Renewable Energy Directive: EC proposal to raise target for 2030 to 40%

2022 – RepowerEU

2023 – Green Deal Industrial Plan

An SPV is created to invest and operate one or more solar farms

The SPV receives equity from Plural Energy Innovation, invests and outsources operation to developers



Energy communities are a new investment opportunity

A new European legislation opened the door to decentralization of production and consumption

OPERATING MODEL

- New legislation allows solar farms to be built and operated with minimum grid interaction.
- The electricity is sold within a limited radius area to local consumers.
- One energy community may have several different production facilities, but the norm is to have one anchor client where the solar panels are placed – and sometimes in the ground.
- The anchor client:
  - Provides the necessary space for the installation and receives a rental payment from the energy community operator;
  - Celebrates a long-term PPA (Power Purchase Agreement) with the energy community operator, usually around 30% below market prices.
- The energy community operator:
  - Creates and manages the community of electricity buyers;
  - Manages the relation with the anchor client;
  - Manages the licensing process;
  - Takes care of engineering, procurement;
  - Invests and operates the facilities.

FINANCIAL MODEL

- **“Safety net”:** no sales are lost, since all the electricity is always sold as sales to the grid, working as a scenario of last resort; the rental agreements allows the solar plants to keep operating and selling electricity even when the anchor-client fails.
- **Very conservative forecasts for electricity prices:** although analyst forecast an overall growth in electricity prices for the end consumer, we are modelling flat prices for the coming 20 years.
- **Resilient business model**: stress scenario (50% of electricity sales are sold to the grid operator, that is obligated to buy, at wholesale prices) still yields positive eIRR for investors, around 7.4%.
- **Further upside I:** in case the evolution of electricity prices are aligned with the consultants’ estimates, eIRR could reach levels above 20%.
- **Further upside II:** Plural Energy Innovation has the option of funding other energy efficiency measures in the anchor clients, possibly generating higher IRRs.

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Supporting investment at the tip of your fingers

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