



## CORO ENERGY – SIGNS DEAL OVER 150MW OF ROOFTOP SOLAR PROJECTS IN VIETNAM

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By Dr. Michael Green

The deals are landing thick and fast for Coro Energy. If you are after a stock with an enviable news flow this increasingly looks like the place to be in our view.

The latest news is that Coro has announced the signing of binding Heads of Terms to acquire rights over a portfolio of 150MW rooftop solar projects in Vietnam from Vinh Phuc Electrical Mechanical Installation Co Ltd, trading as Vinh Phuc Energy JSC (VPE), which all sensibly all kicks off with a 5MW pilot project.

It's not hard to get excited about this opportunity as over the last twenty years, Vietnam's GDP has grown by more than 5% a year which has resulted in a rapid growth in demand for power. Apparently, to meet this kind of demand, Vietnam is now planning 15-20% of additional renewables capacity by 2030. That roughly equates to something like 35GW. So, there is no doubt that Vietnam is a terrific place for Coro to set up shop.

This move represents a low-cost entry for Coro into the fast-growing Vietnamese energy sector as an independent power producer. Basically, Coro is going to acquire an 85% equity interest in a newly formed joint venture to be named Coro Renewables Vietnam in exchange for initial funding by Coro of US\$500,000 to immediately develop a 5MW pilot rooftop project through to 'Ready to Build' status.

VPE looks like a good partner to have, as this business is a highly regarded local Engineering, Procurement and Construction (EPC) contractor. VPE will be transferring its existing 150MW project portfolio into the JV and will also be providing management services in exchange for a 15% carried interest in the JV. Not only will Coro be funding the 5MW pilot project through construction once de-risked, the deal gives the option to fund the entire portfolio of over 150MW of solar projects.

We are being told that all these rooftop projects have attractive economics and perhaps more importantly are underpinned by long term 'take or pay' Power Purchase Agreements with creditworthy industrial customers as well as coming with US dollar denominated pricing. Timing wise, it does look like all systems are go as the Heads of Terms exclusively period ends on 1st October 2021.

The merits of the deal were pointed out by Mark Hood, Coro's CEO who commented that "Vietnam remains one of the highest growth markets at the forefront of the regional transition to clean energy. We are delighted to continue rapidly building our clean energy portfolio alongside the progress we are making on our utility scale projects in the Philippines. This transaction enables Coro to secure access to a significant portfolio in Vietnam which should see cash generative projects with short development cycles, significant news flow and high returns. I am delighted that we are able to achieve this with minimal upfront development capital. This transaction also demonstrates our commitment to building a development portfolio with projects at different stages of progression, creating a number of differently phased cash generative opportunities in the coming months and years."

This came hot on the heels of news that Coro's 20.3% owned Ion Ventures had announced a new partnership with GLIL Infrastructure Fund LLP (GLIL) concerning ions' portfolio of grid scale energy storage projects in the UK. This new partnership sees GLIL committing up to £150 million of capital into a newly incorporated vehicle called Flexion Energy Holdings UK Ltd. Ion Ventures will be transferring its existing portfolio of UK grid scale energy storage projects into Flexion, along with all of its future business associated with the development of UK grid scale energy storage assets.

As we suggested last week, the implied valuation range based on the £150 million commitment and the two scenarios (ion retains 5% = low case, ion retains 7.5% = high case) give a valuation range of £7.9 - £12.2 million for ion (pre-money), with Coro's 20.3% stake being valued at £1.6 - 2.8 million. Even in the low case, this represents more than a 300% return on Coro's £500,000 investment made in November 2020. It has to be pointed out that these figures exclude the value attributable to the SE Asian portfolio which remains in ion and will be the focus for future expansion.

One of the biggest points we eluded to previously was that the monetisation of the mature UK pipeline provides the platform for a South East Asian growth phase, which now comes into focus. South East Asia is where we see the big money being made and this latest deal in Vietnam takes the group further down this road to the prize.

With the shares trading at 0.315p, Coro Energy is capped at a mere £7 million. On top of the solar and wind power projects is a stake in the Duyung PSC's Mako Gas Field is one of the largest gas fields ever discovered in the West Natuna Basin, offshore Indonesia where production could start as early as 2024. There does look to be one hell of a lot going on here for such a lowly market cap.

We initiated coverage on Coro Energy with a Conviction Buy and a target price of 1.50p when the shares were trading at 0.275p. At the current price following these latest deals, we are more than happy to reiterate our stance.

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