ContourGlobal plc – 2018 Interim Results Presentation

07 August 2018
9:00 a.m. GMT

OPERATOR: This is Conference #4994434

Joseph Brandt: Welcome to the ContourGlobal First Half 2018 Results presentation. My name is Joseph Brandt. I'm the President and Chief Executive of ContourGlobal. I'm joined here in London by Jean-Christophe Juillard, our Executive Vice President and Chief Financial Officer; Laurent Hullo, who's the Senior Vice President and Controller.

And on the line today, we have Karl Schnadt, our Executive Vice President and Chief Operating Officer as well as Richard Konig, Executive Vice President Responsible for Business Development in Europe. We have a slide package that you should have in front of you and online posted as well. We'll start on slide four.

And I'd like to start by (inaudible) (results filing this) sale at an attractive premium to our cost basis of 49 percent of our solar business in Italy and Slovakia to funds that are advised by Credit Suisse Energy Infrastructure Partners, and then the entry at the same time into a joint venture with Credit Suisse Energy Infrastructure Partners to continue to grow in Italy and furthering our rollup strategy there.

Which as you know, we've been actively implementing and it's focused upon rolling up and operating in a better fashion existing solar fields in Italy, where we've been active for nearly a decade.

As we noted in the 2017 annual report, we see significant opportunities to become the asset manager of choice for investors who are looking for opportunities to acquire assets in long term contracted power, such as those in our portfolio. And as we've shown today with this announcement, we believe these opportunities exist for both Greenfield and acquired assets.

We'll provide a lot more detail on this transaction in a moment, but the highlights, from a valuation perspective, we're at 2.3 times premium to our net invested equity in this business. Which is approximately 100 megawatts of solar P.V. in Italy and Slovakia, and then ongoing commitments from our partner to us as both an asset manager and a developer and acquirer of new assets.

As you can see on slide four, as we look at the results, which Jean-Christophe will provide you more detail in a moment, we've made very good progress toward our IPO targets in just the first six months of operations.

The contracted nature of our nearly 100 assets excellent availability of those power plants and our commitment to technical diversity were all on display in the first half of the year.

We've seen meaningful growth of adjusted EBITDA, $262 million U.S. of 12 percent from the same period last year, with minimal impacts from a generally poor resource year in the renewable division in the first half.

As you know, our growth strategy is a two pronged approach to the contracted power market. We combine Greenfield development capability with a long track record of acquiring and then improving existing power plant operations.

During the first half of the year, 2018, we announced and closed a substantial acquisition in Spain, where we acquired five concentrating solar power plants with a capacity of approximately 250 megawatts.

These power plants were financed using cash on the balance sheet and attractive long term project debt, roughly 18 years with very attractive pricing, a fixed rate so that we've locked in the attractive rates that are available for investment grade projects in Europe today.

And these assets will make a substantial contribution to financial results, which we've just begun to see in our results since we closed the transaction late in the first half of the year. So pro forma for this acquisition, adjusted EBITDA for the last 12 months ending in June was approximately $643 million U.S. And that represents a 40 percent increased in adjusted EBITDA for the last 12 months, ending in 2017 in the same period.

For 2018, our guidance incorporating the Spanish CSP acquisition -- and as noted in our last call, we would provide guidance to the market pro forma for the past year, but also guidance for the rest of the year, taking into account the acquisition when it closed.

Our guidance is for adjusted EBITDA for 2018 to be in the range of $600 to $630 million U.S. for the full year. And that reflects the CSP acquisition, which entered into operation in mid-May.

We'll see momentarily, both that the integration of the recently closed acquisition is proceeding as planned, and also and importantly, the recent regulatory statements about the next rate reset are very positive for the revenue outlook for this business.

As you'll recall from the IPO, the company indicated in would manage net consolidated financial leverage between 4.5 and 4 times, with an expectation that the leverage would fluctuate higher episodically in and around large acquisitions, but given the substantial amortization of debt in the projects and in the underlying project finance portfolio, it's enabled us to bring leverage within target in a short period of time.

You can see this in our semiannual results. We closed the acquisition in Spain with a substantial amount of project debt in May. This moved net leverage slightly above the range, but we expect to return to target levels in the next several months.

In terms of dividend we announced today consistent with what we indicated at IPO when we indicated a dividend between 70 and 80 million.

Subsequently earlier this year, we noted to the market that the dividend would be within the top end of the range of $75 to $80 million U.S. and today the board of directors declared an interim dividend of 26.6 million, which is one third of the top of the range or $80 million U.S. for the full year.

So turning to slide five, and as Karl Schnadt, our Chief Operating Officer will provide details about in a moment, related to technical operating performance, we continue to lead with health and safety performance, with a commitment to target zero, so far achieved with a zero year to date loss time incident, and a total recordable incident rate that is below target.

This is a tribute to the commitment from all of the CG people around the world in our power plants. We've achieved industry leading health and safety results in very diverse geographies.

I'd also like to note that subsequent to the end of the half year, the company refinanced its parent company debt. Our entry into the public markets has helped catalyze a meaningful reduction in the cost of parent level debt, and we can see this when we compare the previous levels of the bonds that had been issued by the parent with the recent refinancing.

So we priced on July 19th, the corporate bond refinancing. We refinanced the 700 million five year bond which had a coupon of 5.125 percent, with a 450 million five year bond with a coupon of 3.375 percent, and we termed out an additional 300 million by issuing a seven year bond with a coupon of 4.125 percent, both meaningfully below the cost of debt from the bond that had been issued in 2016, despite longer terms with the seven year.

So the average weighted life of the parent debt is now just under six years, and it has a meaningful reduction in the cost of our corporate interest.

It reduced corporate interest cost by approximately $10 million U.S. on a going forward basis, which is roughly a reduction of 8.3 million euros converted at the average U.S. euro exchange rate for the six months ended June 30, 2018.

And I would note that this interest cost reduction is despite raising an additional 50 million during – as part of that transaction. Let's turn to slide six, you'll see the current status of the portfolio, you will have seen this slide if you follow us, many times before.

You see that the diversification by technology, geography and currency. And we continue to see the benefits from a strategy of diversifying technology, between and within our renewable and thermal divisions.

The renewable contribution pro forma for the full year of the Spanish acquisition has reached parody with the thermal division. Importantly, within both divisions, no single technology or fuel type comprises more than 25 percent of our total EBITDA.

We know this positive diversification impact in particular when we consider the poor resource conditions in the semiannual period of 2018, particularly with Brazil wind.

Turning to slide seven, as you can see, it's been a busy year for growth. We've added approximately $150 million U.S. of full year EBITDA through acquisitions in solar – in Europe, the CSP in Spain and additional P.V., photovoltaic solar fields in Italy, which is our – a continuation of our rollup strategy there.

We've also extended one of the contracts in our solutions business, one of the business – one of the plants located in Brazil.

In our Greenfield portfolio, which we'll address in more detail in a minute, we've made progress with our Austrian wind farms, both the repowering progress of those that are currently underway in the construction phase and then the next phase of the repowering and the Austrian wind farms as well.

Columbia has recently had a call for new capacity, a particular urgent call in light of ongoing commissioning difficulties of a very large hydro electric facility there that was expected to come into the system this year, but (whose in service) date is now unknown.

We expect to take the development project that we have spoken to the market about and been discussing in the – in the last two calls, the (Sochi Gota) extension project into the capacity auctions that we expect to happen in the first quarter of 2019.

Let's turn to slide eight and nine, and talk in a little more detail about today's announced transaction with the funds that are managed by Credit Suisse Energy Infrastructure Partners. As noted, we're selling 49 percent of the solar portfolio in Italy and Slovakia for 63 million euros. We will realize a multiple of our net equity of 2.3 times.

And the transaction implies an (EV) to EBITDA multiple of approximately 9.5 times, which consists of a multiple of more than 10.5 times for Italy. And in Italy, this represents a realization of value for our strategy of operational led development in both the Greenfield and acquisition space.

We developed and brought into operation rooftop and ground mounted photovoltaic projects over the recent years, and we've also been, as you know, acquiring operating P.V.s as well. We have a footprint across the country. We operate all of these megawatts and we continue to seek attractive growth opportunities here.

Our partner Credit Suisse Energy Infrastructure Partners is entering into partnership with us as part of the sell down. We will continue to grow in this space in Italy. We'll continue to operate these assets.

And we'll continue to benefit from new development, not only through the acquired EBITDA but also through a development agreement with CSEIP. I'd like to turn now to Spain and discuss, in a little more detail, the recent positive update related to the regulatory return reset.

On slide 10, you will see the detail of the announcement that was made by the Spanish regulator, the CNMC. As you know, renewables, including concentrating solar power plants have a long term regulated rate of return, which is set at six year intervals.

The regulated rate of return is currently set at 7.4 percent, but that rate is reset as of January 1, 2020. The new rate of return for the period 2020 to 2025 will be announced next summer in the summer of 2019. There has been obviously, a number of different approaches and forecasts as to how that return would be set.

The provision and the law stipulates that the rate of return should be reasonable, and indicates that the rate should be set as the sovereign bond, the risk free rate plus 300 basis points. Ten days ago, the Spanish regulator published their proposed methodology, which will need to be adopted by government for the upcoming rate reset in both the renewable and the grid segment.

The methodology that they announced was based on a WACC approach for power generation. And the reason for adopting weighted average cost of capital rather than treasuries plus 300 is there was a concern that applying the strict treasury plus 300 rule would lead to disincentive to investment in future renewable in Spain.

After applying the WACC approach to renewable, the regulator recommended a return rate of 7.04 percent for the regulatory period 2020 to 2025. This is obviously very close to the current regulated rate of return. This is a recommendation to the government of Spain. The government will need to approve the applicable return rate for the next regulatory period.

Suffice it to say though, given how we underwrote the investment, this is a – this is a positive development for the business and would lead to approximately $18.5 to $19 million U.S. of additional EBITDA of – beginning in the rate set period, compared to how we underwrote the project initially.

I'd like to update on our project on Kosovo. As you know – and we're turning now to slide 11, in December, the government of Kosovo and ContourGlobal concluded a long development period and signed the mini agreements that included the power purchase agreement and the concession, which constituted commercial close.

Since that date, we've been working in parallel with both the EPC companies, so the contracting companies who will construct the power plant, by launching the EPC tendering process and also to arrange the financing for the project.

We've received significant interest in the EPC, so for the EPC – for the EPC tender, we've had over 20 companies and consortia who have responded favorably to the request for proposals. And we expect to receive prequalification bids shortly. Those interested companies are also mobilizing their nation's export credit agencies to support the project.

We expect financing for the project to be – continue to be export credit with attractive terms for the project from the export credit agencies. And additionally, bilateral support for the project remains strong, with the U.S. Development bank actively engaged with us to support the debt financing alongside of the export credit agencies.

Recent World Bank communications to the government that it would like to explore a purely renewable solution to the country's pressing need to replace the old Kosovo A power plant are irrelevant to the progress and the timeline of this project.

The bank was never providing direct financing for the project. And its enabling role, which is very important during the development phase that led us through the long march to commercial close, is of much diminished importance now.

This is a very important project to the country, to which we and the government of Kosovo have committed. It's a project whose development impact on a very poor country suffering from extreme unreliability, and environmentally degrading conditions of the existing power plant rivals any development impact that we have ever seen.

We are positive about the continued progress and development in this project and the support for the project from stakeholders required to get it through financial close in the first quarter of next year continues.

Finally, talking about, in a little more detail, the wind repowering in Austria, a reminder that we have two sets of projects associated with the repowering. The Austrian regulatory framework encourages owners of existing wind farms to repower those wind farms by adding new technology to update the technology that in many cases was put into place roughly a decade ago.

The pickup in performance is substantial. In some cases, in our wind farms, we're seeing the repowering will lead to an 81 percent increase in production on the same site with turbines that are larger and with much higher powers than previously existed.

We are underway in the construction of two of the repowering wind farms, Velm-Goetzendorf and Scharndorf, both started this year, one in January, one in May. They will benefit from a new 13 year fee and tariff of approximately 83 euros per megawatt hour for Velm-Goetzendorf and 93 euros per megawatt hour for Scharndorf.

The net capacity after the repowering will be approximately 28 megawatts, and the investment is about 43 million euros.

The phase two projects are also now moving quickly towards the ability to begin construction. We have four additional repowerings in phase 2. Those are on track. We have all permits for these projects.

We will add another 53 to 60 megawatts through the repowering. They will also benefit from the 13 year fee and tariff. Approximately 70 to 80 million euros will be invested with COD commercial operations date expected between 2021 and 2022.

And when we take these phase one and phase two projects together, they will contribute approximately $20 million U.S. of additional EBITDA built out through 2021 and 2022.

These are important not simply because they represent the first repowerings we've done in the portfolio, but we also think it shows additional opportunity in Austria to acquire and then repower existing wind facilities.

With that, I will pause and turn it over to Karl Schnadt, our Chief Operating Officer to walk us through the operations for the first half of the year.

Karl Schnadt: Yes, thank you. Hello? Thank you, Joe. I would like to start as usual with health and safety, which is a core priority of our company. And we had a pretty good first half in our health and safety performance. We continue to be on track with our target zero health and safety performance, which we established end of 2016.

We measure our health and safety performance with the KPI of LTI, which is long term incident. It always counts when somebody has an incident and doesn't come to work the other day, regardless if it is an employee, contractor or visitor.

So far this year, we are on track with zero LTI, and we have more than 340 days without any LTI achieved from the last accident. This brings us, compared to our peers, into the top decile. We have a LTI rate. This is based on 200,000 working hours. This gives us the opportunity to compare us with other peers in the industry. And with the LTI rate of 0.03, we are leading the top (decile).

Now, we are also concentrating more on total recordable incidents. These are minor incidents or first aid cases, where we can learn more about the performance in the power plant, and this also helps us to achieve our health and safety target.

Now, I would like to go to the operational performance on slide 15. As you know, we have divided our operations into two clusters, into the thermal and the renewable cluster, and also here, we compare us with benchmark KPIs in our – with peers in this group.

And the benchmark of the thermal fleet, considering our operation mix, is 92.3, where we are here around 93.3 in the first half of 2018. But this may vary a little bit over the year, because in the summer months, we have major overhauls, and we started with the major overhauls already in May.

And in the renewable fleet, the benchmark – we are close to the benchmark, top (decile). We have (accruable availability) factor of 95.1 an while the benchmark here is 97.1.

On the next slide, 16, we make a breakdown of all our power plants in the thermal fleet and the renewable fleet. And in the thermal fleet we have to give (some availability guarantees), which we always achieve (or it's better say) overachieve. And we are here as the cluster says, regarding benchmark on track.

The only two power plants, which are below the average is (Energy Antilles), where we have major rehabilitation works on the engines, and KivuWatt, where we had a long planned outage and some overhauls.

In the renewable fleet, we are also (at the high accrual availability) factors. We are a little bit below in the (inaudible) wind complex, but here we have a good development starting in January, where we achieved already availability factors according our benchmark targets. Saying this, I would like to hand back to Jean-Christophe.

Jean-Christophe Juillard: Thank you, Karl. So I move to slide 18 (and) the financial performance. As you can see on our two main KPIs, adjusted EBITDA and (fund from operation) FFO, we continue to have very strong performance. Adjusted EBITDA, if you look, (we) continue the growth, 30 percent average growth since 2015.

Our last 12 months H1 2018 adjusted EBITDA of 541 million, and if we pro forma into that number, the Spanish CSP acquisition, as Joe said, the pro forma number for each one, including the (spend CSP), 643 million.

Looking at the growth between the two periods, '17 and '18, we have a 12 percent growth of our adjusted EBITDA, mainly due also to assets that are in full six months operation in '18 that mainly in Brazil, we acquired in end of first quarter 2017.

On the (sun celebration), a very also significant growth, 41 percent since 2015, same thing, 264 million last 12 month H1 (sun celebration). Again (sun celebration) is our key measure for cash metric, which is deriven from adjusted EBITDA.

And if we’re presenting the cash metrics at a constant leverage, 337 million (if we) pro forma from the Spanish CSP. And the growth his eight percent when we compare '17, six months to '18.

Six months, the slight difference with the growth of the adjusted EBITDA about four points, is due to some higher payments we've made in 2018 (on our minorities mini Maritza), but it's just a timing impact that it happened the first half, rather than later in the year. It will catch up later in the year.

And then we are – as announced by Joe, concerning guidance for the year 2018 adjusted EBITDA in the range from 600 million to 630 million.

If we look in the (detail on) the next slide, by divisions, between (our) thermal businesses and our renewable businesses, and we look at the evolution of our adjusted EBITDA from six months '17 to '18 (they have) different components here.

On the thermal side, you see a slight negative variance or organic, which is also a negative timing impact on (Maritza) due to availability payment schedule.

Basically, every year, we renegotiate with the (NEK), the payment schedule of the availability (payment) for the year, and they can shift from one month or one quarter to the other. And here, compared to '17, it's a little bit more skewed through the second part of the year.

But again, it's timing, and all of that will be recovered in 2018. We have a little bit of change due to acquisitions, (scope) changes, mainly the acquisition we've made in Brazil last year, the Solution portfolio cogeneration, and at the same time, you might recall that we sold our last business in Ukraine, (Kramatorsk).

And so that’s basically explaining the acquisitions, the changing scope, I would say between the (two paired), and then we have some (forex) impact.

On the renewable side, we have been impacted by lower resources than expected, mainly in Brazil in wind. And that explains, I would say, all of the variance that you see in the organic 9 million.

Again we think this is one off and this is a bad performance on the resources that should not repeat, and the first half of the year, as you know is always low, especially in Brazil – the low wind season.

And most of the recovery is happening in the second half of the year, that’s what also we expected, June, July, August, being the high wind months, and we would expect some recovery there.

We have a quite significant change in scope through the acquisition, about 33 million, and it's made of the different acquisition we've made, (some up) 17 like the (Hydro Brazil), at the same time as the Solution Brazil, so we hold those two portfolios.

The Italy solar and portfolio growth and the Spanish CSP that is included for – only since mid May through the end of June, so only a month and a half in the six months EBITDA. And that (leave us to) a 27 percent increase of the renewable adjusted EBITDA for the six months 2018.

Moving to the same slide and focusing on the renewable resources performance, so as I said, we've seen the first six months with lower than expected resources, mainly into wind. You have here on the graph, the breakdown between the different clusters of assets we have per region. So you see that the major impact is in wind Brazil, where we've seen a 10 million (variance) versus what we expected internally for 2018.

If you compare that to where we were in '17, it's slightly better. We were at (P90), in terms of probability for wind versus '17 where we were at (P93), but still obviously negative versus our plan expectation, but again, we expect some of the recovery in the second half of the year.

We see also that we've been much better in Peru wind. If you recall last year, we had some issues in the first quarter where there's been some very heavy flooding in Peru, disturbing the energy production in our wind asset in Peru. And this did not recur this year.

And finally, on the rest, we are -- I would say -- on the hydro, we are much better than we were expecting last year, and close to our budget. And the variance on the other cluster is slightly I would say, close to budget.

Moving to the next slide, we see the forex variation. So we've had some variation in forex in the first six months. We've seen basically a depreciation of the Brazilian reals, which has impacted us slightly about 3 million, when we compare our six months EBITDA, '17 versus '18.

And on the other side, we've seen the appreciation of the euro versus the dollar, and we've seen a 19 million EBITDA improvement contribution due to this appreciation of the euro. I remind you that in order to minimize our exposure to the Brazilian reals, we are hedged on a portion of cash flows in Brazil. About 75 million of our cash flow is hedged over the next years, and to keep basically the Brazilian real exposure below 20 percent in our portfolio.

Moving on the next slide and looking at how we drive the – I mean derive the (inaudible) operation from the adjusted EBITDA, so you see that when you look at last 12 months, we continue to have a quite strong cash conversion at 49 percent.

Between adjusted EBITDA and (inaudible) (impression) looking at for the first six months, the percentage is 42 percent.

But again, for the first six months, you have a cash distribution to our minority, which is mainly the distribution payment to (Maritz), where we have a minority stakeholder for 27 percent of the equity, where all of that payment comes in the first quarter, therefore impacting the cash conversion ratio when you look (only on six) months versus 12 months. But for the year, I mean we are targeting the same 49 to 50 percent cash conversion for the end of the year 2018.

Moving to the next slide and looking at our liquidity, so our liquidity is quite strong. We have included into the numbers obviously the Spanish CSP. Our total debt is 3 billion when you add the 940 million of Spanish CSP debt.

As you can see here, basically we have also the corporate debt of $818 million, 715 million euros and strong cash on the balance sheet at 574 million.

On the liquidity side per say, we have 220 million available as at the end of June at a corporate, I would say, unrestricted cash at the corporate level. We still have our $50 million undrawn revolver credit facility, give us total liquidity of 623 million.

As Joe mentioned, we will be paying a dividend for the year 2018, at 80 million, and the first payment of one third will be on September 7th, so 26 million, which is $0.04 per share.

Finally, moving to the next slide -- last slide, and looking at our leverage ratio, so we continue to reduce our leverage ratio. If we exclude the CSP, Spanish CSP from the calculation, we would be at 3.9 times net debt to adjusted EBITDA. If we add in the full debt of (Spain) and the (EBITD) – as well as a full year EBITDA, ratio will be 4.6 times, which is slightly above the guidance we gave 4.0 to 4.5 time.

But we said that (any point of time) when we close this big acquisition, we might be slightly above the range. We are targeting to be back in the range or close to the range at the end of the year, with a natural amortization of the debt at the project level.

And when you look at the maturity of our debt, basically we have – except for, I would say, a short term amortization – (a year) amortization of the debt, which is about 250 million per year, we don't have any significant maturity before 2024. That being said, I'll turn back to Joe for the closing remarks.

Joseph Brandt: OK. Thanks, J.C. Summarizing, we had a very strong first half of the year. We're delivering on the commitments that we made during the IPO process, financially, operationally and adding high quality growth, diversified growth that provides a very resilient business model.

We continue to see a very active pipeline on both the Greenfield and acquisition side of our growth efforts. We expect to see meaningful announcements continuing throughout the remainder of the year, as we evaluate projects that are attractive and fit our profile of high quality contracted power plant growth. With that, I'll conclude the presentation and then we can open it up for questions. Thank you.

(Jenny Ping): Thanks. It's (Jenny Ping) from Citi, just on the M&A track, can you give us an update on where you are, in terms of negotiation process for Alpek? Clearly that's a significant acquisition and what – the negotiation's been (ongoing) for a while, what is the sticking point? Is it purely the price or is there some regulatory issues that we should be aware of?

Joseph Brandt: Yes, so that acquisition of the cogeneration facilities currently owned by Alpek, and for which they have and will have contracts with the existing plant, has as you've said been ongoing for a while. I thought we were very close in June. I think we're very close now in August.

The sticking point really has been, for both parties, it's been better to get the visibility on when the second power plant would come into commercial open. As you know, it's two large power plants plus a significant and interesting development project, as part of that portfolio. The second power plant, the larger of the two is in construction, the first is operational, but the second's in construction.

And that power plant will enter commercial operations in the fourth quarter. We expected the power plant to come in in the fourth quarter from the beginning of the year. Alpek, I think, thought they could bring it into operation sooner.

When you have a mismatch between the parties as to when they think the earnings will begin and when commissioning of a power plant will complete, you can get into a situation where you have kind of transactional friction around things like indemnities and guarantees, et cetera.

And both parties have benefited from kind of letting time take its course and aligning now that we're in the very late stages of that construction process, about when exactly the power plant will be capability of earning.

And So that’s been the kind of the primary delay. It's just a different perception between the two parties as to when that power plant would be commissioned. We have visibility on that now. I think we have alignment will Alpek on that now. And I expect that transaction to be announced in the near term. (Thank you).

(Vincent): Hi, (Vincent) here from JP Morgan, a couple of questions, so the Spanish news flow regarding the rate reset could be very good news if it's actually delivered and decided upon. Could you remind us the earn out regarding the deal with Acciona the CSP to get (this on top of our head).

You talked about Kosovo and the financing with the World Bank, now you're looking at other financing providers, basically saying that the World Bank backing has helped in the earlier stages, but now you can financing with other providers, want to understand the difference in terms of PRI duration versus the two options?

Another question, there’ve been some news flow regarding Maritsa and some political noise there, could you give us a bit of color? What are your views there regarding the PPA, taking into account that AES has been quite vocal on this specific topic?

And finally, the farm down seems to crystallize a strong amount of value, you have basically a partnership going forward, where you can lock some developer's fee, I understand on the new acquisitions, what type of terms did you manage to negotiate there? And if you do further farm down, would this be reflected in the way you present your EBITDA guidance? Thank you.

Joseph Brandt: (Vincent), the last part of the last question, if we do additional farm down – I didn't catch the very last part?

(Vincent): (The EBITDA).

Joseph Brandt: The EBITDA?

(Vincent): Would you basically correct the presentation of the EBITDA guidance in order to reflect that?

Joseph Brandt: So just briefly on the last point, and then we'll talk about it in a little more detail. With the 49 percent sale, we continue to consolidate EBITDA. And so to the extent that there's additional firm downs, provided that we keep majority control plus operations, then we'll continue to consolidate.

There obviously will be visibility around that in the context of existing growth in the Italian market, and to the extent that we do additional firm downs on other assets globally, that remain at this 49 percent, you'll obviously be able to calculate the minority interest at that point.

Let me take in different orders the questions and I'll ask Richard to step in and address some of the details. So Spanish CSP, I would note that as you know from our announcement, we acquired that business with a very different assumption around the rate reset.

We didn't take the risk on a positive regulatory outcome, so we were pleased with the transaction obviously when entered into it several months ago. And if this plays out, we'll continue to like the transaction, and it will be a meaningful upside to our base case.

There's some sharing with Acciona, related to the regulatory outcome, and I'd ask Richard to just walk through briefly how that works. Richard? So I'll do it for Richard. There is about – we benefit entirely up to about 5.5 percent rate reset, so there's no sharing.

Then it's proportional sharing from 5.5 up to around 7 percent. That is roughly – if you assume that the regulatory announcement is approved by the government, that’s roughly a 10 million euro payment, at the point where the regulation is in force, so from January 1, 2020 at the current level. So it's an earn out payment of approximately 10 million maximum.

We'll talk about World Bank's financing question, so there's a general misimpression in the market about the role of the bank in this project from the beginning. The World Bank provides debt financing to sovereigns.

They don’t provide debt financing to private companies or to the projects of private companies. They, the World Bank, can influence the IFC, which is part of the World Bank Group and MIGA, which is the political risk insurer of the World Bank Group.

And So World Bank financing indirectly through an entity like IFC, obviously would not be available for this project, but IFC is unable to finance more than 20 percent of the project and so we never felt that IFC would be a meaningful contributor to the debt financing for this project.

And so there has been no loss of World Bank financing. It never existed for the project. In terms of MIGA, the political risk insurer, they would also be influenced by the bank not supporting the project.

However, as we have shown in the portfolio for the last 14 years, our preferred political risk insurance risk provider has been OPIC, the Overseas Private Investment Corporation of the United States government, who we've used many times in the political risk market and the private market here in London, sometimes in conjunction with development bank political risk providers.

We expect to have political risk insurance available for this project from a combination of OPIC and the private market. In terms of the amount of political risk insurance, it will obviously be for the equity plus the termination sum of the PPA, which is how we prefer to use political risk, so that we are insuring not just the equity invested, but also the return on that equity.

In terms of your question about tenor, with OPIC, political risk insurance runs to the length of the PPA, so you would, in this case, have a 20 year political risk policy. For the private market, it's anywhere between 10 and 15 years, so in either case is substantial tenor necessary to protect equity in a project.

And then in terms of pricing, very little difference between the pricing that you would see for MIGA and the general market, and/or OPIC.

And so I don't see any material adverse impact on this project from the World Bank's desire to continue to think about different solutions for the Kosovo power sector, particularly given that the government of Kosovo has made it very clear that they would not like to be experimented on when it comes to creating a substitution for the existing base load coal fired power plant of a hypothetical mix of 100 percent renewables plus energy storage, which would be something obviously extremely risky for the government to embrace, given that there's no example of a country in the world that has tried to move to such a energy matrix.

In terms of Maritsa, you know, Maritsa continues since the – since the agreement with the government in 2016, to perform under the contract. And Maritsa's been politically noisy for four or five years now, but since 2016, has adhered to the contract and followed the payment terms of the power sales agreement and that continues.

We have a contract, which not only performs, but which we are comfortable with that we have rights that are very clear and despite the noise and the political noise in the system that’s continued now for years, we view that as a project that will continue to perform. Other questions? In the room or on the phone?

OK, if there are no other questions, thank you for attending. Thanks for those of you who came out, and thank you for those of you on the phone. And you'll be hearing from us throughout the year. Thanks again.

END