

26 October 2020

NEW ENERGY SOLAR (ASX: NEW)

**STRATEGIC REVIEW DEVELOPS RECOMMENDATIONS TO IMPROVE INVESTOR VALUE
NEW ANNOUNCES COMMENCEMENT OF AUSTRALIAN ASSET SALE PROCESS**

SUMMARY

- NEW has completed the initial phase of the Strategic Review and has concluded that, while the portfolio of solar assets is of high quality, recognition of the fair value of those assets in the security price is impeded by NEW's current operational and corporate structure and the limited support for the listed renewables sector in Australia.
- The Strategic Review has identified material interest in the underlying solar assets from both domestic and international investors.
- The NEW Boards have decided to commence a sale process for the two Australian assets, Beryl (110.9MW_{DC}) and Manildra (55.9MW_{DC}) – a key recommendation of the Strategic Review.
- Proceeds from the sale of assets will be available for a range of capital management initiatives, which may include security buybacks, capital returns, and debt reduction.
- NEW will continue to focus on improving the operational performance of the US portfolio which comprises attractive assets and is of considerable scale.

New Energy Solar¹ (**ASX:NEW** or the **Business**) appointed RBC Capital Markets (**RBC**) on 8 September 2020 to assist the Business with a Strategic Review focused on developing recommendations that might be employed to improve securityholder value.

With the first phase completed, the key conclusion of the Strategic Review is that recognition of the underlying fair value of NEW's assets in the security price is impeded by NEW's current operational and corporate structure and the limited support for the listed renewables sector in Australia. The NEW Boards have considered the findings of this phase of the Strategic Review and have decided to sell NEW's Australian assets and exit the Australian renewables market – a key recommendation of the Strategic Review aimed at reducing the complexity of the Business.

¹ New Energy Solar Limited (**Company**) and Walsh & Company Investments Limited (as responsible entity for New Energy Solar Fund (**Trust**)) (**RE**) (together **New Energy Solar, NEW** or the **Business**)

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The review process undertaken by RBC included a detailed analysis of NEW's assets, structure and market positioning, among other factors, and concluded that the NEW asset portfolio is generally of a high quality. RBC noted that the Australian assets are in a mature operational state, while the US-based portfolio, which is attractive and of considerable scale, has yet to reach optimal operational performance.

The Strategic Review concluded that the quality and value of NEW's assets are not reflected in the Business' security price. It was noted that the security price has trended downwards for an extended period and that the discount to NAV, generally in the range of c.20-35%, has widened since late 2019.

A number of factors were identified as contributing to the underperformance of NEW securities and the lack of institutional investor interest in the Business since its listing on the ASX. These factors include the composition of the security register and the low levels of trading liquidity; the scale of operations, market capitalisation and modest following by market analysts; inability of small-cap listed renewable companies to gain traction on the ASX; the nature and complexity of the corporate structure and reporting; levels of gearing; and the location of the assets in two very distinct markets.

The Strategic Review's assessment of NEW's assets is underpinned by RBC's finding that there is material interest in the NEW portfolio at the asset level. This interest comes from a range of investors, located in both domestic and international markets, who typically seek long-term exposure to high quality contracted renewable assets. Considering the disparity between trading performance and underlying asset value, the Strategic Review recommends addressing the complexity of NEW's operating and corporate structure on a phased basis, commencing with the launch of a sale process of the Australian assets.

Consistent with the Boards' adoption of this recommendation, RBC will conduct a competitive auction process for the Australian solar assets, which are situated in and in close proximity to the NSW Renewable Energy Zones, are of very high quality with proven operations and long-term contracts of 12 years¹ with strong investment grade counterparties. Marketing and preparation for the sale will take place over the remainder of 2020 with the indicative bid phase commencing in January 2021 and completion targeted by mid-2021.

Proceeds from the potential Australian asset sale, along with funds from the recent sale of the US Solar Fund plc shareholding and the current sale process for 50% of Mount Signal 2, will be available for a range of capital management initiatives which may include security buybacks, returns of capital and repayment of debt.

The Boards remain focused on improving the overall operational performance and development of the US solar asset portfolio, which comprises 14 well located projects with 606MW_{DC} of capacity² contracted for an average of 16 years³ to creditworthy counterparties. Implementation of further strategic initiatives will be considered following the sale of the Australian assets.

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¹ Capacity-weighted average PPA term remaining as at 30 September 2020

² Accounts for plants on a 100% ownership basis

³ Capacity-weighted average PPA term remaining as at 30 September 2020



Important Information

This information may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.

This announcement may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Investment Manager (New Energy Solar Manager Pty Limited) and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information.

About New Energy Solar

New Energy Solar was established in November 2015 to invest in a diversified portfolio of solar assets across the globe and help investors benefit from the global shift to renewable energy. The Business acquires large scale solar power plants with long term contracted power purchase agreements. In addition to attractive financial returns, this strategy generates significant positive environmental impacts for investors.

Since establishment, New Energy Solar has raised over A\$500 million of equity, acquired a portfolio of world-class solar power plants, and has a deep pipeline of opportunities primarily across the United States and Australia. New Energy Solar's securities trade on the Australian Securities Exchange under the ticker, NEW.

New Energy Solar is a listed stapled entity consisting of New Energy Solar Fund (ARSN 609 154 298) and New Energy Solar Limited (ACN 609 396 983). For more information, visit: www.newenergysolar.com.au

