19 June 2024 Corporates

JSC Atsinaujinancios Energetikos Investicijos

Republic of Lithuania, Investment Holding Company

SCOPE

B+ NEGATIVE

Key metrics

			Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024E**	**2025E**
Total cost cover	0.2x	1.0x	0.8x	0.2x
Loan/value	28%	37%	Net cash	Net cash
Liquidity	Negative	Negative	Adequate	Inadequate

Rating rationale

The issuer rating of JSC Atsinaujinancios Energetikos Investicijos (AEI), a closed-end investment company for informed investors, is supported by two well-established portfolio companies that operate renewable energy capacities in Poland and Lithuania (positive ESG factor) and provide recurring income to the holding company. Nonetheless, AEI's rating is constrained by the delay in the investment ramp-up of the portfolio, leading to persistently high income concentration.

AEI's weak financial risk profile also constrains the rating. In particular, liquidity is considered inadequate with remediation upon successful execution of asset disposals. We point to significant refinancing risk (tail risk) regarding the refinancing of an assumed debt volume of about EUR 91m in December 2025. To mitigate this risk, AEI has already initiated asset sales in 2024. While we acknowledge that liquidity would become adequate should asset disposals be executed as envisaged, this is associated with high uncertainty. Refinancing risk could remain high if i) portfolio ventures cannot be sold on a timely basis; ii) sales prices for portfolio ventures cannot be achieved as expected; or iii) proceeds from asset sales in 2024 are invested in the development of new renewable projects rather than being directed to the repayment of outstanding debt exposure.

Outlook and rating-change drivers

The Negative Outlook reflects significant refinancing risk related to refinancing requirements in December 2025 and is subject to execution of assets disposals in 2024. Given AEI's limited track record on asset disposals (only partial sale of two portfolio companies) there is significant uncertainty about sufficient asset disposals by the time of the refinancing.

A rating downgrade could result from: i) no substantial progress on asset disposals that would reduce refinancing risks in December 2025 which would lead to a deteriorating view on the company's liquidity profile or ii) the default of any portfolio company that triggers refinancing needs at the holding company level and liquidity constraints.

A positive rating action, such as the reversion of the rating Outlook to Stable, could result from: substantial progress on asset disposals that would reduce refinancing risks in December 2025.

Rating history

Date	Rating action	Issuer rating & Outlook
19 June 2024	Affirmation	B+/Negative
16 June 2023	Outlook change	B+/Negative
20 June 2022	New	B+/Stable

Ratings & Outlook

Issuer	B+/Negative
Senior unsecured debt	BB-

Analyst

Kamila Hoppe
+49 30 27891-405
k.hoppe@scoperatings.com

Related Methodologies

Investment Holding Companies Rating Methodology, May 2024

General Corporate Rating Methodology, October 2023

Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

in

Bloomberg: RESP SCOP

Rating and rating-change drivers

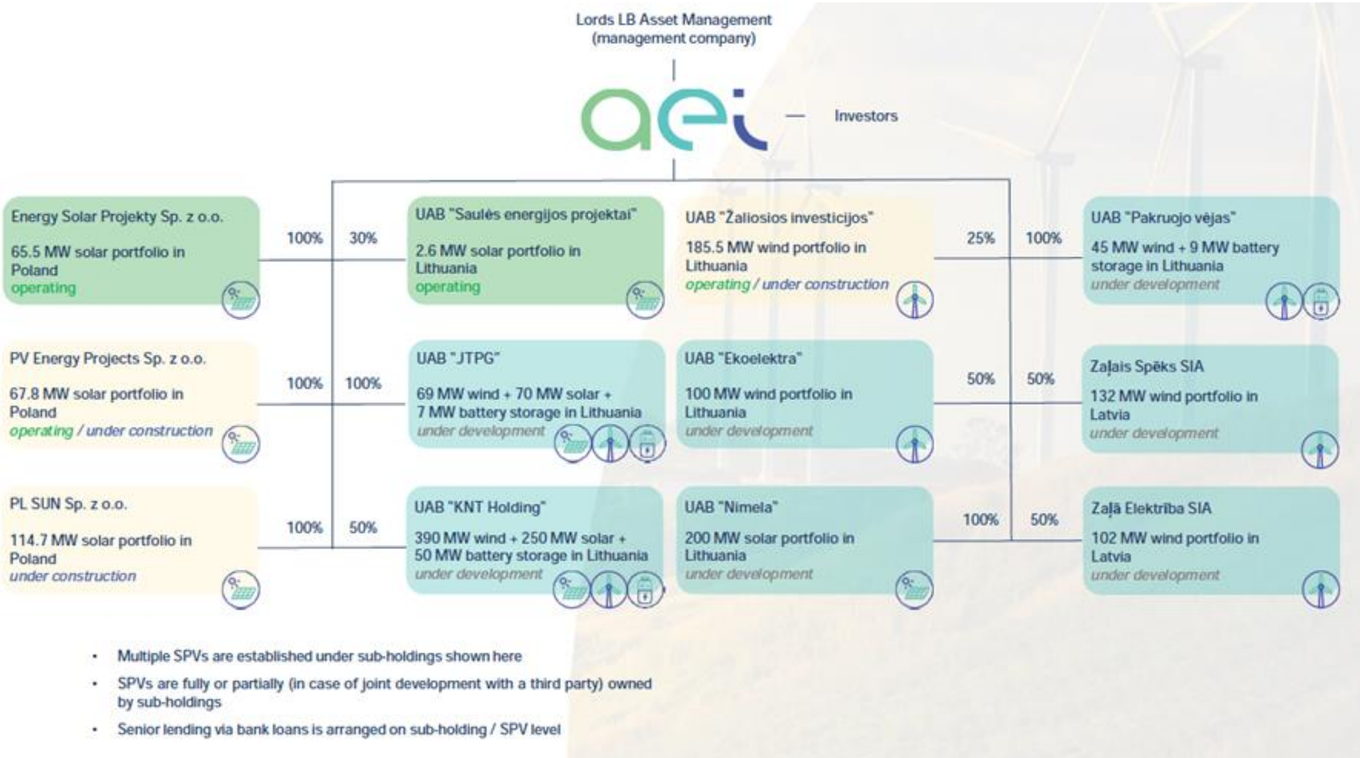
Positive rating drivers	Negative rating drivers
• Portfolio companies that operate/develop renewable energy assets (ESG factor) • Assets geographically diversified in Poland and Lithuania • Two well-established operating assets in the portfolio that provide recurring income to the holding company under regulated frameworks • Supportive national regulations and favourable investment climate (tailwinds) as Europe seeks to accelerate energy transition • Creditor protection through a detailed set of covenants, e.g. financial covenants, dividend restrictions, cross-default with a threshold of EUR 500,000 • Moderate loan/value level of 37% during intensified portfolio ramp-up, expected to decrease significantly following partial asset disposal • Evidenced shareholder support in form of equity injections and shareholder loans	• Volatility of total cost cover ratio driven by fluctuations in power prices and portfolio ramp-up delays • Refinancing risk related to refinancing requirements in December 2025 that will require sale of the portfolio ventures to cover outstanding debt under green bond programme • Incomplete portfolio and experienced delays (limited track record) constrain transparency of the business and financial profile • Somewhat unstable investment strategy focused on short-term gains rather than financial stability • Volatility of revenue received from shareholdings that will operate under market prices or power purchase agreements

Positive rating-change drivers	Negative rating-change drivers
• Substantial progress on asset disposals that would reduce refinancing risks in December 2025	• No substantial progress on asset disposals that would reduce refinancing risks in December 2025 which would lead to deteriorating view on the company’s liquidity profile • Default of any portfolio companies that could trigger refinancing needs at the holding company level and liquidity constraints

Corporate profile

JSC Atsinaujinancios Energetikos Investicijos (AEI) is a closed-end investment company for informed investors with assets under management in the renewable energy sector, namely solar and wind in regional markets, primarily Lithuania and Poland. The company was established in December 2020 as part of fund management company Lords LB Asset Management, whose Energy and Infrastructure SME Fund owns a direct stake in AEI. At the end of 2023, assets under management included 265.5 MW of operating power capacity in Lithuania and Poland (67 MW in 2022) and 122.8 MW of under-construction solar power capacity in Poland. Other assets include a 520 MW solar and 838 MW wind energy development portfolio.

Figure 1: Asset structure by development stage as of May 2024



Source: AEI

AEI's investment strategy focuses on investments in renewable energy assets, primarily ready-to-build or construction-stage solar and wind projects. A single investment is targeted at up to EUR 20m with leverage of 70%-75%. Generated electricity will be sold to government-backed schemes and investment grade off-takers via long-term fixed or partially fixed power purchase agreements (PPAs).

Financial overview

				Scope estimates	
Scope credit ratios	**2021**	**2022**	**2023**	**2024E**	**2025E**
Total cost cover (from recurring cash income)	0.3x	0.2x	1.0x	0.8x	0.2x
Total cost cover (including extraordinary cash income)	0.3x	0.2x	1.0x	11.5x	16.6x
Loan-to-value (Scope-adjusted debt/portfolio market value)	5%	28%	37%	Net cash	Net cash
Liquidity (%)	No short-term debt	Negative	Negative	Adequate	Inadequate
Cash flows in EUR m					
Recurring cash inflows (dividends and cash-interest from shareholder loans)	0.6	1.1	5.9	4.8	1.7
Non-discretionary cash outflows (including net interest payments)	2.1	6.3	6.0	6.2	7.0
Portfolio market value in EUR m					
Net asset value	65	104	115	123	121
Gross asset value	69	144	182	121	4
Scope-adjusted debt in EUR m					
Reported gross financial debt	30.2	50.0	69.2	91.3	0.0
less: subordinated (hybrid) debt	0.0	0.0	0.0	0.0	0.0
less: cash and cash equivalents	-26.5	-9.9	-2.1	-93.5	-117.1
add: non-accessible cash	0.0	0.0	0.0	0.0	0.0
add: pension adjustment	0.0	0.0	0.0	0.0	0.0
Scope-adjusted debt	**3.7**	**40.1**	**67.1**	**-2.2**	**-117.1**

Table of Content

Environmental, social and governance (ESG) profile[1]

Environment		Social		Governance	
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)		Labour management		Management and supervision (supervisory boards and key person risk)	
Efficiencies (e.g. in production)		Health and safety (e.g. staff and customers)		Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)	
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)		Clients and supply chain (geographical/product diversification)		Corporate structure (complexity)	
Physical risks (e.g. business/asset vulnerability, diversification)		Regulatory and reputational risks		Stakeholder management (shareholder payouts and respect for creditor interests)	

Legend

Green leaf (ESG factor: credit positive)

Red leaf (ESG factor: credit negative)

Grey leaf (ESG factor: credit neutral)

Investments in renewable energy assets

All of AEI's investments are channelled into portfolio companies that operate renewable energy assets in Lithuania and Poland – countries which are chronically short of electricity generation capacities and have a significant annual electricity generation deficit (net importers). Poland in particular is catching up on the transition from fossil-fuelled power towards clean energy generation. Such portfolio exposure has attracted money flows with regards to green bond funding or direct equity contributions that supported the holding's growth and investment ambitions.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

Business risk profile: B+

Weighted average industry portfolio risk: BB

AEI's business is still mostly exposed to regulated power generation secured in the form of contract for difference (CfD) in Poland and feed in tariffs (FiT) in Lithuania. However, the weighted average industry portfolio risk rating already reflects a discount related to the expected divestment of regulated assets such as Energy Solar Projekty in Q3 2024. It also reflects unregulated generation capacities, such as the 'Žaliosios investicijos' wind park, which operate under long-term power purchase agreements (PPAs) or are dependent on market conditions.

Ambitious renewable energy targets set by EU

The European Union has updated its 2030 renewable energy targets introduced by the European Green Deal in 2019. The aim is to accelerate the deployment of renewables, the reduction in greenhouse emissions, and the decreased dependence on energy imports. In March 2023 the new binding renewable energy target was raised from 32% to at least 42.5% of gross final energy consumption, which is double the current renewable share of 20% in just a decade. Both Poland and Lithuania are aiming to meet the targets and have developed frameworks to support the integration of renewables into the national energy mix.

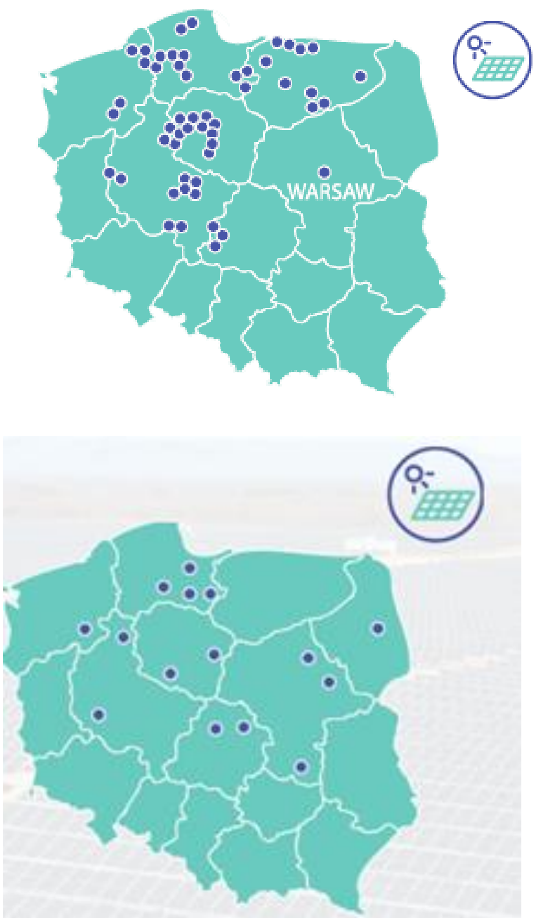
The first framework is the Polish auction scheme CfD, which secures fixed income for the producer. The difference between the market price of the energy and the contract amount (auction price) is covered by the government (Energy Regulatory Office, ERO) if the price is low and by the producer if the market price is above auction price. As a result, CfD mitigates the risk of price changes for producers and reduces the cost of capital. The second framework is FiT applicable in Lithuania, which is a government guarantee of a fixed income from the sales of energy units regardless of the market price. Consequently, the energy producer is not exposed to electricity price fluctuations for the duration of the FiT contract. CfD applies for 15 years from the start of generation while FiT applies until 2025 and covers all the generation capacity of the projects.

As a result, the development of renewable infrastructure by AEI benefits from favourable regulatory regimes introduced to improve the energy transition in Europe. Nevertheless, part of the generation capacities operate under unregulated frameworks such as PPAs or are exposed directly to market prices. PPAs are long-term contracts lasting from a few months to 20 years, whereby the contracted price mechanism can fluctuate based on market rates. We therefore consider PPAs such as pure market contracts as unregulated income. For assets in Lithuania, only 'Saules energijos projektai', a 2.6 MW solar park, operates under FiT, while the remaining renewable energy infrastructure operates under PPAs or is sold on power exchanges through third-party energy traders. Part of the electricity produced by AEI's wind parks in 'Zaliosios investicijos' is sold under financial PPAs with AXPO Nordic AS.

Asset diversification focused on Poland

AEI's geographic diversification still focuses on Poland, although locations are spread across the northern and central regions. Nevertheless, the group's presence has improved both in Poland and Lithuania. In Poland with PV Energy Projects that started operations in 2023. At the same time the presence in Lithuania has improved following the commissioning of the 'Žaliosios investicijos' wind park, which consists of 34 wind turbines spread across eastern Lithuania. Diversification, measured as gross asset value concentration, has improved slightly compared to last year, with the top core holding representing 29% of gross asset value (GAV) compared to 37% in 2022. Asset concentration also continues to be substantial, with the top three holdings accounting for 79% of the total value of the asset portfolio compared to 87% in 2022 (Figure 5). AEI has accelerated its investment strategy by adding five new projects to the pipeline: three in Lithuania and two in Latvia. These projects are planned to be divested at the end of 2024 before becoming fully operational and therefore will not alleviate GAV concentration. This part of AEI's portfolio will likely be sold to Lords LB Asset Management's new renewable energy fund or another market player before substantial investment capex is required.

Figure 2: Operating projects in Poland. Diversification within two solar portfolio companies



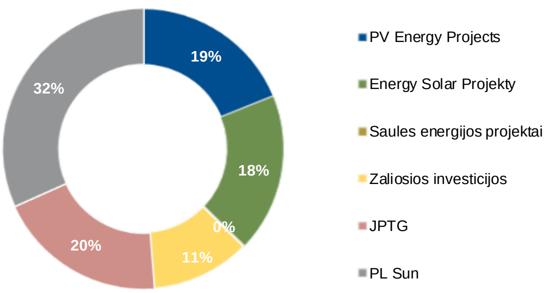
Sources: AEI

Figure 3: Operating projects in Lithuania

Sources: AEI

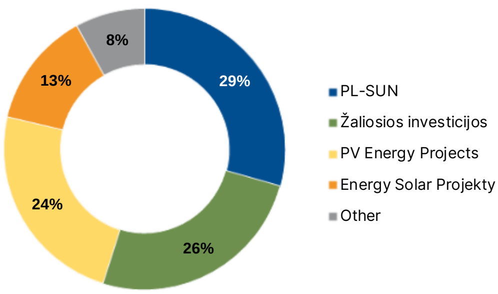
AEI has a diversified geographic presence in Poland with granulated power generation capacity in various parts of the country (Figure 2). The group's geographic footprint and GAV concentration has improved with the finalisation of wind projects in Lithuania, partial completion of portfolio companies in Poland and the development of projects in Latvia. A presence in more than one country can lessen the potential negative impact of external shocks such as from weather, regulatory changes or adverse investment conditions.

Figure 4: Installed capacity by project as of May 2024



Sources: AEI, Scope

Figure 5: Gross asset value concentration in 2024



Sources: AEI, Scope

Portfolio ramp-up delay and expected project divestments increase concentration risk

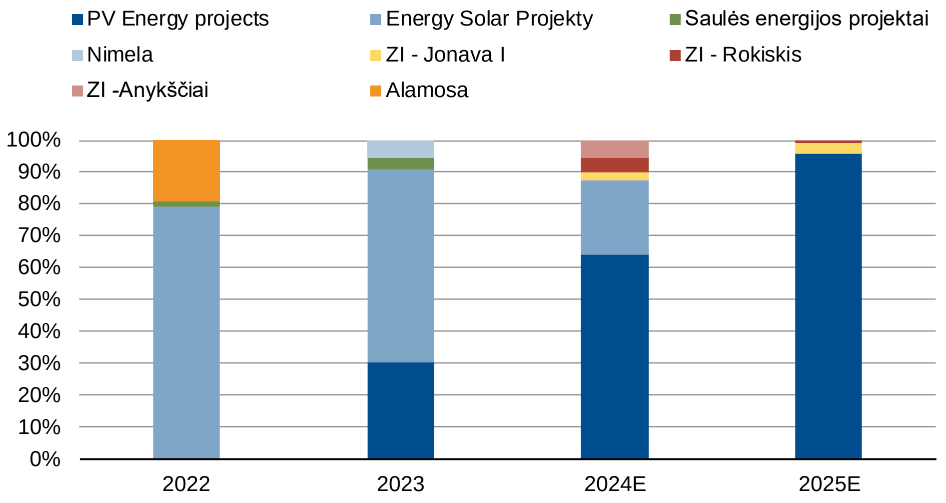
AEI's primary strategy is to create a renewable energy portfolio and sell it as a cash flow-generating infrastructure investment. Income is provided through interest from shareholder loans or acquired bonds. Acquired bonds of portfolio companies are only intercompany transactions and therefore not publicly listed. Since 2022, AEI has increased the number of operating portfolio companies from two to six by ramping up wind parks in Lithuania and a solar project in Poland. Nevertheless, three portfolio companies in Lithuania were not fully commissioned until the end of 2023. They therefore did not provide cash interest streams to AEI in 2023 but are expected to do so in 2024. As a result, income concentration remains high, with three portfolio companies generating income for the holding company in 2023.

We note positively that some of the portfolio companies provided cash income to AEI in 2023 even before becoming fully operational, e.g. Poland based PV Energy Projects (EUR 2m in interest paid), whose final COD has been delayed. This is because a project portfolio consists of multiple separate projects e.g. PL SUN (16 separate projects) or PV Energy Projects (36 separate projects), with the COD indicating the date when the last project has been commissioned. As a result, there can be a situation in which just one single project has not been commissioned but all the remaining ones are operating. In such a case the COD is postponed as it signals completion of the whole portfolio. Project finalisation can also be negatively impacted by factors independent from AEI, such as the connection date to the grid by the grid operator.

In addition to the existing pipeline, AEI has also acquired a portfolio of projects in different development stages that will likely be divested at the end of 2024 (energy development portfolio). These projects will not generate recurring income, only divestment proceeds. In our view, this adds to the already high concentration risk, with not all projects providing recurring income as well as a higher dependency on timely and successful asset sales. Interest income is dependent on electricity market price forecasts. Updates to the price curve change the amount and sometimes the period in which interest is paid because the market price forecast has a direct correlation with the revenue earned on each project. In 2023, only two shareholdings – Poland based Energy Solar Projekty and Lithuanian 'Saulės energijos projektai' – contributed to the holding company's recurring interest income.

Dividend payments from portfolio companies are discretionary, depending on the situation at the subsidiary and market conditions. Major sources of income remain interest payments from loans or acquired bonds. In the case of loan repayment, the company is considering alternative income streams. As shareholder loans have been repaid for 'Saules energijos projektai', the company has provided regular dividend streams to AEI since 2020: EUR 90,000 in 2020; EUR 33,000 in 2021; EUR 21,000 in 2022; and EUR 243,000 in 2023.

Figure 6: Cash interest income 2022-2025 (2024 scenario)



Sources: AEI, Scope estimates

Portfolio liquidity

All of the AEI's shareholdings are unlisted companies with a dependence on market timing, which takes into account the fund's planned liquidation in 2026. If conditions are unfavourable for asset sales, either liquidation of the assets and the fund's wind-down is delayed for two years, or only part of the portfolio is sold by 2026. This is credit-negative for liquidity. However, this lack of liquidity is offset by two aspects. Firstly, total cost coverage is unlikely to rely on frequent asset sales given the 'buy/develop and sell' investment approach as asset sales only cover debt maturities (liquidity). Secondly, although they are illiquid, operating renewable energy assets under regulated tariff schemes or PPAs will likely find a buyer, e.g. a utility, independent power producer or investment fund/insurance, especially considering the current tailwinds for renewable energy generation volumes.

Investment philosophy

AEI's strategy is to invest in assets that eventually operate renewable energy power plants. AEI provides funding to portfolio companies in the form of shareholder loans or acquired bonds on an arm's length basis (under applicable transfer pricing regulations). Income to AEI is provided through interest income and, when suitable, dividend payments. AEI's investment focuses on renewable energy assets, primarily ready-to-build or construction stage solar and wind projects. A single investment is targeted at up to EUR 20m with leverage of 70%-75%.

We recognise AEI as a young, relatively small, and dynamic investment company with a limited lifecycle. A focus on project development is often associated with increased execution and concentration risks as well as a somewhat volatile investment strategy. For AEI, this is exemplified by its acquisition of new assets while existing projects in the pipeline not only remain unfinished but are also delayed. Another downside is AEI's limited track record, evidenced by the delays in the portfolio ramp-up. Nevertheless, this risk is mitigated by a clearly defined exit strategy together with the well-established, diversified, already operating portfolio companies that provide regular income to the holding company under regulated frameworks.

Financial covenants protect against excessive leveraging

We view positively the limit on AEI's leverage through financial covenants under its unsecured fixed rate note programme, which aims to raise up to EUR 100m via senior unsecured bonds. Covenants include:

- A minimum equity ratio at holding company level, measured as the equity divided by total assets, of 50% at all times
- A leverage ratio of up to 75%, which includes the indebtedness of portfolio companies and is measured as consolidated external financial debt (capital market debt plus debt at project level) divided by the sum of equity and consolidated external financial debt

No financial covenants were breached as of 31 March 2024, according to the latest available compliance certificate. The equity ratio was 61% and the leverage ratio was 60%.

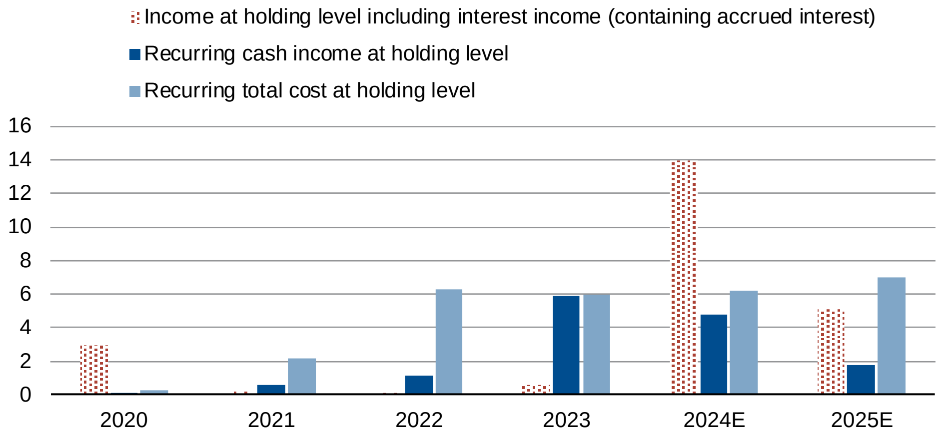
Financial risk profile: B+

As a closed-end fund AEI generates cash income from: i) interest from shareholder loans to portfolio companies that operate renewable energy assets; and ii) discretionary dividends if a portfolio company's results are stronger than expected.

Closed-end fund with limited lifetime

Moreover, AEI has a limited scheduled life until 2026 with the option to extend by two years. Towards the end of this lifetime, all assets are scheduled to be sold to external parties (including other funds managed by Lords LB Asset Management).

Figure 7: Expected cash-effective holding income to cover holding company costs after portfolio projects are finalised (in EUR m)



Sources: AEI, Scope estimates

Insufficient recurring cash inflows during portfolio ramp-up

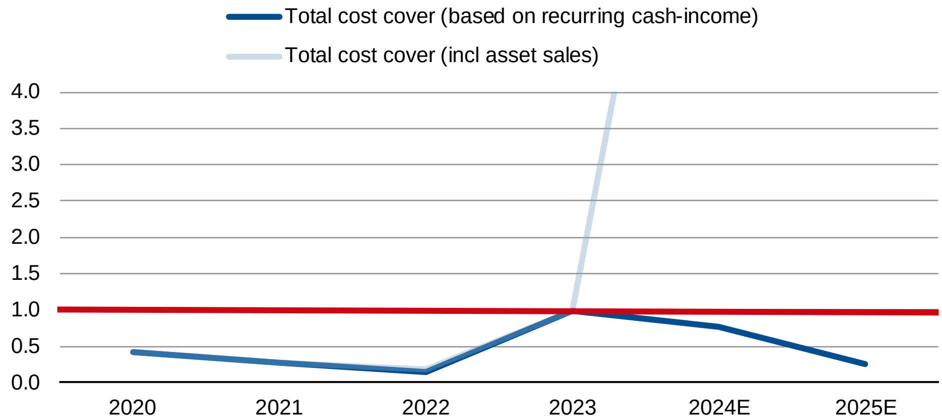
In 2023, following progress in the portfolio ramp-up but also elevated energy prices, the total cost cover ratio, based on recurring cash inflows related to cash interest received for shareholder loans or acquired bonds and dividend payments, reached 1.0x. We expect the ratio to deteriorate to 0.8-0.2x between 2024 and 2025. This is regardless of the progress in the portfolio ramp-up, which has resulted in six operational companies able to provide recurring cash interests payments to AEI. The ratio will be negatively impacted by the expected sale of one of the portfolio companies, Energy Solar Projekty, which has so far made the most significant contribution to the ratio. It will also be affected by lower energy prices than in 2023, as interest income is dependent on electricity market prices. At the same time, as AEI entered the divestment stage in 2024, it will likely receive accrued interest income from the repayment of shareholder loans or acquired bonds following asset disposal. In this case, we estimate a total cost cover ratio of 2.2-0.5x in 2024-2025, based on cash interest income including payment of accrued interest upon asset disposals. In addition, dividend payments to AEI's shareholders were restricted in

2022 and 2023 and dividend distribution will only start in 2024 if financial covenants are fully met.

Asset sales could provide one-off cash inflows that strengthen financial risk profile

Total cost coverage from recurring cash inflows of below 1.0x is partially offset by the potential recognition of lump-sum cash inflows following a larger asset disposal as envisioned for 2024 and 2025. However, as such asset disposals also depend on timing and achievable pricing, they are not considered as recurring in our rating case.

Figure 8: Sufficient cost coverage not ensured during entire portfolio ramp-up



Sources: AEI, Scope estimates

Portfolio ramp-up accompanied by higher debt exposure

AEI's leverage, as measured by loan/value (LTV), has increased significantly during the ramp-up phase of its investment portfolio. As AEI uses its cash proceeds from external sources (such as capital market and equity injections) to reinvest in funding to portfolio ventures, its total indebtedness – as indicated by Scope-adjusted debt – increased from EUR 3.7m at YE 2021 to EUR 67.1m at YE 2023. This was driven by constant payouts to portfolio ventures in the form of shareholder loans and acquired bonds, facilitating the construction of new wind and solar assets at the level of portfolio ventures. We expect that total net debt is likely to reach EUR -2.2m as a result of expected assets disposals. However, this will largely depend on the sale price of some portfolio ventures in 2024.

Moderate LTV mitigated by asset disposals and shareholder loan repayments

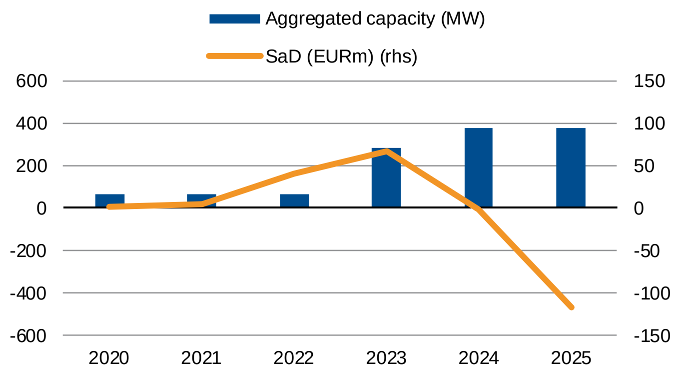
The higher debt exposure caused AEI's LTV to increase from its low of about 5% at YE 2021 to about 37% in 2023[2]. We expect AEI to scale back its net debt exposure significantly by YE 2024 following assets disposals and subsequent shareholder loan redemptions by portfolio companies. This could already result in a net cash position. However, this remains dependent on the successful execution of envisaged disposals.

LTV expected to revert to 0% towards end of fund's envisioned lifecycle

The LTV is expected to improve drastically towards the end of AEI's envisioned lifetime and the planned redemption of shareholder loans following the sale of portfolio companies. However, the rating case reflects our expectation of leverage between 2022 and 2024 because the current leveraged ramp-up phase will determine AEI's default risk and potential to breach covenants.

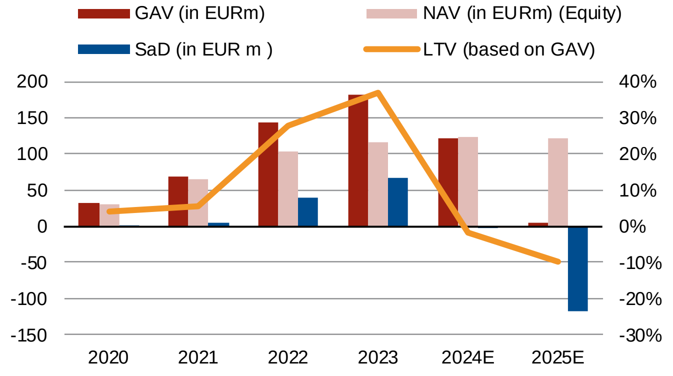
[2] We have taken the holding company's expected total asset value as a proxy for future portfolio market value, given the portfolio companies' illiquid nature and the infrequency of their market valuations. Impairments on total asset value (primarily the shareholder loan and acquired bonds exposure), which in turn would increase the LTV, are possible if portfolio companies cannot pay interest on their shareholder loans due to underperformance by operating power generation assets or lower-than-expected prices for sold electricity. However, we believe the downside risk is limited for now, backed by the persistent pricing environment in the relevant markets due to the chronic shortages of power generation capacity and an expected operational performance of assets above the P50 value.

Figure 9: Scope-adjusted debt (SaD) to grow with net capacity additions



Sources: AEI, Scope estimates

Figure 10: Market value gearing



Sources: AEI, Scope estimates

LTV will only deteriorate beyond rating case upon strongly negative portfolio market valuation

Net indebtedness is expected to move in sync with the investment portfolio and the expected portfolio market value. This limits the risk that the LTV will deteriorate significantly. For the time being, we deem the risk of considerable impairments on the investment portfolio to be low. The value of the power plant portfolio is not subject to frequent market revaluations, while impairments or appreciations of book values are rare. Moreover, given the investment strategy, any significant increase in net debt, as measured by Scope-adjusted debt, will be offset by growth in portfolio market value. As such, the LTV is unlikely to deteriorate to well above 50%. Ultimately, AEI has already initiated the divestment stage moving closer to the wind down of the closed-end fund's lifetime. As such, a consistent execution of asset disposals and the expected repayment of debt will likely contribute to a reduction in LTV.

Inadequate liquidity with remediation upon successful execution of portfolio disposal

Significant refinancing risk in December 2025 prior to fund's planned wind down

Liquidity is considered inadequate with remediation upon successful execution of asset disposals. We point to significant refinancing risk (tail risk) regarding the refinancing of an assumed debt volume of about EUR 91m in December 2025. To mitigate this risk, AEI has already initiated asset sales in 2024. Additional asset sales are planned in the remainder of 2024 and 2025 which proceeds would also be earmarked for debt redemption at the holding level. The nature of the assets that AEI's portfolio companies are currently operating and which are likely to be disposed to a large extent over the next 18 months provides some comfort about sufficient investor demand. This could well support the company's plan to execute asset sales that would support a successful refinancing.

High uncertainty whether asset sales will be executed on time and with sufficient proceeds

While we acknowledge that liquidity would become adequate should asset disposals be executed as envisaged, this is associated with high uncertainty. The refinancing risk could remain high if:

i) portfolio ventures cannot be sold on a timely basis and provided financing to portfolio companies cannot be redeemed in full as expected before the maturity dates of the debt financing instruments used at the holding level or

ii) sales prices for portfolio ventures and associated redemptions of shareholder loans and bonds cannot be achieved as expected or

iii) proceeds from assets sales in 2024 are invested in the development of new renewable projects rather than being directed to the repayment of outstanding debt exposure.

Consequently, we apply a negative one notch adjustment for liquidity within the financial risk profile to reflect the refinancing risk in 2025 based on AEI's limited track record so far and the only partial sale of portfolio companies. We are closely monitoring the company's progress on asset disposals.

Cross-default could trigger early refinancing needs at holding company level

A cross-default clause with a EUR 500,000 threshold under AEI's unsecured fixed-rate note programme sets out triggers for the early redemption of outstanding bond volumes (including accrued interest) at holding company level. The triggering of such a scenario could result in portfolio companies being sold at a discount as part of a fire sale.

Balance in EUR m	2023	2024E	2025E
Unrestricted cash (t-1)	9.9	2.1	93.5[3]
Open committed credit lines (t-1)	0.0	0.0	0.0
Free operating cash flow (t), with asset sales	-33.2	69.3	115.0
Free operating cash flow (t), without asset sales	n/a	2.2	1.3
Short-term debt (t-1)	0.1	0.2	91.3
Coverage with asset sales	**Negative**	**Adequate**	**Adequate**
Coverage without asset sales	**Negative**	**Adequate**	**Inadequate**

Supplementary rating drivers: no rating impact

No rating impact from shareholder structure

The issuer rating does not incorporate any impact from Lords LB Asset Management. Investors provide regular support in the form of equity injections for the ramp-up but no extraordinary support.

Credit risks pertaining to limited portfolio size reflected within the standalone credit assessment

Portfolio size in a peer context is neutral for the rating. We do not incorporate any impact as the holding's small size as measured by its gross asset value is already reflected sufficiently in our assessment of AEI's business and financial risk profiles.

Long-term debt rating

Above-average recovery expected for senior unsecured debt

We expect an above-average recovery for senior unsecured debt issued by AEI (senior unsecured bonds issued under its unsecured fixed-rate note programme). We expect no debt to rank above unsecured debt at the holding company level. Our recovery assessment is based on the liquidation value at a potential default.

Senior unsecured debt at holding company level to be recovered after senior secured debt of portfolio companies

In a liquidation scenario, project debt (bank loans) to special-purpose vehicles owned by portfolio companies and to which AEI has provided shareholder loans will be recovered first. Remaining proceeds from the disposal of operational and unfinished renewable energy power plants could be used to redeem the shareholder loans, which would support the recovery of senior unsecured debt at the holding company level.

One-notch uplift for senior unsecured debt

Our recovery analysis indicates a robust, conservative advance rate for recoverable assets (e.g. 50% on expected property, plant and equipment), warranting a one-notch uplift for senior unsecured debt and leading to the BB- debt category rating.

[3] Estimated amount in case of successful asset disposals throughout 2024.

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer