Otovo

The European distributed energy marketplace
Residential solar | Batteries | Subscription

Market Update, 14 December 2021

OTOVO

Today’s presenters

Andreas Thorsheim

Founder and CEO

Cecilie Weltz

CEO, EDEA (leasing company)

Lars Ekeland

Acting CFO and General Counsel

Christian Rahn

General Manager, Germany

Agenda

1	Strategic update
2	Germany update
3	Otovo – EDEA transaction
4	Reporting metrics
5	Leasing value creation

Agenda

Otovo introduction

Otovo installation in Gothenburg, Sweden

The solar & battery marketplace

On the mission to put **solar panels and batteries in every home in Europe**

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Why residential solar? | Strong value to society & consumer

Benefits to society

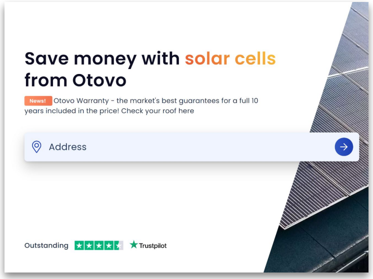
- Conflict free, low impact energy
- Access to affordable power
- Fast deployment
- Grid stabilization and resilience

Benefits to consumer

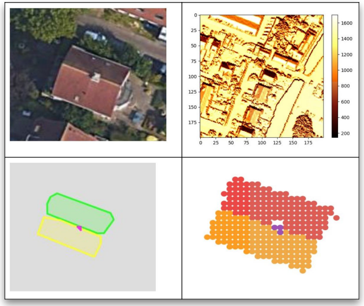
- Valuable behind-the-meter electricity
- Avoiding expensive peaks
- Save money & 30-year hedge – *PV LCOE beats retail price across EU*

Otovo | The easiest way for homeowners to go solar

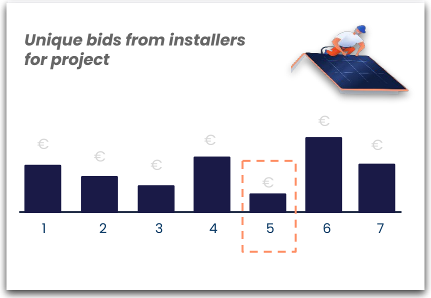
Search for your address…



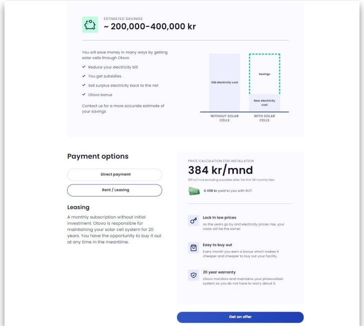
… we ***automatically design*** the perfect system …



… match the lowest bidding *offer from local installers via an instant, automatic auction …*



… choose ***how you want to pay*** *(loan, lease or direct purchase) and* ***order online***



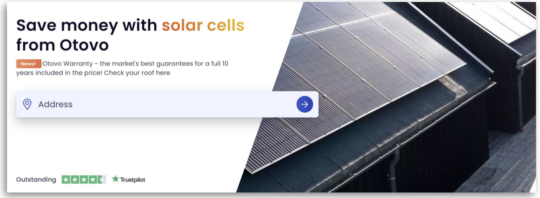
Otovo | Platform matches homeowners and installers

Homeowners

Want something they can trust

Installer companies

Want good, recurring business



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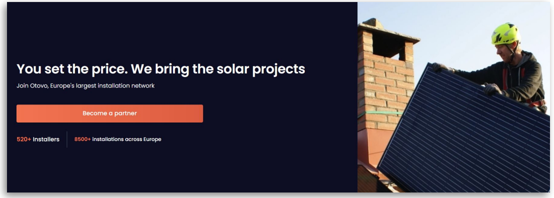
Otovo's marketplace platform



Note: Otovo does not employ the installers, nor has any hardware or logistics responsibility, hence operating as a pure-play marketplace platform

Otovo | Customers can obtain PV & battery in two ways

1 Direct Purchase

Customer owns PV

Payment upfront

2 Subscription

Leasing & services[1]

Otovo owns PV

Guarantee for 20 years

20 years contracted monthly payments

Share of customers today

Direct Purchase	Subscription
~75-80%	~20-25%

Note: 1) Subscription period for PV systems is 20 years, while subscription period for batteries is 10 years

Strategic update


Otovo installation in Oslo region, Norway

The time for solar is now

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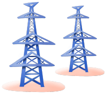
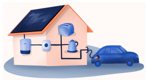
Next 10 years | Strong trends will accelerate growth

Hardware prices to fall



High, volatile power prices



EVs to increase household consumption

Big-ticket item e-commerce

Solar with lowest LCOE everywhere in the world ✔

Increased savings and demand from customers ✔

More PV demand, larger installations ✔

Online players set to dominate markets ✔

Otovo vision | Build the #1 energy platform in Europe

1

Scale

Capital light country expansion

Become #1 solar player in Europe

2

Batteries

Residential energy storage

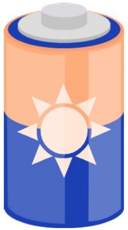
Enable grid services & offer energy mgmt

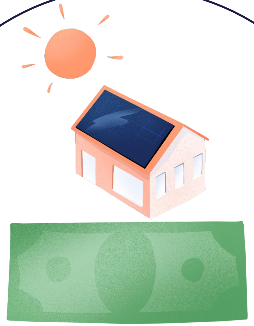
3

Subscription

Leasing and services

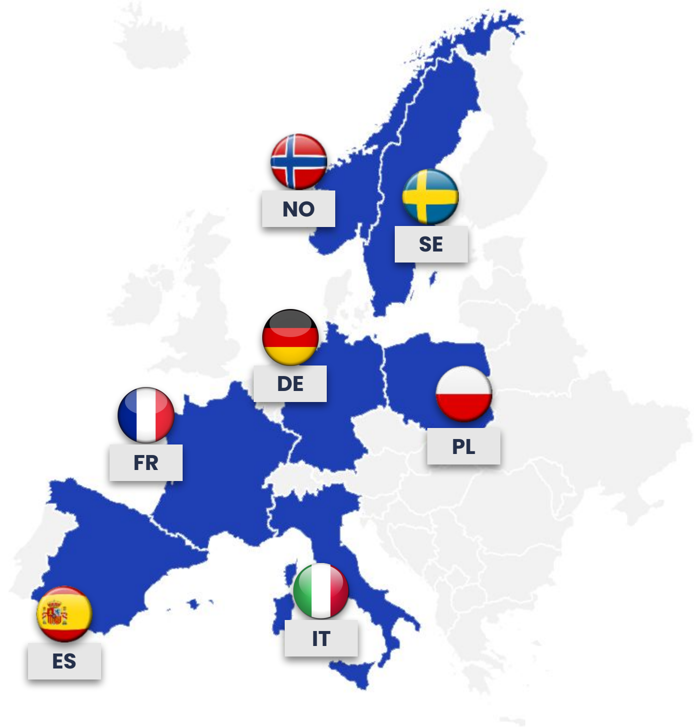
Expand TAM with leasing and services





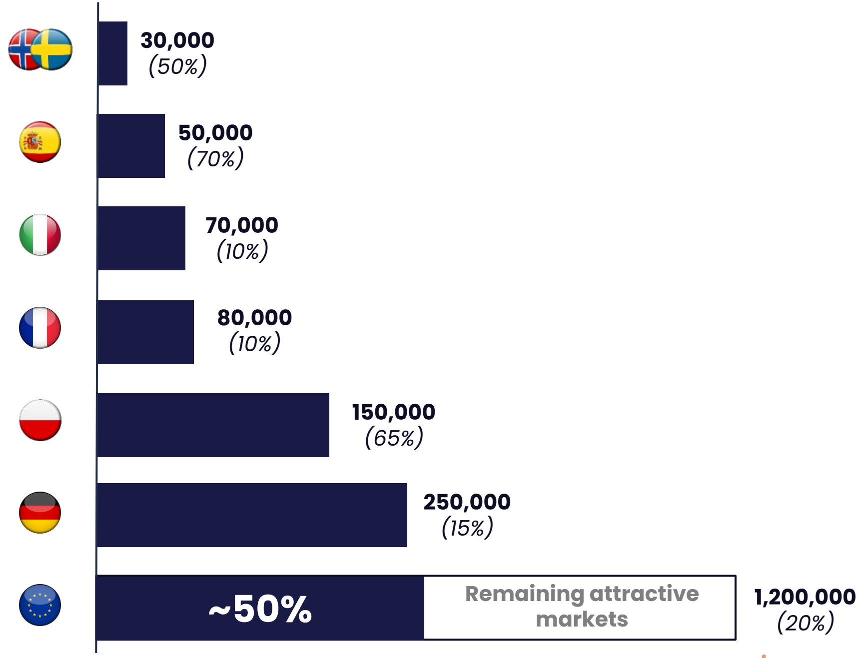
Scale | Win all relevant markets in Europe

Otovo present in 7 countries – covering >310m people…



…and a ~600,000 installations per year market

Installations 2021e (growth '20-'21e)



Source: IEA (2021), Otovo Analysis

2

Batteries | Batteries doubling revenue & gross profit

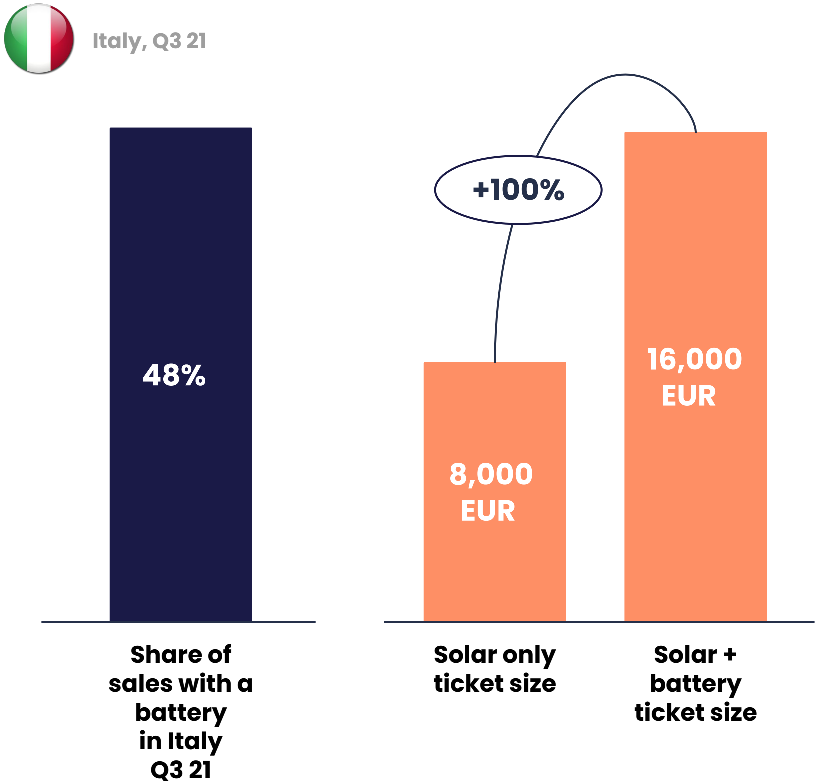
Selling batteries in Italy, Spain, Germany & more to come

new **Now we offer batteries!**

Find out more about the benefits of batteries and how they influence your PV system.

See more

Share of batteries and ticket size



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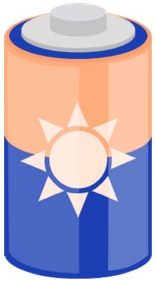
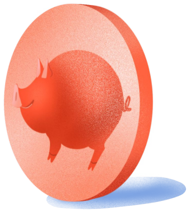
Batteries | The homeowner perspective

Become self-sufficient
Consume more of the electricity you produce



Emergency power
Insurance against power-outages



Increase savings
Increase your energy bill reduction by up to 90%

2

Batteries | Only at the beginning of the solar revolution

2015-2020 | 2020-2025 | 2030

The beginning

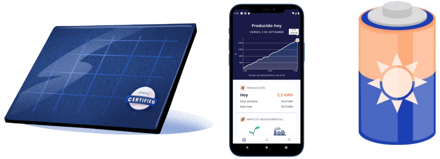
- Solar-only
- <3% market penetrations
- Limited batteries

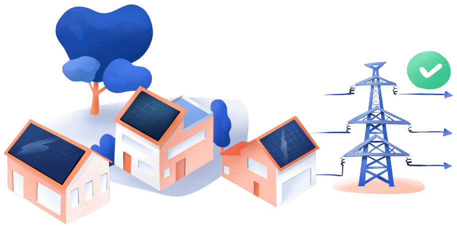
Individual services

- Increasing energy prices
- Declining solar & battery cost
- EV penetration
- Home electrification

Grid services

- Otovo integrates solar, storage, home electrification into a smart solution for each home and community





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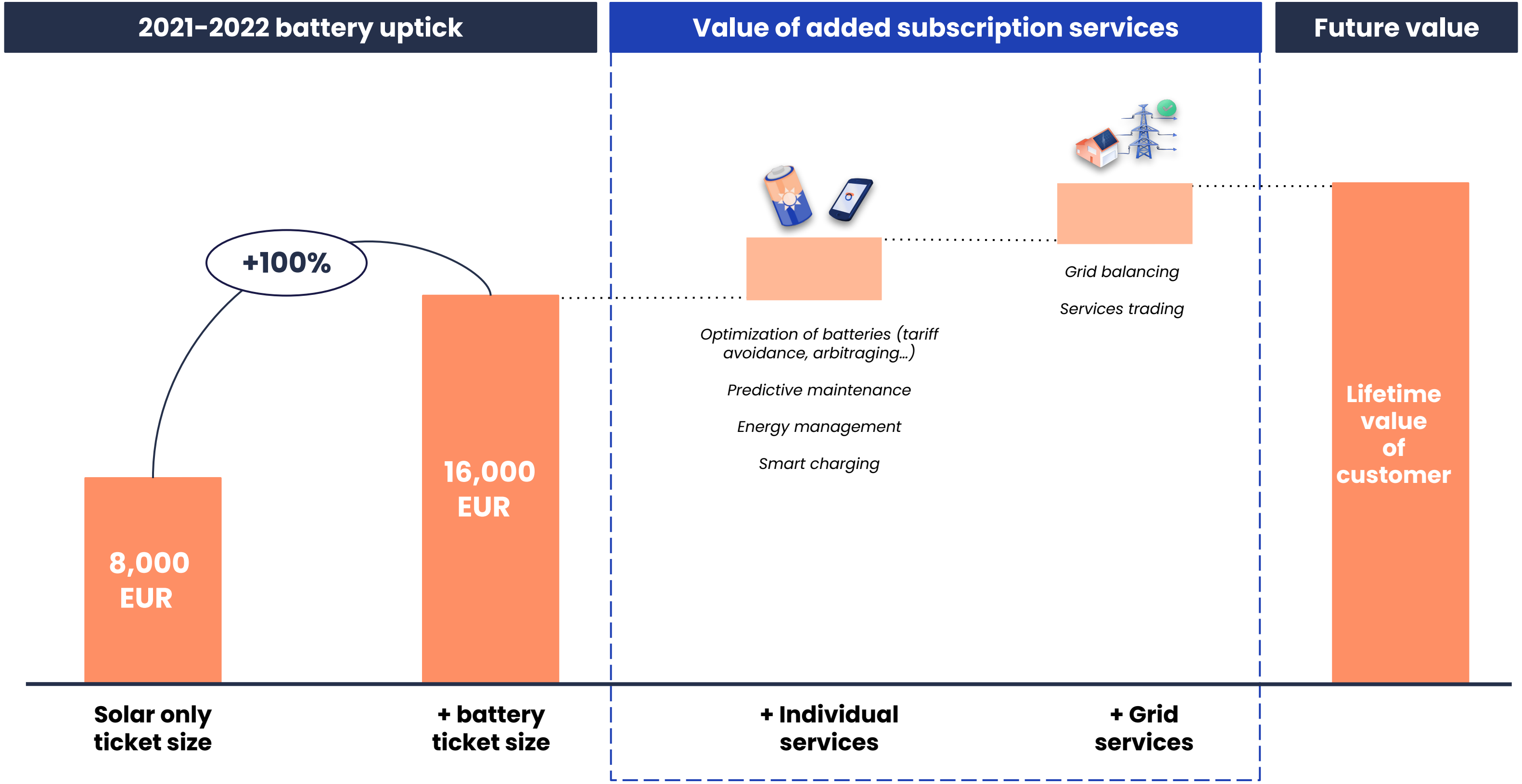
Battery services | Potential to add more value



Note: The example is based on Italian ticket sixes for PV systems and batteries. Ticket sizes will vary between countries.

3

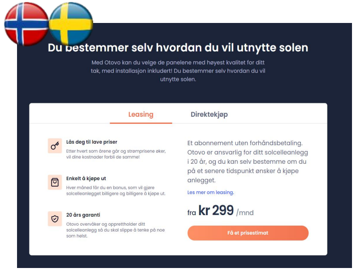
Subscription | Strong consumer value proposition

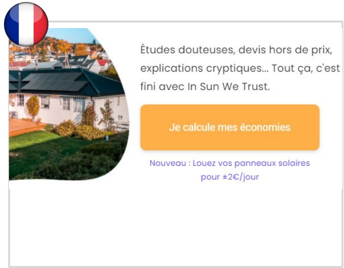
Highly appealing product for first-time buyers of solar

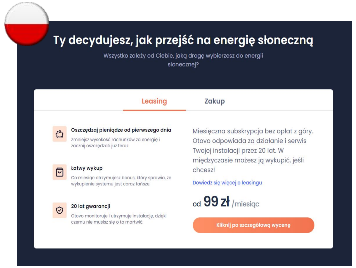
Zero money down	Enables customers to go solar with no upfront investment
Save money from day 1	Monthly solar subscription is cheaper than electricity from the grid
Convenience	Get worry-free, green power with Otovo guarantee for 20 yrs
Predictability	Predictable electricity bills with neither price nor technical risk

Subscription | A successful product in 5 EU markets

Launched in 5 EU markets





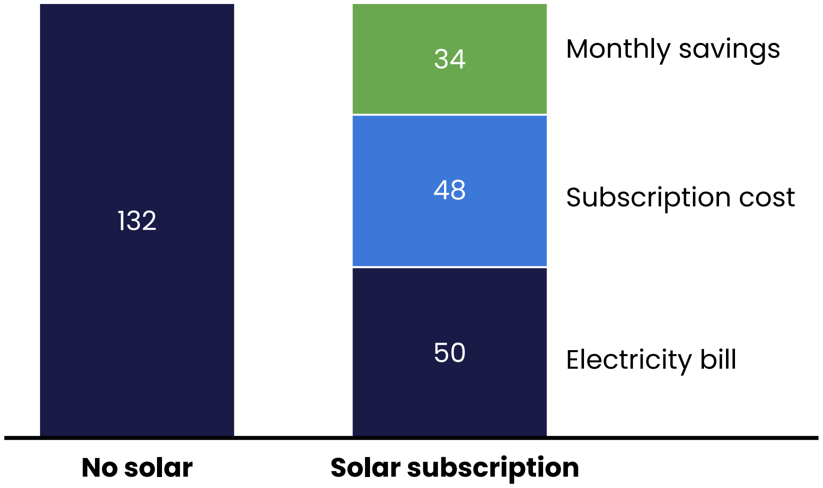


"Not only are my bills cheaper, I also switched to a more eco-friendly energy source

Patrycja, Poland

Tangible, monthly savings for 20 years

Monthly electricity bill (EUR / month)
Annual consumption 5700 kWh (electricity price 0.28 EUR / kWh)



Source: Otovo analysis

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3 Subscription | Recurring, contracted business with upsell

Strong features	Solar subscription	Status
Churn	20 years contract[1], no churn[2]	✔
Price up	Inflation adjustment	✔
Upsell	+ Batteries	✔
Future upsells	+ Services + Renewals + Other hardware	✔
= Great subscription business	Low-risk, high-yielding cash flows	✔

Note: 1) Subscription period for PV systems is 20 years, while subscription period for batteries is 10 years; 2) Customer has the option to pay for the full system before subscription ends.

Agenda

1. Strategic update
2. **Germany update**
3. Otovo - EDEA transaction
4. Reporting metrics
5. Leasing value creation

Germany | Large and highly attractive market

Otovo has entered Germany as the next major market

A big prize in European solar

Market

250k+ yearly installations

~€3b
Annual PV market size, 2020

Growth

Enduring policies drives strong pace

65%
2019-2020 YoY market size growth

Big prize

Largest market in Europe

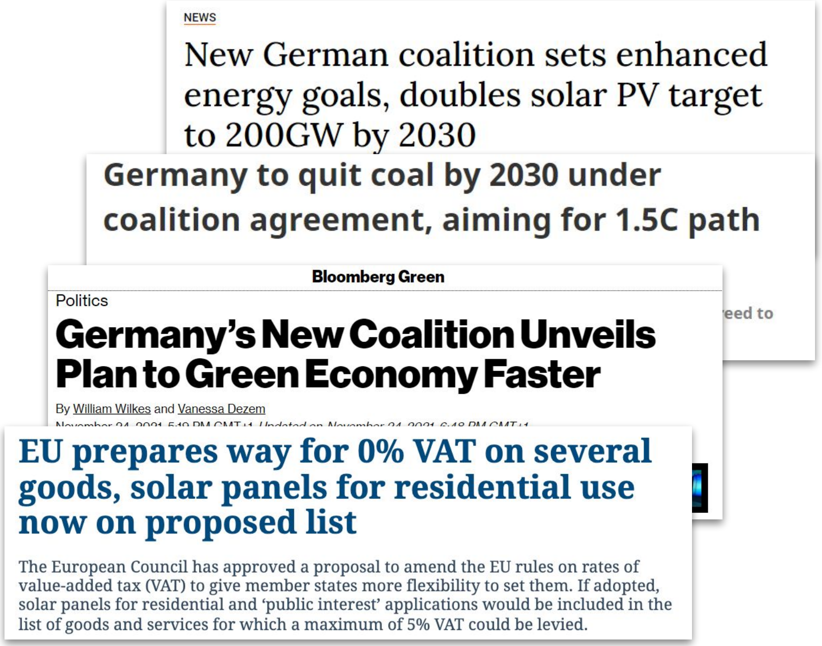
>150x
Larger than Norway, 2020

Germany | Regulatory climate has never been better

Strong political tailwinds

- **New three-party coalition** with strong political push towards solar
- **Plans to ramp up solar capacity** to 200 GW solar by 2030
- **Surging electricity prices,** now >0.3 EUR / kWh
- **Revamped Renewable Energy Act**, with emphasis on residential solar panels

Ambitious energy goals launched


NEWS

New German coalition sets enhanced energy goals, doubles solar PV target to 200GW by 2030

Germany to quit coal by 2030 under coalition agreement, aiming for 1.5C path

Bloomberg Green

Politics

Germany's New Coalition Unveils Plan to Green Economy Faster

By William Wilkes and Vanessa Dezem

EU prepares way for 0% VAT on several goods, solar panels for residential use now on proposed list

The European Council has approved a proposal to amend the EU rules on rates of value-added tax (VAT) to give member states more flexibility to set them. If adopted, solar panels for residential and 'public interest' applications would be included in the list of goods and services for which a maximum of 5% VAT could be levied.

Source: PV Tech, Bloomberg

Germany | Otovo.de launched successfully in December

Otovo live in Germany!

Local experienced GM

Christian Rahn
General Manager

Zmarta
lastminute.com

4th time platform GM;
Former GM at BlaBlaCar, Zmarta Group, Lastminute.com

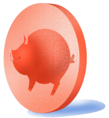
Key stats since launch

25
Customers after 2 weeks

80%
Battery attachment rate

Targets

1,000
Target customers 2022



NOK 1b
Targeted revenue in 2025

Agenda

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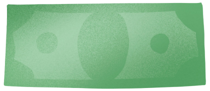
EDEA | Solar & battery asset owner fueling Otovo's growth

EDEA's position in the residential PV value-chain

PV value-chain	Marketing	Leads and sales	**Ownership & Financing**	Planning	Installation	Post-sale servicing
	OTOVO	OTOVO	EUROPEAN DISTRIBUTED ENERGY ASSETS	OTOVO		

780
active subscribers[1]



NOK 49m
capital deployed[1]

NOK 245m
cash + debt deployable

Note: 1) As of Q3 2021

EDEA | Enables Otovo's solar subscription offering

EUROPEAN DISTRIBUTED ENERGY ASSETS

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Asset owner and financing entity	Originator and marketplace	Subscribers
• Buys assets from Otovo • Receives cash flows from homeowners • Buys services from Otovo	• Sells lease contracts flow and assets to EDEA • Provides services to EDEA (incl. collection, billing, customer contact and maintenance)	• Enter leasing contract through Otovo • Running customer interface with Otovo

Overview | EDEA timeline and transaction details

February 2020
Otovo establishes EDEA
Energy Distributed Energy Assets ("EDEA") is established as a leasing SPV

May-June 2020
Launching of leasing
Product is introduced into Norway, Spain and Sweden

September-October 2020
Otovo spins off EDEA
EDEA issues NOK ~155m in equity and lists on the NOTC. Otovo keeps ~19% ownership in EDEA

First half 2021
Leasing expansion
Leasing is further expanded into France and Poland

10 November 2021
All-share offer for EDEA
All-share offer for the remaining shares in EDEA. Each EDEA shareholder is offered 1.7 Otovo shares, implying an equity valuation of NOK ~270m for EDEA

8 December 2021
EDEA acquisition completed
Capital increase related to the transaction is registered. Otovo owns 88.43% of the shares in EDEA

OTOVO
+
EUROPEAN DISTRIBUTED ENERGY ASSETS

Rationale | Otovo and EDEA joining forces set to win

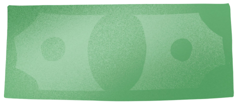
OTOVO + EUROPEAN DISTRIBUTED ENERGY ASSETS

Unlock value for shareholders

Remove existing misalignment of incentives and unlock significant value for all shareholders

Profitable growth from leasing

Otovo to increase investments in profitable growth, with full capture of value creation from leasing



Improved access to funding

Enable EDEA to raise increased debt funding and improve capital structure

Creating a European leader

Creating a European leader in residential solar, now set up to be the winner

Agenda

1. Strategic update
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4. **Reporting metrics**
5. Leasing value creation

New metrics | EDEA transaction implies new reporting metrics

Dynamics of subscription

1. Cash outflow (COGS) at day one
2. Revenue recognized over 20 years
3. O & M cost recognized over 20 years
4. The cost of the PV system is recognised on the balance sheet and amortized over its useful life

IFRS 15 + IFRS 16 treatment of subscriptions

1. Subscription contracts for solar defined as service agreements under IFRS 15.
2. Subscription contracts for batteries defined as operating leases under IFRS 16.
3. Revenues are recognized over the contract period
4. 20 years for solar, 10 years for batteries

Implications

The Asset used in the subscription, and the related customer contract, **cannot be recognized at fair value** on the balance sheet

Consolidation: Sales from Otovo to EDEA will not appear in top line and profits

New metrics

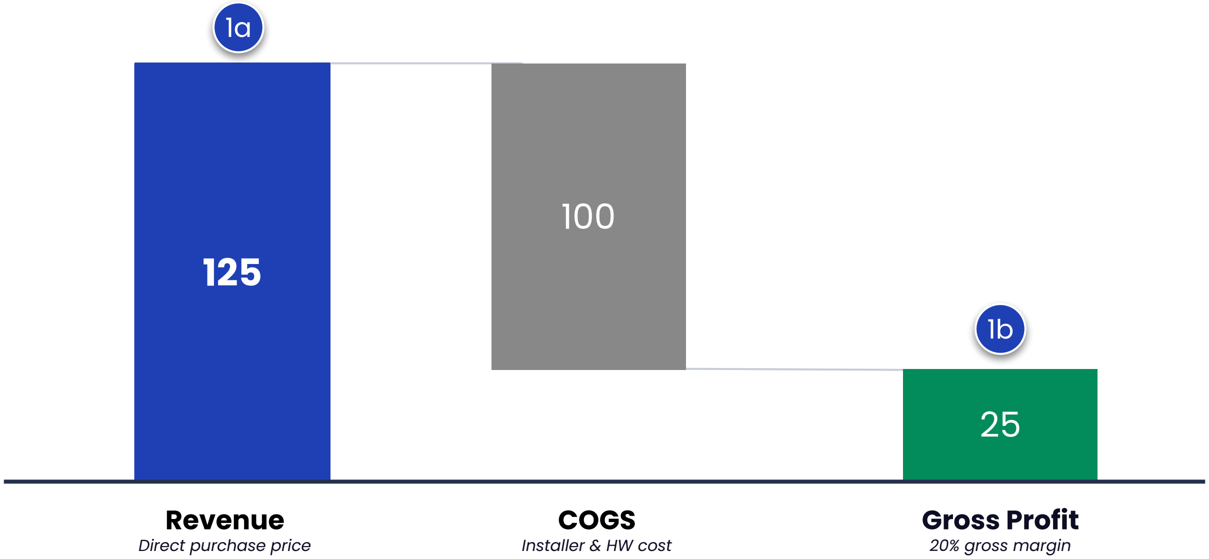
Metrics | New metrics to reflect value creation

	1 Direct purchase (~75-80% of customers today)	2 Subscription (~20-25% of customers today)	3 Otovo Group
REVENUE	a **Revenue** Booked revenue, value of upfront payment from customer	a **Contracted Subscription Revenue** Present value of all leasing payments over 20 years, discounted at 5%	a **Revenue generated** (1a) Revenue + (2a) Contracted subscription revenue
Profit	b **Gross profit** Revenue - Upfront COGS, value of payment to installers (inc. HW)	b **Gross Subscription Profit** Contracted subscription revenue - Upfront COGS, value of payment to installers (inc. HW) - Present value of O&M cost (Inverter replacement in Y 10 & customer service)	b **Profit generated** (1b) Gross Profit + (2b) Gross subscription profit
		c **Accumulated Contracted Subscription Revenue** Present value of the remaining cash flows from leasing contracts, discounted at 5%	c **Accumulated Contracted Subscription Revenue** Present value of the all remaining cash flows from leasing and service contracts, discounted at 5%

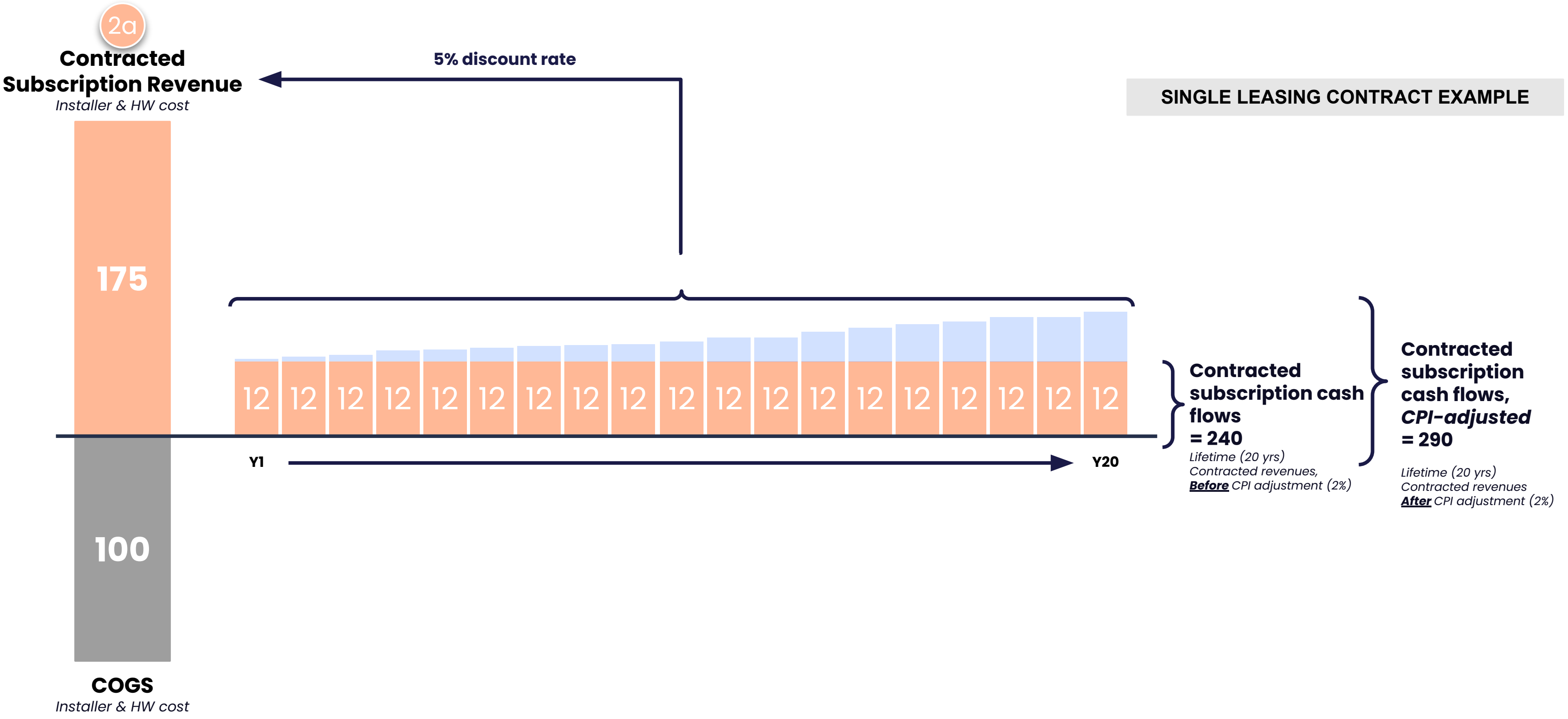
Discount rate: Rate used to discount future subscription cash flows in order to calculate net present value. The discount rate of 5% is based on a conservative estimate of the weighted average cost of capital (WACC) of the subscription cash flows and observations of common industry practice (see US peers RUN and NOVA). This allows rooms for fluctuations in capital costs, while ensuring value upside from funding or exit at lower cost of capital.

Single contract example

Gross Profit | Direct purchase example



Contracted Subscription Revenue | Revenue metric



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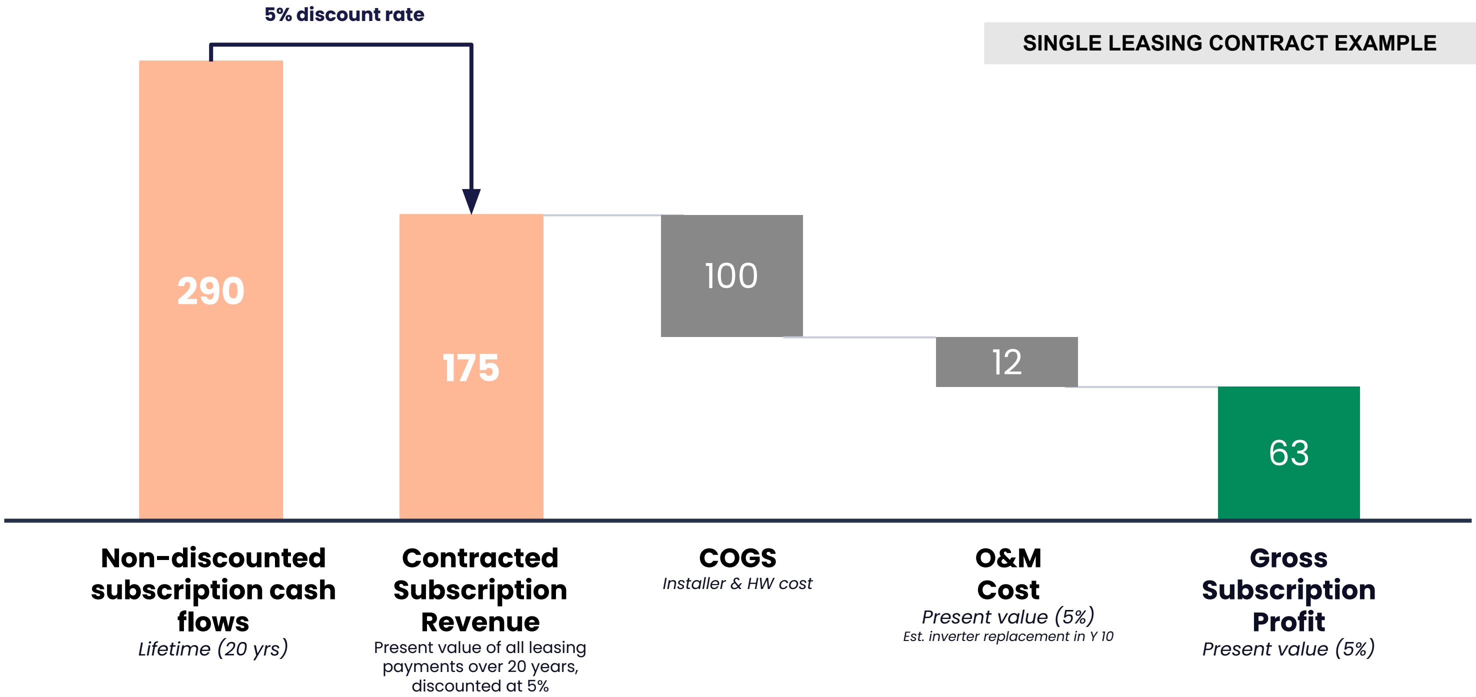
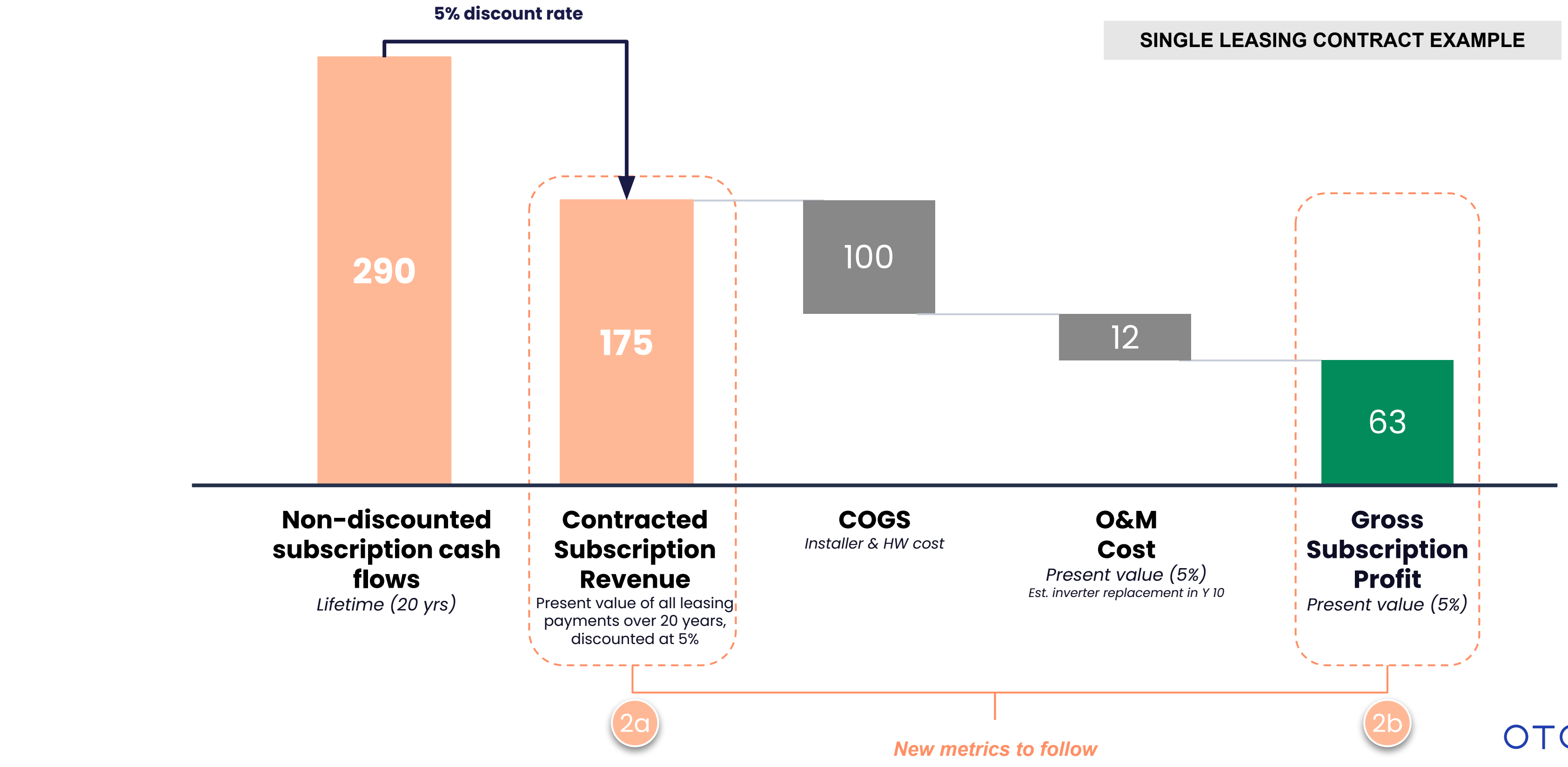
Gross Subscription Profit | Metric to reflect gross profit

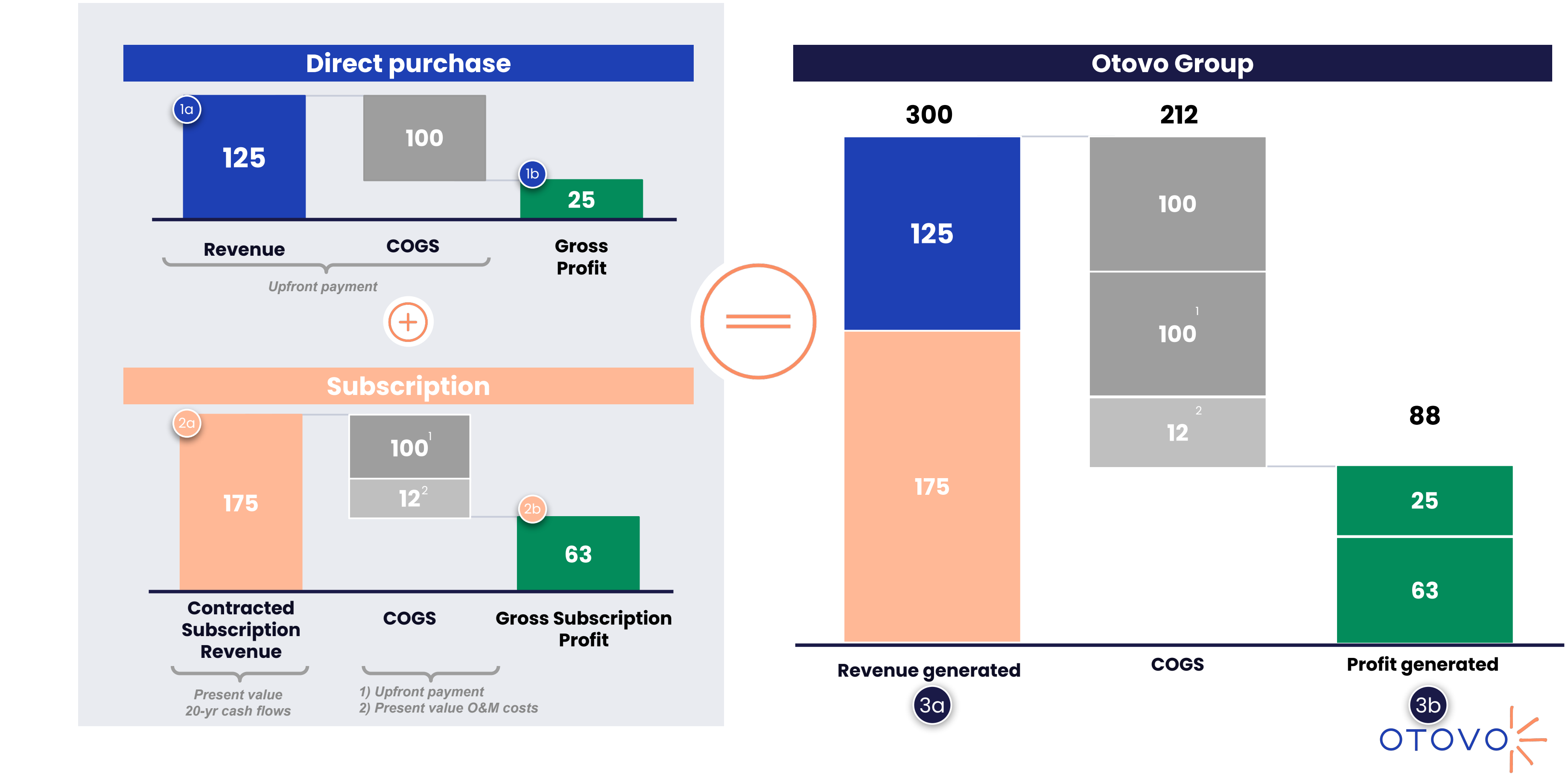
SINGLE LEASING CONTRACT EXAMPLE



Gross Subscription Profit | Metric to reflect gross profit



Direct + subscription | Revenue & profit generated



Reporting impact of consolidation

Q3 2021 example

Metrics | New metrics to reflect value creation

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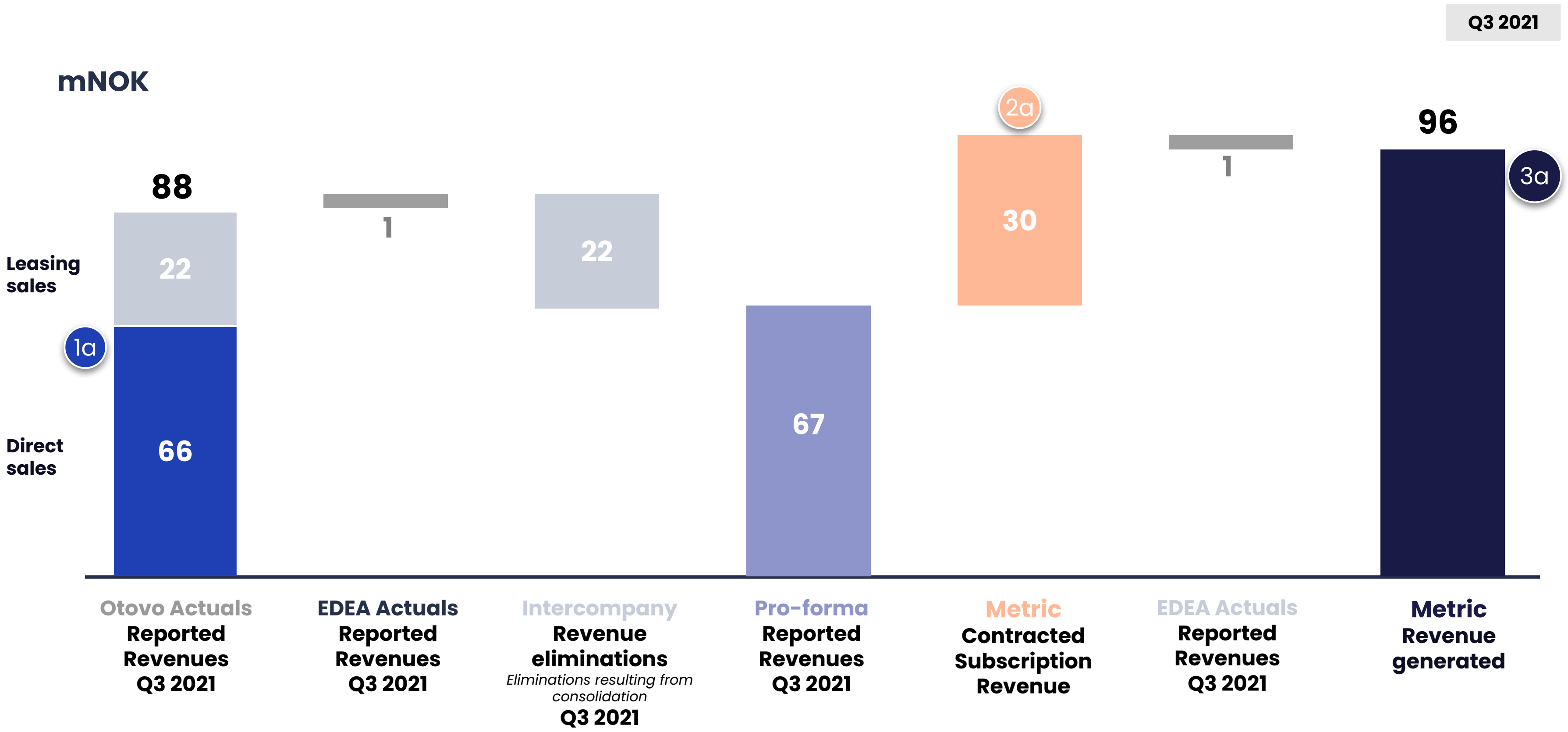
Metrics | Q3 21 P&L adjustments

Q3 2021

	Reported financials					Adjustments		Otovo Group
	Q3	Otovo	EDEA Group	Elim.	Otovo Group		Subscription adjustments	Group metrics
REVENUE	Revenue	87.9		-21.8	66.1 1a	Revenues from direct sales		66.1
	Subscription revenues		1.0		1.0	Subscription revenues	-1.0	0.0
						Contracted subscription revenue	30.0 2a	30.0
	Revenues				**67.1**	**Revenue generated**		**96.1** 3a
Profit	Cost of goods sold	72.5		-17.1	55.4	Cost of goods sold	17.1	72.5
	O&M					O&M	2.1	2.1
	Gross Profit	**15.4**	**1.0**	**-4.8**	**11.6**	Gross subscription profit	10.8 2b	
						Profit generated		**21.4** 3b

Note: Calculated on fully consolidated basis. Otovo currently owns ~89%

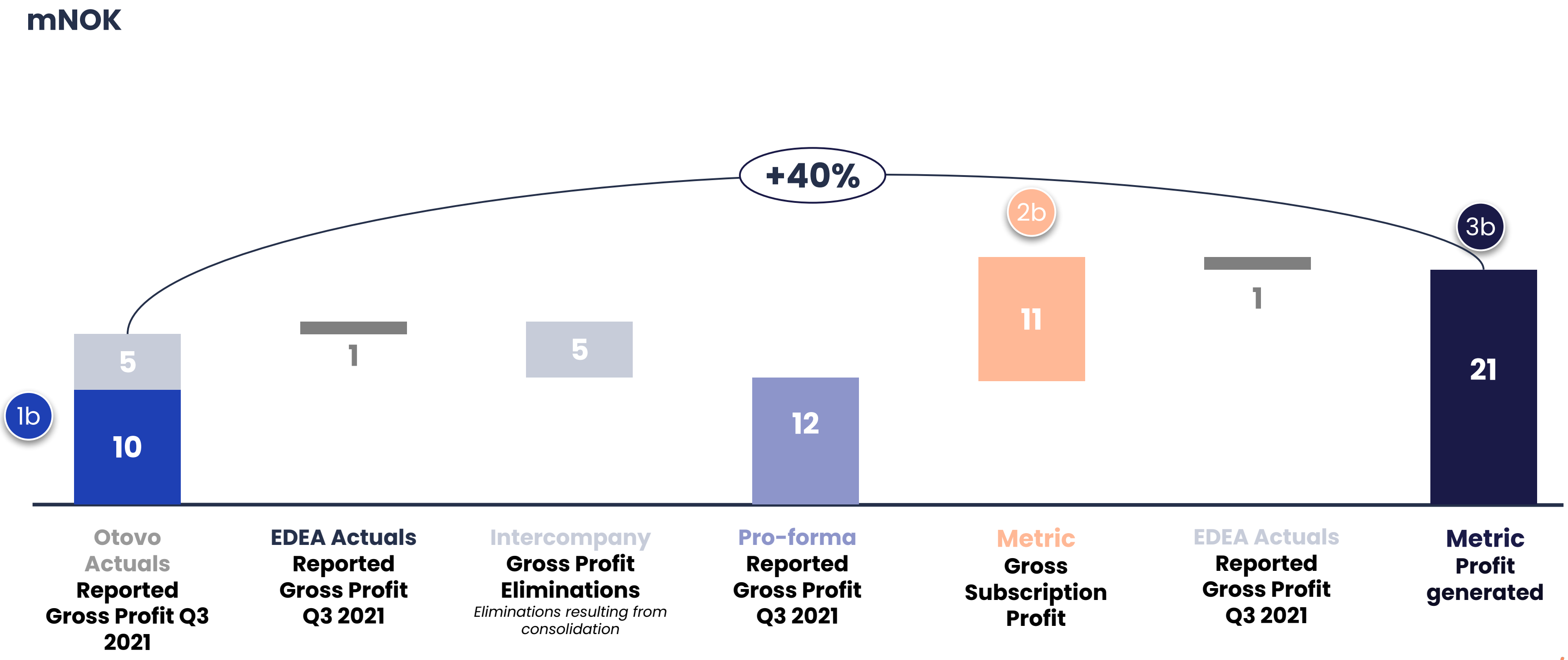
Contracted Subscription Revenue bridge Q3 2021



Note: Calculated on fully consolidated basis. Otovo currently owns ~89%

Profit generated bridge Q3 2021
Value creation of NOK ~6m

Q3 2021



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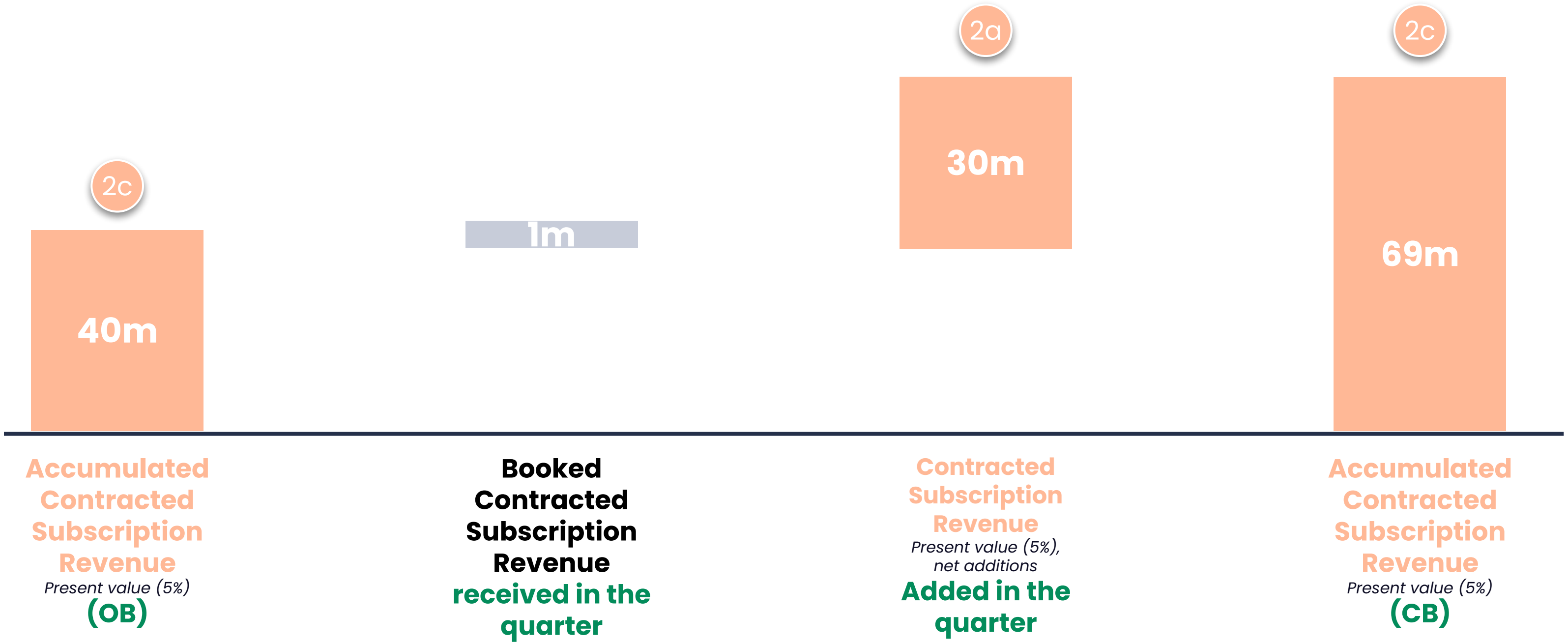
Accumulated Contracted Subscription Revenue
Growth of 1.7x in Q3 2021

Q3 2021

mNOK



Note: Other adjustments (fx, time adjustments. etc) are accounted for in the Accumulated Contracted Subscription Revenue (CB)

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Takeaways | EDEA transaction increases revenues & profits

1 **Revenue generation increasing**

Otovo revenue generation will increase, as we add subscription customers *(20 years, recurring, contracted revenue)*

2 **Profit generation increasing**

…profit margin on a subscription contract is 2-3x higher over time than a direct purchase, increasing Otovo's value per customer

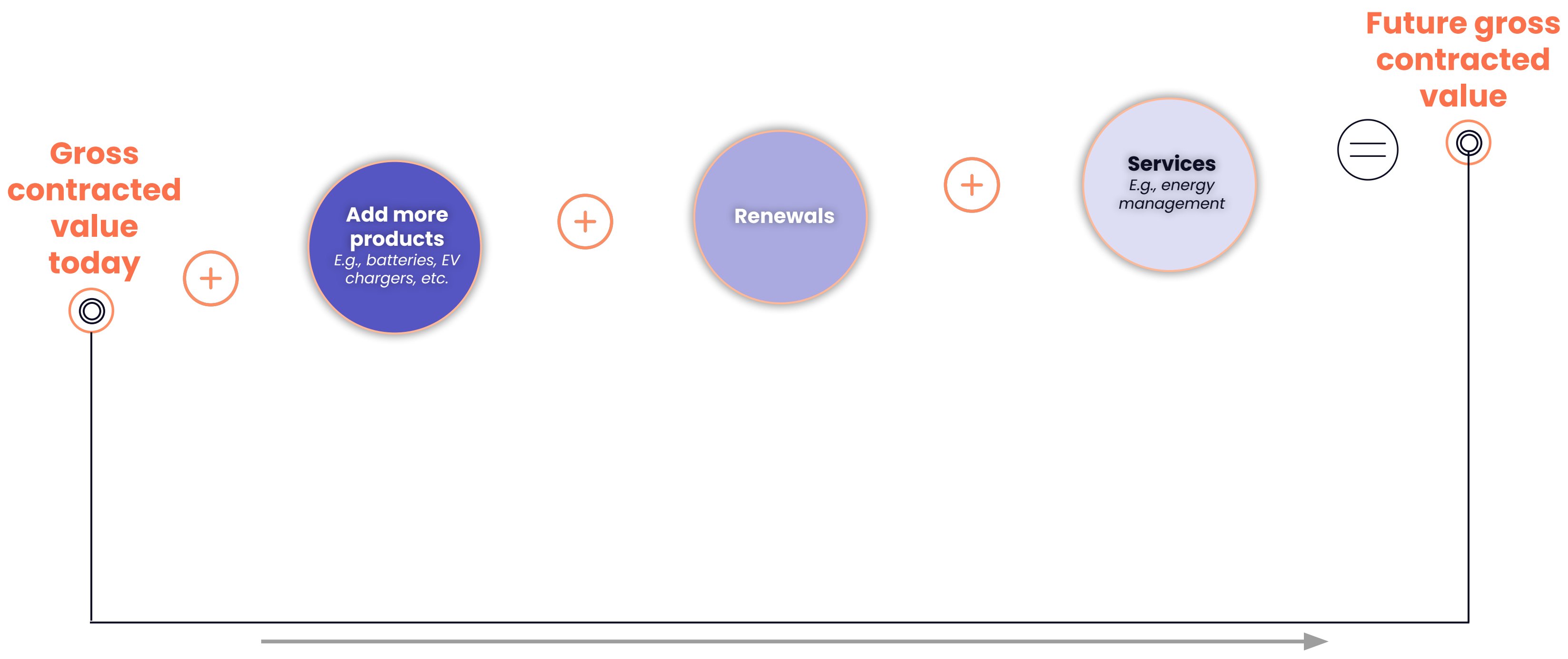
3 **New metrics to reflect value creation**

Segment reporting will show Otovo and EDEA separately.

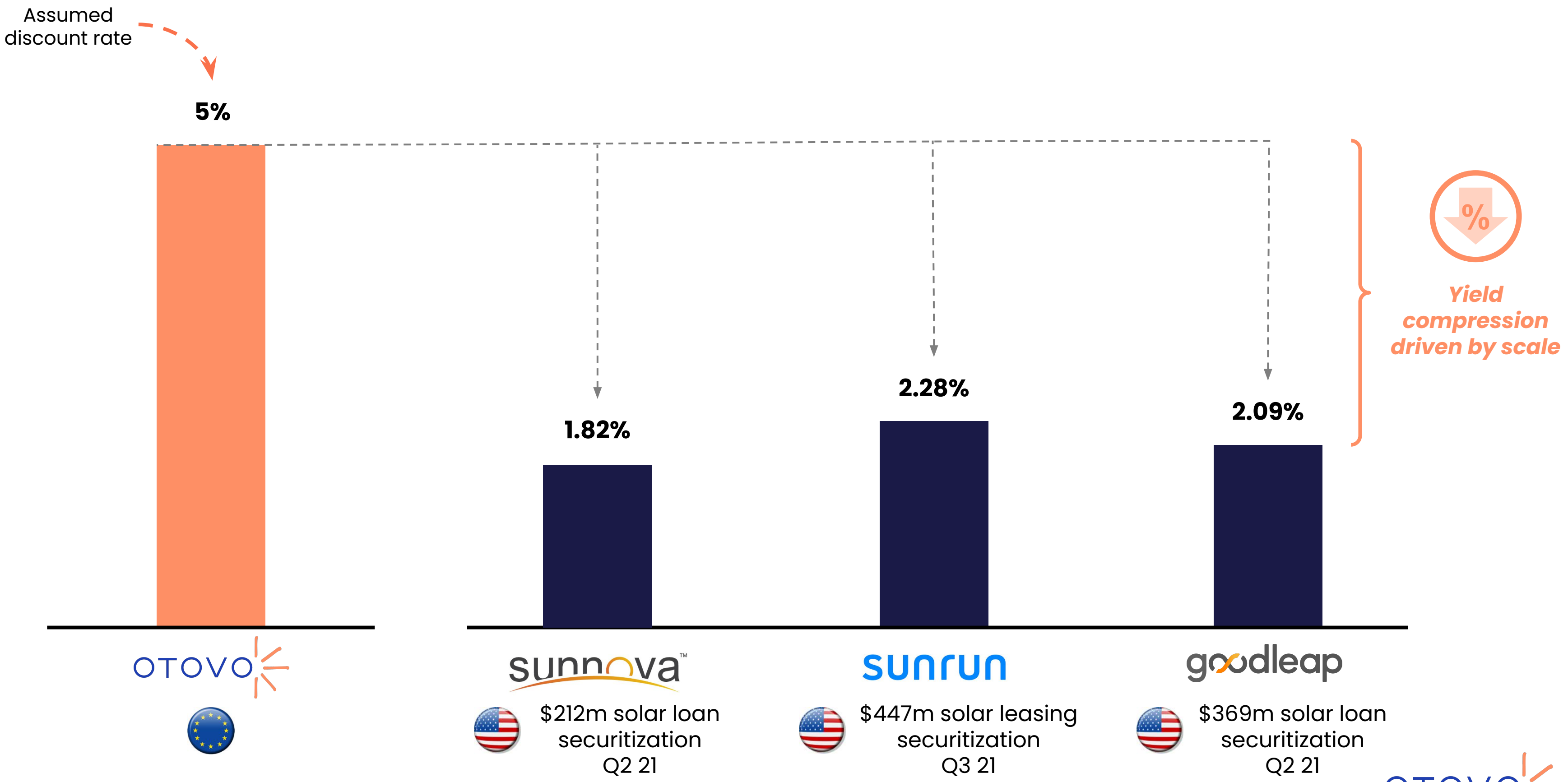
New metrics to show joint total value creation from the Otovo ecosystem are introduced.

Agenda

Value creation | Initiatives to increase contracted value



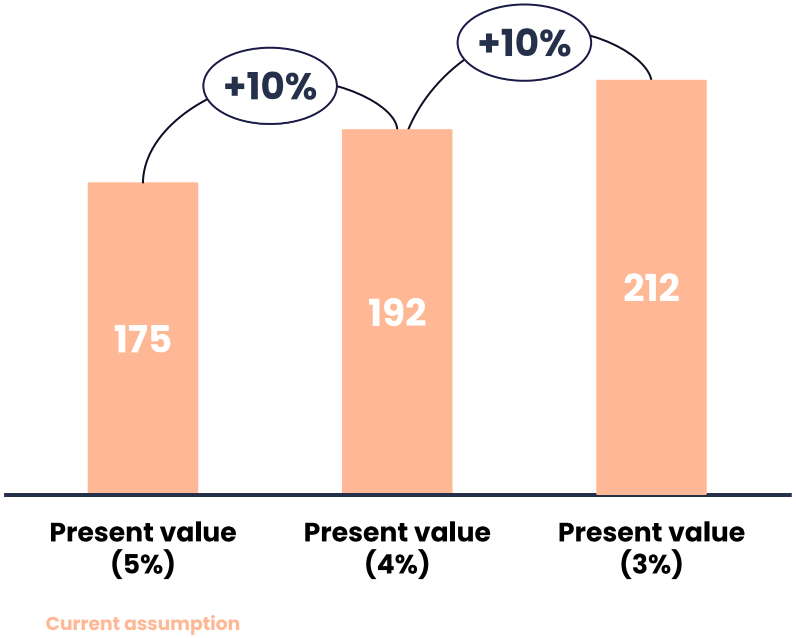
Upside | Low funding cost observed in the US market



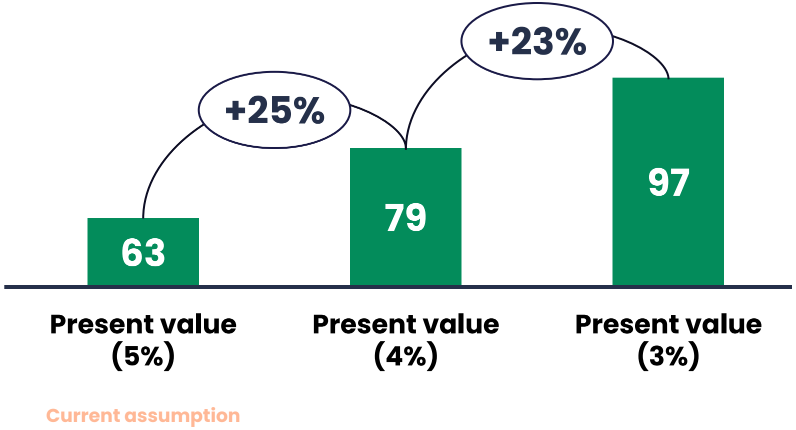
Note: Yield on Sunnova, SunRun and Goodleap Securitization transactions. $ value represent total asset value of transaction

Upside | Significant upside in value of subscription contracts with lower cost of capital[1]

Contracted Subscription Revenue (20 years)



Gross Subscription Profit (20 years)



Note: 1) Numbers calculated assuming a contract COGS of 100, applying the operational assumptions as previously set out (inflation, opex, contract length, etc.)

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Closing remarks

Executive summary

1 Financial takeaways

1. Increased revenue generation
2. Increased profit generation
3. Increased financial flexibility
4. New metrics to reflect increased value creation

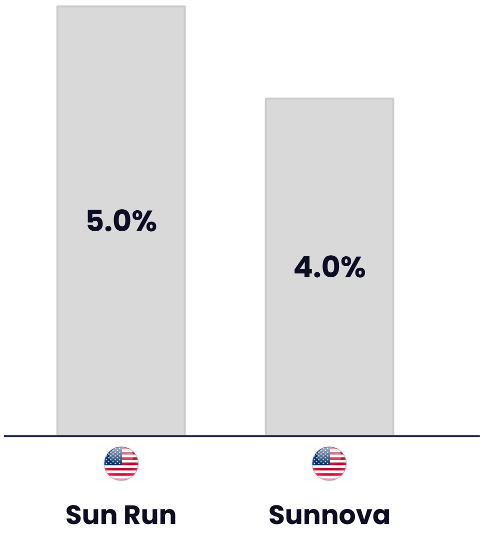
2 Strategic takeaways

- Now: A solar & battery company
- Now: A subscription company
- Increasing pan-European presence
- #1 Europe's #1 company for residential solar and battery

APPENDIX

Discount rate of 5% is in line with listed peers

Discount rates applied by listed US peers



Discount rate: Rate used to discount future subscription cash flows in order to calculate net present value.

The discount rate of 5% is based on a conservative estimate of the weighted average cost of capital (WACC) of the subscription cash flows and observations of common industry practice (see US peers RUN and NOVA). This allows rooms for fluctuations in capital costs, while ensuring value upside from funding or exit at lower cost of capital.

WACC sensitivity

		Return on equity				
		8.0%	**9.0%**	**10.0%**	**11.0%**	**12.0%**
LTV	**50%**	5.2%	5.7%	6.2%	6.7%	7.2%
	60%	4.6%	5.0%	5.4%	5.8%	6.2%
	70%	4.1%	4.4%	4.7%	5.0%	5.3%
	80%	3.5%	3.7%	3.9%	4.1%	4.3%
	90%	3.0%	3.1%	3.2%	3.3%	3.4%

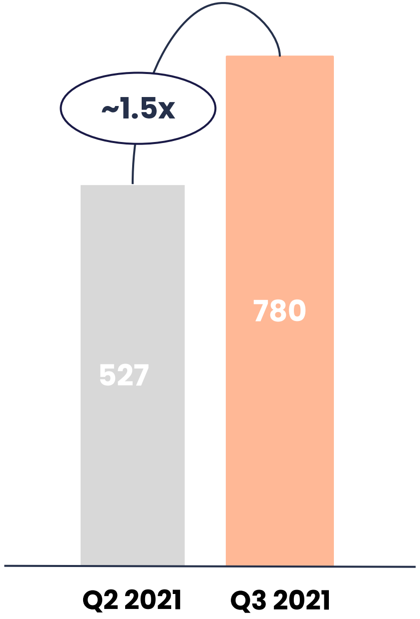
Note: 1) Sensitivity analysis assumes a 3.0% cost of debt and 20% corporate tax rate

Pipeline value | Q3 21 pipeline increases 5% with new metric

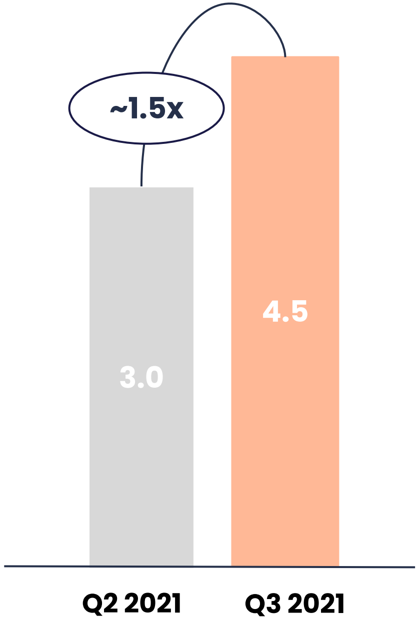
Note: A project is included in the pipeline when the contract with customer has been signed and is excluded from the pipeline when the installation is completed or the project has been abandoned. Calculated on fully consolidated basis. Otovo currently owns ~89%

Additional subscription metrics

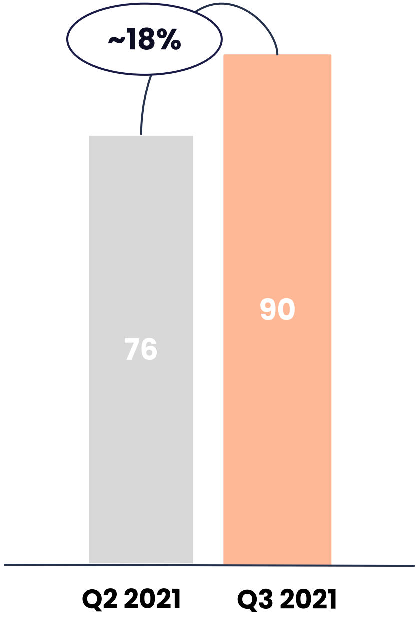
Subscribers (#)



Annual recurring revenue[1] (NOKm)



Accumulated contracted revenue, per customer (NOKk)



Note: 1)Annual Recurring Revenue (ARR) equals the monthly revenue in the last month of the period, multiplied by 12 to illustrate the expected revenue generated by the current contract portfolio on an annual basis (churn is not accounted for)

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New definitions

Term	Abbreviation	Definition
Contracted Subscription Revenue	CSR	Net present value of contracted cash flows created in the period from subscription customers over contract lifetime adjusted with expected CPI increases
Gross Subscription Profit	GSP	Contracted subscription revenue less COGS and S O&M
Subscription O&M	S O&M	Net present value of operation and maintenance cost relating to the fulfillment of subscription contracts over their lifetime (currently estimated at approx. 1% of COGS annually), including replacement of equipment.
Net Subscription Profit	NSP	Gross subscription profit less G&A
Accumulated Contracted Subscription Revenue	ACSR	The accumulated CSR in the portfolio
Subscription		Customer relationships with recurring revenue, such as leases, service agreements etc relating to distributed energy systems
Direct sale		Distributed energy systems paid for directly by the customer, including sales financed by the homeowner's loans
Annual Recurring Revenue	ARR	Annual recurring revenue from leasing portfolio
Customers		Number of customers per segment
Project / Unit		A PV system and/or a battery
Churn		# of subscription customers who exercised their purchase option in the period
Discount Rate		Rate used to discount future cash flows in order to calculate net present value. Currently 5%.

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