UPDATE

VALUE RANGE

GBp 1.15 – 1.21

Price relative FTSE AiM (darker line) vs. KIBO.L

Wednesday, 05 October 2022

Intrinsic Price (GBp)	1.18
Value Range Low	1.15
Value Range High	1.21
Implied MCAP (m)	£56.69
Implied EV (m)	£57.29
AIM	KIBO
Financial YE	31-Dec
Currency	GBP

Business Activity

Renewable Energy + Critical Metals

Key Metrics

Close Price (GBp)	0.19
MCAP (m)	£5.62
Net Debt (Cash) (m)	£1.54
EV (m)	£7.16
52 Wk Hi	0.25
52 Wk Lo	0.08

Key Ratios

Net Cash / Shareholder Equity %	-27.38%
FX Rate USD/GBP	0.87

Energy Sector Research

AiM Market Index

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Kibo Energy Plc

1H22A Results and closing the NAV gap

Kibo Energy Plc (KIBO.L: AIM, dual listed JSE:KBO) is a renewable energy and critical metals company. Kibo Energy shares on the JSE (KBO) traded at a 42% premium to BVPS at yesterday's close. The same shares on AiM under the KIBO.L ticker traded at a 13% discount to BVPS. We selected a popular peer group of large cap US listed renewable energy stocks, our analysis suggests these stocks trade at a premium to P/BVPS (lowest 71% premium to BVPS and highest 550%) - see table below. Our analysis also suggests that the KBO.JO / KIBO.L price gap to BVPS is closing in KIBO.L's favour YTD. The KIBO.L median Price / BVPS YTD discount is 34.7%.

- Our renewable energy peers below, priced at premiums P/BVPS;
- KBO.JO on the JSE trades at an ~40% premium P/BVPS 1H22A;
- KIBO.L (London's AiM) trades at an ~(12)% discount P/BVPS 1H22A;
- KIBO.L discount to P/BVPS (MCAP to NAV) is closing YTD;
- Our KIBO BVPS is on diluted basis; peer BVPS is on shares in issue.

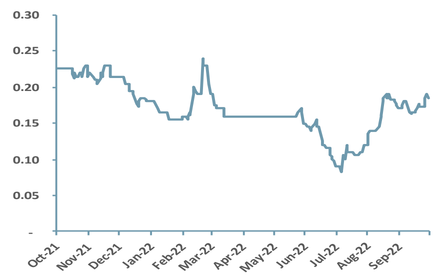
Renewable Stock	Tkr	BVPS	C/P	S/P to BVPS %
Solar Edge Technology	SEDG	36.44	236.84	550%
Nextera	NEE	18.55	81.19	338%
Brookfield Renewables	BEPC	10.54	33.54	218%
First Solar	FSLR	55.31	136.62	147%
Clearway Energy	CWEN	19.63	33.64	71%
Kibo Energy	**KIBO.L**	0.21	0.19	**-12%**
Kibo Energy	**KIBO.JO**	0.21	0.30	**41%**

KIBO ENERGY PLC IS A RESEARCH CLIENT OF ACF EQUITY RESEARCH

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3,039	4,821
Implied Intrinsic Price	1.87p	1.18p
Value Range Low	1.82p	1.15p
Value Range High	1.91p	1.21p
AIM	KIBO	
Financial YE	31-Dec	
Reporting Currency	GBP	
NoSh (m)		3,039
NoSh (m) expected dilution (Exp D)		4,821
NoSh (m) full dilution (FD)		4,821

Key Metrics	£	adj.
MCAP (m)	5.6	5.6
Net Debt (Cash) (m)	1.5	1.5
EV (m)	7.2	7.2
52 Wk Hi	0.25p	0.25p
52 Wk Lo	0.08p	0.08p
Free Float	79%	79%

*Key Metrics FCF adj.	2022E	2023E
CPS (C$)	-0.003	-0.005
CPS (Exp D) (C$)	-0.003	-0.005
CPS (FD) (C$)	-0.002	-0.003
P/CPS	NM	NM
P/CPS (Exp D)	NM	NM
P/CPS (FD)	NM	NM



Price absolute chart. KIBO.L

Investment Case

Kibo booked its first (maiden) material electricity generation revenues 1H22A of GBP 305k from revenue generation in the UK reserve power market, via its 61.27% owned and controlled UK listed Mast Energy (MAST.L). **Currently Kibo Energy on the Johannesburg Stock Exchange (JSE) trades at a median premium YTD of ~21% P/BVPS and an average premium YTD of ~40% P/BVPS, KIBO.L on London's AIM traded at a median discount P/BVPS of -ve (35)% and average -ve (33)% YTD. More recently the discount gap has been closing in London, KIBO.L is trading at an ~(12)% discount P/BVPS.**

Our BVPS is calculated on a fully diluted basis (4.821bn shares) for Kibo Energy whereas our peers' BVPS is calculated on shares on issue. The implication is that the sector trades at higher premiums P/BVPS than suggested in our table above on the front page of this note.

We note that there is very little true retail investor activity on the JSE and most investing and trading is carried out by sophisticated high net worth and institutional investors. Trading patterns and the share register indicate that South African professional investors are increasing their KBO holdings.

The YE21 weighted average number of shares in issue was 2.480bn. The current number of shares in issue is 3.039bn, a difference of 22.5%, less than the increase in shares registered as being in South African hands. If so, this indicates increasing demand and interest in Kibo equity in South Africa.

Share volume trading in London (AiM) has historically been approximately 2x that of the volumes in South Africa (this ratio has reversed recently but that is probably a temporary change). Although it should not be the case, given that sterling equivalent prices for Kibo shares on the JSE and AiM appear to be independent of one another, the higher liquidity in London (on average) suggests Kibo shares should have a higher value than the South African sterling equivalent price.

The P/BVPS discount is anomalous both for renewable energy companies (see front page table) and because on the JSE, Kibo Energy (KBO.JO) trades at a premium to BVPS, as we would anticipate. As per our previous note, it may be possible to take dematerialised shares bought in London and sell them directly via a South African broker (rather than broking them through a London broking) to take advantage of this P/BVPS arbitrage. At the moment the discount P/BVPS is closing in London, slowly. See chart below.

Closing the NAV Gap

Renewable energy companies do not appear to be valued on balance sheet NAV. We suspect that the market values renewable energy companies on NPV and dividend measures.

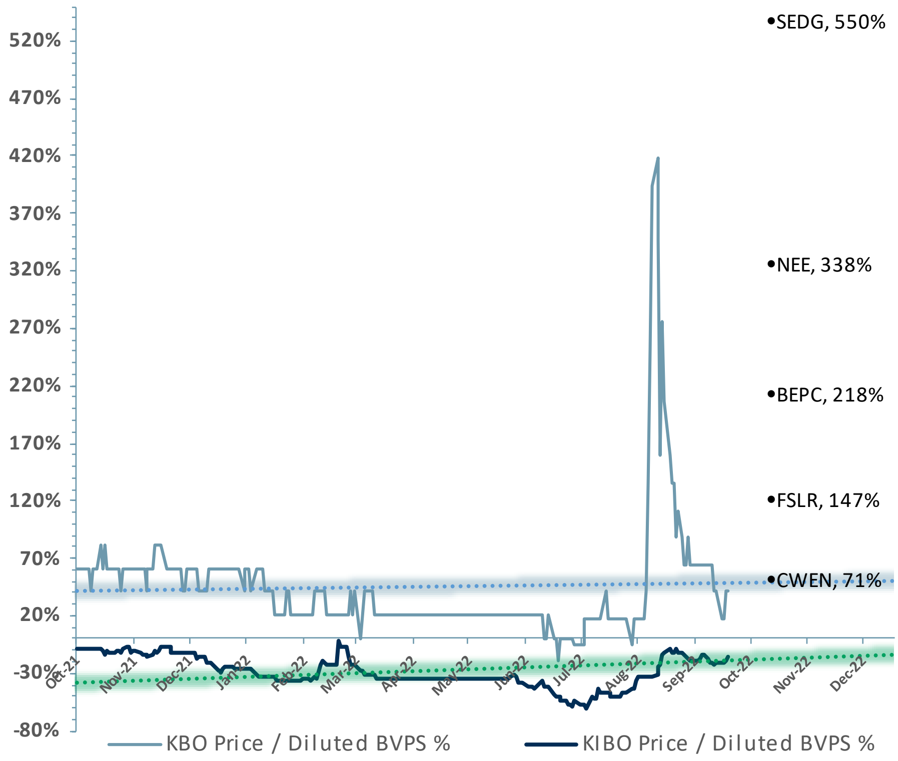
The exhibit below plots the gradual closing of the discount to BVPS between KBO.JO and KIBO.L. **Note** that KBO trades (on the JSE) at a premium to 1H22A BVPS (NAV) as we would expect for the renewable energy sector. KIBO.L trades at a discount to 1H22A BVPS (NAV) on London's AiM.

We expect to revisit our valuation range and Kibo's new strategy in the near future.

Our sample of US listed peers (Nasdaq and NYSE) all trade at significant premiums to BVPS. Our US sample peers all have MCAPs in the USD billions and pay significant dividends as a rule. This suggests that more mature renewable energy sector stocks are not valued on P/BVPS or NAV given the range of premiums shown in our exhibit below (SEDG, Nasdaq, +550%; NEE, NYSE, +338%; BEPC, NYSE, +218%; FLSR, Nasdaq, +147%; CWEN, NYQ, +71%).

Whilst Kibo Energy is very much a junior stock with only maiden significant electricity generation revenues arriving in 1H22A, it also is trading on the JSE at a premium to P/BVPS, and the anomalous discount in London also appears to be closing YTD.

Exhibit 1: **KIBO.L discount to P/BVPS anomaly appears to be closing**



Sources: ACF Research Estimates; Company Reports.

Results 1H22A Strategic Changes

Pyebridge 9 MW plant instantly revenue generating – maiden significant revenues 1H22A of £305.4k, booked to KIBO via its controlling 61.27% in listed MAST.L (vs. 55.42% stake YE21A)

Pyebridge site capacity 9 MW. Kibo booked maiden significant electricity generation revenues, courtesy of MAST.L's UK Peybridge site of GBP 305k in the 1H22A results. Pyebridge booked a loss after tax of GBP 57.8k, to be expected in this phase of development.

We expect to revisit our valuation range and Kibo's new strategy in the near future.

Kibo presents each project as a revenue and cost segment in its report and accounts. The significant change to this presentation vs. YE21A is that the coal to power projects, with the exception of Mbeya Coal PP, and the metals projects are no longer presented and have been substituted by the UK and Southern African renewable energy projects.

This change of presentation provides further evidence that Kibo Energy has made significant progress in its transition to a fully renewable energy company.

We also note that Kibo Energy has initiated RFPs to establish the feasibility of converting its fossil-fuel coal to power project feedstocks to renewable biofuel feedstocks. Kibo also reinforces its RNS of 16 June 2021 in respect of its decision to place all its coal assets up for sale. In our assessment the sale of these coal assets is possible, there is a market, but it is not easy to execute, and the timescales are not obvious.

We excluded these assets from our valuation range in our initiation note of 26th October 2021 and so any sale or conversion success, is in our assessment, upside for shareholders at this point.

Due to the significant changes and progress in converting to a fully renewable energy, success we expect to revisit our valuation of Kibo Energy in the near future.

Changes that are driving our re-appraisal include:

- **Funding** - Securing further funding sources to develop its new and current renewable energy projects.

- **New markets** - such as the CellCube agreement bringing Kibo into the globally critical and strong growth profile LDES market and the use of potentially innovative biofuel technology.

- **Progress** - on execution of the renewable energy transition strategy.

- **De-risking** geographically, once in steady state production.

Risks to our Assumptions – Kibo all Assets

Note that all 'former' coal power assets in Kibo's portfolio are excluded from all our DCF valuation notes including this note and initiation. Therefore, success in converting coal to power generation assets to renewable feedstocks assets or selling them on would create additional upside.

Conversion from coal to renewable energy feedstock project development risk (note that all 'former' coal power assets in Kibo's portfolio have been excluded from all our NPV valuation ranges in our notes including this note and initiation) – The risks in conversion to renewable feedstocks or sale of the coal to power assets includes failure to identify economically recoverable reserves, failure to obtain the necessary consents and approvals and failure to secure purchasers and meaningful offtake agreements.

Political stability – Political instability remains a key concern in African countries. The region has seen, and continues to see, a number of armed conflicts and poor functioning governments. However, Kibo's operating countries have fared better, specifically, Botswana which has been stable.

Funding availability – The business is currently capital intensive and requires significant amounts of capital investment (capex) and working capital (WCAP). If the company is unable to raise capital for its development activities, it will adversely impact the timelines for its projects and so valuation. Also, too much equity will lead to dilution of investors, while debt funding will increase interest cost thereby reducing cash flows and increasing failure risk.

Regulatory risk – Renewable power projects tend to attract high levels of regulation given their critical nature. Exploration and mining, similarly, attract high levels of regulatory oversight (KAT.L). Kibo's assets located in Africa are subject to extensive regional laws and regulations. Failure to comply with local regulations could lead to delays or complete shut-down of the development of assets.

Personnel - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

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