

FLASH NOTE

VALUE RANGE

GBP 3.02 – 3.18



AiM vs. KIBO (lighter line) price relative

Wednesday, 23 November 2022

Intrinsic Price (GBP)	3.10
Value Range Low	3.02
Value Range High	3.18
Implied MCAP (m)	£149.44
Implied EV (m)	£150.05
AIM	KIBO
Financial YE	31-Dec
Currency	GBP

Business Activity

Renewable Energy +
Critical Metals

Key Metrics

Close Price (GBP)	0.18
MCAP (m)	£5.47
Net Debt (Cash) (m)	£1.54
EV (m)	£7.01
52 Wk Hi	0.25
52 Wk Lo	0.08

Key Ratios

Net Cash /	-28.14%
Shareholder Equity %	
FX Rate USD/GBP	0.86

Energy Sector Research

AiM Market Index

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Kibo Energy Plc.

Re-ignited - Tanzania 300MW power station project

Kibo Energy Plc (KIBO.L: AIM, dual listed JSE:KBO) has changed to a renewable, reserve energy, long duration energy storage (LDES) and biofuel company. Kibo's RNS of 23 Nov 2022 announces MoU signed defining the negotiation framework Mbeya Tanzania 300MW power station project PPA. Once a PPA is signed Mbeya 300MW is funding ready. We expect Kibo to reopen discussions with 2018 funders. We expect market and tech availability drivers will mean this project will use renewable feedstock, which ought to make it more attractive to funders and may deliver better economics cf. the 2018 plan. We believe the driving force for the re-ignition of the 300MW project is Tanzania itself and its acute need for power. Post funding, we expect ~3 years to first power generation/revenues. Steps to revenues below:

- 1st MoU to establish PPA for 300MW power project Tanzania signed;
- 2nd PPA would create Tanzania 300MW renewable energy project;
- 3rd Funding ready 300MW project (DFS etc. all in place and valid);
- 4th 2018 funders for construction approachable (better returns?);
- 5th Maiden project revenues ~3 years post funding for construction;

ACF est. £ (m)	Revenue	EBITDA	FCF	EPS (p)	EPS (p) (diluted)
2022E	1.8	0.5	-0.5	0.01382	0.00872
2023E	5.6	1.6	-8.4	0.03911	0.02495

Multiples	EV/ Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2022E	4.0x	4.3x	NM	13.0x	20.6x
2023E	1.3x	4.3x	NM	4.6x	7.2x

Investment Case

Kibo's renewable energy, reserve power and long duration energy storage (LDES) transition strategy is under execution – **Kibo is now a renewable / clean energy, reserve power generation and LDES company with assets in the UK and Southern Africa**. Kibo also has some potential vertical exposure to battery metals via Katoro Gold, KAT.L, 20.88% stake.

Strategic change - Kibo will have four classes of assets – alternative and renewable energy (WTE & Biofuel), reserve power (critical for grid scale renewable electricity transition), Long Duration Energy Storage (vanadium flow redox batteries) and biofuel. There is a potential 5th asset class – battery metals.

Kibo Energy booked its first electricity generation revenues 1H22A as a result of its 61.27% (up from 55% in our initiation note) controlling stake in MAST.L, which runs Pyebridge 9MW, a UK reserve electricity provider. MAST's recent Pyebridge guidance RNS projects revenues for Pyebridge YE22E £1.9-2.1m. Our forecasts are lower at <£1.8m. Our MAST FCF forecast assumes a base price/MWh £68, inflation factors are below 3% and 30% gross margin. Pyebridge has averaged £370/MWh in its first 6 months of electricity generation and gross margin up to 32%. We apply these higher rates in 2022E and 23E.

Reserve power is a key part of any country and utility scale renewable energy transition strategy for the foreseeable future. Reserve power compliments LDES (vanadium redox flow batteries). Utility scale battery storage technologies are key to renewables' ability to deliver grid stability.

Apart from Kibo's 61.27% stake in MAST.L it also owns directly controlled renewable electricity generation projects, such as the UK's Southport, Birmingham WTE project and its 20-year take-or-pay conditional PPA for 2.7 MW plastic to syngas via its 65% owned Sustineri JV in Southern Africa.

Maximizing shareholder value via IPO – Kibo's new strategy involves a significant change to releasing shareholder value through the IPO of Ultimate Sustainable Energy (USE.L) on AiM in which Kibo will retain an initial 70%-75% holding. We expect the USE IPO to contain the Southport, Merseyside, 10MW WTE bio-methane plus 2MW LDES, the 2.7 MW plastic to syngas via its 65% owned Sustineri and 300MW Tanzania Mbeya biofuel power project (previously MCPP). We expect the USE spinout model for Kibo's relevant projects to release greater shareholder value through increased transparency and individual project specific risk. **Our current highly conservative valuation range suggests a Kibo EV of GBP 150m.**

Catalysts

Mbeya MoU; Mbeya PPA; Start of 5.2 MW export of reserve power at Bordesley; 9 MW exports from Pyebridge; Commercialisation of WTE in the UK; WTE in SDAC (Sothern Africa); Biomass feedstock feasibility study (FS) for Mbeya; Tanzania 300MW electricity generation.

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3,039	4,821
Implied Intrinsic Price	4.92p	3.10p
Value Range Low	4.79p	3.02p
Value Range High	5.04p	3.18p
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)	5.5	5.5
Net Debt (Cash) (m)	1.5	1.5
EV (m)	7.0	7.0
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 (GBp)	-0.015	-0.267
CPS (Exp D) (GBp)	-0.015	-0.267
CPS (FD) (GBp)	-0.010	-0.170
P/CPS	NM	NM
P/CPS (Exp D)	NM	NM
P/CPS (FD)	NM	NM

The rise in renewable energy (variable or intermittent power generation) leads to a decreasing need for base load power generation assets and creates a dramatic increase in demand for dispatchable power assets – Kibo is leveraging strong growth opportunities in the dispatchable power segment.

Valuation – SOTP MAST.L + KIBO.L

Exhibit 1: Kibo DCF and value range showing MAST contribution

The rise in renewable energy (variable or intermittent power generation) leads to a decreasing need for base load power generation assets and creates a dramatic increase in demand for dispatchable power assets – Kibo is leveraging strong growth opportunities in the dispatchable power segment.

Valuation Range					
Projects	NPV (£m)	WACC	Risk Adj.	Stake (%)	Kibo's Share (£m)
Mast Energy	64.2	6.00%	0.0%	61.27%	39.3
Kibo Energy	213.6	10.44%	46.72%	97.67%	110.8
Total NPV FCF (£m)					150.1
Net Debt/(Cash)					0.6
Fair Value (£m)					149.5
NoSh (m)					3,039
NoSh (diluted) (m)					4,821
Intrinsic Value Per Share GBP					3.10
Close Price GBP					0.18
VR (low - high)					3.02 3.18
VR Spread					5.00%
Implied VR Return (low - high)					1603.6% 1691.0%

In the exhibit above our weighted average WACC, risk adjustment and stakes for Kibo are respectively, 10.4%, 46.8% and 97.7%

Exhibit 2: Kibo projects excluded and included in our valuation

Note that Tanzania Mbeya project is adjusted at 12% WACC plus a 60% risk adjustment. We brought Mbeya back into our valuation with the view that it was likely that this project would move from abeyance to activity. The signing of the MoU defining the negotiation framework for PPA for the 300MW power plant is a significant step forward towards the PPA key milestone. We believe the initiative has come from Tanzania to re-establish this project rather than Kibo – if this assumption is correct, it signals a significant and positive shift in dynamics. Tanzania has an acute power shortage and reliable energy supply is the base rock of any economic growth plan anywhere.

Valuation Range					
Projects	NPV (£m)	WACC	Risk Adj.	Stake (%)	Kibo's Share (£m)
Benga Power BPPP	31.0	12.0%	40%	0%	0
MCIPP - KP1	16.4	12.0%	40%	0%	0
MCIPP - KP2	1135.2	12.0%	40%	0%	0
Botswana Coal Mining	51.5	12.0%	40%	0%	0
Katoro Gold Plc	123.5	8.0%	40%	0%	0
Mbeya	156.7	12.0%	60%	100%	63
Mast Energy	64.2	6.0%	0%	61%	39
Southport (WTE)	42.5	6.0%	0%	100%	43
ICON Park (WTE)	7.8	6.0%	40%	65%	3.0
Limerock (WTE)	6.4	7.2%	40%	65%	2.5
Total NPV FCF (£m)					150
Net Debt/(Cash)					0.6
Fair Value (£m)					149
NoSh (m)					3,039
NoSh (diluted) (m)					4,821
Intrinsic Value Per Share GBP					3.10
Close Price GBP					0.18
VR (low - high)					3.02 3.18
VR Spread					5.00%
Implied VR Return (low - high)					1579.2% 1665.4%

Note: implied value range in this ACF research note is based upon diluted shares in issue at the date of this note.

Financial Projections

P&L £(m)	2019A	2020A	2021A	2022E	2023E
Revs	0.0	0.0	0.0	1.8	5.6
gr%		NM	NM	NM	216%
Total Expenses	-4.5	-6.5	-3.4	-1.2	-3.9
EBITDA	-4.5	-6.5	-3.4	0.5	1.6
% Revs	NM	NM	NM	31%	29%
FV adj.	0	0	0	0	0
% Revs	NM	NM	NM	0%	0%
EBIT	-4.5	-6.5	-24.1	0.5	1.5
EBT	-3.9	-6.4	-23.1	0.5	1.5
% Revs	NM	NM	NM	30%	28%
ETR	0%	0%	0%	20%	20%
NI	-3.5	-4.5	-23.1	0.4	1.2
% Revs	NM	NM	NM	24%	22%
Adj EPS (p)	-0.41	-0.15	-0.62	0.01	0.02
Basic EPS (p)	-0.41	-0.29	-0.93	0.01	0.04
Diluted EPS (p)	-0.41	-0.15	-0.62	0.01	0.02
Balance Sheet £(m)	2019A	2020A	2021A	2022E	2023E
PP&E	0.1	0.0	2.9	3.9	13.8
Total Fixed Assets	29.4	28.5	12.0	12.9	22.8
Current assets	0.4	0.1	0.3	0.1	0.3
Cash	0.1	0.3	2.1	0.9	6.2
Total Current Assets	0.5	0.4	2.3	1.0	6.5
Total Assets	29.9	28.9	14.3	13.9	29.3
Creditors	1.0	1.4	1.1	0.1	0.3
Other liabilities	0.0	0.0	0.3	0.0	0.0
Loans	0.5	0.9	1.1	1.1	1.1
Total Liabilities	1.6	2.3	2.5	1.2	1.4
Net Assets	28.3	26.6	11.8	12.7	28.0
Share Capital	19.5	20.4	21.0	21.0	21.0
Accum. Profit/(loss)	-34.6	-39.0	-56.6	-56.2	-55.0
Total Equity	28.3	26.6	11.8	12.7	28.0
Total Equity & Liabilities	29.9	28.9	14.3	13.9	29.3
Basic NAV (p)	3.33	1.72	0.48	0.42	0.89
Diluted NAV (p)	3.33	0.91	0.32	0.26	0.57
Cash Flow £(m)	2019A	2020A	2021A	2022E	2023E
EBT Profit/(loss)	-3.9	-6.4	-23.1	0.5	1.5
Finance costs	0.00	0.02	0.05	0.02	0.02
FV adj. + Other adj.	0.0	0.0	0.0	0.0	0.0
Cash Taxes	0.0	0.0	0.0	-0.1	-0.3
WCap change	0.4	1.1	-0.4	-0.9	0.0
Net CFO	-2.4	-2.4	-3.3	-0.5	1.5
% Revs	NM	NM	NM	NM	27%
FCFE	-2.40	-2.37	-5.11	-1.80	-8.97
uFCF	-2.40	-2.35	-5.06	-1.78	-8.95
Capex/Prprty Assets %	NM	NM	75%	30%	74%
CF from Financing	1.93	3.65	7.47	0.50	14.00
Net Cash In/(Out)	-0.56	0.17	1.83	-1.20	5.34
Cash previous YE	0.65	0.09	0.26	2.08	0.89
Cash & CE	0.10	0.26	2.08	0.89	6.23
Shares (m)	849.8	1,546.9	2,480.3	3,042.7	3,141.3
Shares FD (m)	849.8	2,920.4	3,733.9	4,824.1	4,922.7

Source: ACF Research Estimates; Companies reports.

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