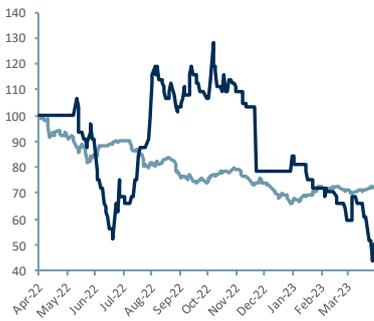


FLASH NOTE

VALUE RANGE

GBP 2.50 – 2.63



AiM vs. KIBO (lighter line) price relative

Tuesday, 18 April 2023

Intrinsic Price (GBP)	2.57
Value Range Low	2.50
Value Range High	2.63
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)	0.080
MCAP (m)	£2.44
Net Debt (Cash) (m)	£1.54
EV (m)	£3.98
52 Wk Hi	0.22
52 Wk Lo	0.07

Key Ratios

Net Cash / Shareholder Equity %	-63.03%
FX Rate USD/GBP	0.86

Energy Sector Research

AiM Market Index

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Kibo Energy Plc.

Repriced Warrants to Unblock Decision Making

Kibo Energy Plc (dual listed KIBO:AIM, JSE:KBO) a renewable, reserve energy, LDES and biofuel corp., last week announced a repriced warrant offer that should unblock various decision mechanisms (including spinoffs), which would be in the interest of the majority of investors. We note management (current + previous) is committing >£700k of its own capital via the CLN conversion. Exercising the repriced warrants on the JSE appears the logical approach. The S. African s/p arbitrage puts the repriced warrants in the money. Once a relatively small number of repriced warrants are exercised, the bridge loan refinancing is triggered converting 28 April 2023 repayment of ~£1m to a 24-month term loan. Our est. full dilution effect is another ~20% - potential gains from Kibo justify the dilution effect. [see research note](#).

- UK reserve power - Pyebridge YE22E revenue £1.9-2.1m;
- UK WTE power 100% acquisition signed; 2xPOCs funded;
- South Africa WTE – Sustineri -Gauteng CHP 2.5 MW net. signed;
- Debt to equity conversion ~£0.7m – strengthening balance sheet;
- Cash-in (warrants) – short-run potential ~£350k; longer-run ~£5.8m.

ACF est. £ (m)	Revenue	EBITDA	FCF	EPS (p)	EPS (p) (diluted)
2022E	1.8	0.5	-0.5	0.01381	0.00871
2023E	5.6	1.6	-8.4	0.03856	0.02473

Multiples	EV/ Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2022E	3.0x	3.3x	NM	9.0x	14.3x
2023E	1.0x	3.3x	NM	3.2x	5.1x

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), 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 booked its first electricity generation revenues 1H22A as a result of its **57.86%** controlling stake in MAST.L, which runs Pyebridge 9MW, a UK reserve electricity provider. MAST's 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 averaged £370/MWh in its first 6 months of electricity generation with a gross margin up to 32%. We currently apply these higher rates in 22E 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 **57.86%** 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 meaningful 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

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 (MCPP) 300MW electricity generation.

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3,053	5,820
Implied Intrinsic Price	4.89p	2.57p
Value Range Low	4.77p	2.50p
Value Range High	5.02p	2.63p
AIM	KIBO	
Financial YE	31-Dec	
Reporting Currency	GBP	

NoSh (m)	3,053
NoSh (m) expected dilution (Exp D)	5,820
NoSh (m) full dilution (FD)	5,820

Key Metrics	£	adj.
MCAP (m)	2.4	2.4
Net Debt (Cash) (m)	1.5	1.5
EV (m)	4.0	4.0
52 Wk Hi	0.22p	0.22p
52 Wk Lo	0.07p	0.07p
Free Float	79%	79%

*Key Metrics FCF adj.

	2022E	2023E
CPS (GBp)	-0.015	-0.255
CPS (Exp D) (GBp)	-0.015	-0.255
CPS (FD) (GBp)	-0.008	-0.139

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.

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	0.88
Diluted NAV (p)	3.33	0.91	0.32	0.26	0.56
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	3,044.2	3,184.2
Shares FD (m)	849.8	2,920.4	3,733.9	4,825.6	4,965.6

Source: ACF Research Estimates; Companies reports.

Notes [Intentionally Blank]

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