



Analyst Group

# CINDRIGO

AN INTERNATIONAL ENERGY COMPANY WITH  
INITIAL FOCUS ON UKRAINE

- IN PROCESS OF LISTING IN CANADA

2019-11-22

## COMPANY ANALYSIS

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# CONTENT

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Cindrigo Energy Limited. (“the Company” or “Cindrigo”) is a renewable energy company, built on long historic Swedish renewable energy expertise and experience in Waste to Energy (“WTE”) and Biomass Energy projects. Originated out of a long tradition of providing clients with high quality and good life-time value energy facilities, being in the forefront regarding performance, availability and emission levels.



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# INVESTMENT THESIS

IN THE  
PROCESS OF  
LISTING THE  
COMPANY IN  
CANADA

Cindrigo is a relatively new established renewable energy company, supported by long historic Swedish renewable energy expertise and experience, as well as a strong international partner position. The Company's technology is based on well-proven international standard, meeting all regulatory environmental regulations while limiting any technological risks. Cindrigo is in process of doing a listing on a regulated stock exchange in Canada. Based on an assumed expansion plan, a peer valuation and forecasted financials, this could yield a company valuation of USD3,300 M using year 2024 as a benchmark.

## Industry and market conditions

Waste is a large problem in all parts of the world, and landfilling is no longer viable. Waste-to-Energy is the only viable large-scale solution. Energy prices have increased and over a 10+ year period they are forecasted to increase further and alternatives to fossil fuels will likely become even more attractive. It could be argued that the country risk of Ukraine, where Cindrigo will build their initial WTE-plants, has decreased lately. Ukraine raised USD3 bn in 2017 in its first sovereign bond issue since restructuring their debt in 2015. In October 2018, IMF also approved additional funding of circa USD 3,500M after government accepted to reduce the large subsidy of gas price to households. Ukraine has also a strong political support from EU, USA etc. Overall it seems like with recent moves from international institutions like IMF, World Bank etc. could be a sign of investors having confidence in Ukraine's reform programme.

## Cindrigo has strong support and a valuable Cooperation with China Energy

The Government of Ukraine through the Ministry of Energy has agreed and guaranteed certain key conditions for the cities Kiev, Odessa and Bila Tserkva, with a desire for additional cities. For the initial projects in Ukraine, Cindrigo will operate in cooperation with China Energy a leading Fortune 500 company among the leaders in China's power engineering and construction industry, who provides the full project financing required for the projects.

## The business model

The business model for the projects is straightforward, with revenue generation beginning after approx. 30 months, to allow for the construction of the facilities. Cindrigo has already secured a long term PPA with the Government, which shall see all power, fuel and heat sold to the Government at pre-agreed inflation linked prices as well as a good working relations with the local municipalities. The Ukrainian Government will pay for electricity at a price set in euro, further lowering the Company's currency risk. Each WTE plan is expected to generate annual operating cash flows over time above USD30 M, sufficient to support further expansion using internally generated funds.

## Management and Board

During the project development process Cindrigo has had some ten dedicated persons whom have been engaged. In addition, the Company has also employed additional dedicated consultants in various key areas, including engineers and local partners in Ukraine, in order to secure know-how of the local markets and key contacts with governments, municipalities, authorities and sub-contractors. As a result, Cindrigo has and can combine competences in Biomass, and WTE technical and project development with local expertise. Several key persons in the Company have solid business experience and a genuine project experience both in general and in the new energy segment.

## Valuation

By 2024, Cindrigo is expected to have ten WTE plants operational. At this point, adjusted for assumed minority partners and equity claims, EBITDA 2024 attributable to Cindrigo is forecasted to approx. USD220 M and increasing both organically, as well as from expanded operations with additional WTE plants. An EV/EBITDA-multiple of 13, applied to 2024 forecasted financials, yields a valuation of approx. USD3,300 M (adjusted for assumed net debt). Based on approx. 153 million shares that are assumed to be outstanding 2024, yields a share price of 25 USD.

**Investment risk:** Cindrigo is in different ways exposed to political, legal, tax, currency, inflation, convertibility and repatriation risks. Cindrigo, as business in general, is exposed to economic stagnation and general reduction in demand for goods and services. There is a risk that the Ukrainian Government could reduce their environmental "right doing", which could result in a lower support and focus on the area that Cindrigo operates within.

STABLE CASH  
FLOWS  
PROVIDES  
GOOD  
OPPORTUNITY  
FOR FURTHER  
EXPANSION

~USD3,300 M  
POTENTIAL  
COMPANY  
VALUATION  
2024  
FORECAST

# COMPANY DESCRIPTION

Cindrigo is a renewable energy company built on long historic Swedish renewable energy expertise and experience in Waste to Energy (WTE) and Biomass Energy projects. Stemming from a long tradition of providing their clients with high quality and good life-time value energy facilities, being in the forefront regarding performance, availability and emission levels.

- Cindrigo have agreed EPC contract with leading Chinese supplier.
- Building on engineering competence from the leading, well proven technology and Swedish experience.
- Strong platform for international roll-out with the objective to be owner/operator of facilities developed from own projects.
- Initial projects in Ukraine will be conducted in cooperation with Strong Chinese Partner.
- China Energy (a leading Fortune 500 company among the leaders in China's power engineering and construction industry, with solid international experience)

## Waste to Energy and Biomass

### Technology description

- Incineration of Waste: MSW/ISW – municipal or industrial solid waste as fuel.
- Incineration of Biomass: wood chips, saw and forestry residue, recycled wood products.
- Production of energy: electricity and district heating/cooling.



### Benefits

- Clean Energy Producer.
- Reduction of landfill.
- CO2 neutral energy production.
- Long Term, well proven technology.
- Adapted to local conditions for optimum performance.

## Business model

For the initial WTE plants, project investment for each WTE plant is approx. USD150 M and annual operating cash flow from each plant after commissioning, after 2 years, is approx. USD30 M. The financing is secured through China Energy and JTCapital, which is in final phase with loan to be underwritten by state owned insurer Sinosure in the way of a Credit Export Underwriting Insurance. (see more below under “Financing”), and Chinese banks.

An agreement with China Energy, a leading EPC contractor, has been signed that will include a full “turn key” responsibility for the construction, completion guarantee, performance guarantee and warranty for the initial WTE plant. Based on the capacity of the EPC contractor, Cindrigo will likely continue this cooperation in the expansion with new potential WTE plants. In parallel there is also financing agreed with JTCapital an asian fund for a second plant in the Kiev region, under construction contract with another leading Chinese EPC provider, China National Technology Import & Export Corporation (CNTIC).

The EPC Partners has also committed to an Operating and Maintenance contract to secure operation and lowering the operational risks after commissioning

## Financing

Indicative Terms on financing: 10-year loan, grace period of 3 years, interest 4%, and equity commitment of c.15% of investment cost for WTE plant. China Energy provides guarantees for the financing. Cindrigo has also secured 5 MUSD working capital financing in November 2018, with Danir AB, owned by one of the leading Swedish entrepreneurs Dan Olofsson, to secure the funding required for the pre-development costs and the working capital for the corporate holding.

For the first six projects in Ukraine, will Cindrigo operate with China Energy and JTC who will facilitate the financing for the projects. Project equity will be dealt with by in some cases providing majority equity to the joint venture partner during the construction phase. Depending on the requirement of additional investment the first plants may have lower equity but on average over time some 70-80% should be reasonable for Cindrigo.

SECURED  
OPERATING  
WORKING  
CAPITAL  
FUNDING



# CINDRIGO PARTNERS



The company has entered into Agreements with China Energy Engineering International Co., Ltd. (“China Energy”) stipulating them taking full “Turn Key” responsibility for the Engineering Procurement & Construction (“EPC”) for the project in Kiev, Ukraine. Additionally China Energy have agreed to facilitate and provide for the financing of the Kiev and future project. The Agreement with China Energy covering Kiev was signed in November 2018.

China Energy intend to have debt financing secured through Chinese Banks (eg ICBC, CCB etc) and Insurance through China Export & Credit Insurance Corporation (“Sinosure”). The agreements with China Energy include possible continued expansion into new projects on similar terms, and also give them a right to invest up to 25% for each project through the specific project special purpose vehicle. Furthermore, during July 2019 Cindrigo signed the final agreement with JT Capital Management Limited (“JTC”). Agreement is initially for two fully financed WTE plants in Ukraine, where JT Capital provide for the complete project financing, including pre-development/ working capital. After commissioning of the plant the financing will be through a convertible Bond with right for JTC to convert at the SPV level to 35% equity. Cindrigo will support initial costs of raising the financial instruments with 1.5 MUSD.

## China Energy

China Energy is a Fortune 500 company, and one of the largest comprehensive solutions providers for the power industry in China and globally. they provide customers with one-stop integrated solutions and full life-cycle project management services. engaged in the design and/or construction of power plants with a total on-grid installed capacity of more than 160GW, ranking first in the world. Their business segments consist among others of consultancy, construction, contracting, equipment manufacturing, investment etc. Leader in the power engineering and construction industry of China, and an international business which experience rapid growth generating the largest market share, of the overseas power contracting projects undertaken by PRC companies.

## Industrial and Commercial Bank of China Limited (ICBC)

ICBC is the largest bank in the world by total assets, deposits, loans, number of customers and number of employees. It ranks number 1 in The Banker’s Top 1000 World Banks ranking, and first on the Forbes Global 2000 list of the world's biggest public companies. It was founded as a limited company on January 1, 1984. As of December 2017, it had assets worth US\$4.009 trillion. Generally considered the largest financial institution and public company in the world by assets.

## China Export & Credit Insurance Corporation, (Sinosure)

Sinosure is a major Chinese state-owned enterprise (SOE) serving as the provider of export credit insurance, in particular coverage for the export of high-value added goods in China. Sinosure offers coverage against political risks, commercial and credit risks. Investment guarantees cover political risks such as currency and remittance restrictions, expropriation and nationalization, sovereign breaches of contract and war.

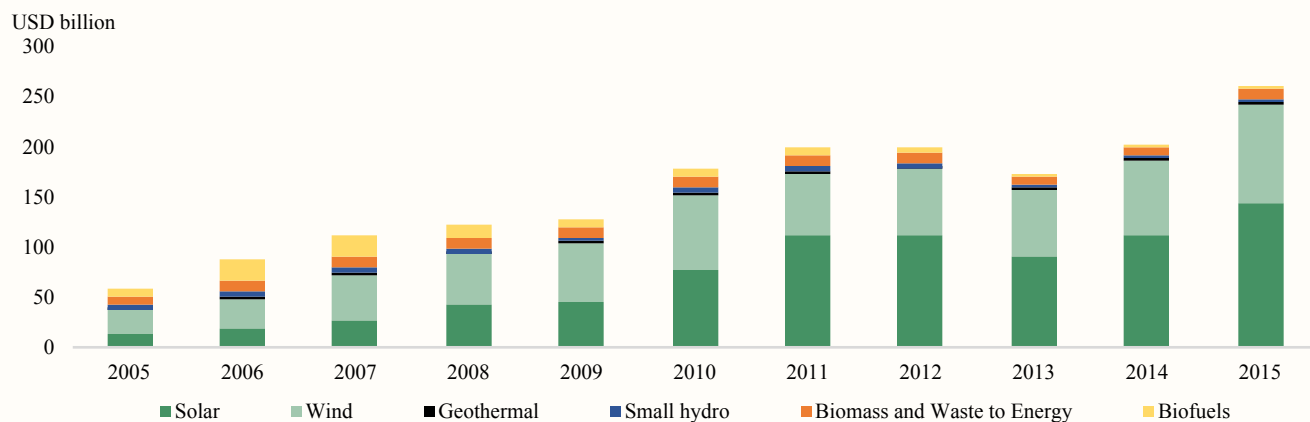
## JT Capital Management Limited (JTC)

JT Capital is a value-oriented asset management firm who mainly manage capital for professional investors, including family offices, and high-net worth individuals. JT Capitals base is out of Vietnam, with a investment company established in Singapore.

# INDUSTRY AND MARKET

## Investments in renewable energy and waste disposal world wide

Solar energy have historically accounted for the larger part of global investments in renewable technologies:

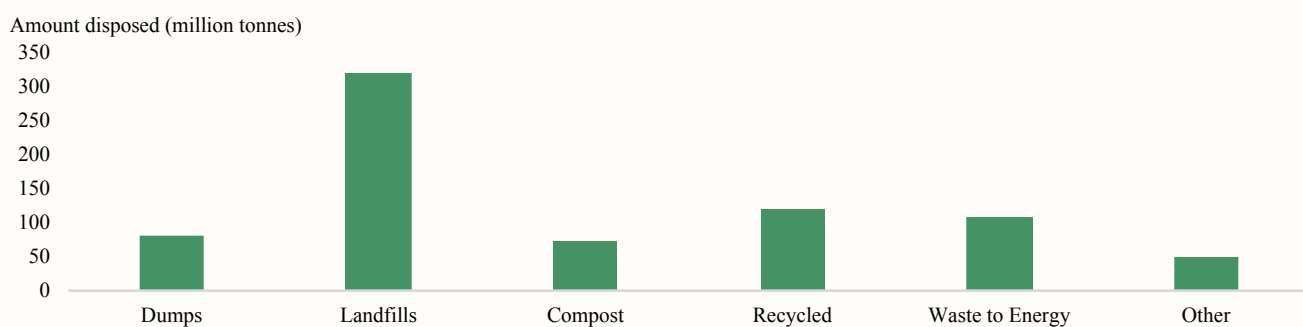


Source: EEA report, Renewable Energy in Europe, 2017

Europe is the largest and most sophisticated market for WTE technologies, accounting for 47.6% of global market revenue in 2013. Increasing industrial waste, coupled with stringent EU-wide waste legislation have been the major drivers for the EU and European market. Switzerland, Germany, Sweden, Austria and the Netherlands are most prominent the installation capacity within Europe. The Asia-Pacific market is dominated by Japan, which uses up to 60% of its solid waste for incineration. However, the fastest market growth has been in China, which has more than doubled its WTE capacity between period 2011-2015.<sup>1</sup>

Landfill is by far the most utilized solution for waste disposal worldwide.

Amount of waste disposed in 2012 worldwide, by technique



Source: World Energy Resources Waste to Energy, 2016

The development of the WTE market happened in contexts that created opportunities through several different drivers. These drivers include increasing use of renewable energy resources, increasing amounts of waste generation globally, waste management regulations, taxes and subsidies, climate change policies to curb GHG emissions, technological advancements, access to talent, new financing opportunities, new global trends such as low fossil fuel prices, environmental degradation, circular economy, green business models, industrial symbiosis (companies that work in partnerships to share resources) and improved public perception of WTE.

As modern society moves towards an increasing level of urbanization, and with a growing population that demands greater consumption of goods and greater energy needs, the topic of waste management and energy recovery from waste becomes central for future scenarios of sustainable development.

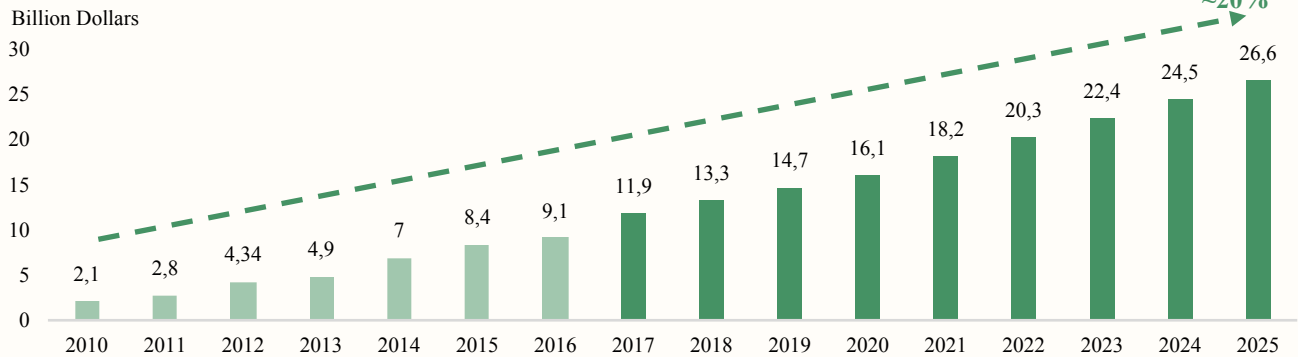
<sup>1</sup>World Energy Resources Waste to Energy, 2016

# INDUSTRY AND MARKET

The global market is expected to maintain a steady growth to 2023, when it is estimated it could be worth USD40 bn, growing at a CAGR of over 5.5% from 2016 to 2023. The figure below shows that globally all WTE technologies will grow significantly even in conservative forecasts up to 2025.

**The global market for all WTE technologies are expected to grow.**

Growth of all WTE technologies globally with a conservative forecast up to 2025



Source: World Energy Resources Waste to Energy, 2016

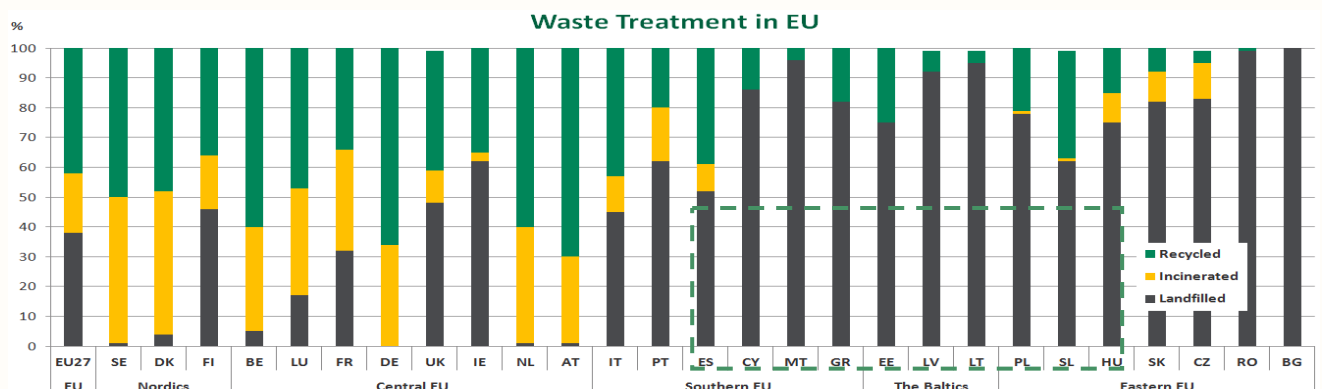
Renewable energy is still, despite its massive growth over the last decade and the impacts of the financial crisis in Europe and the US, a dynamic investment field for both yield and value investors. The yields in the broader fixed income markets have over a long period been at historical lows, driving investors to exotic alternatives to get needed returns. The volatility of the stock market, in combination with placement restrictions, is driving long-term money in search of other sources of business. Energy production is to a great extent not correlated to other asset classes.

Energy production has attractive risk-adjusted returns, low volatility and minimal correlation to traditional capital market investments. The political support for new energy capacity is unbroken, and the regulatory situation has been stable in most market and transparency is increasing.

The table below demonstrates the scale of the opportunity within Eastern Europe, with most countries in this region having renewable targets that are unfulfilled. The following areas are: **Green**: portion of waste in EU that is recycled, **Yellow**: portion of waste in EU that is incinerated and **Grey**: portion of waste in EU that is placed on a landfill. As illustrated by the “grey areas”, there is a high need, especially in Eastern-Europe, for both energy production and handling the household waste situation.

**High need, especially in Eastern-Europe, for both energy production and handling the household waste situation.**

Waste Treatment in EU



Source: Cindrigo Plc.





# FINANCIALS

**AVERAGE 30 MONTHS CONSTRUCTION TIME ASSUMED PER WTE-PLANT**

The business model for the projects is straightforward, with revenue generation beginning approximately after 30 months, to allow for construction of the facilities. In the financial forecasts, construction time in general for the full (2 operational lines) WTE plan is set to approx. 30 months, with revenues expected from thereafter.

### Assumed financials for one WTE plant

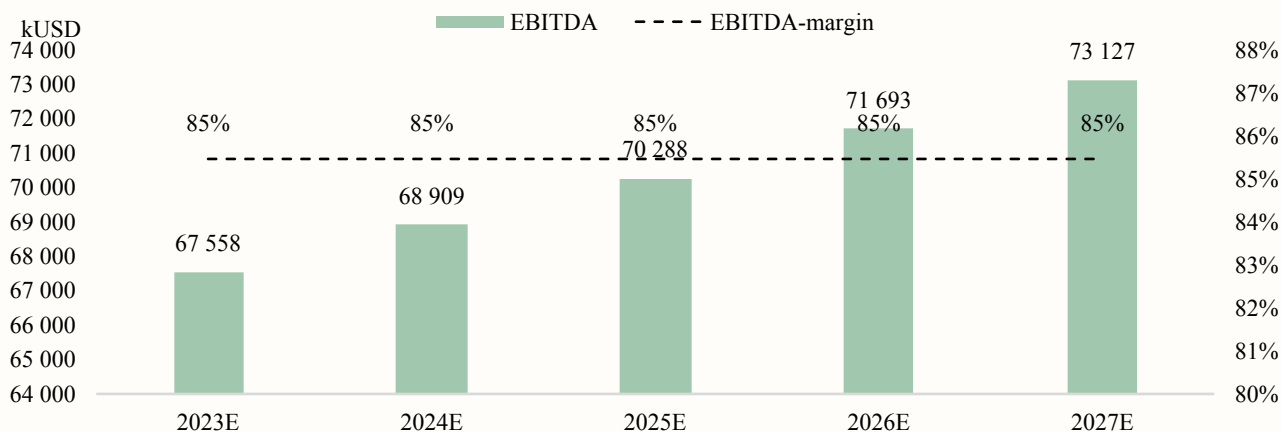
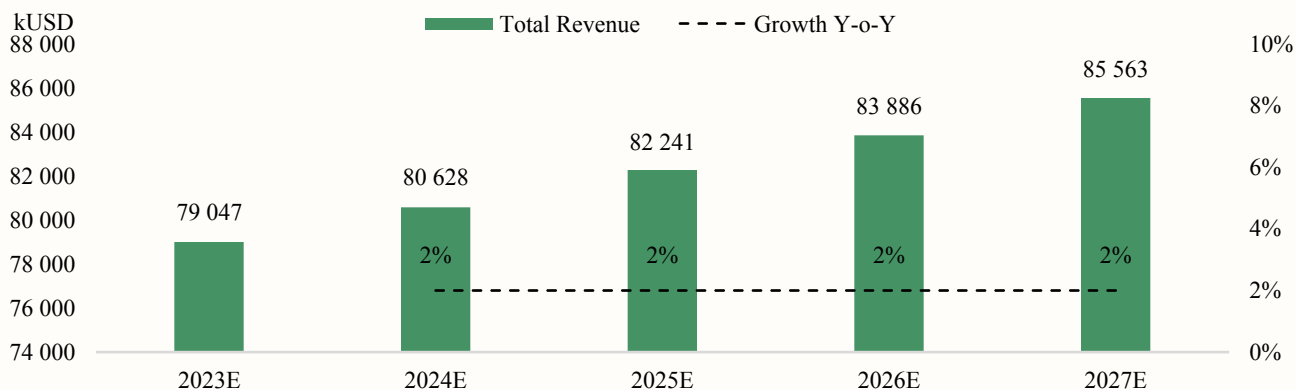
Project investment	USD150 M per WTE plant
Cash flow (annual) after two years	USD30 M per WTE plant

The Ukrainian Government will pay for electricity at a price set in Euro, further lowering the Company's currency risk.

The following illustrates the financials forecast for the initial two WTE plants in Ukraine, where construction is expected to commence during 2019/2020. Thus, this forecast does not include other WTE plants in Ukraine, or international projects.

**Based on the applied financials per WTE-plants, each plant is expected to maintain steady growth, as well as high operating margins.**

Forecasted revenues and EBITDA (kUSD), initial two WTE plants in Ukraine



Analyst Groups forecast

# FINANCIALS

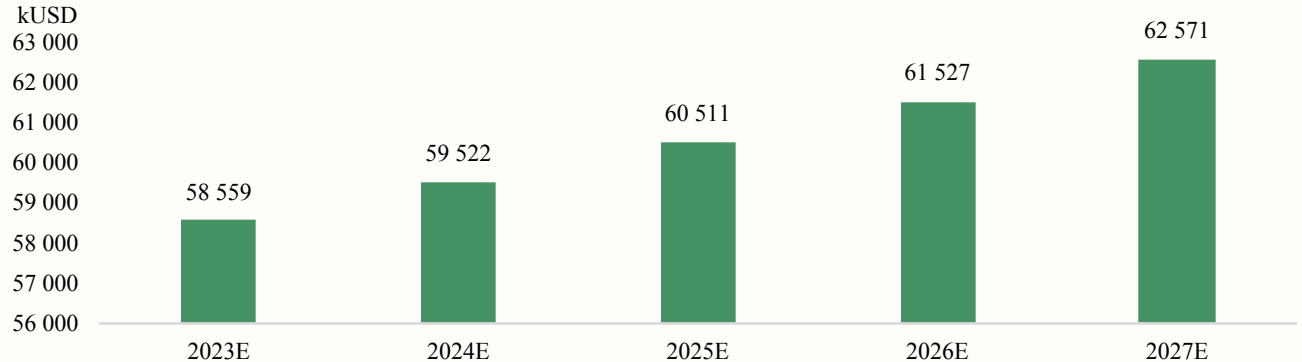
**~USD30 M**  
**IN APPROX.**  
**ANNUAL CASH**  
**FLOW PER WTE**  
**PLANT**

It is of importance that the WTE plants will generate sufficient cash flow from operations in order to finance the debt structure and potential further expansion. A steadily increasing cash flow allows Cindrigo to finance new investments, e.g. more WTE plants in Ukraine, international projects etc. using internally generated funds, but also support the debt structure of the Company.

The initial two WTE plant is expected to generate annual operating cash flows around USD60 M when fully operational.

**Based on expected energy production and assumed financials for the WTE plants, cash flows are predictable.**

Forecasted operating cash flow (kUSD), initial two WTE plants in Ukraine

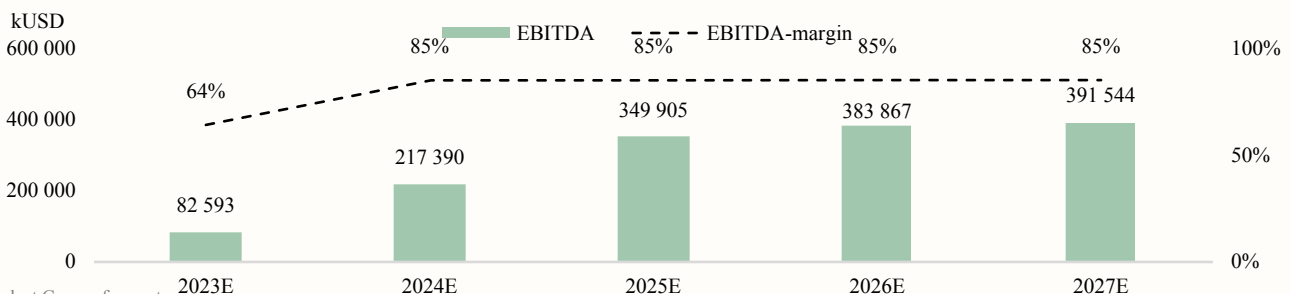
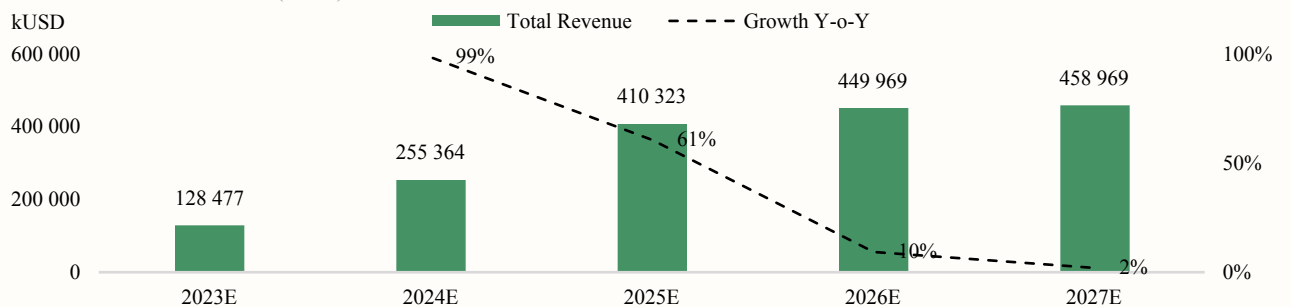


Analyst Groups forecast

Based on the current financial status, financing alternatives, the capacity of EPC contractor, the intention from the Ukrainian Government to increase renewable energy sources and the JV, there is room for growth. A rollout as presented on page 8 could be possible, and by applying the same metrics per WTE plants regarding construction, operating metrics such as revenues, operating expense etc, the following figure illustrates forecasted financials for a rollout of 11 WTE plants (both in and outside of the Ukraine) up until 2027.

**Based on the applied financials per WTE-plants, each plant is expected to maintain steady growth, as well as high operating margins.**

Forecasted revenues and EBITDA (kUSD)



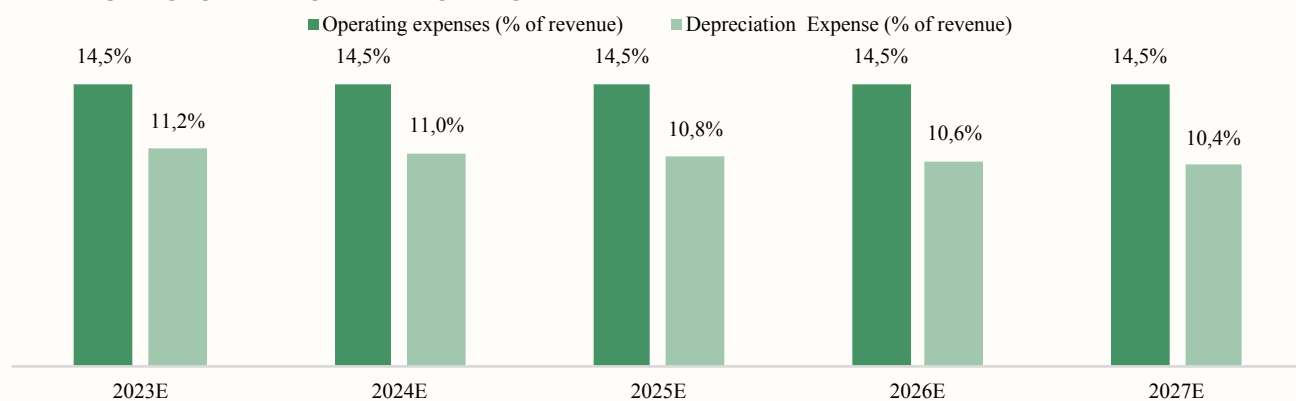
Analyst Groups forecast

# FINANCIALS

Each WTE plant is expected to generate fairly stable operating expenses, resulting in high margins (see previous page). This will also support an increasing cash flow.

## Stable operating expenses and depreciations contributes to high margins.

Forecasted operating expense and depreciations, as percentage of forecasted revenue



Analyst Groups forecast

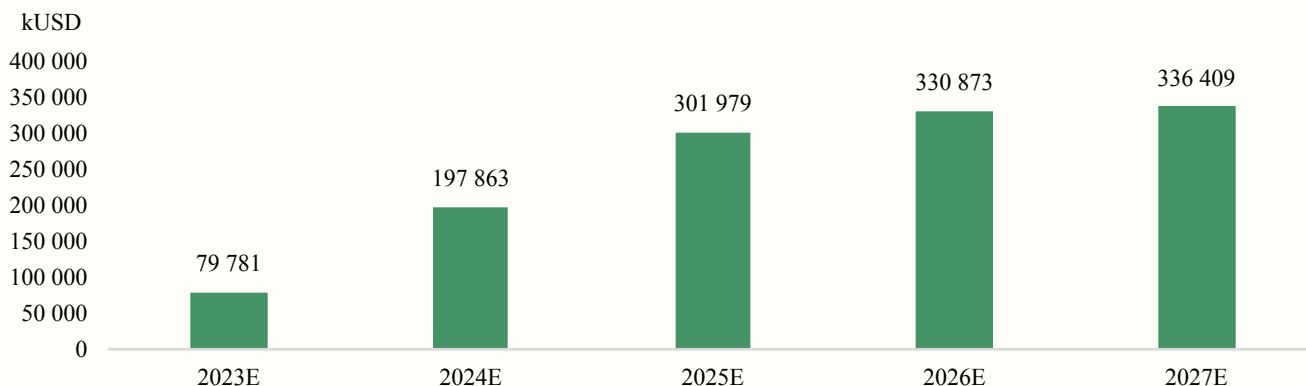
A single WTE plant is assumed to need approx. USD150 M of investments before becoming operational. Cindrigo have already had dialogue and signed LOI with banks and Sinasure, but this will be coordinated with China Energy and JT Capital.

## HIGH CASH FLOWS TO SUPPORT THE EXPANSION

In 2024, annual cashflows are expected to be around USD200 M. The cash flows could be used to finance upcoming WTE plants after 2024, i.e. Cindrigo has the opportunity to use internally generated funds instead of taking on more debt. On the other hand, based on the high cash flows, Cindrigo would likely be able to attract more lenders to finance an even higher expansion rate. Also, Cindrigo could choose to pay off the initial debt, since they will be very highly leverage from start. But this is also common in this type of business, i.e. operating with high leverage.

## Cashflows around USD80 M in 2023 and increasing could be sufficient to finance the upcoming WTE plants, i.e. no additional debt needed.

Forecasted operating cash flow (kUSD), growth plan in Ukraine



Analyst Groups forecast

# PEERS

Based on Cindrigo company characteristics, US based Covanta Holding Corporation (“Covanta”) has similar references to Cindrigo. However, today, Covanta is a larger company with a longer history and also with more WTE plants in operations. On the other hand, Cindrigo is considered to have better opportunities for growth compared to Covanta, who operates in a more mature US market, i.e. lower margins and expected growth.

Company	HQ	Market Cap	EV	Revenues				EBITDA		
				2017	2018	2019E	CAGR 18-20	2017	2018	2019
Waste Management, Inc.	US	43 675	53 564	11 607	13 227	14 053	10,0%	3 210	3 739	3 975
Republic Services, Inc.	US	25 092	32 826	8 198	8 864	9 371	6,9%	2 268	2 487	2 656
Waste Connections, Inc.	CA	22 024	25 693	3 710	4 366	4 830	14,1%	1 170	1 389	1 504
Clean Harbors, Inc.	US	3 873	5 190	2 415	2 899	3 059	12,6%	349	431	481
Stericycle, Inc.	US	4 398	7 196	2 906	3 061	3 029	2,1%	659	654	526
Advanced Disposal Services, Inc.	US	2 629	4 286	1 226	1 374	1 470	9,5%	340	377	389
<b>Covanta Holding Corporation</b>	<b>US</b>	<b>1 831</b>	<b>4 050</b>	<b>1 425</b>	<b>1 658</b>	<b>1 683</b>	<b>8,7%</b>	<b>332</b>	<b>406</b>	<b>385</b>
US Ecology, Inc.	US	1 333	1 636	405	499	550	16,6%	92	111	126
Casella Waste Systems, Inc. Class A	US	1 802	2 317	487	583	662	16,6%	105	122	141
Pennon Group Plc	GB	4 438	8 358	1 591	1 673	1 671	2,5%	585	619	674
Seche Environnement SA	FR	279	728	512	561	697	16,7%	98	109	134
Biffa Plc	GB	742	1 133	1 222	1 165	1 293	2,9%	169	166	204
Renewi Plc	GB	295	931	1 786	2 023	1 771	-0,4%	180	186	171
SUEZ SA	FR	8 538	23 995	15 871	17 331	17 832	6,0%	2 511	2 769	2 978
Veolia Environnement SA	FR	12 957	27 300	25 125	25 911	26 844	3,4%	3 148	3 392	3 848
Cleanaway Waste Management Ltd.	AU	2 653	3 063	980	1 093	1 286	14,6%	202	217	281
Lassila & Tikanoja Oyj	FI	526	679	712	802	785	5,0%	85	91	98
<b>Median</b>		<b>2 653</b>	<b>4 286</b>	<b>1 591</b>	<b>1 673</b>	<b>1 683</b>	<b>9%</b>	<b>340</b>	<b>406</b>	<b>389</b>
<b>Average</b>		<b>8 064</b>	<b>11 938</b>	<b>4 716</b>	<b>5 123</b>	<b>5 346</b>	<b>9%</b>	<b>912</b>	<b>1 016</b>	<b>1 092</b>

Company	EV/S			EV/EBITDA		
	2017	2018	2019E	2017	2018	2019E
Waste Management, Inc.	4,6	4,0	3,8	16,7	14,3	13,5
Republic Services, Inc.	4,0	3,7	3,5	14,5	13,2	12,4
Waste Connections, Inc.	6,9	5,9	5,3	22,0	18,5	17,1
Clean Harbors, Inc.	2,1	1,8	1,7	14,9	12,0	10,8
Stericycle, Inc.	2,5	2,4	2,4	10,9	11,0	13,7
Advanced Disposal Services, Inc.	3,5	3,1	2,9	12,6	11,4	11,0
<b>Covanta Holding Corporation</b>	<b>2,8</b>	<b>2,4</b>	<b>2,4</b>	<b>12,2</b>	<b>10,0</b>	<b>10,5</b>
US Ecology, Inc.	4,0	3,3	3,0	17,8	14,8	13,0
Casella Waste Systems, Inc. Class A	4,8	4,0	3,5	22,1	19,0	16,5
Pennon Group Plc	5,3	5,0	5,0	14,3	13,5	12,4
Seche Environnement SA	1,4	1,3	1,0	7,4	6,7	5,4
Biffa Plc	0,9	1,0	0,9	6,7	6,8	5,5
Renewi Plc	0,5	0,5	0,5	5,2	5,0	5,4
SUEZ SA	1,5	1,4	1,3	9,6	8,7	8,1
Veolia Environnement SA	1,1	1,1	1,0	8,7	8,0	7,1
Cleanaway Waste Management Ltd.	3,1	2,8	2,4	15,1	14,1	10,9
Lassila & Tikanoja Oyj	1,0	0,8	0,9	8,0	7,5	6,9
<b>Median</b>	<b>2,8</b>	<b>2,4</b>	<b>2,4</b>	<b>12,6</b>	<b>11,4</b>	<b>10,9</b>
<b>Average</b>	<b>2,9</b>	<b>2,6</b>	<b>2,4</b>	<b>12,9</b>	<b>11,4</b>	<b>10,6</b>

## PEERS

## COVANTA®

Powering Today. Protecting Tomorrow.

Covanta Holding Corporation conducts operations in waste disposal, energy services, and specialty insurance. The Company also owns and operates WTE and power generation projects. Covanta's WTE facilities convert municipal solid waste into renewable energy for communities primarily in the United States.

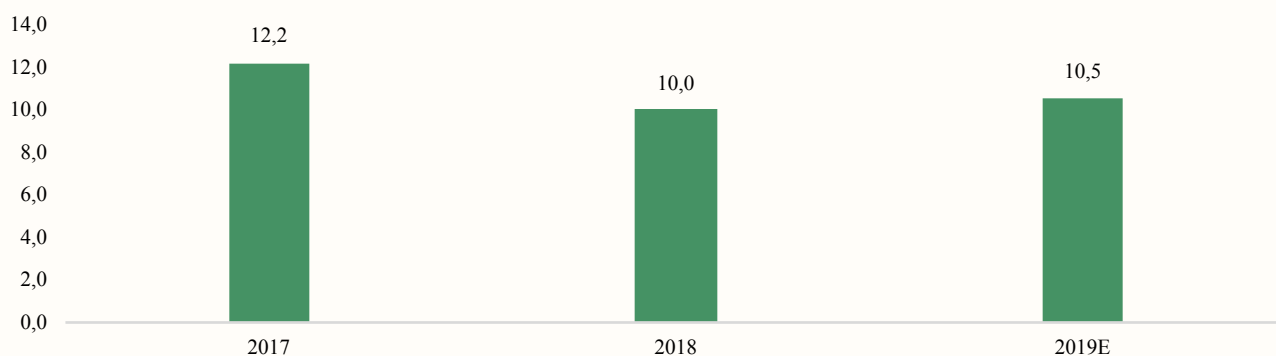
### Covanta Story and brief Investment Thesis

- Before turning from waste to energy, Covanta's predecessor, Ogden Corporation, was engaged in a variety of businesses, including utilities, manufacturing, entertainment, and aviation.
- Ogden Corporation gradually moved out of some of their businesses and changed their name to Covanta Energy in 2001 to reflect its transformation to an energy company.
- Exposure to the weak energy market in California weakened the company, and it filed for bankruptcy in 2002. Covanta Holding is the holding company for Covanta Energy. Danielson Holding bought Covanta's energy and water resources business in March 2004 to end the company's bankruptcy.
- Since then, the company has maintained its focus on the energy-from-waste business.
- Covanta Holding Corporation operates in an essential space. The waste management industry is a low-risk industry with largely foreseeable cash flows from contracts with municipalities.
- Covanta Holding Corporation generates predictable cash flows, which offer security. With high dividend yield and increasing quarterly dividends, CVA is an attractive stock for dividend-seeking conservative investors. While the company is highly leveraged, most of the debt is maturing after 2019, which will give the company some breathing space.

Covanta operates in a mature US market with a high level of competition. This limits the opportunity for growth, as well as putting pressure on the profitability of the business, as displayed by operating margins of approx. 20-25%. Therefore, even if Covanta is a suitable peer of those presented on previous page, Cindrigo differs in ways that could e.g. motivate an even higher target multiple as benchmark (see next page).

Based on projected multiples, Covanta Holding Corp (CVA) is probably traded around a trailing EV/EBITDA multiple of 10-11.

EV/EBITDA Covanta Holding Corporation



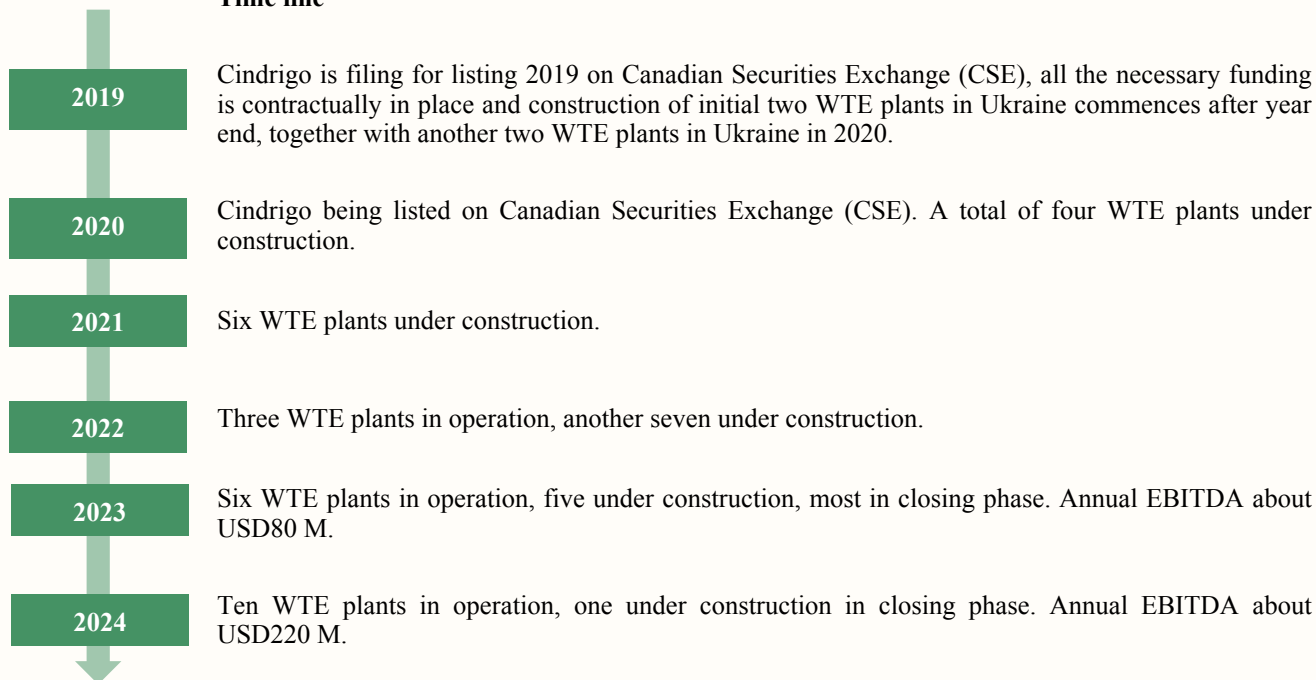
Source: Standard & Poor's (S&P) Capital IQ, 2017



# VALUATION

Covanta Holding is valued at 2019 forward EV/EBITDA 10-11. Based on the assumed financial expansion and projected P&L, a EV/EBITDA multiple of 13 *over time* could be a good benchmark for Cindrigo. As a conservative approach, based on the Company's short history, Cindrigo is not assumed to reach EV/EBITDA 13 immediately, but over time achieve a multiple expansion.

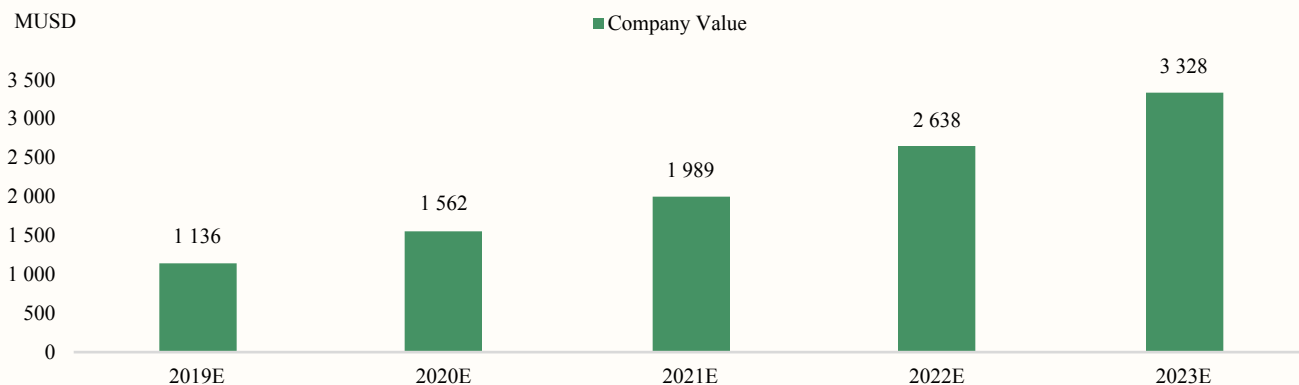
## Time line



By implementing a valuation discount of the target EV/EBITDA-multiple of 13 in 2024, which is diminished as Cindrigo expand operations, a valuation for 2024 is derived at about to USD3,300 M. With this benchmark, a value curve for previous periods can be calculated. Adjustments have then been made for assumed net debt, as well as plants in Ukraine being done under a JV with China Energy/JTC and or other financial partner, i.e. Cindrigo does not obtain full value. Depending on equity ownership (assumed to be 75% during operational phase), values have been adjusted.

**As the utility assets develop, the value grows as different risks are being mitigated along the process.**

Forecasted company value (Market Cap), Cindrigo, million USD



*Cindrigo is assumed to operate with a high level of initial debt. From 2021/2022, the WTE plants starts to generate cash flows, affecting the net debt as well as providing the possibility to finance new WTE plants using internally generated funds. A net debt level of USD60 M for 2020 and USD120 M for 2021 to 2023/2024 is assumed. Between 2020 and 2022, company value could increase significantly based on a high volume of operating WTE plants in play, as well as many of them having proven operational record.*

Analyst Groups forecast

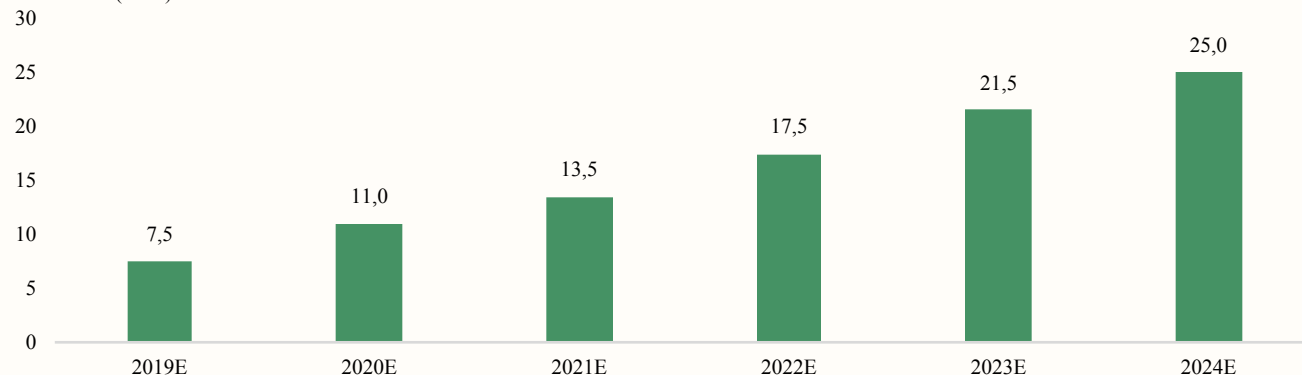
# VALUATION

The initial valuation for 2019 are benchmarked against 2024. The valuation share increases as projects move forward, also risk is considered to be largely mitigated by the JV with China Energy and JTC.

Based on the expansion that Cindrigo could achieve, the value of the company could increase significantly.

Forecasted company value per share (USD)

Share Price (USD)



Based on initial 139,900,000 shares outstanding. Following is approx. assumed number of shares outstanding in each period: 2019: 145k, 2020: 146k, 2021: 147k, 2022: 150k, 2023: 154k, 2024: 154k. Furthermore, the valuation for 2019 and forward is benchmarked towards initial base valuation derived from 2024. The increase in shares during 2019 is based on the assumption that Cindrigo might raise additional cash within 12 months from the publication of this analysis. However, in practice, this could be the case during 2020 and not 2019, but in order to take this potential effect into consideration, the additional shares are included in the 2019 valuation per share.

Analyst Groups forecast

The valuation is based on a continuing expansion within and to some limited extent outside of Ukraine. Cindrigo have opportunities for further growth:

- Cindrigo could add a more refined sorting facility. Also, a higher scale of biogas production could be possible. Better handling of different types of material and waste, could result in increased revenues and profitability.
- Cindrigo is most likely to receive some Tax subsidies, at during the initial years, which would result in better profitability and Cash Flow.
- Parallel with Ukraine, Cindrigo could faster than planned start looking towards other markets both within and outside of Europe, e.g. South America and Southeast Asia. And in Ukraine, Cindrigo is assumed to have the possibility to scale up the expansion even more than assumed in this document.
- It is reasonable to assume that the “input” used as fuel (i.e. waste) could change (more fine, healthcare products, pharmaceuticals etc.). I.e. increase the revenue from gate fee, but with slightly higher operational cost as well, but still net gain.
- Investments in other renewable energy, e.g. solar energy etc.

By adding these factor, the potential value could be higher. However, it should be noted that when the company register there is no real "buy side" why there can be some initial downward pressure until investor communication/buy side is established, during approx. one year from listing.

After 2023 the power of the valuation forecast diminishes. Looking further in the future, a valuation of over USD5,000 M in 8 – 10 years from now could be possible, based on Cindrigo adding more WTE plants in and outside of Ukraine, expanding to other areas (South America, Southeast Asia etc.), as well as investing in other renewable energy.

**OVER  
USD5,000 M  
IN VALUE  
ESTIMATE IN  
8 – 10 YEARS**

# INVESTMENT RISKS

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## Investment risk

- There is a general market risk when operating within Ukraine, including slower permitting processes and bureaucracy, which could cause delays on the planned development plan, and also increase construction times, especially for the first projects. Also, in addition to the market risk, there is a general project risk for the construction of each individual WTE plants to take into consideration.
- Cindrigo is in different ways exposed to political, legal, tax, currency, inflation, convertibility and repatriation risks, as well as potential constraints on the development and operation of potential business.
- Cindrigo, as business in general, is exposed to economic slowdowns and general reduction in demand for goods and services, and could by other reasons not being able to attract resources to facilitate the growth.
- There is a risk that the Ukrainian Government could reduce their environmental “right doing”, which could result in a lower support and focus on the area that Cindrigo operates within.
- There is a risk in the Chinese Partners and Banks meeting the timeline due to internal procedures and process.
- The process for listing on the Canadian Securities Exchange has been initiated. There could be a risk that the share experience a downward pressure from existing shareholders.
- Today Cindrigos organization is dependent on a few key people, which makes the Company somewhat vulnerable towards personnel and management turn over.

## Risk mitigation

- Local support from the municipalities who has both appointed land for the plants as well as guaranteed its full support for all local processes including delivering of fuel (i.e. municipal solid household waste).
- The partners have a strong experience in developing these kind of projects, and have a full “turn key” responsibility for the construction, including the project financing for initial WTE plants.
- The projects financing is secured through agreements with China Energy, with support from Chinese Banks and state-owned insurance company Sinosure.
- China Energy has long strong track record in successfully completed previous WTE plants. Also, China Energy have strong experience in dealing with both the Chinese suppliers and the banks, as well as having a strong balance sheet which makes them a valuable partners for Cindrigo.
- The Ukrainian Government will pay for the electricity in euro, further lowering Cindrigos currency risk.
- Ukraine is taking strong actions to show that they are getting closer to the EU.
- There is a significant need for handling MSW both in the Ukraine and other growth markets. In these markets there are also a need for increasing internally generated energy production.
- The risk for the share experiencing downward pressure after listing, as a result of existing shareholders looking for an exit, could be mitigated based on the gradual release of the regulatory lock-up.

# MANAGEMENT AND BOARD



## Jörgen Andersson

**Chairman of the Board**, background e.g., Former Minister of Interior (Sweden), Minister of Energy (Sweden) and Mayor in the City of Halmstad, member of Swedish Central Bank, the Board of Sydkraft (today owned by E.ON, the world's largest private energy group) and Chairman of Vattenfall.

Controls Direct or Indirect 3,310,000 shares (2.4%)



## Mustaq A Patel

**Chief Executive Officer (CEO)**, Legal and Financial advisor background in mergers and acquisitions, international business development structuring and project finance. His experience includes dealing with M&A transactions for clients such as Hewlett Packard, Compaq, Ford Motor Company, Hutchinson Whampoa, Rank Organization, Airbus and the Royal Bank of Scotland. He spent two years working for the Government of Brunei in the recovery and restructuring of assets for the Brunei Investment Agency. Mr Adam was previously the Head of Legal & Corporate Affairs for Petromir, one of the world's largest gas fields (Angaro-Lenskoye field) in the East Siberian region of Russia.

Controls Direct or Indirect 6,058,940 shares (4.3%)



## Lars Guldstrand

**Senior Executive Director**, Mr. Guldstrand has more than 30 years of executive positions and international investing experience from the Energy, Technology, Telecom and Media sector. During his career, Mr. Guldstrand has held executive positions in a number of private and public companies in Europe, USA, Middle East and Asia.

Controls Direct or Indirect 10,877,272 shares (7.8%)



## Dag Andresen

**Director** with a solid background in the financial sector (among others responsible for the energy sector at Nordea Bank one of Northern Europe's largest banks) and the energy sector. Previously Deputy CEO and CFO of Vattenfall (Swedish state owned and one of Europe's largest Energy Companies) and most recently Deputy President of Vestas (Wind Power). Currently Independent advisor in the PE industry

Controls Direct or Indirect 471,500 shares (0.3%)



## Bo Thorén

**Director and Secretary of the Board** and lawyer to profession, and was also previously the Chairman of BiogasProm. Mr Thorén has also been involved in the previous work of the projects executed in the other legal entities.

Controls Direct or Indirect 1,130,010 shares (0.8%)



## Christer Grundström,

**Director**, education from the Royal Institute of Technology (KTH), Stockholm within Real Estate & Building Technique. With a business background as independent investor in multiple areas, primarily with focus on the Real Estate, SME investments and the stock market. Chairman of the Board of BiogasProm AB, the second largest shareholder and also Cindrigos local partner in Ukraine. BiogasProm is an independent Swedish-based strategy, engineering and consulting firm established in 2008, focusing on the Energy and IT/Technology sector in Eastern Europe.

Controls Direct or Indirect 18,597,955 shares (13.3%).



## Peter Lindh

**Director**, background primarily in the financial sector. During his career he has held various positions within the wealth management operations of Svenska Handelsbanken in both Sweden and Luxembourg. He has also 16 years of experience from wealth management at HQ Bank (previously Hagströmer & Qviberg Fondkommission). Until 2007 Mr. Lind was a partner of HQ Bank where he was involved in establishing the private banking offer. 2007-2013 he was a partner with investment company GKL Growth Capital and KMW Energy, 2013-2018 chairman of Amarant Mining. Mr Lind has been board member in a number of private and public companies.

Controls Direct or Indirect 1,039,977 shares (0.7%).

# OTHER KEY PERSONEL

## Brian Kennedy

**Chief Financial Officer (CFO)**, he is a CPA, CA and has a BBA qualification. Brian has also been a CFO and CEO of several public and private companies. He has a proven track record of successfully launching early stage Companies, managing growth situations, raising capital in both the private and public marketplace, structuring and taking Companies public and participating in merger and acquisition transactions. Mr. Kennedy obtained his Chartered Accountant designation while auditing at Deloitte and has a Bachelor of Business Administration degree from York University located in Toronto Canada. Controls Direct or Indirect 200,000 shares (options) (0.1%)

## Anders Bohm

**Chief Technical Officer**, with a solid background in the Process and Energy Sector in several leading managerial and CEO roles in the Nordic region and Central Europe. From 2001-2014 CEO and Senior Executive Advisor for one of the leading EPC contractors in the Renewable Energy sector in the Scandinavian Region, primarily focusing on Biomass Incineration Industry, thereafter International consultancy with leading European Supplier in the Renewable Energy Industry WTE and others. Controls Direct or Indirect 150,000 shares (0.1%)

## Konstantin Gribov

**Legal counsel**, based in the Ukraine, with over 20 years of experience in corporate and commercial laws. Has spent over 14 years practicing at different international law firms (such as CMS Cameron McKenna, DLA Piper, Ernst & Young Ukraine) and has considerable industry experience in energy and infrastructure, as well as transaction structuring including M&A, "green field" and turnkey projects, international taxation and financing aspects.

Mr Gribov has also been involved in the previous work of the projects executed in the other legal entities. Mr Gribov is recommended among leading lawyers in Energy and Infrastructure, Project Development and M&A by IFLR1000, 2017; and recommended among leading lawyers in Energy and Natural Resources by Chambers Europe 2017 and Best Lawyers International 2017. He is also the co-author for the European Energy Handbook for the Ukrainian Energy Law section. Controls Direct or Indirect 150,000 shares (0.1%)

## Magnus Nygren

**Business Development Officer**, lawyer and holds an LLM and an MSc from the University of Lund, Sweden, and the University of London, United Kingdom. Mr Nygren has been involved in the finance industry for over 20 years with, amongst others, companies like Mayfair Investment Group, Vinge and Ress Capital. He has also been a senior advisor on strategy and finance to the energy company Vattenfall AB over the last five years, during the establishment of its renewables business – from an early stage commercial unit, through substantial investments in the range of £20 billion, into an industry leader in Europe. Mr Nygren has also been involved as advisor in the previous work of the projects executed in the other legal entities. Controls Direct or Indirect 50,000 shares (0.04%)

## Jan Wester

**Technology/Engineering Project Manager** with a long background in the energy sector being responsible for several EPC projects in the Nordic Market. Educated from KTH Royal Institute of Technology Stockholm with a Masters degree in Energy Management and Systems Technology, specialized in Steam power stations and District heating applications. Mr Wester has also been involved in the previous work of the projects executed in the other legal entities. (No shareholding)

## Simon Jansson

**Senior Technical Specialist and Procurement Advisor** (Consultant from RSM AB). Project Coordinator of procurement of process equipment for the WTE Facility. Mr Jansson has over 10 years of experience from Project management and procurement of equipment for WTE/CHP plants. He has mainly been involved in large CHP projects primarily WTE plants but also biomass fired plants in the range from 30 to 110 MW, recently finished as the Owners Project Manager for the +300M€ 480,000TPD WTE plant in Västerås Sweden. He has solid experience from process design and project management. Mr Jansson has also been involved in the previous work of the projects executed in the other legal entities. No shareholding

## Sergey Demenschenko

**Chief Technical Officer, Ukraine.** After graduation from Kiev Polytechnic Institute, Electrical power systems and networks, Kiev, Ukraine, has he obtained a large experience in the energy sector in Ukraine. He has been the senior engineer for some of the larger Power plants, with sizes up to 300 MW. He has been with TeploElektroTsentral No. 6 Kievenoergo, Kiev, a wood waste plant for almost 20 years. Most Recent as the Chief Technology Officer in a role where he has been supervising the construction of waste and biomass power plants., drawing up technical specifications, working with design and commissioning organizations. Putting equipment into operation, reaching the designed capacity, as well as Chief engineer for operations and environmental issues of the branch. (No shareholding)



# SHAREHOLDERS

Shareholders	As of October 1 <sup>th</sup> , 2019	No. Of shares	Equity %
1	Danir AB	47 460 548	33.9%
2	Biogas Prom AB	8 747 223	6.3%
3	Christer Grundström	6 636 762	4.7%
4	Mustaq Patel	6 058 940	4.3%
5	Bergasols Stiftelse	5 710 620	4.1%
6	Greenwolf Holding Ltd	4 982 135	3.6%
7	IMM Int'l Mgmt, Mergers and Aquisitions Ltd	3 606 822	2.6%
8	Japra Invest AB	3 310 000	2.4%
9	Uke engineering services AB	3 213 970	2.3%
10	Christer Elmehagen	2 512 210	1.8%
11	Neris AB	2 460 245	1.8%
12	Derbio AB	2 015 770	1.4%
13	Thomas Hellgren	1 680 000	1.2%
14	3C Capital PTE Ltd	1 435 066	1.0%
15	BCX Invest Limited	1 362 258	1.0%
16	Ukraone	1 356 955	1.0%
17	Babord Consulting AB	1 293 390	0.9%
18	Custodian Life	1 228 690	0.9%
19	Resq Capital Ltd	1 213 790	0.9%
20	Lars Christianson	1 121 670	0.8%
21	Yevhenii Skulshy	1 065 450	0.8%
22	Andreas Corneliusson	1 039 710	0.7%
23	Rock Lime AB	1 005 914	0.7%
24	Thi Phoung Lan	975 000	0.7%
25	Rederi AB Castor	946 260	0.7%
26-421	Others	27 466 329	19.6%
	<b>Total</b>	<b>139 905 727</b>	<b>100.0%</b>

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## **Other**

This analysis is a task analysis. This means Analyst Group has received payment for doing the analysis. The Principal, **Cindrigo Energy Limited**. (furthermore” the Company”) has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

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7346

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