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ארנסט יאנג (ישראל) בע"מ
דרך מנחם בגין 144א'
תל-אביב, 6492102

טל. 972-3-6232525+
פקס 972-3-5622555+
ey.com

15/03/2021

לכבוד:
אסי יצחיאק, מנכ"ל סומוטו לימיטד
רחוב הברזל 10 ת"א,

הנדון: **<u>מכתב לסומוטו לימיטד בנוגע להערכת שווי נוסטרומו בע"מ ליום 30.6.2020</u>**

ארנסט אנד יאנג (ישראל) בע"מ ("EY" או "אנחנו") ביצעה בחודש נובמבר 2020 ("מועד פרסום הערכת השווי") עבודת הערכת שווי עבור סומוטו לימיטד ("הלקוח") המכילה את ניתוח הערכת שווי הפעילות של נוסטרומו בע"מ ("החברה") נכון ליום 30 ביוני 2020 ("מועד הערכת השווי").

בסמוך לתאריך מכתב זה (15/03/2021) קיימנו שיחות עם הנהלת החברה אשר סיכומן התקבל מהחברה בכתב ועיקרן כדלהלן :

- לטענת החברה ולמיטב ידיעתה לא ארעו אירועים משמעותיים, ולא חל שינוי לרעה בתחזיות החברה עליהן התבססה הערכת השווי כאמור, בחודשים שחלפו ממועד פרסום ההערכת השווי שביצענו, ועד תאריך מכתב זה, ואשר ביכולתם לפגוע בתוצאות הערכת השווי כפי שהוצגו בעבודתנו.
- בנוסף, דווחנו כי, שאטוק מאיו, יו״ר חברת האנרגיה הגדולה בארה״ב, אקסלון, המהווה צד ג' (לא היה בעל עניין בחברה טרום ההשקעה), הצטרף כמשקיע פרטי בחברה (סגר את סבב קדם המיזוג שבוצע ע"י החברה), ההשקעה בוצעה לפי שווי חברה של 37 מליון דולר.

לאור האינדיקציות שהתקבלו מהחברה והמתוארות לעיל, אנו יכולים להניח כי החל ממועד פרסום הערכת השווי ועד למועד מכתב זה, לא חל שינוי לרעה בשווי פעילות החברה, כפי שמתוארת בעבודת הערכת השווי שביצענו.

בכבוד רב,

ארנסט יאנג (ישראל) בע"מ

Nostromo Ltd.
Business Valuation

Valuation of Nostromo Ltd.'s Enterprise Value, as of June 30, 2020

Reliance Restricted

25 November 2020

EY
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Reliance Restricted

Somoto Ltd.
Assi Itshayek, CEO
10 Habarzel St., Tel Aviv, Israel

Ernst & Young (Israel) Ltd.
Transaction Advisory Services

144th Menachem Begin St,
Tel Aviv 6492102, Israel
ey.com

Prof. Hadas Gelander
Partner

Transaction Advisory Services
T +972 (0)3 7611322
M +972 (0)3 5633521
E Hadas.Gelander@il.ey.com

Valuation of Nostromo Ltd. — November 2020

Dear Mr. Itshayek,

In accordance with your instructions, we have performed the work set out in our engagement agreement and statement of work dated September 15, 2020 between us and Somoto Ltd. (the “Clinet” or “Somoto”; the “Engagement Agreement”). Ernst & Young (Israel) Ltd. ("EY" or "we") is pleased to present the following report (the "Report") covering the valuation analysis of Nostromo Ltd.’s enterprise value (“Nostromo” or “Company”) as of June 30, 2020 (the “Valuation Date”).

It may be noted that for carrying out the Report, we have relied upon information provided by Nostromo’s management (“Management”). We have been given to understand that the information provided is correct and accurate and that the Management was duly authorised to provide us the same.

Purpose of our report and restrictions on its use

This Report was prepared on the specific instructions of Somoto solely for the purpose stated in the Engagement Agreement and should not be used or relied upon for any other purpose. It is our understanding that our valuation will be used by Somoto’s board of directors, and Somoto may disclose this Report to any third party or to the public.

This Report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Agreement.

We accept no responsibility or liability to any person other than Somoto Ltd., or to such party to whom we have agreed in writing to accept a duty of care in respect of this Report, and accordingly if such other persons choose to rely upon any of the contents of this Report they do so at their own risk.

Nature and scope of the services

The nature and scope of the services, including the basis and limitations, are detailed in the Engagement Agreement.

The scope of our work included conversations held with Management to understand the business, the expected financial performance of the Company and the risks associated with each aspect of the business, considering applicable economic, industry, and competitive environments, selecting and implementing appropriate valuation methodologies in the analysis; and preparing the following Report summarizing our recommendations of the Company’s enterprise value, along with the data and significant assumptions on which this fair value is based.

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144th Menachem Begin St,
Tel Aviv 6492102, Israel
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While each part of our Report addresses different aspects of our work, the entire Report should be read for a full understanding of our findings and advice.

For the purpose of our analysis, our Report does not take into account events or circumstances arising after the Report date and we have no responsibility to update the Report for such events or circumstances.

In accordance with our Engagement Letter, our analysis is subject to the limiting conditions specified in Appendix D of this Report.

We appreciate the opportunity to provide our services to Somoto. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours sincerely,

Prof. Hadas Gelander
Partner

Transaction Advisory Services
T +972 (0)3 7611322
M +972 (0)3 5633521
E Hadas.Gelander@il.ey.com

Ernst & Young Israel Ltd.

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Purpose and Objective

At the request of the Company, EY have been instructed to assist Management to determine the Company's enterprise value as of the Valuation Date.

Scope of work

The scope of our engagement included:

- Perform interviews with Management to understand the expected financial performance of the business and the risks associated with the business.
- Consider applicable economic, industry, and competitive environments, including relevant historical and future estimated trends.
- Understand the future strategy and key assumptions underlying management's projections.
- Perform a valuation analysis giving consideration to appropriate valuation approaches.
- Prepare a narrative report summarizing the methodologies employed in our analysis, the assumptions on which our analysis was based, and the range of values in which we find the Company.

Sources of information

We considered prospective financial information and other documents which are relevant to our valuation analysis. We also held conversations with several members of Management during the course of our engagement. With respect to documentation about the Company, we inquired about, and gave consideration to analysts and industry reports; documents provided by the Company and other documentation. The primary sources of information on which our analysis was based include the following:

- Management business plan and projections for the years 2021-2025.
- Conversations with Management concerning the nature and operations of the business.
- Information regarding pipeline.
- Other information provided by the Company.
- Other public information.

Limitations

In accordance with our Engagement Letter and the transmittal letter that accompanies this Report, our analysis is subject to the limiting conditions contained in Appendix D. Additionally, this Report, the conclusions contained herein and the associated exhibits and appendices should not be read or utilized in any way without consideration of these limiting conditions.

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- We performed an enterprise value analysis, **based on the projections that were provided by the Company**.
- In our analysis we identified the three main assumptions to which the value of the Company is most sensitive:
  - **Discount rate**: in our analysis we determined two types of discount rates, as would be further specified in the discount rate sensitivity analysis section.
  - **Lower risk discount rate** represents the risks of an on-going projects, after the agreement was signed and the project commenced. We examined the value assuming a discount rate in the range of 9% - 11%.
  - **Higher risk discount rate** represents the risk associated with reaching new clients and signing agreements in the terms that the Company projects. We examined the value assuming a discount rate in the range of 17% - 19%
  - **Annual Saving $/KWh** – average annual savings per KWh was assumed to be around USD 72. since the model is very sensitive to this assumption, we examined the value assuming an average annual saving in the range of USD 70-74 per KWh.
  - according to Management, the potential range of prices might be higher, therefore a sensitivity based on a wider range of annual saving was also performed, in the sensitivity analysis section.
- Please note, the value analysis only addresses the Company's operations, and does not include financial or non-operating assets or liabilities.

- Below is a table summarizing our enterprise value analysis, based on the ranges of annual saving and low-risk discount rates, as were presented herein:

USD (000)		Lower Risk Discount Rate				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
Annual	**70**	12,236	19,328	26,780	34,618	42,869
Saving	**71**	15,744	**22,930**	**30,482**	**38,425**	46,786
$/KWh	**72**	19,251	**26,532**	**34,183**	**42,231**	50,703
	73	22,759	**30,134**	**37,885**	**46,038**	54,619
	74	26,266	33,736	41,587	49,844	58,536

- The table below summarizes our enterprise value analysis, based on the ranges of annual saving and high-risk discount rates, as were presented herein:

USD (000)		Higher risk discount rate				
		19.0%	**18.5%**	**18.0%**	**17.5%**	**17.0%**
Annual	**70**	24,098	25,389	26,780	28,281	29,905
Saving	**71**	27,461	**28,916**	**30,482**	**32,172**	34,000
$/Kwh	**72**	30,825	**32,442**	**34,183**	**36,062**	38,094
	73	34,189	**35,969**	**37,885**	**39,953**	42,189
	74	37,553	39,495	41,587	43,843	46,283

- Section 2 of this report includes the main assumptions used for the value analysis.
- Section 3 to this report include further sensitivity analyses, considering other significant factors and assumptions.

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Business and Market Overview

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Renewable Energy Market Overview

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Renewable Energy Market

- Renewable energy is collected from renewable sources such as sunlight, wind and geothermal heat. It is considered more sustainable than fossil-fuel energy and has a smaller a negative impact on the environment.
- By 2050, the world's population is expected to grow by two billion people and global energy demand is expected to roughly double.
- The power sector is on the brink of a major transformation as more stakeholders look into the possibility of moving away from traditional fossil-energy-based centralized power systems towards the potential of renewable-energy based distributed generation.
- The European Commission has previously aspired for a 95% reduction in greenhouse gases by 2050, and in 2018 has raised the ambition to net zero emissions in Europe by 2050.
- Today, nearly 18% of all electricity produced in the United States comes from renewable energy sources, such as hydropower and wind — a figure that is forecast to climb.
- California has announced herself to be a world leader in promoting energy conservation and developing cleaner forms of energy, and renewed its commitment to develop new, greener sources of energy. The price of solar energy has declined by nearly 70% over the past eight years, making renewable energy the cheapest, unsubsidized source of electricity over natural gas and coal in many places.

Electricity power generation installed capacity by fuel, Renewable energy (RE) map case, 2016–50

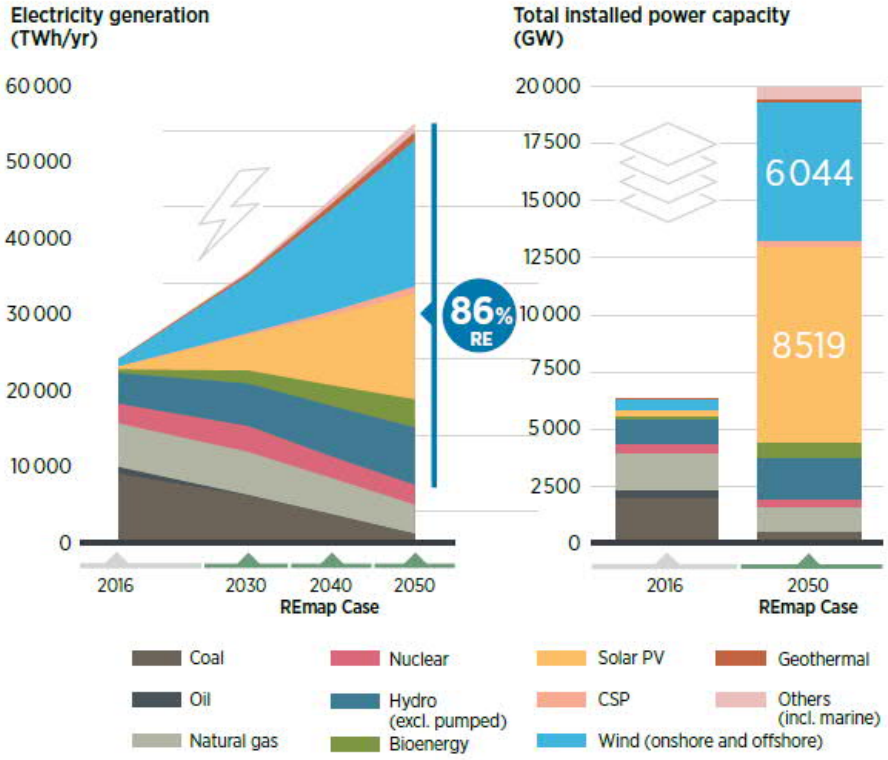

Figure based on analysis conducted in 2019, by International Renewable Energy Agency, the renewable share of global power generation is expected to grow from 25% today to 86% in 2050. The growth is especially strong for to VRE technologies- mainly solar photovoltaic and wind power.

Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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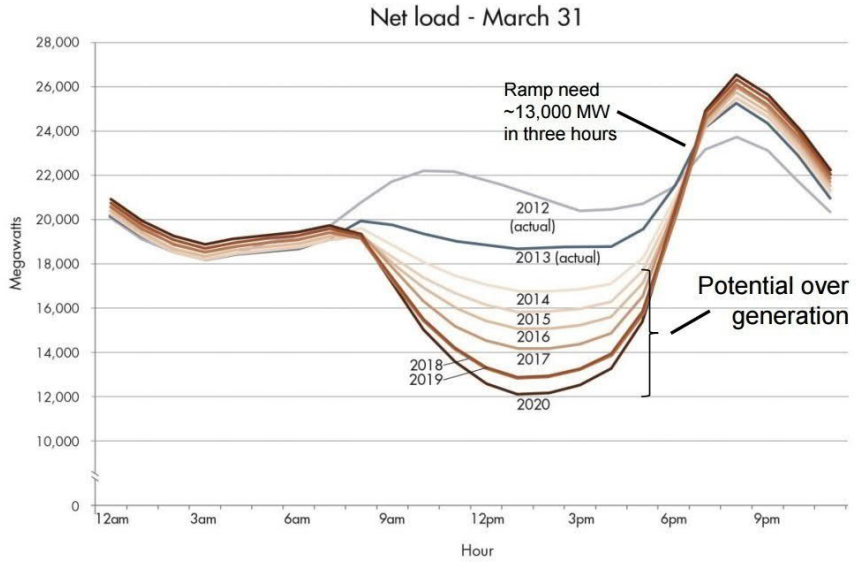
The duck curve effect:

- In 2013, the California Independent System Operator ("CISO") published a report that predicted the impacts of ever-increasing volume of intermittent renewable energy - predominantly solar - being installed and added onto the grid, and began preparing for the impacts it will have on net load. In the report CISO shared a chart that predicted these impacts from 2012 through 2020, that quickly became known as the "Duck Curve".
- The duck curve - named after its resemblance to a duck - shows the difference in electricity demand and the amount of available solar energy throughout the day. When the sun is shining solar floods the market, and then drops off as electricity demand peaks in the evening. The duck curve is a snapshot of a 24-hour period in California during springtime, when this effect is most extreme because it's sunny but temperatures remain cool, so demand for electricity is low since people aren't using electricity for air conditioning or heating.
- High solar adoption creates a challenge for utilities to balance supply and demand on the grid. This is due to the increased need for electricity generators to quickly ramp up energy production when the sun sets and the contribution from photovoltaic falls.
- Another challenge with high solar adoption is the potential for photovoltaic to produce more energy than can be used at one time, called over-generation.
- This leads system operators to curtail photovoltaic generation, reducing its economic and environmental benefits. While curtailment does not have a major impact on the benefits of photovoltaic when it occurs occasionally throughout the year, it could have a potentially significant impact at greater photovoltaic penetration levels.
- solar coupled with storage technologies could alleviate, and possibly eliminate, the risk of over-generation. Curtailment isn't necessary when excess energy can be stored for use during peak electricity demand.
- Energy storage offers a wide array of technological approaches for managing power supply, to create more resilient energy infrastructure and bring cost savings to utilities and consumers



Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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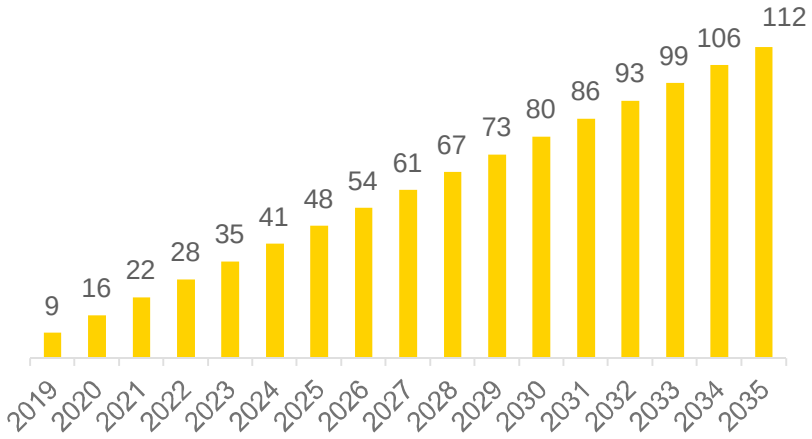
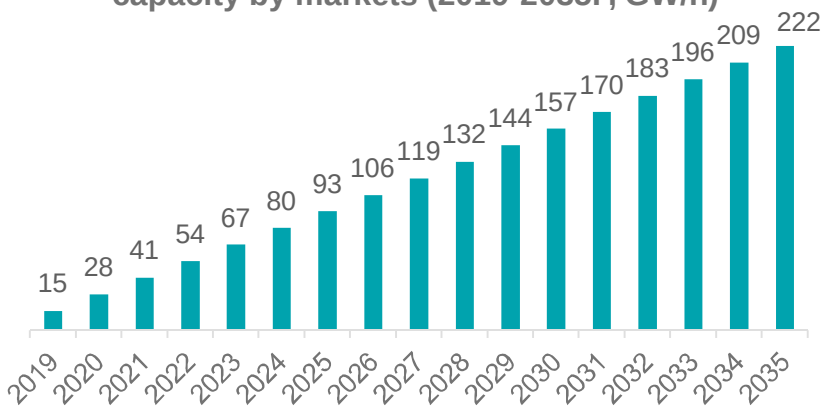
Energy Storage

- The market for energy storage is expected to grow at a CAGR of approximately 24.38% during the forecast period of 2020 – 2025. In an attempt to make the power industry more effective, a new trend in electric power production has witnessed intense development during the recent past, which is energy storage. Factors such as growing renewable energy sector, supportive government policies and schemes for energy storage systems (ESS), and improving energy storage economics, are expected to be the major drivers for the energy storage market in the coming years. Energy storage annual global revenue forecast is approximately USD 112B until 2035 and the capacity should reach 222 GW by 2035 , according to LUX research study.
- According to Mordor intelligence, energy storage market's demand in North America is expected to reach USD 23B by 2025.
- As of May 2019, The United States ("US") had an energy storage capability of over 31.2 GW, and globally installed energy storage totaled 175.8 GW, of which 96% came from Pumped Hydropower Storage ("PHS"), the rest coming from Compressed Air Energy Storage ("CAES") and battery storage.
- The National Renewable Energy Laboratory ("NREL") estimated that 120 GW of storage would be needed across the continental US by 2050, in a scenario where 80% of electricity will come from renewable resources.
- Energy storage is expected to reshape the energy sector by enabling widespread adoption and grid integration of solar and wind renewables.
- Energy storage market is divided by type: Batteries, Pumped-storage Hydroelectricity (PSH), Thermal Energy Storage (TES), Flywheel Energy Storage (FES), and by application: residential or commercial and Industrial.
- All grid-tied energy systems are situated either "in front of the meter" or "behind the meter".

Energy storage – stationary storage revenue by markets (2019-2035F,USD b)



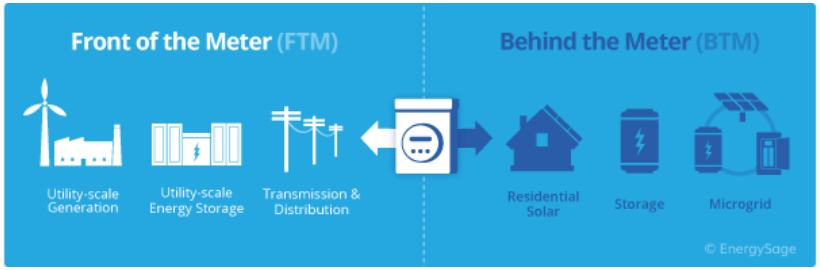
Energy storage – stationary storage capacity by markets (2019-2035F, GW/h)



Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

Behind the meter

- The difference between behind-the-meter (BTM) and front-of-meter systems comes down to an energy system's position in relation to your electric meter. A BTM system provides power that can be used on-site without passing through a meter, while a front-of-meter system provides power to off-site locations. The power provided by a front-of-meter system must pass through an electric meter before reaching an end-user.
- Behind the meter system operates as a large uninterruptible power supply (UPS) within a building. It helps charge its batteries from renewables and buys any extra energy as needed from the grid. It helps to directly reduce the amount of energy purchased by the building which is estimated to cut electricity bills costs by 80%.
- The system is mostly relevant for owner-occupied buildings that consume much energy and poses more challenges for tenant-occupied buildings since it requires the building owner to agree with each tenant for additional meters



- Behind the meter, energy storage is a type of unit that can store energy generated by behind the meter generation system, such as wind turbine, solar PhotoVolatic, or Combined Heat Power (CHP) unit, and then releases it when it is needed. For example, it can be released at night when a solar installation may not be generating energy.
- In recent years the traditional grid paradigm has been shifting towards the smart grid, where consumers are allowed to use their own renewable energy and interact directly with the grid. In this context, to maximize self-consumption and benefit the consumer and the grid, BTM electricity storage such as batteries can be a critical resource. BTM can, on the consumer side, reduce electricity bills and demand charges and provide backup power, while on the grid side, provide flexibility and defer investment in the network and peaking plants.
- If the consumer is connected to the electricity grid, BTM battery storage could also have benefits for the system operator. IRENA (2019d) shows that the main benefits of BTM storage for system operators are:
  - Providing flexibility through frequency regulation and energy shifting
  - Deferring network investment
  - Deferring peaking plant investment

Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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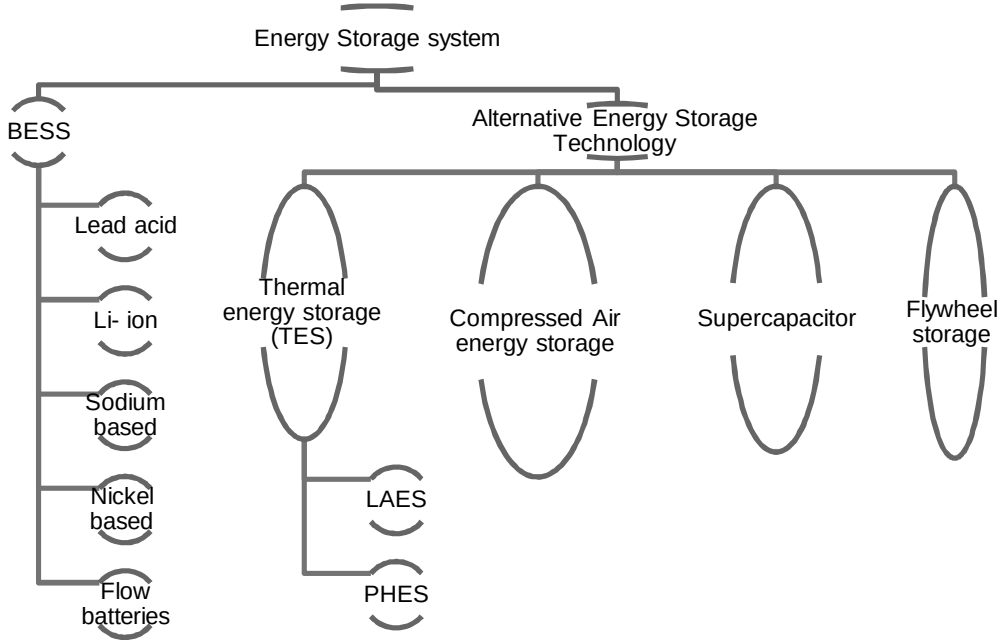
Electricity storage systems

- **Battery energy storage system (BESS):** a range of electrochemical storage solutions, including advanced chemistry batteries, flow batteries, and capacitors. On its most basic level, a battery is a device consisting of one or more electrochemical cells that convert stored chemical energy into electrical energy. Each cell contains a positive terminal, or cathode, and a negative terminal, or anode. Electrolytes allow ions to move between the electrodes and terminals, which allows current to flow out of the battery to perform work.
- **Flywheel energy storage systems (FESS):** A type of mechanical energy storage. Use electric energy input which is stored in the form of kinetic energy. A flywheel is a rotating mechanical device that is used to store rotational energy that can be called up instantaneously.
- **Compressed air energy storage (CAES):** Also type of mechanical energy storage. CAES offers the potential for small-scale, on-site energy storage solutions as well as larger installations that can provide immense energy reserves for the grid. CAES plants are largely equivalent to pumped-hydro power plants in terms of their applications. In a CAES plant, ambient air or another gas is compressed and stored under pressure in an underground cavern or container. When electricity is required, the pressurized air is heated and expanded in an expansion turbine driving a generator for power production
- **Electrochemical capacitors (ECs):** also appear under trade names like “Supercapacitor” or “Ultracapacitor”. When the two electrodes of an EC are connected in an external current path, current flows until complete charge balance is achieved. Because the charge is stored physically, with no chemical or phase changes taking place, the process is fast and highly reversible. Because of the high surface area and the small thickness of the double layer, these devices can have very high specific and volumetric capacitances. This enables them to combine a previously unattainable capacitance density with an essentially unlimited charge-discharge cycle life.
- **Thermal energy storage (TES):** Modern solar thermal power plants produce all of their energy when the sun is shining during the day. The excess energy produced during peak sunlight is often stored in thermal energy storage facilities – in the form of molten salt or other materials – and can be used into the evening to generate steam to drive a turbine to produce electricity.



Sources: Berkley Lab “The California Demand Response Potential Study, Phase 3”, EY, "Why investors are targeting new energy technologies“ Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy“ NREL, "Declining renewable costs drive focus on energy storage“ Deloitte, "Energy storage: Tracking the technologies that will transform the power sector“ University of Michigan, "U.S. grid energy storage factsheet“ EY & Eurelectric, "Where does change start if the future is already decided?", IEA “Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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Thermal energy storage (TES):

Liquid Air Energy Storage (LAES)

- Using liquefied air to create a potent energy reserve. LAES uses electricity to cool air until it liquefies, stores the liquid air in a tank, brings the liquid air back to a gaseous state and uses that gas to turn a turbine and generate electricity
- LAES is a long duration, large scale energy storage technology that can be located at the point of demand. The working fluid is liquefied air or liquid nitrogen (~78% of air). LAES systems share performance characteristics with pumped hydro and can harness industrial low-grade waste heat/waste cold from co-located processes. Size extends from around 5MW to 100s+MWs and, with capacity and energy being de-coupled, the systems are very well suited to long duration applications.

Source: company website

LAES involves three core processes**:**

- Stage 1. Charging the system. The charging system is an air liquefier, which uses electrical energy to draw air from the surrounding environment, clean it and then cool the air to subzero temperatures until the air liquefies. 700 liters of ambient air become 1 liter of liquid air.
- Stage 2. Energy Store. The liquid air is stored in an insulated tank at low pressure, which functions as the energy store. This equipment is already globally deployed for bulk storage of liquid nitrogen, oxygen and LNG. The tanks used within industry have the potential to hold GWh of stored energy.
- Stage 3. Power Recovery When power is required, liquid air is drawn from the tank(s) and pumped to high pressure. The air is evaporated and superheated to ambient temperature. This produces a high-pressure gas, which is then used to drive a turbine.

Pumped Heat Electrical Storage (PHES)

- PHES electricity is used to drive a storage engine connected to two large thermal stores. To store electricity, the electrical energy drives a heat pump, which pumps heat from the “cold store” to the “hot store” (similar to the operation of a refrigerator). To recover the energy, the heat pump is reversed to become a heat engine. The engine takes heat from the hot store, delivers waste heat to the cold store, and produces mechanical work. When recovering electricity the heat engine drives a generator

Sources: Berkley Lab “The California Demand Response Potential Study, Phase 3”, EY, "Why investors are targeting new energy technologies“ Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy“ NREL, "Declining renewable costs drive focus on energy storage“ Deloitte, "Energy storage: Tracking the technologies that will transform the power sector“ University of Michigan, "U.S. grid energy storage factsheet“ EY & Eurelectric, "Where does change start if the future is already decided?", IEA “Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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Energy Storage Market Overview

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Business Overview – Regulation

- Rules governing who should own and operate storage assets have long been a source of contention in electricity markets, according to IEA (International Energy Agency) tracking report in 2020, and in 2019 the number of markets ruling or revising these regulations increased. At the core of the issue is whether storage can provide services to electricity grids, including transmission and distribution deferral, together with flexibility and balancing services in energy and capacity markets.
- IEA report also indicates that storage underperformed in 2019, largely due to uncertainty and slow progress in establishing rules and regulations for its deployment and use. Direct support for storage through mandates and policies remains the most common option to incentivize deployment, but greater emphasis should be placed on making regulations transparent and open, and on developing markets for capacity, flexibility and ancillary services so that storage can compete with other technologies and measures.
- Business cases for storage can be complex, and generally not viable under legacy market and regulatory conditions. While it is not always cost-optimal for the system, co-siting renewables and storage may be the second-best option for deploying system flexibility.
- Peak reduction incentives: To reduce demand peaks, some jurisdictions have demand response programs to incentivize load reduction. Storage can be used to reduce load during system peak hours. The project owner is only paid the peak reduction revenue when the storage asset happens to reduce load during the system peak hours. In the case where a consumer tariff is linked to the maximum demand, storage can provide significant savings by reducing the capacity charge component of the tariff.
- Another important enabler for BTM storage is time-of-use. tariffs, which are also enablers of demand response. Time-of-use tariffs are time-varying tariffs that are determined according to the power system balance or short term wholesale market price signals (IRENA, 2019e). These allow consumers to adjust their electricity consumption (including BTM storage) to reduce their energy costs.
- Time-of-use tariffs allow consumers to see when electricity prices are high or low, suggesting optimal times for charging a battery. There are different forms of Time-of-use tariffs (IRENA,2019e): static Time-of-use pricing, real-time pricing, variable peak pricing, and critical peak pricing. Countries that have adopted Time-of-use tariffs include Italy, Spain, France and Sweden.
- High prices indicate a profitable time to discharge to the grid, thereby earning revenue from the gap between low price charging and high-price discharging. To do this, however, net billing schemes are required.

Sources: Berkley Lab “The California Demand Response Potential Study, Phase 3”, EY, "Why investors are targeting new energy technologies“ Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy“ NREL, "Declining renewable costs drive focus on energy storage“ Deloitte, "Energy storage: Tracking the technologies that will transform the power sector“ University of Michigan, "U.S. grid energy storage factsheet“ EY & Eurelectric, "Where does change start if the future is already decided?", IEA “Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

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Business Overview – Regulation – cont.

- US states are working to further clarify the role of storage. California's Independent System Operator continues to review its storage ownership rules. the Midwest Independent System Operator requested the federal regulator's permission to use storage as an alternative to transmission, the Texan grid operator, appointed an internal task force to define storage as an entity separate from generation or load.
- Since 2002 California Gov. Jerry Brown has continually sought to push the clean-energy standards forward. In 2017 when California reaches their goal to hit 50 percent renewable by 2020 the stat set an even loftier goal: 80 percent by 2050, according to Brown.
- According to Lawrence Berkeley National Laboratory's study about California demand response potential, the operating principles for the electric power system mean that achieving California's renewable energy goals requires careful planning to build and operate the system in a way that maintains reliability at low cost. The most fundamental of these principles is that generation and demand need to be balanced at all times. Historically this has meant building adequate flexible and dispatchable generators that can be operated to match inflexible and uncontrolled loads. Meeting large fractions of demand with variable renewable energy (VRE) generation introduces a new paradigm, exemplified by the "duck curve" in California.
- According to Berkeley Lab study, the Reference System Portfolio that is used to inform utility planning includes development of energy storage that is operated to serve about 10 GWh of consumption on the average day in 2020, 70 GWh in 2030, and 400 GWh by 2045.

Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework"

Capital raise and value indications in the Industry:

ORMAT

Market cap USD 3.7B

Acquired by ORMAT Technologies 20 MW / 80 Contracted, Operating Asset for USD 47M

VIKING COLD SOLUTIONS
THERMAL ENERGY STORAGE

Raised USD 17.34m Since 2007

NEXTera ENERGY

Market cap USD 148m

[e] enphase ENERGY

Market cap USD 13B

AUGWIND

Market cap USD 2.1B

Brookfield
Renewable Energy Partners

Market cap USD 22.3B

edp renewables

Market cap USD 13.7B

Meridian.

Market cap USD 14B

Source: Capital IQ, Crunchbase

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Nostromo – Company Overview

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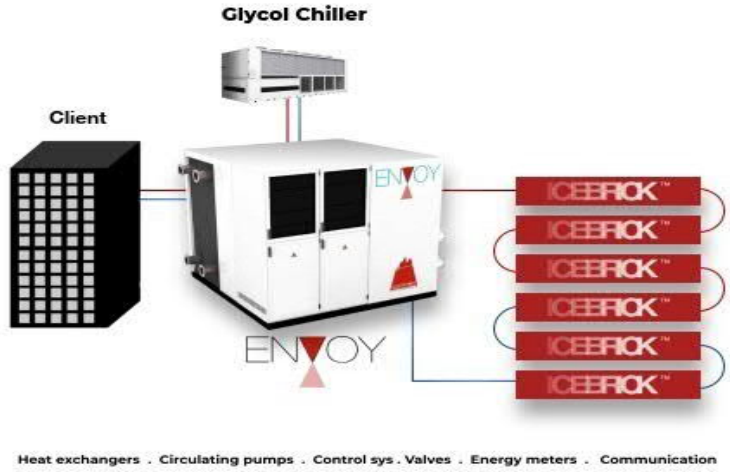
Company Overview

- Nostromo, established in 2017, has developed a water-based, behind the meter, energy storage technology.
- Nostromo's technology provides an environmentally friendly cost-effective alternative to Lithium batteries. According to the company it is a 100% recyclable solution and over 50% less expensive than alternative solutions.
- Nostromo's presentation suggests that 60% of electricity consumption goes to air conditioning and that 35-45% of electricity demand during peak demand is driven by the requirements of cooling system in a warm climate or during hot seasons. 78% of the world's population lives between the latitudes of 45˚N and 30˚S, which means that their peak demand is heavily subjected to cooling demands during peak hours in the summer months.
- Peak demand has been a primary pain point of the electrical grid. Since the grid that must cater for its peak demand (that occur only for a few hours a year), dramatically increases costs of the grid infrastructure. In hot climates, a huge portion of the peak demands is driven by the constantly growing needs for cooling.
- According the company the cooling demands of commercial buildings can be easily satisfied during peak hours by discharging cold energy. plain water that was transformed into ice, using cheap electricity at night or using the surplus production of solar energy. Any reduction of the current peak demand will increase dramatically the efficiency and flexibility of the grid and will enable higher penetrations of renewable.

The Technology

- Nostromo offers cold thermal energy storage solution through ice-bricks in a behind-the-meter format. The company presents the system as a safe, cost-effective, clean energy storage system. According to the company, IceBrick™ is a modular thermal cell that can fit any building as an extension, and it is 10 times more efficient in its energy density per square meter than any other available solution.
- Moreover according to the C, the system can take off 100% of the cooling loads for a long duration (4-8 hours) and by that release viable capacity for electric vehicle charging. the system is commercially available since mid-2020 at a cost of less than $400 per kWh with a warranty for zero degradation of the cells over 10 years of operation.



Source: company website

Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework", company website

Business Overview – cont.

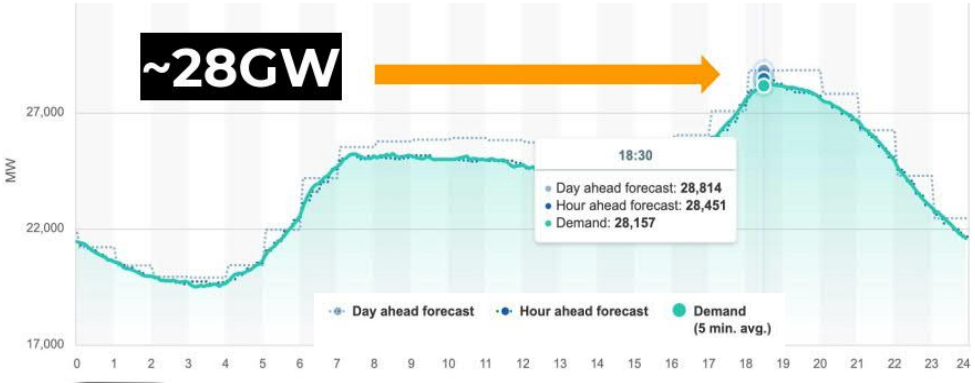
Target Market and Business Model

- Taking care of the grids' cooling demands after sunset is Nostromo's primary value proposition. When the PhotoVolatic systems stop producing energy, a very high percentage of these comfort cooling systems are still required and running till 9 pm or later. This period between dusk and late in the evening can only be addressed by energy storage.
- California Independent System Operator chart, the "Duck Curve", demonstrates exactly the electricity peak demand during evening hours and the potential over generation.
- NREL states that to achieve the goal of 50% power from solar energy by 2030, California must add at least 15 GW of storage with 60 GWh of energy storage. Every kWh in current battery technology requires ~0.9 kg of LCE (lithium carbonate equivalent). 60 GWh of storage will require 54,000 tons of LCE that will be replaced and disposed of every 10 years. This is for California alone. Therefore the USA and California state, in particular, are the primary market which the company addresses.
- Nostromo competes for the commercial market: hotels, hospitals, factories (with the need for cold water for manufacturing), shopping malls, office buildings, air terminals, all commercial AC consumers in warm countries such as California and Hawaii.

Indication of value

- According to information provided by Management, The company is in advanced stages of signing an investment agreement with Israel Electric Company ("IEC"). The invested amount is expected to be USD 500k, based on a pre-money valuation of USD 30m. The investment was recently approved by the IEC board.

California spring peak demand ~28GW (March 6, 2019)



California Summer peak demand ~44GW (September 3, 2019)

Source: company website

Sources: Berkley Lab "The California Demand Response Potential Study, Phase 3", EY, "Why investors are targeting new energy technologies" Berkley Lab, "Report confirms wind technology advancements continue to drive down the cost of wind energy" NREL, "Declining renewable costs drive focus on energy storage" Deloitte, "Energy storage: Tracking the technologies that will transform the power sector" University of Michigan, "U.S. grid energy storage factsheet" EY & Eurelectric, "Where does change start if the future is already decided?", IEA "Energy Storage More efforts needed" Us Department of energy " Confronting the Duck Curve: How to Address Over-Generation of Solar Energy", Aurora blog "The Duck Curve: A Review of California's Daily Load Predictions", Mordor intelligence study report "Global energy storage market (2020-2025)", IRENA "Electricity Storage Valuation Framework", company website

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Company Valuation

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Key valuation assumptions

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Prospective financial information

Basis of Preparation

- Management provided us two sets of projections, differing in a few assumptions:
  - Normal/moderate Projection (the "Normal Projections" or the "Projections") – In this scenario, the Company assumes to reach 340MWh of installed capacity for projects, by 2025.
  - Aggressive Projection – this projection is based on the assumption that the Company will increase it's sales and marketing and operating efforts and expense, in order to reach higher market penetration. In this scenario, the Company assumes to reach 440MWh of installed capacity of projects by 2025.
- The basis of preparation of this Report is the Normal/moderate Projection. The Company's value under the Aggressive Projects are specified in the sensitivity analysis on Section 3. Each set of projections was provided by the company to the net income level, for the period of 2021-2025.
- According to Management the projection for year 2021 is based on actual project pipe-line, while years 2022-2025 are the forecasted projections.
- We made a few adjustments to Management's projections, based on discussions with Management, to derive the actual projected cash flow. All changes were discussed and approved by Management, as follows:
  - In Management's model, depreciation each year was calculated only based on new projects. In our model depreciation is based on all fixed assets.
  - In Management's model NPV calculation per Medium and Large projects didn't include CAPEX. In our model we included all CAPEX, based on Management's assumptions.
  - In Management's model, Large projects are defined as 5,000 KWh, however in certain calculations Large projects were assumed to be 5,500 KWh. We adjusted all calculations for Large projects to be based on 5,000KWh.
  - Few minor changes regarding formula mistakes.

Key valuation assumptions

General

- The fair value of Nostromo was calculated based on the income approach, by utilizing the DCF methodology. For further information please see Appendix B.
- The Company installs and sells 3 identical system types in different sizes: Small (1,500KWh), Medium (2,500KWh) and Large (5,000KWh)

The Company has 2 different business models:

- **Installing Projects (ESCO – Energy Saving Company Model):**
  - The Company will install the systems in the Client's property, at Company's costs, and engage with Client in a revenue-share agreement, based on sharing the saving of the Client's electricity payments.

Revenues

- Per Management, revenue share is based on a typical ESCO revenue sharing agreement (% of saving for the Company: 80% in the first 3 years, 70% for years 4-5 and 50% from year 6 onwards). The Company assumes contracts with clients will be signed for 15-20 yeas with exit penalties. We note that current signed projects are at value share of 50-50% from their commencement, since they are funded by grants. Management assumes that going forward profit sharing will be as stated above.
- Management provided an estimated annual cost saving per KWh, with a breakdown to the different types of clients (Offices, health centers and hotels) and to geographic locations (Northern, Central and Southern California). In our analysis we used the average annual saving between all locations and client types, of 72$ per KWh.
- For more details please see Section 3 - sensitivity analyses.

2 Company Valuation

Key valuation assumptions

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Costs

- System costs, assembly and installation will be at Company's cost, and are considered fix assets, depreciated over 10 years. CAPEX related to raw materials, assembly and integration is estimated at 265$, 254$ and 242$ per KWh, for Small Projects, Medium Projects and Large Projects, respectively. The difference in cost between project sizes is related to economy of scale.
- COGS include employees costs related to the deployment of new project installed: for 7 new installed projects a single support employee will be required, and for 14 new installed projects a single service employee will be required. Cost per service and support employees is estimated at 120,000$.
- Installed systems require ongoing OPEX, mainly for operation and maintenance for installed projects, and administrative costs related directly to the project. the Company estimated the annual costs at 3,000$ per project (regardless of the project size).

- **Sales to strategic partners**
  - The Company sells the Liquid Ice Cell bricks (one brick is 12.5KWh) through partners, and only manufacture the system parts without installing the system and integrating it in the Client's property.
  - COGS related to raw materials for sales is estimated at 96$ per KWh, as it does not include planning in the end-client site, consultants, integration and deployment costs
  - The Company assumes the price per brick shall be 1,870$, and the cost per brick would be 1,200$, i.e gross margin of 36.8%.
- Per Management, the vast majority of revenues is projected to be generated in the ESCO business model.
- For the purpose of the valuation we assumed a different level of risk to the different business models. Once an ESCO agreement for 15-20 years is signed, and a system is installed at client's property, the risk associated with cash flows within the project is far lower than the risk associated with these projected revenues before such agreements are signed, or with sales in the strategic partners model.
- Therefore, our valuation approach is comprised of three steps:
  - The projected cash flow from each type of project, was discounted to the day of installation in a low-risk discount rate.
  - The discounted project cash flows were assumed to be generated on the year the project commenced. We added the revenues and costs associated with partnerships and the OPEX that are not associated with revenues but are facilitating future growth (such as S&M and R&D).
  - The overall cash flow was discounted to the Valuation Date in a high-risk discount rate.

Tax assumptions

- Based on discussions with the Company, we have applied the applicable statutory tax rate in Israel of 23%. Company's business plan is to have majority of the business in the US, therefore the actual tax rate might be different than 23%.
- As of June 30, 2020, the Company had net operating losses ("NOLs") of USD 3.2m. NOL can be used to offset against pre-tax earnings and therefore creates value by reducing the annual tax charge. We have estimated the value of NOL by multiplying it by the tax rate. No discount rate was assumed as it does not have a material effect in this aspect.

Net working capital was assumed to be insignificant based on discussions with management.

Leverage

The company assumes to finance each project by raising 80% debt, in a 4% interest rate. As of the date of this Report, the Company does not have outstanding debt, nor did it present solid evidence for its ability to raise such amounts at such rate. The DCF in this Report presents only the operating cash flow, and does not take into account financial cash flows, other than in the discount rate.

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Projections assumptions per project – ESCO – Small Project (1,500 KWh)

- DCF in the table below shows the projected 20 years cash flow from a single project (1,500KWh), including all revenues and expenses directly related to it.
- Revenues are based on the Company's share of annual saving.
- COGS are related to the Company's employees overseeing the deployment of new project installed
- OPEX include G&A costs and operating costs – related directly to operations and maintenance, that are estimated at 3.5% and 7% of project's revenue, respectively.
- COGS and CAPEX are assumed to occur at the first day of the project, and therefore are not discounted.

1500 KW - DCF (USD,000)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue	86	86.4	86.4	75.6	75.6	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0	54.0
COGS	(26)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEX	(2)	(2.4)	(2.4)	(2.1)	(2.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
EBITDA	**58**	**84.0**	**84.0**	**73.5**	**73.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**
Depreciation	(40)	(39.8)	(39.8)	(39.8)	(39.8)	(39.8)	(39.8)	(39.8)	(39.8)	(39.8)	-	-	-	-	-	-	-	-	-	-
Pretax income	**19**	**44.3**	**44.3**	**33.8**	**33.8**	**12.8**	**12.8**	**12.8**	**12.8**	**12.8**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**	**52.5**
Tax	(4)	(10.2)	(10.2)	(7.8)	(7.8)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)	(12.1)
Debt-free net income (loss)	**14**	**34.1**	**34.1**	**26.0**	**26.0**	**9.8**	**9.8**	**9.8**	**9.8**	**9.8**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**
Depreciation	40	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8	-	-	-	-	-	-	-	-	-	-
CAPEX	(398)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	**(343)**	**73.8**	**73.8**	**65.7**	**65.7**	**49.6**	**49.6**	**49.6**	**49.6**	**49.6**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**	**40.4**

USD 000	Present Value (PV)	% of revenues
PV of revenues sum	596.2	100%
PV of COGS	(25.7)	4%
PV of G&A and operating expenses sum	(16.6)	3%
PV of tax	(68.8)	12%
PV CAPEX	(397.5)	67%
PV of project	**87.7**	**15%**

Small Projects - 1500 KWH	2021E	2022E	2023E	2024E	2025E
# of new installed projects and sales	5	12	26	40	50
# of total installed projects	5	17	43	83	133
% of new installed projects	100%	86%	84%	77%	70%
% of total installed projects	100%	89%	86%	81%	77%

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Projections assumptions per project – ESCO – Medium Project (2,500 KWh)

2500 KW - DCF (USD,000)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue	144	144	144	126	126	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
COGS	(26)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEX	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBITDA	**116**	**142**	**142**	**124**	**124**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**
Depreciation	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	-	-	-	-	-	-	-	-	-	-
Pretax income	**52**	**78**	**78**	**60**	**60**	**25**	**25**	**25**	**25**	**25**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**	**89**
Tax	(12)	(18)	(18)	(14)	(14)	(6)	(6)	(6)	(6)	(6)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Debt-free net income (loss)	**40**	**60**	**60**	**47**	**47**	**19**	**19**	**19**	**19**	**19**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**
Depreciation	64	64	64	64	64	64	64	64	64	64	-	-	-	-	-	-	-	-	-	-
CAPEX	(635)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	**(531)**	**124**	**124**	**110**	**110**	**83**	**83**	**83**	**83**	**83**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**	**68**

USD 000	Present Value (PV)	% of revenues
PV of revenues sum	994	100%
PV of COGS	(26)	3%
PV of G&A and operating expenses sum	(17)	2%
PV of tax sum	(125)	13%
PV CAPEX	(635)	64%
PV of project	**191**	**19%**

Medium Projects - 2500 KWH	2021E	2022E	2023E	2024E	2025E
# of new installed projects and sales	-	2	3	8	11
# of total installed projects	-	2	5	13	24
% of new installed projects	0%	14%	10%	15%	15%
% of total installed projects	0%	11%	10%	13%	14%

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Projections assumptions per project – ESCO – Large Project (5,000 KWh)

5000 KW - DCF (USD,000)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue	288	288	288	252	252	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180
COGS	(26)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEX	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
EBITDA	**260**	**286**	**286**	**250**	**250**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**
Depreciation	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	(121)	-	-	-	-	-	-	-	-	-	-
Pretax income	**139**	**165**	**165**	**129**	**129**	**58**	**58**	**58**	**58**	**58**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**	**179**
Tax	(32)	(38)	(38)	(30)	(30)	(13)	(13)	(13)	(13)	(13)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)
Debt-free net income (loss)	**107**	**127**	**127**	**99**	**99**	**44**	**44**	**44**	**44**	**44**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**
Depreciation	121	121	121	121	121	121	121	121	121	121	-	-	-	-	-	-	-	-	-	-
WC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAPEX	(1,210)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	**(982)**	**248**	**248**	**220**	**220**	**165**	**165**	**165**	**165**	**165**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**	**137**

USD 000	Present Value (PV)	% of revenues
PV of revenues sum	1,987	100%
PV of COGS	(26)	1%
PV of G&A and operating expenses sum	(17)	1%
PV of tax sum	(268)	14%
PV CAPEX	(1,210)	61%
PV of project	**467**	**23%**

Large Projects – 5,000 KWH	2021E	2022E	2023E	2024E	2025E
# of new installed projects and sales	-	-	2	4	10
# of total installed projects	-	-	2	6	16
% of new installed projects	0%	0%	6%	8%	14%
% of total installed projects	0%	0%	4%	6%	9%

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Discounted Cash Flow

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Projections assumptions – cont.

Revenues

- The Company's revenues are comprised of PV of revenues from projects installed, and revenues from selling the system to strategic partners.
- Based on its projections, the Company expects to install a total of 173 systems in the US (340MWh of installed storing capacity), by the end of December 2025. New systems expected to be installed in FY2025 are valued (PV) at a total of 58.9m$.
- Based on its projections, new system to be sold in FY2025 are expected to produce revenues of 3m$
- The projected revenue growth is based on an assumption of annual increase in new projects installed, and an annual increase in sales to strategic partners, as can be seen in the table to the left. The Company projects that the selling prices and annual savings mentioned in the General section will remain constant.

COGS

- PV of COGS (project installation) is related to service and support of The Company's employees overseeing the deployment of new project installed.
- Cost of Partners support – the Company expect to hire as of 2025 an employee for service and support to the sales from strategic partners.

(USD in 000s)	2020E	2021E	2022E	2023E	2024E	2025E
PV Small Project - 1500KWH	-	2,981	7,155	15,502	23,849	29,811
PV Medium Project - 2500KWH	-	-	1,987	2,981	7,950	10,931
PV Large Project - 5000KWH	-	-	-	3,975	7,950	19,874
Total PV from project	-	**2,981**	**9,142**	**22,458**	**39,748**	**60,615**
Total Sales From Strategic Partners	-	**150**	**748**	**1,496**	**2,244**	**2,992**
Total PV from projects and revenue from strategic partners	**-**	**3,131**	**9,890**	**23,954**	**41,992**	**63,607**
Cost of goods sold (Strategic Partners)	-	(96)	(480)	(960)	(1,440)	(1,920)
PV of COGS (project installation)	-	(129)	(360)	(797)	(1,337)	(1,826)
Cost of Partners support	-	-	-	-	-	(120)
Total Cost of Revenues	**(176)**	**(225)**	**(840)**	**(1,757)**	**(2,777)**	**(3,866)**
Gross profit	**(176)**	**2,906**	**9,050**	**22,196**	**39,215**	**59,742**

# of new installed projects and sales	2021E	2022E	2023E	2024E	2025E
1500 KWH	5	12	26	40	50
2500 KWH	-	2	3	8	11
5000 KWH	-	-	2	4	10
Partnership - strategic sales (Bricks)	80	400	800	1,200	1,600

# of total installed projects	2021E	2022E	2023E	2024E	2025E
Small Projects - 1500 KWH	5	17	43	83	133
Medium Projects - 2500 KWH	-	2	5	13	24
Large Projects - 5000 KWH	-	-	2	6	16

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Projections assumptions – cont.

Operating expenses

- The Company has two types of OPEX – one is related directly to the support, maintenance and administration of projects, following installation, and other is related to the general growth of the Company (general and administrative, selling and marketing and research and development).
  - OPEX directly related to the installed projects are presented at PV as of the year the project is expected to commence.
  - OPEX related to the Company growth are based on the followings: for 2021-2023 the Company provided us with its estimation; afterwards, OPEX are assumed to remain a fixed percentage of revenues (G&A 7%, S&M 5%, R&D 13%, Operating expenses 7%). In the terminal years OPEX are expected to increase in the same growth rate as new projects.

CAPEX and Depreciation

- CAPEX are based on management assumptions of raw material costs, and growth assumptions.
- The CAPEX is estimated at 265$ per KWh for Small projects, 254$ per KWh for Medium projects and 242$ per KWh.
- CAEPX is depreciated over 10 years.

Tax expenses

- Per Management, the Company has a carry-forward loss of 3.2m$ as of the Valuation Date.
- Based on discussions with the Company, we have applied a tax rate of 23%.

(USD in 000s)	2020E	2021E	2022E	2023E	2024E	2025E
Total PV from projects and revenue from strategic partners	**-**	**3,131**	**9,890**	**23,954**	**41,992**	**63,607**
Gross profit	**(176)**	**2,906**	**9,050**	**22,196**	**39,215**	**59,742**
PV for G&A and operating expenses	(375)	(83)	(232)	(513)	(861)	(1,176)
General and administrative (company)		(600)	(700)	(800)	(886)	(1,525)
Operating expenses (company)		(40)	(172)	(446)	(886)	(1,525)
Selling and marketing	(17)	(500)	(600)	(600)	(633)	(1,090)
Research and development expense	(488)	(1,300)	(1,300)	(1,400)	(1,646)	(2,833)
EBITDA	**(1,055)**	**383**	**6,046**	**18,437**	**34,301**	**51,593**
Depreciation	(11)	(99)	(504)	(1,557)	(3,631)	(6,976)
EBIT	**(1,066)**	**284**	**5,543**	**16,880**	**30,671**	**44,617**
Income taxes	156	205	(499)	(2,076)	(4,076)	(6,111)
Debt-free net income (loss)	**(910)**	**489**	**5,044**	**14,804**	**26,594**	**38,506**
Add: Depreciation	11	99	504	1,557	3,631	6,976
Add/(less): Changes in DFNWC						
PV of CAPEX		(1,988)	(6,040)	(14,660)	(25,820)	(38,960)
Debt-free cash flow	**(899)**	**(1,399)**	**(493)**	**1,701**	**4,405**	**6,522**

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Projections assumptions – cont.

Terminal Value

- In estimating the terminal value, a 15% growth was assumed for the Years 2026-2030, based on Management assumptions, and afterward a long-term growth rate of 3% was applied.
- Our valuation for the Company is an Enterprise Value, without considering any debt items and non operating assets.
- Tax shield was added to the EV, representing the value of carry-forward losses, as was discussed above.

Discount Rate

- The cash flows were discount to the Valuation Date by the following rates:
  - Lower risk discount rate of 9-11% was applied for the cash flows in an operating project.
  - Higher risk discount rate of 17-19% was applied for the cash flows from partnerships or projects before commencement.
  - For further details regarding discount rates, please see Section 3.

(USD in 000s)	2020E	2021E	2022E	2023E	2024E	2025E
EBIT	**(1,066)**	**284**	**5,543**	**16,880**	**30,671**	**44,617**
Income taxes	156	205	(499)	(2,076)	(4,076)	(6,111)
Debt-free net income (loss)	**(910)**	**489**	**5,044**	**14,804**	**26,594**	**38,506**
Add: Depreciation	11	99	504	1,557	3,631	6,976
PV of CAPEX		(1,988)	(6,040)	(14,660)	(25,820)	(38,960)
Debt-free cash flow	**(899)**	**(1,399)**	**(493)**	**1,701**	**4,405**	**6,522**
Present value factor	0.96	0.85	0.72	0.61	0.52	0.44
Present value of after-tax cash flow	**(862)**	**(1,185)**	**(354)**	**1,035**	**2,270**	**2,849**

	10.5%	**10%**	**9.5%**
Present value of discrete cash flows (2020-2025)	2,214	3,753	5,373
Present value of terminal cash flow	23,628	29,740	36,169
Tax Shield	690	690	690
Total enterprise value, including cash	26,532	34,183	42,231

USD (000)		**Lower Risk Discount Rate**				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
2026-2030 Growth Rate	**5%**	13,820	19,328	25,116	31,203	37,612
	10%	16,319	22,642	29,288	36,278	43,635
	15%	19,251	26,532	34,183	42,231	50,703
	20%	22,674	31,072	39,898	49,181	58,953
	25%	26,650	36,347	46,537	57,255	68,537

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Sensitivity analysis

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3 Sensitivity analysis

Sensitivity Analysis – Discount Rate

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Range of Discount rates

- In our valuation, we applied two discount rates
  - Lower Risk Discount Rate – relates to the risk associated with the installed project's cash flows. The Company's business plan is to sign 15-20 years contracts with its clients, with exit penalties, and to share the profits from expenses saved by the system. The risks associated with this activity are comprised of the risk of client attrition, client's stability and its energy consumption, and value of annual savings.
  - Higher Risk Discount Rate – relates to the risk associated with the Company's cash flows that are not directly within the installed project, i.e., revenue from partnerships and OPEX related to recruiting new clients. In addition to the risks mentioned above, these cash flows are subject to the risks and uncertainties related to the company's fast expansion: signing agreements with clients, manufacturing and installing the systems, increased competition, etc..
- In order to determine the appropriate range of discount rates, we applied a few methods:

Higher Risk discount rate

  - Calculation of Weighted Average Cost of Capital ("WACC"). For further details see appendix C.
  - Determine discount rate range based on valuation guides for private equity investments in tech companies. For further details see appendix C.

Lower Risk discount rate

  - Review researches that discuss IRRs implied from investment in energy storage companies.
  - Augwind Ltd. (TLV: AUGN), is a publicly-traded Israeli company with the vision of becoming a leading and cutting-edge global technology provider in the energy storage and energy efficiency. In September 2020 FROST & SULLIVAN valuated the Company in 2.3B NIS, with capitalization rate range of 9% - 13%.

Implied Ranges

Source of information	Implied range
Higher Risk	
WACC	16%-20%
Rate of return for second stage companies	15% - 50%
Lower Risk	
Carofin	8% - 12%
Solar Power Portal	10%

Selected Range and Implied Results

Higher Risk discount rate: 16-20%

Lower Risk discount rate: 9-11%

USD (000)		Lower risk discount rate				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
Higher Risk Discount Rate	**20%**	15,531	21,570	27,918	34,594	41,622
	19%	17,256	23,872	30,825	38,138	45,837
	18%	19,251	26,532	34,183	42,231	50,703
	17%	21,577	29,630	38,094	46,996	56,367
	16%	24,313	33,274	42,691	52,596	63,022

3 Sensitivity analysis

Sensitivity Analysis – Annual cost saving per KWh

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- The company provided us with an estimated annual cost saving per KWh, with a breakdown to types of clients and geographic locations. The Company wishes to focus its efforts mostly on office buildings in southern California.
- In our report we used the average rate as the base case, since the Company has no historical results on which we could base the projected allocation. In this sensitivity analysis we examined the value assuming a wider range of values per annual cost saving.
- The table below presents the annual cost saving per type and location of project, based on Energy tool base, as was provided by the Company:

Building type	Geolocation	$/kWh savings	Geo focus	Vertical Focus	Weighted focus	Weighted $/KWh saving
Office Building	Northern two-thirds of California	64	20%	60%	12%	8
	Central, coastal and Southern California - LA	76	40%	60%	24%	18
	San Diego and southern Orange counties	120	40%	60%	24%	29
Hotel	Northern two-thirds of California	50	20%	10%	2%	1
	Central, coastal and Southern California - LA	49	40%	10%	4%	2
	San Diego and southern Orange counties	74	40%	10%	4%	3
Santa Monica Health Care Center	Northern two-thirds of California	64	20%	30%	6%	4
	Central, coastal and Southern California - LA	58	40%	30%	12%	7
	San Diego and southern Orange counties	93	40%	30%	12%	11
					Weighted Average	82.60

- In the table below we examined the value based on annual saving in the range of 49-120$, which are the min and max possible annual savings according to the data provided by the Company.
- 49 means that all projects will be in the profile of Hotels in Central California, which is the least profitable, and 120 mean that all projects would be in the profile of Office Buildings in Southern California, which is the most profitable.
- Since higher projected revenues correspond with higher risk, we also extended the range for the Lower-risk discount rate to be between 8%-12%:

USD (000)			Lower risk discount rate				
			12.0%	**11.0%**	**10.0%**	**9.0%**	**8.0%**
Annual Saving $/Kwh	Min	**49**	0	0	0	0	0
	Median	**64**	0	0	4,571	19,367	35,783
	Average	**72**	5,711	19,251	34,183	50,703	69,037
	Weighted Average	**82.6**	41,032	56,432	73,420	92,222	113,099
	Max	**120**	165,657	187,615	211,860	238,716	268,562

- In the table below we examined the value based on annual saving in the range of 49-120$, as described above, according to a Higher discount rate range of 16-20%:

USD (000)			Higher risk discount rate				
			20.0%	**19.0%**	**18.0%**	**17.0%**	**16.0%**
Annual Saving $/Kwh	Min	**49**	0	0	0	0	0
	Median	**64**	3,351	3,915	4,571	5,338	6,246
	Average	**72**	27,918	30,825	34,183	38,094	42,691
	Weighted Average	**82.6**	60,469	66,481	73,420	81,495	90,980
	Max	**120**	175,320	192,287	211,860	234,628	261,359

3 Sensitivity analysis

Sensitivity Analysis – Aggressive Projections

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- This sensitivity analysis examines the implied enterprise value of the Company based on the Aggressive Projections.
- As was described in Section 2, Management provided us two sets of projections, differing in a few assumptions:
  - Normal Projection in which the Company assumed to reach 340MWh of installed capacity by 2025.
  - Aggressive Projection in which the Company will increase it's sales and marketing and operating efforts in order to reach higher market appearance in the first 5 years. In this scenario, the Company assumes to reach 440MWh of installed capacity by 2025.
  - The differences between the Normal projection and the Aggressive projection are the number of units sold and the operating expenses, which are assumed to grow in order to facilitate the accelerated growth – percentage of operating expenses in 2024-2025 is expected to be 9% of revenues (compared to 7% in Normal Projections).
  - Higher risk discount rate of 20% (sensitivity analysis of 18-22%) was applied for the cash flows from partnerships or projects before commencement.
  - The sensitivity analysis that was performed based on the Aggressive Projections is subject to the same assumptions and method as were discussed and presented in sections 2.

Number of Units

# of new installed projects and sales	2021E	2022E	2023E	2024E	2025E
1500 KWH	5	12	26	40	50
2500 KWH	0	2	3	8	11
5000 KWH	0	0	2	4	10
Partnership - strategic sales (Bricks)	80	400	800	1200	1600

# of total installed projects	2021E	2022E	2023E	2024E	2025E
Small Projects - 1500 KWH	6	21	51	101	166
Medium Projects - 2500 KWH	-	3	8	18	34
Large Projects - 5000 KWH	-	-	3	8	21

Aggressive Projections DCF

(USD in 000s)	2020E	2021E	2022E	2023E	2024E	2025E
Total PV from projects and revenue from strategic partners	**-**	**3,727**	**12,672**	**30,313**	**51,929**	**83,481**
Total Cost of Revenues	**(176)**	**(250)**	**(1,063)**	**(2,177)**	**(3,471)**	**(4,697)**
Gross profit	**(176)**	**3,477**	**11,610**	**28,136**	**48,457**	**78,784**
PV for operating expenses	(375)	(99)	(298)	(629)	(1,077)	(1,557)
General and administrative (company)		(600)	(750)	(900)	(1,070)	(1,831)
Operating expenses (company)		(59)	(268)	(692)	(1,376)	(2,354)
Selling and marketing	(17)	(500)	(600)	(750)	(764)	(1,308)
Research and development expense	(488)	(1,300)	(1,300)	(1,500)	(1,987)	(3,400)
EBITDA	**(1,055)**	**918**	**8,393**	**23,664**	**42,184**	**68,335**
Depreciation	(11)	(119)	(636)	(1,994)	(4,611)	(8,950)
EBIT	**(1,066)**	**799**	**7,757**	**21,670**	**37,573**	**59,385**
Debt-free net income (loss)	**(910)**	**940**	**6,988**	**18,993**	**32,636**	**51,309**
Add: Depreciation	11	119	636	1,994	4,611	8,950
PV of CAPEX		(2,385)	(7,868)	(18,730)	(32,275)	(51,728)
Debt-free cash flow	**(899)**	**(1,326)**	**(243)**	**2,257**	**4,972**	**8,532**

Value indication

		Lower Risk Discount Rate				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
2026-2030 Growth Rate	**5%**	14,573	20,692	27,122	33,885	41,004
	10%	17,025	23,995	31,321	39,026	47,136
	15%	19,893	27,861	36,234	45,041	54,311
	20%	23,234	32,362	41,956	52,046	62,667
	25%	27,107	37,581	48,588	60,166	72,353

3 Sensitivity analysis

Sensitivity Analysis – Client acquirement, expenses to on-going project

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Sensitivity analysis on the Enterprise Value

- This sensitivity analysis examines the implied enterprise value of the Company based on the Normal Projections.
- We performed a sensitivity analysis to three different main assumptions in the model: (1) Annual Saving ($/KWh), which is effecting the Project's revenues stream; (2) projected growth in new projects, and (3) Operating expenses related to an on-going project.

Client Acquirement % from Normal Projections

As a complementary analysis to the value under the Aggressive model, we examined the value in the event that growth rate will be lower than projected. The analysis below presents the value when assuming 80%-100% of projected growth.

USD (000)		Lower risk discount rate				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
Client Acquisition %	**80%**	11,381	17,205	23,327	29,765	36,542
	85%	13,349	19,537	26,041	32,881	40,082
	90%	15,316	21,869	28,755	35,998	43,622
	95%	17,284	24,200	31,469	39,115	47,162
	100%	19,251	26,532	34,183	42,231	50,703

Expenses related to on-going projects

- As was described in Section 2, the Company will have annually direct expenses related to the operation and maintenance for the installed project. the Company assumes these expenses could range from 2,000$ to 4,000$.

USD (000)		Lower Risk Discount Rate				
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
Operating Expenses in project	**4**	17,581	24,816	32,420	40,418	48,837
	3.5	18,416	25,674	33,302	41,325	49,770
	3	19,251	26,532	34,183	42,231	50,703
	2.5	20,086	27,390	35,065	43,138	51,635
	2	20,922	28,247	35,946	44,044	52,568

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Appendix A – Abbreviation

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Aspirational Projections	The aspirational projection provided by the Company
b	Billions
BESS	Battery energy storage system
BNA	Brain Network Analytics
BTM	Behind The Meter
CAES	Compressed Air Energy Storage
CAGR	Compounded Average Growth Rate
CAPEX	Capital expenditure
CAPM	Capital Asset Pricing Model
CHP	Combined Heat Power
CISO	California Independent System Operator
COGS	Cost of goods sold
Company or Nostromo	Nostromo Ltd
Conservative Projections	The conservative projection provided by the Company
DCF	Discounted cash flow
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
Ecs	Electrochemical capacitors
ESCO	Energy Saving Company Model
ESS	Energy storage systems
EV	Enterprise value
EY or we	Ernst & Young (Israel) Ltd.

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FCF	Free Cash Flow
FDA	Food and Drug Administration
FES	Flywheel Energy Storage
fMRI	Functional magnetic resonance Imaging
FY##A	For discussion, actual twelve month period ended December 31, 20XX
FY##E	For discussion, estimated twelve month period ended December 31, 20XX
G&A	General and administrative (expense)
Innereye	Innereye Ltd.
ISO	International Organization for Standardization
k	Thousands
LFQ	Last fiscal quarter
LAES	Liquid Air Energy Storage
m	Millions
Management	Nostromo's Management
Moderate Projection	The moderate projection provided by the Company
NOL	Net operating loss
NPV	Net Present Value
NREL	National Renewable Energy Laboratory
NWC	Net Working Capital
OPEX	Operational expenditure
PHS	Pumped Hydropower Storage

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Projections	The Conservative Projections
PHES	Pumped Heat Electrical Storage
PHS	Pumped-storage Hydroelectricity
PV	Present Value
Report	This report, dated January 5, 2021
R&D	Research & Development
S&M	Sales & Marketing
TES	Thermal Energy Storage
US or USA	United States of America
USD	United States Dollars
Valuation Date	June 30, 2020
VRE	variable renewable energy
WACC	Weighted Average Cost of Capital
IRENA	International Renewable Energy Agency

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Appendix B – Description and selection of valuation methodology

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Valuation method selection

In the valuation of a business enterprise, three different main approaches may be employed to determine its fair market value:

- the Economic Valuation Approach;
- the Market Approach, and
- the Net Asset Value Approach.

While each of these approaches is initially considered in the valuation of a business enterprise, the nature and characteristics of the subject business will indicate which approach, or approaches, is most applicable.

I. Economic valuation approach

One methodology in the economic valuation approach is the discounted cash flow ("DCF") method, which focuses on the expected cash flow of the subject company. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of debt free cash that could be distributed to the financial stakeholders without impairing the future profitability or operations of the subject company. The cash flow available for distribution and the residual value (the value of the subject company at the end of the estimation period) are then discounted to present value to derive an indication of the value of a 100% controlling interest in the total invested capital of the business enterprise (also called the "enterprise value"). Interest bearing debt, if any, is subtracted from the business enterprise value, and non operating assets are added to arrive at an indication of the equity value.

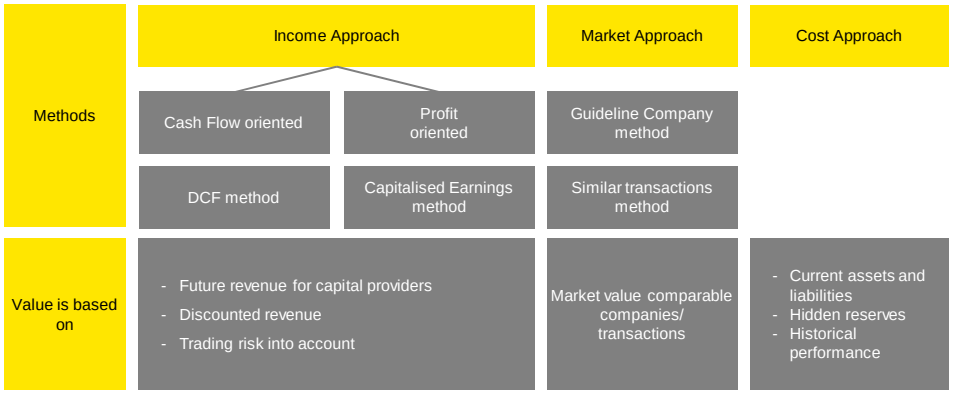
II. Market approach

The market approach is comprised of the guideline company and the similar transactions method. The guideline company method focuses on comparing the subject company to selected reasonably similar (or "guideline") publicly-traded companies. Under this method, valuation multiples are:

- derived from the operating data of selected guideline companies;
- evaluated and possibly adjusted based on the strengths and weaknesses of the subject company relative to the selected guideline companies; and
- applied to the operating data of the subject company to arrive at an indication of value.

Overview valuation methods

Source: EY



In the similar transactions method, consideration is given to prices paid in recent transactions that have occurred in the subject company's industry or in related industries.

III. Adjusted net asset value approach

In the adjusted net asset value ("NAV") approach, a valuation analysis is performed for a company's identified fixed, financial, and other assets. The derived aggregate value of these assets is then "netted" against the estimated value of all existing and potential liabilities, resulting in an indication of the value of the shareholders' equity. An ongoing business enterprise is typically worth more than the fair market value of its underlying assets due to several factors:

- the assets valued independently may not reflect economic value related to the prospective cash flows they could generate;
- this approach may not fully reflect the synergy of the assets but rather their independent values; and
- intangible assets inherent in the business such as reputation, superior management, proprietary procedures or systems, or superior growth opportunities are very difficult to measure independent of the cash flow they generate.

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WACC

The application of discounted cash-flow methods requires the determination of an appropriate discount rate. Discounted cash-flow methods are applied under conditions of uncertainty. In common usage, the word risk refers to any exposure to uncertainty in which the exposure has potential negative consequences. It is assumed that marketplace participants are said to be risk adverse. A risk-averse market participant prefers situations with a narrower range of uncertainty over situations with a greater range of uncertainty relative to an expected outcome. Marketplace participants seek compensation, referred to as a risk premium, for accepting uncertainty.

Therefore the determination of the discount rate implies the comparison of the cash-flows generated by the asset with the cash-flows generated with the most favorable alternative investment. In this respect, it must be carefully observed that the cash-flows from the asset being valued and the alternative investment are equivalent in terms of risk and maturity.

The determination of the asset-specific, risk-adjusted discount rate is based on the weighted average cost of capital (WACC). The following formula is applied to calculate WACC:

WACC	**=**	**$W_E * K_E + W_D * K_D$**
W_E	=	value of equity / value of total capital
K_E	=	market value of equity
W_D	=	value of interest bearing debt / value of total capital
K_D	=	after tax costs of interest bearing debt

Since the WACC reflects the specific risk of an enterprise, adjustments have to be considered based on the asset-specific risk profile.

Market value of equity

To estimate the opportunity cost of equity the capital asset pricing model (CAPM) is used. The CAPM postulates that the opportunity cost of equity is equal to the return on risk-free securities plus an individual risk premium. The risk premium is the company's systematic risk (beta) multiplied by the market price of risk (market risk premium).

The equation for the cost of equity is as follows:

K_E	**=**	**RF + ß * MRP**
K_E	=	market value of equity
RF	=	risk-free rate of return
ß	=	systematic risk of the equity
MRP	=	market risk premium

Starting point for the estimate of cost of equity is the risk-free rate of return. In practice the interest rate of long-term risk-free financial investments, e.g. fixed-interest public sector securities, is used as a guideline for determining the prevailing interest rate.

The market risk premium (the price of risk) is the difference between the expected rate of return on the market portfolio and the risk-free rate. Historical capital market investigations have shown that investments in shares generate between 4% and 7% higher returns than investments in low-risk debt securities.

The average market risk premium must be modified to reflect the specific risk structure. The Capital Asset Pricing Model accounts for the company-specific risk within the beta factor. Beta factors represent a weighting figure for the sensitivity of the company's returns compared to the trend of the entire market. They are thus a measure of volatility for the systematic risk. Beta factors of more than one reflect a higher volatility; beta factors of less than one reflect a lower volatility than the market average. Beta factors are ideally determined with reference to the entire equity market, since the concept of systematic and specific risk requires that individual shares are measured in relation to the market portfolio.

When activities in different countries are taken into consideration it might be appropriate to use country specific risk premiums.

Cost of debt

The estimate of the cost of debt refers to the capital market that best reflects the currency in which the cash-flows have been planned utilizing the most current market rate of debt with equivalent risk.

Capital structure

The capital structure is derived from the average capital structure of a group of Comparable Companies.

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Weighted Average Cost of Capital

	Identifier	Debt/equity market value	Asset beta
Enphase Energy, Inc.	NasdaqGM:ENPH	5.2%	1.4
NextEra Energy, Inc.	NYSE:NEE	68.6%	0.5
EDP Renováveis, S.A.	ENXTLS:EDPR	74.5%	0.4
Brookfield Renewable Partners L.P.	TSX:BEP.UN	86.8%	0.6
Ormat Technologies, Inc.	NYSE:ORA	68.0%	0.5
Meridian Energy Limited	NZSE:MEL	17.1%	0.8
Median		**68.3%**	**0.6**
Mean		**53.4%**	**0.7**

Cost of equity calculation			Cost of debt calculation		
Selected asset beta	0.57	(a)	Debt borrowing rate (g)		4.0%
Debt to equity market value	53.4%	(b)	Expected income tax rate		23.0%
Expected income tax rate	23.0%		After-tax cost of debt		3.1%
Risk-free rate: 15 years	0.92%	(c)	Weighted average cost of capital		
Re-levered beta	0.80		Debt	34.8%	3.1%
Market equity risk premium	6.5%	(d)	Equity	65.2%	21.0%
Company specific risk premium	4%	(e)	WACC		14.8%
Company size/unsystematic risk premium	10.9%	(f)	Specific risk premium (h)		1-5%
Cost of equity capital	**21.0%**		WACC (rounded)		16-20%

(a) Source: capital IQ
(b) Based on the average of the comparables D/E ratios as of the Valuation Date.
(c) Source: Federal Reserve Board statistical release as of June 30, 2020
(d) Equity risk premium is based on historical Ibbotson equity risk premium, forward-looking premium estimates, and recent academic studies.
(e) Representing the uncertainties related to the high growth of the Company.
(f) Duff and Phelps, Valuation Handbook decile 10z.
(g) Company's assumption.
(h) Representing the uncertainty related to the company's ability to raise debt in the amount and interest it projects.

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Venture Capital Rates of Return – according to researches

Stage of Development	Frei & Lelux[1]	Seiffer Software Study[2]	Pepperdine[3]	Razgaitis Study[4]
Start - Up	70% - 100%	60% - 80%	25% - 60%	50% - 70%
First Stage or "Early Development"	40% - 60%	40% - 50%	25% - 55%	30% - 40%
Second Stage or "Expansion"	35% - 50%	30% - 40%	15% - 50%	25% - 35%
Mezzanine/IPO Stage	25% - 40%	25% - 30%	15% - 50%	10% - 20%

[1] Frei, P. & Leleux, B. Valuating the Company. *Starting a Business in the Life Sciences – from Idea to Market* (Luessen, H. (ed) 42-55 (Edition Cantor Verlag, Aulendorf, Germany, 2003).
[2] Seiffer, John, "*The Business of Software: The Venture Capital Rate of Return*", 2005.
[3] Pepperdine University Graziadio School of Business and Management: *Private Capital Market Project*, 2017.
[4] Razgaitis, Richard, *Pricing the Intellectual Property of Early – Stage Technologies: A Primer of Basic Valuation Tools and Considerations*, 2007.

The various levels of venture financing can be expressed as follows:

- *Start – Up* is a company with an idea and not much else. This is the riskiest level of embryonic intellectual property investment and requires the largest amount of return. The funds are used for basic research and possibly development of a prototype. At this stage revenues are not even part of management goals.
- *First Stage* companies may have a prototype that has proven its capabilities, but further development is required before commercial scales of production can be achieved. Positive net cash flows may still be several years away.
- *Second Stage* companies may have experienced success in the commercial production of the product or service, but expansion of market penetration requires substantial amounts that a bank may be unwilling to provide. At this point, the ability to make a profit may be already proven but rapid expansion requires more than present operations can provide.
- Mezzanine/IPO *Stage* financing begins to blur with fast growth companies that can get limited bank loans or additional funds from a public offering. Strong profit levels may be achieved consistently, but more funds are needed for national or global expansion.

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Discount Rates in the Energy Storage Industry

Various sources such as studies and past transactions were used for determining an acceptable range of IRR that is commonly used within the Energy Storage industry. The following is a summary of our findings:

- **Carofin**
  - In an article that was published in 2019 by Carofin, an investment bank, the renewable energy sector was reviewed and discussed, focusing on investing in renewable electrical power generation.
  - It was mentioned the return expectation from renewable energy investments done by various private equity funds, was an unlevered IRR in the 8%-12% range for proven and scalable technologies such as solar and wind[1].

- **Solar Power Portal**
  - In an article that was published in 2020 by Energy Storage News, recent acquisitions of Gore Street Energy Storage Fund were reviewed.
  - The firm is an experienced renewable energy and private equity investor.
  - It was mentioned that the current targeted unlevered IRR used by the firm is 10%[2].

1 Carofin – *How to Navigate the Landscape of Investment Options in Renewable Energy (2018)*
2 Solar Power Portal – *Grow Street grows pipeline with 131MW acquisition (2020)*

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Appendix D – Statement of limiting conditions

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Statement of limiting conditions

- Nothing has come to our attention to cause us to believe that the facts and data set forth in this Report are not correct.
- Provision of valuation recommendations and considerations of the issues described herein are areas of regular valuation practice for which we believe that we have, and hold ourselves out to the public as having, substantial knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, advisory or tax-related services that may otherwise be provided by EYI.
- No investigation of the title to the subject company and subject assets has been made, and the owner's claim to the subject company and subject assets is assumed to be valid. To the extent that EYI's services include any analysis of assets, properties or business interests, EYI assumes no responsibility for matters of legal description or title, and EYI shall be entitled to make the following assumptions: (i) title is good and marketable, (ii) there exist no liens or encumbrances, (iii) there is full compliance with all applicable local and national regulations and laws (including, without limitation, usage, environmental, zoning and similar laws and/or regulations), and (iv) all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any local, or national government, private entity or organization have been or can be obtained or renewed for any use on which EYI services are to be based.
- The recommendations of fair value contained herein are not intended to represent the values of the subject assets at any time other than the effective date that is specifically stated in this Report. Changes in market conditions could result in recommendations of value substantially different than those presented at the stated effective date. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser of the subject assets at the values stated herein.
- No responsibility is assumed for information furnished by others, including management, and such information is believed to be reliable.
- In the course of our analysis, we were provided with written information, oral information, and/or data in electronic form, related to the structure, operation, and financial performance of the subject company and subject assets. We have relied upon this information in our analyses and in the preparation of this Report and have not independently verified its accuracy or completeness.
- Certain historical financial data used in our valuation were derived from audited and/or unaudited financial statements and are the responsibility of management. The financial statements may include disclosures required by generally accepted accounting principles. We have not independently verified the accuracy or completeness of this data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.
- The estimates of cash flow data included herein are solely for use in the valuation analysis and are not intended for use as forecasts or projections of future operations. We have not performed an examination or compilation, nor have we performed an agreed-upon procedures engagement with regard to the accompanying cash flow data in accordance with standards, and, accordingly, do not express an opinion or offer any form of assurance on the accompanying cash flow data or their underlying assumptions. Furthermore, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
- We assume no responsibility for any financial and tax reporting judgments, which are appropriately those of management. It is our understanding that management accepts responsibility for any financial statement and tax reporting issues with respect to the assets covered by our analysis, and for the ultimate use of our Report.
- EYI is not required to furnish additional work or services, or to give testimony, or be in attendance in court with reference to the assets, properties, or business interest in question or to update any Report, recommendation, analysis, conclusion or other document relating to its services for any events or circumstances unless arrangements acceptable to EYI have been separately agreed with the Company.
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