BBGI Group SA – Place de Longemalle 1 – 1204 Geneva - Switzerland
www.BBGI.ch

BBGI GROUP Global Investments

BBGI CLEAN ENERGY 100 USD INDEX AND STRATEGY

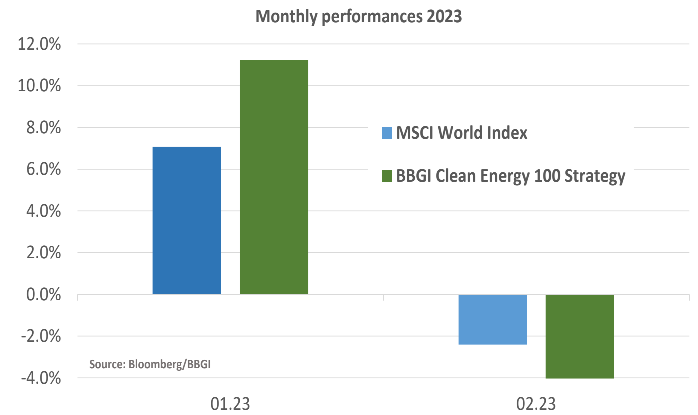
A BBGI Exclusivity since 1999

February 2023

Annualized performance of **+11.31%** since 1999

Renewable energies do not escape the trend

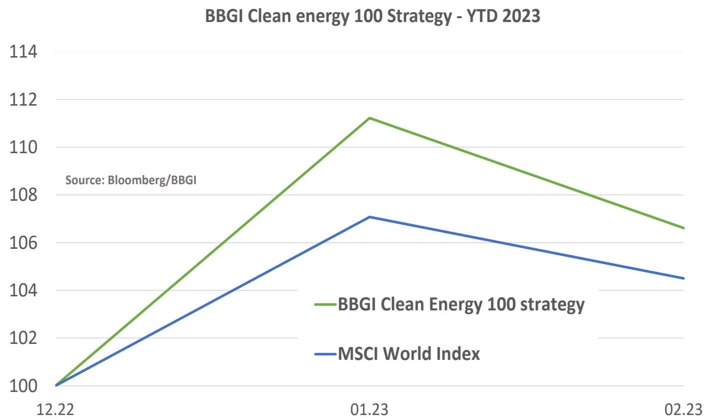
	Feb	YTD
BBGI Clean Energy 100 strategy:	**-4.09%**	**+6.67%**
BBGI Solar Sector:	**-6.50%**	**+4.58%**
BBGI Wind Sector:	**-2.69%**	**+6.19%**
BBGI Biofuel Sector:	**-7.49%**	**-3.09%**
BBGI Energy efficiency Sector:	**-2.34%**	**+9.98%**

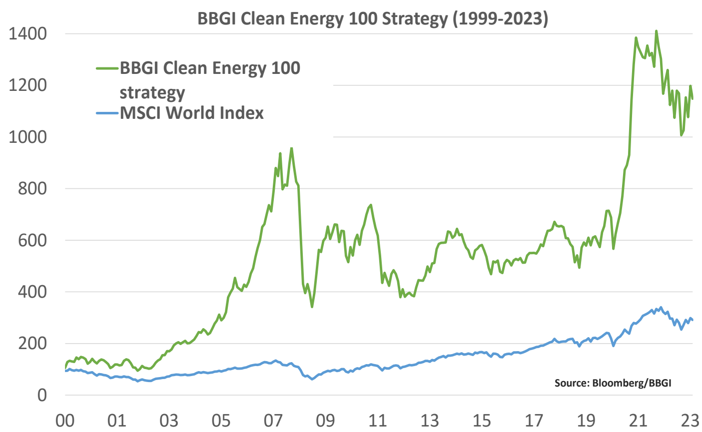


In February, the Clean Energy 100 strategy did not escape the widespread anxiety that has gripped the markets. Indeed, this month the four sectors that make up our index are moving into negative territory.

The biofuel segment was the worst performer of our strategy in February (-7.49%). The photovoltaic industry is also experiencing a correction this month (-6.50%). The wind industry and the energy efficiency segment are following similar paths and are both down by -2.69% and -2.34% respectively. The wind industry may be returning to a trend of improving its margins after facing difficulties over the past 12 months. Indeed, steel prices that peaked in March 2022 are now 50% below their historical highs. Turbine producers like Vestas could take advantage of the high price of their products and the drop in raw materials to increase the profitability of their business. In addition, Vestas' service division grew its revenues by +27% in 2022, even as turbine deliveries were slowing down. This segment will undoubtedly be a key player in improving the company's revenues and margins in the coming years.

The solar industry is also in very good shape, over the year 2022 and despite supply chain issues the average sales growth of the companies that make up our index was +45%. Inverter manufacturers have been the main drivers of this trend, and for the year 2023 we believe that it will be the photovoltaic module manufacturers that will be greatly favored by the fall in the price of raw materials essential to their manufacture, such as poly silicon.





The systematic diversified strategy of the BBGI Clean Energy 100 Index has produced an annualized return of +11.31% since 1999 against +4.83% for the MSCI World

Comments by sector:

Solar: -6.50%

Photovoltaic module and inverter producer **Canadian Solar** is continuing its positive sales growth trend into 2023. The company is on track to reach $10 billion in revenue, which represents an increase of +30% compared to the competitor average of +23%. We believe this is supported by three major arguments: very strong demand growth, accompanying production growth, and strong sales growth in the battery storage segment. The company expects to deliver around 30-35GW of modules in 2023 compared to 21GW last year, which represents an increase of +42 to +46%. This year is expected to follow the last two years in which Canadian Solar has achieved two spectacular consecutive increases (+52% in 2021 and +42% in 2022). Canadian Solar is well positioned to take advantage of the rapidly expanding global demand for solar energy. We expect to see growth of 25 to 40% this year. If the company meets its module shipment targets, it could grow faster than global demand and could be able to capture about 10% of the solar module market share this year. Beyond 2023, we expect global solar demand to continue to grow at a high double-digit rate in 2024-26 due to a favorable economy and strong policy support. The battery division will also be a source of growth through 2026. Indeed, the company sold 2GW last year and announced 45GW of storage in production this year, heralding strong expansion in the years to come if the trend continues.

Biofuel: -7.49%

Renewable fuel producers' margins could be at risk in the short term. Indeed, the price of raw materials and the price per barrel has been on a downward trend since the middle of last year, will certainly have a negative impact on the profitability of companies in the sector. The value of credits for renewable fuels was +40% above the five-year averages in 2022, while margins for renewable diesel increased by only +7%. Although diesel prices were +97% above this average, they could not offset the increase in raw material prices. Losses from converting renewable feedstocks to fuels could grow as new capacity increases and diesel prices fall from their 2022 highs. Credits offset low margins, but increased production reduces the efficiency of blending mandates with traditional gasoline.

Energy Efficiency: -2.34%

The company with the best performance in our energy efficiency sub-segment is **Watts Water Technologies**. The company is active in the development and production of sensors and valves that monitor the consumption of water and electricity to optimize the use of resources in industrial systems and private buildings. Watts Water has a turnover of 2 billion dollars in 2022. It employs 4,600 people and generates 70% of its sales in the Americas region. Watts sells a variety of water-related products under 24 different brands. Product applications include, for example, drainage, flow control, rainwater harvesting, heating, fire protection, filtration and irrigation. Among the companies in the HVAC and plumbing industry, Watts is one of the most systems-oriented suppliers. Growth rates for the year 2022 were strong. Organic sales were up 13% and adjusted earnings per share were up 30%. Watts said the growth in net income was the result of price increases, productivity gains and restructuring actions. The income tax rate was reduced to 18.2% from 29.2% in 2021. The company is benefiting from the positive impact of these good results and has seen its stock price rise since the beginning of the year, but Watts Water could face difficulties in the coming year in the face of the impending economic downturn.

Wind: -2.69%

Vestas' Ebitda is expected to rebound to over €1 billion this year, according to consensus, thanks to easing commodity prices and favorable policies, such as the **« Inflation reduction act »** in the US and **« REPowerEU »,** that could contribute to the wind industry's recovery in 2023-25. Our scenario analysis suggests a slight overshoot of consensus in 2023, with turbine deliveries expected to grow at a compound annual rate of about +12% through 2026 (versus the +6% consensus). Higher prices as well as weaker production material costs could push EBITDA to 2.6 billion in 2024, almost double 2021.