

# Ormat Technologies, Inc. Second Quarter 2016 Earnings Call

August 3, 2016



*Green energy you can rely on*

# Disclaimer

Information provided during this presentation may contain statements relating to current expectations, estimates, forecasts and projections about future events that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

These forward-looking statements generally relate to the company's plans, objectives and expectations for future operations, and are based on management's current estimates and projections of future results or trends. Actual future results may differ materially from those projected as a result of certain risks and uncertainties.

For a discussion of such risks and uncertainties, please see risk factors as described in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2016.

In addition, during this presentation, statements may be made that include a financial measure defined as non-GAAP financial measures by the Securities and Exchange Commission, such as EBITDA and adjusted EBITDA. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Management of Ormat Technologies believes that EBITDA and adjusted EBITDA may provide meaningful supplemental information regarding liquidity measurement that both management and investors benefit from referring to this non-GAAP financial measures in assessing Ormat Technologies' liquidity, and when planning and forecasting future periods. This non-GAAP financial measures may also facilitate management's internal comparison to the company's historical liquidity.

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# Agenda

- Second Quarter 2016 prepared remarks
  - Q2 2016 highlights: Isaac Angel, CEO
  - Financial overview: Doron Blachar, CFO
  - Operations & business updates: Isaac Angel, CEO
- Q & A

# Q2 2016 Highlights

## Quarterly Results



**+14%**  
Revenues

**+69%**  
Net Income

**+20%**  
Adjusted EBITDA

## Electricity Growth



**+11%**  
Generation

## Backlog Growth



**\$228M**  
Backlog

## Improved efficiencies



**+6%**  
Gross Margin

## Increase Guidance



**\$310-\$320**  
2016 Expected Adjusted EBITDA

Q2 2016 compared to Q2 2015.  
Backlog is as of August 2, 2016 and includes revenue from July 1, 2016 to August 2, 2016.  
Reconciliation of Adjusted EBITDA is in appendix slide

# Financial Results

Doron Blachar, CFO

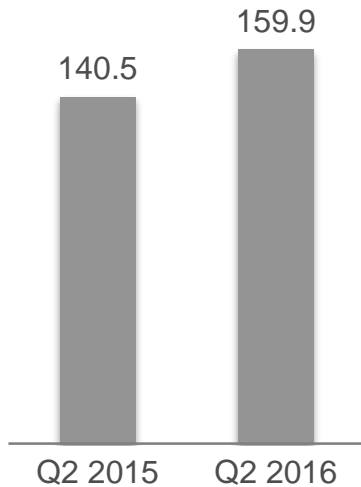


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# Total Revenues

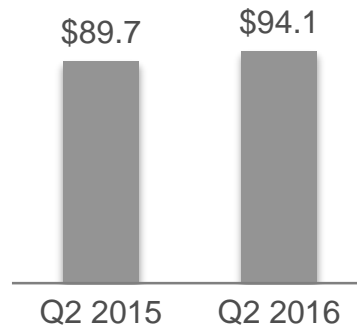
## Total Revenues

+19.4 million (13.8%)

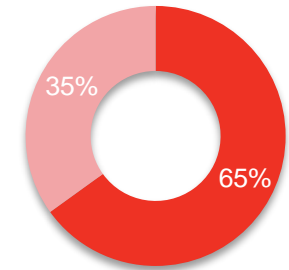
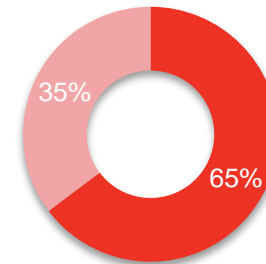


## Total Cost of Revenues

+4.4 million (4.9%)



## Segment Contribution



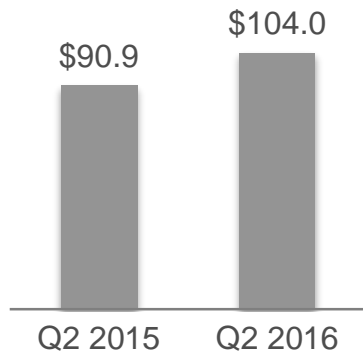
■ Electricity Segment

■ Product Segment

# Electricity Segment

## Revenues

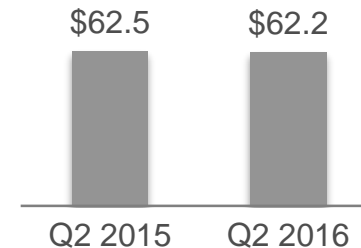
+\$13.1 million (14.4%)



- Commencement of the second phase of Don A. Campbell and plant 4 in Olkaria III
- Higher energy rates under the Heber 1 new PPA commencing in December 2015
- Increase in generation at McGinness Hills complex due to higher performance

## Cost of Revenues

-\$0.3 million (0.4%)

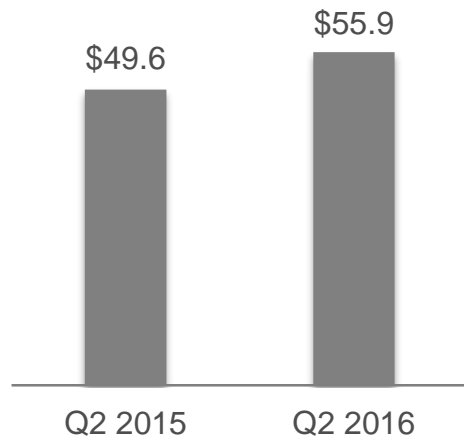


- Slight decrease was primarily due to a reduction in the cost of revenues in several power plants in our portfolio
- Offset by
- Additional cost of revenues from the second phase of Don A. Campbell and plant 4 in Olkaria III

# Product Segment

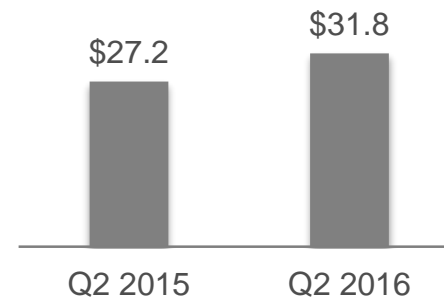
## Revenues

+\$6.3 million (12.7%)



## Cost of Revenues

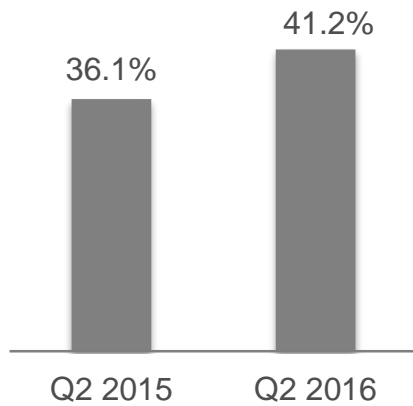
+\$4.6 million (17.1%)



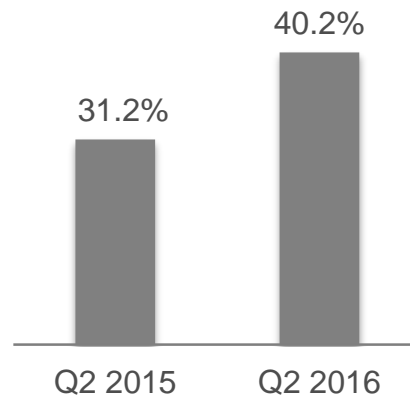


# Gross Margin

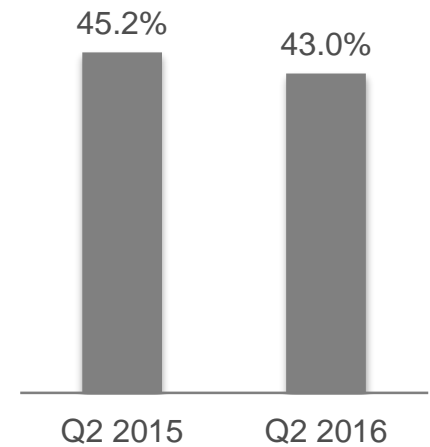
## Combined



## Electricity Segment



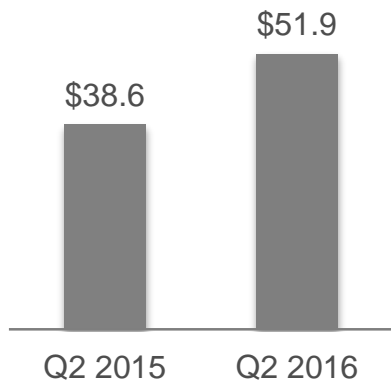
## Product Segment



# Operating Income

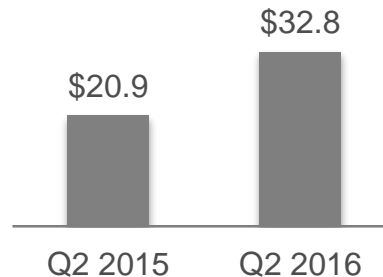
## Total

+\$13.3 million (34.3%)



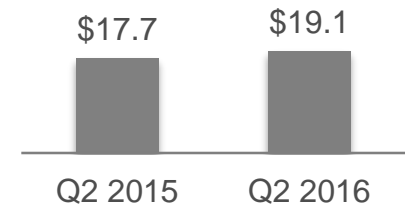
## Electricity Segment

+\$11.9 million (56.9%)



## Product Segment

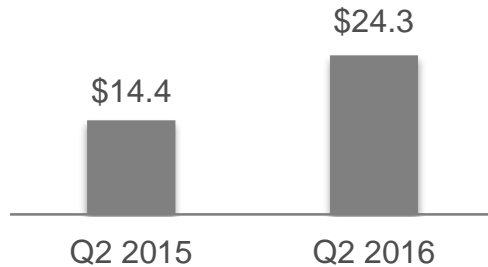
+\$1.4 million (7.6%)



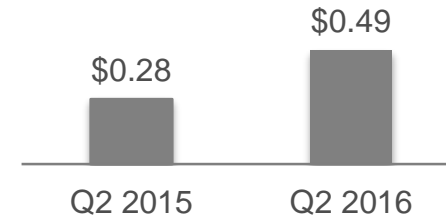
# Net Income Attributable to the Company's Stockholders & EPS

## Net Income Attributable to the Company's Stockholders

+\$9.9 million (68.9%)



## Earnings per Share (Diluted)<sup>1</sup>



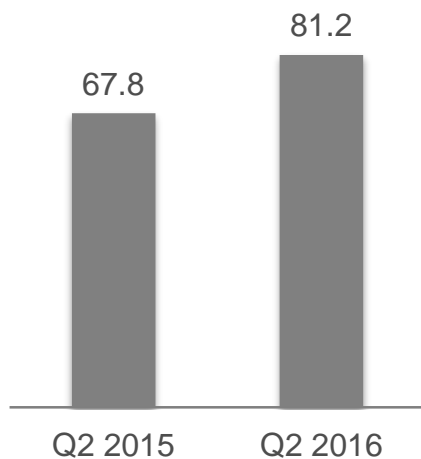
All amounts in million USD;

1. Weighted average number of shares used in computation of earnings per share (diluted) attributable to the Company's stockholders is 50,137 for Q2 2016 and 50,600 for Q2 2015

# Adjusted EBITDA

## Total

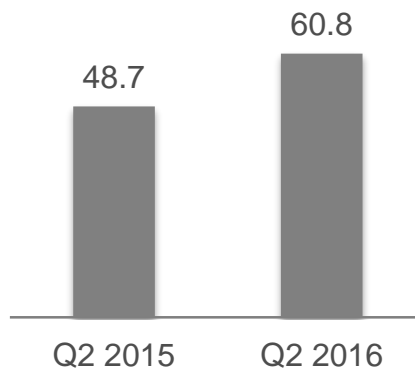
+\$13.4 million (19.7%)



	Q2-15	Q2-16
D&A	24.4	23.8

## Electricity Segment

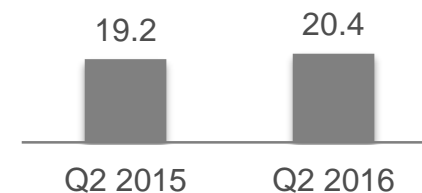
+\$12.2 million (25.0%)



	Q2-15	Q2-16
D&A	23.5	23.0

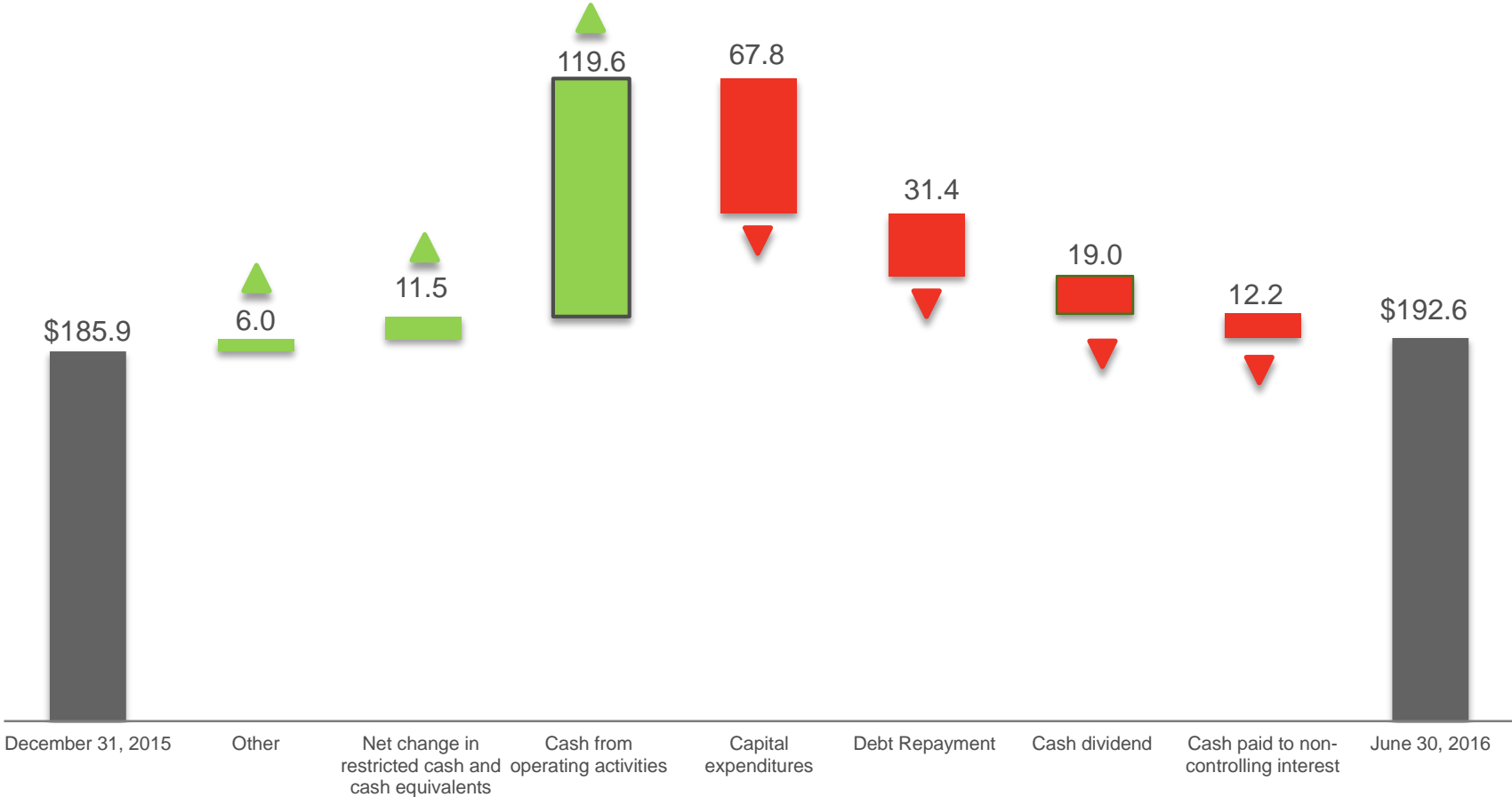
## Product Segment

+\$1.2 million (6.4%)



	Q2-15	Q2-16
D&A	0.9	0.8

# Cash, Cash Equivalents, Marketable Securities and Short-Term Bank Deposit



All amounts in million USD;  
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# Payment of Principal Due by Period

The average interest rate for the total debt is 6.1%

	<u>Q3-2016</u>	<u>Q4-2016</u>	<u>Year 2016</u>
Long-term non-recourse debt & limited recourse debt	5,374	5,374	10,748
Senior Secured Notes (non-recourse) due 2020	2,326	12,581	14,907
Long-term loans (full recourse)	1,666	3,948	5,614
<b>Total</b>	<b>\$9,366</b>	<b>\$21,903</b>	<b>\$31,269</b>

	<u>Remaining Total</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
Long-Term non-recourse & limited recourse debt	294,128	10,748	21,495	21,495	21,495	21,495	197,400
Senior Secured Notes (non-recourse) due 2020	320,234	14,907	30,158	28,769	28,827	29,351	188,222
<b>Total non-recourse debt (69%)</b>	<b>614,362</b>	<b>25,655</b>	<b>51,653</b>	<b>50,264</b>	<b>50,322</b>	<b>50,846</b>	<b>385,622</b>
Long-term Loans (full-recourse)	24,737	5,614	11,228	7,895	0	0	0
Senior Unsecured Bonds (full-recourse)	249,827	0	249,827	0	0	0	0
<b>Total full-recourse debt (31%)</b>	<b>274,564</b>	<b>5,614</b>	<b>261,055</b>	<b>7,895</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>\$ 888,926</b>	<b>\$ 31,269</b>	<b>\$ 312,708</b>	<b>\$ 58,159</b>	<b>\$ 50,322</b>	<b>\$ 50,846</b>	<b>\$ 385,622</b>

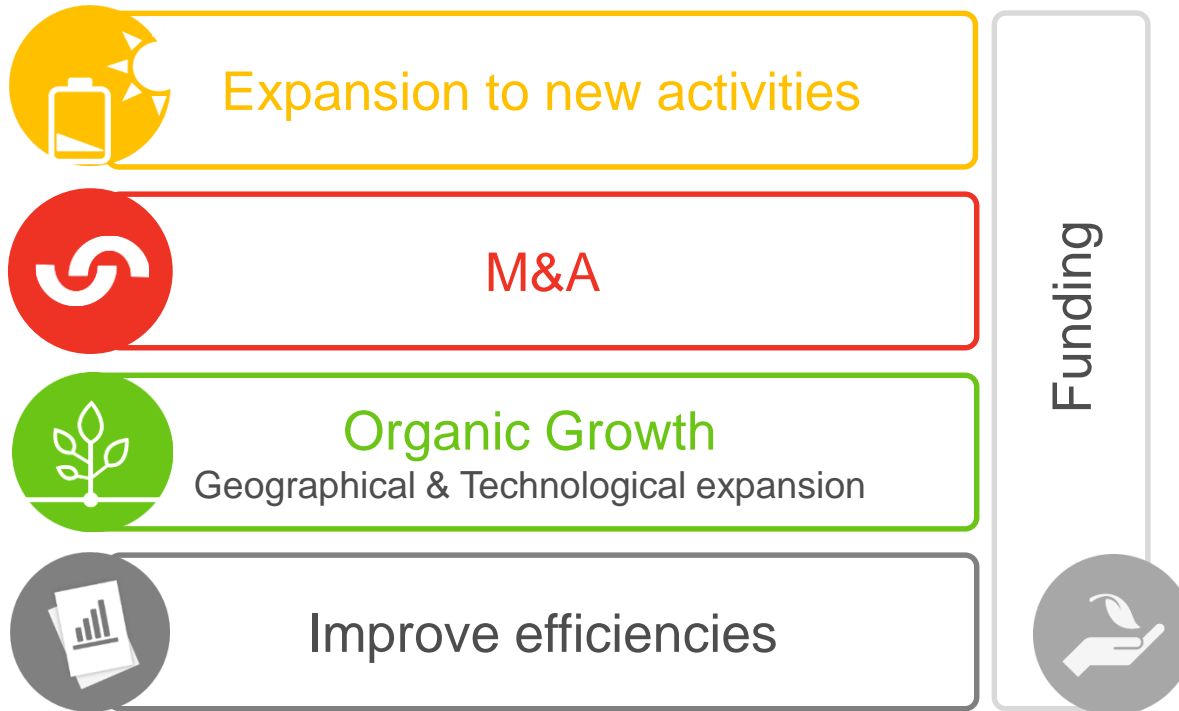
# Operations & Business Updates

Isaac Angel, CEO



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# Progressing with Our Strategic Plan



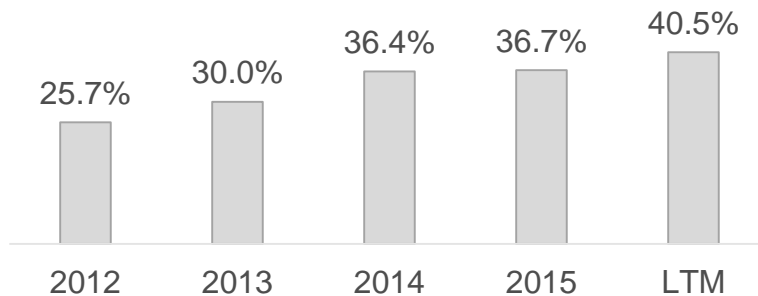


# Improve Efficiencies

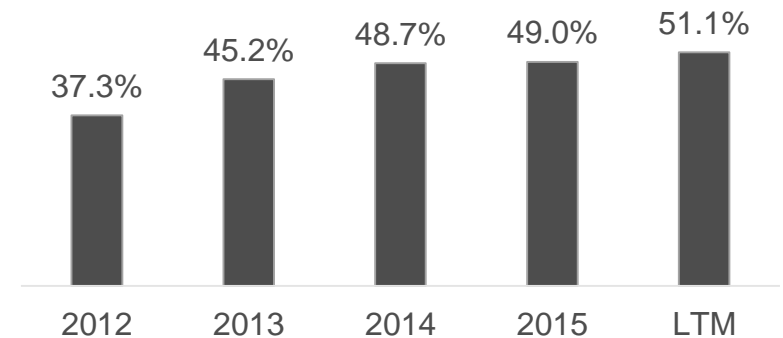


- Value chain improvements
  - Reduce manufacturing lead-time
    - Automation
    - Improve management control
- Improve procurement process
- Reduce operating costs
  - Shared control center
  - Improve management control

## Total Gross Margin



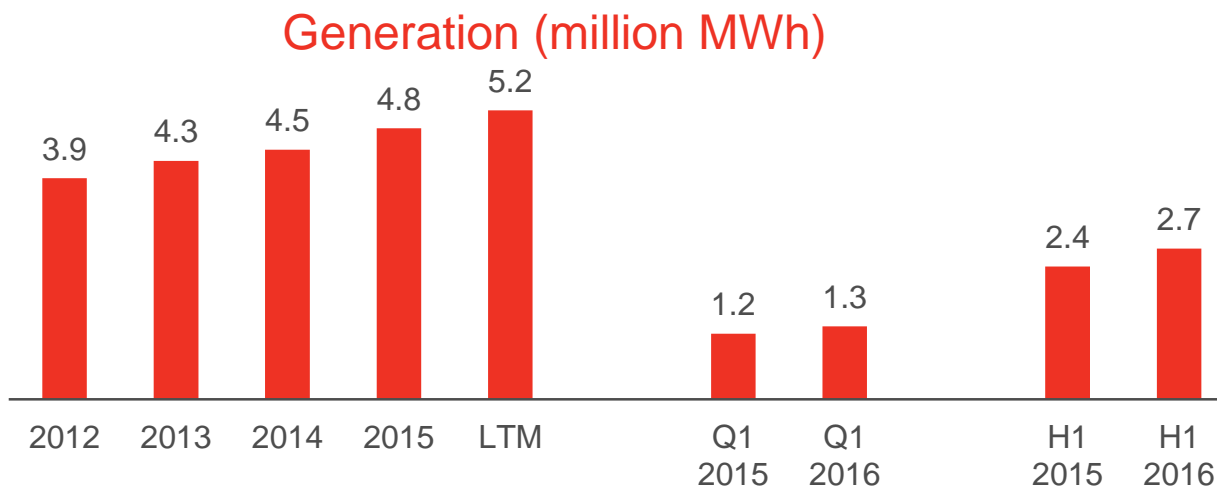
## Total Adjusted EBITDA Margin



# Organic Growth



- Generation increased by 10.8% QoQ due to commencement of commercial operation of:
  - The second phase of Don A. Campbell power plant in Nevada in September 2015
  - Plant 4 at the Olkaria III complex in Kenya in January 2016
  - Increase in generation at McGinness Hills complex due to higher performance



# Organic Growth and M&A



- Closed the acquisition of geothermal power plant in Guadeloupe
  - Ormat together with Caisse des Dépôts et Consignations(CDC) acquired approximately 80% interest in GB in the proportion of 75% to Ormat and 25% to CDC
  - Expect to optimize the existing facilities and recover its current production to its design capacity of 14.75MW in 2017
  - Potential of reaching a total of 45 MW in phased development, by 2021



Bouillante geothermal power plant, Guadeloupe

# Organic Growth and M&A



- Expanding geographical footprint and diversifying technologies
  - Added 10 MW in July 2016 - Bouillante, Guadeloupe
  - Added 29 MW in January 2016 - Olkaria III, Plant 4, Kenya
  - Expect to add between 150 MW and 180 MW by YE 2018
  - Extensive activities to support long term growth



Project	Projected Capacity	Expected COD
Indonesia - Sarulla Project, Phase 1, (330 MW project)	14 MW <sup>1</sup>	YE 2016
Guadeloupe- Bouillante	5 MW	2017
Honduras, Platanares	35 MW	2017
U.S. - Tungsten	24 MW	2017
U.S. - Dixie Meadows	15 MW -20 MW	2018
Indonesia - Sarulla Project, Phases 2&3, (330 MW project)	28 MW <sup>1</sup>	2018/2019

<sup>1</sup> Ormat's share is 12.75% in Sarulla

# CapEx for the Remainder of 2016

## CapEx (\$ millions)

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94 Construction & enhancements

13 Development

12 Exploration

6 New activity

8 Maintenance CapEx

2 Production facility

**\$135 Total CapEx**

\$31 Debt repayment

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**\$166 Total**

# Product Segment

- May 2016 - signed \$36 million supply and EPC contracts for a geothermal power plant in New Zealand
- Backlog increase to approximately \$228 million as of August 2, 2016
  - Includes revenues for the period between July 1 and August 2, 2016

# 2016 Guidance

- We are reiterating our 2016 full-year revenue guidance:
- **2016 revenues guidance to be between \$620 and \$640 million**
  - Electricity Segment - between \$410 and \$420 million
  - Product Segment - between \$210 and \$220 million
- We are increasing our adjusted EBITDA guidance:
- **Adjusted EBITDA 2016 guidance between \$310 and \$320 million**

# Reconciliation of EBITDA Adjusted EBITDA and Additional Cash Flows Information

- We calculate EBITDA as net income before interest, taxes, depreciation and amortization. We calculate Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted for (i) termination fees, (ii) impairment of long-lived assets, (iii) write-off of unsuccessful exploration activities, (iv) any mark-to-market gains or losses from accounting for derivatives, (v) merger and acquisition transaction costs, (vi) stock-based compensation, (vii) gains or losses from extinguishment of liability, and (viii) gains or losses on sale of subsidiary and property, plant and equipment. EBITDA and Adjusted EBITDA are not a measurement of financial performance or liquidity under accounting principles generally accepted in the United States of America and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as indicators of our operating performance or any other measures of performance derived in accordance with accounting principles generally accepted in the United States of America. EBITDA and Adjusted EBITDA are presented because we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of a company's ability to service and/or incur debt. However, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do.
- The following tables reconcile net cash provided by (used in) operating activities and net income to EBITDA and Adjusted EBITDA for the six and three-month periods ended June 30, 2016 and 2015.

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Net cash provided by operating activities.....	\$ 92,529	\$ 29,579	\$ 119,573	\$ 112,726
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs).....	17,165	16,355	31,292	32,327
Interest income.....	(245)	(44)	(565)	(53)
Income tax provision .....	7,890	6,056	17,399	11,515
Adjustments to reconcile net income or loss to net cash provided by operating activities (excluding depreciation and amortization).....	(42,519)	12,593	(12,437)	(34,627)
<b>EBITDA.....</b>	<b>\$ 74,820</b>	<b>\$ 64,539</b>	<b>\$ 155,262</b>	<b>\$ 121,888</b>
Mark to market on derivative instruments which represents swap contracts on natural gas and oil prices	2,320	—	2,494	4,129
Stock-based compensation	817	1,029	1,659	2,156
Gain on sale of a subsidiary and property, plant and equipment	—	—	—	—
Termination fee	—	—	—	—
Loss from extinguishment of liability	—	1,710	—	1,710
Merger and acquisition transaction costs	500	400	647	3,800
Impairment charges	—	—	—	—
Write-off of unsuccessful exploration activities	863	—	1,420	174
Mark to market on derivatives which represents currency forward contracts	1,920	170	—	(690)
<b>Adjusted EBITDA.....</b>	<b>\$ 81,240</b>	<b>\$ 67,848</b>	<b>\$ 161,482</b>	<b>\$ 133,167</b>
Net cash used in investing activities.....	\$ (10,669)	\$ (32,176)	\$ (55,289)	\$ (79,433)
Net cash provided by (used in) financing activities.....	\$ (37,802)	\$ 69,538	\$ (57,647)	\$ 64,142



# Reconciliation of EBITDA Adjusted EBITDA

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Net income .....	\$ 24,933	\$ 15,273	\$ 55,878	\$ 25,540
Adjusted for:				
Interest expense, net (including amortization of deferred financing costs)	18,156	18,815	33,859	36,634
Income tax provision .....	7,890	6,056	17,399	11,515
Depreciation and amortization.....	23,841	24,395	48,126	48,199
<b>EBITDA.....</b>	<b>\$ 74,820</b>	<b>\$ 64,539</b>	<b>\$ 155,262</b>	<b>\$ 121,888</b>
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