

# Ormat Technologies, Inc. Third Quarter 2013 Earnings Call

November 6, 2013



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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 March 11, 2013.

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

- 2013 Third Quarter Prepared Remarks
  - Quarter Highlights: Dita Bronicki, CEO
  - Financial Overview: Doron Blachar, CFO
  - Operations Update: Yoram Bronicki, President and COO
  - Closing Remarks: Dita Bronicki, CEO
  
- Q & A

# Highlights

## Financial highlights

- Electricity revenue increased by 14.7% to \$89.0 million;
- Gross margin grew 75 basis points to 30.4%;
- Operating income reached \$29.8 million compared to \$12.1 million;
- Net income attributable to the Company's shareholders was \$13.0 million or \$0.28 per share (diluted), compared to a net loss of \$0.6 million or \$0.01 per share (diluted);
- Adjusted EBITDA grew 25.0% to \$60.3 million; and
- Declared dividend of \$0.04 per share

# Highlights

## Operational highlights and recent developments:

- Increased electricity generation by 5.0% to 985,531 MWh, driven by new capacity coming on line at Olkaria III Plant 2 in Kenya, and increased generation at the McGuinness Hills plant;
- Successfully completed the world's largest binary geothermal plant, the 100 MW Ngatamariki in New Zealand, under a \$142.0 million EPC contract;
- Secured a 10-year Power Purchase Agreement (PPA) with the Southern California Public Power Authority to supply power from the Heber 1 geothermal plant in California beginning December 16, 2015. The new PPA replaces the Standard Offer Contract No. 4 (SO#4), which is tied to natural gas prices, with fixed-price contract at a higher rate;
- Entered into a joint development agreement with eBay to develop a 5 MW recovered energy generation power plant in Utah to supply cleaner electricity to eBay's new data center; and
- Signed an agreement for a greenfield development of the Hu'u Dompu geothermal prospect in Indonesia

# Financial Results

Doron Blachar, CFO

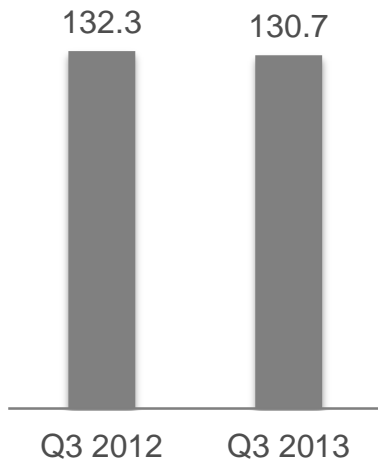


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# Total Revenues

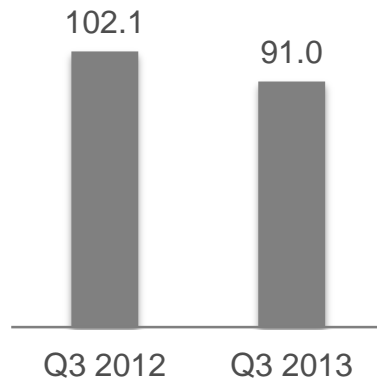
## Total Revenues

-1.5 million (1.2%)

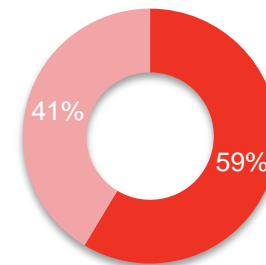


## Total Cost of Revenues

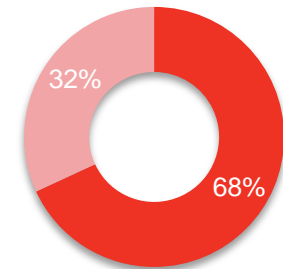
-11.1 million (10.9%)



## Segment Contribution



Q3 2012



Q3 2013

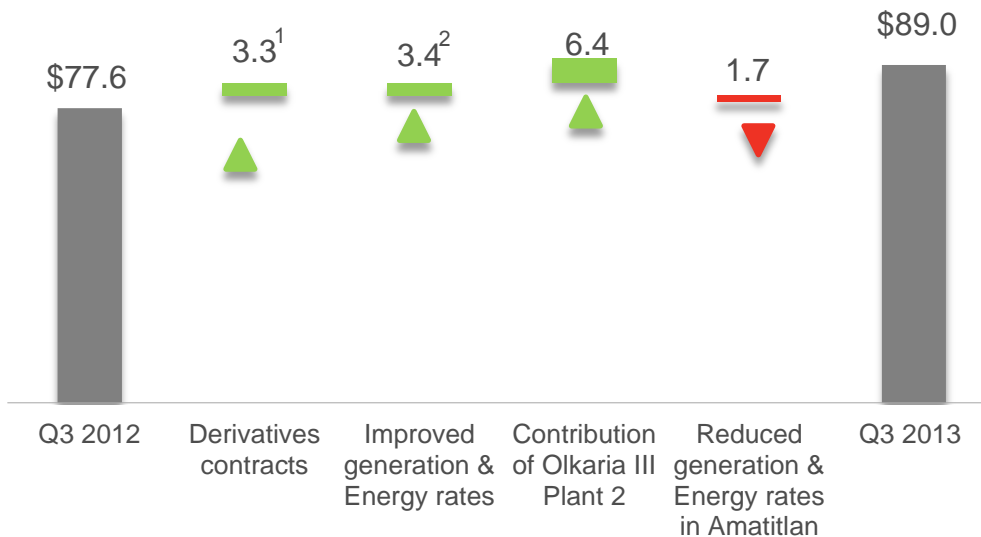
■ Electricity Segment

■ Product Segment

# Electricity Segment

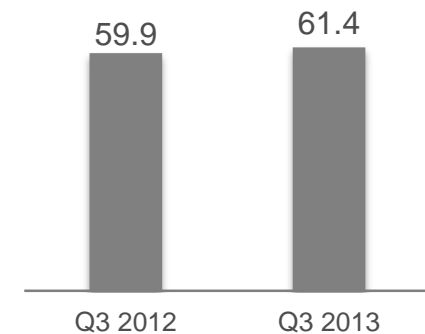
## Revenues

+11.4 million (14.7%)



## Cost of Revenues

+1.4 million (2.4%)



- Average revenue rate was \$90 per MWh in Q3 2013 compared to \$83 per MWh in Q3 2012

(1) Net loss on derivative contracts of \$0.3 million in Q3 2013 compared to net loss of \$3.7 million in Q2 2012

(2) The net increase resulted from improved generation and higher energy rates

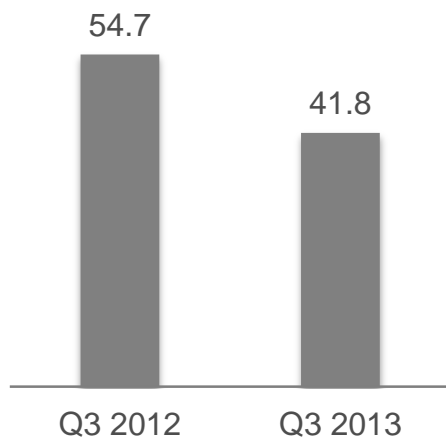
- Additional cost of revenues from the new Plant 2 Olkaria III  
Offset by:
- Decreased depreciation in North Brawley and Mammoth



# Product Segment

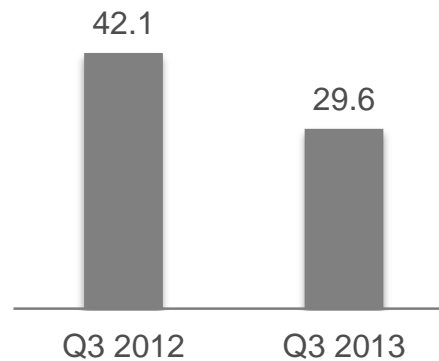
## Revenues

-12.9 million (23.6%)



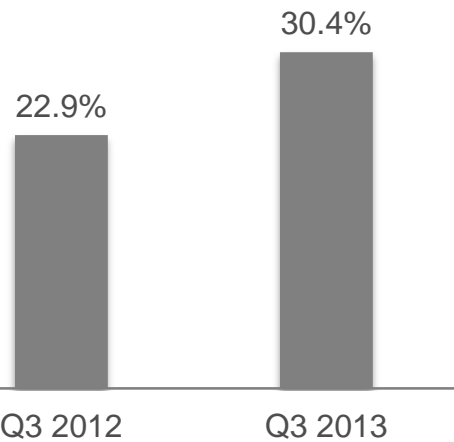
## Cost of Revenues

-12.5 million (29.7%)

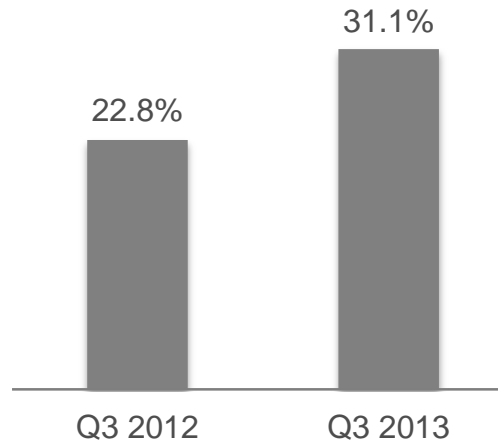


# Gross Margin

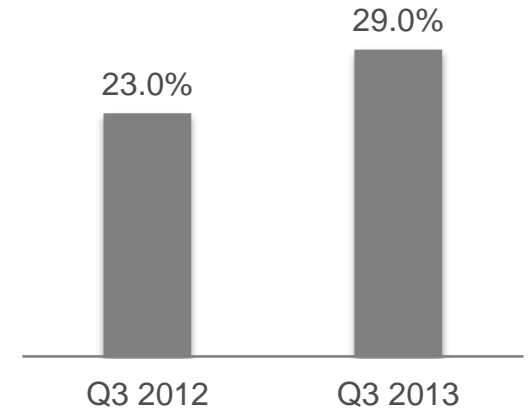
## Combined



## Electricity Segment

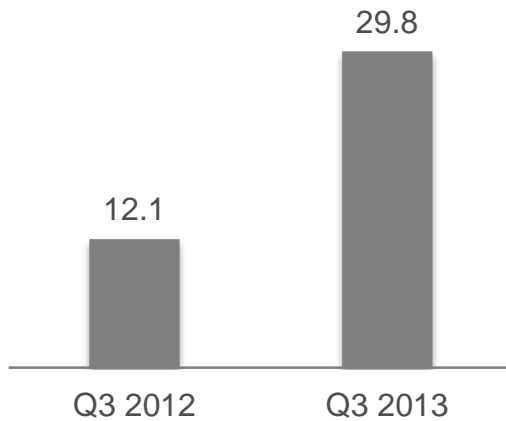


## Product Segment

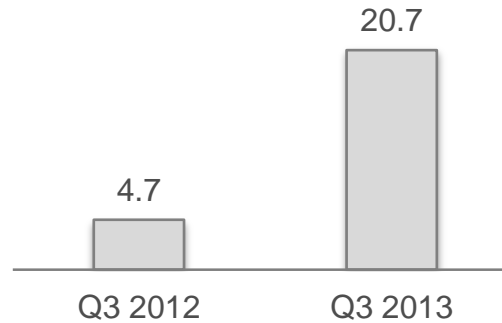


# Operating Income

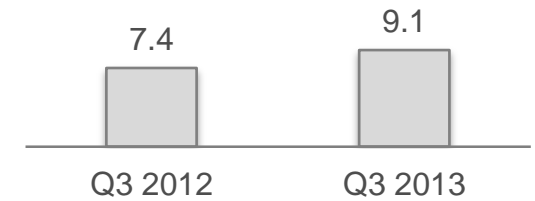
## Total



## Electricity Segment



## Product Segment



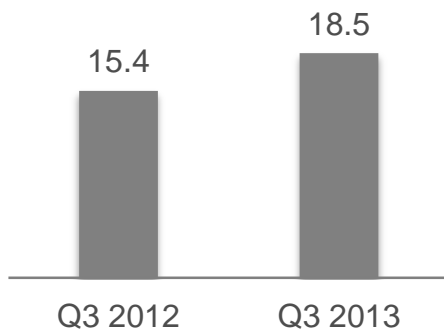
The increase was principally attributable to:

- Increase in Electricity segment gross margin
- \$7.3 million impairment charge recorded in Q3 2012

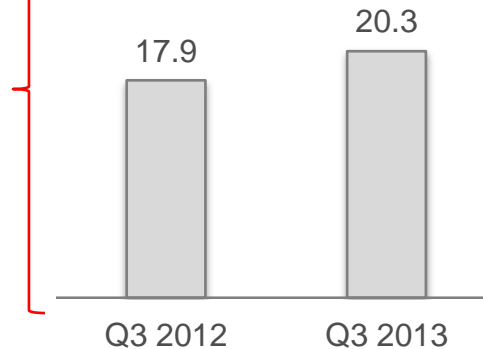
# Interest Expense, Net

## Interest Expense, Net

+3.1 million (19.9%)



## Gross Interest Expense



## Capitalized Interest

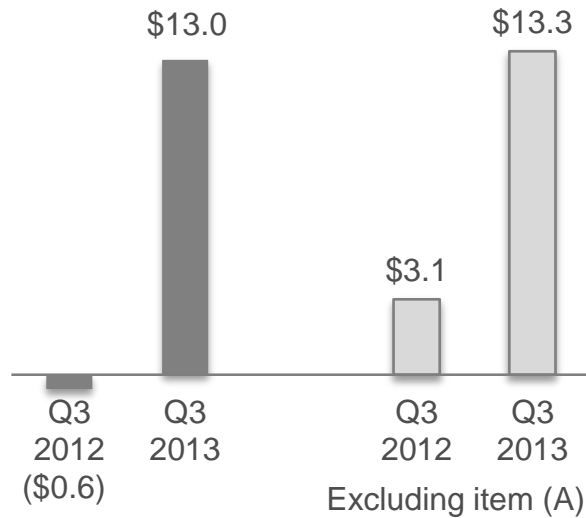


Increase was primarily due to

- \$1.9 million increase in interest related to sale of tax benefit
- \$0.7 million decreased capitalized interest

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

## Net Income Attributable to the Company's Stockholders



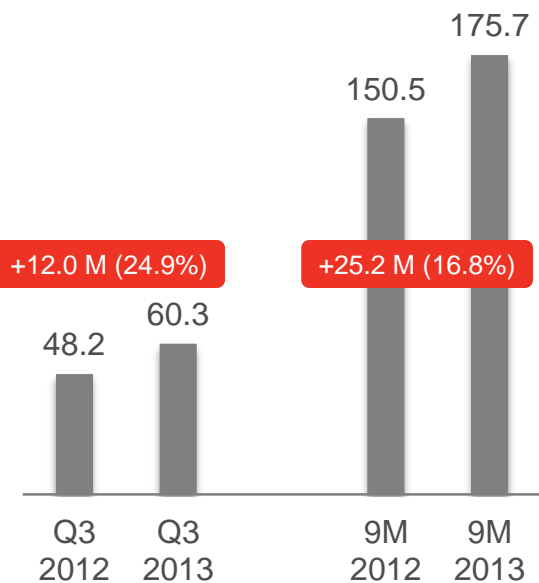
## Earnings per Share (Diluted)



- The increase was principally attributable to the increase in income from continuing operations in the amount of \$15.3 million
- Item (A) Q3 2013: net loss of \$0.3 million on derivative contracts Q3 2012: net loss of \$3.7 million on derivative contracts

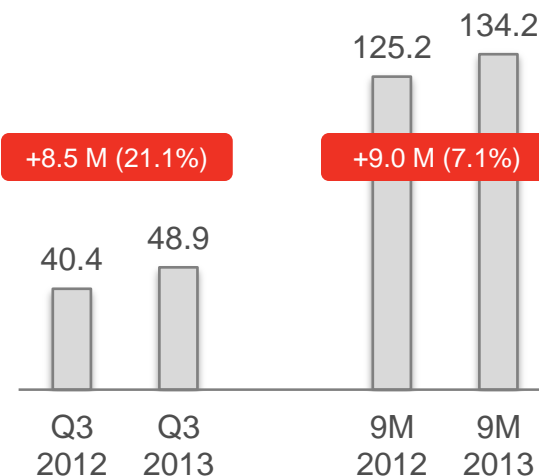
# Adjusted EBITDA

## Total



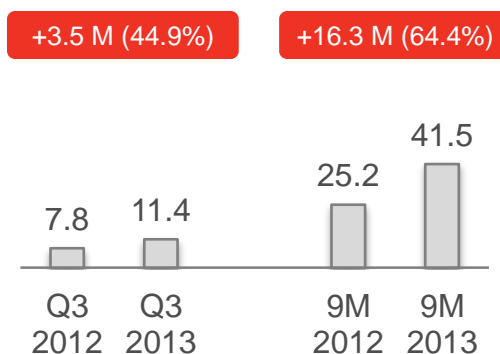
	Q3 12	Q313	9M12	9M13
D&A	24.9	24.0	72.2	66.5

## Electricity Segment



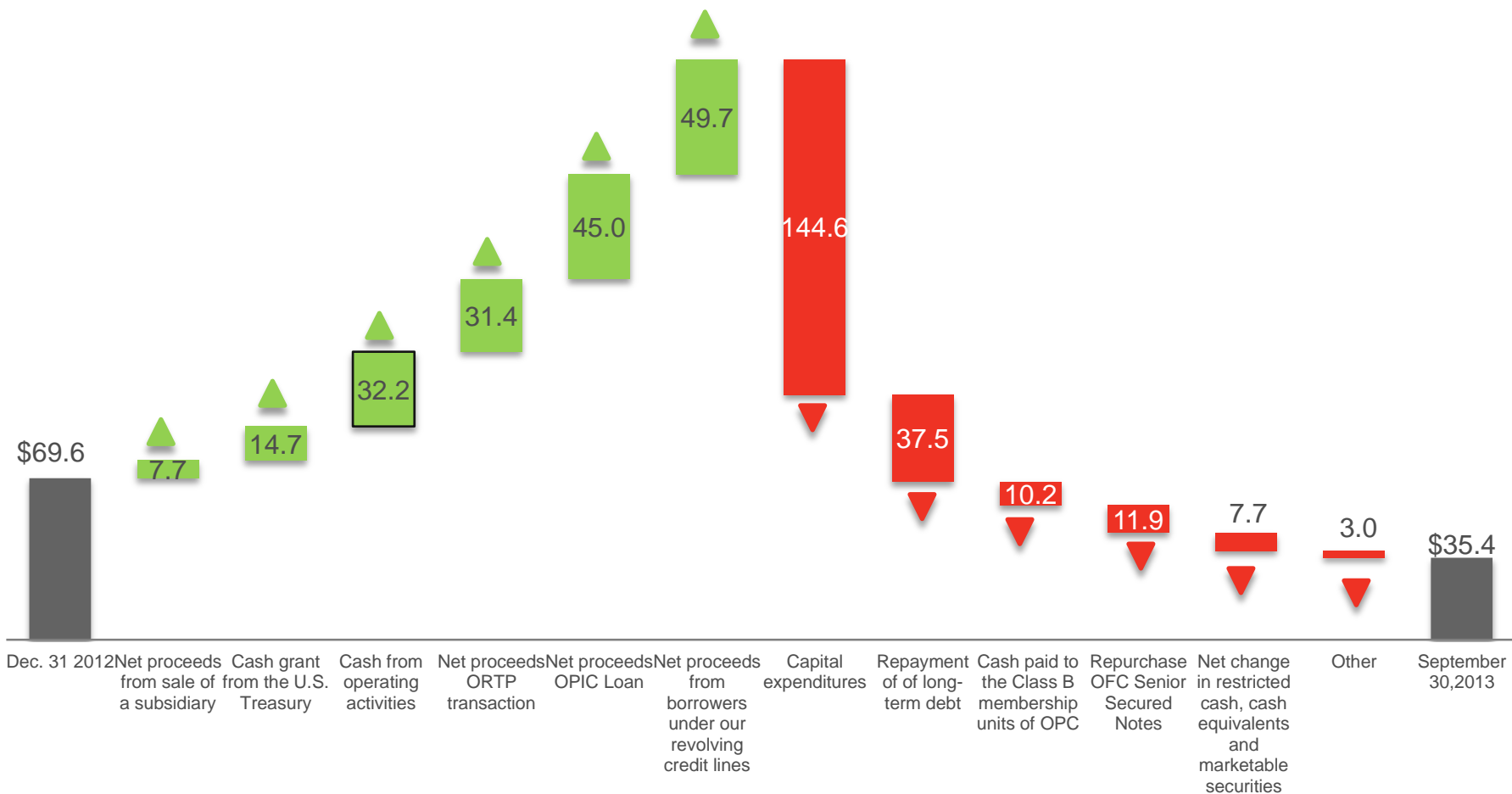
	Q3 12	Q313	9M12	9M13
D&A	24.0	23.1	69.7	63.7

## Product Segment



	Q3 12	Q313	9M12	9M13
D&A	0.9	0.9	2.5	2.8

# Cash, Cash Equivalents and Short-Term Bank Deposit



# Payment of Principal Due by Period

The annual average interest rate for the total debt is 6.0%

(As of September 30, 2013, Amounts in thousands)

	<u>Q4-2013</u>	<u>Year 2013</u>
Long-term non-recourse debt & limited recourse debt	4,544	4,544
Senior Secured Notes (non-recourse) due 2020	15,396	15,396
Long-term loans (full recourse)	10,948	10,948
<b>Total</b>	<b>\$30,888</b>	<b>\$30,888</b>

	<u>Remaining Total</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
Long-term non-recourse debt & limited recourse debt	290,998	4,544	18,364	18,690	40,385	15,309	193,706
Senior secured notes (non-recourse)	316,845	15,396	31,127	33,884	31,293	32,147	172,998
<b>Total non-recourse debt (57%)</b>	<b>607,843</b>	<b>19,940</b>	<b>49,491</b>	<b>52,574</b>	<b>71,678</b>	<b>47,456</b>	<b>366,704</b>
Senior Unsecured Bonds (full-recourse)	250,674	0	0	0	0	250,674	0
Long-term Loans (full-recourse)	93,289	10,948	28,875	19,117	15,228	11,229	7,892
Revolving lines of credit from banks (full-recourse)*	123,288	0	123,288	0		0	0
<b>Total full-recourse debt (43%)</b>	<b>467,251</b>	<b>10,948</b>	<b>152,163</b>	<b>19,117</b>	<b>15,228</b>	<b>261,903</b>	<b>7,892</b>
<b>Total</b>	<b>\$ 1,075,094</b>	<b>\$ 30,888</b>	<b>\$ 201,654</b>	<b>\$ 71,691</b>	<b>\$ 86,906</b>	<b>\$ 309,359</b>	<b>\$ 374,596</b>

\*we expect to renew the revolving bank credit in 2014.



# Operations Update

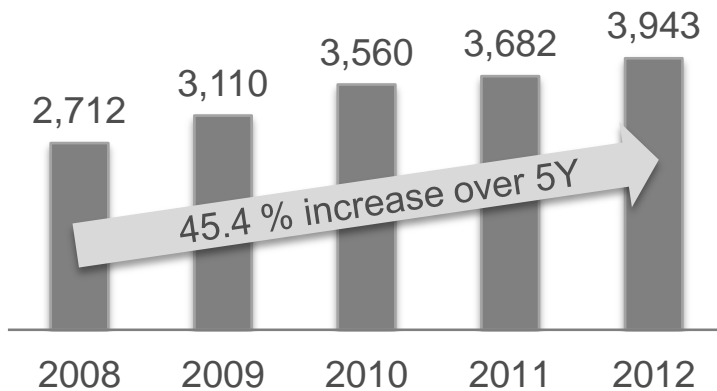
Yoram Bronicki, President and COO



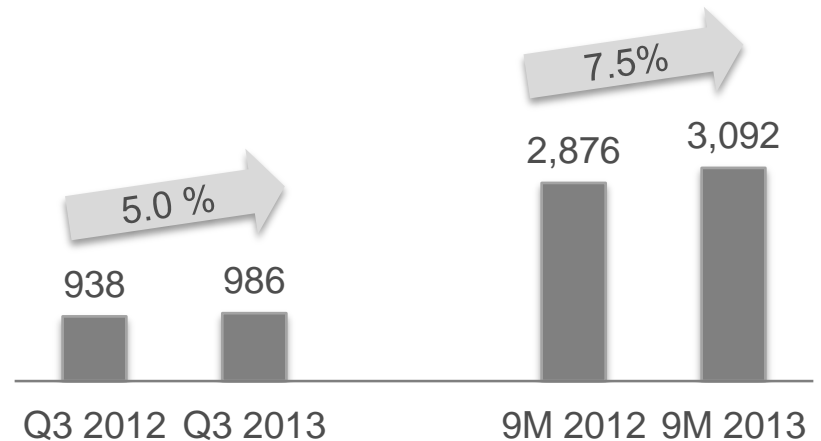
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# Total Generation(GWh)

## Annual



## Quarterly & Nine Months



# Projects under Construction

## Fully Released for Construction

#	Project	Location	Projected Generating Capacity (MW)	Projected Completion	Power Purchase Agreement	May Qualify for ITC Cash Grant
1	Heber Solar	California	10 (24,500 MWh /year)	By YE-2013 <sup>(1)</sup>	✓	✓
2	Don A. Campbell (formerly Wild Rose)	Nevada	16	By YE-2013	✓	✓
3	Olkaria III - plant 3	Kenya	16	H1 2014	✓	NA
<b>Total</b>			<b>42 MW</b>			<b>2 projects</b>

## Initial Stage of Construction

#	Project	Location	Projected Generating Capacity (MW)	Projected Completion	Power Purchase Agreement	May Qualify for PTC
1	Carson Lake	Nevada	20	TBD	-	✓
2	CD4 (Mammoth Complex)	California	30	TBD	-	✓
<b>Total</b>			<b>50 MW</b>			

(1) Subject to timely completion of the interconnection provided by IID

# Future Projects

## Projects under Various Stages of Development

#	Project	Location	Projected Generating Capacity (MW)	Power Purchase Agreement
1	Crump Geyser <sup>(1)</sup>	Oregon	10	-
2	Platanares <sup>(2)</sup>	Honduras	35	✓
3	Sarulla <sup>(3)</sup>	Indonesia	42	✓
4	McGinness Hills - Phase 2	Nevada	30	-
5	Wister <sup>(4)</sup>	California	30	✓
<b>Total</b>			<b>147 MW</b>	

## Additional Developments

- Awarded tender for Geothermal Power Plant by GDC in Kenya
- Entered into a Joint Development Agreement with eBay Inc. for the development of a 5 MW REG power plant to be constructed in Utah

(1) Ormat has signed a 50:50 Joint Venture with Nevada Geothermal Power to develop a binary geothermal power plant, approx., 20 MW, at Crump Geyser in Oregon.

(2) Development is subject to fulfillment of certain conditions.

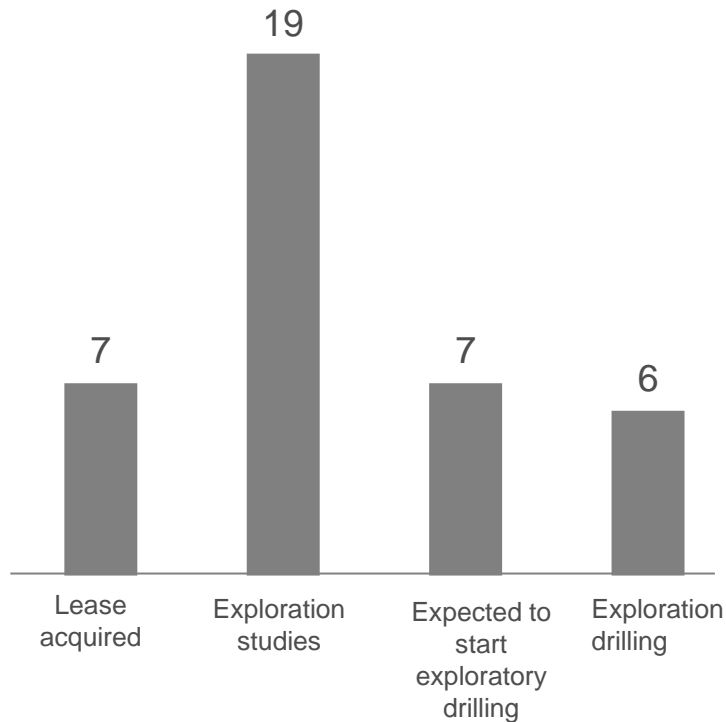
(3) Ormat owns 12.75% interest in the Sarulla consortium that plan to develop the 330 MW net project to be constructed in three phases.

(4) Considering termination of the PPA with the offtaker.

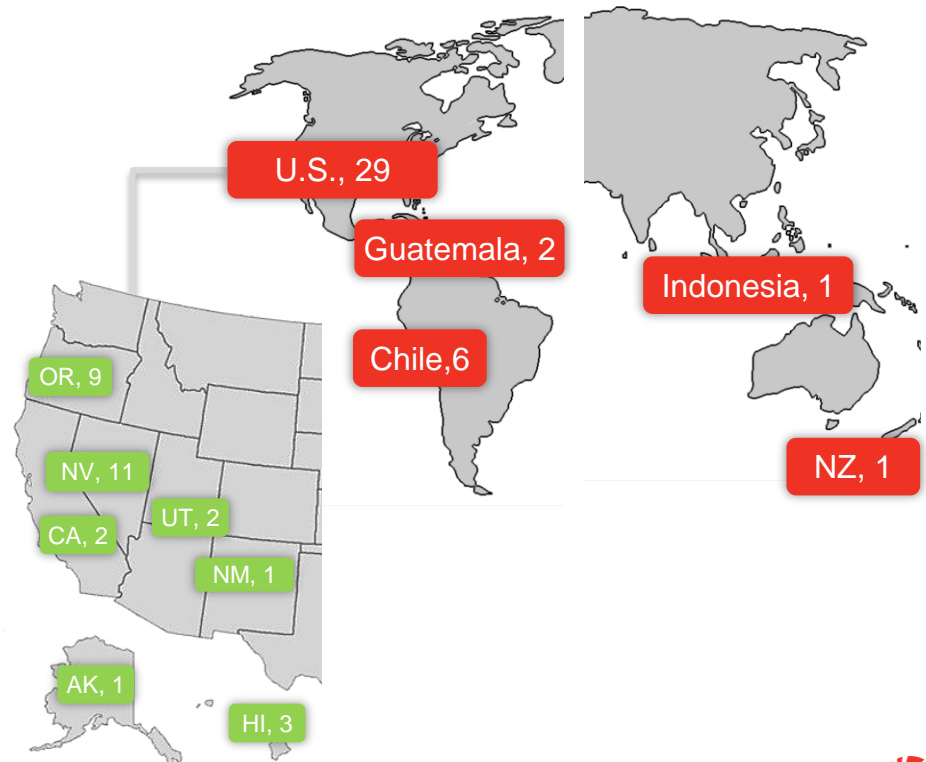
# Future Projects -Exploration Prospects

- Ormat's growth beyond 2013 will depend on the success in its exploration efforts
- Strong land position to support future growth

## Status of 39 Prospects



## Prospects: U.S. - 29; ROW - 10



# Product Segment

- Strong performance of the product segment
- Approximately \$173 million backlog as of November 5, 2013
  - The backlog includes:
    - Revenue for the period between October 1 and November 5, 2013
    - \$21.4 million revenues from the Thermo 1 order expected to be partially recognized this year and the rest is expected in 2014
- \$254 million supply contract signed for the 330 MW Sarulla project in Indonesia is not included in the backlog
  - Expect to complete financing and begin construction next year

# Business Overview

Dita Bronicki, CEO



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# Capital Needs & Sources for the Remainder of 2013

As of the end of September 30, 2013

## Capital Needs (\$ millions)

36	Construction of new projects & enhancements <sup>1</sup>
3	Development of new projects
12	Exploration activities
7	Maintenance CapEx
1	Production Facility & other
<b>59</b>	<b>Total CapEx</b>

**31 Debt repayment**

**Total: \$90 million**

## 2014 Expected Needs:

- Approximately \$150 million expected CapEx
- Approximately \$78 million<sup>2</sup> debt repayment

## Sources of Capital (\$ millions)

35.4	Cash, cash equivalents and a short-term bank deposit
145.2	Unused corporate lines of credit
<b>181</b>	<b>Total sources</b>
45	OPIE loan (Plant 3)
<b>45</b>	<b>Total expected sources</b>

**Total: \$226 million**

## 2014 Expected Sources:

- Additional \$30 million<sup>3</sup> of cash grant related to Campbell and Heber solar
- Cash flow from operation
- Proceeds from expected project financing for projects under construction

<sup>1</sup> Enhancement CapEX is related to Mammoth and Heber.

<sup>2</sup> Debt repayment amount excludes revolving lines of credit from banks.

<sup>3</sup> Estimated amount based on construction cost of \$4.5 million per MW and 28% Treasury cash grant (subject to 7.3% sequestration)



# Revenue Guidance for 2013

Expect total revenues between \$525 and \$535 million

- **Electricity Segment** - approximately \$330 million
- **Product Segment** - between \$195 million and \$205 million

# Reconciliation of Adjusted EBITDA and Additional Cash Flows Information

## Reconciliation of EBITDA, Adjusted EBITDA and Additional Cash Flows Information For the Nine and Three-Month Periods Ended September 30, 2013 and 2012 (Unaudited)

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, excluding impairment of long-lived assets and one-time termination fee. 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 nine and three-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Net cash provided by (used in) operating activities.....	\$ 12,276	\$ (9,695)	\$ 32,226	\$ 62,384
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs).....	17,405	14,202	47,367	40,931
Interest income.....	(742)	(280)	(870)	(1,004)
Income tax provision.....	5,201	1,479	15,642	11,245
Adjustments to reconcile net income or loss to net cash provided by operating activities (excluding depreciation and amortization).....	26,115	35,236	72,361	29,661
<b>EBITDA.....</b>	<b>\$ 60,255</b>	<b>\$ 40,942</b>	<b>\$ 166,726</b>	<b>\$ 143,217</b>
Impairment charge	—	7,264	—	7,264
Termination fee	—	—	8,979	—
<b>Adjusted EBITDA.....</b>	<b>\$ 60,255</b>	<b>\$ 48,206</b>	<b>\$ 175,705</b>	<b>\$ 150,481</b>
Net cash provided by (used in) investing activities.....	\$ (25,029)	\$ 13,417	\$ (128,198)	\$ (53,611)
Net cash provided by (used in) financing activities.....	\$ 19,295	\$ (32,882)	\$ 64,779	\$ (71,135)

# Reconciliation of Adjusted EBITDA

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Net income (loss).....	\$ 13,143	\$ (515)	\$ 33,676	\$ 16,232
Adjusted for:				
Interest expense, net (including amortization of deferred financing costs)	17,717	15,120	50,956	43,537
Income tax provision .....	5,201	1,479	15,642	11,245
Depreciation and amortization.....	24,194	24,858	66,452	72,203
<b>EBITDA.....</b>	<b>\$ 60,255</b>	<b>\$ 40,942</b>	<b>\$ 166,726</b>	<b>\$ 143,217</b>
Impairment charge	—	7,264	—	7,264
Termination fee	—	—	8,979	—
<b>Adjusted EBITDA.....</b>	<b>\$ 60,255</b>	<b>\$ 48,206</b>	<b>\$ 175,705</b>	<b>\$ 150,481</b>