

UPDATE NOTE

ENERGY TRANSITION & SUSTAINABLE INVESTING

Revolve Renewable Power Corp.

Revolve Achieves a Key Milestone and Completes WindRiver Acquisition Previously Announced in October 2023

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KEY POINTS

- **On February 14, 2024, Revolve completed the proposed acquisition of WindRiver Power Corporation**, which was announced in October 2023.
- **WindRiver is a Canada-based owner, operator, and developer of wind and hydro projects** in the provinces of British Columbia and Alberta.
- **This acquisition is a key milestone** in Revolve's stated strategy of utilizing both a development strategy and acquiring operating assets.
- **Those interested can listen to a summary conversation on the WindRiver transaction** with Revolve CEO Steve Dalton [here](#).
- **These operating projects produced 28,463MWh of energy for the first six months of 2023 and generated C\$3.17 million in gross revenue.** WindRiver's share of revenue was C\$0.9 million for the first six months.
- **Following the completion of the acquisition, Revolve now has a total portfolio consisting of:** (1) Operating Assets: 12.33MW (net) of operating assets under long-term PPAs across Canada and Mexico, covering wind, solar, battery storage, and hydro generation; (2) Under Construction: a 3MW CHP project and a 450kWp rooftop solar project that are both under construction and expected to be operational later this year; and (3) Development: a diverse portfolio of development projects across the US, Canada, and Mexico, with a combined capacity of more than 3,000MW.
- **REVV acquired all outstanding shares of WindRiver for approximately C\$4.85 million.** Additional contingent payments of up to C\$14 million may be made based on project milestones. WindRiver is also entitled to contingent payments of up to C\$5.7 million from previously sold assets.
- **The company financed the acquisition using a secured loan of C\$3.97 million from [RE Royalties Ltd. \(RE, RROYF\)](#).** Revolve provided the remaining cash needed through its own balance sheet funds.

KEY STATISTICS

Ticker:Exchange	REVV:TSXV	REVV:OTC
Current Price		\$0.33
52-Week Range		\$0.20-\$0.71
Average Volume (30-Day)		2,754
Shares Outstanding (MM)		46.0
Market Cap (\$MM)		\$15.2
Fiscal Year-End		June

PRICE PERFORMANCE



COMPANY OVERVIEW

Revolve Renewable Power is an owner, operator, and developer of renewable energy projects focused on the North American market. The company offers a unique opportunity for common equity investors to participate directly in two key trends in the renewable energy sector: (1) the development of utility-scale renewable projects; and (2) behind-the-meter distributed generation (DG) projects. The company's strategy is to evolve into a dedicated renewable independent power producer focused on long-term recurring revenue and cash flow. The company has a portfolio of 3GW under development and an accomplished management team with a track record of success, having already generated \$20 million in revenue for the business. The primary focus of the company is owning, operating, and developing renewable energy electricity generation projects in the US and Mexico, with a recently announced planned expansion into the Canadian market. These projects encompass a diverse portfolio of wind, solar, and battery storage, amounting to 12.33MW in operation, 3.45MW currently under construction, and a further 3GW under development.

In addition to its existing operating and development portfolio, the company also successfully sold 1,250MW of solar and storage development assets to ENGIE in January 2023 for a transaction value of between US\$50 million and US\$62.5 million. These were the company's third and fourth project sales and are expected to deliver further revenue over the coming years.

Revolve is also well-positioned to benefit from the growing trend of DG, which refers to the production of electricity from renewable sources at or near the point of consumption. This trend is being driven by the increasing demand for reliable and clean energy by large industrial companies, as well as the declining cost of renewable technologies. This division aims to cater to the DG market and sub-20MW renewable energy projects. The scope of this division encompasses various types of projects, including wind, rooftop solar, ground-mounted solar, battery storage, and energy efficiency projects, both "behind the meter" and grid-connected. These endeavors will be targeted across the US and Mexico.

The Market

Revolve is in a favorable position to seize the opportunities presented by the rapid growth of the renewable energy market. Projections indicate that the global renewable energy market is poised to reach a substantial value of \$1.998 trillion by 2030, with a projected CAGR of 8.6% from 2022 to 2030. This remarkable expansion is fueled by the increasing global demand for clean and sustainable energy sources for large corporations, driven by environmental concerns, government policies, and the declining costs of renewable technologies. The US is recognized as the largest and most promising market for renewable energy worldwide. The Canadian renewable energy market has also been bolstered this year by a large package of tax and grant incentives announced by the government as part of its 2023 budget. The Mexican market was the fastest-growing renewable energy market in Latin America for a number of years up to 2019 and holds considerable wind and solar resources for future development. All three countries have made significant commitments to transition to cleaner energy systems, creating a favorable long-term regulatory environment and providing substantial incentives for renewable energy development. As a result, the renewable energy sector across North America has experienced remarkable growth in recent years. Additionally, federal incentives and tax credits further support the growth of the renewable energy sector, creating a conducive environment for Revolve to expand its project portfolio and contribute to the country's clean energy transition.

Business Model

Revolve has recently transitioned from being solely a development company to an owner and operator of renewable energy projects. This strategic shift represents a significant milestone for the company, reflecting its strategy of building a renewable independent power producer focused on long-term recurring revenue and cash flow across North America. Previously, as a development company, Revolve focused on identifying, designing, and developing renewable energy projects. It played a crucial role in the early stages of project conception, feasibility assessments, and permit acquisition. Projects were then sold to large international utilities once they were ready to start construction, with the company earning a development return.

The strategic shift to an owner and operator model will see the company aim to retain ownership of projects through the construction phase and into operation, creating long-term revenue and cash flow for the business. The company intends to do this through the organic growth of its existing 3GW portfolio of projects, which will also be supplemented by strategic acquisitions. The company completed its first of these acquisitions in August 2022, acquiring a portfolio of operating DG assets from Centrica plc, a large UK utility. The company has also just announced the signing of another acquisition, which will see it expand into the Canadian market and acquire a portfolio of interests in operating hydro and wind assets in British Columbia and Alberta.

Revolve has set an ambitious goal to convert 40MW per year over FY24 and FY25 from its DG development portfolio into projects under construction or operational status.

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Key Summary Points of Acquisition

These operating projects produced 28,463MWh of energy for the first six months of 2023 and generated C\$3.17 million in gross revenue. WindRiver's share of revenue was C\$0.9 million for the first six months, as shown in the table below.

The table below provides an overview of the revenue generated by the Operational Projects for the six months ended June 30, 2023. The net revenues presented below attributable to WindRiver are not consolidated on the balance sheet of WindRiver and are shown for informational purposes only. The reported unconsolidated revenue of WindRiver for the corresponding 6 month period was C\$331,361.

Project	Gross Production (MWh)	Gross Revenue CAD\$	WindRiver Net Ownership %	WindRiver Net Revenue CAD\$
Box Springs	7,568	1,054,818	51%	537,957
Sakwi Hydro	8,993	851,845	21%	178,887
Hunter Creek Hydro	11,902	1,263,310	21%	265,295
Total	28,463	3,169,973		982,139

The development projects include the 15MW Tahimi Creek Hydro Project near Chilliwack, BC (70% ownership), and the 75MW Kinskuch Lake Hydro Project north of Terrace, BC (87.5% ownership). The Kinskuch Lake project has the potential for significant storage capacity. The development projects are at varying stages of development with target ready-to-build dates in 2025-2026, subject to future power contracting opportunities with B.C. Hydro.

REVV acquired all outstanding shares of WindRiver for approximately C\$4.85 million. Additional contingent payments of up to C\$14 million may be made based on project milestones. WindRiver is also entitled to contingent payments of up to C\$5.7 million from previously sold assets.

Revolve Renewable Power Corp. financed the acquisition using a secured loan of C\$3.97 million from RE Royalties Ltd. The remaining cash needed was provided by Revolve through its own balance sheet funds.

Our Previous Research Content

Update Note

01/30/24 [Valuation Model Indicates Shares Trading Below Many Peers and the Sum-of-the-Parts](#)

Revolve trades at a significant discount to its peers, even though it has delivered revenue and EBITDA, has a larger development pipeline than many of its peers, and further expected payments of US\$50-60 million from the ENGIE transaction.

12/01/23 [1Q24 Results: Revenue Drives Ahead Led by ENGIE Milestone Payment](#)

REVV reported total revenue of \$1.2 million in 1Q24, \$1.1 million higher than in 4Q23, primarily due to the interconnection milestone payment received from ENGIE under the sale agreement for the Parker project and recurring revenue from the operational distributed generation (DG) portfolio.

Initiation of Coverage Report

10/17/23 [Leveraging Investments in the Renewable Energy and Distributed Power Megatrend](#)

Revolve Renewable Power is transitioning from a pure development company to an owner and operator of renewable energy projects. This strategic shift should allow for more predictable revenue and cash flow.

ABOUT THE ANALYSTS



Shawn Severson

President & Co-Founder

Shawn Severson is President & Co-Founder of Water Tower Research. Prior to co-founding Water Tower Research and previously founding predecessor firm alphaDIRECT Advisors, Shawn spent over 20 years as a senior equity research analyst covering the Technology and ClimateTech sectors, including senior positions at JMP Securities, ThinkEquity, Robert W. Baird (London) and Raymond James, and he started his career as an equity research associate at Kemper Securities.

Shawn was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and a StarMine Analyst Awards Top 3 stock picker. Shawn's extensive professional experience also includes his former role as Managing Director of the Energy, Environmental and Industrial Technologies Practice at The Blueshirt Group, a leading investor relations and IPO advisory firm. Shawn holds a BA degree in Finance and Economics from Augustana College.



Graham Mattison

Senior Research Analyst

Graham Mattison brings more than 20 years of experience in equity research, investor relations, and corporate operations, growth, and development. Graham was the Investor Relations Officer for two NASDAQ-listed companies where he led multiple equity raises as well as managed an activist investor campaign, M&A and corporate restructuring, and a NASDAQ delisting and relisting.

Previously, he was a Senior Equity Research Analyst, most recently at Lazard Capital Markets, covering the industrial and cleantech industries. He began his career in Southeast Asia as an Investment Analyst for Daiwa Securities. He was also co-founder of an online residential real estate start-up that developed a web-based auction platform.

Graham received his BA in East Asian Studies with minors in Economics and History from Hobart College and his MBA in Finance with honors from the Thunderbird International Business School at Arizona State University. He is an Investor Relations Charter (IRC) holder from the National Investor Relations Institute.

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