

## Q1 2020 Earnings Call

### Company Participants

- David Povall, Executive Vice President, Development of the Company
- Mike Crawley, President & Chief Executive Officer
- Paul Bradley, Chief Financial Officer
- Pauline Alimchandani, Chief Financial Officer

### Other Participants

- Ben Pham
- David Quezada
- Mark Jarvi
- Naji Baydoun
- Nelson Ng
- Rupert Merer
- Sean Steuart

### Presentation

#### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Northland Power Conference Call to discuss 2020 First Quarter Results. During the presentation, all participants will be in listen-only. Afterwards, we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded, Thursday, May 14, 2020 at 10 a.m.

Conducting this call for Northland Power, are Mike Crawley, President and Chief Executive Officer; Pauline Alimchandani, Chief Financial Officer and Wassem Khalil, Senior Director of Investor Relations and Strategy.

Before we begin, Northland's Management has asked we remind listeners that all figures presented are in Canadian dollars and to caution that certain information presented and responses to questions may contain forward-looking statements that include assumptions and are subject to various risks. Actual results may differ materially from management's expected or forecasted results.

Please read all forward-looking statements section in yesterday's news release announcing Northland Power's results and be guided by its contents in making investment decisions or recommendations. The release is available at [www.northlandpower.com](http://www.northlandpower.com).

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I will now turn the call over to Mike Crawley. Please go ahead.

**Mike Crawley** {BIO 19260915 <GO>}

Thank you, Lisa, and good morning, everyone. We also have David Povell, our Executive Vice President of Development joining the call this morning as well. So thanks everybody for joining us today. This morning, we will review our first quarter 2020 financial and operating results. It has certainly been a busy and challenging quarter in light of the events surrounding COVID-19 and its implications, not only for our company, but of course for everyone globally.

Before I begin, I want to take a moment to welcome Pauline Alimchandani, our new Chief Financial Officer. This is Pauline's first call as CFO since joining Northland on April 13. We are excited to work with Pauline, who comes from a fast-growing complex development company and has deep experience in corporate finance, strategy, capital allocation, project/development finance in addition to financial reporting, treasury and tax. I think I got all of that Pauline. Anyway she is an excellent find, and everybody at Northland is very happy that she's joining the company.

Also joining us on the call for one last time is Paul Bradley, our retiring CFO, who you all know well, of course. Paul and I have crossed paths in many ways in the Ontario power sector over the years. I always enjoyed dealing with him, and it is one of the high points of my career that I was able to work side by side with him over the last five years. Those on the call know of Paul's deep knowledge of the power sector and the success of course with Northland. But you may not know what a great mentor he has been to so many people at the company. Paul, I wish you the best in what looks like quite a busy retirement. I also want to thank you for staying on until today to support with the transition.

Now turning to the quarter, we're off to a very good start in 2020. I will provide a high-level overview of our first quarter results and Pauline will provide a more detailed look into the financials later in the call. We once again delivered very strong financial results, achieving healthy growth in both adjusted EBITDA and free cash flow per share compared to the same period a year ago.

Operationally, our teams worked tirelessly to ensure that our facilities continue to operate safely and efficiently despite the events related to the COVID-19 pandemic. All our operating facilities continue to operate as expected and preventive measures remain in place in accordance with Northland's crisis response plan and applicable government directives. Most of Northland's revenue is under long-term contracts. Nevertheless, the situation remains dynamic, and we continue to track developments very closely and may take further actions as may be required.

Turning to our financial results for the first quarter. We've reported adjusted EBITDA of approximately \$421 million compared to \$294 million in the same period in 2019, representing 43% increase year-over-year. Our free cash flow per share in the first quarter

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was \$1.10 per share compared to \$0.79 per share in 2019, representing an increase of 39% year-over-year.

I'd like to point out that significant increases in adjusted EBITDA and free cash flow are largely due to stronger operating results from our offshore wind farms as well as contributions from Deutsche Bucht, partially offset by greater periods of unpaid curtailment due to negative pricing at Nordsee One and Deutsche Bucht. While the majority of our offshore wind revenues are contracted under long-term agreements, we do have some limited exposure to the wholesale market price of [ph] electricity. If low market prices persist for an extended period, Northlands revenues will be negatively affected. We saw some impact of this in Q1 already as I said at Nordsee One and Deutsche Bucht.

Strategically, we delivered on several initiatives during the quarter that will position us for further growth. We successfully closed the acquisition of our first electricity distribution utility EBSA in early January and our first quarter results incorporate contributions from EBSA and we're in line with their expectations. At Deutsche Bucht, we achieved a significant milestone on March 31st, where all of the terms required to satisfy the project lenders for term conversion were achieved and we officially commissioned the 252 megawatt facility. This officially ends the construction of the project. As announced in early March, the decision was made to forego the installation of the two mono bucket foundation turbines and leave the project to be comprised of the 31 monopile foundation turbines. This decision allowed us to move the project to commercial operations on March 31, 2020.

This is our third European off wind project to be completed in the North Sea in addition to Gemini and Nordsee One. These three projects have a combined gross capacity of nearly 1.2 gigawatts or 900 megawatts net to Northland, and speak to Northland's ability and track record to deliver large complex projects. So it spooked will allow us to meet the power needs of approximately 300,000 households and the renewable energy produced will save an estimated 700,000 tons of greenhouse gas emissions per year. At La Lucha construction activities continue and the project remains on track for completion in the second half of 2020. However, completion timing may be affected by availability of construction subcontractors should restrictions under COVID-19 persist for an extended period of time.

At this point, activities continue and as I said, we are still expecting completion later this year. As part of our development strategy in Mexico [ph] and to facilitate securing off take agreements for La Lucha, we completed the acquisition of a qualified supplier in Mexico, we call NP Energia. NP Energia will -- which holds a qualified supplier license will enable Northland to operate in the electricity sector in Mexico by contracting our generation facilities including La Lucha to commercial and industrial off takers. As we have highlighted previously Northland owns 100% of La Lucha and is our first project to be underpinned by commercial and industrial off take. We expect to secure off take agreements for the project closer to project completion.

Now turning to our development activities we continue to expand our pipeline activity by establishing several early stage development project in new jurisdictions. We announced

the acquisition of NaiKun in March, an off shore wind project off the coast of British Columbia. We also completed the acquisition of Dado Ocean, an off shore wind development company in South Korea with identified development potential of approximately 1 gigawatt. Both of these projects are early stage development opportunities that will expand our off wind portfolio and will further diversify our portfolio. We expect to develop these projects in the coming years.

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At our Hai Long off shore wind project in Taiwan, work continues on securing power purchase agreements for the remaining 744 megawatt allocation, secured under an auction process. And expect to sign the PPAs in 2020. As we continue to take advantage of a global increase in demand from renewable energy projects, we will continue to leverage our competitive advantage in order to meet our ambitious growth plans.

I will now turn the call over to Pauline for a more detailed review of our financial results.

### **Pauline Alimchandani** {BIO 16319027 <GO>}

Thank you, Mike, and good morning, everyone. I'm very happy to be here on my first quarterly conference call as Chief Financial Officer. Last night Northern released operating and financial results for the first quarter of 2020. The recent results showcase the continued strength and resilience of our business despite the ongoing implications of COVID-19. We generated adjusted EBITDA of \$421 million in the first quarter, which was an increase of \$127 million, or 43% from a year ago. The primary driver behind this increase was strong operational performance at our offshore wind farms, where we saw a combined increase in adjusted EBITDA from Gemini and Nordsee One of approximately \$33 million, and the additional contributions from DeBu, which contributed approximately \$85 million of pre-completion revenues in the quarter.

Also contributing to the strong performance in adjusted EBITDA was the addition of financial contribution from EBSA. As noted earlier, we closed on EBSA on January 14th, and as a result \$21 million in adjusted EBITDA was recorded in the quarter. These strong results were slightly offset by lower resources at our onshore renewable facilities and a higher level of development spent primarily related to our Hai Long offshore wind project.

With respect to free cash flow, Northland generated a total of \$211 million in the first quarter. This represents an increase of 49% or \$70 million from the prior year, the increase in quarterly cash flow is attributable [ph] to \$48 million increase in overall earnings resulting from the stronger performance in our offshore wind segment as Mike mentioned earlier.

As Mike also mentioned, we declared commercial operations at DeBu at the end of March. The projects earned pre-completion revenues until achieving financial completion. At this time any net pre-completion revenues in excess of the amount required to service that was recognized as free cash flow. This amounted to \$93 million in the quarter. The total amount of contribution from DeBu for 2020 is expected to be in line with guidance released in February, which for clarity included this onetime amount, and

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include -- and assumes that we are successful in making only partial year debt repayments in 2020.

These higher contributions were partially offset by a \$37 million increase in scheduled principal repayments primarily related DeBu and the first principle debt repayment at Grand Bend. Another offset was a \$28 million increase in cash tax expense primarily due to the addition of EBSA as well as higher cash taxes at our offshore wind facilities including Gemini, which became fully taxable in 2020.

Lastly as we stated in our guidance, we expect higher development costs in 2020 as we pursue growth opportunities. Development costs including overhead accounted for approximately \$0.06 of free cash flow per share in the quarter. Within guidance, our development budget for 2020 currently remains unchanged. These figures translated to a free cash flow per share of \$1.10 for the first quarter, representing an increase of 39% compared to the prior year. This level of cash flow resulted in a rolling four quarter free cash flow payout ratio, calculated on a cash dividend basis of 58% compared to 64% last year.

With respect to our financing activities on May 11, we successfully completed the early redemption of our 4.75% Series C convertible debentures, originally due June 30. Of the \$148.8 million of principal outstanding, \$147 million worth of debentures were converted into approximately 6.8 million shares with the remaining nominal amount redeemed in cash. We ended the quarter with over 420 million of cash and liquidity available comprised of 84 million of cash on hand and 339 million of liquidity under our revolver.

As we have noted earlier, our business strategy remains focused on enabling us to meet our commitment to our shareholders despite the implications of COVID-19. The strength of our balance sheet and stability of our cash flows, which are underpinned by long-term revenue contracts, positions us to weather the current environment. While we had a strong quarter, our 2020 guidance remains unchanged at this time. We continue to expect adjusted EBITDA in the range of \$1.1 billion to \$1.2 billion and expect free cash flow per share to be in the range of \$1.70 to \$2.05 per share. I want to take a moment however to expand on DeBu debt assumptions that are included within our within our guidance.

With the completion of construction and commercial operations being achieved, we are working to restructure the projects, EUR1.47 billion senior debt, and hope to have this completed by the end of the year. For 2020, the project will have its first Samuel -- semiannual debt repayment in June for approximately EUR46 million, but we expect to defer at the second payment, scheduled for December into 2021 with the completion of the restructuring. The payment in June has been evenly amortized within free cash flow between Q1 and Q2 and the amount of approximately \$0.18 per share for quarter. The deferral of the second payment is embedded within our guidance assumption.

Prior to concluding my comments, I would like to thank Paul Bradley for his guidance during my transition period. I am excited to be part of Northland and I'm inheriting a strong team and infrastructure due to Paul's leadership. Paul, thank you. I wish you the

best of luck in your retirement and look forward to staying in touch with you for a long time to come.

With that, I will now turn the call back over to Mike for his concluding comments.

**Mike Crawley** {BIO 19260915 <GO>}

Thank you, Pauline. In closing, I want to highlight what -- that while our primary focus during these times is the health and safety of our employees and all stakeholders, we also feel a great sense of responsibility to continue delivering electricity under our long-term off take agreements and concessions. Many of Northland's facilities are deemed critical infrastructure. For example, in northern Europe, our offshore wind projects provide over 1 gigawatt of capacity. In Saskatchewan, our power plants generate a significant portion of that province's energy; and EBSA the sole -- is the sole electricity distributor in Colombia's Boyaca region.

Our efforts are focused on ensuring our facilities continue to operate at high levels of availability, delivering the essential power that our off take counterparties rely on and need. We have ample liquidity, strong balance sheet, and given the relative stability of our revenues and free cash flow profile, we're in a good position to weather the current environment.

Lastly, by leveraging our financial flexibility, extensive development expertise and knowledge, we will look to identify and develop future opportunities to further expand our global development footprint and enhance Northland's growth. And that concludes my prepared remarks; we'd now be prepared to take your questions.

Lisa, please open the queue for questions.

## Questions And Answers

### Operator

(Question And Answer)

Thank you. (Operator Instructions) Your first question comes from the line of Sean Steuart with TD Securities.

**Q - Sean Steuart** {BIO 3363023 <GO>}

Thank you. Good morning. Congratulations to both Pauline and Paul. A few questions on offshore wind to start with. I know you guys don't provide quarterly long-term average generation guidance, but can you give us a sense of how Q1 North Sea wind conditions would have compared to normal expectations for the quarter.

**A - Mike Crawley** {BIO 19260915 <GO>}

The wind speeds and -- would have been above the P50, so above expectations.

**Q - Sean Steuart** {BIO 3363023 <GO>}

Any order of magnitude you can provide, Mike?

**A - Mike Crawley** {BIO 19260915 <GO>}

Materially above?

**Q - Sean Steuart** {BIO 3363023 <GO>}

Got it. And operating costs for the offshore wind segment were up just \$3 million year-over-year, despite the inclusion of DBU. But -- and that could be a function, I guess, of the free completion accounting. Would you consider Q1 margins for offshore wind as representative of what might be normal in the first quarter?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes, there was nothing out of the ordinary in the first quarter in that respect, so that would be a fair assumption, Sean.

**Q - Sean Steuart** {BIO 3363023 <GO>}

Okay. And last question for me for now. The wind curtailments in Europe and the lower wholesale prices for Gemini, you touched on those items for Q1. Any sense of how that's transitioned into Q2 in terms of incremental headwinds that you might see this quarter?

**A - Mike Crawley** {BIO 19260915 <GO>}

It's something we're tracking closely, as you can imagine. So as you know, Germany, Netherlands and most of Northern and Western Europe is now gradually opening up. So, we're kind of tracking what happens with the demand as the factories and offices start to open up this month. So a bit too soon to kind of make a forecast on it, but something we're watching closely, in particular this month.

**Q - Sean Steuart** {BIO 3363023 <GO>}

Okay. Thanks, Mike. I'll get back in the queue.

**A - Mike Crawley** {BIO 19260915 <GO>}

Okay.

**Operator**

Your next question comes from line of David Quezada with Raymond James.

**Q - David Quezada** {BIO 18613628 <GO>}

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Great. Thanks, good morning, everyone. My first question here on the acquisition of Energia in Mexico. I'm just wondering, if you have any details on how that qualified supplier license works? And was there a pre-existing business there or is it primarily just that license? And maybe finally, do you see it bringing you any other opportunities?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes. Good question. So the way the electricity system is structured in Mexico, which is relatively new in the last three or four years when the restructuring took place is that a generator cannot sell directly to load or to a customer. You need to sell through a qualified supplier. So as we were planning out our Mexican growth strategy, we had a couple of options. We could either sleeve it or sell through another qualified supplier, create our own qualified supplier, or acquire or partner with an existing qualified supplier. So what we ended up when we looked at all those different options, we decided that there was a lot of value for us in actually controlling a qualified supplier and getting some of the rents on the transactions and also using it to help and form our development activities going forward because that would identify where load customers are looking for both generation and also -- or energy and capacity, but also renewable energy attributes.

So based on that, we acquired a company (inaudible) which was in the process of securing their qualified supplier license, and we didn't close until after the license had been secured and approved. And then we are working with that team, that core team, which we did a lot of diligence on and have a lot of confidence in to build out a qualified supplier. So they had secured their license, but they had not yet begun operations. And at that point that we stepped in and acquired them.

**Q - David Quezada** {BIO 18613628 <GO>}

Okay, great that --

**A - Mike Crawley** {BIO 19260915 <GO>}

So in terms of your second question, David, sorry, in terms of your second question, David. It certainly allows us to have a path to market power from La Lucha, but also from other facilities that we hope to develop and construct in Mexico. And that's the main purpose of that platform for us. But it will also, as the team understands better where load is and where constraints are in the Mexico grid, allow us to become better informed developers as well going forward.

**Q - David Quezada** {BIO 18613628 <GO>}

Okay, great. Thank you very much. That's good color. And then maybe just one other question. I'm just curious that in the current environment, maybe are there any developers or projects out there that could be distressed? And do you see any opportunities arising from the current situation, just given your strong balance sheet?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes. It's a good question. So, I mean, David Povall is on the line as the Head of Development, and he's -- I'll turn it over to him in a second to add any more detail on it,



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but he is certainly very aware of kind of -- that some opportunities, as you described, may exist, and we're attuned to it. And all of the regional development offices are looking for such opportunities.

Having said that, there is still, despite everything, ample capital available for the renewable energy sector, whether it's certainly at the late stage of development of projects, but there is also capital available for earlier stage projects as well. So, we're keeping an eye open for those opportunities, and we have been able to move recently on a couple of transactions that, in our view, probably were less competitive than they would have been otherwise. And that's also a function of just those not being familiar with an asset that needs to -- is transacting, them not being able to do diligence, for example, on the site. So there are some opportunities like that, that have come up. But David, anything you'd add to that for on David's question?

**A - David Povall** {BIO 21174053 <GO>}

Yes. Thanks, Mike. I think, David, the only thing I'd add to that is, it is actually taking a little bit of time for those things to work through. As you imagine, they don't suddenly happen on day one of COVID-19 happening. So, we're starting to see a few more opportunities coming through. As Mike said, we have explored some already. And I think it's something that the team is continuing to track, and we think we'll see things materializing over the coming months.

**Q - David Quezada** {BIO 18613628 <GO>}

Great. Thank you. Appreciate those comments. And congrats to Paul on the retirement, and welcome to Pauline.

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

Thank you.

**Operator**

The next question comes from Nelson Ng with RBC Capital Markets.

**Q - Nelson Ng** {BIO 16615616 <GO>}

Good morning, everyone. Just a few follow-up questions from Sean and David. In terms of the Mexican acquisition of Energia, is that business -- do you expect to see that team buy and sell wholesale power from La Lucha and potentially other generators and to sell to other commercial industrial customers. So is this a standalone business or do you anticipate that this is a standalone business where like Northland La Lucha project is just one of many generators kind of feeding into this business?

**A - Mike Crawley** {BIO 19260915 <GO>}

Good questions. I mean to be clear, the mandate and the purpose of NP Energia is to facilitate our investments in renewable power facilities in Mexico. That's the purpose of it. In order to do that, I'll give you one example. On La Lucha, I mean it's a solar project. So

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we can sell the energy, we can sell the RECs, but the customer -- most customers, industrial customers, would also be looking for a 7/24 block of power and for capacity as well, which they need to procure in the market. So the team would be certainly marketing the energy and the RECs from La Lucha under contracts to end users, but they would also be supplementing that with capacity and other blocks of power that they'd secure in the market, so they can put together a more attractive package, I guess, for a load customer.

So it enhances the value of what we're selling from our renewable energy facility. So it facilitates us doing La Lucha, but also will hopefully facilitate us doing more projects in that regard as we move forward. And perhaps at some point in the future, through batteries, we would be able to have our own capacity, right, in the market, but -- that we could sell ourselves. But that's the best way I could describe how -- the purpose is to facilitate our investment in renewable power projects. In order to do that, there will be some other contracts that will go on in the market to facilitate that.

**Q - Nelson Ng** {BIO 16615616 <GO>}

Okay. That makes sense. And then just moving over to offshore winds. I'm not sure whether I'm reading it right, but in terms of the unpaid curtailment that was about like 7% -- 7% to 8% of North Sea 1 and DBU, does that mean that German power prices were negative for 7% to 8% of the time or more than negative for 7% to 8% of the time?

**A - Mike Crawley** {BIO 19260915 <GO>}

I don't know if that's actually correct. I mean, basically, the way it works, it's in the day ahead market, there's going to be negative pricing for more than six hours. At that point, we were vulnerable to -- we would not be compensated for that curtailment. If it's less than six hours, then we are compensated. So I'm not -- but I have to -- we can check and get back to you on the math on that, how that works out.

The -- I can say that I mean there was certainly the issue with demand reduction through March with the lockdown, but there was also just meteorologically, there was a combination of a lot of sunshine as you saw in Northern Europe, or you may have noted in Northern Europe, combined with high winds, which is actually an unusual combination. Usually, if you get a high-pressure system, there's low winds and a lot of sunshine. So you had a lot of solar production, a lot of wind production, a drop in demand. And you also had warm temperatures, which also meant that there was less demand on gas. So gas prices were also low, which inevitably works its way through into the power price in Northern Europe. So it was a bit of a perfect storm that depressed prices and created a supply-demand imbalance.

**Q - Nelson Ng** {BIO 16615616 <GO>}

Okay. And then just one last question before I get back in the queue. For North Sea 1, the Senvion settlement, so it looks like you received EUR58 million in settlement. But I presume you have to self-perform everything. Could you just talk about the cost of self-performing and like is this -- like are there short-term savings, but potentially you're kind of taking on more longer-term risks?

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**A - Pauline Alimchandani** {BIO 16319027 <GO>}

Yes. So we received the \$58 million. And then in the MD&A, we also disclosed that we expect \$20 million of ongoing higher operating cost. So the residual will be amortized through free cash flow. And that's how we're accounting for the receipt of the payment over nine years.

**Q - Nelson Ng** {BIO 16615616 <GO>}

Got it. So net-net, it's roughly \$30 million positive or benefit?

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

That's correct. \$38 million, yes.

**Q - Nelson Ng** {BIO 16615616 <GO>}

Okay, great. Thanks a lot. I'll get back in queue.

**Operator**

Your next question comes from the line of Mark Jarvi with CIBC Capital Markets.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Good morning, (inaudible) welcome, Pauline, and all the best, Paul, on your new adventures. So maybe just on EBSA where you're going to put in the holdco debt. There's still some amount say on the bridge, but you're also carrying a little higher balance on the revolver. So, once you put the permanent financing in, do you free up more corporate liquidity?

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

Yes, that's correct. So we currently have bridge financing in place and the holdco financing will be used to pay down the bridge facility.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Is the holdco going to be greater than what's left on the bridge? And therefore, if you pay down a bit more on your revolver?

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

At this time, I don't think we are anticipating to have any excess amount. However, we are still working through the financing, and I would say that it's going well. And we look forward to making progress on that over the next couple of months.

**A - Mike Crawley** {BIO 19260915 <GO>}

And I'd just add that basically the corporate financing also depends on what's coming up next. So really, the bridge will, all else being equal, nothing happened, and there's going

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to be some bridge paid off with the corporate line. But going forward, whatever our next financing tends to be, we'll probably mop up any of the details that are there. So yes, it's somewhat fungible.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Okay. And then given where you stand now with cash and available credit facilities, do you want to hold on a little higher balance given some of the -- or turning around the revolver now or would you be willing to put capital to work near-term here if the right opportunity came?

**A - Mike Crawley** {BIO 19260915 <GO>}

I mean certainly always -- I mean one of the advantages that we have right now is that we do have sufficient liquidity to move on attractive development opportunities. So that is something that we're, as I said earlier, very much attuned to, and we're looking for opportunities that may be present now that were not present two months ago.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Okay. And then MD&A talks a little bit about supply chain constraints in Taiwan given COVID pandemic. Just maybe what's the nature of that and does it actually have any financial implications?

**A - Mike Crawley** {BIO 19260915 <GO>}

No. I mean -- I think the most -- the impact of supply chain constraints in Taiwan right now are more related to the projects that are under construction. So, while we didn't plan to have a 24, 25 interconnection date on our projects, it was what happened in the -- through the process, obviously. And then as we submitted, that's how it worked out. But looking at the situation now, I think we're feeling much better that we're going to construction in 2022, as opposed to being in construction now.

As you know, Taiwan is probably one of two countries in the world that have managed the COVID situation so far the best. And the economy never went into lockdown in Taiwan, and it has functioned very well, and they've controlled any outbreaks that occurred early in January very well. So in terms of our activities, there has been no material impact as most of our activities are related to engineering, planning, procurement and with some work happening in the next few months to do further geotechnical investigations offshore, but we don't anticipate those being materially impacted.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Okay. That's good to hear. And then my last question is on efforts to grow the onshore renewable business. There's reports about you guys looking at some U.S. green projects. You've also in the past talked about Northern Europe, any updated views on which one of those markets could be the sort of the next opportunity for onshore renewables?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes. I'll turn that over to David.

**A - David Povall** {BIO 21174053 <GO>}

Yes. Thanks, Mike, yes, good question. My answer is both. I don't know if I want to decide, which one is going to be more attractive than the other. Yes, some successes in the U.S., and I think that's a market we see further opportunities to pursue. And in Europe, we've got a number of projects, which the team in -- at London is pursuing at the moment. So hopefully, more news on that coming up in the next sort of six months or so. So, I think both those markets provide good opportunities for onshore wind, I think was your specific question.

**Q - Mark Jarvi** {BIO 17314717 <GO>}

Okay, great. Thank you.

**Operator**

The next question comes from the line of Rupert Merer with National Bank.

**Q - Rupert Merer** {BIO 15394525 <GO>}

Good morning, everyone. I'll echo my congratulations to Pauline and Paul. So looking at the NaiKun wind project, I believe one of your large European peers was engaged in the project for some time, do you know why they were interested? And can you give some color on the progress in that project over the last sort of 18 months, so it'd make it more attractive?

**A - Mike Crawley** {BIO 19260915 <GO>}

For sure. Thanks, Rupert. So as you point out, Orsted and ourselves from time-to-time, they're much larger, but often we now bump up against each other in offshore wind projects. At the time that they abandoned their involvement in NaiKun, which is public, they had also at that time secured or acquired deepwater wind in the northeast of the U.S. So I can't speak to, obviously, what their motivations are and why they make decisions. But that was a significant acquisition for them. And I would imagine that a lot of the personnel that were doing North American offshore wind refocused into the northeast of the U.S., which had some very imminent deadlines in terms of construction and in-service dates on the portfolio they acquired when they got deepwater wind. So, our view on NaiKun is perhaps a bit different than Orsted.

Northland has developed -- undertook development activities in British Columbia. Previously, I've developed and financed and constructed an offshore wind project, North tip of Vancouver Island, prior to joining Northland. So collectively, we've got a, I think, pretty good understanding of what it will take to build a project in British Columbia, which, as you probably know, is quite different from the rest of Canada. Once you get West of the Rockies, you're into a different environment in terms of First Nations where a lot of those First Nations do not have -- are operating outside of treaties with the Government of Canada. So it's a very different relationship in west of the Rockies and requires a different approach to project development. So our view, as we said in the

release, is that this project will only move forward in concert with Haida Nation, and that's our first priority in terms of advancing that project, is developing that relationship and building that trust.

**Q - Rupert Merer** {BIO 15394525 <GO>}

And what you know about the strong winds there and the conditions of the seabed, how much like the North Sea is? Is there anything you'd need to do significantly different from what you've done in the past?

**A - Mike Crawley** {BIO 19260915 <GO>}

No. It's technically an excellent site. I mean -- I think the water depths are somewhat less than in the North Sea. Geotechnical or seabed conditions are as good or better. Wind speeds are comparable, if not slightly better. So it's an excellent technical site, a bit more complexity in terms of the transmission line once you come onshore. But otherwise, it's a very good technical site. So that is what has, over the years, drawn a lot of attention to that project. But as I said, that's not the key factor in advancing that project. As with any renewable power project or any significant infrastructure projects in British Columbia, the first priority has to be working with the local communities, and in particular, the First Nation and whose traditional territory the project will be.

**Q - Rupert Merer** {BIO 15394525 <GO>}

Great. And secondly, on Colombia, you've now got close to, I guess, you have a quarter under your belt, any surprises there or any refinements to your strategy? Can you talk about what your next steps would be in Colombia and does the COVID situation impact your strategy there at all?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes. No surprises. I mean the EBSA has performed as expected. We had a very positive view of the management team going into it from our diligence process, and that has only been confirmed by working with them over the last few months. I think the -- we're digging in a bit deeper with them, looking at growth opportunities beyond EBSA's current platform, and that is moving along well. So I mean I don't know if that's a surprise, but that is certainly encouraging for us. But that's about it.

There's no material impacts with respect to COVID on EBSA. The only thing to note is that the CREG or the regulatory approval on the appeal on the filing is delayed roughly, we think, 2 months or 3 months from what it would have been otherwise simply because the government has been working -- all field services have been working for home. So there's been a bit of a delay there, but that's the only material impact in terms of COVID-19. And the government has taken some proactive steps to ensure liquidity in the utilities in Colombia as well. So there's been no real concern in that regard either.

**Q - Rupert Merer** {BIO 15394525 <GO>}

Very good. Thanks very much.

**A - Mike Crawley** {BIO 19260915 <GO>}

Thank you.

## Operator

Our next question comes from the line of Ben Pham with BMO Capital Markets.

**Q - Ben Pham** {BIO 16421855 <GO>}

Hi, guys. Thanks. Good morning. I wanted to go back to the Canadian project that was discussed with Rupert and what are your thoughts on the ultimate counterparty on that? Because I think BC Hydro was backing at one point, and that's not happening anymore? And so is this really setting up for RFPs at some point of time or you look at corporate purchasers or some other avenue?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes. And to be clear, I mean, we're not in a huge hurry on this project. We'll move the project forward as market conditions demonstrate its viability, and we'll obviously try and encourage that. The two options are either an offtake agreement with BC Hydro or an offtake agreement with industrial load in that area, which would be a bit more complicated and may involve sleeves through BC Hydro, and that's dependent on the development of LNG projects in the northwest of British Columbia. So those are really the two different options for offtake for that project moving forward.

**Q - Ben Pham** {BIO 16421855 <GO>}

Okay. Can I go to some of the commentary on the pricing impacts in Europe? And can you confirm, is the EBITDA hit, you guys are taking there or experiencing it. Is that -- that seems to be greater-than-expected because of COVID-19, is that correct?

**A - Mike Crawley** {BIO 19260915 <GO>}

Yes.

**Q - Ben Pham** {BIO 16421855 <GO>}

Okay.

**A - Mike Crawley** {BIO 19260915 <GO>}

In terms of the impact of negative pricing, yes.

**Q - Ben Pham** {BIO 16421855 <GO>}

Okay. And I guess, it seems like in terms of above-average resources, I mean, it looks like there's probably \$30 million in the bag that you've benefited from above-average resources. And so you look at that and you look at the price impact, that's really -- that's what gives you confidence in your numbers for this year?

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**A - Mike Crawley** {BIO 19260915 <GO>}

That's the right way to look at it, Ben.

**Q - Ben Pham** {BIO 16421855 <GO>}

Okay. Alright. Okay. Maybe I can -- maybe just a question for Pauline, and just looking at your real estate experience and your time there and a lot of similarities, obviously, in that business and where you're seeing the power business with respect to AFFO and the shareable cash flow and developing assets and creating value there. And so my question, I'm more curious, as you've gone into the Northland side of things, looked at the folks and whatnot, are you seeing anything that looks interesting from just the conservatism on the payout ratio? Is it conservative or aggressive, winning with the balance sheet and returns and how do you think about how they look at international risk-reward?

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

Hi Ben, nice to speak to you again after some years. So I think what struck me, I'll start first with what struck me about joining the company prior to being at Northland was that it is a very successful company, one that has transitioned from a successful Canadian company to a successful global company, with a really strong track record of delivering solid returns to shareholders, while achieving growth. Now that I am here, I can get a better feel for the sense of the operating team and the strength in the operations, which I think is really critical to future success of the company and a strong balance sheet and one that I am inheriting from Paul, but already working on to improve and to improve our liquidity and the strength of our balance sheet to continue to pursue growth opportunities on a global level.

I think similar to my past is, Northland is now transitioning to become a development company. And a lot of the growth will be future oriented, combined with near-term accretive opportunities. So it's always a matter of balancing both. But I am certainly excited about the challenges ahead, and engaging in a business that is pursuing both operating assets and developments in various jurisdictions that we have or building some strategic advantage in. Long answer to your question, but I hope that answers it.

**A - Paul Bradley** {BIO 15915325 <GO>}

And I might just chime in here. It's Paul. Ben, geez, stirred a hardball on the first call, she's -- so just give her some time to kind of mold in. But what I will tell you is, I've been hugely impressed by how quickly she's come up the curve and just how extraordinarily she's going to fit in here at Northland. I mean I -- you never really know. But I tell you, in the last six weeks, I've been convinced, and I'm leaving here, today is my last day with zero worry that she is going to be extraordinary in the position. So yes, fair -- good question, Ben, a bit of a hard ball. But yes, I have no doubt that she's going to take Northland into the next level.

**Q - Ben Pham** {BIO 16421855 <GO>}

Alright. That's great. And I was hoping it wasn't a hardball, but apologize about it. You know I wasn't going to let this one go easy. Alright. Okay. Well, (inaudible) with the view taken off there Paul, and congrats again, and welcome Pauline.

**A - Pauline Alimchandani** {BIO 16319027 <GO>}

Thank you.

## Operator

Your next question comes from Naji Baydoun with Industrial Alliance.

**Q - Naji Baydoun** {BIO 21574695 <GO>}

Hi. Good morning. Can we just get your thoughts on the recent increase in Germany's offshore wind target for 2030? Does this development have any implications for your strategy in that market?

**A - Mike Crawley** {BIO 19260915 <GO>}

Certainly, we have a large presence in Hamburg and in Northern Germany. So any further opportunity is positive -- further growth in offshore wind is positive for us in general, and may create more opportunities. I think you know that we have expansion rights on North Sea 1, in terms of North Sea 2 and 3, which we're pursuing. And so we'll see how it develops.

The one thing I would note, though, is that there is -- at the same time that they're proposing more offshore wind in Northern Germany. There is also transmission enhancements being planned and implemented in Germany to facilitate the movement of power from the North to the South and South being where a lot of the industrial load is as well. There's a schedule over the next, I think, 15 years to gradually decommission the coal generation facilities in Germany as well. So there's a lot of moving parts as some new generation comes online and other generation is taken offline. And as the system also becomes more efficient as well, the grid becomes more efficient.

**Q - Naji Baydoun** {BIO 21574695 <GO>}

Okay. I appreciate that. And maybe just now that you've completed the DBU project, can you give us your latest thoughts on the dividend policy and the dividend payout?

**A - Mike Crawley** {BIO 19260915 <GO>}

So that is obviously the purview of the board, as you know. But there is no change in what we've disclosed previously in terms of dividend policy.

**Q - Naji Baydoun** {BIO 21574695 <GO>}

Okay. Thank you. And congrats to the Pauline and Paul.

**A - Paul Bradley** {BIO 15915325 <GO>}

Thank you.

## Operator

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Mr.Crawley, there are no further questions at this time. I will now turn the call back to you.

**A - Mike Crawley** {BIO 19260915 <GO>}

Okay. Well, I was going to thank everyone for joining us today, but I was going to go slightly off script. And just since it's Paul's last call with Northland, it actually Paul's last day at Northland today. I did want to invite him to say a couple of words since he's worked closely with many of the people on the line.

**A - Paul Bradley** {BIO 15915325 <GO>}

Yes. Thank you, Mike. And I want to thank everybody on the call and beyond the call for your long-term interest and support in Northland Power. You guys, by definition, have to be tough on us, and that's all fair. But what I will say is that you've always been fair and you've always listened and you've always really respected just the complications that it takes to run a business, and I want to thank all of you for that.

And as I said earlier and repeating it because I do feel strongly that Mike and the board and others really found a winner in Pauline. And (inaudible) just the depth of the conversations we've had over the last six weeks and just getting into nuances that Pauline picked up way sooner than I would have ever expected, has really given me a lot of warm comfort that as I will remain a stakeholder in Northland for a very long time to come. And I'm just really thankful that it's in great hands. And so congratulations to Pauline. And I know she's going to do fantastic. And I know Mike will continue to run this company just as in the same high-quality manner that he has. And I know I'll be seeing most of you out and about. I'm not sort of hanging up the skates totally. I'm sort of hanging one of them up, not both. So I will probably run into most of you somewhere along the way in my travels. Thank you.

**A - Mike Crawley** {BIO 19260915 <GO>}

Okay. Thanks, Paul. We will hold our next call following the release of our second quarter 2020 results in August. In the meantime, I want to thank you for your continued confidence and support. Take care.

**Operator**

Ladies and gentlemen, that does conclude the conference call for today. Thank you for participating, and have a pleasant day.

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