Generating Alpha
through sector specialization and mid-market positioning

The *Brief* by the Energy Transition Infrastructure Team

Raphaël Lance
Global Head of Private Assets & Head of Energy Transition Infrastructure Funds

Witold Marais
Investment Director

Energy Transition Infrastructure (ETI) is a growing, diverse, and ever-evolving universe. Beyond traditional renewable energy, there are increasingly attractive investment opportunities in energy storage, low carbon mobility, energy efficiency, hydrogen, and its derivatives. These infrastructures will serve as the backbone of our future energy production and consumption and are supported by strong tailwinds including the energy transition mega-trend, the pressing need for energy independence, competitive economics, and supportive regulatory environment.

However, this universe is also becoming increasingly complex, making specialized expertise even more critical to seize opportunities while carefully navigating risks.

Mirova's mid-market positioning, combined with a sector focus at GP[1] level is a powerful combination to capitalize on the energy transition theme in private markets in Europe and generate alpha.

The largest opportunity set lies in the mid-market...

The European market is widely atomized, with hundreds of local project developers acting below the radar of large players. Most new renewable energy capacity and climate solutions are being developed by these mid-sized players.

On the large-cap side, a significant amount of capital is chasing a limited number of opportunities, which drives up valuations. Comparing entry multiples, large-caps are priced higher than mid-caps, and the valuation gap has been widening over the last 3 years.

1. General Partners. **The mentioned perspectives reflect the opinion of MIROVA at the date of this document and are likely to change without notice.**

Nevertheless, from an asset-owner perspective, mid-market exits attract a wider range of potential buyers and offer multiple exit options, ultimately providing greater resilience against macroeconomic cycles.

...and the energy transition market is becoming more complex...

The times when energy transition infrastructure could be summarized to "Renewable Energy 1.0" (a fully-regulated, subsidized, 'silent' infrastructure) are long gone and it has now turned into a multi-faceted, broad and complex ecosystem: dynamic revenue models, a more challenging project development environment, grid constraints, supply chain pressures, the growing integration of technology & digital solutions, just to name a few.

Regarding revenue models, for instance, renewable energy projects have shifted away from regulated feed-in tariffs to market-based remuneration schemes in many jurisdictions, which increases the exposure to the fluctuation of energy market prices. To properly manage that, we hired a Market Director in 2022, who has been working closely with our asset managers and partners to implement various power offtake structures and dynamic hedging strategies, limiting market risk while benefiting from opportunities.

Mentioning grid constraints, the grid has become a major bottleneck in most European countries and has spurred the growth of battery energy storage system (BESS) projects, whose revenue model relies on several remuneration streams: sale of capacity and provision of ancillary services, such as frequency regulation, to the grid operator but also arbitrage on the wholesale market.

The development environment is becoming increasingly challenging, jeopardizing the value of project pipelines. This situation necessitates a high level of scrutiny and a deep understanding of local market dynamics when making purchases.

...which calls for increasing specialization

In this context, Mirova's infrastructure investment strategies focus on mid-market opportunities, aiming at leveraging on 2 key drivers of alpha generation thanks to its deep sector expertise:

(1) Differentiation, on the back of a distinctive investment strategy, to acquire premium assets in an increasingly competitive and intermediated market

(2) Operational value creation, to optimize the asset in all aspects during the holding period, and better mitigate the risk

---

Key drivers of alpha generation: Differentiation

Our sector focus and our multi-decade presence in the market provide us with key advantages when it comes to sourcing opportunities, including early entry into the markets and long-lasting relationships with project developers which provide proprietary transactions and a strong edge in acquisition processes.

- Early market entries

Exploring nascent markets has always been a way for us to enhance our industry knowledge and build our exposure as these markets mature, before they become overcrowded. For example, we entered the energy storage market as early as 2014, electrical vehicles charging infrastructure in 2020,

green hydrogen in 2021, and invested in Croatia (2017), Spain (2018), Poland (2019) and Greece (2023) when these markets were not as attractive as they are today.

- An edge in transactions

The ability to identify under-the-radar assets and craft bilateral opportunities is a significant advantage. Our sector-focus gives us the ability to scout extensively for projects across Europe and build strong relationships with local players. Several stories demonstrate the tangibility of these partnerships and the opportunities they yield.

For instance, we developed an exclusive relationship over 10 years with Corsica Sole during which we invested 300M€ in bilateral transactions with them, before we became a majority shareholder in the company in 2020. It started in 2014, when we provided mezzanine financing to Corsica Sole's first solar & storage project at a time when storage was not widely recognized. We subsequently financed all their additional projects with three vintages of funds. In 2020, we became a large minority shareholder in their EV[2] charging business, Driveco, in a bilateral spin-off transaction. In 2021, Corsica Sole launched an equity raise, and we proactively engaged in the process ahead of the competition. Since then, we have consistently supported the company in its external and organic growth.

Another compelling example is our investment into RP Global after a decade-long partnership and over €500M invested in bilateral deals since 2015. Most recently, the founder, M. Gehrard Matzinger, decided to raise equity for the first time, and we quickly negotiated a deal with him.

These two stories illustrate that off-market and exclusive relationships are more than just marketing words. The small and mid-cap market is heavily relationship-based. Very often, we are the first institutional shareholder in founder-owned businesses. It takes a lot of engagement to build trust with these entrepreneurs, demonstrate our expertise, and show that we can be long-term partners, bringing more than money to the table.

In this large market (we screen more than 300 opportunities every year exceeding €18 Bn equity potential), our focus allows us not only to remain highly selective, but also to put an informed pricing on the assets, through granular analysis at every level.

2. Electric Vehicle. **The mentioned perspectives reflect the opinion of MIROVA at the date of this document and are likely to change without notice.**

Key drivers of alpha generation: Operational Value Creation

Our sector focus and expertise also enable value creation across the asset's lifecycle. Mid-market companies boast several interesting growth narratives:

- Aggregation of small assets into large portfolios.
- Hybridization of renewable assets & grid point optimization.

As grids become a key constraint in several countries, the ability to create hybrid plants, combining different technologies provides price cannibalization protection and access to more competitive power purchase agreements. This implies a level of development risk that we are able to assess and take, if we believe the opportunity is right. We are also exploring evolving business models to access frequency regulation markets with Solar PV[3] plants, for instance.

- Geographical expansion, transforming local companies into national champions, and national champions into pan-European companies.
- Horizontal growth, such as supporting the evolution of an onshore wind developer into a multi-energy player.

For example, we invested in French renewable developer, Vol-V in 2012, when it was a mere 70MW onshore wind platform in France.

When we exited the company in 2020, Vol-V had grown its asset base and pipeline to several gigawatts, launched a solar development activity as well as a pioneer biogas business units, and completed opportunistic asset rotations. The investment overall delivered a satisfying 4x return.

- Pivots that require diligent execution but can yield significant value, like transitioning a project developer into an asset-owner IPP[4].
- Operational efficiencies.

It is essential to not overlook the value of proactively identifying potential risks before they manifest and effectively managing them once they do occur.

Through our experience financing over 1,000 projects, we have amassed extensive knowledge regarding the technical challenges that affect both the construction and operation of assets, as well as their energy production. These challenges include issues such as quality defects, design flaws, inaccuracies in power curves, optimization of curtailment, miscalculations of availability, and calibration losses (such as wake effects and yaw alignment in onshore wind farms). Additionally, we must consider the less predictable challenges, including inverter fires, bird-related curtailment, and lightning strikes.

This expertise has been made possible by the internalization of core competencies and our capacity to maintain a grounded approach, as we have local operational teams in key markets where we operate, including Spain, Greece, and Poland.

With two decades of experience in the market, Mirova's Energy Transition Infrastructure team offers investment strategies distinguished by a unique and advantageous positioning. Our focus on mid-market opportunities enables us to navigate the complexities of a rapidly evolving energy landscape, where dynamic revenue models and local market dynamics play critical roles. As we leverage our extensive sector expertise and cultivate strong relationships with local developers, the mid-market is increasingly establishing its presence within the broader energy transition universe, positioning us to drive impactful change for a sustainable future.

3. Photovoltaic. 4. Independent Power Producer. **The mentioned perspectives reflect the opinion of MIROVA at the date of this document and are likely to change without notice.**

ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €32 billion in assets under management as of December 31, 2024. Mirova is a mission-driven company, labeled B Corp*.

**B-Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials. Certified since 2020, Mirova reapplies for the B Corp Certification every three years. The annual fee for maintaining the certification is €30,000 as well as a €250 for a submission fee. To find the complete B Corp certification methodology, please visit the B Corp website. The reference to a ranking or a label does not prejudge the future performance of the funds or its managers.*

MIROVA
Portfolio Management Company - Anonymous Company RCS Paris No.394 648 216
AMF accreditation no. GP 02-014
59, Avenue Pierre Mendes France 75013 Paris
Mirova is an affiliate of Natixis Investment Managers. Website – Linkedin

NATIXIS INVESTMENT MANAGERS
French Public Limited liability company
RCS Paris n°453 952 681
Registered Office: 59, avenue Pierre Mendès-France 75013 Paris
Natixis Investment Managers is a subsidiary of Natixis.

MIROVA US
888 Boylston Street, Boston, MA 02199;
Tel: 857-305-6333
Mirova US LLC (Mirova US) is a U.S.-based investment advisor that is wholly owned by Mirova. Mirova is operating in the US. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova US then combines with its own expertise, and services when providing advice to clients.

MIROVA UK
UK Private limited company
Company registration number: 7740692 Authorised and Regulated by the Financial Conduct Authority ("FCA") under number
800963
Registered office: Quality House by Agora, 5-9 Quality Court, London, WC2A 1HP
The services of Mirova UK Limited are only available to professional clients and eligible counterparties. They are not available to retail clients. Mirova UK Limited is wholly owned by Mirova.

MIROVA KENYA LIMITED
Mirova Kenya Limited
A company incorporated with limited liability in the Republic of Kenya
KOFISI,
c/o Sunbird Support Service Kenya Limited,
Riverside Square, 10th Floor, Riverside Drive,
P.O. Box 856-00600
Nairobi, Kenya
Mirova Kenya Limited is licensed as an Investment Advisor by the Capital Markets Authority (CMA) under the provisions of the Capital Markets Act (Cap 485A of the Laws of Kenya).
Mirova Kenya Limited is a subsidiary of Mirova Africa Inc.

An affiliate of: NATIXIS INVESTMENT MANAGERS

Additional Notes

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

Please read the Prospectus and Key Information Document carefully before investing. If the fund is registered in your jurisdiction, these documents are also available free of charge and in the official language of the country of registration at the Natixis Investment Managers website (im.natixis.com/intl/intl-fund-documents).

To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website (im.natixis.com/intl/intl-fund-documents).

In the E.U.: Provided by Natixis Investment Managers International or one of its BRANCH offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a simplified joint-stock company (société par actions simplifiée - SAS) registered in the Paris Trade and Companies Register under no. 329 450 738, Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Germany: Natixis Investment Managers International, Zweigniederlassung Deutschland (Registration number: HRB 129507). Registered office: Senckenberganlage 21, 60325 Frankfurt am Main. Italy: Natixis Investment Managers International Succursale Italiana (Registration number: MI-2637562). Registered office: Via Adalberto Catena, 4, 20121 Milan, Italy. Netherlands: Natixis Investment Managers International, Dutch BRANCH (Registration number: 000050438298), Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España (Registration number: NIF W0232616C), Registered office: Serrano n°90, 6th Floor, 28006 Madrid, Spain. Luxembourg: Natixis Investment Managers International, Luxembourg BRANCH (Registration number: B283713), Registered office: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Belgium: Natixis Investment Managers International, Belgian BRANCH (Registration number: 1006.931.462), Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl (Registration number: CHE-114.271.882), Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (FCA firm reference no. 190258) - registered office: Natixis Investment Managers UK Limited, Level 4, Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA. When permitted, the distribution of this material is intended to be made to persons as described as follows: **in the United Kingdom:** this material is intended to be communicated to and/or directed at investment professionals and professional investors only; **in Ireland:** this material is intended to be communicated to and/or directed at professional investors only; **in Guernsey:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; **in Jersey:** this material is intended to be communicated to and/or directed at professional investors only; **in the Isle of Man:** this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC BRANCH) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10 ,ICD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

In Singapore: Provided by Natixis Investment Managers Singapore Limited (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

In Korea: Provided by Natixis Investment Managers Korea Limited (Registered with Financial Services Commission for General Private Collective Investment Business) to distributors and qualified investors for information purpose only.

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Latin America: Provided by Natixis Investment Managers International.

In Chile: Esta oferta privada se inicia el día de la fecha de la presente comunicación. La presente oferta se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros de Chile. La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización. Que por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente.

In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to “Investment Managers” is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

In Uruguay: Provided by Natixis IM Uruguay S.A. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and simplified joint-stock company (société par actions simplifiée – SAS) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorised. Their services and the products they manage are not available to all investors in all jurisdictions.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. **Investors should consider the investment objectives, risks and expenses of any investment carefully before investing.** The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the individual(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change and cannot be construed as having any contractual value. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Any past performance information presented is not indicative of future performance.

This material may not be redistributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

Natixis Investment Managers may decide to terminate its marketing arrangements for this fund in accordance with the relevant legislation

NATIXIS
INVESTMENT MANAGERS