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Gresham House Energy Storage Fund
18 April 2024

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Gresham House Energy Storage Fund plc
("**GRID**" or the "**Company**")

Trading update

Gresham House Energy Storage Fund plc (LSE: GRID), the UK's largest fund investing in utility-scale battery energy storage systems (BESS), is pleased to provide shareholders with the following trading update ahead of the publication of its annual results for the year ended 31 December 2023 expected on 29 April 2024.

Highlights

- The challenging trading environment in January and February 2024 has improved with revenues since March 2024 reflecting the increased efforts by the GB Electricity System Operator (ESO) to utilise BESS.
- Full focus on deleveraging and increasing operational capacity:
    - The Company's debt facility has been amended and restated, among other things, to amend the Interest Cover and Net Debt to EBITDA covenants for 2024 and 2025 to give the business additional headroom in the event that the recent low revenue environment prevails; the Company has also decided to cancel £110mn of debt commitments, reducing the total debt facility size to £225mn.
    - Operational capacity increased to 740MW/864MWh as of 31 March 2024, from 690MW/788MWh as of 31 December 2023; the Manager continues to make good progress on the remainder of the construction programme which it expects to complete by the end of October 2024 increasing operational capacity to 1,072MW/1,696MWh.
- Unaudited NAV per share of 129.07p as of 31 December 2023, resulted in a 17.01p or 11.64% reduction in NAV per share since 30 September 2023, reflecting significantly more cautious revenue assumptions adopted for the next 3 years.
- As capital allocation is focused on cash preservation and debt reduction and given the challenging recent revenue environment, the Board does not currently expect to pay any dividends or carry out further share buybacks in 2024.

John Leggate CBE, Chair, Gresham House Energy Storage Fund plc, said:

"The BESS sector, the Company and its shareholders are going through the most challenging operating environment since the Company's inception in 2018. The Board is taking a series of steps to put the business on a stable footing in a volatile market so that we can best capture what we continue to think is a significant strategic opportunity in the BESS sector.

In particular, the Board is prioritising deleveraging and cash preservation given the volatile trading environment. This has led to the difficult decision to suspend dividend payments and share buybacks for the balance of 2024 but will enable us to complete our ongoing construction programme which will drive our near-term cash flow potential and inform our future dividend policy."

Trading update

As previously announced, the GB BESS industry has been significantly impacted by a weakness in electricity markets (made more extreme by the impact the invasion of Ukraine had on gas and power electricity markets (made more extreme by the impact the invasion of Ukraine had on gas and power markets) and the slower than expected adoption of BESS by the ESO.

In this context, January and February of 2024 were among the most challenging months to date for the GB BESS market and for the Company. Initiatives such as the Open Balancing Platform (OBP) which was launched by ESO in December 2023, the first milestone in their Balancing Programme, have not yet delivered the expected impact on the GB BESS market.

More recently, it has been encouraging to see revenues in March and April improve meaningfully. However, revenues remain well below long-term third-party forecasts. Higher revenues since March can be attributed to the increased efforts by ESO to utilise BESS while implementing upgrades in line with their Balancing Programme. In particular, we have seen the launch of 'Balancing Reserve' (allowing BESS a completely new revenue stream) and a change from a '15-minute' rule to a '30-minute' rule (allowing BESS to be dispatched by ESO for a maximum of 30 minutes instead of 15) contribute to the recent improvement.

Growing operational capacity from new projects and duration extensions is increasing the Company's cash generation potential as the year progresses. More specifically:

- York (50MW) has been commissioned and the extension at Arbroath (35MW) from 1h to 1.4h has been completed;
- Penwortham (50MW) and Shilton Lane (40MW) are expected to be energised on or around 30 April; and
- Nevendon's extension to 15MW at 2h (previously 10MW and <1h) and both Enderby's (50MW) and West Didsbury's (50MW) extensions to 2h are expected to start earning revenues in the second half of May.

The above represents seven of the Company's thirteen projects in construction this year. The remaining six projects (Melksham (100MW), Elland (50MW) and Bradford West (87MW) as well as the extensions to 2h at Penwortham, Melksham and Coupar Angus) will follow, with the aim being to conclude all projects by the end of October 2024.

Debt Facility - amendment and restatement agreement

In order to give the business additional headroom in the recent lower revenue environment, the Company has amended and restated its debt facility agreement. Specifically, this includes:

- consent to draw all remaining funds required (up to £65mn) to complete the current construction programme, which is forecast to take operational capacity to 1,072MW/1,696MWh in 2024.
- amended Interest Cover and Net Debt to EBITDA covenant levels for 2024 and 2025.

The Company has also decided to cancel £110mn of the undrawn debt facility taking the total size down to £225mn of which £110mn has been drawn to date. All drawn debt is fully hedged at 3.70% resulting in a blended cost of debt of 6.70%. The margin on the debt facility remains unchanged at 300bp over SONIA.

Unaudited NAV per share

The Company's unaudited NAV per share for 31 December 2023 is 129.07p, resulting in a 17.01p or 11.64% reduction in NAV per share since 30 September 2023. This reflects a significant haircut applied to near-term, third-party revenue forecasts to factor in the prevailing under-utilisation of GB BESS assets by ESO. Specifically, the valuation included revenue forecasts for 2024 set at 55% of the third-party forecasts, while 2025 and 2026 revenue assumptions apply incrementally smaller reductions to third-party forecasts. From 2027, a return to third-party central case forecasts is assumed, as, by this time, i) ESO's Balancing Programme is expected to have concluded, resulting in significantly revamped control room systems which are expected to create a more level playing field which should in turn significantly increase the utilisation of BESS and ii) the Manager estimates that renewable electricity penetration will reach 70% during 2027 (from c.45% today), significantly increasing the need for 'flexible generation' which BESS provides very competitively.

The Q1 2024 unaudited NAV per share will include uplifts from i) an additional £3.2mn of T-1 Capacity

Market contract revenues awarded in the latest auctions, ii) share buybacks totalling 0.5% of the shares outstanding as of 31 December 2023 and iii) the reduction in the weighted average discount rate as new projects move into commercial operations. There has been no change in the level of underlying discount rates used.

Capital Allocation

The Board's priority is to deleverage without compromising the construction programme which will significantly increase operational capacity and accordingly cash flows. These actions will provide the Company with a scalable platform and a lower debt profile which the Board believes positions the Company well for a future recovery in the BESS market.

The Fund's debt to Gross Asset Value[1] was 13% as of 31 December 2023 and is not expected to exceed 20% by the time all current construction projects have been completed. Notwithstanding this relatively low level of gearing, in the current challenging revenue environment, the Board is focused on cash preservation during 2024.

Accordingly, the Board does not expect either to pay a dividend or to carry out any further share buybacks in 2024.

Webinars

The Company will be holding two webinars tomorrow morning, 19 April 2024, for both sell-side analysts and investors. During these, Fund Manager, Ben Guest will discuss this Trading update and investors will have the opportunity to ask questions. Access details are as follows:

Analyst webinar: 9:00am - please register here.

Investor webinar: 11:00am - please register here.

Announcement of Results:

The Company's Annual Report and Accounts to 31 December 2023 will be released on 29 April 2024 followed by a presentation of results from the Manager.

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About the Company and the Manager:

Gresham House Energy Storage Fund plc seeks to provide investors with an attractive and sustainable dividend over the long term by investing in a diversified portfolio of utility-scale battery energy storage systems (known as BESS) located in Great Britain and internationally. In addition, the Company seeks to provide investors with the prospect of capital growth through the re-investment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

The Company targets an unlevered Net Asset Value total return of 8% per annum and a levered Net Asset Value total return of 15% per annum, in each case calculated net of the Company's costs and expenses.

Gresham House Asset Management Ltd is the FCA authorised operating business of Gresham House Ltd, a specialist alternative asset manager. Gresham House is committed to operating responsibly and sustainably, taking the long view in delivering sustainable investment solutions.

www.greshamhouse.com

Definition of utility-scale battery energy storage systems (BESS)

Utility-scale battery energy storage systems (BESS) are the enabling infrastructure that will support the continued growth of renewable energy sources such as wind and solar, essential to the UK's stated target to reduce carbon emissions. They store excess energy generated by renewable energy sources and then release that stored energy back into the grid during peak hours when there is increased demand.

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[1] Gross Asset Value as defined in the 2022 Annual Report and Accounts.

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