

29 April 2024

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

**Full-Year Results to 31 December 2023**

***Focus on capital discipline and deployment into projects offering a significant near-term cashflow contribution; revenue outlook gradually improving.***

Gresham House Energy Storage Fund plc (LSE: GRID), the UK's largest utility-scale battery energy storage fund, announces its audited annual results for the year ended 31 December 2023.

**2023 performance highlights**

- EBITDA of the underlying portfolio of £25.8mn (31 December 2022: £48.8mn), down 47% year over year, reflecting a decreasing revenue environment for battery operators in 2023
- 129.07p NAV per share as of 31 December 2023, down 17% year over year (31 December 2022: 155.51p), reflecting the application of significant reductions to 2024 to 2026 revenue forecasts from third parties as the revenue environment is expected to improve gradually
- 5.51p per share dividend paid in respect of 2023
- NAV total return since IPO of 71.4%
- Weighted average discount rate maintained at 10.9%, which is higher than listed peers
  - Discount rate applied to contracted cashflows increased by 100bps (to 6.0%) at the interim results stage. No other changes made during 2023, with greater shorter-term revenue risks addressed through reductions to revenue forecasts.

**Amended and restated debt facility**

- Amended and restated debt facility to provide additional headroom in the recent lower revenue environment, as announced on 18 April, including:
  - Consent to draw remaining funds (up to £65mn) required to complete current construction programme, set 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
  - Decision by the Company to cancel £110mn of undrawn debt, reducing total facility to £225mn, of which £110mn has been drawn to date
  - Drawn debt is fully hedged at 3.70% resulting in a blended cost of debt of 6.70%
  - Margin on the debt facility remains unchanged at 300bp over SONIA.

**Deployment and fundraising**

- As of 31 December 2023:
  - Operational capacity increased 25.5% to 690MW / 788MWh (31 December 2022: 550MW / 598MWh)
  - Total gross equity funds raised of £50mn (31 December 2022: £150mn)
  - £50mn drawn from existing debt facilities in 1H23; total of £110mn debt drawn out of total £335mn available as of 31 December 2023.
- As of the date of this announcement:
  - 50MW York project is fully operational having commissioned in January 2024
  - 35MW Arbroath project extension to 48MWh (previously 35MWh) completed in April 2024
  - Operational portfolio stands at 740MW / 876MWh
  - Energisation of both Penwortham (50MW/ 50MWh) is imminent and energisation of Shilton Lane (40MW / 80MWh) is also expected in the coming days
  - Energisations of Melksham, Bradford West and Elland anticipated in coming months

No debt drawn as far as 2024

- NO debt drawn so far in 2024.
- In 2024, focus is on deployment of capital into projects which contribute to earnings in 2024:
  - 377MW of projects (including York at 50MW), which are over three-quarters paid for, expecting construction completion
  - Duration extensions on 340MW of operational projects also expected to be completed (83% of cost already paid)
  - Targeting operational portfolio of 1,072MW / 1,696MWh by end of 2024
  - Deferral of US Project; international expansion remains a strategic objective when conditions improve.
- 4.4mn shares repurchased at an average discount to NAV per share of 65% delivering immediate NAV per share improvement of 0.6p per share.

#### **Dividends**

- As previously announced, no dividend is expected to be paid in 2024
- From 2025 onwards, the Company aims to deliver an attractive dividend from distributable cash-flow after debt covenant testing. Dividends will be commensurate with a blended merchant and contractual income model.

#### **2024 Outlook**

- The challenging trading environment in January and February 2024 has improved with revenue rates increasing 33% and 97% for the operational portfolio since February for March and the first half of April respectively<sup>[1]</sup>. This reflects improving utilisation of BESS by the GB Electricity System Operator (ESO) and improving wholesale market spreads as renewable penetration increases
- Merchant revenues are inherently volatile, and the portfolio is likely to experience periods of higher and lower revenues
- Whilst the recent revenue improvement is promising, revenues remain below long-term third-party forecasts. The Company anticipates further recovery as ESO progresses through its Balancing Programme in 2024 and 2025
- Completion of remaining projects (new projects and extensions) will take the operational portfolio to 1,072MW / 1,696MWh
- Active disposal process for a subset of the portfolio is ongoing to demonstrate value and contribute towards deleveraging
- GRID remains the GB market leader with a market share of around 20%<sup>[2]</sup>.

#### **Commenting on GRID's results, John Leggate CBE, Chair of Gresham House Energy Storage Fund plc, said:**

"2023 and early 2024 revenues for the GB BESS sector declined steadily, reaching a low in February. The Board and the Manager are acutely aware that this period has been disappointing and has required patience from our investors. We appreciate our intention not to pay dividends for 2024 is very unwelcome news. However, given the competing priorities for the Company, the Board and the Manager believe this is the right decision: using cash generation from the portfolio, along with available financing, towards completing the current project pipeline and duration extensions is key in order to maximise shareholder value.

"Encouragingly, we have since seen a marked recovery on the back of improving market fundamentals in recent weeks and the continued rapid deployment of new renewable generation, particularly offshore wind, drives a commensurate increase in demand for battery energy storage. In brief, the long-term commercial attractions of BESS remain as true as ever.

"We look forward to reaching 1GW of operational capacity in 2024. The expanded grid capacity and duration of the portfolio will allow the Company to roughly double its EBITDA generation potential which means that as long as revenues remain at recently improved levels, or indeed improve further, the Company will seek to return to dividend payments in 2025."

#### **Ben Guest, Fund Manager of Gresham House Energy Storage Fund plc and Managing Director of Gresham House New Energy, said:**

"We are focusing deployment of capital where it has the largest cash generation impact. The completion of our construction programme will give the Company the scale to significantly increase its earnings base even in a reduced revenue environment enabling the Company to return to dividend coverage as soon as possible.

"The fundamental business case remains strong. Underpinning this is rising renewable penetration which we expect to increase from c.45% today to 70% within the next four years leading to an even more volatile and intermittent electricity supply, in turn resulting in greater power price volatility. By way of example, in the year to April 2024 we have seen the most negative price points ever for the time of year, tripling over previous years. The trend of negative prices is likely to increase as renewable generation grows.

"BESS are the most efficient technology for reserve and half-hourly market balancing as they simply enable the greatest percentage of renewable energy to be used, by far. We are pleased to see ESO's gradual progress is leading to batteries being utilised a little more each month. There is a long way to go, and we look forward to continued improvements through 2024 and 2025."

#### Annual Report and webinar

An online webinar and Q&A session, to discuss the results, will be held at 11am BST on 29 April 2024. Ben Guest will provide an update on GRID's operational and financial performance and answer questions. Registration is available [here](#) and a recording will be available following the presentation.

A copy of the 2023 Annual Report and Financial Statements (the "Annual Report") is also available on the Company's website at <https://greshamhouse.com/real-assets/new-energy/gresham-house-energy-storage-fund-plc/> where further information on the Company can also be found. The Annual Report has also been submitted to the National Storage Mechanism and will shortly be available at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Further, the Annual Report can also be found here: [http://www.ms-pdf.londonstockexchange.com/ms/3024M\\_1-2024-4-26.pdf](http://www.ms-pdf.londonstockexchange.com/ms/3024M_1-2024-4-26.pdf)

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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 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](http://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] GHESF PLC - BESS portfolio revenue update RNS on 24 April 2024

[2] Per Modo as at 31 December 2023 there was 3.5GWs of operational BESS capacity in the UK.

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