RNS Number : 3606Q
Harmony Energy Income Trust PLC
30 May 2024

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30 May 2024

Harmony Energy Income Trust plc
(the "Company" or "HEIT")

Portfolio Update, Dividend Policy, Net Asset Value and Asset Sale Process

Harmony Energy Income Trust plc, which invests in battery energy storage system (**"BESS"**) assets in Great Britain (**"GB"**), announces its unaudited Net Asset Value (**"NAV"**) update, a portfolio and operational update for the three months ended 30 April 2024 and an update to its dividend policy.

Key Highlights

- Portfolio revenues up 48% from the previous quarter, driven by increasing wholesale spreads and increased occurrence of negative wholesale power prices.
- The unaudited NAV at 30 April 2024 was £218.5 million, or 96.21 pence per Ordinary Share, a decrease of 7.85 pence per Ordinary Share (-7.5%) compared to 31 January 2024. The decrease was driven by a reduction in third-party revenue forecasts. The Investment Adviser (**"IA"**) had previously reduced modelled assumptions for 2024 and 2025 in anticipation of this, and has now applied further reductions in line with updated third-party forecasts. This equates to a 17% reduction in modelled revenue between 2024 and 2029 compared to the assumptions used in the 31 January 2024 NAV update.
- The Board has resolved to amend the Company's dividend policy to be an ongoing commitment to distribute, by way of interim dividends and subject to maintenance of a suitable working capital buffer, a minimum of 85% of operational free cash flow, such amounts to be determined by the Board on a semi-annual basis.
- The Board has further resolved to cancel the (previously postponed) first FY2024 quarterly dividend and does not anticipate being in a position to declare a dividend in line with the new policy for the remainder of the current financial year, although based upon current market forecasts it is anticipated that a covered dividend will be paid in 2025.
- Target Commercial Operations Dates for the three remaining BESS projects in the Company's portfolio have been pushed back slightly and the projects are now expected to commence operations in Q3 2024. In respect of the Hawthorn Pit and Wormald Green projects the Company has begun claiming liquidated damages from its contractor to compensate for lost revenue.
- Asset sale process to seek offers for some or all of the Company's assets commenced, in order to maximise value and demonstrate the continuing disconnect with the Share price.

Portfolio Update

The Company's portfolio consists of eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW (the **"Portfolio"**), of which 555 MWh / 227.5 MW (70% of the capacity of the Portfolio across five projects) is operational.

Unfortunately, both the Company's Wormald Green and Hawthorn Pit projects have suffered delays to energisation, caused by the balance-of-plant contractor running behind schedule. Latest estimates now assume these projects will commence commercial operations during Q3 2024. The IA is collaborating closely with the contractor to expedite completion as soon as possible. In the meantime, the Company has begun to exercise its contractual rights to claim liquidated damages to compensate for the lost revenue opportunity. The liquidated damages claimed have not yet been recognised in the Company's revenue updates.

With regard to the Rusholme project, minor delays to the DNO's connection programme have resulted in the proposed energisation date slipping into early Q3 2024. The Company is working closely with Tesla to ensure that, post energisation, commissioning can be expedited so that the project is revenue generating as quickly as possible.

Project	MWh / MW	Location	Target Commercial Operations Date[1]	Status
Pillswood	196 / 98	Yorkshire	Operational	Operational
Broadditch	22 / 11	Kent	Operational	Operational
Farnham	40 / 20	Surrey	Operational	Operational
Bumpers	198 / 99	Bucks.	Operational	Operational
Little Raith	99 / 49.5	Fife	Operational	Operational
Rusholme	70 / 35	Yorkshire	Q3 2024	Cold Commissioned
Wormald Green	66 / 33	Yorkshire	Q3 2024	Under Construction
Hawthorn Pit	99.8 / 49.9	County Durham	Q3 2024	Under Construction
Total	790.8 / 395.4			

Total	790.8 / 395.4

[1] *Dates are based on calendar year*

Market Commentary

Towards the end of March and continuing into April, day-ahead wholesale price spreads increased significantly. High wind generation in GB coincided with periods of low demand. This led to multiple hours of negative wholesale power prices - periods where BESS can be remunerated for charging via the wholesale markets which in turn increases the revenue opportunity for BESS trading in the wholesale markets and Balancing Mechanism (**"BM"**). Over 19 days in April, the GB electricity market experienced around half the number of negative pricing hours in the whole of 2023.

The increase in wholesale spreads coincided with the launch of a new ancillary service, Balancing Reserve (**"BR"**) and the annulment of the "15-minute rule", allowing BESS to be "called" in the BM for longer durations (and therefore transacting greater volumes of MWh). Since these changes were introduced, 2-hour duration BESS have enjoyed 2.5x greater increase in BM dispatch volumes than shorter-duration BESS (20 MWh/MW versus 8 MWh/MW. *Source: Modo Energy*). HEIT's projects have seen a 3x increase in BM volume compared to the period of November 2023 to February 2024.

Pricing of ancillary services also benefitted from the increase in wholesale market spreads, as BESS operators raised their auction bids to match. Clearing prices for ancillary services increased 43% in April compared to March.

Portfolio Performance

Having an exclusively 2-hour duration portfolio, the Company is well positioned to benefit from the increasing wholesale spreads and BM volumes as described above. Average monthly captured BM volumes grew c.300% across March and April, compared to the average across the first four months of the financial year.

The Company's operational portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £4.7 million over the period (£68.7k/MW/Yr). This represents an improvement of c.48% from the previous quarter (£46.3k/MW/Yr). As previously reported, the Company has recognised additional revenue during February 2024 relating to the Embedded Export Tariff (£422k).

The portfolio encountered a higher-than-usual number of outage events during the quarter, mostly for short-term DNO technical works. The Little Raith project was particularly impacted during April whilst the DNO addressed issues at the local sub-station. The IA estimates that, had the portfolio been fully available during April, the revenue for that month would have been c.£80k/MW/Yr.

Dividend Policy

Despite the recent improvements described above, the GB revenue environment continues to be challenging over the near-term whilst the supportive fundamental drivers take time to translate into stronger revenues. The lower-than-anticipated revenue performance in FYQ1 resulted in the Company announcing the postponement of the Company's first quarterly dividend of 2 pence per Ordinary Share, pending a review of the Company's dividend policy. Following consultation with Shareholders and discussions with key advisers, the Board has resolved to amend the Company's dividend policy to be an ongoing commitment to distribute, by way of interim dividends and subject to maintenance of a suitable working capital buffer, a minimum of 85% of operational free cash flow, such amounts to be determined by the Board, declared and paid on a semi-annual basis. The Board has further resolved to cancel the (previously postponed) first FY24 quarterly dividend and does not anticipate being able declare a dividend in line with the new policy for the remainder of the current financial year, although if current market forecasts are correct it is anticipated that the Company will have sufficient operating free cash flow to support payment of a covered dividend in 2025. This guidance will be reviewed at the financial year end depending upon revenue performance and availability of cash over the second half of the year. The dividend policy will be reviewed on an ongoing and regular basis and will be subject to Shareholder approval at the next annual general meeting of the Company.

Operating capacity of the Portfolio will grow by over 40% as the remaining assets come online. This will, in turn, drive an increase in operational free cash flow. For the purposes of providing guidance to Shareholders, and on the basis of a fully operational portfolio comprising all the Company's assets, an annual average revenue performance of c. £100k/MW would generate sufficient operational free cash flow to allow a distribution of 8 pence per Ordinary Share.

Asset Sale Process

In order to explore potential methods of delivering value to Shareholders over the short term, the Board instructed the Investment Adviser in February to explore the potential for one or more asset sales. Having received informal expressions of interest from numerous third parties, the Company has now engaged JLL with a mandate to seek offers for some or all of the Company's assets, in order to maximise value and demonstrate the continuing disconnect with the Share price. Any decision to divest the entire portfolio would only be taken in the event of a deliverable and credible offer being received at pricing which the Board considers attractive to Shareholders, and any such sale would be conditional upon Shareholder approval.

In the event that the process results in the sale of one or more assets (but not the entire portfolio), the proceeds would be applied, at least partly, to reduce gearing. Depending on the level of proceeds, the Board will also consider buying back Shares if the significant discount to NAV at which the Ordinary Shares are trading persists.

NAV Update 30 April 2024

As at 30 April 2024, the Company's unaudited NAV was £218.53 million (96.21 pence per Ordinary Share). This represents a decrease of 7.85 pence per Ordinary Share (-7.54%) compared to 31 January 2024. The principal movement relates to a reduction in modelled revenues with the largest reduction affecting the period between 2024 and 2029 (-9.44 pence per Ordinary Share). Other movements are shown in the table below.

Item	Impact (pence per Ordinary Share)
Operating Free Cash Flow	1.02
NAV Roll Forward	2.39
Revenue Assumptions	-9.44
Project Dates	-0.22
Fund Expenses	-0.30
Debt Service	-0.88

Debt Service	-0.88
Other	-0.42
Total	**-7.85**

Revised Revenue Assumptions

Having analysed revised long-term forecasts published by independent providers, the IA has reduced modelled revenues for the portfolio. The largest reduction is in relation to the period between 2024 and 2029 during which modelled revenues are now 17% lower than previously compared to the assumptions used in the 31 January 2024 NAV update.

Factsheet

The Company's factsheet for 30 April 2024 (including, inter alia, a NAV bridge and detailed long-term revenue; cost and inflation assumptions; and monthly revenue breakdowns) is available on the Company's website at: https://www.heitp.co.uk/investors/results-reports-and-presentations/

Norman Crighton, Chair of Harmony Energy Income Trust plc, said:

"Revenue performance across the GB BESS sector has improved, with the Company's assets yet again showing strong performance relative to peers. However the performance is not yet at a level where the Board feel able to declare a dividend from operating free cash flow. The continued short-term uncertainty around the revenue environment over the second half of the financial year has prompted the Board to adjust the Company's dividend policy while also engaging JLL in relation to potential asset sales."

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About Harmony Energy Advisors Limited (the "Investment Adviser")

The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited.

The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in GB for over seven years, both from the point of view of asset owner/developer and in a third-party advisory capacity. The Investment Adviser is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

Important Information

This announcement contains inside information for the purposes of Article 7 of MAR. Upon publication of this announcement, the inside information is now considered to be in the public domain for the purposes of MAR. The person responsible for arranging the release of this announcement on behalf of the Company is Uloma Adighibe of JTC (UK) Limited, the Company Secretary.

This announcement does not constitute an offer to sell or the solicitation of an offer to acquire or subscribe for shares in the Company in any jurisdiction. This distribution of this announcement outside the UK may be restricted by law. No action has been taken by the Company that would permit possession of this announcement in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this announcement should inform themselves about the distribution of this announcement in their particular jurisdiction.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's plans and/or the plans of one or more of its investee companies and their respective current goals and expectations relating to their respective future financial condition and performance and which involve a number of risks and uncertainties. The Company's target returns are a target only and there is no guarantee that these will be achieved. This Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements.

It should also be noted that any future NAV per Ordinary Share announced by the Company in due course will, in addition to the matters described in this announcement, also be affected by valuation movements in the Company's Portfolio and other factors including, without limitation, purchase prices of battery energy storage systems and components, project development and construction costs, income and pricing from contracts with National Grid ESO and other counterparties, the potential for trading profitability in the wholesale electricity markets and/or Balancing Mechanism, performance of the Company's investments, and the availability of projects which meet the Company's minimum return parameters in accordance with the Company's investment policy .

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