

18 November 2024

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

Quarterly NAV announcement and business update

Gresham House Energy Storage Fund plc (LSE: GRID), the UK's largest fund investing in utility-scale battery energy storage systems (BESS) reports its latest NAV. As of 30 September 2024, NAV was £620.8mn and NAV per share was 109.09p per ordinary share, down 0.1%.

Highlights as of 30 September 2024

- NAV per share was 109.09p, down 0.1% in the quarter (30 June 2024: 109.16p).
- Operational capacity was 790MW / 1,031MWh on 30 September vs 790MW / 931MWh of 30 June 2024 and has subsequently increased to 845MW / 1,207MWh.
- 260MW of capacity is being operated under tolling agreements.
- During the quarter, the most significant changes to NAV per share included:
 - -2.21p from updated Q3 third-party revenue curves
 - +1.91 impact from the valuation model rolling forward by three months
 - +0.53p from lower insurance costs across the portfolio reflecting lower replacement costs and reduced premiums
 - -0.40p from later commissioning of remaining projects under construction
 - +0.32p from changes in working capital, fund costs, and debt costs
 - -0.23p from movements in the fair value of the interest rate swap.
- No changes to inflation assumptions or underlying discount rates were made during the period.
- Weighted average discount rate (WADR) is 10.8% for the full portfolio including projects under construction and 10.6% for the operational portfolio.
- Operational assets are valued at an average of £661k/MW. Discounted cashflows represented £651k/MW of the total while working capital represented the remainder.
- The NAV does not include potential upside expected to be realised by increasing durations of further operational projects, beyond those already in train, as financing has not yet been secured.
- The underlying portfolio generated revenues of £11.7mn and EBITDA of £7.2mn in Q3 2024.
- Total debt drawn at the end of the period was £140mn; the total facility size was reduced to £195mn from £225mn.
- Cash on hand between the Company and its investments was £33.2mn as of 30 September 2024.

Portfolio earnings update

The underlying portfolio generated revenues of £11.7mn resulting in underlying portfolio EBITDA of £7.2mn in Q3 2024, a like-for-like improvement in underlying portfolio EBITDA quarterly run rate of 38% compared with H1 2024.

Portfolio revenue rates improved to £59k/MW/yr compared with £49k/MW/yr in the first half of the year. Revenues through the year have been further bolstered by the increasing capacity as operational capacity increased from 690MW at 31 December 2023 to 790MW at the end of September 2024. On an annualised portfolio revenues basis this has increased from £35.8mn in H1 2024 to £46.6mn in Q3 2024.

The portfolio continues to outperform the Modo BESS index, achieving on average 26% higher revenue figures across the quarter. This trajectory has continued in October with the portfolio achieving £71k/MW compared to the Index value of £57k/MW/yr, representing the best individual month of the year so far for the Company's portfolio.

October revenues improved on the back of increased tightness (reduced excess supply) on the system. With the last coal fired generation finally decommissioned earlier this year, which had created significant excess supply over the previous winter suppressing revenues further, we are now starting to see a return of scarcity pricing on days of low renewable generation. This was highlighted by the first Capacity Market notice to be released in almost two years on 14 October 2024. As with previous notices, this was later cancelled once additional more expensive generation was brought online but did lead to significantly higher peak electricity prices. Merchant revenues are likely to remain volatile while NESO undertakes improvements in the Balancing Mechanism, and it is encouraging to see volatility of supply begin to translate to volatility in system prices and hence improved trading spreads.

Construction and pipeline update

Enderby and West Didsbury duration augmentations were completed in July 2024 adding a total of 100MWh of operational capacity and taking both to 50MW / 100MWh. Each project was completed within three months and demonstrated the significant value in prioritising investing into the existing portfolio ahead of new projects.

These augmentations were the only additional capacity added in the quarter but since the period end the Company extended its operational capacity by 55MW / 176MWh through the addition of:

- Elland (50MW / 100MWh), a new project near Leeds, energised on 1 November 2024 and expected to be fully revenue generating by the end of the month.
- Penwortham B (50MWh added), an augmentation to the original Penwortham site, energised on 30 October taking its capacity to 50MW / 100MWh and is earning at full capacity.

- Nevendon B (5MW/26MWh added), an augmentation to the original Nevendon site, energised on 23 October taking its capacity to 15MW / 33MWh, and is at full revenue generating capacity.

The remaining pipeline is now expected to complete by the end of Q1 2025 with a delay in the connection on West Bradford and to the start of the Coupar Angus augmentation, pushing its completion back by a quarter. Updates on the remaining pipeline are given below:

- Melksham (100MW / 200MWh) is under 'rules', i.e. has been taken over by the DNO to complete the energisation which is expected on 22 November 2024. The site will initially be commissioned at 100MW / 100MWh, with the augmentation to 200MWh expected to follow shortly after by the end of January 2025.
- West Bradford (87MW / 174MWh) has experienced some delays. Commissioning is now expected in Q1 2025. The Manager will update the market with a more precise date in due course.
- Coupar Angus's augmentation to 2-hours (+40MWh) is underway but due to delays in the planning permission and the need to observe a judicial review period, commissioning is now expected in Q1 2025 having delayed the start of construction. The site remains operational in the meantime and is under a tolling agreement.

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

"It is pleasing to see that while revenues in GB are improving across the market, we are maintaining our outperformance versus the competition whilst delivering a more diversified GB revenue profile. This underlying revenue performance, combined with the increased operational capacity under management, means that the Company remains on track to outperform 2023 revenues this year.

We are also set to have energised ten new projects and augmentations and to have nearly doubled the operational capacity of the portfolio through 2024, taking operational capacity to 1,387MWh by the year end. This will increase further to 1,701MWh shortly after the year end with the conclusion of our current in construction pipeline. The increased operational capacity moving into 2025 gives us a much stronger footing for earnings generation to support our objectives.

As we reach the end of the current construction pipeline, we can now start to turn our focus to the future and our three-year plan which we look forward to updating on at the Capital Markets Day."

Capital Markets Day update

Fund Manager, Ben Guest will set out the framework for the Company's three-year plan through 2027, including indicative targets for MW and MWh capacity, revenues, and EBITDA at the Capital Markets Day on Wednesday 27 November, 2.00-4.00pm (GMT). [Please register to attend here.](#)

Q3 2024 factsheet

The factsheet for the period ended 30 September March 2024 is available within the key documents section of the website at <https://greshamhouse.com/real-assets/new-energy/gresham-house-energy-storage-fund-plc/>.

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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

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.

<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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