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Gresham House Energy Storage Fund
29 November 2024

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29 November 2024

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

Trading progress update & three-year strategic plan

Gresham House Energy Storage Fund plc (LSE: GRID), the UK's largest fund investing in utility-scale battery energy storage systems (BESS), is announcing an update on current trading progress and the highlights of its three-year plan presented at the Company's Capital Markets Day on 27 November 2024.

The Company encourages Investors and Analysts to view the replay of the event which will shortly be available on the Company's website. The key points covered are as follows:

Trading progress update

Improving financial position
- Capital allocation policy in 2024 has focused on cash preservation which has allowed GRID to manage through the recent challenging operational backdrop.
- A focus on prudent capital deployment is expected to result in installed MWh capacity[1] growing 116% since 31 December 2023 through to Q1 2025 with a 13% increase in total capital[2]
- c.£45mn of EBITDA in 2025, two thirds contracted[3], creating revenue visibility, as highlighted in the H1 2024 Interim report and accounts
- Focus on disposals to reduce debt continues while current debt arrangements remain in place
- Compliance with debt terms, with net debt expected to peak at 20% of Gross Asset Value[4]
- Commenced process to refinance existing debt facilities with new sustainable amortising debt to align with launch of GRID's new 3-year plan envisioning the transition of its portfolio away from a primarily merchant asset base and sizing debt off contracted revenues

Aiming to set a valuation benchmark proving GRID's NAV
- Equity investment into 50MW Glassenbury project, under exclusivity
- Targeting a pre-money valuation at the project's current valuations which is reflected in the Company's NAV
- The prospective investment provides funding for an accretive augmentation to a 4-hour duration
- Deal is expected to close in Q1 2025

Reinstating GRID's Dividend Policy
- GRID expects to reinstate its Dividend Policy in 2025 once the current debt has been refinanced
- The future Dividend Policy will be focused on providing:
  - sustainable, fully covered dividends (after costs)
  - three smaller quarterly distributions with a final larger payment linked to performance
- If EBITDA reaches £45-55mn in 2025, cashflow[5] per share to be 4.5-6.2p
- Capital allocation: balance between income and growth to reflect the stabilised earnings of the business and its growth potential

Clean Power 2030: a strong commitment to BESS in Great Britain
- Clean Power 2030 requires[6] 22GW of BESS and up to 81GW / 99GWh of Long Duration Energy Storage (LDES)

Sector fundamentals providing tailwinds including
- The National Energy System Operator's (NESO) Open Balancing Platform (OBP) rollout
- Wind & solar capacity is growing rapidly
- Demand growth: electric vehicles are just 4% of cars on UK roads
- Slower UK BESS growth in 2024 is expected to result in less competition in the near term
- Baseload capacity is decreasing with coal fired generation now offline and the gas and nuclear fleets set to shrink
- Long duration storage cap and floor opportunity adds a new dimension to the BESS industry

Three-year plan

£150mn EBITDA target[7]
Subject to a successful refinancing, indicated level of £45mn during tolling period is targeted to increase as follows:
- 2025-2027: 1.5GWh augmentation of existing portfolio targeting incremental EBITDA of £33mn
- 2026-2027: 680MW targeting incremental EBITDA of £47mn

- 2025-2027: Increased revenue stack: agreement in principle reached; targeting EBITDA of £25mn
- No improvement in the trading backdrop is assumed, which is based on £45,000 per MW per year for uncontracted projects, which in turn reflects the revenue backdrop at the time that Interim results were presented in September 2024

Backdrop to refinancing: Moving with the times

- Experience means only low leverage is appropriate on merchant revenues
- Long-term revenue contracts emerging
- Blended approach route to market looking forward means debt can be sized off long term contracted revenues while maintaining an uncontracted asset base to capture upside potential

Benefits of blended contracting approach

- Project financing with contracted revenues significantly reduces risk of unexpected drops in revenues and provides a more stable platform for optimizing GRID's capital structure and payment of future dividends
- Potential returns remain strong thanks to project financing offering a lower cost of capital and unlocks growth through augmentations and the new pipeline indicated above in the three-year plan.

John Leggate CBE, Chair of Gresham House Energy Storage Fund plc, says

"Following a review of the Company's performance over recent years and a considered view of the outlook for the coming three-year period, the Board and Manager are able to offer a positive view that the BESS sector in the UK is turning a corner and is on a path to improving performance. The underlying rationale is based on:

- The UK's Net Zero policy and regulatory regime becoming progressively more favourable to BESS
- NESO's operating practices, as the Operational Balancing Platform rollout progresses, more opportunities are created for BESS
- The Company has significantly reduced counterparty risk with NESO by reducing merchant revenue exposure by c.50%
- The recently launched process to refinance should move from debt servicing based on merchant revenues to one where the debt is sized off contracted revenues and amortised over a longer term

Therefore, taking these factors into consideration, the Board and the Manager are feeling more confident of delivering growth for the Company and re-instating the ability of the Company to pay covered dividends during 2025."

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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.

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] MWhs will have grown from 788MWh on 31 December 2023 to 1,701MWh in Q1 2025

[2] Increase in total capital refers to the increase in net debt divided by the opening Gross Asset Value (GAV) at 31 December 2023, with GAV adjusted for the latest valuations at 30 September 2024.

[3] Revenues will be 2/3 contracted once all tolling agreements are in place and assumes a merchant revenue rate on 504MW of uncontracted assets, of £45k/MW/yr

[4] As defined in GRID's Interim Report for the period ended 30 June 2024

[5] Cashflow is calculated by deducting net interest costs and charges and GRID costs from EBITDA.

[6] https://www.neso.energy/document/346651/download, NESO, 4 November 2024

[7] This is a target and is based on current market conditions as at the date of this announcement only and is not a profit forecast. There can be no assurance that this target will be met. This target and the other targets described in this announcement should not be taken as an indication of GRID's expected or actual current or future EBITDA.

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