RNS Number : 9775Y
Gresham House Energy Storage Fund
03 March 2025

3 March 2025

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

Unaudited NAV as of 31 December 2024 and Trading Update

Gresham House Energy Storage Fund plc (LSE:GRID), the UK's largest listed 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 2024, expected in April 2025. All figures presented are unaudited.

Highlights

- Unaudited NAV of 109.35p as of 31 December 2024, compared with 109.09p as of 30 September 2024, up 0.2% (31 December 2023: 129.07p)
- Unaudited operational portfolio revenues in 2024 increased 20.1% to £46.5mn, (31 December 2023: £38.7mn), with substantial revenue improvement in H2 (up 59.3% to £28.6mn vs £17.9mn in H1 2024)
- Unaudited operational portfolio EBITDA increased 12.4% to £29.1mn, (31 December 2023: £25.8mn) resulting in an EBITDA margin of 62.5% in 2024 (FY2023: 66.7%)
- York (50MW/75MWh), Penwortham (50MW/50MWh), and Elland (50MW/100MWh) were energised and a further 193MWh of capacity was added to operational projects through augmentations in 2024. Melksham (100MW/100MWh) was energised in January 2025
- 79% of the Pipeline was energised as of 31 December 2024 with 845MW operational at year end (31 December 2023: 690MW)
- 568MW framework tolling agreement signed with Octopus Energy with 310MW under contract as of 31 December 2024

Unaudited NAV per share

The Company's unaudited NAV per share for 31 December 2024 is 109.35p. This is broadly unchanged versus the prior quarter (109.09p) and 19.72p or 15.3% lower than 31 December 2023.

The primary driver of the year-on-year reduction comes from lower long-term revenue forecasts from independent third-party consultants. Gresham House Asset Management Limited (the "Manager") cautiously expects that, should trading conditions improve, an uptick in revenue forecasts may also materialise. Indeed, in December 2024 the portfolio achieved an average annualised revenue rate of £91,000 per MW per year with a portfolio average duration of 1.4 hours, which was well above the third-party forecast revenue curves for 2025. Performance in January and February has continued at a similar level to Q4 2024. The valuation discount rates remain unchanged from prior year except for the addition of tolling revenues at a discount rate of 8.5% as explained in the 2024 interim report.

Portfolio performance

Despite the difficult start to 2024 the portfolio saw substantial improvements in both revenue and EBITDA generation compared with 2023. Revenue was up 20.1% from £38.7mn in 2023 to £46.5mn in 2024. EBITDA also increased, rising 12.4%, from £25.8mn in 2023 to £29.1mn in 2024.

The revenue environment in 2024 evolved during the year. 2024 started with BESS assets being severely under-utilised (being skipped up to 95% of the time in January 2024 according to Modo Energy[1]) in the Balancing Mechanism resulting in unexpectedly low revenues in Q1 2024, whereas revenues had been expected to increase following the launch of the new Open Balancing Platform by The National Energy System Operator (NESO). From Q2, utilisation in the Balancing Mechanism started to improve, ending the year on a high, and in Q4 2024, the revenue performance of the portfolio had recovered to an annualised revenue rate of £75,000 per MW per year. Nonetheless there is still a lot of room for improvement as NESO is still skipping batteries over 80% of the time according to data published by Modo Energy[1]. Even NESO has now admitted that skip rates in the first seven months of 2024 were around 83%[2].

In June the Company signed a landmark tolling arrangement with a subsidiary of Octopus Energy. Contracted revenues have been elusive for BESS since the sector's inception. The availability of tolls and other forms of contracted revenues is now a core focus for the Company to de-risk downside revenue scenarios.

While revenues and EBITDA grew, margins contracted versus the prior year for two reasons. Firstly, revenue growth was driven primarily by increased operational capacity which comes with incremental costs. Secondly, several projects experienced scheduled downtime during their augmentation. If revenue per MW for the full year improves in 2025, as expected, EBITDA margin is anticipated to increase.

Debt refinancing and three-year plan

At the Company's Capital Markets Day on 27 November 2024, the Manager presented the Company's plans for the three years from 2025 to 2027. The plan has three key elements and associated targets:

(i) Augmentation of more operational projects adding EBITDA of £33mn
(ii) Build out of new pipeline of 680MW adding further EBITDA of £47mn
(iii) Add alternative revenues to the existing revenue stack adding EBITDA of £25mn

The aim of the above is to take annualised operational EBITDA to £150mn by the end of 2027[3].

In this context, the Company is progressing with a debt process to refinance its current debt facilities and to secure the project financing required to build out its new pipeline. The process, which is progressing as expected began in November 2024 and is expected to complete in the second quarter of 2025.

Any debt secured will remain within the Company's current gearing limit of 50% of NAV at the time of drawdown, and net debt to GAV is expected to be in a range of 25-30%. The Company expects to meet future debt servicing obligations primarily from contracted cashflows.

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

"2024 proved to be an immensely challenging year for the GB BESS sector including for GRID. After a very difficult start to the year, it is encouraging that portfolio revenues in Q3 and Q4 improved substantially and that EBITDA for 2024 outperformed 2023. However, we continue to push for NESO and its regulator Ofgem to make further progress in reducing the skip rate for BESS during 2025.

We are encouraged by the UK Government's commitment to its Clean Power 2030 plan. While we are monitoring closely the ongoing Connections Reform, at this stage, we do not expect this to impact our near-term growth ambitions.

The Company is focusing on delivery of its three-year plan which aims to lift revenues and EBITDA, and with a much higher proportion of contracted revenues. Returning to delivery of sustainable dividends remains a priority for the Board which should be unlocked by the refinancing of the Company's debt facilities."

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

"We are pleased to have started the new year strongly in terms of operational capacity, with Melksham's energisation taking operational capacity to 945MW/1,307MWh. We are confident that remaining augmentations and project energisations already under way will follow in the very near term.

We are making progress on our three-year plan, with refinancing currently progressing as expected. A successful refinancing is expected to reduce the Company's cost of debt and secure capital to grow the portfolio through the augmentation of existing projects and the construction of new pipeline without overstretching the Company's combined balance sheet.

The three-year plan unlocks strong capacity growth and cash flow, of which more will be contracted, creating a more traditional infrastructure-like business with improved revenue visibility."

For further information, please contact:

Gresham House New Energy

Ben Guest +44 (0) 20 3837 6270
James Bustin
Harry Hutchinson

Jefferies International Limited

Stuart Klein +44 (0) 20 7029 8000
Gaudi Le Roux
Harry Randall

Peel Hunt

Huw Jeremy +44 (0) 20 7418 8900
Luke Simpson

KL Communications gh@kl-communications.com
Charles Gorman +44 (0) 20 3882 6644
Charlotte Francis
Effie Aye-Maung-Hider

JTC (UK) Limited as Company Secretary GHEnergyStorageCoSec@jtcgroup.com
Christopher Gibbons +44 (0) 20 7409 0181

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] https://modoenergy.com/research/gb-battery-energy-storage-markets-2024-year-in-review-great-britain-wholesale-balancing-mechanism-frequency-response-reserve

[2] https://www.neso.energy/document/348241/download#:~:text=This%20review%20followed%20on%20from,%25%20for%202024%20(ytd*).

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

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