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SDCL Energy Efficiency Income Tst
31 March 2025

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SDCL Energy Efficiency Income Trust plc
("SEEIT" or the "Company")

Trading Update Statement

The Company announces a Trading Update Statement for the period from 1 September 2024 to 31 March 2025 (the "Period").

Jonathan Maxwell, CEO of the Investment Manager, SDCL, said:

"SEEIT's active management of the assets in its portfolio has delivered substantial income to the Company, in line with previous years. This stable performance ensures that we can cover the target dividend of 6.32p which represents a double-digit yield for investors at the current share price.

"We are confident that the portfolio is well positioned to maintain its performance and secure opportunities that are accretive to NAV. As the market challenges faced by SEEIT and its peers continue, our priority remains reducing the current discount to NAV. We are highly focused on preserving value and upside for shareholders, while at the same time considering ways to cut costs and find capital efficiencies at project and company level."

Operational Update

During the Period, SEEIT's operational performance has been generally in line with expectations, delivering the expected distributions to the Company:

Primary Energy

Primary Energy, which provides energy services to some of the largest blast furnaces in the United States ("US") including recycling waste heat and gas to create power and steam, has delivered its budgeted EBITDA for the year to 31 December 2024. Recent tariff announcements in the US are designed to support domestic steel production and could have a material positive impact on Primary Energy given demand for its services is directly linked to the operational activity of the steel mills it supports.

RED-Rochester

As a result of considerable cost control efforts, EBITDA for the year to 31 December 2024 at RED-Rochester, one of North America's largest district energy systems, was above mid-year projections, although below full year budget.

RED-Rochester's CEO has installed a new leadership team, bringing management capabilities and expertise in house, driving cost benefits. The new management team have increased efforts to optimise efficiency and bolster business development to increase occupancy rates. RED-Rochester has further capacity in its systems and exclusivity to supply 17 essential utility services to customers of the business park, offering the potential for significant performance improvements over time. The team is also focused on advanced tariff amendment discussions with Eastman Kodak, with a conclusion now expected in the second quarter of 2025, and continue to work closely with Li-Cycle, a customer for RED-Rochester that is expected to significantly increase its energy requirements with the construction of a new hub processing centre. Whilst this centre has experienced some challenges and delays, Li-Cycle has secured a fully committed loan from the Department of Energy, and it is understood that Glencore, one of their main strategic investors, has filed an interest in buying the company. Construction is expected to continue in due course.

Onyx

Onyx, which provides on-site solar and storage for commercial and industrial buildings across the US, has continued to hit or exceed its development targets during the Period.

As previously reported, Onyx has undergone a period of capital-intensive growth, developing and constructing its growing pipeline. The output of this growth is portfolios of assets becoming operational and growth in revenue. During the second half of 2024, 53MW of power has been brought to mechanical completion, up from 14MW during the prior period.

EVN

EVN

EVN, the electric vehicle ("EV") charging infrastructure development company has made a further five sites operational during the Period, bringing the total to 31. Operational sites continue to achieve EBITDA in line with expectations.

Oliva

Oliva, a circular economy solution generating efficient heat for the Spanish olive oil industry, ended the year with EBITDA on budget. During the Period, there was a strong harvest, which will positively impact feedstock prices. The anticipated improved predictability of the Spanish Ro scheme has been delivered, and the team are focused on further optimising the hedging strategy in order to maximise margins whilst continuing to meaningfully de-risk exposure to merchant energy prices.

Driva

Driva, (formally named Vartan Gas) a biogas distribution business in Stockholm has delivered solid operational performance during the Period, with EBITDA, for the year to 31 December 2024, on budget and significantly ahead of the previous year. The team has a strong focus on growth, launching the Energy-as-a-Service business with a number of early contract wins.

Shareholder dividend

During the Period, the portfolio's stable operational performance has supported distributions to SEEIT that have covered the target dividend of 6.32p per share, with a cash cover in line with the previous year.

Total return growth

SEEIT's portfolio was built to target the largest and fastest growing opportunities for energy efficiency. While it is diversified by industry, technology and geography, and each investment is structured to deliver stable and growing income as well as the potential for meaningful NAV growth.

As previously reported, some of this portfolio growth requires ongoing capital support. During the year to 31 March 2025, SEEIT invested c.£165 million into the organic opportunities presented by the portfolio. Much of this was to address Onyx's pipeline of commercial solar projects that deliver low cost, more reliable energy to its customers across the US.

The Board and the Manager continue to apply a disciplined focus to the capital allocation policy. This means that any use of capital must meet or exceed the return threshold implied by the alternative of buying back shares at the time of deployment. In practice, investments are expected to yield a mid to high teens return on NAV.

During the Period, this investment into the portfolio has been funded through a combination of capital recycling and debt. The Manager remains committed to reducing the RCF over time as well as lengthening the portfolios debt term by extending or adding project level financing that is aligned with the duration of the contracts. In the near term this is targeting new financing facilities at its Oliva and Zood (the Asset Co of EVN) investments. Both processes are progressing, with advisers appointed.

Company level RCF and outlook

The Manager refinanced SEEIT's Revolving Credit Facility ("RCF") in March, securing terms for three years with the option of two one-year extensions. In addition to agreeing a competitive margin of 275 basis points over SONIA (up from 265 basis points for the previous facility), the Manager has extended the facility to £240 million. The RCF is c. £235 million drawn, as of 31 March 2025.

Disposals

The Manager continues to seek opportunities to balance the portfolio and release capital from targeted disposals to pay down the RCF, recycle into the remaining portfolio and return to shareholders where appropriate.

The Manager previously announced formal processes to sell both part or all of Onyx in the US, and EVN in the UK, committing to a further update by the end of the financial year.

Selling part or all of Onyx remains the primary focus. Lazard continues to manage the process, with bidders taken through to the second round and due diligence ongoing. The Manager expects this process to conclude before the announcement of the Company's annual results.

As one of the highest growth investments in the portfolio, EVN had both been one of SEEIT's more CAPEX intensive investments and elicited inbound enquiries from potential buyers. However, as EVN offers significant potential for further growth, the Manager considers a project level financing solution for Zood to be the most likely source of near-term capital release.

Market update and discount rates

During the Period, markets have continued to present a challenging environment following widespread geo-political and macroeconomic uncertainty. This is expected to result in an increase in risk free rates across the portfolio.

In September 2024 risk free rates had decreased. However, against the uncertain economic and geopolitical backdrop, the Manager felt it prudent not to reflect that reduction, instead materially absorbing into the risk premiums. This presents the opportunity to now unwind some of those risk premium adjustments as rates return towards March 2024 levels. The Manager's current expectation is that the discount rates to be used for the 31 March 2025 valuation will be similar to those used for the 31 March 2024 valuation.

The ongoing developments in the US are being closely monitored, with particular attention paid to any potential risks to the SEEIT portfolio. For further information, the Manager has recently published an update on its website, here.

Strategic options

The Board and the Manager have listened closely to recent feedback from shareholders. The Board is acutely aware of the unprecedented market challenges which SEEIT and its peers are currently experiencing. As such, they are in regular dialogue with the Manager and their advisers about how to address this issue, including conducting a review of the management fee structure. The Board remains alert to all potential opportunities available to deliver value for all shareholders in an effective and efficient manner.

For Further Information

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About SEEIT

SDCL Energy Efficiency Income Trust plc is a constituent of the FTSE 250 index. It was the first UK listed company of its kind to invest exclusively in the energy efficiency sector. Its projects are primarily located in North America, the UK and Europe and include, inter alia, a portfolio of cogeneration assets in Spain, a portfolio of commercial and industrial solar and storage projects in the United States, a regulated gas distribution network in Sweden, a portfolio of on-site energy recycling, cogeneration and process efficiency projects, servicing the largest steel blast furnace in the United States and a district energy system providing essential and efficient utility services on one of the largest business parks in the United States.

The Company aims to deliver shareholders value through its investment in a diversified portfolio of energy efficiency projects which are driven by the opportunity to deliver lower cost, cleaner and more reliable energy solutions to end users of energy.

The Company is targeting an attractive total return for shareholders with a stable dividend income, capital preservation and the opportunity for capital growth. The Company is targeting a dividend of 6.32p per share in respect of the financial year to 31 March 2025. SEEIT's last published NAV was 90.5p per share as at 31 March 2024.

Past performance cannot be relied on as a guide to future performance.

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Further information can be found on the Company's website at www.seeitplc.com.

Investment Manager

SEEIT's investment manager is Sustainable Development Capital LLP ("SDCL"), an investment firm established in 2007, with a proven track record of investment in energy efficiency and decentralised generation projects in the UK, Continental Europe, North America and Asia.

SDCL is headquartered in London and also operates worldwide from offices in New York, Dublin Hong Kong and Singapore. SDCL is authorised and regulated in the UK by the Financial Conduct Authority.

Further information can be found on at www.sdclgroup.com.

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