

Octopus Renewables Infrastructure (ORIT)

01/04/2025

Results analysis from Kepler Trust Intelligence

Octopus Renewables Infrastructure's (ORIT) annual results to 31/12/2024 show a NAV total return of +2.5% (2023: +2.1%). At an operational level, ORIT's power generation grew by 7%, revenues by 12% and EBITDA by 16%. ORIT met its dividend target of 6.02p, 1.24x covered by operating portfolio cash flows. The dividend saw an increase of 4% over 2023, in line with UK CPI for a third consecutive year. The target dividend for the year ending 31/12/2025 is, similarly, an increase in line with UK CPI of 2.5% to 6.17p and is expected to be fully covered. At the current share price (as at 31/03/2025) the yield is c. 9.4%.

At an operational level this was a solid set of results, with positive earnings growth from the operational portfolio. Further, Octopus Renewables Infrastructure (ORIT) has made good progress on reducing the size and cost of debt which ultimately could feed through to further dividend growth. Clearly ORIT faces the same macro headwinds as the rest of its peer group, with investors still reassessing the damaging investment trust cost disclosure debacle and trying to navigate the ups and downs of the bond market, which competes for their attention. But while clearly the US is taking a different approach to renewables, the jurisdictions ORIT operates within all remain firmly committed to renewable energy. Further, ORIT's sale of its Swedish wind asset, for an IRR of over 11% from construction to sale shows that it is much more than a bond proxy, with equity upside potential. On top of this, 2025 is set to be the fourth consecutive year of dividend growth in line with inflation.

Overall, with a stable NAV that has been validated by several disposals in the last 18 months, positive operational progress resulting in a progressive and covered dividend and a balanced capital allocation policy, we think ORIT's 36% discount looks notably unjustified.

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