

Octopus Renewables Infrastructure (ORIT)

02/10/2025

Results analysis from Kepler Trust Intelligence

Octopus Renewables Infrastructure's (ORIT) half year results to 30/06/2025 show a NAV total return of -0.2% (H1 2024: +2.0%). The lower NAV per share, 99.5p (31/12/2024: 102.6p) mainly resulted from lower power price forecasts, higher discount rates and dividend payments, partially offset by macro factors (e.g. higher UK RPI inflation, lower corporation tax in Finland).

ORIT's board introduced its 'ORIT 2030' strategy, which sets out its four priorities for the next five years.

Grow: Invest for NAV growth, deploying capital into higher growth investments, including an increased ~20% target allocation to construction assets, maintaining the current 5% allocation to developers. There will also be a greater focus on asset improvement and disciplined capital recycling.

Scale: Target £1 billion net asset value by 2030, to create a more liquid and investable company. Alongside investment growth, this could include corporate M&A.

Return: Target medium-to-long-term total returns of 9-11% through a combination of capital growth and income, maintaining the progressive dividend policy, while preserving full cover and targeting long-term gearing below 40%. Retain diversification across core technologies and geographies.

Impact: Aim to build approximately 100 MW of new renewable capacity per annum.

As part of the ORIT 2030 strategy, the board is also recommending that the continuation vote moves to a cycle of every three years, from the current five. The change will be put to a vote at the 2026 AGM, with the next continuation vote then held at the 2028 AGM.

Kepler View

Coming back to the present, ORIT's dividend yield as a spread over 10-year gilts is close to a lifetime high. UK government bond yields have not been playing nice with interest rates this year and are approaching 5%, which accounts for a good deal of the recent price weakness for ORIT, its peers and indeed many other rate-sensitive 'alternatives'. With a set of proposals that reduces costs, puts more alignment between the manager and shareholders in terms of addressing the discount and which plays to the manager's strengths as an experienced constructor and operator, as well as increasing the frequency of continuation votes, we think ORIT's discount of over 30% seems excessively pessimistic.

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