

Gresham House Energy Storage Fund plc

30 September 2023



Fund manager

Ben Guest

Managing Director, New Energy

Overview

Gresham House Energy Storage Fund plc (GRID or the Fund) seeks to capitalise on the growing intraday supply and demand imbalances caused by our ever-increasing reliance on renewable energy.

The Fund aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Battery Energy Storage Systems (BESS) located in Great Britain and internationally, which primarily use batteries to import and export power, accessing the multiple revenue sources available in the power market.

The Fund targets an unlevered Net Asset Value (NAV) total return of 8.0%+ per annum and levered NAV total return of 15% per annum net of Fund expenses and a target dividend of 7.35p per annum per Ordinary Share.¹ Returns are not correlated to the absolute level of wholesale power prices and are not dependent on any government subsidies.

Fund information

Ticker GRID

Listing LSE Specialist Fund Segment

ISIN GB00BFX3K770

Dividend frequency Quarterly

Year end 31 December

Key facts as at 30 September 2023

Share price (closing price) 105.4p

NAV per share 146.08p

Market Capitalisation £604.4mn

Net assets £837.7mn

Mgt. fee 1.0% net assets <£250mn
 0.9% net assets from £250mn-£500mn
 0.8% net assets >£500mn

Ongoing charges² 1.18%

2023 target dividend per share 7.35p

Ordinary Shares in issue 573,444,694

Total return

	YTD	2022	2021	Since inception (Nov 2018)
Share price total return	-32.16%	29.60%	23.04%	33.20%
NAV total return	-2.64%	40.14%	21.18%	91.61%

Financial highlights

- NAV at £837.7mn, and NAV per share at 146.08p per share declined by 0.40% over the quarter
- A 1.84p dividend in respect of the quarter ended 30 June 2023 was paid on 29 September 2023
- NAV total return of 91.6% since IPO
- Operational portfolio reached 640MW vs 590MW on 30 June and 550MW on 31 December 2022
- During the quarter, the most significant changes to NAV per share included:
 - +1.95p from project revaluations:
 - Shilton Lane was valued on a DCF basis for the first time, being within nine months of commissioning, at a 75bp premium to operational discount rates
 - Grendon was commissioned and was valued as a project in commissioning at a 50bp premium to operational discount rates
 - 1.84p from the payment of the Q2 dividend
 - +1.36p due to higher third-party revenue forecasts reversing some of the reduction seen up to the first half of 2023 (-9.38p at HY 2023), reflecting improvement in longer term revenue forecasts for longer duration projects

- 1.24p from delays on construction projects
- +0.83p from portfolio cashflow generation
- +0.58p from projected cost savings, mostly reflecting the reduced insurance premiums achieved
- 0.47p for fund costs including transaction fees
- 0.46p for debt costs (amortised fees, interest and commitment fees)
- 1.29p for other items including movement in fair value of interest rate swaps
- No changes to inflation assumptions or underlying discount rates during the period. The weighted average discount rate (WADR) for the portfolio in Q3 2023 of 10.9%, and 10.6% for operational assets
- Operational assets valued at £833k/MW. Adjusting for working capital, i.e., taking just the NPV of future cashflows, the valuation stood at £736k/MW. Working capital included cash and batteries and other equipment held for upgrades

1. This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all

2. As at 31 December 2022 updated annually

Portfolio activity

Grendon (50MW/100MWh), our largest battery to date, was commissioned and began commercial operations in the period. The site has demonstrated encouraging performance highlighting the advantages of longer duration BESS in today's market environment.

From a construction perspective, the three sites which were exposed to an Independent Connections Provider (ICP) that went into administration were quickly transferred to a new ICP several months ago. West Didsbury has now been energised, while Penwortham and Melksham are on track for completion at the start of 2024.

More broadly, we continue to make good progress on the remainder of the '2023 pipeline', as announced with the Fund's Interim Results 2023. York remains on track to be energised in November. Elland and Bradford West are on track to follow later in H1 2024. We look forward to providing further updates in due course.

Market outlook

In Q3 2023, Frequency Response prices generally remained low but we have seen some short-term improvements in prices such as in July 2023 when volume requirements increased during a period of high wind power generation. This period further demonstrated the high levels of curtailment which ESO currently needs to implement, cutting renewables output to increase fossil fuel thermal generation to manage system needs – the consequence of insufficient BESS and low utilisation of available BESS on the system.

As previously announced, steps are being taken to resolve this. On 16 October 2023, ESO hosted an event called 'Enhancing Energy Storage in the BM' to provide clarity on the system improvement plans in the BM to better utilise BESS flexibility. A detailed timeline showed the steps being taken to improve systems and the revenue opportunity for BESS.

The next key step is the launch of the Open Balancing Platform (OBP), a new system alongside a new dispatch algorithm (called the Bulk Dispatch Optimiser, or BDO), which is expected to drive significant increases in the volume of actions for BESS in the BM. ESO remain committed to their 12 December 2023 launch date. We look forward to seeing the improvements these bring for BESS and their wider impact on higher volatility in wholesale markets, driving greater trading returns.

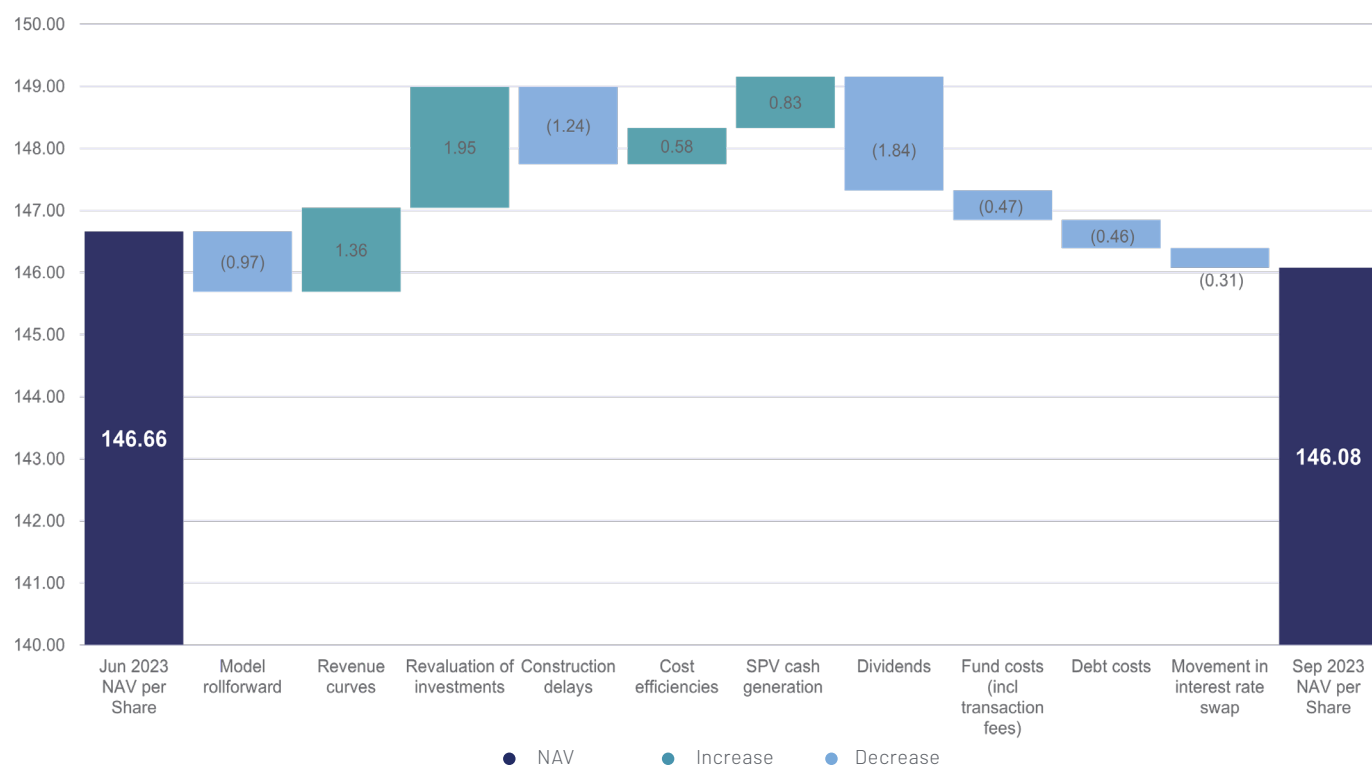
The fundamentals for BESS remain strong, with rising renewable penetration placing increasing challenges on the system today. The decommissioning of nuclear power, remaining coal and older gas-fired power stations over the next few years will further drive reliance on renewable generation, driving increased supply, and power price volatility.

Portfolio outlook

Regardless of any improvement in revenue backdrop, the portfolio remains well positioned to return to dividend cover (without interest income on construction capital deployed to SPVs) in 2024 as operational, revenue-generating capacity increases as pipeline is commissioned, as highlighted in the Manager's five-point plan in the Company's Interim Report and Accounts 2023.



NAV (p/share) bridge from 30 June 2023 to 30 September 2023



Source: Gresham House New Energy, 30 September 2023

Targets may or may not materialise. Capital at risk. Past performance is not a reliable indicator of future performance.

Portfolio & pipeline

Project	Location	MW	Status
1. Staunch	Staffordshire	20	Operational
2. Rufford	Nottinghamshire	7	Operational
3. Lockleaze	Bristol	15	Operational
4. Littlebrook	Kent	8	Operational
5. Roundponds	Wiltshire	20	Operational
6. Wolverhampton	West Midlands	5	Operational
7. Glassenbury	Kent	40	Operational
8. Cleator	Cumbria	10	Operational
9. Red Scar	Lancashire	49	Operational
10. Bloxwich	West Midlands	41	Operational
11. Thurcroft	South Yorkshire	50	Operational
12. Wickham Market	Suffolk	50	Operational
13. Tynemouth	North Tyneside	25	Operational
14. Glassenbury Extension	Kent	10	Operational
15. Nevendon	Essex	10	Operational
16. Port of Tyne	Tyneside	35	Operational
17. Byers Brae	West Lothian	30	Operational
18. Arbroath	Scotland	35	Operational
19. Enderby	Leicester	50	Operational
20. Stairfoot	North Yorkshire	40	Operational
21. Coupar Angus	Scotland	40	Operational
22. Grendon 1	Northampton	50	Operational
Total operational ³		640	

Project	Location	MW	Status
23. West Didsbury	Manchester	50	Energised - Nov 23
24. Penwortham	Preston	50	Target: Q1 2024
25. Melksham	Wiltshire	100	Target: Q1 2024
26 York	York	50	Target: Q4 2023
27. Bradford West	West Yorkshire	87	Target: Q1 2024
28. Elland 1	West Yorkshire	50	Target: Q2 2024
Target incl. 2023 pipeline ³		1027	
29. Shilton Lane	Scotland	40	Target: H1 2024
30. Rothienorman ⁴	Aberdeenshire	50	Target: H2 2024
31. Duration upgrades	Across portfolio	-	Target: 2024
32. Project Iliad	California, USA	160	Target H1 2025
Target ³		1277	

3. Pre potential disposals

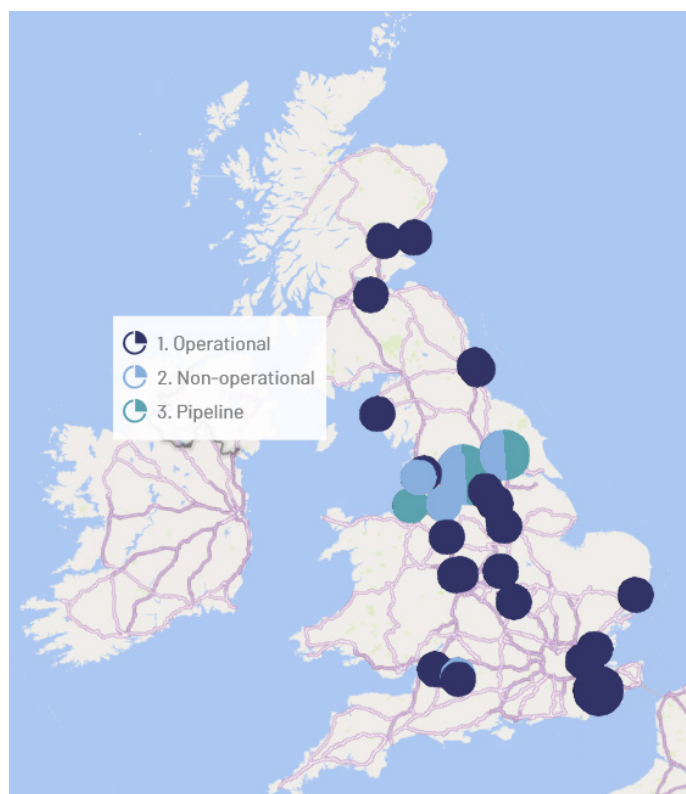
4. Acquired subject to satisfaction of conditions

Portfolio manager

Gresham House Asset Management Ltd (GHAM)

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Project	Location	MW	Status
33. Grendon 2	Northampton	50	Target: TBC
34. Walpole	Cambridgeshire	100	Target: 2026
35. Thurcroft 2	South Yorkshire	85	Target: 2026
36. Elland 2	West Yorkshire	100	Target: 2025
37. Monet's Garden	North Yorkshire	50	Target: 2025
38. Lister Drive	Merseyside	50	Target: 2025
39. Bradford West 2	West Yorkshire	100	Target: 2025
Total incl. pipeline ³		1812	



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