



Gresham House Energy Storage Fund plc

31 March 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 Great Britain and Ireland's 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 Ireland, which primarily use batteries to import and export power, accessing the multiple revenue sources available in the power market.

The Fund targets a Net Asset Value (NAV) total return of 8.0%+ per annum, before leverage and net of Fund expenses, and a target dividend of 7.0p 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 31 March 2023

Share price (closing price) 155.0p

NAV per share 155.61p

Market Capitalisation £839.0mn

Net assets £842.3mn

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 issue² 541,290,353

Total return

	YTD	2022	2021	Since inception (Nov 2018)
Share price total return	-3.00%	29.60%	23.04%	90.46%
NAV total return	1.00%	39.05%	20.32%	95.08%

Financial highlights

NAV has increased to £842.3mn, or 155.61p per share, up 0.1p per share. The dividend in respect of the quarter ended 31 December 2022 of 1.75p per share was paid on 27 March 2023.

- From the IPO in November 2018 to the end of March 2023, GRID has delivered an NAV total return of 95.1%
- The portfolio has grown to 590MW of operational assets as of 31 March 2023 (550MW as of 31 December 2022)
- During the quarter, the most significant changes to NAV per share included
 - 6.09p due to lower third-party revenue forecasts reversing a large portion of the increase in 2022 (+11.23p), reflecting the swings in power and gas price levels experienced in recent quarters
 - +3.40p uplift from Coupar Angus (40MW), Stairfoot (40MW) and Enderby (50MW) sites which are now valued as fully operational assets
 - +1.76p from increasing the long-term RPI inflation assumption beyond 2027 to 2.5%. Our long-term CPI inflation assumption, primarily applied to CM contracts, remains at 2%
 - 1.75p from the payment of the Q4 dividend
 - +1.70p from portfolio cash flow generation
 - +1.65p uplift from recently awarded Capacity Market contracts
- There have been no changes to NAV from changes to underlying discount rate assumptions



- 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
- As at 31 December 2022

Capital at risk. Past performance is not a reliable indicator of future performance.



Portfolio activity & market outlook

The market backdrop for energy storage in GB has reached a watershed moment. As long-expected, frequency response services have now commoditised, and prices have reached low levels. As we have anticipated for some time, GRID will focus more meaningfully on trading as well as earning a lower proportion of revenues from Frequency Response and continuing to earn contracted Capacity Market revenues.

Lower third-party revenue assumptions in Q1 2023 stated above (-6.09p) have reversed a large portion of the positive contribution to NAV per share observed during 2022 (11.23p). The significant swings in revenue forecasts can be explained by the swings in gas prices and power prices over the last two years resulting in the largest moves in revenue assumptions being seen in near term (i.e. up to and including 2025).³

While the Fund is not heavily dependent on high commodity prices to generate power price volatility and trading revenues, it's worth noting their influence on near-term forecasts, particularly during periods of significant fluctuations.

What does fundamentally drive volatility is the intermittency of renewables, which is rising rapidly as renewables continue to commission at pace (renewable generation was 44.4% of total generation in Q4 2022, the most recently available data) in a right-sized market; one where supply is sized to match demand. High gas prices in 2022 have led to much higher electricity prices for consumers driving electricity demand down and it is this, in our view, that has driven lower volatility in electricity prices in recent months.

We strongly believe fundamentals for the energy storage market remain robust and any lower power price volatility in the short term will self-correct as power prices work their way back down and as demand recovers.

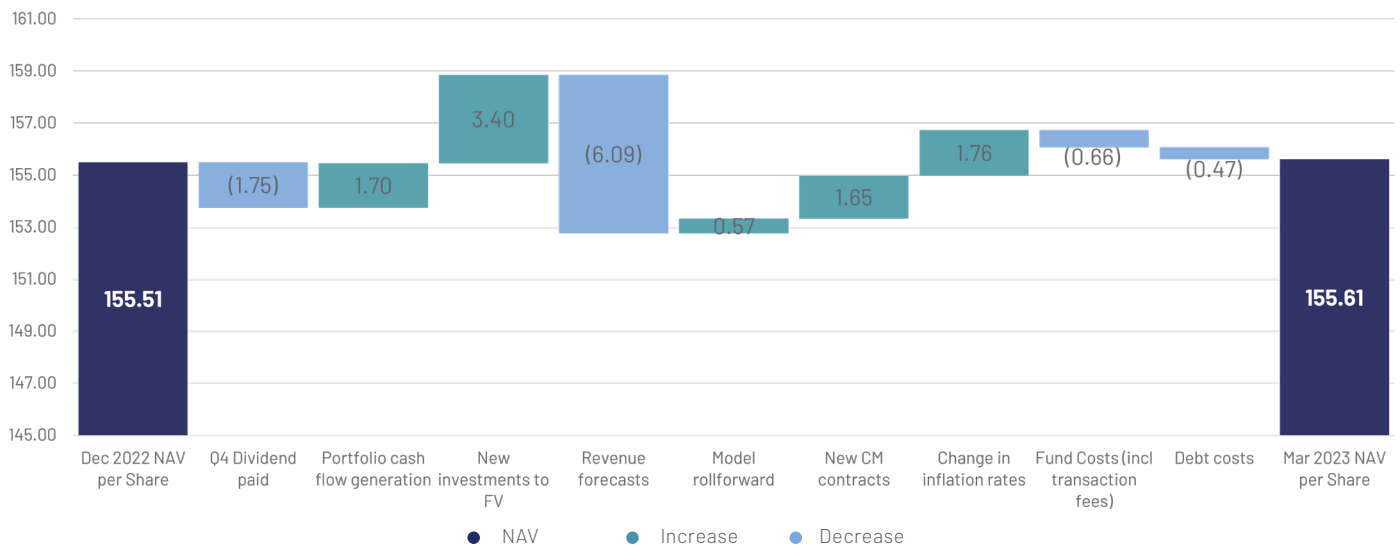
At a Portfolio level, there have been positive developments in Q1 2023 on our journey to the gigawatt level highlighted in our latest results. Couparr Angus is now operational, and West Didsbury, Penwortham, Grendon and York all expected to commission within the next two or three months which will underpin future NAV growth. The Manager also continues to work on and grow an attractively priced pipeline with further information to follow.

We are pleased to report that the trial being conducted on a small number of MWs to explore additional trading revenue potential (first disclosed in the Annual Results RNS) is going as planned. Subject to the trial continuing to go well, we look forward to expanding it in due course.

³. Operational projects as well as projects within 9 months of commissioning are valued on a discounted cashflow (DCF) based on our disclosed discount rates. The most important assumption in GRID's DCF valuation model is the revenue assumption which is provided by an independent third-party consultancy. The consultancy generates forecasts by first generating a half hourly power price projection over the following 20 or more years, called a Power Curve. Batteries revenue forecasts are then determined by calculating how much the batteries might earn from trading of the volatility in the Power Curve, combined with an estimate of Frequency Response revenues

NAV (p/share) bridge from 31 December 2022 to 31 March 2023

Source: Gresham House New Energy, 31 March 2023



Natural Gas UK GBP (GBP/thm)

Source: Trading Economics, 5 years to 11 May 2023



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 ⁵	Kent	40	Operational
8. Cleator ⁵	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 ⁵	North Tyneside	25	Operational
14. Glassenbury Extension	Kent	10	Operational
15. Nevendon ⁵	Essex	10	Operational
16. Port of Tyne ⁵	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
Total operational		590	

5. Current size prior to any potential duration extensions

Project	Location	MW	Status
22. West Didsbury	Manchester	50	Target COD: Q2 2023
23. Melksham	Wiltshire	100	Target COD: Q3 2023
24. Penwortham	Preston	50	Target COD: Q2 2023
25. Grendon ⁶	Northampton	100	Target COD: Q3 2023
26. York	York	50	Target COD: Q2 2023
27. Bradford West	West Yorkshire	87	Target COD: Q4 2023
28. Elland	West Yorkshire	50	Target COD: Q4 2023
29. Shilton Lane	Scotland	40	Target COD: H1 2024
30. Rothienorman ⁷	Aberdeenshire	50	Target COD: H2 2024
31. Walpole	Cambridgeshire	100	Target COD: 2026
Total non-operational		677	

6. The commissioning date reflects the 50MW Grendon 1 project, a further 50MW known as Grendon 2 is expected to begin construction shortly with a commissioning date in H2 2023. Only 50 MW for Grendon 1 is included in valuations at this stage

7. Acquired subject to satisfaction of conditions

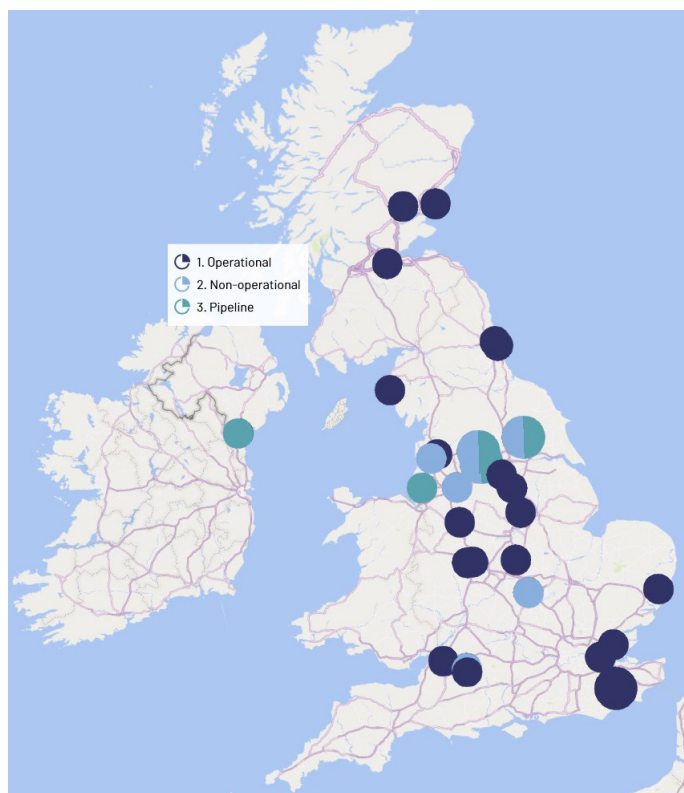
Portfolio manager

Gresham House Asset Management Ltd (GHAM)

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Source: Gresham House plc as at 31 March 2023

Project	Location	MW	Status
32. Elland 2	West Yorkshire	100	Target COD: H1 2024
33. Monet's Garden	North Yorkshire	50	Target COD: H2 2024
34. Lister Drive	Merseyside	50	Target COD: H2 2024
35. Bradford West 2	West Yorkshire	100	Target COD: H1 2025
36. Monvalet	Rep. of Ireland	180	Target COD: H2 2024
37. Monvalet 2	Rep. of Ireland	120	Target COD: 2025
38. Project SK	Yorkshire	100	Target COD: 2024
Total pipeline		700	



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