

Gresham House Energy Storage Fund plc

Quarterly update for the three months ended 31 March 2022


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Specialist asset management

Summary

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. As of 31 March 2022, the Fund owned 425MW of operational capacity across 17 projects in Great Britain.

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.

Financial highlights

- NAV has increased to £577m, or 131.89p per share, up 15.03p per share or 12.9% in the quarter
- From the IPO in November 2018 to the end of March 2022, the Fund has delivered a share price total return of 64.1% compared with 22.0% for the FTSE All Share and an NAV total return of 58.8%
- The increase in NAV primarily reflects uplifts in revenue assumptions, inflation, the revaluation of projects under construction and recent Capacity Market ("CM") contract awards
- Dividends remain fully covered in the quarter
- The Manager expects its 30 June 2022 NAV to be at the upper end of the 140-145p per share guidance range announced on 6 April 2022
- The portfolio's projects continue to generate revenue and EBITDA above the Manager's budget as the electricity market remains volatile, which creates a positive backdrop for BESS
- As at 31 March 2022, the blended WADR across the portfolio reduced to 10.7% due to new CM contracts being included in forecasts
- There has been no change to underlying discount rates used, with 5.0% for CM contract revenues and 10.85% for all other revenues.³ A 50bp premium is applied to each of these rates for projects while under construction
- Since Q3 2021, 250MW of the projects which are fully-funded and owned by GRID have been revalued above cost, namely Enderby, West Didsbury, Penwortham and now, Melksham. This leaves 165MW of projects (Arbroath, Coupar Angus, Stairfoot and Grendon) currently under construction to be revalued as well as the change to the 50bp lower discount rate once operational. The Fund is also expected to benefit from upward revaluation of the Existing Pipeline (which is defined and laid out in the recently published Circular available here) which is not yet funded, in due course.
- Commentary on changes to the NAV:
During the quarter, the most significant changes to NAV per share included:
 - +5.32p from recent CM contract awards that can be included this quarter
 - +4.19p due to revaluation of 100MW of projects under construction (Melksham)
 - +3.88p from higher inflation assumptions⁴
 - +1.64p from the net effect of negative roll-forward effects, cash retained net of dividend payments, higher revenue assumptions from the Fund's consultant (+1.82p⁴) and other effects, including debt costs (-0.20p) and other minor modelling adjustments

Capital Markets Day - [Register here >>](#)

4 May 2022 at 10:00am (BST)

Join us to hear Ben Guest, Fund Manager, GRID, discuss the Fund's journey since IPO, the competitive landscape and the revenue model for batteries, with guest speakers:

- Dan Monzani, Managing Director for UK and Ireland, Aurora Energy Research
- Quentin Scrimshire, CEO and Co-Founder, Modo Energy

Key facts as at 31 March 2022

Share price (closing price):	139.5p
NAV per share:	131.89p
Market capitalisation:	£610.8m
Net assets:	£577.5m
Mgt. fee:	1.0% net assets <£250m 0.9% net assets from £250m-£500m 0.8% net assets >£500m
Ongoing Charges ² :	1.23%
2021 target dividend per share:	7.0p
Ordinary Shares in issue:	437,842,078

	Q1 2022	2021	Since inception*
Share price total return	8.3%	23.0%	64.1%
NAV total return	14.3%	20.3%	58.8%

*Since inception - November 2018

Key information

Ticker:	GRID
Listing:	LSE Specialist Fund Segment
ISIN:	GB00BFX3K770
Dividend frequency:	Quarterly
Year end:	31 December

Fund Manager

Gresham House Asset Management Ltd (GHAM)

Ben Guest

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Gresham House Energy Storage Fund plc

Gareth Owen

Investment Director,
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[GRID website >>](#)

Capital at risk.

Past performance is not indicative of future results. The value of investments may fall as well as rise and investors may not get back the amount invested. All data is as at 31 March 2022 unless stated otherwise.

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. This target return should not be taken as an indication of the Fund's expected or actual current or future results. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund

2. As at 31 December 2021

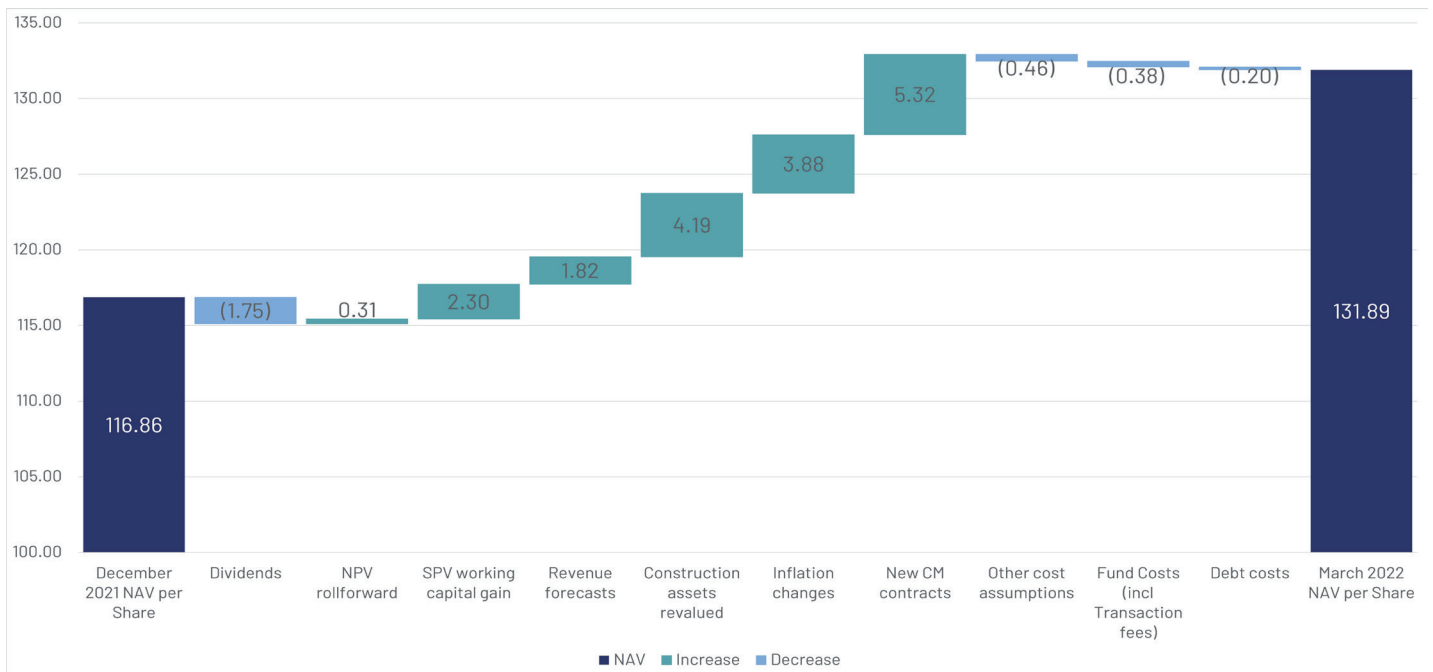
3. The discount rate applied to all merchant cashflows includes short term Enhanced Frequency Response (EFR), Firm Frequency Response (FFR) and Dynamic Containment (DC) revenues, while the discount rate applied to contracted income is applied only to Capacity Market contracts at this time

4. NAV impact not included in prior guidance for 31 March 2022 as announced on 6 April 2022

Portfolio activity & market outlook

- The first quarter has been an active one for the Manager;
 - Progressing projects through construction with Enderby, Arbroath, Coupar Angus and Stairfoot expected to commission during Q2 and West Didsbury and Penwortham expected to commission in Q3, as indicated at the full-year results stage
 - De-risking timelines of projects for delivery in 2023 and beyond as much as possible
 - Transitioning Glassenbury and Cleator, previously contracted in EFR until 4 January 2022, to frequency response and trading operations, arranging upgrades of their batteries to longer duration, and preparing the next EFR projects for the same (Nevendon, Tynemouth and Port of Tyne)
 - Publishing a Circular which proposes changes to the Investment Policy including the gradual expansion of the geographic mandate of the Fund
 - Working on additional pipeline including the commitment to a new 40MW project called Shilton Lane not far from Glasgow in Scotland
 - Completing a route to market tender with over ten Asset Optimisers taking part, focusing on the ability to maximise revenues as well as the ability to reduce costs
- The market environment has remained supportive for battery energy storage as renewable deployment continues to accelerate

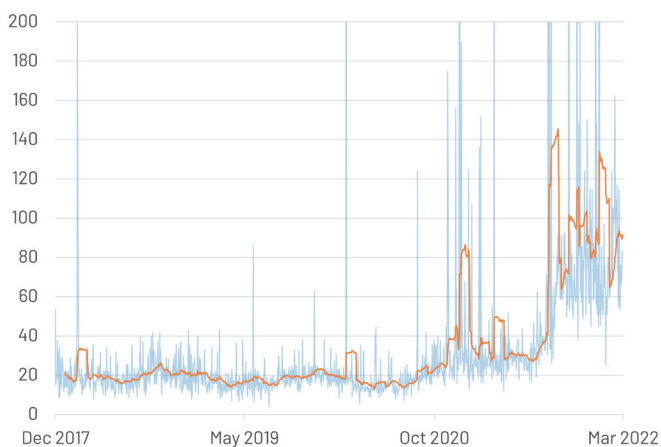
Q1 2022 detailed NAV bridge (p/Share)



Source: Gresham House New Energy, 31 March 2022

Intra-day and day ahead power price volatility

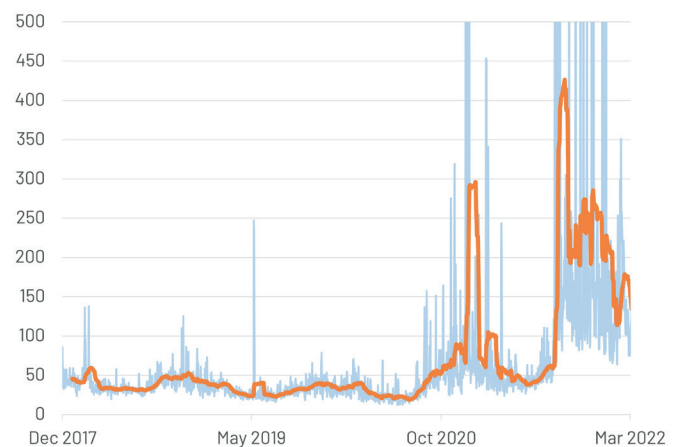
System Price (£/MWh) daily standard deviation



Source: Gresham House New Energy, 31 March 2022

- Daily standard deviation
- 28 per. Mov. Avg (Daily standard deviation)

Daily Day Ahead Auction Max/Min Spread (£/MWh)



Source: Gresham House New Energy, 31 March 2022

- Spread Day Ahead
- 28 per. Mov. Avg (Spread Day Ahead (£/MWh))

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Portfolio & pipeline

Current portfolio

Project	Location	MW	Status
1. Staunch	Staffordshire	20	Operational - 2018
2. Rufford	Nottinghamshire	7	Operational - 2018
3. Lockleaze	Bristol	15	Operational - 2018
4. Littlebrook	Kent	8	Operational - 2018
5. Roundponds	Wiltshire	20	Operational - 2018
6. Wolverhampton	West Midlands	5	Operational - Q3 2019
7. Glassenbury	Kent	40	Operational - Q4 2019
8. Cleator	Cumbria	10	Operational - Q4 2019
9. Red Scar	Lancashire	49	Operational - Q4 2019
10. Bloxwich	West Midlands	41	Operational - Q3 2020
11. Thurcroft	South Yorkshire	50	Operational - Q4 2020
12. Wickham Market	Suffolk	50	Operational - Q4 2020
13. Tynemouth	North Tyneside	25	Operational - Q1 2021
14. Glassenbury Extension	Kent	10	Operational - Q1 2021
15. Nevendon	Essex	10	Operational - Q1 2021
16. Port of Tyne	Tyneside	35	Operational - Q1 2021
17. Byers Brae	West Lothian	30	Operational - Q2 2021
18. Enderby	Leicester	50	Target COD: Q2 2022
19. West Didsbury	Manchester	50	Target COD: Q3 2022
20. Melksham	Wiltshire	100	Target COD: Q4 2022
21. Couper Angus	Scotland	40	Target COD: Q2 2022
22. Arbroath	Scotland	35	Target COD: Q2 2022
23. Penwortham	Preston	50	Target COD: Q3 2022
24. Grendon	Northampton	100	Target COD: Q1 2023
Total portfolio		850	



Glassenbury, Kent

Pipeline

Project	Location	MW	Commissioning
25. Stairfoot	North Yorkshire	40	Target COD: Q2 2022
26. Project York	York	50	Target COD: Q4 2022
27. Project Bradford W	West Yorkshire	87	Target COD: Q1 2023
28. Project Elland 1	West Yorkshire	50	Target COD: Q1 2023
29. Project Elland 2	West Yorkshire	100	Target COD: Q3 2023
30. Monet's Garden	North Yorkshire	50	Target COD: Q2 2023
31. Lister Drive	Merseyside	50	Target COD: Q2 2023
32. Project Bradford W2	York, N. Yorks.	100	Target COD: Q1 2022
33. Monvalet	Rep. of Ireland	180	Target COD: H1 2024
34. Shilton Lane	Scotland	40	Target COD: H1 2024
Total pipeline		747	

- Operational projects
- Non-operational projects
- Pipeline



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