

RNS Acquisition



ACQUISITION OF THREE PIPELINE PROJECTS

[HARMONY ENERGY INCOME TRUST PLC](#)

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15 December 2022

Harmony Energy Income Trust plc
(the "Company" or "HEIT")

Acquisition of Three Pipeline Projects

Harmony Energy Income Trust plc, which invests in energy storage assets in Great Britain, is pleased to announce that it has completed the acquisition of three 'shovel-ready' pipeline projects totalling 181.9 MW / 363.8 MWh, increasing the Company's portfolio to nine battery energy storage system ("BESS") projects with a total capacity of c.500MW / 1GWh.

The Company has acquired the projects pursuant to the Pipeline Agreement entered into on IPO which granted the Company a right of first refusal of up to 1GW of BESS projects, from Harmony Energy Limited ("HEL") and Ritchie Bland Energy No. 2 Ltd (together the "Developers"). The total consideration for the three projects is c. £21.5 million (supported by independent valuation) being satisfied through the net proceeds of the recent C Share Issue in conjunction with the issue of 7 million new C Shares to the Developers.

The three projects, known as Wormald Green, Hawthorn Pit and Rye Common (Phases I and II), are expected to be energized in Q1 2024, Q2 2024 and Q3 2024 respectively, with grid offers secured. As previously announced, Harmony Energy Advisors Limited (the "Investment Adviser") conducted a tender process for the supply of battery systems for this batch of projects and pursuant to that process, has agreed material terms with the selected supplier of the 2-hour duration battery systems.

The Company has also agreed terms to increase borrowing under its existing loan facility to enable it to draw down on the previously agreed accordion, alongside drawdown of funds pursuant to a new Revolving Credit Facility. The funds available to the Company, through this borrowing and its cash resources, will fund the construction of the Wormald Green and Hawthorn Pit projects as well as the remaining Grid payments for Rye Common, which are essential to maintain that project's timeline. The combined facility will increase the total debt available to ca. £130 million, subject to final signing. Alternative funding options for the build-out of Rye Common are currently being considered.

The Investment Adviser is currently tendering for revenue optimisation services and expects to appoint a preferred bidder in due course. In addition, the lease options for the projects have been executed and the balance of plant tender is near to completion. In respect of Rye Common, the relevant lease options have been entered into between Harmony RC Limited (the Rye Common special purpose vehicle ("SPV")) as the Lessee and a wholly owned subsidiary of HEL as the Lessor at market rates. HEL recently agreed to acquire the freehold land associated with this project, in order to remove pre-existing encumbrances, thereby ensuring that the SPV's lease options could be effected and thus enabling the project.

Both phases of the Rye Common project are held within the SPV and share a single 99MW grid connection. Whilst Rye Common Phase I has full planning consents in place, Phase II is awaiting planning consent which is expected to be received in early 2023 in line with the overall project timetable. Given the single project SPV and single grid connection, acquiring the project now will mean that the Company can make the necessary grid milestone payments to continue to secure the agreed energisation date. In the unexpected event that Phase II planning consent is not granted, a claw-back mechanism has been agreed in respect of part of the consideration, pursuant to the relevant share purchase agreement.

Current Portfolio

The three project acquisitions increase the total capacity of projects in the Company's portfolio to c.500MW / 1GWh, with energisation dates between the end of 2022 and 2024.

Project	MW / MWh	Location	Target Commercial Operations Date	Status (12.12.2022)
Pillswood ¹	98 / 196	Yorkshire	Operational ¹	Operational
Broadditch	11 / 22	Kent	Q4 2022	Under Construction
Farnham	20 / 40	Surrey	Q1 2023	Under Construction
Rusholme	35 / 70	Yorkshire	Q3 2023	Under Construction
Bumpers	99 / 198	Bucks.	Q3 2023	Under Construction
Little Raith	49.5 / 99	Fife	Q4 2023	Under Construction
Wormald Green	33 / 66	Yorkshire	Q1 2024	Shovel Ready
Hawthorn Pit	49.9 / 99.8	County Durham	Q2 2024	Shovel Ready
Rye Common	99 / 198	Surrey	Q3 2024	Shovel Ready ²
Total	494.4 / 988.8			

¹ As announced on 21 November 2022, Pillswood was successfully energised in November 2022. At the time of energisation it was the largest BESS project in Europe (by MWh). ² Phase II subject to planning as explained above.

Norman Crighton, Chairman of the Company, said:

"On the back of energising Pillswood in November, and receiving delivery of the first Tesla Megapack 2 XL batteries in Europe at our Broadditch project, it is encouraging to continue the growth of Harmony Energy Income Trust plc with the acquisition of three new projects with near-term energisation dates. We thank our investors who supported the C Share raise against a difficult economic backdrop in October, which has facilitated these acquisitions. This puts the Company on track to convert the C Shares into Ordinary Shares early in 2023 as envisaged. HEIT's defined pipeline remains a key differentiator and we look forward to continuing to grow the portfolio over the coming months and years."

Paul Mason, Managing Director of Harmony Energy Advisors Limited, commented:

"We are seeing deployment of vital battery storage projects lag behind renewable energy deployment, and a lot of competition for projects on the open market increasing prices, so it is more important than ever that we take advantage of HEIT's exclusive access to a pipeline of near-term grid connections and this acquisition allows us to do just that. We are grateful for the continued support of our lenders which will allow us to deliver this vital energy infrastructure as quickly as possible."

Application for admission

Application has been made for admission of 7,000,000 C Shares to trading on the Specialist Fund Segment of the London Stock Exchange plc's main market ("Admission"). It is expected that Admission will occur and dealings in the C Shares will commence at 8.00 a.m. (London time) on 20 December 2022.

Total Voting Rights

Following admission, the Company will have 210,000,000 Ordinary Shares of 1p and 21,771,364 C Shares of 10p in issue carrying one vote each. The Company holds no shares in treasury and the total voting rights in the Company will be 231,771,364.

The above figure of 231,771,364 may be used by Shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to, their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

Terms not defined in this announcement have the same meaning as defined in the announcement on 28 September 2022.

END

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About Harmony Energy Advisors Limited (the "Investment Adviser")

The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited.

The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in Great Britain for over six years, both from the point of view of asset owner/developer and in a third-party advisory capacity. The Investment Adviser is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

Important Information

This announcement contains inside information for the purposes of Article 7 of MAR. Upon publication of this announcement, the inside information is now considered to be in the public domain for the purposes of MAR. The person responsible for arranging the release of this announcement on behalf of the Company is Harmony Energy Advisors Limited.

This announcement does not constitute an offer to sell or the solicitation of an offer to acquire or subscribe for shares in the Company in any jurisdiction. This distribution of this announcement outside the UK may be restricted by law. No action has been taken by the Company that would permit possession of this announcement in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this announcement should inform themselves about the distribution of this announcement in their particular jurisdiction.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's plans and/or the plans of one or more of its investee companies and their respective current goals and expectations relating to their respective future financial condition and performance and which involve a number of risks and uncertainties. The Company's target returns are a target only and there is no guarantee that these will be achieved. This Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements.

It should also be noted that any future NAV per Share announced by the Company in due course will, in addition to the matters described in this announcement, also be affected by valuation movements in the Company's portfolio and other factors including, without limitation, purchase prices of battery energy storage systems and components, project development and construction costs, income and pricing from contracts with National Grid ESO and other counterparties, the potential for trading profitability in the wholesale electricity markets and/or Balancing Mechanism, performance of the Company's investments, and the availability of projects which meet the Company's minimum return parameters in accordance with the Company's investment policy .

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