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TRADING UPDATE AND NET ASSET VALUE

[HARMONY ENERGY INCOME TRUST PLC](#)

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Harmony Energy Income Trust plc
(the "Company")

Trading Update and Net Asset Value

Harmony Energy Income Trust plc, which invests in battery energy storage systems ("**BESS**") in Great Britain, today announces its net asset value ("**NAV**") and trading update as at 30 April 2023.

Net Asset Value

The unaudited NAV as at 30 April 2023 was 117.07 pence per Ordinary Share representing a 6.7% reduction, or 8.43 pence per Ordinary Share, over the three-month period from 31 January 2023.

Pence per Ordinary Share movement

NAV as at 31 January 2023	125.50p
Fund Expenses	-0.54p
Power price/ revenue forecasts (including inflation)	-11.41p
Capacity Market Contracts	+1.14p
Other Project Assumptions	+4.20p
Discount rate	-2.99p
Asset Revaluation	+0.11p
NAV Roll forward	+2.53p
Operating free cash flow	+0.53p
Dividend	-2.00p
NAV as at 30 April 2023	117.07p

Power price and revenue forecasts

The reduction in NAV was primarily driven by lower near-term power price and revenue assumptions based on the latest revenue forecasts published by independent providers. The revision to the forecasts stems from the current environment in which energy prices have fallen significantly since the start of 2023 with the most significant impact being seen in revenue assumptions for 2023 and 2024. Revenue assumptions over the medium to long-term remain materially unchanged.

Based on these new forecasts the Investment Adviser has revised its own revenue assumptions (excluding Capacity Market) for 2023 from £204,000 per MW/Yr to £121,000 per MW/Yr and for 2024 from £172,000 per MW/Yr to £123,000 per MW/Yr. This continues to be above the expectations at IPO, which assumed long-term average revenues of £96,000 per MW/Yr.

Inflation assumptions are aligned to those used in the independent revenue forecasts. Inflation is assumed to be 5% in 2023, reducing year-on-year to 2027 when it is assumed to stabilise at 2% per annum.

Capacity Market Contracts

T-1 Contracts (for delivery from October 2023)

As previously announced on 20 February 2023, the Company successfully bid for T-1 Capacity Market contracts in respect of the Pillswood, Broadditch, Farnham and Rusholme projects. Service delivery under these contracts will commence in October 2023. The T-1 auction cleared at £60 per kW/year, the second highest clearing price ever achieved and significantly higher than the T-1 revenue assumptions in the Investment Adviser's revenue projections at the time of the award. Once this revenue stream commences in October 2023 it will further enhance the revenue profiles of the relevant projects.

T-4 Contracts (for delivery from as early as October 2024)

In addition to the Company's success in the T-1 auction, the Company's Bumpers, Wormald Green and Hawthorn Pit projects successfully obtained 15-year duration, index linked T-4 Capacity Market contracts at the auction held on 21 February. The auction cleared at a record high of £63 per kW/year, more than double the previous record high price. This revenue stream will commence from October 2026, with these projects capable of benefiting from T-1 contracts in the intervening years (subject to being awarded or otherwise obtaining relevant T-1 contract(s)).

The above results mean that all projects in the Company's portfolio (bar Rye Common) now benefit from 15-year index linked T-4 contracts commencing from October 2024, October 2025 or October 2026 (depending on the project).

The effect of the Company's success in this year's T-1 Capacity Market auctions is to add 1.14 pence per Ordinary Share to the NAV. The Company uses a blended discount rate and does not discount these revenues at a lower rate despite their secure nature.

Discount Rate

The Company has maintained the discount rate applied to operational projects at 10.00%. The discount rate applied to under construction projects has been increased by 20 basis points to 10.50%, with pre-construction projects discounted at 10.75%. The 20 basis point adjustment to the under construction discount rate realigns the premia applied for operational projects versus those that are under construction to 50 basis points. This was the case prior to the previous NAV and takes into account continued rises in interest rates.

Asset Revaluation / NAV Roll Forward

During the period, the Broadditch project (11MW / 22MWh) was energised in line with its projected timetable and was fully operational in all key markets by late April 2023, resulting in a small uplift (commensurate with the size of the project) in its value as it is re-categorised from "under construction" to "operational". The Company's other construction projects all continue to progress as detailed below, leading to a further increase in the carrying value for each project as they approach commercial operations. We expect more positive asset revaluation gains as projects come online.

Other Project Assumptions

The Company's tax adviser has completed a detailed review of capital allowances and as a result of this analysis the Investment Adviser has been able to make less conservative assumptions about the amount of capex qualifying for capital allowances. This, combined with a reduction in capex based on battery supply offers received in relation to the Rye Common project leads to a 4.20 pence per Ordinary Share increase in NAV.

Operating free cash flow

Free cash flow generated from the Company's operational projects during the period was £1.2m. Further information on operations is set out below.

Operational Asset Update and Market Commentary

As at 30 April 2023, the Company's operational portfolio comprised 109MW / 218MWh across two projects: Pillswood 98MW / 196MWh and Broadditch 11MW / 22MWh.

The Pillswood project was energised in two phases (49MW each), with commercial operations commencing in November and December 2022 respectively. Pillswood has generated £2.3m in revenue between commencement of operations in late 2022 and 30 April 2023.

During the period, Pillswood has been one of the best performing GB BESS projects in the challenging market environment.

The Broadditch project was energised in late March 2023 and was commissioned in late April. It is therefore currently operational but did not generate significant revenues in the period to 30 April.

2-hour duration batteries continued to outperform shorter-duration batteries during the period, however revenues have fallen from the highs seen in 2022. This reduction is a result of lower gas prices leading to reduced spreads in the wholesale market, alongside the expected reduction in ancillary service pricing as these markets are increasingly saturated. The Investment Adviser expects the Company's projects to increase participation in the Balancing Mechanism, which offers consistently higher spreads than wholesale trading and is a key growth area for BESS in GB. This is expected to drive revenue performance improvement in the near term. The Balancing Mechanism is particularly suited to 2-hour duration batteries and is expected to be of high potential value to National Grid as it seeks to meet its target of managing the grid with net-zero carbon by 2025.

Construction Asset Update

The Company's six projects which are currently under construction are progressing in line with project timelines. The next project to become operational will be Farnham (20MW / 40MWh) which is scheduled to energise shortly and expected to commence operations in June. Once energised this project will be classed as "operational" and subject to a revaluation accordingly, bringing it in line with a discount rate of 10.0% for operational projects. 134MW / 268MWh, across two further projects, is expected to commence operations in Q3 2023 and will take the portfolio to 253MW / 506MWh of operational assets.

The overview of the projects and their status is out below:

Project	MW / MWh	Location	Target Commercial Operations Date ³	Status ¹
Pillswood	98 / 196	Yorkshire	Operational	Operational
Broadditch	11 / 22	Kent	Operational	Operational
Farnham	20 / 40	Surrey	June 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	Under Construction

Hawthorn Pit	49.9 / 99.8	County Durham	Q2 2024	Under Construction
Rye Common	99 / 198	Surrey	Q3 2024	Shovel Ready ²
Total	494.4 / 988.8			

¹ Status as at the date of publication of this announcement

² Phase 2 of this project (49.5MW) received planning consent on 22 May 2023

³ The target Commercial Operations Dates are based on the calendar year

The Company's remaining project which is yet to commence construction is Rye Common. The Company continues to explore options with regard to that project and will provide a further update in due course.

Dividend and Outlook

The Company declared and paid a dividend of 2 pence per ordinary share in March 2023 in respect of the period 31 October 2022 to 31 January 2023. The Company has today announced a dividend of 2 pence per Ordinary Share in respect of the period 1 February to 30 April 2023, which will be payable on 16 June 2023. The Company expects to pay two further dividends of 2 pence each in respect of this financial year in line with its stated dividend policy.

As more of the Company's projects move from under construction into operation through 2023, the Company expects its revenues to increase commensurately over the coming months. Whilst third party revenue assumptions through 2023 and 2024 have come down from forecasts in late 2022, the revised revenue assumptions remain in line with those predicted at the time of the Company's IPO meaning that the target project returns remain robust despite this lower revenue environment. Further NAV growth is expected as projects progress from "under construction" to "operational" status and the Investment Adviser continues to see strong valuations from third parties for shovel ready BESS projects.

Debt Facility

The Company is currently £10m drawn on its £20m revolving credit facility and £27m drawn on its £110m term loan facility. The total available funds under the Company's debt facilities amounts to £130m which is committed to the construction of existing projects (under fixed cost contracts) and therefore expected to be drawn in stages over the coming 12 months.

Norman Crighton, Chair of Harmony Energy Income Trust plc, said:

"Whilst this NAV update is somewhat tempered by the more subdued energy price environment currently prevailing, we continue to successfully deliver the build-out of the Company's portfolio of assets on a fully funded and contracted basis, in line with expected timetable and within the target range of returns as set out at IPO. We expect strong revenue and capital growth in the coming months as further projects come online".

Paul Mason, Managing Director of Harmony Energy Advisers Limited, said:

"We are collaborating with our revenue optimiser on our operational assets to ensure we are participating in the most lucrative markets which extract maximum value from our 2-hour duration projects. In addition, the Harmony Energy project management team continue to work closely with EPC contractors and DNOs to ensure projects remain on track and we look forward to announcing energisation of these projects in due course."

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About Harmony Energy Advisers 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 focused 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 Advisers 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

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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 Ordinary 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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