

# Gresham House Energy Storage Fund

Trading update

## Revenue recovery to provide a base for growth

Gresham House Energy Storage Fund (GRID) is the largest UK fund investing in utility-scale battery energy storage systems (BESS). The BESS sector has faced challenges over the past year due to unexpected revenue declines and the slower-than-expected utilisation of BESS by the UK's Electricity System Operator (see our [February note](#)). This has adversely impacted GRID's NAV and share price, which is currently trading at a 50% discount to its latest published NAV. However, a H124 trading update released today foresees a 'strong earnings recovery in 2025' due to rising contractual revenues and the completion of GRID's 2024 construction pipeline. GRID will announce a three-year plan in November aimed at further increasing revenues and reducing earnings volatility. This plan will focus on further augmentations to the capacity of GRID's existing projects, new pipeline opportunities, efficient capital management and alternative revenue sources. These expansion plans, combined with improved revenue prospects, give GRID's manager, Ben Guest renewed and growing confidence over the medium-term prospects for the business and its ability to deliver value for shareholders.

The H124 trading update showed that GRID's NAV per share declined to 109.16p at end June 2024, down 19.91p since December 2023. The main reason for this decline was a deterioration in third-party revenue forecasts, following the introduction of a new, more conservative forecaster. This reduced the NAV by 19.47p. GRID's board and manager stressed that they are acutely conscious that the volatility in revenue forecasts has made NAV per share a difficult metric for investors to rely on. The company will, therefore, begin publishing additional alternative mainstream valuation metrics, including P/E and EV/EBITDA, in the interim results due on 30 September 2024 to help investors and analysts better evaluate the business.

During H124, GRID's net revenues declined 12.7% to £17.9m, versus H123, driven by a weak Q124. However, Q224 revenues recovered and stabilised and net revenue figures for July and August are averaging their highest levels this year, c 25% above their H124 average. GRID has also signed a landmark tolling agreement with Octopus Energy, which will fix revenues for the next two years on more than 50% of GRID's target portfolio (ie capacity of 1,072MW by end-2024).

Work continues on the construction of new projects and site augmentations. The operational capacity of 790MW at 30 June 2024 (up 14.5% from end December 2023) is expected to reach 1,072MW (ie above 1GW), which is a key milestone for GRID, by year end. The manager is also exploring potential new projects and sees further augmentation opportunities, which he believes will deliver strong returns once onstream.

Once GRID's 2024 pipeline is completed and tolling arrangements with Octopus Energy are fully in place, the company estimates that about two-thirds of operational revenues will be contracted during 2025 and the first three quarters of 2026. GRID notes that this should provide a supportive backdrop for the recommencement of dividend distributions in FY25, as previously foreshadowed.

This flash note will be followed by a more detailed update in October, following the release of GRID's interim results on 30 September 2024.

Investment trusts  
Renewable energy infrastructure

9 September 2024

**Price** 53.60p  
**Market cap** £307.3m  
**AUM** £625.9m

NAV\* 109.16p

Discount to NAV\* 50.9%

\*At 30 September 2023.

Shares in issue 573.4m

Yield, based on current share price and 2023 dividend\*\* 10.3%

\*\* Dividend payments were suspended in early 2024.

Code/ISIN GRID/GB00BFX3K770

Primary exchange LSE

AIC sector Renewable energy infrastructure

### Fund objective

Gresham House Energy Storage Fund seeks to provide investors with an attractive and sustainable dividend over the long term, by investing in a diversified portfolio of utility-scale battery energy storage systems located in the UK and Ireland. In addition, the company seeks to provide investors with capital growth through the reinvestment of net cash generated in excess of the target dividend.

### Analyst

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