

Issuer-sponsored research available to all professional investors under MiFID II as a minor non-monetary benefit

12 May 2023

|                     |               |
|---------------------|---------------|
| <b>Price (p)</b>    | <b>107.80</b> |
| Shares in issue (m) | 590           |
| Mkt Cap (£m)        | 636           |
| Net debt (£m)       | 200           |
| EV (£m)             | 836           |
| BVPS (p)            | 114.3         |

#### Share price performance

|                     |          |
|---------------------|----------|
| 1m                  | 0.9%     |
| 3m                  | -2.4%    |
| 12m                 | -4.8%    |
| 12 m high/low       | 123/95.4 |
| Ave daily vol (30D) | 954,484  |

#### Shareholders

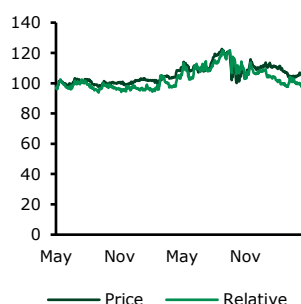
|                      |       |
|----------------------|-------|
| Om Residual Uk Ltd   | 14.1% |
| Valu-Trac            | 9.0%  |
| Prudential Plc       | 8.6%  |
| Artemis Investment   | 7.2%  |
| Hargreaves Lansd'n   | 6.5%  |
| Legal & General      | 5.4%  |
| Investec Plc         | 4.5%  |
| Fundrock Partners    | 3.8%  |
| Privium Fund Man't   | 3.6%  |
| Interactive Investor | 2.9%  |
| Total for top 10     | 65.6% |

Source: Bloomberg 12 May 23

Next news Ints Q3

#### Business description

Solar generation and energy storage investment fund



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## TARGET DIVIDEND INCREASED

NextEnergy Solar fund continues to show strong operational performance and a strongly protected near term revenue outlook has helped an 11% increase in the target dividend for FY 24. The NAV at 31 March is lower mainly thanks to the inflation outlook but the Capital Recycling Programme paves the way for a possible buyback programme as well as freeing up capital for investment in higher returning assets including storage. With a pipeline of c.£500m the fund is well placed to deliver on this.

### 11% Target Dividend Increase

NextEnergy Solar Fund (NESF) has set a new dividend target for the year to 31 March 2024 of 8.35p representing an 11% increase on the 7.52p paid in FY 23. This is forecast to be covered 1.3x to 1.5x. With 50% of revenue RPI linked and prices for 88% of the rest fixed through to 31 March 2024 this forecast seems very achievable in our view.

### NAV at 114.3p

NESF has also reported NAV at 31 March 2023 of 114.3p, down from the 120.9p announced for 31 December 2022. However, the fund has also identified that its accounting software led to a historic overreporting of working capital and this has now been corrected which has the effect of putting the December 2022 figure at 118.2p. The remaining difference is due to a number of factors with changed inflation assumption being the biggest single factor. NESF is one of the few yieldcos to consistently use the external ONS inflation assumptions which have reduced materially.

### Generation Outperformance of 3.8%

The fund has 865MW of operating capacity in 99 solar assets. It has continued to show that it can deliver operationally with generation outperformance of 3.8% against budget which has resulted in additional revenue of £4.8m. Gearing at the period end was 45% including the preference shares.

### Capital Recycling Programme

The fund recently announced a Capital Recycling Programme which will target the divestment of 236MW of subsidy free projects, freeing up capital to reduce gearing, and allow investment in higher returning opportunities as these emerge. There is a pipeline of c.£500m of UK and overseas solar and energy storage assets including the development rights for a 250MW stand-alone battery storage project, one of the UK's largest. The Capital Recycling Programme will also allow a share buyback programme should a material discount to the NAV continue.

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