NEXTENERGY SOLAR FUND
(NESF LN)

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15 January 2024

Price (p)	**90.60**
Shares in issue (m)	591
Mkt Cap (£m)	535
Net debt (£m)	200
EV (£m)	735
BVPS (p)	108.3

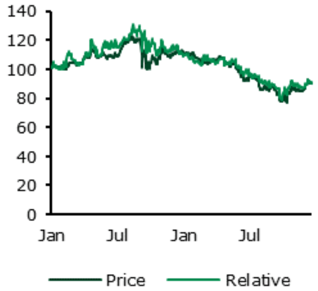
Share price performance	
1m	6.3%
3m	10.0%
12m	-18.8%
12 m high/low	114/77
Ave daily vol (30D)	911,930

Shareholders	
Artemis	10.6%
M&G Investments	9.6%
Hargreaves Lansd'n	6.8%
Gravis Capital	6.4%
Legal & General	4.7%
Investec Wealth	3.9%
Privium Fund	3.8%
Interactive Investor	3.7%
Handelsbanken	3.3%
A J Bell	2.7%
Total for top 10	55.5%

Next news Q4NAV Q1

Business description

Solar generation and energy storage investment fund



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MODULE PRICES BOOST POTENTIAL

NESF faces a better environment for the development of solar projects driven by lower solar PV module costs. Global costs have fallen thanks to increased silicon capacity notably in China. In Europe this factor has been boosted by Chinese surplus supplies of modules thanks to protectionist measures introduced in the USA and India. As a result, there is significant mitigation of funding costs. Last year's 50% increase in UK base rates would be reduced to a 10% increase in total financing costs as a result of an average global module cost reduction of 52%. In the UK and Europe these module cost reductions could be greater.

52% Reduction in Average Solar Module Prices in 2023

NESF is facing an improved environment for asset development of solar photovoltaic (PV) projects. The price of solar modules globally has been falling with increased silicon production capacity reducing module input costs. Solar grade silicon pricing has fallen 75% in the past twelve months and standard monocrystalline module prices are down 52%. With modules representing c.25% of PV project costs last year, overall project costs are down 14%. Against the 50% increase in base rates last year this works through to a total increase in project financing costs of 10%. While the more than quintupling of base rates over the past three years remains a headwind, even their impact is heavily mitigated.

EU Prices Could Drive Lower Still Due to Chinese Surplus

For solar developers in the UK and Europe such as NESF a further benefit has arisen. The protectionist US Inflation Reduction Act and Indian tariffs and other measures have meant that Chinese PV module manufacturers are dumping product into Europe. There are reportedly 65GW of modules now warehoused in Europe, equal to a year's worth of installation at current rates. This is likely to mean even lower prices for developers and for prices to remain low for longer, allowing better long term returns on new projects brought to completion.

Lower Module Costs a Clear Benefit for Pipeline Development

NESF currently has an immediate pipeline identified worth over £500m. This figure includes projects in the UK and international projects, many based in Europe. It also includes storage. We recently met which Chairman Helen Mahy who highlighted that while storage is a key target for the company, solar remains the key area of opportunity. With lower module prices we see the PV opportunity as especially strong over the next few years.

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