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Research

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Price (p)	75.00
Shares in issue (m)	591
Mkt Cap (£m)	443
Net debt (£m)	554
EV (£m)	997
BVPS (p)	107.7

Share price performance

1m	-13.1%
3m	-12.3%
12m	-30.6%
12 m high/low	109.2/73
Ave daily vol (30D)	1,187,187

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 Q2

Business description

Solar generation and energy storage investment fund



Q3 NAV HOLDING WELL

NESF's Q3s show a NAV holding well in spite of power price realignment. The dividend of 6.26p for the first 9 months of the year sees the fund on target for a full year 8.35p. Progress is clearly being made on the capital recycling programme following the sale of Hatherden and we continue to see reinvestment opportunities notably in solar PV given the current level of module prices.

NAV at 107.7p

NESF's Q3 NAV was only slightly down at 107.7p against 108.3p in September. This is despite power prices falling back from the very high levels seen in 2022 and into 2023. The fund remains well hedged in that regard with pricing at £79.2/MWh for the rest of this financial year, £84/MWh in FY 25 for 74% of generation and £101.3/MWh in FY 26 for 29% of generation. The power curves going forward remain on a downward trend despite the annual average forward curves stabilising at over £70/MWh out to 2028. Beyond 2028 the impact of the delay to Hinkley C may create a stronger pricing environment although many other factors could impact this.

Improved Inflation Outlook

Partly offsetting power price realignment is a better inflation outlook. NESF continues to conservatively use external HM Treasury forecasts which has penalised the fund in the past but these numbers represent a catching up. There were no changes to the discount rate which remains at 8%. The fund has also benefited from the sale of the Hatherden project under the capital recycling programme delivering a 2.0x multiple on invested capital. The programme continues with today's statement suggesting further sales to be made in two groups of two projects each.

Capacity Market Success

In storage the fund has been successful in the recent T-1 top up Capacity Market auction securing a contract at £35.76/kW on 5.659MW of de-rated capacity at the Camilla project, adding £202k of revenue across FY 24 and FY 25. While the storage market has seen weaker pricing in some of the ancillary service elements of the revenue stack, overall spreads in calendar 2023 were not too far off 2021 and we see volatility and thus spreads continuing to grow in the GB market.

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