

# Harmony Energy Income Trust plc

## Quarterly update for the period ended 30 April 2022

### Introduction

Harmony Energy Income Trust plc (the “Company”) was launched in November 2021 to invest in utility-scale battery energy storage projects in Great Britain, targeting a dividend yield of 8% per annum (2% in the first year)<sup>1</sup> with a target total return of 10-12% per annum.

### Key Features

- Focussing on longer duration 2-hour battery energy storage systems (“BESS”) in GB to take advantage of increases in wholesale market revenue opportunities
- Initial portfolio of five projects acquired on IPO totalling 213.5 MW (the “Seed Portfolio”)
- Pre-emptive rights to acquire further 787 MW pipeline of BESS projects with ongoing right of first offer on subsequent pipeline developed by Harmony Energy Limited (the “Developer”)
- Four projects within the Seed Portfolio “under construction”: fully contracted with Tesla to supply and install 2-hour batteries (“EPC”). These projects also benefit from maintenance (“O&M”) and revenue optimisation contracts with Tesla, using Tesla’s Autobidder software platform

### Key Highlights

- NAV increased by 8.85% to £228.69 million, or 108.90p per share, up 8.85p per share over the three months from 31 January 2022;
- NAV increase for this quarter is primarily driven by increasing revenue projections. Independent projections have increased by 27% (in NPV terms) compared to the previous projections (November 2021). The Investment Adviser has agreed a corresponding 17% uplift in its own projections with the independent valuer;
- The NAV increase in this quarter is also driven by the revaluation of the Farnham (20 MW / 40 MWh) and Rusholme (35 MW / 70 MWh) projects to reflect lower risk as these projects are now categorised as “under construction”, along with the Pillswood and Broadditch projects;
- Target commercial operations date of Pillswood project has accelerated across both phases, especially phase II which is brought forward from March 2023 to November 2022;
- The target commercial operations date of the Rusholme project has been put back by circa 3 weeks;
- The Little Raith project and the first pipeline project (99 MW / 198 MWh, the “Advanced Project”) have agreed delivery dates and key commercial terms with Tesla;
- Little Raith project is intended to contract in upcoming quarter;
- The Advanced Project is also expected to be acquired and contract in the next two months, which (subject to completion) would result in an expected further NAV increase of circa 8p per share; and
- Commercial terms agreed for a £60 million debt facility with NatWest which will facilitate the construction of the Advanced Project.

### Portfolio Update

The delivery of the Seed Portfolio continues to progress well and the company is on track to deliver target dividends in 2022 and 2023, with the first dividend expected to be declared in July 2022. Following the signing of the EPC contracts for Farnham and Rusholme in April 2022, four projects are now categorised as “under construction” and targeting to commence operations in accordance with the table below.

| Project      | MW / MWh           | Location  | Target Commercial Operations Date | Status             |
|--------------|--------------------|-----------|-----------------------------------|--------------------|
| Pillswood    | 98 / 196           | Yorkshire | November 2022                     | Under Construction |
| Broadditch   | 11 / 22            | Kent      | December 2022                     | Under Construction |
| Farnham      | 20 / 40            | Surrey    | March 2023                        | Under Construction |
| Rusholme     | 35 / 70            | Yorkshire | April 2023                        | Under Construction |
| Little Raith | 49.5 / 99          | Fife      | October 2023                      | Shovel Ready       |
| <b>Total</b> | <b>213.5 / 427</b> |           |                                   |                    |

The Advanced Project is expected to be acquired by the Company once the final planning consent has been granted and upon execution of debt financing documentation. This will take the portfolio to 312.5 MW (625 MWh). By end of 2022, the Company expects to have 109 MW of operating projects, 203.5 MW “under construction” and a pipeline of c.500 MW “shovel ready” projects ready for acquisition (subject to financing). All pipeline projects are expected to be at least 2-hour duration battery systems.

### Key Statistics as at 30 April 2022

|                                       |                 |
|---------------------------------------|-----------------|
| Share price (pence)                   | 110.50          |
| NAV per share (pence)                 | 108.90          |
| Net Assets                            | £228.69 million |
| Market Cap.                           | £232.05 million |
| Target dividend (payable quarterly)   | 8% <sup>1</sup> |
| Shares in issue                       | 210,000,000     |
| Share price premium/(discount) to NAV | 1.47%           |
| Ongoing charges                       | 1.26% per annum |

### Key information

|                        |   |
|------------------------|---|
| Ticker:                | HEIT  |
| Listing:               | LSE (Specialist Fund Segment)                                 |
| Year-end               | 31 October  |
| Currency               | GBP   |
| ISIN                   | GB00BLNNFY18  |
| Investment Adviser Fee | 0.90% per annum <sup>2</sup>                                  |
| Address                | The Scalpel<br>18th Floor<br>52 Lime St<br>London<br>EC3M 7AF |

### Board (Non-Executive)

|                  |          |
|------------------|----------|
| Norman Crighton  | Chair    |
| Janine Freeman   | Director |
| Hugh McNeal      | Director |
| William Rickett  | Director |
| Shefaly Yogendra | Director |

### Harmony Group

|                                 |   |
|---------------------------------|---|
| Harmony Energy Advisors Limited | Investment Adviser  |
| Harmony Energy Limited          | Experienced developer of renewable and battery storage projects |

### Strong focus on ESG



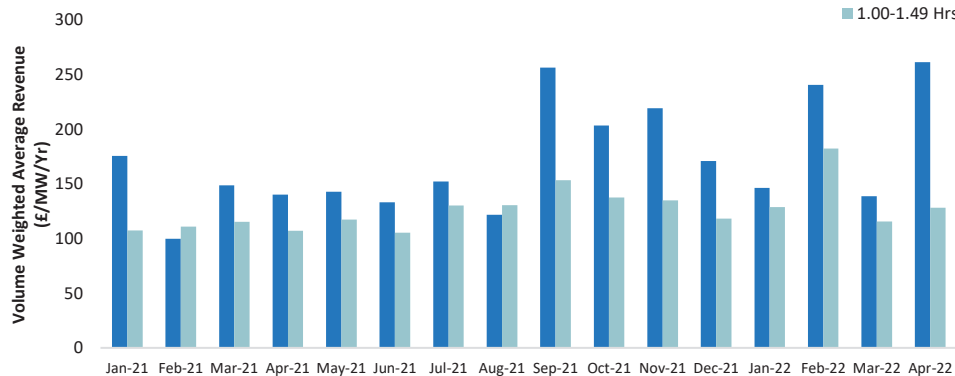
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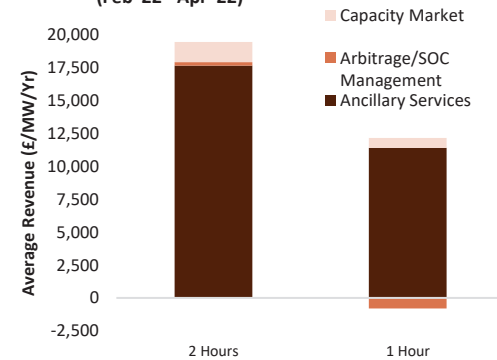
## Market Commentary

In the three months ending 30 April 2022, revenues for battery storage assets in Great Britain have continued to be strong when compared to long-term historical averages, with February and April standing out. Ancillary service pricing has been particularly strong this quarter, leading to lower volumes traded in wholesale markets. April saw the launch of a new ancillary service, Dynamic Regulation ("DR"), which requires delivery of power for up-to one hour – longer than other ancillary services which only require delivery for 30 minutes. This requirement means that batteries must consider state of charge ("SOC") management when bidding into this service. As a result, the Contego project (a 2-hour battery partly owned by the Developer, utilising the Tesla Megapack technology and Autobidder platform) was the only battery able to bid full capacity into DR, leading to record revenues in April. Whilst pricing in DR is not expected to remain at these levels, the overall market outlook remains strong and independent revenue projections have increased as they factor in high gas prices which are not expected to stabilise until 2026.

Average Revenue by Battery Duration (GB Fleet)\*



Revenue Source by Duration (GB Fleet) (Feb '22 - Apr '22)\*

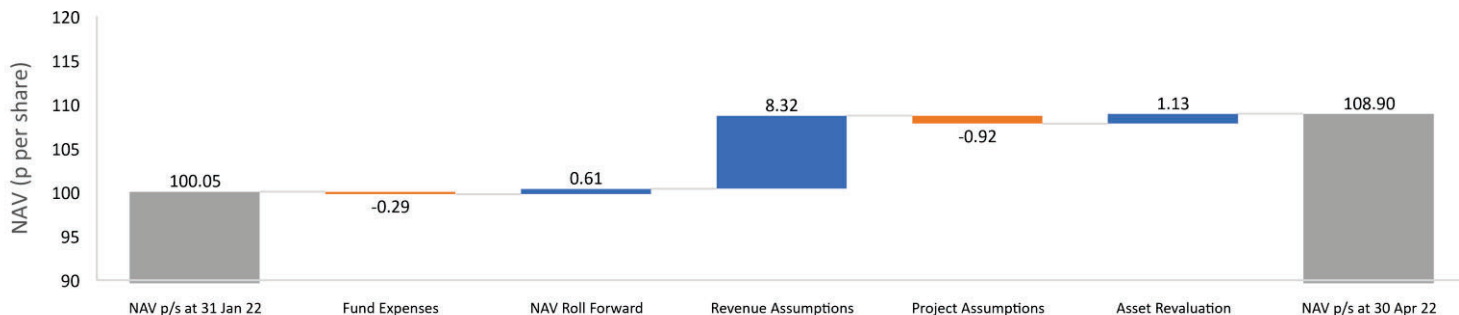


\*Source: Harmony Energy Advisors Ltd (using data from Modo)

## NAV Update 30 April 2022

The Company's NAV as at 31 January 2022 was £210.11 million (100.05p per share). As at 30 April 2022, the unaudited NAV is calculated to have increased to £228.69 million (108.90p per share), representing a NAV total return of 8.85% over the period. This return was largely driven by increased revenue projections which are 17% higher than previous projections (on an NPV basis) as well as a revaluation of the Farnham and Rusholme projects which both benefit from fully executed EPC, O&M and revenue optimisation contracts with Tesla. Updated contractual arrangements with Tesla have increased costs which are mainly offset by, inter alia: (i) an acceleration of the delivery timetable of the Pillswood project; (ii) improved warranty terms; and (iii) a reduction in fees payable by the Company to Tesla in relation to revenue optimisation across the portfolio. A further increase of circa 8p per share is expected upon acquisition and contracting of the Advanced Project which is expected to occur within the next two months subject to completion.

Change in Net Asset Value per share from 31 January 2022 to 30 April 2022



## Adviser Information

### Broker

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