



Harmony Energy Income Trust plc | HEIT.L
23 February 2023 | **Annual Results FY2022**



HARMONY ENERGY
INCOME TRUST PLC

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Presentation Team

Paul Mason
Managing Director
Harmony Energy Advisors

- 14 years Energy Sector experience in Private Equity, Consulting and Asset Management. Specialist in Project Finance and Data Analytics
- 100% focussed on GB Battery Storage sector since 2016



Max Slade
Commercial Director
Harmony Energy Advisors

- 8 years experience as corporate solicitor (M&A, ECM, Financial Institutions)
- 9 years Energy Sector experience in Private Equity, Consulting and Investment Banking.
- 100% focussed on GB Battery Storage sector since 2016

Financial Overview

NAV PER ORDINARY SHARE

122.77p

31 October 2022

ADJUSTED NET ASSET VALUE

£272.4m¹

31 October 2022

NAV GROWTH (ORDINARY SHARES)

24.43p / 24.84%

From IPO to 31 October 2022

INITIAL TERM LOAN DEBT

£60.0m

21 June 2022

DIVIDEND PER ORDINARY SHARE PAID

2p

In relation to Financial Year 2022

NAV PER ORDINARY SHARE

125.50p

31 January 2023

NET ASSET VALUE

£285.0m¹

31 January 2023

NAV GROWTH (ORDINARY SHARES)

27.16p / 27.61%

From IPO to 31 October 2022

EXTENDED TERM LOAN / NEW RCF³

£110m / £20m

17 February 2023

TARGET DIVIDEND PER ORDINARY SHARE

8p

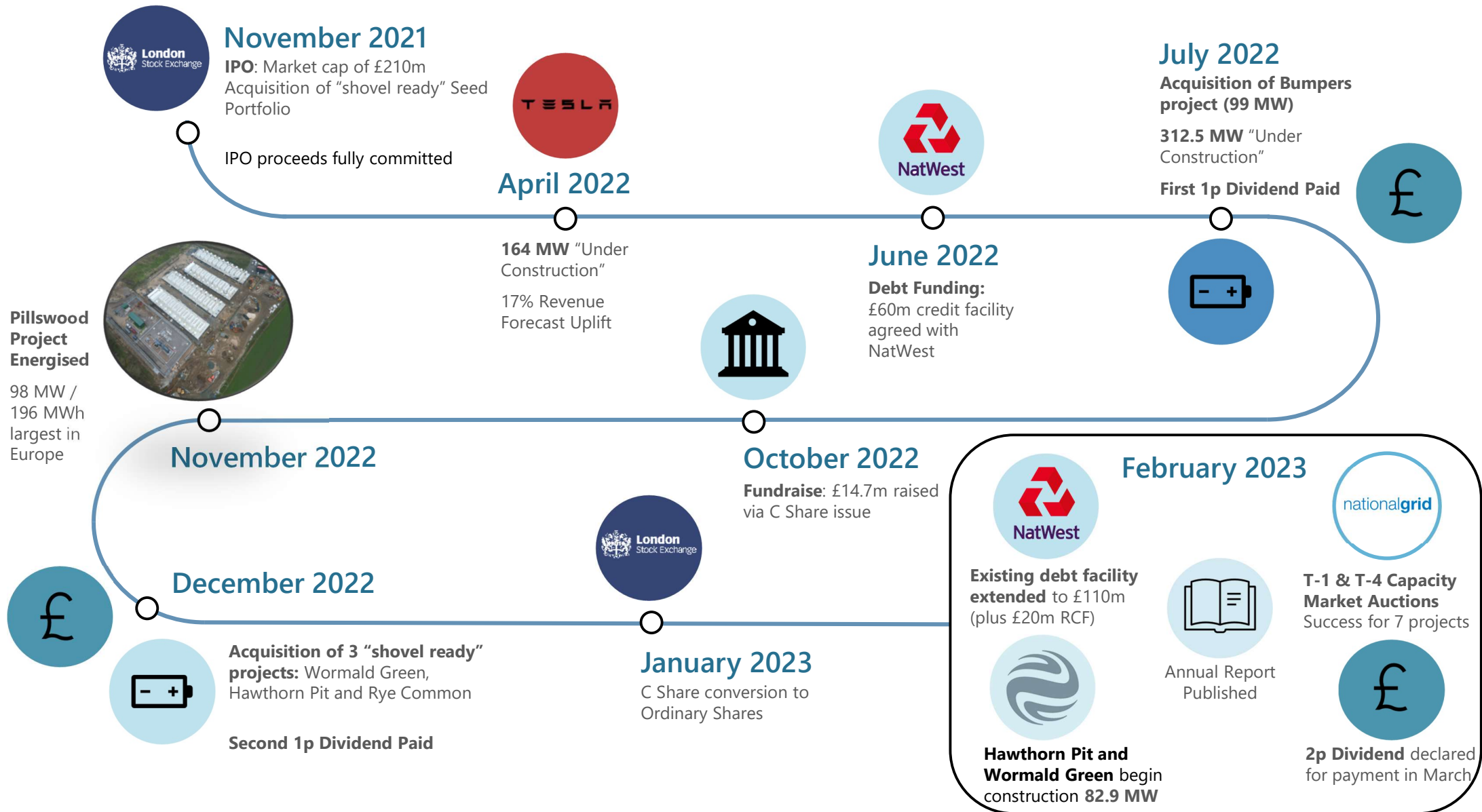
Financial Year 2023 onwards

¹ Under IAS32 the proceeds raised from the C share are classified as liabilities. Adjusted Net Asset Value treats C Shares as equity rather than as a liability

² C Shares were converted to Ordinary Shares on 31 January 2023 and are no longer in issue.

³ Post Reporting Period

Year in Review (including post-reporting period events)



Portfolio Progress: 328MWh Batteries Delivered Europe's Biggest BESS Operational



PILLSWOOD
98MW / 196MWh
OPERATIONAL



FARNHAM
20MW / 40MWh
TARGET COD: Q2 2023



BUMPERS
99MW / 198MWh
TARGET COD: Q3 2023



BROADDITCH
11MW / 22MWh
TARGET COD: Q1 2023



RUSHOLME
35MW / 70MWh
TARGET COD: Q3 2023



LITTLE RAITH
49.5MW / 99MWh
TARGET COD: Q4 2023

Portfolio Composition

Portfolio and Pipeline Projects

1 PILLSWOOD

98 MW / 196 MWH
STATUS: OPERATIONAL

7 WORMALD GREEN

33 MW / 66 MWH
TARGET COD: Q1 2024
STATUS: UNDER CONSTRUCTION

2 BROADDITCH

11 MW / 22 MWH
TARGET COD: Q1 2023
STATUS: UNDER CONSTRUCTION

8 HAWTHORN PIT

49.9 MW / 99.8 MWH
TARGET COD: Q2 2024
STATUS: UNDER CONSTRUCTION

3 FARNHAM

20 MW / 40 MWH
TARGET COD: Q2 2023
STATUS: UNDER CONSTRUCTION

9 RYE COMMON*

99 MW / 198 MWH
TARGET COD: Q4 2024
STATUS: SHOVEL READY

4 RUSHOLME

35 MW / 70 MWH
TARGET COD: Q3 2023
STATUS: UNDER CONSTRUCTION

5 BUMPERS

99 MW / 198 MWH
TARGET COD: Q3 2023
STATUS: UNDER CONSTRUCTION

6 LITTLE RAITH

49.5 MW / 99 MWH
TARGET COD: Q4 2023
STATUS: UNDER CONSTRUCTION

- OPERATIONAL/ENERGISED ASSETS (98 MW/196 MWH)
- UNDER CONSTRUCTION ASSETS (297.4 MW / 594 MWH)
- SHOVEL READY ASSETS (99 MW / 198 MWH)

COD COMMERCIAL OPERATIONS DATE



Medium-term pipeline projects subject to exclusive "ROFR"¹ (Estimated COD potential within 36 months)

Projects Location (by County)	Agg Capacity (MW)
Yorkshire (6)	268.7
Lincolnshire (2)	149.8
Total	418.5

Medium Term Portfolio Potential

Total Portfolio (target COD)	Capacity (MW)
● Operational & Under Construction (2023/24)	395.4
● Shovel Ready (2024)	99
● Medium-term pipeline (2025/2026)	418.5
Total	912.9

- Additional project controlled by Harmony Energy Limited not listed here as outside "medium term" time horizon
- HEAL is managing key DNO relationships to enable energisation dates of pipeline projects to be brought forward
- Potential to acquire projects from third parties other than Harmony Energy Limited

* As previous disclosed 49.5MW of Rye Common Project is awaiting planning permission

Acquisition of pipeline projects is subject to advanced negotiations with BESS supplier(s), external due diligence; independent valuation and HEIT board approval

Project Energisation - Estimated Timetable

Steady growth of operating portfolio through 2023/24

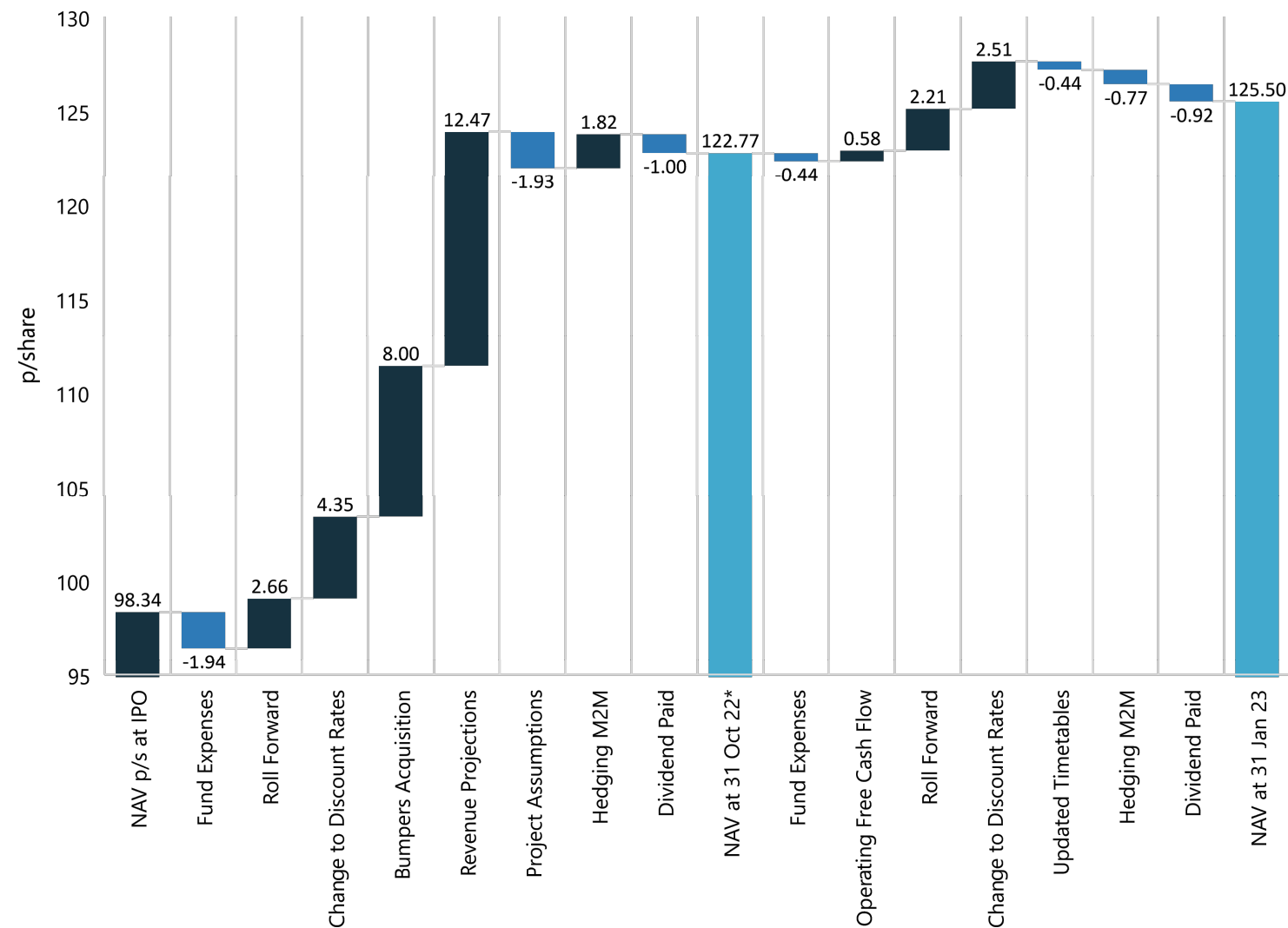
Project Name	Capacity	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24
Pillswood (Phase 1)	49 MW	COD							
Pillswood (Phase 2)	49 MW	COD							
Broadditch	11 MW		* ◇						
Farnham	20 MW			* ◇					
Rusholme	35 MW				* ◇				
Bumpers	99 MW				* ◇				
Little Raith	49.5 MW					* ◇			
Wormald Green	33 MW		•			* ◇			
Hawthorn Pit	49.9 MW		•				* ◇		
Rye Common (1)	49.5 MW								
Rye Common (2)	49.5 MW								

Key • EPC Executed * Target Energisation ◇ Target COD ■ Construction period ■ Shovel-ready project construction period (estimated)

- Extended debt facility enables construction of Wormald Green & Hawthorn Pit
- The Investment Adviser continues to assess alternative funding strategies for construction of the Rye Common project
- Company enjoys an exclusive 'right of first offer' over Harmony Energy's *extended* pipeline of projects in development.

NAV Growth driven by increased revenue forecasts, Bumpers acquisition and progression through construction

NAV per Ordinary Share: IPO - 31 January 2023



NAV GROWTH (ORDINARY SHARES)

27.16p / 27.6%

From IPO to 31 January 2023

PRE-OPERATIONAL DISCOUNT RATE

10.30%

Applied to all projects pre-COD, Reduced from 10.5% - 10.75%

OPERATIONAL DISCOUNT RATE

10.00%

Applied to all projects post-COD

Previous Discount Rate Assumptions


(as at 31 October):

"Shovel Ready": 10.75%

"Under Construction": 10.50%

Company's Investment Proposition

Key features

- 
- ▶ Clean portfolio of large scale **2-hour duration battery** projects in Great Britain, with long dated warranties and no legacy assets
 - ▶ Acquisition of assets at 'shovel-ready' status helps drive **NAV growth** as assets move through construction and become operational. Company acquires projects once BESS supplier is selected and material terms agreed
 - ▶ Attractive return profile of 8 pence per share dividend and target total return of 10-12%
 - ▶ **Investment Adviser has extensive track record and expertise** in developing, building and managing BESS projects in GB - two previously developed 2-hour BESS sites were top performing BESS assets in Great Britain in 2022¹
 - ▶ Company has exclusivity over further 505.6 MW of Harmony Energy Limited's BESS pipeline & right of first offer over additional projects – gives HEIT access to a steady pipeline of assets off-market²

¹ The two sites, Contego and Holes Bay are held in JVs with third parties are not within the Company's portfolio. "Top performing" as stated by Modo Energy for 2022 (on a £ / MW basis)

² Exclusivity through right of first refusal pursuant to the pipeline agreement dated 14 October 2021 (the "Pipeline Agreement"). Acquisitions subject to independent valuation, due diligence and board approval

BESS deployment remains below forecast levels

FORECAST WIND & SOLAR CAPACITY IN 2038

150 – 249 GW

National Grid Future Energy Scenarios 2022

FORECAST BESS CAPACITY IN 2038

14 – 26 GW

National Grid Future Energy Scenarios 2022

FORECAST BESS CAPACITY DECEMBER 2022

2.2 – 3.7 GW

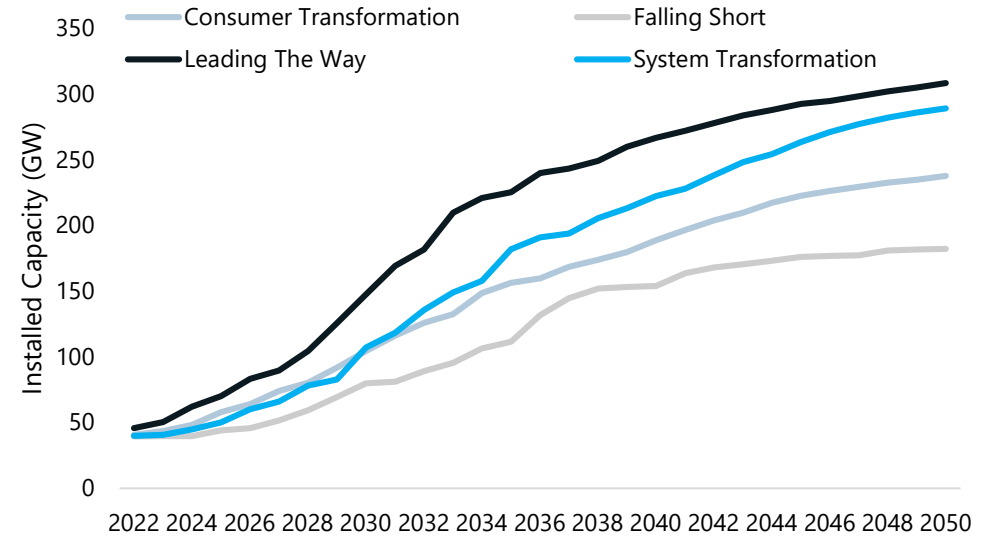
National Grid Future Energy Scenarios 2022

ACTUAL BESS CAPACITY FEBRUARY 2023

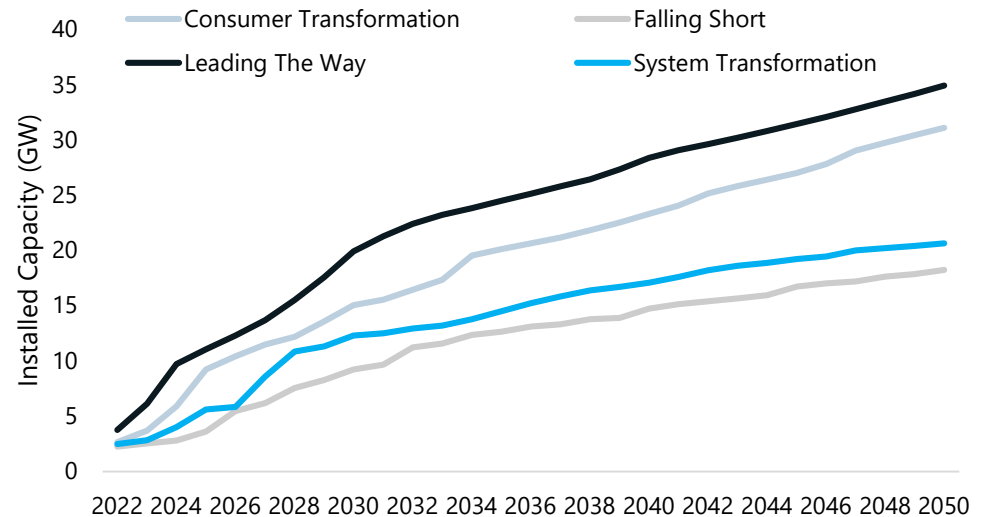
2.0 GW

Modo Energy

FES 2022 - Solar + Wind Deployment Scenarios



FES 2022 - Battery Deployment Scenarios



2-Hour duration BESS have consistently out-performed shorter durations over the past 12 months

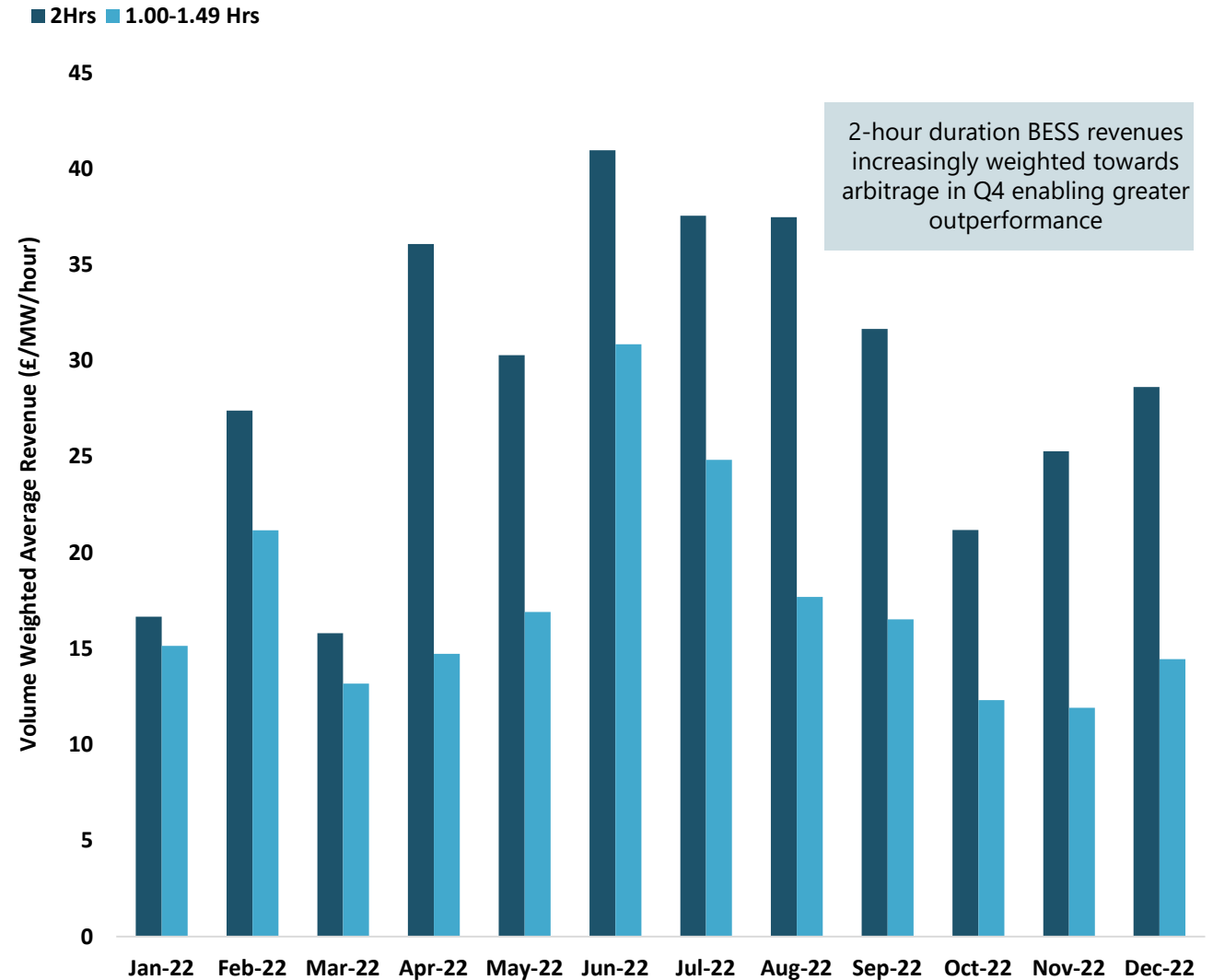
2-HOUR DURATION BESS REVENUE
£255K / MW

Average revenue calculated using data from Modo Energy

1-1.5 HOUR DURATION BESS REVENUE
£161K / MW

Average revenue calculated using data from Modo Energy

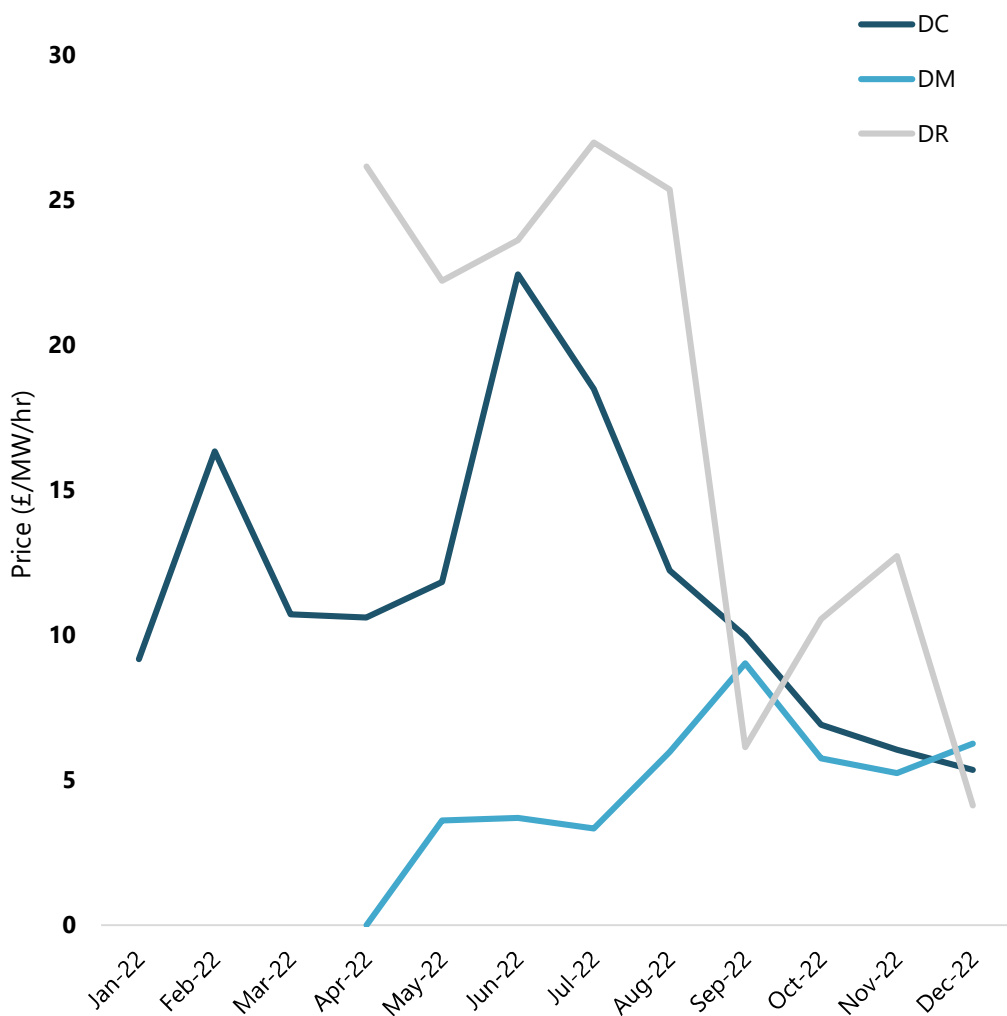
Average Revenue by Battery Duration (GB Fleet)*



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

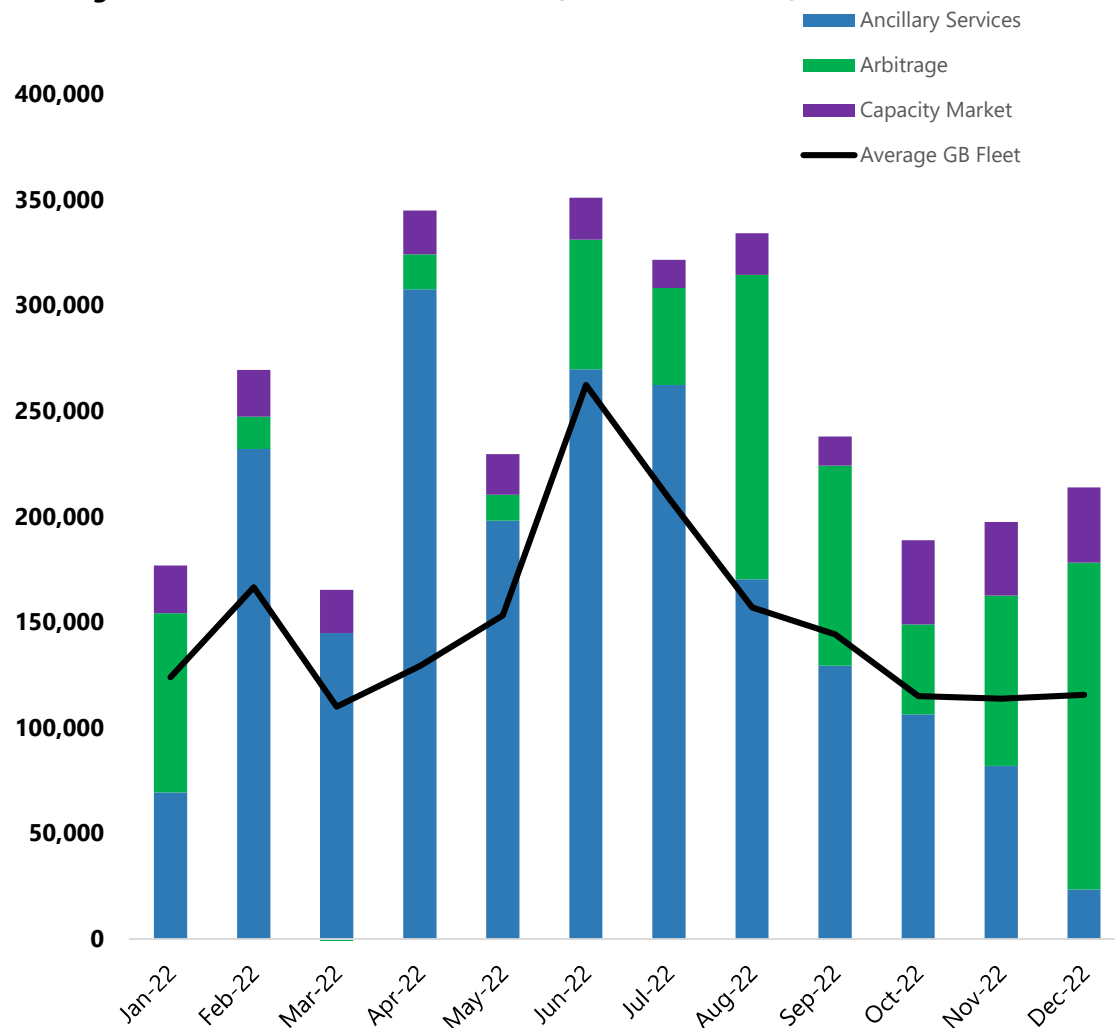
Decline in Ancillary Service prices had greater impact on shorter duration BESS as 2-hour batteries increasingly turned to arbitrage

Weighted Average Ancillary Service Price (selected markets)



Source: Harmony Energy Advisors Limited (using data from National Grid ESO)

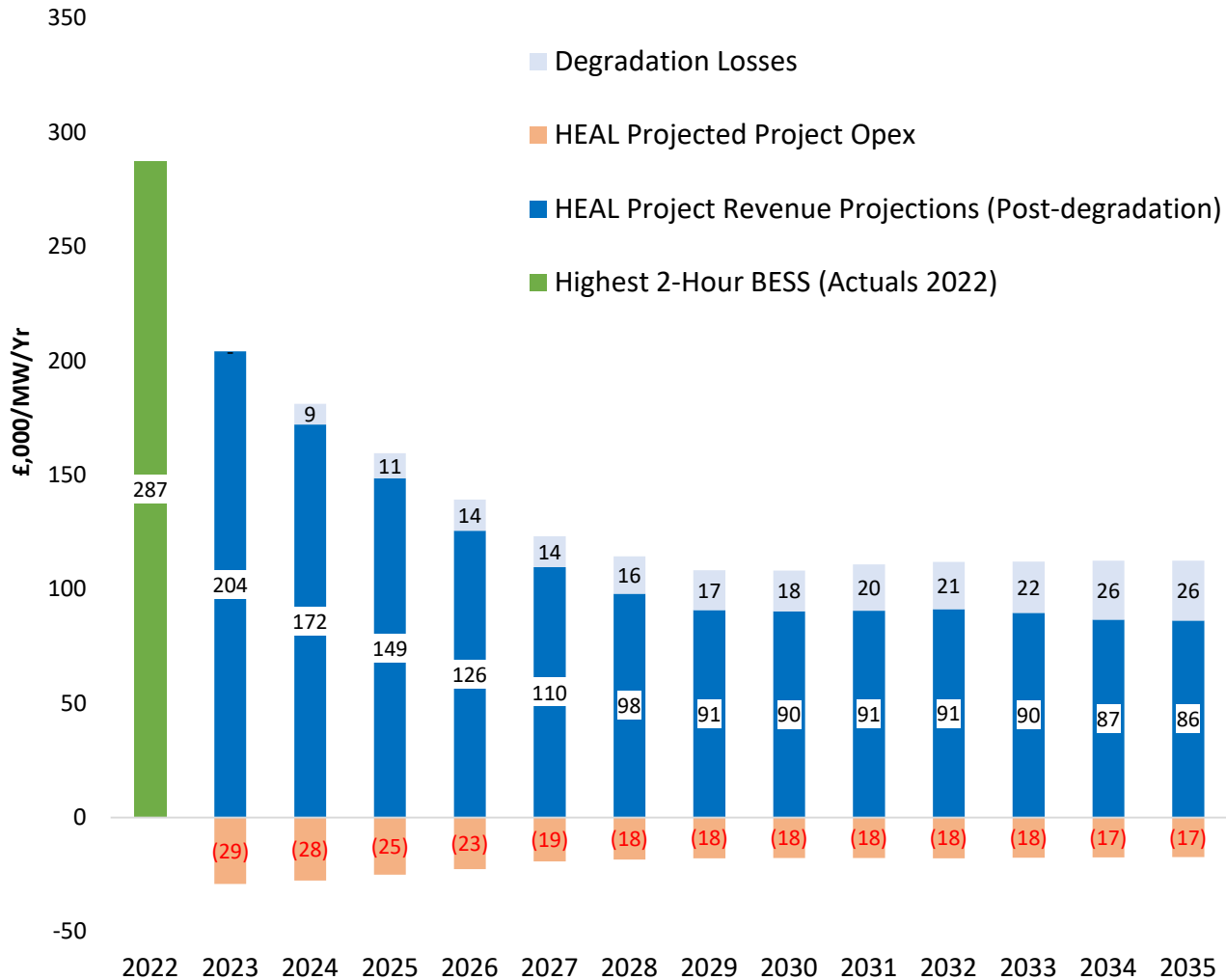
Average 2hr duration BESS Revenue Stack (£/MW Annualised)



Source: Harmony Energy Advisors Limited (using data from Modo Energy)

Portfolio & Pipeline Valuation Methodology

Modelled Revenue & Cost Assumptions (£,000/MW/Yr)



PRE-OPERATIONAL DISCOUNT RATE

10.30%

Applied to all projects pre-COD

OPERATIONAL DISCOUNT RATE

10.00%

Applied to operational projects

ALL-IN COST PER MW

£875K - £915K

Cost of acquisition and construction of 2-hour duration BESS in GB

LONG-TERM AVERAGE REVENUE

£114K / MW

Total revenue, pre degradation

HIGHEST 2-HOUR BESS REVENUE 2022

£287K / MW

Data from Modo Energy

• Internal revenue and/or project costs are not profit forecasts and are unaudited. There can be no assurance that these revenues will be met and they should not be taken as an indication of the Company's expected future results. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on these revenue and cost projections

Environment, Social and Governance (ESG)



Signatory of:



The Company made significant progress in the Period on delivering on all aspects of ESG:

- The Net Zero transition is a core theme of the Company's investment policy
- The Company became a signatory of the United Nations Principles for Responsible Investment and the Investment Adviser embedded ESG considerations in their investment strategy
- The Investment Adviser appointed a Head of Governance with responsibility for ESG and an ESG Committee

CLIMATE & NATURE

Positive environmental change to tackle climate change

- Scope 1 + 2 emissions: **0 tCO₂e**
- Scope 3 emissions: **1,879 tCO₂e**
- Zero reportable environmental incidents
- Committed to report on recommendations TCFD and TNFD

SOCIAL

Supporting our people, supply chain and local communities

- Zero health and safety incidents
- Launched Supplier Code of Conduct
- Created Community Fund for Pillswood project
- Harmony Energy Ltd created 12 new jobs

GOVERNANCE

Robust governance

- Independent and experienced Board with 40% female and 20% minority ethnic representation
- Set up ESG Committee that reports to the Board
- Completed a materiality assessment
- Further developed ESG strategy

Looking ahead

- As Company's NAV has exceeded £250 million therefore an additional ESG Fund will be established to support environmental and social initiatives within the wider investment trust and battery storage industries.

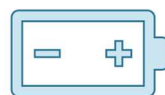
OUTLOOK FOR 2023

REVENUE MARKET EXPECTATIONS



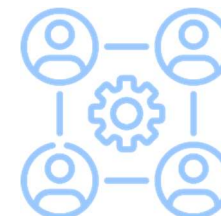
- Ancillary Services will remain largely saturated
- Flexibility and agility in optimisation will allow optimisers to differentiate
- BESS Revenues will become increasingly dominated by wholesale markets and BM

PORTFOLIO



- Continued focus on delivery of portfolio into operations
- Performance monitoring and asset benchmarking
- Continued supplier diversification (revenue optimiser)
- Monitor development of exclusive BESS pipeline
- Continue to monitor wider market for third party acquisition opportunities

GOVERNANCE



- Further development of ESG reporting and initiatives at both project-level and Board-level
- Continued analyst and shareholder engagement, with focus on transparency
- Continued monitoring of supply chain costs and other key and emerging risks

• *Market revenue expectations are not profit forecasts and they should not be taken as an indication of the Company's expected future results. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on these forward looking statements*

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Presentation End



“Our mission is to enable the transition to an environmentally, financially and socially sustainable energy system; deliver attractive and sustainable returns to shareholders; and ultimately play a role in saving our planet.”

Peter Kavanagh, Harmony Energy