



**Foresight**

FOR A SMARTER FUTURE

**FORESIGHT SOLAR FUND  
LIMITED**

**Capital Markets Event  
May 2024**



## **Welcome remarks**

**Alex Ohlsson, Chair of the Board**



## Afternoon agenda

Welcome remarks

Fireside chat with Claire O'Neill

Capital allocation and divestment programme

Coffee break

Portfolio performance and asset management

Foresight Solar strategy: Income and growth

Closing remarks

Refreshments



# Macro environment negatively impacted renewable infrastructure

The first time Foresight Solar shares traded at a discount to NAV for a prolonged period

### Foresight Solar share price x NAV since IPO



Source: FactSet, FSFL Analysis. Data as at 26 April 2024

### Foresight Solar share price x NAV in 2023



Source: FactSet, FSFL Analysis. Data as at 26 April 2024

FSFL shares traded at an average 3% premium to 31 December 2022

## Board and Investment Manager actions support shareholder interests

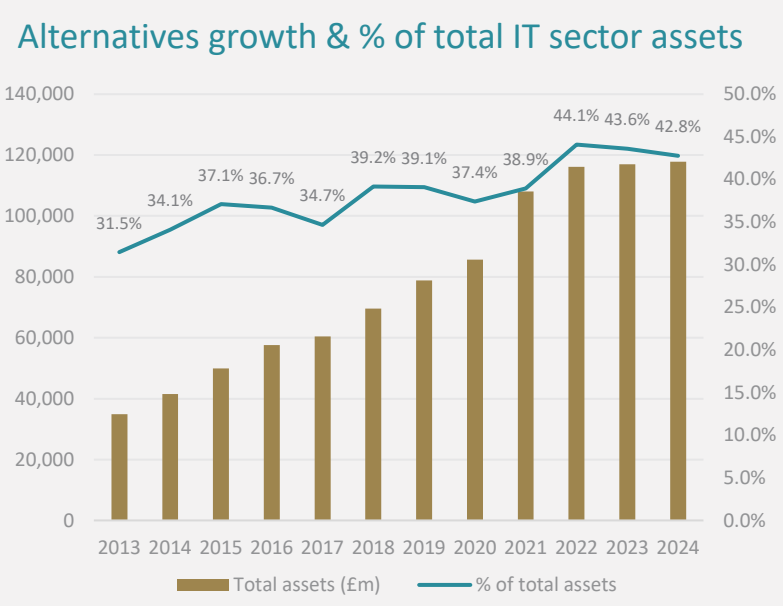
Disciplined capital allocation strengthened the balance sheet and returned cash

Initiative	Objective	Outcome
<b>Share buybacks</b>	<ul style="list-style-type: none"><li>• Acquire own stock below fair value</li><li>• Return cash to shareholders</li></ul>	<ul style="list-style-type: none"><li>• £40m allocation from free cash</li><li>• £32m spent to date</li></ul>
<b>Divestment programme</b>	<ul style="list-style-type: none"><li>• 200MW phased divestment programme</li><li>• Crystallise value, recycle capital</li></ul>	<ul style="list-style-type: none"><li>• Lorca sale delivered 1.6pps NAV uplift</li><li>• Next phase: Due this year</li></ul>
<b>Debt repayment</b>	<ul style="list-style-type: none"><li>• Reduce variable interest rate exposure, strengthen balance sheet</li></ul>	<ul style="list-style-type: none"><li>• £40m reduction in RCF drawings to £75m</li><li>• Total debt reduced by £80m in 2023</li></ul>
<b>Dividend increase</b>	<ul style="list-style-type: none"><li>• 6% dividend increase to 8.0pps for 2024</li><li>• Passing on benefits of high inflation</li></ul>	<ul style="list-style-type: none"><li>• 7.0% yield based on current NAV</li><li>• 8.9% yield based on current share price</li></ul>
<b>Shareholder engagement</b>	<ul style="list-style-type: none"><li>• Broaden investor base</li><li>• Generate demand, liquidity</li></ul>	<ul style="list-style-type: none"><li>• 30+ investor meetings</li><li>• New PR adviser</li></ul>

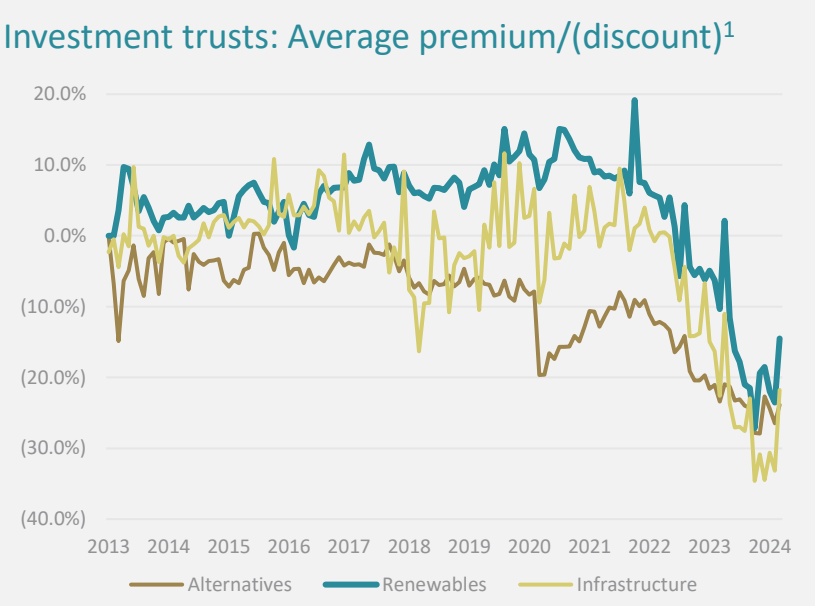
Focus remains on narrowing the discount and significantly reducing the RCF

# Challenging macro environment led to a sector wide de-rating

Persistent discounts have stifled alternative investment companies' growth



Source: Association of Investment Companies



Source: Morningstar analysis; <sup>1</sup> Unweighted

Renewables have outperformed the broader market over the last decade

Fully independent board of directors with complementary skills

Ongoing phased succession plan following the replacement of Peter Dicks in 2023



**Alexander Ohlsson**  
Chair

Chair of the Management  
Committee

Appointed on  
16 August 2013



**Chris Ambler**  
Senior Independent  
Director

Appointed on  
16 August 2013



**Ann Markey**  
Non-Executive Director

Chair of the Audit and  
Risk Committee

Appointed on  
4 September 2020



**Monique O'Keefe**  
Non-Executive Director

Chair of the Nomination  
and Remuneration  
Committees

Appointed on  
1 June 2019



**Lynn Cleary**  
Non-Executive Director

Appointed on  
18 September 2023



## **Fireside chat: The future of renewables**

**Claire O'Neill, former Energy and COP26 Minister**

**Ross Driver, Fund Manager, Foresight Solar**





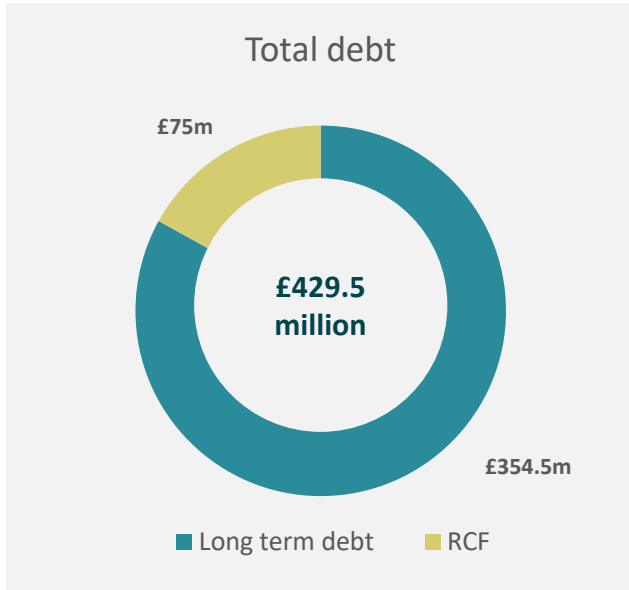
## **Capital allocation and divestment programme**

**Ross Driver, Fund Manager, Foresight Solar**

**Toby Virno, Fund Management Team, Foresight Solar**

## Capital allocation

Focus on reducing variable rate debt and narrowing the discount



### Debt repayment:

- **Total debt:** Reduced to £429.5m from £525m in January 2023
- **RCF:** £40m repaid in Q4 2023, reducing balance to £75m. No drawings in Q1 2024
- **Long-term debt:** Fully amortising and hedged against interest rates
- **Target:** Significant reduction in RCF balance by year-end

### Buyback programme:

- **Continued commitment:** Proportionally the largest and most consistent in the sub-sector
- **£32m spent to date:** 1.5 pps NAV uplift since start in May 2023

### Modest development-stage investment

- **Significant capex:** Paused for the foreseeable future
- **Limited capital at risk:** Milestone payments until assets are consented
- **Small allocation:** Whilst potential for meaningful upside

Total gearing

**39.2%**

of GAV

Long-term gearing

**32.3%**

of GAV

Optimal balance sought between all levers available

# Considerations behind the phased divestment programme

## Options reviewed for recycling capital

- Phased divestment programme targeting ~200MW of assets commenced June 2023
- Phase 1 completed in November 2023 with the sale of 50% share of the Lorca portfolio at 21% premium to holding value
- The Company stated from the outset it will not specifically announce which assets it is selling
- There are, however, only so many alternatives:

1	Australian solar portfolio	4 operational sites (170MW)
2	UK BESS portfolio	1 project in construction (25MW) 2 pre-construction projects (50MW)
3	UK solar portfolio	50 operational sites (723MW)
4	Spanish solar portfolio	4 operational sites (75MW)

## Australia: Market wide issues have required attention

### Assets remain attractive with valuable and scarce features

- Australian solar has had its challenges in recent years: interstate grid outages, extended La Niña effects and economic curtailment
- Notwithstanding this, FSFL’s solar assets remain attractive projects
  - 45% revenues contracted, on NPV basis
  - Portfolio has required restructuring, but is now more resilient

Projects	4
Status	Operational
Capacity	170MWp
Revenues	Subsidies, long-term PPAs, merchant sales

Project	Capacity	Status	Connection	Revenue
Bannerton	53MW <sup>1</sup>	Operational	July 2018	PPA: 17-year fixed agreement with Alinta Energy
Longreach	17MW	Operational	March 2018	Subsidy: “Solar 150” projects - legacy Queensland government support programme with 20-year revenue guarantee, selling electricity generated at A\$88/MWh
Oakey 1	30MW	Operational	February 2019	
Oakey 2	70MW	Operational	May 2019	Merchant: selling electricity and LGCs at spot price

<sup>1</sup>Accounts for the Company’s 48.5% stake

# Australia: Restructuring measures taken to increase resilience

## Positioning the portfolio on a robust footing for the future

- Portfolio cashflows: Reappraised considering recently observed higher curtailment:
  - New site-specific forecasts
  - Some upside from operational savings
- Asset management: Progressing formal approvals to allow BESS co-location at sites
- Portfolio debt:
  - O1/LR: Joint facility now restructured
  - O2: Progressing expected refinancing
  - Bannerton: Next scheduled refinancing by Q2 2026



### Oakey 1 and Longreach

Joint debt facility with A\$55 million outstanding

Grid outages in mid-2023 followed by high economic curtailment in Q3 put cover ratios under pressure

Company voluntarily paid down A\$6.5 million (£3.4 million) to bolster cover ratios to refinancing in 2027

### Oakey 2

Agreed with lenders refinancing shall take place in Q3 2024, once warranty period expires

Process to date indicates good appetite for refinancing, including with O1/LR lenders

Portfolio valuation updated for all costs associated with the refinancing

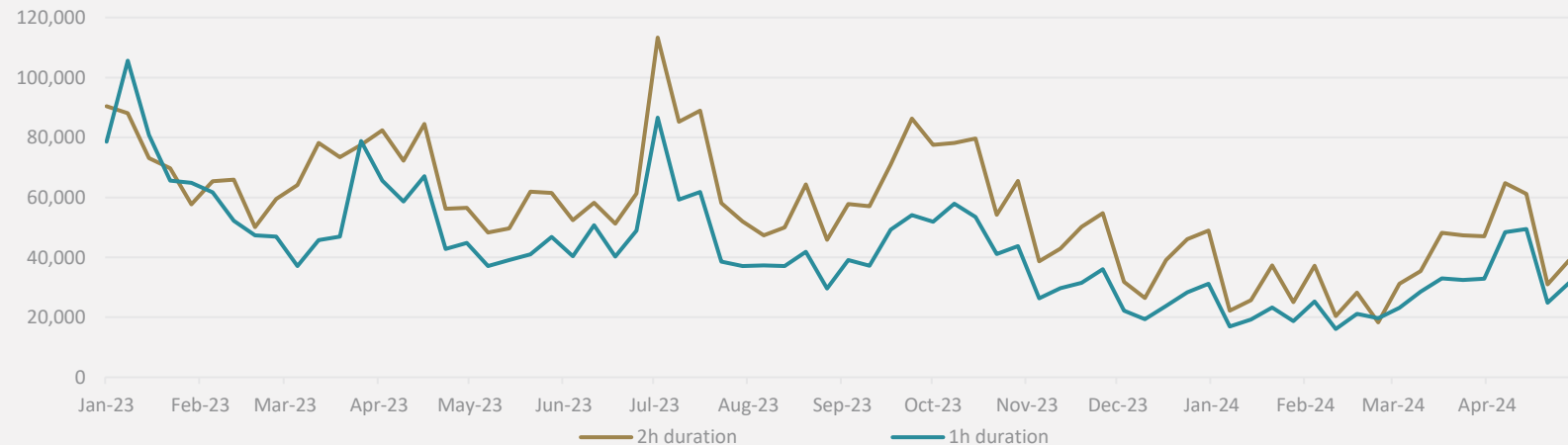


## UK BESS: A longer-term play

Batteries have a crucial role to play in the transition to a low carbon electricity system

Project	Capacity	Status	Connection	Revenue	Considerations
Sandridge	25MW	Construction	Est. H2 2024	Trading, capacity markets	Site construction advanced, awaiting grid connection
Clayfords	25MW	Pre-construction	TBC	Trading, capacity markets	Returns from 2h projects would remain accretive for the fund. The significant capital allocation, however, is inconsistent with the current policy Considering all options to progress the projects
Lunanhead	25MW	Pre-construction	TBC	Trading, capacity markets	

### Annualised UK BESS revenue estimates (£/MWh)



Source: Modo Energy

## UK solar: Continues to provide strong revenue visibility and dividend cover

### Foresight Solar targets growth of its UK solar portfolio via development-stage opportunities

#### UK ROC/FiT subsidised solar

- FSFL's core UK portfolio plays to its strengths
  - Inflation linkage underpins stable, progressive dividends
  - Mature, strong performing portfolio
  - Opportunities for further value uplifts (i.e. asset life extensions)
- Strong demand for UK ROC-backed assets
  - Evidenced by recent competitive sales processes that validated the portfolio's valuation
  - Remain scarce in supply with few quality portfolios brought to market

Projects	50
Status	Operational
Capacity	723MWp
Revenues	ROC/FiT subsidy, energy sales





**Coffee break**

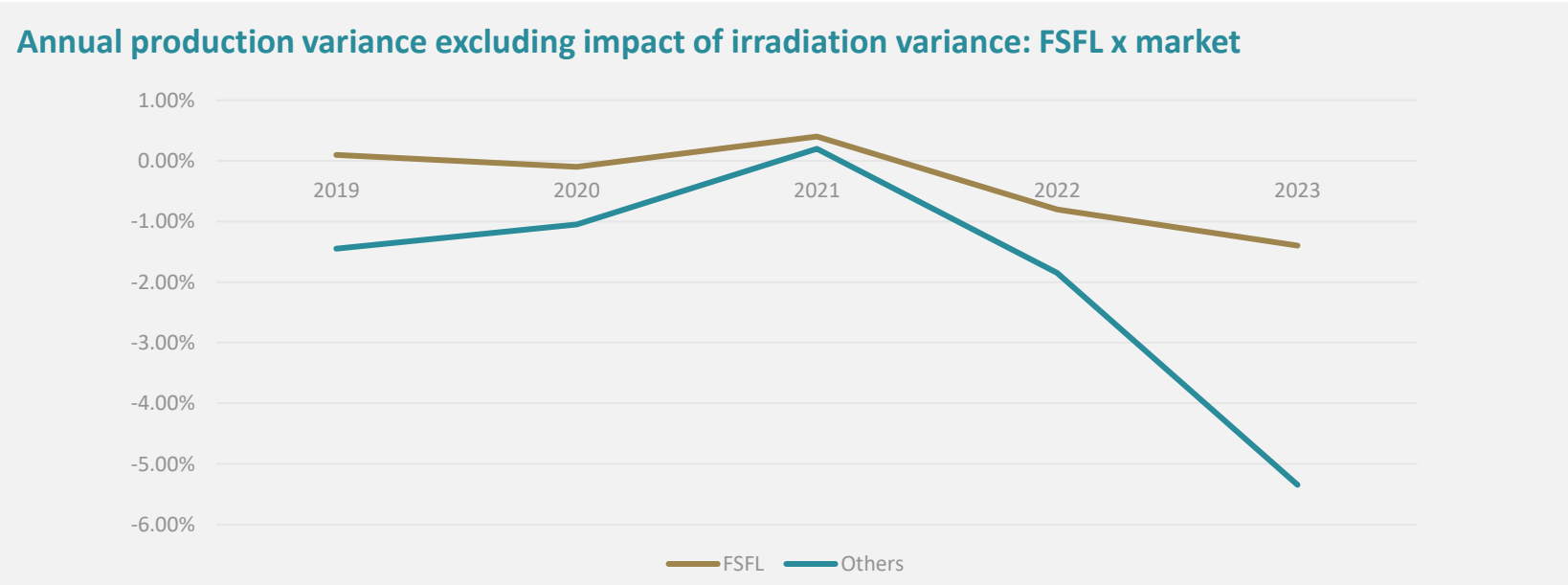


## **Portfolio performance and asset management**

**Conor Cowden, Portfolio Management, Foresight Group**

# Foresight Solar has the best operating UK solar portfolio

Average production versus budget is the highest amongst the peer group



Source: FSFL Internal analysis based on public data of listed peers

In short, this demonstrates the impact of asset management in meeting production targets



Active asset management has been a strategic component from the outset

The Investment Manager's team has tracked and overseen performance for 10+ years

### “The Past”

Original due diligence	Commercial management	Technical management
Site and counter-party selection: EPC and O&M	Management of early industry insolvencies	Spare parts strategy from Day 1
Engineering input to component selection and asset design	Enforcement of contracts against EPCs, as appropriate	Continued review and update of lifecycle spend
Construction monitoring and early adoption of PV module testing	Early implementation of power price hedging strategy	In-housed asset management with Foresight Asset Management Limited

Initial efforts laid the groundwork for portfolio excellence and set the tone for the future

Plenty of work has been done to ensure portfolio quality

Active hedging strategy has contributed to minimise recent falls in power prices

### “The Present”

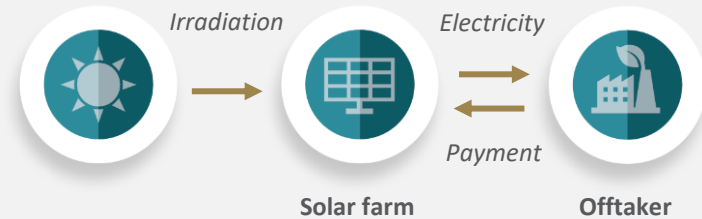
#### Lifecycle management

- Identify and manage operational trends
- Detect specific issues, such as string inverter faults, early, front-running the industry and preventing losses
- Spare parts strategy: Resolution time for transformers is days rather than months, resulting in significant savings
- Revamping works complete, rolling out scheduled programme to monitor and sort potential issues

#### Sustainability

- Day-to-day management: Key operating criteria
- New projects and revamping: Purchases need to meet ESG requirements

#### Power price hedging



- Arrangements allow FSFL to fix prices up to five years ahead, providing revenue visibility for dividend cover
- Variety of hedging instruments provides optionality and access to increased liquidity
- Control over hedging policy allows the fund to adjust to market trends, reacting to the best risk-adjusted prices

Foresight Solar’s asset management has consistently delivered value uplifts

Since inception, portfolio initiatives have added around 20 pence per share

**“To present day”**

A track record of delivering value enhancement:

Initiative	NAV uplift <sup>1</sup>
Active power price hedging and fixes – above budget	+5pps
Lease extensions	+5pps
Operations and maintenance (O&M) efficiency gains and improvements	+9pps
Other initiatives	+1pps
<b>Total</b>	<b>+20pps</b>

<sup>1</sup> Pence per share uplift based on prevailing NAV and number of shares at the time

£86m of total value added to the end of 2023

# Asset management will continue to add value going forward

Lease extensions, predictive maintenance and revamping generate direct financial upside

## “The Future”

Commercial management	Technical management
 <p>Lease extension programme: prioritising capacity of 260MW</p>  <p>Identify and execute additional sources of revenue, delivering NAV accretion i.e. biodiversity credits</p>	 <p>Revamping/repowering sites allows for:</p> <ul style="list-style-type: none"><li>• Greater efficiencies in design and generation with newer technology</li><li>• Capture full benefit of 40-year asset lives</li></ul>  <p>Growing focus on decommissioning and recycling</p>
Due diligence	Lifecycle management
 <p>Development and construction feedback loop enables:</p> <ul style="list-style-type: none"><li>• Review and input into new supplier contracts</li><li>• Additional value on EPC and O&amp;M agreements</li></ul>	 <p>Improve future monitoring with data collected from sites supports:</p> <ul style="list-style-type: none"><li>• Predicting trends and assisting maintenance</li><li>• Minimising downtime and reducing costs</li></ul>



## **Foresight Solar strategy: Income and growth**

**Ross Driver, Fund Manager, Foresight Solar**

**Toby Virno, Fund Management Team, Foresight Solar**

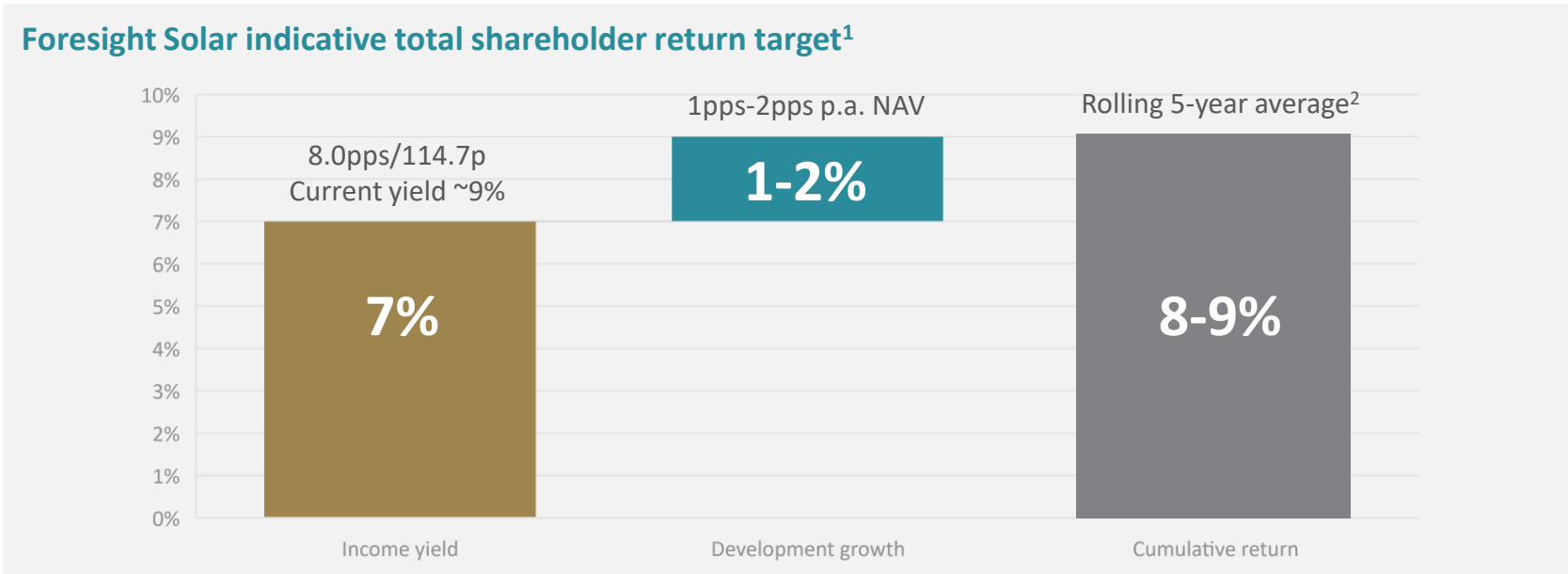
**Carlos Rey, Head of Iberia, Foresight Group**



## New macro reality requires a focus on total shareholder returns

Strategy involves strong yield, return accretion and generating optionality for growth

- The macroeconomic landscape has fundamentally changed. We **will not** return to business as usual
- What is required is a strong yield **plus** a route to modest, sustainable NAV growth



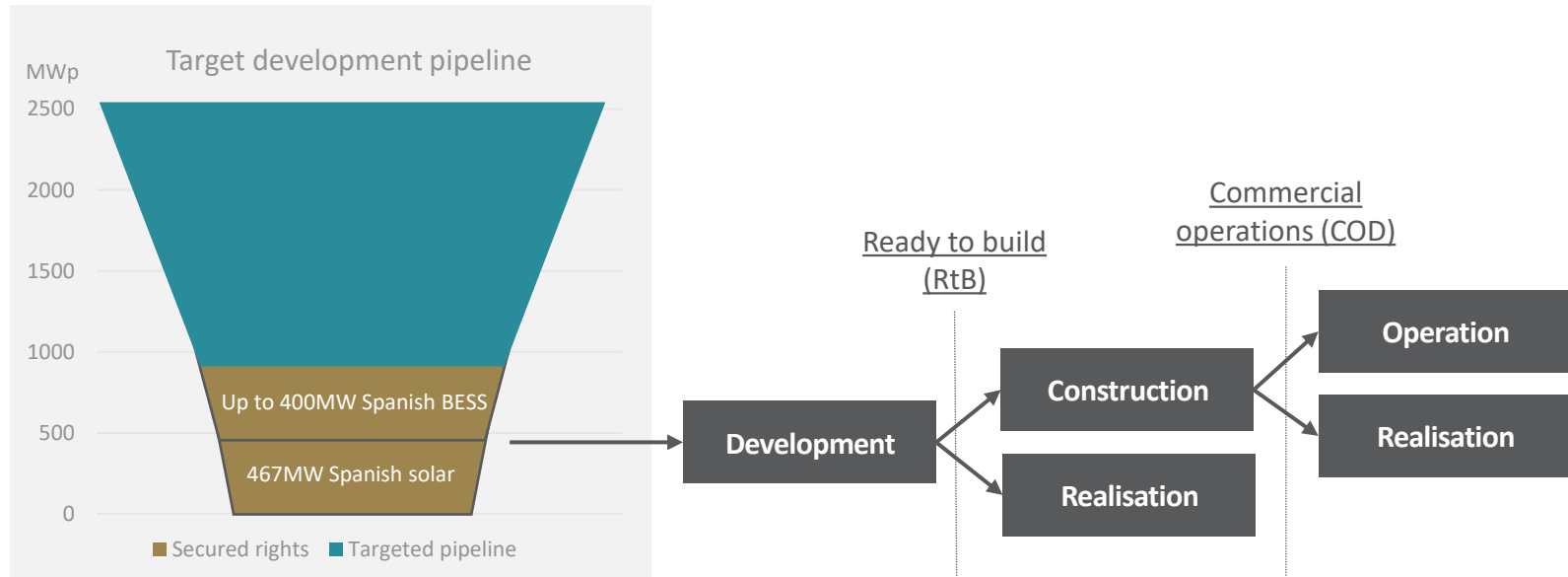
<sup>1</sup>Illustrative development growth and target cumulative return based on current NAV and base case assumptions for development platforms secured to date. Not a forecast

<sup>2</sup>Requires continued investment to avoid NAV decline

FSFL's strategy, centred on development and trading assets, can deliver the returns

## Investment focus: Modest commitments to development-stage portfolios

Growing proprietary development pipeline will be the engine room for long-term NAV growth



The opportunity:

- Limited upfront development capital with potential for significant upside return:
  - Cuerva solar: Low, single-digit €m upfront. Expected commitment to RtB <€20m by 2028
  - Chelion BESS: No upfront payment. Expected commitment of €2m to end of 2026
  - Milestones weighted to success fees when consents are granted

Targeting a 2GW to 3GW across pipeline to provide a steady flow of RtB assets

# A growing proprietary development pipeline

## ① Cuerva Spanish Solar pipeline

### Partner

- Grupo Cuerva: Established electricity generator, developer, distributor and retailer
- Developer of FSFL's Lorca portfolio in Andalusia

### Market

- Spain is Europe's 2<sup>nd</sup> largest solar market
- Strong government support for continued roll-out
- Subsidy-free but highly liquid offtake/PPA market

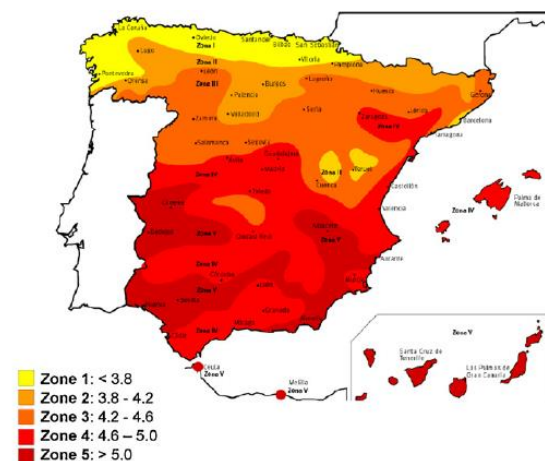
### Deal structure

- FSFL acquired full project rights for minimal upfront cost
- Majority of developer payments at project approval
- FSFL then has the option to build or sell rights

### The opportunity

- Proprietary solar pipeline in core market
- Strong upside potential if the fund sells on the rights at RtB
- Attractive returns on buy and hold

Technology	Solar, co-located BESS
Pipeline size	467MWp (6 projects)
FSFL ownership	100%
Timeframe to RtB	Est. 2024 – 2028



Source: Spanish Meteorological Institute

Selected projects with potential to crystallise strong development returns or accretive long-term yield

## A growing proprietary development pipeline

### ② Chelion Spanish BESS development framework (New)

#### Partner

- Chelion Iberia: European subsidiary of global BESS developer, integrator and EPC
- 3<sup>rd</sup> BESS co-development partnership in Spain

#### Market

- Spanish system operator identified BESS as key technology for grid
- Projects currently participate in wholesale and ancillary markets
- National Capacity Market expected to commence in 2025

#### Deal structure

- Option under which FSFL can elect to co-fund BESS sites it selects
- Selected development sites enter JV, FSFL has right to 100% at RtB
- FSFL has flexibility to sell project rights or build

#### The opportunity

- Attractive entry pricing to a market that is on the cusp of significant growth
- Initial focus to develop sites and sell at RtB with strong potential upside
- No upfront cost. Total commitment estimated <€2m to end of 2026 even at maximum capacity

Technology	Standalone BESS
Pipeline size	250MWp to 400MWp
FSFL ownership	70% to RtB (100% thereafter)
Timeframe to RtB	Est. 2024 – 2028



Attractive entry point to growth market with development return focus

## A growing proprietary development pipeline

### Establishes the engine room to drive future growth

- Development-stage investments offer optionality and attractive returns for modest capital outlay:
  - Sell at RtB – Strong upside on modest capital investment
  - Sell in operations – Attractive returns on de-risked construction capex (i.e. Lorca)
  - Hold for the long term – Yield-accretive returns
- Indicative returns from development<sup>1</sup>:

#### 1 Spanish development solar

Example 50MW project	RtB	COD	Hold to maturity returns
Potential NAV upside/returns	0.25 – 0.50pps	1.0 – 3.0pps	8 – 9% levered <sup>2</sup>

#### 2 Spanish development BESS

Example 100MW project	RtB	COD	Hold to maturity returns
Potential NAV upside/returns	0.50 – 1.50pps	3.0 – 5.0pps	12 – 15% unlevered

#### 3 UK development solar

Example 100MW project	RtB	COD	Hold to maturity returns
Potential NAV upside/returns	0.25 – 0.50pps	1.0 – 2.0pps	8 – 9% levered <sup>2</sup>

<sup>1</sup>Indicative returns based on investments in the proprietary development-stage portfolio or opportunities in the broader pipeline. Potential upside based on Q1 2024 NAV and current forecasts

<sup>2</sup>Assumes modest levels of gearing consistent with FSFL's strategy



# Proprietary development pipeline

## Enabler of a broader asset trading strategy

### Next steps

Focus on existing pipeline	Evaluate further opportunities	Broader trading strategy
Current proprietary pipeline can drive target growth in the near term	Attractive pipeline scale of 2GW to 3GW for consented project flow	Longer term rebalancing of the portfolio
Progress initial assets to RtB	Manager will be highly selective on further partnerships	Continued capital recycling
Oversight by dedicated development manager	Preference for minimal upfront capital at risk	New investment required to maintain NAV...
Seek opportunities for divestment gains	Building UK solar/co-location pipeline	...though allows more operational assets to be sold



## Closing remarks

**Ross Driver, Fund Manager, Foresight Solar**

## Contact details

### Investment Manager

Foresight Group

+44 (0)20 3911 2318

[fsflir@foresightgroup.eu](mailto:fsflir@foresightgroup.eu)

Matheus Fierro

Follow FSFL on [LinkedIn](#) 

### PR

Powerscourt

+44 (0)20 7250 1446

Justin Griffiths

Gilly Lock

### Joint Corporate Brokers

Jefferies International Limited

+44 (0)20 7029 8140

Singer Capital Markets

+44 (0)20 7496 3000



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