Results analysis: Greencoat UK Wind

2026 has so far seen an improvement for UKW on a number of metrics.

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- **The first half of 2026 has been a positive period for UKW, supported by strong cash generation and a modest increase in NAV. Total shareholder return for H1 2026 was +9.2% (or +4.4% based on NAV), with dividends contributing to the majority of that return.**

- **UKW's NAV increased modestly by 0.6p per share over the period, reflecting the conversion of strong operational performance into cash. Net cash generation for the period was ahead of budget at £221.6 million, resulting in dividend cover of 1.9x for the period. This derives from electricity generation of 3,003 GWh, being 4.9% above budget, as well as favourable realised power prices. Net cash generation is now on course to be towards the top end of the £350-410m guidance for 2026.**

- **The share price discount to NAV, which has not appreciably narrowed over the period, does not in the Board's view reflect the strength of the business. The discount persists mainly due to macroeconomic and sector-wide pressures, including higher interest rates, policy uncertainty and an oversupply of listed renewable infrastructure vehicles. We are beginning to see some of these pressures ease, notably with the shrinking of the listed renewable trust sector. At this year's AGM, 97.1% of shareholders voted for the continuation of the company.**

- **Over the interim period, UKW refinanced £200m of 2026 debt maturities with new long-dated facilities provided by its existing lending group, with maturities now extended across 2032-34. The continued ability to place long-term debt demonstrates the durability of UKW's financing model and the strength of its relationships with lenders.**

- **UKW's Board retains a clear approach to capital allocation, prioritising dividends alongside reinvestment of excess cash. The board has a 2026 dividend target of 10.7p per share, the thirteenth consecutive inflation linked increase. Beyond the dividend, the Group has also continued to strengthen its balance sheet, and has repaid £53.5m of debt during the period. Looking ahead, the Board continues to emphasise the importance of reinvestment to further sustain the Company's dividend over the long term; renewable infrastructure assets are inherently finite, and maintaining the long term cash generating capability of the portfolio requires ongoing reinvestment. In this context, the Investment Manager has continued to evaluate a range of opportunities on behalf of the Company, with a focus on selective transactions that enhance risk adjusted portfolio returns.**

- **Lucinda Riches, Chairman of UKW, commented "The outlook for UK wind remains attractive... as one of the largest owners of operational UK wind farms, UKW's portfolio is well positioned to continue delivering both secure electricity and long-term cash flows for shareholders."**

Kepler View

2026 has so far proved to be significantly more positive for **Greencoat UK Wind (UKW)** than 2025, and we note an undercurrent of quiet confidence from the manager's presentation for the interim results. UKW has a simple model, which puts the trust in a strong position to be a survivor over the short term, and over the long term a valuable constituent of diversified portfolios – for institutions and retail investors alike. UKW's long standing attributes that underpin its position are that the trust is an attractive proposition at scale (gross assets of c. £5bn), it has a self-sustaining financial model (long term dividend cover of 1.8x forecast over 2027-31), and that there is low execution risk in the trust continuing to deliver returns into the future, given the strategy is to keep doing what the trust has done for the past 13 years, and does not require a transformational pivot to continue to deliver for shareholders.

Fundamentally, UKW's proposition remains faithful to its original design, having paid a covered, inflation-linked dividend for the last 13 years. Dividend cover is the key to UKW's attractions in our view, given it gives the board so much flexibility to deploy capital to the advantage of shareholders. With net cash generation +36% for the six months to 30/06/26 over the same period last year, dividend cover has significantly improved (1.9x for the six months to 30/06/26). Responding to higher energy prices, the managers locked in 20% of annual electricity production for the year ahead at the interim stage, meaning that around 66% of UKW's revenues for the remainder of the year are now fixed. The team commented that since the half year end, prices for a further 10% of production had been subsequently locked in, mainly in 2027. The managers note that this is not a change in policy, but more a tactical move taking advantage of higher prices. In our view, this should give confidence to shareholders that the target dividend for the year is effectively 'in the bag', and that for the full year, there will be significant excess cash for capital allocation.

The team have guided their expectations are that UKW should throw off c. £120-180m of surplus capital for the current financial year. In terms of uses of this capital, we understand that the board and manager are focussed on disciplined reinvestment which is key to delivering long term cashflows to shareholders, having already repaid £30m of the RCF. UKW's gearing, at 41.7% is marginally higher than the board's sub-40% target. The successful refinancing of maturing debt is good news for shareholders, and the team highlight that they expect further refinancing activities will be announced later this year. Progressive debt reduction is one source of surplus cash, but with c. £45m re-paid each year from the Hornsea 1 specific loan, the team suggested achieving the sub-40% target may be a medium-term feature, reached through debt repayments but also through re-investment in the asset base to grow the GAV.

UKW's target dividend yields 9.8% at the current share price. The portfolio discount rate, less annual charges, implies a NAV total return of c 10.7% per annum. As with any investment there are risks that anticipated returns will not be achieved, and one specific risk for UKW shareholders is the threat of politics. That said, with an anticipated doubling of electricity demand to 2050 (NESO Future Energy Scenarios 2025), wind farms are well positioned to make a strong contribution to an increase in supply, being lower cost and emitting zero-carbon at the same time. Any UK government must in our view be careful not to frighten off private capital, which is key to delivering transformational change for voters.

UKW is projected to have c. £1bn of surplus capital available to invest over the next five years, and so the trust could be a meaningful participant in helping to meet the UK's future energy demands. At the same time, shareholders stand to benefit from any future price spikes caused by geopolitical instability, which the managers observe is becoming an increasing feature of markets. In this regard, UKW potentially offers an appealing package from a portfolio context: the prospect of attractive returns from a base-case scenario, potentially also offering a hedge to energy price rises in the future. With the shares trading on a discount to NAV of c 18% and corporate activity continuing within the sector, a further narrowing of the discount cannot be ruled out.

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