Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Greencoat UK Wind. The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

Results analysis: Greencoat UK Wind

Doing the right thing...

Update
06 March 2025

Analysts:

William Heathcoat Amory
+44 (0)203 384 8795

Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

- **UKW's NAV total return, which had been previously announced, was -8.5% for the year to 151.2p per share, with the most significant movements from downward power price forecasts, largely seen in the first half, and a revised expectation on long term wind speeds, announced with the Q4 NAV on 29/01/2025. The final results provided more colour on this, which has seen a number of recent years wind speeds incorporated into the data, serving to lower expected long term electricity generation by 2.4%.**

- **UKW maintained its portfolio valuation discount rate at higher levels, with the forecast return to investors being a 10% return on NAV (net of all costs).**

- **Over 2024, electricity generation was 5,484GWh, 13% below budget owing to low wind and lower availability, with a notable export cable failure at Hornsea 1 in the first half of the year. This represents c. 2% of the UK's electricity demand, and is enough to power 2m homes, avoiding 2.2m tonnes of CO_2.**

- **Underlying dividend cover for 2024 was 1.3x on a normalised basis. The board is targeting a dividend of 10.35p per share with respect to 2025, a rise in line with December's RPI of 3.5%. This is a twelfth consecutive increase by RPI or better, making the UKW one of very few FTSE 250 constituents to increase its dividend each year for the past decade.**

- **UKW completed a £725m refinancing of its RCF and near maturing term loans in September 2024 with its existing set of lenders. The Company reduced the size of its RCF to £400m (down from £600m), of which £270m was drawn at 31/12/2024. The next maturing term facility expires in November 2026. The refinancing was well supported by UKW's existing lender base, demonstrating a strong demand for UKW credit.**

- **During the year, UKW divested partial stakes in two wind farms for £41m, and made a £14.25m highly accretive follow on investment in Kype Muir Extension, taking its stake to 65.5%. During 2024, UKW bought back 59.2m shares, and subsequently announced it had completed its initial £100m buyback programme.**

- **Over the next five years, UKW expects that excess cash generation will exceed £1bn, and that additional capital will be available through further disposals. The Company has initiated a further share buyback programme of £100m. Remaining excess capital will be applied dynamically and allocated between further, or accelerated, share buy backs and repaying debt to reduce gearing.**

- **At the 2024 AGM, the Company held a Continuation Vote, at which 11% of shareholders voted in favour of discontinuation, and therefore the resolution confirmed continuation. Given the shares have traded at a discount greater than 10% on average during 2024, a continuation vote will also be held at the 2025 AGM, which will take place at 4pm on 24/04/2025.**

- **As part of a phased succession process Stephen Lilley will be stepping down after the 2025 AGM. Matt Ridley will be joined by Steve Packwood as investment managers of the business. The other key figures in the Investment Manager's team dedicated to managing the Company remain unchanged.**

Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Greencoat UK Wind. The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

Kepler View

2024 has been a tough year for the renewable energy infrastructure sector, and **Greencoat UK Wind (UKW)** has not been immune from sectoral headwinds. Lower power prices and lower inflation have both been negatives, yet bond yields remaining stubbornly high has meant that there has been no offsetting reduction in discount rates. Operationally, lower wind resource has been compounded by an issue with the Hornsea 1 wind farm (the largest asset, now fixed), and as a result electricity generation has been below budget. Despite this, it is heartening that UKW's normalised dividend cover is 1.3x, which illustrates the resilience built into UKW's model. Shareholders have continued to receive their dividends, which at the current share price of 113.75p, yield 9.1%.

Over the year, surplus revenues and proceeds from disposals (achieved at NAV), have enabled the bulk of the £100m share buyback programme to be executed (it was formally completed on 14/02/2025 a fortnight before the annual results were published). The board's continued confidence in the model is illustrated by their commitment to continue the trajectory of the dividend, which sees the target dividend increase in line with the December RPI figure. This has been achieved every year since listing, except for 2024 which saw the increase significantly more than RPI. A further positive for sentiment is the announcement of the new £100m buyback programme which, according to the results announcement, may be upsized depending on the results of disposals. With gearing near the soft limit of 40% of gross asset value, proceeds from disposals will likely be weighed against reducing borrowings. As highlighted in the results call, the board and manager are focused on doing what is right by shareholders, and see realizing assets and buying shares back at the current discount as a highly accretive. The announcement on 10/12/ 2024 is another example of UKW implementing shareholder friendly initiatives. Management fees from 01/01/2025 run on the lower of market capitalization and NAV. This level of fee reduction is, as yet, unmatched by UKW's peers. The manager is therefore even more strongly aligned with shareholders in the desire to see the share price improve.

With the levered portfolio prospective NAV total return standing at 10% post fees, we think UKW continues to look attractive on a risk adjusted basis against many other investment opportunities. The discount has moved narrower from the widest point seen last week, and UKW's share price should benefit from any further disposals achieved. Most importantly, the board and the manager continue to demonstrate their commitment and alignment to take the appropriate actions in the long term interest of shareholders. In the meantime, shareholders stand to receive an attractive covered dividend delivered by UKW's resilient business model.

Click here to read the FY report on RNS

Click here to read our latest research on UKW

Click here to add UKW to your watchlist

Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street , London W1S 2GF with registered number OC334771.