

# Premier Miton Global Renewables Trust plc

James Smith

FOR INVESTMENT PROFESSIONALS ONLY. CAPITAL AT RISK.

Thinking ahead of the curve

# An introduction to Investment Trusts at Premier Miton



**Claire Long**  
Head of Investment Trusts



Premier Miton Global Renewables Trust plc



Miton UK MicroCap Trust plc



The Diverse Income Trust plc

# Premier Miton Global Renewables Trust



**James Smith**  
Fund manager



Differentiated global renewables exposure



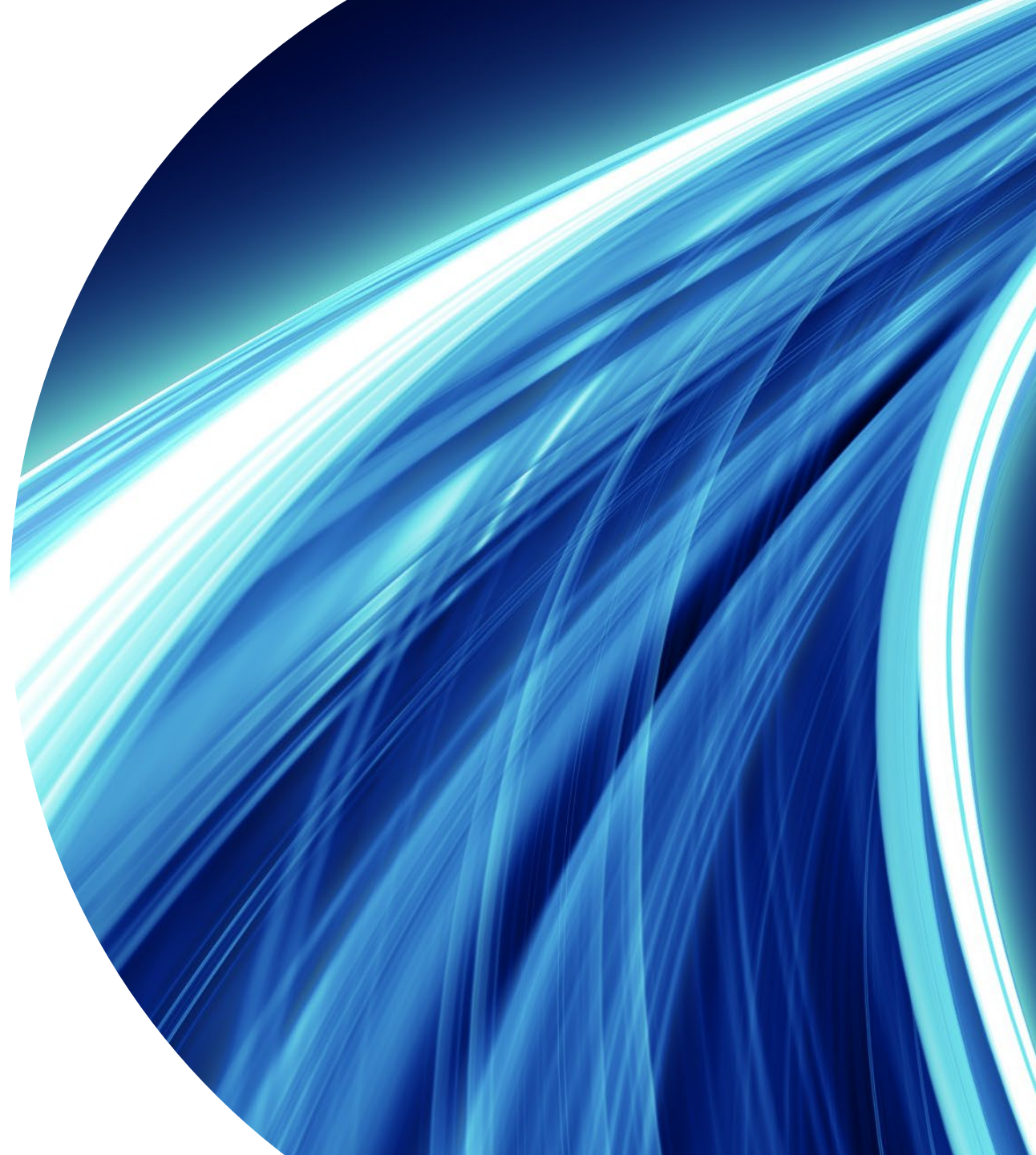
Aims for a high income and long-term capital growth



Currently trading at a discount

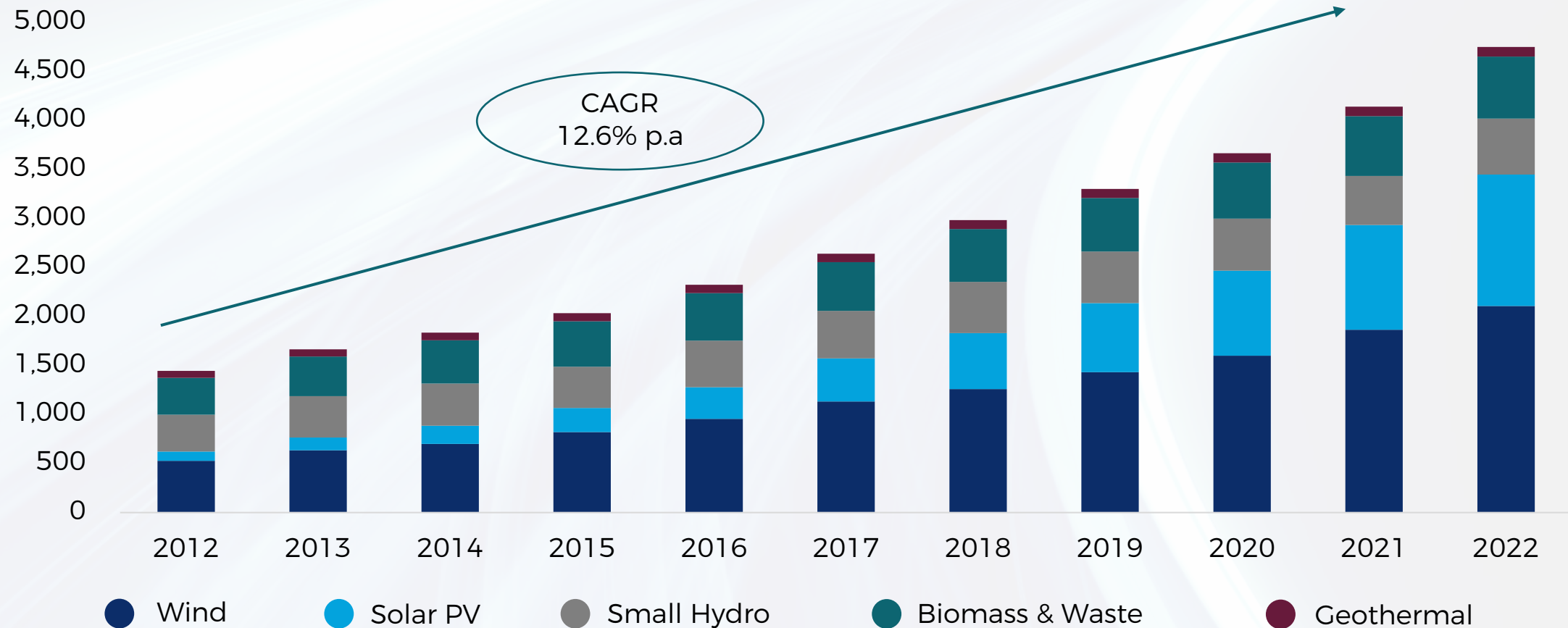


# Renewables – The global overview



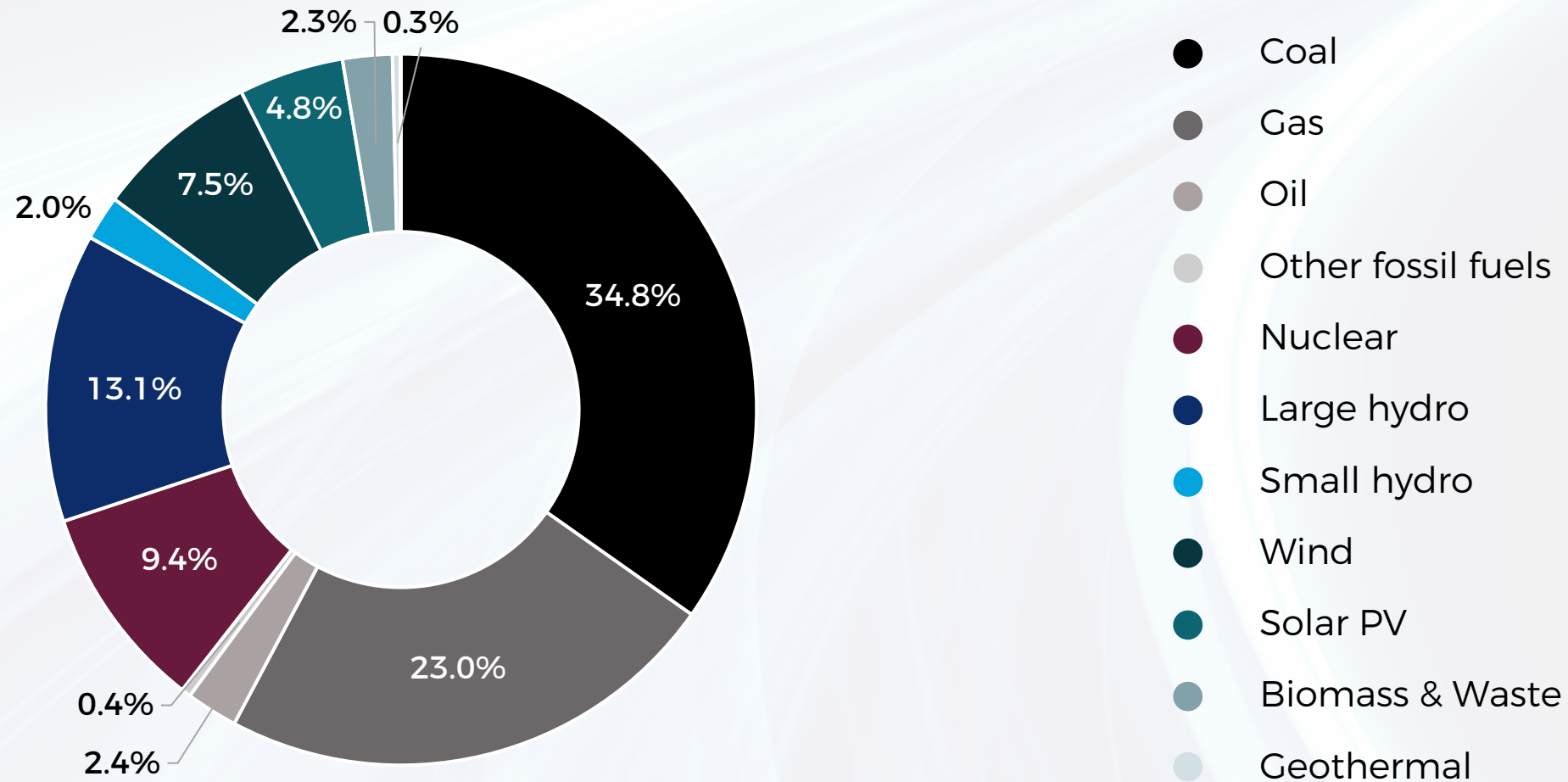
# Renewable energy is a fast-growing sector

Global Renewable Energy Production (TWh) over the past 10 years



# Global electricity generation 2022

## Still dominated by fossil fuels (c. 60%)

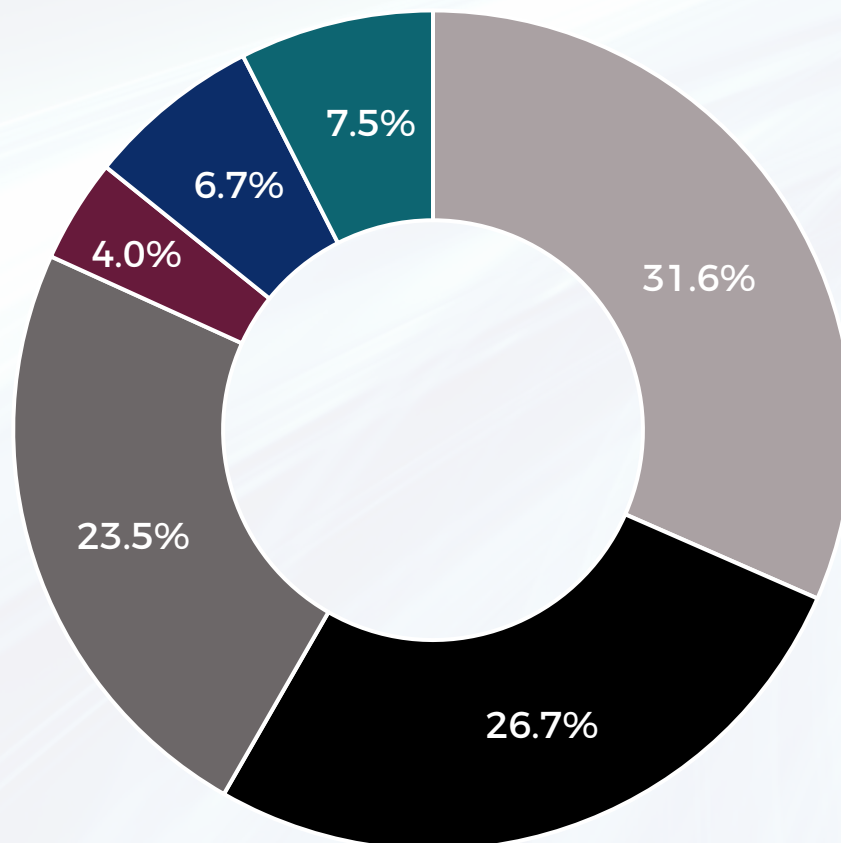


Source: BloombergNEF, as at 31.12.2022. Solar thermal excluded as figure below 0.1%. Allocation may be above or below 100% due to rounding.



# Global primary energy market share

Still dominated by fossil fuels c. 80%



## Change in global primary energy consumption 2018 – 2022\*

Oil	-0.4%
Coal	1.7%
Natural Gas	2.3%
Nuclear	-0.1%
Hydro	8.9%
Renewables	74.9%
<hr/>	
Total global energy market	4.8%

# Renewable energy perception vs. reality



## High interest rates are bad for renewable energy companies

Debt is mainly fixed term, fixed rate, amortising non-recourse project debt  
UK / European companies have high inflation linkage  
Higher finance costs for new projects pushes up power prices

## Governments are cooling on renewable energy build out

US Inflation reduction Act - \$369bn of tax and other incentives  
UK relaxation on-shore renewable planning laws  
New EU renewable law - 2x increase in renewable energy to 2030



## Power price falling

Power prices materially above pre-Ukraine level  
Permanent structural increase in European prices  
Very strong market for Power Purchase Agreements in Europe & US

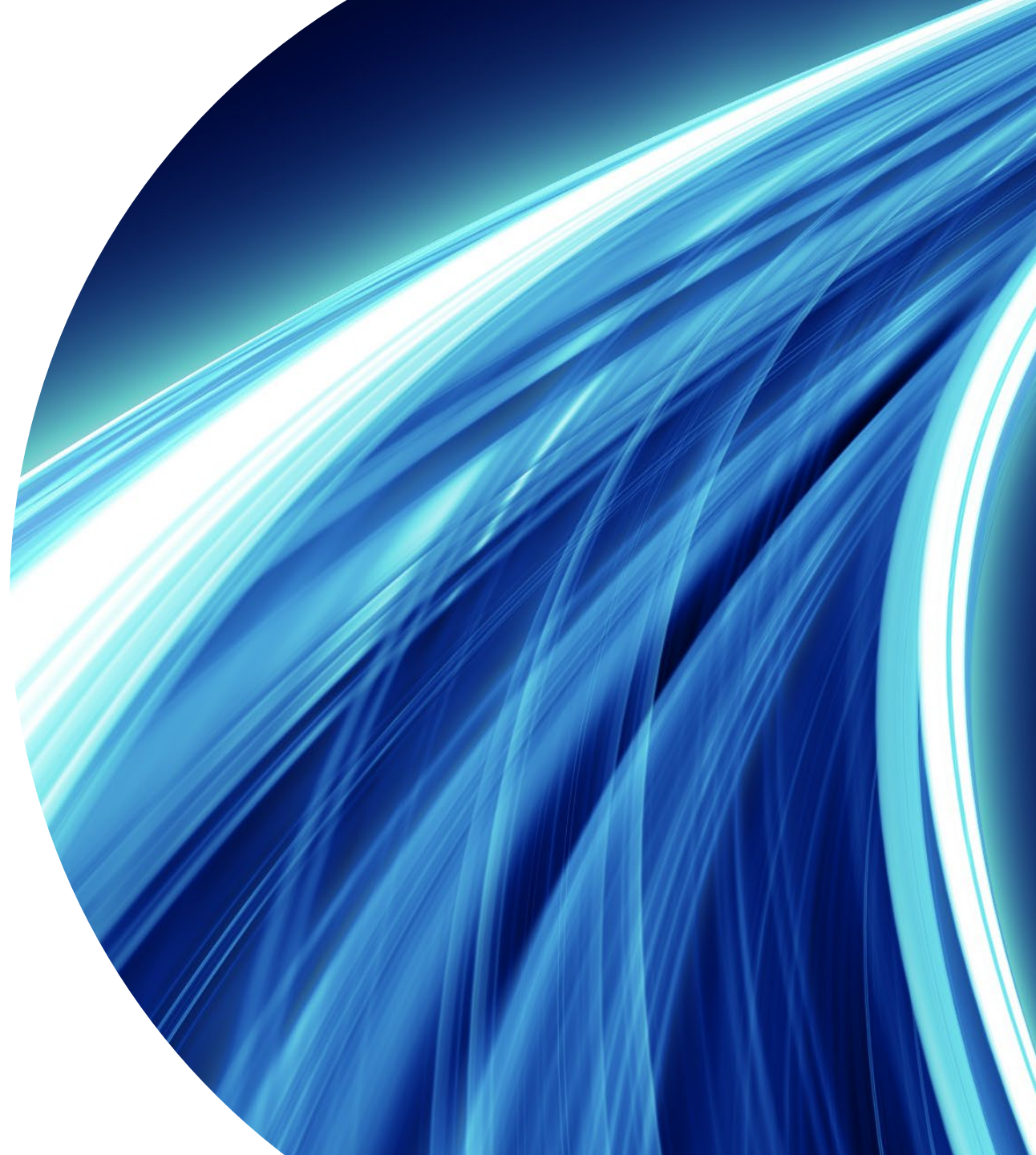
## Capital costs of new renewables increasing

Wind increasing, solar falling  
Higher prices for turbines necessary for manufacturer health  
Renewables cost competitive against gas / cheaper than nuclear



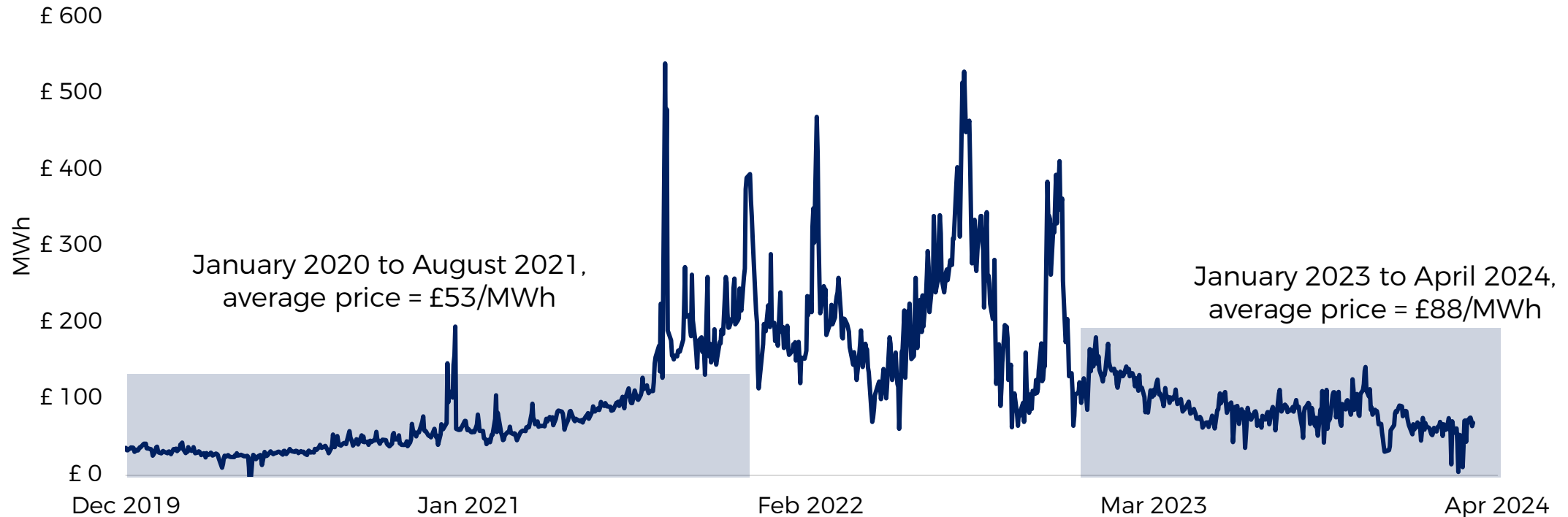


# A closer look at the UK Renewable Energy Sector



# A new normal for UK electricity pricing?

## UK Day Ahead baseload wholesale electricity price



**Wholesale power prices have almost doubled from "pre - Ukraine" levels, with substantial increase in volatility**

Source: Bloomberg, data from 31.12.2019 to 30.04.2023.

Past performance is not a guide to future returns.

# Power price drivers

## Gas price

Average UK wholesale gas price 2020 <sup>1</sup>	25.09p / therm
Average UK wholesale gas price 2023 <sup>1</sup>	99.21p / therm
Average UK wholesale gas price 2024 <sup>1</sup> YTD*	69.54p / therm

## CO<sup>2</sup> prices

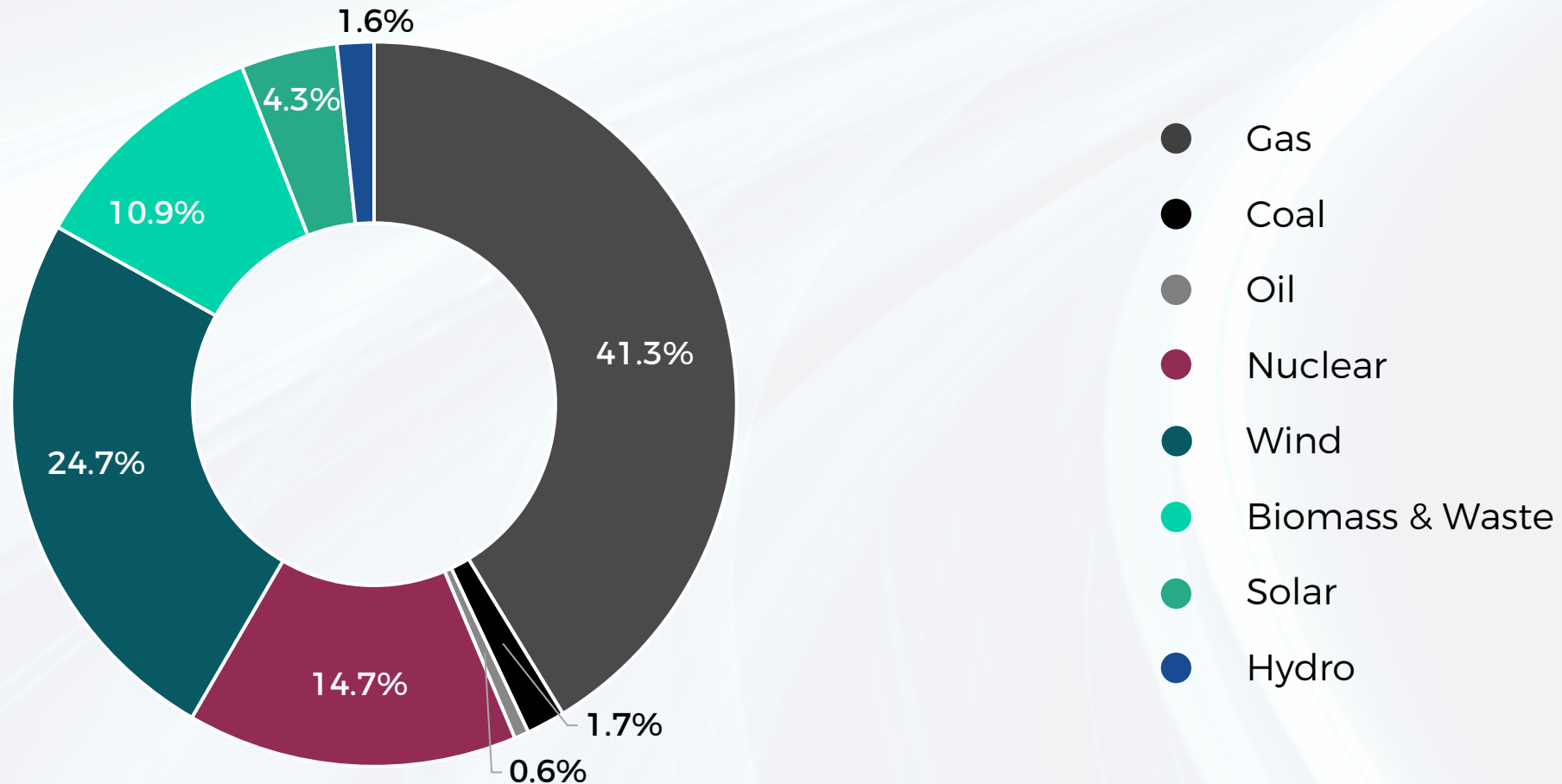
Average EUA CO2 price 2020 <sup>2</sup>	Euro 25.87 / tonne
Average UK ETS price 2023	GBP 53.36 / tonne
Average UK ETS price 2024 YTD*	GBP 48.21 / tonne

## Interest rates

UK 5-year generic GILT yield 2020 average	0.09%
UK 5-year generic GILT yield 2023 average	4.02%
UK 5-year generic GILT yield 2024 YTD average	4.00%

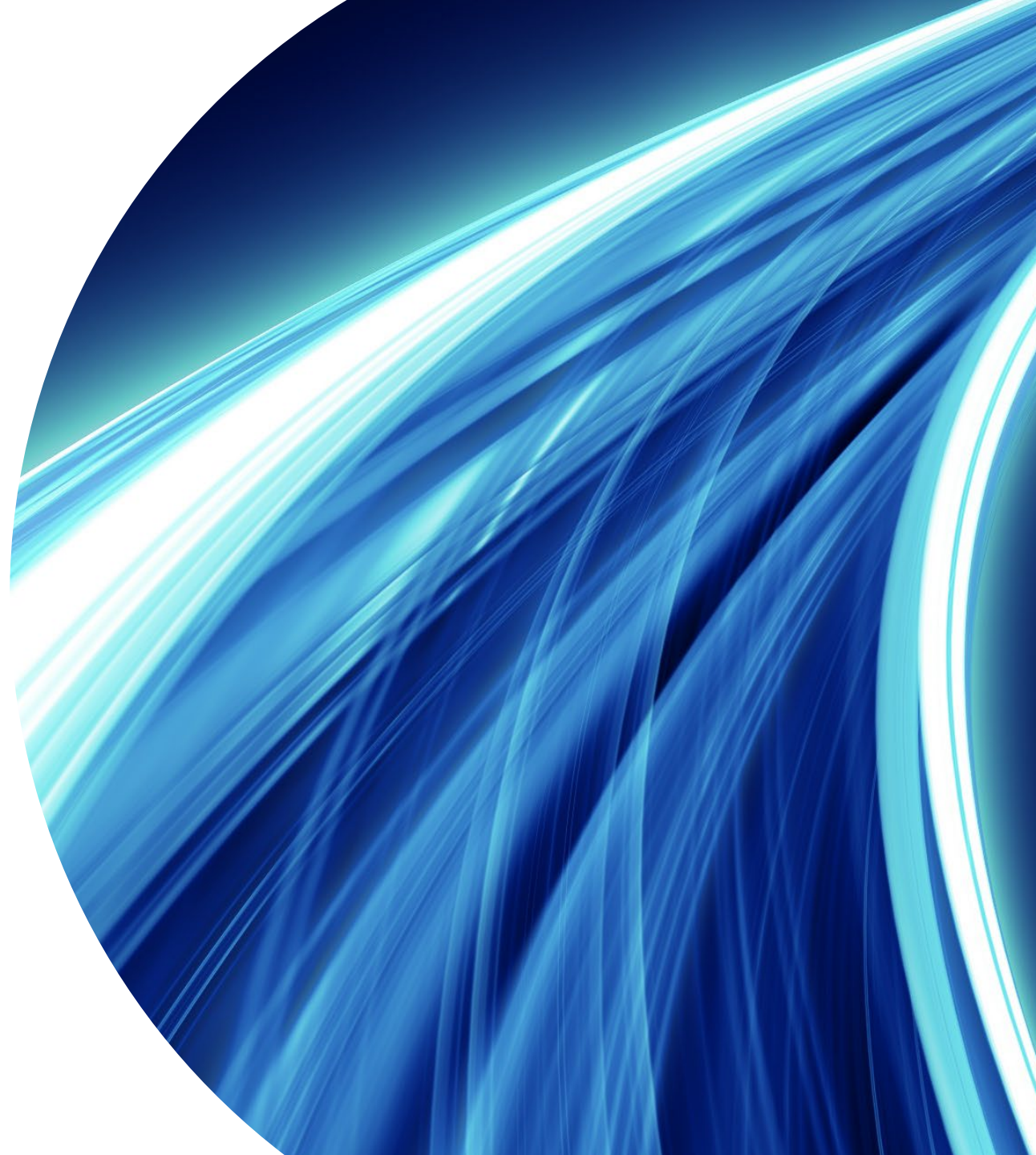


# UK power generation 2022

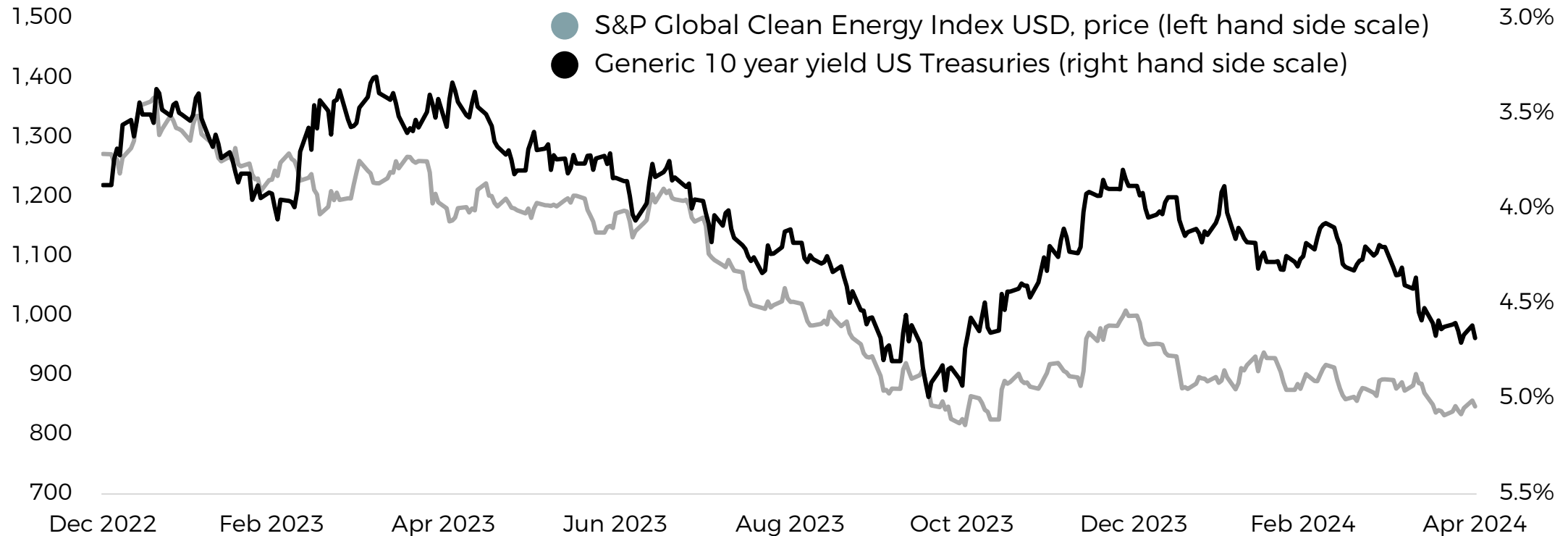


Source: BloombergNEF, as at 31.12.2022. Allocation may be above or below 100% due to rounding.

# Performance perspectives



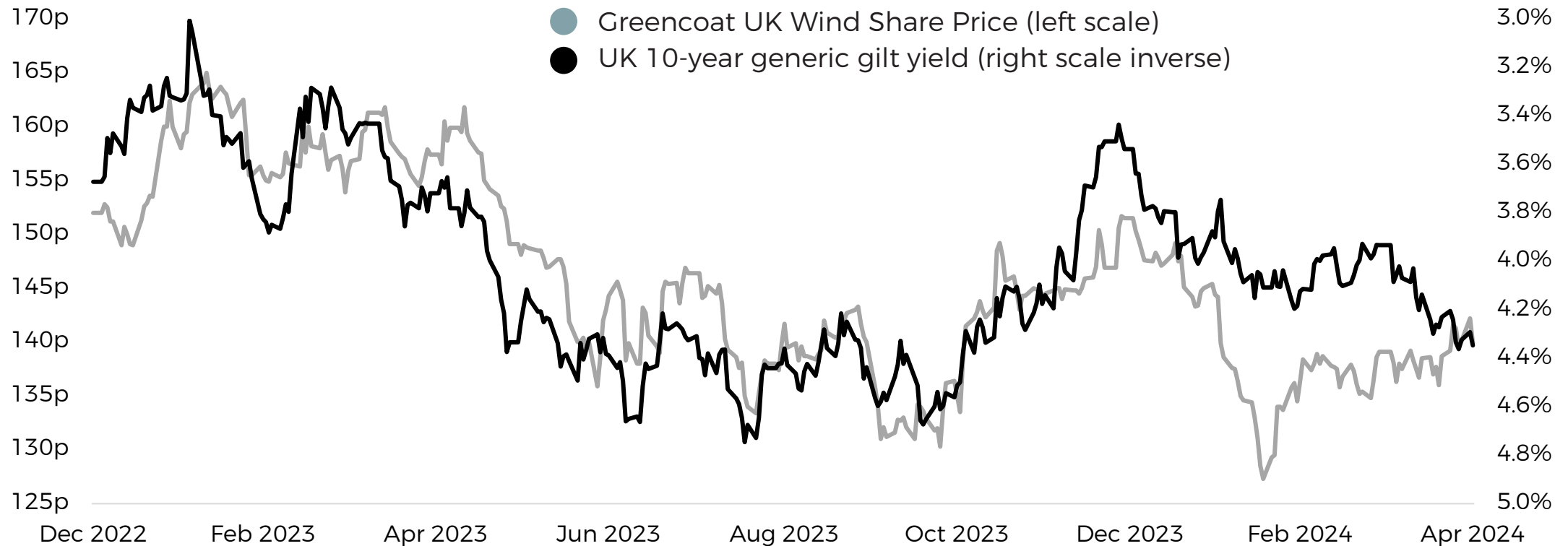
# S&P Clean Energy Index vs Bonds



**Clean energy sector has shown a high degree of correlation to bond yields**

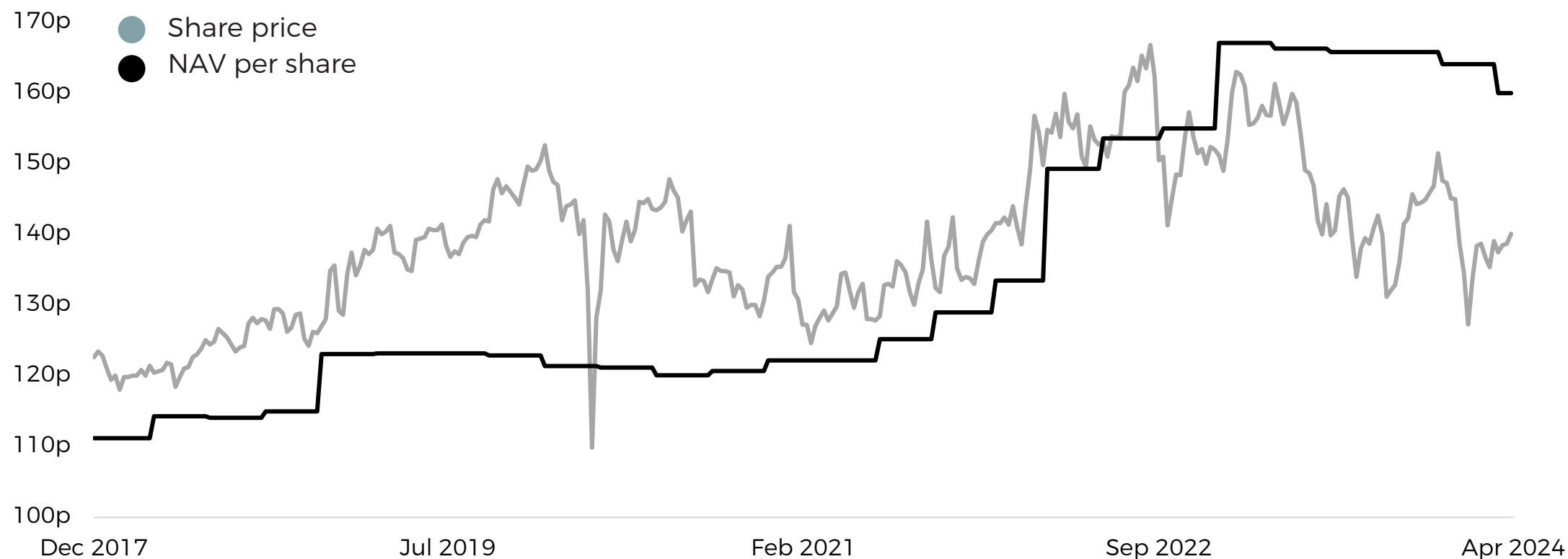


# Greencoat UK Wind share price vs 10 year Gilt yield



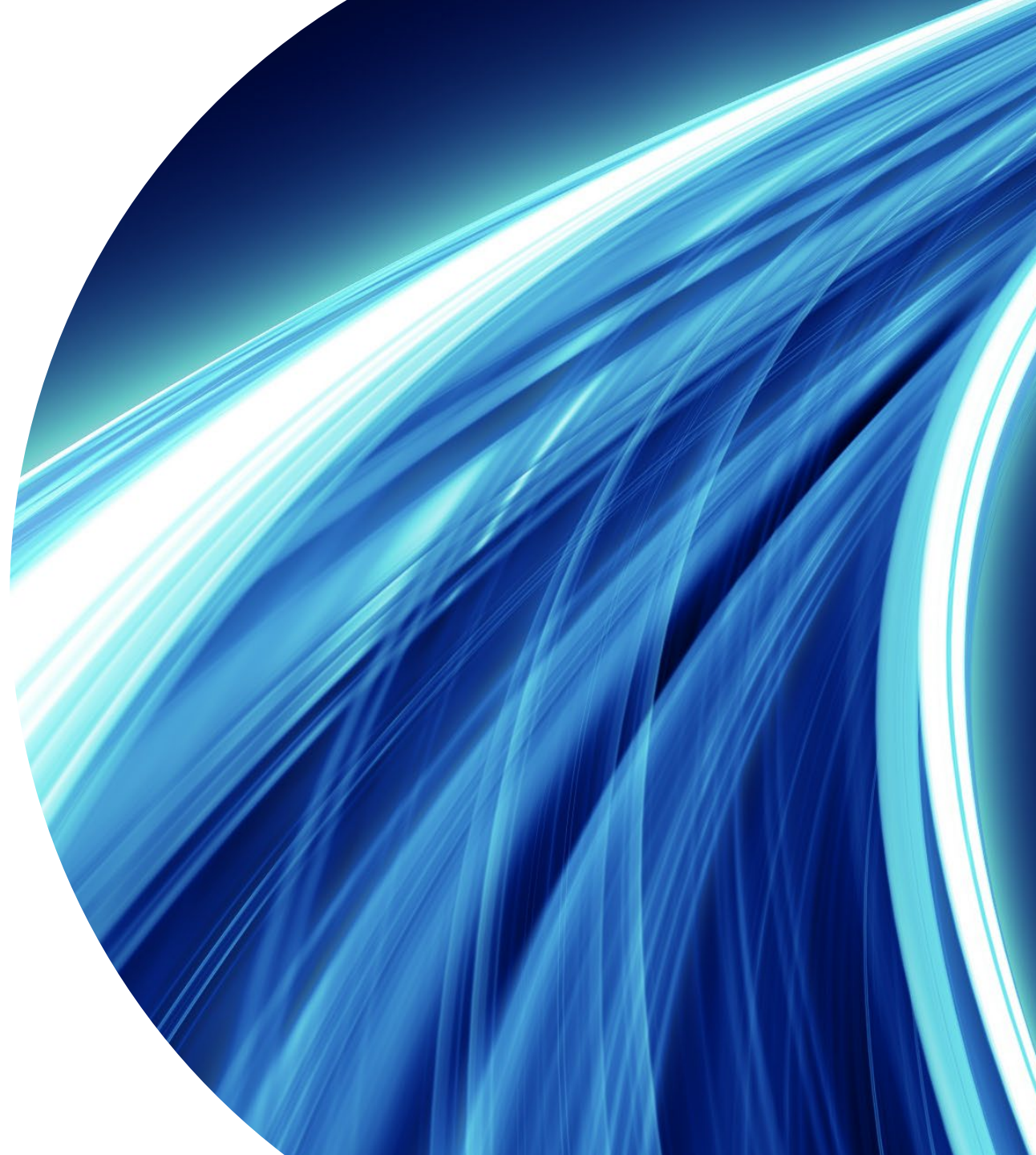
**Renewable energy investment companies traded with high  
correlation to gilt yields**

# Greencoat UK Wind, net asset value per share vs share price



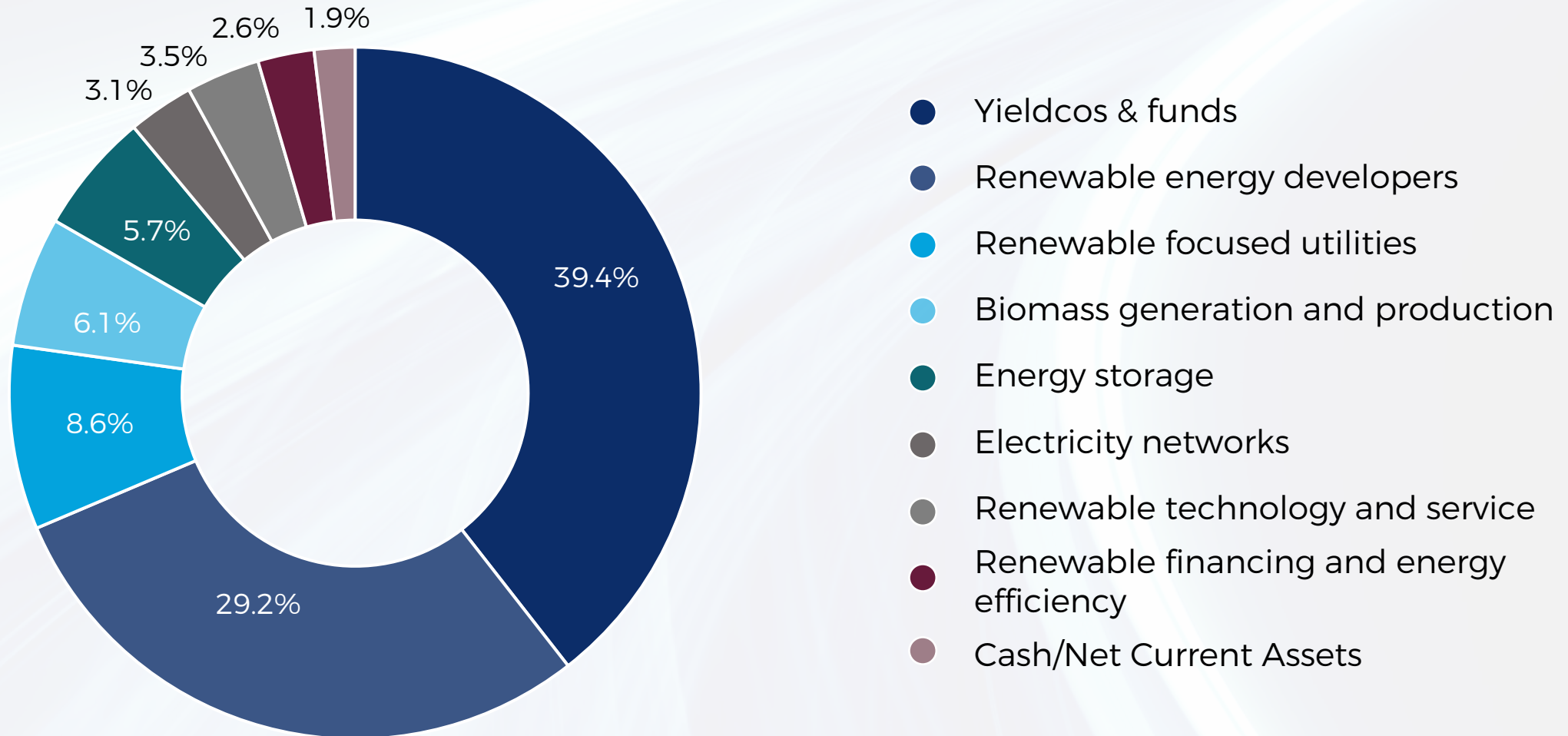
**Greencoat's share price has moved to a NAV discount**

# Investment strategy and portfolio



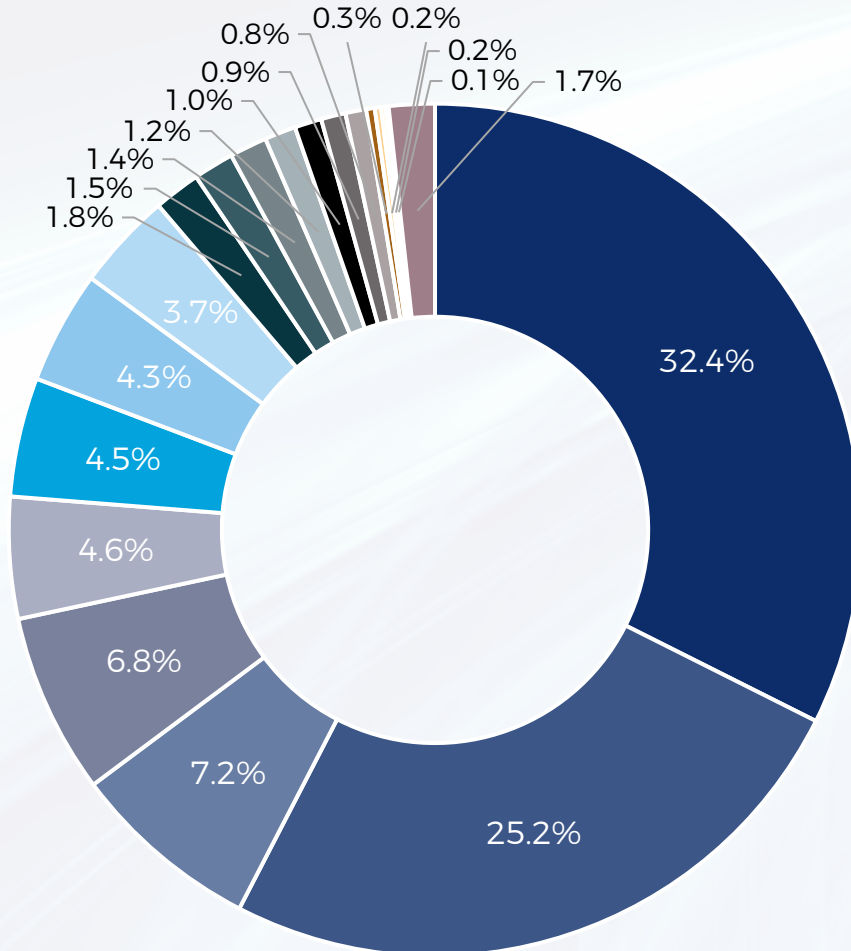


# Sector segmental



Source: Premier Miton, data as at 30.04.2024. Asset allocation may be above or below 100% due to rounding.

# Segmental by technology

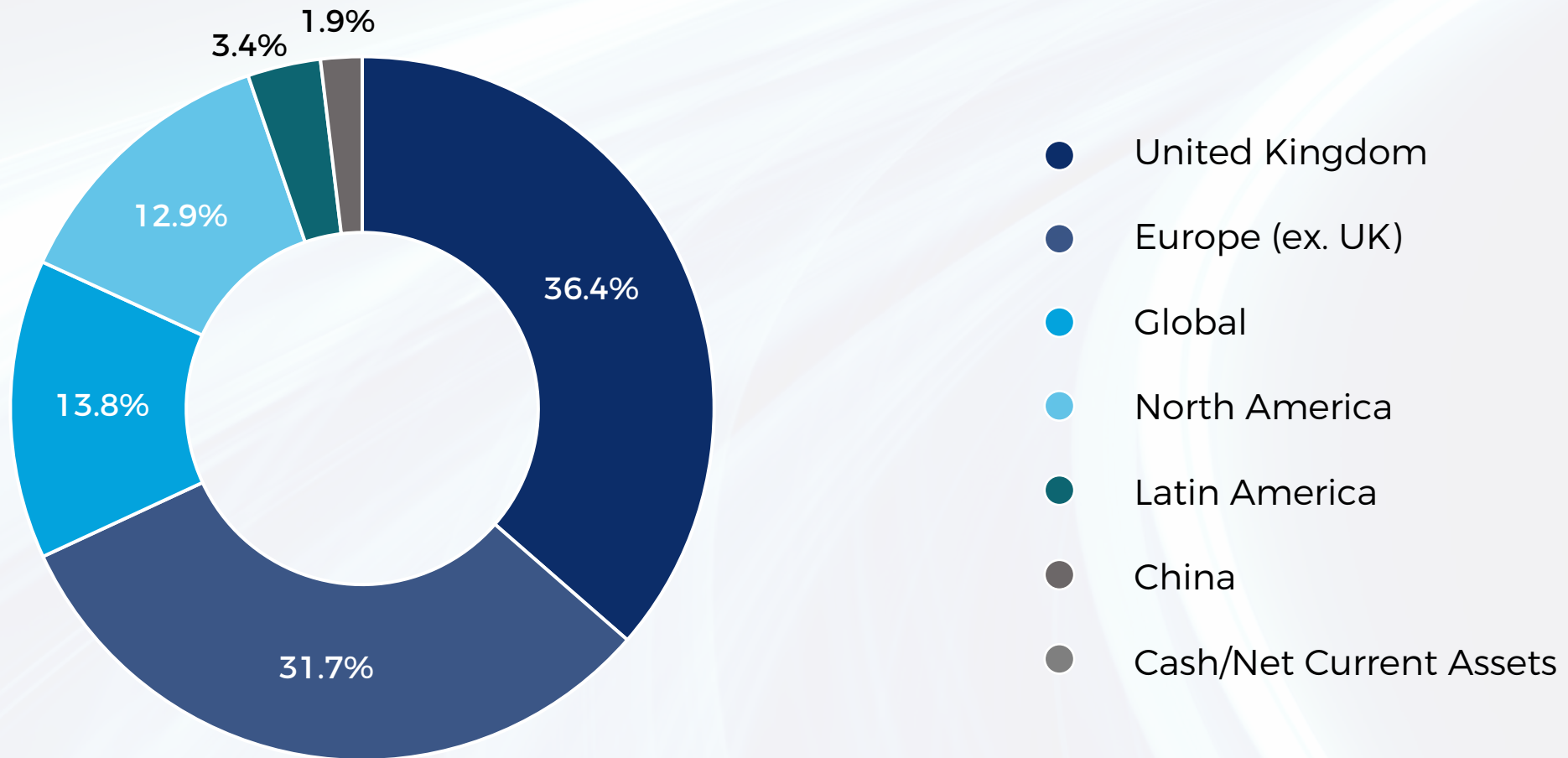


- Solar
- Onshore wind
- Offshore wind
- Flexible & conventional generation / CHP
- Battery storage
- Biomass production & generation
- Electricity networks
- Turbine installation vessels
- Hydro
- Unclassified / non-renewable
- Gas networks
- Hydro storage
- Geothermal
- Waste to Energy / Anaerobic digestion
- Energy retail / trading
- Gas storage
- Energy efficiency
- Hydrogen
- Non specified renewable development
- Cash

Source: Premier Miton, data as at 31.01.2024. Chart shows the estimated "look-through" technology exposures of the aggregated investment portfolio. Individual holdings have been divided into component parts based on relevant profit contributions, share of asset value, generation volume or capacity, based on published corporate data spanning 2022 and 2023 as appropriate. Calculations are made at the discretion of the fund manager based on a subjective analysis of published data. This analysis is intended as a guide only and is not a definitive statement of position.

Asset allocation may be above or below 100% due to rounding.

# Geographic allocation

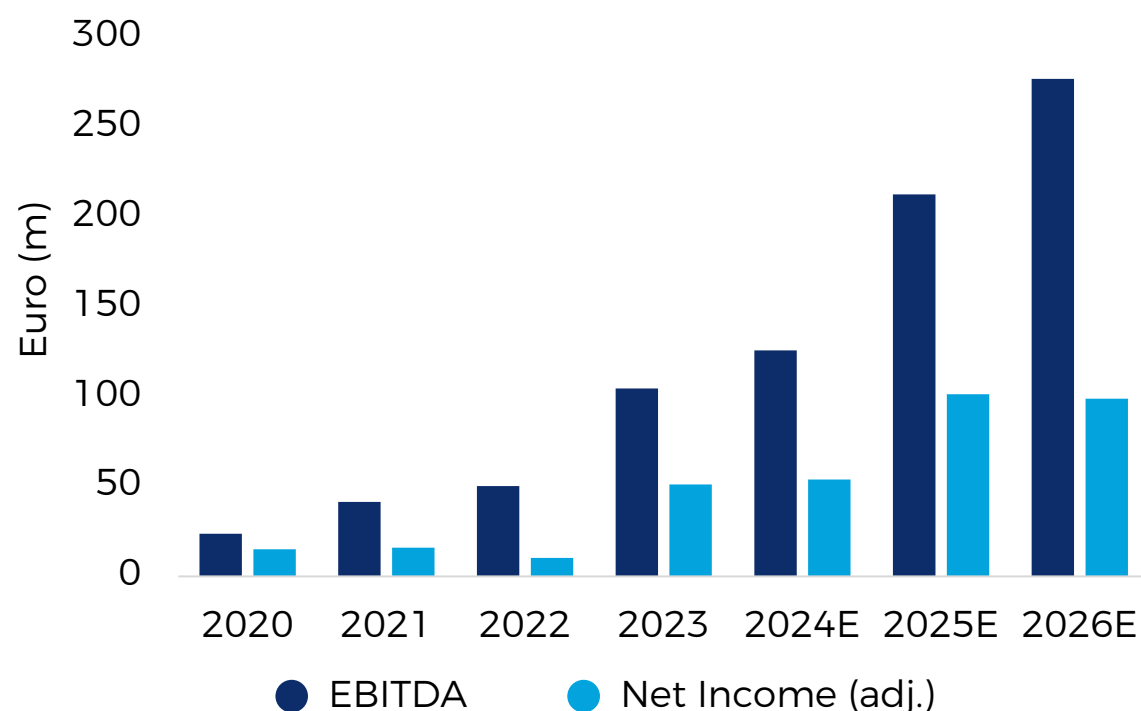


Source: Premier Miton, data as at 30.04.2024. Asset allocation may be above or below 100% due to rounding.

# Case study:

## Greenergy, growing strongly in the global solar market

### EBITDA and net income progression



### Investment arithmetic (Bloomberg consensus)

	2024e	2025e	2026e
P/E	15.8x	8.6x	9.3x
EV/EBITDA	12.0x	7.1x	5.5x
Price/Book	2.3x	1.9x	1.5x
Return on equity	14.4%	21.7%	16.3%



# Case study:

## Greenergy, growing strongly in the global solar market

Developer model, track record selling projects at 1.5x EV/IC over 2017-2023<sup>1</sup>

Retains profits for equity investment in owned assets

Allows development of substantial asset base with low initial equity requirement

1.7 GW solar capacity at Nov 23, target 3.5 GW solar capacity plus 3.0 GWh battery capacity by 2026<sup>2</sup>

Source: Greenergy reports, Bloomberg consensus forecast, data as at 13.12.2023. Notes: <sup>1</sup>EV/IC = Enterprise Value on sale / invested capital.

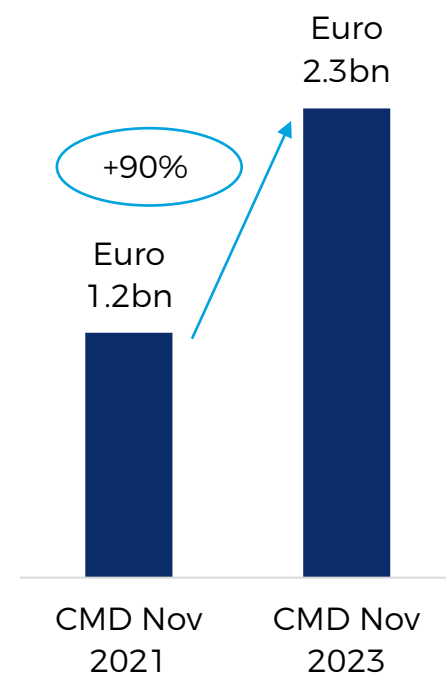
<sup>2</sup>Capacity stated as operational + under construction. **Forecasts are not reliable indicators of future returns.**



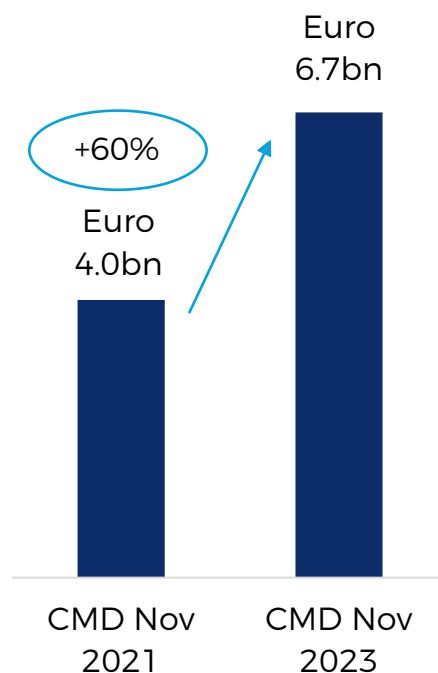
# Case study:

## RWE has not benefitted from forecasted higher earnings

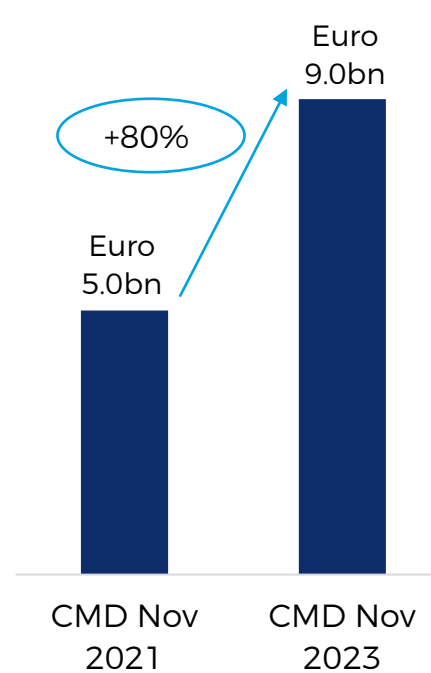
**2027 Net income guidance**



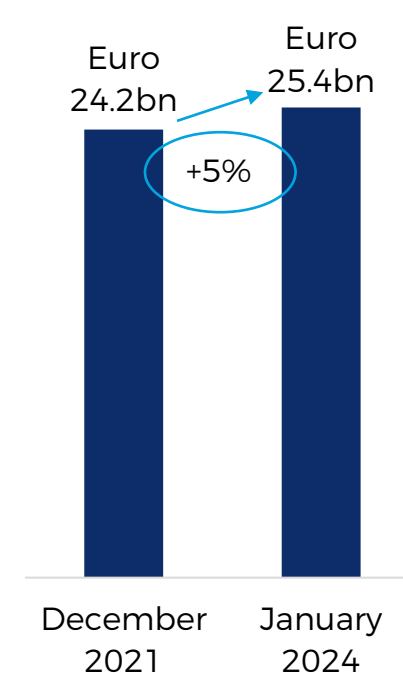
**2027 EBITDA guidance**



**2030 EBITDA guidance**



**Market capitalisation**



**RWE's market cap flat despite substantial increase in future growth and earnings from prior expectations**

# Important information

**For Investment Professionals only. No other persons should rely on the information contained within.**

Whilst every effort has been made to ensure the accuracy of the information provided, we regret that we cannot accept responsibility for any omissions or errors.

The views and opinions expressed here are those of the author at the time of writing and can change; they may not represent the views of Premier Miton and should not be taken as statements of fact, nor should they be relied upon for making investment decisions.

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