

NEXTENERGY **SOLAR FUND**

NextEnergy Solar Fund Limited
Results for the six months ended 30 September 2019

Analyst Presentation –14 November 2019

Agenda – Presented by NextEnergy Capital, Investment Adviser



MICHAEL BONTE-FRIEDHEIM
NEC Founding Partner & CEO

- Investment Update – Michael Bonte-Friedheim



ALDO BEOLCHINI
NEC Managing Partner & CIO

- Financial Results – Aldo Beolchini

- Q&A - Appendix



Investment Update

Investment Highlights

30 September 2019

- NAV – £649m
- NAV/share – 111.2p
- GAV – £1,060m

- Investment portfolio of **89** solar PV assets amounting to an increase in 14MWp of capacity installed
- Construction of first subsidy-free asset completed: Hall Farm II of 5.4MWp
- Issuance of second tranche of **£100m** Preference Shares in August 2019. Proceeds were partially used to repay existing short-term financing facilities, with the balance used for investments
- The construction of Staughton, a **50 MWp** subsidy-free asset, has progressed smoothly and is on track to be energised by the end of this financial year
- Acquired one operating UK solar asset during the last six months in Northern Ireland
- Portfolio outperformance resulted in energy generation above budget (515GWh generated, +5.0% above budget) with a positive asset management alpha of **+0.2%**

31 March 2019

- NAV – £645m
- NAV/share – 110.9p
- GAV – £1,014m

Continuous Operating Outperformance

Period	Assets monitored	Irradiation (delta vs. budget)	Generation (delta vs. budget)	Asset Management Alpha ⁽¹⁾
First half 2015/16	17	+2.9%	+5.7%	+2.8%
First half 2016/17	31	+0.0%	+3.2%	+3.2%
First half 2017/18	41	+0.5%	+2.0%	+1.5%
First half 2018/19	84	+8.4%	+7.9%	-0.5%
First half 2019/20	85	+4.8%	+5.0%	+0.2%
Cumulative from IPO to 30 September 2019	85	+2.5%	+5.0%	+2.5%

Notes:

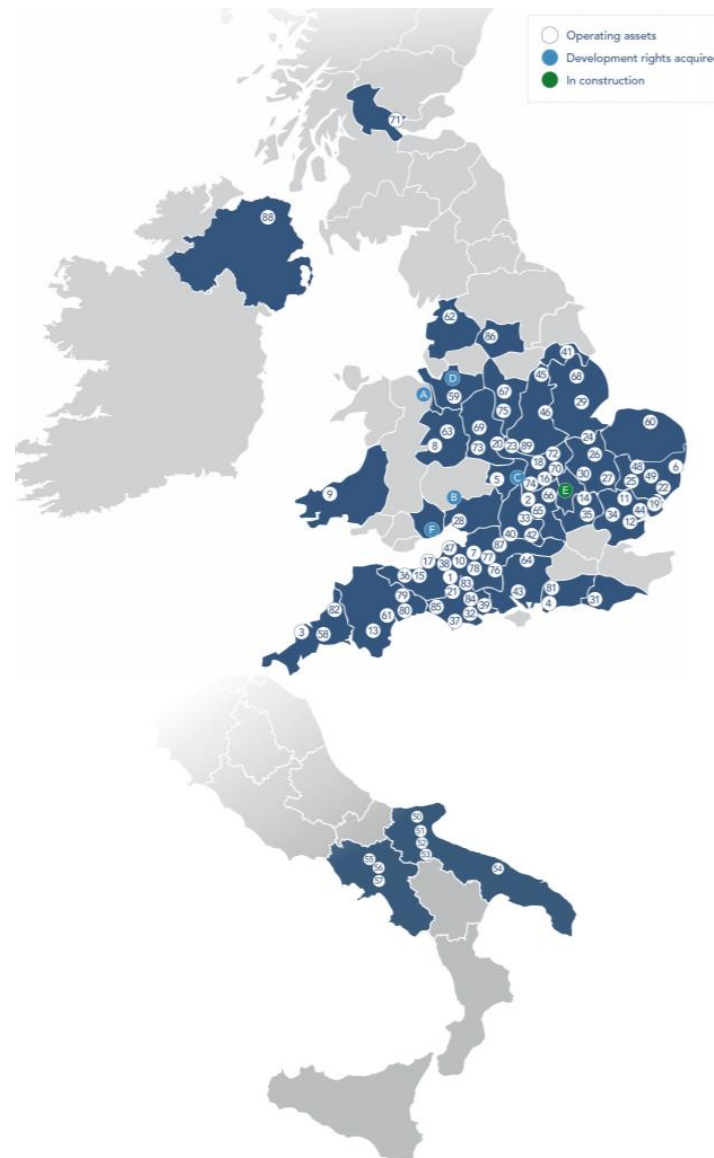
(1) Asset Management Alpha defined as energy generated by portfolio vs budget (adjusted for delta in irradiation)

- NESF's portfolio consistently generates more electricity than its acquisition budget (+5.0% since IPO)
- This portfolio outperformance is partially due to higher solar irradiation than forecasts (+2.5% since IPO) and to the Asset Management performance (+2.5% since IPO)
- The Asset Management Alpha would have been +1.0% for the six months ended September 2019 if Distribution Network Operator outages were excluded

Portfolio Assets

- NESF's 89 PV assets represent 705MW of installed capacity and £905m of invested capital
- NESF has 172MW of subsidy-free projects ready to be built or under construction

1	Higher Hatherleigh	36	Bowden
2	Shacks Barn	37	Stalbridge
3	Gover Farm	38	Aller Court
4	Bilsham	39	Rampisham
5	Brickyard	40	Wasing
6	Ellough	41	Flixborough
7	Poulshot	42	Hill Farm
8	Condover	43	Forest Farm
9	Llywndu	44	Birch CIC
10	Cock Hill Farm	45	Barnby
11	Boxted Airfield	46	Bilsthorpe
12	Langenhoe	47	Wickfield
13	Park View	48	Bay Farm
14	Croydon	49	Honington
15	Hawkers Farm	50	Macchia Rotonda
16	Glebe Farm	51	Iacovangelo
17	Bowerhouse	52	Armiento
18	Wellingborough	53	Inicorbaf
19	Birch Farm	54	Gioia del Colle
20	Thurlestone Leicester	55	Carinola
21	North Farm	56	Marcianise
22	Ellough Phase 2	57	Riardo
23	Hall Farm	58	Gilley's Dam
24	Decoy Farm	59	Pickhill Bridge
25	Green Farm	60	North Norfolk
26	Fenland	61	Axe View
27	Green End	62	Low Bentham
28	Tower Hill	63	Henley
29	Branston	64	Pierces Farm
30	Great Wilbraham	65	Salcey Farm
31	Berwick	66	Thornborough
32	Bottom Plain	67	Temple Normaton
33	Emberton	68	Fiskerton Phase 1
34	Kentishes	69	Huddlesford HF
35	Mill Farm	70	Little Irchester



71	Balhearty
72	Brafield
73	Huddlesford PL
74	Sywell
75	Coton Park
76	Hook
77	Blenches
78	Whitley
79	Burrowton
80	Saundercroft
81	Raglington
82	Knockworthy
83	Chilton Canetello
84	Crossways
85	Wyld Meadow
86	Ermis
87	Angelia
88	Ballygarvey
89	Hall Farm 2

To be built/
under construction:

A	Francis/Gourton
B	Strensham
C	Radbrook
D	Moss
E	Staughton
F	Llanwern

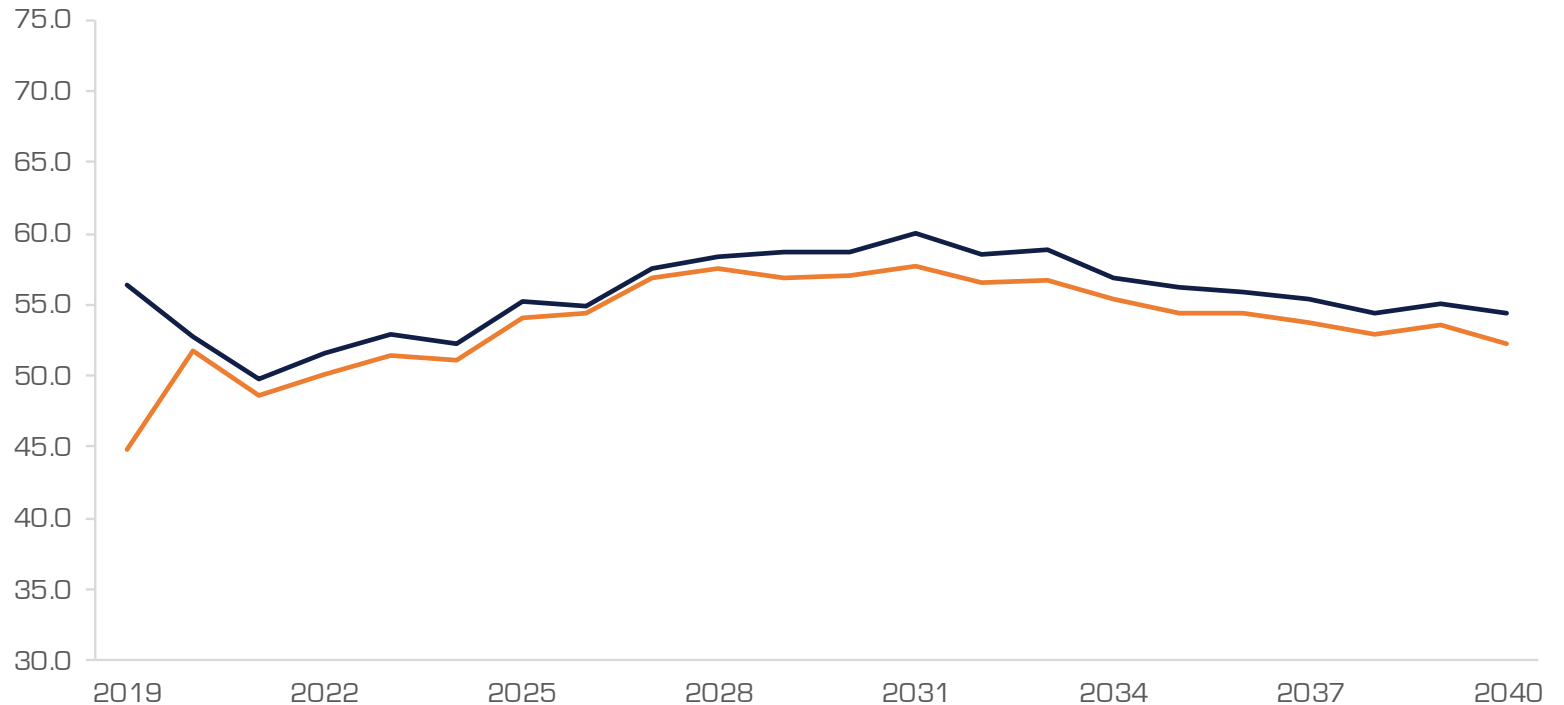
Subsidy-free construction: Staughton Airfield

- In August 2019, NESF energised its maiden subsidy-free asset in the UK, Hall Farm II
- Staughton is a subsidy-free 50MWp plant near the Bedfordshire/Cambridgeshire border
- NESF expects Staughton to be connected to the grid by the end of the financial year
- Staughton will be one of the largest solar plants in the UK



UK Energy Market Prices

Forecast UK Power Price (Real 2019 - £/MWh) ⁽¹⁾



— NAV Sep 19 - Weighted Average Blended Power Curve
— NAV March 19 - Weighted Average Blended Power Curve

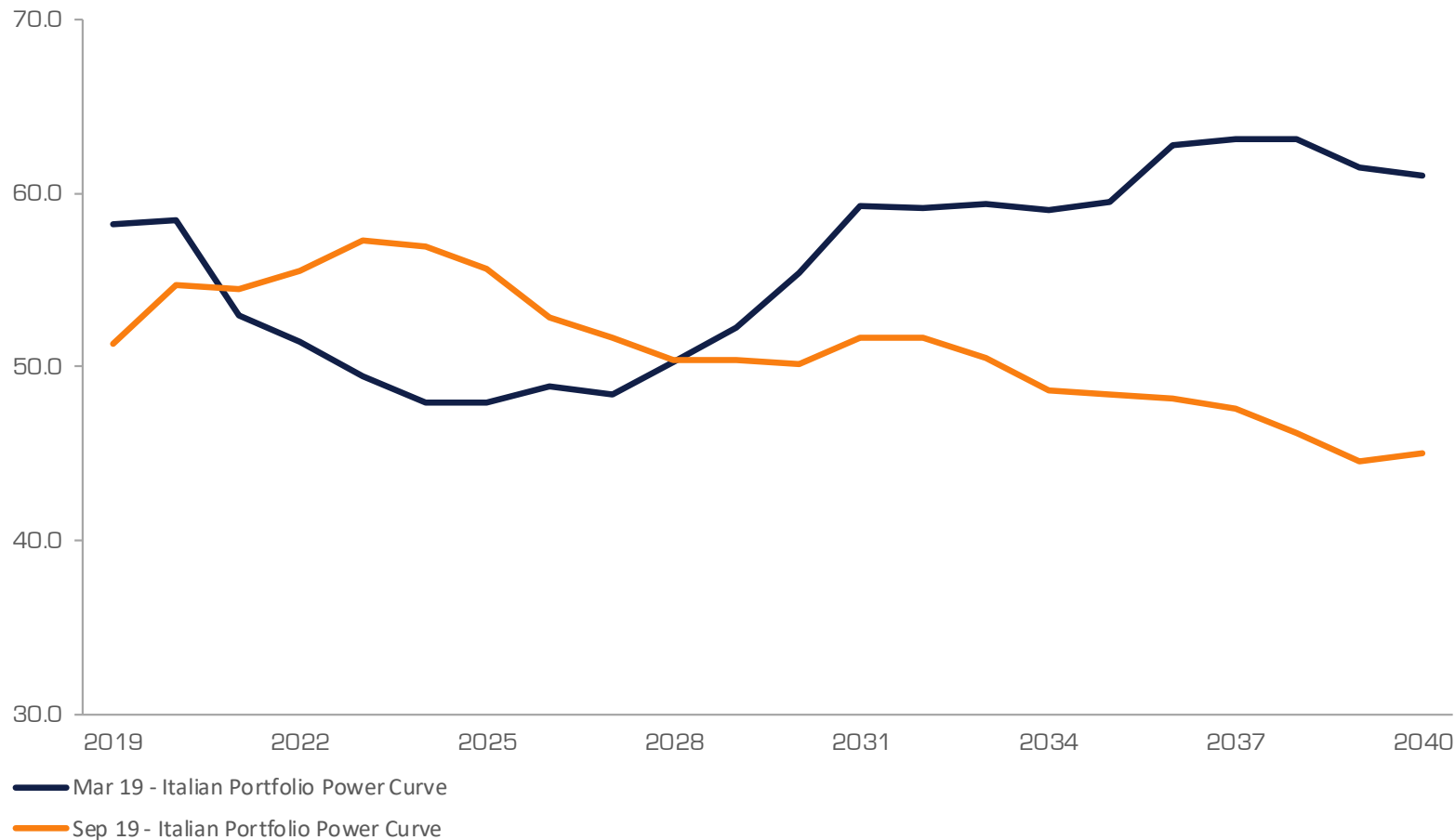
Notes:

(1) Source: Two Independent Energy Market Consultants

(2) Captured price is lower than Power Curve due to long term PPA arrangements and Export Tariffs

Italy Energy Market Prices

Forecast Italy Power Price (Real 2019 - €/MWh)⁽¹⁾



Notes:

(1) Source: Independent Energy Market Consultant

Portfolio's Secured Power Prices

	Apollo - ROC Assets (226 MW)		Radius and NIBC assets (112 MW)	
	Output Locked	Locked Price (£/MWh)	Output Locked	Locked Price (£/MWh)
Winter 2019 / 2020	70.0%	57.2	70.0%	57.2
Summer 2020	35.0%	54.2	35.0%	54.2
Winter 2020 / 2021	25.0%	59.9	25.0%	59.9

	Three Kings (53 MW)	Private Wire (5 MW)	UK FiT Assets (53 MW)	
	Locked Price (£/MWh)	Locked Price (£/MWh)	Export Tariff - 43MW (£/MWh)	Export Tariff - 10MW (£/MWh) ⁽¹⁾
Winter 2019 / 2020	40.7	55.0	53.8	37.9
Summer 2020	39.2	55.0	55.2	38.8
Winter 2020 / 2021	41.5	55.0	55.2	39.4

Remaining UK assets (208 MW)	
Locked Price (£/MWh)	Power Curve (£/MWh)
56.0	52.4
54.6	51.2
58.0	54.5

	Solis (34 MW)
	Italian Power Curve (€/MWh)
Winter 2019 / 2020	53.7
Summer 2020	56.9
Winter 2020 / 2021	57.1

Notes:

(1) Company can choose not to elect for Export tariff at any given time for a period of 12-months

■ NEC continues to secure higher power prices through its flexible PPA framework

■ Power prices are contracted with different off-takers either through a trading framework agreement or short term fixed PPA

■ NEC continues to optimise the PPA structure to allow the capture of higher prices and diversifying its suppliers in order to obtain the best market terms available

■ Solis portfolio has only limited exposure to the Italian wholesale power market (15% of Solis revenues)

Strategic Focus 2019/20

- Optimisation of revenues and reduction of operating expenses of current portfolio of assets
- Continued focus on developing our electricity sales strategy (e.g. corporate PPAs or direct-wire agreements) to maximise value from our assets and deliver further cost efficiencies
- We will continue to review deployment of ancillary solar technologies to mitigate the generation risks of individual assets
- We are targeting a total of between 100 MW and 150 MW in subsidy-free solar plants, building upon our success with Hall Farm II
- We continue to work on extending the life of the remaining portfolio, as at 30 September 2019 we have successfully secured life extensions on 24 assets. We are targeting a further 31 sites, with 5 sites expected to secure extensions by the end of the calendar year



Financial Results

Financial Highlights

- Net Asset Value grew from £645m to £649m. **NAV per share increased to 111.2p**
- **Second Issuance of Preference Shares for £100m** on 12 August 2019
 - Proceeds applied to repayment of short-term debt facilities, with the balance used for investments
- Debt financing: **39% gearing level** (31 March 2019: 36%) including Preference Shares
 - Pre-existing £70m Revolving Credit Facility partially drawn down (£56m available)
 - Pre-existing £20m Revolving Credit Facility available and undrawn
- Earnings per share of 3.62p
 - Achieved target dividend of 6.65p per share for the year ended 31 March 2019
 - On track to pay a dividend of 6.87p per share for the year ended 31 March 2020
 - **Cash dividend cover pre-scrip of 1.3x** (30 September 2018: 1.2x)
- **Ongoing charges ratio stable at 1.1%** (31 March 2019: 1.1%)

Track Record since IPO

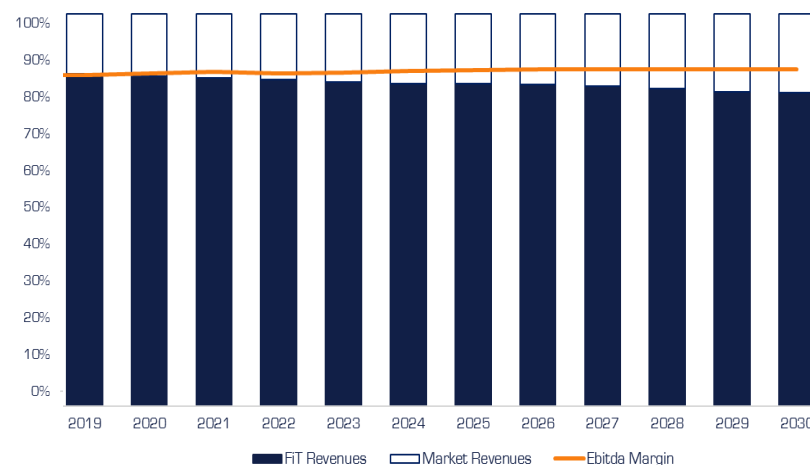
Financial KPI	Six months ended 30 September 2019	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016
Ordinary shares in issue	583.6m	581.7m	575.7m	456.4m	278.0m
Ordinary share price	122.0p	117.5p	111.0p	110.5p	97.75p
Market capitalisation of ordinary shares	£712m	£683m	£639m	£504m	£272m
NAV per ordinary share*	111.2p	110.9p	105.1p	104.9p	98.5p
Total ordinary NAV	£649m	£645m	£605m	£479m	£274m
Premium/(discount) to NAV*	9.7%	6.0%	5.6%	5.3%	(0.8%)
Earnings per ordinary share	3.62p	12.37p	5.88p	13.81p	0.78p
Dividends per ordinary share	3.44p	6.65p	6.42p	6.31p	6.25p
Dividend yield*	5.63%	5.66%	5.78%	5.71%	6.39%
Cash dividend cover – pre-scrip dividends*	1.3x	1.3x	1.1x	1.1x	1.2x
Preference shares in issue	200m	100m	–	–	–
Debt outstanding at subsidiaries level	£211m	£269m	£270m	£270m	£217m
Gearing level (debt + preference shares/GAV)*	39%	36%	31%	36%	44%
GAV	£1,060m	£1,014m	£875m	£749m	£489m
Weighted average cost of capital	5.5%	5.4%	5.8%	5.9%	5.8%
Weighted average lease life	25.5 years	25.2 years	23.3 years	24.6 years	25.7 years
Ordinary shareholder total return – cumulative since IPO	54.6%	46.7%	33.6%	26.7%	6.1%
Ordinary shareholder total return – annualised since IPO	10.0%	9.5%	8.5%	9.1%	3.2%
Ordinary shareholder total return	6.7%	11.8%	6.2%	21.1%	0.2%
FTSE All-Share total return	4.0%	8.8%	1.4%	20.9%	(3.6%)
Ordinary NAV total return*	3.23%	11.8%	6.3%	14.4%	3.7%
Ordinary NAV total return – annualised since IPO*	8.0%	8.1%	7.0%	4.9%	1.9%
Invested capital*	£932m	£896m	£734m	£522m	£481m
Ongoing charges ratio ¹	1.1%	1.1%	1.1%	1.2%	1.2%
Weighted average discount rate	7.0%	7.0%	7.3%	7.9%	7.7%

Solis Portfolio

- High risk-adjusted returns (9.4% at acquisition)
- Positive contribution to dividend cover – 1.4x supporting the Company's overall dividend targets
- NAV accretion – Solis portfolio is valued with a discount rate of 8.0% (2018: 9.0%) as a result of deleverage and increased market value of solar PV assets in Italy
- Low risk profile – c.85% of revenues are subsidised, debt fully repaid, stable EBITDA margins in excess of 80% and efficient currency hedge
- Diversify market risk – Italy is amongst the ten largest solar market globally

Business Case: Solis Acquisition and performance

- Acquisition of eight solar plants in Italy in December 2017 for a total installed capacity of 34.5MWp and total value of €132m
- The €74.7m long term project financing in place was fully repaid following issuance of the preference shares in November 2018
- FX hedging structure extended - 92% of the expected cashflows generated by the Solis portfolio are fully hedged for the next 15 years at an average FX rate of 0.89 EUR/GBP inclusive of all hedging costs
- Positive Asset Management Alpha of 1.4% for the six months ended 30 September 2019



Assets	Since Acquisition		
	Irradiation Delta (%)	Generation Delta (%)	Generation Alpha (%)
Armiento	2.4%	4.7%	2.3%
Lacovangelo	2.0%	4.1%	2.1%
Inicorbaf	2.1%	4.1%	1.9%
Macchia Rotonda	2.8%	2.7%	-0.1%
Gioia del Colle	-3.3%	0.6%	3.9%
Carinola	-0.4%	3.4%	3.8%
Marcianise	0.2%	2.1%	1.9%
Riardo	-0.2%	-0.4%	-0.2%
Solis Portfolio	+0.4%	+2.3%	+1.9%

Portfolio Valuation

Discount rates

- **6.50% unlevered discount rate** for UK operating solar assets (2018: 6.75%)
- Up to 1.0% risk premium for the levered assets/portfolios
 - Resulting **levered discount rates of up to 7.50%** for levered assets
- Discount rate of 8.00% for the Italian Solis portfolio implying **1.50% risk premium** (2018: 1.25%)
- Weighted average discount rate decreased to 7.0% (2018: 7.3%)
- Weighted average cost of capital of 5.5% (2018: 5.6%)

Drivers of portfolio valuation

- The downward revisions in the forecasts for long-term power prices, being 4.6% lower compared to the assumptions employed at 31 March 2019 (taking into account the most recent forecasts released by the Consultants up to the date of preparation of this Interim Report)
- The value uplift generated by acquisitions of assets whose IRR at acquisition was higher than the Company's discount rate
- The operating results achieved by the Company's portfolio
- The dividends paid by the Company during the period and the Company's operating costs
- The uplift arising from lease extensions

Optimised Capital Structure

- NESF has total financial debt facilities outstanding of £211m which represent 20% of GAV (excluding preference shares)

- £70m of which is a Santander RCF, with an additional £20m available through NIBC RCF

- Average all-in cost of debt of 3.5%

- Bayern, UniCredit, ING and short term facilities have been repaid after the first issuance of Preference Shares

Equity

Ordinary Shareholders



- 583.6m Ordinary Shares in issue, targeting a total dividend of 6.87p per ordinary share for the financial year ending 31 March 2020

Preference shares

BAE SYSTEMS



- Two £100m tranches issued in November 2018 and August 2019
- Non-redeemable and non-voting shares entitled to a fixed preferred dividend of 4.75% p.a. with conversion rights from 1 April 2036 at nominal value
- Option to redeem at nominal value starting from 1 April 2030 for six years at sole discretion of the Company

Financial debt facilities



- Fully amortising facility (£148m outstanding) expiring in 2035
- Unique NAV-enhancing features (grace period, DSRF, flexible PPA)

Macquarie Infrastructure Debt Investment Solutions ("MIDIS")



- Fully amortising facility (£50m outstanding) expiring in 2034
- Debt in place at completion of Radius portfolio in April 2016
- Replacement of DSRA with LoC in March 2018



NIBC

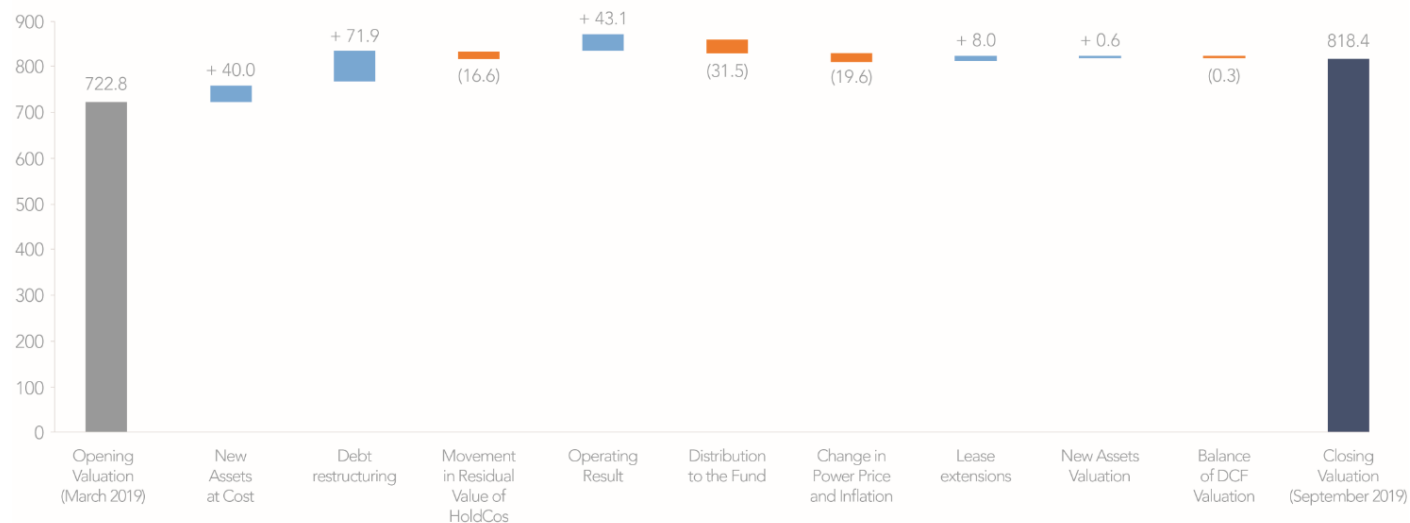


- NIBC Revolving Credit Facility of £20.0m, undrawn and available until February 2020
- Santander Revolving Credit Facility of £70.0m, partially drawn (£14.0m) and available until July 2020

NAV and Portfolio Valuation Bridges

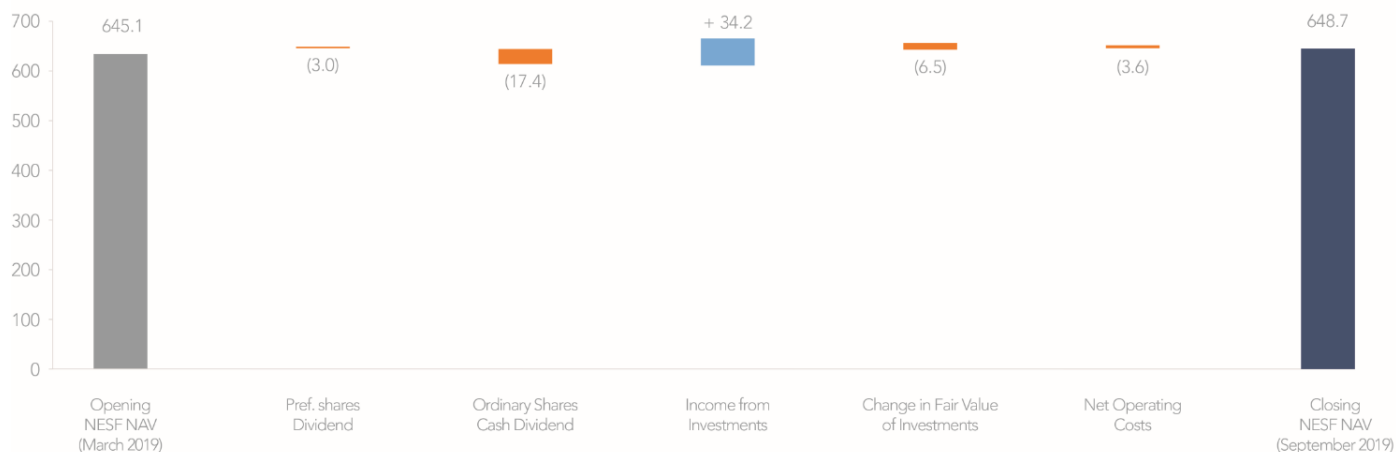
Portfolio Valuation Bridge – For the period to 30 September 2019

Valuation (£m)



NAV Bridge – For the period to 30 September 2019

NAV (£m)



Robust Dividend Cover

- During the period the Company generated cash income of £32.9m, had net operating costs of £3.6m and paid a preference shares dividend of £3m
- Issuance of preference shares has improved cashflows by £2.3m during the period, with a £4m improvement expected for the financial year
- For illustrative purpose only, a theoretical principal instalment on the Apollo financing for the period would have reduced cashflow by £3.0m with an impact of 0.1x on cash dividend cover

Dividends declared	Month of payment	Amount per ordinary share (p)	Total pre-scrip dividends £'000
For the period 2014/15		5.2500	10,946
For the year 2015/16		6.2500	17,372
For the year 2016/17		6.3100	25,039
For the year 2017/18		6.4200	36,840
First quarterly dividend for the year 2018/19	Sep-18	1.6625	9,608
Second quarterly dividend for the year 2018/19	Dec-18	1.6625	9,646
Third quarterly dividend for the year 2018/19	Mar-19	1.6625	9,666
Fourth quarterly dividend for the year 2018/19	Jun-19	1.6625	9,671
First quarterly dividend for the year 2019/20	Sep-19	1.7175	10,002
Total dividends declared to date		32.5985	138,790
Second quarterly dividend for year 2019/20	Dec-19	1.7175	10,023

Cash income ⁽¹⁾⁽²⁾	£'000	Pre-scrip dividends £'000
Cash income for period to 30 September 2019	32,906 ⁽¹⁾	
Net operating expenses for period to 30 September 2019	(3,596)	
Preference shares dividend	(3,032)	
Net cash income available for distribution	26,278	
Ordinary shares dividend paid during the period		19,673
Cash dividend cover		1.3x

(1) Cash income differs from the Income in the Statement of Comprehensive Income. This is because the Statement of Comprehensive Income is on an accruals basis.

(2) Alternative Performance Measure.



Q&A – Appendix

NESF Overview

NextEnergy Solar Fund

- Attractive acquisition values sourced by NextEnergy Capital
- Operational outperformance supported by WiseEnergy ensuring optimal asset management
- Targeting a quarterly dividends linked to UK RPI (6.87p/share for year 2019/20)
- Reinvestment of cash surplus to sustain NAV over time

About NextEnergy Capital Group ("NEC Group")

- NextEnergy Capital IM Ltd and NextEnergy Capital Ltd are both members of the NEC Group. NextEnergy Capital Limited acts as the investment adviser to NextEnergy Capital IM Limited, the Investment Manager of NESF.
- Through its operating asset management division, WiseEnergy, the NEC Group has managed and monitored over 1,300 utility-scale solar power plants (with an installed capacity in excess of 1.9GW) for a client base which includes leading European banks and equity investors (including private equity funds, listed funds and institutional investors).
- The NEC Group also manages NextPower II LP, a €232m private equity fund dedicated to solar PV investments in Italy, and NextPower III LP, a \$750m private equity fund dedicated to solar PV investments globally.

ESG KPIs

30 September 2019

- **134,000 UK homes** powered for six months (equivalent to Bournemouth and Bradford combined)
- **131,000 tonnes of CO₂** emissions avoided during the six months ended 30 September 2019

- The mission of the NEC Group is to generate a more sustainable future by leading the transition to clean energy
- Following an acquisition, WiseEnergy monitors and reports on specific ESG KPIs throughout the operation phase
- ESG KPIs can be either quantitative or qualitative and have been selected based on the Sustainable Development Goals framework

31 March 2019

- **184,000 UK homes** powered for one year (equivalent to Northampton and Portsmouth combined)
- **195,600 tonnes of CO₂** emissions avoided p.a.

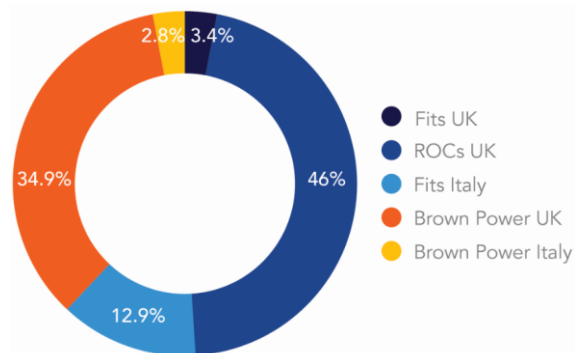
Our Mission

To generate a more sustainable future by leading the transition to clean energy

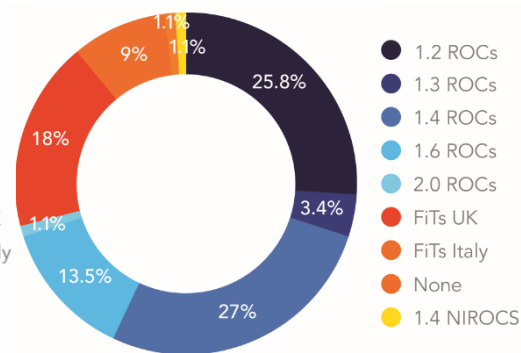


Investment Portfolio Diversification

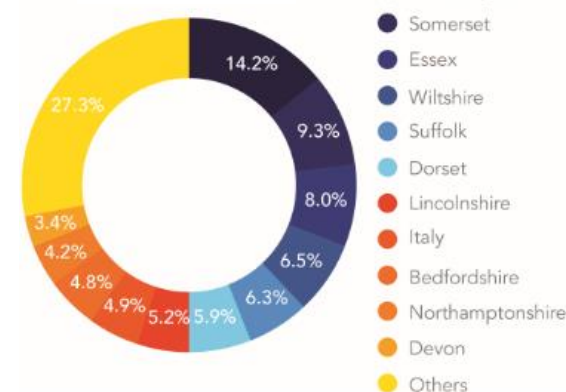
By Revenue Type



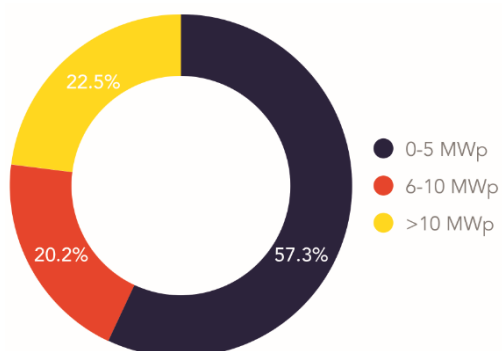
By Regulatory Regime



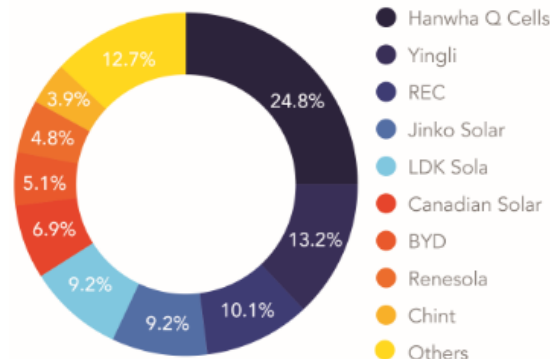
By Location



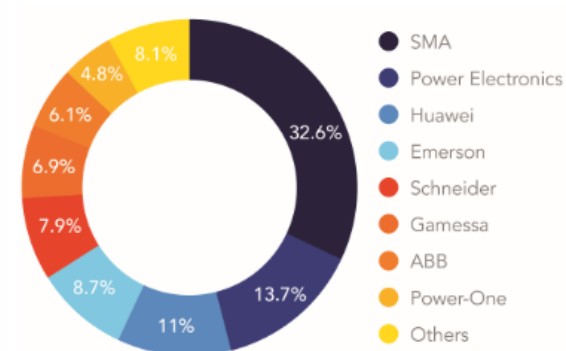
By Installed Capacity



By Solar Module Manufacturer



By Inverter Manufacturer

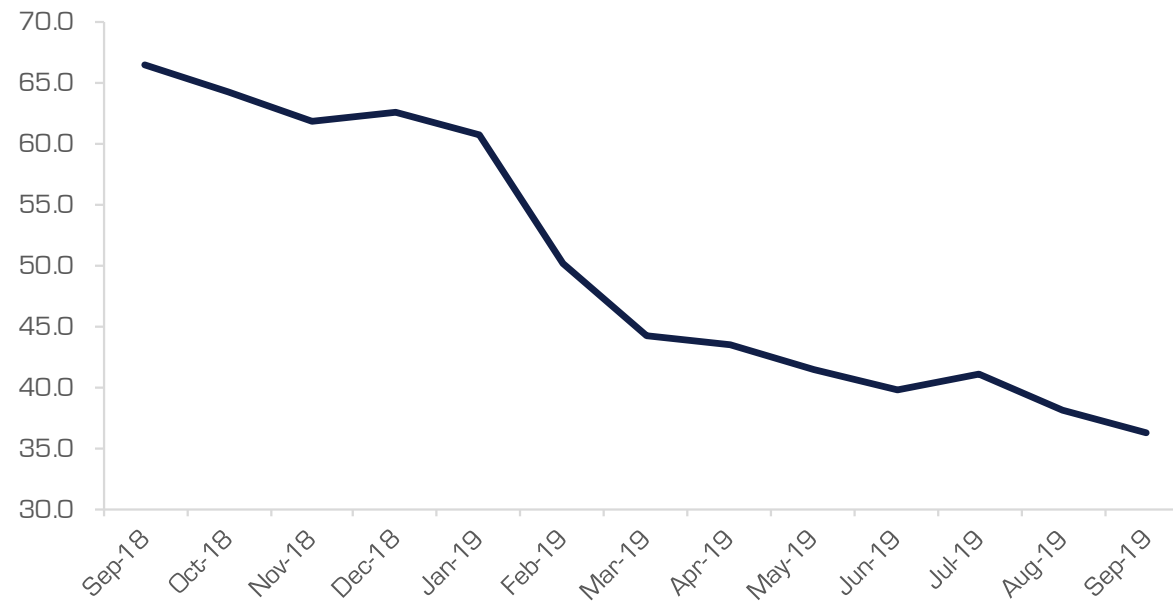


UK Energy Market

Power Prices

- Compared to the previous interim period end, the wholesale day ahead power market in the UK experienced a downward movement from £67/MWh in September 2018 to £36/MWh in September 2019
- The Company's flexible PPA framework allowed NESF to lock in higher power prices

Historical UK Power Prices (£/MWh) ⁽¹⁾



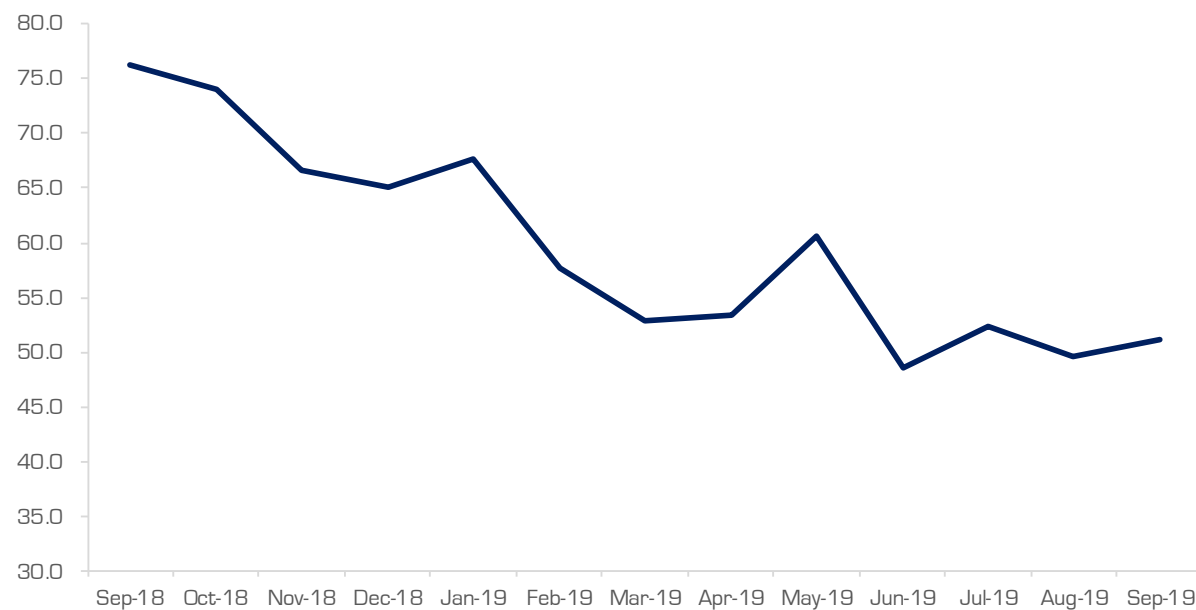
⁽¹⁾ Source: N2EX – UK Baseload – day ahead

Italy Energy Market

Power Prices

- Compared to the previous interim period end, the wholesale day ahead power market in Italy experienced a downward movement from €76/MWh in September 2018 to €51/MWh in September 2019

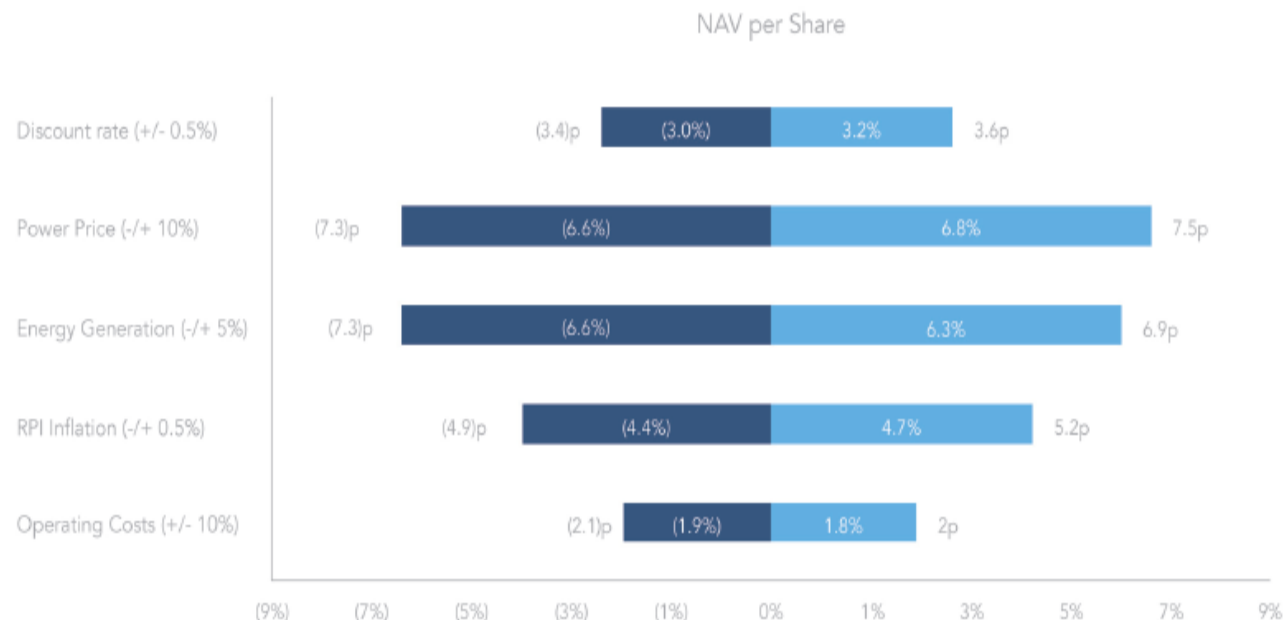
Historical Italy Power Prices (€/MWh) ⁽¹⁾



⁽¹⁾ Source: Gestore del Mercato Elettrico S.p.A.

NAV Sensitivities

- The long-term sensitivity analysis highlights the % change in the investment portfolio value (£647m) as well as the subsequent impact on NAV per share
- As of 30 September 2019, the remaining weighted average lease life of the Company's assets was 25.5 years

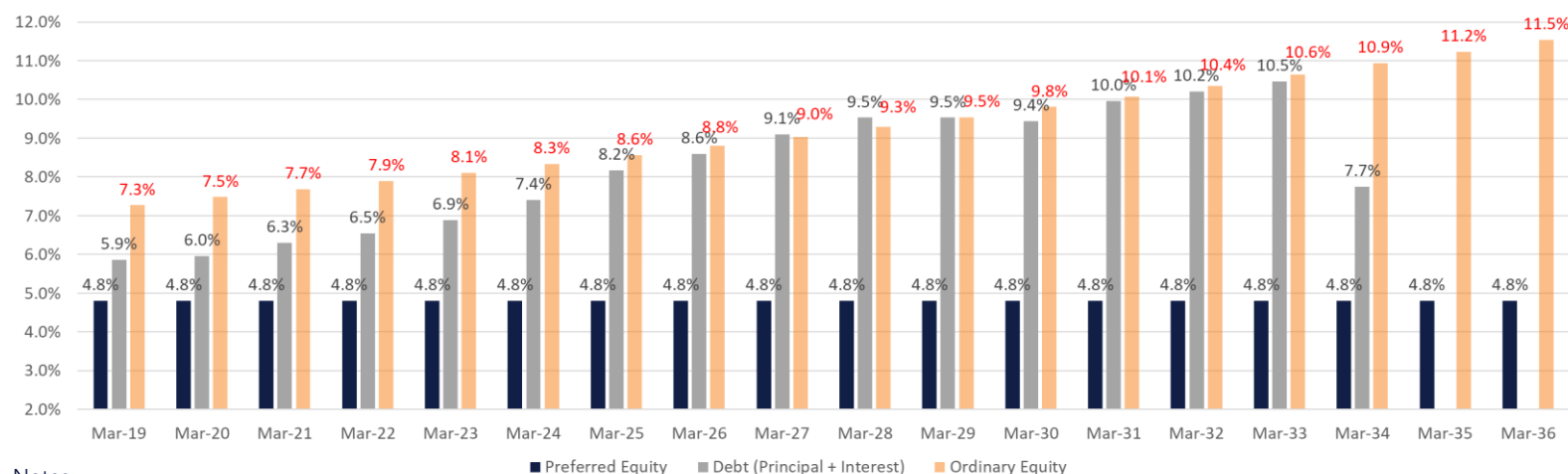


The sensitivity highlights the percentage change in the portfolio resulting from a change in the underlying variables. It also shows the impact on the NAV per share.

Preference Shares

- An issuance of £200m is expected to increase dividend cover by 0.15x and returns by 1.09% for ordinary shareholders ⁽²⁾
- Simplify the capital structure by reducing the exposure to secured debt financing
- On 8 November 2018, the Shareholders approved the issuance of £200m of Preference Shares. The Company issued the first tranche of £100m in November 2018, and the second tranche of £100m Preference Shares were issued in August 2019
- Value accretive features:
 - lower issue cost of 1.1% compared to other capital raising avenues
 - lower cash cost with a fixed preferred dividend of 4.75% and no redemption requirements
 - option to redeem at nominal value starting from 1 April 2030 for six years at sole discretion of the Company
 - non-redeemable / non voting shares⁽¹⁾ with holder's conversion right starting from 1 April 2036 at nominal value (plus unpaid dividend if any) relative to NAV per Ordinary Share at the date of conversion (thus no refinancing risk)

Alternative Funding Sources - Comparison of Fully-Costed Cost of Capital



Notes:

(1) Redemption rights in the event of delisting or change of control of the Company – Voting rights in the event of detrimental changes to the Investment Policy or Articles.

(2) Estimates only based on a typical UK solar portfolio and when compared to issuance of new ordinary shares.

Summary of the Financial Debt outstanding

- Total debt outstanding at period end was £211m which represents a gearing of 39% (including £200m preference shares)
- Average Cost of Debt is 3.5%
- NESH V entered into a 15 year FX hedging arrangement with Intesa over the expected dividends from the Solis portfolio. In March 2019, the hedging was increased to an additional c.€89m with an average forward exchange rate of 0.89 EUR/GBP including costs.

Provider/ arranger	Type	Borrower	Tranches	Facility amount £m	Amount outstanding £m	Termination (including options to extend)	Applicable rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH	Medium-term	48.4	48.4	Dec-26	2.91% ⁽¹⁾
			Floating long-term	24.2	24.2	Jun-35	3.68% ⁽¹⁾
			Index linked long-term	38.7	36.4	Jun-35	RPI index + 0.36%
			Fixed long-term	38.7	38.7	Jun-35	3.82%
			Debt Service Reserve Facility	7.5	0.0	Jun-26	1.50%
MIDIS	Fully-amortising long-term debt	NESH IV	Inflation linked	27.5	23.7	Sep-34	RPI index + 1.44%
			Fixed long-term	27.5	25.9	Sep-34	4.11%
Total long-term debt					197.3		
NIBC	RCF	NESH II	n/a	20.0	–	Feb-20	LIBOR +2.20%
Santander	RCF	NESH VI	n/a	70.0	14.0	Jul-20	LIBOR +1.30%
Total short-term debt					14.0		
Total debt					211.3		

1) Applicable rate represents the swap rate.

Important Notice

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