

NextEnergy Solar Fund Limited
Results for the period ended 30 September 2017

Analyst Presentation – 17 November 2017

Agenda – Presented by the Investment Adviser



MICHAEL BONTE-FRIEDHEIM
NEC Founding Partner & CEO

- Investment Update



ALDO BEOLCHINI
NEC Managing Partner & CFO

- Financial Results

- Q&A





Investment Update

Overview

NextEnergy Solar Fund ('NESF')

- Largest solar investment company listed on the LSE
- Attractive acquisitions sourced by NextEnergy Capital IM Limited
- Operational outperformance achieved by WiseEnergy ensuring optimal asset management
- On track to pay a quarterly dividend of 1.605p per share with a 6.42p per share for FY2018 targeting 100% RPI linkage
- Reinvestment of cash surplus to sustain NAV over time

About the NextEnergy Capital Group

- NextEnergy Capital IM Limited and NextEnergy Capital Limited are both members of the NextEnergy Capital Group. NextEnergy Capital Limited acts as the Investment Advisor to NextEnergy Capital IM Limited, which is the Investment Manager of NESF
- The NextEnergy Capital Group manages listed and private equity funds dedicated to solar PV investments for a total amount in excess of \$1bn
- Through its operating asset management division, WiseEnergy, the NextEnergy Capital Group has managed and monitored over 1,300 utility-scale solar power plants (comprising an installed capacity of approximately 1.9GW and an estimated c.£4.3 billion asset value) for a client base which includes both lending banks and equity investors

Investment Highlights

- Investment portfolio of 58 solar photovoltaic plants for c.539MW at the date of distribution of the Interim Report
- Acquired 12 new UK solar assets over the last six months and focused on completion of previous acquisitions
- First international acquisition with a portfolio of 8 solar plants with total installed capacity of 34.5MW in Italy, with attractive risk adjusted returns
- Total investment value of £580.8m at period end. Funds invested at **attractive valuations** vs. peers
- **Fully deployed the capital** raised with the July equity issuance. Currently investing proceeds of long term refinancing. **Further UK opportunities** under exclusivity for 193MW under ROCs plus additional subsidy-free projects
- At the same time, attention to portfolio performance resulted in energy generation above budget during the summer (307GWh generated with a **1.5% asset management alpha**) net of any grid outages and other one-off events

Continuous Operating Outperformance

- NESF's portfolio consistently generates more electricity than its acquisition budget (+3.3% since IPO)
- This portfolio outperformance is only partially due to higher solar irradiation than forecasts (+0.7%)

Period	Assets monitored	Solar irradiation (delta vs. budget)	Power generation (delta vs. budget)	Asset management alpha ⁽¹⁾
Full Year 2014/15	6	(0.4%)	+4.8%	+5.2%
First Half 2015/16	17	+2.9%	+5.7%	+2.8%
Full Year 2015/16	23	+0.4%	+4.1%	+3.7%
First Half 2016/17	31	+0.0%	+3.2%	+3.2%
Full Year 2016/17	31	(0.3)%	+3.3%	+3.6%
First Half 2017/18	41	+0.5%	+2.0%	+1.5%
Cumulative from IPO to September 2017	41	+0.7%	+3.3%	+2.6%

Notes:

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

First Investment Overseas – Solis Portfolio

Acquisition

- Portfolio of eight operating solar plants totalling **34.5MWp** located in Italy for a total value (equity and debt) of **€131.9m** (equivalent to c.£116.2m)

Assets

- All eight plants operational since 2011 and therefore boast a **significant operating history**
- c.80% of total expected revenues** fixed until 2031 under Italian FiT

Financing

- Long-term **non-recourse project finance** in place with **€76.9m** outstanding. Fully amortising and with **fixed interest rates** to maturity
- Following closing, NESF intends to put in a place a GBP/EUR hedging strategy to **eliminate currency fluctuation exposure** on expected revenue returns

Rationale

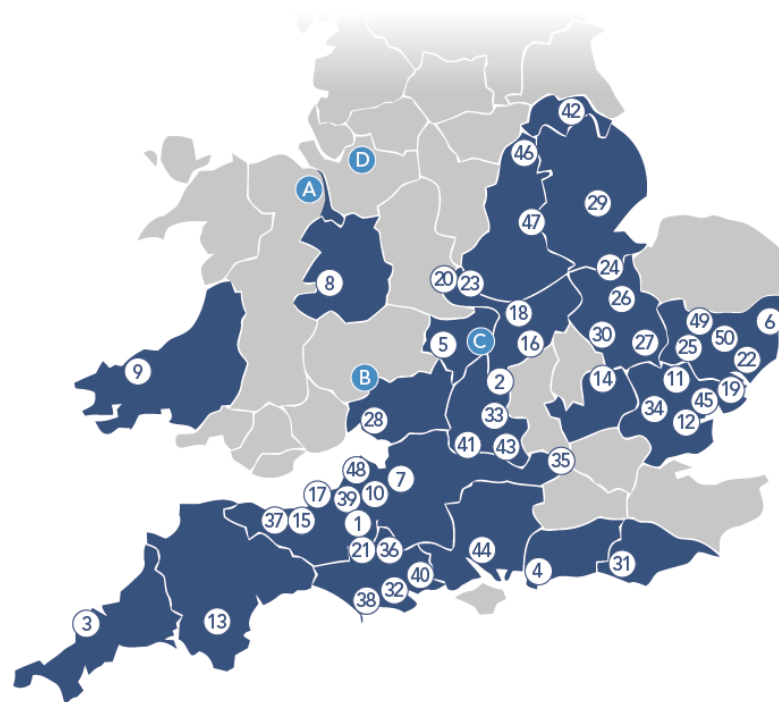
- Opportunities for technical, cost and financial optimisation
- Assessment and acquisition of portfolio and on-going management of plants facilitated by NextEnergy Capital Group's long-standing **presence and expertise in Italy**

NESF Investment Portfolio

Investment Portfolio as at 30 September 2017

1	Higher Hatherleigh
2	Shacks Barn
3	Gover Farm
4	Bilsham
5	Brickyard
6	Ellough
7	Poulshot
8	Condoover
9	Llywndu
10	Cock Hill Farm
11	Boxted Airfield
12	Langenhoe
13	Park View
14	Croydon
15	Hawkers Farm
16	Glebe Farm
17	Bowerhouse
18	Wellingborough
19	Birch Farm
20	Thurlestone Leicester
21	North Farm
22	Ellough Phase 2
23	Hall Farm
24	Decoy Farm
25	Green Farm
26	Fenland
27	Green End

28	Tower Hill
29	Branston
30	Great Wilbraham
31	Berwick
32	Bottom Plain
33	Emberton
34	Kentishes
35	Mill Farm
36	Long Ash Lane
37	Bowden
38	Stalbridge
39	Aller Court
40	Rampisham
41	Wasing
42	Flixborough
43	Hill Farm
44	Forest Farm
45	Birch CIC
46	Barnby
47	Bilsthorpe
48	Wickfield
49	Bayfarm
50	Honington



A	Francis/Gourton
B	Glebe
C	Radbrook
D	Moss

Current UK Pipeline

- NEC is negotiating multiple projects for NESF
- Exclusive pipeline amounts to c.193MW for an investment value of c.£187m
- Selectively focusing on investment opportunities with attractive acquisition metrics / return on capital employed

Tier 1: ROC Projects Under Exclusivity (Letters of Intent)

Power plants location	Regulatory regime	Plant capacity	Status
Multiple sites – ground based	1.2/1.3/1.6 ROCs	c.193.1MW	In operation

Tier 2: Subsidy-Free Projects Under Exclusivity (Letters of Intent or Acquired Rights)

Power plants location	Regulatory regime	Plant capacity	Status
Multiple sites – ground based	No subsidies	c.94.5MW	Ready to Build / Planning

Tier 3: Further Projects Under Negotiations

Power plants location	Regulatory regime	Plant capacity	Status
Multiple sites – ground based	ROCs/FITs/ No subsidies	c.364.2MW	In operation/ Planning

NESF Focus 2017 / 2018

Investment Activity

- Selective asset acquisition strategy
- Portfolio acquisitions
- Evaluation of subsidy-free projects

Operations

- Operating costs reduction
- Portfolio optimisation
- Asset on-boarding
- Preparation for portfolio refinancing



Financial Results

Financial Highlights

- Net Asset Value grew from £478.6m to £602.5m. **NAV per share grew from 104.9p to 105.1p**
- Completion of **equity raise for £126.5m** (June 2017)
- Final draw down of the last tranches of the £150m long-term debt financing
- Following period end, repayment of the Bayern facility in preparation of a new refinancing program
- Earnings per share of 2.69p. Net cash **dividend cover of 1.14x**
- On track to pay a 6.42p dividend per share for the year ended 31 March 2018

	As at 30 September 2017	As at 31 March 2017
Number of shares	573.1m	456.4m
NAV	£602.5m	£478.6m
NAV per share	105.1p	104.9p
Market Capitalisation	£644.7m	£504.3m
Share Price	112.5p	110.5p
Ongoing Charge Ratio	1.1%	1.2%
Total Shareholder Return (based on share price)	4.7% over the period (9.3% annualised since IPO)	
NAV Total Return	3.2% over the period (7.1% annualised since IPO)	

Portfolio Valuation

Discount Rates

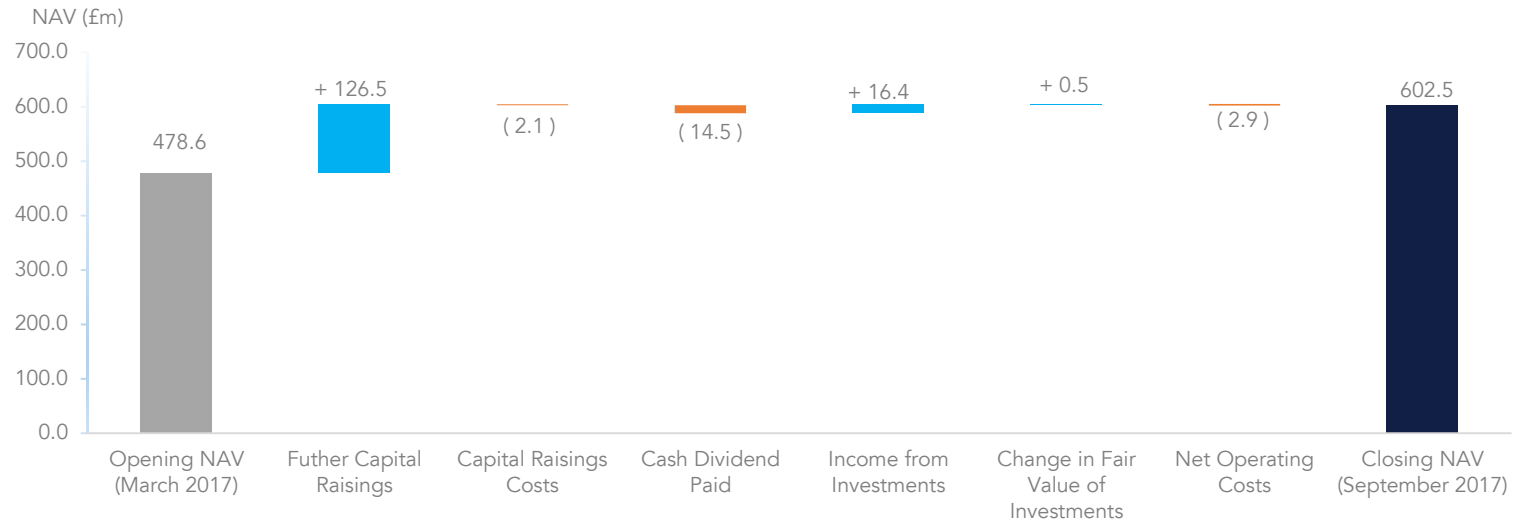
- Equity discount rate decreased to **7.0% for unlevered assets**
- Levered discount rates up to **8.0% for levered assets** to reflect greater risk to equity cash flows
- Weighted **average discount rate decreased to 7.5%**
- Weighted Average Cost of Capital 5.9%

Drivers of portfolio revaluation

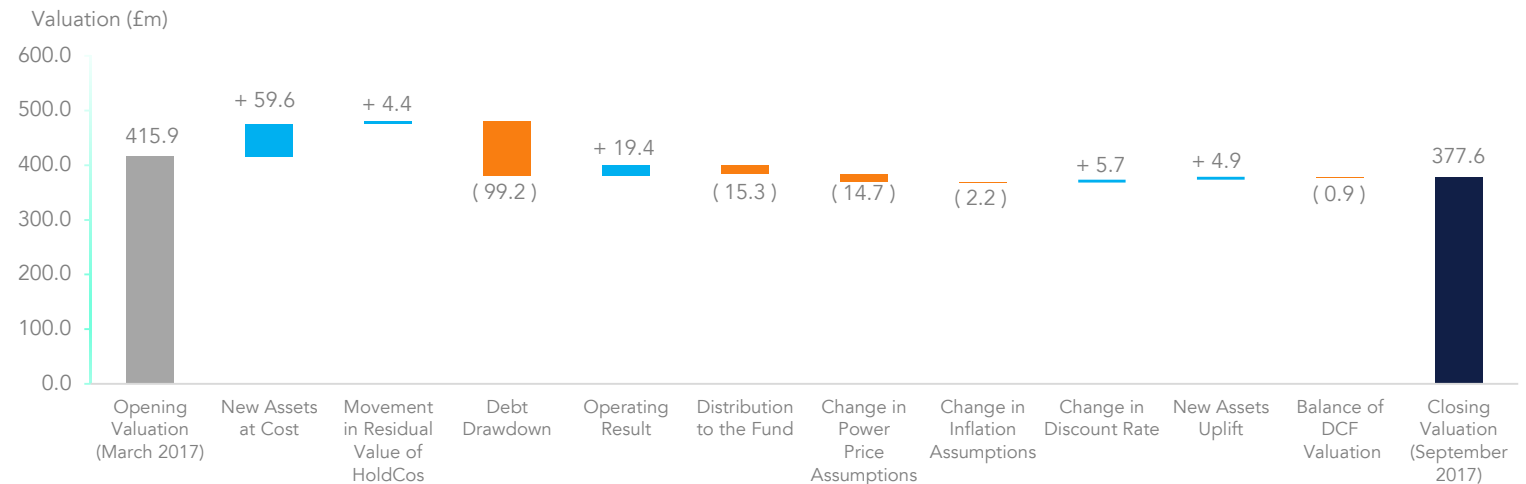
- Change in unlevered discount rates reflecting the increase in market value of UK solar assets
- Downward revisions in power price forecasts since IPO, a decrease of 5.2% compared to March 2017
- Value uplift for assets previously valued at cost
- The operating results achieved by the Company's solar PV plants, net of dividends and fund costs
- Minor downward revisions in short term inflation assumptions

NAV Movement

NESF NAV Bridge – 31 March 2017 to 30 September 2017



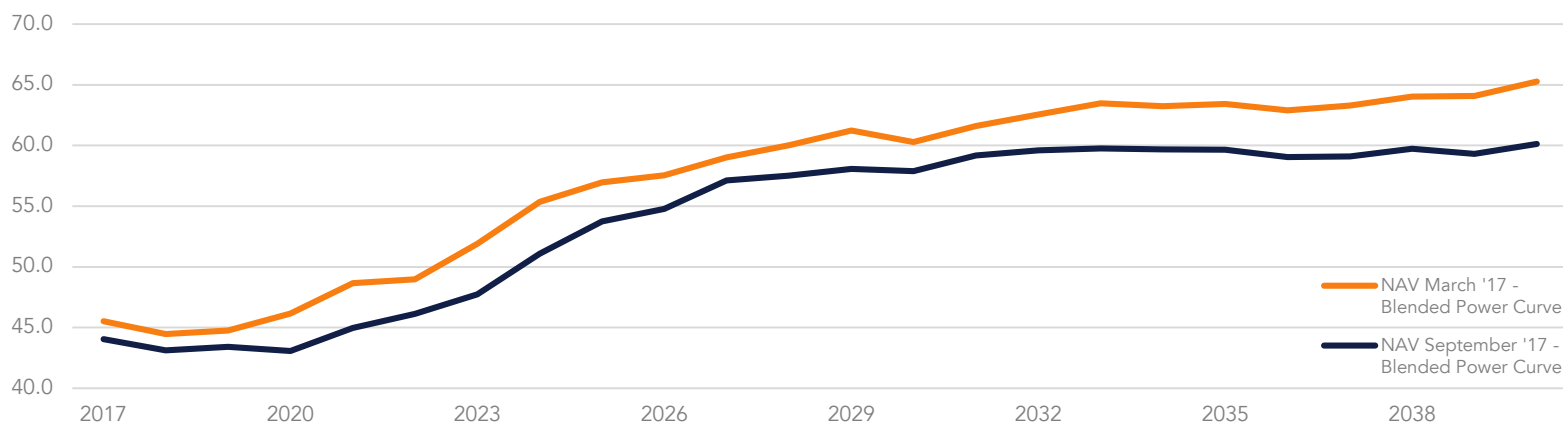
Portfolio NAV Bridge – 31 March 2017 to 30 September 2017



UK Energy Market Dynamics

Forecast UK Power Price (Real 2017)⁽¹⁾

(£/MWh)



Electricity Spot Prices 2017⁽³⁾

(£/MWh)



Seasonal Baseload Prices 2018⁽²⁾

(£/MWh)



Notes:

(1) Source: Independent Energy Market Consultants

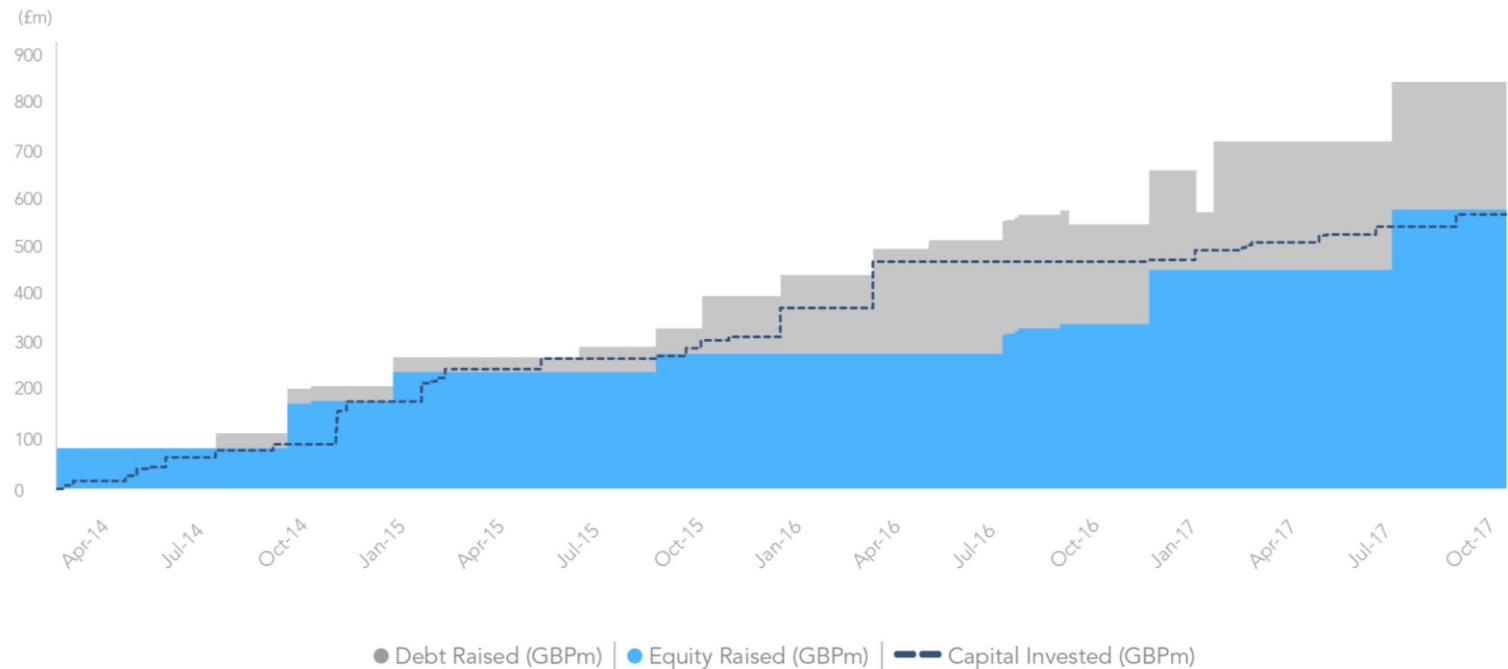
(2) Source: ICE UK Power Settlement Prices

(3) Source: N2EX Day Ahead Auction Price

Capital Raise and Deployment

Date	Equity Raised (£m)	Equity Invested	Time to Deployment
April 2014	85.6	c.100% by September 2014	5 months
November/December 2014	99.6	c.100% by January 2015	6 weeks
February 2015	61.4	c.100% by April 2015	6 weeks
September 2015	38.8	c.100% by November 2015	6 weeks
July/August/September 2016	64.7	Used to replay debt facility	Immediate
November 2016	115.3	c.100% by August 2017	10 months
June 2017	126.5	On-going	On-going

NESF Capital Deployment Timeline



During the period NESF completed a capital raise issuing 115m shares for total £126.5m proceeds

Exhausted the Nov 2016 placing programme (issued 225m out of 300m shares)

NESF has fully drawn down the final two tranches of the MIDIS/CBA/NAB facility

Following period end, NESF has fully repaid the Bayern facility in preparation of a further long-term refinancing

Debt Financing Strategy

- At 30 September 2017, NESF had total debt facilities for £268.5m (c.31% of GAV)
- Proforma for repayment of Bayern LB facility and acquisition of the Solis portfolio in Italy, total debt is £293m (32.7% of GAV)
- Average all-in cost of debt of 3.6% (proforma 2.9%)
- Focus on optimising current debt structure



Macquarie Infrastructure Debt Investment Solutions ("MIDIS")



- Arranged £150m fully amortising facility expiring in 2035 with unique NAV-enhancing features:
 - Bespoke five-year grace period
 - Staged draw-down in the first year
 - Retained flexibility over power sales strategy
- Arranged £55m fully amortising facility expiring in 2034
- Debt in place at completion of Radius portfolio in April 2016
- £27.5m Fixed Rate Tranche and £27.5m RPI-linked Tranche
- Provided £45.4m fully amortising facility expiring in 2033
- Debt in place at completion of the Three Kings portfolio in January 2016
- Debt outstanding was fully repaid in October 2017
- Provided £21.7m facility until July 2019

Robust Dividend Cover

Dividends Paid	Month of Payment	Amount per Ordinary Share (p)	Total Amount (£)
First interim for year 2014/15	Dec-14	2.6250	4,635,750
Second interim for year 2014/15	Jul-15	2.6250	6,309,188
First interim for year 2015/16	Dec-15	3.1250	8,686,160
Second interim for year 2015/16	Jul-16	3.1250	8,686,160
First quarterly dividend for year 2016/17	Sep-16	1.5775	4,058,499 ⁽¹⁾
Second quarterly dividend for year 2016/17	Dec-16	1.5775	4,031,158 ⁽¹⁾
Third quarterly dividend for year 2016/17	Mar-17	1.5775	5,443,550 ⁽¹⁾
Fourth quarterly dividend for year 2016/17	Jun-17	1.5775	7,148,286 ⁽¹⁾
First quarterly dividend for year 2017/18	Sep-17	1.6050	7,335,774 ⁽¹⁾
Total cash dividends paid to date		19.4150	56,334,523
Second quarterly dividend for year 2017/2018	Dec-17	1.6050	9,171,229 ⁽⁴⁾

Cash Income	Total for period		
Cash Income for period to 30 September 2017	19,403,044 ⁽⁵⁾		
Net operating costs for period to 30 September 2017	(2,928,029)		
Net Cash Income	16,475,015		

		Gross dividend cover	Net dividend cover
Cash dividend paid during period	14,484,059 ⁽²⁾	1.3x	1.1x
Cash dividend in respect of financial period	16,507,003 ⁽³⁾	1.2x	1.0x

Notes:

- The scrip dividend option came into effect on 25 August 2016. During the period, a scrip dividend payment was elected by some shareholders. A total of 1,671,690 additional shares were issued resulting in a lower total cash dividend pay-out. If the elections were not made, the total amount to be paid out would have been £7,199,524 and £9,171,497 for the fourth and first quarterly dividends of 2016/17 and 2017/18 respectively.
- This amount represents the post scrip dividend paid during the six-month period. If the shares from the scrip dividend were included the total amount paid during the year would have been £16,371,021. The gross dividend cover would have been 1.2x and the net dividend cover would have been 1.0x.
- This amount represents the post scrip dividend for the first 2 quarterly dividends for the year 2017/18 (including the dividend payable on 29 December 2017). If the shares from the scrip dividend were included, the total amount paid would have been £18,368,392. The gross dividend cover would have been 1.1x and the net dividend cover would have been 1.0x.
- Before election of scrip dividend is considered.
- Cash income differs from the income in the Condensed Statement of Comprehensive Income by £2.98m. This is because the Condensed Statement of Comprehensive Income is on an accruals basis.

Summary Income Statement

Income Statement For the period ended 30 September	2017 (GBPm)	2016 (GBPm)
Investment Income	16.4	17.0
Movement in Investment Portfolio Value	0.5	10.3
Net Income	16.9	27.3
Total Expenses	(3.0)	(2.0)
Finance Income	0.1	0.0
Profit and Comprehensive Income	14.0	25.3
Earnings per share	2.69p	8.46p

Summary Balance Sheet and Cash Flow

Balance Sheet As at 30 September	2017 (GBPm)	2016 (GBPm)
Investments	377.6	348.3
Current assets	239.9	1.9
Current Liabilities	(15.0)	(0.1)
Net Asset Value	602.5	350.1
Net Asset Value per Share	105.1p	102.0p

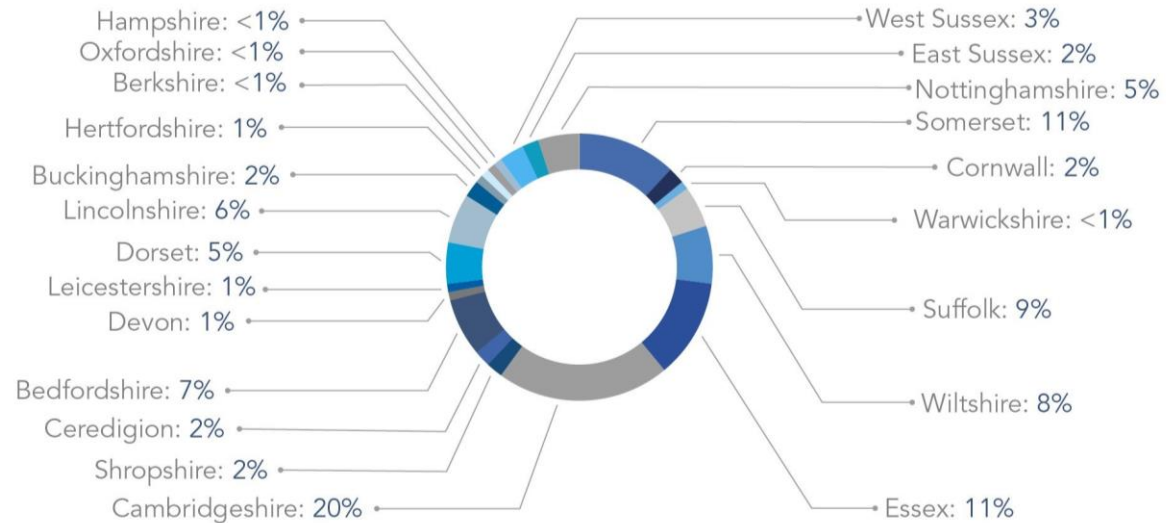
Cash Flow Statement For the period ended 30 September	2017 (GBPm)	2016 (GBPm)
Net Cash used in Operating Activities	50.9	(55.1)
Net Cash used generated from Investing Activities	0.1	0.0
Net proceeds from issue of shares	124.4	63.7
Dividends paid	(14.5)	(12.7)
Cash at the beginning of the period	59.8	5.9
Cash at the end of the period	220.8	1.8



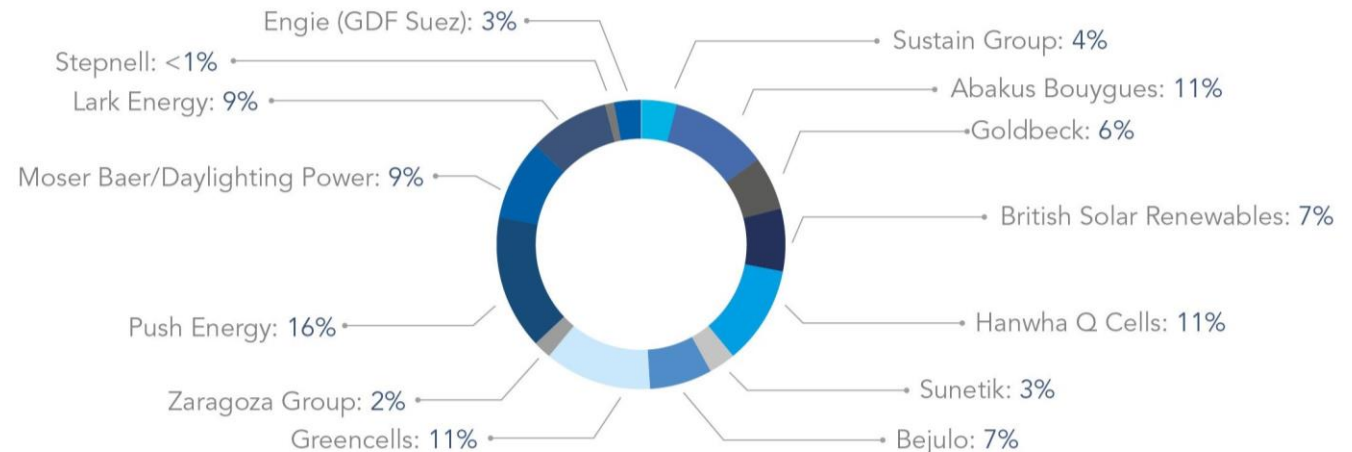
Q&A – Appendix

Portfolio Overview – Risk Diversification

By County

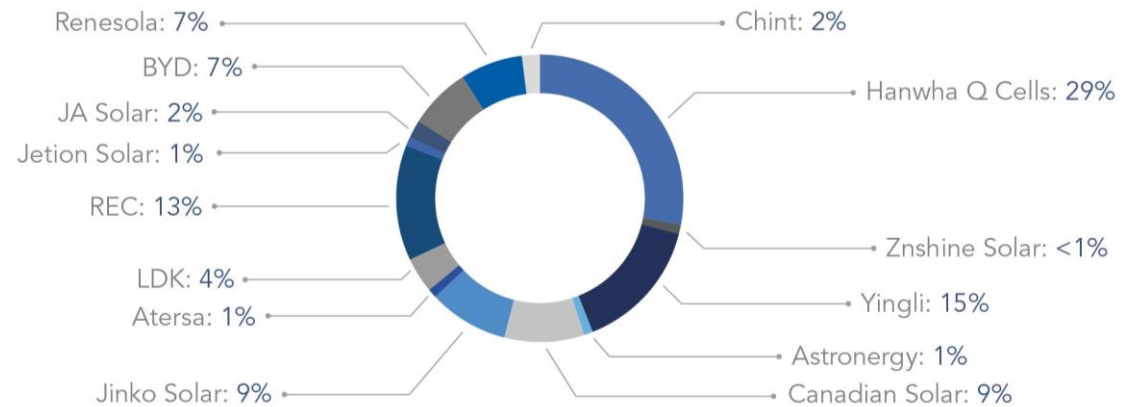


By EPC Manufacturer

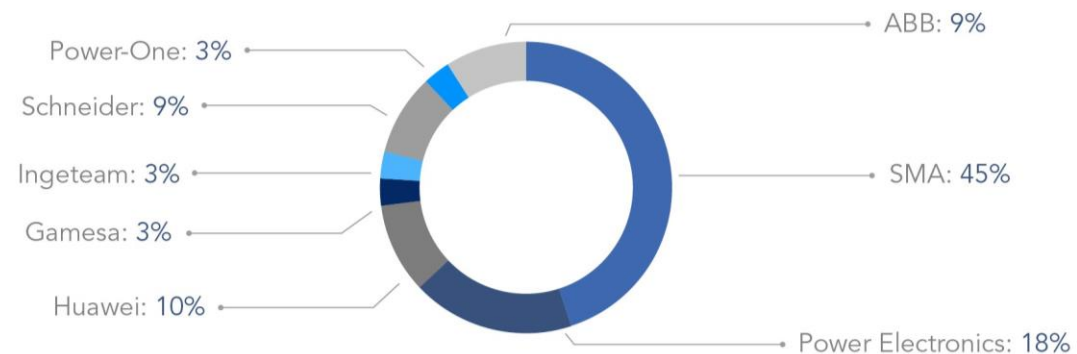


Portfolio Overview – Risk Diversification

By Solar Module Manufacturer

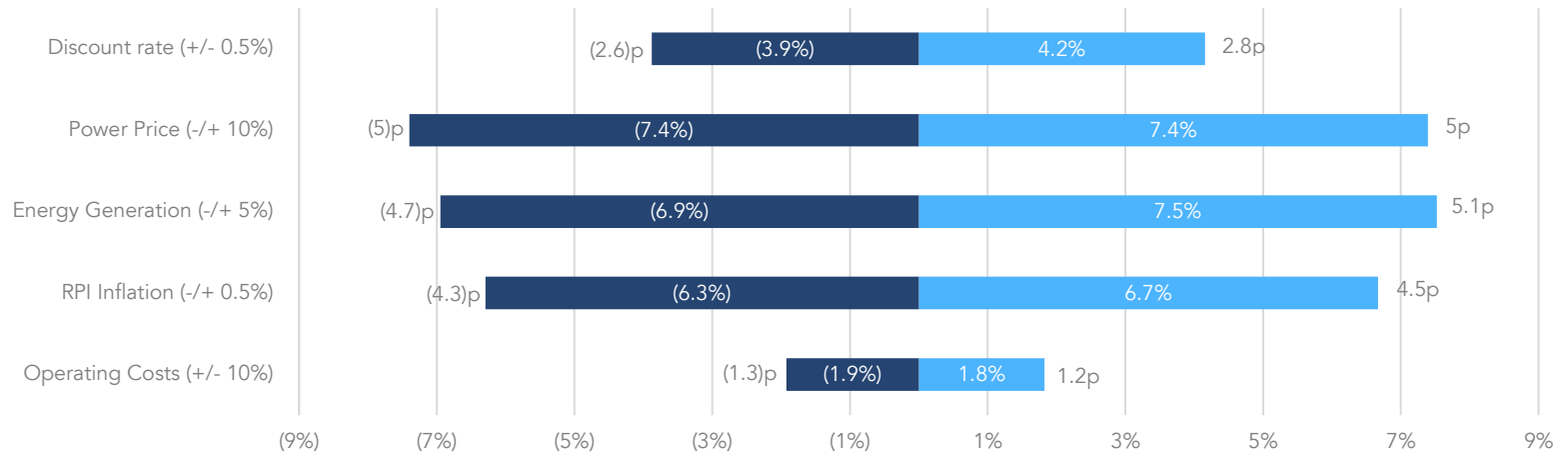


By Inverter Manufacturer



NAV Sensitivities

NAV per Share



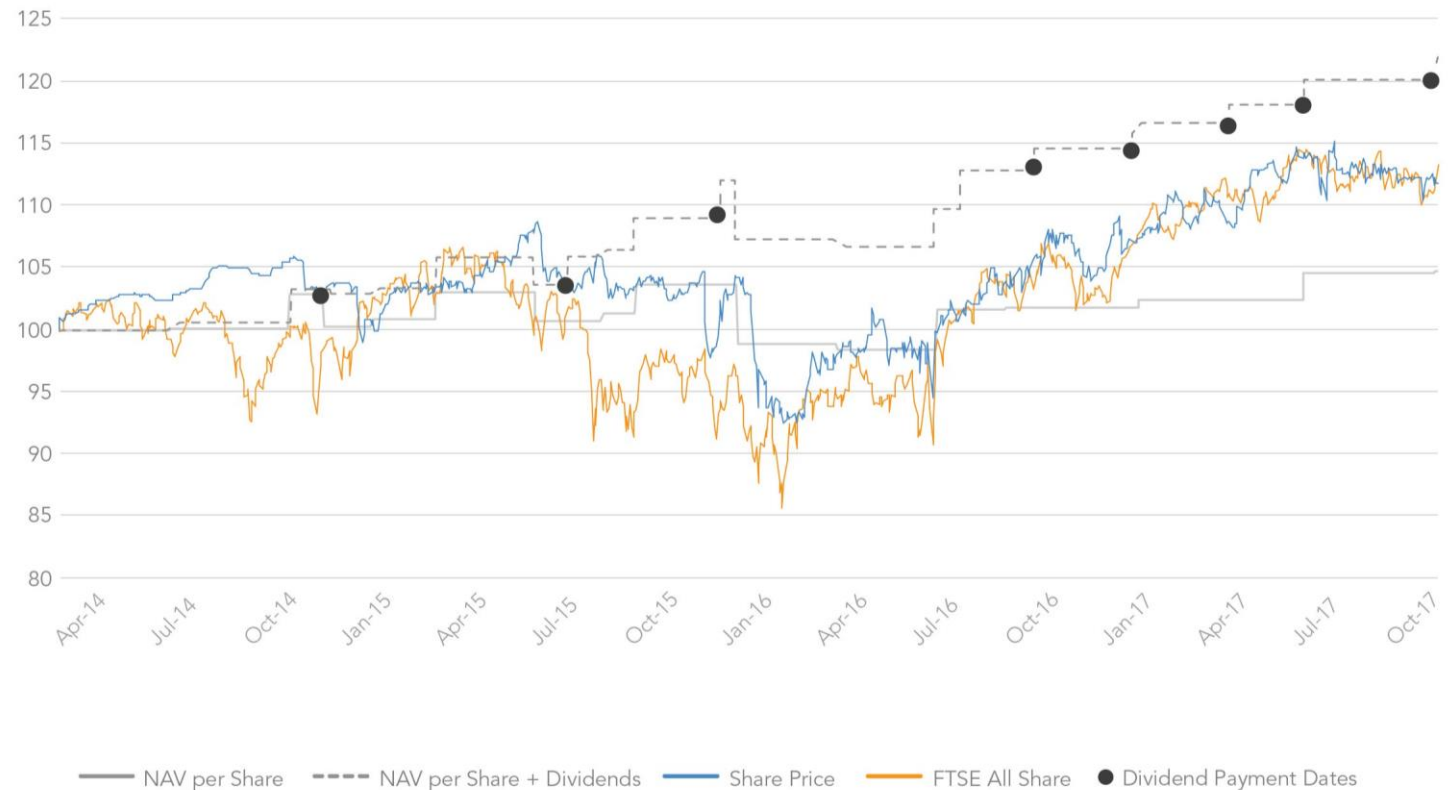
■ The long-term sensitivity analysis highlights the % change in the investment portfolio value (£390.4m) as well as the subsequent impact on NESF's NAV per share

■ As of 30 September 2017, the remaining weighted average lease duration of the Company's portfolio was 24.1 years

Share Price Movement

- Without taking into account dividends paid, NESF shares outperformed its FTSE All-Share benchmark by 3.4% since IPO
- Total Shareholder Return was 4.7% for the period ended 30 September 2017 and 9.3% annualised since IPO.

Share Price vs NAV per share since IPO in 2014



Summary of Debt Financing Terms

- At 30 September 2017, NESF had total debt outstanding of £268.5m (c.31% of GAV)
- Proforma for repayment of Bayern LB facility, total debt was £225.2m, 27.5% of GAV)
- Average all-in cost of debt of 3.6% (proforma 2.9%)

Provider/ Arranger	Type	Borrower	Tranches	Facility Amount (GBP)	Amount Outstanding (GBP)	Termination (including options to extend)	Applicable rate
MIDIS/CBA/NAB	Fully-amortising long-term debt	NESH (Apollo portfolio level debt)	Tranche A Medium term	48,387,098	48,387,098	31-Dec-26	2.91% ⁽¹⁾
			Tranche B Floating Long Term	24,193,548	24,193,548	30-Jun-35	3.68% ⁽¹⁾
			Tranche C Index Linked Long Term	38,709,677	38,243,694	30-Jun-35	RPI index + 0.36%
			Tranche D Fixed Long Term	38,709,677	38,709,677	30-Jun-35	3.82%
			Debt Service Reserve Facility	7,500,000	0	30-Jun-26	1.50%
NIBC	Acquisition Facility	Fund/NESH II level		21,680,000	21,680,000	04-Jul-19	3m Libor + 2.20% ⁽²⁾
Bayern LB	Fully-amortising long-term debt	Three Kings portfolio level debt (part of NESH III)		45,398,000	43,287,385	30-Jun-33	3.91% ⁽¹⁾
MIDIS	Fully-amortising long-term debt	NESH IV (Radius portfolio level debt)	Inflation linked Tranche	27,500,000	26,500,049	30-Sep-34	RPI index + 1.44%
			Fixed Tranche	27,500,000	27,500,000	30-Sep-34	4.11%
Total					268,492,451		

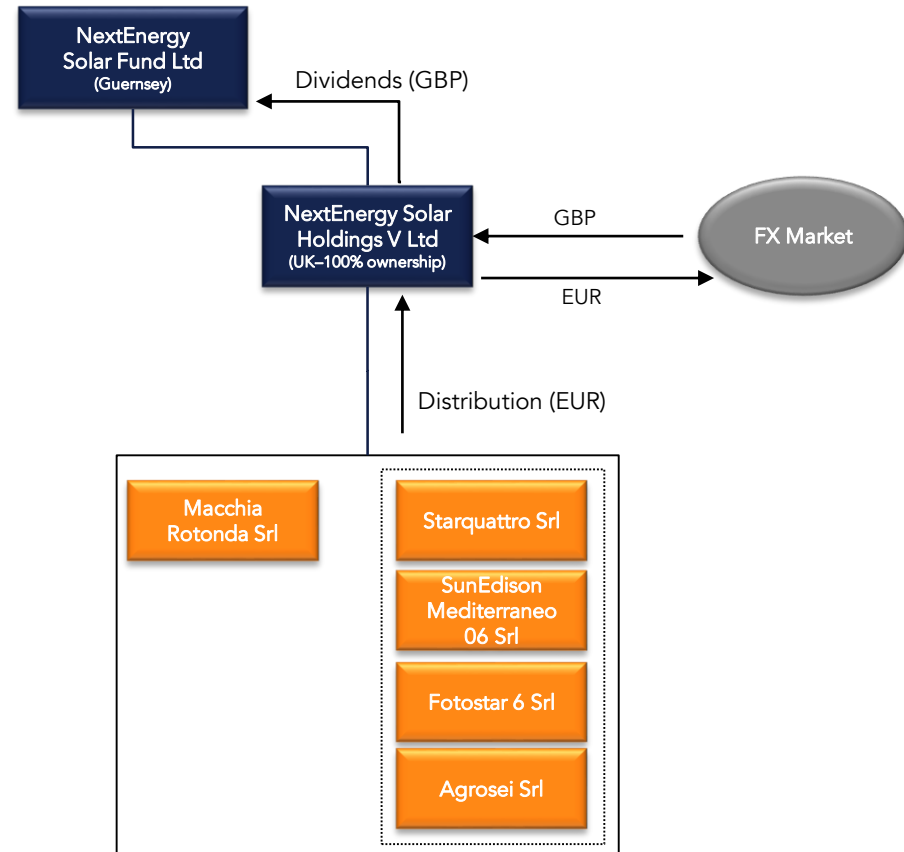
Notes:

(1) Applicable rate represents the swap rate for 100% of interest.

(2) Applicable rate represents the swap rate for 75% of interest.

FX Hedging Strategy for the Italian Portfolio (Solis)

- **FX hedging transaction** securing the forward rate of conversion of expected EUR cashflows in GBP
 - Tenor of up to **15 years**
 - Benchmarking exercise with several banks involved
 - To be executed at financial close of the acquisition
- **Positive impact on GBP IRR** expected due to attractive forward rates
- **Low counterparty risk** (banks with investment grade rating and above)



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