



# Downing Renewables and Infrastructure Trust

Investment companies | Update | 18 February 2025

## Driving down the discount

Towards the end of 2024, Downing Renewables and Infrastructure Trust (DORE) announced the sale of its Swedish wind farm. The price achieved was a premium to the carrying value of the asset in the NAV as at 30 September 2024. This illustrates the success that DORE's management team has had in creating value for shareholders. The wind farm was acquired for £19.8m in January 2022 and has generated sale proceeds and dividends for DORE of £29.8m, that is a 54% total return in less than three years.

After the sale, DORE will be able to repay all of its RCF, fund revenue and NAV-enhancing investment in the rest of the portfolio, and continue its substantial share buyback programme. The news appears to have been well received by investors and to have contributed towards a narrowing of the discount.

## Diversified renewable energy and infrastructure

DORE aims to provide investors with a sustainable level of income, with an element of capital growth, through a diversified portfolio of renewable energy and infrastructure assets located in the UK, Ireland, and Northern Europe. The company has established a substantial portfolio of Nordic hydropower projects, which differentiates it from peers. Optimising the returns from this portfolio is an important driver of NAV appreciation.

Year ended	Share price TR (%)	NAV total return (%)	Earnings per share (pence)	Diluted EPS (pence)	Dividend per share (pence)
31/12/2021 <sup>1</sup>	5.8	8.0	9.4	2.6	3.50
31/12/2022	14.7	19.7	20.6	3.2	5.00
31/12/2023	(16.2)	3.8	3.8	4.1	5.38
31/12/2024	(8.1) <sup>2</sup>	5.0 <sup>2</sup>			5.80 <sup>3</sup>

Source: Morningstar, Marten & Co. Note 1) period from launch on 10 December 2020. 2) Based on Morningstar estimates. 3) target

Sector	Renewable energy infrastructure
Ticker	DORE LN
Base currency	GBP
Price	86.6p
NAV	118.5p
Premium/(discount)	(26.9%)
Yield	6.7%

## Share price and discount

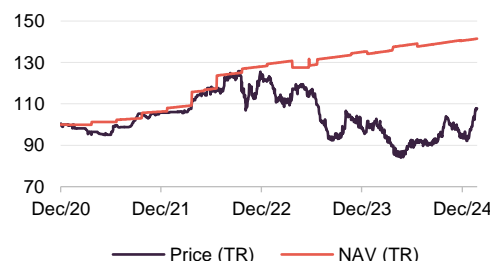
Time period 10/12/2020 to 17/02/2025



Source: Morningstar, Marten & Co

## Performance since launch

Time period 10/12/2020 to 31/01/2025



Source: Morningstar, Marten & Co



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<b>Domicile</b>	<b>England &amp; Wales</b>
<b>Inception date</b>	<b>10 December 2020</b>
<b>Manager</b>	<b>Downing LLP</b>
<b>Market cap</b>	<b>148.2m</b>
<b>Shares outstanding (exc. treasury shares)</b>	<b>171.084m</b>
<b>Daily vol. (1-yr. avg.)</b>	<b>443,375 shares</b>
<b>Net gearing (as a percentage of GAV)</b>	<b>40.8%</b>

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## Good progress within the portfolio

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DORE's year end is 31 December, and based on last year, one might expect to see full-year accounts published in mid-late March.

The past year saw DORE continue to expand its portfolio with the acquisition of three hydropower plants and achieve a significant realisation with the sale of its Swedish wind farm (details of recent transactions are on page 7). The wind farm was revalued upwards by about £9m at the half-year stage and one could argue that the success of this investment provides a good illustration of the manager's ability to identify attractive opportunities for the portfolio and to add value to them.

Elsewhere in the portfolio, the Merseyside shunt reactor, which we covered in detail in our November 2023 note, benefitted from a contract renegotiation which added £300,000 per annum or 30% to its long-term (nine-year) contracted revenue in return for providing additional availability. The additional revenue will be adjusted in line with inflation.

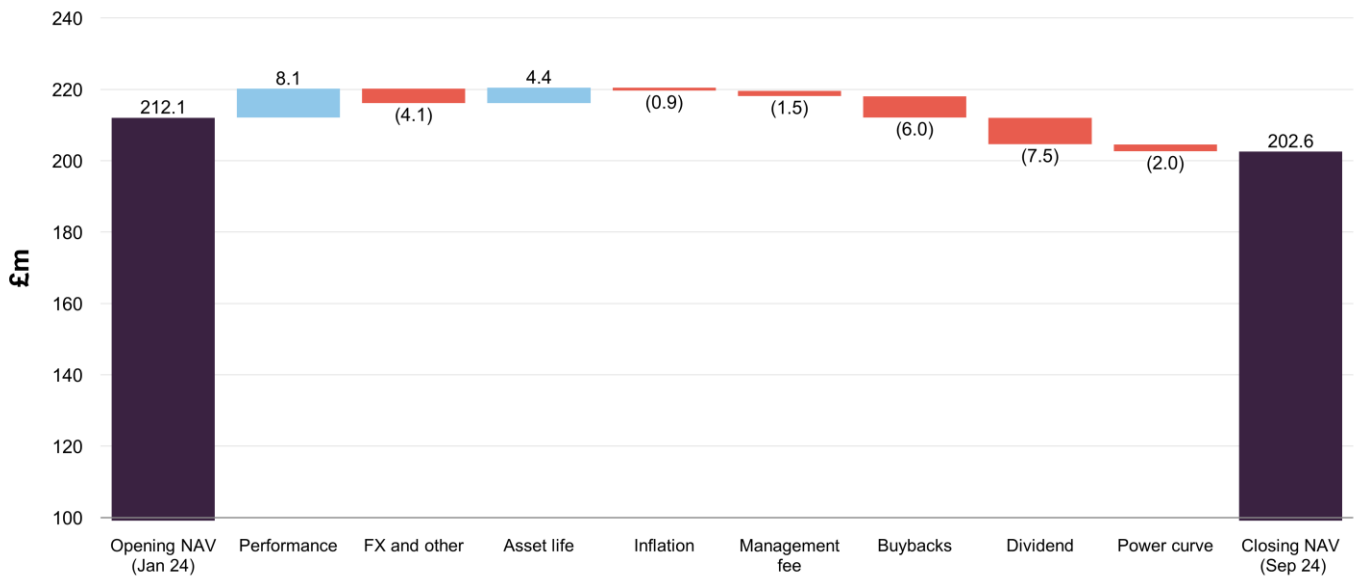
Grid asset Blåsjön, which we discussed in our last note, secured an increase in its permitted real WACC from 3.6% to 4.5% for its new regulatory period covering 2024–2027. Capital investment of SEK33m has been approved by the regulator. The asset's regulated asset base (RAB) at the beginning of 2024 was SEK107m, so an extra SEK33m is significant. DORE also makes the point that the regulator inflates the value of the RAB using Sweden's Construction Cost Index rather than Swedish CPI, which reduces risk and has worked in the asset's favour as construction costs have been increasing ahead of inflation.

Also, as highlighted in our last note (see page 11 for links to past notes), DORE has been progressing its plans for its hydropower assets to benefit from the Frequency Containment Reserve market in Sweden. The first site was pre-qualified in July 2024.

DORE is also developing battery energy storage (BESS) on some sites, taking advantage of spare land and existing grid connections to develop co-located opportunities. At Tvärforsen, a grid connection agreement was signed in H1 2024.

The last-published NAV was as at 30 September 2024. Figure 1 breaks down the various factors that influenced the NAV over the first nine months of 2024. In NAV per share terms, despite adverse foreign exchange movements, the NAV has been fairly flat, moving from 117.7p to 117.3p.

**Figure 1: DORE contributions to net asset evolution, as at 30 September 2024**

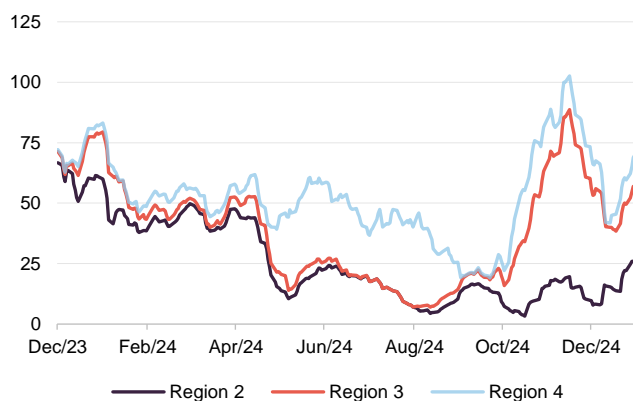


Source: Downing Renewables and Infrastructure, Marten & Co

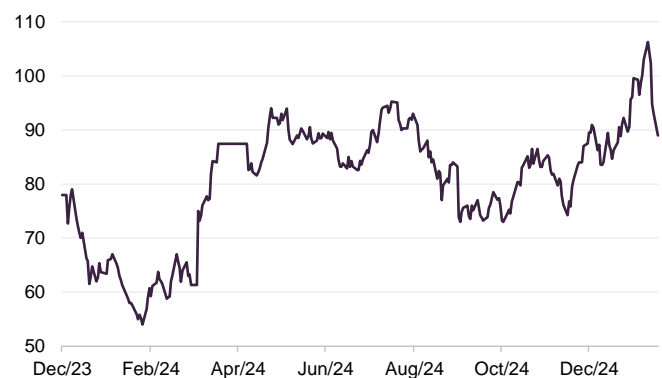
## Market background

### Power prices

**Figure 2: Swedish power prices (EUR/MWh, Figure 3: UK power prices (£/MWh) one-month moving average)**



Source: Bloomberg, Marten & Co

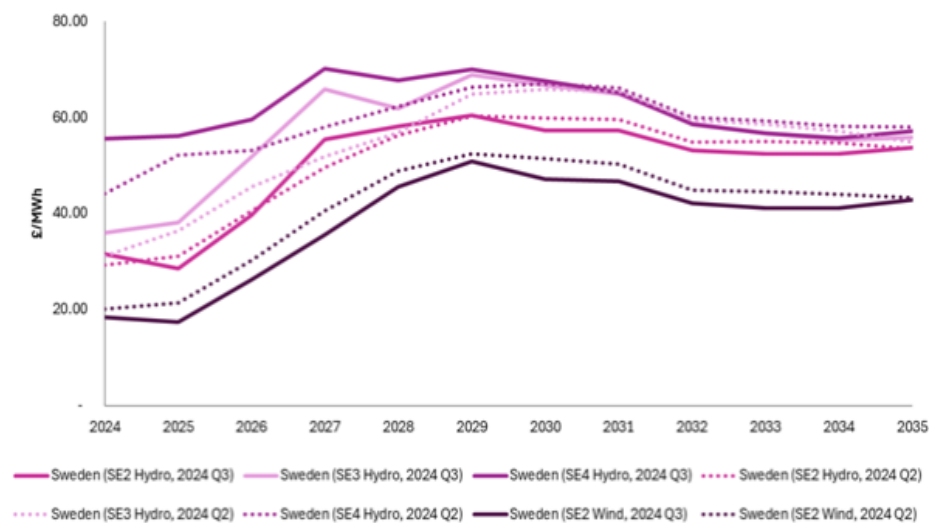


Source: Bloomberg, Marten & Co

Broadly speaking, in both Sweden and the UK, power prices ended 2024 close to where they started, but the abundance of renewable energy in Sweden's region 2 (which is north of region 3), and capacity constraints in the interconnectors between the regions, appears to have depressed prices there. For Sweden, we show a one-month moving average, as the day-to-day movements in prices were quite volatile, obscuring the overall trend of prices. However, from the company's perspective it is

that volatility that makes DORE's ability to time power production within its hydropower plants so valuable – it can store water when power is cheap and discharge it when it is expensive; for example, at times of low wind speeds. The manager believes it has assembled an excellent asset management team. The work that this team has done to optimise the portfolio aims to give DORE the flexibility to maximise revenue from this area, delivering a much higher price capture ratio.

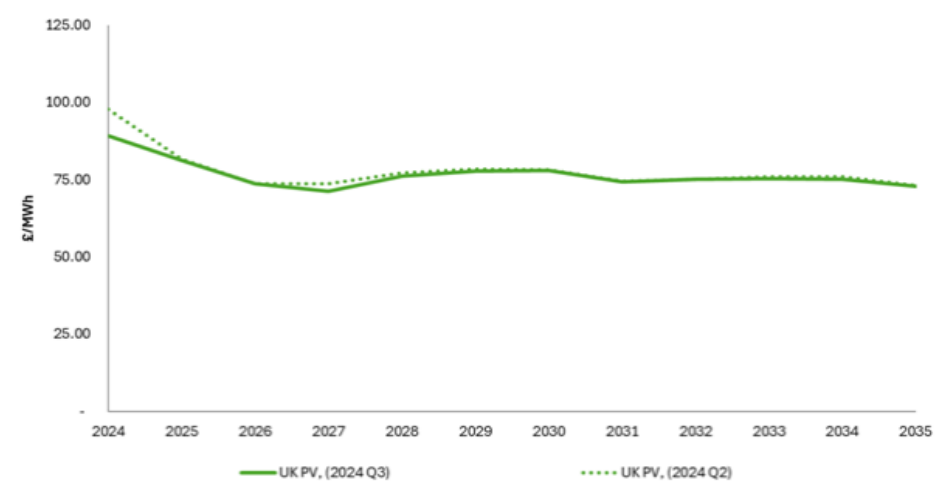
**Figure 4: Evolution of power price forecasts – Sweden**



Source: Downing Renewables and Infrastructure

Figures 4 and 5 are taken from DORE's most recent quarterly update and show how power price forecasts evolved over the third quarter of 2024. In Sweden, the expectation is for rising prices over the next couple of years and then a gradual fading until around 2032. In the UK, prices are expected to fall over the next couple of years and then remain stable.

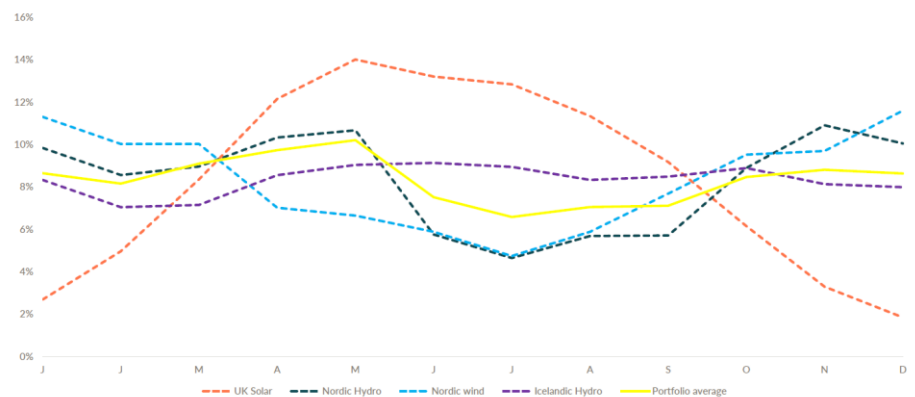
**Figure 5: Evolution of power price forecasts – UK**



Source: Downing Renewables and Infrastructure

The contrasting expectations for power prices reinforce the rationale for DORE's commitment to diversifying its portfolio by power market as well as by asset type. In addition to DORE's predictable, government-backed subsidy income, it may also be worth noting the increasing proportion of assets in the portfolio whose revenues are not sensitive to power prices. These include the Merseyside shunt reactor, the Blåsjön Nät grid asset in Sweden, and the Urðarfellvirkjun hydropower asset in Iceland (where the revenue comes from of a fixed-price, inflation-linked, long-term contract).

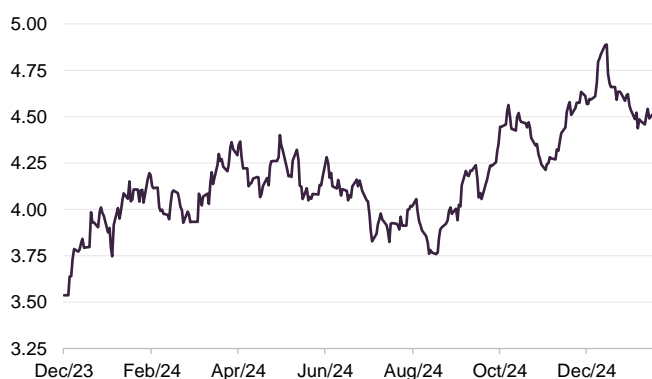
**Figure 6: DORE's portfolio generation diversification across technologies and power markets**



Source: DORE, as at 30 June 2024. Monthly averages as a % of annual total.

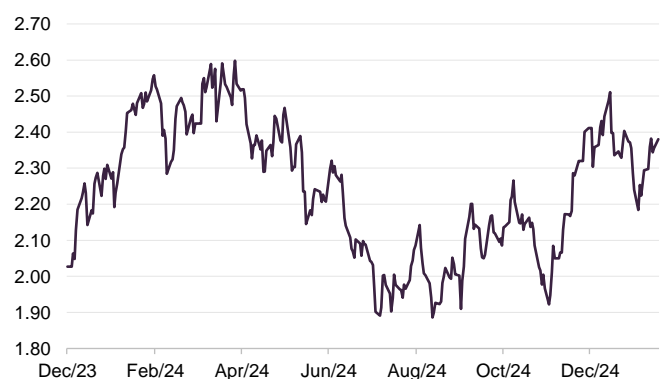
## Interest rates

**Figure 7: UK 10-year government bond yields**



Source: Bloomberg

**Figure 8: Sweden 10-year government bond yields**



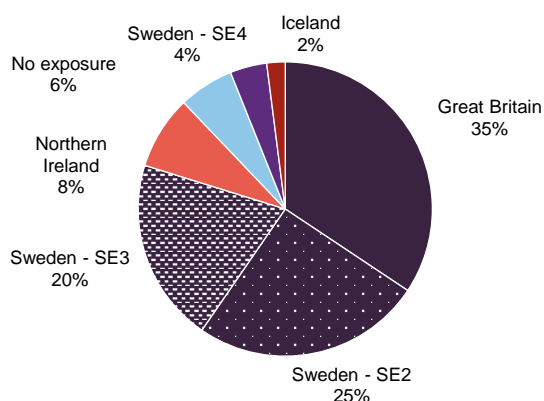
Source: Bloomberg

While the UK has cut interest rates three times, going from 5.25% to 4.5%, Sweden has been more aggressive, cutting rates from 4% to 2.25% (even ahead of the ECB which has reduced from 4% to 2.75%). Although, from September 2024 onwards, UK government bond yields rose, as Figure 5 shows. This may have had an effect on sentiment towards the renewable energy sector. However, DORE saw no reason to adjust the discount rates used to value its portfolio, the average of which held steady at 7.7% over 2024.

## Asset allocation

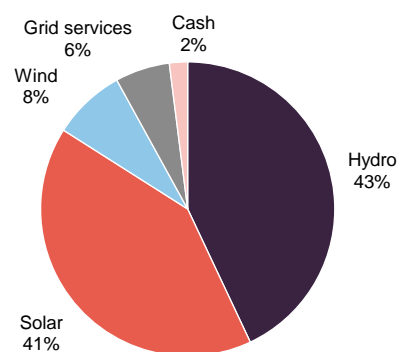
At the end of September 2024, the distribution of DORE's portfolio was not much different from that at end December 2023 (the data used in our last note), as the team focused instead on optimising the existing portfolio. However, as detailed below, recent investment activity will change that.

**Figure 9: Portfolio by geography and power market as at 30 September 2024<sup>1</sup>**



Source: Downing Renewables and Infrastructure. Note: 1) in terms of GAV.

**Figure 10: Portfolio by technology as at 30 September 2024<sup>1</sup>**



Source: Downing Renewables and Infrastructure. Note: 1) in terms of GAV.

## Recent investment activity

On 2 September 2024, DORE announced that it would invest about £5m to acquire three Swedish hydropower plants and associated storage reservoirs at Hagby, Gytorp and Hammarby on the Norasjön River in the Örebro County in the SE3 price region in Sweden. This is a new area for DORE's hydropower portfolio. The manager says that these plants have an attractive production profile, with most generation in winter months.

The deal completed on 21 November 2024, adding 7GWh of annual average production, bringing the total for the Swedish hydropower portfolio to about 222GWh. The manager says that there is scope to add an additional 0.5GWh to this total once these new acquisitions have been upgraded.

As we have explained in previous notes, owning a series of power plants and reservoirs on a single watercourse can increase the potential to optimise revenue generation. DORE can time the dispatch of water to capture peak prices (see our last note – from page 7 of that note onwards).

On 18 December 2024, DORE announced that the sale of its Gabrielsberget wind farm in Sweden had completed, crystallising a total return of 54%. Total sale proceeds and dividends from the wind farm were €36m (about £29.8m), £10m more than DORE paid for it in January 2022.

DORE's in-house asset management team secured an extension to the economic life of the wind farm, implemented a new operations and maintenance contract, and lowered the insurance costs. These actions added about £5.5m to its valuation.

DORE has one of the largest programmes in its peer group as a percentage of shares in issue

The sale price was marginally ahead of the valuation of the asset in the portfolio at the end of September 2024.

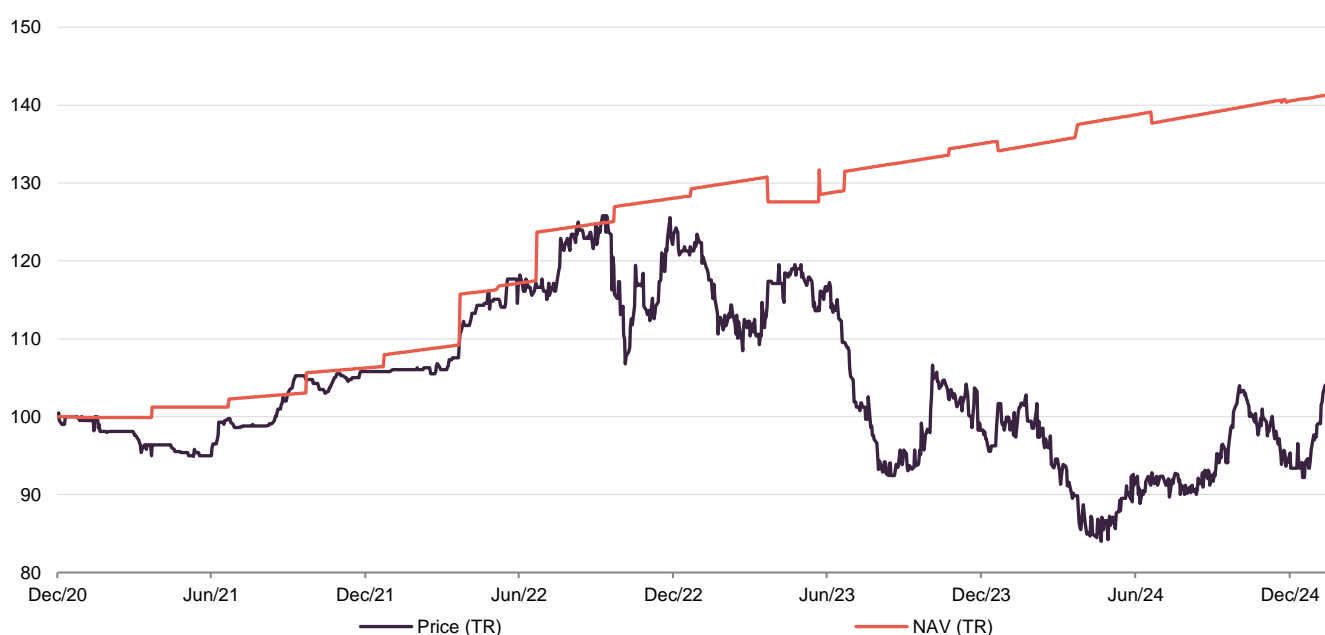
At the half-year mark, DORE said that it saw opportunities to add additional hydropower assets to the portfolio in Sweden, Norway, and Iceland.

The sale of Gabrielsberget allowed DORE to repay the remaining balance on its revolving credit facility, fund more share buybacks (one of the largest programmes in its peer group as a percentage of shares in issue), and fund some of these investment opportunities.

## Performance

Figure 11 shows the steady progress that DORE is making in terms of its NAV and the weakness of the share price that emerged during 2022/23. The share price has now started to recover.

**Figure 11: DORE NAV and share price total return since launch to 31 January 2025**



Source: Morningstar, Marten & Co

**Figure 12: Performance over periods ending 31 January 2025**

	3 months (%)	6 months (%)	12 months (%)	3 years (%)	Since launch
Share price	9.0	17.2	4.8	1.6	7.7
NAV	1.0	2.3	5.0	30.6	41.5
Peer group share price	(10.9)	(17.6)	(17.5)	(26.6)	(19.3)
Peer group NAV	1.3	1.4	0.2	17.1	38.3

Source: Morningstar, Marten & Co



As Figure 12 shows, DORE's NAV and share price returns since launch have been ahead of the peer group.

## Premium/(discount)

Over the 12 months ended 31 January 2025, DORE has traded between a 24.0% discount and 38.8% discount. The average discount over this period was 32.4%. As of publishing, the discount was 26.9%.

**Figure 13: DORE premium/(discount) since launch**



Source: Morningstar, Marten & Co

Whilst the discount has been wide, DORE has been buying back shares fairly steadily, this added about 1.6p to the NAV over the first nine months of 2024. As of 31 January 2025, it had 13.4m shares in treasury, 7.2% of its shares in issue (having bought back a higher proportion of its share capital than most of its peers).

DORE's 26.9% discount compares to a sector median of 35.7%. It may be hard to fathom the reason for these share price ratings, although the cost disclosure issue may have been a factor. Asset disposals by DORE and others have been at valuations that are close to NAV. Share price weakness has left DORE trading on a dividend yield of 6.7%.

## Fund profile

More information is available on the fund's website at [www.doretrust.com](http://www.doretrust.com)

DORE aims to provide investors with an attractive and sustainable level of income returns, with an element of capital growth, by investing in a diversified portfolio of renewable energy and infrastructure assets located in the UK, Ireland, and Northern Europe.

DORE is an SFDR Article 9 labelled fund. The company aims to accelerate the transition to net zero through its investments. DORE believes that its actions should

DORE's strategy focuses on diversification by geography, technology, revenue and project stage

From launch to end December 2024, DORE generated annualised returns of 8.8% in NAV terms, well ahead of target

directly contribute toward climate change mitigation. As evidence of its efforts in this regard, DORE highlights that its hydro SPV came first in the GRESB sustainability benchmarking for the performance component, and second out of six hydro power generation managers in Europe.

The strategy focuses on diversification by geography, technology, revenue, and project stage. The investment manager believes that by investing in a range of renewable energy sources, DORE can reduce the seasonal volatility of revenues and reduce dependency on any single technology to provide more consistent income. There may also be some investments in other infrastructure, whose principal revenues are not derived from energy generation, thus reducing DORE's exposure to the volatility of merchant power prices. In addition, diversifying the portfolio geographically could help reduce the portfolio's regulatory and political risk.

The manager notes its asset optimisation activities have allowed DORE to generate higher returns. The trust can hold construction ready and construction phase projects. The amount invested in construction-ready assets or assets under construction will be limited to 35% of gross asset value, as construction projects tend to have more risk associated with them. The company will not acquire assets that are not construction-ready.

DORE is targeting a NAV total return of 6.5% to 7.5% per annum over the medium-to-long term. From launch to end January 2025, DORE has generated an NAV total return of 41.5% or 8.7% annualised, ahead of target.

DORE's AIFM is JTC Global AIFM Solutions Limited. It has delegated portfolio management services to the investment manager Downing LLP (Downing or the manager). Downing had AUM of over £2.1bn at the end of June 2024 (almost £1bn of which is in energy and infrastructure), and an extensive team of over 80 investment and asset management specialists focused exclusively on energy and infrastructure transactions.

DORE raised £122.5m at IPO, topped that up in October 2021 with a £14.9m issue of shares at 102.5p, and added a further £50m in June 2022.

Previous publications

Readers interested in further information about DORE may wish to read our previous notes (details are provided in Figure 14 below).

Figure 14: QuotedData’s previously published notes on DORE

Title	Note type	Date
Targeting attractive and sustainable income returns	Initiation	20 November 2020
Ahead of expectations	Update	4 August 2021
Proving its mettle	Annual overview	24 May 2022
Powering ahead	Update	14 November 2023
Fundamental story to drive returns	Annual overview	17 May 2024

Source: Marten & Co



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