Flash Update: Greencoat UK Wind

UKW's first quarter update shows the trust is well-placed for continued growth...

Update
01 May 2024

- **Greencoat UK Wind (UKW) has released its net asset value (NAV) update for the first quarter of 2024. The trust announced a NAV of 160.0p per share for the end of March, marking a small 0.4% decline on the 164.1p per share at the start of the year.**

- **The NAV decline was largely due to lower-than-expected power generation. This was due to lower availability, including an outage at the Hornsea 1 facility, and lower wind speeds.**

- **The trust generated net cash of 5.5p per share over the quarter.**

- **UKW continued its £100m buyback scheme into the quarter as well. The trust repurchased 13.8m shares during the quarter. Buybacks have now totalled 20.4m shares at a cost of £28m since being announced in October of last year.**

- **The trust's strong cash generation mean it is well-placed to continue growing without tapping equity markets. Cash holdings totalled £250m at the end of March, with an additional £200m available via the trust's £600m credit facility.**

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Kepler View

We have noted on several occasions now that **Greencoat UK Wind's (UKW)** total return strategy puts it ahead of the pack in the current market, and performance in Q1 provides further evidence of that. The managers provided a clear breakdown in their 2023 interims, showing that power prices could fall substantially and UKW would still be able to pay a fully covered dividend and generate surplus cash.

With regard to the first of those claims, we saw power prices and generation coming in lower than anticipated in Q1. That was due to a mix of reduced site availability and wind generation being weaker than expected.

The total return strategy of the trust is worth highlighting as well. Discounts have widened out across the sector, effectively precluding trusts from tapping equity markets to make further investments. UKW's scale, strong balance sheet, and robust cash generation means it can continue to meet commitments and invest in new projects at attractive rates without having to do this anyway.

We think the trust today looks particularly interesting, given that we are arguably now at the end of the UK rate hiking cycle. The trust continues to look capable of increasing its dividend above the rate of inflation and delivering NAV growth on a real basis. Along with the extensive buyback programme, we think the trust may start to look increasingly attractive to investors as those traits shine through and we see a separating of the 'wheat from the chaff' in the sector.

Click here to read the NAV update on RNS

Click here to read our latest research on UKW

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