23 March 2020

Update and Investor Call - COVID-19 – Transcript

Helen Mahy: Good afternoon all, this is Helen Mahy Chairman of TRIG. I hope you are well – a greeting that has taken on much more significance in these times, of course. This is a short update call for you in light of the unprecedented crisis unfolding globally with COVID-19. First and foremost, our thoughts are with those who have been impacted by the virus and we are grateful for all of the hard work of the emergency services and those on the front lines fighting this pandemic and keeping the food supply lines open and the lights on.

Secondly, TRIG benefits from having a well-constructed portfolio of diversified assets spread over a wide geography within Europe. Not only are they in rural areas away from the conurbations where disruption is greatest, they are, in general, able to continue to operate without intensive day-to-day onsite management. For example, as of this morning we have all but 12 of our 838 wind turbines operating, which is a normal level when we allow for routine maintenance.

And finally, we are recording this message remotely. I am at home. InfraRed and RES have enacted their business continuity plans, separating critical teams and working remotely, and I am pleased to say they continue to provide their usual excellent service to the Company. Things are of course not "as normal", but I am confident that critical tasks have been identified along with staff coverage to put us in the best place to continue to manage through the pandemic. With that I will hand over to Richard Crawford.

Richard Crawford: Hello everyone, Richard Crawford here from InfraRed, Investment Manager of TRIG. Phil George also from InfraRed, and Jaz Bains and Chris Sweetman from RES, the Operations Manager, also join me on the line. Needless to say these are testing times for everyone, including us. We cannot say with certainty how and when this global pandemic will be under control and what the full consequences may be. However, we hope to provide some insight into how we are managing and mitigating key risks that the business faces through this call.

It is important to say upfront that this is a continuously evolving situation. Everything we say today is to the best of our knowledge and accurate as at Friday 20 March 2020, unless otherwise stated. This call does not include any price sensitive information: if material new information comes to light, we will of course update the market in the normal way, via an RNS announcement. So we thank you for all your questions.

1) **The first questions are on operational resilience**:
- Are we still able to generate despite all of the operational difficulties being faced by so many businesses?
- And will we continue to be able to generate, as the pandemic gets worse?
So Jaz and Chris, could you please provide us with an update on Operational Resilience?

Jaz Bains: Hi everyone, this is Jaz Bains from RES.

I am pleased to say that yes, the wind and solar farms are continuing to generate, and that the portfolio continues to perform well and that the wind levels have been above budget so far this quarter.

Despite challenging conditions given restrictions on movement, we are working very hard on maintaining TRIG's assets. Business continuity plans are live across the maintenance and asset management teams across the UK, France, Sweden and Germany, supported by the IT capability for our support staff to work from home. The Business Continuity Plans at both our own, and our joint venture partners' Control Centres are designed to provide uninterruptable round the clock service. Given the nature of the pandemic, the approach has been enhanced to include segregation of staff and the ability to operate key functions remotely for extended periods.

We have been holding on-going dialogue with our operational partners, sub-contractors and global supply chain to discuss their assessments of the key risks, understand their preparations, share best practice and identify the best current and future mitigation plans.

Chris Sweetman: this is Chris Sweetman from RES.

It's worth also noting the natural resilience of wind farms and solar parks. Solar sites and turbines are quite capable of continuing without daily site attendance. When faults do occur, most of these trips can be reset remotely, and we have done a lot of work over the years to broaden the remote monitoring and reset capability for the turbines and solar sites, including retrofits on some of older turbines. This remote capability applies to both turbines and the substations on site.

If we cannot reset remotely, it will usually be a single turbine offline until a technician attends site, who are generally based in the site vicinity. Our portfolio structure, with ownership in over 800 turbines, clearly provides a lot of resilience.

We do acquire spare parts for the operating portfolio from overseas. Many of you will have heard us in the past discussing our enthusiasm for a rigorous approach to strategic spares as well as condition monitoring, which helps predict failures in advance. This approach puts us in a good position for the operating portfolio given the current potential for supply chain disruption. Construction projects may be more challenged, and we could see delays, though such projects represent a small portion of the portfolio. Performance is also being maintained in France, despite the restrictions on personnel movement already in place. Clearly the longer that severe restrictions occur, the greater the potential there is to disrupt the operating portfolio, but our preparation puts us in the right starting position to help us to manage the challenge.

Other elements of note are site transformers, inverters, substations or wider grid issues which can impact site availability. Our wide geographical spread and largest single asset size amounting to approximately 10% clearly helps spread this risk. Postponement of planned grid maintenance by many of the grid companies has been welcome. It also helps that the critical contribution that renewables make to the generation mix is recognized by the network controllers and government, helping us to maintain our operational performance.

Richard Crawford: Thanks Jaz and Chris.

2) Our next questions concern the revenues of the portfolio.
- How has the portfolio been performing so far?
- And how are the low power prices affecting us?
- Has the oil price fall impacted prices?
- And is there any change to dividend guidance?

I will start on the portfolio performance and power prices, and then Phil will pick up on the cash and dividend implications.

I am pleased to say, aided by favorable weather and good asset performance, we are approximately 25% ahead of budgeted generation. Given that we generate typically some 30% of our revenue in Q1, this is a strong start.

On power prices, it is correct to say that prices have been beneath expectations year to date. We have low prevailing gas prices, not helped by the mild temperatures we've had this winter. But we don't see much of a read-across from the oil prices anymore – the oil and gas markets have largely decoupled –

so I'm pleased to be able to say power prices have not followed oil and gone down further, at this stage, and in fact the forward screen prices are currently indicating a stable or slightly improving position. Gas-fired power continues to set the marginal cost of electricity in most European markets, with gas prices dominated by LNG.

It is also important to note that, as is set out in our accounts and investor presentations, the significant majority of our revenues per MWh generated for 2020 and beyond are at fixed rates and not exposed to variations in power prices. In 2020, 77% of our generation benefits from fixed prices.

Phil George will now give an indication of what this generation and power prices mean for our cash position.

Phil George: Good afternoon all. TRIG's cash receipts from generation in Q1 to date are ahead of budget as higher generation in the period has more than offset lower power prices. The strong flow-through of cash from December's good performance is also welcome. We earn most of our revenues in the winter so this provides a helpful base for the year.

We have rerun our cashflow forecasts for 2020 with the benefit of the Q1 actual results to date and, assuming on budget generation for the balance of the year and assuming power prices consistent with current forward screen prices. These revised cashflow projections show a small but not material reduction versus our original budgets for the year.

Notwithstanding lower expected power prices our projected dividend cover remains positive. We also have a strong funding position and reserves which gives further confidence. As a result, we believe it is reasonable to reaffirm the dividend guidance at 6.76p per share for the year ended 31 December 2020.

Richard Crawford: Thank you.

3) We have two more finance related questions, for Phil to respond to:

-What impact do power price falls have on the NAV?
-Can we clarify the hedging strategy, and explain if cash is needed for margin movements?
And finally Phil, could you please also take us through the balance sheet strength of the Company.

Phil George: With respect to the sensitivity of the NAV to power prices, at the year-end results we disclosed that a 10% power price decline across the entire remaining life of the portfolio would lead to 8.5p decline in the NAV, all else being equal. We are due to carry out a full formal valuation for the 30 June 2020 interim results, where we will be able to provide more information on any changes in power price forecasts and impact on the Company's NAV.

Moving onto FX, TRIG has c. 45% of its portfolio in Euro denominated investments. Our currency hedges are currently at approximately 80% of the balance sheet value of the Euro assets, going out 4 years ahead. The Company's FX hedging is part of the Revolving Credit Facilities – the hedges are spread and settled as they expire over the 4 year period. So we don't have margin calls on the FX hedges.

Regarding our balance sheet, there is considerable strength. We currently have no debt at the top co level – and our cash commitments to projects under construction or acquisition are well within our current holding of £100m cash and £340m RCF capacity, which is currently nil drawn and is committed until the end of 2021.

Finally, just to reiterate that all the long-term debt in our projects is secured for the full duration of its term. We are continuing to repay this debt in line with the subsidies. We have no refinancing exposures. The debt is also ring-fenced to individual projects or groups of projects. Therefore, even in extremis, adverse impacts in one part of the portfolio do not impact the rest.

Richard Crawford: Thank you Phil. So to conclude from the Managers: we have full business continuity measures in place at both InfraRed and RES, and whilst we know the challenges ahead are significant, we are thus far satisfied with how our systems and emergency planning is working. Critically, the portfolio is performing well, and we are maintaining our dividend guidance. Power prices are challenging, but the substantial majority of our revenues per unit generated are fixed.

We believe our strategy of focusing on carefully constructing a well-diversified asset base - we have no single asset accounting for more than 10% of the portfolio - will prove a robust one and that overall TRIG is well placed to withstand the challenging times we are facing.

Helen Mahy: Thank you Richard, Jaz, Chris and Phil. As I hope we have demonstrated, despite these incredibly difficult times, the Board of TRIG and its Managers are working hard to ensure that TRIG is in the best position possible to deal with this crisis. We operate in a sector of critical importance for the country and through careful risk management and risk mitigation we are working diligently to ensure our high-quality portfolio continues to deliver sustainable income to shareholders.

Thank you for your attention and thank you to our shareholders for their continued support. If there are any questions we have not addressed through this call please do send them through and we will endeavour to get back to you as soon as we can.

The call ended.

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