

SDCL Efficiency Income Trust

Gearing higher, disposals progress now key

SDCL Efficiency Income Trust's (SEIT's) interim results for the six months to 30 September 2025 show steady portfolio operations and restored cash cover, set against a more cautious stance on valuation and a tight balance sheet. Portfolio EBITDA was £44m for the six months to June 2025 (FY24: £86m) and investment cash inflows were £58m. NAV per share at 30 September was 87.6p, down from 90.6p at 31 March after dividends of 3.18p per share, and the portfolio was valued at £1,172m. PBT fell to £1.7m (H124: £35.1m) as last year's small fair value gain on the portfolio turned into a £31.2m fair value loss, while dividend income was stable at £37.0m.

Combined EBITDA from Oliva, Primary Energy, Driva, Onyx and RED Rochester was £32.5m in H125, broadly in line with the budget of £33m. Within this, Oliva remained the main drag, generating EBITDA of €2.1m on 645GWh of output (H124: €12.8m) in volatile power markets, while Primary Energy and RED Rochester both delivered year-on-year EBITDA growth on higher certified capacity and loads. Driva's EBITDA rose to SEK42.0m (H124: SEK29.0m) and Onyx to \$6.1m (H124: \$5.3m), reflecting continued deployment and higher generation. Cash generation and dividend cover are back at target levels. Free cash flow was £74m in the period, with net cash inflow from the portfolio of £43m covering £34m of cash dividends at 1.2x. Dividends of 3.18p per share have been declared for the six months and the target of 6.36p per share for FY26 is maintained.

Leverage and its measurement are the major theme of these results. On a look-through basis, aggregate gearing was £683m at 30 September 2025, equivalent to 41.8% of enterprise value and 71.9% of NAV, up from 63.3% at March. The step-up reflects a lower NAV and two technical changes. First, enterprise value is now defined as NAV plus total debt rather than portfolio value plus debt. On this basis, March gearing would have been 37% of enterprise value rather than the 34% previously reported. Second, in the US portfolio, Onyx construction spend is partly funded by tax equity bridge loans (TEBLs) to pre-committed tax equity investors. These TEBLs, c 6% of NAV at 30 September, are included in the gearing ratio. Together with incremental project debt drawn at Onyx after period end, this leaves pro forma gearing at about 74.9% of NAV. Management emphasises that, once tax equity is funded, the TEBLs amortise and the loan component falls over time, but the board has nonetheless instructed the manager not to incur further borrowing until gearing is back below the 65% policy limit, with reduction of the £233m revolving credit facility (RCF) the first priority. SEIT is due a continuation vote in 2026 and it is clear that both management and the board are focused on progress on disposals and deleveraging.

Portfolio valuation movements contributed 2.4p to NAV per share in H1, partly offset by company expenses and a small net fx loss after hedging. SEIT completed the sale of ON Energy at an 18.75% premium to its last holding value and is in exclusivity with an institutional buyer on a further disposal package. The proceeds are intended primarily to reduce the RCF and, over time, may support capital returns. The board and manager are reviewing strategic options to address the persistent discount. From here, progress on gearing and disposals is likely to be the main focus for investors.

Investment companies
Renewable energy infrastructure

9 December 2025

Price	52.70p
Market cap	£572m
Total assets	£1,172m
NAV	87.6p
Discount to NAV	40.7%
Current yield	12.0%
Shares in issue	1,085.4m
Code/ISIN	SEIT/GB00BGHVZM47
Primary exchange	LSE
AIC sector	Renewable Energy Infrastructure
Financial year end	31 March
52-week high/low	63.9p 40.3p

Fund objective

SDCL Efficiency Income Trust's objective is to generate an attractive total return for investors, comprising a stable dividend income and capital preservation, with the opportunity for capital growth.

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