EDISON

SDCL Efficiency Income Trust

Focus on cash returns and value realisation

Investment companies
Renewable Energy Infrastructure

30 June 2026

SDCL Efficiency Income Trust's (SEIT's) FY26 results show a portfolio that continues to perform operationally, but the investment proposition has shifted decisively to realising value, reducing debt and returning cash to shareholders in the shortest practicable timeframe. Portfolio EBITDA was c £91m in CY25, up from c £86m in CY24, including assets sold post year-end, while NAV/share was reduced to 77.8p at 31 March from 90.6p, and the portfolio valuation fell to c £1.1bn in FY26 from c £1.2bn. The valuation reduction primarily reflects asset-specific changes to growth, development timing and regulatory assumptions, rather than a broad deterioration in the quality of the underlying assets. SEIT paid three interim dividends totalling 4.8p/share, covered 1.0x by cash, but did not declare a fourth interim dividend. The board's focus is now to maximise cash available to shareholders, with future returns to be made by the most appropriate mechanism once the revolving credit facility (RCF) has been substantially reduced.

SEIT's five largest investments delivered c £72m of EBITDA, slightly below like-for-like budgets of c £74m. Driva was ahead of budget, supported by stable demand, additional revenue lines and operational improvements, while Primary Energy was slightly ahead of budget and renewed its PCI contract for five years, with further extension options. RED-Rochester delivered a material year-on-year EBITDA improvement, helped by the cogeneration project and resilient customer demand. Onyx remained the main execution asset, with 50MW of new contracts signed and 93MW of projects installed in 2025, but operational performance was below budget due to revenue timing, weather and site-specific issues. Oliva was affected by commodity price volatility and regulatory timing effects. The priority for SEIT's assets has moved from funding growth to preserving value ahead of realisation.

Following the Kyotherm disposal and initial RCF repayment, covered in our recent note, SEIT's priority is to reduce leverage while managing the remaining portfolio for realisation. The RCF stood at c £233m at 31 March 2026 and reduced to c £190m post period end, while pro forma aggregate gearing was c 43% of EV and c 75% of NAV in June 2026, down from c 45% and c 83% at year-end but still above the previous 65% investment policy limit. Reducing RCF drawings remains the primary capital allocation priority. Cash is being retained where needed to meet lender and financing obligations, protect stakeholders and keep assets sale-ready, with surplus cash to be returned to shareholders as quickly and efficiently as practicable.

The proposed managed wind-down is therefore an execution-led realisation strategy, with the objective of maximising cash distributions to shareholders in the shortest practicable timeframe. At the general meeting on 10 July (discussed in our previous note), shareholders are being asked to approve resolutions to enable the orderly realisation of the portfolio, including amendments to the investment objective and policy, cancellation of the share premium account and removal of the continuation vote. The board's preferred route is a portfolio sale, with phased asset disposals if required, and proceeds are expected to be used first to reduce debt before cash is returned to shareholders at appropriate intervals and by the most efficient available means. For shareholders, the key variables are disposal pricing, the pace of RCF repayment, refinancing risk, residual capital needs and the timing of distributions. The near-term equity story is now straightforward: protect asset value, reduce leverage and return cash to shareholders as soon as practicable.

Price	**35.16p**
Market cap	**£382m**
Total assets	**£1,100m**
NAV	77.8p
Discount to NAV	55.0%
Current yield	0.0%

[1] Yield shown as 0% based on SEIT's suspended regular dividend policy. This excludes any future distributions that may be required to maintain investment trust status, the timing and amount of which have not yet been determined.

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	63.0p	32.0p

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.

Analyst

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