

Quarterly valuation update for the energy and infrastructure sector **Q3 2025 update and Spotlight on Battery Storage**

November 2025

Quarterly valuation update

Introduction



Welcome to the Q3 2025 edition of our quarterly valuation update, which provides a snapshot of some of the main publicly available valuation trends across the energy and infrastructure sector, covering both debt and equity metrics.

This quarter we continue to look at trends in debt and equity metrics relying primarily on publicly available information. In relation to the equity trends, we use the Forvis Mazars indices of listed infrastructure funds and listed renewable energy funds, compiled on the basis set out in Appendix 1 of our blog.

In addition, this quarter we have included a spotlight on the battery storage sector.

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Valuations Q3 2025 market update

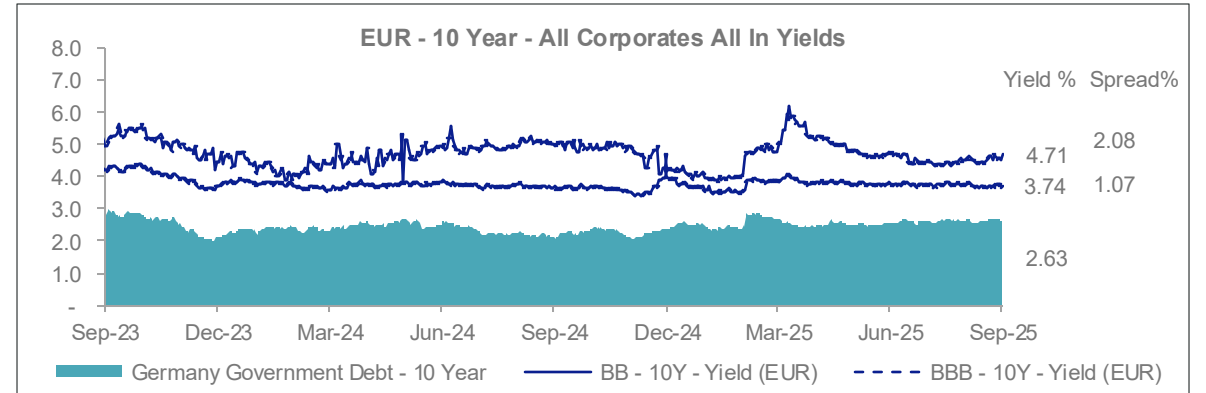
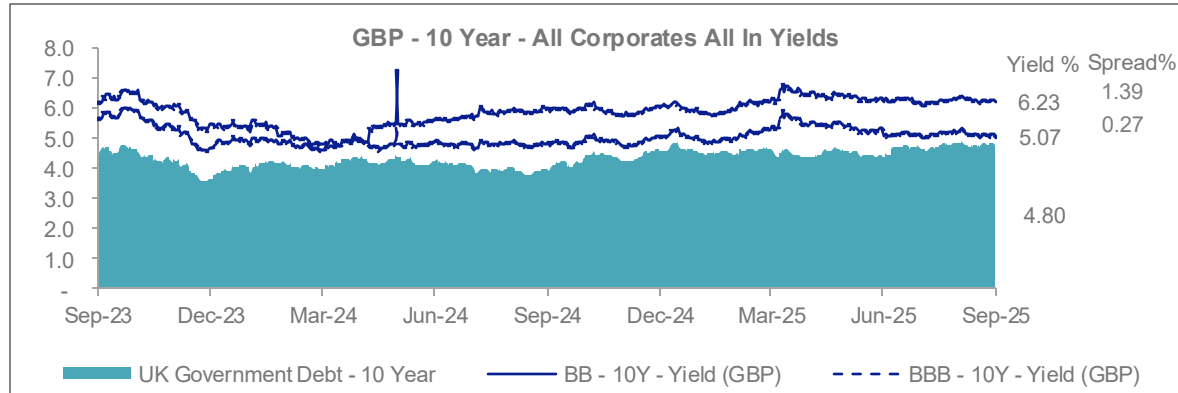
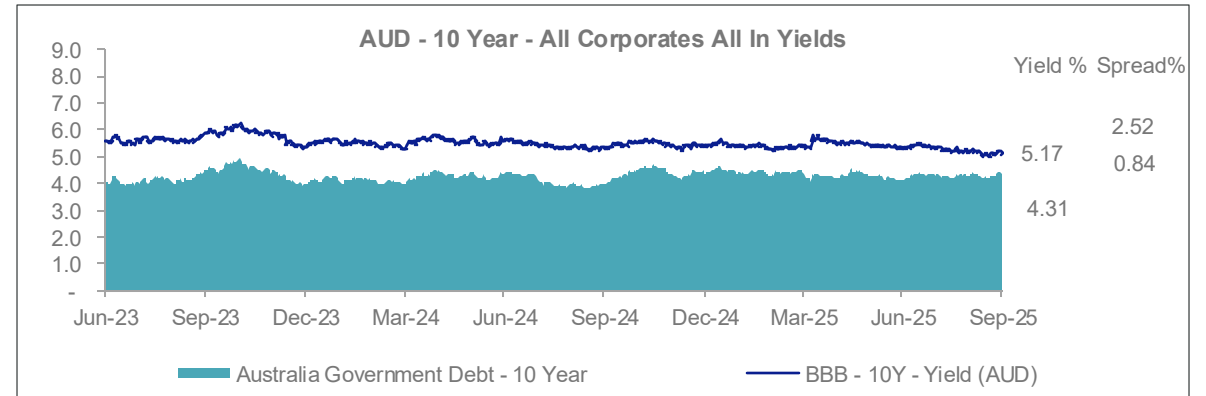
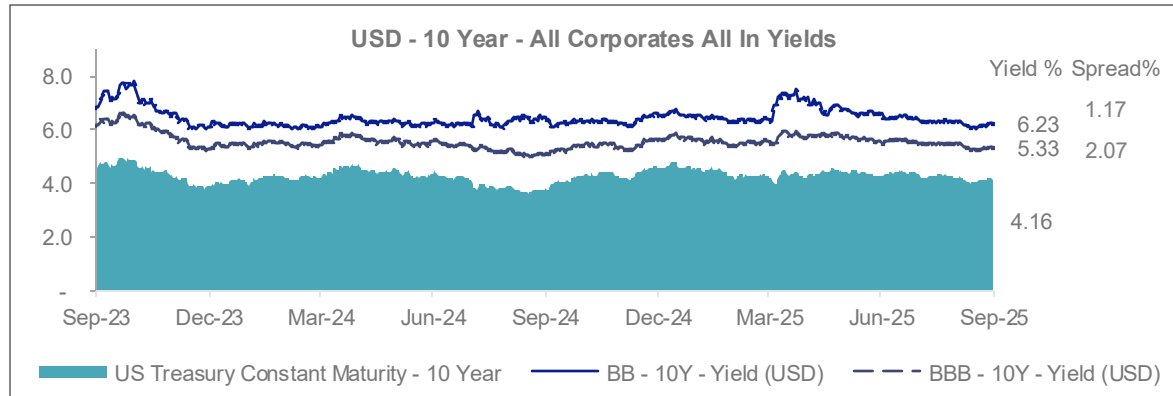


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Debt valuation trends

Q3 2025 was characterised by relatively stable bond yields with narrowing spreads

- Generally flat or declining BBB and BB-rated bond yields
- Risk free rate increase in the UK (but reversed since quarter-end)

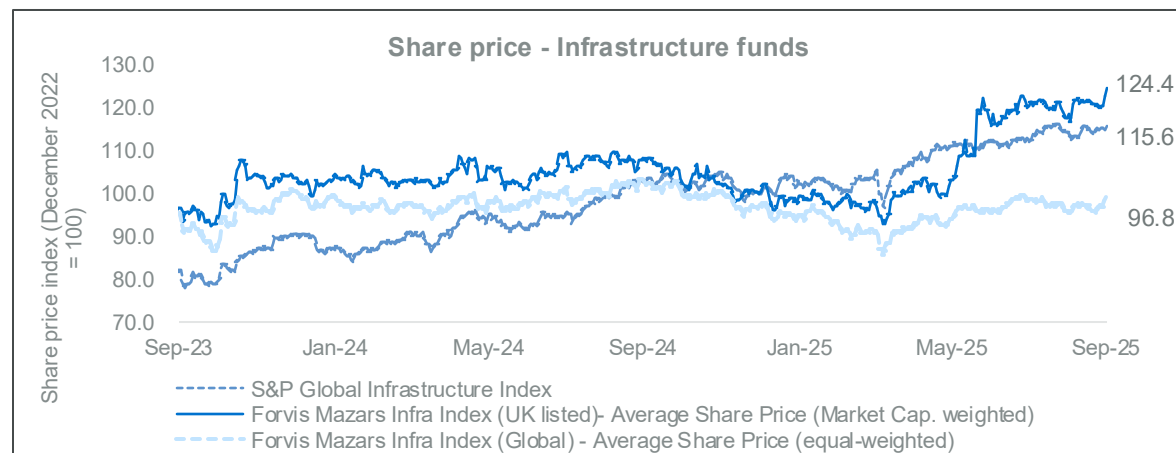


Source: Capital IQ, Forvis Mazars analysis

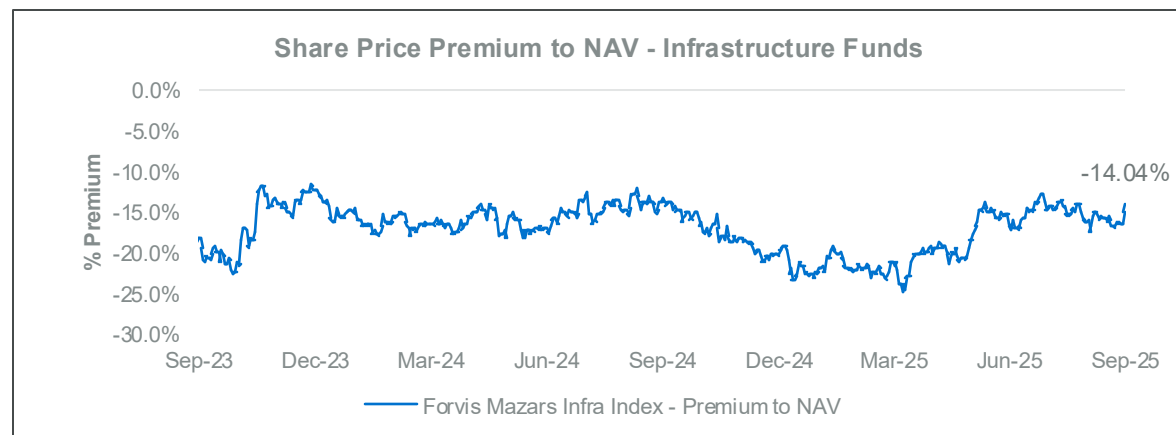
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Equity valuation trends – infrastructure funds

Infrastructure funds have continued to trade at deep discounts to NAV



- Share prices have increased during the quarter, particularly amongst the UK-listed funds, while the NAVs have either remained unchanged or increased slightly.
- The result of this is that discounts to NAV are broadly similar to last quarter, remaining between c. 15% - 20.0%.
- Discount rates continuing to reflect rising government bond yields and ongoing macroeconomic pressures, with modest increases observed over the past six months.
- These higher risk-free rates appear to have been fully reflected in current discount rates, but further increases are possible as part of a new cycle.



“The sharp rise in government bond yields, particularly UK gilt yields, over the past two years had a significant impact on the listed investment trust sector share prices, including the Company. Persistently higher yields have placed downward pressure on share prices across the sector, contributing to the Company’s shares continuing to trade at a discount to NAV.”

-INPP, June 2025 Half-yearly Financial Report

Source: Capital IQ, Reports from Funds, Forvis Mazars analysis

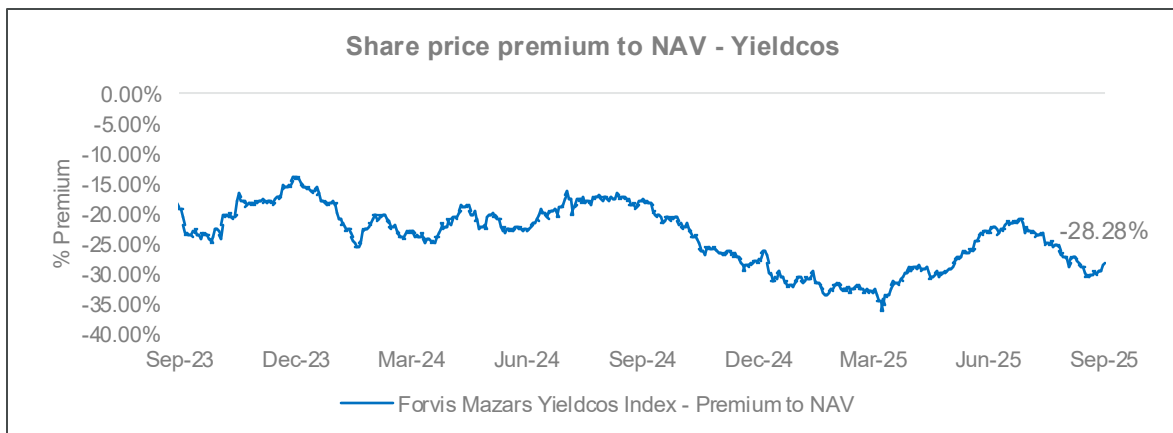
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Equity valuation trends – renewable energy funds

Yieldcos have been struggling more than the listed infrastructure funds and are starting to react



- The share prices in the yieldcos sector show a downward trend due to falling wholesale electricity prices and ongoing macroeconomic volatility from policy uncertainty and geopolitical risk.
- NAVs for most of these funds have also decreased a little, but overall, funds are trading at deeper discounts to NAVs as compared to last quarter. Share prices were also impacted by FiT / ROC CPI/RPI consultations, as a new example of policy risk in the sector.
- Listed funds reported slightly increased discount rates for the periods ending March 2025 and June 2025, due to a sustained increase in government bond yields.
- On the private transactions side, there continues to be evidence of transactions taking place at NAV, including for example Greencoat UK Wind Plc's disposal of three wind farms for £181m in July 2025.



“NAV per share decreased in the period from 151.2 pence per share to 143.4 pence per share. Whilst the Company’s share price has increased by 11.9 per cent since the end of the last quarter, shares continue to trade at a material discount to NAV.”

- Greencoat UK Wind, June 2025 Half-year Report

Source: Capital IQ, Reports from Funds, Forvis Mazars analysis

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Spotlight on BESS

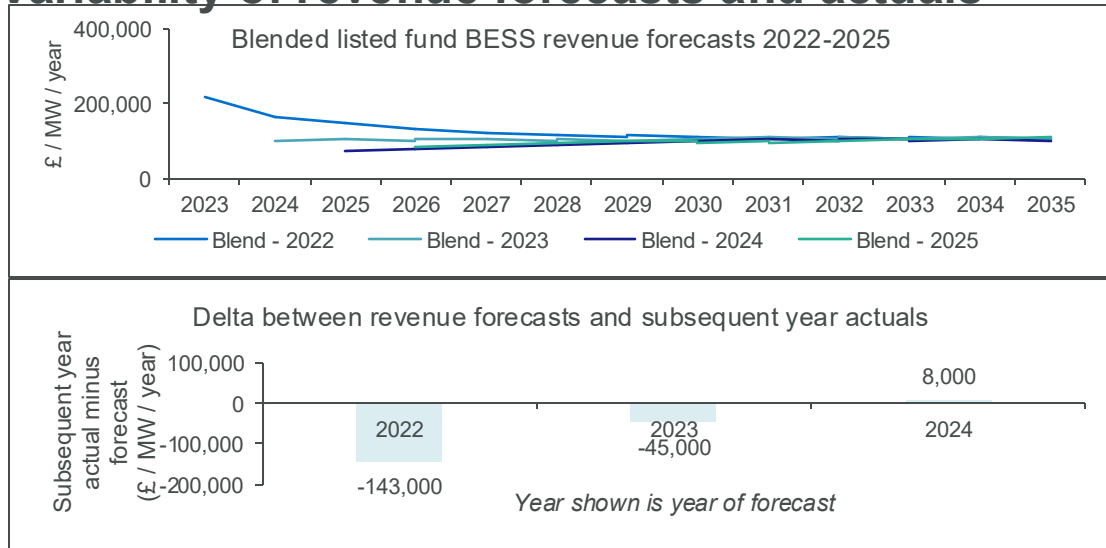


Spotlight on BESS

Focus on Revenues

Revenues within the BESS sector present some challenges from a valuation perspective

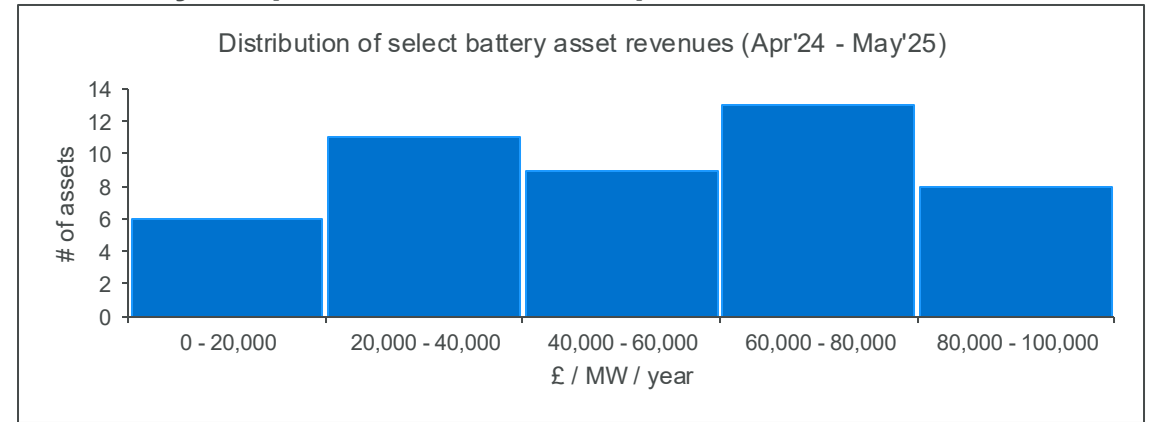
Variability of revenue forecasts and actuals



Source: Published filings, proprietary data, Modo Energy data

- Volatility of revenue forecasts from year to year a key feature of BESS valuations. Given merchant risk of BESS assets valuations highly linked to relevant revenue forecasts.
- Prior over-forecasting was an issue in 2022, following a fundamental shift in the market. This issue appears to have been resolved with more recent forecasts.
- This volatility is often reflected in a higher merchant discount rate than say solar or wind. It can be common to apply a weighted revenue curve to smooth out potential volatility, as there are still large divides between curve providers in the long-term. Comparison of multiple curve providers can help sculpt a view of market assumptions.
- There can also be large disparities between forecast revenues and actual performance. Analysis of specific asset performance is key, with the knowledge that past performance does not guarantee future performance

Variability in optimiser / BESS site performance



Source: Modo Energy, Forvis Mazars analysis

- Asset performance is highly tied to optimiser performance. There is a c.83% difference between the best performing optimiser and the average based on the data.
- Batteries' route to market, linked to the variability in revenue stack, leads to the potential for great disparity in asset returns.
- The data also highlights locational considerations. Region with highest revenues 94% higher than lowest region, and 39% higher than the average across all regions.
- What does this indicate for valuations:
 - Consideration of optimiser and historical performance, noting that revenue curves seek to identify an average
 - Comparison to other projects in similar locations;
 - Use of geographically specific curves key for valuation;

Spotlight on BESS

Focus on Revenues

The BESS sector is maturing, providing a range of offtake structures that can help to change the valuation dynamic

Contracted vs merchant options

- BESS owners have credible options to reduce merchant risk in many markets
- Includes tolling agreements and PPAs with floor prices, There are also more novel structures including insurer tolls or day-ahead swaps.

Why do floors generate value if forecast prices are above the floor levels?

- The increasing adoption of floor price structures in particular is helping to support debt raises and valuations
- Key value considerations include:
 - Cost / impact on potential upside – linked to higher optimiser fees (fixed or variable) in return for guaranteed revenues.
 - Extent of risk transfer and impact on discount rate – related to variable discount rates which are often applied to contracted revenues.
 - Impact on debt quantum and therefore overall cost of capital – with greater debt investors require less equity investment, with the higher gearing %s often reliant on contracted revenues
- From an investment perspective, risk/return dynamic and fit with overall investment strategy likely to be key.
- From a valuation perspective, potential for a lower blended discount rate and/or EV that benefits from lower cost debt capital

Discussion of additional risks

- Valuers need to look at multiple aspects of BESS assets, including some of the below
- Many of these would be familiar themes beyond BESS

	Considerations	Valuation approach
Counterparty risk	Risk around floor or toll / bankability – greater DR adjustments for non-investment grade counterparties. Considerations around counterparty risk from entities such as NESO	Potential discount rate adjustment – common to see variable discount rates across various types of contracted routes to market.
Duration considerations	Comparability across assets, strategy – longer duration assets likely to trade differently to shorter duration sites	Multiples analysis / augmentation sensitivities – important to ensure comparability of benchmarks
Usage considerations	Anticipated cycles / degradation, link to broader revenue mix assumptions as well as longer term project revenue generation	Analysis of historical battery operation vs forecasts – noting the fact that it is not uncommon for assets to cycle lower than their curve may suggest
Repowering / asset life assumptions	Cost / timing of repowering, impact on output – with reference to potential over-degradation or under degradation	Market benchmarking or sensitivity analysis to the extent material
Inflation assumptions	Revenue curves usually presented in real terms	Benchmark inflation assumptions to market

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Conclusions

Three key themes from Q3 2025:

Discount rates remain relatively high, linked to persistently elevated risk-free rates

- Cost of debt benefiting from reduced shorter duration yields and reduced spreads
- More conservative transaction pricing as higher risk-free rates have translated into higher return hurdles – potential for growth more important in that context

Recent transactions continue to benchmark NAV performance

- Evidence in the private market of transactions continuing to take place at, above, or close to NAV
- Yieldcos having to confront particularly significant discounts to NAV

Revenue and operational risk considerations key to BESS valuations

- Evolution of contractual structures and more accurate near-term forecasting are signs of a maturing market
- BESS valuations need to adjust to revenue forecasts and asset-specific structuring as well as broader risk considerations

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