Drax Group

Grid access opens a data centre option

Drax Group is a UK power generator built around the 2.6GW biomass-fired Drax Power Station. Its partnership with Brookfield and Radiant to develop a data centre of more than 1GW in aggregate on the Drax estate offers a route to monetising the site's 4GW of grid access, with a first phase of up to 100MW targeted for Q128. This follows completion of the Bluefield Solar Income Fund (BSIF) acquisition at a £1,082m enterprise value and a September upgrade that put FY26 EBITDA expectations around the top of the £680–711m consensus range. The 23 November capital markets day should add detail on its growth plan.

Partnership targets GW-scale data centre at Drax

On 3 November, Drax agreed a partnership with Brookfield and Radiant. Phase 1 targets up to 100MW. Phase 2 aims to add 500MW between 2028 and 2031, supplied directly from existing power generation. It would use a mechanism in Drax's biomass Contract for Difference (CfD) that allows up to 500MW to power a data centre, subject to government agreement. Phase 1 still needs planning and network approvals, an anchor tenant and final investment decisions, and Drax's economic terms are not yet disclosed.

Earnings base broadens through the CfD transition

From April 2027, Drax Power Station moves onto a low-carbon dispatchable CfD covering c 6TWh per year to March 2031, c 30% of baseload output. Consensus EBITDA dips from £710m in FY26e to £638m in FY27e, then recovers to £702m in FY28e as new capacity arrives. That capacity comprises c 0.9GW of open-cycle gas turbines under 15-year Capacity Market agreements and 710MW of battery storage from 2027. The FY29 EBITDA target of £650–800m excludes BSIF, which generated c £130m EBITDA in the year to June 2025 from predominantly contracted revenues. Net debt/EBITDA is guided above the c 2x target in FY26, falling back to it by end FY27.

Valuation: Discount reflects earnings transition

At 851p, Drax trades on consensus FY26/FY27 EV/EBITDA multiples of 5.5x/6.1x and P/E multiples of 10.3x/15.4x. These represent discounts of c 51%/37% and c 43%/13%, respectively, to European peers, although its broad mix of energy and industrial businesses limits comparability. The rising FY27 multiples reflect an expected earnings decline as Drax moves into its new biomass support contract. Delivery of Bluefield integration benefits growth in flexible power generation and progress towards management's end-2027 leverage target could support a further re-rating.

Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	EV/EBITDA (x)
12/25	5,355.4	947.0	623.3	137.70	6.2	4.1
12/26e	5,238.0	709.6	370.7	83.00	10.3	5.5
12/27e	4,711.0	638.3	241.3	55.40	15.4	6.1

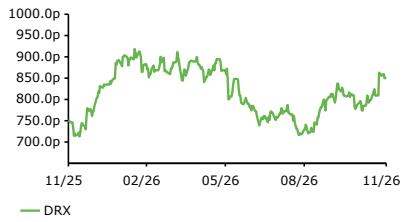
Source: Bloomberg Intelligence

Industrials

12 November 2026

Price	**851.00p**
Market cap	**£2,870m**

Share price performance



Share details

Code	DRX
Listing	LSE
Shares in issue	336.8m
Net cash/(debt) at 30 June 2026	£(1,025.0)m

[1]Note: Net debt does not include H226 acquisition.

Business description

Drax Group is a renewable energy company based in the UK. It operates the Drax Power Station in North Yorkshire, manufactures sustainable wood pellets across North America and manages flexible hydroelectric and pumped storage assets while supplying renewable electricity to commercial customers.

Bull points

- Data-centre partnership offers potential to monetise existing grid access.
- Solar, batteries and flexible generation diversify earnings.
- Delivery of growth plans could narrow the valuation discount.

Bear points

- Consensus earnings decline through the 2027 biomass support transition.
- Data-centre economics remain undisclosed, with key approvals outstanding.
- Higher debt and investment requirements constrain financial flexibility.

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