

Jersey Electricity

Delivering resilience through strategic investment

FY26 outlook

Jersey Electricity (JEL) reached key milestones in FY25 on three major initiatives central to its long-term strategy of investing in resilience. The company's £120m capex programme (the 'Big Upgrade') aimed at modernising and reinforcing Jersey's electricity network remains on schedule, replacing ageing assets, increasing capacity and preparing the grid for an all-electric future. The £30m La Collette Resilience Programme continued to enhance on-island backup generation, improving the resilience of Jersey's energy supply, and the commissioning of the St Clements solar farm in spring 2025 marked the island's first utility-scale renewable generation project. JEL beat our FY25 expectations and looks well hedged against price exposures for FY26 and FY27, with material hedge coverage in place for both years.

Year end	Revenue (£m)	EBIT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
9/24	135.7	15.3	37.92	20.40	11.3	4.7
9/25	146.2	14.8	35.90	21.42	12.0	5.0
9/26e	150.4	17.4	40.46	22.58	10.6	5.3
9/27e	154.6	17.5	40.63	23.81	10.6	5.5

Note: EBIT is normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. EPS is reported.

Operational performance overview

JEL delivered a resilient performance in FY25, maintaining operational efficiency while executing the most ambitious capital programme in the company's recent history. Group revenue rose c 8% to £146.2m y-o-y, reflecting tariff adjustments throughout the year and higher demand. Its primary energy business recorded a 7.4% return on energy assets, which equates to 6.4% on a five-year rolling basis, well within the company's 6–7% target. Normalised group operating profit was £14.8m (c 3% lower than FY24), down due to increased wholesale energy costs and operational expenses associated with the capital programme. JEL reported FY25 EPS of 35.9p and paid dividends of 21.42p in the year (FY25 final and FY26e interim), representing a yield of 4.6%.

Infrastructure investment update

JEL's Big Upgrade programme, a £120m network investment over five years, progressed on schedule throughout 2025, with 40 projects initiated. The commissioning of the Moulin à Vent solar farm in April 2025 marks Jersey's first utility-scale renewable generation, materially outperforming initial forecasts and demonstrating the commercial viability of on-island solar.

Valuation: 731p/share represents a c 70% upside

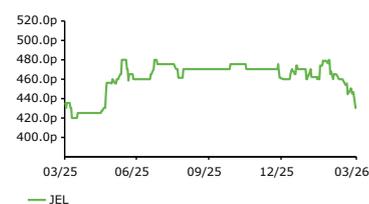
Our valuation (based on a discounted cash flow/sum-of-the-parts blend) of 731p/share is marginally (3%) up from our previous valuation of 708p/share, primarily due to FY25 EBIT being higher than we originally anticipated and the increase in our FY26 and FY27 forecasts. The stock currently trades on a P/E multiple of 11.6x for FY26e and FY27e on our estimates. On an FY26e basis this is at a c 39% discount to JEL's peers, while FY27e is at a c 33% discount.

Utilities

24 March 2026

Price	430.00p
Market cap	£50m
Net cash at 30 September 2025 (including lease liabilities)	£4.1m
Shares in issue	11.6m
Free float	38.0%
Code	JEL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(6.5)	(4.0)	3.5
52-week high/low		480.0p	401.3p

Business description

Jersey Electricity is a vertically integrated power utility dealing in the importation, generation, transmission and distribution of electricity to Jersey. It also operates businesses in retail, property and business services on the island.

Next events

H126 results	June 2026
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Investment summary

JEL is the sole supplier of electricity to the island of Jersey, and its energy business was responsible for generating c 82% of both the group's revenue and its operating profits in FY25. The company imports competitively priced low-carbon power from nuclear and certified hydroelectric sources in France, while diversifying its energy mix with locally sourced renewable power. The key driver for earnings is the spread between the price of wholesale power and its consumer tariffs. The company has a self-regulated rate of return on its applicable energy assets of 6–7%. Therefore, ultimately consumers are exposed to changes in French wholesale electricity prices, although JEL manages this exposure to prevent short-term volatility. JEL was effectively fully hedged at fixed prices (but not volumes) for FY25, and is materially hedged for FY26 and FY27. JEL's current contract with Électricité de France (EDF) finishes at the end of 2027, but management reported that negotiations are progressing well for its new contract, expected to be finalised and signed in early 2026, with the contract commencing in 2028.

The company operates a range of other businesses, including property rental, retail and business services. The Government of Jersey (GoJ) remains the largest shareholder, with 62% of the ordinary share capital and 86.4% of the voting rights. JEL is progressing in its plans of intensifying its focus on energy security and supply, and electrification across Jersey, which will generate opportunities to accelerate growth. The company's focus on energy supply and security can be highlighted by its increased capex spending programme, which was announced in FY24 and saw continued momentum throughout 2025. JEL will invest c £180m in its electricity network, resilience projects and solar over a five-year period.

Financials

JEL's FY25 revenue came in slightly above our expectations (+1%), primarily due to stronger-than-expected unit sales of electricity throughout the year. This demand was driven by both continued fuel switches and increased customer demand following a colder-than-average winter. We remain of the view that in the near to medium term, passing through tariffs rises will be the primary driver of revenue increases alongside modest increases in unit sales as the island of Jersey continues to electrify. We have therefore updated our forecasts from our last report, increasing our FY26 revenue forecast by c 1% to £150.4m and our FY26 EPS forecast by c 6.5% to 40.5p.

We also introduce estimates for FY27 (headline numbers can be seen below). JEL's return on regulated assets stood at 7.4% in FY25, marginally up from 7.3% in FY24, and 6.4% on a rolling five-year basis (in line with the 6–7% target). For FY26, our estimates point to a return of 6.8% and 6.6% on a five-year basis, based on modest volume growth and continued tariff rises, and our own modelling of the likely prices at which JEL has hedged its forward price purchases (the company now guides to being materially hedged for both 2026 and 2027, so the risk of price spikes is minimal).

JEL has historically maintained a net cash position at year-end (FY25: £4.1m). Due to the company's increased capex spending in the near term, where JEL will invest £180m over a five-year period (starting in FY25), we forecast that it will move into a net debt position at end-FY26, having held a net cash position in both FY25 and FY24. We view this as reasonable given JEL's investment aims and the health of its current balance sheet. We forecast that FY26e net debt/EBITDA will be c 0.4x. This remains well below the industry average for regulated utilities. JEL's gearing (on an equity basis) for FY25 was c 12% and in our current forecasts, towards the back end of the company's increased capex strategy, remains below 25%, peaking at 24% in FY28. This again is significantly below the sector average for regulated utilities, which sits at around 65%.

Exhibit 1: Changes to forecasts

	Revenue (£m)			EBIT* (£m)			EPS* (p)		
	Old	New	% change	Old	New	% change	Old	New	% change
FY25**	144.8	146.2	1.0%	12.5	13.9	11.2%	27.6	35.9	30.0%
FY26e	148.7	150.4	1.1%	16.6	17.4	5.0%	38.0	40.5	6.5%
FY27e***	-	154.6	N/A	-	17.5	N/A	-	40.6	N/A

Source: JEL, Edison Investment Research

Note: *EBIT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **FY25 'new' is reported actual FY25 results and 'old' are our previous estimates. ***FY27 'new' is first introduction of estimates.

Valuation: 731p/share represents c 70% upside

Using the average of a 10-year discounted cash flow (DCF) valuation of 688p and our sum-of-the-parts (SOTP) valuation of 774p, we value JEL at 731p/share, a c 3% increase on our previous valuation of 708p/share. This is primarily due to FY25 EBIT coming in c 11% higher than we had anticipated in our previous model, and our updated FY26 estimates being higher.

Risks and sensitivities

- **Regulation:** JEL is a majority government-owned self-regulated utility. While we assume that returns on its energy assets will move nearer to the lower end of its 6–7% target range on a five-year rolling basis in the next few years, it is possible that returns may be lower due to general political pressure.
- **Interconnector failure:** JEL imports c 94% of its required electricity from Europe through undersea cables, therefore failure of one or more of these interconnectors would require a higher dependence on the use of JEL's on-island energy generation.
- **French wholesale pricing/foreign exchange rates:** higher French wholesale prices and a weaker sterling versus the euro increase the cost of electricity purchases for JEL. Although JEL can recoup additional costs from customers through tariff raises, this could invite additional political scrutiny.
- **Defined benefit pension scheme:** JEL's defined benefit pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in the financial markets and is materially affected by relatively small movements in the underlying actuarial assumptions.

Update on capex programme

Strategic investment programme gaining momentum

JEL's FY25 results demonstrate continued progress in delivering long-term infrastructure resilience and Jersey's energy transition. The Big Upgrade programme has moved decisively from planning into active delivery, with 22 projects completed, six in progress, seven programmed (subject to permissions) and five in active planning. The programme encompasses 100km of new low-voltage cabling and 20 new substations, alongside the planned replacement of the Normandie 2 submarine cable scheduled for installation in 2028.

The £30m La Collette Resilience Programme has advanced materially, with demolition of redundant steam generators completed and tendering underway for 50MW of new backup generation capacity. This programme will provide an additional 50MW of on-island fast-start backup generating capacity and is scheduled for completion by summer 2028, when JEL will formally adopt its enhanced Security of Supply Standard. These investments position the network to accommodate forecast peak demand growth of approximately 25% to support Jersey's net-zero target.

The investment programme is being executed against a backdrop of easing wholesale electricity markets. French wholesale electricity prices, which peaked in 2022, continued to moderate throughout 2024 and 2025. JEL's hedging strategy has protected customers from volatility, with the company effectively fully hedged at fixed prices (but not volumes) for 2025 and materially hedged for 2026 and 2027. Due to this forward purchasing discipline, JEL has managed to offer its customers significant savings in recent years.

Solar generation exceeds expectations

A material operational milestone in FY25 was the commissioning of Moulin à Vent in April 2025, Jersey's first utility-scale ground-mounted solar array. The 4.3MWp installation in St Clement has exceeded initial energy production forecasts by 25–30% to date, generating 5.8m units in FY25 compared to just 1.1m units from solar in FY24. This outperformance is attributed to optimised site layout, improved panel efficiencies and favourable weather conditions, and provides encouraging validation of the economics of on-island renewable generation.

Construction is approximately 60% complete on two additional ground-mounted sites in St John and St Mary, which will add 6.6MWp of installed capacity. Planning applications for further sites, including Belle Fontaine, are progressing. The Solar 5000 programme, which targets 25MWp of solar capacity to power the equivalent of 5,000 homes by 2030, is gaining momentum. Rooftop installations at Jersey Airport Cargo Centre and St Clement Parish Hall have been

completed, with agreements in place for what will be the Channel Islands' largest rooftop array at Albert Bartlett's Peacock Farm facility.

The expansion of local generation reduces JEL's reliance on imported power, which accounted for 93.7% of supply in FY25 (down from 94.5% in FY24), and provides a natural hedge against future wholesale price volatility. While the scale of renewable generation remains modest relative to total demand, the trajectory is encouraging and the outperformance at Moulin à Vent suggests the economic case for further solar investment is strengthening.

Overview of FY25 results

FY25 group revenue rose 7.7% to £146.2m (FY24: £135.7m), with the energy business contributing £118.5m (FY24: £108.1m), an increase of 9.5%. This growth was driven by the 7.5% tariff increase implemented in January 2025, higher customer demand following colder winter conditions and continued fuel switching.

PBT declined 6.0% to £14.2m (FY24: £15.1m), primarily due to a £0.9m revaluation loss on the property portfolio and a one-off £3.0m ex-gratia past service cost relating to the defined benefit pension scheme. Excluding these items, underlying profitability remained resilient. Normalised group operating profit was £14.8m (FY24: £15.3), while JEL's energy business delivered an operating profit of £12.7m (FY24: £13.0m), representing a return on energy assets of 7.4% in FY25 and 6.4% on a five-year rolling basis, in line with the company's self-regulated target of 6–7%.

Cost of sales increased to £92.7m (FY24: £83.2m), reflecting higher wholesale energy costs, increased personnel costs associated with the Big Upgrade and general inflation across materials and operating inputs. Operating expenses rose to £38.7m (FY24: £37.3m), although this includes the £3.0m one-off pension charge. Excluding this non-recurring item, operating expenses reduced year-on-year, reflecting efficiencies delivered across the business and increased capitalisation of labour associated with major programmes.

Normalised EPS declined to 35.90p (FY24: 37.92p), reflecting the lower profit base and the impact of non-recurring charges. DPS rose from 20.4p in FY24 to 21.4p in FY25, a c 5% increase. The board proposed a final dividend of 12.60p per share, up 5.0% on the prior year, with its dividend cover reducing slightly to 1.7x (down from 1.9x in FY24). The increase in dividend maintains the board's policy of delivering sustained real growth in shareholder returns over the medium term, while funding the largest capital programme in the company's recent history.

Balance sheet and cash flow

Company defined net cash as at 30 September 2025 stood at £8.7m (FY24: £19.2m), comprising cash and cash equivalents of £38.7m less borrowings of £30.0m. The £10.5m reduction in net cash during the year reflects increased capital investment to support the Big Upgrade and other strategic infrastructure programmes. Capital expenditure rose to £30.6m (FY24: £18.1m), with further increases anticipated in FY26 as the investment programme accelerates. This represents a material step-up in capital intensity, although the company's balance sheet is well positioned to absorb this investment.

Operating cash flow before working capital movements was £28.5m (FY24: £28.2m), with working capital adjustments adding £1.6m (FY24: £0.7m). After interest, preference dividends and tax, net cash from operating activities was £25.3m (FY24: £24.4m). Investing cash outflows totalled £28.8m (FY24: £16.0m), resulting in free cash flow of negative £3.5m (FY24: positive £8.4m). Financing outflows of £7.0m (FY24: £6.7m) related primarily to ordinary dividend payments.

JEL's debt position remains conservative relative to sector peers. Net debt/EBITDA at FY25 stood at -0.2x (FY24: -0.5x), well below the industry average for regulated utilities. Gearing (on an equity basis) was approximately 12% (FY24: 12%), materially below the sector average of around 65%. The company's £30m private placement, comprising two tranches with fixed coupons of 4.41% (£15m, 20-year term) and 4.52% (£15m, 25-year term), remains in place, with financial covenants requiring a net debt to regulated asset value below 50% and EBITDA to borrowing costs above 4x. JEL continues to meet these covenants comfortably. The company also maintains an unsecured £10m revolving credit facility with RBS International (renewed in August 2025 for two years) and a £2m overdraft facility, both of which remain undrawn.

Operational performance and customer metrics

JEL's operational performance in FY25 was strong. Customer Minutes Lost (CMLs) improved to 7.7 from 9.5 in FY24 (excluding Storm Ciaran), while Customer Interruptions fell to 13.7 from 19.3. These metrics remain significantly better than comparable jurisdictions and reflect decades of disciplined network investment. The slight increase in planned

customer interruptions was attributable to necessary network isolations as part of the Big Upgrade.

Unit sales of electricity rose 1.1% to 616m kWh (FY24: 609m kWh), driven by colder winter conditions and continued electrification in heating and transport, offset by improvements in energy efficiency. Peak demand reached 155MW, down from 163MW in FY24. The number of customers increased to 54,302 from 53,726, with 24,256 customers now on discounted heating tariffs (FY24: 23,657), reflecting ongoing fuel switching activity.

Customer satisfaction remained solid with a customer service score of 75.4, down marginally from 77.5 in FY24, primarily due to the timing of the January 2025 tariff increase. JEL ranked second out of 35 utilities in the Institute of Customer Service survey, placing the company in the upper quartile for the sector. The Think Customer initiative, launched in November 2024 following insight from more than 1,000 customer survey responses, is designed to embed customer-centric principles across the organisation.

Divisional performance

Energy: The energy business generated revenue of £118.5m (FY24: £108.1m) and operating profit of £12.7m (FY24: £13.0m). The year-on-year revenue growth reflected the January 2025 tariff adjustment and higher volumes, while the modest decline in operating profit was attributable to increased wholesale energy costs and operational expenses associated with the capital programme. JEL imported 93.7% of Jersey's electricity requirements from France (FY24: 94.5%), with 5.3% sourced from the Energy from Waste plant (FY24: 5.1%) and 1.0% generated on-island from solar and oil-fired generation (FY24: 0.4%). The return on energy assets of 7.4% in FY25 (6.4% on a five-year rolling basis) demonstrates that JEL is delivering returns within its target range despite the significant capital investment programme and provides confidence that the user-pays tariff model continues to function effectively.

Powerhouse: The retail business reported revenue of £18.1m (FY24: £17.9m) and operating profit of £0.3m (FY24: £0.6m). The reduction in profitability reflected exceptional costs linked to ongoing transformation projects, including the migration to Adobe Commerce and implementation of LS Central, which are expected to deliver long-term commercial and operational benefits. The expanded electric bike sales area delivered Powerhouse's best-ever performance in e-bike sales despite broader market pressures, cementing its position as the island's leading e-bike retailer. The refreshed showroom layout and dedicated demonstration areas have enhanced customer engagement and should support improved conversion rates.

JEBS: Jersey Electricity Building Services (JEBS) reported revenue of £4.7m (FY24: £4.8m) and broke even at the operating level (FY24: £0.2m profit). Performance was affected by the one-off realignment of annual leave entitlement for employees and weaker-than-expected results in amenity lighting. However, JEBS completed 246 fuel switch acceptances during the year, including 47 air source heat pump installations, representing a fivefold increase in heat pump adoption year-on-year. This growth reflects rising customer demand for low-energy solutions and the effectiveness of the GoJ's Low Carbon Heating Incentive. JEBS also expanded Jersey's electric vehicle (EV) charging network, installing 150kW ultra-rapid chargers at St Aubin and Gorey Hill, a 50kW rapid charger at Goose Green Car Park and 128 home EV chargers across the island, supporting the transition to electric mobility.

Property: The property division delivered a profit of £1.3m (FY24: £0.9m), excluding revaluation movements. The overall value of the portfolio fell by £0.9m to £25.8m, reflecting broader conditions in the local property market rather than any specific operational issues. The portfolio comprises the B&Q store and medical centre at the Powerhouse site, along with 29 privately rented houses and flats. Near-full occupancy of the residential portfolio by year-end and the letting of additional commercial space drove the improvement in underlying profitability.

Other businesses: Jersey Energy, the group's mechanical, electrical and plumbing consultancy, successfully completed the first year of its five-year business growth plan, exceeding budgeted profit margins through new client relationships across Jersey and Guernsey, improved team productivity and more efficient project delivery. Major projects included The Limes (127 new apartments for Andium Homes), a telecoms data centre refurbishment and ongoing design work for Jersey Water headquarters and Ports of Jersey infrastructure improvements. Jendev continued to support the group's billing platform customers and is focused on transitioning to the Microsoft Business Central stack to align with industry trends.

Defined benefit pension scheme

JEL's defined benefit pension scheme, which closed to new members in 2013, reported a surplus of £27.3m before deferred tax at 30 September 2025 (FY24: £28.0m), equivalent to £21.8m net of deferred tax (FY24: £22.4m). The scheme surplus decreased by £0.6m during the year, with liabilities falling by approximately 7.7%, while assets decreased by 6.4%. Discount rates decreased from 5.1% in FY24 to 5.9% in FY25, while Jersey Retail Price Index-

linked inflation remained constant at 3.6%.

During FY25, the trustees proposed a one-off increase to pensions in payment of 3–12% (dependent on the date of retirement), approved by the board. The resulting past service cost of approximately £3.0m has been recognised as a one-off charge to the FY25 income statement under IAS 19. The latest triennial actuarial valuation, effective 31 December 2024 and finalised during FY25, confirmed a surplus of £11.7m on a funding basis, reaffirming the scheme’s robust position. The company contribution rate remained at 20.6% until December 2025.

The scheme continues to employ a liability-driven investment strategy to mitigate mismatches between asset and liability values caused by changes in interest rates and inflation. The trustees insure certain benefits payable on death before retirement. Given the nature of the pension arrangement and the risks associated with a growing interest rate environment, the pension surplus is excluded from our enterprise valuation of JEL, consistent with our previous approach.

Regulated return on energy assets

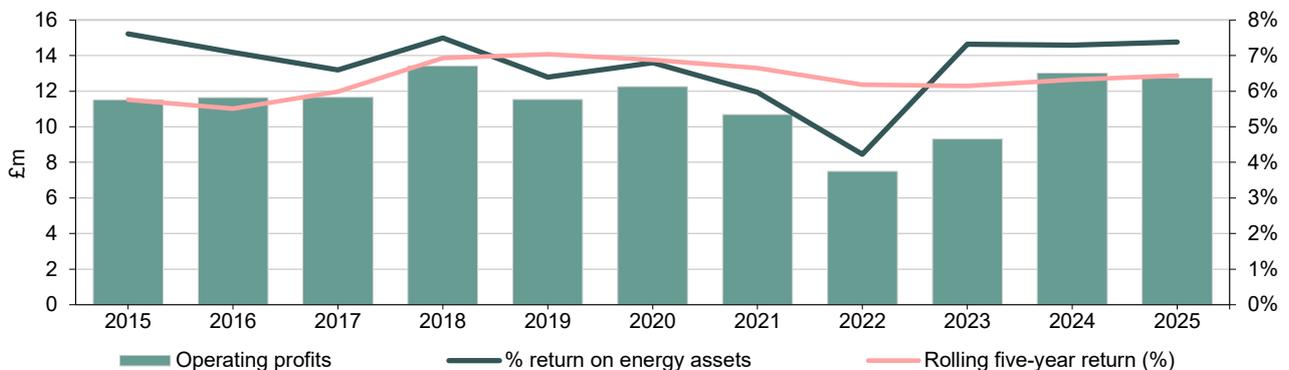
JEL operates on a self-regulated basis with two self-imposed regulatory targets:

- A return of 6–7% (pre-tax and interest) on its energy business (operating fixed assets net of customer contributions) on a rolling five-year basis.
- Ensuring its tariffs remain within ±10% of the EU-15 average (inclusive of all taxes).

JEL imports c 94% of its electricity from France through EDF, with a 15-year agreement that runs until end-2027. This agreement underpins the company’s earnings sensitivity and rate of return, as it is tethered to French wholesale electricity pricing, euro/sterling exchange rate fluctuations and regulatory tariff adjustment capabilities. JEL’s strategic operational approach therefore centres on dynamic pricing to preserve its margin integrity, allowing the systematic pass-through of additional cost pressures to its customers. Continuous monitoring of the French wholesale electricity markets and currency movements remains essential for JEL, which mitigates these factors through favourable hedging strategies.

JEL’s energy business recorded an operating profit of £12.7m, marginally down on FY24’s £13.0m. FY25 revenue grew by c £10m y-o-y to £118.5m, driven by increased unit sales (616m, up from 609m) and the 7.5% tariff implemented in January 2025. Operating costs grew 11.1% y-o-y to £105.8m (up from £95.2m) causing a reduction in EBIT margin to 10.7% from 12.0% in FY24. JEL’s energy business delivered a return on energy assets of 7.4% in FY25 (7.3%: FY24), equating to a five-year rolling average of 6.4% (FY24: 6.3%), within its target range of 6–7% (see Exhibit 2 below).

Exhibit 2: JEL’s energy business, operating profit (left-hand side) and estimated return on assets



Source: JEL, Edison Investment Research. Note. 2023 excludes £3.6m rebate.

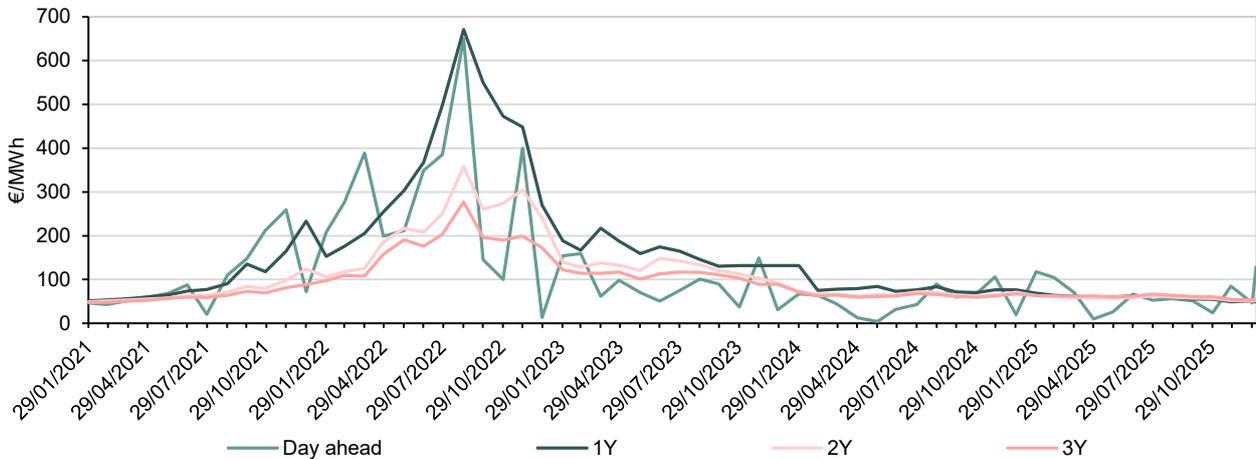
Wholesale electricity and supply security

JEL imports c 94% of Jersey’s electricity requirements from Europe. It purchases power alongside Guernsey Electricity from EDF in France. The supply contract allows power prices to be fixed in euros. It combines a fixed-price component with the ability to price fix future purchases over a rolling three-year period based on a market-related mechanism linked to the European Energy Exchange.

French wholesale electricity prices continued to ease throughout 2025, with three-year forward prices ranging from €50/MWh to €60/MWh, down from the €60–70/MWh range seen in 2024 and significantly lower than the €90–120/MWh range in 2023 and the peaks of €98–288/MWh seen in 2022. JEL’s forward hedging programme secured competitive pricing for 2025, 2026 and 2027, providing material protection against potential market volatility. The company’s current supply contract with EDF runs until December 2027, with negotiations for a new contract progressing well. Management expects to finalise and sign the new agreement in early 2026, with the contract commencing in January 2028.

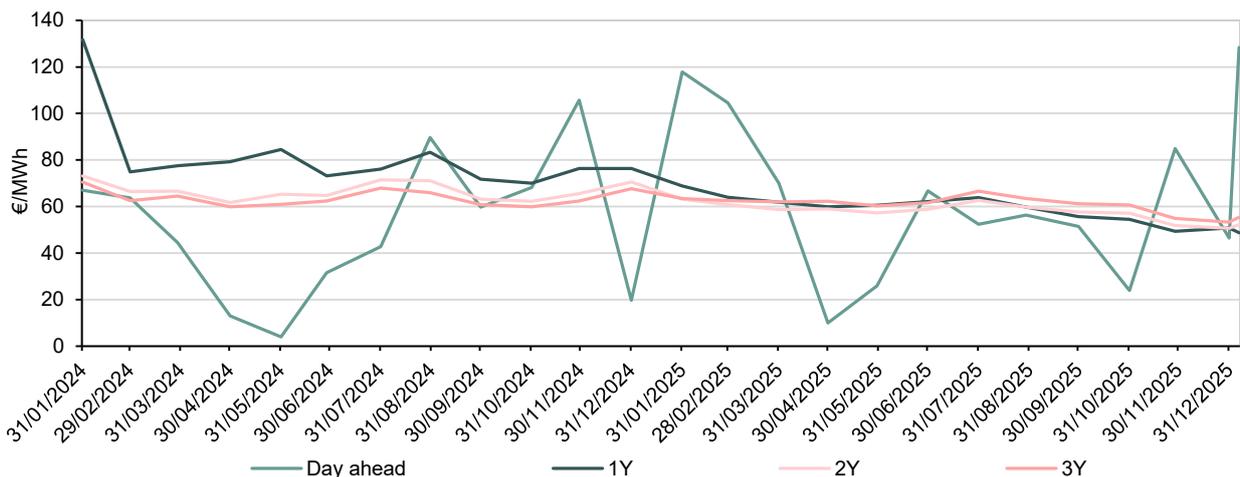
While long-term equilibrium prices remain uncertain, forward prices have trended downwards towards the €50–60/MWh range seen in 2025. Our updated retail prices and imported energy cost models now forecast a regulated return on energy assets at the upper end of the 6–7% range. We estimate that tariff increases of around 2.5% (in real terms from 2025 averages) will be needed in FY26e and FY27e to maintain the five-year rolling return on capital within the regulated 6–7% target.

Exhibit 3: French wholesale electricity monthly forward curve 2021–25 (€/MWh)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 4: French wholesale electricity monthly forward curve 2024–25 (€/MWh)



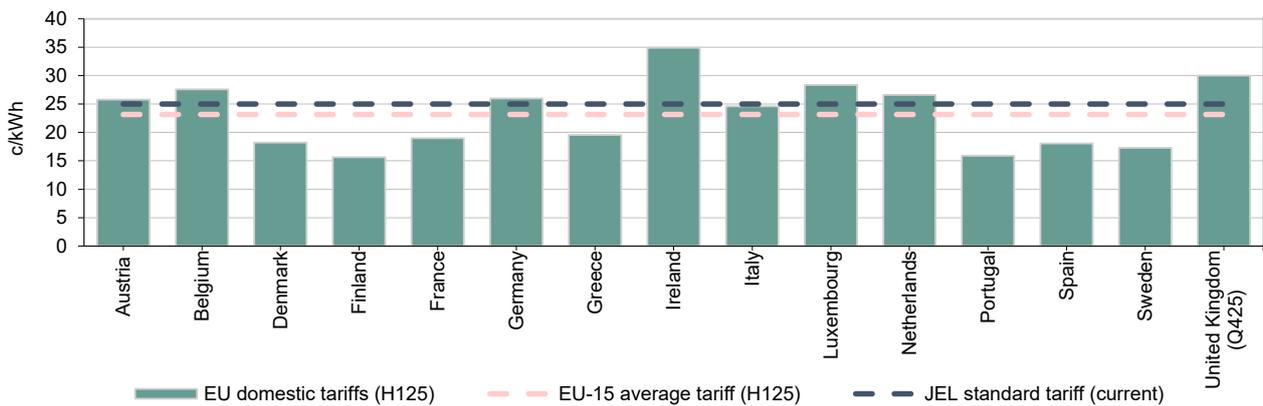
Source: LSEG Data & Analytics, Edison Investment Research

Electricity tariff prices and future assumptions

JEL aims to deliver secure, low-carbon electricity, while maintaining relatively stable and competitive tariffs. The company's energy requirements were effectively fully hedged for 2025, at fixed prices but not volumes, and management says the company is materially hedged for 2026 and 2027, at competitive prices. JEL's risk management policies covering power procurement and foreign exchange, combined with price protection measures negotiated with its supply contract with EDF, have enabled it to secure strong long-term hedges.

JEL implemented a 7.5% tariff increase in January 2025 and announced a further 2.5% increase effective March 2026. These adjustments, which remain below RPI inflation over the period, are necessary to maintain the company's regulated return on assets as older, more favourable hedges expire and are replaced with contracts priced closer to current forward curves (which can be seen above). JEL's standard domestic tariff of 21.66p/kWh (as at January 2026) remains approximately 20% below the UK average and compares favourably with EU-15 averages, sitting marginally above the EU-15 average by approximately 7% in H125 (based on latest available Eurostat data).

Exhibit 5: JEL's standard domestic tariff (excluding taxes and levies) versus EU-15 (c/kWh) for H125



Source: Source: Edison Investment Research, Eurostat, JEL. Note: Based on latest available Eurostat data updated in January 2026. UK based Ofgem data for Q425. JEL tariff and currency exchange rate at 6 January 2026.

The company's hedging strategy has been effective in managing both price and currency risk. The average euro/sterling rate underpinning electricity purchases during FY25 was €1.12/£ (FY24: €1.12/£), with a spot rate at 30 September 2025 of €1.20/£. JEL's treasury function continues to manage financial risks through forward currency contracts to reduce exposure to fx changes and support tariff planning. The recent stability in wholesale markets and the company's material hedged position, across 2026 and 2027, provides reasonable visibility on near-term cost pressures, although the transition to a new EDF contract from 2028 introduces some uncertainty beyond the current planning horizon.

Technology and digital transformation

JEL made significant progress on its technology roadmap during FY25, with three major initiatives designed to modernise the business. The Smart Upgrade Programme encompasses the roll-out of advanced metering infrastructure, implementation of a next-generation ERP system (Microsoft Business Central) and retail transformation. These investments are intended to create the digital infrastructure that will support more flexible tariffs, improved operational efficiency and enhanced customer experiences.

The deployment of My JE for Business marked a step forward in commercial customer engagement, providing multi-site account holders with real-time visibility into energy consumption. Following a successful pilot with the business community, the platform is being rolled out more widely. The Customer 360 model offers a unified view of customer interactions, supporting personalised engagement and service excellence.

Cybersecurity and data protection remained a priority, with the implementation of Zero Trust Network Architecture and adoption of the NIST Cybersecurity Framework during the year. Cybersecurity and data protection training completion reached 92% across the organisation. The company established a technology design authority to ensure architectural cohesion and prevent duplication of investment, while infrastructure refresh programmes maintained uptime at 99.95% for FY25.

Financials

Profitability and returns: Our forecasts for FY26 and FY27 continue to assume that JEL's core business delivers profitability within the range of its regulated return on energy assets target of 6–7% on a five-year rolling basis. The company's energy business operating profit for FY25 marginally decreased year-on-year to £12.7m (FY24: £13.0m), despite the inclusion of the 7.5% tariff adjustment that started in January 2025. This was primarily due to input price rises as well as general inflation.

For FY26, we forecast a regulated return of 6.8% (6.6% on a five-year basis). Our FY26 estimate includes the 2.5% tariff rise announced to come into effect in March 2026. The 2.5% tariff increase in FY26e versus the 7.5% hike in FY25 likely comes off the back of an increase in unit sales throughout FY25 of 616m units versus 609m units in FY24. In our model we anticipate a moderate upward trend in unit sales in future years, as the electrification of Jersey continues to increase. We forecast recurring energy operating profit of £14.4m in FY26e versus £12.7m in FY25. JEL has stated that its electricity purchases for 2026 and 2027 are materially hedged and, following a year of proactive management in 2025, we anticipate the upside will now flow through in both our forecast years, taking JEL through to the end of its current contract with EDF. In our model we forecast JEL to achieve returns on energy assets of 7.0% and 6.7% on a five-year rolling basis in FY27 and FY28 respectively.

Capex: JEL's capital expenditure for FY25 stood at £30.6m (up c 70% y-o-y from FY24). This increase was driven by JEL's largest-ever investment programme (the Big Upgrade), where it will invest £120m into its electricity network over a five-year period (which started in 2025). Management stated that the programme remains on schedule, replacing ageing assets, increasing capacity and preparing the grid for an all electric future. JEL's total capex profile of £180m over a five-year period (starting in FY25) remains unchanged from our previous note. We therefore forecast capex spending of £36.0m and £37.5m in FY26 and FY27, respectively.

Exhibit 6: Capital expenditure and depreciation

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Capex (£m)	32.4	15.1	14.9	13.9	11.3	9.3	11.3	13.1	18.1	30.6	36.0	37.5
Depreciation (£m)	10.3	10.7	11.2	11.6	11.4	10.9	11.0	11.4	11.9	11.4	13.2	14.6
Capex/depreciation (x)	3.1	1.4	1.3	1.2	1.0	0.9	1.0	1.2	1.5	2.7	2.7	2.6

Source: JEL, Edison Investment Research

Pensions: JEL has a defined benefit pension scheme on its balance sheet, which was closed to new members in 2013. As at 30 September 2025 the scheme's surplus stood at £21.8m, net of deferred tax, compared to £22.4m at FY24. Given the unique nature of the pension arrangement (a growing surplus but with cost-of-living adjustments made on an ex gratia basis and the risk of a growing interest environment), we exclude the pension surplus from our valuation of JEL's enterprise value. While the pension assets and liabilities both remain on JEL's balance sheet, in a high interest rate (and cost of living) environment, liabilities for further increases on an ex gratia payment basis cannot be excluded. Historically, we have included an allowance for some pension surplus in our valuation, but we believe the cautious approach is to exclude this surplus from our valuation at present.

However, during FY25 the trustees proposed a one-off increase to pensions in payments of 3–12% (dependent on date of retirement) approved by the board. The resulting cost (c £3m) was recognised as a one-off charge to JEL's FY25 income statement under IAS 19.

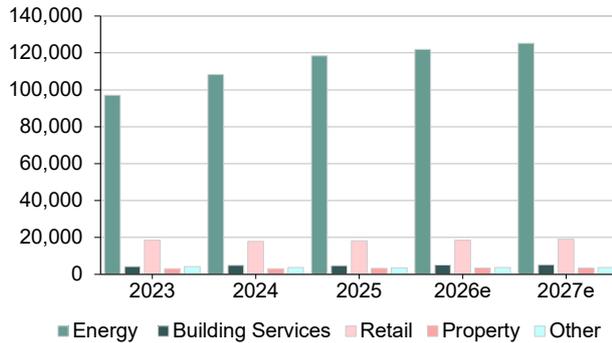
Tax: For tax payable (P&L), we assume an effective tax rate of 22% for FY26e and FY27e (FY25: 22%).

Dividends: Our forecasts assume a 5.4% increase year-on-year in both FY26e and FY27e DPS (22.6p and 23.8p respectively), with a cash impact from payments of £6.7m (FY25 final and FY26 interim) and £7.0m (FY26 final and FY27 interim). DPS is forecast to be covered by earnings at 1.8x and 1.7x in FY26e and FY27e, respectively (having been covered at 2.0x and 1.8x in FY24 and FY25).

Net cash/(debt): JEL has historically maintained a net cash position at the end of each financial year (£15.0m at FY24 and £4.1m at FY25). We maintain the view that this will change in the near term, however, given the company's significant increase in capex spend over the four years. JEL had a net debt/EBITDA ratio of -0.5x in FY24 and -0.2x in FY25. We forecast JEL to move into a net debt position in FY26e of (£11.5m), resulting in a net debt/EBITDA ratio of 0.4x, and £25.2m in FY27e (0.8x net debt/EBITDA ratio). In the back end of our model, net debt/EBITDA peaks at c 1.2x in FY29e. These values, however, remain well below the industry average for regulated utilities. We forecast that JEL will only need an additional £30m in debt to fund its capex spend of £180m over the five-year period. The company's gearing (on an equity basis) for FY25 was 11.8% and, in our current forecasts, towards the back end of JEL's increased capex

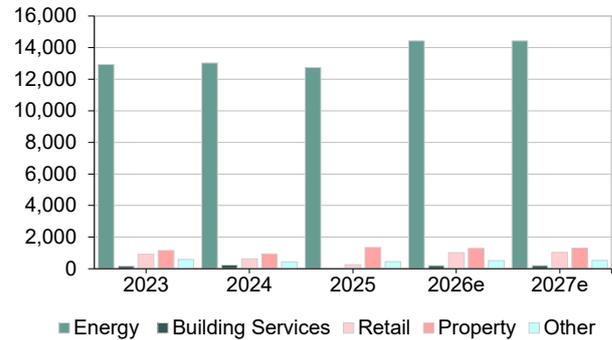
strategy period, gearing remains below 25%, peaking at 24% in FY28. Therefore, although JEL will likely have a net debt rather than a net cash position for the first time since 2019, we see no cause for concern given the company's low level of gearing compared to its peers.

Exhibit 7: Revenue forecasts (£000s)



Source: JEL accounts, Edison Investment Research

Exhibit 8: EBIT forecast (£000s)



Source: JEL accounts, Edison Investment Research

Sensitivities

Regulation: JEL is a majority government-owned self-regulated utility. While the company targets returns on its energy assets within a 6–7% range on a five-year rolling basis, political pressure or changes in the regulatory framework could result in lower returns or constraints on tariff adjustments.

Interconnector failure: JEL imports approximately 94% of its electricity from France through three undersea cables. Failure of one or more interconnectors would require greater dependence on on-island generation. The planned replacement of the Normandie 2 cable and the La Collette Resilience Programme are designed to mitigate this risk, although execution and timing remain important factors.

French wholesale pricing and foreign exchange rates: Higher French wholesale prices and a weaker sterling versus the euro increase the cost of electricity purchases. Although JEL can recoup additional costs through tariff increases, this could invite additional political scrutiny and affect customer affordability. The company's hedging programme provides protection in the near term, but exposure increases beyond 2027 when the current EDF contract expires and existing hedges mature.

Defined benefit pension scheme: The pension scheme remains sensitive to movements in financial markets and actuarial assumptions. The discount rate used in the FY25 valuation was 5.9% (FY24: 5.1%), and relatively small changes in underlying assumptions can have material effects on the reported surplus or deficit. The one-off £3.0m past service cost in FY25 illustrates the potential for unexpected charges.

Capital investment execution: The Big Upgrade and La Collette Resilience Programme represent a step-change in JEL's capital intensity, with total capex of approximately £180m planned over five years. Delays, cost overruns or supply chain disruption could affect the financial profile and extend the period of elevated gearing. While the company's balance sheet is well positioned to absorb this investment, execution risk should not be underestimated.

Valuation

Using the average of a 10-year DCF valuation of 688p and our SOTP valuation of 774p, we value JEL at 731p/share, a c 3% increase on our previous valuation of 708p/share. This is primarily due FY25 EBIT coming in c 11% higher than we had anticipated in our previous model, and our updated estimates being higher.

For our DCF valuation, we assume a weighted average cost of capital (WACC) of 6%, a cost of equity of 6.3% and a cost of debt of 4.5%. Our valuation assumes a terminal growth rate (TGR) of 2% (unchanged). We have left our long run EBITDA to revenue margin at 19%. We outline the sensitivities of our DCF valuation to WACC and TGR assumptions in Exhibit 9 below.

Exhibit 9: Sensitivities of DCF valuation (p/share) to WACC and terminal growth rate

Terminal growth rate	WACC				
	0.0%	4.0%	5.0%	6.0%	7.0%
0.0%	777	600	483	399	336
0.5%	877	658	520	424	354
1.0%	1,009	731	565	454	375
1.5%	1,195	825	620	489	399
2.0%	1,473	949	688	531	427
2.5%	1,937	1,124	776	583	460

Source: Edison Investment Research

Our SOTP values JEL's regulatory (electricity) assets at £202m (up from our last valuation of £181m), based on their book values, and assumes JEL earns a return on these assets equal to its cost of capital (unchanged from previously). We also value the property business (rental properties owned by JEL) using a balance sheet carrying value. For the other minor assets, we apply a 10x earning multiple.

Exhibit 10: SOTP

Components	£m	p/share
Electricity assets*	201.7	658
Property**	25.8	84
Other businesses	5.6	18
Enterprise value	233.2	761
Net cash/(debt)	4.1	13
Equity Value	237.3	774

Source: Edison Investment Research. Note: *Regulated assets. **Book value.

As a cross-check on our valuation, we compare JEL's P/E ratio to those of its appropriate utility-focused peers involved in energy grids and transmission, which include National Grid (UK), Red Eléctrica de España (Spain) and Terna Rete Elettrica Nazionale (Italy). This peer group trades at average forward FY26e and FY27e P/E multiples of 16.1x and 15.4x, respectively. Applying these to our forecast EPS for FY26 of 40.5p would imply a valuation of 651p/share, representing a c 51% upside to the current share price.

Exhibit 11: Financial summary

£'000s	2023	2024	2025	2026e	2027e
Year end 30 September	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	128,671	135,742	146,196	150,350	154,595
Cost of Sales	(80,924)	(83,184)	(92,731)	(91,815)	(94,035)
Gross Profit	47,747	52,558	53,465	58,535	60,560
EBITDA	27,140	27,172	26,174	30,632	32,048
Operating profit (before excepts.)	15,737	15,259	14,777	17,431	17,491
Exceptionals	1,215	890	895	0	0
Other	(1,215)	(890)	(895)	0	0
Operating Profit	15,737	15,259	14,777	17,431	17,491
Net Interest	343	758	308	(1,447)	(1,439)
Profit Before Tax (norm)	14,865	15,127	14,190	15,984	16,052
Profit Before Tax (reported)	16,080	16,017	15,085	15,984	16,052
Tax	(3,432)	(3,427)	(3,126)	(3,521)	(3,536)
Profit After Tax (norm)	11,433	11,700	11,064	12,463	12,516
Profit After Tax (FRS 3)	12,648	12,590	11,959	12,463	12,516
Average Number of Shares Outstanding (m)	30.6	30.6	30.6	30.6	30.6
EPS - normalised (p)	36.8	37.9	35.9	40.5	40.6
EPS - normalised fully diluted (p)	36.8	37.9	35.9	40.5	40.6
EPS - reported (p)	40.8	40.8	38.8	40.5	40.6
Dividend per share (p)	19.4	20.4	21.4	22.6	23.8
Gross Margin (%)	37.1	38.7	36.6	38.9	39.2
EBITDA Margin (%)	21.1	20.0	17.9	20.4	20.7
Operating Margin (before GW and except.) (%)	12.2	11.2	10.1	11.6	11.3
BALANCE SHEET					
Fixed Assets	273,606	285,490	302,960	323,852	345,033
Intangible Assets	3,875	4,985	5,529	5,660	5,866
Tangible Assets	216,136	225,523	243,398	265,897	288,612
Investments	53,595	54,982	54,033	52,294	50,555
Current Assets	82,639	82,527	71,778	57,877	60,108
Stocks	9,187	8,435	7,916	9,185	9,444
Debtors	25,959	24,902	25,172	25,524	26,245
Cash	47,429	49,190	38,690	23,168	24,420
Other	64	0	0	0	0
Current Liabilities	(23,377)	(29,347)	(26,021)	(26,505)	(28,054)
Creditors	(23,296)	(29,041)	(25,682)	(26,166)	(27,715)
Short term borrowings	(81)	(306)	(339)	(339)	(339)
Long Term Liabilities	(91,324)	(93,709)	(95,120)	(95,365)	(111,171)
Long term borrowings	(33,193)	(33,878)	(34,278)	(34,278)	(49,278)
Other long term liabilities	(58,131)	(59,831)	(60,842)	(61,087)	(61,893)
Net Assets	241,544	244,961	253,597	259,859	265,916
CASH FLOW					
Operating Cash Flow	21,259	28,910	30,086	31,590	35,284
Net Interest	160	873	235	(1,447)	(1,439)
Tax	(2,089)	(3,301)	(3,415)	(2,907)	(3,043)
Capex	(13,138)	(18,089)	(30,560)	(36,048)	(37,477)
Acquisitions/disposals	3	34	125	0	0
Financing	(357)	(1,509)	(1,025)	0	0
Dividends	(5,760)	(6,067)	(6,379)	(6,710)	(7,075)
Net Cash Flow	78	851	(10,933)	(15,522)	(13,749)
Opening net debt/(cash)	(14,077)	(14,155)	(15,006)	(4,073)	11,449
HP finance leases initiated	0	0	0	0	0
Other	0	0	0	0	(0)
Closing net debt/(cash)	(14,155)	(15,006)	(4,073)	11,449	25,197

Source: JEL, Edison Investment Research

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Revenue by geography



Management team

Chairman: Phil Austin

Phil Austin became chair of JEL in February 2019, having served as a non-executive director since 2016. From 1997 to 2001 Mr Austin was deputy CEO of HSBC's offshore island business and in 2001 became founding CEO of Jersey Finance. In 2006 he joined Equity Trust as CEO and since 2009 he has held a number of non-executive positions and is a non-executive of 3i Infrastructure, City Merchants High Yield Trust and Blackstone/GSO Loan Financing.

Chief executive: Chris Ambler

Chris Ambler has served as chief executive since 2008, having previously held senior positions in the utility and materials sectors. He is a chartered engineer with the Institution of Mechanical Engineers and holds an MBA from INSEAD. Mr Ambler is a non-executive director of Apax Global Alpha and Foresight Solar Fund.

Interim finance director: Katy McBride

Katy McBride assumed the role of interim finance director in September 2025 following the departure of Lynne Fulton.

Principal shareholders

%

Huntress (CI) Nominees

17

Listed shares only* (JEL)

*Explanatory note from page 54 of the FY23 reports and accounts – 62% of the ordinary share capital of the company is owned by the GoJ with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees owns 5.4m (46%) of JEL's 'A' ordinary shares representing 17% of its overall ordinary shares and around 5% of voting rights.

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