

Aggregated Micro Power Holdings PLC

09:12 30 Apr 2018

Aggregated Micro Power has biomass appeal

Aggregated Micro Power Holdings plc (LON:AMPH) is a classic study of a vertically integrated business.

The group installs commercial size biomass-fuelled boilers used by schools, care homes and business parks.

READ Aggregated Micro Power ups revenue forecast by a third after cold blast
These are financed by two special purpose vehicles AMPIL 1 and 2, a method that frees up capital to fund more new projects.

AMP provides fuel for the boilers (wood chip and wood pellets) and commissions and installs them on a long-term contract.

Billington Bioenergy fills a northern gap

The acquisition last year of Forest Fuels made AMP one of the UK's largest woodchip suppliers and recent acquisitions have taken it deeper into wood pellet supply.

The latest purchase, Liverpool-based Billington, fills a gap in the network in the north-west, chief executive Richard Burrell told Proactive.

"We can now serve most customers in most prices at very competitive prices and quality."

The company was bought from Drax Smart Supply for a consideration of £2.0mIn, comprising £1.6mIn in new ordinary AMP shares at an assumed price of 98.5p each and £400,000 in cash.

The issue of shares as part of the acquisition means power station-operator Drax now owns around 4% of the company.

Based in Liverpool, Billington supplies 40,000 tonnes of premium wood pellets a year to more than 1,500 commercial customers from four depots.

Revenues in 2016 were £6.8mIn with a loss before tax of £430,000, including a management charge to Drax.

Burrell said Drax would be a long-term investor and the two companies will work together on a number of projects and it was an excellent fit with Forest Fuels.

Prior to Billington, AMP acquired the wood pellet assets and customer base of CPL Distribution, a business turning over £5.1mIn annually.

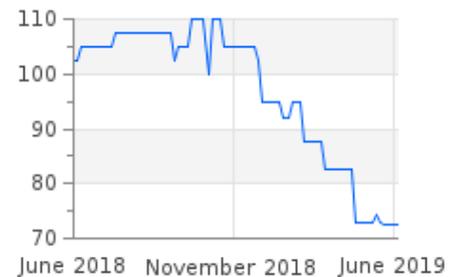
Peaking plant progress

AMP is also branching out into power supply and has more than 120Mw of grid-balancing projects with planning permission and grid connection offers. These peaking projects kick-in when demand is overwhelming the grid, such as

Price: 72.5p

Market Cap: £45.96M

1 Year Share Price Graph



Share Information

Code: AMPH

Listing: AIM

52 week High Low
111.46p 68.00p

Sector: Tech

Website: www.amplc.co.uk

Company Synopsis:

AMP is a distributed energy company specialising in the sale of wood fuels and the financing and installation of energy projects including biomass boiler ESCOs (Energy Supply Contracts) as well as stand by power generation and battery storage facilities.

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when Britain was in the grip of the "Beast from the East".

In January 2017, funding of £14m came through for its first peaking plant in Kent, a project that will comprise some 21Mw of natural gas reciprocating engines.

The finance is being provided by funds managed by Triple Point Investment Management.

"AMPH will earn project development fees, on-going operation and maintenance fees and has shares in the project which are subject to a hurdle return being achieved by Triple Point," said Burrell.

Burning brightly, judging by the half-year performance

In December, the company said it expected the second half of the financial year, which runs to the end of March, to be strong after it produced a solid first-half performance.

In the six months to September 30, it grew revenues 217% to £11.2m, while gross profits increased almost 300%. As is common with businesses at the formative stage of its commercial development, AMP was loss-making - to the tune of £2.44m at the pre-tax level.

The company helped AMPIL 2 raise almost £30m for further boiler and combined heat and power (CHP) and future grid balancing projects.

The special purpose vehicle now has over £50m invested or available for future opportunities.

Its project development business was on course to complete or reach financial close on a number of larger projects during the second half; as a result, AMP expects to generate more than £30m of turnover for the year.

The executive chairman, Neil Eckert, said: "With the strength of our position in the wood fuels market and our growing pipeline of project developments in biomass and grid balancing, we look forward to the future with confidence."

AMP eyeing dividend payments as it proposes a capital reduction

That future may include dividend payments after the firm unveiled plans to reduce the firm's capital, kick-starting a process that could see dividends being paid to shareholders.

The company currently does not have any distributable reserves and is therefore not allowed to pay dividends but the board thinks now is the time to change this.

As of March 16, the share premium account (an undistributable reserve) stood at £22.73m.

The capital reduction plan, which was approved by shareholders in April, will eliminate the firm's profit and loss deficit and create distributable reserves.

This involves cancelling the credit of the share premium account and transferring it to the profit and loss account - reducing capital and providing more flexibility to pay dividends, the group said.

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