

Aggregated Micro Power Holdings PLC

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Aggregated Micro Power Holdings coming to the boil

Local power for local power sounds like the manifesto for the Tooting Popular Front but might also serve as a slogan for Aggregated Micro Power (LON:AMPH).

The company is focused on the development of biomass energy facilities that earn money through the provision of electricity, heat and fuel to local institutions, such as schools, care homes and business parks - particularly those not on the mains gas network.

It uses proven gasification technology, and while the technology may not be revolutionary, executive chairman Neil Eckert and chief executive officer Richard Burrell believe it is going to have a dramatic effect on energy supply.

The UK's existing system, comprised of big power plants burning fossil fuels or using nuclear power, has severe ecological issues, not to mention concerns over who controls these strategically vital utilities.

"Distributed small scale energy is the future," asserts chairman Neil Eckert, who knows a thing or two about renewable energy, having been chief executive officer of the Climate Exchange until it was sold in 2010 for £400m.

He likes to use the computing revolution as an analogy, with the national grid being the creaking old 1950's style mainframe that only a few big companies and government agencies have access to, while small gasification plants are the desktop computers that give the power to the masses.

Burrell, meanwhile, came to a similar conclusion to Eckert about the future of energy distribution in his previous gig as founder and chief executive of primary care property firm Assura Group.

"Every doctor's surgery we had to build had some eco-friendly element," he told Proactive Investors.

That eco-friendly element did not happen by accident; the government is out there actively pushing this agenda and although, in Eckert's words, "it is creeping up on us", the move to distributed energy provision looks set to move from creeping mode to a gallop.

So, the question is: how does Aggregated Micro Power Holdings (or AMP, for short) plan to profit from this trend?

The first thing to understand is that this is a company that is big on recycling; not just recycling waste products to produce heat and power, but recycling capital to ensure that at all stages of the group's development it does not overreach itself.

Let's deal with the technology first.

Gasification heats wood to produce a gas that is cleaned, cooled and channelled through a carburettor to produce heat

1 Year Share Price Graph



April 2019 September 2019 January 2021

Share Information

Code: AMPH
Listing: AIM
Sector: Renewable Energy
Website: www.amplc.co.uk

Company Synopsis:

AMP Clean Energy is a distributed energy company which supplies biomass wood fuel, develops low carbon heat and power assets, and invests in companies which support decarbonisation. AMP Clean Energy's mission is to help UK businesses unlock the potential of decentralised, low carbon energy which supports the UK's transition to a low carbon economy.

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and power. This can then be sold to the national grid or direct to local users; the latter is preferred because the margins are better.

AMP uses heat from the gasification process to dry its own wood chip, which is then sold to owners of chip boilers, typically located within 50 miles or so of the plant.

Heat used to dry wood chip is eligible for renewable heat incentives from the government.

For some reason, when talking to Eckert and Burrell, the old Native American adage about using every part of the buffalo comes to mind.

Another revenue stream for AMP is project fees for project managing biomass boilers, a field in which the company is quickly becoming proficient.

At present, AMP has one plant in Low Plains, Cumbria, capable of producing one megawatt (MW) of energy, but it has two 1.5 MW gasification plants in development.

It has also reached financial close on two biomass boiler projects at Champneys, which it expects to sell to Aggregated Micro Power Infrastructure Limited (AMPIL) for around £550,000 by the end of 2014.

AMPIL is a special purpose vehicle owned by Law Debenture, and its relationship with AMP brings us to the second part of the recycling equation: financing future developments by selling existing biomass boilers.

AMPIL enables AMP to recycle its capital and deliver an 8% per annum to AMPIL investors via loan notes listed on the Channel Islands Stock Exchange.

"The loan notes can be put into a SIPP [self-invested pension plan]," observes Eckert, briefly changing roles from chairman to pensions adviser ...

The idea is that AMP will fund each new gasification project through to commissioning and then refinance at group level. Using this model, AMP gets a regular influx of capital and AMPIL gets a regular revenue stream from each plant.

AMP is aiming to build around two plants a year.

Broker finnCap calls it a "risk averse" strategy and predicts the company will be profitable at the underlying earnings (EBITDA) level by 2015.

The company intends to be a dividend paying one and based on its reported 2015 earnings per share forecast of 5.8p, finnCap has pencilled in a maiden pay-out for that year of 1.5p, more than doubling to 3.1p the following year.

With just one plant currently operational, finnCap said the share price reflects some justifiable execution risk, but this will diminish over time.

"Each project will achieve a secure and predictable earnings stream for a 20-year lifespan," finnCap said.

The directors have ploughed £8m of their own money into the company and although they may be in the wood chip burning business, they don't intend to see that investment go up in smoke.

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