Delivering Energy with Passion

Our Mission

"Together we shall grow Infinis into a more diversified energy portfolio, focused around our core expertise and strong platform, to create long-term value and a sustainable future"

Half year review

Infinis Energy Group Holdings Limited ("Infinis" or the "Group") publishes its half year update for the six month period from 1 April 2018 to 30 September 2018 (the "period").

Overview

On 11 April 2018, the Group acquired 100% of Alkane Energy, the largest power generator from coal mine methane in the UK, with an additional c.100MW of natural gas power response generation and a substantial development pipeline.

The Group now operates three divisions across its operational platform - renewable baseload landfill gas (LFG), baseload coal mine methane (CMM) and power response (PR). The Group's consolidated result includes the performance of Alkane Energy from the date of acquisition.

LFG remains by far the largest division. In the period to 30 September 2018 the LFG business continued to deliver a stable and predictable baseload generation profile. This has resulted in a solid half year performance - revenue, costs and gross profit were in line with management expectations.

As with the LFG division, CMM generates revenue through 24/7 baseload generation. As gas reserves are utilised generation is expected to reduce over time.

The PR division provides power during periods of high demand. With the UK's increasing reliance on intermittent power generation, such as solar and wind, there is a greater demand for highly responsive, flexible generation capacity. The division is a key growth area for the business.

Overall EBITDA(1) for the first half of the year was in line with management expectations.

Group performance

Health and safety

Health and safety performance remains the highest priority for the business. September 2018 was our eighth successive month without a RIDDOR(2) reportable incident and our RIDDOR AFR(3) and TRIR(4) have improved since the year end.

Operational Performance

Operational excellence continues to be the driving force in achieving high engine reliability and availability in our LFG division. Our plans are to emulate the delivery of high operational performance in our new divisions, utilising our proven expertise.

Exported power for the period was 765GWh, an increase of 44GWh (6%) over the same period in 2017. The newly acquired Alkane business delivered 109GWh for the period.

On a like for like basis the LFG division exported 656GWh, 65GWh (9%) less than the same period in 2017. This was due to the natural decline in LFG and the hottest summer on record. The CMM division generated 80GWh for the period and PR generated 29GWh.

Commercial

The LFG division had an average selling price ("ASP")[5] for the six month period to 30 September 2018 of £94.23/MWh, an increase of £4.73/MWh on the comparative period figure of £89.50/MWh, reflecting an increase in wholesale power prices. Of our revenue, circa 45% remains underpinned by index-linked Renewable Obligation Certificates ("ROCs") and other regulatory mechanisms. Our contracted position continues to protect against any revenue downside risk in the near-term.

Capital resources

On 15 August 2018 the outstanding banking facility of £246.5 million was repaid and was replaced by a new banking facility of £318.0 million, consisting of a £278.0 million term loan and £40.0 million revolving credit facility. The new finance facility matures on 15 August 2023 and the term loan is repayable at this date. £208.5 million of the term loan value attracts interest at a fixed rate of 3.61% using interest rate swaps. £69.5 million of the loan value is at a variable rate of LIBOR +2.35%.

Market update

During the period, wholesale power prices strengthened significantly (average forward seasonal prices increased by c.34%), tracking underlying fuels and EU ETS carbon prices. Infinis continues to lock in power prices at prices pre-agreed ahead of seasons of delivery for most of the Group's exported power in line with our forward contracting strategy.

Regulatory update

In November 2018 the UK's Capacity Market was suspended following a ruling by the European General Court (EGC), which annulled the State Aid approval for this mechanism. This may impact Infinis' expected revenue generation from existing Capacity Market contracts as well as future applications for Capacity Market contracts.

As detailed in Infinis' 2018 Annual Report and Accounts, so-called 'triad' payments passed to embedded generators such as Infinis for power generated at particular occasions of peak demand are facing a significant phased reduction. The phased reduction occurs over three years, commencing in the year to March 2019.

Ofgem continue to review network charges. The Targeted Charging Review, which has the objective of reforming aspects of the charging methodologies for the transmission and distribution networks, is ongoing. A final decision is expected during 2019 and which, based on a "minded to" position published in November 2018, may impact the benefits which are currently received by embedded generators such as Infinis in relation to costs of balancing the electricity network, with the likely earliest date for introduction of changes being 2020. A consultation was also conducted in the period regarding a potential significant code review of Network Access and Forward Looking Charges which review Ofgem have now formally launched, with the likely earliest date for introducing any changes being 2022.

(1) EBITDA is a non-GAAP measure and is defined as earnings before interest, tax, depreciation, amortisation and operating exceptional items
(2) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
(3) The measure of RIDDOR occurrences for employees and contractors. Reported as the number of instances for every 100,000 hours worked
(4) Total Recorded Injury Rate. The combined measure of reportable, lost time and medical treatment injuries for employees and contractors
(5) The ASP is defined as RO and NFFO revenue recognised in the period divided by exported power