Generating a Low Carbon future

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 2019 to 30 September 2019 (the "period").

Overview

Infinis is the UK's leading generator of low carbon power from captured methane and is very proud to be one of the few companies in the UK with a net negative carbon emissions footprint, delivering a positive impact on climate change. The Group operates three divisions across its operational platform - renewable baseload Captured Landfill Methane (CLM), baseload Captured Mineral Methane (CMM) and Power Response (PR).

Group performance

Financial and operational performance

Exported power has remained broadly flat in the six months to September 2019 versus the six months to September 2018. EBITDA increased by £6.6m to £36.3m (six months to September 2018: £29.7m) reflecting a £5.2m business rates refunds received in the period (6 months to 30 September 2018: nil) however, the result also excludes any capacity market income (six months to 30 September 2018: £0.7m). The net £2.1m improvement in like-for-like profitability arose from lower operating and overhead costs, improved CLM pricing and, after excluding capacity market income, improved PR gross profit.

Analysis of divisional performance:

- CLM exported power was 597GWh in the period (six months to September 2018: 656GWh), a reduction of 60GWh (-9%) in the period, in line with expectation. Revenue has remained broadly flat at £62.6m (six months to September 2018: £63.6m) as a result of stronger pricing in the period. Gross profit (excluding depreciation) increased by £5.1m as a result of Operating costs (excluding depreciation) reducing by £6.1m which included the £5.2m business rates refund.
- CMM exported power was 73GWh in the period (six months to September 2018: 80GWh). Revenue is flat with the six months to 30 September 2018 at £4.4m reflecting a 7% increase in the average selling price. Gross profit (excluding depreciation) increased by £0.2m as a result of Operating costs (excluding depreciation) reduction.
- PR exported power was 75GWh in the period (six months to September 2018: 30GWh), a significant increase of 45GWh reflecting a lower natural gas price facilitating increased run hours in peak demand periods. Revenue in the period was £5.9m (six months to September 2018: £3.8m) but excluded any capacity market income (six months to September 2018: £0.6m) which led to an improved performance in the period.

Health and safety

Health and Safety (H&S) performance remains the highest priority for the business. In September 2019 Infinis achieved it's twentieth successive month without a RIDDOR[(2)] reportable incident and RIDDOR AFR[(3)] and TRIR[(4)] continued to reduce.

Infinis has an excellent H&S culture and continues to pro-actively promote the communication of safety observations and the associated lessons learned. The recent introduction of automated H&S reporting through technicians mobile handheld devices will further enhance the speed and quality of reporting.

Capital resources

The Group's banking facility comprises a £248.3m term loan, after a voluntary principal repayment of £29.7m made during the period, and £40.0m revolving credit facility (RCF). £35.3m of the RCF remains available. The facility matures on 15 August 2023 and the term loan is repayable at this date.

£208.5m of the term loan value attracts interest at a fixed rate of 3.61% using interest rate swaps. £39.8m of the loan value is at a variable rate of LIBOR +2.35%.

Market update

During the period, near term wholesale power prices weakened, with both gas and the day ahead 30 day average power price ending c16% below the start of the period, which was mainly due to a well-supplied market. Power prices for future seasons were less impacted, ending the period at broadly similar levels to the start.

Infinis continues to follow a progressive hedging strategy, locking in power prices for its base load CLM and CMM exported power, prior to the season of delivery. This reduces exposure to power price volatility, whilst also enabling price optimisation opportunities for those hedged positions when they arise.

As expected, peak price volatility within season was relatively low in line with reduced summer demand.

Regulatory update

The UK's Capacity Market remained under suspension throughout the period following the ruling by the European General Court (EGC) in November 2018 which annulled the State Aid approval for this mechanism. This impacted Infinis' revenue generation from existing Capacity Market contracts, although back payments are now expected largely to be recovered during the final quarter of this financial year following announcement of State Aid clearance and reinstatement of the Capacity Market subsequent to the period in October 2019.

As detailed in Infinis' 2018 and 2019 Annual Report and Accounts, triad payments that pass to embedded generators such as Infinis, for power generated at particular occasions of peak demand, are being significantly reduced. This winter will be the second year of a three-year phased reduction.

In November 2019 Ofgem suspended the Secure and Promote Market Making Obligation (MMO), introduced previously as a license condition for "Big 6" suppliers to require the making of a market for power from their integrated generation. Ofgem is monitoring implications for price transparency and market liquidity.

Ofgem released the Targeted Charging Review decision in November 2019. The conclusions are in line with Infinis' expectations, the most significant impact being the removal of the BSUoS embedded benefit from April 2021.

Ofgem has published working papers during the period as it develops possible options for reforms to network access and forward-looking charges for use of networks. Further direction is expected during 2020, with an earliest implementation date in 2023.

[(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