

Corporate

 Current price **1.0p**

 Sector **Alternative energy**

 Code **AEG.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **15.4**

 Shares in issue (m) **1606.2**

52 weeks High Low

1.75p **0.375p**

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Gravendonck Prvt Foundation 15.38%

Premier Fund Managers 5.28%

Renewable Logistics Systems 4.21%

***All data above is pre-placing
and pre CLN conversion**

Source: Company Data, Allenby Capital

Ian Jermin

0203 328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

Active Energy Group plc (AEG.L)

Placing and proposed capital restructuring

Following Active Energy Group's (AEG) recent ground-breaking CoalSwitch™ supply agreement with PacifiCorp, numerous opportunities are presenting themselves such that AEG now needs to increase its market presence as quickly as possible. Consequently, management believes it is imperative to accelerate its ability to deliver commercial quantities of its biomass fuel to power and utility customers. AEG has thus sought a transformative capital restructuring designed to eliminate the Company's debt burden and remove onerous security arrangements, creating a de-geared balance sheet from which the Board can move the business forward at a greater pace. In addition, AEG has also raised £7m through a placing of ordinary shares. Both the placing and capital restructuring are subject to the passing of resolutions at a General Meeting on 19 Feb.

- Restructuring of Convertible Loan Notes (CLNs)** – AEG is seeking to convert all £17.7m of its CLNs, £10.5m of which are convertible at 3.295p per share and £7.2m at 1p. The annual interest charge on these notes is a significant burden to the Group and the associated security arrangements are onerous. Therefore, the Board is seeking approval from its bondholders to convert all CLNs into ordinary shares at a conversion price of 1p. It is also seeking changes to the terms and conditions, including removal of the security.
- Proposed placing** – Such has been the interest shown from utility and power companies, both before and following the 900-tonne supply agreement with PacifiCorp that management believes it imperative to accelerate its ability to deliver commercial quantities of CoalSwitch™. Consequently, to fund completion of the reference plant, fund preliminary work on the proposed 50 tonne/hour full scale plant and to provide working capital for the accelerated expansion plans, the Group has raised (subject to GM) £7m through a placing at 1p per share.
- Financial projections and assumptions** – In this preliminary note we have provided a three-year P&L projection (see page 2) to December 2022 which will be formalised in a more comprehensive note to be published once the capital restructuring and fund raise have completed following the GM on 19 February. We are projecting AEG's lumber activities to generate around \$4.8m of revenue in 2021 and \$6m in 2022. The CoalSwitch™ reference plant is forecast to generate \$1.8m of revenue over the c.6 months of operation in 2021 moving up to \$5.8m in 2022. We have also factored in \$1m of licence fees in 2021 and \$2m in 2022. It is currently anticipated that the 50 tonne/hour plant should take around 12 months to complete and will be commissioned in late 2022. On a conservative basis we believe that it could generate incremental revenue of c.\$60m.
- Equity dilution** –The current number of ordinary shares in issue stands at 1,606m. Full conversion of the CLNs on the above basis would result in the issue of an additional c.1,770m ordinary shares while the placing would add a further 700m shares. Therefore, the number of ordinary shares in issue would rise from 1,606m to c.4,076m, excluding warrants and options outstanding of around 108m. Both the fundraise and CLN restructuring are conditional on inter alia, the passing of resolutions to be proposed at a General Meeting of the Company at 10.00 on 19 February 2021.

Year End: December

(US\$m)	2018	2019	2020E	2021E	2022E
REVENUE	0.2	1.9	1.8	7.8	14.0
ADJ. EBITDA	(1.9)	(0.3)	(2.0)	0.0	2.0
ADJ. PBT	(2.3)	(3.0)	(4.6)	(0.9)	0.7
ADJ. EPS (cents)*	(0.09)	(0.17)	(0.40)	(0.02)	0.02
NET CASH/(DEBT)*	(12.7)	(17.9)	(17.9)	-	-

Allenby Capital acts as Joint Broker to Active Energy Group plc (AEG.L). * assumes full conversion of CLNs as above & placing shares

Please refer to the last page of this communication for all required disclosures and risk warnings.

Projected Income statement

Y/E December	\$m	\$m	\$m	\$m	\$m
	FY 2018A	FY 2019A	FY 2020E	FY 2021E	FY 2022E
UNDERLYING					
Licence fees & royalties	0.000	1.618	0.000	1.000	2.000
Lumber	0.000	0.000	1.600	4.800	6.000
CoalSwitch	0.000	0.000	0.000	1.800	5.800
Rental	0.000	0.178	0.200	0.200	0.200
Other	0.195	0.100	0.000	0.000	0.000
Revenue	0.195	1.896	1.800	7.800	14.000
Cost of sales	0.000	0.000	-1.296	-5.488	-9.532
Licence fees & royalties	0.000	1.339	0.000	0.800	1.858
<i>Gross margin:</i>	<i>0%</i>	<i>83%</i>	<i>0%</i>	<i>80%</i>	<i>93%</i>
Lumber	0.000	0.000	0.304	0.912	1.122
<i>Gross margin</i>	<i>0%</i>	<i>0%</i>	<i>19%</i>	<i>19%</i>	<i>19%</i>
CoalSwitch	0.000	0.000	0.000	0.400	1.288
<i>Gross margin</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>22%</i>	<i>22%</i>
Rental	0.000	0.178	0.200	0.200	0.200
<i>Gross margin</i>	<i>0%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
Other	0.195	0.100	0.000	0.000	0.000
<i>Gross margin</i>	<i>100%</i>	<i>100%</i>	<i>-</i>	<i>-</i>	<i>-</i>
Gross profit	0.195	1.896	0.504	2.312	4.468
margin	100%	100%	28%	30%	32%
R&D expenditure	0.000	0.000	0.000	0.000	0.000
Admin expenses (excl D&A and share based payments)	-2.043	-2.194	-2.500	-2.300	-2.500
Underlying EBITDA	-1.848	-0.298	-1.996	0.012	1.968
D&A	-0.045	-0.217	-0.600	-0.900	-1.300
Underlying operating (loss)/profit	-1.892	-0.515	-2.596	-0.888	0.668
Finance income	0.000	0.000	0.000	0.000	0.000
Finance costs	-0.407	-2.461	-2.000	0.000	0.000
Underlying (loss)/profit before tax	-2.299	-2.976	-4.596	-0.888	0.668
Tax	1.346	0.875	0.000	0.000	0.000
Underlying (loss)/profit after tax	-0.953	-2.101	-4.596	-0.888	0.668
STATUTORY					
Underlying operating (loss)/profit	-1.892	-0.515	-2.596	-0.888	0.668
Impairment charges	-0.951	0.000	0.000	0.000	0.000
Share based charges	-0.895	-0.369	-0.369	0.000	0.000
Statutory operating (loss)/profit	-3.739	-0.884	-2.965	-0.888	0.668
Finance income	0.000	0.000	0.000	0.000	0.000
Finance costs	-0.407	-2.461	-2.000	0.000	0.000
Statutory (loss)/profit before tax	-4.145	-3.345	-4.965	-0.888	0.668
Tax	1.346	0.875	0.000	0.000	0.000
Statutory (loss)/profit after tax	-2.799	-2.470	-4.965	-0.888	0.668
WAS (m)	1,013.576	1,201.907	1,201.907	4,076.000	4,076.000
Year-end shares (m)	1,208.676	1,273.539	1,273.539	4,076.000	4,076.000
BASIC EPS (cents)					
Underlying basic EPS (cents)	(0.09)	(0.17)	(0.38)	(0.02)	0.02
Statutory basic EPS (cents)	(0.28)	(0.21)	(0.41)	(0.02)	0.02
BASIC EPS (pence)					
Underlying basic EPS (pence)	(0.07)	(0.13)	(0.28)	(0.02)	0.01
Statutory basic EPS (pence)	(0.20)	(0.15)	(0.31)	(0.02)	0.01

Source: AEG; Allenby. WAS and YE shares assume full conversion of the CLNs and placing shares

Disclaimer

Allenby Capital Limited (“Allenby”) is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority (“FCA”) (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research, and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this communication within the last 12 months, or have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country’s laws for which Allenby does not accept liability. By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

Research Recommendation Disclosure

Ian Jermin is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com. Allenby Capital acts as Joint Broker to Active Energy Group plc.

Allenby Capital, 5 St Helen’s Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com