



Privilege Finance Ltd

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Attracting Institutional
Investors into our
sector

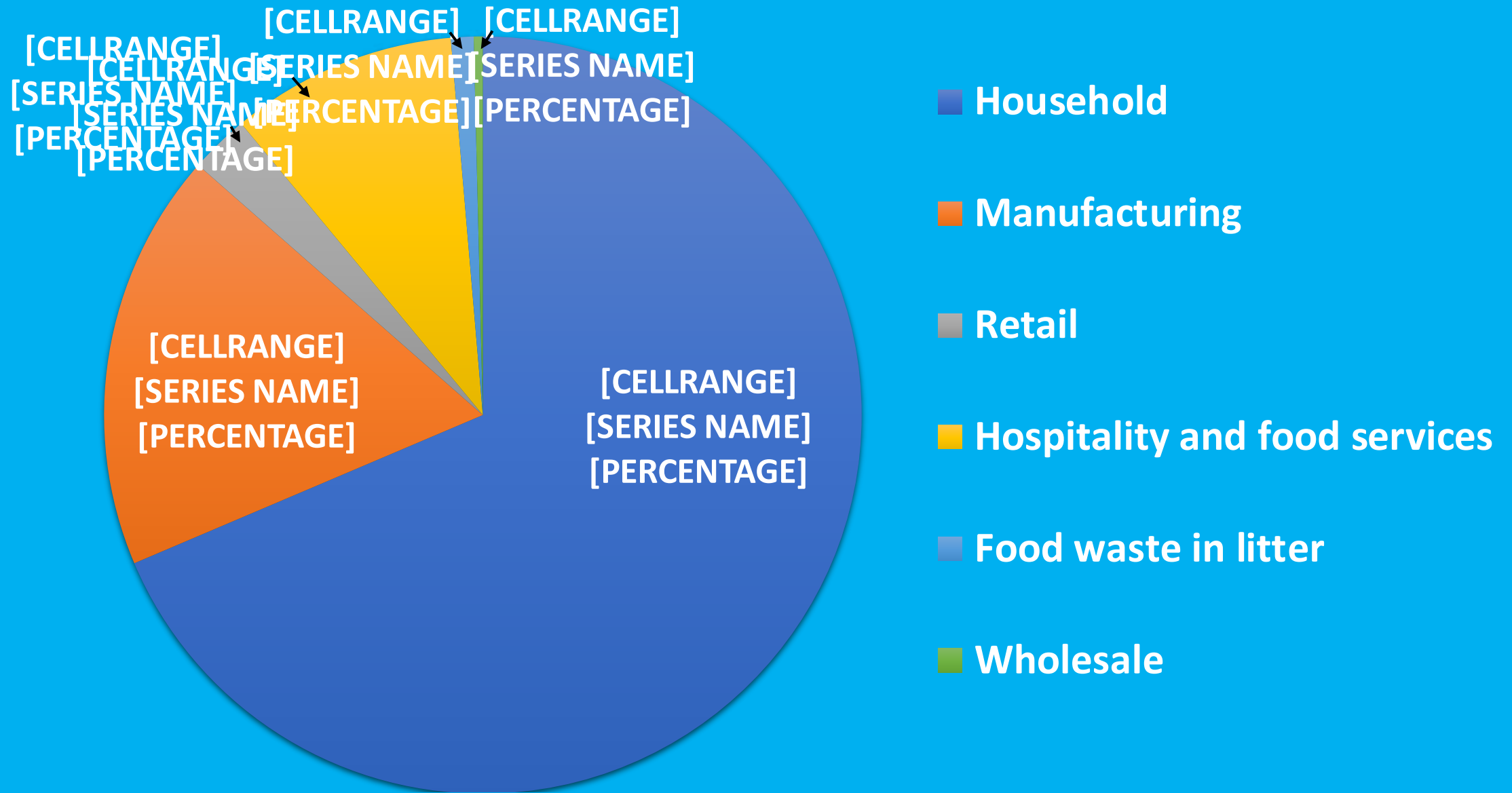
Agenda

1. What is the overall opportunity in the U.K.?
2. Who are the potential investors?
3. What are they looking for?
4. Construction Finance versus Long-Term Funding?
5. What can we do to encourage investment?

What is the overall opportunity in the U.K.?

- 7.1 m tonnes p.a. of overall food waste generated: only c. 2m tonnes currently being processed via A.D.
- Current projections that enough AD/waste to energy plants could be constructed between now and 2050 to produce sufficient green gas to heat 15m homes (Cadent report)
- Strategic long-term view that an increasingly significant % of U.K. gas requirements could ultimately be met by green gas sourced from waste
- Move towards CNG/LNG fuelled HGV's as cars move to electricity
- De-carbonisation of agriculture required with 103,000 farm holdings greater than 20 hectares – opportunities for cooperative approach and micro-AD?

What is the overall food waste opportunity?



However.....

- Recent history suggests that implementing Govt. policy on food waste collections may not free up enough food waste to significantly boost construction of AD plants
- Lack of clarity about future detailed policy (and subsidy support) has driven out many technology providers, developers, funders and talent
- There is a gap between technology costs and efficiencies versus free market revenue generation
- Other countries, globally, offer a more welcoming environment and coherent approach to both developers and funders
- Both AD and agriculture have suffered a bad press in recent years, leading to funders stepping back

Who are the potential investors?

- Major clearing banks
- Large global debt funds and institutional investors
- Insurance companies and pension funds
- Private equity/venture capital
- High net worth individuals
- Government(s)

What are investors looking for?

- Strong financial returns in a low interest rate market
- Long-term yields (mostly)
- Clarity and stability of long-term Governmental policy
- Stability and certainty of project delivery and performance— mitigated risk
- Simplicity
- Volume and repeatability

Construction finance versus long-term funding?

Construction finance is the seeding and life-blood but:

- Higher risk/higher interest costs versus higher yield to investor
- Less players
- Concerns over U.K. AD performance history
- Increasing capital costs

Longer-term funding:

- Less risky and seen as a consistent residual income with 70% Government backed income (historically)
- Many more interested players (especially non-U.K. based)
- Lower interest rates give long-term financial stability to AD businesses
- Still need to see well built and well performing plants

What can we do to encourage investment?

- Set and maintain higher standards of operation and compliance, working more closely with Planning, Environment Agency, HSE etc.
- Work with technology providers to drive efficiency, maximise by-products and reduce capital and operational costs - develop and drive best practice as in other industries
- Encourage high performers from other industry sectors to join this sector as an attractive and long-term career path (including more formal training and apprenticeships)
(Privilege Innovation Award)
- Remove the complete fixation with subsidies and focus on commercial viability – but work more closely with Government to integrate policy with long-term objectives and reality
- Demonstrate and market the success stories and opportunities to give comfort to investors that risks can be mitigated by good development and operational best practice
- Recognise reality and look beyond the U.K. border

Summary

- Significant opportunity to grow the waste to energy market and invest into de-carbonisation of U.K. Plc – BUT...
- £Billions of debt (and equity) available looking for proven, consistent and better than average returns is currently looking elsewhere due to U.K. uncertainty and lack of direction
- Long-term funding presently seen as more attractive than construction finance – both are crucial for growth
- We need to work smarter and treat this as both a green *and* commercial business model to change the thinking
- We have the success stories but need to simplify and broadcast the message to the population to get public, as well as investor, support

Privilege Innovation Award

- To encourage and support new talent in the renewable AD and energy from waste sectors
- A new £2,500 prize fund aimed at attracting new talent into the anaerobic digestion (AD) and energy from waste (EfW) industries will be launched in September
- The Energy from Waste Innovation Fund is open to undergraduate and postgraduate university students completing a dissertation related to energy from waste or renewable energy technology and engineering.
- With a prize-fund of £1,000 up for grabs for the winner, two runners up will also each receive £750 upon completion of their research, as well as 12 months of mentoring from the award founder, Privilege Finance.



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