Dukemount Capital plc

Q&A for website regarding clarification of the GM notice called to authorise the HSKB transaction:

Q: How does the energy sector fit into Dukemount Capital's long dated income strategy?

A: The remit of Dukemount Capital as a long-dated income company has always been wide, and sector agnostic. The aftermath of the pandemic has made it prudent to explore fresh opportunities. Paul Gazzard, a non-executive director of Dukemount Capital has significant experience in the flexible power space and as such it made sense to pursue opportunities to develop long dated income sources in this sector where there is good earnings visibility and a strong pipeline of deals.

Q: Is Dukemount Capital's JV with HSKB ESG compliant?

A: Yes, under present definitions, and this is one of the key attractions of the HSKB joint venture, alongside the long dated income.

Q: The energy sector is traditionally occupied by large corporates. How has Dukemount managed to enter this space?

A: Through the network of Dukemount Capital's board of directors / management, and by virtue of its profile in the City of London and internationally, the company has been able to enter the fast growing and strategically important flexible power area. The flexible energy space in the UK is going through a period of change and that allows smaller nimble operators to enter into the space.

Q: Dukemount is set to have a facility which is greater than its present market cap in order to fund energy projects. How favourable is this facility?

A: After extensive due diligence the board of Dukemount Capital determined that the Alpha Blue Ocean arranged facility will enable the company to fund its share of the HSKB joint venture. The terms of this were compared to many others in this space and were very favourable and the ongoing support from ABO will allow DKE to pursue its goal for further sites to be built out.

Q: The funding for the HSKB joint venture agreement is up for shareholder approval on July 15. What happens if this does not go through?

A: Dukemount Capital has received, and continues to receive unsolicited funding proposals from various parties regarding the HSKB joint venture. The board will continue to consider such offers in anticipation of shareholder approval, in the event that the ABO facility is not accepted.

Q: Assuming the shareholders do support the funding package then how long will the remaining funding take to put in place and subsequent construction begin?

A: The debt process is well understood for these kinds of sites and will be undertaken immediately that the funding is in place. This should take 6 to 8 weeks maximum and the construction of the sites will begin immediately after that is completed. If this can be run in parallel to any extent in order to speed things up, then it will be.

Q, Who are the sub-contractors supplying the 11kV Engines and building the sites under Dukemount's management?

A: The sub-contractors to construct the sites are likely to include the EPC Company Smiths Brothers as they have experience of working with the HSKB JV team. The engines themselves are likely to be manufactured by MTU / Rolls Royce, a German subsidiary of Rolls Royce.

Q, How long do the contracted revenues last on the sites?

A: These sites can have two contract parts to the revenue generation side, the Capacity Market Contract (CM) and the floor or minimum revenue guarantee from the off-taker who runs the site (typically a utility company) The CM is won in an auction which will take place during the construction process and will begin in 4 years and last for 15 years with CPI linkage. The floors can be in the region of 7 to 10 years from the energisation date of the site, in terms of the long dated income period commencing.

Q, How many KV11 sites is the JV targeting to construct and operate over the next 2 years?

A: The current pipeline is for 9 sites and there are more behind that coming through the development process.

Q: If this target can be met, how will it take and then what will the value of the assets be? What would the expected income generated at that time?

A: The Company is targeting getting the full pipeline into construction within the next 18 to 24 months. The sites will take 9 to 12 months to construct and then should produce in excess of 10% yield and climbing from then on. So the aggregate asset value would be well in excess of £100M and be producing £13 to 15M of income a year at least.