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## Secret Small Cap

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# Harland & Wolff Group Holdings

Harland & Wolff have a very long and chequered history, dating all the way back to 1858. In its long history it has had several guises including being a shipbuilder & ship repairer, turning to defence during wars and more so in recent times re-inventing themselves to focus on renewables. They have been sold and bought so many times by names you will have no doubt heard of, as well as spending a brief period as a nationalised firm. It was a key part of the war efforts and even involved with the Titanic. These days the firm are making strong strides into the renewable's whilst still maintaining operations in its traditional sectors. The recent diversification and shift to renewables has brought them right back into focus.

## Brief History

Harland & Wolff was initially formed back around 1861 as Edward James Harland and Gustav Wilhelm Wolff bought a small shipyard on Queen's Island. In the early 1900's the company built Olympic and the two other ships in the same class, the Titanic and Britannic. In 1912, due to increasing political instability in Ireland, the company acquired another shipyard at Govan in Glasgow, Scotland.

During the First World War, Harland and Wolff built monitors and cruisers, including the 15-inch gun armed "large light cruiser" HMS Glorious. In 1936 The company started an aircraft manufacturing subsidiary with Short Brothers, called Short & Harland Limited. During the Second World War the shipyards remained at full tilt building six aircraft carriers, two cruisers (including HMS Belfast) and 131 other naval ships; and repairing over 22,000 vessels.

The company was nationalised in 1977, The nationalised company was then sold by the British government in 1989 to the Norwegian shipping magnate Fred Olsen. This buy-out led to a new company called Harland & Wolff Holdings Plc. For the next few years, Harland & Wolff specialised in building standard Suezmax oil tankers, and has continued to concentrate on vessels for the offshore oil and gas industry.

Faced with continued competitive pressures, Harland & Wolff sought to diversify their portfolio further, focusing less on shipbuilding and more on design and structural engineering, as well as ship repair, offshore construction projects.

## Sectors

**Oil & Gas** - Applying best practice and techniques from over 50 years in the industry.

**Defence** - Harland & Wolff is one of only three UK naval shipbuilders suitable for major MOD contract work and boasting two of the largest dry docks in Europe. Harland & Wolff maintains a strong reputation in the UK for its two strategic defence assets.

**Cruise & Ferry** – The Belfast shipyard has been designed to expertly handle the world's largest cruise ships within its drydock, the city is also home to the leading interior outfitting contractors for major cruise ship conversions.





**Commercial** - With two of the largest drydocks in Europe as well as direct deep-water access, Harland & Wolff Belfast operation provides unrivalled accessibility. Working in tandem, the Appledore yard offers a 119m long covered drydock as part of the main building yard as well as an adjacent repair, commissioning and outfitting quays.

**Renewables** - With extensive facilities at both Belfast and Appledore, Harland & Wolff offer unique opportunities to manufacture and store structures until delivery. The firm work with a wide range of organisations within the renewables sector.

## Services

**Technical Services** - The team of professional design engineers provides a comprehensive range of services from initial consultancy, basic design, detailed engineering to through-life support and with all services being accredited to internationally recognised quality standards.

**Fabrication & construction** - The Belfast Shipyard has direct deep-water access and 1,800m of quayside space to allow the accommodation of a wide variety of vessels and structures. The site boasts a vast main drydock and two 140m 'Goliath' gantry cranes. Within the 30,000m<sup>2</sup> covered fabrication halls, up to 100-250 tonnes of structural steel can be handled per week.

**Repair & Maintenance** - the firm have some of the most extensive and best-equipped shipbuilding and repair facilities in Western Europe. In Belfast the docks are complemented by extensive permanent craneage.

**In Service Support** - The firm offer some of the most experienced marine and offshore workforce in the world, with varied technical skillsets and specialist knowledge. Anything from a remote breakdown to urgent repairs which do not require shipyard facilities or supporting a strict timetable of work.

**Conversion** - The firm cover the entire conversion process from initial feasibility studies and detail design, through to fabrication and any extended lifetime support. With capability to work on one-off conversions to conversions of entire fleets at both sites.

**Decommissioning** - Belfast drydocks can accommodate the largest structures and a high degree of mechanisation strips costs out of the deconstruction process.

## Restructuring, Renewables and InfraStrata Takeover

In March 2008, the construction of the world's first commercial tidal stream turbine for Marine Current Turbines, was completed at the Belfast yard. The installation of the 1.2MW SeaGen Tidal System begun in Strangford Lough in April 2008.

In July 2010, Harland & Wolff secured a contract to make a prototype tidal energy turbine for Scotrenewables Ltd. As of April 2012, the booming offshore wind power industry had really taken centre stage. Harland & Wolff had been working on three innovative meteorological mast foundations for the Dogger Bank and Firth of Forth offshore wind farms.



In 2018 the parent company Fred. Olsen & Co. restructured and decided to place Harland and Wolff up for sale. No buyer came forward and so in August 2019 the company announced that they would cease trading and entered formal administration. On 1 October 2019 it was announced that the shipyard had been bought for £6 million by the London-based energy firm, InfraStrata.

In August 2020, InfraStrata had also bought the dormant Appledore shipyard for £7 million. The Appledore deal complement's the H&W Belfast shipyard by focusing on smaller ships of up to 119 metres in the shipbuilding and ship repair market.

In February 2021, InfraStrata acquired two BiFab yards, the £850,000 deal was struck for the Methil and Arnish yards. These Scottish facilities will trade under the Harland & Wolff brand and will help the company deliver on its existing strategy for a UK-wide footprint quicker than it would have done with only its two existing sites.

## Islandmagee Gas Storage project

Harland & Wolff also have a subsidiary called Islandmagee Energy Limited ("IMEL"). The firm has recently received confirmation that it will receive the Environmental Consent Decision, Marine Licence for the Group's Islandmagee Gas Storage project within the next 28 days.

Islandmagee is a wholly-owned subsidiary of Harland & Wolff Group. The Islandmagee facility is expected to provide over 25% of the UK's current natural gas storage capacity and will support the growing demand for gas-fired power development and renewable energy generation throughout the United Kingdom and the Irish Republic. The full Marine Licence will be issued by the Department of Agriculture, Environment & Rural Affairs (DAERA) after reviewing the conditions attached to the draft licence which it concluded was both 'fair and reasonable'. The issuance of this licence, which is expected to occur in the next 38 days, will facilitate the abstraction and discharge of seawater and brine respectively during the cavern formation.

## Recent News & Figures

In results for the twelve-month period to 31 July 2021, Harland & Wolff Group reported a seven-fold increase in revenues to £10.18m and a gross margin of 24%, in line with Company's expectations for the portfolio of contracts delivered during the period. As a result of its performance the group now believe that the Company will achieve a cash break-even on an annualised basis by the end of the current financial year (31 December 2021) and will be EBITDA positive in 2022.

Meanwhile, the Directors also believe that the Harland & Wolff Group now has the largest fabrication footprint in the United Kingdom which is dedicated to the marine and renewables industries capable of delivering large, complex ship building and fabrication contracts.

In the renewables space, the Company said it continues to make 'good progress' on the first Saipem contract which was awarded back in April 2021 and commenced later in the summer. The recently acquired Methil facility is now geared up to escalate fabrication of the contracted eight jackets in 4Q and 1Q22, with a view to completing this phase by April 2022, it outlined.

## Looking Ahead

Given the ongoing gas supply crisis within Europe and the critically low levels of gas storage currently available in the UK compared with the rest of Europe, the Company believes that it is vital that its Islandmagee gas storage project is constructed and commercialised to help ensure security of supply in the UK, as well as support the transition to a Net-Zero economy. Harland outlined that the gas project is expected to create at least 400 direct and 1,600 indirect jobs during the construction phase and around 60 direct and 180 indirect jobs during its expected 40-year operational life, thereby supporting investment into Northern Ireland.

‘A crucial element of moving towards a green hydrogen-based economy is the ability to have large scale storage during periods of surplus production, which can then be injected back into the grid during periods of high demand, very much like natural gas,’ the Company highlighted.

There is also speculation about a resurgence in the prosperity of the shipyard thanks to the company's diversification into emerging technologies, particularly in renewable energy development, such as offshore wind turbine and tidal power construction, which may provide an opportunity to further improve the company's fortunes in the long term, offshore wind turbines have part of their assembly done in a shipyard, and then construction barges transport the tower sections, rotors, and nacelles to the site for final erection and assembly.

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