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Adam Forsyth

adam.forsyth@longspur.com

+44 (0) 131 357 6770

Price (p)	8.3
Shares in issue (m)	3,515
Mkt Cap (£m)	290
Net debt (£m)	0
EV (£m)	290
BVPS (p)	0.1

#### Share price performance

1m	175%
3m	170.5%
12m	906.1%
12 m high/low	11.4/0.6
Ave daily vol (30d)	36,364,500

#### Shareholders

Hargreaves Lansd'n	18.0%
Josh White	9.7%
Interactive Investor	7.2%
Ben White	6.4%
Serena White Reyes	5.4%
Howard White	4.6%
John Hall	3.2%
Barclays Direct	3.2%
Vidacos Noms	3.1%
Total for top 9	60.8%
Free float	72.2%

**Next news** Prelims Q3

#### Business description

Waste to hydrogen technology



## FUNDING EXPEDITES PROJECT

**A £10m fundraising expedites the Protos project and opens the way for the £10.2m Peel warrant exercise in the current year. The funding will also give the company additional resources to pursue international opportunities. Adjusting for the raise and some timing differences, our UK only base valuation rises from 5.0p to the raise price of 5.5p and we see existing international opportunities taking this to 7.5p (from 6.9p) and including opportunities in Europe this could rise to 12.1p (from 11.2p).**

### £10m successfully raised

Powerhouse Energy has announced the successful raising of £10m of new equity by way of a placing and subscription. The raise is priced at 5.5p, below last night's 8.3p close but well ahead of the 3-month average price 4.2p and above our base case valuation of 5.0p. The raise has been supported by the major shareholding group (the White family) and an institutional shareholder and was oversubscribed.

### Expedites first commercial project

The main use of the funds will be to invest in the company's first commercial project at the Protos Energy Park in Cheshire. While this project is making good progress, financial close had remained an uncertainty. With new tougher lockdown restrictions potentially delaying due diligence for project investors, this investment can now allow financial close to be reached during Q1 2021 in line with our expectations. Our initiation note (Hydrogen Hothouse, 15 July 2020) calculated a 12% unlevered IRR on a first of a kind project so we expect this to be a good use of funds beyond securing the project timing.

### Peel warrant exercise now likely in current year

Completion of financial close starts the timetable Peel Environmental's warrant to invest an additional £10.2m which must be exercised within 6 months of financial close. With an exercise price of 2.75p it now looks likely that the subscription will go ahead meaning Powerhouse should see the additional funding in the current year. The events triggered by today's fundraise leave the company in a stronger financial position in our view. We see this as giving the company more resources to pursue international opportunities beyond the roll out in the UK. With initial progress in Poland and opportunities in Australia, Thailand and Japan, there is clear potential here to be unlocked.

	£,000 Dec	2019a	2020e	2021e	2022e	2023e	2024e
Sales		0	700	2,544	4,385	10,784	14,659
EBITDA		-1,704	-799	-301	664	3,154	5,988
PBT		-1,706	-797	-184	1,365	3,878	6,765
EPS		-0.1	0.0	0.0	0.0	0.1	0.2
CFPS		0.0	-1.5	0.0	0.0	0.0	0.1
DPS		0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)		-104	-3,937	-23,364	-24,123	-25,898	-31,389
Debt/EBITDA		0.1	4.9	77.5	-36.3	-8.2	-5.2
P/E		-103.8	-384.7	-1918.6	258.1	90.8	52.1
EV/EBITDA		-170.2	-357.8	-949.2	430.9	90.7	47.8
EV/sales		#DIV/0!	408.7	112.5	65.2	26.5	19.5
FCF yield		-0.5%	-18.0%	-0.3%	0.0%	0.3%	1.3%
Div yield		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## FINANCIALS

### FORECAST CHANGES

We have adjusted our forecasts for the new fund raise. We had already factored in the exercise of the Peel warrants at 2.75p so the new raise at 5.5p increases the average raise cost in FY 21 to 3.7p. We have also taken a slightly more cautious view on the timing of projects in FY21 and FY22 as we now have some greater clarity on these. This latter move widens the EBITDA loss in FY 21 to -£301k from -£19k and reduces EBITDA in FY 22 to £664k from £1.3m. Further out our forecasts remain unchanged.

### VALUATION CHANGES

Our DCF derived base valuation which assumes the roll out of the UK opportunity only principally reflects new shares issued at a slightly higher price with the retiming impact being minimal. As a result our valuations under three cases rise as follows:

#### Valuation scenarios

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Market	Waste (mt)	Market share	DMG units	Valuation (p)	Previous (p)
UK waste	7.3	20%	125	5.5	5.0
Australia, Japan, Thailand	20	5%	87	7.5	6.9
European waste	88	5%	377	12.1	11.2

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Source: Longspur Research

### RISKS

The key risks to our valuations are financial risks in securing project financing for the build out of projects. The fundraising today goes a long way to mitigating this risk in our view. There is also execution risk in completing and operating the project where failure could limit the roll out of further projects. However the DMG technology has been tested successfully and its modular approach avoids the scale up issues seen with similar technologies elsewhere.

## FINANCIAL MODEL

### Profit and Loss Account

£ '000, DEC	2019a	2020e	2021e	2022e	2023e	2024e
<b>Turnover</b>						
WTE	0	700	2,544	4,385	10,784	14,659
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	700	2,544	4,385	10,784	14,659
<b>Operating profit</b>						
WTE	-1,705	-800	-302	664	3,154	5,988
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-1,705	-800	-302	664	3,154	5,988
<b>P&amp;L Account</b>						
Turnover	0	700	2,544	4,385	10,784	14,659
Operating Profit	-1,705	-800	-302	664	3,154	5,988
Investment income	0	0	0	0	0	0
Net Interest	-1	3	118	701	724	777
Pre Tax Profit (UKSIP)	-1,706	-797	-184	1,365	3,878	6,765
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	-250	0	0	0	0
Pre Tax Profit (FRS3)	-1,706	-1,046	-184	1,365	3,878	6,765
Tax	196	0	0	0	0	0
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-1,510	-1,046	-184	1,365	3,878	6,765
Dividend	0	0	0	0	0	0
Retained	-1,510	-1,046	-184	1,365	3,878	6,765
EBITDA	-1,704	-799	-301	664	3,154	5,988
EPS (c) (UKSIP)	-0.08	-0.02	0.00	0.03	0.09	0.16
EPS (c) (FRS3)	-0.08	-0.03	0.00	0.03	0.09	0.16
FCFPS (c)	-0.04	-1.48	-0.02	0.00	0.02	0.11
Dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

### KEY POINTS

- Protos deployment creates first revenue in FY 21
- Growth in recurrent licence fees raises revenue between these years
- Profit by FY 22
- Meaningful profit by FY 23

## Balance Sheet

£ '000, DEC	2019a	2020e	2021e	2022e	2023e	2024e
Fixed Asset Cost	7	7	7	7	7	7
Fixed Asset Depreciation	-7	-7	-7	-7	-8	-8
Net Fixed Assets	0	0	0	-1	-1	-1
Goodwill	0	0	0	0	0	0
Other intangibles	17	53,346	53,346	53,346	53,346	53,346
Investments	0	0	0	0	0	0
Stock	0	230	836	1,442	3,545	4,819
Trade Debtors	46	115	418	721	1,773	2,410
Other Debtors	310	310	310	310	310	310
Trade Creditors	-490	-115	-418	-721	-1,773	-2,410
Other Creditors <1yr	0	0	0	0	0	0
Creditors >1yr	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	-117	53,886	54,492	55,097	57,200	58,474
Cash etc	104	3,937	23,364	24,123	25,898	31,389
Borrowing <1yr	0	0	0	0	0	0
Borrowing >1yr	0	0	0	0	0	0
Net Borrowing	-104	-3,937	-23,364	-24,123	-25,898	-31,389
Share Capital	12,923	13,528	13,546	13,546	13,546	13,546
Share Premium	48,779	107,056	127,254	127,254	127,254	127,254
Retained Earnings	-61,714	-62,761	-62,944	-61,580	-57,702	-50,937
Other	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0
Capital Employed	-117	53,886	54,492	55,097	57,200	58,474
Net Assets	-13	57,823	77,856	79,220	83,098	89,862
Total Equity	-13	57,823	77,856	79,220	83,098	89,862

Source: Company data, Longspur Research estimates

## KEY POINTS

- Licencing model limits need for fixed assets
- Working capital needs grow as company develops
- Cash ran low in FY19 but funding provides cushion in FY 20 and FY 21

## Cashflow

£ '000, DEC	2019a	2020e	2021e	2022e	2023e	2024e
Operating profit	-1,705	-800	-302	664	3,154	5,988
Depreciation	1	0	0	0	0	0
Provisions	0	0	0	0	0	0
Other	693	-250	0	0	0	0
Working capital	146	-869	-606	-605	-2,104	-1,274
Operating cash flow	-865	-1,918	-908	58	1,051	4,714
Tax paid	145	196	0	0	0	0
Capex (less disposals)	0	0	0	0	0	0
Investments	-17	-53,329	0	0	0	0
Net interest	-1	3	118	701	724	777
Net dividends	0	0	0	0	0	0
Residual cash flow	-737	-55,049	-789	759	1,775	5,491
Equity issued	0	58,329	20,217	0	0	0
Change in net borrowing	737	-3,833	-19,427	-759	-1,775	-5,491
Adjustments	0	553	0	0	0	0
Total financing	737	55,049	789	-759	-1,775	-5,491

Source: Company data, Longspur Research estimates

## KEY POINTS

- Working capital outflow from FY 20 as unit sales grow
- Working capital outflow picks up with higher units sales in FY 23
- New equity funding in FY 20 and FY 21 plus warrant execution in FY 21
- Cash positive from FY 22

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Longspure Research  
10 Castle Street,  
Edinburgh. EH2 3AT  
UK

Longspur Capital  
20 North Audley Street,  
London. W1K 6WE  
UK

Longspur Developments  
110-640 8<sup>th</sup> Avenue SW,  
Calgary, Alberta,  
Canada. T2P 3N9