

PowerHouse Energy Group

Expanding pipeline

Interims

PowerHouse Energy's interim results include news that its partner Peel Environmental has submitted the planning application for a waste-to-energy plant on its Protos Energy Park on Merseyside, which will deploy PowerHouse's proprietary DMG technology. Protos will potentially be the first of 11 sites with DMG waste-to-energy installations being developed under a collaboration contract with Peel.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)
12/16	0.0	(0.8)	(1.3)	(0.23)	0.0	N/A
12/17	0.0	(1.6)	(1.7)	(0.17)	0.0	N/A
12/18	0.0	(1.9)	(1.9)	(0.12)	0.0	N/A
06/19**	0.0	(0.6)	(0.6)	(0.03)	0.0	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Six months ended June 2019.

H119 results show losses reducing

H119 EBITDA losses reduced by 40% compared with H118 to £0.6m and by 32% compared with H218. There were no revenues as the first fees derived from the provision of engineering services for the Protos site are dependent on achieving milestones reached in Q319 as per the agreed schedule. Working capital increased by £0.1m, primarily reflecting fees receivable under this contract. Cash (there is no debt) reduced by £0.7m during H119 to £0.1m.

Generating fees from engineering services

Now that Peel has submitted the planning application for the Protos site, the focus is on identifying which of the pipeline of sites are most suitable for DMG deployment, and preparing applications for planning approval and operating permits. As well as the 11 Peel sites, this pipeline includes opportunities with waste management companies, local councils and industrial users wanting to replace natural gas with syngas generated from their own waste. Management expects that fees from testing potential feedstock and preparation of site-specific, front-end engineering designs for these additional projects will balance expenditure until it starts to receive more substantial fees from IP licensing. In April, it received its first contract, for £400k, for engineering services supporting the Protos planning application. As well as internally generated funds, we note that one of PowerHouse's shareholders, who is also a director of the company, intends to make up to £300k available for at least 12 months from the end of June 2019. In addition, directors, certain contractors and consultants are being remunerated in shares to reduce cash consumption. However, there remains a risk, in our opinion, that the company will need to raise more finance.

Valuation: Defined route to profitability

PowerHouse has a qualified pipeline of over 30 sites in the UK where DMG units may be deployed. We calculate that it will reach break-even on sales of two DMGs per year. We estimate that deployment on 10 sites in a year, such as those already identified by Peel Environmental, could generate c £6m operating profit.

Alternative energy

27 September 2019

Price **0.40p**

Market cap **£8m**

Net cash (£m) at end June 2019 0.179%

Shares in issue 1,924.1m

Free float 79%

Code PHE

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (6.0) 0.0 18.2

Rel (local) (9.1) 0.4 21.2

52-week high/low 0.68p 0.30p

Business description

PowerHouse Energy designs, delivers and licenses plastic regeneration processes for the generation of hydrogen and electrical energy. It also provides associated customer engineering and testing services, and operational support for applications in the UK and across the world.

Next events

FY19 results June 2020

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Exhibit 1: Financial summary

Year end 31 Dec	£'000s	2014	2015	2016	2017	2018
PROFIT & LOSS						
Revenue		0	0	0	0	0
Cost of Sales		0	0	0	0	0
Gross Profit		0	0	0	0	0
EBITDA		(1,182)	(397)	(784)	(1,609)	(1,940)
Operating Profit (pre amort. of acq intangibles & SBP)		(1,182)	(397)	(784)	(1,610)	(1,941)
Amortisation of acquired intangibles		0	0	0	0	0
Share-based payments		0	0	(68)	(195)	(554)
Exceptionals		(1,038)	0	0	0	0
Operating Profit		(2,221)	(397)	(852)	(1,805)	(2,495)
Net Interest		(329)	(385)	(482)	(70)	(0)
Profit Before Tax (norm)		(1,512)	(782)	(1,266)	(1,680)	(1,941)
Profit Before Tax (FRS 3)		(2,550)	(782)	(1,334)	(1,875)	(2,495)
Tax		0	0	0	0	145
Profit After Tax (norm)		(1,512)	(782)	(1,266)	(1,680)	(1,796)
Profit After Tax (FRS 3)		(2,550)	(782)	(1,334)	(1,875)	(2,350)
Average Number of Shares Outstanding (m)		376.6	390.1	551.4	975.1	1,541.7
EPS - normalised (p)		(0.40)	(0.20)	(0.23)	(0.17)	(0.12)
EPS - normalised fully diluted (p)		(0.40)	(0.20)	(0.23)	(0.17)	(0.12)
EPS - FRS 3 (p)		(0.68)	(0.20)	(0.24)	(0.19)	(0.15)
Dividend per share (p)		0.00	0.00	0.00	0.00	0.00
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		0	0	2	3	2
Intangible Assets		0	0	0	0	0
Tangible Assets		0	0	2	3	2
Current Assets		6	177	154	839	1,049
Stocks		0	0	0	0	0
Debtors		6	1	6	88	905
Cash		0	176	148	750	145
Current Liabilities		(2,416)	(199)	(3,383)	(1,643)	(247)
Creditors including tax, social security and provisions		(235)	(199)	(51)	(241)	(247)
Short term borrowings		(2,181)	0	(3,332)	(1,402)	0
Long Term Liabilities		0	(2,939)	0	0	0
Long term borrowings		0	(2,939)	0	0	0
Other long term liabilities		0	0	0	0	0
Net Assets		(2,410)	(2,960)	(3,227)	(802)	804
CASH FLOW						
Operating Cash Flow		(1,961)	(813)	(637)	(1,311)	(1,909)
Net Interest		(329)	(385)	(482)	(70)	(0)
Tax		0	0	0	0	0
Capital expenditure		0	0	(2)	(1)	(0)
Capitalised product development		0	0	0	0	0
Acquisitions/disposals		0	0	0	0	0
Equity financing		1,225	231	701	4,104	3,402
Dividends		0	0	0	0	0
Net Cash Flow		(1,066)	(966)	(421)	2,722	1,493
Opening net debt/(cash)		1,490	2,181	2,763	3,184	652
Finance leases		0	0	0	0	0
Other		(375)	(384)	0	190	0
Closing net debt/(cash)		2,181	2,763	3,184	652	(840)

Source: Company data, Edison Investment Research

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