

PowerHouse Energy Group

Strengthening relationship with Peel Environmental

PowerHouse has signed an option for an exclusivity agreement for the UK with Peel Environmental. This potentially makes Peel the lead developer of DMG waste-to-energy projects, both on its own extensive land bank and on sites belonging to councils and waste management companies and other industrial partners across the UK. The agreement provides a mechanism for PowerHouse to monetise its IP through licensing and means PowerHouse will not need to raise finance for individual projects.

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)	0.00	N/A
12/17	0.0	(1.6)	(1.7)	(0.17)	0.00	N/A
12/18	0.0	(1.9)	(1.9)	(0.12)	0.00	N/A
06/19**	0.0	(0.6)	(0.6)	(0.03)	0.00	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Six months ended 30 June 2019.

Peel Environmental to lead all UK developments

The agreement gives Peel Environmental the option to lead the engagement with all potential end-customers in the UK for DMG plants. If exercised, Peel will pay PowerHouse £0.5m as a one-off fee for the exclusive rights to develop DMG in the UK, with an additional £0.5m annually per site payable when each plant that Peel develops becomes operational. PowerHouse may also earn additional fees from providing technical engineering and maintenance services for each project. Myles Kitcher, who is currently executive director, Natural Resources & Energy of Peel L&P has become a non-executive director of PowerHouse. The agreement is conditional on PowerHouse completing the acquisition of its original development partner, Waste2Tricity, for c 1.44bn new PowerHouse shares. This acquisition is subject to finalisation of a shareholder circular and general meeting.

Peel well positioned in UK energy-from-waste sector

The agreement regarding the development of third-party sites complements the previous agreement with Peel announced in February 2020 regarding the development of DMG waste-to-energy plants on 11 UK sites owned by Peel. Peel has agreed to pay PowerHouse a £0.5m annual licence fee per site for each of these as they are commissioned, as well as £0.1k in historic back costs. In March 2020, Peel was granted planning permission for a DMG facility at the first site, which is the Protos Energy Park on Merseyside. Protos is one of Peel's proposed 'plastic parks' where waste plastics are either recycled or regenerated into power and hydrogen. Peel sees DMG technology as a key enabler to ensure plastic from these sites that cannot be recycled does not end up in landfill.

Valuation: Defined route to profitability

PowerHouse has a qualified pipeline of over 30 sites in the UK where DMG units may be deployed. If there was an operational DMG facility on one-third of these sites, this would represent more than £5m in annual licence fees for PowerHouse.

Option for an exclusivity agreement for the UK

Alternative energy

6 April 2020

Price 0.9p
Market cap £18m

Net cash (£) at end June 2019	0.14
Shares in issue	2.05bn
Free float	78%
Code	PHE
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(36.8)	74.8	76.5
Rel (local)	(20.0)	150.2	142.0
52-week high/low		1.58p	0.27p

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 event

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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