

ITM Power PLC

15:15 09 Aug 2019

ITM Power making headway in the drive for clean fuel

- Developing hydrogen clean fuel stations for vehicles
- Power-to-gas storage for surplus renewable energy
- Renewable chemistry reducing dependence on fossil fuels

What ITM Power does:

ITM Power PLC (LON:ITM) manufactures integrated hydrogen energy solutions to enhance the use of renewable energy that would otherwise be wasted.

The AIM-listed company's Power-to-Gas business provides PEM (proton exchange membrane) storage systems which allow customers to convert excess electrical energy into hydrogen for injection into the gas grid or storage for vehicles.

The group's clean fuels solutions come in the form of modular hydrogen stations to recharge fuel cell vehicles. Hydrogen-powered cars are seen as being far better for the environment in terms of emissions than those running on petrol, as when you burn hydrogen, it produces steam, meaning only water is the by-product.

How is it doing:

ITM Power's first-half results, released on 8 January 2019, showed the group has significantly strengthened its capability to deliver larger industrial scale projects.

The company said that the six months to the end of October 2018 had been a major transitional period as it continued its evolution from a research-focused company to one capable of manufacturing the equipment required by its expanding list of industrial partners.

The firm saw its total income in the first-half rise to £5.0m, up from £4.4m the year before, comprising £1.2m of revenue (2017: £1.7m) and £3.8m of grant income (2017: £2.7m).

A second-half update in May indicated there had been a major increase in completed projects in the run-up to the April 30 year-end, meaning the group expected to book total income of around £17m, up 20% year-on-year, with an underlying (EBITDA) loss of £6.7m in line with forecasts.

Total financial assets at the period-end were £19.8m, made up of £5.2m of cash, £1.7m of cash on guarantee and deployed working capital (debtors less creditors) of £12.9m.

READ: Climate report augurs well for hydrogen trailblazers

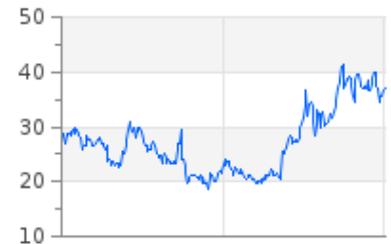
The contract backlog at the year end stood at a record £45.1m, up 26% since February,

Furthermore, there was a pipeline bulging with £330m of potential tenders as ITM Power responded to 46 active commercial tenders over the preceding 12 months with an average project size of £7.2m increased from £6.5m and

Price: 36.65p

Market Cap: £11955900000M

1 Year Share Price Graph



August 2018 February 2019 August 2019

Share Information

Code: ITM

Listing: AIM

52 week High Low
41.90p 18.60p

Sector: Electronic & Electrical Equipment [T3]

Website: www.itm-power.com

Company Synopsis:

ITM Power specialise in the manufacture of integrated hydrogen energy systems. Founded in June 2001, the company floated on the Alternative Investment Market (AIM) in 2004 and was the first United Kingdom-based fuel cell company to go public. ITM Power operates out of two premises in Sheffield, UK with further offices in Germany, France the USA and Canada.

action@proactiveinvestors.com

reflecting strong industrial demand for larger systems.

Infection points

- In February, ITM Power revealed it is part of a consortium that has received funding from the UK's Office for Low Emission Vehicles (OLEV) to develop a refuelling station for fuel-cell electric vehicles.
- The firm said OLEV had awarded the consortium £3.1m in funding to deliver a 0.5 megawatt (MW) refuelling station and 51 fuel cell electric vehicles.
- ITM said it would receive £1.8m of this funding for the refuelling station, which would be delivered in the next 12 months.
- Shell Beaconsfield will be the first site in the UK to bring hydrogen under the same canopy as petrol and diesel, providing drivers with a range of fuel choices to co-exist with traditional transport fuels.
- In May a report from the Committee on Climate Change (CCC), an advisory committee to the government highlighted the importance of hydrogen in enabling the UK to end its contribution to global warming within 30 years.
- In July, ITM signed an agreement for new premises in Sheffield which will become its global manufacturing headquarters, expecting to enter into a lease agreement for the building at completion of the build, expected in the fourth quarter.

READ: ITM Power chief hails ground-breaking hydrogen pilot study

ITM Power is also supplying the electrolyser system at the heart of the 12-month HyDeploy project which begins this year.

Backed by regulator Ofgem's Network Innovation Competition, it is being led by gas network Cadent in partnership with Northern Gas Networks, Keele University and a consortium of technical experts.

Hydrogen will be pumped into the Keele University gas system serving 17 faculty buildings and 100 domestic properties.

Further afield, in December 2018, ITM Power revealed an expansion in Germany where its subsidiary has signed a lease on new larger premises in Hungen, north of Frankfurt to accommodate both business development staff and technical support personnel.

The ITM Power GmbH business is involved with a number of key projects including a 10MW green hydrogen refinery project with Shell, a Power-to-Gas PEM electrolyser system being operated by Innogy, and an electrolyser system supplied to ZEAG Energie. It also supports three other plants in Germany and Holland.

On 19 March, the company named Toyota Australia as the first of those customers and said further details of the other three sales will be released in due course.

What the boss says - Dr Graham Cooley, CEO:

"Power-to-Gas is now demonstrating real traction around the world and we remain very well placed to benefit from this development with our long-running reference plant in Germany," he said in March.

After May's CCC report Cooley said: "For the first time, the UK has accepted they will need shedloads of the equipment that we make. It's the first time that the numbers have been officially run on how much power is needed for a full renewable network and energy storage."

However, 2050 is a long, long way away: "Yes, it is a long time," Cooley acknowledged, "unless you think about how much equipment the country needs before then. With more than 550MW needed per year and each megawatt costing about €1m," says Cooley. "The numbers are very, very large - there will need to be around €0.5bn spent on average every year for 30 years to get to zero emissions."

Blue Sky:

Research house First Berlin pointed out in February that ITM's high order backlog and rising tender opportunity pipeline has put the company on course to break even by 2022.

Over the next three years, the research house is forecasting ITM's revenues to rise to £28.7m from £3.3m in 2018, which should pave the way for ITM to break-even at the underlying earnings (EBIT) level in 2022.

First Berlin said it had concluded that ITM Power looks set to be a prime beneficiary of rising demand for green/low carbon hydrogen.

It noted that the Hydrogen Council expects demand to grow around tenfold from 2015 to 2050, which corresponds to compound annual growth of almost 7%.

"Hydrogen is an excellent all-round fuel and suitable for all three energy applications: power, heat, and mobility," First Berlin pointed out.

"Furthermore, it is needed as feedstock in the chemicals and refining industries," it added.

First Berlin initiated coverage on ITM Power with a 'buy' rating and 43p price target, compared with the 20.40p a share at which the group is currently trading, giving it a market cap of around £67m.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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