

PowerHouse Energy Group

Contracts for feedstock supply and power sales

Contract awards

Alternative energy

21 May 2019

Price 0.46p
Market cap £9m

Net cash (£m) at end June 2018 prior to placings raising £1.2m 0.3
Shares in issue 1.89bn
Free float 93.8%
Code PHE
Primary exchange AIM
Secondary exchange N/A

Share price performance



Business description

PowerHouse Energy has developed an innovative process that generates hydrogen and electricity for the distributed grid from non-recyclable plastic and used tyres. It benefits from rising demand globally for distributed hydrogen production as well as diverting material from landfill.

Analyst

Anne Margaret Crow +44 (0)20 3077 5700

industrials@edisongroup.com

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PowerHouse Energy's exclusive development partner Waste2Tricity (W2T) has signed a Memorandum of Understanding (MoU) with recycling company Advanced Sustainable Developments (ASD). ASD intends to open a PET plastics recycling facility at Peel Environmental's Protos energy hub in Cheshire, which is where W2T intends to locate the first commercial scale waste-to-energy DMG system from PowerHouse. Under the terms of the MoU, the electricity generated by the DMG system will be fed into a private grid on the Protos site and supplied at a discount to current power market prices to ASD. In addition, ASD has agreed to supply the DMG unit with unrecyclable plastic for use as feedstock, paying a price for disposal that is significantly below current landfill prices.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)
12/15	0.0	(0.4)	(0.8)	(0.20)	0.0	N/A
12/16	0.0	(0.8)	(1.3)	(0.23)	0.0	N/A
12/17	0.0	(1.8)	(1.9)	(0.19)	0.0	N/A
06/18**	0.0	(1.1)	(1.1)	(0.08)	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 2018.

W2T now has a site for its first DMG operation, a customer for the electricity and hot water generated, and a primary feedstock as well as a back-up supply. In April it engaged PowerHouse to carry out tests on the proposed PET feedstock and provide a front-end engineering design for a commercial scale DMG unit using this particular feedstock. This engineering work is preparatory to W2T securing planning and operating permits. The new contracts support W2T's discussions to secure financing for the plant, which are ongoing. When these steps are completed, W2T can proceed to the construction and commissioning phase, triggering the payment of operating licence fees to PowerHouse post commissioning.

The two-way linkage between ASD's plastics recycling operation and the waste-to-energy facility being developed by W2T epitomises Peel Environmental's closed loop approach which it intends to adopt at other sites. We note that W2T's adoption of the role of developer removes the need for PowerHouse to finance the construction of plants, eliminating a major dilution risk for shareholders.

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