

ITM Power Plc

United Kingdom / Alternative Energy

London

Bloomberg: ITM LN

ISIN: GB00B0130H42

H1 figures

RATING**NOT RATED****PRICE TARGET**

N.A.

Return Potential

N.A.

Risk Rating

High

PROGRESS DESPITE PANDEMIC

In H1 2020/21, which ended 31 October 2020, ITM Power increased total income by 16% y/y to GBP 4.4m due largely to higher grants (GBP 4.2m). The loss from operations was GBP 12.0m. The figures were negatively affected by pandemic-induced delays. More importantly, ITM successfully completed a GBP 172m capital increase and concluded a collaboration agreement with Snam, a global energy infrastructure operator and one of the largest Italian listed companies. Snam invested GBP 30m as part of the funding round. Following the partnership with the global hydrogen player Linde, this is another transformative deal for ITM Power and opens up another important sales channel (preferred supplier status for 100 MW). Together with Linde's EPC competence, the electrolyser manufacturer ITM offers a full turnkey solution at industrial scale. In January, ITM announced the sale of a 24 MW electrolyser to Linde to be installed in the Leuna Chemical Complex in Germany. This is the largest PEM electrolyser project so far worldwide. In January, ITM practically completed the new 1 GW electrolyser factory at Bessemer Park in Sheffield, UK. The order backlog increased y/y from GBP 42m to GBP 124m. Given the strongly accelerating political and business momentum in the green hydrogen sector and ITM's strong competitive position, we believe that the company has the opportunity to become one of the large electrolyser players worldwide.

H1 figures burdened by pandemic Although total income increased 16% y/y to GBP 4.4m, revenue fell to GBP 0.2m (prior year: GBP 2.4m). We trace this to pandemic-related project delays. But much higher grant income and grants receivable for capital projects (GBP 4.2m versus GBP 1.4m y/y) more than compensated for the lower revenue. Adjusted EBITDA was GBP -10.4m (prior year: GBP -8.1m) and the operating loss amounted to GBP 12.0m (H1/20: GBP 9.8m, see figure 1 overleaf). Thanks to the capital increase the current cash position of GBP 187m is enough to finance the anticipated strong growth.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Total income (GBP m)	14.10	17.56	5.35	10.82	40.22	124.04
Revenue (GBP m)	3.28	4.59	3.29	6.32	34.22	119.54
Y-o-y growth	35.9%	39.8%	-28.3%	92.2%	441.1%	249.3%
EBIT (GBP m)	-6.49	-9.35	-29.40	-19.47	-10.75	6.04
EBIT margin	-197.8%	-203.7%	-893.2%	-307.8%	-31.4%	5.1%
Net income (GBP m)	-6.12	-9.45	-29.56	-19.92	-11.10	6.37
EPS (diluted) (GBP)	-2.13	-2.92	-7.43	-3.88	-2.02	1.16
FCF (GBPm)	-9.57	-15.28	-23.10	-15.66	-33.91	-29.70
Net gearing	-57.3%	-19.7%	-61.1%	-91.6%	-79.6%	-62.4%
Liquid assets (GBP m)	20.40	5.17	39.92	196.28	162.36	132.66

RISKS

The main risks are financing, Brexit, unfavourable regulation, technological innovation, and increasing competition.

COMPANY PROFILE

ITM Power designs and manufactures integrated hydrogen energy systems for energy storage, clean fuel production, and renewable chemistry. The group's product offering is based on PEM technology and is scalable to 100 MW. ITM is headquartered in Sheffield, UK, and has ca. 225 employees.

MARKET DATA

As of 27 Jan 2021

Closing Price	GBP 645.00
Shares outstanding	550.66m
Market Capitalisation	GBP 3551.74m
52-week Range	GBP 96.95 / 717.00
Avg. Volume (12 Months)	3,508,836

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	n.a.
EV/Sales	1016.8	529.1	97.8
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	n.a.	n.a.	n.a.

STOCK OVERVIEW



COMPANY DATA

As of 30 Apr 2020

Liquid Assets	GBP 39.92m
Current Assets	GBP 67.52m
Intangible Assets	GBP 2.15m
Total Assets	GBP 83.18m
Current Liabilities	GBP 21.11m
Shareholders' Equity	GBP 55.75m

SHAREHOLDERS

Linde	17.3%
JCB Research	9.2%
Hargreaves Lansdown AM	5.2%
Other	12.2%
Free Float	56.1%

**Figure 1: Reported figures versus forecasts**

in GBPm	H1/21A	H1/21E	Delta	H1/20	Delta
Total income	4.40	4.90	-10.2%	3.80	15.8%
Revenue	0.20	0.90	-77.8%	2.44	-91.8%
Adjusted EBITDA	-10.40	-9.20	-	-8.10	-
EBIT	-12.00	-10.90	-	-9.83	-

Source: First Berlin Equity Research, ITM Power Plc

Rising order backlog The total backlog more than tripled from GBP 42m at the end of January 2020 to GBP 124m. The order backlog comprises GBP 36m (01/2020: GBP 16m) of contracted projects and a further GBP 88m (01/2020: GBP 26m) in the final stages of negotiation or subject to preferred supplier status. We view the order backlog as a good basis to reach our 2021 and 2022 forecasts. The qualified tender opportunity pipeline increased to over GBP 434m (ITM: GBP 284m, ITM/Linde JV: GBP 150m) versus GBP 248m in 01/2020.

Gigafactory at Bessemer Park in Sheffield reached practical completion in January

The completed fit-out includes an expansion of the existing offices, enlargement of the stack manufacturing and production areas and a dedicated ATEX-rated space for factory acceptance testing of products, all coupled with the necessary 5 MW power supply on site. Production has commenced, and the factory will have a capacity of 1 GW (1,000 MW) p.a. This gives ITM a powerful cost reduction trajectory and very large manufacturing capacity. Furthermore, it delivers a blueprint for a high capacity, semi-automated PEM electrolyser manufacturing facility, which can be readily replicated, enabling a local facility to be planned and rapidly deployed in response to large order volumes.

24 MW electrolyser for Linde ITM will manufacture the world's largest PEM electrolyser for Linde. The green hydrogen production plant will be built, owned and operated by Linde at the Leuna Chemical Complex in Germany. The plant will supply hydrogen to Linde's industrial customers through the company's existing pipeline network. In addition, Linde will distribute liquefied green hydrogen to refueling stations and other industrial customers in the region. The electrolyser will be built by the ITM/Linde joint venture, ITM Linde Electrolysis GmbH. The plant is due to start production in the second half of 2022.

Collaboration with Ørsted and Siemens Gamesa on the €5m EU funded OYSTER project

Earlier this month ITM Power, Ørsted, Siemens Gamesa Renewable Energy, and Element Energy were awarded €5m in funding from the Fuel Cells and Hydrogen Joint Undertaking (FCH2-JU) under the aegis of the European Commission to demonstrate and investigate a combined wind turbine and electrolyser system designed for operation in marine environments. The idea of the OYSTER project is to combine an offshore wind turbine directly with an electrolyser and transport the renewable hydrogen to shore. Furthermore, the electrolyser system will integrate desalination and water treatment processes, making it possible to use seawater as a feedstock for the electrolysis process. The consortium will develop and test a megawatt-scale fully marinised electrolyser, which can withstand harsh offshore environments and have minimal maintenance requirements, in a shoreside pilot trial. The project is planned to start in 2021 and run to the end of 2024. ITM Power is responsible for the development of the electrolyser system and the electrolyser trials.



2021 forecasts slightly lowered Given the somewhat weaker H1 figures and the renewed lockdown in the UK and other European countries, we lower our 2021 forecast (see figure 2 overleaf). We now assume sales of GBP 6.3m (previously: GBP 7.5m). This results in a higher operating loss (FBe: GBP 19.5m, previously: GBP 18.3m).

Figure 2: Revisions to forecasts

in GBPm	2021E			2022E			2023E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Total income	12.02	10.82	-10.0%	40.23	40.22	0.0%	124.08	124.04	0.0%
Sales	7.52	6.32	-15.9%	34.23	34.22	0.0%	119.56	119.54	0.0%
EBIT	-18.25	-19.47	-	-10.74	-10.75	-	6.04	6.04	0.0%
margin	-242.7%	-307.8%	-	-31.4%	-31.4%	-	5.1%	5.1%	-
Net income	-18.69	-19.92	-	-11.10	-11.10	-	6.37	6.37	0.0%
margin	-248.5%	-315.0%	-	-32.4%	-32.4%	-	5.3%	5.3%	-
EPS (diluted) in GBp	-3.6	-3.9	-	-2.0	-2.0	-	1.2	1.2	0.0%

Source: First Berlin Equity Research

We provide no rating and no price target.



INCOME STATEMENT

All figures in GBP '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Total income	9,230	14,100	17,559	5,346	10,819	40,219	124,042
Revenues	2,415	3,283	4,589	3,291	6,324	34,219	119,542
Cost of goods sold	1,757	3,438	5,755	9,120	5,692	25,665	89,656
Gross profit	658	-155	-1,166	-5,829	632	8,555	29,885
S&M	1,528	1,455	1,713	1,385	2,300	2,700	3,825
G&A	2,202	3,086	4,738	7,028	7,100	7,200	8,368
R&D	2,023	1,792	2,327	2,298	3,100	3,900	4,782
Prototype production & engineering	2,615	4,144	6,202	13,919	10,100	7,500	8,368
Grant income	4,160	4,138	6,799	1,049	2,500	2,000	1,500
Operating income (EBIT)	-3,550	-6,494	-9,347	-29,396	-19,468	-10,745	6,043
Net financial result	0	18	29	-127	-258	-244	733
Pre-tax income (EBT)	-3,550	-6,476	-9,318	-29,523	-19,725	-10,989	6,776
Income taxes	230	-360	133	38	197	110	407
Minority interests	0	0	0	0	0	0	0
Net income / loss	-3,780	-6,116	-9,451	-29,561	-19,923	-11,099	6,369
Diluted EPS (in GBp)	-1.7	-2.1	-2.9	-7.4	-3.9	-2.0	1.2
EBITDA	-2,346	-4,782	-7,450	-26,759	-16,674	-8,036	9,581
Ratios							
Gross margin	27.2%	-4.7%	-25.4%	-177.1%	10.0%	25.0%	25.0%
EBITDA margin on revenues	-97.1%	-145.7%	-162.3%	-813.1%	-263.7%	-23.5%	8.0%
EBIT margin on revenues	-147.0%	-197.8%	-203.7%	-893.2%	-307.8%	-31.4%	5.1%
Net margin on revenues	-156.5%	-186.3%	-205.9%	-898.2%	-315.0%	-32.4%	5.3%
Tax rate	-6.5%	5.6%	-1.4%	-0.1%	-1.0%	-1.0%	6.0%
Expenses as % of revenues							
S&M	63.3%	44.3%	37.3%	42.1%	36.4%	7.9%	3.2%
G&A	91.2%	94.0%	103.2%	213.6%	112.3%	21.0%	7.0%
R&D	83.8%	83.8%	83.8%	83.8%	83.8%	83.8%	54.6%
Prototype production & engineering	108.3%	126.2%	135.1%	423.0%	159.7%	21.9%	7.0%
Y-Y Growth							
Revenues	n.a.	35.9%	39.8%	-28.3%	92.2%	441.1%	249.3%
Operating income	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income / loss	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



BALANCE SHEET

All figures in GBP '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Assets							
Current assets, total	14,846	39,558	38,982	68,000	213,755	212,302	238,766
Cash and cash equivalents	1,558	20,403	5,173	39,919	196,275	162,365	132,661
Short-term investments	0	0	0	483	483	483	483
Receivables	12,528	18,500	31,903	23,166	15,593	45,938	98,253
Inventories	760	655	1,906	4,432	1,403	3,516	7,369
Other current assets	0	0	0	0	0	0	0
Non-current assets, total	4,899	4,809	6,411	15,175	16,073	18,945	21,970
Property, plant & equipment	4,519	4,454	5,742	6,501	7,090	9,305	11,602
Right of use assets	0	0	0	6,520	6,520	6,520	6,520
Goodwill & other intangibles	380	355	669	2,154	2,463	3,120	3,848
Other assets	0	0	0	6,520	6,520	6,520	6,520
Total assets	19,745	44,367	45,393	83,175	229,828	231,247	260,736
Shareholders' equity & debt							
Current liabilities, total	6,675	8,776	19,184	21,114	15,677	28,195	51,315
Short-term debt	0	0	0	0	0	0	0
Accounts payable	6,666	7,928	17,579	14,013	8,576	21,094	44,214
Current provisions	9	848	1,605	6,890	6,890	6,890	6,890
Lease liabilities (short-term)	0	0	0	211	211	211	211
Other current liabilities	0	0	0	0	0	0	0
Long-term liabilities, total	0	0	0	6,315	6,315	6,315	6,315
Long-term debt	0	0	0	0	0	0	0
Lease liabilities (long-term)	0	0	0	6,315	6,315	6,315	6,315
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	13,070	35,591	26,209	55,746	207,836	196,737	203,106
Share capital	12,531	16,200	16,200	23,664	96,861	96,861	96,861
Capital reserve	61,930	86,631	86,631	137,236	236,052	236,052	236,052
Other reserves	-2,169	-1,902	-1,862	-1,812	-1,812	-1,812	-1,812
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-59,222	-65,338	-74,760	-103,342	-123,265	-134,364	-127,994
Total consolidated equity and debt	19,745	44,367	45,393	83,175	229,828	231,247	260,736
Ratios							
Current ratio (x)	2.22	4.51	2.03	3.22	13.63	7.53	4.65
Quick ratio (x)	2.11	4.43	1.93	3.01	13.55	7.41	4.51
Net debt	-1,558	-20,403	-5,173	-34,087	-190,443	-156,533	-126,829
Net gearing	-11.9%	-57.3%	-19.7%	-61.1%	-91.6%	-79.6%	-62.4%
Book value per share (in GBP)	0.06	0.12	0.08	0.14	0.40	0.36	0.37
Return on equity (ROE)	-28.9%	-17.2%	-36.1%	-53.0%	-9.6%	-5.6%	3.1%



CASH FLOW STATEMENT

All figures in GBP '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	-3,550	-6,494	-9,347	-29,396	-19,468	-10,745	6,043
Depreciation and amortisation	1,204	1,712	1,897	2,637	2,793	2,709	3,539
EBITDA	-2,346	-4,782	-7,450	-26,759	-16,674	-8,036	9,581
Changes in working capital	-3,076	-3,602	-5,003	2,557	5,165	-19,939	-33,048
Other adjustments	374	379	661	12,162	-455	-354	327
Operating cash flow	-5,048	-8,005	-11,792	-12,040	-11,965	-28,329	-23,140
Investments in PP&E	-3,293	-8,622	-4,125	-9,335	-5,059	-8,555	-8,368
Investments in intangibles	-151	-76	-436	-1,771	-632	-1,027	-1,195
Grants received against purchases of PP&E	2,646	7,130	1,073	42	2,000	4,000	3,000
Free cash flow	-5,846	-9,573	-15,280	-23,104	-15,656	-33,911	-29,704
Acquisitions & disposals, net	4	1	0	1	0	0	0
Investment cash flow	-794	-1,567	-3,488	-11,063	-3,692	-5,581	-6,563
Debt financing, net	0	0	0	0	0	0	0
Equity financing, net	5,732	29,358	0	58,069	172,013	0	0
Dividends paid	0	0	0	0	0	0	0
Other financing	-267	-970	29	-236	0	0	0
Financing cash flow	5,465	28,388	29	57,833	172,013	0	0
FOREX & other effects	45	29	3	16	0	0	0
Net cash flows	-332	18,845	-15,248	34,746	156,356	-33,911	-29,704
Cash, start of the year	1,890	1,558	20,403	5,173	39,919	196,275	162,365
Cash, end of the year	1,558	20,403	5,155	39,919	196,275	162,365	132,661
EBITDA/share (in GBp)	-1.1	-1.7	-2.3	-6.7	-3.2	-1.5	1.7
Y-Y Growth							
Operating cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	20 February 2019	GBp21.55	Buy	GBp43.00
2...1	↓	↓	↓	↓
2	12 June 2019	GBp32.50	Buy	GBp43.00
3	2 July 2019	GBp34.95	Buy	GBp46.00
4	15 October 2019	GBp49.00	Add	GBp60.00
5	12 February 2020	GBp160.00	Sell	GBp105.00
6	9 June 2020	GBp292.00	Not Rated	-
7	23 September 2020	GBp266.00	Not Rated	-
8	8 December 2020	GBp398.00	Not Rated	-
9	Today	GBp645.00	Not Rated	-

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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