

Ceres Power Holdings PLC

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Ceres Power makes progress with growing list of big name partners

Ceres Power Holdings PLC's (LON:CWR) has an impressive roster of collaborative partners supporting the development its SteelCell fuel cell technology and providing a boost to revenues.

Among its partners are Chinese engines giant Weichai Power, German engineering firm Bosch, US engine maker Cummins and Japanese carmakers Nissan and Honda. Ceres also has a sixth partner, which the company can't name due to confidentiality reasons.

The group's most recent collaborations with Weichai and Bosch are expected to see 2018 revenue and other operating income "more than double" to about £15m from £7m last year.

Under its partnership with Weichai, the two companies are combining their technologies to make engines for China's electric bus market.

The deal includes a fuel cell manufacturing joint venture in China, a licence agreement to transfer key technology to the venture and a new £9m joint development agreement.

In support of their alliance, Weichai confirmed on Tuesday that it would take a further 10% stake in Ceres by injecting £28m into the business. Weichai's total investment in Ceres will be £48m for a 20% stake following completion.

READ: Ceres Power expects full year revenues to double as it completes "key commercial milestones" in collaboration agreements

The manufacturing joint venture will see the two firms invest in a new fuel cell manufacturing facility in Shandong, China and make SteelCell systems, stacks and fuel cells in accordance with a licence agreement after technology transfers to Ceres.

The £9m joint agreement is for the continued development of the SteelCell solid oxide fuel cell extender system for China's electric bus market. The licence agreement will bring in up to £30m in staged payments.

"This is a major strategic milestone for Ceres," said chief executive Phil Caldwell.

"Establishing manufacturing capability in China with a partner as strong as Weichai will enable our SteelCell technology to benefit from the kind of economies of scale and significantly lower costs we have seen in the solar and battery industries."

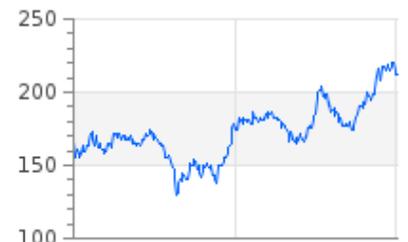
Quality partners

A similar collaboration with Bosch, which supplies a range of technologies for automotive, industrial and consumer goods industries, is also bringing in significant staged revenues through technology transfer, licensing and longer-term

Price: 212

Market Cap: £324.63 m

1 Year Share Price Graph



October 2018 April 2019 October 2019

Share Information

Code: CWR

Listing: LSE

52 week High Low
226.6 124.98

Sector: Renewable Energy

Website: www.cerespower.com

Company Synopsis:

Ceres Power is a fuel cell technology and engineering company whose aim is to bring cleaner and cheaper energy to businesses, homes and vehicles. We are working with world-leading partners to embed our SteelCell technology in mass-market energy products for the commercial, residential and transportation markets.

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royalties.

Bosch joined the list of collaborative partners in August, by agreeing to work with Ceres to develop its SteelCell technology and invest £9mIn into the AIM-listed business.

The initial value of the deal is expected to be £20mIn by 2020.

The companies had been working together for several months through an initial agreement announced in January, but Bosch was not named at the time for confidentiality reasons.

Caldwell said the objective was to partner with the world's best and "companies don't get much better than Bosch".

Ceres and Bosch are developing what are effectively decentralised power stations that will use modular 10kw power units to run data centres, office blocks, electric vehicle charging outlets and so on.

In itself that is a fantastic opportunity, Caldwell said, but Bosch also gives Ceres an opportunity to benefit from its engineering and technological capability and supply chain and manufacturing strength.

Nissan progress and a £7mIn injection

In early August, Ceres announced it would receive £7mIn in funding to continue work its work with Nissan on electric vehicle applications.

The cash is coming from UK government funding, through the Advanced Propulsion Centre (APC), being carried out in partnership with Nissan and The Welding Institute.

It builds on the successful joint development with Japanese car giant Nissan over the past two years and sees Ceres Power accelerating commercialisation of its SteelCell fuel cell technology in automotive markets.

In the new year, the company said the market can expect to see more progress on its existing collaborations and potentially new partners coming on board.

"On the technology side, we're already pushing the technology onto higher and higher efficiencies so you'll see some announcements around that as well," said Caldwell.

SteelCell technology is poised to benefit from the growth in fuel cell demand

Ceres's core SteelCell technology overcomes two problems traditionally associated with other solid oxide fuel cells, namely cost, and lack of robustness.

SteelCell can use a variety of fuels - natural gas, hydrogen, biofuel - that can be manufactured from widely available materials, and is inherently the most cost-effective solution on the market.

"This scalability is Ceres's key competitive advantage, in our view," broker Berenberg said.

Berenberg believes the development partnerships and the impending commercial launches go hand-in-hand in helping profitability in the short-term, while drastically increasing the probability that the SteelCell will be commercially viable in the long-term.

A UK rarity

Ceres is one of those rare companies that exports technology from the UK, Caldwell said.

And with most of its exports going to countries outside the European Union, Ceres is shielded from the potential impact of Brexit on trade.

Caldwell said the company's licensed-based business model brings in higher margins and has the "potential to scale"

with global partners in place to do so.

He added that the company's fuel-efficient technology is having a positive impact on the environment.

"People want to invest in things that are having a positive impact on our lives and where climate change is an issue and air quality is an issue this is a company that you can invest in that is addressing those things and tackling those issues head on," he said.

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