

HYDROGEN UTOPIA INDUSTRIALS

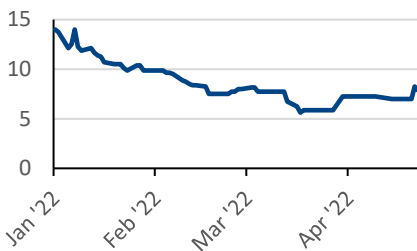
28 April 2022

HUI.L

7.88p

Market Cap: £30.3m

SHARE PRICE (p)



12m high/low 14.0p/5.6p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£3.6m (at 31/08/21)
Enterprise value	£26.7m
Index/market	AXS
Shares in Issue (m)	384.3
Chairman	Guy Peters
Chief Executive	Aleksandra Binkowska
Finance Director	James Nicholls-May

COMPANY DESCRIPTION

Hydrogen Utopia is a plastic waste-to-energy technology company.

www.hydrogenutopia.eu

HYDROGEN UTOPIA IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

Peter Hitchens

+44 (0) 20 7781 5304

phitchens@progressive-research.com



Proposed move into Ireland

Hydrogen Utopia International (HUI) has announced that it has reached an agreement with Trifol Resources Limited (TRL) to look at constructing a full-scale waste plastic to hydrogen plant in the Republic of Ireland. As part of the agreement, HUI will invest €0.5m for a minimum stake of 3.33% in TRL on a fully diluted basis. We believe that this is an exciting move for HUI and could lead to the company's first operating full-scale waste plastic to hydrogen plant, as well as potentially benefitting from synergies with TRL's waste plastic to wax technology.

- The proposed plant is planned to be built in Tipperary, Ireland, where TRL holds a long-term lease on a 2.64 hectare site. The site is a former railway locomotive repair shop and has access to all the necessary utilities (such as a potential 3MW power supply) to allow the facility to become operational with a minimum of delays. The site is sufficiently large to allow both HUI and TRL to build their respective plants. There is also potential access to the waste plastic feed stocks as well as customers for HUI's production of syngas and hydrogen. The facility would be located in a region where it would be possible to access funding from the EU 'Just Transition Fund' (JTF).
- Financially, this appears to be an attractive operation for the company. HUI is in discussions with a potential supplier of investment grade waste plastic, which would provide the required feedstock (with the supplier paying gate fees to HUI). Management is also in talks with buyers of the syngas and hydrogen produced at the plant. There is the potential to create long-term supply and offtake agreements.
- Initially, HUI has agreed to subscribe €0.5m in return for a 3.33% stake in TRL on a fully diluted basis and a seat on TRL's board. Going forward, HUI and TRL are committed to negotiate and enter into a development and collaboration agreement (DCA), which will provide the framework for developing the HUI and TRL processes. This will cover such aspects as the grant of a licence and sub-lease of the site. The DCA also provides for HUI to provide TRL with further funding, if required, in the form of equity and a secured loan facility. Management is hoping to get the DCA agreement in place within 90 days.
- We believe that this announcement is a further step forward for HUI after its successful IPO in January 2022. Although the company had initially looked at operations in Poland, this deal provides the ability to get a plant up and running in potentially a relatively short time-frame. The company is also in discussions with a third party over a joint venture to build the HUI facility in Ireland. For a more detailed analysis of HUI, please see our recent note ([Successful debut of energy and hydrogen from plastic waste company](#), 12 January 2022).

Agreement with TRL in Ireland

In a significant step forward for the company, Hydrogen Utopia International (HUI) has reached an agreement with Trifol Resources Limited (TRL) that it expects will lead to the construction of its first operational full-scale waste plastic to hydrogen facility in Europe. The plant would be located in County Tipperary in the Republic of Ireland. As part of the agreement, HUI will invest €0.5m for a minimum stake of 3.33% in TRL on a fully diluted basis. As well as leading to its first operational full-scale waste plastic to hydrogen plant, HUI can potentially benefit from synergies with TRL's waste plastic to wax technology.

HUI

HUI came to the market in January 2022. The company has licenced and further developed a pyrolysis technology that can convert non-recyclable plastic waste into syngas, which can be used as an industrial fuel. This syngas, with further processing, could also be separated into hydrogen and methane. Hydrogen is seen as an important product in the future decarbonisation of the global economy. For a more detailed analysis of HUI, please see our recent note ([Successful debut of energy and hydrogen from plastic waste company](#), 12 January 2022).

TRL

TRL is a similar style company to HUI. It was established in 2015 as a high-tech business, which uses modified pyrolysis technology, under low pressure, to transform waste plastics into wax and fuel gas. Wax is a commodity used in a wide range of applications from rust proofing to emulsions. The company is now looking at building its first commercial plant at a facility at the Bord na Mona facility at Lanespark in County Tipperary, Ireland. TRL has tested the technology and has now secured a feedstock supply from the adjoining Sabrina facility ahead of moving forward with the development of its first commercial plant.

The site

TRL agreed a 20-year lease in December 2021 on the 2.64 hectare site in County Tipperary. The site used to be a former railway locomotive repair facility and so has the necessary utilities (such as a potential 3MW power supply) to allow the facility to become operational with a minimum of delays – especially compared to some greenfield sites. The site is sufficiently large to allow both HUI and TRL to build their respective plants. The landlord of the site has formally agreed to the grant of a sub-lease to HUI, meaning that the company can move ahead when the necessary regulatory permissions are granted.

The site is well positioned for both waste plastic feedstock and an end market for its expected syngas and hydrogen production. HUI management has already held preliminary meetings with a potential supplier of investment grade waste plastic that could provide all its required feedstock. Management is also in talks with a potential customer that would use all the production of syngas and hydrogen, and this could lead to long-term supply and offtake agreements. The other advantage for HUI is that the site is in a region where it is possible to access funds from the EU 'Just Transition Fund' (JTF). The JTF was set up to aid the decarbonisation of local economies and could provide HUI with access to EU grants to help with the development.

The agreement

As part of this agreement, HUI has agreed to subscribe €0.5m in return for a minimum 3.33% stake in TRL on a fully diluted basis and a seat on TRL's board. Going forward, HUI and TRL are committed to negotiate and enter into a development and collaboration agreement (DCA), which will provide the framework for developing the HUI and TRL processes. This will cover such aspects as the grant of a licence and sub-lease of the site. This will also cover the step-in rights to TRL's lease and the right to acquire the freehold. Management is hoping to get the DCA agreement in place within 90 days. The agreement will also allow HUI to provide TRL with additional funding in the form of equity and/or a secured loan facility.

Other

HUI has announced that it is in discussions with a third party in relation to a joint venture to build this Irish facility. The DCA discussed above would cover this potential joint venture. HUI has also noted that it has indications of short-term funding support to help the project to move forward.

Overview

We believe that this announcement is a further step forward for HUI after its successful IPO in January 2022. Although at its IPO, the company had initially expected that its operation in Poland would lead to its first plant, the current problems in the region have made progress slower than might have been hoped for. As such, this potential deal in Ireland provides the ability to get a plant up and running in, potentially, a relatively short time-frame. Once the initial plant has been developed and operated successfully, it should allow HUI to gain more traction for its technology, thus opening up more opportunities.

Disclaimers and Disclosures

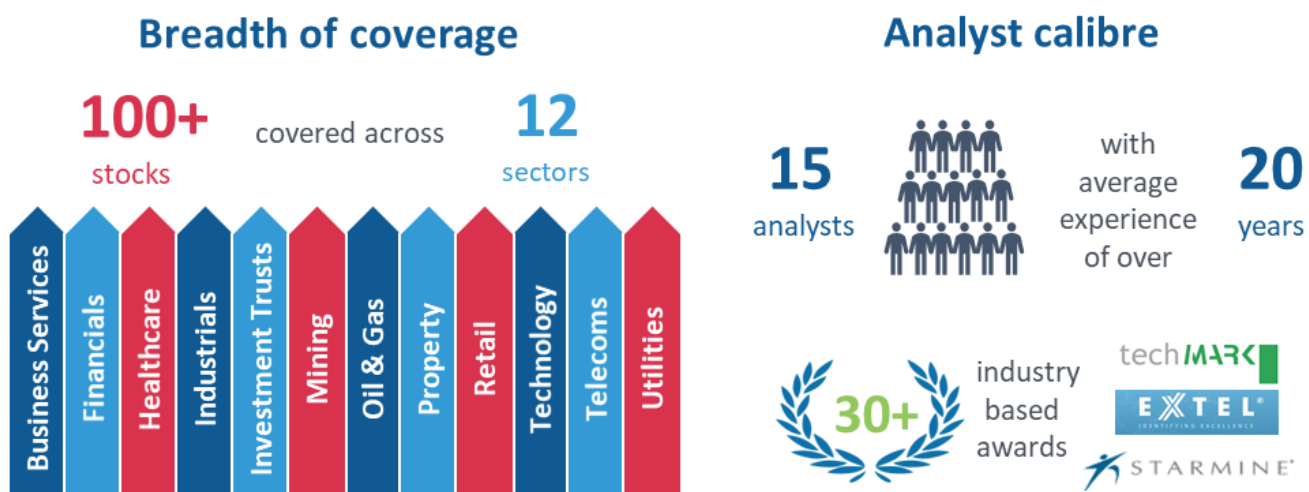
Copyright 2022 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact:

Keith Hodgskiss
+44 (0) 20 7781 5300
khodgskiss@progressive-research.com