



Delivering on order expectations

PowerCell reported Q2 results in line with our expectations and they were a continuation of Q1, in our view, with a solid increase in marketing activities, requests and orders. After the report, we reiterate our Buy rating and target price of SEK 60.

Q2 in line with expectations; high level of marketing activities

As we had expected, the Q2 report was a continuation of the Q1 development with a high level of marketing activities, an increasing number of requests and strong sales growth (more than double the sales of Q2 2017). After the Q2 report, we slightly raise our cost estimates for SG&A and R&D as well as assign lower gross margins to Q3 and Q4 and push back some of the Wuhan Tiger Fuel Cell Vehicle Co. Ltd. sales. In recent months, the company has taken several new orders of S2 and S3 stacks, including, for example, from global Tier 1 automotive suppliers and a suborder from Wuhan Tiger Fuel Cell Vehicle Co. Ltd., to be delivered in Q3 2018.

Structural trends and potential triggers provide upside

We expect the company's superior-performance fuel cell technology to benefit from structural trends within mainly transportation and energy storage, and PowerCell is now entering into a commercialisation phase with, for example, the order from Wuhan Tiger, the AutoStack Industrie project (with partners such as VW, BMW, Daimler and Ford) and with it being the primary fuel stack supplier to Nikola Motor Company, which could create substantial upside. Post-Q2, we reiterate our Buy rating and target price of SEK 60.

SEKm	2016	2017	2018e	2019e	2020e
Revenues	12	37	72	323	439
EBITDA	(60)	(60)	(63)	19	67
EBIT adj	(66)	(67)	(70)	9	56
EBIT margin adj	-	-	-	2.7%	12.8%
EPS	(1.63)	(1.29)	(1.36)	0.16	1.08
EPS adj	(1.63)	(1.29)	(1.36)	0.16	1.08
DPS	-	-	-	-	-
EV/EBITDA	-	-	-	-	26.6
EV/EBIT adj	-	-	-	-	31.9
P/E adj	-	-	-	-	32.6
P/B	34.35	10.40	15.45	14.41	10.00
ROE (%)	-	-	-	6.9	36.1
Div yield (%)	-	-	-	-	-
Net debt	(21)	(178)	(80)	(22)	(42)

Source: Pareto

Target price (SEK)	60
Share price (SEK)	35

Forecast changes

%	2018e	2019e	2020e
Revenues	(5)	1	-
EBITDA	(11)	4	(7)
EBIT adj	(11)	13	(8)
EPS reported	(11)	13	(8)
EPS adj	(11)	13	(8)

Source: Pareto

Ticker	PCELL.ST, PCELL.SS
Sector	Industrials
Shares fully diluted (m)	44.8
Market cap (SEKm)	1,580
Net debt (SEKm)	-80
Minority interests (SEKm)	0
Enterprise value 18e (SEKm)	1,750
Free float (%)	

Performance



Source: Factset

Analysts

Erik Paulsson
+46 8 402 5289, erik.paulsson@paretosec.com

Fredrik Moregard
+46 8 402 5278, fredrik.moregard@paretosec.com

Disclosed orders taken in 2018 (from press releases)

Date of order	Customer	New/repeat	Delivery date	Value, SEKm	Type of stack
09 Jan 2018	"An established and innovative vehicle company", "passenger cars powered by fuel cells"	New?	Unknown	1.0	S2 (20 kW)
30 Jan 2018	"Wuhan Qingyang Energy Research Institute"	New?	Q1'18-Q2'18	6.5	S2 (35 kW)
11 Apr 2018	"International Tier 1 supplier"	New?	Start May 2018	6.9	S3
17 Apr 2018	"Chinese customer", commercial vehicles	Repeat	Q2'18	2.3	S2
01 Jun 2018	"Global automotive OEM"	New?	Start Q2'18	3.0	S3/MS-100
28 Jun 2018	"Wuhan Tiger to take delivery of an additional 16 PowerCell S2 fuel cell stacks"	Repeat	Q3	8.2	S2
16 Jul 2018	"International Tier 1 supplier" (same customer as 11 April 2018)	Repeat	Q3'18, Q4'18	10.0	S3
Total				37.9	
Total					
S2 stack				18.0	
S3 stack				19.9	

Source: Pareto, company data

Key figures, yearly (SEKm)

SEKm	2015	2016	2017	2018E	2019E	2020E	2021E
Sales, SEKm	5.1	12.2	36.7	72.2	322.9	438.8	1,678.7
Cost of goods sold	-5.0	-9.3	-25.7	-52.7	-224.8	-285.5	-1,005.4
Gross profit	0.1	2.9	11.0	19.5	98.2	153.3	673.3
SG&A	-0.8	-6.3	-19.5	-31.7	-34.3	-41.1	-47.3
R&D	-73.1	-72.1	-67.9	-69.9	-67.1	-62.4	-59.3
Other operating income	9.0	9.5	9.9	13.5	13.5	8.0	8.0
Other operating costs	0.0	-0.2	-0.3	-1.7	-1.7	-1.7	-1.7
EBIT	-64.8	-66.1	-66.7	-70.3	8.6	56.1	573.0
Net financials	-0.4	0.4	0.0	-0.1	-0.1	-0.1	-0.1
Pre-tax profit	-65.2	-65.7	-66.7	-70.4	8.5	56.0	572.9
Tax	0.0	0.0	0.0	0.0	0.0	0.0	-14.1
Net profit	-65.2	-65.7	-66.7	-70.4	8.5	56.0	558.8
EPS	-1.8	-1.6	-1.3	-1.4	0.2	1.1	10.8
Sales growth	228.6 %	138.9 %	201.5 %	96.5 %	347.4 %	35.9 %	282.6 %
Gross margin	2.8 %	24.0 %	30.0 %	27.0 %	30.4 %	34.9 %	40.1 %
EBIT margin	na	na	na	na	2.7 %	12.8 %	34.1 %
Actual tax rate	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	2.5 %

Source: Pareto, company data

Key figures, quarterly (SEKm)

SEKm	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18E	Q4'18E
Sales, SEKm	3.9	6.0	10.9	15.9	7.8	13.5	21.7	28.9
Cost of goods sold	-2.5	-3.6	-7.5	-12.0	-6.1	-10.1	-15.8	-21.1
Gross profit	1.4	2.4	3.4	3.8	1.7	3.5	5.8	7.8
SG&A	-3.2	-3.7	-4.1	-8.4	-6.5	-8.6	-8.3	-8.3
R&D	-16.5	-19.4	-14.2	-17.8	-16.6	-18.1	-17.6	-17.6
Other operating income	2.4	2.9	2.3	2.4	2.8	4.6	3.0	3.0
Other operating costs	0.0	-0.1	-0.1	-0.1	-0.2	-0.7	-0.4	-0.4
EBIT	-15.9	-18.0	-12.7	-20.1	-18.8	-19.3	-17.4	-15.5
Net financials	0.0	0.0	0.0	0.0	-0.1	-0.2	0.0	0.0
Pre-tax profit	-15.9	-18.0	-12.7	-20.1	-19.0	-19.4	-17.4	-15.5
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-15.9	-18.0	-12.7	-20.1	-19.0	-19.4	-17.4	-15.5
EPS	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.3	-0.3
Sales growth	78.1 %	149.6 %	260.2 %	249.9 %	98.3 %	125.3 %	98.1 %	81.9 %
Gross margin	36.0 %	39.8 %	30.9 %	24.2 %	21.9 %	25.6 %	27.0 %	27.0 %
EBIT margin	na	na	na	na	na	na	na	na
Actual tax rate	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Pareto, company data

PROFIT & LOSS (fiscal year) (SEKm)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Revenues	2	2	5	12	37	72	323	439
Growth Revenues		-	228.6%	138.9%	201.5%	96.5%	347.4%	35.9%
EBITDA	(50)	(50)	(59)	(60)	(60)	(63)	19	67
Depreciation & amortisation	-	-	(6)	(6)	(6)	(7)	(10)	(11)
EBIT	(50)	(50)	(65)	(66)	(67)	(70)	9	56
EBIT adjusted	(40)	(50)	(65)	(66)	(67)	(70)	9	56
Net interest	-	-	(0)	0	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	(50)	(50)	(65)	(66)	(67)	(70)	9	56
Taxes	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-
Net profit	(50)	(50)	(65)	(66)	(67)	(70)	9	56
EPS reported			(1.83)	(1.63)	(1.29)	(1.36)	0.16	1.08
EPS adjusted			(1.83)	(1.63)	(1.29)	(1.36)	0.16	1.08
Growth EPS adjusted				+chg	+chg	-chg	+chg	558.5%
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (SEKm)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Tangible non current assets	-	-	22	18	21	41	50	54
Other non-current assets	-	-	0	1	3	3	3	3
Other current assets	-	-	13	16	33	44	161	197
Cash & equivalents	-	-	41	61	218	130	72	92
Total assets	-	-	76	96	274	217	287	346
Total equity	-	-	11	37	189	118	127	183
Interest-bearing non-current debt	-	-	40	40	40	50	50	50
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	-	-	25	20	45	51	113	118
Total liabilities & equity	-	-	76	96	274	219	290	351
CASH FLOW (SEKm)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Cash earnings			(60)	(61)	(61)	(64)	19	67
Change in working capital			(5)	(7)	10	(6)	(55)	(31)
Cash flow from investments			(2)	(3)	(9)	(27)	(20)	(15)
Cash flow from financing			2	91	219	8	(2)	(2)
Net cash flow			(65)	20	157	(88)	(58)	20
CAPITALIZATION & VALUATION (SEKm)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Share price (SEK end)		6.5	39.1	28.0	38.0	35.3	35.3	35.3
Number of shares end period	-	23	36	45	52	52	52	52
Net interest bearing debt	-	-	(1)	(21)	(178)	(80)	(22)	(42)
Enterprise value		149	1,395	1,233	1,786	1,750	1,808	1,788
EV/Sales		-	-	-	48.6	24.2	5.6	4.1
EV/EBITDA		-	-	-	-	-	-	26.6
EV/EBIT		-	-	-	-	-	-	31.9
EV/EBIT adjusted		-	-	-	-	-	-	31.9
P/E reported		-	-	-	-	-	-	32.6
P/E adjusted		-	-	-	-	-	-	32.6
P/B		-	-	34.4	10.4	15.4	14.4	10.0
FINANCIAL ANALYSIS & CREDIT METRICS	2013	2014	2015	2016	2017	2018e	2019e	2020e
ROE adjusted (%)		-	-	-	-	-	6.9	36.1
Dividend yield (%)		-	-	-	-	-	-	-
EBITDA margin (%)	-	-	-	-	-	-	5.8	15.3
EBIT margin (%)	-	-	-	-	-	-	2.7	12.8
EBIT margin adj(%)	-	-	-	-	-	-	2.7	12.8
NIBD/EBITDA	-	-	0.02	0.35	2.94	1.26	(1.18)	(0.63)
EBITDA/Net interest	-	-	-	-	-	-	-	-

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SpareBank 1BV	1,555,368	2.47 %	Sparebanken Vest	4,416,079	7.48 %

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,683	Frontline	0	29,414	Petroleum Geo-Services	0	67,234
Aker	0	521	Gjensidige Forsikring	0	8,691	Prosafe	0	5,984
Aker BP	0	825	Golden Ocean Group	0	4,824	Protector Forsikring	0	14,085
Aker Solutions	0	2,085	Helgeland Sparebank	0	1,700	REC Silicon	0	161,192
AKVA Group	0	1,500	Høegh LNG	0	12,418	SailMar	0	130
American Shipping Compar	0	3,105	Høland og Setskog Spareb	0	972	Sandnes Sparebank	0	18,032
Archer	0	73,520	Ice Group AS	0	55,500	Scatec Solar	0	37,800
Arcus	0	1,673	Jæren Sparebank	0	500	Selvaag Bolig	0	10,300
Atea	0	450	Komplett Bank	0	97,100	SpareBank 1BV	0	10,000
Austevoll Seafood	0	5,780	Kongsberg Gruppen	0	3,700	SpareBank 1Nord-Norge	0	30,000
Avance Gas	0	32,701	Lerøy Seafood	0	43,572	SpareBank 1SMN	0	16,590
Axactor	0	21,686	Marine Harvest	0	1,805	SpareBank 1SR-Bank	0	38,666
B2Holding	0	7,200	Monobank	0	1,355,000	SpareBank 1Østlandet	0	2,891
Bonheur	0	44,509	NEXT Biometrics	0	1,686	Sparebanken Møre	0	6,550
BWLPG	0	4,392	Nordic Semiconductor	0	4,000	Sparebanken Sør	0	43,580
DNB	0	34,910	Norsk Hydro	0	111,852	Sparebanken Øst	0	3,000
DNO	0	18,983	Norwegian Air Shuttle	0	3,779	Storebrand	0	4,838
DOF	0	138,498	Norwegian Property	0	162,000	Subsea 7	0	7,052
Entra	0	14,362	Ocean Yield	0	31,842	Telenor	0	2,272
Equinor	0	9,298	Odyssey Drilling	0	8,731	TGS-NOPEC	0	2,000
Europris	0	9,360	Orkla	0	23,526	XXL	0	7,220
Faroe Petroleum	9,600	9,600	Panoro Energy	0	18,020	Yara International	0	18,689
Flex LNG	0	10,000	Pareto Bank	0	959,509	Zentrio	0	78,865

This overview is updated monthly (last updated 15.08.2018).

*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements pursuant to the Norwegian Securities Trading ST Regulation § 3-11, letters d-f, ref the Securities Trading Act Section 3-10

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

Africa Energy	Genel Energy	PetroMatad Limited
Akva Group	Gulf Keystone Petroleum	Petrolal LLC
Arnarlix	HI BidCo AS	Pilbara Minerals
Atlantic Sapphire AS	Hospitality Invest AS	Pioneer Public Properties Finland Oy
Avida Holding AB	Hunter Group	Point Resources AS
Bankers Petroleum Ltd	Ice Group	Quant AB
BKK	Idavang A/S	Questerre Energy Corporation
Borealis Finance	Instabank	Rødovre Port Holding A/S
Borr Drilling Limited	Komplett Bank	Sakthi Global Auto Holdings
Brado AB	McDermott International	Sand Hill Petroleum
Brødboksen	MMA Offshore	SAS
Camanchaca	Monobank ASA	Scatec Solar
DNO ASA	Nemaska Lithium	Scorpio Tankers
DOF ASA	Northern Drilling	Shamran
Echo Energy	Norwegian Air Shuttle	Siccar Point Energy
Eco Atlantic Oil and Gas	Ocean Yield	SL Bidco
Eidesvik Offshore	Odyssey Drilling	SpareBank 1 Buskerud-Vestfold
Eland Oil & Gas	Okea AS	Sparebanken 1 Østlandet
Embarcadero Maritime II LLC	Ovako AB	Sparebanken Vest
Faroe Petroleum	Pandion Energy	Veo B.V.
Filo Mining Corp	Pareto Bank	Zwipe AS
Fortum		

This overview is updated monthly (this overview is for the period 31.07.2017 – 31.07.2018).

Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading ST Regulation § 3-11(4)

Distribution of recommendations

Recommendation	% distribution
Buy	69 %
Hold	26 %
Sell	4 %

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	91 %
Hold	9 %
Sell	0 %

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months

This overview is updated monthly (last updated 15.08.2018).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

Aspire	Green Landscaping Holding	Powercell	Sedana Medical
Cibus Nordic Real Estate	Lehto Group	Magnolia Bostad	Vostok New Ventures
Climeon	Organoclick	SciBase	

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

Africa Oil	Cavotec	Isofol Medical	Shamara Petroleum
BlackPearl Resources Inc	Cibus Nordic Real Estate	Saltängen Property Invest	Tethys Oil
Byggmästare Anders J Ahlström	Delarka Holding	SciBase Holding	Vostok Emerging Finance
Byggpartner i Dalarna	International Petroleum Corporation	Sedana Medical	

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 15.08.2018).