

HydrogenOne Capital

Hydrogen options maturing

HydrogenOne (HGEN) holds a distinctive and concentrated portfolio of assets across the entire hydrogen value chain (95% private, 2% public). In its FY23 results, its NAV and NAV per share increased 6% y-o-y to £132.7m and 103p, respectively. Total revenue from its portfolio companies grew 125% y-o-y to £74m. Throughout FY23 the fund continued with follow-on investments, totalling £10.6m. It had a cash position of £4.6m at end-FY23 and an additional £2.3m in listed hydrogen companies. The fund currently trades at a 57% discount to NAV.

Portfolio update

In FY23, several portfolio companies achieved key milestones. In Q1, HH2E launched Thierbach, a 100MW green hydrogen project using wind and solar, with HGEN investing £1.9m in the project. The HH2E restructuring gave HGEN access to the 100MW Lubmin project, producing 7,000 tonnes of REDII-compliant green hydrogen per year from 2026. In Q3, Sunfire, which manufactures electrolyzers for hydrogen production, was awarded a 100MW alkaline electrolyser contract and received a €169m Important Projects of Common European Interest grant. Post-year end, Sunfire secured €0.5bn to launch a new 500MW alkaline electrolysis plant in Solingen (HGEN invested £1.8m into Sunfire in FY23). Strohm, specialist in thermoplastic composite pipe (TCP) for hydrogen infrastructure, expanded its Dutch plant's capacity to produce 140km of TCP per year. In Q4, Elcogen, which specialises in solid oxide fuel cells and electrolyzers, received a €45m investment from HD Hyundai Group and began construction on its 100MW facility in Estonia. The company will look to increase the site's capacity to 360MW, having secured €140m of funding with strategic investment from Baker Hughes.

Continued investment and strategic partners

In total, HGEN invested £10.6m into its portfolio alongside strategic partners in 2023. Key investments included £3.5m into Cranfield Aerospace, for the development of hydrogen-powered turboprop passenger flight and cargo drones, and £2.5m in NanoSUN, for the development of pioneer hydrogen distribution systems. HGEN's high-profile co-investors include Shell, Hyundai, Foresight Group and Amazon, a testament to the strength and potential of the technologies in the fund's portfolio.

Significant discount to NAV

HGEN's discount to NAV widened significantly in FY23, starting the year at 18.5% and ending at 51.8%. The discount continued to drift higher post year-end, with the fund currently trading at 57%. The substantial increase can be partially attributed to several market factors that affected the broader renewable energy sector, including elevated inflation, higher market discount rates, shifts in energy policies and a weaker funding environment for emerging technologies. The general widening of discounts across the sector has highlighted the disconnect between the fund's reported NAV and the market's assessment of the underlying asset values and is not reflective of HGEN's strong operational performance in FY23. HGEN's weighted average discount rate used in its NAV calculation increased from 13% in FY22 to 14.2% in FY23.

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Investment trusts

22 April 2024

Price	44p
Market cap	£57m
NAV*	£134m
*31 December 2023	
NAV/share	103.0p
Discount to NAV*	57%
*Including income	
Yield	0%
Code	HGEN
Primary exchange	LSE
AIC sector	Renewable Energy Infra
52-week high/low	76.1p 41.0p
NAV* high/low	103.0p 95.6p
*Including income	

Business description

HydrogenOne Capital Growth invests in a distinctive and concentrated portfolio of hydrogen assets across the entire hydrogen value chain. Its investment objective is to deliver investors an attractive level of capital growth. It aims to generate value for its shareholders through clear exit strategies via IPO or trade sales.

Bull

- Portfolio companies continue to outperform the Solactive Global Hydrogen Index (SOLGHYD).
- Credible, strategic co-investors.
- 2023 saw a strong increase in global investments committed to clean hydrogen with \$17bn of investment, a 400% increase to 2022 levels.

Bear

- Confidence surrounding hydrogen technology has continued to decline since 2021 highs.
- Risk of legislation and regulatory changes.
- Less mature/early-stage technologies present a higher risk profile.

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