

Green Energy Tidbits 1.04

2nd Clean Energy (Virtual) Bus Tour Takeaways

Quick Take: Customers conversations have resumed after waiting for clarity from Infrastructure and Build Back Better bills. Few of the companies highlighted manufacturing as a critical success factor as many peers are still in product validation process.

Company Takeaways (alphabetical)

Archaea Energy : Assai plant is expected to be online in 1Q22 and could have one -two months of ramp time. It will lead to a meaningful growth in revenues. LFG will provide guidance on additional new plants to begin in 2022. Guidance for 2022 will include projects scenario on fixed price basis

Ballard Power: BLDP expects to provide their near-term China outlook on 4Q21 call. Recent, Arcola acquisition helps BLDP with making a complete power train by integrating fuel cell, engineering and design, balance of plant parts and battery. We think Street's \$130M revenues est. for 2022 are in-line. We expect orders to outpace revenues through 2022. Supply chain and inflation could pressurize gross margins near term, though margins should begin to improve modestly.

Bloom Energy: BE has typically targeted annual 25-30% CAGR revenues, higher volumes modestly offset by lower pricing. In 2022, we expect the same. The new Fremont, CA facility will have additional 260 MW capacity with 1 GW electrolyzers capacity by the end of 2022. Beyond that, BE can add 200 MW manufacturing line for \$100M each in about eight months.

Enovix: Fab 1 installation is in process with production validation in 2H21 and revenues expected to begin in 2Q22. Fab 2, a much larger facility, will be one year after Fab 1, i.e. revenues expected in 2Q23. Enovix has about \$380M in proceeds vs. \$500M needed to construct Fab 1 and 2. However, FCF is expected to make up the difference.

Lion Electric: Order book is at ~2,025 vehicles. About half of the orders are deliverable in 2022. LEV has secured supply of critical parts such as battery, motors, inverters etc. however, less critical items are impacting such as wire harnessing, metals assembly, adhesives as well as labor shortage. Albeit, the company has already completed 50 units

Proterra: Resin shortages could continue into 2022. PTRR reiterated \$246M guidance with risk of 5-10 buses pushed into 1Q22. In 2022, upside could come from Powered business and buses are getting more traction after the Infrastructure bill Gross margins should improve modestly.

ReNew Power: The Cash Flow to equity yield would be around 13% at current price which includes about \$2/share of cash. RNW expects EBITDA of \$1.1-1.2B by YE22. RNW expects \$200 - \$250M of index buying over the next 4 – 6 months potentially beginning as early as December.

SES Holdings: SES is hoping to get approval next week and start trading under new ticker before Christmas. SES expect to announce another partnership with major car company in next few weeks and 2-3 more car companies in next few months. Shanghai factory is expected to be completed in 2023.

OILFIELD SERVICES & GREEN ENERGY

Vaibhav (Vebs) Vaishnav | Analyst

Coker Palmer Institutional

713-344-0852 (O) / 281-546-0315 (M)

vebs@cokerpalmer.com

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- [Tidbits 1.04: Troughish Green Energy Stocks](#)
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- [Shareholding Analysis 3Q21 – OFS & Green Energy](#)
- [FTI: Deep Dive Into 2025 Guidance](#)
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Companies Takeaways (alphabetical)

Archaea Energy (LFG, Not Covered)

- Business structure
 - Archaea sells renewable gas under 10-20 years agreements mostly with investment grade counterparties. The sold gas can be used for power and thermal to avail benefits of tax credits.
 - Contracts are typically priced at \$14-17/mmbtu with inflation adjusters and mostly on take or pay terms.
 - LFG contracts with landfill owners to collect gas. RNG facilities are constructed at the landfills. Landfill owners get royalty from RNG sold. Build multiple for a RNG facility is 2-3x typically.
 - On average a landfill site produces 3-5 cu.ft./minute of gas and about 90% up time is targeted
 - LFG tries to have about 70% of volumes contracted and rest on spot
 - Customer demand is being driven by both regulatory and self-imposed mandates
- M&A/Growth
 - Small sponsor backed as well as a couple of public companies are within the purview of LFG's M&A efforts
 - Landfill deals are typically about \$30M.
 - LFG talked about other businesses for potential revenues including carbon capture and hydrogen
- Cash requirements
 - LFG believes cash on the balance sheet and credit facility should be able to fund most of the growth of current 35 development projects
- 2022 vs. 2021 pros/cons
 - Pros
 - Assai plant is expected to be online in 1Q22 and could have one -two months of ramp time. It will lead to a meaningful growth in revenues
 - Small volume growth from existing plants
 - Other plants that can come online in 2022
 - LFG doesn't anticipate any bottlenecks on supply chain side. The company has done a lot of bulk ordering which has helped.
 - Cons
 - G&A should continue to increase modestly as the company is ramping up
- 2022 Financials
 - LFG will provide guidance on new plants to begin in 2022
 - Guidance will include projects scenario on fixed price basis

Ballard Power (BLDP, Sector Underperform)

- BLDP's revenues/orders split has significantly changed geographically. NAM and Europe have contributed ~65% of revenues in 9M21 vs. 45-50% from China in 2019/20.
 - Hydrogen FCEBs powered by BLDP buses have increased from 50-60 last year in Europe to ~150 now and on track to be ~300 in next 12 months.
- M&A: Arcola (\$40M paid) helps BLDP with making a complete power train by integrating fuel cell, engineering and design, balance of plant parts and battery
- Infrastructure bill allocates \$9B for hydrogen including \$8 for four hydrogen hubs and \$1B for electrolyzers.

- BLDP's cost reduction steps are ahead of schedule. The company continues to work on improving contract structures, increasing scale and increasing suppliers.
- Back up power has been a small part of business but growing in last 6-12 months. BLDP recently announced 1.5 MW fuel cell for backup power with Caterpillar and Microsoft to replace backup diesel engine. The company views gas powered generator could be replaced by battery, but diesel powered could be replaced by hydrogen powered fuel cell power generator.
- BLDP expects to provide their near-term China outlook on 4Q21 call. The company is still waiting on clarity on which additional provinces can be added to current three clusters (Beijing, Shanghai and Guangdong) and how facilities not located in those clusters (BLDP facility is in Shandong) can benefit by selling EVs in those clusters. In the meanwhile, key technical milestones and customer adoption work is continuing.
- Financials
 - We think Street's \$130M revenues est. for 2022 are in-line.
 - We expect orders to outpace revenues through 2022.
 - Supply chain and inflation could pressurize gross margins near term, though margins should begin to improve. However, 20% gross margins, similar to 2019/20, is likely a 2023 scenario or later. Recall, BLDP continues to target 30% gross margins by 2025.
 - We estimate operating expenses run rate of \$25-30M per quarter is fair for the near term.
 - We model ~\$15M capex in 2022, flat y/y.

Bloom Energy (BE, Sector Outperform)

- Conrad announcement
 - BE will be able to deploy the full suite of fuel cell and electrolyzers through Conrad Energy and Electricity North West Ltd. collaboration. Typically, it takes a couple of years for potential orders.
- Supply chain issues
 - Freight, tariffs and direct labor impacted 3Q21 results. Aluminum tray shortages resulted in installation delays. The company is still seeing some of the issues, but have lessened somewhat. With senior management focused on issue resolutions, the company feels confident in 170-180 MW acceptance in 2021.
- 2022 Guidance
 - We expect BE to provide 2022 guidance on 4Q21 call.
 - BE has typically targeted annual 25-30% CAGR revenues driven by fuel cells, higher volumes modestly offset by lower pricing. In 2022, we don't expect much different, i.e. 25-30% y/y revenues growth. BE expects electrolyzer revenues to begin in 2023-25. BE's electrolyzers are in lab production stage. New hydrogen innovation centers should help the company drive electrolyzer sales.
 - The company's new manufacturing facility in Fremont is expected to come online by the end of 2022.
 - The company has not been able to reduce 10-15% costs in 2021 as planned as organic costs declines have been offset by inflation or supply chain issues. We expect the company to revert to 10-15% costs decline in 2022 weighed more in 2H22. Higher volume from the new Fremont, CA manufacturing facility should help.
- SK Award
 - The \$4.5B award is split 33/67% equipment/services. The equipment will be delivered over three years. Equipment consists only of natural gas servers and signifies only a minimum award. The award also does not include any electrolyzers, which should provide upside. SK also gets a preferred supplier status for financing and EPC in the U.S. Additionally, the S.K. alliance also could target additional international markets for the full suite of products. Whether the S.K. alliance or BE's international team targets specific international markets will depend on case-by-case basis. Lastly, the SK alliance also provides up to \$500-550M equity with SK potentially becoming the largest shareholder with a board seat. Korea recently updated its hydrogen policy targets.

▪ Other Products

- BE recently announced 1 MW of biogas energy server order. Methane digester, gas cleaning skids and BE's energy servers would be used to produce power. The additional electricity generated is used for EV charging.

▪ Samsung Alliance

- BE's fuel cell testing with Samsung is slightly ahead of schedule. BE and Samsung are targeting to get design approval from IMO in 2022. Then both companies aim to pitch the design to clients. Vessels are typically built in 24 months hence BE expects marine revenues to begin in 2025. Both companies together target 300 MW or six ships annually. BE is also working on a product for cruise ships. We expect to hear update shortly.

▪ BKR Alliance

- BE's alliance with BKR is more advanced than others. BE's fuel cells and electrolyzers with BKR's hydrogen compressors and turbines could provide integrated solutions for distributed power grids.

▪ Manufacturing capacity

- BE currently has 260 MW manufacturing capacity with 180 MW for new orders and 80 MW for servicing. The company has decided to keep the existing facility for 5.0 servers. The new Fremont, CA facility will have additional 260 MW capacity with 1 GW electrolyzers capacity by the end of 2022. Beyond that, BE can add 200 MW manufacturing line for \$100M each in about eight months.

Enovix (ENVX, Not Covered)

▪ Company background

- Enovix is currently targeting consumer electronics such as AV/VR, laptops, cell phones, and mobile communication. Battery is the #1 issue in consumer electronics but is a small fraction of the total price of the device. ENVX can provide premium battery and get premium pricing without much impacting the total cost of device. The qualification process with customers is only 3-9 months vs. 6+ years for EV battery space.
- Enovix is focusing on wearable/consumer industry first where price can be \$2000/kw vs. \$100/kw for EVs
- Enovix uses 100% silicon anode vs. graphite used by peers, which increases energy density
- The company has been developing battery for 14 years

▪ Manufacturing facility

- The company is building manufacturing facilities Fab 1 and Fab 2
- Fab 1 installation is in process with production validation in 2H21 and revenues expected to begin in 2Q22
- Fab 2, much larger facility, will be one year after Fab 1. The location will be decided and announced in early 2022 with revenues expected in 2Q23. Equipment will need to be ordered in beginning of 2022 too.
- The company will be building GW factory only through alliances
- Enovix currently has \$1.3B revenue funnel with about \$350M where customers have tested and approved company's product for use. Customers typically take 3-9 months for testing existing products

▪ Competition

- Some of Enovix competitors are trying to reduce graphite content to as low as 5%, but still as per the company, no one is close to using 100% silicon anode

▪ Funding

- Enovix has about \$380M in proceeds vs. \$500M needed to construct Fab 1 and 2. However, FCF is expected to make up the difference

- AR: It is an emerging business and difficult to size it. However, initially the management thinks it could be as big as mobile phone market. Enovix is working with the most prominent companies in the AR space

▪ EV market

- Enovix is taking some cells currently and testing with car manufacturers to see if cells/battery work with cathode.
- The company plans to hire a senior person for driving EV efforts.
- Expects some revenues in 2025.
- Likely Enovix would use partnerships to grow in EV space

▪ Reiterated 2025 at \$1b revenues run rate and 50% gross margins and 30% EBITDA margins

Lion Electric (LEV, Not Covered)

▪ Background

- Founded 13 years ago with now 7 models on road including 3 electric buses and 4 electric trucks and 8 additional models expected by end of 2022

▪ Legislation tailwinds

- Infrastructure bill: \$5B for school bus deployment including \$2.5B for electric buses and \$2.5B for other type of buses which could include electric buses. Additionally, \$7.5B is allocated for charging infrastructure.
- NYC: All buses should be electric by 2035 which could imply about 10K buses
- Canada: Allocated \$2.75B for electric buses which includes travel as well as school buses. A party can get \$375M over five years for fleet of vehicles and can be subsidized for up to 50% of electric bus purchase and charging infrastructure.
- Quebec: Allocated \$250M for e-buses; \$100-150K per school bus subsidy

▪ Manufacturing capacity

- The company currently has 2,500 units manufacturing capacity at Montreal facility
- LEV is also putting in place a battery manufacturing facility near Montreal. It will help take production unit capacity to 20K vehicles and 5GW battery capacity, equivalent of 14K vehicles.
- The company sources 21700 cylindrical cells from BMW, which are commodity type cells. Hence LEV does not see a need to get into longer term agreement to secure cell supply.
- Despite building its own battery plant, LEV still plans to continue to source some battery from BMW and RMO
- LEV expects battery life to be about 25 years, first 10 years in buses and then as efficiency declines batteries can be used to for other less intensive purposes

▪ Backlog/orders

- Order book is at ~2,025 vehicles. About half of the orders are deliverable in 2022

▪ Supply chain issues/inflation

- LEV has secured supply of critical parts such as battery, motors, inverters etc. however, less critical items are impacting such as wire harnessing, metals assembly, adhesives as well as labor shortage.
- Having said that, the company has already completed 50 units
- Inflation has been mostly driven by freight. The company pegged inflation impact to low-to-mid single digits.

▪ Amazon agreement

- LEV signed 2500 trucks over five years and 10% capacity lock for 10 years
- Amazon will have to spend \$1.1B on LEV products for warrants to fully vest

Proterra (PTRA, Not Covered)

- Emphasized on manufacturing as a critical success factors vs. other start ups where products are still only in design and validation process
- Infrastructure bill
 - Typically 80% of capex for transit authorities is funded by central government though deployed by regional government authorities
 - \$39B funding which includes ~\$35B normal funding and ~\$5B for electrification of buses including \$2.5B for electric school buses and \$2.5B low or no emission buses
 - \$7.5B EV charging including \$5B for commercial or passenger EV fleets
 - PTRA is seeing some response from customers as they had paused conversations in anticipation of bill details. However, any upside from the bill would like be in 2023
 - PTRA had 4800 units and \$395M backlog as of IPO, which is increasing
 - The company expects to sign more Powered agreements which typically generates revenues 1-2 years from announcement date
- Operational issues
 - Resin shortages has been a primary issue due to some facilities being shut down from GoM hurricanes. Though issues are alleviating, they can continue into 2022
 - PTRA 's LG agreement for cells is for multi-MW which should be sufficient to meet company's needs. The company may need to expand the agreement or find additional supplier by 2025.
 - LG agreement is supportive of PTRA's annual cost reduction plans
 - Inflation for metals for anode/cathode prices increases could imply 50-150bps margins pressure.
 - The company can manufacture 680 buses per year assuming 3 shifts. However, the company only has worked in 1 shift so far producing 50-55 buses and is close to starting a 2nd shift. However, supply chain issues need to be resolved beforehand. It could take few quarters for the 2nd shift to begin
 - PTRA is also building 1 GW battery capacity which is equivalent to 1000-1200 transit and 1000-1500 school buses
- 2022 vs. 2021 pros and cons
 - PTRA reiterated \$246M guidance with risk of 5-10 buses pushed into 1Q22. Each unit roughly costs \$800-900K.
 - Supply chain issues could still impact in 1Q22
 - Upside could come from Powered business and buses are getting more traction after the Infrastructure bill
 - Though margin expectations have moved to the right by 1-2 quarters, we think it is fair to expect small steady gross margins improvement
 - R&D and SG&A quarterly runrate could modestly increase with rising revenues though as a share of sales should decline
 - PTRA still expects to build a new battery manufacturing plant in 2022 but any increase in bus manufacturing capacity will be in 2023/24. The company can build 657 MW facility for ~\$20M in one year. Notably, in SPAC deck, PTRA had included prepayment for LG agreement in 2022 capex.

ReNew Power (RNW, Not Covered)

■ Background

- ReNew is one of largest renewable companies globally and leader in India
- India has 100 GW installed with aim to 500 GW at the end of decade
- The company follows a disciplined approach of investing in projects with 16-20% IRR
- Current portfolio comprises of 10.3 GW, of which 7 GWs are operational, with a target of 18 GW by FY25; 50/50 solar/wind currently
- The current 10.3 GW portfolio, of which 7 GWs are operational, should generate EBITDA of ~\$1.1 - \$1.2B
- RNW anticipates it will not need any external funding to reach their 18 GW goal
- M&A: would likely be more levered to solar vs wind

■ Financials

- The Cash Flow to equity yield (or CAFD yield) would be around 13% at current price but includes about \$2/share of cash. Net of this, the yield would be around 17%.
- RNW expects EBITDA of \$1.1-1.2B by YE22

■ Supply Chain/Inflation

- RNW has already procured modules and have been delivered

■ Catalysts

- RNW expects \$200 - \$250M of index buying over the next 4 – 6 months potentially beginning as early as December

SES Holdings (IVAN, Not Covered)

■ Background

- Tested Sample A and is being used in Hyundai golf cart for demonstration
- Sample B is expected to be in 2023 and Sample C in 2024 with production to begin in 2025
- The company is backed by GM and Hyundai
- SES believes that they are at least 2 years ahead of competition; also believes solid-state is a dead end
- There are not any 3rd party validations; OEM validates the batteries and focuses on three aspects of battery for testing
 - Energy density
 - Performance including temperature, charge and discharge
 - Safety

■ Catalysts

- SES is hoping to get approval next week and start trading under new ticker before Christmas
- Expect to announce another partnership with major car company in next few weeks; that OEM has invested \$75M in PIPE
- Expects 2-3 more car companies to adopt SES products in next few months

■ Manufacturing capacity

- Shanghai factory expected to be completed in 2023
- The new manufacturing facility is being built on old smaller facility which reduces risks

Appendix A – Required Disclosures

Analyst Certification

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Appendix A – Required Disclosures Contd.

These shorter term views are based upon catalysts or events that may have a shorter-term impact on the market price of the equity securities discussed in research reports, including but not limited to the inherent volatility of the marketplace. Any such shorter-term views expressed in research report are distinct from and do not affect the Research Analyst's 12-month view and are clearly noted as such.

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Category	Count	Percent
Sector Outperform	6	43%
Sector Perform	4	29%
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Total	14	100%

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Appendix A – Required Disclosures Contd.

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Industrials: This category might cover many different types of companies with various business models and various factors affecting the operations and stock prices, some of which include overall economic growth, end market demand, product inventories and competition. Some of these companies might have various energy-related exposure through both sales and/or costs. In general, industrial company risks include, but not limited to, high fixed operating costs, rising input costs, currency and commodity price fluctuations, variable demand, inventory levels, quality of management, competition and obsolescence.

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