



HydrogenOne Capital Growth

Investment companies | Flash note | 11 December 2024

Cordiant Capital to purchase investment adviser

HydrogenOne Capital Growth (HGEN) announced that its investment adviser HydrogenOne Capital has entered into a conditional agreement to sell its business and assets to Cordiant Capital (Cordiant) the specialist global infrastructure and real assets manager. The transaction is expected to be completed in early 2025.

Cordiant, a partner-owned and partner-run firm, has developed a track record of exceeding mandated investment targets for its clients and brings with it extensive experience across the infrastructure spectrum with a particular focus on harnessing the next generation of infrastructure and real assets.

We believe that the deal should help accelerate HGEN's market access and investment capabilities, allowing it to better capture the long-term economic potential inherent in the hydrogen sector. Additional marketing support could help close HGEN's excessive discount.

Diversified green hydrogen exposure

HGEN aims to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen-focused assets.

Period ended	Share price total return (%)	NAV total return (%)	Benchmark ¹ total return (%)	MSCI ACWI total return (%)
30/11/2022	(28.8)	(1.1)	(44.5)	(1.8)
30/11/2023	(42.2)	5.4	0.1	5.4
30/11/2024	(49.9)	(0.6)	(2.5)	26.4

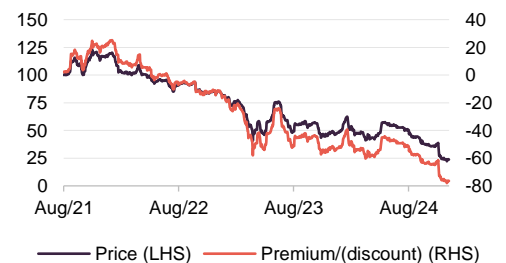
Source: Morningstar, Marten & Co. Note 1) Benchmark is Solactive Hydrogen Economy Index.

Sector	Renewable energy infrastructure
Ticker	HGEN LN
Base currency	GBP
Price	23.6p
NAV ¹	100.8p
Premium/(discount)	(76.5%)
Yield	Nil

Note 1) Last published as at 30 September 2024, excludes HH2E impact

Share price and premium/(discount)

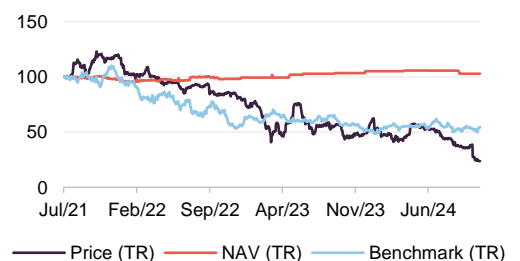
Time period 30/07/2021 to 11/12/2024



Source: Morningstar, Marten & Co

Performance since launch

Time period 30/07/2021 to 30/11/2024



Source: Morningstar, Marten & Co

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Domicile	England & Wales
Inception date	30 July 2021
Manager	JJ Traynor Richard Hulf
Market cap	30.5m
Shares outstanding (exc. treasury shares)	128.82m
Daily vol. (1-yr. avg.)	0.272m shares
Net gearing	Nil

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Read our most recent note – [Momentum building despite discount](#) for a detailed overview of the HGEN portfolio and its investments

Announcement details

On 12 December 2024, HGEN announced that its investment adviser HydrogenOne Capital had entered into a conditional agreement to sell its business and assets to Cordiant Capital (Cordiant), a specialist global infrastructure and real assets manager.

The transaction is expected to better position HGEN in a rapidly growing sector while adding substantial energy transition opportunities to Cordiant Capital. Notably, the deal should provide enhanced access to capital for HGEN, and additional deal flow, supporting the company through what has been a challenging time for infrastructure trusts which have been starved of the capital needed to optimise growth due to stubborn and persistent discounts across the sector.

Importantly, the existing senior management team and personnel of HGEN will remain unchanged once the transaction is completed, and there will be no impact on the existing management and operations of HydrogenOne Capital. The adviser remains focused on working with the portfolio and managing its cost base to deliver growth and maximise shareholder value.

The deal is proposed to be structured as follows:

- The investment adviser has agreed to sell its business and assets to a newly incorporated English limited company, H2 Holdco Limited (H2 Holdco). Both entities are currently owned by the principals of the investment adviser.
- Immediately following the sale of the business of the investment adviser to H2 Holdco, Cordiant UK Limited will acquire the equity share capital of H2 Holdco in return for the granting to the principals of the investment adviser an equity stake in Cordiant Group Luxembourg.
- The sale of the business and assets by the investment adviser to H2 Holdco and the sale of H2 Holdco to Cordiant are conditional on H2 Holdco becoming an appointed representative of Thornbridge Investment Management LLP.
- H2 Holdco is anticipated to be renamed Cordiant HydrogenOne Capital Limited after completion of the sale of its share capital to Cordiant UK Limited.
- On completion of the transaction, the company's existing investment adviser agreement with the investment adviser will be novated to H2 Holdco.
- The investment adviser has confirmed to the company that following the transaction, the investment adviser's senior management team and personnel will remain unchanged, and there will be no impact on the existing management and operations of the investment adviser and the company after completion.

About Cordiant

Cordiant is a specialist global infrastructure and real assets manager with a sector-led approach to providing growth capital solutions to promising mid-sized companies in Europe, North America and selected global markets. Since the firm's relaunch in 2016, Cordiant, a partner-owned and partner-run firm, has developed a track record of exceeding mandated investment targets for its clients.

Cordiant focuses on the next generation of infrastructure and real assets: sectors (digital infrastructure, energy transition infrastructure and the agriculture value chain) characterised by growth tailwinds and technological dynamism. In addition, Cordiant applies a strong sustainability and ESG overlay to its investment activities.

With a mix of managed funds offering both value-add and core strategies in equity and direct lending, our sector investment teams (combining seasoned industry executives with traditional private capital investors) work with investee companies to develop innovative, tailored financing solutions backed by a comprehensive understanding of the sector and demonstrated operating capabilities. In this way, Cordiant aims to provide value to investors seeking to complement existing infrastructure equity and infrastructure debt allocations.

Optimistic Outlook

Simon Hogan, chairman of HGEN, commented:

“Having carefully considered the merits of the transaction with Cordiant for the company, the board is firmly of the view that it will support the company’s future development and is in the best interest of shareholders. We are, as such, very supportive of this transaction and look forward to continuing to work with the existing management team, in addition to the wider team from Cordiant, to deliver value for shareholders.”

Dr. JJ Traynor and Richard Hulf, managing directors, co-heads of Cordiant HydrogenOne, an investment adviser to the company, commented:

“Through this partnership, Cordiant HydrogenOne has the opportunity to unlock substantial value-creating opportunities for shareholders, accelerating hydrogen infrastructure development. Our existing shareholders can benefit from enhanced resources, broader market access, and a resilient pathway to capturing the long-term economic potential inherent in the hydrogen sector. This is a strategic positioning at the frontier of a sector poised for growth, where innovation, technological advancements, and climate imperatives converge.”

Benn Mikula, managing partner and CEO of Cordiant, commented:

“My partners and I are delighted that the HydrogenOne team is joining the Cordiant family. JJ, Richard, and the team bring deep domain expertise in hydrogen along with a powerful combination of investment expertise and operational skills. In combining Cordiant’s global investment capabilities with HydrogenOne’s deep technical knowledge in the hydrogen value chain, we look to build even more value for HydrogenOne shareholders even as we expand Cordiant’s skills and product offering in the energy transition infrastructure sector.”

This is a strategic positioning at the frontier of a sector poised for growth, where innovation, technological advancements, and climate imperatives converge

HGEN update and asset allocation

2024 has continued to be a challenging time for HGEN shareholders as the market remains cautious of nascent industries which still require external funding for growth. Despite this, portfolio has continued to perform well with a number of companies attracting funding, enabling a ramp up of capacity to meet strong order books for hydrogen supply chain equipment.

Over the 12 months ended 30 September 2024, the private portfolio delivered an aggregate £75m in revenue, an increase of 19% on the previous year.

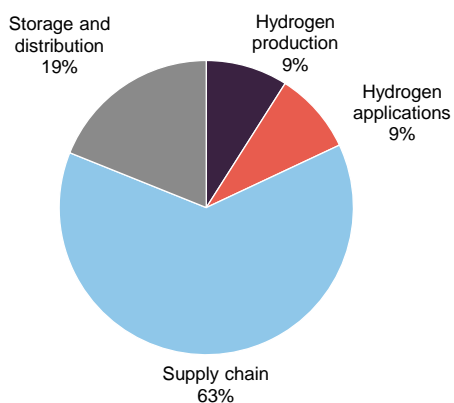
During the period, HGEN also announced it would exit its position in Ge2. This was the company's smallest investment, worth around £3m, representing around 3% of NAV.

That sale added to HGEN's existing cash and equivalents position of £4m, with the managers now confident of meeting their investment commitments out until at least September 2025.

While frustratingly, HGEN's discount has limited the ability for the company to raise new capital, the advisers remain happy with the state of the existing portfolio. The announcement of the Cordiant deal provides further optimism, and it is hoped that several previously identified exit opportunities will work to validate HGEN's NAV and provide a catalyst for a significant re-rating of the company's shares. Any exits will also provide additional capital for the ongoing development of the portfolio.

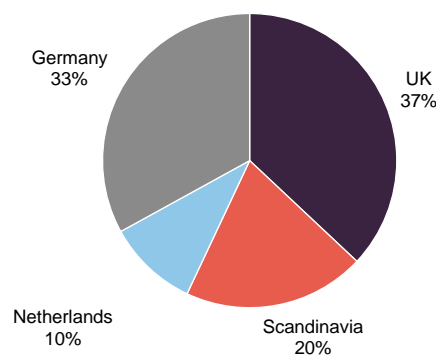
Over the 12 months ended 30 September 2024, the private portfolio delivered an aggregate £75m in revenue, an increase of 19% on the previous year.

Figure 1: HGEN portfolio by theme as at 30 September 2024



Source: HGEN

Figure 2: HGEN portfolio split by geography as at 30 September 2024



Source: HGEN

Major portfolio developments

Sunfire

Industry-leading electrolyser manufacturer, Sunfire, remains HGEN's largest investment, accounting for 25% of the portfolio. The company continues to go from strength to strength, contributing to a positive move in HGEN's NAV during the year while announcing several key milestones over the past 12 months. In September, the company was awarded a major contract for a 100MW pressurised alkaline

Sunfire has seen 10x revenue growth since HGEN's initial investment

electrolyser at RWE's hydrogen site in Lingen, following on from its initial 10MW installation in 2023. The expanded collaboration underscores Sunfire's position as a key partner for the implementation of large-scale projects, one of the few electrolyser companies with this capability, and making a significant contribution to the decarbonisation of the industry.

Elcogen

Elcogen, a leading innovator and supplier of solid oxide fuel cell and electrolyser components, is HGEN's third largest holding, accounting for 18% of the NAV. The company continues to benefit from its track record and established position with over 60 industrial customers worldwide. In July, the company signed a partnership with global technology company AVL List GmbH to develop solid oxide electrolyser cell stack modules for MW scale hydrogen production plants.

HH2E

On 8 November 2024, German green hydrogen project developer, HH2E, announced that it was expecting to enter insolvency. HydrogenOne had invested £7m in the company and as at end September 2024 was valuing it at £11m (8.4p per share, or 8% of NAV). HGEN had an 11% shareholding in HH2E, with the remainder held by funds managed by Foresight Group, the founders and HH2E employees.

HH2E had been following a strategy of investing in long lead-time equipment to prepare for the final investment decision on its first project, at Lubmin. At the same time, it was seeking additional equity funding and bank debt for the construction of the project. To this end, a total of roughly £59m of shareholder loans had been provided to HH2E, including about £1m from HydrogenOne. On 7 November 2024, in a surprise announcement, an investment proposal to provide further funding for HH2E was not approved by Foresight.

This result was particularly disappointing given the valuable role that companies like HH2E play in the effort to decarbonise our energy systems and with Gen2 sold, HGEN now has no exposure to hydrogen production within its portfolio, which feels a shame to us as these seemed as though they had the potential to become cash generative and relatively low risk investments.

Performance

The effect of the HH2E write off is not yet reflected in HGEN's NAV, but the hit is – as described above – likely to be £11m, 8.4p per share, or 8% of NAV. The Q4 NAV will not be published for a while yet, but it is important to remember that there have been positive developments within HGEN's portfolio too.

The largest move has been the deterioration in HGEN's share price and the widening of the discount, which we address in the next section.

Figure 3: Total return cumulative performance over various time periods to 30 November 2024

	3 months (%)	6 months (%)	1 year (%)	Since launch (%)
HGEN share price	(46.5)	(57.9)	(49.9)	(76.2)
HGEN NAV	(2.7)	(2.7)	(0.6)	2.9
Solactive Hydrogen Economy Index	(3.1)	(0.0)	(2.5)	(45.0)
MSCI ACWI	7.3	10.7	26.4	37.7

Source: Morningstar, Marten & Co.

Premium/(discount)

Over the 12 months ended 30 November 2024, HGEN's shares traded on an average discount of 55.9%, moving within a range of 39.3% to 78.0%. As of publishing, this stood at 76.5%.

We do not believe this is a fair reflection of the underlying quality of the company's assets, or the overall health of the green hydrogen sector as reflected in the positive NAV return since launch, despite the falling share price. However, it continues to be a challenging time for growth stocks. As interest rates decrease and funding opportunities become more prevalent, we believe there is an opportunity for the shares to rebound and as we have seen in the past, this can happen quickly. As we covered in detail in our [initiation note](#), the opportunity for industrial-scale green hydrogen is vast. Generational technology changes rarely happen in a straight line, and we continue to believe HGEN remains an excellent vehicle to gain exposure to this opportunity.

Figure 4: HGEN premium/(discount) since launch



Source: Morningstar, Marten & Co

Fund profile

More information is available on the trust's website: hydrogenonecapitalgrowthplc.com

HGEN is the first London-listed fund investing in clean hydrogen for a positive environmental impact. It aims to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen-focused assets whilst integrating core ESG principles into its decision-making and ownership process.

HGEN compares its NAV performance to the Solactive Hydrogen Economy Index.

HGEN can hold both listed and unlisted (private) investments, however the majority of the portfolio is invested in unlisted hydrogen assets. In both cases, HGEN aims to be a long-term investor. The early portfolio was established with a liquidity reserve of cash and listed hydrogen assets, with the intention of giving investors exposure to the sector from day one.

HGEN holds its unlisted investments through a 100% stake in a limited partnership, HydrogenOne Capital Growth Investments (1) LP.

Previous publications

Readers interested in further information about HGEN may wish to read our previous note – [Momentum building despite discount](#) – published on 23 April 2024, and our initiation note provided in Figure 5 below.

Richard Hulf, from Hydrogen One Capital, also appeared on our weekly news show on 16 February 2024. [Click here](#) to see the interview.

Figure 5: QuotedData's previously published notes on HGEN

Title	Note type	Date
Funding a green revolution	Initiation	3 May 2023
Sky is the limit for HGEN	Update	17 October 2023
Momentum building despite discount	Update	23 April 2024

Source: Marten & Co



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