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# SmallCAPS

## Investment Research

### **Organic and Acquisitive Growth on Horizon for EuroSite Power**

**August 27, 2016 - EuroSite Power (EUSP - \$0.80)** installs, owns, and operates Combined Heat & Power (CHP), and cooling systems at smaller industrial and commercial facilities. It provides these facilities with clean, reliable power, cooling, heat and hot water without any capital or start-up costs to the customer and at lower costs than charged by conventional energy suppliers.

In the second quarter, ended June 30, 2016, the Company reached revenues of \$640,437, a solid increase of 18%, compared to \$542,973 for the same period in 2015. Not taking into account the recent decline of the British pound, sales growth was 26%.

Another highlight of the second quarter was the improvement in gross margin. From 24.1% in 2015 to 34.4% this year, up 10.3 percentage points, or more than 40%.

These are clearly very exciting times for EuroSite Power. With just \$300,000 in convertible debt remaining and a very strong cash position, the balance sheet of the Company has never been better. This fact, along with the project financing arrangements with Macquarie and Societe Generale give EuroSite the flexibility to aggressively grow its business across Europe.

In addition, the Company has identified its initial acquisition target. We have the impression from management's comments on the quarterly earnings call that the acquisition could be closed fairly soon.

According to our estimates, EuroSite Power only needs around an additional 800 kW of installed power to become cash flow positive. It's just a matter of time before the Company achieves that magic number of operational installations. This should be a strong catalyst for the Company's share price, making it an ideal time for investors to get on board.

Based on the intrinsic value of EuroSite Power's shares derived from our model, we reiterate our buy recommendation for the Company with a price target of US\$2.77, which is 246% above today's stock price.

**Download the second quarter 2016 EuroSite Power Company Report.**

[http://smallcaps.us/reports/CR\\_EUSP.pdf](http://smallcaps.us/reports/CR_EUSP.pdf)

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