Powering AI

The SOFC opportunity; undersupplied through 2030

Equities
Machinery

Global

- SOFC penetrates AIDC BTM prime power due to 3-4 month lead times, zero-NOx operation, and efficient native-DC output
- US/Korea/Taiwan/EU driving adoption; by 2030: capacity is scaling up to 5GW+; DOE targets at USD900/kW system cost
- We like Buy-rated Bloom (global SOFC leader) and Weichai (gas/diesel engine; SOFC capacity ramping)

SOFC is penetrating AIDC for "behind-the-meter" prime power (ex. 2), despite high CAPEX and recurring 5-7 years' stack replacement costs, due to:

1) shorter lead time of 3-4 months vs 1-2 years for engines, 3-5 years for turbines;

2) clean with no NOx emission via electrochemical reactions versus combustion;

3) efficient high electrical efficiency (55-65%), native direct current eliminating costly AC-DC conversion losses. Aligning 800V HVDC architectures is a next-gen approach that reduces USD1-2bn of BOP conversion equipment and improves token/kW.

Beyond the US and AIDC: Ceres estimates SOFC TAM will reach 22GW by 2030. Apart from 24% US market and c50% DC usage, other highlights include: 1) **South Korea:** Utility scale commercialization is supported by National Clean Hydrogen Portfolio Standard; 2) **Taiwan:** grid fragility, stringent RE100 requirements for semi fabs and subsidies accelerate localized microgrid deployments; 3) **EU:** carbon pricing and marine propulsion decarbonization drive broader SOFC adoption.

Scale-up and cost-down pathway: Bloom targets 2GW before YE-2026 and possibly 5GW by 2030, while Ceres's partners (Weichai, Doosan, Delta) targets c100MW by end 2026 and c1GW by 2030. Key bottlenecks include the supply of Scandium, ceramic electrolytes, and Balance of Plant components (c70% of system cost). Economies of scale and lower-temperature metal-supported architecture will drive cost reduction in longer term. We believe Bloom has largely de-risked its expansion plans while management's double-digit annual cost-down target will be aided by Moore's Law. Rystad estimates SOFC system costs will fall 20-25% by 2030, vs DOE total system CAPEX of USD900/kW by 2030e (from USD3,000/kW).

Related companies along the value chain include **Ceres** (SOFC tech developer), **Doosan Fuel Cell** (SOFC leader in South Korea), **Delta** (SOFC leader in Taiwan), **Three-Circle** (BE's key electrolyte supplier), **Kaori** (BE's hot box supplier).

We like Buy-rated **Bloom** (global SOFC leader) and **Weichai** (gas/diesel engine; SOFC capacity ramping). **Key downside risks** include slower AIDC buildout, elevated SOFC capital costs, and quicker capacity ramp of gas turbines and gensets.

Our global coverage of companies that provide SOFC

Company	Ticker	Currency	Current price	TP Unchanged	Rating Unchanged	Upside/ downside	Market cap (USDm)	3m ADTV (USDm)	P/B 2026e	P/E 2026e	ROE 2026e
Bloom Energy	BE US	USD	302.70	350.00	Buy	15.6%	86,101	2,851.5	61.4	127.2	67.6
Weichai Power – H	2338 HK	HKD	34.10	50.00	Buy	46.6%	35,400	102.5	3.0	17.5	12.2
Weichai Power – A	000338 CH	CNY	27.25	42.00	Buy	54.1%	35,400	530.4	2.7	16.1	12.2

Source: LSEG Eikon, HSBC estimates. Priced as of close on 30 June 2026

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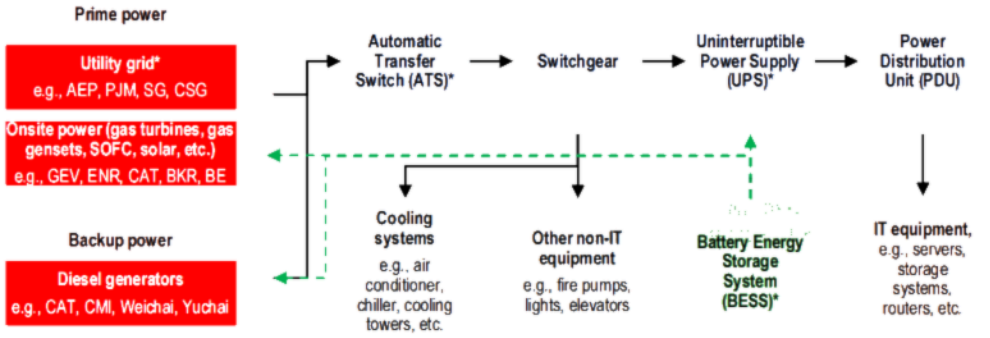
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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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1: Simplified power structure of a datacentre



Source: Company data, coresite.com, Blueocean, HSBC; *We highlight some relevant companies for utility power and grid operation companies, i.e., American Electric Power (AEP US, not rated), PJM Interconnection (PJM, private), SG (State Grid group, private) and CSG (China Southern Power Grid, private). ATS continuously monitors utility power and shifts the load to backup generators during power outages. UPS is a battery-backed solution used to bridge the grid operation for servers until the backup generators take over the grid supply. Most UPSs have an average capacity of 50 to 300kW, providing around 20-30 minutes of backup power in case of sudden outages. BESS is essentially large-scale rechargeable battery banks with intelligent controls, capable of storing electricity and discharging it on demand. In a datacentre, a BESS typically integrates with the facility's power infrastructure (often alongside UPS units and generators) to provide a reservoir of instantly available energy.

Comparison of major behind-the-meter prime power solutions

2: Comparison of major prime power solution in the US

Metric	Solid Oxide Fuel Cells (SOFC)	Aeroderivative GT	Industrial GT	Small / Medium CCGT	H-Class CCGT	Medium-Speed RICE	High-Speed RICE
Typical Unit Size (MW)	0.3 - 1.0 (Modular Blocks)	30 - 60	5 - 50	40 - 100	600 - 1,000	7 - 20	3 - 5
Equipment Lead Time	3 - 4 Months	18 - 36 Months	12 - 36 Months	18 - 36 Months	36 - 60 Months	15 - 24 Months	15 - 24 Months
Electrical Efficiency	55% - 65%	35% - 40%	35% - 40%	40% - 55%	50% - 60%	40% - 50%	40% - 50%
Equipment Cost (USD/kW)	3,500 - 5,000; 2,100-3,500 post subsidies, incl. BOP	1,000 - 1,200	1,000 - 1,500	1,100 - 1,600	1,000 - 1,400	700 - 1,100	500 - 900
Fully Installed Capital Cost (USD/kW)	2,800 - 4,500 post subsidies	1,600 - 1,800	1,400 - 1,800	1,700 - 2,300	1,600 - 2,000	1,400 - 1,800	1,200 - 1,600
LCOE (USD/MWh)	100 - 200	80 - 130	65 - 110	85 - 160	60 - 100	80 - 150	120 - 200
Major Maintenance	Every 5-7 years: complete stack replacements	Every 3-4 years: Hot gas path overhauls, turbine blade degradation	Every 4-5 years: Scheduled combustion overhauls	Every 4-6 years: Complex steam-cycle integration, turbine overhauls.	Every 4-5 years: Major statutory outage overhauls	Every 4-5 years: Mid-life top overhauls, bearing inspections	Every 1-2 years: Frequent lube oil/filter changes, valve adjustments
Native Output	Direct Current, Native 800V	Alternating Current	Alternating Current	Alternating Current	Alternating Current	Alternating Current	Alternating Current
Criteria Emissions	Negligible / Zero (No combustion)	Moderate to High (Requires costly SCR)	Moderate to High	Moderate (Thermal NOx generation)	Low to Moderate (Highly optimized utility scale)	High (Strict local air permit bottlenecks)	High (Strict local air permit bottlenecks)
Major Suppliers	Bloom Energy, Ceres – partnered with Doosan Fuel Cell, Weichai, Delta	GE Vernova, Siemens Energy, Solar Turbines (CAT)	Solar Turbines (CAT), Siemens Energy, Kawasaki	GE Vernova, Siemens Energy, Mitsubishi Power	GE Vernova, Siemens Energy, Mitsubishi Power	Wartsila, Everllence, Caterpillar	Caterpillar, INNIO, Rolls-Royce (MTU), Cummins, Weichai, Yuchai

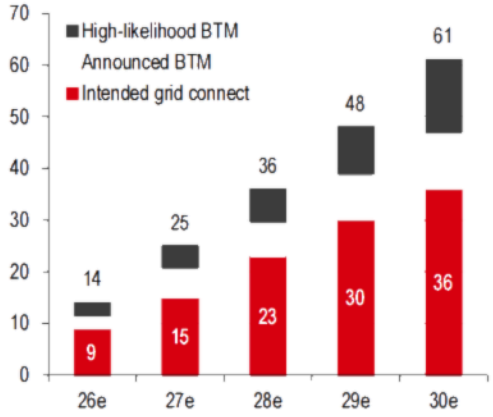
Source: SemiAnalysis, NREL (National Renewable Energy Lab), EIA (Energy Information Administration), Gas Turbine World, DOE (Department of Energy), HSBC; LCOE = Levelized cost of energy, which is a metric that calculates the average cost to generate one unit of electricity over the entire lifetime of a power plant, including initial capital costs, fuel, operations, maintenance, and decommissioning; Fully installed capital cost include all expenses beyond the bare equipment price, such as transportation, civil works, balance-of-plant systems (incl. fuel storage, emissions treatment, cooling, electrical switchgears and transformers, etc.), electrical interconnection, permitting, commissioning, etc, representing the full capital outlay required to bring the system into commercial operation. GT = Gas turbine; CCGT = combined cycle gas turbines, RICE = reciprocating internal combustion engines.



Rising BTM

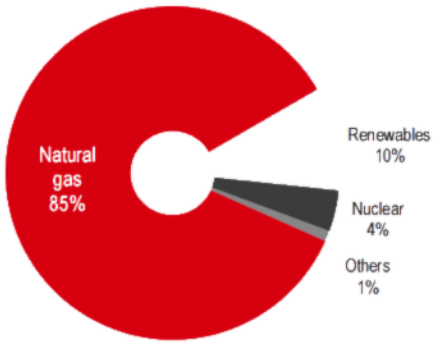
Rystad estimates c40% of 2026-30e US data center capacity additions will be located behind-the-meter (BTM). Of a total of 11 GW announced BTM projects, 85% have plans to utilize natural gas for firm power delivery while 10% target renewables and 4% will build out new nuclear capacity. The gap between renewables and nuclear is notable as it highlights the value of dispatchable power for hyperscale's navigating between scaling infrastructure and decarbonization.

3: US data center cumulative upcoming added capacity by power sourcing strategy (GW)



Source: Rystad Energy estimates, HSBC

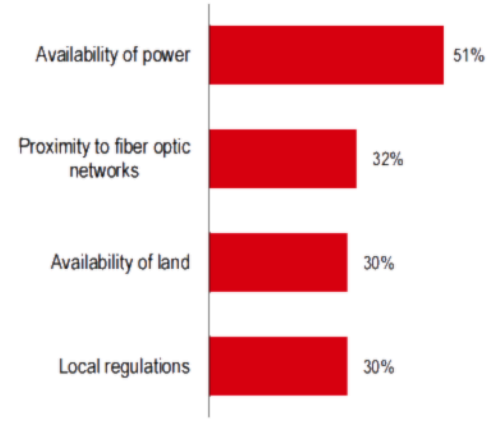
4: Announced BTM fuel mix



Source: Rystad Energy, HSBC

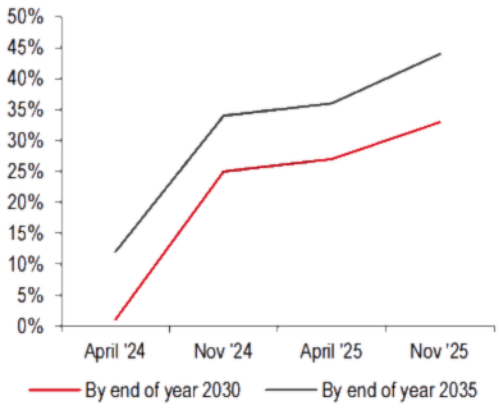
Bloom's bi-annual survey of US-based data centre developers find access to power remains the leading constraints for new projects. Longer and less predictable grid interconnection timelines are driving operators to develop materially larger data center campuses and incorporating onsite power generation, signaling a structural shift away from the traditional reliance on the grid. One-third of developers expect to operate fully permanent onsite power by 2030, rising to 45% by the end of 2035.

5. Access to power is the main consideration for US DC developers



Source: Bloom Energy 2026 Mid-Year Data Center Power Report, HSBC

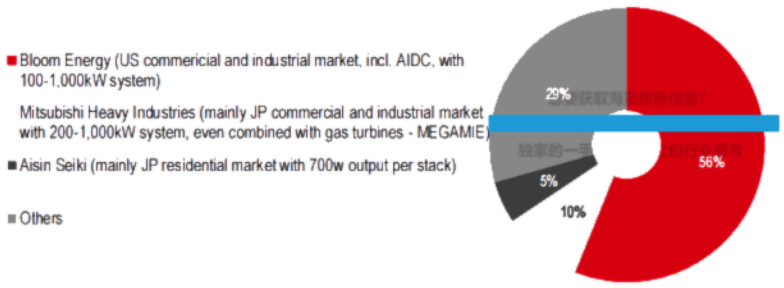
6. % of data center developers anticipating 100% onsite power



Source: Bloom Energy 2026 Data Center Power Report, HSBC

Comparison of Bloom Energy and Ceres Power

7: Global SOFC system competitive landscape, 2023



Source: Global Market Monitor, HSBC

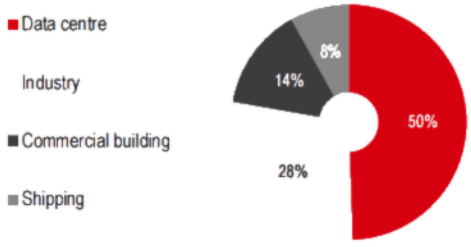
8: Comparison of Bloom Energy and Ceres Power

	Bloom Energy (BE US)	Ceres Power (CWR LN) ecosystem
Business model	**Asset-heavy integration & equipment sales:** builds its own factories; manufactures stacks, integrates BOP systems, and provides long-term O&M services.	**Asset-light IP licensing:** earns licence fees, engineering/technical service fees, and long-duration royalties from system integrators (licensees).
Stack output	325kW to 80MW (under construction)	100kW to 108MW (in theory)
SOFC tech	Ceramic-base (high cost)	Steel-base (lower cost)
Operating temperature	900°C	450-630°C
Cold-start	Slow	Faster
Manufacturing partners	None. Production is in-house via its Silicon Valley facility and assembly plants in Delaware and Korea.	Doosan Fuel Cell (336260 KS), Weichai Power (2338 HK/000338 CH), Delta (2308 TT).
Capacity targets	**2026:** 2GW; **2030:** 5GW.	**2026:** Doosan's 50 MW plant ready in July 2025; Weichai's c30-200 MW plant in 2026-27E; Delta's c10 MW by end-2026. **2030:** Weichai c1 GW.
AIDC order visibility	Very high: Oracle (2.8 GW indicative order) and AEP (1 GW framework agreement); USD20bn backlog extends beyond 2028 and excludes a USD25bn strategic AI infrastructure partnership to build AI factories globally with Brookfield Asset Management	Nil data centre orders yet, but inflection is approaching, as Doosan, Weichai and Delta are ramping up capacity.
Current average selling price	USD3,400 per kW (equipment CAPEX only; excludes long-term services and reforming/expansion options).	Weichai are estimated to price SOFC systems at USD3,000 per kW (RMB20,000 per kW).
Future ASP reduction targets	Double digit decline per year.	Ceres expects 30% cost cut in Endura platform at scale.

Source: Company data, HSBC

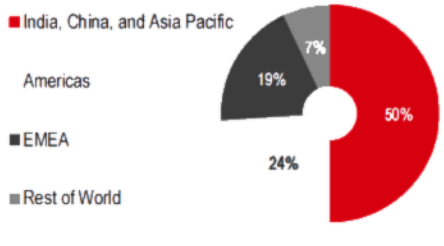
Ceres's forecast on SOFC opportunity

9: Global market opportunity for solid oxide by end use case, 2030e



Source: Ceres Power forecast, HSBC

10: Global market opportunity for solid oxide by region, 2030e



Source: Ceres Power forecast, HSBC

11: Global market opportunity for SOFC

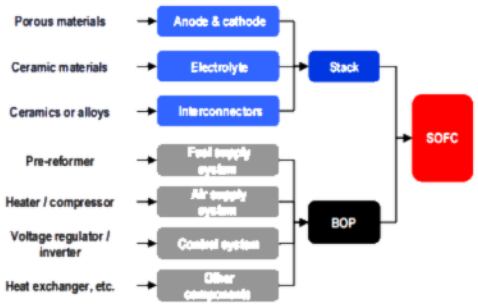
Region	Key Demand Drivers	Major Suppliers
South Korea	CHPS mandate; national hydrogen roadmap	Doosan; SK Ecoplant + Bloom
Taiwan	Semi/AI power needs vs weak grid; RE100; subsidies (up to NTD70k/kW)	Bloom; Doosan; Delta
Japan	Hydrogen strategy; ENE-FARM CHP legacy	Kyocera; MHI; Aisin; Bloom
Southeast Asia	Data centers shifting to Malaysia/Indonesia with unstable grid conditions	Weichai; Delta (local ops planned); Bloom in Singapore
Europe	High EU-ETS carbon price; IMO marine net-zero targets	Ceres (licensor); Alfa Laval (marine SOFC); Bloom in Italy, UK
Australia/India	Remote/off-grid (mining); DC backup	Early-stage; local partners with global SOFC players; Bloom in India

Source: government website, company data, HSBC; CHPS (Clean Hydrogen Portfolio Standard) mandate forces utilities to procure clean power; RE100 is a global corporate initiative led by the Climate Group, requiring members to source 100% of their electricity from renewable sources by 2050; ENE-FARM is Japan's residential fuel cell cogeneration system that extracts hydrogen from city gas to generate electricity while capturing waste heat for water heating. EU-ETS = EU Emission Trading System. IMO = International Maritime Organization

Typical structure of a SOFC system

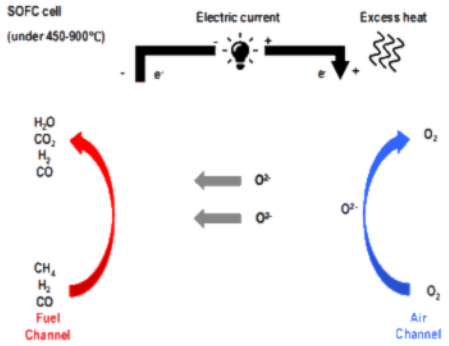
A Solid Oxide Fuel Cell (SOFC) is a high-temperature electrochemical device that converts the chemical energy of a fuel – hydrogen (H_2), carbon monoxide (CO), natural gas/methane (CH_4), syngas (CO + H_2), and biogas (CH_4 + CO_2) – directly into electricity

12: Typical structure of a SOFC system



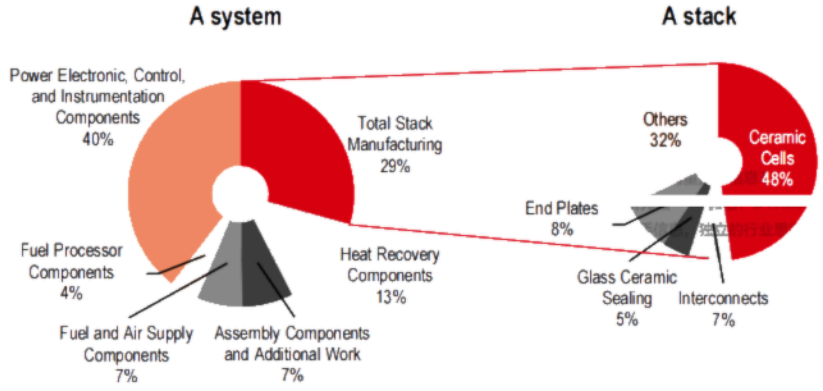
Source: chibaogao.com, HSBC

13: Typical structure of a SOFC cell



Source: Fuel, HSBC

14: Cost breakdown of a SOFC system and a stack (based on DOE's analysis in 2017 for the production of 1,000 units of 250kW stack per year)



Source: DOE, HSBC

Other fuel cell techs

Quick review of the major applications of hydrogen and the major fuel cell types

15: Major applications of hydrogen products

Category	Typical power range	Typical fuel cell type	Example
Portable	1W to 20kW	PEMFC, DMFC, SOFC	Portable power, unmanned aerial vehicles
Stationary	0.5kW to 2MW	PEMFC, DMFC, SOFC, MCFC, PAFC	Combined heat and power, uninterruptible power system, power generators
Transportation	1kW to 300kW	PEMFC, DMFC	PVs, trucks, buses and coaches, aviation, marine, e-bike

Source: E4Tech, HSBC

16: Types of fuel cells by electrolyte used

Item	Proton exchange membrane (PEMFC) 质子交换膜燃料电池	Alkaline (AFC) 碱性燃料电池	Molten carbonate (MCFC) 熔融碳酸盐燃料电池	Phosphoric Acid (PAFC) 磷酸燃料电池	Solid Oxide (SOFC) 固体氧化物燃料电池	Direct Methanol (DMFC) 直接甲醇燃料电池
Fuel	H_2, Methanol	H_2	Natural gas; Liquefied petroleum gas; Gas	Natural gas; Liquefied petroleum gas; Methanol	Natural gas; Liquefied petroleum gas; Gas	Methanol
Electrolyte	Fluorinated proton membrane	Potassium hydroxide (KOH)	Li_2CO_2-K_2CO_2	Phosphate	Yttria-stabilized zirconia (YSZ)	Fluorinated proton membrane
Electrolyte condition	Solid-based	Water-based	Water-based	Water-based	Solid-based	Solid-based
Cathode	Pt/C	Pt/Ag	Li/NiO	Pt/C	Sr/$LaMnO_3$	Pt/C
Anode	Pt/C	Pt/Ni	Ni/Al; Ni/Cx	Pt/C	Ni/YSZ	Pt/C; Ru/C
Core temp	50–100°C; 80°C typical	90–100°C	600–700°C	150–200°C	700–1000°C	40–60°C
Efficiency	35-60%	60%	50%	40%	60%	20%
Start-up time	<5 s	<10 mins	>10 mins	<10 mins	>10 mins	-
Applications	Portable; stationary; automotive	Space; military; submarines; transport	Large power generation	Medium to large power generation	Medium to large power generation	Portable; mobile; stationary use
Advantages	Compact design; long operating life; quick start-up	Low parts and operation costs; no compressor; fast cathode kinetics	High efficiency; flexible to fuel; co-generation	Good tolerance to fuel impurities; co-generation	Lenient to fuels; can use natural gas; highly efficient	Compact; feeds on methanol; no compressor
Limitations	Expensive catalyst; needs chemical grade fuel	Large size; sensitive to hydrogen and oxygen impurities	High heat causes corrosion; long start-up; short life	Low efficiency; limited service life; expensive catalyst	High heat levels cause corrosion; long start-up	Complex stack; slow response; low efficiency

Source: Ofweek, HSBC

17: Relevant companies

Company	Ticker	Rating	Currency	TP	CMP	Description
Ceres	CWR LN	NR	GBP	n/a	509.5	SOFC tech developer
Doosan Fuel Cell	336260 KS	NR	KRW	n/a	56,000.0	SOFC leader in South Korea
Delta	2308 TT	Buy	TWD	2,900.0	1,950.0	SOFC leader in Taiwan
Three-Circle*	300408 CH	Buy	CNY	91.0	166.9	BE's key electrolyte supplier
Kaori	8996 TT	NR	TWD	n/a	1,550.0	BE's hot box supplier

Source: Bloomberg, HSBC estimate; as of 30 June; * HSBC Qianhai

HSBC related research

Ballard Power Systems (BLDP US): Expanding the H2 TAM with GeoPura, 24 June 2026

Equity Snap: Bloom Energy (BE US): Notes from HSBC US Tech Tour, 15 June 2026

Powering AI: Positive read-across from Cummins and Deere, 26 May 2026

Powering AI: AIDC prime power: from gas turbine to gensets, 2 April 2026

Powering AI – US (5): Companies with exposure to the theme, 14 April 2026

Powering AI – US (4): The challenge of grid bottlenecks, 7 April 2026

Powering AI – US (3): The affordability challenge, 26 March 2026

Assessing AI bottlenecks: Data centre equipment suppliers on the up, 25 March 2026

Powering AI – US (2): It's a sellers' market – Power value chain benefits, 20 March 2026

China Power Utilities: The AI power story II, 17 March 2026

Powering AI – US: A new era of electricity load growth, 13 March 2026

China power equipment: How Chinese gas turbines go overseas, 6 March 2026

Powering AI: Diverging between the US & China, 27 November 2025

Assessing AI bottlenecks: Gas power equipment ramping up, 19 November 2025

US Hydrogen: Notes from Green Hydrogen Summit USA, 9 October 2025

US Hydrogen: Big Beautiful Bill avoids negative-case scenario, 11 July 2025

US Clean Tech: One Big Beautiful Bill Act provides IRA tax clarity, 11 July 2025

Power equipment OEMs: Diversified suppliers: broad-based upcycle, 22 May 2025

US Clean Tech: Trump DOE provides land for powering data center, 7 April 2025

China Power Utilities - The AI power story, 10 March 2025

Datacentre equipment: Thank heavens for Jevons, 10 February 2025

US Clean Tech – New model for powering AI datacenters, 29 January 2025

Valuation and risks

		Valuation	Risks to our view
Bloom Energy Corp BE US	Current price: USD302.70 Target price: USD350.00 Up/downside: +15.6%	**Methodology:** DCF methodology (FCF). **Assumptions:** WACC of 14.7% (unchanged and below Bloomberg's estimate of 24.7%) incorporates HSBC's global risk-free rate of 4.25% (unchanged) and US equity risk premium of 4.0% (unchanged), and a 2.657 beta for Bloomberg (unchanged). We assume an exit EV/EBITDA multiple for our terminal value beyond 2031e of 35.0x, (unchanged), which is below Bloom's five-year trailing average of 39.0x and 12-month average of 63.6x. We believe a higher premium closer to the five-year average is warranted as growth starts to normalize. Our TP of USD350 (unchanged) implies c15.6% upside and we continue to rate the shares Buy.	**Downside risks** ◆ High concentration of activities in the US, as well as ownership and voting power by Chairman and CEO KR Sridhar. ◆ Bloom is executing on a significant manufacturing capacity expansion over the next year, which could be delayed or negatively impacted by cost overruns. ◆ Rising input and logistics costs can adversely impact Bloom's profitability and cash flow. ◆ Limiting gas hook-ups could impact Bloom's legacy power generation business. ◆ Change in US government incentives for clean energy can impact demand for Bloom's products.
Buy		**Samantha Hoh** | samantha.hoh@us.hsbc.com | +1 212-525-8783	

Priced at close of 30 June 2026
Source: Bloomberg, HSBC estimates

Bloom Energy: DCF summary

USDm	2025a	2Q-4Q26e	2027e	2028e	2029e	2030e	2031e	2032e
Adjusted free cash flow	509	1,003	2,349	3,546	4,877	6,276	7,287	7,707
Risk-free rate	4.25%							
Market risk premium	4.00%							
Beta	2.657							
HSBC WACC	14.7%							
Discounted FCF	0	1,003	2,048	2,697	3,234	3,629	3,674	3,388
Terminal value	92,170							
EV	111,842							
Net debt	84							
Market cap	111,758							
Value per share (USD)	**350.00**							

Source: Bloomberg, HSBC estimates

		Valuation	Risks
Weichai Power 2338 HK/ 000338 CH	Current price: HKD34.10 RMB27.25 Target price: HKD50.00 RMB42.00 Upside: H: +46.6% A: +54.1%	**Methodology:** Sum-of-the parts approach and target PE multiple **Assumptions:** We use a sum-of-the-parts approach to value Weichai. We illustrate our valuation for each part in the table below. We maintain our rounded H-share target price at HKD50.00 (unchanged). We use an A/H premium of -2% (unchanged), the YTD average, to factor in the converging AH premium. Thus, we also maintain our rounded A-share target price at RMB42.00 (unchanged). Our H/A-share target prices imply c47%/54% upside, respectively, therefore we maintain our Buy/Buy ratings. We are positive on its AIDC power business growth.	**Downside risks:** Unexpected slowdown in AIDC buildout, softer large engine sales (especially gas gensets for prime power and diesel engines for backup power), delayed SOFC deliveries and HDT renewals, and hawkish Fed.
Buy/Buy		**Helen Fang*** | helen.c.fang@hsbc.com.hk | +852 2996 6942	

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Priced at 30 June 2026
Source: HSBC estimates

Weichai Power: SOTP approach

	Valuation method	Estimate year	% contribution to TP	Valuation assumptions/rationale
HDT-related and other business	PE	2027e	24%	We value HDT-related and other business using a target PE for 2027e of 9x, the average PE for the last downcycle to reflect the negative impact from fierce HDT competition and electric adoption (unchanged). Applying our target PE multiple to our EPS for 2027e of RMB1.13 (unchanged) and using HSBC's end-2026 HKD-RMB rate of 1.17 (unchanged) renders its valuation per share to Weichai's valuation, i.e., HKD11.59/RMB10.19 (unchanged).
Large diameter engine for data centers	PE	2027e	54%	We value the large diameter engine for the data center business using a target PE for 2027e of 31x (unchanged), the market cap weighted average 1-year forward PE of the key comparables, as of 21 May 2026. Applying our target PE multiple to our EPS for 2027e of RMB0.75 (unchanged) and using HSBC's end-2026 HKD-RMB rate of 1.17 (unchanged) renders its valuation per share to Weichai's valuation, i.e., HKD27.27/RMB23.25 (unchanged).
SOFC business	PS	2027e	11%	We use Bloom Energy's PS ratio of 13.9x as of 21 May 2026 (unchanged) to value Weichai's SOFC business, as BE is a leader in the market. Applying our target PS multiple to our sales for 2027e of RMB2,975m (unchanged) and using HSBC's end-2026 HKD-RMB rate of 1.17 (unchanged) renders its valuation per share to Weichai's valuation, i.e., HKD5.57/RMB4.75 (unchanged).
Smart logistics business - KION	Bloomberg consensus TP	2027e	8%	We value Weichai's 46.52% stake in Kion (KGX GR, EUR38.77, not rated) using the Bloomberg consensus target price of EUR60.61 as of 21 May 2026 (unchanged), multiplying Kion's number of outstanding shares and using HSBC's end-2026 EUR-RMB rate of 7.85 (unchanged). Then dividing by Weichai's number of outstanding shares, we derive Kion's valuation per share contributing to Weichai's valuation, i.e., HKD3.91/RMB3.33 (unchanged).
Agricultural machinery business - Lovol	PE	2027e	3%	We value the agricultural machinery business using a target PE for 2027e of 14.8x (unchanged), the 1-year forward PE of First Tractor (601038 CH, RMB10.59, not rated) as of 21 May 2026. Applying our target PE multiple to our EPS for 2027e of RMB0.08 (unchanged) and using HSBC's end-2026 HKD-RMB rate of 1.17 (unchanged) renders its valuation per share to Weichai's valuation, i.e., HKD1.43/RMB1.22 (unchanged).

Source: Bloomberg, HSBC estimates. Priced at 30 June 2026