

# Kempower

## Extensive report

10/31/2023



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# From product leadership towards scale leadership

With one of the most competitive EV fast charging solutions on the market, Kempower is becoming one of the largest manufacturers. In the long term, the company could thus become one of the most cost-competitive players in the sector. The weakening investment cycle will weigh on near-term growth prospects, but Kempower's competitiveness and the long-term market outlook remain strong. We raise the recommendation to Buy (was Accumulate) with an unchanged target price of EUR 44.

## The fastest growing and most profitable companies in the fast-charging solutions market

Kempower is a provider of fast charging equipment and software for electric vehicles, with products suitable for both public charging points for passenger vehicles and for charging commercial and utility vehicles. We believe that the company's products are technically more advanced than most of its competitors, as the company benefits from decades of development in DC technology by welding equipment manufacturer Kemppi Oy. Most of the company's revenue so far comes from Europe, where it has cost-effective and large-scale production centralized in Lahti, Finland. Development of the US organization started in 2022 and local production is scheduled to start in late 2023. Kempower is also exploring expansion opportunities in other geographies and has already established a local company and team in Australia. In its short history, the company has quickly become one of the largest and especially most profitable companies in the industry.

## Strong long-term growth outlook - uncertainties linked to growth fluctuations and maintaining competitiveness

Kempower expects the market for fast charging solutions to grow to EUR 14 billion by 2030. We estimate that Kempower will reach around 13% of the around EUR 2.1 billion market in 2023. With the market going to EUR 14 billion by 2030, average annual growth would be up to 31%, exceeding our forecast for Kempower's annual growth (average 20%/year 2024-30e). We do not expect the company to lose market share, but we take a more cautious approach to the long-term growth of the market, which is still partly uncertain, especially for heavy transport. In line with its medium-term targets, Kempower aims to achieve sales of EUR 750 million and an EBIT margin of 10-15% by 2026-28 (long-term EBIT target above 15%). We think the targets are credible and may even be exceeded, although this depends on how much more intense the competitive situation will get. The forecast is subject to a high degree of uncertainty, e.g., in the short term due to weaker demand (Kempower and competitors' orders fell in Q3) and long-term profitability (EBIT% 2030e: 20%).

## Weak cycle in market growth has raised risk levels and brought the share price to an attractive level

We see the recent decline in the share price as a reflection of a possible weakening of client investment appetite in the short term amid rising interest rates and economic uncertainty, among other factors. However, we do not see Kempower's competitiveness or the market's long-term growth prospects changing for the worse. Kempower's strong profitability development has lowered earnings-based valuation multiples so that the stock is priced at 23x EV/EBIT for 2024e and 15x and 11x for 2025-26e, even under declining profitability assumptions. Cyclical risks are elevated going into next year and our 38% growth assumption includes risks despite geographical expansion. We still believe that the market will return to its long-term trend in the next few years, which is why we see the current price decline as a good opportunity to buy the stock.

## Recommendation

### Buy

(previous Accumulate)

**EUR 44.00**

(previous EUR 44.00)

### Share price:

29.58



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	103.6	298.4	411.7	527.0
<b>growth-%</b>	278%	188%	38%	28%
<b>EBIT adj.</b>	6.7	54.5	66.9	96.2
<b>EBIT-% adj.</b>	6.5 %	18.3 %	16.2 %	18.3 %
<b>Net Income</b>	3.4	44.6	52.1	75.0
<b>EPS (adj.)</b>	0.07	0.80	0.94	1.35
<b>P/E (adj.)</b>	>100	36.7	31.5	21.9
<b>P/B</b>	10.8	11.3	8.3	6.0
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	>100	28.6	22.8	15.3
<b>EV/EBITDA</b>	>100	25.8	19.4	13.4
<b>EV/S</b>	10.0	5.2	3.7	2.8

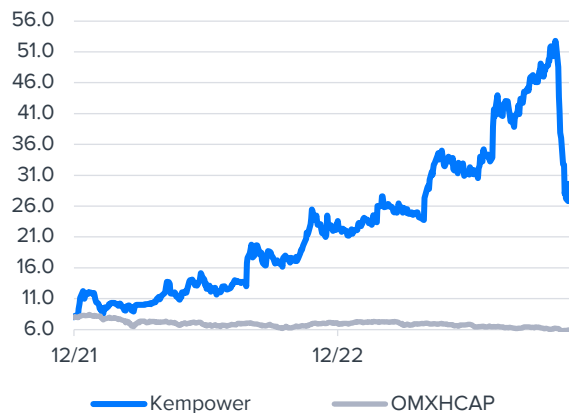
Source: Inderes

## Guidance

(Unchanged)

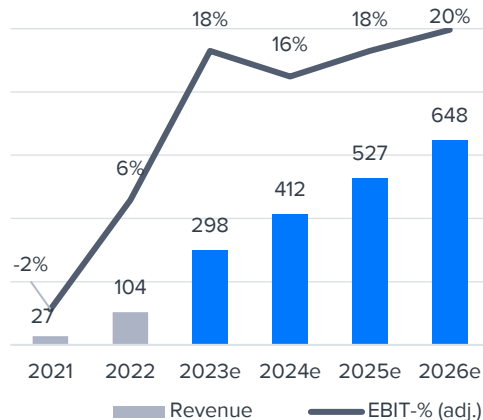
2023 revenue; EUR 280–310 million, assuming no major impact of foreign currency exchange rates. 2023 operative EBIT margin, %; over 14%.

## Share price



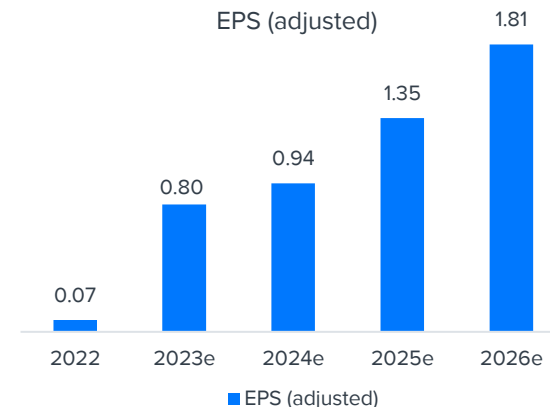
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Electrification of transport creates a huge need for efficient and versatile charging capacity
- Products are highly competitive, and it can take a long time for competitors to develop similar features
- Growing the distribution channel allows the company to become one of the big global manufacturers
- Higher gross margins than for competitors



## Risk factors

- Rapidly growing the organization slows profitability development in the short term
- Uncertainty about long-term profitability levels in the industry
- Changes in technological competitiveness could threaten growth and pricing
- Slowdown in demand growth and narrowing technological gaps are likely trends in the long term
- A high valuation based on long-term earnings growth carries significant risk

Valuation	2023e	2024e	2025e
Share price	29.6	29.6	29.6
Number of shares, millions	55.5	55.5	55.5
Market cap	1643	1643	1643
EV	1557	1527	1469
P/E (adj.)	36.7	31.5	21.9
P/E	36.8	31.5	21.9
P/B	11.3	8.3	6.0
P/S	5.5	4.0	3.1
EV/Sales	5.2	3.7	2.8
EV/EBITDA	25.8	19.4	13.4
EV/EBIT (adj.)	28.6	22.8	15.3
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

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# Kempower in brief

Kempower develops and manufactures advanced fast and high-capacity EV charging solutions for public charging points and operators of commercial fleets such as buses and trucks.

## 2017

Year of establishment

**EUR 201 million** (+205 % y-o-y)

Revenue Q1-Q3 2023

**41% / 59%**

Nordic / other regions' share of revenue Q1-Q3'2023

**51.7%**

Sales margin Q1-Q3'2023

**EUR 35.0 million** (17.4% of revenue)

EBIT Q1-Q3'2023

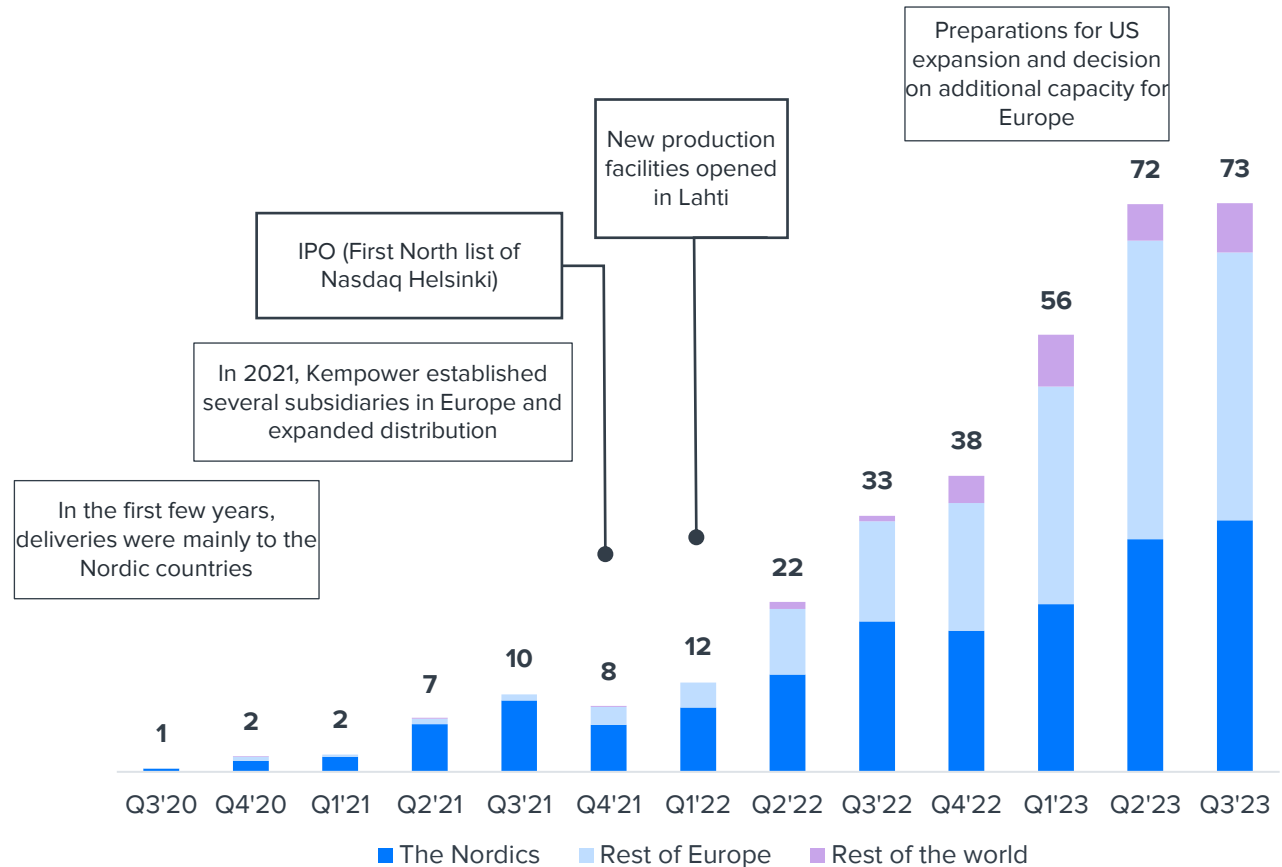
**619** (+102 % y-o-y)

Headcount at the end of September 2023

**EUR 14 billion**

The projected size of the target market in 2030 (average annual growth 2022-30e: 33%)<sup>1</sup>

## Revenue development and company history



1) Market research conducted by Kempower

# Company description and business model 1/6

## Rising power of the DC charger market

Kempower is an electric vehicle charging technology company that manufactures direct current (DC) fast and high-power charging solutions and supporting software for a variety of applications. The company's products are technologically advanced, which we believe has enabled rapid market share growth in recent years. In particular, the dynamic power management and modular design of the charging solutions are features that we estimate to create added value for customers compared to competitors' products. The company's customers are mainly operators of public charging stations and owners of commercial electric vehicles such as buses and off-highway vehicles. Kempower's revenue was EUR 104 million in 2022, an increase of 279% year-on-year. 56% of revenue was generated in the Nordic countries, 39% in the rest of Europe and 5% outside Europe. According to Kempower's medium-term strategy, Europe and North America are its main markets, but the company also supplies its products to other geographical areas.

## Roots in Kemppi Oy

The technological basis for Kempower's charging solutions comes from Kemppi Oy's long development work on DC welding solutions. Kemppi introduced the world's first inverter-based DC power supply in 1977 and has since become a major player in the arc welding industry. Kempower was originally founded in the 1990s to focus on applications other than the DC power supply market for welding. For a time, the company's operations were taken over by Kemppi Oy, but the operations were re-incorporated again in 2017 and the development of electric vehicle charging solutions became Kempower's main business. The

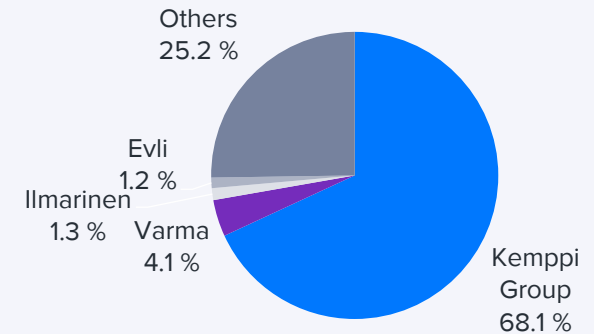
first significant deliveries were made in 2019. Since 2019, the company's CEO has been Tomi Ristimäki, who has previously held positions such as Sales Director for Electric Power Transmission Technology at Danfoss.

Kempower was listed on the First North list of the Helsinki Stock Exchange in December 2021. Kemppi Group (a holding company that also owns Kemppi Oy) remained the majority shareholder in Kempower with a 68% stake. Kempower's other significant shareholders consist mainly of major Finnish institutional investors, such as pension insurers Varma and Ilmarinen and Evli funds. The IPO proved to be very popular, resulting in more than 34,000 new shareholders for Kempower (end of 2022: 31,235) offered support.

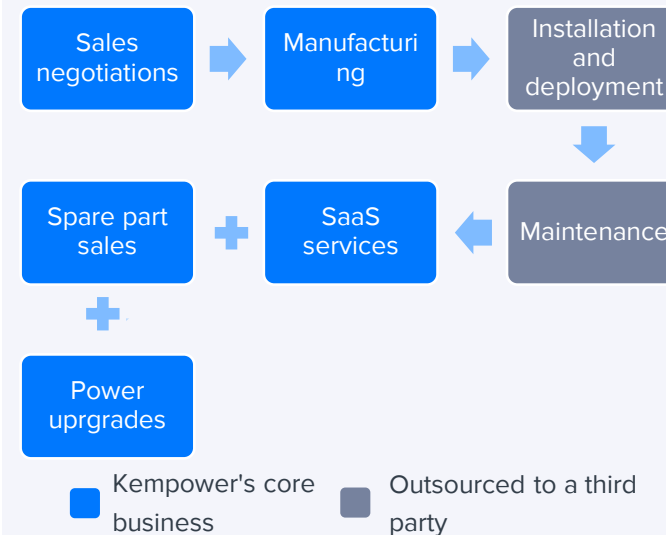
## Revenue comes mainly from equipment sales

Kempower's revenue is mainly generated from equipment sales and to a lesser extent from more recurring revenue streams such as spare parts sales, power purchases and SaaS business. In the long term, we estimate that the share of equipment sales will fall to 90-95% and the share of revenue after equipment sales will increase to 5-10%. Charging solutions are typically delivered and tested around 3-6 months after ordering, although delivery times have been temporarily extended during 2022-23 due to a combination of strong demand and component availability. Kempower supplies the equipment and, in some cases, is also responsible for arranging the installation through subcontractors, but doesn't install the equipment it supplies itself.

## Shareholders



## Equipment sales at the heart of the business



## Company description and business model 2/6

The equipment comes with a warranty period of around two years. Chargers typically have life cycles of 5-8 years, although they can last much longer if properly maintained. The modular structure of the company's products engages customers to use Kempower solutions and offers flexibility in investment decisions. Kempower offers customers the ability to gradually scale up the power capacity of the charging station. Customers can reduce the initial investment by ordering, for example, a 200-kW charging station to start with and increase the capacity later as the number of electric vehicles and charging demand grows.

### Distribution in the main markets largely in own hands

Products are sold both through our own sales organizations and through distribution partners and OEMs. Own sales organizations are the main distribution channel, especially in Europe. Kempower also has its own sales function in the US, where distribution partners play a bigger role than in Europe. Distribution partners are also utilized in smaller markets where Kempower does not have its own organization. The company has opened a small sales office in Australia and is exploring other markets for future growth. We estimate the share of OEM manufacturing in revenue to be low. OEMs manufacture, e.g., electric off-highway vehicles and sell Kempower's charging solutions with their main product under their own brands.

### The customer base has grown rapidly

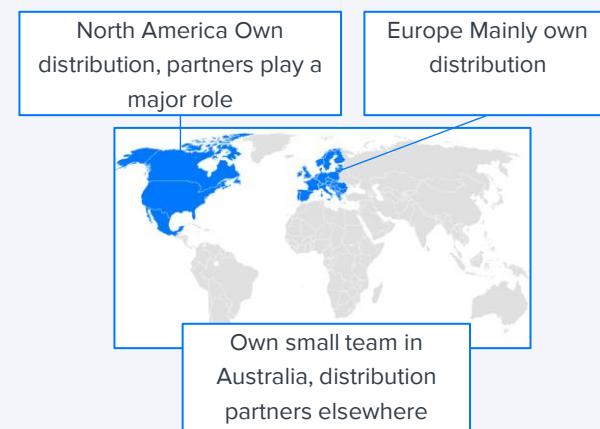
Kempower's customer base consists mainly of charging operators who manage charging stations connected to the road network and commercial vehicle and bus operators. Other customers include

equipment and vehicle manufacturers (OEMs) and other customer groups served through a network of distribution and installation partners. In particular, the company aims to focus on customers with significant long-term revenue potential. Kempower has a particularly strong position in its home market in the Nordic countries, but its customer base has grown rapidly in recent years and expanded into new geographies. Charging operators are the most important single customer group and this group is also divided into different types of operators such as retail companies, energy companies and full-time charging operators. Kempower works closely with its customers on product development, especially on the heavy-duty vehicle side.

### Lack of capital will not hinder expansion

Financial assets of EUR 93 million (H1'23) together with a positive operating cash flow provide ample resources to continue the growth strategy. Kempower's growth strategy consists of two parts: An expansion strategy and an innovation strategy. The expansion strategy is already well underway, with the company setting up subsidiaries and hiring sales and marketing staff in its main European markets, as well as in the US and Australia. The US plant is scheduled to start production in late 2023 and the new production facility in Lahti, which will open in 2024, will allow Lahti to double its capacity. The company is also exploring the commercial attractiveness of other geographies, and building new sales offices or even production units outside Europe and North America is not ruled out in the long term. The innovation strategy includes plans to develop and expand the product range, and to improve the cost-effectiveness of production and other operations.

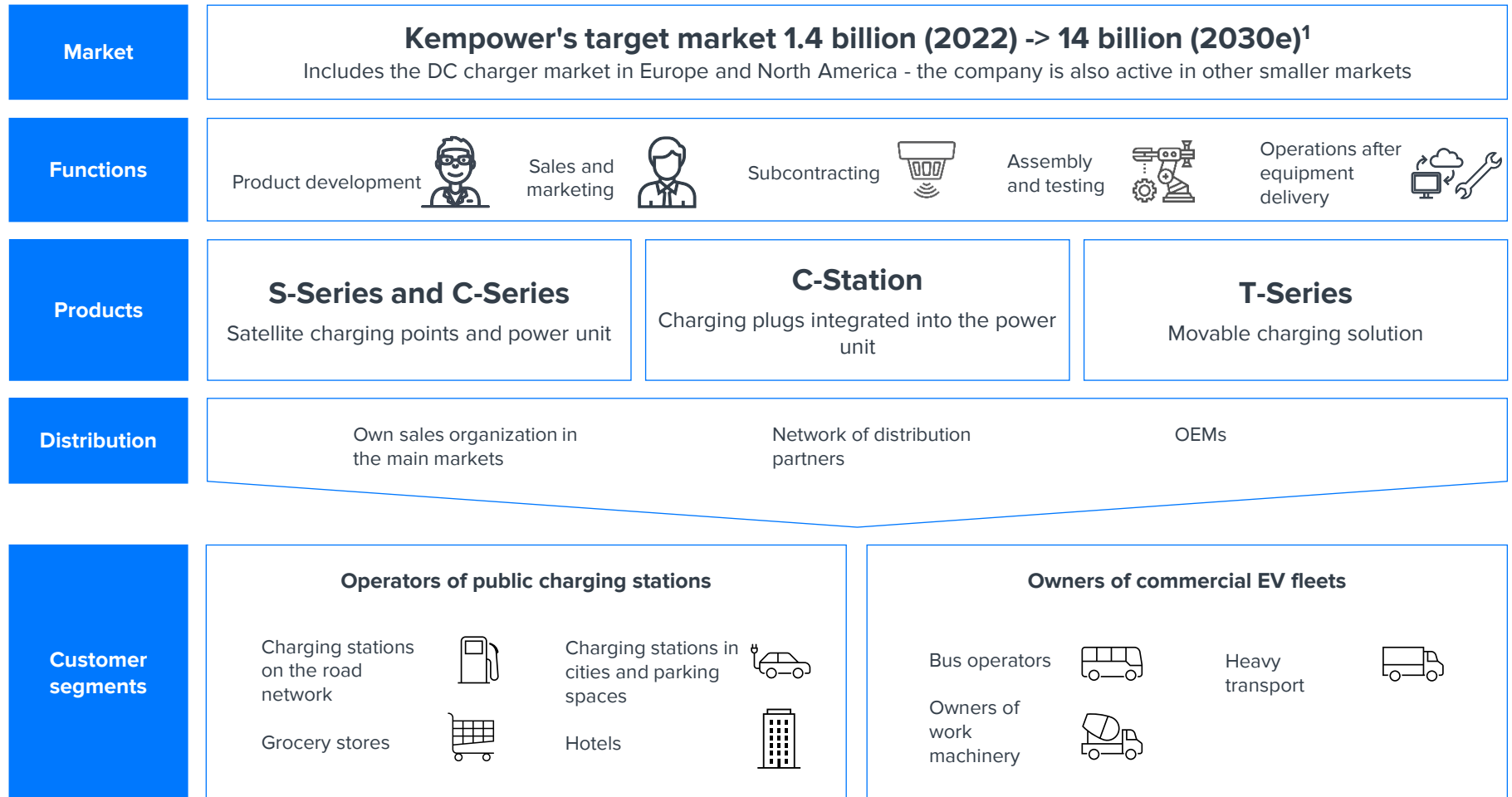
## Distribution strategy



## Customer base and distribution partners

Charging operators	Bus and truck
<ul style="list-style-type: none"> <li>S-Group</li> <li>Recharge Infra</li> <li>Osprey Charging</li> <li>Power Dot</li> <li>Electric Circuit</li> <li>Arnold Clark Charge</li> </ul>	<ul style="list-style-type: none"> <li>Nobina</li> <li>VY Buss</li> <li>Koiviston Auto</li> <li>Keolis</li> <li>Team Global Express</li> </ul>
OEMs	Distributors
<ul style="list-style-type: none"> <li>Normet</li> <li>Epiroc</li> <li>Gilbarco Veeder-Root</li> <li>Volvo</li> <li>Scania</li> </ul>	<ul style="list-style-type: none"> <li>Omexom</li> <li>Vital EV Solutions</li> <li>Wennstrom</li> <li>GP Joule Connect</li> <li>ZEF Energy</li> </ul>

# Company description and business model 3/6



1) Market research conducted by Kempower



# Company description and business model 4/6

## Lahti production plants operate efficiently

Kempower's group operations, product development and European production are located at a short distance from each other in Lahti, Finland. The company has adjacent production and office facilities of 4,000 and 10,000 square meters in Lahti, which were commissioned in 2019 and 2022, respectively. In addition, Kempower will introduce a new 14,000 square meter facility in 2024, located approximately 10 kilometers from the current premises. The production volumes of existing farms can still be increased in the short term, but expansion will serve the high growth expectations of the coming years. With the new facilities, Kempower will have three relatively close production sites with good transport links, which will enable efficient organization of production. Each of the three Lahti factories will specialize in a particular stage of production.

The manufacture of charging equipment is essentially assembly and testing. We estimate that assembly is relatively simple and doesn't require as much investment in production equipment as, e.g., the process industry, which means that manufacturing capacity can be increased rapidly. The procurement of components and sub-assemblies is a critical business function that requires long-term effort to develop. For the time being, Kempower's subcontracting is still rather concentrated in its sister company Kemppi Oy (50% of components and sub-assemblies in 2022). We believe that Kemppi Oy's specialized expertise and sourcing capacity have helped Kempower to grow rapidly in the early stages of the business. We believe that there is still room for improvement and optimization in Kempower's production and subcontracting, as the company's primary objective in the phase of rapid growth has been to increase production capacity and ensure security of supply. Automation and assembly lines are

constantly being improved in small steps, and certain assembly steps may be outsourced in the future to improve production efficiency.

## North American production to start during 2023

Kempower will open a 14,000 square meter manufacturing facility in Durham, North Carolina, USA during 2023. The plant will enable production compatible with NEVI investment grants and fast delivery times to the North American market. Product development and office space will also be created adjacent to the production facility. Kempower has planned to invest up to USD 40 million and employ 300 people, which we estimate would correspond to an annual revenue potential of hundreds of millions of euros. However, the final scope will depend on how successful the company is with sales.

## Clear productization brings efficiency to production

The product range has been developed to optimize manufacturing and subcontracting. The products are largely based on the same components, which makes sourcing and product development more efficient. The range consists of a few main products that can be customized according to the customer's wishes. For example, customers can choose the size and power of the power unit and the number of charging points. There are also different types of plugs and also a traditional slow AC plug for those who need one. Personalizing the look of devices is also a common area of customization, mainly through colors and taping. After purchasing a product, the customer always has the possibility to modify a number of software parameters related to charging, such as how the charging power is distributed between different users. The ChargeEye cloud service is also optional, but we understand that the majority of customers use the service.

## Productization

### Limited quantity of products (4 pieces)

- All products use largely the same components



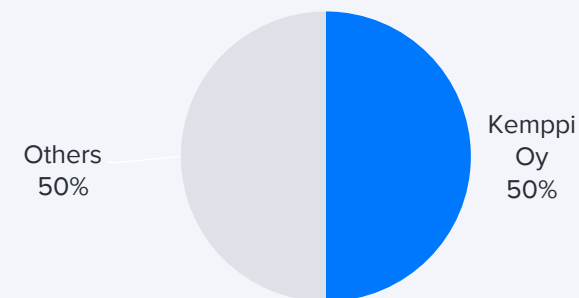
### Limited customization possibilities

- Modular design allows for scalability
- Plug options
- Appearance



Responding to different customer needs in a fast, controlled and cost-effective way

## Distribution of subcontracting (2022)



# Company description and business model 5/6

## Best-in-class product features

Kempower's charging solutions are technologically advanced thanks to their modular design and dynamic power management, which we believe is a clear competitive advantage for the company and an important factor behind its high gross margins. All of the company's charging equipment is based on the same 50 kW power modules, which can be installed in the desired quantity and added later as needed. The customer can start with a smaller investment and increase the efficiency of the system at a later stage as demand grows. Dynamic power management, in turn, leads to faster charging times and higher power unit utilization, which reduces the investment cost of the charging system and improves the customer experience. Dynamic power management means that the control unit can detect the actual power demand of each charger and allocate the available capacity to up to 8 users simultaneously. Enabling high per-user charging power at lower maximum system power will bring cost savings for charging operators, for whom the running costs of a power subscription are significant in size and partly determined by maximum power.

## Product development provides the basis for technology leadership

Technological know-how and product development play an important role in the rapidly evolving DC charging market. Kempower's product development employed 108 people, or 18% of the company's total staff at the end of June 2023. Product development costs amounted to 7% of revenue in 2022. In the long term, we expect the company to invest closer to 10% of revenue in product development, but so far the amount of money spent on it has not kept pace with revenue growth.

Kempower benefits from Kemppi's decades of development in DC power supply technology. However, all IPR rights for Kempower's charging solutions have been transferred to Kempower. Kempower has applied for patents on certain solutions for the company's products, such as the charging cable, power supply and software. Patent applications aim to ensure that Kempower retains the right to use its proven solutions and that other operators can't patent them. Certain patent applications or patents may also protect Kempower from competition to some extent. However, we consider the competitive moats created by patenting to be insignificant in the overall picture, as it's possible to develop somewhat similar functionalities with several different technical solutions. However, we believe that Kempower has a technological advantage over most of its competitors in areas such as power management. It can take competitors several years to develop similar features, especially for operators that have not invested with the same intensity in product development and proprietary power management technology.

## Design and customer experience at a good level

Kempower's charging solutions are designed and engineered with the typical practical challenges faced by both charging station builders and end-users in mind. With the S-Series charging system, satellite charging stations can be located up to 80 meters away from the power unit itself, allowing customers to choose from different space solutions. In addition, the charging point itself has been designed to take into account the different charging connection solutions for different EVs by making the charging cable to have a lot of reach. The design of the charging cable also prevents damage to the charging head if it hits the

ground. Kempower products also pay special attention to the user interface and the information provided to the end user. EV fast-charging stations typically have a display showing information relevant to the charging process. At Kempower's charging stations, this information can also be tracked via a QR code scanned from the user's smartphone without the need for a separate app.

## ChargEye cloud service enhances processes

The chargers are supported by Kempower's proprietary ChargEye cloud service, to which all charging systems supplied by the company will be connected upon deployment. The aim of the service is to make it as easy and efficient as possible for client companies to operate. The service is based on WeldEye, developed by Kemppi Oy for welding equipment, which has been in use since 2008. Thus, despite its young age, Kempower has a wealth of experience in cloud-based backend systems. The service improves the maintenance of charging equipment, customer data management and the performance of the electronics in the equipment. Real-time software updates and remote maintenance can be performed through the system. Each charge is recorded in the ChargEye cloud service, and the data path can be integrated directly into customers' own ERP systems. The data provides customers with important information on charging cycles, bottlenecks and other factors that can be used to optimize charging station operations. Furthermore, the system also uses artificial intelligence and machine learning to improve charging accuracy. Kempower can also use the data to analyze and optimize the performance of its own equipment for different car models.

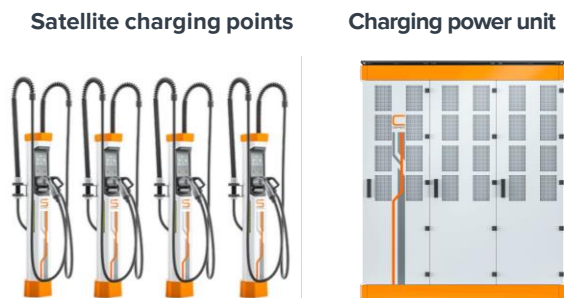
# Company description and business model 6/6



## Products

### Scalable charging system as key product

- The charging system is particularly suitable for charging large and widespread numbers of vehicles.
- The system consists of S-Series satellite charging points and a C-Series charging power unit.
- The modular design makes it easy to scale the power to the customer's needs.
- The small size of the satellite charging points allows efficient use of space at the charging station and the power unit can be located up to 80 meters away from the charging points.
- The basic charging system has a total output of 50-600 kW.
- With liquid-cooled charging satellites, a single vehicle can be charged with up to 400 kW.



### Other products

- **C-Station:** Compact and "traditional" charging system for charging large numbers of vehicles. Particularly suitable for locations where there is no room for a separate charging power unit.
- **T-Series:** Portable DC charger that includes both the power unit and the charge output and user interface in one compact package.



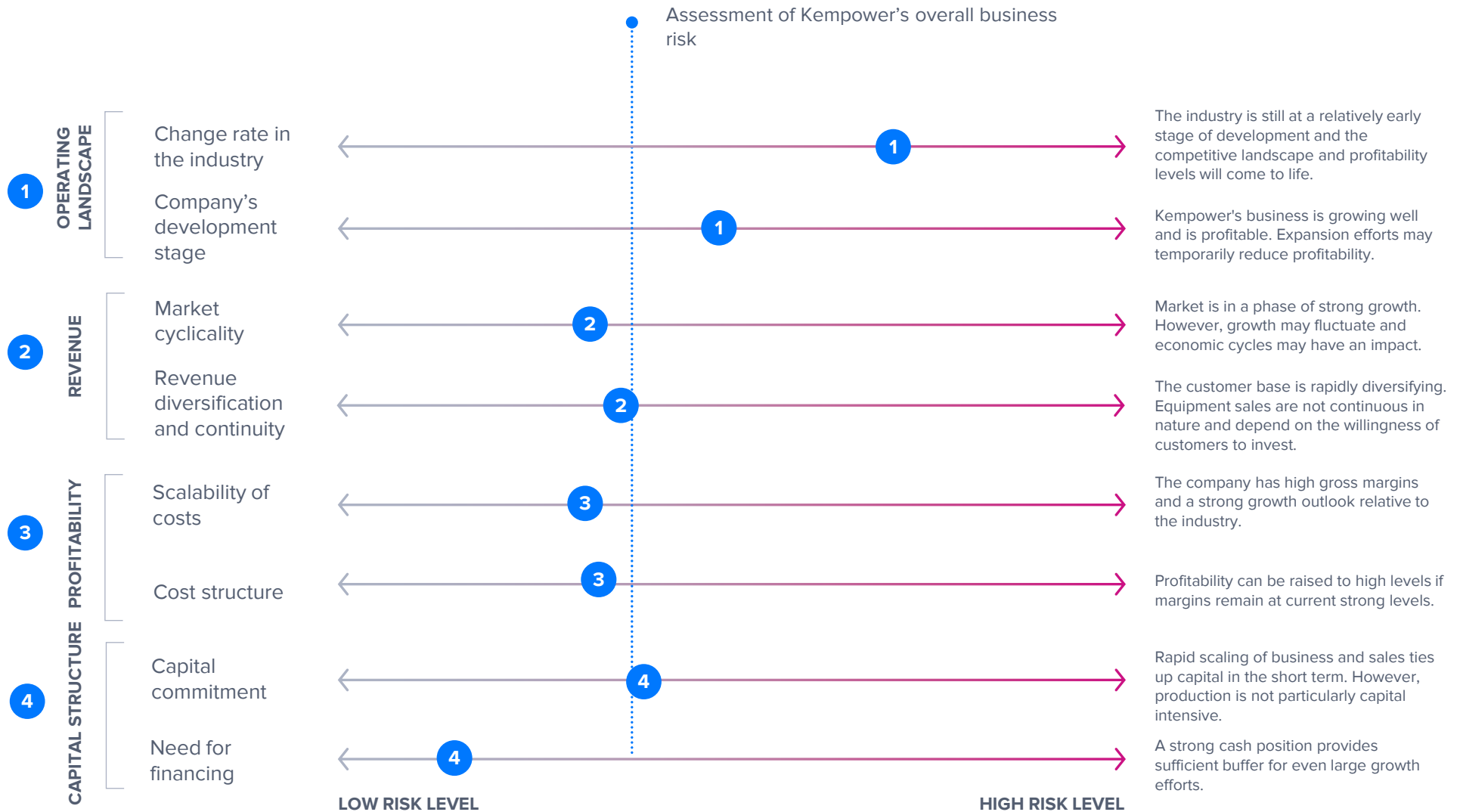
### Recent and future focus areas for product development

- Plug and charge feature announced on 4/27/2023 will support the delivery of smoother customer experiences at charging points.
- The Eichrecht certificate was obtained on 8/29/2023 - allowing devices to be supplied to public charging points in Germany.
- The development of the MCS (MegaWatt Charging) standard by industry standards bodies is still ongoing, but Kempower has launched its own MCS solution for heavy transport even before the standard is ready.
- Technology based on silicon carbide (SiC) semiconductors will enable smaller, lighter and less cooling-intensive charging solutions in the future.

### ChargEye

- All Kempower products are connected to the ChargEye cloud service, but it is an optional decision for the customer to activate the system's features (most will activate the paid features).
- The service can be used to install software updates and perform remote maintenance on the devices.
- Each charging event is saved in the cloud. The data can be used to improve customer processes and, for example, to optimize charging cycles.
- Data can be integrated with customers' own systems.
- The system recognizes, for example, the make and model of the charged car. The data can be used in Kempower's own product development to improve the compatibility of the devices with different car models.
- The ChargEye cloud service generates a small ongoing revenue stream for Kempower, but we expect its share to remain relatively low also in the long term.

# Risk profile of the business model



# Strategy and financial objectives (1/3)

## Strategy in brief

In April 2023, Kempower updated its strategy and raised its growth targets significantly. The company targets revenue of EUR 750 million and an EBIT margin of 10-15% by 2026-28. In the long term, the company is seeking an operative EBIT margin of more than 15%. The company pursues its objectives primarily through organic means, but acquisitions are also part of the toolbox. Dividends won't be paid in the short or medium term, as the aim is to use the money to achieve growth objectives.

## Distribution at the heart of the expansion strategy

As part of its expansion strategy, Kempower will expand into new geographic areas and continue to evaluate suitable regions and expansion options. Since the IPO, the company has established subsidiaries in most major European markets, the United States and Australia. Kempower distributes its products in the main markets through its own sales organizations, but also wants to strengthen its distributor network. The company assesses the best course of action on a market-by-market basis.

Kempower has already made good progress with its expansion to the US and the ramp-up of production is expected to take place in late 2023. The original strategy announced at the time of the IPO was to start operations by the end of 2025, but the company decided to move ahead quickly and announced a new timetable in June 2022 after assessing market developments. The acceleration in the outlook for the US market will be driven in particular by the Biden administration's generous NEVI subsidies, which will be distributed over four years starting in 2023. The establishment of a local production facility in the US

will support Kempower's commercial opportunities through faster delivery times and will enable the company to receive investment subsidies depending on its domesticity rate.

## Products and efficiency are the focus areas of the innovation strategy

In addition to geographical expansion, Kempower wants to continue to develop its product range, production and technology. We believe that the current product range is strong in terms of features and quality, but the company will continue to develop its product range to keep it competitive in the future. The amount of money spent on product development is still low in relation to revenue and much lower in absolute terms compared to larger competitors such as ABB e-Mobility, but Kempower is trying to increase its R&D efforts.

We believe that one of the most important aspects of the innovation strategy is to improve the cost and investment efficiency of production and operations. The cost-efficiency of production and subcontracting is not yet at an optimal level, as in the early stages of operations the primary focus has been on increasing production volumes and ensuring product quality. Improving and streamlining operations will be one of the competitive drivers of the future, as we expect the competitive landscape for fast-charging technology to harmonize and consolidate over the long term, with the relative importance of product features in competition decreasing and cost-efficiency, distribution and brand being emphasized.

## Strategy in a nutshell

### Expansion strategy

- The expansion of the distribution network enables scaling up of revenue.
- Revenue in Europe is currently growing strongly.
- A local organization has been set up in the US and production is scheduled to start at the end of 2023. NEVI subsidies will accelerate market growth in the coming years. However, Kempower's commercial success in terms of revenue has yet to be proven in North America.

### Innovation strategy

- The current product range provides an excellent basis for building growth, but product development will continue.
- The aim is to improve cost and investment efficiency in production and operations. We expect the importance of cost-efficiency in the market to increase in the long term.
- The innovation of entirely new products or features through research and development.
- Acquisitions are one way of strengthening the product range.

## Strategy and financial objectives (2/3)

In addition to developing existing products and operations, Kempower also wants to invest in long-term research and product development to create new innovations. This could mean, for example, expanding the product range or introducing more cost-effective solutions. The company is also exploring opportunities to increase the share of recurring revenue alongside equipment sales. In addition to organic development, we also see acquisitions as a possible way to expand the product range.

### The revenue target is realistic, but the range of outcomes is wide

Kempower's target to grow its revenue to EUR 750 million in 3-5 years (2026-28) is realistic in our view and we believe the company has the potential to reach the target in the early years of the target period. Revenue is expected to be around EUR 300 million in 2022, after which continued strong market growth, combined with geographic expansion and market share gains, could help to more than double revenue over the strategy period. We forecast revenue to land at EUR 648-872 million for 2026-28. Achieving this goal will require significant successes from the company, but the starting position is strong. The growth potential is not limited to EUR 750 million. As the market size grows to a projected EUR 14 billion by 2030, Kempower could manage to grow well beyond its medium-term growth target in the long term.

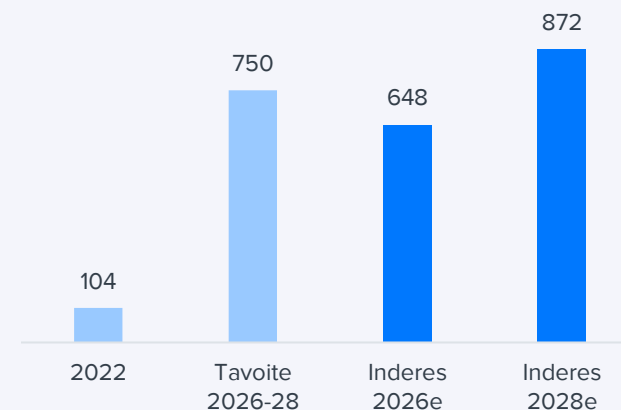
### We think profitability targets are prudent

The company targets an EBIT of 10-15% by 2026-28 and at least 15% in the long term (we forecast 19.9-20.2% for 2026-28). We consider the profitability targets conservative, as the company already managed to achieve an EBIT of 17% in Q1-Q3'2023 and its gross

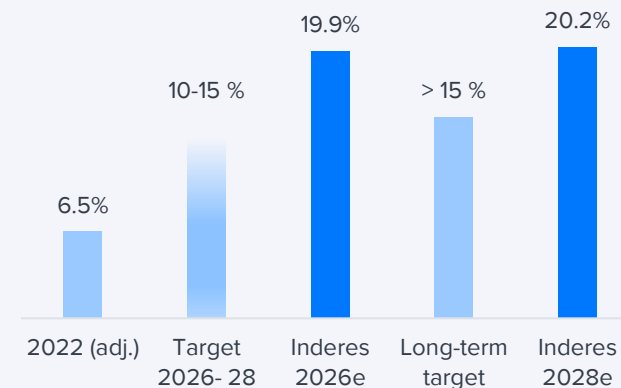
margins of around 50% are at the top of the industry. At the current stage of building the organization, profitability is not yet at an optimal level and, e.g., expansion in the US could reduce profitability in late 2023 and the following years, depending on how well sales take off. High recruitment and the ramp-up of new production facilities have so far prevented the company from achieving normal profitability, but if high gross margins are maintained, we believe the company has the potential to achieve EBIT margins of at least 15% and even above 20% in 2026-28.

Compared to its competitors, Kempower's profitability is best-in-class. Among the company's main competitors Tritium's gross margins are close to zero and EBIT well below zero. ABB's eMobility margins are reasonable, but the company posted a loss-making result in the first half of 2023 despite a much larger size than Kempower. Of the main competitors, ABB and Tritium are aiming for operating margins of 15-20% and 20%+ respectively. Although we have some reservations about the competitors' targets, we believe that they can be interpreted as indicating that Kempower's own profitability targets are rather conservative given the current starting level of margins, which is clearly better than those of its competitors. Kempower's cost-competitiveness currently looks stronger than its competitors and will further improve with the restructuring of production in Lahti and the scaling up of operations. At current margin levels, competitors cannot afford to lower sales prices. Therefore, we see Kempower as well positioned to emerge as a long-term winner from the consolidation of the market.

### Target level of revenue (MEUR)



### Target level of EBIT margin



# Strategy and financial objectives (3/3)

## Timeline of strategic goals



### Proven product competitiveness

- Kempower has launched fast-charging solutions for a wide range of applications in 2019-20
- The company has quickly become one of the largest and best-known manufacturers of fast chargers in Northern Europe
- Strong demand for Kempower's products in Norway, among other countries, and high gross margins prove the strong competitiveness of Kempower's products.

### Scaling operations by developing distribution and operations

- Sales organizations established in Europe and Australia, expansion continues
- Production starting in the US during 2023 and promoting sales in P-America
- Expanding and improving the efficiency of production in Lahti
- Exploring expansion opportunities in other markets (e.g. South and South-East Asia)
- Strongly increasing product development resources

### Optimizing and continuously improving profitability

- The best profitability potential can be materialized once the most significant expansion measures have been completed
- Improving operations is key, as cost-efficiency will become an increasingly important competitive factor in the long term
- Potentially stronger growth efforts in new markets

## Challenges and risks relevant to the implementation of the strategy

### Challenges that have been overcome

- Thanks to decades of development by Kemppi Oy, Kempower has been able to launch advanced charging technology in a relatively cost-effective way.
- Partnering with major customers supports product development and Kempower's brand development

### Near future 2022-2026

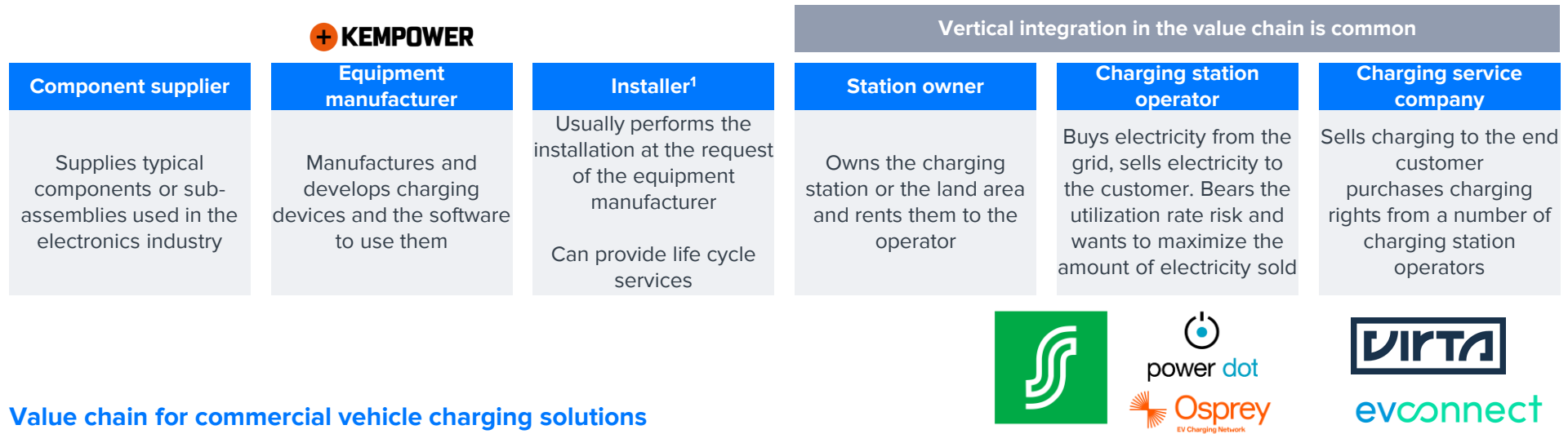
- The different operating environment in new countries can bring surprises
- Rapid expansion forces recruitment to be quick and can cause organizational growth problems
- Setting up production and subcontracting in the US can take time and weigh on profitability in the short term

### Long term 2026-

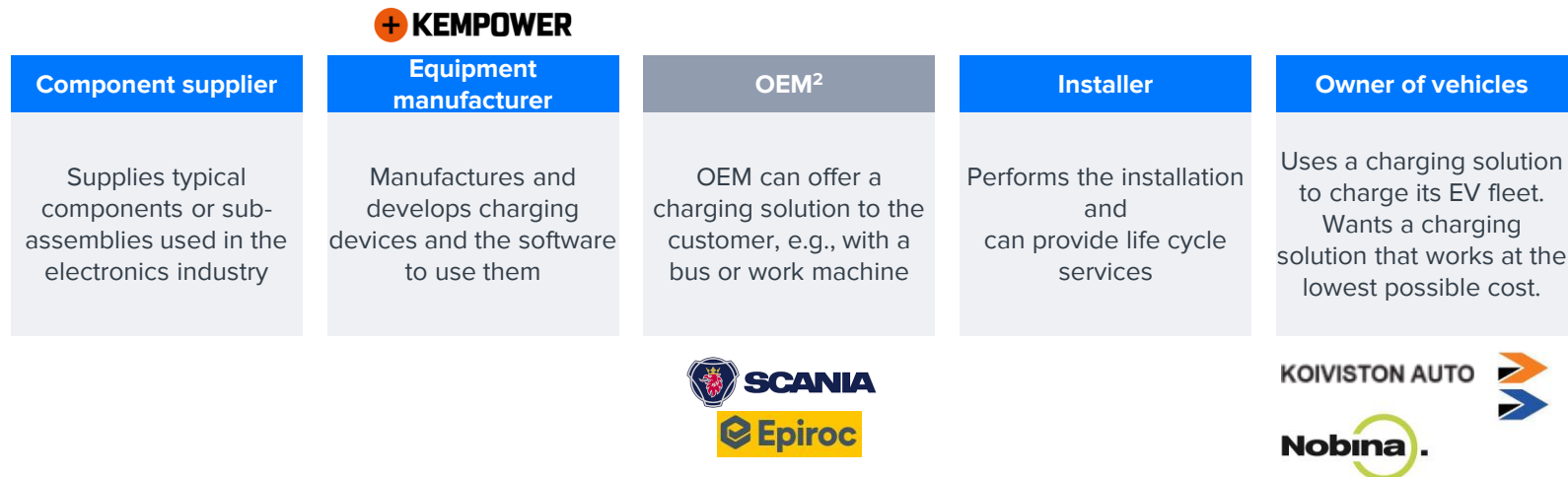
- Competitors have strong resources and are trying to catch up with Kempower's technology
- Price competition is inevitable
- The long-term profitability level of the market is still a question mark

# Value chain in the industry

## Value chain for public passenger car charging stations



## Value chain for commercial vehicle charging solutions



1) Sales can also be outsourced to a distribution company, in which case Kempower does not have to worry about ordering installation work.

2) OEM is a possible intermediary, but solutions are also sold directly to end customers



# Market and competitive environment (1/4)

## Market size and growth

The total market size for DC chargers for electric vehicles in Kempower's target regions in Europe and North America was EUR 1.4 billion in 2022. At its April 2022 CMD, Kempower presented a market study, according to which the combined DC charger market in Europe and North America is expected to grow to around EUR 14 billion by 2030. This would represent a compound annual growth rate (CAGR) of around 33%. The new estimate was a significant change from the EUR 4 billion estimate<sup>1</sup> (2030e) presented at the time of the IPO. The trend towards electrification of transport has accelerated in recent years. The rate and scale of change makes it challenging to estimate the growth of the market, and further changes can take place. The new growth forecast of EUR 14 billion assumes a much faster development compared to the EUR 4 billion scenario, especially for electrification of heavy transport.

Growth is expected to be particularly strong in relative terms in the US (2022-30e CAGR: 42%), where the charging infrastructure and electric car fleet are still lagging behind Europe (European CAGR 29%). In addition to Europe and North America, Kempower also operates with varying intensity in other smaller markets such as Australia, the Middle East and Southeast Asia. The market size in these regions is small compared to Europe and North America, but, e.g., South Asia can be expected to grow into a significant market in the long term.

### The passenger car fleet is electrifying rapidly

The vehicle fleet is expected to become heavily electrified over the coming decade, which will naturally support the demand for charging equipment.

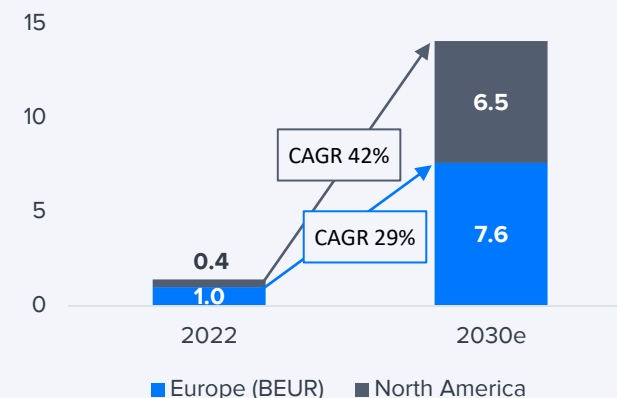
The passenger car DC charger market currently accounts for the majority of the total electric vehicle DC charger market (2022: 1.2 BEUR) and the passenger car segment is expected to grow to almost EUR 5 billion by 2030.

Fully electric passenger cars already account for a significant share of new car sales, 15% in Europe and 7% in the US in H1'2023. However, the share of full electric cars in the total registered car fleet at the end of 2022 was only around 1-2% in the regions mentioned above. ACEA forecasts<sup>2</sup> that the share of new registrations of electric cars in Europe will increase to 58% by 2030, bringing the share of the total car fleet to 17%. In the US, the pace of development is also predicted to follow a fairly similar path, with Bloomberg NEF forecasting that the share of electric vehicle sales will rise to over 50% by 2030.

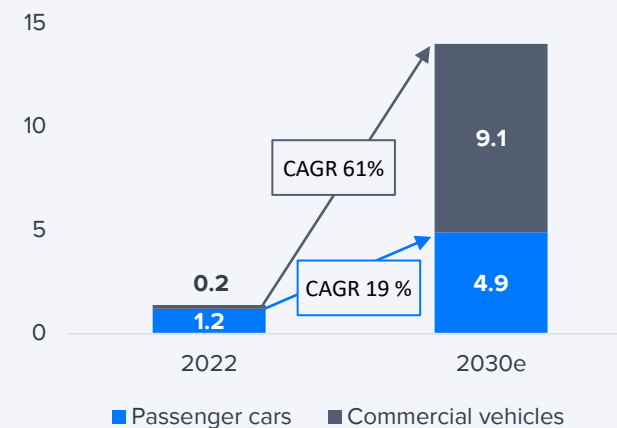
### Heavy transport is a major consumer of fast charging

The electrification of large commercial vehicles such as buses and trucks is also a major driver of the DC charger market. Commercial vehicles have higher consumption and utilization rates, which means they also need to be charged more often and faster. While around 10-30% of passenger car charging is done at fast charging stations, we estimate the figure for heavy electric vehicles to be over 50%. Heavy goods vehicles use both private charging stations, e.g., at bus depots, and public fast-charging stations alongside roads. However, according to the Acea study<sup>1</sup>, the vast majority (84%) of heavy vehicle charging would in the long term take place at private charging stations.

Target market growth by geography



Growth of the target market by segment



Sources: 1) BCG: Why Electric Cars Can't Come Fast Enough (April 2021), 2) ACEA European EV Charging Infrastructure Masterplan March 2022

## Market and competitive environment (2/4)

Commercial vehicles currently represent only a small share of the DC charger market (2022: 0.2 BEUR), but Kempower expects the market segment to grow to as much as EUR 9 billion by 2030. Electric buses are becoming more and more common at the moment with 13% of new buses in the EU in 2022 being electric. On the truck side, customer demand for electrification is strong, but the market is lagging behind buses and cars. Short-haul vehicles are already electrifying rapidly. The electrification of medium- and heavy-duty long-haul truck transport requires improvements in roadside charging infrastructure and the development of electric truck technology. Truck manufacturers are currently investing heavily in developing electric models and increasing production. In addition, the upcoming Megawatt Charging standard will accelerate the uptake of higher charging power.

### Falling battery prices support electrification

The long-term trend has been that evolving and cheaper battery technology is making electric vehicles a more attractive and cost-effective option. Batteries account for a significant share of the manufacturing costs of EVs, which we estimate to be around 15-30% for passenger cars, depending on the model. The price per kWh of lithium-ion batteries has fallen by around 90% between 2010 and 2020 and is expected to fall by a further 40% between 2020 and 2030<sup>2</sup>.

### Broad commitment to electrification of transport to reduce carbon emissions and pollution

Reducing carbon dioxide emissions is the main issue driving the uptake of electric vehicles in Western countries. Road transport accounted for 22% of the

CO2 emissions generated in the European Union in 2019<sup>1</sup>. In addition, improving urban air quality is a major driver, particularly important in Asia. Legislators and businesses in the West are widely committed to reducing emissions and electrifying transport. Several car manufacturers have announced that they will reduce or stop production of cars with internal combustion engines, and several European cities are already restricting the use of IC engines in city centers.

### Regulation and public subsidies accelerate the transition

The electrification of transport and the construction of charging infrastructure is supported by policy decisions in most parts of the world. In 2023, the EU decided on a new regulation (AFIR<sup>3</sup>) that requires public fast-charging stations and heavy vehicle charging stations to be built, with certain minimum requirements, along the entire European TEN-T transport network. The requirements under the regulation could mean 1 million charging points by 2025 and 3.5 million charging points in 2030<sup>4</sup>. The eventual demand for charging stations, and in particular their power, is likely to be significantly higher than the minimum levels of the regulation in some places.

In the North American market, the US administration's NEVI package offers a USD 5 billion support program that will allow up to 80% of public funds, depending on the region, to be reimbursed for the construction of new charging stations between 2023 and 2026. This will significantly accelerate the electrification of US transport.

Sources: 1) UNCC, 2) Custom Market Insights: Global Electric Vehicle (EV) Market 2023 – 2032, 3) Alternative Fuels Infrastructure Regulation, 4) Power2Drive

## Drivers of target market growth

### Strong uptake of electric cars

- The electric car fleet is expected to increase 10-15-fold by 2030, accounting for around 15-20% of all cars in the West
- Improved fast-charging performance of new EVs, increasing the need for power at fast-charging stations


### Rise of commercial electric vehicles

- Electric power lines are being deployed in various areas, such as public transport, trucks, machinery and ships

### Increasing share of aftermarket revenue

- Power upgrades, software and spare parts enable around 10% additional revenue on top of equipment sales

## Evolution of the number of electric vehicles<sup>5</sup>

	2022	2030e
	<b>6,500,000</b> ~10% of new cars 1% of the car fleet	<b>90,000,000</b> 60% of new cars 17% of the car fleet
	<b>~10,000</b> < 10% of new cars 1% of the car fleet	<b>450,000</b> 60-80% of new cars 25% of the car fleet
	<b>10,000</b> < 1% of new cars < 1% of the car fleet	<b>1,100,000</b> 40% of new cars 10% of the car fleet

5) aggregated figures for the European and North American markets. Source: Kempower, Inderes estimatet, ACEA European EV Charging Infrastructure Masterplan March 2022, IEA

# Market and competitive environment (3/4)

## Kempower focuses on the high-speed and high-power segment

EV charging solutions can be divided into three product segments: Slow charging solutions (1-22 kW, AC), fast charging solutions (22-100 kW, DC) and high-power charging solutions (>100 kW, DC). Kempower focuses on fast and high-power charging solutions, which are not only technically more complex, but also significantly more expensive, with fewer manufacturers on the market. Slow-charging solutions are technologically simpler devices that supply alternating current.

DC charging solutions, which require a significant initial investment, are typically used for commercial purposes, such as roadside charging stations, where vehicles are typically only charged for short periods of time, and at charging stations for commercial vehicles such as buses and work machinery. High-speed DC charging stations are also used in car parks for shops and hotels, as well as on streets and other public places. However, in workplace parking, fast-charging stations are relatively rare. Slow AC charging solutions are sold to a wide range of customer segments including households, workplaces, shops, hotels and commercial vehicle operators.

The advantage of AC chargers, in addition to their low price, is that even households' existing electricity connections are quite sufficient, making the initial investment reasonable. Slow charging solutions are well-suited for long-term car charging (e.g. overnight), but poorly suited for short-term charging, for example at service stations or elsewhere on the road network. The prevalence of public recharging varies somewhat between geographical areas. In Asia, up to 40% of electric vehicle charging takes place outside the

home and workplace, supporting the market potential for DC charging solutions. In Europe and the US, public charging is not quite as widespread, with only around 25-30% of charging taking place outside the home and workplace.

## Market saturation is not yet in sight

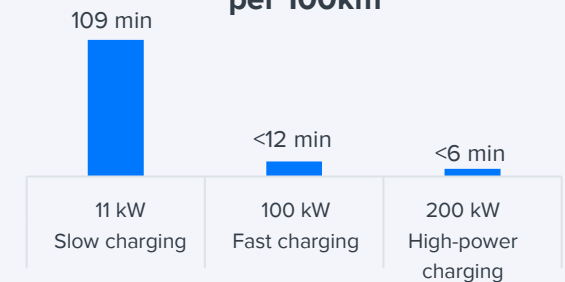
The market for fast chargers has grown strongly in recent years and may take a long time to reach saturation, given the structural growth drivers supporting the electrification of transport. Even macroeconomic challenges and higher interest rates in 2022-23 have not stopped the market from growing, even though building charging networks is a capital-intensive activity. Charging point operators (CPOs) have a commercial incentive to build a charging network in a front-loaded manner and gain market share, even if the business is not yet very profitable. At the same time, the number of CPOs has grown as traditional retailers and petrol station chains have expanded their activities to offer charging solutions. The growth of operators specializing in heavy vehicle charging solutions will also expand the market in the coming years. Although the market should continue to grow strongly for a long time, it is likely to fluctuate over the years, depending on economic cycles or political decisions. Demand for replacements is likely to offset the saturation of the market, as DC chargers have high utilization rates and need to be replaced every 5-8 years.

## Kempower focuses on fast and high-power charging

	Segment	Slow charging	Fast charging	High power charging
Public	On the road network		<b>+ KEMPOWER</b> X	X
	Stores and hotels	X	X	X
	Streets and public places	X	X	
Private	Commercial vehicle operators (e.g. buses, machinery)	X	X	X
	Workplaces	X	X	
	Households	X		
Price		0.5-2 TEUR	20-40 TEUR	50-150 TEUR

X Use typical in the segment      X Use limited in the segment

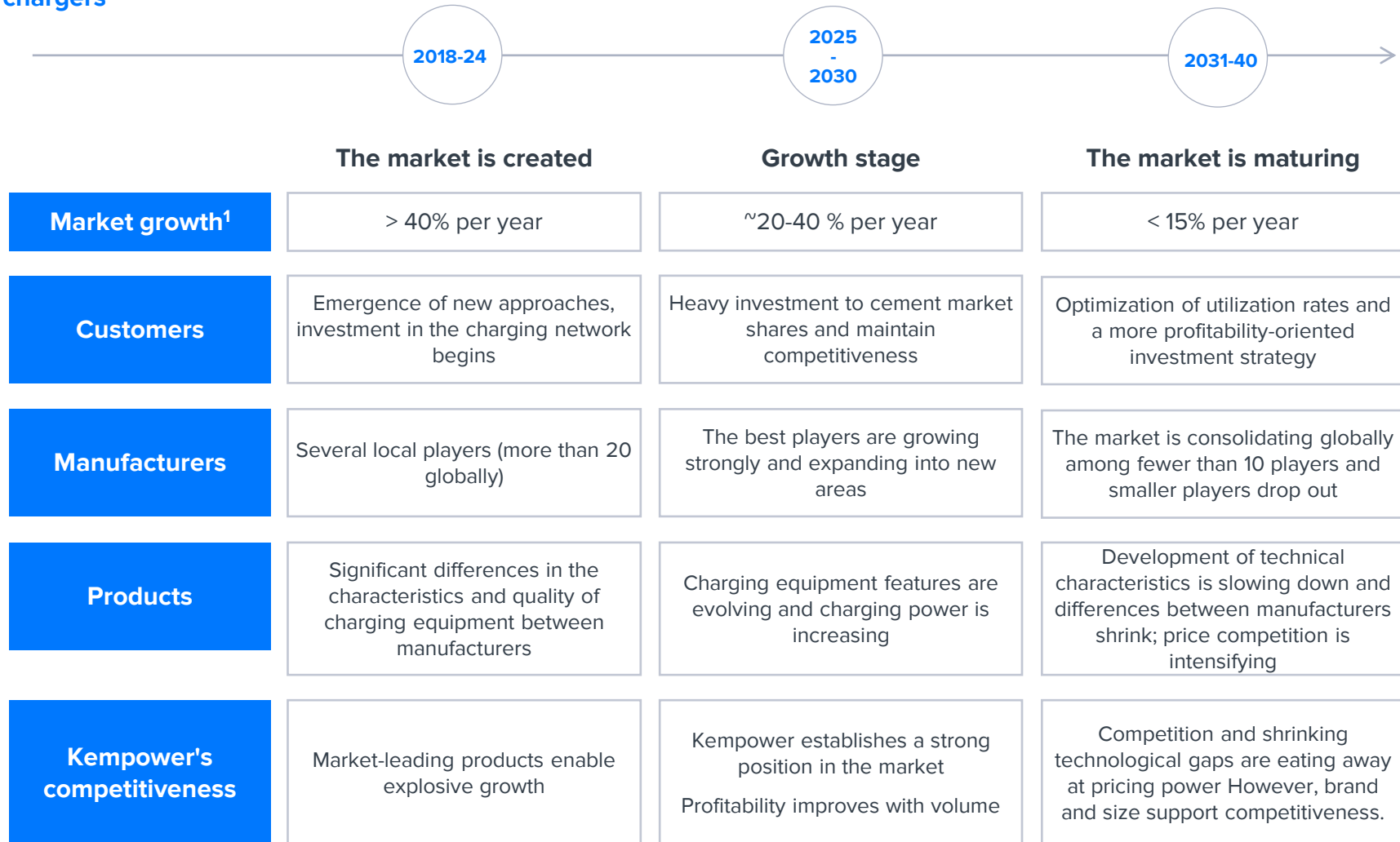
## Charging time for a passenger car per 100km\*



\*Theoretical calculation with consumption default of 20 kWh/100km  
Source: Kempower and Inderes

# Market and competitive environment (4/4)

## Estimated evolution of the market and competitive situation for DC chargers



1) Projected market growth rate corresponds to Kempower's estimate of the target market size of EUR 14 billion in 2030. There is considerable uncertainty in the growth forecast. Source: Inderes

# Competition (1/2)

## Competition in fast charging technology is limited

There are more than 20 players in the market for electric vehicle fast chargers (DC) and the market is currently rather fragmented. DC charging is technically challenging compared to slower AC charging solutions, resulting in limited competition and a much smaller number of manufacturers compared to AC charging solutions. Competitors in fast-charging technology include a wide range of companies in terms of technology, features and distribution. Only some of the players have a strong enough product portfolio and product development to compete globally.

The competitive landscape of the fast-charging market can be divided into two segments: Passenger car charging and commercial vehicle charging. In the passenger car charging market, we estimate that Kempower's main competitors are Tritium, ABB, Delta, Siemens, Alpitronic and, indirectly Tesla that has mainly manufactured equipment for its own charging stations so far. Other competitors in the passenger car industry include ChargePoint, Phihong, Efacec, Circontrol, EVBox, BTC Power and Lincoln Electric. On the utility vehicle side, major competitors include ABB, Siemens and Eko Energetyka.

## Kempower quickly becoming one of the big players

Kempower is a relatively new entrant in the fast charger market. However, the company's market share in 2022 was already 7% (2021: 3%) of the combined European and North American market and we forecast this to grow to around 13% in 2023. Tesla has maintained its position as the overwhelming market leader with 35% market share in 2022 (2021: 35%). However, Tritium's market share, which is

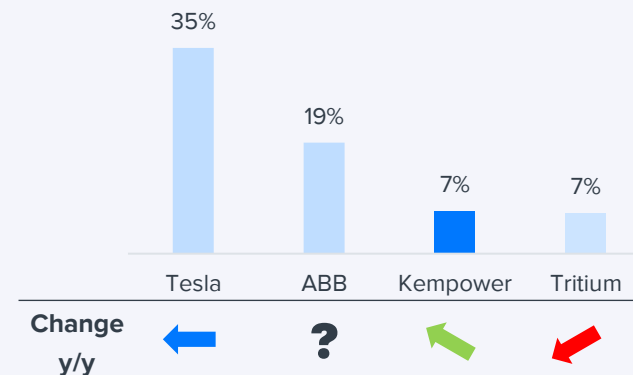
suffering from production and subcontracting difficulties, fell to 7% (2021: 14%). ABB e-Mobility's 2022 revenue is not known but based on a few data points we estimate that the company has slightly increase its market share to 19% during 2023, assuming that DC solutions would account for 50% of revenue (2021 market share with a similar assumption: 16%).

We also expect Siemens' DC charging business to be significant in size, but the company has not provided any information on revenue. In August 2023, Siemens acquired Heliox, a company specializing in charging solutions for heavy transport. ABB, for its part, has postponed the listing of its e-Mobility unit, citing weak market conditions. Given the limited information available, ABB e-Mobility's profitability seems to have underperformed, and the management of the unit was also changed in April 2023.

## Kempower's profitability in a class of its own

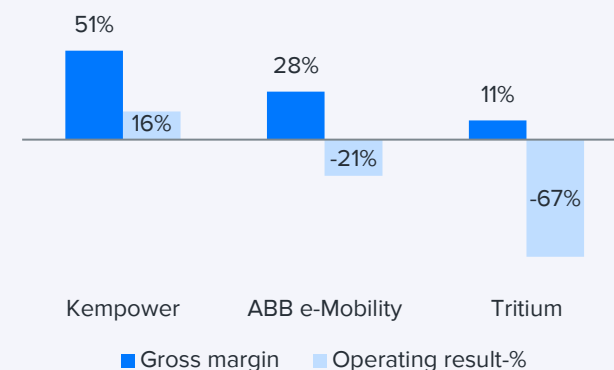
Alongside growth, we believe that the profitability of companies in the sector is another important indicator of competitiveness. Kempower is superior in this comparison with a gross margin of 51% and an EBIT margin of 16% (H1 2023). The EBIT figure in particular is excellent, given the strong increase in fixed costs amid growth efforts. Competitors such as ABB e-Mobility and Tritium have so far posted negative operating results. The gross margins of these competitors have also been lower than those of Kempower, which may be partly explained, at least in the case of ABB, by a different product mix including lower margin AC chargers. Comparing profitability levels is challenging because most of Kempower's competitors are part of a larger company and DC charger business figures are not provided separately.

## Market shares of DC charger manufacturers 2022<sup>1</sup>



1) European and North American markets. Based on Inderes estimate

## Profitability levels of charger manufacturers<sup>2</sup>



2) Kempower figures: realized in H1'23, ABB e-Mobility's gross margin is in line with the company's communicated target level for 2022 (25-30%) and the H1'23 EBIT is in line with the EBITA margin. Tritium's gross margin corresponds to the company's target for 2023 (10-12%) and the EBIT for H2'22 is to the realized result.

## Competition (2/2)

### Technology and products still the main competitive advantage

In the medium term, we believe that product leadership and technology level will be the most important competitive drivers. We believe that Kempower's products are highly competitive in terms of their technological features. We believe that especially company's charging systems' ability to share power between up to 8 cars (dynamic charging) is unique compared to competitors' products. Competitors have also developed dynamic power distribution, but their power sharing is typically limited to 2 or in some cases 4 EVs. Intelligent power distribution increases the utilization rates of the power unit. Higher utilization rates, lower investment costs and a positive customer experience will attract customers to Kempower products. On one hand, there are some strong technology developers among the competitors who are likely to be able to catch up with Kempower in the long term. Kempower's technology is protected by a few patents, but the same features can be achieved by other means. On the other hand, some competitors have relied heavily on off-the-shelf technology for cost reasons and have invested less in their own product development, making it difficult for them to compete in the long term.

### Kempower is also achieving economies of scale

In the future, we expect the fast-charging market to be concentrated among global companies producing the best equipment, which will likely include Kempower, Tesla and ABB. We expect technological gaps to narrow as the market consolidates, highlighting the importance of price competition and operational efficiency. Kempower is also well positioned to compete for long-term efficiency, having achieved a high level of scale in its business, at least in the

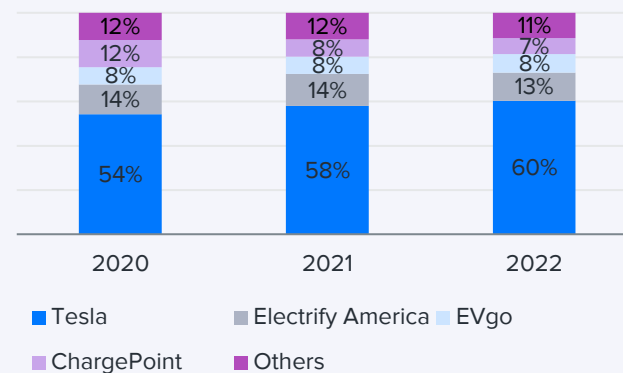
European market. With the opening of the third factory building in Lahti, Kempower will be able to organize its production efficiently and centrally.

In the US, however, the scale game has yet to be solved. Tesla is the only major manufacturer in the market. Tritium also has a large plant in the US, which is slightly ahead of Kempower in terms of schedule. However, strong products could put Kempower among the major players also in the US.

### The competitive landscape in the US is different from Europe

Tesla has an exceptionally high market share (2022: 60%) in DC charging stations, compared to a 20% market share in Europe. US consumers' perception of other operators' and manufacturers' chargers is poor, which may be partly due to the earlier stage of development of the market compared to Europe. With generous NEVI subsidies, major European manufacturers Kempower, ABB, Siemens, Tritium and Alpitronic are expanding production in the US, which will support new charging operators and likely take market share away from Tesla. Tesla and another major player ChargePoint are primarily focused on developing their own charging networks and have hardly sold their devices to other operators. For example, many retailers and oil companies want to manage their own on-site charging business. That's why they want to buy the necessary technology from equipment manufacturers instead of allowing Tesla or ChargePoint to sell electricity on their property. However, oil company BP announced in October 2023 that it would buy USD 100 million worth of heavy-duty chargers from Tesla, so Tesla may also start to compete partly as a pure equipment manufacturer.

### DC charging operators' market shares in the US in 2022<sup>1</sup>



### Kempower's competitive position

#### Strengths

- Technological advantage through e.g. inverter and power management expertise inherited from Kemppi.
- Strong growth puts the company's business among the largest in terms of size, bringing economies of scale

#### Weaknesses

- R&D scale so far smaller than the main competitors, although this area is constantly being increased
- A relatively unknown player in the US and there is room for improvement in the distribution organization

# Historical development and economic situation (1/2)

## Short history includes strong growth

Kempower was incorporated in 2017 and released its first T-Series, S-Series and C-Series charging solutions in 2019. Since then, the company has grown rapidly to become one of the leading suppliers of DC charging solutions in the market. In its first few years, the company started to collaborate on product development for commercial vehicles and buses, and also won several orders from this customer segment. Revenue was in the millions for the first time in 2020 and amounted to EUR 3.3 million.

Building sales channels to Europe outside the Nordic countries during 2021 started to pay off from Q4 of the same year. In 2022, revenue already rose to EUR 104 million, of which 56% came from the Nordic countries and 39% from the rest of Europe. Revenue growth has continued strongly during 2023 (Q1-Q3: 201 MEUR, +205% y-o-y), of which already 59% came from outside the Nordic countries. The order backlog at the end of Q3 was EUR 127 million, an increase of 33% year-on-year. Significant order anticipation was seen in the second half of 2022, when delivery times were extended due to component shortages and lack of supply capacity. Kempower's new orders turned down for the first time in Q3'2023 (-7% y-o-y), as customers no longer had a need for proactive orders due to shorter delivery times. Rising interest rates and economic uncertainty may also contribute to the fall in orders.

## Margins above competitors

The gross margin was just under 50% in 2021-22, rising to 51.7% in Q1-Q3'2023. Kempower's gross margin level is high compared to other fast charging solution manufacturers whose gross margins have been lower (2022: Tritium -10% (H2), ABB eMobility target 25-30%).

## Headcount and fixed costs on the rise

The increase in fixed operating costs resulting from the strong growth efforts has limited the earnings development, although the gross margin has been at an excellent level. The number of staff has been strongly increased to implement the growth strategy (end of 2021: 136, end of Q3'2023: 619). Personnel expenses increased to EUR 22 million in 2022 and were 21.1% of revenue. Other operating expenses during 2022 totaled EUR 20 million, or 19.5% of revenue.

## Profitability scaled well in 2023

Adjusted EBIT turned positive in 2022 (6.7 MEUR, 6% of revenue). For Q1-Q3'2023, the operating margin was already at a strong 17.5%, although Kempower warned that expansion-related costs would weigh on profitability in the near term. The company's revenue and profitability have historically followed a seasonal pattern, as more charging equipment is installed during the summer, especially in the Nordic countries, which means that Q2 and Q3 have generally been strong quarters. However, this seasonality has become less important as revenue becomes more dispersed outside the Nordics.

In past years, financial costs have been largely non-existent. With the IPO, the company is debt-free and in H1'2023 the company received net cash proceeds of EUR 0.5 million. In the early days of Kempower, the company's operations were financed through the parent company Kemppi Group. In 2018-2020, Kempower received a total of EUR 5.8 million in group contributions from the parent company Kemppi Group. Adjusted net income, after adjusting for group contributions, IPO expenses and related tax effects, is estimated to be negative by around EUR 2 million in 2019-2020 and positive by EUR 1.6-3.6 million in 2021-22.

## Strong balance sheet

In the autumn 2021 IPO, Kempower raised gross proceeds of EUR 100 million, which brought the company's financial resources to a competitive level and enables it to accelerate its growth investments. At the end of June 2023, the company had financial assets of EUR 93 million and an equity ratio of 58%. The company has no interest-bearing debt except for lease liabilities of EUR 24 million.

## Cash flow has turned clearly positive

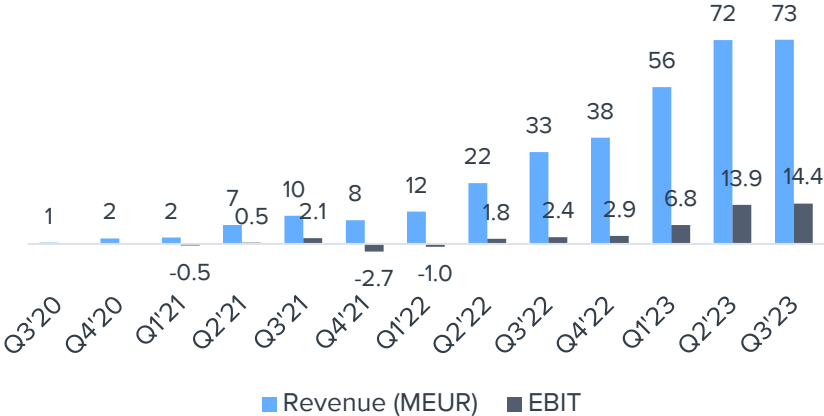
Kempower's operating cash flow is turning positive thanks to improving profitability. Cash flow from operating activities was still EUR -5 million in 2022, but in H1'2023 cash flow turned positive to EUR 23 million (H1'22: -3.7 MEUR). During 2022, the company increased its inventory levels due to a shortage of components, which led to an increase in intermediate stocks and ate into cash flow. The normalization of component availability and inventories during 2023 has in turn contributed to cash flow.

During 2022, Kempower's investments totaled EUR 6.2 million, related to production expansion and ICT projects. This figure does not include rented premises, which increased to EUR 21 million during 2022 (2021: 3 MEUR).

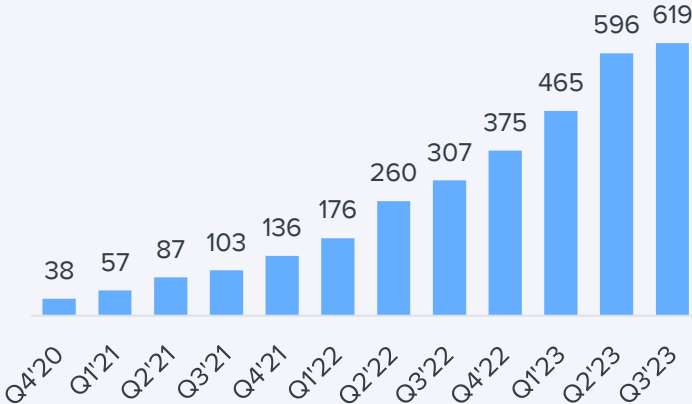
We understand that Kempower's business model is quite capital light and the majority of fixed assets on the balance sheet consist of leased premises. Production consists mainly of assembling and testing products, which means that increasing manufacturing capacity doesn't require large investments in production equipment. Net working capital in June 2023 was around 10% of revenue (LTM).

# Historical development and economic situation (2/2)

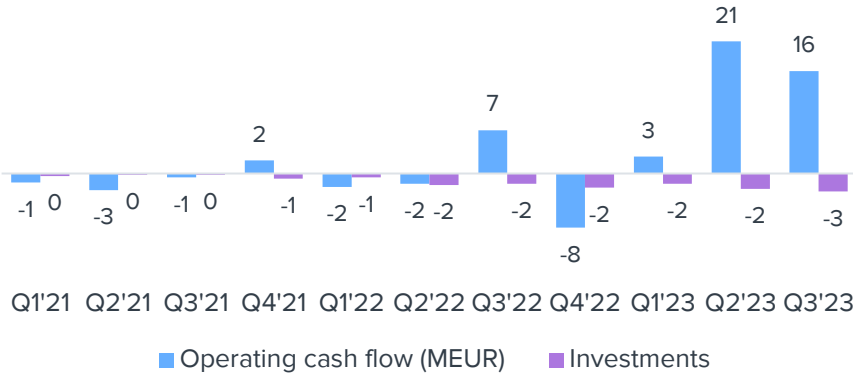
**Net sales and EBIT development**



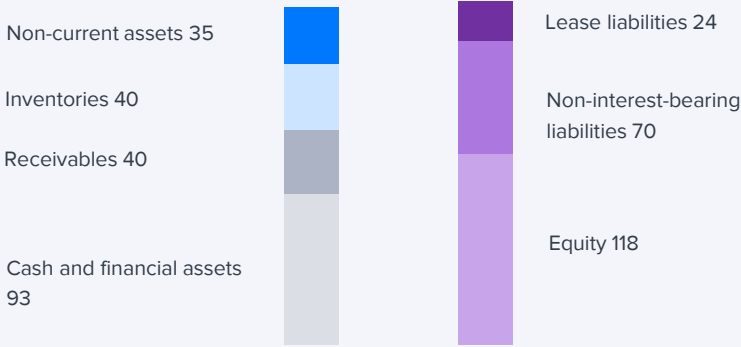
**Personnel headcount**



**Cash flow development**



**Balance sheet at the end of H1'2023 (MEUR)**





# Estimates (1/4)

## In the short term, growth outpaces the market

In 2023, we expect revenue to reach EUR 298 million, an increase of 188% year-on-year. Strong growth is driven so far by strong market demand, and Kempower's distribution channels and customer relationships have developed positively. We expect the highest absolute revenue growth in Europe outside the Nordic region, where Kempower has developed its distribution during 2021-23. We do not expect the company's production capacity to significantly constrain growth in Europe in the coming years, as volumes at existing facilities can still be increased and a new production facility will open in Lahti during 2024, allowing for a doubling of capacity. Component availability has improved. The outlook for growth in the Nordic countries also remains good. Revenue in North America is forecast to increase towards the end of 2023 but will remain low.

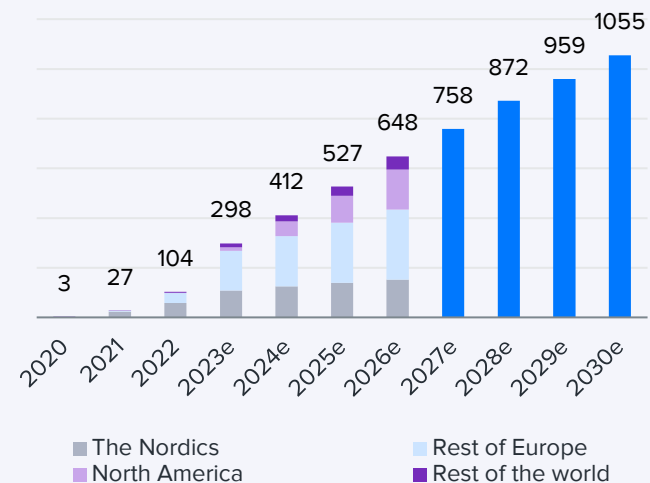
For 2024, we forecast revenue of EUR 412 million (+38% y/y), which is also well above the order intake we forecast for 2023 (297 MEUR). We expect growth to remain strong in Europe (22%). In North America, we forecast very strong relative growth from a low base as sales are supported by the establishment of a US distribution organization and production facility and generous NEVI subsidies. The first NEVI subsidies have already been granted during the summer and fall of 2023, but we have not yet seen that they have been granted to sites using Kempower chargers. We forecast North American revenue to grow to EUR 59 million in 2024 and EUR 107 million in 2025. It would be critical for Kempower to quickly ramp up production and customer relationships - this is also one of the main uncertainties for growth prospects in the coming years.

## Long-term growth potential is high and the range of opportunities is wide

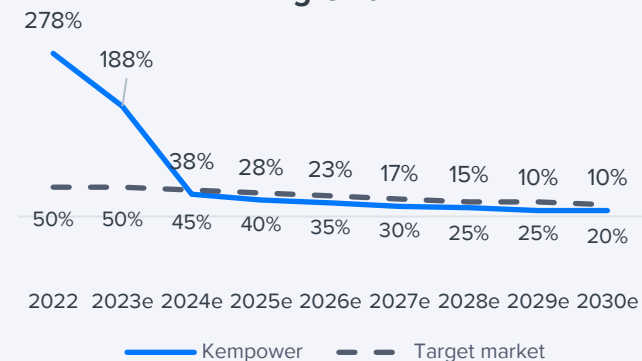
Our forecasts assume that growth will slow down year by year. Kempower's market growth estimates for 2023-30 suggest a CAGR of 33%, well above our growth forecast for 2024-30 (20%). We see no reason why Kempower would lose market share in these years, and we are not arguing that the market couldn't grow to 14 billion by 2030 in Europe and North America. However, we believe that more evidence of market growth is needed, especially for heavy transport, before this EUR 14 billion scenario can be priced into Kempower's share. Market growth in 2024 may well remain well below trend due to economic uncertainties and rising interest rates.

Our current forecasts would see Kempower's market share rise to 13% in 2023 in Europe and North America. If the company's main target market were to grow to EUR 14 billion by 2030, Kempower's revenue would increase by 13% to around EUR 1.9 billion, not including revenue from other markets such as Asia. Conversely, our current revenue forecast of EUR 1.1 billion for 2030 sees the main target market grow to EUR 7.4 billion (with 13% market share), which is only a tad above half the size of the market the company estimates for 2030.

Revenue (MEUR)



Revenue growth vs. market trend growth<sup>1</sup>



1) The market trajectory presented is a rough estimate, which matches Kempower's estimate of a market of EUR 14 billion in 2030 but does not take into account the short-term fluctuations in demand.

## Estimates (2/4)

Our revenue estimates for 2026-28 are EUR 648-872 million, broadly in line with the company's target of EUR 750 million. After our actual estimate period, our growth estimate for the terminal period is 3%. Strong market growth may continue beyond our forecast period, as the electrification of the car fleet is still in a development phase between 2030 and 2040 (in 2030, the share of fully electric cars in the West is only 17%). However, in the longer term, equipment sales growth is likely to slow down, and the narrowing of technological gaps may put downward pressure on prices. As a competent technology company, Kempower certainly has the potential to develop new products or entirely new business models in the coming decades. Long-term developments therefore present both risks and opportunities, which are still challenging to define more precisely at this stage.

### Good basis for improving profitability

Kempower is currently achieving excellent gross margins (Q1-Q3'23: 52%), which should allow it to achieve an EBIT margin well above 20% if the company scales up many times over like we estimate. However, it is possible and even likely that margins will come under downward pressure in the longer term as competition continues and technological differences between devices narrow. Nevertheless, we believe Kempower's fundamentals for long-term profitability are strong, as the company currently has perhaps the most competitive products in the market and is becoming one of the largest in size, enabling more efficient production.

In our forecasts, we assume a gross margin of around 51% for Q4 2023 and 2024. After that, we have assumed that the gross margin will gradually decrease to 48.3% by 2030. In particular, the start of US

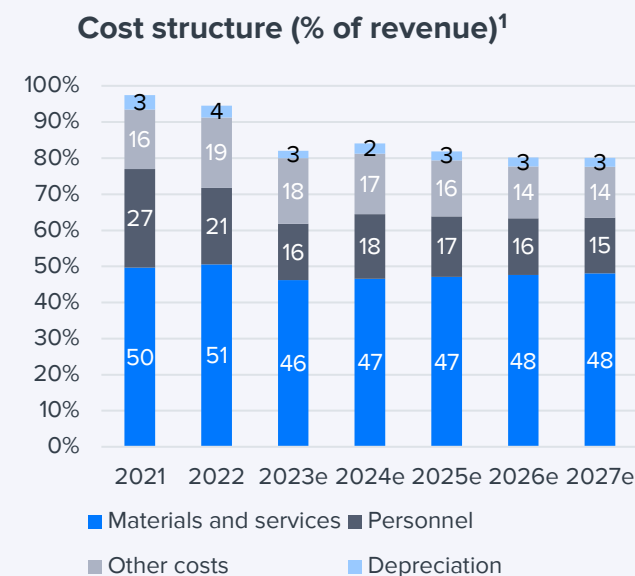
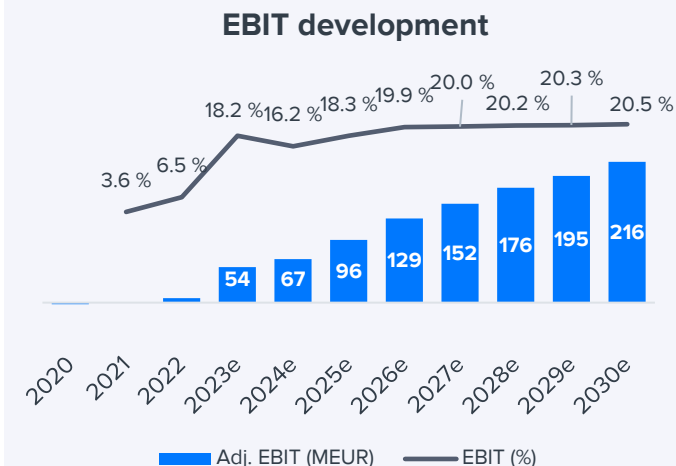
production in late 2023 and during 2024 will be a significant variable in the development of gross margins. While generous NEVI subsidies can support gross margins, production is unlikely to be as cost-effective as in Lahti, at least initially.

### Fixed costs to increase significantly in 2023-24

Fixed costs will increase dramatically in the coming years as the whole organization scales up to global size and all functions, from product development to sales and administration, are developed. In its guidance, Kempower has pointed out that the increase in fixed costs will weaken profitability performance in H2'2023 as the company ramps up its US operations. In the long term, we forecast the ratio of fixed costs to revenue to fall, clearly offsetting potentially declining gross margins. Kempower's business and manufacturing do not tie up large amounts of long-term fixed assets, so depreciation as a share of revenue is forecast at 2.9% in 2024, falling to 2.3-2.5% in the long term (2025-30e).

### Profitability scaling is expected to accelerate in 2025

We forecast the EBIT margin to reach 18.2% in 2023 and fall to 16.2% in 2024, driven by an increase in fixed costs. Thereafter, a more significant leap in profitability will be seen as the business is scaled up with lower additional investment needs in both Europe and North America. In 2026-29, we forecast the EBIT margin to be already at 20% (the company's target is 10-15% for 2026-28). From 2031 onwards, we expect the EBIT margin to settle at its long-term level of 20%.



1) Other expenses for 2021 adjusted by 1.7 MEUR one-off item related to the IPO.

## Estimates (3/4)

Although growth is expected to continue in the 2030s, profitability is no longer projected to improve due to narrowing technological gaps and price competition. Kempower aims to achieve an EBIT margin of more than 15% in the long term. Assessing long-term profitability is very challenging at the current stage of market development and the estimates are therefore subject to considerable uncertainty. The long-term EBIT forecast of 20% is very demanding and requires the company to succeed in product competition and scale-up.

### EPS grows to EUR 3.03 in 2030

We forecast Kempower's net profit to be around EUR 44 million in 2023 and to grow to EUR 169 million by 2030. EPS would therefore be EUR 3.03 in 2030. We have estimated that financing costs will be non-existent in the long term, as the company has a strong balance sheet on the net cash side, which we believe will be sufficient to make the necessary growth investments. We have estimated a tax rate of 22% in both the medium and long term.

### Working capital commitment and plant investment up in 2023-24

Meeting growth targets requires investments in production capacity, human resources, working capital and other operational activities. We expect working capital growth to absorb EUR 4 million in the current year, EUR 8 million in 2024 and EUR 4-7 million in 2025-27. In the short term, inventories will increase in North America, which will have a particular impact on the growth of working capital employed.

We estimate fixed asset investments of EUR 20 million in 2023 and EUR 27 million in 2024, inflated by acquisitions of real estate and equipment in the US

and in Lahti. However, the majority of the estimated investments are leases to be capitalized on the balance sheet, which do not have a major impact on Kempower's cash flow.

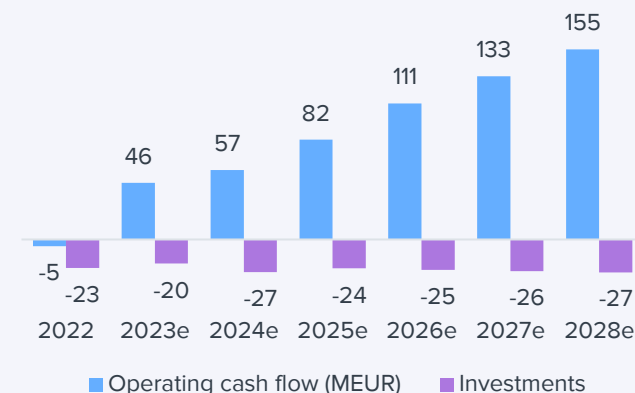
### Cash position to swell from 2025 onwards

In June 2023, Kempower had cash and cash equivalents of EUR 93 million and lease liabilities of EUR 24 million on its balance sheet. We estimate that cash flow from operating activities has turned permanently positive and is about to exceed the financing needs arising from investments and working capital commitments. Kempower therefore no longer needs much of its strong cash position to implement organic growth in line with its strategy. Moreover, the company's strategy does not include a dividend payment, at least for the time being. Cash may be used to finance acquisitions. We believe that Kempower would be particularly interested in building business models that generate recurring revenue in addition to equipment sales. As such, we estimate that the company could consider acquiring companies that, e.g., develop software for charging devices.

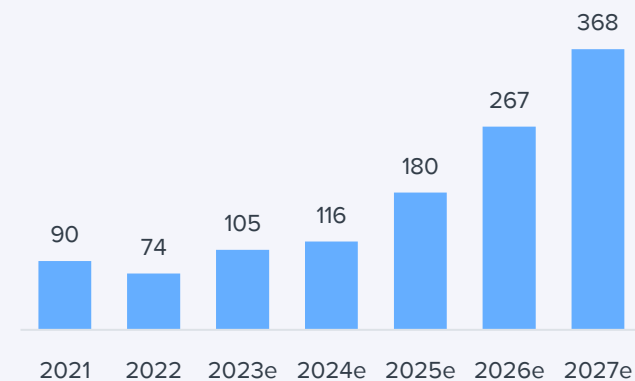
### Return on capital is already high

We forecast a return on invested capital (ROI) of 39% in 2023 and roughly at this level until 2026, after which the ROI will start to decline, mainly due to bloated cash position. The business is very capital-light. We expect the ROI to fall to just under 20% in the long term (2032e). An ROI of almost 20% is a typical level for leading global high-tech companies. There is still a lot of uncertainty about Kempower's long-term market position, even though the current return on capital is staggering.

### Cash flow development



### Cash position development (MEUR)



Swelling cash reserves can be used for M&A or dividends (not included in our estimates).

Source: Inderes

# Estimates (4/4)

MEUR	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal period
<b>Order intake</b>			<b>7</b>	<b>37</b>	<b>209</b>	<b>297</b>	<b>415</b>	<b>544</b>						
- growth %				427%	459%	42%	40%	31%						
<b>Order book</b>			<b>4</b>	<b>14</b>	<b>119</b>	<b>117</b>	<b>121</b>	<b>138</b>						
				261%	768%	-1%	3%	14%						
<b>Revenue</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>27</b>	<b>104</b>	<b>298</b>	<b>412</b>	<b>527</b>	<b>648</b>	<b>758</b>	<b>872</b>	<b>959</b>	<b>1055</b>	
- growth %		68%	909%	730%	278%	188%	38%	28%	23%	17%	15%	10%	10%	3%
Revenue by geography														
The Nordics	0	0	2	23	58	109	126	140	152	167				
- growth %					150%	88%	15%	11%	9%	10%				
Rest of Europe	0	0	1	4	41	159	202	242	282	326				
- growth %					893%	291%	27%	20%	16%	16%				
North America	0	0	0	0	2	14	59	107	161	200				
- growth %							324%	81%	50%	24%				
Rest of the world	0	0	0	0	4	16	25	38	53	66				
- growth %							55%	50%	40%	25%				
Material and service costs	0.0	-0.1	-1.5	-13.6	-52.4	-137.8	-191.3	-248.2	-308.6	-364.8	-423.9	-471.1		
Personnel costs	-0.3	-1.1	-2.2	-7.5	-21.9	-46.5	-73.7	-88.5	-101.8	-116.8	-131.7	-142.0		
Other costs	-0.4	-1.3	-1.8	-5.9	-19.9	-53.5	-68.0	-80.9	-92.5	-106.1	-119.6	-128.7		
<b>EBITDA</b>	<b>-0.6</b>	<b>-2.2</b>	<b>-2.1</b>	<b>0.5</b>	<b>9.5</b>	<b>60.5</b>	<b>78.8</b>	<b>109.4</b>	<b>145.4</b>	<b>170.7</b>	<b>197.1</b>	<b>217.6</b>	<b>240.4</b>	
- % of revenue				1.8%	9.2%	20.3%	19.1%	20.8%	22.4%	22.5%	22.6%	22.7%	22.8%	
Depreciation	0.0	0.0	-0.1	-1.1	-3.4	-6.1	-11.9	-13.2	-16.2	-19.0	-20.9	-23.0	-24.3	
<b>EBIT</b>	<b>-0.6</b>	<b>-2.2</b>	<b>-2.2</b>	<b>-0.7</b>	<b>6.1</b>	<b>54.4</b>	<b>66.9</b>	<b>96.2</b>	<b>129.2</b>	<b>151.7</b>	<b>176.1</b>	<b>194.6</b>	<b>216.1</b>	
- % of revenue				-2.6%	5.9%	18.2%	16.2%	18.3%	19.9%	20.0%	20.2%	20.3%	20.5%	20.0%
Financial expenses				-0.2	-1.3	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Taxes				1.1	-1.2	-10.5	-14.7	-21.2	-28.4	-33.4	-38.7	-42.8	-47.5	
- Tax rate %				122%	25%	19%	22%	22%	22%	22%	22%	22%	22%	22%
Net profit				0.3	3.6	44.6	52.1	75.0	100.7	118.4	137.4	151.8	168.6	
<b>EPS (EUR)</b>				<b>0.01</b>	<b>0.07</b>	<b>0.80</b>	<b>0.94</b>	<b>1.35</b>	<b>1.81</b>	<b>2.13</b>	<b>2.47</b>	<b>2.73</b>	<b>3.03</b>	
Investments (incl. capitalization of leasing contracts)			0	4	23	20	27	24	25	26	27	27	28	
Net working capital			3	4	21	25	33	39	45	49	52	52	57	
Cash and cash equivalents			1	90	74	105	116	180	267	368	497	644	803	
Headcount (at the end of year)	5	17	38	136	375	694	850							

Source: Inderes

The data is presented in accordance with FAS 2018-20 and IFRS from 2021 onwards.

# Investment profile

1.

Technology differentiates the company from its competitors and helps it gain market share and get the best margins

2.

Becoming one of the major players supports long-term cost competitiveness

3.

The long-term growth outlook for the target market is strong

4.

Revenue, which consists mainly of equipment sales, is not constant in nature and can fluctuate with the business cycle

5.

Long-term profitability is still a question mark, as competition may intensify and demand growth slow down

## Potential



- Electrification of transport creates a huge need for efficient and versatile charging capacity
- Advanced technology brings pricing power and over-market growth, at least in the medium term
- Expanding distribution increases economies of scale in production and diversifies the customer base
- In the long term, brand, technological leadership and customer relationships can help to stand out from the competition

## Risks



- Long-term profitability is uncertain, as competitors may catch up in terms of technology
- Growth investments weigh on profitability in the short term, but less than competitors
- Growth may be volatile in the short term due to cyclical and electrification development swings
- Revenue, consisting mainly of equipment sales, is not continuous in nature and is therefore somewhat vulnerable to fluctuations in demand as the market becomes more mature.

# Valuation (1/4)

## Valuation summary

Kempower's valuation is high and relies on long-term earnings growth expectations. We believe there are good reasons for these high expectations, as the company's global competitiveness is strong thanks to its high technological competence and growing size, and market demand is expected to develop very favorably for a long time. We form our view on the valuation of the stock using three different methods: an analysis focusing on EV/EBIT multiples for the next few years, a long-term scenario analysis based on EV/EBIT and a DCF method based on future cash flows.

The fair value of Kempower is difficult to justify relative to its peers, as our peer group of listed companies differs from Kempower both in the nature of its businesses and its competitiveness. Kempower's EV/EBIT multiple is 28x with the current year's results and will decline rapidly in the coming years in our forecasts (2024e: 23x, 2025e: 15x, 2026e: 11x). In our view, the valuation is quickly becoming attractive and even if growth remains weak in the short term due to the macroeconomic environment, the long-term growth outlook for the market is very strong.

We believe that the scenario analysis based on our 2030 estimates illustrates well Kempower's value creation potential by establishing a clear link between future performance and today's share price. In our baseline scenario, Kempower's EBIT would rise to EUR 216 million in 2030, which would imply a present value of around EUR 44 per share at a 15x EV/EBIT multiple. In a peak scenario, the share's current value would be EUR 97, and this would require very strong market growth and continued market share gains. In a

negative scenario, growth and profitability would weaken significantly, leaving a downside of as much as 68% in the share's current value (EUR 9).

A DCF analysis indicates a share value of EUR 45 per share. We have used an 8.8% cost of equity (CoE) and an 8.2% weighted average cost of capital (WACC). We consider Kempower's business risk level to be relatively moderate for a fast growth company, which is reflected in a relatively low expected CoE and WACC. The DCF valuation is highly sensitive to changes in the CoE and WACC and long-term EBIT margin changes. The valuation is supported in particular by the low investment needs of Kempower's business and high profitability assumptions.

### Factors supporting Kempower's valuation:

- Strong competitiveness thanks to advanced technology
- Long-term market growth supported by megatrends
- Progress of expansion plans

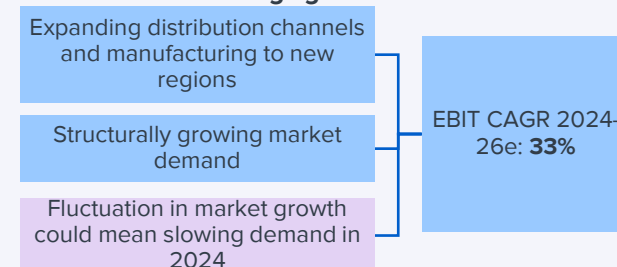
### Factors negatively affecting Kempower's valuation:

- Increase in fixed costs may weigh on profitability in the near term
- Equipment sales are not continuous in nature (although diversified)
- High interest rates and a temporary slowdown in the investment cycle

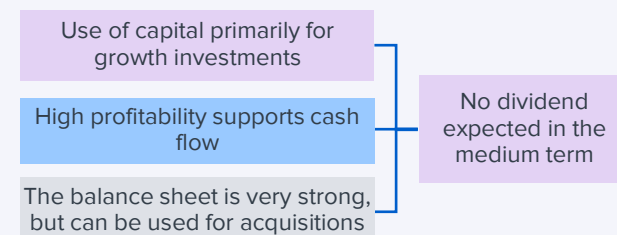
## TSR drivers 2023-2026e

■ Positive ■ Neutral ■ Negative

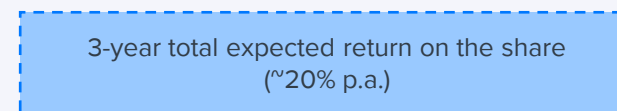
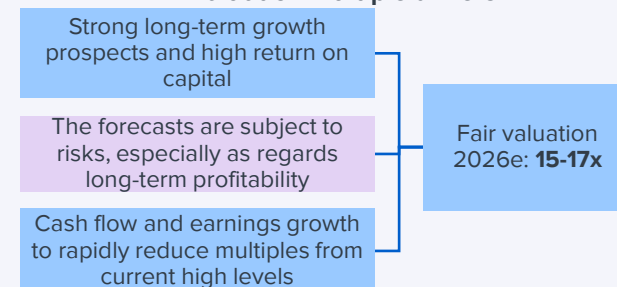
### Earnings growth drivers



### Dividend yield drivers



### Valuation multiple drivers



# Valuation (2/4)

## Kempower's superiority makes comparison of valuation multiples with other companies challenging

We have selected companies whose business involves the development and sale of electric vehicle charging solutions as a peer group. However, the peer group is not directly comparable to Kempower, as many of the selected companies focus on slower AC charging solutions with a lower growth profile, simpler technology than DC charging, and thus lower margins. Such companies include Zaptec and Alfen. In addition, in Alfen and Tesla's business, EV charging solutions account for a minority of revenue, although the companies have other strong value-creating businesses.

Valuation multiples for companies developing EV charging solutions have generally been on a downward trend in recent times. This has been affected not only by the general stock market downturn, but also by the profitability challenges faced by several DC charger manufacturers (e.g. Tritium and ABB e-mobility). Kempower stands out from the crowd with its very high valuation multiples. The 2024e EV/S multiple is 3.7x and the EV/EBIT multiple is 23x. Only Tesla achieves higher multiples than Kempower, whose value creation potential is probably higher due to its larger target market and dominant market position. However, Kempower is still a relatively small company in its sector and has the potential to grow much faster than Tesla in the coming years.

We estimate that Kempower is more competitive than most other DC charger manufacturers, with the possible exception of Tesla. Kempower is the only pure-play DC charger company we know of with a

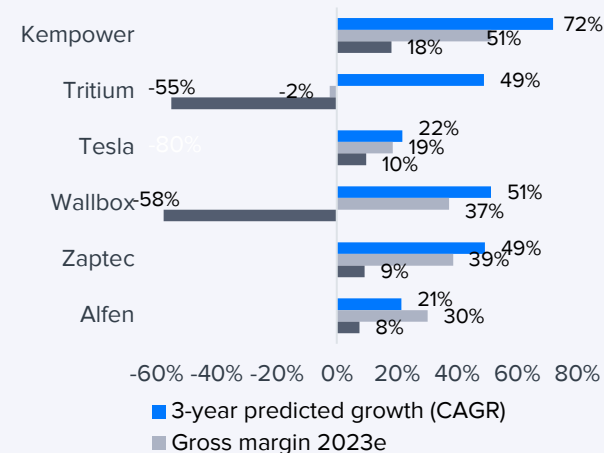
positive EBIT margin (and a high one at that). Competitors such as Tritium, ABB e-Mobility and Wallbox were struggling with profitability challenges. Profitability data is not available for all competitors because they are part of larger organizations or do not report their figures publicly. We believe that Kempower's high competitiveness, reflected in rapid growth and high profitability, justifies higher valuation multiples. We believe that the company's technological advantage will last in the medium term and help the company to achieve long-term competitive advantages, such as economies of scale and high market recognition.

### Scenario analysis

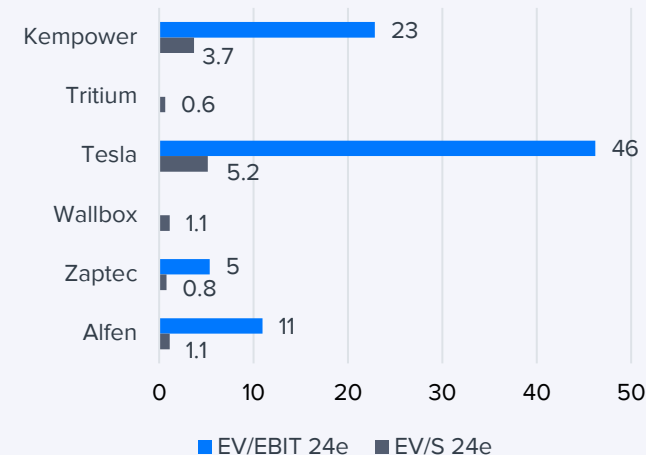
Due to the early stage of development of Kempower's business and the target market, forecasting the future is difficult and the range of outcomes is very wide. We have sought a broader perspective on valuation by looking at the value of the stock in different scenarios. The scenarios are based on different assumptions about the profitability of the business and valuation multiples in 2030. We don't consider the probabilities of these three different scenarios to be equal. This analysis provides the boundaries between which we believe the company's actual performance and the share price development will settle.

In our **baseline scenario**, we assume revenue to grow to EUR 1055 million and EBIT margin to be 20.5% in 2030. In our baseline scenario, the size of the target market is assumed to be EUR 9 billion in 2030 and the market share would fall from 13% in 2023 to 12% in 2030.

### Growth and profitability profile



### Valuation multiples



Source: Inderes (Kempower) and Bloomberg (other companies)

## Valuation (3/4)

In addition, the high profitability assumption has been reached by estimating that Kempower's gross margins will remain close to the current levels of around 50% (2030e: 48.3%) and EBIT would improve as the business scales.

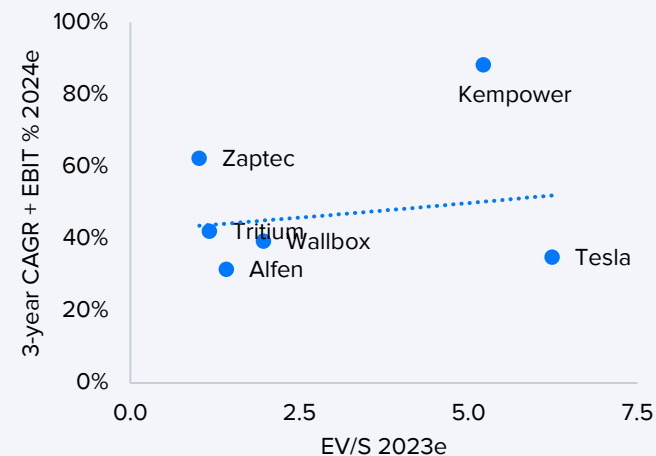
We estimate a valuation multiple of 15x to be appropriate in this scenario, as the high return on capital and good long-term growth prospects would justify a valuation above the stock market average in this scenario. In addition, the high net cash position and the cash flows accumulated over the years increase the value of the stock. In the baseline scenario, the value of the share would therefore be EUR 73 in 2030. The present value of the share (discounted over six years and with a CoE of 8.8%) would thus be EUR 44 million, well above the current share price.

**In the positive scenario,** we expect revenue to reach EUR 2.0 billion in 2030. This would require Kempower's target market to actually grow to 14 billion, as the company itself estimates. The 14% market share assumption used in the scenario is higher than in the baseline scenario. In particular, the scale of electrification of heavy goods vehicles is uncertain, although the trend is clearly positive. According to Kempower's own market assumptions, the heavy transport market would account for as much as EUR 9 billion of the charger market, i.e., the majority of the total market. The electrification of heavy transport will lag behind the passenger car market. If the electrification of heavy transport will proceed strongly in the coming years, the market could start to increasingly price this positive scenario into Kempower's share.

In terms of profitability, the positive scenario assumes an EBIT margin of 22%, even higher than the baseline scenario, due to the higher scale. In this scenario, Kempower's return on capital would be very high, which would likely result in accepted valuation multiples well above the market average. We therefore set the accepted valuation multiple in a positive scenario to 18x. In this scenario, the share price could be as high as EUR 161 in 2030, which would represent a six-fold increase in the share price. Even the discounted present value would be more than three times the current share price.

**In the negative scenario,** Kempower's revenue would land at EUR 480 million in 2030, which would still mean a further increase in revenue compared to the projected level in 2023. In this scenario, market growth would be weaker than expected and competitors would be able to catch up with Kempower's technological lead and economies of scale, resulting in a profitability of only 10%. In all likelihood, Kempower's valuation multiple could still be above the market average, but if the stock market were to suspect that Kempower's competitiveness would continue to weaken, the valuation level could also be below the market average. We have pessimistically set the negative scenario EV/EBIT multiple for 2030 at 12x. In this scenario, the present value of the share would be only EUR 9, which would represent a 68% downside margin compared to the current price.

## Aggregate growth + profitability in relation to EV/S



### Valuation scenarios

MEUR 2030e	Negative scenario	Baseline scenario	Positive scenario
Market size	6 billion	9 billion	14 billion
Market share	8%	12%	14%
Revenue	480	1055	1960
EBIT-%	10.0%	20.5%	22.0%
EBIT	48	216	431
EV/EBIT multiple (x)	12x	15x	18x
EV	576	3242	7762
Cumulative cash flow 23-30e	223	744	1106
Cash assets 2022	58	58	58
Market cap 2030e (MEUR)	858	4044	8926
Share price 2030e (EUR)	15	73	161
<b>Discounted present value (EUR)</b>	<b>9</b>	<b>44</b>	<b>97</b>
<b>Difference to current price</b>	<b>-68%</b>	<b>51%</b>	<b>234%</b>

1) 3-year CAGR refers to forward-looking growth relative to the last reported full financial year.

Source: Inderes (Kempower) and Bloomberg (other companies)



# Valuation (4/4)

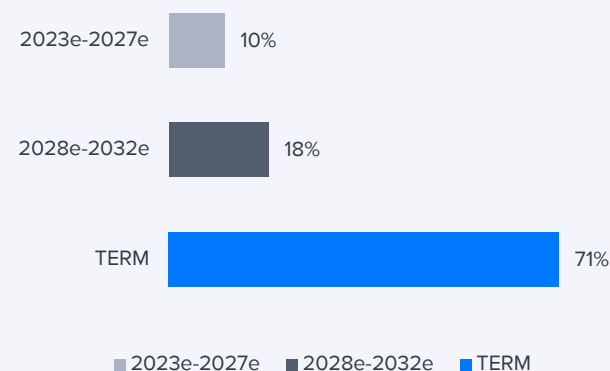
## DCF valuation

Our DCF model indicates Kempower an enterprise value of EUR 2429 million and an equity value of EUR 2487 million, or EUR 44.8 per share.

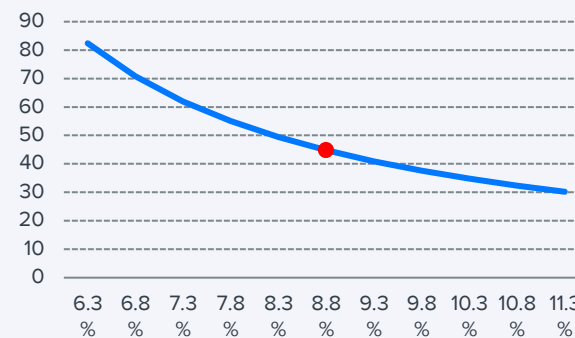
Our applied cost of capital ratios (CoE: 8.8% and WACC-%: 8.2%) reflect the level of risk in Kempower's business, which we estimate to be relatively moderate for a company in a high growth phase. Kempower has a strong position in its market thanks to its excellent products, and the target market is expected to experience a long period of structural growth. In addition, the company has a strong balance sheet, which we believe will be sufficient to cover all organic investments in the near future, as well as potential short-term losses. Of course, there are risks related to our forecasts, as predicting the future of a company in a strong growth phase is challenging. Market developments can also be uneven and fluctuate, even if the long-term outlook is strong.

The DCF model is naturally very sensitive to changes in parameters such as cost of equity or long-term profitability. A percentage point increase in the CoE would decrease the DCF value by 16% and a percentage point decrease would increase the share value by 23%. A two-percentage point change in EBIT in the terminal period would change the fair value of the stock by about +/- 8%.

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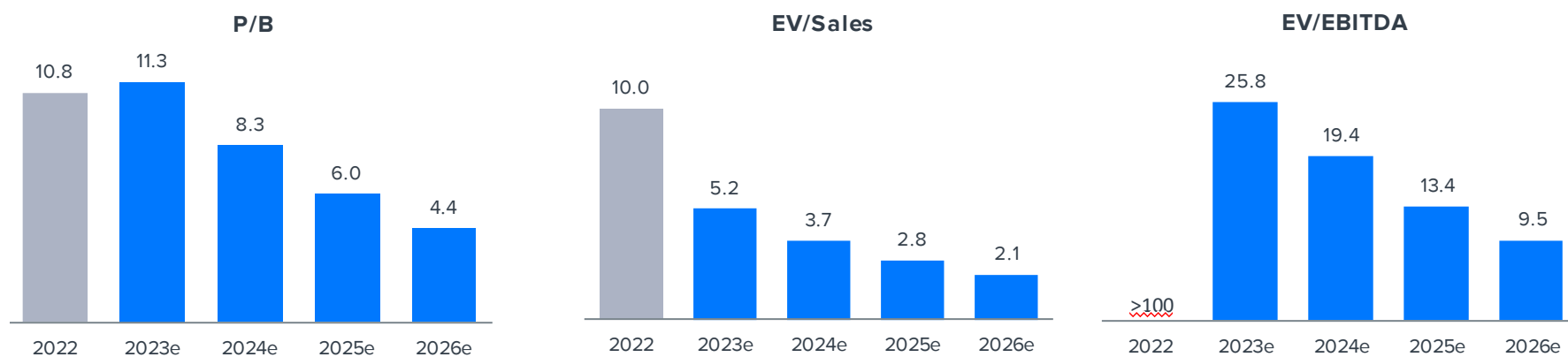
## Fair value (EUR) sensitivity to CoE



# Valuation table

Valuation	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Share price	19.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
Number of shares, millions	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5
Market cap	1091	1643	1643	1643	1643	1643	1643	1643	1643
EV	1033	1557	1527	1469	1383	1296	1189	1060	913
P/E (adj.)	>100	36.7	31.5	21.9	16.3	13.9	12.0	10.8	9.7
P/E	>100	36.8	31.5	21.9	16.3	13.9	12.0	10.8	9.7
P/B	10.8	11.3	8.3	6.0	4.4	3.3	2.6	2.1	1.7
P/S	10.5	5.5	4.0	3.1	2.5	2.2	1.9	1.7	1.6
EV/Sales	10.0	5.2	3.7	2.8	2.1	1.7	1.4	1.1	0.9
EV/EBITDA	>100	25.8	19.4	13.4	9.5	7.6	6.0	4.9	3.8
EV/EBIT (adj.)	>100	28.6	22.8	15.3	10.7	8.5	6.7	5.4	4.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %					
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %					

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Tritium	28	184					1.2	0.6					
Tesla	590818	571090	58.8	46.2	38.1	30.5	6.2	5.2	62.4	50.1			11.9
Wallbox	261	357				39.8	2.0	1.1					3.7
Zaptec	150	136	11.3	5.4	9.5	4.7	1.0	0.8	14.0	7.5			2.3
Alfen	611	690	17.5	11.0	13.2	8.3	1.4	1.1	22.9	13.8			3.3
<b>Kempower (Inderes)</b>	<b>1643</b>	<b>1557</b>	<b>28.6</b>	<b>22.8</b>	<b>25.8</b>	<b>19.4</b>	<b>5.2</b>	<b>3.7</b>	<b>36.7</b>	<b>31.5</b>	<b>0.0</b>	<b>0.0</b>	<b>11.3</b>
<b>Average</b>			<b>29.2</b>	<b>20.8</b>	<b>20.3</b>	<b>20.8</b>	<b>2.4</b>	<b>1.8</b>	<b>33.1</b>	<b>23.8</b>			<b>5.3</b>
<b>Median</b>			<b>17.5</b>	<b>11.0</b>	<b>13.2</b>	<b>19.4</b>	<b>1.4</b>	<b>1.1</b>	<b>22.9</b>	<b>13.8</b>			<b>3.5</b>
<b>Diff-% to median</b>			<b>63%</b>	<b>109%</b>	<b>95%</b>	<b>0%</b>	<b>268%</b>	<b>237%</b>	<b>61%</b>	<b>129%</b>			<b>224%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue	3.3	27.4	11.5	21.6	32.7	37.8	104	55.8	72.5	72.6	97.5	298	84.8	101	105	120	412	527	648
EBITDA	-2.1	0.5	-0.2	2.7	3.2	3.9	9.5	7.9	15.4	16.0	21.2	60.5	15.6	20.9	20.9	21.4	78.8	109	145
Depreciation	-0.1	-1.1	-0.8	-0.9	-0.8	-1.0	-3.4	-1.1	-1.5	-1.7	-1.9	-6.1	-2.5	-3.0	-3.2	-3.2	-11.9	-13.2	-16.2
EBIT (excl. NRI)	-2.2	-0.6	-1.0	1.8	2.4	3.5	6.7	6.9	13.9	14.4	19.3	54.5	13.1	17.9	17.7	18.2	66.9	96.2	129
EBIT	-2.2	-0.6	-1.0	1.8	2.4	2.9	6.1	6.8	13.9	14.4	19.3	54.4	13.1	17.9	17.7	18.2	66.9	96.2	129
Net financial items	0.0	-0.2	-0.2	-1.0	-0.6	0.5	-1.3	0.2	0.3	0.2	0.0	0.7	-0.2	-0.2	-0.2	0.6	0.0	0.0	0.0
PTP	-2.2	-0.8	-1.2	0.8	1.8	3.4	4.8	7.0	14.2	14.6	19.3	55.1	12.9	17.7	17.5	18.8	66.9	96.2	129
Taxes	0.0	1.1	0.1	-0.2	-0.4	-0.9	-1.4	-1.3	-3.2	-2.9	-3.0	-10.5	-2.6	-3.5	-3.5	-5.1	-14.7	-21.2	-28.4
Net earnings	-2.2	0.3	-1.1	0.6	1.4	2.5	3.4	5.7	11.0	11.7	16.3	44.6	10.3	14.1	14.0	13.7	52.1	75.0	101
EPS (adj.)		0.01	-0.02	0.01	0.03	0.06	0.07	0.10	0.20	0.21	0.29	0.80	0.19	0.25	0.25	0.25	0.94	1.35	1.81
EPS (rep.)		0.01	-0.02	0.01	0.03	0.05	0.06	0.10	0.20	0.21	0.29	0.80	0.19	0.25	0.25	0.25	0.94	1.35	1.81

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue growth-%	909.2 %	730.3 %	400.0 %	222.4 %	227.0 %	350.0 %	278.1 %	384.9 %	235.5 %	122.0 %	158.1 %	#####	52.0 %	40.0 %	45.0 %	23.3 %	38.0 %	28.0 %	23.0 %
Adjusted EBIT growth-%			100.0 %	260.0 %	13.4 %			-788.8 %	671.5 %	504.7 %	448.5 %	713.0 %	89.6 %	28.7 %	23.0 %	-5.7 %	22.7 %	43.9 %	34.3 %
EBITDA-%			-2.0 %	12.3 %	9.7 %	10.3 %	9.2 %	14.1 %	21.2 %	22.1 %	21.7 %	20.3 %	18.4 %	20.6 %	19.9 %	17.8 %	19.1 %	20.8 %	22.4 %
Adjusted EBIT-%			-8.7 %	8.3 %	7.3 %	9.3 %	6.5 %	12.4 %	19.2 %	19.8 %	19.8 %	18.3 %	15.4 %	17.6 %	16.8 %	15.1 %	16.2 %	18.3 %	19.9 %
Net earnings-%			-9.6 %	2.8 %	4.3 %	6.7 %	3.3 %	10.2 %	15.2 %	16.1 %	16.7 %	15.0 %	12.1 %	13.9 %	13.3 %	11.4 %	12.7 %	14.2 %	15.5 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>5.2</b>	<b>24.3</b>	<b>37.1</b>	<b>51.7</b>	<b>62.1</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	1.1	2.6	4.1	5.7	7.2
Tangible assets	2.9	21.1	33.0	46.1	54.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.3	0.6	0.0	0.0	0.0
<b>Current assets</b>	<b>103</b>	<b>130</b>	<b>242</b>	<b>299</b>	<b>406</b>
Inventories	6.4	27.1	66.2	91.4	114
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	6.6	28.7	70.8	91.6	112
Cash and equivalents	90.4	74.0	105	116	180
<b>Balance sheet total</b>	<b>109</b>	<b>154</b>	<b>279</b>	<b>350</b>	<b>468</b>

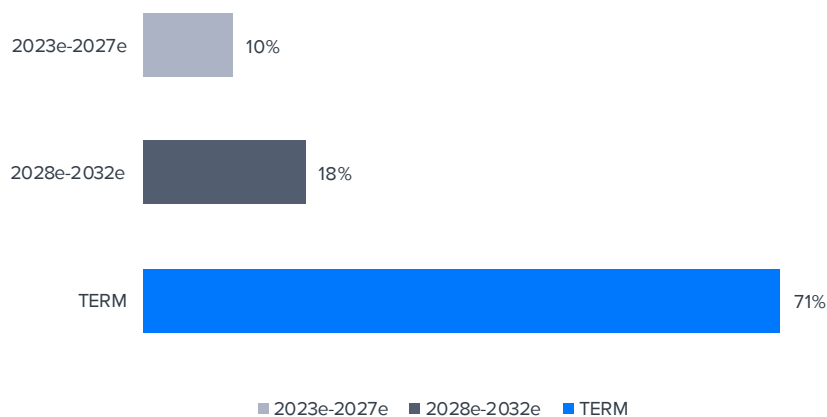
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>97.5</b>	<b>101</b>	<b>145</b>	<b>197</b>	<b>272</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	1.8	6.4	51.0	103	178
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	95.7	94.2	94.2	94.2	94.2
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>1.0</b>	<b>16.0</b>	<b>19.1</b>	<b>2.8</b>	<b>7.9</b>
Deferred tax liabilities	0.3	0.4	0.4	0.4	0.4
Provisions	0.2	2.4	2.4	2.4	2.4
Interest bearing debt	0.5	13.3	16.4	0.0	5.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>10.0</b>	<b>37.5</b>	<b>115</b>	<b>150</b>	<b>188</b>
Interest bearing debt	0.6	2.4	2.9	0.0	0.9
Payables	9.4	35.1	112	150	187
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>108</b>	<b>154</b>	<b>279</b>	<b>350</b>	<b>468</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	278.1 %	188.0 %	38.0 %	28.0 %	23.0 %	17.0 %	15.0 %	10.0 %	10.0 %	10.0 %	3.0 %	3.0 %
EBIT-%	5.9 %	18.2 %	16.2 %	18.3 %	19.9 %	20.0 %	20.2 %	20.3 %	20.5 %	20.0 %	20.0 %	20.0 %
<b>EBIT (operating profit)</b>	<b>6.1</b>	<b>54.4</b>	<b>66.9</b>	<b>96.2</b>	<b>129</b>	<b>152</b>	<b>176</b>	<b>195</b>	<b>216</b>	<b>232</b>	<b>239</b>	
+ Depreciation	3.4	6.1	11.9	13.2	16.2	19.0	20.9	23.0	24.3	24.6	25.4	
- Paid taxes	-0.6	-9.9	-14.7	-21.2	-28.4	-33.4	-38.7	-42.8	-47.5	-51.1	-52.6	
- Tax, financial expenses	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-17.2	-4.4	-7.5	-6.5	-5.8	-3.9	-3.0	-0.4	-5.2	-5.7	-1.9	
<b>Operating cash flow</b>	<b>-8.6</b>	<b>46.3</b>	<b>56.6</b>	<b>81.7</b>	<b>111</b>	<b>133</b>	<b>155</b>	<b>174</b>	<b>188</b>	<b>200</b>	<b>210</b>	
+ Change in other long-term liabilities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX		-19.5	-26.5	-23.5	-24.8	-25.8	-26.7	-27.3	-28.0	-28.6	-31.9	
<b>Free operating cash flow</b>	<b>26.8</b>	<b>30.0</b>	<b>58.2</b>	<b>86.4</b>	<b>108</b>	<b>129</b>	<b>147</b>	<b>160</b>	<b>171</b>	<b>178</b>	<b>178</b>	
+/- Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	26.8	30.0	58.2	86.4	108	129	147	160	171	178	178	3561
<b>Discounted FCFF</b>	<b>26.5</b>	<b>27.4</b>	<b>49.1</b>	<b>67.4</b>	<b>77.7</b>	<b>85.8</b>	<b>90.7</b>	<b>91.0</b>	<b>90.3</b>	<b>86.9</b>	<b>1736</b>	
Sum of FCFF present value	2429	2402	2375	2326	2259	2181	2095	2004	1913	1823	1736	
<b>Enterprise value DCF</b>	<b>2429</b>											
- Interest bearing debt		-15.7										
+ Cash and cash equivalents		74.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>	<b>2487</b>											
<b>Equity value DCF per share</b>	<b>44.8</b>											

Cash flow distribution



## WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	3.0 %
Equity Beta	1.33
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.2 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	3.3	27.4	103.6	<b>298.4</b>	<b>411.7</b>	EPS (reported)		0.01	0.06	<b>0.80</b>	<b>0.94</b>
EBITDA	-2.1	0.5	9.5	<b>60.5</b>	<b>78.8</b>	EPS (adj.)		0.01	0.07	<b>0.80</b>	<b>0.94</b>
EBIT	-2.2	-0.6	6.1	<b>54.4</b>	<b>66.9</b>	OCF / share		0.00	-0.16	<b>0.83</b>	<b>1.02</b>
PTP	-2.2	-0.8	4.8	<b>55.1</b>	<b>66.9</b>	FCF / share		-0.14	-0.53	<b>0.48</b>	<b>0.54</b>
Net Income	-2.2	0.3	3.4	<b>44.6</b>	<b>52.1</b>	Book value / share		1.76	1.81	<b>2.62</b>	<b>3.55</b>
Extraordinary items	0.0	0.0	-0.6	<b>-0.1</b>	<b>0.0</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	6.2	108.5	154.2	<b>279.2</b>	<b>350.5</b>	Revenue growth-%	909%	730%	278%	<b>188%</b>	<b>38%</b>
Equity capital	0.6	97.5	100.7	<b>145.3</b>	<b>197.4</b>	EBITDA growth-%	-4%	-124%	1800%	<b>537%</b>	<b>30%</b>
Goodwill	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>	EBIT (adj.) growth-%	-1%	-73%	-1217%	<b>713%</b>	<b>23%</b>
Net debt	-0.5	-89.3	-58.3	<b>-85.7</b>	<b>-115.8</b>	EPS (adj.) growth-%			1287%	<b>975%</b>	<b>17%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	-63.6 %	1.8 %	9.2 %	<b>20.3 %</b>	<b>19.1 %</b>
EBITDA	-2.1	0.5	9.5	<b>60.5</b>	<b>78.8</b>	EBIT (adj.)-%	-66.7 %	-2.2 %	6.5 %	<b>18.3 %</b>	<b>16.2 %</b>
Change in working capital	-2.9	-0.6	-17.2	<b>-4.4</b>	<b>-7.5</b>	EBIT-%	-66.7 %	-2.2 %	5.9 %	<b>18.2 %</b>	<b>16.2 %</b>
Operating cash flow	-5.0	-0.1	-8.6	<b>46.3</b>	<b>56.6</b>	ROE-%	-430.1 %	0.6 %	3.5 %	<b>36.3 %</b>	<b>30.4 %</b>
CAPEX	-0.5	-4.4	-23.2	<b>-19.5</b>	<b>-26.5</b>	ROI-%	-430.1 %	-1.2 %	5.7 %	<b>38.7 %</b>	<b>36.9 %</b>
Free cash flow	-1.9	-7.7	-29.7	<b>26.8</b>	<b>30.0</b>	Equity ratio	9.7 %	89.9 %	65.3 %	<b>52.0 %</b>	<b>56.3 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-83.3 %	-91.5 %	-57.9 %	<b>-59.0 %</b>	<b>-58.6 %</b>
EV/S	neg.	20.2	10.0	<b>5.2</b>	<b>3.7</b>						
EV/EBITDA (adj.)	0.2	>100	>100	<b>25.8</b>	<b>19.4</b>						
EV/EBIT (adj.)	0.2	neg.	>100	<b>28.6</b>	<b>22.8</b>						
P/E (adj.)		>100	>100	<b>36.7</b>	<b>31.5</b>						
P/B	0.0	6.6	10.8	<b>11.3</b>	<b>8.3</b>						
Dividend-%		0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>						

Source: Inderes

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/15/2022	Accumulate	20.00 €	18.35 €
10/30/2022	Accumulate	22.00 €	19.64 €
2/15/2023	Reduce	27.00 €	27.56 €
4/14/2023	Accumulate	30.00 €	27.30 €
4/20/2023	Accumulate	32.00 €	28.80 €
7/19/2023	Accumulate	43.00 €	41.68 €
7/25/2023	Reduce	43.00 €	42.84 €
9/18/2023	Accumulate	52.00 €	46.10 €
10/19/2023	Accumulate	44.00 €	37.88 €
10/31/2023	Buy	44.00 €	29.59 €





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