Kempower

Company report

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Inderes corporate customer

This report is a summary translation of the report “Sähköinen startti pörssitaipaleelle” published on 08/15/2022 at 9:45 pm.

Electric start to the stock market journey

Kempower, a specialist in fast and high-power charging solutions for electric vehicles, has rapidly increased its market share thanks to its competitive products. We expect the company to exceed its earnings growth target and become one of the leading players in the industry. To justify the current valuation of the stock, the targets need to be achieved earlier than communicated, but despite the valuation risks, we think the expected return looks attractive. We initiate coverage of Kempower with an Accumulate recommendation and a target price of EUR 20.

Decades of development work put to good use in electric vehicle charging solutions

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. Kempower was listed on the First North list of Nasdaq Helsinki in December 2021 and raised gross assets of EUR 100 million in the IPO, which we believe will be sufficient to implement the company's expansion strategy. Building up distribution channels in key European markets is already well underway, on top of which manufacturing and distribution in the US will start during 2023.

Geographical expansion and strong market growth can lead to beating earnings growth targets

In line with its medium-term targets, Kempower aims to achieve a revenue of EUR 200 million and an EBIT margin of 10% by 2025-2027. We consider these medium-term targets to be at least realistic and estimate that Kempower will reach the milestones already in 2024, ahead of schedule. The electric car market has developed more favourably than expected during 2022, and Kempower's conquest of North America is progressing faster than was planned at the time of the IPO. In the long term, the company aims to achieve an EBIT margin of at least 15%, which is realistic if the company can maintain its technological and operational competitiveness, as Kempower's gross margins are well above those of its main competitors.

The company must exceed its medium-term target to justify the share valuation

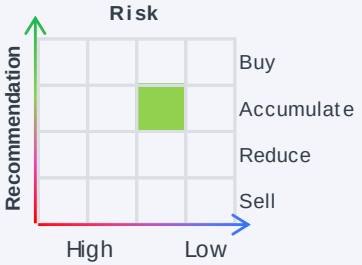
Kempower's current valuation is based on high long-term earnings growth targets, so earnings forecasts for the coming years don't yet provide support levels for the share price. Our Accumulate recommendation assumes that medium-term revenue and profitability targets will be reached earlier than communicated - otherwise, the stock could have significant downside potential after the recent rally. The EV/Sales valuation comparison shows Kempower to be slightly higher than its core peer group (10x vs 9x), but we are willing to accept Kempower to be valued above its peer group due to its stronger growth and profitability profile. Our long-term baseline scenario (2029e: 15% market share, revenue: 598 MEUR, EBIT: 18.8%, EV/EBIT: 15x) implies that the stock's expected return until 2029 averages 11% p.a. and in a best-case scenario the share price could even quintuple in that time. As the peak years will take place far into the future, forecasting and valuing the stock is challenging, which increases the riskiness of the investment. We expect the next 12 months' news flow to be mainly supportive for the share price because of, e.g., progress on US expansion plans and strong growth.

Recommendation

Accumulate

EUR 20.00

Share price:
18.35



Key figures

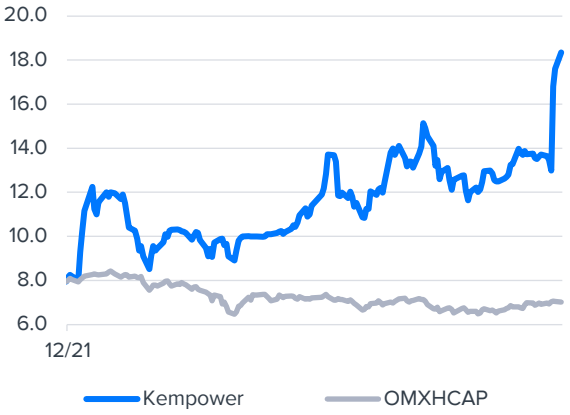
	2021	2022e	2023e	2024e
Revenue	27.4	98.6	177.6	266.3
growth-%	730%	260%	80%	50%
EBIT adj.	-0.6	2.2	11.3	27.4
EBIT-% adj.	-2.2 %	2.3 %	6.3 %	10.3 %
Net Income	0.3	0.2	8.0	20.6
EPS (adj.)	0.01	0.00	0.14	0.37
P/E (adj.)	>100	>100	>100	49.4
P/B	6.6	10.4	9.6	8.1
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	>100	84.0	34.2
EV/EBITDA	>100	>100	57.3	26.7
EV/S	20.2	9.6	5.3	3.5

Source: Inderes

Guidance

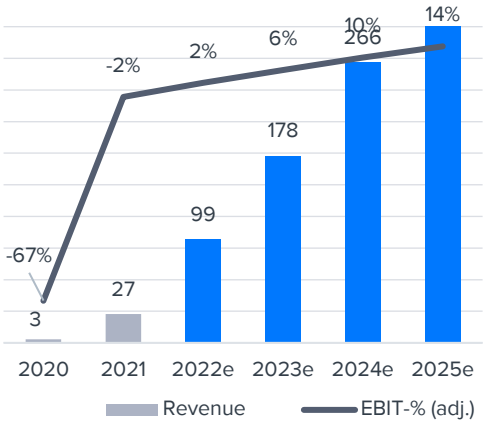
(No guidance)

Share price



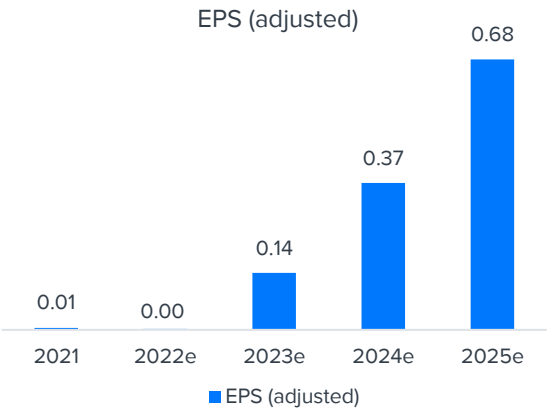
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

Earnings per share



Source: Inderes

Value drivers

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

Risk factors

- Rapidly growing the organization burdens profitability 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 longer term
- A high valuation based on long-term earnings growth carries significant risk

Valuation	2022e	2023e	2024e
Share price	18.4	18.4	18.4
Number of shares, millions	55.5	55.5	55.5
Market cap	1019	1019	1019
EV	943	947	938
P/E (adj.)	>100	>100	49.4
P/E	>100	>100	49.4
P/FCF	neg.	neg.	>100
P/B	10.4	9.6	8.1
P/S	10.3	5.7	3.8
EV/Sales	9.6	5.3	3.5
EV/EBITDA	>100	57.3	26.7
EV/EBIT (adj.)	>100	84.0	34.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

Kempower in brief

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

2017
Year of establishment

27 MEUR (+741% vs. 2020)
Revenue 2021

62% / 38%
Nordic / other regions' share of revenue H1'2022

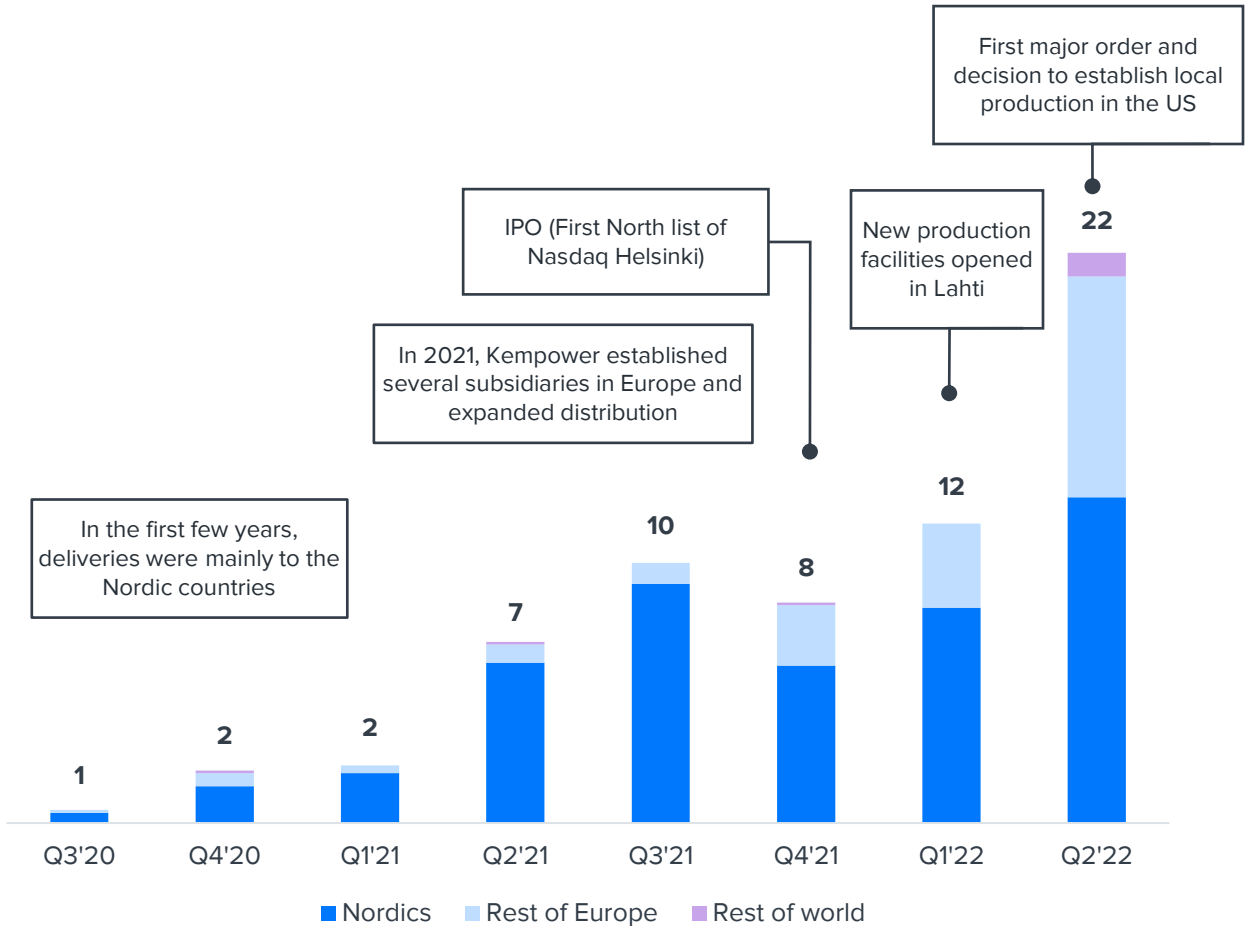
46%
Sales margin H1'2022

1.1 MEUR (4 % of revenue)
EBIT 2021

260 (+299 % y-o-y)
Personnel at the end of June 2022

EUR 4 billion
The projected size of the target market in 2030 (average annual growth 2020-30e: 20 %)[1]

Revenue development and company history



Source: Kempower, Boston Consulting Group[1], Inderes

Company description and business model (1/6)

Pioneer in DC charging technology

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 amounted to EUR 27.4 million in 2021, representing an increase of more than 700% year-on-year. 84% of revenue was generated in the Nordic countries, 15% in the rest of Europe and 1% outside Europe. According to Kempower's medium-term strategy, the company's main markets are Europe and North America.

Roots in Kemppi Oy

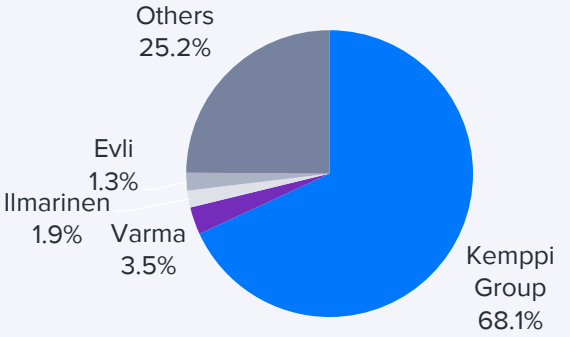
The technological basis for Kempower's charging solutions comes from Kemppi Oy's long development work on DC welding solutions. Kemppi introduced the world's first inverter-based DC power supply in 1977 and has since become a major player in the arc welding industry. Kempower was originally founded in 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.

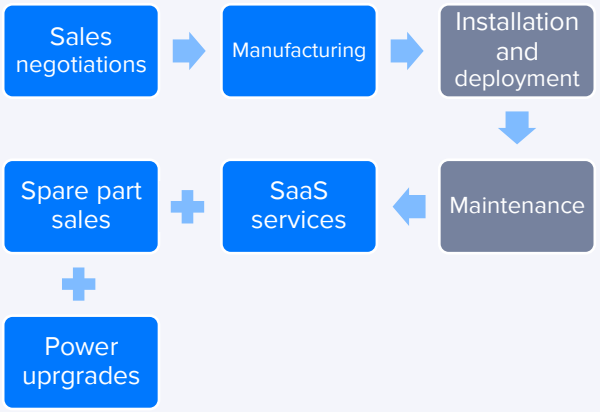
Revenue comes mainly from equipment sales

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 the order. Kempower supplies the equipment and, in some cases, is also responsible for arranging the installation through subcontractors, but typically doesn't install the equipment it supplies itself.

Shareholders



Equipment sales at the heart of the business



Source: Kempower and Inderes

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, but we believe that Kempower equipment 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.

Own distribution in the main markets

Products are sold both through our own sales organizations and through distribution partners and OEMs. Kempower's own sales organizations in Europe and soon in North America will be the company's main distribution channel. Distribution partners are used in smaller markets such as the Middle East, Asia and Australia. In addition, Kempower supplies chargers to OEMs that manufacture, for example, electric off-highway vehicles and sell charging solutions with their main product under their own brands.

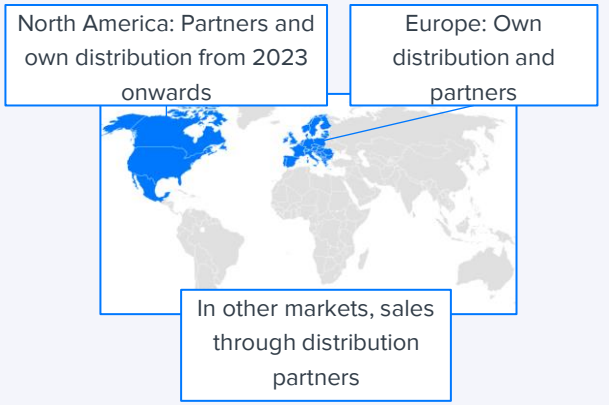
The customer base has grown rapidly

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. The company is targeting customers with a need for at least four fast-charging points. In particular, the company aims to focus on customers with significant long-term revenue potential. The customer base has grown rapidly in recent years. Customers operating public charging stations include among others S-Group, Recharge Infra that is one of the largest charging operators in the Nordic countries, and British Osprey Charging. Kempower works closely with its customers on product development, especially on the heavy-duty vehicle side.

Capitalized balance sheet supports the growth strategy

The IPO raised gross proceeds of around EUR 100 million, providing ample resources to implement the company's growth strategy. Kempower's growth strategy consists of two parts: An expansion strategy and an innovation strategy. The expansion strategy is already well underway, as the company has set up subsidiaries in its main European markets and hired a large number of sales and marketing staff. In addition, Kempower aims to start operations in the US during 2023, which will include not only setting up its own distribution organization, but also local assembly of products and subcontracting of components and sub-manufactures. In connection with the IPO, the company estimated that it will need at least EUR 30 million to build production capacity between 2022-25. The innovation strategy includes plans to develop and expand the product range, and to improve the cost-effectiveness of production and other operations. Implementing a forward-looking growth strategy means that the company's free cash flow is likely to remain negative in the short term.

Distribution strategy



Customer base and distribution partners

Charging operators	Bus and truck operators
S-Group Recharge Infra Osprey Charging Vattenfall Power Dot Green Core	Nobina VY Buss Koiviston Auto Keolis
OEMs	**Distributors**
Normet Epiroc Gilbarco Veeder-Root Volvo Scania	Omexom Vital EV Solutions Wennstrom European Electric Bus Company

Source: Kempower and Inderes

Company description and business model (3/6)

Market

Kempower's target market 0,6 billion (2020) -> 4 billion (2030e)[1]
Consists of the DC charging equipment market in Europe and North America

Functions

Product development 

Sales and marketing 

Subcontracting 

Assembly and testing 

Operations after equipment delivery 

Products

S-Series and C-Series
Satellite charging points and power unit

C-Station
Charging plugs integrated into the power unit

T-Series
Movable charging solution

Distribution

Own sales organization in the main markets

Network of distribution partners

OEMs

Customer segments

Operators of public charging stations

Charging stations on the road network 

Charging stations in cities and parking spaces 

Grocery stores 

Hotels 

Owners of commercial EV fleets

Bus operators 

Heavy transport 

Owners of work machinery 

Source: Inderes, Boston Consulting Group[1]

Company description and business model (4/6)

New facilities in Lahti will multiply production capacity

Kempower's group operations, product development and manufacturing are located a short distance from each other in Lahti. During 2022, Kempower has relocated to a large 10,000 square meter (~108,000 square feet) industrial building, which previously served Scania's bus manufacturing subsidiary. The new facilities will enable a six-fold increase in production capacity and reaching the EUR 200 million revenue target for the strategy period. Manufacturing in the new building started already in spring 2022 and other functions will be relocated later. In addition, Kempower plans to open a new production plant in the US in the near future.

The manufacture of charging equipment consists of assembly and thorough 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. Kempower's subcontracting is still quite concentrated, with up to 38% of components and sub-assemblies being purchased from Kemppi Oy. We believe that Kemppi Oy's sourcing capacity has helped Kempower to grow rapidly in the early stages of the business, but we believe it is likely that in the future Kempower will seek to expand its subcontracting networks and reduce its dependence on the group company Kemppi. We believe that there is considerable room for improvement and optimization in Kempower's production and subcontracting, as the company's primary objective in the current phase of rapid growth has been to increase production capacity and ensure security of supply.

Clear productization brings efficiency to production

Kempower's product range has been developed to optimize manufacturing and subcontracting. Kempower's entire product range is largely based on the same components, which makes sourcing and product development more efficient. The product 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. In addition, customers can choose from a variety of plug types and there is 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 several software parameters related to charging, such as how the charging power is distributed between different users. The ChargEye cloud service is also optional, but we understand that the majority of customers use the service.

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.

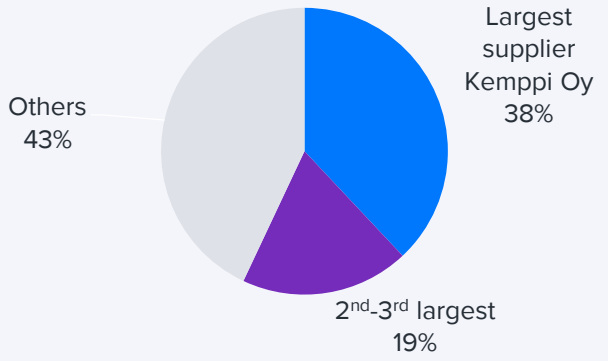
Productization

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

Subcontract distribution (2020)



Source: Kempower

Company description and business model (5/6)

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 identify the actual power demand of each simultaneous charger and distribute the available capacity to several different users. 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 expertise and product development play an important role in Kempower's business, as the company's competitiveness is based in particular on creating added value for customers through product features. Product development employed 61 people, or 23% of the company's total staff at the end of June 2022. Product development costs amounted to 13% of revenue in 2021. 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. Patenting has several implications for the company's business. 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. Electric vehicle fast charging stations typically have a display that shows information relevant to the charging event, such as the battery charge level, the actual charging time, the charging power (kW) and the amount of energy charged (kWh). With Kempower's S-Series charging stations, this information can also be monitored from the user's own smartphone via a QR code scanned from the charging station screen, without the need for a separate app. At fast-charging stations, charging up typically takes tens of minutes, which the customer usually spends inside the car or, for example, at the service station, making it convenient to monitor the charging from their own smartphone.

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)

Kempower's product range

S-Series and C-Series

- 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 80m 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.

Satellite charging points

Charging power unit

C-Station

- Compact charging system for charging large volumes of vehicles. Particularly suitable for locations where there is no room for a separate charging power unit.
- The stations typically have four charging outputs and one or two charging cabinets with a charging capacity of 50-400 kW.
- A throw-in product for customers who are used to integrated charging systems.

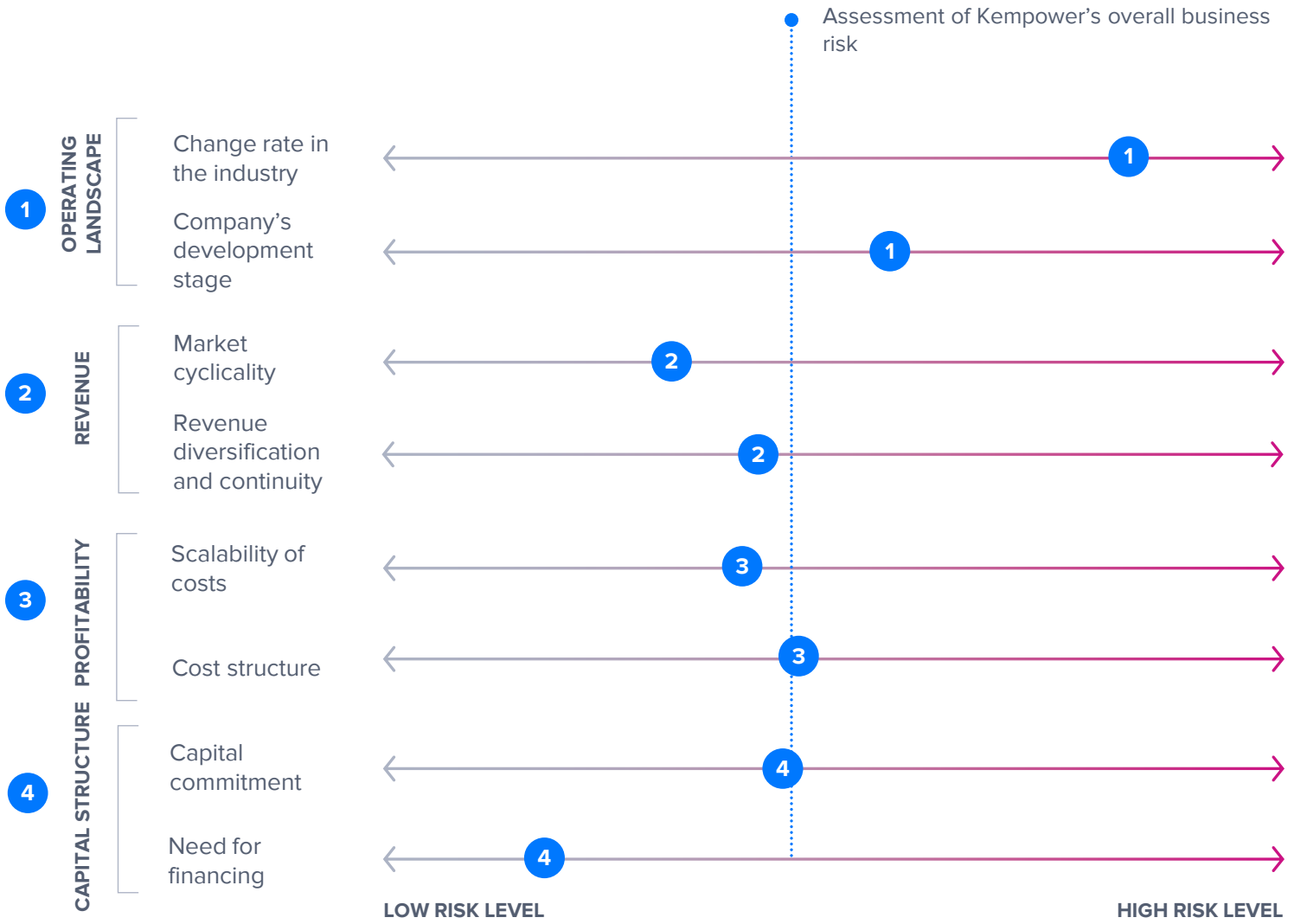
T-Series

- A portable DC charger that includes both the power unit and the charge output and user interface in one compact package.
- The charger has a capacity of 40 kW, which can be shared by two chargers at the same time.

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



The industry is still at an early stage of development and the competitive landscape and profitability levels will fluctuate.

Kempower's technology is advanced and competitive. There is still a lot of room for improvement in distribution channels, which will burden the profitability in the short term.

The market is in a phase of strong growth and there is no evidence of cyclicality in the sector yet.

The customer base is rapidly diversifying. Equipment sales are not continuous in nature and depend on the willingness of customers to invest.

The company has high gross margins and a strong growth outlook relative to the industry.

Even fixed costs can be influenced, as a significant part of them is generated by sales and marketing, which can be scaled up or down as needed.

Rapid scaling of business and sales ties up capital in the short term. However, production is not particularly capital intensive.

A strong cash position provides sufficient buffer for even large growth efforts.

Source: Inderes

Strategy and financial objectives (1/3)

Strategy in brief

The strategy, published at the end of 2021 in connection with the IPO, consists of two parts: Expansion and innovation. The company targets revenue of EUR 200 million and an operative EBIT margin of 10% by 2025-27. 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. During 2021-22, the company has established subsidiaries in most major European markets, including UK, Germany, France, Italy and several smaller countries. Generally, Kempower distributes its products in the main markets through its own sales organizations. The company assesses the best course of action on a market-by-market basis. Outside Europe, Kempower's solutions are mainly supplied through distributors and the company also wants to strengthen its distribution network.

The company aims to start operations in the United States by the end of 2023. A dedicated sales organization and production facility will be set up in the United States. 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. We believe that Kempower should start setting up its position in the US market as soon as possible. In May 2022, Kempower announced its first sales to an American customer. The establishment of a local production facility in the US will support the company's commercial opportunities and help it to qualify for government investment subsidies, which depend on the company's domestic rating. The location of the assembly plant is not yet clear, but we expect the company to announce more about the expansion project in the next 6 months. We expect production to start around mid-2023.

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. 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 is not yet at an optimal level, as in the early stages of operations the main focus has been on increasing production volumes and ensuring product quality. In addition, a large proportion of subcontracting (38% in 2020) is done through the group company Kemppi Oy, which is not the most cost-effective solution in the longer term. 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.
- Expansion in Europe already well under way.
- Kempower will set up a sales organisation and a local production plant in the US.

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-effectiveness 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. In addition to organic development, we also see acquisitions as one way of expanding the product range. For example, Kempower could combine new types of charging heads with its own power management and software technology to expand its offering of charging stations, for example for electric commercial vehicles or ships.

We consider the revenue target to be realistic

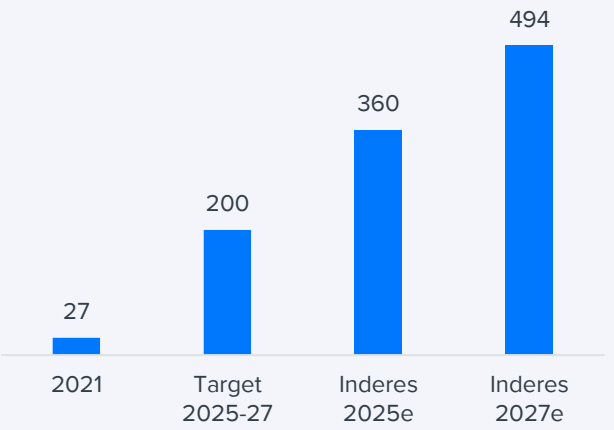
In our view, Kempower's target to grow its revenue to EUR 200 million 4-6 years after listing (2025-27) is realistic and we believe the company has a good chance to reach the target already before 2025. The continued strong growth in revenue and order backlog for H1'2022 already points to a full-year revenue of almost EUR 100 million. Add to this the near doubling of the target market with the expansion into the US, the strong market growth from the rise of electric vehicles and Kempower's excellent products, and we believe that doubling revenue after 2022 is not an impossible task during the strategy period. We consider it likely that this target will be exceeded and forecast a revenue of EUR 360-494 million for 2025-27.

Profitability targets are rather reasonable

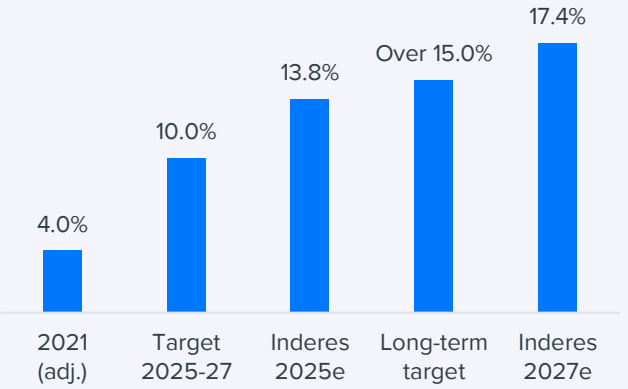
The company aims to increase its operative EBIT margin to 10% within 4-6 years of listing and to at least 15% in the long term. At the current stage of building up the organization, profitability is not yet at an optimal level. Large recruitments (a multiplication of staff) and the rush to build new production facilities have so far prevented normal profitability from being achieved. However, we believe that the adjusted operative EBIT margin of 4% in 2021 is still a very good performance given the company's development situation. Among the company's main competitors, Tritium is still clearly loss-making (EBIT H2'2021: -87%) and ABB's eMobility unit is also targeting a neutral EBITDA for 2022, although both competitors have higher revenues 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 these targets, we believe that they can be interpreted as indicating that Kempower's own profitability targets are quite realistic or even conservative, given the current starting level of margins, which are clearly better than those of its competitors. Kempower's gross margin is well above competitors' levels (Kempower 2021: 46 %, Tritium H2'21: 6%, ABB eMobility 25-30%), which might also indicate that long-term profitability potential is good compared to competitors. ABB's lower margin level is of course influenced by the fact that it is also active in the market for high-volume AC charging solutions and therefore its 30 % gross margin target is not fully comparable to Kempower's gross margin. In the medium term, we believe Kempower has good opportunities to improve its profitability through revenue growth. In the long term, price pressure is likely to challenge profitability levels in the sector and Kempower's technical advantage may also diminish over time. However, we see a good chance for the company to emerge from the upcoming consolidation as one of the winners.

Revenue target levels



EBIT margin target levels



Source: Kempower and Inderes

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

- Expansion of the sales organisation to key European countries started already in 2021
- Start of operations in the US by the end of 2023, including own sales organization, local production plant and subcontracting
- Developing the distribution network in other markets
- Developing operations, including production and subcontracting
- Developing and expanding the product range

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 seeking growth in new markets (Asia, Africa, South America)
- Continued development and expansion of the product range

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

Source: Inderes

Value chain in the industry

Value chain for public passenger car charging stations

KEMPOWER

Component supplier	Equipment manufacturer	Installer	Vertical integration in the value chain is common: Station owner	Charging point operator	Charging service company
Supplies typical components used in the electronics industry	Manufactures chargers and software	Usually performs the installation at the request of the equipment manufacturer Can provide life-cycle services	Owns the charging station or the land area and rents them to the operator	Buys electricity from the grid, sells electricity to the customer, bears the utilization risk	Sells charging to the end customer purchases charging rights from several charging station operators

Value chain for commercial vehicle charging solutions

KEMPOWER

Component supplier	Equipment manufacturer	OEM	Installer	Owner of vehicles
Supplies typical components used in the electronics industry	Manufactures chargers and software	OEM can offer a charging solution to the customer, e.g., with a bus or work machine	Performs the installation and can provide life cycle services	Uses a charging solution to charge its EV fleet

*OEM is a possible intermediary, but solutions are also sold directly to end customers
Source: Kempower and Inderes

Market and competitive environment (1/5)

Market size and growth

The market size for electric vehicle chargers in Kempower's target regions in Europe and North America totaled EUR 1.9 billion in 2020. Of this DC chargers which are Kempower's target segment accounted for EUR 0.6 billion.

According to the Boston Consulting Group's 2021 industry report[1], the market for DC charging solutions in Kempower's target regions is expected to grow by around 20% p.a. on average, reaching around EUR 4 billion in 2030. Market growth for DC charging solutions is expected to be slightly stronger compared to slower AC chargers. Growth is expected to be particularly strong in relative terms in the US (CAGR: 27%), where the charging infrastructure and the electric car fleet are still lagging behind Europe. In Europe, the DC charging market is expected to grow by an average of 17% p.a. between 2020 and 2030.

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. At the end of 2021, the share of EVs in the registered car fleet will be only about 1% in Europe and less than 1% in the US. This is expected to increase to 16% in Europe by 2030 and to 41% by 2040. In the US, too, sales of EVs have recently picked up, particularly as a result of rising fuel prices. In 2021, EVs already accounted for 9% of new passenger car sales in Europe and 4% in the US. Sales of new EVs are an important driver for the development of the car fleet, which in turn drives the demand and utilization rates of charging equipment.

Heavy transport is a major consumer of fast charging

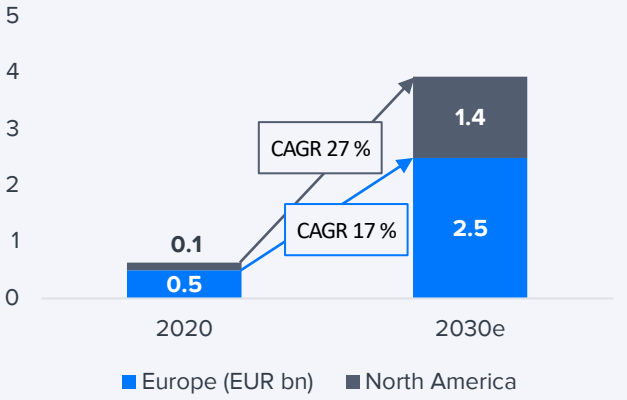
The relative growth in the number of commercial electric vehicles, such as buses and trucks, is expected to be even stronger than in the passenger car sector. The number of electric commercial vehicles is expected to almost triple in Europe and quadruple in the US between 2019 and 2024. Between 2024 and 2030, the number of these vehicles is expected to grow at an average annual rate of 33%, reaching a total of 6 million in 2030. The estimated number in 2030 is about one tenth of the projected number of electric cars, but commercial vehicles will have higher consumption and utilization rates and will 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%.

Fighting climate change the main reason behind electrification of transport

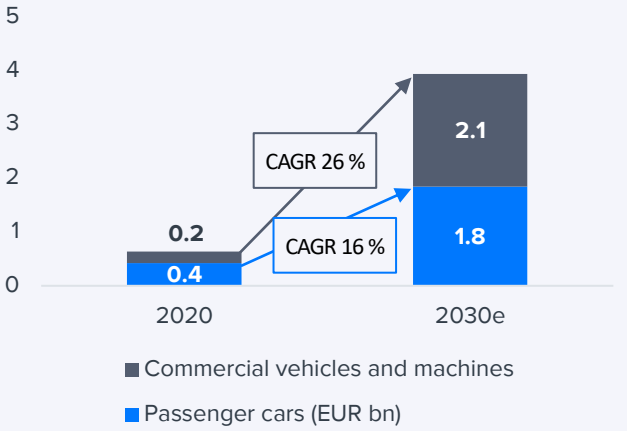
Reducing carbon dioxide emissions is the main issue driving the uptake of electric vehicles. Road transport accounted for 22% of the CO2 emissions generated in the European Union in 2019[2]. Reducing emissions will affect the electrification of the vehicle fleet through several different mechanisms. Emission limits imposed by public authorities on car manufacturers are one of the main drivers for the electrification of passenger cars. The EU is gradually tightening emission limits for car manufacturers to cut emissions from passenger cars in line with targets.

Sources: 1) BCG: Why Electric Cars Can't Come Fast Enough (April 2021), 2) UNCC

Target market growth by geographic area



Target market growth by segment



Source: Boston Consulting Group

Market and competitive environment (2/5)

Incentive schemes and restrictions have also been introduced in other markets, such as in different US states, to encourage car manufacturers to produce low-emission cars, such as full electric cars. In addition to tackling climate change, measures to improve air quality in cities will accelerate the electrification of cars. Several major cities such as Paris (2030) and Rome (2024) have decided to ban the use of petrol and diesel cars in city centers in the future. The UK is also planning to ban the sale of diesel and petrol cars from 2030. Bans can help improve urban air quality and reduce harmful emissions of nitrogen and sulfur dioxide. Not only the legislator, but also consumers and the capital markets expect car manufacturers to adopt strategies for a low-emission future, leading several car manufacturers to announce that they will reduce or stop production of cars with internal combustion engines.

Cheaper battery prices support electrification

The long-term trend has been that emerging and cheaper battery technology is making electric cars a more attractive option for consumers. We estimate that the battery accounts for around 15-30% of the manufacturing costs of an EV, depending on the model. The price per kWh of lithium-ion batteries has fallen by almost 90% between 2010 and 2020 and is expected to fall by a further 30% between 2020 and 2030*. Cost inflation following the COVID pandemic has pushed up battery metal prices, but so far this has not slowed down sales of electric cars. Cost inflation is also reflected in the manufacturing costs of internal combustion engines and in fuel prices, which evens out the situation between different vehicle types. It is possible that rising battery prices will put the brakes on electric car sales for a few years. In any case, we think it is likely that battery prices will continue to fall in the long term, supporting the electrification of transport.

Kempower focuses on fast and high-power chargers

EV charging solutions can be divided into three product segments: Slow charging solutions (1-22 kW), fast charging solutions (22-100 kW) and high-power charging solutions (>100 kW). Kempower focuses on technologically more demanding fast and high-power charging solutions, where the company utilzes the high level of electrical engineering expertise it inherited from Kemppi Oy. DC fast and high-power charging solutions are not only more complex, but also significantly more expensive, with fewer manufacturers on the market. Slow charging solutions are technologically simple AC power supply devices that do not require high technological know-how to manufacture.

Different product segments have their own applications

The three product segments mentioned above have significantly different uses, which is mainly related to the price and power characteristics of the products. 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.

Drivers of target market growth

Strong uptake of electric cars

- Electric car fleet is expected to increase 10-fold by 2030 and 30-fold by 2040
- Charging station operators for passenger cars invest in charging infrastructure in a front-loaded way, despite the short-term negative profitability

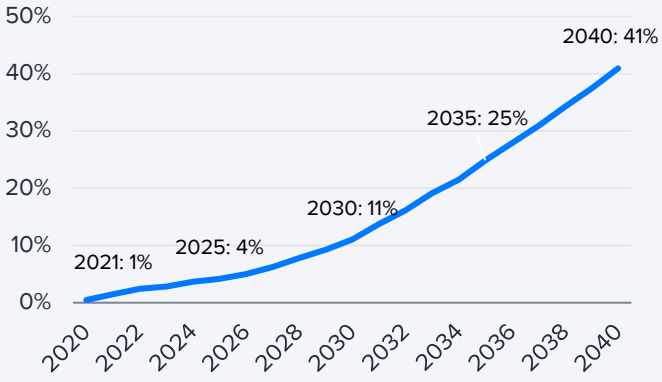
Rise of commercial electric vehicles

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

Increasing share of aftermarket revenue

- Maintenance, software and spare parts provide around 5-10% additional revenue on top of equipment sales

Share of electric vehicles in motor vehicle fleet in Europe*



* Forecast includes only the share of full electric cars
Source: Kempower

Market and competitive environment (3/5)

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 these solutions, in addition to their low price, is that the existing electricity connections of households are also 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.

Attractiveness of the public fast-charging network will improve with technological developments

Technological advances in cars and charging solutions have improved the performance of both AC and DC charging, but we see more unrealized development potential for DC charging compared to traditional AC technology. In addition to increasing the power of the DC charging stations, new electric vehicles allow for more efficient DC charging. Advances in DC technology will enable the development of a more user-friendly and cost-effective public charging network, allowing more consumers who don't have access to charging at home or who need public fast charging for long journeys to switch to electric vehicles.

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. In the US in particular, the public fast-charging network is still at an early stage of development, as is the share of electric cars in the total car fleet.

The number of charging points needed depends on matters like geography and the power of the chargers

In 2014, the EU-appointed commission estimated that the ratio of electric cars in use to public charging points should be no more than 10:1 to ensure that charging points have enough capacity to serve motorists. This ratio was 7:1 in the EU in 2021[1], which is slightly better than the above-mentioned ratio.

However, it should be noted that not only the number of charging points but also their quality is important, as efficient DC chargers are able to serve several customers in a short time. In the Netherlands, for example, the ratio of electric cars in 2021 was 2:1[2] to the number of public charging points, meaning there was a huge number of charging points available to meet demand. However, the vast majority of chargers in the Netherlands are slow charging points, which is not directly comparable to Norway, where the ratio of cars to chargers is around 30:1[3], as up to around 20% of public charging points in Norway are fast DC chargers. Geographical factors have an impact on the need for charging infrastructure, as a country with long distances such as Norway has a greater need for fast charging of passenger cars than the short distances of the Netherlands.

Front-loaded investments in the charging network

We estimate that demand for EV charging equipment will develop in a front-loaded manner relative to the electrification of the car fleet. Investment grants paid from tax revenues are a major factor behind this development.

Sources: 1) Virta Global 2) Autovista24 3) Statkraft

Kempower focuses on fast and high-power chargers

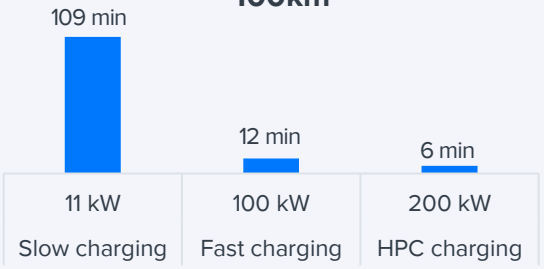
	Segment	Slow charging	Fast charging	High power charging
Public	On the road network		X	X
	Shops and hotels	X	X	x
	Streets and public places	X	X	
Private	Commercial vehicle operators (e.g. buses, machinery)	X	X	X
	Workplaces	X	x	
	Households	X		
Price		0.5-2 TEUR	20-40 TEUR	50-150 TEUR

KEMPOWER

X Use typical in the segment

x Use limited in the segment

Passenger car charging time per 100km*



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

Market and competitive environment (4/5)

In both Europe and North America, public investment grants have been used to accelerate the construction of charging infrastructure. For example, the Biden administration has outlined a total support package of USD 5 billion to build 500,000 charging stations, but the final content of the support package is not yet clear.

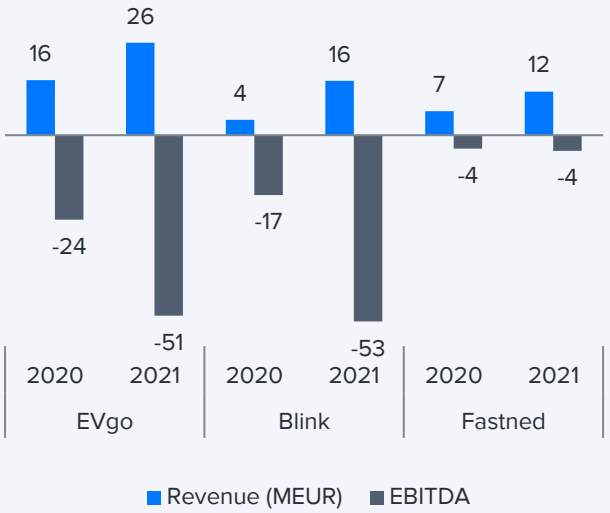
There is also a commercial incentive for charging point operators (CPOs) to build a charging network in a front-loaded way, even if it is not yet very profitable. The largest companies in the sector have sought to grow aggressively and to gain market share, although this strategy has meant negative profitability in the short term for many companies. Industry leaders such as ChargePoint, EVgo and Fastned grew 65-81% during 2021 in terms of revenue, but at the same time their results were strongly negative even in terms of EBITDA. On average, charging point utilization rates have not yet reached the desired level and, on the other hand, investments to expand the network have put severe pressure on the profitability of many charging point operators.

However, negative operating margins don't mean that the business can't be profitable or value-creating in the long term. For example, Fastned also reports separately the operational EBITDA, which takes into account only the costs related to the operation of the charging stations and excludes costs related to network expansion and one-off costs. The company reported a positive operational EBITDA of as much as 19% of revenue in 2021. The operational EBITDA relative to the amount invested in a charging station has also been reasonable, at an annualized revenue level of 9% in December 2021 and at 7% in Q1 2022. The corresponding return on capital (operational EBITDA / investment) of the company's top 5 charging stations, measured at the level of revenue at the end of 2021, was as high as 31%. In our view, the positive trend and the high returns on the best positions indicate that the industry has the potential to make the business profitable in the long term. American company EVgo also reported in its 2021 annual report that returns from charging stations are good in areas where there are already large numbers of electric vehicles. The company expects profitability to improve significantly as electric cars become more common. In turn, BP that operates service stations said in January 2022 that the profitability of operating DC fast chargers would soon exceed that of conventional petrol pumps.

The market is still a long way from the saturation point

At present, it appears that charging point operators are continuing to invest heavily in new charging points. The share of electric cars in the car fleet is only a fraction of its potential level, so investors have good reason to believe that profitability will improve in the future. However, the market's saturation point will inevitably occur at some point, which will eventually slow down the growth of charger sales and thus Kempower's market. Financial market cycles can also have an impact on the willingness of companies in the sector to invest and on the patience of investors to tolerate losses in the hope of long-term value creation. Predicting the timing of the saturation point is challenging, but we don't expect it to occur within the next decade, as the share of fully electric cars in the car fleet is still estimated to be only around 10% in 2030.

Financial development of charging station operators



Source: Financial statements of companies

Market and competitive environment (5/5)

Estimated evolution of the market and competitive situation for DC chargers

	The market is created	Growth stage	The market is maturing
Market growth	> 20% per year	~10-15 % per year	< 10% per year
Customers	Emergence of new approaches, investment in the charging network begins	Strong investments to cement market shares	Optimization of utilization rates and a more profitability-oriented investment strategy
Manufacturers	Several local players (more than 20 globally)	The best players are growing strongly and expanding into new areas	The market is consolidating globally among fewer than 10 players and smaller players drop out
Products	Significant differences in the characteristics and quality of charging equipment between manufacturers	Charging equipment features are evolving and charging power is increasing	Technical development is slowing down and differences between manufacturers shrink. Price competition is intensifying
Kempower's competitiveness	Market-leading products enable explosive growth	Kempower establishes a strong position in the market. Profitability improves with volume	Competition and shrinking technological gaps are eating away at pricing power. However, brand and size support competitiveness.

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 a few companies have a strong product portfolio and truly global distribution, and most companies focus on specific product segments and/or geographical areas.

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 only manufactures equipment for its own charging stations. On the utility vehicle side, major competitors include ABB, Heliox and Eko Energetyka.

Distribution not yet at the level of major competitors

Kempower is a relatively recent entrant in the fast-charging market, which is why its revenue-based market share in 2021 was only 3% of fast-charger sales in Europe and the US. Tesla operates charging stations that are of a high level of service and technology, but for the time being limited mainly to Tesla cars. If Tesla is excluded, the biggest players in terms of market share are Tritium and ABB, both of which have been present in the market for several years and have developed a strong global distribution network. Kempower has been striving to grow its distribution rapidly but is lagging far behind its major competitors in building sales channels.

Technological level is a clear competitive advantage

We believe that Kempower's products are highly competitive in terms of their technological features. In our view, particularly the ability of the company's charging systems to share power between multiple cars (dynamic charging) is superior to competitors' products. One Kempower power unit can charge up to 8 vehicles simultaneously, while competitors typically limit the number to 2. 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. On the other hand, some competitors rely 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.

In the future, the market will focus on product leaders

In the medium term, we see product leadership and technological excellence as the key competitive differentiator. In the future, we expect the fast-charging market to be dominated by global companies producing the best devices, which are likely to include at least ABB, Tritium and Tesla, in addition to Kempower. We expect technological differences to narrow as the market consolidates, highlighting the importance of price competition. In the long term, the role of operational efficiency will be emphasized.

Kempower's competitive position

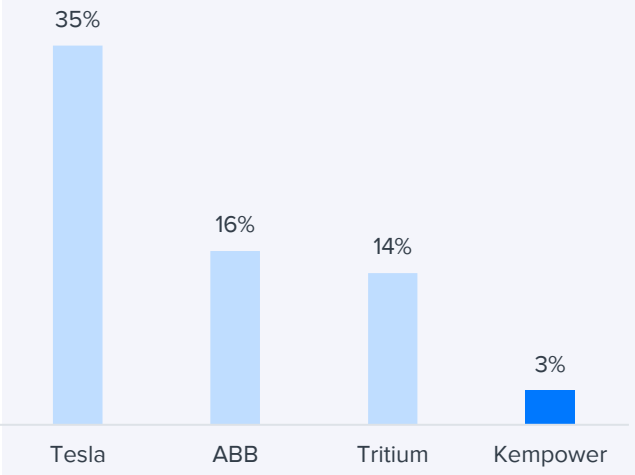
Strengths

- Technological advantage through e.g. inverter and power management expertise inherited from Kemppi.
- The product features stand out clearly from the competition

Weaknesses

- The distribution organization is still lagging behind its main competitors
- So far, manufacturing is only taking place in Finland. Building the US supply chains takes time.

Market shares of DC charger manufacturers[1]



1) in the European and North American markets in 2021
Source: Inderes' estimate

Competition (2/2)

Company	Revenue[1]	Distribution	Max number of plugs per charging unit[2]	AC charging	Max. power per charging unit	Modular design	Satellite charging points	Movable charger	Dynamic charging
KEMPOWER	27	Europe	16	Partially	600	Yes	Yes	Yes	Yes
ABB	180	Global	4	Yes	360/600	Yes	Partially	No	Partially
SIEMENS	Not known	Global	4	Yes	300/800	Yes	Partially	No	No
DELTA	Not known	Global	4	Yes	200	Yes	No	No	Partially
PHIHONG	Not known	Global	4	Yes	360	Yes	Partially	Yes	No
efacec	23	Europe, North America	3	Yes	350	No	No	No	No
TRITIUM	120	Global	2	No	350	Yes	Partially	No	Partially
heliox	Not known	Europe, North America	2	No	600	Yes	Partially	Yes	No
EKO ENERGETYKA	22	Europe	2	No	350/2200	No	Partially	Yes	No
alpitronic	9	Europe	2	No	300	Yes	No	No	Partially
chargepoint	210	Europe, North America	2	Yes	350	Yes	No	No	No
EVBOX	70	Europe, North America	3	Yes	350	Yes	No	No	No
CIRCONTROL Mobility & eMobility	Not known	Europe, Middle East	2	Yes	350	No	Partially	No	Partially

1) Estimated revenue in 2021 May also include revenue other than that related to the sale of fast chargers.
2) Kempower can charge 8 cars at the same time, while competitors typically can charge 2.
Source: Kempower and Inderes

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. We expect the importance of passenger car charging in Kempower's business to increase in 2021-22, when the company has announced several supply contracts also for customers operating charging points outside the Nordic countries.

In 2021, revenue already rose to EUR 27.4 million, of which 84% came from the Nordic countries and 15% from the rest of Europe. Revenue growth has continued strongly during 2022 (H1: 33.2 MEUR, +268% y-o-y), of which already 38% came from outside the Nordic countries. The order backlog at the end of H1 was EUR 62.4 million, an increase of 319% year-on-year. Typically, the majority of accumulated orders are delivered during the following quarter.

Margins above competitors

The gross margin has developed relatively steadily and has been close to 50% in 2021-22. Kempower's gross margin level is high compared to other fast charging solution manufacturers whose gross margins have been lower (2021: Tritium 6% (H2), ABB eMobility 25-30%).

Number of staff 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 a good level. The number of staff has been strongly increased to implement the growth strategy (end of 2021: 136, end of H1'2022: 260). Personnel expenses increased to EUR 7.4 million in 2021 and were 27% of revenue. Other operating expenses during 2021 totaled EUR 5.4 million, or 20% of revenue. The new production plant in Lahti, introduced in early 2022, increased fixed costs in H1'2022.

EBIT margin close to zero

Adjusted EBIT was still negative in 2020 (-2.2 MEUR), but turned positive in 2021 (1.1 MEUR, 4% of revenue). For the first half of 2022, the EBIT margin was 3% of revenue. Revenue and profitability have historically followed a seasonal pattern, as more charging equipment is installed in the summer, especially in the Nordic countries, which tends to make Q2 and Q3 strong quarters. Although Kempower's EBIT margin is still nowhere near the target level, it's still significantly better than that of other high-growth charging system manufacturers. For example, Tritium's H2'2021 EBIT margin was -87% and the analyst consensus forecasts that the competitor's 2022 EBIT will be at -25% of revenue.

In past years, financial costs have been largely non-existent. With the IPO, the company is debt-free and the financial expenses for H1 2022 amounted to EUR -1.4 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 million in 2021.

A strong balance sheet supports growth efforts

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 2021, the company had cash assets of EUR 90 million and an equity ratio of as much as 92%. The company has no interest-bearing debt.

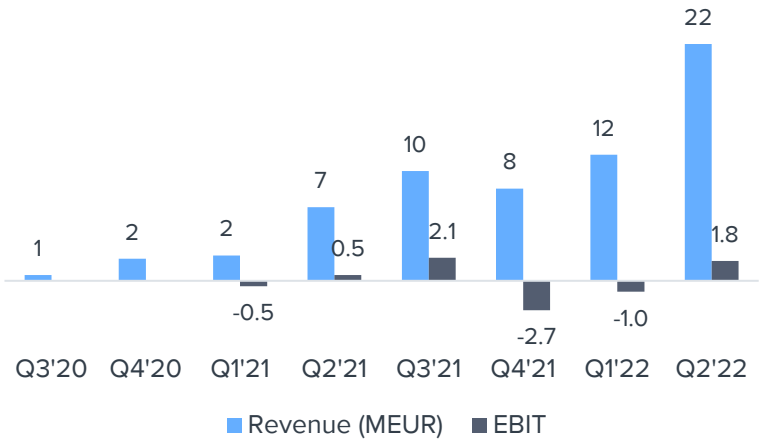
Cash flow has been negative so far

Kempower's cash flow from operating activities has been negative so far, despite a positive operating profit in 2021. In 2021, cash flow from operating activities was weighed down by, among other things, an increase in net working capital due to the scaling of revenue and an increase in tax receivables. In addition, the company invested EUR 1.6 million during 2021, mainly related to the expansion of office space and production.

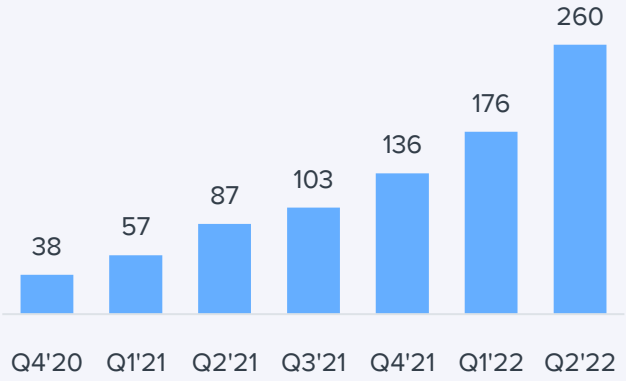
However, we understand that the company's business model is quite capital light and the majority of fixed assets on the balance sheet consist of leased premises. Production consists mainly of assembling and testing products, which means that increasing manufacturing capacity doesn't require large investments in production equipment. Fixed assets recorded in the balance sheet at the end of June 2022 totaled EUR 20 million. Net working capital was EUR 10 million (excluding tax receivables).

Historical development and economic situation (2/2)

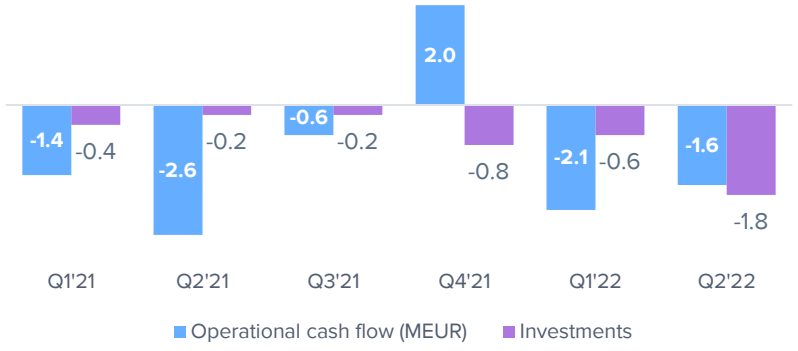
Revenue and EBIT development



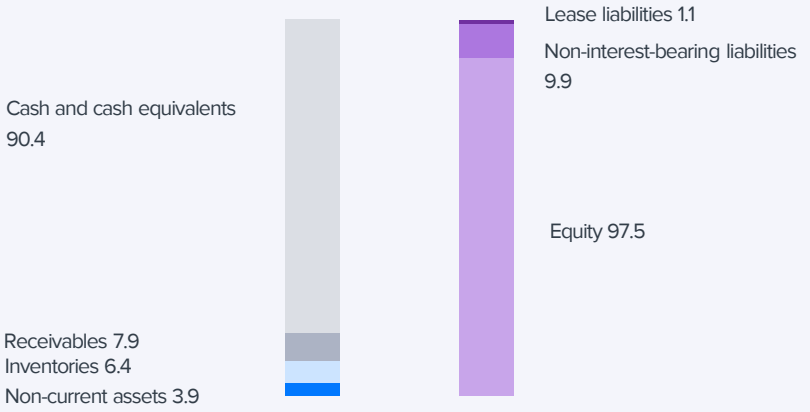
Development of number of personnel



Cash flow development



Balance sheet position at the end of 2021



Source: Kempower

Estimates (1/4)

Estimate model in brief

In the medium term (2022-26), we expect Kempower's revenue to grow significantly faster than the target market thanks to the company's strong product portfolio and expanding distribution network. For 2027-30, we forecast growth to continue in line with market developments. For costs, we model the different cost categories separately until 2029, after which we directly forecast the operating profit margin. Our forecasts don't consider possible acquisitions.

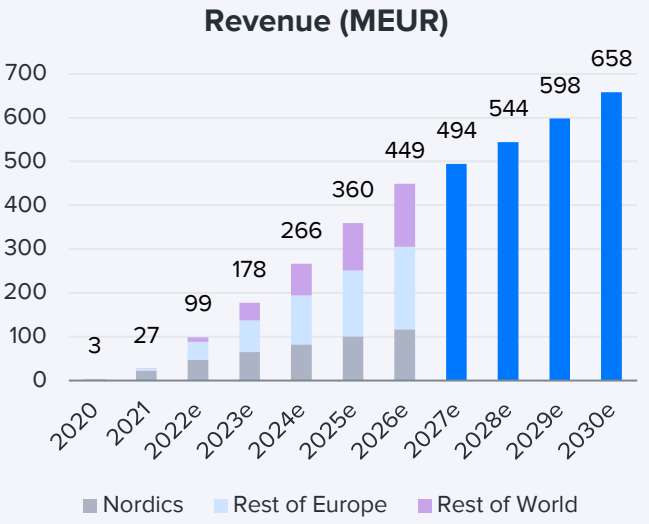
In the short term, growth outpaces the market

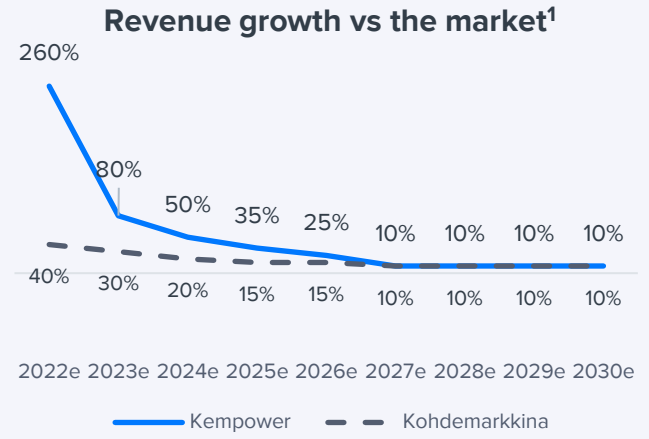
In 2022, we expect revenue to reach EUR 99 million, an increase of 260% year-on-year. Strong growth is driven by solid and growing market demand, on top of which Kempower is rapidly building its sales organization and distribution channels. We expect revenue growth in euros to be strongest in Europe outside the Nordic region, where Kempower has recently established several subsidiaries in market areas and hired a large number of sales and sales support staff. We don't expect the company's production capacity to limit growth in Europe in the coming years, although component shortages remain a source of uncertainty for supply. In the Nordic countries, we expect revenue growth to remain at a good level, but to slow down slightly from the previous year, also in absolute terms. Revenue in North America will increase towards the end of the year but will remain low.

For 2023, we forecast revenue of EUR 178 million (+80% y-o-y), which isn't much higher than the order intake we forecast for 2022 (148 MEUR). We expect strong growth to continue in Europe, and the US should also see a significant increase in revenue as the US distribution organization and the establishment of a production facility begin to support sales. We estimate that the first equipment could come out of the new assembly plant as early as mid-2023. However, it could take longer to build efficient component sourcing networks. In our estimates for 2024-25, the North American market already accounts for almost 40% of revenue growth, and North American revenue will increase to 32% of group revenue by the end of 2026.

The market can boost growth for a long time to come

From 2027 onwards, we have assumed that Kempower's revenue growth will roughly follow the growth trend of the target market, growing at an annual rate of 10% until 2030. This would give Kempower a market share of around 15% of the combined size of the forecast DC charging market in Europe and North America (EUR 4 billion). After our actual estimate period, our growth estimate for the terminal period is 3%. Strong market growth can continue beyond our forecast period, as the electrification of the car fleet is still in a development phase between 2030 and 2040 (the share of fully electric cars in the European car fleet will increase from 11% to 41%). 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. In particular, operators of public charging points are investing in the construction of charging points to strengthen their market position, which means that the most significant growth in the charging point market is likely to stall well before the growth in the electric vehicle market reaches saturation point.





1) The market trajectory presented is a rough estimate that matches BCG's forecast of 20% average growth between 2020-2030e.
Source: Inderes

Estimates (2/4)

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

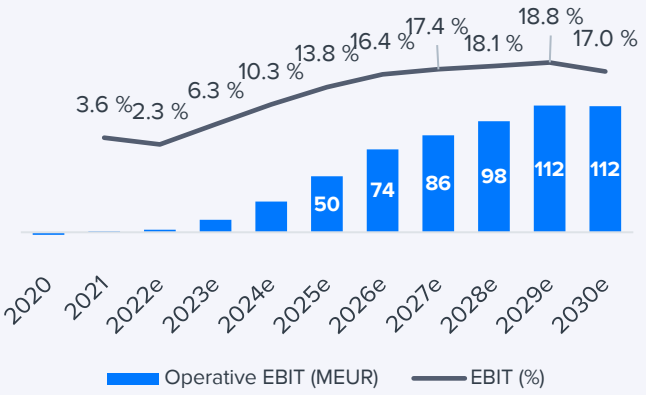
Estimating Kempower's long-term profitability is still challenging and influenced by many factors, including technological competitiveness, production efficiency and the competitive environment. Kempower's technological competitiveness is currently excellent, but we believe this advantage will be at least partially offset in the long term. All companies in the sector still have room for improvement in terms of production efficiency, in particular by developing sourcing networks and products. We expect Kempower to become one of the large manufacturers that will be able to achieve high scale production in the medium term. Looking at the competitive environment, it seems that competing players will face even more challenges than Kempower to turn the business profitable. Our assessment is that at least some of the companies in the market have sought to take over the DC charging markets through low pricing, despite loss-making results. Main competitors ABB and Tritium are aiming to increase their gross margins in the future, which may curb price competition even though production costs will see a decline.

Kempower's gross margin (2021: 46%) has so far been well above competitors' margins. We forecast the gross margin to fall to 45% in 2022-23, under pressure from cost inflation and component shortages, and to continue its slow decline in the longer term (2029e: 44%). We consider Kempower's pricing power to be fundamentally good, so it's possible that the company will be able to compensate for short-term cost challenges through price increases. In the longer term, we see downward pressure on gross margins as technological differences fade and price competition intensifies.

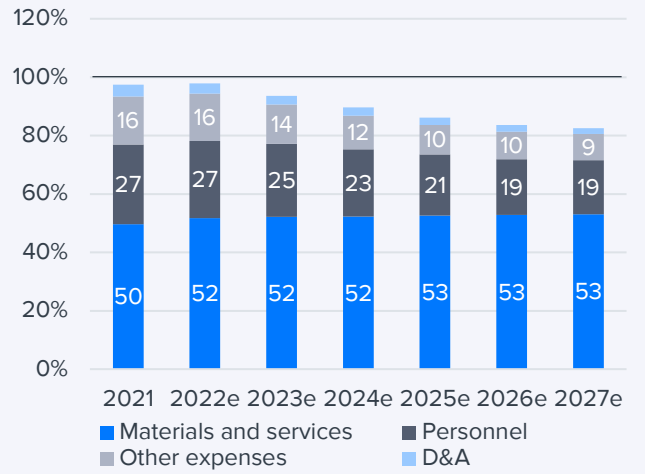
Fixed costs will increase dramatically in the coming years as the whole organization scales to a whole new and global scale. Expanding to Europe will have a particular impact on the growth of cost levels in 2022-23, and we expect that expanding to North America to have a particular impact in 2023-24. In the long term, we forecast a decline in the share of fixed costs relative to revenue, which will help to compensate for potentially declining gross margins. Kempower's business and manufacturing don't tie up large amounts of long-term fixed assets, so we estimate depreciation as a share of revenue to fall to 3% by 2024 and 1.8% in the long term.

We expect EBIT to reach a positive level already in 2022 (2 MEUR) and to improve significantly in the coming years as the company scales up revenue and gets both the European and North American businesses off to a good start. We forecast an EBIT margin of 10% in 2024, rising to 13.8% in 2025 (medium-term target is 10%). For 2029, we forecast an EBIT margin of 18.8% (the company's long-term target is at least 15%). From 2030 onwards, we expect the EBIT margin to fall to its long-term level of 17% due to narrowing technological gaps and price competition. Assessing long-term profitability is very challenging at the current stage of market development and the estimates are therefore subject to considerable uncertainty.

Operative EBIT



Cost structure (% as of revenue)[1,2]



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

2) D&A stands for depreciation and amortizations.

Source: Inderes

Estimates (3/4)

EPS grows to EUR 1.57 in 2029

We forecast Kempower's net profit to be around zero for 2022 and to grow to EUR 87 million by 2029. Earnings per share would therefore be EUR 1.57 in 2029. We have estimated that financing costs will remain at a low level of EUR 1 million per year, as the company has a strong balance sheet with net cash, which we believe will be sufficient for the necessary growth investments. We have estimated a tax rate of 22% in both the medium and long term.

Strong balance sheet enables significant investments

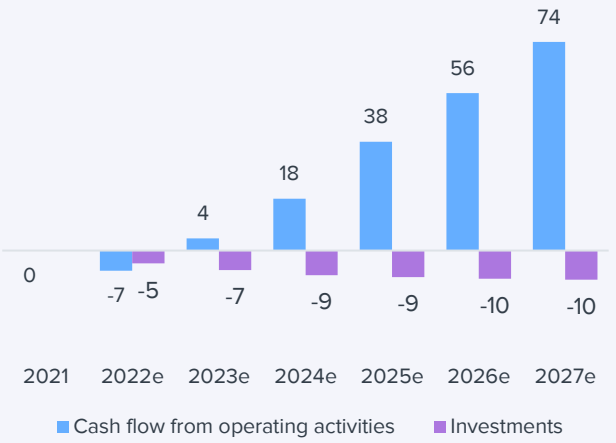
Meeting growth targets requires investments in production capacity, human resources, working capital and other operational activities. At the time of the IPO, Kempower estimated that it would need approximately EUR 30 million of capital to implement its growth strategy between 2022-25, the majority of which was expected to be allocated between 2022-24. We estimate that working capital growth and gross investment in fixed assets will absorb a total of EUR 73 million of capital in 2022-25.

We forecast that growing net working capital will tie up a total of EUR 44 million during 2022-25. We estimate Kempower's net working capital to be around 16% of revenue in 2022 (2021: 13%) and falling to 13% by 2025. In the short term, the uncertainty surrounding the availability of components will force the company to maintain higher than normal stock levels of components to ensure its ability to deliver.

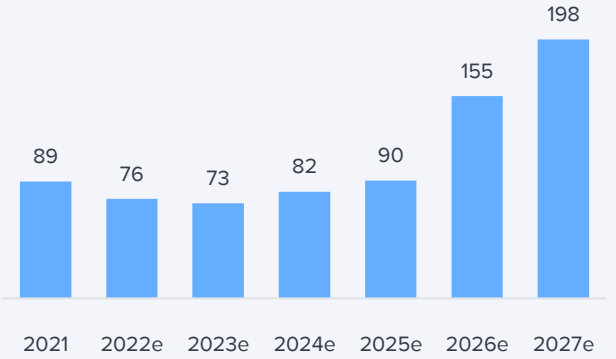
Investments in fixed assets in Europe are already well underway and production at the company's new factory in Lahti has already started during spring 2022, although further investments will be made in the plant. In addition, Kempower will establish a production facility in the United States. We estimate a rough 50-50 split between Europe and North America for the total EUR 29 million of fixed asset investments we forecast for 2022-25.

Kempower had a net cash position of EUR 89 million at the end of 2021. According to our current estimates, this is easily enough to finance the necessary investments together with a positive result. We forecast the company's free operating cash flow to be EUR -14 million in 2022-23, after which the cash flow will turn positive in 2024. Thus, there should also be enough capacity on the balance sheet for acquisitions. We don't expect Kempower to make large acquisitions, but smaller acquisitions of up to tens of millions of euros are a viable option, for example to expand the product portfolio. In accordance with Kempower's dividend policy, no dividends are paid in the short or medium term.

Cash flow development



Net cash development (MEUR)



Source: Inderes

Estimates (4/4)

MEUR	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal period
Order intake			**7**	**37**	**148**									
- growth %				427%	297%									
Order backlog			**4**	**14**	**63**									
- growth %				261%	362%									
Revenue	**0**	**0**	**3**	**27**	**99**	**178**	**266**	**360**	**449**	**494**	**544**	**598**	**658**	
- growth %		68%	909%	730%	260%	80%	50%	35%	25%	10%	10%	10%	10%	3%
Revenue by geography														
Nordic countries	0	0	2	23	47	65	83	101	117	129				
- growth %					105%	37%	27%	22%	16%	10%				
Rest of Europe	0	0	1	4	41	73	112	151	189	208				
- growth %					910%	76%	54%	35%	25%	10%				
Rest of the world	0	0	0	0	10	40	72	108	144	158				
- growth %					4,832%	305%	80%	50%	33%	10%				
Material and service costs	0.0	-0.1	-1.5	-13.6	-51.0	-92.7	-139.3	-189.1	-237.7	-262.5	-289.8	-320.0		
Personnel costs	-0.3	-1.1	-2.2	-7.5	-26.1	-44.4	-61.3	-75.5	-85.4	-91.5	-98.4	-105.9		
Other expenses	-0.4	-1.3	-1.8	-5.9	-15.8	-24.0	-30.6	-36.0	-42.7	-44.5	-46.8	-49.1		
EBITDA	**-0.6**	**-2.2**	**-2.1**	**0.5**	**5.7**	**16.5**	**35.2**	**59.0**	**83.6**	**95.9**	**108.8**	**123.2**	**123.7**	
- % of revenue				1.8%	5.8%	9.3%	13.2%	16.4%	18.6%	19.4%	20.0%	20.6%	18.8%	18.8%
Depreciation	0.0	0.0	-0.1	-1.1	-3.5	-5.3	-7.7	-9.3	-9.9	-9.9	-10.3	-10.8	-11.8	
EBIT	**-0.6**	**-2.2**	**-2.2**	**-0.7**	**2.2**	**11.3**	**27.4**	**49.6**	**73.7**	**86.0**	**98.4**	**112.5**	**111.9**	
- % of revenue				-2.6%	2.3%	6.3%	10.3%	13.8%	16.4%	17.4%	18.1%	18.8%	17.0%	17.0%
Financial expenses				-0.2	-2.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	
Taxes				1.1	0.0	-2.3	-5.8	-10.7	-16.0	-18.7	-21.4	-24.5	-24.4	
- Tax rate %				122%	20%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Net profit				0.3	0.2	8.0	20.6	37.9	56.7	66.3	76.0	86.9	86.5	
EPS (EUR)				**0.01**	**0.00**	**0.14**	**0.37**	**0.68**	**1.02**	**1.19**	**1.37**	**1.57**	**1.56**	
Investments			0.5	1.6	4.5	6.9	8.6	9.4	10.0	10.2	10.5	10.7	11.0	
Net working capital			2.9	3.6	16.0	27.0	37.8	47.5	59.4	62.8	66.4	70.1	70.5	
Net cash assets			0.5	89.3	76.1	72.6	81.5	90.0	154.5	197.7	217.5	239.3	263.2	
Number of employees (at the end)	5	17	38	136	410	660	810							

Source: Inderes

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

Investment profile

1. **Technology stands out from competitors and supports the position in the value chain, at least in the medium term**
2. **Target market is expected to grow strongly for a long time to come**
3. **Revenue, mainly from equipment sales, is not of a continuous nature, but the customer base is rapidly diversifying**
4. **Long-term profitability is still a question mark, as competition may intensify and demand growth slow down**
5. **Strong balance sheet and good resources to grow operations**

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 the distribution increases revenue and diversifies the customer base
- In the long term, brand, technological leadership and customer relationships can help to stand out from the competition

Risks

- Growth investments weigh on profitability in the short term
- After a period of rapid growth, a slowdown in market growth may surprise the market, e.g., in terms of timing
- Long-term profitability is subject to uncertainty as price competition may become more intense as growth slows down
- 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.

Source: Inderes

Valuation (1/4)

Valuation summary

Kempower's valuation is very high, and it relies on significant long-term earnings growth expectations. We believe there are good reasons for these high expectations, given the company's strong global competitiveness thanks to its high level of technological expertise and the fact that market demand is expected to develop very favorably for a long period of time. We form our view on the valuation of the stock using three different methodologies: an EV/Sales-based peer valuation, an EV/Sales-based long-term scenario analysis and a DCF model based on future cash flows. We don't believe that any of the methods chosen is the perfect choice for valuation on its own. The scenario-based valuation model is probably the most concrete one. In the future, once the profitability level has stabilized, we expect the company's valuation to be primarily based on earnings-based valuation multiples, such as EV/EBIT.

For the purposes of peer valuation, we have primarily looked at the current or, in the case of ABB, potential valuation levels of the three main competitors: Tritium, ABB e-Mobility and Tesla[1]. These competitors are priced at an average EV/Sales ratio of 9x (2022e), slightly below Kempower's current level (10x). Kempower's sales margins and profitability potential are at the upper end of the range within the peer group, so we believe there is support for a premium valuation, especially compared to Tritium (7.5x).

We believe that the scenario analysis based on our 2029 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 112 million in 2029, which at a 15x EV/EBIT multiple would imply a value of around EUR 37 per share, giving the current investor an average return of 11% p.a., slightly above the assumed cost of equity of 9%. In the best-case scenario, the share value could rise to EUR 96, which would mean an average annual return of around 27% from today's level. In a negative scenario, the share value would fall by as much as 80%.

The DCF analysis indicates a share value of EUR 20.6 per share. We have used a cost of equity (CoE) of 9.0% and a weighted average cost of capital (WACC) of 8.3%. 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 in the long-term EBIT margin.

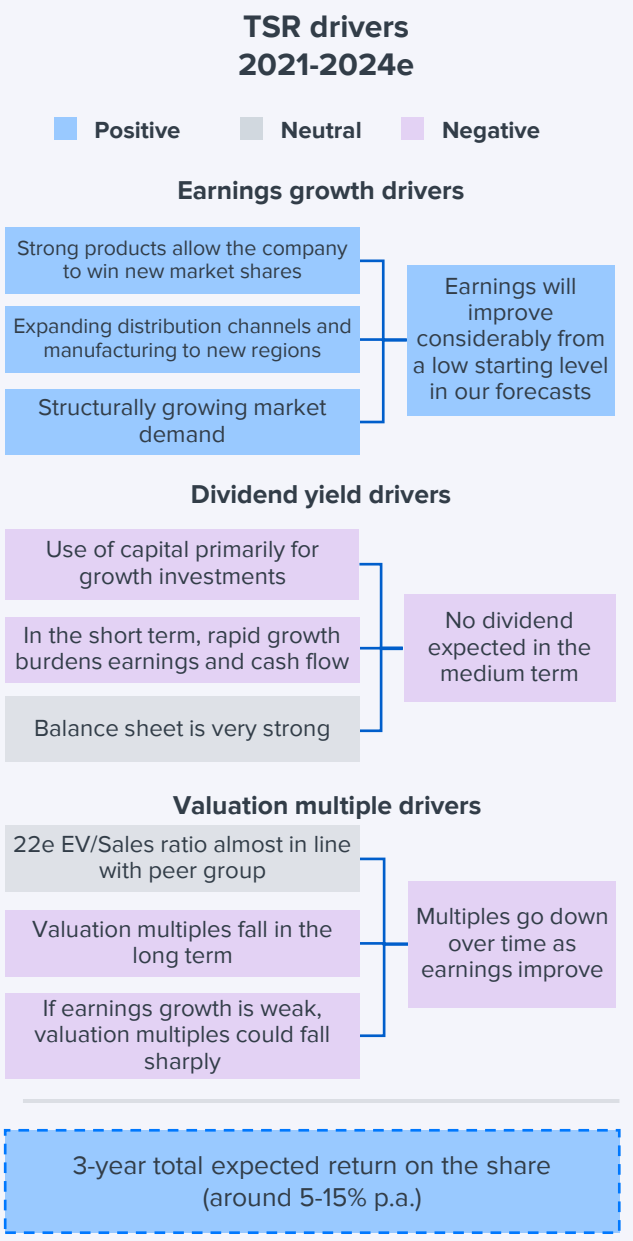
Factors supporting Kempower's valuation:

- Strong competitiveness thanks to advanced technology
- Strong market growth supported by megatrends
- Progress on expansion plans

Factors negatively affecting Kempower's valuation:

- Short-term low profitability
- Equipment sales are not continuous in nature (although diversifed)
- Possible rise in interest rates

1) ABB has planned to list its e-Mobility unit, but the listing has been postponed due to uncertain market conditions.



Source: Inderes

Valuation (2/4)

Valuation multiples in the sector at a high level

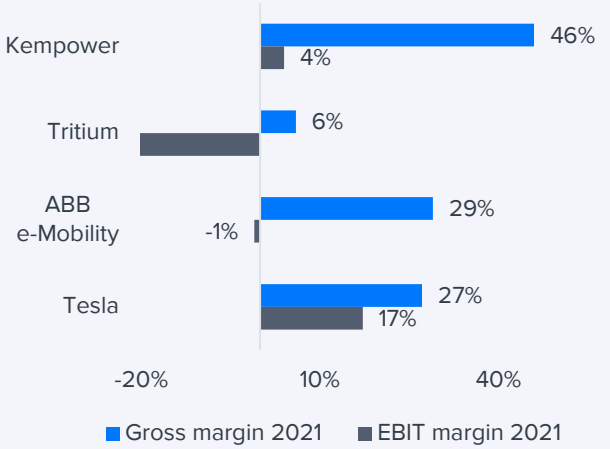
Valuation multiples for companies developing EV charging solutions are generally high, mainly due to the high growth potential of the sector. We prefer the EV/Sales valuation multiple in the peer benchmarking. We don't consider earnings-based valuation multiples to be a reasonable way to value Kempower's business in the short term, as we don't expect profitability to reach its long-term potential at least in the next three years.

Our peer group consists of companies developing charging solutions for EVs, but there are significant differences between their businesses. Of the peer group, only the Australian company Tritium focuses exclusively on fast charging technology (EV/Sales 2022e: 7.5x), which in our view makes it one of the most appropriate peers for Kempower's valuation. However, Tritium's profitability pales next to Kempower's, at least for the time being, when looking at the companies' gross or EBIT margins. Tritium was listed on Nasdaq in 2021 through a SPAC in a transaction that valued the company at an EV/Sales multiple of 16.7x, but the multiples have since declined, in particular due to revenue growth. In our view, Kempower would deserve a higher EV/Sales valuation multiple than Tritium due to its superior profitability. The higher profitability is thanks to inheriting the technological know-how from Kemppi Oy, which has enabled the development of a highly competitive product range in a cost-efficient manner.

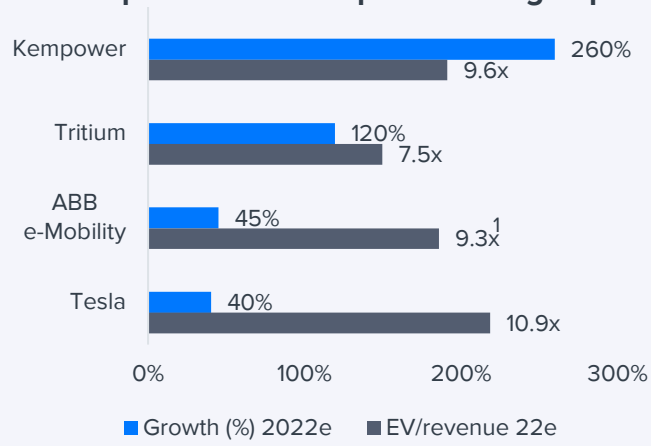
Tesla, the most highly valued of the peers, is priced at an EV/Sales multiple of 10.9x for 2022e. For Tesla, developing and manufacturing charging devices is only a small part of the company's business, which makes it a challenging benchmark. As Tesla has grown to a larger size, its relative growth rate will naturally pale in comparison to Kempower's growth rates and its gross margin will be significantly lower than Kempower's (2021: 33% vs 46%), partly explained by the typically lower margins in car manufacturing. However, Tesla's much larger end-market size, in our view, puts the company's value creation potential above Kempower.

We have excluded ABB from the actual broad peer group, as the majority of the company's business comprises other, more traditional electrical technology industries, whose growth profile is very different from the manufacture of EV fast-charging technology. ABB is planning to list its e-Mobility unit on the stock exchange as an independent company, which would make an excellent peer company for Kempower. According to Reuters sources, the IPO was planned for summer 2021 at a valuation of around $3 billion[1]. Valuation speculation should be treated with caution, but we calculate that at 2021 revenue this valuation would have corresponded to an EV/Sales ratio of 9.3x and at 2022 projected revenue a ratio of 6.1x. Part of ABB e-Mobility's revenue is related to slower AC charging technology (less than half in our estimate), which partly explains its much lower gross margin than Kempower's. ABB has postponed the transaction due to challenging market conditions.

Kempower has a stronger basis for improving profitability than its peers



Growth rate above core peers, valuation multiples also at the top end of the group



1) The ABB e-Mobility IPO has not yet taken place. The EV/Sales ratio presented is based on valuation speculation extracted from Reuters news (July 1, 2021) and 2021 revenue.

Source: Inderes, Reuters and Refinitiv

Valuation (3/4)

Most of the remaining companies in our broad peer group are growing very strongly like Kempower, but their business relies mainly on the manufacture of traditional AC charging solutions, which limits their profitability potential. The EV/Sales multiples for the broad peer group are on average 7x and 4x for 2022 and 2023 respectively. Most peer companies still have negative or low profitability, as the business is still in a strong growth phase. For companies with positive profitability, the EV/EBIT multiples are on average 42x and 28x.

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 2029. 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 598 million and EBIT margin to be 18.8% in 2029. Our baseline scenario assumes a target market size of EUR 4 billion in 2030 and a market share of 15%. 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 37.2 in 2029. This would correspond to an average annual return of 11%, slightly above the required return on equity (9.0%).

In a positive scenario, we expect revenue to reach EUR 1.2 billion in 2029, which would require not only very strong market share growth, but also stronger-than-estimated market size growth by the end of the decade. For example, out of a total market size of EUR 6 billion, this revenue would represent a market share of 20%, which is a daunting level to reach. In terms of profitability, the scenario assumes that excellent competitiveness and economies of scale from strong growth would allow the EBIT margin to reach 20%. 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 20x. In this scenario, the share price could be as high as EUR 96 in 2029, representing an average annual return of 27% relative to the current price.

In a negative scenario, Kempower's revenue would remain at only EUR 160 million in 2029. In practice, this scenario would require Kempower to lose out to its competitors in product development and to lose its technological competitive advantage within the next few years, which doesn't seem likely at present. However, if this were to happen, long-term profitability could also remain low, and no particularly high share valuation would be justified

MEUR 2029e	Negative scenario	Base scenario	Positive scenario
Market size	2,000	4,000	6,000
Market share	8.0%	15.0%	20.0%
Revenue	160	598	1,200
EBIT-%	8.0%	18.8%	20.0%
EBIT	13	112	240
EV/EBIT multiple (x)	10x	15x	20x
EV	128	1,687	4,800
Cumulative cash flow 22-29e	0	290	436
Cash assets 2021	90	90	90
Market value 2029e	218	2,068	5,326
Share value in 2029 (EUR)	**3.9**	**37.2**	**95.9**
Value change (%)	-79%	103%	423%
Annual return (5 years)	**-20%**	**11%**	**27%**

Source: Inderes

Valuation (4/4)

We estimate that the share price would be EUR 3.9 in 2029, which would represent a total depreciation of 79% from the current price.

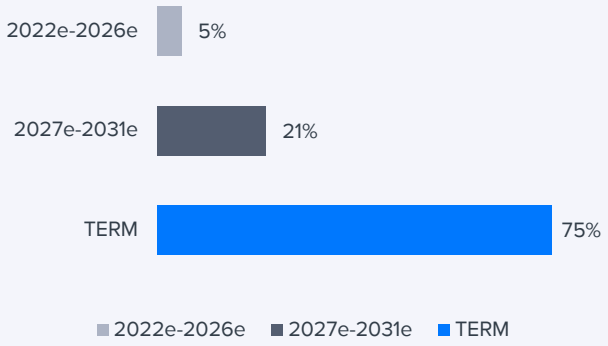
DCF valuation

Our DCF model indicates Kempower an enterprise value of EUR 1,054 million and an equity value of EUR 1,144 million, or EUR 20.6 per share.

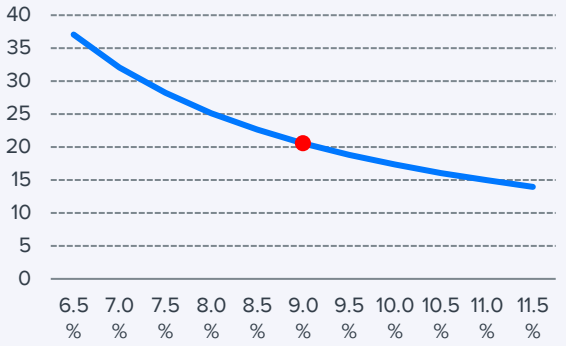
Our applied cost of capital ratios (CoE: 9.0% and WACC-%: 8.3%) reflect the level of risk in Kempower's business, which we estimate to be relatively moderate for a company in a high growth phase. Kempower has a strong position in its market thanks to its excellent products, and the target market is expected 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.

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 cost of equity would decrease the DCF to EUR 17.4 per share and a percentage point decrease would increase the value per share to EUR 25.2. A change of two percentage points in EBIT in the terminal period would change the fair value of the stock by about +/- 10%.

Cash flow distribution



Sensitivity of fair value (EUR) to cost of equity

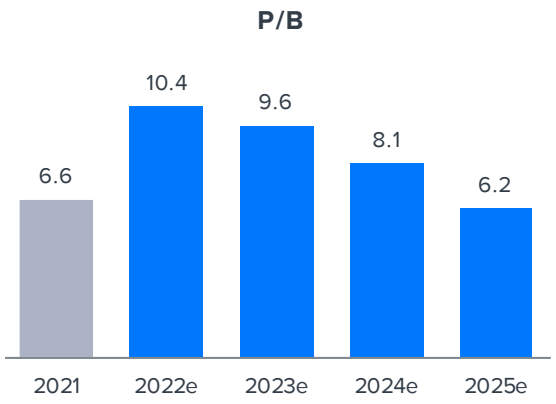


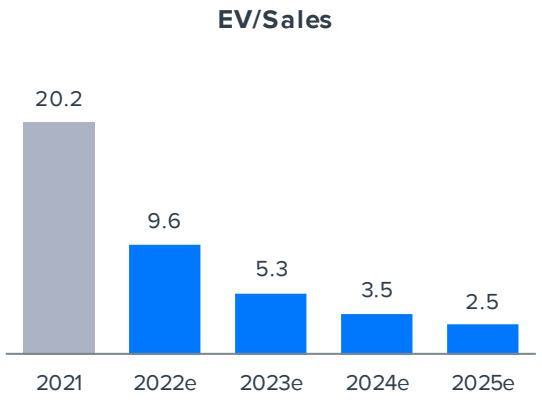
Source: Inderes

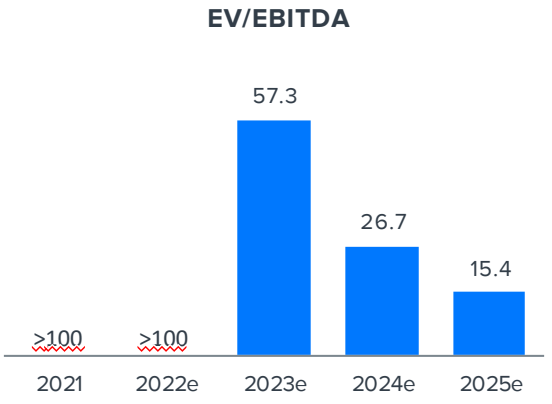
Valuation table

Valuation	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Share price	11.6	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4
Number of shares, millions	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5	55.5
Market cap	642	1019	1019	1019	1019	1019	1019	1019	1019
EV	552	943	947	938	909	864	801	728	643
P/E (adj.)	>100	>100	>100	49.4	26.9	18.0	15.4	13.4	11.7
P/E	>100	>100	>100	49.4	26.9	18.0	15.4	13.4	11.7
P/FCF	neg.	neg.	neg.	>100	35.1	22.4	16.1	13.9	12.1
P/B	6.6	10.4	9.6	8.1	6.2	4.6	3.5	2.8	2.3
P/S	23.4	10.3	5.7	3.8	2.8	2.3	2.1	1.9	1.7
EV/Sales	20.2	9.6	5.3	3.5	2.5	1.9	1.6	1.3	1.1
EV/EBITDA	>100	>100	57.3	26.7	15.4	10.3	8.3	6.7	5.2
EV/EBIT (adj.)	neg.	>100	84.0	34.2	18.3	11.7	9.3	7.4	5.7
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**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**
Tritium	1097	1169		36.3		30.0	7.5	3.8		1383.3			
Tesla	917730	904816	55.0	36.1	46.4	32.4	10.9	7.8	72.2	52.9			20.6
Wallbox	1594	1482					7.8	3.8					25.3
CTEK Group	456	509	43.1	23.6	29.7	18.5	4.9	3.8	54.1	29.3	0.5	1.0	6.6
Zaptec	332	306	24.8	14.0	22.1	12.7	3.9	2.5	33.6	19.1			6.5
Alfen	2472	2443	45.6	31.2	37.6	26.2	6.3	4.8	61.3	42.0			17.3
Kempower (Inderes)	**1019**	**943**	**424.4**	**84.0**	**164.8**	**57.3**	**9.6**	**5.3**	**5726.4**	**127.3**	**0.0**	**0.0**	**10.4**
Average			**42.1**	**28.2**	**33.9**	**24.0**	**6.9**	**4.4**	**55.3**	**305.3**	**0.5**	**1.0**	**15.3**
Median			**44.3**	**31.2**	**33.6**	**26.2**	**6.9**	**3.8**	**57.7**	**42.0**	**0.5**	**1.0**	**17.3**
Diff-% to median			***857%***	***169%***	***390%***	***119%***	***38%***	***40%***	***9826%***	***203%***	***-100%***	***-100%***	***-40%***

Source: Refinitiv / Inderes

Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	**0.3**	**3.3**	**2.3**	**6.7**	**10.0**	**8.4**	**27.4**	**11.5**	**21.6**	**32.0**	**33.5**	**98.6**	**178**	**266**	**360**
EBITDA	**-2.2**	**-2.1**	**-0.2**	**0.7**	**2.4**	**-2.4**	**0.5**	**-0.2**	**2.7**	**3.3**	**0.0**	**5.7**	**16.5**	**35.2**	**59.0**
Depreciation	0.0	-0.1	-0.3	-0.2	-0.3	-0.3	-1.1	-0.8	-0.9	-0.9	-1.0	-3.5	-5.3	-7.7	-9.3
EBIT (excl. NRI)	**-2.2**	**-2.2**	**-0.5**	**0.5**	**2.1**	**-2.7**	**-0.6**	**-1.0**	**1.8**	**2.4**	**-0.9**	**2.2**	**11.3**	**27.4**	**49.6**
EBIT	**-2.2**	**-2.2**	**-0.5**	**0.5**	**2.1**	**-2.7**	**-0.6**	**-1.0**	**1.8**	**2.4**	**-0.9**	**2.2**	**11.3**	**27.4**	**49.6**
Net financial items	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2	-0.2	-1.0	-0.5	-0.3	-2.0	-1.0	-1.0	-1.0
PTP	**-2.2**	**-2.2**	**-0.5**	**0.3**	**2.1**	**-2.7**	**-0.8**	**-1.2**	**0.8**	**1.9**	**-1.2**	**0.2**	**10.3**	**26.4**	**48.6**
Taxes	0.0	0.0	0.0	0.0	0.6	0.6	1.1	0.1	-0.2	-0.4	0.4	0.0	-2.3	-5.8	-10.7
Net earnings	**-2.2**	**-2.2**	**-0.5**	**0.3**	**2.7**	**-2.2**	**0.3**	**-1.1**	**0.6**	**1.5**	**-0.8**	**0.2**	**8.0**	**20.6**	**37.9**
EPS (adj.)			**-0.01**	**0.01**	**0.05**	**-0.04**	**0.01**	**-0.02**	**0.01**	**0.03**	**-0.01**	**0.00**	**0.14**	**0.37**	**0.68**
EPS (rep.)			**-0.01**	**0.01**	**0.05**	**-0.04**	**0.01**	**-0.02**	**0.01**	**0.03**	**-0.01**	**0.00**	**0.14**	**0.37**	**0.68**

Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	67.7 %	909.2 %					730.3 %	400.0 %	222.4 %	220.0 %	299.3 %	260.0 %	80.0 %	50.0 %	35.0 %
Adjusted EBIT growth-%								100.0 %	260.0 %	12.9 %	-64.8 %	-470.4 %	406.7 %	143.6 %	80.9 %
EBITDA-%			-8.7 %	10.4 %	24.0 %	-28.6 %	1.8 %	-2.0 %	12.3 %	10.2 %	0.1 %	5.8 %	9.3 %	13.2 %	16.4 %
Adjusted EBIT-%			-21.7 %	7.5 %	21.0 %	-32.1 %	-2.2 %	-8.7 %	8.3 %	7.4 %	-2.8 %	2.3 %	6.3 %	10.3 %	13.8 %
Net earnings-%			-21.7 %	4.5 %	26.5 %	-25.6 %	1.1 %	-9.6 %	2.8 %	4.7 %	-2.4 %	0.2 %	4.5 %	7.7 %	10.5 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	**0.7**	**5.2**	**6.2**	**6.6**	**7.5**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.2	1.1	1.1	1.1	1.1
Tangible assets	0.5	2.9	3.9	5.5	6.4
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	0.0	1.3	1.3	0.0	0.0
Current assets	**5.5**	**103**	**140**	**176**	**213**
Inventories	1.3	6.4	21.9	37.7	53.8
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3.8	6.6	27.6	47.9	69.2
Cash and equivalents	0.5	90.4	90.0	90.0	90.0
Balance sheet total	**6.2**	**109**	**146**	**182**	**221**

Source: Inderes

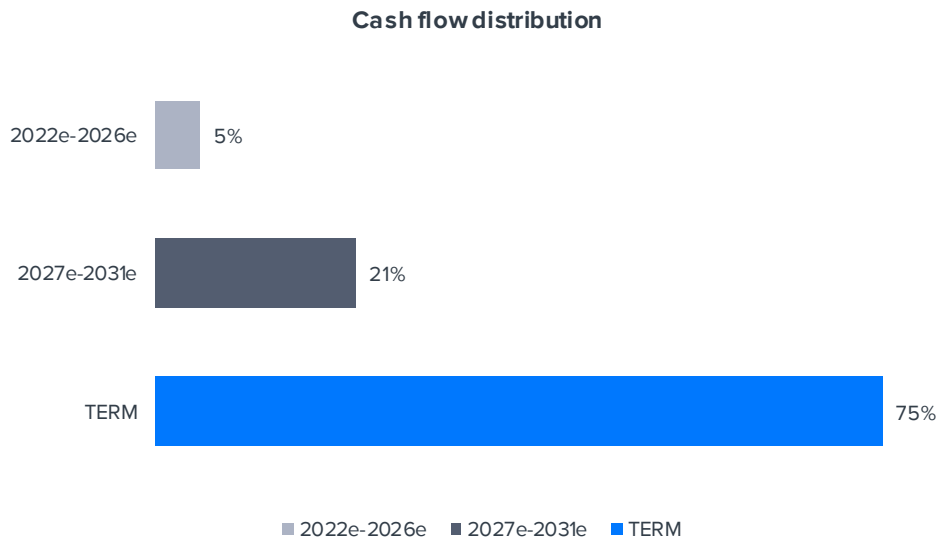
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	**0.6**	**97.5**	**97.7**	**106**	**126**
Share capital	0.0	0.1	0.1	0.1	0.1
Retained earnings	0.0	0.0	0.2	8.2	28.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.6	97.5	97.5	97.5	97.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**3.5**	**1.0**	**0.5**	**0.5**	**0.5**
Deferred tax liabilities	0.0	0.3	0.3	0.3	0.3
Provisions	0.1	0.2	0.2	0.2	0.2
Long term debt	0.0	0.5	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.4	0.0	0.0	0.0	0.0
Current liabilities	**2.1**	**10.0**	**47.5**	**75.9**	**93.7**
Short term debt	0.0	0.6	13.9	17.4	8.5
Payables	2.1	9.4	33.5	58.6	85.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**6.2**	**108**	**146**	**182**	**221**

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	**-0.6**	**2.2**	**11.3**	**27.4**	**49.6**	**73.7**	**86.0**	**98.4**	**112**	**112**	**115**	
+ Depreciation	1.1	3.5	5.3	7.7	9.3	9.9	9.9	10.3	10.8	11.8	10.4	
- Paid taxes	0.1	0.0	-1.0	-5.8	-10.7	-16.0	-18.7	-21.4	-24.5	-24.4	-25.1	
- Tax, financial expenses	0.0	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ 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	-0.6	-12.4	-11.0	-10.8	-9.7	-11.9	-3.5	-3.6	-3.6	-0.4	-2.1	
Operating cash flow	**-0.1**	**-7.1**	**4.3**	**18.3**	**38.4**	**55.5**	**73.5**	**83.5**	**94.8**	**98.7**	**98.2**	
+ 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		-4.5	-6.9	-8.6	-9.4	-10.0	-10.2	-10.5	-10.7	-11.0	-12.0	
Free operating cash flow		**-11.6**	**-2.6**	**9.7**	**29.0**	**45.5**	**63.3**	**73.1**	**84.1**	**87.7**	**86.1**	
+/- Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF		-11.6	-2.6	9.7	29.0	45.5	63.3	73.1	84.1	87.7	86.1	1668
Discounted FCFF		**-11.3**	**-2.4**	**8.0**	**22.2**	**32.1**	**41.2**	**43.9**	**46.7**	**44.9**	**40.7**	**789**
Sum of FCFF present value		1055	1066	1068	1060	1038	1006	965	921	874	829	789
Enterprise value DCF		**1055**										
- Interesting bearing debt		-1.1										
+ Cash and cash equivalents		90.4										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**1144**										
Equity value DCF per share		**20.6**										

Wacc	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	3.0 %
Equity Beta	1.47
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	**9.0 %**
Weighted average cost of capital (WACC)	**8.3 %**

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e
Revenue	0.3	3.3	27.4	**98.6**	**177.6**
EBITDA	-2.2	-2.1	0.5	**5.7**	**16.5**
EBIT	-2.2	-2.2	-0.6	**2.2**	**11.3**
PTP	-2.2	-2.2	-0.8	**0.2**	**10.3**
Net Income	-2.2	-2.2	0.3	**0.2**	**8.0**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2019	2020	2021	2022e	2023e
Balance sheet total	1.3	6.2	108.5	**145.7**	**182.2**
Equity capital	0.4	0.6	97.5	**97.7**	**105.7**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-0.1	-0.5	-89.3	**-76.1**	**-72.6**

Cash flow	2019	2020	2021	2022e	2023e
EBITDA	-2.2	-2.1	0.5	**5.7**	**16.5**
Change in working capital	-0.3	-2.9	-0.6	**-12.4**	**-11.0**
Operating cash flow	-2.4	-5.0	-0.1	**-7.1**	**4.3**
CAPEX	-0.2	-0.5	-4.4	**-4.5**	**-6.9**
Free cash flow	-2.6	-1.9	-7.7	**-11.6**	**-2.6**

Valuation multiples	2019	2020	2021	2022e	2023e
EV/S	neg.	neg.	20.2	**9.6**	**5.3**
EV/EBITDA (adj.)	0.0	0.2	>100	**>100**	**57.3**
EV/EBIT (adj.)	0.0	0.2	neg.	**>100**	**84.0**
P/E (adj.)			>100	**>100**	**>100**
P/B	0.0	0.0	6.6	**10.4**	**9.6**
Dividend-%			0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2019	2020	2021	2022e	2023e
EPS (reported)			0.01	**0.00**	**0.14**
EPS (adj.)			0.01	**0.00**	**0.14**
OCF / share			0.00	**-0.13**	**0.08**
FCF / share			-0.14	**-0.21**	**-0.05**
Book value / share			1.76	**1.76**	**1.90**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2019	2020	2021	2022e	2023e
Revenue growth-%	68%	909%	730%	**260%**	**80%**
EBITDA growth-%	244%	-4%	-124%	**1044%**	**189%**
EBIT (adj.) growth-%	246%	-1%	-73%	**-470%**	**407%**
EPS (adj.) growth-%				**-41%**	**4397%**
EBITDA-%	-667.3 %	-63.6 %	1.8 %	**5.8 %**	**9.3 %**
EBIT (adj.)-%	-679.2 %	-66.7 %	-2.2 %	**2.3 %**	**6.3 %**
EBIT-%	-679.2 %	-66.7 %	-2.2 %	**2.3 %**	**6.3 %**
ROE-%	-704.0 %	-430.1 %	0.6 %	**0.2 %**	**7.9 %**
ROI-%	-704.0 %	-430.1 %	-1.2 %	**2.1 %**	**9.6 %**
Equity ratio	32.1 %	9.7 %	89.9 %	**67.1 %**	**58.0 %**
Gearing	-16.8 %	-83.3 %	-91.5 %	**-77.8 %**	**-68.7 %**

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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 price	Share price
8/15/2022	Accumulate	20.00 €	18.35 €

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2014, 2016, 2017, 2019

Sauli Vilén
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Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020

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