

Kempower

Extensive report

10/4/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Kilpailukyvyn kehitys puntarissa" published on 10/3/2024 at 7:00 pm EEST.

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Development of competitiveness put to test

Kempower has rapidly grown its market share in the fast charger market in recent years. However, the current year's result is turning into a loss, and competition has intensified, partly due to a temporary weakening of market demand. The key to the investment story would be for Kempower to be able to strengthen its market position in the coming years without a significant decline in margins. For the time being, the uncertainty of the outlook and the difficulty of predicting the competitive situation weigh on the risk/reward ratio. We reiterate our Reduce recommendation and the target price of EUR 10.

A global and distinctive provider of fast 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. The company's satellite-based system stands out from the competition and its margins are among the best in the industry. The majority of the company's revenue to date have been generated in Europe (H1'24: 84%), where it has cost-effective and large-scale production centralized in Lahti, Finland. Sales in the US are on track for growth with the opening of a local plant in late 2023, and Kempower is also exploring growth opportunities in other regions. The company has recently added many new customers, and we believe that developing sales processes and strengthening distribution will be key strategic priorities for the company in the coming years.

We expect the weakness in market demand in 2024 to be temporary

Kempower's earnings will be negative in 2024, as significant growth investments combined with sluggish demand have weighed on profitability. We expect growth to accelerate in 2025, driven by factors such as lower customer inventories, stricter emission limits for car sales, and the introduction of new, cheaper electric car models. Kempower's 2023 CMD estimate of 14 BNEUR for the market size in 2030 (2023: around 2.5 BNEUR) is based in particular on the electrification of heavy-duty transport, which will be concentrated towards the end of the decade and for which visibility is still limited despite the positive trend. If growth is realized, profitability would also increase significantly owing to the operating leverage. The temporary overcapacity in the fast charger industry is likely to put pressure on selling prices in the coming years, which could lead to increased competition and lower margins. We have made no major changes to our estimates.

Medium-term upside is not attractive enough given the low visibility

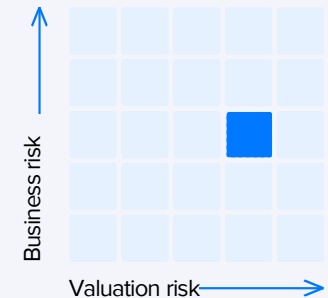
We focus on a medium-term earnings-based valuation, which could turn supportive if the market recovers and Kempower's market share remains stable or increases. EV/EBIT multiples for 2026-27 fall to 16x and 12x, respectively, if our forecast of 30% annual growth (2025-26) materializes and the EBIT margin rises to 9-10% in 2026-27. Even these valuation multiples do not, in our view, offer sufficient upside potential without the investor placing significant weight on earnings growth potential in later years. We still see some risk to this year's guidance, as the revenue guidance would require orders to pick up in early Q3 for orders to impact 2024 revenue. Therefore, we consider the risk/reward ratio to be inadequate. If our near-term forecasts materialize and visibility on the earnings turnaround improves, we believe that more long-term value creation potential could be priced into the stock and the risk/reward could become more attractive. Forecasting the industry's long-term competitive position and profitability levels is very difficult, which limits our risk appetite, although we expect the market's structural growth prospects to remain strong.

Recommendation

Reduce
(was Reduce)

10.00 EUR
(was EUR 10.00)

Share price:
11.16



Key figures

	2023	2024e	2025e	2026e
Revenue	283.6	226.9	294.9	383.4
growth-%	174%	-20%	30%	30%
EBIT adj.	40.7	-25.8	12.1	34.9
EBIT-% adj.	14.4 %	-11.4 %	4.1 %	9.1 %
Net income	33.8	-22.4	10.0	27.9
EPS (adj.)	0.61	-0.39	0.18	0.51
P/E (adj.)	46.9	neg.	61.9	22.1
P/B	11.9	5.6	5.1	4.2
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	37.2	neg.	48.4	16.4
EV/EBITDA	32.1	neg.	25.1	12.1
EV/S	5.3	2.6	2.0	1.5

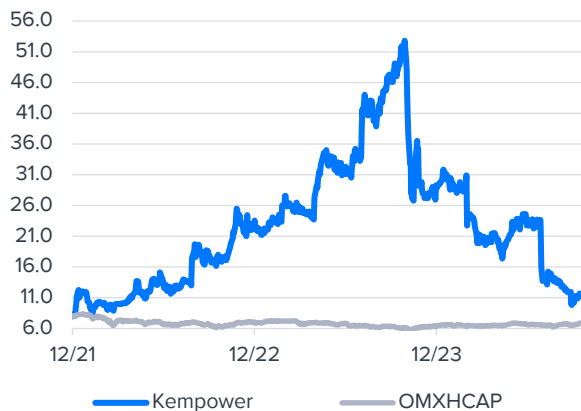
Source: Inderes

Guidance

(Unchanged)

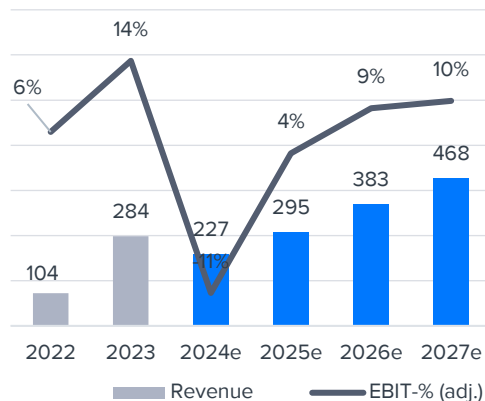
2024 revenue; 220-260 MEUR, assuming no major impact of foreign currency exchange rates. 2023 operative EBIT margin is negative.

Share price



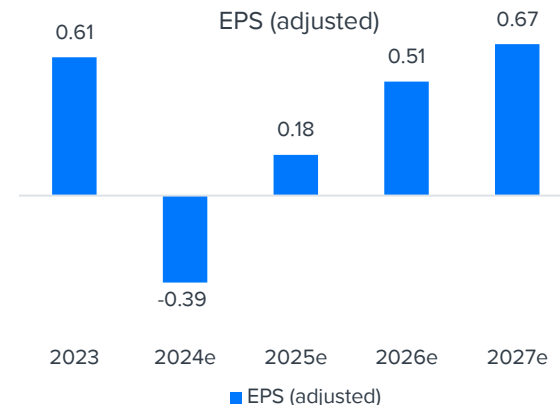
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Electrification of transport creates a huge need for efficient and versatile charging capacity in the medium term
- Competitive products offer strong margins and have enabled market share growth
- Increasing the customer base and expanding into new markets could allow Kempower to become one of the major global manufacturers
- Investments in product development



Risk factors

- Restoring profitability requires significant growth or additional savings
- Uncertainty about long-term profitability levels in the industry
- Changes in technological competitiveness could threaten growth and pricing
- Slowdown in demand growth and narrowing technological gaps are likely trends in the long term
- A high valuation based on long-term earnings growth carries significant risk

Valuation	2024e	2025e	2026e
Share price	11.2	11.2	11.2
Number of shares, millions	55.3	55.3	55.3
Market cap	617	617	617
EV	584	586	571
P/E (adj.)	neg.	61.9	22.1
P/E	neg.	61.9	22.1
P/B	5.6	5.1	4.2
P/S	2.7	2.1	1.6
EV/Sales	2.6	2.0	1.5
EV/EBITDA	neg.	25.1	12.1
EV/EBIT (adj.)	neg.	48.4	16.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

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Kempower in brief

Kempower develops and manufactures advanced fast and high-capacity EV charging solutions for public charging points and operators of commercial vehicles such as buses, trucks and heavy-duty machinery.

2017

Year of establishment

284 MEUR (+174% y/y)

Revenue 2023

40% / 60%

Nordic / other regions' share of revenue 2023

52.1%

Gross margin 2023

40.6 MEUR (14.3% of revenue)

EBIT 2023

907 (+52 % y/y)

Headcount at the end of June 2024

14 BNEUR

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

2017-21

- In the first few years, deliveries were mainly to the Nordic countries
- In 2021, distribution was extended to Europe through the establishment of a number of subsidiaries.
- IPO (First North list of Nasdaq Helsinki) Q4'2021

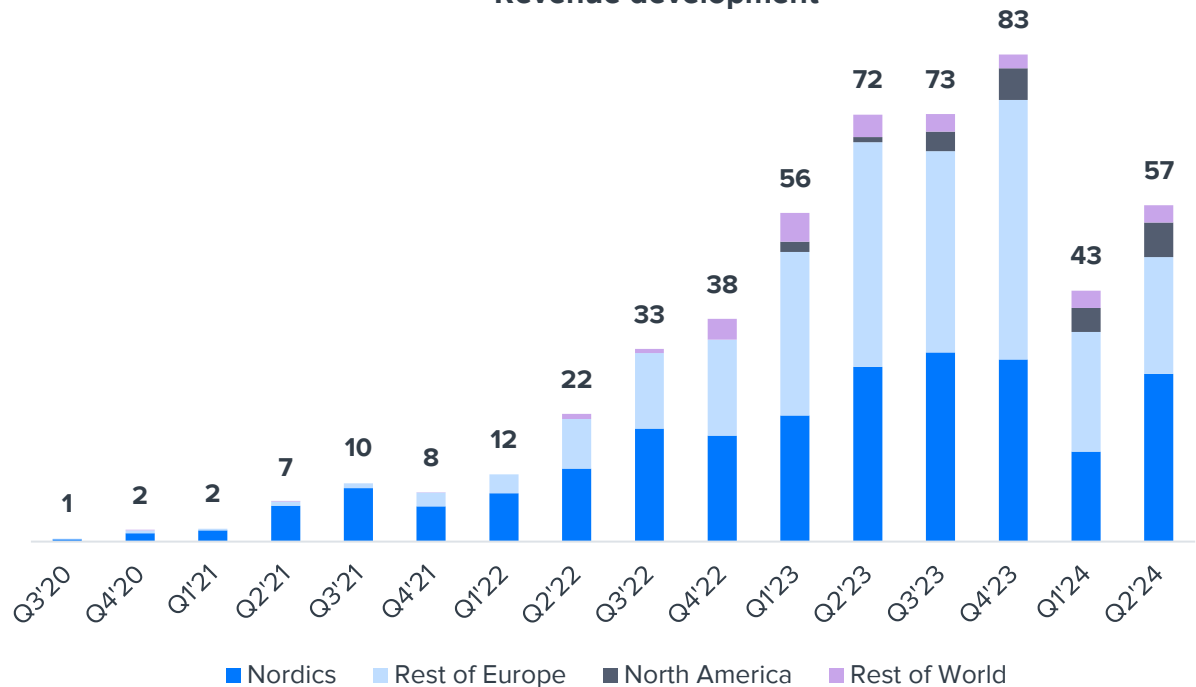
2022

- A large new factory opened in Lahti in early 2022
- Rapid growth in sales in Europe
- Spike in orders in 2022-23 due to component shortages

2023-

- The US factory opened at the end of 2023 and a new factory is due to open in Lahti during 2024
- Rising European customer inventories and slowdown in transport electrification have weighed on order intake from late 2023 onwards
- Transfer to the main list of Nasdaq Helsinki Q2'2024

Revenue development²



1) Market research conducted by Kempower

2) North America reported separately since Q1'23. For Q3'20-Q4'22, potential North American revenue was included in the Rest of World segment.

Company description and business model 1/6

Distinctive player in the DC charging market

Kempower is an electric vehicle charging technology company that manufactures direct current (DC) fast and high-power charging solutions and supporting software for a variety of applications. The company rapidly gained market share in 2021-23, thanks in part to the distinctive technology and design of its products and the strong ability to manufacture high volumes. The company's customers are mainly operators of public charging stations and owners of commercial electric vehicles such as buses and off-highway vehicles. Kempower's revenue was 284 MEUR in 2023, an increase of 174% year-on-year. Since then, however, revenue declined during the first half of 2024. In 2023, 40% of revenue was generated in the Nordic countries, 51% in the rest of Europe, 4% in North America and 5% in other regions. According to Kempower's medium-term strategy, Europe and North America are its main markets, but the company also supplies its products to other geographical areas.

Roots in Kemppe Oy

The technological basis for Kempower's charging solutions comes from Kemppe Oy's long development work on DC welding solutions. Kemppe 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 Kemppe 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,

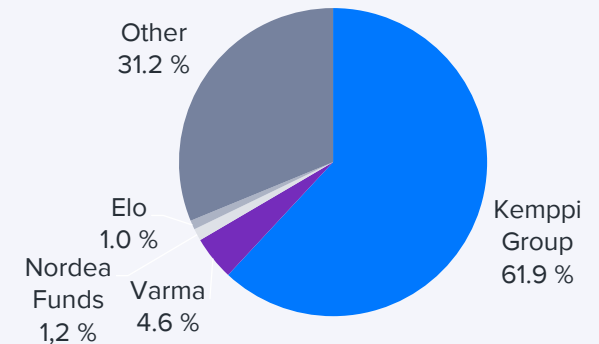
who has previously held positions such as Sales Director for Electric Power Transmission Technology at Danfoss.

Kempower was listed on the First North Market of Nasdaq Helsinki in December 2021 and transferred to the main list in June 2024. Kemppe Group (a holding company that also owns Kemppe Oy) is the largest owner of Kempower, with 62% of the shares. Kempower's other major shareholders are mainly large Finnish institutional investors such as pension funds Varma, Ilmarinen and Elo and Bank Nordea funds.

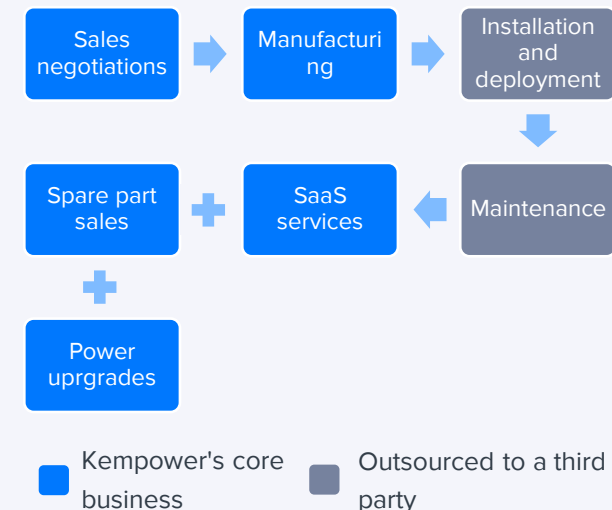
Revenue comes mainly from equipment sales

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 capacity upgrades and SaaS business (Kempower ChargeEye). In the long term, we estimate that the share of equipment sales will fall to 90-95% and the share of revenue after equipment sales will increase to 5-10%. Charging solutions are typically delivered and tested around 3-6 months after ordering, although delivery times were temporarily extended during 2022-23 due to a combination of strong demand and component availability. Kempower supplies the equipment and, in some cases, is also responsible for arranging the installation through subcontractors, but doesn't install the equipment it supplies itself.

Shareholders



Equipment sales at the heart of the business



Company description and business model 2/6

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

Distribution in the main markets largely in own hands

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

Charging operators as the main customer group

Kempower's customer base consists mainly of charging operators who manage charging stations connected to the road network and commercial

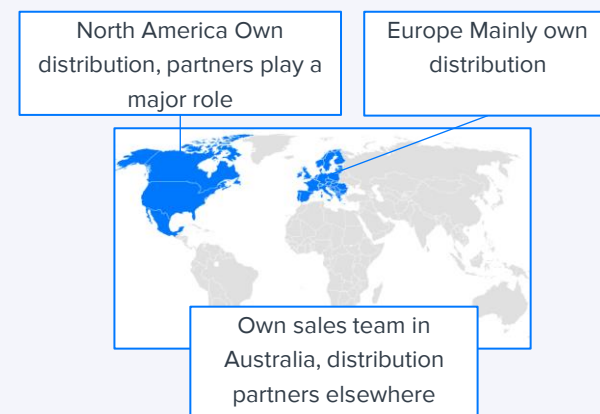
vehicle and bus operators. Other customers include equipment and vehicle manufacturers (OEMs) and other customer groups served through a network of distribution and installation partners. Kempower works closely with its customers on product development, especially on the heavy-duty vehicle side.

Charging operators are the most important single customer group and this group is also divided into different types of operators such as retail companies, energy companies and full-time charging operators. Full-time charging operators are typically more price sensitive customers and often use a number of equipment manufacturers (e.g., 2-3). We estimate that retail operators are less active in switching between different equipment manufacturers as they strive to provide a consistent customer experience across multiple outlets.

Potential for more stable customer relationships in the long term

In particular, Kempower aims to focus on customers with significant long-term revenue potential. In the early stages of electrification, we have seen significant variation in customer investment from year to year. We expect customer relationships to become more stable over the long term, with annual replacement investments and moderate growth investments recurring with some predictability from year to year. Customer demand in 2022-23, which at times even exceeded capacity, reduced the pressure on new sales, but we estimate that by early 2024 at the latest, the company has ramped up new sales and sought to further expand its customer base. A large number of new customers have been won, but these have not yet materialized into orders of the magnitude seen in 2022-23.

Distribution strategy

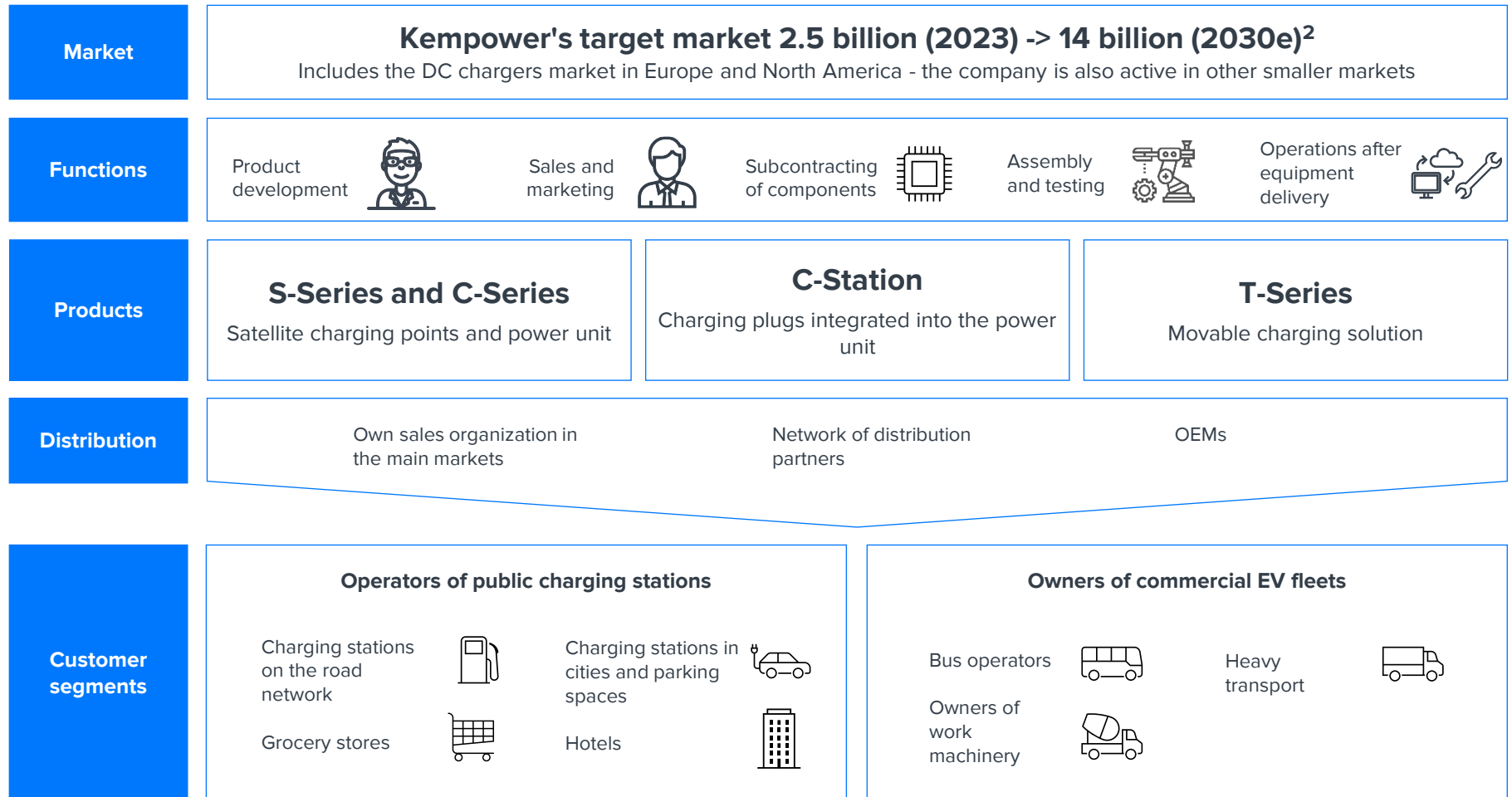


The main markets are marked with blue

Examples of customers and distribution partners

Charging operators	Bus and truck
S-Group Recharge Infra Osprey Charging Power Dot Sainsbury's Q8 Benelux	Nobina Keolis JET Charge VY Buss Milence GLC
OEMs	Distributors
Normet Epiroc Gilbarco Veeder-Root Volvo Scania	Omexom Vital EV Solutions Wennstrom GP Joule Connect ZEF Energy National Car Charging

Company description and business model 3/6



1) The 2030 market forecast is based on Kempower's market research. The market size in 2023 is Inderes' estimate.

Company description and business model 4/6

Production has been expanded rapidly

Kempower has adjacent production and office facilities of 4,000 and 10,000 square meters in Lahti, which were commissioned in 2019 and 2022, respectively. In addition, Kempower has introduced a new 14,000-square-meter facility in 2024, located about 10 kilometers from the other two plants. The expansion will support the company's growth ambitions for the coming years and we believe it will enable Kempower to achieve its growth targets for the current strategic period, subject to sufficient demand.

The company also opened a 14,000-square-meter manufacturing facility in Durham, North Carolina, in late 2023. The plant will enable production compatible with NEVI investment grants and fast delivery times to the North American market. Product development and office facilities have also been established at the manufacturing facility.

We estimate that Kempower's current production facilities are sufficient to reach the company's revenue target of 750 MEUR. Moderate investments in production lines or storage solutions are likely to be required to fully utilize the capacity of existing facilities. We expect the timing of these investments to depend on the evolution of demand.

Production is capital-light assembly work

The manufacture of charging equipment is essentially assembly and testing. We estimate that assembly is relatively simple and doesn't require as much investment in production equipment as, e.g., the process industry, which means that manufacturing capacity can be increased rapidly. The procurement of components and sub-assemblies is a critical business function that requires long-term effort to

develop. Kempower's subcontracting is still quite concentrated on its sister company Kemppi Oy (in 2023, Kempower purchased 44 MEUR of materials from Kemppi Oy, including components and sub-assemblies). We believe that Kemppi Oy's specialized expertise and sourcing capacity have helped Kempower to grow rapidly in the early stages of the business. We believe that there is still room for improvement and optimization in Kempower's production and subcontracting, as the company's primary objective in the phase of rapid growth has been to increase production capacity and ensure security of supply. Automation and assembly lines are constantly being improved in small steps, and certain assembly steps may be outsourced in the future to improve production efficiency.

Clear productization brings efficiency to production

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

Productization

Limited quantity of products (4 pieces)

- All products use largely the same components



Limited customization possibilities

- Modular design allows for scalability
- Plug options
- Appearance



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

Production plants

3 production facilities opened in Lahti in 2019-24:

2019: 4,000 m2, currently power module production

2022: 10,000m2, power unit production, product development and headquarter functions

2024: 10,000m2, satellite production and product development facilities

One production plant in the US, which opened in 2023:

14,000 m2, production, product development, sales and support activities

In addition to its manufacturing facilities, Kempower has sales offices in several countries and product development in, e.g., Vaasa, Finland.

Company description and business model 5/6

Satellite-based charging system is cost-effective and differentiated from the competition

The charging system, which is based on Kempower's charging satellites, can charge up to eight cars simultaneously, unlike most competing charging solutions, which typically charge only two cars at a time. We estimate that a satellite-based system with dynamic power management and a modular design is cost-effective for charging operators by maximizing installed power utilization. The solution enables the installation of multiple high-power charging outlets at a relatively low cost, reducing queuing for charging customers and improving the user experience.

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. Dynamic power management means that the control unit can detect the actual power demand of each charger and allocate the available capacity to up to 8 users simultaneously. Enabling high per-user charging power at lower maximum system power will bring cost savings for charging operators, for whom the running costs of a power subscription are significant in size and partly determined by maximum power.

Product development budgets increased rapidly

Technological know-how and product development play an important role in the rapidly evolving DC charging market. Kempower's product development employed 193 people, or 21% of the company's total staff at the end of June 2024 (H1'23: 108 people or 18% of the total staff). Product development costs were 12% in H1'24 (H1'23: only 4%), reflecting the company's rapidly growing product development function on the one hand and the volatility of revenue on the other. Over the long term, we expect product development

costs to be no more than around 10% of sales.

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

Design and customer experience at a good level

Kempower's charging solutions are designed and engineered with the typical practical challenges faced by both charging station builders and end-users in mind. With the S-Series charging system, satellite charging stations can be located up to 80 meters away from the power unit itself, allowing customers to choose from different space solutions. In addition, the charging point itself has been designed to take into account the different charging connection solutions for

different EVs by making the charging cable to have a lot of reach. The design of the charging cable also prevents damage to the charging head if it hits the ground. Kempower products also pay special attention to the user interface and the information provided to the end user. EV fast-charging stations typically have a display showing information relevant to the charging process. At Kempower's charging stations, this information can also be tracked via a QR code scanned from the user's smartphone without the need for a separate app.

ChargEye cloud service enhances processes

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

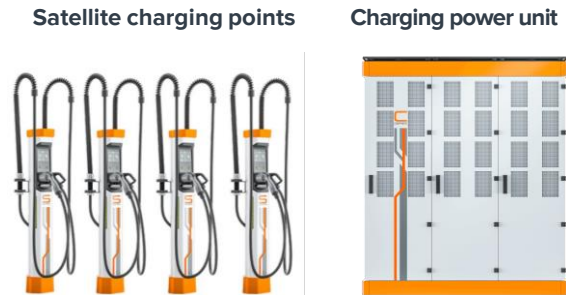
Company description and business model 6/6



Products

Scalable charging system as key product

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



Other products

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



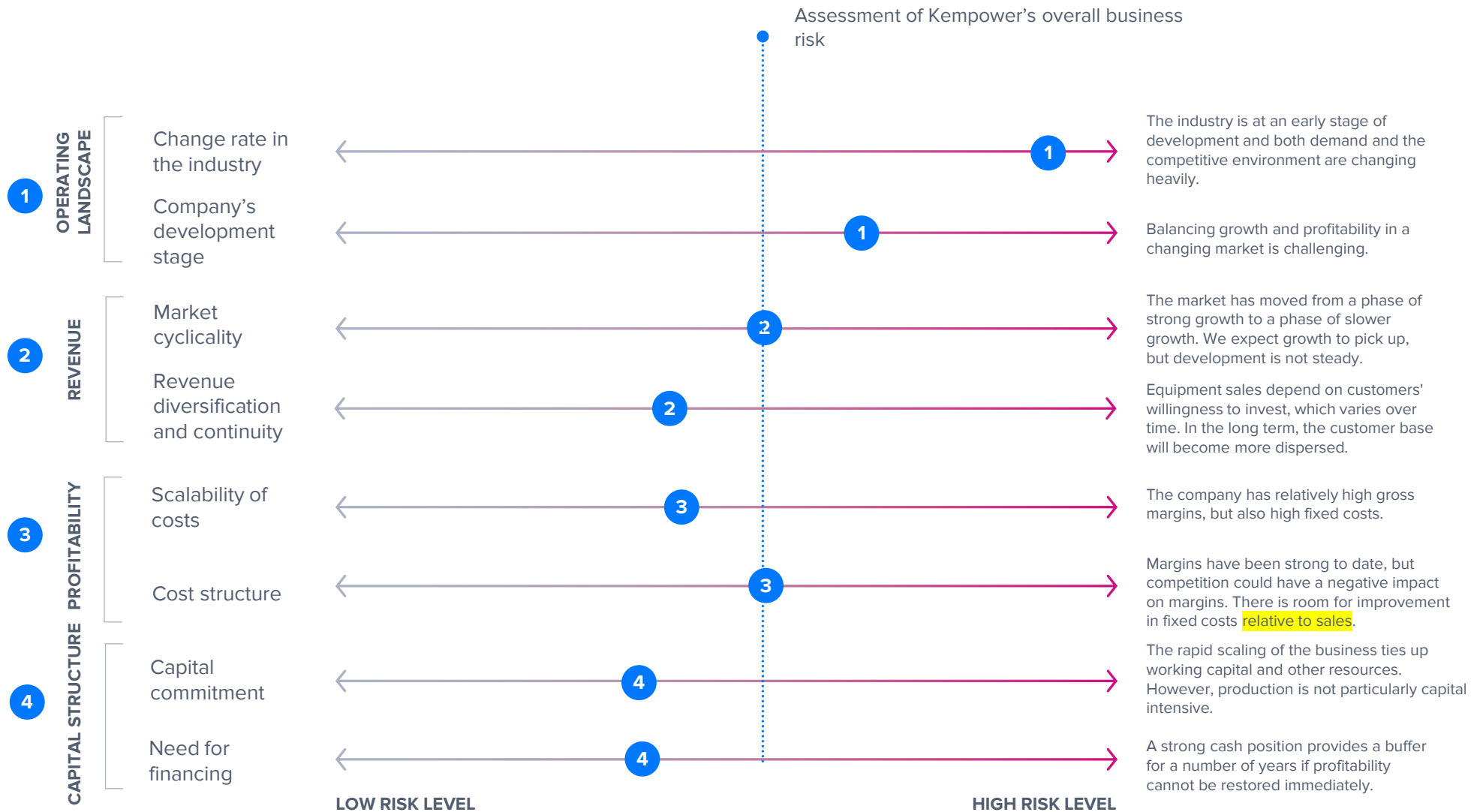
Current product development results

- In early 2024, Kempower announced a new V2 charging platform that uses silicon carbide (SiC) semiconductor technology to enable more energy-efficient, smaller and lighter charging solutions. The new products offer better electrical performance than the previous generation and are on par with the latest solutions from main competitors.
- Plug and charge feature announced on April 27, 2023 will support the delivery of smoother customer experiences at charging points.
- Eichrecht certificate August 29, 2023 - enables the supply of equipment for public charging points in Germany and Austria, where Kempower's market position has been small to date.
- MCS (Megawatt Charging) solution for heavy traffic October 17, 2023.

ChargEye

- All Kempower products are connected to the ChargEye cloud service.
- The service can be used to install software updates and perform remote maintenance on the devices.
- The service offers a number of paid features that most customers use as needed.
- Each charging event is saved in the cloud. The data can be used to improve customer processes and, for example, to optimize charging cycles.
- ChargEye data can be integrated with customers' own systems.
- 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. ChargEye's revenue potential is higher among commercial vehicle fleet customers.
- The charging data is utilized in Kempower's own product development.

Risk profile of the business model



Strategy and financial objectives (1/3)

Strategy in brief

In April 2023, Kempower updated its strategy and raised its growth targets significantly. The company targets revenue of 750 MEUR and an EBIT margin of 10-15% by 2026-28. In the long term, the company is seeking an operative EBIT margin of more than 15%. The company will pursue its objectives primarily through organic means, but acquisitions are also a possible 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 has expanded into new geographic areas and continue to evaluate suitable regions and expansion options. Since the IPO, the company has established subsidiaries in most major European markets, the United States and Australia. Kempower distributes its products in the main markets through its own sales organizations, but also wants to strengthen its distributor network. The company assesses the best course of action on a market-by-market basis.

Kempower completed its expansion into the US already in 2023 and has continued to grow its customer base in 2024. The original strategy announced at the time of the IPO was to begin operations by the end of 2025, but the company decided to move faster, which was announced in June 2022. In our view, the acceleration in the outlook for the US market is mainly related to the Biden administration's generous NEVI subsidies, which will be distributed over four years starting in 2023. The establishment of a local production facility in the US will support Kempower's commercial opportunities through faster delivery times and will enable the

company to receive NEVI investment subsidies depending on its domesticity rate. The company's revenue and orders in North America have been growing during H1 2024, but its share of the group is still small.

Products and efficiency are the focus areas of the innovation strategy

In addition to geographical expansion, Kempower wants to continue to develop its product range, production and technology. We believe that the current product range is strong in terms of features and quality, but the company will continue to develop its product range to keep it competitive in the future. The amount of money spent on product development has been low relative to revenue and much lower in absolute terms than major competitors, but R&D spending has increased rapidly in recent years. In a young industry, technological change can be rapid, underscoring the importance of continuous product development and making it difficult to predict competitiveness.

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

Strategy in a nutshell

Expansion strategy

- Sales functions opened in main market and development of distribution partnerships continues
- Exploring new potential markets outside the main market
- Role of new customer acquisition highlighted as demand slows in 2024
- Heavy transport a key growth area in the long term

Innovation strategy

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

Strategy and financial objectives (2/3)

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

Revenue target seems ambitious given the recent challenges, but the market is alive and well

Kempower's target to grow revenue to 750 MEUR in 3-5 years (2026-28) still looked very realistic in mid-2023, but as the growth has slowed down, we estimate that the probability of achieving this target has decreased. However, if the market continues to grow rapidly, for example due to tightening EU emissions regulations, and the market size reaches the company's estimate of 14 BNEUR in 2030, we believe it would be very possible to meet the target. Kempower's market share grew strongly in 2021-23, but in 2024 we estimate that it has stopped growing.

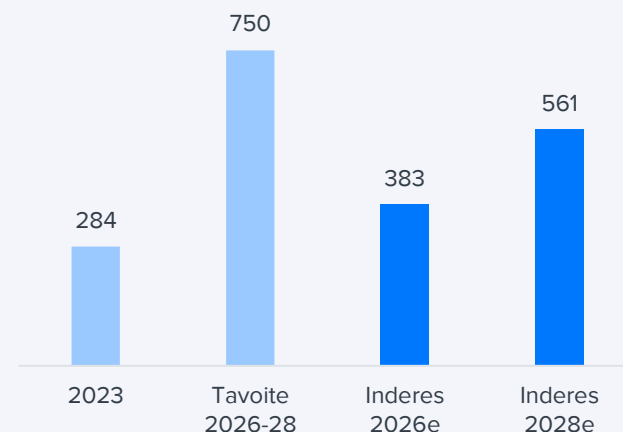
Determining long-term profitability is challenging

Kempower is targeting an EBIT margin of 10-15% by 2026-28 and at least 15% in the long term. The business demonstrated its profitability in a good demand environment in 2023, when the EBIT margin reached 14.3% despite major growth investments. In turn, the impact of strong growth investments combined with declining demand has pushed the EBIT margin into negative territory in 2024. Kempower responded to the slowdown in market growth with an

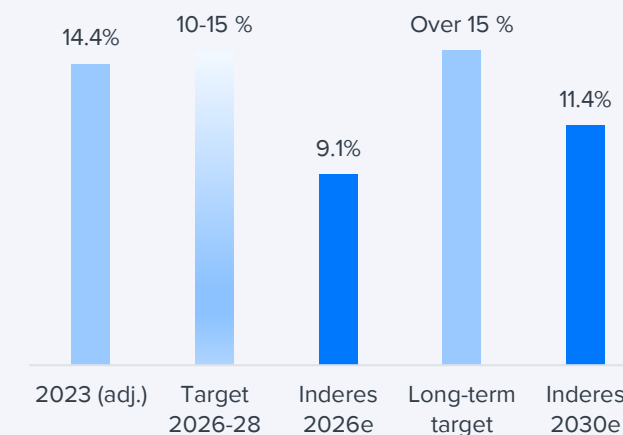
efficiency program in mid-2024. The company aims to save around 10 MEUR per year by reducing headcount and cutting external costs. The efficiency measures should help the company rebalance its cost structure, which has become bloated over several years of prioritizing growth. The near-term turnaround requires not only savings, but also a recovery in demand relative to the sluggish order intake in H1'2024.

The early stage of development of the company and the market makes it difficult to assess Kempower's sustainable level of profitability. The company's gross margins of nearly 50% are among the highest in the industry. However, fluctuating market growth rates and increased competition could put pressure on margins in the future. Although we consider Kempower to be a cost-effective player on average, there are players in the market that operate at an even higher scale, notably Alpitronic. We estimate that Kempower has considerable scope to decrease its fixed costs relative to revenue, which would of course be most easily achieved through growth (operating leverage). On the other hand, we expect gross margins to decline over time as technologies converge and price competition intensifies. Price competition may be constrained by the fact that many competitors also have low margins, which means that they are less able to reduce prices than Kempower. As the market consolidates in the future, we believe that an EBIT profit level of 10-15% is a realistic sustainable profitability level for the industry.

Target level of revenue (MEUR)



Target level of EBIT margin



Strategy and financial objectives (3/3)

Timeline of strategic goals



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

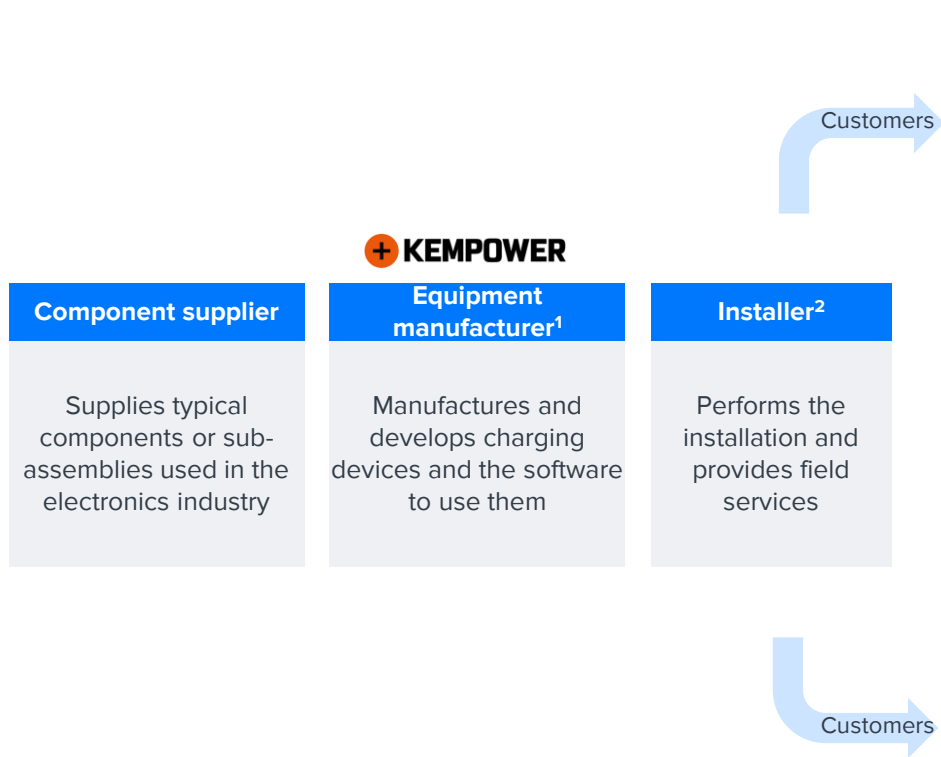
Near future 2022-2026

- Balancing growth and profitability in a changing market is challenging
- Fluctuating demand and uneven electrification of transport
- Ramping up sales in the US can take time and weigh on profitability in the short term

Long term 2026-

- A few competitors have strong resources and may try to copy the strengths of Kempower's solutions
- Price competition is inevitable and the long-term profitability level of the market is still a question mark
- Kempower is not an industry scale leader, at least not yet

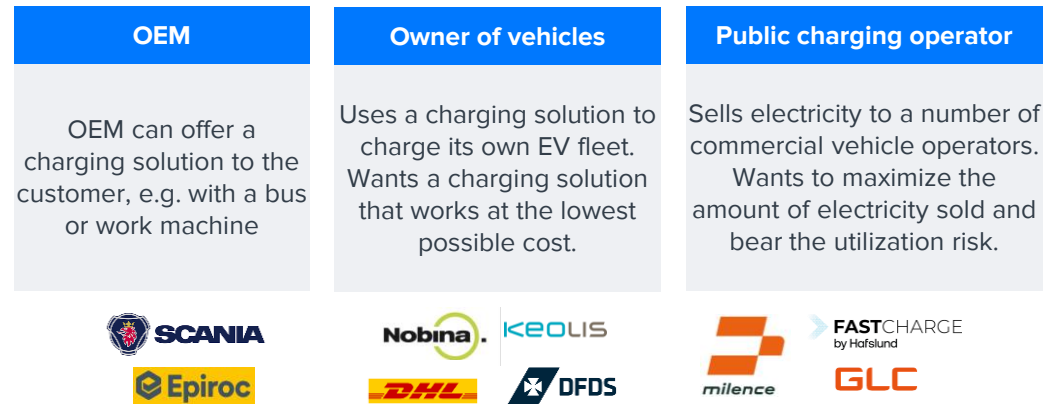
Value chain in the industry



Passenger cars



Commercial vehicles³



Logos are examples of Kempower customers

- 1) Kempower can sell directly to customers (typical in Europe) or use distributors (more common in other regions).
- 2) Installation is not carried out in-house, but is outsourced to local technical service providers.
- 3) Vehicle owners are the most typical customer type in the commercial vehicle segment.

Market and competitive environment (1/3)

The market is expected to multiply by the end of the decade

We estimate the market for DC chargers (direct current) for electric vehicles (EV) in Kempower's target regions of Europe and North America to be around 2.5 BNEUR in 2023. At its April 2023 CMD, Kempower presented a market study, according to which the combined DC charger market in Europe and North America is expected to grow to around EUR 14 billion by 2030 (2022: 1.4 BNEUR)¹. This would represent a compound annual growth rate (CAGR) of around 33%. In the DC charging market, public charging stations for passenger cars are by far the largest target segment, but Kempower expects the heavy-duty vehicle charging segment to grow even larger than the passenger car segment in the long term.

Market growth has developed unevenly

Forecasting the trend towards electrification of transport is challenging, as political decisions and economic cycles, among other factors, have a significant impact, especially in the medium term. The trend accelerated in 2021-22, driven by factors such as high fuel prices, low interest rates, strong consumer confidence, and favorable technological developments in both vehicles and charging solutions. However, the electrification of passenger vehicles began to slow in 2023-24 as interest rates rose and consumer confidence weakened. However, we expect technological developments, new lower-cost electric car models and stricter emission limits for new cars to boost sales in the coming years. We therefore believe that the electrification of transport and the growth of the charging market are likely to materialize in the long term, even if the development

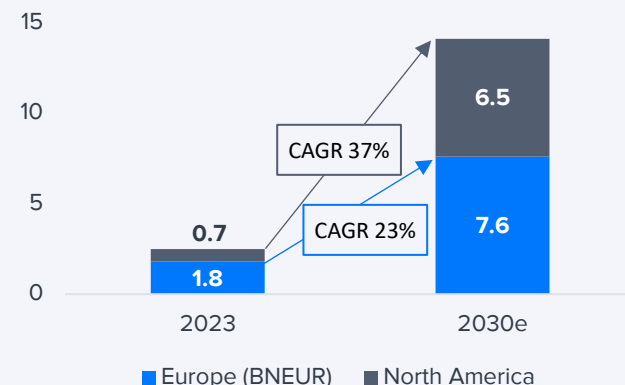
is not linear.

Geographically, the electrification of transportation is slightly further advanced in Europe than across the pond, which is why the relative market growth in the US is expected to be faster than in Europe over the 2023-30 forecast period. In addition to Europe and North America, Kempower also operates with varying intensity in other smaller markets such as Australia, the Middle East and South East Asia. The market size in these regions is small compared to Europe and North America, but, e.g., South Asia can be expected to grow into a significant market in the long term.

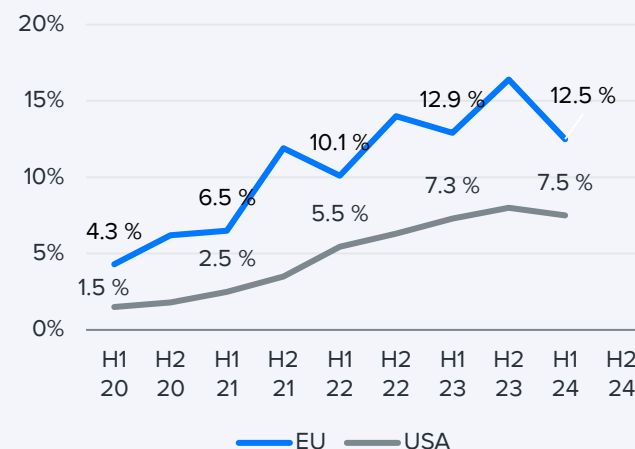
Gradual electrification of passenger cars

The public charging segment, mainly for passenger cars, currently accounts for the majority of the total DC charging market for electric vehicles (around 2 BNEUR in 2023) and is expected to grow to almost 5 BNEUR by 2030. Fully electric passenger cars already account for a significant share of new car sales, 12.5% in Europe and 7.5% in the US in H1'2024. However, the relative share has recently come to a standstill after an upward trend in previous years. The share of fully electric cars in the total registered car fleet was around 2-3% by the end of 2023, so the absolute number of electric cars will continue to grow even at the current EV sales levels. For the passenger car charging market to grow to an estimated 5 BNEUR by 2030, the share of electric cars in new registrations would have to increase to around 50-60%. New, stricter emission limits will come into force in the EU in 2025, which is expected to rapidly increase the share of all-electric cars to as much as 24% (assuming the emission limits are not delayed as urged by the automotive industry)³.

Target market growth by geography¹



All-electric cars as a percentage of new cars²



1) Based on ACEA European EV Charging Infrastructure Masterplan March 2022, Kempower's own market research and Inderes' assessment

2) ACEA, EIA

3) Transport & Environment, September 17, 2024

Market and competitive environment (2/3)

Heavy transport is a major consumer of fast charging

The electrification of large commercial vehicles such as buses and trucks is also a major driver of the DC charger market. Commercial vehicles have higher consumption and utilization rates, which means they also need to be charged more often and faster. While about 10-30% of passenger car charging is done at fast-charging stations, efficient DC charging is the rule rather than the exception for heavy-duty electric vehicles. Heavy-duty vehicles can use both private charging stations, such as those at bus depots or logistics companies, and public fast-charging stations along roads. However, according to an ACEA study¹, the vast majority (84%) of heavy vehicle charging would in the long term take place at private charging stations.

Commercial vehicles currently represent only a small share of the DC charger market (2023: around 0.5 BNEUR or 20% of the total DC charger market), but Kempower expects the market segment to grow to as much as 9 BNEUR by 2030. Electric buses are becoming more and more common at the moment. According to ACEA statistics, 15.5% of new buses in H1'2024 were electric in the EU (H1'23: 13.7%). On the truck side, customer demand for electrification is strong, but the market is lagging behind buses and cars (H1'24: 1.9%, H1'23: 1.3%). Short-haul vehicles are already electrifying quite rapidly. The electrification of medium- and heavy-duty long-haul truck transport requires improvements in roadside charging infrastructure and the development of electric truck technology. Truck manufacturers are currently investing heavily in developing electric models and increasing production.

Development of electrical technology takes time

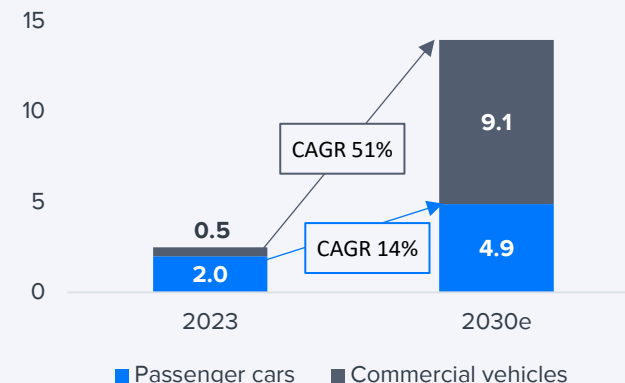
The long-term trend has been that evolving and cheaper battery technology is making electric vehicles a more attractive and cost-effective option. Batteries account for a significant share of the manufacturing costs of EVs, which we estimate to be around 15-40% for passenger cars, depending on the model. The price per kWh for lithium-ion batteries has fallen by approximately 90% between 2010 and 2020 and is expected to continue to fall. In addition, other chemically different battery technologies have emerged and will emerge to further reduce costs.

Development cycles for new car models and new technologies are long, so especially for traditional car manufacturers, model updates are slow. Chinese automakers have proven to be progressive in the field of electric cars, but protectionist policies are slowing the entry of Chinese products into Western markets. By the end of the decade, we expect both passenger cars and commercial vehicles to evolve significantly in terms of cost competitiveness and features, which should accelerate the electrification of transportation. A number of affordable electric cars will be on the market by 2025, which should support electric car sales.




Regulations force emissions to be reduced

The electrification of transportation, especially at the early end of the development cycle, is largely a matter of policy decisions. For example, the electrification of motoring has been promoted by imposing progressively stricter emission limits on car manufacturers and by supporting the purchase of electric cars and the construction of charging infrastructure.

Growth of the target market by segment³



14 BNEUR market scenario requires an increase in the number of electric vehicles^{2,3}

	2023	2030e
	10,000,000 10% of new cars 2 % of the car fleet	90,000,000 60% of new cars 17% of the car fleet
	~10,000 10-15% of new cars 1-2% of the car fleet	450,000 60-80% of new cars 25 % of the car fleet
	~10,000 1.5% of new cars <1 % of the car fleet	1,100,000 40% of new cars 10 % of the car fleet

2) Estimated growth in the number of all-electric vehicles in Europe and North America, assuming the DC charger market grows to 14 BNEUR by 2030.

3) Source: Kempower, Inderes estimates, ACEA European EV Charging Infrastructure Masterplan March 2022, IEA

Market and competitive environment (3/3)

The EU has decided to ban internal combustion cars by 2035, and in the US, California and 16 other states have set a goal for at least 80% of new cars to be zero-emission by that year. EU emission limits for new cars will be tightened again in 2025, requiring automakers to significantly increase sales of all-electric vehicles.

However, measures to reduce emissions do not come free of charge, which is why the political decision-making process has gone back and forth to some extent. For example, in Germany, the abolition of the purchase subsidy has led to a collapse in registrations in 2024. However, we expect the long-term trend to be toward reduced emissions and electrification of transportation as the challenges of global warming become more tangible and in the media spotlight. The global automotive industry is highly dependent on the Chinese battery industry, which means that geopolitical risks could also affect the electrification of the automobile.

Charging networks partly built with public funds

In 2023, the EU decided on a new regulation (AFIR¹) that requires public fast-charging stations and heavy vehicle charging stations to be built, with certain minimum requirements, along the entire European TEN-T transport network. The requirements under the regulation could mean 1 million charging points by 2025 and 3.5 million charging points in 2030². The EU will provide around 1 BNEUR in subsidies for the construction of charging stations in 2024-25.

In the North American market, the US administration's NEVI package offers a USD 5 billion support program that will allow up to 80% of public funds, depending on the region, to be reimbursed for the construction of new charging stations between 2023 and 2026. The channeling of funds has been slow, partly due to

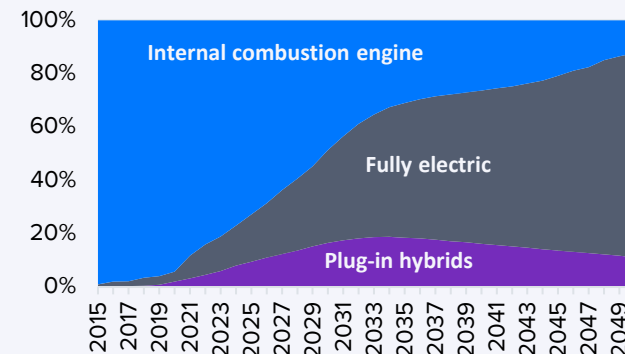
bureaucracy.

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

Kempower focuses on DC (>22 kW) fast and high-power charging solutions, which are not only technically more complex, but also significantly more expensive, with fewer manufacturers in the market. Kempower's business should not be confused with the manufacture of simpler and slower charging solutions for AC (1-22 kW), where competition is higher and margins are typically lower.

DC charging solutions, which require a significant initial investment, are typically used for commercial purposes, such as roadside charging stations, where vehicles are typically only charged for short periods of time, and at charging stations for commercial vehicles such as buses and work machinery. High-speed DC charging stations are also used in car parks for shops and hotels, as well as on streets and other public places. However, in workplace parking, fast-charging stations are relatively rare. Slow AC charging solutions are sold to a wide range of customer segments including households, workplaces, shops, hotels and commercial vehicle operators. Slow charging solutions are well-suited for long-term car charging (e.g. overnight), but poorly suited for short-term charging, for example at service stations or elsewhere on the road network. The prevalence of public recharging varies somewhat between geographical areas. In Asia, up to 40% of electric vehicle charging takes place outside the home and workplace, supporting the market potential for DC charging solutions. In Europe and the US, public charging is not quite as widespread, with only around 25-30% of charging taking place outside the home and workplace.

Global vehicle sales forecast³



Kempower focuses on fast and high-power

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

1) Alternative Fuels Infrastructure Regulation
 2) Power2Drive
 3) SNE Research, IHS, Bernstein, The Economist (9/17/2024)

Competitive environment (1/3)

Technological challenge limits competition

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 more challenging than slower AC charging solutions, raising the barrier to entry. Competitors for fast-charging technology include a wide variety of technology and distribution companies. Only some of the players have a strong enough product portfolio and product development to compete globally.

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

Kempower has quickly taken a significant share of the market in recent years

Kempower is a relatively new entrant in the fast charger market compared to other players with significant market shares. The company has rapidly increased its market share from almost zero in 2019 to an estimated 10% in 2023, which we estimate could be enough to secure a place among the top five manufacturers. We estimate that Kempower's market share is relatively strong in the Nordic countries (especially Finland), but also significant in the UK and

Western Europe. However, the company's position is relatively smaller in Central Europe. In Germany and Austria, Kempower did not receive the Eichrecht certification required for public charging stations until August 2023.

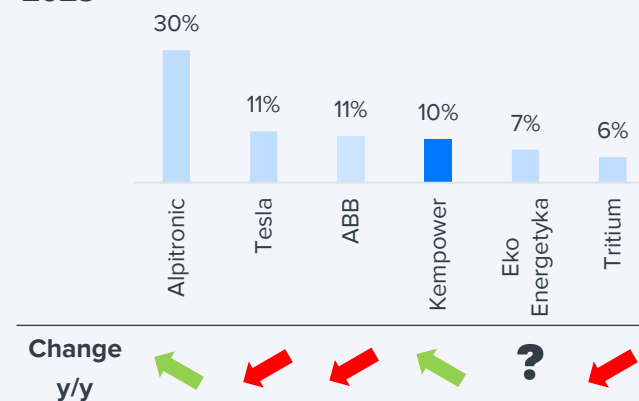
In our view, Alpitronic is the clear leader in the Western DC fast charging market in 2023. Alpitronic has a strong position especially in Central Europe. The company has been rapidly growing its market share, having started delivering its charging solutions in 2018, just about a year ahead of Kempower. Most of the major charging operators in Europe use Alpitronic chargers, including EnBW, Ionity, Fastned, Gridserve, Bp Pulse, EweGO, Shell Recharge and TotalEnergies.

We estimate that the market shares of Tesla, ABB, and Tritium, which have been in the market longer, declined during 2023. Tritium, suffering from low profitability, went bankrupt in early 2024. Not all fast charger manufacturers report revenue figures, making it difficult to estimate market share.

We expect Kempower's revenue to decline in 2024, broadly in line with the industry

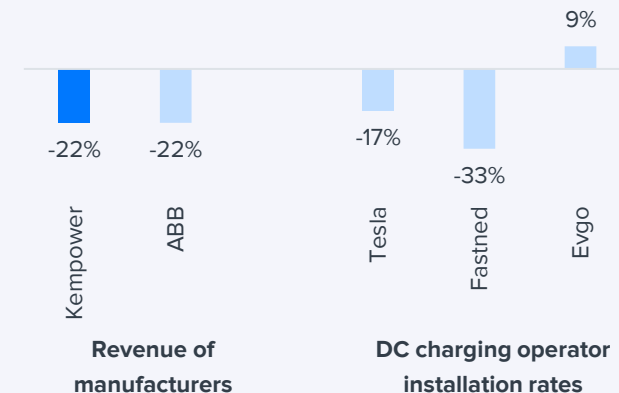
It is too early to assess the evolution of market shares in 2024. Overall, Kempower's revenue appears to be declining somewhat in line with the average of its peers as market participants slow the expansion of charging networks. Kempower's H1 revenue declined by 22%, in line with ABB. Tesla's installations fell 17% in H1, and the decline accelerated toward the end of the half.

Market shares of DC charger manufacturers 2023¹



1) Inderes estimate of market shares in Europe and North America. Tritium went bankrupt in early 2024, and the Indian company Exicom bought its operations.

Development of revenue / installations H1'2024



Competitive environment (2/3)

Among its main competitors, Alpitronic's own communication (August 2, 2024) estimates that it is growing its revenue by 10-20% despite weaker demand, but it is difficult to verify this estimate externally. Kempower will also face competitive pressure from new market entrants and product development by competitors, the significance of which is difficult to assess at this time. Chinese charger manufacturers are actively marketing in Europe, but so far we have not seen them gain a significant foothold in the market.

Kempower's profitability has been in a class of its own

Alongside growth, we believe that the profitability of companies in the sector is another important indicator of competitiveness. With a gross margin of 52% and an EBIT margin of 14% (2023), Kempower has outperformed other publicly reporting companies in this comparison. For example, ABB e-Mobility has not yet achieved a positive annual operating result. In the case of bankrupt Tritium, gross margins in recent history have been, at best, just above zero. The gross margin of SK Signet, a Korean company that has been operating in the US for several years, has reached a peak of 34% (2022), but has developed very unevenly. Eko Energetyka raised 170 MEUR in additional financing in the summer of 2024, which, according to our estimates, also indicates negative cash flow expectations for the coming years. In fact, we estimate that most competitors are significantly less profitable than Kempower. We do not know the profitability of Alpitronic, but we believe that the large size of the company should allow for good profitability, even if the company's gross margin may be slightly below Kempower's level.

Kempower's technology stands out so far, but competitors are constantly developing their products

We expect product leadership and technology to be the key competitive drivers for success in the DC charging market in the short to medium term. Kempower's charging solutions are differentiated from the competition by their satellite-based design and features that improve cost efficiency and user experience, such as dynamic power management and modularity. However, competitors have the opportunity to try to catch up with Kempower's solutions. For example, In the spring of 2024, Eko Energetyka launched a satellite-based system that is at least superficially similar to Kempower's solution. Success in continuous product development is therefore key to maintaining Kempower's strong competitive position. Kempower's technology is protected by a number of patents, but the same features can be achieved with different technical solutions. On the other hand, some competitors have relied heavily on off-the-shelf technology for cost reasons and have invested less in their own product development, making it difficult for them to compete in the long term.

In the long term, scale and cost-efficiency will become more important, and we expect the market to consolidate around the most competitive companies. We see Alpitronic in the strongest position to date from a scale perspective, both in terms of revenue and customer base of large operators. Charger manufacturers' market shares are expected to fluctuate significantly in the medium term before the industry slows down and market positions stabilize.

Kempower's competitive position

Strengths

- Technology differentiation through a cost-effective and easy-to-use satellite-based system
- Industry-leading margins
- R&D resources grown rapidly in 2022-24
- Significant experience in commercial fleet charging systems

Development areas

- Market share growth has stalled in 2024
- Kempower failed to win large chain customers in the important Central European market
- Still a relatively unknown player in the US
- The organization and sales processes need to be strengthened as the company rapidly grows to a larger size

Competitive environment (3/3)

US market structure fundamentally challenging

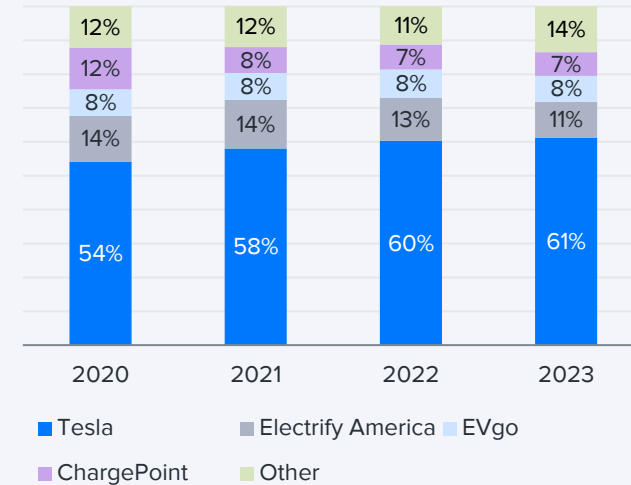
Kempower has established a local organization in the US, mainly during 2023-24. The company's position in the US remains modest for the time being. The market structure is inherently challenging, with the large charging operator chains (primarily Tesla, EVgo, ChargePoint, Electrify America and Blink) holding what we estimate to be over 90% of the market. Of these chains, the two largest, Tesla and ChargePoint, use proprietary charging technology, which limits Kempower's sales opportunities. In the US, Tesla has an exceptionally high market share of DC charging stations (2023: ~60%), while in Europe its market share was only around 20% at the same time. US consumers' perception of chargers from operators and manufacturers other than Tesla is low, which may be partly due to the earlier stage of development of the market compared to Europe.

NEVI subsidies turn the situation more favorable for Kempower

However, with significant NEVI subsidies (at least 5 BNUSD), the structure of the US market is changing in a direction more favorable to Kempower. NEVI subsidies direct investment in areas where there is little existing charging infrastructure and where large charging chains are less interested in investing. Much smaller local operators, such as gas station chains, have received NEVI subsidies. As a result, we expect the market to change partly in a more decentralized direction, as in Europe, as a result of the NEVI subsidies. In addition to Kempower, there are a number of other equipment manufacturers competing for NEVI subsidies who, like Kempower, have rushed to open production in the US as a result of the NEVI support package.

For example, many retailers and service station chains want to manage their own on-site charging business. That's why they want to buy the necessary technology from equipment manufacturers instead of allowing Tesla or ChargePoint to sell electricity on their property. However, these integrated companies, Tesla and ChargePoint, have the potential to compete with Kempower as equipment suppliers.

DC charging operators' market shares in the US in 2022¹



1) Alternative Fuels Data Center

Historical development and economic situation (1/3)

The company has grown rapidly in its short history

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 3.3 MEUR. Building sales channels to Europe outside the Nordic countries during 2021 started to pay off already in Q4 of the same year. The group's revenue increased to 104 MEUR in 2022 and to as much as 284 MEUR in 2023, of which 51% was generated outside the Nordic countries in Europe.

Change in supply/demand balance causes volatility in 2023-24

We believe Kempower's rocketing growth is due not only to its competitive products, but also to its strong production capabilities in the tight market of 2023. The easing of the component shortage and slowing growth in demand for electric vehicles led to a decline in Kempower's revenue in 2024 (H1'24: -22% y/y). Kempower reported in its Q2'24 report that its customers have approximately 100 MEUR of uninstalled chargers in their warehouses. Competitors have also complained about high inventory levels and lack of investment by charging operators. The supply/demand balance in 2024 is therefore upside down compared to 2023.

Kempower's order book stood at 101 MEUR at the end of Q2'24, down 27% year-on-year. Significant pre-emptive orders by customers were seen in the second

half of 2022 and early 2023, when delivery times were extended due to component shortages and lack of supply capacity. The order book peaked at 139 MEUR at the end of Q2'2023.

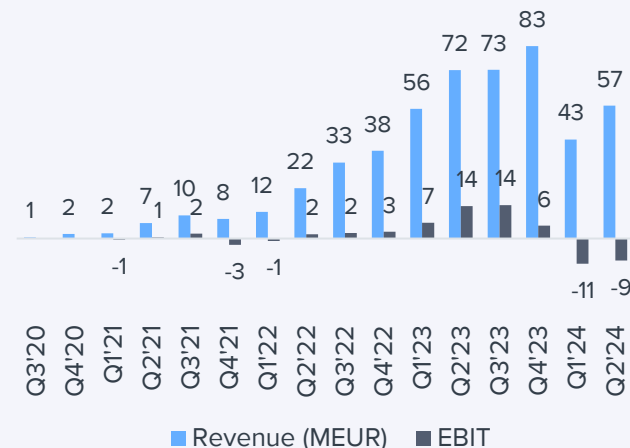
Margins above competitors

Kempower's gross margin was just under 50% in 2021-22, rising to 52.1% in 2023. This level is high compared to other manufacturers. Volume growth has enabled the company to reduce the unit cost of components, which has helped to support margins. The product mix of sales can also have an impact on margins. We expect margins for high-power solutions, such as on-demand systems for heavy vehicle charging, to be slightly higher than other products overall.

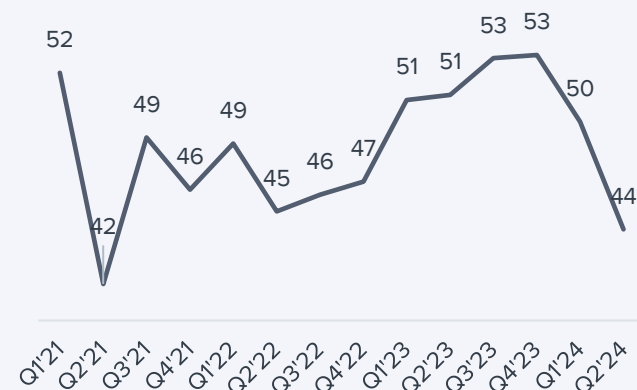
Kempower's gross margin for H1'2024 has fallen to 46.7% (H1'23: 51.0%). The decline in gross margin was partly due to lower-than-expected demand, which resulted in lower utilization of production personnel (variable personnel costs impacted margin -1.6 percentage points vs. prior year). In addition, Kempower wrote down inventories and receivables, which impacted the margin by -2.2 percentage points. We estimate that the pricing changes did not have a significant impact on the actual margin decline.

Despite recent developments, Kempower's margin levels remain among the best in the industry. For those companies for which gross margin information is available, competitors' gross margins have been volatile and systematically lower than Kempower's.

Revenue and EBIT development



Gross margin development (%)



Historical development and economic situation (2/3)

Rapid increase in staff numbers and fixed costs

Kempower has implemented strong growth initiatives in 2022-23 and early 2024 to increase production, product development, sales and support functions within the group. The number of employees has increased significantly, resulting in higher personnel expenses. At the same time, other fixed costs increased, driven by external consultant fees, travel and other costs related to internationalization. The company's annual depreciation is moderate and has historically been around 2-3% of revenue. Depreciation includes a significant amount of capitalized lease expense related to the company's facilities, as well as depreciation of other tangible assets such as manufacturing equipment and development laboratories.

Cost-cutting measures to protect profitability

Kempower was already profitable at the operating profit level in 2022-23. EBIT already reached 41 MEUR (14.3% of revenue), supported by exceptionally strong demand on the one hand, and burdened by upfront growth costs on the other. The stagnating revenue growth in H1'24 resulted in a negative operating result (H1'24 EBIT: -19.3 MEUR and -19.3% of revenue). In Q3'2024, the company has implemented a workforce reduction of approximately 10% and other cost saving measures with the goal of achieving break-even result in Q4'2024.

Kempower's financing costs are low, as the company's balance sheet is on the net cash side (Q2'24 net cash 30 MEUR, net cash excluding lease liabilities 59 MEUR). In 2022-23, the company paid taxes of 22-25% of its profits. Earnings per share for 2023 were EUR 0.61, but for H1'2024 the result was negative at EUR -0.30 (H1'23:

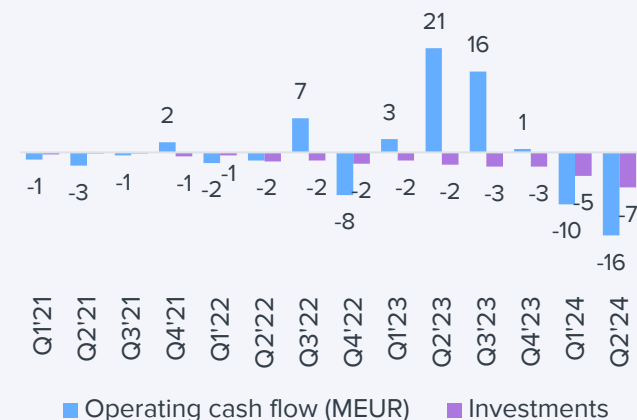
EUR 0.30).

Balance sheet liquidity buffers can withstand weak profitability in the short term

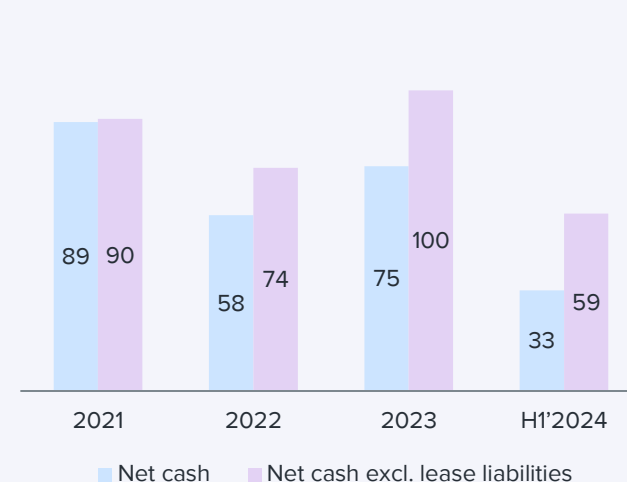
Kempower's IPO in the fall of 2021 raised gross proceeds of 100 MEUR, enabling the company to grow rapidly. In 2022-23, positive operating profitability supported the financial position and cash reserves remained at a high level. The amount of debt on the company's balance sheet has, of course, increased each year, but this is mainly due to the increase in IFRS16 lease liabilities as new premises have been opened.

The significant deterioration in the profitability of the business in the first half of 2024 has naturally increased the risks associated with the financial position. At the end of June 2024, the company had cash and cash equivalents of 65 MEUR (H1'23: 93 MEUR) and unused credit lines of 39 MEUR. Thus, we believe the company's solvency and balance sheet buffers are quite strong. Our forecast for the development of net cash in 2024 is -35 MEUR (excluding the change in lease liabilities), so Kempower's balance sheet would be sufficient to support the continuation of operations until 2026 even if the weak development continues. We expect the company to be able to improve its operating cash flow through savings as early as 2025. If demand remains weak and the savings achieved in the second half of 2024 are not sufficient, we believe the company still has ample room for savings. However, implementing further savings could undermine the company's ability to pursue growth.

Cash flow development

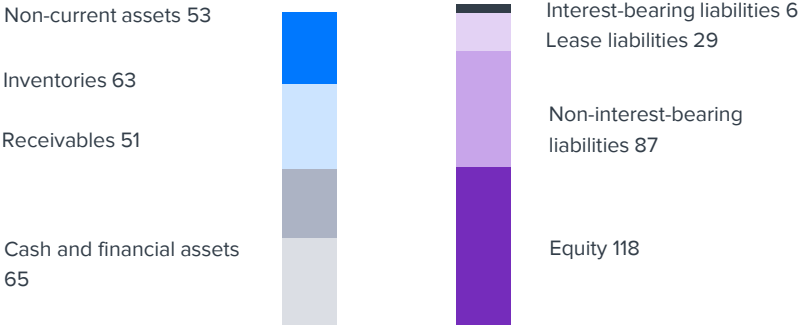


Development of net cash assets

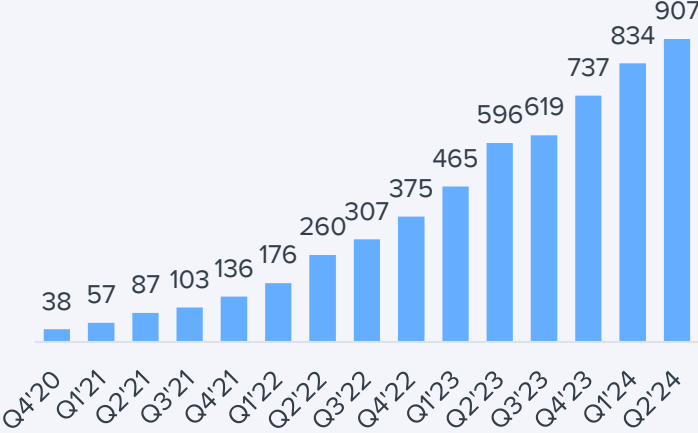


Historical development and economic situation (3/3)

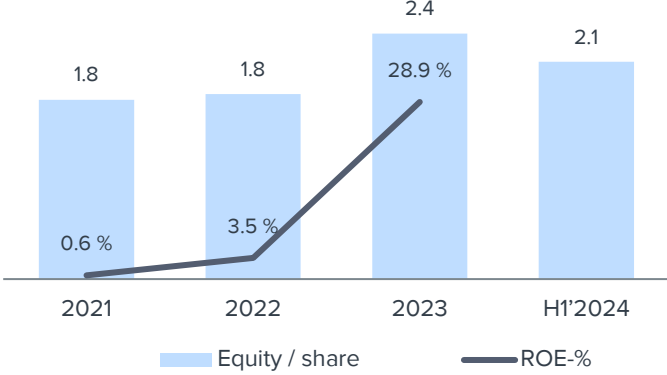
Balance sheet at the end of H1'2024 (MEUR)



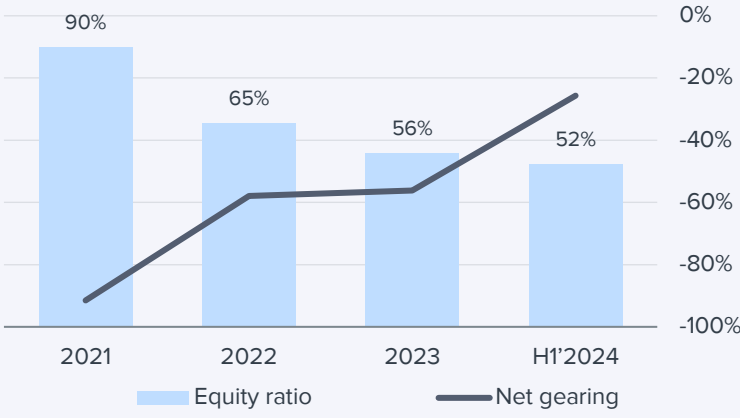
Headcount development



Equity per share and ROE-%



Development of balance sheet figures



Source: Kempower

Estimates (1/5)

Subdued growth outlook for the rest of the year

Kempower's revenue is expected to decline significantly in 2024 due to, among other things, increased customer inventory levels following the 2022-23 buying boom and a slowdown in electric vehicle sales growth, which will reduce the need for new charging station installations in the near term. Kempower estimates that customers have around 100 MEUR of its chargers in stock (H1'24), and inventories are expected to slowly decrease during H2'24. Kempower's revenue guidance for 2024 is 220-260 MEUR, which would require H2 sales of at least 120 MEUR (H2'23: 155 MEUR).

For 2024, we forecast revenue of 227 MEUR, down 20% for the full year and 18% for H2. Order intake, which predicts near-term sales, was down as much as 33% in H1, which we expect will push revenue closer to the lower end of the guidance range. In H1'2024, Kempower has invested significantly in new customer acquisition, which could materialize as positive order intake in the near future. The order book at the end of H1 (101 MEUR) alone is not sufficient to meet the guidance, and the typical lead times for charging solutions of around 3-9 months mean that only the early orders in H2 have a chance to be delivered during 2024. Thus, the risk of a negative change in guidance cannot be completely excluded.

We expect growth to turn positive in 2025

In our forecasts, we expect market demand to pick up significantly from 2025. The normalization of customer inventories, falling interest rates, the introduction of new, lower-cost all-electric car models and stricter EU emission limits are expected to return the market to a long-term growth path in the coming years. However,

the outlook for the timing of the turnaround remains somewhat uncertain for the time being. In addition, Kempower's transition to more energy-efficient solutions using silicon carbide-based technology can support its competitiveness in the market from H2'2024 onwards. On the other hand, competitors have also introduced new charger technology, which may also contribute to increased competition. Taking into account various factors, we expect Kempower's market share to develop steadily in the coming years.

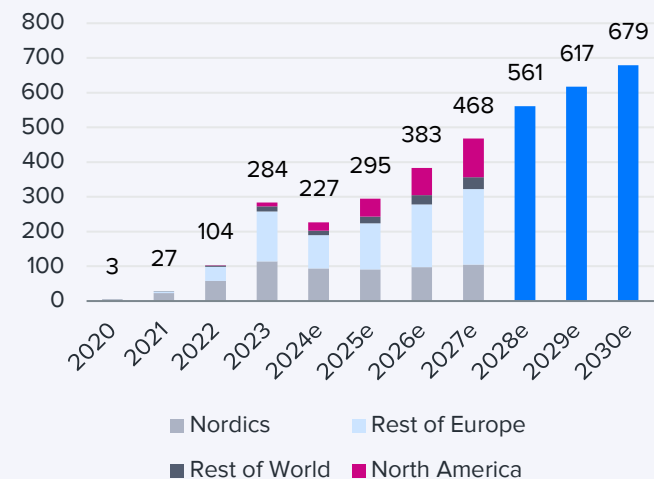
Growth forecasts may have room to improve

Based on our current projections, the 2030 revenue (679 MEUR) would represent a market size of approximately 6 BNEUR, assuming our estimate of a stable market share materializes. We do not fully incorporate Kempower's 2023 CMD market growth forecast of 14 BNEUR in our projections, as we believe the visibility of electrification, especially in heavy-duty transportation, is still lacking. If the market were to grow to 14 BNEUR and Kempower's market share remained unchanged, Kempower's revenue would be as high as 1.6 BNEUR in 2030. Our current forecasts are also below Kempower's revenue target for 2026-28 (750 MEUR). Predicting growth in a changing industry is particularly challenging, and even our current forecasts are subject to significant uncertainty.

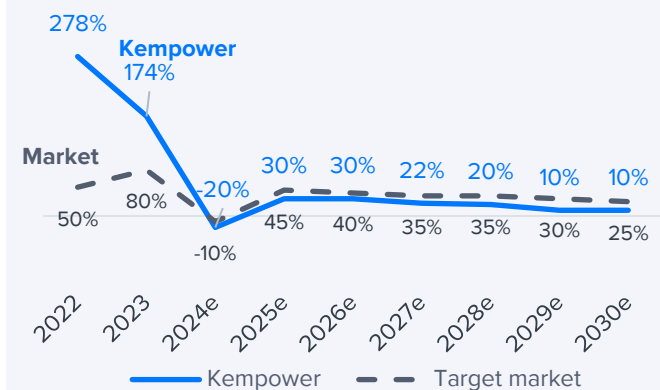
Our forecasts include price erosion

Our projected revenue growth can be broken down into strong volume growth (2025-26: ~40%, 2027-28: ~30%) and significant annual price erosion (2025e: -8%, 2026-30e: -6%). In 2030, we forecast that charger sales volumes will be 255% higher than in 2023, and the selling price of a single comparable product will be 32% lower.

Revenue (MEUR)



Projected growth vs. market trend growth 14 in BNEUR scenario¹



1) The market development path shown corresponds to a scenario with a market size of 14 BNEUR in 2030. Our current projections are for a scenario of approximately 6 BNEUR.

Estimates (2/5)

Europe outside the Nordic region and North America key growth areas

Geographically, the Nordics have been a relatively stable target market for Kempower, with a smaller decline in revenue than the rest of Europe in H1'24. We therefore forecast only modest growth to the Nordic region in the medium-term. Elsewhere in Europe, 2024 is going to be a weak year, with revenue potentially turning into stronger growth if Kempower's accelerated new customer acquisition in 2024 soon translates into orders. In North America, revenue is starting from low levels, so sales should grow relatively strongly. In North America, growth is being supported by the strengthening of Kempower's distribution network and new customer relationships, as well as by significant NEVI investment grants, the impact of which on overall demand has so far been relatively small.

Result should improve to closer to break-even by the end of 2024

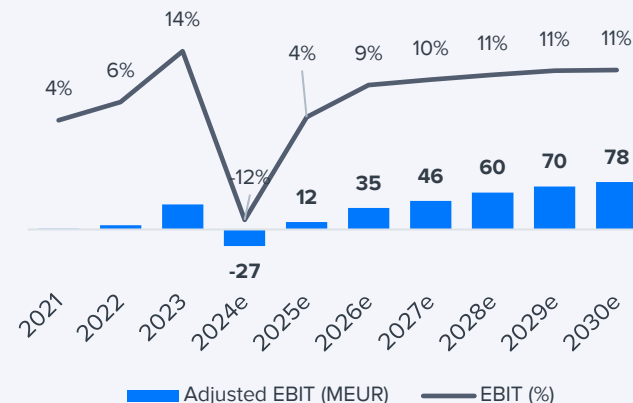
The very rapid growth of the organization in 2022-24 has pushed Kempower's fixed costs to a high level, which, together with weakened market demand, has led to a turnaround to a loss in the first half of 2024. Kempower announced in July 2024 that it will implement headcount reductions and other savings measures in H2, targeting annualized savings of around 10 MEUR compared to Q2 cost levels. The headcount reduction of around 10% can be considered quite moderate compared to the actual headcount growth (H1'24: +52% y/y) and we believe that the savings will not prevent the company from continuing to grow. The savings are aimed at restoring profitability, and Kempower is forecasting a zero operating result for the fourth quarter. We forecast an EBIT of -6.5 MEUR for H2, of which -0.6 MEUR will

come from Q4. Getting close to break-even in Q4 will also require a slight improvement in demand compared to a weak H1, adding some uncertainty to the guidance. We estimate H2 gross margin at 48.3%, an improvement from H1 (47.1%), which was impacted by inventory write-offs, but a deterioration from the strong level of the comparison period (H2'23: 53.0%).

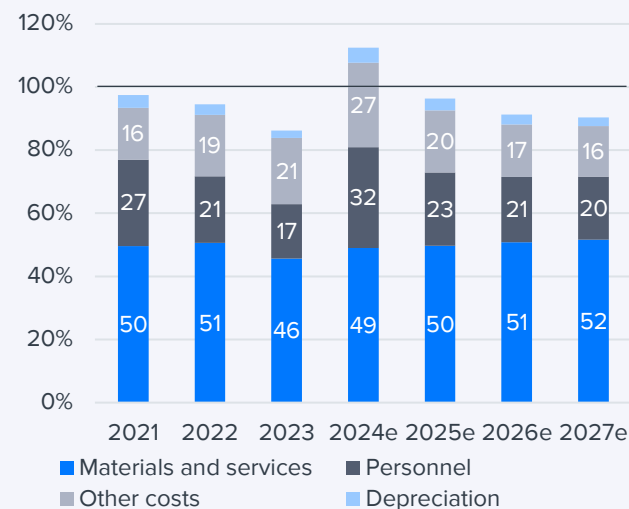
Ingredients for good profitability exist if growth is realized

Kempower's gross margins have been at high levels in recent history (2023: 52.1%). If margins remain at this level, we estimate that the company has the potential to achieve an EBIT margin in excess of 20% over the long term as operations scales up. However, we expect competition to drive down the selling prices of Kempower's products and thus margins over the long term. We forecast the gross margin to decline to 47.0% in 2025e and 46.0% in 2026e. In 2030, we forecast a gross margin of only 43.2% of revenue, about 9 percentage points lower than in 2023. We expect that Kempower will be able to limit the decline in margins to some extent by reducing unit production costs over time, for example by negotiating more favorable subcontractor agreements, automating production steps and increasing the scale of operations. Estimating long-term margins is challenging as the industry is at an early stage of development and Kempower's competitive position may evolve over the years. We forecast that in 2030 the selling price of the comparable product will be 32% lower and the manufacturing cost will be 20% lower than in 2023.

EBIT development



Cost structure (% of revenue)¹



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

Estimates (3/5)

Cost structure with scale-up potential

We expect profitability at EBIT level to improve gradually in the coming years as the relative share of fixed costs declines. However, this requires not only cost savings in 2024, but also a significant increase in sales volumes, which is uncertain. Kempower's business does not tie up large amounts of long-term fixed assets, and the current plant portfolio is well equipped to accommodate our projected growth until around 2029. In 2024, depreciation is forecast to be as high as 4.8% of revenue, but we expect the relative depreciation rate to decline in line with growth to close to the 2023 level (2.3% of revenue). This will improve the operating margin to 4.1% in 2025e, 9.1% in 2026e and 11.4% in 2030e. Our forecast EBIT margin is at the lower end of the company's mid-term target (target 10-15% in 2026-28) and below the company's long-term target of at least 15%.

Although growth is expected to continue in the 2030s, profitability is no longer projected to improve due to narrowing technological gaps and price competition (expected terminal EBIT margin 10%). Assessing long-term profitability is very challenging at the current stage of market development and the estimates are therefore subject to considerable uncertainty.

Net income expected to increase to 62 MEUR in 2030

We forecast Kempower's net result to be around -22 MEUR in 2024, to turn positive by 10 MEUR in 2025 and to increase to 62 MEUR in 2030. EPS would therefore be EUR 1.12 in 2030. We have estimated that financing costs will be non-existent in the long term as the company's balance sheet is net cash

positive and should be sufficient to generate positive cash flows if revenue growth materializes in the coming years as we forecast. We have estimated a tax rate of 21% from 2025 onwards.

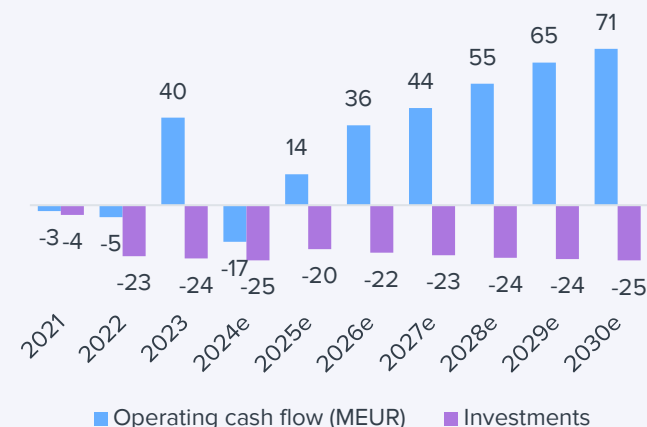
Growth ties up only limited capital

In our view, Kempower will not need to make significant investments in the coming years to achieve growth, as its human and organizational resources will be significantly higher than in, say, 2022-23, even after the cost-cutting round in the fall of 2024. We forecast a return on investment (ROI) of -16% in 2024, rising to 5-12% in 2025-27 as earnings turn around. Thanks to the capital-light business model, the ROI could be very high if Kempower's competitiveness proves stronger than expected and earnings growth exceeds our forecast.

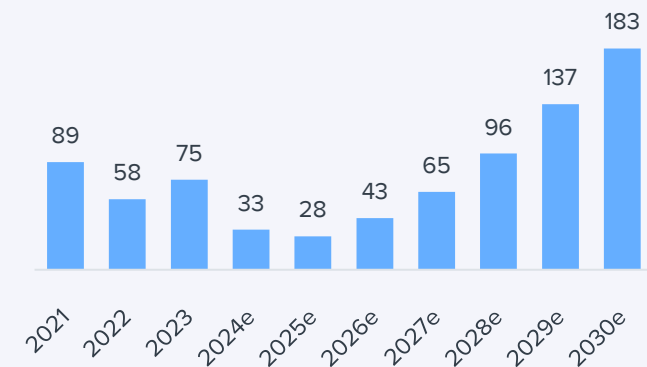
We do not see the need for new factories in the current strategy period. We estimate that it would take several years of strong growth to bring the current factory portfolio up to high utilization rates. We expect working capital to be freed up by a few million in the second half of 2024 as revenue declines and Kempower looks to improve cash flow efficiency. However, we estimate working capital commitments of around 7 MEUR/year in 2025-26 due to strong volume growth. We forecast net working capital to be around 10% of revenue in the coming years (2021-23: 6-20%).

We estimate fixed asset investments of 25 MEUR in 2024 and 17-18 MEUR in 2025-26, consisting of capitalization of lease extensions in addition to production investments. Annual rental costs are estimated to be around 7-8 MEUR/year when the newest plant in Lahti is commissioned.

Cash flow development



Development of net cash (MEUR)



In the long term, swelling cash reserves can be used for M&A or dividends (not included in our estimates).

Source: Inderes

Estimates (4/5)

Balance sheet can withstand a few years of negative cash flows

As of June 2024, Kempower's balance sheet had 65 MEUR of cash and cash equivalents, 29 MEUR of lease liabilities and 6 MEUR of credit facility liabilities. Unused credit lines amounted to 39 MEUR. We expect the negative cash flow development in 2024 to be temporary and forecast improved profitability to support cash flow in 2025-26. However, the turnaround in cash flow is uncertain as it is difficult to predict revenue growth in a rapidly changing market. If operating cash flow in 2025-26 continues to be as weak as in 2024, the company could run out of cash by the turn of 2026-27 (not taking into account credit lines).

We expect Kempower's cash flows to turn positive from 2026 onwards, at which point the net cash position will also gradually increase. In the long term, net cash could also be used for acquisitions. We believe that Kempower would be particularly interested in building business models that generate recurring revenue in addition to equipment sales. As such, we believe that the company could consider acquiring companies that develop, for example, charging software. Dividends are not part of the company's short- or medium-term asset allocation policy. We see a dividend payment as likely in the long term (beyond the current strategy period) if the company matures into a stable and profitable development phase in line with our forecasts.

Estimates (5/5)

MEUR	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal period
Order intake			7	37	209	275	223	303						
- growth %				427%	459%	32%	-19%	36%						
Order book			4	14	119	111	107	115						
				261%	768%	-7%	-4%	8%						
Revenue	0	0	3	27	104	284	227	295	383	468	561	617	679	
- growth %		68%	909%	730%	278%	174%	-20%	30%	30%	22%	20%	10%	10%	3%
Revenue by geography														
Nordics	0	0	2	23	58	114	94	91	98	105				
- growth %					150%	97%	-17%	-3%	7%	8%				
Rest of Europe	0	0	1	4	41	144	95	133	180	218				
- growth %					893%	254%	-34%	39%	36%	21%				
North America	0	0	0	0	2	11	24	51	78	111				
- growth %							116%	110%	52%	42%				
Rest of World	0	0	0	0	4	14	13	20	27	34				
- growth %							-7%	50%	40%	25%				
Gross margin %			54.5%	47.1%	46.5%	52.1%	47.6%	47.0%	46.0%	45.2%	44.4%	43.8%	43.2%	
Fixed costs				-13	-39	-101	-124	-115	-129	-152	-176	-186	-201	
EBITDA	-0.6	-2.2	-2.1	0.5	9.5	47.1	-16.0	23.3	47.1	59.5	73.4	84.2	92.5	
- % of revenue				1.8%	9.2%	16.6%	-7.0%	7.9%	12.3%	12.7%	13.1%	13.6%	13.6%	
Depreciation and amortization	0.0	0.0	-0.1	-1.1	-3.4	-6.5	-10.9	-11.2	-12.3	-13.1	-13.5	-14.2	-14.9	
EBIT	-0.6	-2.2	-2.2	-0.7	6.1	40.6	-26.9	12.1	34.9	46.4	59.9	70.0	77.6	
- % of revenue				-2.6%	5.9%	14.3%	-11.8%	4.1%	9.1%	9.9%	10.7%	11.3%	11.4%	10.0%
Financing expenses				-0.2	-1.3	2.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Taxes				1.1	-1.2	-9.3	4.0	-2.6	-7.4	-9.9	-12.7	-14.8	-16.4	
- Tax rate %				122%	25%	22%	15%	21%	21%	21%	21%	21%	21%	21%
Net profit				0.3	3.6	33.7	-22.4	10.0	27.9	37.1	47.7	55.7	61.7	
EPS (EUR)				0.01	0.07	0.61	-0.39	0.18	0.51	0.67	0.86	1.01	1.12	
Investments (incl. capitalization of leasing contracts)			0	4	23	23	25	17	18	19	20	21	21	
Net working capital			3	4	21	18	23	29	36	42	48	52	58	
Net cash assets			1	89	58	75	33	31	46	71	106	151	201	
Headcount (at the end of year)	5	17	38	136	375	737	830							

Source: Inderes

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

Investment profile

- 1. Competitive technology differentiation has driven the industry's best margins and market share growth to date**
- 2. Achieving sufficient market share is key to long-term cost competitiveness**
- 3. The long-term growth outlook for the target market is strong**
- 4. Revenue, primarily from equipment sales, can fluctuates with the economic cycle**
- 5. Long-term profitability still a question mark in young industry**

Source: Inderes

Potential



- Electrification of transport creates a huge need for efficient and versatile charging capacity
- Competitive products offer strong margins and have enabled market share growth
- Distribution expansion diversifies customer base and could enable strong global position
- In the long term, brand, technological leadership and customer relationships can help to stand out from the competition

Risks



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

Valuation (1/4)

Growth volatility makes forecasting difficult

In our view, Kempower's high share price in recent years has been driven by strong market share improvement and earnings growth in 2022-2023. The market has assumed that the company's large opex investments in 2023-2024, such as setting up new factories and expanding the organization, will pay off quickly. The decline in Kempower's revenue in 2024 surprised the market, and the payback periods for investments made in light of the weaker growth outlook are no longer clear. Profitability is projected to decline from a strong level in 2023 to a weaker level in 2024-25, reflecting, among other things, higher fixed costs and an expected temporary decline in sales.

Value comes from competitiveness

The key question is whether Kempower can maintain or increase its market share in the coming years and thereby achieve a strong position in the fast charger market. The decrease in revenue in 2024 is likely to be fairly close to the market trend, but even a stable market share development would be a negative change compared to the faster growth in 2022-23 that temporarily raised investor expectations to very high levels. It is possible that the 2024 revenue drop is also partly due to the intensification of the competitive environment. To regain visibility for significant future value creation, Kempower would need to increase its market share in the coming years without compromising its strong margins. This would enable the company to increase its profitability and return on capital employed to good levels and to grow in line with market growth over the long term. On the other hand, if the company's market share were to decline, it could face challenges in obtaining sufficient volumes for its existing production facilities. In this negative scenario, the company could be forced to make

further cuts and possibly reduce production capacity, making it unlikely to become a globally significant company. The balance sheet remains strong for the time being, and we expect it to be sufficient to support the company's current cost structure through the end of 2025-26, even if revenue continues at the weaker levels forecast for 2024. The rapid changes in the industry and the high valuation based on future earnings growth increase the valuation risk of the stock.

Medium-term upside not enough to offset near-term risks

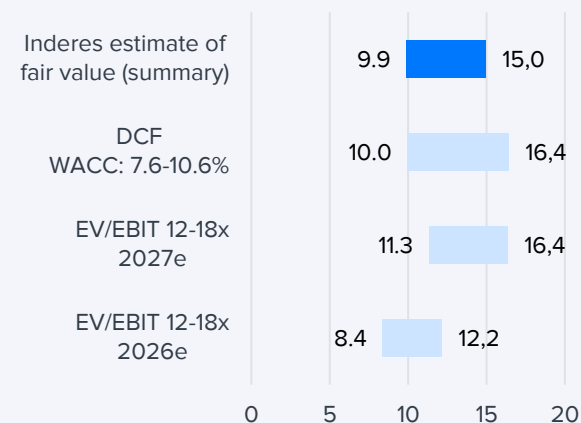
We focus on Kempower's medium-term earnings-based valuation multiples (EV/EBIT 2026-27). This year's profit level will remain exceptionally low, but as growth turns around, profitability could improve to moderate or good within a few years. Although industry growth is likely to remain very strong beyond these years, we do not put much weight on long-term (>2028) scenarios due to the low predictability of the competitive landscape.

We form our view of the stock using three different methodologies: a medium-term EV/S-based valuation based on 2026 and 2027 earnings, and a DCF methodology based on future cash flows. Using the above methods, the fair value of a share is in the range of EUR 10-15. The assumptions underlying our projections for the coming years are already somewhat challenging (e.g. ~40% annual volume growth in 2025-26). If the forecasts materialize, the stock would be on a firmer footing in 2026-27 (EV/EBIT 16x and 12x), but the real upside would still come from further growth in later years. We also see a risk of a further profit warning in 2024. For these reasons, we are leaning towards a Reduce recommendation for the time being.

Valuation	2024e	2025e	2026e
Share price	11.2	11.2	11.2
Number of shares, millions	55.3	55.3	55.3
Market cap	617	617	617
EV	584	586	571
P/E (adj.)	neg.	61.9	22.1
P/E	neg.	61.9	22.1
P/B	5.6	5.1	4.2
P/S	2.7	2.1	1.6
EV/Sales	2.6	2.0	1.5
EV/EBITDA	neg.	25.1	12.1
EV/EBIT (adj.)	neg.	48.4	16.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Summary of fair value measurement



Source: Inderes

Valuation (2/4)

Fair value around EV/EBIT 15x (2026-27e)

We estimate a fair valuation level for Kempower at around 15x EV/EBIT in the medium term. The valuation is based on the assumption that the company's business is long-term value-creating (ROI >10%) and takes into account the strong growth potential of the industry. We believe the valuation could rise further if the forecasts materialize, with less uncertainty and better visibility for further earnings growth in later years.

Low availability of comparable listed peers

We have selected a peer group of companies whose business includes the development and sale of electric vehicle charging solutions to review Kempower's valuation. However, the peer group is not directly comparable to Kempower as the companies have significantly different sales distributions. For example, Zaptec focuses on slower AC chargers rather than fast charging, Tesla has the majority of its business in car manufacturing, Beam develops solar energy solutions for charging stations, and Alfen supplies e.g. AC chargers, electrical storage and smart grids. In our opinion, there are currently no publicly traded direct peers of Kempower whose valuation multiples provide a clear indication of the company's valuation. SK Signet, a Korean company primarily focused on DC fast charging solutions, was excluded from the peer group as there are no forecasts available for the company on the Bloomberg data service.

Kempower's valuation in the middle of the pack

In the big picture, Kempower's valuation multiples are in the middle of the peer group. The EV/Sales based valuation (2024e: 2.6x) is well below Tesla and slightly below Wallbox, but above Zaptec, Alfen and Beam. In turn, the EV/EBITDA multiple (2025e: 25x) is

lower than Tesla (55x), but higher than Zaptec and Alfen (12-13x). Similarly, the P/B of 5.6x is well below Tesla (15.9x), but higher than other peers (1.3-3.3x).

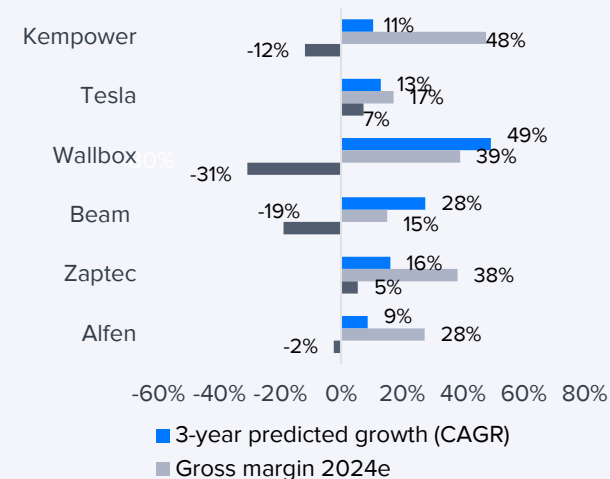
We consider the most comparable company in the group to be Wallbox, which derives part of its revenue from DC chargers and whose gross margin is closest to Kempower's. However, Wallbox's EBIT profitability is lower than Kempower's. Kempower is more expensive of the two in terms of EV/Sales and P/B, but more affordable in terms of EV/EBIT.

Scenario analysis

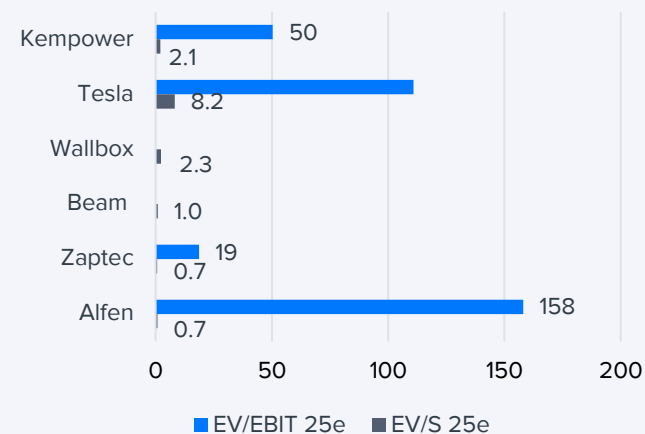
Due to the early stage of development of Kempower's business and the target market, forecasting the future is difficult and the range of outcomes is very wide. We have sought a broader perspective on valuation by looking at the value of the stock in different scenarios. The scenarios are based on different assumptions about the profitability of the business and valuation multiples in 2027. 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 468 MEUR and EBIT margin to be 9.9% in 2027. Our baseline scenario assumes a Western market size of 4.2 BNEUR in 2027 and a market share of 10% (at 2023 levels). We have arrived at the profitability assumption by estimating that Kempower's gross margins will decline somewhat (2027e: 45.2%, 2023: 52.1%), but EBIT would improve as the business scales up. Between 2024 and 2027, revenue would increase by 106% and fixed costs by only 27%. We see that even Kempower's current cost mass is sufficient to drive strong growth, which could lead to strong earnings scaling if there is sufficient demand.

Growth and profitability profile¹



Valuation multiples²



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

2) Wallbox and Beam's 2025e EBIT numbers are negative.

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

Valuation (3/4)

We believe a 15x multiple is appropriate in this scenario, as a good return on capital (ROI 2027e: 12%) and strong long-term growth prospects would justify a valuation above the equity 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 13.8 in 2027. The present value of the share (discounted over three years and with a CoE of 9.9%) would thus be 10.4 MEUR, well above the current share price.

In the positive scenario, we expect revenue to reach 750 MEUR in 2027. This level of revenue could be realistic if Kempower's target market grows towards 14 BNEUR in 2030 to around 6.2 BNEUR in 2027. Total revenue of 750 MEUR would represent approximately 11% of the Western target market.

In particular, the scale of electrification of heavy duty vehicles is uncertain, although the trend is clearly positive. According to Kempower's own market assumptions, the heavy transport market would account for as much as 9 BNEUR (2030) of the charger market, i.e., the majority of the total market. The electrification of heavy transport will lag behind the passenger car market. If the electrification of heavy-duty transportation continues at a strong pace in the coming years, and Kempower continues to hold a strong position in the segment, the market may start to increasingly price this positive scenario into Kempower's stock.

In terms of profitability, the positive scenario assumes an EBIT margin of 15%, which is higher than the baseline scenario due to increased scale. In this scenario, Kempower's return on capital would be very high, which would likely result in accepted valuation

multiples well above the market average. We therefore set the accepted valuation multiple in a positive scenario to 18x. In this scenario, the share price could reach EUR 39.2 in 2027. The discounted present value would be EUR 29.5, which means that the stock has strong upside potential.

In the negative scenario, Kempower's revenue in 2027 would be 240 MEUR, which would mean that revenue would remain roughly at the current level.

In this scenario, competitors would manage to catch up with Kempower's technological lead, resulting in no scaling of revenue and a profitability of only 5%. Kempower might then have to reduce its production capacity to support profitability. Even in this scenario, Kempower's valuation multiples could rise above the market average if the company continues to grow with the market. If the market were to suspect that Kempower's competitiveness would continue to weaken, the valuation level could also be set below the market. We have pessimistically set the negative scenario EV/EBIT multiple for 2027 at 12x. In this scenario, the present value of the share would be only EUR 2.6, which would represent a 76% downside margin compared to the current price.

Valuation scenarios

MEUR 2027e	Negative scenario	Baseline scenario	Positive scenario
Revenue	240	468	750
EBIT-%	5.0%	9.9%	15.0%
EBIT	12	46	113
EV/EBIT multiple (x)	12x	15x	18x
EV	144	696	2025
Cumulative cash flow 24-27e	-25	-5	65
Cash assets 2023	75	75	75
Market cap 2027e (MEUR)	193	765	2164
Share price 2027e (EUR)	3.5	13.8	39.2
Discounted present value (EUR)	2.6	10.4	29.5
Difference to current price	-76%	-6%	165%

Source: Inderes

Valuation (4/4)

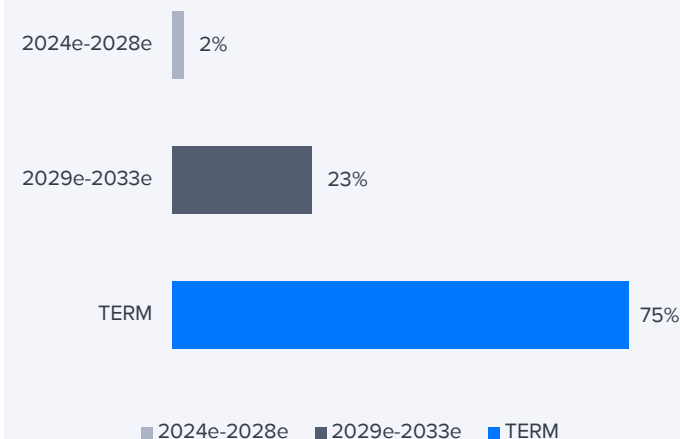
DCF valuation

Our DCF model indicates Kempower an enterprise value of 615 MEUR and an equity value of 689 MEUR, or EUR 12.5 per share.

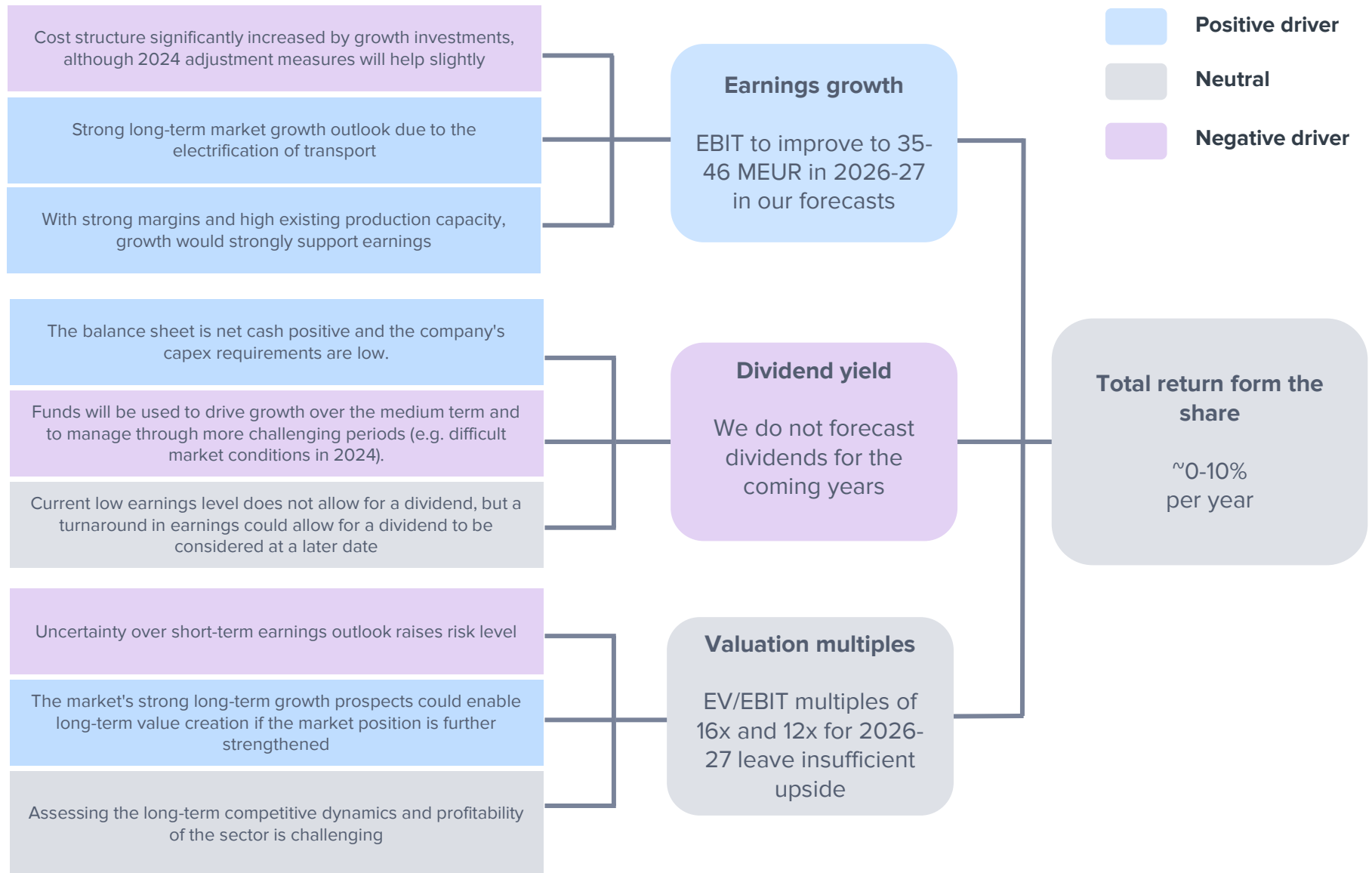
The cost of capital ratios we applied (cost of equity 9.9% and WACC % 9.1%) reflect the risk level of Kempower's business, which we consider to be higher than the stock market average due to the company's stage of development, temporary loss-making results and the difficult predictability of the industry. On the other hand, Kempower's balance sheet is quite strong and, in our view, sufficient to make the company profitable and grow it to a multiple of its current size.

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 WACC would decrease the DCF value by 14% and a percentage point decrease would increase the share value by 29%. A two-percentage point change in EBIT in the terminal period (assumption 10%) would change the fair value of the stock by about +/- 16%.

Cash flow distribution



TSR drivers



Climate target and taxonomy

The manufacture of chargers is a business activity within the EU taxonomy

In 2023, Kempower's revenue, investments and operating costs were fully aligned with the EU taxonomy regulation. The activity is classified in the taxonomy as the production of infrastructure to support low-carbon road transport and public transport. In addition, Kempower's activities do not cause significant harm to other environmental objectives and the social safeguards in place are in line with the taxonomy.

Generally, therefore, Kempower is favorably positioned in terms of the EU taxonomy. In the big picture, a fully taxonomy-aligned business is a rarity on the stock exchange. As the taxonomy legislation is expected to change and evolve, we remain to see the potential impact on Kempower. We do not expect a significant direct taxonomy-related economic impact on Kempower in the short term, but in principle a favorable positioning could support access to debt financing or have a downward impact on interest costs should debt financing become necessary.

The vast majority of own emissions come from heating buildings

The total greenhouse gas emissions (Scope 1 and Scope 2) of Kempower's own operations in 2023 amounted to 85.2 tons. Emissions relative to revenue were 0.30 grams of CO2 equivalent per euro, a significant decrease from the previous year (0.66 g CO2 eq/EUR). Emissions come from the energy used for heating. Relative emissions have decreased as the company has increased its purchases of renewable energy and as revenue has grown. The company's premises are mainly heated by local district heating,

which is mainly produced from biomass. Natural gas has also been used in cases of severe frost, although efforts are being made to reduce its use.

Kempower reports Scope 3 emissions for 2023 in two categories: waste management (0.24g CO2 eq/EUR) and business travel (3.09g CO2 eq/EUR). However, emissions from business travel were compensated.

Aiming to reduce own emissions to zero

Kempower aims to achieve carbon neutrality in its own operations by 2035. This will be achieved by increasing the use of renewable electricity and heat in all of the company's factories and offices. Scope 3 emissions will also be reduced or compensated. To reduce Scope 3 emissions, Kempower is focusing on, e.g., waste sorting and reducing business travel. Kempower has also participated in certified emission reduction projects.

We believe that Kempower's carbon neutrality target for Scope 1 and 2 emissions is realistic. Achieving this goal may require the company to make investments, but we do not believe the cost of these investments will be material to the company's profitability.

Taxonomy eligibility 2023

Revenue	100%
OPEX	100%
CAPEX	100%

Taxonomy alignment 2023

Revenue	100%
OPEX	100%
CAPEX	100%

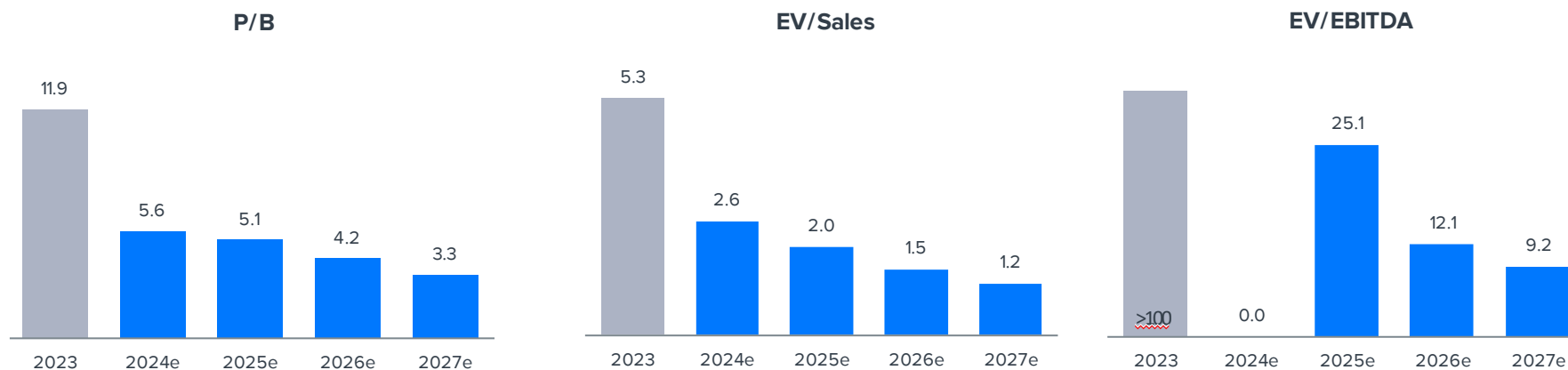
Climate

Climate target	Yes
Target according to Paris agreement (1.5°C warming scenario)	No

Valuation table

Valuation	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Share price	28.7	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Number of shares, millions	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3
Market cap	1588	617	617	617	617	617	617	617	617
EV	1513	584	586	571	546	511	467	417	362
P/E (adj.)	46.9	neg.	61.9	22.1	16.6	12.9	11.1	10.0	9.1
P/E	47.0	neg.	61.9	22.1	16.6	12.9	11.1	10.0	9.1
P/B	11.9	5.6	5.1	4.2	3.3	2.6	2.1	1.8	1.5
P/S	5.6	2.7	2.1	1.6	1.3	1.1	1.0	0.9	0.8
EV/Sales	5.3	2.6	2.0	1.5	1.2	0.9	0.8	0.6	0.5
EV/EBITDA	32.1	neg.	25.1	12.1	9.2	7.0	5.5	4.5	3.6
EV/EBIT (adj.)	37.2	neg.	48.4	16.4	11.8	8.5	6.7	5.4	4.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Tesla	747613	727574	78.2	110.9	51.4	55.4	8.3	8.2	83.1	114.6			15.9
Wallbox	272	454					2.9	2.3					3.3
Beam	64	57					1.0	1.0					
Zaptec	82	91	11.1	18.7	8.7	12.0	0.7	0.7	13.3	34.6			1.3
Alfen	286	362	8.8	158.1	6.9	13.1	0.7	0.7	10.0				1.6
Kempower (Inderes)	617	584	-22.7	48.4	-36.5	25.1	2.6	2.0	-29.0	61.9	0.0	0.0	5.6
Average			32.7	95.9	22.3	26.8	2.7	2.6	35.5	74.6			5.5
Median			11.1	110.9	8.7	13.1	1.0	1.0	13.3	74.6			2.4
Diff-% to median			-304%	-56%	-521%	92%	165%	99%	-317%	-17%			129%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	27.4	104	55.8	72.5	72.6	82.8	284	42.6	57.1	61.7	65.5	227	295	383	468
EBITDA	0.5	9.5	7.9	15.4	16.0	7.8	47.1	-8.6	-6.9	-2.9	2.4	-16.0	23.3	47.1	59.5
Depreciation	-1.1	-3.4	-1.1	-1.5	-1.7	-2.3	-6.5	-2.3	-2.5	-3.0	-3.1	-10.9	-11.2	-12.3	-13.1
EBIT (excl. NRI)	-0.6	6.7	6.9	13.9	14.4	5.5	40.7	-10.8	-8.5	-5.9	-0.6	-25.8	12.1	34.9	46.4
EBIT	-0.6	6.1	6.8	13.9	14.4	5.5	40.6	-10.9	-9.5	-5.9	-0.6	-26.9	12.1	34.9	46.4
Net financial items	-0.2	-1.3	0.2	0.3	0.2	1.8	2.5	0.3	-0.1	0.1	0.2	0.5	0.5	0.5	0.5
PTP	-0.8	4.8	7.0	14.2	14.6	7.3	43.1	-10.6	-9.5	-5.8	-0.5	-26.4	12.6	35.4	46.9
Taxes	1.1	-1.4	-1.3	-3.2	-2.9	-1.9	-9.3	1.9	1.7	0.6	-0.2	4.0	-2.6	-7.4	-9.9
Net earnings	0.3	3.4	5.7	11.0	11.7	5.4	33.8	-8.8	-7.8	-5.2	-0.7	-22.4	10.0	27.9	37.1
EPS (adj.)	0.01	0.07	0.10	0.20	0.21	0.10	0.61	-0.16	-0.12	-0.09	-0.01	-0.39	0.18	0.51	0.67
EPS (rep.)	0.01	0.06	0.10	0.20	0.21	0.10	0.61	-0.16	-0.14	-0.09	-0.01	-0.41	0.18	0.51	0.67

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	730.3 %	278.1 %	384.9 %	235.5 %	122.0 %	119.0 %	173.7 %	-23.6 %	-21.2 %	-15.0 %	-20.9 %	-20.0 %	30.0 %	30.0 %	22.0 %
Adjusted EBIT growth-%			-788.8 %	671.5 %	504.7 %		507.5 %	-256.5 %	-161.1 %	-140.6 %	-111.7 %	-163.3 %	-147.0 %	187.7 %	33.1 %
EBITDA-%			14.1 %	21.2 %	22.1 %	9.4 %	16.6 %	-20.1 %	-12.2 %	-4.6 %	3.7 %	-7.0 %	7.9 %	12.3 %	12.7 %
Adjusted EBIT-%			12.4 %	19.2 %	19.8 %	6.7 %	14.4 %	-25.3 %	-14.9 %	-9.5 %	-1.0 %	-11.4 %	4.1 %	9.1 %	9.9 %
Net earnings-%			10.2 %	15.2 %	16.1 %	6.5 %	11.9 %	-20.6 %	-13.7 %	-8.4 %	-1.0 %	-9.9 %	3.4 %	7.3 %	7.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	24.3	44.2	58.3	64.1	70.1
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.6	1.8	1.8	1.8	1.8
Tangible assets	21.1	38.2	52.3	58.1	64.1
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	1.4	1.4	1.4	1.4
Deferred tax assets	0.6	2.8	2.8	2.8	2.8
Current assets	130	194	215	314	430
Inventories	27.1	51.6	52.2	67.8	86.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	28.7	42.1	53.3	66.4	82.4
Cash and equivalents	74.0	99.8	110	180	261
Balance sheet total	154	238	274	378	500

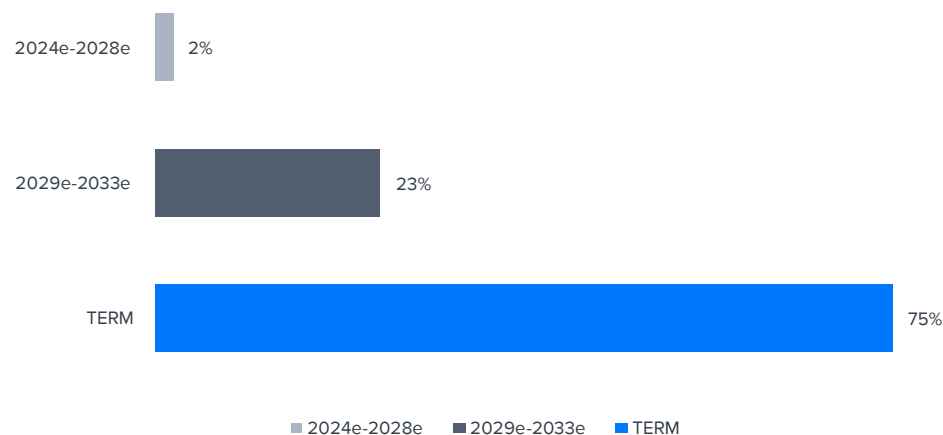
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	101	133	110	120	148
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	6.4	42.4	20.0	30.0	57.9
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	94.2	90.4	90.4	90.4	90.4
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	16.0	24.4	66.2	125	179
Deferred tax liabilities	0.4	0.0	0.0	0.0	0.0
Provisions	2.4	3.8	3.8	3.8	3.8
Interest bearing debt	13.3	20.5	62.3	121	175
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.1	0.1	0.1	0.1
Current liabilities	37.5	80.4	97.1	133	172
Interest bearing debt	2.4	4.7	14.3	27.8	40.1
Payables	35.1	75.7	82.8	105	132
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	154	238	274	378	500

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	173.7 %	-20.0 %	30.0 %	30.0 %	22.0 %	20.0 %	10.0 %	10.0 %	10.0 %	10.0 %	3.0 %	3.0 %
EBIT-%	14.3 %	-11.8 %	4.1 %	9.1 %	9.9 %	10.7 %	11.3 %	11.4 %	11.4 %	10.0 %	10.0 %	10.0 %
EBIT (operating profit)	40.6	-26.9	12.1	34.9	46.4	59.9	70.0	77.6	85.3	82.2	84.7	
+ Depreciation	6.5	10.9	11.2	12.3	13.1	13.5	14.2	14.9	15.1	16.2	17.2	
- Paid taxes	-11.9	4.0	-2.6	-7.4	-9.9	-12.7	-14.8	-16.4	-18.0	-17.4	-17.9	
- Tax, financial expenses	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
+ 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	2.8	-4.7	-6.8	-6.9	-5.7	-5.6	-4.8	-5.2	-5.8	-2.2	-2.0	
Operating cash flow	38.5	-16.6	14.0	32.9	44.1	55.2	64.8	71.0	76.8	78.9	82.1	
+ 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		-25.0	-17.0	-18.3	-19.3	-20.2	-20.8	-21.3	-21.8	-21.8	-20.7	
Free operating cash flow		-41.6	-3.0	14.6	24.8	34.9	44.0	49.7	55.0	57.1	61.4	
+/- Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF		-41.6	-3.0	14.6	24.8	34.9	44.0	49.7	55.0	57.1	61.4	1034
Discounted FCFF		-40.8	-2.7	12.0	18.7	24.1	27.9	28.8	29.2	27.9	27.4	462
Sum of FCFF present value		615	656	658	646	628	603	576	547	517	490	462
Enterprise value DCF		615										
- Interest bearing debt		-25.2										
+ Cash and cash equivalents		99.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		689										
Equity value DCF per share		12.5										

Cash flow distribution

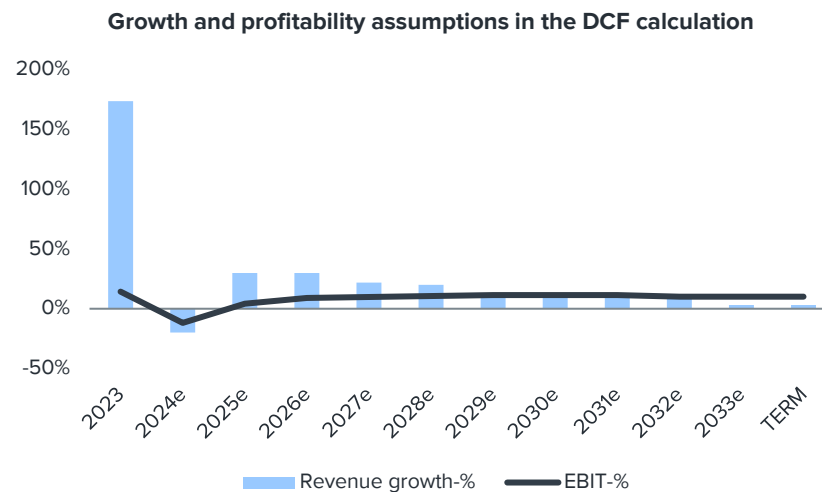
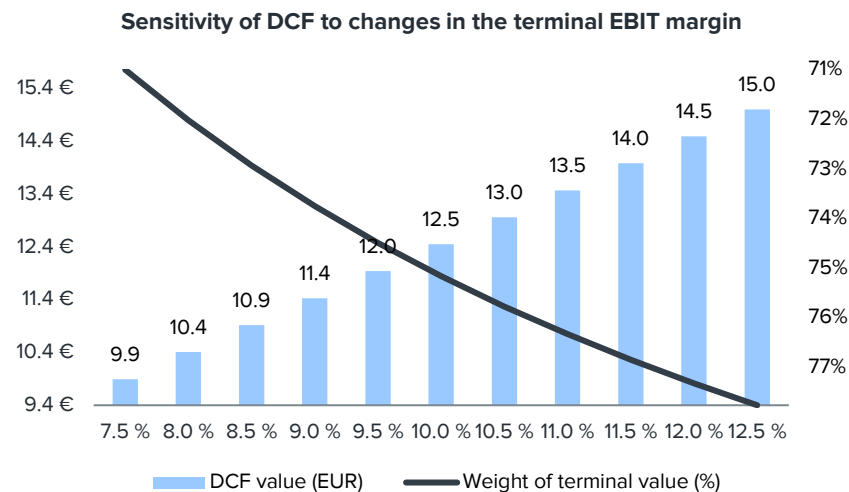
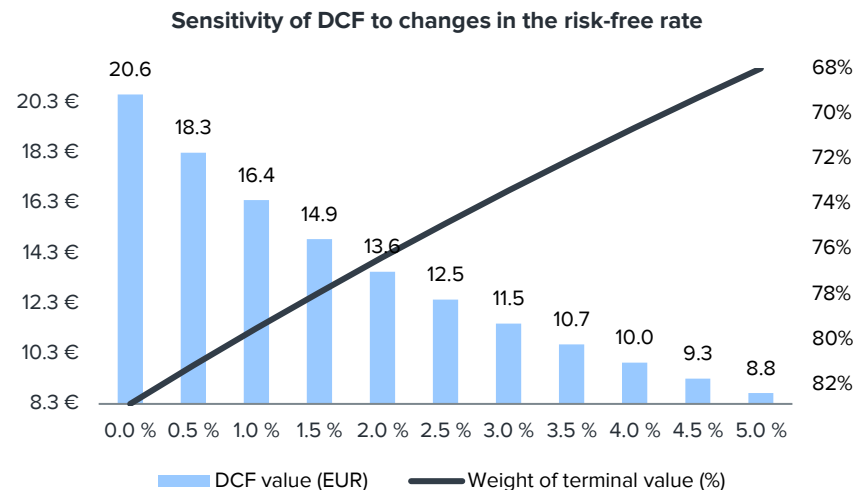
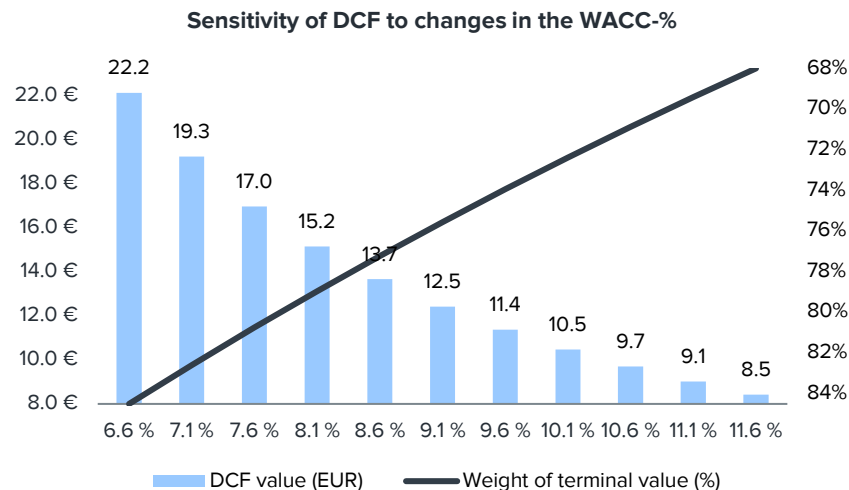


WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	3.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.1 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	27.4	103.6	283.6	226.9	294.9	EPS (reported)	0.01	0.06	0.61	-0.41	0.18
EBITDA	0.5	9.5	47.1	-16.0	23.3	EPS (adj.)	0.01	0.07	0.61	-0.39	0.18
EBIT	-0.6	6.1	40.6	-26.9	12.1	OCF / share	0.00	-0.16	0.70	-0.30	0.25
PTP	-0.8	4.8	43.1	-26.4	12.6	FCF / share	-0.14	-0.53	0.29	-0.75	-0.05
Net Income	0.3	3.4	33.8	-22.4	10.0	Book value / share	1.76	1.81	2.40	2.00	2.18
Extraordinary items	0.0	-0.6	-0.1	-1.1	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	108.5	154.2	237.7	273.8	378.3	Revenue growth-%	730%	278%	174%	-20%	30%
Equity capital	97.5	100.7	132.9	110.5	120.4	EBITDA growth-%	-124%	1800%	396%	-134%	-246%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-73%	-1217%	507%	-163%	-147%
Net debt	-89.3	-58.3	-74.6	-33.4	-30.7	EPS (adj.) growth-%		1287%	718%	-163%	-147%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	1.8 %	9.2 %	16.6 %	-7.0 %	7.9 %
EBITDA	0.5	9.5	47.1	-16.0	23.3	EBIT (adj.)-%	-2.2 %	6.5 %	14.4 %	-11.4 %	4.1 %
Change in working capital	-0.6	-17.2	2.8	-4.7	-6.8	EBIT-%	-2.2 %	5.9 %	14.3 %	-11.8 %	4.1 %
Operating cash flow	-0.1	-8.6	38.5	-16.6	14.0	ROE-%	0.6 %	3.5 %	28.9 %	-18.4 %	8.6 %
CAPEX	-4.4	-23.2	-24.2	-25.0	-17.0	ROI-%	-1.2 %	5.7 %	29.6 %	-15.6 %	5.3 %
Free cash flow	-7.7	-29.7	15.8	-41.6	-3.0	Equity ratio	89.9 %	65.3 %	55.9 %	40.3 %	31.8 %
						Gearing	-91.5 %	-57.9 %	-56.1 %	-30.2 %	-25.5 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	20.2	10.0	5.3	2.6	2.0						
EV/EBITDA	>100	>100	32.1	neg.	25.1						
EV/EBIT (adj.)	neg.	>100	37.2	neg.	48.4						
P/E (adj.)	>100	>100	46.9	neg.	61.9						
P/B	6.6	10.8	11.9	5.6	5.1						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/15/2022	Accumulate	20.00 €	18.35 €
10/30/2022	Accumulate	22.00 €	19.64 €
2/15/2023	Reduce	27.00 €	27.56 €
4/14/2023	Accumulate	30.00 €	27.30 €
4/20/2023	Accumulate	32.00 €	28.80 €
7/19/2023	Accumulate	43.00 €	41.68 €
7/25/2023	Reduce	43.00 €	42.84 €
9/18/2023	Accumulate	52.00 €	46.10 €
10/19/2023	Accumulate	44.00 €	37.88 €
10/31/2023	Buy	44.00 €	29.59 €
2/9/2024	Buy	41.00 €	28.72 €
2/15/2024	Buy	32.00 €	22.72 €
3/25/2024	Buy	32.00 €	19.55 €
4/25/2024	Buy	28.00 €	17.37 €
7/12/2024	Reduce	19.00 €	22.40 €
7/24/2024	Accumulate	16.00 €	13.17 €
9/2/2024	Reduce	10.00 €	12.00 €
10/3/2024	Reduce	10.00 €	11.60 €



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