

KEMPOWER Corporation

# Business Review

1 January–30 September 2023



# Kempower Corporation Business Review, 1 January – 30 September 2023 (unaudited)

## July–September 2023 highlights, IFRS (comparison figures in parenthesis July–September 2022)

- Order backlog increased to EUR 126.7 million (EUR 95.1 million) at end of Q3
- Order intake was EUR 60.9 million (EUR 65.4 million)
- Revenue increased by 122% to EUR 72.6 million (EUR 32.7 million)
- Revenue outside the Nordics increased to 56% (41%) of revenue
- Gross profit margin was 52.9% (46.2%)
- Operative EBIT increased to EUR 14.4 million (EUR 2.4 million), 19.8% of revenue (7.3%)
- Profit for the period was EUR 11.7 million (EUR 1.6 million)
- Cash flow from operating activities was EUR 15.9 million (EUR 6.7 million)
- Amount of personnel at the end of the period grew to 619 (307)

## January–September 2023 highlights, IFRS (comparison figures in parenthesis January–September 2022)

- Order intake increased to EUR 208.6 million (EUR 147.2 million)
- Revenue increased by 205% to EUR 200.8 million (EUR 65.8 million)
- Gross profit margin was 51.7% (46.2%)
- Operative EBIT increased to EUR 35.1 million (EUR 3.2 million), 17.5% of revenue (4.9%)
- Profit for the period increased to EUR 28.4 million (EUR 1.0 million)
- Cash flow from operating activities was EUR 39.0 million (EUR 3.0 million)

## IFRS KEY FIGURES

MEUR	Q3/2023	Q3/2022	1-9/2023	1-9/2022	2022
Order backlog	126.7	95.1	126.7	95.1	118.9
Order intake	60.9	65.4	208.6	147.2	208.9
Revenue	72.6	32.7	200.8	65.8	103.6
Revenue growth, %	122%	227%	205%	247%	279%
Gross profit	38.4	15.1	103.8	30.4	48.2
Gross profit margin, %	52.9%	46.2%	51.7%	46.2%	46.5%
EBITDA	16.0	3.2	39.3	5.6	9.5
EBITDA margin, %	22.0%	9.8%	19.6%	8.5%	9.2%
Operating profit (EBIT)	14.3	2.4	35.0	3.2	6.1
EBIT margin, %	19.7%	7.3%	17.4%	4.9%	5.9%
Operative EBIT	14.4	2.4	35.1	3.2	6.7
Operative EBIT margin, %	19.8%	7.3%	17.5%	4.9%	6.4%
Profit for the period	11.7	1.6	28.4	1.0	3.6
Equity ratio, %	58.3%	69.8%	58.3%	69.8%	67.5%
Cash flow from operating activities	15.9	6.7	39.0	3.0	-5.4
Investments	2.8	1.6	6.7	4.0	6.2
Net debt	-81.0	-69.8	-81.0	-69.8	-58.4
Items affecting comparability	0.0		0.1		0.6
Earnings per share, basic, EUR	0.21	0.03	0.51	0.02	0.06
Earnings per share, diluted, EUR	0.21	0.03	0.51	0.02	0.06
Headcount end of period	619	307	619	307	375

## Financial targets

The Board of Directors resolved on Kempower's financial targets on 19 April 2023.

- Growth: revenue of EUR 750 million in the medium term (years 2026–2028)

- Profitability: operative EBIT margin of 10 percent to 15 percent reached in the medium term (years 2026–2028) and operative EBIT margin of at least 15 percent in the long term
- Dividends: No dividends in the short term

## Outlook for 2023 (updated)

Kempower continues to seek strong growth in a profitable manner. In H2 of 2023 Kempower will accelerate its growth initiatives towards the year 2024 both in Europe and in North America. Kempower expects higher fixed costs for the second half of the year 2023.

Outlook has been specified regarding 2023 operative EBIT margin, %.

New outlook:

- 2023 revenue; EUR 280–310 million, assuming no major impact from foreign currency exchange rates (revenue 2022: EUR 104 million),
- 2023 operative EBIT margin, %; over 14%

Kempower growth initiatives include capacity scale up in Europe and North America, R&D programs and further recruitments enabling growth in the future

Previous outlook:

- 2023 revenue; EUR 280–310 million, assuming no major impact from foreign currency exchange rates (revenue 2022: EUR 104 million),
- 2023 operative EBIT margin, %; over 10%

CEO TOMI RISTIMÄKI COMMENTS ON THE Q3/23 RESULTS:

# Solid profitable quarter for Kempower

Kempower's strong performance continued as we delivered a solid third quarter for the year 2023. We recorded a record high revenue of EUR 72.6 million even with EUR 10 million of UK revenue being shifted to Q4 due to cross-border logistical delays in customer deliveries. Order intake was EUR 60.9 million and impacted by fluctuation of orders between the quarters and the fact we improved our lead times over 25 % compared to H1 2023 reducing customers' needs for extra inventory. The energy charged through Kempower chargers grew from 18,000 MWh in Q3 of 2022 to 50,000 MWh in Q3 of 2023 which indicates increased usage of Kempower charging solutions. Operative EBIT margin was very strong 19.8% and cash flow generation was positive. The current level of operative EBIT does not yet fully reflect the full costs arising from the North America expansion.

During the quarter we continued executing our growth strategy by expanding our customer base. We signed a sales and service agreement with GP Joule Connect, a leading e-mobility and charging solutions provider covering Germany, Denmark, Austria, and Poland. We also took important steps in advancing the electrification of heavy-duty vehicles when we received the largest order so far for truck charging from Milence which is one of the leading truck CPO's in Europe (joint venture between Daimler Trucks, the Traton Group and the Volvo Group). This significant order is an excellent indication of the truck customer's trust in our technology. We also supplied fast-charging solutions for WattHub in the Netherlands, the world's largest fast-charging plaza for electric trucks and off-highway vehicles. After the review period we published Kempower's Megawatt

Charging System for electric trucks and electric vehicles using power above one megawatt. The deliveries for the new system will start in the first quarter of 2024.

In North America we have been working hard to set up our organization and operations to fully serve the North American customers in 2024. We have witnessed increasing interest towards Kempower's charging solutions and as a result the sales pipeline has developed very well and order intake from North America has also started to pick up. During the quarter, we expanded our presence in the continent by deploying Kempower EV fast charging solutions to Canada for the first time. Our new President, North America, Tim Joyce joined Kempower during Q3 and started to lead our North America expansion. I am also very satisfied with our revenue from North America that represented 5% of our total revenue.

In our European market we reached a significant milestone when Kempower received the German Eichrecht certification. The certification enables Kempower to deploy chargers for public EV charging in Germany and Austria. Germany is one of the fastest EV adopters in Europe and provides huge market opportunity for us. We already have a sales office in Germany and our regional team is ready to answer the market demand. During Q3 we have partnered with one of Europe's largest operators of energy networks and energy infrastructure, to deliver charging infrastructure across Germany and the Nordics.

Our Research, Development and Innovation front had an important milestone in Q3 when we opened our new

facilities in Vaasa, Finland, focusing on the development of high-power charging for heavy-duty vehicles. We have also expanded our RDI center in Tampere, Finland, and progressed in our cooperation with LUT university to open the Kempower Electric Mobility Research Center (EMRC). EMRC is scheduled to open by the end of 2023.

Our growth ambitions are increasingly high and as we have communicated in our half-year financial report, we will open a new factory in Lahti, Finland during 2024. To further support our growth ambitions, Kempower and the City of Lahti signed a growth agreement which aims to address and anticipate Kempower's needs for rapid growth and to ensure the timing and scale of the solutions provided by the City of Lahti.

Kempower's journey has been fast paced and eventful, but we have only just begun the transition towards electric future. The share of EVs from the total vehicle base in the US and in Europe in August 2023 were only around 1.4% and 2% respectively. These numbers give perspective of the road ahead of us and how much there is work to do and potential to realize. I am confident that Kempower will play central role in the electric future.

The EV charging industry is evolving extremely rapidly, and we will continue to seek strong growth in a profitable manner going forward. In that context, we have found several new growth initiatives and we are at the same time evaluating financing alternatives, in addition to our positive operational cash flows and available liquidity,

to deliver on the ever-evolving opportunities under the current growth strategy.

Many thanks to the hard working Kempowerians who truly make our success possible in this new and exciting industry. I also want to thank our customers and partners for your trust and support towards Kempower. Together, we will make this planet a cleaner and quieter place for us all.

Kempower also announced an official partnership with The Arctic Race of Norway, an annual cycling race in Norway. The partnership enables closer collaboration towards an emission-free event and empowers positive impact on Northern Norway's territories.

## Sustainability

Sustainability is at the core of Kempower's strategy. In Q3 we renewed our Green Equity Designation from Nasdaq. Green Equity Designation is a voluntary designation granted to companies listed on Nasdaq Nordic markets that have over 50% of their revenue derived from activities considered green. The renewal is an endorsement of our progress toward our sustainability goals, which include achieving a 99% end-of-lifetime recyclability rate in all our product groups and reaching 100% carbon neutrality by 2035.

In September Kempower joined the UN Global Compact initiative. UN Global Compact initiative is a voluntary platform for the development, implementation and disclosure of responsible business practices.

We also partnered with the city of Lahti in their sustainability ambitions by committing to Climate Neutrality Commitments which aims to climate neutrality in 2030. Lahti has a long history of collaboration with different partners in both environmental and climate work and Kempower is proud to join the initiative. As a concrete action Kempower participates Lahti's Sustainable Commuting pilot program.

# Financial reporting and geographical regions

Kempower's product portfolio covers DC charging solutions and services. The entire product and service portfolio is reported under a single segment.

25 % compared to H1 2023 reducing customers' needs for extra inventory. We have several large customers which are not making purchases every quarter creating fluctuation between the quarters.

Kempower reports revenue according to geographical regions below:

- Nordics
- Rest of Europe
- North America
- Rest of the World

## Order intake

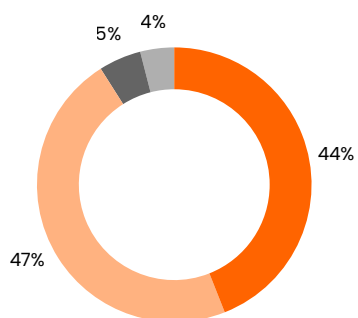
Kempower's order intake was EUR 60.9 million (EUR 65.4 million) in the third quarter of 2023 and EUR 208.6 million (EUR 147.2 million) in January–September 2023. Order intake was especially strong in Rest of Europe. Q3 order intake was impacted by fluctuation of orders between the quarters and the fact we improved our lead times over

## Revenue

### REVENUE BY GEOGRAPHICAL REGIONS

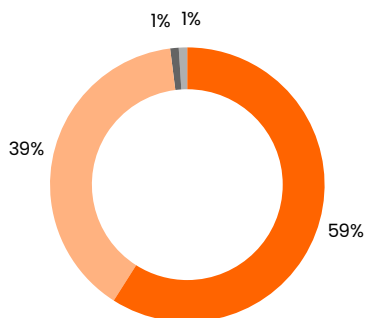
MEUR	Q3/2023	Q3/2022	Change %	1-9/2023	1-9/2022	Change %	2022
Nordics*	32.1	19.2	67%	83.1	39.8	109%	57.8
Rest of Europe	34.2	12.8	167%	100.1	24.4	310%	40.7
North America	3.3	0.3	1,209%	5.9	0.4	1,511%	1.6
Rest of the World	3.1	0.4	650%	11.7	1.2	868%	3.5
<b>Total</b>	<b>72.6</b>	<b>32.7</b>	<b>122%</b>	<b>200.8</b>	<b>65.8</b>	<b>205%</b>	<b>103.6</b>

REVENUE Q3/2023



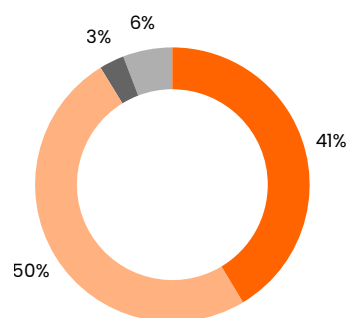
- Nordics\* 32.1 MEUR
- Rest of Europe 34.2 MEUR
- North America 3.3 MEUR
- Rest of the World 3.1 MEUR

REVENUE Q3/2022



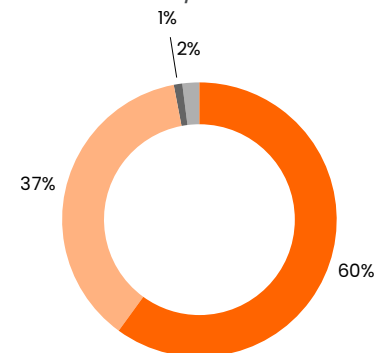
- Nordics\* 19.2 MEUR
- Rest of Europe 12.8 MEUR
- North America 0.3 MEUR
- Rest of the World 0.4 MEUR

REVENUE 1-9/2023



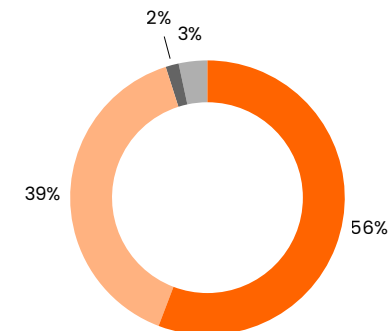
- Nordics\* 83.1 MEUR
- Rest of Europe 100.1 MEUR
- North America 5.9 MEUR
- Rest of the World 11.7 MEUR

REVENUE 1-9/2022



- Nordics\* 39.8 MEUR
- Rest of Europe 24.4 MEUR
- North America 0.4 MEUR
- Rest of the World 1.2 MEUR

REVENUE 2022



- Nordics\* 57.8 MEUR
- Rest of Europe 40.7 MEUR
- North America 1.6 MEUR
- Rest of the World 3.5 MEUR

\*Nordics includes Finland, Sweden, Norway, Denmark and Iceland

Kempower's revenue mainly consists of deliveries of electric vehicle chargers and charging stations the company manufactures and charger maintenance services. Kempower also provides its customers with the ChargeEye SaaS service, a cloud-based charging equipment management system. Kempower's customers are mainly public charging operators, commercial vehicle fleet operators, vehicle and equipment manufacturers and distributor and installer partners.

Kempower's revenue for the third quarter amounted to EUR 72.6 million (EUR 32.7 million), an increase of 122 percent compared to Q3 2022. Kempower's revenue for January–September 2023 amounted to EUR 200.8 million (EUR 65.8 million), an increase of 205 percent compared to the previous year. EUR 10 million of quarterly revenue was shifted to Q4 due to cross-border logistical delays in customer deliveries.

Kempower's charging solutions have been delivered to almost 50 countries globally. Kempower's main geographical markets include the Nordics, which accounted for 44 (59) percent of Kempower's revenue for the third quarter of 2023, and Rest of Europe, which accounted for 47 (39) percent of Kempower's revenue for the third quarter of 2023. North America accounted for 5 (1) and Rest of the World 4 (1) percent of Kempower's revenue for the third quarter of 2023. For January–September 2023 the revenue generated from the Nordics accounted for 41 (60) and Rest of Europe 50 (37) percent of Kempower's revenue. The revenue generated from North America accounted for 3 (1) and Rest of the World 6 (2) percent of Kempower's revenue for January–September 2023.

Kempower's revenue growth during the third quarter and January–September 2023 was most significant, in absolute terms, in Rest of Europe and in Nordics. Kempower's revenue growth in relative terms was most rapid outside of Europe.

## Profitability

Kempower's operating profit (EBIT) for the third quarter of 2023 increased by EUR 11.9 million to EUR 14.3 million (EUR 2.4 million). Kempower's operative EBIT for the third quarter amounted to EUR 14.4 million (EUR 2.4 million). The increased profit was driven by strong demand in Rest of Europe and in Nordics, successful increase in the production capacity and strong overall profitability.

Kempower's operating profit (EBIT) for January–September 2023 increased by EUR 31.8 million to EUR 35.0 million (EUR 3.2 million). Kempower's operative EBIT for January–September 2023 amounted to EUR 35.1 million (EUR 3.2 million). The increase was mainly due to strong demand in Rest of Europe and in Nordics, successful increase in the production capacity and strong overall profitability. In 2023 we have been successful in growing our revenue by 205% and at the same time we have succeeded in reducing our unit costs and improving the productivity in whole organization.

Items affecting comparability in January–September 2023 amounted to EUR 0.1 million and related to expenses of establishing operations in the USA.

Kempower's net financial items in the third quarter of 2023 amounted to EUR 0.7 million (EUR -0.3 million) and in January–September 2023 to EUR 1.2 million (EUR -1.7 million).

Kempower's income tax expenses in the third quarter of 2023 amounted to EUR 3.3 million (EUR 0.5 million) and in January–September 2023 to EUR 7.8 million (EUR 0.5 million).

## Cash flow, financing and balance sheet

Kempower's cash flow from operating activities in the third quarter of 2023 amounted to EUR 15.9 million (EUR 6.7 million). Kempower's cash flow from operating activities in January–September 2023 amounted to EUR 39.0 million (EUR 3.0 million). Positive cash flow was driven by revenue growth, strong margins and improved working capital situation during January–September 2023. For the full year 2022 cash flow from operating activities amounted to EUR -5.4 million.

Kempower's total assets on the balance sheet at the end of the reporting period were EUR 234.6 million (EUR 146.5 million) and EUR 154.2 million on 31 December 2022.

For the reporting period the equity ratio was 58.3% (69.8%) compared to 67.5% on 31 December 2022. Net debt for the reporting period amounted to EUR -81.0 million (EUR -69.8 million) compared to EUR -58.4 million on 31 December 2022. The change in net debt as compared to the end of 2022 was mainly due to increase in cash and cash equivalents.

# Calculation of key figures

<b>Key figure</b>	<b>Definition</b>
Order backlog	Received legally binding orders from external customers not yet delivered to customer
Order intake	Received legally binding orders from external customers during the period
Revenue growth, %	Change of revenue compared to the revenue of the comparative period presented as a percentage
Gross profit	Revenue – Materials and services – Variable employee benefits
Gross profit margin, %	Gross profit as a percentage of revenue
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin, %	EBITDA as a percentage of revenue
EBIT margin, %	Operating profit/loss (EBIT) as a percentage of revenue
Operative EBIT	Operating profit/loss (EBIT) – Items affecting comparability
Operative EBIT margin, %	Operative EBIT as a percentage of revenue
Equity ratio, %	Total equity / (Total assets – Advance payments)
Investments	Investments in intangible assets and property, plant and equipment excluding right-of-use assets
Net debt	Non-current borrowings and leasing liabilities + Current borrowings and leasing liabilities – Cash and cash equivalents – Current financial assets
Items affecting comparability	Material items outside the ordinary course of business including gains/losses on disposal, impairment charges and items relating to structural arrangements and capital reorganisations
Earnings per share, basic	Profit/loss for the period attributable to the equity holders of the company divided by the weighted average number of shares outstanding during the period
Earnings per share, diluted	Profit/loss for the period attributable to the equity holders of the company divided by the weighted average number of shares outstanding adjusted for the dilutive effect





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