

Enapter AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: H2O GR
 ISIN: DE000A255G02

Update

RATING
BUY

PRICE TARGET
€ 20.00

Return Potential 29.0%
 Risk Rating High

€25M BOND STABILISES FINANCIAL POSITION

Enapter has issued a €25m bearer bond, thereby extending its cash runway into 2024. Due to the closing costs of the financing, EBITDA guidance announced in December 2022 for the current year (revenue: €30m, EBITDA: €-8.5m) has been adjusted downwards. Enapter now expects EBITDA of €-10m to €-11m for 2023. In January, the company reported preliminary 2022 revenue of €14.7m. This is an increase of 75% compared to the prior year figure of €8.4m and is close to company guidance and our 2022 forecast of €15.6m. We have integrated the bond financing costs into our forecasts. An updated DCF model yields an unchanged €20 price target. We confirm our Buy recommendation.

Financing deal secures financial room for manoeuvre The €25m bearer bond issued by Enapter has a term of 2 years and was subscribed by the Patrimonium Middle Market Debt Fund. This secures Enapter's financing for the next 12 months. However, the stabilisation of the company's financial position comes at a price. Enapter has lowered its EBITDA guidance to €-10m to €-11m from €-8.5m. This reduction implies financing closing costs of at least €1.5m. Enapter has not provided any information on the bond yield. Since we previously expected only €15m in financing instead of €25m, we have increased our interest expense estimate accordingly.

Sales up 75% in 2022 Last year, Enapter achieved a 75% increase in revenue to €14.7m, according to preliminary figures, narrowly missing our estimate, which was in line with guidance of €15.6m (-6%). In Q4/22, Enapter shipped more than 1,200 electrolyzers. This figure corresponds to almost 3 MW and makes Q4/22 the strongest production quarter in the history of this still young company.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	0.93	2.07	8.44	14.70	30.20	58.48
Y-o-y growth	30.9%	122.7%	307.8%	74.1%	105.5%	93.6%
EBIT (€m)	-1.50	-3.54	-8.62	-13.68	-15.13	-7.93
EBIT margin	-161.5%	-171.2%	-102.1%	-93.1%	-50.1%	-13.6%
Net income (€m)	-1.52	-3.57	-8.70	-13.91	-17.65	-11.23
EPS (diluted) (€)	0.00	-0.16	-0.38	-0.53	-0.65	-0.41
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-3.36	-6.17	-33.05	-83.33	-22.41	-26.03
Net gearing	-17.1%	-32.2%	-33.8%	3.2%	33.6%	82.3%
Liquid assets (€m)	1.35	4.25	19.60	4.98	9.87	7.04

RISKS

The main risks are: financing risk, technological risk, production risk, product risk, increasing competition, innovations.

COMPANY PROFILE

Enapter produces standardised stacks & electrolyzers, which are scalable to larger units based on a modular approach. Enapter's patent-protected AEM technology offers high cost reduction potential. Enapter has production sites in Pisa, Italy, & Saerbeck, Germany, and ca. 240 employees.

MARKET DATA

As of 13 Feb 2023

Closing Price	€ 15.50
Shares outstanding	27.20m
Market Capitalisation	€ 421.52m
52-week Range	€ 13.15 / 23.90
Avg. Volume (12 Months)	6,044

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	n.a.
EV/Sales	41.9	24.1	11.7
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 28.17m
Current Assets	€ 44.46m
Intangible Assets	€ 8.58m
Total Assets	€ 111.02m
Current Liabilities	€ 17.31m
Shareholders' Equity	€ 88.67m

SHAREHOLDERS

BluGreen	66.3%
Sergei Storozhenko	4.1%
Johnson Matthey	3.9%
Free Float	25.8%



Slower ramp-up of production in Saerbeck followed by cost reductions In our last publication, we lowered our revenue forecasts due to the change in production strategy at Saerbeck (AEM multicore instead of small electrolyzers). According to media reports, Enapter has responded to the slower ramp-up of production in Saerbeck with a cost-cutting program, laying off around 10% of the workforce. In Saerbeck, 18 employees lost their jobs. We had already factored the cost reductions into our forecasts.

Large AEM-Multicore electrolyser continues to enjoy brisk demand In January, Enapter reported an order for an AEM multicore (input power: 1 MW, hydrogen production: 450 kg per day) from the Netherlands. Enapter's sales and integration partner Adsensys plans to deliver the electrolyser in Q4/23 to a Dutch energy company, which will use it at a hydrogen refuelling station. Also in January, Enapter received an order to supply two AEM electrolyzers, this time from South Korea. The systems will be used in a 12.5 MW hydrogen pilot project with 62bn South Korean won (\$43.3m) of support from South Korea's Ministry of Industry and Trade. The project's goal is to study and compare hydrogen production using different electrolysis technologies. Among the five companies selected for the project, Enapter is the only technology supplier from Germany or Europe, underscoring the international appeal of the AEM technology developed and patented by Enapter.

Estimates adjusted We have included financing closing costs of approximately €1.5m, as well as the higher interest expenses, in our 2023 estimates due to the higher than expected financing volume. We have also taken into account the slightly lower than estimated preliminary sales for 2022 and the resulting reduction in earnings (see figure 1).

Figure 1: Revisions to forecasts

All figures in €m	2022E			2023E			2024E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	15.6	14.7	-6%	30.2	30.2	0%	58.5	58.5	0%
EBIT	-13.3	-13.7	-	-13.6	-15.1	-	-7.9	-7.9	-
margin	-85.1%	-93.1%		-45.2%	-50.1%		-13.6%	-13.6%	
Net income	-13.5	-13.9	-	-15.0	-17.7	-	-9.1	-11.2	-
margin	-86.5%	-94.6%		-49.7%	-58.4%		-15.6%	-19.2%	
EPS (diluted)	-0.52	-0.53	-	-0.55	-0.65	-	-0.34	-0.41	-

Source: First Berlin Equity Research

Valuation model updated, price target unchanged We have incorporated the revised estimates, the lower risk following the successful financing closing, and the higher general interest rate level (10-year German government bond at around 2.4% compared with 1.7% in our last publication in December 2022) into our model. As the various effects largely offset each other, the price target remains at €20. We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	14,700	30,205	58,482	196,992	281,154	506,077	644,098	801,024
NOPLAT	-13,680	-15,128	-7,934	15,132	22,313	39,859	52,577	66,885
+ depreciation & amortisation	2,664	4,887	5,891	7,359	8,041	9,499	10,252	11,190
Net operating cash flow	-11,016	-10,241	-2,043	22,490	30,354	49,358	62,829	78,075
- total investments (CAPEX, WC, Other)	-60,184	-7,345	-18,489	-35,013	-41,336	-51,108	-40,318	-46,345
<i>Capital expenditures</i>	-69,925	-7,008	-15,790	-15,759	-27,962	-15,366	-18,386	-21,409
<i>Working capital</i>	-2,159	-2,637	-4,899	-2,1753	-13,374	-35,741	-21,932	-24,936
<i>Other</i>	11,900	2,300	2,200	2,500	0	0	0	0
Free cash flows (FCF)	-71,200	-17,586	-20,532	-12,523	-10,981	-1,749	22,511	31,730
PV of FCF's	-71,200	-15,898	-16,536	-8,987	-7,023	-997	11,429	14,356

All figures in thousands		
PV of FCFs in explicit period (2022E-2036E)	85,433	
PV of FCFs in terminal period	390,231	
Enterprise value (EV)	475,664	
+ Net cash / - net debt (p. f.)	67,981	Terminal growth 4.0%
+ Investments / minority interests	2	Terminal EBIT margin 13.2%
Shareholder value	543,647	
Diluted number of shares	27,195	
Fair value in EUR	19.99	

WACC		Terminal growth rate							
		2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	
Cost of equity	12.6%	9.2%	34.33	36.20	38.40	41.02	44.19	48.12	53.11
Pre-tax cost of debt	6.0%	10.2%	27.30	28.51	29.91	31.52	33.43	35.69	38.44
Tax rate	30.0%	11.2%	22.08	22.90	23.82	24.87	26.07	27.47	29.11
After-tax cost of debt	4.2%	12.2%	18.09	18.66	19.28	19.99	20.79	21.70	22.74
Share of equity capital	95.0%	13.2%	14.97	15.37	15.81	16.30	16.85	17.46	18.15
Share of debt capital	5.0%	14.2%	12.49	12.78	13.10	13.44	13.83	14.25	14.72
Price target	20.00	15.2%	10.49	10.70	10.93	11.18	11.46	11.76	12.09

* for layout purposes the model shows numbers only to 2029, but runs until 2036



INCOME STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Revenues	929	2,070	8,442	14,700	30,205	58,482	196,992	281,154
Changes in Inventories	107	242	540	0	0	0	0	0
Own Work	1,805	2,208	3,330	3,087	3,625	3,509	1,379	1,891
Cost of goods sold	1,108	2,320	7,874	11,319	24,466	43,277	137,894	196,808
Gross profit (Sales J. COGS)	-179	-250	568	3,381	5,739	15,205	59,098	84,346
Personnel costs	1,827	3,356	7,596	14,843	13,919	14,500	19,699	26,505
Other operating income	73	605	1,367	3,312	2,114	760	1,970	2,812
Other operating expenses	1,232	2,369	5,828	5,953	7,800	7,018	19,699	27,860
EBITDA	-1,253	-2,920	-7,619	-11,016	-10,241	-2,043	23,048	34,685
Depreciation and amortisation	248	625	1,002	2,664	4,887	5,891	7,359	8,041
Operating income (EBIT)	-1,501	-3,544	-8,622	-13,680	-15,128	-7,934	15,690	26,643
Net financial result	-15	-21	-88	-232	-2,526	-3,889	-4,530	-4,992
Non-operating expenses	0	0	0	0	0	0	0	0
Pre-tax income (EBT)	-1,516	-3,565	-8,709	-13,912	-17,654	-11,823	11,160	21,651
Income taxes	0	3	-8	0	0	-591	558	4,330
Minority interests	-2	-1	1	0	0	0	0	0
Net income / loss	-1,518	-3,569	-8,701	-13,912	-17,654	-11,232	10,602	17,321
Ratios								
Gross margin on revenues	-19.2%	-12.1%	6.7%	23.0%	19.0%	26.0%	30.0%	30.0%
EBITDA margin on revenues	-134.8%	-141.0%	-90.3%	-74.9%	-33.9%	-3.5%	11.7%	12.3%
EBIT margin on revenues	-161.5%	-171.2%	-102.1%	-93.1%	-50.1%	-13.6%	8.0%	9.5%
Net margin on revenues	-163.4%	-172.4%	-103.1%	-94.6%	-58.4%	-19.2%	5.4%	6.2%
Tax rate	0.0%	-0.1%	0.1%	0.0%	0.0%	5.0%	5.0%	20.0%
Expenses as % of revenues								
Personnel costs	196.5%	162.1%	90.0%	101.0%	46.1%	24.8%	10.0%	9.4%
Depreciation and amortisation	26.7%	30.2%	11.9%	18.1%	16.2%	10.1%	3.7%	2.9%
Other operating expenses	132.5%	114.4%	69.0%	40.5%	25.8%	12.0%	10.0%	9.9%
Y-Y Growth								
Revenues	30.9%	122.7%	307.8%	74.1%	105.5%	93.6%	236.8%	42.7%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	69.8%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	63.4%



BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Assets								
Current assets, total	3,530	6,633	29,920	14,173	22,619	24,223	58,701	75,943
Cash and cash equivalents	1,354	4,248	19,604	4,985	9,873	7,043	11,991	11,017
Short-term investments	255	0	0	0	0	0	0	0
Receivables	38	184	2,638	2,014	3,310	4,807	16,191	23,109
Inventories	862	1,300	3,604	3,101	5,362	8,300	26,446	37,744
Other current assets	1,020	901	4,073	4,073	4,073	4,073	4,073	4,073
Non-current assets, total	4,469	7,917	32,221	99,640	101,913	111,954	120,415	140,390
Property, plant & equipment	1,245	2,870	23,985	91,295	93,684	103,620	111,192	129,724
Goodwill & other intangibles	2,071	3,977	7,110	7,219	7,103	7,207	8,096	9,540
Right-of-use assets	1,119	1,033	1,055	1,055	1,055	1,055	1,055	1,055
Other assets	34	72	72	72	72	72	72	72
Total assets	7,999	14,550	62,141	113,813	124,532	136,177	179,116	216,333
Shareholders' equity & debt								
Current liabilities, total	2,742	4,452	10,397	7,925	8,846	9,381	14,158	22,075
Short-term debt	915	1,415	1,186	2,000	2,000	3,000	0	3,075
Leasing liabilities	83	109	155	155	155	155	155	155
Accounts payable	583	947	6,387	3,101	4,022	3,557	11,334	16,176
Current provisions	62	239	516	516	516	516	516	516
Other current liabilities	1,181	1,851	2,309	2,309	2,309	2,309	2,309	2,309
Long-term liabilities, total	1,327	1,353	5,224	20,280	47,733	70,074	97,634	109,613
Long-term debt	21	21	2,708	5,708	30,708	50,708	75,708	87,633
Leasing liabilities	639	568	575	734	886	1,027	1,088	1,142
Other liabilities	165	278	512	12,410	14,710	16,910	19,410	19,410
Deferred revenue	502	486	1,428	1,428	1,428	1,428	1,428	1,428
Minority interests	0	1	2	2	2	2	2	2
Shareholders' equity	3,931	8,744	46,518	85,606	67,952	56,720	67,322	84,643
Share capital	1,238	22,269	24,406	27,195	27,195	27,195	27,195	27,195
Capital reserve	5,854	-6,771	37,615	87,824	87,824	87,824	87,824	87,824
Other reserves	-13	-37	-83	-83	-83	-83	-83	-83
Treasury stock	0	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-3,148	-6,716	-15,418	-29,330	-46,984	-58,216	-47,614	-30,293
Total consolidated equity and debt	7,999	14,550	62,141	113,813	124,532	136,177	179,116	216,333
Ratios								
Current ratio (x)	1.29	1.49	2.88	1.79	2.56	2.58	4.15	3.44
Quick ratio (x)	0.97	1.20	2.53	1.40	1.95	1.70	2.28	1.73
Equity ratio	49.1%	60.1%	74.9%	75.2%	54.6%	41.7%	37.6%	39.1%
Net debt	-673	-2,812	-15,711	2,723	22,835	46,665	63,717	79,691
Net gearing	-17.1%	-32.2%	-33.8%	3.2%	33.6%	82.3%	94.6%	94.1%
Return on equity (ROE)	-38.6%	-40.8%	-18.7%	-16.3%	-26.0%	-19.8%	15.7%	20.5%
Days of sales outstanding (DSO)	15.1	32.5	114.1	50.0	40.0	30.0	30.0	30.0
Days inventory outstanding	284.1	204.5	167.1	100.0	80.0	70.0	70.0	70.0
Days in payables (DIP)	192.2	149.1	296.1	100.0	60.0	30.0	30.0	30.0



CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
EBIT	-1,501	-3,544	-8,622	-13,680	-15,128	-7,934	15,690	26,643
Depreciation and amortisation	248	625	1,002	2,664	4,887	5,891	7,359	8,041
EBITDA	-1,253	-2,920	-7,619	-11,016	-10,241	-2,043	23,048	34,685
Changes in working capital	89	528	-1,136	-2,159	-2,637	-4,899	-21,753	-13,374
Other adjustments	18	255	758	-232	-2,526	-3,298	-5,088	-9,323
Operating cash flow	-1,146	-2,137	-7,997	-13,407	-15,404	-10,240	-3,793	11,988
Investments in PP&E	-381	-1,830	-21,570	-68,749	-6,041	-14,621	-13,789	-25,304
Investments in intangibles	-1,829	-2,208	-3,483	-1,176	-967	-1,170	-1,970	-2,658
Free cash flow	-3,356	-6,175	-33,050	-83,332	-22,412	-26,030	-19,552	-15,974
Acquisitions & disposals, net	0	0	0	0	0	0	0	0
Other investments	-709	250	-11	0	0	0	0	0
Investment cash flow	-2,919	-3,789	-25,064	-69,925	-7,008	-15,790	-15,759	-27,962
Debt financing, net	19	1,240	2,463	3,814	25,000	21,000	22,000	15,000
Equity financing, net	1,200	6,189	48,304	52,998	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	0
Other financing	3,428	1,390	-2,350	11,900	2,300	2,200	2,500	0
Financing cash flow	4,646	8,819	48,417	68,712	27,300	23,200	24,500	15,000
FOREX & other effects	0	0	0	0	0	0	0	0
Net cash flows	581	2,894	15,356	-14,620	4,888	-2,830	4,948	-974
Cash, start of the year	773	1,354	4,248	19,604	4,985	9,873	7,043	11,991
Cash, end of the year	1,354	4,248	19,604	4,985	9,873	7,043	11,991	11,017
Y-Y Growth								
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Financial cash flow		89.8%	449.0%	41.9%	-60.3%	-15.0%	5.6%	-38.8%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 September 2020	€6.50	Buy	€8.90
2...3	↓	↓	↓	↓
4	12 August 2021	€26.20	Buy	€34.00
5	11 November 2021	€23.00	Buy	€46.00
6	28 January 2022	€19.02	Buy	€24.00
7	6 May 2022	€18.50	Buy	€29.00
8	2 June 2022	€18.30	Buy	€30.00
9	2 August 2022	€16.15	Buy	€28.00
10	13 September 2022	€15.25	Buy	€26.00
11	15 December 2022	€14.60	Buy	€20.00
12	Today	€15.50	Buy	€20.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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