

Enapter AG

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

Update

RATING **BUY**
PRICE TARGET **€ 13.00**
 Return Potential 69.3%
 Risk Rating High

FINANCED UNTIL AUGUST 2024

Enapter has concluded an exclusive partnership agreement with Solar Invest International SE (SII) and granted the company a distribution licence for the USA. Enapter will receive a total of €25m for the licence, of which approximately €10m -€11m were recognised in 2023. As a result, Enapter's 2023 EBITDA should be close to break-even. The previous guidance was €-10m to €-11m. We have adjusted our estimates for 2023 accordingly. We welcome the deal as it provides Enapter with funds to cover its costs and the partner should enable faster expansion of the US business. The licence proceeds, together with a recently granted loan of €10m from main shareholder Blugreen, mean that Enapter is now fully financed until August 2024. As the overall ramp-up of production and sales is slower than we expected, we have lowered our estimates for 2024 and subsequent years. We now expect that stack mass production will start in 2025 but not ramp up fully until 2026. An updated DCF model yields a new price target of €13 (previously: €17). We confirm our Buy recommendation.

Swifter penetration of the attractive US market Solar Invest International will establish a distribution network for Enapter products in the USA. This should enable Enapter to penetrate the very attractive US market much more quickly. Current regulation in the USA provides for extensive promotion of clean hydrogen via the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. The US aim to produce around 10m tonnes of clean hydrogen by 2030.

€10m loan from Blugreen The loan agreement signed with the main shareholder at the end of December 2023 has a maximum term of 12 months and secures Enapter's financing until August 2024.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	2.07	8.44	14.67	27.11	39.36	67.37
Y-o-y growth	122.7%	307.8%	73.8%	84.7%	45.2%	71.2%
EBIT (€m)	-3.54	-8.62	-12.86	-3.65	-16.53	-12.74
EBIT margin	-171.2%	-102.1%	-87.6%	-13.5%	-42.0%	-18.9%
Net income (€m)	-3.57	-8.70	-12.98	-6.55	-21.74	-18.63
EPS (diluted) (€)	-0.16	-0.38	-0.51	-0.24	-0.80	-0.69
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-6.17	-33.05	-64.89	-17.92	-35.38	-33.21
Net gearing	-32.2%	-33.8%	-2.1%	17.3%	80.8%	196.5%
Liquid assets (€m)	4.25	19.60	5.07	15.58	14.39	3.68

RISKS

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

COMPANY PROFILE

Enapter produces standardised stacks & electrolysers, 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. 210 employees.

MARKET DATA

As of 11 Jan 2024

Closing Price € 7.68
 Shares outstanding 27.20m
 Market Capitalisation € 208.86m
 52-week Range € 7.30 / 16.25
 Avg. Volume (12 Months) 11,480

Multiples	2022	2023E	2024E
P/E	n.a.	n.a.	n.a.
EV/Sales	14.2	7.7	5.3
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

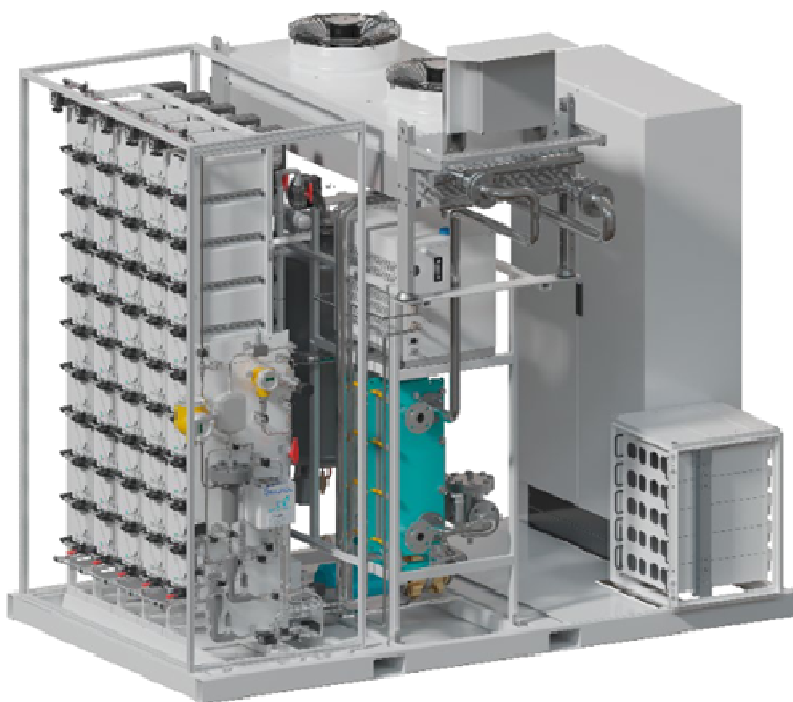
Liquid Assets € 9.45m
 Current Assets € 35.45m
 Intangible Assets € 11.34m
 Total Assets € 120.61m
 Current Liabilities € 11.17m
 Shareholders' Equity € 77.30m

SHAREHOLDERS

BluGreen 65.1%
 Svelland Global Trading Master 5.0%
 Sergei Storozhenko 4.1%
 Other Investors 6.9%
 Free Float 18.9%

New product AEM Flex 120 In September 2023, Enapter presented its latest product, the "AEM Flex 120" electrolyser (see figure 1). It consists of 50 AEM stacks, which together have an input power of 120 kW and produce a maximum of 53.9 kg of hydrogen per day. The electrolyser is 3.20 m long, 2.50 m wide, 3.00 m high, and weighs approx. 3,700 kg. The new electrolyser's primary areas of application are industrial projects and hydrogen refuelling systems. At the beginning of October 2023, Enapter had already received orders for a total of 25 devices, which corresponds to an order volume of €7m. The first device was delivered to the German brick producer ABC-Klinker in 2023.

Figure 1: AEM Flex 120



Source: First Berlin Equity Research, Enapter AG

With the AEM Flex product group, the company has completed its product range (see figure 2) and, in addition to the small EL 4 electrolyser (hydrogen production of max. 1.1 kg/day) and the large AEM Nexus 1000 / 500 electrolyser (hydrogen production of max. 450 kg/day or 225 kg/day, respectively), now also has a medium-sized electrolyser with an input power of 70 to 480 kW, depending on the configuration.

Figure 2: Enapter's products

Electrolyser	Stacks	Power Consumption (kW)	Production (kg H ₂ / day)	Weight (kg)	Dimension
AEM EL 4	1	2.4	1.08	42	48 x 64 x 27 cm
AEM Flex 120	50	120	53.9	3,700	3,2 x 2,5 x 3,0 m
AEM Nexus 1000	420	1,008	450	40,000	16 x 3 x 7 m

Source: First Berlin Equity Research, Enapter AG



Handover process completed – Mr. Laakmann now sole CEO With the departure of co-CEO and Enapter founder Sebastian-Justus Schmidt from the Executive Board on 31 December 2023, the process of handing over responsibility to Mr. Laakmann, who has served as co-CEO since July, has been completed. As advisor and largest shareholder, Mr. Schmidt will remain closely associated with the company.

Well-known new shareholders Enapter has gained two well-known investors in Svelland Global Trading Master Fund Limited (5.01%) and Morgan Stanley & Co. International plc (3.04%) as shareholders. We see this as confirmation of the very high quality and great potential of the Anion Exchange Membrane (AEM) electrolyser technology developed and patented by Enapter.

Forecasts for 2024 and subsequent years lowered We expect Enapter to achieve sales of just under €30m in 2023 as announced. However, this will only be possible due to the revenue the company generates from the contract with Solar Invest International. We put this revenue contribution at around €11m. This means that revenue from the sale of stacks and electrolysers is likely to have amounted to less than €20m in 2023. We assume that the ramp-up of production and sales will also be slower in the coming years than we previously assumed and are therefore lowering our estimates for 2024 and the following years. We now expect a major leap in sales and positive EBITDA in 2026.

However, we remain convinced that the expansion of the product portfolio in 2022 & 2023 to include the AEM Nexus product family (large electrolysers) and the AEM Flex product family (medium-sized electrolysers) was the right strategic decision, as demand for the small electrolysers has turned out to be significantly lower than originally expected.

Figure 3: Revisions to forecasts

All figures in €m	2023E			2024E			2025E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	27.1	27.1	0%	58.5	39.4	-33%	147.7	67.4	-54%
EBIT	-16.4	-3.7	-	-10.7	-16.5	-	0.0	-12.7	-
margin	-60.5%	-13.5%	-	-18.3%	-42.0%	-	0.0%	-18.9%	-
Net income	-19.6	-6.6	-	-14.3	-21.7	-	-4.9	-18.6	-
margin	-72.1%	-24.2%	-	-24.4%	-55.2%	-	-3.3%	-27.7%	-
EPS (diluted, in €)	-0.72	-0.24	-	-0.52	-0.80	-	-0.18	-0.69	-

Source: First Berlin Equity Research

Buy recommendation confirmed at lower price target An updated DCF model, which takes into account the revised estimates, yields a new price target of €13 (previously: €17). We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	27,105	39,360	67,370	141,150	239,100	348,434	491,609	670,822
NOPLAT	-3,780	-16,749	-12,920	2,010	12,920	23,209	36,071	48,488
+ depreciation & amortisation	3,791	4,380	5,982	7,400	7,993	8,369	9,036	10,030
Net operating cash flow	11	-12,370	-6,939	9,410	20,913	31,579	45,107	58,518
- total investments (CAPEX, WC, Other)	-12,861	-15,822	-18,062	-27,795	-29,421	-35,510	-46,427	-58,147
<i>Capital expenditures</i>	-8,999	-20,467	-15,495	-15,527	-11,172	-15,141	-19,754	-24,759
<i>Working capital</i>	-6,162	2,445	-5,067	-12,269	-18,248	-20,369	-26,674	-33,388
<i>Other</i>	2,300	2,200	2,500	0	0	0	0	0
Free cash flows (FCF)	-12,850	-28,192	-25,000	-18,385	-8,508	-3,932	-1,320	371
PV of FCF's	-12,850	-24,932	-19,476	-12,616	-5,143	-2,093	-619	153

All figures in thousands	
PV of FCFs in explicit period (2023E-2037E)	42,817
PV of FCFs in terminal period	316,868
Enterprise value (EV)	359,685
+ Net cash / - net debt	1,243
+ Investments / minority interests	1
Shareholder value	360,928
Diluted number of shares	27,195
Fair value in EUR	13.27

Terminal growth	4.0%
Terminal EBIT margin	13.2%

WACC		Terminal growth rate						
		2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%
10.5%	10.5%	23.91	25.07	26.38	27.90	29.67	31.77	34.28
11.5%	11.5%	18.85	19.63	20.50	21.50	22.63	23.94	25.46
12.5%	12.5%	15.00	15.54	16.14	16.81	17.56	18.41	19.39
13.5%	13.5%	12.00	12.39	12.81	13.27	13.79	14.37	15.01
14.5%	14.5%	9.64	9.92	10.22	10.55	10.91	11.31	11.76
15.5%	15.5%	7.75	7.95	8.17	8.41	8.67	8.95	9.27
16.5%	16.5%	6.22	6.37	6.54	6.71	6.90	7.10	7.33

* for layout purposes the model shows numbers only to 2030, but runs until 2037



INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Revenues	2,070	8,442	14,671	27,105	39,360	67,370	141,150
Changes in Inventories	242	540	525	0	0	0	0
Operating performance	2,312	8,982	15,197	27,105	39,360	67,370	141,150
Cost of goods sold	2,320	7,874	12,013	9,216	30,307	48,506	98,805
Gross profit (op. performance /. COGS)	-8	1,109	3,184	17,889	9,053	18,864	42,345
Own Work	2,208	3,330	6,383	3,253	2,362	1,347	988
Personnel costs	3,356	7,596	14,300	14,100	15,500	18,207	21,173
Other operating income	605	1,367	2,799	1,897	1,378	1,347	1,412
Other operating expenses	2,369	5,828	8,648	8,800	9,446	10,106	14,115
EBITDA	-2,920	-7,619	-10,582	139	-12,154	-6,754	9,457
Depreciation and amortisation	625	1,002	2,276	3,791	4,380	5,982	7,400
Operating income (EBIT)	-3,544	-8,622	-12,858	-3,652	-16,534	-12,736	2,058
Net financial result	-21	-88	-97	-2,772	-4,991	-5,710	-6,781
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	-3,565	-8,709	-12,955	-6,424	-21,525	-18,445	-4,723
Income taxes	3	-8	23	128	215	184	47
Minority interests	-1	1	1	0	0	0	0
Net income / loss	-3,569	-8,701	-12,977	-6,552	-21,740	-18,630	-4,771
Diluted EPS (in €)	-0.16	-0.38	-0.51	-0.24	-0.80	-0.69	-0.18
Ratios							
Gross margin on operating performance	-0.3%	12.3%	21.0%	66.0%	23.0%	28.0%	30.0%
EBITDA margin on revenues	-141.0%	-90.3%	-72.1%	0.5%	-30.9%	-10.0%	6.7%
EBIT margin on revenues	-171.2%	-102.1%	-87.6%	-13.5%	-42.0%	-18.9%	1.5%
Net margin on revenues	-172.4%	-103.1%	-88.4%	-24.2%	-55.2%	-27.7%	-3.4%
Tax rate	-0.1%	0.1%	-0.2%	-2.0%	-1.0%	-1.0%	-1.0%
Expenses as % of revenues							
Personnel costs	162.1%	90.0%	97.5%	52.0%	39.4%	27.0%	15.0%
Depreciation and amortisation	30.2%	11.9%	15.5%	14.0%	11.1%	8.9%	5.2%
Other operating expenses	114.4%	69.0%	58.9%	32.5%	24.0%	15.0%	10.0%
Y-Y Growth							
Revenues	122.7%	307.8%	73.8%	84.7%	45.2%	71.2%	109.5%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Assets							
Current assets, total	6,633	29,920	27,577	36,084	35,239	27,770	50,007
Cash and cash equivalents	4,248	19,604	5,071	15,577	14,395	3,685	9,518
Short-term investments	0	0	0	0	0	0	0
Receivables	184	2,638	8,014	10,396	6,470	7,383	15,468
Inventories	1,300	3,604	8,421	4,040	8,303	10,632	18,949
Other current assets	901	4,073	6,071	6,071	6,071	6,071	6,071
Non-current assets, total	7,917	32,221	80,237	85,627	101,860	111,519	119,689
Property, plant & equipment	2,870	23,985	67,900	73,655	90,389	100,690	108,764
Goodwill & other intangibles	3,977	7,110	10,272	9,907	9,406	8,763	8,860
Right-of-use assets	1,033	1,055	909	909	909	909	909
Other assets	72	1,156	1,156	1,156	1,156	1,156	1,156
Total assets	14,550	62,141	107,814	121,711	137,099	139,289	169,696
Shareholders' equity & debt							
Current liabilities, total	4,452	10,397	16,070	9,038	23,820	11,995	20,204
Short-term debt	1,415	1,186	871	2,000	14,000	4,000	8,075
Leasing liabilities	109	155	116	116	116	116	116
Accounts payable	947	6,387	11,191	3,030	5,812	3,987	8,121
Current provisions	239	516	1,243	1,243	1,243	1,243	1,243
Other current liabilities	1,851	2,309	2,765	2,765	2,765	2,765	2,765
Long-term liabilities, total	1,353	5,224	5,290	32,770	55,116	87,761	114,730
Long-term debt	21	2,708	2,371	27,371	47,371	77,371	104,296
Leasing liabilities	568	575	471	652	798	943	987
Other liabilities	278	512	605	2,903	5,103	7,603	7,603
Deferred revenue	486	1,428	1,844	1,844	1,844	1,844	1,844
Minority interests	1	2	1	1	1	1	1
Shareholders' equity	8,744	46,518	86,454	79,902	58,162	39,532	34,762
Share capital	22,269	24,406	27,195	27,195	27,195	27,195	27,195
Capital reserve	-6,771	37,615	87,586	87,586	87,586	87,586	87,586
Other reserves	-37	-83	69	69	69	69	69
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-6,716	-15,418	-28,396	-34,948	-56,688	-75,318	-80,089
Total consolidated equity and debt	14,550	62,141	107,814	121,711	137,099	139,289	169,696
Ratios							
Current ratio (x)	1.49	2.88	1.72	3.99	1.48	2.32	2.48
Quick ratio (x)	1.20	2.53	1.19	3.55	1.13	1.43	1.54
Equity ratio	60.1%	74.9%	80.2%	65.6%	42.4%	28.4%	20.5%
Net debt	-2,812	-15,711	-1,830	13,794	46,976	77,686	102,852
Net gearing	-32.2%	-33.8%	-2.1%	17.3%	80.8%	196.5%	295.9%
Return on equity (ROE)	-40.8%	-18.7%	-15.0%	-8.2%	-37.4%	-47.1%	-13.7%
Days of sales outstanding (DSO)	32	114	199	140	60	40	40
Days inventory outstanding	205	167	256	160	100	80	70
Days in payables (DIP)	149	296	340	120	70	30	30



CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E	2026E
EBIT	-3,544	-8,622	-12,858	-3,652	-16,534	-12,736	2,058
Depreciation and amortisation	625	1,002	2,276	3,791	4,380	5,982	7,400
EBITDA	-2,920	-7,619	-10,582	139	-12,154	-6,754	9,457
Changes in working capital	528	-1,136	-6,476	-6,162	2,445	-5,067	-12,269
Other adjustments	255	758	1,594	-2,901	-5,206	-5,894	-6,828
Operating cash flow	-2,137	-7,997	-15,464	-8,923	-14,915	-17,715	-9,640
Investments in PP&E	-1,830	-21,570	-44,989	-8,132	-19,680	-14,821	-14,115
Investments in intangibles	-2,208	-3,483	-4,436	-867	-787	-674	-1,412
Free cash flow	-6,175	-33,050	-64,889	-17,922	-35,382	-33,210	-25,166
Acquisitions & disposals, net	0	0	0	0	0	0	0
Other investments	250	-11	-65	0	0	0	0
Investment cash flow	-3,789	-25,064	-49,490	-8,999	-20,467	-15,495	-15,527
Debt financing, net	1,240	2,463	-653	26,129	32,000	20,000	31,000
Equity financing, net	6,189	48,304	52,998	0	0	0	0
Dividends paid	0	0	0	0	0	0	0
Other financing	1,390	-2,350	-1,924	2,300	2,200	2,500	0
Financing cash flow	8,819	48,417	50,421	28,429	34,200	22,500	31,000
FOREX & other effects	0	0	0	0	0	0	0
Net cash flows	2,894	15,356	-14,534	10,506	-1,182	-10,710	5,834
Cash, start of the year	1,354	4,248	19,604	5,071	15,577	14,395	3,685
Cash, end of the year	4,248	19,604	5,071	15,577	14,395	3,685	9,518
Y-Y Growth							
Operating cash flow	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.
Financial cash flow	89.8%	449.0%	4.1%	-43.6%	20.3%	-34.2%	37.8%

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INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

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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...7	↓	↓	↓	↓
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	14 February 2023	€15.50	Buy	€20.00
13	29 June 2023	€11.90	Buy	€19.00
14	11 September 2023	€12.50	Buy	€17.00
15	19 October 2023	€10.75	Buy	€17.00
16	Today	€7.68	Buy	€13.00

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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