Kempower Half Year 2024 Financial Result

KEMPOWER

Q2 2024:
Weak second quarter

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Current situation

Poor financial performance – Poor financial performance in the first half of the year due to continued high inventory levels not able to close orders from new customers as expected .

High inventory levels – High inventory levels on our customers side prevail. Excess stocks are substantial.

Sales development – 17 new customers onboarded during the quarter. Good progress with retail customers continues. Decreasing revenue from existing large customers.

Market situation – Based on market data, installations are growing compared to Q1 2024, but sales growth for charging equipment manufacturers remains modest or stagnant.

Turnaround actions – Focus on short term to improve profitability and increase focus in supporting customers in charger rollouts.

Q2 2024 Key Figures

57.1
EUR million
Revenue

54.1
EUR million
Order intake

-21%
Revenue growth
Year-on-year, %

-8.5
EUR million
Operative EBIT

High inventory levels

- Component shortage after COVID-19 led to abnormally high demand for DC charging equipment.
- The abnormally high ordering is visible on our ordering data as the negative difference between the orders from our largest clients in H1 2024 vs. H1 2023 is approximately EUR 75 million.
- Based on ChargEye's data, we estimate the value of the excess stock of Kempower charging equipment in our customers' stocks to be approximately EUR 100 million.
  - We expect the value to decline slowly during the second half of the year.

Sales development

- We onboarded 17 new customers during Q2 2024 (32 during H1 2024) with high business potential.
- Good progress with retail chain customers continued in Q2 2024.
- Decrease in sales from existing large customers due to excess inventories.
- We need to develop our customer support and help customers to succeed faster in charger rollouts.
- We need to be better in developing the customer relationships with new customers for faster sales execution.

Kempower to provide charging technology to K-Lataus* for a nation wide EV charging network in Finland

*part of Kesko

Partnership with Q8 and Storm in Belgium – A good example of a fuel retailer entering EV charging market

Electrification of ports– delivering DC charging technology for a leading global port operator in the UK

Steady progress in North America

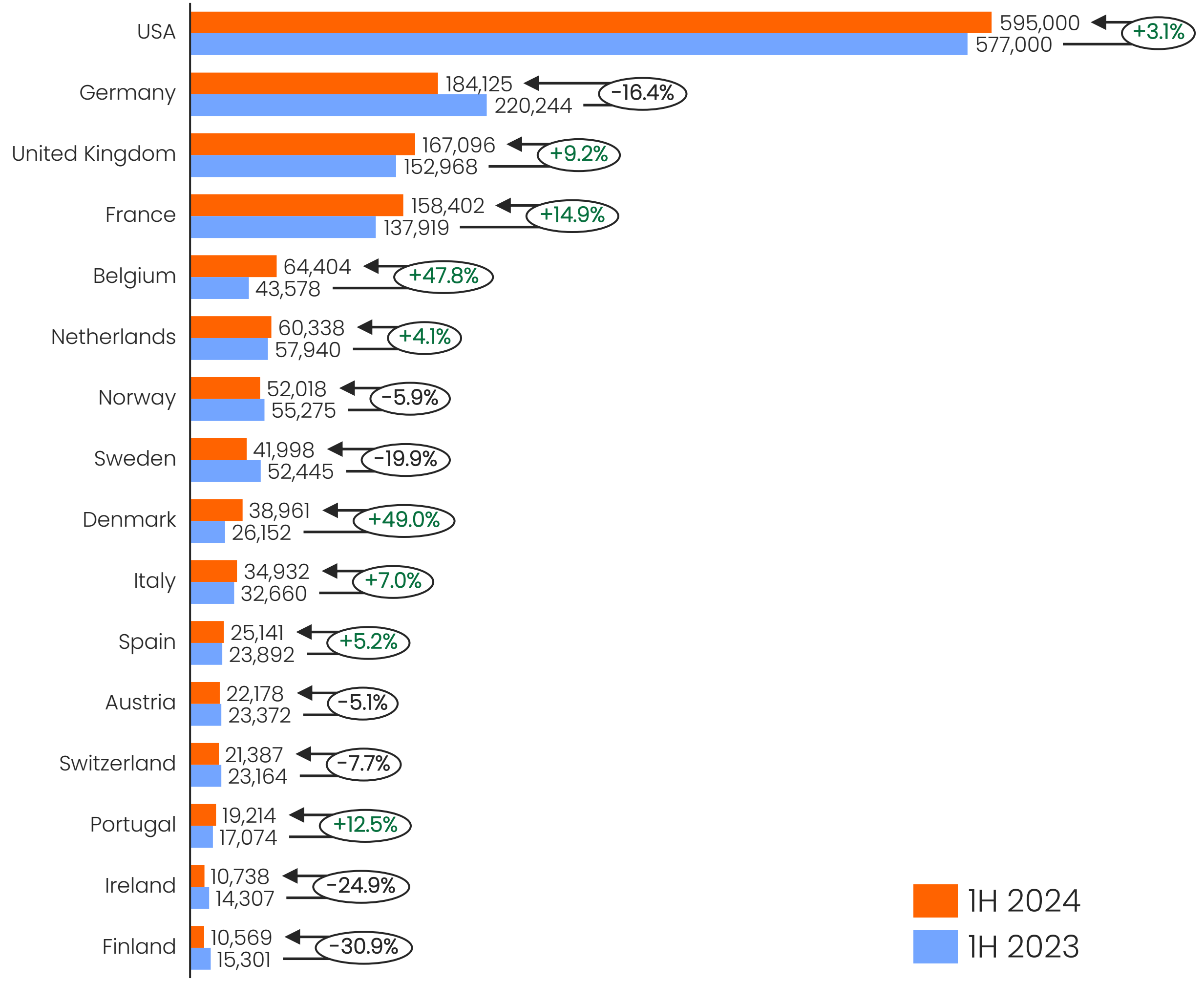
- Market entry is progressing and we are gaining foothold and good reputation in the market.
- The customer acquisition has been good - 20% of the new customers during the quarter globally has come from North America, a nationwide US CPO customer as an example.
- We don’t face the same excess inventory challenges as we do in Europe.
- Revenue from North America grew by 284 percent during H1 2024.
- Expansion and entry supports our growth strategy.

Market situation

- Data shows that the DC charging installations have grown 20% in 2024 in Europe, and 40% in North America, indicating the continued growth of DC charging industry.
- Kempower's market share of the charging point installations is on the same level as in 2023.
- We expect the DC charging market value growth measured in sales to remain modest or stagnant due to destocking, hindering sales growth in 2024 regarding DC charging equipment manufacturers.

- We expect the current market situation for the DC charging market to prevail until the beginning of next year.
- Long term market view remains unchanged. We expect the market to reach EUR 14 billion market value in 2030.

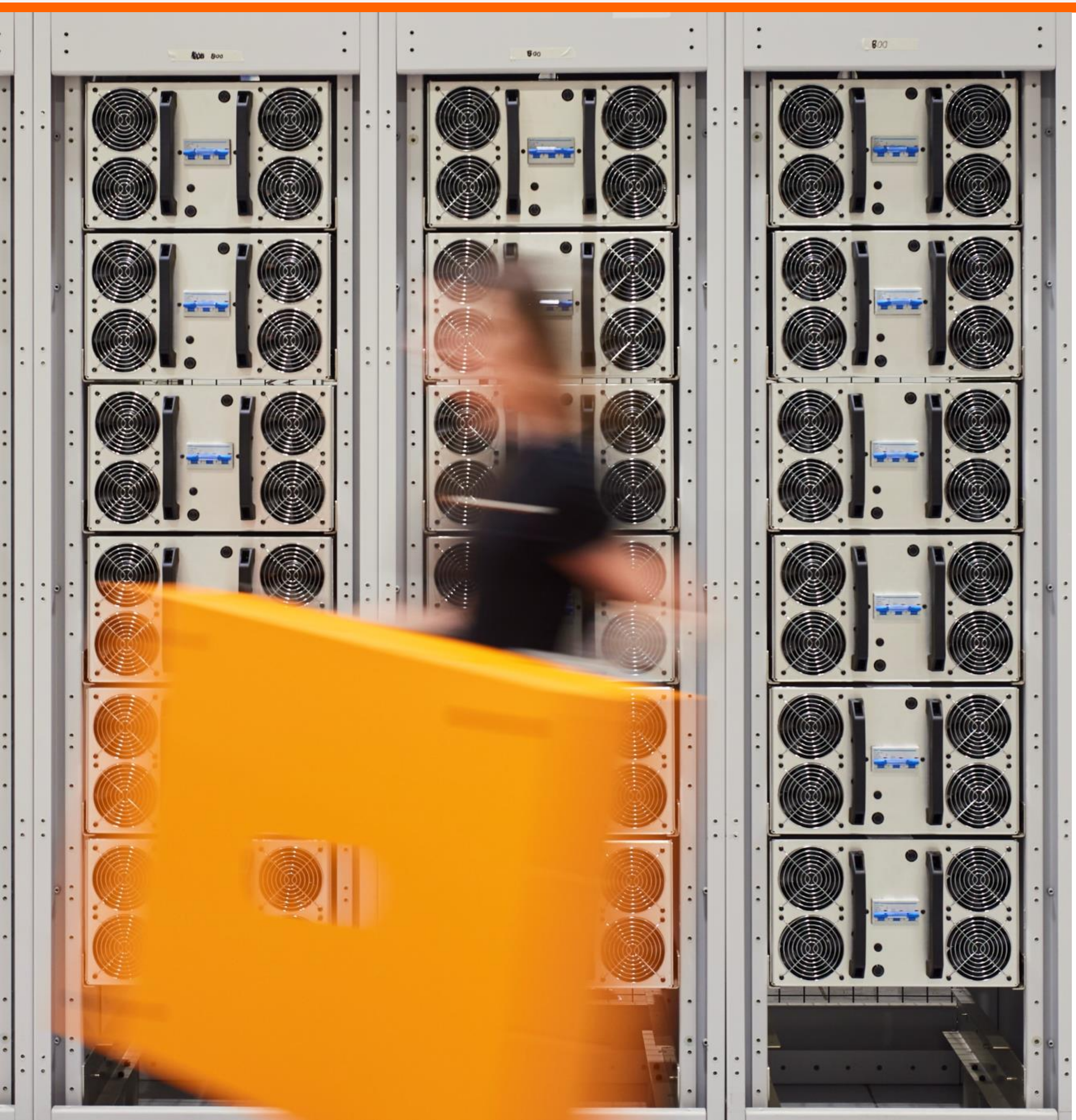
EV registrations in H1 2024 – Growth in majority of countries



Source: The European Automobile Manufacturers' Association (ACEA), S&P Global

Profitability improvement

- The decrease in revenue has also negative effect on Kempower’s profitability.
- Kempower accelerates actions to improve the company's profitability and, as part of such actions, initiates change negotiations.
- The target is to achieve EUR 10 million in cost savings annually compared to cost level at the end of second quarter 2024.
- Kempower also implements other profitability related measures quickly related to all external spending with the goal of turning the business profitable towards the end of 2024.



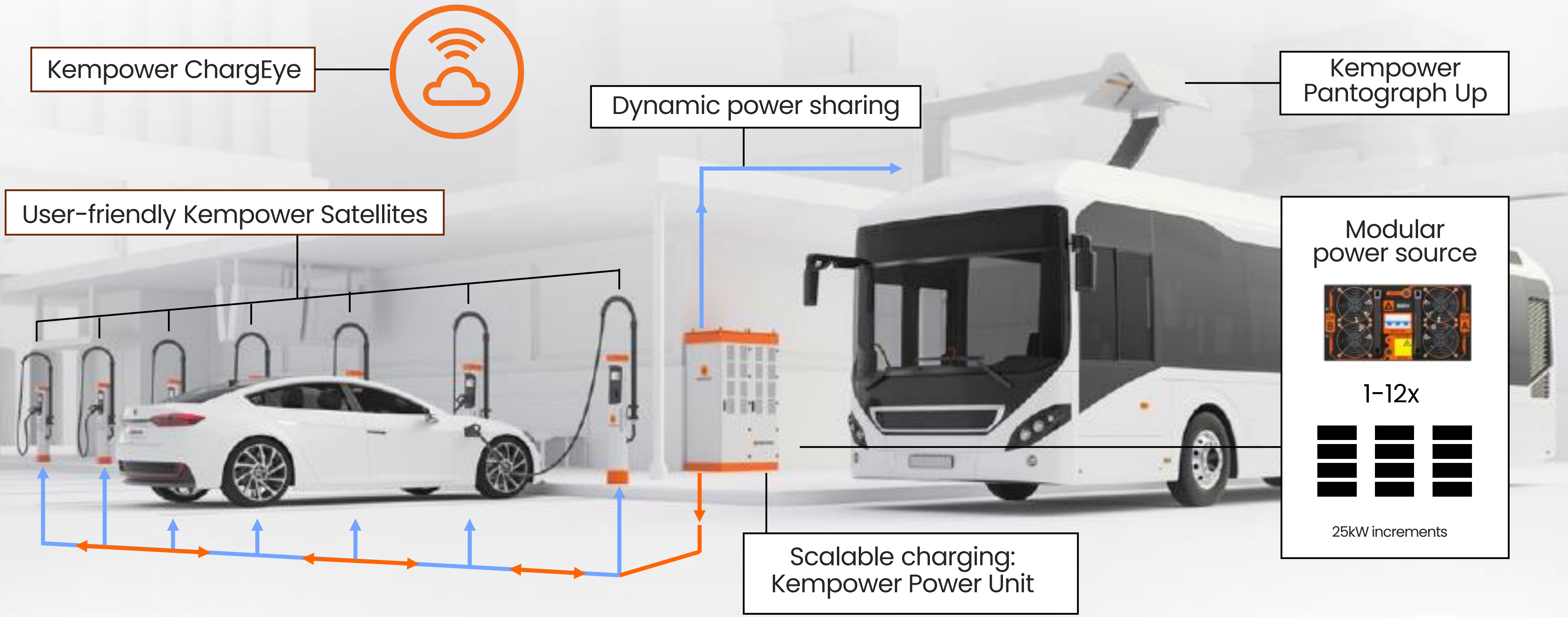
Progress of the next generation product portfolio

- Ramping up the production of our next generation product portfolio has progressed well.
- Production volumes of next generation product portfolio have risen steadily.
- New technology will strengthen our position as the technological frontrunner and open new markets in the DC charging market globally.

Technological development

- We successfully launched Megawatt Charging System for electric trucks following the Megawatt Charging Standard (MCS) protocol in Europe.
- First system delivered to Hedin Supercharge in Sweden.
- Deliveries with the North American Charging Standard (NACS) connector started in Q2 2024.
- We have witnessed increasing demand for NACS connector in North America.

Modular, scalable, dynamic & user-friendly charging solutions for all charging applications



Sustainability

- We have conducted pre-assurance process of our sustainability report to prepare for the upcoming CSRD regulation to identify development points in our reporting.
- We have also started work to improve our EU taxonomy reporting.
- Average daily charging power delivered to electric vehicles 903 MWh per day.

Short-term focus

- Kempower is taking decisive actions:
- Increased focus in better developing the customer relationships with new customers for faster sales execution.
- Significant short-term and mid-term cost base adjustments to improve profitability and cash flow.
- Improve net working capital and reduce inventory levels during H2 2024 in order to improve cash flow.

Financial Review

Key figures

during the review period, IFRS

EUR million	Q2 2024	Q2 2023	H1 2024	H1 2023	2023
Order backlog	101.0	138.5	101.0	138.5	110.6
Order intake	54.1	86.3	99.0	147.7	275.3
Revenue	57.1	72.5	99.7	128.2	283.6
Revenue growth, %	-21%	235%	-22%	287%	174%
Gross profit	25.4	37.0	46.6	65.4	147.7
Gross profit margin, %	44.4%	51.1%	46.7%	51.0%	52.1%
Operative EBIT	-8.5	13.9	-19.3	20.8	40.7
Operative EBIT margin, %	-14.9%	19.2%	-19.3%	16.2%	14.3%
Profit/loss for the period	-7.8	11.1	-16.6	16.7	33.7
Cash flow from operating activities	-16.3	20.5	-26.5	23.1	39.7
Investments	6.9	2.4	11.5	4.0	9.6
Net debt	-30.2	-68.3	-30.2	-68.3	-74.6
Total equity and liabilities	232.7	212.6	232.7	212.6	237.7
Headcount end of period	907	596	907	596	737

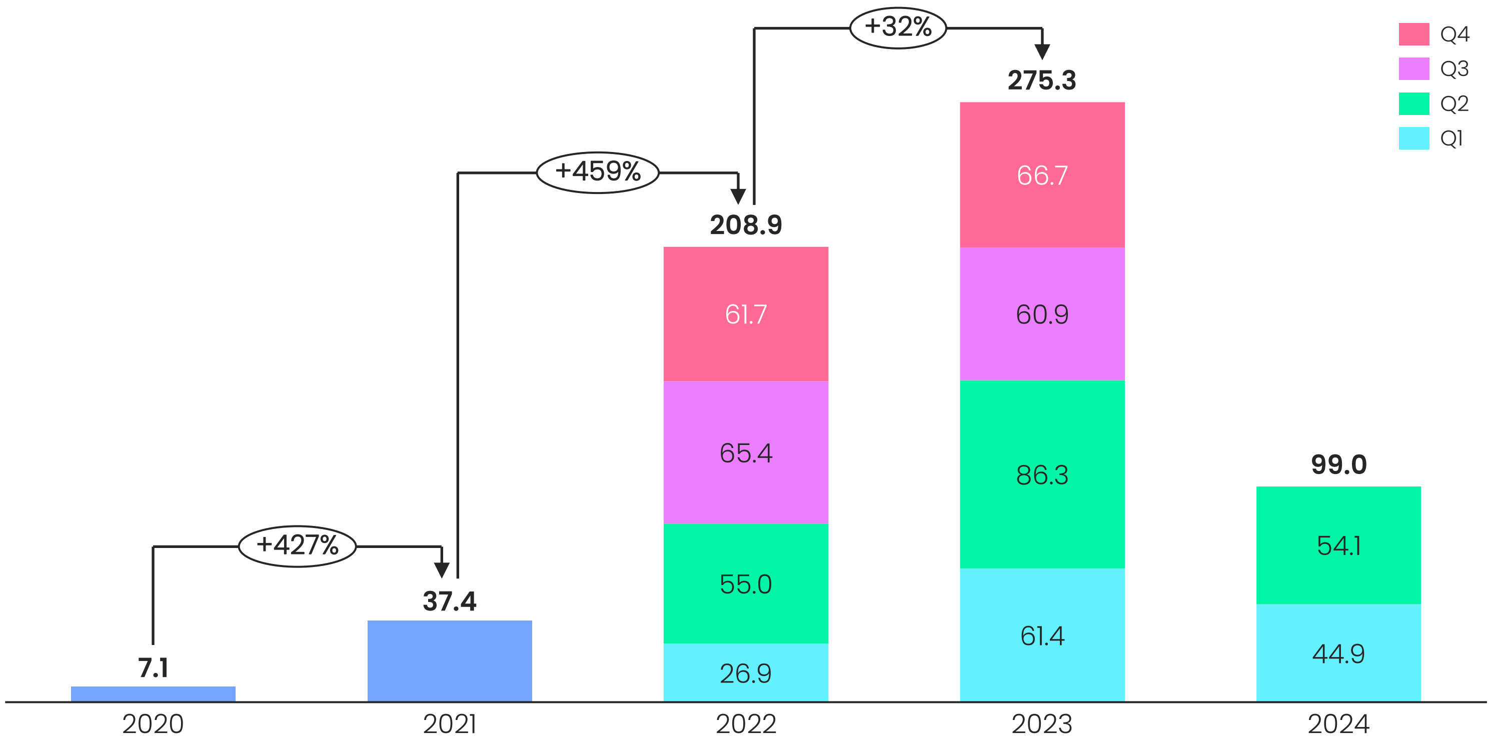
Comments

- **Q2 2024 Key figures impacted** by not succeeding in closing orders as expected, customers' continued high inventory levels and the ramp up of the next generation product portfolio.
- **Q2 2024 Financials** was also negatively impacted by EUR 3.7 million provision changes including inventory write-down provision of EUR 2.2 million which also impacted on Gross Profit.
- **Negative operating cash flow** resulted from negative result, investments and increased net working capital.

*Operative EBIT = EBIT – items affecting comparability of operating profit/loss (items can arise from, e.g. external advisory costs related to capital reorganization & strategic projects)

Q2 2024 order intake was disappointment

Order intake (EUR million)

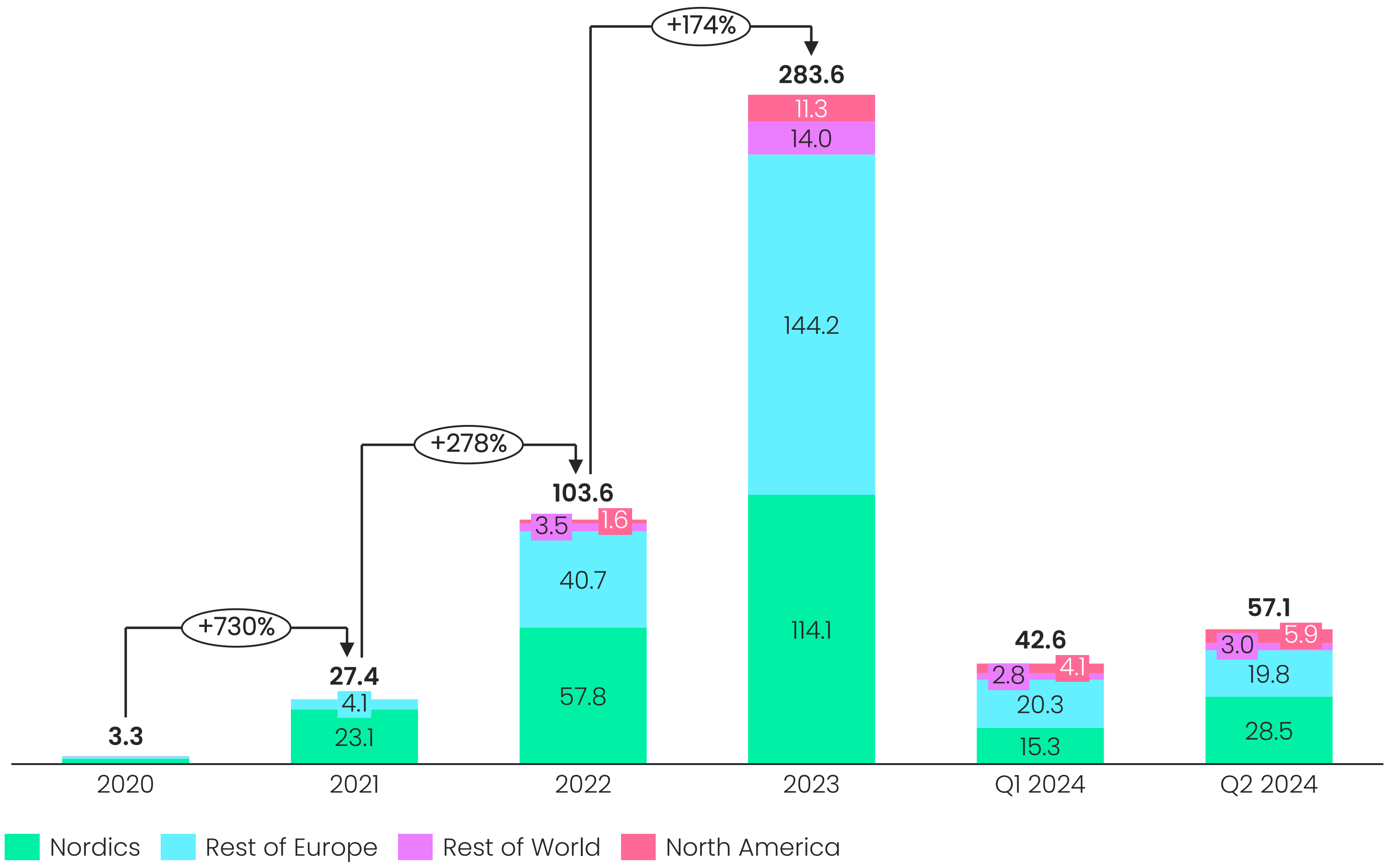


Comments

- Order intake during the quarter EUR 54.1 million (EUR 86.3 million) and the first half of the year EUR 99.0 million (EUR 147.7 million) has been negatively affected by customers' high inventory levels.
- Kempower's new customer acquisition has continued to develop positively but has not yet been able to offset the declined orders from existing customers.
- Order backlog decreased to EUR 101.0 million at the end of Q2 2024 (EUR 138.5 million in Q2 2023)

Q2 2024 revenue decreased

Revenue by geographical area (EUR million)

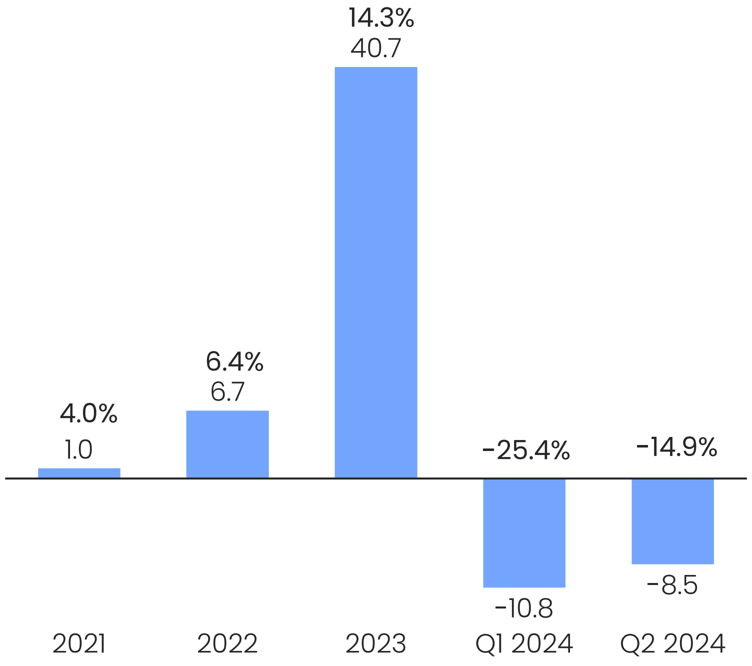


Comments

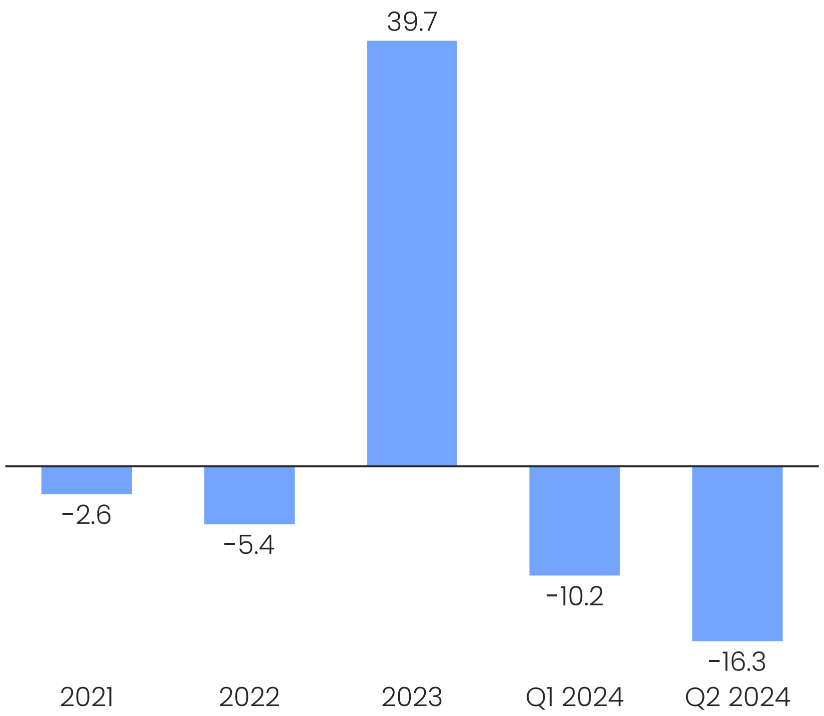
- The decrease in revenue both for the second quarter EUR 57.1 million (EUR 72.5 million) and first half EUR 99.7 million (EUR 128.2 million) are mainly explained by high inventory levels of our customer base
- Several customers are also waiting for the full availability of our next generation charging portfolio in H2 2024.
- Revenue from North America grew 569 percent compared to Q2 2023.
- Revenue from all other regions decreased.

Profitability and cash flow development

Operative EBIT (EUR million)



Operating cash flow (EUR million)

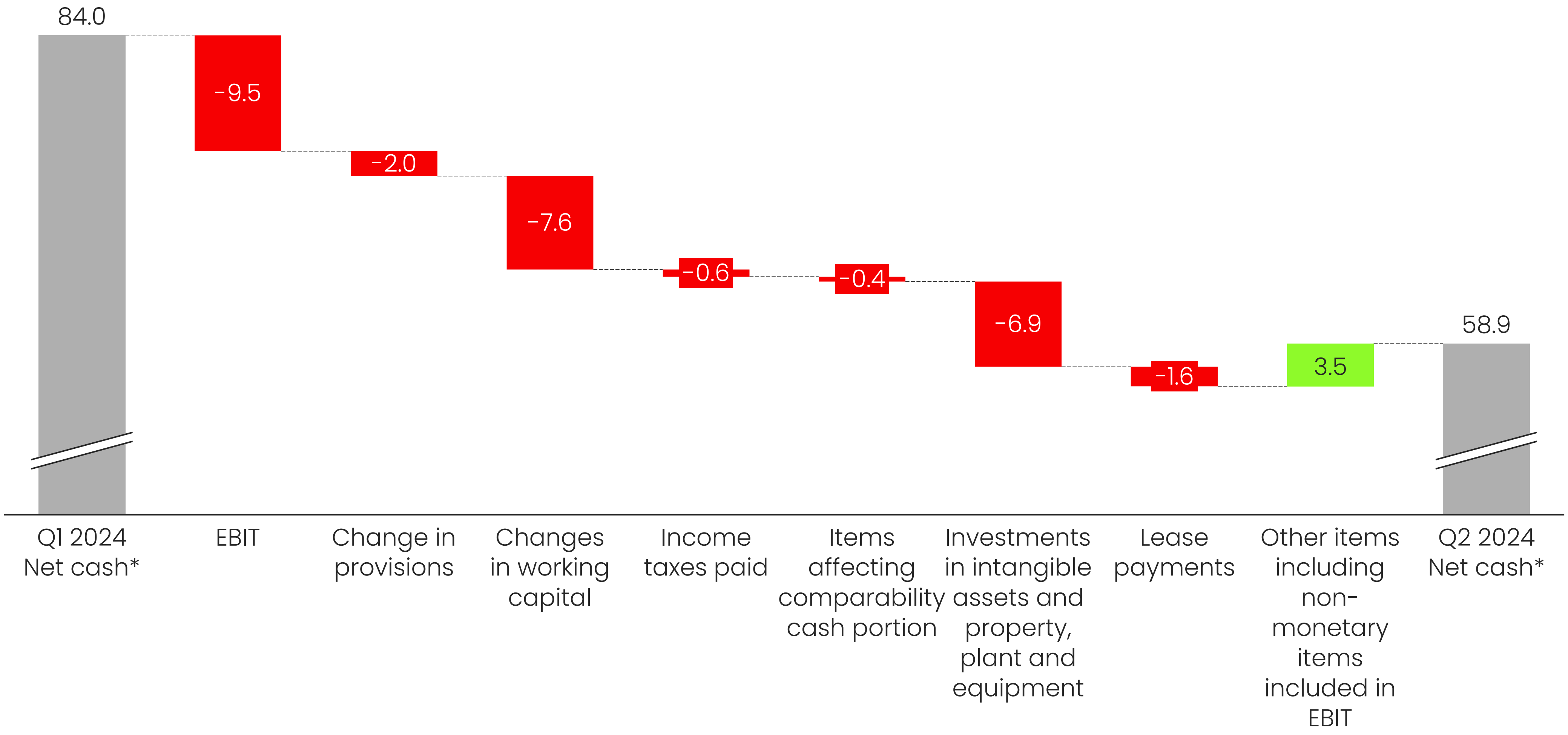


Comments

- The operating loss resulted from lower revenue, the ramp up of next generation charging portfolio and the US operations and higher fixed cost base.
- Operating cash flow was impacted by negative result and increased inventory levels.
- We will reduce inventory levels during H2 in order to release capital employed and to improve cash flow.

Cash Flow Statement waterfall Q2 2024(m€)

Change in net cash position during Q2 2024 (EUR million)



* Cash and cash equivalents and other financial assets deducted by loans from financial institutions

Kempower's new outlook for 2024

DC charging market demand has been lower than Kempower has earlier anticipated. After COVID-19, there was a component shortage which created higher than normal demand for charging solutions. Also, charger rollouts have been slower than earlier anticipated due to limited grid connection availability. Both of these factors have created excess inventory on customers' side. Several customers are also waiting for the full availability of our next generation charging portfolio in H2 2024.

Kempower expects:

- 2024 revenue; between **EUR 220 million and EUR 260 million**, assuming no major impact from foreign currency exchange rates (revenue 2023: EUR 283,6 million),
- 2024 operative EBIT margin, % will be negative. However, the profitability is expected to improve towards the end of the year and be at break-even in Q4 2024.

Profitability improvement

- Kempower accelerates actions to improve the company's profitability and as part of such actions initiates change negotiations.
- The target is to achieve EUR 10 million in cost savings annually compare to cost level at the end of second quarter 2024. The change negotiations aim to implement the savings as temporary and permanent layoffs during the fall 2024.
- The estimated reduction in person-year equivalent globally is approximately 10% of current resources, majority of which will focus on Finland.
- Kempower also implements other profitability related measures quickly related to all external spending with the goal of turning the business profitable towards the end of 2024.

Kempower's financial targets

Financial targets	
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

Dividend policy	
Dividend	Short term: no dividends

1) Operative EBIT = EBIT – items affecting comparability of operating profit/loss (items can arise from, e.g. external advisory costs related to capital reorganization & strategic projects)

Q&A