Kempower Corporation Half Year Financial Report, 1 January–30 June 2024 (unaudited): Weak second quarter for the year 2024

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April-June 2024 in brief, IFRS

(comparison figures in parenthesis April-June 2023)

- Order backlog decreased to EUR 101.0 million (EUR 138.5 million) at end of Q2
- Order intake decreased to EUR 54.1 million (EUR 86.3 million)
- Revenue decreased by 21% to EUR 57.1 million (EUR 72.5 million)
- Revenue outside the Nordics was 50% (59%) of revenue
- Gross profit margin was 44.4% (51.1%)
- Operative EBIT decreased to EUR -8.5 million (EUR 13.9 million), -14.9% of revenue (19.2%)
- Loss for the period was EUR 7.8 million (EUR 11.1 million profit)
- Cash flow from operating activities was EUR -16.3 million (EUR 20.5 million)
- Amount of personnel at the end of the period grew to 907 (596)

January-June 2024 in brief, IFRS

(comparison figures in parenthesis January-June 2023)

- Order intake decreased to EUR 99.0 million (EUR 147.7 million)
- Revenue decreased by 22% to EUR 99.7 million (EUR 128.2 million)
- Gross profit margin was 46.7% (51.0%)
- Operative EBIT decreased to EUR -19.3 million (EUR 20.8 million), -19.3% of revenue (16.2%)
- Loss for the period was EUR 16.6 million (EUR 16.7 million profit)
- Cash flow from operating activities was EUR -26.5 million (EUR 23.1 million)

KEY FIGURES

MEUR	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%
Operating profit/loss (EBIT)	-9.5	13.9	-20.3	20.7	40.6
EBIT margin, %	-16.5%	19.2%	-20.4%	16.2%	14.3%
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
Equity ratio, %	52.4%	58.1%	52.4%	58.1%	58.3%
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
Items affecting comparability	1.0		1.0	0.1	0.1
Earnings per share, basic, EUR	-0.14	0.20	-0.30	0.30	0.61
Earnings per share, diluted, EUR	-0.14	0.20	-0.30	0.30	0.61
Headcount end of period	907	596	907	596	737

New outlook for 2024 (July 11, 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 estimates the value of the excess stock of Kempower charging equipment that company's customers have in stock to be approximately EUR 100 million and to decline slowly during the second half of the year. This has a major negative impact on purchases by the customers.

The effect of excess inventories is clearly seen in our order intake actuals as the difference between the orders from our largest 2023 customers in H1 2024 and H1 2023 is approximately 75 million euros. Kempower's new customer acquisition has continued to develop positively but has not yet been able to offset the declined orders from existing customers.

To improve profitability, Kempower is evaluating significant short-term and mid-term cost base adjustments to optimize the organizational effectiveness.

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.

Previous outlook for 2024

Kempower expects:

- 2024 revenue; between EUR 360 million and EUR 410 million, assuming no major impact from foreign currency exchange rates (revenue 2023: EUR 283.6 million),
- 2024 operative EBIT margin, %; between 5 % – 10%

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

CEO Tomi Ristimäki comments on the Q2/2024 results: Weak second quarter for the year 2024

Difficult market conditions continued in the second quarter of 2024. Kempower customers' DC charging projects and destocking of high inventory levels are progressing significantly slower than we anticipated and we were not able to close orders from new customers as expected at a level that would compensate the shortfall from existing customers during Q2, affecting Kempower's financial performance in Q2 2024 and full year. As a result, we gave a negative profit warning, and published the preliminary financial information for Q2 2024, with an updated outlook for the year 2024. The revenue for the second quarter of 2024 was EUR 57.1 million, and operative EBIT negative EUR 8.5 million and change in net cash was negative by EUR 25.1 million. Order intake was EUR 54.1 million. The amount of charging points produced in the second quarter of 2024 was 3,268. The electricity charged through Kempower chargers more than doubled from 38,000 MWh from Q2 of 2023 to 82,000 MWh in Q2 of 2024.

Kempower has conducted the market research based on the 3rd party data, which shows that DC charging installations are growing 20% during the 2024 in Europe and 40% in North America, indicating continued growth of DC charging industry. Nevertheless, 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. According to this research Kempower has kept the DC charging industry market share on the same level as in 2023 based on installed charging points on our key markets even though our new guidance indicates that disappointingly, we will be below last year's revenue level because the inventory levels are declining more slowly than expected.

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. Based on Kempower ChargEye's data of uncommissioned chargers, we estimate the value of the excess stock of Kempower charging equipment in our customers' inventory to be approximately EUR 100 million and we expect the value to decline slowly during the second half of the year. This has had a major negative impact on purchases by the existing customers. The effect of excess inventories is clearly seen in our order intake actuals as the difference between the orders from our largest 2023 clients in H1 2024 and H1 2023 is approximately 75 million euros.

The decrease in revenue has also a negative effect on our profitability and cash flow. To improve profitability and cash flow Kempower is implementing significant short-term and mid-term cost base adjustments to optimize organizational effectiveness. Targeted cost savings are EUR 10 million on annual level compared to Kempower's cost level at the end of Q2 2024. The planned actions include limiting all external spending and reducing approximately 10% of current full-time equivalent employees globally, majority of which will focus on Finland. In addition, Kempower targets to improve net working capital and reduce inventory levels during H2 2024 in order to improve cash flow.

Kempower onboarded 17 new customer accounts during the second quarter of 2024 (32 new customers during H1 2024) which is significant increase in our customer base with high business potential. As an example, in 2023 we had around 30 customers with more than EUR 2 million revenue. This is very positive for our future growth and market share development. During the Q2, we signed partnerships with e.g. Q8 and Storm in Belgium and with a global port operator. As the revenue from our existing customers has decreased due to customers' inventory levels, we need to be better in developing the customer relationships with new customers for faster sales execution.

The DC charging market in North America is progressing even though the market is still in an early phase. The number of EV registration during the first half of the year in North America grew by 3 percent from the corresponding time period in 2023.

Our market entry is progressing and we are gaining foothold and good reputation in the market. The customer acquisition has been good as 20% of the new customers during the quarter globally has come from North America, a nationwide US CPO customer as an example. With North America customers we don't face the same excess inventory challenges as we do in Europe. North America revenue grew by 284 percent to EUR 9.9 million during the first half of the year. We have also witnessed an increasing demand for charging equipment with NACS connector which we included to our offering during the second quarter.

The first half of the year 2024 has been challenging, and we expect the slow market situation for the DC charging market to prevail until the beginning of the next year. It is notable that when looking at the long and mid-term, the electrification of transportation is just getting started. According to our studies, at the start of this year an average ratio between number of existing DC charging points and registered EVs in Europe was 1:60, which indicates significant investment debt in DC charging infrastructure as the desired ratio is 1:20 according to the 3rd party study. Rapid actions towards greener transport are needed from governments and companies to reduce GHG emissions and curb global warming. At the same time, we are taking decisive actions to improve profitability, cash flow and new customer sales to return Kempower to its profitable growth track.

This release is a summary of Kempower Corporation Half Year Financial Report 1 January–30 June 2024. The complete report is attached to this release and available at https://investors.kempower.com.

Webcast

Webcast for shareholders, analysts and media will take place on Wednesday, July 24, 2024, starting at 1.00 p.m. EEST. In the webcast, Kempower's President and CEO Tomi Ristimäki and CFO Jukka Kainulainen will present the results and discuss current company topics. The event, including the Q&A session, will be held in English. However, participants can ask questions in English and Finnish via the event chat room. Participants will be able to access the event as registered users on the webcast platform https://kempower.videosync.fi/q2-2024.

Presentation material and webcast recording will be available later on the company's website at https://investors.kempower.com/reports-materials.

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About Kempower:

We design and manufacture reliable and user-friendly DC fast charging solutions for electric vehicles. Our vision is to create the world's most desired EV charging solutions for everyone, everywhere. Our product development and production are based in Finland and in the US, with a majority of our materials and components sourced locally. We focus on all areas of emobility, from electric cars, trucks, and buses to machines and marine. Our modular and scalable charging system and world-class software are designed by EV drivers for EV drivers, enabling the best user experience for our customers around the world. Kempower is listed on the Nasdaq Helsinki Stock Exchange in Finland. www.kempower.com

Attachments

- Download announcement as PDF.pdf
- 2024-EN - Half Year Financial Report.pdf