

ADS-TEC Energy

Progressing to plan

Interim results

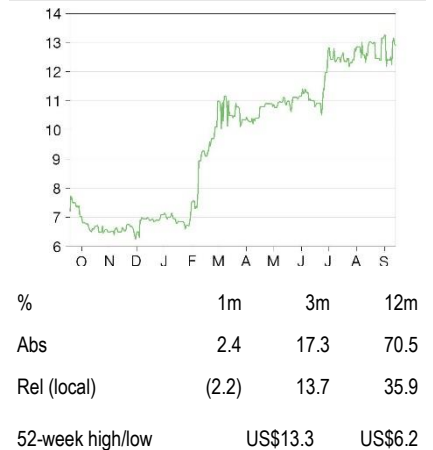
Alternative energy

16 September 2024

Price **\$12.9**
Market cap **\$665m**

Net cash at 30 June 2024 €9.0m
Shares in issue 50.6m
Free float 55.8%
Code ADSE
Primary exchange Nasdaq
Secondary exchange N/A

Share price performance



Business description

ADS-TEC Energy makes battery storage-based energy platforms. These buffer systems enable consistent, high-power delivery for systems such as EV charging.

Next events

Q3 results TBC

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ADS-TEC supplies intelligent energy storage and management systems supporting the energy transition, including electric vehicle (EV) charging. While the EV rate of adoption has slowed, the H124 results (sales +107%) demonstrate the benefits of ADS-TEC's broader end-market applications and corporate customer base. With a positive EBITDA in the period, the group appears to be approaching operational cash positive, which we see as marking the transition to a sustainable growth company.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/22	26.4	(13.6)	(33.1)	0.0	N/A	N/A
12/23	107.4	(26.9)	(56.5)	0.0	N/A	N/A
12/24e	199.6	(0.3)	(2.6)	0.0	N/A	N/A
12/25e	310.9	22.5	28.6	0.0	41.0	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Positive first half financials

Revenue in H124 of €79.3m was up 107% y-o-y. Gross profit was €15.7m (gross margin of 19.8%) against a loss in the previous year. Growth in operating expenses was contained to 12%, with the increase due to higher R&D expenses, providing positive leverage, leading to an operating loss of €5.0m compared to a loss of €20.0m for the previous year. Adjusted EBITDA (management core KPI) was a positive €3.6m, up strongly from the €14.3m loss the previous year, also marking the first half year period of positive EBITDA. Cash outflow pre financing for the half year was €5.4m, significantly down from €31.7m, benefiting from an improved profit performance along with a contained working capital increase (€5.5m) and lower fixed asset investment. Liquidity remains healthy with cash and cash equivalents of €23.0m and €14.0m of short-term borrowings. The outlook remains positive, with management guiding to further sales growth in the second half and positive EBITDA for the full year.

Growth demonstrates the strength of the model

Sales growth was achieved despite EV sales in the group's key German market (c 75% of revenue) declining 16.4% in the first half. This demonstrates the strength of the business, with large and financially strong corporate customers committed to long-term plans. It also demonstrates the versatility of the product, serving a range of electricity storage and buffering requirements as renewable electricity grows and stresses the transmission grids, providing a broader sector exposure than EV charging. The company reported a 295% increase in its paying customer base and expects to grow from 18 in 2023 to c 53 in 2024/25.

Valuation

The shares are trading around our DCF-based \$12.80 valuation from our [initiation note](#). Nevertheless, we see potential catalysts to drive this higher: rolling forward our DCF at the year end, with positive cash generation possible in FY25 or FY26 and the maturing of the group reducing the risk profile and hence the discount factor.

Interim results

Financials

Revenue growth was 107%, with positive drop through increasing the gross profit to €15.7m, a gross margin of 19.8%, up from a gross loss of €0.5m the previous year. SG&A costs were stable, although R&D increased as new products moved into production, limiting the scope for such expenses to be capitalised. The overall operating loss reduced from €20m to €5m. The financing charge increases were due to the required revaluation of warrants at the higher share price at the period end.

Exhibit 1: P&L highlights (€k)

	H123	H124
Revenue	38,276	79,263
Cost of sales	(38,807)	(63,590)
Gross profit/(loss)	(531)	15,673
R&D expense	(1,659)	(4,102)
SG&A	(16,284)	(15,883)
Other	(1,518)	(648)
Operating profit	(19,992)	(4,960)
Financing costs	(10,800)	(39,413)
Net financial result	(30,792)	(44,373)

Source: ADS-TEC Energy

A core management KPI is underlying EBITDA, which management has previously guided to be positive for the full year. Adjusting for stock-based compensation and stock write-downs (these refer back to pre-IPO), the company reported its first full half-year period of positive EBITDA.

Exhibit 2: EBITDA reconciliation (€k)

	H123	H124
Operating profit	(19,992)	(4,960)
Depreciation	2,417	3,561
EBITDA	(17,575)	(1,399)
Stock-based compensation	529	2,003
Inventory write-downs	2,699	2,969
Adjusted EBITDA	(14,347)	3,573

Source: ADS-TEC Energy

Net cash outflow pre-financing was €5.4m, significantly down from €31.7m the previous year. Working capital was contained given the rise in sales, with a €5.5m outflow. Capex was also significantly lower and is expected to remain so for the year.

Exhibit 3: Cash flow (€k)

	H123	H124
EBITDA	(17,575)	(1,399)
Stock based compensation	529	2,003
Working capital	(10,582)	(5,504)
FX gains and other	159	651
Cash from operations	(27,469)	(4,249)
Capex and investment in intangibles	(4,249)	(720)
Interest	6	(420)
Net cash generation before financing	(31,712)	(5,389)
Proceeds/repayment from loans	11,805	(4,618)
Share and other equity issuance		4,810
Lease repayments	(449)	(643)
Net cash flow	(20,356)	(5,840)

Source: ADS-TEC Energy

The group finished the half with €23m of cash and equivalents along with €14m of borrowings. It is worth noting the revaluation of the warrants to €54.7m, up from €21.6m at 31 December 2023, reflecting a remeasurement due to the increase in the share price over the period. This non-cash accounting has increased the liabilities, leading to negative equity in the balance sheet.

Exhibit 4: Balance sheet (€k)

Assets		Liabilities		Equity
Intangible assets	23,062	Warrant liabilities	54,658	
Property plant & equipment	6,194	Other provisions	6,125	
Right to use assets	4,697	Lease liabilities	3,631	
Other	185	Other provisions	2,155	
Non-current assets	34,138	Non-current liabilities	66,569	
Inventories	38,685	Contract liabilities	6,921	
Trade & other receivables	32,448	Trade and other payables	35,466	
Cash	23,691	Loans and borrowings	14,065	
Other	227	Lease liabilities and other provisions	8,040	
Current assets	95,051	Current liabilities	64,492	
Total assets	129,189	Total liabilities	131,061	(1,872)

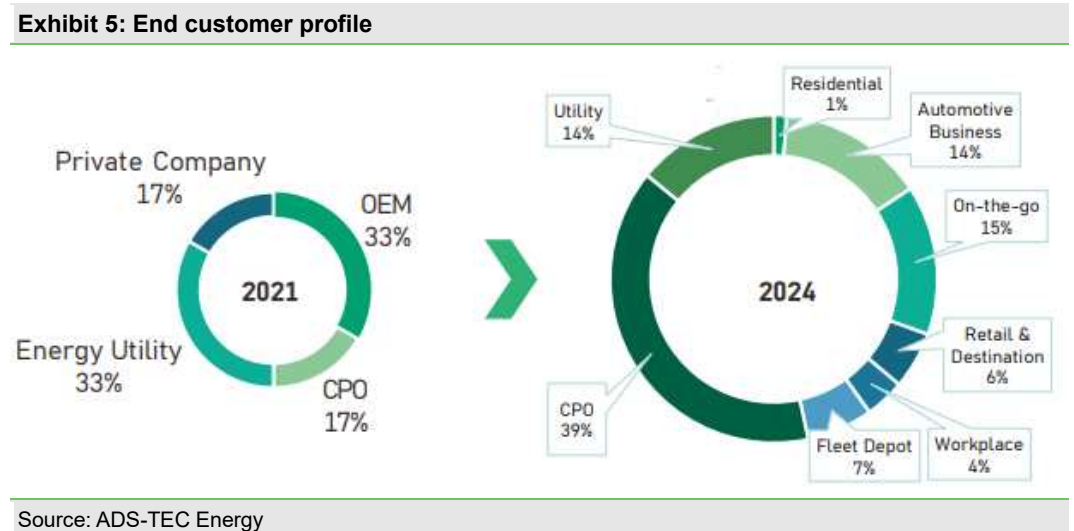
Source: ADS-TEC Energy

Operations

The growth in revenues demonstrates a positive period in terms of deliveries. Given the travails in the German EV market, with sales down 16.4% in the first half as government incentives reduced, this performance highlights two key aspects of the group's model:

- ADS-TEC operates in the higher-voltage (150–350kW) charging market. Hence its customer base is corporate and not domestic. Corporates are looking to build an infrastructure network either for their own vehicle fleet or for third-party charging. Their plans are longer term and not materially affected by short-term changes to the EV market.
- ADS-TEC products meet a range of electricity storage and buffering requirements, as renewable electricity grows and stresses the transmission grid. Hence it has broader application and financial models than a pure EV charger.

These factors are highlighted by the customer breakdown by category in Exhibit 5.



Key for the group's long-term growth trajectory is the adoption of new clients. The acquisition time for corporate clients is longer, given their requirements for due diligence and testing, but they offer greater long-term opportunities, including servicing, upgrades etc. Management aims to grow from 18 corporate clients in 2023 to c 53 in 2024/5 (from a single client in 2020). Progress in the first half included a partnership with Caverion to supply its ChargePost and ChargeBox solutions across

Norway, Denmark and Sweden. ADS-TEC is also extending its partnership with Porsche, becoming the preferred service partner for all Porsche dealer locations across Europe and North America.

Outlook

Management remains positive, with further growth in sales expected in the second half and positive EBITDA for the full year. We note that the European economy, and in particular Germany, has been soft, which could have an impact on the timing of orders and deliveries, albeit there did not appear to be any significant evidence of this in the first half.

Exhibit 6: Financial summary

Year end 31 December	€m	2022	2023	2024e	2025e	2026e
INCOME STATEMENT						
Revenue		26.4	107.4	199.6	310.9	443.7
Cost of Sales		(30.9)	(97.3)	(152.9)	(227.4)	(317.1)
Gross Profit		(4.5)	10.0	46.6	83.4	126.6
EBITDA		(29.3)	(16.6)	10.0	36.4	66.3
Operating profit (before amort. and excepts.)		(33.7)	(26.1)	0.9	25.0	55.7
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0
Share-based payments		(2.8)	(1.0)	(1.0)	0.0	0.0
Reported operating profit		(36.4)	(27.1)	(0.1)	25.0	55.7
Net Interest		20.1	(0.8)	(1.1)	(2.4)	(2.4)
Exceptionals		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(13.6)	(26.9)	(0.3)	22.5	53.2
Profit Before Tax (reported)		(16.3)	(27.9)	(1.3)	22.5	53.2
Reported tax		(2.6)	0.0	0.1	(5.6)	(13.3)
Profit After Tax (norm)		(16.1)	(27.7)	(1.3)	14.5	37.5
Profit After Tax (reported)		(18.9)	(27.9)	(1.2)	16.9	39.9
Minority interests		0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(16.1)	(27.7)	(1.3)	14.5	37.5
Net income (reported)		(18.9)	(27.9)	(1.2)	16.9	39.9
Average Number of Shares Outstanding (m)		48.8	49.0	50.6	50.6	50.6
EPS - normalised (c)		(33.1)	(56.5)	(2.6)	28.6	74.1
EPS - normalised fully diluted (c)		(32.9)	(42.2)	(2.0)	21.0	54.3
EPS - basic reported (c)		(38.7)	(56.9)	(2.4)	33.4	78.9
Dividend (c)		0.00	0.00	0.00	0.00	0.00
BALANCE SHEET						
Fixed Assets		34.2	43.7	53.0	52.1	47.8
Intangible Assets		22.1	28.6	35.1	41.2	46.9
Tangible Assets		5.4	7.3	9.2	6.8	9.0
Investments & other		6.7	7.7	8.8	4.2	(8.1)
Current Assets		105.3	94.0	115.9	142.1	187.1
Stocks		53.1	35.3	54.7	72.4	85.1
Debtors		17.7	29.4	49.2	59.6	79.0
Cash & cash equivalents		34.4	29.3	12.0	10.1	23.0
Other		0.0	0.0	0.0	0.0	0.0
Current Liabilities		(42.4)	(46.2)	(67.7)	(87.3)	(99.3)
Creditors		(39.3)	(43.1)	(64.6)	(84.2)	(96.2)
Short term borrowings including lease liabilities		(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Other		(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Long Term Liabilities		(16.3)	(28.1)	(38.1)	(28.1)	(20.1)
Long term borrowings		(2.6)	(14.4)	(24.4)	(14.4)	(6.4)
Other long term liabilities		(13.7)	(13.7)	(13.7)	(13.7)	(13.7)
Net Assets		80.7	63.4	63.2	78.8	115.4
Minority interests		0.0	0.0	0.0	0.0	0.0
Shareholders' equity		80.7	63.4	63.2	78.8	115.4
CASH FLOW						
Op Cash Flow before WC and tax		(22.0)	(19.2)	10.0	37.4	67.3
Working capital		(25.9)	9.9	(17.7)	(8.6)	(20.0)
Exceptional & other		(9.9)	(0.5)	(1.0)	(1.0)	0.0
Tax		0.0	0.0	0.0	(2.3)	(5.3)
Operating Cash Flow		(57.8)	(9.8)	(8.6)	25.6	41.9
Capex (including capitalised R&D)		(11.1)	(15.4)	(17.5)	(15.1)	(18.6)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0
Net interest		(0.2)	(0.8)	(1.1)	(2.4)	(2.4)
Equity financing		0.0	9.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(69.1)	(16.9)	(27.3)	8.0	20.9
Opening net debt/(cash)		(92.2)	(31.0)	(14.0)	13.2	5.2
FX		10.0	0.0	0.0	0.0	0.0
Other non-cash movements		(2.1)	0.0	0.0	0.0	0.0
Closing net debt/(cash) including lease liabilities		(31.0)	(14.0)	13.2	5.2	(15.7)
Property lease liabilities		3.5	3.5	3.5	3.5	3.5
Closing net debt/(cash)		(34.5)	(17.5)	9.8	1.7	(19.2)

Source: Company accounts, Edison Investment Research

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