

Zaptec AS is a producer and supplier of charging stations for electric vehicles (EV) in both public spaces as well as private homes. The company was founded in 2012 in Stavanger, Norway, and started selling their chargers in 2017. They currently have about 50% of the market share in multi-user systems in Norway and have already expanded to more than 10 countries including Sweden, France and Germany.

The company was publicly listed in October of 2020 at 10.91 NOK/share and despite an initial surge managed to find its equilibrium at around 40-50 NOK per share with spikes following reports and news leading to higher jumps upwards before moving back down.

With the rapid expansion of the EV market, and with it, demand for charging infrastructure and supply of auxiliary services, Zaptec is in a prime position to enter a period of aggressive expansion through opening its business in new territories and sectors.

The estimated share price of 54.09 NOK follows the trend of the fast organic growth during the last year combined with sector momentum for the upcoming years. This estimated price is however highly sensitive to inflation for the same period as growth firms are more sensitive to changes in valuation as a result of changes in the market macrostructure.

### Fair Value Range

Bear	Base	Bull
40.00	49.16	54.09

### Key Data (NOK)

Sector	Industrials
Ticker	ZAP
Market	Merkur Market
Price	49.16
Market Cap	3616 MNOK
Net Debt	237 MNOK
Book value	5.3 NOK/share
Shares fully dil.	75.24M

### Share price - 12M



Financials (SEK)	2019	2020	2021E	2022E	2023E
Revenue	156	220	300	450	495
Adj. EBIT	42	40	112	255	270
Adj. EBITDA	27	17	80	190	230
Revenue growth %	26.8	41.0	36.4	50.0	10.0

## Investment Thesis

The conversion from a society heavily reliant on fossil fuel within transportation to electricity bears many challenges on infrastructure around the new paradigm of vehicles. Zaptec is not only positioned to be a market leader during the period of conversion between gas station to electric charging stations, but rather also well prepared for future innovations once the marketplaces have started to settle in the form of additional software solutions and integrations.

The company is targeting an organic growth of roughly 70% annually through its domestic and international expansion and beyond that estimates that the "real EV wave" is yet to come with only 4% of new passenger car sales in Europe consisting of EVs. Zaptec still sees that the EV market combined with the surrounding infrastructure is in its infancy with both lateral and horizontal growth opportunities in the coming years.

The stock price went through an initial surge following the IPO at around 11 NOK, market liquidity has been very high during this period considering the size of the company which indicated a high popularity amongst investors looking for growth companies within a sector that is associated with a lot of enthusiasm.

As expected for a company in its initial growth phase, price movements are generally motivated by news of large orders being placed for their products and indications that analyst estimates are being met despite high expectations for the sector. The company is targeting a listing change to the main list on the Oslo Stock Exchange during 2022 which could act as trigger in the short horizon. In order to more quickly expand towards strategic markets, the company has also acquired other firms that can act as local subsidiaries that aid in distribution.

The essence of the investment thesis for Zaptec AS isn't just its potential for growth in a sector that is also rapidly expanding, but rather that it already has found a profitable business model that so far has been able to expand with improving margins. Unlike many other growth firms, an investment in Zaptec isn't just an investment in the belief that some day in the future profits may be earned.

The stock price will most likely demonstrate higher volatility during 2022/2023 as a result of rising inflation expectations and overall changes in macro movements between sectors which can naturally change estimated valuations. Despite these risk factors however the firm has been able to maintain an excellent growth level since its IPO and with larger and larger proportions of the income being driven by international growth it can potentially be one of the continents largest distributors within the coming years.

## Strategy and Operations Analysis

The company sells mainly two products at the moment, Zaptec Go and Zaptec Pro. Go is their B2C line adapted for private homes with a personalized app allowing the user to remotely set and determine charging rates, hours etc. The unit costs 6990 NOK (7230 SEK) and a monthly subscription is sold separately.

Zaptec Pro is the more B2B focused line with premium features as well as a higher emphasis on safety and adaptability for environments where additional units can be added later to the charging grid. Each unit is also connected to the internet through separate 4G connections allowing the end-user to monitor and follow their use through Zaptec Portal, which is a separate interface for Zaptec Pro.

A core concept within Zaptec's business strategy that allowed them to quickly expand their market share was leapfrogging distributors and instead directly selling to retailers, something which allowed them to more quickly launch their respective products and even expand into new territories.

The company still sees a lot of potential in the home market, which despite providing the majority of the sales volume, is underdeveloped as a result of weak marketing and price tags that are still too high for average homeowners. Installations and maintenance of new systems will most likely be the core driver of the business for many years to come, but Zaptec is also hoping to grow their recurring revenue with the help of the subscription services that hopefully also can keep customers within their own eco-system of services for longer periods.

After this round of international expansion, the next step in the development of the business is deemed to be the subscription services provided for the consumers as well as synergies with other parts of home automation, especially as it comes to energy consumption.

Besides that, the trajectory of the company very much so follows the rest of the market. There is a race to see who can most quickly grab the respective spaces whether its private homes, public properties, apartment buildings etc. The profitability of the operation therefore lies in attaining a large-scale user base in order to start exploiting lower marginal costs for products that aren't in large needs of R&D and future development.

A new segment has also arisen in parking spaces and partnerships with payment providers that want to add EV-charging as a service to their existing offerings (charging-as-a-service). The idea is to integrate directly with companies administering parking spaces and through their services attain new clients within the Zaptec eco-system.

## Management & Ownership

**Anders Thingbø, CEO** Stepped on as the CEO in 2018 with the goal of aiding the company in its continued growth. Previous experience mostly includes at PWC and within private equity.



**Kurst Østrem, CFO** Stepped on in 2014. Prior experience includes working as a controller at Europris, one of Norway's largest retail chains within electronic goods.



**Lasse Hult, CMO** Stepped on in 2019. Previously worked both as a financial adviser and marketing coordinator at SpareBank 1 and SKAGEN funds. Tasked with creating a much more flexible and agile brand.



**Knut Braut, CTO** Worked at Innova prior to joining Zaptec in 2016 as a product manager and was later promoted to CTO in 2018. Involved in redesigning the units as product manager.



### Ownership Structure

Owner	Shares %	Votes %
Valinor AS	13.2	13.2
Nordnet Bank AB	10.5	10.5
Avanza Bank AB	8.8	8.8
State Street Bank and Trust Comp	8.2	8.2
Clearstream Banking S.A	4.5	4.5
Verdirpapirfondet Norge Selektiv	4.0	4.0
KOG Invest AS	3.2	3.2
DNB SMB	2.9	2.9
MUST Invest AS	2.0	2.0
<b>Total</b>	<b>45</b>	<b>45</b>
Other	55	55

## Valuation

The DCF of Zaptec AS provides a valuation of 54.14 NOK / share which constitutes an upside of roughly 10% at the time of writing. This valuation is highly dependent on continued stable growth whilst also assuming some tapering in the upcoming years as the firm moves out of its expansion phase. This analysis is also very much dependent on improved margins year over year in line with the firms target of lowering COGS as a result of being able to operate at larger scales whilst keeping costs down.

The valuation is also rather sensitive to the exit multiples used, where estimates for 2020/2021 were rather high for firms within the energy sector, making some reversal for 2022, and perhaps beyond. expected which would negatively impact the priced factors of a growth company in Zaptec's case.

At the current price of 49.16 however, there is enough margin for changes in valuation or growth timeline to still make this an attractive investment for long-term portfolios. The firm hasn't revealed any plans for paying out dividends which is expected for a company of this size.

The possibilities of peer valuations are rather limited as many of the main competitors are not publicly traded. EVBox, based out of Netherlands, was planning an introduction through a SPAC during 2022 but the planned merger has since been cancelled with no further news. EVBox had as of 2020 a yearly revenue of EUR 70 million.

Other competitors such as Easee and Wallpod have taken the direct to retail approach and are more specifically competing within the home market without the corresponding internal grid integration. As such Zaptec offers a much wider product line and can't be directly compared.

This estimation has also accounted for modest growth in order to better match market macro-structures in light of current and estimated inflation.

		Sensitivity on Terminal Value & WACC EBITDA Multiple						
		6.0x	7.0x	8.0x	<u>8.5x</u>	9.0x	10.0x	11.0x
WACC - %	5.0	59.72	63.34	66.97	70.59	74.21	77.84	81.46
	6.0	55.00	58.27	61.53	64.80	68.07	71.34	74.61
	7.0	50.71	53.67	56.62	59.57	62.53	65.48	68.43
	8.0	46.83	49.50	52.17	54.84	57.51	60.18	62.85
	<u>8.1</u>	46.44	49.09	51.73	<u>54.37</u>	57.01	59.66	62.30
	9.0	43.29	45.71	48.13	50.54	52.96	55.38	57.79
	10.0	40.08	42.27	44.46	46.65	48.84	51.02	53.21
	11.0	37.15	39.14	41.12	43.11	45.09	47.07	49.06
	12.0	34.48	36.28	38.08	39.88	41.68	43.49	45.29

DCF assumptions		WACC	
NPV of FCF	2 278	Beta	1.1
NPV of TV	2 154	Equity risk premium	7.5%
EBITDA TV multiple	10.0x	Risk free rate	1.0%
<i>% of implied TV</i>	<i>48.6%</i>	<b>Cost of equity</b>	<b>8,15%</b>
		<b>After tax cost of debt</b>	<b>0,88%</b>
<b>DCF value of equity</b>	<b>4 432</b>		
<b>DCF value per share</b>	<b>54.37</b>	<b>WACC</b>	<b>8,10%</b>

## Case Summary

Zaptec is a growth company that within a very short amount of time has managed to create a sustainable business that is turning a profit with a bright future that includes rapid expansion in a sector that by all forms of metric is still "heating up". The firm has shown a great ability to generate organic growth through both domestic and international markets. With the exponential growth of the EV market on the horizon, Zaptec hopes to be poised for grabbing a leading position compared to its closest competitors.

Zaptec's largest comparative advantages comes in the form of sleek and smartly designed products that are ready to face the challenges of smart energy consumption, they offer a focused yet integrated product line with the purpose of creating a returning customer base. Their popularity within the domestic market is a positive sign of maturity and potential benchmark for the development globally as other regions catch up. The firm has demonstrated excellent growth year over year with no end in sight.

The biggest threat in this case during the short horizon (0-5) years is the present market conditions with regards to high inflation causing the valuation multiples to decline across the board and a falling price as a result. Despite turning a profit at present day, much of the valuation relies on future growth of both the firm. Some of this declining effect might be nullified by the valuation multiple for the sustainable energy sector increasing as environmental issues are more pressing, this is to say some of the negative trend might be counterbalanced by sector growth and momentum.

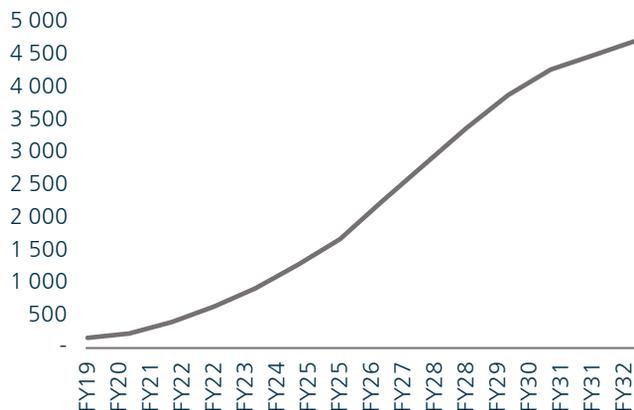
The market for charging stations is also heavily reliant, and driven by, sales in the EV market. Some of this growth will naturally be dampened by slower growth within the global economy as predicted by many analysts following the pandemic. The transition has to electric cars and vehicles has been much more rapid in the Scandinavian countries compared to the rest of the world.

For a longer horizon of 5-10 years and beyond the biggest question mark revolves around market consolidation and general uncertainty. The EV market is still in its early stages globally by the firm's own estimations. This raises the risk-reward profile for the foreseeable future. There is still uncertainty regarding what the largest challenges each region faces during these transitions, which main competitors might yet emerge within the sector which is very similar to the development of the EV sector during the last decade.

The belief of this case revolves around Zaptec's potential for growth with an already proven business model that has managed to be profitable. Whilst the overall state of the equity market may be more hostile towards growth firms, our belief is that the sector will demonstrate an upward growth trajectory over the upcoming decade. Zaptec's organic growth combined with further expansion towards continental Europe poises them to attain a leading position compared to their closest competitors. We believe that the price will rise at a steady pace during the long term with growing momentum accounting for sector growth. We predict an upside of roughly 10% in price change and an ability to withstand overall downwards trend for growth firms as it operates within a market space that is due to go through major changes over the same time period. Zaptec is deemed an excellent addition to the portfolio.

## Appendix

## Revenue (MNOK)

Sensitivity on Terminal Value & WACC Upside %  
EBITDA Multiple

WACC - %	EBITDA Multiple						
	6.0x	7.0x	8.0x	<u>8.5x</u>	9.0x	10.0x	11.0x
5.0	21.48	28.85	36.22	43.59	50.96	58.33	65.70
6.0	11.87	18.52	25.17	31.82	38.47	45.12	51.77
7.0	3.16	9.17	15.17	21.18	27.19	33.20	39.20
8.0	(4.75)	0.69	6.12	11.55	16.98	22.41	27.84
<u>8.1</u>	(5.52)	(0.15)	5.23	<u>10.60</u>	15.98	21.35	26.73
9.0	(11.93)	(7.02)	(2.10)	2.81	7.73	12.64	17.56
10.0	(18.47)	(14.02)	(9.56)	(5.11)	(0.66)	3.79	8.24
11.0	(24.42)	(20.39)	(16.35)	(12.32)	(8.28)	(4.24)	(0.21)
12.0	(29.86)	(26.19)	(22.53)	(18.87)	(15.21)	(11.54)	(7.88)

Sensitivity on Terminal Value & WACC  
EBITDA Multiple

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## Disclaimer

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