Endurance Motive

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European Small & Mid-Cap Awards

LIGHT HOUSE INDEPENDENT EQUITY RESEARCH IEAF

EQUITY - SPAIN
Sector: Electrical Equipment

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Endurance Motive (END), is a small Spanish company based in Valencia, created in 2018 and specialised in the development and sale of of electricity storage systems using lithium-ion batteries for sustainable mobility. The sectors in which the company operates are: i) industrial, ii) marine and iii) urban mobility. The company's founders control c. 62% of total shares.

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Market Data		
Market Cap (Mn EUR and USD)	24.4	26.1
EV (Mn EUR and USD) (1)	26.8	28.7
Shares Outstanding (Mn)	8.6	
-12m (Max/Med/Mín EUR)	5.40 / 4.00 / 2.84	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation(2)	50.0	
Factset / Bloomberg	END-ES / END SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)	
Carlos Navarro	32.9
Andrés Muelas	29.4
Mónica Bragado	1.3
Free Float	36.4

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	5.7	8.7	8.7	8.7
Total Revenues	4.7	8.5	14.2	18.7
Rec. EBITDA(3)	-1.5	-1.4	-0.7	0.1
% growth	*-46.6*	*8.4*	*50.8*	*118.1*
% Rec. EBITDA/Rev.	*n.a.*	*n.a.*	*n.a.*	*0.7*
% Inc. EBITDA sector(4)	*18.9*	*18.5*	*28.7*	*20.8*
Net Profit	-1.4	-1.1	-0.6	0.0
EPS (EUR)	-0.25	-0.12	-0.06	0.00
% growth	*83.8*	*50.3*	*48.6*	*101.1*
Ord. EPS (EUR)	-0.20	-0.12	-0.06	0.00
% growth	*88.7*	*36.8*	*48.6*	*101.1*
Rec. Free Cash Flow(5)	-2.6	-2.6	-2.5	-2.0
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	2.6	2.5	3.8	5.8
ND/Rec. EBITDA (x)	n.a.	n.a.	n.a.	46.6
ROE (%)	*n.a.*	*n.a.*	*n.a.*	*0.2*
ROCE (%)(5)	*n.a.*	*n.a.*	*n.a.*	*4.6*

Ratios & Multiples (x)(6)				
P/E	n.a.	n.a.	n.a.	n.a.
Ord. P/E	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	10.1	8.0	8.0
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	5.72	3.16	1.88	1.43
EV/Rec. EBITDA	n.a.	n.a.	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.	n.a.
FCF Yield (%)(5)	*n.a.*	*n.a.*	*n.a.*	*n.a.*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) END reports its financial statements on the basis of the Spanish General Chart of Accounts, not being affected by the application of IFRS 16.
(4) Sector: Europe Electrical Products.
(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(6) Multiples and ratios calculated over prices at the date of this report.
(7) END began trading on BME Growth on July 8th, 2021.

A unique play on sustainable mobility. Financing is the cornerstone

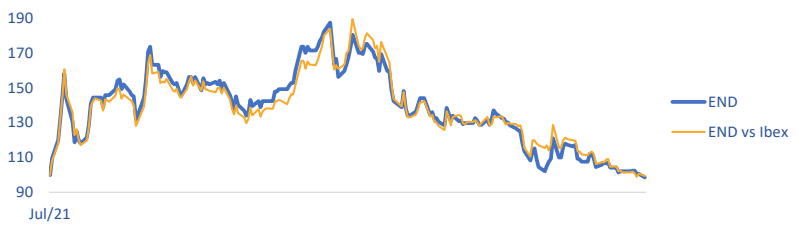
2019-2021: START-UP OF THE BUSINESS WITH EXPONENTIAL GROWTH (THANKS TO ITS POSITIONING IN AN EXPANDING MARKET) … END's play on the development and sale of lithium-ion batteries for sustainable mobility has allowed it to generate exponential growth in revenue (EUR 4.7Mn in 2021 vs EUR 0.3Mn in 2019) but with a cost structure that still keeps EBITDA below break-even (affecting financing; obtained, principally, via capital increases).

… THAT IS SET TO CONTINUE IN COMING YEARS (UNTIL EBITDA BREAK-EVEN IS ACHIEVED IN 2024E). The transition towards sustainable mobility has already begun. That, in a very simple way, indicates that the timing is optimal. An idea that allows us to envisage (our central scenario) that the explosive growth in revenue will continue: multiplying c.4x over 21-24e (underpinned by the internationalisation of the business and sector diversification). With break-even in EBITDA in 2024e (purely thanks to operating leverage).

THE ONLY APPARENT/SIGNIFICANT RESTRICTION IS CAPITAL. END's equity story presents a business that is conditioned solely by the capture of the capital necessary for growth. There are sector, regulatory and even social tailwinds that by themselves alone explain the opportunity for a very significant step-up in revenues. The only restriction to END's model is capital (not demand). That implies assuming that additional financing requirements will continue to be met mainly by solutions that involve equity and so dilution. Our model is clear, forecasting 24e ND of c. EUR 6Mn (vs EUR 2.6Mn in 2021; 24e ND/Equity c.2x).

IN CONCLUSION, A UNIQUE OPTION TO PLAY SUSTAINABLE MOBILITY. END appears as an opportunity (unique in the Spanish stock market) to participate in the electrification of mobility (an unstoppable trend). An industry underpinned by regulatory factors (the end of the production of combustion engine vehicles in Spain in 2040) and increasing interest in investments that meet ESG criteria. A factor that in theory mitigates END's financial risk (as its business forms part of the group of favourites of ESG investors).

Relative performance (Base 100)(7)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-8.4	-24.9	n.a.	-26.4	n.a.	n.a.
vs Ibex 35	-11.0	-25.7	n.a.	-25.2	n.a.	n.a.
vs Ibex Small Cap Index	-7.9	-28.8	n.a.	-27.8	n.a.	n.a.
vs Eurostoxx 50	-5.7	-18.5	n.a.	-15.8	n.a.	n.a.
vs Sector benchmark(4)	-1.5	-18.2	n.a.	-7.2	n.a.	n.a.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Endurance Motive (END) is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

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Investment Summary

An "intuitive" opportunity: growth thanks to the "unstoppable" development of sustainable mobility. The only restriction would seem to be capital.

Listed on BME Growth in July 2021, END is a small company (EUR 24Mn Mkt Cap) created by Andrés Muelas and Carlos Navarro in 2018 dedicated to the development, manufacture and sale of systems for storing electricity using lithium-ion batteries for sustainable mobility.

END's strategy consists of the replacement of technologically obsolete batteries (lead-acid batteries) in industrial vehicles by lithium-ion batteries (comprised of lithium cells and electric and electronic equipment that give the batteries the security necessary to operate), that offer advantages in terms of duration, efficiency and less pollution. This strategy has enabled the company to undergo a step-up in size despite only being created 5 years ago. The mobility sector is undergoing a far-reaching transition due to the environmental impact of combustion engines; with lithium batteries being the most popular (due to their advantages) and affordable (due to the significant reduction in their cost) option on the market.

The current context raises the following questions: i) what is END today and ii) what can be expected from a business such as END's in the mid and long term?

A) 2019-2021: The start-up of the business. Exponential organic revenue growth.

Exponential growth in revenue (EUR 4.7Mn in 2021 vs EUR 0.3Mn in 2019) …

END's play on solutions for mobility associated with sustainable energy and the commercial effort made since it began doing business in 2018, have resulted in the ramp-up of revenues but without exceeding break-even in recurrent EBITDA as yet. This period was characterised by:

- **A business model that has resulted in revenue of EUR 4.7Mn in 2021 (vs EUR 0.3Mn in 2019).** High growth explained mainly by the commercial effort made by END in the domestic market with an initial focus on industrial mobility, its main clients being dealers and owners of fleets of industrial vehicles (fork lift trucks, hand pallet trucks and driving tractors). The advantages of lithium batteries over traditional energy sources such as lead batteries, together with the dynamism of the sector have been critical to the development of END's activity in its first few years of life.

- **… with a significant improvement in the gross margin (gross margin/revenue c. 25.5% in 2021 vs 22.1% in 2020) but with room for further growth.** The improvement in the gross margin seen to date has occurred thanks to: i) the sale of products with a higher added value (batteries) than other components (such as chargers, where END acts as an intermediary), ii) process efficiency, iii) the improvement in conditions with suppliers due to an increase in the volume of units sold (890 in 2021 vs 121 in 2019) and iv) a reduction in the cost of lithium cells globally to 132 USD/KWh in 2021 (vs 631 USD/KWh in 2013).

… with Rec. EBITDA still below break-even in 2021 (EUR -1.5Mn)

- **Rec. EBITDA still below break-even (EUR -1.5Mn in 2021).** Currently, END is creating the structure required to carry out its plans for growth. This is evidenced by the increase in production capacity to 2,600m^2 in 2021 (vs 1,800m^2 in 2020) and the hiring of personnel with a headcount of 55 employees in 2021 (vs 28 in 2020) including sales reps in France, Germany and Italy.

- **That has influenced financing, obtained principally via capital increases.** Given the nascent stage of the business, the capital necessary for its development has mainly come from: i) bank financing, ii) successive capital increases, including the market listing, for a cumulative amount of EUR 2.7Mn between 2019 and 2021, and (iii) convertible financing facilities. This has increased ND to EUR 2.6Mn in 2021 (ND/Equity ratio of 3.3x).

That raised ND to EUR 2.6Mn in 2021 (ND/Equity 3.3x in 2021)

Today's snapshot is that of a company in full growth phase characterised by: efforts to obtain revenue (2021 revenue of EUR 4.7Mn), (ii) the creation of a structure for coming years that has kept profitability (as yet) below break-even (2021 Rec. EBITDA EUR -1.5Mn) and (iii) a level of debt shaped by capital increases (2021 ND/Equity 3.3x). Now the question is what can be expected of END in the mid and long term (2021-2024e)?

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B) 2021-2024e: A favourable sector backdrop. Multiplying revenue by c.4x (2021-2024e) with a margin improvement that points to break-even in 2024e.

In 2019-2021, END focused its efforts on building its business from zero. However, effort has also gone into creating an operating structure that makes it possible to operate in various sectors such as maritime and urban mobility, and expand its business in the European market. All this represents an opportunity in the mid and long term, that so far has not been visible in the P&L, but for which the company is well positioned for the following reasons:

With the capacity to continue to grow at double-digit rates

- **Expansion of business in the international sphere:** At the date of this report, END has obtained orders from France worth EUR 0.6Mn (market opened in the second half of 2021). This reinforces the idea that the natural development of END's business involves the internationalisation of its activity. We estimate that the opening up of new markets could account for c. 30% of the revenue mix in 2024e (vs c. 14% in 2022e) and increase its client portfolio.

- **Diversification into sectors such as marine and urban mobility:** The know-how gained in its first few years of business has allowed END to perfect the manufacture of lithium-ion batteries. END intends to develop new projects to introduce its products in sectors such as marine (2022e) and urban mobility (2023e).

- **Increase in the unit sale price per battery:** The battery price varies, essentially, depending on the number of lithium cells required. The number of cells and the size of the battery depends on the voltage required (24V to 96V), determining the average price per unit. The increase in the unit sale price expected in our estimates (Table 1) is explained mainly by: i) the increase in the weighting in the revenue mix of higher voltage batteries and (ii) the increase in the cost of the raw materials needed for their manufacture due to the current scenario of inflation and uncertainty.

Table 1. Main indicators (2020-2024e)

EUR Mn	2020	2021	2022e	2023e	2024e	CAGR 2021-2024e
Total Revenues	**2.3**	**4.7**	**8.5**	**14.2**	**18.7**	**58.6%**
Total Revenues growth	613.8%	107.3%	81.2%	67.6%	31.4%	
Gross Margin	**0.5**	**1.2**	**2.3**	**4.0**	**5.5**	**66.2%**
Gross Margin (o/Revenues)	22.1%	25.5%	27.5%	28.2%	29.3%	
Recurrent EBITDA	**-1.0**	**-1.5**	**-1.4**	**-0.7**	**0.1**	
Recurrent Free Cash Flow	**-1.5**	**-2.6**	**-2.6**	**-2.5**	**-2.0**	
Capital Increase	0.6	1.4	2.7	1.2	0.0	
Net financial debt	**1.1**	**2.6**	**2.5**	**3.8**	**5.8**	
ND/Equity	*1.2x*	*3.3x*	*1.0x*	*1.2x*	*1.9x*	
Number of units sold	*524*	*890*	*1,100*	*1,475*	*1,900*	*28.8%*
Average selling price (€)	*4,317*	*5,270*	*7,725*	*9,656*	*9,849*	*23.2%*

Note: The increase in the average sale price is explained mainly by the increased weighting in the revenue mix of higher voltage batteries

- **And being able to lever on structural costs** that will result in an improvement in EBITDA, exceeding break-even from 2024e (Rec. EBITDA c. EUR 0.1Mn vs EUR -1.5Mn in 2021). And that confirms the capacity for high growth in EBITDA, EBIT and NP, if a high volume of revenues is achieved.

- **With a level of debt mitigated by the pledged capital increases**. END has already agreed EUR 3.9Mn in capital increases. In December 2021 a financing agreement was signed with Nice & Green (a Swiss institutional investor) worth EUR 2.4Mn until 2023e. In addition, at the date of this report, the company has obtained a convertible loan worth EUR 1.5Mn maturing in 2022e.

  Our estimates include a high ND/Equity ratio of 1.9x in 2024e. If all the financing agreements signed until 2023e were to be converted, the maximum dilution to be assumed by shareholders according to our central scenario would be 11.5%.

2021-2024e: Capacity to multiply revenue c. 4x to EUR 18.7Mn (vs EUR 4.7Mn in 2021)

What is the central scenario behind our projections for 2021-2024e? The scenario we envisage for the period analysed should allow END to aspire to: (i) continue to grow revenue at high double-digits to EUR 18.7Mn (+58.6% 2021-2024e CAGR), (ii) improve margins until break-even is reached in 2024e (EBITDA EUR 0.1Mn) and (iii) but without generating positive FCF in 2024e (EUR -2.0Mn) reflected in a level of debt controlled by the consumption of operating cash, mitigated via the capital increases already agreed (2024e ND/Equity c. 1.9x vs 3.3x in 2021).

Although with EBITDA below break-even until 2024e

END is a business model/opportunity with a sectorial and regulatory basis that has been validated by the rapid growth in revenue already seen in 2019-2021. This, put simply, confirms that the business idea, the play on lithium batteries, is correct and that, even more importantly, the timing is optimal. Now is the time because the transition towards sustainable mobility models has already begun. It is, then, a very simple but effective idea that allows us to envisage (our central scenario) that the explosive growth in revenue will continue: multiplying c.4x over 2021-2024e and reaching break even at the end of the period due purely to operating leverage.

That will result in high cash consumption

But this opportunity has to be executed in the next three years. What are the risks? The first risk is commercial. END is hyper-dependent on obtaining orders in new businesses, clients and markets in order to continue along the path trodden in the last three years although this would seem to be "under control" judging by the experience of 2021 as the opportunity for opening new markets seems real: new clients, new countries.

The model's only restriction is capital.

The only significant risk is obvious. END's equity story offers us the idea of a business that is only conditional on the capture of the capital necessary for growth. There are sector, regulatory and even social tailwinds that by themselves explain the opportunity for a very significant step-up in revenues. The only restriction to END's model is capital (not demand). This means assuming that the additional financing requirements of a strong growth model like END's (but still below break even) will continue to be met (2021 – 2024e) mainly by solutions that involve equity and so dilution. Our model is clear, envisaging ND of c. EUR 6 Mn in 2024, almost doubling net equity.

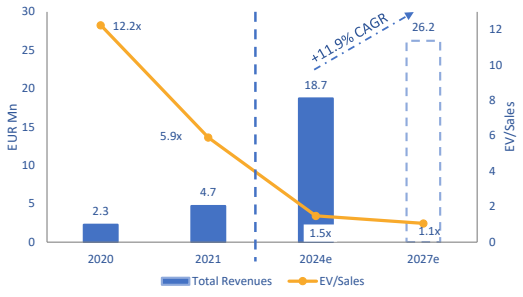
C) What can be expected beyond 2024e?

Given the current situation of the business in which END operates, perhaps the most interesting is to look ahead and ask ourselves what to expect from the company over the longer term. The sector in which END operates has yet to reach maturity (USD 32.5Bn in 2020 vs USD 65.8Bn in 2025e), that offers significant growth potential and means that the dynamism of the sector is one of the pillars of its development. The mainstay. This "snapshot" cannot be taken in companies at the ramp-up stage like END using a DCF valuation based on short- and mid-term estimates.

An opportunity in the mid and long term, that is not currently visible in the P&L

If the estimated rate of organic growth were to continue until 2024e (58.6% 2021-2024e CAGR), END would aspire to turnover of c. EUR 26Mn in 2027e (c. +11.9% 2024e-2027e CAGR). In our opinion, the gradual improvement in margins we envisage after 2024e (EBITDA margin of 12% in 2027e?) would only be possible if: i) annual growth rates of at least 12% are maintained from 2024e, and ii) the current cost structure is levered (that seems highly feasible).

Chart 1. Theoretical evolution of revenue (l/t)



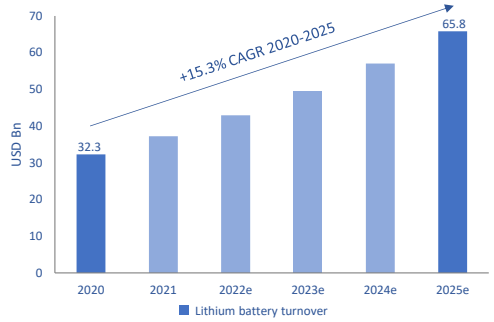
2024e multiples point to below sector levels but perhaps explained by the risk of funding the growth that, as we have seen, is the only restriction to END's equity story. In line with the transactions that have been carried out in recent years, between February 2021 and May 2022 Borgwarner (US) acquired Akasol (business based on the manufacture of lithium-ion batteries) for a total value of USD 932Mn (EV/Sales NTM 4x 2022e) and Tesla acquired Maxwell Technology (business based on the development of batteries for autos and industrial vehicles) for a total value of USD 293Mn (EV/Sales NTM c. 2.8x based on 2019e estimates at the time of the transaction) in February 2019. Numbers that in END's case would be c. 3.2x EV/sales, according to our estimates for 2022e.

A unique play on sustainable mobility. Financing is the cornerstone

END is the only company favoured by the change towards sustainable mobility that is listed on the Spanish stock market (BME Growth). An industry that is underpinned by regulatory factors (the end of the production of combustion engine vehicles in Spain in 2040) and increasing interest in investments that meet ESG criteria. A factor that, in theory, mitigates END's financial risk as its business forms part of the group of "favourites" of ESG investors.

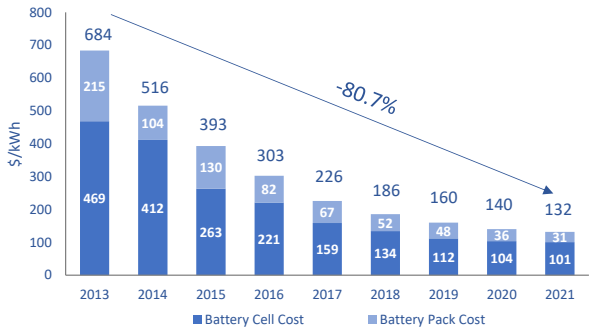
La compañía en 8 gráficos

Lithium batteries: In full growth stage...



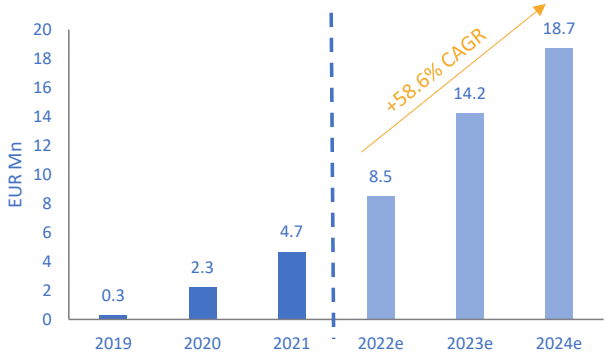
Source: Global Market Insights – Grant Thornton Report (2020)

... and increasingly affordable (driving demand)

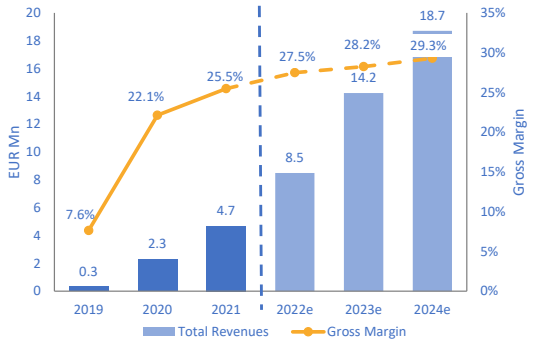


Source: BNEF (BloombergNEF)

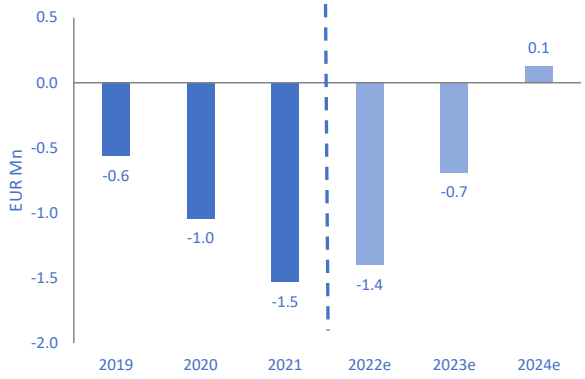
END: Well positioned to accelerate growth…



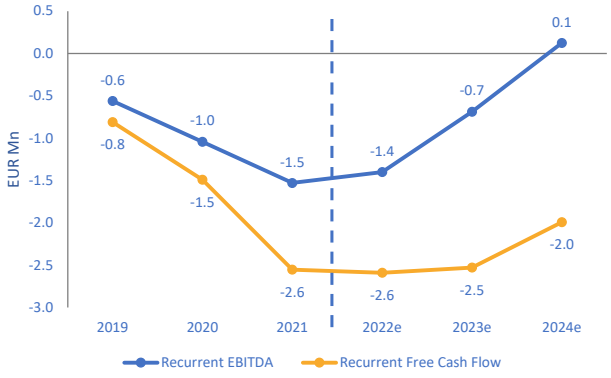
... and ability to improve the gross margin (still below 30%)



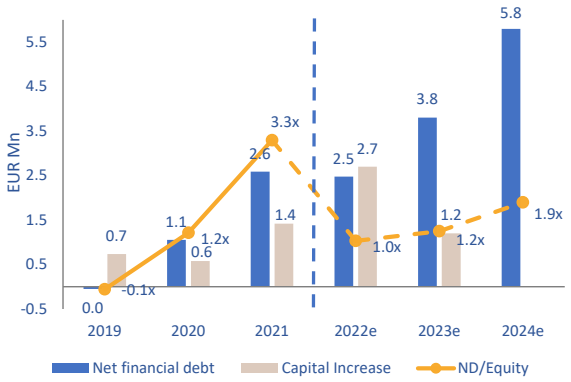
Although break-even in EBITDA will not be possible until, at least, 2024e



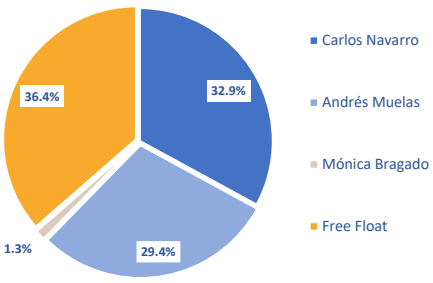
That will result in high cash consumption



2024e ND: EUR 5.8Mn (despite the capital increases already agreed)



C. 62% of capital is held by the founders



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Business description

Lithium-ion batteries: A business with its sights set on the future of sustainable mobility

Endurance (END) is a small Spanish company (Mkt. Cap c EUR 24Mn) based in Valencia, created in 2018 and specialised in the development, manufacture and installation of electricity storage systems using lithium-ion batteries for sustainable mobility. Lithium-ion batteries are devices for storing sustainable electricity composed of lithium cells that generate a reversible electrochemical reaction. The cells are grouped together and interconnected by an electric and electronic system that regulates their performance and monitors their consumption.

The core of the business is the assembly of lithium batteries for electric mobility composed mainly of lithium cells and electric and electronic equipment that give the battery the security necessary to operate and adapt it to the electricity requirements (MW) of its final destination. The three sectors in which the company operates are: Industrial traction (logistics and maintenance vehicles), the Marine sector (nautical commercial and leisure) and Urban Mobility (buses, last-mile vehicles). In the Industrial sector, main source of income for the replacement of lead batteries in industrial vehicles (forklift trucks, automated guided vehicles and pallet trucks). In 2021, END obtained its first orders in the maritime and urban mobility sectors.

Chart 1. Revenue growth (2019-2021)

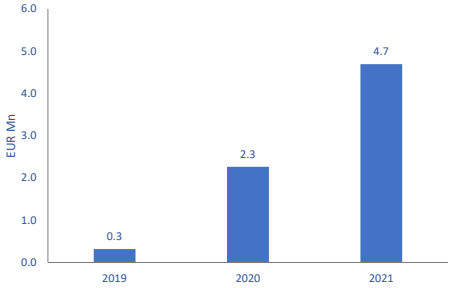
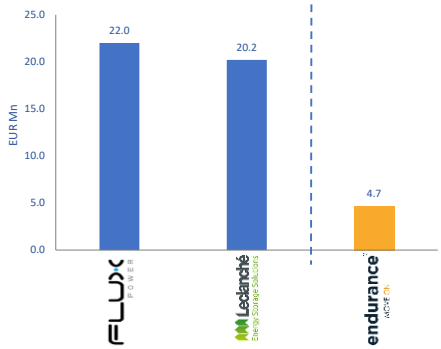


Tabla 1. END Value chain

Feasibility study → Design of battery → Delivery of product → Monitoring

END's activity can be separated into four stages (Table 1): i) A technical feasibility study following the client's specifications, ii) the design of the specific battery according to the physical characteristics and capacity requirements, iii) technical validation by the client (if necessary delivery of the first prototypes) and iv) monitoring and control of operation with a standard guarantee of 5 years.

Chart 2. Players in the sector by revenue volume (2021)



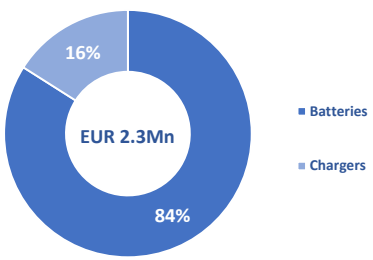
In the industrial sector, the advantages of Li-ion batteries over traditional ones (usually composed of lead; Table 2) are: i) longer useful life of the battery, ii) faster charging time, iii) increased storage capacity, iv) efficient energy usage and v) a smaller environmental impact.

Table 2. Lithium vs Lead batteries

	LITHIUM	LEAD
Durability	2,000-7,000 Cycles	800-1,200 cycles
Energy efficiency	3.6 V	2 V
Speed of charge	2h-4h charge time	8h-10h Charge time
Storage capacity	110 - 160 energy density	30-50 energy density

Main competitors include listed companies dedicated to sustainable mobility such as Fluxpower (US), Fluence (US), Lelanché (Switzerland), Voltabox (Germany), and many other unlisted companies such as Cegasa, Midac, Flash Battery and Triathlon Batterien. In the maritime sector the main competitors are Corvus Energy and Super B Lithium.

Chart 3. Revenue Mix (2020)



A range of innovative products that put the company at the forefront of the sector

END's products have an average delivery period of between two and three weeks from ordering and can be divided into:

- **Lithium-ion batteries.** The chemical composition of END's batteries is based on Lithium-Iron-Phosphate (LFP), and their voltages, in the batteries for the industrial sector, range from 24V to 96V depending on the needs of each vehicle.
- **Vehicle monitoring and control systems. .** The batteries are equipped with a Battery Management System (BMS) and a GPS. A BMS is an electric system for real-time monitoring and control of battery performance.
- **Ultra-fast chargers.** END's chargers are high frequency and are faster and more efficient than lead chargers, this means Lithium-ion batteries can be recharged without having to have an additional battery to change during the work shift of industrial vehicles.

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Chart 4. Client Mix (2020)

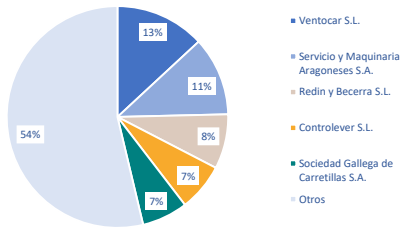
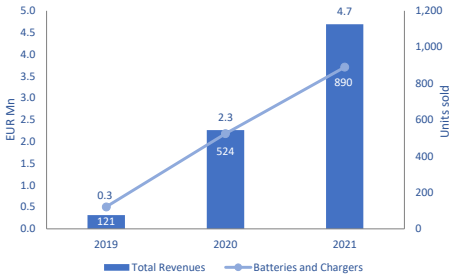


Chart 5. Revenue & number of units sold evolution (2019-2021)



Note: Number of batteries sold in 2021, estimated by LH

Chart 6. Gross margin (2019-2021)

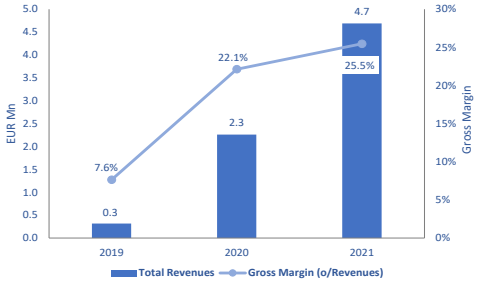
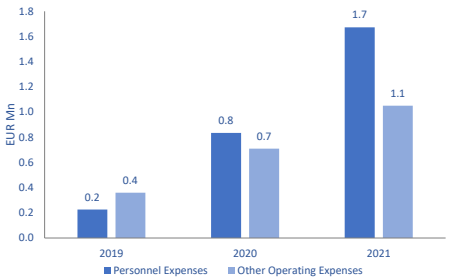
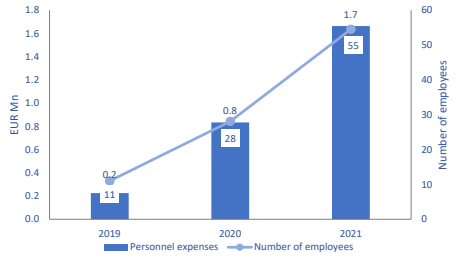


Chart 7. Operating expenses (2019-2021)



Note: Other operating expenses do not include provisions of EUR 0.1Mn in 2020 and EUR 0.18Mn in 2021.

Chart 8. Personnel Expenses (2019-2021)



Sights set on international expansion

END billed EUR 2.3Mn in 2020 (vs EUR 0.3Mn in 2019). The 5 largest clients by volume of revenue in 2020 (mainly dealers and distributors that have industrial vehicles with lead acid batteries) account for >45% of turnover, and the top 10 c.74% (chart 4). International expansion and loyalty are crucial factors for END's business as opposed to the degree of concentration and diversification of its client portfolio. END won its first international orders in France and Germany in 2021 (in 2020, 100% of revenues came from Spain).

Exponential growth

END's business is still at an early stage with revenues ramping up since 2019 (first full year of business) at high growth rates. According to 2021 results, END had turnover of EUR 4.7Mn (+107% vs 2020). Growth that in our opinion is explained mainly by:

- **The increase in sales volumes.** END sold c. 890 units in 2021 (vs 524 in 2020; c. 7x since 2019). The main reasons responsible for this increase are: (i) the advantages offered by Lithium-ion batteries over traditional ones in industrial mobility and (ii) the sector's dynamism, a result of the transition towards less polluting sources of energy.

- **Diversification of the client portfolio.** The commercial effort made by END in recent years began to show results in 2021 with the first international orders and the development new batteries for maritime sector clients.

- **A product adapted to each client's needs.** The customised pre-delivery study that allows a wide range of batteries to be offered and the competitive price of END's products are key factors for revenue growth. In addition, the increase in the size of the batteries (in orders for the marine and urban mobility sectors) has a direct impact on the final price.

Margins still under pressure from the investment in structure

The cost of sales reported by END specifically includes the raw materials used to manufacture the batteries. The Lithium cells ($LiFePO_4$ basically composed of Aluminium-Copper-Graphite-Lithium) represent c. 40% of the total cost of the battery (suppliers being located mainly in Asia) with other raw materials forming part of the batteries being steel and electric and electronic material for the control of the batteries.

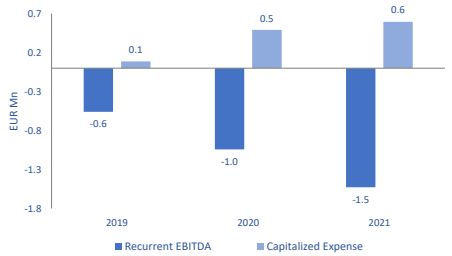
In 2020, END worked with 3 providers of Lithium-ion cells, the main one being Sinopoly New Energy Ltd. with c.18% of the total cost of sales (China). The first 6 suppliers accounted for c.51% of total supplies in 2020. The sole provider of BMS (Battery Management System, electronic battery control) is Lithium Balance A.S. (Denmark) and all the chargers come from European suppliers. Transactions with foreign suppliers outside the euro zone are conducted in dollars. At the date of this report, END has no kind of hedging of exchange rate risk.

In 2021, END reported a gross margin of 25.5% (+3.4 p.p. vs 2020; chart 6) thanks to a reduction in the price of lithium since 2010 and the enhanced know-how of personnel in the manufacture of the batteries.

Below the gross margin line, END has focused on creating operating structure by hiring personnel, both for product development (23 engineers) and for international expansion. In 2021, personnel costs were EUR 1.7Mn (vs EUR 0.2Mn in 2019) with an average headcount of 55 (vs 11 in 2019; chart 8).

Other operating costs increased significantly in 2021 (+48.1% vs 2020), mainly due to: i) the increase in production capacity from 1,800 m^2 to 2,600 m^2, ii) expenses arising from the treatment of recycled batteries and occasional repairs and iii) expenses necessary for international expansion.

Gráfico 9. Rec. EBITDA vs Capitalized R+D expenses (2019-2021)



Note: EBITDA rec. excluding provisions of EUR 0.1Mn in 2020 and EUR 0.18Mn in 2021 and capitalized expenses.

Chart 10. Net Debt (2019-2021)

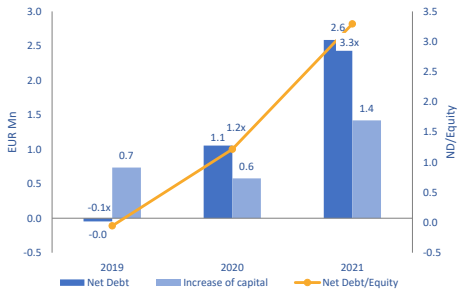


Chart 11. Gross Debt maturity (2021)

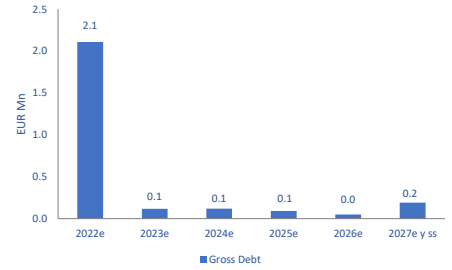
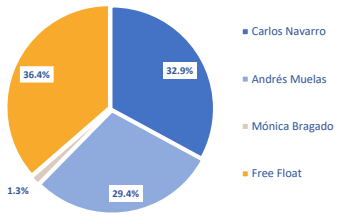


Chart 12. Shareholder Structure



The early stage at which the company finds itself has prevented it from passing on the improvement in revenue (+107.3% vs 2020) and in gross margin (+3.4 p.p. vs 2020) to recurrent EBITDA that, stripping out the effect of capitalised R+D, was EUR -1.5Mn in 2021 (chart 9). The loss of profitability is basically explained by the structure creation stage in which END finds itself.

Since its creation, END has carried out intense R+D activity (capitalised in the P&L), gradually investing (EUR 0.6Mn in 2021, all-time high), on developing its own BMS, improving battery connectivity, designing the first units for manufacturers, and developing electronic plates, displays and the first batteries for the maritime sector. Over 2019-2021, the company invested and capitalized c. EUR 1.2Mn on R+D (chart 9), that has had an impact on the P&L (and will increase amortisation in coming years).

ND/Equity ratio of 3.3x in 2021

Capital requirements and the increase in the structure carried out over 2019-2021, together with R+D activity to develop new systems and improve processes have required significant investment. At the 2021 close, net debt was EUR 2.6Mn (vs EUR 1.1Mn at the 2020 close: ND/Equity 3.3x) so new capital with which to fund growth will very probably have to come from further increases in equity. Given the size and stage of the business, the capital necessary for development has mainly come from:

- **Successive capital increases needed to sustain working capital:** (i) EUR 0.7Mn in 2019, (ii) EUR 1.1Mn in 2020 and (iii) EUR 1.4Mn in 2021 (associated with the listing on BME Growth).

- **Bank financing:** END has financing facilities partly guaranteed by the ICO with leading banks in Spain (Bankia, Santander, Sabadell, Caixa ando Bankinter). In 2021 gross debt was EUR 2.7Mn, of which EUR 2.1Mn was short-term debt and EUR 0.6Mn was distributed over the period until 2027e and following years (chart 11).

At the date of this report, END has obtained new sources of funding among which we would highlight: (i) in December 2021 END signed a financing contract with Nice & Green (a Swiss institutional investor) for EUR 2.4Mn convertible in shares and (ii) in January 2022e the company signed a convertible financing facility with lending entities and persons worth EUR 1.5Mn (of which Carlos Navarro, Co-founder and CEO has paid EUR 0.4Mn) with maturity in December 2022e.

>60% of capital is held by the founders

The Board of Directors maintains the control of the company without a significant participation by institutional investors. Andrés Muelas (Co-founder and Chairman) and Carlos Navarro (Co-founder and CEO) control END with 62.3% of capital.

In addition to the current shareholder structure, in December 2021 a financing agreement was signed with Nice&Green (a Swiss institutional investor heavily specialising in the funding of listed Small Caps) with the goal of providing END with an appropriate level of equity with which to finance organic growth.

The agreement with Nice&Green is for a total amount of EUR 2.4Mn to be materialised through 8 quarterly tranches of EUR 0.3Mn each via the subscription of warrants convertible in shares until December 2023e. At the date of this report, EUR 0.35Mn has been converted in 110,621 shares. The issue price of the shares (and of the dilution of equity) will be set at 93% of the weighted average of the last 6 trading sessions prior to the date of exercise by Nice&Green.

If all the warrants established in the agreement were to be issued for an amount of EUR 2.05Mn at a conversion price of EUR 2.75 (the average price of the last 6 trading sessions prior to the date of this report with a 7% discount), Nice&Green would own c. 11% of capital (in the event of maintaining the new shares issued: table 3).

Table 3. Impact on the shareholder structure of the conversion of the N&G warrants

		Conversion Price				
Shareholders	**% Capital**	**2.20**	**2.48**	**2.75**	**3.03**	**3.30**
Andrés Muelas	29.4%	27.0%	27.3%	27.5%	27.7%	27.9%
Carlos Navarro	32.9%	29.7%	30.0%	30.2%	30.5%	30.6%
Mónica Bragado	1.3%	1.1%	1.1%	1.2%	1.2%	1.2%
New Shares (Warrants N&G)	0.0%	12.8%	11.8%	11.1%	10.4%	9.9%
Free Float	**36.4%**	**29.5%**	**29.8%**	**30.0%**	**30.3%**	**30.4%**
New Shares		931,395	827,907	745,116	677,378	620,930

Note: The scenarios calculated assume that the company issues the total amount of the warrants pending (EUR 2.05Mn). The conversion prices used in this sensitivity analysis already include the 7% discount on the share price (at the date of this report).

In addition to the financing agreement with Nice&Green, in January 2022e END signed a convertible loan for EUR 1.5Mn (conversion price of EUR 3.9461/share; maturity in December 2022e).

In order to calculate the maximum dilution for END's current shareholders, we assume: (i) the conversion of the convertible loan in December 2022 (EUR 1.5Mn) at a fixed price of 3.9461/share and (ii) the conversion of 100% of the warrants of Nice&Green pending issue before December 2023 (EUR 2.05Mn). Specifically, we envisage 3 possible scenarios (depending on the conversion price of the Nice&Green warrants):

- Dilution of 11.5% in the central scenario (Table 5), assuming conversion of the N&G warrants at a price of EUR 2.75/share (7% discount on the current price). This would give rise to the issue of 1,125,238 shares (745,116 corresponding to the conversion of the N&G warrants and 380,122 to the convertible loan; Table 4).

- Dilution of c. 10% assuming conversion of the N&G warrants at a 20% premium on the current price.

- Dilution of c. 13% assuming conversion of the N&G warrants at a 20% discount on the current price.

Conclusion: What is END today?

END's business model is a play on the macro-trend of sustainable mobility. The role of international expansion and diversification into sectors such as maritime or urban mobility are key pieces in the development of its strategy.

In our view, despite the early stage of END's activity, there are two reasons that in themselves validate the business model: i) rapid organic growth in revenue (EUR 4.7Mn in 2021 vs EUR 0.3Mn in 2019) and ii) the ability to attract capital (although at a cost of shareholder dilution due to capital increases): a) a financing agreement signed with Nice & Green and b) convertible loans. However, margins remained under pressure in 2021 with a level of debt (ND/Equity 3.3x in 2021) that reduces the ability to make significant new investments in the short term.

The technical progress being made in lithium batteries and their increasing use thanks to their distinguishing features (they last longer, are more efficient and are less polluting) together with financial advantages (favourable momentum for lithium due to falling costs) will underpin market growth (acceleration of the penetration of lithium batteries as a sustainable energy source). END has the positioning and capacity to take advantage of market momentum in the mid/long term.

The greatest uncertainty revolves around the rate/speed of penetration of lithium batteries in the market and the final impact on the P/L.

Table 4. Nº of shares post – Nice & Green and convertible loan conversion

Shareholder	Number of shares today	N&G (Central Scenario)	Convertible loan	Nuber of shares 23e
Andrés Muelas	2,550,673	-	-	2,550,673
Carlos Navarro	2,858,977	-	101,112	2,960,090
Mónica Bragado	108,558	-	-	108,558
New Shares (Warrants N&G)	-	745,116	-	745,116
Convertible loan	-	-	279,010	279,010
Free Float	3,166,413	-	-	3,166,413
Total shares	8,684,621	745,116	380,122	9,809,859

Note: Number of N&G shares issued based on our central scenario (Table 3).

Table 5. Maximum dilution including convertible debt (%)

Shareholder	Number of shares today (%)	Accumulated after total conversion (%)	Dilution (%)
Andrés Muelas	29.4%	26.0%	-11.5%
Carlos Navarro	32.9%	30.2%	-8.3%
Mónica Bragado	1.3%	1.1%	-11.5%
New Shares (Warrants N&G)	0.0%	7.6%	*n.a*
Convertible loan	0.0%	2.8%	*n.a*
Free Float	36.4%	32.3%	-11.5%
Total shares	100.0%	100.0%	*n.a*

Note: The theoretical dilution has been calculated taking into account the conversion in the central scenario of the warrants pending issue by N&G (Table 3) together with the total amount of the convertible loan.

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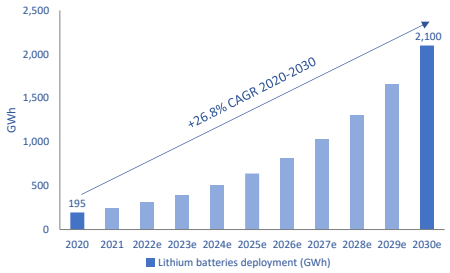
An as yet embryonic industry, with high growth potential (15.3% 2020-2025e CAGR) driven by macro-trends

END operates in the sector of systems for storing electricity using rechargeable batteries, with lithium-ion (Li-ion) technology, and focuses its activity on manufacture, development and sale for the mobility segment. Li-ion batteries are sources of electricity that are portable and can be charged quickly and are used in sectors such as mobility, electronic devices and storage. The composition can vary depending on the type of Li-ion battery, the main ones being: Lithium-Cobalt (LC), Lithium-Iron-Phosphate (LFP; the type used by END), and Lithium-Manganese (LM). The nature of the battery affects its technical capabilities such as duration, capacity (kWh) and toxicity.

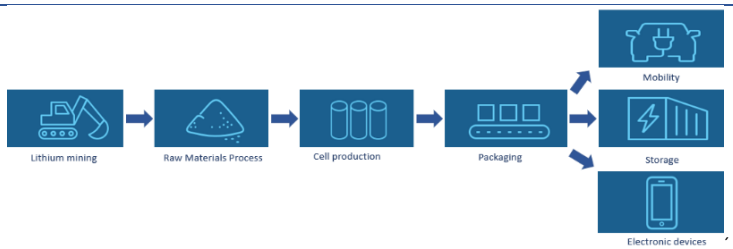
Lithium-ion batteries (LFP) are energy storage devices formed mainly by small cells of electrolytes grouped together depending on the capacity and available space (Table 6). The ecological transition and global awareness are two of the levers driving the increase in the need for sustainable energy consumption expected in 2030e (Technavio Li-Ion Battery Market). The US Energy Department estimates that electricity consumption of lithium-ion batteries will amount to c. 2,100 GWh in 2030e (+26.8% 2020-2030e CAGR; chart 13) compared to 195 GWh in 2020.

Chart 13. Lithium Batteries deployment (2020-2030e)



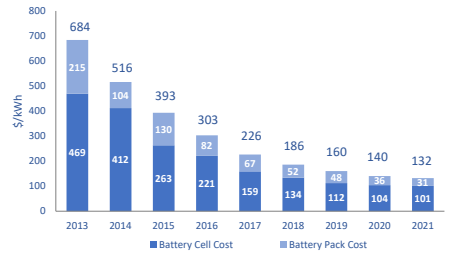
Source: Energy Storage Grand Challenge (ESGR; US Department of Energy)

Table 6. Lithium battery value chain



Source: US Department of Energy and self-made

Chart 14: Lithium batteries price evolution (2013-2021)



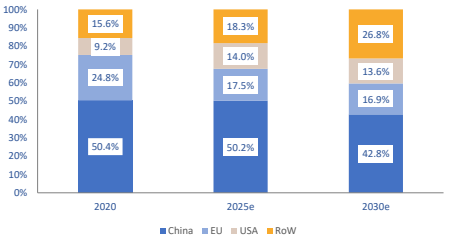
Source: BNEF (BloombergNEF)

Macro-trends, a key factor in demand for lithium batteries…

Macro-trends will be a fundamental factor in electricity demand in coming years at a global level (Avicenne Energy, 2018). Specifically, we highlight:

- **Global population growth…** According to the UN, the world population will be c. 9.7 Bn in 2050, of which c. 6.4 Bn are expected to live in high density areas.
- **… that will result in an increase in mobility requirements.** The increase in the world population and its concentration in cities opens up new opportunities in sustainable mobility. The change in demand (transition to electric vehicles) opens the door to electric and hybrid mobility options for private use and in public transport services (Electrifying Insights, McKinsey).
- **Reducing the difference between the cost of electric motors and combustion engines.** The cost of Li-ion batteries fell c. 81% from 2013 (Bloomberg NEF), to USD 132/kWh in 2021 (vs USD 684/kWh in 2013; chart 14). The increasingly frequent use of this kind of battery allows for greater cost efficiency. All this reduces the price gap between electric motors and traditional combustion engines (US Energy Department).

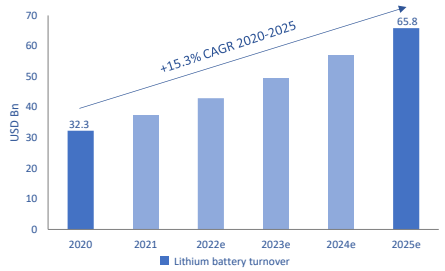
Chart 15. Evolution of global demand for batteries by region (2020-2030e)



Source: European Commission (Strategic Research Agenda for Batteries 2020)

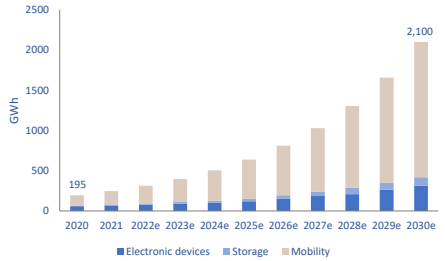
According to the European Commission, global demand for batteries will exceed 2,000 GWh in 2030. At the geographical level, Europe will reach 400 GWh in 2028 (chart 15), making it the third largest market by volume of demand, ahead of the US. China, despite remaining as leader in 2030 with c. 43% of total demand (vs 50.4% in 2020), will lose c. 8 p.p. vs 2020, due to the development and implementation of sustainable mobility options in less developed regions.

Chart 16. Turnover of the lithium battery sector in the world (2020-2025e)



Source: Global Market Insights – Grant Thornton Report (2020)

Chart 17. Evolution of industry segmentation (2020-2030e)



Source: Energy Storage Grand Challenge (ESGR; US Department of Energy)

Table 7. Lithium mining and reserves (2019-2020)

	Lithium mining (Tn)		Lithium
	2019	2020	reserves (Tn)
Australia	45,000	40,000	4,700,000
Chile	19,300	18,000	9,200,000
China	10,000	14,000	1,500,000
Argentina	6,300	6,200	1,900,000
Row	5,400	3,800	3,700,000
Total	86,000	82,000	21,000,000

Resources: US Geology Survey 2021

In a still embryonic industry, with high growth potential (15.3% 2020-2025e CAGR)

Global awareness and the ecological transition are essential factors in the development of the lithium battery industry because despite the significant growth of recent years, technological development means it remains an embryonic industry. According to a report published by Grant Thornton, it is expected to grow at a CAGR of 15.3% in 2020-2025e (chart 16), reaching a volume of turnover of USD 65.8Bn in 2025 (vs USD 32.3Bn in 2020; c. +100% in 5 years). And its main growth levers will be the following macro-trends: i) an increase in population, ii) the transition towards sustainable mobility and iii) a reduction in the cost of materials.

Europe had a market share of 20.1% in 2020 with lithium battery turnover of USD 6.5Bn. The Global Market Insights report of Grant Thornton estimates that in 2025e, the European market share will decline by 1.4 p.p. due to greater investment by other regions such as North America and Asia-Pacific. The main players in the European market by turnover of lithium batteries in 2020 were: Germany USD 1.1Bn (3.4% market share); France USD 0.8Bn (2.5% market share); Italy USD 0.3Bn (0.8% market share); and Spain USD 0.2Bn (0.6% market share).

Historically, the Li-ion battery sector has been dominated by the use of batteries for electronic devices (tablets, mobile telephones, etc.). However, in recent years, demand for larger battery systems has increased, mainly due to sustainable mobility requirements (US Energy Department). The three areas into which we can divide battery use are: i) electronic devices, ii) storage and iii) mobility (chart 17).

In the sustainable mobility sector, the US Energy Department estimates that the use of Li-ion batteries will account for c. 80% of total consumption in 2030e (vs c. 60% in 2020). We can segment the use of Li-ion batteries in sustainable mobility into:

- **Industrial vehicles.** Currently, lead batteries are the main energy source used by industrial vehicles such as fork-lift trucks. The operating and economic advantages offered by lithium batteries represent an opportunity to replace these.
- **Marine transport.** The transition from traditional combustion engines to more sustainable ones in marine transport is still a long way off due to the capacity and autonomy requirements of these vessels.
- **Electric vehicles.** The price of batteries has fallen c. 81% since 2013 to USD 131/kWh in 2021, and McKinsey expects this trend to continue to below USD 100/kWh in 2030e. The continuous development of lithium battery capacity and falling prices has meant that vehicle manufacturers (Volkswagen, Ford and Nissan) have committed to investing in this kind of sustainable energy source.

According to the US Energy Department, the storage segment will account for c. 5% of total consumption in 2030e while electronic devices will see their weighting decline in favour of the sustainable mobility sector to 15% in 2030e (vs 35% in 2020).

Lithium production more than doubled (2.5x) over 2015-2020

The volume of lithium extracted was 82,000Tn in 2020 (vs 32,500Tn in 2015) concentrated in Australia (49%), Chile (22%) and China (17%). These three countries accounted for c. 88% of all the lithium extracted globally in 2020 (US Geology Survey 2021). China, the world's largest consumer of lithium in 2020, expects to overtake Chile as the second largest extracting country before 2030e.

Chile has 44% of the world's total reserves of lithium (Table 7), followed by Australia (22%) and Argentina (9%). The environmental impact of lithium toxicity during extraction is one of the risks for suppliers.

Accompanied by fledgling regulation in Europe

Current European sector regulations are based on the "Strategic Action Plan for Batteries (2018)" in which the European Commission outlines its intention to design common regulations for the batteries market. The main challenge facing the European Commission is the end of the useful life of the batteries and their environmental footprint (Strategic Research Agenda for Batteries 2020).

Among the proposals at a more advanced stage, is the creation of a battery passport. The goal is to introduce a labelling system for all batteries. According to the European Commission, this measure will allow automatic and effective classification of the specific characteristics of each battery and its place of origin, and will also provide information about its chemical composition for the specific treatment of each battery once it reaches the recycling stage.

Li-ion batteries hold a solid position vs a small threat from replacement products

The continuous improvement in the efficiency and use of lithium batteries means the threat from replacement products is not significant at present. Moreover, the low toxicity of lithium-ion batteries represents an entry barrier for possible substitutes. Other kinds of battery, such as sodium-ion, aluminium ion and solid-state batteries are still at the R+D stage. Consequently, these kinds of battery are not expected to pose a real threat for the Li-ion battery market in the short term (Technavio Li-Ion Battery Market).

Conclusion: Are lithium batteries the key to more sustainable mobility?

Expected growth in demand for electricity will be influenced by macro-trends such as population growth and concentration that will favour the lithium battery industry (and END). In conclusion, the sector will be shaped by:

- **Environmental commitments.** Adopted by countries through agreements to reduce emissions (2015 Paris agreements) that are driving the ecological transition. Development of sustainable mobility plays a key role in which Li-ion batteries are in a privileged position due to the advantages they offer vs alternatives (lead, diesel, etc.).

- **Lithium battery prices.** These have fallen from USD 1,000/kWh in 2010 (mainly due to the increase in global lithium production that has increased supply 2.5x since 2015) to USD 132/kWh in 2021, that has made them more accessible and has extended their use to various sectors.

- **The best alternative.** Although a risk of replacement by other alternative technologies cannot be ruled out in the long term, continuous R+D efforts make lithium batteries the best sustainable energy source at present and there is a possibility of their taking off in strategic sectors such as mobility (according to the International Energy Agency, only 9% of the global auto market was electric in 2021).

And without forgetting that, in a scenario with attractive growth, the industry tends to adopt strategies (organic/inorganic) to accelerate its expansion.

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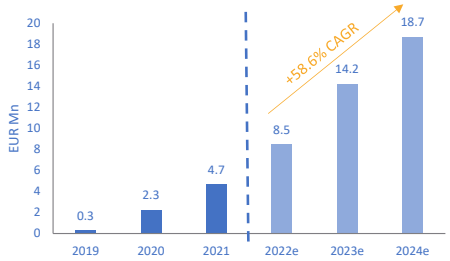
Strong growth in revenue (multiplying 2021 revenue 4x in 2024e), EBITDA break-even as early as 2024e?

END provides services for the development, manufacture, distribution and sale of rechargeable electricity storage systems for the sustainable mobility sector. The sectors that END's activity is destined for are: i) industrial, ii) marine and iii) urban mobility. The company's products range from lithium-ion batteries and associated electric monitoring systems to chargers.

2021 results support the idea of END's good position in the lithium-ion batteries for the mobility sector market, with strong revenue growth (+107.3% vs 2020) driven mainly by: (i) the increase in the number of units (batteries and chargers; c.+70% vs 2020), (ii) the consolidation of its position in the domestic market (industrial mobility) and start of activity in the marine sector and (iii) the increase in the sale price (c. +22% vs 2020). In 2021 END had sales of EUR 4.7Mn (vs EUR 0.3 Mn in 2019). However, margin improvement is still the main goal for coming years.

So, what we have seen to date invites the following questions: i) could profitability improve in a scenario of high growth? ii) when do we expect END to achieve break-even in Rec. EBITDA? and iii) how will this growth be financed?

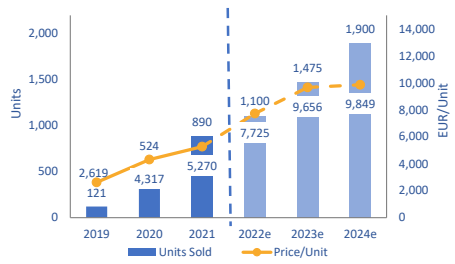
Chart 18. Revenue 2019-2024e



Acceleration of revenue growth (2021-2024e CAGR +58.6%)…

In the last three years (2019-2021) the company's P&L has shown exponential growth, partly due to its short period of activity (founded in 2018). Our model envisages significant revenue growth in 2022e (+81.2%), with a still high growth rate in 2023e (+67.6%) and decelerating from 2024e (+31.4%). The strong double-digit growth in revenue estimated for 2021-2024e (c. 4x 2021 revenue; chart 18) will be underpinned by:

Chart 19. Growth in the number of units sold vs Average unit price



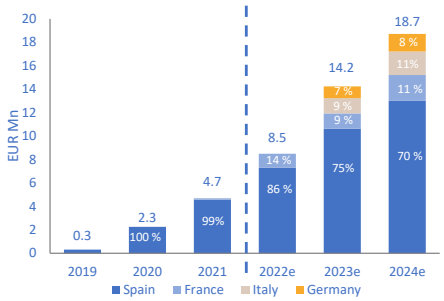
Note: Number of units sold in 2021e estimated by LH.

- **A rising unit sale price…,** as one of the levers of revenue growth. The battery price varies, essentially, depending on the number of cells required in the battery. The number of cells and the size of the battery depends on the capacity requirements (V), determining the average price per unit. Our model includes a significant increase in the average sale price for 2022e, explained mainly by: i) greater demand for larger batteries and ii) the increase in the cost of the raw materials needed to manufacture the company's products given the uncertainty existing at the date of this report. As a result of the above, we estimate an increase in the average price in 2022e to c. EUR 7,800 (+46.6%; vs EUR 5,270 in 2021) and in 2023e the price is set to rise further to c. EUR 9,700 per unit.

- **… together with growth in the number of units sold.** Mainly thanks to the consolidation of activity in the domestic market and positioning in the international market. We expect END to sell c. 1,100 units in 2022e (+23.6% vs 2021) and c. 1,900 in 2024e (vs 890 in 2021; chart 19). In our view, the reasons that justify the increase in the volume of units sold in coming years are: i) sector diversification, with an increase in orders from marine sector (2022e) and urban mobility (2023e) clients, ii) an improvement in the notoriety of its products and iii) the penetration of lithium batteries in the mobility industry.

- **All this boosted by international expansion,** this being one of the pillars of the company's growth strategy. Our estimates assume c. 14% of turnover will be international in 2022e (in line with information released by END at the date of this report) rising to c. 30% in 2024e (chart 20), with Italy, France and Germany being its main markets.

Chart 20. Geographic Mix (2019-2024e)



The scenario we envisage for 2021-2024e translates to a significant step-up in size, that should allow END to reach revenue levels of c. EUR 19Mn in 2024e (Chart 18; +58.6% 2021-2024e CAGR). This would imply, according to our estimates, the manufacture and sale of, at least, 1,100 batteries and 800 chargers with an average price of c. EUR 9,800. A priori, this is possible without the need to make very significant investments and driven by international demand.

Chart 21. Gross Margin vs Revenue (2019-2024e)

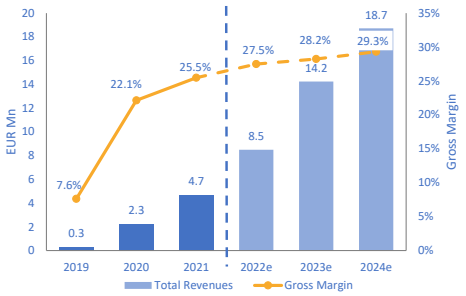


Chart 22. Cost structure and % of revenue (2019-2024e)

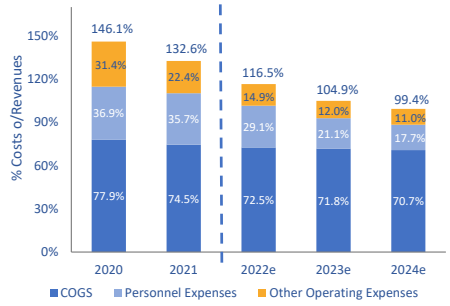


Chart 23. Other operating expenses vs Revenues (2019-2024e)

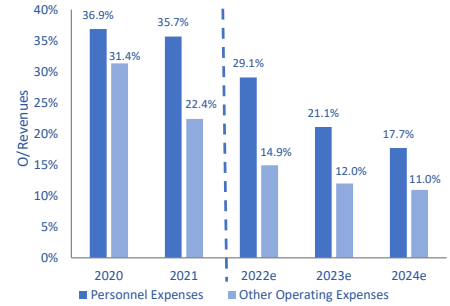
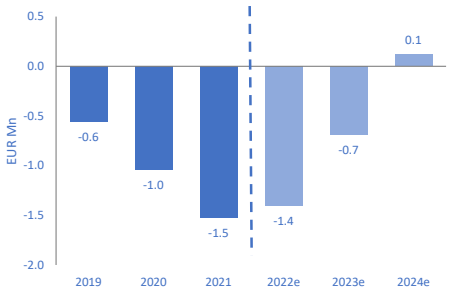


Chart 24. EBITDA (2019-2024e)



… and a gradual improvement in the gross margin (+3.8 p.p. 2024e vs 2021), in addition to END's ability to improve EBITDA (break-even from 2024e)

END's cost of sales reflects the cost of the raw materials (Lithium, Phosphate, Iron and Steel) used to produce the batteries, the expense of manufacturing counterbalances needed for industrial vehicles such as pallet trucks (due to the difference with the weight of the lead) and the acquisition of chargers.

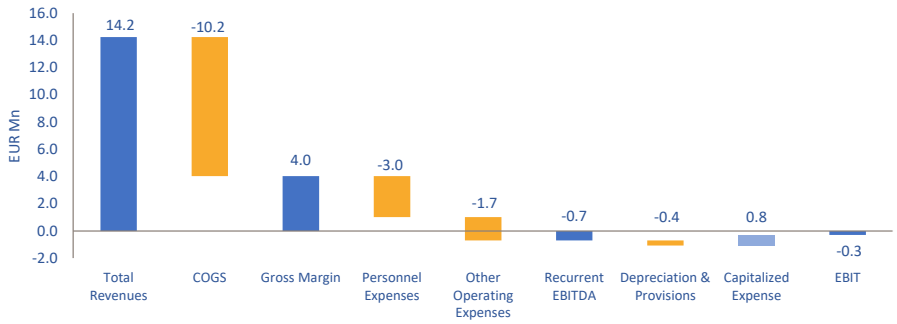
The gross margin varies depending on the product mix, with the manufacture of the batteries being the activity that generates the highest margin (40-45%), whilst the chargers, elements with a lower added value, generate a much smaller margin (10-15%). In our view, the evolution of the gross margin since 2019 has been consolidated by 2021 results and is now at levels of 25.5% (+3.4 p.p. vs 2020). Our model includes a +3.8 p.p. improvement until 2024e (vs 2021; chart 21) thanks to: (i) the evolution of the batteries/chargers mix (the type of battery sold, giving greater importance to those units with higher added value and sectors that need larger batteries), (ii) the ability to improve conditions with suppliers of raw materials and intermediaries and (iii) the standardisation of manufacturing processes and inventory management.

In 2022e we estimate an increase in structural costs to EUR 3.7Mn (+37.2% vs 2021), resulting from EUR 2.5Mn of personnel costs (+47.6% vs 2021; 29.1% of revenue), c. 80% of which are associated with the work of indirect labour (engineers and corporate) and EUR 1.3Mn of other operating costs (+20.6% vs 2021; 14.9% of revenue).

Despite the high variable component that END has experienced in recent years in personnel and other operating costs (that has prevented the company from transforming strong revenue growth into EBITDA), we estimate a certain ability to improve margins as a result of the investment made in structure and the exploitation of economies of scale. The personnel hiring policy followed until 2021 (55 employees on average in 2021 vs 11 in 2019) and the commercial effort on international expansion, should allow for operating leverage in coming years.

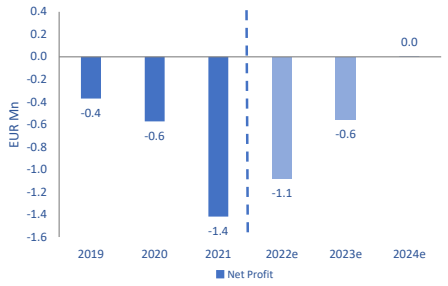
The main items that we estimate below EBITDA from 2022e are: (i) the amortisation of intangibles with an impact of c. EUR -0.2Mn (15.3% of 2022e Rec. EBITDA) and (ii) the capitalisation of expenses for work carried out for intangibles (R+D) aimed at the standardisation and design of new projects for EUR 0.7Mn (53.1% of 2022e Rec. EBITDA).

Table 8. From Revenue to EBIT (2023e)



In 2023e, with revenue of EUR 14.2Mn, our estimates assume EBITDA still below break-even (EUR -0.7Mn) that together with the effect of capitalised expenses will allow END to record EBIT approaching break-even (Table 8). In 2024e, when our estimates reflect the results of international expansion and sector diversification, we estimate turnover of EUR 18.7Mn (+58.6% 2021-2024e CAGR) that together with the lower structural costs expected, thanks to the operating leverage, will allow END to generate positive Rec. EBITDA for the first time of EUR 0.1Mn (chart 24).

Chart 25. Net Benefit (2019-2024e)



The generation of positive NP will be delayed until 2024e

On the other hand, our estimates do not include additional impacts from extraordinary items although we estimate a cost of debt of c. 8% (at the date of this report). This will imply a gradual increase in financial expenses to levels of EUR 0.4Mn in 2024e. Specifically, in 2022e we estimate financial expenses of c. EUR 0.1Mn.

In addition, END has accumulated EUR 0.3Mn of tax loss carryforwards in 2021, that will allow the company to maintain the tax rate <10% when it begins to generate profits. Our estimates envisage NP at break-even in 2024e. US competitors that base their activity on batteries and electric solutions for sectors including urban mobility such as Enersys have ROEs of c. 14%.

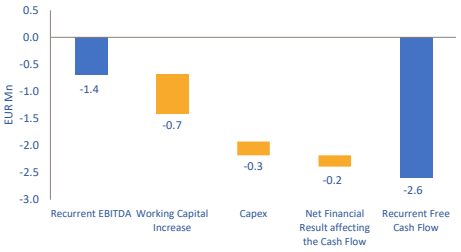
Gradual reduction in the working capital/revenue ratio

Average working capital investment has increased slightly to 33.1% of 2021 revenue (vs 31.5% in 2020) and our estimates envisage an improvement in this ratio. The increase in sales and more favourable conditions due to experience with clients will reduce the average collection period (c. 100 days in 2021; -10.5% +3y). Improved control of inventory management, the supplier payment period and improved production efficiency will also be crucial.

And in principle without the need for additional CAPEX to expand the business

The production capacity of the company's current installations will enable it to leverage the business in the long term without the need for additional investments in fixed assets. We expect maintenance level CAPEX of 3% of revenue y/y. In accordance with END's accounting policy, investment on R+D capitalised on the balance sheet for work carried out on intangible assets is included in the P/L via expenses subsequently capitalised in intangibles (EUR 0.7Mn 2022e and EUR 0.8Mn 2024e).

Chart 26. From rec. EBITDA to rec. FCF (2022e)



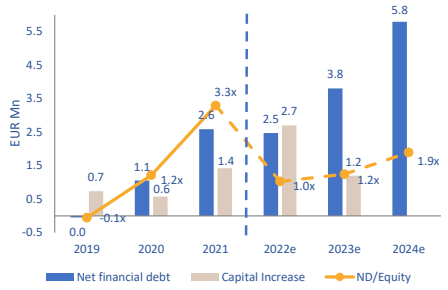
Although as yet no ability to generate positive FCF in sight

All the above leads us to a central scenario that does not envisage positive recurrent FCF until, at least, after 2024e once END has consolidated sufficiently high Rec. EBITDA to absorb the cash consumption necessary for its business. Despite everything, the performance of FCF will be highly sensitive to two factors: i) the improvement in the company's margins, and ii) working capital management. Aside from all this, mid/long term financial requirements will mean maintaining a pay-out of zero.

That will keep debt high (2024e ND/Equity 1.9x). Partly offset by the pledged capital increases

The cash consumption envisaged in our central scenario will result in a gradual increase in debt in the mid term. At the 2021 close, net debt was c. EUR 2.6Mn (vs EUR 1.1Mn in 2020; ND/Equity 3.3x) increasing despite the inflow of capital from END's listing on BME Growth (EUR 1.4Mn). In our view this reduces the company's ability to make significant new investments in the short term.

Chart 27. Net Debt vs capital increases (2019-2024e)



We estimate cash consumption of EUR 2.3Mn a year, that translates to total cash requirements of EUR 7Mn over 2022e-2024e: i) EUR 2Mn to cover the consumption of operating cash (Rec. EBITDA), ii) EUR 1.2Mn in CAPEX, and iii) EUR 3.8Mn in working capital investment (excluding non-recurrent cash outflows).

END has already agreed EUR 3.9Mn in capital increases from the conversion of financing facilities (Nice & Green and a convertible loan at the date of this report; for more information, see table 3 in the Business Description section on page 10 of this report). The increase agreed for 2022e will reduce the ND/Equity ratio by 68.8% in 2022e (ND EUR 2.3Mn; -4.3% in 2021).

However, END's capital requirements will imply an increase in ND beyond 2022e, reaching levels of EUR 5.8Mn in 2024e (vs EUR 2.6Mn in 2021), highlighting the risk represented by financing in the future if additional capital increases are not carried out, that, in this scenario, seem inevitable.

In conclusion: An opportunity to lever growth on the evolution of the transition to sustainable mobility but dependent on capturing capital

The snapshot is that of a company operating in a booming sector driven by macro-trends (the transition towards sustainable mobility). END's revenue performance since it was founded in 2018 highlights the still fledgling stage at which the company finds itself (EUR 4.7Mn of revenue in 2021 vs EUR 0.3Mn in 2019). The information in relation to orders obtained published on 17 March 2022 makes the idea of 2022e revenue of EUR 8.5Mn (+81.2% vs 2021) credible.

The evolution of END's business until 2024e on which our model hinges is based mainly on:

- The capacity for growth based on the penetration of the technology in various sectors and the exploitation of the positioning in the market consolidating the expected double-digit growth (58.6% 2021-2024e CAGR).
- Exceeding break-even in Rec. EBITDA in 2024e by improving process efficiency and levering on structural costs.
- Although without positive cash generation, at least, until after 2024e and in principle with a very high level of debt despite the capital increases agreed at the date of this report (2024e ND/Equity 1.9x).

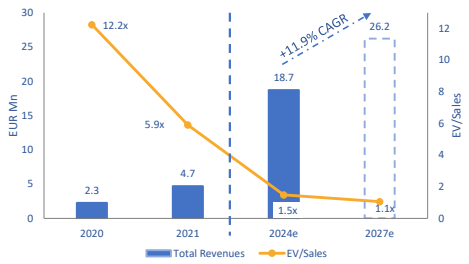
In conclusion, the success of END's business model will be tied to the management of the business and the ability to generate a solid level of revenue in the medium term, that today represents both an opportunity and a risk (to the same extent).

But, what can we expect from END in the long term?

Given the current situation of the business in which END operates, perhaps it is more interesting to look ahead and ask ourselves what to expect from the company over the longer term. The sector in which END operates has yet to reach maturity (USD 32.5Bn in 2020 vs USD 65.8Bn in 2025e), that offers significant growth potential and means that the dynamism of the sector is one of the pillars of its development. This "snapshot" cannot be taken of companies at the take-off stage like END using a DCF valuation based on mid-term estimates.

If the estimated rate of organic growth were to continue until 2024e (58.6% 2021-2024e CAGR), END would aspire to turnover of c. EUR 26Mn in 2027e (+11.9% 2024e-2027e CAGR). In our opinion, the gradual improvement in margins we envisage (after 2024e) would come about as a result of an improvement in conditions with suppliers (and a lower cost of materials such as Lithium), more efficient product development and the standardisation of battery manufacture (EBITDA margin 12% in 2027e?) that would only be possible if annual growth rates of, at least, +11.9% were maintained from 2024e and the current cost structure is levered.

Chart 28. Revenues performance (in the longer term). And its impact on multiples (EV/Sales)



The EV/sales ratio at the 2022e close would be c. 3.2x, declining to c. 1.5x in 2024e. Sector transactions have been carried out in recent years: i) between February 2021 and May 2022 Borgwarner (US) acquired the German company Akasol (business based on the manufacture of lithium-ion batteries) for a total value of USD 932Mn (EV/Sales NTM 4x based on 2022e estimates at the time of the transaction) and ii) Tesla acquired Maxwell Technology (business based on the development of batteries for autos and industrial vehicles) for a total value of USD 293Mn (EV/Sales NTM c. 2.8x based on 2019e estimates at the time of the transaction) in February 2019.

END is the only company dedicated to the manufacture of lithium-ion batteries for sustainable mobility that is listed on the Spanish stock market (BME Growth). An industry underpinned by regulatory factors (the end of the production of combustion vehicles in Spain in 2040) and increasing interest in investments that meet ESG criteria.

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Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value (1)
Free Cash Flow "To the Firm"	**(2.4)**	**(2.3)**	**(1.6)**	**n.a.**
Market Cap	**24.4**	At the date of this report		
Net financial debt	**2.6**	Debt net of Cash (12m Results 2021)		

			Best Case	Worst Case
Cost of Debt	8.0%	Net debt cost	7.8%	8.3%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**6.4%**	**Kd = Cost of Net Debt * (1-T)**	**6.2%**	**6.6%**
Risk free rate (rf)	1.9%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	8.0%	R (own estimate)	7.5%	8.5%
Beta (B)	1.2	B (own estimate)	1.1	1.3
Cost of Equity	**11.5%**	**Ke = Rf + (R * B)**	**10.1%**	**12.9%**
Equity / (Equity + Net Debt)	90.4%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	9.6%	D	=	=
WACC	**11.0%**	**WACC = Kd * D + Ke * E**	**9.7%**	**12.3%**
G "Fair"	**3.0%**		**3.0%**	**2.0%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Varta AG	VAR1-DE	3,597.5	30.5	13.4%	13.7	14.6%	3.8	14.3%	28.0%	0.4%	n.a.
Enersys	ENS-US	2,633.9	16.9	22.5%	10.5	16.2%	1.1	6.6%	10.6%	n.a.	n.a.
Fluence	FLNC-US	1,516.8	n.a.	67.9%	n.a.	48.9%	0.5	55.4%	n.a.	n.a.	56.1%
Ilika	IKA-GB	208.7	n.a.	16.0%	n.a.	11.4%	n.a.	n.a.	n.a.	n.a.	27.2%
Flux Power Holdings, Inc.	FLUX-US	40.0	n.a.	25.2%	n.a.	23.2%	1.6	44.3%	n.a.	n.a.	n.a.
Lithium batteries			23.7	29.9%	12.1	22.8%	1.8	25.4%	19.3%	0.4%	41.6%
END	END-ES	24.4	n.a.	41.6%	n.a.	44.5%	3.2	48.4%	n.a.	n.a.	12.3%

¿What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash Flow.

1. **Risk of a reduction in the growth rate.** At present, END's business model carries commercial risk (hyper-dependent on obtaining orders in new businesses, clients and markets). One of the mainstays of our assumption for revenue growth is the opening up of new markets until these account for c. 30% of the revenue mix in 2024e (vs c. 14% in 2022e and 1% in 2021). A slowdown of growth outside Spain to 20% of the revenue mix in 2024e would imply a 10.5% decline in revenue, preventing break-even being exceeded until at least 2025e and increasing capital requirements.

2. **Passing along raw material and energy costs.** The manufacture of lithium-ion batteries depends on the availability and price of their raw materials. Our current estimates envisage an increase in raw material prices due to the current context that would force margins down until this increase is passed along to the sale price. In our model we assume a gross margin of 27.5% for 2022e (+2.0 p.p. vs 2021). A reduction in the gross margin to 25.5% would mean a c. -12% reduction in terms of 2022e Rec. EBITDA (EBITDA margin -2.0 p.p. vs initial estimate).

3. **The development of economies of scale is essential for the improvement of efficiency and margins.** Our numbers include operating costs (personnel plus other operating costs) of EUR 4.7Mn (33.1% of 2023e revenue vs 58.0% in 2021). A 10% increase in estimated operating costs to EUR 5.1Mn would imply EBITDA of EUR -1.2Mn (vs an initial estimate of EUR -0.7Mn) in 2023e.

4. **High level of debt and potential dilution:** END closed 2021 with net debt of EUR 2.6Mn. Despite the conversion of the convertible loan in December 2022e and the financing obtained through the agreement with N&G, we estimate debt will rise to EUR 5.8Mn in 2024e (annual cash consumption of c. EUR 2.3Mn). As a result, we consider the level of debt to be a risk in itself (ND/Equity 3.3x in 2021 vs 1.9x in 2024e), associated with END's ability to generate positive FCF.

   According to our central scenario, current financing requirements imply a dilution of 11.5% for shareholders due to the execution of the financing agreements with N&G (EUR 2.4Mn) and the convertible loan (EUR 1.5Mn) until 2023e. Given END's size/sector/business situation, access to new capital to fund growth could mean additional equity increases (that would imply further dilution in addition to that from the execution of the current convertible debt; for more information, see table 5 in the Business Description section on page 10 of this report).

5. **Significant presence of intangible assets associated with R+D on the balance sheet:** At 31 December 2021, END reported EUR 1,2Mn in this respect (c. 35% of its net intangible assets). The risk inherent to the capitalisation of R+D exposes END to potential impairments and a gradual increase in amortisation expenses impacting its P/L.

6. **Risk from regulatory changes.** A risk inherent to the battery manufacturing industry is prevailing legislation that is undergoing continuous development due to the still fledgling state of the industry. The need to certify installations, obtain licences and new regulations that could restrict activity might impact END's profitability.

7. **Technological disruption.** Lithium-ion battery technology is still at an early stage and is continuously developing. A disruptive change in the technology, such as a change in the composition of the batteries due to the appearance of materials that offer greater efficiency, would imply a risk of adaptation for END.

A technical board in the hands of the founders

END was incorporated in 2018 by Andrés Muelas López de Aberasturi and Carlos Fernando Navarro Paulo. They are core shareholders and head the management team holding the positions of: (i) Chairman of the Board and Joint Managing Director and (ii) CEO and Joint Managing Director, respectively. This means the governing bodies and management team have high exposure to the share price. We would highlight the following points:

Table 9. Shareholder structure

Name	TOTAL
Carlos Navarro Paulo[1]	32.9%
Andrés Muelas Lopez	29.4%
TOTAL	**62.3%**

Note: Percentage of ownership of Carlos Navarro including his direct and indirect participation (through Meia Noite Inversiones, S.L.U. of which he controls 100%; owner of 32.6% of END).

Table 10. Board of Directors

Name	Category	Date	%Capital[1]
Andrés Muelas	Executive	2019	29.4%
Carlos Navarro	Executive	2019	32.9%
Manuel Fernández	Independient	2019	0.5%
Mª Dolores Castillo	Independient	2021	0.0%
Juan Pons	Independient	2022	0.0%
Mónica Bragado	Propietary	2021	1.3%
Jorge Novella	NonBoard Member Secretary	2019	0.2%
Total			**64.3%**

Note: percentage of capital including direct and indirect shareholding (through the holding company Meia Noite Inversiones, S.L.U).

1. **A new board of directors …** In May 2021 END renewed its Board, increasing the number of board members from 4 in 2020 to 6 at present. The board is made up of two executive directors, three independent directors (Mª Dolores Castillo – Chair of the Audit Committee) and a proprietary director. The board has been renewed from a gender viewpoint (now 33.3% of the board are women, there was none in 2020, above the Spanish average of c. 26%). As a whole, the board directly and indirectly controls c. 64.3% of capital.

2. **… with a predominantly technical profile.** 5 of the 6 board members are engineers and the other has an economic/financial background. According to the company's bylaws, the position of director is held for a maximum term of 6 years, renewable for periods of equal duration (in accordance with prevailing legislation). Andrés Muelas and Carlos Navarro have over 25 years' experience in the renewable energy sector.

Table 11. Corporate Governance KPIs

KPI	2019	2020	2021	Today
% of independent directors	50.0%	50.0%	50.0%	50.0%
% of proprietary directors	50.0%	50.0%	50.0%	50.0%
% of executive directors	0.0%	0.0%	0.0%	0.0%
% of women on the board of directors	0.0%	0.0%	33.3%	33.3%
% Remuneration of the board/personnel costs	0.0%	0.0%	5.4%	*n.a*

*Note: In addition to their status as proprietary directors, Andrés Muelas and Carlos Navarro perform executive functions by holding the positions of Chairman and Chief Executive Officer in Solidarity and CEO and Chief Executive Officer in Solidarity, respectively.

3. **Committees maintain their independence.** The Audit Committee is chaired and comprised mainly of independent board members (66.7% of its members). Currently, END does not have an Appointments and Remuneration Committee.

4. **New remuneration of the Board of Directors from 2021.** In 2021 the Board of Directors approved a remuneration of the Board of Directors that will amount to a maximum of EUR 0.09Mn (c. 5.4% of personnel costs in 2021; with the Board of Directors receiving no remuneration in 2020). There are no commitments for variable compensation schemes, complements in respect of pensions, or sureties or guarantees granted in favour of the Board of Directors.

5. **Capital increases and new shareholders:** In December 2021 a financing agreement was signed with Nice&Green for a maximum amount of EUR 2.4Mn. This is distributed in 8 convertible tranches with a value of EUR 0.3Mn each, maturing in December 2023e, always at the request of END and with no obligation to subscribe the full amount. At the date of this report, the Board of Directors has approved the subscription of the first two Equity Warrant tranches for an amount of EUR 0.6Mn. At present, EUR 0.35Mn of the total warrants established in the agreement have been converted. The total conversion of this financing facility would imply potential dilution for shareholders (according to our central scenario) of 7.9% in the future (for more information see table 3 in the Business Description section on page 10 of this report).

6. **We rule out a dividend payment in the mid term.** No existe ningún compromiso de la compañía en relación con el pago de dividendo. El foco de atención de END está en la consolidación del crecimiento orgánico hasta alcanzar una rentabilidad operativa de forma sostenida.

7. **Related party transactions.** In 2020, Andrés Muelas (Chairman of the Board and Joint Managing Director) and Carlos Navarro (CEO and Joint Managing Director) received EUR 60,000 each as sole compensation for their activity, in line with the expense accrued in 2019.

   In addition, in January 2022 the Board of Directors approved a new financial facility in the shape of a convertible loan in an amount of EUR 1.5Mn (fully subscribed), of which Carlos Navarro (CEO) contributed EUR 0.4Mn, that was fully paid in on 16 February 2022. The goal is to fund working capital and R+D projects. Maturity is set for 31 December 2022, with the option of a 3-month extension and an interest rate of 5%. The Board, in line with the terms and conditions established in the precedent of the financing arrangement with Nice & Green, has established a conversion rate for the convertible loan of EUR 3.9461 (for further details of the potential total dilution for shareholders from the conversion of the convertible loan see table 5 in the Business Description section, on page 10 of this report).

Appendix 1. Financial Projections(1)

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Intangible assets			0.2	0.6	1.2	2.0	2.7	3.5
Fixed assets			0.0	0.1	0.1	0.1	0.2	0.3
Other Non Current Assets			0.2	0.4	0.4	0.4	0.4	0.4
Financial Investments			0.1	0.1	0.1	0.1	0.1	0.1
Goodwill & Other Intangilbles			-	-	-	-	-	-
Current assets			0.4	1.5	3.1	4.9	7.6	10.0
Total assets			**0.9**	**2.7**	**5.0**	**7.5**	**11.0**	**14.3**
Equity			0.9	0.9	0.8	2.4	3.1	3.1
Minority Interests			-	-	-	-	-	-
Provisions & Other L/T Liabilities			-	-	-	-	-	-
Other Non Current Liabilities			-	-	-	-	-	-
Net financial debt			(0.0)	1.1	2.6	2.5	3.8	5.8
Current Liabilities			0.1	0.8	1.6	2.6	4.2	5.4
Equity & Total Liabilities			**0.9**	**2.7**	**5.0**	**7.5**	**11.0**	**14.3**

P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
Total Revenues			**0.3**	**2.3**	**4.7**	**8.5**	**14.2**	**18.7**	***n.a.***	***58.6%***
Total Revenues growth			*n.a.*	*613.8%*	*107.3%*	*81.2%*	*67.6%*	*31.4%*		
COGS			(0.3)	(1.8)	(3.5)	(6.2)	(10.2)	(13.2)		
Gross Margin			**0.0**	**0.5**	**1.2**	**2.3**	**4.0**	**5.5**	***n.a.***	***66.2%***
Gross Margin/Revenues			*7.6%*	*22.1%*	*25.5%*	*27.5%*	*28.2%*	*29.3%*		
Personnel Expenses			(0.2)	(0.8)	(1.7)	(2.5)	(3.0)	(3.3)		
Other Operating Expenses			(0.4)	(0.7)	(1.1)	(1.3)	(1.7)	(2.0)		
Recurrent EBITDA			**(0.6)**	**(1.0)**	**(1.5)**	**(1.4)**	**(0.7)**	**0.1**	***-65.1%***	***27.7%***
Recurrent EBITDA growth			*-288.5%*	*-85.9%*	*-46.6%*	*8.4%*	*50.8%*	*118.1%*		
Rec. EBITDA/Revenues			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.7%*		
Restructuring Expense & Other non-rec.			0.0	(0.1)	(0.3)	-	-	-		
EBITDA			**(0.6)**	**(1.2)**	**(1.8)**	**(1.4)**	**(0.7)**	**0.1**	***-81.5%***	***27.4%***
Depreciation & Provisions			(0.0)	(0.1)	(0.1)	(0.2)	(0.4)	(0.5)		
Capitalized Expense			0.1	0.5	0.6	0.7	0.8	0.8		
Rentals (IFRS 16 impact)			-	-	-	-	-	-		
EBIT			**(0.5)**	**(0.7)**	**(1.4)**	**(0.9)**	**(0.3)**	**0.4**	***-67.9%***	***31.9%***
EBIT growth			*-554.2%*	*-51.3%*	*-86.3%*	*36.3%*	*65.9%*	*234.5%*		
EBIT/Revenues			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*2.1%*		
Impact of Goodwill & Others			-	-	-	-	-	-		
Net Financial Result			(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)		
Income by the Equity Method			-	-	-	-	-	-		
Ordinary Profit			**(0.5)**	**(0.8)**	**(1.4)**	**(1.1)**	**(0.6)**	**0.0**	***-69.6%***	***26.1%***
Ordinary Profit Growth			*-518.5%*	*-54.8%*	*-85.9%*	*23.9%*	*48.6%*	*101.2%*		
Extraordinary Results			-	-	-	-	-	-		
Profit Before Tax			**(0.5)**	**(0.8)**	**(1.4)**	**(1.1)**	**(0.6)**	**0.0**	***-69.6%***	***26.1%***
Tax Expense			0.1	0.2	-	-	-	(0.0)		
Effective Tax Rate			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*10.0%*		
Minority Interests			-	-	-	-	-	-		
Discontinued Activities			-	-	-	-	-	-		
Net Profit			**(0.4)**	**(0.6)**	**(1.4)**	**(1.1)**	**(0.6)**	**0.0**	***-95.6%***	***26.1%***
Net Profit growth			*-512.5%*	*-54.8%*	*-147.1%*	*23.9%*	*48.6%*	*101.1%*		
Ordinary Net Profit			**(0.5)**	**(0.6)**	**(1.1)**	**(1.1)**	**(0.6)**	**0.0**	***-49.8%***	***26.1%***
Ordinary Net Profit growth			*-545.4%*	*-30.4%*	*-71.9%*	*3.3%*	*48.6%*	*101.1%*		

Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 19-21	CAGR 21-24e
Recurrent EBITDA						**(1.4)**	**(0.7)**	**0.1**	***-65.1%***	***27.7%***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(0.7)	(1.2)	(1.2)		
Recurrent Operating Cash Flow						**-2.1**	**-1.8**	**-1.0**	***-76.1%***	***24.0%***
CAPEX						(0.3)	(0.4)	(0.6)		
Net Financial Result affecting the Cash Flow						(0.2)	(0.3)	(0.4)		
Tax Expense						-	-	(0.0)		
Recurrent Free Cash Flow						**(2.6)**	**(2.5)**	**(2.0)**	***-77.5%***	***7.9%***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(2.6)**	**(2.5)**	**(2.0)**	***-88.3%***	***11.3%***
Capital Increase						2.7	1.2	-		
Dividends						-	-	-		
Net Debt Variation						**(0.1)**	**1.3**	**2.0**		

(2) Note 1: END reports its financial statements on the basis of the Spanish General Chart of Accounts, not being affected by the application of IFRS 16.

Appendix 2. Free Cash Flow(1)

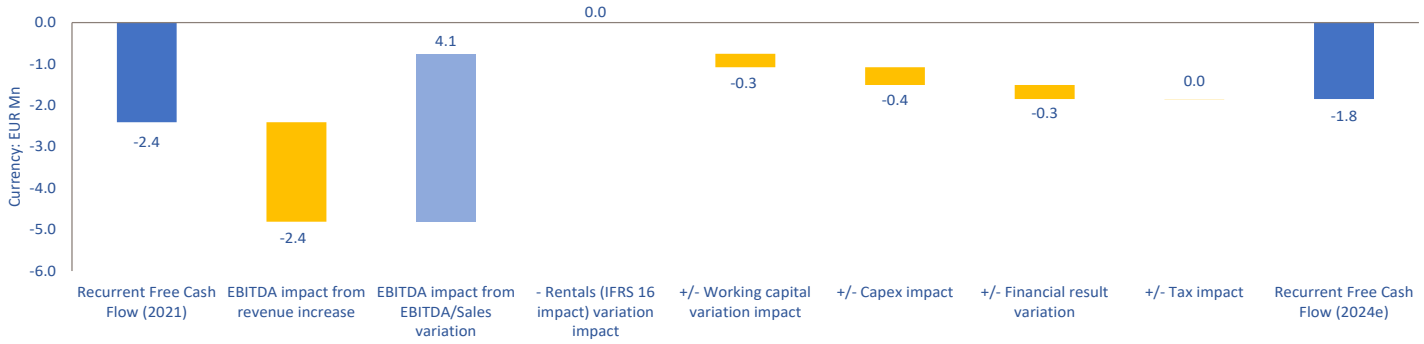
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 21-24e
Recurrent EBITDA			**(1.0)**	**(1.5)**	**(1.4)**	**(0.7)**	**0.1**	***27.7%***
Recurrent EBITDA growth			*-85.9%*	*-46.6%*	*8.4%*	*50.8%*	*118.1%*	
Rec. EBITDA/Revenues			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.7%*	
- Rentals (IFRS 16 impact)			-	-	-	-	-	
+/- Working Capital increase			(0.4)	(0.8)	(0.7)	(1.2)	(1.2)	
= Recurrent Operating Cash Flow			**(1.4)**	**(2.4)**	**(2.1)**	**(1.8)**	**(1.0)**	***24.0%***
Rec. Operating Cash Flow growth			*-83.0%*	*-69.5%*	*10.3%*	*13.3%*	*43.7%*	
Rec. Operating Cash Flow / Sales			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	
- CAPEX			(0.1)	(0.1)	(0.3)	(0.4)	(0.6)	
- Net Financial Result affecting Cash Flow			(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	
- Taxes			-	-	-	-	(0.0)	
= Recurrent Free Cash Flow			**(1.5)**	**(2.6)**	**(2.6)**	**(2.5)**	**(2.0)**	***7.9%***
Rec. Free Cash Flow growth			*-83.9%*	*-71.3%*	*-1.4%*	*2.4%*	*21.2%*	
Rec. Free Cash Flow / Revenues			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	
- Restructuring expenses & others			(0.1)	(0.3)	-	-	-	
- Acquisitions / + Divestments			-	-	-	-	-	
+/- Extraordinary Inc./Exp. affecting Cash Flow			-	-	-	-	-	
= Free Cash Flow			**(1.6)**	**(2.9)**	**(2.6)**	**(2.5)**	**(2.0)**	***11.3%***
Free Cash Flow growth			*-99.1%*	*-78.0%*	*9.3%*	*2.4%*	*21.2%*	
Recurrent Free Cash Flow - Yield (s/Mkt Cap)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	
Free Cash Flow Yield (s/Mkt Cap)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	

B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2018	2019	2020	2021	2022e	2023e	2024e
Recurrent FCF(FY - 1)			**(0.8)**	**(1.5)**	**(2.6)**	**(2.6)**	**(2.5)**
EBITDA impact from revenue increase			(3.4)	(1.1)	(1.2)	(0.9)	(0.2)
EBITDA impact from EBITDA/Sales variation			3.0	0.6	1.4	1.7	1.0
= Recurrent EBITDA variation			**(0.5)**	**(0.5)**	**0.1**	**0.7**	**0.8**
- Rentals (IFRS 16 impact) variation impact			-	-	-	-	-
+/- Working capital variation impact			(0.2)	(0.5)	0.1	(0.4)	(0.0)
= Recurrent Operating Cash Flow variation			**(0.6)**	**(1.0)**	**0.2**	**0.3**	**0.8**
+/- CAPEX impact			(0.0)	(0.1)	(0.1)	(0.2)	(0.1)
+/- Financial result variation			(0.0)	(0.0)	(0.2)	(0.0)	(0.1)
+/- Tax impact			-	-	-	-	(0.0)
= Recurrent Free Cash Flow variation			**(0.7)**	**(1.1)**	**(0.0)**	**0.1**	**0.5**
Recurrent Free Cash Flow			**(1.5)**	**(2.6)**	**(2.6)**	**(2.5)**	**(2.0)**

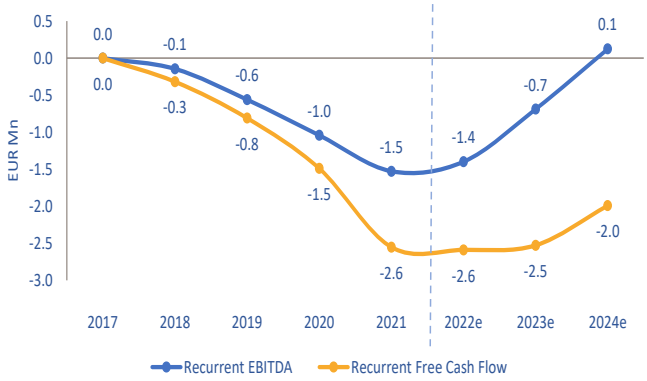
C) "FCF to the Firm" (pre debt service) (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 21-24e
EBIT			**(0.7)**	**(1.4)**	**(0.9)**	**(0.3)**	**0.4**	***31.9%***
** Theoretical Tax rate*			*0.0%*	*0.0%*	*0.0%*	*0.0%*	*10.0%*	
= Taxes (pre- Net Financial Result)			-	-	-	-	(0.0)	
Recurrent EBITDA			**(1.0)**	**(1.5)**	**(1.4)**	**(0.7)**	**0.1**	***27.7%***
- Rentals (IFRS 16 impact)			-	-	-	-	-	
+/- Working Capital increase			(0.4)	(0.8)	(0.7)	(1.2)	(1.2)	
= Recurrent Operating Cash Flow			**(1.4)**	**(2.4)**	**(2.1)**	**(1.8)**	**(1.0)**	***24.0%***
- CAPEX			(0.1)	(0.1)	(0.3)	(0.4)	(0.6)	
- Taxes (pre- Financial Result)			-	-	-	-	(0.0)	
= Recurrent Free Cash Flow (To the Firm)			**(1.5)**	**(2.5)**	**(2.4)**	**(2.3)**	**(1.6)**	***13.1%***
Rec. Free Cash Flow (To the Firm) growth			*-82.2%*	*-71.2%*	*4.7%*	*4.6%*	*27.8%*	
Rec. Free Cash Flow (To the Firm) / Revenues			n.a.	n.a.	n.a.	n.a.	n.a.	
- Acquisitions / + Divestments			-	-	-	-	-	
+/- Extraordinary Inc./Exp. affecting Cash Flow			-	-	-	-	-	
= Free Cash Flow "To the Firm"			**(1.5)**	**(2.5)**	**(2.4)**	**(2.3)**	**(1.6)**	***13.1%***
Free Cash Flow (To the Firm) growth			*-82.2%*	*-71.2%*	*4.7%*	*4.6%*	*27.8%*	
Rec. Free Cash Flow To the Firm Yield (o/EV)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	
Free Cash Flow "To the Firm" - Yield (o/EV)			*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	

(3) Note 1: END reports its financial statements on the basis of the Spanish General Chart of Accounts, not being affected by the application of IFRS 16.

Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	24.4	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	-	12m Results 2021
+ Net financial debt	2.6	12m Results 2021
- Financial Investments	0.1	12m Results 2021
+/- Others		
Enterprise Value (EV)	**26.8**	

Appendix 4. Main peers 2022e

		Lithium Batteries						
	EUR Mn	Varta AG	Enersys	Fluence	Ilika	Flux Power Holdings, Inc.	Average	END
Market data	Ticker (Factset)	VAR1-DE	ENS-US	FLNC-US	IKA-GB	FLUX-US		END-ES
	Country	Germany	USA	UK	UK	USA		Spain
	Market cap	3,597.5	2,633.9	1,516.8	208.7	40.0		24.4
	Enterprise value (EV)	3,825.9	3,472.7	342.9	176.7	38.8		26.8
Basic financial information	Total Revenues	998.9	3,103.3	635.8	0.8	24.5		8.5
	Total Revenues growth	*10.6%*	*11.6%*	*21.3%*	*189.3%*	*55.9%*	*58.2%*	*81.2%*
	2y CAGR (2022e - 2024e)	*14.3%*	*6.6%*	*55.4%*	*n.a.*	*44.3%*	*25.4%*	*48.4%*
	EBITDA	279.3	330.3	(105.1)	(9.3)	(12.0)		(1.4)
	EBITDA growth	*27.7%*	*-1.4%*	*n.a.*	*n.a.*	*-6.0%*	*13.1%*	*23.5%*
	2y CAGR (2022e - 2024e)	*14.6%*	*16.2%*	*48.9%*	*11.4%*	*23.2%*	*22.8%*	*44.5%*
	EBITDA/Revenues	*28.0%*	*10.6%*	*n.a.*	*n.a.*	*n.a.*	*19.3%*	*n.a.*
	EBIT	180.7	226.5	(109.9)	(10.7)	(12.6)		(0.9)
	EBIT growth	*46.8%*	*-8.4%*	*n.a.*	*n.a.*	*-7.4%*	*19.2%*	*36.3%*
	2y CAGR (2022e - 2024e)	*14.1%*	*n.a.*	*37.7%*	*12.9%*	*10.5%*	*21.6%*	*56.8%*
	EBIT/Revenues	*18.1%*	*7.3%*	*n.a.*	*n.a.*	*n.a.*	*12.7%*	*n.a.*
	Net Profit	127.5	150.4	(151.3)	(9.2)	(11.9)		(1.1)
	Net Profit growth	*1.3%*	*12.3%*	*n.a.*	*n.a.*	*10.8%*	*6.8%*	*23.9%*
	2y CAGR (2022e - 2024e)	*9.9%*	*n.a.*	*46.6%*	*25.9%*	*6.5%*	*27.5%*	*41.6%*
	CAPEX/Sales %	*22.8%*	*2.3%*	*0.6%*	*n.a.*	*4.2%*	*8.6%*	*3.0%*
	Free Cash Flow	12.9	(58.7)	(251.7)	(13.1)	(17.9)		(2.6)
	Net financial debt	273.2	n.a.	57.8	(24.3)	(1.3)		2.5
	ND/EBITDA (x)	1.0	n.a.	n.a.	n.a.	n.a.	1.0	n.a.
	Pay-out	*52.4%*	*18.5%*	*n.a.*	*0.0%*	*0.0%*	*23.6%*	*0.0%*
Multiples and Ratios	P/E (x)	30.5	16.9	n.a.	n.a.	n.a.	23.7	n.a.
	P/BV (x)	6.3	2.1	n.a.	5.7	2.8	4.7	10.1
	EV/Revenues (x)	3.8	1.1	0.5	n.a.	1.6	1.8	3.2
	EV/EBITDA (x)	13.7	10.5	n.a.	n.a.	n.a.	12.1	n.a.
	EV/EBIT (x)	21.2	15.3	n.a.	n.a.	n.a.	18.3	n.a.
	ROE	*20.7*	*12.2*	*n.a.*	*n.a.*	*n.a.*	*16.5*	*n.a.*
	FCF Yield (%)	*0.4*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*0.4*	*n.a.*
	DPS	*1.65*	*0.65*	*n.a.*	*0.00*	*0.00*	*0.77*	*0.00*
	Dvd Yield	*1.9%*	*1.0%*	*n.a.*	*0.0%*	*0.0%*	*1.0%*	*0.0%*

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
26-Apr-2022	n.a.	2.84	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas