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# IPO Ready

Equity Research: IPO valuation of green companies

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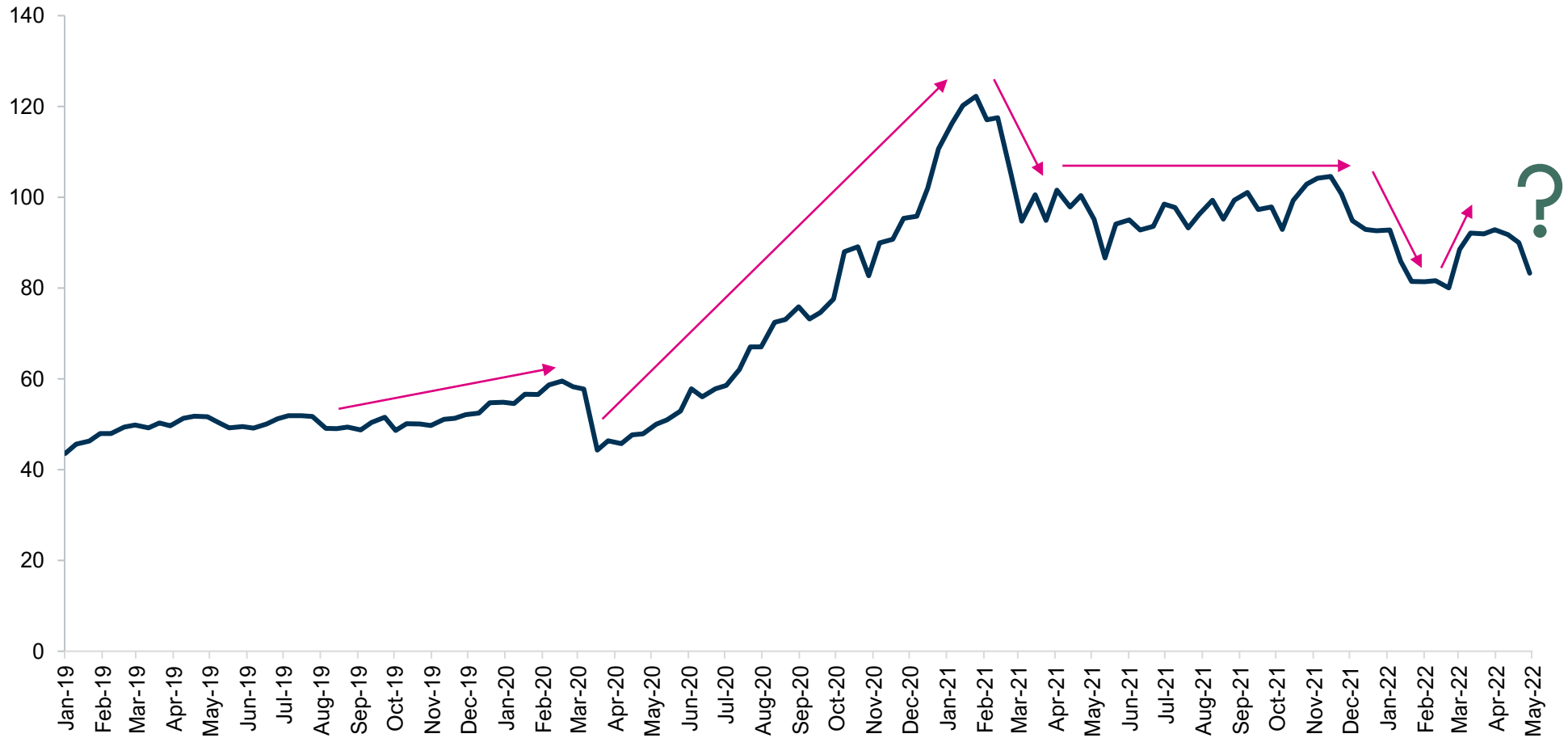
# Sector update

# Last two years: A tale of two halves

While 2020 was a fantastic year for green energy stocks, 2021 proved more challenging

## MSCI Alternative Energy Index

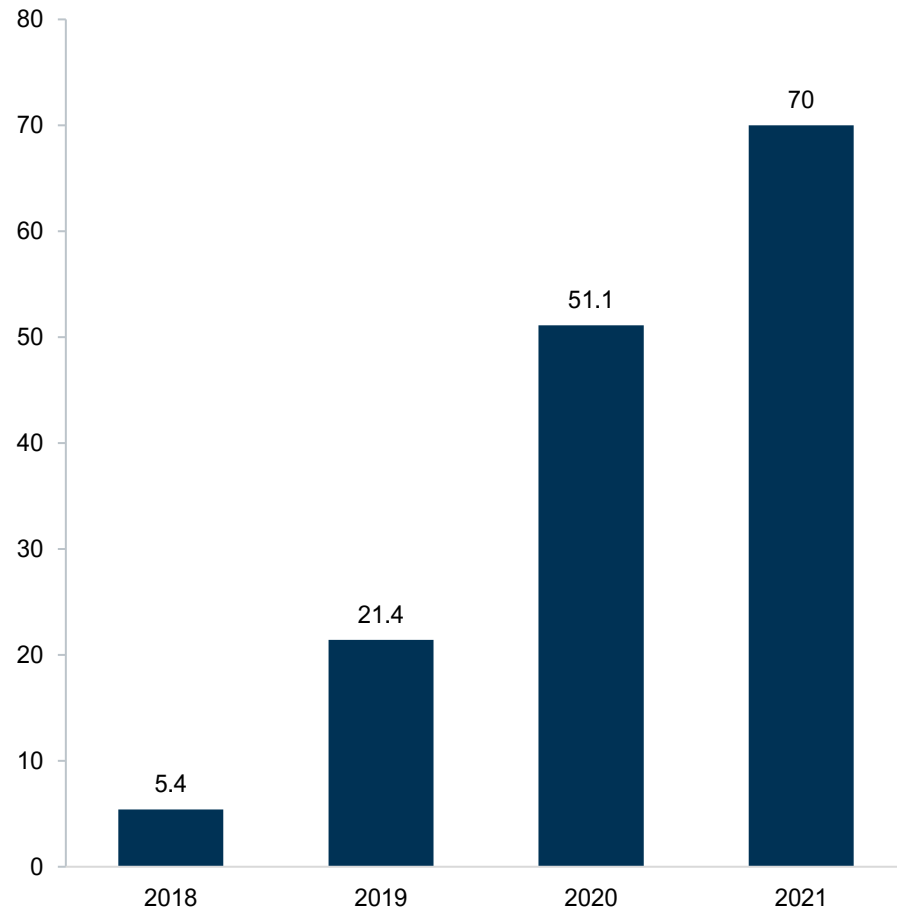
Index value



# 2020 – a fantastic year for green energy stocks

## Net inflow to ESG specialized funds

USDbn



## National and corporate responsibilities high on the agenda

Taxonomy

Country targets and incentive plans

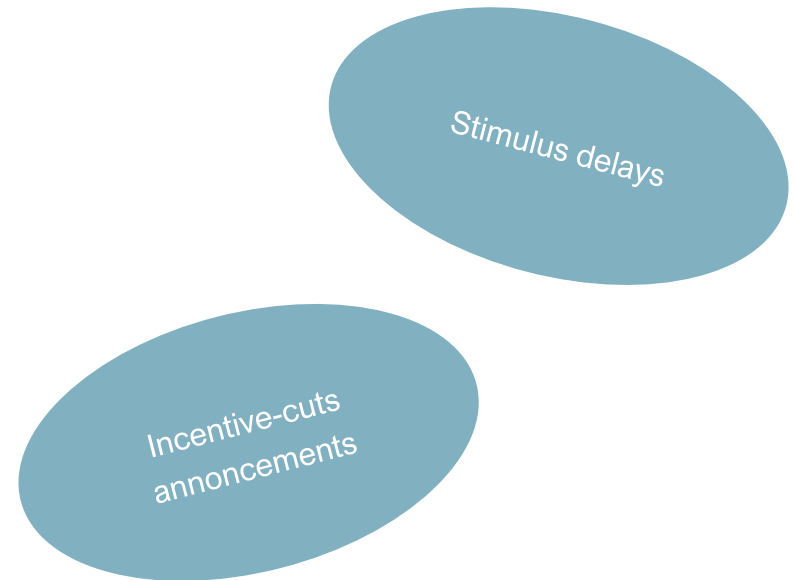
Company partnerships and targets

# 2021 – duration started to impact in several ways

Both increasing interest rates lowering valuation and realization (among investors) that the green shift will take time

US 10y treasury yields

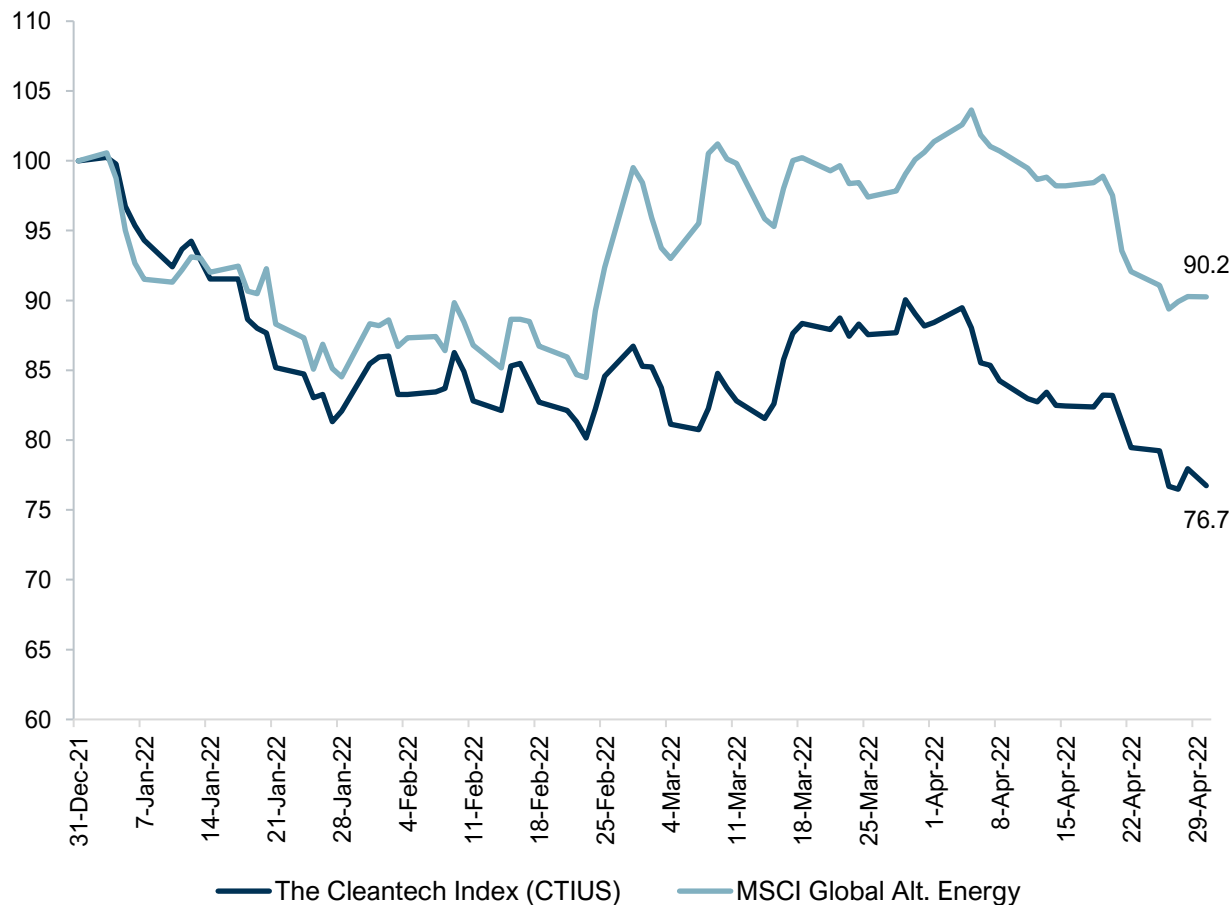
The green shift will take time



# 2022 – increasingly positive long-term view but valuation lags

## Cleantech vs broader renewable energy stocks 2022 development

Index value (rebased)

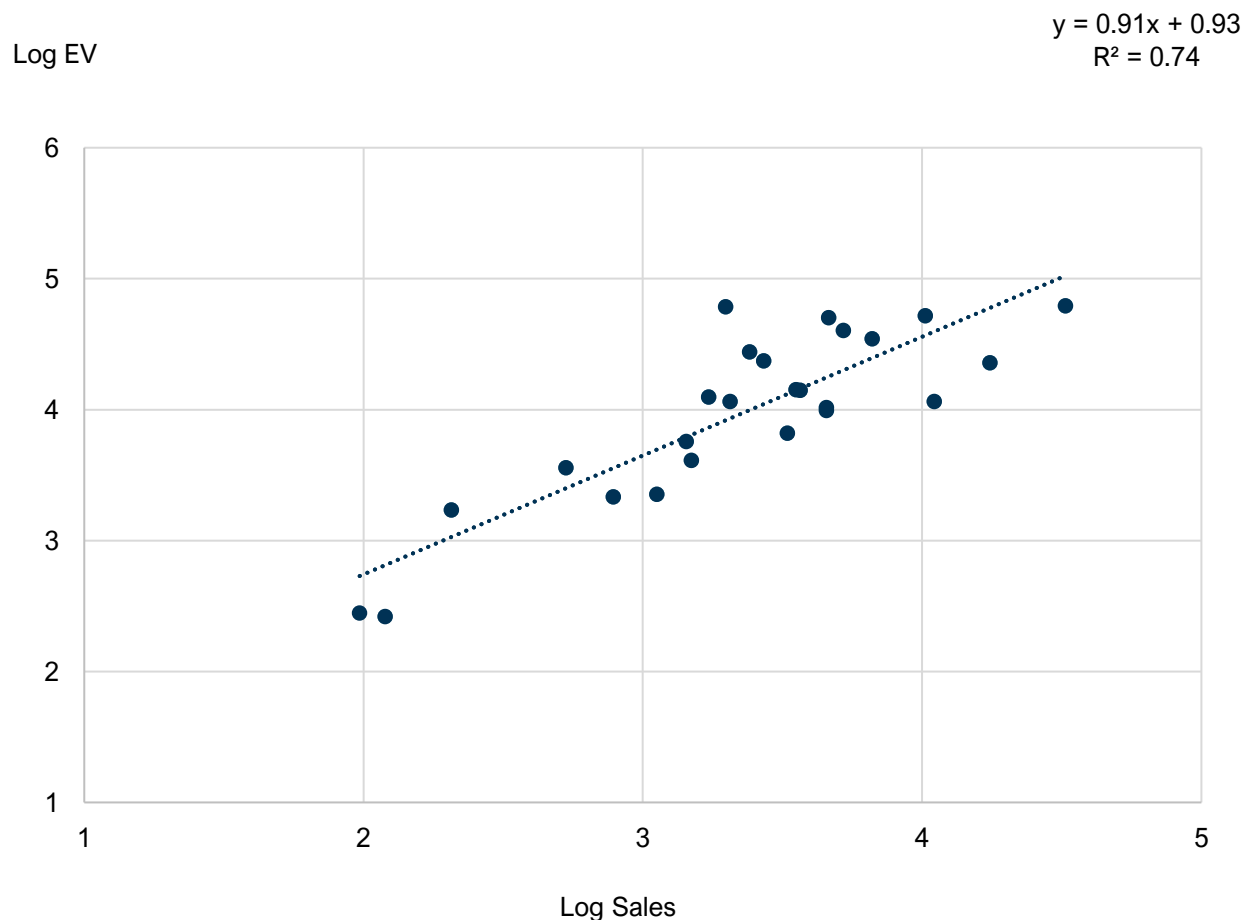


- Fairly equal start to the year
- Following Ukraine invasion a clear shift happened → Renewable infrastructure companies outperforming cleantech
  - «Safer bets» - stable cash flow, producing assets
  - Renewable capital goods perceived as riskier – will market for technology withstand?
  - High price commodity market
- CTIUS contain ~50 cleantech companies mainly from North America and Europe
  - Tomra, Vestas, ABB, Siemens-Gamesa, etc.
- MSCI Global Alternative Energy
  - Includes ~90 renewable energy companies in developed and emerging market large, mid and small cap

# Size matters

High consistency in EV/Sales multiple for renewables companies of different sizes

EV/sales to size



- Observed consistency between the EV/sales multiple and the size of firms in terms of revenue
- Although this one multiple does not contain all information to correctly value companies it is an interesting finding
  - Size shows proven model and lower risk
  - Lower cost of equity for growth and profitability
  - More likely to be bankable
  - Increased size will in itself attract a larger investor pool
  - Larger market cap usually means improved stock liquidity – often positive for valuation

Source: Factset, Pareto Securities Equity Research

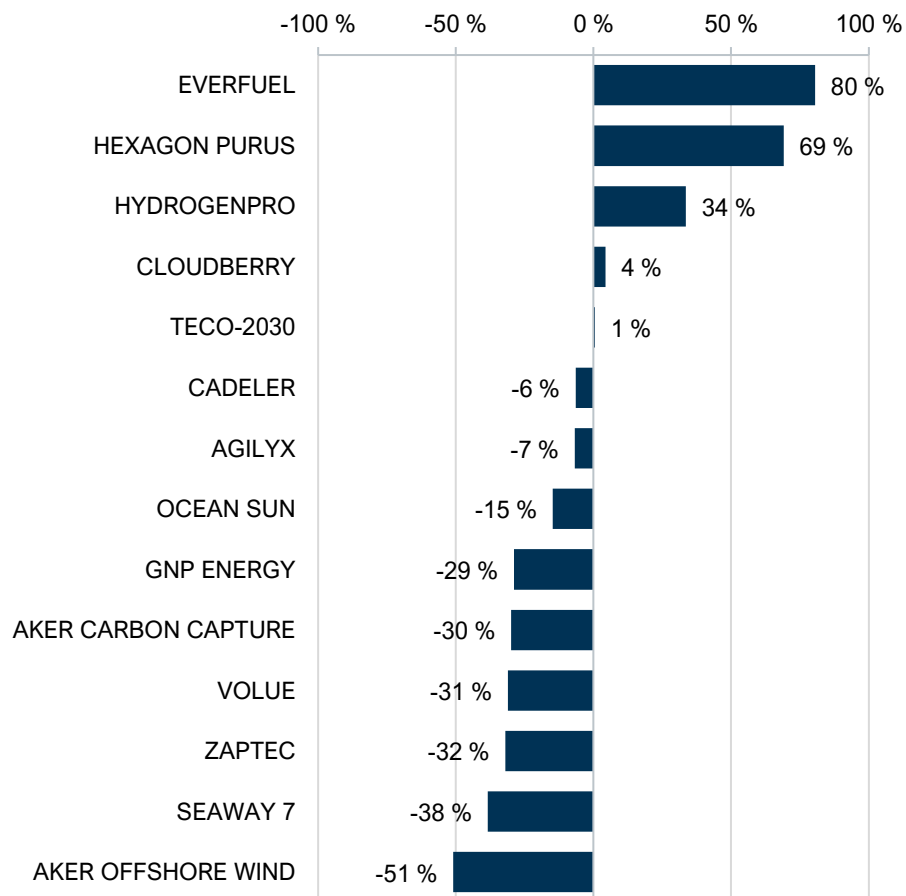
Selection: ABB Ltd., Adani Green Energy Limited, Array Technologies Inc, Bloom Energy, Bonheur ASA, Brookfield Renewable Partners LP, China Conch Venture Holdings Ltd., China Longyuan Power Group Corporation Ltd., Ecovyst Inc, EDP Renovaveis SA, Enphase Energy, Inc., First Solar, Inc., Hyzon Motors Inc., NEL ASA, Northland Power Inc., Ørsted, Scatec ASA, Sensata Technologies Holding PLC, Shanghai Weihong Electronic Technology Co., Ltd., Siemens Gamesa Renewable Energy, S.A., SolarEdge Technologies, Inc., Sunrun Inc., TOMRA Systems ASA, Umicore, VERBUND AG, Vestas Wind Systems A/S, Vow ASA, Xinyi Solar Holdings Ltd.

# Green companies listed in Norway 2020 vs. 2021

More mature companies listed in 2020?

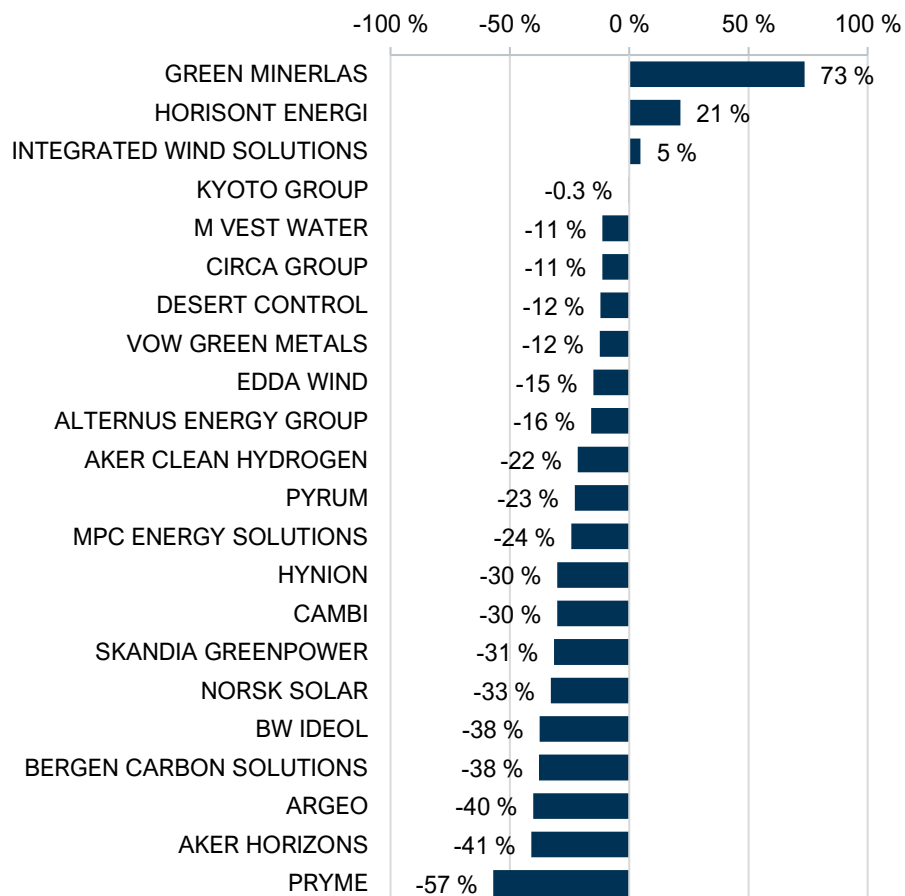
Companies listed in 2020 (avg. -4%, median -11%)

YTD return (%)



Companies listed in 2021 (avg. -18%, median -22%)

YTD return (%)

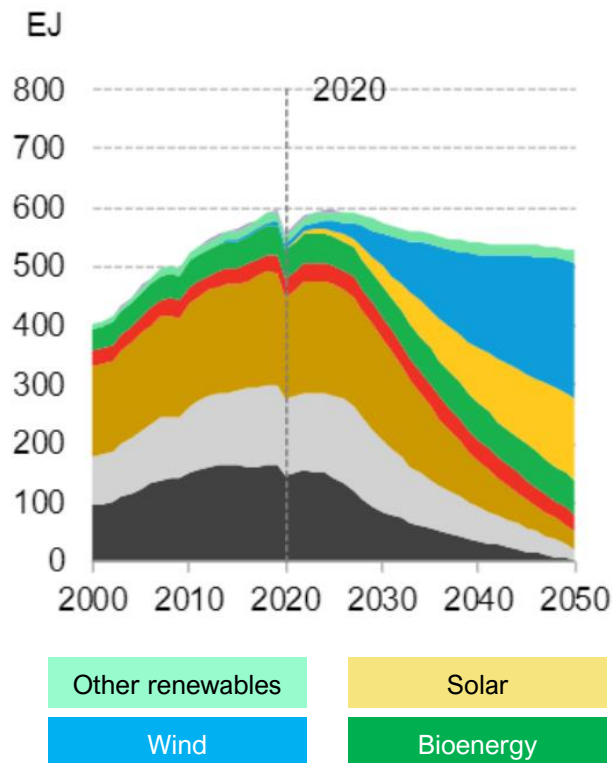




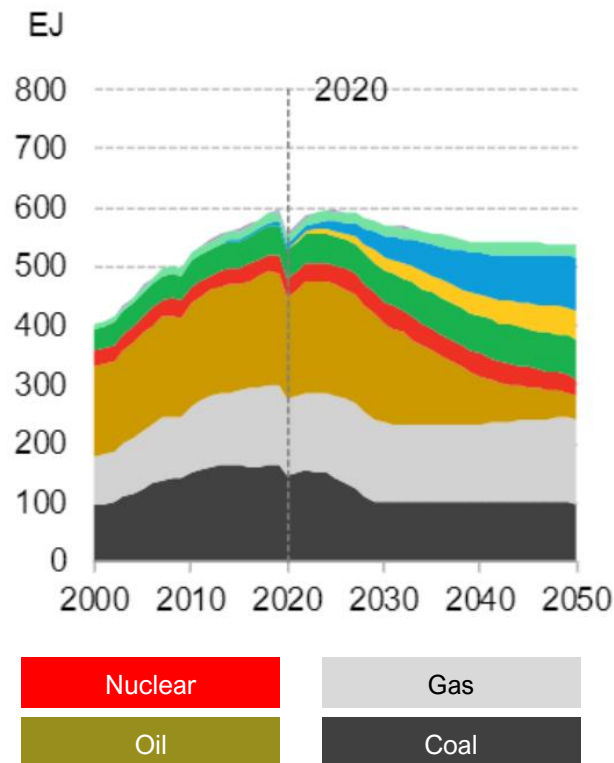
# The road ahead and current investor topics

Everyone agrees that renewables must grow – but is that reflected in valuation?

**Figure 1: Total primary energy  
Green Scenario**



**Figure 2: Total primary energy  
Gray Scenario**



- RepowerEU and increased energy independence have thematically put the renewables and cleantech sectors in favor
- Some topics of discussion and takeaways from current market development:
  - History and quality (sales) is appreciated in an uncertain market
  - Fundamentals becoming more important
  - Duration becomes increasingly relevant with both higher interest rates and uncertainty on policies, subsidy schemes, etc.
  - Worries are around grid infrastructure and pace of renewable build-out
  - Current winners are those gaining on high energy prices and low LCOE

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Information we seek in an  
IPO process

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# Transparency equals an efficient process and correct/better valuation

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- **Extended financial history - If possible, more than the 2 last years**
  - Good transparency and increased understanding of the business development often results in a more efficient transaction and correct (higher) valuation
- **Accurate and relevant market sizing**
  - Everyone “agrees” that various global renewable industries will grow on a long-term basis – this is informational but does not make it easy for investors to really consider
  - Niche market focus, development in a shorter time horizon, etc. often beneficial for analysis
  - Market position / market share
- **Split between revenue segments**
  - Investors like to understand ‘drivers’ for each segment
  - Good for SOTP analysis
- **Cost breakdown**
  - Easier to make future predictions and calculate profitability potential (current underlying profitability)
- **Use of proceeds**
  - Growth investments (S&M, R&D etc.), M&A, WC, etc..
- **Reliable targets**
  - Total growth, organic growth, profitability, etc.
  - Helps with back-up from MoU’s, purchase orders, contracts, etc.
- **Technology / market differentiation**
  - Often niche markets or unique technology – important with thorough description
  - Competitors (How does your product/service differentiate?)
- **Make it understandable**
  - Emerging technologies and markets may be difficult to fully understand – provide easy examples of how/why the technology/service will grow

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# Various valuation methods will be considered by investors

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- **Peer pricing**

- In applicable cases, valuation will always be compared to listed players – and a discount will usually be applied for new companies
- Higher growth projections or backlog vs listed players will only be partly compensated for this

- **DCF valuation**

- The go-to in renewable energy
- Makes it possible to screen on IRR, cost of capital, reflect long-term growth and margins

- **Invested capital**

- Often used as a sanity check to validate technology and the maturity of the business/technology
- In many cases looking at previous valuation uplifts in connection with previous capital raises is a relevant metric

- **Other comments**

- Industrial backing/ownership will usually be considered positive
- Deal size and total market cap will impact – liquidity, validation, etc.
- In “unproven” industries, a strong management team with substantial track record is often a pre-requisite
- Valuation will always be based on a basket of approaches – solely valuing a company based on a DCF is difficult in an IPO process

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# Example of supporting slides

*Note that the following example contains elements that is out of date and should not be used for valuation purposes of the company today*

# Smart Wires

MAY 2021

Supporting slides made in relation to the ongoing private placement and Nasdaq First North Stockholm listing of Smart Wires Ltd where Pareto Securities acts as Sole Manager

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# Risks

## Key investment risks

### Market risk

- A slow down of the variable renewable energy sources adoption will in turn slow down the future need for increased grid capacity and flexibility
- Dependent on adoption of vRES is the power generation resource mix, which again is dependant of governmental incentives and subsidies
- Any reduced penalties on power production from fossil energy sources, means more stable power input and less need for grid control solutions

### Technological risk

- The opportunity for increased value offering through development of new integrated solutions, including software implies technological risk as this is currently out of Smart Wires core capabilities.
- Being a hardware solution will always be more capital intensive, and when new software technologies for power grid control are constantly entering the market, Smart Wires technology might face short comings regarding costs and prove less feasible than other grid control solution

### Competitive risk

- As the urgency for increased flexibility intensifies, the large grid companies themselves or global blue chip technology companies can ramp up its development of power grid control solutions and cover the technology gap Smart Wires have used decades to establish
- Thus multiple different solutions are now entering this new market. Though the solutions solves the flexibility problem in various ways, this might lead to a highly competitive market, even though Smart Wires specific solution is thoroughly patented

### Execution risk

- Although a large pipeline is identified, there is still risk regarding the transfer from pipeline to backlog.
- Contracts we have assumed to constitute our revenue estimates is accordingly de-risked, and the development of the execution risk will be dependent on the transfer from pipeline to backlog in the future
- We deem the execution risk in this case to be rather low as many feasibility studies have already been conducted together with customers in the pipeline and the pipeline is built by already initiated business relationships only

### Value chain risk

- To be able to ramp up production in the same pace as our base case, Smart Wires is dependant on a third party manufacturing service supplier which implies sourcing risk that Smart Wires cannot control themselves
- Its current relationship with Jabil seems to allow for rapid manufacturing capacity expansion as well as geographical facility expansion, and the possibilities that come with a global blue chip partner is lowering value chain risk

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# 1. Investment highlights

# Investment summary

## Key investment highlights

### Modernisation of the grid is central in the energy transition

- Volatile renewable energy sources (vRES) causes complexity which drives transformation of the power sector imposing a need for reimagination of the grid.
- These radical changes have challenged traditional approaches to planning and operating the grid.
- By identifying new ways to make power flow, the grid itself becomes a solution to these problems.
- Global annual grid expenditures is projected to increase from USD ~250bn in 2020 to USD ~360bn in 2030.

### Unique, smart and superior offering

- Smart Wires is a grid technology company that helps utilities modernise, optimise and monetise grid capacity to enable the energy transition.
- Its product, SmartValve, can in real-time both push power away from overloaded transmission facilities (grid lines) and pull power onto underutilised facilities. Smart Wires has developed and owns a well protected domestic and international IP portfolio and has 141 patents granted, filed or in drafting.
- Unlike competing solutions, the SmartValve is modular and can rapidly be deployed and is easily re-deployable solutions, making it easy to install and capable of meeting changing needs – at a much lower project cost for customers.

### Steep revenue trajectory supported by the growing pipeline

- Smart Wires has increased its pipeline from USD 400m at the end of 2019 to USD 2bn in 2020 – targets USD 12bn pipeline in 2025E. This will be enabled by the favourable market trends and the strong product offering, with Smart Wires focusing on expanding its sales channels, increasing the penetration in existing regions and establish footprint in new regions.
- Strong revenue visibility of USD >50m in 2021E – targets USD 700m in 2025E supported by the pipeline growth.
- The solid revenue growth will enable sound profits when scaled with the company targeting 25% EBITDA margins in 2025E, yielding EBITDA of USD 180m.

### Valuation range (pre-money equity)

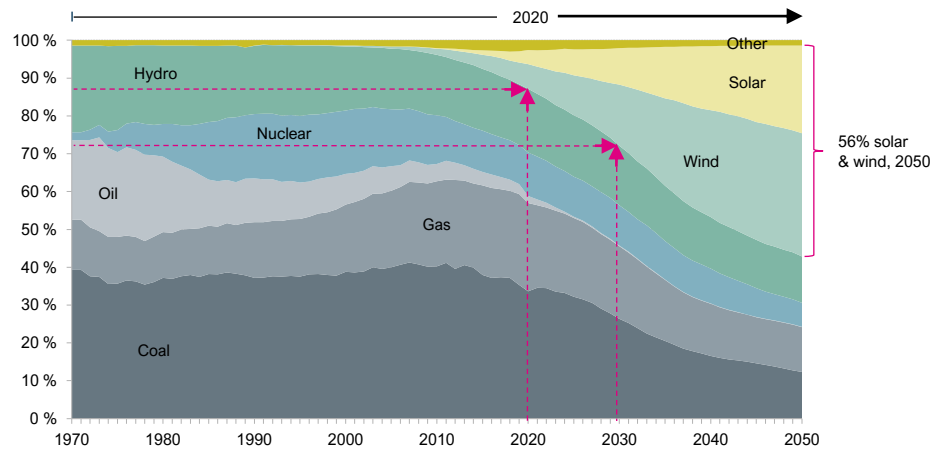
- The pre-money equity value is set to USD 350m.
- Our DCF approach with a WACC of 19% (20% equity risk premium) yields a USD ~460m value. High WACC at current to reflect the relatively new technology, uncertainty on future pipeline, currently at the beginning of scale-up phase, current investment need to grow.
- The pre-money value implies a substantial discount to relevant peers and marks a multiple of 1.1x to the valuation point from last funding round and 1.3x invested capital.

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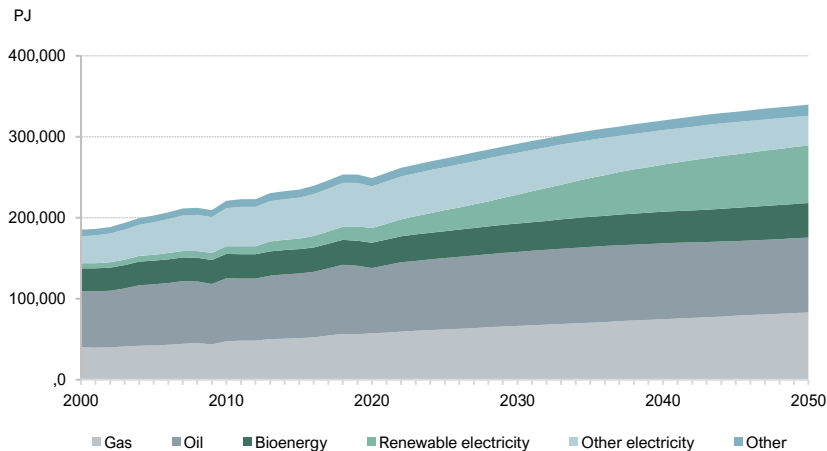
## 2. Market overview

# Increasing electrification and share of vRES in power production

## Increasing share of vRES in power production



## Increasing electrification of society



## Power grid challenges

- Volatile power input
- Dimensioned for stable on-demand input
- Grid congestion by occasional overload
- Lack of flexibility and capacity utilization



## Implications from Increasing electrification on the grid network

- Increasing electrification results in overload
- Lack of capacity will curtail vRES deployment
- Wear on the power grid will accelerate

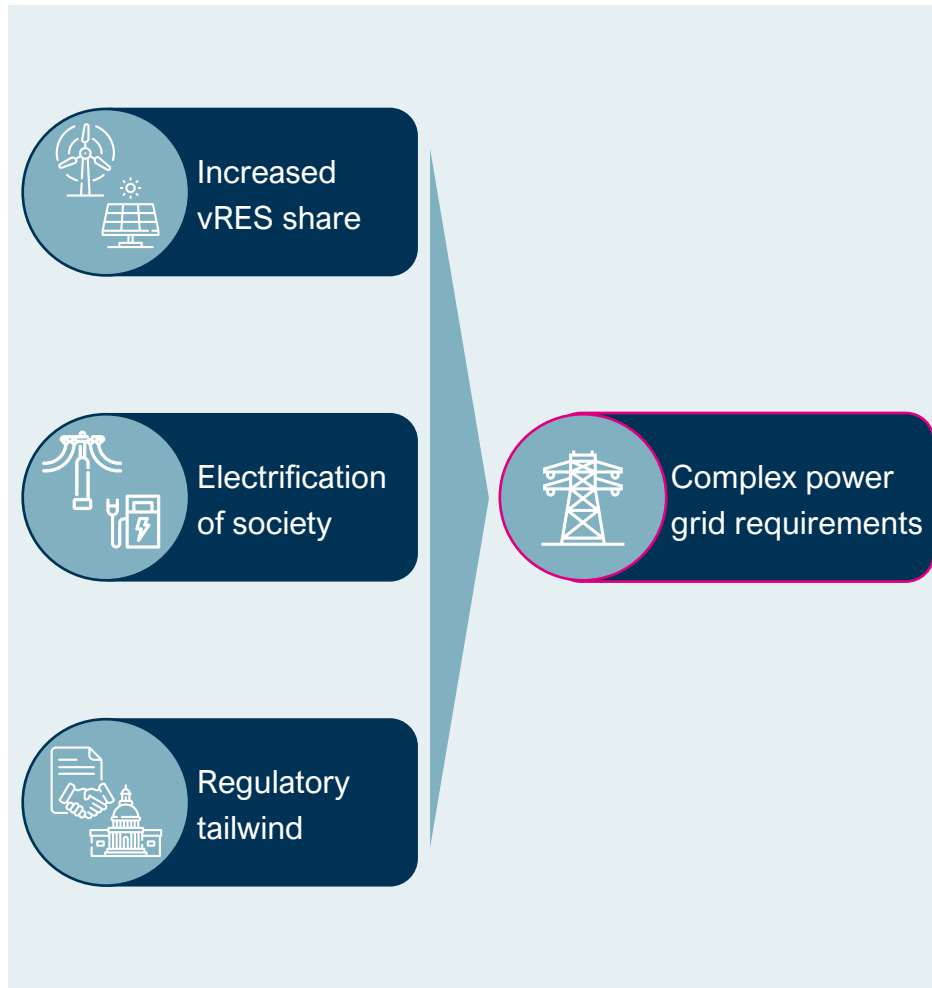




# The current power grid cannot tackle the energy transition

## Energy transition hampered by outdated power grids

### Power generation and consumption patterns are shifting



### Grid congestion\* is delaying the energy transition

- **USD 1bn** of costs associated with grid congestion in UK in the period Apr - Dec, 2020
- **245** clean energy projects withdrawn from 2016 to 2020 in the Midwest US due to lack of transmission capacity in the grid
- **10%** of 2030 New England offshore wind portfolio projected to be curtailed due to transmission constraints



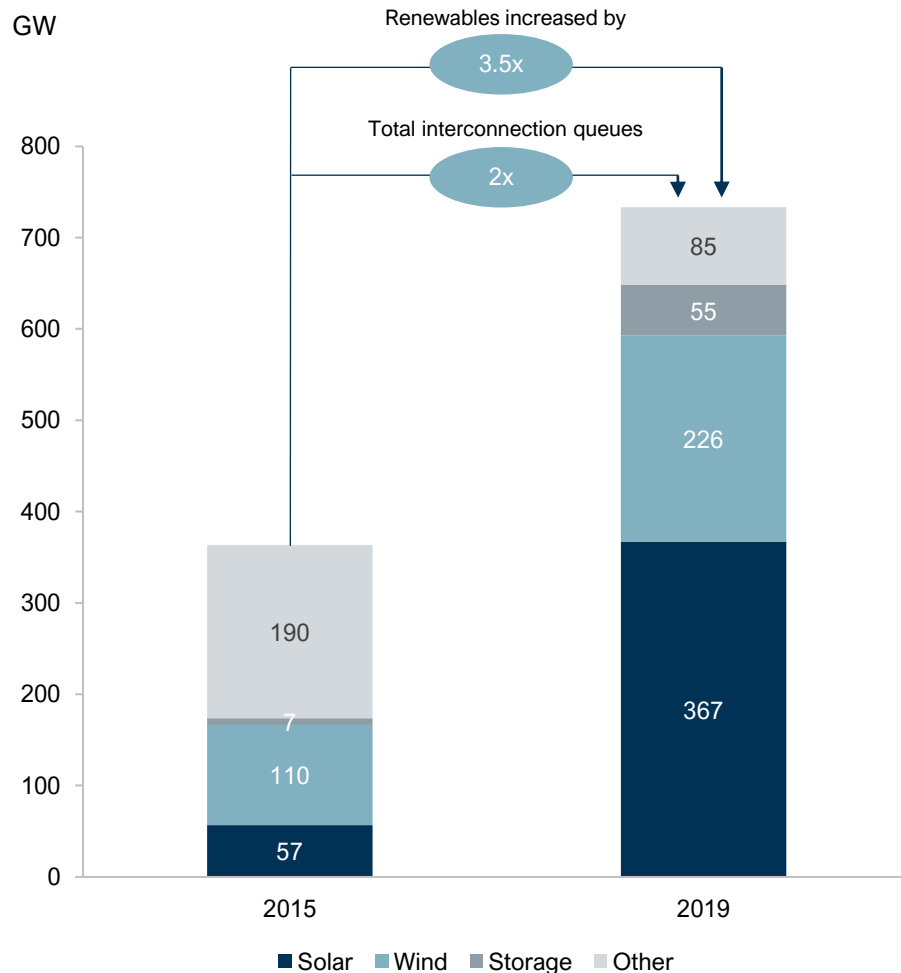
\*Grid congestion means an overloaded grid where there are no more capacity left for additional electricity to pass

Source: Smart Wires, Berkeley Lab, Pareto Securities Equity Research

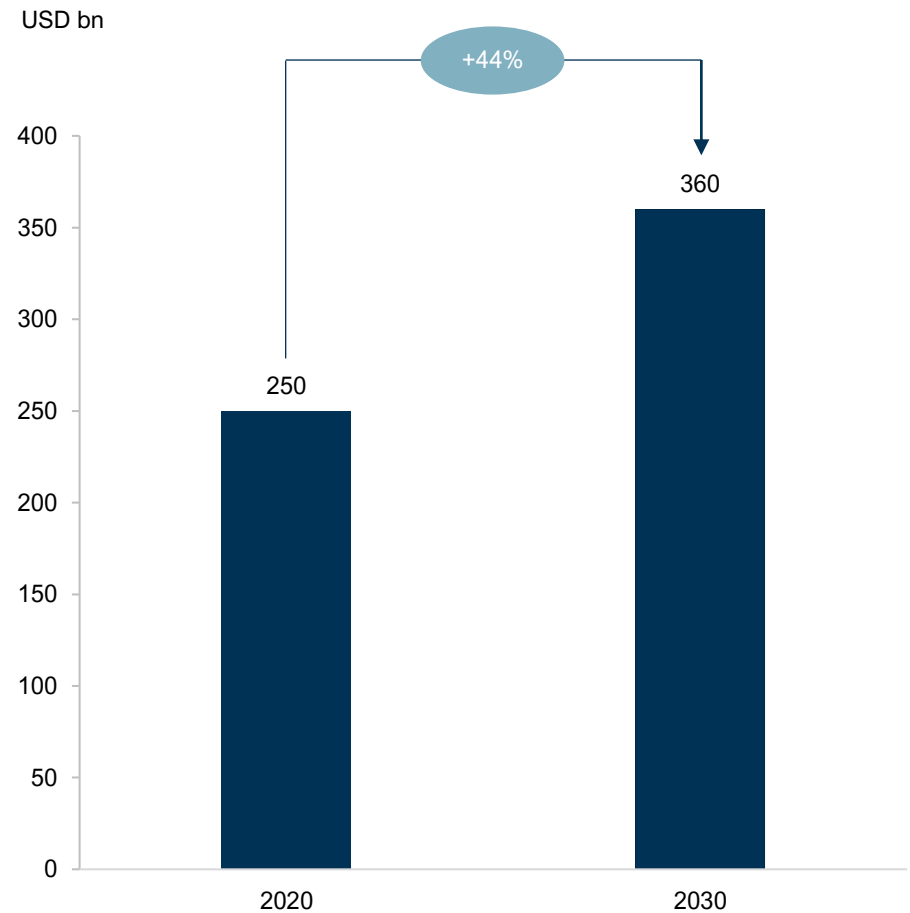
# Global power grid expenditures constitute a large market

The existing market is subjected to substantial organic growth

Capacity in interconnection queues at year-end '19 in US (GW)



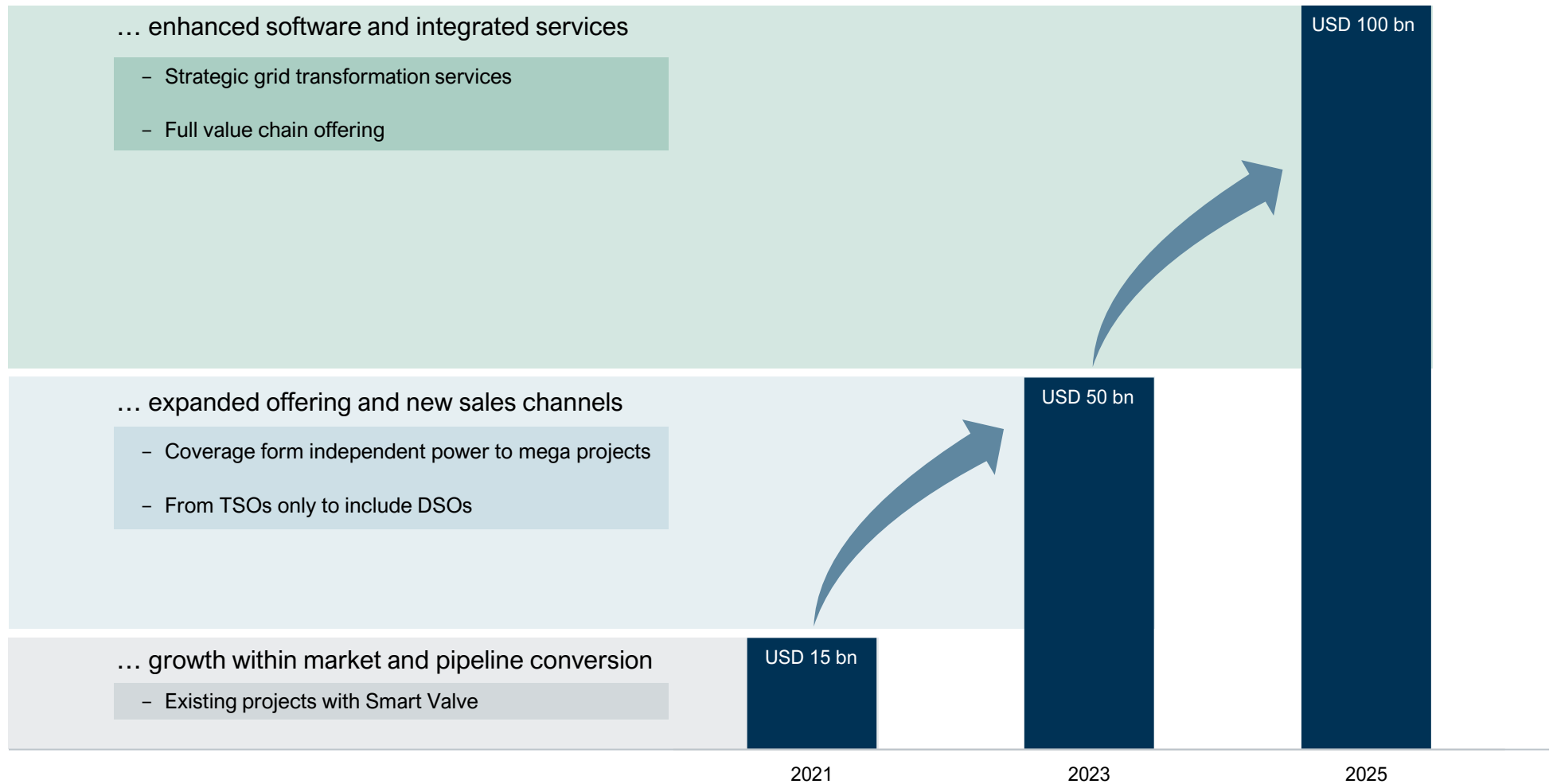
Global grid expenditures to grow by 44% the next decade



# Growth of addressable market

Vertical integration in addition to organic growth of existing market

Access to broader markets in the years to come through...



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## 3. Company overview

# Global leader in modular power flow control solutions

## Smart Wires in brief

Strong inhouse technical expertise and solid patent protection



Headquarters in Union City, California



Global presence with Offices in Dublin, Ireland, Athens, Greece, Sydney, Australia and Berlin, Germany



Tech team consisting of >250 industry-leading experts<sup>1</sup>



IP protection with ~140 patents granted, filed or in drafting



Partner with Powersoft Nineteen and the blue-chip Jabil



Proven ability with >2,400 device-years of field experience



Pipeline YE 2020 of USD ~2.0bn<sup>2</sup>



2021E revenues of USD ~50m



1) Includes external consultants, total headcount for Smart Wires amounts to 114

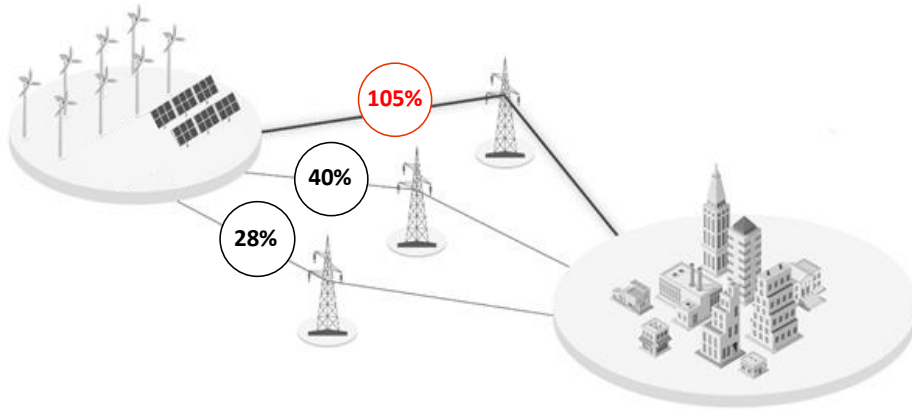
2) Total qualified pipeline & backlog

Source: Smart Wires, Pareto Securities Equity Research

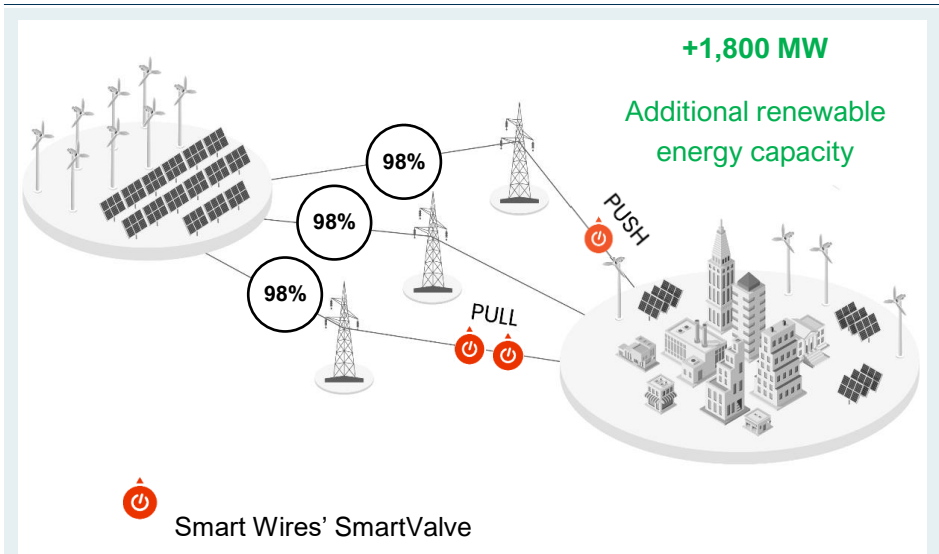
# Accelerating the energy transition by maximizing the grid's capacity

## Smart Wires' solution to the power grid challenge

### Before Smart Wires



### After Smart Wires

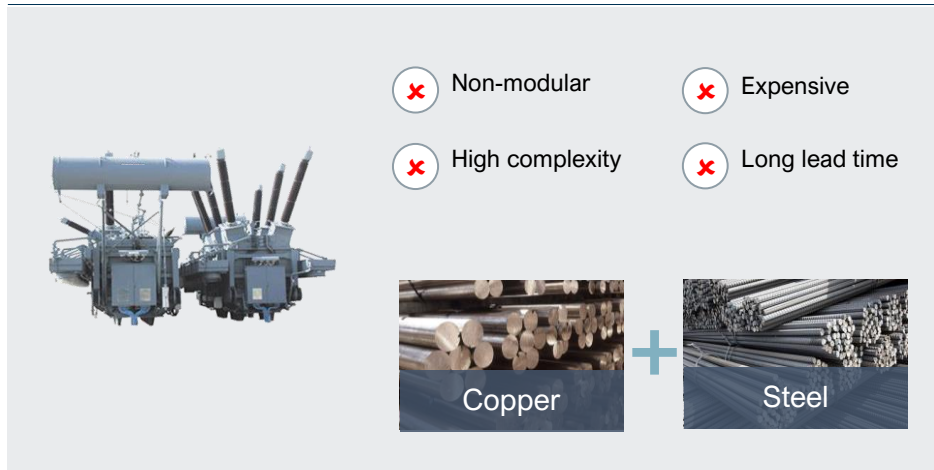


- ✓ Reducing renewables curtailment
- ✓ Reducing long and growing interconnection queues
- ✓ Reduced need for new expensive lines
- ✓ Reduced operational grid challenges

# Smart Wires increases capacity utilization effectively and cheap

Replaces 100-year old technology

## Legacy solution



20 years of building unique component integration IP

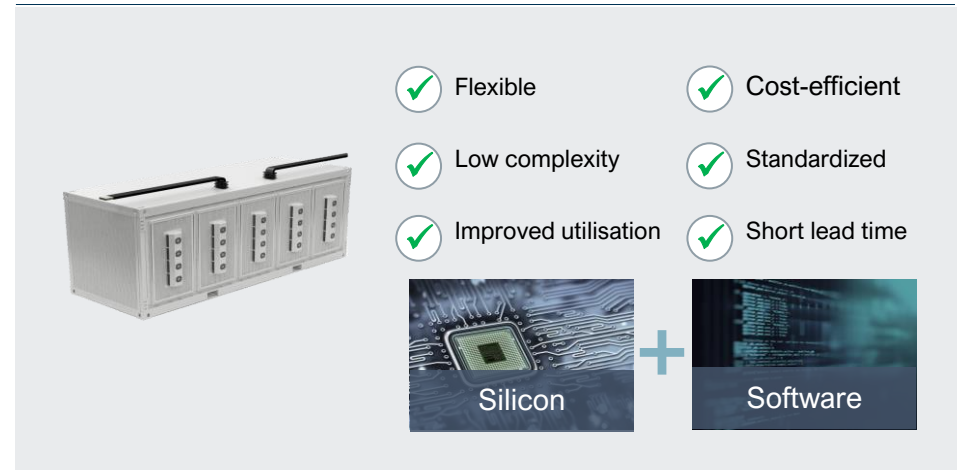
### Core IP:

- Protects the essence of a product design, critical mode of operation, or support system

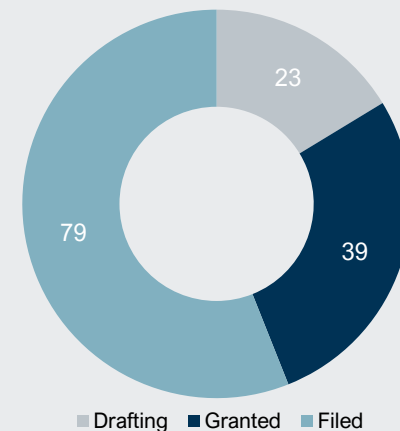
### Barrier IP:

- Prevents incumbent vendors such as Siemens, ABB, GE, etc. to immediately offer similar technologies in their product portfolio
- Trade secrets and inhouse developed software algorithms

## SmartValve value proposition



141 patent grants, filed or drafts → entry barriers for competitors



# Smart Wires technology is superior to the alternatives

Smart Wires offers lower costs, shorter lead time, less installation complexity, increased flexibility and is more efficient

	Smart Wires	New / upgraded line	Traditional power flow control	Other FACTS* devices
Average Project Cost	\$5 - 15 M	\$100 M+	\$20 – 100 M	\$10 – 50 M
Lead time	1 year	7 years	3 years	2 years
Installation complexity	Easy	Highly complex	Complex	Complex
Meet changing needs	Fully flexible	Fixed	Fixed	Fixed
Amount of power transfer increase per \$	Very high	Low	Medium	Medium

Source: Smart Wires, Pareto Securities Equity Research

\*FACTS: Flexible Alternating Current Transmission Systems



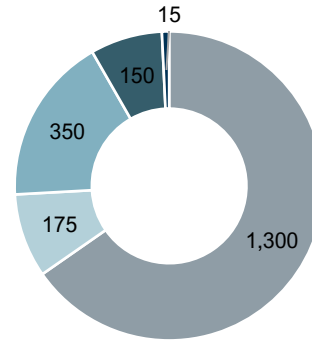
## Proof of technology mirrored in pipeline development

Smart Wires' technology is in use or being installed on live projects with 25+ grid operators on 4 continents

## Feasibility studies with industry majors



## YE 2020 Pipeline



■ Europe ■ Canada ■ Americas ■ Apac ■ Partnerships

## YE 2020 Pipeline

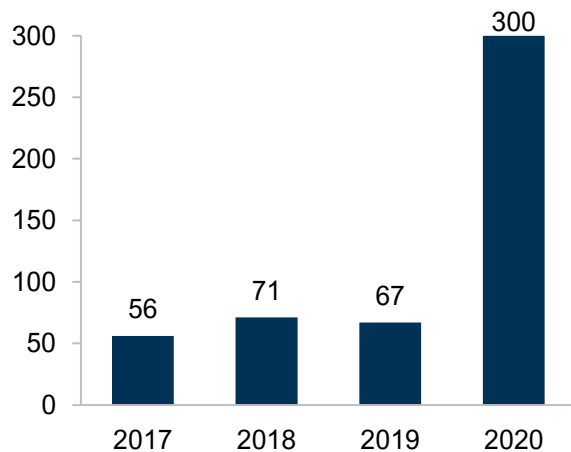


- Large market pull for Smart Wires' technology

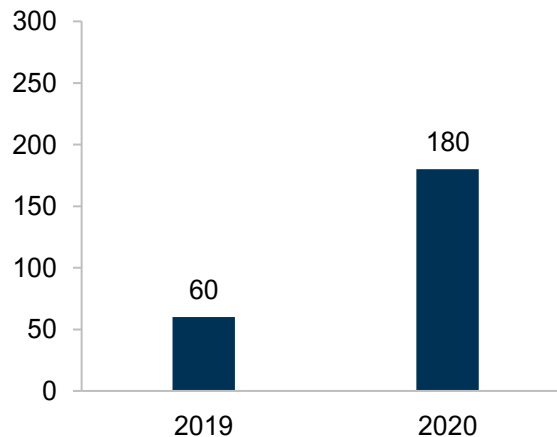


- Decade of technology assurance and reference project success

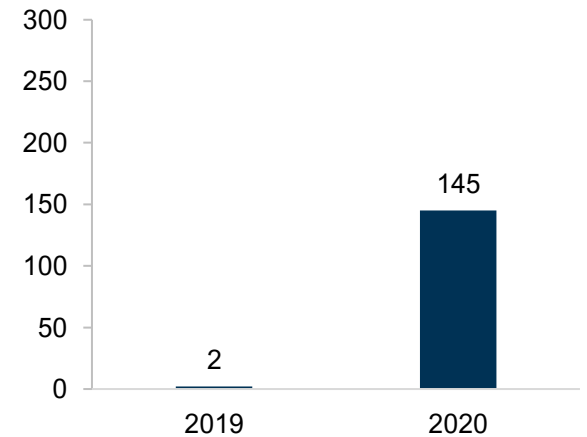
## Pipeline progress National Grid UK, USDm



## Pipeline progress AESO Canada, USDm



### Pipeline development in Germany, USDm



Source: Smart Wires, Pareto Securities Equity Research

# Demonstrated success with highly innovative technology

Other alternatives were too expensive, infeasible in the timeframe required or technically incapable

## Smart Wires preferred over multiple PST's

### 1.5 GW

Boundary capacity added to system

### 10s of GW

Available for future deployments to unlock

### GBP 387 million

Saved for UK consumers

### \$100 million +

Potential revenue stream following successful project

Enables Scottish wind to reach large London load.



## Smart Wires preferred over line upgrade

### 270 MW

Transfer capacity released

### +USD 20m

Saved for Australian consumers

### National Park

Avoids upgrading line through National Park

### \$50 million +

Potential revenue to further boost transfer capacity

Allows coal plant to shut down without risking Sydney's power supply



## Smart Wires preferred over line upgrade

### 160 MW

Transfer capacity released

### +USD 10m

Saved for New York consumers

### Technically Superior

Series compensation without SSR, smaller substation footprint, simpler system integration

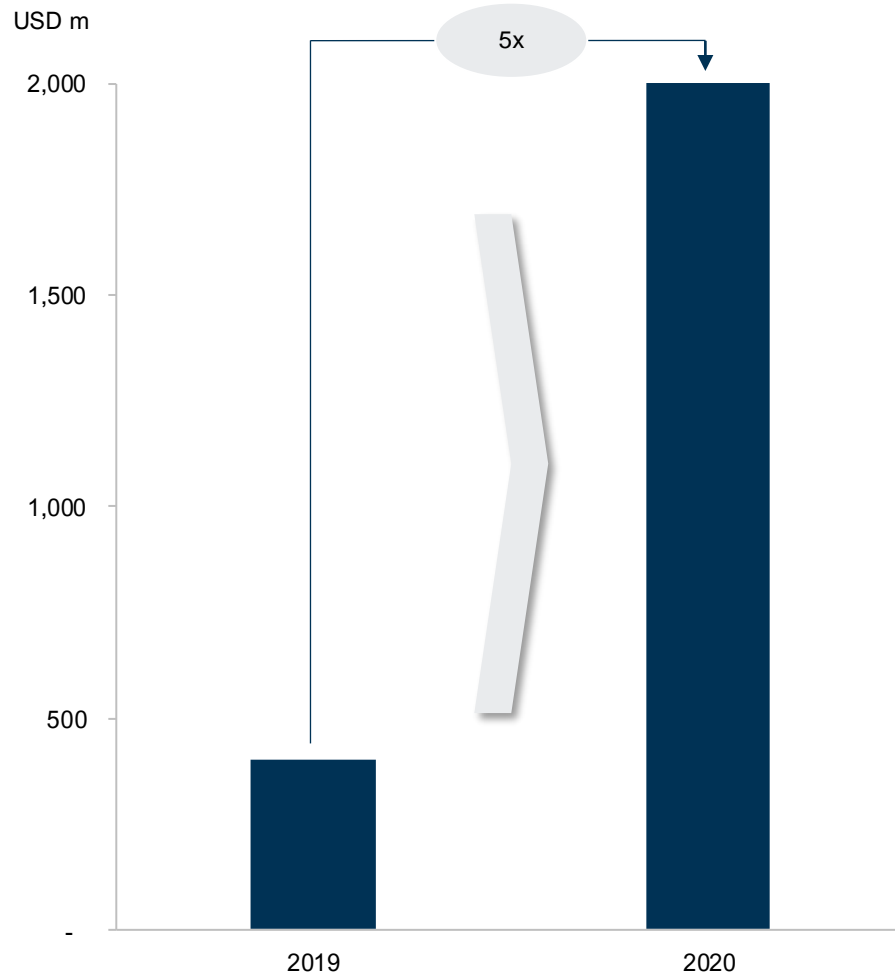
Facilitate upstate-downstate power flows and reduce cost of energy for NYC.



# The pipeline soared last year and now stands at USD ~2bn

Strategic studies turned in to quality pipeline

## Pipeline growing rapidly



## Project pipeline towards the most respected utilities globally



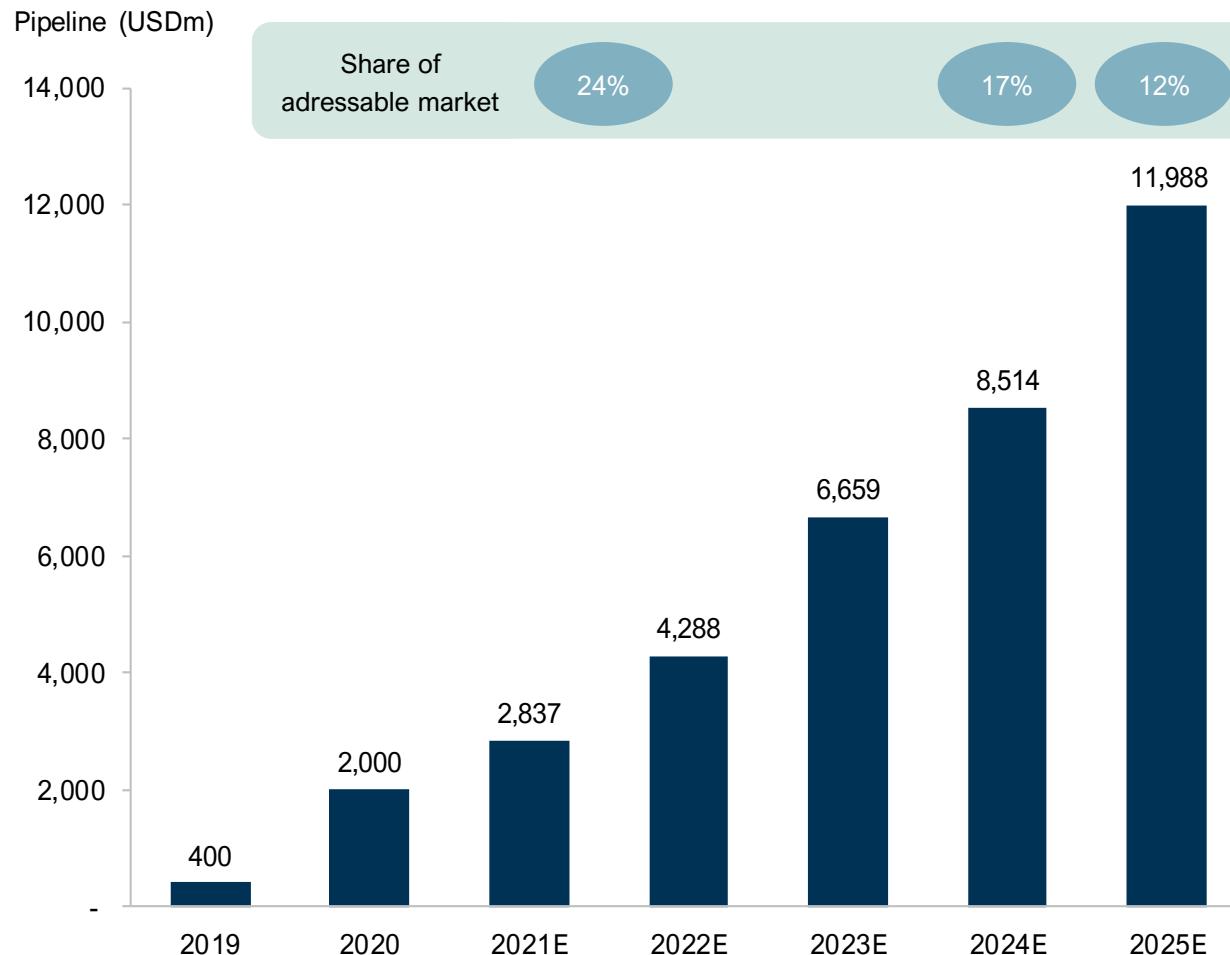
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## 4. Financials & Estimates

# Smart Wires to capitalise on favourable market

Substantial pipeline growth expected – reaching USD ~12bn in 2025E

## Pipeline trajectory

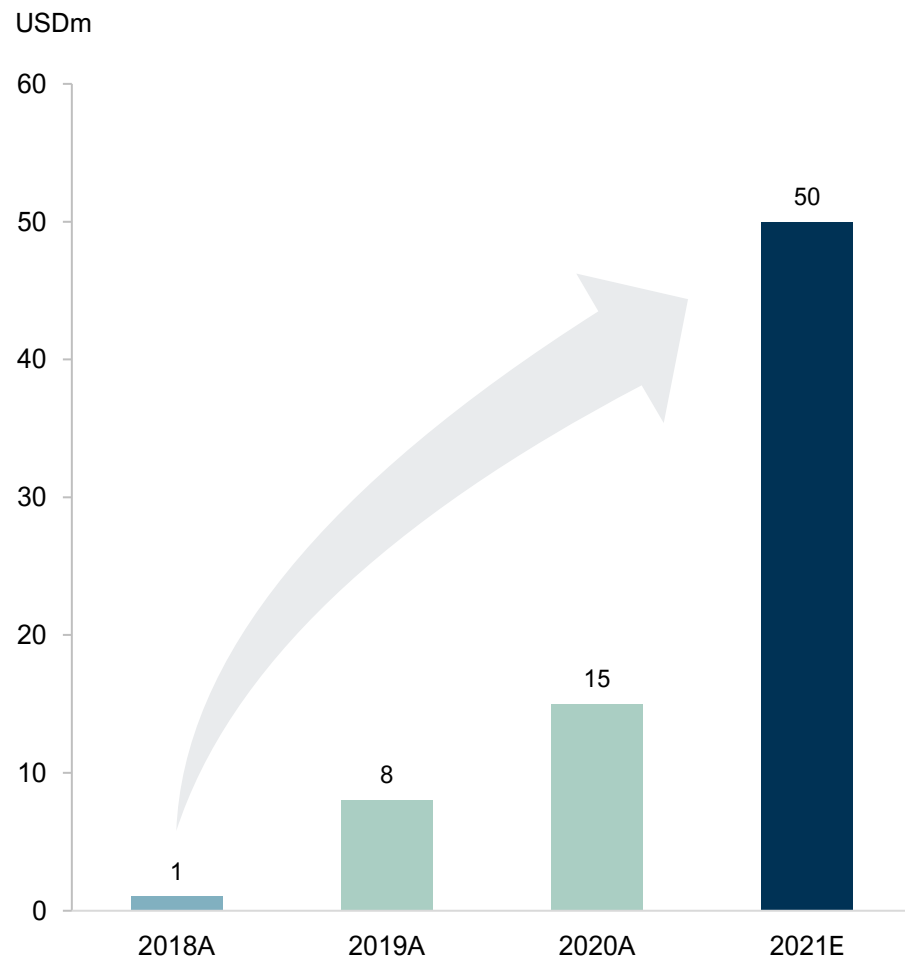


- Smart Wires has already experienced a large step-up in its pipeline (qualified leads)
- Growth over the last year driven by investment in sales team, conversion of pilot installations and larger renewables based utilities pulling for smart solutions
- Pipeline estimate for 2025E based on addressable market growth
  - Rational approach in our view with a declining pipeline share of total addressable market as the company expands into new parts of the grid investment pool with new offerings
- Growth enabled through:
  - Increasing penetration in existing regions
  - Establishing new regions
  - Expanding sales channels

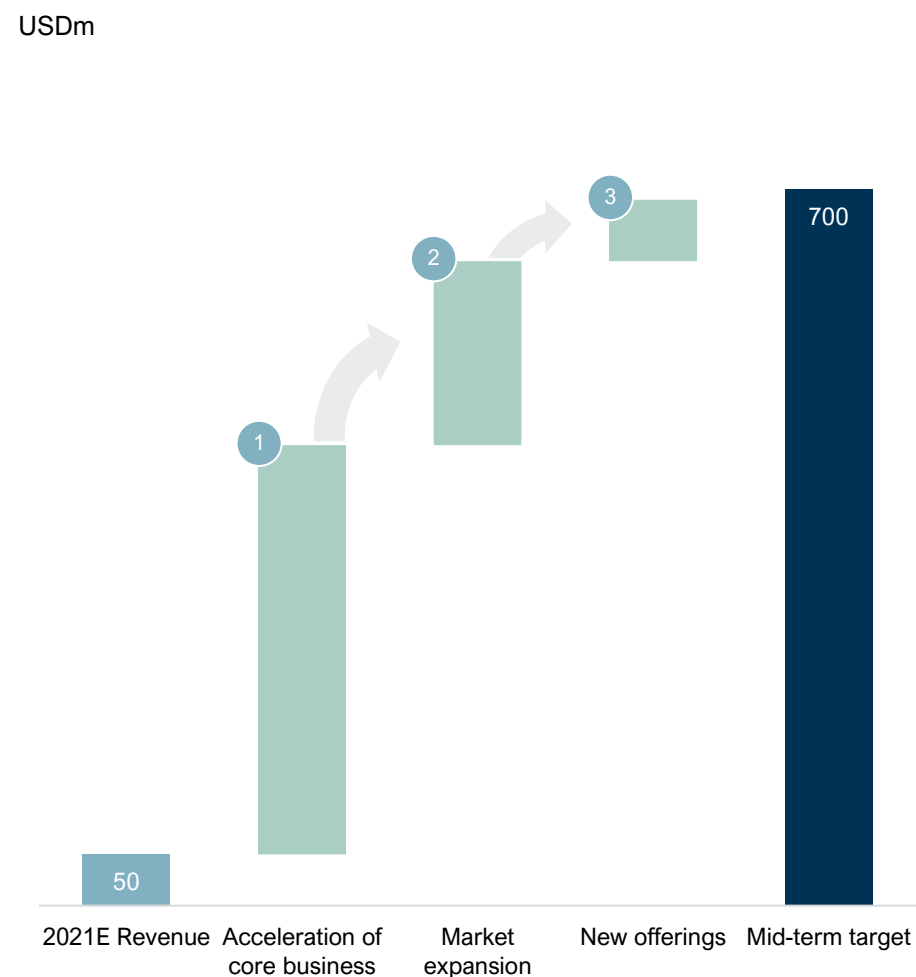
# Smart Wires has a scalable platform for growth

From feasibility studies and small scale production to large region projects

## Strong visibility on 2021 revenues



## Path towards a USD 700m top-line

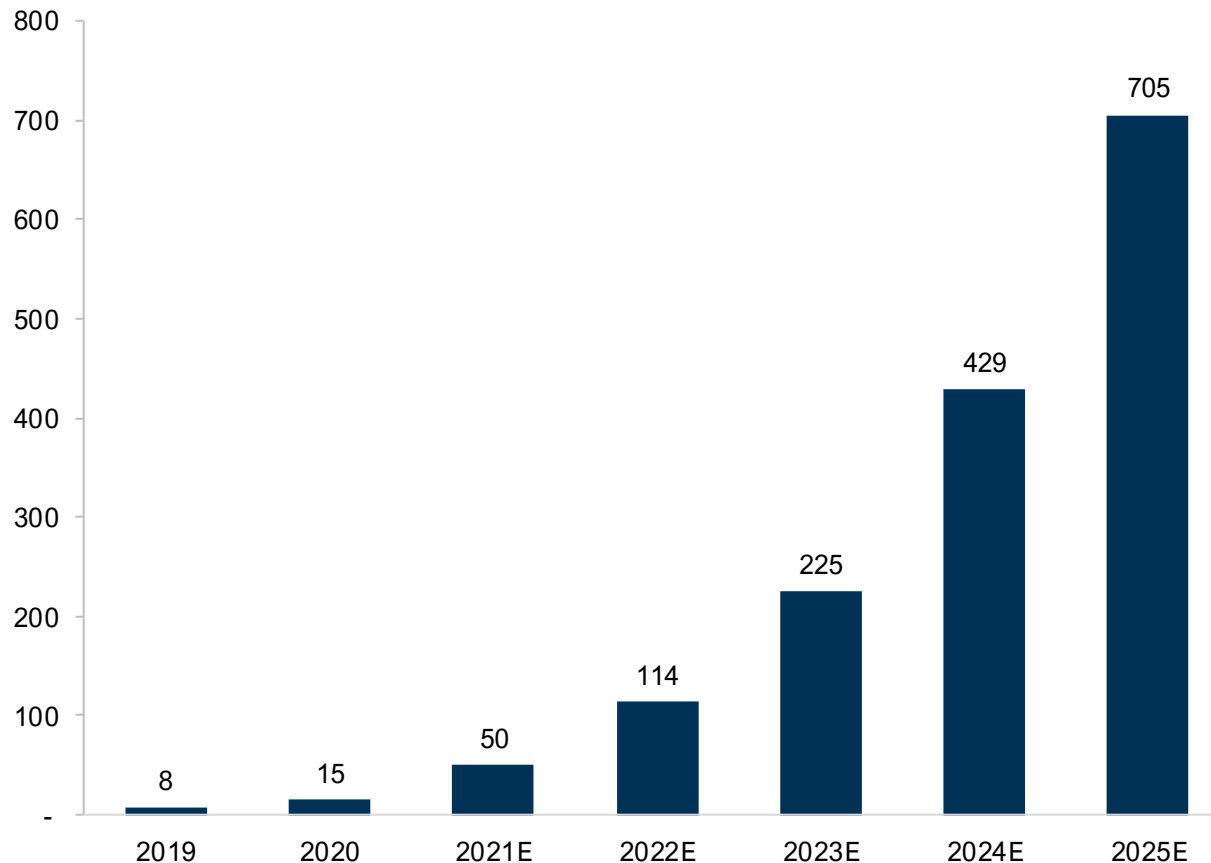


# Revenues expected to reach USD 700m in 2025E

Growth in project scale and number of customers to drive growth

## Revenue development through 2025E

Revenues (USDm)

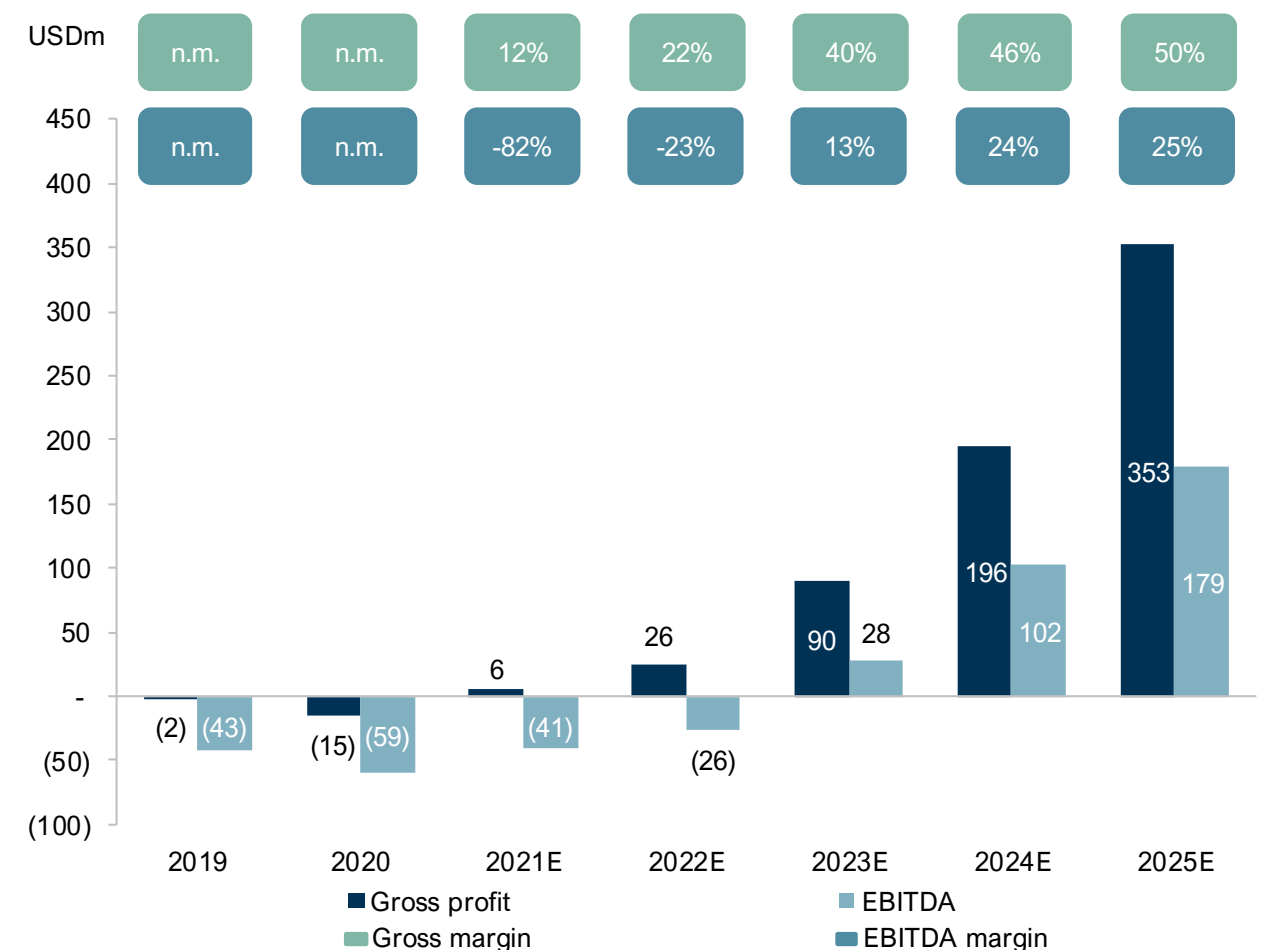


- Step change in revenue from 2019 driven by the launch of SmartValve in H2 2019 and consequently a large growth in pipeline
- Strong revenue visibility into 2021E supported by revenue from existing deployments and contracts for new products to be delivered
- Revenues beyond 2021E largely mirrors the growing pipeline, translation into backlog and backlog release
- Trajectory represents a 115% sales CAGR in 2020-2025E

# Operational leverage and BoM savings to drive earnings growth

We foresee EBITDA of USD 179m in 2025E

## Gross profit and EBITDA development



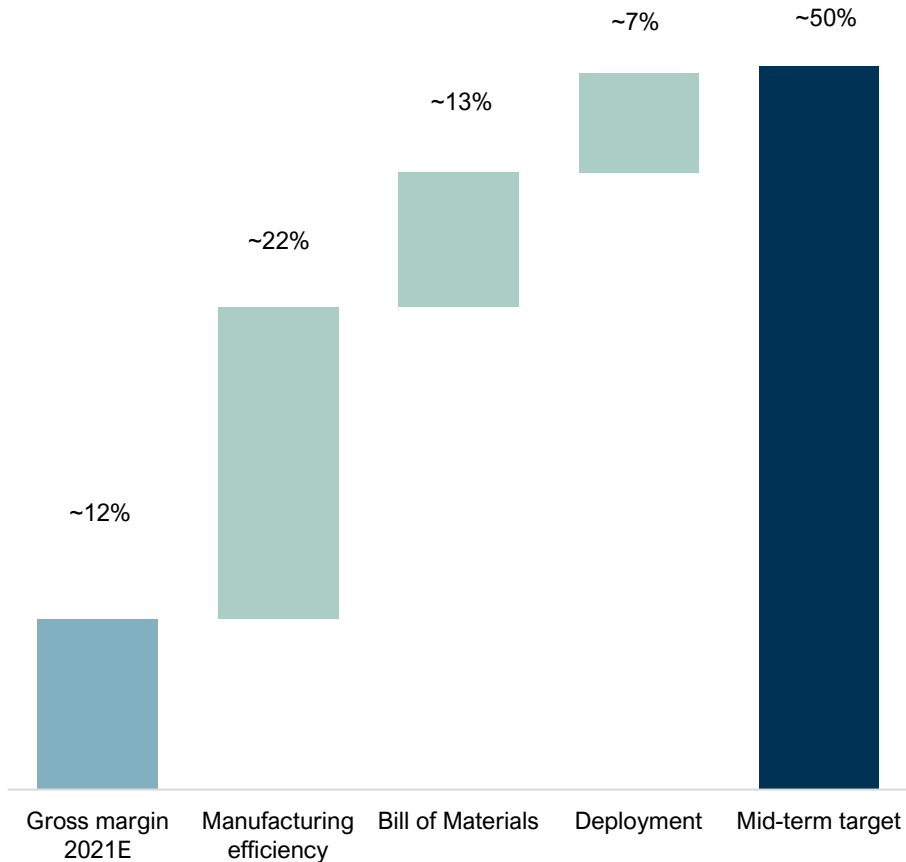
- Smart Wires targets 50% gross margin and 25% EBITDA margin in 2025E
- The steep revenue growth and increased manufacturing efficiency will be the key drivers for the earnings growth
- Significant savings on input materials (Bill of Materials) are also expected with simplified designs and scale
- Margin expansion also helped by price optimisation with «pricing-to-value» for customers
- Opex items mainly relates to expensed R&D and sales efforts
- Please find the full financial overview on page 36 in the appendix



# Breakdown of the margin expansion

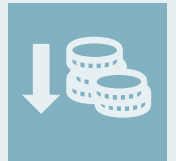
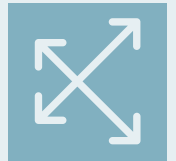
Majority of expansion comes as a result of expansion

Targeting approximately 50% gross margins at scale



Gross margin expansion driven by...

- Strong operating leverage as production scales
- BoM cost savings with simplified designs
- Price expansion potential



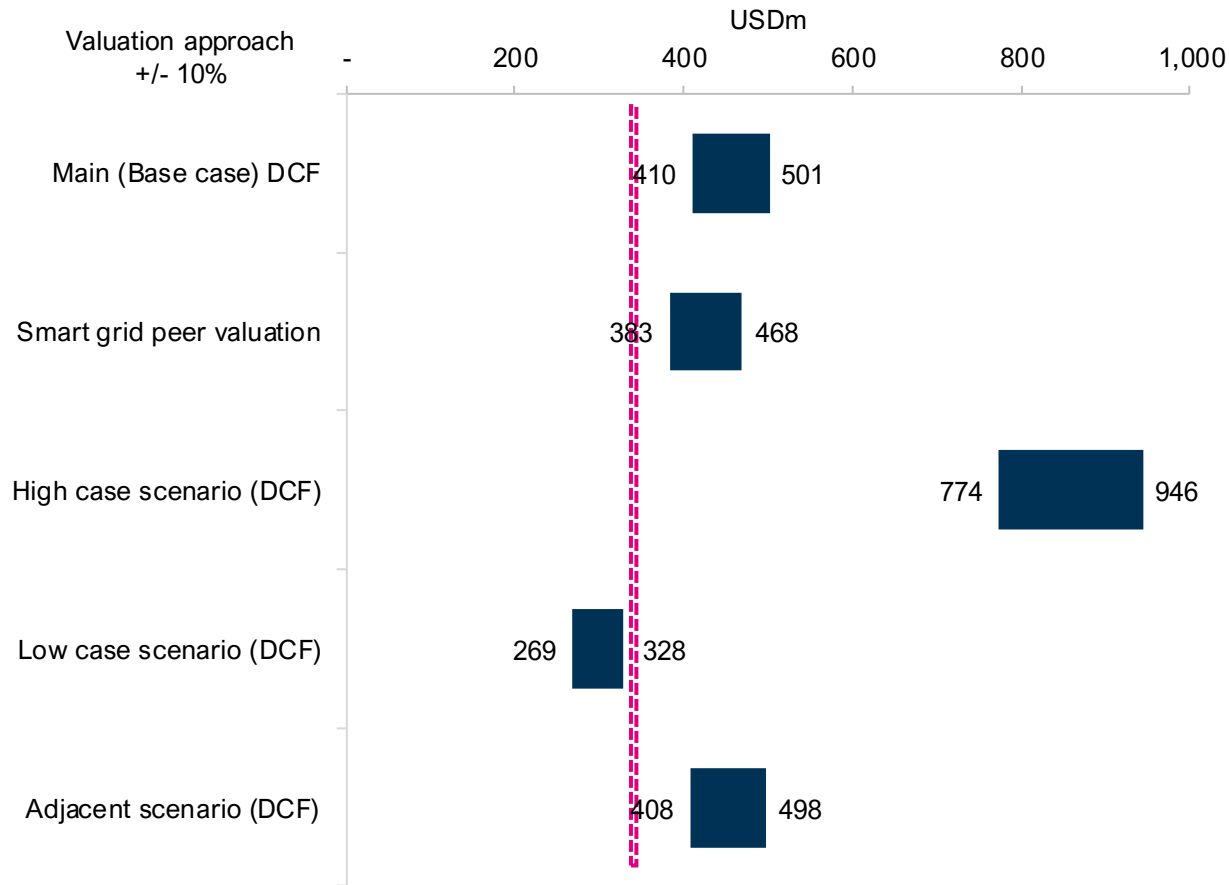
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## 5. Valuation

# Pre-money equity value of USD 350m

Large upside potential through de-risking the forecasted pipeline growth

## Valuation approaches



- Our main approach is a DCF model (see page 31 for further details)
- The pre-money equity range is heavily risked through a WACC of 19% (20% ERP\*). High ERP to reflect:
  - The relatively new technology
  - Uncertainty on future pipeline
  - Primarily pilot projects operational
  - Current investment need to grow (NWC)
- The peer group showcased consists of companies with grid technology products but none as smart or with the same growth as Smart Wires'
  - Applying a Nordic renewable capital goods (cleantech) peer group indicate fair value of USD ~1,000m
  - Please see full peer list on page 40
- Pre-money value imply ~1.3x invested capital (1.9x post-money)
- Please see page 37-39 in the Appendix for details on scenarios

# DCF appropriate to capture growth, equity risk and future profits

Fair value of USD ~460m using a WACC of 19%

## Base case DCF approach

DCF (USDm)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Revenues	50	114	225	429	705	903	1,179	1,339	1,514	1,652	
Gross profit	6	26	90	196	353	452	590	669	757	826	
EBITDA	(41)	(26)	28	102	179	226	295	335	378	413	
NWC change	(7)	(5)	(15)	(41)	(59)	(37)	(51)	(42)	(36)	(24)	
Total capex	(3)	(7)	(14)	(26)	(42)	(54)	(71)	(80)	(91)	(99)	
<b>FCF</b>	<b>(50)</b>	<b>(36)</b>	<b>1</b>	<b>24</b>	<b>43</b>	<b>92</b>	<b>118</b>	<b>152</b>	<b>184</b>	<b>219</b>	<b>1,782</b>
NPV FCF	(42)	(26)	1	12	18	33	36	39	40	40	322

Input		Output (USDm)	
TV growth	2 %	NPV '21-'30	150
WACC	19 %	NPV TV	322
NWC/sales	20 %	<b>Fair EV</b>	<b>472</b>
Capex/sales	6 %	Net debt (cash) 2020E	14
		<b>Fair equity value</b>	<b>458</b>

Fair equity value sensitivity (USDm)		WACC (%)				
		15 %	17 %	19 %	21 %	23 %
TV growth (%)	1.0 %	753	571	440	343	269
	1.5 %	773	585	449	349	273
	2.0 %	796	599	458	355	277
	2.5 %	820	614	468	362	282
	3.0 %	846	630	478	369	287

WACC calculation	
<b>Risk free rate:</b>	<b>1 %</b>
<b>Levered beta:</b>	<b>0.88</b>
Based on industry asset betas in the following industries:	
- Semiconductor	
- Green & renewable energy	
- Environmental services	
- Engineering / construction	
<b>Equity risk premium:</b>	<b>20 %</b>
Cost of equity:	19 %
<b>WACC:</b>	<b>19 %</b>

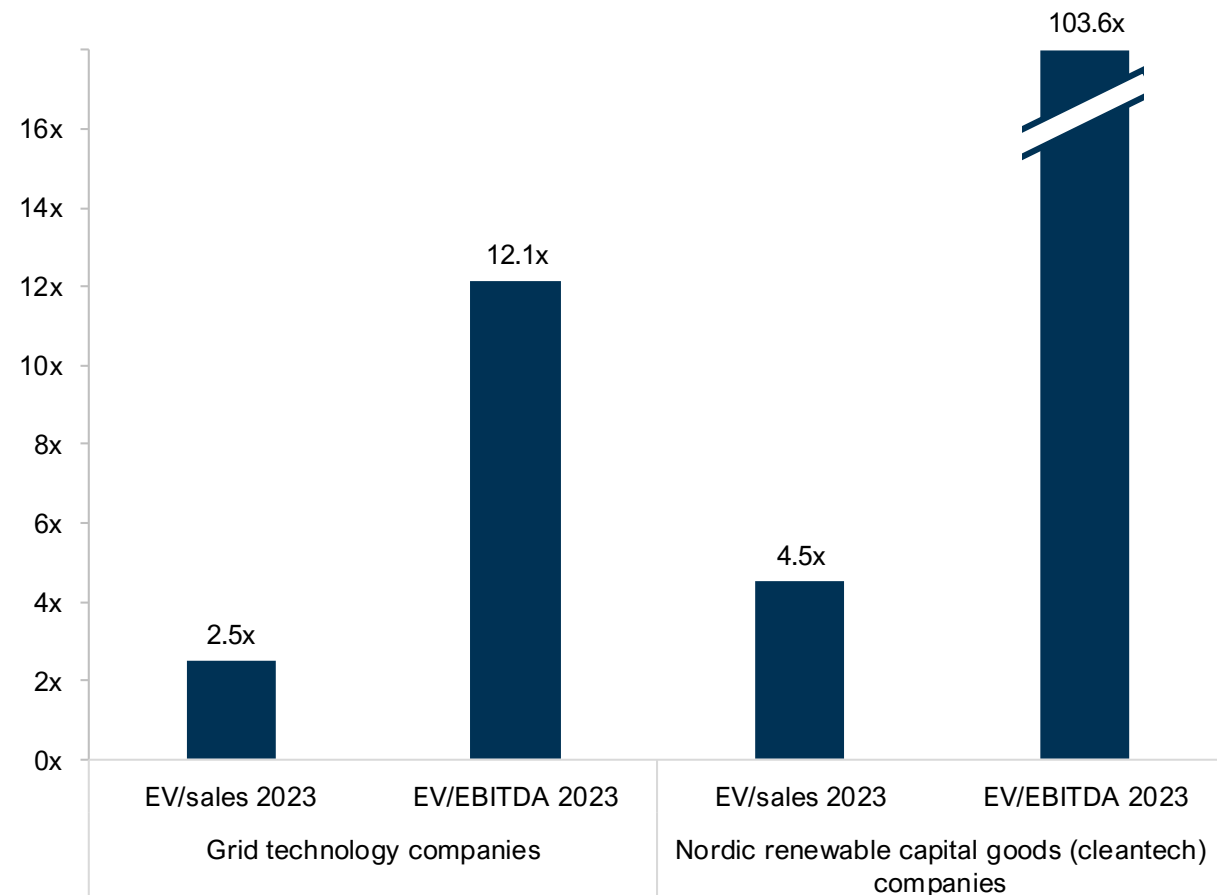
- P&L, working capital and capex forecast based on company targets
- WACC of ~19% is based on:
  - Reflecting asset beta in relevant sectors, levered to fit Smart Wires
  - Equity risk premium of 20% based on:
    - The relatively new technology
    - Uncertainty on future pipeline
    - Primarily reference and pilot projects operational at present
    - Current investment need to fund growth (working capital)
- Highly sensitive to changes in WACC
- We believe de-risking is natural with:
  - New projects and pipeline growth
  - Proof of concept from larger installations
  - Higher pipeline-to-backlog conversion
  - Growing vRES share in energy mix
  - Growth in grid expenditure forecasts and interconnection queues and grid congestion incidents

# Cleantech companies receiving high pricing in the marketplace

Given Smart Wires' growth profile it would likely be compared closer to Nordic cleantech peers over time

## Peer group trading multiples

Multiple (x)



## Peer group sales growth figures

Grid technology companies'  
revenue CAGR 2020-2023E

Clean average: 8%  
Size weighted average: 3%

Nordic cleantech companies'  
revenue CAGR 2020-2023E

Clean average: 129%  
Size weighted average: 23%

Smart Wires  
revenue CAGR 2020-2023E

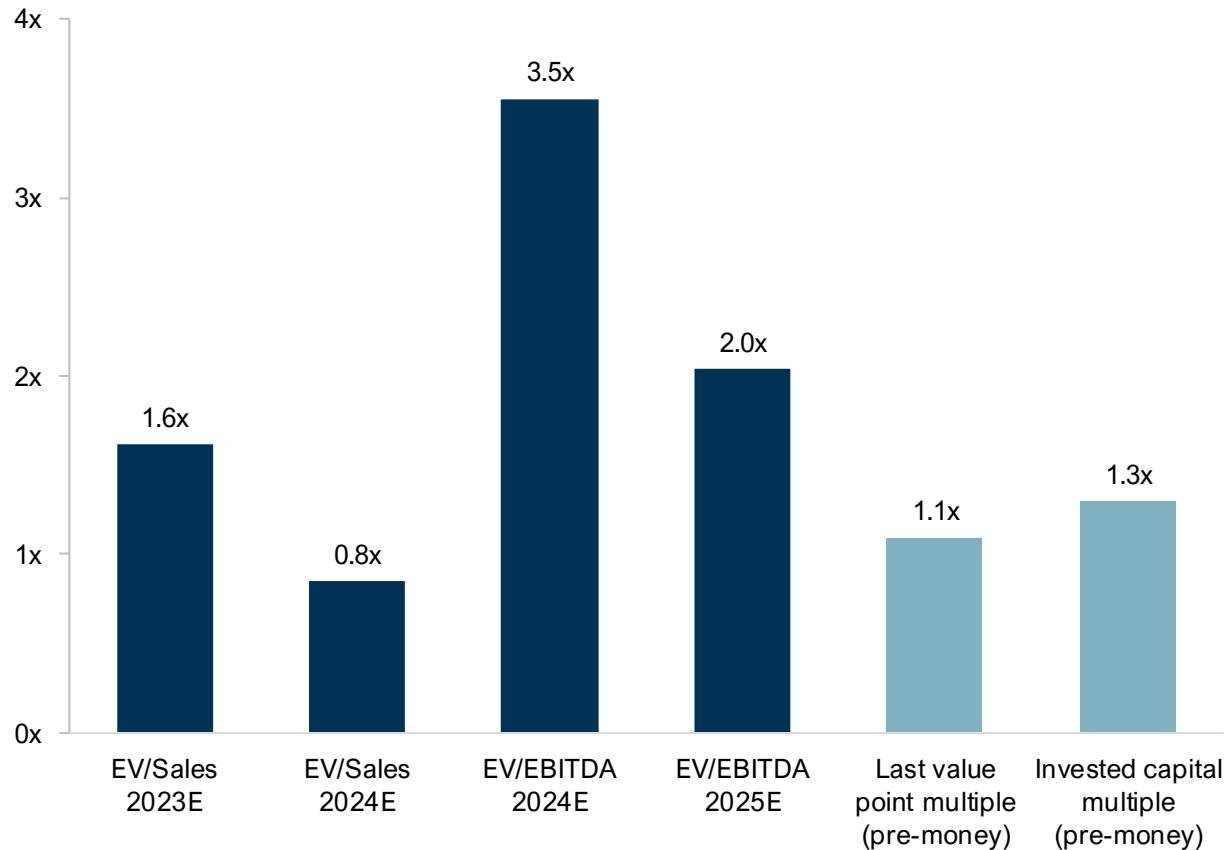
144%

# Screening multiples given our fair pre-money equity value

Undemanding pricing compared to invested capital given the 5x pipeline expansion over the last year

## Screening multiples

Multiple (x)



- Last funding series valued Smart Wires at USD ~320m
- Total invested capital of USD ~270m
- Pre-money value of USD 350m indicate ~1.3x multiple on invested capital (1.9x post-money) and ~1.1x multiple on the last funding series value point (1.6x post-money)
- Since last value point, Smart Wires have:
  - Increased its pipeline from USD 400m to USD 2bn
  - Successfully completed strategic studies and demonstrated reference projects

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# Appendix

# Management team

Team with renewables, utility & technology expertise

Peter Wells – CEO (2021)



Accomplished executive with three decades of global experience. Previously CEO of Onshore Wind for Europe & Sub-Saharan Africa for General Electric



Evan Geisert – CFO (2019)



15 years of finance and strategy experience across the utility and aerospace sectors. Previously Director of the Transmission Line Department at PG&E.



Haroon Inam – CTO (2014)



Three decades experience in tech and product development across utilities, industrials and aerospace. Experienced inventor and innovator for large corporations and startups



Michael Walsh – CCO (2016)



Previously Director of Future Grids at EirGrid and former Chief Executive of the Irish Wind Energy Association . Former member of ENTSO-E's System Development Committee.



Frank Kreikebaum – SVP Products & Solutions (2013)



15 years of finance and strategy experience across the utility and aerospace sectors. Previously Director of the Transmission Line Department at PG&E.



Alexandra Pressman - General Counsel (2016)



Diversified experience across the public and private sector. Fenwick & West and Senior Program Manager for the White House Council on Environmental Quality.





# Estimates

## Estimates

	Unit	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
<u>Income statement</u>									
<b>Revenues</b>	<b>USDm</b>	<b>1</b>	<b>8</b>	<b>15</b>	<b>50</b>	<b>114</b>	<b>225</b>	<b>429</b>	<b>705</b>
Gross profit	"	(0)	(2)	(15)	6	26	90	196	353
<b>EBITDA</b>	<b>"</b>	<b>(36)</b>	<b>(43)</b>	<b>(59)</b>	<b>(41)</b>	<b>(26)</b>	<b>28</b>	<b>102</b>	<b>179</b>
EBIT	"	(37)	(43)	(61)	(41)	(27)	27	99	173
Pre-tax profit	"	(41)	(75)	(64)	(41)	(26)	27	100	174
Net profit	"	(41)	(75)	(64)	(33)	(21)	22	79	137
<u>Other key figures</u>									
Pipeline (EoP)	USDm	-	400	2,000	2,837	4,288	6,659	8,514	11,988
Backlog (EoP)	"	-	-	44	86	235	516	897	1,341
NWC change	USDm	(1)	19	(4)	(7)	(5)	(15)	(41)	(59)
Cash flow from operations	"	(37)	(45)	(67)	(48)	(30)	14	50	84
Capex	"	(1)	(3)	(2)	(3)	(7)	(14)	(26)	(42)
<b>FCF</b>	<b>"</b>	<b>(38)</b>	<b>(48)</b>	<b>(69)</b>	<b>(50)</b>	<b>(37)</b>	<b>1</b>	<b>24</b>	<b>42</b>
Cash (EoP)	"	5	29	10	75	38	39	63	105
<u>Key ratios</u>									
Revenue growth y/y	%		684 %	90 %	224 %	128 %	97 %	91 %	64 %
Gross margin	"	n.m.	n.m.	n.m.	12 %	22 %	40 %	46 %	50 %
EBITDA margin	"	n.m.	n.m.	n.m.	-82 %	-23 %	13 %	24 %	25 %
Pipeline growth y/y	"		n.m.	400 %	42 %	51 %	55 %	28 %	41 %

# High case scenario

Indicating fair value of USD ~860m

High case DCF approach

Bull CDF (USDm)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Revenues	50	114	225	429	705	959	1,305	1,776	2,417	3,289	
Gross profit	6	26	90	196	353	480	653	888	1,209	1,644	
EBITDA	(41)	(26)	28	102	179	240	326	444	604	822	
NWC change	(7)	(5)	(15)	(41)	(59)	(51)	(69)	(94)	(128)	(174)	
Total capex	(3)	(7)	(14)	(26)	(42)	(54)	(71)	(80)	(91)	(99)	
<b>FCF</b>	<b>(50)</b>	<b>(37)</b>	<b>1</b>	<b>24</b>	<b>42</b>	<b>86</b>	<b>120</b>	<b>179</b>	<b>262</b>	<b>381</b>	<b>3,725</b>
NPV FCF	(42)	(26)	0	12	18	31	36	46	56	69	674

Input		Output (USDm)	
TV growth	2 %	NPV '21-'30	200
WACC	19 %	NPV TV	674
NWC/sales	20 %	<b>Fair EV</b>	<b>873</b>
Capex/sales	6 %	Net debt (cash) 2020E	14
		<b>Fair equity value</b>	<b>860</b>

Fair equity value sensitivity (USDm)		WACC (%)				
		15 %	17 %	19 %	21 %	23 %
TV growth (%)	1.0 %	1,426	1,074	822	637	499
	1.5 %	1,470	1,101	840	650	508
	2.0 %	1,517	1,131	860	663	517
	2.5 %	1,568	1,163	880	677	526
	3.0 %	1,624	1,197	902	691	536

- In the high case scenario, revenues and earnings are similar to the base case scenario in 2021-25E but pipeline growth continues to USD 25bn until 2030E, with total revenues generated in 2026-30E 1.5x the base case
- Same margins as in the base case scenario but working capital requirements are lifted to support the higher revenues

# Adjacent scenario

A slightly different scenario to the base case which yields a fairly similar fair equity value at USD ~450m

## Adjacent DCF approach

Adjacent DCF	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Pipeline YE	2,500	3,350	4,200	5,050	5,900	6,750	7,600	8,450	9,300	10,150	
Revenues	50	114	333	613	783	953	1,123	1,293	1,463	1,633	
Gross profit	6	26	134	280	392	477	562	647	732	817	
EBITDA	(41)	(26)	40	147	196	238	281	323	366	408	
NWC change	(7)	(5)	(44)	(56)	(34)	(34)	(34)	(34)	(34)	(34)	
Total capex	(3)	(7)	(14)	(26)	(42)	(54)	(71)	(80)	(91)	(99)	
<b>FCF</b>	<b>(50)</b>	<b>(37)</b>	<b>(25)</b>	<b>35</b>	<b>79</b>	<b>102</b>	<b>119</b>	<b>144</b>	<b>168</b>	<b>194</b>	<b>1,762</b>
NPV FCF	(42)	(26)	(15)	18	34	36	36	37	36	35	319

Input		Output (USDm)	
TV growth	2 %	NPV '21-'30	148
WACC	19 %	NPV TV	319
NWC/sales	20 %	<b>Fair EV</b>	<b>467</b>
Capex/sales	6 %	Net debt (cash) 2020E	14
		<b>Fair equity value</b>	<b>453</b>

Fair equity value sensitivity (USDm)		WACC (%)				
		15 %	17 %	19 %	21 %	23 %
TV growth (%)	1.0 %	744	565	435	339	266
	1.5 %	764	578	444	345	270
	2.0 %	786	592	453	351	274
	2.5 %	810	607	463	357	278
	3.0 %	836	623	473	364	283

- In the adjacent scenario, the pipeline growth is lower than in the base case but the quality and translation pace is better meaning that conversion of pipeline to backlog is 25% each year from 2023E onwards (vs. ~14% in the base case)
- Margins are similar to the base case case
- NWC movements adjusted to reflect the altered revenue growth vs the base case

# Low case scenario

Indicating fair value of USD ~300m

## Low case DCF approach

Bear DCF (USDm)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Revenues	50	114	225	429	705	903	1,179	1,339	1,514	1,652	
Gross profit	6	26	90	196	282	361	472	536	605	661	
EBITDA	(41)	(26)	28	102	141	181	236	268	303	330	
NWC change	(7)	(5)	(15)	(41)	(59)	(37)	(51)	(42)	(36)	(24)	
Total capex	(3)	(7)	(14)	(26)	(42)	(54)	(71)	(80)	(91)	(99)	
<b>FCF</b>	<b>(50)</b>	<b>(37)</b>	<b>1</b>	<b>24</b>	<b>11</b>	<b>53</b>	<b>67</b>	<b>93</b>	<b>116</b>	<b>143</b>	<b>1,384</b>
NPV FCF	(42)	(26)	0	12	5	19	20	24	25	26	250

Input		Output (USDm)	
TV growth	2 %	NPV '21-'30	62
WACC	19 %	NPV TV	250
NWC/sales	20 %	<b>Fair EV</b>	<b>312</b>
Capex/sales	6 %	Net debt (cash) 2020E	14
		<b>Fair equity value</b>	<b>299</b>

Fair equity value sensitivity (USDm)		WACC (%)				
		15 %	17 %	19 %	21 %	23 %
TV growth (%)	1.0 %	517	382	285	214	161
	1.5 %	532	392	292	219	164
	2.0 %	549	402	299	223	167
	2.5 %	567	413	306	228	170
	3.0 %	586	425	313	233	174

- In the low case scenario, revenues are similar as in the base case scenario but margins are lower from 2025E onwards (20% EBITDA margins)
- Capex and working capital the same as in the base case scenario

# Peer list

## Peer overview

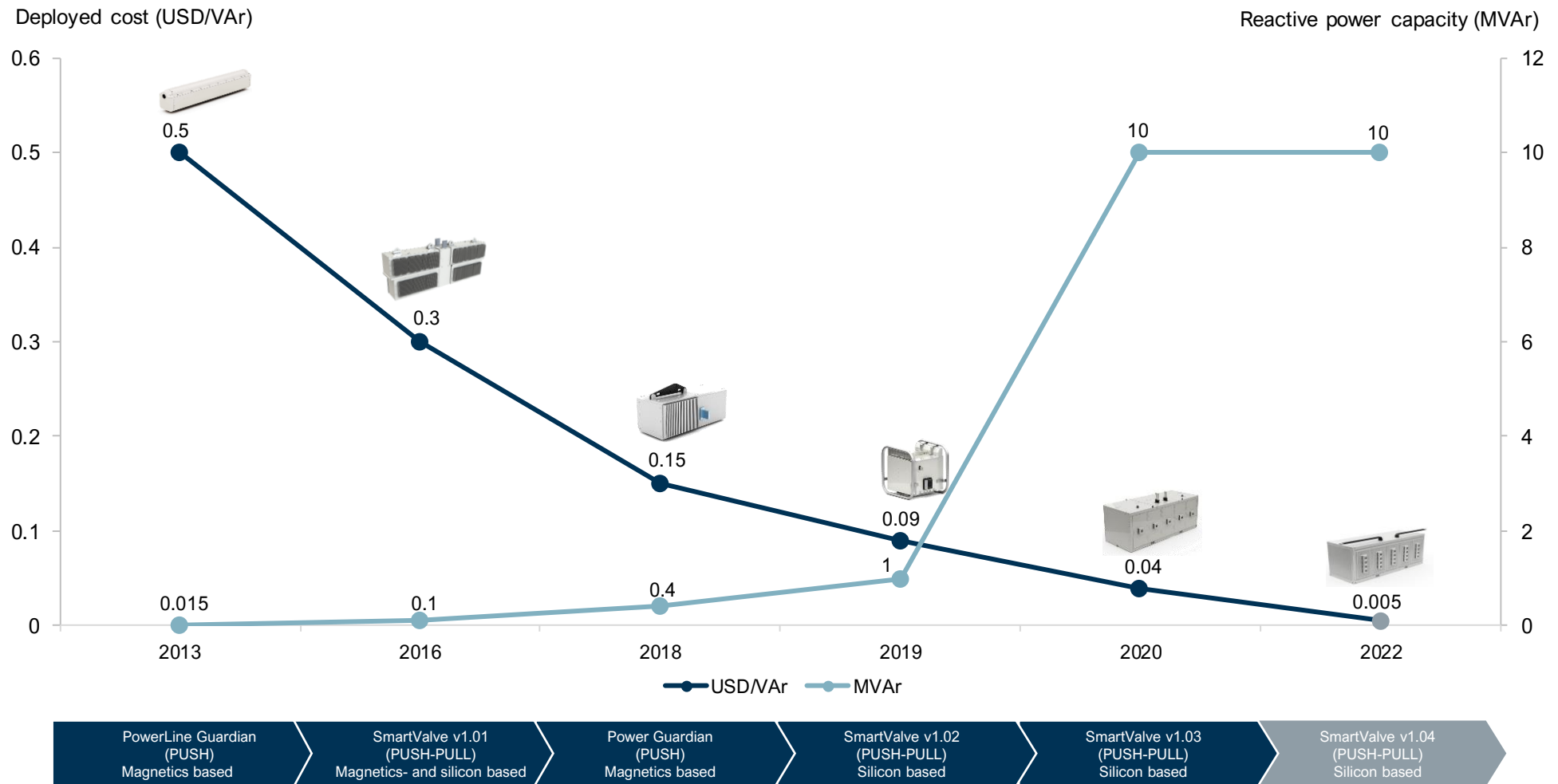
Company	Mcap USDm	EV/sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E (x)			Return (%)		
		2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	-1M	-3M	-1Y
Grid tehnolgy companies																
Volue ASA	825	6.2	5.3	4.5	28	22	17	41	30	23	59	43	33	(8)	(4)	
Schneider Electric SE	91,590	2.9	2.7	2.5	15	14	13	19	17	16	24	22	21	2	8	65
Siemens AG	142,859	2.5	2.3	2.2	16	14	12	23	18	16	21	19	17	(1)	5	91
Itron, Inc.	3,810	1.9	1.7	1.5	19	14	11	30	21	15	35	26	21	(10)	(13)	49
International Business Machines Corporation	129,757	2.3	2.2	2.2	9.7	9.4	9.0	15	14	13	13	12	11.2	7	21	25
Cisco Systems, Inc.	215,860	4.0	3.8	3.6	11	10.5	10.2	12	11	10.6	16	15	14	(2)	7	27
ABB Ltd.	72,695	2.7	2.5	2.4	17	15	14	22	18	16	25	21	19	6	22	78
Landis+Gyr Group AG	1,999	1.3	1.3	1.1	12	10.3	8.4	20	15	14	22	17	17	(7)	3	(1)
General Electric Company	115,966	1.7	1.5	1.3	18	12	9.3	25	16	11	54	25	17	(2)	16	114
American Superconductor Corporation	408													(20)	(40)	144
Willdan Group, Inc.	461										21	14		(15)	(30)	57
SolarEdge Technologies, Inc.	11,393	5.7	4.5	3.6	30	22	18	42	29	22	57	41	31	(18)	(29)	103
Median		2.6	2.4	2.3	16	14	12	22	18	15	24	21	18			
Average		3.1	2.8	2.5	18	14	12	25	19	16	31	23	20			
Nordic system technology providers (non-operators)																
TOMRA Systems ASA	7,051	5.8	5.3	4.6	27	25	20	41	36	30	57	50	41	8	0	17
Vow ASA	534	6.7	3.8	3.6	57	26	21	79	29	23	108	37	28	(12)	(13)	83
NEL ASA	3,391	26	17	11			440							(23)	(41)	56
HydrogenPro AS	197	2.7	1.1	0.8	48	7	6	48	7	6	79	12	12	(32)	(59)	
Hexagon Composites ASA	1,195	2.7	2.3	1.8	98	35	25		250	58		145	87	(8)	(32)	75
Hexagon Purus ASA	1,213	27	14	6										(14)	(38)	
Zaptec AS	464	10	6.8	4.7	69	40	25	84	46	28	113	63	39	3	(17)	
Airthings ASA	204	4.0	2.9	2.1			48			104			217	(14)	(23)	
Aker Carbon Capture AS	1,084	34	12	5.2			244			434			697	4	(17)	
Ocean Sun AS	157													(13)	(49)	
TECO 2030 ASA	111													(19)	(3)	
Median		6.7	5.3	4.6	57	26	25	64	36	30	93	50	41			
Average		13	7.1	4.5	60	26	104	63	74	98	89	61	160			

Source: Factset, Pareto Securities Equity Research

Note: Updated as of 5 May 2021

# Smart Wires' patented technology incrementally improves

Smart Wires has patented every version of every product ever made – both the best and the second best solution is patented

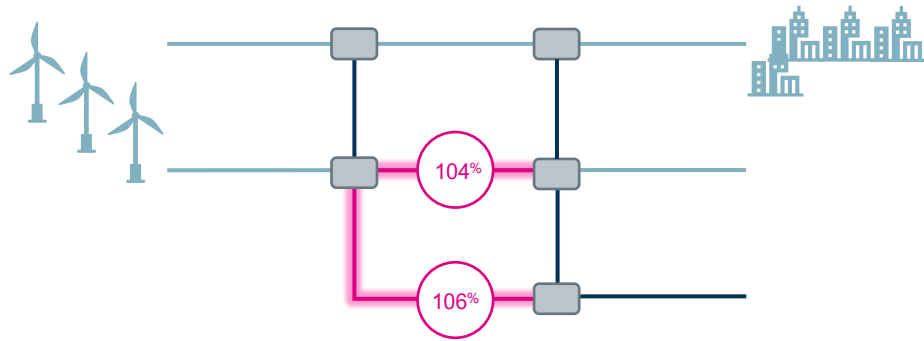


Source: Smart Wires, Pareto Securities Equity Research

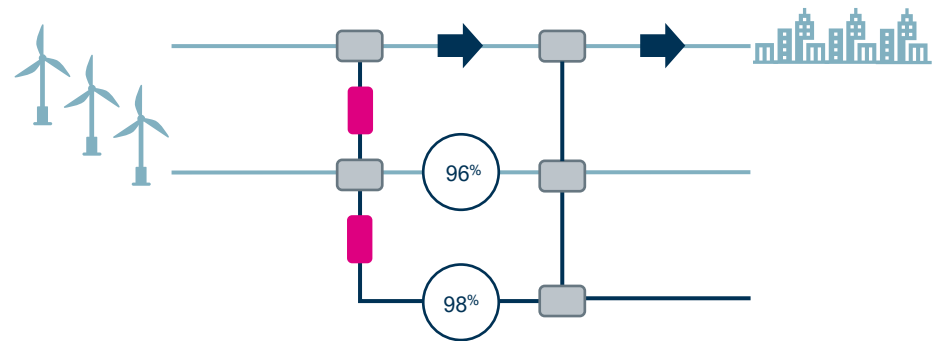
VAr (or MVA<sub>r</sub>) is (mega)volt-ampere, and measures reactive power. It is the same as real power in a DC circuit, but in AC, where voltage and electric current are not in phase, VA is less than regular power.

# Case study from May 2019 – The System transfer problem

## Challenge and Smart Wires solution



## Results for the customer

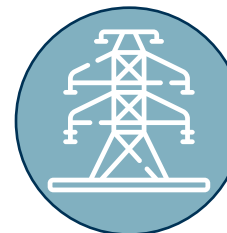


## Before Smart Wires

- Challenge
  - vRES and varying demand requires flexibility
  - Traditional reconductoring and phase shifting transformers are too timely and costly to provide enough flexibility
- Solution
  - Deployment of multiple small SmartValves
  - Better utilization of the existing grid maximizes capacity
  - Manages the utility's uncertainty
  - Can be deployed within a year and with minimal site disruption

## After Smart Wires

- Unlocked 1.5 GW of additional transfer capacity across three interregional boundaries
- More than USD 470m in cost savings compared to new circuits or traditional phase shifting transformers



+1.5 GW



-USD 470M

# What is SmartValve?

## Unique component integration IP

- A modular device that can be deployed and re-deployed
- The solution size of an installation is dynamic and can be scaled up or down, providing flexibility
- Its set-point can be changed frequently to actively manage power flows with no degradation in unit life
- The SmartValve is available with 1 MVar, 2 MVar, 5 MVar and 10 MVar ratings
- Uses power electronics to increase or decrease the reactance of a given circuit, for real-time control of power flow
- A modular, Static Synchronous Series Compensator (SSSC), meaning that Smart Valve injects a leading or lagging voltage in quadrature with the line current, providing the functionality of a series capacitor or series reactor respectively
- Unlike conventional series capacitors or reactors, the SmartValve can inject the voltage independently of the line current, thus increasing the ohmic injection when operated below the rated value.



Addressing short-duration and emergency needs with rapidly deployable and easily re-deployable solutions



Accommodating changes in generation and load by deploying a fleet of units in weeks rather than years



Pushing power away from overloaded transmission facilities or pulling power onto underutilized facilities



Avoiding the use of precious substation space



Providing high uptime via a modular solution with no single point of failure



# World-class manufacturer partner

Jabil provides integrated and tailored design, manufacturing, supply chain and product management services

A worldwide manufacturing solutions partner



A worldwide manufacturing services company

- Dedicated Smart Wires facility in St Petersburg, Florida to manufacture SmartValve
- Jabil brings world class capability in procurement, logistics, manufacturing, and quality control
- Flexible manufacturing capable of scaling across multiple geographies
- Ability to leverage Jabil's global footprint as Smart Wires grows
- Significant sourcing value proposition as Smart Wires grows



- **USD 6.2bn** market cap (NYSE: JBL)
- **USD 27bn** revenue (2020)
- **260,00** employees
- **100** production facilities
- **29** countries

# Board of directors

## Board of directors

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**Tom Voss**

*Chairman*



**Peter Wells**

*Board member & CEO*



**Mark Lewis**

*Board member*



**Nicholas Walrod**

*Board member*



**Jay Schmelter**

*Board member*



**Tony Arnerich**

*Board member*



**Dr. Steven Specker**

*Board member*



**Christopher Bass**

*Board member*

# Largest shareholders

Pro-forma shareholder overview at IPO	# shares <sup>1</sup>	% shares <sup>1</sup>
Lime Rock New Energy L.P.	233,428,256	32.12 %
3x5 Partners Funds	190,980,403	26.28 %
FW Smart Wires Investors, LLC.	162,336,724	22.33 %
Smart Wires Investors, LLC.	63,443,230	8.73 %
Blue Torch <sup>2</sup>	15,422,862	2.12 %
THC Ventures 3, LLC.	8,083,842	1.11 %
Others	53,153,551	7.31 %
<b>Total</b>	<b>726,848,868</b>	<b>100.00 %</b>

Note:

1) Share count may change subject to pre money valuation

2) Blue Torch warrants assumed to be converted in connection with listing

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