

**EQUITY - SPAIN**

Sector: Electrical Equipment

Closing price: EUR 1.33 (8 Feb 2024)

Report date: 9 Feb 2024 (15:55h)

**12m 2023 Preliminary results**

Independent Equity Research

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 Opinion <sup>(1)</sup>: In line

 Impact <sup>(1)</sup>: We will maintain our estimates

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**Business description**

**Endurance Motive (END)**, is a small Spanish company based in Valencia, created in 2018 and specialised in the development and sale 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 59% of total shares.

**Market Data**

Market Cap (Mn EUR and USD)	12.9	13.8
EV (Mn EUR and USD) <sup>(2)</sup>	17.7	19.0
Shares Outstanding (Mn)	9.7	
-12m (Max/Med/Mín EUR)	2.82 / 1.74 / 1.05	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation <sup>(3)</sup>	57.8	
Factset / Bloomberg	END-ES / END SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%)**

Carlos Navarro	31.9
Andrés Muelas	26.6
Free Float	41.5

**Relative performance (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	-5Y
Absolute	-5.3	-24.0	-31.4	n.a.
vs Ibex 35	-2.4	-28.8	-36.1	n.a.
vs Ibex Small Cap Index	-1.3	-27.1	-25.5	n.a.
vs Eurostoxx 50	-9.9	-32.6	-38.7	n.a.
vs Sector benchmark <sup>(4)</sup>	-9.0	-38.9	-40.8	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Europe Electrical Products.

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

## FY 2023 earnings: good numbers, with substantial margin improvement

END has released its preliminary FY 2023, providing a breakdown of the main (unaudited) P&L items (excluding balance sheet figures). The figures were in line with expectations. The audited 2023 figures will be released April 2024 (when we will update its 2023 figures and our estimates for 2024e-2026e).

### END SUSTAINED HEADY GROWTH THROUGHOUT THE YEAR (REVENUE 2023: EUR 10.2MN; +68.7% VS 2022)...

END announced revenue for FY 2023e of approximately EUR 10.2Mn, in line with our estimates. The main revenue driver was the international business, with Mexico (opened in 4Q) contributing c.8% of the total. Overall, we expect revenue from outside Spain to represent c. 30% in 2023. Demand for LFP (lithium iron phosphate) batteries manufactured by END remained robust, while improvement in the supply chain paved the way for increased deliveries. 4Q revenue: EUR 2.9Mn (28% of the total for 2023e).

...THANKS TO ITS DIVERSIFIED PRODUCT MIX. Beyond the industrial sector (END's core business), the company filled its first order in the marine sector and in July delivered 640 motorbike batteries. It continued to broaden the product portfolio and grow the customer base (ensuring alternatives for its future growth).

### HUGE IMPROVEMENT IN GROSS MARGIN (GROSS MARGIN 2023: +16.6P.P. VS 2022)...

The biggest takeaway from the set of earnings was gross margin 2023: 37.6% (vs 21% in 2022). This expansion was the result of lower prices (steel, lithium) in 2023, which END was able to take advantage of in 2H23. We expect the company to be able to sustain gross margin >35% over the coming years.

### ...AND THE OPEX-TO-REVENUE RATIO (39.6% VS 60.8% IN 2022) DROVE A SHARP JUMP IN REC. EBITDA IN 2023E.

Control of overhead (OPEX: +9% vs 2022) thanks to economies of scale and gains in production process efficiency in 2023 allowed recurrent EBITDA to just about reach break-even (EUR -0.2Mn vs EUR -2.4Mn in 2022).

### WE ESTIMATE DEBT IN LINE WITH 2022 (ND 2023E: EUR 2.9MN).

END is not generating positive FCF (recurring FCF 2023e: EUR -1.8Mn), but it should have been able to keep ND 2023e under control (EUR 2.9Mn vs. EUR 3Mn in 2022) thanks to cash inflows from: i) PERTE grants (EUR 0.8Mn) and ii) the conversion of Alfa Blue Ocean bonds (EUR 1.1Mn).

### A COMPANY THAT "DEMANDS" A CLOSE LOOK (NOW).

As we see it, END is entering a new cycle, in which its equity story is predicated on the sector tailwinds provided by sustainable mobility. The company's FY 2023 showcased three things: i) strong potential for organic revenue growth, ii) a (tangible and considerable) improvement in margins and iii) the ability to grow without taking on too much debt. The challenge for 2024 is to keep all three intact. After the dreadful share price performance (c.-36% vs IBEX 35 over the last 12 months), END "demands" a closer look. And an analysis of its numbers, especially in the wake of its FY 2023 earnings.

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## Endurance Motive (END) is a BME Growth company

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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.

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## Appendix 1. Results table

EUR Mn	12m23	12m22	12m23 vs		2023 Real vs	
			12m22	2023e	2023e	2023e
<b>Total Revenues</b>	<b>10.2</b>	<b>6.1</b>	<b>68.7%</b>	<b>10.2</b>	<b>0.2%</b>	
<b>Gross Margin</b>	<b>3.8</b>	<b>1.3</b>	<b>201.7%</b>	<b>3.9</b>	<b>-2.0%</b>	
<i>Gross Margin/Revenues</i>	<i>37.6%</i>	<i>21.0%</i>	<i>16.6 p.p.</i>	<i>38.5%</i>	<i>-0.9 p.p.</i>	
<b>Recurrent EBITDA<sup>(1)</sup></b>	<b>-0.2</b>	<b>-2.4</b>	<b>91.7%</b>	<b>-0.1</b>	<b>n.a.</b>	
<i>Rec. EBITDA/Revenues</i>	<i>-2.0%</i>	<i>-39.8%</i>	<i>37.8 p.p.</i>	<i>-1.2%</i>	<i>-0.7 p.p.</i>	
<b>EBITDA<sup>(2)</sup></b>	<b>0.0</b>	<b>-2.1</b>	<b>101.1%</b>	<b>0.1</b>	<b>n.a.</b>	
<i>EBITDA/Revenues</i>	<i>0.2%</i>	<i>-34.2%</i>	<i>34.5 p.p.</i>	<i>0.6%</i>	<i>-0.4 p.p.</i>	

Note (1). Does not include subsidies nor capitalized expenses.

Note (2). Does not include capitalized expenses. (EUR 0.4Mn y EUR 0.6Mn in 2023 y 2022 respectively).

## Quarter Evolution

	1Q23	2Q23	3Q23	4Q23
<b>Total Revenues</b>	<b>1.5</b>	<b>2.5</b>	<b>3.3</b>	<b>2.9</b>
<b>Gross Margin</b>	<b>0.5</b>	<b>0.8</b>	<b>1.4</b>	<b>1.2</b>
<i>Gross Margin/Revenues</i>	<i>30.5%</i>	<i>32.3%</i>	<i>42.2%</i>	<i>40.7%</i>
<b>Recurrent EBITDA<sup>(1)</sup></b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.1</b>
<i>Rec. EBITDA/Revenues</i>	<i>-31.8%</i>	<i>-9.9%</i>	<i>11.6%</i>	<i>2.2%</i>
<b>EBITDA<sup>(2)</sup></b>	<b>-0.3</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.2</b>
<i>EBITDA/Revenues</i>	<i>-20.8%</i>	<i>-3.2%</i>	<i>16.0%</i>	<i>7.1%</i>

Note (1). Does not include subsidies nor capitalized expenses.

Note (2). The company includes both subsidies and capitalized expenses in its EBITDA calculation.

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	12.9	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	0.8	6m Results 2023
+ Net financial debt	4.1	6m Results 2023
- Financial Investments	0.1	6m Results 2023
+/- Others		
<b>Enterprise Value (EV)</b>	<b>17.7</b>	

## LIGHTHOUSE

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
09-Feb-2024	n.a.	1.33	n.a.	n.a.	12m 2023 Preliminary results	Luis Esteban Arribas, CESGA
08-Nov-2023	n.a.	1.93	n.a.	n.a.	9m Results 2023 - Estimates upgrade	Luis Esteban Arribas, CESGA
02-Aug-2023	n.a.	1.76	n.a.	n.a.	6m 2023 Preliminary results	Luis Esteban Arribas, CESGA
12-Jun-2023	n.a.	1.84	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
27-Apr-2023	n.a.	2.35	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas, CESGA
27-Oct-2022	n.a.	1.83	n.a.	n.a.	6m Results 2022 - Estimates downgrade	Luis Esteban Arribas, CESGA
26-Apr-2022	n.a.	2.84	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas, CESGA

