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(NASDAQ: OIG)

Price	$0.95
52 Week Range	($0.51 - $3.57)
Price Target	**$4.00**
Market Cap (mil)	$82.54
Shares out (mil)	86.88
3-Mo Avg Vol	1,660,142
Cash per share	$0.21
Total Debt (mil)	$226.60
Debt/Equity	NM

Revenues (thousands) $

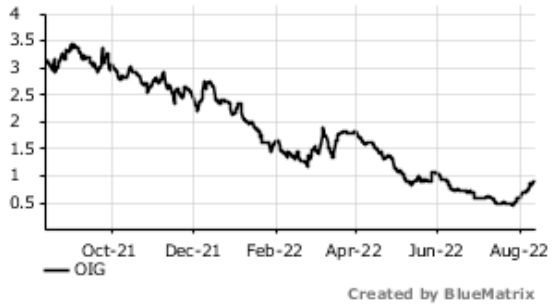
Yr Dec	2021A	2022E		2023E	
	Actual	Curr	Prev	Curr	Prev
Mar	9,491A	70,254A	–	119,657E	106,639E
Jun	16,308A	93,913A	96,882E	122,886E	114,827E
Sep	30,919A	125,811E	106,651E	126,253E	120,256E
Dec	41,047A	137,561E	92,868E	129,566E	126,599E
YEAR	82,948A	427,539E	366,655E	498,362E	468,321E

EBITDA (thousands)

Yr Dec	2021A	2022E		2023E	
	Actual	Curr	Prev	Curr	Prev
Mar	(15,543)A	3,779A	–	13,722E	13,146E
Jun	(8,278)A	2,814A	10,953E	14,382E	14,317E
Sep	(8,041)A	8,090E	9,696E	14,819E	15,636E
Dec	(14,211)A	9,257E	9,625E	15,007E	16,904E
YEAR	(46,073)A	23,940E	34,048E	57,930E	60,002E

EPS $

Yr Dec	2021A	2022E		2023E	
	Actual	Curr	Prev	Curr	Prev
Mar	(0.40)A	(0.45)A	–	(0.06)E	(0.07)E
Jun	(0.16)A	(0.32)A	(0.46)E	(0.03)E	–
Sep	(0.16)A	0.11E	(0.38)E	0.00E	0.01E
Dec	(0.21)A	0.05E	(0.18)E	0.02E	0.03E
YEAR	(1.05)A	(0.94)E	(1.47)E	(0.07)E	(0.05)E



Orbital Infrastructure Group — Buy

Estimate Change — **Volatility: 5**

Power and Telecom Continue Growth as Solar in Rationalized

We reiterate our Buy rating and price target of $4.00/shr based upon a 2023E EV/EBITDA of 11. Our 2023 Enterprise Value estimate is $658.8MM. Our 2023 EBITDA estimate is $57.9MM.

The Power and Telecommunications businesses are outperforming expectations and are the basis for management's upward revenue revision of $405-$450MM from prior $375-$435MM. EBITDA guidance remains unchanged at $38-$43MM.

In Power, the positive integration of organic Orbital Power (OP) and acquired Front Line Power (FLP) has been accomplished faster than expected. OP margins are improving and it is driving revenue growth in the division.

AGP Comments: OP margin improvement under FLP leadership was something we anticipated by early 2023. Evidence of the improvement mid-2022—plus MSA growth—was not an expectation. We are seeing yet another reason why OIG went to the well to bring FLP into the fold.

In Telecom, ARDOF work that drives the core business has accelerated beyond expectations while tuck-in acquisitions like IMMCO are not only increasing their own activity but are leading to new work in the field. OIG expects to sign contracts with a new Tier 1 telecom developer by YE22/early 2023 as the result of recent impactful tuck-in acquisitions at GTS.

AGP Comments: Similar to OP within Power, the outperformance of tuck-in acquisitions at GTS is a pleasant surprise. We think getting a contract with another Tier 1 provider—particularly if it represents some geographic expansion—will be a strong positive for GTS in 2023.

Due to the unpredictability of utility-scale EPC work, OIG is shifting to the role of EPC subcontractor. In essence, OIG will bid for work on projects that are firm to proceed and managed by EPC's that either do not maintain an assembly capability, are having difficulty finding sufficient skilled labor to finish projects or believe Orbital will do a more consistent on-budget installation job than would occur in-house. Orbital gets more surety in projecting revenues, does not have to provide project bonding, and will generate better total margins as the result.

AGP Comments: We made clear our concern regarding prior solar guidance in our 1Q22 update. It appears that new leadership in the division, plus the oversight of GTS management, has meaningfully increased accountability.

We like the shift to solar installer of choice for those EPCs that want or need to shop out the work. While OIG's solar division guidance has long left something to be desired, the actual work performed has been up to snuff and should remain attractive to the industry, particularly in a tight quality labor market. We think it entirely possible that with a better balance sheet and the other two divisions growing apace that OIG could return to a true EPC function at some point in the future. Taking a step back to develop a more predictable book of business seems like a smart move at the present time.

We also like this change in solar relative to the power division.

FLP in particular revolves around TX utilities. TX has shown a love-hate relationship with renewables, in our opinion. It has the most wind generation in the country yet ERCOT has had to tell operators to stop producing in the midst of a historic killer heat wave for lack of T&D infrastructure to move the wind power to end-markets like the DFW metroplex that could easily consume it.

The February 2021 winter storm that brought the state to a standstill was ascribed by certain political constituencies to renewable energy despite the fact that majority opinion saw frozen natural gas pipelines as the issue.

There is no need for OIG to get caught in the middle. With the shift to subcontractor of choice it can built projects that utilities have already signed off on at the EPC level and avoid any ideological headaches, whether in TX or anywhere else. In the meantime, OP will build out the infrastructure that will move more power to consumers regardless of its source, primarily in TX with FPL and in other states through the organic Orbital Power.

- 2Q22 revenues, were $93.9MM vs our estimate of $96.9MM. Results were 38% higher QoQ.
- Electric Power (EP) revs were $41.3MM, up from 1Q22 $39.7MM, and above our $34.2MM estimate.
- Telecommunications (TC) revs were $20.4MM, up from $16.1MM 1Q22, and our $16.8MM estimate
- Renewables revs were $32.3MM, up from $14.5MM 1Q22 while below our $45.9MM estimate. The Black Bear solar project is on track and expected to be completed within the next several months.
- Adjusted EBITDA was $2.1MM, down from $3.78MM 1Q22.
- OEG guided 12-month backlog of $291.0MM while total backlog of $495.3MM dropped 4% from 1Q222 $513.5MM.

Please see our further discussion and updated model below.

Investment Summary:

OIG is a diversified infrastructure services company in the electric power, telecommunications, and utility-scale solar sector.

Valuation:

We rate OIG a Buy with a price target of $4.00/shr based upon a 2023 EV/EBITDA of 11. Our 2023 Enterprise Value estimate is $658.8MM. Our 2023 EBITDA estimate is $57.9MM.

Risks to achievement of target price:

The primary challenge to our target at present is OIGs ability to restructure its balance sheet in a way that can promote both organic growth and opportunistic tuck-in acquisitions.

Company description:

Orbital Infrastructure Group (fka Orbital Energy Group) has businesses in electrical power , telecommunications, and solar EPC.

New 2022 Revenue and EBITDA Forecast

OIG management provides the following revised revenue guidance for 2022:

- Electric Power: **Was** $115-$130MM; **Now** $160-$170MM, an increase of 39% and 31%, respectively.
- Telecommunications: **Was** $60-$70MM; **Now** $82-$92MM, an increase 37% and 31%, respectively.
- Renewables: **Was** $200-$225MM; **Now** $165-$185MM, a decrease of 18% and 18%, respectively.

Prior Adjusted EBITDA guidance of $38-$43MM remains unchanged.

Our revised 2022 revenue estimate is $427.5MM with an EBITDA estimate of $23.9MM.

Our Revised 2023 Forecast

Our revised EP revenue estimate is $206.3MM, up from prior $145.5MM

We revised TC revenue estimate is $132.2MM, up from prior $72.4MM.

We revised renewables revenue estimate is $159.8MM down from prior $240.0MM.

Our revised 2023 Revenue estimate is $498.4MM, up ~17% YoY, with an EBITDA estimate of $57.9MM. We are encouraged that OIG's core power and telecom markets continue to show growth despite the variable current economic outlook.

Our weighted 2023 EBITDA margin is 18%, up from prior 12%. EBITDA margin growth is a combination of less solar revenues at better margins, revenue and margin growth in the power division, particularly from the accelerated improvement in organic Orbital Power, and revenue and margin growth in telecom, particularly from higher margin growth at IMMCO.

Debt and Liquidity

Although OIG ended the quarter with ~$32MM in cash on the balance sheet, there is no doubt that the current debt structure features high interest rates, ties up a significant portion of cash flow with both interest service and various covenants, and the company continues to have to call upon high-cost short-term debt to fill in gaps.

Nevertheless, OIG has never lacked for sources of funds, and with the core power and telecom business platforms performing admirably, we expect the balance sheet to look much different—and better—by YE22. We expect the core goals to be reduction of interest rates and cash required to service, to improve debt structure and amortization, and potential a reduction of restrictions associated with some debt currently in place.

Orbital Infrastructure Group
OIG
All data ($-000) unless otherwise indicated

INCOME STATEMENT ($-000)	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Total revenue	82,948	70,254	93,913	125,811	137,561	427,539	119,657	122,886	126,253	129,566	498,362
Cost of goods sold	78,630	58,671	84,097	105,954	115,716	364,438	97,820	100,391	103,073	105,696	406,981
Gross profit	**4,318**	**11,583**	**9,816**	**19,857**	**21,845**	**63,101**	**21,836**	**22,495**	**23,180**	**23,870**	**91,381**
Operating expense											
Selling, general and administrative	50,024	8,126	12,917	15,600	15,891	52,534	11,073	11,085	11,348	11,865	45,371
Depreciation and amortization	6,762	5,323	5,405	5,142	5,142	21,011	5,143	5,144	5,146	5,147	20,580
Provision for (recovery of) bad debt	346	(60)	(478)	0	0	0	0	0	0	0	0
Other operating (income) expenses	(23)	(18)	(322)	0	0	0	0	0	0	0	0
Total operating expense	57,109	13,371	17,522	20,742	21,033	73,546	16,216	16,229	16,494	17,013	65,951
Operating income (loss)	**(52,791)**	**(1,788)**	**(7,706)**	**(885)**	**812**	**(10,445)**	**5,621**	**6,265**	**6,687**	**6,857**	**25,430**
Loss on extinguishment of debt	0	0	(2,213)	0	0	(2,213)	(6,612)	(4,408)	(2,204)	0	**(13,224)**
Loss on financial instrument	0	(26,019)	(13,874)	0	0	(39,893)	0	0	0	0	
Gain on warrant liabilities			4,946	0	0	4,946	0	0	0	0	
Other income (expense)	777	(583)	(1,052)	0	0	1,635	0	0	0	0	0
Interest rate expense	(8,337)	(8,039)	(9,813)	(9,322)	(6,240)	(25,671)	(5,256)	(4,682)	(4,568)	(4,401)	(18,907)
Income (loss) from continuing operations	**(60,351)**	**(36,429)**	**(29,712)**	**(10,207)**	**(5,427)**	**(71,641)**	**(6,247)**	**(2,825)**	**(85)**	**2,456**	**(6,701)**
Pretax income (loss)	**(60,351)**	**(36,429)**	**(29,712)**	**(10,207)**	**(5,427)**	**(71,641)**	**(6,247)**	**(2,825)**	**(85)**	**2,456**	**(6,701)**
Income tax benefit (expense)	10,508	(241)	(382)	(189)	(206)	(1,018)	(179)	(184)	(189)	(194)	(748)
Loss from discontinued operations, net of inc	(11,371)	(953)	(842)	0	0	(1,795)					
							0	0	0	0	0
Net income (loss)	**(61,214)**	**(37,623)**	**(30,936)**	**(10,396)**	**(5,634)**	**(84,589)**	**(6,427)**	**(3,009)**	**(274)**	**2,262**	**(7,449)**
Less; net gain (loss) attributable to noncontro	39	(22)	(113)	22	22	(91)	22	22	22	22	88
Net income (loss) to OEG	**(61,253)**	**(37,601)**	**(30,823)**	**(10,374)**	**(5,612)**	**(84,680)**	**(6,405)**	**(2,987)**	**(252)**	**2,284**	**(7,361)**
Earnings (loss) per common share (Basic)	**(1.05)**	**(0.45)**	**(0.32)**	**(0.11)**	**(0.05)**	**(0.94)**	**(0.06)**	**(0.03)**	**(0.00)**	**0.02**	**(0.07)**
Earnings (loss) per common share (Diluted)	**(1.05)**	**(0.45)**	**(0.32)**	**(0.11)**	**(0.05)**	**(0.94)**	**(0.06)**	**(0.03)**	**(0.00)**	**0.02**	**(0.07)**
Weighted basic Shares Outstanding	58,348.5	83,126.7	95,355.5	95,355.5	102,547.5	94,096.3	102,547.5	102,547.5	103,177.2	103,177.2	102,862.4
Wieghted diluted Shares/ADS Outstanding	58,348.5	83,126.7	95,355.5	95,515.5	102,547.5	94,096.3	102,547.5	102,547.5	114,567.5	115,690.5	108,838.3
EBITDA	**(20,209)**	3,779	2,814	8,090	9,257	**23,940**	13,722	14,382	14,819	15,007	**57,930**

Source: Company Presentations, SEC filings, Alliance Global Partners

Important Research Disclosures

Distribution of Ratings/IB Services

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [BUY]	**113**	**81.88**	**6**	**5.31**
HOLD [NEUTRAL]	**20**	**14.49**	**2**	**10.00**
SELL [SELL]	**0**	**0.00**	**0**	**0**
NOT RATED [NR]	**5**	**3.62**	**1**	**20.00**
UNDER REVIEW [UR]	**0**	**0.00**	**0**	**0**

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Regulation Analyst Certification ("Reg AC") — Jeffrey Campbell,

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Buy: Expected to materially outperform sector average over 12 months and indicates total return of at least 10% over the next 12 months.

Neutral: Returns expected to be in line with sector average over 12 months and indicates total return between negative 10% and 10% over the next 12 months.

Sell: Returns expected to be materially below sector average over 12 months and indicates total price decline of at least 10% over the next 12 months.

Not Rated: We have not established a rating on the stock.

Under Review: The rating will be updated soon pending information disclosed from a near-term news event.

Volatility Index

1 (Low): Little to no sharp movement in stock price in a 12 month period

2 (Low to medium): Modest changes in stock price in a 12 month period

3 (Medium): Average fluctuation in stock price in a 12 month period

4 (Medium to High): Higher than average changes in stock price in a 12 month period

5 (High): Extremely sharp movements in stock price in a 12 month period

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