

**Charge Enterprises, Inc. (CRGE)**  
**Rating: Buy**

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**EV Charging Business Continues to Grow; 1Q23 Results Update**

Stock Data		05/10/2023		
Price		\$0.95		
Exchange		NASDAQ		
Price Target		\$4.50		
52-Week High		\$6.12		
52-Week Low		\$0.77		
Enterprise Value (M)		\$184		
Market Cap (M)		\$202		
Shares Outstanding (M)		212.8		
3 Month Avg Volume		411,391		
Short Interest (M)		4.01		
Balance Sheet Metrics				
Cash (M)		\$43.9		
Total Debt (M)		\$25.4		
Total Cash/Share		\$0.21		
EPS (\$) Diluted				
Full Year - Dec		2022A	2023E	2024E
1Q		(0.09)	(0.05)A	--
2Q		(0.27)	(0.04)	--
3Q		0.06	(0.04)	--
4Q		(0.04)	(0.04)	--
FY		(0.35)	(0.17)	(0.03)
Revenue (\$M)				
Full Year - Dec		2022A	2023E	2024E
1Q		163.0	193.5A	--
2Q		181.0	182.9	--
3Q		185.9	186.6	--
4Q		168.0	189.5	--
FY		697.8	752.5	766.9



**1Q23 results overview.** Charge reported its 1Q23 results with revenues of \$193.5M in 4Q22 (19% YoY growth), compared to \$163.0M in 1Q22. The revenue increase was attributed to higher contribution in the Telecommunications segment from higher voice call volumes. Revenue from the Telecommunications division increased 15.8% YoY to \$166.1M. Revenues from the Infrastructure division increased by 40.2% YoY to \$27.5M. Gross profit for the quarter was \$6.7M, compared to \$6.2M in 1Q22. During the quarter, operating loss was \$9.6M, compared to \$9.5M during 1Q22. Net loss available to common stockholders was \$9.6M, or \$0.05 per share, compared to \$14.1M, or \$0.08 per share in 1Q22. At the end of 1Q23, the company had \$43.9M of cash and restricted cash, and had debt of \$25.4M, including finance lease liabilities.

**Key takeaways.** The company beat our topline expectations for the quarter but delivered slightly weaker than expected margins (attributed to revenue mix for the quarter). We believe the company's EV infrastructure business is continuing to show strength as evidenced by growth in backlog, which currently stands at \$107M with EV charging infrastructure representing over 20% of this backlog. We believe the as the Infrastructure segment contribution grows, overall margins should improve. In line with this, management indicated that the company could deliver positive adjusted EBITDA by 1Q24. We believe the stock remains underappreciated relative to the ongoing execution in the EV charging market and the margin improvement expectations associated with this segment. The company's Telecom segment remains a steady performer with management showing confidence around being able to manage through lower capex spending by larger players on 5G-related initiatives. Overall, we believe the company's performance is largely coming through in line with our expectations, and we remain bullish on its outlook.

**Maintain Buy.** We are projecting topline to grow from \$753M in 2023 to \$2.4B in 2033, at a ten-year CAGR of 12.1%. We expect blended gross margins to increase from current levels of approximately 3-4% to over 25% in 2030 and beyond. We are projecting overall operating expenses to increase from an estimated \$67.9M in 2023 to \$141.8M in 2033, at a ten-year CAGR of 7.6%. We expect EBITDA to rise from an estimated \$31M in 2024 to \$732M in 2033, at a nine-year CAGR of approximately 42.3%. We arrive at our \$4.50 price target by applying a 30% execution risk to the value per share of approximately \$6.45 that we get using a DCF analysis that uses a discount rate of 16.3% derived from the company's weighted average cost of capital (WACC).

**Risks.** (1) Dilution risk; (2) merger integration risk; (3) execution risk; (4) competition risk; (5) regulatory risk; and (6) persistent uncertainty related to macroeconomic conditions and geopolitical environment.

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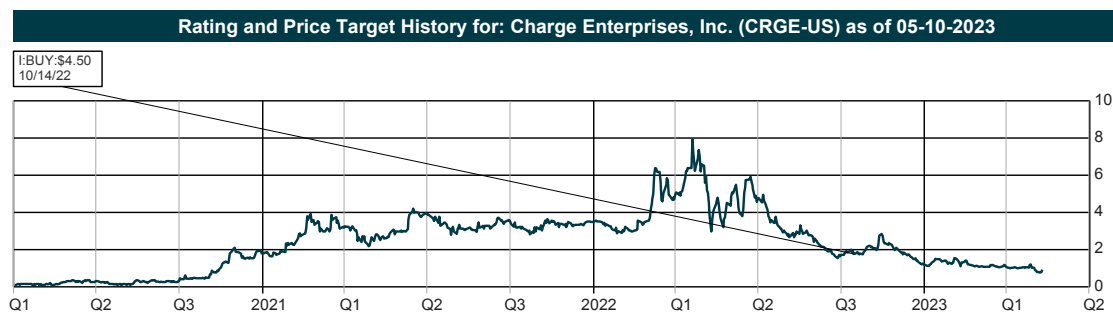
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<b>Distribution of Ratings Table as of May 10, 2023</b>				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	562	87.68%	128	22.78%
Neutral	63	9.83%	14	22.22%
Sell	0	0.00%	0	0.00%
Under Review	16	2.50%	3	18.75%

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