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 Valu		\$184								
Market Cap (M)		\$202							
Shares Outstar		212.8								
3 Month Avg V	olume		411,391							
Short Interest (M)		4.01							
Balance Sheet Metrics										
Cash (M)			\$43.9							
Total Debt (M)			\$25.4							
Total Cash/Sha	ire		\$0.21							
EPS (\$) Diluted	l									
Full Year - Dec	2022A	2023E	E 2024E							
1Q	(0.09)	(0.05)	Α							
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	E 2024E							
1Q	163.0	193.5	Α							
2Q	181.0	182.9) <u> </u>							
3Q	185.9	186.6	i							
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.

Charge Enterprises, Inc.

May 11, 2023

CRGE Income Statement (US\$'000)				2022					2023													
Particulars	2020A	2021A	Mar '22A	Jun '22A	Sept '22A	Dec '22A	2022A	Mar '23A	Jun '23E	Sept '23E	Dec '23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Telecommunications Infrastructure	84,723 3	452,767 24,251	143,360 19,618	155,607 25,434	159,104 26,753	134,239 33,719	592,310 105,523	166,052 27,497	149,447 33,409	150,941 35,620	151,771 37,757	618,212 134,282	594,552 172,345	640,629 205,769	688,677 250,192	738,606 309,729	791,231 390,317	846,617 492,121	905,881 620,797	969,292 783,525	1,037,143 989,429	1,109,743 1,250,107
Other Total Revenue	84,726	477,018	162,978	181,041	185,857	167,957	697,833	193,549	182,856	186,561	189,528	752,494	766,896	846,398	938,868	1,048,335	1,181,548	1,338,739	1,526,678	1,752,817	2,026,572	2,359,850
Revenue Growth Y/Y (%) Revenue Growth Q/Q (%)	NA	463.0%	46.7% 36.7%	39.7% 11.1%	58.7% 2.7%	40.9% (9.6%)	46.3%	18.8% 15.2%	1.0% (5.5%)	0.4% 2.0%	12.8%	7.8%	1.9%	10.4%	10.9%	11.7%	12.7%	13.3%	14.0%	14.8%	15.6%	16.4%
Cost of Goods sold % of Revenue	83,554 98.6%	465,504 <i>97.6%</i>	156,508 <i>96.0%</i>	173,760 96.0%	178,951 <i>96.3%</i>	160,401 95.5%	669,620 96.0%	186,828 96.5%	174,125 95.2%	177,521 95.2%	179,895 <i>94.9</i> %	718,369 <i>95.5%</i>	694,685 90.6%	739,728 <i>87.4%</i>	792,480 <i>84.4%</i>	856,540 81.7%	937,070 <i>79.3%</i>	1,025,741 76.6%	1,127,529 73.9%	1,242,073 70.9%	1,381,057 <i>68.1%</i>	1,554,298 <i>65.9%</i>
Gross Profit / (Loss) Gross Margin (%)	1,172 1.4%	11,515 2.4%	6,470 4.0%	7,281 4.0%	6,906 3.7%	7,556 4.5%	28,213 4.0%	6,721 3.5%	8,730 4.8%	9,040 4.8%	9,634 5.1%	34,124 4.5%	72,212 9.4%	106,671 12.6%	146,388 15.6%	191,795 18.3%	244,478 20.7%	312,998 23.4%	399,148 26.1%	510,744 29.1%	645,514 31.9%	805,551 34.1%
Operating Expenses:																						
Stock based compensation % of Revenue	2,326 2.7%	30,623 6.4%	10,744 6.6%	9,761 5.4%	7,848 4.2%	7,097 4.2%	35,449 5.1%	5,902 3.0%	6,138 3.4%	6,414 3.4%	6,607 3.5%	25,061 3.3%	28,068 3.7%	31,156 3.7%	34,427 3.7%	37,870 3.6%	41,468 3.5%	45,200 3.4%	49,042 3.2%	52,965 3.0%	56,938 2.8%	61,208 2.6%
General and administrative % of Revenue	2,020 2.4%	7,995 1.7%	2,997 1.8%	3,908 2.2%	3,516 1.9%	3,972 2.4%	14,392 2.1%	3,345 1.7%	3,378 1.8%	3,412 1.8%	3,446 1.8%	13,582 1.8%	15,212 2.0%	16,885 2.0%	18,574 2.0%	20,245 1.9%	21,865 1.9%	23,396 1.7%	24,799 1.6%	26,039 1.5%	27,341 1.3%	28,708 1.2%
Salaries and related benefits % of Revenue	687 0.8%	8,806 1.8%	4,243 2.6%	4,127 2.3%	4,417 2.4%	3,880 2.3%	16,667 2.4%	5,418 2.8%	5,526 3.0%	5,637 3.0%	5,750 3.0%	22,331 3.0%	24,564 3.2%	26,775 3.2%	28,917 3.1%	30,941 3.0%	32,952 2.8%	34,929 2.6%	36,850 2.4%	38,693 2.2%	40,627 2.0%	42,659 1.8%
Professional fees	805	1,846	1,064	848	667	710	3,290	466	466	467	467	1,867	1,885	1,904	1,923	1,943	1,962	1,982	2,001	2,021	2,042	2,062
% of Revenue	0.9%	0.4%	0.7%	0.5%	0.4%	0.4%	0.5%	0.2%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Depreciation and amortization expense % of Revenue	83 0.1%	529 0.1%	209 0.1%	1,103 0.6%	433 0.2%	4,632 2.8%	6,377 0.9%	1,210 0.6%	1,234 0.7%	1,268 0.7%	1,302 0.7%	5,013 0.7%	5,027 <i>0.7%</i>	4,972 0.6%	4,868 0.5%	4,705 0.4%	5,022 0.4%	4,993 0.4%	5,429 0.4%	5,966 0.3%	6,618 0.3%	7,164 0.3%
Other Expenses	5.170	0.170	0.170	-	5.270	2.070	0.570	0.070	-	-	5.775	-	-	-	-	-	-	-	-	-	-	0.570
% of Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total operating expenses	5,922	49,799	19,257	19,747	16,880	20,291	76,175	16,341	16,743	17,198	17,572	67,854	74,757	81,692	88,709	95,704	103,268	110,499	118,122	125,685	133,566	141,801
% of Revenue Growth (y-y)	7.0% 3153.7%	10.4% 741.0%	11.8% 175.4%	10.9% 42.6%	9.1% 34.6%	12.1% 23.5%	10.9% 53.0%	8.4% (15.1%)	9.2% (15.2%)	9.2% 1.9%	9.3% (13.4%)	9.0% (10.9%)	9.7% 10.2%	9.7% 9.3%	9.4% 8.6%	9.1% 7.9%	8.7% 7.9%	8.3% 7.0%	7.7% 6.9%	7.2% 6.4%	6.6% 6.3%	6.0% 6.2%
Growth (q-q)			17.2%	2.5%	(14.5%)	20.2%		(19.5%)	2.5%	2.7%	2.2%											
Profit / (Loss) from operations (EBIT) EBIT Margin (%)	(4,750) (5.6%)	(38,285) (8.0%)	(12,786) (7.8%)	(12,466) (6.9%)	(9,974) (5.4%)	(12,735) (7.6%)	(47,962) (6.9%)	(9,620) (5.0%)	(8,013) (4.4%)	(8,158) (4.4%)	(7,938) (4.2%)	(33,729) (4.5%)	(2,545) (0.3%)	24,978 3.0%	57,680 6.1%	96,091 9.2%	141,210 12.0%	202,498 15.1%	281,027 18.4%	385,059 22.0%	511,949 25.3%	663,751 28.1%
Total depreciation and amortization	83	529	209	1,103	433	4,632	6,377	1,210	1,234	1,268	1,302	5,013	5,027	4,972	4,868	4,705	5,022	4,993	5,429	5,966	6,618	7,164
EBITDA EBITDA Margin (%)	(2,341) (2.8%)	(7,133) <i>(1.5%)</i>	(1,834) (1.1%)	(0.9%)	(1,693) (0.9%)	(1,006) (0.6%)	(6,136) (0.9%)	(2,508) (1.3%)	(641) (0.4%)	(476) (0.3%)	(30) (0.0%)	(3,655) (0.5%)	30,550 4.0%	61,106 7.2%	96,974 10.3%	138,666 13.2%	187,699 15.9%	252,691 18.9%	335,497 22.0%	443,991 25.3%	575,504 28.4%	732,122 31.0%
Loss on impairment Net Income from investments	(13,758) 50	(18,116) 3.330	- (110)	- (912)	- (118)	(797) 351	(797) (789)	- 296	-	- 1	:	- 296	-	-	-	-	-	-	-	-	-	-
Amortization of debt discounts Change in fair value of derivative liabilities	(2,668)	(3,056)	(1,030)	(6,414)	(495) 28.669	7,938 5,252	33.921	1.376	-	-		1.376	-	-	-	-	-	-		-		-
Other income (expense), net	(415)	1,064	198	715	(3,346)	(49)	(2,482)	391				391										
Interest expense Foreign exchange adjustments	(392) 425	(1,458)	(735) (256)	(746) 169	(521) (24)	(9,903) 51	(11,905) (60)	(1,538) (7)	(722)	(722)	(722)	(3,705) (7)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)
Amortization of debt discount, related	(28)	(95)	- (230)	-	- (24)	-	-	- (/)	1	- 1	- 1	- (7)		1		- 1	1		1		1	
Amortization of debt issue costs Stock issuance costs	(20) (13,400)	(10)	-	-	-		-	-	-	-		-	-		-		-	•	-	-	-	-
Interest expense, related party	(27)					- :			1	- 1	- 1			1		- 1	1		1		1	
Loss on modification of debt Total other income (expense), net	(99) (30,331)	(18,676)	(1,932)	(7,188)	24,165	2,842	17,888	518	(722)	(722)	(722)	(1,649)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)	(2,876)
Profit / (Loss) before taxes	(35,081)	(56,961)	(14,718)	(19,654)	14,191	(9,893)	(30,074)	(9,102)	(8,735)	(8,880)	(8,660)	(35,378)	(5,422)	22,102	54,803	93,215	138,333	199,622	278,151	382,183	509,072	660,874
Income tax expense Consolidated Net Profit / (loss)	438 (34.643)	5,292 (51,669)	1,578 (13,140)	11 (19,642)	183 14,374	(2,048) (11,940)	(275) (30,349)	(110) (9,212)	(8,735)	(8,880)	(8,660)	(110) (35,488)	- (5,422)	(4,420) 17,682	(10,961) 43,843	(18,643) 74,572	(27,667) 110,667	(39,924) 159.698	(55,630) 222,520	(76,437) 305.747	(101,814) 407,258	(132,175) 528.699
Profit Margin (%)	(40.9%)	(10.8%)	(8.1%)	(10.8%)	7.7%	(7.1%)	(4.3%)	(4.8%)	(4.8%)	(4.8%)	(4.6%)	(4.7%)	(0.7%)	2.1%	4.7%	7.1%	9.4%	11.9%	14.6%	17.4%	20.1%	22.4%
Deemed and preferred dividend Net Profit / (Loss) Attributable to Commo	(34,643)	(7,407) (59,076)	(4,123) (17,263)	(33,194) (52,836)	(302) 14,072	(426) (12,367)	(38,046) (68,395)	(362) (9,574)	(8,735)	(8,880)	(8,660)	(362) (35,850)	(5,422)	17,682	43,843	- 74,572	110,667	159,698	222,520	305,747	407,258	- 528,699
Basic and diluted (loss) per common share		(0.38)	(0.09)	(0.27)	0.06	(0.04)	(0.35)	(0.05)	(0.04)	(0.04)	(0.04)	(0.17)	(0.03)	0.05	0.13	0.23	0.34	0.49	0.68	0.93	1.24	1.61
Basic and diluted weighted number of our Source: H. C. Wainwright & Co. estimates.	18,049	156,365	188,409	193,508	231,388	202,707	197,712	207,060	212,849	212,849	212,849	211,402	212,849	329,107	329,107	329,107	329,107	329,107	329,107	329,107	329,107	329,107

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Distribution of Ratings Table as of May 10, 2023									
			IB Se	rvice/Past 12 Months					
Ratings	Count	Percent	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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Charge Enterprises, Inc. May 11, 2023

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