CAPITAL MARKETS
HAYWOOD

Hypercharge Networks Corp.

(HC-NEO)

SECTOR: Technology & Electrification

STOCK PRICE $0.61

NO RATING
NO TARGET

WATCHLIST REPORT

A 🇨🇦 Turnkey EV Charging Solutions Provider with Policy Tailwinds Aplenty

Our Take: Hypercharge is focused on capturing the growing greenfield market share of EV Charging Stations primarily in Canada and secondarily in the USA as the adoption of EVs continue, driven by policy mandates.

KEY HIGHLIGHT

- **Mission Critical Value Prop:** Hypercharge's aim is to unlock material value for customers by analyzing data and providing insights, growing dwell time and revenues in commercial settings, and increasing loyalty and raising brand awareness. In commercial settings, increased customer dwell time can contribute to increased indirect revenue for the retail or commercial location.

- **EVs Still in Early Adoption Phase as Economics Rapidly Improve:** Over the next decade, the number of EVs on the road is set to increase significantly. While we believe the majority of the charging of these EVs set to hit the road will take place at home, charging away from home or work will be key to support EV growth. In addition, Hypercharge participates in the sale of home charging as multi-residential buildings is one of its key markets. While EVs account for ~5% of new vehicle registrations in the US according to Experian and ~7% in Canada as per StatsCan, the economics of EV ownership are improving. Federal and State regulators are aggressively incentivizing adoption and EV penetration will likely steadily increase over the next decade. President Joe Biden has pledged to extend EV tax credits and California has moved to ban new internal combustion engines from 2035 onward.

- **Incentivizing Infrastructure Build:** With regards to charging infrastructure, the Canadian federal government is providing incentives as part of its Zero Emission Vehicle Infrastructure Program (ZEVIP), a $680M initiative ending in 2027 with a goal of increasing localized charging and hydrogen stations. The program will cover half of total project costs, to a maximum fixed amount per installation depending on the charger type used. Level 2 chargers, for example, are eligible for up to $5k in funding per charger with Level 3 chargers eligible for between $15k and $100k in funding per charger.

- **Greenfield Opportunities Aplenty:** Canada is Hypercharge's primary focus market which significantly lags the USA in terms of availability of charging infrastructure. To this end, Hypercharge is largely competing for greenfield opportunities where an incumbent charging provider is nonexistent. Direct sales and growth via partners are the paths of least resistance to higher revenues, in our view. Some of Hypercharge's customers include, Oshawa Power, Cressey, Beedie, Tricon Residential, Diamond Kilmer, Amacon, TargetPark, Sheraton, Hyatt Regency, Empire, QuadReal, Westwood Plateau, and Ramada.

- **Exponential Growth Ahead:** According to the IEA, global electric car sales reached a record high in 2021, despite supply chain bottlenecks and the ongoing Covid-19 pandemic. Compared with 2020, sales nearly doubled to 6.6M cars (a sales share of nearly 9%), bringing the total number of electric cars on the road to 16.5M. The sales share of electric cars increased by 4 percentage points in 2021. The Net Zero Emissions by 2050 Scenario sees an electric car fleet of over 300M in 2030 and electric cars accounting for 60% of new car sales. Getting on track with the Net Zero Scenario requires their sales share to increase by less than 6% percentage points per year.

Outlook: Hypercharge has remained committed to its objectives (see pg 6), where its said/do ratio is trending positively. The Company has laid out a target of more than doubling its revenue for 2023 and forecasts 20-25x growth over the next 5 years, driven by organic growth, M&A and strategic partnership growth. The EV market, and in particular, the EV charging infrastructure market, is in its early innings of growth.

KEY STATISTICS AND METRICS

52-Week High/Low	n/a	Debt	$n/a
YTD Performance	n/a	Enterprise Value	$30.6M
Dividend Yield	n/a	Daily Volume (3 mos.)	n/a
Shares O/S	61.3M (basic)		
Market Capitalization	$37.4M	Currency	C$ unless noted
Pro-forma Cash est.	$6.8M	Website	www.hypercharge.com
		CEO	David Bibby

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Hypercharge Overview

Hypercharge Networks Corp. is a leading provider of smart electric vehicle (EV) charging solutions that offers turnkey technology to multi-unit residential and commercial buildings, fleet operations, and other rapidly growing sectors. Driven by its mission to accelerate EV adoption and enable the shift towards a carbon neutral economy, Hypercharge is committed to providing seamless, simple charging solutions by offering industry-leading equipment and a robust network of public and private charging stations.

Figure 1: Hypercharge Logo

Source: Company Website

Go Public Transaction

The Company raised $6M in a private placement financing round in June 2022 at $0.60/sh, and began trading on November 16, 2022.

Value to Partners

Hypercharge's aim is to unlock material value for customers by analyzing data and providing insights, growing dwell time and revenues in commercial settings, and increasing loyalty and raising brand awareness. In commercial settings, increased customer dwell time can contribute to increased indirect revenue for the retail or commercial location.

Hypercharge offers residential and commercial EV charging equipment and services primarily for medium and light duty commercial and personal vehicles, enabling EV drivers to recharge at various location types. The Company also provides a cloud-based platform that operates, maintains and manages charging stations and handles associated charging data, back-end operations and payment processing. The Hypercharge Network provides property owners, managers, parking companies, and municipal entities cloud-based services enabling remote monitoring and management of EV charging stations. The Network also provides EV drivers with station location, availability and applicable charging fees.

To date, the Company's customers have been 60% multi-unit residential, 30% commercial, and 10% fleet operators. Hypercharge's target verticals are businesses operating in the multi-unit residential building, retail and commercial parking, and fleet space.

Figure 2: Partners Powered by Hypercharge

Source: Company Website

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Products & Services Offered

Hardware and Warranty

The Company's hardware offerings include Level 2 and 3 chargers. Level 2 charging stations use a 240 volt outlet and add roughly 30km of range per hour charged. Level 2 charging stations are the most common chargers currently on the market due to compatibility with the majority of EVs. The Company's chargers are compatible with almost all consumer EVs with the exception of Tesla whose cars are compatible only with the use of an adapter which is widely available.

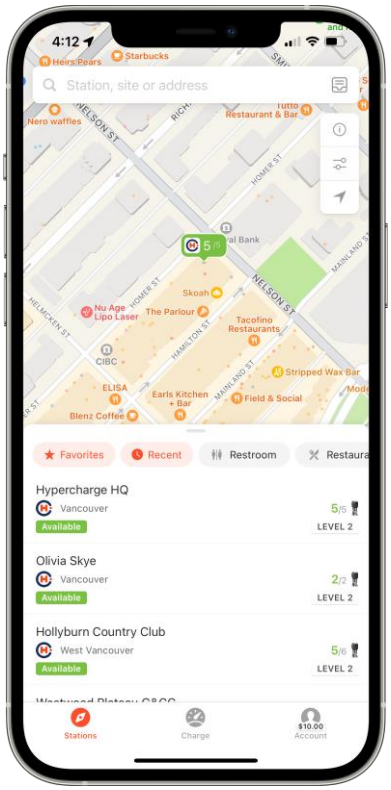
As part of charger purchases, customers can purchase an extended warranty that covers parts and labour, which includes a 95% uptime guarantee, contributing to hassle-free experiences. Services related to install and maintenance of the charging products and provided by third-party electrical contractors.

Software and Support

The Company's cloud-based software platform is composed of the following elements:

1. A back-end charger management platform
2. Mobile apps for iOS and Android for drivers to manage accounts and charge EVs
3. Support platform integration for a seamless and positive omni-channel experience for customers
4. Integration with EV charging gateways to facilitate network roaming
5. Plug-And-Charge; Hypercharge's proprietary cloud service designed to extend access to the Hypercharge network into third-party applications (i.e. purchase of charging from a parking app or building management platform)

Figure 3: Hypercharge App



Source: Company Documents

Supply Chain

Hypercharge is a hardware-agnostic business, supporting the widest range of charging equipment suppliers. To date, Hypercharge has three primary suppliers and is regularly looking to expand with further agreements with new suppliers.

The Company's current hardware portfolio covers the entire range of EV charger types from the smallest Level 2 charger up to the fastest Level 3 chargers. Hypercharge's EV charging models are selected for their performance, durability, affordability, safety, delivery times, and source location, ensuring optimal supply chain operations covering the needs of its customers.

Figure 4: Hypercharge JuiceBar Gen 3 Series (left) & Hypercharge JNT-EVC10 (right)

Source: Company Documents

Charging Ports 101

All units sold by Hypercharge are fully OCPP (Open Charge Point Protocol) compliant. OCPP is a communication standard allowing EV charging stations and central management systems from different vendors to communicate with one another. This allows charging station owners to switch to another OCPP network if desired and future-proofs against hardware and software obsolescence.

Level 3 chargers use a 480 Volt system, and, in many cases, a driver can charge an EVs battery to 80% in half an hour. Hypercharge is a reseller of the Terra 54 and 124 Level 3 chargers produced by ABB Ltd. which are significantly larger in size and more expensive than the Level 2 chargers.

Sales Method

Hypercharge is committed to providing flexible ownership designed to fit customers' needs. With a direct purchase model, a customer purchases the charging station outright and pays a monthly subscription fee for software and related services. In this option, the customer retains all the associated net charging revenues. Customers are often only eligible to receive government incentives provided units are purchased outright.

Hypercharge also offers a Flexi Lease model, where a customer finances the cost of the charger and a portion of the installation cost, paying a fixed monthly fee including a monthly subscription fee. In this option, the customer retains all the associated net charging revenues on the leased unit and owns the charger at the end of the term.

Under a Charging as a Service (CaaS) model, customers pay a monthly subscription fee while Hypercharge retains ownership of the charger. Depending on the agreement, a customer can earn a portion of the net charging revenues.

To date, the direct purchase model has been most successful with Hypercharge's customers.

Channel Partners

Hypercharge has direct sales teams in Western and Eastern Canada and works with various sales partners, including installation partners and electrical contractors, referral partners, and Target Park, who Hypercharge has a strategic partnership with.

The Company's strategic partnership with Target Park, a Toronto based parking operator that manages over 30k parking spots in North America, is dated August 5, 2021. Target Park has committed to deploying 2.5k Hypercharge chargers over a 3-year period.

Roughly half of sales to date have been sourced through partners.

Business Objectives

The Company has laid out several milestones for the near-term:

	Milestone	Targeted Completion Date	Status
Revenue Growth	Achieve revenue of $1-2M.	End of 2022	On track.
First Multi-Unit Residential Partner	Win first multi-unit residential builder partnership.	Q4/22	First deal closed in Toronto with key developer in the area.
First Fleet Pilot	Enter into first Fleet Pilot with commercial partner.	Q4/22	First fleet client secured with Logistics company; currently exploring expansion of the project.
US Expansion	Enter US market by acquisition or organically through partners.	Q1/23	Multiple installations completed on sites in Texas. Has also secured qualified Referral partners and looking at projects in DC, FL, and CA.
Strategic Acquisition(s)	Complete first strategic acquisition that would achieve a sales/marketing channel in USA or a roll-up in the Canadian market.	End of 2023	Continue to build pipeline and evaluate potential companies.
Technology Innovation	Rollout of proprietary plug and charge cloud platform with third party app integration.	Q3/23	Two strategic partners have initiated integration projects. Hypercharge is releasing an updated UI model in early 2023, and we expect the first live integrations with these two partners to commence by milestone targeted date.
Product Expansion	Sign an additional supplier agreement with a major Level 3 manufacturer.	Q3/23	Have signed a reseller agreement with an additional supplier (L2 and L3) and are actively working with an L3 supplier to get chargers integrated on the network by Dec 2023.

Source: Company Documents, Company Interview

Growth Trajectory and Pipeline

The Company expects to finish the calendar year at $1-2M in revenues and has laid out a target of more than doubling its revenue for 2023 and forecasts 20-25x growth over the next 5 years, driven by organic growth, M&A and strategic partnership growth.

Hypercharge announced in November it will be delivering its first DC fast charging station by December 2022.

Financial Snapshot

Hypercharge ended August 31, 2022, with $6.8M cash on hand and no debt.

The Company raised $6M in a private placement financing round in June 2022 at $0.60/unit, and began trading on November 16, 2022. Proforma, there are ~61M basic shares outstanding following the transaction.

Figure 5: Capital Table

Investment Round	# Of Shares
Founder Shares *Subject to a 36-month escrow drip*	30,309,670
$0.25/sh Private Placement *Subject to a one-year voluntary escrow of 20% after 4, 6, 8, 10, 12 months, upon listing*	10,178,000
$0.40/sh Private Placement *Subject to a voluntary escrow of 50% after 2 months and 50% after 4 months, upon listing*	10,000,000
$0.60 Subscription Receipt Offering *Free trading upon listing*	10,000,000
Warrants	6,260,253
Stock Options	2,435,000
PSUs	1,883,336
RSUs	300,000

Source: Company Reports

Recent Announcements

Since becoming publicly traded, HC has noted the following updates:

- It is on track to deliver its first DC fast charging station by December 2022. The installation will take place at the NexSource Centre located at the Sylvan Lake Multi-Plex in Sylvan Lake, Alberta. The deployment will include one Level 3 and ten Level 2 chargers.
- It has been selected by Diamond Kilmer Developments to deploy 39 Level 2 chargers in the new residential development, Reunion Crossing, in Toronto, Ontario with installation to begin this month.
- In collaboration with its preferred partner, Canadian Electric Vehicle Charging Solutions (CEVCS), it will be installing 10 dual-port Hypercharge EV charging stations at four Rodd Hotels & Resorts locations across Prince Edward Island.
- It has announced a new partnership with ParkCo to convert 26 existing Lite-On chargers onto the Hypercharge EV charging network, install six new Level 2 charging stations in a ParkCo managed development, and develop integrations between the Hypercharge and ParkCo platforms.

EV Charging Market & Economics

Global Opportunity

Over the next decade, the number of EVs on the road is set to increase significantly. While we believe the majority of the charging of these EVs set to hit the road will take place at home, charging away from home or work will be key to support EV growth. While EVs account for ~5% of new vehicle registrations in the US according to Experian and ~7% in Canada as per StatsCan, the economics of EV ownership are improving. Federal and State regulators are aggressively incentivizing adoption and EV penetration will likely steadily increase over the next decade. President Joe Biden has pledged to extend EV tax credits and California has moved to ban new internal combustion engines from 2035 onward.

Today's automobile network in the USA is supported by an estimated 135k charging ports and ~1.4M gas pumps, according to the National Petroleum News. EV Chargers are defined by the amount of energy delivered to the vehicle's battery per unit of time. There are three main levels of EV chargers, with Level 3 being the fastest. Level 3 charging is widely considered to be 50 – 350 kW output. Level 4 isn't a commonly used Level currently and its existence isn't yet recognized universally.

Figure 6: Various EV Charger Levels

Charger level	Typical power rating (KW)	Example installation	Charge time for 100 miles of range (1,2)
1	1 KW	• Standard electrical outlet in a residential garage	20 hours
2	5 KW	• Specialized domestic charging apparatus (often sold as optional extra with vehicle or supplied by specialist third parties) • Workplace parking lot installations • Many public access charge points at retail stores, parking lots etc.	4 hours
3	80 KW	• Specialized fast chargers designed for users on the go	40 mins
4	120 KW	• Ultra-fast chargers for users on the go • To-date installed by vehicle OEM as proprietary support for their customers/owners	25 mins

Note (1): Typical EV fuel economy runs around 200 KWH per tonne-mile, so a typical 2.5 tonne vehicle requires about 50 KWH for a 100-mile run. EV manufacturers typically optimize vehicles to achieve the best possible fuel economy within other constraints (number of seats, performance, etc.)

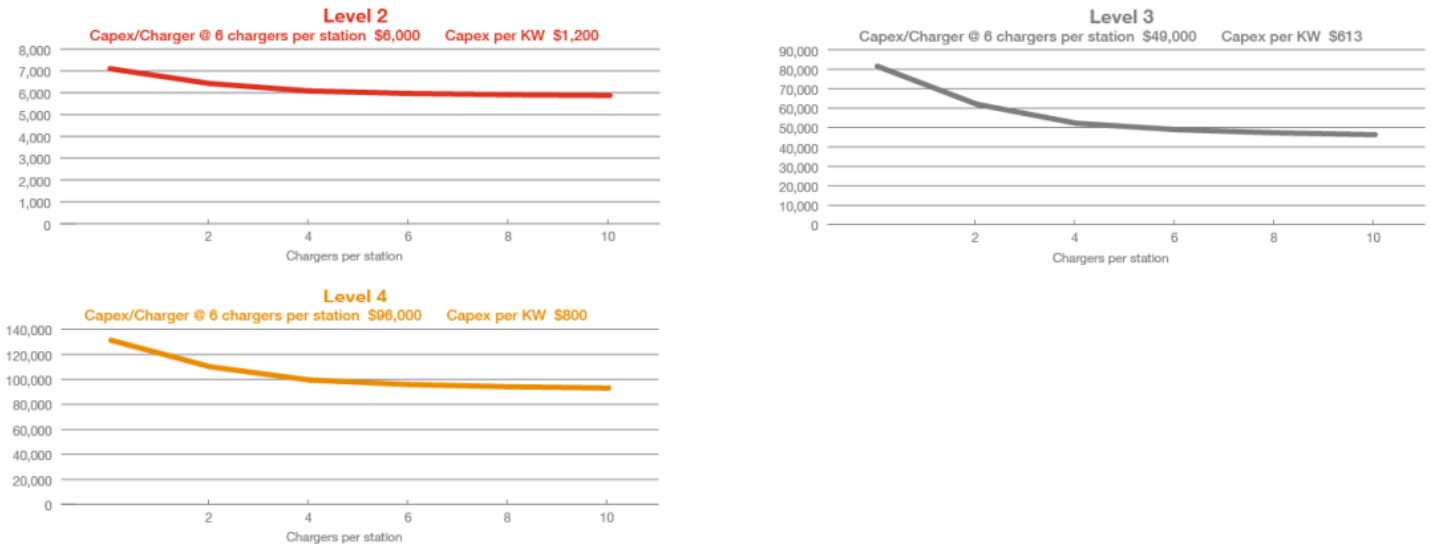
Note (2): At very high powers, the limitation on charging rate may become the vehicle's battery management system rather than the charger's capacity.

Source: PwC

The capital and operating costs of higher-capacity chargers is higher than the lower capacity ones. A residential 110-volt outlet, i.e. Level 1, is nearly free to operate, whereas Level 3 and 4 are more complex and expensive.

Capex for chargers consists of the hardware charging equipment plus any required upgrades to the local energy grid, land and civil work. Most capex is comprised of the hardware itself. Economies of scale do exist, however these peak as a station reaches 4-6 chargers with capex per charger declining slowly as overall capacity and size of the charging station increases. Interestingly, while Level 2 chargers are relatively cheaper to build on a per KW basis, Level 2 chargers are surprisingly more expensive than Level 3 and 4 chargers.

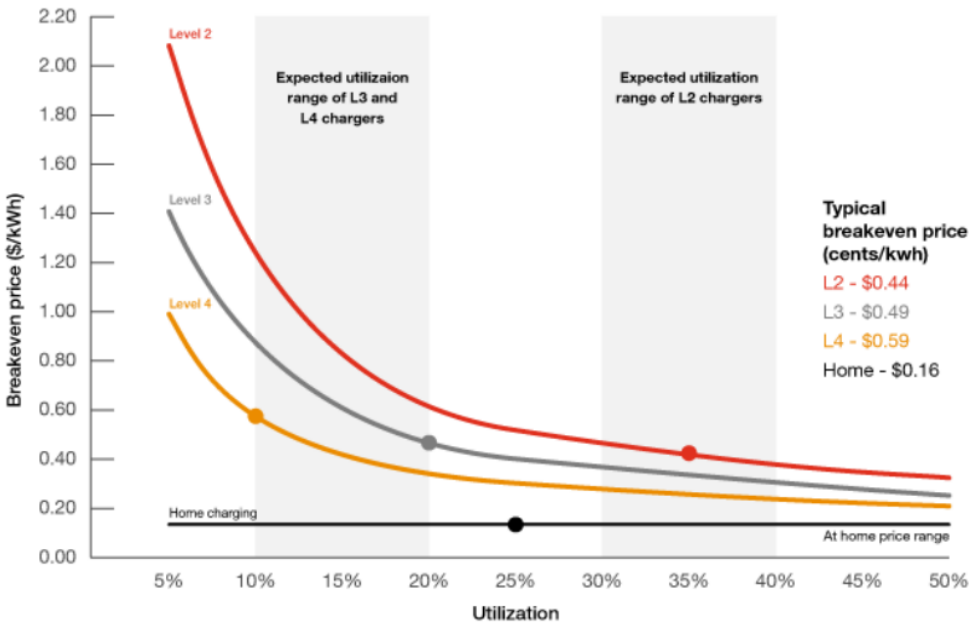
Figure 7: Minimum Efficient Scale



Source: PwC

Higher level chargers naturally have higher costs associated with operating them than lower-level chargers, unless utilization is very high.

Figure 8: Economics of Charging



Source: PwC

Most third-party charging capacity will likely be Level 3 and 4. Market sizing will ultimately depend on EV penetration rates and the prevalence of charging stations.

PwC estimates 5% penetration of EV total vehicle parc by 2030, the market could require 120k to 235k fast-charge points or about 30k to 60k charging locations. Interestingly, smaller locations will probably drive adoption since they'll be more numerous and hence more convenient for consumers. Taking these considerations into account, PwC estimates the total fast-charging network in 2030 to be close to 60k locations with at least some of these—perhaps most—expected to be at existing gas stations.

Policy Tailwinds

Canada's ERP (Emissions Reduction Plan) 2030 contains key milestones that aim to meet its legally binding commitment to achieve net-zero greenhouse gas emissions by 2025. This sets mandatory targets for all new light-duty cars and passenger truck sales to be zero-emission by 2035. In March 2022, $1.7B in incentives was announced for ZEV (zero emission vehicle) sales as part of Canada's ERP.

With regards to charging infrastructure, the Canadian federal government is providing incentives as part of its ZEVIP, a $680M initiative ending in 2027 with a goal of increasing localized charging and hydrogen stations. The program will cover half of total project costs, to a maximum fixed amount per installation depending on the charger type used. Level 2 chargers, for example, are eligible for up to $5k in funding per charger with fast chargers eligible for between a maximum of $15k and $100k in funding per charger.

The Canadian federal government has also implemented the Incentive for ZEV program which provides PoS (point of sale) rebates up to $5k for the purchase or lease of eligible ZEVs. Under this program there are two levels of incentives (1) battery-electric, hydrogen fuel cell, and longer-range plug-in hybrids for an incentive of $5k and (2) shorter range plug-in hybrid EVs eligible for a $2.5k incentive.

Canadian provinces are also pushing towards ZEVs. In 2019, British Columbia passed the ZEV Act, which requires automakers to meet an escalating annual percentage of new light-duty ZEV sales and leases, reaching 26% by 2026, 90% by 2030 and 100% by 2035. PoS rebates are given on light-duty ZEVs up to $4k for a purchase or lease of a new battery EV, hydrogen fuel cell or longer range plug-in hybrid EV and up to $2k for the purchase or lease of shorter-range plug-in hybrid EV.

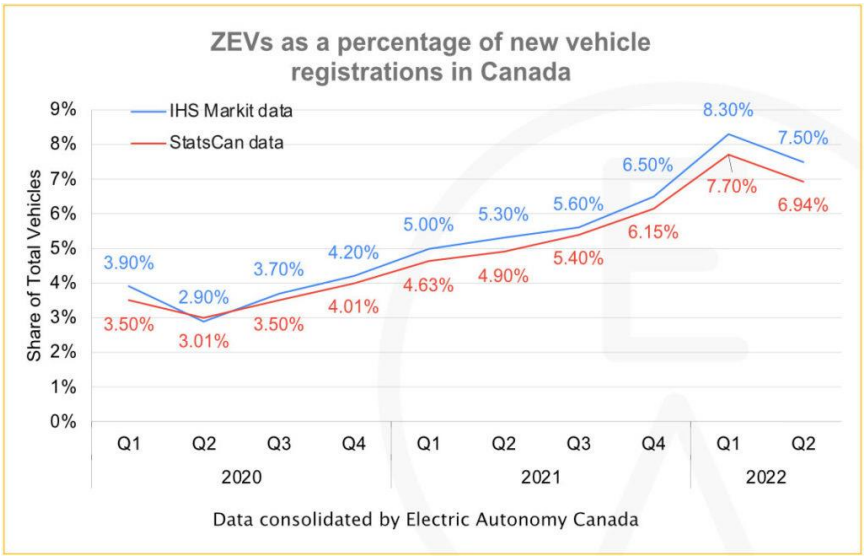
British Columbia has also implemented the CleanBC Go Electric Public Charger Program, which is intended to increase the number of public Direct Current Fast Charger (DCFC) stations throughout B.C. to support the growing number of zero-emission vehicles (ZEVs) on the road. Under this program, applicants can receive up to 50% of the cost of equipment and installation to a maximum of $80,000 per fast charging station. Additional funding is also available for co-located Level 2 chargers.

Other provinces have introduced similar regulations incentivizing the adoption of EVs, including in Quebec, Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland and Labrador. Various rebate programs designed to incentivize EV charging equipment exist in Alberta, Manitoba, Saskatchewan, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Ontario, Quebec and the Yukon.

Higher level chargers naturally have higher costs associated with operating them than lower-level chargers, unless utilization is very high.

To the effect of policy tailwinds, national registrations of new ZEVs continue to grow in Canada with StatsCan reporting a total 6.9% market share for the category in Q2 2022.

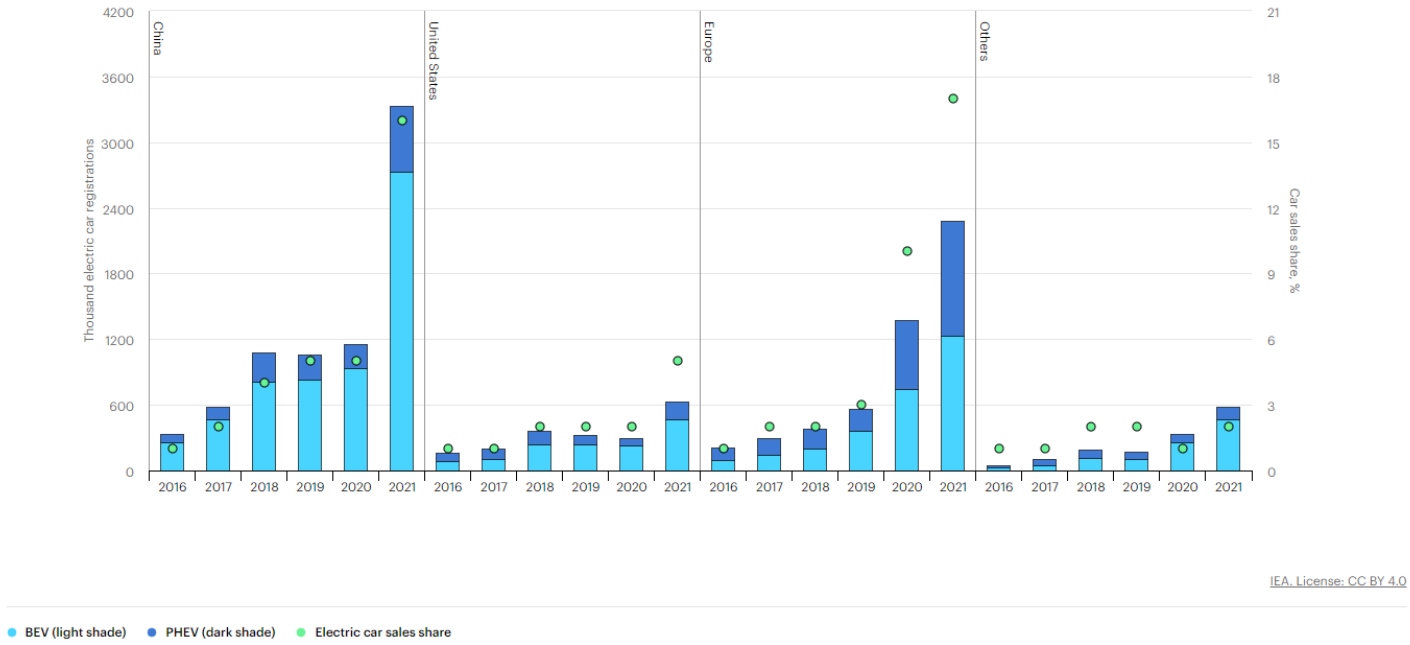
Figure 9: EVs as a % of NVRs in Canada



Source: Electric Autonomy Canada

According to the IEA, electric car sales reached a record high in 2021, despite supply chain bottlenecks and the ongoing Covid-19 pandemic. Compared with 2020, sales nearly doubled to 6.6 million cars (a sales share of nearly 9%), bringing the total number of electric cars on the road to 16.5 million globally. The sales share of electric cars increased by 4 percentage points in 2021. The Net Zero Emissions by 2050 Scenario sees an electric car fleet of over 300M in 2030 and electric cars accounting for 60% of new car sales. Getting on track with the Net Zero Scenario requires their sales share to increase by less than 6% percentage points per year.

Figure 10: EVs as a % of NVRs Globally



Source: IEA

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	%	#	IB Clients (TTM)
Buy	77.2%	78	76.2%
Hold	9.9%	10	9.5%
Sell	0.0%	0	0.0%
Tender	1.0%	1	4.8%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	11.9%	12	9.5%

B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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