

February 21, 2023

Canada - Alternative Energy

BUY

Price C\$0.28 (close 2/17/23)

FLASH NOTE**Pre-released quarterly revenue beats our Street high estimate****Summary****Impact: Positive, with the company exceeding \$10 mm of revenue in a quarter for the first time.**

Eguana pre-released December 31, 2022 quarter end revenue of \$10.3 mm, exceeding our forecast of \$9.1 mm and consensus of \$7.0 mm. We believe this is a positive development and should increase confidence in calendar 2023E consensus revenue of \$61 mm.

Key Points

Revenue pre-released: Eguana pre-released December 31, 2022 quarter end revenue of \$10.3 mm, exceeding our forecast of \$9.1 mm and consensus of \$7.0 mm. No additional details were provided on outlook or profitability. The company has indicated that demand for its microinverters were the primary driver for strong revenue growth y/y (+714%) and q/q (+296%). We believe this event will be a positive catalyst for the stock.

Training initiatives increasing, which should help drive further market adoption: The company's training initiatives are beginning to accelerate product demand through distribution channels, and the launch of Eguana University is expected to onboard installation partners quicker, and with better support, in the coming quarters

Valuation: While tough to compare to larger peers, EGT does trade at a meaningful discount, which could see a re-rating in the event there is more certainty around future revenue generation. EGT trades at 1.6x 2023E EV/Sales, while the median peer group average is 5.0x.

Investment Thesis

Eguana stands to benefit from the following key items, which helps us form our positive view on the stock: 1) Residential solar is set to undergo transformational growth globally due to supportive government policy; 2) Residential solar is being augmented by improving attachment rates for battery storage; 3) we anticipate rapid revenue and EBITDA growth from these events; 4) there is potential for new business lines; and 5) the company is a potential takeout candidate.

Target Price Methodology/Risks

We have applied a target 2023E EV/sales multiple of 3.0x, using the company's diluted share count, to set a target price of \$0.50/share.

Key risks to our target price include: 1) margin erosion from supply chain issues; 2) lack of customer adoption; 3) deterioration in relationship with key suppliers and customers; 4) a degradation in capital investments for public and private enterprises and 5) changes in government incentive programs.

Company Description

Eguana Technologies Corp. (EGT-V), based in Calgary, Canada, offers a suite of energy storage systems, which are primarily focused on the residential markets in California, Hawaii, Germany, and Australia. The company was incorporated in 1998, but its product market fit is now hitting an inflection point due to changing consumer preferences and regulatory policies. Eguana utilizes an expansive dealer network to distribute its product and third party manufacturing to reduce capital intensity.

Important Disclosures and Certifications

I, Ian Gillies, research analyst, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Ian Gillies, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Our European Policy for Managing Research Conflicts of Interest is available at www.stifel.com/institutional/ImportantDisclosures.

Eguana Technologies Inc. (EGT CN) as of February 20, 2023 (in CAD)



*Represents the value(s) that changed.

Buy=B; Speculative Buy=SB; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

For a price chart with our ratings and target price changes for EGT CN go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=EGT CN>

Stifel or an affiliate expects to receive or intends to seek compensation for investment banking services from Eguana Technologies Inc. in the next 3 months.

The research analyst(s) responsible for the preparation of this report viewed the material operations of Eguana Technologies Inc..

The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

Investment Rating System

Our investment rating system is defined as follows:

Buy - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Speculative Buy¹ - We expect a total return of greater than 30% over the next 12 months, with total return equal to the percentage price change plus dividend yield, accompanied by substantially higher than normal risk including the possibility of a binary outcome.

Hold - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Sell - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **Suspended (SU)** to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. Alternatively, **Suspended** may indicate the analyst is unable to determine a "reasonable basis" for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **Suspended** may also be used when an analyst has left the firm.

¹ This rating is only utilised by Stifel Canada.

Of the securities we rate, 55% are rated Buy, 1% are rated Speculative Buy, 25% are rated Hold, 1% are rated Sell and 19% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 14%, 3%, 5% and 5% of the companies whose shares are rated Buy (includes Speculative Buy), Hold, Sell and Suspended respectively.

Within the last 12 months, Stifel or an affiliate has provided material services for 33%, 40%, 17%, 16% and 16% of the companies whose shares are rated Buy, Speculative Buy, Hold, Sell and Suspended respectively.

The securities of the company or companies mentioned in this report may not be registered in certain states or other jurisdictions and as a result, the securities may not be eligible for sale in some states or jurisdictions. Additionally, the securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. The information contained

herein is not an offer to sell or the solicitation of an offer to buy any security in any state or jurisdiction where such an offer or solicitation would be prohibited.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures and respective target price methodology applicable to the companies mentioned in this publication that are within the Stifel coverage universe. For a discussion of risks and changes to target price including basis of valuation or methodology please see our stand-alone company reports and notes for all stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are as of the date of this publication and are subject to change without notice. These opinions do not constitute a personal recommendation and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Stifel or any of its affiliates may have positions in the securities mentioned and may make purchases or sales of such securities from time to time in the open market or otherwise and may sell to or buy from customers such securities on a principal basis; such transactions may be contrary to recommendations in this report. Past performance should not and cannot be viewed as an indicator of future performance. Unless otherwise noted, the financial instruments mentioned in this report are priced as of market close on the previous trading day and presumed performance is calculated always over the next 12 months.

As a multi-disciplined financial services firm, Stifel regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions.

Affiliate Disclosures

References to “**Stifel**” (collectively “Stifel”) refer to SFC and other associated affiliated subsidiaries including (i) Stifel, Nicolaus & Company, Incorporated (“**SNC**”); (ii) Keefe, Bruyette & Woods, Incorporated (“**KBWI**”), which are both U.S. broker-dealers registered with the United States Securities and Exchange Commission (“**SEC**”) and members of the Financial Industry National Regulatory Authority (“**FINRA**”), respectively; (iii) Stifel Nicolaus Canada, Incorporated. (“**Stifel Canada**”), which is authorised and regulated by Investment Industry Regulatory Organization of Canada (“**IROC**”), and also trades under the names “**Stifel GMP**” and/or “**Stifel FirstEnergy**”; (iv) Stifel Nicolaus Europe Limited (“**SNEL**”), which is authorised and regulated by the Financial Conduct Authority (“**FCA**”) (FRN 190412) and is a member of the London Stock Exchange and also trades under the name Keefe, Bruyette & Woods Europe (“**KBW Europe**”); (v) Stifel Europe Bank AG (“**SEBA**”), which is regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; “**BaFin**”) and is a member of Deutsche Boerse and SIX Swiss Exchange and (vi) Stifel Schweiz AG (“**STSA**”), which is representative of SEBA in Switzerland and regulated by the Eidgenössische Finanzmarktaufsicht (“**FINMA**”). SNEL, SEBA and STSA are collectively referred to as **Stifel Europe**.

Registration of non-US Analysts: Any non-US research analyst employed by Stifel contributing to this report is not registered/qualified as a research analyst with FINRA and is not an associated person of the US broker-dealer and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

Global Research Notes: Research analysts contributing content to these reports are subject to different regulatory requirements based on the jurisdiction in which they operate. Clients seeking additional information should contact the Stifel entity through which they conduct business.

SEBA & STSA Sponsored research: At SEBA & STSA, analysts may produce issuer paid research ('sponsored research'). This research is produced by analysts in accordance with local regulatory requirements relating to such research. In certain jurisdictions, this issuer paid research may be deemed to be independent research albeit not produced to the same conflicts of interest standards required by all jurisdictions for independent research. Where research has been paid for by an issuer, this will be clearly labelled. Please see our [European Policy for Managing Research Conflicts of Interest](#) for additional information.

Country Specific and Jurisdictional Disclosures

United States: Research produced and distributed by Stifel Europe is distributed by Stifel Europe to “Major US Institutional Investors” as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. SNC may also distribute research prepared by Stifel Europe directly to US clients, including US clients that are not Major US Institutional Investors. In these instances, SNC accepts responsibility for the content. Stifel Europe is a non-US broker-dealer and accordingly, any transaction by a US client in the securities discussed in the document must be effected by SNC. US clients wishing to place an order should contact their SNC representative.

UK: This report is distributed in the UK by SNEL, which is authorised and regulated by the Financial Conduct Authority (FCA). In these instances, SNEL accepts responsibility for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined by the FCA.

European Economic Area (EEA): This report is distributed in the EEA by SEBA, which is authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; “**BaFin**”). In these instances, SEBA accepts responsibility

for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined under MiFID II.

The complete preceding 12-month recommendations history related to recommendation(s) in this research report is available at <https://stifel2.bluematrix.com/sellside/MAR.action>

Australia: Research produced by Stifel is distributed by SNEL under the Australian Securities and Investments Commission ("ASIC") Class Order [CO 03/1099] exemption from the requirement to hold an Australian Financial Services Licence ("AFSL"). This research may only be distributed to a "Wholesale Client" within the meaning of section 761G of the Corporations Act 2001 (Cth).

Brunei: This document has not been delivered to, registered with or approved by the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance or the Autoriti Monetari Brunei Darussalam. This document and the information contained within will not be registered with any relevant Brunei Authorities under the relevant securities laws of Brunei Darussalam. The interests in the document have not been and will not be offered, transferred, delivered or sold in or from any part of Brunei Darussalam. This document and the information contained within is strictly private and confidential and is being distributed to a limited number of accredited investors, expert investors and institutional investors under the Securities Markets Order, 2013 ("Relevant Persons") upon their request and confirmation that they fully understand that neither the document nor the information contained within have been approved or licensed by or registered with the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance, the Autoriti Monetari Brunei Darussalam or any other relevant governmental agencies within Brunei Darussalam. This document and the information contained within must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the document or information contained within is only available to, and will be engaged in only with Relevant Persons.

Canada: Stifel Canada is a member of IIROC and a participant of the TSX, and TSX Venture Exchange. All relevant disclosures required by regulatory rules (including IIROC) and Stifel Canada's recommendation statistics and research dissemination policies can be obtained at www.Stifel.com/Research or by calling Stifel Canada's Compliance Department. Stifel Canada will provide, upon request, a statement of its financial condition and a list of the names of its Directors and senior officers. Research produced by Stifel Europe is distributed in Canada by SNC in reliance on the international dealer exemption. This material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "permitted client" as defined under applicable Canadian securities laws.

Republic of South Africa: Research produced by Stifel is distributed by SNEL to "Clients" as defined in FSCA FAIS Notice 20 of 2018 (the "FAIS Notice") issued by the Financial Sector Conduct Authority. Research distributed by SNEL is pursuant to an exemption from the licensing requirements under Section 7(1) of the Financial Advisory and Intermediary Services Act, 2002.

In jurisdictions where Stifel is not already licensed or registered to trade securities, transactions will only be affected in accordance with local securities legislation which will vary from jurisdiction to jurisdiction and may require that a transaction is carried out in accordance with applicable exemptions from registration and licensing requirements. Non-US customers wishing to effect transactions should contact a representative of the Stifel entity in their regional jurisdiction except where governing law permits otherwise. US customers wishing to effect transactions should contact their US salesperson.

The securities discussed in this report may not be available for sale in all jurisdictions and may have adverse tax implications for investors. Clients are advised to speak with their legal or tax advisor prior to making an investment decision.

The recommendation contained in this report was produced at 21 February 2023 07:34EST and disseminated at 21 February 2023 07:34EST.

Additional Information Is Available Upon Request

© 2023 Stifel. This report is produced for the use of Stifel customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Stifel.