

Equity Research | FREE2MOVE: Growth and improved focus on profitability catalysts for steep revaluation

As expected, Free2Move reported solid growth in Q4, achieving a 59% growth rate for the full year. However, foreign exchange (FX) fluctuations, ongoing supply chain issues and one-offs continued to impact profitability, resulting in a full-year EBIT of SEK -18m. With a mixed picture for market demand, F2M will now increase focus on profitability in 2024. Should the company manage to secure the necessary financial leeway, we expect it to reach profit in 2025. With support from the SEK 23m backlog, this should drive a revaluation of the bargain basement valuation at EV/Sales 0.2x 2024e and EV/EBITDA <3x 2025e. All in all, we find support for a fair value of SEK 0.19-0.24 per share, but note that financing remains an issue.

Focus on profitability but liquidity a bottle neck

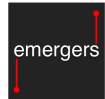
Sales in Q4'23 came in at SEK 15,6 m, which was just shy of our expectation, and resulted in an annual sales of SEK 59 million, corresponding to a growth rate of 59%. However, the weaker SEK and component supply issues such as increased delivery delays and rising prices, along with significant issue costs weighed on the operating result, with full year EBIT at SEK -18.4, where extraordinary circumstances had an impact of around SEK -5.5m. Adjusted for this, the cost per employee improved. We now expect F2M to focus on consolidation and profitability, which involves both cost savings and reviewing packaging, products and services. Purchasing larger volumes remains a key factor to raise profitability, but this is contingent on availability to working capital. With some time elapsed since the acquisitions of Solortus and Sydvent, we also expect cross synergies to begin to manifest in the P&L.

Mixed demand picture

With regards to market outlook, Free2Move reports that demand for traditional installation services in some regions has decreased, mainly within the consumer market, while renewable energy and energy storage are gaining momentum. The need for energy efficiency measures in commercial properties and facilities remains, indicating continued healthy growth. In business dealings with the construction sector, there is a clear slowdown related to the interest rates. All in all, we find a mixed demand picture, with interest primarily in energy-efficient and resource-saving installation services.

Depressed share price creates long term opportunities

Despite the historic downward pressure on the share, we see a considerable upside potential in the F2M share. This hinges on the company reaching neutral cash flow and profit in 2024/2025. With the measures taken to more effectively work the order backlog, continue growth and raise profitability, the outlook for this is bright. All in all, we continue to find support for a fair value of SEK 0.19-0.24 per share.



Read the full report here: https://www.emergers.se/free2move_e/

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