

# Equity Research | FREE2MOVE: Navigating challenges in Q3 for a promising 2024

**The growth for Free2Move continues, with sales in Q3 and the first nine months representing 21% and 66% YoY growth, respectively. However, due to lower gross margins, the quarter resulted in an operating loss of SEK -6.7m, despite OPEX improvements. We maintain our longer-term view on the outlook for the company, as Free2Move showcases the ability to drastically improve property energy efficiency. But for now, we have revised our full-year sales estimates for 2023 and 2024 to SEK 60m (from 70) and SEK 80m (from 90). We now find support for a new fair value range of SEK 0.19-0.24 (0.24-0.29) per share in 12-24 months.**

## Growth in Q3 not as strong as we anticipated

Q3 sales came in at SEK 13.5m, totaling the first nine months' sales of SEK 43.2m, representing a YoY growth of 27% and 73%, respectively. The growth is promising, but the increased operational loss is a bit worrying. EBIT went from SEK -4.2m in Q2 '23 to SEK -6.7m, marking the largest loss over the past 24 months. The most noteworthy difference in Q3 was the significantly lower gross margin, at 18%, compared to 39% in Q2 '23 and 44% in Q1 '23. According to the company, this is due to a negative FX impact of about SEK 2.6m and a historically weaker third quarter as business usually slow down during vacation season. The weak SEK is a significant factor since a large portion of Free2Move's procurements are in foreign currency, and a large order backlog makes these FX-related risks higher. Free2Move has managed to reduce the backlog to SEK 27.2m in Q3' 23 from SEK 42.1m in Q2'23, which is a step in the right direction. The company is also looking in ways to share these risks with its customers to enable more predictable margins going forward. Which will be key until the company gains the financial muscles to purchase components in larger batches.

## Optimizing the organization

Another take-away from the Q3 report is the fact that OPEX decreased to SEK 8.3m from 9.5m in Q2'23, a decrease of 13%. This could be an indication that the consolidation and optimization with the two strategic acquisitions, Solortus and Sydvent (consolidated from 2021-09-30 and 2022-07-01), are beginning to show. The overall macro case remains, as the focus on the green transition in general, and energy efficiency measures in particular, continues to grow in importance. And with a solid organization now in place, partnerships generating more and more business, the 2Connect platform now installed in over 750 properties, solid order inflow and a trimmed organization, we believe the company will maintain its growth trajectory and reach neutral cash flow during 2024.

## Cash injection sets the stage for a profitable 2024

The SEK 15.2m rights issue carried out in October was subscribed by 31%, leaving some 44% to guarantors. This resulted in a raise of SEK 11.5m to Free2Move before costs. The company chose to compensate the guarantors with shares, which probably is the reason to why we have seen such downwards pressure on the share price lately. While we remain optimistic about the longer



term outlook, we've made some revisions to our forecast, now looking for SEK 60m in FY2023, implying sales of SEK 16m in Q4'23. We also lower our sales estimate for 2024 to SEK 80m (SEK 90m). All in all, we now find support for a fair value range of SEK 0.19 – 0.24 per share in 12-24 months.

Read the full report here [https://www.emergers.se/free2move\\_c/](https://www.emergers.se/free2move_c/)

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