

Equity Research | FREE2MOVE: High-growth niches within energy efficiency

With unpredictable energy prices and an urgent green transition, the need for energy efficiency measures has never been higher. Through its comprehensive offering, Free2Move can reduce property energy input by 50%. With two strategic acquisitions, half-year sales now at 3x current market cap, and a substantial SEK 42m order backlog, Free2Move is poised for profitable growth. Projecting sales of SEK 70m in 2023 and SEK 90m in 2024, we find support for a fair value range of SEK 0.24-0.29 per share, over the next 12-24 months.

Reducing energy input by 50%

On the back of last year's soaring energy prices, customers have taken measures to prepare for the coming winter, but the challenges of building a sustainable energy system persists. Fluctuating wind and solar energy production pose a base load challenge amid increasing energy demands. Grid issues also persist. Cost-effective solutions that reduce the energy footprint are imperative. With a comprehensive range of services provided through its subsidiaries, Free2Move (energy usage analytics and optimization via the 2Connect platform), Solortus (solutions such as solar power, energy storage, charging stations, and control technology), Sydvent (ventilation services to commercial property owners, industries, construction firms, and individuals), enables Free2Move Group to achieve a 50% reduction in energy input, consequently reducing overall demand and lowering costs.

New financial backdrop forces property owners to act

As financial markets adapt to a new reality marked by notably higher interest rates, property owners find themselves in a transformed landscape. In a time when financing was abundant, large-scale property ownership often generated substantial returns almost without effort. However, these same companies now face the necessity to innovate and optimize to ensure return on their investments. While the financial benefits associated with new technology are obvious, there are also considerable environmental advantages. Significant reductions in energy consumption lead to substantial environmental benefits, which is a matter of increasing significance as both consumers and regulators raise their expectations in response to the accelerating green transition.

Half year sales 3x the size of current Market Cap

Free2Move achieved a sales CAGR of 20% from Q2'22 to Q2'23, resulting in an year-over-year total growth of 101%. Even though a large part can be attributed to the acquisition of Solortus, we believe that cross synergies between the subsidiaries has provided, and will continue to provide organic growth going forward. With a capital injection of SEK 15.2m through a rights issue we believe Free2Move will have the financial muscles to reach neutral CF in 2024E. Our forecast of full year sales of SEK 70m for 2023E and SEK 90m for 2024E now supports positive EBITDA in 2024, which compares to our previous forecast of positive EBITDA already this year. Achieving profitability empowers Free2Move to procure goods in larger quantities, a move that will have a favorable impact on gross margins. Attaining this milestone is pivotal for realizing the company's long-term potential. Using a WACC of 23% and target multiples of 0.9x sales'24 and 10x EBITDA'24, our valuation approach supports a fair value range post issue of SEK 0.24 – 0.29 per share, in 12-24



months. A successful execution of the company's acquisition strategy would add even more value on top of this, and while we are optimistic towards it, we do not account for any future acquisitions in this research report.

Read the full report here https://www.emergers.se/free2move_b/

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