

Free2Move Holding AB

Growth and improved focus on profitability catalyst for steep revaluation

Johan Widmark | 2024-02-19 13:30

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

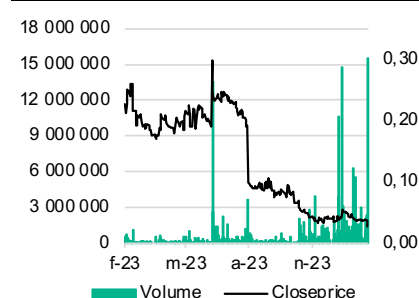
Despite the historic downward pressure on the share, we see a considerable upside potential in the F2M share. This hinges on the company reaching neutral cash flow and profit in 2024/2025. With the measures taken to more effectively work the order backlog, continue growth and raise profitability, the 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.

SEKm	2022	2023	2024E	2025E	2026E
Revenue	39	59	75	100	113
EBITDA	-11	-15	-3	6	10
EBIT	-14	-18	-6	2	7
EPS Adjusted	-0,29	-0,08	-0,03	0,01	0,03
Sales Growth, %	434%	57%	24%	33%	13%
EBITDA Margin, %	-27%	-25%	-4%	6%	9%
EBIT Margin, %	-36%	-31%	-8%	2%	6%
EV/Sales	0,3	0,3	0,2	0,1	0,1
EV/EBITDA	-1,2	-1,1	-4,5	2,5	1,4
EV/EBIT	-0,9	-0,9	-2,3	5,8	2,1
P/E	-0,9	-0,4	-1,0	3,3	1,2

Source: Emergers

Free2Move

Fair Value, SEK	0,19 - 0,24
Current Price, SEK	0,027
Shares, millions	243,5
Mkt Cap, SEKm	6,6
Net Debt, SEKm	7,7
EV, SEKm	14,3
Market	Nordic SME

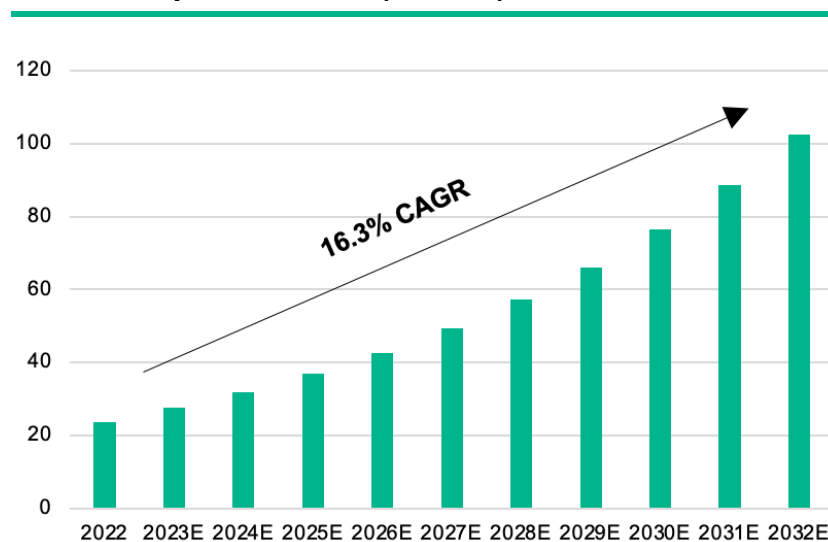


Free2Move in brief

Free2Move operates at the intersection of PropTech (Property Technology), solar power, and ventilation, offering a comprehensive range of services through its four distinct subsidiaries, each serving different niches that synergize effectively.

Free2Move AB provides the software based platform 2Connect, enhancing property energy management by optimizing energy usage. **Solortus** specializes in renewable energy, offering solutions such as solar power, energy storage, charging stations, and control technology. **Sydvent** delivers ventilation services to commercial property owners, industries, construction firms, and individuals. All the subsidiaries can seamlessly integrate with the 2Connect platform. The group's overarching vision is to promote long-term sustainable property management through digitization, operational efficiency improvements, and the adoption of renewable energy sources.

Global Proptech Market (USDbn)



Source: Globenewswire.com, Emergers.

The overall global proptech market is experiencing high growth. Valued at USD 24bn in 2022, it is expected to reach USD 102bn in 2032E, corresponding to a compounded annual growth rate (CAGR) of 16.3%.

Comprehensive offering through subsidiaries

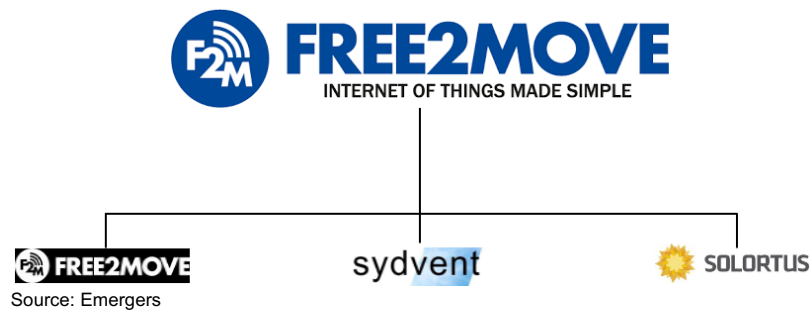
Solortus AB: Solortus was founded in 2012 and has 10 employees. In 2022, sales amounted to SEK 27.5m and a last row profit of SEK 0.8m. The company specializes in renewable energy through solar power, as well as charging stations and control technology for property owners.



Sydvent AB: Based in Malmö, the company provides ventilations services to commercial property owners, industries, construction companies and individuals through the Öresund region. Founded in 2012 the company generated SEK 7.2m in revenues last fiscal year, which resulted in a net profit of SEK -2.2m. The company however made profit in 2021 of SEK 0.4m.



Organizational Chart Free2Move Group



Strong macro case for continued growth

Last years' soaring energy prices, as a consequence to the Russian invasion of Ukraine, brought European energy politics on top of the agenda. Measures have been taken, and we are better prepared as winter is coming this year compared to one year ago. However, this does not mean the question about a sustainable energy system is solved. We still face challenges in terms on how fluctuating energy production from wind and solar power are to provide a solid base, as the energy demand only will increase in the future. Not to mention issue with the grid, and how energy is transferred throughout the country. If there are cheap options that deliver results, that can reduce the energy footprint, it should be done. By optimizing energy usage within properties, Free2Move can achieve a 50% reduction in energy input, effectively lowering overall energy demand.

According to the Swedish Energimyndigheten, installed solar power facilities increased by 46% between 2020 and 2021, with a total installed capacity of 1,587 MW. A figure now estimated to have reach about 2,400 MW, and the strong growth is expected to continue. During 2022, some SEK 5.3bn was invested in solar cells from Swedish households alone.

Recurring revenues + upfront payments

By leveraging project-based income from solar panel installations and ventilation services provided by Solortus and Sydvent, in addition to the recurring revenue generated by the 2Connect platform, the company aims to secure consistent cash flows from its current operations. Simultaneously, it explores opportunities to acquire companies that can expand or enhance the Free2Move portfolio. If executed effectively, we anticipate the possibility of realizing synergistic growth alongside the existing businesses. It's worth noting that we haven't factored in potential future acquisitions in this research report.

Free2Move targets a profitable growth, to use synergistical benefits between its subsidiaries leading to both organic growth as well as reduced costs as some business functions can be consolidated. With the company's existing purchasing power affecting margins negatively, reaching profitability will have a multiplying effect on the business as it will enable bigger purchase of good, naturally lowering the price and increasing the company's margins.

DCF-valuation indicates fair value of SEK 0.19 per share

One part of Free2Move's continued growth strategy is to acquire smaller businesses who either complements the offering, or that enhances it. While we believe this is the right way to go, future acquisitions can't be accounted for in our valuation model, why the existing Free2Move Group is base for our fair value.

DCF Key Assumptions

WACC	23%
Long-term EBITDA-margin	16%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	8x
Total NPV, SEKm	55
Net Debt	7,7
Price per share, SEK	0,19

Source: Emergers

We have chosen a WACC of 23%, which might seem high considering the company already generates revenue and is expected to reach black figures next year. But due to the historical difficulties the company has had in terms of profit, we want to see more proof of this before adjusting our discount rate.

Fair value range of SEK 0.19 – 0.24 per share

Operating in both the project-based businesses while also enjoying recurring revenues from the 2Connect platform, Free2Move occupies an interesting position being able to offer a comprehensive deal to property owners. Looking at industry colleagues, in various sizes and stages, operating in different areas of the PropTech/Renewable energy space, the majority are valued at attractive EV-multiples. Even if applying the median EV/Sales-multiple of the ten smallest companies, it shows significant upside potential for Free2Move. All in all, this sums up to an overall fair value range of SEK 0.19 – 0.24 per share in 12-24 months. In case the company can sustain growth while approaching profitability throughout the remainder of 2024 and achieve positive EBITDA in 2024, we see favorable prospects for reducing risk in our model, which would result in a significantly higher fair value, not factoring in any future potential acquisitions. Which if successful would add even more value on top.

Free2Move

Income Statement

MSEK	2021	2022	2023	2024E	2025E	2026E
Sales	7,2	38,7	60,6	75,3	100,3	113,1
Operating Costs (incl. COGS)	-18,1	-49,4	-75,5	-78,4	-94,6	-103,0
EBITDA	-10,8	-10,6	-14,9	-3,2	5,7	10,1
Depreciation	-0,8	-0,7	-3,0	-3,1	-3,3	-3,4
Amortisation of Goodwill	0,0	0,0	0,0	0,0	1,0	1,0
EBIT	-11,6	-11,4	-17,9	-6,3	3,5	7,7
Non-recurring Items	0,0	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0	0,0
Net Financial Items	0,1	0,0	-0,9	0,0	0,0	0,0
Pre-tax Result	-11,5	-11,4	-18,8	-6,3	3,5	7,7
Tax	0,0	0,0	-1,1	0,0	-0,5	-1,3
Minority Interest	0,0	0,0	0,0	0,0	1,0	1,0
Net Result	-11,5	-11,4	-19,9	-6,3	4,0	7,4

Capital Expenditure

	2021	2022	2023	2024E	2025E	2026E
Capital Expenditure, Absolute	-	-	-3,0	-3,8	-5,0	-5,7
As a Pct of Sales	-	-	-5,0	-5,0	-5,0	-5,0
Depreciation Multiple	-	-	-1,0	-1,2	-1,5	-1,6

Key Ratios

Share Price: SEK 0,03

	2021	2022	2023	2024E	2025E	2026E
Share Price at 31 Dec	0,41	0,26	0,03	0,03	0,03	0,03
Number of Shares (Millions)	49,37	50,81	105,95	105,95	105,95	105,95
Market Cap	20,2	13,0	3,6	2,9	2,9	2,9
Enterprise Value	21,5	17,8	10,7	10,0	10,0	10,0
EPS (Reported)	-0,23	-0,22	-0,19	-0,06	0,04	0,07
EPS (Adjusted)	-0,23	-0,22	-0,19	-0,06	0,04	0,07
CEPS	-0,23	-0,22	-0,19	-0,06	0,04	0,07
P/CEPS	n.a.	n.a.	n.a.	n.a.	0,7	0,4
Dividend	0,00	0,00	0,00	0,00	1,00	1,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	3703,7	3703,7
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	2670,8	1441,4
EV/Sales	3,0	0,5	0,2	0,1	0,1	0,1
EV/EBITDA	-2,0	-1,7	-0,7	-3,2	1,7	1,0
EV/EBIT	-1,9	-1,6	-0,6	-1,6	2,9	1,3
P/E (Adjusted)	-1,8	-1,1	-0,2	-0,5	0,7	0,4
Sales Growth, Y/Y (%)	-	434,3	56,5	24,2	33,3	12,8
EBIT Growth, Y/Y (%)	-	-2,0	57,3	-64,9	-155,1	122,3
EPS Growth (Adjusted), Y/Y (%)	-	-4,3	-16,1	-68,4	-163,1	85,3
EBITDA Margin (%)	-149,7	-27,5	-24,6	-4,2	5,7	8,9
EBIT Margin (%)	-160,1	-29,3	-29,5	-8,3	3,4	6,8
Return on Capital Employed (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax Rate (%)	0,0	0,0	0,1	0,0	-0,1	-0,2

Financial Position

	2021	2022	2023	2024E	2025E	2026E
Interest-Bearing Net Debt	1	5	7	7	7	7
Net Debt/Equity	-	-	0,6	0,6	0,6	0,6
Net Debt/EBITDA	-0,1	-0,5	-0,5	-2,3	1,2	0,7

Source: Emergers, Company reports

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