

Free2Move Holding AB

High-growth niches within energy efficiency

Andreas Eriksson | 2023-10-03 08:00

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 three 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 its comprehensive range of services provided through four 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). This 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.

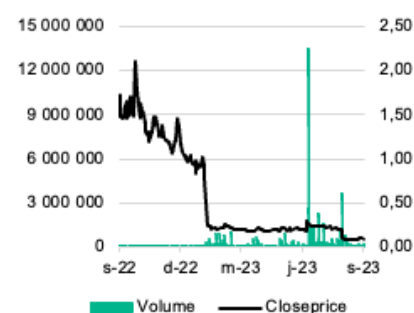
Half year sales 3x the size of current Market Cap

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.

Free2Move

Fair Value, SEK	0,24 - 0,29
Current Price, SEK	0,09
Shares, millions*	105,9
Mkt Cap, SEKm	9,4
Net Debt, SEKm	5,8
EV, SEKm	15
Market	Nordic SME

* total NoS will be 282.7m post 100% subscribed issue



Financial Summary

SEKm	2021	2022	2023E	2024E	2025E
Revenue	7	39	70	90	110
EBITDA	-11	-11	-10	2	9
EBIT	-12	-14	-13	-2	5
EPS Adjusted	-0,23	-0,29	-0,05	-0,01	0,02
Sales Growth, %	-	434%	81%	29%	22%
EBITDA Margin, %	-150%	-27%	-14%	2%	8%
EBIT Margin, %	-160%	-36%	-19%	-2%	5%
EV/Sales	1,4	0,1	0,1	0,1	0,0
EV/EBITDA	-0,9	-0,4	-0,5	2,9	0,5
EV/EBIT	-0,9	-0,3	-0,3	-2,4	0,9
P/E	-16,7	-0,7	-1,7	-13,4	5,0

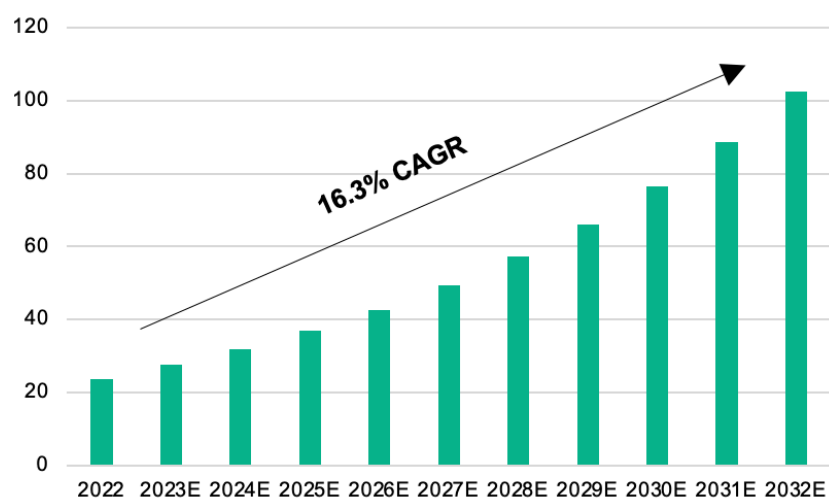
Source: Emergers

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

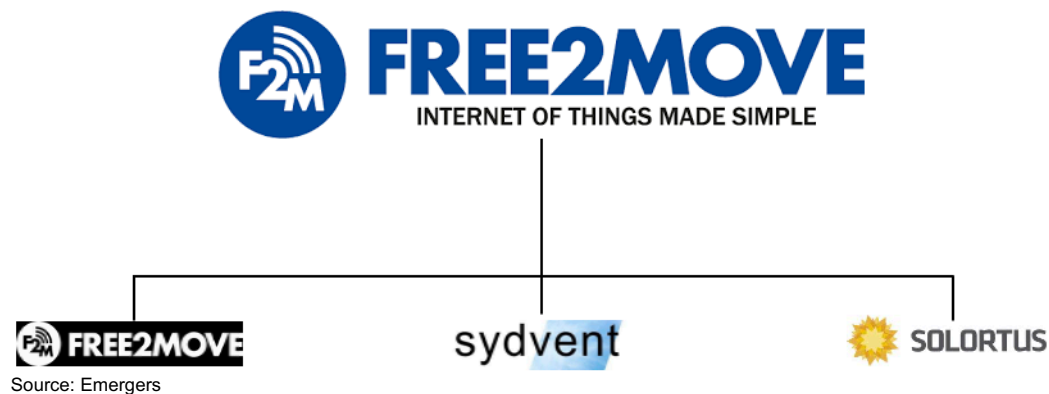
Solortus AB: Solortus was founded in 2012 and has 10 employees. In 2022, sales amounted to SEK 27.5m and a last row profit of SEK 0.8m. The company specializes in renewable energy through solar power, as well as charging stations and control technology for property owners.



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



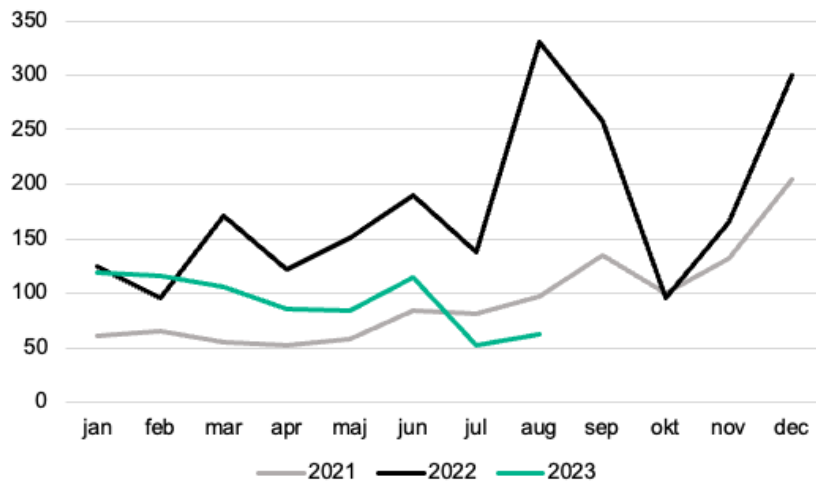
Source: Emergers

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.

Energy Prices, Energy Area 4 (öre/kWh)



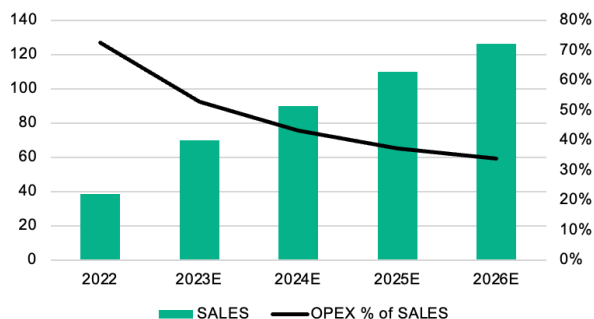
Source: Vattenfall, Emergers

Recurring revenues + upfront payments

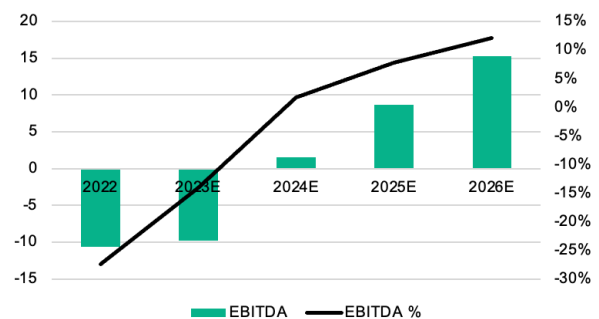
By leveraging project-based income from solar panel installations and ventilation services provided by Solortus and Sydvent, in addition to the recurring revenue generated by the 2Connect platform, the company aims to secure consistent cash flows from its current operations. Simultaneously, it explores 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.

Sales & OPEX as % of Sales



EBITDA & EBITDA %



Source: Emergers

Half year sales amounted to SEK 30m and a backlog of SEK 42.1m, with additional SEK +40m orders from the partnership with Checkwatt AB and Anderssons Elbyrå AB over the coming two years. In summary, this makes us positive towards the company's outlook and see a high probability for

reaching the financials goals of sales of SEK 70m and SEK 100m in 2023 and 2024 respectively.

DCF-valuation indicates fair value of SEK 0.24 per share

Firstly, we want to clarify that a big portion of Free2Moves continued growth strategy is to acquire smaller businesses who either complements the offering, or that enhances it. Even though 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	72
Net Debt	5,8
Price per share, SEK	0,24

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 altering our discount rate. Forecasting sales of SEK 70m, 90m and 110m for 2023E, 2024E, 2025E respectively and an annual organic growth of 15% after that, our DCF indicates a fair value of SEK 0.24 per share.

Target multiples support a fair value of SEK 0.29 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, where 0.9x Sales'24 implies a fair value of SEK 0.29 per share.

Fair value range of SEK 0.24 – 0.29 per share

All in all, this sums up to an overall fair value range of SEK 0.24 – 0.29 per share in 12-24 months. In case the company can sustain growth while approaching profitability throughout the remainder of 2023 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.

Peer Group

Company	Market Cap	EV	Sales (SEKm)	EBITDA (SEKm)	Sales growth 1y	EBITDA %	EV/S	EV/EBITDA	Price Dev, 1y
Implementa Sol	10	9	14	-2	89,3%	-20,9%	0,7	-	-54%
Clean Industry	12	10	12	-16	77,6%	-193,6%	0,8	-	-85%
LightAir	25	16	16	-22	0,0%	-89,4%	1,0	-	-79%
Sun4Energy	36	30	259	6	160,7%	1,9%	0,1	5,1	-60%
Gomero Group	43	31	42	4	11,7%	13,9%	0,7	7,4	-4%
ABAS Protect	69	93	111	6	-	8,4%	0,8	15,5	-
Enrad	79	78	18	-4	-4,9%	-21,7%	4,4	-	-6%
Winda	82	76	15	3	-	21,2%	5,0	23,6	51%
Photocat	99	106	24	2	35,5%	-60,2%	4,3	51,2	36%
Gullberg & Jansson	176	170	282	13	-33,6%	11,5%	0,6	13,2	-63%
Midsummer	236	338	53	-171	-47,5%	-202,5%	6,4	-	-81%
Meriaura	466	590	391	13	1165,0%	-131,7%	1,5	44,1	-7%
Eitel	1 117	2 611	8 730	177	1,8%	3,1%	0,3	14,7	-3%
SolTech Energy	1 169	1 137	2 623	-54	110,8%	-1,2%	0,4	-	-26%
FM Mattsson	1 989	2 251	1 922	307	-1,3%	17,5%	1,2	7,3	-12%
CTT Systems	2 731	2 715	287	120	51,3%	41,1%	9,5	22,7	11%
Norva24	3 681	5 081	3 041	575	25,8%	20,1%	1,7	8,8	-37%
Absolent Air Care	4 438	4 784	1 378	265	14,9%	19,1%	3,5	18,1	5%
Byggfakta	6 516	9 447	2 377	835	20,9%	33,8%	4,0	11,3	16%
Nederman	7 029	8 506	6 026	806	35,0%	13,3%	1,4	10,6	30%
Alimak	7 670	11 452	6 027	1 125	52,8%	17,3%	1,9	10,2	1%
Sdiptech	8 457	12 007	4 119	995	36,1%	24,1%	2,9	12,1	13%
Instalco	8 922	12 294	13 473	1 322	30,5%	9,7%	0,9	9,3	-27%
Troax Group	9 870	10 277	2 773	611	-1,7%	21,7%	3,7	16,8	8%
Lindab	12 808	16 555	13 051	1 721	19,2%	14,4%	1,3	9,6	24%
Systemair	14 706	16 139	12 384	2 037	21,5%	14,4%	1,3	7,9	45%
Bravida	16 219	18 731	28 778	2 303	23,3%	8,2%	0,7	8,1	-16%
Munters	24 478	29 311	12 366	1 721	43,0%	12,8%	2,4	17,0	70%
AVERAGE							2,3	15,7	
MEDIAN							1,4	11,7	

Source: Emergers

Free2Move

Income Statement

MSEK	2021	2022	2023E	2024E	2025E
Sales	7,2	38,7	70,0	90,0	110,0
Operating Costs (incl. COGS)	-18,1	-49,4	-79,8	-88,4	-101,4
EBITDA	-10,8	-10,6	-9,8	1,6	8,6
Depreciation	-0,8	-0,7	-3,3	-3,5	-3,6
Amortisation of Goodwill	0,0	0,0	0,0	0,0	1,0
EBIT	-11,6	-11,4	-13,1	-1,9	6,0
Non-recurring Items	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0
Net Financial Items	0,1	0,0	-2,1	0,0	0,0
Pre-tax Result	-11,5	-11,4	-15,2	-1,9	6,0
Tax	0,0	0,0	0,0	0,0	-1,0
Minority Interest	0,0	0,0	0,0	0,0	1,0
Net Result	-11,5	-11,4	-15,2	-1,9	6,0

Capital Expenditure

	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	-	-	-3,5	-4,5	-5,5
As a Pct of Sales	-	-	-5,0	-5,0	-5,0
Depreciation Multiple	-	-	-1,1	-1,3	-1,5

Key Ratios

Share Price: SEK 0,09

	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	3,90	0,21	0,09	0,09	0,09
Number of Shares (Millions)	49,37	50,81	105,95	105,95	105,95
Market Cap	192,6	10,4	9,4	9,4	9,4
Enterprise Value	193,8	15,3	16,6	16,6	16,6
EPS (Reported)	-0,23	-0,22	-0,14	-0,02	0,06
EPS (Adjusted)	-0,23	-0,22	-0,14	-0,02	0,06
CEPS	-0,23	-0,22	-0,14	-0,02	0,06
P/CEPS	n.a.	n.a.	n.a.	n.a.	1,6
Dividend	0,00	0,00	0,00	0,00	1,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	1123,6
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	1764,3
EV/Sales	26,7	0,4	0,2	0,2	0,2
EV/EBITDA	-17,9	-1,4	-1,7	10,5	1,9
EV/EBIT	-16,7	-1,3	-1,3	-8,8	2,8
P/E (Adjusted)	-16,7	-0,9	-0,6	-5,0	1,6
Sales Growth, Y/Y (%)	-	434,3	80,8	28,6	22,2
EBIT Growth, Y/Y (%)	-	-2,0	15,3	-85,7	-420,4
EPS Growth (Adjusted), Y/Y (%)	-	-4,3	-35,7	-87,7	-420,3
EBITDA Margin (%)	-149,7	-27,5	-14,0	1,8	7,9
EBIT Margin (%)	-160,1	-29,3	-18,7	-2,1	5,5
Return on Capital Employed (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax Rate (%)	0,0	0,0	0,0	0,0	-0,2

Financial Position

	2021	2022	2023E	2024E	2025E
Interest-Bearing Net Debt	1	5	7	7	7
Net Debt/Equity	-	-	0,4	0,4	0,4
Equity Ratio	0,0	0,0	0,0	0,0	0,0
Net Debt/EBITDA	-0,1	-0,5	-0,7	4,5	0,8

Source: Emergers, Company reports

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Johan Widmark | Tel: +46739196641 | Mail: johan@emergers.se
Andreas Eriksson | Tel: +46737307335 | Mail: andreas@emergers.se

Emergers
Incirrata AB
Enbacken 16
187 44 Täby
Sweden

Phone: 0739 – 19 66 41
Email: johan@emergers.se
Corp reg no: 556815-7837