

Free2Move Holding AB: Slow start to 2025 but with a sharp uptick in early Q2

Johan Widmark | 2024-05-16 08:00

Somewhat surprising, the QoQ reduction in order backlog from SEK 23m in Q4'23 to SEK 15m in Q1'24 was less than revenues of SEK 6.3m in the quarter, suggesting that F2M has seen some cancellations. That should however have improved after Q1 with 34% order intake growth in April, when three out of four subsidiaries reported positive operative results. A SEK 8.4m working capital release helped CF to a mere SEK -0.9m, but liquidity continues to be a glaring risk. Should the company manage to secure the necessary financial leeway, we expect it to reach profit in 2025, which should drive a revaluation of the depressed share price, now trading at EV/Sales 0.2x '24e and EV/EBITDA 2.6x '25e. All in all, we now find support for a fair value of SEK 0.15-0.20 (0.19-0.24) per share, provided that a rights issue can be avoided.

Weak Start - Improved Cash Flow

Free2Move had a slow start to 2024 due to adverse weather and the aftermath of negative financial and media sentiment, which dampened investment enthusiasm. However, in March, the subsidiaries saw stronger results and significantly improved cash flow compared to the same period in 2023, nearing positive figures. Subsidiaries Solortus, Sydvent, and the 2Connect platform have continued to shift focus from product development to services for customers interested in sustainable solutions, as the underlying demand for smart and sustainable property management is higher than ever. Subscription services, particularly in energy storage through 'Statera,' increased by 38% compared to the previous year, indicating a positive trend. Furthermore, Free2Move's market expansion, especially in Copenhagen, grew by 59%

Focus on profitability but liquidity a bottle neck

Sales in Q1'24 came in at SEK 6.3m, compared to SEK 14m same period last year, while EBIT was SEK -8.5m compared to SEK -3.1m in Q1'23. Op CF was not as weak, at SEK -0.3m. Cost-savings and consolidation efforts are planned to be completed in Q3'24, which is expected to further improve our operational efficiency and profitability, with a full cost-reduction effect of 10% from Q1'25. With Energy savings of 43% for customers, corresponding to a total energy savings of 75 million kWh, F2M continues to expand installed base, now at nearly 800 installations.

Depressed share price creates long term opportunities

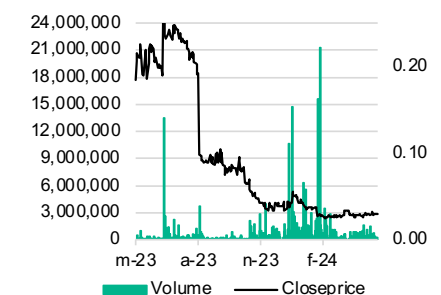
Despite the historic downward pressure on the share, we see a considerable upside potential in the F2M share. This hinges on the company reaching neutral cash flow and profit in 2024/2025. With the measures taken to more effectively work the order backlog, continue growth and raise profitability, the outlook for this is bright. Following the weak start to the year, we have revised our sales forecast and now find support for a fair value of SEK 0.15-0.20 (0.19-0.24) per share, provided a rights issue can be avoided.

SEKm	2022	2023	2024E	2025E	2026E
Revenue	39	59	65	80	90
EBITDA	-11	-15	-6	5	9
EBIT	-14	-18	-9	2	5
EPS Adjusted	-0.29	-0.08	-0.04	0.01	0.02
Sales Growth, %	434%	57%	7%	23%	13%
EBITDA Margin, %	-27%	-25%	-9%	7%	10%
EBIT Margin, %	-36%	-31%	-14%	3%	6%
EV/Sales	0.3	0.3	0.2	0.2	0.1
EV/EBITDA	-1.2	-1.1	-2.3	2.4	1.5
EV/EBIT	-0.9	-0.9	-1.5	6.0	2.5
P/E	-0.9	-0.4	-0.7	3.7	1.5

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	6.8
EV, SEKm	13.4
Market	Nordic SME

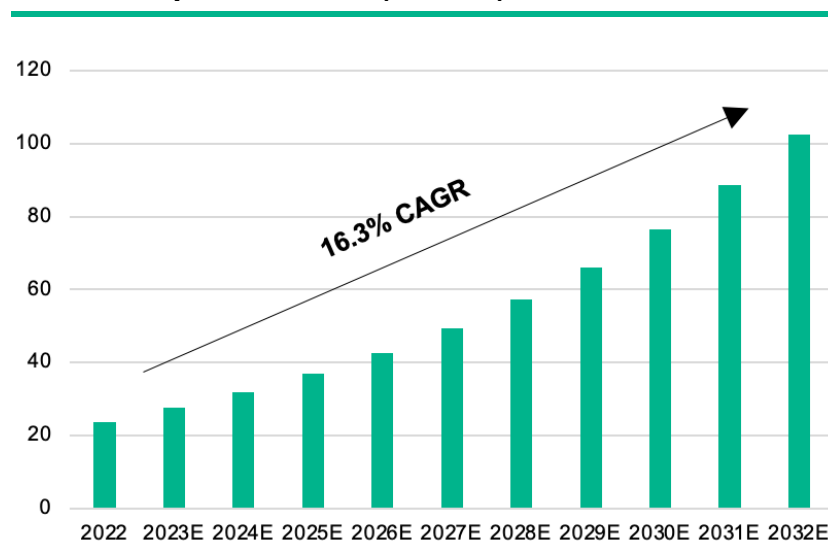


Free2Move in brief

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

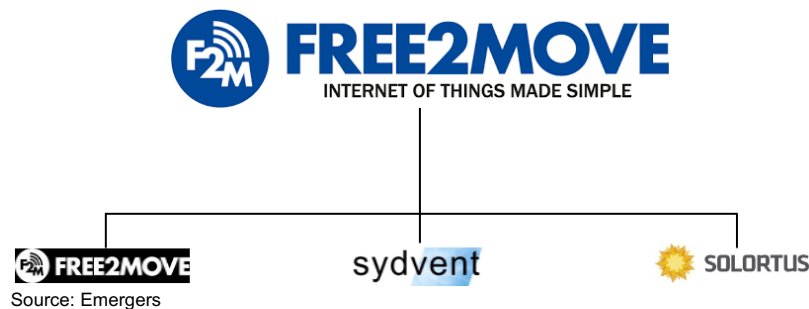
Solortus AB: Solortus was founded in 2012 and has 10 employees. In 2022, sales amounted to SEK 27.5m and a last row profit of SEK 0.8m. The company specializes in renewable energy through solar power, as well as charging stations and control technology for property owners.



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 0.17 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	11%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	8x
Total NPV, SEKm	41
Net Debt	6.8
Price per share, SEK	0.17

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 0.15 – 0.20 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 0.15 – 0.20 per share. 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	65.1	80.2	90.5
Operating Costs (incl. COGS)	-18.1	-49.4	-75.5	-71.0	-74.7	-81.7
EBITDA	-10.8	-10.6	-14.9	-5.9	5.5	8.8
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	-9.0	3.2	6.4
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	-9.0	3.2	6.4
Tax	0.0	0.0	-1.1	0.0	-0.4	-1.1
Minority Interest	0.0	0.0	0.0	0.0	1.0	1.0
Net Result	-11.5	-11.4	-19.9	-9.0	3.8	6.3

Capital Expenditure

	2021	2022	2023	2024E	2025E	2026E
Capital Expenditure, Absolute	-	-	-3.0	-3.3	-4.0	-4.5
As a Pct of Sales	-	-	-5.0	-5.0	-5.0	-5.0
Depreciation Multiple	-	-	-1.0	-1.0	-1.2	-1.3

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	-0.08	0.04	0.06
EPS (Adjusted)	-0.23	-0.22	-0.19	-0.08	0.04	0.06
CEPS	-0.23	-0.22	-0.19	-0.08	0.04	0.06
P/CEPS	n.a.	n.a.	n.a.	n.a.	0.8	0.5
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	2806.9	1686.8
EV/Sales	3.0	0.5	0.2	0.2	0.1	0.1
EV/EBITDA	-2.0	-1.7	-0.7	-1.7	1.8	1.1
EV/EBIT	-1.9	-1.6	-0.6	-1.1	3.1	1.6
P/E (Adjusted)	-1.8	-1.1	-0.2	-0.3	0.8	0.5
Sales Growth, Y/Y (%)	-	434.3	56.5	7.4	23.2	12.8
EBIT Growth, Y/Y (%)	-	-2.0	57.3	-49.9	-135.9	97.4
EPS Growth (Adjusted), Y/Y (%)	-	-4.3	-16.1	-54.9	-142.1	66.4
EBITDA Margin (%)	-149.7	-27.5	-24.6	-9.0	6.8	9.7
EBIT Margin (%)	-160.1	-29.3	-29.5	-13.8	4.0	7.0
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	0.5	0.5	0.5
Net Debt/EBITDA	-0.1	-0.5	-0.5	-1.2	1.3	0.8

Source: Emergers, Company reports

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