

06 May 2022

Commissioned research: Vow – Q1 operational update: All-time-high results, growth in all ends of the business

Marketing material commissioned by Vow

Vow published an operational update for Q1 yesterday (the company reports semi-annually). We have seen an overall positive development across all the segments, with clear signs of increased activity. We argue that the trading update was in line with the development we expected in the short-term. However, we note several positive datapoints, thus providing further confidence around our full-year estimates. Revenue in Q1 doubled y/y, reaching NOK 182.5m, in addition to an EBITDA of NOK 23.6 (12.9% margin). Lastly, contract newsflow has been strong for the past months, and we see strong demand across all parts of Vow's business. The order backlog (incl. options) is at high levels, reaching NOK 2.1bn in the quarter (up 31% y/y). The company reiterated its full-year revenue guidance, and we expect limited consensus estimate revisions following the update. We still view Vow as attractive at current levels, trading at 2024E EV/EBIT of 10.5x and P/E of 14.0x and still see between ~55-70% upside to current share price on our fair value range of NOK 35-39 per share.

Projects Cruise continuing to excel

The Projects Cruise segment delivered solid results, both in terms of revenue and EBITDA. Revenue reached NOK 86.3m (up 26% y/y), and adj. EBITDA came in at NOK 21.1m (24.4% margin). The order backlog remains strong at NOK 944m, with also having recorded 838m in options and likely deliveries to sister ships. This gives visibility well into 2025-26.

Setting the stage for a comeback in Aftersales in 2022

As expected, the global fleet of active cruise ships is increasing (up to 347 in May, from 20 last year the same period). This should also bode well for a strong comeback in Aftersales this year, we argue. We saw this effect come into the numbers already in Q1, with the company reporting revenue of NOK 20.5m (more than doubling y/y) and EBITDA of NOK 1m (4.9% margin). Revenue is still at two-thirds of pre-covid levels, but we expect a significant uptick here in Q2 and H2 2022 as cruise owners prepare the fleet for the summer season. Since 2019, we also note that the installed base of Scanship equipment has increased by 13%, implying significant growth potential post-pandemic. After a long period of negative EBITDA contribution from the segment, we expect the comeback to contribute to margin expansion for the group in 2022-24E.

Landbased continues the strong momentum from Q4

The revenue for the Landbased segment has further accelerated, reaching all-time-highs of NOK 75.7m in the quarter, largely driven by the deliveries to the VGM Follum project. The company also commented that the production of equipment for Follum continues as planned for delivery later in 2022. With increasing activity, the company managed to deliver positive double digit EBITDA margin of 11.2% in the quarter. Hence, we are impressed by the development so far and still argue that this segment will be the main growth vehicle for the company moving forward. We are excited on the project announcements for the segment the past months, with agreements signed for feasibility studies for a large scale biocarbon production facility (5x Follum plant), start of production at a pilot plant for pyrolysis gas in collaboration with GRTgaz and contracts ticking in from the newly acquired CH Evensen.

A positive read, confirming our view

Overall, we view yesterday's operational update as a positive read, providing us with confidence to full-year estimates. We argue that we will likely not see significant consensus estimate revisions on the back of the update. The company also reiterated its full-year guidance. We still have a fair value range of NOK 35-39 per share for Vow, and see between ~55-70% upside to current share price.

Q1 2022 TRADING UPDATE VS LAST YEAR

| NOKm | Q1 2022 | Q1 2021 | y/y |
|------------------------|--------------|--------------|---------------|
| Revenue | 182.5 | 92.7 | 96.9% |
| Cruise Projects | 86.3 | 68.7 | 25.6% |
| Cruise Aftersales | 20.5 | 7.3 | 180.8% |
| Landbased | 75.7 | 16.8 | 350.6% |
| EBITDA | 23.6 | 10.2 | 131.4% |
| Cruise Projects | 21.1 | 18.1 | 16.6% |
| Cruise Aftersales | 1.0 | 0.3 | 233.3% |
| Landbased | 8.5 | -4.4 | n.m |
| Other and Eliminations | -7.0 | -3.8 | n.m |
| EBITDA margins | 12.9% | 11.0% | 1.9pp |
| Cruise Projects | 24.4% | 26.3% | -1.9pp |
| Cruise Aftersales | 4.9% | 4.1% | 0.8pp |
| Landbased | 11.2% | -26.2% | 37.4pp |

SUMMARY TABLE - KEY FIGURES

| NOKm | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|------------------------------|--------|--------|---------|----------|-------|-------|
| Total revenue | 381 | 460 | 454 | 888 | 1,102 | 1,260 |
| EBITDA (adj) | 46 | 47 | 44 | 134 | 199 | 254 |
| EBIT (adj) | 35 | 25 | 19 | 114 | 178 | 233 |
| EBIT (adj) margin | 9.2% | 5.4% | 4.3% | 12.9% | 16.2% | 18.5% |
| EPS (adj, NOK) | 0.15 | 0.12 | -0.01 | 0.73 | 1.23 | 1.51 |
| EPS (adj) growth | -50.9% | -16.5% | -107.2% | 8,300.7% | 68.2% | 22.9% |
| DPS (ord, NOK) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/Sales | 8.2 | 9.3 | 6.3 | 2.9 | 2.3 | 1.9 |
| EV/EBIT (adj) | 89.8 | 171.7 | 147.6 | 22.3 | 14.0 | 10.5 |
| P/E (adj) | n.m. | n.m. | n.m. | 29.0 | 17.2 | 14.0 |
| P/BV | 13.1 | 12.9 | 5.1 | 3.9 | 3.1 | 2.6 |
| Dividend yield (ord) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| FCF Yield bef A&D, lease adj | -0.6% | -1.8% | -9.0% | 1.6% | 1.8% | 2.3% |
| Net debt | 133 | 138 | 166 | 123 | 67 | 10 |
| Net debt/EBITDA | 5.0 | 3.6 | 4.9 | 0.9 | 0.3 | 0.0 |
| ROIC after tax | 13.5% | 5.4% | 3.0% | 14.4% | 20.1% | 23.3% |

Source: Company data and Nordea estimates

Completion date: 05 May 2022, 14:30 CET

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