

21 December 2022

Commissioned research: Vow – Several positive announcements to round off the year

Marketing material commissioned by Vow

Vow has announced several positive announcements so far in December across their product offerings. This morning, the company announced that Vow (through their subsidiary CH Evensen) has been awarded 5 large orders of advanced technology in December (with ThyssenKrupp being named as one of the customers). Here, the total orders have a combined value of NOK 57m, with the company noting strong backlog developments for CH Evenson given the backlog is now well over 2x the levels seen at the beginning of the year (NOK 130m vs NOK 58m). Furthermore, yesterday Vow and ETEL subsidiary Murfitts Industries (the largest collector and processor of end-of-life tyres in the UK) announced an agreement to recycle end of life tyres in Europe, North America. Vow will provide the equipment to valorise the tyres to recover carbon black, which makes up 30% of a tyre and is usually derived by cracking fossil oils. No specifics of economics or timing yet, but the global market is 30m tonnes end of life tyres generated globally, with the target markets representing around 8.6m tonnes (29% of global share), which implies around 300 industrial tyre recycling plants.

We see the latest announcements as strong for the company, with the orders showcasing the increased demand for technology within energy intensive sectors to counterbalance high energy costs (as evidenced by Vow's increased orderbook in this space). Further, the recycling agreement underpins the company's landbased division's growth opportunities, which is now on par with the cruise segment in terms of size. Combining this with a 27% share price drop in the last 6 months and the stock trading at a 40% discount to cleantech peers despite EBITDA positivity across all segments, we continue to view Vow as attractive. Going forward, we highlight the company's H2 report expected in February 2023 where we look to developments in the landbased division as well as overall margin developments as key factors.

SUMMARY TABLE - KEY FIGURES

NOKm	2019	2020	2021	2022E	2023E	2024E
Total revenue	381	460	454	789	1,102	1,260
EBITDA (adj)	46	47	44	107	199	252
EBIT (adj)	35	25	19	83	179	231
EBIT (adj) margin	9.2%	5.4%	4.3%	10.5%	16.2%	18.3%
EPS (adj, NOK)	0.15	0.12	-0.01	0.31	1.13	1.52
EPS (adj) growth	-50.9%	-16.5%	-107.2%	3,549.8%	267.6%	34.1%
DPS (ord, NOK)	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	8.2	9.3	6.3	2.8	2.0	1.7
EV/EBIT (adj)	89.8	171.7	147.6	26.8	12.2	9.1
P/E (adj)	n.m.	n.m.	n.m.	58.7	16.0	11.9
P/BV	13.1	12.9	5.1	3.4	2.8	2.3
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%	2.0%	3.4%
Net debt	133	138	166	153	99	29
Net debt/EBITDA	5.0	3.6	4.9	1.5	0.5	0.1
ROIC after tax	13.5%	5.4%	3.0%	10.4%	19.9%	23.0%

Source: Company data and Nordea estimates

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