

10 February 2023

Commissioned research: Vow – Contract awarded for converting heat treatment furnaces from fossil gas to electric operations

Marketing material commissioned by Vow

This morning, Vow announced that it has been awarded an order for converting four heat treatment furnaces from fossil gas operations to electric operations. The contract, which is from Uddeholm (a Swedish metals manufacturer), holds a contract value of around NOK 24m, which takes the Vow subsidiary CH Evensen's order backlog to a total of NOK 155m.

We see this announcement, which represents 15% of the CHE backlog, as the latest positive for Vow (and expect the shares to rise moderately today accordingly). First, this latest announcement further adds to the Vow orderbook and thus de-risks future revenues. Second, we note that Uddeholm is a repeat partner (CH Evensen has previously delivered two similar electric furnaces to Uddeholm in 2021 and 2022), highlighting the strength and reliability of the Vow product. Finally, we note the continued progress of the company's landbased segment, whereby Vow's technology can aid in both decarbonization and cost efficiency (key when energy costs remain high). Going forward, we look to the company's H2 report on 23rd February 2023 where we expect key topics to be around the landbased segment and the development of key projects/markets in this space.

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	3.0	2.1	1.8
EV/EBIT (adj)	89.8	171.7	147.6	28.9	13.2	9.9
P/E (adj)	n.m.	n.m.	n.m.	63.6	17.3	12.9
P/BV	13.1	12.9	5.1	3.7	3.0	2.5
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%	1.5%	1.9%	3.1%
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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