

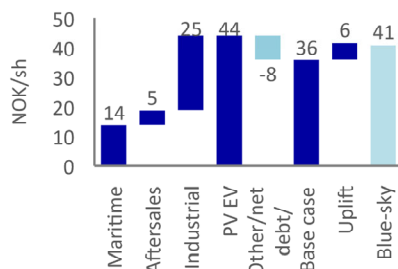
KEY DATA

Stock country	Norway
Bloomberg	VOW NO
Reuters	VOW.OL
Share price (close)	NOK 15.30
Free float	36%
Market cap. (bn)	EUR 0.15/NOK 1.75
Website	www.vowasa.no
Next report date	23 Aug 2023

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2023E	2024E	2025E
Sales	-1%	0%	0%
EBIT (adj)	-2%	-2%	-2%

Source: Nordea estimates

Nordea IB & Equity - Analysts

Elliott Jones
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Analyst

Cruising along

Vow will report its Q2 2023 results on 23 August. We pencil in sales of NOK 435m (up 14% from H2 2022 levels) and an EBITDA margin of 12.1% for H1. We expect the report to focus on the high-growth Industrial segment, where a project milestone has given rise to a back-end loaded year, and Maritime benefitting from strong commissioning activity. We make minor negative adjustments to our group-level estimates in the near to medium term (i.e. ~2% lower EBIT for each year), but this does not affect our SOTP-based fair value range of NOK 36-41. Vow's EBIT-positive characteristics and current share price imply almost no value attributed to the Industrial segment; we still see Vow as a strong choice in the Cleantech space.

We estimate H1 2023 revenue of NOK 435m

For H1, we pencil in NOK 435m in group revenues (up 9% y/y and 14% h/h) and NOK 53m in EBITDA, implying an EBITDA margin of 12.1%. We estimate that the Maritime segment will continue to see strong y/y growth of NOK 192m in project sales and NOK 78m in aftersales; for Industrial, we expect a back-end loaded 2023 (H1 2023E revenues of NOK 165m).

Industrial segment expected to be the key focus point

Separate from the numbers, we expect that the focus will be on developments in the Industrial segment. Vow recently announced that all permits had been achieved for its record-high US contract, hence we expect to hear about further developments regarding other announced partnerships that would set the company up for strong future growth.

Minor group estimate changes; fair value unchanged

We make minor group-level estimate changes for the near to medium term (-2% for EBIT), with an emphasis on growth in the Industrial segment, but these revisions do not affect our SOTP-based fair value range of NOK 36-41, which represents significant upside to current levels. With its EBIT-positive characteristics and current share price implying little to no value for the Industrial segment, we continue to see Vow as a strong choice in the Cleantech space.

SUMMARY TABLE - KEY FIGURES

NOKm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	381	460	454	783	1,103	1,400	1,640
EBITDA (adj)	46	47	44	92	158	234	298
EBIT (adj)	35	25	19	60	124	200	263
EBIT (adj) margin	9.2%	5.4%	4.3%	7.7%	11.2%	14.3%	16.0%
EPS (adj, NOK)	0.15	0.12	-0.01	0.26	0.80	1.35	1.78
EPS (adj) growth	-50.9%	-16.5%	-107.4%	2,953.5%	206.2%	67.6%	32.0%
DPS (ord, NOK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	8.2	9.3	6.3	3.2	1.9	1.5	1.2
EV/EBIT (adj)	89.8	171.7	147.6	41.3	17.1	10.5	7.7
P/E (adj)	n.m.	n.m.	n.m.	67.6	19.0	11.3	8.6
P/BV	13.1	12.9	5.1	3.8	2.7	2.2	1.7
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-0.6%	-1.8%	-9.0%	-9.3%	3.7%	1.5%	4.9%
Net debt	133	138	166	440	365	339	253
Net debt/EBITDA	5.0	3.6	4.9	5.2	2.3	1.4	0.9
ROIC after tax	13.5%	5.4%	3.0%	6.5%	11.4%	17.0%	20.1%

Source: Company data and Nordea estimates

Vow: Detailed estimates

VOW: H1 2023 ESTIMATES

NOKm	H2 2019	H1 2020	H2 2020	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023E
Total revenues	199	248	212	201	253	400	383	435
Gross profit	68	81	83	74	97	151	145	152
Margin	34.3%	32.8%	39.2%	36.7%	38.6%	37.7%	37.8%	35.0%
EBITDA recurring	23	25	22	20	23	53	39	53

NOKm	H2 2019	H1 2020	H2 2020	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023E
Revenues								
Maritime	114	160	149	149	145	167	191	192
Maritime aftersales	66	40	14	18	34	49	71	78
Industrial	19	48	49	34	74	184	121	165
EBITDA								
Maritime	21	35	36	38	31	40	37	40
Maritime aftersales	10	5	-5	-1	1	4	10	12
Industrial	-2	-7	-3	-9	2	25	13	23
Other and Eliminations	-6	-8	-6	-11	-11	-16	-20	-22
EBITDA margin								
Maritime	18.2%	21.8%	24.1%	25.7%	21.5%	24.1%	19.1%	20.8%
Maritime aftersales	15.6%	12.1%	-36.8%	-3.3%	3.0%	8.9%	13.6%	14.8%
Industrial	-7.9%	-14.8%	-6.3%	-26.9%	2.7%	13.5%	10.7%	14.0%

Source: Company data and Nordea estimates

VOW: ESTIMATE REVISIONS

NOKm	New estimates			Old estimates			Difference		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Total revenues	1,103	1,400	1,640	1,117	1,400	1,640	-1 %	0 %	0 %
Gross profit	386	490	574	391	490	574	-1 %	0 %	0 %
Margin	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	0.0pp	0.0pp	0.0pp
EBITDA recurring	158	234	298	160	239	303	-1 %	-2 %	-2 %
Margin	14.3%	16.7%	18.2%	14.3%	17.1%	18.5%	0pp	0pp	0pp
EBIT	124.1	199.6	262.7	126.4	204.6	268.2	-2 %	-2 %	-2 %

Source: Company data and Nordea estimates

VOW: ANNUAL ESTIMATES

NOKm	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenues	172	247	330	381	460	454	783	1,103	1,400	1,640
Gross profit	48	76	100	121	164	171	296	386	490	574
Margin	28.0%	30.7%	30.3%	31.9%	35.7%	37.8%	37.8%	35.0%	35.0%	35.0%
EBITDA recurring	-3	26	39	46	47	44	92	158	234	298
Revenues										
Maritime	43	165	230	236	309	294	359	459	483	508
Maritime aftersales	55	90	106	130	53	52	120	188	192	204
Industrial	0	0	0	19	97	108	304	456	725	928
EBITDA										
Maritime	-5	24	35	39	71	69	77	95	104	114
Maritime aftersales	6	12	16	21	0	0	14	30	36	43
Industrial	0	0	0	-2	-10	-7	38	75	138	186
Other and Eliminations	-3	-10	-11	-12	-14	-19	-36	-43	-44	-45
EBITDA margin										
Maritime	-12.5%	14.5%	15.1%	16.3%	22.9%	23.6%	21.4%	20.8%	21.5%	22.5%
Maritime aftersales	10.8%	13.3%	14.9%	15.8%	-0.4%	0.8%	11.7%	16.0%	19.0%	21.0%
Industrial	n.a	n.a	n.a	-7.9%	-10.5%	-6.6%	12.4%	16.5%	19.0%	20.0%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

NOKm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	200	172	247	330	381	460	454	783	1,103	1,400	1,640
Revenue growth	37.5%	-14.3%	43.9%	33.4%	15.5%	20.8%	-1.3%	72.4%	40.9%	26.9%	17.2%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	11	-3	25	39	27	39	34	85	158	234	298
Depreciation and impairments PPE	-1	-1	-2	-1	-6	-21	-24	-32	-34	-35	-35
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	10	-5	23	39	21	18	10	53	124	200	263
Amortisation and impairments	-2	-1	-2	-3	-5	-1	0	0	0	0	0
EBIT	9	-6	22	36	16	17	10	53	124	200	263
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-2	1	-4	-2	-25	11	323	-31	-6	-2	-2
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	7	-5	18	34	-9	28	332	22	118	198	261
Reported taxes	-3	0	-5	-7	-6	-1	1	1	-26	-43	-57
Net profit from continued operations	4	-5	13	27	-15	27	333	23	92	154	203
Discontinued operations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minority interests	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net profit to equity	4	-5	13	27	-15	27	333	23	92	154	203
EPS, NOK	0.05	-0.05	0.13	0.28	-0.15	0.25	2.92	0.20	0.80	1.35	1.78
DPS, NOK	n.a.	n.a.	n.a.	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	n.a.	n.a.	n.a.	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	n.a.	n.a.	n.a.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	5.6%	-2.0%	10.1%	11.9%	7.0%	8.4%	7.4%	10.9%	14.3%	16.7%	18.2%
EBITA	5.1%	-2.6%	9.5%	11.7%	5.5%	3.8%	2.1%	6.8%	11.2%	14.3%	16.0%
EBIT	4.3%	-3.4%	8.8%	10.8%	4.1%	3.6%	2.1%	6.8%	11.2%	14.3%	16.0%

Adjusted earnings

EBITDA (adj)	11	-3	26	39	46	47	44	92	158	234	298
EBITA (adj)	10	-4	25	39	40	26	19	60	124	200	263
EBIT (adj)	9	-5	23	36	35	25	19	60	124	200	263
EPS (adj, NOK)	0.10	-0.06	0.12	0.30	0.15	0.12	-0.01	0.26	0.80	1.35	1.78

Adjusted profit margins in percent

EBITDA (adj)	5.6%	-1.5%	10.7%	11.9%	12.0%	10.2%	9.6%	11.8%	14.3%	16.7%	18.2%
EBITA (adj)	5.1%	-2.2%	10.0%	11.7%	10.5%	5.6%	4.3%	7.7%	11.2%	14.3%	16.0%
EBIT (adj)	4.3%	-2.9%	9.4%	10.8%	9.2%	5.4%	4.3%	7.7%	11.2%	14.3%	16.0%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	14.2%	21.2%	18.1%	21.5%	25.9%	27.3%	29.7%	29.0%
EBITDA	n.m.	n.m.	n.m.	13.3%	67.0%	27.8%	n.m.	27.9%	32.1%	54.5%	50.5%
EBIT	n.a.	n.a.	n.a.	12.4%	78.5%	14.1%	n.m.	19.5%	28.3%	66.3%	73.6%
EPS	n.a.	n.a.	n.a.	38.7%	n.m.	39.8%	n.m.	8.7%	23.9%	n.m.	48.6%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	4.9%	5.6%	5.7%	5.3%	5.3%	5.4%	6.9%	9.6%	12.1%
Average EBITDA margin	n.a.	n.a.	6.0%	6.8%	7.4%	7.9%	8.7%	9.3%	10.8%	13.1%	15.0%

VALUATION RATIOS - ADJUSTED EARNINGS

NOKm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E (adj)	10.1	n.m.	35.6	15.1	n.m.	n.m.	n.m.	67.6	19.0	11.3	8.6
EV/EBITDA (adj)	9.6	n.m.	16.1	11.2	68.4	91.4	65.5	26.8	13.5	9.0	6.8
EV/EBITA (adj)	10.8	n.m.	17.1	11.4	78.1	165.7	147.6	41.3	17.1	10.5	7.7
EV/EBIT (adj)	12.6	n.m.	18.3	12.3	89.8	171.7	147.6	41.3	17.1	10.5	7.7

VALUATION RATIOS - REPORTED EARNINGS

NOKm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E	22.6	n.m.	32.6	16.6	n.m.	n.m.	8.0	89.8	19.0	11.3	8.6
EV/Sales	0.54	0.66	1.72	1.33	8.22	9.29	6.27	3.16	1.93	1.50	1.23
EV/EBITDA	9.6	n.m.	17.0	11.2	117.8	110.8	84.5	28.9	13.5	9.0	6.8
EV/EBITA	10.8	n.m.	18.2	11.4	150.0	243.0	299.8	46.5	17.1	10.5	7.7
EV/EBIT	12.6	n.m.	19.5	12.3	199.7	256.1	299.8	46.5	17.1	10.5	7.7
Dividend yield (ord.)	0.0%	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	15.3%	-14.4%	1.3%	4.5%	-3.4%	-1.8%	-9.0%	-10.6%	3.7%	1.5%	4.9%
FCF Yield bef A&D, lease adj	15.3%	-14.4%	1.3%	4.5%	-0.6%	-1.8%	-9.0%	-9.3%	3.7%	1.5%	4.9%
Payout ratio	0.0%	0.0%	0.0%	65.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

NOKm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Intangible assets	24	29	31	38	237	311	525	643	643	643	643
of which R&D	24	29	31	38	98	172	386	479	479	479	479
of which other intangibles	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
of which goodwill	n.a.	n.a.	n.a.	n.a.	139	139	139	164	164	164	164
Tangible assets	3	4	2	3	42	37	47	80	146	214	282
of which leased assets	0	0	0	0	21	21	21	21	21	21	21
Shares associates	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Interest bearing assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferred tax assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other non-IB non-current assets	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Other non-current assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total non-current assets	28	33	34	42	278	348	572	723	789	856	925
Inventory	6	4	4	4	18	10	18	55	17	22	25
Accounts receivable	61	58	59	63	134	149	122	192	176	223	261
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	55	28	53	78	85	176	255	441	454	549	626
Cash and bank	19	4	6	7	86	27	141	43	117	144	229
Total current assets	141	93	122	152	322	362	536	730	764	937	1,142
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	168	126	155	194	600	710	1,109	1,452	1,553	1,793	2,066
Shareholders equity	50	45	58	93	229	320	525	538	637	794	1,000
Of which preferred stocks	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Of which equity part of hybrid debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Minority interest	0	0	0	0	1	1	1	1	11	11	11
Total Equity	50	45	58	93	230	321	526	539	648	805	1,011
Deferred tax	4	3	7	14	26	32	33	39	39	39	39
Long term interest bearing debt	1	1	1	1	86	104	230	197	197	197	197
Pension provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other long-term provisions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other long-term liabilities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-current lease debt	0	0	0	0	21	21	21	21	21	21	21
Convertible debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Shareholder debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Hybrid debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Total non-current liabilities	4	4	8	15	133	157	285	257	257	257	257
Short-term provisions	1	1	1	0	2	0	0	0	0	0	0
Accounts payable	64	40	58	70	104	164	169	319	310	393	461
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	22	12	9	14	21	28	73	73	73	73	73
Short term interest bearing debt	27	24	21	2	111	40	56	265	265	265	265
Total current liabilities	114	76	89	86	237	232	298	657	648	731	799
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	168	126	155	194	600	710	1,109	1,452	1,553	1,793	2,066
Balance sheet and debt metrics											
Net debt	9	22	16	-4	133	138	166	440	365	339	253
of which lease debt	0	0	0	0	21	21	21	21	21	21	21
Working capital	35	38	49	62	112	143	153	295	263	327	378
Invested capital	63	70	83	103	390	491	725	1,018	1,052	1,183	1,303
Capital employed	78	71	80	96	448	486	833	1,022	1,131	1,288	1,494
ROE	9.4%	-10.2%	24.3%	35.2%	-9.1%	9.8%	78.9%	4.3%	15.6%	21.5%	22.7%
ROIC	12.3%	-7.2%	28.8%	36.5%	13.5%	5.4%	3.0%	6.5%	11.4%	17.0%	20.1%
ROCE	19.9%	-4.3%	39.0%	45.3%	14.0%	5.9%	54.7%	6.5%	11.5%	16.5%	18.9%
Net debt/EBITDA	0.8	n.m.	0.7	-0.1	5.0	3.6	4.9	5.2	2.3	1.4	0.9
Interest coverage	1.7	-0.5	2.7	8.8	2.0	1.2	18.5	5.9	28.2	45.4	59.7
Equity ratio	29.6%	36.1%	37.3%	48.1%	38.1%	45.1%	47.3%	37.0%	41.0%	44.3%	48.4%
Net gearing	17.1%	47.6%	28.2%	-4.3%	57.7%	43.1%	31.6%	81.7%	56.4%	42.1%	25.1%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

NOKm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA (adj) for associates	11	-3	25	39	27	39	34	85	158	234	298
Paid taxes	0	-1	-1	-1	0	-2	-26	-2	-26	-43	-57
Net financials	n.a.	n.a.	n.a.	n.a.	n.a.	11	323	-31	-6	-2	-2
Change in provisions	1	0	1	-1	2	-2	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	0	0	0	0	0	0
Cash flow to/from associates	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividends paid to minorities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other adj to reconcile to cash flow	-4	-10	-4	0	14	-23	-316	18	6	2	2
Funds from operations (FFO)	8	-14	21	37	43	23	15	70	132	191	241
Change in NWC	17	8	-11	-6	-50	-32	-10	-142	32	-63	-51
Cash flow from operations (CFO)	25	-6	10	31	-7	-9	5	-72	164	128	189
Capital expenditure	-9	-7	-5	-11	-10	-64	-246	-117	-100	-102	-104
Free cash flow before A&D	15	-13	5	20	-17	-73	-241	-189	64	26	85
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	-85	0	0	-25	0	0	0
Free cash flow	15	-13	5	20	-103	-73	-241	-214	64	26	85
Free cash flow bef A&D, lease adj	15	-13	5	20	-17	-73	-241	-189	64	26	85
Dividends paid	n.a.	n.a.	n.a.	n.a.	-10	0	0	0	0	0	0
Equity issues / buybacks	n.a.	n.a.	n.a.	n.a.	111	0	0	-22	0	0	0
Net change in debt	1	-2	-2	-18	86	29	31	136	0	0	0
Other financing adjustments	-1	-1	-1	-1	-6	-14	323	0	10	0	0
Other non-cash adjustments	0	0	0	0	0	-1	1	1	1	1	n.a.
Change in cash	16	-16	2	1	79	-59	115	-99	75	27	85
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	91.7%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	4.7%	4.3%	1.9%	3.4%	2.6%	14.0%	54.1%	15.0%	9.1%	7.3%	6.3%
Key information											
Share price year end (/current)	1	1	4	5	30	38	23	18	15	15	15
Market cap.	100	92	409	442	2,997	4,133	2,681	2,030	1,748	1,748	1,748
Enterprise value	109	113	425	438	3,131	4,272	2,848	2,472	2,125	2,098	2,013
Diluted no. of shares, year-end (m)	96.5	96.5	96.2	96.4	99.9	108.9	114.3	114.3	114.3	114.3	114.3

Source: Company data and Nordea estimates

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