Energy Save

Sector: Technology

Heating Up

Redeye initiates coverage of Energy Save, a Swedish premium heat pump manufacturer in the growing air/water segment. Energy Save's product offering could offer energy savings up to 70 percent. We believe the company is in a favorable position to capitalize on the growing market, further accelerated by government incentives and legislation.

Positioned for growth

The energy market is undergoing a transition, supported by structural tailwinds. The European heat pump market is expected to grow by a CAGR of 10 percent until 2030, according to the EHPA. Supported by subsidies, legislation and enhanced technology. We forecast a 20/21 – 25/26'e sales CAGR of 34 percent.

Attractive product offering

Energy Save operates in three business areas: commercial properties, residential and installation & aftermarket service. Its hybrid heat pumps can be integrated with several energy sources, such as electricity, gas, and pellets. By controlling the system remotely, the hybrid solution can optimize for lower electricity prices while also increasing energy savings. The innovative new products are specially designed for commercial properties and offer great value for property owners and construction companies, which will be the strategic pillar.

Valuation – Substantial upside potential

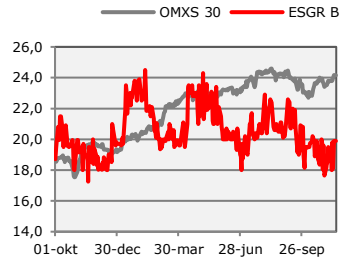
We have derived a DCF based fair value range of SEK 19-60 per share, with a base case of SEK 36 per share. This is also supported by a relative valuation, indicating a value around SEK 30 per share.

Key Financials (SEK k)	20/21	21/22E	22/23E	23/24E
Revenues	55 083	69 711	103 845	139 232
Revenue growth	41%	27%	49%	34%
EBITDA	-5 701	-7 100	285	8 050
EBIT	-7 046	-8 697	-3 343	4 466
EBIT Margin (%)	-13%	-12%	-3%	3%
Net Income	-7 943	-9 392	-4 227	2 918
EV/Revenue	1,4	1,6	1,0	1,0
EV/EBITDA	neg	neg	350,3	16,9
EV/EBIT	neg	neg	neg	30,4

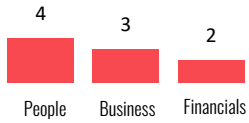
FAIR VALUE RANGE

BEAR	BASE	BULL
19	36	60

ESGR B VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ESGR B
Market	Spotlight
Share Price (SEK)	19.0
Market Cap (SEKm)	91.9
Net Debt (SEKm)	4.8
Free Float (%)	17
Avg. daily volume ('000)	10

Important information: All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report
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Investment Case

Market propelled by structural tailwinds

The energy market is undergoing a transition, supported by structural tailwinds. The European heat pump market is expected to grow by a CAGR of 10 percent until 2030, according to the EHPA, supported by subsidies, legislation, and enhanced technology. Furthermore, Energy Save's reversible product range enables full integration with other complementary energy sources, such as electricity, oil, firewood, pellets, or district heating. This allows the creation of a hybrid heating system, supported by digital control systems that optimize energy consumption and the cost level. We forecast a 20/221 – 25/26'e sales CAGR around 34 percent.

Attractive niches

Energy Save's product range is tilted towards the air/water segment, the fastest-growing segment for heat pumps. Its reversible products show that the heat pumps can provide both heating and cooling, positive in European countries where cooling is required in warm periods.

Moreover, its newly launched product range is particularly functional for commercial properties. Currently, the renovation rate of the building stock is low, at around 1 percent in EU member states. However, this rate needs to catch up to keep pace with the EU's energy efficiency and climate objectives. Energy Save's products bring clear advantages with its decentralized and monitoring solutions. Property owners reduce their operating costs and gain greater visibility into the dehydration process. Contractors with temporary needs receive a highly mobile heat source that offers climate control and significant energy savings. Furthermore, property developers reduce their environmental impact.

Configurator – Cutting costs and lead times

Energy Save has developed a digital sales system called the configurator, which collects data from participating buildings. This system allows distributors and partners to easily dimension and design quality systems, reducing the time to enter the market and accelerating growth opportunities. One of the bottlenecks in Europe is the lack of skilled plumbing consultants, making the configurator a great complementary tool for the market.

Slimmed organization

Energy Save works actively with distributors as long-term partners across the world. This enables a lean internal organization with a relatively fixed cost base. Thus, we see good prospects for operational leverage with incremental sales, enabling sustainable EBIT margins of around 15 percent.

Management with plenty of skin in the game

Energy Save is entrepreneur-led, and its two co-founders own approximately 50 percent of the outstanding shares. Moreover, other members of the management team and board are also among the top shareholders. This is positive, in our view, and strengthens the case for long-term shareholder value.

Catalysts

Breakthrough orders

New potential orders, such as the latest from Skanska OY, will be a positive catalyst. These validate the product range, increase visibility, and diversify the customer base.

Follow-up orders

Potential follow-up orders from existing customers and partners, such as El-Björn, are a positive sign. They increase the penetration rate on its customers' product offering, shorten the time-to-market, and make it more challenging for customers to switch from Energy Save's products.

Additional incentives and legislation

Further subsidy implementations across Energy Save's key markets accelerate the adoption rate of heat pumps, pushing the market forward. These could be in the form of potential grants, as in the UK, or regulatory/cost disadvantages with non-renewable energy sources.

Strong quarterly reports

Solid earnings reports would further validate that Energy Save is executing on its business plan and meeting its financial targets.

Potential Risks

Commercial risk

There is a risk that the strategic investments in the commercial business areas and the green European transition are delayed. The construction market is quite conservative, and many parties would like to share their opinions, which could potentially delay commercialization. Furthermore, European market acceleration is also dependent on subsidies as the current alternative costs for heat pumps are high in many countries. There is a risk that the alternative costs remain high in some countries and hold back the penetration rate for heat pumps.

Production

Energy Save outsources its production towards its Chinese partner, Amitime. This poses the risk that the production quality, volume, and delivery time do not fulfill requirements. This could potentially result in postponed or canceled sales.

Distributors

Energy Save actively works with distributors across the world, leaving it dependent on its partners' networks and sales development. Most of the agreements with distributors are for one year, renewed annually if the distributors deliver on targets. Changes to these agreements or if successful distributors choose to work with another competitor may harm the company's position in the market.

Competitors

The heat pump market is characterized by fierce competition within the different segments. The tight competition could lead to pricing pressure that could harm a smaller player such as Energy Save. Moreover, the market might also demand a heat pump provider that offers a wider product offering.

Key Personnel

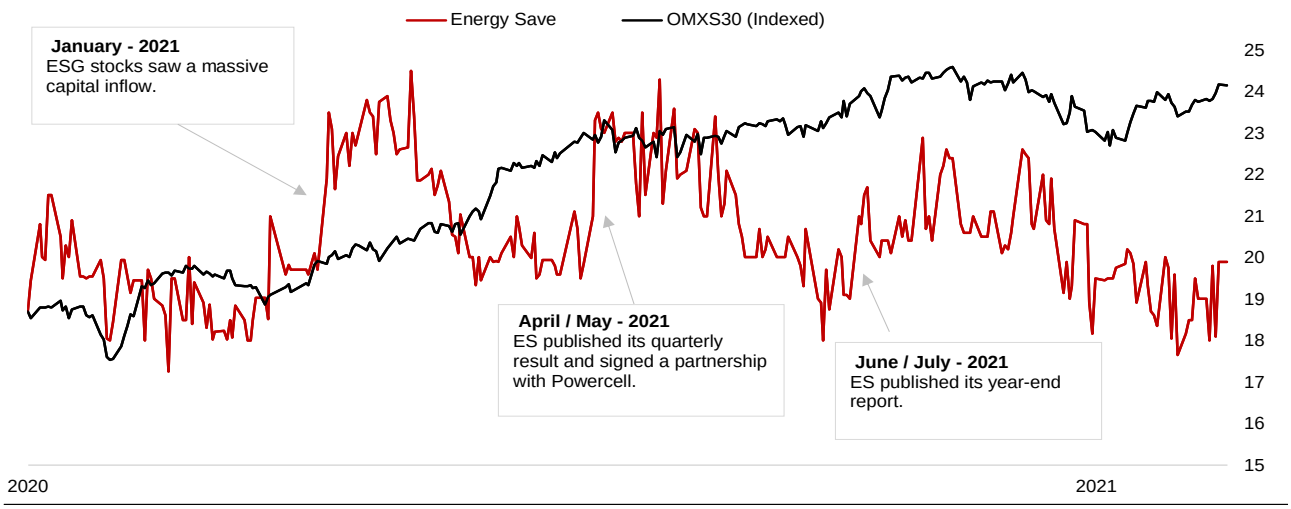
The success of the group largely depends on its key employees and their knowledge and experience. The potential loss of key employees could harm the company.

Table of Content

The Share

Energy Save started as a public-traded company in October 2020. Hence, it is a fairly new public company that lacks substantial events. The average daily traded volume is low, around SEK 10,000.

Energy Save - Stock Market history



Source: Refinitiv, Redeye research

Shareholders

Interesting to see is that the two co-founders Christian Guldbrandsen and Fredrik Sävenstrand (Project Air AB) own ~50 percent of the outstanding capital and ~86 percent of the outstanding votes.

Shareholders	Capital	Votes
Christian Gulbrandsen	25%	43%
Project Air AB	25%	43%
Nordnet Pensionsförsäkring	7%	2%
Partner Fondkommission AB	6%	2%
Cormac Invest AB	3%	1%
Henrik Nilsson	3%	1%
Bo Westerberg	3%	1%
Annette Wallén	2%	1%
Jan Olsson	2%	1%
Theodor Jeansson	7%	1%

Source: Holdings, 2021-11-10

Management and Board of Directors

Management

Management	Name	Position	Experience	# Shares
	Fredrik Sävenstrand	CEO & Co-founder	Fredrik has a dual B.Sc in business and jurisprudence. He has experience in business structure and concept development with a particular focus on the heat pump markets.	519,000 B-shares and 674,320 A-shares
	Helena Wachtmeister	CFO	Helena has a B.Sc in business from University of Gothenburg. She has 10 years of expereince within business and accounting.	6,000 B-shares
	Torbjörn Assarsson	COO	Torbjörn has an M.Sc in engineering from KTH in Stockholm. He has previous experience from Elextrolux, AB Volvo and Powercell in different managing roles.	18,420 B-shares
	Niklas Hansson	SVP	Niklas has an M.Sc in business from Karlstad University and has more than 13 years of experience within the construction industry.	5,920 B-shares
	Christian Guldbrandsen	CPO	Christian has experience within sales, marketing and product development. He previously worked at FOMA Norge AS.	519,000 B-shares and 674,320 A-shares
	Anette Wallén	Head of Accounting	-	92,040 B-shares

Source: Redeye research

Board of Directors

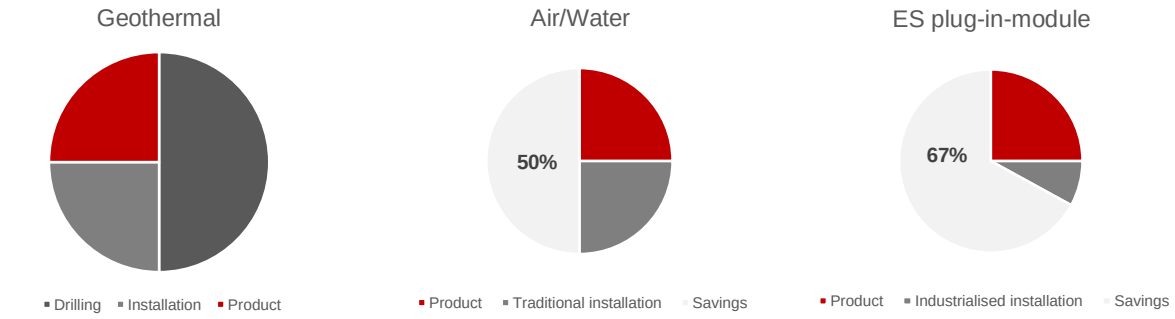
Board of Directors	Name	Position	Experience	# Shares
	Per Wassén	Chairman of the board	Per has ba M.Sc from Chalmers University and a M.Sc from University of Gothenburg. He has experience from various roles at Volvo Group and as CEO and Chariman at PowerCell.	13,000 B-shares
	Inge Olausson	Member of the board	Inge has a B.Sc from University of Gothenburg. He has previous experence from many different posiitons at KappAhl, Stampen Media Group and Mölnlycke Health Care.	22,300 B-shares
	Bo Westerberg	Member of the board	Bo has an M.Sc from KTH in Stockholm. He has more than 25 years of experience as management consultant and in different management positions at Philips, Ericsson and Maynard MEC Management Consulting.	130,500 B-shares
	Fredrik Sävenstrand	Member of the board	Fredrik has a dual B.Sc in business and jurisprudence. He has experience in business structure and concept development with a particular focus on the heat pump markets.	519,000 B-shares and 674,320 A-shares
	Christian Guldbrandsen	Member of the board	Christian has experience within sales, marketing and product development. He previously worked at FOMA Norge AS.	519,000 B-shares and 674,320 A-shares

Source: Redeye research

Introduction to Energy Save

Energy Save develops innovative, cost-efficient, and highly energy-efficient heat pumps in the air/water segment. It operates in three business areas: commercial properties, residential and installation and aftermarket service. In the residential business area, Energy Save has sold more than 12,000 units since 2009. Its heat pumps offer energy savings of up to 40-70 percent compared with traditional alternatives such as district heating, electric heating, and other fuels (such as oil and gas).

ES: Cost efficient plug-in systems



Source: Company data, Redeye research

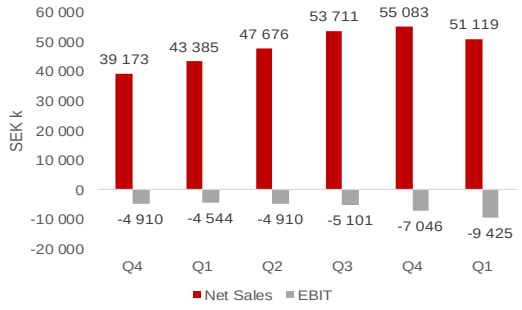
The company has developed a fully industrialized and digitized platform based on the same technical aspects and established a product concept with prefabricated energy stations, called plug-in modules, which makes the systems easily installed despite the lack of trained labour. The hybrid heat pumps can integrate with several energy sources, such as electricity, gas, and pellets. By controlling the system remotely, the hybrid solution can optimize for lower electricity prices while also increasing energy savings. The innovative new products are specially designed for commercial properties and offer great value for property owners and construction companies, which will be the strategic pillar.

Energy Save predominantly sells its product through distributors. Currently, it has agreements with distributors in 23 countries across Europe. The distributors process and sell through their networks of installations, consultants, and project partners.

The company has established a business model that ensures short lead times, and low development, product, and delivery costs for its heat pump systems. Moreover, the lead time for the commercial market could be shortened with Energy Save's own-developed digital configurator. The configurator creates offers within a day, compared with traditional consultants' projects of up to a few weeks. This is very beneficial for the property owner since it reduces lead times and ensures that quality requirements are met. Moreover, digital tools are also helpful for distributors and partners as they broaden the market and accelerate sales opportunities.

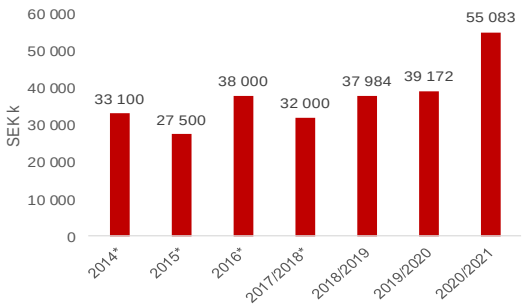
Society is moving towards a 100 percent renewable energy system, and massive investments are needed to fulfill these global requirements. Energy Save's products optimize the heating of properties and can also be integrated into other decentralized energy systems, which makes them highly attractive to use. Also, the company's products provide an opportunity to refrain from fossil fuels, in order to electrify the heating systems.

ES: LTM Sales and LTM EBIT



Source: Redeye research

ES: FY Sales



Source: Redeye research

Energy Save targets SEK 96m in sales for 2021/2022 with the intention of being cash-flow positive. Moreover, the company is targeting SEK 200m in sales by 2023/2024 with an EBIT margin of 15 percent.

History

Energy Save began its collaboration with Chinese manufacturer Amitime in 2003 and has since been the manufacturing partner for the company. It released its first air/water heat pump in Europe in 2005, and initial private-label production started in 2006. The two major owners, Fredrik Sävenstrand and Christian Gullbrandsen, acquired the entire group in 2009 and started implementing their strategy. In 2011, Energy Save entered into an exclusive agreement with Onninen OY, one of the market leading distributors in Finland. Onninen is still one of the largest customers for the group.

In 2014, Energy Save started investments in commercial products, with further product development the following year. The prototype of the plug-in modules was installed at customers in 2016. By then, the company had a presence in 12 different countries. 2017 was the year that ES NordFlex was launched as a product concept in Sweden within the commercial property system. Moreover, Energy Save signed distribution agreements with BAXI and Scanmont AB that same year.

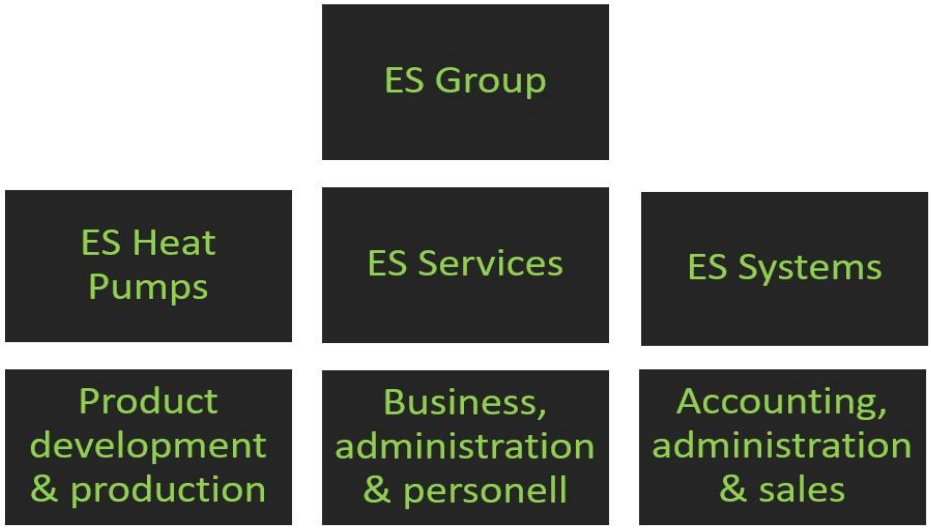
During 2018, the energy authority in Sweden determined to support the production of fourth-generation A+++ air/water heat pumps, and at Energy Save, further key recruitments and signed partnerships were established.

Energy Save accelerated its European expansion in 2019 and opened multiple new offices with its distributors. Also in 2019, the first beta version of the digital configurator system was launched. Additional vital milestones that year were its first approved patent in Sweden, the establishment of a partnership with Swegon, and most importantly, the industrialization production process of its modules started. At the end of 2019, Energy Save was listed on the Swedish Spotlight stock exchange.

2020 was an important year for the company as many years of research and development were finally commercialized. The commercialized products comprised Nordflex and the plug-in modules.

Further partnerships have been established during 2021, including Powercell and El-Björn. It also received its first order from Skanska's Finnish operation, which confirms its product offering. In addition, Energy Save launched additional modules with higher capacity.

Energy Save: Organisation chart

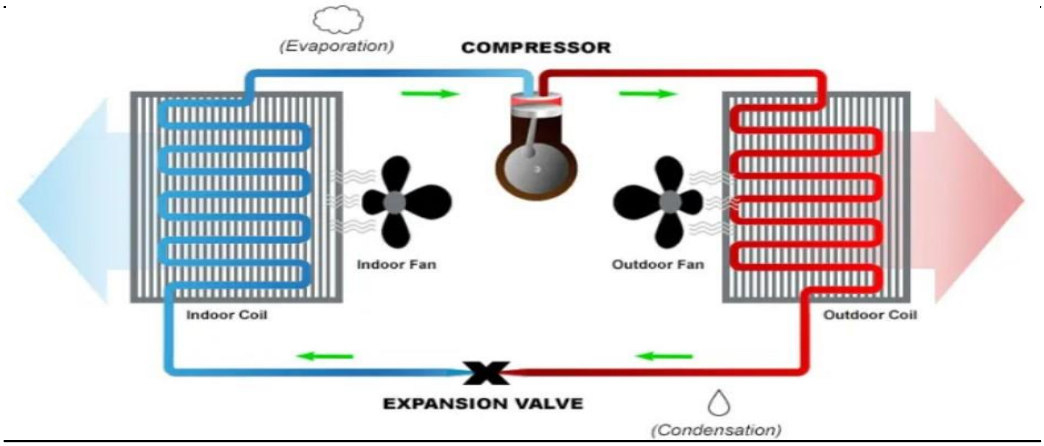


Source: Redeye Research

Heat Pumps at a Glance

A heat pump is a device that provides heating or cooling from energy stored in the air, ground, or water. The sun is the biggest source of energy that heats the air, earth, and water. The stored energy can then be accessed through a heat pump in a relatively efficient manner. Heat pumps have in common that they always have an outdoor heat source and an indoor outlet. Outdoor sources include air, earth, and water, where fluid with a very low boiling point is heated and turned into a gaseous state. Once in gas form, the refrigerant reaches the compressor, a critical component in the heat pump, where it is compressed, and its temperature rises. The compressor is typically powered by electricity, and the energy required to run the compressor is the only source of external energy in the entire process. If the electricity is produced with 100% renewable energy sources, the heat pump usage is almost fully CO_2-neutral.

After the refrigerant has passed through the compressor, it is hot and highly pressurized. It then passes through a condenser. The condenser is a heat exchanger that allows the refrigerant to release heat into the heating system for the property. The indoor outlet can either be an air system or a water-based system, where the heat pump is attached to a system of radiators or a floor-heating system. Finally, the condensed refrigerant passes through a valve that lowers the pressure before the liquid passes into the evaporator. The fluid absorbs heat from the outside source, and the process then starts over again.



Source: Carrier, Redeye Research

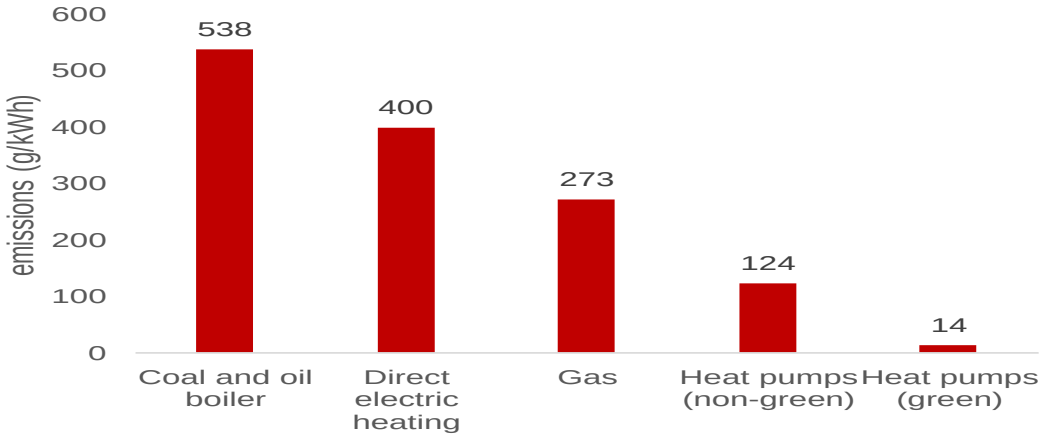
Maintenance

The useful lifetime for heat pumps is often long, at around 15-20 years. Energy Save's heat pumps have a lifetime of 20 years on average. More importantly, their maintenance need is low. Provided that a major critical service repair is carried out in the case of errors, regular maintenance is only needed to change filters and for general oversight.

Impact on environmental factors

The primary environmental benefits for heat pumps come from reducing energy consumption since they can consume stored energy with little input effort. The efficiency of a heat pump is affected by several factors. One is the insulation of the building, and another is that more insulated buildings require less work from heat pumps, making this a more efficient alternative. Other important factors are the size of the building, requiring different levels of efficiency, and the desired room temperature. The reduction in CO_2 emissions is evident compared with other energy sources.

Energy Save: CO2 emissions (g/kWh)



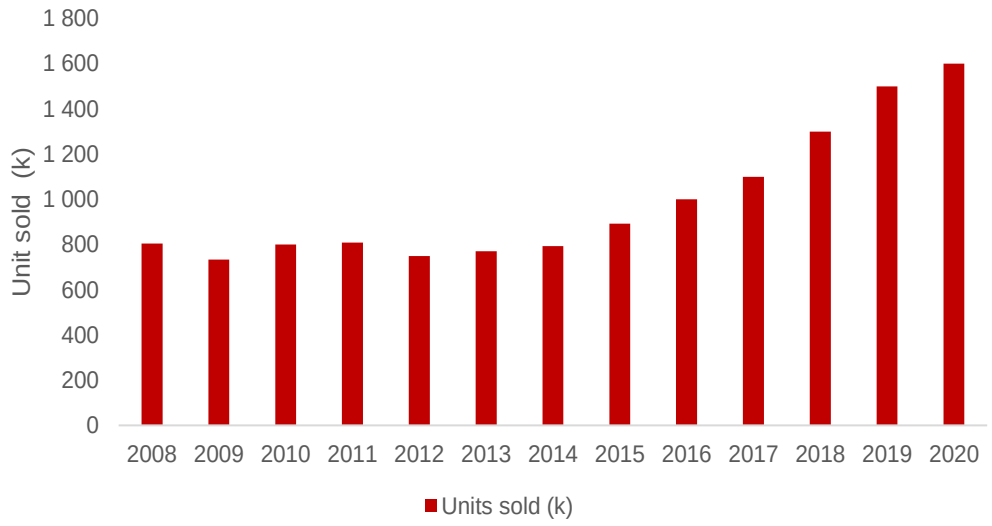
Source: EHPA, Redeye research

Differences between heat pumps

- Air/Water: Air/water heat pumps transfer heat from the outside air to water, heating radiators, or under the floor. The heat from the air is absorbed into a fluid that passes through a heat exchanger into a heat pump, raising the temperature and transferring the heat towards the water.
- Air/Air: Air/Air heat pumps transfer heat from the outside air to air inside the home, increasing the temperature. The heat enters the property through fan coil units. An air/air heat pump does not heat water.
- Ground source: Ground source heat pumps consist of a ground loop and a heat pump at ground level. A mixture of water and anti-freeze is pumped around the loop, and this absorbs the natural heat stored in the ground. The water mixture is compressed and passes through a heat exchanger, which extracts the heat and transfers it to the heat pump, which transfers the heat into the property.
- Reversible units: These units also have the ability to provide cooling, improve efficiency, and add comfort for the end-user.

The European heat market had a strong year in 2020, despite COVID-19 disruptions. The installed base grew by 7.2 percent compared to 2019, reaching 1.62 million units. The strongest growth gainers in 2020 were the reversible air/water and air/water types, which grew by 26 and 16 percent, respectively. Germany, Italy, and Poland were the strongest-growing geographies during 2020. The EHPA estimates that the currently outstanding stock of heat pumps is 14.86 million units. This implies a building stock market penetration of 12.5 percent.

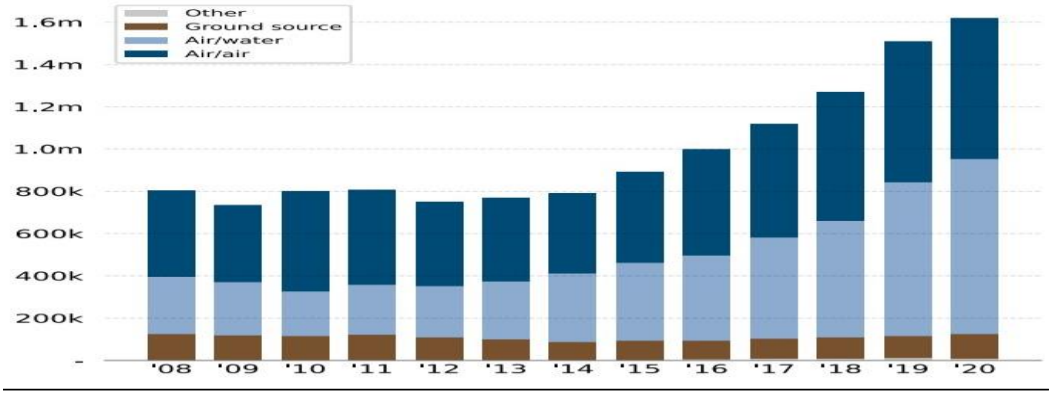
Units sold in Europe



Source: EHPA, Redeye research

As the graph below illustrates, sales of geothermal and hydrothermal heat pumps have been stable in recent years. Air source heat pumps are expected to improve further, on both the unit and system levels, thanks to their lower investment costs and ease of installation. As building requirements continue to increase, air source heat pumps are expected to gain market share since they are preferred in commercial buildings owing to their efficiency. Moreover, the integration of heat pumps into the ventilation system is an essential driver because of the higher efficiency requirements in the buildings. Integrating heat pumps and ventilation systems cater to air quality and efficiency requirements while reducing the need for capital expenditure since both services can be provided by one system.

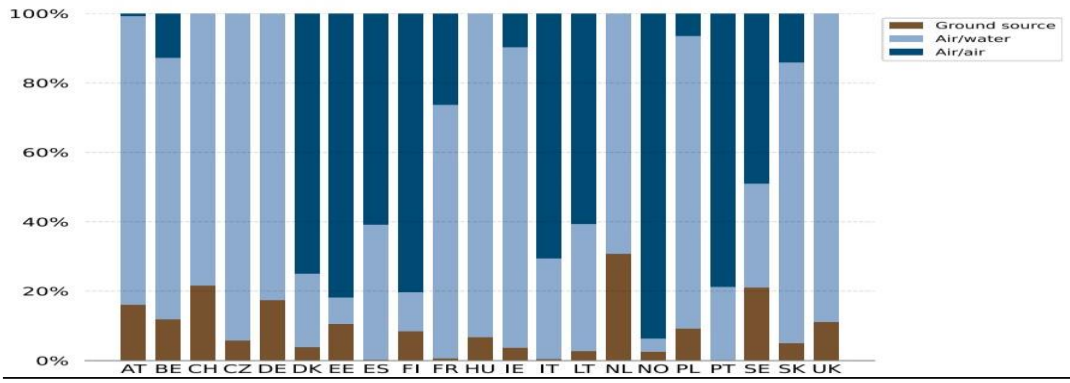
ES: Units sold per segment



Source: EHPA, Redeye Research

Moreover, the usage of air heat pumps versus ground thermal pumps differs between countries and is most likely explained by climate variations. Generally, aerothermal units are used in warmer climates where they also can be used for cooling. However, a colder climate requires more stable temperatures, which implies a higher ratio of ground thermal units. Moreover, other aspects, such as building standards and building traditions, also impact the selection of heating system and related energy source.

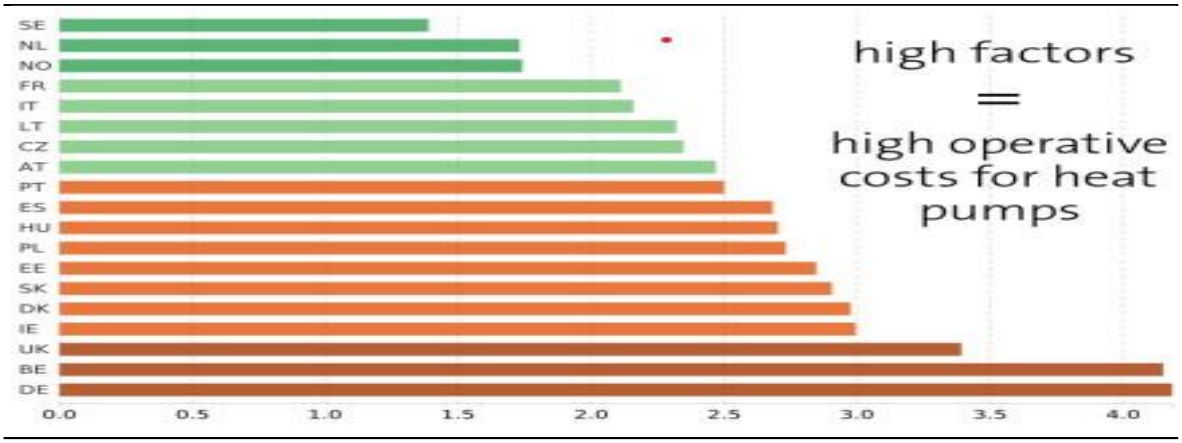
ES: Distribution across countries



Source: EHPA, Redeye Research

Electricity versus gas – alternative costs

Heat pumps are still often sold as a premium product versus traditional substitutes, such as gas- or oil-based heating. In the past, heat pumps' cost advantages have outperformed conventional substitutes' due to lower operating costs. However, this gap has narrowed recently owing to lower fossil fuel prices and the increased cost of electricity.



Source: EHPA , Redeye Research

This implies a less favorable energy price ratio for heat pumps. The ratio is calculated as the price for electricity divided by the price for gas or oil. This ratio directly impacts the competitiveness of heat pumps. Price ratios higher than heat pumps' seasonal efficiency factor (SPF) reduce the technology's efficiency advantage. The graph below shows that the countries with less favorable ratios are those with low heat pump penetration, based on data from 2020.

Strategy

Module-based systems

Energy Save has developed a flexible and prefabricated module-based system that could be fully adapted and upscaled for larger heat pump systems. The system is based on internal products with required pieces of equipment connected into different sub-systems in different modules. Each of the modules has different characteristics and contents and is designed to be connected easily. The different modules can be combined and adapted based on the energy system and the demand that the customer requires. The module-based system is the base in the construction of all Energy Save's products. Moreover, it could be used in industrialized installation processes in the case of appliance constructions and in the construction of large site-built heat pump systems. This mobilization opens up new applicable segments for heat pumps.

Value chain

Energy Save has developed a long relationship with its Chinese manufacturing partner Amitime. Their close relationship enables dynamic production with short lead times, as well as high-quality products. This means the heat pumps are very competitive as they offer high energy efficiency at low production costs. Commonly, the products are directly sent to distributors from the manufacturer or via Sweden, where Energy Save evaluates and ensures their quality, but this depends on the product and the relationship lifetime with customers. The heat pumps are then shipped to distributors.

Commercial properties

The construction and renovation of buildings require massive amounts of energy and mineral resources. Buildings account for 40 percent of energy consumption. However, this may differ between countries. Currently, the renovation rate of the building stock is low, at around 1 percent in EU member states. However, this rate needs to catch up to keep pace with the EU's energy-efficient and climate objectives. This benefits heat pumps as they are more energy-efficient than traditional substitute products. Hence, commercial properties are likely to accelerate the adoption rate of heat pumps. In conjunction with the clear decentralized and monitoring advantages of Energy Save's products, this acceleration explains the strong focus on this business area.

According to market research conducted by Energy Save, the annual energy consumption within construction buildings in Sweden for temporary use was 1.4 TWh. This equals 3,525 units of 80kW of the plug-in module versions, Heatbox Hydro or Heatbox Air. There are clear advantages when using Heatbox Hydro or Heatbox Air. The property owner reduces their operating costs and gains greater visibility into the dehydration process. Landlords with temporary needs receive a highly mobile heat source that offers climate control. Furthermore, property developers reduce their environmental impact.

Moreover, the annual energy consumption for new construction with permanent heat sources in the same period was 0.35 TWh. This equals 882 units of EcoStation, which is the plug-in

module version intended for permanent installation and architectural integration. In these cases, construction developers reduce their total project costs and shorten the construction time. Property developers reduce their energy consumption, which implies higher yield and increased property value. Moreover, property managers can better monitor the energy consumption in the property and adjust the heat or cooling for different needs.

Air/water heat pumps

Energy Save primarily targets the air/water heat pump segment, which is the fastest-growing area. Technical improvements have made air source heat pumps more efficient and have expanded the application areas of suitable climate zones and building types. The vast majority of air source heat pumps are now able to simultaneously produce heating and cooling. Additional growth drivers for air/water heat pumps are the increased focus on energy requirements in buildings and increased sales volume of higher-capacity units in commercial properties, where energy distribution by air is the standard at present.

Distributors

Energy Save currently works with 23 different distributors worldwide, accounting for ~80 percent of its sales. This network is a key strategic pillar for the company's European expansion. The distributors process and sell through their networks of professional installers, consultants, and project partners. At the same time, they contribute to strengthening Energy Save's brand in their respective national market. Moreover, distributors generally understand the market and do not require the same initial learning curve regarding the products and the market. In general, it takes distributors approximately six months to fully understand the products and the market. For new recruitments, the general learning and payback time varies between nine and 12 months. It is thus sometimes preferential for Energy Save to enter a market with distributors rather than by setting up a local sales office. Today, almost all distributors have been active for more than six months and are ready to scale up.

Source: Redeye research

Selected partnerships

El-Björn

El-Björn is a leading supplier of temporary solutions in the product areas of power, climate, and lighting – particularly the distribution of heat and dehumidification at construction sites. El-Björn has agreements with the leading rental companies in the Nordic region, such as Ramirent, Cramo, Renta, and other small to medium-sized construction companies. Energy Save's partnership with El-Björn simplifies the market path and provides a complete offering to the end-customers. The plug-in modules and El-Björn's solutions together deliver energy-efficient solutions and also offer smart heating and dehydration of customers' buildings. El-Björn recently launched a new business segment – energy – based on Energy Save's plug-in modules. This strategic partnership provides the company with a strong position on the Swedish market when the climate declaration for new buildings enters into force on 1 January 2022.

Swegon

Swegon is a market leader within indoor climate. It offers solutions for ventilation, heating, cooling, and climate optimization. Swegon is owned by Latour AB and achieved SEK 6bn in revenues during 2019. Energy Save exclusively produces its HeatStar product for Swegon. The modular heat pump system is optimized for properties at 6-140KW and delivers heating and cooling to the ventilation units. The system is fully integrated between the heat pumps from Energy Save and the ventilation units, optimizing climate control.

In addition, Energy Save supplies highly efficient heat pumps to Swegon's own heat pump factory in Italy, marketed under the Blue Box brand name.

Powercell

In H1 2021, Energy Save and Powercell agreed to develop synergies between Energy Save's heat pumps and Powercell's fuel cell systems. Prototype systems are in the making, and the first signs appear interesting. The combination of hydrogen and heat pumps yields more energy with less effort.

Amitime

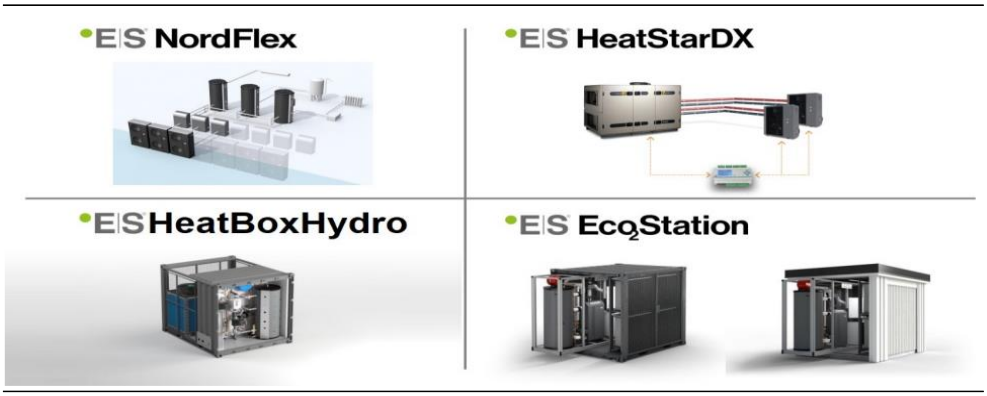
Energy Save started its partnership with Amitime in 2003. One of the founders of Energy Save, Christian Gullbrandsen, established contact through his former work contacts in China. The partnership is built on trust and is formalized in a co-operation agreement. Today, Amitime is one of the market-leading manufacturers and distributors of heat pumps. The close relationship between Energy Save and Amitime ensures dynamic production, short lead times, and cost reductions. Moreover, the founder and CEO of Amitime, John Zhang, is a major shareholder in Energy Save, mitigating the risk.

Product Overview

Energy Save operates in three different business units: commercial properties, residential, and installation and aftermarket service.

Commercial properties

Energy Save's commercial offering consists of the modular heat pump systems – NordFlex and HeatstarDX – and the plug-in modules – HeatBoxHydro and EcoStation. All of the products are certified with A++ or A+++ according to European certification.



Source: Redeye Research

ES NordFlex

NordFlex is a highly efficient modular heat pump system that can produce heat, hot water, and cold air. The system is developed for small and medium-large commercial properties of 800-5,000 m^2. NordFlex has an open interface and is thus fully adaptable to the different properties' energy requirements. Furthermore, the system works equally well with the new production of properties or with renovation.

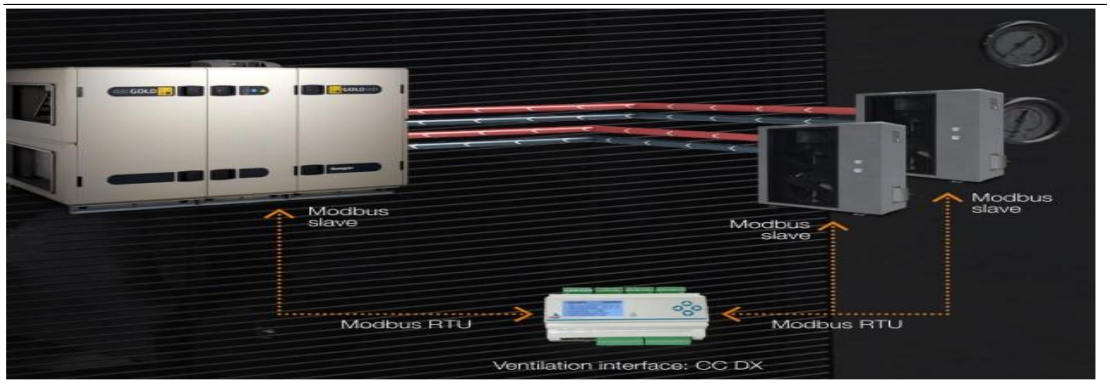
The system enables full integration with other complementary energy sources, such as electricity, oil, firewood, pellets, or district heating, meaning it can create hybrid heating systems and be compatible with other control systems in the property.

Customers gain a modernized and secure system for heating and cooling with a capacity of 140KW. Nordflex has a lifetime of ~25 years and requires minimal maintenance. The system could offer up to a 70 percent reduction in energy consumption compared with traditional energy sources such as oil and district heating. Moreover, the property owner gains access to a digital climate control system through the control box or smartphone/web browser that is used for monitoring and steering.

HeatStarDX

HeatstarDX is a modular heat pump system produced exclusively for Swegon, a market leader in indoor climate. It offers solutions for ventilation, heating, cooling, and climate optimization.

The HeatStarDX modular heat pump system is optimized for properties at 6-140KW and delivers heating and cooling to the ventilation units. The system is fully integrated between the heat pumps from Energy Save and the ventilation units, optimizing climate control. The system is built on the same platform as NordFlex.



Source: Redeye Research

Plug-in modules

The plug-in modules, HeatBoxHydro and EcoStation, are both prefabricated energy sources that provide new or existing buildings and other temporary objects with renewable energy. Energy Save owns the patent rights to these modules. The prefabrication of the modules implies that the installation costs decrease and enhance the building process efficiency. The plug-in modules offer a mobile heat pump system that can be used in an entirely new business areas, such as rental. Moreover, the mobile and prefabricated system tends to simplify the investment decision since the modules increase efficiency and reduce costs.

Through its container module, Energy Save has created a complete central unit, consisting of an outdoor heat pump system with a high capacity for producing renewable energy. The plug-in module could control the generation of heating, cooling, and hot water for the entire property. Through this concept, industrialization and mass production of the modules reduce the cost of production while also ensuring improved quality compared with solutions built on-site. The technical development of the modules is the same as for NordFlex. Energy Save has three patents in the Swedish market, one in China, and has filed for additional patents in the US.

Source: Redeye Research

Source: Redeye Research

EcoStation

Plug-in modules that are made for existing environments and used for permanent or semi-temporarily needs are classified as EcoStation. The EcoStation module could be located nearby or on top of a building and does not necessarily need to be placed next to the heating/cooling area. This makes the module highly efficient in the new construction of properties. Moreover, the EcoStation module also works as a great complement for properties with a strong cultural heritage since such properties have certain requirements regarding their preservation. The heat pump can be located away from the property to protect the heritage, making the EcoStation a great alternative for these buildings.

Source: Redeye Research

The Ecostation module is designed to be located close to a property's exhaust air to use the heat produced from the exhaust air, often on the roof. It can easily connect with other energy

sources in the property, such as geothermal heat or pellets. The module is climate-certified upon delivery and can be used directly on existing properties or in new production properties if the top floor is fully built. The module is based on 80kW.

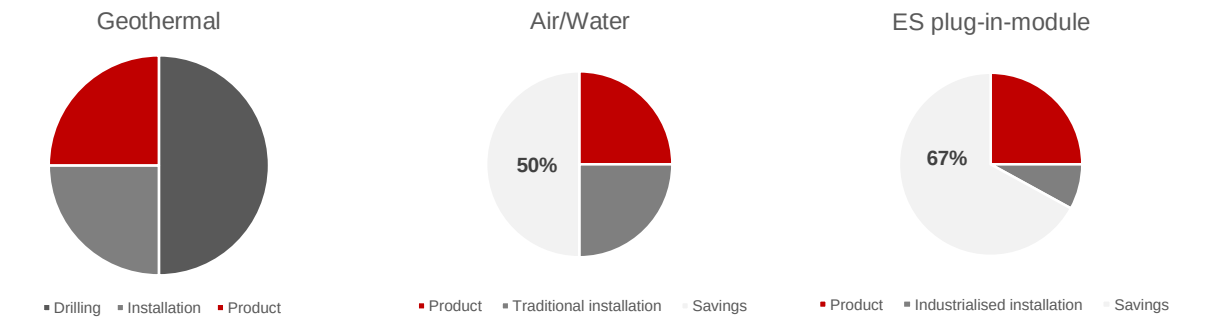
An approved heat recovery system is created when the EcoStation module integrates with an existing or new mechanical exhaust air ventilation. This is achieved by residual energy that evacuates from the building and is then transported to the plug-in module. The heat pump's outdoor components embrace this residual energy and re-use it in the heating system. The integration creates a heat pump system with high capacity. The system only requires exhaust ducts and a fan to ventilate the property, which reduces the cost for the new production of properties since fewer shafts mean more space that can be sold.

Moreover, integrating EcoStation with an existing or new system for balanced ventilation or recycling creates possibilities for double heat recovery when using the building's exhaust air.

The EcoStation module reduces electricity consumption, which in turn lowers energy costs and the environmental impact. Moreover, the plug-in module creates more space in the property that would otherwise be used for the placement of the large devices. The increased functional surface in the property enhances the direct value for the property owner. In addition, the plug-in module has a better energy performance, which reduces the direct operating costs for the property owner. This enhanced environmental aspect of the property tends to increase the value of the property. One of the strongest growth drivers for increased penetration of plug-in modules on the market is cost reductions for the property owners.

Furthermore, landlords who use the EcoStation modules avoid other direct costs during the construction phase. The prefabricated modules could save up to two-thirds of installation costs compared with conventional air/water pumps. An additional advantage of using the EcoStation is reduced costs for drilling.

ES: Cost efficient plug-in systems



Source: Company data, Redeye research

Advantages when using the Ecostation – existing properties

EcoStation's advantages - Existing markets		
Property owners	Property managers	Society
Less consumption	Reduced energy consumption	Reduced energy consumption in society
Higher yield	Improved visibility	Accelerated transition towards green energy consumption
Increased property value		
Less complex installation		

Source: Company data & Redeye research

Advantages when using the Ecostation – construction of new properties

EcoStation's advantages - Permanent energy source in new production		
Property developers	Property owners / managers	Construction companies
Increased operating results	Less consumption and higher yield	Reduced costs in the construction phase
Reduced time for construction	Increased property value	Shorter lead times
Reduces environmental impact	Reduced environmental impact during the building phase	
Enhanced profitability	Reduced energy consumption and increased visibility	

Source: Company data & Redeye research

HeatBoxHydro

HeatBoxHydro is Energy Save's product for temporary situations, such as renovations, events, or field hospitals. The product offers heating, dehydrating, and control of different construction sites, among others. It is a complete solution that is developed and packaged to reduce heating and dehydrating costs and also to increase the visibility of indoor climate control. HeatBoxHydro is built on the air/water technique and offers monitoring of temperature and humidity. This provides economic benefits since heating is only used when necessary and indicates a more secure construction planning.

Residential

The second business area that Energy Saves operates in is heat pumps for personal homes. It has sold more than 12,000 heat pumps in this segment. Its product portfolio for the personal home segment has developed the best possible relationship between price and performance to ensure a high-quality premium product.

Its strategic focus has been to develop products for homes with existing waterborne heating systems. The company's air/water heating pumps are built using a technical platform that enables two different model series. One is the AWH (Air Water Hydrobox) series, defined as docking heating pumps, which allows the heating pump to be combined with other energy sources in a hybrid system.

Source: Redeye Research

The other series, AWT (Air Water Tank), is heating pumps that ensure a complete product for heating, cooling, and hot water. The products are especially efficient when the entire system needs to be renovated and for new buildings.

Energy Save's products are produced according to EU certification requirements. All products have received the highest or the second-highest score in their energy classification. Additional air/air and geothermal products are also included in the product portfolio.

The heat pumps are produced in China and then shipped to Sweden, or directly to the distributors' warehouses. In Sweden, installation and sanity checks are carried out before the products are launched. The industrialization of the products keeps the costs low while ensuring the highest energy classification quality. All the heat pumps for personal homes are constructed on the same technical platform with inverter technology and include the latest and most environmentally friendly refrigerants.

This creates scale advantages and streamlines the value chain. The incorporated components are from Panasonic, Mitsubishi, and Grundfors. An identical technical platform makes it easier for users and installers to understand the full range of products and renders the supply chain more efficient.

Reference projects

The following table considers a few examples of previously sold products. Most have reduced operating costs while maintaining an efficient energy level.

				Purpose					
Reference object	Type of Property	Product	Year	Cost reduction	Replacement investment	Suistainability	Current Solution	Effect (kW)	Exp Payoff (Years)
Alingsås 1	Apartments	NordFlex	2013	x			District Heating	40	4
Borås 1	Commercial property	NordFlex	2014	x			District Heating	40	4
Norge 1	Church	NordFlex	2015	x			Crematorium	20	-
Falköping 1	Apartments	NordFlex	2015	x	x		Oil	40	4
Alingsås 2	Commercial property	NordFlex	2016	x	x		Electricity	54	4
Hultsfred	Commercial property	NordFlex	2016	x			Oil	40	3,5
Stockholm	Commercial property	NordFlex	2016	x			Oil	40	5
Falköping 2	Commercial property	NordFlex	2017	x			Pellets	40	3
Göteborg 1	Commercial property	NordFlex	2018	x			Oil	60	7
Göteborg 2	Commercial property	NordFlex	2018	x			Oil	20	3
Lysekil	Apartments	NordFlex	2018	x			Oil	40	2,5
Göteborg 3	Commercial property	NordFlex	2018	x			Oil	40	4
Göteborg 4	Commercial property	NordFlex	2018	x			Oil	40	3,5
Vårgårda	Apartments	NordFlex	2018	x			District Heating	60	3
Lidköping	Commercial property	NordFlex	2018	x			District Heating	20	4
Göteborg 5	Apartments	NordFlex	2018	x			District Heating	40	-
Göteborg 6	Commercial property	NordFlex	2018	x			District Heating	40	-
Norge 2	Commercial property	NordFlex	2018		x		Combination	33	-
Göteborg 7	Apartments	NordFlex	2019	x		x	District Heating	18	-
Alingsås 3	Commercial property	Plug-in-Module	2016	x	x		Geothermal Heating	80	-
Göteborg 8	Apartments	Plug-in-Module	2019	x		x	District Heating / Electricity	80	-
Sundsvall	Commercial property	Plug-in-Module	2019	x	x	x	District Heating / Electricity	80	-
Falköping	Apartments	Plug-in-Module	2020	x		x	Oil	80	-
Göteborg 9	Commercial property	HeatStar DX	2016		Ventilation / Heating		-	80	-
Warsawa	Commercial property	HeatStar DX	2017		Ventilation / Heating		-	27	-
Alingsås 3	Commercial property	HeatStar DX	2018		Ventilation / Heating		-	27	-
Ungern	Commercial property	NordFlex	2018	x			-	39	-
Poland	Commercial property	NordFlex	2018	x			-	-	-

Source: Company data, Redeye research

Installation and service

Energy Save's third business area is its installation and after-service section. The installation process provides the possibility for complete installation of the company's heat pumps, while service installation results in improved security upon installation. Its installation section offers its service for air/air and air/water heat pumps, charging fixed prices per installation. The purpose is to support distributors without their own installation service.

Configurator

In addition to this, the company has developed a digital configurator that works as a tool for evaluating new projects. The configurator is a web-based dimension and design toolset for Energy Save's heat pumps. Based on collected data from respective buildings, distributors, and partners can easily dimension and design quality systems using the configurator. This reduces the time for entering the market and accelerates growth opportunities. Also, one of the bottlenecks in Europe is a lack of skilled plumbing consultants, and so the configurator is a great complementary tool for the market.

The configurator offers a complete package, including wiring diagrams, a list of materials, and a data file on the steering of the systems. All are tailored to the characteristics of the respective building. Based on the collected data, the configurator calculates the required demand for heat and hot water. It also dimensions flow and determines consumption patterns that match the information compared with the firm's heat pumps.

Energy Save offers the configurator as a digital tool that distributors and partners can use to collect and save data from their different projects. This increases the visibility with distributors' or partners' current projects and enables Energy Save to adapt its service to their different needs. The configurator reduces tender periods and lead times from weeks to days.

Market for Heat Pumps

Market growth

According to Allied Market Research, the global heat pump market was valued at USD 55.2bn in 2018 and is expected to be worth USD 99.6bn by 2026, which represents a CAGR of ~7.8 percent. Moreover, according to the EHPA, the European market for heat pumps should grow by a CAGR of ~10 percent by 2030 thanks to technology, legislation, and a higher adoption rate.

Technology

Heat pumps are able to cover a wider temperature range, which broadens the available market. Currently, heat pumps operate at -25°C and tend to provide hot water at 65°C, meaning they could be deployed in a much higher number of buildings. Also, innovative hybrid heat pumps solutions are highly attractive to the renovation segment.

Building and construction index

The construction and renovation of buildings require massive amounts of energy and mineral resources. In fact, buildings account for 40 percent of energy consumption. Currently, the renovation rate of the building stock is low, at around 1 percent in EU member states. However, this rate needs to catch up to keep pace with the EU's energy efficiency and climate objectives. This benefits heat pumps as they are more energy-efficient than traditional substitute products. Strong growth in the building, construction, and renovating sector is highly positive for heat pumps.

Adoption rate

Higher adoption of heat pumps boosts sales, which tends to generate lower costs for property owners due to lower production and component costs. Both cost and efficiency improvements can be expected owing to the development of the different components. Compressors are likely to be optimized for heat pump applications and expansion valves, while control systems are standardized since they are sold in higher volumes. The manufacture of the prefabricated units that are integrated into the casing and connected to the hydronic system reduces production time and costs. Energy Save is ahead of the market in already having this production strategy in place.

Moreover, the standardization of heat pumps implies faster installation while also limiting installation issues. All in all, higher adoption rates result in positive scale effects, yielding a lower initial investment cost for the heat pumps and making heat pumps more attractive than traditional fossil fuel products.

Heat pumps market share in European countries

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
AT	14.0%	13.8%	14.9%	16.4%	18.3%	18.5%	23.5%	26.3%	26.0%	27.6%	30.6%
BE	1.4%	2.3%	2.8%	2.4%	2.6%	4.1%	4.2%	4.7%	5.0%	5.8%	6.1%
CH	36.6%	35.8%	35.6%	34.5%	34.6%	36.2%	38.9%	41.0%	45.0%	45.2%	53.3%
CZ	4.7%	4.7%	5.2%	5.5%	6.1%	6.5%	9.7%	11.1%	12.7%	15.6%	16.2%
DE	8.7%	8.9%	8.9%	8.5%	8.1%	8.0%	9.6%	10.8%	11.4%	11.3%	14.1%
DK	35.4%	39.4%	47.3%	49.8%	45.1%	54.3%	56.5%	69.2%	72.0%	75.8%	80.4%
EE	69.8%	72.0%	74.3%	76.4%	77.5%	77.6%	80.7%	80.5%	79.9%	80.5%	82.5%
ES	14.6%	18.0%	13.7%	14.7%	15.2%	18.8%	21.8%	24.0%	23.9%	24.4%	27.5%
FI	85.9%	87.5%	86.6%	87.4%	88.1%	86.6%	87.4%	88.9%	90.5%	92.5%	93.5%
FR	14.1%	14.7%	14.2%	14.1%	16.3%	17.4%	18.2%	18.8%	19.1%	30.5%	31.2%
HU	1.1%	.9%	.8%	1.0%	.5%	.6%	.8%	.7%	.2%	.3%	4.9%
IE	2.1%	1.8%	2.0%	2.2%	3.2%	4.9%	6.1%	5.9%	4.8%	8.3%	9.7%
IT	10.2%	10.4%	10.5%	10.9%	10.4%	11.3%	18.9%	17.6%	18.2%	19.3%	21.1%
LT	2.4%	2.7%	2.9%	3.2%	4.5%	5.9%	6.9%	27.8%	30.6%	45.2%	47.0%
NL	1.7%	1.9%	2.0%	1.7%	1.6%	1.8%	3.4%	5.2%	7.2%	8.4%	11.2%
NO	97.9%	97.3%	96.7%	96.0%	95.4%	96.0%	96.9%	96.5%	96.7%	96.6%	96.3%
PL	1.6%	1.6%	1.9%	1.9%	2.8%	3.4%	3.9%	4.4%	4.7%	6.9%	11.2%
PT	39.7%	40.4%	32.0%	35.7%	30.1%	28.2%	42.2%	44.6%	39.6%	46.3%	50.3%
SE	89.8%	89.7%	89.4%	90.1%	90.6%	90.8%	91.3%	91.4%	91.0%	90.9%	90.8%
SK	1.3%	.8%	1.1%	1.4%	1.7%	1.8%	3.9%	4.6%	7.5%	6.1%	7.0%
UK	1.1%	1.1%	1.1%	1.0%	1.0%	1.1%	1.0%	1.2%	1.4%	1.6%	2.0%
Total	11.2%	11.4%	10.8%	10.5%	10.7%	11.5%	13.4%	14.5%	15.3%	17.8%	19.6%

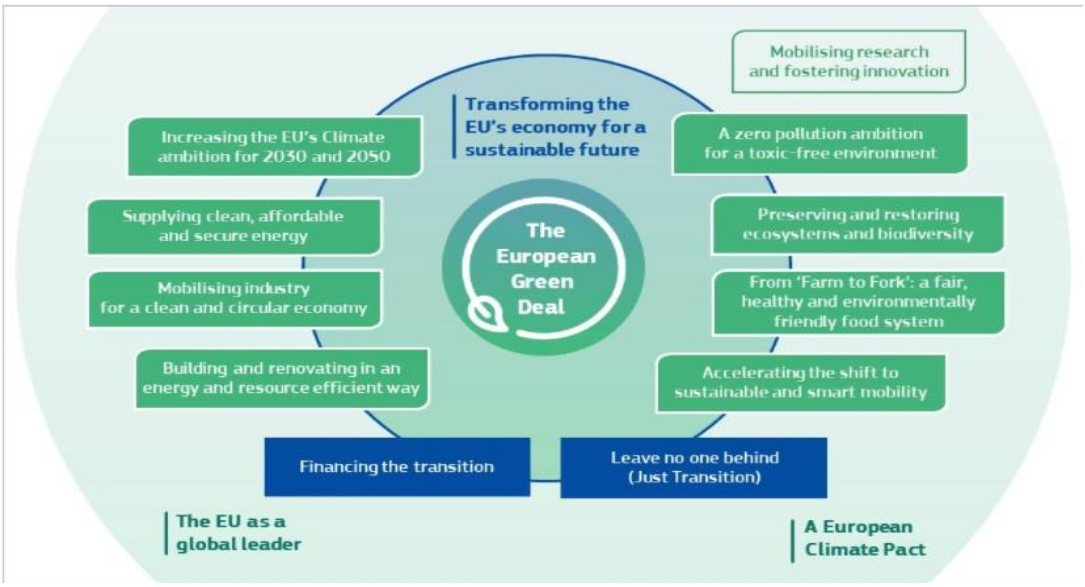
Source: EHPA, Redeye Research

Political legislation

Policymakers are now prioritizing the energy transition. Newly implemented building standards limit maximum heat per m^2, boosting the integration of renewable energy sources. In many countries, environmental solutions, such as heat pumps, are now being included in government subsidy schemes and other incentive programs. It is now possible to overcome the cost disadvantages of heat pumps, which accelerates the penetration rate further. Another legislative introduction is a price for carbon usage, which will make CO_2 emission expensive. This will have a direct positive impact on heat pumps as alternative costs are thus lowered.

European green deal

In early 2020, the European Commission estimated that EUR 260bn in additional annual investments should be mobilized towards the ambition of the European green deal and the current 2030 climate and energy target. This creates huge market potential for low-emission technologies. Heat pumps' enhanced technologies can be a crucial part of this energy transition.



Source: European Comission, Redeye Research

One of the strategies is energy system integration in buildings. The European Commission is striving for electric heating in 40 percent of residential buildings and 65 percent of all buildings in the service sector. Applying an energy-efficiency first principle, many of these buildings will be equipped with heat pumps. Another framework of the green deal is to make renovation a priority by efficiently addressing affordability and the electrification of the buildings. The target is to double annual energy renovation rates in the next ten years and to renovate the 35 million of the least-performing buildings by 2030.

The EHPA estimates an outstanding building stock of 120 million. Therefore, the number of required appliances would be ~40 million units, assuming at least one unit is considered in each multi-family and commercial building. Based on the current outstanding heat pump stock, at least a quadrupling of the outstanding units will be required to reach the required target.

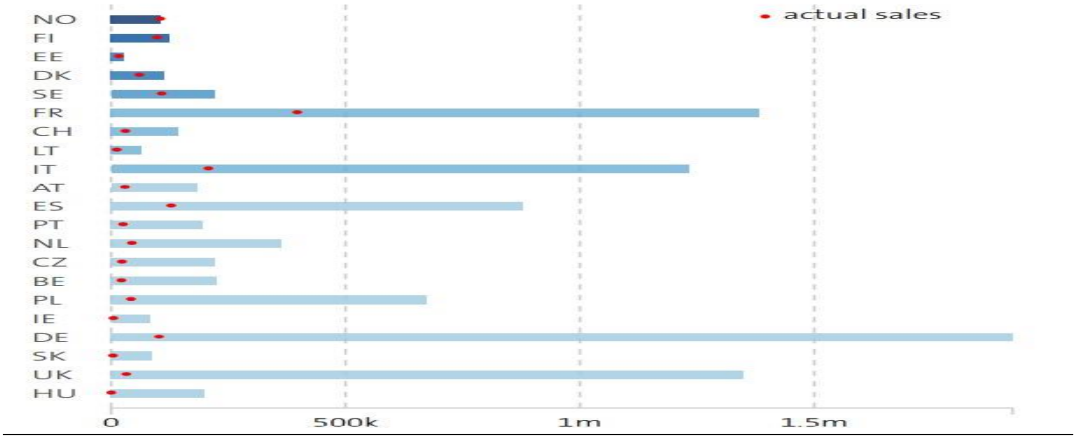
EU 2050 climate action

In April 2021, the European Commission and the European Parliament reached an agreement setting into law the objective for a climate-neutral EU by 2050 and a collective net greenhouse gas reduction of at least 55 percent by 2030 compared to 1990. EU member states are required to develop long-term national targets to achieve greenhouse gas reductions. This supports the market for heat pumps since heat pump technologies offer solutions that meet energy-efficient requirements.

To summarize, the EU green deal and climate actions will likely work as subsides in the different EU countries. This could increase the adoption of heat pumps in the near term, especially in countries with low penetration rates. This would be supportive for Energy Save. However, it is still important to bear the alternative costs in mind since gas is still relatively cheap compared to electricity in many countries.

The chart below shows the available heat pump market in the different country and the current market share of heat pumps there. A potential conclusion is that countries with low heat pump penetration rates will see tough competition from other energy sources. Gas and boilers are still relatively cheap compared to heat pumps in those countries, especially in the UK, Germany, and Poland.

Energy Save: Heat pumps market share and potential in European countries



Source: EHPA, Redeye Research

Legislation in European countries

Sweden

From 1 January 2022, it will be mandatory for a contractor to report the created climate impact during the construction of new buildings. The mandatory climate declaration must contain information regarding all the greenhouse emissions that occurred during construction and will be a vital condition that the landlord needs to fulfill to receive the final approval/decision from a municipality's building committee. Heating and dehydration are major parts of the total emissions on construction sites. This implementation is positive for Energy Save, as its innovative products reduce CO_2 emissions during the heating and dehydrating phase for buildings.

Norway

In June 2017, the Norwegian government put forward a regulation banning the use of mineral oil for heating residential, public, and commercial buildings by 2020. The law has had a strong impact, and as of 2021, Norway is among the countries in Europe with the highest penetration rate of heat pumps, at approximately ~90 percent. This illustrates the impact that legislation can have.

Finland

In 2020, the Finnish Ministry of Environment announced that it is aiming to reduce emissions from construction sites together with city authorities. The initiative targets 100 percent of fossil-free construction sites from 2025, with 20 percent of usage to come from electricity, biogas, or hydrogen as an energy source. From 2030, Finland targets 50 percent of usage on construction sites coming from electricity, biogas, or hydrogen.

United Kingdom

As of October 2021, the UK government implemented a new strategic plan to incentivize people and property owners/developers to install low-carbon heating systems and replace their old boilers over the coming decade. The government will provide GBP 450m to encourage the installation of up to 90,000 electric heat pumps by homeowners over the next three years as part of the country's attempt to achieve its 2050 net-zero target. The subsidy allows each household to attain a GBP 5,000 grant for this. It will run over three years from April 2022.

The initiative is based on the previous announcement that all new heating systems in homes will use low-carbon technologies, i.e., electric heat pumps or hydrogen boilers, by 2035. More importantly, the government expects the total costs for heat pumps (capex and opex) to be at similar levels as gas boilers by 2030. It forecasts price drops for heat pumps by 2025 as the market matures and the technology develops. Furthermore, the government has an ambition to install 600,000 heat pumps annually by 2028, accelerating the penetration rate.

Energy Save is one of 40 companies invited into the Sustainable Heating and Cooling by Sweden member organization. The energy authority and Business Sweden are together driving this project to strengthen sustainable solutions in the UK and France, thus increasing the possibilities to capitalize on these growing markets.

Austria

Austria already regulates emissions during the construction phase. Mandatory documentation must contain information regarding greenhouse emissions, accelerating the adoption of heat pumps and other renewable energy sources.

Competitors

The heat pump market is fragmented, and the market leaders differ between regions. Energy Save primarily operates in the premium segment, where certifications are vital. The competition is fierce, and we believe it is hard to differentiate on pricing. Instead, connectivity is what makes Energy Save stand out.

Nibe

Nibe is one of the market leaders across the world, with sales of SEK~29.2bn. Nibe has a broad offering of heat pumps. A majority of its sales come from non-air/air heat pumps. In general, its heat pumps are manufactured across Europe. Even if its exposure to non-air heat pumps is low, Nibe is one of the market leaders in this niche.

CTC

CTC is another Swedish manufacturer, and it was founded in Ljungby, Smaland, in 1923. All of its development and manufacturing is carried out in Sweden. CTC offers a wide assortment of products across all the segments. It was one of the pioneers to develop the air/water segment. However, its most vital business area is in the green boilers segment.

Bosch (IVT)

Bosch is one of the largest players across the world with a strategic focus in the air heat pump segments. Its manufacturing is tilted towards Asia, which gives it low production costs.

Panasonic

One of the biggest players within the air heat pump segment, Panasonic has a firm position in Asia. Most of its manufacturing is in Asia, enabling low production costs and a lower pricing range than domestic manufacturing competitors.

Viessman

Viessman is a German manufacturer of heat pumps that operates worldwide. Its offering is adaptable across all the different segments.

Thermia

Founded in Arvika in 1923, Thermia has captured a leading position on the Swedish market, and it has steadily grown its market share in Europe. Its product offering in the different segments is broad. In 2017, it was acquired by German heating company Stiebel Eltron Group. Manufacture is predominantly carried out in the Nordic region and Europe, implying higher production costs and placing it in the high-end pricing segment.

Source: Company data, Redeye research

Insurance company Folksam has made a market comparison for air/water heat pumps in Sweden but only covering domestic homes. All conducted heat pumps were aligned following the SKVP KVI associations requirements. Furthermore, the incorporated heat pumps also fulfill the EU's energy efficiency requirements. The survey is split into efficiency, environment, warranty, and functionality. Note that Energy Save did not participate in this survey. However, the survey does illustrate the competition.

- Efficiency is measured based on the scale F to A+++ and focuses on how large an area the system could heat and the heat efficiency that the heat pump has on water. Scale: 5-10.5
- The environment area incorporates emissions, energy efficiency, and noise. Scale: 3-9
- Warranty focuses on the number of years with a full warranty. Scale: 1.5-8
- Functionality focuses on value-added services and how valuable those are. Scale: 1.5-3.5

According to Folksam's research, the best-performing air/water heat pumps were from CTC, followed by Daikin, Nibe, and Panasonic. All are marked in grey in the table below.

Competitors Air / Water segment	Efficiency	Environmen	Warrant	Functionality
Bosch Compress 700	7,5	7,5	4	2,5
CTC EcoAir 614	9,5	7,5	3,5	2,5
Daikin Altherma 100	8	6	4	3
Daikin Altherma 3	8,5	7,5	4	2
Fujitsu waterstage 112	5,5	4,5	4,5	2,5
IVT AirX	7,5	7,5	4,5	2,5
Nibe F2120-8 +	8	7	3	2,5
Nibe F2040-8	6	5	3	2,5
Panasonic Allinone HP 9	8	8	4	3
Panasonic Allinone T-Cap 9	7	5,5	4	2,5
Viessman Vitocal 222-A	7,5	6	3	2,5

Source: Folksam, Redeye research

Financial Estimates

Sales

Energy Save collects its revenues through sales to distributors in its different markets or from sales through its internal developed partnerships. It proactively uses its digital configurator as an accelerator for expanding its customer base. Notably, in due time, this should create recurring revenues at healthy margins.

In general, Q2 (Aug-Oct) and Q3 (Nov-Jan) are the strongest quarters for Energy Save in the year, as more units need to be heated during those periods. The entire European market has a similar seasonality.

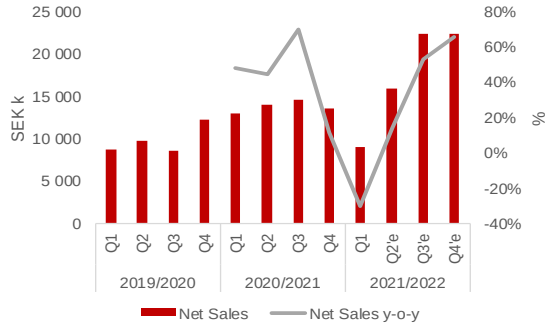
The payment structure and revenue recognition differ depending on the business segment and on whether sales are through distributors or Energy Save's own sales team. At present, it is common that the delivery goes directly from the production unit in China to the customer, which is either a distributor, property developer, or construction company. The end-customer tends to pay for the heat pump system before delivery on these occasions.

With direct sales through its own sales channel within the commercial system, 30 percent of the system is paid upon order, 30 percent upon delivery, 30 percent upon approved installation, and the final 10 percent upon final approval.

Currently, 80 percent of Energy Save's sales are through distributors and the remaining 20 percent via its own sales channel. Its largest markets are Finland, Sweden, and Poland. In the latest fiscal year, ~53 percent of sales came from the Nordic region and the remaining ~47 percent from the rest of the world.

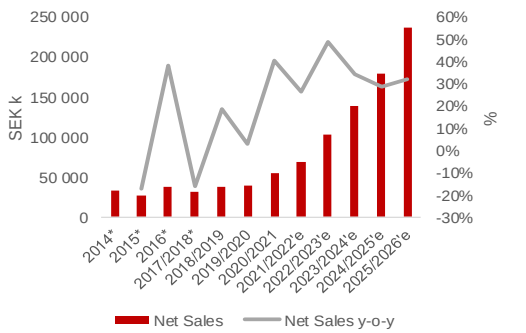
As the commercial business area was fully commercialized only ~1.5 years ago, we estimate that most of the latest fiscal year sales came from the residential segment. For instance, Energy Save's report for Q1 this year stated that ~84 percent of sales were from the residential segment.

ES: Sales and growth y-o-y % by quarter



Source: Redeye research

ES: Sales and growth y-o-y % by year



*Source: Redeye research * estimated*

We estimate that the commercial business will be the key growth pillar going forward, and we expect strategic partnerships and further subsidies to accelerate this market growth in the Nordic region and Other Europe. However, we believe that the predicted ramp-up could take longer than expected due to market acceptance, component shortages, and freight issues in the near term.

We forecast a 2020/2021 – 2025/2026 sales CAGR of **34** percent, mainly driven by a break-through in the commercial segment. The established partnership with El-Björn following the new Swedish legislation will position Energy Save well during the construction phase.

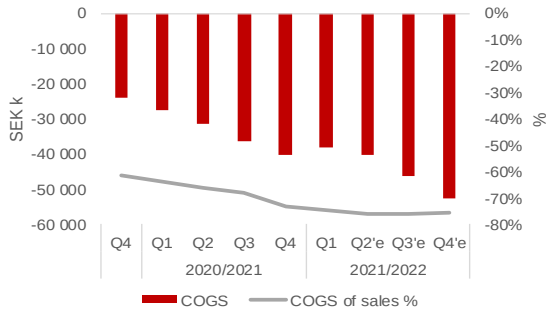
Moreover, we believe the residential segment will deliver stable low-single digit growth. Visibility on the European market is low at present, and the transition is still in its early days, which is why we do not extrapolate too much of this into our estimates at the moment. We would like to see more evidence of success first.

COGS

The cost of goods sold includes the cost of production, raw materials (cold prices), freight costs, and distributors' cut. The vast majority of the production takes place in China, enabling Energy Save to keep production costs at attractive levels. The price of raw materials and cold prices fluctuate. Price hikes during the year have increased costs and put pressure on the gross margin in recent quarters. Moreover, the majority of Energy Save's products are shipped directly to end-customers. The global freight issue has also affected Energy Save, which is another reason for the short-term pressure on the gross margin. However, we expect this to normalize in the coming period.

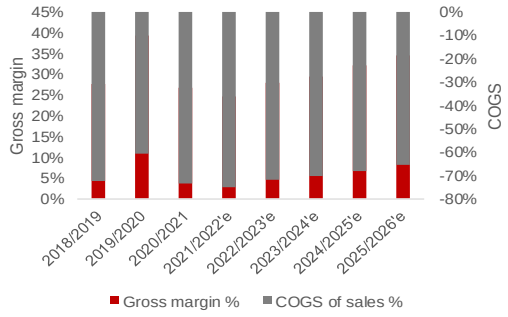
Another aspect that will impact development is the mix between distributors' sales and its own sales department. Distributors take a larger fee, which indicates a higher cost of goods sold, again decreasing the gross margin.

ES: COGS and COGS as of sale %LTM



Source: Redeye research

ES: Gross margin and COGS of sale%

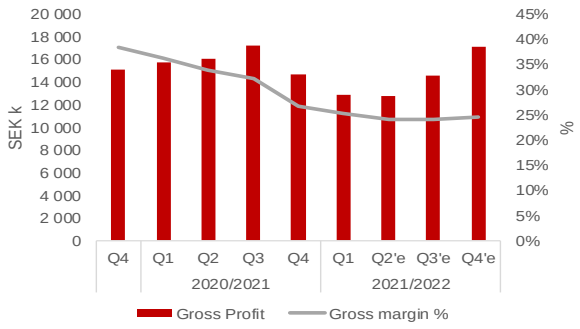


Source: Redeye research

Gross profit

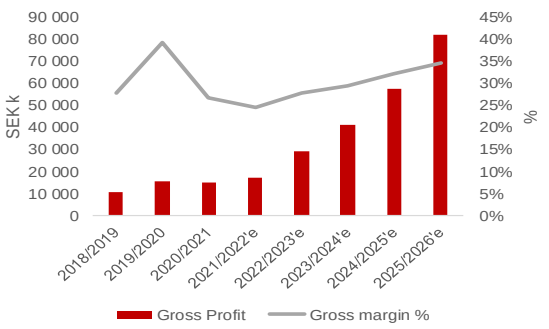
Energy Save's gross margin fluctuates depending on the product mix and the distributors' ratio of sold units. The new prefabricated products' margins are higher than the older ones thanks to a more efficient production process. Moreover, customers and distributors can choose between direct delivery or Energy Save's production units. A large number tend to order directly from the production unit in China, which reduces freight costs as well as the risk. We thus estimate an ongoing improvement in the gross margin as the new productsincrease in terms of total sales and represent a higher ratio of direct deliveries.

ES: LTM Gross profit and Gross margin %



Source: Redeye research

ES: Gross Profit and Gross margin %



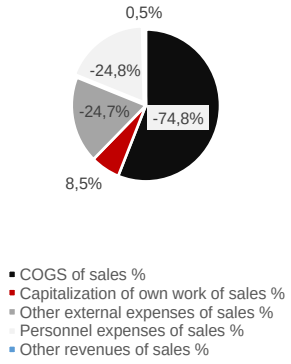
Source: Redeye research

Management targets gross margins of 40 percent in the future, suggesting upside to our estimates. Due to the current global bottlenecks, higher raw material costs and freight costs could explain part of the downward pressure on the gross margin. Energy Save has not yet managed to transfer the higher input costs to its customers. However, it is an ongoing process, and so we expect the gross margin to rebound in the near future.

Opex

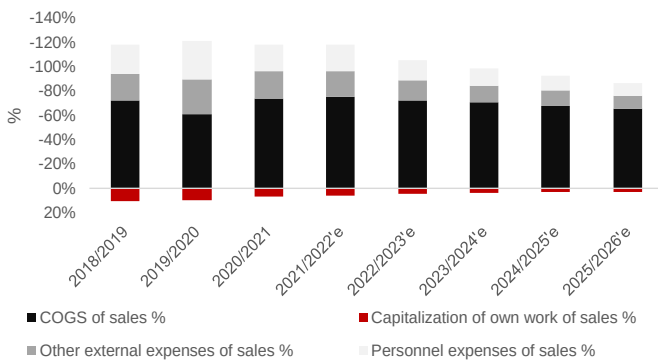
Energy Save's strategy to work with distributors as long-term partners enables it to have a slim operating cost base. Currently, the total headcount is 18 and is likely to grow at a modest rate in absolute numbers. Personnel and other external costs are the most prominent items and are fixed, enabling double-digit margins at scale. Other operating expenses are other income and capitalization of intangible assets. We forecast a 2020/2021 – 2025/2026E opex CAGR of 16 percent.

ES: Cost structure of sale % LTM



Source: Redeye research

ES: Cost structure of sale %



Source: Redeye research

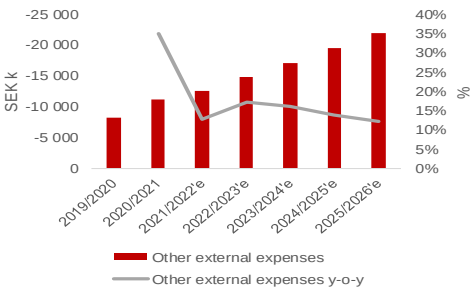
Other external expenses

Other external costs have increased at a low level in the past year. We believe that some of this modest increase is explained by the increased focus on keeping costs down during the uncertain COVID-19 period. We expect this cost item to increase, especially in terms of marketing to reach further scale and markets. However, we expect a steady decrease as a percentage of sales thanks to scale effects as the cost item is relatively fixed.

ES: LTM Other external expenses and as of sales %

Source: Redeye research

ES: Other external expenses and Y-o-Y growth %

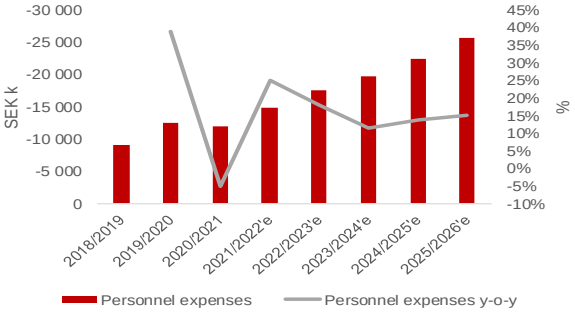


Source: Redeye research

Personnel expenses

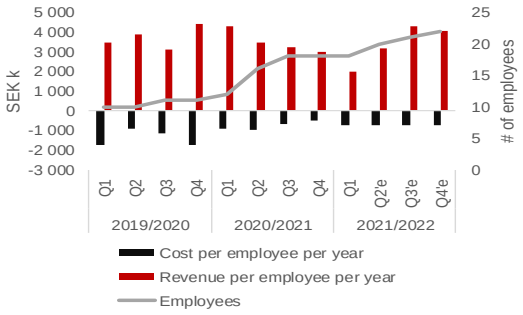
Energy Save currently has 18 employees located across Europe. Its strategic partnerships with distributors are often established in countries so as to avoid having to establish its own sales team. In general, it takes approximately six months for established distributors to learn the products and systems, whereas it takes about nine to 12 months to educate a sales team. This is why the company tends to focus on solid partnerships with established distributors and is how Energy Save can limit its number of personnel. The company aims to increase the number of personnel, especially with technical support for distributors. However, the increase in absolute numbers will be modest.

ES: Personnel expenses and growth Y-o-Y



Source: Redeye research

ES: Revenue / Cost per employee and number of employees

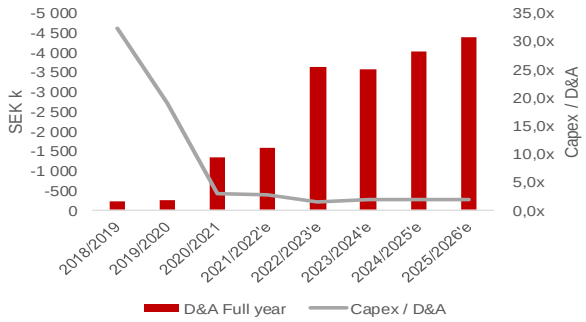


Source: Redeye research

Capitalization of assets

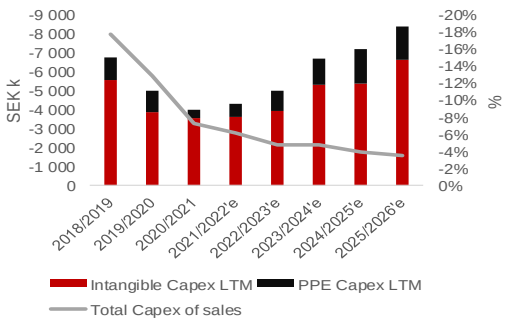
Energy Save capitalizes its developing costs, amortizing them over a five-year period when ready for sale. We estimate that capex will increase in the future as we anticipate further investments in production, especially in the commercial segment. Naturally, depreciation and amortization will follow.

ES: D&A and (Capex / D&A)



Source: Redeye research

ES: Capex and as of sale %



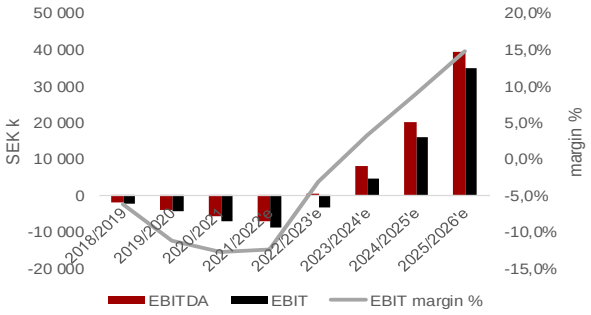
Source: Redeye research

Earnings

Energy Save targets an EBIT margin of 15 percent for 2023/2024 and to be cash flow positive during the current fiscal year (2021/2022E). We consider this somewhat ambitious, especially the cash flow positive aspect, given its current expansion and burn rate and since many structural legislations will kick in at the end of this fiscal year. There is a risk that this could delay orders in preparation for potential subsidies. As mentioned above, most of the operating expenses are fixed, which works both ways, harming current earnings.

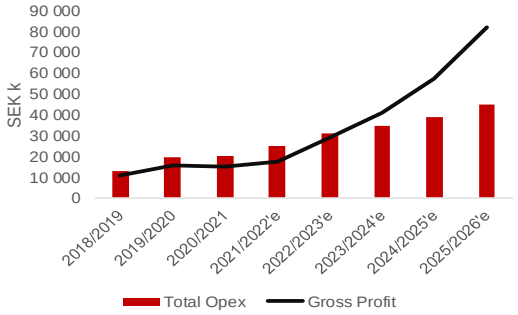
We forecast that Energy Save will be profitable in 2022/2023E and will reach EBIT of SEK 35.1m in 2025/2026, corresponding to an EBIT margin of ~14.8 percent.

ES: EBITDA, EBIT and Ebit margin %



Source: Redeye research

ES: Gross profit and OPEX excl D&A



Source: Redeye research

P&L Table and KPI's

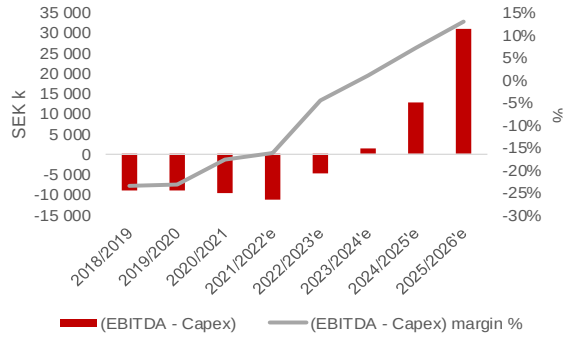
Year	2021/2022				2019/2020	2020/2021	2021/2022'e	2022/2023'e	2023/2024'e	2024/2025'e	2025/2026'e
K SEK	Q1	Q2'e	Q3'e	Q4'e	FY	FY	FY	FY	FY	FY	FY
Revenues	**8 982**	**15 912**	**22 412**	**22 405**	**39 172**	**55 083**	**69 711**	**103 845**	**139 232**	**179 350**	**236 397**
COGS	-7 428	-11 950	-16 675	-16 535	-23 824	-40 438	-52 588	-74 976	-98 158	-121 958	-154 603
Gross Profit	**1 554**	**3 962**	**5 738**	**5 870**	**15 348**	**14 645**	**17 124**	**28 869**	**41 073**	**57 392**	**81 793**
Gross margin %	*17,3%*	*24,9%*	*25,6%*	*26,2%*	*39,2%*	*26,6%*	*24,6%*	*27,8%*	*29,5%*	*32,0%*	*34,6%*
Own capitalization	712	955	1 345	1 344	3 817	3 683	4 356	4 985	5 430	5 919	6 619
Other external expenses	-2 508	-3 421	-4 370	-4 459	-11 177	-12 587	-14 758	-17 134	-19 492	-21 881	-24 349
Personnel expenses	-3 455	-3 628	-3 809	-4 000	-12 566	-11 914	-14 891	-17 598	-19 627	-22 334	-25 717
Other revenues	219	239	336	336	486	472	1 130	1 194	696	897	1 182
Other expenditures	0	-20	-20	-20	-16	0	-60	-30	-30	-30	-30
Total Opex	**-5 032**	**-5 875**	**-6 519**	**-6 798**	**-19 456**	**-20 346**	**-24 224**	**-28 584**	**-33 024**	**-37 429**	**-42 294**
EBITDA	-3 478	-1 913	-781	-928	-4 108	-5 701	-7 100	285	8 050	19 963	39 499
EBITDA margin %	*-38,7%*	*-12,0%*	*-3,5%*	*-4,1%*	*-10,5%*	*-10,3%*	*-10,2%*	*0,3%*	*5,8%*	*11,1%*	*16,7%*
Depreciation	-342	-400	-420	-435	-265	-1 345	-1 597	-308	-383	-505	-767
EBITA	n.a	n.a	n.a	n.a	n.a	n.a	n.a	-23	7 666	19 458	38 732
EBITA margin %								*0,0%*	*5,5%*	*10,8%*	*16,4%*
Amortization								-3 320	-3 201	-3 534	-3 635
EBIT	**-3 820**	**-2 313**	**-1 201**	**-1 363**	**-4 373**	**-7 046**	**-8 697**	**-3 343**	**4 466**	**15 924**	**35 097**
EBIT margin %	*-42,5%*	*-14,5%*	*-5,4%*	*-6,1%*	*-11,2%*	*-12,8%*	*-12,5%*	*-3,2%*	*3,2%*	*8,9%*	*14,8%*
Interest Income	0	0	0	0	-26	2	0	0	0	0	0
Interest Expenses	-125	-180	-180	-180	-388	-854	-665	-725	-725	-725	-725
Net Financial items	**-125**	**-180**	**-180**	**-180**	**-414**	**-852**	**-665**	**-725**	**-725**	**-725**	**-725**
EBT	**-3 945**	**-2 493**	**-1 381**	**-1 543**	**-4 787**	**-7 898**	**-9 362**	**-4 068**	**3 741**	**15 199**	**34 372**
Income Tax Expenses	0	-10	-10	-10	-8	-45	-30	-159	-823	-3 344	-7 562
Net Income	**-3 945**	**-2 503**	**-1 391**	**-1 553**	**-4 795**	**-7 943**	**-9 392**	**-4 227**	**2 918**	**11 855**	**26 810**
EPS	-0,82	-0,52	-0,29	-0,32	n.a	-2,16	-1,94	-0,87	0,47	1,91	4,33

Year	2021/2022				2019/2020	2020/2021	2021/2022'e	2022/2023'e	2023/2024'e	2024/2025'e	2025/2026'e
K SEK	Q1	Q2'e	Q3'e	Q4'e	FY	FY	FY	FY	FY	FY	FY
Growth											
Net Sales y-o-y	*-30,6%*	*14,0%*	*53,0%*	*65,6%*	*3,1%*	*40,6%*	*26,6%*	*49,0%*	*34,1%*	*28,8%*	*31,8%*
Net Sales q-o-q	*-33,6%*	*77,2%*	*40,9%*	*0,0%*							
Gross profit y-o-y	*-52,9%*	*-2,5%*	*44,8%*	*76,9%*	*45,8%*	*-4,6%*	*16,9%*	*68,6%*	*42,3%*	*39,7%*	*42,5%*
EBITDA y-o-y	*151,1%*	*87,6%*	*-67,3%*	*2,5%*	*92,9%*	*38,8%*	*24,5%*	*-104,0%*	*2722,2%*	*148,0%*	*97,9%*
EBIT y-o-y	*165,1%*	*48,8%*	*-55,9%*	*2,7%*	*87,0%*	*61,1%*	*23,4%*	*-61,6%*	*-233,6%*	*257%*	*120%*
Net Profit y-o-y	*150,2%*	*24,5%*	*-46,4%*	*-11,9%*	*88,7%*	*65,7%*	*18,2%*	*-55,0%*	*-169,0%*	*306,3%*	*126,1%*
Other external expenses y-o-y	*0,8%*	*18,3%*	*24,5%*	*20,6%*	*35,0%*	*12,6%*	*17,2%*	*16,1%*	*13,8%*	*12,3%*	*11,3%*
Personnel expenses y-o-y	*29,5%*	*-7,2%*	*19,8%*	*85,4%*	*38,8%*	*-5,2%*	*25,0%*	*18,2%*	*11,5%*	*13,8%*	*15,1%*
Total Opex y-o-y	***7,4%***	***15,6%***	***2,6%***	***61,0%***	***53,7%***	***4,6%***	***19,1%***	***18,0%***	***15,5%***	***13,3%***	***13,0%***
Margins											
Gross margin %	*17,3%*	*24,9%*	*25,6%*	*26,2%*	*39,2%*	*26,6%*	*24,6%*	*27,8%*	*29,5%*	*32,0%*	*34,6%*
EBITDA margin %	*-38,7%*	*-12,0%*	*-3,5%*	*-4,1%*	*-10,5%*	*-10,3%*	*-10,2%*	*0,3%*	*5,8%*	*11,1%*	*16,7%*
EBIT margin %	*-42,5%*	*-14,5%*	*-5,4%*	*-6,1%*	*-11,2%*	*-12,8%*	*-12,5%*	*-3,2%*	*3,2%*	*8,9%*	*14,8%*
Net margin %	*-43,9%*	*-15,7%*	*-6,2%*	*-6,9%*	*-12,2%*	*-14,4%*	*-13,5%*	*-4,1%*	*2,1%*	*6,6%*	*11,3%*
Cost Structure of Sales %											
COGS of sales %	*-82,7%*	*-75,1%*	*-74,4%*	*-73,8%*	*-60,8%*	*-73,4%*	*-75,4%*	*-72,2%*	*-70,5%*	*-68,0%*	*-65,4%*
Capitalization of own work of sales %	*7,9%*	*6,0%*	*6,0%*	*6,0%*	*9,7%*	*6,7%*	*6,2%*	*4,8%*	*3,9%*	*3,3%*	*2,8%*
Other external expenses of sales %	*-27,9%*	*-21,5%*	*-19,5%*	*-19,9%*	*-28,5%*	*-22,9%*	*-21,2%*	*-16,5%*	*-14,0%*	*-12,2%*	*-10,3%*
Personnel expenses of sales %	*-38,5%*	*-22,8%*	*-17,0%*	*-17,9%*	*-32,1%*	*-21,6%*	*-21,4%*	*-16,9%*	*-14,1%*	*-12,5%*	*-10,9%*
Other revenues of sales %	*2,4%*	*1,5%*	*1,5%*	*1,5%*	*1,2%*	*0,9%*	*1,6%*	*1,2%*	*0,5%*	*0,5%*	*0,5%*

Cash flow

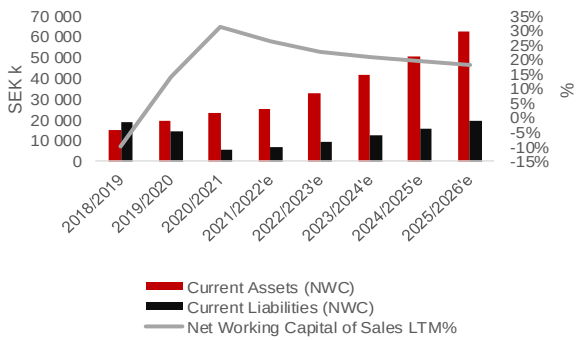
Energy Save's current assets consist of inventory, account receivables, and prepayments. Inventory is the largest asset, tying up capital in the business. However, the recent trend of customers choosing direct delivery from the production unit indicates that Energy Save does not need to hold as much inventory as before. On a positive note, accounts payable have decreased significantly in terms of sales and days outstanding, partly thanks to long-term account payables now being classified as loans. Over the past 12 months, net working capital was ~30 percent in terms of sales. We expect this ratio to trend lower as the need for inventory decreases and as accounts payable have reached a new, mature and lower level.

ES: (EBITDA - Capex)



Source: Redeye research

ES: Net Working Capital and as of sale %



Source: Redeye research

We expect EBITDA minus Capex, underlying free cash flow to remain negative during 2023/2024E as Energy Save will invest in further product development (capex) as well for its European expansion (opex). Furthermore, we expect a healthy EBITDA minus capex margin, reaching ~13 percent in 2025/2026E.

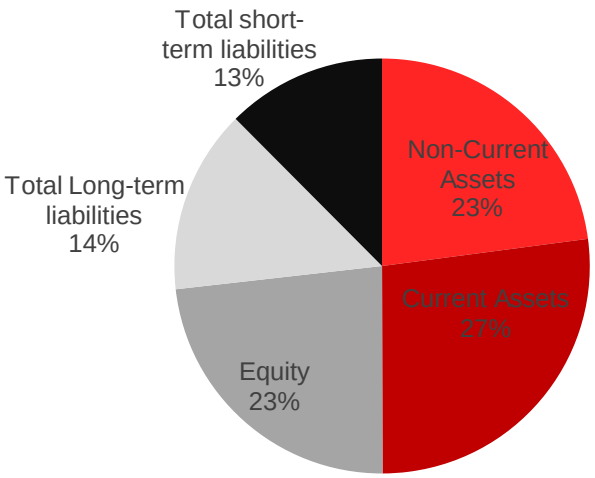
Based on the current fixed costs base, rising input prices, and higher uncertainty about investment decisions in the market, some might wait for subsidies or legislation. We believe a capital injection could be needed for Energy Save to capture current growth opportunities.

Balance sheet

The vast majority of Energy Save's non-current assets are intangible R&D assets, at SEK 22.1m. Moreover, a majority of the current assets are inventory and cash, at SEK 17.2m and SEK 8.7m, respectively.

The short-term liabilities consist of accounts payables, accrued expenses, short-term interest-bearing debt, and the overdraft facility. Long-term liabilities consist of interest-bearing debt and other long-term debt such as lease agreements. The company issued a loan of SEK 3.9m in Q1 this year. Furthermore, Energy Save currently has net debt of SEK ~4.8m.

ES: Balance sheet structure



Source: Redeye research

Valuation

DCF Model

We apply three different scenarios in our DCF model valuation, illustrated below. We use our initial forecast until 2025/2026e as a base and then use different scenarios in the "momentum" period between 2027'E-2036'E and the stable period, between 2037'E – 2041'E. The same sales growth and EBIT margin scenario is used when calculating the terminal value. We apply a discount factor of 12 percent in all scenarios. Our scenarios indicate a fair value range of SEK 19-60 per share, with a base case of SEK 36 per share.

We apply the following assumptions:

Bear Case 19 SEK

Sales 25/26'E: SEK 236.4m
EBIT 25/26'E: SEK 35.1m

Sales CAGR 27-36'E: 4%
Ebit margin 27-36'E: 10%

Sales CAGR 37-41'E: 1.5%
Ebit margin 37-41'E: 12%

Base Case 36 SEK

Sales 25/26'E: SEK 236.4m
EBIT 25/26'E: SEK 35.1m

Sales CAGR 27-36'E: 8%
Ebit margin 27-36'E: 14%

Sales CAGR 37-41'E: 2.0%
Ebit margin 37-41'E: 15%

Bull Case 60 SEK

Sales 25/26'E: SEK 236.4m
EBIT 25/26'E: SEK 35.1m

Sales CAGR 27-36'E: 12%
Ebit margin 27-36'E: 17%

Sales CAGR 37-41'E: 2.5%
Ebit margin 37-41'E: 18%

Peer table

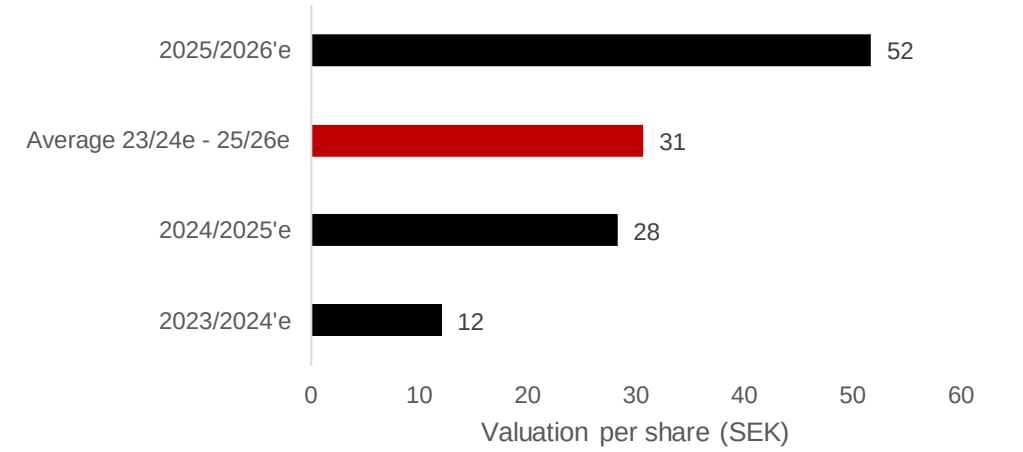
Peer valuation

		EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EBIT CAGR	EBIT margin		
Company	EV (MSEK)	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	20-23E	20-23E	2021E	2022E	2023E
Nordic															
NIBE Industrier AB Class B	251 231	8,7x	7,9x	7,2x	45,2x	41,8x	37,9x	59,3x	54,1x	48,5x	11%	17%	15%	15%	15%
Lindab International AB	24 612	2,5x	2,4x	2,3x	14,6x	14,2x	13,6x	19,3x	18,6x	17,8x	6%	16%	13%	13%	13%
QleanAir AB	1 309	3,0x	2,5x	2,3x	11,4x	10,1x	9,2x	15,1x	12,5x	11,5x	6%	7%	20%	20%	20%
Nederman Holding AB	8 773	2,2x	1,9x	1,7x	11,2x	14,1x	11,8x	19,2x	19,5x	15,4x	12%	25%	11%	10%	11%
Systemair AB	19 584	2,2x	2,0x	1,9x	16,9x	14,9x	13,9x	24,3x	20,1x	18,5x	7%	16%	9%	10%	10%
Median	**19 584**	**2,5x**	**2,4x**	**2,3x**	**14,6x**	**14,2x**	**13,6x**	**19,3x**	**19,5x**	**17,8x**	**7%**	**16%**	**13%**	**13%**	**13%**
International															
Thermon Group Holdings, Inc.	749	2,2x	2,1x	1,6x	13,4x	9,6x	9,3x	19,3x	12,3x	11,7x			11%	17%	
HNI Corporation	1 981	0,9x	0,8x	0,8x	10,9x	8,0x	7,4x	19,7x	11,7x	10,7x	9%	21%	5%	7%	7%
Arbonia AG	1 602	1,4x	1,3x	1,2x	11,8x	10,8x	9,8x	24,4x	21,0x	18,1x	7%	19%	6%	6%	7%
De'Longhi S.p.A.	4 664	1,5x	1,5x	1,4x	9,4x	9,4x	8,7x	11,6x	11,7x	10,7x	12%	14%	13%	13%	13%
Hitachi,Ltd.	10 481 834	1,0x	1,0x	1,0x	7,5x	7,3x	6,8x	12,4x	11,2x	10,2x	0%	19%	8%	9%	10%
Median	**1 981**	**1,4x**	**1,3x**	**1,2x**	**10,9x**	**9,4x**	**8,7x**	**19,3x**	**11,7x**	**10,7x**	**8%**	**19%**	**8%**	**9%**	**8%**
Peer Group median	**10 783**	**1,4x**	**1,3x**	**1,2x**	**10,9x**	**9,4x**	**8,7x**	**19,3x**	**11,7x**	**10,7x**	**7%**	**18%**	**10%**	**11%**	**11%**
Energy Save	104	**1,5x**	**1,0x**	**0,9x**	**-14,7x**	**370,6x**	**15,8x**	**-12,0x**	**-31,6x**	**28,5x**	**36%**	**18%**	**-12,5%**	**-3,2%**	**3,2%**

Source: Factset *Redeye Research

Our DCF valuation model is also supported by a relative valuation, benchmarking against peers. We apply an EV/EBITDA multiple of 15x for the final three years in the initial forecast period. (23/24'E-25/26'E), which is discounted by a WACC of 12 percent. We think an EV/EBITDA multiple of 15x is fair due to Energy Save's position in the growing market and its future growth prospects. The average present value for these three years equals SEK 31 per share.

ES: EBITDA Multiple valuation (15x)



Source: Redeye research

The scenario tables illustrate the value per share by applying earnings multiple and margin assumptions for 2024/2025'E, respectively 2025/2026'E.

ES: Valuation per share - PV on EBITDA multiple

2024/2025'e	EBITDA multiple				
EBITDA Margin %	10,0x	12,5x	15,0x	17,5x	20,0x
9%	15	19	23	27	31
10%	16	21	25	30	34
11%	18	23	28	33	38
12%	20	25	31	36	41
13%	22	28	33	39	45

Source: Redeye research

ES: Valuation per share - PV on EBITDA multiple

2025/2026'e	EBITDA multiple				
EBITDA Margin %	10,0x	12,5x	15,0x	17,5x	20,0x
14%	29	36	43	51	58
15%	31	39	46	54	62
17%	34	43	52	60	69
18%	37	46	56	65	74
19%	39	49	59	69	79

Source: Redeye research

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 4

Energy Save is entrepreneur-led. The co-founders own ~50 percent of the outstanding capital. Strong insider ownership mitigates the risk of long-term value damage.

Business: 3

Energy Save operates in a market characterized by fierce competition. Its products fulfill the demand and certification required to accelerate the green energy transition. Heat pumps have a lifecycle of approximately 20 years, with limited maintenance. Enables long-tail customer cycles, which makes it tougher for customers to change manufacturer.

Financials: 2

Energy Save is a company in the early stages that invest properly to capture future growth opportunities. Thus, profitability ratios are currently harmed by these investments.

	2021/2022'E	2022/2023'E	2023/2024'E	2024/2025'E
INCOME STATEMENT				
Revenues	55 083	69 711	103 845	139 232
Cost of Revenues	-40 438	-52 588	-74 976	-98 158
Gross Profit	14 645	17 124	28 869	41 073
Operating Expenses	-20 346	-24 224	-28 584	-33 024
EBITDA	-5 701	-7 100	285	8 050
Depreciation & Amortization	-1 345	-1 597	-3 628	-3 584
EBIT	-7 046	-8 697	-3 343	4 466
Net Financial Items	-856	-665	-725	-725
EBT	-7 898	-9 362	-4 068	3 741
Income Tax Expenses	-45	-30	-159	-823
Non-Controlling Interest	0	0	0	0
Net Income	-7 943	-9 392	-4 227	2 918
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	6 815	513	10 948	1 542
Inventories	18 929	17 428	21 600	26 454
Accounts Receivable	3 458	4 183	5 711	7 240
Other Current Assets	736	3 554	9 101	12 247
Total Current Assets	29 938	25 677	47 360	47 483
Non-current assets				
Property, Plant & Equipment, Net	2 139	2 579	3 309	4 318
Goodwill	0	0	0	0
Intangible Assets	21 583	23 869	24 494	26 584
Right-of-Use Assets	0	0	0	0
Shares in Associates	0	0	0	0
Other Long-Term Assets	254	254	254	254
Total Non-Current Assets	23 976	26 701	28 057	31 156
Total Assets	53 914	52 379	75 418	78 641
Liabilities				
Current liabilities				
Short-Term Debt	2 996	4 496	4 496	4 496
Short-Term Lease Liabilities	0	0	0	0
Accounts Payable	2 444	3 486	4 881	6 265
Other Current Liabilities	6 485	7 169	8 535	9 950
Total Current Liabilities	11 925	15 151	17 911	20 712
Non-current liabilities				
Long-Term Debt	7 180	10 644	10 149	9 654
Long-Term Lease Liabilities	0	0	0	0
Other Long-Term Liabilities	6 014	6 181	6 181	4 181
Total Non-current Liabilities	13 194	16 825	16 330	13 835
Non-Controlling Interest	0	0	0	0
Shareholder's Equity	28 795	20 403	41 176	44 093
Total Liabilities & Equity	53 914	52 379	75 418	78 641
CASH FLOW				
NOPAT	-7 006	-8 669	-4 079	5 448
Change in Working Capital	-11 831	-316	-8 487	-6 729
Operating Cash Flow	-12 907	-7 205	-9 085	-2 228
Capital Expenditures	-440	-697	-1 038	-1 392
Investment in Intangible Assets	-3 577	-3 625	-3 946	-5 291
Investing Cash Flow	-4 017	-4 322	-4 985	-6 683
Financing Cash Flow	23 222	5 225	24 505	-495
Free Cash Flow	-16 924	-11 527	-14 070	-8 911

DCF Valuation Metrics	**Sum FCF (SEK k)**
Initial Period (2022–2026)	525,82
Momentum Period (2027–2036)	95 928
Stable Period (2037–)	140 464
Firm Value	236 918
Net Debt	14 627
Equity Value	222 291
Fair Value per Share	36

	2021/2022'E	2022/2023'E	2023/2024'E	2024/2025'E
CAPITAL STRUCTURE				
Equity Ratio	53%	39%	55%	56%
Debt to equity	0,4	0,7	0,4	0,3
Net Debt	3 361	14 627	3 697	12 608
Capital Employed	41 989	37 227	57 505	57 928
Working Capital Turnover	3,9	4,8	4,5	4,7
GROWTH				
Revenue Growth	41%	27%	49%	34%
Basic EPS Growth	#DIV/0!	-10%	-61%	-161%
Adjusted Basic EPS Growth	#DIV/0!	-10%	-55%	-154%
PROFITABILITY				
ROE	-37%	-38%	-14%	7%
ROCE	-17%	-23%	-6%	8%
ROIC	#N/A	-22%	-9%	10%
EBITDA Margin (%)	-10%	-10%	0%	6%
EBIT Margin (%)	-13%	-12%	-3%	3%
Net Income Margin (%)	-14%	-13%	-4%	2%
VALUATION				
Basic EPS	-2,2	-1,9	-0,8	0,5
Adjusted Basic EPS	-2,2	-1,9	-0,9	0,5
P/E	neg	neg	neg	42,2
EV/Revenue	1,4	1,6	1,0	1,0
EV/EBITDA	neg	neg	350,3	16,9
EV/EBIT	neg	neg	neg	30,4
P/B	2,5	4,7	2,3	2,8

SHAREHOLDER STRUCTURE	**CAPITAL %**	**VOTES %**
Christian Gulbrandsen	25%	43%
Project Air AB	25%	43%
Nordnet Pensionsförsäkring	7%	2%
Partner Fondkommission AB	6%	2%
Cormac Invest AB	3%	1%

SHARE INFORMATION	
Reuters code	ESGR B
List	Spotlight
Share price	19,0
Total shares, '000	4 835

MANAGEMENT & BOARD	
CEO	Fredrik Sävenstrand
CFO	Helena Wachtmeister
Chairman	Per Wassén

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Redeye Rating (2021-11-24)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	140	125	43
0p - 2p	5	37	130
Company N	177	177	177

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Viktor Lindström. owns shares in the company : No
Henrik Alveskog owns shares in the company : No
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.