Energy Save

Sector: Clean tech

Overdelivering Once Again

Redeye raises its estimates for Energy Save following the strong Q1 2022/23 report and continued solid market outlook. We raise our valuation based on the company's strong execution and a lower Wacc (10%).

Surprisingly strong acceleration in sales

Net sales continued to accelerate and grew by an impressive 46% sequentially from Q4 2021/22, reaching SEK 51.4m, beating our estimates by 39%. Positively, both segments grew strongly, and we deem the beat as a sign of high quality. The strong performance indicates a sales run-rate of SEK 205m, indicating that the company could reach its financial target one year ahead of its original plan.

Strongest gross margin in nine quarters

The gross margin came in stronger than expected and reached 30.8%, its strongest print in over nine quarters, driven by a favourable product mix. We estimate the gross margin to contract slightly in the coming quarters due to a more normalized mix. However, we still expect high sales volume to support improving margins. Supported by its lean business model.

New base case at SEK 106 (48)

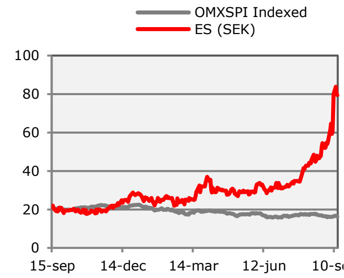
The momentum for heat pumps remains strong. We argue that there is ample room for Energy Save to grow by entering new markets, launching new products, and growing on existing customers, such as the recent one with UCO illustrates. We forecast a 2021/22-2024/25 sales CAGR of 45%. Our new base case stands at SEK 106 (48), which we derive from a DCF and earnings multiple approach. At our base case, Energy Save would trade at 18x EV/EBIT (23/24'E). Implies in a discount of ~35% versus key peers.

Key Financials (SEK m)	2021	2022	2023E	2024E	2025E
Revenues	55	108	216	267	327
Revenue growth	41%	95%	100%	24%	23%
EBITDA	-6	4	29	39	52
EBIT	-7	1	24	33	46
EBIT Margin (%)	-13%	1%	11%	13%	14%
Net Income	-8	0	20	26	36
EV/Revenue	1.8	1.6	2.0	1.6	1.2
EV/EBITDA	neg	46.8	15.3	10.9	7.8
EV/EBIT	neg	258.1	18.3	12.7	8.9

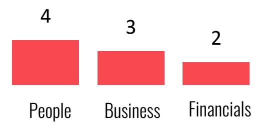
FAIR VALUE RANGE

BEAR	BASE	BULL
65	106	127

ESGR VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ESGR B
Market	Spotlight
Share Price (SEK)	80
Market Cap (SEKm)	464.1
Net Debt 2023E (SEKm)	-9
Free Float (%)	17%
Avg. daily volume ('000)	10

ANALYSTS

Viktor Lindström
viktor.lindstrom@redeye.se
Henrik Alveskog
Henrik.alveskog@redeye.se

Q1 '22/23 - Review

The Q1 22/23 report was surprisingly strong. Both Net sales and EBIT came in much stronger than expected, driven by high volumes and stronger gross margin, partly due to favorable mix effects.

Deviation table:

Energy Save SEKm	21/22 Q1'A	22/23 Q1'A	22/23 Q1'E	Diff (%)
Net Sales	**9.0**	**51.4**	**37.0**	**39%**
Gross Profit	1.6	16.2	9.8	65%
Total Opex	**-5.0**	-8.0	-7.4	8%
EBITDA	-3.5	8.2	2.4	242%
D&A	-0.3	-1.2	-0.9	
EBIT	-3.8	7.1	1.5	373%
KPI's				
Net sales Y/Y %	*-31%*	*470.7%*	*311%*	159.6pp
Net sales Q/Q %		46.3%	5%	
Gross margin %	*17.8%*	*31.5%*	*26.5%*	5.0pp
EBITDA margin %	*-38.9%*	*16.0%*	*6.5%*	9.5pp
Adj EBITDA margin %	*-38.9%*	*16.0%*	*1.6%*	14.3pp
EBIT margin %	*-42.2%*	*13.8%*	*4.1%*	9.8pp

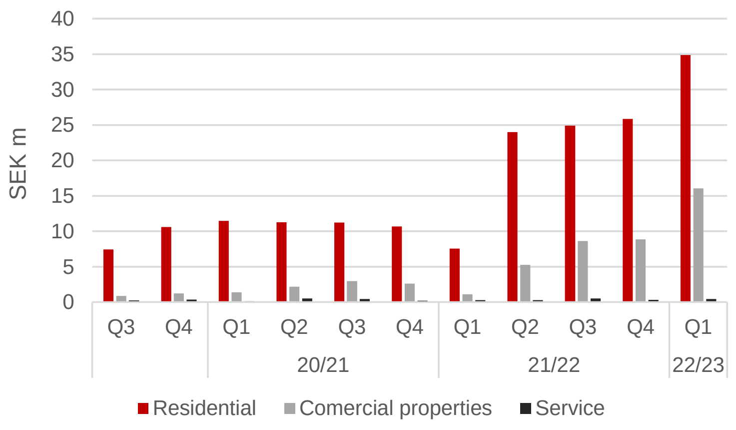
Source: Redeye research

Net sales came in at SEK 51.4m (9.0), equivalent to a y/y growth of 471% (-31). Sales from residential came in at SEK 34,8m (7.6), while the commercial properties contributed with SEK 16m (1.1). The sequential growth of 46% was significantly higher than we expected. In total, sales came in 39% ahead of our estimates. Remember that last year's comparables were negatively affected by supply chain issues that pushed orders from Q1'21/22 into Q2'21/22. Thus, we rather focus on the sequential growth this quarter, which came in much stronger than anticipated.

Energy Save's strategy is to operate with one or several distributors as long-term partners in its existing markets. In Q1, Denmark, the Czech Republic, Finland, Hungary, and Italy were among the strongest performing markets. In particular, Denmark and Czech Republic contributed with 43% and 18% of total revenues.

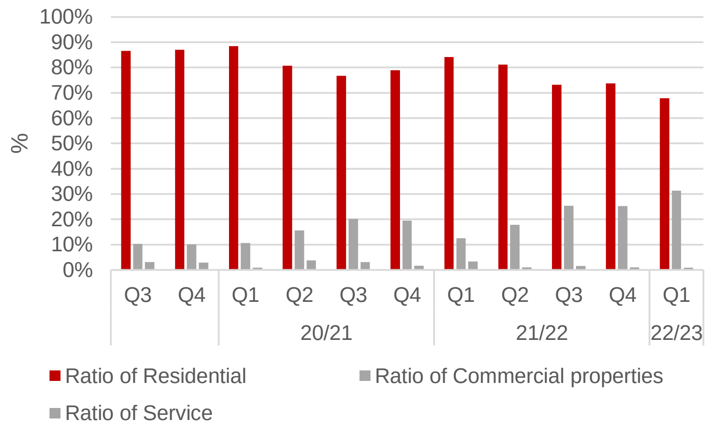
Additionally, we are pleased to see that both the residential and commercial segments accelerated even further in Q1, where residential accounted for 68% of revenues and commercial properties accounted for 31%. Prior to the significant electricity crisis, we anticipated that the commercial segment would be the strongest growth contributor. However, it is clear the current market environment has given a push across all segments.

ES: Net Sales per segment



Source: Redeye research

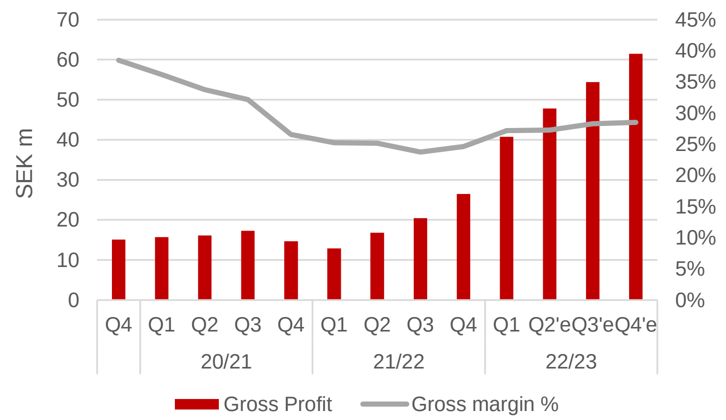
ES: Net Sales per segment - Ratio of sale %



Source: Redeye research

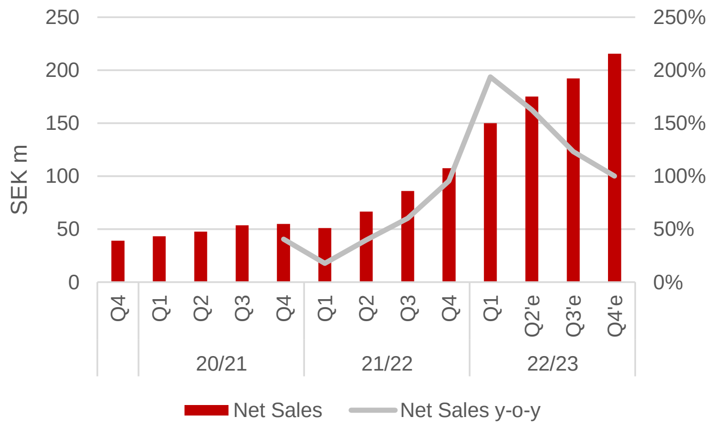
Gross profit amounted to SEK 16.2m (1.6). The gross margin reached 31.5% (17.3). We are pleased to see the stronger gross margin. However, the management states that the product mix was very favorable during the quarter and that this level should not be seen as stable for the coming quarters. On an LTM basis, the gross margin reached 27.2% in Q1, up from last year's 25.1%, and we see this as evidence that the supply chain markets have eased compared to 6 months ago. We expect the gross margin to continue to trend upwards. It will be an important metric to follow, as it will be strongly correlated with the execution of its digital product solutions.

ES: Gross Profit and Gross margin % - LTM



Source: Redeye research

ES: Net Sales and growth % - LTM



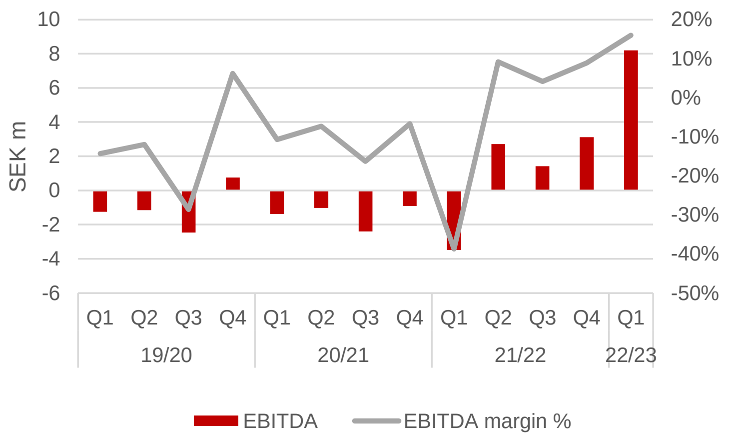
Source: Redeye research

EBITDA came in at SEK 8.2m (-3.5) and reached an EBITDA margin of 16% (-39). This was SEK 5.8m ahead of our estimates. EBIT came in at SEK 7.1m (-3.8) and reached an EBIT margin of 13.8% (-42%). A strong improvement y/y. This was driven by higher sales volume and an enhanced gross margin. Total Opex came in slightly higher than our estimates due to further investments to meet the growing demand.

Energy Save operates a lean business model as its strategy is to work closely with partners as distributors across Europe. The company applies a proof of concept solution in Scandinavia, and afterward, it is rolled out across Europe with selective partners. Thus, Energy Save could operate with a lean organization.

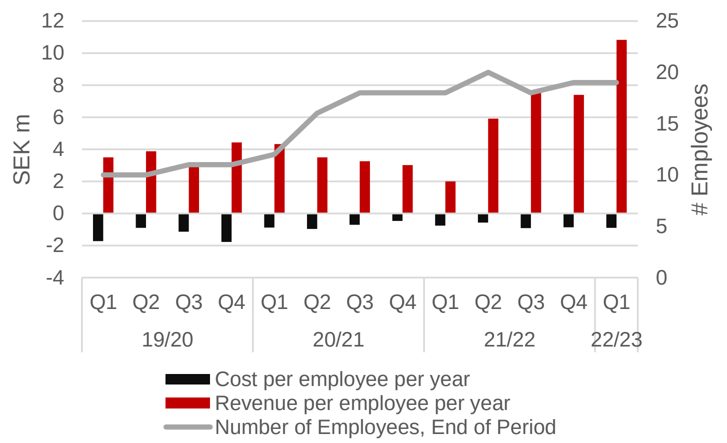
At the end of Q1, the company had 19 full-time employees. As the graphs illustrate, the annualized revenue per employee has increased in the previous quarter while the cost per employee has been flat.

ES: EBITDA and margin %



Source: Redeye research

ES: Revenue / Cost per employee - Annualized



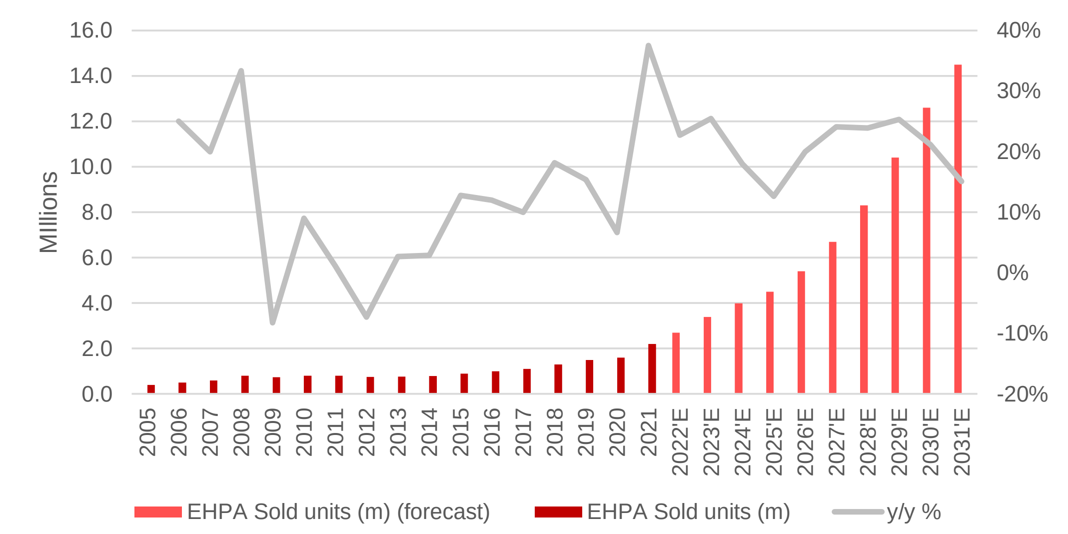
Source: Redeye research

Ample Room For Growth

Given the current electricity crisis, the alternative costs for installing heat pumps have been reduced. As such, the payback time for investing in heat pumps has shortened, which should boost demand. Recent market data from EHPA also support this. The number of sold heat pumps grew by 38% in 2021, reaching 2.2 million units, and is expected to grow additionally 23% in 2022. Something that is supported by global market leaders Daikin, Nibe, and Veissman, which all guide for raised Capex levels across various locations in Europe to support growth.

In the long term, EHPA estimate that the number of sold heat pumps should grow by a CAGR of 20% and reach 4.5 million sold units in 2025. Given EUs RePowerEU initiatives, EHPA now believes that the sold units in 2031 could reach 14.5 million. Up almost 7x from 2021s levels. Additionally, RePowerEU primarily targets air/water and geothermal heat pumps. There are clear possibilities for Energy Save to capitalize on the growing market, which should support long-term growth. However, there are still challenges, and steep changes in current electricity prices and capacity and supply chain constraints could hold back growth.

EHPA: Sold units in EU per year and growth %



Source: EHPA, Redeye research

Additionally, the renovation rate of the building stock is low, at around 1% in EU. However, this rate needs to catch up to keep pace with the EU's energy efficiency and climate objectives, which targets that 65% of the commercial properties should be based on green electricity by 2030. Lastly, Heat pumps penetration reached 30% in terms of the total heater market across Europe, which indicates that a large proportion of fossil-based heating systems could be changed into renewable options.

Germany and United Kingdom are two large countries where heat pump penetration is still very low. These two countries and Spain could be important strategic markets for Energy Save, as the company sees a strong outlook in those markets.

40% CAGR until 2028 expected in the UK

In our initiation report, we mentioned the vast opportunities in the UK, and 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. Furthermore, the government has the ambition to install 600,000 heat pumps annually by 2028, indicating a market CAGR of 40% from 2021.

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.

15% CAGR until 2030 expected in Germany

In Germany, the heat pump sales grew 26% in 2021, and the German heat pump association estimates that a minimum of 6m heat pumps need to be installed until 2030, indicating a CAGR of 15% during the same period.

Several initiatives in Scandinavia to support the growth of Commercial Segment

Scandinavia has a much higher penetration of heat pumps versus the remaining Europe. However, there are still legislations (mostly in commercial properties) that will act as support for the underlying market.

In Sweden, from 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.

Additionally, the Finnish Ministry of Environment announced that it aims to reduce emissions from construction sites and 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 will target 50 percent of construction site usage from electricity, biogas, or hydrogen. Finland is an important market for Energy Save, and we estimate that the commercial segment, particularly, has been strong in this region.

Vast opportunities in the US in the long run

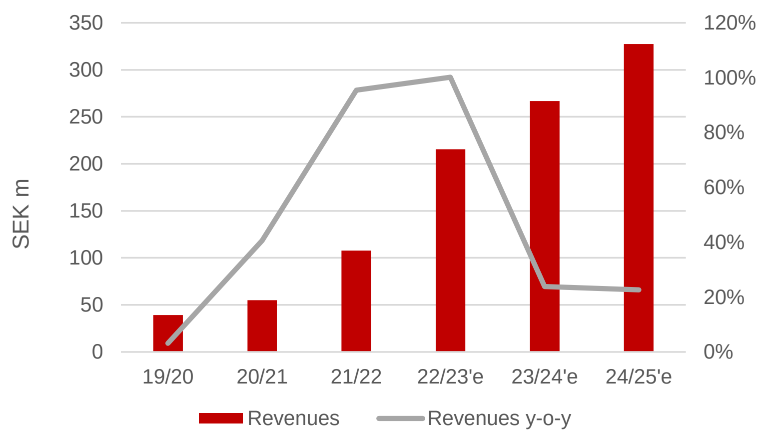
Earlier in 2021, the company was granted a patent on the U.S. market for its product portfolio. USA is a massive market where the need for renewable energy consumption is large. However, we believe it could take time before this could materialize financially. We believe it would be strategically important to enter the market with an already established partner to speed up market adoption.

Financials

On the back of the strong Q1 22/23 report and improved market outlook, we raise our estimates considerably. We now forecast sales to reach SEK 215m in 2022/23, followed by SEK 267m and SEK 327m in 2023/24 and 2024/25. Corresponding to CAGR of 45% during the same period.

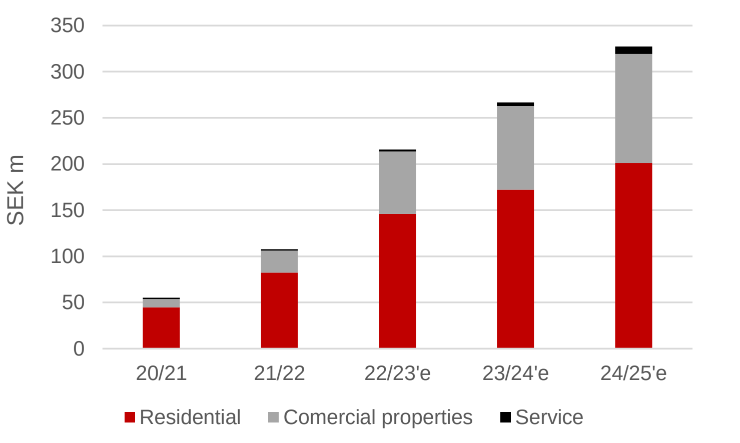
Prior to the recent energy crisis, we estimated that the commercial segment should be the strongest growth contributor. However, we now expect the growth to be broad base and estimate the commercial and residential segments to grow 184% and 77%, respectively, in 2022/23'E. We estimate the commercial segment to represent 36% of sales in 2024/25'E, up from 22% in 2021/22.

ES: Revenues and growth y/y %



Source: Redeye research

ES: Revenues per segment



Source: Redeye research

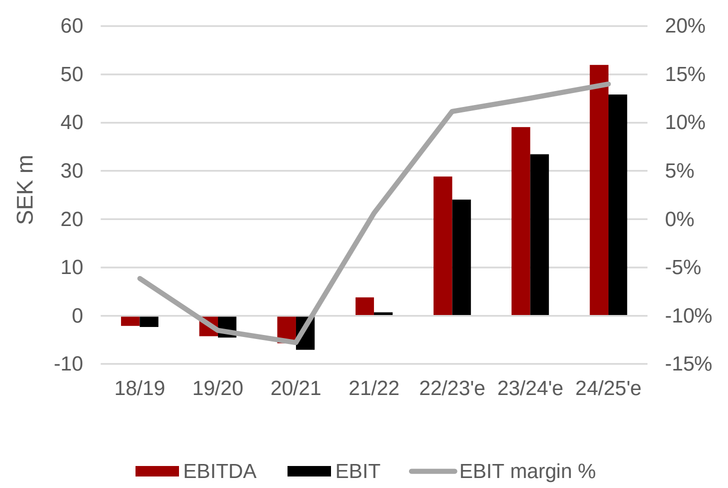
Recent announced orders from UCO should also support sales in 2022/23. We are also confident that the company has enough capacity to deliver on the high demand with its new partnership with AQ Group and high inventory levels in-house.

We deem further supply chain constraints and the lack of installers to be the biggest risks for holding back the market. A potential steep change in the current electricity prices which would increase the alternative costs for installing heat pumps, could also impose a risk. However, we deem this risk as minor.

One of the most important metrics to follow throughout 2022/23 and 2023/24 is the gross margin development. The completed direct right issue earlier this year to finance further growth and, in particular, it's digital offering. Energy Save's financial target is to reach an EBIT margin of 15% in 2023/24. An important aspect to achieve that is an improved gross margin, which should be positively affected by scale effects as well as new revenue sources from its digital offering.

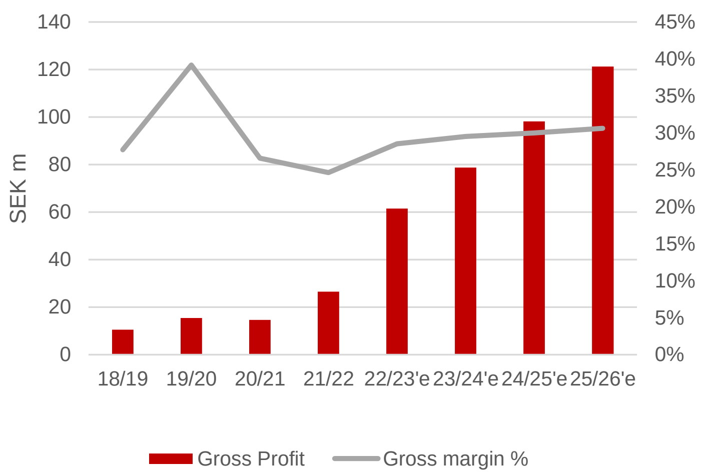
Energy Save's strategy is to work closely with third-party distributors to accelerate market adoption across its geographical footprint. Additionally, the payback time for entering the market with third-party distributors is shorter than setting up a local organization. However, this imposes a slightly lower gross margin.

ES: EBITDA, EBIT and EBIT margin %



Source: Redeye research

ES: Gross Profit and Gross margin %



Source: Redeye research

Long-term partnerships with third-party distributors enable a lean internal organization at a relatively fixed cost base. Enables healthy margins as scale, which the last quarter illustrated. We forecast further investments in its organization, in particular in key personnel and marketing initiatives in strategic markets. This will likely increase Opex slightly going forward.

In 2022/23, we estimate EBIT will reach SEK 24m, corresponding to an EBIT margin of 11.2%. In 2023/24 and 2024/25, we forecast EBIT to grow 39%-37% and reach SEK 33m, and SEK 46m. Supported by strong volumes, enhanced gross margins, and scale effects.

P&L Table and KPI's

Energy Save SEK m	21/22 Q1	Q2'	Q3	Q4	22/23 Q1	Q2'E	Q3'E	Q4'E	20/21 FY	21/22 FY	22/23'E FY	23/24'E FY	24/25'E FY
Revenues	**9.0**	**29.6**	**34.1**	**35.1**	**51.4**	**54.6**	**51.2**	**58.4**	**55.1**	**107.7**	**215.5**	**266.8**	**327.3**
COGS	-7.4	-21.6	-26.4	-25.7	-35.5	-39.6	-37.0	-41.9	-40.4	-81.2	-154.0	-188.1	-229.1
Gross Profit	**1.6**	**7.9**	**7.6**	**9.4**	**15.8**	**15.0**	**14.2**	**16.5**	**14.6**	**26.5**	**61.5**	**78.7**	**98.2**
Gross margin %	*17.3%*	*26.9%*	*22.4%*	*26.7%*	*30.8%*	*27.4%*	*27.8%*	*28.2%*	*26.6%*	*24.6%*	*28.5%*	*29.5%*	*30.0%*
Own capitalization	0.7	0.6	1.2	1.1	0.8	0.9	0.9	1.0	3.7	3.7	3.7	4.0	4.3
Other external expenses	-2.5	-3.5	-3.9	-4.7	-4.5	-4.8	-4.9	-5.3	-12.6	-14.6	-19.5	-22.7	-26.5
Personnel expenses	-3.5	-2.9	-4.2	-4.2	-4.3	-4.4	-4.6	-4.8	-11.9	-14.6	-18.1	-22.3	-25.6
Other revenues	0.2	0.5	0.6	1.5	0.3	0.3	0.3	0.3	0.5	2.8	1.2	1.3	1.6
Other expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Opex	**-5.0**	**-5.2**	**-6.2**	**-6.2**	**-7.6**	**-8.0**	**-8.3**	**-8.8**	**-20.3**	**-22.7**	**-32.7**	**-39.6**	**-46.2**
EBITDA	**-3.5**	**2.7**	**1.4**	**3.1**	**8.2**	**7.0**	**6.0**	**7.7**	**-5.7**	**3.8**	**28.8**	**39.1**	**52.0**
EBITDA margin %	*-38.7%*	*9.2%*	*4.2%*	*8.9%*	*16.0%*	*12.8%*	*11.6%*	*13.1%*	*-10.3%*	*3.5%*	*13.4%*	*14.6%*	*15.9%*
Adj EBITDA	**-3.5**	**2.7**	**2.4**	**3.1**	**8.2**	**7.0**	**6.0**	**7.7**	**-5.7**	**4.8**	**28.8**	**39.1**	**52.0**
Adj EBITDA margin %	*-38.7%*	*9.2%*	*7.1%*	*8.9%*	*16.0%*	*12.8%*	*11.6%*	*13.1%*	*-10.3%*	*4.4%*	*13.4%*	*14.6%*	*15.9%*
D&A	-0.3	-0.6	-1.1	-1.1	-1.2	-1.2	-1.2	-1.2	-1.3	-3.1	-4.8	-5.6	-6.1
EBIT	**-3.8**	**2.1**	**0.3**	**2.0**	**7.0**	**5.8**	**4.8**	**6.5**	**-7.0**	**0.7**	**24.1**	**33.4**	**45.8**
EBIT margin %	*-42.5%*	*7.2%*	*1.0%*	*5.8%*	*13.7%*	*10.6%*	*9.3%*	*11.1%*	*-12.8%*	*0.6%*	*11.2%*	*12.5%*	*14.0%*
Net Financial items	-0.1	-0.2	-0.2	-0.2	-0.3	-0.2	-0.2	-0.2	-0.9	-0.7	-0.9	-0.8	-0.8
EBT	**-3.9**	**1.9**	**0.2**	**1.8**	**6.8**	**5.6**	**4.6**	**6.3**	**-7.9**	**0.0**	**23.2**	**32.6**	**45.0**
Income Tax Expenses	0.0	0.0	0.0	0.0	0.0	-1.2	-1.0	-1.3	0.0	0.0	-3.4	-6.9	-9.5
Net Income	**-3.9**	**1.9**	**0.2**	**1.8**	**6.8**	**4.4**	**3.6**	**4.9**	**-7.9**	**0.0**	**19.8**	**25.8**	**35.6**
EPS	-0.8	0.4	0.0	0.3	1.2	0.8	0.6	0.9	-1.6	0.0	3.4	4.4	6.1

Source: Redeye research

Growth %													
Net Sales y-o-y	*-31%*	*112%*	*133%*	*159%*	*472%*	*85%*	*50%*	*66%*	*41%*	*95%*	*100%*	*24%*	*23%*
Gross profit y-o-y	*-53%*	*96%*	*93%*	*182%*	*919%*	*88%*	*86%*	*76%*	*-5%*	*81%*	*132%*	*28%*	*25%*
EBITDA y-o-y	*151%*	*-367%*	*-159%*	*-445%*	*-336%*	*157%*	*321%*	*145%*	*34%*	*-166%*	*662%*	*36%*	*33%*
EBIT y-o-y	*165%*	*-237%*	*-113%*	*-253%*	*-284%*	*171%*	*1265%*	*219%*	*56%*	*-110%*	*3407%*	*39%*	*37%*
Net Profit y-o-y	*150%*	*-196%*	*-106%*	*-204%*	*-272%*	*129%*	*2139%*	*171%*	*61%*	*-100%*	*-82416%*	*31%*	*38%*
Other external expenses y-	*1%*	*20%*	*12%*	*28%*	*81%*	*39%*	*24%*	*11%*	*13%*	*16%*	*33%*	*17%*	*17%*
Personnel expenses y-o-y	*29%*	*-27%*	*31%*	*93%*	*24%*	*52%*	*10%*	*16%*	*-5%*	*23%*	*23%*	*23%*	*15%*
Total Opex y-o-y	***7%***	***3%***	***-2%***	***48%***	***52%***	***53%***	***33%***	***41%***	***4%***	***12%***	***44%***	***21%***	***17%***

Margins													
Gross margin %	*17.3%*	*26.9%*	*22.4%*	*26.7%*	*30.8%*	*27.4%*	*27.8%*	*28.2%*	*26.6%*	*24.6%*	*28.5%*	*29.5%*	*30.0%*
EBITDA margin %	*-38.7%*	*9.2%*	*4.2%*	*8.9%*	*16.0%*	*12.8%*	*11.6%*	*13.1%*	*-10.3%*	*3.5%*	*13.4%*	*14.6%*	*15.9%*
EBIT margin %	*-42.5%*	*7.2%*	*1.0%*	*5.8%*	*13.7%*	*10.6%*	*9.3%*	*11.1%*	*-12.8%*	*0.6%*	*11.2%*	*12.5%*	*14.0%*
Net margin %	*-43.9%*	*6.5%*	*0.5%*	*5.2%*	*13.2%*	*8.1%*	*7.0%*	*8.5%*	*-14.4%*	*0.0%*	*9.2%*	*9.7%*	*10.9%*

Source: Redeye research

Peer Valuation

Company name	EV SEKm	EV/S 2022	EV/S 2023	EV/S 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024
Nordic										
Nibe	231,536	6.1x	5.4x	4.9x	33.7x	29.8x	26.7x	43.4x	37.9x	33.9x
Lindab	13,899	1.1x	1.2x	1.2x	7.1x	7.9x	7.5x	9.2x	10.9x	10.1x
Qlean Air	582	1.3x	1.1x	1.0x	5.9x	5.0x	4.4x	8.5x	6.5x	5.6x
Nederman	6,580	1.3x	1.2x	1.1x	9.7x	8.6x	7.5x	13.8x	11.8x	9.8x
Systemair	13,397	1.2x	1.2x	1.1x	10.2x	9.4x	8.5x	14.5x	12.8x	11.2x
Beijer Ref	59,414	2.8x	2.6x	2.4x	24.1x	20.9x	19.1x	30.4x	26.4x	23.7x
Garo	5,807	3.9x	3.2x	2.6x	23.1x	16.9x	14.0x	27.0x	19.3x	15.7x
Munters	18,442	1.9x	1.6x	1.5x	14.6x	10.5x	8.8x	18.7x	13.5x	11.5x
Tomra	72,291	5.6x	4.9x	4.5x	27.4x	22.9x	20.5x	42.3x	33.4x	29.1x
Orsted	523,262	4.1x	4.5x	4.2x	12.5x	14.3x	13.3x	17.6x	24.5x	22.2x
Median Nordics		**2.3x**	**2.1x**	**1.9x**	**13.6x**	**12.4x**	**11.0x**	**18.2x**	**16.4x**	**13.6x**
International										
Thermon Group	7,462	1.8x	1.7x	na	9.6x	8.5x	na	12.7x	10.4x	na
HNI Corporation	17,904	0.7x	0.7x	0.6x	7.6x	7.1x	6.5x	12.4x	11.0x	10.0x
Arbonia AG	10,282	0.7x	0.7x	0.7x	6.9x	6.1x	5.6x	13.8x	11.7x	10.1x
De'Longhi	30,079	0.9x	0.9x	0.9x	8.7x	7.5x	6.7x	11.3x	9.5x	8.9x
Hitachi	750,715	1.0x	1.0x	1.0x	8.0x	7.8x	7.3x	13.4x	12.2x	11.2x
A.O Smith	86,091	2.0x	2.0x	2.0x	10.1x	9.8x	9.8x	11.1x	10.8x	10.9x
Daikin	531,632	2.0x	1.9x	1.8x	13.6x	12.6x	11.6x	18.9x	17.1x	15.6x
Lennox	114,250	2.3x	2.3x	2.2x	14.4x	13.8x	12.7x	16.1x	15.3x	14.0x
Median International		**1.4x**	**1.4x**	**1.0x**	**9.2x**	**8.1x**	**7.3x**	**13.0x**	**11.3x**	**10.9x**
Median Group	*24,260*	*1.9x*	*1.7x*	*1.5x*	*11.4x*	*9.6x*	*8.8x*	*15.6x*	*12.5x*	*11.2x*
Average Group	*138,535*	*2.3x*	*2.1x*	*2.0x*	*13.7x*	*12.2x*	*11.2x*	*18.6x*	*16.4x*	*14.9x*
Energy Save	465	**2.0x**	**1.6x**	**1.2x**	**15.3x**	**10.7x**	**7.7x**	**18.3x**	**12.4x**	**8.7x**

Source: Factset

Company name	Sales growth 2022	Sales growth 2023	Sales growth 2024	EBITDA margin 2022	EBITDA margin 2023	EBITDA margin 2024	EBIT margin 2022	EBIT margin 2023	EBIT margin 2024
Nordic									
Nibe	23%	12%	11%	18%	18%	18%	14%	14%	14%
Lindab	23%	-4%	2%	16%	15%	16%	12%	11%	12%
Qlean Air	3%	13%	11%	21%	22%	23%	15%	17%	18%
Nederman	23%	11%	7%	14%	14%	15%	10%	10%	11%
Systemair	10%	4%	5%	12%	13%	13%	8%	9%	10%
Beijer Ref	27%	9%	8%	12%	12%	12%	9%	10%	10%
Garo	15%	21%	21%	17%	19%	19%	14%	17%	17%
Munters	34%	14%	11%	13%	16%	17%	10%	12%	13%
Tomra	13%	14%	9%	20%	21%	22%	13%	15%	15%
Orsted	20%	-8%	7%	33%	31%	32%	23%	18%	19%
Median Nordics	**21.6%**	**11.7%**	**8.4%**	**16.5%**	**16.9%**	**17.6%**	**12.8%**	**13.2%**	**13.6%**
International									
Thermon Group	19%	6%	na	19%	20%	na	14%	16%	na
HNI Corporation	29%	2%	7%	9%	9%	9%	5%	6%	6%
Arbonia AG	14%	5%	5%	11%	11%	12%	5%	6%	7%
De'Longhi	-5%	1%	3%	11%	12%	13%	8%	10%	10%
Hitachi	-5%	-2%	3%	13%	14%	14%	8%	9%	9%
A.O Smith	28%	2%	0%	20%	20%	20%	18%	18%	18%
Daikin	12%	4%	5%	15%	15%	16%	11%	11%	12%
Lennox	28%	1%	3%	16%	16%	17%	14%	15%	16%
Median International	**16.5%**	**1.6%**	**3.3%**	**13.7%**	**14.3%**	**13.9%**	**9.4%**	**10.4%**	**9.9%**
Median Group	*19.1%*	*4.5%*	*6.6%*	*15.1%*	*15.5%*	*15.7%*	*11.1%*	*11.7%*	*11.6%*
Average Group	*17.3%*	*5.8%*	*7.0%*	*16.0%*	*16.7%*	*16.9%*	*11.8%*	*12.4%*	*12.7%*
Energy Save	**100.0%**	**26.0%**	**23.0%**	**13.0%**	**14.8%**	**16.0%**	**11.0%**	**12.5%**	**14.1%**

Source: Factset

Some ESG-related stocks have seen a steep multiple expansion in recent years, especially Nibe, Beijer Ref, Garo, and Tomra. We deem Nibe, Beijer Ref, Systemair and Nederman as key peers for Energy Save. These key peers trade at a median EV/EBIT multiple of 19.6x-17.5x in 2023-2024. Indicating that Energy Save trades at a 35% discount, despite a stronger growth outlook.

Valuation

On the back of the strong Q1 report and enhanced market outlook, we raise our estimates and valuation accordingly. Additionally, we have updated our rating system, which implies a new Wacc of 10% (12) due to reduced financial risks. Our new base case of SEK 106 (48), is based on a DCF and earnings multiple approach. We provide our key assumptions below. At our base case, Energy Save would trade at 18x EV/EBIT (2023/24'E)

Bear Case 65 SEK

Sales CAGR 23-27'e: 18%
Sales CAGR 28-37'e: 5%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 13%
Terminal EBITDA margin: 14%
WACC: 10%

Base Case 106 SEK

Sales CAGR 23-27'e: 19%
Sales CAGR 28-37'e: 6%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 15%
Terminal EBITDA margin: 16%
WACC: 10%

Bull Case 127 SEK

Sales CAGR 23-27'e: 20%
Sales CAGR 28-37'e: 7%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 16%
Terminal EBITDA margin: 18%
WACC: 10%

		Terminal EBITDA Margin %				
		14.0%	15.0%	16.0%	17.0%	18.0%
	9.0%	109	116	123	129	136
Wacc %	10.0%	94	100	106	111	117
	11.0%	83	88	92	97	101

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.

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.

	2022	2023E	2024'E	2025'E
INCOME STATEMENT				
Revenues	108	216	267	327
Cost of Revenues	-81	-154	-188	-229
Gross Profit	26	61	79	98
Operating Expenses	-23	-33	-40	-46
EBITDA	4	29	39	52
Depreciation & Amortization	-1	-3	-5	-6
EBIT	1	24	33	46
Net Financial Items	-1	-1	-1	-1
EBT	0	23	33	45
Income Tax Expenses	0	-3	-7	-9
Non-Controlling Interest	0	0	0	0
Net Income	0	20	26	36
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	21	32	44	63
Inventories	37	69	77	88
Accounts Receivable	20	34	40	47
Other Current Assets	1	9	4	9
Total Current Assets	79	144	166	208
Non-current assets				
Property, Plant & Equipment, Net	2	3	3	4
Goodwill	0	0	0	0
Intangible Assets	23	25	31	36
Right-of-Use Assets	0	0	0	0
Shares in Associates	0	0	0	0
Other Long-Term Assets	0	0	0	0
Total Non-Current Assets	25	28	34	40
Total Assets	104	172	200	249
Liabilities				
Current liabilities				
Short-Term Debt	6	6	6	6
Short-Term Lease Liabilities	0	0	0	0
Accounts Payable	11	56	64	72
Other Current Liabilities	23	33	28	33
Total Current Liabilities	40	95	98	111
Non-current liabilities				
Long-Term Debt	7	1	0	0
Long-Term Lease Liabilities	0	0	0	0
Other Long-Term Liabilities	6	5	5	5
Total Non-current Liabilities	12	7	5	5
Non-Controlling Interest	0	0	0	0
Shareholder's Equity	51	71	96	132
Total Liabilities & Equity	104	172	200	249
CASH FLOW				
NOPAT	1	28	40	55
Change in Working Capital	-9	0	-7	-11
Operating Cash Flow	-11	24	25	31
Capital Expenditures	0	-2	-1	-2
Investment in Intangible Assets	-4	-6	-11	-11
Investing Cash Flow	-4	-8	-11	-12
Financing Cash Flow	30	-5	-1	0
Free Cash Flow	-15	16	14	19

DCF Valuation Metrics	**Sum FCF (SEK m)**
Initial period 23-26	64
Second period 27-37	285
Terminal	255
Firm Value	604
Net Debt	-9
Equity Value	612
Fair Value per Share	106

	2022	2023E	2024'E	2025'E
CAPITAL STRUCTURE				
Equity Ratio	0.5	0.4	0.5	0.5
Debt to equity	0.2	0.1	0.1	0.0
Net Debt	-9	-24	-38	-57
Capital Employed	63	77	102	138
Working Capital Turnover	4.6	9.3	8.9	8.1
GROWTH				
Revenue Growth	95%	100%	24%	23%
Basic EPS Growth	n.a	-82416%	31%	38%
Adjusted Basic EPS Growth	n.a	1924%	31%	38%
PROFITABILITY				
ROE	0%	33%	31%	31%
ROCE	1%	31%	33%	33%
ROIC	2%	56%	70%	77%
EBITDA Margin (%)	4%	13%	15%	16%
EBIT Margin (%)	1%	11%	13%	14%
Net Income Margin (%)	1%	9%	10%	11%
VALUATION				
Basic EPS	0.0	3.4	4.4	6.1
Adjusted Basic EPS	0.2	3.4	4.4	6.1
P/E	190.2	23.5	18.0	13.0
EV/Revenue	1.6	2.0	1.6	1.2
EV/EBITDA	46.8	15.3	10.9	7.8
EV/EBIT	258.1	18.3	12.7	8.9
P/B	3.7	6.6	4.8	3.5

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	80
Total shares, million	5.80171

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

ANALYSTS

Viktor Lindström

Henrik Alveskog

Redeye AB
Mäster Samuelsgatan
111 57 Stockholm

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.

Redeye Equity Research team

Management

Björn Fahlén
bjorn.fahlen@redeye.se

Tomas Otterbeck
tomas.otterbeck@redeye.se

Technology Team

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Henrik Alveskog
henrik.alveskog@redeye.se

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Douglas Forsling
douglas.forsling@redeye.se

Forbes Goldman
forbes.goldman@redeye.se

Jesper Henriksson
jesper.henriksson@redeye.se

Viktor Lindström
viktor.lindström@redeye.se

Fredrik Nilsson
fredrik.nilsson@redeye.se

Mark Siöstedt
mark.siostedt@redeye.se

Jacob Svensson
jacob.svensson@redeye.se

Niklas Sävås
niklas.savas@redeye.se

Danesh Zare
danesh.zare@redeye.se

Editorial

Joel Karlsson
joel.karlsson@redeye.se

Mark Siöstedt
mark.siostedt@redeye.se

Life Science Team

Gergana Almquist
gergana.almquist@redeye.se

Frank H Andersen
frank.h.andersen@redeye.se

Oscar Bergman
oscar.bergman@redeye.se

Christian Binder
christian.binder@redeye.se

Filip Einarsson
filip.einarsson@redeye.se

Mats Hyttinge
mats.hyttinge@redeye.se

Erik Nordström
erik.nordstrom@redeye.se

Richard Ramanius
richard.ramanius@redeye.se

Kevin Sule
kevin.sule@redeye.se

Fredrik Thor
fredrik.thor@redeye.se

Johan Unnerus
johan.unnerus@redeye.se

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Redeye Rating (2022-09-15)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	157	139	48
0p - 2p	5	40	142
Total	194	194	194

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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.