2025-02-12

Vow ASA

Niche Leader With Attractive Growth Opportunities

Vow ASA (”Vow” or ”the Company”) is the market leading waste and water treatment provider within the cruise ship industry, boasting a 70% market share. In 2019, Vow expanded into landbased solutions, increasing TAM by 400x into a market expected to grow at a CAGR of 29.9% until 2033. After NOK 950m in investments, the Company is at the beginning of commercialization within landbased solutions, set to leverage a NOK 12.5bn bid pipeline, as successful execution of large-scale contracts validates proof of concept and eases sales efforts onwards. Combined with regulatory tailwinds and increasing demand for waste and water treatment systems within the cruise industry, revenue is estimated to grow at a CAGR of 11.3% until 2027, reaching NOK 1.4bn. Based on an equally weighted DCF and Peer valuation with a target EV/EBIT multiple of 8.6x estimated EBIT of NOK 154.9m in 2027, a potential price per share of NOK 3.4 is implied in a Base scenario.

Environmental Trends Within the Cruise Industry

In 2019, the International Maritime Organisation (”IMO”) forced all newbuilt cruise ships to install waste and water treatment systems as a part of reducing emissions by 40% by 2030 and 100% by 2050. Aligning with the new guidance, Vow invested in pyrolysis, enabling further GHG reduction of an estimated 5% as old incinerators are replaced, also cutting fuel costs by 2%. Active ships in certain areas were included to the rulemaking in 2021, leading to retrofit orders in addition to newbuilds onwards. With a 70% market share, multi-decade long relationships with leading cruise operators and improved value proposition, Vow is expected to capitalize on market tailwinds, supporting an estimated topline CAGR of 8.2% until 2027 within the cruise-segment.

Investments Made Unlocks Growth Opportunities

Vow expanded into landbased solutions in 2019, increasing the Company’s TAM by 400x into a market estimated to grow at a CAGR of 29.9% until 2033. With NOK 950m invested in acquisitions and R&D over the past five years, the Company is at the beginning of commercialization with two large-scale contracts being completed in 2025, showcasing proof of concept and streamlining sales efforts onwards. With a NOK 12.5bn bid pipeline finalizing investment decision (FID) within two years and multiple client discussions, the Company is well-positioned for accelerated contract conversions, why Analyst Group estimates a topline CAGR of 16.4% until 2027 within the landbased segment.

Margin Recovery From Low Point

Over the past five years, Vow has increased capacity in anticipation of orders to execute on, raising OPEX from 20% to 31% of sales. During the same period, gross margins contracted from normalized levels of ~35% to 26% LTM, primarily due to misjudgements in cruise projects and higher chemical costs in aftersales. Corrective actions have been taken to restructure contracts, while chemical prices are expected to normalize. These challenges are thus considered temporary rather than indicative of long-term structural issues. With OPEX pre-dominantly tied to SG&A and project development, operational leverage, combined with normalized gross margins of 37% is estimated to drive an EBIT margin expansion from -2.2% to 11% by 2027.

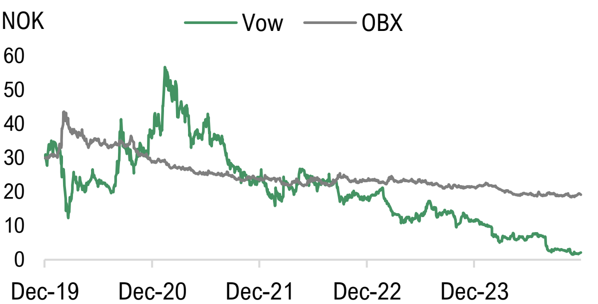
Valuation Range

Bear	Base	Bull
EUR 0.4	NOK 3.4	NOK 6.2

Key Information

Share Price (2025-02-12)	1.6
Shares Outstanding (m)	291.2
Market Cap (NOKm)	465.9
Net cash(-)/debt(+) (NOKm) [1]	352.3
Enterprise Value (NOKm)	818.2
List	Oslo Børs
Quarterly report 4 2024	2025-02-25

Share Price Development



Owners (Source: Holdings)

DNB Bank ASA	24.8%
Kistefos ASA	19.1%
Jonny Hansen	16.0%
Asgeir Wien	8.8%
Eigel Ingvar Thom	4.7%

Estimates (NOKm)	2024E	2025E	2026E	2027E
Revenue	995	1130	1334	1409
COGS	-707	-753	-861	-886
Gross Profit	**288**	**377**	**473**	**524**
Gross Margin	28.9%	33.4%	35.4%	37.2%
Operating Costs (adj.)	-255	-270	-282	-296
EBITDA (adj.)	**32**	**107**	**191**	**228**
EBITDA Margin (adj.)	3.3%	10.2%	14.3%	16.2%
P/S	0.5	0.4	0.3	0.3
EV/S	0.8	0.7	0.6	0.6
EV/EBITDA	25.6	7.6	4.3	3.6
EV/EBIT	-39.7	15.7	6.6	5.3

[1]incl NOK 250m rights issue Dec-24

Introduction

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About the Company

Vow ASA is a Norwegian technology company specializing in advanced waste and water treatment systems for larger cruise ships. The Company has an installed base of over 150 vessels and partners with leading global operators, positioning the Company as a market leader. In 2019, Vow expanded towards landbased solutions, developing and providing industrial-scale plants that convert waste into valuable products, such as biochar and energy. Vow ASA has been listed on the Oslo Stock Exchange since 2020.

CEO and Chairman	
CEO	Henrik Badin
Chairman	Thomas F. Borgen

Analyst	
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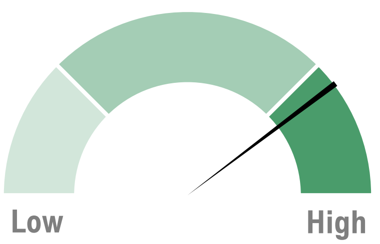
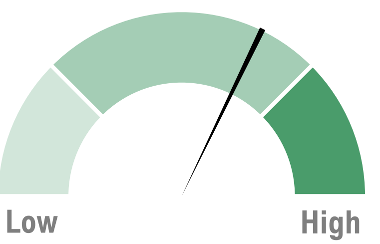
Value Drivers



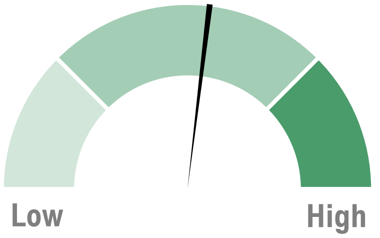
Vow operates in a niche supported by regulatory tailwinds, driving demand for larger system installations and retrofit projects, while also securing recurring revenue through sticky aftersales services. With a portfolio of +100 patents, a solid market position, and substantial barriers of entry, Vow is expected to capitalize on these dynamics. Furthermore, The Company made significant investments into the landbased market, unlocking further growth opportunities.

Historical Profitability



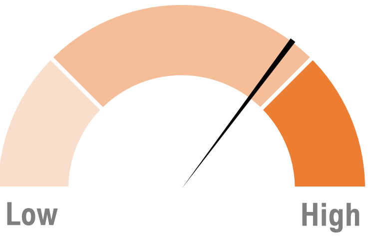
The core cruise-business has been profitable for over a decade (excl 2023), while the landbased segment has operated at a loss since its inception in 2019, leading to worse profitability. Significant investments in the segment have also impacted cash conversion, resulting in negative FCF over the past five years,. The grade is based solely on historical performance and does not incorporate forward-looking considerations.

Management & Board



A full board turnover was made in Nov-24. Subsequently, insider ownership increased from 14.3% to 33.4%. The new board dismissed CEO Henrik Badin after 18 years, citing the need for fresh leadership onwards. Gunnar Pedersen, the newly appointed CEO, brings a long track record within the cruise industry at Kongsberg Maritime. The succession risk lowers the score, otherwise management is aligned with shareholders due to the large insider-ownership.

Risk Profile



Vow is heavily leveraged at an estimated 5.4x Net Debt/EBITDA after the rights issue of NOK 250m closing in Dec-24, with a segment yet to be proven profitable. Cash conversion is expected to improve as investments in the landbased segment wind down. However, the high leverage poses risks if cash flows underperform or market conditions tighten. Additionally, as Vow works project-based, cost prognoses can be difficult to project as evident by negative margins in 2023, highlighting the business risks tied to operations.

Investment Thesis

Environmental Trends fuel a 8.2% CAGR in the Cruise Segment until 2027

Poised to Capitalize on Cruise Market Tailwinds

Since 2019 every newbuilt cruise ship is forced to install waste and water treatment systems as a part of the IMO targeting emission reductions of 40% by 2030 and 100% by 2050. Vow, in response to this, invested in pyrolysis technology, with the first equipped ship deployed in 2022, enabling waste to be converted into useable fuel onboard, lowering fuel costs by 2% and reducing GHG emissions by an estimated 5% as older incinerators are phased out. This marks a shift in Vow's value proposition, aligning with IMO's new targets and strengthening the Company's position as cruise operators seek emission-reducing alternatives. As a result, order sizes have grown, with management soft guiding for an average of NOK 80m onwards, doubling previous levels. Additionally, since 2021, active ships are also included to the prior rulemaking, marking a shift in industry dynamics, with Vow expected to see retrofit orders in addition to newbuilds onwards. With a 70% market share, an improved value proposition and multi-decade long relationships with the leading cruise operators, Vow is well-positioned to capitalize on these tailwinds, supporting a topline CAGR of 8.2% within the cruise segment until 2027, reaching NOK 515m.

Landbased Segment Estimated to grow at a CAGR of 16.4% until 2027

Growth Opportunities in Landbased Solutions

In 2019, Vow expanded into landbased solutions, developing industrial-scale plants to convert waste into energy or raw materials. Due to the complexity of the systems, physical projects are essential to fully validate a solution's efficiency, while scale is required for client profitability given the high fixed-cost base of the plants. This leads to front-loaded dynamics, where significant effort is spent on validation. Having NOK 950m invested in acquisitions and R&D over the past five years, the Company is at the beginning of commercialization, with two large-scale contracts with Vow Green Metals (VGM) and Wakefield Biochar in the US, both expected to be completed by the end of 2025. Since all solutions are standardized and scalable, they directly showcase proof of concept, easing sales efforts and expected to create a rippling effect onwards. With bids on 33 contracts worth 12.5bn finalizing FID within two years, and advanced negotiations with several prospects, Analyst Group estimates a CAGR of 16.4% until 2027, supported by accelerated contract wins as proof of concept is realized.

Cost Costume Enables Operational Leverage

Margins Expected to Improve From Low Point

To support a growing pipeline and accelerated contract wins, Vow proactively expanded capacity, increasing OPEX from 20% of sales to 31% over the past five years. Over the same period, gross margins decreased from normalized levels of ~35% to 26%, mainly due to miscalculations in cruise projects and raised chemical prices in aftersales. Contracts have been rearranged, set to return to normalized margins by 2025, while separately, a recovery in chemical prices is expected as supply issues resolve. With OPEX mostly consisting of SG&A and R&D-activities, operational leverage, combined with normalized gross margins supports an estimated EBIT margin expansion from -2.2% LTM to 11.0% by 2027.

Quality Business Hidden by Transitionary Period

Overshadowed Quality Amid Transitory Noise

Vow relies on +100 patents and +60 IPs, acting as a project manager while outsourcing manufacturing and installation, hence solely sourcing new contracts, executing on projects and developing new solutions, creating an inherently asset-light structure with high ROIC. Vow's systems only account for 1-2% of the total cruise cost, making customers price inelastic, allowing Vow to achieve low-20s EBITDA margin on the system-installation, to thereafter also receive sticky and recurring aftersales revenue as customers rely on Vow throughout the ships life cycle. Additionally, the high-technology nature with large upfront R&D investments creates significant barriers to entry, which combined with a market size of only NOK 1bn makes it economically unjustifiable for challengers to enter, as evidenced by the absence of entrants. These quality aspects has according to Analyst Group been overshadowed in recent years. The entry to landbased solutions has affected both earnings and cash conversion, while COVID-19 completely stopped all cruise activity, and lastly Vow saw increased chemical prices and contract issues in 2023. Combined, these factors caused a need for external financing. Looking ahead, low investment-needs and large pipeline, coupled with regained margins within the cruise business, creates an attractive entry opportunity.

Investment-phase Exit Allows Deleveraging the Balance Sheet

Vow's intensive investment phase entering landbased solutions increased Net Debt/EBITDA from 1x in 2019 to 9x LTM, forcing a rights issue of NOK 250m in Dec-24, which eases leverage levels to an estimated 5.2x. As Vow's R&D-projects near completion and management guides for lower investment levels, capex is expected to decrease from 11.8% of sales in 2023 to 5.7% by 2027, turning FCF-positive in 2025 and reaching a CCR of 44.1% by 2027. An estimated 50m in FCFE can thus be allocated towards debt paydown, enabling Vow to reach 1.6x Net Debt/EBITDA by 2027.

Company Description

Vow's legacy business provides waste and water treatment systems and related maintenance services to larger cruise ships since 2011. Beginning of 2019, the Company began recognizing revenue from landbased solutions following the acquisition of ETIA. Vow's three business segments are; Maritime, Aftersales and Industrial Solutions ("Landbased").

The maritime segment includes delivering systems regarding wastewater treatment, food waste processing, and waste-to-energy conversion for larger cruise ships (>300 passengers).

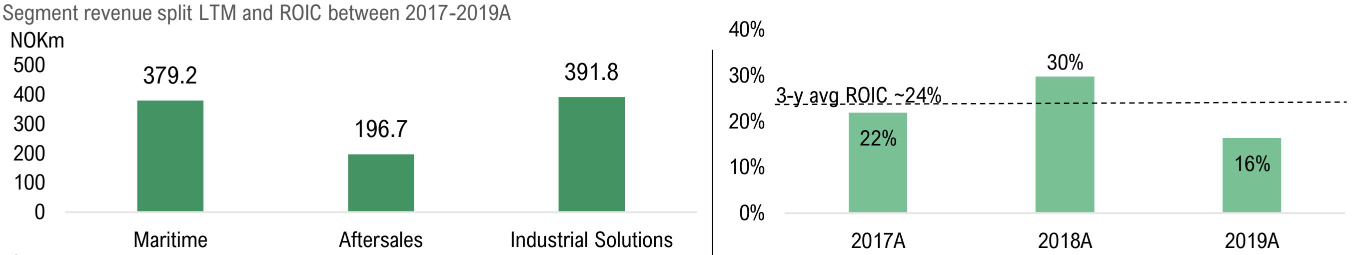
The aftersales segment comprises of all activates related to the sale of spare parts, chemicals and services for installed systems on cruise ships. The revenue base is closely tied to the installed cruise-fleet.

Expansion to Landbased Solutions in 2019

The Industrial Solutions segment provides plants for processing biomass, food products, and industrial residues. The subsidiary C.H. Evensen acquired in 2022, supplies custom industrial furnaces for heat-intensive industries enabling lower electricity costs. The French subsidiary ETIA, acquired for its pyrolysis expertise in 2019, mainly provides debacterization technology for food producers. The largest and growing part of the segment is waste and biomass valorization, converting sewage, plastic, or end-of-life tires into renewable gas or carbon products through industrial-scale plants.

Strong ROIC in the cruise business as evident by ROIC levels pre-entry to landbased solutions.

Segment revenue split LTM and ROIC between 2017-2019A



Source: Investor Relations

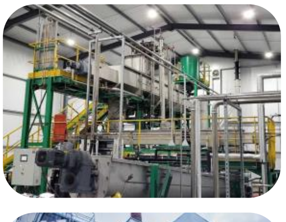
Cruise Business - Business Model

Cruise – Treatment Systems

Within the cruise business, manufacturing and installation is outsourced to third-parties with Vow as the lead contractor, owning the technology behind the solutions and having the expertise to properly install the systems. Due to this structure, Vow's main activities include sourcing contracts, executing on projects and developing new solutions, creating an inherently asset-light structure with solid returns on capital. There's only a few large enough shipyards within Vow's target market (>300 passenger ships), which are spread across globally, hence Vow has offices in Poland, US, France, Norway and Italy. This structure creates modest operational inefficiencies but is crucial to ensure proper installation and maintenance services.

The Company operates on a project-by-project basis, with contracts received in advance and payments received as the equipment is installed. This creates suboptimal working capital dynamics as the manufacturing process can be lengthy, followed by an additional 30-60 days before receiving cash payment, as seen by NWC corresponding to approximately 20-30% of sales. The systems corresponds to 1-2% of the total cruise ship cost, hence quality, not price, is the key-determiner of contract wins, allowing Vow to achieve solid margins on each installation (low-20s EBITDA margin) in addition to recurring aftersales revenue thereafter. With Vow holding a 70% market share and only 1-2 competitors covering the rest, price pressure remains low, supporting solid margins and strong returns on capital.

Examples of Landbased Projects



Landbased Solutions - Business Model

Similar to the cruise business, Vow owns the technology behind the solutions, outsourcing manufacturing and installation to third-parties and solely acting as a project manager. In contrast to the cruise business, solutions are still being developed through extensive R&D-projects where small-scale physical plants are created in co-operation with a potential client. The Company strive to make the plants standardized, meaning the same solution can be copied and expanded to a broad base of clients. This limits incremental investment-needs for each new contract, making the scalability of the business model attractive with solid returns after solutions have been developed.

Since 2023, the Company uses FEED-contracts (Front End Engineering & Design), where Vow is compensated for the essential work required for clients to make a final investment decision, such as capex/opex assessments and legal requirements . This approach significantly improves the business model as upfront costs are no longer incurred if contracts fail to materialize. The Company is currently pursuing three FEED-contracts with high likelihood of full-scaled contracts.

Market Analysis

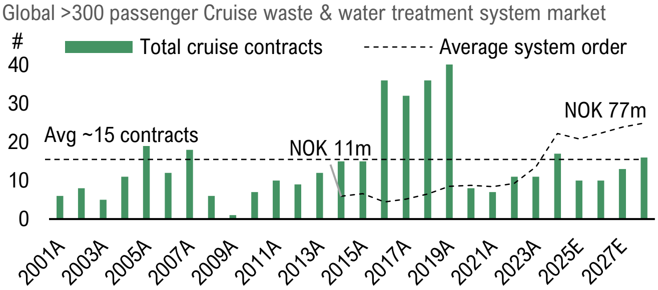
Cruise Ships Waste – an Overlooked Attractive Niche

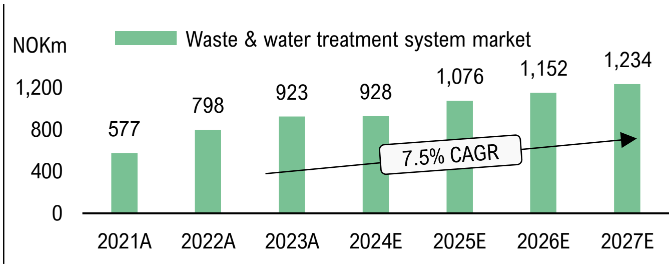
A NOK 1bn Niche Market

The cruise industry is dominated by the "Big Four": Carnival Corp, Royal Caribbean, Norwegian Cruise Line, and MSC, which collectively accounts for ~90% of the market. When cruises carry up to 8,000 passengers and crew members onboard, tens of thousands of litres of garbage, food waste, blackwater, and sewage needs to be managed daily. Dumping the waste overboard is not accepted by regulators, and awaiting port facilities is not feasible due to the sheer volume generated daily. This issue created a niche market, estimated at NOK 1bn (>300 passenger ships), with Vow as the pioneer, and now market leader, developing waste and water treatment systems that are installed on larger cruise ships. System installations occur before ships enter service, making sales closely linked to newbuilt cruise output, except for retrofits orders. Cruise ship building is cyclical, but stable over time, due to shifts in consumer leisure spending, impacting demand for treatment systems. Moreover, ongoing maintenance creates a recurring demand for aftersales services, providing an additional (non-cyclical) revenue stream.

Cruise contracts remain stable over time, larger system sizes is expanding the market.

Global >300 passenger Cruise waste & water treatment system market





Source: Investor Relations, Analyst Group estimates

Strong Underlying Market Trends in the Cruise Industry

7.5% CAGR Until 2030 Driven by Strong Trends

The waste and water treatment market for larger cruise ships has one dominant player, Vow, covering 70% of the market, with Evac Group and Wärtsilä covering the rest. The International Maritime Organization (IMO) mandated the installation of IMO-approved waste & water treatment systems on all newbuilt cruise ships starting in 2019, later extended in 2021 to include active ships in certain areas as well. After the inclusion of active ships, retrofit orders are expected in addition to newbuilds, creating growth opportunities in new verticals. The increased regulations is a part of the IMO's goal of reducing emissions by 40% by 2030 and to reach net-zero by 2050, which is accelerating the environmental trend, forcing operators to invest in emission-reducing solutions. Ships are also getting larger, from an average of 80,000 gross tonnage (GT) to 170,000 during the past decades, with an ongoing "mega cruise" trend where cruises reach up to 250,000 GT to fully utilize scale advantages. As Vow targets the market for large ships, this trend is expected to continue increasing the addressable market onwards. Moreover, newbuilt volume levels have remained flat at ~15 annually for the past two decades due to limited port infrastructure for larger ships, meaning revenue growth must come from securing larger orders per vessel, making it a key driver for market expansion. Analyst Group estimates that the market has grown at a CAGR of 11.5% since 2014 and will continue to grow 7.5% annually through 2030.

Emerging Landbased Market Offers Significant Growth Opportunities

Landbased Solutions Estimated to Grow at a CAGR of 29.9% until 2033

The global market for waste-to-energy technology for processing plastic, biomass and other waste is valued at NOK 5.6bn and estimated to grow at a CAGR of 29.9% until 2033, reaching NOK 76.3bn[1]. These systems operate like industrial-scale "recycling plants," where Vow's proprietary technology transforms waste into energy or reusable materials. Systems are sold in two ways: 1) directly to large companies (e.g., Philip Morris), installing the system at their manufacturing facility to convert waste into energy or reusable material. 2) to specialized companies (e.g., VGM) that build a centralized processing facility, purchase waste from other companies and profits from selling the output. Due to being a relatively new concept with a high fixed-cost base, adoption has been slower, as scale is required for client profitability forcing large upfront investments. As solutions are proven valid, further investments are derisked, making proof of concept key to accelerate industry growth. Moreover, plants are influenced by a wide range of variables such as feedstock quality, moisture levels and temperatures, making digital simulations insufficient, leading to participants spending significant amounts on physical small-scale plants. Systems are usually standardized, allowing them to be replicated and scaled once proven, resulting in front-loaded dynamics with little incremental investment-needs thereafter. Pyrolysis has been proven to be the most cost-effective decarbonization technique since it can process the broadest mix of inputs, minimizing preparation costs. Thus, pyrolysis, which Vow focuses on, gives the flexibility to pivot towards multiple verticals as seen by Vow operating within Biochar, end-of-life tires (ELT) and sewage sludge (PFAS), using similar techniques.

1 Spherical Insights research

Financial Forecast

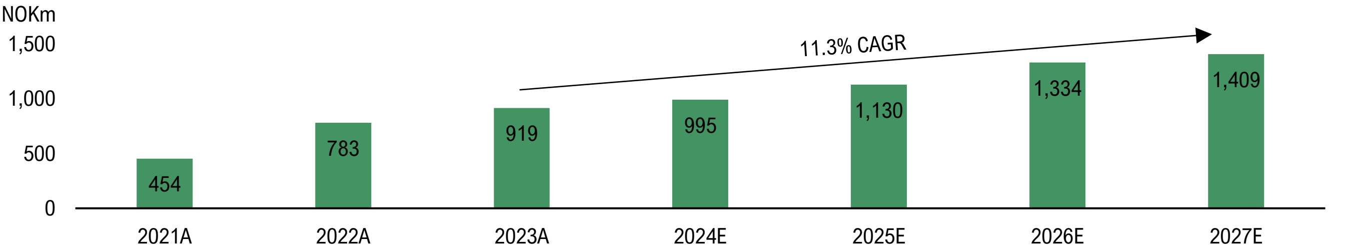
11.3% revenue CAGR until 2027

Revenue Forecast until 2027

Vow's revenue is split in three different segments: Maritime, Aftersales and Industrial Solutions. In 2023 maritime generated 40.9% of revenue, aftersales 19.4% and industrial solutions 39.7%. The Maritime segment is estimated to grow at an annual rate of 8.2%, reaching NOK 515m in 2027, driven by larger system orders per vessel and retrofit orders, stemming from an improved value proposition and regulatory tailwinds making cruise operators inclined to invest in emission-reducing alternatives. The aftersales segment is estimated to grow at a CAGR of 4.7%, reaching NOK 226m in 2027 as the installed base expands from 151 ships to 173 based on the current backlog, leading to more ships relying on Vow's services for ongoing operations. The industrial solution segment is estimated to grow at a CAGR of 16.4%, reaching NOK 669m in 2027, driven by accelerated wins in the bid pipeline of NOK 12.5bn as commercial and R&D projects showcase proof of concept, easing sales efforts onwards. Vow is already working on three FEED-contracts with high likelihood of full-scale projects, showcasing this rippling effect. The estimates are based on organic growth, as the Company has no outspoken M&A strategy. In total, Analyst Group estimates revenue to grow at a CAGR of 11.3% CAGR until 2027, reaching NOK 1,409m.

Revenue is estimated to grow at a CAGR of 11.3% until 2027.

Revenue Forecast Until 2027



Source: Investor Relations, Analyst Group Estimates

Cost Forecast until 2027

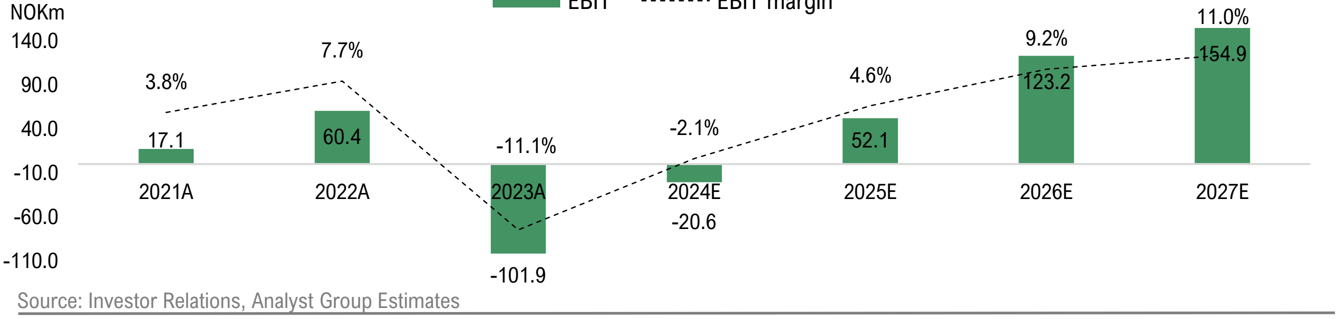
Gross margins have historically remained stable at approx. 35%, reflecting Vow's outsourcing of manufacturing, which adds incremental costs per contract. In 2023, gross margin decreased to 25.3% due to cost prognosis issues in certain cruise contracts and increased chemical prices in aftersales. However, payment terms have been renegotiated and chemical prices are expected to normalize at 36%. The industrial segment is projected to see a modest increase in gross margins, driven by economies of scale from processing more contracts than previously. Combined, these factors are estimated to drive a gross margin expansion from 25.3% in 2023 to 37.2% by 2027.

EBIT margin of 11.0% in 2027

OPEX remains pre-dominantly semi-fixed, focused on SG&A, engineering, and project development, creating operational leverage. OPEX as a % of sales is therefore expected to decrease from 30.7% to 21.0% by 2027, returning to the historic OPEX-structure around 20% of sales, contributing to an EBITDA margin expansion from 3.3% in 2023 to 16.2% by 2027. The cruise and landbased segment plays an equally important role of the margin increase, with cruise expanding from 3.2% in 2023 to 21.8% in 2027, back to normalized levels, and Landbased reaching 10.2% EBITDA margin in 2027 as the segment scales. Since only half of R&D projects have been finalized, amortization is projected to double by 2027 as these are completed. On the other hand, capex is expected to decline from 11.8% of sales in 2023 to 5.8% by 2027, as investment needs subside following the initial investment-phase of the landbased segment. PP&E and leases are expected to remain stable, with capacity investments already made. Combined, D&A is estimated to slightly decrease from 5.4% to 5.2% of sales by 2027, contributing to an EBIT margin expansion from -2.1% to 11.0% in 2027.

EBIT margin estimated to reach 11.0% in 2027 due to operational leverage and solved one-offs.

Estimated EBIT margin and EBIT until 2027



Source: Investor Relations, Analyst Group Estimates

Valuation

Peer Valuation

The peers were chosen to match the characteristic of the segments. The Cruise & Aftersales peers deliver advanced equipment B2B with revenue derived from aftersales services. The landbased peers are high-growth companies in emerging markets driven by sustainability or has similar circular solutions.

Vow is valued at a 40% discount to the median Cruise & Aftersales EV/EBIT 2027E.

Peer table	MCAP	EV	Revenue CAGR	EBIT margin		Cash Conversion Rate	EV/EBIT
Cruise & Aftersales peers	NOKm	NOKm	2024-2027E	2024E	2027E	2027E	2027E
CTT Systems	3,606	3,593	35.0%	34.8%	32.0%	72.4%	15.3x
Nekkar ASA	1,044	901	13.4%	13.0%	18.6%	N/A	5.8x
Studsvik	995	1,101	5.2%	5.5%	10.5%	42.3%	10.9x
I-Tech	730	634	20.2%	23.1%	34.2%	75.7%	6.9x
Average	**1,594**	**1,557**	**18.4%**	**19.1%**	**23.8%**	**63.5%**	**9.7x**
Median	**1,020**	**1,001**	**16.8%**	**18.0%**	**25.3%**	**72.4%**	**8.9x**
Vow	466	818	12.3%	-2.1%	11.0%	44.1%	5.3x

Vow is valued at a 26% discount to the median Landbased EV/EBIT 2027E.

Peer table	MCAP	EV	Revenue CAGR	EBIT margin		Cash Conversion Rate	EV/EBIT
Landbased peers	NOKm	NOKm	2024-2027E	2024E	2027E	2027E	2027E
Tomra	44,131	49,018	23.7%	11.5%	14.3%	38.5%	17.1x
Cambi	2,344	2,174	15.1%	19.9%	24.5%	58.6%	5.5x
Renewi	9,287	16,494	10.5%	6.7%	8.2%	18.9%	8.9x
Zaptec	954	1,061	18.1%	1.8%	10.9%	44.2%	4.5x
Average	**14,179**	**17,187**	**16.9%**	**10.0%**	**14.5%**	**40.1%**	**9.0x**
Median	**5,816**	**9,334**	**16.6%**	**9.1%**	**12.6%**	**41.4%**	**7.2x**
Vow	466	818	12.3%	-2.1%	11.0%	44.1%	5.3x

Source: Analyst Group estimates, Bloomberg, Capital IQ

Discounted Cash Flow Analysis

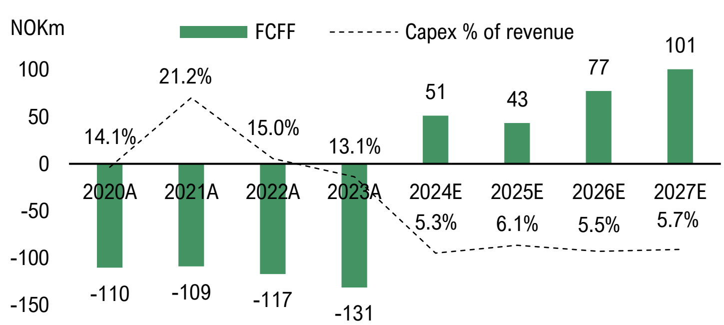
DCF Implies
NOK 3.4

The relative valuation is supplemented by a DCF-analysis using the perpetuity growth rate approach. The DCF comprises an explicit forecast period between Q4-24 to 2027, a normalized period between 2028-2034, and a terminal period. During the explicit period, the Company is expected to grow revenue at a CAGR of 11.3% and expand EBIT margin from -2.1% to 11.0% by 2027, while improving cash conversion from negative levels to 44.1%. For the normalized period, Analyst Group estimates a 7.5% CAGR, reflecting mature growth in the cruise industry and continued growth in the landbased market but incorporating the emergence of new competition. EBIT margin and cash conversion rate is projected to remain stable, due to high barriers to entry in cruise, and price pressure offsetting any further operational leverage in the landbased segment. Using a 2.0% perpetual growth rate and a WACC of 11.0% as the discount rate, based on a capital structure of 48.1% equity and 51.9% debt, applying a 17.3% cost of equity and 5.2% cost of debt, an EV of NOK 1,348m, equivalent to NOK 3.4 per share is implied. This corresponds to a target multiple of 8.7x EV/EBIT 2027E.

Normalized Capex Levels Improves Free Cash Flow Onwards.

Sensitivity table of the DCF model and Free Cash Flow Forecast Until 2027

WACC	Perpetual Growth Rate				
	0.0%	1.0%	2.0%	3.0%	4.0%
9.0%	4.1	4.4	4.9	5.6	6.5
10.0%	3.4	3.7	4.1	4.5	5.1
11.0%	2.9	3.1	**3.4**	3.7	4.1
12.0%	2.5	2.6	2.8	3.1	3.4
13.0%	2.1	2.2	2.4	2.6	2.8



Source: Analyst Group estimates

Base Scenario

NOK 3.4
Base Scenario

An EV/EBIT multiple applied to 2027 estimates has been used to include Vow's capitalization of R&D and account for different capital structures among peers. In both peer comparisons, Vow showcases stronger projected EBIT growth, supporting a premium, however due to size differences and a lack of direct peers, the median multiple of 8.9x and 7.2x respectively is applied. Weighting the valuations by each segments EBIT contribution in 2027, 78% stemming from cruise & aftersales and 22% from landbased, results in an EV/EBIT multiple of 8.5x. Equally weighting with the DCF valuation, yields an EV of NOK 1,332 implying a potential share price of NOK 3.4 in the Base scenario. This corresponds to a target multiple of 8.6x EV/EBIT 2027.

Bull & Bear

Bull Scenario

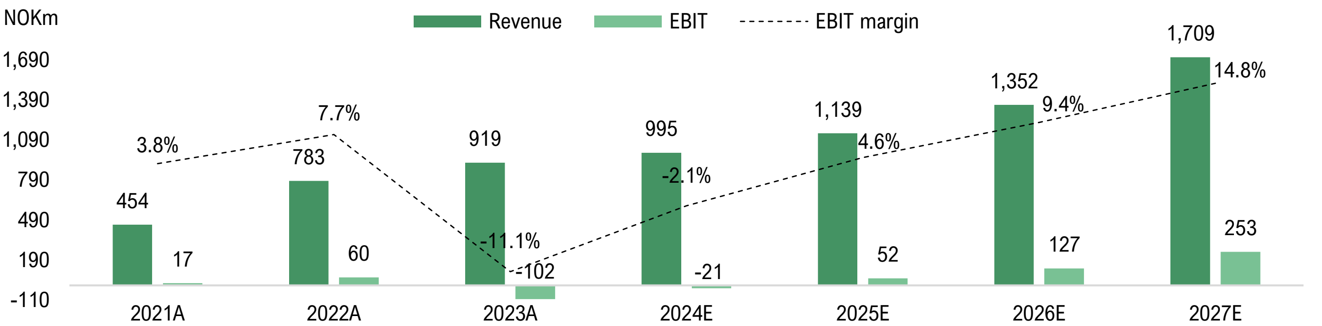
NOK 6.2
Bull Scenario

In a Bull scenario, Vow experiences accelerated revenue growth in the landbased segment. Three clients within end-of-life tyres (ELT), sewage sludge (PFAS) and Biocarbon refinery, have each paid Vow an average of NOK 30m for engineering and regulatory preparations, indicating a strong likelihood of securing full-scale contracts totaling NOK 1.2bn. In addition to these clients, Vow is bidding on 33 projects worth NOK 12.5bn, with FID finalizing within two years. Given its growing track record, Vow is projected to secure an extra NOK 300m in contracts by 2027, bringing the landbased segment revenue to NOK 969m, exceeding the Base scenario. Moreover, capital costs are decreasing due to lower interest rates, combined with subsidies from RepowerEU and the Inflation Reduction Act making payback periods more attractive.

In a Bull scenario, Vow receives the contracts awaiting FID, and experiences accelerated success in the bid pipeline, supporting a topline CAGR of 16.8% until 2027, with operational leverage estimated to expand the EBIT margin with another 380bps to 14.8% by 2027. Applying the same EV/EBIT multiple of 8.6x on the estimated EBIT of NOK 253m in 2027, and adjusting for the Company's net debt, a potential price per share of NOK 6.2 is implied in a Bull scenario.

Vow is Estimated to Reach an EBIT of NOK 252.6m in 2027 with an EBIT Margin of 14.8% in a Bull Scenario.

Estimated Revenue, EBIT and EBIT margin during 2024E-2027E in a Bull Scenario



Source: Analyst Group estimates, Investor relations

Bear Scenario

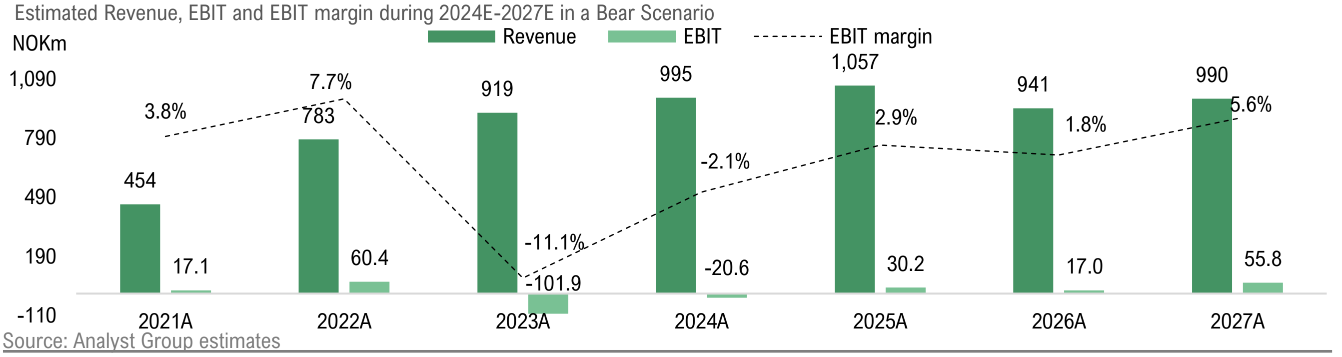
NOK 0.4
Bear Scenario

In a Bear scenario, Vow receives no further contracts from the landbased segment. As Vow relies on securing large but relatively few contracts, intensified competition as competitors want exposure to the fast-growing market, could result in the Company not receiving any of the contracts in the bid pipeline. Vow will in this case complete the commissioned contracts with VGM and a facility in the US by 2025, thereafter a run-rate of NOK 250m is implied reflecting ongoing operations for the industrials heating business C.H Evensen acquired in 2022, which has showcased stable operations since inception, and the French subsidiary ETIA. Assuming Vow cuts down the cost-structure to adjust for lower revenue, a negative contribution of NOK -25m EBITDA annually from the landbased segment is projected.

At group level, these factors yield a topline CAGR of 1.9% until 2027, with EBIT-margin reaching 5.6% in 2027, instead of 11% in the Base scenario. Applying the same multiple of 8.6x estimated EBIT of NOK 55.8m in 2027 and adjusting for the Company's net debt, a potential price per share of NOK 0.4 is implied in a Bear scenario.

Vow is Estimated to Reach an EBIT of NOK 55.8m in 2027 with an EBIT Margin of 5.6% in a Bear Scenario.

Estimated Revenue, EBIT and EBIT margin during 2024E-2027E in a Bear Scenario



Source: Analyst Group estimates

Appendix

Income statement (Base Scenario NOKm)	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Landbased Revenue	108	305	365	392	485	643	669
Cruise & Aftersales Revenue	346	479	554	603	646	691	740
Revenue	**454**	**783**	**919**	**995**	**1,130**	**1,334**	**1,409**
Cost of Goods Sold	-283	-487	-686	-707	-753	-861	-886
Gross profit	**172**	**296**	**232**	**288**	**377**	**473**	**524**
Gross margin (adj.)	*37.8%*	*37.8%*	*25.3%*	*28.9%*	*33.4%*	*35.4%*	*37.2%*
Employee expenses	-90.7	-126.5	-184.4	-166.4	-172.5	-187.4	-197.3
Other operating expenses	-39.6	-76.8	-97.5	-88.4	-89.9	-94.2	-98.8
EBITDA (adj.)	**41.3**	**92.6**	**-49.8**	**32.9**	**115.0**	**191.1**	**227.8**
EBITDA margin (adj.)	*9.1%*	*11.8%*	*-5.4%*	*3.3%*	*10.2%*	*14.3%*	*16.2%*
D&A	-24.2	-32.2	-52.1	-53.6	-62.9	-67.9	-72.9
EBIT (adj.)	**17.1**	**60.4**	**-101.9**	**-20.6**	**52.1**	**123.2**	**154.9**
EBIT margin (adj.)	*3.8%*	*7.7%*	*-11.1%*	*-2.1%*	*4.6%*	*9.2%*	*11.0%*
Net Financials	-26.3	-31.1	-51.3	-75.5	-53.2	-46.3	-46.1
EBT	**-9.2**	**29.3**	**-153.2**	**-96.1**	**-1.1**	**76.9**	**108.8**
Tax	1.0	-7.9	6.0	0.0	0.2	-16.1	-22.8
Net profit	**-8.2**	**21.4**	**-147.2**	**-96.1**	**-0.9**	**60.7**	**85.9**
Net profit margin	*-1.8%*	*2.7%*	*-16.0%*	*-9.7%*	*-0.1%*	*4.6%*	*6.1%*

Base Scenario key metrics	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EV/S	1.8	1.0	0.9	0.8	0.7	0.6	0.6
EV/EBITDA	19.8	8.8	-16.4	25.6	7.6	4.3	3.6
EV/EBIT	47.8	13.5	-8.0	-39.7	15.7	6.6	5.3
P/E	-56.8	21.7	-3.2	-4.8	-517.7	7.7	5.4

Appendix

Income statement (Bull Scenario NOKm)	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Landbased Revenue	108	305	365	392	493	661	969
Cruise & Aftersales Revenue	346	479	554	603	646	691	740
Revenue	**454**	**783**	**919**	**995**	**1,139**	**1,352**	**1,709**
Cost of Goods Sold	-283	-487	-686	-707	-759	-873	-1074
Gross profit	**172**	**296**	**232**	**288**	**380**	**479**	**635**
Gross margin (adj.)	*37.8%*	*37.8%*	*25.3%*	*28.9%*	*33.4%*	*35.4%*	*37.2%*
Employee expenses	-91	-127	-184	-166	-174.2	-189.3	-211.1
Other operating expenses	-40	-77	-98	-88	-90.8	-95.1	-98.8
EBITDA (adj.)	**41.3**	**92.6**	**-49.8**	**32.9**	**115.1**	**194.8**	**325.5**
EBITDA Margin (adj.)	*9.1%*	*11.8%*	*-5.4%*	*3.3%*	*10.1%*	*14.4%*	*19.0%*
D&A	-24.2	-32.2	-52.1	-53.6	-62.9	-67.9	-72.9
EBIT (adj.)	**17.1**	**60.4**	**-101.9**	**-20.6**	**52.2**	**126.9**	**252.6**
EBIT Margin (adj.)	*3.8%*	*7.7%*	*-11.1%*	*-2.1%*	*4.6%*	*9.4%*	*14.8%*
Net Financials	-26.3	-31.1	-51.3	-75.5	-53.2	-46.3	-46.1
EBT	**-9.2**	**29.3**	**-153.2**	**-96.1**	**-1.0**	**80.6**	**206.5**
Tax	1.0	-7.9	6.0	0.0	0.0	-16.9	-43.4
Net profit	**-8.2**	**21.4**	**-147.2**	**-96.1**	**-1.0**	**63.7**	**163.1**
Net profit margin	*-1.8%*	*2.7%*	*-16.0%*	*-9.7%*	*-0.1%*	*4.7%*	*9.5%*

Bull Scenario key metrics	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EV/S	1.8	1.0	0.9	0.8	0.7	0.6	0.5
EV/EBITDA	19.8	8.8	-16.4	24.9	7.1	4.2	2.5
EV/EBIT	47.8	13.5	-8.0	-39.7	15.7	6.4	3.2
P/E	-56.8	21.7	-3.2	-4.8	-466.0	7.3	2.9

Appendix

Income statement (Bear Scenario NOKm)	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Landbased Revenue	108	305	365	392	411	250	250
Cruise & Aftersales	346	479	554	603	646	691	740
Total Revenue	**454**	**783**	**919**	**995**	**1,057**	**941**	**990**
Cost of Goods Sold	-283	-487	-686	-707	-704	-608	-639
Gross profit	**172**	**296**	**232**	**288**	**353**	**334**	**351**
Gross margin (adj.)	*37.8%*	*37.8%*	*25.3%*	*28.9%*	*33.4%*	*35.4%*	*35.4%*
Employee expenses	-90.7	-126.5	-184.4	-166.4	-171.4	-160.2	-133.9
Other operating expenses	-39.6	-76.8	-97.5	-88.4	-88.4	-88.4	-88.4
EBITDA (adj.)	**41.3**	**92.6**	**-49.8**	**32.9**	**93.1**	**84.9**	**128.7**
EBITDA Margin (adj.)	*9.1%*	*11.8%*	*-5.4%*	*3.3%*	*8.8%*	*9.0%*	*13.0%*
D&A	-24.2	-32.2	-52.1	-53.6	-62.9	-67.9	-72.9
EBIT (adj.)	**17.1**	**60.4**	**-101.9**	**-20.6**	**30.2**	**17.0**	**55.8**
EBIT Margin (adj.)	*3.8%*	*7.7%*	*-11.1%*	*-2.1%*	*2.9%*	*1.8%*	*5.6%*
Net Financials	-26.3	-31.1	-51.3	-75.5	-53.2	-46.3	-46.1
EBT	**-9.2**	**29.3**	**-153.2**	**-96.1**	**-23.0**	**-29.3**	**9.7**
Tax	1.0	-7.9	6.0	0.0	4.8	6.1	-2.0
Net profit	**-8.2**	**21.4**	**-147.2**	**-96.1**	**-18.2**	**-23.1**	**7.7**
Net profit margin	*-1.8%*	*2.7%*	*-16.0%*	*-9.7%*	*-1.7%*	*-2.5%*	*0.8%*

Bear Scenario key metrics	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EV/S	1.8	1.0	0.9	0.8	0.8	0.9	0.8
EV/EBITDA	19.8	8.8	-16.4	24.9	8.7	9.6	6.3
EV/EBIT	47.8	13.5	-8.0	-39.7	27.1	48.2	14.7
P/E	-56.8	21.7	-3.2	-4.8	-25.6	-20.2	60.5

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