Hexicon

Initiation of coverage

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Inderes corporate customer

Propelled forward by floating wind power

Hexicon, a developer of floating offshore wind, holds a large portfolio of projects at various stages of development. Conservatively valued the combined value of the project portfolio is substantially higher than the company's total equity value. However, significant earn-outs and claims by debt holders, combined with questions about the timing of cashing in the projects, create a somewhat uncertain picture. In addition, the immediate need for a cash infusion puts pressure on Hexicon to either divest projects or seek other financing solutions on uncertain terms. Against this backdrop, we believe the risk/reward is not attractive enough in the short term and consequently initiate our coverage with a Reduce recommendation and a target price of SEK 0.56.

A project developer of floating offshore wind power

Hexicon's business model is divided into two distinct but complementary business areas: project development and technology. Under the project development area, Hexicon focuses on the early-stage development of floating offshore wind projects with the goal of divesting the projects prior to construction. Floating wind power is the next step in the evolution of wind power after onshore and land-based offshore wind power. Floating wind turbines provide access to much larger areas of ocean and stronger, more consistent winds. Floating wind power is still in the early stages of development and Hexicon's project in South Korea could be one of the first large-scale floating wind farms in the world. Hexicon's technology division is developing a floating wind turbine foundation called TwinWind. The company aims to prove the viability of the TwinWind foundation through its TwinHub demonstration project. Once this is achieved, Hexicon intends to license the technology for future floating wind projects.

We expect significant revenue growth due to potential project divestments

To date, the company has invested heavily in securing and advancing 12 active projects and has largely financed these growth efforts with debt. The company is now looking to start divesting parts of its project portfolio, which should generate a significant amount of revenue and is reflected in our estimates. The divestitures generate a growing but volatile revenue stream, which we expect to stabilize toward the end of our forecast period as the company reaches a steady state with more frequent income. We note that estimating project divestiture revenue requires us to make a number of assumptions regarding timing, pricing, deal structure, and the proportion of projects that are divested. These assumptions are necessarily uncertain, as both the market and Hexicon are relatively early in their development cycles. As a result, the potential development path of Hexicon's revenues and earnings is very broad. In addition, the timing of divestments and deal structure will be a critical factor in determining whether Hexicon will need to raise additional capital in 2024.

Valuation focus on projecting the value of Hexicon's project portfolio

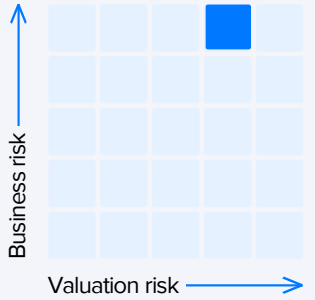
Hexicon's fundamental-based valuation is challenging. Despite the use of precedent offshore wind farm transactions, sum-of-the-parts valuation, and DCF model, the valuation is subject to unpredictable factors. Our fair value range, with current risks and visibility, is therefore wide at SEK 0.40-0.75 per share. We believe that the company has short-term financing needs, which may entail dilution risks, making the current risk/reward not attractive enough. However, if Hexicon generates significantly more revenue by selling a larger part of its project portfolio or at a higher valuation, the financing situation could change and offer a potentially solid expected return.

Recommendation

Reduce

0.56 SEK

Share price:
0.60 SEK



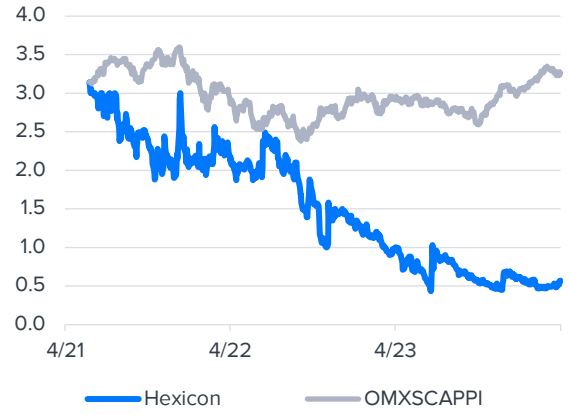
Key indicators

	2023	2024e	2025e	2026e
Revenue	5.7	80.1	453.0	983.3
growth-%	-51%	1302%	466%	117%
EBIT adj.	-180.3	-119.3	259.3	762.5
EBIT-% adj.	-3156.0 %	-148.9 %	57.2 %	77.5 %
Net Income	-187.3	-155.3	204.5	735.6
EPS (adj.)	-0.51	-0.43	0.56	2.02
P/E (adj.)	neg.	neg.	1.1	0.3
P/B	>100	neg.	4.3	0.3
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	2.7	0.2
EV/EBITDA	neg.	neg.	2.4	0.1
EV/S	73.6	9.6	1.6	0.1

Source: Inderes

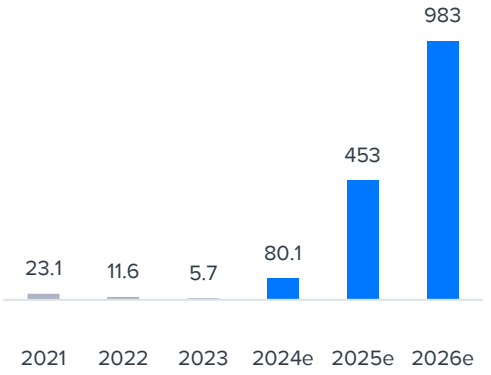
Guidance Hexicon provides no guidance

Share price



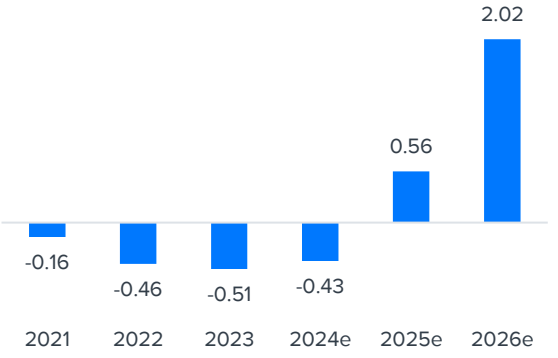
Source: Millistream Market Data AB

Revenue



Source: Inderes

Earnings per share



Source: Inderes

Value drivers

- Value of Hexicon's project development portfolio
- Proprietary TwinWind technology with patents in over 20 countries
- Organization's expertise and experience in floating offshore project development
- Market knowledge and global network of partners
- The floating offshore market is expected to grow substantially during this decade

Risk factors

- Delays in development projects or failure of projects to reach FID
- Inability to sell projects on favorable terms or at an appropriate time
- Deterioration in the market value of the project portfolio
- High debt level, somewhat mitigated by the loan structure
- Failure of TwinWind technology to achieve commercial viability

Valuation	2024e	2025e	2026e
Share price	0.60	0.60	0.60
Number of shares, millions	363.8	363.8	363.8
Market cap	218	218	218
EV	769	708	115
P/E (adj.)	neg.	1.1	0.3
P/E	neg.	1.1	0.3
P/FCF	neg.	2.0	0.4
P/B	neg.	4.3	0.3
P/S	2.7	0.5	0.2
EV/Sales	9.6	1.6	0.1
EV/EBITDA	neg.	2.4	0.1
EV/EBIT (adj.)	neg.	2.7	0.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

Hexicon in brief

Hexicon is a global floating offshore wind project developer and technology provider based in Sweden. The company is listed on Nasdaq First North Stockholm since 2021.

2009
Year of establishment

5.7 MSEK (11.6 MSEK in 2022)
Revenue 2023

-180 MSEK (-161 MSEK in 2022)
EBIT 2023

14,600 MW
Project development portfolio

259 MSEK
Net debt (Q4'23)

27
Employees (Q4'23)

2009-2016

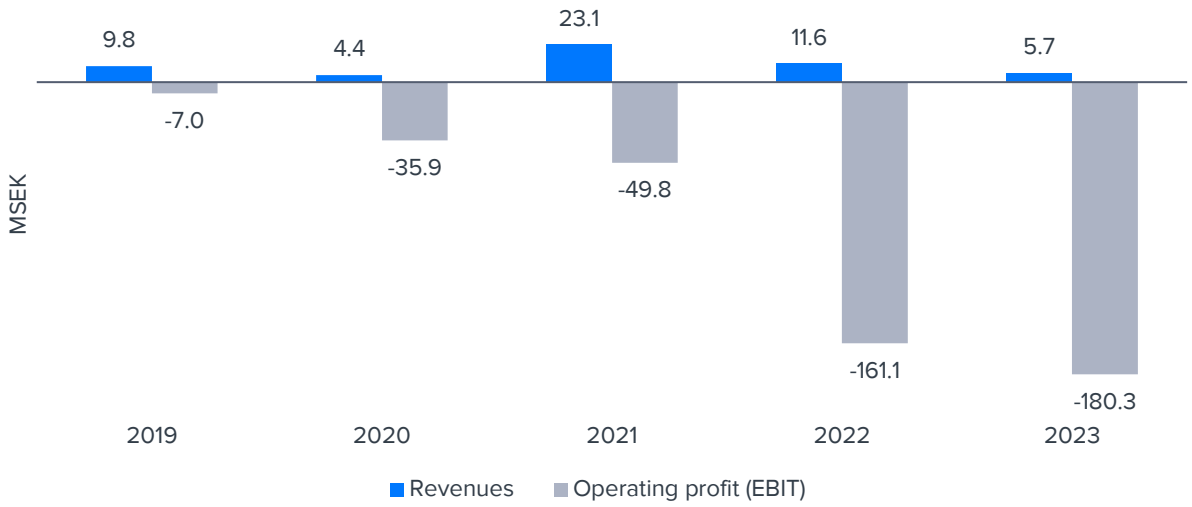
- Company formed to develop a foundation for floating offshore wind power
- TwinWind design presented in 2013, a foundation with two turbines allowing for up to 40% more turbines per water area
- Cooperation initiated with SSAB and E.ON to develop offshore wind power in Sweden, later abandoned due to postponement of nuclear phase-out

2017-2019

- Hexicon receives approval for a floating offshore wind farm outside the coast of Scotland
- Financing process for floating wind farm runs into difficulties, forcing Hexicon to restructure in 2017
- The company emerges from restructuring in 2018 and enters into a joint venture to develop a 1.2 GW floating wind farm in South Korea.

2020-

- Hexicon signs a joint venture agreement to develop offshore wind farms off the coast of Sweden
- The company sells 90% of the wind farm project in Scotland
- Hexicon starts trading on Nasdaq First North in 2021
- The company enters into a JV agreements to develop floating offshore wind farms in Italy and South Africa
- Hexicon wins a 15-year CfD contract for a 32 MW floating wind farm in the U.K



Source: Hexicon, Inderes

Company description and business model (1/6)

Floating offshore wind power

Today, Hexicon's primary business is early-stage project development of floating offshore wind farms. As of March 2024, the company had 12 projects under development totaling 14,600 MW, with an additional 8,900 MW in the prospect pipeline. Hexicon has also developed the patented TwinWind floating foundation, which the company aims to license in the future.

Hexicon positions itself as an early project developer with the goal of divesting the projects before construction begins. The projects are carried out with partners as joint ventures (JV). The company's current projects are in various stages of development, with some in the early stages and others nearing Final Investment Decision (FID). Meanwhile, Hexicon's TwinWind technology is still in the research and development phase with the first demonstration project, TwinHub, under development. The TwinHub project is a 32 MW floating offshore wind farm off the coast of the UK. The project is designed to demonstrate the viability of the TwinWind floating foundation and pave the way for commercialization of the design.

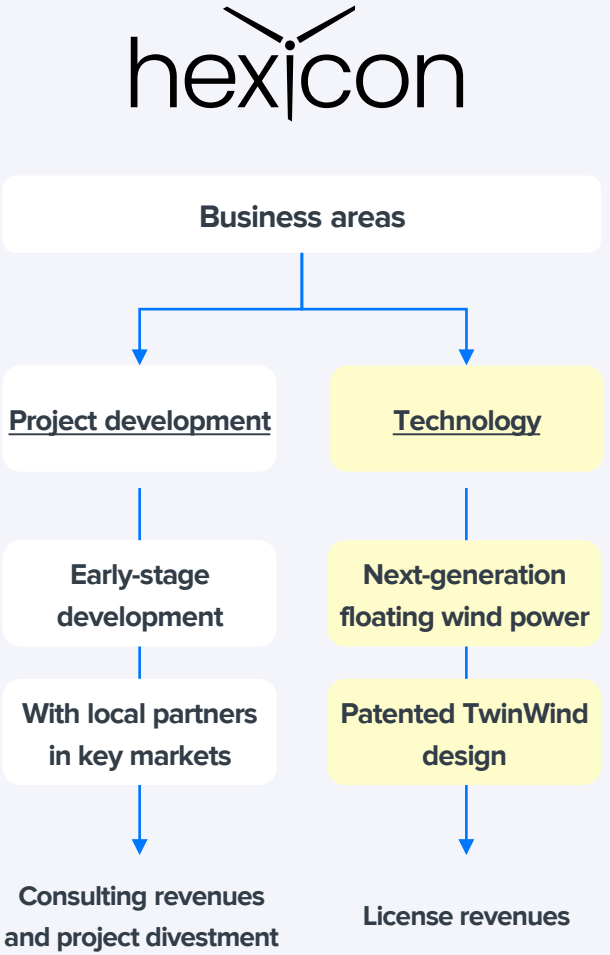
The floating offshore wind industry is still in its infancy but is expected to grow dramatically in the future. Today, there is less than 200 MW of floating offshore wind in the world. However, it is expected to grow to 26,000 MW by 2032. The main advantages of floating offshore wind over more established bottom-fixed wind are access to stronger and more consistent winds, less congested waters, available sea space and no visual pollution. The main disadvantage is the significantly higher cost of developing and operating floating wind farms.

Brief history of Hexicon

The company was founded in 2009 to develop a floating wind turbine foundation. The founders were inspired by Equinor, which installed the world's first large-scale floating wind turbine that same year. Hexicon's floating foundation would eventually evolve into the TwinWind design, which allows two turbines to be installed on the same foundation. This allows more power to be produced per sea area compared to single turbine systems.

In the mid-2010s, the company signed its first cooperation agreement with SSAB and E.ON to develop offshore wind power in Sweden. The project was eventually canceled in 2016 after Sweden's nuclear phase-out was postponed. At the same time, Hexicon received approval to develop a floating wind farm off the coast of Scotland. However, funding for the project ran into difficulties, eventually forcing the company into restructuring. After emerging from reconstruction in 2018, Hexicon signed several agreements to develop floating wind power under a JV structure. The first of these was the MunmuBaram project in South Korea in 2018, followed by the Freja Offshore projects in Sweden in 2020.

Hexicon successfully debuted on Nasdaq First North Stockholm in 2021. This was followed by signing further agreements to develop floating wind in Italy and South Africa. The company also acquired WaveHub in 2021, which would become the TwinHub demonstration project. Since then, the company has continued to develop its projects with the goal to divest some or all of its shares in them at a time of its choosing.



Source: Hexicon, Inderes

Company description and business model (2/6)

Project development

Delivering a new offshore wind project can take anywhere from 4 to 10+ years from start to finish. The most time-consuming part is the project development phase, which typically takes 2-8 years. This is followed by the construction phase, which can take up to 2-3 years. Hexicon specializes in the project development part, especially the early phase, and aims to divest the projects before or at the Final Investment Decision (FID). Focusing on the early development phase should theoretically allow a smaller company like Hexicon to create significant value before handing the project over to a larger company to finance the costly construction. The projects are carried out as joint ventures (JV) with local and global industrial partners such as Shell, Copenhagen Infrastructure Partners and Mainstream Renewable Power. The JVs are structured so that each partner has a legal obligation to contribute capital according to an agreed investment schedule. If one of the partners fails to do so, they are diluted accordingly. Initially, Hexicon aims to own 100% to 50% of the project, but as the project progresses to later stages, Hexicon aims to reduce its ownership to 15-10% through divestitures, before fully divesting its ownership as FID approaches.

The three stages of project development

Hexicon divides its development process into three stages: Early-stage, Mid-stage, and Late-stage. **Early-stage** development naturally begins with the identification of suitable markets and local partners. As the floating offshore industry is still in its infancy, Hexicon and its partners are often among the first to enter the market. This implies a higher risk but also lower costs. When a promising market has been identified, the search for a suitable sea area begins. This includes an analysis of the political framework, electricity connections, end demand and viability of the sea area. Once a suitable sea area has been identified, Hexicon seeks to secure exclusivity. Once exclusivity is secured, the company begins the process of securing the necessary permits and conducting preliminary environmental studies. The company also conducts a route to market roadmap, along with technical concept designs, followed by a comprehensive technical feasibility study.

Once sufficient permits have been secured, the project has reached the **Mid-stage** and can move into further engineering activities. At this stage, the goal is to conduct pre-FEED (Front-End Engineering Design), initial geotechnical and geophysical studies, and lidar surveys. With most permits in place, including grid and offtake permits. Hexicon also begins to strategize around procurement and contracting. It should be noted that Hexicon aims to be technology neutral in its development projects, i.e., it will not automatically select the TwinWind design as the floating foundation. Rather, the company will approach each project with an open mind and select the best technological solution for each specific project.

Upon completion of the above items, the project will enter the **Late-stage** of preparation for FID. During this phase, FEED work will commence, and further geophysical and geotechnical studies will be undertaken. In addition, the offtake will be secured, and turbine and floater selection will begin. One of the main milestone during the late-stage is securing a grid connection agreement.

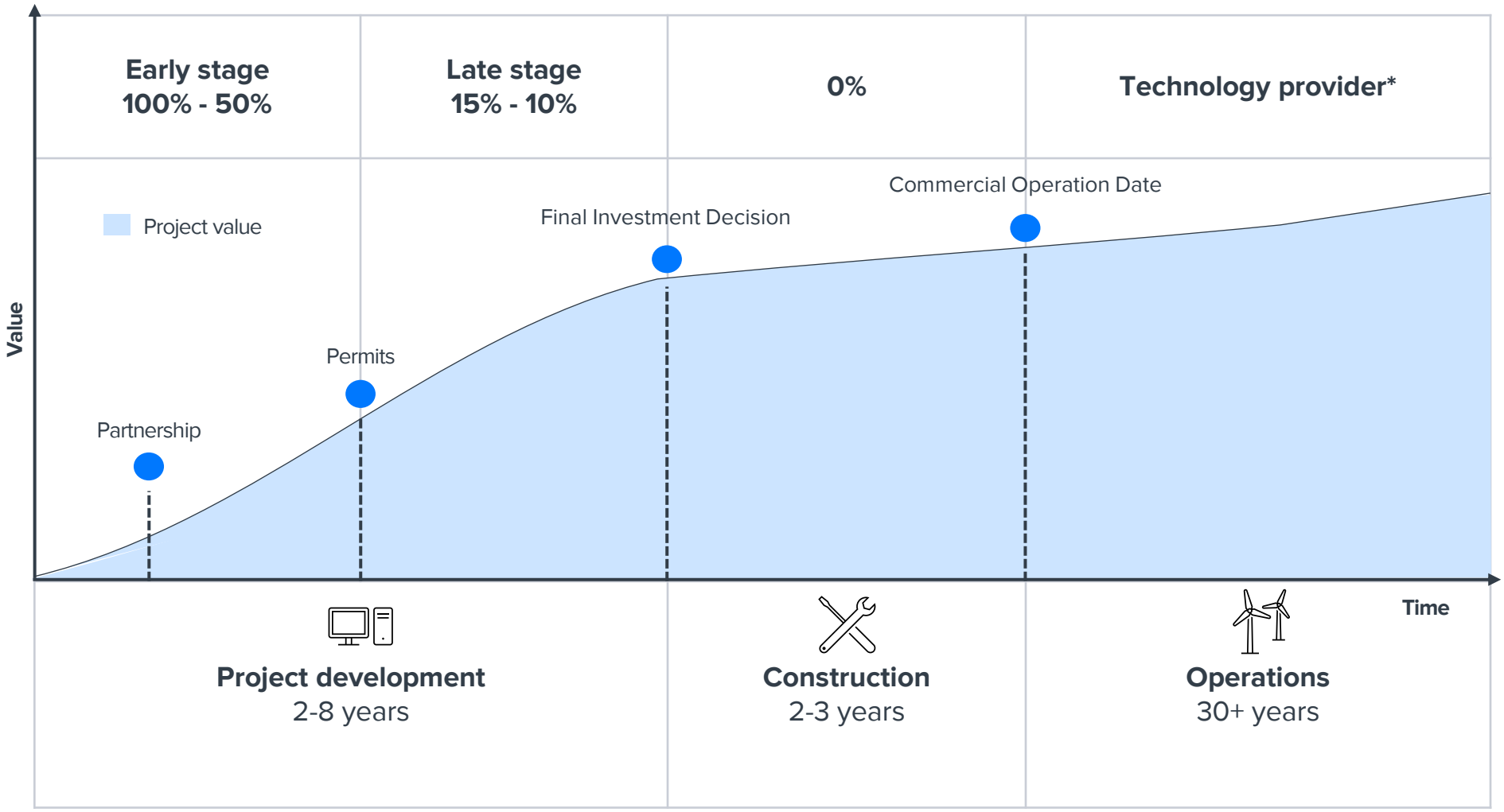
Project development is inevitably to some extent a speculative endeavor, and typically a large proportion of projects never materialize or change significantly along the way. As a result, the value of the project increases as the project matures and the risk of the project not being realized decreases. As projects progress, costs also increase. In order to generate revenue for the company to reinvest in new and current projects, Hexicon seeks to gradually sell of its stakes, as the projects progress. Before the project enters the construction phase Hexicon will have divested its entire ownership and its involvement with the project ends. Unless, the TwinWind design has been chosen for the project as then Hexicon can expect licensing fees during the construction phase.

Hexicon's project development portfolio

Hexicon currently has a diverse project portfolio consisting of 12 active projects under development with a total gross capacity of 14,600 MW. Hexicon's share of these projects, expressed in MW, is 6,800, or its net portfolio. Hexicon also has an additional six prospect projects with a total gross capacity of 8,900 MW.

Of the twelve active projects, Hexicon defines three as having reached the Late-stage, with the remaining nine defined as Early-stage projects. The Late-stage projects are MunmuBaram, Pentland, and TwinHub. Hexicon expects the first two of these to reach FID in 2024, while the MunmuBaram Project is slated to achieve FID in 2026.

Hexicon's ownership at various project stages



Source: Hexicon, Inderes

* Potential licensing fees if TwinWind is chosen as technological solution

Company description and business model (3/6)

Late-stage projects

The MunmuBaram project is perhaps the most significant for Hexicon. Located off the coast of South Korea, the project is on track to become one of the world's first commercial GW-scale floating offshore wind projects. The floating wind farm will consist of 75 Vestas 15 MW turbines for a total capacity of 1,125 MW. The project received its first electricity business license in late 2021 and in early 2024, the EIA (environmental impact assessment) was submitted to the South Korean authorities. Hexicon estimates that the project can achieve FID in 2026. The project was started in 2018 and Hexicon had an original ownership stake of 10%, which was increased to 20% in 2022. In early 2024, Hexicon agreed to purchase the remaining 80% from Shell, the acquisition is subject to regulatory approval. If approval is granted the deal is expected to close in Q2/Q3 2024. Hexicon agreed to pay Shell 5 MUSD upfront with a profit-sharing arrangement of up to 50 MUSD over a three-year period. Having a 100% ownership of the MunmuBaram project is a large undertaking for Hexicon at this stage. However, the company has mentioned that they have begun the process of determining the long-term ownership structure for the project, which we assume means that they are looking to divest a portion of the project in 2024.

The other Late-stage projects are the two smaller ones, Pentland (100 MW) and TwinHub (32 MW). The Pentland project was initially developed by Hexicon in 2015, and in 2020 Hexicon divested 90 % of the shares to Copenhagen Infrastructure Partners and 11.4 MSEK was booked as income. The project is progressing as planned and is expected to reach FID in 2024.

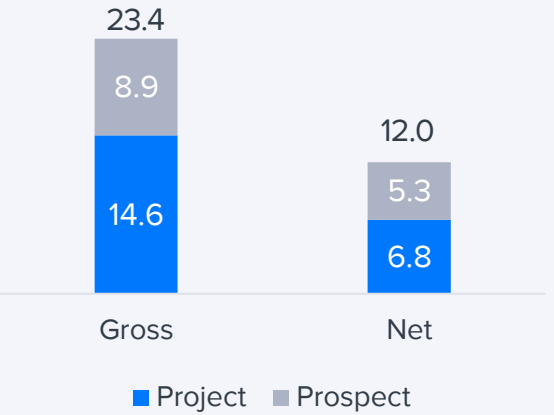
The TwinHub project differs from the others in that it is a demonstration project designed to prove the viability of the TwinWind foundation. Hexicon currently owns 100% of the project and aims to operate it to gather real-world data on the performance of the TwinWind technology.

Early-stage projects

Hexicon currently has nine projects listed as Early-stage, three of which are located in Sweden, four in Italy, and one each in South Korea and South Africa. The Swedish projects are being developed under the Freja Offshore JV. Hexicon owns 50% of the JV, with the other half owned by Mainstream Renewable Power. The Swedish projects consist of two floating and one fixed offshore wind farm. The two floating projects are Dyning (2,500 MW) located 45 kilometers off the east coast of Sweden and Mareld (2,500 MW) located off the west coast. The Cirrus project (2,000 - 2,500 MW) is a bottom-fixed wind farm located in the southern part of the Baltic Sea. Hexicon submitted permit applications for all three projects during 2023 and is awaiting a decision from the Swedish authorities. The Mareld project is expected to reach FID in 2028, while no FID target date has been announced for the other two projects.

The AvenHexicon joint venture consists of four active projects in Italy. The projects are being developed with partner Avapa Energy, with each partner owning 50% of the JV. The active projects consist of Sicily South (1,150 MW), Sardinia Northwest (1,300 MW), Sardinia South 1, and Sardinia South 2. Sicily South and Sardinia Northwest are AvenHexicon's most advanced projects in Italian waters, having initiated the EIA process in late 2023 and early 2024, respectively. The other two projects have secured the seabed and are now preparing to start the EIA process.

Hexicon's project portfolio (GW)



Source: Hexicon, Inderes

Definition of market stages

1. Outlook	Potential market under current evaluation. Either established office and/or partner; active in the country.
2. Prospect	Development activities are ongoing, expectation of near-term site exclusivity; a joint venture is most likely established.
3. Project	Active project with assigned resources. Site exclusivity is achieved, EIA[1] is started, and a joint venture is formed.

Source: Hexicon, Inderes

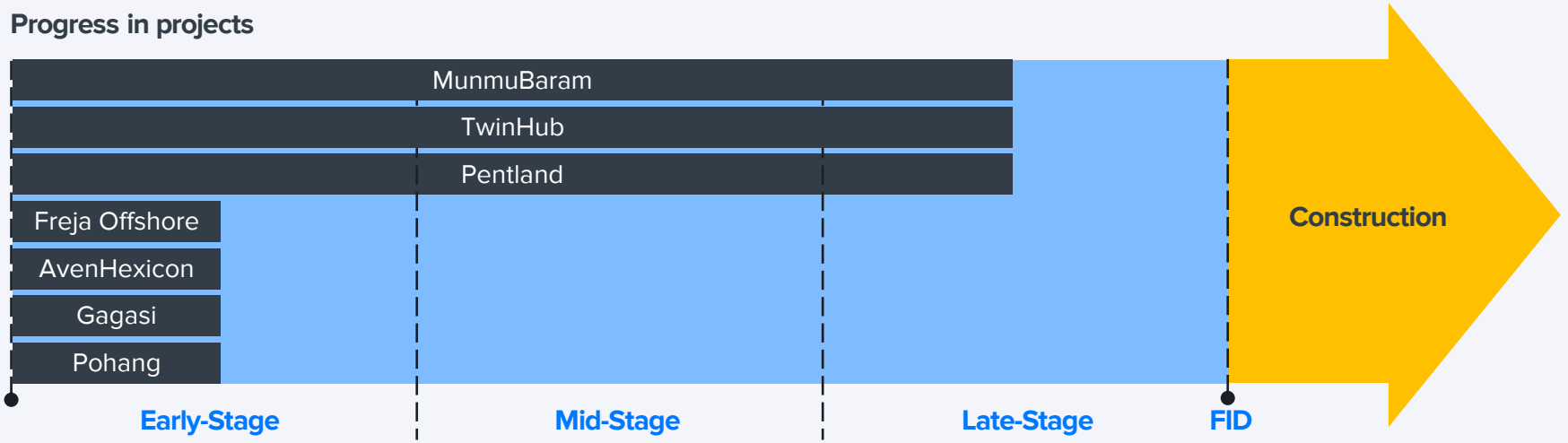
Company description and business model (4/6)

No date has been provided for when these projects are expected to reach FID. In addition to these projects, AvenHexicon has identified an additional 4,000 MW at the prospect stage.

The 800 MW Gagasi floating offshore wind farm was initiated by the GenesisHexicon joint venture in 2022. The project is being developed with local partner Genesis Eco-energy, with each partner owning 50% of the JV. The wind farm will be located in Richards Bay on the east coast of South Africa. The project is currently undergoing the EIA process and the next milestone is to secure a seabed area. Hexicon expects this to occur sometime in 2024. The JV is also exploring several other potential floating offshore wind sites off the coast of South Africa.

The Pohang project is an 800 MW floating wind farm located off the coast of South Korea. The project is being developed under the HexiconKorea JV with Coens and other local partners. Hexicon has a 29% interest in the project. The project has received all necessary seabed permits and has secured a marine area. The next milestone for the project will be the installation of LIDAR for a one-year survey campaign. Hexicon has not announced a target FID date for the project.

Progress in projects



Early-Stage
Permitting work is in full swing with significant investments ahead. Some projects have already received their first permits.

Mid-Stage
Enough permitting security to move on to other engineering activities.

Late-Stage
Preparation work for FID

Source: Hexicon, Inderes

Project development portfolio

Project (active)	Joint venture	Country	Gross capacity MW	Hexicon's share %	Hexicon's share MW	Partner	Stage	Target for FID	Est.
MunmuBaram	MunmuBaram	South Korea	1,125 MW	20 %[3]	225 MW	-	Late	2026	2018
Pohang	HexiconKorea	South Korea	800 MW	29 %	232 MW	Coens & other	Early	TBA	2021
Mareld	Freja Offshore	Sweden	2,500 MW	50 %	1,250 MW	MRP[1]	Early	2028	2021
Cirrus	Freja Offshore	Sweden	2,000 MW	50 %	1,000 MW	MRP	Early	TBA	2021
Dyning	Freja Offshore	Sweden	2,500 MW	50 %	1,250 MW	MRP	Early	TBA	2021
Sicily South	AvenHexicon	Italy	1,150 MW	50 %	575 MW	Avapa Energy	Early	TBA	2022
Sardinia Northwest	AvenHexicon	Italy	1,300 MW	50 %	650 MW	Avapa Energy	Early	TBA	2022
Sardinia South 1	AvenHexicon	Italy	1,550 MW	50 %	775 MW	Avapa Energy	Early	TBA	2022
Sardinia South 2	AvenHexicon	Italy	700 MW	50 %	350 MW	Avapa Energy	Early	TBA	2022
TwinHub	–	UK	32 MW	100 %	32 MW	-	Late	2024	2021
Pentland	Pentland	UK	100 MW	10 %	10 MW	CIP[2]	Late	2024	2020
Gagasi	GenesisHexicon	South Africa	800 MW	50 %	400 MW	Genesis Eco-Energy	Early	TBA	2020
Sum			**14,557 MW**		**6,749 MW**				
Prospect pipeline			8,900 MW		5,300 MW				
Total			**23,457 MW**		**12,049 MW**				

Source: Hexicon, Inderes

1) Mainstream Renewable Power
2) Copenhagen Infrastructure Partners
3) Hexicon agreed to purchase the remaining 80% from Shell in early 2024. Transaction is subject to government approval, expected to close in Q2/Q3 2024.

Company description and business model (5/6)

TwinWind

TwinWind is a floating foundation consisting of a triangular floating steel structure with two turbines that rotate freely with the wind. The TwinWind design is compatible with all major offshore wind turbines and can support turbines from 3 MW to 15+ MW and beyond. The TwinWind design has been patented in over twenty countries. This includes patents granted in Europe and the United States in 2022.

What makes the TwinWind design unique is the ability to install two turbines on it. According to Hexicon, this allows for several advantages, including up to 40% more turbines per area of water compared to traditional single-turbine designs. In addition, it makes TwinWind very cost effective because the foundation costs are spread over two turbines instead of just one. Several factors contribute to the cost-effectiveness of the TwinWind foundation, including

1. Cabling: The inter-array cabling of a TwinWind wind farm is reduced by approximately one third because more turbines can be placed in a smaller area.

2. Foundation: Compared to a single turbine floating foundation, TwinWind has twice the rated capacity, but requires correspondingly less steel on a per MW basis.

3. Installation: With two turbines on one foundation, installation costs are reduced through fewer wet tows and moorings. TwinWind can also be installed onshore and dockside, including turbine installation for a fully operational system that can be wet towed to the offshore site.

Having two turbines on one foundation also minimizes the impact on the environment and surrounding activities according to Hexicon.

Hexicon will not manufacture the foundation, but the business plan is to license it to floating wind projects. At this stage, the company has not disclosed exact licensing fees, but comparable platforms have been licensed for approximately 0.5-0.7 MSEK/MW. The technological and economic viability of the foundation is to be proven in the TwinHub demonstration project. If the TwinWind technology is proven to be feasible and cost-effective, TwinWind could provide Hexicon with a solid stream of recurring high-margin revenues.

TwinHub

TwinHub is a floating offshore wind farm being developed by Hexicon 16 kilometers off the coast of Scotland. The project will consist of four 8 MW MingYang MySE 8.0-180 turbines installed on two TwinWind foundations for a total capacity of 32 MW. In 2022, the project became the first floating wind farm to secure a 15-year Contract for Difference (CfD) from the UK government at a price of GBP 87.3/MWh (2012 price level). Securing a CfD means that the UK government guarantees a fixed price of GBP 87.3/MWh generated over a 15-year period. Securing the CfD was a major milestone for Hexicon and the TwinWind technology. In the same year, Hexicon appointed London Marine Consultants as Principal Designer to undertake the Front-End Engineering Design (FEED) work. The project is expected to reach FID in 2024 and to start operations between 2025 and 2027. Upon completion of TwinHub, Hexicon will operate the wind farm to gather important data and experience on the performance of the TwinWind technology.

TwinWind floating foundation

Source: Hexicon

Source: Hexicon

Company description and business model (6/6)

Revenues a combination of consulting fees and divestments

Hexicon's revenues today consist of consulting fees and project divestments. Going forward the company also hopes to generate licensing fees from its TwinWind technology. The company receives consulting fees from the joint venture projects it's working on, and the larger Hexicon's stake in the JV, the more it's essentially paying itself. So far, the consulting fees have constituted a relatively modest recurring revenue stream.

The main envisioned source of revenue is the divestment of projects. As the projects' progress, Hexicon aims to divest a part or the entire project. Over the past few years Hexicon has conducted a handful of divestments such as Shell entering the MunmuBaram project in 2019, Aker Offshore Wind entering the Freja Offshore project in 2021, divesting 90% of the Pentland project to Copenhagen Infrastructure Partners in 2021, and divesting the Yeonggwnan project in 2022. Terms for these divestments have not been published and the only revenue booked was from the Pentland Project divestment in 2021 (11.4 MSEK). We assume that the other divestments have payments tied to milestones and/or profits from the sale is booked on the JV level. Consequently, Hexicon's revenue from divestments have so far been irregular and non-recurring. However, Hexicon aims to reach a scale where it can continuously dispose of parts of its project portfolio in order to generate a sustainable income stream that can be reinvested in new projects.

In addition to revenues, Hexicon records income in the lines "Other operating income" (mainly EU grants) and "Capitalized development" (expenses related to the TwinHub project).

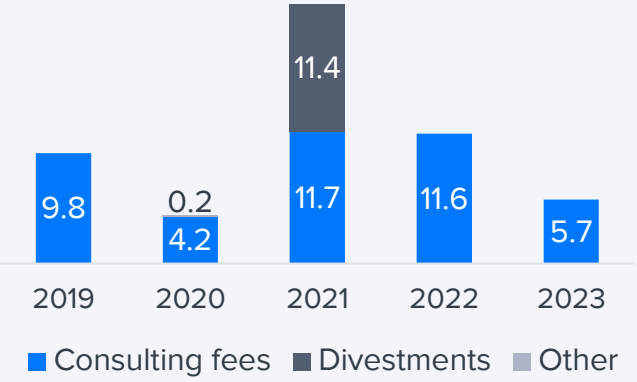
Operating costs increase in line with project portfolio

Hexicon's operating costs primarily consists of personnel costs, other external expenses, and result from share in associated companies (Hexicon's JV projects). Personnel costs have increased steadily over the past five years as the company has grown and expanded its organization. These costs represent the majority of Hexicon's fixed costs. Other external expenses are mainly capitalized development expenses related to the TwinHub project.

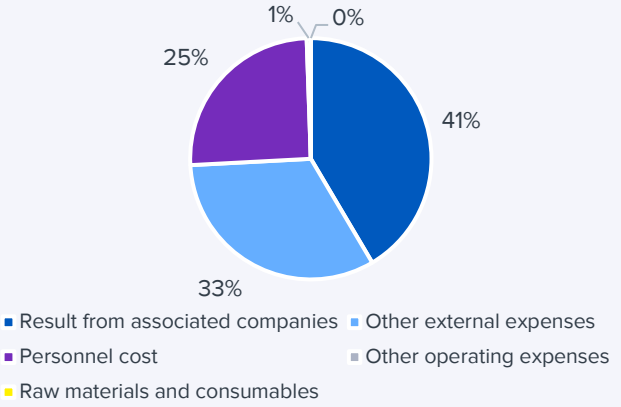
Result from share in associated companies represents Hexicon's share of the results of its joint ventures. As these projects are all under development, they do not generate any income. In addition, the amount of costs capitalized by the JV's also has a significant effect on this item, e.g., it was -40 MSEK in Q2'23, but then decreased to -5 MSEK in Q3'23 when the MunmuBaram JV started to capitalize costs related to the project.

Due to the low absolute level of revenues, Hexicon's operations have been highly loss-making. Hexicon has relied on a mix of equity and debt financing to fund its operations. The last time Hexicon raised equity was through its IPO in 2021. Since then, Hexicon has managed to secure debt financing, first a convertible bond in 2022 and then a 45 MEUR loan from Glennmont Partners in 2023. Initially, it might appear unusual for an unprofitable company to secure debt financing; however, by doing so, Hexicon has gained the flexibility to divest development projects at potentially more favorable times and terms

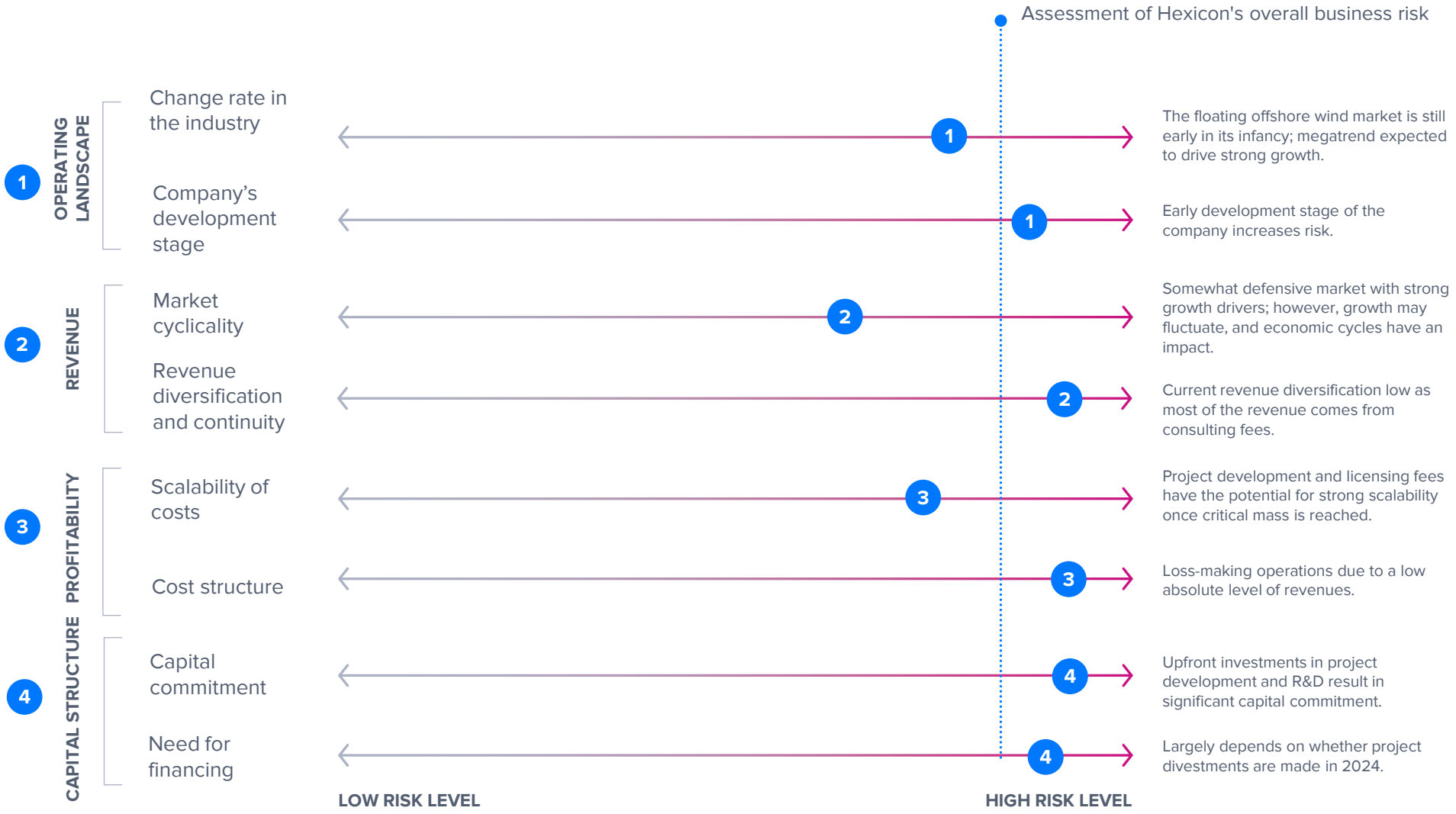
Revenue breakdown (MSEK)



Operating costs structure in 2023
(% of total operating costs)



Risk profile of Hexicon's business model



Source: Inderes

Floating offshore wind 1/3

Offshore wind is a key part of global energy supply

Offshore wind has a history that stretches back more than 20 years and is now a proven and important part of the global effort to move toward clean, renewable energy. Offshore wind as a term encompasses both the traditional bottom-fixed turbines and the newer floating wind turbines. Offshore wind power is a natural extension of its onshore counterpart. As countries run out of land suitable for wind, they have turned to installing turbines offshore. In 2022, total global offshore wind capacity increased by 8,800 MW to 64,300 MW. This represents only 7.1% of total global wind capacity (onshore + offshore). However, the share of offshore wind is expected to increase as the cost of offshore wind continues to decline and the best sites for onshore wind are exhausted. The Global Wind Energy Council (GWEC) expects total offshore wind capacity to increase to 447 GW by the end of 2032. Currently, China (49%), the UK (22%) and Germany (13%) have the largest share of installed offshore wind capacity.

Today, the installed capacity of floating wind power is still modest. According to GWEC a total of 66.4 MW of floating wind was installed in 2022 bringing the global total to just 188 MW. However, the expectations are huge as GWEC expects 10,900 MW of floating wind to be built globally by 2030. In many ways floating offshore wind is the next step in the progression of wind power from onshore to bottom-fixed offshore, and finally to floating. Much the same progress was seen within the oil and gas sector, starting from onshore rigs, progressing to bottom-fixed rigs and eventually floating rigs. And many of the lessons learned along the way have been applied to floating offshore wind.

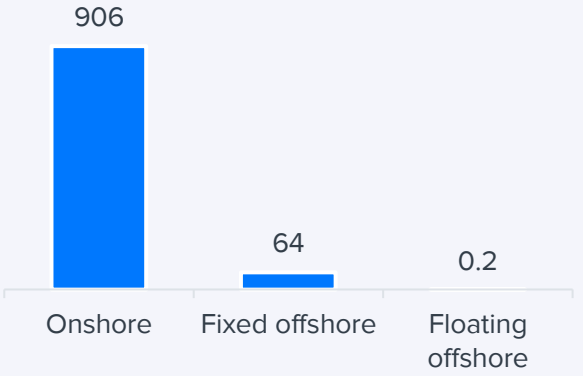
Floating offshore wind

Bottom-fixed offshore wind can only be built in up to about 60 meters of water. This means that there are several places, such as the Mediterranean sea, US west coast, and Japan where fixed offshore wind is not a viable option. It is estimated that 80% of the world's wind resources are in water depths greater than 60 meters. If you want to go to deeper waters, you have to use a floating foundation that is anchored to the seabed. This method makes it possible to build offshore wind turbines at depths of up to 800 meters[1] and significantly further from shore, opening up new sites. Floating also allows stronger and more consistent wind to be captured, resulting in a higher capacity factor[2]. In addition, the available area is much larger, and the floating foundations can be built in port and then transported out to sea.

The main disadvantage of floating wind versus bottom-fixed wind is cost. It is currently more expensive to build and operate floating wind, so costs must come down to compete effectively. However, it is expected that as floating matures and scales up, costs will begin to come down, as has happened with bottom-fixed. However, this will require significant volume and investment to kick-start the commercialization of floating wind.

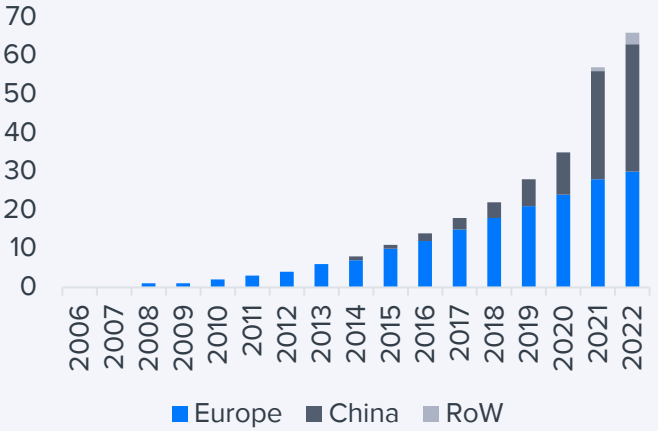
Floating offshore wind began in 2009 when the Norwegian company Equinor installed a single 2.3 MW floating turbine off the coast of Norway. The turbine was installed on a spar foundation with the aim to prove the feasibility of floating wind power. The turbine is still in operation today and has provided valuable real-world data on the behavior of floating turbines. The total capital cost was reported to be USD 31 million/MW[3].

Global wind power capacity per type (GW)



Source: GWEC

Cumulative installed offshore capacity (GW)



Source: GWEC

1) Cowi

2) Equinor

3) Powermag.com

Floating offshore wind 2/3

The next step came in 2017, when Equinor inaugurated the world's first floating wind farm, Hywind Scotland. The farm consists of five 6 MW turbines with a total capacity of 30 MW. Since its inauguration, the wind farm has reached a maximum capacity factor of 57%[1], which is higher than traditional fixed offshore wind, which peaks at around 40%. The total capital cost of the project was significantly reduced to 8.3 MUSD/ MW[1]. Since then, at least three other floating offshore wind farms have been inaugurated:

- WindFloat Atlantic, 25 MW (2020)
- Kincardin Floating, 50 MW (2021)
- Hywind Tampen, 88 MW (2023)

Hywind Tampen remains the largest floating wind farm today, with eleven 8 MW turbines installed on concrete spar foundations for a total capacity of 88 MW. The reported capital cost of the wind farm has further decreased to 8.0 MUSD/MW[1]. This is still significantly higher than fixed offshore wind at 4.6 MUSD/MW[2] and onshore wind at 1.8 MUSD/MW[2]. With the successful implementation of these projects, it is clear that the technical feasibility of floating wind has been proven. Now it's a matter of scaling up the projects to bring costs down so that it can compete effectively with other forms of renewable energy.

Outlook of floating wind power

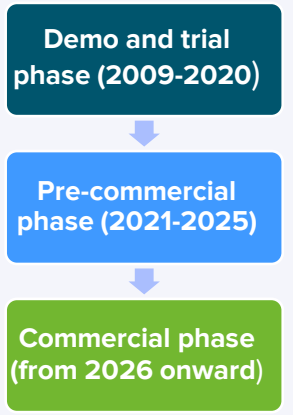
With 80% of the world's offshore wind potential located in waters deeper than 60 meters, floating wind power is expected to grow dramatically in the coming decades. The Global Wind Energy Council expects total capacity to grow to 26 GW by 2032, representing a CAGR of 64%. It is worth noting that the GWEC has recently lowered its estimates due to several factors, including the higher cost of offshore floating wind compared to fixed wind, the current challenging economic conditions for offshore development, and supply chain bottlenecks. As a result, GWEC reduced its 2030 estimate by 42% from its previous estimate. Bloomberg NEF, meanwhile, expects floating wind capacity to grow to 12 GW by 2032 and 25 GW by 2035.

In GWEC's projections, floating wind power will reach the commercial phase in 2026. As a result, absolute growth will pick up mainly towards the end of the current decade. Growth is particularly expected in the following markets: UK, South Korea, China, Portugal and Norway. South Korea has emerged as one of the most promising offshore floating markets, with a staggering potential capacity of 277 GW and 6.7 GW of projects in the permitting pipeline. However, offshore development in South Korea has been slowed by a complex and lengthy permitting process. However, the government is expected to introduce a new 'dual-track' system that could hopefully speed up the process.

Competitive environment

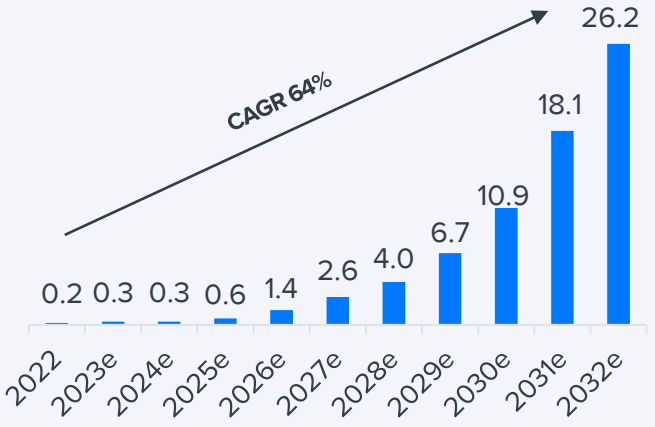
The competitive environment for floating offshore wind development consists of a diverse group of players. This group includes established energy companies such as Equinor, Ørsted and Shell as well as specialized offshore wind developers such as Hexicon, Simply Blue, Principle Power and Blue Float. It should be noted, however, that other developers are not only competitors, but sometimes also partners, as Hexicon's strategy is to develop projects with local and global partners. In addition, collaboration between industry stakeholders, research institutions, governments and local communities is critical to advancing floating offshore wind projects.

Commercialization roadmap for floating offshore wind



Source: GWEC

Projected global floating wind capacity (GW)



Source: GWEC

1) Equinor
2) NREL

Floating offshore wind 3/3

Floating foundations

To access deeper waters with stronger and more consistent winds, a floating foundation is required. Floating foundations eliminate the depth constraints by anchoring to the seabed with multiple mooring lines and anchors. The designs for floating foundations are based on the experience gained from bottom-fixed wind and the oil and gas sectors. In particular, the experience from the oil and gas sector has been valuable in the design of mooring lines, anchors and connectors. Today, there are several different designs for floating foundations, with the four main types being:

1. Tension-leg platform
2. Semi-submersible
3. Barge
4. Spar buoy

Different designs are tailored to specific purposes. For example, certain foundations are optimal for deeper waters, whereas others excel in shallower depths. Additionally, some designs necessitate more labor-intensive production processes, while others demand greater material input.

The construction of the floating foundation typically takes place in specialized yards or facilities, where components are assembled and tested prior to deployment. The foundations are then transported to the deployment site often using specialized vessels capable of handling large and heavy structures. Some foundations such as semi-submersibles can also be towed to the deployment site. Upon arrival at the site, installation begins with the anchoring or mooring of the foundation to the seabed, followed by the mounting of the turbine tower and nacelle assembly. The foundations are typically made of steel and/or concrete. Steel is commonly used for the structural components of the foundation, providing strength and stability. Concrete, meanwhile, is often used in the form of ballast or as part of the floating structure to provide buoyancy and to counterbalance the weight of the turbine and tower.

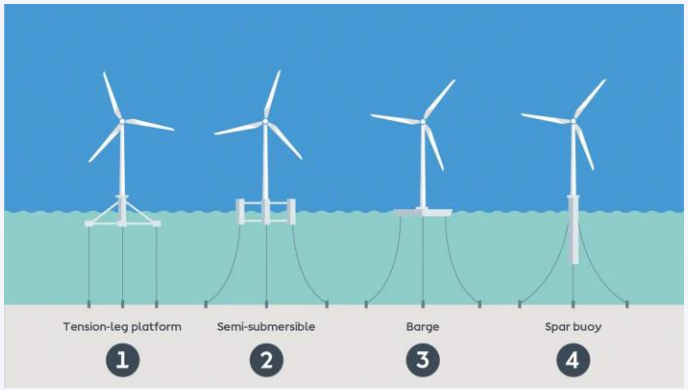
Hexicon's TwinWind design is classified as a semi-submersible foundation. IRENA defines a semi-submersible foundation as "A number of large columns linked by connecting bracings / submerged pontoons". The columns provide the hydrostatic stability, while the pontoons providing additional buoyancy.

The competitive field for TwinWind includes both other semi-submersible foundations and the other foundation types. IRENA lists several technology providers within the semi-submersible foundations space. The first movers include Principle Power with their WindFloat design that was demonstrated in 2011 and Fukushima FORWARD who demonstrated its design in 2023. Other competitors include:

- Ideol (Floatgen)
- Aerodun
- DeepCwind
- Equinor (Wind Semi)

Within the other types of floating foundations competitors include companies such as: Equinor (Hywind), Japan Marine United, Deepwind, SeaTwirl, GICON, and Glsoten Associates (PelaStar).

Floating foundations



Source: Oersted

Semi-submersible pros and cons[1]

Pros:

- Constructed onshore or in a dry dock
- Fully equipped platforms (including turbines) can float with drafts below 10 meters during transport
- Transported to site using conventional tugs
- Lower installed mooring costs

Cons:

- Tendency for higher critical wave-induced motions
- Tends to use more material and larger structures in comparison to other concepts
- Complex fabrication compared with other concepts, especially compared to spar buoys

1) IRENA

Global areas with potential for floating offshore wind

Source: Oersted

Strategy 1/2

Hexicon pursues a dual strategy of developing and commercializing the TwinWind technology and developing floating offshore wind projects. These business areas operate independently, allowing Hexicon to maintain a diversified business model. At the same time, we see potential synergies as project development allows the use of Hexicon's patented technology, which in turn facilitates access to projects and partners.

Partner strategy and early project phases limit the capital commitment

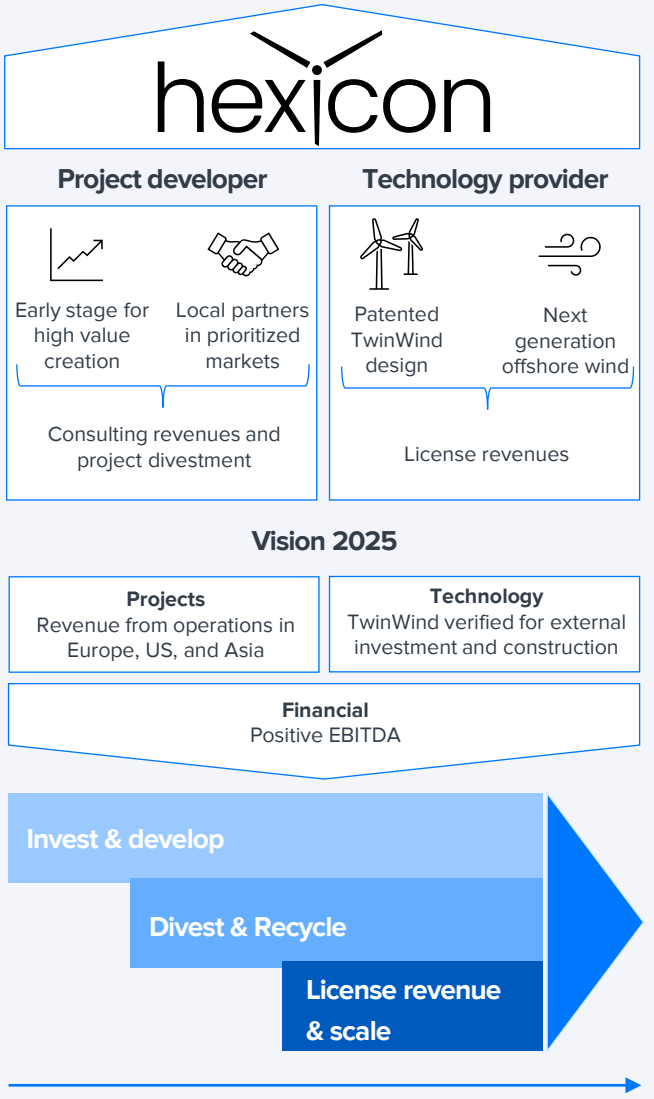
Project development is primarily focused on the early-stage, where potential returns are higher, but risks are greater than in more mature phases. As projects mature, Hexicon seeks to bring in larger partners and gradually reduce its ownership stake as projects approach final investment decisions and major investments. The strategy includes exiting projects before the capital-intensive construction phase. While we recognize that partnering involves profit sharing and impacts overall profitability, we believe it is a strategic approach for Hexicon. As a smaller company, working with partners provides access to expertise and market reach that would be difficult to achieve alone.

In the mid-stage of the long-term strategy

Hexicon envisions value creation unfolding in three stages, each building on the previous. Initially, the company will focus on investing in and developing a diversified portfolio of projects across multiple markets. By 2024, with a substantial project portfolio, Hexicon will enter the next stage of its strategy, which will include not only continued project development but also the sale of existing project shares to increase cash flow. In the third stage, alongside continuing to divest shares of its project portfolio and reinvesting in new projects, the company aims to verify and commercialize the TwinWind technology.

Risk of not reaching positive EBITDA in 2025

Hexicon's Vision 2025 outlines goals in three key areas: Projects, Technology and Finance. For Projects, the goal is to generate ongoing revenue from operations in Europe, Africa, North America and Asia. For Technology, the vision is to have the TwinWind design verified for external investment and construction. Meanwhile, financially, the company is targeting positive EBITDA by 2025. Although we see opportunities to divest certain projects to increase revenues, we believe there is a risk to Hexicon's ability to achieve its financial vision. Factors such as market uncertainty, timing, or unforeseen challenges may pose risks to achieving positive EBITDA by 2025.



Source: Hexicon, Inderes

Strategy 2/2

-2017

Research and early attempts at offshore development

- Focusing on conducting research and development for the TwinWind foundation design
- Entering into collaboration agreements to develop offshore wind power
- Restructuring to secure the company's financial position

2018 - 2023

Focus on floating offshore development

- Agreements to develop floating offshore wind in South Korea, Sweden, UK, Italy, and South Africa signed
- Hexicon listed on Nasdaq First North in Sweden
- TwinHub demonstration project wins a 15-year CfD in the UK
- Development portfolio grows drastically reaching 14,600 MW gross by the end of 2023

2024-

Focus on divestments and development projects

- Hexicon aims to divest projects or part of projects to finance further development projects
- Proving the technological and economical viability of the TwinWind Technology

Must Win Battles in the strategy

Implemented

- Obtained several patents for the TwinWind technology
- Built up a skilled and experienced organization for floating offshore wind development
- Built up a sizable project portfolio
- Progressed with the TwinHub demonstration project

Near future, 1-2 years

- Successfully divest projects or part of projects to shore up financial position
- Continue making progress on development projects
- Prove the viability of the TwinWind technology with the completion of the TwinHub wind farm

The next 5 years

- Continue regular divestments to secure financial position
- Start up new development projects to drive further growth and cash flow
- Successfully commercialize the TwinHub floating foundation

Source: Inderes

Investment profile

1. **The floating offshore market is expected to grow significantly, driven by a megatrend**
2. **Among the first movers in floating offshore wind development**
3. **A large and diversified project portfolio spanning the globe**
4. **Revenue from project divestments has been infrequent and irregular leading to unpredictable revenue development**
5. **Operations are currently loss making and visibility into profitability improvement is low**

Potential

- Value of Hexicon's project development portfolio
- Proprietary TwinWind technology with patents in over 20 countries
- The skill and experience of the organization when it comes to floating offshore development
- Market knowledge and global network of partners
- The floating offshore market expected to grow substantially during this decade

Risks

- Delays in the development projects or projects failing to reach FID
- Unable to divest projects on favorable terms or suitable timing
- Market value of project portfolio deteriorating
- High debt level, somewhat mitigated by the loan structure
- The TwinWind technology not reaching commercial viability

Source: Inderes

Financial position 1/2

Historical financial development

As Hexicon has focused on project development and the development of the TwinWind technology, the last five years have been characterized by low revenues and negative cash flow. This is partly by design, as project development has a long tail, with costs continually booked up front, while any profits are booked at the time of sale. As a result, Hexicon's revenues between 2019 and 2023 have consisted primarily of consulting fees that Hexicon earns from its development projects. The consulting fees have fluctuated between 4-12 MSEK per year. In addition, the company has booked revenue of SEK 11 million for the sale of the majority interest in the Pentland project in Q1'2021.

Because Hexicon has made only received minor revenues from divestments, the company's operating income and net income have been negative since at least 2019. The company's operating costs consist of costs related to the organization and the TwinHub project. As the other development projects are not consolidated, their impact on the income statement is through the line "Result from investments in associates".

Hexicon's investments during the last three years were 48 MSEK in 2021, 189 MSEK in 2022 and 111 MSEK in 2023. The investments consist mainly of investments in the TwinHub project and the other project developments. Together with the loss-making operations, Hexicon's free cash flow (FCF) has been strongly negative during the last three years.

Assets consist mainly of investments into projects

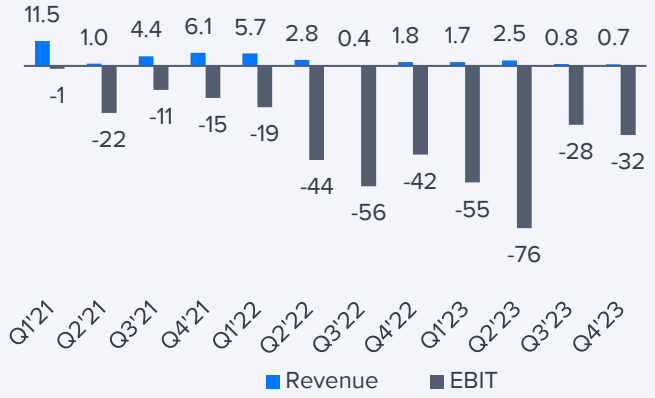
At the end of 2023, the company had total assets of 502 MSEK. The assets consist mainly of intangible assets (158 MSEK), participation in associated companies (156 MSEK), and cash & cash equivalents (121 MSEK). The remaining assets consisted of plant and equipment, right-of-use assets, and other current and non-current assets. The intangible assets are primarily capitalized development expenses related to the TwinHub project. Meanwhile, Hexicon's share of its joint venture projects are booked at cost under the line "Participation in associated companies". This means that the true value of Hexicon's development portfolio is not necessarily reflected in the balance sheet. At the end of 2023, the company held 136 MSEK of participation in associated companies as current assets as the company expects to conduct divestments within the next twelve months.

Liabilities dominate the other side of the balance sheet

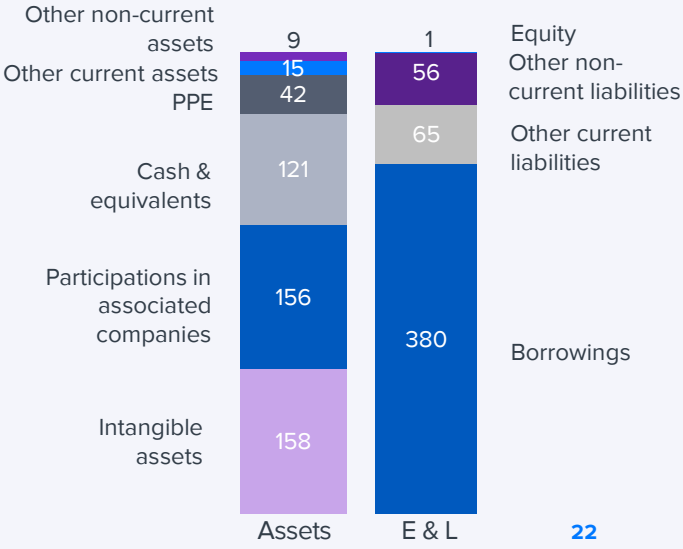
The other side of the balance sheet is split between 1 MSEK (2%) in equity and 500 MSEK (98%) in liabilities. The company has 380 MSEK in interest-bearing debt. The debt primarily consists of a development financing loan from Glennmont Partners. Hexicon also has a 75 MSEK credit facility intended to cover the working capital needs of the company. Repayment of the credit facility, along with accrued interest, is due July 12, 2024. The remaining liabilities consists of provisions, accrued expenses, deferred income, payables, lease liabilities, and other liabilities.

The company also has a contingent consideration of 11 MSEK related to the acquisition of Wave Hub Ltd, which will be paid, if the project reaches final investment decision. In addition, the company has contingent consideration of 41 MSEK, which is recognized in equity. This is related to Hexicon increasing its ownership in the MunmuBaram project in August 2022.

Revenue and EBIT, MSEK



Financial position Q4'23, MSEK



Financial position 2/2

At year-end 2023, Hexicon held 306 MSEK in interest-bearing debt as current. About 20 MSEK of this amount is the credit facility. The remaining part is the Glennmont loan, as Hexicon has booked part of it as current liability, as it expects to make divestments within the next twelve months, at which time part of the loan would be repaid.

Glennmont Partners loan

In May 2023, Hexicon and Glennmont Partners entered into a long-term development financing agreement of up to 45 MEUR (~519 MSEK). The loan has a maturity date of May 31, 2029, with a possible extension. Hexicon also has an option to repay the loan in full or in part at any time. The loan is secured by most of Hexicon's development portfolio (TwinHub, MunmuBaram, AvenHexicon, Freja Offshore). The loan carries a fixed base interest rate of 13.65%[1] (payable on sale events) with a provision for a balanced upside sharing should certain projects achieve valuations in line with targets.

Of the proceeds, 10 MEUR were used to repay Hexicon's outstanding convertible bonds. The remaining 35 MEUR will be used to finance the development of Hexicon's projects. As of year-end 2023, a total of 31 MEUR had been drawn, leaving approximately 14 MEUR remaining.

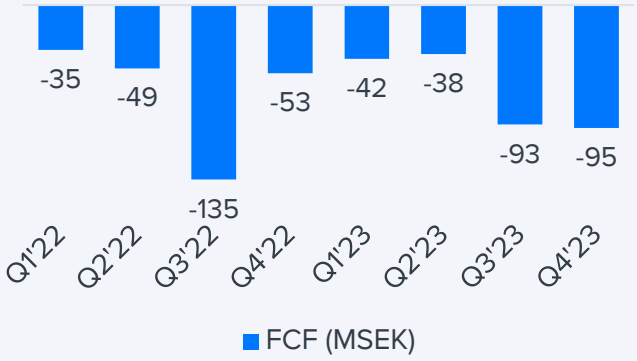
Solidity and liquidity

With an equity to assets ratio of 0.2% and net debt of 259 MSEK, Hexicon's solidity undoubtedly looks strained at first glance. However, it is important to remember that a large part of the company's value is tied up in its project development portfolio. Since development projects are carried at cost, the true value of the projects is not necessarily reflected on the balance sheet. Therefore, if Hexicon is able to sell certain projects or portions of projects, this would provide a cash infusion that would alleviate the situation. If Hexicon is unable to do so, or if Hexicon believes that the timing of a divestiture is unfavorable, additional financing will need to be secured either through debt financing or the issuance of equity.

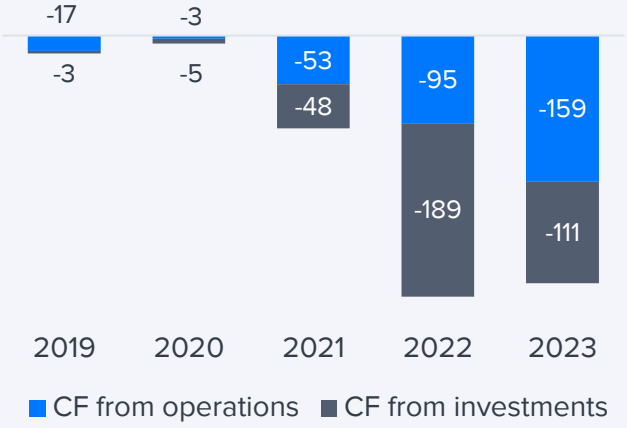
At the end of 2023, Hexicon had 121 MSEK in cash and cash equivalents. Additionally, the company had about 158 MSEK left to draw down from the Glennmont loan, for an estimated total amount of available funds of roughly 279 MSEK. In 2023, Hexicon had an average FCF of -67 MSEK per quarter and a FCF -95 MSEK in Q4'23. At the Q4'23 burn rate, Hexicon's capital requirements would be covered until approximately the second half of the year. However, if we include the 5 MUSD (53 MSEK) downpayment related to Hexicon's purchase of the remaining 80% of the MunmuBaram project, the need for further capital would naturally occur sooner. Additionally, with Hexicon assuming a 100% ownership over the MunmuBaram project the capital investments should increase. However, it is our impression that Hexicon would like to find a new partner for the MunmuBaram project, which would subsequently reduce its financial commitment to the project. Prior to the MunmuBaram transaction, the company stated that its liquidity should be secured until summer 2024.

Hexicon's preferred method of raising cash is through project divestitures. However, should Hexicon be unsuccessful in its divestments in the short term, there is a real risk that any further debt or equity issuance would be on terms unfavorable to shareholders.

Free cash flow
(Operating CF + Investments)



Cash flow development (MSEK)



1) Hexicon 2023 annual report

Estimates 1/3

Revenue estimates consist mainly of project divestments

To estimate Hexicon's revenues, we start by identifying the four types of revenues Hexicon is or will start to generate: consulting fees, project divestments, TwinHub electricity sales, and TwinWind licensing fees. We estimate that consulting fees will grow gradually, but as revenues from the other sources increase, the fees will become an insignificant part.

At the aggregate level, project divestments accounts for the largest share of revenues in our estimates. We assume Hexicon will gradually divest parts of its projects before they reach FID (Final Investment Decision). This requires us to estimate both the divestment price and the FID date unless a target FID date is provided. As there is no guarantee that every project will reach FID, we have assigned a "probability of success" percentage to each project. For the early-stage projects, we multiply the estimated sales price by a 20% probability of success. In other words, we assume that one in five projects will reach FID; however, instead of guessing which projects will be successful, we assume that all projects reach FID, but that only 20% of the sales price will be received from each project. Since most of the revenue in our estimates comes from project sales, the revenue will sometimes vary significantly from year to year depending on the number and size of projects sold in a given year.

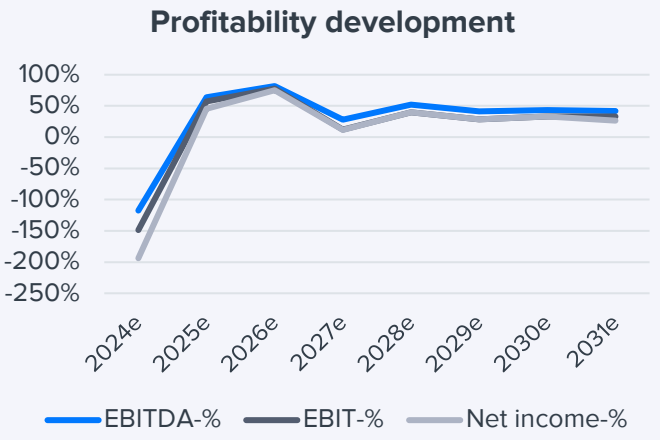
Our estimates assume that when Hexicon divests projects, it will get paid entirely in cash. However, it is likely that the divestments are structured as a combination of upfront cash with performance-based/profit-sharing provisions. A recent example is Hexicon's ongoing purchase of Shell's 80% share in the MunmuBaram project. Hexicon will pay Shell 5 MUSD upfront and up to an additional 50 MUSD depending on a number of parameters. As a result, the structure of future transactions will have a significant impact on Hexicon's revenues and liquidity needs.

Recurring revenue from the TwinHub floating wind farm

Our projection for the TwinHub project is based on the assumption that Hexicon will sell half of the project to raise funds for its completion. Hexicon will then remain a co-owner throughout the operating period and will receive half of the revenues from the sale of the generated electricity. We estimate that with a total capacity of 32 MW and a capacity factor of 40%, the wind farm will generate approximately 112,000 MWh of electricity per year. At the CfD price of 87.3 GBP/MWh (indexed to 2024), this translates to 178 MSEK per year, of which Hexicon would receive half. We anticipate that the TwinHub wind farm will start generating revenue in 2027.

The TwinWind foundation could generate considerable high-margin revenue if its economic and technological viability can be demonstrated and Hexicon successfully commercializes it. With comparable foundations licensed at 0.5-0.7 MSEK per MW, a 1,200 MW wind farm would bring in licensing fees of about 600-840 MSEK. However, at this stage it is difficult to accurately assess the success and timing of TwinWind, and any projections would be based on very weak assumptions. Consequently, we do not estimate any revenues from the TwinWind technology during our forecast period, but include it in our sum-of-the-parts valuation.

Source: Inderes



Source: Inderes

Estimates 2/3

Profitability and investment estimates

Estimating the company's profitability is quite a challenge as a number of the cost items are related to the progress of the JV projects where visibility into the cost development is limited. It is further complicated by the fact that the underlying projects can also capitalize a part of their costs. Additionally, some cost items are related to the TwinHub project, for which there is limited information regarding the project's budget. Once TwinHub becomes operational, we will use estimates derived from NREL to project the operating costs of the wind farm. All in all, we expect Hexicon's operating costs to increase gradually as the early-stage projects progress. With significant revenue growth due to project divestments, the company's EBIT margin is very high in the short to medium term.

The financing agreement with Glennmont also adds some wrinkles to the income statement. Hexicon does not pay current interest on the loan; instead, it accrues and becomes payable upon a sale event. However, the accrued interest is recorded in the income statement. In addition, because portions of the loan are to be repaid as projects are sold, the cash flow will diverge from the income statement as Hexicon begins to divest projects.

With regard to investments, we expect them to increase gradually as the project portfolio matures and the construction of the TwinHub project begins. In reality, the investment level is likely to fluctuate as current projects progress at different rates and as projects are sold and new ones are started. As Hexicon currently has a relatively large project portfolio, we expect them to focus primarily on advancing the current pipeline rather than investing in new projects.

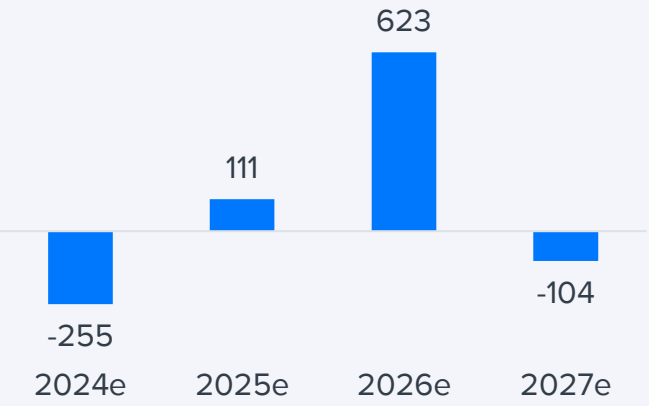
2024 defined by divesting a part of MunmuBaram

For 2024, we estimate that revenues will increase to 80 MSEK (2023: 6 MSEK). Most of the increase is related to our assumption that Hexicon will divest a part of the MunmuBaram project in Q3'24. The timing assumes that Hexicon's purchase of Shell's 80% stake will close in Q2'24. Estimating how much revenue Hexicon will receive from selling a part of the project requires us to make the following assumptions: the share of project divested, the price of said share, and deal structure. Additionally, Hexicon would have a profit-sharing agreement with Shell regarding the MunmuBaram project, which could affect revenues received. Hence, to simplify the process, we assume that Hexicon will divest a modest share (10-20%) of the project for all cash upfront at a valuation in line with what they paid Shell. In reality, Hexicon would probably sell a larger stake, but payments would likely be structured over several years.

As we assume only a modest divestment, Hexicon's operating profit would still be negative 119 MSEK in 2024 (2023: -180 MSEK). We assume that quarterly interest expenses for the year will be in line with the 9 MSEK in Q4 23. Consequently, the net result for the year would be -155 MSEK (2023: -188 MSEK) and EPS would be -0.43 SEK (2023: -0.51 SEK).

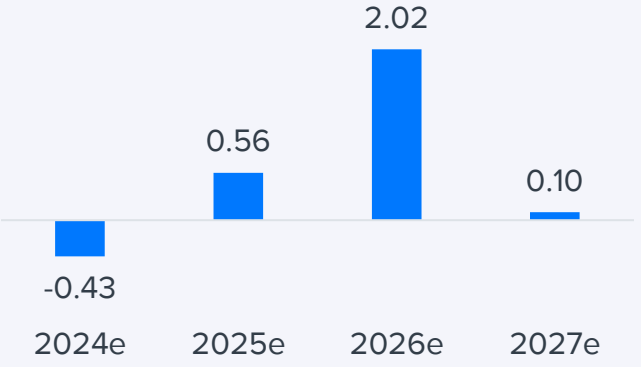
As for investments, we assume that investments in intangible and tangible assets will increase to 57 MSEK (2023: 28 MSEK, 2022: 69 MSEK) as the TwinHub project progresses. We also estimate that Hexicon will invest an additional 90 MSEK (2023: 104 MSEK) in the JV projects. With total investments of about 147 MSEK, our estimate of Hexicon's free cash flow is -255 MSEK.

Free cash flow (MSEK)
(Operating CF + Investments



Source: Inderes

Earnings per share



Source: Inderes

Estimates 3/3

Compared to the 121 MSEK in cash at the beginning of the year, our estimates implicitly assume that Hexicon will need to raise additional financing. Our estimates assume that this will be done through further debt issues. However, an equity issue is also a strong possibility. If Hexicon were to generate significantly more proceeds from the sale of a portion of the MunmuBaram project (either by selling a larger stake and/or at a higher valuation), it may not need to raise additional financing.

Further divestments in 2025 and 2026 increase revenues

We expect Hexicon to continue to divest portions of its project portfolio in 2025 and 2026, driving significant revenue growth. We expect these divestments to be related to MunmuBaram, Pentland and TwinHub. These divestments account for the majority of our revenue estimates of MSEK 453 in 2025 and MSEK 983 in 2026. As in 2024, we make the simplified assumption that Hexicon will receive the entire payment upfront in cash. The strong revenue growth would dramatically increase Hexicon's operating profit to 259 MSEK (57% margin) in 2025 and 763 MSEK (78% margin) in 2026.

Hexicon would still have significant interest expenses (55 MSEK) associated with the Glenmont loan in 2025. Consequently, our net income estimate for 2025 is lower than the operating profit of 205 MSEK. Earnings per share for 2025 would consequently be SEK 0.56. However, as Hexicon's free cash flow turns positive in 2025, we assume they will pay down the loan completely by the end of 2026, leading to an improved net income of 736 MSEK and EPS of 2.02 SEK in 2026.

With total investments of 170 MSEK in 2025 and 160 MSEK in 2026, our estimate for free cash flow comes in at 111 MSEK and 623 MSEK, respectively.

Early-stage projects progressing into late-stage starting in 2027

We continue to assume that Hexicon will continuously divest parts of its projects in 2027 and onwards. At this stage, we assume that the projects currently listed as early-stage will have started to progress into the late-stage. Consequently, Hexicon will begin to divest parts of these projects, generating an ever-more-stable stream of revenue. With the large project portfolio, even if we assume a probability of success of just 20 %, the revenue from project divestments is substantial, albeit somewhat volatile.

We assume that costs will gradually grow as the early-stage projects continue to mature. However, operating expenses are still significantly lower than revenues derived from project divestments. Consequently, Hexicon inhibits a high operating margin over the short and medium term. Such a high margin is not sustainable in the long term but should rather be viewed as Hexicon cashing in on all the expenses accrued over the previous years.

As we near the end of our forecast period, we assume that Hexicon has reached a steady state with continuous divestments and reinvestments into new projects. At this stage, Hexicon's revenues and profits would thus be more stable. At the end of our forecast period, we assume that Hexicon has reached revenues of 555 MSEK and a levelized operating profit margin of 12%. The operating margin aligns with more mature companies involved in project development such as OX2, Voltalia, and PNE.

Income statement

Income statement	2021	2022	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**23.1**	**11.6**	**5.7**	**1.8**	**2.6**	**74.9**	**0.7**	**80.1**	**453**	**983**	**303**
EBITDA	**-45.7**	**-125.6**	**-159.9**	**-45.4**	**-42.2**	**32.6**	**-39.3**	**-94.3**	**289**	**803**	**84.7**
Depreciation	-4.0	-35.5	-20.4	-6.3	-6.3	-6.3	-6.3	-25.0	-30.2	-40.3	-48.4
EBIT (excl. NRI)	**-49.8**	**-161.1**	**-180.3**	**-51.7**	**-48.4**	**26.3**	**-45.5**	**-119.3**	**259**	**763**	**36.3**
EBIT	**-49.8**	**-161.1**	**-180.3**	**-51.7**	**-48.4**	**26.3**	**-45.5**	**-119.3**	**259**	**763**	**36.3**
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-1.2	-9.7	-7.6	-9.0	-9.0	-9.0	-9.0	-36.0	-54.8	-26.9	-1.7
PTP	**-51.0**	**-170.8**	**-187.9**	**-60.7**	**-57.4**	**17.3**	**-54.5**	**-155.3**	**205**	**736**	**34.6**
Taxes	-0.1	0.5	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.1	3.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-51.2**	**-166.9**	**-187.3**	**-60.7**	**-57.4**	**17.3**	**-54.5**	**-155.3**	**205**	**736**	**34.6**
EPS (adj.)	**-0.16**	**-0.46**	**-0.51**	**-0.17**	**-0.16**	**0.05**	**-0.15**	**-0.43**	**0.56**	**2.02**	**0.10**
EPS (rep.)	**-0.16**	**-0.46**	**-0.51**	**-0.17**	**-0.16**	**0.05**	**-0.15**	**-0.43**	**0.56**	**2.02**	**0.10**

Key figures	2021	2022	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	430.3 %	-49.9 %	-50.6 %	5.0 %	5.0 %	9268.7 %	2.9 %	1301.7 %	465.6 %	117.0 %	-69.1 %
Adjusted EBIT growth-%		223.8 %	11.9 %	-5.2 %	-36.2 %	-195.3 %	103.8 %	-33.9 %	-317.4 %	194.0 %	-95.2 %
EBITDA-%	-197.9 %	-1085.1 %	-2798.5 %	-2544.1 %	-1606.5 %	43.4 %	-5340.8 %	-117.7 %	63.9 %	81.6 %	27.9 %
Adjusted EBIT-%	-215.3 %	-1391.8 %	-3156.0 %	-2894.3 %	-1844.6 %	35.1 %	-6191.3 %	-148.9 %	57.2 %	77.5 %	12.0 %
Net earnings-%	-221.7 %	-1442.1 %	-3278.5 %	-3398.5 %	-2187.5 %	23.1 %	-7415.8 %	-193.9 %	45.1 %	74.8 %	11.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**246**	**229**	**351**	**491**	**611**
Goodwill	11.7	11.9	11.9	11.9	11.9
Intangible assets	120	146	161	174	185
Tangible assets	66.2	49.4	67.1	109	142
Associated companies	47.1	19.9	110	195	270
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.7	1.8	1.8	1.8	1.8
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**205**	**272**	**152**	**272**	**455**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	98.2	136	136	136	136
Receivables	20.5	15.5	8.0	90.6	216
Cash and equivalents	86.6	121	8.0	45.3	103
Balance sheet total	**452**	**502**	**503**	**763**	**1066**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**199**	**1.2**	**-154.1**	**50.4**	**786**
Share capital	3.6	3.6	3.6	3.6	3.6
Retained earnings	-388.6	-576.4	-731.7	-527.2	208
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	6.3	-4.4	-4.4	-4.4	-4.4
Other equity	582	579	579	579	579
Minorities	-3.5	-0.7	-0.7	-0.7	-0.7
Non-current liabilities	**63.1**	**129**	**162**	**325**	**55.7**
Deferred tax liabilities	4.1	3.8	3.8	3.8	3.8
Provisions	32.7	33.2	33.2	33.2	33.2
Interest bearing debt	2.1	73.5	106	269	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	24.2	18.7	18.7	18.7	18.7
Current liabilities	**189**	**371**	**496**	**388**	**225**
Interest bearing debt	88.4	306	452	269	0.0
Payables	42.0	36.9	16.0	90.6	197
Other current liabilities	58.8	28.0	28.0	28.0	28.0
Balance sheet total	**452**	**502**	**503**	**763**	**1066**

Valuation 1/6

Valuation summary

To value Hexicon, we will rely primarily on a sum-of-the-parts (SOTP) calculation and a discounted cash flow (DCF) model. We do this because Hexicon's project development business model creates an uneven and unpredictable revenue stream. The SOTP and DCF valuations allow us to consider Hexicon's long-term potential without worrying too much about projecting the exact timing of project sales. The other traditional valuation methods of comparable and multiple valuations are difficult to use because we expect Hexicon's results to be highly volatile in the short term, making it difficult to project level results for the company.

Sum-of-the-parts valuation

We believe that the SOTP valuation is the most appropriate method to determine the value of Hexicon's current operations. We believe that the company's debt-free valuation can be separated into the development of offshore wind projects and the value of the TwinWind technology. In addition, we must subtract the company's net debt and future earn-outs (which are not included in net debt) from the fair value calculation. We have also included corporate overhead costs in our valuation.

Probability-weighted project pipeline

Hexicon currently has a diverse project portfolio consisting of 12 active projects under development with a total gross capacity of 14,600 MW. Hexicon's share of these projects, expressed in MW, is 6,800. However, Hexicon have agreed to purchase the remaining 80% from Shell in MunmuBaram project in early 2024, which we take into consideration in our model. Thus, the net capacity of the project development portfolio amounts to 7,649 MW. We have not included the prospect pipeline (8,900 MW) into our valuation as details such as timetable and ownership structure have yet to be decided, i.e., the visibility into this is very low.

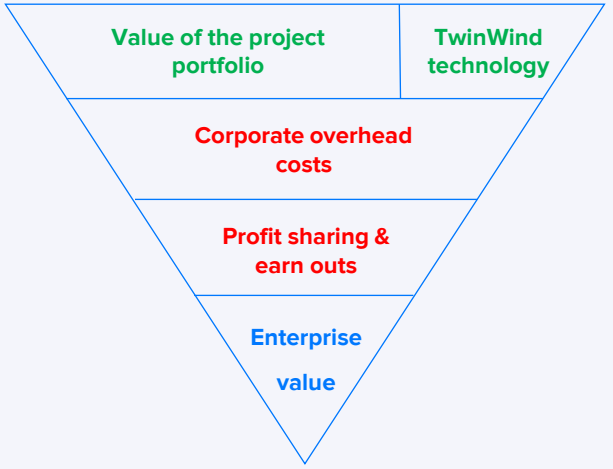
Moreover, the portfolio projects are in the early stages, making it unlikely that the entire portfolio will be fully sold. Consequently, we have defined realization probabilities for projects at each stage, resulting in a probability-weighted project pipeline. Swedish renewable energy developer OX2 estimates that historically, approximately 95% of late-stage projects in the development portfolio have been successfully sold, 75% of mid-stage projects, and 50% of early-stage projects.

OX2's early-stage projects are defined by signed use and lease agreements with landowners, a confirmed strategy for the electricity grid, and ongoing permit application preparations. In contrast, mid-stage projects involve submitted permit applications and initiated wind measurements. Late-stage projects include those that have received preliminary approval and are undergoing final review. Given the current information, it is difficult to directly compare the progress of Hexicon's projects with that of OX2. In addition, we believe that Hexicon's project sales probabilities should be discounted compared to OX2, which has a longer history and more mature onshore wind operations than offshore wind operations. Therefore, we have assigned an average probability of success of 85% for late-stage projects and 20% for early-stage projects.

Factors driving Hexicon's valuation

+ Large and diversified project portfolio
+ MunmuBaram project being in the late-stage
- Wide range in estimating project portfolio value
- Financing risks
- Debt holders claim on cash flow

Sum-of-the-parts valuation



Source: Inderes

Valuation 2/6

It is important to note that the probability-weighted project pipeline represents a snapshot in time and does not account for potential new projects that may be added to the pipeline in the coming years. As a result, this approach does not factor in a terminal value for the company.

Price per MW

In our opinion, Hexicon's value is mainly derived from its ownership in the development projects. Hence, the key question is how to value these projects. As the projects are kept at cost in the balance sheet, the figures found here are of limited use. We therefore turn to valuing the underlying projects by assigning a price per MW. In order to arrive at an appropriate price per MW, we need to take into account the differences between the projects, mainly in terms of where they are in the development cycle. As projects progress, their value increases, so there can be a large difference between similar projects depending on how early/late in the development cycle they are. To determine an appropriate price per MW, we primarily used the following three sources: the 2017 Deloitte report, Hexicon's indicative values based on previous transactions, and our own data from previous offshore wind farm transactions.

We examined approximately 20 precedent offshore wind farm transactions across different stages from 2018 to 2024. For early-stage projects, the price per MW ranges from 0.1 MSEK/MW to 2.10 MSEK/MW, with a median of 1.1 MSEK/MW, closely aligning with Hexicon's indicative values (median of 1.3 MSEK/MW), which are also based on past transactions.

For late-stage projects, the price per MW based on earlier transactions ranges from 0.6 MSEK/MW to 6.7 MSEK/MW, with a median of 3.8 MSEK/MW. This is lower than Hexicon's indicative value based on earlier transactions (median of 6.8 MSEK/MW), but higher than Deloitte's 2017 report (2.3 MSEK/MW). It is worth noting that the price per MW depends on several factors, such as the development stage of the project. For instance, a fully constructed project typically commands a higher price per MW since it includes costs for wind turbines in the selling price, though the margin is often lower.

In our model, we use a range of 1.45-1.65 MSEK/MW to determine the value of the development portfolio. At first glance, this may seem high since Hexicon agreed to purchase the remaining 80% stake in the MunmuBaram project from Shell in early 2024, which corresponds to 0.6 MSEK/MW (including a maximum earn-out of 50 MUSD). However, we anticipate that the company will divest its projects in different portions and at varying development stages and prices. For example, if the company were to sell the entire project now, the price per MW would likely be lower.

From our assessment and prior transactions, we make a simplified assumption that the average EBIT effect of project sales is approximately 70-90% (or 1.0-1.5 EBIT/MW). We believe returns may be higher than this, but due to Hexicon's brief history, this level seems reasonable. We also use a 20% tax rate in the calculation.

Time value of divestments

In addition, we believe it is important to account for the time value of sales in the calculation. Hexicon's strategy, in our understanding, is to gradually divest its stakes as the projects progress. Hexicon aims to fully divest its ownership before a project enters the construction phase.

Revenue of early-stage projects

Impact of change in price/MW and share of completed projects

Price/MW (MSEK)	Share of completed projects-%				
	10%	20%	30%	40%	50%
0.10	65	130	194	259	324
0.30	194	389	583	778	972
0.60	389	778	1,167	1,556	1,945
0.90	583	1,167	1,750	2,334	2,917
1.20	778	1,556	2,334	3,111	3,889
1.50	972	1,945	2,917	3,889	4,862
1.80	1,167	2,334	3,500	4,667	5,834
2.10	1,361	2,722	4,084	5,445	6,806
2.40	1,556	3,111	4,667	6,223	7,778

Revenue of late-stage projects

Impact of change in price/MW and share of completed projects

Price/MW (MSEK)	Share of completed projects-%				
	10%	20%	30%	40%	50%
0.60	70	140	210	280	350
1.30	152	303	455	607	759
2.00	233	467	700	934	1,167
2.70	315	630	945	1,260	1,575
3.40	397	794	1,190	1,587	1,984
4.10	478	957	1,435	1,914	2,392
4.80	560	1,120	1,680	2,241	2,801
5.50	642	1,284	1,926	2,567	3,209
6.20	724	1,447	2,171	2,894	3,618

Source: Inderes

Valuation 3/6

For projects without a specific target for final investment decision (FID), we assume it takes approximately 7-9 years for a project to move from inception to FID, with gradual divestment occurring throughout the development process. Given the company's limited track record, this conservative distribution of sales seems justified.

Present value of project portfolio

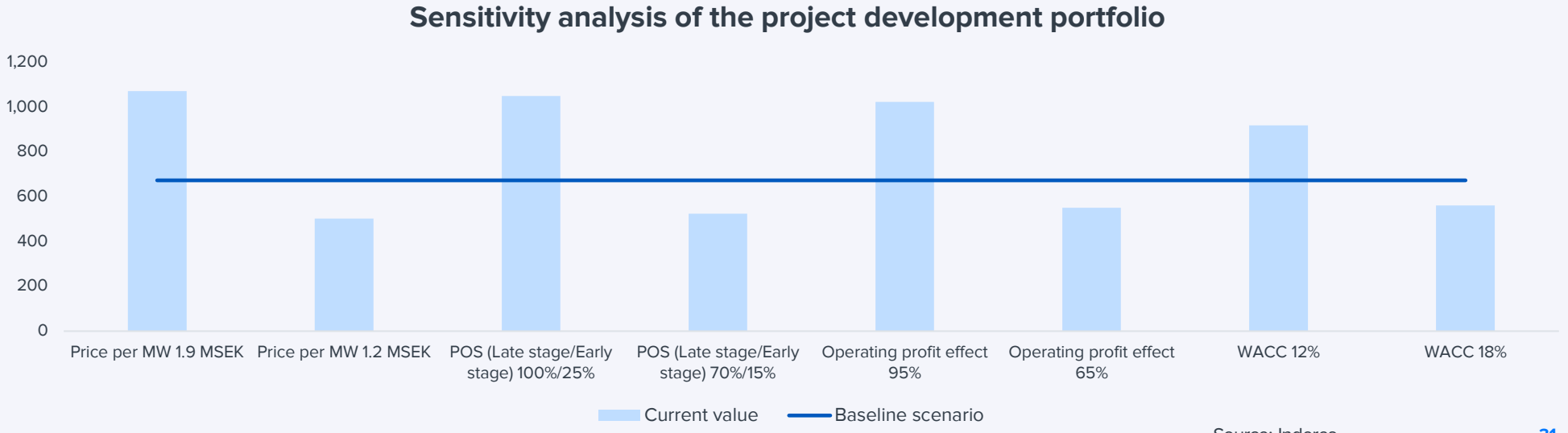
When discounting the project development portfolio, we use Hexicon's weighted average cost of capital (WACC 15%). In addition, we consider the profit-sharing arrangement related to MunmuBaram of up to 50 MUSD and the possible future earnout of 11 MSEK related to Wavehub, which is contingent on the project reaching FID. Since it is difficult to predict whether projects will achieve the various milestones required for these earnouts, we multiply them by the same probabilities mentioned earlier to maintain consistency.

Based on this overall approach, we estimate the present value of Hexicon's share of the probability-weighted development portfolio is around 1,100-1,200 MSEK or SEK 1.6-2.1 per share.

Sensitivity analysis of the project portfolio

In the sensitivity analysis below, we have changed the estimate parameters of our baseline scenario one by one, which allows us to consider different scenarios in the key assumptions (incl. Price/MW, share of completed projects, project sales effect on profitability and WACC). However, the sensitivity analysis should be viewed critically, as just one parameter changing is unlikely.

From the sensitivity analysis, we see that the value reacts strongly to all parameters, especially price/MW, EBIT-% and probability of sale-%. In our opinion, we believe that the most significant upside in our baseline scenario would come from the sales-based parameters, i.e., price/MW and POS-%. We believe this is natural given the wide ranges and high uncertainty.



Source: Inderes

Valuation 4/6

This overall picture is a good indication of how sensitive the calculation is to the assumptions made, and the range of the final result is very wide. Overall, however, we believe it is worth noting that the present value of the project portfolio can rise above the current baseline scenario in several different ways.

Sum-of-the-parts under baseline scenario

We value the TwinWind technology at book (Inderes estimate: ~158 MSEK) as commercialization is still years away and the financial impact and profitability are very difficult to estimate at this time.

By also discounting group overhead costs to present value using the average cost of capital (WACC: 15%) and considering the net debt, we determine the current equity value to be approximately 128-277 MSEK or SEK 0.35-0.76 per share. A more detailed calculation regarding the sum-of-the-parts can be found on the following page.

DCF estimates include high uncertainty

We also value Hexicon using a DCF model, which assumes the current project portfolio will be divested as the projects approach final investment decisions (FID). However, it is currently challenging to estimate when the projects will be divested and at what price, which can impact the value of the DCF. For instance, we estimate that most of the MunmuBaram project will be divested in 2026, significantly increasing free cash flow. However, if the project is sold later, it would also have a notable effect on the DCF value, given the high cost of capital. Despite these uncertainties, we believe the DCF somewhat illustrates the company's long-term potential, as it factors in a terminal value. However, as previously mentioned, the model does not consider the long-term potential of the TwinWind Technology.

Our cash flow model is based on our long-term assumptions discussed in the Estimates section. We expect revenue growth for the terminal period to be 2% and we have set our EBIT margin at 12%. The weight of the terminal period is low at 7%, as a result of that most of the value creation in our model is related to the divestments of current project portfolio. Furthermore, we use a weighted average cost of capital (WACC) of 15% and a cost of equity at 17%, which we believe is reasonable levels for a high-growth company with relatively binary outcomes.

Our DCF model indicates an equity value of 213 MSEK or 0.58 per share. We point out, however, that our DCF model is based on the company's current number of shares, although it is plausible that the company will need equity financing to carry out the growth investments (i.e., we expect the number of shares to increase without any large successful divestments).

The increase in the number of shares can also be significant if the financing needs are within our 160-180 MSEK estimate range and the price is around the current share price. As previously stated, however, if Hexicon received substantially more revenues from selling a part of the MunmuBaram project (either by selling a larger share and/or selling at a higher valuation), they might not need to raise further financing. At this point we can not estimate the form and cost of the required financing, thus our model is based on the company's current number of shares. We therefore believe that a certain discount must be applied to the DCF value until the visibility improves. We have used a sensitivity analysis to outline the required capital and potential increase in the number of shares with different share prices.

Impact on potentially raised equity and share price on number of new shares

Increase in number of new shares-%

Share price (SEK)	Raised equity (MSEK)				
	140	160	180	200	220
0.40	96%	110%	124%	137%	151%
0.45	86%	98%	110%	122%	134%
0.50	77%	88%	99%	110%	121%
0.55	70%	80%	90%	100%	110%
0.60	64%	73%	82%	92%	101%
0.65	59%	68%	76%	85%	93%
0.70	55%	63%	71%	79%	86%
0.75	51%	59%	66%	73%	81%
0.80	48%	55%	62%	69%	76%

Baseline scenario SOTP value (SEK per share)

Source: Inderes

Sum-of-the-parts valuation

Distribution of income over the years (MSEK)	1	2	3	4	5	6	7	8	9
Years	2024	2025	2026	2027	2028	2029	2030	2031	2032
Income from project sales	43	258	565	124	232	199	234	258	157
Distribution of income	**43**	**258**	**565**	**124**	**232**	**199**	**234**	**258**	**157**

WACC-%	15%
PV	1,152
Profit sharing & earn out	-473
PV value of overhead costs	-376
Net debt	259
Value of TwinWind technology	158
Equity value	203
Value per share (SEK)	**0.56**

Parameters	Project portfolio
Net capacity (MW)	7,649 MW
MSEK/MW	1.45-1.65
EBIT-%	70-90%
Tax rate-%	20%
Probability of success-% (Late stage/Early stage)	85/20%
Value of the project development portfolio (MSEK)	**2,074**

Impact of change in price/MW on valuation per share

Average Price/MW (MSEK)	PV of project portfolio	Value of TwinWind	Earn-out & group costs	Net debt	Price per share
1.35	1,003	158	-849	259	0.15
1.45	1,078	158	-849	259	0.35
1.55	1,152	158	-849	259	0.56
1.65	1,226	158	-849	259	0.76
1.75	1,300	158	-849	259	0.97
1.85	1,375	158	-849	259	1.17
1.95	1,449	158	-849	259	1.37
2.05	1,523	158	-849	259	1.58
2.15	1,598	158	-849	259	1.78
2.25	1,672	158	-849	259	1.99

Source: Inderes

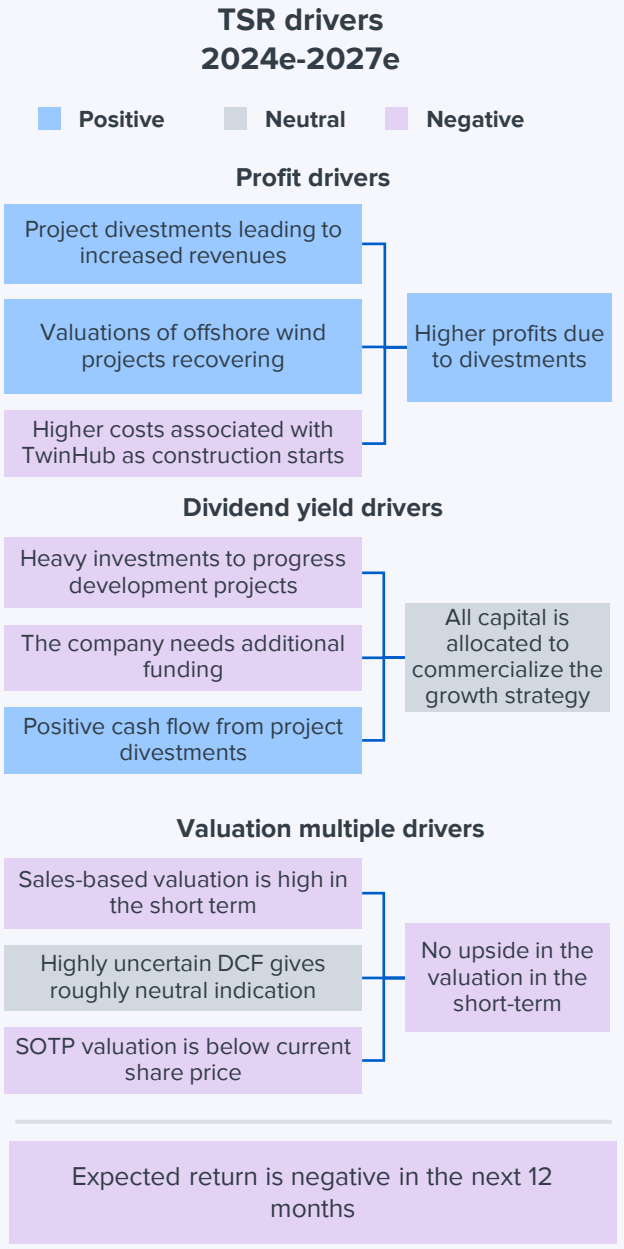
Valuation 6/6

Valuation summary

Hexicon's valuation is based on assumptions that are subject to a high degree of uncertainty. Despite the use of precedent offshore wind transactions and the application of a SOTP valuation as well as a DCF model, it remains subject to unforeseeable factors. We believe that the DCF model, which is roughly in line with the current share price, is a good reflection of current market expectations. We give more weight to the sum-of-the-parts valuation as it relies on fewer uncertain assumptions, even though it does not include a terminal value. Furthermore, we believe that a more conservative valuation approach is justified at the current stage of the company's development.

In our view, the fair value range is around 0.40-0.75 per share. Despite good growth prospects and value-creating growth, we do not believe that there is sufficient upside in the valuation to bear the risk and uncertainty. In addition, the high debt burden increases risks and hampers cash flow development over the next few years. Moreover, absolute sales-based valuation multiples are high in the near term (2024 EV/S: 9.6x). Looking out to 2025, the valuation picture looks slightly more attractive than in the short term, but the forecast risk is also higher as the time horizon is longer. In addition, as mentioned above, multiples are difficult to apply as we expect Hexicon's sales to be highly volatile over the forecast period, making it difficult to project the company's levelized sales.

We are looking for clear actions from the company to establish large-scale operations that can reduce the risk associated with the share price by improving the visibility into growth and achieving positive cash flows. This would also lower risk required rate of return and hence probably affect positively to the acceptable valuation. Specifically, this would involve progressing current projects to reach the final investment decision (FID), increasing sales from the existing project portfolio, commercializing the TwinWind technology, and securing financing for at least the medium term. Thus, we initiate our coverage of Hexicon with a Reduce recommendation and a target price of SEK 0.56 per share.



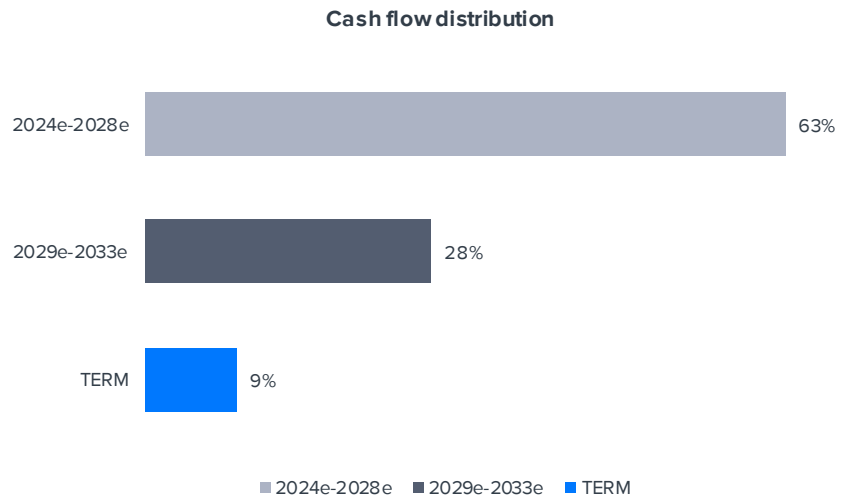
Source: Inderes

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-50.6 %	1301.7 %	465.6 %	117.0 %	-69.1 %	63.6 %	-11.4 %	12.4 %	6.4 %	3.5 %	2.0 %	2.0 %
EBIT-%	-3156.0 %	-148.9 %	57.2 %	77.5 %	12.0 %	39.7 %	28.5 %	32.8 %	32.8 %	15.0 %	12.0 %	12.0 %
EBIT (operating profit)	**-180.3**	**-119.3**	**259**	**763**	**36.3**	**197**	**125**	**162**	**173**	**81.6**	**66.6**	
+ Depreciation	20.4	25.0	30.2	40.3	48.4	60.9	55.3	50.9	47.6	45.0	43.1	
- Paid taxes	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-35.6	-16.8	-13.7	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-68.4	-13.4	-8.0	-19.7	-10.7	-19.3	-3.1	-6.6	-3.8	-2.2	-1.3	
Operating cash flow	**-228.1**	**-107.7**	**281**	**783**	**74.0**	**239**	**178**	**206**	**181**	**108**	**94.7**	
+ Change in other long-term liabilities	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-30.6	-57.1	-85.2	-85.2	-113.3	-39.1	-39.1	-39.1	-39.1	-39.1	-39.1	
Free operating cash flow	**-263.8**	**-164.8**	**196**	**698**	**-39.2**	**200**	**139**	**167**	**142**	**68.6**	**55.6**	
+/- Other	0.0	-90.0	-85.0	-75.0	-65.0	-60.0	-55.0	-48.0	-45.0	-40.0	-35.0	
FCFF	-263.8	-254.8	111	623	-104.2	140	83.5	119	96.8	28.6	20.6	163
Discounted FCFF		**-232.2**	**88.3**	**430**	**-62.7**	**73.1**	**38.0**	**47.3**	**33.4**	**8.6**	**5.4**	**42.8**
Sum of FCFF present value		472	704	616	186	249	176	138	90.2	56.8	48.2	42.8
Enterprise value DCF		**472**										
- Interest bearing debt		-379.8										
+ Cash and cash equivalents		121										
-Minorities		-0.9										
-Dividend/capital return		0.0										
Equity value DCF		**213**										
Equity value DCF per share		**0.6**										

WACC	
Tax-% (WACC)	20.6 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	8.0 %
Equity Beta	2.00
Market risk premium	4.75%
Liquidity premium	5.00%
Risk free interest rate	2.5 %
Cost of equity	**17.0 %**
Weighted average cost of capital (WACC)	**14.9 %**

Source: Inderes



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			3.00	1.46	0.69	**0.60**	**0.60**	**0.60**	**0.60**
Number of shares, millions			315.3	363.8	363.8	**363.8**	**363.8**	**363.8**	**363.8**
Market cap			1091	530	252	**218**	**218**	**218**	**218**
EV			803	524	421	**769**	**708**	**115**	**221**
P/E (adj.)			neg.	neg.	neg.	**neg.**	**1.1**	**0.3**	**6.3**
P/E			neg.	neg.	neg.	**neg.**	**1.1**	**0.3**	**6.3**
P/FCF			neg.	neg.	neg.	**neg.**	**2.0**	**0.4**	**neg.**
P/B			3.4	2.6	>100	**neg.**	**4.3**	**0.3**	**0.3**
P/S			47.2	45.8	44.1	**2.7**	**0.5**	**0.2**	**0.7**
EV/Sales			34.8	45.3	73.6	**9.6**	**1.6**	**0.1**	**0.7**
EV/EBITDA			neg.	neg.	neg.	**neg.**	**2.4**	**0.1**	**2.6**
EV/EBIT (adj.)			neg.	neg.	neg.	**neg.**	**2.7**	**0.2**	**6.1**
Payout ratio (%)			0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%			0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

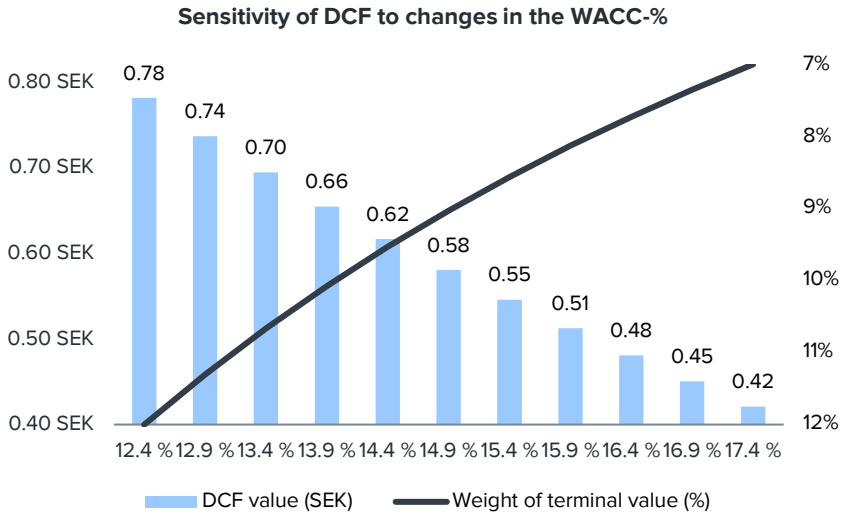
Source: Inderes

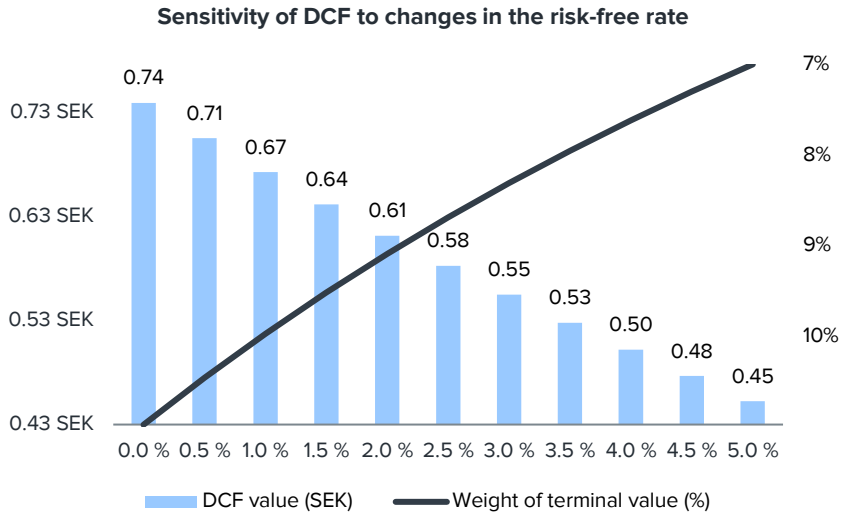
Peer group valuation

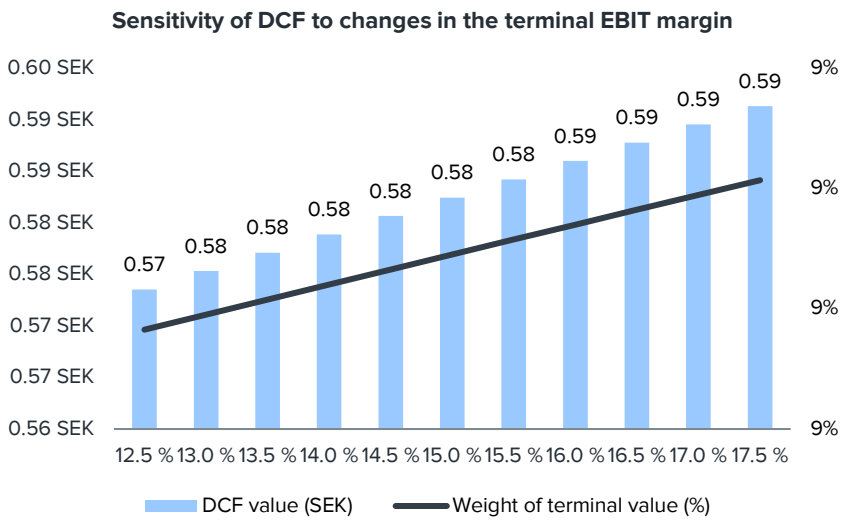
Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
OX2	952	709	6.9	4.6	6.7	4.4	0.8	0.5	10.4	7.1			2.0
Eolus Vind	152	168	5.4	5.1	5.2	4.9	1.7	1.5	6.6	6.2	3.7	4.0	1.0
Arise	147	194	11.3	8.9	8.3	6.8	4.5	3.7	9.7	7.4	3.5	3.9	0.8
PNE	1033	1705	93.3	52.3	32.9	24.3	8.3	7.1			0.3	0.3	4.4
Enersense	58	94	13.5	9.2	5.2	4.6	0.2	0.2		38.9	1.4	2.9	1.3
Hexicon (Inderes)	**19**	**65**	**-6.4**	**2.7**	**-8.2**	**2.4**	**9.6**	**1.6**	**-1.4**	**1.1**	**0.0**	**0.0**	**-1.4**
Average			**26.1**	**16.0**	**11.6**	**9.0**	**3.1**	**2.6**	**8.9**	**14.9**	**2.2**	**2.8**	**1.9**
Median			**11.3**	**8.9**	**6.7**	**4.9**	**1.7**	**1.5**	**9.7**	**7.2**	**2.5**	**3.4**	**1.3**
Diff-% to median			***-157%***	***-69%***	***-222%***	***-50%***	***465%***	***6%***	***-115%***	***-85%***	***-100%***	***-100%***	***-213%***

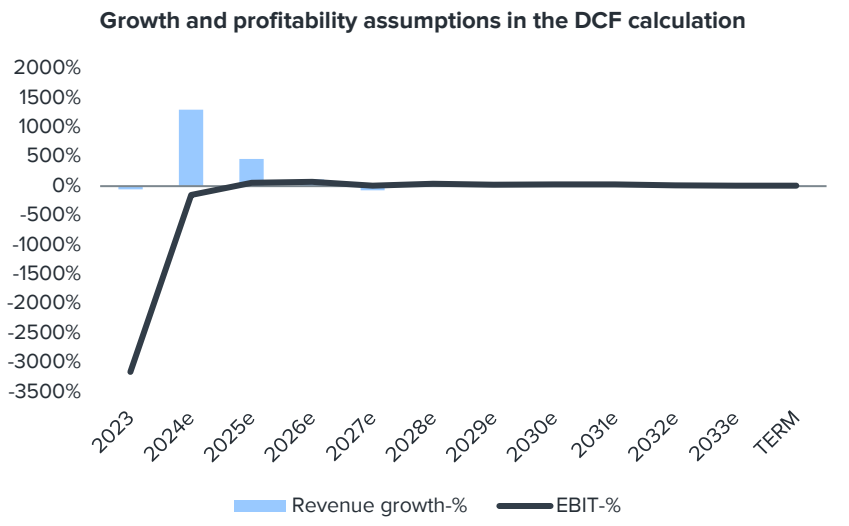
Source: Refinitiv / Inderes

DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	23.1	11.6	5.7	**80.1**	**453.0**
EBITDA	-45.7	-125.6	-159.9	**-94.3**	**289.5**
EBIT	-49.8	-161.1	-180.3	**-119.3**	**259.3**
PTP	-51.0	-170.8	-187.9	**-155.3**	**204.5**
Net Income	-51.2	-166.9	-187.3	**-155.3**	**204.5**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	432.2	451.6	501.6	**503.1**	**763.1**
Equity capital	322.8	199.3	1.2	**-154.1**	**50.4**
Goodwill	11.4	11.7	11.9	**11.9**	**11.9**
Net debt	-287.7	3.9	258.6	**549.5**	**493.0**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	-45.7	-125.6	-159.9	**-94.3**	**289.5**
Change in working capital	13.3	-55.6	-68.4	**-13.4**	**-8.0**
Operating cash flow	-28.1	-181.1	-228.1	**-107.7**	**281.5**
CAPEX	-129.0	-101.5	-30.6	**-57.1**	**-85.2**
Free cash flow	-95.0	-287.8	-263.8	**-254.8**	**111.3**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	34.8	45.3	73.6	**9.6**	**1.6**
EV/EBITDA (adj.)	neg.	neg.	neg.	**neg.**	**2.4**
EV/EBIT (adj.)	neg.	neg.	neg.	**neg.**	**2.7**
P/E (adj.)	neg.	neg.	neg.	**neg.**	**1.1**
P/B	3.4	2.6	>100	**neg.**	**4.3**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	-0.16	-0.46	-0.51	**-0.43**	**0.56**
EPS (adj.)	-0.16	-0.46	-0.51	**-0.43**	**0.56**
OCF / share	-0.09	-0.50	-0.63	**-0.30**	**0.77**
FCF / share	-0.30	-0.79	-0.73	**-0.70**	**0.31**
Book value / share	1.02	0.56	0.01	**-0.42**	**0.14**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	430%	-50%	-51%	**1302%**	**466%**
EBITDA growth-%	157%	175%	27%	**-41%**	**-407%**
EBIT (adj.) growth-%	39%	224%	12%	**-34%**	**-317%**
EPS (adj.) growth-%	-15%	182%	12%	**-17%**	**-232%**
EBITDA-%	-197.9 %	-1085.1 %	-2798.5 %	**-117.7 %**	**63.9 %**
EBIT (adj.)-%	-215.3 %	-1391.8 %	-3156.0 %	**-148.9 %**	**57.2 %**
EBIT-%	-215.3 %	-1391.8 %	-3156.0 %	**-148.9 %**	**57.2 %**
ROE-%	-24.7 %	-63.5 %	-183.1 %	**204.9 %**	**-399.9 %**
ROI-%	-23.9 %	-52.4 %	-53.8 %	**-30.4 %**	**52.3 %**
Equity ratio	74.7 %	44.1 %	0.2 %	**-30.6 %**	**6.6 %**
Gearing	-89.1 %	2.0 %	21424.1 %	**-356.6 %**	**977.2 %**

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Date	Recommendation	Target	Share price
2024-04-30	Reduce	0.56 SEK	0.60 SEK

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