

Update: Report Q3 2023

2023-11-09

Movinn: Working on portfolio optimisation

- Downsizing of 13 units in Aarhus
- Soft launch of six units in Ludvika, Sweden
- We lower our fair share estimate to DKK 7.85 per share

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Ticker: MOVINN
Industry: Hospitality
Listed on: First North Copenhagen
Latest share price (DKK): 2.30
Market cap (MDKK): 38.5
Enterprise Value (MDKK): 51.5
Total number of shares (M): 16.74
- of which free float (M): 2.82

VHCF fair value per share

DCF model DKK 7.85

Movinn A/S

Address: Dronningens Tværgade 9b
DK-1302 Copenhagen K
Webpage: movinn.com
CEO: Patrick Blok

Main owners (28 Mars 2023)

	Capital (%)
Mac-Invest ApS	55.7%
Raymond Blok Holding ApS	16.6%
Dane Capital ApS	10.8%
HSBC Trinkhaus and Burkhardt AG	5.3%

Stock price history (DKK)



	-1m	-3m	-12m
Change (%)	-7.3	-49.1	-48.4
52 wk range (Low/Hi) - DKK	1.98 / 7.14		

Source: Västra Hamnen Corporate Finance

Movinn's Q3 report was mostly in line with our expectations, reflecting another rather weak quarter. During the quarter Movinn signed a long-term master lease agreement of 94 units in Copenhagen which we described more thoroughly in our [last research update](#). The company continued to experience lower demand in Denmark, prompting a downsizing in Aarhus. In Sweden, the company announced a soft launch in the city of Ludvika with six added units. The company revised its guidance downwards for 2023 and we have made some model adjustments. We have made changes regarding CAPEX, along with short-term adjustments regarding vacancy rates and gross margins, resulting in a fair value estimate of DKK 7.85 per share from previously DKK 9.58.

The main news for the quarter regards the continued weaker-than-wanted performance in the secondary Danish markets Aarhus and Odense. Due to an oversupply of housing in Aarhus, the company has decided to downsize 13 units. As explained in our previous update, the company experienced some correlation in the client portfolio leading to lower demand also in Odense. In Odense however, the company believes in a future increase in demand and has thus not made any downsizing there.

In the Q3 web conference, CEO Patrick Blok expressed a positive view of the future. Our model still suggests an upside in the valuation compared to the current market cap. A key factor refers to Movinn's vacancy rates which drive the profit margins. We believe the company will be able to improve these metrics, however, we remain rather conservative in our short-term estimates. We do not expect vacancy rates to return to more normal levels of 10 per cent until late 2024.

Table 1: Financial Overview

MDKK	2021	2022	2023e	2024e	2025e
Net turnover	56.1	73.3	82.0	89.7	112.8
Growth (%)	55.8%	30.7%	11.8%	9.4%	25.8%
Gross margin (%)	25.4%	26.1%	21.8%	24.6%	28.5%
EBIT	1.8	-0.5	-5.3	-2.7	6.3
EBIT margin (%)	3.4%	neg	neg	neg	5.6%
Cash holdings	23.6	13.2	6.8	2.1	3.3
Total assets	60.2	58.1	51.2	46.5	48.9
Total equity	29.1	26.5	21.1	18.3	22.6
Solidity (%)	48.2%	45.6%	41.3%	39.2%	46.1%
P/E	neg	neg	neg	neg	8.9
ROE	neg	neg	neg	neg	19.1%
EV/EBIT (x)	29.3	neg	neg	neg	8.1
EV/Sales (x)	0.9	0.7	0.6	0.6	0.5

Source: Västra Hamnen Corporate Finance

Downsizing in Aarhus

The downsizing in Aarhus serves two main purposes; firstly, it is supposed to improve the deployment of capital and assets which should lead to increased revenues. Secondly, it will enable the company to prioritise its main markets and reduce costs. The downsizing is estimated to lead to annual cost savings of DKK 1.7 million, and the existing FFE/operating equipment will be allocated to markets with higher demand such as Copenhagen and Ludvika. This should enable the company to generate increased revenue in existing markets without incurring significant investments. The company describes this as an effective strategy that could be used further in the future, they do however emphasise that it deteriorates some of their relationships with long-term real estate partners and will therefore try to avoid it going forward.

Swedish operations to break even in 2023

On a more positive note, the Swedish operations are developing according to plan and closing in on break even. The vacancy rate of the quarter amounted to 3.6 per cent, significantly lower than the vacancy rate of the first half year of 2023 of 23.5 per cent. The Swedish operations reported revenues of DKK 1.5 million and EBITDA of DKK -46 thousand. The company expects the Swedish operations to break even in 2023. Looking ahead, the strategy in Sweden will include smaller unit additions in both the existing markets (Malmö and Lund) and in the new market of Ludvika.

Soft launch of six units in Ludvika

During the quarter the company announced a soft launch in a third Swedish market, Ludvika. The initial launch included six units with the potential of adding more. Although Ludvika might not seem like the obvious choice for a new market, the company sees a strong demand in the city. The plan is to manage the operation in Ludvika from Movinn's office in Stockholm. As supply remains limited in Ludvika, we believe that the company can add additional units to its portfolio without negatively affecting the low vacancy rates in Sweden.

Financials in line with our expectations

Turning to the financials of the quarter, Table 2 below depicts the differences between our estimates and the outcome. All in all, the reported numbers were in line with our expectations. Net revenue came in slightly higher than expected, and the increase was offset by an almost equal increase in COGS, meaning a slightly lower gross margin than expected. Cash holdings came in at DKK 500 thousand higher than expected, mainly due to less cash being tied in working capital.

Table 2: Estimates vs actual, Q3 '23

TDKK	Q3 '22	Q3 '23e	Q3 '23a	Diff
Net Revenues	19 436	20 713	21 169	456
Other operating income	0	0	0	0
Total Revenues	19 436	20 713	21 169	456
Cost of Goods Sold	-14 050	-16 156	-16 590	-434
Gross Profit	5 386	4 557	4 579	22
Other Operating Expenses	-1 104	-1 470	-1 224	246
Personnel Expenses	-2 165	-3 146	-3 364	-218
Total OPEX	-3 269	-4 615	-4 588	27
EBITDA	2 117	-59	-9	50
Amortisation and Depreciation	-1 294	-1 311	-1 477	-166
EBIT	823	-1 370	-1 486	-116
Net Financial Items	-221	-312	-293	19
EBT	602	-1 682	-1 779	-97
Tax	-156	370	293	-77
Net Profit	446	-1 312	-1 486	-174
Cash and Equivalents	17 249	8 616	9 123	508
Total Equity	29 864	22 774	22 646	-128

Source: Västra Hamnen Corporate Finance

Movinn revised down its 2023 guidance

Due to underperformance, the company lowered its guidance for 2023, for the second consecutive quarter. Movinn now estimates revenues for the year to be DKK 81.5 – 84 million. The new guidance is within the range of our previous expectation of DKK 83 million for 2023. Furthermore, the company is reshaping its portfolio and has terminated lease agreements with 13 units in Aarhus. This will lower the cost base corresponding to quarterly savings of DKK 0.4 million, which is reflected in the COGS.

Changes prompts a lower fair value

Movinn guided for a full-year EBIT of DKK (5) – (3.5), where a higher-than-expected cost base negatively impacted margins. Our model predicts an EBIT of DKK (5.3) million for 2023. In line with the company's strategy of adding units in larger bulks instead of smaller incremental changes, we have modified our capex projections. Previously we kept capex rather constant whereas we now base it on added units for the quarter, resulting in more dynamic capex projections. We have also postponed the commercial launch in both Stockholm and Germany, as the company needs to prioritise domestic markets before expanding to new ones. We believe the operational vacancy target of 10 per cent will be difficult to achieve within the coming quarters. We estimate Movinn to reach this target in Q3 2024. Further, the higher vacancy rates will result in continued weak gross margins. During 2023, the company has struggled with the gross margin, we believe the lower gross margin will continue for some quarters going forward. All in all, the changes in our model suggest a lower fair value for Movinn corresponding to DKK 7.85 per share, previously DKK 9,58.

Focus on cost control looking forward

Although lowering our value for the company we do still see positive signs. Looking forward we believe the company will put a lot of emphasis on its cost control and on optimising its current portfolio, in line with the recent downsizing. We believe that the most important parameters for the company to focus on are the vacancy rates and the gross margin.

Table 3: DCF model assumptions

MDKK	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Total revenues	73.3	82.0	89.7	112.8	148.6	167.3	185.2	203.5	223.1
EBIT	-0.5	-5.3	-2.7	6.3	16.4	20.1	23.6	27.3	31.1
EBIT margin	-0.7%	-6.5%	-3.0%	5.6%	11.0%	12.0%	12.8%	13.4%	13.9%
Adj. Taxes	0.0	0.0	0.0	0.0	-1.9	-4.4	-5.2	-6.0	-6.8
NOPLAT (= EBIT - tax)	-0.5	-5.3	-2.7	6.3	14.5	15.6	18.4	21.3	24.3
Depreciation	5.3	5.5	4.0	4.0	4.4	4.6	4.6	4.7	4.8
Capex + Working cap	-14.1	-3.7	-1.3	-4.8	-7.1	-5.4	-4.4	-5.3	-5.1
Net cash flow	-9.4	-3.5	0.1	5.5	11.8	14.8	18.7	20.7	24.0

DCF (MDKK)	
WACC	13.0%
Enterprise value (EV)	180.5
Prob of profitability	80%
Risk adjusted EV	144.4
Net cash	-13.0
Fair value market cap	131.4
Number of shares (M)	16.74
Fair value/share (DKK)	7.85

Sensitivity analysis (value per share, DKK)

		Prob of profitability				
		60%	70%	80%	90%	100%
WACC	14%	4.98	5.94	6.90	7.86	8.82
	13%	5.69	6.77	7.85	8.93	10.01
	12%	6.57	7.79	9.01	10.24	11.46
	11%	7.65	9.06	10.46	11.87	13.27
	10%	9.04	10.68	12.31	13.95	15.59

Source: Västra Hamnen Corporate Finance

Income Statement - Annual Data

TDKK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Net sales	36 003	56 088	73 325	81 977	89 716	112 833	148 622	167 328
Other operating income	142	172	0	0	0	0	0	0
Total revenues	36 145	56 260	73 325	81 977	89 716	112 833	148 622	167 328
Variable costs	-29 357	-41 823	-54 178	-64 104	-67 683	-80 658	-104 035	-117 130
Gross profit	6 788	14 437	19 147	17 873	22 033	32 176	44 586	50 198
Fixed costs	-2 067	-2 578	-5 529	-4 914	-6 022	-5 677	-6 145	-6 651
Personnel costs	-3 916	-5 819	-8 861	-12 761	-14 681	-16 212	-17 681	-18 907
EBITDA (after listing and other costs)	805	6 041	4 757	198	1 330	10 287	20 761	24 640
Amortisation & depreciation	-2 600	-4 283	-5 251	-5 520	-4 043	-3 962	-4 386	-4 581
EBIT	-1 795	1 758	-494	-5 323	-2 713	6 326	16 375	20 059
Net financial items	-868	-5 183	-1 103	-1 039	-981	-810	-616	-416
EBT	-2 663	-3 425	-1 597	-6 362	-3 694	5 515	15 758	19 642
Taxes	580	-235	-944	1 143	813	-1 213	-3 467	-4 321
Net profit	-2 082	-3 660	-2 541	-5 219	-2 881	4 302	12 292	15 321
Earnings per share (SEK)	neg	neg	-0.15	-0.31	-0.17	0.26	0.73	0.92
Growth (%)								
Net turnover	na	55.8%	30.7%	11.8%	9.4%	25.8%	31.7%	12.6%
EBITDA	na	650.5%	-21.2%	-95.8%	573.6%	673.3%	101.8%	18.7%
EBIT	na	-197.9%	na	na	na	na	158.9%	22.5%
Net profit	na	na	na	na	na	na	185.7%	24.6%
% of revenues (%)								
Gross margin	18.5%	25.4%	26.1%	21.8%	24.6%	28.5%	30.0%	30.0%
EBITDA margin	2.2%	10.7%	6.5%	0.2%	1.5%	9.1%	14.0%	14.7%
EBIT margin	neg	3.4%	neg	neg	neg	5.6%	11.0%	12.0%
EBT margin	neg	neg	neg	neg	neg	4.9%	10.6%	11.7%
Profit margin	neg	neg	neg	neg	neg	3.8%	8.3%	9.2%
Personnel costs	10.9%	10.4%	12.1%	15.6%	16.4%	14.4%	11.9%	11.3%
Total OPEX	16.6%	15.0%	19.6%	21.6%	23.1%	19.4%	16.0%	15.3%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	19.1%	35.3%	30.5%
ROIC	neg	5.9%	neg	neg	neg	14.9%	36.8%	44.0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

TDKK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Cash and cash eq	8	23 638	13 165	6 768	2 065	3 275	9 927	20 403
Inventory	510	538	1 244	1 533	1 870	2 056	2 664	2 985
Trade receivables	1 580	691	284	427	549	958	1 241	1 854
Tax credit	1 479	1 267	322	1 466	2 279	1 065	0	0
Other receivables	849	1 010	808	975	1 253	1 456	1 887	2 115
Prepayments and accrued income	150	769	429	540	536	532	531	531
Total current assets	4 575	27 914	16 252	11 710	8 553	9 342	16 251	27 888
Tangible assets	13 441	15 681	21 509	18 963	17 396	18 111	20 398	20 996
Intangible assets	2 276	4 115	4 145	4 362	3 942	3 562	3 219	2 909
Financial assets	8 995	12 528	16 156	16 160	16 623	17 924	21 079	22 436
Total fixed assets	24 712	32 324	41 810	39 485	37 961	39 597	44 696	46 342
Total assets	29 288	60 238	58 062	51 195	46 514	48 939	60 947	74 230
Short-term debt	2 111	2 934	3 034	1 786	0	0	0	0
Deposits and prepaid income	4 363	5 353	6 757	7 255	8 870	10 288	13 332	14 939
Trade payables	468	1 369	1 372	744	908	998	1 293	1 449
Other short-term liabilities	648	1 635	600	950	1 159	1 274	1 650	1 849
Debt to associated companies	2 004	2 106	0	0	0	0	0	0
Total current liabilities	9 594	13 398	11 763	10 735	10 936	12 559	16 275	18 237
Long-term liabilities	16 413	17 782	19 846	19 328	17 328	13 828	9 828	5 828
Total equity	3 280	29 059	26 453	21 132	18 251	22 553	34 844	50 165
Total equity and liabilities	29 288	60 238	58 062	51 195	46 515	48 940	60 948	74 231

Source: Västra Hamnen Corporate Finance

Cash flow statement

TDKK	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Operating activities	117	4 791	3 654	-842	350	9 477	17 743	19 902
Changes in working capital	4 395	2 957	615	-490	1 253	830	2 395	800
Investing activities	-932	-11 955	-14 735	-3 232	-2 520	-5 597	-9 485	-6 227
Financing activities	-1 886	28 729	-7	-1 851	-3 786	-3 500	-4 000	-4 000
Cash flow for the period	1 694	23 679	-10 473	-6 396	-4 703	1 210	6 653	10 475
Beginning cash balance	51	8	23 638	13 165	6 768	2 065	3 275	9 927
Adjustments	51	-42	0	0	0	0	0	0
Ending cash balance	8	23 638	13 165	6 768	2 065	3 275	9 927	20 403

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

TDKK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Net sales	19 436	19 883	20 632	20 679	21 169	19 497	19 978	21 887
Other operating income	0	0	0	0	0	0	0	0
Total revenues	19 436	19 883	20 632	20 679	21 169	19 497	19 978	21 887
Variable costs	-14 050	-15 602	-16 121	-16 185	-16 590	-15 208	-15 183	-16 634
Gross profit	5 386	4 281	4 511	4 494	4 579	4 289	4 795	5 253
Fixed costs	-1 104	-2 526	-1 029	-1 413	-1 224	-1 248	-1 273	-1 324
Personnel costs	-2 165	-2 782	-2 865	-3 084	-3 364	-3 448	-3 535	-3 624
EBITDA (after listing and other costs)	2 117	-1 027	617	-3	-9	-407	-13	305
Amortisation & depreciation	-1 294	-1 541	-1 370	-1 416	-1 477	-1 257	-1 057	-1 010
EBIT	823	-2 568	-753	-1 419	-1 486	-1 665	-1 070	-705
Net financial items	-221	-252	-229	-241	-293	-276	-264	-251
EBT	602	-2 820	-982	-1 660	-1 779	-1 941	-1 334	-956
Taxes	-156	-565	186	237	293	427	294	210
Net profit	446	-3 385	-796	-1 423	-1 486	-1 514	-1 041	-746
Earnings per share (SEK)	0.03	-0.20	-0.05	-0.09	-0.09	-0.09	-0.06	-0.04
Y-o-Y Growth (%)								
Net turnover	28.8%	29.6%	27.0%	16.5%	8.9%	-1.9%	-3.2%	5.8%
EBITDA	-13.0%	na	-64.5%	na	na	na	na	na
EBIT	-41.5%	na	na	na	na	na	na	na
Net profit	-47.2%	na	na	na	na	na	na	na
% of revenues (%)								
Gross margin	27.7%	21.5%	21.9%	21.7%	21.6%	22.0%	24.0%	24.0%
EBITDA margin	10.9%	neg	3.0%	neg	neg	neg	neg	1.4%
EBIT margin	4.2%	neg	neg	neg	neg	neg	neg	neg
EBT margin	3.1%	neg	neg	neg	neg	neg	neg	neg
Profit margin	2.3%	neg	neg	neg	neg	neg	neg	neg
Personnel costs	11.1%	14.0%	13.9%	14.9%	15.9%	17.7%	17.7%	16.6%
Total OPEX	16.8%	26.7%	18.9%	21.7%	21.7%	24.1%	24.1%	22.6%
Profitability (%)								
ROE	1.5%	neg	neg	neg	neg	neg	neg	neg
ROIC	2.0%	neg	neg	neg	neg	neg	neg	0.0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

TDKK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Cash and cash eq	17 249	13 165	9 403	11 467	9 123	6 768	5 390	4 149
Inventory	894	1 244	1 470	1 632	1 680	1 533	1 531	1 677
Trade receivables	1 132	284	291	313	347	427	438	480
Tax credit	888	322	508	746	1 039	1 466	1 760	1 970
Other receivables	2 159	808	869	878	897	975	999	1 094
Prepayments and accrued income	660	429	759	527	445	540	568	520
Total current assets	22 982	16 252	13 300	15 563	13 531	11 710	10 685	9 890
Tangible assets	19 290	21 509	21 547	21 021	19 908	18 963	18 071	18 068
Intangible assets	4 125	4 145	4 293	4 416	4 474	4 362	4 253	4 147
Financial assets	15 321	16 156	16 566	16 641	16 680	16 160	16 160	16 160
Total fixed assets	38 736	41 810	42 406	42 078	41 062	39 485	38 484	38 374
Total assets	61 718	58 062	55 706	57 641	54 593	51 195	49 170	48 265
Short-term debt	2 908	3 034	2 982	2 982	2 286	1 786	1 286	786
Deposits and prepaid income	6 941	6 757	6 934	7 162	7 629	7 255	7 274	7 953
Trade payables	1 093	1 372	714	792	879	744	743	814
Other short-term liabilities	925	600	545	675	1 326	950	948	1 039
Debt to associated companies	0	0	0	0	0	0	0	0
Total current liabilities	11 867	11 763	11 175	11 611	12 120	10 735	10 251	10 592
Long-term liabilities	19 988	19 846	18 979	21 945	19 828	19 328	18 828	18 328
Total equity	29 864	26 453	25 552	24 086	22 646	21 132	20 091	19 345
Total equity and liabilities	61 719	58 062	55 706	57 642	54 594	51 195	49 170	48 265

Source: Västra Hamnen Corporate Finance

Cash flow statement

TDKK	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	Q1 2024e	Q2 2024e
Operating activities	1 896	-1 279	388	-244	-302	-684	-277	54
Changes in working capital	-1 729	3 955	-1 160	475	1 186	-991	-44	605
Investing activities	-3 438	-4 613	-1 967	-1 151	-434	320	-57	-900
Financing activities	359	-2 147	-1 024	2 966	-2 793	-1 000	-1 000	-1 000
Cash flow for the period	-2 912	-4 084	-3 763	2 065	-2 343	-2 355	-1 378	-1 241
Beginning cash balance	20 161	17 249	13 165	9 403	11 467	9 123	6 768	5 390
Adjustments	0	0	0	0	0	0	0	0
Ending cash balance	17 249	13 165	9 403	11 467	9 123	6 768	5 390	4 149

Source: Västra Hamnen Corporate Finance

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