Q1 2024: On steady course

Oslo, 14 May 2024 – Vow ASA had revenues of NOK 232.3 million in the first quarter. As previously guided with respect to profit, it has been a soft start to the year, and the EBITDA margin came in at 2.4 per cent. Ongoing cost-saving initiatives and efforts to improve gross margin in projects are expected to have an increasingly positive impact throughout the year. The order backlog remains solid at NOK 1 066 million.

The group had revenues of NOK 232.3 million in the first quarter of 2024, compared to NOK 235.7 million in the first quarter last year. Revenues are in line with previous quarters, and the company has returned to a positive EBITDA result after two consecutive negative quarters.

The EBITDA result was NOK 5.6 million in the first quarter of 2024, representing an EBITDA margin of 2.4 per cent. Both the Maritime Solutions and the Aftersales segments delivered double digit EBITDA margins.

In the Maritime Solutions segment, the EBITDA margin has turned positive following the reassessments made to ongoing projects during the second half of 2023 which led to temporarily reduced margin levels.

Industrial Solutions continued to be impacted by costs related to capacity build-up and delayed order intake.

Comprehensive cost reduction programmes are underway, coupled with initiatives to reduce administration costs. These measures are already showing effects and are expected to generate an increasingly positive impact throughout the year.

The order backlog currently stands at NOK 1 066 million including contracts announced in the second quarter this year, compared with NOK 1 226 million one year earlier and NOK 1 034 million at the start of the year.

Along with the firm backlog, shipowners have placed options on the newbuild series being equipped with Scanship systems. Options in the Maritime Solutions segment were valued at NOK 321 million at the end of the quarter, down from NOK 921 million at year-end following the expiry of several options during the period. As cruise operators are renewing their fleets and preparing to place new orders at yards, the expired options will be renegotiated or replaced by new option agreements.

Across the group, Vow is entering new contracts with updated terms reflecting inflation and current price levels. In parallel, the group remains dedicated to improving its working capital position when entering new contracts.

Vow is receiving encouraging feedback from customers in circular solutions with three large industry projects nearing final investment decision, and significant pipeline of projects for which Vow technology remains highly relevant. It will be important to secure and execute new contracts to meet revenue and EBITDA targets. The EBITDA target of 15 per cent from 2025 is reiterated.

Key figures – Vow Group

Amounts in NOK million	Q1 2024	Q1 2023	2023
Revenues	**232.3**	235.7	918.5
EBITDA	**5.6**	26.0	-54.7
EBITDA margin	***2.4%***	*11.0%*	*-6.0%*
Order backlog	**1 066**	1 226	1 034

Segments and operational update

Vow ASA is organised in three operating segments: Maritime solutions, Aftersales and Industrial solutions. In addition, the Administration costs segment represents costs that are not allocated to the business segments, as the costs are mainly related to headquarter, administration and listing of the Vow group rather than to a specific segment.

Maritime solutions

Amounts in NOK million	Q1 2024	Q1 2023	2023
Revenues	**107.1**	115.1	375.5
EBITDA before non-recurring	**14.2**	22.7	11.8
EBITDA margin %	***13.2%***	*19.7%*	*3.1%*
Order backlog	**641**	710	584

Revenues for Maritime solutions were NOK 107.1 million in the first quarter, representing a decrease of 7.0 per cent from the same period last year. EBITDA came in at NOK 14.2 million, compared to NOK 22.7 million in the prior-year period. The EBITDA margin for the period was 13.2 per cent.

The order backlog currently stands at NOK 641 million, compared with NOK 710 million in the first quarter of 2023 and NOK 584 million at year-end. In addition, the segment recorded NOK 321 million in options.

Since year-end, many options have expired or been renegotiated as a consequence of the ongoing, industry-wide trend of moving towards bigger ships. This has freed up yard slots which are now being filled with bigger ships that require new and more sophisticated clean ship solutions, making Vow's technology increasingly relevant. For Vow, this is an opportunity to negotiate and enter new contracts, that better reflect the current inflation-adjusted cost levels and supply chain constraints.

The current backlog comprises 34 confirmed orders for cruise ships under construction and options for another 7 ships. Furthermore, tendering is ongoing or underway for an additional 29 ships. In addition, three cruise ships are being retrofitted with Scanship's advanced wastewater processing systems.

During the quarter, Scanship was awarded a contract worth EUR 19.3 million for wastewater treatment and total waste treatment system, split on a firm order for a ship in 2024 and an option for similar equipment on another ship in 2025. The agreements are with a major European shipyard to deliver technology on what will become one of the largest cruise ships in the world under construction. Ensuring that all wastewater onboard will be purified according to Baltic Sea and Alaska State requirements, the delivery includes dewatering, homogenisation, thermal hydrolysis, drying, and pyrolysis.

Aftersales

Amounts in NOK million	**Q1 2024**	**Q1 2023**	**2023**
Revenues	**47.6**	38.2	178.5
EBITDA before non-recurring	**5.8**	5.7	22.2
EBITDA margin %	***12.3%***	*14.9%*	*12.5%*

The Aftersales segment had revenues of NOK 47.6 million, compared to NOK 38.2 million in the same period of 2023.

The Aftersales business is growing at a stable and steady pace, approaching the milestone of NOK 200 million in revenues on an annualised basis. With the increasing number of ships in operation with Vow systems, the activity in this segment is growing steadily.

The increase in revenue translated into a marginal growth in the EBITDA result, which grew from NOK 5.7 in the first quarter of 2023 to NOK 5.8 million in the same period in the current year. This resulted in an EBITDA margin of 12.3 per cent in the first quarter of 2024, compared with 14.9 per cent one year earlier.

Industrial solutions

Amounts in NOK million	Q1 2024	Q1 2023	2023
Revenues	**77.6**	82.4	364.5
EBITDA before non-recurring	**-6.2**	9.7	-12.5
EBITDA margin	***-8.0%***	*11.8%*	*-3.4%*
Order backlog	**425**	516	450

In the first quarter of 2024, the Industrial solutions segment reported revenues of NOK 77.6 million, compared with NOK 82.4 million in the same period of 2023.

EBITDA was negative NOK 6.2 million, compared with NOK 9.7 million in the corresponding period of 2023. This translated into an EBITDA margin of negative 8.0 per cent, compared with 11.8 per cent for the same period last year.

C.H. Evensen is continuing to prove its relevance in the heat treatment sector. Its solutions are providing continued good margins and strong order intake, benefiting from long-standing relationships with leading industrial players in Europe.

Comprehensive cost improvement programs are being implemented, and more will follow. Several R&D and business development projects successfully concluded, and resources are being reallocated into scalable project execution model.

Vow continues work on the FEED study for an industry scale sewage recover plant announced in October 2023, and pursues concrete opportunities in end-of-life tyre and carbon recycling. Project owners have been providing encouraging feedback as final investment decisions are approaching, indicating continued strong interest in Vow’s solutions going forward.

After quarter-end, Vow’s customer Vow Green Metals (VGM) has secured lease financing for its Early Production Line at Hønefoss, meaning payment to Vow for its deliveries to the line is secured. As a result, the company will free up more than NOK 40 million in cash in the second quarter of 2024, reducing the working capital with a similar amount. The Early Production Line has the capacity to produce 2,500 tonnes of biocarbon per year. First biocarbon was produced in November 2023, and the plant is currently in the process of ramping up production.

The current order backlog for the Industrial solutions segment represented NOK 425 million, compared to NOK 516 million at the same time last year and NOK 450 million at the start of the year.

Administration costs and other financials

Administration costs are expenses that are not allocated to the business segments, as they are related to general administration and listing of the Vow Group. Administration costs totalled NOK 8.2 million in the first three months of this year, representing a reduction from NOK 12.1 million in the first quarter of 2023 and NOK 9.6 million in the fourth quarter of 2023. The decrease is driven by the initiatives implemented to reduce costs across the organisation.

Outlook

Significant efforts were made during 2023 to regain control and successfully stabilise performance, and in the first quarter of 2024 revenues were stable. Following two consecutive quarters with negative margins, the group's EBITDA turned positive in the first quarter of 2024, and both the Maritime Solutions and the Aftersales segments achieved double digit EBITDA margins.

The group reiterates its 15 per cent EBITDA margin target from year-end, supported by initiatives to securing new contracts, improve contractual terms in new and existing projects coupled with extensive cost improvement programmes across the group. These initiatives will likely involve one-off restructuring costs in the second quarter.

Within Maritime Solutions, cruise operators are looking to renew their fleets and preparing to place new orders at yards. These will be replacing option agreements which are now expired. Vow is negotiating and entering new contracts with better terms, reflecting inflation and current price levels. For Industrial Solutions, Vow is receiving encouraging feedback from customers with projects nearing final investment decisions. It will be important to secure and execute new contracts to meet revenue and EBITDA targets.

For more information, please contact:

Henrik Badin, CEO, Vow ASA
Tel: +47 90 78 98 25
Email: henrik.badin@vowasa.com

Tina Tønnessen, CFO, Vow ASA
Tel: +47 406 39 556
Email: tina.tonnessen@vowasa.com

About Vow ASA

Vow and its subsidiaries Scanship, C.H. Evensen and Etia are passionate about preventing pollution. The company's world leading solutions convert biomass and waste into valuable resources and generate clean energy for a wide range of industries.

Advanced technologies and solutions from Vow enable industry decarbonisation and material recovery. Biomass, sewage sludge, plastic waste and end-of-life tyres can be converted into clean energy, low carbon fuels and renewable carbon that replace natural gas, petroleum products and fossil carbon. The solutions are scalable, standardised, patented, and thoroughly documented, and the company's capability to deliver is well proven.

The company is a cruise market leader in wastewater purification and valorisation of waste. It provides technology and solutions which enable industries to transition towards a fossil-free future by converting biomass and waste into valuable resources and clean energy. The company also has strong niche positions in food safety and robotics, and in heat-intensive industries with a strong decarbonising agenda.

Located in Oslo, the parent company Vow ASA is listed on the Oslo Stock Exchange (ticker VOW).