

# Promising order intake

## Opportunities materialize in several different areas

The business for Industrial Solar, the largest subsidiary of Clean Industry Solutions Holdings Europe (CISH), is now increasing rapidly from a low level. Increasing energy prices, new legislation and the megatrend to reduce fossil fuels result in a strong macro environment. The company's broad competence and holistic approach creates opportunities in several different areas. Interesting examples from recent months include.

- Losan Pharma GmbH placed an order for a photovoltaic system at two of their sites in South Germany. The plants have a total order value of 895 KEUR and will be installed within the first half of 2023.
- The company will do an engineering study (value 46 KEUR) at one of the largest textile suppliers to H&M, Arvind in India. This is the first phase before decision upon implementing a large concentrating solar collector field. It could potentially be an investment of several MEUR where Industrial Solar can play a major role.
- Industrial Solar was awarded 310 KEUR as part of a 3 MEUR artificial intelligence (AI) development project. The main goal of the project is to integrate AI-based tools in solar thermal systems for industries. Participation will in the long run support also the differentiation of Industrial Solar as an advanced supplier of renewable energy solutions.
- Several medium and smaller orders of photovoltaic system (PV) including a 200 KEUR photovoltaic fence. New legislation and Ukraine-crisis drives a boom in the PV market and price level is generally more attractive than in the past. The company sees great opportunities where PV is combined with other solutions such as heat pumps.
- Completion of an upgrade project in Qatar. Industrial Solar was responsible for the engineering, installation and integration of an ORC (Organic Rankine Cycle) turbine - including hydraulic, electrical and controls - into the existing Fresnel collector system.

Analysguiden elaborated in the last analysis around the company's large sales funnel that, with only a low hit-rate, would mean a big step in sales. Above are examples that this now starts to happen and indicate a high long term potential.

## Growing sales & increased base case

Operating income for CISH increased with 82% during H1 but was still at a low MSEK 6 level. A large portion of the current sales comes from energy concept studies which can lead to follow-up business and potentially larger orders. Sales is likely to increase even more during H2 with a slight improvement also for profit. Cash flow was during Q2 MSEK -2,4, same level as last year. Net cash was MSEK 6,6 in the end of the quarter.

Since the analysis early June, the share price has increased 58% to 3,84 SEK (Aug 23). Analysguiden then presented a fair value at 3,50 SEK. The strong order intake and macro environment have improved the outlook for 2023-2024. Base case is increased to 4 SEK with a fair value range at 3-11. Analysguiden estimates that new funding is likely during H2.

## Clean Industry Solutions

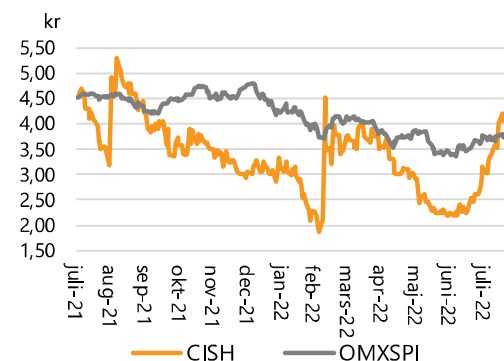
### Commissioned equity research

Date 30 augusti 2022  
Analyst Magnus Lindell

### Basefacts

Industry Renewable Energy  
Chairman Finn Johnsson  
CEO Christian Zahler  
Entry year 2019  
Stock list Nasdaq First North  
Ticker CISH  
Share price 3,84 SEK (23/8-2022)  
Outstanding shares, mil. 15.3  
Market cap, MSEK 59  
Net cash, MSEK. 7  
Enterprise value, MSEK 52  
Website [www.cleanindustrysolutions.com](http://www.cleanindustrysolutions.com)

### CISH vs OMXSPI



Source: Börsdata

### Financial Overview & forecasts

|                  | 2021 | 2022P | 2023P | 2024P |
|------------------|------|-------|-------|-------|
| Net Sales        | 3    | 8     | 31    | 62    |
| Operating Income | 11   | 16    | 41    | 72    |
| EBIT             | -14  | -14   | -7    | 0     |
| Free Cash flow*  | -16  | -16   | -10   | -5    |
| Net Cash         | 14   | 10    | 10    | 10    |
| Sales Growth     | 65%  | 136%  | 300%  | 100%  |
| P/S              |      | 7,5   | 1,9   | 0,9   |
| EV/S             |      | 6,7   | 1,7   | 0,8   |

\* Cash flow before financing activities

Source: Börsdata, Analysguiden

## Investment case

Clean Industry Solutions Holding (CISH) is a strategic investment holding in the field of innovative sustainable technologies to make industrial companies cleaner. Hence, the strategic approach is in the middle of one of the strongest megatrends. Currently the two subsidiaries are Industrial Solar and SolarSpring. Industrial Solar offer a broad base of renewable energy solutions. SolarSpring offer water treatment systems based on membrane distillation and ultra filtration. The two subsidiaries are spin-offs in the environment from Europe's largest applied research organization Fraunhofer Society in Germany. Both companies are currently in the development stage but with proven performance of installations. The offer base is currently significant for Industrial Solar.

### Momentum picking up after pandemic

The company lost some momentum during the pandemic due to travel restrictions and higher general uncertainty. Now the Group has an organization that is ready to take on growth. According to the company the scalability is good both via a network of subcontractors and standardization of solutions. The large interest, visible through the high offer base and the numerous research projects, is a clear indicator of the demand for the products and services that Clean Industry Solutions delivers. Long lead times on contract negotiations means however that growth might take time. The most likely growth scenario is several smaller orders concerning for example energy concept studies where some later moves on to implementation projects. Current offer base consists of both smaller but also projects above 100 MSEK.

### Small organisation with all functions in place

Industrial Solar consists of around 25 people. It is a small organisation but with all relevant functions in place. This also applies to SolarSpring with 10 people employed.

CISH is established in the middle of a megatrend and has a very big offer base. The company is ready to take off both commercially and in the stock market. Market value is very low in relation to these opportunities. Despite the around 35 MSEK expected contribution from publicly funded R&D-projects, capital situation remains as a concern that needs to be sorted out within 6 months.

## Currently two subsidiaries

Strategic approach in the middle of strong megatrend



Source: The company

## Installations in many countries

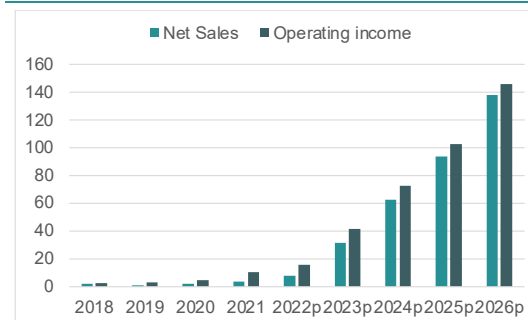
Post pandemic winner when travel restrictions ease



Source: The company

## Potential for strong growth

Projections for total operating income and sales 2022-2026 in million SEK.



Source: Börssdata, forecast by Analysguiden

## Positive development 2022

### Industrial Solar benefits from energy crisis

Industrial Solar is currently experiencing a drastically increased demand for its renewable energy solutions. This is due to the war in Ukraine and the resulting price increase of fossil fuels but also the long term megatrend towards less fossil fuels. Pay back times for the solar energy solutions are much better now compared to a year ago. Industrial Solar have competence, references and organization to capitalize on this macro situation. Several examples of the high interest in its solutions are presented on the first page in this report.

Industrial Solar's base in Germany is beneficial with new legislation in place in Baden-Württemberg where the company is located. Since January 1 of this year, all new non-residential buildings and open parking lots with more than 35 parking spaces must install solar systems. From 2023 on, this measure will apply to renovating old buildings, and the other German states are expected to follow. This has created a very strong demand that also enables higher margins compared to previous levels in the PV-segment. In the local market, the company differentiate itself to other suppliers via its holistic approach with tailor-made and optimized solar energy solutions combined with other technologies such as heat pumps.

One challenge for the company is prioritization between the different opportunities both in Germany and internationally. The company size is relatively small and capital situation also puts some limitations to take on large orders. This balance currently results in a stable but fairly slow increase in sales in absolute numbers, but very high in percentage. Both the company and Analysguiden expect a higher increase in sales during H2 and onwards. Analysguiden expects that EBITDA for CISH in total will be slightly positive 2024.

### SolarSpring also develops according to plan

Financial performance for both subsidiaries follows the plan established by CISH. SolarSpring delivered during H1 the first of several solar powered drinking water systems to Burkina Faso. This is expected to generate approximately MSEK 25 over the coming 5 years.

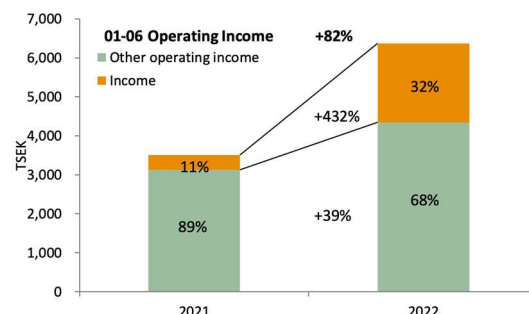
SolarSpring has currently four ongoing nationally funded R&D projects with a total funding value of about 624 k€. The project ROKKA has long term very interesting commercial potential. It focuses on ammonia removal from municipal wastewater using membrane distillation to be designed and built by SolarSpring.

### Cash flow and financial situation

The cash flow in Q2 at MSEK -2,4 was at the same level as Q2 2021. During H1 it amounts to -7,8 (-8,2). Net cash is down to MSEK 7 and new funding will most likely be needed this year.

### Strong growth but still low level

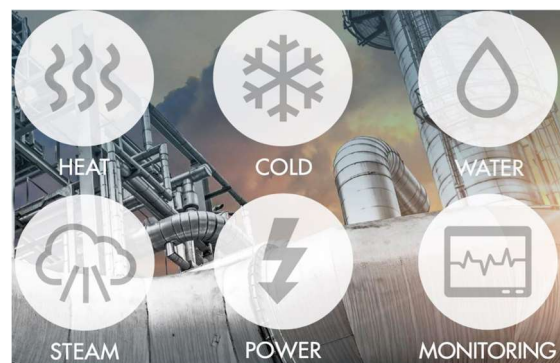
H1 2022 compared to H1 2021



Source: CISH Q2-report, 2022

### Holistic approach

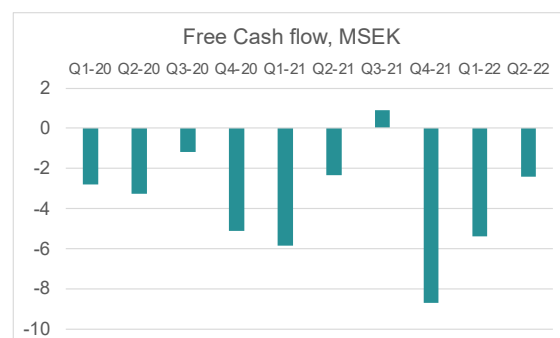
Many long term opportunities in CISH's business scope



Source: CISH report Q2, 2022

### Cash flow per quarter

Cash flow before financing activities.



Source: Börsdata

## Valuation

The fair value range indicate both high potential and risk during the coming 12 months. The optimistic scenario departs from an assumption that the big offer base starts to materialize. More details about this is found in the last update from Analysguiden. Even if sales come with a delay this would motivate a valuation with P/S around 1 and hence a stock price above 11 SEK.

In a pessimistic scenario the step change in sales takes longer time. This can happen regardless that the general demand for the company's solutions is stronger than ever and order intake during recent months are strong. A capital injunction at the same level as in December last year will result in dilution and possible stock value at 3,0 SEK. Important to remember is that the strong public funding supports financial stability.

The base case is increased to 4,00 SEK compared to the update in June (3,50 SEK). The 2023 and 2024 forecasts have been increased with the long term scenario unchanged. If the recent months' good order intake continues and next capital injunction is sorted out in a good way, the journey towards the positive scenario is likely to continue.

The share price has developed strongly this year. At 3,84 SEK the price is up 25% this year and 58% since Analysguiden's update early June. The positive news flow and long term good outlook has supported this positive development.

### Base value 4,00 SEK

DCF-valuation of Clean Industry Solutions.

|                          |            |
|--------------------------|------------|
| CAGR 2021-2026           | 129%       |
| Terminal value, MSEK     | 151        |
| Discount rate            | 15,0%      |
| Enterprise Value, MSEK   | 55         |
| Cash, MSEK               | 6,6        |
| Long term debt, MSEK     | 0          |
| Market Cap, MSEK         | 62         |
| Outstanding shares, mil. | 15,3       |
| <b>Base case, SEK</b>    | <b>4,0</b> |

## About Clean Industry Solutions

Clean Industry Solutions, formerly Industrial Solar, invests in independently operating innovative companies which provide solutions for a sustainable industry and a circular economy. The current two subsidiaries, Industrial Solar GmbH and SolarSpring GmbH, offer solutions for the supply of clean energy and clean water for industry. The company was listed on Nasdaq First North Stock Market in July 2021 and is led by Christian Zahler as CEO and Finn Johnsson as chairman.

Industrial Solar GmbH offers products and services for the industrial energy transition. As an international leading technology and solution provider for renewable energy projects in the industrial sector the company provides technologies and services for clean energy solutions and its projects combine engineering expertise with efficient technologies that use energy from renewable sources on site. Besides its flagship technology – the innovative Fresnel collector designed for industrial process heating – Industrial Solar also offers other technologies such as photovoltaic, solar thermal collectors, heat pumps or absorption chillers. As a one-stop-shop Industrial Solar has realized turnkey solutions for customers in several industries.

SolarSpring GmbH is an equipment manufacturer of innovative membrane-based water treatment systems for industrial customers which either aim to reuse process liquids or where sensitive liquid products require concentration. Moreover, the treatment technology filters valuable raw materials such as gold, silver or other costly resources. The company is an absolute pioneer in the field of membrane distillation for industrial wastewater treatment.

The two subsidiaries of Clean Industry Solutions provide a wide range of customizable and environmentally sustainable solutions for energy supply and water treatment in the industrial sector. Providing turnkey solutions means a holistic approach where the companies handle the entire project life cycle, from initial analysis to fully operational systems. This includes engineering, procurement, construction, maintenance, and monitoring. This wide range of solutions are accompanied by several key technologies and systems, all customized according to the needs of the customer. The broad expertise the subsidiaries possess and their long history of work with renewable energy sources and water treatment solutions thus positions Clean Industry Solutions as a comprehensive supplier for technologies for a circular economy.

Industrial Solar and SolarSpring have entered into a number of strategic partnerships and participates in several public projects. These partnerships and projects work to create momentum in the industry, lowers the barriers for customers to transition to greener solutions and provides valuable funding. The industrial sector accounts for a large part of the global energy- and water use and the transition to greener solutions here is crucial. Both companies have received several awards and certifications for their technologies.

The company is still a distinct development-company, with relatively modest but increasing net sales. Net sales have been between SEK 2.2 and 0.8 million over the last three years. The company reported a loss of -13.5 MSEK in 2020 and -14 MSEK in 2021. The numerous technology development projects, which to a large degree are publicly funded, will provide the industry with even better and more sustainable energy and water solutions in the near future.

## Turnkey solutions for clean energy

Clean Industry Solutions provides a range of holistic solutions for clean energy and clean water in the industrial sector.



Source: Industrial Solar, SolarSpring

## Award winning technology

Clean Industry Solutions has been awarded several prizes and certifications, most notably the Solar Impulse Label and European Solar Prize in 2019.



Source: The company, EuroSolar

## Transforming the industrial sector

Images from the latest marketing campaign "Don't be a fossil fool", targeting industry owners, and highlighting the need to transition to green energy sources.



## Risks

The company faces several risks in both the short and long term. The company is still mainly in a pre-commercial stage, which means that revenues are modest. The technology and know-how have been proven multiple times and the bigger challenge now is creating the commercial traction needed to receive larger orders. The industrial sector at large is often very cost-sensitive, meaning that the solutions used needs to be profitable. Current and previous customers are usually companies living off their “green” image and further market development and cost reductions are needed to reach a larger part of the market.

The company is also heavily dependent on public funding for the moment, as a large part of the income comes from different R&D projects. Whilst we still believe that the public attention and interest in environmentally friendly energy- and water sources will increase in the coming years, this still presents a risk to the company. Changing conditions for governments and other agencies could result in fewer projects or smaller funding amounts.

The cash position in the end of the second quarter is around 7 MSEK. At this time, the company will be able to continue operations thanks to the funding coming in from research projects. The risk still exists however, that increased commercial efforts will increase the burn-rate, meaning that further capitalization will be needed. Given the cash flow for the first quarter and last 12 months, further financing could be needed in the not-so-distant future.

Overall, this leads to a large number of uncertainties in our forecasts. The projected revenue increases are large and should the commercial breakthrough take longer than expected the impact on our valuation would be material. The sector at large supports high valuations, but we are still facing many risks and uncertainties at this stage of the company’s journey.

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### Responsible analyst:

Magnus Lindell