Enersense

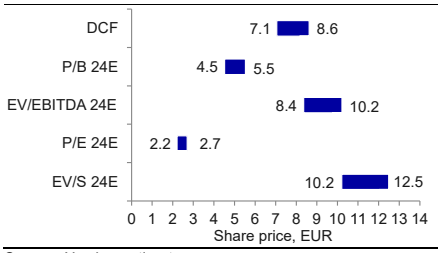
Business Services
Finland

KEY DATA

Stock country	Finland
Bloomberg	ESENSE FH
Reuters	ESENSE.HE
Share price (close)	EUR 3.99
Free float	57%
Market cap. (bn)	EUR 0.07/EUR 0.07
Website	www.enersense.com
Next report date	29 Feb 2024

PERFORMANCE

VALUATION APPROACH (EUR PER SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2023E	2024E	2025E
Sales	n.a.	n.a.	n.a.
EBIT (adj)	n.a.	n.a.	n.a.

Source: Nordea estimates

Nordea IB & Equity - Analysts
Pasi Väisänen
Director

Svante Krokfors
Director

Green energy services make sense

We initiate coverage of Enersense, a company operating within renewable energy, a sector with significant and long-term growth potential. In addition to the construction and maintenance services it currently offers, Enersense has expanded its strategy to encompass own wind power production, EV chargers and offshore wind power foundations. Its core strength is its efficient management and execution of development projects. We also believe that it will be able to restore its EBIT margin close to 3% in 2024 after two tough years. We calculate a fair value range for Enersense of EUR 7.1-8.6 per share. Our valuation approach is based on a DCF model, backed by a peer group comparison.

Growing earnings with a higher purpose

The short-term outlook for Enersense looks favourable. The company's orderbook stood at EUR 511m in September, which compares to 12-month rolling net sales of EUR 346m. Earnings growth in the medium term will also be supported by EUR 4bn of investments in Finnish high-voltage power networks over the next ten years. We currently forecast 24% revenue growth for this year, with a 4.7% EBITDA margin. For next year, our EBITDA margin estimate is 5.6%. We argue that Enersense's proactive management practices and deep knowledge from infrastructure development projects give it a core competitive edge over its peers.

Vertical integration will improve value creation

We believe that Enersense's strategic growth aspirations are built on solid foundations, as they reflect a deep understanding of the energy transition towards carbon neutrality. The company is building wind and solar PV generation businesses, penetrating the offshore wind foundation markets, and ramping up its EV charging business, which could in total lead to EUR 100m in annual EBITDA by 2027, according to the company.

Valuation is not demanding

Enersense is valued below peers at 2024E EV/EBITDA of 4.9x. However, we do not believe that such a high valuation discount is warranted, due to the company's long-term structural growth story in the renewable energy sector. The acquisitions of Megatuuli, Unified Chargers and Pori Offshore all look promising, but the future value of these operations is far away and not yet driving the company's share price to a great extent. The main risk to our estimates would be if the high interest rate environment caused investments in renewable energy projects to decline.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	58	147	239	282	349	375	394
EBITDA (adj)	0	10	19	14	16	21	24
EBIT (adj)	-1	5	9	5	7	11	14
EBIT (adj) margin	-1.7%	3.2%	3.9%	1.7%	2.0%	2.9%	3.4%
EPS (adj, EUR)	-0.23	0.33	0.49	-0.48	-0.18	0.10	0.21
EPS (adj) growth	23.5%	243.5%	50.9%	-197.3%	61.6%	155.3%	108.4%
DPS (ord, EUR)	0.00	0.00	0.10	0.10	0.00	0.00	0.00
EV/Sales	0.3	0.5	0.4	0.4	0.3	0.3	0.2
EV/EBIT (adj)	n.m.	15.2	10.0	21.6	15.1	9.4	7.2
P/E (adj)	n.m.	25.4	13.9	n.m.	n.m.	39.2	18.8
P/BV	1.4	3.9	1.9	1.5	1.1	1.1	1.0
Dividend yield (ord)	0.0%	0.0%	1.5%	1.8%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-20.3%	16.1%	-13.2%	-12.8%	-38.8%	4.6%	7.3%
Net debt	5	9	1	12	39	36	32
Net debt/EBITDA	87.8	0.9	0.1	1.0	2.4	1.7	1.3
ROIC after tax	-6.0%	18.5%	18.4%	6.1%	6.3%	8.9%	11.2%

Source: Company data and Nordea estimates

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Factors to consider when investing in Enersense

Main drivers of the equity story

- Investments in grid infrastructure are resilient during economic downturns.
- Renewable energy will offer a structural growth story for several decades.
- Excellent project management know-how is a core competitive edge.
- Major synergies have been captured from acquisitions.
- Value-chain expansion should improve profitability for the future.

Key risk factors

- Higher interest rates and an economic downturn could limit industrial investments.
- Own wind power projects could achieve lower IRR than anticipated.
- Price competition is fierce, hence big construction project auctions could be lost, creating uncertainty in future estimates.
- The adjusted equity ratio is close to the covenant level of 37.5%.

Company overview

Enersense is building important infrastructure

Enersense's current core business involves project and maintenance services for the industrial, energy and telecommunications sectors, focusing on building energy systems, enhancing production efficiency for customers in the industrial sector, and building, servicing and maintaining telecommunications infrastructure. The company is already a leading power line constructor and maintenance operator in Finland and the Baltics, ranking no. 3 by sales in Finland's mobile network construction market.

Enersense has been one of the fastest-growing companies on the Helsinki Stock Exchange. Its business areas are Power, Connectivity, Smart Industry and International Operations. Enersense has made several acquisitions and will most likely continue its proactive M&A strategy. The company was established in 2005 and its shares began trading publicly in April 2018.

Energy transition driving the growth

Enersense helps to solve system-level sustainability problems

Finland has set one of the most ambitious climate targets in the world with a legal obligation to reach carbon neutrality by 2035. Enersense is one of the country's key allies in the pursuit of this goal. The company's construction services help strengthen energy security and reach net zero emissions. Finland deployed the first new nuclear reactor (Olkiluoto 3) in Europe over 15 years ago and is vastly expanding its wind power generation capacity; Enersense has played a major role in both.

The energy transition calls not only for investments in energy production plants, but also in transmission networks and energy-storing systems. We argue that Enersense's established expertise in renewable energy, project management and cost discipline ensures low volatility and good visibility into the company's earnings and cash flow for the coming years. In our view, Enersense offers earnings with a higher purpose and the company is well positioned to capitalise on the energy transition in its home markets.

Strategy to be a provider of zero-emission energy solutions

Enersense's goal is to become an energy producer

Enersense's strategy is to become a provider of zero-emission energy solutions and an enabler of an emission-free society through profitable business operations. We believe that Enersense's strategic growth aspirations are built upon a solid foundation, as they reflect a deep understanding of the energy transition towards carbon neutrality.

Enersense focuses on growth in the energy transition by building wind and solar PV capacity, penetrating offshore wind foundation markets, and ramping up its EV charging business. Enersense also examines business opportunities in energy storage. The company's energy production capacity target is 600-700MW by 2027 (600MW in wind power and 100MW in solar power capacity).

The company also aims to make continuous improvements that drive customer value, competitiveness and profitability in its end-to-end business operations. It also targets a

smooth integration of its acquired businesses. Employing skilled people will be needed to keep its service offering competitive. Project execution is a vital part of the success story. Enersense utilises company-wide leadership principles, common operational models, and digitalised processes across the businesses to provide a solid foundation for growth.

The company has set ambitious financial targets of EUR 500m in revenue and EUR 100m in profitability (EBITDA) by 2027. Our forecasts are slightly below these targets, because high interest rates have caused several onshore and offshore wind power projects to be postponed. Rising investment costs combined with a declining power price have made some renewable energy projects economically unviable.

We believe that Enersense has the right strengths

Proactive management and in-depth knowledge are two core strengths

We argue that Enersense's proactive management practices and in-depth knowledge from infrastructure development projects give it a core competitive edge over its competitors. The company's strategy to be a provider of zero-emission energy solutions and an enabler of an emission-free society is the right choice, in our view, and it should offer long-term structural growth.

The company's organisation is light but ambitious and fast, with a proven track record of completing demanding industrial-scale infrastructure projects. We believe that the company's integrity, discipline and leadership in renewable energy should serve as a catalyst for growing earnings with a purpose.

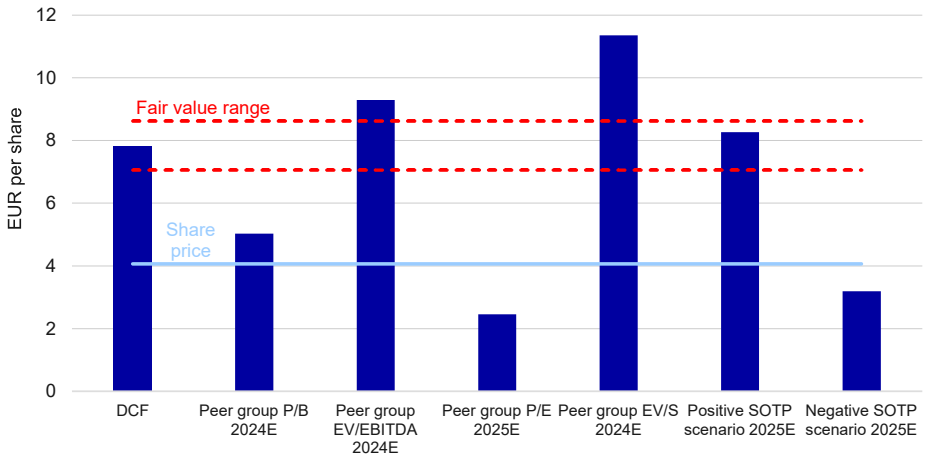
Fair value range of EUR 7.1-8.6 per share

Based on Refinitiv estimates, peer companies are trading at an average 2024 EV/EBITDA of 8.9x. Enersense trades at 2024E EV/EBITDA of 4.9x, and hence the company looks relatively inexpensive. The fair value of the share price could be EUR 9.3 if Enersense were priced in line with its main peers based on 2024E EV/EBITDA. However, Enersense looks expensive compared to the 2024E P/E multiple for the peer group. The main reason for this is high interest expenses and a modest net result.

Risks related to the charging business, wind power development and shipyard operations need to come down for Enersense's value potential to be released

Using our DCF- and peer group-based valuation approaches, we derive a valuation range for the Enersense share of EUR 7.1-8.6. We recognise the potential stemming from the most recent acquisitions, but risks related to the early-stage charging business, wind power development and shipyard operations need to come down for Enersense's value potential to be released. The most important driver for the equity story in 2024 could therefore be operational execution and positive earnings momentum rather than a long-term growth story.

VALUATION SUMMARY (EUR PER SHARE)



Source: Nordea estimates

Risk factors

High interest rates combined with low power prices could mean wind power projects are postponed

There are several major and minor risks to consider when investing in Enersense. Its short financial history and current asset structure could be considered risks, as well as the balance sheet. Other risks are related to price competition, financing of own wind power production, and employing the right people. The macroeconomic environment could be seen as a risk factor, as high interest rates combined with a low power price could cause the final investment decisions of wind power projects to be postponed.

Company overview

Enersense provides services for the energy, telecoms and industrial sectors, and has been one of the fastest-growing companies on the Helsinki Stock Exchange. The company is a leading power line constructor and maintenance operator in Finland and the Baltics, ranking number three by sales in Finland's mobile network construction market. Its business areas are Power, Connectivity, Smart Industry and International Operations. Enersense has made several acquisitions and will most likely continue its M&A strategy. The focus areas to expand its offerings relate to own wind power production, offshore wind power foundations and EV charging stations. The company was established in 2005 and its headquarters are in Pori, Finland. Its shares began trading in April 2018.

Company history

Enersense was founded in 2005 by Aaron Michel to provide a foreign workforce for the Olkiluoto 3 (OL3) nuclear power construction site. It took 18 years to finish building the OL3 reactor, underpinning steady demand for Enersense's services.

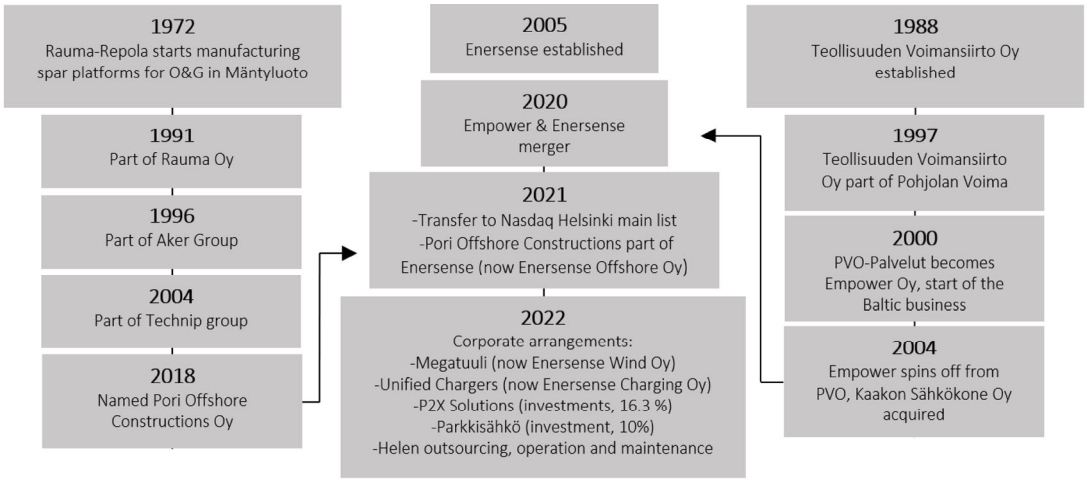
Ownership of the company changed in 2018 when investment company MBÅ bought 50% of shares from the main owner. MBÅ subsequently merged with Enersense for technical reasons.

The company made several acquisitions, such as RB-Asennus, Enersense Painting, and Värväämö, during its growth phase. Initially it focused on supplying labour, but thanks to various acquisitions, it gradually embraced a broader remit as noted above.

The origins of the company – PVO

In 2010, the company expanded its offering to outside of Finland, but its most important structural change happened in July 2020 when Enersense acquired Empower. Empower was originally a service company owned by Pohjolan Voima (PVO). The acquisition provided 1,266 workers and a broad customer base in the energy, telecoms and industrial sectors.

ENERSENSE HISTORY



Source: Company data

Business segments

Smart Industry includes maintenance and operation services as well as subcontracting chain management services and resource-, project- and contracting services

Smart Industry: Enersense's Smart Industry business area provides maintenance services to industrial customers, including offshore wind power foundation structures and other services to help its customers improve the reliability and efficiency of their production plants. Smart Industry is split into three units: 1) Smart Services, which includes maintenance and operation services as well as subcontracting chain management services; and 2) Smart Works, which includes resource-, project- and contracting services; and 3) Offshore. Smart Industry's customers include industrial companies, energy companies and shipbuilding companies.

The Power segment provides services covering the entire lifecycle of the energy sector, from project development and design to implementation and maintenance

Power: Enersense has more than 30 years of experience of building power lines. The Power segment provides services covering the entire lifecycle of the energy sector, from project development and design to implementation and maintenance. Other key focus areas for Enersense Power are wind power, solar power, charging solutions for electric vehicles, energy storage, transmission grids and electricity substations. Expert services include the provision of design services for power transmission grids, as well as for electricity substations and wind farms. Design services provided by Enersense include the general design of power lines, the structural design of power lines and electricity substations, substation design and testing, plus the automation of substations. Enersense also provides operating and maintenance services for electricity substations and power lines. However, the majority of the business is ordinary construction work.

The Connectivity business area provides mobile and fixed network services, and ensures network operability

Connectivity: Enersense's Connectivity business provides mobile and fixed network services and ensures network operability. Involved throughout the lifecycle of telecom networks, the company provides services relating to the design, construction, maintenance and repair of fixed and wireless telecom network infrastructure, plus telecom networks for buildings.

International Operations covers operations in the Baltic countries, the UK and France

International Operations: International Operations covers Enersense's international business operations in the Baltic countries, the UK and France. The service offering includes the design, construction and maintenance of transmission grids, telecom networks, electricity substations and wind farms, as well as resource and contracting services.

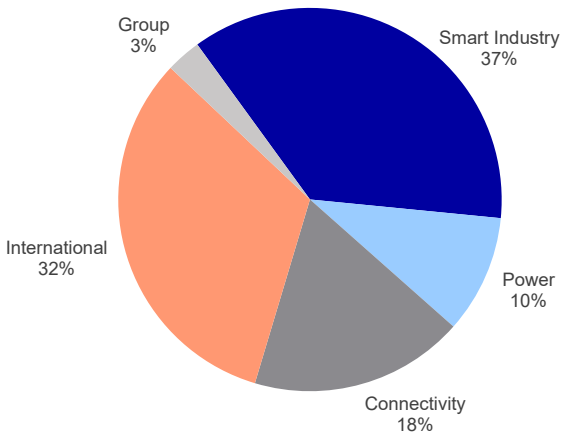
Personnel

The company's personnel underpin the technically demanding services on offer. It has 1,933 employees, working in Finland, Germany, France, the UK and the Baltic countries. Several acquisitions have led to a situation where employees may have different backgrounds and work cultures. As a result, Enersense prioritises integration and creating a common corporate culture. The acquired businesses are still being integrated.

Smart Industry is still the largest segment in terms of employees. Nevertheless, the number of personnel in the Smart Industry segment declined by 17% in 2022. The decrease in personnel was mainly due to a decline in the Smart Industry segment's volumes following the completion of the Olkiluoto 3 project. On the other hand, in November 2022, the headcount in Smart Industry increased by over 250 due to a business transfer transaction which was not yet visible in the average number of employees.

The company uses subcontracting, which explains why a portion of personnel expenses are reported as material and service costs. One reason for it favouring subcontracting for project management is because Enersense would be unable to constantly maintain a 95% utilisation ratio for double the number of workers.

PERSONNEL BY SEGMENT (2023E)



The company has ~1,933 employees

Source: Company data and Nordea estimates

Customer base

Enersense maintains half of Finland's wind power farms' electrical networks

A typical customer uses Enersense for running an industrial construction project. In the Smart Industry business area, customers include industrial players (Stora Enso), energy companies and shipbuilders (Rauma Marine Constructions). Power segment customers include energy companies (Fingrid) and wind power players (Enefit Green), for instance. Enersense'' personnel mainly work in leased facilities, at customer locations or on construction sites. Around 66% of revenues stem from Finland.

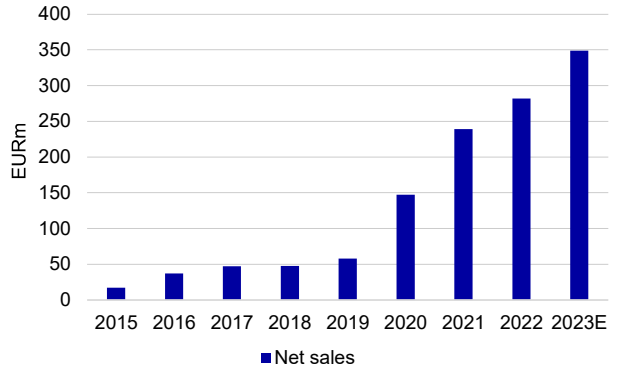
Customer contracts are usually signed after a successful public auction for individual projects. A single project can last months or even several years. Long-term service contracts are typical for maintenance services. Enersense can also sign a framework contract for a single project, which is then divided into smaller parts during the construction phase. In 2022, Enersense had one customer whose share of revenue was over 10% (EUR 32.2m).

Financials and market capitalisation

Acquisitions have resulted in a 57% top-line CAGR for 2019-23E

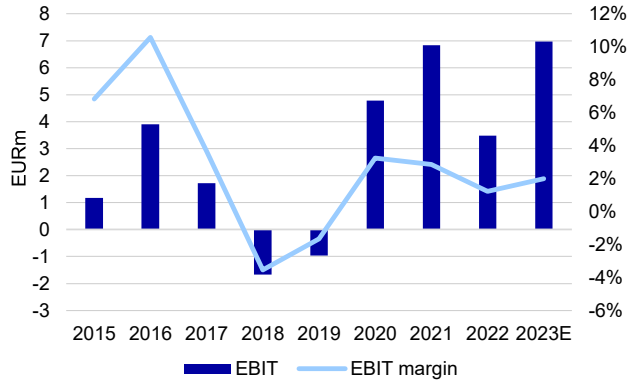
Acquisitions are one of the key reasons for the company's remarkable revenue growth in recent years (2019-23E CAGR of 57%). However, its EBIT margin was only 2.3% in 2020-23E. Construction of infrastructure projects is a low-margin business, which is reflected in the company's financials. Declining profitability in 2018-19 was related to the end of the Olkiluoto 3 construction project.

NET SALES (EURm)



Source: Company data and Nordea estimates

EBIT (EURm) AND EBIT MARGIN (%)



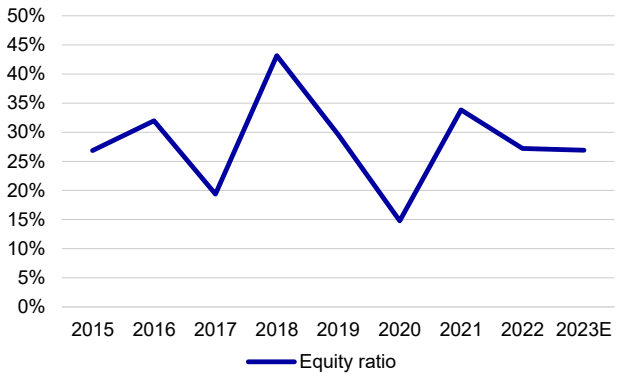
Source: Company data and Nordea estimates

Enersense operates a capital-light business model

The business model is not capital-intensive. Enersense also prefers growth investments over dividend payments, which has led to high revenue growth and an increasing amount of intangibles in the balance sheet. The company's unadjusted equity ratio has been 28% on average in 2015-23E.

The company's market cap rose from EUR 18m in 2018 to EUR 90m in 2022, which is a remarkable achievement by any standards. Market capitalisation has been partly driven by extraordinary annual revenue growth. The key question is how long the current sales growth can be maintained. We believe revenue growth could be supported by investments in renewable energy and the green transition, as well as by the ongoing expansion of its own renewable energy production.

EQUITY RATIO (%)



Source: Company data and Nordea estimates

MARKET CAPITALISATION (EURm)

Source: Company data and Nordea estimates

Enersense has an experienced management team and the CEO has been with the company for over ten years

Executive management

We find the management team to have a wide range of prior expertise that encompasses the long-term future goals of the company. Each manager in their respective division has considerable prior knowledge and insight regarding the company's operational goals and respective operating environments.

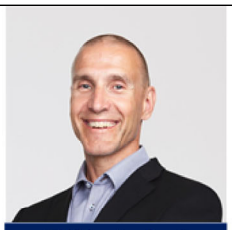
MANAGEMENT

Jussi Holopainen
President & CEO

Relevant management experience:
- CEO of Enersense since January 2013, joined the firm in 2009
- Previous positions include Vice President and Sales Director of Enersense

Education:
- Bachelor of Business Administration (BBA)

Enersense shares: 436,509

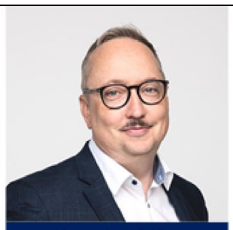


Mikko Jaskari
CFO

Relevant management experience:
- Enersense CFO since August 2021
- Previous Chief Financial Officer experience from the IT, construction and telecommunications industry

Education:
- M.Sc. Industrial Management

Enersense shares: 0

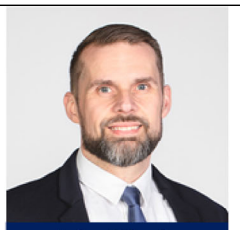


Sami Takila
SVP, Legal

Relevant management experience:
- Enersense Senior Vice President, Legal since July 2022
- Previous positions at: Basware Corporation, Nokia and law firm Hannes Snellman

Education:
- Master of Laws, MBA

Enersense shares: 495



Juha Silvola
EVP, Power

Relevant management experience:
- Enersense EVP, Power since August 2020
- Previous positions include Vice President and head of unit at Empower PN and CEO of Suomen Maastorakentajat

Education:
- M.Sc. Manufacturing Technology

Enersense shares: 15,210

Margus Veensalu
International Operations

Relevant management experience:
- Enersense EVP, International Operations since August 2020
- Previously various specialist and management roles with Empower in Estonia

Education:
- B.Sc. Mechanical Engineering, BBA

Enersense shares: 755

Jaakko Leivo
EVP, Smart Industry

Relevant management experience:
- Enersense EVP, Smart Industry since August 2020, joined the firm in 2017
- Previous positions include CEO and COO of Enersense Works Oy

Education:
- B.Sc. Electrical Engineering

Enersense shares: 70,444

Tommi Manninen
Communications

Relevant management experience:
- Enersense SVP, Communications and Public Affairs since February 2021
- Previously a content manager at Kreab and various journalist and producer positions

Education:
- Master of Social Sciences

Enersense shares: 1,121

Hanna Reijonen
Human Resources

Relevant management experience:
- Enersense SVP, Human Resources since September 2021
- Previous Human Resource positions at various companies including: Posti Group, Tieto and Ericsson

Education:
- M.Sc. Economics and Business Administration

Enersense shares: 755

Source: Company data and Nordea

Jussi Holopainen has an extensive history at Enersense, having been at the company since 2009. He began his CEO tenure in January 2013. As we see it, Holopainen is a well equipped leader thanks to his capability to manage, not only in Finland but also in an international environment. He has successfully helped shift the company's focus towards industry-leading sustainability-focused practises, leveraging factors that we find will be increasingly topical looking ahead.

Mikko Jaskari started as CFO in August 2021. Jaskari has acted in several managerial positions related to finance, for example at Honkarakenne and Telia. He has extensive experience working with growth companies, financial arrangements as well as mergers and acquisitions.

Sami Takila joined Enersense in July 2022. He is an experienced international lawyer with relevant business expertise. He has previously worked at Basware Plc where he served as a Vice President for Legal and Sourcing. His expertise spans contract law and compliance affairs to mergers and acquisitions in an international context.

Juha Silvola, who joined Enersense in 2020 following the Empower acquisition, has extensive experience developing business operations. Similarly, Margus Veensalu, who also joined from Empower, brings expertise that solidifies the company's objective in providing zero-emission energy solutions. Jaakko Leivo, who has a comprehensive background in the company's existing operations, brings the needed support from the perspective of production management.

We conclude that the management team, in relation to the objectives of the entire organisation, allows for manoeuvrability and adaptability, which in turn provides ample opportunities for future growth prospects.

Board of directors

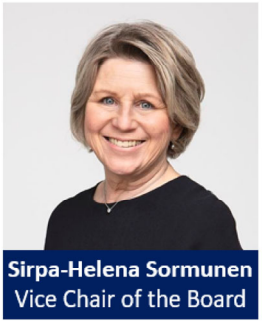
BOARD MEMBERS

Jaakko Eskola
Chairman of the Board

Relevant management experience:
- Wärtsilä CEO from 2015 to 2021
- Currently holds board positions in various companies such as: Varma, Cargotec, Suominen and Valmet

Education:
- M.Sc. (Tech.)

Enersense shares: 7,405



Sirpa-Helena Sormunen
Vice Chair of the Board

Relevant management experience:
- Previous management positions at Uniper and Fortum
- Currently holds board positions also at Gasum Oy and Nammo AS

Education:
- Master of Laws

Enersense shares: 14,110

Petri Suokas
Member of BoD

Relevant management experience:
- Experienced entrepreneur with ownership and engagements in various companies such as: Suotuuli Oy, Siementila Suokas Oy and Tilasiemen Oy.

Education:
- Vocational qualification in construction

Enersense shares: 933,092*
*includes indirect ownership

Source: Company data and Nordea

The board of directors has vast industrial experience and is chaired by Wärtsilä's former CEO

A total of six members, with diverse backgrounds, comprise the board of directors at Enersense. Jaakko Eskola, an experienced leader and the former CEO (2015-21) of Wärtsilä acts as the Board Chairman, supported by the Vice Chair Sirpa-Helena Sormunen, who also brings valuable supporting expertise from her prior experience in the energy industry. We note that Eskola is not independent from significant shareholders, since he also acts in a senior industrial advisor role for Nidoco AB (a significant shareholder).

Board member Petri Suokas, who has held a board position since 2020, is an experienced entrepreneur and also indirectly holds a noteworthy amount of the company shares. He brings valuable insight from a bottom-up perspective given his impressive track record with his own entities.

Sari Helander, currently the CFO of Ramirent Group, brings valuable insights via her extensive expertise regarding company finances and financial decision-making. Her contributions play a vital role in terms of the company's future growth perspectives from a financial viability standpoint.

BOARD MEMBERS (CTD.)

Sari Helander
Member of BoD

Relevant management experience:
- CFO and Head of Group functions at Ramirent Group
- Previous management positions at: Greenstep, Posti and Nokia
- Currently a board member at Evli Bank and Netum Oy

Education:
- M.Sc. (Econ.)

Enersense shares: 854

Anna Miettinen
Member of BoD

Relevant management experience:
- CEO and current owner of Inasis Oy
- Other board member positions at: Ensto Invest, Sewatek Oy and the Finnish National Theatre Foundation

Education:
- M.Sc. (Tech.), B.A.

Enersense shares: 1,200

Carl Haglund
Member of BoD

Relevant management experience:
- Veritas Pension Insurance Company CEO
- Previously a managing director at Accenture
- Board positions at: Aktia, ETLA & EVA, TELA ry, Nordic Rescure Group and Suomen Yrittäjäturva

Education:
- M.Sc. (Econ.)

Enersense shares: -

Source: Company data and Nordea

Anna Miettinen, the CEO and owner of Inasis, is a fresh addition to the company's board of directors, having joined in 2023. She brings a valuable perspective to the company's operations given her extensive engagements in cultural well-being and growth mindset.

Carl Haglund, who also joined the board of directors is 2023, is currently the CEO of Vertitas. He has an extensive yet pragmatic international reach thanks to his extensive networks and well-established relationships nurtured throughout his political career and various positions of trust.

Alexander Ehrnrooth, a main owner of the company (through Nidoco AB) is not on the board of directors. However, we believe that the current board members have his approval.

Shareholders

Nidoco AB is the largest shareholder in Enersense

The biggest shareholder is Nidoco AB, a Swedish investment company whose strategy is to create long-term value through active ownership of public and private companies. Nidico is currently a leading shareholder of four listed companies and has direct and indirect investments in more than 300 unlisted companies globally. Nidoco is an independent part of Virala Group, which is led by Alexander and Albert Ehrnrooth. Nidoco held 17.85% of shares before the rights issue in 2021, and now owns 26.29% of Enersense.

The second-largest (8.16%) owner is Ensto Invest Oy, a family investment company that also owns Ensto Group. Ensto provides a range of products for high-voltage transmission, such as surge arresters and underground cable accessories. Verman Group (8.15%), another large shareholder, is also a family investment company.

The company's free float is 57.32%, according to our analysis. The largest institutional investors in the list of shareholders are Ilmarinen, Veritas, Danske Bank Asset Management, S-Bank Fund Management, SP Fund Management, Handelsbanken Kapitalförvaltning and Elo, with a combined share of 10.82%.

BIGGEST SHAREHOLDERS

	Name	Shares (m)	%		Name	Shares (m)	%
1	Nidoco AB	4.35	26.38	16	Summer Island Oy	0.18	1.09
2	Ensto Invest Oy	1.35	8.16	17	Säästöpankki Pienyhtiöt	0.16	0.96
3	Verman Group Oy	1.34	8.15	18	Pellervo (Hirvonen Tapio)	0.14	0.85
4	Suotuuli Oy	0.68	4.12	19	Tapio (Takkala Risto)	0.14	0.83
5	Ilmarinen Mutual Pension Insurance Company	0.57	3.45	20	Belgrano Inversiones Oy	0.12	0.73
6	Holopainen (Jussi)	0.44	2.65	21	Elo Mutual Pension Insurance Company	0.11	0.67
7	Taloustieto Incrementum Ky	0.42	2.56	22	Säästöpankki Kotimaa	0.10	0.59
8	Danske Bank Asset Management	0.41	2.48	23	White Point Consulting Ab	0.09	0.57
9	Veritas Pension Insurance Company Ltd.	0.40	2.40	24	GC Advisors Oy	0.08	0.51
10	Mapps Global Invest Oy	0.34	2.08	25	Mäkelä Eero	0.07	0.44
11	Osuuskunta KPY	0.30	1.80	26	Leivo Jaakko	0.07	0.44
12	Loe Invest Oy	0.30	1.79	27	PM Ruukki Oy	0.07	0.41
13	Siementila Suokas Oy	0.24	1.46	28	Corporatum Oy	0.06	0.39
14	S-Pankki Fenno	0.23	1.36	29	Rausanne Oy	0.06	0.37
15	Blin Ab	0.22	1.34	30	Oy Ery Advisors Ltd	0.05	0.32

Source: Company data and Refinitiv

Strategy and long-term financial targets

Enersense's strategy focuses on positioning the company at the centre of the ongoing energy transition. Energy and electricity production will be increasingly based on renewable energy sources and calls for investments not only in energy production plants, but also in transmission networks and energy storing systems. We believe that Enersense's strategic growth aspirations are built on a solid foundation, as they reflect a deep understanding of the energy transition towards carbon neutrality.

Enersense's strategic focus areas for 2023-27

Enersense aims to be a provider of zero-emission energy solutions and an enabler of an emission-free society through profitable business operations

Enersense's strategy is to be a provider of zero-emission energy solutions and an enabler of an emission-free society through profitable business operations. Enersense has defined five key strategic focus areas:

Five key strategic focus areas

- **Capture growth in energy transition** – Enersense focuses on growth in energy transition by building wind and solar PV generation business, penetrating offshore wind foundation markets, and ramping up EV charging business. Enersense also examines business opportunities in energy storage.
- **Develop and maintain efficient core business operations** – Enersense targets to ensure continuous improvement of its end-to-end business operations to drive customer value, competitiveness and profitability while at the same time ensuring smooth integration of acquired businesses.
- **Ensure skilled people and expertise to make a difference** – Enersense strives to build the best expertise and competence for current and new businesses, and acquire new talents to join the company to fill the identified gaps.
- **Develop and accelerate the Enersense way of working (eWoW)** – Enersense builds company-wide leadership principles, common operational models, and digitalised processes across the businesses to provide a solid foundation for growth.
- **Develop ESG at the core of Enersense's operations** – Enersense develops and deploys environmental, social and governmental targets and actions at the core of its business to foster responsibility and to comply with regulatory, customer and investor requirements. Moreover, Enersense aims to create a carbon roadmap that gives guidelines to reach carbon neutrality (Scope 1 and 2) by 2030.

Value chain expansion

Enersense's goal is to become an energy producer

Enersense's goal is to grow from a broad-based service company in the energy sector to a producer of clean energy and a key green energy company. Acquisitions and development of new businesses have already expanded Enersense's role in the value chain.

Enersense's current core business comprises project and O&M (Operations & Maintenance) services for the industrial, energy, power and telecommunications sectors, focusing on building a sustainable energy system, enhancing production efficiency for customers in the industrial sector, and building, servicing and maintaining telecommunications infrastructure.

The focus areas of Enersense's growth strategy are onshore and offshore wind power, solar power and zero-emission transport. In offshore wind power, growth is sought from wind turbine foundations, in particular, and in onshore wind power and solar power from project development, construction and own energy generation. In zero-emission transport, new business is sought from electric vehicle charging solutions and clean fuels.

- **Offshore wind foundations** – construction of offshore wind power plant foundations, and engineering, procurement and construction (EPC) deliveries.
- **Renewable energy** – wind and solar power project development, wind and solar power generation, and energy storage (batteries, hydrogen).
- **Sustainable mobility** – electric vehicle (EV) charging solutions as well as hydrogen and e-fuel production through PX2 Solutions, in which Enersense owns 18.5%.
- **New business** – new business opportunities and acquisitions related to energy transition and digital solutions synergising with the current business portfolio.

Enersense targets stronger international expansion

Enersense targets stronger international expansion in all of its business areas. Enersense is also exploring potential new business segments in Finland and in the Baltic countries, as well as opportunities to expand vertically in the value chain, for example in the wind power sector, evidenced by Enersense moving from a service provider role to also becoming a project developer in February 2022 with the acquisition of Megatuuli.

Own energy production as a target

Enersense targets 600-700MW of own energy production by 2027

Enersense is accelerating its wind power business. The company's energy production capacity target by 2027 is 600-700MW, of which 600MW in wind power and 100MW in solar power capacity.

The acquisition of Megatuuli Oy (currently Enersense Wind Oy) in February 2022 laid the foundation for the current wind power business. Enersense's onshore wind power project portfolio comprised 8,100MW in total at the end of Q2 2023, of which 200MW of own capacity in the pipeline, and with a target for 600MW in own capacity by the end of 2027. The majority of Enersense's onshore wind power construction portfolio is funded by French Valorem, which in part sells stakes to green infrastructure investors.

Enersense also targets new investments in solar power, and the company aims to develop and own solar power plants in order to produce green energy. The solar power development unit is operated in the Power segment. The first investment plan (ongoing) is for a 20MW plant in Mäntyluoto, Pori in Finland. The target is to build over 100MW of solar power for own production by 2027.

Long-term financial targets

Enersense strives to be a key contributor to the energy transition through its profitable and growing business operations. The company's strategic goal is to expand in the value chain from being currently a broad-based service company in the energy sector to being a producer of zero-emission energy and a key green energy company.

Enersense's targets for 2027

Enersense has defined targets for revenue, EBITDA, proportion of zero-emission and low-emission projects as well as targets for own energy production by 2027:

- **Revenue** of EUR 500m, of which strategic development projects and own energy production projects are both estimated to bring EUR 100m. Enersense's core business operations' share of revenue in 2027 is expected to be EUR 300m.
- **EBITDA** of EUR 100m, of which strategic development projects and own energy production projects are both expected to bring EUR 35m. Enersense's core business operations' share of EBITDA in 2027 is expected to be EUR 30m.
- **Proportion of revenue from zero-emission and low-emission projects**: 75-80%.
- **Own energy production** capacity of 600-700MW in 2027.
- **Dividend policy**: Enersense's goal is to distribute at least 30% of earnings per share as dividends.

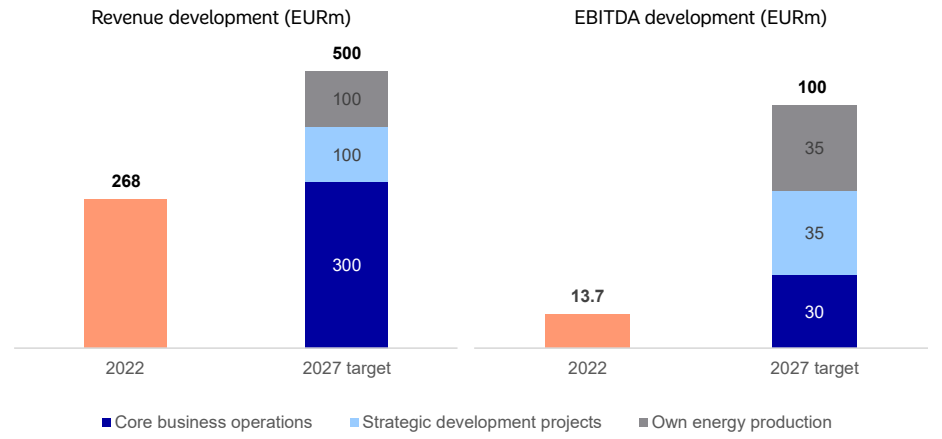
The company intends to actively seek various kinds of equity-based financing arrangements to enable value chain expansion

During the next few years, Enersense intends to actively seek various kinds of equity-based financing arrangements to enable value chain expansion. In December 2022, the company completed an offering of a EUR 26m senior unsecured conditionally convertible note. The net proceeds are used for investments and general corporate purposes.

Enersense estimates that the targeted 600-700MW own energy production capacity requires an investment of EUR 700-800m. Depending on the financing structure, the share of equity will be around EUR 300m in total. We believe Enersense targets to contribute roughly half of the required equity, i.e. EUR ~150m, and that the rest will come from alternative equity-like funding. The EUR 300m equity or equity-like financing could come from:

- (Direct) share issue by Enersense
- Project-specific investors
- Possible new share structures (e.g. preferred shares)
- YieldCo structures
- Profit-sharing with lenders
- Joint ventures

REVENUE AND EBITDA TARGETS FOR 2027 VERSUS 2022 OUTCOME



Source: Company data and Nordea estimates

When looking at the 2027 targets for EUR 100m in revenue and EBITDA of EUR 35m from own energy production, these imply that Enersense is targeting a funding structure that would leave it with ~50% of the profits but 100% of revenue (as Enersense will consolidate the revenue from the 600-700MW energy production capacity).

Well positioned to capitalise on the energy transition

In order to achieve its strategic objectives, Enersense will conduct acquisitions, make investments, develop and continuously improve its own operations and competence, as well as secure financial arrangements related to its own energy production capacity. Recent arrangements and investments, such as Pori Offshore Constructions, Megatuuli, Unified Chargers and P2X, play a key role in the execution of Enersense's strategy.

But current equity ratio and covenant level will require equity-like instruments to invest in growth

Our conclusion is that Enersense is well placed to capitalise on the energy transition. However, the adjusted equity ratio could be close to the covenant level of 37.5% in December 2023, leaving only limited room for growth investments without equity-like instruments.

Reporting segments

Enersense has four reporting segments: Smart Industry, Power, Connectivity, and International Operations. The biggest segment is Smart Industry and the most profitable segment is Power, where milestone payments from wind power construction projects could take the quarterly EBITDA margin temporarily over 40%. The second-biggest segment in terms of net sales is International Operations, where profitability has been negative or close to zero at best. A turnaround in profitability in International Operations is a key focus area for management in the short term. The smallest segment is Connectivity, where profitability has also been relatively weak.

Smart Industry

Services include maintenance services for industrial customers, offshore wind power foundation structures and other services

Enersense has its foundations in the Smart Industry segment, which offered manpower for the Olkiluoto 3 nuclear power construction site in Finland. Today, Enersense's Smart Industry business area provides maintenance services for industrial customers, offshore wind power foundation structures and other services to help its customers improve reliability and efficiency at their production plants.

Services offered by the Smart Industry business area include operating and maintenance (O&M) services, maintenance centre services, annual maintenance and surface treatment, and also offshore wind power foundation through Enersense Offshore. Enersense Offshore also has expertise in the manufacture of other steel structures and pipelines, as well as installation in industrial and marine projects.

The Smart Industry business area is divided into Smart Services, Smart Works and Offshore

The Smart Industry business area is divided into three units: 1) Smart Services, which includes maintenance and operation services as well as subcontracting chain management services; and 2) Smart Works, which includes resource-, project- and contracting services; and 3) Offshore. Smart Industry's customers include industrial companies, energy companies and shipbuilding companies, to mention a few.

SMART INDUSTRY SEGMENT OFFERS MAINTENANCE SERVICES FOR INDUSTRIAL CUSTOMERS

Source: Company image

Enersense has provided O&M services for the industrial sector for over 20 years

Enersense has provided O&M services for the industrial sector for over 20 years, and the services are implemented as a continuous service or as project work. Enersense seeks to increase its customers' revenue potential by maximising availability and productivity. The Smart Industry segment provide its customers with services related to annual maintenance and maintenance during operations, which also can be provided as comprehensive projects. These projects include project employees and supervisors, design, resourcing, implementation and reporting, or smaller sub-areas. Smart Industry has strong expertise in the manufacture of steel structures and pipelines, as well as in installation of these structures in industrial and marine projects. The business area also provides a wide range of painting and surface treatment services for the needs of all industries.

Smart Industry offers maintenance centre and machine shop services

Smart Industry also offers maintenance centre and machine shop services independent of equipment suppliers, and as a flexible solution for customers' maintenance needs. Machine and maintenance services for various industries are provided at Enersense's maintenance centres in five locations in Finland, as well as on site.

Enersense also has extensive experience in the installation, maintenance and servicing of electricity, district heating and district cooling meters. In its service package, Enersense Smart Industry is responsible for the replacement of its customers' energy meters, modems and their associated devices as well as system maintenance, thus securing the transfer of data from the customer's site to a remote reading facility.

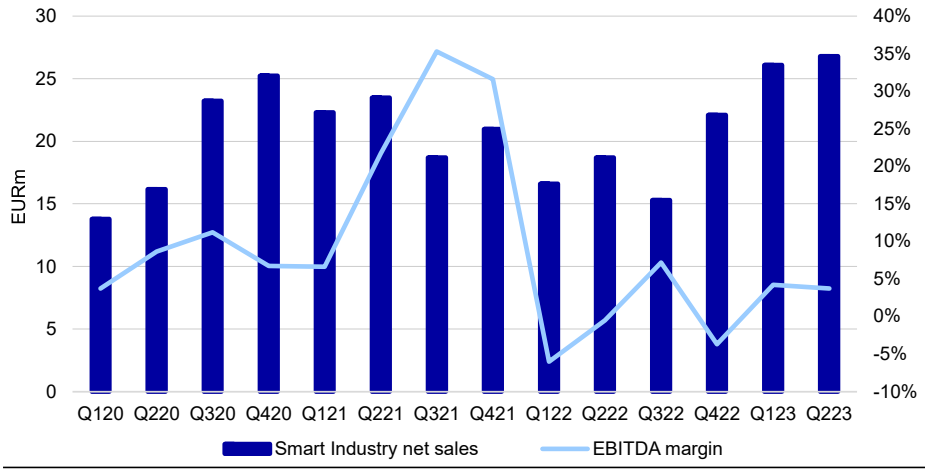
Also, the Smart Industry segment's resourcing business provides a wide range of flexible staffing solutions for the Finnish industry and construction sectors. The Smart Industry business area supports resourcing in Enersense's three other business areas.

Smart Industry offers the following services:

- Operating and maintenance (O&M) services
- Maintenance of centre services
- Energy metering services
- Annual maintenance and maintenance during operation
- Steel and pipeline work
- Surface treatment work
- Projects
- Enersense Offshore (more detailed description later in the report)
- Engineering recruitment services

The decrease in net sales and in personnel in 2021 was mainly due to a decline in the Smart Industry segment's volumes following the completion of the Olkiluoto 3 project. However, headcount for the Smart Industry segment has since increased again by over 250 due to a business transfer transaction in November 2022.

SMART INDUSTRY SEGMENT NET SALES (EURm) AND EBITDA MARGIN (%)



Source: Company data and Nordea estimates

Power

The company has over 30 years' experience of building power lines

The company has over 30 years' experience of building power lines. The Power segment provide services covering the entire lifecycle of the energy sector, from project development and design to implementation and maintenance. Other key focus areas for Enersense Power are wind power, solar power, charging solutions for electric vehicles, energy storage, transmission grids and electric substations.

One example of a project is the EUR 16m contract in Fingrid's public procurement tendering process for the Aurora Line, which is the new electricity transmission link between Finland and northern Sweden. The project involves construction of a 400kV power line (about 80 kilometres long), and is expected to be ready in 2024.

ENERSENSE IS BUILDING PART OF THE NEW AURORA LINE FOR EUR 16m

Source: Company image

The majority of the business is ordinary network construction work

Expert services include provision of design services for power transmission grids, as well as for electric substations and wind farms. Design services provided by Enersense include general design of power lines, structural design of power lines and electric substations, substation design and testing and automation of substations. In addition, Enersense enables operating and maintenance services for electric substations and power lines. However, the majority of the business is ordinary construction work.

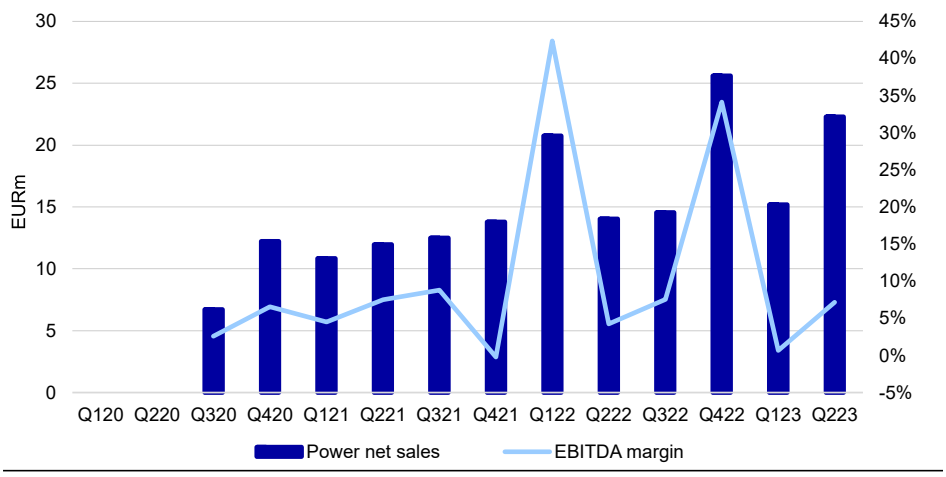
On the wind power side, project deliveries typically include necessary infrastructure as well as design and construction of electric connections to the grid. Enersense has participated in the construction of a wind power portfolio of more than 1,200MW in Finland and Sweden.

The Megatuuli acquisition expanded operations to own power generation

The Megatuuli acquisition expanded Enersense's operations to own power generation. The company's target is to build 600MW of wind power by 2027. Enersense and its partners could have >20% market share in Finnish wind power by 2030.

In the electric vehicle charging business, Enersense provides own charging solutions for electric vehicles. The electric vehicle charging business was launched through the acquisition of Unified Chargers Oy on 15 November 2022. The company also offers charging solutions for public locations and for the needs of heavy transport.

POWER SEGMENT NET SALES (EURm) AND EBITDA MARGIN (%)



Source: Company data and Nordea estimates

In Q1 2023, the Power business area signed an agreement with Gigawatti on construction of the infrastructure for 13 power plants in Oosinselkä, in addition to agreements with Fingrid on substation projects worth EUR 20m. An improved order book at the start of the year was visible in net sales in Q2 2023. The high profitability in Q1 2022 and Q4 2022 relates to milestone payments from onshore wind projects.

We believe that the original integration of Enersense and Empower could have been done faster, and it has taken time to reach a united corporate culture. In our view, slow integration is also one reason for the relatively modest profitability at the group level.

The acquisition of Voimatel was unsuccessful

In June 2022, Enersense signed an agreement, subject to approval by the competition authority, to acquire Voimatel, but later on withdrew from the process. The Finnish Competition and Consumer Authority evaluated that the combined market share of Voimatel and Enersense would have been too dominant, and thus it did not give permission for the acquisition to go ahead in a form that was acceptable to the board of directors of Enersense.

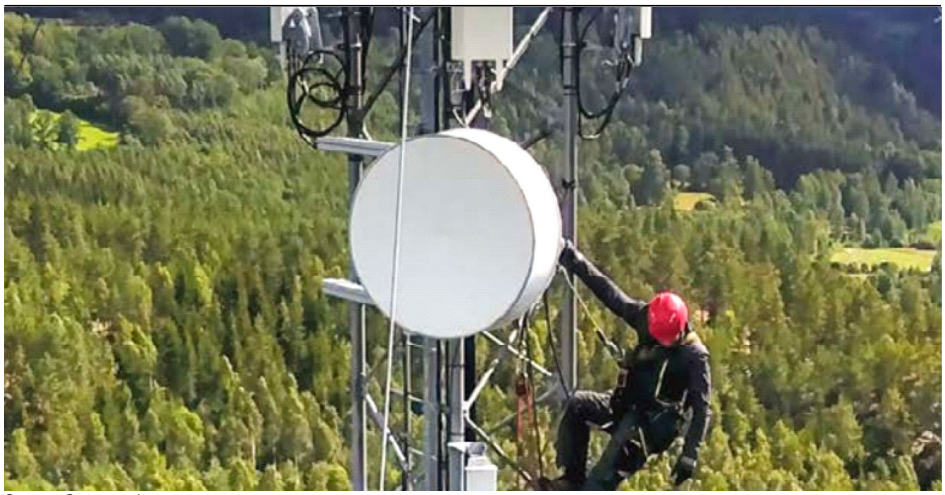
Enersense offered a relatively low EUR 9m for Voimatel, a company with 1,000 workers and net sales of EUR 133m in 2021. We calculate that the proposed transaction indicated an EV/EBITDA multiple of 2.5x. The Voimatel transaction would have significantly increased the size of Enersense, and hence we consider the failure of the deal as negative for Enersense.

Connectivity

The Connectivity business provides mobile and fixed network services and ensures the operability of the customer's network

Enersense's Connectivity business helps its customers by providing mobile and fixed network services and ensuring the operability of the customer's network. Enersense is involved throughout the lifecycle of telecommunications networks and it provides services related to the design, construction, maintenance and repair of fixed and wireless telecommunications networks, infrastructure and telecommunications networks for buildings.

CONNECTIVITY IS THE SMALLEST BUSINESS AREA IN TERMS OF NET SALES



Source: Company image

Enersense also designs mobile networks

Within the Connectivity business area, Enersense offers design and expert services for the construction and modification of mobile and fixed networks and for equipment construction as part of Enersense's turnkey delivery projects and as a separate service. Enersense designs mobile networks from 2G all the way to 5G. The business area provides design services for new buildings, network modifications and modernisations. Mobile network design services can also include site surveys and permit processes for base stations. Design services for fixed networks consist primarily of the design of optical networks for new areas, the replacement of copper cables, or the modification or modernisation of existing optical networks.

Enersense also builds telecommunications connections. Every year, it implements around 6,000 mobile and fixed network construction projects of various sizes, including planning and documentation. Services offered by the Connectivity business area also include telematics construction, such as the installation of surveillance system equipment and the system cables required.

Every year, Enersense implements around 100,000 connection and equipment installation assignments for its customers in companies and consumer households across Finland. Enersense's employees are qualified to work in locations that set specific requirements for operations. These include railway environments, masts and substations where work requires expertise of the environment and area.

In addition, Enersense's maintenance organisation provides preventive and annual maintenance and repair services for telecommunications networks across Finland as part of comprehensive lifecycle management. In addition to ensuring the reliability of data networks, Enersense provides maintenance services for telematics.

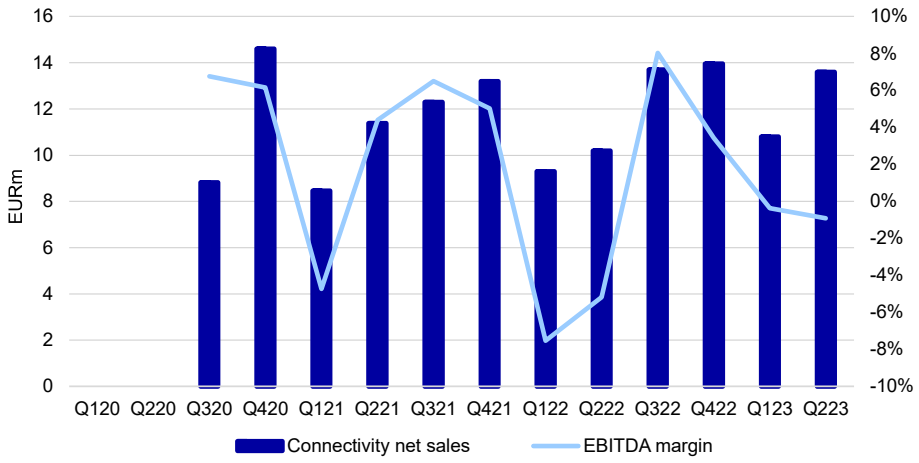
Connectivity offers the following services:

- Design
- Construction
- Subscription and equipment installation
- Servicing and maintenance

Connectivity: average quarterly net sales of EUR 12m over the last three years

Enersense's Connectivity business area has reported average net sales of EUR 12m over the last three years. Operators may even reduce network investments in the future as the first phase of the 5G rollout ends. Operators have had problems monetising 5G investments. This, combined with higher interest rates, could reduce the speed of new investments.

CONNECTIVITY SEGMENT NET SALES (SEKm) AND EBITDA MARGIN (%)



Source: Company data and Nordea estimates

International Operations

International Operations includes the Baltics, the UK and France

International Operations covers Enersense's international business operations in the Baltic countries, the UK and France. The service offering includes the design, construction and maintenance of transmission grids, telecommunications networks, electric substations and wind farms, as well as resource and contracting services.

In the Baltics, Enersense operates through its group companies Enersense AS, Empower 4Wind OÜ (Estonia), Enersense SIA (Latvia) and Enersense UAB (Lithuania). The services provided in the Baltics include:

- High voltage overhead line maintenance and turnkey projects (110-400kV)
- Distribution networks maintenance and turnkey projects (0.4-110kV)
- Substation maintenance and turnkey projects
- Engineering and expert services for grid customers and industrial customers
- Maintenance and construction of wind farm infrastructure
- Telemobile site planning, engineering and construction service
- Installation and maintenance of FOC and mobile telecommunication networks

In addition, Empower 4Wind OÜ in Estonia offers repair of wind farm infrastructure and also manages spare part reserves for wind farms.

In Europe, Enersense operates through its group company Enersense Ltd (UK), Enersense GmbH (Germany) and Enersense SAS (France). In these countries, services include: industrial services, such as operating and maintenance services, and installation projects, construction services for nuclear and renewable power plants, welding and painting services for the maritime industry, welding and painting services for industrial sites and services related to construction.

International Operations' customers include foreign electricity and energy companies, wind power companies, industrial companies, telecommunications companies, municipalities, railway companies and mining companies. Agreements related to construction, resourcing and contracting services mainly comprise individual contracts and project agreements, whereas maintenance agreements also include continuous and fixed-term service contracts.

ENERSENSE HAS BEEN CONNECTING THE BALTICS TO THE WIDER EUROPEAN GRID

Source: Company image

Framework agreement with Svenska kraftnät

An example of Enersense's International Operations is the framework agreement signed with Svenska kraftnät, Sweden's national grid operator, for the revision and renewal of ~30% of the national grid in Sweden over an eight-year period.

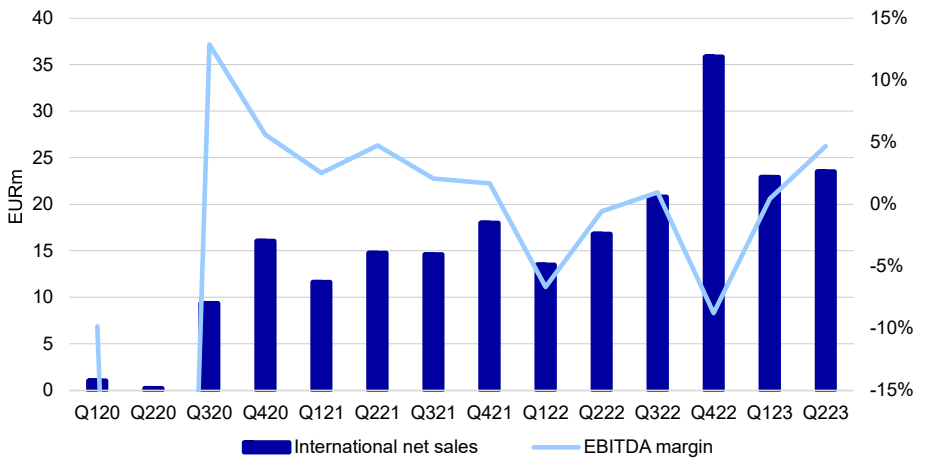
Another example is the project to synchronise the Baltic and European electricity transmission systems, which will involve the installation of three synchronous condenser stations in Latvia. Enersense SIA and the Latvian transmission system operator AS Augstsprieguma tīkls (AST) signed a new contract for the installation of synchronisation and inertial equipment in the electricity system at three different sites in Latvia. The assignment will be carried out in a consortium between Enersense and an international energy company. Enersense's tasks include the design and construction of the synchronous condenser stations, construction of the access roads, the supply of materials and the installation work.

Agreements with Enefit Connect for maintenance of electricity networks in Estonia

In June 2022, Enersense AS signed a follow-up agreement with Enefit Connect regarding maintenance of the electricity networks of Elektrilevi, the largest network operator in Estonia. The two-year agreement includes maintenance and troubleshooting of electricity distribution networks in the Saaremaa and Hiiumaa area.

In November 2022, Enersense AS signed two follow-up agreements with Enefit Connect regarding the maintenance of electricity networks. The agreements include maintenance of electricity distribution networks, troubleshooting and connecting solar parks in Estonia's Pärnu and Tartu-Jõgeva areas to the electricity distribution network.

INTERNATIONAL OPERATIONS SEGMENT IS 32% OF GROUP NET SALES FOR 2023E



Source: Company data and Nordea estimates

International Operations: good revenue growth but fairly weak profitability

Revenue growth has been good in International Operations, but profitability relatively weak. Last year, the segment reported a declining order book and also a loss. One problem area is older contracts that do not take inflation and rising costs into account.

Historical financials

Enersense's relatively short history with its current asset structure is visible in its financials. Quarterly revenue has increased from EUR 15m at the beginning of 2020 to EUR 94m in Q3 2023. The company has shown an outstanding 2019-23E revenue CAGR of 57%. Strong growth has been in line with the company's strategy, but it has also led to weakening profitability and problems related to integration of business units. The most important event in Enersense's past that is clearly visible in net sales is the acquisition of Empower in 2020, which formed the basis of the company as we see it today. Empower's roots are in the Pohjolan Voima (PVO) group, whose service company PVO-Palvelut was renamed Empower in 1999. Our conclusion is that Enersense operates in a sector which will offer a sustainability-labelled structural growth story for the company for several decades.

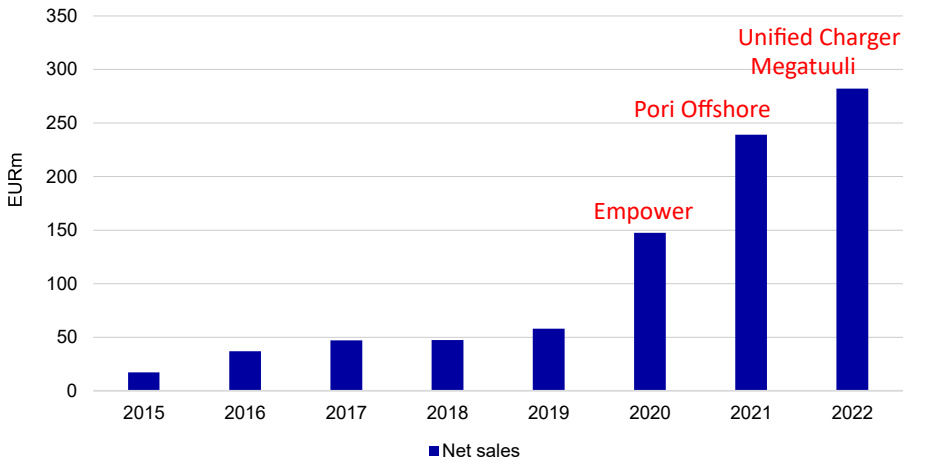
Revenue CAGR of 36% for 2015-19

Enersense has its roots in PVO's service company

In 2020, Enersense's net sales were supported by EUR 74m from the acquisition of Empower. However, the company's revenue growth was decent even before the Empower (PVO-Palvelut) transaction. Average revenue growth (CAGR) for 2015-19 was 36%.

Net sales reached EUR 239m in 2021, when the company acquired Pori Offshore Construction and increased its ownership in its Latvian associated company. Unfortunately, the Finnish Competition and Consumer Authority did not give approval to acquire Voimatel in 2021; the acquisition, had it gone ahead, would have increased annual net sales by EUR ~133m. However, Megatuuli and Unified Charger were acquired successfully in 2022.

ENERSENSE: ANNUAL NET SALES 2015-22 (EURm)



Source: Company data and Nordea estimates

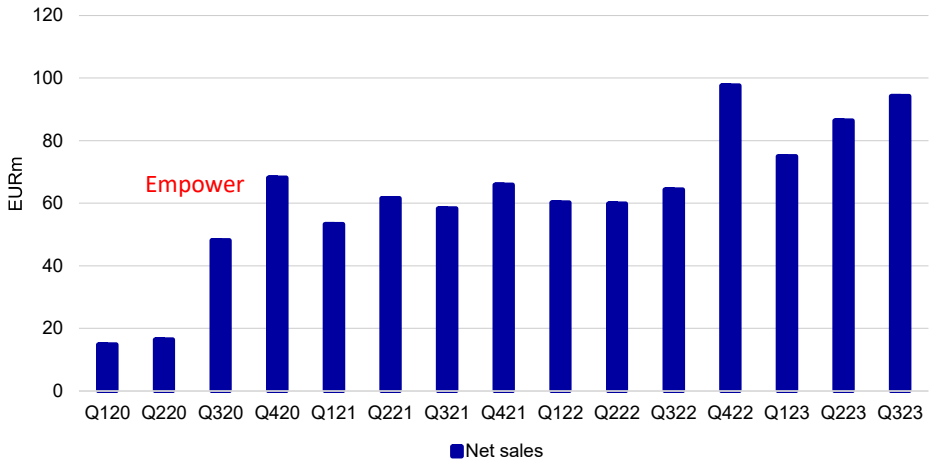
The Empower acquisition in 2020 was a bold move, but it turned out to be successful

Quarterly revenues were EUR 16m in H1 2020 before the acquisition of Empower. After the acquisition, average net sales increased to EUR ~59m for the next nine quarters. We consider the Empower acquisition to have been a very bold and risky move, but it turned out to be successful. Empower was loss-making and out of cash, but Enersense has been able to build a healthy operation after the transaction.

International operations were the main reason for the record-high net sales in Q4 2022. The increase in turnover in Q4 2022 was related to the high-voltage power line construction projects in Lithuania and Estonia.

A large part of the company's revenue growth has come via acquisitions

NET SALES PER QUARTER, Q1 2020-Q3 2023 (EURm)



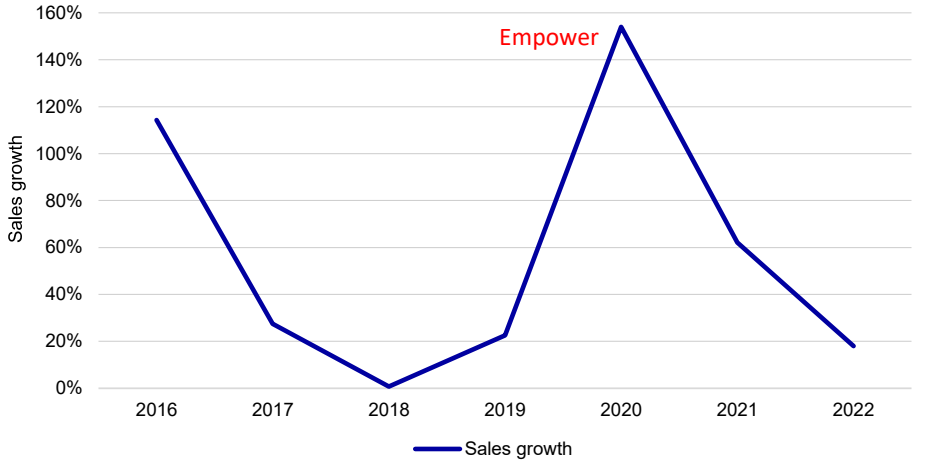
Source: Company data and Nordea estimates

One of the key drivers of the most recent growth is the deliberate focus on sectors such as EV chargers, offshore platforms and wind power. Investments in power grids, EV chargers and renewable energy can offer a structural long-term growth story, but we believe that underlying market growth is still 7-15%. A large part of the company's strong revenue growth in 2020-23 has come via acquisitions. However, acquisitions also underline one of the company's key strengths. Enersense is bold enough to invest in new business areas and it can execute transactions while keeping risk levels low.

Competition can be fierce ahead

Our conclusion is that Enersense operates in highly interesting sustainability-driven sectors and that it has a good customer portfolio. But renewable energy is so tempting that competition is already here and will most likely be fierce in the future as many companies would like to reach the same growth trajectory and repeat the success of Enersense.

REVENUE GROWTH



Source: Company data and Nordea estimates

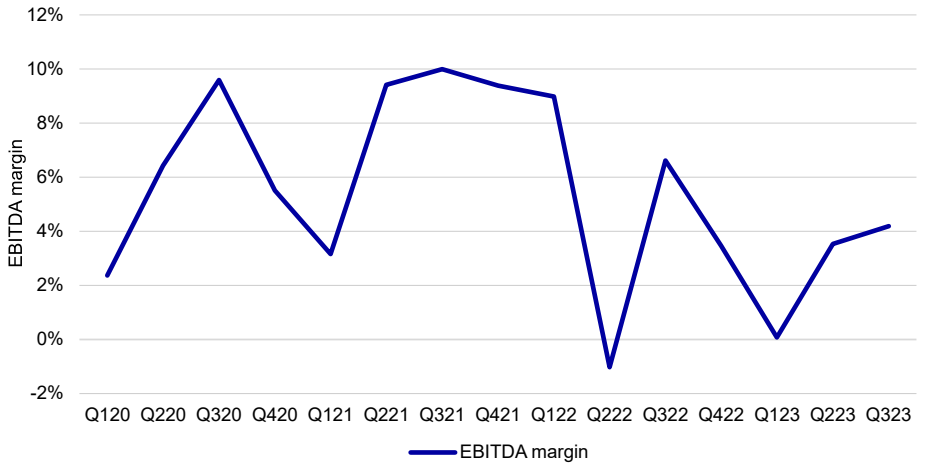
Service operations are low-margin business

Seasonally, EBITDA is typically at its lowest in the first quarter, and this was also the case in Q1 2023. However, investments in the ramp-up of offshore wind power, an acceleration of onshore wind power project development and a new ERP system also burdened profitability in H1 2023. Very strong EBITDA in Q1 2022 was related to the recognition of EUR 8.5m arising from the Megatuuli acquisition.

We think the selected growth strategy is right

In a sense, investments in growth have burdened the company's EBITDA margin. We feel the selected growth strategy is right and we do not think the company has lost its efficiency. But it is fair to say that construction of telecom and power grids is a low-margin business model, which is why Empower originally faced financial problems before it was acquired by Enersense in 2020. In our view, project pricing and project management at Enersense have been excellent to avoid unprofitable operations.

EBITDA MARGIN BY QUARTER



Source: Company data and Nordea estimates

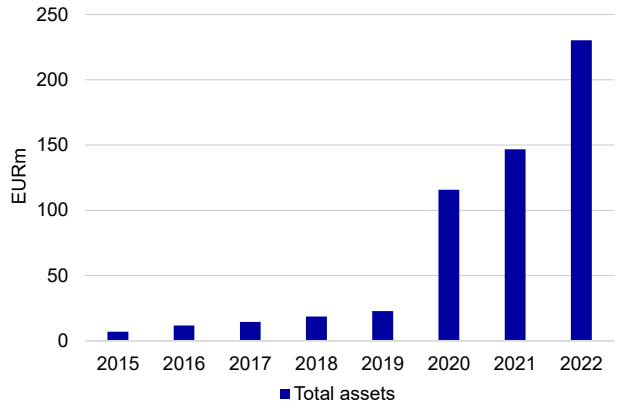
Growth financing has been mainly in the form of common and preferred stocks

Revenue growth has not led to a similar increase in net debt

Total assets started to increase after the acquisition of Empower, but high revenue growth has not led to any significant increase in net debt. The company's assets have increased to EUR 230m (2022), but net debt is only EUR 12m. Financing of the growth has come mainly in the form of common and preferred stocks.

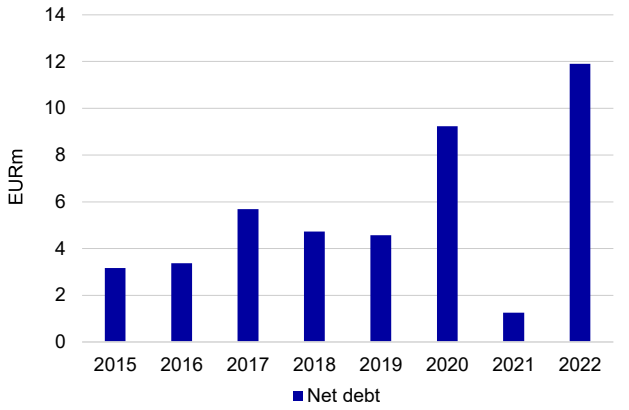
Our conclusion is that Enersense has done a stellar job, but that it has also been boosted by renewables and network investments in Europe. One risk is that higher interest rates and low power prices could dampen interest in building offshore and onshore wind power. Cash flow and liquidity are not a problem, as we see it, but one risk factor is the relatively low equity ratio. The adjusted equity ratio is close to the covenant level of 37.5%.

TOTAL ASSETS (EURm)



Source: Company data and Nordea estimates

NET DEBT (EURm)



Source: Company data and Nordea estimates

Enersense offshore in Mäntyluoto

Enersense acquired Pori Offshore Constructions in October 2021, which offered it the capability to implement sizeable and complex steel structures for the offshore wind power sector. In practice, Enersense can make towers which can be used as a foundation for windmills and other offshore constructions in the oil and gas industry. The acquisition was in line with the company's strategy and enables Enersense to move up in the value chain for renewable energy production projects, from installation services to product deliveries. Due to its very weak financial position, the acquisition price for the Mäntyluoto shipyard (Pori Offshore Constructions) was only EUR 1. We believe this acquisition will turn out to be very successful because the shipyard offers access to global markets, and offshore wind investments will be close to EUR 80bn (cumulative) in Europe alone by 2050. Pori Offshore currently belongs to Enersense's Smart Industry segment.

Offshore foundations are a spearhead of Enersense's strategy

Given that the Mäntyluoto shipyard has already delivered the frame for the floating offshore wind power plant, the company is not in a pure start-up mode. The shipyard has also delivered a pilot wind foundation project for demanding icy conditions. The Baltic Sea freezes during the winter, and hence design and structure need to be tailored to this demanding environment.

The turnover of Pori Offshore Constructions has been only a few million EUR in recent years, but the site can be scaled to produce 12 towers per year, which could bring EUR 100m in annual revenue. We forecast that one offshore steel foundation will cost around EUR 8m.

ENERSENSE PAID EUR 1 FOR THE MÄNTYLUOTO SHIPYARD IN 2021

Source: Company image

Low turnover for Pori Offshore Constructions in recent years, but the site can be scaled to produce 12 towers per year, which could bring annual revenue of EUR 100m

Operations in Mäntyluoto will be run with an asset-light model and with extensive subcontracting to keep risks low. The land area and buildings on the site were sold to the City of Pori for EUR 8m after the original transaction, and then leased back for five years for EUR 4m. After the five-year term, the lease will continue until further notice. The City of Pori will also take all environmental responsibility related to the land area, which reduces the risk of future liabilities for Enersense. A total of EUR 7.3m in negative goodwill was booked in 2021 due to the favourable acquisition price for Pori Offshore Constructions.

High revenue expectations for offshore foundations

In summer 2022, Enersense Offshore constructed the pontoon and ramp that had been ordered for the Port of HaminaKotka. Aker Solutions ordered steel structures from Enersense for the Yggdras oil field in July 2023. The Mäntyluoto shipyard also made four cable coil turntables for Norway in 2023. The turntables will be used for the manufacture and installation of electrical cables for wind power plants.

WE ESTIMATE THAT MÄNTYLUOTO COULD PRODUCE 12 TOWERS PER YEAR

Source: Company image

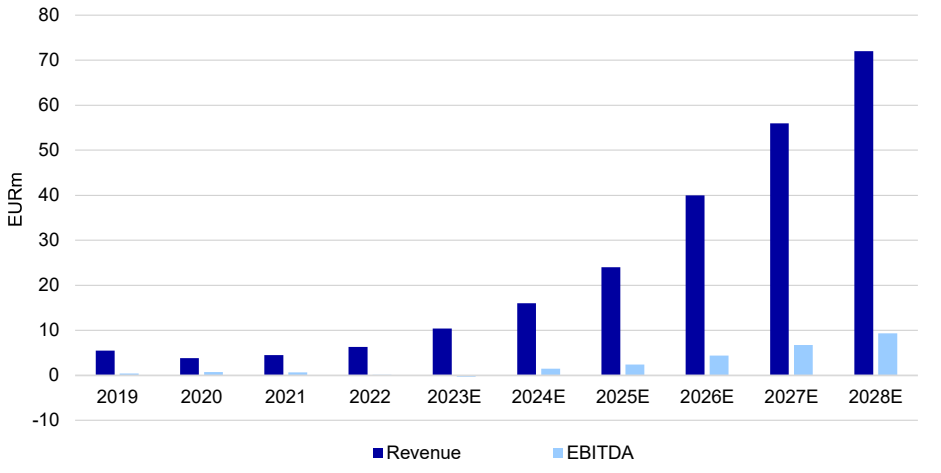
The probability of winning bids is difficult to estimate for offshore operations

The site is currently delivering structural components to Danish Bladt Industries for offshore substations, but major offshore deals are yet to come. Big international offshore bidding contests could bring EUR 20m in revenues, but the probability of winning bids is hard to estimate. Due to this very high uncertainty, we do not use the company's target of EUR 100m in revenue by 2027 directly as our base-case estimate. However, wind power is not the only business or solution area for Mäntyluoto. The site provides Enersense with new business opportunities also in bioenergy, gas, hydrogen and hydropower projects.

Investments in the offshore wind power business should not burden profitability in 2024. The company expects group-level EBITDA to increase next year due to improved offshore foundation operations. In our base-case forecast, offshore operations contribute EBITDA of EUR ~10m by 2028.

ENERSENSE: OFFSHORE REVENUE AND EBITDA FORECAST (EURm)

We estimate EUR ~10m EBITDA from offshore operations by 2028



Source: Nordea estimates

The State of Finland has already concluded the country's first offshore wind tender, selecting Sweden's Vattenfall to build a 1.3GW wind park off the Finnish west coast. The total investment is estimated at EUR 2-3bn and the facility is expected to become operational in the early 2030s, with the capacity to generate up to 5TWh a year. While Enersense's offshore wind power foundation business is global and not restricted to the Baltic Rim, we believe Enersense is very competitive in the Baltic Rim.

We forecast 2023 net sales of EUR 12m for Enersense's offshore operations

We currently forecast net sales of EUR 12m for Enersense offshore in 2023. The scale-up to EUR >50m revenues could happen in 2027, according to our estimates. We model a 2023 EBITDA margin of -3%, which could grow to 12% by 2027. However, offshore platform estimates come with a large degree of uncertainty due to higher interest rates and the postponement of some offshore wind projects globally.

Onshore wind power production

There is a high need for technologies and solutions to tackle the fundamental, system-level sustainability challenges that the world is facing – and Enersense offers such solutions. Onshore wind power is one of the three strategic growth sectors for the company. Enersense has set a target of 600MW in wind power capacity by 2027, making it the second-biggest onshore wind power developer in Finland measured by capacity. However, the onshore wind power portfolio will require investments of EUR 750m, which have not yet been finalised. Furthermore, wind project IRR management could become challenging given construction costs, weak demand for power, a low power price environment and the balance of fixed and merchant exposure.

Earnings with higher purpose

Wind power offers one viable solution to system-level sustainability problems

Ecological system pressure, global warming and climate change have created tremendous challenges for society. These complex global problems are not easily solved, but wind power offers one viable solution to system-level sustainability problems. In this sense, Enersense delivers earnings with a higher purpose.

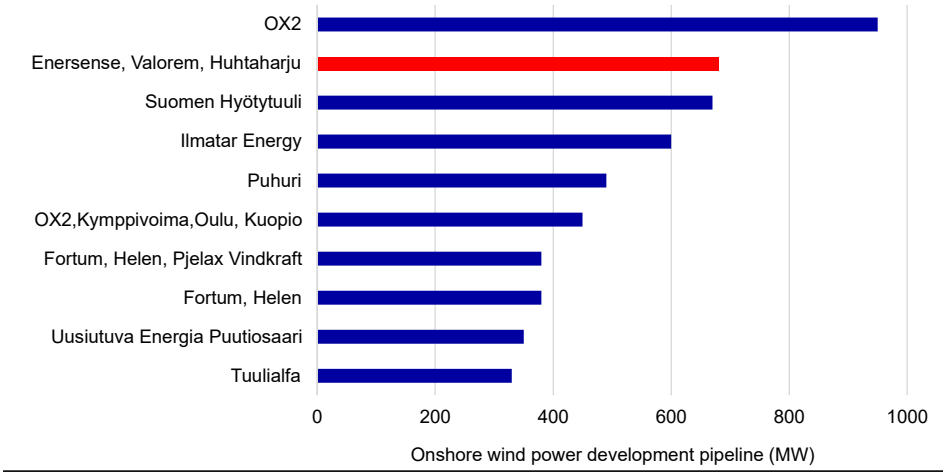
Finland targets a 50% share from renewable sources in gross final consumption of energy in 2030. With that, the wind power market should remain in a growth mode for over a decade, but additional grid investments will be needed to enable a capacity increase in wind power production.

Enersense acquired the onshore wind farm developer company Megatuuli in December 2021 to become the second-largest onshore wind power developer in Finland

Enersense became the second-largest onshore wind power developer in Finland when it acquired the onshore wind farm developer company Megatuuli in December 2021. The transaction was paid for with a directed share issue of 2.6 million new shares (EUR 18.5m).

Megatuuli has been responsible for the initial project development phases of the projects, including preparing feasibility studies and securing land leases, as well as zoning, environmental impact assessment and building permit processes for the "ready to build" phase. In other respects, the development phase has been carried out by Megatuuli's development partner. Together with its partners, Megatuuli had wind power plant projects in progress or in the feasibility study phase, with a total capacity of around 3,000MW. The majority of the development portfolio is owned by development partners.

ONSHORE WIND POWER DEVELOPMENT PIPELINE IN FINLAND (MW)



Source: Tuulivoimayhdistys and Nordea estimates

Valorem is the main partner in wind power

The French energy company Valorem has a 1,500MW onshore wind development portfolio in cooperation with Enersense in Finland, of which 400MW is already under construction. However, economic uncertainty and higher interest rates combined with declining demand and low power price expectations could lead to postponements or cancellations of some current development projects.

Valorem is an independent, vertically integrated company with a pan-European presence and an active involvement in the wind, solar, hydroelectric and marine energy sectors. Valorem usually carries the development costs with the wind farms to be sold as turnkey projects.

French Valorem is very similar to Enersense

In more detail, Valorem is much like Enersense. Valorem started as a technical design office before embarking on development of third-party projects. After that, it set up business on its own, ultimately dedicating itself fully to the construction and operation of wind assets. Enersense has also put vertical integration at the centre of its strategy.

VIIATTI 313MW PROJECT IS THE BIGGEST CONSTRUCTION SITE FOR VALOREM IN FINLAND

Source: Company image

The development phase

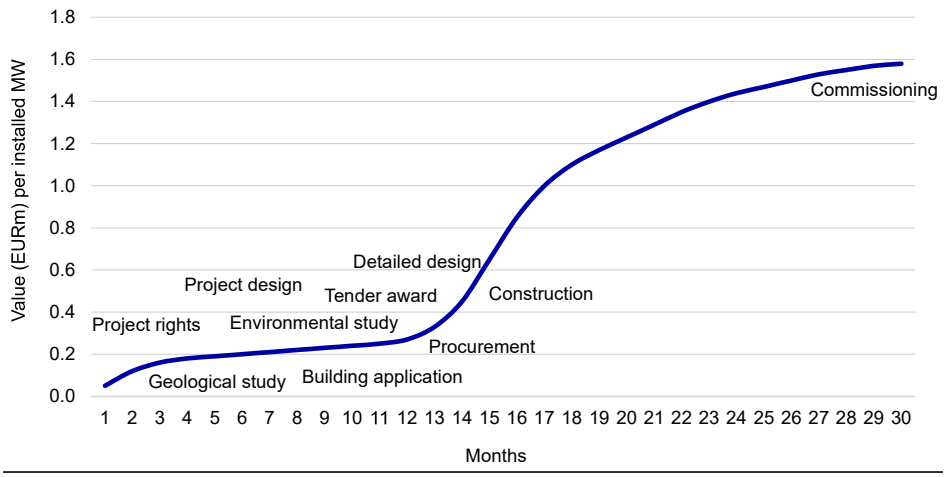
Wind power projects are usually divided into feasibility, development, construction and operational phases

Enersense uses the same project-phasing methods as other wind power developers. An individual project is usually divided into feasibility, development, construction and operational phases. A feasibility study and project planning can take up to ten years.

Construction of a medium-sized onshore farm after detailed design is conducted usually takes three years; we note that most capex (80%+) is concentrated at the middle of the project. However, we expect peak capex to be only some 60% of total capex, which indicates to us that Enersense does not use a very aggressive construction phase approach.

We forecast that the value created in onshore wind projects lands at an average of EUR 1.6m per installed MW when the site is commissioned. During the development phase, the average project value is EUR ~0.2m/MW. We also calculate that the wind power park under construction has an average value of EUR 0.9m/MW. This also means that Megatuuli's portfolio was at an early phase with a EUR 18.5m acquisition price.

CUMULATIVE ONSHORE WIND PROJECT VALUE CREATION PER INSTALLED MW



Source: Nordea estimates

Core competitive edge: Project management and development phase

Enersense designs and optimises projects with an emphasis on IRR and total lifecycle cost of the wind farm

Enersense's core competitive edge comes from the experience it has built up in construction, project planning and development. This helps it design and optimise projects with an emphasis on IRR and the total lifecycle cost of the wind farm.

We also believe that Enersense has a good understanding of the risks with executing a wind farm project in Finland, which should minimise the number of problems in the future. For example, wind resource analysis and meteorological study are crucial for project planning because wind speed is one of the main revenue drivers. Enersense has its own competencies regarding location, permitting and wind analysis, which gives it a competitive edge over the other local onshore wind developers in Finland.

The company uses subcontractors for some project development tasks, such as legal arrangements and technical designs. However, Enersense might not have an edge over large competitors outside its home markets. This is one reason why we do not yet expect the company to expand its project pipeline geographically to a pan-European approach.

The levelised cost of electricity

Lowering the cost of electricity is crucial to the wind industry becoming more competitive

Lowering the cost of electricity has been crucial to the wind industry becoming more competitive compared to other electricity sources, thus reducing its dependence on subsidies. The production cost for electricity is usually measured using the levelised cost of electricity (LCOE), which represents the average power price that a project should gain in order to become value-creating. The LCOE includes the cost of capital, building costs, production and maintenance costs, but discards transportation and distribution costs. That is, it shows the cost of electricity at the input to the grid.

Onshore wind recently has become a cost-efficient source of new bulk electricity generation in the most developed economies, including Germany, the US and China. Despite the several decades-long evolution of wind power technology, the critical shift did not occur until the past decade.

In more detail, the LCOE for onshore wind decreased by 70% on average from USD 101-169/MWh to USD 28-54/MWh in 2009-19, according to Lazard. This development is due to the larger average scale of projects, lower financing costs, technological development, decreasing cost of turbines, experience from completing previous project execution and learning how to operate the wind turbine more efficiently. However, there are differences between countries depending on carbon taxation, wind conditions, cost of financing and the availability of sufficient infrastructure.

Mature markets with an established supply chain and healthy competition typically use a centralised approach to renewable tendering. Local governments usually tender a fully permitted site, sometimes with a guaranteed connection, instead of each developer developing their sites from scratch. Purely developer-led projects tend to be more costly since the developer takes all the risk to bring a project to market, including site selection and permitting. This produces high upfront costs, equivalent to about 4% of total capex for multi-billion dollar projects. We argue that projects in developer-led markets are therefore riskier and command a higher return on equity, capex and contingency cost.

We believe the company's IRR target is well above 10%

Enersense does not have a public IRR target for its development projects

The internal rate of return (IRR) is widely used to evaluate potential return on wind power investment. Enersense does not have a public IRR target for its development projects but Finnish onshore wind has been able to reach over 10% IRR levels in the past. The yield on investment has varied a lot depending on wind conditions, financing terms, government incentives, PPA agreements and the power price.

One possibility is that Enersense could target over a 300bp spread to WACC from its projects so that the total ROI target is over 8% (assuming a WACC of 5%). The WACC for onshore wind power in Finland was 2.5-5.0% in 2019, when interest rates were zero. The higher interest rate environment could even raise the onshore WACC to 6.0% in Finland. Fierce competition and rising construction costs are reasons why we could see lower IRRs for new projects compared to the older wind power parks. Therefore, project IRR management will be of particular importance, including higher construction costs and the balance of fixed (PPA) and merchant exposure when the demand and the power price vary a lot.

ONSHORE WIND POWER PRODUCTION RAMP-UP SCENARIO	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Capacity, MW		40	140	275	420	530	600	600
Investment requirement, EURm		48	120	162	174	132	84	
Utilisation ratio, %		29%	30%	31%	32%	33%	34%	34%
Power production, TWh		0.10	0.37	0.75	1.18	1.53	1.79	1.79
Power price, EUR/MWh		50	51	52	53	54	55	55
Net sales, EURm		5	19	39	62	83	98	98
COGS, EURm		0.2	0.6	1.2	1.9	2.5	2.9	2.9
Operating costs, EURm		1.76	6.16	12.1	18.48	23.32	26.4	26.4
EBITDA, EURm		3.2	12.0	25.6	42.0	56.9	68.9	68.9
EBITDA (50% share)		1.6	6.0	12.8	21.0	28.5	34.5	34.5
tax		-0.3	-1.2	-2.6	-4.2	-5.7	-6.9	-6.9
FCF		-18.7	-43.2	-49.9	-40.5	-8.2	24.2	62.0

Source: Nordea estimates

Funding is still an open issue

Due to uncertainty related to funding of Enersense's own wind power portfolio, we do not yet use an onshore wind power EBITDA scenario as our base-case estimate. Net gearing and net debt/EBITDA are very low, which is why leverage should not be a problem for Enersense. However, large wind power projects will not be built solely through the use of external funding.

Enersense is screening different options to finance its own wind power projects

The company is screening different options to finance planned wind power projects. Depending on the financing structure of EUR 750m in total wind power investment, the share of own capital could be around EUR 300m, of which Enersense's part could be EUR 150m.

Possible options for funding the wind power portfolio are direct share issues, project specific investors, preferred shares or joint ventures. We currently believe that the joint venture model is relevant for Enersense. The company might also feel that the current share price is unfavourable for a direct share issue.

We do not expect to see a farm-down business model in the medium term

In a farm-down business model, a developer builds wind power sites from start to finish and then sells part of it in order to gain maximum yield from its projects, and to efficiently invest in new projects to secure growth. Ørsted is one of the best examples of this farm-down business model. Investors are usually willing to buy wind power farms from developers since they do not have the capacity or skills to build their own with the same efficiency.

We do not currently forecast any cash flow contribution from a farm-down business model as the company's current strategy is to originate, develop and own its assets. Furthermore, the financing structure for onshore wind power development site could be a joint venture already at the first phase, which is why using the farm-down model would actually mean total divestment of the production assets.

Onshore wind EBITDA target of EUR 35m by 2027

The company receives wind power project development fees from Valorem, which are dependent on milestones set to the development phase. However, Megatuuli's previous owners are still entitled to their own share of development fees of Enersense's share in some older projects.

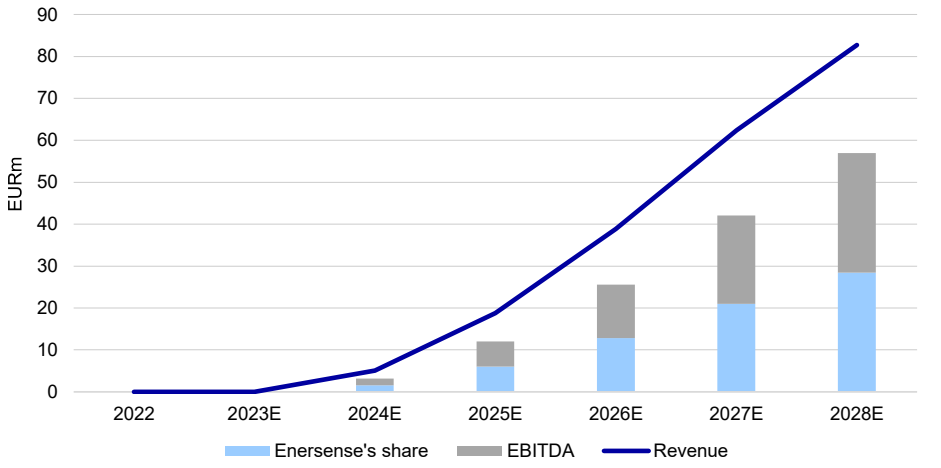
Enersense estimates that the aggregate revenues from certain wind power projects, if implemented, and certain other projects, which are the subject of a series of non-voting Megatuuli shares, will have a EUR 30–40m impact on Enersense's EBIT by 2025. The profits from the projects will be distributed between Enersense and the holders of Megatuuli's non-voting shares.

Enersense has a EUR 100m revenue target for onshore wind power

Overall, onshore wind power production is estimated by the company to generate revenue of EUR 100m and EBITDA of EUR 35m for Enersense, assuming 50% revenue sharing for minority holders. The EBITDA margin without revenue sharing is then estimated at close to 70% for onshore wind projects.

Our onshore wind power scenario assumes EUR 83m in revenues from own wind power production in 2028. We calculate that Enersense's expected 50% share from wind power EBITDA consequently could be EUR 29m. In this calculation, we assume COGS from sales at 3% and operating costs of EUR 42,000 per installed MW.

REVENUE AND EBITDA SCENARIO FROM ONSHORE OPERATIONS



Source: Nordea estimates

The demand for electricity has declined in Finland

Average annual electricity demand growth has been close to 0% in the Nordics over the past 14 years. Overall, electrification, data centres and electric vehicles have not increased demand for electricity. The hydrogen economy will probably also not increase electricity demand in the next six or seven years, in our view.

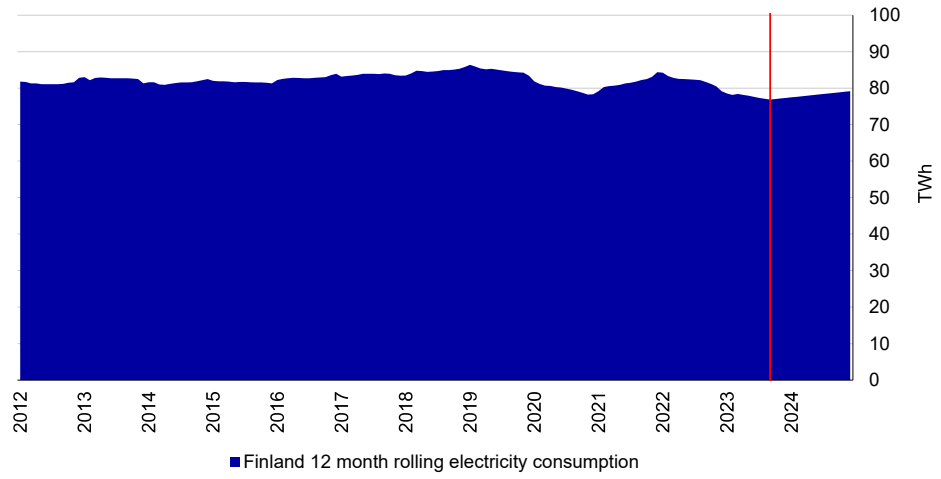
Nordic 12-month rolling power demand was 384TWh in November, which is 1.1% lower than a year ago. Electricity-saving initiatives have turned out to be effective. Finnish power demand has come down to 78TWh, which is a record low figure over many decades.

Wind power will be put in place only if it is economically viable

Wind power will be put in place only if there is demand for electricity and if it is economically viable. Rising interest rates combined with declining demand and weaker power prices could lead to unfavourable wind power IRR calculations and postpone wind power investments. We have not seen new wind power investment decisions in Finland so far this year. However, the hydrogen economy could still increase Nordic power demand in the long term, i.e. after 2030.

12-MONTH ROLLING POWER DEMAND IN FINLAND (TWh)

The demand for electricity is at a record low in Finland



Source: Nord Pool and Nordea estimates

PPAs are usually priced in line with the power forward prices

The most recent sustainability trend has led individual corporates to offtake electricity on tailor-made PPAs, which could offer earnings stability for developers like Enersense. PPA volumes have grown rapidly in the past few years and are expected to continue to do so due to their new role as a primary source of income stability for new wind projects.

Corporates using PPAs are usually global brands or electricity-intensive companies like data centres and materials companies. However, for the wind power developer, we note that the old government-backed operating model could still represent a smaller counterparty risk than individual corporates.

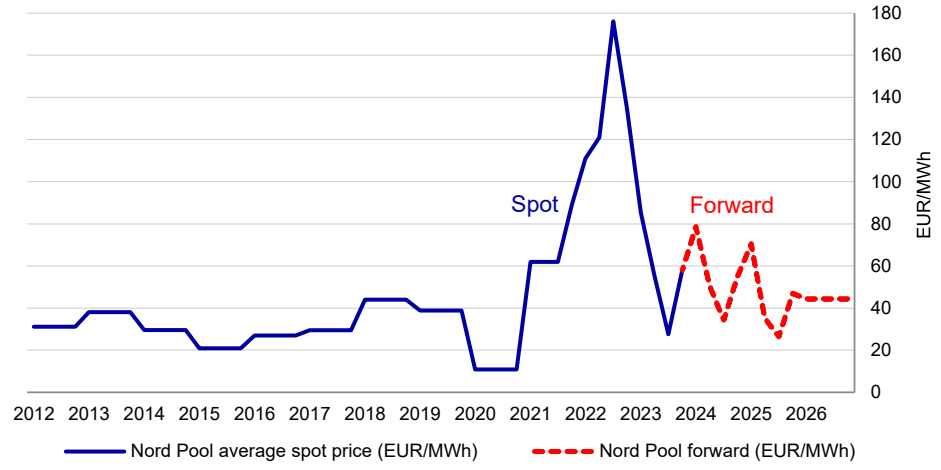
The prices of PPA contracts for onshore wind power are currently competitive compared to the price of electricity on the Nord Pool marketplace. Enefit Green is currently building the Tolpanvaara wind farm, consisting of 22 units with a total capacity of ~72MW. We forecast that the investment cost in Tolpanvaara could be EUR 68m (i.e. EUR 0.95m/MW). Enefit Green was able to reach a EUR 43/MWh PPA agreement for the site. The Nord Pool power forward for 2025-26 is at EUR 43/MWh, but it made the PPA agreement ahead of the power price peaks seen last winter. However, during that winter, some PPA agreements were made at prices as high as EUR 70-80/MWh.

Tolpanvaara is also a good example of how hard it can be to obtain environmental permits due to constant complaints regarding wind power plants. Almost everyone wants wind power construction, but practically no one wants wind turbines built in their backyards.

The most efficient onshore projects in Finland at the moment can sell wind power production for less than EUR 35/MWh, but raising financing costs could have a significant impact on wind power production costs.

The Nord Pool forward price for 2024 is EUR 55/MWh

NORD POOL AVERAGE SPOT PRICE AND FORWARD PRICES (EUR/MWh)



Source: Refinitiv

We expect Enersense to hedge 65-75% of its expected wind power production with PPA agreements. A higher hedging ratio could lead to open risk coming from the market prices when actual production happens under delivery contract volumes.

The Nord Pool system average power price has been volatile. The Nord Pool spot price was only EUR 28/MWh in Q2 2023, but EUR 58/MWh in Q4 2023. The Nord Pool forward price for 2024 is EUR 55/MWh. The Nord Pool system price could be EUR 20-35/MWh during periods of low demand, when there is sufficient hydro and nuclear power available. The Nordic power price rises to EUR 70-100/MWh (depending on gas, coal and CO_2 emission rights prices) when the combined availability of wind, hydro and nuclear power is insufficient to meet demand and fossil fuels take the lead in the merit order, either locally or with the help of a transmission cable.

Charging stations

Enersense penetrated the EV charging market when it acquired Unified Chargers in 2022. The transaction was in line with the company's strategy to enhance its footprint and grab more value from the broader renewable energy sector. The overall DC fast-charging market is still in its development phase and there are not many pure-play DC charging companies with a similar product offering to Enersense. The market consists of a couple of large conglomerates, smaller private companies and only a few listed EV infrastructure manufacturers. Kempower is one of the closest competitors, but Enersense's core competitive edge stems from its project knowledge, installation capabilities, heavy transport markets and from the 95% efficiency ratio of its Enersense EDCD160kW passenger car charger.

In November 2022, Enersense acquired Unified Chargers, a start-up manufacturer

EV charging offering is based on Unified Charger's solution

Enersense started strengthening its footprint in the electric vehicle charging solutions value chain by acquiring a start-up manufacturer, Unified Chargers, in November 2022. Enersense offers turnkey solutions for the domestic market in Finland, including site assessments, planning, contracting, installation and commissioning of the charging infrastructure. In addition, the company offers maintenance, remote support and helpdesk services for the local market. Operations are not yet so large that a wide international market would be relevant for the company. Overall, the DC charging market is still fragmented and consists of large players and small private companies.

The DC charging market is still fragmented and consists of large players and small private companies

International EV charger markets will be served via selected resale partners. Enersense's partners typically have the capability to deliver turnkey solutions, including site assessments, planning, offering, contracting, installation and commissioning of the charging infrastructure. Ideally, partners can also offer maintenance services locally.

Product offering is still relatively limited

Enersense's ECDC160kW is a modular DC high-power charging station that is used for professional and public charging. The company's charging stations are delivered ready-for-use and can be branded to the desired visual outlook.

The basic model version includes 160kW power output, but modular power distribution can be made in 40kW steps. The total available output power is dynamically distributed among EVs being charged, optimising the charging time. Moreover, it is possible to pair multiple charging stations into an intelligent charging site with HPC capabilities. An additional power unit (booster) can be used for increasing the total power of the charging site, and the adaptive voltage range of 200-920V also enables heavy equipment charging.

We calculate that a 400V three-phase connection cable combined with 250A current should lead to 300kW total power per charger (150kW split across two connectors in one charger), but the company discloses 160kW nominal power output per connector.

ENERSENSE ECDC160kW CHARGERS

Enersense's ECDC160kW is a modular DC high-power charging station used for professional and public charging

Source: Company image

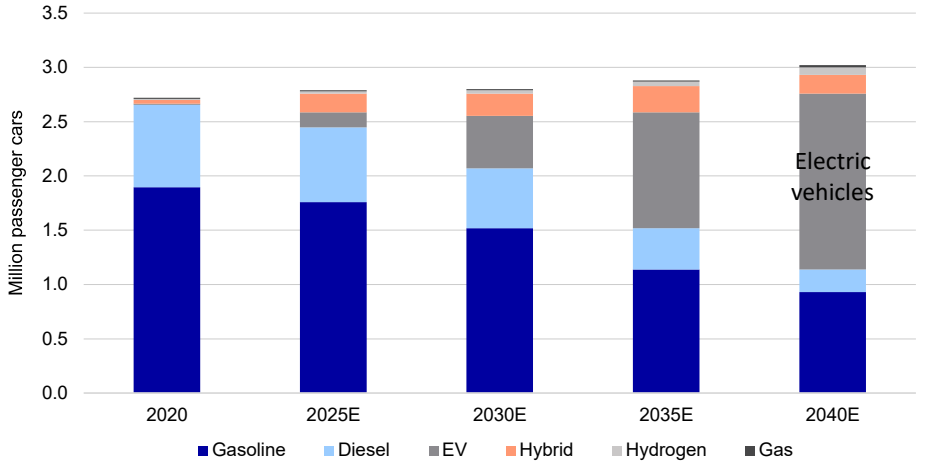
Enersense has delivered and implemented a total of about 150 DC fast-charging sites in Finland to date

A year ago, Enersense received its first significant order of heavy-duty fast-charging sites for e-trucks to Sweden. Enersense also installed more than 70 high-power charging stations across Finland and the company built hundreds of AC charging systems for private housing companies in 2022. Up until now, Enersense has delivered and implemented a total of about 150 DC fast-charging sites in Finland.

However, the installation base for the Enersense ECDC160kW is relatively small, according to our analysis. We forecast that a scaling of charger operations to over 10,000 devices a year could take more than two years and require a EUR 10m minimum investment.

However, the EV charging market is expected to grow over the next few decades, and hence Enersense can be seen as a forerunner rather than a slow mover. We forecast that there will be 1.6 million electric passenger cars in Finland by the end of 2040. Moreover, the company's EV charging market is international and not restricted only to Finland.

PASSENGER CAR POOL IN FINLAND



Source: Tekniikka & Talous and Nordea estimates

Power-to-X offers value chain expansion

Enersense has a 18.5% minority stake in P2X Solutions, which is the forerunner of the Finnish hydrogen industry. P2X is building the first hydrogen and synthetic fuel production plants in Finland (e-methane, e-methanol and e-ammonia). In addition, P2X is planning to build a hydrogen refuelling station network for hydrogen-powered mobility. P2X targets 1GW of electrolysis capacity by 2031. Enersense sees business opportunities for its services along the full hydrogen value chain, not only in hydrogen production. Its strategy is to grow from being a broad-based service company in the energy sector to a producer of clean energy and a key green energy company where an investment in P2X is a key enabler.

P2X Solutions, in which Enersense has an 18.5% minority stake, is building Finland's first industrial-scale green hydrogen and synthetic methane production plant

First plant is under construction in Harjavalta

P2X Solutions is currently constructing Finland's first industrial-scale green hydrogen and synthetic methane production plant in Harjavalta. The plant will open the Finnish hydrogen market in 2024. The project creates valuable hydrogen know-how and employs a wide range of professionals from different parts of the value chain. Enersense wants to become a part of this hydrogen value chain, as wind power and the production of green hydrogen are strongly interlinked.

The electrolysis capacity of the Harjavalta plant is 20MW. The electrolyser produces renewable hydrogen from water and renewable electricity. The plant also includes methanation capacity for the production of renewable synthetic methane from hydrogen and captured CO_2.

Neste has actually been planning to build an even bigger 120MW electrolyser in Porvoo. Production of green hydrogen could start in Porvoo in 2026. Neste will not sell hydrogen to open markets or for the production of synthetic fuels. The company needs to gradually replace fossil grey hydrogen (made from propane) in the hydrocracking process with green hydrogen. So large industrial users are likely to produce the needed hydrogen themselves, rather than buy from external vendors. Grey hydrogen is usually produced from methane through natural gas reformation. Blue hydrogen refers to hydrogen derived from fossil fuels, but where reforming plants are coupled with carbon capture facilities.

P2X 20MW ELECTROLYSER CONSTRUCTION SITE IN HARJAVALTA

We do not expect Enersense to build its own electrolysing capacity

Source: P2X

Enersense's goal within the focus area of zero-emission transport is to expand in the value chain from an installation and maintenance partner for providers of various end solutions. In the field of zero-emission transport, the company is seeking new business from electric vehicle charging solutions and from clean fuels, and Enersense is well positioned in both of these sectors.

We do not rule out additional investments in P2X

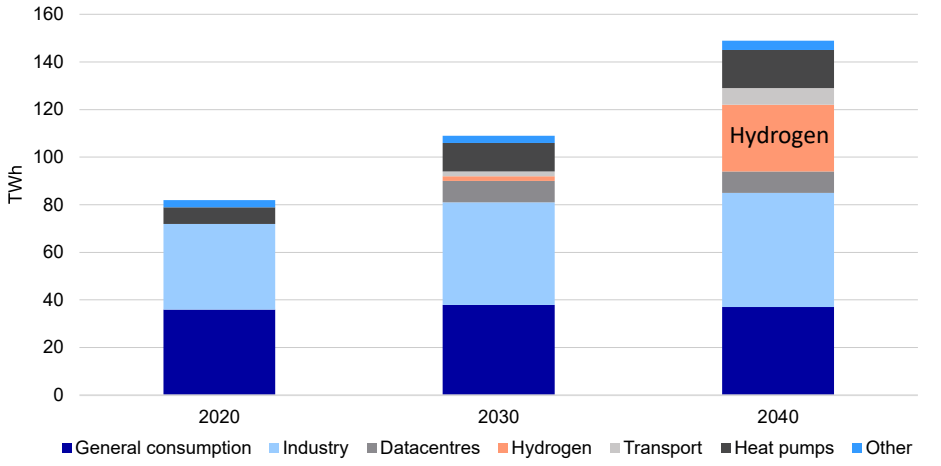
We do not expect Enersense to build its own electrolysing capacity, but we do not rule out further investments in P2X. Enersense is already building EV chargers for heavy transport, and hydrogen and synthetic fuels can be directly used to reduce emissions in heavy transport. Competition in the heavy transport area could be easier than in the passenger car sector.

Green hydrogen price could come down to USD 2/kg in the medium term

Production of hydrogen has not yet increased the demand for electricity. The hydrogen economy is unlikely to increase electricity demand over the next six to seven years, in our view. However, the hydrogen economy could increase Nordic power demand over the longer term, i.e. after 2030.

One scenario for electricity used for hydrogen generation is 28TWh in Finland by 2040 (Statnett). We currently do not believe in such a high figure because hydrogen logistics could entail more difficulty than is widely perceived. Hydrogen is a perishable product that should be used close to where it is produced, in our view.

A SCENARIO FOR POWER CONSUMPTION IN FINLAND (TWh)



Source: Statnett

Green hydrogen producers have been demanding subsidies

We do not rule out that some hydrogen producers are making investments before the economic viability of the operations have been proven, and this is one reason why green hydrogen producers have been vocal about subsidies needed to support the start of the whole industry.

The US Inflation Reduction Act (IRA) guidebook from the White House includes tax incentives for green hydrogen production, with examples including USD 3 per kilo of green hydrogen produced. In energy terms, USD 3/kg is equivalent to USD 80/MWh. We find it unlikely that Finland or the EU would introduce such a detailed system.

However, the European Commission estimates that at least EUR 210bn will eventually need to be invested by 2027 to reach the targets laid out by the REPowerEU directives. Hydrogen infrastructure could represent EUR 20bn in total investments. France and Germany are already targeting EUR 1.5-1.9bn investments in the hydrogen value chain.

FORECAST FOR THE PRICE OF GREEN HYDROGEN

	The EU 2022	Low cost scenario	Positive scenario
Electrolysing capex (USDm/MW)	1.70	0.55	0.30
Renewable power price (USD/MWh)	51	25	19
Green hydrogen price (USD/kg)	6.2	2.0	1.5
Green hydrogen price (USD/MWh)	165	53	40

Source: Nordea estimates

As part of the Fit for 55 scheme, the EU has put forth a proposal called the Alternative Fuels Infrastructure Regulation (AFIR), where hydrogen stations must be available on main roads every 200 kilometres by 2030 at the latest. This target looks optimistic if passenger cars and heavy trucks use electricity and biogas. In addition to road transport, AFIR includes proposals on electric and hydrogen infrastructure for aviation and maritime, but it remains unclear who will fund all these investments.

Market outlook

We forecast zero economic growth in Finland for 2023 and 2024 owing to the deteriorated outlook for manufacturing and construction. Overall, the economy has been very resilient to the significant monetary policy tightening witnessed in the EU and the US. However, monetary tightening effects on the economy are still far from over in Europe. In any case, we see growing power grid investments as a positive driver for Enersense. Industrial maintenance markets could also turn out to be very resilient, regardless of new industrial orders weakening in Finland. However, we do not forecast significant growth in telecom network investments in the near future. Reduced demand for power, declining power prices and the higher interest rate environment have also resulted in a situation where no investment decisions have been made for new wind power in Finland in 2023. Rising construction costs have led to a halt in several offshore wind power projects around the world.

Economic outlook

So far, the Finnish economy has been very resilient in the face of significant monetary policy tightening. Labour markets are still strong in most countries, although leading US labour market data is now weakening. Households are becoming more concerned about their jobs, which has typically been an important warning signal ahead of previous severe equity bear markets.

German retail sales in September 2023 returned to their falling trend by a -0.8% m/m number, consumer confidence dropped and unemployment came in at 5.7%, showing a clear rising trend. Fortunately, inflationary pressure has eased considerably following the sharp drop in commodity and energy prices.

The Danish economy is in good shape. The Norwegian economy has also proved to be very resilient. Finland and Sweden have been more affected by monetary policy tightening. The US economy has continued to grow, while China's economic growth has been weaker than expected.

Inflation remains too high in both the US and the euro area for any monetary policy pivots for the foreseeable future

However, inflation is still too high in both the US and the euro area for there to be any monetary policy pivots for the foreseeable future. Monetary tightening effects on the economy are still far from over in Europe. Euro area wage growth is a warning that sticky service inflation will remain a problem.

In Sweden, the PMI for new orders has dropped, indicating that orderbooks should look markedly more negative in early 2024. Overall, the negative tone in the equity market could linger. The key, however, will likely be the labour market, as always.

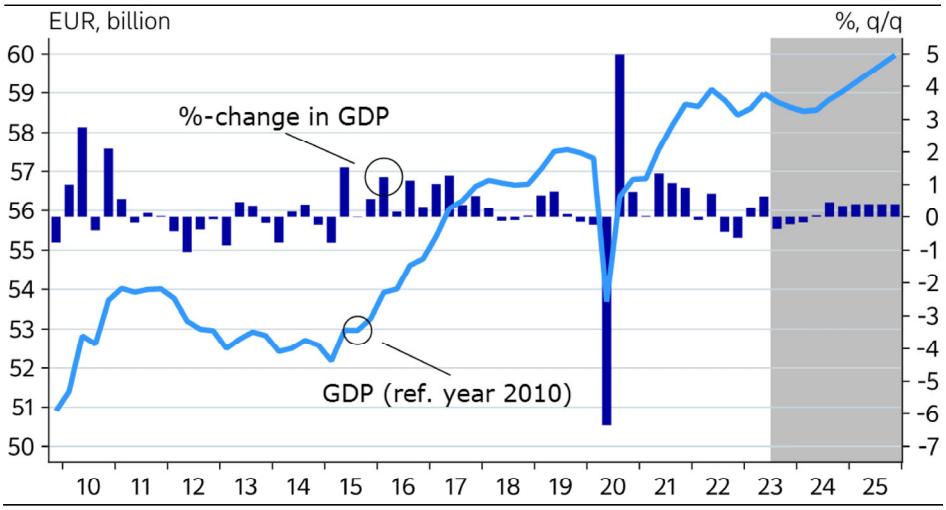
The Finnish economy grew during the first half of 2023, thanks to growth in service demand. Meanwhile, the net exports figure improved only because imports slowed down even more than exports. The economic outlook for the rest of the year and 2024 is still challenging.

The slump in the Finnish housing market is causing a clear slowdown in residential construction. Similarly, order backlogs in the manufacturing sector have begun to dwindle and export prices are falling due to sluggish global demand, which is also weighing on the growth outlook for next year.

We forecast zero economic growth for 2023 and 2024 in Finland, due to a deteriorated outlook for manufacturing and construction. The employment situation remained good in the first half of the year, during which wages were raised over the summer and inflation fell thanks to lower energy prices. All of these factors have gradually begun to improve consumer purchasing power, which is nonetheless still weak. The recovery in household real income is expected to continue, but at the same time an uptick in unemployment will likely limit growth. For 2025, we forecast economic growth of 1.5%.

Nordea's economists forecast zero economic growth for 2023 and 2024 in Finland, and 1.5% for 2025

FINLAND GDP GROWTH FORECAST



Source: Macrobond and Nordea estimates

Many international consulting and service companies have cut jobs, blaming slowing growth and economic uncertainty, but the challenge is still to shed excess labour and instead match demand in the renewable energy sector. We believe that the transition to low-carbon technologies could even lead to problems in finding enough competent workers.

Investments in power grids increasing in Finland

Annual investments in the Finnish power grid were EUR 93m in 2008-19

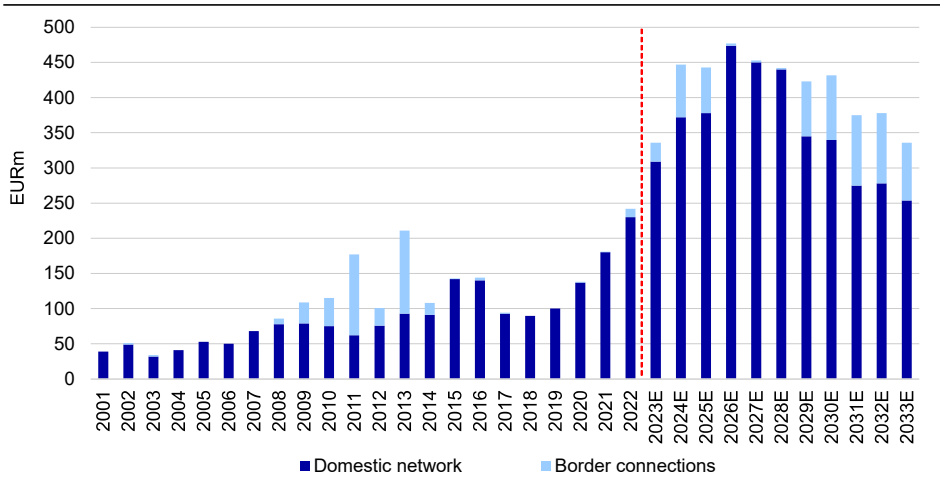
Finnish high-voltage power networks will require EUR 4bn of investments over the next ten years, according to Fingrid. The reasons are related to growing industrial demand and targets for carbon neutrality by 2035. One focus area in Finland is to improve north-south connections with several new 400 kilovolt connections. However, not all projects under consideration to build an energy-intensive industry in Finland are likely to be realised.

Annual investments in the Finnish power grid were EUR 93m in 2008-19. Investments started to increase in 2020 and growth looks set to continue in 2023-26. Average annual investments for domestic and cross-border connections could be EUR 445m a year, according to our analysis.

According to the International Energy Agency (IEA), massive grid expansion will be required on a global basis if there is any hope of climate targets being met. Achieving all national climate and energy goals will require adding or replacing 80 million kilometres of power lines by 2040, according to a country-by-country analysis carried out by the IEA. Major changes to how grids operate and are regulated are also essential, while annual investments in grids, which have remained broadly stagnant, need to double to more than USD 600bn a year by 2030.

Average annual investments for domestic and cross-border connections could be EUR 445m in 2024-30

POWER NETWORK INVESTMENTS IN FINLAND (EURm)



Source: Fingrid and Nordea estimates

The length of the high-voltage (220-400 kilovolt) grid network in Finland is 6,400 kilometres, but much shorter for 110 kilovolt power lines. Net lines and additional connections are not the only technical solution for increasing capacity. Dynamic line rating (DLR) technology could double the used load for power networks and reduce the need to build more physical cables. The most commonly used method for high-voltage lines at present is to simply send a steady load using relatively stable demand forecast models.

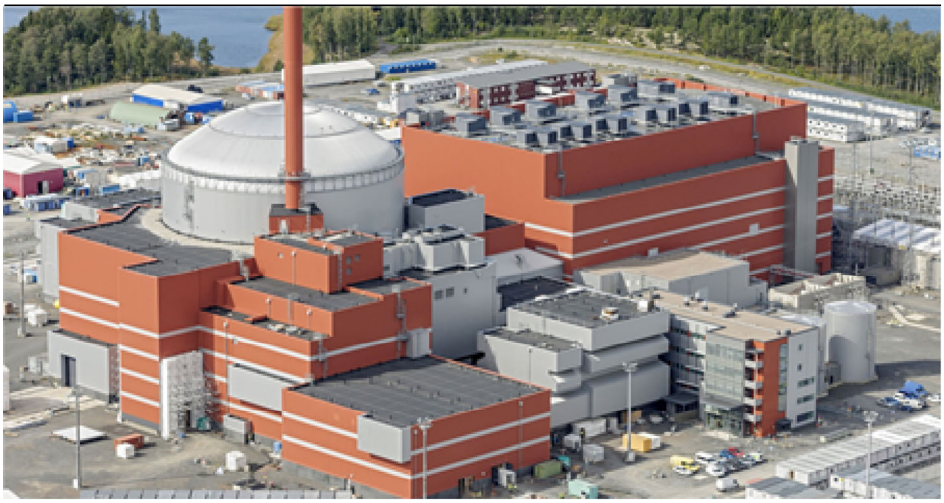
Large nuclear power projects are over in Finland

Enersense traces its roots to the construction of the OL3 nuclear reactor in Finland, but this reactor is now ready

Enersense can trace its roots to the construction of the Olkiluoto 3 (OL3) nuclear reactor. The company was originally founded to provide labour to French Areva during the project, which cost EUR ~13bn. However, the OL3 reactor is now ready and no longer offers much in the way of revenue for the company.

The Fennovoima nuclear power project in Hanhikivi would have been a significant growth option for Enersense, but the project was terminated owing to its close connections to Russia. Rosatom was the largest owner and vendor of the reactor vessel to Hanhikivi. The total cost of the Hanhikivi project would have been EUR 7-8bn. No new contemporary nuclear reactors are in the preparation phase in Finland.

ENERSENSE WAS FOUNDED TO PROVIDE LABOUR TO OL3'S CONSTRUCTION PROJECT



Source: PVO

France and the UK hold the promise of stable demand for nuclear power construction services for several decades

In addition to Finland, Enersense operates in the Baltic market, the UK, Germany and France. In these countries, the company offers construction services for nuclear power plants. However, there are no new plants under construction in Germany or the Baltic countries.

Nuclear power (5.9MWe) provides 15% of total electricity in the UK and the country is currently building two (3.3MWe) new-generation nuclear reactors to replace older ones. The UK government's plans call for up to 24GW of new nuclear capacity by 2050, to provide about 25% of electricity. However, the UK has privatised power generation and liberalised its electricity market, which together make major capital investments problematic at a time when interest rates are rising and power prices declining.

France has 56 reactors in operation, with a total capacity of 61,400MWe, while another EPR reactor is under construction at the Flamanville plant on the northwest coast. In January 2023, the French government approved a draft bill that included the removal of the objective to reduce the share of nuclear electricity production in France to 50% by 2035. In March 2023, the French parliament also formally approved the government's nuclear investment plan to construct six EPR-2 units at three sites at an estimated cost of EUR 52bn.

So, France and the UK hold the promise of stable demand for nuclear power construction services for several decades. Enersense has 613 employees in its International Operations segment, accounting for 30% of its total FTEs, but only a small number of workers are currently engaged in nuclear power services.

Small modular nuclear reactors could be used for central heating

Many utilities are exploring the conditions for building small and modular nuclear power plants (SMR) in Finland and Sweden. Vattenfall has already started a feasibility study for constructing two SMR units near the Ringhals nuclear power plant in Sweden, which it believes could be operational by early 2030.

Depending on the type of reactor, a small nuclear power plant can produce electricity, heat, hydrogen or a combination of these. SMRs are typically nuclear reactors with an electrical power output of less than 300MW and a thermal output of less than 900MW.

Small nuclear reactors offer an interesting alternative for the future of carbon-free heat generation

SMRs could be beneficial in balancing the electric grid in cases of weather-related fluctuations stemming from solar and wind power shortfalls. However, SMRs could be even more advantageous for heat generation for district heating systems, offering a path to decarbonising hard-to-abate central heating systems. In more detail, SMRs have a remarkably better energy conversion ratio for central heating than for electricity production.

An SMR can be designed to work for 15 years without a fuel refill, which will make reactors more like a uranium battery. Currently, multiple companies worldwide are developing a vast variety of SMR designs, including Rolls Royce (UK), CNNC (China), NuScale (US) and Ultra Safe Nuclear Corporation (US). Most of the reactors are in design or licensing stages, and the UK-based consortium, Nuclear AMRC, aims to have the first operational SMR in the UK by 2030, while the Ultra Safe Nuclear Corporation states that its Micro Modular Reactor (MMR) should be ready for demonstration use in 2026.

Small reactors require the same safety radius as larger plants

However, rather than depending on reactor design, the hurdle for commercial SMR launches in Finland hinges on legislation. Current Finnish and Swedish laws require an SMR reactor to go through the same licensing, regulation and general bureaucratic processes as large nuclear plants that are currently in use. Furthermore, SMRs would require the same safety radius as larger plants, limiting the possible central heating solution.

SMALL NUCLEAR REACTORS SHOULD BE BUILT RELATIVELY CLOSE TO CITIES

Source: Fortum

Decarbonising the Finnish central heating network with SMRs would cost EUR 20bn

Decarbonising the Finnish heating infrastructure entirely is a long shot, let alone achieving it through SMRs entirely. Based on a PNAS-published study, we arrive at an average installed SMR capacity price of EUR 7,650/kW (electrical), using a ratio of ~3.6 to transform the electrical output into thermal output. If we then assume heat exchanger efficiency of 80%, we arrive at a price of EUR 2,690/kW for the heating energy-to-system price.

The Finnish district heating system had an average supply of power of ~19GW in 2021, of which we estimate 40% to have been produced by fossil fuels at peak usage times. Using this calculation, decarbonising the Finnish system would cost EUR 20.4bn. Added to this legal issues and relatively high prices, let alone the uncertainty over achieving the estimated installation price, we doubt that SMRs will become the sole provider of carbon-free heat or energy for Finland any time soon.

Offshore wind could suffer from rising construction costs

Offshore wind production has excellent potential to offer renewable electricity in the future

We believe that offshore wind power production has excellent potential to offer renewable electricity in the future, as technological developments have reduced costs and offer possibilities for larger turbines. Offshore plants also offer more stable wind conditions than onshore areas. New foundation innovations further increase the potential.

The Finnish government concluded the country's first offshore wind tender in 2022, selecting Sweden's Vattenfall to build a 1.3GW wind park off Finland's west coast. The total investment is estimated at EUR 2-3bn and the facility is expected to become operational early next decade, with the capacity to generate up to 5TWh a year.

However, Vattenfall halted the development of the 1.4GW offshore wind project off the coast of the UK in July 2023 due to soaring costs. Vattenfall said it no longer made financial sense to continue, because market conditions had deteriorated since it signed a contract to fix the price of electricity it sells for 15 years.

Several offshore wind power projects may not go ahead in the current interest rate environment

Danish Ørsted has faced similar problems to Vattenfall, and some of the company's development projects have been written down. We draw the conclusion that several offshore wind power projects that Enersense has been eyeing as target market areas may not go ahead in the current interest rate environment.

Swedish OX2 is developing offshore wind farms off the coasts of Åland and Sweden. It has also initiated a 1,400MW offshore wind power project in Vaasa. The licensing period for the Vaasa project is estimated to be four years, and the facility could be operational around 2030. It will comprise about 100 turbines and have an annual production capacity of ~6TWh.

The Baltic Sea and the North Sea regions still offer excellent conditions for producing offshore wind power, and Enersense certainly has a competitive edge in its home markets. However, Enersense can sell its offshore foundations to global players, and the company is not only focused on the Baltic Rim.

One notable offshore project in the Gulf of Riga is in Liivi, which is the largest and most advanced-stage offshore wind farm development in the Baltic region. The Liivi project is owned by Enefit Green. The second project in the area is a 1,100MW offshore wind farm project at Hiiumaa, which could eventually consist of 100-160 wind turbines with an average capacity of 7MW. We find the natural conditions for an offshore wind park in the Gulf of Riga to be favourable, because the water is rather shallow, at a depth of 20 metres. We believe that the Liivi and Hiiumaa plants will make use of bottom-fixed windmills.

One very interesting project for Enersense is an extension to the Tahkoluoto offshore wind farm

One very interesting project for Enersense is an extension to the Tahkoluoto offshore wind farm on the west coast of Finland. Suomen Hyötytuuli has already started front-end engineering design (FEED) for turbine foundations at the Tahkoluoto offshore wind farm, where 40 wind turbines of at least 15 megawatts will be built in deeper waters than ever before in Finland. Suomen Hyötytuuli is evaluating its own concept for foundations as well as solutions offered by Enersense Offshore and Aker Solutions.

The foundations of the first turbines in the Tahkoluoto extension project will be built at depths of 40 and 25 metres. They will be designed to withstand the harsh icy conditions of the Baltic Sea. Suomen Hyötytuuli could make the concept selection in December 2023.

EUR ~800bn investment needed to achieve the EU's goal to increase Europe's offshore wind capacity from the current 12GW to 300GW by 2050

Typically, the foundation cost for offshore wind turbines increases as the water becomes deeper. The foundation cost of a fixed tower depth of 8 metres increases by 10% when fixed at a greater depth of 16 metres. Furthermore, foundation supply costs for monopiles can as much as triple as the depth increases from 15 to 40 metres.

The overall EU goal is to increase Europe's offshore wind capacity from its current level of 12GW to 300GW by 2050. Investments of nearly EUR 800bn will be needed to achieve this goal.

Onshore wind power in Finland continues to increase

Wind power offers a solution to tackling the fundamental, system-level sustainability challenges that the world is facing. The current policy states that the EU aims for renewable energy to make up 43% of total energy consumption by 2030, which should be one of the key growth drivers for the wind power sector.

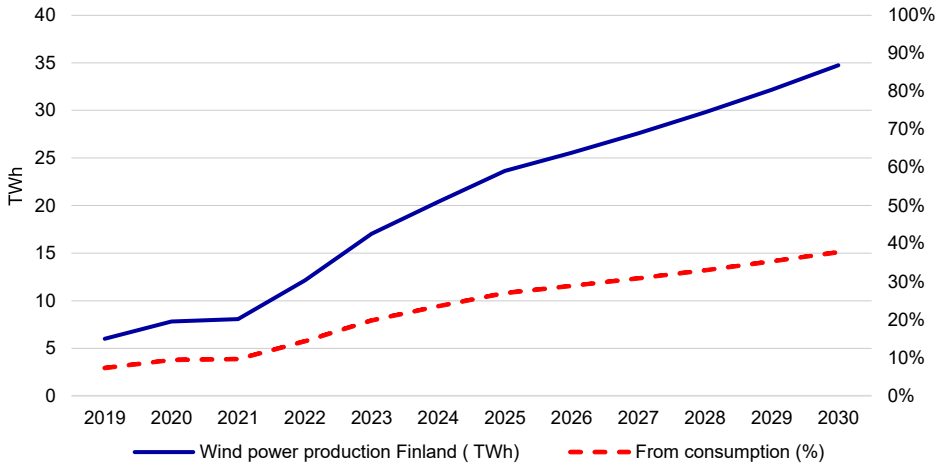
Wind power alone provides 20% of Finland's electricity generation

Global wind power capacity showed an 11% CAGR in 2015-20 before the COVID-19 effect in 2021 was seen in installations. Wind power alone now provides 17% of Europe's electricity generation (20% in Finland), a share that is increasing. Major factors contributing to this growth include favourable policies, increasing investment in wind power projects and reduced costs of produced kilowatt wind energy.

We expect wind power production in Finland to enjoy a CAGR of 11% for 2023-30. Onshore wind power capacity is currently 7.2GW, with production of 17TWh. Enersense looks poised to outpace onshore wind market growth in Finland due to the low starting point. The onshore utilisation ratio in Finland is only 27%, but this is mostly owing to the fact that not all wind parks are commissioned at the beginning of the year.

We expect wind power production in Finland to see a CAGR of 11% for 2023-30

WIND POWER PRODUCTION IN FINLAND (TWH)



Source: Tuulivoimayhdistys and Nordea estimates

We do not expect Enersense to build its own onshore wind power outside Finland

Germany, Spain and the UK account for half of the wind power production capacity in Europe. Denmark has a long history of wind energy production, dating back to the 1970s, whereas Finland, Norway and Sweden have increased their production in the past couple of decades. We do not expect Enersense to build its own onshore wind power outside Finland in the medium term.

Taaleri is the Finnish market leader for wind power, with its 21% market share. Enersense and Valorem are not included in the list of Finnish installed wind power companies listed below, because Valorem has mainly been a developer and Enersense a constructor of plants. Foreign players have a combined market share of 56% in the Finnish wind power markets. Vestas has the largest market share in technology, at 58%. Nordex Acciona comes in second, with its 26% market share.

Taaleri is the market leader in Finnish wind power

FINNISH WIND POWER MARKET SHARES

Company	Share	Company	Share
Taaleri	21%	BlackRock Real Assets	3%
Neoen	8%	Prime Capital	3%
EPV Tuulivoima	8%	Renewable Power	3%
Exilion Tuuli	7%	Luxcara	3%
Gigawatti	5%	IKEA	3%
wdp Finland	5%	Lindin Energy	2%
Suomen Hyötytuuli	4%	Allianz Capital Partners	2%
Ilmatar Windpower	4%	Puhuri	2%
Glennmont Partners	4%	Others	21%

Source: Tuulivoimayhdistys and Nordea estimates

EV charging Infrastructure rapidly developing across the globe

The EU has set targets to reduce passenger car emissions by 55% by 2030

Alternative fuel-powered transportation is an important key to achieving emission-reduction targets across the globe. The European Union has set a 55% CO_2 reduction target for new passenger cars and 50% reduction for light commercial vehicles by 2030, compared to a 2021 baseline. For heavy-duty vehicles such as trucks, buses and coaches, the reduction target has been set at 45% by 2030, compared to 2019-20 levels. At the same time, the European Commission has proposed making all city buses zero-emission by 2030.

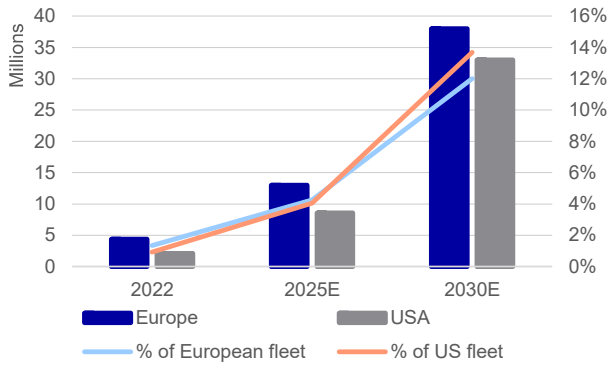
In more detail, the EU's Fit for 55 package states that recharging stations of at least 150kW of output need to be installed every 60km along the TEN-T network for cars and vans from 2025 and beyond. Moreover, recharging stations of at least 350kW of output need to be installed every 100km on the TEN-T comprehensive network from 2025 for heavy-duty vehicles. This legislation is highly favourable for Enersense, as it directly targets fast-charging infrastructure.

The market could increase tenfold by 2030 from the estimated EUR 1.4bn in 2022

Kempower (a Finnish EV charging equipment maker) estimates the direct current (DC) charging market to amount to EUR 14bn in total by 2030 in Europe and North America (US and Canada). The market could therefore increase tenfold from the estimated EUR 1.4bn in 2022, representing a 2023-30 CAGR of 19%. In 2022, EUR 1.2bn of the market consisted of private car chargers (customers such as CPOs and retail locations), while EUR 0.2bn was for commercial use. We believe most of the market expansion is expected to be within commercial applications, where DC charging is the only viable option for buses and trucks, for instance. Kempower expects the commercial DC charging market to grow at a CAGR of 37% up to 2030.

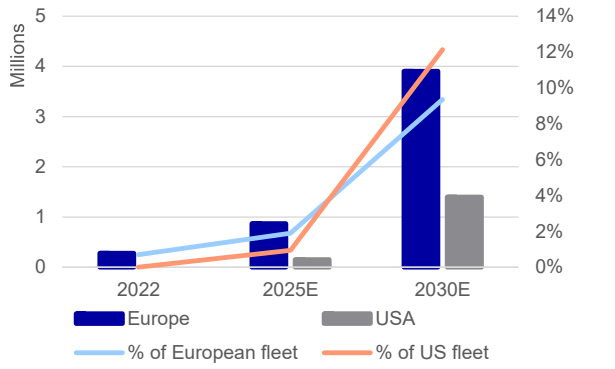
The IEA estimates that there will be ~38 million passenger car BEVs on European roads by 2030. We calculate that BEVs will therefore constitute ~12% of Europe's total PC fleet. Similarly, for LCVs the IEA projection totals ~4 million BEV LCVs, or a ~10% electrification rate. For heavy-duty vehicles, the projected electrification share is 17% for buses and 5% for trucks, for a total of 320,000 and 520,000 BEVs in 2030, respectively.

PC BEVS, EUROPE AND THE US



Source: IEA

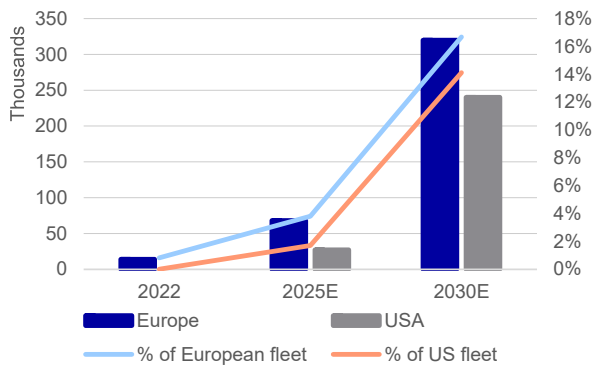
BEV LCVS, EUROPE AND THE US



Source: IEA

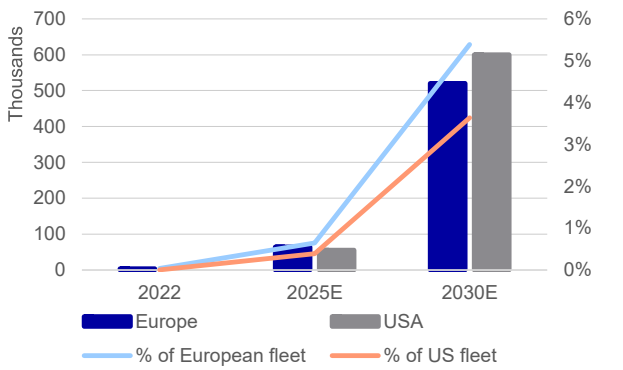
BEV buses could total 320,000 (17% of the fleet) and BEV trucks 520,000 (5.4% of the fleet) by 2030. These figures do not include plug-in-hybrid vehicles (PHEV), since these do not usually support DC charging. These estimates are based on the Announced Pledges Scenario, which reflects governments' ambitions for EV adoption.

BEV BUSES, EUROPE AND THE US



Source: IEA

BEV TRUCKS, EUROPE AND THE US



Source: IEA

Alternating current (AC) and DC chargers have their specific uses, offering slow, fast and high-power chargers. AC chargers will mostly be used for slow home charging and PHEV charging, while DC chargers will be the only form of charging for HDV applications. HDVs also need faster chargers in relation to the fleet size. ACEA estimates the required charger ratio to be 1:1, meaning that fleet hubs would have one charger per vehicle. Adding public HDV charging, this would translate into more DC chargers installed than the number of vehicles.

The 150kW DC fast chargers' hardware price is estimated to be EUR ~33,000

While AC chargers will be considerably more common than DC chargers, up to ten times more so in EU by 2030 according to ACEA, AC chargers will induce only ~30% of the total cost of EV charging infrastructure in the EU (hardware plus installation). While the expected cost for an AC charging hardware per unit is less than EUR 1,000, the DC fast chargers' hardware price range is estimated to be EUR ~33,000 (DC 150kW) to EUR 61,000-152,000 (DC 500-plus kW to DC ~1MW) per charger.

In the table below, we illustrate three market scenarios for DC chargers in Europe. However, it is worth noting that an improved range for BEVs might eventually reduce the demand for DC charging units, since home charging may then be enough for a major portion of all passenger car traffic.

CALCULATED DC CHARGER SCENARIOS, 2030E

ACEA demand-driving-scenario (EU27)	BEV PC	BEV LCV	eBus	eTruck	Total
Projected vehicles EU27 (ACEA)	34,700,000	4,400,000	53,000	235,000	39,388,000
BEVs to charger, EU27 (ACEA)	42.1	72.1	1.0	0.9	33.0
DC chargers (50 kW+)	**824,000**	**61,000**	**53,000**	**254,000**	**1,192,000**
Demand-driving-scenario (Europe)	**BEV PC**	**BEV LCV**	**eBus**	**eTruck**	**Total**
Projected vehicles, Europe (IEA)	38,000,000	3,900,000	320,000	520,000	42,740,000
Estimated share of fleet, Europe	12%	9%	17%	5%	12%
BEVs to charger, EU27 (ACEA)	42.1	72.1	1.0	0.9	23.2
DC chargers (50 kW+)	**902,363**	**54,068**	**320,000**	**562,043**	**1,838,474**
Higher network utilization scenario	**BEV PC**	**BEV LCV**	**eBus**	**eTruck**	**Total**
Projected vehicles, Europe (IEA)	38,000,000	3,900,000	320,000	520,000	42,740,000
Estimated share of fleet, Europe	12%	9%	17%	5%	12%
BEVs to charger, 3x higher utilization	168.4	288.5	1.0	1.0	39.6
DC chargers (50 kW+)	**225,591**	**13,517**	**320,000**	**520,000**	**1,079,108**

Source: ACEA, IEA, Nordea estimates

New industrial orders in Finland continue to decline

Overall economic activity correlates well with new industrial orders

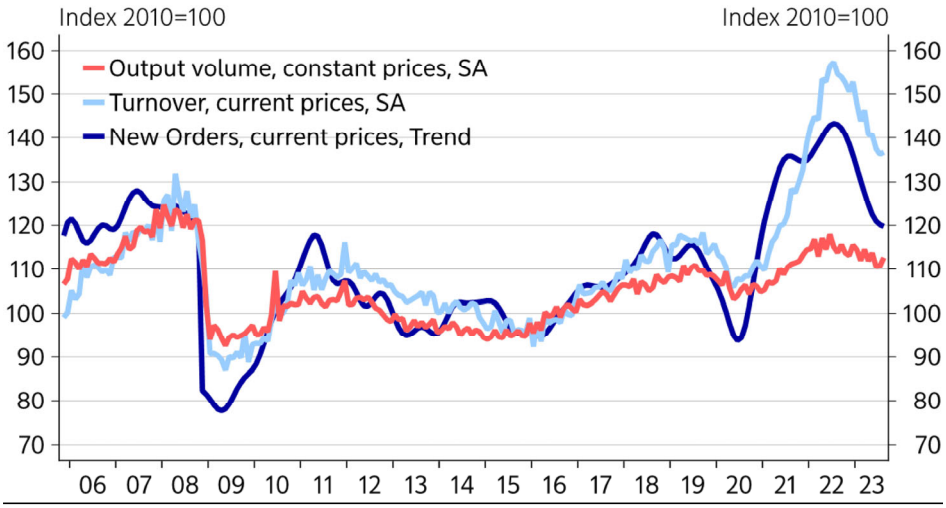
Overall economic activity correlates well with new industrial orders. Weak demand for new projects can also intensify competition for industrial maintenance contracts. For example, Caverion was chosen as the maintenance service provider for Fingrid's reserve power plants starting from 2024. The deal size was EUR 6m, which might also have been of interest to Enersense.

With housing sales still very sluggish, the number of new residential construction starts in Finland has fallen by 30% y/y, signalling that the construction sector at least will contract sharply this year and next. The stock of unsold new homes has increased considerably, and new construction starts are not expected to begin growing again until late 2024 at the earliest.

Moreover, the flow of new orders in the manufacturing sector has begun to dry up and order backlogs have shrunk, presaging a contraction in goods exports and, consequently, manufacturing output. The economic woes of Finland's key export partners, namely Sweden and Germany, are hurting Finland's exports. Moreover, export prices have begun to fall, which will be reflected in the profitability of export companies.

Investments in machinery and equipment have held up better than construction, but dwindling manufacturing demand will likely decrease these too. Over the longer term, the investment environment in Finland has become more attractive due to clean and cheap power being readily available, which will provide opportunities for many green investments, and more demand for Enersense's services. However, high interest rates have already postponed many green investments.

NEW INDUSTRIAL ORDERS IN FINLAND



Source: Macrobond and Nordea estimates

Looking at the euro area construction PMI for new orders, we note continued weak readings, at around 40, signalling further contraction. Turning to the OECD composite leading indicator (CLI), which measures inflection points in business cycles and has in the past consistently led industrial production activity and manufacturing capacity utilisation by two to three quarters, we see some tentative signs of improvement in the most recent readings. However, from a regional perspective, Europe remains weak, while the improvements mainly relate to the NAFTA and Asia regions. Looking beyond the current cyclical headwinds and focusing on the core businesses, we still see structural growth opportunities for Enersense.

Uncertainty related to telecom network investments has increased

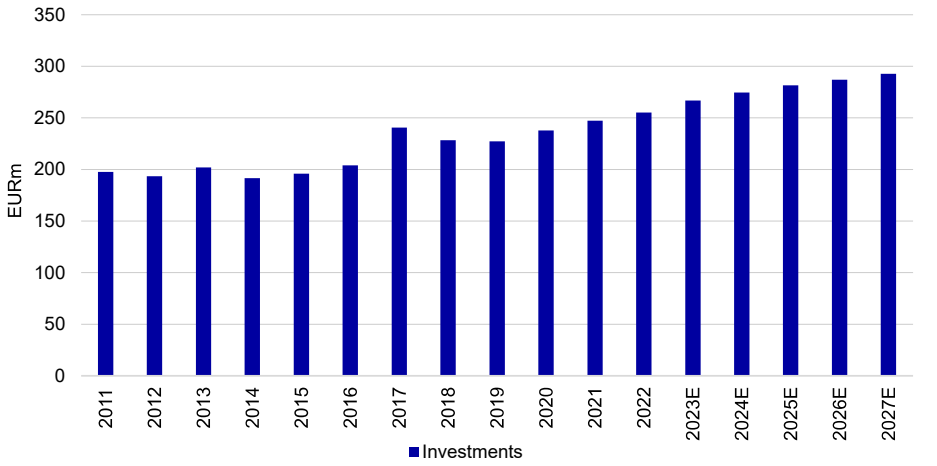
Operators seem to be having a hard time monetising 5G and justifying new large investments

After a long period of success owing to 5G deployments, Nordic telecom equipment vendors saw their fortunes turn and experienced negative organic sales growth in summer 2023. Telecom network vendors have argued that this is mainly due to destocking and a temporary pullback owing to macro, and that the market should recover towards the end of 2023 and during 2024. However, from our recent interviews with telecom operators across the globe, and studies of expert interviews and public data, we find that operators in mature markets are looking to moderate capex spend, and that the market will likely continue to decline over the coming years.

A possible network market decline is partly driven by a shift from the capital-intensive coverage buildout phase to a more benign capacity phase, in which operators seem to be having a hard time monetising 5G and justifying new large investments.

Based on Dell'Oro estimates and our global telecom capex monitor, we foresee a declining growth outlook for networking equipment demand for 2023 (RAN: -3%; total telecom capex: -8%) and for 2024 (RAN: -2%; total telecom capex: -2%), followed by flat growth until the latter half of the decade, when 6G kicks in. However, Finnish and Baltic operators could still have relatively stable annual capex spend, offering projects and revenues for Enersense. Nevertheless, our conclusion is that the telecom network market is not likely to see significant growth in the medium term. For example, we forecast 3% y/y growth for Elisa's investments in 2024.

ELISA: ANNUAL INVESTMENTS (EURm)



Source: Company data and Nordea estimates

High hopes for a hydrogen economy

Opportunities related to a hydrogen economy may have been overestimated in the short term

Since power generation will largely centre on renewables, energy systems will need to be able to handle significant intermittency and seasonal imbalance. Hydrogen can effectively work as a giant battery, with electrolysers using the excess electricity to convert water into hydrogen when demand is low, and selling it or converting it back to electricity when demand is high.

However, based on current knowledge, 30-50% of electricity is lost during this power-hydrogen-power conversion. As such, we think hydrogen may not lead to power savings. A more sustainable solution for society could be to focus on reducing energy use.

Furthermore, green hydrogen is currently very costly to produce. The most important factor affecting the cost of green hydrogen is the cost of renewable electricity, which currently accounts for the majority of the total cost (70-80%). In addition, hydrogen logistics entail more difficulty than is widely believed. It cannot be transported by ordinary LNG terminals or ships given its molecular size and potential losses. Hydrogen is perishable and can disappear from a metal storage tank. This is why it should be used close to where it is produced, in our view.

We do not expect hydrogen to be used in the storage of electricity in the Nordic region

We do not expect hydrogen to be used in the storage of electricity in the Nordic region. When there is overproduction of wind and solar power in the Nordics, hydropower generation can be reduced and water reservoirs may be used as storage for electricity. For example, we do not expect Fortum to invest a meaningful amount of money in hydrogen production.

However, hydrogen is a clean alternative for industrial users such as steel and renewable diesel producers. That said, Neste would need to build 25 new nuclear power plants to obtain the electricity required to render hydrogen for converting its Porvoo refinery to produce synthetic traffic fuels. Our conclusion is that the opportunities related to a hydrogen economy may have been overestimated in the short term.

According to Statnett's analysis, the production of hydrogen could still use as much as 28TWh of electricity in Finland in 2040, which is 35% of the total power consumption estimated for 2023. The most important factor affecting the cost of green hydrogen is the cost of renewable electricity, which currently accounts for the majority of the total cost. Another important cost for green hydrogen is the price of electrolysers. We do not believe production costs will decline significantly in the near future. One alternative for developing a hydrogen economy during the next 15 years could therefore be subsidies granted by the EU or local governments.

Competition

In our view, the competitive environment seems quite fierce, with a relatively large number of players offering similar solutions and services. Competition is still relatively local, however, and big international operators may not be interested in smaller projects in Finland. Price point is usually one of the main factors in public auctions. Other areas where Enersense is strong are reference projects, service quality, innovative solutions and client relationships, but some competitors have similar strengths to Enersense. The company's main competitors in the construction sector are Skanska and YIT. Its main peers on the network side are Eltel, Voimatel and Caverion. In this section, we look at some listed and unlisted peers for Enersense.

Steady growth in investments in renewable energy and energy security

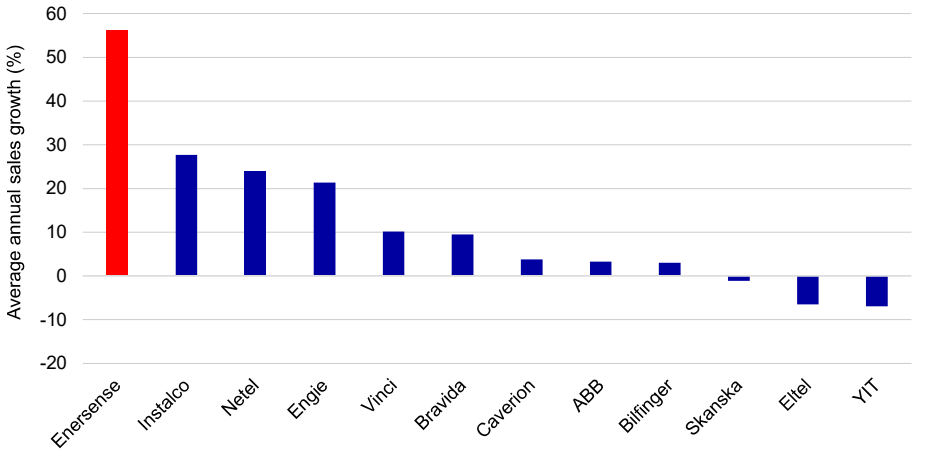
Enersense has been the growth champion

Global investments in renewable energy and energy security continue to grow, offering steady growth for all service providers. However, the entire business model in the infrastructure construction sector is vulnerable to price erosion and margin pressure. Competition tends to keep the earnings improvement potential modest.

It is almost impossible to build a proprietary clientele base because of public tendering processes. This also means that customer stickiness in the sector is fairly low. Enersense is a growth champion among 11 listed peer companies, as seen in the chart below. The main explanation for Enersense's good growth is several acquisitions.

Enersense's relatively strong growth can be attributed to acquisitions

AVERAGE REVENUE GROWTH OF LISTED PEERS 2019-23E



Source: Refinitiv and Nordea estimates

Eltel is one of the main competitors within connectivity and power

Eltel

In the connectivity and power segments, Eltel is one of the main competitors. The company, listed in Sweden, operates in the Nordics, Poland, Germany and Lithuania. It is a service provider for critical infrastructure, enabling renewable energy and high-performing communication networks. Eltel engages in the design, construction and maintenance of energy and communication infrastructure. The company reports on a country level, although the operations are divided into two main business segments: Communication and Power.

In Communication, the company provides services targeted at the mobile telecom market, the fixed telecom market and public infrastructure projects. In mobile telecom, the company engages in mobile network rollouts, modernisation, swap projects and maintenance. Fixed telecom services include fibre, copper and coaxial network construction maintenance. Public infrastructure projects include building and maintenance of digital signage and railway signalling systems.

In Power, Eltel engages in power transmission services, including full turnkey high-voltage projects and maintenance. Eltel offers wind power solutions and substations, as well as solar parks, installation management and implementation of energy storage projects.

It also provides services related to power distribution network construction, upgrades and maintenance. Furthermore, the company's smart grid solutions focus on rollout services for power meters, e-mobility-related vehicle-charging infrastructure projects that include the resale of public charging stations, and network expansion services.

Voimatel

Voimatel builds, maintains and operates data and electricity networks

Voimatel is a Finnish company that builds, maintains and operates data and electricity networks. The company operates in Finland and Estonia. Its is split into the following divisions: Data Network Services, Distribution Network Services, Transmission Network Services, Energy Services and Managed Services.

In Data Network Services and Distribution Network Services, the company operates throughout the entire lifecycle of data- and electricity-distribution networks from the design phase, to development, optimisation and maintenance. In Transmission Network Services, the company builds, renovates and maintains transmission networks, substations and switchgears. In Energy Services and Managed Services, the company offers a wide range of solutions from solar and electric transport services to optimisation and infrastructure management.

In June 2022, Enersense signed an agreement to acquire Voimatel, subject to approval by the competition authority, but later on withdrew from the process. The Finnish Competition and Consumer Authority evaluated that the combined market share of Voimatel and Enersense would have been too dominant and thus it did not give permission for the acquisition to go ahead in a form that was acceptable to the board of directors of Enersense.

Netel

Netel specialises in critical infrastructure in northern Europe and operates as a project manager

Netel Group, listed in Sweden, is a specialist in critical infrastructure in northern Europe. The company operates through three main business areas: Fixed Networks, Power and Mobile. Fixed Networks is the largest business area in terms of revenues (2022). Netel essentially operates as a project manager, building and maintaining networks for telecom and power systems.

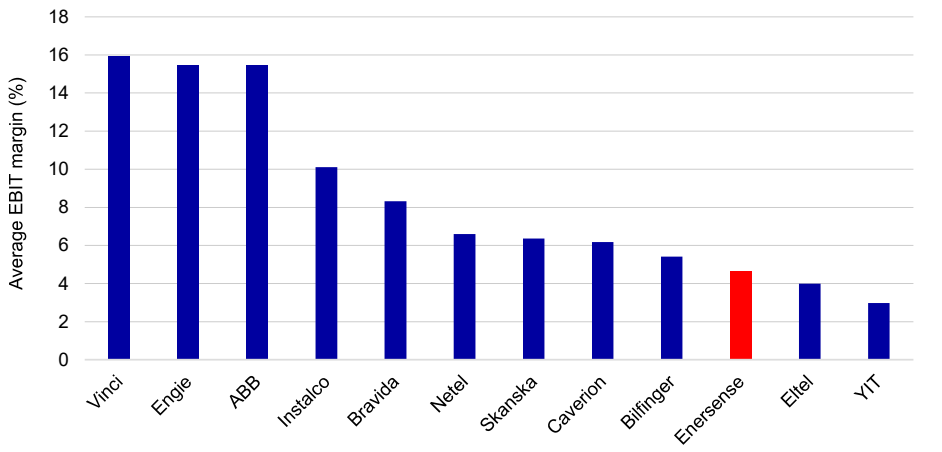
In the Power business area, the company offers preparation, planning and construction of electricity distribution networks. It provides these services in Sweden, Norway and Finland. On the Fixed Networks side of the telecom business, Netel focuses on the rollout and maintenance of fibre and cable TV networks, and on the Mobile networks side, it has a complete service offering covering the entire value chain for data network systems.

Network infrastructure installation is a low-margin business

The high degree of competition in public tenders means that margins are low

Enersense has had an average operating profit margin of 4.6% in the period 2019-23E, which highlights the high degree of competition in public tenders. Thus, long-term customer relationships do not easily translate to better profitability for Enersense, despite the essential nature of the services. Some of the peer companies are struggling with the same issue.

AVERAGE EBIT MARGIN OF LISTED PEERS, 2019-23E



Source: Refinitiv and Nordea estimates

VEO

VEO offers electrification and automation solutions for power production, transmission, distribution and usage

VEO is a Finnish company that also operates in Sweden, Norway and the UK. The company offers electrification and automation solutions for power production, transmission, distribution and usage. VEO's services focus on a range of different energy production methods, such as hydropower, wind, oil and gas, and thermal power, but also extend to industry and the marine market.

The company classifies its services into three distinct solutions that aim to serve customers throughout different stages of energy production operations.

In Automation, Protection & Excitation, the company offers tailor-made services for streamlining processes, supported by machine protection, IoT, control systems, hybridisation and cybersecurity.

In Electrification Solutions, the company leverages its expertise to find the correct electrification needs for a customer, with the support of modular substations and drive applications.

Within Lifecycle Services, the company provides a range of advisory services to ensure uninterrupted operations and efficient productivity. In addition, the company offers a range of supporting products such as excitation systems, switchgear and drive systems, automation and protection systems, and bus duct systems.

Omexon

Omexon offers a wide range of solutions in the energy sector, targeted at those who produce, transform and transport electricity

Omexon (part of Vinci Energies) is a global company offering a wide range of solutions in the energy sector. The company relies on its expertise in the field of power grids to anticipate the impact of renewable energies, develop storage solutions, make smarter infrastructure and meet new consumption trends. Its solutions target customers who produce, transform and transport electricity, including local authorities. Omexon's solutions are typically tailored to its respective customers' needs.

Omexon's expertise is split between the following subsectors: Power, Transmission, Substation, Distribution and Territories. In Power, the company specialises in hydro, solar, wind and nuclear power solutions, offering expertise throughout the entire electricity chain. In Transmission, the company's focus is on ensuring wide-scale integration of energy sources into the energy grid by building and maintaining overhead and underground transmission lines. Substations, a longstanding core business of the company, relates to the transformation of electricity for all project sizes and levels of complexity. Distribution focuses mainly on distribution networks throughout the entire network chain, including routing and planning services to provide energy to rural and urban areas. Territories offers supporting services to local authorities, for expanding or transitioning infrastructure. This includes solutions related to outdoor lighting, electromobility and smart city solutions.

ABB

ABB is a large listed conglomerate in the field of electrification and automation

ABB is a large listed conglomerate in the electrification and automation field. The company's solutions connect engineering know-how and software to optimise how things are manufactured, moved and operated. ABB reports through four segments: Electrification, Motion, Process Automation and Robotics & Discrete Automation. We highlight the Electrification segment as the most important in terms of Enersense's competitive landscape.

ABB's Electrification segment (the largest in terms of revenues) offers a wide range of products, solutions and services. The offering includes electrical components such as substations and sockets, and extends to more niche solutions such as smart energy management systems. In essence, this segment provides global customers with products and expertise that serve a variety of different energy systems, resulting in more efficient energy transmission, management and optimisation. We note that ABB is also engaged in the production and sale of EV charging solutions through its E-mobility division (managed as a standalone business).

Destia

Destia builds and maintains infrastructure in Finland

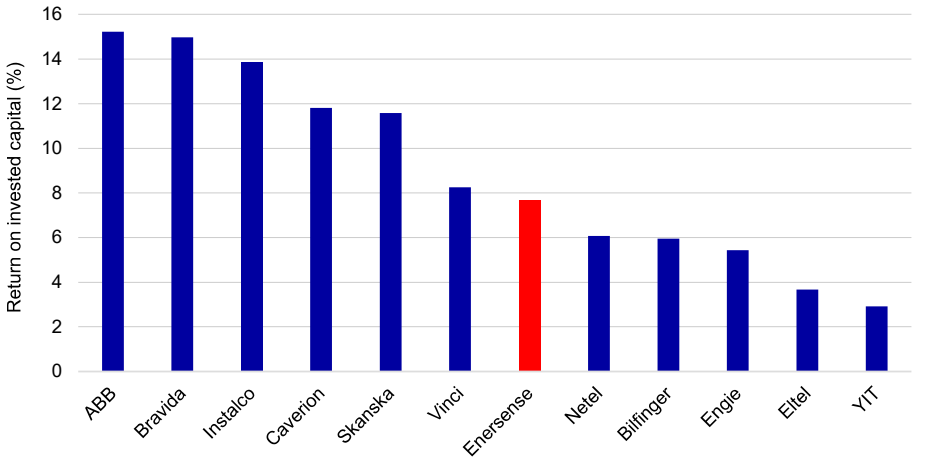
Destia (part of the listed Colas group) is a Finnish infrastructure maintainer and builder. The company's offering includes designing, building and maintaining electricity networks, bridges, roads and railways. Additionally, the company develops cities, and provides telematics and lighting solutions and a wide range of other services for traffic and infrastructure management. Destia's customers include companies, municipalities and government organisations.

Of relevance to Enersense, we highlight Destia's Energy Infrastructure and Smart Transport Solutions as important business areas. In Energy Infrastructure, the company offers expertise in the design, implementation and maintenance of wind and solar power infrastructure, power lines, electricity networks, substations and distribution substations. Destia's Smart Transport Solutions business offers a range of services for the management and development of infrastructure assets, including electric and smart transportation assets. Service solutions include EV charging infrastructure, telematics and infrastructure asset management solutions (e.g. road surface monitoring and laser scanning).

Return on invested capital has been higher than for Eltel and Netel

The median ROI for the listed peer group has been 8.0%, which is close to Enersense's average ROI of 7.7% in 2019-23E. Netel and Eltel have had slightly lower yield on invested capital than Enersense on average. The sector is not very capital-intensive, so investments usually only account for 2% of revenue and mainly consist of vehicles.

AVERAGE RETURN ON INVESTED CAPITAL, 2019-23E



Source: Refinitiv and Nordea estimates

Caverion

Caverion designs, builds and maintains solutions for buildings, infrastructure and industrial plants

Caverion is a Finnish company engaged in the construction industry, designing, building and maintaining solutions for buildings, infrastructure and industrial plants. The company operates primarily in Finland, Sweden, Norway, Denmark, Germany and Austria. Caverion is divided into two business units: Services (67 % of 2022 revenues) and Projects. Caverion is in the process of being acquired by funds managed by Triton.

On the Services side, the company acts a partner for its customers with different built environment services. The solutions serve customers in technical maintenance, installation and property management by, for example, offering solution-based smart technologies and expert advisory services. In the Project unit, the company delivers building technology and infrastructure projects for new building investments and modernisation projects. Caverion works throughout the entire lifecycle of projects, supporting customers with design and building expertise to ensure, for example, that building ventilation and air conditioning systems are optimised.

Efora

Efora is a smart maintenance solution provider, owned by Stora Enso

Efora, owned by Stora Enso, is a smart maintenance solution provider. Its solutions help manufacturing companies maximise their output with innovative and smart solutions that focus on renewable material production. Efora is a competitor to Enersense in the smart solutions space. However, its competitive reach remains uncertain, due to Stora Enso's own involvement with the company.

Kempower

Kempower is engaged in manufacturing, designing and distributing EV fast charging equipment and solutions

Kempower is a Finnish company engaged in manufacturing, designing and distributing EV fast charging equipment and solutions. The company originally started out as Finnish welding equipment manufacturer Kemppi's project division in the 1990s. Kepower in its current form started producing EV charging equipment in 2017. Currently, Kempower serves customers globally, with its main focus on Europe, while the company has a large growth focus on the North American markets. In 2022, Kempower had sales of EUR 104m, which came almost entirely from new equipment sales. The company turned EBIT-positive in 2022, with a margin of 5.9%.

Detailed estimates

Individual orders received by Enersense can be as large as EUR 20m, which is why detailed revenue estimates are riddled with uncertainty. We derive our revenue forecasts primarily by looking at the number of personnel and by assuming relatively stable utilisation ratios. Average annual billing per employee is currently EUR 165,000. The main cost items for revenue are own personnel (36% of sales) and materials and services (55% of sales). Long-term revenue forecasts include growth expectations for the power network and wind power markets. However, our base-case revenue estimates do not include possible further acquisitions or new structural changes to the service offering. Overall, construction of infrastructure projects is a profitable low-margin business. Annual operating profit per worker is EUR ~3,000 per year. Volatility in orders and utilisation ratios is handled through fairly extensive use of subcontracting, which is in line with the company's strategy.

Enersense changed the accounting of wind power projects in 2023
The company altered the accounting of wind power projects from the beginning of 2023 such that realised sales gains from completed wind power projects are recognised in revenue in the income statement, whereas they were previously included in other operating income. In addition, distribution of funds to minority shareholders, which is based on a shareholder agreement, is recognised in financial expenses in the income statement, while they were previously treated as decreases in equity.

We forecast 24% revenue growth y/y for 2023
At the start of 2018, around two-thirds of the company's net sales were related to the construction of the Olkiluoto 3 nuclear power reactor. The share of OL3-derived net sales declined to a third by the end of 2018, resulting in no revenue growth for that year. Sales growth recovered in 2019, coming in at 23% y/y.

Very strong revenue growth in 2020-21 due to acquisitions

Enersense reported very strong revenue growth in 2020-21 due to several acquisitions. 2022 revenue growth was 18% y/y, while we forecast 24% sales growth for 2023. The company's order backlog increased from EUR 415m in Q4 2022 to EUR 526m in Q1 2023, after which it reached EUR 511m in Q3 2023. One example of increasing sales growth in 2023 was the business transfer, where some of Helen Oy's operations and maintenance services were switched to Enersense in late 2022. The maximum annual value of the (Helen) transfer during the six-year agreement period is EUR 33m.

Our estimate for 2023 sales growth is above Refinitiv consensus

We do not view the company's 2023 guidance for net sales of EUR 330m as challenging, but our sales growth forecast for the year is below Refinitiv consensus of EUR 355m. Overall, renewable energy, power grid investments and digitalisation trends are creating new demand for Enersense, giving us comfort about underlying market growth, even in the long term.

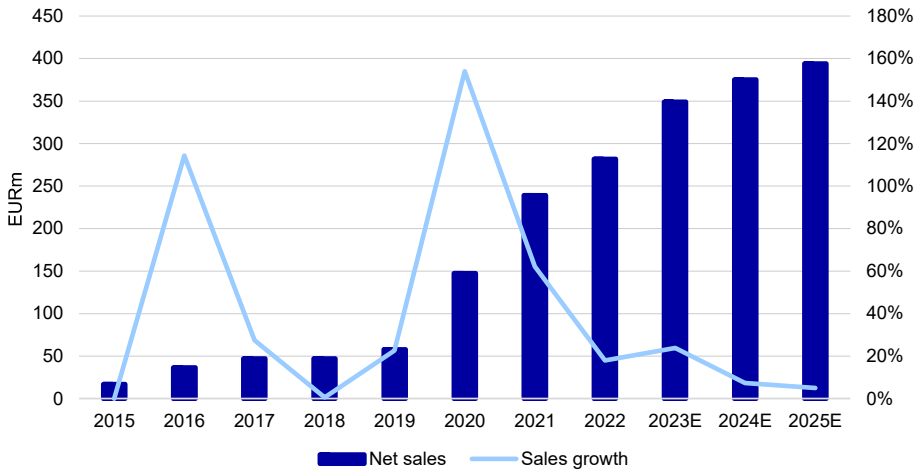
Despite a macroeconomic downturn, we believe that revenue growth next year will remain positive. Many customer projects in the orderbook are already funded or stem from the public sector. Regardless of the high likelihood of M&A activity, we do not include any acquisitions in our base-case revenue estimates.

Business model requires workers

Enersense is a combination of an engineering consulting business and a construction company, meaning that its business model requires workers. Annual revenue per employee is currently EUR 165,000 and has been gradually increasing in line with inflation and changes to its service offering.

In practice, Enersense increases revenue growth with the help of new orders and by upping the number of employees in line with these new contracts. So, the business model is not scalable in its original form. Moreover, billing per worker cannot permanently increase above the rate of inflation without structural changes to the service offering. However, the production of its own wind power could change the situation in the long term.

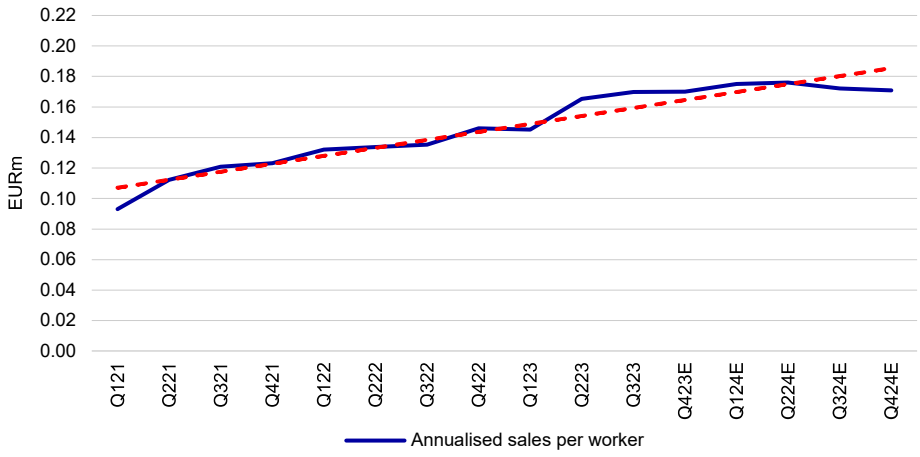
NET SALES (EURm) AND SALES GROWTH (%)



Source: Company data and Nordea estimates

12-MONTH ROLLING ANNUALISED SALES PER WORKER (EURm)

A decline in the orderbook could reduce revenue per worker for 2024

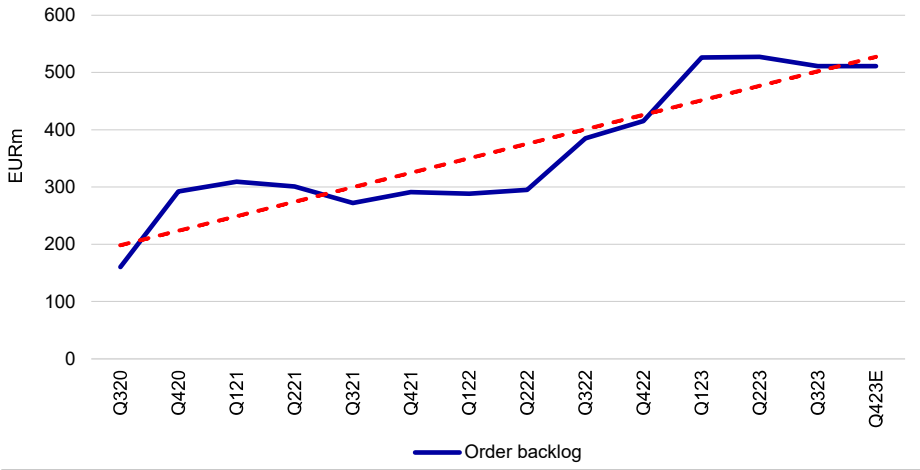


Source: Company data and Nordea estimates

Order backlog has moved sideways during the year

The company discloses information regarding the orderbook, but no information about order intake. We also find it hard to calculate book-to-bill ratios owing to Enersense's many business areas and because of the wide range of contract periods.

ORDER BACKLOG (EURm)



Source: Company data and Nordea estimates

The order backlog grew by 33% in Q3 y/y, but decreased EUR 17m compared with Q2. The order backlog was EUR 511m at the end of September. It includes all firm orders – even those that could be distributed over several years.

We forecast 60% (EUR 307m) of the orderbook to be recognised as net sales in the rolling 12-month period. Around 85% of the orderbook will likely be invoiced within a 24-month period. We forecast next 12-month rolling net sales of EUR 371m, of which 83% are firm orders.

Personnel costs represent 35% of revenue

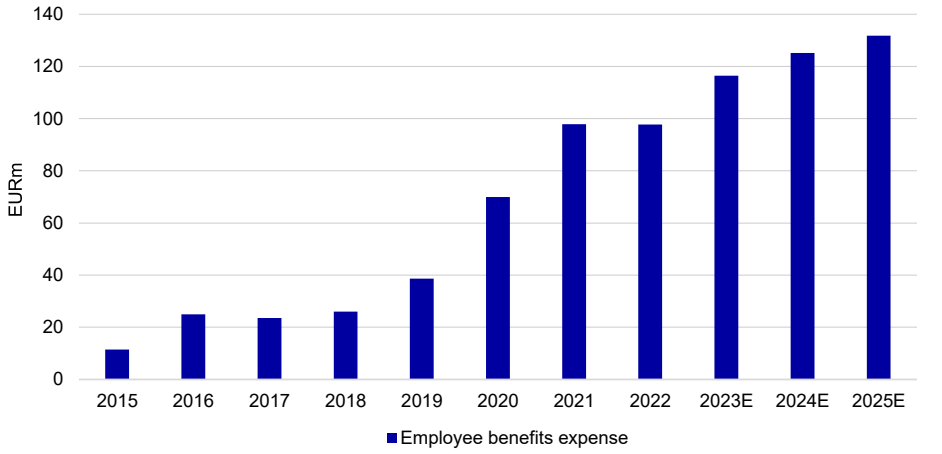
Around 2000 employees at the end of Q3 2023...

The number of employees was 2,034 in Q3 2023. Enersense is a service company, which means that personnel costs make up a significant portion of net sales. The company also uses intensive subcontracting, which is why part of personnel expenses are reported as material and service costs. One reason for it favouring subcontracting for project management is because Enersense would be unable to constantly maintain a 95% utilisation ratio for double the number of workers.

...of which around 70% are employed in Smart Industry and International Operations

Around 70% of all workers are employed in the Smart Industry and International Operations segments combined. Some 70% of employees are located in Finland.

PERSONNEL COSTS (EURm), 2015-25E

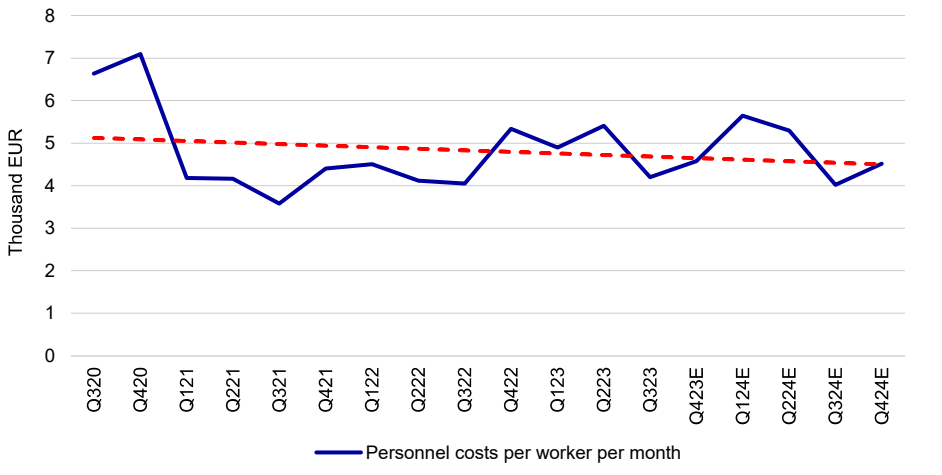


Source: Company data and Nordea estimates

High salary levels due to the complex nature of projects

We forecast personnel costs of EUR 114m for 2023. The average annual cost per worker is EUR 4,800 per month at the group level, which indicates an average monthly salary of EUR ~4,000 per employee. One explanation for these good salaries is the relatively demanding nature of projects, which requires a trained and skilled workforce. Our conclusion is that Enersense does not operate with a traditional low-cost business model.

PERSONNEL COSTS PER MONTH PER WORKER (EUR THOUSAND)



Source: Company data and Nordea estimates

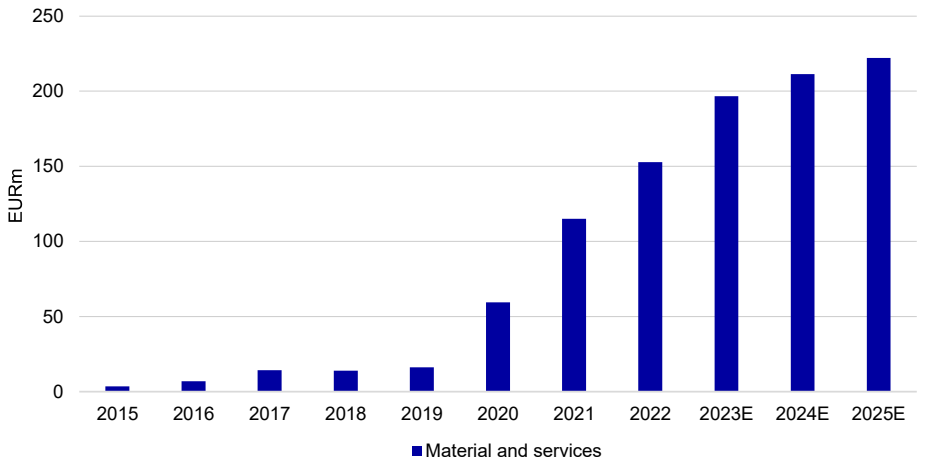
Materials and services account for 55% of revenues

The company's core strength is project and resource management, with subcontracting being an important tool. Subcontracting increases material and service costs, but also reduces risks related to demand variation and utilisation ratios. Moreover, the need for invested capital is lower when machinery can be rented from an external provider.

Our forecast for material and services is EUR 198m for 2023. We still forecast the company's direct personnel expenses to be slightly higher than personnel expenses reported under material and service costs. External services, such as excavators, are used especially in the Power and Connectivity segments. Material costs include steel structures and power cables for the Power segment.

Subcontracting costs account for the lion's share of revenue for Enersense

MATERIAL AND SERVICE COSTS (EURm)



Source: Company data and Nordea estimates

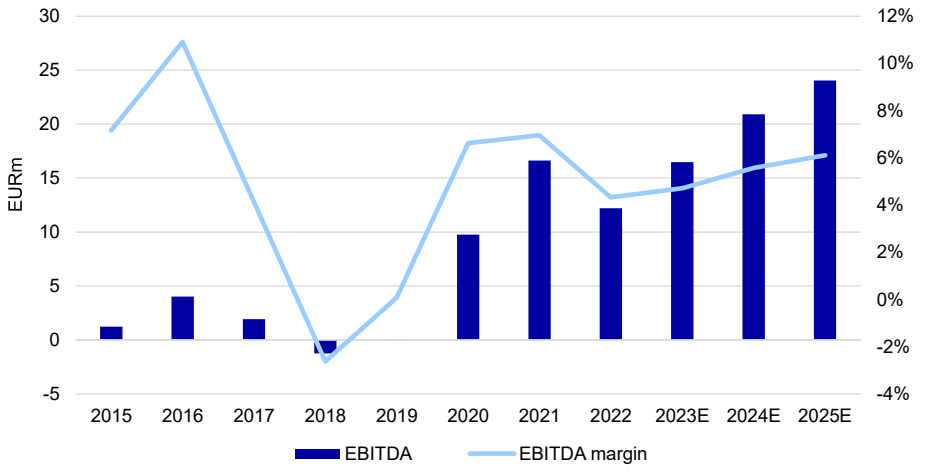
EBITDA guidance of EUR 12-18m in 2023

The company's reported profitability was relatively weak in 2018-19, one reason being the construction of Olkiluoto 3. The need for workers declined remarkably in 2018 once the site came closer to the final testing phase.

The real underlying profitability of current operations is better seen in 2020-23E. Some of the weakening EBIT margin during this period has been related to integration costs after the acquisition of Empower, and expenses related to new IT systems.

Enersense expects EBITDA to amount to EUR 12-18m for 2023. Full-year guidance includes a EUR 7m milestone payment from wind power projects. The company's long-term financial target is for annual EBITDA of EUR 100m by the end of 2027, of which current core business operations are expected to account for EUR 30m.

EBITDA (EURm) AND EBITDA MARGIN (%)



Source: Company data and Nordea estimates

We forecast a 2024 EBITDA margin of 5.6%

We currently forecast a 5.6% EBITDA margin for 2024. A margin of 6-7% in the service business would be a very good achievement and require cost discipline and proactive utilisation ratio management. Industrial service companies do not easily achieve more than 10% EBITDA margins on a group level.

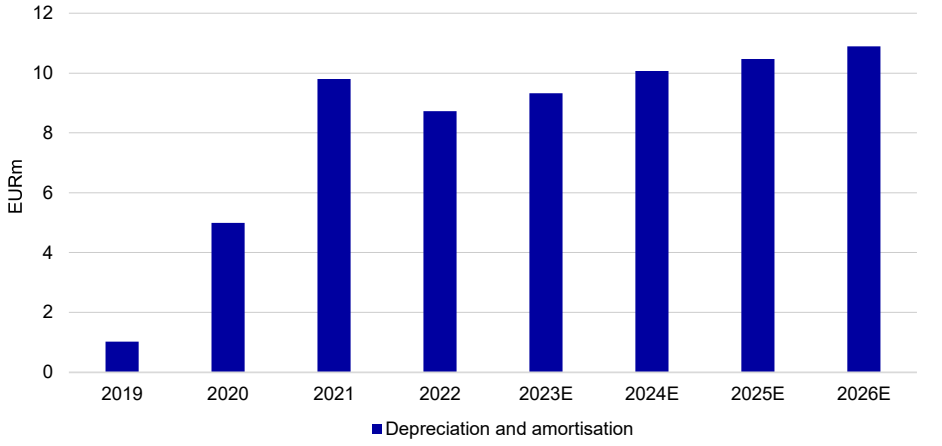
Enersense's energy production capacity target is 600-700MW by 2027, of which 600MW is wind power and 100MW solar energy. Own wind power production and strategic focus areas (including onshore wind and solar power development projects, offshore projects and EV charging solutions) are both estimated to generate EUR 100m in revenue and EUR 35m in EBITDA by 2027.

We do not expect the company to upgrade its long-term financial targets, because investments for wind power could face delays due to rising interest rates and declining power prices. Our current scenario for onshore wind power EBITDA for 2028 is EUR 29m. In our scenarios, offshore operations alone contribute EBITDA of EUR ~10m by 2028.

Depreciation is 3% of sales

Depreciation was EUR 8.7m in 2022 and we forecast it to be EUR 9.3m for 2023. The majority (64%) is related to the company's fleet of cars. Enersense needs many vehicles to access its installation sites. The company's own buildings are depreciated over a ten- to 30-year period and equipment over a three- to 15-year period.

ANNUAL DEPRECIATION (EURm)



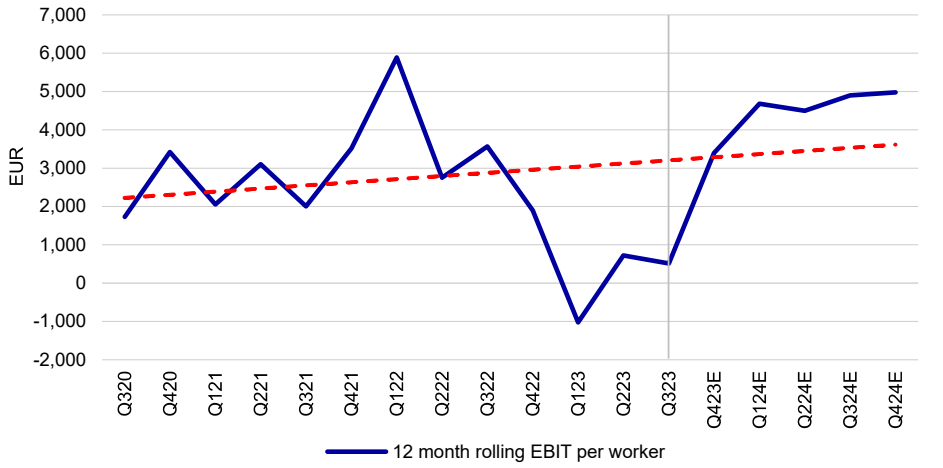
Source: Company data and Nordea estimates

Operating profit margin could be 2.9-3.4% in 2024E-25E

Construction of infrastructure projects such as power grids and telecom networks is a profitable but low-margin business. Enersense's annual operating profit per employee is usually EUR ~3,000 per year compared to average yearly billing of EUR 165,000.

The situation looked weak in Q1-Q3 2023, with yield per employee having been close to zero. However, we argue that this weak profitability will not persist. Investments in growth have already become visible in operating profit this year. A clear peak for better margins will likely be seen in Q4 2023, when milestone payments from wind power projects are recognised.

ANNUALISED 12-MONTH ROLLING EBIT PER WORKER (EUR)

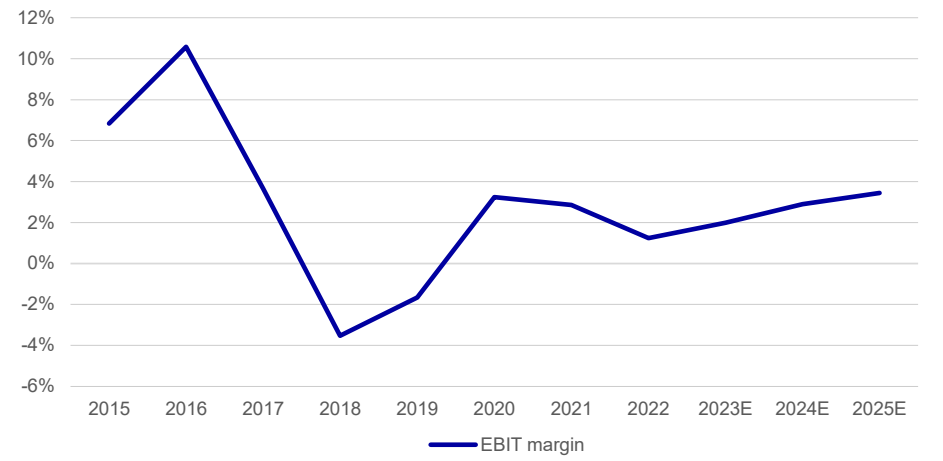


Source: Company data and Nordea estimates

We expect relative profitability to improve y/y during 2024

Our current EBIT forecast is EUR 7m for 2023 and relative profitability should improve y/y during 2023. However, we do not expect an EBIT margin above 3% in the near future (2023-24), even though investments in own wind power production should improve operating profit in the long term.

OPERATING PROFIT MARGIN (%)



Source: Company data and Nordea estimates

Financial expenses

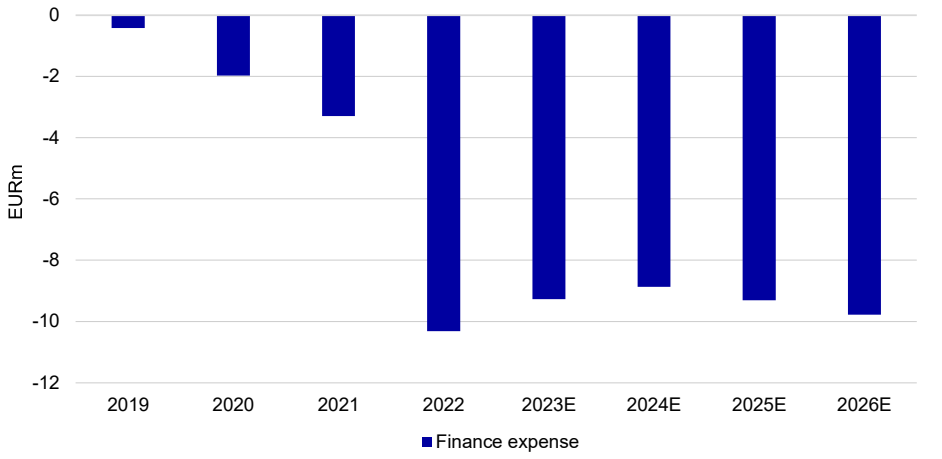
Rising interest rates are not a major problem for the company

Although net financial expenses were about EUR 3m annually in 2021-22, we forecast about EUR 9m for 2023. Car leasing liabilities were EUR 7.1m at the end of 2022, and total lease debt was EUR 16.7m. We therefore argue that rising interest rates are not a major problem for the company.

The amount of ordinary debt is relatively small (EUR 9m), but interest expenses also include costs from the convertible bond issued at the end of 2022 (EUR 26m) and costs related to factoring. Furthermore, interest expenses include distribution of funds to minority shareholders in wind projects for 2023, based on the shareholders' agreement. This payment was almost EUR 1m in Q2 2023.

Net financial expenses included a EUR 0.5m impairment related to the investment in Fennovoima in 2022. Total liabilities related to Fennovoima could increase to EUR 1.2m, according to the company.

ANNUAL FINANCIAL EXPENSES (EURm)



Source: Company data and Nordea estimates

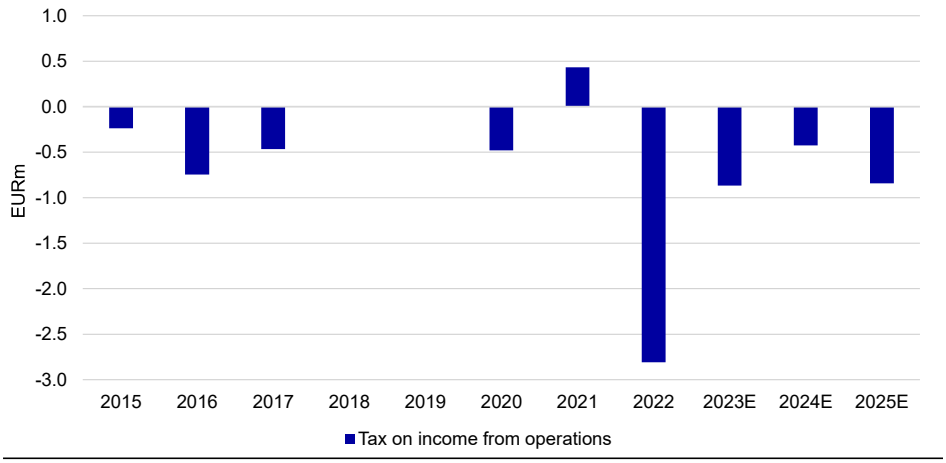
Potential tax rate of 20% in the near future

Enersense's taxes are calculated on taxable income on the basis of the tax rate in force in each country. The corporate tax rates in Finland and Estonia are generally a flat 20%. However, corporate income tax in Estonia is not levied when profit is earned, but rather when it is distributed.

The median tax rate paid by the company over the past eight years has been 19%

The median tax rate paid by the company over the past eight years has been 19%, but variations have been high due to several unusual years. We currently forecast a tax rate of 20% going forward. The company does not have any significant historical losses to be used for deductions.

ANNUAL INCOME TAX (EURm)



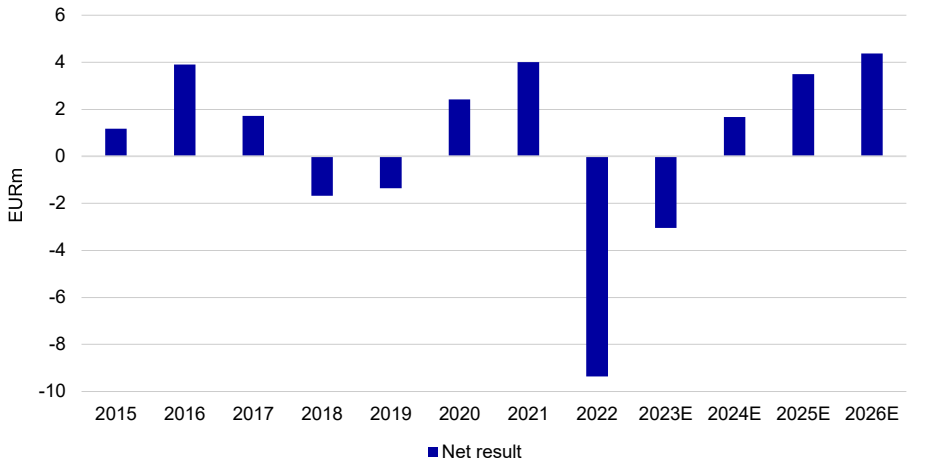
Source: Company data and Nordea estimates

Net result average of EUR 1m during 2015-23E

The average annual net result was close to zero during 2015-23E

Increasing interest expenses have eaten up an improvement in operating profit, with the net result averaging close to zero during 2015-23E. The 2015-23E cumulative net result has been EUR -5m. Our forecast for the net result is EUR -3m for 2023, improving to EUR 1.7m for 2024.

ANNUAL NET RESULT, 2015-26E



Source: Company data and Nordea estimates

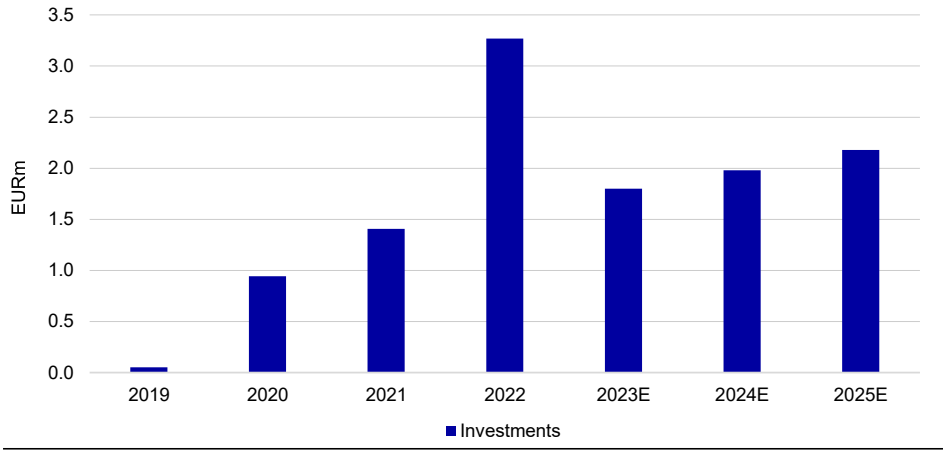
Investments account for close to 1% of revenue

Investments excluding lease liabilities averaged EUR 1.1m in 2021-22. The company has no imminent need for significant investments in tangible plants or machinery. A major part of investments is related to lease liabilities and the vehicle fleet.

Two strategic investments (P2X and Parkkisähkö) were made in 2022

Enersense spent EUR 11.2m on two strategic investments (P2X and Parkkisähkö) in 2022. Total investments to shares and associates were as much as EUR 20.3m in 2022, part of which was paid by own shares. However, cash flow from investing activities was positive in 2020-21, thanks to divestments and asset sales.

INVESTMENTS TO TANGIBLES (EURm)



Source: Company data and Nordea estimates

Equity ratio looks somewhat low

At the end of 2022, Enersense completed a EUR 26m offering of senior unsecured conditionally convertible notes, due on 15 January 2027. The initial conversion price per share has been set at EUR 8.00. Dilution stemming from possible new shares could be as much as 16.5% on a fully diluted basis. The notes will carry a coupon of 7% per annum, payable semi-annually in equal instalments in January and July each year. The first interest payment of EUR 0.77m was on made on 15 July 2023.

Without any adjustments, the equity ratio was 27% in 2022. However, convertible notes are treated as equity when calculating the adjusted equity ratio against covenants. Its adjusted equity ratio was 39.3% at year-end 2022, according to the annual report.

According to debt covenants, Enersense should have an equity ratio >37.5%, a net debt/EBITDA ratio below 2.25x, and more than EUR 15m cash in hand. All covenant terms were met at year-end 2022. A minimum cash requirement is only considered if Enersense does not fulfil the interest-bearing new debt/EBITDA rule. Reported equity was EUR 63m in 2022, and EUR 85m with the adjustment of convertible notes. We forecast adjusted equity at EUR 82m in December 2023. By assuming a total balance of EUR 215m and received advances of EUR 10m, its equity ratio could be 38.4%.

Valuation

The Enersense share does not look expensive compared to its peer group when looking at EV/EBITDA multiples for this year and next. We are not overly worried about profitability given Enersense's tight cost discipline and proven track record. However, we believe that market consensus EBIT for 2025-26 might factor in a more positive outcome from new business areas than we expect. We believe it takes over two years to obtain major earnings from own chargers, wind power and offshore wind power foundations. But what is important is that Enersense operates in sectors which can offer a structural growth story for several decades. Using our DCF- and peer group-based valuation approaches, we derive a valuation range for the Enersense share of EUR 7.1-8.6. The most important driver for the equity story in 2024 could be the operational execution and positive earnings momentum, rather than a long-term growth story.

It could take more than two years for strategic investments to have a material effect, but the long-term equity story looks very credible

Our revenue estimate for 2025 is 3% above market consensus

Large network installation or outsourcing deals could lead to a positive surprise in revenue growth, but may not greatly improve relative profitability. Our net sales forecast for 2025 is slightly above market consensus (Refinitiv), but we question the market consensus EBIT estimate for 2025. We are not overly confident that Enersense can improve its annual EBIT by EUR 10m over a two-year period. Market consensus is for an EBIT margin of 4.2% in 2025, which is feasible if the amount of own wind power increases, but this might not be the case by then.

Acquisitions and development of new businesses have already expanded Enersense's role in the value chain, but it could take more than two years for strategic investments to have a material effect. Given Enersense's goal to grow from being a broad-based service company in the energy sector to a producer of clean energy and a key green energy company, a long-term equity story looks very credible. In any case, the execution of the strategy has to be successful and risks related to new business areas need to come down to release future value in the share price.

MARKET CONSENSUS VERSUS OUR ESTIMATES

	Nordea estimates				Consensus estimates				Difference %			
EURm	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E	Q4 2023E	2023E	2024E	2025E
Sales	94	349	375	394	98	355	371	384	-4%	-2%	1%	3%
Adj. EBIT	7	7	11	14	6	6	12	16	17%	16%	-7%	-15%
Adj. EBIT margin	7.5%	2.0%	2.9%	3.4%	6.2%	1.7%	3.1%	4.2%	1.4pp	0.3pp	-0.3pp	-0.7pp
Adj. EPS	0.23	-0.18	0.10	0.21	0.19	-0.19	0.31	0.36	20%	-3%	-67%	-41%

Source: Refinitiv and Nordea estimates

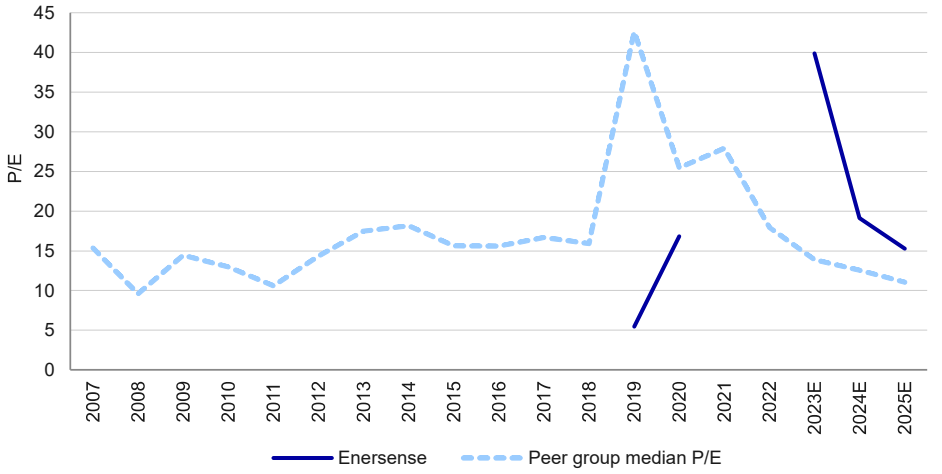
Sector median P/E of 15.6x for 2007-23E

Enersense looks expensive when comparing its P/E to the peer group. Valuation multiples in the sector were high in 2019-21, but the long-term median P/E has been 15.6x, and the 2023 multiple has been 13.9x, according to Refinitiv. On our forecasts, Enersense's P/E next year is as high as 18.8x.

Growth expectations do not explain a 50% higher 2024E P/E for Enersense compared to peers

The main question for P/E valuation is sales growth and whether it will last and be as strong as in the past. The median revenue growth in the peer group has been 5.2% in 2008-23E. Enersense reported 18% revenue growth last year and we forecast 24% growth for this year. However, underlying growth without acquisitions and bigger outsourcing deals could be 7% next year compared to a peer group average of 5.5%. The conclusion is that growth expectations do not explain a 50% higher P/E than peers based on 2024E.

P/E VALUATION VERSUS THE PEER GROUP (x)



Source: Refinitiv and Nordea estimates

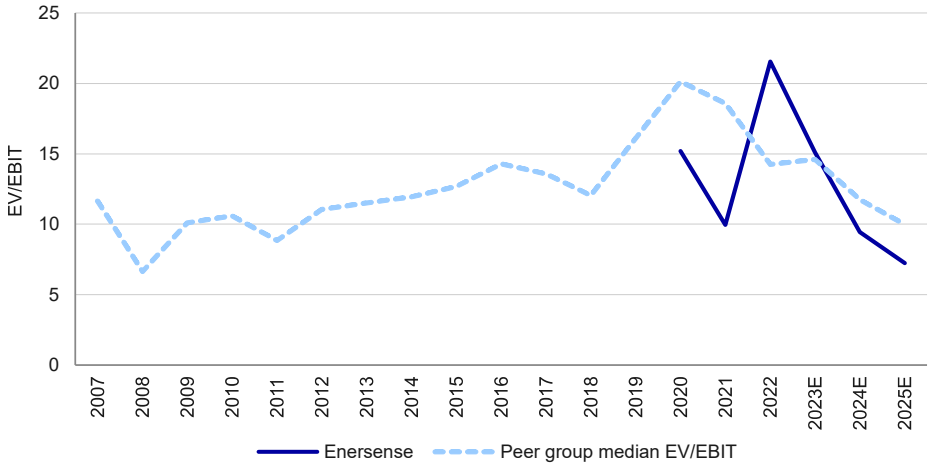
EV/EBIT valuation

Due to modest net results, an EV/EBIT valuation offers a better comparison point for Enersense than a P/E multiple

Due to modest net results, an EV/EBIT valuation offers a better comparison point for Enersense than a P/E valuation. The median EV/EBIT for the peer group has been 12.5x for 2017-23E, according to Refinitiv. We forecast 2024 EV/EBIT of 9.4x for Enersense.

A share price of EUR 6 would imply a peer group average EV/EBIT of 12.3x based on our EBIT estimate of EUR 11m for 2024. However, the peer group average ROI is 12% for 2024E, compared to Enersense's ROI of 9%, which could indicate a small discount for EV/EBIT valuation compared to the peer group. We therefore believe EV/EBIT of 12x could be an upper limit for Enersense in terms of valuation in the near term. Moreover, the company's own wind power production may not yet be enough to allow valuation multiples to come close to Ørsted's.

EV/EBIT VALUATION VERSUS THE PEER GROUP



Source: Refinitiv and Nordea estimates

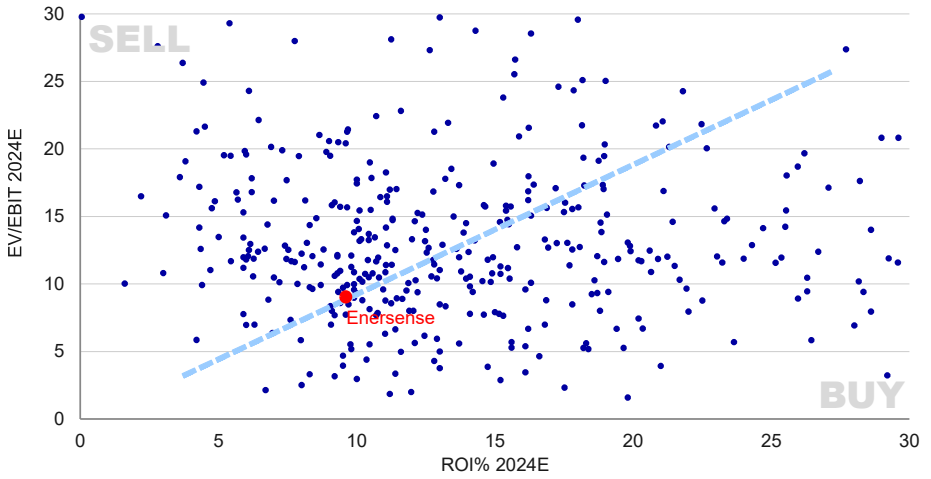
Comparison to the STOXX Europe 600 index

We also compare Enersense's yield on invested capital to the STOXX Europe 600 index to cross-check the company's valuation against the broader economy. When companies are able to post a decent return on invested capital, this is usually well rewarded in the equity markets regardless of the sector or industry.

In the chart below, we calculate the correlation between 2024E EV/EBIT and ROI among all STOXX Europe 600 companies. By comparing Enersense's EV/EBIT valuation range with its ROI, we can see that the company is quite in line at its current share price of EUR 4. However, the share does not give much credit to the long-term growth story coming from strategic development projects.

Enersense looks quite inexpensive at its current share price of EUR 4

STOXX EUROPE 600 EV/EBIT AND ROI REGRESSION ANALYSIS



Source: Refinitiv and Nordea estimates

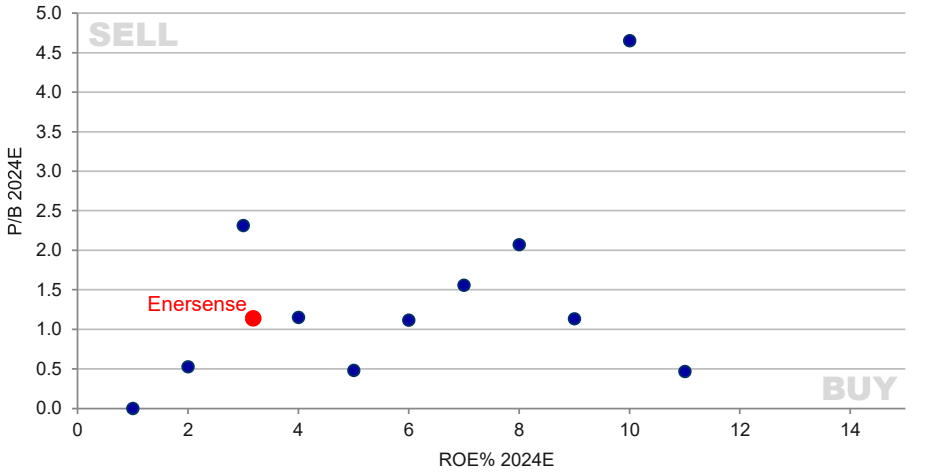
Sector median P/B of 1.4x for 2024E

Looking at a P/B and ROE regression analysis including 12 peer companies, we can see that Enersense is priced slightly above peers on 2024E multiples. Overall, return on equity correlates well with P/B valuation in the sector, as shown in the graph below.

Enersense's P/B was very high in 2018-20 due a low amount of equity. Last year, the company had a negative return on equity with a P/B of 1.5x. Our forecasts for Enersense's return on equity are -5.1% for this year and 2.9% for 2024. Relatively high net financials of EUR 9m will consume the majority of the EUR 11m expected EBIT in 2024, which is the reason for a low ROE.

Looking at a P/B and ROE regression analysis including 12 peer companies, we can see that Enersense is priced above peers on 2024E multiples

P/B AND ROE REGRESSION ANALYSIS



Source: Refinitiv

We conclude that dividend expectations will not drive share performance

Enersense is not a dividend yield case

The company has paid one EUR 0.10 dividend per share and one return of capital (EUR 0.10) since its listing. The dividend was paid for the financial year 2021 and return of capital for the financial period 2022. The share price of EUR 5.69 at the end of December 2022 together with the EUR 0.10 return of capital indicates a yield of 1.8%.

We do not expect Enersense to pay dividends in the near future, because of its relatively low equity ratio and investment needs for new business areas.

The company's goal is to distribute at least 30% of earnings per share as dividends. Assuming EPS of EUR 0.10 in 2024 and a 30% payout ratio, a possible dividend could then be EUR 0.03, indicating a 0.8% dividend yield. In a scenario where Enersense pays out 50% of its EPS in 2024, the dividend yield could be 1.3%.

The average dividend yield of the peer group was 3.9% in 2009-22. Enersense should pay out a EUR 0.16 dividend per share to reach the same yield as the peer group. We conclude that dividend expectations will not drive share price performance.

Current share price does not assign much value to latest acquisitions

The share price is down 30% year-to-date. The main reasons for this are higher interest rates, a weakening economic environment, increased risks related to the most recent acquisitions, a low equity ratio and the net result of EUR -6.8m in Q1-Q3 2023. However, we do not currently see such operational problems that would justify our negative SOTP scenario of EUR 3.2 per share.

We consider the acquisition of Megatuuli to be a strategically successful move. However, it could be several years before value creation from own wind power production drives the share price. Moreover, an acquisition price in itself is a good datapoint in the sum-of-the-parts analysis in the short term. We believe that this applies also to Unified Charger. In a negative scenario. Pori Offshore is not able to get enough orders and the value of the operations remains a couple of million euros.

The current share price of EUR 4 implicitly indicates that the most recent acquisitions have not yet added value to the group. Assuming a combined EV of EUR 83m for original Enersense and Empower, we calculate a value of Megatuuli and Pori Offshore together of only EUR ~30m. In this sum-of-the-parts calculation, we assume net debt of EUR 66m, which also includes the EUR 26m convertible bond and EUR 15.3m in lease liabilities. In a positive scenario, we calculate a value of EUR 57m for Megatuuli, Unified Charger and Pori Offshore, leading to a total group value of EUR 8.3 per share.

Acquisition risks need to come down for value potential in the share price to be released

The company surely sees the potential stemming from acquisitions, but investors need concrete proof from positive earnings momentum. So, risks related to the early stage of the charging business, wind power development and shipyard operations need to come down for the value potential in the share price to be released.

SUM-OF-THE-PARTS SCENARIOS (EURm)

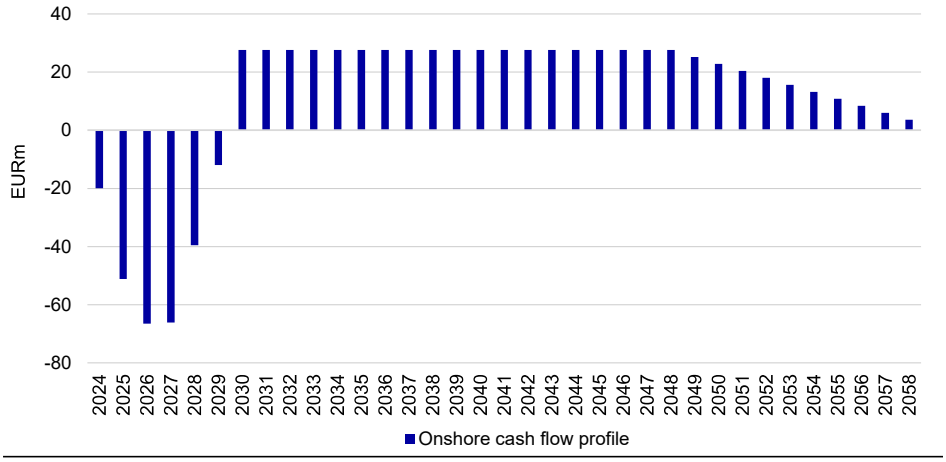
	Acquisition price forecast	Implicit EV value	Negative scenario	Positive scenario
Original Enersense	n.a.	37	35	46
Empower	8	46	44	58
Megatuuli	18	24	23	34
P2X	10	11	8	20
Pori Offshore	0	6	5	15
Parkkisähkö	1	1	0	3
Unified Charger	1	3	2	8
Värväämö	2	2	0	3
RB-Asennus	n.a.	2	1	3
Enersense Painting	2	2	1	3
Net debt		66	66	56
Total market value (EURm)		**68**	**53**	**136**
Per share (EUR)		4.1	3.2	8.3

Source: Nordea estimates

We calculate a EUR 24m net present value for onshore wind power operations, assuming EUR 350m in investments, EUR 35m in annual EBITDA and a 20% tax rate, after the investment period, as seen in the chart below. Our NPV calculation uses a 6.3% discount rate.

We calculate a EUR 24m net present value for the onshore wind power operations

ONSHORE WIND DEVELOPMENT CASH FLOW SCENARIO (EURm)



Source: Nordea estimates

DCF valuation range is EUR 7.1-8.6

One of the most common ways to assess the attractiveness of an investment opportunity is by using the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders.

In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts: 1) discounting the company's free cash flow at WACC; 2) identifying the value of debt and other non-equity claims on the enterprise value; and 3) deducting all claims to determine the value of the common equity.

The fair value per share is calculated by dividing the equity value by the number of outstanding shares. A DCF valuation is commonly considered among academics and practitioners to be the best way to capture a company's underlying fundamental drivers, such as cost of capital, growth rates and reinvestment rates. Applied correctly, it represents the best way to approximate a company's the true intrinsic value.

The main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values. In terms of Enersense, the problem is to set a credible growth ratio for coming years.

Our DCF valuation yields a fair value range of EUR 7.1-8.6

Annual cash flow from operations was EUR 4.4m last year. We expect to see EUR 14m in cash flow from business operations in 2024-25 on average, from which investments would take EUR 10m including leases, leaving some EUR 4m in average annual free cash flow in 2024E-25E.

Based on the assumption that Enersense can deliver broadly in line with our forecasts, with variations in sales growth, EBIT margin and WACC assumptions, we arrive at a fair DCF-based equity value range of EUR 7.1-8.6 per share. In the terminal period, we model 2.5% growth. The assumptions behind our WACC are outlined in the table below.

WACC ASSUMPTIONS

WACC components	
Risk-free interest rate	3.5%
Market risk premium	4.0%
Forward looking asset beta	nm
Beta debt	0.10
Forward looking equity beta	1.30
Cost of equity	8.70 %
Cost of debt	6.0%
Tax-rate used in WACC	20.0%
Equity weight	70.0%
WACC	**7.53 %**

Source: Nordea estimates

DCF VALUATION (EURm; EUR PER SHARE)

DCF value	**Value**	**Per share**
NPV FCFF	156	9.5
(Net debt)	-12	-0.7
Market value of associates	0	0.0
(Market value of minorities)	0	0.0
Surplus values	0	0.0
(Market value preference shares)	-26	-1.6
Share based adjustments	0	0.0
Other adjustments	0	0.0
Time value	11	0.7
DCF Value	**129**	**7.8**

Source: Nordea estimates

To highlight the sensitivity of the DCF valuation, we also provide sensitivity matrices, modelling variations in revenue growth, margin assumptions and cost of capital. The sensitivities in our WACC are outlined in the following tables.

FAIR VALUE SENSITIVITY TO WACC AND EBIT MARGIN

		WACC				
		5.5%	6.5%	7.5%	8.5%	9.5%
EBIT marg change	+2.0pp	22.8	17.5	14.0	11.5	9.6
	+1.0pp	16.9	13.4	10.9	9.1	7.7
		11.0	9.2	**7.8**	6.7	5.8
	-1.0pp	5.0	5.1	4.7	4.3	3.9
	-2.0pp	-0.9	0.9	1.6	1.9	1.9

Source: Nordea estimates

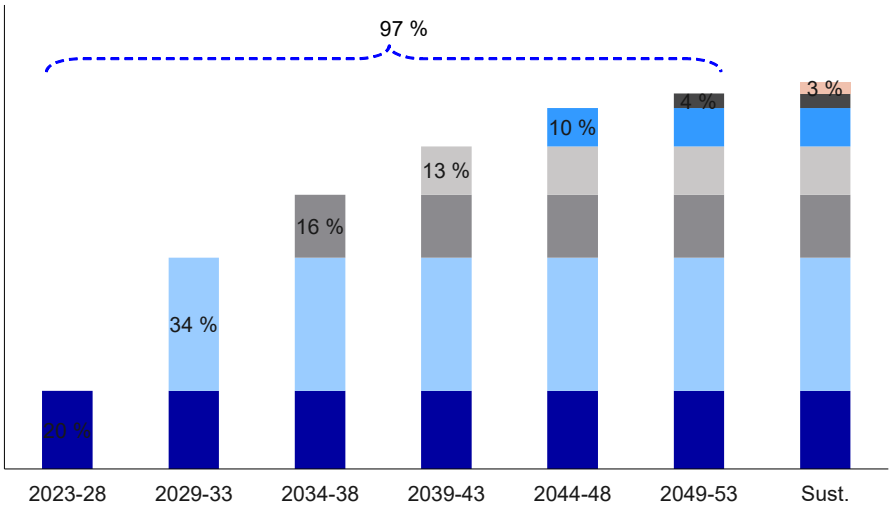
FAIR VALUE SENSITIVITY TO WACC AND SALES GROWTH

		WACC				
		5.5%	6.5%	7.5%	8.5%	9.5%
Sales gr. change	+2.0pp	14.0	11.6	9.7	8.3	7.1
	+1.0pp	12.4	10.3	8.7	7.4	6.4
		11.0	9.2	**7.8**	6.7	5.8
	-1.0pp	9.8	8.3	7.1	6.1	5.3
	-2.0pp	8.8	7.5	6.4	5.5	4.8

Source: Nordea estimates

We use a stringent valuation framework setting ROIC below WACC in the terminal period, which prevents the model from extrapolating above-market returns in perpetuity. Clearly over half of the value is distributed in the coming ten years, and 97% within our 30-year estimate cycle, according to our calculations. The conclusion from our DCF analysis is that future growth does not even need to hold up above ordinary GDP growth to justify a fair value of over EUR 8 per share.

ENERSENSE: DCF VALUE DISTRIBUTION TIMELINE



Source: Nordea estimates

Valuation summary

To derive a fair value for Enersense, we rely primarily on a DCF valuation approach, supported by a relative valuation based on listed peers. In conclusion, we arrive at a fair value range of EUR 7.1-8.6 price per share. Enersense has recently become a wind power developer, but we do not yet expect the company to be green enough to trade at the same valuation as Ørsted.

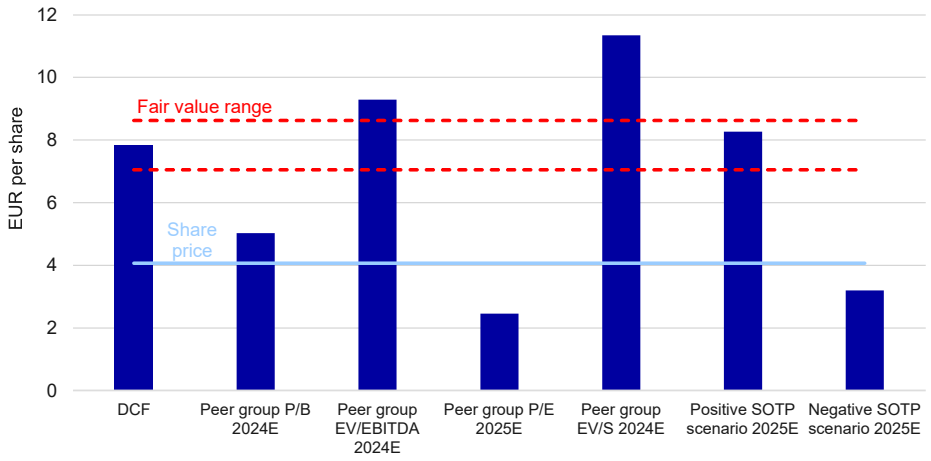
Peer companies have a median EV/EBITDA of 8.9x for 2024, according to Refinitiv. Enersense trades at 4.9x EV/EBITDA for 2024E, and hence the company looks relatively inexpensive. The fair value of the share price could be EUR 9.3 if Enersense were priced in line with its main peers based on 2024E EV/EBITDA. However, Enersense looks expensive when comparing to the 2024E P/E multiple for the peer group. The main reason for this is high interest expenses and a modest net result.

The most important driver for the equity story could be execution of the growth story and positive earnings momentum

The acquisitions of Megatuuli, Unified Chargers and Pori Offshore look promising, but the future value of these operations is far out and does not yet drive the company's share price to any great extent. The most important driver for the equity story could now be the execution of the growth story and positive earnings momentum.

Our blended valuation approach yields a fair value range of EUR 7.1-8.6

VALUATION SUMMARY



Source: Nordea estimates

Risk factors

In its operations, Enersense is exposed to strategic, operational and financial risks as well as to external threats. Enersense seeks to protect against the above risks through regular risk assessment and particularly in connection with the processing of its strategy and decisions related to business projects or investments significant for the group. We believe the short financial history with the company's current asset structure could be considered a risk. Other risks are related to competition and financing, as well as empowering the right people given that Enersense's success is based on highly competent, committed and motivated employees.

Empowering people

A key risk is if Enersense is unable to attract and retain the right expertise

Ensuring access to skilled employees and expertise is a key issue for an engineering consulting company. Acquisitions and/or cost-cutting programmes could make it more difficult for Enersense to attract and retain the right people with key competencies. However, a significant share of all workers, such as in a big project, can be subcontracted, which offers flexibility for Enersense.

Salaries and working conditions could also lead to high turnover in the workforce and reduce the company's ability to deliver projects and execute the orderbook. Unexpected employee departures are therefore a risk factor.

To mitigate risks related to workforce, the company introduced in 2021-23 several development and harmonisation projects to promote a consistent working culture. The purpose of the "Enersense Way of Working" project, which began in 2021, is to create a strong and forward-looking workplace community and a working culture that unites all of Enersense's employees.

The company also measures its employees' job satisfaction by means of employee net promoter score surveys carried out several times a year, and the results are used as the basis for development in the business units.

Energy policy and regulation

Energy crises or similar external market shocks could lead to unexpected changes in policies or in regulation

The energy sector is exposed to political risks, and energy crises or similar external market shocks could lead to unexpected changes in policies or in regulation that could affect Enersense negatively. For example, the revenue upside option from wind power production could be lost by introducing inframarginal revenue caps which could break the merit order system currently used for pricing of power in merchant markets.

Volatile political climates could increase the financing cost and IRR requirements for new investments by reducing the visibility of applicable earnings models and construction timetables.

We acknowledge that the policies and regulation of wind power have been favourable in many countries, and we consider Finland a low-risk country in terms of renewable energy investments. Furthermore, changes in the regulatory environment can also create further opportunities for renewable energy companies like Enersense.

A current favourable political environment may change if a massive debt problem arises and opportunistic policymakers gain power in countries where Enersense has operations.

Economic development

Geopolitical tension, an uncertain global economy and high inflation are all factors to consider

Russia's attack on Ukraine has led to geopolitical tension and uncertainty about the development of the global economy. Prices of electricity, fuels and certain raw materials, which increased significantly as a result of the war, have showed signs of stabilisation, but inflation continues to be high in markets relevant to Enersense. This is particularly evident in the Baltic countries, where high wage inflation is increasing costs. Geopolitical uncertainty may also be reflected in labour availability, especially in the Baltic countries and elsewhere in Eastern Europe. In addition, interruptions in energy supply stemming from availability issues caused by the war may have an adverse impact on Enersense's business operations.

Increased uncertainty about the economic development and the increase in interest rates caused by high inflation have had a negative impact on customers' investment environment. This may lead to a deterioration in the financial position of Enersense and

its customers, through factors such as availability of financing, lower demand for Enersense's services, a slower-than-expected sales development and a decrease in the prices of the company's services.

Strategic risks

Risk that Enersense fails to execute its strategy

Even if Enersense's strategy is competitive, there is a possibility that it may not be implemented according to plan. Enersense may not be able to successfully execute its strategy in the rapidly changing business environment as part of the energy transition, and it may be unable to recoup investment costs or may incur opportunity losses, fail in change management, or in its reskilling ability and speed, or lack the agility to respond to new entrants in the market. Due to possible insufficient resources, management, information management, monitoring and planning, Enersense may fail in executing its key strategic development projects. Enersense's strategy may prove to be misaligned in relation to the prevailing trends or fast changes occurring in the market, or too modest with regard to its targets as compared to the services required by the energy transition.

Enersense strives to accelerate the development of strategic competencies, services and customer accounts with acquisitions. This involves a risk that the company may not identify suitable companies to acquire at favourable terms and conditions. Enersense may also incur significant acquisition, reorganisation and other expenses in connection with the acquisitions. Mergers and acquisitions also carry risks related to the integration of new businesses, and there can be no assurance that the estimated synergies can be achieved in full or within the contemplated schedule in relation to already executed or future acquisitions. Furthermore, Enersense's ability to complete mergers and acquisitions as planned and realise related synergies and other benefits may be dependent on fulfilment of the conditions set for the transaction, such as receipt of authority approvals particularly from competition authorities.

When the company completes acquisitions or expands its operations into new countries, it is possible that the revenue and profits of the target companies or Enersense's foreign subsidiaries and branches will not meet its expectations. In addition, changes in customer relationships, local labour markets, political conditions and legislation, as well as changes in the company's locations, may have an adverse impact on Enersense's business operations, performance and financial position.

Operational risks

Project-specific contracts entail uncertainty in terms of successful competitive bidding

Enersense's customers are typically owners of construction or industrial projects, developers, main contractors or suppliers, with whom Enersense usually executes the project, service or framework agreement for the project. The company often enters into project-specific contracts, which involve uncertainty in terms of successful competitive bidding. This makes it more difficult to estimate the company's business performance and financial position over a period of time longer than the order backlog. Correspondingly, framework agreements do not guarantee that the company is successful in the tendering for individual deliveries falling within the scope of the framework agreement. Increased competition may also have a negative impact on the development of Enersense's order backlog, and thereby also on its revenue and profitability. Changes in official regulations and restrictions and the related uncertainty may also have a material impact, especially among customers in the energy business.

Large fixed-price projects mean that Enersense has to fairly accurately assess related contract risks and production costs

Although Enersense's business areas also generate continuous revenue from, among other things, the servicing and maintenance services provided, a significant part of Enersense's revenue is directly or indirectly related to significant long-lasting construction projects or other investments. Large fixed-price projects are typical of Enersense's business operations, and the profitability of such projects requires Enersense to estimate the related contract risks and production costs with sufficient accuracy, in addition to successful project management, technical implementation and schedule management.

General economic uncertainty may reduce customers' willingness to invest and affect projects in Enersense's order backlog by causing delays or interruptions. Changes in trade flows due to the Russian war may complicate the procurement of materials Enersense needs for its project and service operations. The company may need to renegotiate agreements and agree to increased prices under existing and/or new delivery contracts in order to secure deliveries when competing with alternative purchasers for materials.

Enersense has a number of major key customers whose purchasing behaviour has a significant impact on its business performance. If a major customer transferred its purchases from Enersense to its competitors or significantly changed its operating

model, or if a significant project ended, discontinued or decreased unexpectedly, the company would have limited opportunities to replace the customer volume over a short period of time.

The management team has a key role to keep Enersense competitive in public auctions. Competitive pricing, project execution and risk mitigation will play a key role in releasing the value potential offered by the strong orderbook in the renewable energy sector. We believe the company's executive management team has taken on the challenge and has already started to deliver on risk mitigation. This is especially important ahead in the areas of own wind power production and project IRR management, including construction costs and the balance of fixed and merchant exposure.

Guarantees

Customers typically require work and delivery guarantees as well as warranty period guarantees

Enersense's customers typically require, for example, work and delivery guarantees as well as warranty period guarantees. Granting such guarantees to a customer is often the prerequisite for Enersense's ability to submit a tender for a new project. However, the guarantee facilities do not oblige, for all parts, the issuer of the facility to provide a guarantee, but instead each guarantee requires specific approval by the issuer. For example, any previous negligence and failures by Enersense or, in particular, a deterioration of Enersense's solvency or financial position could lead to Enersense not being granted the guarantees it needs for executing new projects. This could reduce Enersense's ability to participate in new projects.

Financing

Risk that financial covenants could be breached

Enersense Group's financing agreement includes financial covenants concerning the group's equity ratio, its ratio of interest-bearing net debt to EBITDA, and minimum liquidity. Breaching the covenants may give a financier the right to demand accelerated or immediate repayment of the loans and simultaneous cancellation of any committed but undrawn amounts as well as any amounts under guarantee facilities.

Partners

Risks related to subcontractors failing to deliver on time or within budget

Enersense collaborates with subcontractors and other partners during the various phases of its projects and services. Typically, the outsourcing or subcontracting includes material deliveries, subcontracting (e.g. civil engineering), provision of resources and deliveries of equipment that Enersense does not offer or have the capacity to offer. However, Enersense may fail in evaluating and choosing its subcontractors. Subcontractors may fail to deliver on time or in accordance with the level, cost structure or quality that Enersense expects, or their activities may be otherwise defective or breach legislation or regulations. Enersense's subcontractors may also cease to deliver services to Enersense due to an inability or unwillingness to deliver, or may increase prices significantly. Disruptions that affect Enersense, including delays or terminations of agreements or the inability of subcontractors to deliver services within a prescribed time or at an acceptable cost, can also lead to disputes regarding customer claims for compensation for any damages caused by Enersense.

Hazard risks

The materialisation of hazard risks could result in damage to people and property or business interruption

Enersense's hazard and continuity risks are mainly related to people, property and IT systems. Although the company has protected its operations and property by means of insurance, the materialisation of hazard risks may result in damage to people and property or business interruption. In addition, the reliability and functioning of IT systems are essential for the continuity of Enersense's operations. Prolonged interruptions in key systems could limit Enersense's opportunities to operate profitably and efficiently. Cyberthreats can also pose threats to Enersense's data resources.

Disputes

Some ongoing legal disputes at group companies, but no significant short-term impact on Enersense's operations

The group companies have ongoing legal disputes, some of which are in progress in general or administrative courts in Finland and abroad. The disputes are typically related to claims against Enersense concerning alleged defective performance, delays or damage incurred by customers in project operations in particular, or to claims made by Enersense against its suppliers or customers. The end results of claims, disputes and legal processes are difficult to predict. However, they have no significant short-term impact on the company's operations. The company has assessed the potential impacts of the disputes, and has recorded provisions based on these assessments.

Quarterly segment estimates

SEGMENT ESTIMATES BY QUARTER (EURm; EPS IN EUR)

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423E	Q124E	Q224E	Q324E	Q424E
Smart Industry												
Net sales (EURm)	16.6	18.7	15.3	22.1	26.1	26.8	26.7	25.9	27.2	28.3	28.7	29.2
Sales growth y/y (%)	-26%	-20%	-18%	5%	57%	43%	74%	17%	4%	6%	7%	13%
EBITDA (EURm)	-1.0	-0.1	1.1	-0.8	1.1	1.0	2.5	1.1	1.2	1.1	2.4	1.3
EBITDA margin (%)	-6.0%	-0.5%	7.2%	-3.7%	4.2%	3.7%	9.3%	4.4%	4.6%	3.9%	8.2%	4.4%
Power												
Net sales (EURm)	20.8	14.0	14.6	25.6	15.2	22.3	21.9	24.9	21.3	21.7	22.1	24.7
Sales growth y/y (%)	92%	17%	16%	86%	-27%	59%	51%	-3%	40%	-3%	1%	-1%
EBITDA (EURm)	8.8	0.6	1.1	8.7	0.1	1.6	1.1	8.0	1.5	1.5	1.6	8.1
EBITDA margin (%)	42.4%	4.3%	7.6%	34.1%	0.7%	7.2%	5.2%	32.0%	7.0%	7.0%	7.0%	33.0%
Connectivity												
Net sales (EURm)	9.3	10.2	13.7	14.0	10.8	13.6	16.4	16.8	16.6	17.3	17.2	17.4
Sales growth y/y (%)	10%	-10%	11%	6%	16%	33%	19%	21%	54%	27%	5%	3%
EBITDA (EURm)	-0.7	-0.5	1.1	0.5	0.0	-0.1	1.4	0.5	0.3	0.3	1.2	0.5
EBITDA margin (%)	-7.5%	-5.2%	8.0%	3.4%	-0.4%	-0.9%	8.3%	3.0%	2.0%	2.0%	7.2%	3.0%
International												
Net sales (EURm)	13.5	16.8	20.8	35.8	22.9	23.5	29.1	25.8	24.7	25.1	26.6	26.7
Sales growth y/y (%)	16%	14%	42%	99%	70%	40%	40%	-28%	8%	7%	-9%	4%
EBITDA (EURm)	-0.9	-0.1	0.2	-3.1	0.1	1.1	0.9	0.8	0.8	0.9	1.1	1.1
EBITDA margin (%)	-6.7%	-0.6%	1.0%	-8.8%	0.4%	4.7%	3.1%	3.0%	3.2%	3.5%	4.0%	4.0%
Group	**Q122**	**Q222**	**Q322**	**Q422**	**Q123**	**Q223**	**Q323**	**Q423E**	**Q124E**	**Q224E**	**Q324E**	**Q424E**
Net sales	60.2	59.8	64.4	97.6	75.0	86.3	94.2	93.5	89.9	92.5	94.6	98.0
Sales growth %	12.9%	-2.9%	10.5%	48.0%	24.6%	44.3%	46.2%	-4.1%	19.8%	7.2%	0.5%	4.8%
EBITDA (EURm)	3.2	-2.8	1.9	1.1	-0.1	3.0	3.9	9.4	2.9	2.9	5.2	10.0
EBITDA margin (%)	5.4%	-4.6%	3.0%	1.1%	-0.1%	3.5%	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation and amortisation	0.0	0.0	0.0	0.0	-2.2	-2.4	-2.3	-2.4	-2.4	-2.5	-2.5	-2.6
Reported EBIT	3.2	-2.8	1.9	1.1	-2.3	0.6	1.6	7.0	0.4	0.4	2.7	7.4
Reported EBIT margin	5.4%	-4.6%	3.0%	1.1%	-3.1%	0.7%	1.7%	7.5%	0.5%	0.4%	2.8%	7.6%
Group adj. EBIT												
Adj. EBIT margin												
Net financials	-3.7	-0.7	-0.8	-5.3	-1.5	-2.6	-2.8	-2.3	-2.1	-1.8	-2.4	-2.5
Pre-tax profit	-0.5	-3.5	1.1	-4.2	-3.8	-1.9	-1.2	4.7	-1.7	-1.4	0.3	4.9
Income tax	-0.8	-0.7	0.0	-1.3	0.0	0.0	0.1	-0.9	0.3	0.3	-0.1	-1.0
Tax rate %	-170%	-20%	-2%	-32%	0%	1%	4%	20%	20%	20%	20%	20%
Reported net profit for the period	-1.3	-4.1	1.2	-5.6	-3.8	-1.9	-1.1	3.8	-1.4	-1.1	0.2	4.0
Reported EPS	-0.08	-0.25	0.07	-0.34	-0.23	-0.11	-0.07	0.23	-0.08	-0.07	0.01	0.24
Adj. EPS	-0.07	-0.24	0.08	-0.28	-0.23	-0.11	-0.07	0.23	-0.08	-0.07	0.01	0.24

Source: Company data and Nordea estimates

Annual segment estimates

ANNUAL ESTIMATES BY SEGMENT (EURm; EPS IN EUR)

Segments	2018	2019	2020	2021	2022	2023E	2024E	2025E
Smart Industry								
Net sales (EURm)	n.a.	51.6	78.4	85.5	72.7	105.5	113.3	121.3
Sales growth y/y (%)	n.a.	n.a.	52%	9%	-15%	45%	7%	7%
EBITDA (EURm)	n.a.	1.3	6.2	15.4	0.3	5.7	6.0	6.7
EBITDA margin (%)	n.a.	n.a.	7.9%	18.0%	0.4%	5.4%	5.3%	5.5%
Power								
Net sales (EURm)	n.a.	n.a.	18.9	49.1	61.0	84.4	89.8	93.4
Sales growth y/y (%)	n.a.	n.a.	n.a.	160%	24%	38%	6%	4%
EBITDA (EURm)	n.a.	n.a.	1.0	2.4	19.2	10.8	12.7	14.5
EBITDA margin (%)	n.a.	n.a.	5.3%	4.9%	31.5%	12.8%	14.1%	15.5%
Connectivity								
Net sales (EURm)	n.a.	n.a.	23.4	45.3	47.2	57.6	68.5	72.0
Sales growth y/y (%)	n.a.	n.a.	n.a.	93%	4%	22%	19%	5%
EBITDA (EURm)	n.a.	n.a.	1.5	1.6	0.4	1.7	2.4	2.8
EBITDA margin (%)	n.a.	n.a.	6.3%	3.5%	0.8%	3.0%	3.6%	3.9%
International								
Net sales (EURm)	n.a.	6.4	26.8	59.0	87.0	101.3	103.1	107.3
Sales growth y/y (%)	n.a.	n.a.	316%	121%	47%	16%	2%	4%
EBITDA (EURm)	n.a.	-0.6	1.7	1.7	-3.9	2.9	3.8	4.5
EBITDA margin (%)	n.a.	-9.1%	6.5%	2.9%	-4.5%	2.8%	3.7%	4.2%
Group	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Net sales	47.4	58.1	147.5	239.1	282.0	349.0	375.1	394.2
Sales growth %	0.7%	22.6%	154.0%	62.2%	17.9%	23.8%	7.5%	5.1%
EBITDA (EURm)	-1.7	0.1	9.8	16.6	12.2	16.3	20.9	24.0
EBITDA margin (%)	-3.5%	0.1%	6.6%	7.0%	4.3%	4.7%	5.6%	6.1%
Depreciation and amortisation	0.0	-1.0	-5.0	-9.8	-8.7	-9.3	-10.1	-10.5
Reported EBIT	-1.7	-1.0	4.8	6.8	3.5	7.0	10.9	13.6
Reported EBIT margin	-3.5%	-1.7%	3.2%	2.9%	1.2%	2.0%	2.9%	3.4%
Group adj. EBIT	-1.7	-1.0	4.8	9.4	4.9	7.0	10.9	13.6
Adj. EBIT margin	-3.5%	-1.7%	3.2%	3.9%	1.7%	2.0%	2.9%	3.4%
Net financials	0.0	-0.4	-1.9	-3.3	-10.0	-9.2	-8.8	-9.2
Pre-tax profit	-1.7	-1.4	2.9	3.6	-6.6	-2.2	2.1	4.4
Income tax	0.0	0.0	-0.5	0.4	-2.8	-0.8	-0.4	-0.9
Tax rate %	0%	0%	17%	-12%	-43%	-39%	20%	20%
Reported net profit for the period	-1.7	-1.4	2.4	4.0	-9.4	-3.0	1.7	3.5
Reported EPS	-0.30	-0.23	0.33	0.30	-0.57	-0.18	0.10	0.21
Adj. EPS	-0.30	-0.23	0.33	0.49	-0.48	-0.18	0.10	0.21

Source: Company data and Nordea estimates

Peer group financials

PEER GROUP FINANCIALS

	SALES (EURm)				SALES GROWTH				EBIT MARGIN			
	2021	2022	2023E	2024E	2021	2022	2023E	2024E	2021	2022	2023E	2024E
Vinci SA	49,982	62,265	67,556	69,886	14%	25%	12%	3%	9%	11%	12%	12%
Abb Ltd	25,462	27,514	29,804	30,631	11%	2%	9%	3%	15%	13%	16%	16%
Engie SA	57,866	93,865	91,943	87,590	31%	62%	35%	-5%	10%	12%	10%	10%
Skanska AB	14,000	14,650	13,776	14,335	-10%	13%	-2%	4%	6%	5%	3%	4%
Bilfinger SE	3,737	4,312	4,437	4,739	8%	15%	8%	7%	3%	2%	4%	5%
Bravida Holding AB	2,129	2,361	2,578	2,527	3%	20%	15%	-2%	6%	6%	6%	6%
Caverion Oyj	2,140	2,352	2,569	2,672	-1%	10%	13%	4%	3%	3%	3%	4%
Instalco AB	865	1,083	1,214	1,238	25%	36%	24%	2%	8%	6%	6%	7%
YIT Oyj	2,652	2,403	2,229	2,048	-14%	-9%	-10%	-8%	4%	4%	2%	3%
Eltel AB	813	824	838	860	-13%	1%	2%	3%	2%	1%	0%	2%
Netel Holding AB (publ)	235	282	296	315	31%	30%	13%	6%	7%	6%	5%	6%
Group median					**8.0%**	**15.4%**	**12.1%**	**2.8%**	**6.5%**	**6.2%**	**4.7%**	**5.6%**
Enersense (Nordea)	239	282	349	375	62.2%	17.9%	23.8%	7.5%	2.9%	1.2%	2.0%	2.9%
diff. from median (pp)					**54.2**	**2.6**	**11.7**	**4.7**	**-3.6**	**-5.0**	**-2.7**	**-2.7**

Source: Refinitiv and Nordea estimates

Peer group valuation

PEER GROUP MULTIPLES (x)

	P/E				EV/EBIT				P/B			
	2021	2022	2023E	2024E	2021	2022	2023E	2024E	2021	2022	2023E	2024E
Vinci SA	20.6	12.5	14.1	13.2	16.7	11.5	11.2	10.5	2.9	2.7	2.4	2.2
Abb Ltd	16.1	23.0	20.6	20.1	19.4	14.5	15.4	14.9	5.1	6.2	5.4	4.9
Engie SA	9.1	8.1	7.6	9.1	10.4	14.3	7.3	7.9	1.3	1.0	1.2	1.1
Skanska AB	14.2	8.3	17.3	12.6	13.0	9.7	15.0	11.0	1.7	1.5	1.2	1.2
Bilfinger SE	10.0	38.1	12.9	9.2	7.2	7.0	7.8	5.9	1.2	1.3	1.2	1.1
Bravida Holding AB	22.5	17.9	10.6	11.6	17.7	14.2	8.3	9.0	2.1	1.8	1.6	1.5
Caverion Oyj	37.7	21.3			12.3	11.9	17.9	13.2	6.0	5.3		
Instalco AB	41.3	20.2	15.2	13.7	34.6	16.4	16.1	14.6	4.0	3.4	2.8	2.5
YIT Oyj	150.7	8.2	120.1	18.1	33.3	13.9	27.5	19.7	0.4	0.5	0.5	0.5
Eltel AB	55.3	0.0	0.0	67.7	31.8	49.4	0.0	13.0	0.5	0.5	0.5	n.a.
Netel Holding AB (publ)	33.3	13.2	8.1	5.1	33.1	15.1	9.1	6.3	0.7	0.6	0.6	n.a.
Group median	**22.5**	**13.2**	**13.5**	**12.9**	**17.7**	**14.2**	**11.2**	**11.0**	**1.7**	**1.5**	**1.2**	**1.4**
Enersense (Nordea)	n.a.	n.a.	39.2	18.8	10.0	21.6	15.1	9.4	1.8	1.5	1.1	1.1
diff. from median	n.a.	n.a.	190%	46%	-44%	52%	35%	-14%	9%	3%	-7%	-19%

Source: Refinitiv and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	**17**	**37**	**47**	**47**	**58**	**147**	**239**	**282**	**349**	**375**	**394**
Revenue growth	n.a.	114.4%	27.5%	0.7%	22.6%	154.0%	62.2%	17.9%	23.8%	7.5%	5.1%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	1	4	2	-2	0	10	17	12	16	21	24
Depreciation and impairments PPE	0	0	0	0	-1	-5	-10	-9	-9	-10	-10
of which leased assets	0	0	0	0	0	-4	-8	-8	-8	-8	-8
EBITA	1	4	2	-2	-1	5	7	3	7	11	14
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	1	4	2	-2	-1	5	7	3	7	11	14
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	-2	-3	-10	-9	-9	-9
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**1**	**4**	**2**	**-2**	**-1**	**3**	**4**	**-7**	**-2**	**2**	**4**
Reported taxes	0	0	0	0	0	0	0	-3	-1	0	-1
Net profit from continued operations	1	4	2	-2	-1	2	4	-9	-3	2	3
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	1	4	2	-2	-1	2	4	-9	-3	2	3
EPS, EUR	**n.a.**	**345.64**	**152.90**	**-0.30**	**-0.23**	**0.33**	**0.30**	**-0.57**	**-0.18**	**0.10**	**0.21**
DPS, EUR	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	6.8%	10.6%	3.7%	-3.5%	0.1%	6.6%	7.0%	4.3%	4.7%	5.6%	6.1%
EBITA	6.8%	10.6%	3.7%	-3.5%	-1.7%	3.2%	2.9%	1.2%	2.0%	2.9%	3.4%
EBIT	6.8%	10.6%	3.7%	-3.5%	-1.7%	3.2%	2.9%	1.2%	2.0%	2.9%	3.4%
Adjusted earnings											
EBITDA (adj)	1	4	2	-2	0	10	19	14	16	21	24
EBITA (adj)	1	4	2	-2	-1	5	9	5	7	11	14
EBIT (adj)	1	4	2	-2	-1	5	9	5	7	11	14
EPS (adj, EUR)	n.a.	345.64	152.90	-0.30	-0.23	0.33	0.49	-0.48	-0.18	0.10	0.21
Adjusted profit margins in percent											
EBITDA (adj)	6.8%	10.6%	3.7%	-3.5%	0.1%	6.6%	8.0%	4.8%	4.7%	5.6%	6.1%
EBITA (adj)	6.8%	10.6%	3.7%	-3.5%	-1.7%	3.2%	3.9%	1.7%	2.0%	2.9%	3.4%
EBIT (adj)	6.8%	10.6%	3.7%	-3.5%	-1.7%	3.2%	3.9%	1.7%	2.0%	2.9%	3.4%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	53.7%	45.3%	43.1%	49.1%	45.2%	21.7%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	52.7%	33.6%	47.9%	n.m.	231.8%	19.7%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	32.4%	11.8%	15.0%	n.m.	n.m.	23.2%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-75.6%	n.m.	n.m.	n.m.	-8.3%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	2.0%	2.3%	2.0%	1.6%	2.0%	2.4%	2.5%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	2.5%	4.1%	4.9%	4.8%	5.1%	5.4%	5.5%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	25.4	13.9	n.m.	n.m.	39.2	18.8
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.m.	285.4	7.4	4.9	7.8	6.5	4.9	4.1
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	15.2	10.0	21.6	15.1	9.4	7.2
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	15.2	10.0	21.6	15.1	9.4	7.2

VALUATION RATIOS - REPORTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E	n.a.	n.a.	n.a.	n.m.	n.m.	25.4	22.8	n.m.	n.m.	39.2	18.8
EV/Sales	n.a.	n.a.	n.a.	0.48	0.26	0.49	0.39	0.38	0.30	0.27	0.25
EV/EBITDA	n.a.	n.a.	n.a.	n.m.	285.4	7.4	5.6	8.7	6.5	4.9	4.1
EV/EBITA	n.a.	n.a.	n.a.	n.m.	n.m.	15.2	13.7	30.5	15.1	9.4	7.2
EV/EBIT	n.a.	n.a.	n.a.	n.m.	n.m.	15.2	13.7	30.5	15.1	9.4	7.2
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	1.5%	1.8%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	0.0%	-20.3%	22.6%	-4.4%	-4.3%	-26.6%	16.7%	19.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	0.0%	-20.3%	16.1%	-13.2%	-12.8%	-38.8%	4.6%	7.3%
Payout ratio	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	20.3%	n.m.	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Intangible assets	0	0	0	4	4	40	45	68	68	68	68
of which R&D	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
of which other intangibles	0	0	0	4	0	14	19	40	40	40	40
of which goodwill	n.a.	n.a.	n.a.	n.a.	4	26	26	28	28	28	28
Tangible assets	0	0	0	2	3	19	22	22	21	21	21
of which leased assets	n.a.	n.a.	n.a.	1	1	6	13	11	9	9	9
Shares associates	0	0	0	1	1	1	2	11	11	11	11
Interest bearing assets	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Deferred tax assets	n.a.	n.a.	n.a.	n.a.	1	1	1	1	1	1	1
Other non-IB non-current assets	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Other non-current assets	n.a.	n.a.	n.a.	n.a.	0	1	4	7	7	7	7
Total non-current assets	0	0	1	7	9	62	73	110	108	108	108
Inventory	n.a.	0	0	0	0	4	7	13	19	20	21
Accounts receivable	6	8	9	8	10	24	22	34	40	44	46
Short-term leased assets	n.a.	n.a.	n.a.	1	1	3	4	6	8	8	8
Other current assets	1	1	2	2	2	8	12	29	31	33	35
Cash and bank	0	2	2	3	1	18	29	39	9	12	16
Total current assets	7	11	13	14	15	57	74	121	107	117	126
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**7**	**12**	**14**	**20**	**24**	**119**	**147**	**230**	**215**	**225**	**234**
Shareholders equity	2	4	3	9	7	16	49	62	58	59	63
Of which preferred stocks	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Of which equity part of hybrid debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Minority interest	n.a.	n.a.	0	0	0	2	1	0	0	0	0
Total Equity	n.a.	n.a.	3	9	7	18	50	63	58	60	63
Deferred tax	n.a.	n.a.	n.a.	n.a.	0	0	1	7	7	7	7
Long term interest bearing debt	0	0	0	1	0	4	10	30	27	27	27
Pension provisions	n.a.	n.a.	n.a.	n.a.	0	0	1	0	0	0	0
Other long-term provisions	n.a.	n.a.	n.a.	n.a.	0	0	1	1	1	1	1
Other long-term liabilities	n.a.	n.a.	n.a.	n.a.	0	0	2	1	1	1	1
Non-current lease debt	n.a.	n.a.	n.a.	n.a.	1	6	13	11	9	9	9
Convertible debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Shareholder debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Hybrid debt	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Total non-current liabilities	0	0	0	1	1	10	28	49	44	44	45
Short-term provisions	n.a.	n.a.	n.a.	n.a.	0	2	1	1	1	1	2
Accounts payable	2	2	4	3	4	17	15	36	45	48	51
Current lease debt	n.a.	n.a.	n.a.	n.a.	1	3	4	6	8	8	8
Other current liabilities	n.a.	n.a.	n.a.	n.a.	6	52	46	71	56	60	63
Short term interest bearing debt	3	6	7	6	4	14	3	3	3	3	3
Total current liabilities	5	8	11	9	15	88	69	118	114	121	127
Liabilities for assets held for sale	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0
Total liabilities and equity	**7**	**12**	**15**	**19**	**23**	**115**	**147**	**230**	**215**	**225**	**234**
Balance sheet and debt metrics											
Net debt	3	3	6	5	5	9	1	12	39	36	32
of which lease debt	n.a.	n.a.	n.a.	n.a.	2	9	17	17	17	17	17
Working capital	4	7	7	7	2	-32	-21	-32	-10	-11	-12
Invested capital	5	7	8	14	12	30	52	78	98	97	96
Capital employed	5	9	10	16	13	45	80	113	106	107	111
ROE	n.m.	n.m.	52.6%	-28.4%	-16.5%	20.9%	12.5%	-16.9%	-5.1%	2.9%	5.7%
ROIC	39.6%	52.7%	18.0%	-11.9%	-6.0%	18.5%	18.4%	6.1%	6.3%	8.9%	11.2%
ROCE	43.0%	52.4%	17.3%	-12.6%	-6.5%	16.8%	15.2%	5.6%	6.4%	10.2%	12.4%
Net debt/EBITDA	2.7	0.9	3.3	n.m.	87.8	0.9	0.1	1.0	2.4	1.7	1.3
Interest coverage	n.m.	n.m.	n.m.	n.m.	-2.3	2.5	2.1	0.4	0.8	1.2	1.5
Equity ratio	25.8%	31.9%	19.1%	47.4%	32.2%	13.8%	33.1%	27.0%	26.7%	26.3%	26.7%
Net gearing	n.a.	n.a.	204.5%	53.7%	64.8%	52.3%	2.5%	19.0%	67.4%	60.9%	50.6%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA (adj) for associates	**1**	**4**	**2**	**-2**	**0**	**10**	**17**	**12**	**16**	**21**	**24**
Paid taxes	0	0	0	0	0	0	1	0	-1	0	-1
Net financials	0	0	0	0	0	-2	-3	-3	-9	-9	-9
Change in provisions	0	0	0	0	0	3	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	-1	-1	-1	-5	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	-1	-4	-2	2	1	-3	-12	3	0	0	0
Funds from operations (FFO)	**0**	**0**	**0**	**0**	**0**	**6**	**1**	**7**	**6**	**12**	**14**
Change in NWC	n.a.	n.a.	n.a.	n.a.	-1	-4	-16	-3	-22	1	1
Cash flow from operations (CFO)	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**-1**	**2**	**-16**	**4**	**-16**	**13**	**15**
Capital expenditure	0	0	0	0	-1	12	12	-8	-2	-2	-2
Free cash flow before A&D	**0**	**0**	**0**	**0**	**-2**	**14**	**-4**	**-4**	**-18**	**11**	**13**
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	0	0	0	0	-2	14	-4	-4	-18	11	13
Free cash flow bef A&D, lease adj	0	0	0	0	-2	10	-12	-12	-26	3	5
Dividends paid	0	0	0	0	0	0	0	-4	-2	0	0
Equity issues / buybacks	0	0	0	0	0	7	28	2	0	0	0
Net change in debt	0	0	0	0	2	-3	-8	23	-3	0	0
Other financing adjustments	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	-1	-8	-8	-8
Other non-cash adjustments	0	2	0	1	0	0	0	0	0	0	0
Change in cash	0	2	0	1	-1	16	11	10	-30	3	5
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	75.8%	n.m.	n.m.	96.6%	19.3%	19.7%	20.8%
Capex/Sales	0.0%	0.0%	0.0%	0.0%	1.3%	-8.2%	-4.8%	3.0%	0.5%	0.5%	0.6%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	3	2	8	7	6	4	4	4
Market cap.	n.a.	n.a.	n.a.	18	11	62	92	94	66	66	66
Enterprise value	n.a.	n.a.	n.a.	23	15	73	94	106	105	102	98
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	5.6	5.9	7.4	13.4	16.5	16.5	16.5	16.5

Source: Company data and Nordea estimates

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This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Market-making obligations and other significant financial interest
Nordea has no market-making obligations in Enersense shares.

As of 07/12/2023, Nordea Abp holds no positions of 0.5% or more of shares issued by Enersense.

As of the publication of this report, the issuer does not hold a position exceeding 5% of the total shares issued in Nordea Abp.

Investment banking transactions and/or services
In view of Nordea's position in its markets, readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking and/or ancillary services to the company/ companies.

Issuer Review

This report has been reviewed, for the purpose of verification of fact or sequence of facts, by the Issuer of the relevant financial instruments mentioned in the report prior to publication. No Nordea recommendations or target prices have, however, been disclosed to the issuer. The review has led to changes of facts in the report.

Completion Date

11 Dec 2023, 00:56 CET

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