EVLI

ENERSENSE

Construction & Engineering/Finland, March 17, 2021

Company report

Initiating coverage with BUY

We initiate coverage of Enersense with a BUY rating and a TP of EUR 9.7. Enersense's turnaround in profitability progressed well in 2020 and, in our view, the valuation looks moderate considering Enersense's increased and healthier order backlog as well as potential synergies of the Empower acquisition.

2020 was a big year for Enersense

Enersense International Oyj is a service provider of emission-free energy solutions in the industry, energy, telecommunication, and construction sectors. In 2020, Enersense's business changed significantly. Enersense acquired Empower, thus expanding its business from recruiting and resource management services to a solution provider for the Smart industry, Power, and Connectivity markets. Enersense also managed to improve its EBITDA from EUR -0.8m in 2019 to EUR 7.2m in 2020. The focus in 2021 is on improving profitability, growing in domestic and selected international markets, and continuing the integration of the Empower acquisition.

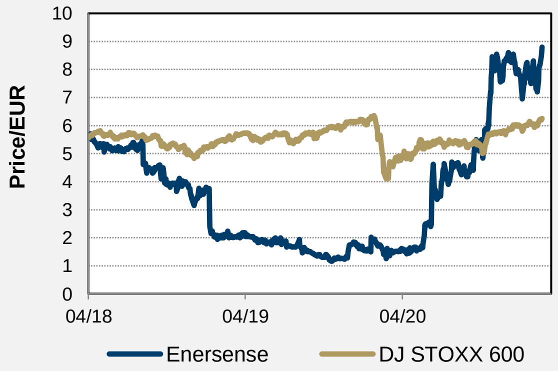
Our estimates for 2021E are at the midpoint of the guidance

In 2021E, we expect Enersense's net sales to grow strongly as Empower's figures are included in net sales for the full year. The order backlog has increased significantly from EUR 130m in August 2020 to EUR 300m at the end of 2020 and we expect this strong order inflow to support Enersense in reaching net sales of EUR 230m. In 2022-23E, we forecast the group revenue to grow by 3.2% and 3.0%, respectively. We estimate adj. EBITDA to increase from EUR 8.9m (6.2% margin) to EUR 13.5m (5.9% margin) in 2021E driven by the consolidation of Empower's full-year figures, a healthier project portfolio, and streamlining of operations. We expect the synergies of the Empower integration to be more visible in Enersense's profitability from 2022 onwards and EBITDA margin to increase to 6.5% in 2022E and 6.8% in 2023E.

BUY with a target price of EUR 9.7

In our view, the valuation looks moderate considering Enersense's increased and healthier order backlog as well as potential synergies of the Empower acquisition. On our estimates for 2022E, Enersense is trading at EV/EBITDA of 5.5x and adj. P/E of 10.7x, which translate into discount of 21-28% to our peer group median. We initiate coverage with a BUY-rating and a target price of EUR 9.7. Our TP values Enersense at EV/EBITDA of 6.1x and adj. P/E of 11.8x for 2022E, which are still at 13-21% discount to peer group, reflecting Enersense's lower profitability profile and as we look for more signs of further margin improvement and faster organic growth. If Enersense manages to increase net sales and improve margins in line with the midterm financial targets, there is further upside potential in valuation.

Rating	BUY



Share price, EUR (Last trading day's closing price)	8.80
Target price, EUR	9.7
Latest change in recommendation	17-Mar-21
Latest report on company	17-Mar-21
Research paid by issuer:	YES
No. of shares outstanding, '000's	11,623
No. of shares fully diluted, '000's	11,623
Market cap, EURm	102
Free float, %	60.6
Exchange rate	-
Reuters code	ESENSE.HE
Bloomberg code	ESENSE FH
Average daily volume, EURm	-
Next interim report	04-May-21
Web site	www.enersense.com

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	58.1	-1.9	-3.3%	-2.6	-0.36	-4.3	0.2	-6.0	-28.5	0.00
2020	144.5	1.6	1.1%	-6.3	-0.01	-701.3	0.6	54.1	-7.9	0.00
2021E	230.0	1.5	0.6%	-2.4	-0.08	-110.1	0.4	64.9	-2.4	0.00
2022E	237.2	5.9	2.5%	9.8	0.30	28.9	0.4	14.5	9.6	0.09
2023E	244.5	7.5	3.1%	10.4	0.39	22.5	0.3	10.0	10.2	0.12

Market cap, EURm	102	Gearing 2021E, %	-34.9	CAGR EPS 2020-23, %	0.0
Net debt 2021E, EURm	-9	Price/book 2021E	3.9	CAGR sales 2020-23, %	19.2
Enterprise value, EURm	96	Dividend yield 2021E, %	0.0	ROE 2021E, %	-4.6
Total assets 2021E, EURm	106	Tax rate 2021E, %	0.0	ROCE 2021E, %	3.8
Goodwill 2021E, EURm	25	Equity ratio 2021E, %	25.6	PEG, P/E 21/CAGR	0.0

Investment summary

Service provider of emission-free energy solutions

Enersense International Oyj is a service provider of emission-free energy solutions. The company offers a wide range of solutions to Nordic and international companies in the industry, energy, telecommunication, and construction sectors. Enersense is strongly involved in the prevailing energy revolution and the creation of a zero-emission society. The company was listed on the Nasdaq Helsinki First North in 2018.

2018-2019 was a weaker period in terms of profitability

At the time of the IPO, Enersense provided recruiting and resource management services mainly to the energy, construction, and shipbuilding industries. Despite the strong growth in net sales in 2018-2019, profitability did not meet expectations and was negative with EBIT margins of -3.5% and -3.3% due to an unprofitable contract in shipbuilding project, organizational changes, and project ramp-down and ramp-up costs.

2020 was a significant and eventful year for Enersense

In 2020, Enersense's shareholder structure, business areas, and revenue size changed significantly. In February, MBÅ Invest Oy, which consists of Enersense's operative management, a few employees, and a group of investors, became the major shareholder of Enersense, after purchasing 49.9% of total shares from Corporatum Oy. In July 2020, Enersense expanded its business from recruiting and resource management services to a solution provider for the Smart industry, Power, and Connectivity markets by acquiring Empower. Pro forma revenue for the combined company amounted to EUR 242m in 2019, while Enersense's net sales were EUR 58m. Enersense also updated its strategy after the Empower acquisition in September and the company's strategy is to be strongly involved in implementing the energy revolution through profitable business.

Enersense plans to list on the main list of Nasdaq Helsinki in H1/2021

According to Enersense, the focus in 2021 is on improving profitability, growing in domestic and selected international markets, and continuing the integration of the Empower acquisition. The company also plans to list on the on the main list of Nasdaq Helsinki in H1/2021. On March 15, Enersense strengthened its financial situation by raising EUR 15 million through a directed share issue, in which 2 075 000 new shares were directed to Nidoco AB, a subsidiary of Virala Oy AB (a company owned by Albert and Alexander Ehrnrooth), which became Enersense's second largest shareholder (17.9% of total shares).

Guidance for 2021 and targets by 2025

Enersense expects net sales to be EUR 215-245 million in 2021. EBITDA excluding non-recurring costs related to integration is estimated to be EUR 12-15 million in 2021. Enersense's targets by 2025 are to increase the share of turnover brought by low-emission and zero-emission energy projects to 75%, grow net sales organically to EUR 300 million and achieve an EBITDA margin of 10%.

We expect net sales to grow to EUR 230m in 2021

Enersense's net sales are expected to grow strongly in 2021 compared to 2020, as Empower's figures were included in 2020 net sales for only five months. According to Enersense, the order backlog has increased significantly from EUR 130m in August 2020 to EUR 300m at the end of 2020, of which a significant share is scheduled for 2021. We expect this strong order inflow to support Enersense in reaching net sales of EUR 230m. In 2022-23E, we forecast the group revenue to grow by 3.2% and 3.0%, respectively.

We expect the synergies of the Empower integration to be more visible from 2022 onwards

The turnaround in profitability has progressed well and Enersense issued earnings guidance for the first time in March 2020 and raised it three times in 2020 (in June, August, and December). EBITDA increased clearly from EUR -0.8m in 2019 to EUR 7.2m in 2020. We estimate adj. EBITDA to increase from EUR 8.9m to EUR 13.5m (margin 5.9%) in 2021 mainly be driven by the consolidation of Empower's full-year figures with Enersense. The integration work of the Empower deal is going to continue gradually in 2021 and according to Enersense, the expected synergies amount to EUR 4-7m on annual basis. We expect the synergies of the Empower integration to be more visible in Enersense's profitability from 2022 onwards and EBITDA margin to increase to 6.5% in 2022E and 6.8% in 2023E.

BUY with a target price of EUR 9.7

In our view, the valuation looks moderate considering Enersense's increased and healthier order backlog as well as potential synergies of the Empower acquisition. On our estimates for 2022E, Enersense is trading at EV/EBITDA of 5.5x and adj. P/E of 10.7x, which translate into discount of 21-28% to our peer group median. We initiate coverage with a BUY-rating and a target price of EUR 9.7. Our TP values Enersense at EV/EBITDA of 6.1x and adj. P/E of 11.8x for 2022E, which are still at 13-21% discount to peer group, reflecting Enersense's lower profitability profile and as we look for more signs of further margin improvement and faster organic growth. If Enersense manages to increase net sales and improve margins in line with the financial targets, there is further upside potential in valuation.

Company overview

Enersense International Oyj is a service provider of emission-free energy solutions. The company offers a wide range of solutions to Nordic and international companies in the industry, energy, telecommunication, and construction sectors. Enersense is strongly involved in the prevailing energy revolution and the creation of a zero-emission society.

Enersense was founded in 2005 and the company was listed on the Nasdaq Helsinki First North in 2018. At the time of the IPO, Enersense provided recruiting and resource management services mainly to the energy, construction, and shipbuilding industries. The focus on resourcing and recruitment business increased at the end of 2018, when Enersense acquired Värväämö, a company specialized in construction recruitment services.

Despite the strong growth in net sales, 2018-2019 was a weaker period for Enersense in terms of profitability. Company's profitability was negative in 2018 and 2019 with EBIT margins of -3.5% and -3.3%, respectively. The weak performance was mainly related to an unprofitable contract in shipbuilding project, organizational changes, and project ramp-down and ramp-up costs.

2020 was a significant and eventful year for Enersense, as the company's shareholder structure, business areas, and revenue size changed significantly. In February 2020, Enersense's shareholder structure changed significantly. MBÅ Invest Oy, which consists of Enersense's operative management (CEO Jussi Holopainen, CFO Risto Takkala, Jaakko Leivo, and Joonas Palosaari), a few employees (Mika Linnamäki, Eero Mäkelä, and Jouni Palosaari), and a group of investors (AktiiviOmistajat), became the major shareholder of Enersense, after purchasing 2 958 200 shares (49.9% of total shares) from the previous major shareholder Corporatum Oy. The transaction price was EUR 1.95 per share. The transaction significantly increased the ownership of Enersense's operative management and certain key employees, which we believe is a positive signal as it strengthens the common interests of the company's operational management and shareholders.

In July 2020, Enersense jumped to a whole new size level by acquiring Empower, a service provider for the energy, telecom, and industrial sectors in Finland, Sweden, and the Baltic countries. The acquisition price was EUR 1, which was based on the working capital need of Empower. To finance the transaction and strengthen the working capital of Empower, Enersense raised EUR 8 million in the directed share issue with the subscription price of EUR 2.22 per share. In connection with the acquisition, approximately EUR 80 million of Empower's current liabilities were cancelled through arrangements. With the acquisition, Enersense expanded its business from recruiting and resource management services to a solution provider for the Smart industry, Power, and Connectivity markets. Pro forma revenue for the combined company amounted to EUR 242 million in 2019, while Enersense's net sales were EUR 58 million. The integration work is expected to start gradually in 2021 and expected synergies amount to EUR 4-7 million on annual basis.

Looking at Enersense's profitability, it gradually began to improve in 2019 due to efficiency measures and the turnaround in profitability has continued progressing well during 2020. Enersense issued earnings guidance for the first time in March 2020 and raised it three times in 2020 (in June, August, and December). EBITDA increased clearly from EUR -0.8 million in 2019 to EUR 7.2 million (5% margin) in 2020. According to Enersense, profitability has improved due to the combined effect of the Empower acquisition, the streamlining of operations and a healthier project portfolio.

Enersense updated its strategy after the Empower acquisition in September 2020. Enersense's strategy is to be strongly involved in implementing the energy revolution through profitable business. The strategic goal is to increase the share of turnover brought by low-emission and zero-emission energy projects to 75% by 2025. The financial targets are to achieve organically net sales of EUR 300 million and an EBITDA margin of 10%.

At the end of 2020, Enersense's net sales amounted to EUR 144.5 million (+148.8% y/y). The company has approximately 2 400 employees and operates in 40 different countries. The focus in 2021 is on improving profitability, growing in domestic and selected international markets, and continuing the integration of the Empower acquisition. Enersense also plans to list on the main list of Nasdaq Helsinki in H1/2021.

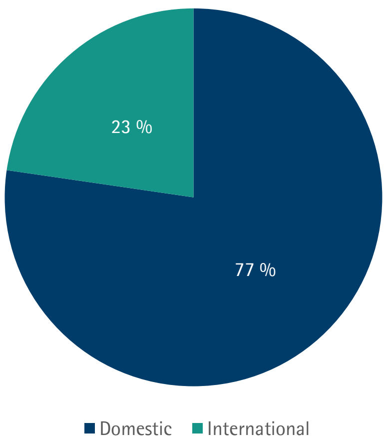
In February 2021, Enersense announced that it will consider capital market transactions in connection with the possible listing. On March 15, Enersense raised EUR 15 million through a directed share issue, in which 2 075 000 new shares were directed to Nidoco AB, a subsidiary of Virala Oy AB (a company owned by Albert and Alexander Ehrnrooth), which became Enersense's second largest shareholder. The subscription price was EUR 7.23 per share and shares offered correspond to 21.7% of Enersense's total shares before the issue and 17.9% after the share issue. The share issue strengthens the company's financial situation considering the refinancing of short-term loans.

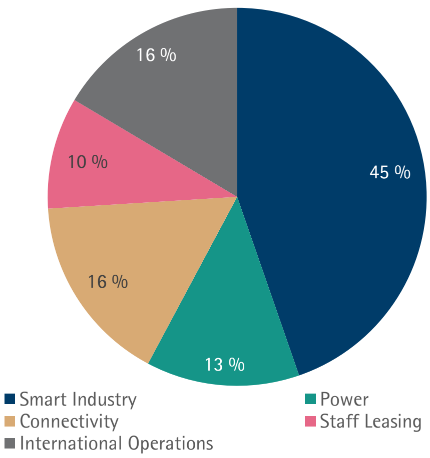
Business areas

Business areas: Smart industry, Power, Connectivity, Staff leasing, and International operations

Enersense's business areas changed significantly after the acquisition of Empower as Enersense's offering expanded to Smart Industry, Power, and Connectivity businesses. Enersense's business areas are currently divided into Smart industry, Power, Connectivity, Staff leasing, and International operations segments.

Figure 1: Net sales by geography and business area at the end of 2020





Source: Enersense

Smart industry

Smart industry is the largest segment

The Smart industry segment provides solutions that help Enersense's customers to improve their production plants' operating reliability and maintenance efficiency. Enersense's service offering covers operating and maintenance services, electrical motor and generator repair and maintenance, electrical and automation work, mechanical, steel and pipeline work, surface treatment work and various projects in the energy and process industries. Customers are mainly from energy, process, marine, and construction industries. After the acquisition with Empower, Enersense's Projects business area was combined with Empower's Smart Industry business and Smart industry is now the largest segment, accounting for 45% of net sales in 2020. It should be noted that net sales included Enersense's Projects business for the full-year 2020 and Empower's Smart industry business from August to December 2020. As Power and Connectivity were included in net sales for only five months, the Smart industry's share (%) of total net sales in 2021 is likely to be somewhat lower compared to 2020. The current focus areas are professional, operating and maintenance services, electrical motor and generator repair and maintenance, outsourcing, electrical and automation work, annual maintenance, and steel and pipeline work.

Figure 2: Smart industry services

Source: Enersense

Power

The Power segment provides services to the energy sector

Enersense's Power segment helps the energy sector customers with services that cover the entire lifecycle. Enersense provides services for design, construction and maintenance of transmission grids, electric substations, and wind farms. The company also provides solutions for charging systems for electrically powered transport and electricity storage. The Power segment accounted for 13% of net sales in 2020. However, the Power business was included in group figures from August 2020 onwards and thus, the share of net sales is expected to be higher in 2021. According to Enersense, focus areas are high-voltage lines, electricity station construction work, wind farm infrastructure work, and solar, EV charging and electricity storage. Customers include network operators, industrial customers, and public sector. Enersense currently has Power operations in Finland and the Baltic region.

Figure 3: Power services

Source: Enersense

Connectivity

Connectivity focuses on construction and maintenance of mobile and fixed networks

Connectivity segment provides services from designing and planning to building, installing, upgrading and service of mobile and fixed networks to ensure their operability. Customers include Telia, Elisa, and Cinia among others. The Connectivity business was also transferred to Enersense in connection with the Empower acquisition and 2020 net sales included sales from August to December. Connectivity's share of group net sales was 16% in 2020 and is also expected to increase in 2021 when full-year net sales are taken into account. Focus areas are mobile and fixed network construction work as well as installation and maintenance services.

Figure 4: Connectivity services

Source: Enersense

Staff leasing

Staff leasing services also support Enersense's internal business areas

Enersense also offers staff leasing services in industry and construction sectors in Finland and helps customers to find short- and long-term staff for both performance-based and white-collar work. Staff leasing services now account for a smaller share of net sales than before the Empower acquisition. In addition to external staff leasing, staff leasing services support Enersense's internal business areas and help to efficiently resource personnel in projects. Currently, the focus areas are temporary agency work in industry and construction, as well as the utilization of expertise in the group's other operations.

International operations

Enersense seeks international growth mainly in the Nordics, the Baltics, and certain markets such as Germany, France, and the UK

International operations business area covers Enersense's operations for international customers e.g. in Germany, France, the United Kingdom, and the Baltic states. The international offering covers the same services as domestic. International operations' segment accounted for 16% of net sales in 2020 and Enersense aims to continue its strong internationalization through existing customer relationships in the coming years. According to Enersense's management, the company intends to expand prudently, considering profitability and risk level. Geographically, Enersense seeks international growth mainly in the Nordics, the Baltics, and certain markets such as Germany, France, and the UK.

Enersense intends to increase the proportion of international sales in the coming years

Sales of domestic operations grew by 162.7% to EUR 111.7 million and accounted for 77.3% of Enersense's net sales in 2020. The revenue of international operations increased by 111% to EUR 32.8 million at the same time and accounted for 22.7% of the group net sales. The strong growth rates are mainly explained by the acquisition of Empower and Enersense's organic growth. In the coming years, Enersense intends to increase the proportion of international sales in relation to the group net sales.

Business model

Enersense's business in general is largely project-based

Enersense's business is largely project-based and consists of project contracts and framework agreements. Project lengths vary depending on the type of project and business area. In general, Enersense's projects range from annually recurring short-term projects to large multi-year projects, but typically last for a few years.

Roughly 50% of the Smart industry business is contract-based and the other 50% is project-based

In Smart industry, service offering covers operating and maintenance services, energy metering services, steel and pipeline work, surface treatment work, and various projects in the energy and process industries. Roughly half of the business is related to repetitive contract-based operating and maintenance services for the industrial sector, where contracts with customers usually last for several years. The other half of the business is related to project-based business, which range from annually recurring smaller short-term projects, such as annual maintenance, to large multi-year projects such as nuclear power project in Olkiluoto. On average, projects last for a couple of years.

The Power business is mainly project-based installation and construction work

The Power segment provides services for design, construction and maintenance of transmission grids, electric substations, and wind farms, as well as solutions for charging systems for electrically powered transport and electricity storage. The business is largely project-based, and the projects mainly include installation and construction work, and to a lesser extent maintenance work. Projects typically last for a couple of years. Recently announced projects include e.g. construction of transmission lines, substations, and wind farms, as well as maintenance services.

The business model of Connectivity consists of framework agreements

The Connectivity segment provides a broad range of construction, installation, and maintenance services to large telecom operators and other communication network owners. Enersense's business model mainly consists of long-term frame agreements that generate a steady inflow of orders. Framework agreements include, for example, design, construction, maintenance, and installations. These frame agreements typically last for a few years, after which they are renegotiated. Contracts often include the option of extending the contract for additional year(s). For example, in December 2020, Enersense announced a 3-year extension agreement with Telia worth EUR 70 million. Long-term frame agreements enable Enersense to work in close co-operation with its customers and build long-term relationships with network owners.

Staff leasing services focusing more on internal operations

Enersense provides staff leasing services in industry and construction sectors both internally and externally. The company continues to offer staff leasing services to external customers, but since the Empower acquisition, the focus has shifted more on internal operations. Internal staff leasing services support Smart industry, Power, and Connectivity business areas to efficiently resource personnel between projects.

International operations mainly project-based

International operations are mainly project-based business. In the Baltics, business is related to the Power and Connectivity business covering design, construction, installation, and maintenance work as in Finland. Projects in France, Germany, and the United Kingdom are mainly related to the Smart industry projects in energy, construction, and marine industries. These include e.g. projects in nuclear power and renewable energy production plants, welding and painting on industrial sites and industrial services.

Market overview

Addressable domestic market size EUR ~4 billion

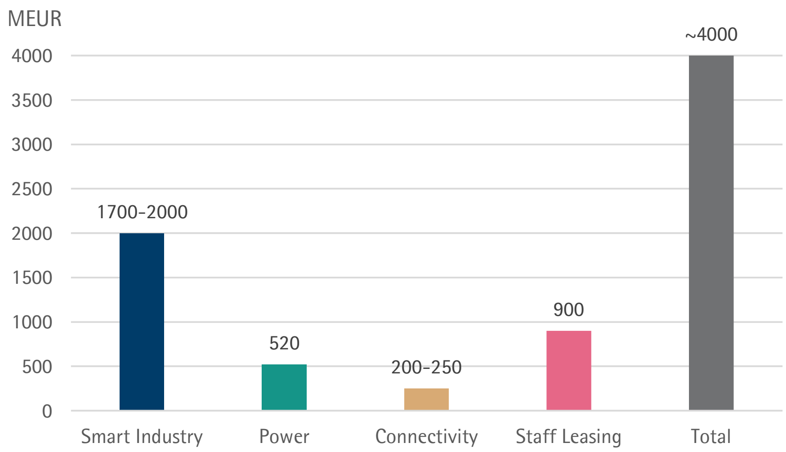
Enersense operates in various markets through its business areas. According to Enersense, estimated addressable domestic market size is approximately EUR 4 billion. In addition, through its international operations, Enersense operates in growing and significantly larger international markets. Overall, Enersense's target markets are driven by several global megatrends that drive towards a lower-emission society:

- **Sustainable development**
  The importance of renewable energy sources, sustainable energy production, and environmental efficiency is growing, which drives investments in renewable energy sources and capacity, as well as in the modernization and upgrading of distribution networks. Sustainability awareness also increases the need for environmental efficiency in all industries.

- **Electrification**
  The electrification of society and the growing need for energy drives investments in electricity generation and networks. The electrification creates and increases demand for construction, installation, and maintenance services of e.g. transmission grids, energy storage, and charging stations. In the industrial market, improving energy efficiency is emphasized.

- **Digitalization**
  Digitalization plays an important role and the demand for digital solutions, smart grids, and real-time data is expected to grow further in the coming years. Smart grids can be utilized, for example, in solutions that support the implementation of renewable energy sources and the overall efficiency of the electricity grid. Real-time data can be used, for example, in maintenance operations to improve efficiency. Increasing data traffic, digitalization, IoT, and cloud services are also fueling demand for investments in fixed and mobile network infrastructure.

Figure 5: Estimated addressable market sizes of Enersense's domestic target markets



Source: Enersense, Statistics Finland, Evli Research

The estimated smart industry market is approximately EUR 1.7-2 billion in Finland

The Smart industry market is divided into multiple sub-categories, of which main sub-segments are energy, process, marine and construction industries. According to Enersense, the estimated smart industry market size in Finland is approximately EUR 1.7-2 billion. In the energy industry, the moderate growth is driven by new nuclear power plant construction projects, such as Olkiluoto and Hanhikivi, and the district heating market is expected to be driven by customers switching heating solutions away from fossil fuels. Process industry is largely driven by the Finnish forest industry and investments in bio products, which are likely to increase the number of factories in the coming years. Marine industry is expected to grow at a moderate rate as shipyards have orders all the way to 2025, but COVID-19 may pose a risk in terms of order delays. In the construction industry, the number of new construction projects has somewhat slowed down, and the predictability is weaker due to the pandemic. On the other hand, the increase in repair debt has created demand in renovation projects, which is expected to continue to drive the segment. In general, aging industrial plants, the demand for more efficient solutions, climate change, regulation, and digitalization are among the main drivers of growth in the European smart industry market.

The Power market is expected to grow strongly in the coming years

The Power market in general is quite stable and demand is mainly driven by the need for increased capacity and availability as well as regulatory requirements. The addressable market is largely based on investment plans of national transmission system operators and outsourced spend on maintenance and upgrades of distribution networks, owned by distribution system operators. The market is expected to grow strongly in the coming years, driven by e.g. investments in renewable energy sources, need for installation work for charging stations, and grid modernization. For example, Fingrid will invest approximately EUR 2 billion in the high-voltage grid between 2019-2030, of which ~36% will be spent on maintaining the existing grid and ~64% on new investments. The estimated market size was approximately EUR 520 million in 2020, growing by 44% from 2019.

The Connectivity market is expected to grow moderately

The addressable Connectivity market consists mainly of network operators' investments in the construction, maintenance, and services of mobile and fixed networks. Telecommunications construction market is largely driven by three largest telecommunications operators, Telia, Elisa and DNA. Thus, the customer concentration is strong for the construction companies and the tough competition puts pressure on prices and demand for high production efficiency. The estimated addressable market size was approximately EUR 200-250 million in 2020. The network construction market is mainly driven by replacing slower fixed line networks and operators' rollout of 5G networks. Investments in mobile and fixed networks are normally executed over several years, which makes the operations more predictable. Investment levels to mobile and fixed networks have remained relatively stable over the past years. However, increasing data traffic, digitalization, IoT, and cloud services are fueling demand for upgrading communication networks (e.g. 5G), installing fibre optics, and maintaining existing networks. The market is expected to grow moderately in the coming years driven by construction of 4G and 5G networks.

COVID-19 has had a negative impact on staff leasing

Staff leasing market in Finland consists of several industries and according to Statistics Finland's database, the total market in Finland was approximately EUR 3 billion in 2019 and the market has grown at a CAGR of ~12% in 2015-2019. Enersense focuses on staff leasing industrial and construction markets, which have grown rapidly at CAGR of 26% and 29% in 2015-2019. The market size of these target markets amounts to around EUR 900 million, ~30% of the total market. Of Enersense's target markets, COVID-19 has had the most negative impact on Staff leasing. Enersense expects the recovery in the Staff leasing business to begin in H1/2021 and to develop moderately positively with the general confidence in the economy.

Competitive field

The competitive landscape for Enersense's markets is fragmented

Overall, the competitive landscape for Enersense's markets is fragmented. As Enersense operates in various industries, the company competes with multiple players, ranging from small niche players to larger multinational companies depending on the business area.

Enersense is the fourth largest player in the Smart industry market and sees the potential to increase its market share

The Smart industry market is divided into multiple sub-categories and is in general very fragmented. There are a lot of players ranging from small niche players to larger multinational companies offering different types of outsourcing services. In certain projects, larger players have an advantage compared to smaller competitors due to the capability of providing more comprehensive outsourcing services and managing larger projects. In Finland, Enersense is the fourth largest player after Caverion, Efora, and Mainpartner. To our understanding, the market share of these three largest players is around 30%. Enersense sees the potential to increase its market share in the Smart industry.

Enersense is the leading player with Eltel in the Power market

The Power market is also a very fragmented market, in which many competitors operate with wide service offerings and compete with similar kinds of services and in same markets as Enersense. In Finland, Enersense is the leading player with Eltel. The market share of these two players is roughly 30%. There is also a number of smaller and local players as well as companies from other industry segments, which provide services to the energy sector alongside their other services. There has been some consolidation in the Power market in recent years and, according to Enersense, there is further consolidation potential in the fragmented market.

The Connectivity market is dominated by Eltel, Voimatel, and Enersense with an 80% market share

The Connectivity end-market is also characterized by intense competition. Enersense is well-positioned in Connectivity as it is the third largest player in Finland after Eltel and Voimatel. The market is dominated by these three players, which account for approximately 80% market share. Other large competitors with the similar service offering are Netel and TLT Group. Enersense's management sees the potential to further increase its market share in the coming years

A small market share in staff leasing

The competitive field is very fragmented in staff leasing. Enersense's competitors mainly include staff leasing generalists such as Barona and Eezy, which provide services to a wide range of industries, but also companies with a narrower service portfolio and a focus on the construction and industrial sectors. Enersense focuses only on industrial and construction sectors and therefore has a small market share in staff leasing. Key competitors in industrial and construction staff leasing services are Barona, Adecco, Eezy, Staffpoint, and Bolt.

Strategy and financial targets

The new strategy supports the ongoing energy revolution

Enersense updated its strategy after the Empower acquisition in September 2020. Enersense's strategy is to be strongly involved in implementing the energy revolution through profitable business. The new strategy supports the ongoing energy revolution in society, in which energy production is shifting strongly towards renewable energy sources and in which end-users are more aware of the impact of energy production on the environment and society.

Enersense aims to increase its role in low-emission, renewable energy, and new energy technology projects

The company aims to increase its role for customers of already established low-emission and zero-emission energy projects, such as nuclear power, and in particular, to increase the number of customers for investments in renewable energy sources, such as solar and wind power, and new energy technologies, such as hydrogen. Over the next five years, Enersense intends to grow in the domestic market and continue its strong internationalization in the Nordic countries, the Baltic region, and certain markets such as Germany, France, and the United Kingdom.

Enersense aims to achieve net sales of EUR 300m and EBITDA margin of 10% by 2025

The strategic goal is to increase the share of turnover brought by low-emission and zero-emission energy projects to 75% by 2025. In 2020, such projects share of turnover was approximately 50%. Enersense updated its long-term financial targets in connection with the Q4/2020 report and aims to achieve the following targets by 2025:

- **Growth**: Organically achieve net sales of EUR 300 million
- **Profitability**: Achieve Group EBITDA margin of 10%

In addition to organic growth, Enersense is actively seeking M&A and potential inorganic growth can significantly increase net sales.

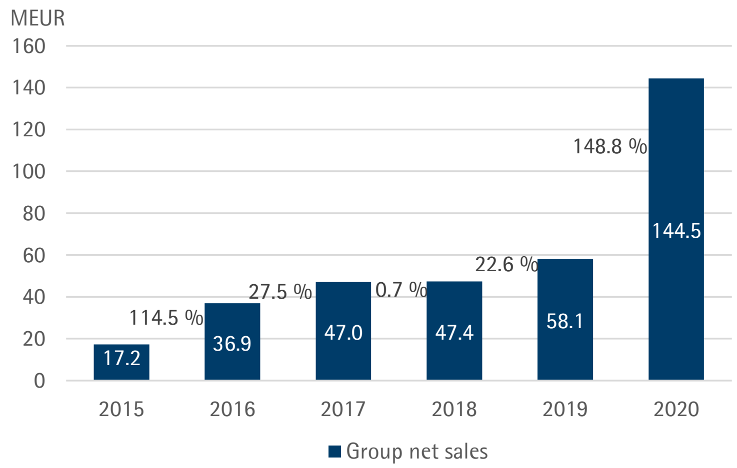
Financial performance

Net sales

Enersense has grown rapidly in 2015-2020 at a CAGR of 53.1%

Enersense has grown rapidly in 2015-2020 and net sales have increased from EUR 17.2 million to EUR 144.5 million at a CAGR of 53.1%. In 2016-2017, the company's net sales grew by 114.5% and 27.5%, respectively, due to organic growth and an acquisition, by which Enersense expanded its operations into the shipbuilding industry. Net sales in 2018 stayed flat as growth in H2/2018 decreased as the resource needs of the major project, Olkiluoto 3, decreased faster than expected. Enersense's net sales continued to grow in 2019 and net sales increased by 22.6% to EUR 58.1 million. Growth was driven by the acquisition of Värväämö, growth in international operations (+376% y/y), and increased sales in the Engineering & manufacturing segment.

Figure 6: Group net sales and growth-% in 2015-2020



Source: Enersense

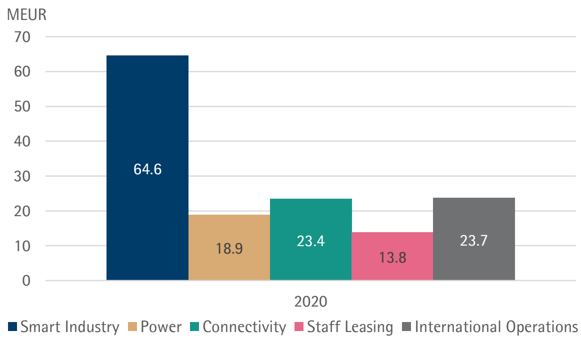
The segment structure was changed in September 2020

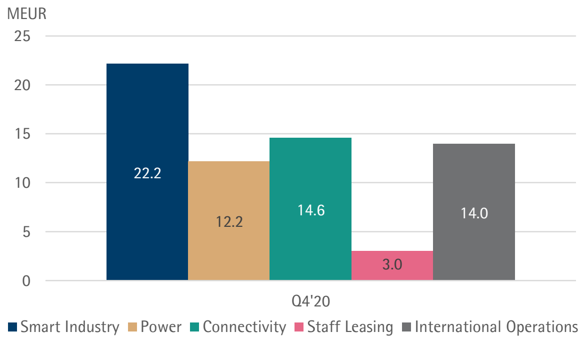
2020 was a significant and eventful year for Enersense. In July 2020, Enersense jumped to a whole new size level by acquiring Empower, a service provider for the energy, telecom, and industrial sectors in Finland, Sweden, and the Baltic countries. With the acquisition, Enersense expanded to Smart industry, Power and Connectivity businesses and the company changed its segment structure. The figures for the businesses transferred in connection with the acquisition are included in group net sales from August 2020 onwards. Enersense also began publishing quarterly reports in addition to semi-annual reports.

2020 net sales increased by 148.8% to EUR 144.5 million

Enersense's net sales increased by 148.8% to EUR 144.5 million in 2020. Growth was mainly driven by the impact of the Empower acquisition and organic growth, especially in the Smart industry business in Finland and internationally. The reported segments from Q3/2020 onwards are Smart industry, Power, Connectivity, Staff leasing, and International operations. As acquired businesses areas are included in the figures from August 2020 onwards, Q4 figures give a more realistic picture of the distribution of net sales between the business areas. According to Enersense, the effects of the COVID-19 pandemic on net sales have been relatively small, except for the Staff leasing segment, where the high-volume summer season in the construction industry did not materialize due to the pandemic.

Figure 7: Net sales by segment in 2020 and Q4/2020





Source: Enersense

Profitability

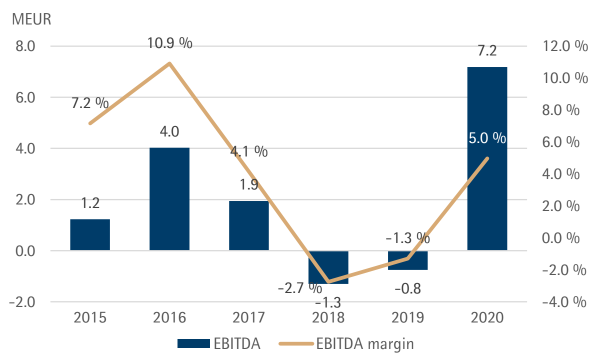
Profitability started to decline in 2017 and was negative in 2018-19

Enersense's profitability was at the good level (7.2%-10.9%) in 2015-2016. Profitability started to decline in 2017 and was negative between 2018-2019 with EBITDA margins of -2.6% and -1.3%, respectively. The weak performance was mainly related to an unprofitable contract in shipbuilding project, organizational changes, and project ramp-down and ramp-up costs.

Enersense issued three positive profit warnings in 2020

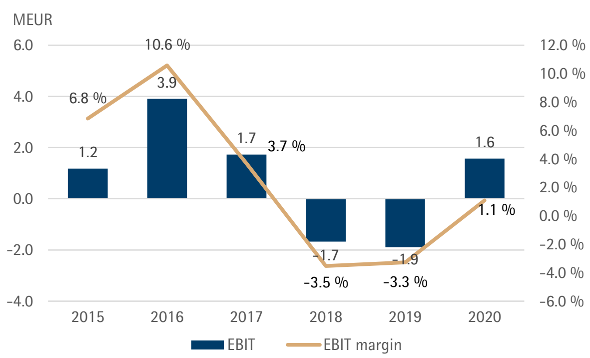
Profitability gradually began to improve due to efficiency measures in 2019 and the turnaround in profitability progressed well during 2020. Enersense issued earnings guidance for the first time in March 2020 and raised it three times in 2020 (in June, August, and December). EBITDA increased clearly from EUR -0.8 million in 2019 to EUR 7.2 million (5% margin) in 2020. According to Enersense, profitability has improved due to the combined effect of the Empower acquisition, the streamlining of operations and a healthier project portfolio. Of the segments, profitability improved significantly in Smart industry and margin levels in Power and Connectivity recovered compared to 2019. EBITDA excluding non-recurring costs related to integration of Enersense and Empower amounted to EUR 8.9 million (6.2% margin). EBITDA grew strongly in the second half of the year as EBITDA was EUR 4 million in Q3 and EUR 2.1 million in Q4. Enersense expects profitability to improve further in 2021 and the target is to achieve EBITDA margin of 10% by 2025.

Figure 8: EBITDA and EBITDA margin 2015-2020



Source: Enersense

Figure 9: EBIT and EBIT margin 2015-2020



Source: Enersense

Seasonality

Higher revenues and profitability are typically reported in Q2-Q4

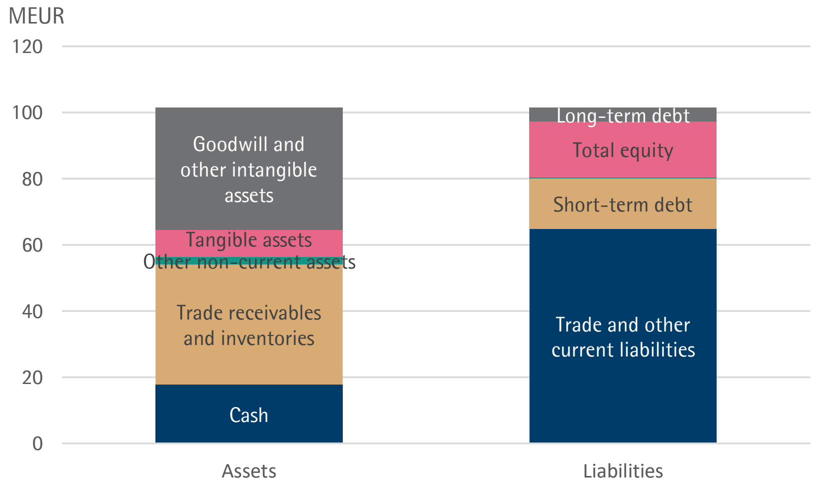
Enersense's business is subject to seasonal fluctuation and cyclicality across quarters. Seasonality particularly affects to Power and Connectivity segments, as demand for construction services is typically lower during the winter months (especially during the first quarter) due to reduced construction activity in cold weather. For example, frozen ground limits the ability to conduct work that involves digging. Seasonal fluctuations also have some impact on the Smart industry segment due to holidays and lower project activity in winter. Seasonal patterns and cyclicality add volatility to net sales, EBITDA, and cash flow. Higher revenues and EBITDA are typically reported in Q2-Q4, while EBITDA and cash flow is expected to be weaker in the first quarter.

Balance sheet

Equity ratio was 14.5% and net gearing 10.6% in 2020

Enersense's balance sheet total was EUR 101.4 million at the end of 2020. Assets consist mainly of goodwill and intangible assets (EUR 37 million), receivables and inventories (EUR 36 million), and cash (EUR 18 million). A significant portion the company's debt consists of short-term loans maturing this year. In 2020, the company has paid the trade payables transferred in connection with the Empower acquisition with funds raised through a directed share issue and a refinancing limit. According to Enersense's management, the company is actively conducting financial negotiations to refinance these short-term loans and the company aims to strengthen its balance sheet. For example, in March 2021, Enersense raised EUR 15 million through a directed share issue to support company's growth targets and strengthen its balance sheet. Enersense's equity ratio was 14.5% and net gearing 10.6% in 2020. Overall, the company's financial situation is at a reasonable level as the interest-bearing net debt amounted to EUR 1.5 million at the end of 2020.

Figure 10: Balance sheet decomposition



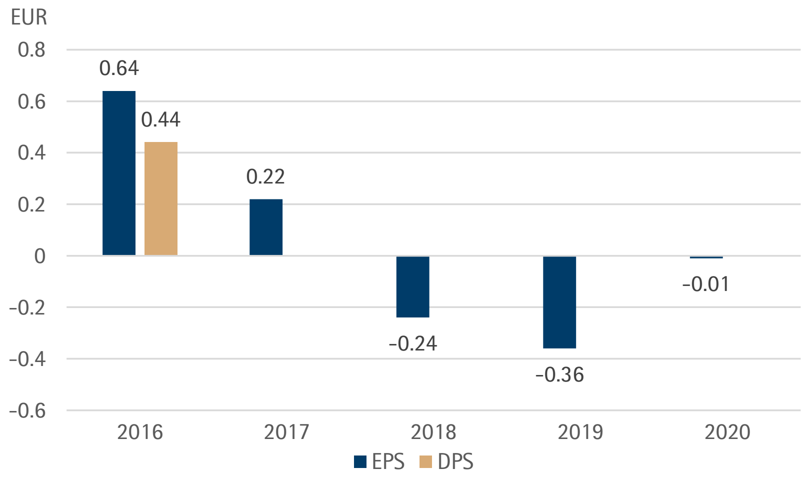
Source: Enersense

Dividend policy

Dividend has not been paid since 2016

According to Enersense, the company aims to distribute 30% of earnings as a dividend. However, earnings development and outlook, as well as strategic investments in organic growth or financing of acquisitions may affect the payment of dividends. Net earnings have been negative in 2018-2020 and Enersense has not paid a dividend since 2016, when the company paid a dividend of EUR 0.44 per share.

Figure 11: Dividend and earnings per share



Source: Enersense

Guidance and outlook

2021E guidance: net sales of EUR 215-245m and adj. EBITDA of EUR 12-15m

Enersense updated its guidance and outlook for 2021 in connection with the Q4/2020 report. Enersense expects net sales to be EUR 215-245 million in 2021. EBITDA excluding non-recurring costs related to integration is estimated to be EUR 12-15 million in 2021.

A significant share of the order backlog is scheduled for 2021

According to Enersense, the focus in 2021 is on improving profitability, growing in domestic and selected international markets, and continuing the integration of the Empower acquisition. Enersense's order backlog has increased from EUR 130 million in August 2020 to EUR 300 million at the end of 2020. The order backlog is spread over the next three years and a significant share of the orders is scheduled for 2021.

Projects postponed from 2020 are expected to start during 2021

Enersense expects Smart industry market to recover as the effects of COVID-19 ease. Annual maintenance and projects postponed from 2020 are expected to start during 2021. Enersense seeks new customers base from zero-emission and low-emission projects and expects existing service contracts to continue at a normal level.

The Power business is expected to develop favorably in 2021

In the Power business area, Enersense expects the business environment to develop favorably and demand for services to remain at high-level in 2021. The company has taken several measures and the stabilization of operations has progressed as planned. Enersense expects the overall market to grow strongly.

Moderate and stable growth in Connectivity

The moderate and stable growth of the Connectivity business area's market is driven by the need for faster connections in fixed and mobile networks.

The recovery in the Staff Leasing business is expected to begin in H1/2021

Enersense expects the recovery in the Staff Leasing business to begin in H1/2021 and to develop moderately positively with the general confidence in the economy. Several measures have been initiated to improve the efficiency of Staff leasing services, and Enersense intends to strongly promote these measures in 2021.

Enersense expects the business environment in International operations to develop moderately

The business environment in International operations is expected to develop moderately. In the Baltics, Enersense expects earnings development to remain at the 2020 level. France's result turned positive in 2020 and is expected to remain positive in 2021. Enersense expects a moderate, positive result in Germany. In the UK, Enersense continues to develop its business.

Estimates

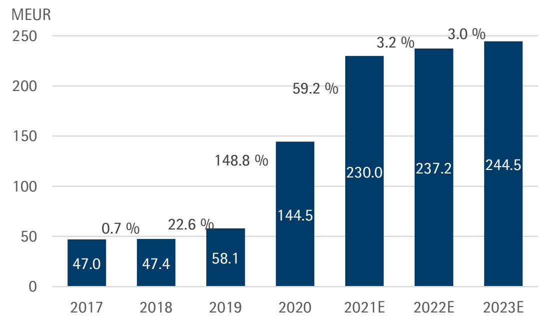
We expect net sales of EUR 230 million in 2021E

Enersense's net sales are expected to grow strongly in 2021 compared to 2020, as Empower's figures were included in 2020 net sales for only five months. According to Enersense, the order backlog has increased significantly from EUR 130 million in August 2020 to EUR 300 million at the end of 2020, of which a significant share is scheduled for 2021. We expect this strong order inflow to support Enersense in reaching guided net sales of EUR 215-245 million. Our net sales estimate of EUR 230 million for 2021E is at midpoint of the guidance. A cyclical nature of the business is likely to add volatility in net sales between quarters and a harsh winter in Finland is likely to reduce sales in Q1 and we expect to see higher revenues in Q2-Q4. We forecast Smart industry's net sales to amount to EUR 81.4 million (35% of total net sales), Power to EUR 39.5 million (17%), Connectivity to EUR 48 million (21%), Staff leasing to EUR 12.6 million (5%), and International operations to EUR 48.5 million (21%) in 2021.

We forecast net sales to grow at 3-3.2% level in 2022-23E

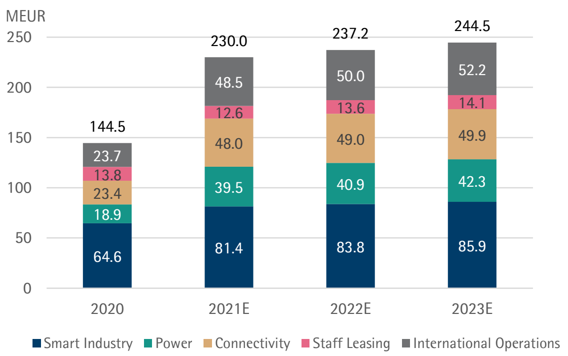
In 2022-2023E, we forecast Enersense's net sales to grow to EUR 237.2 million and EUR 244.5 million, at annual growth rates of 3.2% and 3%. Enersense commented in the Q4 report, that in addition to the order backlog, the order pipeline looks good and we expect the company to release more new project contracts in 2021, which will support revenue growth in the coming years. Of the business areas, we expect Power to grow at 3.5% annual level in 2022-23E driven by increased investment levels in the energy sector, while Smart industry and Connectivity are expected to grow moderately at 2-3% rates. In Staff leasing, we expect the market recovery to be more visible in 2022-2023E, with net sales growth of 8% and 3.5%, respectively. We forecast International operations to grow moderately in 2022E (+3% y/y), but we expect growth to accelerate in the coming years in line with Enersense's internationalization targets.

Figure 12: Net sales and sales growth (%) 2017-2023E



Source: Evli Research, Enersense

Figure 13: Net sales estimates by segment in 2020-2023E

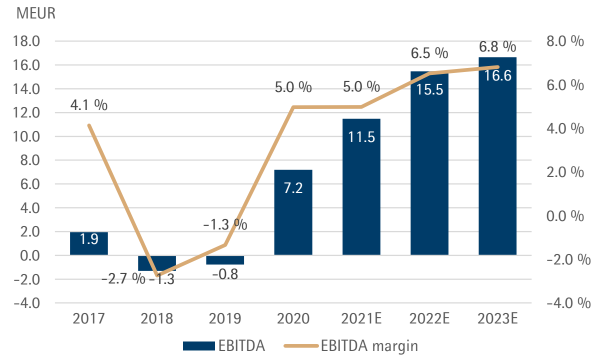


Source: Evli Research, Enersense

We expect adj. EBITDA of EUR 13.5 million (margin 5.9%) in 2021E

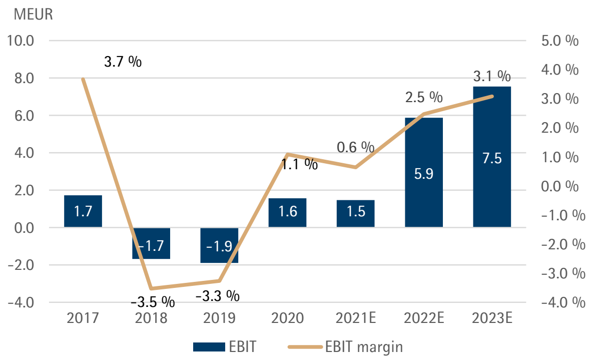
Enersense's turnaround in profitability progressed well in 2020 and profitability is also one of the operative focus areas in 2021. We estimate adj. EBITDA to increase from EUR 8.9 million to EUR 13.5 million (margin 5.9%), which is in the middle of the guidance for 2021. The improvement will mainly be driven by the consolidation of Empower's full-year figures with Enersense. In addition, we expect the healthier project portfolio and streamlining of operations to continue to have a positive impact on profitability in 2021. The integration work of the Empower deal is going to continue gradually in 2021 and according to Enersense, the expected synergies amount to EUR 4-7 million on annual basis. We expect the synergies of the Empower integration to be more visible in Enersense's profitability from 2022 onwards and EBITDA margin to increase to 6.5% in 2022E and 6.8% in 2023E.

Figure 14: EBITDA and EBITDA margin 2017-2023E



Source: Evli Research, Enersense

Figure 15: EBIT and EBIT margin 2017-2023E



Source: Evli Research, Enersense

Our estimates for 2025E are below Enersense's financial targets

Considering the risky nature of project business, we are more cautious in our net sales (EUR 259.4 million) and profitability (EBITDA margin of 7.4%) estimates compared to Enersense's EUR 300 million net sales and 10% EBITDA margin targets by 2025. On our estimates, meeting the net sales target would require annual growth of almost 7% in 2022-2025E, which is a fairly strong growth rate relative to the industry's historical growth rates. Achieving an EBITDA margin of 10% can also be challenging in some target markets. To our understanding 10% EBITDA level is well achievable in the Smart Industry business (for example, Empower reported 8.8% EBITDA in 2019), while in Staff leasing margins are relatively lower. In Power and Connectivity markets, the competition is intensive, which causes price pressure and affects margins. Therefore, we look for more signs of further margin improvement and faster organic growth compared to the market.

Table 1: Estimates

Interim figures	2016	2017	2018	2019	2020	Q1'21E	Q2'21E	Q3'21E	Q4'21E	2021E	2022E	2023E
Net sales	**36.9**	**47.0**	**47.4**	**58.1**	**144.5**	**44.5**	**54.7**	**63.7**	**67.1**	**230.0**	**237.2**	**244.5**
Smart Industry					64.6	17.0	19.5	22.5	22.4	81.4	83.8	85.9
Power					18.9	6.5	9.5	11.0	12.5	39.5	40.9	42.3
Connectivity					23.4	8.5	11.2	13.5	14.8	48.0	49.0	49.9
Staff leasing					13.8	2.5	3.0	3.9	3.2	12.6	13.6	14.1
International Operations					23.7	10.0	11.5	12.8	14.2	48.5	50.0	52.2
EBITDA	4.0	1.9	-1.3	-0.8	7.2	0.0	3.0	4.5	3.9	11.5	15.5	16.6
Adj. EBITDA					**8.9**	**0.5**	**3.5**	**5.0**	**4.4**	**13.5**	**16.2**	**16.6**
D&A	-0.1	-0.2	-0.4	-1.1	-5.6	-2.5	-2.5	-2.5	-2.5	-10.0	-9.6	-9.1
EBIT	**3.9**	**1.7**	**-1.7**	**-1.9**	**1.6**	**-2.5**	**0.5**	**2.0**	**1.4**	**1.5**	**5.9**	**7.5**
Sales growth %	*114.5 %*	*27.5 %*	*0.7 %*	*22.6 %*	*148.8 %*					*59 %*	*3.2 %*	*3.0 %*
Smart Industry										*26.1 %*	*3.0 %*	*2.5 %*
Power										*108.8 %*	*3.5 %*	*3.5 %*
Connectivity										*105.0 %*	*2.0 %*	*2.0 %*
Staff leasing										*-8.7 %*	*8.0 %*	*3.5 %*
International Operations										*104.2 %*	*3.0 %*	*4.5 %*
EBITDA margin %	*10.9 %*	*4.1 %*	*-2.7 %*	*-1.3 %*	*5.0 %*	*0.1 %*	*5.5 %*	*7.1 %*	*5.9 %*	*5.0 %*	*6.5 %*	*6.8 %*
Adj. EBITDA margin %					*6.2 %*	*1.2 %*	*6.4 %*	*7.9 %*	*6.6 %*	*5.9 %*	*6.8 %*	*6.8 %*
EBIT margin %	*10.6 %*	*3.7 %*	*-3.5 %*	*-3.3 %*	*1.1 %*	*-5.6 %*	*0.9 %*	*3.2 %*	*2.1 %*	*0.6 %*	*2.5 %*	*3.1 %*

Source: Evli Research, Enersense

Valuation

BUY with a target price of EUR 9.7

For our valuation purposes, we consider peer group multiples and DCF valuation. Enersense's turnaround in profitability has progressed well and, in our view, the valuation looks moderate considering Enersense's increased and healthier order backlog as well as potential synergies of the Empower acquisition. We initiate coverage of Enersense with a BUY-rating and a target price of EUR 9.7.

Further upside potential if Enersense manages to increase net sales and margins in line with the financial targets

Our peer group for Enersense consists of ten publicly listed service providers in the industry, energy, telecommunication, or construction sectors and have at least some presence in the Nordic countries: Bravida, Bilfinger, Caverion, Eltel, Transtema, Vinci, Spie, Viafin Service, Veolia, and Lassila & Tikanoja. On our estimates for 2022E, Enersense is currently trading at EV/EBITDA of 5.5x and adj. P/E of 10.7x, which translate into discount of 21-28% to our peer group median. Our target price values Enersense at EV/EBITDA of 6.1x and adj. P/E of 11.8x for 2022E, which are still at 13-21% discount to peer group, reflecting Enersense's lower profitability profile and as we look for more signs of further margin improvement and faster organic growth. As our estimates for 2025E are below Enersense's targeted net sales of EUR 300 million and EBITDA margin of 10% by 2025, this implies if Enersense manages to increase its net sales and improve margins in line with the financial targets, there is further upside potential in valuation.

DCF model implies a fair value of EUR 10.19 per share

Our DCF model implies a fair value of EUR 10.19 per share with the assumption of long-term and terminal growth in line with the expected GDP development and a terminal EBIT-margin of 4%. If Enersense is able to reach and maintain the targeted net sales of EUR 300 million and EBITDA of 10%, there is further upside potential in our DCF model as well. However, we note that there are several risks factors that can have a negative impact on Enersense's performance. In our view, the most important risk factors include the contractual and pricing risks of project contracts, concentrated customer base, and unsuccessful project management. Uncertainty related to the COVID-19 pandemic may also affect to customers' decision-making, delay the start of new projects, and postpone ongoing projects.

Table 2: Selected peer group table

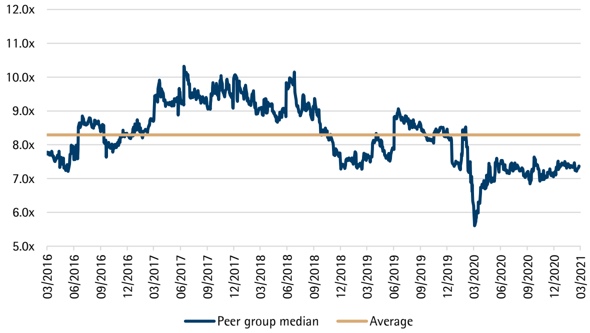
	MCAP	EV/EBITDA			EV/EBIT			P/E		
ENERSENSE PEER GROUP	MEUR	21	22	23	21	22	23	21	22	23
Bravida Holding	2327	13.4x	12.5x	11.9x	17.4x	16.0x	15.3x	21.8x	20.1x	19.3x
Bilfinger	1289	4.4x	3.5x		8.6x	5.9x	3.8x	24.5x	14.6x	8.7x
Caverion	740	6.6x	6.0x	5.3x	14.3x	11.2x	9.3x	18.5x	13.6x	11.0x
Eltel	419	8.9x	8.1x	7.5x	23.2x	18.3x	15.7x	31.6x	21.9x	17.8x
Transtema Group	51	3.8x	3.5x	3.2x	12.1x	9.5x	8.1x	19.4x	14.0x	11.5x
VINCI	51726	10.1x	8.7x	8.3x	17.1x	13.5x	12.7x	20.8x	15.7x	14.4x
SPIE	3168	8.0x	7.5x	7.0x	11.3x	10.3x	9.9x	13.9x	12.5x	11.8x
Viafin Service	60							17.9x	16.7x	15.3x
Veolia Environnement	12760	7.5x	7.0x	6.5x	17.6x	13.9x	11.5x	17.6x	14.3x	12.1x
Lassila & Tikanoja	548	7.0x	6.7x	6.5x	15.2x	14.0x	14.0x	16.5x	15.3x	14.9x
Peer Group Average	7309	**7.7x**	**7.1x**	**7.0x**	**15.2x**	**12.5x**	**11.1x**	**20.3x**	**15.9x**	**13.7x**
Peer Group Median	1015	**7.5x**	**7.0x**	**6.8x**	**15.2x**	**13.5x**	**11.5x**	**19.0x**	**15.0x**	**13.2x**
Enersense (Evli est.)	**102**	**8.3x**	**5.5x**	**4.6x**	**64.9x**	**14.5x**	**10.0x**	**-110.1x**	**28.9x**	**22.5x**
Enersense prem./disc. to peer median		*12 %*	*-21 %*	*-33 %*	*327 %*	*7 %*	*-13 %*	*-680 %*	*93 %*	*70 %*
Enersense (Evli est. adj.)*	**102**	**8.3x**	**5.5x**	**4.6x**	**12.8x**	**7.2x**	**5.8x**	**20.2x**	**10.7x**	**10.2x**
Enersense prem./disc. to peer median		*12 %*	*-21 %*	*-33 %*	*-16 %*	*-47 %*	*-50 %*	*6 %*	*-28 %*	*-23 %*

*Source FactSet, Evli Research. *FAS goodwill amortization adj.*

	Sales	Sales gr.			EBITDA-%			Div. yield		
ENERSENSE PEER GROUP	20	21	22	23	21	22	23	21	22	23
Bravida Holding	2099	3.4%	4.2%	2.9%	8.5 %	8.6 %	8.9 %	2.4 %	2.6 %	2.6 %
Bilfinger	3489	9.9%	5.2%	6.6%	5.3 %	6.5 %		2.5 %	2.9 %	4.4 %
Caverion	2155	1.6%	3.7%	3.9%	6.2 %	6.6 %	7.1 %	2.9 %	3.7 %	4.4 %
Eltel	937	-2.5%	1.6%	2.0%	6.9 %	7.5 %	7.9 %	0.0 %	1.1 %	2.8 %
Transtema Group	139	14.5%	3.0%	3.0%	10.0 %	10.7 %	11.2 %	0.0 %	0.0 %	0.0 %
VINCI	43234	8.1%	6.4%	1.8%	15.7 %	17.1 %	17.7 %	2.6 %	3.5 %	3.9 %
SPIE	6655	4.8%	3.9%	3.4%	8.0 %	8.2 %	8.4 %	3.0 %	3.3 %	3.5 %
Viafin Service	56	18.9%	4.4%	3.1%	7.8 %	8.1 %	8.3 %	2.5 %	2.8 %	3.1 %
Veolia Environnement	26010	4.9%	12.6%	8.7%	14.9 %	14.1 %	14.1 %	4.0 %	5.0 %	5.7 %
Lassila & Tikanoja	752	2.4%	1.9%	3.3%	12.7 %	12.9 %	12.9 %	3.9 %	4.3 %	4.2 %
Peer Group Average	**8553**	**6.6%**	**4.7%**	**3.9%**	**9.6 %**	**10.0 %**	**10.7 %**	**2.4 %**	**2.9 %**	**3.5 %**
Peer Group Median	**2127**	**4.8%**	**4.1%**	**3.2%**	**8.2 %**	**8.4 %**	**8.9 %**	**2.5 %**	**3.1 %**	**3.7 %**
Enersense (Evli est.)	**144**	**59.2%**	**3.2%**	**3.0%**	**5.0 %**	**6.5 %**	**6.8 %**	**0.0 %**	**1.0 %**	**1.3 %**

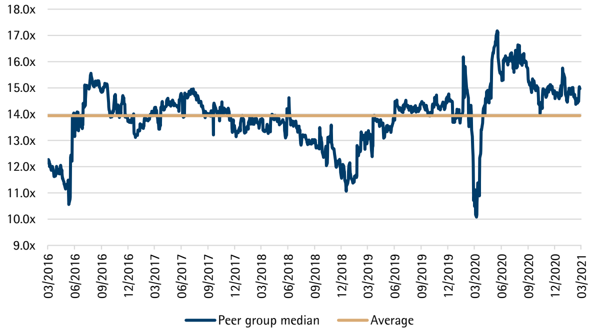
Source FactSet, Evli Research

Figure 16: Peer group historical 12m forward EV/EBITDA



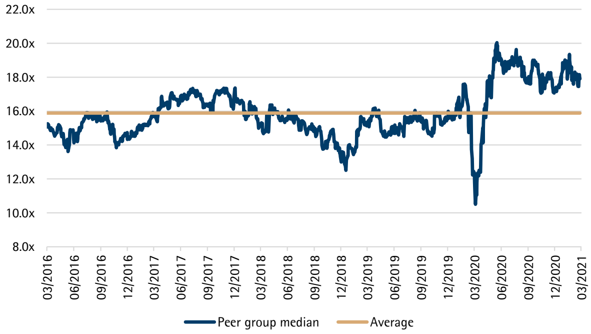
Source: Factset, Evli Research

Figure 17: Peer group historical 12m forward EV/EBIT



Source: Factset, Evli Research

Figure 18: Peer group historical 12m forward P/E



Source: Factset, Evli Research

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	8.80	PV of Free Cash Flow	61	Long-term growth, %	1.5	Risk-free interest rate, %	2.25
DCF share value	10.19	PV of Horizon value	62	WACC, %	9.1	Market risk premium, %	5.8
Share price potential, %	15.8	Unconsolidated equity	-3	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	10.9	Marketable securities	18	Minimum WACC, %	8.6	Equity beta coefficient	1.20
Minimum value	9.5	Debt - dividend	-19	Maximum WACC, %	9.6	Target debt ratio, %	20
Horizon value, %	50.2	Value of stock	118	Nr of shares, Mn	11.6	Effective tax rate, %	20

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	144	230	237	244	252	259	266	271	277	281	285	289
Sales growth, %	*148.8*	*59.2*	*3.2*	*3.0*	*3.0*	*3.0*	*2.5*	*2.0*	*2.0*	*1.5*	*1.5*	*1.5*
Operating income (EBIT)	2	1	6	8	9	10	11	11	11	11	11	12
Operating income margin, %	*1.1*	*0.6*	*2.5*	*3.1*	*3.4*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*	*4.0*
+ Depreciation+amort.	6	10	10	9	9	7	6	6	6	6	6	
EBITDA	7	11	15	17	17	18	17	17	17	17	18	
- Paid taxes	0	0	-1	-2	-3	-3	-3	-3	-3	-3	-3	
- Change in NWC	-11	-8	1	1	1	1	1	0	0	0	0	
NWC / Sales, %	*-19.8*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	*-9.0*	
+ Change in other liabs	17	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	
opCAPEX / Sales, %	*0.8*	*1.6*	*1.7*	*1.6*	*1.6*	*1.6*	*1.6*	*1.6*	*1.6*	*1.6*	*1.6*	
- Acquisitions	-1	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	1	0	0	0	0	0	0	0	0	0	0	
= FCFF	12	0	11	12	11	11	10	10	11	11	11	145
= Discounted FCFF		0	10	9	8	7	6	6	5	5	5	62

= DFCF min WACC	0	10	9	8	8	6	6	6	5	5	69
= DFCF max WACC	0	9	9	8	7	6	6	5	5	4	55

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales					144.5	44.5	54.7	63.7	67.1	230.0	237.2	244.5
EBITDA					7.2	0.0	3.0	4.5	3.9	11.5	15.5	16.6
EBITDA margin (%)					*5.0*	*0.1*	*5.5*	*7.1*	*5.9*	*5.0*	*6.5*	*6.8*
EBIT					1.6	-2.5	0.5	2.0	1.4	1.5	5.9	7.5
EBIT margin (%)					*1.1*	*-5.6*	*0.9*	*3.2*	*2.1*	*0.6*	*2.5*	*3.1*
Net financial items					-1.6	-0.9	-0.5	-0.5	-0.5	-2.4	-1.5	-1.5
Pre-tax profit					-0.1	-3.4	0.0	1.5	0.9	-0.9	4.4	6.0
Tax					0.0	0.0	0.0	0.0	0.0	0.0	-0.8	-1.5
Tax rate (%)					*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*8.0*	*13.0*
Net profit					-0.1	-3.4	0.0	1.5	0.9	-0.9	3.5	4.5
EPS					-0.01	-0.29	0.00	0.13	0.08	-0.08	0.30	0.39
EPS adjusted (diluted no. of shares)					-0.01	-0.29	0.00	0.13	0.08	-0.08	0.30	0.39
Dividend per share					0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.12
SALES, EURm												
Smart Industry					64.6	17.0	19.5	22.5	22.4	81.4	83.8	85.9
Power					18.9	6.5	9.5	11.0	12.5	39.5	40.9	42.3
Connectivity					23.4	8.5	11.2	13.5	14.8	48.0	49.0	49.9
Staff Leasing					13.8	2.5	3.0	3.9	3.2	12.6	13.6	14.1
International Operations					23.7	10.0	11.5	12.8	14.2	48.5	50.0	52.2
Total					144.5	44.5	54.7	63.7	67.1	230.0	237.2	244.5
SALES GROWTH, Y/Y %												
Smart Industry					*0.0*					*26.1*	*3.0*	*2.5*
Power					*0.0*					*108.8*	*3.5*	*3.5*
Connectivity					*0.0*					*105.0*	*2.0*	*2.0*
Staff Leasing					*0.0*					*-8.7*	*8.0*	*3.5*
International Operations					*0.0*					*104.2*	*3.0*	*4.5*
Group					*148.8*					*0.0*	*0.0*	*0.0*
Total					*148.8*					*59.2*	*3.2*	*3.0*
EBIT, EURm												
Group					1.6	-2.5	0.5	2.0	1.4	1.5	5.9	7.5
Total					1.6	-2.5	0.5	2.0	1.4	1.5	5.9	7.5
EBIT margin, %												
Total					*1.1*	*-5.6*	*0.9*	*3.2*	*2.1*	*0.6*	*2.5*	*3.1*

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	36.9	47.0	47.4	58.1	144.5	230.0	237.2	244.5
Sales growth (%)	*114.5*	*27.5*	*0.7*	*22.6*	*148.8*	*59.2*	*3.2*	*3.0*
EBITDA	4.0	1.9	-1.3	-0.8	7.2	11.5	15.5	16.6
EBITDA margin (%)	*10.9*	*4.1*	*-2.6*	*-1.3*	*5.0*	*5.0*	*6.5*	*6.8*
Depreciation	-0.1	-0.2	-0.4	-0.3	-1.9	-4.0	-3.6	-3.6
EBITA	3.9	1.7	-1.6	-1.0	5.3	7.5	11.9	13.0
Goodwill amortization / writedown	0.0	0.0	-0.1	-0.9	-3.7	-6.0	-6.0	-5.5
EBIT	3.9	1.7	-1.7	-1.9	1.6	1.5	5.9	7.5
EBIT margin (%)	*10.6*	*3.7*	*-3.5*	*-3.3*	*1.1*	*0.6*	*2.5*	*3.1*
Reported EBIT	3.9	1.7	-1.7	-1.9	1.6	1.5	5.9	7.5
EBIT margin (reported) (%)	*10.6*	*3.7*	*-3.5*	*-3.3*	*1.1*	*0.6*	*2.5*	*3.1*
Net financials	-0.2	-0.3	-1.0	-0.4	-1.6	-2.4	-1.5	-1.5
Pre-tax profit	3.7	1.5	-2.7	-2.3	-0.1	-0.9	4.4	6.0
Taxes	-0.7	-0.5	0.5	0.0	0.0	0.0	-0.8	-1.5
Minority shares	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0
Net profit	2.9	1.0	-1.9	-2.1	-0.1	-0.9	3.5	4.5
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	0	1	1	2	16	16	16	16
Goodwill	0	0	4	3	31	25	19	14
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	4	5	5	5
Receivables	9	11	10	13	33	35	36	37
Liquid funds	2	2	3	1	18	26	29	37
Total assets	12	15	19	20	101	106	105	108
Liabilities								
Shareholder's equity	4	3	9	7	14	27	30	34
Minority interest	0	0	0	0	1	1	1	1
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	3	4	2	4	19	17	10	8
Non-interest bearing current liabilities	5	8	8	10	65	60	62	64
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	12	15	19	20	101	106	105	108
CASH FLOW, EURm								
+ EBITDA	4	2	-1	-1	7	11	15	17
- Net financial items	0	0	-1	0	-2	-2	-1	-1
- Taxes	-1	0	0	0	0	0	-1	-2
- Increase in Net Working Capital	-1	0	1	-1	-11	-8	1	1
+/- Other	0	0	0	0	1	0	0	0
= Cash flow from operations	2	2	-1	-2	-4	1	14	14
- Capex	0	-1	-3	0	-1	-4	-4	-4
- Acquisitions	0	0	-3	0	-1	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	1	1	-6	-3	-6	-2	10	10
+/- New issues/buybacks	-1	0	8	0	8	13	0	0
- Paid dividend	0	-2	0	0	0	0	0	-1
+/- Other	1	1	-1	1	15	-3	-7	-2
Change in cash	2	0	1	-1	17	8	3	7

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	0	19	9	79	102	102	102
Net debt (excl. convertibles)	2	0	3	1	-9	-19	-29
Enterprise value	2	19	11	85	96	85	76
Sales	47	47	58	144	230	237	244
EBITDA	2	-1	-1	7	11	15	17
EBIT	2	-2	-2	2	1	6	8
Pre-tax	1	-3	-2	0	-1	4	6
Earnings	1	-2	-2	0	-1	4	5
Equity book value (excl. minorities)	3	9	7	14	27	30	34
Valuation multiples							
EV/sales	0.0	0.4	0.2	0.6	0.4	0.4	0.3
EV/EBITDA	1.2	-14.8	-14.5	11.8	8.3	5.5	4.6
EV/EBITA	1.3	-11.6	-10.9	16.1	12.8	7.2	5.8
EV/EBIT	1.3	-11.1	-6.0	54.1	64.9	14.5	10.0
EV/OCF	1.5	-21.6	-5.4	-19.9	81.2	6.2	5.3
EV/FCFF	1.9	-6.0	-5.5	6.8	-4,134.6	7.6	6.5
P/FCFE	0.0	-3.1	-3.5	-12.6	-42.2	10.4	9.8
P/E	0.0	-10.0	-4.3	-701.3	-110.1	28.9	22.5
P/B	0.0	2.1	1.3	5.6	3.9	3.4	3.0
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*9.1*	*6.1*	*5.1*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*70.7*	*16.0*	*11.2*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*-42.9*	*9.6*	*8.1*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*4.3*	*3.8*	*3.4*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*-121.3*	*31.8*	*24.8*
Per share measures							
Number of shares	4,529	5,948	5,948	9,548	11,623	11,623	11,623
Number of shares (diluted)	4,529	5,948	5,948	9,548	11,623	11,623	11,623
EPS	0.22	-0.33	-0.36	-0.01	-0.08	0.30	0.39
Operating cash flow per share	0.33	-0.14	-0.36	-0.45	0.10	1.19	1.23
Free cash flow per share	0.21	-1.06	-0.44	-0.66	-0.21	0.84	0.90
Book value per share	0.62	1.52	1.16	1.47	2.28	2.59	2.89
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.09	0.12
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	29.5	30.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	1.0	1.3
FCF yield, %	0.0	-32.7	-28.5	-7.9	-2.4	9.6	10.2
Efficiency measures							
ROE	30.1	-32.7	-26.8	-1.1	-4.6	12.5	14.3
ROCE	24.7	-18.5	-17.7	7.1	3.8	13.9	18.2
Financial ratios							
Inventories as % of sales	0.2	0.8	0.6	2.5	2.0	2.0	2.0
Receivables as % of sales	24.3	21.8	23.0	22.6	15.0	15.0	15.0
Non-interest bearing liabilities as % of sales	16.0	16.9	17.2	44.9	26.0	26.0	26.0
NWC/sales, %	8.5	5.7	6.4	-19.8	-9.0	-9.0	-9.0
Operative CAPEX/sales, %	1.2	5.6	0.1	0.8	1.6	1.7	1.6
CAPEX/sales (incl. acquisitions), %	1.2	-0.4	-0.7	0.0	1.6	1.7	1.6
FCFF/EBITDA	0.6	2.5	2.6	1.7	0.0	0.7	0.7
Net debt/EBITDA, book-weighted	1.2	0.3	-3.2	0.2	-0.8	-1.2	-1.7
Debt/equity, market-weighted	0.0	0.1	0.4	0.2	0.2	0.1	0.1
Equity ratio, book-weighted	19.2	46.3	32.3	14.5	25.6	29.3	31.6
Gearing, %	80.1	-4.4	38.0	10.1	-34.9	-62.7	-83.7

COMPANY DESCRIPTION: Enersense International Oyj is a service provider of emission-free energy solutions. The company offers a wide range of solutions to Nordic and international companies in the industry, energy, telecommunication, and construction sectors. Enersense is strongly involved in the prevailing energy revolution and the creation of a zero-emission society.

INVESTMENT CASE: Enersense expanded its business from recruiting and resource management services to a solution provider for the Smart industry, Power, and Connectivity markets by acquiring Empower in 2020. The turnaround in profitability has progressed well and Enersense managed to improve its EBITDA from EUR -0.8m in 2019 to EUR 7.2m in 2020. With the increased and healthier order backlog and potential synergies of the Empower acquisition, Enersense has the potential to further improve its profitability. Over the next five years, Enersense intends to grow in the domestic market, continue its strong internationalization in certain markets, and improve its profitability.

OWNERSHIP STRUCTURE	SHARES	EURm	%
MBÅ Invest Oy	2,753,072	24.227	23.7%
Joensuun Kauppa Ja Kone Oy	1,435,219	12.630	12.3%
Verman Group Oy	1,250,000	11.000	10.8%
Taloustieto Incrementum Ky	828,083	7.287	7.1%
Corporatum Oy	770,776	6.783	6.6%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	275,000	2.420	2.4%
Siementila Suokas Oy	240,860	2.120	2.1%
Holopainen Jussi	158,395	1.394	1.4%
Proup Oy	146,306	1.287	1.3%
F-solutions Oy	101,788	0.896	0.9%
Ten largest	7,959,499	70.044	68%
Residual	3,663,230	32.236	32%
Total	11,622,729	102.280	100%

EARNINGS CALENDAR	
May 04, 2021	Q1 report
August 13, 2021	Q2 report
November 02, 2021	Q3 report
OTHER EVENTS	
March 19, 2021	AGM

COMPANY MISCELLANEOUS	
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CFO: Risto Takkala	Tel: +358 29 020 011

DEFINITIONS

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	DPS Dividend for the financial period per share
Market cap Price per share * Number of shares	OCF (Operating cash flow) EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow) Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, % $\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales $\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital Current assets – current liabilities
Net debt Interest bearing debt – financial assets	Capital employed/Share $\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
Total assets Balance sheet total	Gearing $\frac{\text{Net debt}}{\text{Equity}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, % $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	CAGR, % Cumulative annual growth rate = Average growth per year
ROE, % $\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	

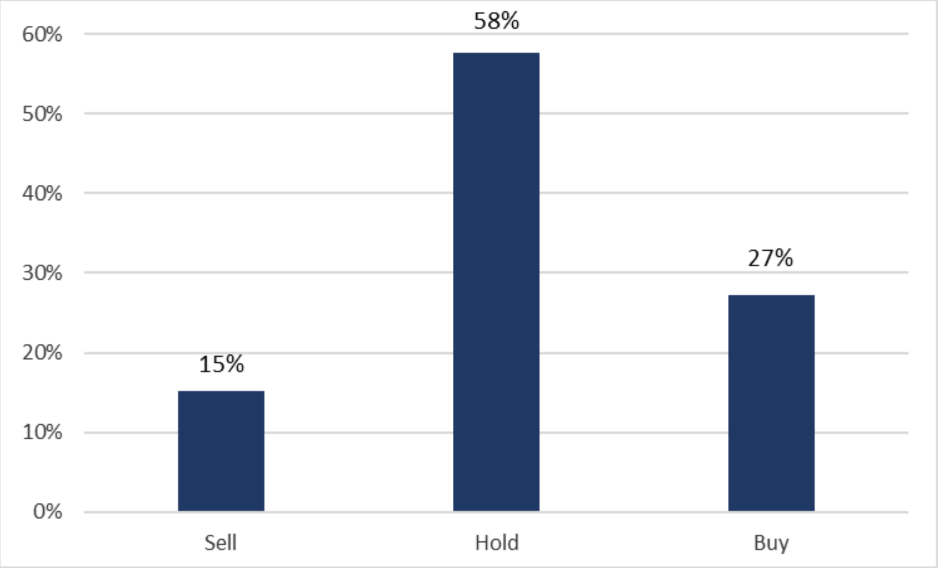
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at Analysts' recommendations and ratings revisions.

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Reiman

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