Enersense International

Company Comment	Services	Finland	28 May 2025

CMD on 4 June: Back to core competences

We expect the CMD to focus on improving margins and cash generation in the Industry, Power and Connectivity divisions. The current efficiency programme should be enough to increase adj. EBITDA margin to 8% in the core businesses, while a 10% target should be achievable in the mid term. We believe a future Enersense wants to profile itself as a project and service company with solid ROCE, good cash conversion, and growth opportunities within the existing customer base.

Focus on core project and service operations

Enersense divested its wind and solar power project development business to Fortum in December 2024. The transaction consisted of a fixed purchase price of EUR 9.25m and a variable price of EUR 0-74m, based on the progress of the development projects. In February 2025, Enersense announced that it will ramp down its EV charging solutions business and booked a write-down of EUR 2.9m in Q1 2025. After these decisions, the company has only the Marine and Offshore business unit left in its so-called non-core operations. This unit is under strategic review, and we do not expect the company will necessarily announce the outcome in the CMD.

The CMD will focus on the core divisions, Industry, Power and Connectivity, which contributed to 93% of group revenue in Q1 2025. We expect management to discuss the margin and cash flow improvement potential in each division. Its toolbox is likely to include centralised procurement, more efficient cash management during projects, and expanding the product offering and utilising cross-selling opportunities with the existing customers, among others. Enersense's core customers include names like Fingrid, Helen, Finnish teleoperators, and many global companies in various industries.

In our view, Enersense's business will always have relatively low margins, but the company could be valued at totally different multiples compared to the current EV/EBITDA of 3.2x and 3.0x for 2025E and 2026E, respectively (based on SEB's adj. EBITDA estimates for the core businesses), if it can find stability in earnings and show that it is capable of generating strong cash conversion with solid ROCE margin and limited capex requirements in selected business areas, where the company's core competencies are.

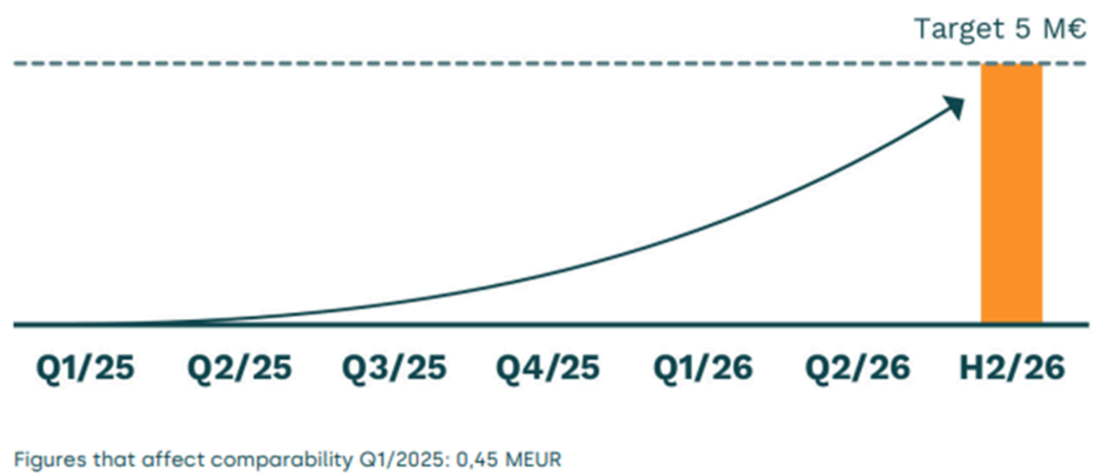
Financial targets: Expecting 8-10% EBITDA margin target in the short- to mid-term

Enersense's financial targets were last updated in May 2022, and we interpret that these targets are no longer official or valid. The latest long-term financial targets were EUR 500m of annual revenue and EUR 100m of annual EBITDA in 2027, but the company has since divested its renewable energy development business and EV charging solution segments, and the strategic focus has shifted toward businesses with different operational and financial characteristics.

Enersense guides its FY/25 core businesses' adjusted EBITDA to be at the same level as in 2024 (2024: EUR 19.9m). The company does not guide for revenue, but our estimate is EUR 308m and FactSet consensus is EUR 323m. Based on our estimates, core businesses' adj. EBITDA margin will be 6.3% in FY/25 (adj. EBITDA estimate EUR 19.4m). In late 2024, the company launched the Value Uplift programme to improve efficiency and profitability. The programme targets to reach an annual profit improvement of c. EUR 5m from H2 2026 onward. Based on this target, we believe that the company should aim for least 8% adj. EBITDA margin from its core businesses in the short-term (two years), but mid- to long-term ambitions could be around 10% EBITDA margin.

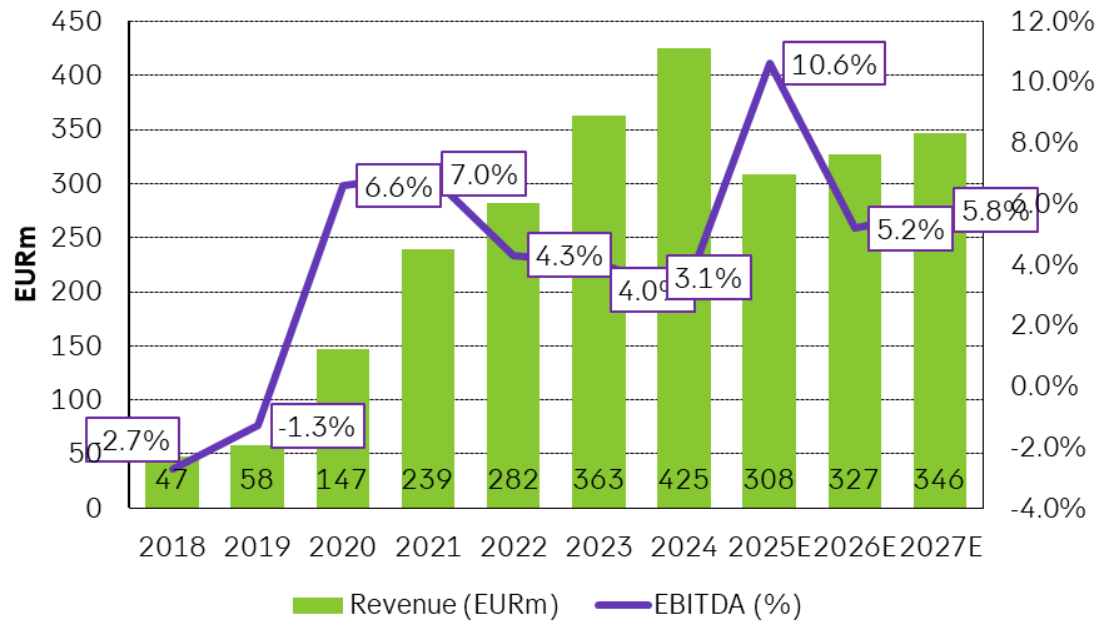
We believe that further strengthening of the balance sheet, together with selected investments with the cost savings potential, is still the best way to allocate capital in the short term, although net debt came down from EUR 48m in Q1 2024 to EUR 35m in Q1 2025. Net debt / EBITDA was at 1.24x at the end of Q1 2025. However, earnings and cash balance figures are still low in absolute terms, and we argue that a strong balance sheet is the best way to tackle future risks and fears which were realised during 2023-24, when the company had to renegotiate its covenants. Dividends and bolt-on acquisitions should follow in the mid- and long-term horizon.

Value Uplift: Annual run-rate improvements in adjusted EBITDA, illustrative chart



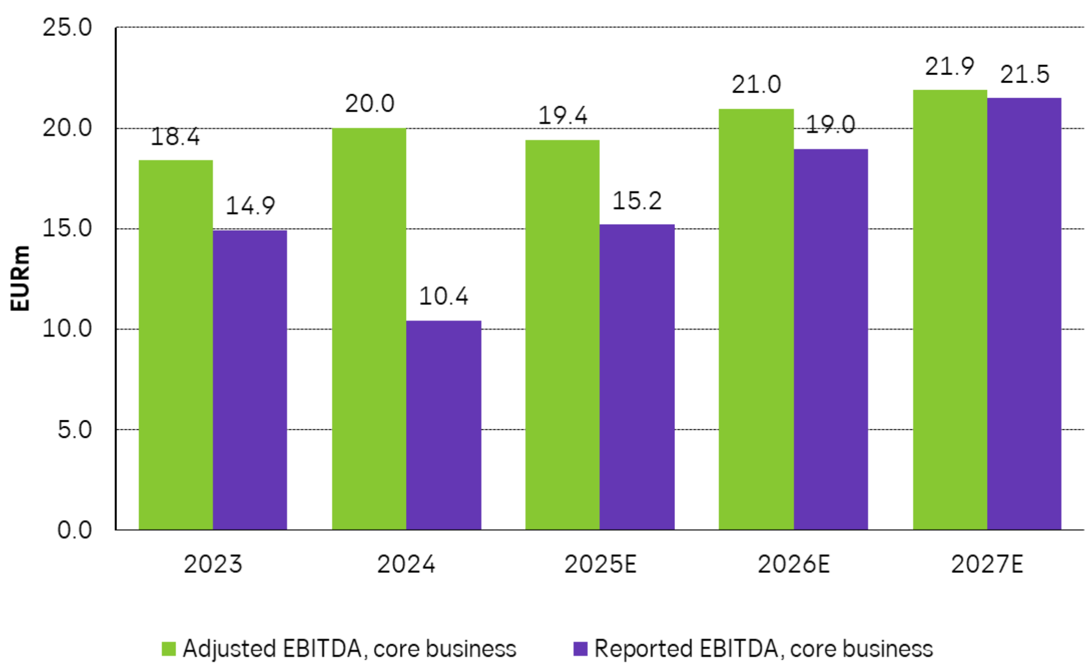
Source: Enersense

Group revenue and reported EBITDA margin, including core and non-core operations



Source: SEB

EBITDA estimates for the core businesses (EURm)



Source: SEB

Group estimates

EURm	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25E	Q3/25E	Q4/25E	2023	2024	2025E	2026E	2027E
Revenue	**98.2**	**100.8**	**111.5**	**114.2**	**69.7**	**76.8**	**78.9**	**82.9**	**363.3**	**424.7**	**308.3**	**326.8**	**346.2**
y/y	30.9%	16.8%	18.3%	6.0%	-29.0%	-23.9%	-29.2%	-27.5%	28.9%	16.9%	-27.4%	6.0%	5.9%
Other operating income	0.1	0.2	0.2	0.1	22.6	0.2	0.2	0.2	2.7	0.6	23.2	0.8	0.8
EBITDA	**3.0**	**-9.5**	**8.6**	**10.9**	**21.2**	**2.4**	**4.4**	**4.7**	**14.7**	**13.0**	**32.8**	**17.0**	**20.1**
EBITDA, %	3.1%	-9.4%	7.7%	9.6%	30.4%	3.1%	5.6%	5.7%	4.0%	3.1%	10.6%	5.2%	5.8%
D&A	-2.8	-2.3	-2.5	-21.0	-2.3	-2.3	-2.3	-2.3	-9.4	-28.6	-9.2	-8.8	-8.0
Operating profit	**0.2**	**-11.8**	**6.1**	**-10.1**	**18.9**	**0.1**	**2.1**	**2.5**	**5.3**	**-15.6**	**23.6**	**8.2**	**12.1**
Operating profit, %	0.3%	-11.7%	5.5%	-8.8%	27.2%	0.1%	2.7%	3.0%	1.4%	-3.7%	7.6%	2.5%	3.5%
Net finance expenses	-6.2	-2.0	-2.5	-3.7	-1.8	-1.8	-1.8	-1.8	-13.8	-14.3	-7.1	-6.8	-6.0
Pre-tax profit	**-5.9**	**-13.8**	**3.6**	**-13.8**	**17.2**	**-1.7**	**0.4**	**0.7**	**-8.6**	**-29.9**	**16.5**	**1.4**	**6.1**
Taxes	-1.1	0.1	0.0	0.5	0.0	0.3	-0.1	-0.1	-0.6	-0.5	0.2	-0.3	-1.2
Net result	**-7.0**	**-13.7**	**3.7**	**-13.3**	**17.2**	**-1.3**	**0.3**	**0.6**	**-9.2**	**-30.4**	**16.7**	**1.1**	**4.9**
Non-controlling interests	-0.1	-0.1	-0.5	-0.6	0	0.1	0.1	0.1	0.3	-1.2	0.3	0.4	0.4
EPS, EUR	-0.43	-0.84	0.19	-0.84	1.04	-0.08	0.02	0.04	-0.54	-1.82	1.03	0.07	0.30
Adjusted EBITDA, core business	**3.9**	**3.9**	**9.0**	**3.1**	**1.9**	**4.4**	**6.7**	**6.4**	**18.4**	**20.0**	**19.4**	**21.0**	**21.9**
EBITDA, core business	3.4	-4.2	8.6	2.6	1.3	3.2	5.5	5.2	14.9	10.4	15.2	19.0	21.5
EBITDA, non-core business	1.1	-5.4	0.0	8.3	19.9	-0.8	-1.1	-0.5	-0.2	4.1	17.6	-2.0	-1.4

Source: SEB

Divisional estimates

EURm	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25E	Q3/25E	Q4/25E	2023	2024	2025E	2026E	2027E
Industry													
Revenue	**37.0**	**39.5**	**42.8**	**40.3**	**22.3**	**20.9**	**19.2**	**20.1**	**113.7**	**159.5**	**82.7**	**95.2**	**106.7**
y/y	41.4%	47.2%	60.4%	18.3%	-39.6%	-47.0%	-55.0%	-50.0%	56.4%	40.3%	-48.2%	15.1%	12.1%
EBITDA, reported	**-2.7**	**-4.4**	**3.9**	**3.6**	**0.9**	**1.6**	**2.1**	**3.8**	**5.3**	**0.4**	**8.3**	**11.1**	**12.8**
EBITDA, %	-7.2%	-11.2%	9.1%	8.9%	4.0%	7.5%	10.9%	18.7%	4.6%	0.2%	10.1%	11.7%	12.0%
Power													
Revenue	**51.1**	**42.5**	**43.5**	**51.8**	**37.1**	**37.4**	**38.3**	**41.4**	**191.7**	**188.9**	**154.2**	**158.8**	**165.1**
y/y	34.2%	-7.3%	-14.8%	-8.7%	-27.4%	-12.0%	-12.0%	-20.0%	155.6%	-1.5%	-18.4%	3.0%	4.0%
EBITDA, reported	**8.0**	**-3.8**	**3.7**	**8.6**	**23.0**	**2.1**	**1.9**	**2.0**	**14.7**	**16.5**	**29.0**	**10.1**	**11.6**
EBITDA, %	15.7%	-9.0%	8.5%	16.6%	62.1%	5.5%	5.0%	4.8%	7.7%	8.7%	18.8%	6.4%	7.0%
Connectivity													
Revenue	**10.1**	**18.8**	**25.2**	**22.2**	**10.3**	**18.4**	**21.4**	**21.3**	**57.8**	**76.3**	**71.5**	**72.9**	**74.3**
y/y	-6.3%	38.2%	53.7%	30.6%	1.9%	-2.0%	-15.0%	-4.0%	22.2%	32.1%	-6.4%	2.0%	2.0%
EBITDA, reported	**-0.6**	**0.9**	**2.3**	**1.7**	**-1.0**	**0.9**	**1.8**	**2.0**	**2.3**	**4.3**	**3.7**	**4.2**	**4.5**
EBITDA, %	-5.9%	4.6%	9.1%	7.7%	-9.3%	4.7%	8.4%	9.4%	3.9%	5.6%	5.2%	5.7%	6.1%

Source: SEB

Key figures

(EURm)	2024	2025E	2026E	2027E
Revenues (m)	425	308	327	346
Adj. EBIT	(14)	24	8	12
PTP (m)	(28)	17	1	6
EPS	(1.82)	1.03	0.07	0.30
EPS (adjusted)	(1.82)	1.03	0.07	0.30
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	16.9	(27.4)	6.0	5.9
EPS growth (%)	n.a.	n.a.	(93.5)	343.4
Operating margin (%)	(3.3)	7.6	2.5	3.5
Adj. EBIT margin (%)	n.m	7.6	2.5	3.5
ROCE (%)	(16.3)	29.0	9.1	13.0
Net Debt/EBITDA (x)	2.1	0.8	1.5	1.1
PER (adjusted)	(1.5)	2.2	33.4	7.5
Dividend yield (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	15.6	(13.2)	0.8	10.7
P/BV (x)	1.9	0.9	0.9	0.8
EV/EBIT (x)	(5.3)	2.7	7.7	4.9
EV/Sales (x)	0.17	0.20	0.19	0.17

Source: SEB

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