

High growth, margins to improve

Energense's Q3 revenue topped our estimate, while profitability figures came in below our estimates. International Operations and Connectivity achieved margin improvement, while investments burdened Smart Industry and Power profitability.

- Energense Q3 revenue increased by 46.2% y/y to EUR 94.2m, compared to our EUR 80.0m estimate. Higher volumes in service and project businesses drove 74% y/y growth for Smart Industry. Strong order backlog drove Power's 51% growth, while International Operations' 40% growth was mainly due to the Baltic high-voltage power line construction projects. Connectivity also grew by 20%.
- EBITDA landed at EUR 3.9m vs our EUR 5.2m estimate, while EBIT was EUR 1.6m vs our EUR 2.9m estimate. Power's profitability remained flat y/y as it was burdened by investments in the EV charging solutions business. Connectivity and International Operations showed the best performance in terms of improving profitability. Connectivity's higher volumes and improved operational efficiency helped results, and higher costs were transferred to sales prices. The segment also continues to improve in these respects. International Operations' comparison figures were burdened by steep increases in material and other costs in the Baltics.
- Order backlog stood at EUR 511m at the end of Q3 (EUR 385m a year ago). Order backlog grew the most in Connectivity, but also within Power. Smart Industry and International Operations backlogs remained rather flat y/y.
- Energense guides FY '23 adjusted EBITDA in the range of EUR 12-18m (unchanged), but now expects revenue to be over EUR 330m (previously over EUR 300m).

Rating 🇺🇸 BUY				
Q3'23	Actual	Evli	Year ago	Q2'23
Revenue	94.2	80.0	64.4	86.3
Adj. EBITDA	3.9	5.2	4.3	3.1
EBIT	1.6	2.9	1.9	0.6
Deviation	Actual	Evli	Year ago	Q2'23
Revenue		18 %	46 %	9 %
Adj. EBITDA		-25 %	-9 %	26 %
EBIT		-45 %	-16 %	167 %
Share price, EUR (Last trading day's closing price)				4.68
Target price, EUR				7.0
Latest change in recommendation				09-May-23
Latest report on company				04-Aug-23
Research paid by issuer:				YES
No. of shares outstanding, '000's				16,493
No. of shares fully diluted, '000's				16,493
Market cap, EURm				77
Free float, %				78.2
Exchange rate				-
Reuters code				ESENSE.HE
Bloomberg code				ESENSE FH
Average daily volume, EURm				0.1
Next interim report				27-Oct-23
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🇺🇸 BUY 🟡 HOLD 🇷🇺 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2021	239.1	6.8	2.9%	-12.9	0.30	23.1	0.4	13.1	-14.0	0.10
2022	282.0	3.5	1.2%	24.8	-0.15	-38.7	0.4	29.0	26.4	0.10
2023E	342.6	8.2	2.4%	-3.9	0.07	67.1	0.3	11.0	-5.0	0.10
2024E	366.0	12.5	3.4%	10.5	0.45	10.4	0.2	6.5	13.6	0.12
2025E	382.1	15.8	4.1%	1.1	0.64	7.4	0.2	5.2	1.4	0.13
Market cap, EURm	77		BV per share 2023E, EUR		18.4	CAGR EPS 2022-25, %		0.0		
Net debt 2023E, EURm	11		Price/book 2023E		1.3	CAGR sales 2022-25, %		10.7		
Enterprise value, EURm	90		Dividend yield 2023E, %		2.1	ROE 2023E, %		1.9		
Total assets 2023E, EURm	268		Tax rate 2023E, %		46.0	ROCE 2023E, %		7.2		
Goodwill 2023E, EURm	28		Equity ratio 2023E, %		23.5	PEG, P/E 23/CAGR		0.6		

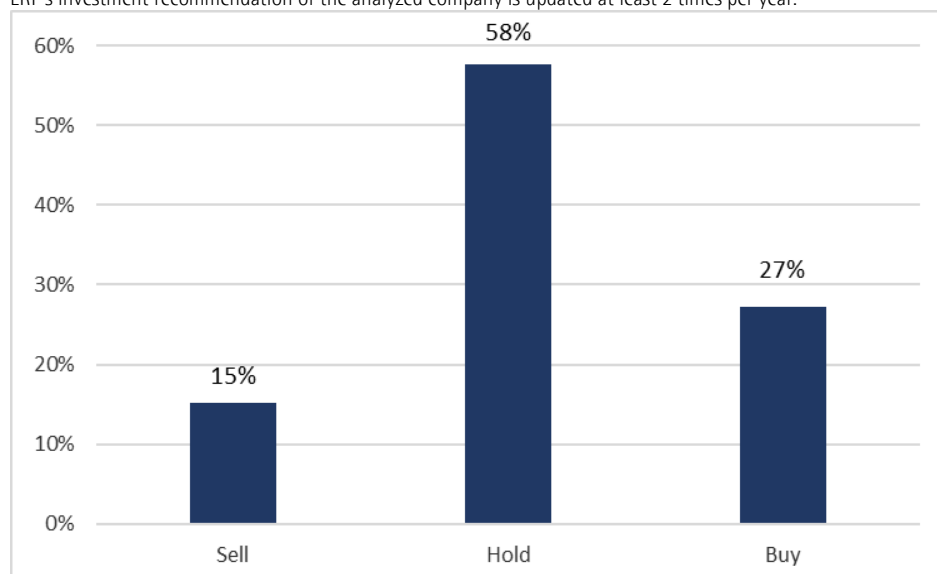
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Investment recommendations are defined as follows:

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

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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): Ilvonen

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