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Results Reaction	Services	Finland	26 April 2024
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Q1: Problems with covenants and weak underlying EBITDA

EBITDA was EUR 3m above our estimate but the beat came from onshore development, which we see more as a matter of timing. Underlying EBITDA was some EUR 3m weaker than we expected. Guidance remains unchanged. Enersense is having challenges with equity ratio covenant, which will raise questions if additional (equity) funding is needed. Estimate changes likely to be slightly negative for FY2024.

Outcome: Onshore development-driven beat, financing position

Q1 sales were +15% vs. our estimate. EBITDA came in at EUR 4.5m vs. SEB estimate of EUR 1.3m. There were no adjustment items. Revenue includes EUR 6.9m of sales gains from onshore projects (SEBe EUR 0m). Quarterly EPS was EUR -0.34 vs. SEBe -0.14. Finance expenses were EUR -6.3m, while we estimated EUR -2.0m. These expenses include allocation from the wind power development business to Megatuuli's former owners. Order backlog was at EUR 445m, -15% y/y.

Enersense comments that its financiers have approved a lower limit for the equity ratio covenant at the end of Q1. Enersense negotiates to further specify the covenant level for FY2024. Enersense's equity ratio in accordance with the terms of its financing agreement was 34.1%, while the initial covenant limit is at 37.5%. Reported gearing was 84% and net debt roughly EUR 23.9m (excl. IFRS16).

Q1 deviation table

P&L (EURm)	Actual	Q1/24	Deviation SEB		Q1/23		Q4/23	
		SEB	Abs	Rel (%)	Actual	q/q (%)	Actual	q/q (%)
Revenue	98.1	85.5	12.6	14.7	75.0	30.8	107.8	-9.0
Adjusted EBITDA	4.5	1.3	3.2	258.0	0.4	1157.0	7.7	-41.2
EBITDA	4.5	1.3	3.2	258.0	0.1	7658.6	7.7	-41.2
Operating profit	1.7	-1.1	2.8	258.5	-2.3	175.6	5.3	-67.4
Net result	-5.5	-2.5	-3.0	-123.0	-3.8	-46.1	-2.4	-134.2
EPS	-0.34	-0.14	-0.20	-136.1	-0.23	-49.7	-0.15	-128.2
Revenue (EURm)								
Industry	37.0	30.9	6.1	19.9	26.2	41.4	34.1	8.6
Power	51.1	42.6	8.5	20.0	38.1	34.2	56.7	-9.9
Connectivity	10.1	12.1	-2.0	-16.7	10.8	-6.7	17.0	-40.8
Total	98.1	85.5	12.6	14.7	75.0	30.8	107.8	-9.0
EBITDA, reported (EURm)								
Smart industry	-2.7	1.3	-4.0	-304.5	1.1	-341.4	0.7	-471.5
Power	8.0	1.3	6.7	524.8	0.2	3424.8	9.8	-18.4
Connectivity	-0.6	0.0	-0.6	-5860.0	0.0	-1340.0	1.1	-153.6
Others	-0.2	-1.3	1.1	83.0	-1.2	81.6	-3.9	94.2
Total	4.5	1.3	3.2	258.0	0.1	7658.6	7.7	-41.2
EBITDA margin (%)								
Smart industry	-7.2	4.2		-11.5pp	4.2	-11.5pp	2.1	-9.3pp
Power	15.6	3.0		12.6pp	0.6	15.0pp	17.2	-1.6pp
Connectivity	-5.7	0.1		-5.8pp	-0.4	-5.4pp	6.3	-12.1pp
Total	4.6	1.5		3.1pp	0.1	4.5pp	7.1	-2.5pp
Adjusted EBITDA margin (%)	4.6	1.5		3.1pp	0.5	4.1pp	7.1	-2.5pp

Source: SEB

Outlook: FY2024 guidance unchanged

FY2024 sales to be in the range of EUR 365-435m, mid-point being at EUR 400m (SEBe pre-Q1 of EUR 397m). FY2024 EBITDA is guided to be in the range of EUR 15-25m (SEBe pre-Q1 EUR 20.1m).

Impact:

EBITDA beat came from wind power development gains, which were not included in our estimates. Underlying EBITDA (excl. wind power) was clearly weaker-than-expected. Challenges with covenants to raise questions if the company needs additional equity funding. EBITDA estimates (excluding onshore development) are likely to come down some 5-10%, or EUR 1-2m, for FY2024.

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