

CEO Letter in October 2020

We have many new shareholders in Enersize and I want to tell you about our work so that you can understand what we do.

Over the past two months, Enersize has set its course with full force towards the long-term goal that the board and I have set for the company, namely to build an increasing base of recurring revenue that gives the company vitality and creates the conditions to make Enersize a market-leading supplier of Software-as-a-Service ("SaaS") for energy optimization of industrial compressed air.

Maybe you are wondering why it has only started to happen now?

During the winter of 2018/2019, I implemented radical changes and the company was merged with the assets of LMS Nordic AB to integrate their software support for leakage management into our SaaS portfolio. The business model was adapted to the new product portfolio. The company was burdened by several project loans and convertible loans, a so-called "death spiral" that pulled down the share price.

Subsequently, Enersize raised capital and succeeded as a debt-free company in breaking the negative spiral. When Covid-19 went down like a bomb in March, we had to rethink funding and we made a successful rights issue that was oversubscribed. Unfortunately, it led to a large dilution, but it was my assessment that the issue was necessary to create long-term stability. In connection with the Covid-19 pandemic, however, it became increasingly clear to me that the way we worked with sales and marketing would not take us where I wanted, despite the fact that we hired several new salespeople.

In August, a second major restructuring was carried out. The sales office in Gothenburg was closed down and the business was centralized in Lund. Enersize has since also recruited a new sales and marketing manager with extensive experience in building up software companies. Now I believe that we have good conditions and the right people to take us through the transition to a pure software company. We have also taken a place among the other tech companies at Ideon Science Park in Lund and feel that we have found exactly the right place to be.

In less than two months, we have developed a new partner model, updated our sales strategy and pricing model and developed broader sales support; all adapted to our strategy of making Enersize a pure SaaS company. I am more positive about Enersize's opportunities to grow now than I have ever been and feel humbled by the support and focused work done by my colleagues.

So what exactly is happening in Enersize?

We have repackaged our product portfolio to what we simply call "Compressed Air Services"; a SaaS portfolio that is unique in its kind with services for immediate screening of compressed air systems to visualize the status and possible energy optimization measures, services for leakage survey and repair, and services for monitoring, surveillance and continuous energy optimization.

To be able to scale up the business, we work with partners, both in Sweden and internationally. We have created a simple pricing model that rewards longer subscriptions of 3 and 5 years and which is based on the large profits that can be obtained when you optimize compressed air. The partners we work with can feel secure with the simplicity of our model and the fact that we want to become the world's leading supplier of software for energy optimization of industrial compressed air. Our partners can sell pneumatics, hours and work to upgrade end customers' factories in various ways and use Enersize's software and training as support.

We develop a training package for all our services, perform tests of the knowledge and certify partners and make them "Enersized". In order to be able to deliver services with our software, quality must be ensured as only concrete results are counted for our partners to have satisfied customers and be able to grow.

The partners we want to work with are primarily large companies that have an existing customer base in the industry and that can also handle compressed air with the help of Enersize. There I see that we have a job to do in some countries where our current partners are too small to be able to scale up sales.

I have just reported on our letter of intent with a new partner in Morocco, SCOPP Solutions, which intends to work in North and West Africa. Negotiations between SCOPP Solutions and Enersize have been ongoing since May 2020, but accelerated in recent weeks as Enersize updated its partner model to enable scaling based on the SaaS platform. It is very clear that the simplicity of our new model appeals to partners and we expect to continue to grow in the new model while we fine-tune with growing experience.

In parallel with the new business model and the work of gaining recurring revenue, we have a broad customer base that we can use to make various forms of efficiency projects using the model we worked with previously. We see that the industry continues to open up and if Covid-19 does not flourish again, we should be able to grow our revenues also through, for example, leakage survey and repair projects, well aware that it is not these that will give us our long-term success.

All in all, these are exciting times of change for Enersize.

Anders Sjögren, CEO

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About Enersize

With its proprietary patent-pending automated software for energy optimization of industrial compressed air, Enersize has a scalable platform for well established partners selling pneumatics or maintenance. Partners are trained and certified by Enersize and can, using **Enersize's Compressed Air Services** SaaS provide 10-50% energy savings in industrial compressed air systems. **Enersize's Compressed Air Services** SaaS includes software for instant scrutiny of a compressed air system, leakage management, and continuous measuring and monitoring. The Company's cloud software saves energy and reduced carbon footprint and has a very short payback time. The company has more than 4000 customers worldwide. 10% of the industry's electricity consumption is used to produce compressed air, corresponding to about 2% of the world's total electricity consumption. The company is headquartered in Lund and the corporation includes companies in Finland and China.

The company is listed on Nasdaq Stockholm First North Growth Market under the ticker: ENERS.
<https://enersize.com>

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Image Attachments

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Attachments

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