

## CEO letter in April 2020

**It's been a couple of months since I wrote the last CEO letter and very exciting things are happening at Enersize that I want to tell you about. The order intake (not invoiced) during Q1 was almost as high as sales (invoiced) for the full year 2018, despite declining sales at the end of Q1 due to COVID-19. The outside world has changed rapidly with the outbreak of COVID-19 in Sweden and Europe, and I will touch on how the Company is affected by this.**

As I mentioned in my Facebook presentation, our assessment is that Enersize is very strong in times of economic downturn, but the situation right now is exceptional in many ways. We are therefore launching new product concepts with something that we believe turns the difficult situation for the industry into a win-win situation for the industry and us. For this purpose, Enersize's new sales force has created some extremely attractive product packages. A variant we call Enersave-4000 includes an extended on-line training, a professional ultrasound instrument for leakage survey, as well as a 12-month LEAQS license for our new mobile app and web reporting. We can sell this for a price which means that a customer can be cash flow positive the same day they start with leakage management! At the same time, this provides a direct cash injection for Enersize with a good margin, and a chance to increase our license revenues in the longer term. Our three new salespersons have only been working for two weeks but this week they will start calling customers. We have worked to provide them with a CRM and telephony system where they can strategically work with our customer base.

I am proud of the work and now see an opportunity that our new concepts in COVID-19 times can actually be the beginning of our breakthrough. Sometimes difficult times can create the focus that makes you succeed in creating something really good. I hope so!

### **Organisation**

Enersize is undergoing major changes. In just over a month, we have gone from five to nine employees in Sweden. A newly hired technician and four salespersons. Our two inside sales Peter Björkdahl and Markus Berg as well as our outside salesperson for southern Sweden, Steffen Kjellskog, started two weeks ago. Jonas Björck, our second outside salesperson who has been with us for just over a month, is taking northern Sweden. The company now has four full-time sales staff led by Sales and marketing director Daniel Winkler!

I am very pleased with the outcome of our work on recruiting to Enersize, which means that we can now carry out the sales expansion we started talking about already last year before the issue.

The past two weeks have been characterized by focused activity to get all tools and systems and new product offerings in place to start the sales work for our new employees.

In China and Korea, the collaboration with Aden continues and we hope to close our first deal with them to move from theory to practice even in that collaboration. We have been an employee of our Chinese subsidiary for over a year, but from May 1, we will only work through partners in Asia. In my opinion, this is a step forward as we have been able to gradually develop our customer relations in China so that we are less dependent on having staff employed locally. We will now be able to reduce our costs while focusing more on our strategic partnering.

### **Influence of the corona virus**

As a result of the spread of the corona virus, the manufacturing industry, Enersize's customers, generally reduces the availability of its factories significantly. This means that project implementation is delayed. At present, the majority of our projects have been postponed; leakage management at SCA Ortviken and compressed air analysis at Grundfos' head office in Bjerringbro, Denmark, and the completion of installation of Q + in a factory in Norway, to mention a few. These delays mean that the cash flow for Enersize will be impacted as invoicing is done when the work is done.

Furthermore, Enersize's salespersons often cannot meet customers in physical meetings, which is why the Company's sales organization adapts its strategy. The outside salespersons will to a greater extent work as an inside salespersons and carry out qualified telephone sales.

To facilitate sales, the online training in compressed air will be highlighted as a good alternative that does not require a physical meeting. The online education is currently available in Swedish, English, Norwegian, Polish and Chinese, but the Company now also translates to Danish and German. We also extend the training so that you can do leakage yourself after completing the training. Enersize is also looking into testing the concept of teacher-led on-line education.

We are working to increase sales in the markets that have already suffered and recovered from the corona crisis, such as China and Korea. Outside salesperson Steffen Kjellshög speaks German fluently, which the Company sees as very positive for expanding in the German market.

### **Sales**

Sales in Q1 2020 show major progress with sales (placed orders, not invoiced) that almost reach sales for the full year 2018; this despite the fact that during Q1 we only had one outside salesperson employed. In total, sales during Q1 (new orders and ongoing subscriptions without regard to accrual) amounted to approximately SEK 2 million. The distribution is 75% Sweden, 8% Denmark, 7% Finland, 5% China, 4% Norway and Germany 2%.

Sales slowed sharply already in March, which is why sales in Q1 were lower than expected. The slowdown was due to the fact that Sweden's industry began to close its doors to our salespersons and technicians and that our outside salesperson Jonas Englund handed over to Jonas Björck who obviously needed some running-in time. Despite this, Jonas Björck had sales of over SEK 150k in March. Good work!

Jonas two orders in March came from Sna Europe AB, who among other things manufactures tools of the Bahco brand, and Ahlstrom Munksjö Aspa Bruk AB, a global leading supplier of fiber-based materials, and both are leakage management projects in different forms. Here we have two

more customers, in addition to Grundfos I reported last month, which shows the strength we have at Enersize. The companies are internationally established with many factories in and outside Sweden. They also have a clear focus on sustainability from the management and down the organization and we will do our utmost to deliver unbeatable quality to tie customers to us for long-term collaboration.

Q2 will be considerably weaker, but I believe in our new salespersons and look forward to following their work as they start our new product concepts this week.

### **Research, development and new products**

We have a small and incredibly effective development organization that I often feel proud of.

In recent months, we have built a brand new mobile app for Android and iOS to expand and improve the use of LEAQS. Look for LEAQS on Google Play and the Apple Appstore. This is the Company's mobile apps premiere and a breakthrough that we longed for.

Bo Kuraa has worked on creating a whole new type of product that is unique in the market that we have now sneaked out to some customers, including Grundfos. It is a concept for on-line analysis of compressed air systems that does not require any installation or visits from Enersize. You read right! How does it work? The equipment is suspended at strategic points in the compressed air system and data is read out after about two weeks and uploaded into the cloud. The data gives us a unique insight into the entire compressed air system so we can quantify efficiency and leakage. The customer receives a report and suggestions for action. This product differs from those on the market in that we analyze the entire compressed air system, which is absolutely necessary to draw the correct conclusions from the information. I will tell you more about this product later when we launch it on a wider front.

Enersize has also adapted Q+ for our zone-based approach where we can measure leakage in different parts of the factory to put targeted leakage management efforts and thus minimize maintenance costs over several years.

Together with Scania, we have launched a software project where we open a new API between Q+ and the factory to enable arbitrary data from all their automation systems to be read out.

The sales team needs a dedicated web-based customer portal and we work with feasibility studies to choose the right tool.

### **Financial development**

The decrease in sales and invoicing that follows the outbreak of COVID-19 in Sweden has led to Enersize not being able to follow the budget set for 2020. The development at the beginning of the year looked good, but after that sales decreased and we need to make adjustments to the situation. The management therefore takes several measures.

In the expansive phase that Enersize is in, new hires are seen as an important strategic investment, so for example, giving notice to new employees are not seen as a realistic alternative.

Enersize makes use of short-term lay-off to the extent that it is appropriate as of March 16 and benefits from the temporarily reduced employer contributions. I also intend to take advantage of the opportunity to request a deferral of tax payments to the Swedish Tax Agency.

Enersize's Board of Directors and management are looking at financing alternatives to bring the Company intact through the crisis. There are currently many options on the table; for example various forms of grants and temporary loans. We believe in Enersize and our employees all show great commitment. This, together with the almost incomparable customer benefit we add, will give results. Maybe not in Q2 but it is in progress now!

I am of the opinion that the services we offer become even more interesting as the industry returns to normal but has to be more cost conscious. Just what we have been wishing for at Enersize!

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**About Enersize**

With its proprietary patent-pending automated software, **Enersize Q+** for leakage management, data collection and analysis, Enersize can provide 10-50% energy savings in industrial compressed air systems. With **Enersize Enterprise**, the customers can measure and monitor several factories centrally. Through the recently acquired **Enersize LEAQS** system, the company has access to more than 9000 leakage management projects, and the associated more than 4000 customers worldwide. The combination of the company's software services can increase the customer's savings in running projects, while generating direct license and project revenue. 90% of the manufacturing industry uses compressed air, which constitutes about 2% of the world's total electricity consumption. Among Enersize's existing customers are one of the world's largest manufacturers of flat screens and well-known car manufacturers and steel mills. The company is headquartered in Helsinki, have a sales offices in Gothenburg and Shanghai and a development office in Lund.

The company is listed on Nasdaq Stockholm First North Growth Market under the ticker: ENERS.  
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*This information is information that Enersize is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2020-04-16 10:00 CEST.*

## **Image Attachments**

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[2020 04 14 Anders Sjogren](#)

## **Attachments**

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[CEO letter in April 2020](#)