



# enersize

## **Enersize further develops business model and strategy based on the opportunities arising from the two patent applications submitted by the company**

*English translation of earlier released news:* Enersize Oyj ("Enersize") has submitted two patent applications per 2018-03-20, which the Board considers to be of major strategic importance to the company. The applications concern, in part, a method for simulating and evaluating compressor systems, as well as a method for analyzing energy efficiency and causal links in compressor systems. The patent means that a 2018 launch of automated licensed software is now possible.

Due to the opportunities that arise with these patent applications, Enersize will develop its business model, goals and growth strategy focusing on growth through licensing agreements. Enersize will now also be able to offer the technology to new and existing customers on a licensed basis, as well as utilize it in ongoing projects.

### **Background**

The characteristics of the invention mean that the company's previously communicated goals regarding having an automated licensed system by end of 2019 will be launched already in 2018. The company has previously announced that an automated licensable software is the largest long-term market and profitability opportunity for optimization and management of industrial compressed air systems. The company has also assessed the market and there is a major first mover advantage.

With a possible early submission of this type of licensable software already in 2018, the company has chosen to revise its growth strategy in order to better utilize this opportunity. This document is an overview of the newly formulated strategy, and the company will later communicate more details about implementation and future plans. Compared with a focus on the implementation of savings projects only, software licensing means a market with significantly better long-term potential, less personal resources, better scalability in sales and the possibility of higher product margins.

### **Summary of patent advantages and strategic impact**

- The patents mean that analysis of production efficiency, compressor utilization and matching of compressed air consumption can be automated.
- The patents replace and provide a significantly improved analysis compared to today's time-consuming manual analysis that also requires deep expert knowledge.
- The patents provide an automation degree of the analysis so that it can be performed on factory-level without assistance.
- The analysis can also take place in real time, which provides major benefits in relation to, for example, production changes, and also enables continuous system monitoring and automated fault and inefficiency detection.
- Technically exclusivity make cooperation with other market players a new possibility through, for example, technology licensing or market collaboration, which allows for significantly better scalability in the future.
- Enhanced overall protection for Enersize's customer offering by preventing other players from offering equivalent products.
- The inventions will have a positive impact on both the sales process and ongoing projects as it will now be possible to share a deeper insight into both the analysis and the result with the customers.
- The technology enables the analysis to be performed much faster and with shorter measurement periods than before.
- It will be possible to implement preliminary efficiency analyzes on customer systems, even without the previous collection of measurement data, which mean that the technology can be used already in the pre-sales process and can also be offered as a standalone software to customers who can use it for independent evaluation on compressor investments.
- With patent-pending technology and software with significantly better performance than other available options for efficiency analysis and system insight, a strong competitive advantage is created.
- The patents allow for a shorter time-to-market for the autonomous, fully-automated analysis software that Enersize aim to launch. In addition, the patented methods enhance the precision and quality of this type of automation.

- Enersize has conducted test runs on existing customer systems, with direct savings potentials of up to 40% detected.
- About 70% of all test systems tested have proven to be both wrongly-dimensioned by the compressor suppliers as well as having incorrect control parameters set which causes both latent instability and inefficiency.
- Within the group of smaller systems under 2MW installed capacity, 100% of the test run systems were found to have wrong design and incorrect settings with instability and low efficiency as a result.

In connection with this press release, Enersize has also released an additional press release with more information about the patents and the review process. The press release can be downloaded from [www.enersize.com/news/](http://www.enersize.com/news/).

### **Continued development and updating of the company's strategy based on the characteristics and benefits of the patents**

Enersize has so far relied on protecting its technology by offering its customers access to technology through project collaboration where Enersize has been responsible for analysis work and the use of SaaS (Software as a Service). However, this has resulted in limitations in how Enersize has been able to develop its business and not given the scalability that is desirable as the most powerful analytical methods could not be utilized by partners, or directly used by customers without the risk of copying of the technology. Patent protection prevents such copying, enabling Enersize to give other parties access to powerful analytical methods through software licensing.

As Enersize has not been able to protect its technology in any other way than preventing customers and partners from fully accessing the technology, the company has been forced to rely on building up the company by carrying out saving projects themselves. As this requires local presence, customer confidence and expert resources, scalability is lower than for an offer based on software and revenue through licenses. Software sales with standalone software products can achieve better scalability through independent sales directly to end customers or through partners, distributors or local companies that offer compressed air optimization.

The patents also allow for a shorter time-to-market for the autonomous fully automated analysis software that Enersize aim to launch. This is of major strategic importance and the company's goal is to adapt its growth strategy in order to make optimal use of this opportunity. This means that Enersize will now be able to offer this type of standalone software product to partners and end customers earlier than expected. To utilize this advantage, Enersize intends to launch the construction of a customized international sales organization.

The prior art review that has been made in connection with the patent applications has also shown a nearly complete absence of public patent documents aimed at analysis / computer-based analysis of industrial compressed air systems. This has strengthened Enersize's view that the software developed by the company is unique and demonstrates the importance of creating a key position in the market early.

Enersize knows that their target market lacks competitors. This means that an active and aggressive patent strategy by Enersize provides an opportunity to grab a large part of the market potential through strong IP protection. This constitutes a long-term opportunity, and Enersize therefore intends to adapt its future strategy and development accordingly.

Starting with these two strategic key patent applications, Enersize's continued strategy is to build on the patent portfolio with the ambition to continuously apply for new patents. By creating a solid patent portfolio in the field of computer-based analysis and visualization for industrial compressed air systems, a tool is created to prevent or obstruct potential future competitors.

An early launch of autonomous software and the creation of a customized sales organization together with an active patent strategy may entail that certain costs arise at an earlier stage. If the capital market and the company's situation are right, this may mean that Enersize may choose to make further capital raises in the future to accelerate corporate development and create a market leading position in software for analysis and maintenance of industrial compressed air systems as well as to create barriers to any subsequent competitors that may enter the segment.

Enersize estimates that the market is largely untouched and that the company is in a unique position to exploit this. The company's new objective is to become a global leader in the market for software for measuring, analyzing, monitoring and servicing industrial compressed air systems. This will emerge as the company's main focus on growth.

Enersize will allow the Chinese project business to continue to grow organically in line with previous plans and strategies as well as further expanding project activities to new geographic markets targeting the largest plants. Due to the patent applications filed and any further future patent applications, Enersize will now focus on building a fully-fledged intellectual property-protected software offering as the main future growth strategy based on licensing. Enersize intends to also build the license model with a focus on sharing savings achieved, giving customers a guarantee that license costs will never exceed any potential savings. The Company's Board of Directors believes that this allows for higher average customer license fees and facilitates sales.

The technology for analysis and causal relationship that Enersize develops has potential applications even in nearby areas such as industrial heat / boilers and pumps, which together with compressed air account for the major part of industry's energy use. As there are major sales and development synergies for these areas, among which several existing customers use these systems to a large extent, Enersize will evaluate these areas to determine if the company will develop and offer products for these areas as well.

Enersize is currently researching methods for smart analysis of end-use of compressed air. This includes, among other things, evaluation for classification using machine learning. The aim of this research is to provide further patent applications of corresponding strategic significance in the foreseeable future.

### **Impact on previously communicated goals**

The revision of the strategy has been purely operational starting in 2017, and in the light of this, in 2017, the company has prioritized technology development with the aim of achieving as quickly as possible an intellectual property protection that enables the exploitation of technology through software licensing. The goal has now been met with the filed patent applications. This priority has meant a shift of resources from the project area, and is also partly the underlying reason to certain other decisions, such as postponing recruitment of new sales manager for Europe. It has also to some extent meant a slightly delayed development of Chinese project operations compared with the company's original plans. Updated future sales targets based on the developed strategy will be communicated more in detail at a later date.

### **Christian Merheim, Executive Chairman Enersize, comments:**

*"Given the strong technical and business benefits of these inventions, it has been an easy decision for us to focus on developing this further*

towards creating a world-leading software. Customer needs are there, there are no competitors with corresponding software offerings and the timing could not be better considering developments around IoT and Industry 4.0.

With the right technology, we can change the world, in our case for the better, and with strong intellectual property protection, we can exploit our position in a powerful way. It is extremely pleasing that, after much hard work, Enersize has finally reached this point.

The development of our strategy that we now present in order to take advantage of these opportunities really appears to be a natural step for the company to take."

**Sami Mykkänen, CEO Enersize, comments:**

"A number of years ago, Enersize was a clean energy measurement technology company. In recent years, we have gone from pure measurement technology to becoming analysts in compressed air and now, with these new patent applications and updates of our strategy and development plan, we are already taking the step to offer automated solutions. It has been a very rewarding journey so far and I am confident in what we can achieve in the future, both with Enersize as a company and by actively helping the manufacturing industry around the world to easily and economically reduce its carbon footprint."



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*This is an unofficial translation of earlier disseminated regulatory news in Swedish. For any discrepancies in the text we refer to the Swedish version.*