

Transtema Group AB

Business Services
Sweden

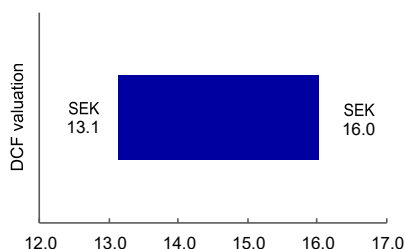
KEY DATA

Stock country	Sweden
Bloomberg	Trans ss
Reuters	Trans.st
Share price (close)	SEK 9.50
Free Float	100%
Market cap. (bn)	EUR 0.04/SEK 0.36
Website	www.transtemagroup.se/
Next report date	

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	-5%	-8%	-7%
EBIT (adj)	18%	4%	7%

Source: Nordea estimates

Nordea Markets - Analysts

Klas Danielsson
AnalystFredrik Stenkil
Analyst

Strong profitability, sales growth to come

While Transtema reported soft sales in Q3 2020, ~15% below our estimates, we expect the trend to turn in the coming quarters as the company continues to ramp up its contracts with 3GIS, E.ON and Telia. Driven by high cost efficiencies, Transtema delivered its strongest EBITA margin since 2017, leading to a 28% beat on adjusted EBITA. Due to the solid margins (partially counteracted by the divestment of two subsidiaries and slightly lower organic sales growth), we raise EBITA by 1-2% for 2021E-22E and raise our DCF-based valuation range to SEK 13.1-16.0 (12.6-15.6).

Impressive margins strengthen our views on profitability

Transtema reported sales of SEK 304m, 15% below our estimate, and adjusted EBITA of SEK 19m, 28% above our estimate. The miss on sales was mainly driven by a larger than expected drop in revenues from copper network O&M contracts, delayed projects due to COVID-19, and a slower than expected ramp-up of the 3GIS contract. The beat on adjusted EBITA was driven by strong underlying profitability, with an adjusted EBITA margin of 6.3%, which is the highest since Q2 2017. We are positively surprised by the company's margin improvements, that are being delivered faster and at a higher level than we had expected. This strengthens our confidence in Transtema reaching, and even surpassing, its 5% EBITA margin target.

Strong contract pipeline to ramp up and potential 5G upside

As the company will start delivering on its announced SEK 345m contract pipeline in Q4 2020 and Q1 2021, we believe that its growth rate will turn positive during the coming quarters. We expect a gradual ramp-up in Q4, with close to full volumes throughout Q1 2021. This translates to organic growth of 5.9% and 19.0% in Q4 2020E and fiscal year 2021E, respectively. With the Swedish 5G spectrum auction coming up in mid-November, we expect 5G installation contracts to start being announced soon and the network roll-out to accelerate in 2021. As the potential volumes are uncertain, we have not included any larger volumes from 5G in our estimates. Instead, we opt to view this as a potential option, which could yield upside to our estimates for 2021-22.

44% discount to peers

Transtema's shares are trading at 7.3x 2021E adjusted EV/EBITDA, a discount of 44% to other business service and installation companies. Our valuation range of SEK 13.1-16.0 implies a discount of 13-26%.

SUMMARY TABLE - KEY FIGURES

SEKm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	432	970	1,058	1,497	1,422	1,644	1,706
EBITDA (adj)	44	43	-24	137	150	167	183
EBIT (adj)	37	26	-71	29	51	50	64
EBIT (adj) margin	8.6%	2.7%	-6.7%	1.9%	3.6%	3.0%	3.7%
EPS (adj, SEK)	1.43	1.46	-2.04	-8.00	0.62	0.67	0.94
EPS (adj) growth	n.a.	2.6%	-239.1%	-292.8%	107.8%	6.5%	41.2%
DPS (ord, SEK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	1.1	1.0	0.6	0.3	0.4	0.3	0.2
EV/EBIT (adj)	13.0	36.0	n.m.	14.0	9.8	9.6	6.7
P/E (adj)	16.5	24.5	n.m.	n.m.	15.2	14.3	10.1
P/BV	4.3	3.2	1.2	1.7	1.7	1.5	1.3
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	-7.7%	-10.1%	-4.1%	-6.3%	1.1%	10.7%	14.1%
Net debt	43	124	282	235	137	112	60
Net debt/EBITDA	1.0	2.9	n.m.	1.7	1.0	0.7	0.3
ROIC after tax	35.8%	7.2%	-11.0%	4.9%	11.8%	10.6%	13.9%

Source: Company data and Nordea estimates

Company overview

Transtema is a Swedish company that delivers services and solutions in networks and communications infrastructure. It is one of the leading players in the market, and its biggest customer is currently Telia. The company recently changed its strategy, discontinuing its operations in the FTTH and in the data centre and cloud infrastructure segments; it also shifted its focus to operation and maintenance services. The company employs around 920 people and has operations in 35 different locations in Sweden, as well as in Oslo, Norway.

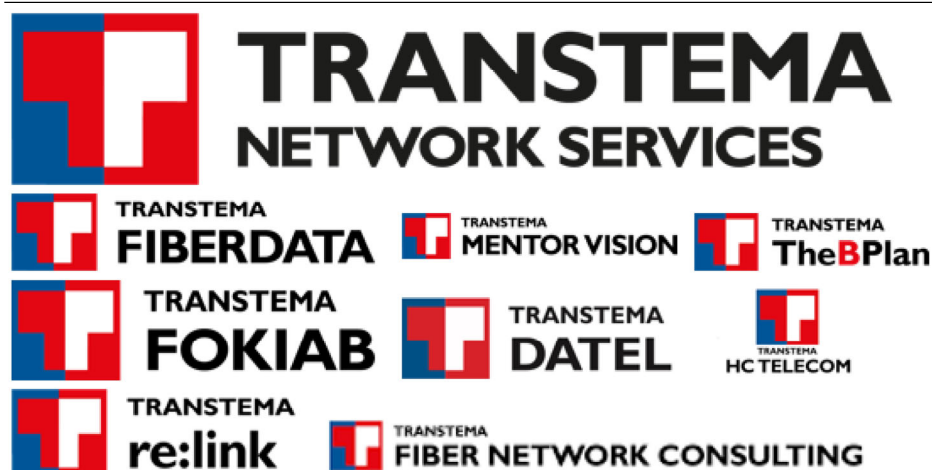
Transtema is involved in the design, construction, maintenance and operation of communication networks

Company overview

Transtema consists of ten subsidiaries and is active in both construction, where it can handle large turn-key projects, as well as aftermarket services in the operation and maintenance of communication networks. Traditional telecommunication network owners are its largest customers, however, Transtema can also address installation and maintenance of smaller and more concentrated networks. The company generated approximately 96% of its revenues in Sweden during 2019, whereas the remainder came from its operations in Norway. Transtema has developed three financial targets that it is striving to achieve over the course of an economic cycle:

- Revenue growth of 3% per year
- An EBITA margin of 5%
- Net debt/EBITDA below 3x

TRANSTEMA SUBSIDIARIES



Source: Company data

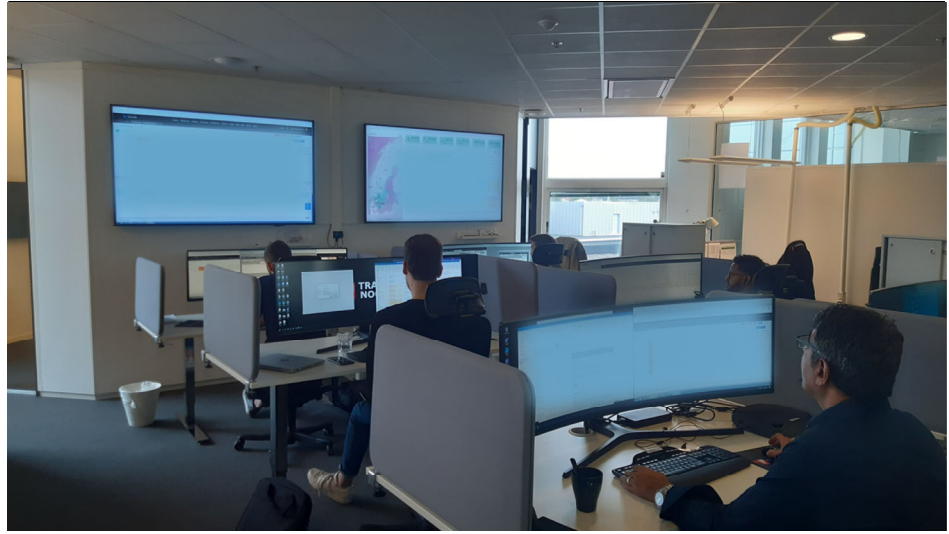
Transtema's main income driver is now in operations and maintenance

While the company's core operations historically have been FTTH installations, it recently shifted strategies by divesting the business area due to its poor profitability and unstable nature. The core of Transtema's new strategy is a focus on its operations and maintenance business (O&M), which is more stable and profitable than FTTH. In 2019, O&M generated 70% of net sales in the company's continuing operations.

The company has developed a proprietary IT system for resource handling, which optimises route handling and service agent allocation

The O&M business includes running the daily operations in the networks, which in turn includes ensuring the quality of service and minimising network downtime. To ensure maximum efficiency and quality of service, the company has developed a proprietary IT system for resource handling. The system automatically optimises ticket-handling routes and allocation for its service agents, in effect increasing the pace at which Transtema can handle its tickets and enhancing efficiency by increasing the number of tickets handled per employee. The maintenance division manages operations and maintenance for 25 network owners with a 24/7 service and network operating centre.

ONE OF TRANSTEMA'S NETWORK OPERATING CENTRES (NOC)



Source: Company data and Nordea

The company currently has a service coverage of 60% of the Swedish population, which it can reach within one hour, and is currently expanding to 100%

With the acquisition of TNS in 2018, the group increased its geographical coverage in southern and central Sweden and now has the capability of reaching 60% of the Swedish population within one hour. In order to support Transtema's contract expansion with Telia, the company is in the process of increasing its reach across Sweden. In time, the company will have service coverage of 100% of the Swedish population, which is a unique position in the country.

Transtema was founded in Mölndal in 1997, and has since grown from being a local player to a well-known national company

Company history

Transtema AB was founded in 1997 by current group CEO and member of the board, Magnus Johansson. It was first established in Mölndal, outside Gothenburg in Western Sweden, where its headquarters are still located. However, the company has expanded its operations and is now present in over 35 cities all over Sweden, as well as in Oslo, Norway. Over the years, the company has, through strategic acquisitions and business development, expanded from being a local player to becoming a well-known national company. Because of this, Transtema has succeeded in developing a solid business platform with a broad technical knowledge as well as large geographical coverage, which enables it to compete for large contracts, eg Telia and E.ON. Its wide geographical coverage enables it to reach approximately 60% of the Swedish population within one hour, a reach which will expand to 100% in December 2020 when new contracts are operational.

TRANSTEMA: MILESTONES

Year	Event
1997	Transtema is founded by Magnus Johansson, with a focus on radio link, network and consulting services
1998	First service agreement for operation of communication networks
2002	First service agreement for operation all day and night, all year around
2003	Optic fiber installations becomes bigger than radio link systems
2004	Starts own 24-hour network operating center, "NOC"
2008	Subsidiary Relink Network is established
2011	Introduction of management systems for quality assurance, environmental assurance and work environment Transtema acquires IP-konsulterna AB
2014	Transtema Group is created from Transtema AB and Relink AB and a new growth strategy is established
2015	Listed on Aktietorget
2016	Transtema Group acquires Fiber Gruppen i Sverige AB Transtema acquires Datelab AB Transtema acquires Fiber Solution Sweden AB Transtema acquires HC Telecom AB Transtema acquires WinCore AB Transtema acquires BearCom AB Transtema changes its listing exchange from Aktietorget to Nasdaq First North
2017	Transtema acquires Foki AB Transtema acquires Andersson & Jansäter Entreprenad AB Rights issue of 900,000 new shares Transtema acquires Effektivision AB Transtema acquires Fiberdata AB Transtema acquires Copiad Telecom Acquires TheBplan AS, Norway A project accounting issue is discovered in one of the groups subsidiaries, incurring negative effect on Q4 17 earnings
2018	Rights issue of 325,000 new shares Transtema acquires Ericsson Local Services AB and renames the entity Transtema Network Services AB
2019	Decides to divest Transtema Infrastructure, and file for bankruptcies for the subsidiaries Andersson & Jansäter, Nordlund Entreprenad and TIAB Recognises Transtema Infrastructure as discontinued TNS wins procurement, estimated order value from E.ON of SEK 180 million over three years
2020	TNS wins procurement with 3GIS TNS renews and extends its contract with Telia Transtema divests its Emerging Business segment

Source: Company data

The company experienced high growth in FTTH between 2016 and 2018 and made several acquisitions

However, the company eventually experienced governance and project calculation issues within its FTTH operations

The company decided to diversify into operations and maintenance at the end of 2018, as the market was refocusing away from construction

Subsequently, the company decided to divest its FTTH operations in 2019

Between 2016 and 2018, the company experienced high growth due to strong fibre expansion, spurred on by connectivity goals set by the Swedish government. During this period, Transtema focused on FTTH (fibre-to-the-home) construction, which included large turnkey projects and excavation activities. Moreover, the company made a large number of acquisitions within this area.

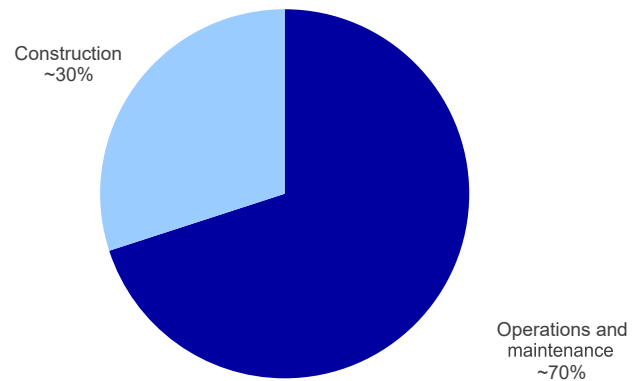
While the acquisitions created a solid foundation with a large geographical footprint, the high pace also led to governance problems in the company's portfolio of subsidiaries, as aggressive revenue recognition for some of its unfinished projects was eventually discovered. This resulted in significant writedowns and project losses. Moreover, final adjustments in excavation projects related to its FTTH operations continued to burden the company.

Strategy shift and acquisition of Ericsson Local Services

In 2018, the company started to experience a downturn in the FTTH market, as the market had matured and there was little to no expansion in the underlying fibre network. The company subsequently decided to diversify its operations by acquiring the maintenance-focused company Ericsson Local Services (LSS), stating that the market was gradually refocusing from construction to operation and maintenance. This marked a first step towards a new strategy entailing a greater focus on operation, maintenance and technical services related to network infrastructure.

In 2019, the company decided to divest its Infrastructure division and five of its subsidiaries active in the FTTH market. In conjunction with this, it also decided to exit Denmark. The new strategy and the acquisition of LSS changed the business mix radically for Transtema. Previously, 85% of the company's business consisted of building fibre networks, where Transtema had contracts controlling the whole value chain – from design to installation. Today, the mix is the opposite, with around 70% of the company's business consisting of network operations and maintenance ("O&M"), which is set to increase as new contracts are implemented in H2 2020 and 2021.

BUSINESS MIX AT THE END OF 2019



Source: Company data and Nordea estimates

We see the strategy shift as beneficial since the new focus is characterised by lower risk and seasonality, as well as by higher margins and more stability than FTTH

In our view, this represents a solid strategy shift, as O&M is typically characterised by longer contracts of around three to five years, better profitability and less seasonality than construction, as well as significantly lower project risk compared to the FTTH business. The company has also decided to discontinue its Emerging Business division, as it is not considered to be a part of Transtema's core operations. As a result of the implementation of the new strategy, the company now solely operates within its Network Services business area, in which it runs both construction and O&M.

Outcome and estimate changes

Outcome

OUTCOME VERSUS NORDEA MARKETS ESTIMATES

SEKm	Actual	NDA est.	Deviation		Actual	Actual		
	Q3 2020	Q3 2020E	vs. actual		Q2 2020	q/q	Q3 2019	y/y
Net sales	304	351	-47	-15%	344	-13%	401	-32%
Other Income	2	0	2	100%	2	-7%	20	-873%
Revenue	306	351	-45	-15%	346	-13%	421	-37%
Raw materials and inventory	-124	-144	20	16%	-149	20%	-207	67%
Other external cost	-30	-36	7	23%	-44	48%	-172	482%
Personnel expenses	-115	-136	21	18%	-134	16%	-131	14%
Other operating expenses	0	0	0	n.a.	0	n.a.	0	n.a.
EBITDA	38	35	3	8%	19	49%	-89	335%
Depreciation	-19	-21	2	12%	-19	4%	-23	24%
EBITA	19	14	5	28%	0	100%	-112	686%
Amortisation	-10	-4	-6	-65%	-4	-64%	-68	580%
EBIT	9	10	-1	-12%	-4	140%	-180	2074%
Net finance	-2	-3	1	58%	-3	52%	-4	115%
PTP	7	7	0	-1%	-6	185%	-184	2584%
Tax	0	-2	2	489%	1	-37%	-2	532%
Net profit	8	6	2	26%	-6	173%	-186	2474%
Ordinary EPS	-0.03	0.15	-0.18	-603%	-0.14	369%	-6.78	-100%
Diluted EPS	-0.03	0.15	-0.18	-603%	-0.14	369%	-6.78	-100%
Adj. EBIT	16	10	5	34.9%	10	33.7%	0	-8108%
Adj. EBITA	19	14	5	28.4%	14	27.1%	4	331%
Adj. EBITDA	38	35	3	8.3%	33	11.6%	28	37%
Adj. EBIT Margin	5.1%	2.2%	2.9pp	3.0%	2.1pp	0.0%	5.2pp	
Adj. EBITA Margin	6.3%	3.0%	3.3pp	4.1%	2.2pp	1.1%	5.2pp	
Adj. EBITDA Margin	12.4%	7.6%	4.8pp	9.7%	2.7pp	6.9%	5.5pp	

Source: Company data and Nordea estimates

Estimate changes

ESTIMATE CHANGES (SEKm)

SEKm	New estimates			Old estimates			Difference %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Net sales	1,422	1,644	1,706	1,491	1,783	1,832	-5%	-8%	-7%
Other Income	6	0	0	4	0	0	51%	n.a.	n.a.
Revenue	1,428	1,644	1,706	1,495	1,783	1,832	-4%	-8%	-7%
Raw materials and inventory	-590.6	-680.5	-701.6	-618.8	-733.2	-748.8	4.6%	7.2%	6.3%
Other external cost	-151.5	-162.3	-167.4	-162.9	-185.2	-189.1	7.0%	12.3%	11.5%
Personnel expenses	-550.2	-634.0	-653.6	-580.9	-692.8	-707.6	5.3%	8.5%	7.6%
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.
EBITDA	136.0	166.8	183.3	132.8	172.1	185.9	2.4%	-3.1%	-1.4%
Depreciation	-83.4	-100.6	-102.7	-87.6	-106.6	-108.2	4.8%	5.6%	5.1%
EBITA	52.6	66.2	80.6	45.1	65.6	77.7	16.5%	1.0%	3.8%
Amortisation	-21.6	-16.4	-17.1	-15.4	-17.8	-18.3	-40.8%	7.8%	6.9%
EBIT	30.9	49.8	63.5	29.8	47.7	59.4	3.9%	4.3%	7.0%
Net finance	-10.4	-12.1	-12.4	-11.5	-12.8	-13.0	9.7%	5.5%	4.8%
PTP	20.5	37.7	51.1	18.2	34.9	46.3	12.5%	7.8%	10.4%
Tax	-1.8	-8.3	-11.3	-3.4	-7.7	-10.2	45.8%	-7.8%	-10.4%
Net profit	18.7	29.4	62.4	14.8	27.3	56.5	25.8%	7.8%	10.4%
Ordinary EPS	0.17	0.77	1.63	0.31	0.71	1.47	-43.8%	7.8%	10.4%
Diluted EPS	0.17	0.77	1.63	0.31	0.71	1.47	-43.8%	7.8%	10.4%
Adj. EBITDA	150	167	183	147	172	186	2.2%	-3.1%	-1.4%
Adj. EBITA	67	66	81	59	66	78	12.6%	1.0%	3.8%
Adj. EBIT	51	50	64	44	48	59	17.5%	4.3%	7.0%
Adj. EBITDA Margin	10.5%	10.1%	10.7%	9.8%	9.7%	10.2%	0.7pp	0.5pp	0.6pp
Adj. EBITA Margin	4.7%	4.0%	4.7%	4.0%	3.7%	4.2%	0.7pp	0.4pp	0.5pp
Adj. EBIT Margin	3.6%	3.0%	3.7%	2.9%	2.7%	3.2%	0.7pp	0.4pp	0.5pp

Source: Company data and Nordea estimates

Valuation

Valuation methodology

From our DCF model, we derive a valuation range of SEK 13.1-16.0, based on a WACC in the range of 8.2-9.5%.

DCF VALUE

DCF value	8.2% WACC		9.5% WACC	
	Value	Per share	Value	Per share
NPV FCFF	783	20.4	675.1	17.6
(Net debt)	-235	-6.1	-234.7	-6.1
Market value of associates	0	0.0	0.0	0.0
(Market value of minorities)	-1	0.0	-0.7	0.0
Surplus values	0	0.0	0.0	0.0
(Market value preference shares)	0	0.0	0.0	0.0
Share based adjustments	0	0.0	0.0	0.0
Other adjustments	20	0.5	20.0	0.5
Time value	47	1.2	44.1	1.2
DCF Value	615	16.0	503.8	13.1

Source: Nordea estimates

WACC COMPONENTS

WACC components			
Risk-free interest rate		2.0%	2.0%
Market risk premium		4.5%	4.5%
Forward looking asset beta		nm	nm
Beta debt	0.10		0.10
Forward looking equity beta	1.80		2.20
Cost of equity	10.1%		11.9%
Cost of debt	3.0%		3.0%
Tax-rate used in WACC	22.0%		22.0%
Equity weight	75.0%		75.0%
WACC		8.2%	9.5%

Source: Nordea estimates

PEER MULTIPLES

	Mkt cap (SEKm)	P/E (adj)			EV/EBITA (adj.)			Div Yield (%)			Net debt/EBITDA		
		20E	21E	22E	20E	21E	22E	20E	21E	22E	20E	21E	22E
Key peers													
Eltel AB	3,242	n.a.	n.a.	n.a.	14.2	14.7	10.9	0.0%	0.0%	3.3%	2.0	1.6	1.0
Caverion Oyj	8,239	22.5	14.2	11.9	16.4	10.5	8.1	1.8%	2.8%	4.1%	1.3	0.5	0.3
Bravida Holding AB	21,449	21.6	20.6	18.8	17.1	16.2	14.7	2.3%	2.6%	2.8%	0.9	0.6	0.4
Spie SA	23,277	12.9	10.1	20.7	11.0	8.8	7.7	3.3%	4.1%	4.4%	3.2	2.4	1.9
Broader service peers													
Instalco AB	10,703	24.2	23.0	9.4	13.5	12.9	11.4	1.1%	1.2%	1.3%	1.1	0.5	0.0
Coor	6,006	14.5	13.0	12.5	13.5	12.9	11.4	6.0%	6.7%	7.0%	1.8	1.5	1.2
Securitas AB	46,285	15.3	13.4	12.1	12.5	10.7	9.6	2.9%	3.5%	3.9%	2.1	1.8	1.6
Loomis AB	16,165	14.0	10.2	9.7	n.a.	n.a.	n.a.	3.6%	5.0%	5.1%	n.a.	n.a.	n.a.
Lassila & Tikanoja Oyj	5,360	18.9	15.9	13.7	19.2	14.9	13.7	6.8%	6.8%	6.8%	1.6	1.4	1.3
Iss A/S	23,335	n.a.	18.9	9.8	n.a.	13.3	6.0	0.0%	5.4%	6.5%	15.2	4.5	3.3
G4S PLC	37,843	16.0	13.7	12.3	12.8	11.1	10.0	1.0%	3.4%	4.0%	2.6	2.3	2.0
Key peers average	14,052	19.0	15.0	17.2	14.7	12.5	10.4	1.9%	2.4%	3.6%	1.8	1.3	0.9
Peer average	18,355	17.8	15.3	13.1	14.5	12.6	10.3	2.6%	3.8%	4.5%	3.2	1.7	1.3
Transtema Group (Nordea est.)	355	14.9	14.0	9.9	7.4	7.1	5.2	0.0%	0.0%	0.0%	0.9x	0.4x	0.1x
- relative to key peers		-21.6%	-6.6%	-42.3%	-49.4%	-43.5%	-50.0%	-1.9 pp	-2.4 pp	-3.6 pp	-51.9%	-67.7%	-93.2%
- relative to peer group		-16.2%	-8.6%	-24.4%	-48.7%	-43.9%	-50.0%	-2.6 pp	-3.8 pp	-4.5 pp	-72.1%	-75.5%	-95.3%

Source: Refinitiv and Nordea estimates

Detailed estimates

QUARTERLY DETAILED ESTIMATES (SEKm)

SEKm	Q1 19A	Q2 19A	Q3 19A	Q4 19A	Q1 20A	Q2 20A	Q3 20A	Q4 20E
Net sales	406	412	401	429	343	344	304	432
Other Income	10	2	20	0	2	2	2	0
Revenue	415	414	421	429	345	346	306	432
Raw materials and inventory	-179	-190	-207	-192	-139	-149	-124	-179
Other external cost	-59	-57	-172	-43	-35	-44	-30	-43
Personnel expenses	-162	-164	-131	-145	-134	-134	-115	-167
Other operating expenses	0	0	0	0	0	0	0	0
EBITDA	15	3	-89	49	36	19	38	43
Depreciation	-25	-25	-23	-23	-22	-19	-19	-23
EBITA	-10	-22	-112	26	14	0	19	19
Amortisation	-5	-4	-68	-5	-4	-4	-10	-4
EBIT	-16	-26	-180	21	10	-4	9	15
Net finance	-5	-3	-4	0	-3	-3	-2	-3
PTP	-20	-29	-184	20	7	-6	7	12
Tax	5	6	-2	12	0	1	0	-3
Net profit	-15	-23	-186	32	7	-6	8	9
Ordinary EPS	-0.55	-0.84	-6.78	0.15	0.11	-0.14	-0.03	0.24
Diluted EPS	-0.55	-0.84	-6.78	0.15	0.11	-0.14	-0.03	0.24
Ordinary number of shares	27	27	27	27	27	33	38	38
Diluted number of shares	27	27	27	27	27	33	38	38
Adj. EBIT	-16	-26	0	21	10	10	16	15
Adj. EBITA	-10	-22	4	26	14	14	19	19
Adj. EBITDA	15	3	28	49	36	33	38	43
Adj. EBIT Margin	-3.8%	-6.3%	0.0%	4.8%	3.0%	3.0%	5.1%	3.5%
Adj. EBITA Margin	-2.4%	-5.3%	1.1%	6.0%	4.1%	4.0%	6.2%	4.5%
Adj. EBITDA Margin	3.7%	0.8%	6.6%	11.4%	10.5%	9.6%	12.3%	9.9%

Source: Company data and Nordea estimates

ANNUAL DETAILED ESTIMATES (SEKm)

SEKm	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Net sales	432	970	1,058	1,497	1,422	1,644	1,706	1,757
Other Income	1	8	45	30	6	0	0	0
Revenue	433	978	1,103	1,528	1,428	1,644	1,706	1,757
Raw materials and inventory	-288	-660	-621	-650	-591	-680	-702	-719
Other external cost	-44	-104	-148	-176	-152	-162	-167	-172
Personnel expenses	-57	-170	-355	-565	-550	-634	-654	-670
Other operating expenses	0	-1	-3	0	0	0	0	0
EBITDA	44	43	-24	137	136	167	183	196
Depreciation	-3	-7	-33	-92	-83	-101	-103	-104
EBITA	41	36	-57	45	53	66	81	91
Amortisation	-4	-10	-14	-16	-22	-16	-17	-18
EBIT	37	26	-71	29	31	50	64	74
Net finance	-1	-7	-9	-12	-10	-12	-12	-13
PTP	36	19	-80	17	20	38	51	61
Tax	-9	14	24	14	-2	-8	-11	-13
Net profit	27	33	-56	31	19	29	62	75
EPS	1.41	1.28	-2.03	-8.03	0.17	0.77	1.63	1.95
EPS	1.36	1.22	-2.03	-8.03	0.17	0.77	1.63	1.95
Ordinary number of shares	19	21	27	27	38	38	38	38
Diluted number of shares	19	22	27	27	38	38	38	38
Adj. EBIT	37	26	-71	29	51	50	64	74
Adj. EBITA	41	36	-57	45	67	66	81	91
Adj. EBITDA	44	43	-24	137	150	167	183	196
Adj. EBIT Margin	8.6%	2.6%	-6.4%	1.9%	3.6%	3.0%	3.7%	4.2%
Adj. EBITA Margin	9.5%	3.7%	-5.2%	2.9%	4.7%	4.0%	4.7%	5.2%
Adj. EBITDA Margin	10.2%	4.4%	-2.2%	8.9%	10.5%	10.1%	10.7%	11.1%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	n.a.	n.a.	n.a.	n.a.	432	970	1,058	1,497	1,422	1,644	1,706
Revenue growth	n.a.	n.a.	n.a.	n.a.	n.a.	124.3%	9.1%	41.5%	-5.0%	15.6%	3.8%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0	0	0	0	44	43	-24	137	136	167	183
Depreciation and impairments PPE	0	0	0	0	-3	-7	-33	-92	-83	-101	-103
of which leased assets	0	0	0	0	0	0	0	-75	-73	-87	-89
EBITA	0	0	0	0	41	36	-57	45	53	66	81
Amortisation and impairments	0	0	0	0	-4	-10	-14	-16	-22	-16	-17
EBIT	n.a.	n.a.	n.a.	n.a.	37	26	-71	29	31	50	64
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	-1	-7	-9	-12	-14	-16	-16
of which lease interest	0	0	0	0	0	0	0	-4	-4	-4	-4
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	0	0	36	19	-80	17	17	34	47
Reported taxes	0	0	0	0	-9	14	24	14	-2	-8	-11
Net profit from continued operations	0	0	0	0	27	33	-56	31	15	26	36
Discontinued operations	0	0	0	0	0	0	0	-250	-12	0	0
Minority interests	0	0	0	0	1	0	0	0	0	0	0
Net profit to equity	0	0	0	0	28	33	-56	-219	3	26	36
EPS, SEK	n.a.	n.a.	n.a.	n.a.	1.43	1.46	-2.04	-8.00	0.09	0.67	0.94
DPS, SEK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	n.a.	n.a.	n.a.	n.a.	10.3%	4.5%	-2.3%	9.1%	9.6%	10.1%	10.7%
EBITA	n.a.	n.a.	n.a.	n.a.	9.6%	3.7%	-5.4%	3.0%	3.7%	4.0%	4.7%
EBIT	n.a.	n.a.	n.a.	n.a.	8.6%	2.7%	-6.7%	1.9%	2.2%	3.0%	3.7%

Adjusted earnings

EBITDA (adj)	0	0	0	0	44	43	-24	137	150	167	183
EBITA (adj)	0	0	0	0	41	36	-57	45	67	66	81
EBIT (adj)	0	0	0	0	37	26	-71	29	51	50	64
EPS (adj, SEK)	n.a.	n.a.	n.a.	n.a.	1.43	1.46	-2.04	-8.00	0.62	0.67	0.94

Adjusted profit margins in percent

EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	10.3%	4.5%	-2.3%	9.1%	10.5%	10.1%	10.7%
EBITA (adj)	n.a.	n.a.	n.a.	n.a.	9.6%	3.7%	-5.4%	3.0%	4.7%	4.0%	4.7%
EBIT (adj)	n.a.	n.a.	n.a.	n.a.	8.6%	2.7%	-6.7%	1.9%	3.6%	3.0%	3.7%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30.6%	12.0%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	30.3%	33.5%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.9%	19.8%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-14.2%	-8.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0%	1.4%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.2%	8.2%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	16.5	24.5	n.m.	n.m.	15.2	14.3	10.1
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.m.	10.9	21.5	n.m.	3.0	3.3	2.9	2.3
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.m.	11.7	25.8	n.m.	9.1	7.5	7.2	5.3
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	13.0	36.0	n.m.	14.0	9.8	9.6	6.7

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E	n.a.	n.a.	n.a.	n.a.	16.5	24.5	n.m.	n.m.	n.m.	14.3	10.1
EV/Sales	n.a.	n.a.	n.a.	n.a.	1.12	0.96	0.63	0.27	0.35	0.29	0.25
EV/EBITDA	n.a.	n.a.	n.a.	n.m.	10.9	21.5	n.m.	3.0	3.7	2.9	2.3
EV/EBITA	n.a.	n.a.	n.a.	n.m.	11.7	25.8	n.m.	9.1	9.6	7.2	5.3
EV/EBIT	n.a.	n.a.	n.a.	n.a.	13.0	36.0	n.m.	14.0	16.2	9.6	6.7
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.m.	-15.7%	-10.7%	-14.4%	42.1%	26.7%	34.7%	38.6%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.m.	-7.7%	-10.1%	-4.1%	-6.3%	1.1%	10.7%	14.1%
Payout ratio	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0	0	0	0	74	230	255	180	161	148	134
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	40	111	131	87	74	61	47
of which goodwill	0	0	0	0	34	119	124	93	87	87	87
Tangible assets	0	0	0	0	24	51	219	158	154	164	160
of which leased assets	0	0	0	0	0	0	179	121	139	153	153
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	2	1	1	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	3	18	24	22	19
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	0	0	0	100	282	478	355	339	334	314
Inventory	0	0	0	0	1	18	19	17	20	23	24
Accounts receivable	0	0	0	0	101	190	199	163	99	114	119
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	72	200	416	220	182	211	219
Cash and bank	0	0	0	0	13	29	22	19	101	140	191
Total current assets	0	0	0	0	187	437	656	419	402	488	553
Assets held for sale	0	0	0	0	0	0	0	104	0	0	0
Total assets	0	0	0	0	287	720	1,133	878	741	822	867
Shareholders equity	0	0	0	0	103	252	323	104	219	245	275
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	1	0	0	1	0	0	0
Total Equity	0	0	0	0	104	252	323	104	220	245	276
Deferred tax	0	0	0	0	14	20	0	13	7	9	12
Long term interest bearing debt	0	0	0	0	33	39	31	47	13	13	13
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	11	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	93	66	84	97	97
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	47	59	124	137	105	120	122
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	0	0	67	187	328	166	107	124	129
Current lease debt	0	0	0	0	0	0	55	58	58	58	58
Other current liabilities	0	0	0	0	45	105	178	276	169	192	199
Short term interest bearing debt	0	0	0	0	25	116	125	83	83	83	83
Total current liabilities	0	0	0	0	136	409	686	582	417	457	469
Liabilities for assets held for sale	0	0	0	0	0	0	0	54	0	0	0
Total liabilities and equity	0	0	0	0	287	720	1,133	878	741	822	867
Balance sheet and debt metrics											
Net debt	0	0	0	0	43	124	282	235	137	112	60
of which lease debt	0	0	0	0	0	0	148	124	142	155	155
Working capital	0	0	0	0	62	115	128	-42	25	32	33
Invested capital	0	0	0	0	162	398	606	313	364	366	348
Capital employed	0	0	0	0	161	407	628	359	458	497	527
ROE	n.m.	n.m.	n.m.	n.m.	53.9%	18.5%	-19.4%	n.m.	2.1%	11.0%	13.8%
ROIC	n.m.	n.m.	n.m.	n.m.	35.8%	7.2%	-11.0%	4.9%	11.8%	10.6%	13.9%
ROCE	n.m.	n.m.	n.m.	n.m.	44.9%	6.6%	-15.4%	4.2%	10.0%	7.9%	10.0%
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	1.0	2.9	n.m.	1.7	1.0	0.7	0.3
Interest coverage	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	n.m.	n.m.	35.8%	35.0%	28.5%	11.8%	29.6%	29.8%	31.8%
Net gearing	n.m.	n.m.	n.m.	n.m.	41.0%	49.3%	87.2%	224.8%	62.5%	45.5%	21.8%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA (adj) for associates	0	0	0	0	44	43	-24	137	136	167	183
Paid taxes	0	0	0	0	-3	-9	-13	-10	-8	-6	-9
Net financials	0	0	0	0	-1	-7	-8	-13	-14	-16	-16
Change in provisions	0	0	0	0	0	0	0	11	-11	0	0
Change in other LT non-IB	0	0	0	0	0	0	-3	-15	-6	2	3
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	0	0	0	0	0	-4	-31	-71	59	0	-6
Funds from operations (FFO)	0	0	0	0	40	23	-79	38	156	146	155
Change in NWC	0	0	0	0	-70	-101	67	35	-68	-7	-1
Cash flow from operations (CFO)	0	0	0	0	-30	-78	-12	74	89	140	154
Capital expenditure	0	0	0	0	-4	-3	-4	-10	-11	-13	-14
Free cash flow before A&D	0	0	0	0	-34	-81	-16	64	77	126	140
Proceeds from sale of assets	0	0	0	0	0	0	0	10	20	0	0
Acquisitions	0	0	0	0	-35	-4	-40	-1	0	0	0
Free cash flow	0	0	0	0	-69	-86	-56	73	97	126	140
Free cash flow bef A&D, lease adj	0	0	0	0	-34	-81	-16	-11	4	39	51
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	0	0	0	0	11	46	74	0	53	0	0
Net change in debt	0	0	0	0	55	46	-14	-4	-34	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	-35	-87	-89
Other non-cash adjustments	0	0	0	0	17	10	-12	-47	0	0	0
Change in cash	0	0	0	0	13	16	-8	-2	81	39	51
Cash flow metrics											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	59.6%	18.9%	8.8%	9.3%	10.8%	11.2%	11.4%
Capex/Sales	n.a.	n.a.	n.a.	n.a.	1.0%	0.3%	0.4%	0.7%	0.8%	0.8%	0.8%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	9	24	36	14	6	10	10	10
Market cap.	n.a.	n.a.	n.a.	0	441	803	389	173	364	364	364
Enterprise value	n.a.	n.a.	n.a.	0	484	927	671	408	502	476	425
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	0.0	18.7	22.4	27.4	27.4	38.3	38.3	38.3

Source: Company data and Nordea estimates

Disclaimer and legal disclosures

Origin of the report

This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their unit Nordea Markets.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

Content of report

This report has been prepared solely by Nordea Markets.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision.

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

Validity of the report

All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

No individual investment or tax advice

The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources

This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

Risk information

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest

Readers of this document should note that Nordea Markets has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Distribution restrictions

The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US. This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946.

This publication or report may be distributed by Nordea Bank Abp Singapore Branch, which is subject to the supervision of the European Central Bank, the Finnish Financial Supervisory Authority and the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Fair value and sensitivity

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive. It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Marketing Material

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Market-making obligations and other significant financial interest

Nordea Markets has no market-making obligations in Transtema Group AB.

Investment banking transactions

In view of Nordea's position in its markets readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Completion Date

06 Nov 2020, 01:47 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland Tel: +358 9 1651 Fax: +358 9 165 59710 Reg.no. 2858394-9 Satamaradankatu 5 Helsinki	Nordea Markets Division, Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Nordea Markets Division, Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark Tel: +45 3333 3333 Fax: +45 3333 1520	Nordea Markets Division, Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway Tel: +47 2248 5000 Fax: +47 2256 8650