

Transtema Q1 2023: Harsh Norwegian Winter Hurting

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Redeye sees solid prospects for 2023 despite a soft Q1 heavily affected by the harsh Norwegian winter. While the demand for 5G installations is postponed to 2024 to some extent, the overall demand remains solid. Although we will likely somewhat lower our forecast and current Base Case of SEK55, we retain our positive view of Transtema.



Fredrik Nilsson

Both sales and adjusted EBITA came in below our forecasts due to a harsh Norwegian winter, hurting both Tessta and UBConnect. Tessta has been unable to dig (fibre), and UBConnect has been unable to climb (4G/5G). While the Norwegian winter is harsh sometimes, and we might have to adjust our forecasts to Transtema’s current seasonality, we believe the prospects for 2023 remain solid – Even though the demand from 5G will be lower than previously expected.

- Sales was SEK646m (445), 9% below our expectations, and the organic growth was 1.1%.
- Adjusted EBITA was SEK37m (28), 23% below our expectations.
- Sweden had a strong Q1, growing 4.4% organically with healthy margins.

While Transtema’s weather dependency might motivate a somewhat higher risk premium, we believe Transtema is on track for a solid full year in 2023. The postponed demand from 5G is a risk to 2023, but management has taken measures to offset that effect. Apart from that, management sees a continuing solid demand in both Sweden and Norway and retains its 7% EBITA margin target for the full year 2023, which is a high level in the sector. Also, we would not rule out that at least Tessta, focusing on fibre installations in Norway, could catch up with some of the lost revenue in Q1 during the rest of 2023.

We note that peers Eltel and Netel, also publishing their Q1 reports today, also had soft quarters, showing substantially lower adjusted EBITA margins than Transtema.

Although we will likely somewhat lower our forecast and current Base Case of SEK55, we retain our positive view of Transtema.

	Q1E 2023	Q1A 2023	Diff	Q1A 2022	Q4A 2022
Revenues	713	646	(9.4%)	445	772
Y/Y Growth (%)	60%	45%		15%	65%
EBITA	48	30	(36.8%)	20	58
EBITA Margin (%)	6.7%	4.7%		4.6%	7.5%
Adjusted EBITA	48	37	(22.8%)		
Adjusted EBITA margin	6.7%	5.7%			
EPS	0.63	1.20	91.3%	0.29	1.49

Source: Transtema & Redeye Research

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REDEYE QUALITY RATING

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PeopleBusinessFinancials

FAIR VALUE RANGE

Price 27.4

Bear 28.0

Bull 68.0

Base 55.0

TIMELINESS

1

KEY STATS

Market Cap	1.1 BSEK
Entprs. Value (EV)	1.0 BSEK
Net Debt (2022e)	-45.6 MSEK
30 Day Avg Vol	82 K
Shares Outstanding	39.5 M
Price / Earnings	11.4
PEG	N/A
Dividend Yield	N/A

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IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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