

Transtema Q2 2023: Soft Q2, Encouraging Outlook

Transtema Research Note 2023-08-10 ⓘ 09:57

Redeye will keep its positive view of Transtema following a softer Q2 than expected but with slightly more positive comments about 5G. While the rapid cut in demand for 5G and the related layoffs had a larger impact on Q2 than we expected, the situation within 5G seems to have stabilized. Also, management seems confident in gradually getting back to its margin target. We will likely lower our short-term forecasts while maintaining our long-term assumptions.



Fredrik Nilsson

- Sales was 3% below our expectations and grew by 14% y/y. Organic growth was -6%, following -9% organic growth in the Swedish business. The decline was related to the expected gradual discontinuation of the copper network. Transtema has previously been able to compensate for the decline by adding other sources of revenue. However, Sweden had negative organic growth in the quarter due to an accelerating shutdown of the copper network and a more challenging market in general.
- The adjusted EBITA (adjusted for SEK6.8m in restructuring costs) was SEK 21.3 (49.0), corresponding to an EBITA margin of 3.0% (7.9). Our forecast was SEK38.0 and 5.2%, and apparently, we underestimated the negative effect of the reduced demand for 5G.
- The CEO letter tells a somewhat more optimistic view regarding 5G than the news about the layoffs published on 22 June. The order intake regarding 5G has increased, and Transtema has received confirmed volumes for 2023/24, allowing the company to plan for the long term and secure solid profitability.
- The huge beat in EPS is related to write-downs of earn-outs and unrelated to the underlying business.
- While we will continue to expect gradual margin improvements, we will probably lower our short-term forecasts somewhat. However, we will likely leave our long-term assumptions largely unchanged. This will likely result in a small reduction of our Base Case.

	Q2E 2023	Q2A 2023	Diff	Q2A 2022	Q1A 2023
Revenues	735	713	(3.0%)	624	646
Y/Y Growth (%)	18%	14%		39%	45%
EBITA	38	14	(62.2%)	49	30
EBITA Margin (%)	5.2%	2.0%		7.9%	4.7%
Adjusted EBITA	38	21	(44.0%)		
Adjusted EBITA margin	5.2%	3.0%			
EPS	0.44	1.77	302.0%	0.91	1.20

Source: Transtema & Redeye Research

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REDEYE QUALITY RATING

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4

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People

Business

Financials

FAIR VALUE RANGE

Price 18.1

Bear 17.0

Bull 60.0

Base 47.0

TIMELINESS

0

KEY STATS

Market Cap	752.8 MSEK
Entprs. Value (EV)	707.2 MSEK
Net Debt (2022e)	-45.6 MSEK
30 Day Avg Vol	62 K
Shares Outstanding	41.7M
Price / Earnings	7.5
PEG	N/A
Dividend Yield	N/A

Data from 2023-08-10 ⓘ 09:57

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