

Transtema Q3 2023: Softer Than Expected – Yet an Improvement q/q

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Redeye sees a softer Q3 than expected, although there is still an improvement in EBITA margin q/q. The declining copper, a weaker overall market, and temporary effects resulted in negative organic growth y/y. While we will likely decrease our Base Case and forecasts, as the share trades far from our Base Case, we will most likely retain our positive view.



Fredrik Nilsson

- Sales was SEK603m (617) and came in 14% below our forecast of SEK702m. Organic growth was negative 16%, while our forecast was -2%. Sales in Sweden was -15% organically due to the liquidation of copper networks and a lower overall demand. Sales in Norway was -21% due to postponed orders following the storm “Hans” and lower overall demand.
- EBITA (adjusted for SEK16m in restructuring costs) was SEK21m (47.1). Our forecast was SEK 32m. While short of our forecast and declining y/y, the adjusted EBITA margin increased q/q to 3.5% compared to 3.0% in Q2 2023. The lower EBITA and margin than expected is likely a consequence of the lower organic sales.
- While the telecom market remained soft during the quarter, Transtema saw some positive signals later in the period. For example, Transtema has been invited to several larger procurements. Those signals give management hope for a possible gradual market rebound in 2024.
- We will likely lower our forecasts and Base Case. Although we will likely stick to expecting an improvement in 2024, our current 6% EBITA margin forecast is probably a bit optimistic, given the current market conditions. However, as the share trades far from our Base Case, we will most likely retain our positive view.

	Q3E 2023	Q3A 2023	Diff	Q3A 2022	Q2A 2023
Revenues	702	603	(14.2%)	617	713
Y/Y Growth (%)	13.8%	-2.3%		60%	14%
EBITA	32	5	(83.2%)	47	14
EBITAMargin (%)	4.5%	0.9%		7.6%	2.0%
Adjusted EBITA	32	21	(33.3%)		21
Adjusted EBITA margin	4.5%	3.5%			3.0%
EPS	0.27	0.71	159.9%	0.59	1.82

Source: Transtema & Redeye Research

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REDEYE QUALITY RATING

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4

3

People

Business

Financials

FAIR VALUE RANGE

Price 11.6

Bear 15.0

Base 42.0

Bull 55.0

TIMELINESS

1

KEY STATS

Market Cap	481.9 MSEK
Entprs. Value (EV)	501.8 MSEK
Net Debt (2023e)	19.9 MSEK
30 Day Avg Vol	49 K
Shares Outstanding	41.7M
Price / Earnings	3.8
PEG	N/A
Dividend Yield	N/A

Data from

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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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