

Transtema Q1: Soft Quarter – Better Times Ahead

Transtema Research Note 2024-05-07 © 08:56

Redeye will likely decrease its Base Case and forecasts following a soft Q1, hurt by adverse weather and a soft market. However, we believe there are many reasons to assume Transtema will improve its performance from now on, and we will likely retain our positive view.




Fredrik Nilsson


- Sales was SEK500m (646), corresponding to -27% organic growth. Our forecast was SEK549m. Sweden had -24% organic growth as Transtema could not compensate for the decline in copper in this softer market. Norway had -34% organic growth due to lower demand and adverse weather conditions.
- EBITA (excluding SEK7.1m in one-offs related to issues at Transtema's supplier Tietoevry) was SEK3m (30). Our forecast was SEK14m. While our forecasts were somewhat cautious, as we were aware of the tough weather conditions, we likely underestimated the impact. Softer-than-expected underlying market conditions might also be an explanation. We will get back to you on this in our update.
- While the isolated numbers seen in Q1 are not encouraging, we believe there are many reasons to assume Transtema will improve its performance from now on. First, Q1 is a seasonally weak quarter – especially when the weather is tougher than normal. Second, Transtema continues to adjust its cost base to align with current market conditions. Third, Transtema has recently signed several important deals that could, at least partly, compensate for the decline in copper and an overall soft market.
- We will likely lower our forecasts and Base Case. At the same time, we will likely stick to our positive view, as we believe Transtema's number will improve from now on.


Estimates					
	Q1E 2024	Q1A 2024	Diff	Q1A 2023	Q4A 2023
Sales					
Net Sales	549	500	-9%	646	726
Y/Y Growth (%)	-15%	-23%		-16%	-6%
Earnings					
EBITA	14	3	-79%	30	38
EBITA Margin (%)	2.5%	0.6%		4.7%	5.3%
Diluted EPS	0.10	-0.37	nmf	0.23	0.44


Source: Redeye, Company Reports | Adjusted EBITA



REDEYE QUALITY RATING

4

People

4

Business

3

Financials

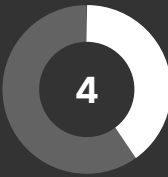
FAIR VALUE RANGE

Price 13.8

Bear 11.0
Bull 42.0

Base 29.0

TIMELINESS



4

KEY STATS

Market Cap	574.4 MSEK
Entprs. Value (EV)	613.0 MSEK
Net Debt (2024e)	38.5 MSEK
30 Day Avg Vol	42 K
Shares Outstanding	41.7M
Price / Earnings	8.7x
PEG	N/A
Dividend Yield	N/A

Data from 2024-05-07 © 08:57

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

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