

Transtema Q4 2023: EBITA Better than Expected

Transtema Research Note 2024-02-08 09:36

Redeye sees a positive Q4 report, with the significant q/q margin improvement being the highlight. While sales was somewhat below our expectations, adjusted EBITA beat our forecast by 24%. Although adverse weather will hurt Q1, we believe Transtema is heading towards gradually improving margins and growth rates. We will likely increase our forecasts slightly.



Fredrik Nilsson

- Sales was 3% below our expectations, and the organic y/y growth was -16%. The closure of the copper network impacted Sweden, while both Sweden and Norway saw lower demand in general.
- The positive signs management saw by the end of Q3 continued in Q4, with more procurements, which of some Transtema has won – as mentioned in our Preview.
- Adjusted EBITA was SEK41m, beating our forecast of SEK33m by 24%. While the 5.6% adjusted EBITA margin – in the seasonally strong Q4 – remains below the company's 7% target, it is a significant improvement on the 3-3.5% seen in Q2 and Q3. Thus, the cost-saving initiatives are having a positive effect, and as those initiatives are ongoing, we should see further improvements from now on – adjusted for seasonality and weather.
- 2024 has started with adverse weather in both Norway and Sweden, affecting the installation business and likely negatively impacting sales and margins in Q1. However, that is the nature of outdoor installation businesses, which, on the positive side, strengthens Transtema's full-service offering.
- Overall, it is a positive report, with the substantial q/q margin improvement being the highlight. However, the soft Q1 2024 outlook might dampen the sentiment in the short term.
- We will likely reduce our Q1 2024 forecasts while increasing our margin assumptions for the rest of 2024. The net effect will probably be a slight increase on 2024.

	Q4E 2023	Q4A 2023	Diff	Q4A 2022	Q3A 2023
Net Sales	749	726	(3.0%)	772	603
Y/Y Growth (%)	-2.9%	-5.9%		65%	-2%
EBITA	33	38	16.8%	58	5
EBITA Margin (%)	4.4%	5.3%		7.5%	0.9%
Adjusted EBITA	33	41	24.4%	58	21
Adjusted EBITA margin	4.4%	5.6%		7.5%	3.5%
EPS	0.32	0.49	54.6%	1.49	0.68


Source: Transtema & Redeye Research

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
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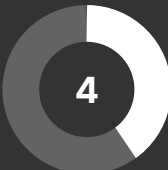
FAIR VALUE RANGE

Price 13.3

Bear 8.50
Bull 40.0

Base 26.0

TIMELINESS



4

KEY STATS

Market Cap	553.6 MSEK
Entprs. Value (EV)	623.4 MSEK
Net Debt (2024e)	69.8 MSEK
30 Day Avg Vol	54 K
Shares Outstanding	41.7M
Price / Earnings	N/A
PEG	N/A
Dividend Yield	N/A

Data from 2024-02-08 09:36

IMPORTANT INFORMATION

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