

Interim Report July - Sept 2024 - Teqnon AB

Short form report TEQ 2024 Q3

Teqnon Group is fighting on in a tough environment with sales increasing 12% but organically it's only up 2%. EBITA margin decreased to 10,9% (11,7%). The profit for the quarter is down by 8% and the earnings per share is down by 10%. Sad and bad! We're selling more but earning less. Frustrating in the moment but we'll push through. There is so much potential here that needs to be capitalized. This too shall pass. Of that we will ensure.

- Johan Steene, CEO and founder

Events during the quarter

Avelair Ltd was acquired.

UK Lanyard Makers Ltd was acquired.

Events after the quarter

Nothing significant... just everyday grinding.

Teqnon financial development, Msek	2024 Q3	2023 Q3	Δ%	2024 YTD	2023 YTD	Δ%
FCF excluding acquisitions	17,7	49,4	--	31,8	36,9	--
EPS (sek)	1,59	1,78	-10%	4,83	5,61	-14%
Diluted EPS (sek)	1,59	1,78	-10%	4,82	5,58	-14%
Profit for the period	27,5	29,9	-8%	83,1	91,9	-10%
Profit before taxes	34,1	37,8	-10%	100,1	114,9	-13%
EBITA	41,5	39,8	+4%	124,5	127,3	-2%
EBITA margin (%)	10,9	11,7	--	10,7	11,8	--
Net sales	381,8	339,7	+12%	1 163,3	1 075,8	+8%
Net debt / EBITDA R12*	--	--	--	1,2	0,5	+131%
RoE R12 (%)*	--	--	--	20,4	28,5	--

* When calculations have been based on 12 months, they are only visualized in the YTD columns.

CEO Letter – Johan's thoughts

Hi Teqniåns,

This time, I'm writing to you from a McDonald's outside of Manchester, noting once again that we're in a recession affecting more parts of the industry than before. The coffee here is mostly like dirty water, and the Monopoly man has joined forces with Ronald McDonald, tempting us with prizes when you buy certain products. Fun, but my coffee doesn't qualify, so I'm left empty-handed anyway. We're coming out of a quarter where we've had a clear wake-up call at several levels in the organization, and a better sense of urgency than I've experienced in a very long time. The coffee is cold. It's time to heat things up.

In times of economic growth, it's easy to dismiss the potential for improvement by saying what we have is good enough. Things work decently because demand is high, without the sales organization needing to be particularly active. In such times, salespeople don't need to do much more than take orders and send quotes to fill the order books. A job that resembles the checkout counter at the McDonald's more than

an active, forward-looking business-building effort. In doing so, we easily lose pride in what we deliver and the courage to charge for its true value. Such an organization gradually loses the drive and competence to seek out and discover the customer value we should always deliver and constantly improve. We need to have the stamina to want to be our best even when things go smoothly, so we are resilient and stay ahead of our competitors when times are tough. Like now.

A tale of two cities

Roughly half of our profits from the quarter comes from our foreign companies, even though they account for less than a quarter of our subsidiaries. The domestic operations, with a few exceptions, are having a tougher time than in previous years, and although they're fighting hard, they're not delivering the same high results as before. We also have too many companies running at a loss. In normal times, if such times exist, we'd expect less than ten percent of our portfolio to have red figures, now it's around thirty percent. We haven't been near good enough. This is a snapshot from our long journey, highlighting that we have not been sufficiently effective in our leadership, despite seeing challenges accumulate over a long period. However, the current situation also reveals great potential for improvement, we're on it and we will consider all available means to get back to where we want to be.

Seduced by good times

The last time we were in a recession fifteen years ago, I clearly remember that it was all hands on deck. Less talk, fewer fantastic plans and visions, just more activity, on every level. I've failed to keep that sufficiently top of mind. I painfully acknowledge that it has now taken us too long to start real, effective measures. I'm ashamed and I apologize. Now we are at full alert and acting accordingly. Active sales efforts instead of order-taking, adjusting resources faster and reducing staff when we have less to do, and banning inactivity, which is nothing but a horrifically naive hope that problems will solve themselves. Streamlining procurement, pressure-testing suppliers, clear dialogues with partners and customers regarding credits and pricing. These are truly great times if you want to get better at your profession. Are you contributing or not? Can you measure the effects of your hard work at the end of the day? Do you want to be part of our journey where we believe greatness lies ahead?

Still at it

We want to own and acquire businesses that are easy to operate and understand. All companies will, sooner or later, run into problems, and no one on earth can avoid dealing with the most complex part of business—people. Everything else that comes with it, like the product portfolio, business model, customer value, scalability, market position, and supply chains, must therefore be comprehensible and easy to grasp. A manageable whole.

We believe there's a better chance of getting the desired cash flow from a business we understand in a conservative industry we feel comfortable with than from something that at first glance looks incredibly attractive and modern, but where it's harder to understand why. That's why we're cautious about what we acquire, and it drives us to meet a lot of companies. We value an acquisition in such a way that we can reasonably recover our investment through cash flows over five years. It often works out that way. So we keep going

Be acquiring

Over the summer, we've integrated our new friends and the company UKLM into Teqnon. This team really understands how to secure their right to exist in a competitive market by carving out their own little profitable niche. Perfect deliveries to customers who understand that value and are willing to pay for it. A textbook example of a cash flow machine. A team that is having fun while showing us how it is done. We are delighted that Kevin and Jennifer will continue to run the cash flow machine while teaching the next generation of leaders how to drive the vehicle.

Be hard working

Our normal approach is to lead as owners by supporting management teams with strategy work to achieve our established goals. This has always been our way which we're very proud of and believe in.

That said, we are always striving to improve. In the current tougher economic climate, this softer, supportive style has, in some cases, where needed, temporarily shifted towards something more like a clean hockey tackle in the right direction. We will do everything necessary to get the train back on track. It's too easy in a thriving economy to fool yourself into thinking that an average company is running good enough. In a recession like now, flaws are exposed and painfully laid bare. Flaws that, of course, we should and could have fixed in times of better demand and resources. In these cases, we've broken one of the most important rules of capitalism: never be satisfied!

Run far, be nice!

Johan Steene

CEO and founder

The report is attached to this press release and is available via the following link:

<https://www.teqnion.se/en/investor-relations/financial-reports/>

Q&A

You are welcome to ask us questions about the report and anything else you would like to know about Teqnion on Monday, October 21st at 8:08 CET when we open a Teams meeting. We will be present on the screen with Johan Steene and Daniel Zhang.

Warmly welcome!

To participate, please press [here](#) or by the Teams meeting ID below.

Meeting ID: 387 991 524 566

Passcode: KTTNxJ

Send in questions to the Q&A session, e-mail: QA@teqnion.se

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The information in this report is such that Teqnion AB is obligated to make public in accordance with the EU Market Abuse Regulation. The information was submitted for publication by the agency of the following contact persons on 19th of October 2024 at 8:08 CET.

About Teqnion

Teqnion AB is an industrial group that acquires stable niche companies with good cash flows to develop and own with an eternal horizon. The subsidiaries are managed decentralized with support from the parent company. We operate in many industries with leading products, which gives us good resistance to economic fluctuations as well as solid industrial know-how. For us, it is central to focus on profitability and long-term sustainable business relationships. The company's shares with the abbreviation TEQ are traded on the Nasdaq First North Growth Market.

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