

Interim Report April - June 2024 - Teqnon AB

Short form report TEQ 2024 Q2

Teqnon continues to grind on in weaker markets. EPS landed on 2,01 sek for the quarter and is down 1% compared to last year. Profit after tax ended at 34,5 Msek (+5%), while net sales got to 399,7 Msek (+4%). Organically, net sales decreased by 6%. These are numbers we are not happy with. We need to improve, and we will. After the end of the quarter, we welcomed Avelair to the family! We look forward to a long and exciting journey with David and his team in Rougham, UK.

- Johan Steene, CEO and founder

Events during the quarter

Daniel Zhang appointed Deputy CEO and continues to hang on to the CXO title.

Events after the quarter

Avelair Limited was acquired.

Teqnon financial development, Msek	2024 Q2	2023 Q2	Δ%	2024 YTD	2023 YTD	Δ%
FCF excluding acquisitions	32,4	-20,1	n.a	14,1	-11,5	n.a
EPS (sek)	2,01	2,04	-1%	3,24	3,84	-16%
Diluted EPS (sek)	2,01	2,02	0%	3,23	3,81	-15%
Profit for the period	34,5	33,0	+5%	55,6	62,0	-10%
Profit before taxes	41,1	40,2	+1%	66,1	77,1	-14%
EBITA	46,7	46,3	+1%	83,0	87,4	-5%
EBITA margin (%)	11,7%	12,1%	n.a	10,6	11,9	n.a
Net sales	399,7	383,9	+4%	781,4	736,0	+6%
Net debt / EBITDA*	--	--	--	1,0	1,5	-36%
RoE R12 (%)*	--	--	--	17,9%	27,0%	n.a

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

CEO Letter – Johan's thoughts

Hi Teqniåns,

Now I'm sitting at the kitchen table, taking a break from mowing the lawn and family duties to try and summarize the past quarter. The sun is shining on the Stockholm archipelago and the beach down by the sea is filled with holidaymakers. I find it hard to enjoy the peace here in the country cabin when there's so much to tackle out in the real world. The world of Teqnon. That's where the adventure lies. It's a bit like Shrek; he believes he would prefer to be left alone in his peaceful swamp but is forced out on adventures to set things right, discovering that out there in the wide world among princesses, villains, and dragons, the most fantastic adventures happen and the strongest friendships are formed. That's where life is. I don't really know if I'm Shrek or Donkey in that story. The brave ogre who relentlessly drives the action forward or the somewhat scared donkey who loyally trots alongside, overly enthusiastic and constantly asking what's going on... "Are we there yet?". No donkey, I tell myself, not even close, we're at the beginning, we're going far, far away...

Our corporate group has continued to struggle through the spring under similar conditions we've faced over the past year. Generally lower pace in most industrial sectors, except for electrification and defense which continue to deliver. Unfortunately, we have aimed but failed to produce efficiently enough in our house-building factories, which is costly as they've already sold a few projects at low margins. The two housing companies have been reorganized and are now jointly run under one management in order to put our resources to the best use. We must be ready to seize opportunities when the construction market turns up without investing more in this highly cyclical part of our business. The companies in the group must each stand on their own, be robust no matter the business cycle to collectively form an even more resilient conglomerate. Now that we have also expanded outside Sweden, we gain an additional layer of economic armor as we operate in more markets and currencies.

Teqnon refined acquisitions

The acquisitions we've made over the past few years are of companies that are less sensitive to economic fluctuations. We look for small, customer-oriented companies with their own brands operating in niche industrial sectors, preferably with complex regulations and standards to meet. These firms value their deep customer relationships and the importance of always striving to deliver genuine customer value. The companies we acquire should be able to return our investment in free cash flow within five years. We are constantly looking for new gems. The acquisition hunt is a fun adventure. Daniel is tireless in his search for new opportunities, like an ogre on a quest for a princess, and I get to trot alongside like a donkey, offering cheerful encouragement and irritating questions.

The latest gem that we proudly now can add to the House of Teqnon is Avelair, the leading UK designer of rotary screw air compressors. In a time where things change quickly, we focus even more on things that do not change. As long as AI don't alter the laws of physics, the world will need suppliers of bespoke air compressors in order to move material in the physical world. We're really looking forward to work with Avelair's CEO David and his team in Roughton, UK.

CEO letter anniversary...

Five years ago, in the summer of 2019 I wrote my first CEO letter. It was, to put it mildly, written in a rather dull tone as we were unable to deliver on the forecasts we had provided at the time of listing. I had received well-intentioned advice not to give forecasts but hadn't listened. Additionally, I had stubbornly insisted, like a donkey (or an ogre), that we should only report the regulatory minimum of twice a year. Because of this we had to wait six months for communication until the next report could clarify that we were moving in the right direction. Sometimes it's not just good to be stubborn. Fortunately, it's possible to learn from mistakes and turn bad decisions into something better. This on the other hand is something we are truly stubborn about. Always trying to get better. So now there are no forecasts other than the goal to at least double EPS every five years and we report quarterly so you can keep track of our progress.

On the journey up to today, we have managed to cultivate a small TEQ-command with many more fairy-tale creature skills than those of Shrek and Donkey. Now, we have a vast span of experiences and the combined strength of Shrek's quirky diverse group of friends, all the way from Puss in Boots to the Gingerbread Man. A TEQ-command that can challenge, generate ideas, and passionately support in the building of the company. Together, we are venturing far, far away. We learn, adapt, and improve. Simple models, understandable processes, and fun thinking fill our journey. We aim beyond the horizon, to places we cannot yet see.

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.teqnon.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 tomorrow, July 21st 16:08 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: 356 323 754 473

Passcode: k9fAUQ

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

For more information, please contact:

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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 20th of July 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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