

## Interim report Q1- Teqnion AB

### Short form report TEQ 2025 Q1

We're battling hard to improve Teqnion in weaker markets. EPS landed on 2,13 SEK (1,23) for the quarter and is up 73% compared to last year. Profit after tax ended at 36,5 MSEK (21,1), up 73% largely due to FX effects, EBITA margin decreased to 8,1% (9,5%) while net sales got to 406,3 MSEK (381,8) which is up 6% but down by 2,7% organically. We're making solid progress toward strengthening our group, but there's still a long road ahead.

- Johan Steene, CEO and founder

### Events during the quarter

- Midlands Special Fasteners Ltd was acquired.
- Awarded2U Ltd was acquired.
- Merridale Ltd was acquired.
- Thermasolutions International Ltd was acquired.
- Edurus Gravstenar AB was acquired.

### Events after the quarter

- Mitab i Forsbacka AB was acquired.

Teqnion financial development, MSEK	2025 Q1	2024 Q1	Δ%
FCF excluding acquisitions	18,5	-18,3	--
EPS (SEK)	2,13	1,23	73%
Diluted EPS (SEK)	2,13	1,22	75%
Profit for the period	36,5	21,1	73%
Profit before taxes	46,5	25,0	86%
EBITA	33,0	36,3	-9%
EBITA margin (%)	8,1%	9,5%	--
Net sales	406,3	381,8	6%
Net debt / EBITDA	1,8	0,9	--
RoE R12 (%)	13,7%	21,9%	--

### CEO Letter – Johan's thoughts

*Hi Teqniåns,*

Five years into the twenty twenties the world's trajectory seems to have been drawn by Captain Jack Sparrow, swimming in rum. It's certain that this decade won't go down as the sequel to the Roaring Twenties. It's much less jazz and champagne and much more chaos and conflict. This period will be defined by major shifts and if current trends hold, turbulence is far from over. We tie ourselves tight to the sturdiest mast with reason, knowledge and science and let misinformation, propaganda and noise drift past. There's always a way... Jack finally escaped Davy Jones' locker. There is no shortcut past hard work in order to reach success. We're on it.

#### *Currency volatility*

At first glance, this quarter's results may seem solid, but a closer look at the numbers reveals that we're still working hard to stabilize parts of our underlying operations. We are still far from where we should be even though we are starting to move in the right direction. A significant portion of the reported earnings

is driven by a strengthened Swedish krona, which has positively impacted the profits, though we've also faced temporarily high costs due to restructuring projects including the scrapping of inventory and write-downs on equipment. The krona's strengthening in a financially volatile climate, triggered by the new leadership in Washington DC, has caused significant fluctuations in our balance sheet, given our exposure to euro and sterling positions. As we have grown, these currency fluctuations have grown, and you should get used to the fact that they will continue to have a bigger impact on our financials than in previous years. Additionally, we've made quite big product purchases in the U.S. this quarter and resold all of it in dollars, but the currency lost quite some value between purchase and sale, resulting in an uncomfortably thin margin when converted back to SEK in the accounts.

#### *Actions for Improvement*

Several of our major industrial customers in Sweden continue to report weak demand and are assigning us less work. Across many markets, we're seeing uncertainty and hesitation. Still, we're actively seeking new customers and working hard to maintain volumes with healthy margins. We've also been reminded of some timeless truths, like the importance of the right person in the right place. Our largest housing factory is now showing black figures again for the first time in far too long, since our executive coach Håkan stepped in as factory manager.

The effects of us pushing a more proactive sales process, which I mentioned in a previous letter, are beginning to show. Several formerly rather passive order-taking business units now have stronger order intakes thanks to more active outreach. Our focus is now on maintaining that energy, producing efficiently, and building on that momentum. The strengthened free cash flow in the quarter demonstrates the early effects of our ongoing actions towards improved operational efficiency and financial discipline. While it's encouraging, we see plenty of potential for continued improvements. We've also recruited three new subsidiary CEOs and one interim CEO. Looking ahead, we'll present further changes aimed at making us more profitable, more efficient, and much more resilient in a (unnecessarily) volatile world. Our goal remains to at least double our earnings per share over the next five years and we are determined to surpass that target. We will win.

#### *Full Throttle*

Acquisition activity has been lively by our standards since the start of the year, with four new companies in the UK and two in Sweden, where the latest deal closed early in q2. We've built strong relationships with several promising entrepreneurs, and the pipeline of acquisition candidates looks good. Over a full year, we still aim to acquire a handful of companies, so the handful added this past quarter should not be extrapolated forward. Our group now includes ten companies based in the UK, and we expect more to come. TEQ-UK is now generating more profit than the entire Teqnion group did six years ago when listed. That's why we've started to set up a TEQ-UK office, which we hope will be operational by fall. Our UK colleagues deserve closer support than what can be offered from our Swedish HQ.

This quarter's new additions to our group are a fun, strong and diverse mix:

**MSF** (UK), already mentioned in the year-end report;

**Awarded2U** (UK), a provider of bespoke awards for corporate galas and ceremonies;

**Merridale** (UK), a leading manufacturer of commercial fueling equipment with full fuel management systems and fleet software;

**Thermasolutions** (UK), a specialist in high-quality refrigeration energy saving products for supermarkets, hotels, and restaurants;

**Edurus** (SWE), which supplies tombstones, stone figurines, and engraving services to funeral homes;

**Mitab** (SWE), a full-service provider of crematories.

*(Please read some more about their contribution on p. 9, Whipeboard.)*

Our ongoing improvement projects continue across the group, but we're not in the business of investing in operations with weak returns even when they're running close to optimal or that they need Leo Messi in order to achieve that. The temporary costs tied to major restructuring efforts are easier to bear when we know they're part of reshaping the business into something fundamentally better.

As I've said before, there are some companies in our portfolio that, with hindsight, we wouldn't acquire today. That in no way diminishes the value they brought at the time. We're on a long journey. As we advance, so too must our group companies, guided by the same driving mentality that has brought us this far. Our ambition has always been and remains, to acquire and hold companies forever. But conditions evolve. We're constantly learning and refining our acquisition strategy, while also recognizing when a business drains too much cash or delivers too little return to justify continued ownership within the growing Teqnion ecosystem. Our guiding principle is to do what's best for the group, and thus, for our shareholders. We will do whatever it takes to make the group stronger and as mentioned in our last Q&A that may mean divesting businesses that fall short of our return requirements or closing operations that lack vitality, while preserving and integrating strong units into sister companies.

Last but not least, on a personal note, I remain grumpy that our transformation journey isn't moving fast enough. We're sitting on enormous potential that is not being realized at the pace I know is possible. The improvement work continues, and no one is resting until we can show stronger returns and much healthier cash flows.

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 Wednesday, April 23<sup>rd</sup> at 12:08 CEST 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: 361 070 900 222

Passcode: Rv34CW3P

Send in questions to the Q&A session, e-mail: [QA@teqnion.se](mailto:QA@teqnion.se)

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The information in this report is such that Teqnon 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 23<sup>rd</sup> of April 2025 at 8:08 CEST.

#### **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.*

*Redeye AB is Certified Adviser.*