

Year-End Report 2024 - Teqnion AB

TEQ Flash Year-End Report 2024

F. That is our grade for the quarter. The quarter's net sales are on par with 2023, thanks to acquired companies, but organic sales declined by nearly 6%. For the full year net sales are up 6% but down 3% organically. Our real problem is profitability. The quarter's EBITA is down 42% and the quarter's EBITA margin is at 6,3% (10,8%). For the full year 2024, we lost 12% of our beloved EBITA vs 2023, EBITA margin is down to 9,6% (11,6%) and even worse a 26% decrease in EPS. We are in the middle of fixing this, but it is a slow struggle. Before year end, we refinanced our bank agreement with better terms and have a credit line that will sustain our acquisition pipeline for the coming three years. Onward.

- Johan Steene, CEO and founder

Events during the quarter

Nothing significant... just everyday grinding.

Events after the quarter

Midlands Special Fasteners Ltd was acquired.

The Board proposes that no dividend be distributed for the financial year 2024, based on the assessment that Teqnion can generate greater returns by retaining the cash.

Teqni financial development, Msek	2024 Q4	2023 Q4	Δ%	2024 Jan-Dec	2023 Jan-Dec	Δ%
FCF excluding acquisitions	46,2	81,1	--	77,8	117,9	--
EPS (sek)	0,74	1,93	-62%	5,58	7,54	-26%
Diluted EPS (sek)	0,74	1,93	-62%	5,58	7,51	-26%
Profit for the period	12,7	33,2	-62%	95,8	125,1	-23%
Profit before taxes	18,4	45,5	-60%	118,5	160,5	-26%
EBITA	25,3	43,4	-42%	149,7	170,6	-12%
EBITA margin (%)	6,3	10,8	--	9,6	11,6	--
Net sales	403,7	399,8	+1%	1 567,0	1 475,6	+6%
Net debt / EBITDA	--	--	--	1,3	0,7	--
RoE (%)	--	--	--	11,7	20,4	--

Hi Teqniåns,

The last quarter of the year generated our worst quarterly result since 2020. With such a miserable performance, we don't even deserve to compete in the game of capitalism, where we want to play at the top. During the quarter, we have continued to implement some major changes within the group to turn the trend right: merging two manufacturing units under one roof, making significant workforce reductions in three struggling companies, renegotiated supplier agreements and installed four new CEOs. CEO-coach Håkan has now temporarily reentered as site manager at the house factory, and I have also stepped in to focus more on struggling companies (the acquisition work will not be negatively affected, more on that below). Still, for 2024 our grade is F. We are out for revenge and we will continue to take action until we are where we need to be. The initiatives we've put in place are starting to gain traction and drive positive change, just not as quickly as an optimist might hope.

Our true assets

We are providing extra support to our subsidiary CEOs in these tough times. We must harness all the drive and experience within our employees, they are our greatest assets. Every one of our companies can be run profitably. It is the people working there who make that possible, or impossible. The minimum we ask for: do not lose money. Not all decisions we've made will turn out to be good, but change requires decisions, and we are changing.

Team Acquisition

Before the year ended, we renegotiated better terms with the bank and now have a financing agreement in place that should support our acquisition growth over the next three years. As I focus more on our existing companies, Daniel dedicates a larger portion of his time to acquisitions instead of other group activities, which have been well absorbed by, among others, Patrick, who manages international operations, and Jonathan, who oversees finance activities, both of whom joined the TEQ staff in 2024. Additionally, since the beginning of the year, we have introduced a new way of working within the acquisition team, consisting of Daniel, Jonathan, and me, with a clearer division of responsibilities, freeing up time for other tasks. This approach is much likely to generate a better flow of new high-quality companies into the group. The new structure makes us more efficient, and we will continue delivering on our financial targets.

As previously communicated, our acquisition pace has been aimed at around a handful of companies per year. Over the past three years, we have been around

there, though on the south side of a full hand, with four acquisitions in one year, three the next, and another three last year. My sense now is that we will be on the north side of a handful going forward. Most of our near-term acquisitions will likely take place in the UK, where we have many ongoing discussions and even more in the pipeline. The most reasonable scenario I see now is that, within a few years, Teqni will have one Scandinavian division and an approximately equally sized division in the UK when it comes to the number of companies. Once that structure is established and proven, we will look to expand into additional geographies.

This too shall pass

Most of our acquisitions from the past four years have performed very well. There are a few problem areas, but overall, we see that our acquisition quality has improved as intended. Several of our early acquisitions are also performing, having their best year ever, but the overall results are dragged down by those that have truly underperformed, sadly primarily companies I acquired between 2018 and 2021. Fortunately, we are a brighter team now, and I am no longer driving the acquisition efforts alone. We're still on the way towards something fantastic. The fact that it took an unreasonably long time to address this downturn properly, as I wrote about in the last report, is something we deserve harsh criticism for.

To end on a little more positive note, a few weeks ago, we completed the acquisition of Midlands Special Fasteners Ltd. in Walsall, UK. It is a highly skilled team, and under Mitch's leadership, they are delivering the best fastening solutions for the most demanding applications while generating excellent cash flow.

We are a stubborn, growing company group with roughly 500 coworkers who are incredibly skilled at what they do. Our task as management is to motivate and guide them in the right direction towards the goal of creating more value. Value creating makes most people happy. And happy people create more value. We have taken significant measures to improve profitability, the wheels of change are turning but results are slow and the timeline remains uncertain. I ask for your patience. We will carry the lessons from this nosedive with us. I do not want to lose focus and end up this late to the trenches again.

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.teqni.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 Teqni on Monday, February 17th 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: 357 214 338 839

Passcode: yW9f7Zh9

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

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The information in this report is such that Teqni 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 15th of February 2025 at 8:08 CET.

About Teqni

Teqni 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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