

Interim report July - September 2025 - Teqnion AB

Short form report TEQ 2025 Q3

Yes, the turnaround has been slow, but clear improvements is being shown in operational profit and free cash flow for the quarter. FCF amounted to 59,8 MSEK (17,7). EBITA is up to 67,8 MSEK (41,5) and EBITA margin increased to 14,9% (10,9%). Net sales got to 455,6 MSEK (381,8) which is up 19% whereof 1% is organic. Goodwill impairment hits the EBT line with -73 MSEK, therefore EPS is -1,31 SEK (1,59) and profit after tax -22,5 MSEK (27,5). Excluding the impairment the same metrics show EPS of 2,94 and profit after tax of 50,5 MSEK. More work with more improvements is coming.

- Johan Steene, CEO and founder

Events during the quarter

- Birketts Bogmats Ltd was acquired.
- HT Servo Ltd was acquired.

Events after the quarter

- Reward Catering liquidation procedure.
- Goodwill impairment of 73 MSEK in Q3.

Teqnion financial development, MSEK	2025 Q3	2024 Q3	Δ%	2025 YTD	2024 YTD	Δ%
FCF excluding acquisitions	59,8	17,7	+238%	82,8	31,8	+160%
EPS (SEK)	-1,31	1,59	-165%	3,06	4,83	-37%
Diluted EPS (SEK)	-1,31	1,59	-165%	3,06	4,82	-37%
Profit for the period	-22,5	27,5	-182%	52,6	83,1	-37%
Profit before taxes	-4,7	34,1	-114%	86,0	100,1	-14%
EBITA	67,8	41,5	+37%	154,5	124,5	+24%
EBITA margin (%)	14,9%	10,9%	--	11,6%	10,7%	--
Net sales	455,6	381,8	+19%	1 336,3	1 163,3	+15%
Net debt / EBITDA R12*	--	--	--	2,0	1,2	--
RoE R12 (%)*	--	--	--	7,7	20,4	--

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

CEO Letter – Johan's thoughts

Hi Teqniäns,

Teqnion has now completed its strategic overview with the goal of building a more profitable, robust, and scalable group for the years ahead, as previously communicated...

...that's not how a Teqnion letter begins. It doesn't feel right. But what are feelings? Just chemistry in the brain, unpredictable and often unhelpful. And for quite some time, we've felt frustration, anger, and shame over weak returns and our inability to live up to the high ambitions that drive us. Now, though, I feel something new. A tiny hint of pride. Not because things suddenly are resolved, far from it, but because we didn't let those emotions take over. We turned them into fuel which has powered change. The group is larger than ever, and the potential to continue scaling both profitability and growth lies right in front of us. "It's the shame that hurts the most, you know, but shame, it's in the mind. You can turn that faucet off whenever you want to. Rough business becoming a man, ain't it? Beats the alternative though... come on, let's go to work." - Lloyd, TV show Yellowstone, S1E5

What is the purpose of Tegnion?

When things are rough, we turn to the fundamentals even though they might seem trivial. Keeping focus on what truly matters. Even though the world is complex and there are countless factors and feelings at play, it helps to answer “what is the purpose of Tegnion?”. This to ensure that we are optimizing against the one goal that matters the most – *create the highest possible return for shareholders over the long-term*. That sentence is important. Every word that is in there. Please read it again and spend a second to reflect on the words that are not in there. Now, keep that in mind while reading this letter.

Long distance driver

We chase our goals through two main daily priorities. We acquire companies and we make companies better. A few efforts fall short others exceed expectations. Since Tegnion is a collection of niche companies, some will always do worse than expected and some will do much better. Like a stock portfolio, only we get to steer the outcome. That’s our game. Have we been good at playing it? You decide. There are a few interesting measures that can help judging the long-term track record:

- Cash-flow to external capital ratio: For the long-term shareholder it matters if the current (and future cashflows) have been achieved with little or a lot of external equity capital. Tegnion has over its lifetime taken in ~290 MSEK in external equity capital and has on R12 an FCF of 129 MSEK, giving us a ratio of ~45% (240 MSEK if you dangerously extrapolate Q3 numbers, turns that ratio to ~83%)
- Portfolio evaluation: We price our acquisitions based on the assumption that we get our money back in five years. Therefore it is natural that we evaluate our cohorts (not individual companies) based on this measure.

- In the short run, last 5 years, we are tracking ahead of this target (which includes Reward Catering which was acquired in 2022). How can that be? While the Reward Catering saga clearly was a mistake, we have a few companies from the 2021-2023 cohort that are currently spitting out 1/3 - 1/2 of their purchase price in free cash flow per year. The 2024 - 2025 cohort is so far also tracking towards their target but most of them were acquired so recently so there are not enough statistics.

- In the longer run it becomes even more interesting. Yes, we do have a few companies where we are struggling, but we know what we are optimizing for and there are no holy cows. There are also numerous companies that were acquired many years ago, where we have slowly developed them to something great – subsidiaries that generates several times their original purchase price in free cash flow per year.

- Internal capital efficiency: Even though extrapolation is scary, it is helpful for this very exercise. In the quarter we made roughly 60 MSEK in FCF excluding acquisitions. With the same pace, that translates to 240 MSEK per year. The total balance sheet after goodwill impairment is 2 063 MSEK and total equity is 852 MSEK, which would translate to an FCF/total asset ratio of 11,6% or an FCF/total equity ratio of 28%.

You as shareholder or potential shareholder are of course the judge of whether these metrics (or every other metric you chose) are good or not by voting with your hard earned money.

Turnarounds seldom turn around...

... apart from those that does. I am not going to say that we have fixed everything, because we have not. I am not going to say that we never will have dips again, because we will. However, what I can say is that the operational improvements that we have implemented during the year have finally started to show in the numbers this quarter. The improvements come most clearly from bettering the Sweden businesses. At the same time we have acquired better companies and the UK side of things has continued to march on steady.

The actual actions have of course been different for the various subsidiaries in the group. For some, we have installed a new CEO to right the ship, for others we have together with the CEOs developed clear action plans to be implemented and in certain cases, we have become more operational. It’s challenging but the results make it worth it. We are not done yet.

On the tough side we've also made a larger goodwill* impairment this quarter that removes 73 MSEK from the balance sheet. Goodwill must be tested regularly for impairment, and each portion is assigned to the cash generating units (CGUs) expected to benefit from it. Over the past few months, we've reviewed our companies and their status. Several have turned the corner thanks to our incredibly hard-working colleagues. However, we identified impairment needs in the CGUs Hem1 and Reward Catering.

The impairment affects this quarter's result, but not our cash flow. In fact, the measures we've activated for these entities should improve cash flow by 18–24 MSEK over the coming year.

**I wrote an overly long text on goodwill in the Q1 2024 report, if anyone's curious...*

A sharper structure

To climb from the plateau described in the previous report, we've refined how we work and how we're organized. Teqnion is now implementing a new governance structure with two divisions, the Nordics and the UK, each led by a segment head reporting to me and Daniel. This setup strengthens accountability, scalability, and local market insight. We're also adding a sourcing office in China to help our companies achieve higher product quality at lower cost, and a central shared services team to drive business development projects across the group. These support structures are already partly up and running and the few initiatives already implemented so far are expected to contribute at least 10–15 MSEK annually.

Our purpose remains crystal clear and unchanged. We support our growing, cash-generating companies and continuously reinvest the capital they generate into new, fairly valued acquisitions with even better financial expectations than the ones we already own. We've plenty to do and our motivated team knows that nothing comes for free. But the direction is set, the culture is intact, and the momentum is back. We're only at the beginning. And that's what makes the future bright.

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 20th at 08:08 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: 349 042 872 028 3

Passcode: yt698Px3

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 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 above contact persons on 18th of October 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.