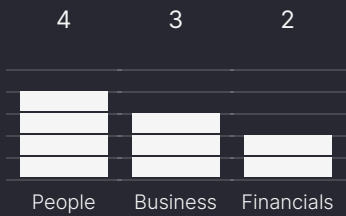




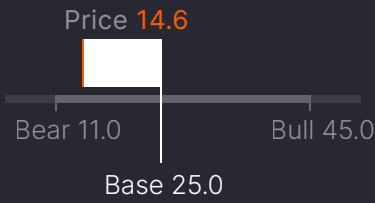
Transtema

Research Update

QUALITY RATING



FAIR VALUE RANGE



MOMENTUM



Performance VS OMXS30



Share Information

Share Price SEK	14.6
Number of shares (M)	43.0
Marketplace	NASDAQ Stockholm
CEO	Henning Sveder
Chairman	Magnus Johansson

Key Stats

Market Cap	627.0 MSEK
Entprs. Value (EV)	773.8 MSEK
Net Debt (2025Q1)	146.7 MSEK
30 Day Avg Vol	58 K
Dividend Yield	N/A

Top Holders

Name	Ownership
Magnus Johansson	20.63%
Göran Nordlund (Fore C Investments)	10%
Jonas Nordlund	7.82%
Sune Tholin	4.35%
Nordnet Pensionsförsäkring	3.54%
Avanza Pension	3.39%
Per Anders Bendt	3.17%
Sellers of Tessta Connect	2.85%
Jovitech Invest AB	2.69%
Anders Hultmark	2.46%

Redeye Equity Analysts



Fredrik Nilsson
fredrik.nilsson@redeye.se
Shareholder ✓

More research on Transtema



Scan the QR code to access all Redeye publications and research tools regarding Transtema.

redeye.se/company/transtema

Transtema: Still set for a better 2025

Redeye retains its positive view of Transtema following a Q1 report with strong growth but a slightly lower y/y margin increase than expected.

Strong organic growth in Sweden

Sales was SEK597m (500) and came in 9% above our forecast of SEK550m. Organic growth was 20%, and our forecast was 10%. The solid number results from a strong development in the Swedish market (30% growth), while the Norwegian market (-4% growth) remains challenging. The strong growth in the Swedish market follows the solid deal flow seen in 2023-2024 and an overall healthy deal flow of installations. We believe Sweden will sustain a high growth rate in 2025, although at a slower pace than the 30% seen in this quarter. We forecast 6% growth on the group level in 2025.

Sales mix hurting EBITA – yet solid y/y improvement

Adjusted EBITA was SEK16m (3), below our forecast of SEK 20m. The adjusted EBITA margin was 2.7% (0.6), lower than our forecast of 3.6%. While a significant improvement to the soft Q1 in 2024, our expectations were somewhat higher. According to management, the y/y improvement in margins was due to the strong sales development in Sweden. However, as the growth was driven by installation, with a higher share of subcontractors and generally lower margins, the impact on margins and EBITA was more limited. Also, the number of service and maintenance orders, with higher margins, was lower than usual in the quarter, resulting in a relatively low utilisation of the service workforce, negatively impacting margins. There is a seasonal element to this; management sees no reason to expect structurally lower service and maintenance going forward.

Base Case unchanged at SEK27 (27)

We leave our Base Case at SEK27 following largely unchanged forecasts. The momentum in Sweden remains strong, although the sales mix limited the margin improvement, and as copper finally fades and new deals are getting active, things should move in the right direction for Transtema. Also, Norway seems to have stabilised, although at a low level. The company is trading at 5.6x EBITA 2025e, suggesting solid upside potential if reaching our expectations of 4.2% in EBITA margin, still below potential levels.

Key Financials

SEKm	2024	2025e	2026e	2027e	2028e
Net Sales	2,488.7	2,643.5	2,802.2	2,942.3	3,001.1
Sales Growth	-7.4%	6.2%	6.0%	5.0%	2.0%
EBITA	139.4	188.5	225.4	233.0	236.1
EBIT	40.1	91.9	120.2	127.8	130.9
EBIT Margin	1.6%	3.5%	4.3%	4.3%	4.4%
Net Income	-10.8	55.8	85.4	91.3	93.7
EV/Sales	0.3	0.2	0.2	0.1	0.1
EV/EBIT	18.5	6.9	4.3	3.1	2.1
EBITA Margin	2.7%	4.2%	5.2%	5.2%	5.2%
EV/EBITA	11.19	5.69	3.53	2.59	1.78

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Review of Q1 2025

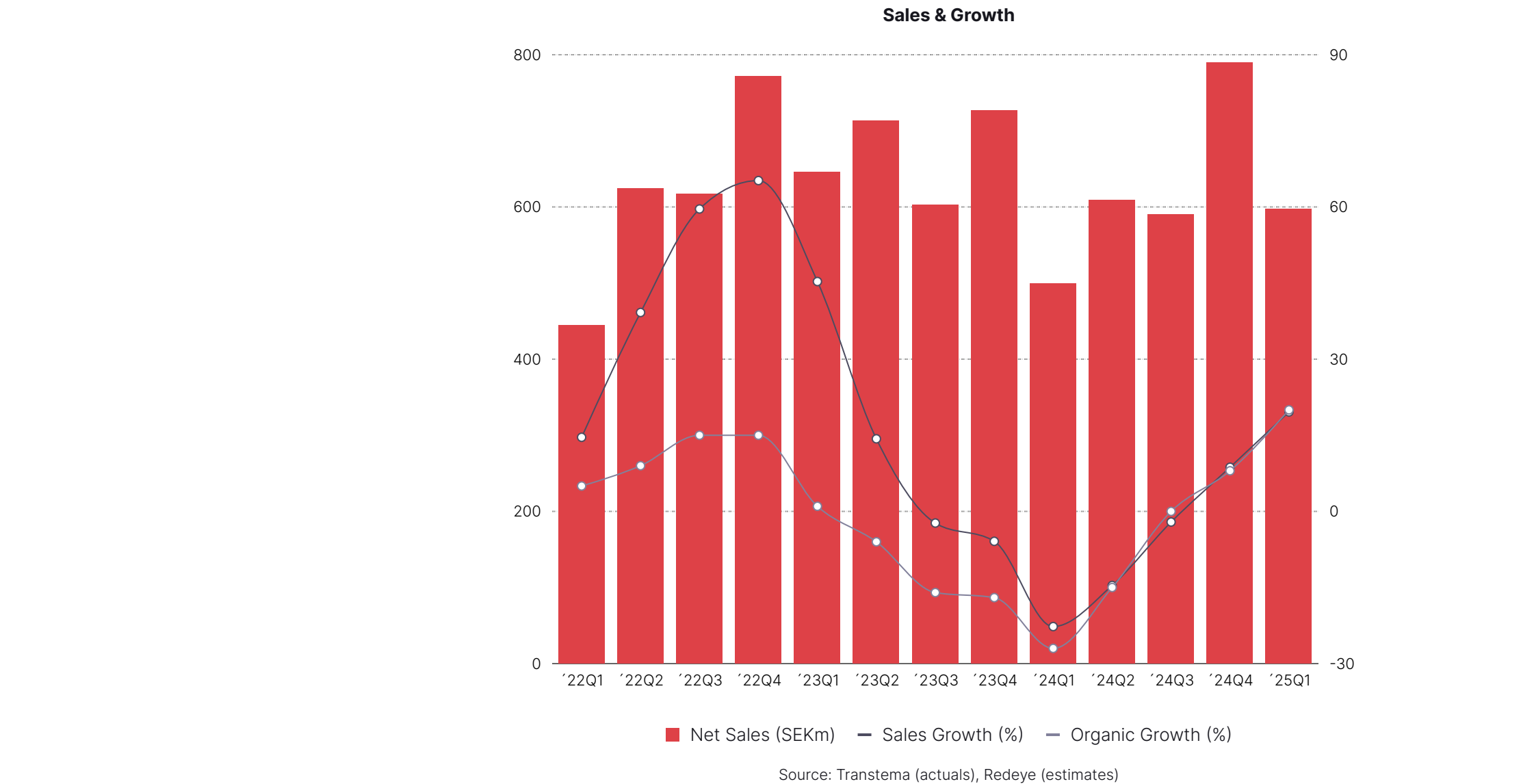
Estimates					
Sales	Q1E 2025	Q1A 2025	Diff	Q1A 2024	Q4A 2024
Net Sales	550	597	9%	500	790
Y/Y Growth (%)	10%	20%		-23%	9%
Earnings					
EBITA	20	16	-18%	3	45
EBITA Margin (%)	3.6%	2.7%		0.6%	5.7%
Diluted EPS	0.20	0.06	-70%	-0.33	-0.12

Sales: 20% Organic Growth, 30% in Sweden

Sales was SEK597m (500) and came in 9% above our forecast of SEK550m. Organic growth was 20%, and our forecast was 10%. The solid number results from a strong development in the Swedish market, while the Norwegian market remains challenging.

Sweden had an impressive 30% organic growth y/y. The strong growth in the Swedish market follows the solid deal flow seen in recent quarters and an overall healthy deal flow of installations. As some additional deals will become active in 2025 and considering the relatively easy comparable figures in Q2-Q3 2024, along with copper becoming more or less insignificant, we believe Sweden will sustain a high growth rate in 2025, although at a slower pace than the 30% seen in this quarter. We are encouraged to see the strong growth momentum in Sweden, showing that Transtema is executing well on the orders received in 2023-2024.

Norway continued to experience a challenging market and saw its sales decline by 4% organically y/y, although a clear improvement relative to -16% in Q4. The Norwegian market remains cautious, and Transtema continues to restructure its organisation to align it with the soft market conditions.



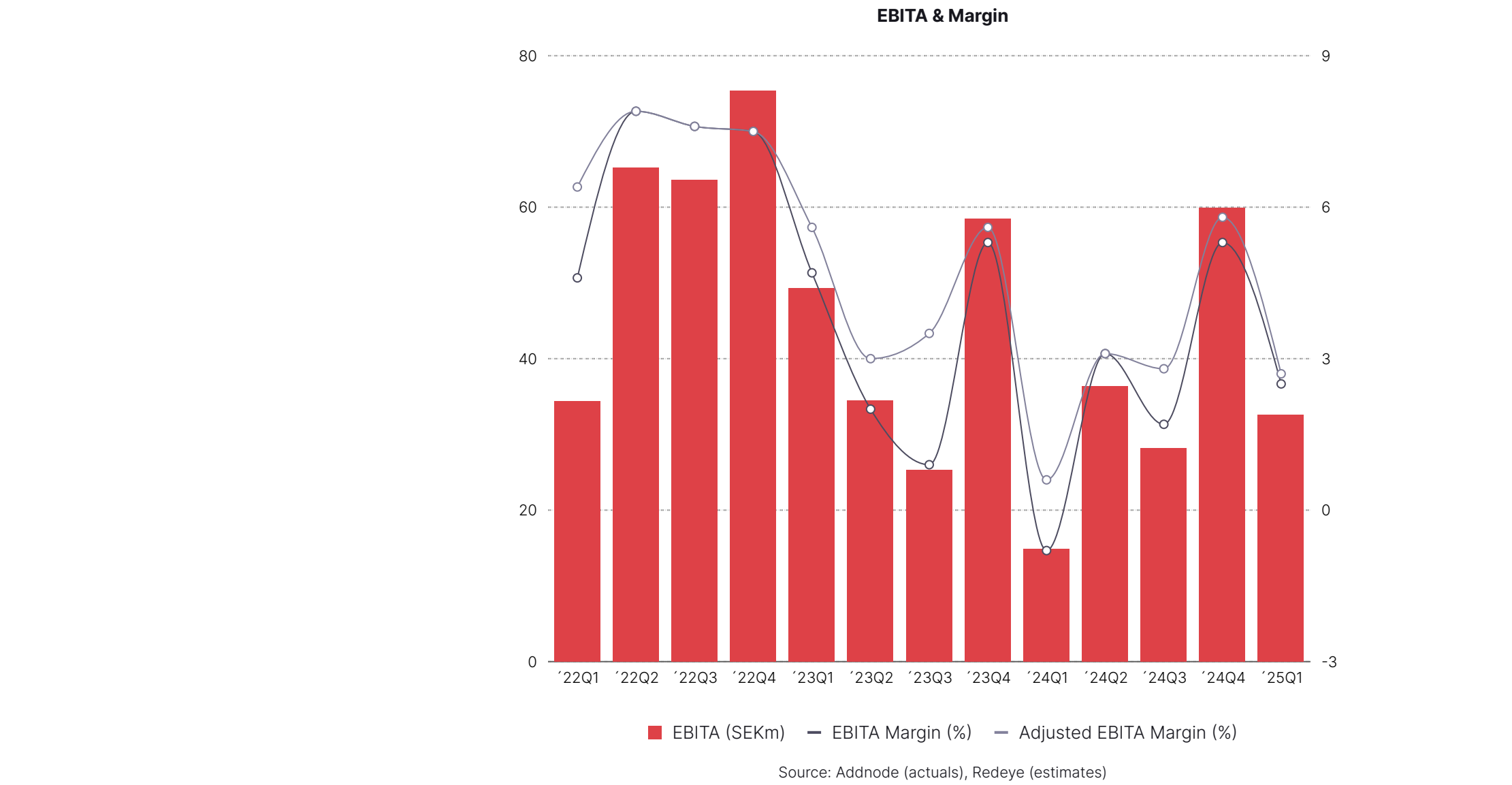
Profitability and Cash Flow: Improving y/y but below forecast

Adjusted EBITA was SEK16m (3), below our forecast of SEK 20m. The adjusted EBITA margin was 2.7% (0.6), lower than our forecast of 3.6%. While a significant improvement to the soft Q1 in 2024, our expectations were somewhat higher. Even though Q1 is usually a soft quarter due to seasonality, we believe higher levels are needed to reach 5% in the full year or even 7% (as the financial target).

According to management, the y/y improvement in margins was due to the strong sales development in Sweden. However, as the growth was driven by installation, with a higher share of subcontractors and generally lower margins, the impact on margins and EBITA was more limited. Also, the number of service and maintenance orders, with higher margins, was lower than usual in the quarter, resulting in a relatively low utilisation of the service workforce, negatively impacting margins. There is a seasonal element to this, and management sees no reason to expect structurally lower service and maintenance going forward (fibre has less need for service compared to copper, but that is expected and taken into account already).

While Norway remained soft, management pointed out that its margin was not in negative territory. Even though the market is likely to remain soft, ongoing initiatives should improve profitability. Norway is a more competitive market than Sweden, usually with more players competing for deals, likely limiting the margin potential somewhat.

Transtema ended the quarter with SEK77m in cash, following a negative cash flow partly due to negative NWC contribution. Strong sales growth and a “backlash” from a large release of NWC in Q4 explaining the number. Interest-bearing debt was SEK223m, resulting in a net debt of 0.7x EBITDA 2025e.



Estimate Revisions:
Slight cuts to 2025, slight
increases to 2026

We raise our sales forecasts for 2025-2026 by 5% and 3% respectively. While we do not extrapolated the full extent of the solid growth in this quarter, the underlying demand in the Swedish market seems to be somewhat stronger than we previously expected.

Regarding EBITA, we lower 2025 by 5% and increase 2026 by 2%. For 2025, the lower-than-expect EBITA in Q1 and slightly lowered margin assumptions for the remainder of 2025 outweigh the increased sales forecast. However, for 2026, roughly unchanged margin assumptions and increased sales forecasts resulted in a slightly higher EBITA forecast.

Overall, we forecast 6% growth in 2025 and 2026 – all organic – and EBITA margins of 4.2% and 5.2% respectively.

The financial targets remain unchanged at +10% sales growth and +7% EBITA margin. However, we believe a substantially stronger market is needed to reach the +7% EBITA margin target. On the other hand, considering the current valuation of Transtema, reaching 5% in the next year or earlier is well enough to make the upside attractive.

Estimate Revisions						
Sales	FYE 2025	Old	Change	FYE 2026	Old	Change
Net Sales	2644	2526	5%	2802	2728	3%
Y/Y Growth (%)	6%	2%		6%	8%	
Earnings						
EBITA	111	117	-5%	145	142	2%
EBITA Margin (%)	4.2%	4.6%		5.2%	5.2%	
Diluted EPS	1.30	1.47	-11%	1.99	1.92	3%

Forecasts									
Sales	FYA 2024	Q1A 2025	Q2E 2025	Q3E 2025	Q4E 2025	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Net Sales	2489	597	682	638	727	2644	2802	2942	3001
Y/Y Growth (%)	-7%	20%	12%	8%	-8%	6%	6%	5%	2%
Earnings									
EBITA	66	15	27	29	40	111	145	153	156
EBITA Margin (%)	2.7%	2.5%	4.0%	4.5%	5.5%	4.2%	5.2%	5.2%	5.2%
Diluted EPS	-0.23	-0.02	0.33	0.36	0.56	1.30	1.99	2.12	2.18

Valuation

We leave our Base Case at SEK27 following largely unchanged forecasts. The momentum in Sweden remains strong, although the sales mix limited the margin improvement, and as copper finally fades and new deals are getting active, things should move in the right direction for Transtema. Also, Norway seems to have stabilised, although at a low level. The company is trading at 5.6x EBITA 2025e, suggesting solid upside potential if reaching our expectations of 4.2% in EBITA margin, still below potential levels. However, most peers are trading at similar valuation multiples, indicating scepticism from investors for the whole industry.

Fair Value Range - Assumptions			
	Bear Case	Base Case	Bull Case
Value per share, SEK	13	27	45
Sales CAGR			
2025 - 2032	1%	3%	6%
2032 - 2042	1%	2%	4%
Avg EBIT margin			
2025 - 2032	2%	4%	5%
2032 - 2042	3%	5%	6%
Terminal EBIT Margin	2%	4%	6%
Terminal growth	2%	2%	2%
WACC	11%	11%	11%





Source: Redeye Research

Peer Valuation

Utility Services	EV	Sales	EV/SALES			EV/EBIT			Sales growth			EBIT margin		
Company	(SEKm)	24e	24e	25e	26e	24e	25e	26e	24e	25e	26e	24e	25e	26e
Eitel	2,428	9,278	0.3	0.2	0.2	8.7	7.0	6.0	0%	3%	3%	3.0%	3.5%	3.8%
Bravida	20,803	29,048	0.7	0.7	0.6	11.5	10.1	9.0	-2%	4%	3%	6.2%	6.6%	6.8%
Netel	1,210	3,421	0.4	0.3	0.3	6.5	5.5	4.6	4%	5%	5%	5.4%	5.7%	6.0%
Transtema	716	2,489	0.3	0.2	0.2	17.9	6.8	4.2	-7%	6%	6%	1.6%	3.5%	4.3%
Average	6,289	11,059	0.4	0.4	0.3	11.1	7.4	5.9	-1%	5%	4%	4.1%	4.8%	5.2%
Median	1,819	6,350	0.3	0.3	0.3	10.1	6.9	5.3	-1%	4%	4%	4.2%	4.6%	5.2%

Source: Redeye, Company reports, FactSet

Investment Thesis

 Case	<p>From construction to installations, operations, and maintenance</p> <p>Following a few years with a focus on Fiber-To-The-Home (FTTH) construction which ended badly, Transtema has reshaped its business, concentrating on stable installations, operations, and maintenance markets. With its nationwide reach in Sweden and substantial presence in Norway, Transtema has a solid position to capture growth stemming from structural trends driving the need for the availability and reliability of communication networks. In addition, recent EV charging and coax acquisitions allow for higher utilization of the nationwide service network and reduced customer concentration.</p>
 Evidence	<p>Stability, margins, and growth in place following the recent transformation</p> <p>Since the transformation towards installations, operations, and maintenance in 2020, Transtema has delivered stable EBITA margins of ~7%, among the highest levels in the industry. Despite the eroding copper business, Transtema has achieved solid organic growth fueled by 5G and fiber installations. The acquisition of Tessta has been a success so far. Combined with the offering-expanding acquisitions of North Projects and Bäck's, Transtema has reduced customer concentration and improved its growth prospects.</p>
 Challenge	<p>Exposure to legacy technology</p> <p>With about 20% of sales stemming from copper, Transtema will experience a growth headwind as copper is expected to erode over the next few years. However, the decline of legacy technology and the rise of new solutions is a normality in the communications industry. Although Transtema needs to compensate with revenue from newer technologies, following recent acquisitions in, for example, the surging EV charging sector, and the site-management deal, we believe the prospects are solid.</p> <p>Significant customer concentration</p> <p>Although the customer concentration has decreased following recent acquisitions, Transtema generates about 40% of its sales from Telia. While a few huge players characterize the telecommunications market, we believe customer concentration is a risk in Transtema. On the other hand, Telia also depends on Transtema, as it would be challenging for a competitor to provide similar services, at least in the short term. Following the recent acquisitions, we believe the customer concentration will decrease further.</p>
 Valuation	<p>Fair Value SEK 27</p> <p>Our DCF model shows a fair value of SEK 27, which is also supported by a peer valuation. While the strong performance seen in 2021-22 motivates a premium to the sector, Transtema has experienced a negative impact from the weaker market, hurting margins and growth.</p>

Redeye Quality Rating

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

4 At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character. character.

The People rating is based on quantitative scores in seven categories: categories:

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

<div><div></div><div>Positives</div></div>	<div><div></div><div>Negatives</div></div>
<div><ul style="list-style-type: none">Strong leadership with a clear long-term vision, focusing on pan-Nordic presence, sustainability, and security in the telecom sector.Decentralized organization promoting accountability, with a well-defined strategic plan and consistent communication of company values.Transparent and timely investor communication, with management being candid about mistakes and focusing on long-term business value.Founder involvement as chairman and significant insider ownership (about 20%) demonstrate alignment with shareholder interests.Diverse board with relevant expertise in finance, entrepreneurship, and telecom, supporting the company's strategy and M&A ambitions.</div>	<div><ul style="list-style-type: none">Management team's average tenure is slightly less than five years, potentially limiting institutional knowledge and continuity.Recent investments, particularly acquisitions in Norway, have not generated attractive returns on capital.Share count has increased over time without corresponding EPS growth, potentially diluting shareholder value.Less than 50% of board members have substantial holdings, potentially reducing alignment with shareholder interests.</div>

Business

3 If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is ased on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

<div><div></div><div>Positives</div></div>	<div><div></div><div>Negatives</div></div>
<div><ul style="list-style-type: none">Transtema benefits from secular tailwinds in digital communication, driving demand for its services and positioning it well for future growth.The company operates in a market with few dominant players, reducing competitive pressure and potentially allowing for better pricing power.Transtema's core business of installation, service, support, and maintenance for communication networks is unlikely to be disrupted, providing long-term stability.The company is proactively promoting environmental sustainability through initiatives like using renewable fuels and transitioning to electric vehicles.Transtema works closely with customers, fostering innovation and transparency in its business relationships.</div>	<div><ul style="list-style-type: none">Transtema's revenue base is not well diversified, with a high dependence on key customers like Telia and Telenor, potentially impacting bargaining power and stability.The company's installation business has clear cyclical exposure, which could lead to revenue volatility during economic downturns.Transtema's competitive advantages are not easily identifiable or sustainable in the long term, given the nature of its service-based business model.The company's returns on invested capital are currently at a low level, potentially indicating challenges in value creation.Employee satisfaction appears to be low, with a negative eNPS score, which could impact productivity, talent retention, and overall company performance.</div>

Redeye Quality Rating

Financials

2 Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

+ Positives

- Return on Assets outperforms industry average, suggesting superior asset utilization and profit generation.
- Consistent above-average revenue growth over the last five years, signaling market share gains and competitive strength.
- Healthy debt management with Net Debt less than two times Operating Cash Flow and five times Free Cash Flow.
- Efficient inventory management with inventory-to-sales ratio below 20% and its 5-year average.

- Negatives

- Return on Equity (ROE) below 20% for the last five years, suggesting inefficient use of shareholder capital.
- Earnings growth inconsistent and below historical averages, potentially impacting long-term valuation.
- Lack of consistent dividend growth and payments, limiting appeal for income-focused investors.

Rating Distribution

Redeye Covered Companies			
Rating	People	Business	Financials
5	6	8	1
3-4	137	123	43
0-2	16	28	115
Companies	159	159	159

Disclaimer

Redeye does not issue any investment recommendations for fundamental research. However, Redeye has developed a proprietary research and rating model, Redeye Rating, in which each company is analyzed and evaluated. This research aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Financials

Income Statement					
SEKm	2024	2025e	2026e	2027e	2028e
Net Sales	2,488.7	2,643.5	2,802.2	2,942.3	3,001.1
Other Income	2.9	1.9	2.0	2.0	2.0
Total Revenue	2,491.7	2,645.4	2,804.2	2,944.3	3,003.1
Cost of Sales	1,153.1	1,281.9	1,401.1	1,471.1	1,500.6
Gross Profit	1,335.7	1,361.7	1,401.1	1,471.1	1,500.6
Operating Expenses	1,174.5	1,151.0	1,157.5	1,221.7	1,247.3
EBITDA	161.2	210.7	243.6	249.4	253.3
Depreciation and Amortization	47.9	41.1	43.4	41.6	42.4
EBIT	40.1	91.9	120.2	127.8	130.9
Net Financial Items	105.2	21.1	10.7	10.7	10.7
EBT	-6.8	70.7	109.5	117.1	120.1
Income Tax Expenses	-4.4	-14.9	-24.1	-25.8	-26.4
Net Income	-10.8	55.8	85.4	91.3	93.7
Balance Sheet					
SEKm	2024	2025e	2026e	2027e	2028e
Assets					
Non-current assets					
Property, Plant and Equipment (Net)	40.1	30.6	25.6	26.9	27.7
Goodwill	381.2	381.2	381.2	381.2	381.2
Intangible Assets	303.9	269.0	243.8	218.6	193.4
Right-of-Use Assets	184.2	184.8	184.8	184.8	184.8
Other Non-Current Assets	5.6	7.3	5.4	5.4	5.4
Total Non-Current Assets	915.0	873.0	840.8	816.9	792.5
Current assets					
Inventories	17.1	26.4	28.0	29.4	30.0
Accounts Receivable	238.5	264.4	280.2	294.2	300.1
Other Current Assets	347.3	343.7	364.3	382.5	390.1
Cash Equivalents	126.1	214.9	332.1	448.7	567.4
Total Current Assets	728.9	849.3	1,004.6	1,154.9	1,287.7
Total Assets	1,643.9	1,722.3	1,845.4	1,971.8	2,080.2
Equity and Liabilities					
Non-current liabilities					
Long Term Debt	226.8	223.3	223.3	223.3	223.3
Long Term Lease Liabilities	114.6	115.9	115.9	115.9	115.9
Other Non-Current Lease Liabilities	52.0	49.5	49.5	49.5	49.5
Total Non-Current Liabilities	393.4	388.7	388.7	388.7	388.7
Current liabilities					
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Short Term Lease Liabilities	73.1	74.1	74.1	74.1	74.1
Accounts Payable	259.3	290.8	308.2	323.6	330.1
Other Current Liabilities	361.6	370.1	392.3	411.9	420.2
Total Current Liabilities	694.0	735.0	774.7	809.7	824.4
Equity	556.5	598.6	684.0	775.3	869.0
Total Liabilities and Equity	1,643.9	1,722.3	1,847.3	1,973.7	2,082.1
Cash Flow					
SEKm	2024	2025e	2026e	2027e	2028e
Operating Cash Flow	185.6	183.0	210.4	214.3	216.7
Investing Cash Flow	-113.2	-11.9	-13.2	-17.7	-18.0
Financing Cash Flow	-15.1	-80.2	-80.0	-80.0	-80.0
Cash Flow For The Period	58.0	92.0	117.2	116.7	118.7

The team

Equity Research Leadership



Björn Fahlén
bjorn.fahlen@redeye.se



Tomas Otterbeck
tomas.otterbeck@redeye.se

Editorial



Joel Karlsson
joel.karlsson@redeye.se

Technology Team



Anton Hoof
anton.hoof@redeye.se



Fredrik Nilsson
fredrik.nilsson@redeye.se



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se



Henrik Alveskog
henrik.alveskog@redeye.se



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se



Jacob Benon
jacob.benon@redeye.se



Jessica Grunewald
jessica.grunewald@redeye.se



Martin Wahlström
martin.wahlstrom@redeye.se



Mattias Ehrenborg
mattias.ehrenborg@redeye.se



Niklas Sävås
niklas.savas@redeye.se



Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Life Science Team



Christian Binder
christian.binder@redeye.se



Filip Einarsson
filip.einarsson@redeye.se



Filip Lindkvist
filip.lindkvist@redeye.se



Fredrik Thor
fredrik.thor@redeye.se



Gustaf Meyer
gustaf.meyer@redeye.se



Johan Unnerus
johan.unnerus@redeye.se



John Westborg
john.westborg@redeye.se



Kevin Sule
kevin.sule@redeye.se



Oscar Bergman
oscar.bergman@redeye.se



Richard Ramanius
richard.ramanius@redeye.se

Disclaimer

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