

# Tempest Security

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Results Reaction	Services	Sweden	23 February 2023
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## Q4: High sick-leave and overtime hurt margins

Tempest reported sales of SEK 108m, which was 5% below our expectation, with an adj. EBITDA margin of 2.4%. The quarter was heavily burdened by high sick leave and overtime pay. The way back after the pandemic has been tough, but the company guides for a brighter 2023, with the total turnaround in the second half of 2023. The Security Solutions segment performed well, but its EBITDA margin was a bit weak. We reiterate our mid-point value of SEK 44.

### Outcome: Sales and margins below expectations

Sales SEK 107.5m (-4.6% vs SEB 112.7m), EBITDA SEK 3.9m (-45.8% vs SEB 7.2m), EBITDA margin of 3.6% (-2.7pp vs SEB of 6.4%), EBIT SEK 1.0m (-77.2% vs SEB 4.3m), net income SEK -2.2m (-217.0% vs SEB 1.9m), EPS SEK -0.18 (-200.4% vs SEB 0.18).

## Deviation table, Q4/22

(SEKm)	Q4/22		Deviation SEB		Q4/21		Q3/22	
	Actual	SEB	Abs	Rel (%)	Actual	y/y (%)	Actual	q/q (%)
Net sales	107.5	112.7	-5.2	-4.6	93.9	14.5	111.8	-3.8
EBITDA	3.9	7.2	-3.3	-45.8	-9.7	140.3	7.6	-48.9
EBIT	10	4.3	-3.3	-77.2	-12.4	107.8	4.9	-80.3
EBT	-20	2.8	-4.8	-173.8	-12.8	84.0	8.0	-125.6
Net income	-22	19	-4.1	-217.0	-12.5	82.3	7.7	-128.6
<b>adj. EBITDA</b>	<b>2.5</b>	<b>7.2</b>	<b>-4.6</b>	<b>-64.6</b>	<b>-9.7</b>	<b>126.3</b>	<b>7.6</b>	<b>-66.6</b>
<b>adj. EBITDA margin</b>	<b>2.4</b>	<b>6.4</b>	<b>-4.0</b>	<b>-4.0pp</b>	<b>-10.3</b>	<b>12.7pp</b>	<b>6.8</b>	<b>-4.5pp</b>
EPS (rep.)	-0.8	0.8	-0.36	-200.4	-127	85.9	0.73	-124.5
<b>Sales by division</b>								
Security Solutions	80.1	70.8	9.3	13.2	65.5	22.4	77.2	3.9
Risk Solutions	27.3	41.9	-14.6	-34.9	28.4	-3.9	34.6	-21.2
<b>Total</b>	<b>107.4</b>	<b>112.7</b>	<b>-5.3</b>	<b>-4.7</b>	<b>93.9</b>	<b>14.4</b>	<b>111.8</b>	<b>-3.9</b>
<b>EBITDA by division</b>								
Security Solutions	3.9	4.7	-0.9	-18.9	7.7	-49.7	6.1	-36.6
Risk Solutions	2.9	7.5	-4.6	-61.4	0.2	1278.7	6.6	-56.0
Group costs	-4.2	-5.1	0.9	17.4	-17.5	76.0	-4.2	-0.6
<b>Total</b>	<b>2.5</b>	<b>7.2</b>	<b>-4.6</b>	<b>-64.6</b>	<b>-9.7</b>	<b>126.3</b>	<b>8.5</b>	<b>-70.0</b>
<b>EBITDA margin (%)</b>								
Security Solutions	4.8	6.7		-19pp	11.7	-6.9pp	7.9	-3.1pp
Risk Solutions	10.7	18.0		-7.3pp	0.7	9.9pp	19.1	-8.4pp
<b>Total</b>	<b>2.4</b>	<b>6.4</b>		<b>-4.0pp</b>	<b>-10.3</b>	<b>12.7pp</b>	<b>7.6</b>	<b>-5.2pp</b>

Source: SEB

## Outlook: Normalisation in 2023

Positive outlook regarding staff shortages and post-pandemic affects disappearing in 2023. Company reiterate 2025 target of 10% EBITDA margin. Company is implementing operational changes to deal with future staffing problems but says that all changes will not be done by Q1/23 so some soft guidance for the first quarter of 2023.

## Impact: Consensus sales should come down by 1-3%

We believe consensus estimates on sales might come down by 1-3% and EBITDA by 3-5% for FY2023.

## Conference call details: No conference call

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