Equity Research - 11 February 2025 06:06 CET

Tempest Security

Reason: Initiating coverage

Expanding share in a growing market

Commissioned research

Not rated

- Challenger in the growing Swedish security market
- Streamlining should highlight Swedish operations
- 7% organic sales CAGR '23-'26e, net profit in '26e

Aims to be the third-largest Swedish security service provider

Founded in 2004, Tempest is one of Sweden's leading security service providers. Through its Security Solutions business (which includes physical security and electronic surveillance) and its Risk Solutions segment (executive protection, background checks, etc), it delivers services in the Nordics and Europe through subsidiaries, and worldwide through partners. Most of the work is conducted in the larger cities, but Tempest is always looking to expand its geographical presence when attractive opportunities arise. Its aim is to establish itself as the third-largest actor behind Securitas and Avarn.

Gaining market share in a growing market

The Swedish market for security and surveillance services is growing. The market size, as reported by SCB, is SEK 25.8bn and is consolidated at the top, with Securitas and Avarn Security having combined revenues of SEK 9.5bn. The market is currently experiencing strong growth (10% CAGR '19-'23) as Sweden struggles with both high levels of crime and an increased terrorist threat, while NATO membership could lead to new business opportunities in the coming years. Tempest is also gaining market share from both Securitas and its smaller peers.

Fair value range of SEK 9-25, peers trading at '26e P/E of 10x

As the company has not yet reached mature profitability, we have used three different DCF scenarios to arrive at our fair value range. Taking the midpoint of our scenarios, we arrive at a fair value range of SEK 9-25. Our different DCF scenarios have assumed long-term EBIT margins of 2.5%-4.5%, indicating varying degrees of success at scaling Tempest's profitable SOC business. For reference, Securitas has industry-leading EBIT margins of above 6%. Our peer group is trading at an average '26e P/E of 10x.

Services

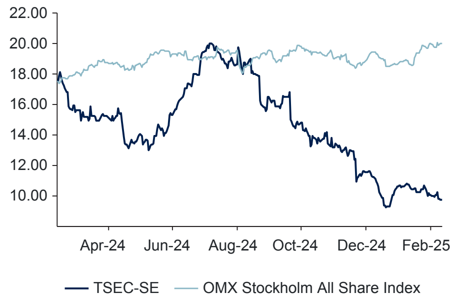
TSEC-SE/TSEC SS

Share price (SEK)	10/2/2025	9.90
Fair value range		9.0-25.0

MCap (SEKm)	104
MCap (EURm)	9
No. of shares (m)	10.5
Av. daily volume (k)	2

Next event Q4 Report 20 February 2025

Performance



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SEKm	2022	2023	2024e	2025e	2026e
Sales	424	469	501	511	550
EBITDA	21	21	-27	13	21
EBITDA margin (%)	5.0	4.5	-5.5	2.5	3.9
EBIT adj.	12	13	-10	0	8
EBIT adj. margin (%)	2.8	2.9	-2.0	0.1	1.5
Pretax profit	13	7	-42	-2	6
EPS	0.93	0.50	-3.93	-0.14	0.47
EPS adj.	1.06	0.83	-1.13	-0.14	0.47
Sales growth (%)	24.9	10.6	6.7	2.1	7.5
EPS growth (%)	-163.8	-46.3	-883.5	-96.4	-429.6

Source: ABG Sundal Collier, Company Data

	2024e	2025e	2026e
P/E (x)	nm	nm	21.0
P/E adj. (x)	nm	nm	21.0
P/BVPS (x)	2.50	2.52	2.19
EV/EBITDA (x)	-4.7	10.1	5.7
EV/EBIT adj. (x)	-13.0	385.7	15.0
EV/sales (x)	0.26	0.25	0.22
ROE adj. (%)	-19.5	-3.6	11.2
Dividend yield (%)	0.0	0.0	0.0
FCF yield (%)	0.6	7.7	16.6
Le. adj. FCF yld. (%)	-10.0	-3.1	5.2
Net IB debt/EBITDA (x)	-0.9	2.0	0.9
Le. adj. ND/EBITDA (x)	-2.2	-0.3	-0.5

Disclosures and analyst certifications are located on pages 44-45 of this report.
This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

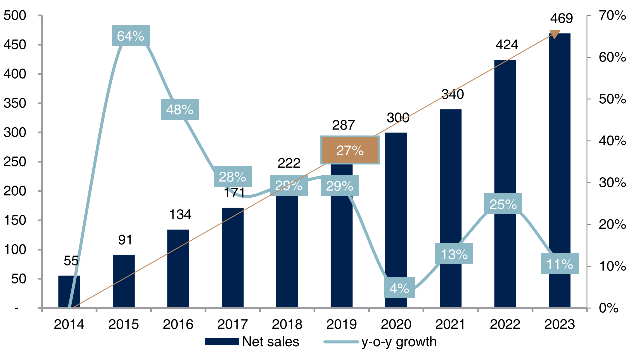
Company description

Tempest Security offers comprehensive solutions in security, protection and related services. The company offers guards and security guards, receptionists, trained security staff and technical solutions for alarms and surveillance. Customers are found in a variety of sectors, from industry, offices, property, to state and municipal actors. The company was founded in 2004.

Risks

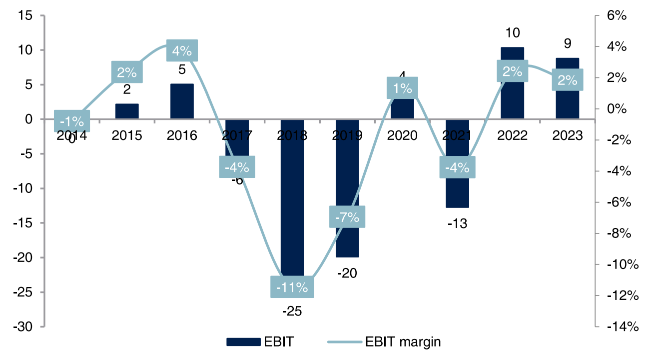
Key risks are related to profitability, employee shortages, heavy competition, revenue concentration, professionalism of employees, digital innovation, and key people leaving the company.

Group net sales, SEKm and sales growth y-o-y, %



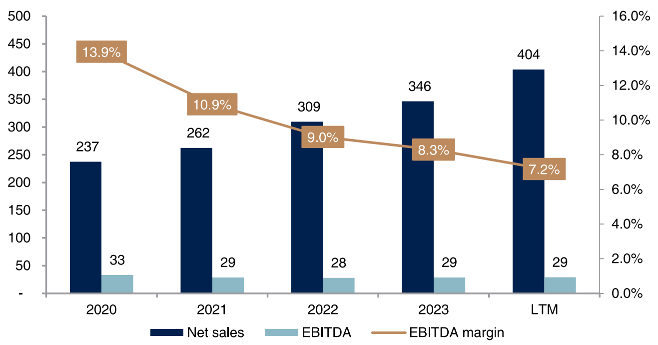
Source: ABG Sundal Collier, company data

Group EBIT, SEKm and EBIT margin,%



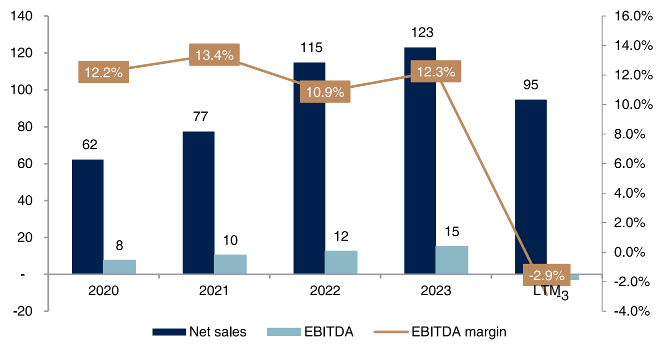
Source: ABG Sundal Collier, company data

Security Solutions net sales & EBITDA, SEKm and EBITDA margin, %



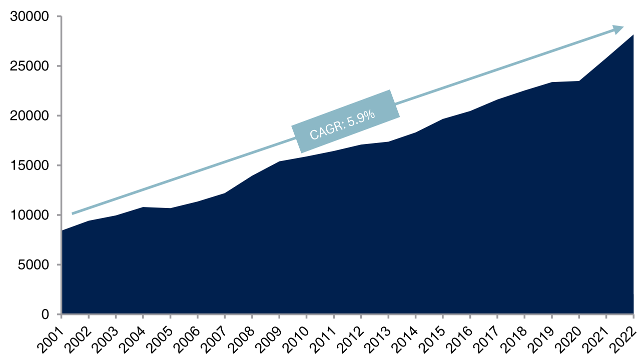
Source: ABG Sundal Collier, company data

Risk Solutions net sales & EBITDA, SEKm and EBITDA margin, %



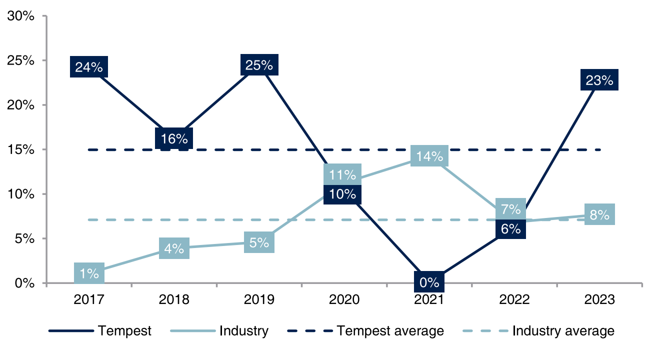
Source: ABG Sundal Collier, company data

Security service industry inflation adjusted sales, SEKm



Source: ABG Sundal Collier, SCB

Comparison between Tempest sales growth and the industry, %



Source: ABG Sundal Collier, company data, Bolagsfakta

Contents

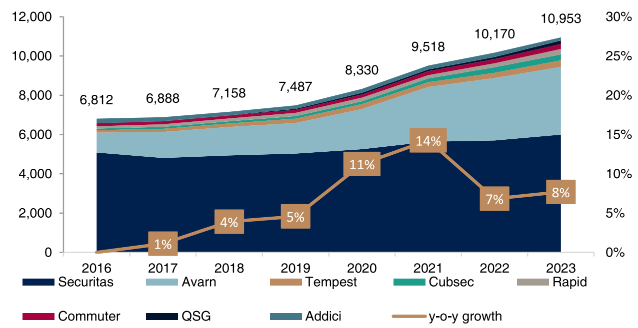
Summary

Tempest Security is a challenger in the growing Swedish security market. Its ambition is to establish itself as the third-largest actor behind Securitas and Avarn. It is currently gaining market share, both from Securitas and its smaller peers. We are comfortable with its market position, but believe the uncertainty lies within the market's long-term profitability. With a renewed focus on the Swedish market, we think the company will be able to return to positive territory on EBIT in '25e and net profit in '26e.

Founded in 2004, Tempest is one of Sweden's leading security service providers. Through its Security Solutions business and its Risk Solutions segment, it delivers services in the Nordics and Europe through subsidiaries, and worldwide through partners.

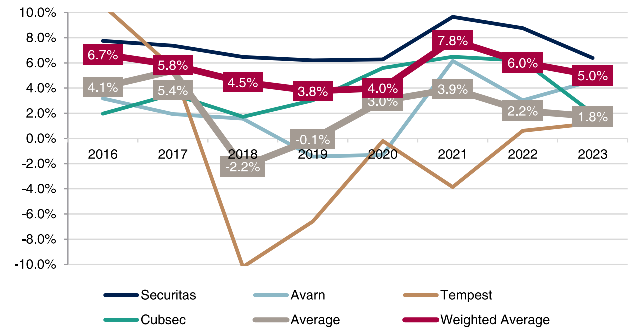
Security Solutions is Tempest's largest segment (~74% of sales in 23) and includes traditional surveillance services such as fixed and mobile guarding and alarm response, typically provided by security guards and public order officers. These services are mainly provided in Sweden and offer a stable revenue stream due to long contract terms and the fact that customer churn is likely low. Risk Solutions provides personal protection, consultancy and investigation services with a focus on helping clients manage risk, security challenges and crisis management. Its consulting services include security consulting, risk analysis, investigations, brand protection and background checks. Risk Solutions operates primarily in Sweden, Denmark and the UK.

Swedish security service market, SEKm & y-o-y growth, %



Source: ABG Sundal Collier, Bolagsfakta

Swedish security market EBIT margins, %



Source: ABG Sundal Collier, Bolagsfakta

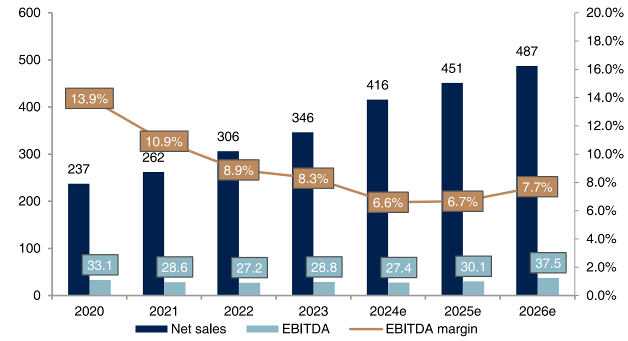
The market for security and surveillance services is growing, driven by the increased need for security in both the public and private sectors. It encompasses a wide range of offerings, including manned guarding, surveillance systems, alarm monitoring and access control systems. In many cases, security services are essential to protect property from theft, trespassing and vandalism, and to protect people from harm and assault.

According to the industry association Säkerhetsbranschen, the Swedish security services market consists of approximately 500 companies. The market size, as reported by SCB, is SEK 25.8bn and is highly consolidated at the top, with Securitas and Avarn Security having combined revenues of SEK 9.5bn and the top eight companies having combined revenues of SEK 11.0bn. The market is currently experiencing strong growth as Sweden struggles with both high levels of crime and an increased terrorist threat, and NATO membership could lead to new business opportunities in the coming years.

Tempest has been able to take market share from its competitors in recent years, but it remains to be seen whether it can deliver in terms of profitability in a market where profitability levels historically have been subdued. After a tough year in Risk Solutions, Tempest has decided to divest its underperforming geographies and focus on its Swedish operations. We think this is a wise decision as it is likely to highlight Tempest's recent strong performance in its Security Solutions business. The recent dip in profitability in this division is due to strong growth (and subsequent start-up costs) combined with the loss of its largest customer in Q2'24. Once the business has overcome this period, we believe it has the opportunity to return to historical levels of profitability.

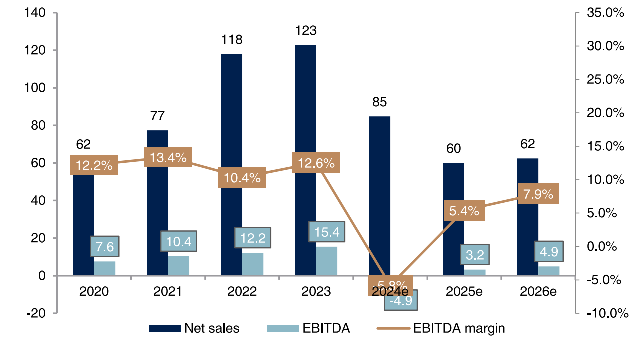
We have more modest expectations for Risk Solutions in the near term, as uncertainty is high following its recent performance and ongoing restructuring. However, the divestment of the US business, combined with a new contract structure in Denmark, should be sufficient to return the division to profitability in '25e.

Security Solutions net sales & EBITDA, SEKm, and EBITDA margin %



Source: ABG Sundal Collier, company data

Risk Solutions net sales & EBITDA, SEKm, and EBITDA margin, %



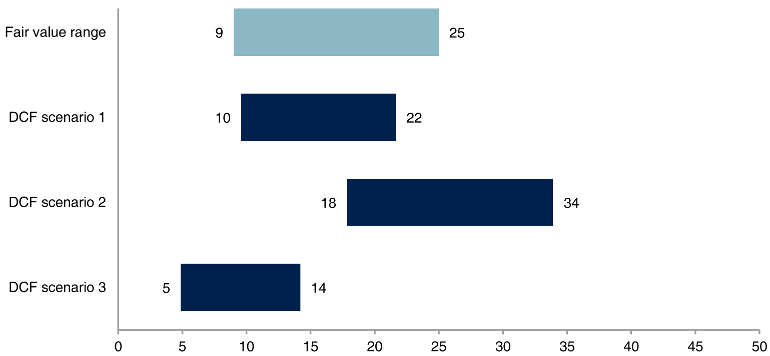
Source: ABG Sundal Collier, company data

As the company has not yet reached mature profitability, we have used three different DCF scenarios to arrive at our fair value range. Taking the midpoint of our scenarios, we arrive at a fair value range of SEK 9-25.

Our more optimistic approach requires Tempest Security to continue to grow its SOC business in order to achieve above-market profitability for the group. However, we do not think this is impossible as Securitas currently has EBIT margins above 6% in the Swedish market. Our more pessimistic approach assumes that the company fails to scale its SOC business or that Risk Solutions continues to struggle, leading to a decline in group profitability.

This scenario could happen, but we also recognise that if the security market as a whole continues to struggle to achieve satisfactory profitability, Tempest's smaller peers should struggle first, which could give the company some additional room to improve. Our peer group is trading at an average '26e P/E of 10x.

Valuation summary



Source: ABG Sundal Collier, company data

Tempest Security in brief

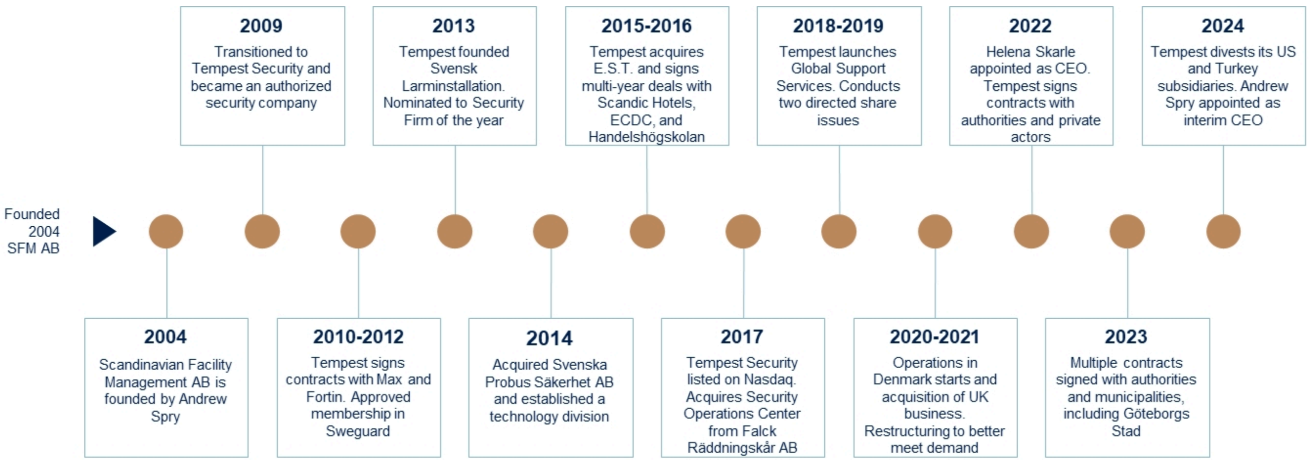
Founded in 2004, Tempest is one of Sweden's leading security service providers. Through its Security Solutions business (which includes physical security and electronic surveillance) and its Risk Solutions segment (executive protection, background checks and more), it delivers services in the Nordics and Europe through subsidiaries, and worldwide through partners. Most of the work is conducted in the larger cities, but Tempest is always looking to expand its geographical presence when attractive opportunities arise. Forming close relationships with customers is crucial to drive sales, and a varied customer base suggests that Tempest has been successful in doing so.

Company history

Tempest Security was founded in 2004 as Scandinavian Facility Management AB by Andrew Spry (current interim CEO) as a small service and recruitment company. In late 2008, Thomas Löfving (current board member) joined and the company shifted its focus to security services and growth, which accelerated its development, and in 2009 the company reached the milestone of becoming an authorised security company and changed its name to Tempest Security.

The company then expanded from a handful of employees to become one of Sweden's leading security service providers and has since grown both organically and through a series of acquisitions that have expanded its product offering, geographical reach and strengthened its market position. 2017 was another important year for the company as it first acquired Falck Security AB and its Security Operations Centre (SOC), and then in December reached a new historic milestone with the listing of its shares on the Nasdaq First North stock exchange. Today, the founder-led company is headquartered in Sweden, but also operates through subsidiaries in Denmark and the UK.

Tempest's development since its founding in 2004



Source: ABG Sundal Collier, Company Data

Tempest's operations

Tempest strives to keep individuals and its customers safe by acting as a committed and long-term security partner. It sees itself as a challenger in a traditional industry and aims to be one step ahead of its competitors. The business is divided into two business areas: Security Solutions (I) and Risk Solutions (II). Security Solutions includes services such as manned guarding, alarm responses and a Security Operations Centre (SOC), primarily in Sweden. Risk Solutions offers executive protection, background checks and other consultancy services such as risk management, and is located in Sweden, Denmark and the UK.

Tempest Security's business areas

Sales area	% of sales 2023	EBITDA margin	Services	Location
Security Solutions	73.8%	8.3%	• Traditional security- and surveillance services such as manned guards and alarm responses • Security Operations Centre (SOC) manned 24/7	• Primarily in Sweden
Risk Solutions	26.2%	12.3%	• Personal protection, consultancy, and investigation services • Helping clients manage risks, security challenges, and crisis management	• Sweden, Denmark, UK, through subsidiaries • Globally through partners

Source: ABG Sundal Collier, Company Data

Security Solutions: physical and digital surveillance 24/7

Security Solutions is Tempest's largest segment (~74% of sales in 2023) and includes traditional surveillance services such as fixed and mobile guarding and alarm response, typically provided by security guards and public order officers. The services are mainly provided in Sweden and offer a stable revenue stream due to long contract terms and the fact that customer churn is likely low.

At the heart of the Security Solutions segment is the SOC, which is manned 24/7 by operators monitoring alarmed sites. These professionals perform a wide range of tasks, from alarm and camera monitoring to operational response and incoming alarm calls. Tempest works with a growing network of system installation partners, allowing it to focus on service delivery without competing directly with installers. The work focuses on planning and servicing camera surveillance systems, alarms, access control systems, as well as other customised security solutions. These services are offered in both stationary and mobile forms or a combination of the two, and include monitoring, patrolling, alarm response and more.

Contracts within Security Solutions come in various forms, and typically combine several security services to provide the best possible experience for the clients. These contracts are secured against inflation via SCB Bevakningsindex, i.e. the prices are adjusted as the contract progresses to safeguard Tempest and its customers against potential inflation/ deflation.

Contract A consists of mobile guarding, alarm subscriptions, and call-outs. Contract B comprises mobile guarding and call-outs, and Contract C is stationary guarding of a specific object over a specified amount of time. Contract D involves alarm subscription/connection and is provided by the company's SOC. These classifications allow for reduced complexity, primarily for customers when evaluating their need of security services, but also for Tempest when structuring its business.

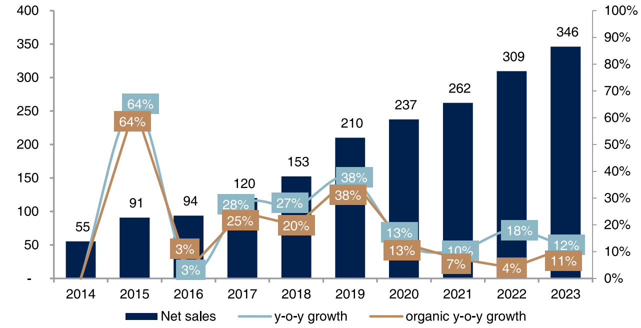
The core of most security companies is the guarding business, and while some companies are looking at digital alternatives to reduce the high concentration of revenue, the majority of revenue for all of Tempest's peers comes from either mobile or fixed guarding. It is not uncommon for employees in the industry to perform short-term assignments for several companies based on location rather than being exclusively committed to a specific company. This increases flexibility and can reduce costs by reducing the cost of long-term contracts and full-time benefits. However, in the event of a labour shortage (which is an industry risk), non-exclusive staff could pose a threat to the growth of the business, as they are likely to be less willing to move to new assignments than permanent staff.

The Security Solutions segment (and the company as a whole) generates most of its revenue from guarding. The low industry margins are the result of two main factors. Firstly, strong regional competition increases the bargaining power of customers and puts pressure on revenues as companies compete fiercely on price. Second, industry associations and union agreements keep guard salaries high, allowing only minimal margin gains.

Companies are adopting different strategies to increase margins. While some players try to use digital innovation to diversify revenue streams and replace low-margin guarding business, Tempest focuses on its strong relationship-building skills to win additional business from existing contracts. Contract extensions tend to have higher margins than new contracts, mainly due to the costs associated with the procurement process and start-up costs for new contracts.

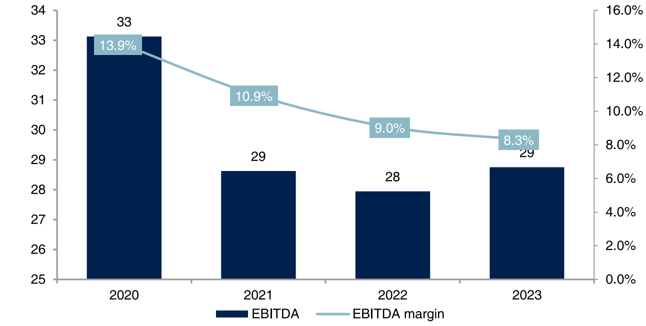
In addition, if other players increasingly look to digitalisation to improve margins and overlook the traditional physical guarding business, Tempest could benefit by focusing more on existing practices instead.

Security Solutions yearly net sales, SEKm and y-o-y growth, %



Source: ABG Sundal Collier, company data

Security Solutions yearly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

Risk Solutions: from executive protection to background checks

Risk Solutions provides personal protection, consultancy and investigation services with a focus on helping clients manage risk, security challenges and crisis management. Its consulting services include security consulting, risk analysis, investigations, brand protection and background checks. The company also provides advanced surveillance services such as personal protection and protective surveillance.

The wide range of services includes personal protection for high-profile individuals with an elevated threat level, or people who are travelling and wish to present themselves with executive protection. This type of service is often provided on an ad hoc basis. Risk Solutions in the UK can also help clients remove pirated products from the market, which is a growing problem for e.g. toner cartridge companies. Tempest can use algorithms to scan the market for pirated products and work with police and public prosecutors for physical interventions. Risk Solutions can also carry out smaller tasks such as background checks when companies hire new staff or perform transactions. These are the primary activities incorporated in the Risk Solutions segment:

Background checks: Detailed background checks using a blend of proven methods and advanced tools. The screening can be used for recruitment screening, business due diligence and security vetting. The process includes verification of personal details, financial stability, business affiliations, legal history, employment record, media and Internet exposure. This approach provides clients with a complete picture to support safe, informed decisions.

Each background check is tailored to the client's needs, with the level of scrutiny matched to the specific requirements of the role and the associated risk profile. Complementary services, such as digital monitoring, also provide valuable insight into online exposure and security vulnerabilities. Screening is carried out in strict compliance with GDPR, protecting all information with high standards of integrity and security. Tempest's global reach enables it to conduct background checks worldwide, an essential service for companies with international operations or expansion plans.

Personal security: Tailored security solutions to protect corporate executives, local government officials, politicians and others who may be vulnerable to both general and specific threats. Services include proactive personal security and reactive personal protection delivered through: risk and threat analysis, security training and technical security solutions. Reactive security services include executive protection and security officers, security coordination and secure transports with specialised vehicles and trained drivers.

Risk management: Provides expert investigative and security management consultancy services, including criminal investigations, critical incident management, interim security leadership and advanced security assessments. Tempest's approach to criminal investigations and business disruption is to tackle complex cases and high profile incidents with in-depth analysis to identify root causes and establish preventative measures.

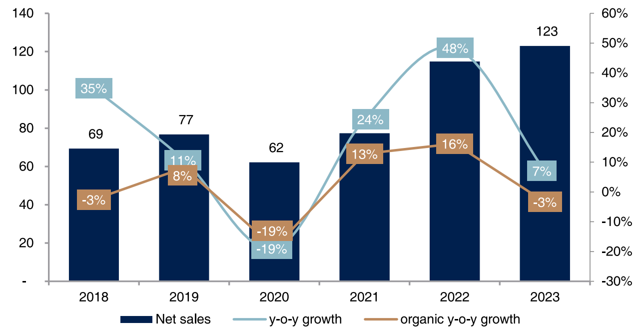
These services include security incident investigations to address breaches, intellectual property investigations to protect against infringement, fraud and financial crime investigations to mitigate financial risk, and internal investigations to resolve conflicts and maintain organisational integrity. In addition to investigative services, Tempest provides comprehensive security management solutions for organisations requiring either temporary or long-term support. Through the provision of interim security officers and consultancy, risk and vulnerability assessments and specialist security training, Tempest works closely with clients to strengthen their security functions and ensure they are prepared to prevent and respond to potential threats.

Travel security: Helps companies to meet their duty of care and workplace safety obligations and create a safer and more productive working environment when employees travel. Tempest Risk Solutions offers Global Watch, a comprehensive travel security solution designed to keep employees informed of potential risks and provide essential support wherever they are in the world. Services are provided with global coverage, real-time updates with a platform that provides continuous updates on security situations, including natural disasters, political unrest and other potential threats.

With offices in the Nordic countries, the UK and a global network of partners, the company can provide rapid assistance within hours in most major cities around the world. Risk Solutions can use both in-house staff and local resources, but always ensures quality by assigning an experienced project manager to each assignment.

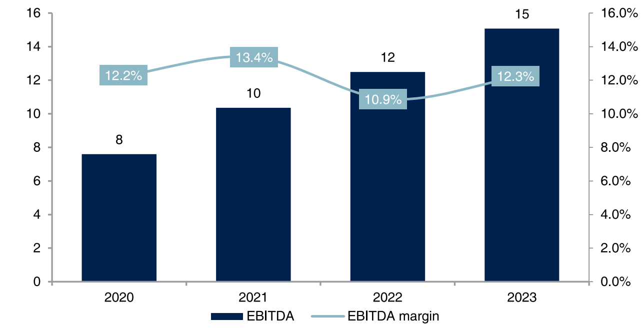
Risk Solutions faced some challenges at the start of 2024, as the US personal and residential security business was affected by a decline in customer travel due to the economic situation. These contracts are on a call-off basis, so Tempest gets no revenue if there is no travel, but it always has the guards as a cost. There are few clients in this area, so if 2-3 clients travel less than usual there is a noticeable impact on the company's revenue. However, the demand for personal protection in Sweden remains stable, which has helped to balance the company's results. In addition, recent proposals from the Swedish government suggest that municipalities will have increased security obligations in relation to the protection of politicians in the future, which is likely to increase demand for risk consultancy services, which is positive for Tempest.

Risk Solutions yearly net sales, SEKm and y-o-y growth, %



Source: ABG Sundal Collier, company data

Risk Solutions yearly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

Geographical presence

A justifiable focus on the larger cities

Tempest has its primary presence in Sweden, but conducts business globally through partners and subsidiaries. Its primary business area, Security Solutions, generates almost all of its revenue (~99.6%) from the Swedish market. In Sweden, most of the work is conducted in the largest cities (especially Stockholm), but the company does serve customers across the country either directly or through subcontractors. While a comprehensive market presence has its benefits (increased revenue generating opportunities), it can also have negative consequences. The vast majority of demand stems from the large cities, due to e.g. higher crime rates, and a more focused geographical approach can ensure better margins and greater sales through closer relationships and personalised solutions. Thus, the focus on larger cities is reasonable given the market characteristics, and it is the usual approach taken by security service companies, as ~68% of all Swedish guards are employed in Stockholm (~41%), Västra Götaland/Göteborg (~15%), or Skåne/Malmö (~12%), according to Säkerhetsföretagen.

Global presence allows for better monitoring of worldwide markets

Risk Solutions, however, pursues sales worldwide. Examples of work conducted through the Risk Solutions business include: *Undercover operation acting as European importer of counterfeit products to uncover distribution network* (India), *Assisting family to relocate missing relatives* (Chile), *Security Advance to gather intelligence regarding future business risks and opportunities on behalf of a Scandinavian corporation* (Kenya). The operations are varied in nature, and all are organised either through subsidiaries or through cooperation with local partners. Through its global Risk Solutions business, Tempest creates beneficial relationships worldwide. Moreover, the multinational approach allows Tempest to closely monitor developments in security markets across continents, giving it a greater ability to make informed decisions about potential cross-border acquisitions in the future. However, the current focus is on the Swedish market, which is appropriate given the current market conditions.

Tempest Security's geographical overview

Source: ABG Sundal Collier, company data

An overview of customers and contracts

Increased amounts of contract extensions improve margins

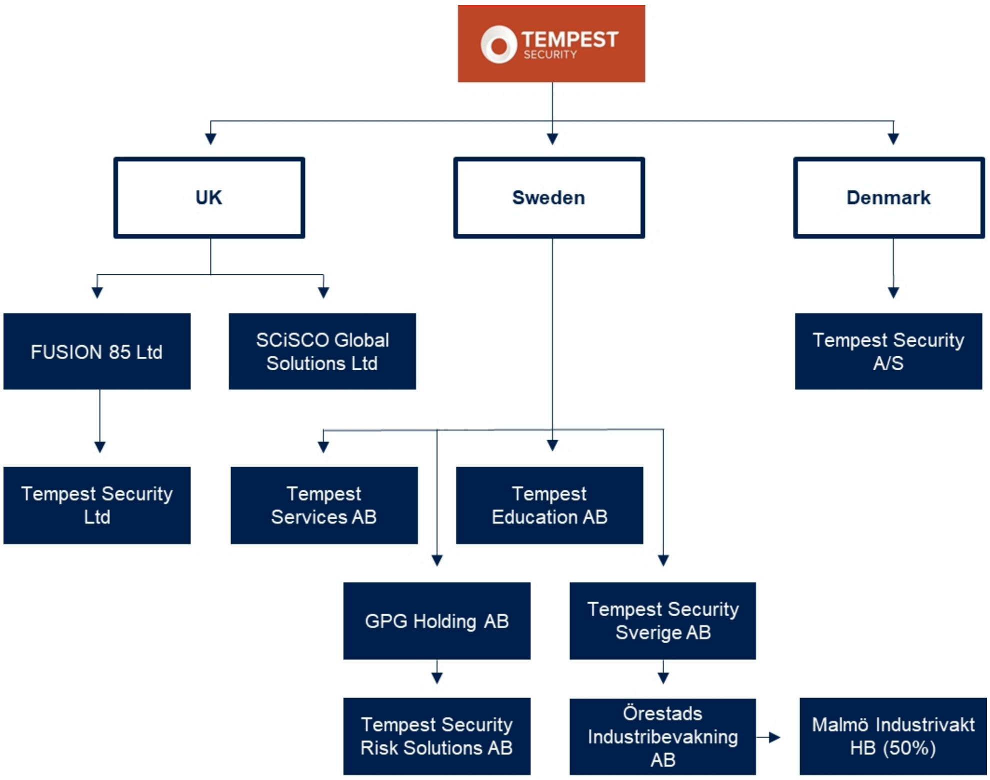
Tempest's customers are in both the private and public sectors, including municipalities, government agencies, embassies, corporations and private individuals. Margins are similar for both public and private clients. Contracts with customers typically run for a number of years, with the majority in the 12-36 month range. If the contract is not cancelled and does not have a specific end date, it is automatically renewed, usually for 12 months at a time.

Additional orders, where customers extend their contracts to include more services, are also becoming more common. This is not because the initial contract is too cautious. Rather, customer demand tends to increase as the contract progresses, either due to unforeseen events (e.g. higher than expected security threats) or planned issues (e.g. rebuilding work). This is positive for Tempest as the margins on renewals are better than on new customer contracts due to the costs associated with the procurement process.

Utilising strong relationships to win public contracts

Recently, the share of public customers has increased, with ~30-40% of total sales now generated through public actors. Public contracts are typically won via a procurement process, whereas most private contracts (except for the unusually large ones) are standard agreements. The competition for public contracts is intense, and actors' requirements and preferences differ. When public sector bodies use price as the sole factor in deciding which security company to contract with, larger companies benefit because they can use their scale to drive down prices. However, by capitalising on previous satisfactory relationships, Tempest wins contracts by convincing clients of the high quality of its overall value proposition, and the recent increase in public sector clients signals that it has been successful in doing so. Sales are therefore robust when it comes to the hypothetical loss of private customers. For the business operations, the public sector customers act as a stable revenue stream, while the private customers are somewhat more cyclical.

Tempest Security's organisational structure



Source: ABG Sundal Collier, Company Data, UC AB

Tempest's customer network

A diverse client base with differing needs

Tempest Security's customer base is relatively diverse, and all clients have a need for security to protect their organisations against illegal behaviour. However, while both malls and embassies need some form of protection, the reasons for requiring such measures may differ, thus changing the services supplied by security firms. Tempest provides security to ~10 foreign representatives (embassies, international organisations) in Stockholm. For these institutions, security is uniquely vital for a number of reasons. First, embassies manage large amounts of extremely sensitive information that needs to be prevented from falling into the wrong hands. Moreover, embassies may be subject to physical threats, as they are seen as physical representations of countries and therefore can be targeted when conflicts arise. Recently, Israeli embassies in both Copenhagen and Stockholm have been subject to weaponised attacks, for example.

Marketplaces and shopping centres require nonstop surveillance

Another important group of customers that Tempest has contracts with is large physical marketplaces (Farsta Centrum, NK, etc). Shopping centres are prime targets for theft and burglary due to their high number of visitors, multiple entry points and wide range of valuable goods. The high concentration of people in a small area also increases the risk of other crimes, such as terrorism. Marketplaces and shopping centres can also be the target of night-time break-ins. They therefore require round-the-clock monitoring through features such as Tempest's Security Operations Centre as well as being a frequent buyer of security guard services during business hours.

Security is critical for most businesses and government agencies

Most companies and organisations require some sort of security. Firms with critical infrastructure, such as energy companies, need to protect their plants from theft or sabotage. Transportation hubs like airports and train stations must ensure that passengers and cargo are safe. Educational institutions must monitor access to their campuses and ensure student and staff safety, which Tempest helps Kungliga Tekniska Högskolan, Stockholms universitet, Sophiahemmet, and others to accomplish.

Although the specific security and surveillance needs of different organisations vary, they all depend in some way on the services of security companies such as Tempest. After all, a large part of the customer base for security companies is various government agencies, and Tempest provides services to Vinnova, Skolverket and Finansinspektionen, among others. Public institutions need security for a variety of reasons. Like embassies, government agencies protect sensitive information and confidential data, including citizens' personal data, classified documents and financial transactions. They also have an important role when it comes to preventing war and protecting Sweden from foreign powers that deliberately use disinformation and propaganda. Due to their national importance and impact, they may also be at risk from protests, riots or terrorism. As a result, security companies become critical to public institutions, allowing them to focus on their core business.

A varying client base presents many opportunities for long-term success

Overall, the diverse customer base should benefit Tempest and other security companies. Different customer categories increase market reach and allow Tempest to expand its total addressable market. It also provides opportunities for specialisation, as companies can tailor services to specific client needs. This allows them to build stronger relationships, which is in line with Tempest's business strategy.

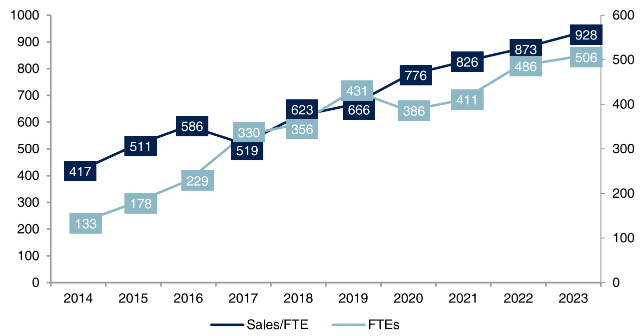
As well, a broad market reduces risk by reducing dependency and minimising exposure to any one market or segment. If one group experiences an economic downturn or a shift in demand, Tempest can rely on others to maintain revenue stability. Customer diversity can also enhance creativity, as feedback from multiple sources can stimulate innovation and help create a competitive advantage. Therefore, as long as Tempest can manage the increased complexity that a diverse customer base brings, it has the potential to be a significant positive for the business in the long term.

Personnel in the service business

In the security business, employee productivity - especially in terms of sales - is a key driver of performance. Since 2014, Tempest has seen a positive productivity trend, as illustrated by its growth in sales per FTE, and the ratio more than doubled from 2014-2023. This improvement reflects the company's ability to optimise operations, enhance efficiency, and leverage digital technology to deliver services more effectively. Key drivers behind this trend may include strategic investments in automation and digitalisation, as well as targeted training programmes to improve workforce capabilities.

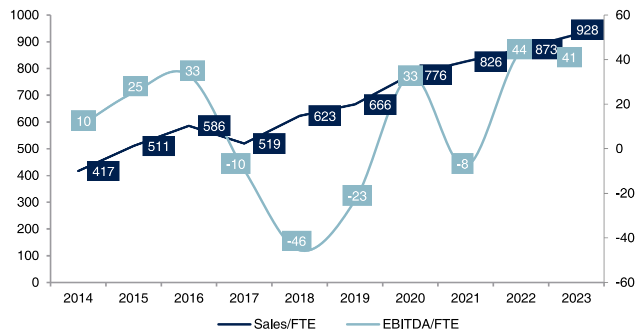
Looking at the *Sales and earnings productivity* graph, we see that the EBITDA/FTE ratio is much more volatile. As the Sales/FTE metric is steadily increasing, the volatility tells us more about EBITDA fluctuations than it does about changes in employee productivity. Moreover, it tells us some facts about the margins in the industry. This trend is encouraging for the sector's future, as it indicates that employee costs, which are closely tied to contract revenues, can be managed more efficiently, allowing companies to retain a larger share of margins rather than allocating the majority to labour expenses.

Sales/FTE, SEKk and number of FTEs



Source: ABG Sundal Collier, company data

Sales and earnings productivity, SEKk



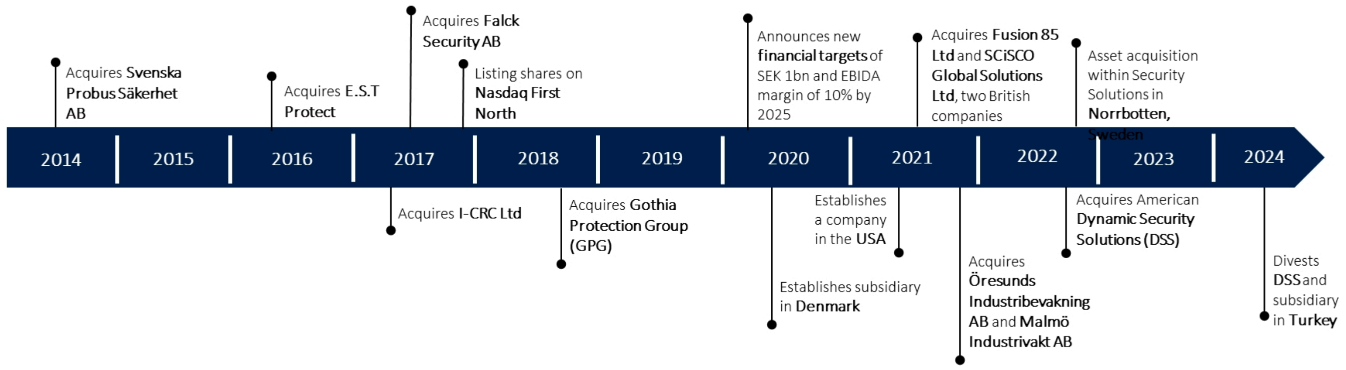
Source: ABG Sundal Collier, company data

M&A as a strategy

Using acquisitions to gain market share and update portfolio

Historically, mergers and acquisitions (M&A) have been an important part of Tempest's growth strategy, enabling the company to expand its market presence, diversify its offering and improve its operational efficiency. Through strategic acquisitions, the company has positioned itself to capitalise on emerging opportunities, enter new markets and strengthen its competitive edge.

Acquisition timeline



Source: ABG Sundal Collier, Company Data

In the period 2014-2018, the primary objective of most acquisitions was to increase market share by gaining access to new services. By exploiting the synergies between Tempest and other security organisations, such as Svenska Probus Säkerhet and E.S.T, M&A was undertaken to improve margins and increase efficiency, enabling the company to deliver more value to its customers while strengthening its competitive position in the market.

Since 2018, most of the business combinations have targeted foreign players, with Tempest looking at markets beyond the Swedish border to increase its geographical reach and broaden its customer base. Recently, some of the newly acquired foreign companies have been divested, illustrating a shift in focus back to the regional Swedish market.

Targeting specialised companies in the same industry

Acquisitions have most often targeted smaller, more niche, companies in the security industry. For example, actors in the UK and the US have been acquired due to their strong focus on specific security aspects such as trademark protection or security consulting, and a Swedish company was acquired due to its well-developed alarm centre.

Furthermore, some combinations have occurred with Swedish firms with business practices strikingly similar to those of Tempest. These acquisitions are thus done horizontally, targeting companies at the same stage of the value chain, which increases the company's reach and reduces costs through shared resources and the elimination of duplicate processes.

Important acquisitions in the past years

In recent years, there have been some significant M&A activities that have changed Tempest's structure and affected its business operations. In 2014, Tempest and Svenska Probus Säkerhet combined their operations through a merger, creating a complete security services company with revenues of SEK 70m and 300 employees.

The main reason for the acquisition was to combine Tempest's strong competence in the service and guarding business with Probus' capabilities in security technology, thereby broadening the overall service portfolio and enabling a more comprehensive offering to customers. An alarm centre was also acquired from Falck Räddningskår AB. This alarm centre has become a cornerstone of Tempest's business (the Security Operations Centre) and is a fully scalable revenue stream capable of improving margins.

The average multiple paid for acquisitions is in the range of 5-6x EV/EBIT. Acquisitions in recent years have had an average price of ~SEK 20m. Past acquisitions have been financed with cash, equity, debt or a combination of these instruments.

A rational shift in M&A strategy

Looking forward, we expect acquisitions to be a somewhat smaller part of Tempest's growth strategy than in the past. Cross-border acquisitions have been more difficult than initially expected, and the company is right, in our view, to focus on growth within more regional markets. So while recent acquisitions have targeted global actors, possible acquisitions in the near future will probably be more regional, focusing on smaller Nordic actors capable of adding new capabilities and/or service offerings to the business while strengthening local market share.

ESG initiatives

Tempest's efforts to promote sustainability include selecting environmentally friendly vehicles, conducting surveys on working conditions and implementing policies and guidelines to improve the well-being of employees. The company operates in the security industry and the products and services that Tempest provides can contribute to safer communities and increased security for specific individuals.

Strategic pillars of Tempest Security's sustainability commitment

Source: ABG Sundal Collier, Company Data

Environmental

Tempest continually works to reduce the environmental impact of the business and actively selects suppliers and products/services that have the lowest possible environmental impact. The Group's largest environmental impact comes from its vehicles, where the selection of environmentally friendly vehicles and training of the Group's drivers is a priority to minimise environmental impact.

A change process is underway within the Group to replace vehicles with more environmentally friendly alternatives, depending on the nature of the business. In addition, Tempest's security operations support clients in maintaining environmentally friendly practices and ensuring safe and seamless operations.

Social

Tempest's overarching goal for its workplace environment efforts is to make it a natural and integrated part of operations. This means that work environment issues should be dealt with in direct connection with everyday matters. The objectives are: to create an attractive workplace, to offer employees favourable working conditions, to promote health and prevent accidents at work, and to continuously evaluate and improve the management system for a quality working environment.

The company uses the digital tool GIA (Guarding - Informationssystem om Arbetsmiljö) to carry out risk assessments, ongoing safety inspections and incident handling. This tool provides an overview of the safety processes in the workplace and makes it easy for those responsible to follow up on actions and initiatives. Tempest has actively worked with both risk assessments and action plans in response to various changing market conditions, such as those related to the COVID-19 pandemic, rising inflation and political changes.

The company has also worked with BYA (Bevakningsbranschens Yrkes- och Arbetsmiljönämnd) to train managers in occupational health and safety. In addition, Tempest's security services contribute to an increased level of safety for employees at its customers' workplaces.

Governance

Tempest mainly bases the short-term incentives and performance-based compensation of its Group executives on financial performance as well as measures related to social and environmental sustainability. However, the company does not disclose any quantitative or measurable goals with which the performance can be compared. This limits shareholders' visibility into the performance of the initiatives taken.

Between 2019-2021, the company conducted employee surveys to examine engagement, leadership, psychosocial work environment index, team effectiveness and eNPS (Employee Net Promoter Score). The results were later used internally to implement improvements. Nonetheless, management expressed that the surveys did not reach the desired effect and the results were not communicated publicly. The company later communicated plans to conduct the surveys on a smaller scale and using a different program starting late 2022, but this has not been put into practice.

The composition of Tempest's nomination committee deviates from the Swedish Corporate Governance Code in that the majority of the committee's members are not independent in relation to the company, its management and the board. The company also deviates in terms of an equal gender distribution, which it explains as a consequence of being a relatively small company with limited resources and clear main owners. However, the Nomination Committee states that it will continue to strive for broad competence and diversity on the Board, particularly in view of the requirement for gender balance.

Market outlook

Tempest Security operates in the market for security and surveillance services. It serves consumers such as companies, the public sector and high-net-worth individuals worldwide, and its primary presence is within the Swedish market where it received ~88% of its 2023 revenues (~99.6% in the Security Solutions segment). The market for security and surveillance services is growing, driven by the increased need for security in both the public and private sectors. It encompasses a wide range of offerings, including manned guarding, surveillance systems, alarm monitoring and access control systems. In many cases, security services are essential to protect property from theft, trespassing and vandalism, and to protect people from harm and assault. According to the industry association Säkerhetsbranschen, the Swedish security services market consists of approximately 500 companies. The market size reported by SCB is SEK 25.8bn, which implies that Tempest Security has a market share of ~1.8%.

Regulatory differences make regional focus attractive

The global security market is characterised by a limited number of global full-service providers and numerous small and regional companies targeting local markets. Regulatory landscapes and certification requirements vary from country to country, making global coordination difficult. This in turn allows local players such as Tempest to penetrate specific markets and succeed by offering tailored solutions. The growth strategies of security service providers differ somewhat depending on their size and/or target market. While some players, such as Securitas, are pursuing an acquisition-heavy strategy to gain market share, others, including Tempest, are prioritising organic growth. Recently, developments in the macroeconomic environment and industry-specific factors have led Tempest to focus on organic growth, aiming to increase sales by leveraging its broad portfolio of products and services to target both new and existing customers.

Demand for security solutions depends on societal threat levels...

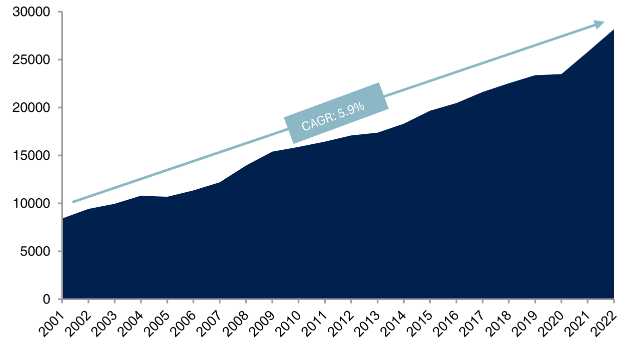
The Swedish security services market has experienced rapid growth, more than tripling from SEK 8.4bn to SEK 25.8bn between 2000 and 2022 (a CAGR of ~5.9%), adjusted for inflation. Recently, security services have received additional attention and increased demand in Sweden due to both macroeconomic and country-specific factors. The overall demand for security solutions is highly dependent on the current perception of security and threat levels at a societal level.

...which have increased in recent years

Säkerhetsbranschen's Swedish Security Report 2024 shows that both key industry stakeholders and the public believe that security will become more important in the future. 84% of decision-makers in socially important professions believe that the threat to companies will increase in the coming years. Similarly, 85% of the public believe that the threat to Swedish society is serious, an increase of 12% from last year. One in three people consider the threat level to be very serious, providing further evidence of increased demand for both physical and technical security services in the future.

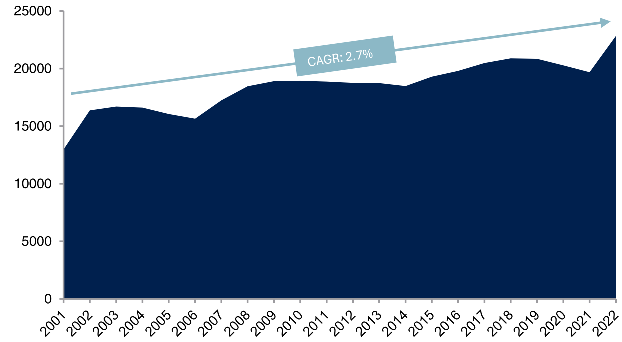
For Tempest, and the security market as a whole, increased demand offers compelling opportunities for organic revenue growth. However, as the vast majority of the cost base is made up of personnel costs (opex), which are highly correlated to revenue levels, revenue growth alone is not sufficient to improve margins (EBIT, EBITDA, etc.). Instead, a potential strategy to improve profitability is to develop and migrate to increasingly digital solutions, which would allow a reduction in the cost base (fewer salaries for manned guards), while at the same time capturing organic growth from increased demand.

Security service industry inflation-adjusted sales, SEKm



Source: ABG Sundal Collier, SCB

Security service market employees, total amount



Source: ABG Sundal Collier, company data

Increased security requirements and regulatory proposals

2023 was an eventful year for the Swedish security industry. An increase in the terrorist threat, several espionage scandals and growing violence as a result of criminal gang activity put security companies in the national spotlight. According to Svenskt Näringsliv, the collective cost to companies of crime (theft, damage to property, etc.) was around SEK 100bn. In addition, increased security demands from customers and insurance companies are driving companies to invest more in security solutions. Svenskt Näringsliv also reports that ~4/10 companies are investing a total of SEK 34bn in security measures such as camera surveillance, security guards and cybersecurity. As companies already pay taxes to the state to maintain law and order, security companies argue that this SEK 34bn is essentially double taxation. Therefore, actors such as Säkerhetsföretagen are lobbying for regulatory reforms such as security investment deductions, where companies and households would be able to deduct some security investments from their taxes. As security measures are almost always outsourced to private actors, service companies such as Tempest are essential to ensure that companies and individuals are adequately protected.

Macroeconomic factors supporting growth

Rising urbanisation creates more need for security services

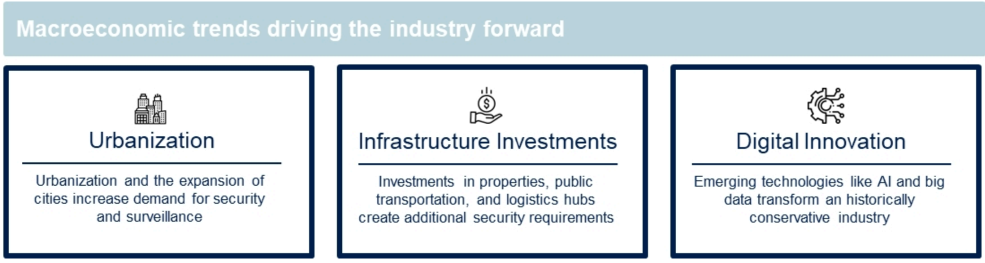
Urbanisation is a macroeconomic trend with significant implications for the security market. The UN predicts that 68% of the world's population will live in urban areas by 2050, compared with 55% today (an increase of ~24%). In Sweden, urbanisation has shown positive growth every year since the World Bank began recording data in 1960, and with Trading Economics predicting that the Swedish population will grow to 10.9m by 2026 (from 10.6m today), the number of people living in cities is likely to continue to increase.

As cities grow, so do the commercial, residential and public spaces that require security and surveillance. The Stockholm-Mälaren region is currently one of the fastest-growing areas in Europe, and according to Stockholm County, the population of Stockholm County is expected to increase by 1.2m (to 3.4m) by 2050, creating additional security needs. Higher population density also risks increasing crime rates (*How Population Density and Welfare Affect Crime Rates: A Study in East Java Province*, Indonesia, 2024), further emphasising the need for appropriate security measures. In addition, investment in infrastructure such as real estate, public transport and logistics hubs as a result of urbanisation is increasing.

Developments in digital innovation may disrupt the industry

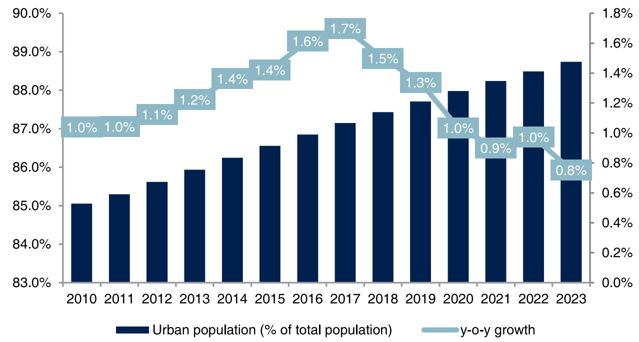
A recurring theme in reports from companies in the market is a focus on technological development and digital innovation as a key driver of growth. In a historically conservative industry, emerging technologies such as AI and big data have the potential to disrupt traditional business models and ways of working. In addition, technological advances can help create more specialised offerings that can be tailored to the specific needs of each customer. This is desirable as customers have a high willingness to pay for tailored solutions. Recent market consolidation has largely targeted traditional services such as monitoring and alarm installation, leaving further potential for consolidation in specialised services where digitalisation and scalability are key. By efficiently leveraging digital innovation, Tempest has the potential to significantly improve margins. By substituting some variable staff costs (guard salaries) with short-term fixed costs, such as R&D of technical solutions, the companies have the potential to achieve a higher level of EBIT for a given level of revenue in the future.

Security services market trends



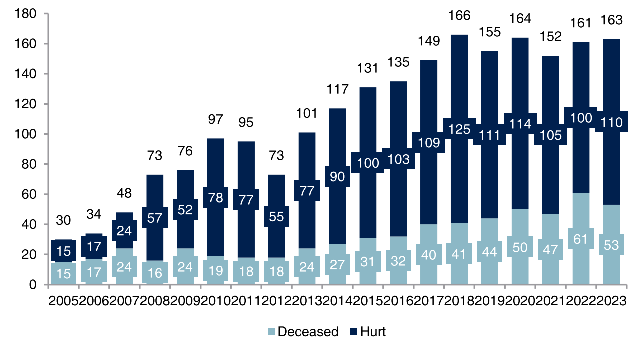
Source: ABG Sundal Collier, company data

Urbanisation in Sweden



Source: ABG Sundal Collier, World Bank

Swedish shooting statistics



Source: ABG Sundal Collier, Socialstyrelsen, Rättsmedicinalverket

Employees as a key factor of industry growth

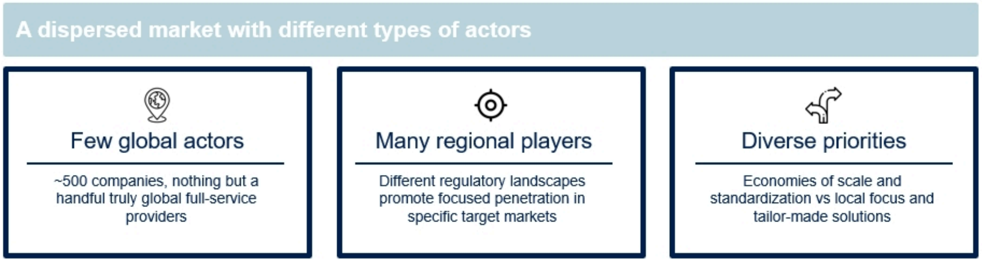
Professional personnel are vital for business success...

Employees mostly include manned guards, and personnel costs constitute the absolute largest part of the firm's cost base. As technology evolves, more alternatives to manned guards are appearing. However, there is still a large demand for physical guards on location that are able to report and stop incidents immediately. ~95% of security guards in the market work in the private sector, which is beneficial for private actors like Tempest. However, the importance of professional employees to the business operations of the firm makes them critical to its current and future success. According to trade association Säkerhetsföretagen's 2024 report, 87% of Swedish security companies state that they have a shortage of personnel. Furthermore, the lower employee 2000-2021 CAGR (2.7%) compared to the revenue 2000-2021 CAGR (5.9%) implies that recruitment will be of significant importance in the future for all actors in the security services market, Tempest included.

... and significant shortages may have large consequences

The employee supply-demand discrepancy has several potential consequences. While it might restrict the threat of entry by new firms, it also makes it difficult for companies to profit from increased demand. Moreover, it might prompt companies to explore new strategies, like switching physical guards for technical solutions or looking at other markets. For Tempest, this development could potentially be beneficial. If global actors focus on other markets than Sweden due to employee supply risk, regional actors with a strong Swedish presence (like Tempest) could potentially utilise their regional size to gain scale advantages compared to smaller actors. Market consolidation is another possible repercussion, where large actors purchase smaller ones to get access to their employees. However, there are hopes that employee growth will pick up in the future. Industry actors such as Säkerhetsföretagen consistently shed light on the issue in their reports, and try to pressure the state and the police force into organising more education programs for manned guards.

Security services market dynamics



Source: ABG Sundal Collier, company data

Market impact of leading competitors

Multinational actors and their different strategies

The relatively dispersed market implies that Tempest has several competitors, some more prominent than others. Securitas, founded in 1934 in Helsingborg, Sweden, is one of only a few truly global full-service security providers. It is the market leader in Sweden (~SEK 8bn FY'23 sales) and had global revenues of over SEK 157bn in FY'23. The company operates in 44 markets all over the world, and tries to leverage its scale and experience to gain market share and generate new sources of revenue. In contrast to Tempest, Securitas does not have an apparent focus on the Swedish market, but rather tries to leverage its solutions globally. This could allow actors like Tempest to position themselves as flexible, local players, utilising their regional expertise to gain market share.

Avarn Security is another actor in the security solutions market, with operations in Norway, Sweden, Denmark, and Finland. It had a total turnover of NOK 9,605m in 2023, with Sweden being the largest market generating ~42% (NOK 4,030m) of full-year revenue. Its offerings are similar to those of Tempest, with its primary revenue source being *Guarding* (~54% of FY23 revenue), but it is also present in other markets, such as cash handling. Avarn Security is more focused on large-scale clients, allowing other firms to gain advantages by offering personalised solutions to regional actors.

Regional firms increase local competition

While Securitas and Avarn are large players with a presence in several markets, there are also a number of regional companies competing with Tempest for market share in Sweden, such as Rapid Säkerhet, Cubsec, QSG Bevakning and Commuter Security Group. Their products and services are strikingly similar to Tempest's, with portfolios including security guards, camera surveillance and alarm monitoring. All companies were established around the same time as Tempest. The homogeneity of the companies contributes to a fairly competitive local landscape, where Tempest could potentially leverage its slightly larger size and more successful growth history to succeed in the market.

A slightly different competitor is Coor Facility Management Services. Coor offers a comprehensive range of facility management services, including cleaning, catering and property management. It also offers security services through its subsidiary Addici Security & Technology (sales of ~SEK 160m in '23), which has received more attention from companies due to recent developments in Swedish criminal activity. While Coor can use existing relationships in other business areas to add security services to their overall offering, the fact that their security business is part of their much larger facility management business rather than a core focus suggests that other companies can gain market advantage by capitalising on their much more niched and specialised security focus.

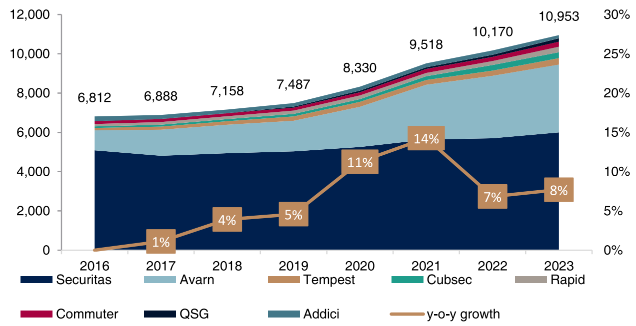
Differences in business concentration allow for multiple market approaches

A comparison between Tempest and its competitors in terms of turnover and profitability, focusing on the Security Solutions segment (guarding, surveillance, etc.), provides several important insights. In Sweden, Tempest is quite a bit smaller in terms of sales than Securitas and Avarn Security (which have significantly increased sales and market share in recent years), about the same size as Cubsec, Rapid and Commuter, and about twice the size of QSG and Coor (Addici). Since 2020, Tempest Security Solutions has accounted for between ~72-79% of total sales. This ratio is similar to that of the other smaller players (Rapid

~79-88%), but slightly higher than that of the larger players (Avarn ~54-56%, Securitas ~65-76%).

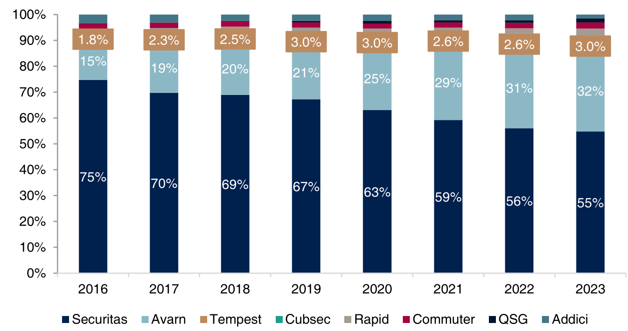
The negative correlation between company size and business concentration is in line with the industry trend of digitalisation and focus on scalability; as large, global companies focus on innovations such as AI, big data and software-as-a-service (SaaS), the share of pure guarding and monitoring services is declining in favour of technical solutions to improve margins (industry weighted average EBIT margin ~5% FY'23). For regional players such as Tempest, this opens up two different market strategies. One is to invest heavily in product development and broaden the portfolio. The other is to focus more on the guarding segment and try to capture market share as other players shift their focus. While Tempest has ambitions to develop its digital portfolio and Risk Solutions segment, the reduced focus on guarding by competitors should create opportunities to gain market share in the Security Solutions segment in the future, and Tempest is already well positioned to focus on the Security Solutions business through recent divestments and contract wins.

Swedish security service market, SEKm & y-o-y growth, %



Source: ABG Sundal Collier, Bolagsfakta

Swedish security service industry market share top 8 companies, %



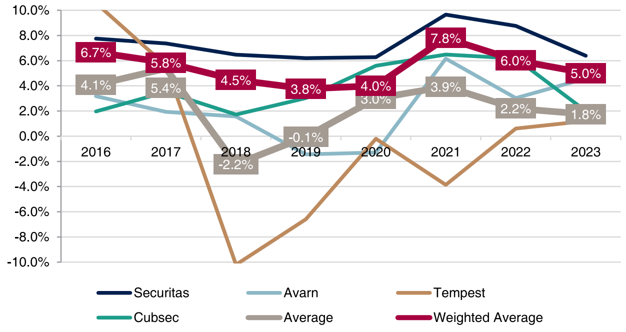
Source: ABG Sundal Collier, Bolagsfakta

A market with low margins due to high competition

As the charts show, the Swedish guarding market is very competitive. Securitas has long been the market leader, and although its market share has declined somewhat in recent years (from 75% in 2016 to 55% in 2023), this decline is mainly due to an increase in Avarn's market share, with that company having recently used aggressive price competition to win contracts. As a result, Securitas-Avarn's market share is now roughly the same (87%) as it has been since 2016 (87-90%). The fierce competition results in low margins, and the average EBIT margin in the industry has been in the range of 1.8-3.9% over the past four years, proving that it is very difficult for security companies to achieve strong profitability. The weighted average margin is better, but this is mainly due to the fact that the largest player, Securitas, is able to use its economies of scale to increase profitability.

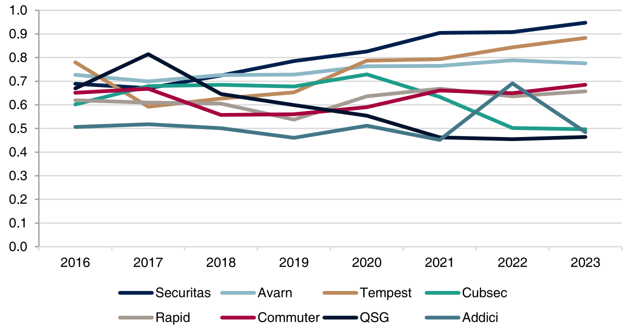
Security companies use different strategies to increase their margins. Some players, especially the larger ones, are investing in digital innovation, as technological solutions are not as tied to high variable labour costs as the physical guarding business is. Tempest's intention is to strengthen margins by building strong relationships, thereby reducing customer churn and start-up costs, and increasing the overall contribution of the more profitable Risk Solutions segment to total revenues. As other companies begin to shift their focus away from the traditional physical guarding segment, Tempest could also benefit. Its sales/FTE ratio is trending positively and has historically been very strong, only beaten by the biggest player, Securitas. The high ratio reflects Tempest's ability to grow revenues while maintaining cost efficiency, which is essential for profitability and long-term growth.

Swedish security service market EBIT margins, %



Source: ABG Sundal Collier, Bolagsfakta

Sales/FTE top 8 companies, SEKm



Source: ABG Sundal Collier, Bolagsfakta

A promising market for future growth

In summary, the security services market consists of both global players leveraging their scale and regional companies trying to gain market share by offering personalised solutions. Growth strategies vary, with some companies prioritising organic growth and others relying more on acquisitions and business combinations to increase revenues. The positive development of the market as a whole, due to both country-specific and macroeconomic factors, should enable individual companies to grow in the coming years.

Financial performance

Tempest's two business segments, Security Solutions and Risk Solutions, have historically contributed to the company's long track record of above-industry-average sales growth. Recently, however, negative one-offs such as the loss of a contract and the divestment of a subsidiary have impacted the company's performance, leading to lower profitability in Q3'24. However, the company has reacted effectively, and immediately turned these negatives into future positives. Thus, while margins currently are pressured, we expect them to return soon to their former levels.

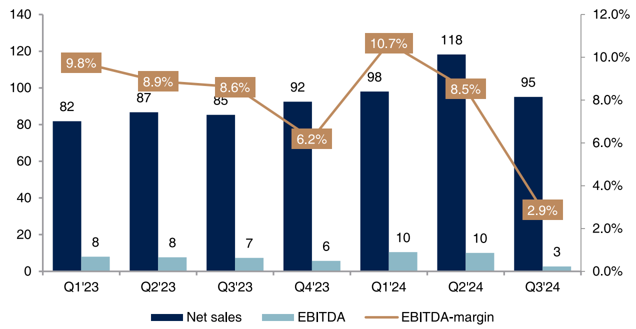
Remarkable growth rate in the Security Solutions segment

Overall, we can see that Tempest's average sales growth rate has been considerably higher (~15%) than the industry average (~7%) during recent years. This illustrates Tempest's strong ability to find new revenue sources, win contracts and gain market share in the Swedish market, driven by a combination of strategic client acquisitions, effective operational execution, and them likely offering differentiated or higher-value services compared to competitors. It also reflects the company's dedication to continuous growth and its agility in responding to increased market demand.

This growth has been primarily driven by Tempest's strong performance in the Security Solutions segment, which grew by ~12% in FY'23 compared to the industry average of ~8%. In particular, the Guarding business grew by 11% y-o-y in Q3'24, despite the fact that, as Tempest explained in its Q3 report, it lost its single largest customer in the end of Q2'24. We believe this customer to be Scania, based on information in a press release dated 5 April 2019 about a new five-year contract with Scania worth a total of SEK 228m.

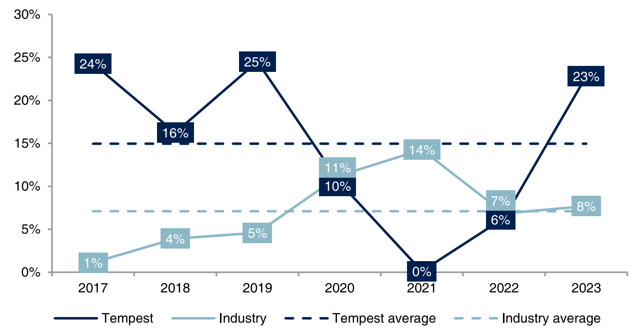
The fact that Tempest has still been able to increase sales year-on-year, despite the loss of this customer, demonstrates the company's strong resilience and commitment to finding new sources of revenue when contracts expire. In addition, as Andrew Spry explains in his CEO letter, the replacement of this large contract with smaller ones has positive implications in terms of reduced operational risk as a result of revenue diversification.

Security Solutions net sales & EBITDA, SEKm and EBITDA margin, %



Source: *ABG Sundal Collier, company data*

Comparison between Tempest sales growth and the industry, %



Source: *ABG Sundal Collier, company data, Bolagsfakta*

Temporary negatives should not affect future prospects

However, there are some short-term negatives due to the loss of Scania, best illustrated by the Security Solutions EBITDA margin of 2.9% in Q3'24 (compared to a margin of 8.5% in Q2'24 and a margin of 10.7% in Q1'24). There are three main reasons for the lower margin in Q3:

Firstly, the loss of the contract results in an immediate reduction in revenue and the remaining fixed costs associated with the contract push down profitability.

Secondly, although Tempest has been very successful in winning new contracts and, as explained above, even managed to increase revenues year-on-year despite the loss of Scania, the commencement of new contracts involves significant start-up costs, which further reduce margins.

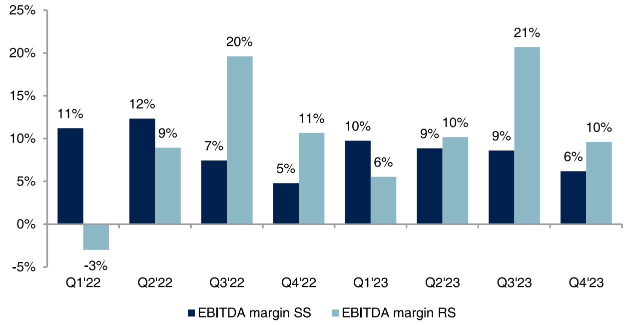
Thirdly, Tempest has made a strategic decision to retain staff previously assigned to the Scania contract and redeploy them to other customers, which should benefit the company in the long term by reducing recruitment and/or training costs. In the short term, however, the relocation process has resulted in some increased costs as salaries are paid while new assignments are found for the employees.

Given the above, while the reduced profitability in Q3 may at first sight appear unsatisfactory, we argue that the low margin is the result of many unfortunate events occurring at the same time, which significantly impacted the Q3 margins, even though the outlook remains solid. We therefore believe that the lower margins are temporary and that Tempest will soon return to normal profitability levels.

Short-term negatives impacted Q3 results...

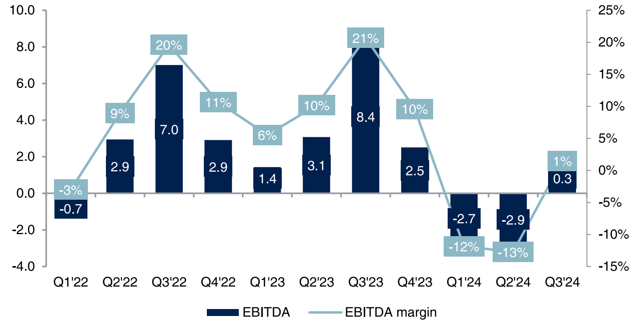
Turning to Risk Solutions, we also saw some short-term negatives impacting the third quarter results. The Risk Solutions EBITDA margin in Q3'24 was 1.5%, compared to 20.7% in Q3'23 and 19.6% in Q3'22. The year-on-year decline in profitability was due to several factors. In Denmark, a contract with high utilisation in Q3 was discontinued, and a new contract with a more even utilisation throughout the year was entered. This reduces Q3 revenues, but the change helps to stabilise revenue streams over time.

Profitability comparison between the business units, EBITDA margins, %



Source: ABG Sundal Collier, company data

Risk Solutions quarterly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

In addition, the demand for background checks in Sweden has slowed down, affecting Risk Solutions revenues. Due to possible changes in litigation, where changes may be made regarding public access to criminal records, lawsuits, etc., demand for these types of solutions may pick up again in the future.

Finally, geographic expansion into the US proved more challenging than expected, resulting in Tempest selling its US subsidiary. While this will have a negative impact on the short-term results, we see this as a strong positive, as Tempest will now remove a lagging part of its business and can focus more on more promising parts of the business, such as the regional Security Solutions segment.

... but Risk Solutions should be able to return to historical profitability levels

Consequently, the underlying prospects are better than the Q3 results suggest. Similar to the Security Solutions segment, Risk Solutions' margins have been impacted by a number of one-off negative factors and the business should now be able to return to historical profitability levels. As can be seen in the left-hand chart above, the Risk Solutions segment has been the main driver of overall profitability (~10.3% average margin), compensating for the relatively low margins in the Security Solutions segment (~8.7% average margin), which has faced intense price competition.

As other players focus on digital innovation to increase margins, Tempest hopes that Risk Solutions can help improve profitability. The chart also shows that Risk Solutions' margins are much more volatile than those of the Security Solutions segment, especially in Q3. This is mainly due to the previous contract situation in Denmark, which generated most of its revenue in the third quarter. The new contract situation in Denmark should allow for a more stable and predictable Risk Solutions segment going forward, which is positive as it is in line with the company's ambition to reduce volatility and ensure consistent profitability.

Forecasts

We forecast an organic sales CAGR of 7% for '23-'26e supported by strong demand in Security Solutions, driven by the ongoing fight against crime, the increased threat of terrorism, and Sweden's entry into NATO creating new business opportunities. For '25e we forecast 7% organic sales growth as we foresee tougher comps, especially in Q2'25e. The streamlining of the business within Risk Solutions, a lower impact from start-up costs and a gradual improvement in utilisation should lead to profitability gains, and we forecast the company to return to positive EBIT in '25e and net profit in '26e. Further long-term profitability gains will depend on management's ability to scale the SOC business and achieve sufficient scale in the restructured Risk Solutions business.

As Tempest Security operates in two business areas with different outlooks, financial characteristics and historical performance, we believe it makes the most sense to provide separate forecasts for the two units. In addition, the company is currently streamlining its operations with an increased focus on the Swedish business (mainly Security Solutions) after a period of mixed success trying to expand the business globally within Risk Solutions. With this in mind, we believe it is important to break the company down further, as it is easy to miss important insights by focusing solely on the group figures. After the divisional breakdowns, we go through our other assumptions and highlight the group KPIs in the income statement and balance sheet.

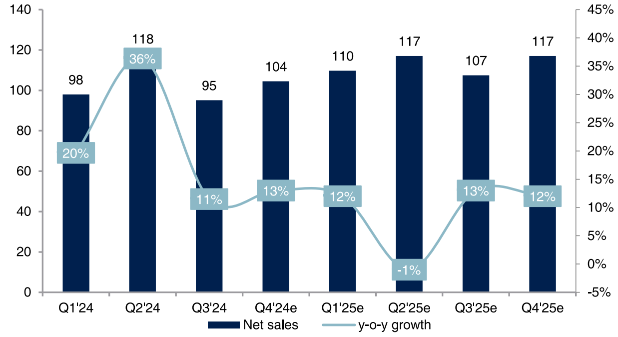
Security Solutions

The guarding business has performed well in terms of revenue growth in recent years, with Tempest Security taking market share from its competitors in both '23 and '24 YTD, with organic revenue growth of 11% and 23%, respectively. This is despite the loss of the Scania contract, which expired in Q2'24. The Scania deal was first communicated in '19 as a contract over 3 years plus 2 optional years (for a total order value of SEK 228m over 5 years). Based on the timing of the lost deal in Q2'24, we assume that the optional years were exercised. According to the original communication, the deal is worth SEK 11.4m per quarter on a straight-line basis, but adjusting for inflation (SCB Bevakningsindex) and potential upsells outside the original contract, we argue that the deal was probably worth around SEK 15m per quarter in Q2'24.

In Q3'24 organic sales growth was 11%, as the company successfully replaced the Scania contract with several new contracts with a higher total order value. Most of these started in Q2'24, when organic sales growth was 36% y-o-y, and therefore we think Q2'25e will be particularly challenging as the comps include both Scania and the new agreements. This is why we are forecasting a sales decline of 1% in the quarter, although we believe that market demand will remain healthy due to the continued high level of crime, the increased threat of terrorism and Sweden's entry into NATO, which will create new business opportunities.

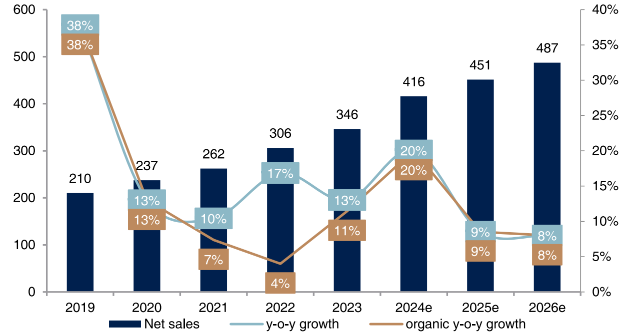
For Q4'24e, we think we will see a slight uptick in sales growth compared to Q3'24, driven by the announced contract for guarding services with the National Museum. This would mean that sales growth for '24e would be 20%. For '25e we forecast 9% revenue growth on the tougher comps for Q2'25, and for '26e we see revenue growth of 8%. Our impression is that management seems to be more ambitious than this, suggesting that there are some larger framework contracts up for renegotiation in '25 and '26. However, we err on the side of caution and will adjust accordingly if Tempest manages to win larger deals in the coming years. Looking at the overall market, we think Tempest is well positioned to continue to gain market share, especially from Securitas, which is currently more focused on its technology and solutions part of the business. There may also be opportunities to win business from smaller competitors struggling for profitability, or even to consolidate the market by acquiring small players with thin margins.

Security Solutions quarterly net sales, SEKm and y-o-y growth, %



Source: ABG Sundal Collier, company data

Security Solutions yearly net sales, SEKm and y-o-y growth, %



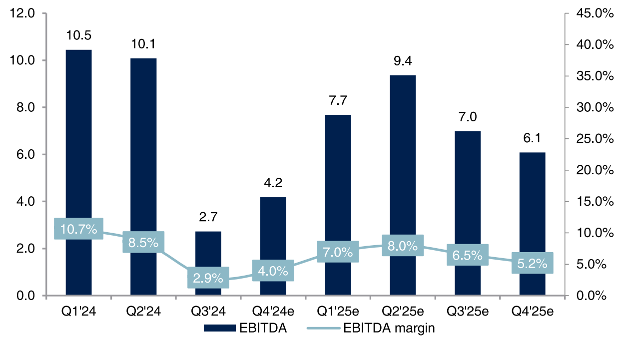
Source: ABG Sundal Collier, company data

In terms of profitability, Q3'24 was a low point for the Guarding business with an EBITDA margin of only 2.9% (8.6%). This tells us that the Scania deal was probably quite lucrative, but there were other explanations for the weaker profitability in Q3. First, according to the Q3 report, the company is temporarily experiencing start-up costs of "several million SEK" in connection with the new business that started in Q2. The start-up costs will also impact Q4, but to a lesser extent. Second, Tempest has made a tactical decision to retain some of the employees working on the Scania contract, as there is a shortage of security guards and the company believes it will be able to redeploy them to new contracts in the coming quarters.

Based on the above, we expect a gradual improvement in profitability. Historically, there seems to be a seasonal pattern with stronger profitability in H1, a solid Q3 and somewhat weaker profitability in Q4. We have incorporated this pattern into our quarterly estimates for '25e. For the Q4'24e EBITDA margin, we expect a slight improvement q-o-q, driven by less headwinds from start-up costs, but still lower y-o-y. For our full year EBITDA margin estimates, we expect '25e to be slightly higher than '24e, as tough comps in H1 offset the gradual improvement throughout '25e. It is only in '26e that we expect a significant y-o-y improvement to 7.7% (6.7% in '25e), approaching the level we saw in '23 (8.3%).

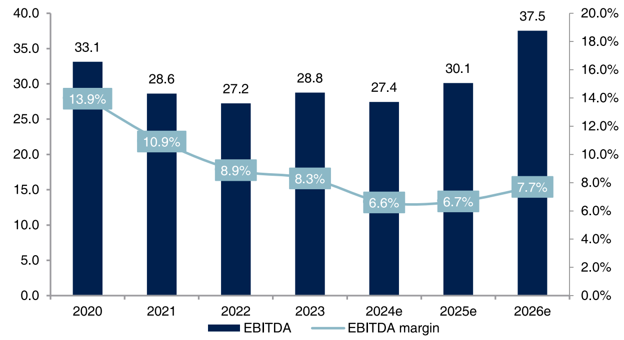
The guarding arm of the business is difficult to scale, and we have seen most competitors struggle for profitability, so we expect EBITDA margins to be in the mid to high single digits in the medium term. If Tempest is to perform above this, it will need to grow revenues from its Security Operations Centre (SOC), as this is a more scalable business with greater opportunities to automate operations through digital solutions. Management highlighted in Q3'24 that it sees potential to grow this business further, which would be accretive to profitability. We do not know the exact contribution as it is no longer reported separately, but in 2021 it accounted for 7% of revenues and 12% of EBITDA before group costs, with an EBITDA margin of 20%. Operating an independent SOC is a luxury none of the smaller competitors have, and why we believe Tempest is in pole position to establish itself as the third-largest security provider in the Swedish market.

Security Solutions quarterly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

Security Solutions yearly EBITDA, SEKm and EBITDA margin, %



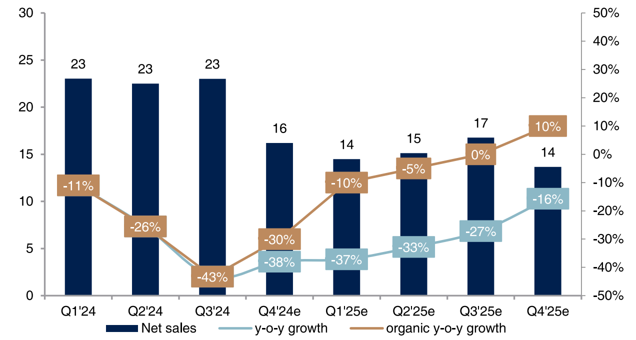
Source: ABG Sundal Collier, company data

Risk Solutions

Risk Solutions has had a challenging year, with a significant 29% YTD revenue decline. In addition, Tempest has announced its intention to sell the US business that it acquired in 2022. Management believes that it would require a significant investment of time and resources to turn around the US business and does not see it as a good allocation of resources given its limited size. With the sale, more of management's resources will be allocated to the Swedish part of the business, where it sees more potential to grow and improve the business. We believe it is a wise decision to streamline the business and focus on improving profitability.

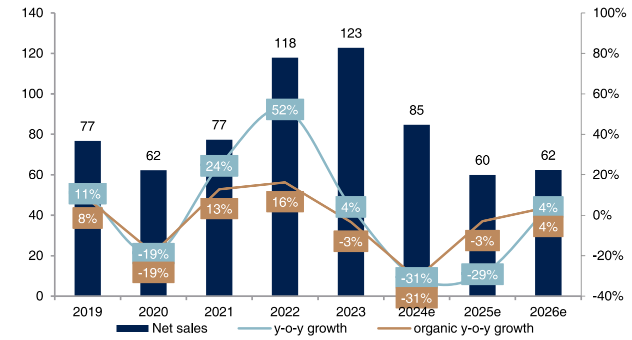
After the transaction, Risk Solutions will consist of approximately 50% Swedish and 50% Danish/UK operations. The extensive restructuring of the business and the fact that the company will devote additional focus and resources to the growth opportunities within Security Solutions make us cautious about the future development of Risk Solutions. On the one hand, we see the logic in offering a broad range of services to potential customers, as this can create synergies with guarding customers. However, given the limited size of the remaining business, these synergies should be carefully assessed to avoid wasting resources on a business that will have limited impact on the Group as a whole. Our sales forecast is for Risk Solutions to generate SEK 60m in '25e, which would be slightly below what the remaining businesses have generated LTM, as we believe it will take some time for the business to return to a growth mindset. For '26e we forecast sales growth of 4%, as demand for background checks could be boosted by tighter regulation. Demand for executive protection for local politicians should also increase if the Swedish government's new proposal to strengthen the protection of certain elected officials is enacted.

Risk Solutions quarterly net sales, SEKm and y-o-y growth, %



Source: ABG Sundal Collier, company data

Risk Solutions yearly net sales, SEKm and y-o-y growth, %



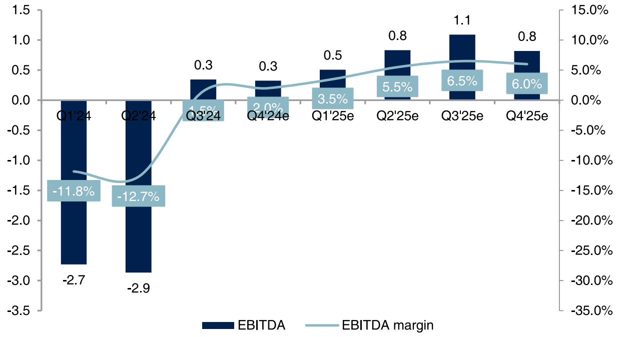
Source: ABG Sundal Collier, company data

The weak sales development has also put pressure on profitability, with Risk Solutions' EBITDA being negative SEK 5.3m YTD (+12.9m YTD '23). Most of the decline is explained by the Danish business, which is negative SEK 3m YTD (+7.7m). The US business also had a negative impact on EBITDA of SEK 2.8m (+2.7m). Together, the two businesses explain SEK 16.2m of the total YTD difference of SEK 18.2m, which means that profitability in Sweden and the UK has been quite resilient. Going forward, the US business will be divested, so this should be a direct improvement of SEK 2.8m to EBITDA in '25e. In Denmark, Tempest has exited some cyclical contracts and entered new ones with more stable utilisation. In doing so, management is giving up some profitability upside in order to get a less cyclical business. With the changes in Denmark, management expects to return to profitability, and we forecast an improvement of SEK 5m in Denmark from '24e to '25e. In addition, we assume additional cost savings within Risk Solutions of around SEK 1.5m and arrive at an EBITDA for the business of SEK 3.2m in '25e, corresponding to an EBITDA margin of 5.4%.

Historically, Risk Solutions has been more profitable than Security Services, but with the new approach in Denmark we think this assumption is less clear-cut, at least in the short to medium term. For '26e we forecast an EBITDA margin of 7.9%, slightly above Security

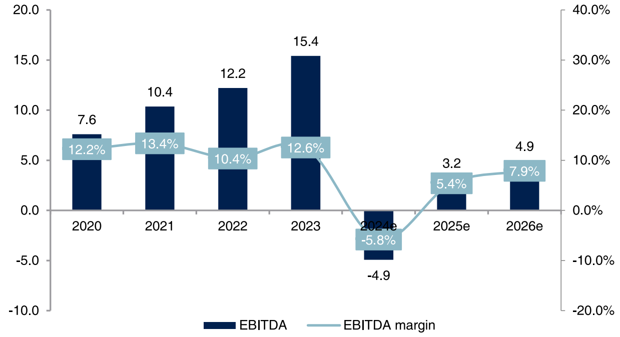
Solutions' 7.7%. The changes should also mean that the seasonality in Q3 profitability will not be as strong. We still expect the quarter to be the strongest, but not to the same extent.

Risk Solutions quarterly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

Risk Solutions yearly EBITDA, SEKm and EBITDA margin, %



Source: ABG Sundal Collier, company data

Other assumptions

After business area EBITDA the company allocates group costs, which is basically the management team and overhead costs that are not directly applicable to the two business units. In Q3'24 it was SEK 6.0m and we think these costs should be rather evenly distributed between quarters. However, with the sale of the US business, we expect there are some cost savings of an admin nature that can be made, and we forecast group costs of SEK 20.5m for '25e with a 3% growth rate for '26e.

For Q4'24 we expect a goodwill write-down of SEK 26m as a consequence of the sale of the US business, as it has a goodwill value of SEK 30m in the balance sheet currently and will be sold for an EV of SEK 4m upon completion. This will burden Q4 net profit by the same amount. We also expect SEK 1m in items affecting comparability (IAC) from legal and advisory costs associated with the deal.

Income statement

To summarise at group level, we see organic sales growth of 7-8% for '24e-'26e. We think Tempest Security will be just about profitable on EBIT in '25e, before achieving an EBIT margin of 1.5% in '26e. We expect a net profit to be achieved first in '26e. The company has a net cash position today, and we think it will persist throughout the forecast period.

Overall, we think the ability to achieve a satisfactory profitability after group and leasing costs is what will be the key question in the long run, as the company operates in a market that has historically been prone to price pressure. Management's ability to scale to SOC business will be an important piece in determining where long-term profitability ends up.

Yearly income statement

SEKm Income Statement	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net sales	**171**	**222**	**287**	**300**	**340**	**424**	**469**	**501**	**511**	**550**
Other income	0	0	0	7	3	6	2	3	3	3
COGS	-11	-19	-34	-29	-39	-56	-52	-58	-55	-58
Other external expenses	-20	-31	-33	-28	-40	-45	-49	-55	-52	-55
Personnel expenses	-144	-189	-230	-238	-267	-308	-349	-417	-394	-418
Other	0	0	0	0	0	0	-1	-1	-1	-1
EBITDA	**-3.2**	**-16.2**	**-10.0**	**12.7**	**-3.3**	**21.4**	**21.1**	**-27.5**	**12.9**	**21.3**
Depreciation, tangible and intangible fixed assets	-3.2	-9.2	-9.9	-8.6	-9.4	-11.0	-12.0	-12.3	-12.5	-13.2
EBIT	**-6.4**	**-25.4**	**-19.9**	**4.0**	**-12.7**	**10.3**	**9.1**	**-39.7**	**0.3**	**8.2**
IAC	0.0	0.0	0.0	0.2	-10.0	-1.7	-4.3	-29.9	0.0	0.0
Adj. EBIT	**-6.4**	**-25.4**	**-19.9**	**3.8**	**-2.8**	**12.1**	**13.4**	**-9.9**	**0.3**	**8.2**
Total net financial items	0.0	-0.5	-0.7	-1.5	-1.2	2.5	-2.5	-2.1	-2.2	-1.9
Profit before tax	**-6.4**	**-25.9**	**-20.6**	**2.6**	**-13.9**	**12.8**	**6.6**	**-41.9**	**-1.9**	**6.2**
Income tax	0.9	0.3	0.4	-1.3	-0.2	-3.2	-1.4	0.7	0.4	-1.3
PROFIT FOR THE PERIOD	**-5.5**	**-25.6**	**-20.2**	**1.3**	**-14.1**	**9.7**	**5.3**	**-41.2**	**-1.5**	**4.9**
EPS, after dilution (SEK)	-0.76	-3.09	-2.27	0.14	-1.30	0.86	0.47	-3.81	-0.14	0.47
DPS (SEK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other metrics										
Net debt	-47	-22	-25	-29	-24	-13	-15	-5	-4	-11
ND/EBITDA (x)	14.9	1.4	2.5	-2.3	7.1	-0.6	-0.7	0.2	-0.3	-0.5
Growth										
Net sales, reported	**28%**	**29%**	**29%**	**4%**	**13%**	**25%**	**11%**	**7%**	**2%**	**8%**
Organic	26%	13%	29%	4%	8%	8%	9%	7%	7%	8%
Structure	2%	16%	1%	0%	5%	17%	2%	0%	-5%	0%
Margins										
EBITDA	-1.8%	-7.3%	-3.5%	4.2%	-1.0%	5.0%	4.5%	-5.5%	2.5%	3.9%
EBIT	-3.7%	-11.4%	-6.9%	1.3%	-3.7%	2.4%	1.9%	-7.9%	0.1%	1.5%
Adj. EBIT	-3.7%	-11.4%	-6.9%	1.3%	-0.8%	2.8%	2.9%	-2.0%	0.1%	1.5%
Segment sales										
Guarding	120	153	210	237	262	306	346	416	451	487
Risk Solutions	51	69	77	62	77	118	123	85	60	62
Segment EBITDA										
Guarding				33.1	28.6	27.2	28.8	27.4	30.1	37.5
Risk Solutions				7.6	10.4	12.2	15.4	-4.9	3.2	4.9
Group-wide, Eliminations, etc.				-28.1	-42.5	-18.1	-23.0	-50.0	-20.5	-21.1
Segment EBITDA margin										
Guarding				13.9%	10.9%	8.9%	8.3%	6.6%	6.7%	7.7%
Risk Solutions				12.2%	13.4%	10.4%	12.6%	-5.8%	5.4%	7.9%

Source: ABG Sundal Collier, company data

Balance sheet

The balance sheet is quite clean and strong with a net cash position. Goodwill of SEK 79m (after our projected write-down in Q4) will be evenly distributed between the two business areas, with slightly more in Risk Solutions as the company has historically made more acquisitions in this part of the business. The business is operating with negative working capital, which is good from a cash flow perspective as it does not tie up capital. The need for capital expenditure is also low, as the majority of expenditure is on employee salaries. All these characteristics should mean that the company is well-placed to return any potential excess capital to shareholders via dividends or buybacks if it is successful in transforming the business and increasing its focus on Sweden.

Yearly balance sheet

SEKm Balance Sheet	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	16	32	24	34	71	108	108	79	79	79
PP&E	4	6	7	4	5	4	3	3	3	4
Right-of-use assets	0	0	0	28	33	35	31	29	29	29
Financial assets	2	3	3	2	2	0	0	0	0	0
Lease claim	0	0	0	4	3	2	1	0	0	0
Current assets excl. cash and cash equivalents	33	40	50	44	57	66	77	82	84	90
Cash and cash equivalents incl. short-term investme	47	29	25	29	27	21	21	11	7	15
TOTAL ASSETS	**101**	**110**	**109**	**145**	**197**	**235**	**242**	**205**	**204**	**218**
Equity attributable to Parent Company shareholders	32	25	20	32	53	77	80	41	41	47
Non-controlling interests	0	0	0	0	-1	1	2	0	0	0
Total equity	**32**	**25**	**20**	**32**	**51**	**78**	**82**	**41**	**41**	**47**
Non-current lease liabilities	0	1	1	26	27	26	22	18	18	18
Non-current interest-bearing debt	0	6	0	0	3	6	4	2	0	0
Deferred tax liabilities	0	1	0	0	0	0	0	0	0	0
Other non-current liabilities	1	4	4	0	0	4	0	0	0	0
Current lease liabilities	0	1	1	7	9	11	11	12	12	12
Current interest-bearing debt	0	1	0	0	0	2	2	3	3	3
Other current liabilities	68	73	83	80	106	108	121	128	129	137
TOTAL EQUITY AND LIABILITIES	**101**	**110**	**109**	**145**	**197**	**235**	**242**	**205**	**204**	**218**
Net Working Capital (NWC)	-35	-33	-32	-36	-50	-42	-44	-45	-45	-47
Change in NWC	-20	3	1	-4	-14	7	-1	-1	0	-2
NWC/sales	-20.6%	-14.7%	-11.2%	-12.0%	-14.6%	-10.0%	-9.3%	-9.0%	-8.8%	-8.5%

Source: ABG Sundal Collier, company data

Valuation

We have used three different DCF scenarios to arrive at our fair value range of SEK 9-25, which is based on the midpoint of our scenarios. If we instead use the entire sensitivity range, it indicates SEK 5-34 per share. Our peer group is trading at a '26e average P/E valuation of 9x and we do not think it makes sense to compare this group to Tempest, as the company will likely not have reached a satisfactory profitability level on the bottom line by then.

Tempest Security is going through a challenging period, with projected losses for '24e on the EBITDA level, which limits our valuation methods considerably. We think a valuation on P/S is the wrong approach for a service business with limited potential to scale because of the high proportion of employee expenses to run the business. Additionally, a comparison to peers on EV/EBIT and P/E would be difficult as the path to substantial profitability for the company probably lies outside our forecast period, which ends in '26e. Therefore, we have chosen to construct three different DCF scenarios to illustrate a longer time horizon and to yield a fair value range based on that. The three scenarios have different key assumptions (details below), but all of them assume a WACC of 10.1%. We have used PWC's risk premium survey for '24 to calculate the CAPM and used the market-leading Securitas 5y beta of 0.96 that we obtained via FactSet.

To get an understanding of how larger and more mature peers are trading on the stock market, we have also included a peer table with companies we deem have similar characteristics.

DCF scenario 1

This scenario equals our assumptions for the forecast period, meaning a sales CAGR of 4.6% for '24e-'26e and an average EBIT margin of -0.5% in the same period. For the prolonged DCF period ('27e-'30e) we assume a sales CAGR of 5.5%, as we do not expect further divestments within Risk Solutions. This yields sales of SEK 687m in '30e. We forecast an average EBIT margin of 2.7% in the DCF period. For the terminal period we have in this scenario assumed a sales growth rate of 2.5% and an EBIT margin of 3.5%, with net working capital to sales of -8.1%. These assumptions yield a value per share of SEK 15, with the majority of the present value coming in the terminal period. We have also included a sensitivity analysis based on different assumptions for terminal sales growth between 1.5% and 3.5%, and EBIT margins between 2.5% and 4.5%. This indicates a value range of SEK 10-22 per share.

DCF Scenario 1 summary and sensitivity tables

TSEC-SE WACC		DCF		Valuation	
CAPM		**Forecast period**		**Equity value**	
Risk free rate	2.9%	Sales cagr '24-'26	4.8%	PV '24-'26	-26
Market risk premium	6.1%	Sales cagr '27-'30	5.4%	PV '25-'28	30
Securitas Beta (5y)	0.96	avg. EBIT-margin '24-'26	-2.1%	PV Terminal	123
Company risk premium	4.1%	avg. EBIT-margin '27-'30	2.7%	Total Enterprise value	128
Cost of equity	10.1%			Net debt '24	-27
				Equity value '24	155
Leverage		**Terminal**		# of shares '24	10
Cost of debt	5.0%	Terminal growth rate	2.5%	Value per share	15
Leverage	0%	Terminal EBIT-margin	3.5%		
Tax rate	21%	D&A/sales	2.0%		
Wacc	10.1%	Capex/sales	1.0%		
		NWC/sales	-8.1%		

		Terminal g				
		1.5%	2.0%	2.5%	3.0%	3.5%
Terminal EBIT-margin	2.5%	10	10	11	11	12
	3.0%	11	12	13	13	14
	3.5%	13	14	15	16	17
	4.0%	15	16	17	18	19
	4.5%	17	18	19	20	22

		Terminal g				
		1.5%	2.0%	2.5%	3.0%	3.5%
Terminal EBIT-margin	2.5%	-15%	-11%	-6%	-1%	5%
	3.0%	2%	7%	13%	19%	27%
	3.5%	19%	25%	32%	40%	49%
	4.0%	35%	43%	51%	60%	71%
	4.5%	52%	60%	70%	80%	92%

Source: ABG Sundal Collier, company data

DCF scenario 2

This slightly more optimistic scenario sees the company growing faster, with better profitability already in '25e. Here we forecast a sales CAGR of 6.4% for '24e-'26e and an average EBIT margin of 0.4% in the same period. For the prolonged DCF period of '27e-'30e we assume a sales CAGR of 7.0% and ending sales in '30e of SEK 757m. We forecast an average EBIT margin of 4.1% in the DCF period. For the terminal period we have in this scenario assumed a sales growth rate of 3.0% and an EBIT margin of 4.5%, with net working capital to sales of -7.8%. These assumptions yield a value per share of SEK 25, with the majority of the present value coming in the terminal period. We have also included a sensitivity analysis based on different assumptions for terminal sale growth between 2.0%

and 4.0%, and EBIT margins between 3.5% and 5.5%. This indicates a value range of SEK 18-34 per share.

DCF Scenario 2 summary and sensitivity tables

TSEC-SE					
WACC		**DCF**		**Valuation**	
CAPM		**Forecast period**		**Equity value**	
Risk free rate	2.9%	Sales cagr '24-'26	6.4%	PV '24-'26	-21
Market risk premium	6.1%	Sales cagr '27-'30	7.0%	PV '25-'28	54
Securitas Beta (5y)	0.96	avg. EBIT-margin '24-'26	-1.3%	PV Terminal	198
Company risk premium	4.1%	avg. EBIT-margin '27-'30	4.1%	Total Enterprise value	232
Cost of equity	10.1%			Net debt '24	-27
				Equity value '24	259
Leverage		**Terminal**		# of shares '24	10
Cost of debt	5.0%	Terminal growth rate	3.0%	Value per share	25
Leverage	0%	Terminal EBIT-margin	4.5%		
Tax rate	21%	D&A/sales	1.9%		
Wacc	10.1%	Capex/sales	1.0%		
		NWC/sales	-7.8%		

Terminal EBIT-margin	Terminal g 2.0%	2.5%	3.0%	3.5%	4.0%
3.5%	18	19	20	21	22
4.0%	20	21	22	24	25
4.5%	22	23	25	26	28
5.0%	24	26	27	29	31
5.5%	27	28	30	32	34

Terminal EBIT-margin	Terminal g 2.0%	2.5%	3.0%	3.5%	4.0%
3.5%	58%	66%	75%	86%	97%
4.0%	78%	87%	98%	110%	123%
4.5%	98%	108%	120%	134%	149%
5.0%	117%	129%	142%	158%	175%
5.5%	137%	150%	164%	182%	201%

Source: ABG Sundal Collier, company data

DCF scenario 3

This slightly more pessimistic scenario sees the company growing slower, with worse profitability already in '25e. Here we forecast a sales CAGR of 2.5% for '24e-'26e and an average EBIT margin of -1.1% in the same period. For the prolonged DCF period of '27e-'30e we assume a sales CAGR of 3.5% and ending sales in '30e of SEK 609m. We forecast an average EBIT margin of 1.8% in the DCF period. For the terminal period we have in this scenario assumed a sales growth rate of 2.0% and an EBIT margin of 2.5%, with net working capital to sales of -8.4%. These assumptions yield a value per share of SEK 9, with the majority of the present value coming in the terminal period. We have also included a sensitivity analysis based on different assumptions for terminal sale growth between 1.0% and 3.0%, and EBIT margins between 1.5% and 3.5%. This indicates a value range of SEK 5-14 per share.

DCF Scenario 3 summary and sensitivity tables

TSEC-SE					
WACC		**DCF**		**Valuation**	
CAPM		**Forecast period**		**Equity value**	
Risk free rate	2.9%	Sales cagr '24-'26	2.5%	PV '24-'26	-37
Market risk premium	6.1%	Sales cagr '27-'30	3.5%	PV '25-'28	21
Securitas Beta (5y)	0.96	avg. EBIT-margin '24-'26	-2.8%	PV Terminal	83
Company risk premium	4.1%	avg. EBIT-margin '27-'30	1.8%	Total Enterprise value	66
Cost of equity	10.1%			Net debt '24	-27
				Equity value '24	94
Leverage		**Terminal**		# of shares '24	10
Cost of debt	5.0%	Terminal growth rate	2.0%	Value per share	9
Leverage	0%	Terminal EBIT-margin	2.5%		
Tax rate	21%	D&A/sales	1.9%		
Wacc	10.1%	Capex/sales	0.5%		
		NWC/sales	-8.5%		

Terminal EBIT-margin	Terminal g 1.0%	1.5%	2.0%	2.5%	3.0%
1.5%	5	5	5	6	6
2.0%	6	7	7	8	8
2.5%	8	8	9	10	10
3.0%	10	10	11	11	12
3.5%	11	12	12	13	14

Terminal EBIT-margin	Terminal g 1.0%	1.5%	2.0%	2.5%	3.0%
1.5%	-57%	-54%	-52%	-49%	-46%
2.0%	-43%	-40%	-36%	-32%	-28%
2.5%	-29%	-25%	-20%	-15%	-10%
3.0%	-15%	-10%	-5%	1%	8%
3.5%	-1%	5%	11%	18%	26%

Source: ABG Sundal Collier, company data

Valuation summary

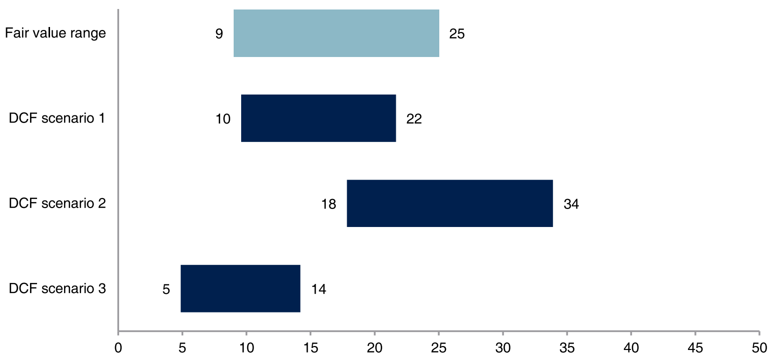
By taking the midpoint of our three DCF scenarios we arrive at a fair value range of SEK 9-25. We illustrate our sensitivity ranges below, to give a better understanding of what will be needed in order to achieve a certain valuation range.

Our more optimistic approach will require Tempest Security to scale its SOC business further in order to achieve above-market-average profitability for the group. We do not think it impossible, however, as Securitas is currently posting EBIT margins above 6% in the Swedish market.

Our more pessimistic approach assumes that the company will fail to scale its SOC business or see continued struggles within Risk Solutions, causing group profitability to decline.

While the latter scenario could materialise, we also recognise that if the security market as a whole continues to struggle for satisfactory profitability then Tempest's smaller peers should be troubled first, and that might give some additional headroom for the company to improve.

Valuation summary



Source: ABG Sundal Collier, company data

Peer valuation

Most of Tempest's direct competitors are private companies, only Securitas and Coor are listed, but the two are quite different. Securitas is a global security company with a market capitalisation of around SEK 75bn and Coor's main business is facility management, with only a small part of the business coming from security services. We have created a peer group of security services providers Securitas and Spain's Prosegur, supplemented by other Swedish services companies with mid to high single-digit FCF margins.

As we have already mentioned, Tempest has not yet achieved satisfactory profitability on the bottom line and therefore it is not possible to compare the peer group on a P/E basis for either '24e or '25e. For '26e we forecast EPS of SEK 0.47 and if we compare this with the peer group average of 10x, +/- 20%, this would imply a valuation of Tempest of between SEK 4-6 per share. We think this is rather pessimistic, as Tempest is likely to be able to increase its low net profit margins beyond FY'26, and we therefore use it as another KPI to monitor, rather than including it in our fair value range.

Peer table

	Price	Δ52w high	Cur.	EV	Sales PS CAGR		FCF PS CAGR		DPS CAGR		Dividend
Security services		(%)		(m)	10Y	5Y	10Y	5Y	10Y	5Y	Stability
Securitas AB Class B	156.0	0%	SEK	128,591	6%	3%	8%	18%	4%	0%	10
Prosegur Compania de S	1.8	-7%	EUR	2,698	2%	4%	2%	20%	-100%	-100%	9
Average		**-4%**									
Median		**-4%**									
Other services											
AFRY AB Class B	199.0	-3%	SEK	27,410	10%	9%	13%	11%	7%	1%	9
Rejlers AB Class B	159.4	-5%	SEK	4,121	5%	7%	25%	13%	10%	16%	9
Prevas AB Class B	107.4	-30%	SEK	1,773	5%	9%	25%	50%			4
Projektengagemang Swe	7.5	-51%	SEK	374		-6%		16%		-100%	3
Loomis AB	407.6	-1%	SEK	33,137	10%	10%	20%	19%	10%	2%	10
Bravida Holding AB	89.4	-8%	SEK	22,252	10%	9%	11%	4%		6%	9
Coor Service Managemen	33.3	-36%	SEK	5,620	7%	6%	10%	14%		-3%	8
Average		**-19%**									
Median		**-8%**									
Average		**-16%**									
Median		**-7%**									

	EPS growth (%)			EV/Sales (x)			EV/EBIT (x)			P/E (x)			FCF marg.	ROIC	Div yield	ND/EBITDA
Security services	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2023	2023	2024e	latest (x)
Securitas AB Class B	302%	32%	15%	0.8	0.8	0.7	12	11	10	17	13	11	3%	2%	2.9%	2.7
Prosegur Compania de S	16%	47%	11%	0.6	0.6	0.5	9	8	7	13	9	8	5%	3%	5.5%	3.4
Average	**159%**	**39%**	**13%**	**0.7**	**0.7**	**0.6**	**11**	**9**	**9**	**15**	**11**	**10**	**4%**	**2%**	**4.2%**	**3.0**
Median	**159%**	**39%**	**13%**	**0.7**	**0.7**	**0.6**	**11**	**9**	**9**	**15**	**11**	**10**	**4%**	**2%**	**4.2%**	**3.0**
Other services																
AFRY AB Class B	18%	20%	19%	1.0	1.0	0.9	14	13	11	17	15	12	6%	6%	3.0%	1.7
Rejlers AB Class B	38%	12%	17%	0.9	0.9	0.8	13	11	10	13	12	10	6%	10%	3.1%	1.2
Prevas AB Class B	-21%	23%	25%	1.1	1.0	0.9	13	11	9	15	12	9	11%	19%	3.4%	1.8
Projektengagemang Swe	-280%	44%	na	0.5	0.5	na	11	8	na	9	6	na	8%	-2%	0.0%	2.2
Loomis AB	36%	22%	12%	1.1	1.0	1.0	11	9	8	14	12	10	11%	7%	3.4%	0.7
Bravida Holding AB	-12%	25%	10%	0.8	0.7	0.7	14	12	11	17	13	12	4%	13%	3.9%	1.8
Coor Service Managemen	62%	43%	19%	0.5	0.4	0.4	12	10	9	13	9	7	4%	4%	4.5%	3.2
Average	**-23%**	**27%**	**17%**	**0.8**	**0.8**	**0.8**	**13**	**11**	**10**	**14**	**11**	**10**	**7%**	**8%**	**3.1%**	**1.8**
Median	**18%**	**23%**	**18%**	**0.9**	**0.9**	**0.9**	**13**	**11**	**9**	**14**	**12**	**10**	**6%**	**7%**	**3.4%**	**1.8**
Average	**18%**	**30%**	**16%**	**0.8**	**0.8**	**0.8**	**12**	**10**	**9**	**14**	**11**	**10**	**6%**	**7%**	**3.3%**	**2.1**
Median	**18%**	**25%**	**16%**	**0.8**	**0.8**	**0.8**	**12**	**11**	**9**	**14**	**12**	**10**	**6%**	**6%**	**3.4%**	**1.8**

Source: ABG Sundal Collier, FactSet

Key risks

Professional employees crucial for business success

Tempest is transparent about risks in its reports, highlighting some more than others. Operational risks include inadequate service quality levels, pricing constraints and customer retention/attraction. Exceptional service quality is vital to Tempest's business. Incompetent employees can have major consequences, such as theft, property damage or even personal injury. All of these events are detrimental to business operations and to mitigate this risk it is essential to ensure the professionalism of the workforce. Tempest achieves this through a rigorous focus on recruitment and training. However, what can potentially increase the risk to employees is the fact that the government and local authorities are responsible for which people are approved as guards. As Tempest relies on other actors to carry out adequate due diligence, for example on criminal backgrounds, this risk is highly dependent on other actors doing an adequate job.

Intense competition pushing down prices

Pricing pressure is another risk that has become apparent in recent years, and some of Tempest's recent losses may have been due to an inability to compete on price. The security solutions market is highly competitive, with many similar players competing for the same bids. This increases the bargaining power of buyers and low prices become an important factor in winning contracts. This decreases margins, and is compounded by unfavourable labour contracts and union agreements. Tempest may need to look at other options to increase profitability. Leveraging its strong client relationships becomes an important factor in mitigating risk, as previous successful work may lead clients to consider factors other than price when making procurement decisions. Thus, both customer retention and customer acquisition become important factors for future success.

High revenue concentration

Tempest has a number of large customers that account for a significant proportion of the company's total revenue (10% of customers generate 35% of total revenue). This reliance on a small number of customers increases the risk of revenue concentration and makes the company vulnerable to potential contract terminations. Dependence on specific customers can also increase their bargaining power, potentially putting pressure on prices and reducing margins. As customer demands increase, it is important for Tempest to keep its revenue streams diversified and to continue to present itself as a good option for both public and private, new and existing customers.

Employee shortage risk amplified by hiring structure

The company is exposed to market risks such as recruitment, product development and the loss of key personnel. Recruitment is a key factor that could hinder growth. Currently, a majority of security service companies report a shortage of personnel, and the last decade's employee growth CAGR (2.10%) has been significantly less than the industry revenue CAGR (5.76%). In addition, security companies tend not to have full-time employees. Instead, personnel tend to stay on the same assignments regardless of which security company is currently holding the contract. While this makes the hiring process much smoother, it could increase the downside risk in the event of staff shortages. If guards are unwilling to move to new assignments, new contracts without existing security could pose significant challenges for security companies without full-time staff.

Attention to digital innovation required to keep up with market development

With competition fierce and customer demands increasing, Tempest needs to keep up with industry trends and the service offerings of other players. Digitalisation and new technologies, such as AI and big data, could disrupt the industry, and it is important not to let other companies get too far ahead in their research for new product development. Larger players, such as Securitas and Avarn, may have an initial advantage due to their size, allowing them to invest more in research efforts. However, as security innovations are often introduced by companies in the technology industry rather than direct competitors, Tempest should be able to keep up with digital innovation by closely monitoring research developments in the security market.

Risk of key people leaving

Tempest also has some risks associated with key individuals within the company that are important to the business. Andrew Spry, Tempest's founder, interim CEO and current Risk Solutions Manager, and Thomas Löfving, a board member who has been with the company for more than ten years, are two names that spring to mind. However, the fact that both are currently committed to the company's success, combined with their significant shareholdings in the company, greatly reduce the risk of them leaving completely, at least without finding a suitable replacement. Moreover, as Tempest is a rather small company, all board member and management positions as well as experienced project leaders are vital to the company's future success and are looked after to ensure a long and successful tenure.

Relatively low financial and macroeconomic risk

Financial risks are limited. The security services market is somewhat seasonal, with slightly weaker cash flow in Q1/Q2 and stronger in Q3/Q4. Moreover, significant investments are still being made to strengthen the business, which increases capital expenditure and reduces cash flow in the short term. However, the company's exposure to credit, foreign exchange and interest rate risk is minimal, and other than limited seasonality and the current level of investment, financial risks are minimal. The company is also affected by the macro environment and monitors changes in inflation, conflicts and regulatory changes. However, these risks are common to most companies and Tempest is no more exposed to macroeconomic risks than the average company.

Appendix 1: Board of Directors

Tempest Security's Board of Directors

Jonas Rydell
Chairman of the Board

With Tempest since 2023

Jonas holds a MSc in Business and Economics from the Stockholm School of Economics. He is currently also a Board member of Athanase Industrial Partner AB, Attica Exploration AS, Concedo AS, Concejo AB (publ), among others.

Shares in Tempest – 0 shares

Andrew Spry
Board member

With Tempest since 2004

Andrew is the founder and acted as CEO of Tempest until 2022. He is currently acting as interim CEO and Business Area Manager for Tempest Security Risk Solutions.

Shares in Tempest – 1,976,822 stocks

Thomas Löfving
Board member

With Tempest since 2009

Thomas joined the Board in 2013 and has served as CFO within the Group until 2019. He has also been a Deputy Board Member of GRANAT Stockholm AB until 2017.

Shares in Tempest– 1,828,840 stocks

Michael Silfverberg
Board member

With Tempest since 2017

Michael is the Chairman of the Board of Multibrackets Europe AB, Solid Administration of Stockholm AB, Tenant Services Sweden AB and DooHClick AB. He is also a Board member of Degauss Labs Europe and Stockholm Yacht Center AB, among others.

Shares in Tempest – 110,000 stocks

Marcus Gustring
Board member

With Tempest since 2023

Marcus is a Board member of Wilt i Sverige AB, Gustring Consulting AB and Brf Kurland Sthlm, among others. He also has experience as CEO of Public Security and as a Business Developer at IP Security Scandinavia AB and AddSecure AB.

Shares in Tempest - 0 shares

Source: ABG Sundal Collier, Company Data

Appendix 2: Management

Management

Andrew Spry
Interim CEO & Business Area Manager

With Tempest since 2004

Andrew is the founder and served as CEO of Tempest until 2022. He is currently acting as interim CEO and Business Area Manager for Tempest Security Risk Solutions. Shares in Tempest – 1,976,822 stocks

Anders Lundström
Head of Security Services Sverige

With Tempest since 2017

Anders has been the CEO of Addici Security AB and a Board member of Almega security companies.

Shares in Tempest – 0 shares

Henrik Vikland
Chief Financial Officer

With Tempest since 2023

Henrik has been the Group's CFO since 2023. He is also a Board member of HPV Invest AB and has been the CFO of Oleter Group & Ocab.

Shares in Tempest – 6,400 stocks

Source: ABG Sundal Collier, Company data

Appendix 3: Shareholders

Ownership table

Shareholders	No. of shares	Share of Capital	Votes
Athanase Industrial Partners	2,125,082	20%	20%
Andrew Spry	1,976,822	19%	19%
Thomas Löfving	1,828,840	17%	17%
Swedbank Robur Fonder	941,000	9%	9%
Avanza Pension	624,344	6%	6%
Thomas Cavas	300,000	3%	3%
Robert Eriksson	289,897	3%	3%
James Mennuti	263,602	3%	3%
Johan Thorell	262,384	3%	3%
Lennarth Ädel Holding AB	154,675	2%	2%
Top ten shareholders	**8,766,646**	**84%**	**84%**
Other shareholders	**1,091,494**	**16%**	**16%**
Total	**9,858,140**	**100%**	**100%**

Source: ABG Sundal Collier, Holdings

Appendix 4: Insider transactions

Insider transaction analysis

	3 months	6 months	1 year	3 years
Buys	2	2	12	238
Sells	2	2	3	20
Buyers	1	1	3	9
Sellers	1	1	2	3
Buy value SEKm	0.1	0.1	0.3	4.0
Sell value SEKm	-0.4	-0.4	-0.6	-6.0
Net value SEKm	-0.3	-0.3	-0.3	-2.0

Source: ABG Sundal Collier, Holdings

Appendix 5: Detailed DCF assumptions

DCF scenario 1

	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Revenue	287	300	340	424	469	501	511	550	587	623	657	688	
Sales growth		4.4%	13.3%	24.9%	10.6%	6.7%	2.1%	7.5%	6.8%	6.1%	5.4%	4.7%	
EBITDA	-10	13	-3	21	21	-27	13	21	25	29	33	38	
EBITDA-margin	-3%	4%	-1%	5%	5%	-5%	3%	4%	4%	5%	5%	6%	
EBIT	-20	4	-13	10	9	-40	0	8	12	15	20	24	
EBIT-margin	-6.9%	1.3%	-3.7%	2.4%	1.9%	-7.9%	0.1%	1.5%	2.0%	2.5%	3.0%	3.5%	
Tax	0	-1	0	-3	-1	1	0	-1	-2	-3	-4	-5	
Tax rate	2%	32%	-2%	31%	15%	2%	-116%	16%	21%	21%	21%	21%	
NOPLAT	**-20**	**3**	**-13**	**7**	**8**	**-39**	**1**	**7**	**9**	**12**	**16**	**19**	
D&A	10	9	9	11	12	12	13	13	14	14	14	14	
D&A/sales	3.5%	2.9%	2.8%	2.6%	2.6%	2.5%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	
Capex	-6	-4	-31	-22	-1	2	-1	-2	-6	-6	-7	-7	
Capex/sales	1.9%	1.3%	9.1%	5.2%	0.3%	-0.4%	0.3%	0.3%	1.0%	1.0%	1.0%	1.0%	
NWC	-32	-36	-50	-42	-44	-45	-45	-47	-49	-52	-54	-56	
NWC/sales	-11.2%	-12.0%	-14.6%	-10.0%	-9.3%	-9.0%	-8.8%	-8.5%	-8.4%	-8.3%	-8.2%	-8.1%	
Chg in NWC		-4	-14	7	-1	-1	0	-2	-3	-2	-2	-2	**Terminal**
Leasing adj.	-8	-7	-8	-9	-10	-10	-11	-11	-11	-12	-12	-12	**value**
FCF	**-24**	**4**	**-29**	**-20**	**10**	**-34**	**1**	**9**	**8**	**11**	**13**	**16**	**219**
PV FCF						**-34**	**1**	**8**	**6**	**7**	**8**	**9**	**123**

Source: ABG Sundal Collier, company data

DCF scenario 2

	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Revenue	287	300	340	424	469	501	516	567	618	668	714	757	
Sales growth		4.4%	13.3%	24.9%	10.6%	6.7%	3.0%	10.0%	9.0%	8.0%	7.0%	6.0%	
EBITDA	-10	13	-3	21	21	-27	17	30	35	40	46	48	
EBITDA-margin	-3%	4%	-1%	5%	5%	-5%	3%	5%	6%	6%	6%	6%	
EBIT	-20	4	-13	10	9	-40	5	17	22	27	32	34	
EBIT-margin	-6.9%	1.3%	-3.7%	2.4%	1.9%	-7.9%	1.0%	3.0%	3.5%	4.0%	4.5%	4.5%	
Tax	0	-1	0	-3	-1	1	0	-1	-4	-6	-7	-7	
Tax rate	2%	32%	-2%	31%	15%	2%	-8%	8%	21%	21%	21%	21%	
NOPLAT	**-20**	**3**	**-13**	**7**	**8**	**-39**	**6**	**16**	**17**	**21**	**26**	**27**	
D&A	10	9	9	11	12	12	12	13	13	14	14	14	
D&A/sales	3.5%	2.9%	2.8%	2.6%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	1.9%	
Capex	-6	-4	-31	-22	-1	2	-5	-6	-6	-7	-7	-8	
Capex/sales	1.9%	1.3%	9.1%	5.2%	0.3%	-0.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
NWC	-32	-36	-50	-42	-44	-45	-45	-47	-50	-54	-57	-59	
NWC/sales	-11.2%	-12.0%	-14.6%	-10.0%	-9.3%	-9.0%	-8.7%	-8.2%	-8.1%	-8.0%	-7.9%	-7.8%	
Chg in NWC		-4	-14	7	-1	-1	0	-2	-4	-3	-3	-3	**Terminal**
Leasing adj.	-8	-7	-8	-9	-10	-10	-10	-11	-11	-12	-12	-12	**value**
FCF	**-24**	**4**	**-29**	**-20**	**10**	**-34**	**2**	**14**	**17**	**20**	**24**	**24**	**353**
PV FCF						**-34**	**2**	**11**	**12**	**14**	**15**	**14**	**198**

Source: ABG Sundal Collier, company data

DCF scenario 3

	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	
Revenue	287	300	340	424	469	501	501	526	549	571	591	609	
Sales growth		4.4%	13.3%	24.9%	10.6%	6.7%	0.0%	5.0%	4.5%	4.0%	3.5%	3.0%	
EBITDA	-10	13	-3	21	21	-27	7	14	17	20	23	26	
EBITDA-margin	-3%	4%	-1%	5%	5%	-5%	1%	3%	3%	4%	4%	4%	
EBIT	-20	4	-13	10	9	-40	-5	3	5	9	12	15	
EBIT-margin	-6.9%	1.3%	-3.7%	2.4%	1.9%	-7.9%	-1.0%	0.5%	1.0%	1.5%	2.0%	2.5%	
Tax	0	-1	0	-3	-1	1	0	-1	-1	-2	-2	-3	
Tax rate	2%	32%	-2%	31%	15%	2%	8%	49%	21%	21%	21%	21%	
NOPLAT	**-20**	**3**	**-13**	**7**	**8**	**-39**	**-5**	**1**	**4**	**7**	**9**	**12**	
D&A	10	9	9	11	12	12	12	12	12	12	12	11	
D&A/sales	3.5%	2.9%	2.8%	2.6%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	1.9%	
Capex	-6	-4	-31	-22	-1	2	-3	-3	-3	-3	-3	-3	
Capex/sales	1.9%	1.3%	9.1%	5.2%	0.3%	-0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
NWC	-32	-36	-50	-42	-44	-45	-45	-47	-48	-50	-51	-52	
NWC/sales	-11.2%	-12.0%	-14.6%	-10.0%	-9.3%	-9.0%	-9.0%	-8.9%	-8.8%	-8.7%	-8.6%	-8.5%	
Chg in NWC		-4	-14	7	-1	-1	0	-2	-2	-1	-1	-1	**Terminal**
Leasing adj.	-8	-7	-8	-9	-10	-10	-10	-10	-10	-10	-10	-10	**value**
FCF	**-24**	**4**	**-29**	**-20**	**10**	**-34**	**-6**	**2**	**5**	**7**	**9**	**12**	**147**
PV FCF						**-34**	**-5**	**2**	**4**	**5**	**6**	**7**	**83**

Source: ABG Sundal Collier, company data

Appendix 6: Timeline

2004

Scandinavian Facility Management AB is founded by Andrew Spry.

2009

SFM AB transitions to Tempest Security AB and becomes an authorised security company.

2010-2012

Tempest is approved membership in Sweguard. Signs initial contracts with Max and Fortin.

2013

Tempest is nominated *as Security Firm of the Year.* Founds Svensk Larminstallation.

2014

Tempest acquires Svenska Probus Säkerhet AB. Thus, the company established its technology department, which designs, installs and performs service for alarms, video surveillance and passage systems.

2015-2016

The company acquired E.S.T Protect to strengthen its offering in camera surveillance and video analysis. Signs multi-year deals with Scandic, ECDC, Handelshögskolan.

2017

I-CRC Ltd was acquired. A London-based company, offering consulting within investigation and security. Falck Security AB was also acquired. This provided the group with an alarm centre, positioning Tempest Securities as one of only four authorised full-service providers in Sweden. In December 2017, the Company listed its shares on Nasdaq First North.

2018-2019

The group acquired Gothia Protection Group (GPG), a leading criminal investigation and risk management company in Sweden. Also launches Global Support Services and conducts two directed share issues.

2020-2021

The company empathises strategic and margin-strengthening acquisitions as a strategy to meet its targets. The company also highlights acquisition opportunities in the surveillance business, regarding it as important for growth, and establishes a company in Denmark.

2021

During the year, the group established a company in the USA and acquired two British companies, Fusion 85 Lts and Sisco Global Solutions Ltd, adding to the Special Services offering. In addition, Öresunds Industribevakning AB and Malmö Industrivakt AB were acquired, which strengthens the surveillance offering.

2022

Dynamic Security Solutions (DSS) is acquired: an American company with a diverse client portfolio and expertise primarily in personal security. The acquisition strengthens Tempest's Risk Solutions segment in five additional American states. The company also completes an asset acquisition in Norrbotten, Sweden, within the Security Solutions segment, covering security services and property emergency response. Helena Skarle is appointed as CEO.

2023

Tempest signs contracts with multiple authorities and municipalities. Expanding its offering in Gothenburg, Sweden's second largest city, via a contract with Göteborgs Stad.

2024

Tempest divests its Turkey and US businesses to direct focus towards regional markets. Andrew Spry is appointed as deputy CEO.

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	171	222	287	300	340	424	469	501	511	550
COGS	-11	-19	-34	-29	-39	-56	-52	-58	-55	-58
Gross profit	161	203	253	271	301	368	417	443	457	492
Other operating items	-164	-219	-263	-258	-304	-347	-396	-470	-444	-470
EBITDA	**-3**	**-16**	**-10**	**13**	**-3**	**21**	**21**	**-27**	**13**	**21**
Depreciation and amortisation	-3	-9	-10	-9	-9	-11	-12	-12	-13	-13
of which leasing depreciation	0	0	0	0	0	0	0	0	0	0
EBITA	**-6**	**-25**	**-20**	**4**	**-13**	**10**	**9**	**-40**	**0**	**8**
EO Items	0	0	0	0	-10	-2	-4	-30	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	**-6**	**-25**	**-20**	**4**	**-13**	**10**	**9**	**-40**	**0**	**8**
Net financial items	-0	-1	-1	-1	-1	2	-2	-2	-2	-2
Pretax profit	**-6**	**-26**	**-21**	**3**	**-14**	**13**	**7**	**-42**	**-2**	**6**
Tax	1	0	0	-1	-0	-3	-1	1	0	-1
Net profit	**-5**	**-26**	**-20**	**1**	**-14**	**10**	**5**	**-41**	**-2**	**5**
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	**-5**	**-26**	**-20**	**1**	**-14**	**10**	**5**	**-41**	**-2**	**5**
EPS	-0.76	-3.09	-2.27	0.14	-1.46	0.93	0.50	-3.93	-0.14	0.47
EPS adj.	-0.76	-3.09	-2.27	0.13	-0.41	1.06	0.83	-1.13	-0.14	0.47
Total extraordinary items after tax	0	0	0	0	-10	-1	-3	-29	0	0
Leasing payments	0	0	0	0	0	0	0	0	-11	-12
Tax rate (%)	*14.4*	*1.1*	*1.9*	*50.6*	*-1.7*	*24.6*	*20.6*	*1.6*	*20.6*	*20.6*
Gross margin (%)	*93.8*	*91.5*	*88.0*	*90.4*	*88.5*	*86.8*	*88.9*	*88.4*	*89.3*	*89.4*
EBITDA margin (%)	*-1.8*	*-7.3*	*-3.5*	*4.2*	*-1.0*	*5.0*	*4.5*	*-5.5*	*2.5*	*3.9*
EBITA margin (%)	*-3.7*	*-11.4*	*-6.9*	*1.3*	*-3.7*	*2.4*	*1.9*	*-7.9*	*0.1*	*1.5*
EBIT margin (%)	*-3.7*	*-11.4*	*-6.9*	*1.3*	*-3.7*	*2.4*	*1.9*	*-7.9*	*0.1*	*1.5*
Pre-tax margin (%)	*-3.7*	*-11.7*	*-7.2*	*0.9*	*-4.1*	*3.0*	*1.4*	*-8.4*	*-0.4*	*1.1*
Net margin (%)	*-3.2*	*-11.5*	*-7.0*	*0.4*	*-4.2*	*2.3*	*1.1*	*-8.2*	*-0.3*	*0.9*
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	*27.7*	*29.4*	*29.3*	*4.4*	*13.3*	*24.9*	*10.6*	*6.7*	*2.1*	*7.5*
EBITDA growth (%)	*-141.8*	*413.2*	*-38.5*	*-227.0*	*-126.0*	*-747.5*	*-1.0*	*-229.9*	*-146.8*	*65.9*
EBITA growth (%)	*-227.0*	*297.0*	*-21.6*	*-120.3*	*-415.7*	*-181.2*	*-11.8*	*-535.9*	*-100.8*	*2,324.5*
EBIT growth (%)	*-227.0*	*nm*	*-21.6*	*-120.3*	*-415.7*	*-181.2*	*-11.8*	*-535.9*	*-100.8*	*nm*
Net profit growth (%)	*-247.7*	*366.3*	*-21.3*	*-106.3*	*-1,210.1*	*-168.4*	*-45.5*	*-883.5*	*-96.4*	*-429.6*
EPS growth (%)	*--*	*nm*	*-26.6*	*-106.3*	*-1,124.0*	*-163.8*	*-46.3*	*-883.5*	*-96.4*	*-429.6*
Profitability	-	-	-	-	-	-	-	-	-	-
ROE (%)	*-27.5*	*-90.4*	*-89.5*	*4.9*	*-33.3*	*14.8*	*6.7*	*-67.9*	*-3.6*	*11.2*
ROE adj. (%)	*-27.5*	*-90.4*	*-89.5*	*4.5*	*-9.4*	*16.8*	*11.0*	*-19.5*	*-3.6*	*11.2*
ROCE (%)	*-31.7*	*-79.2*	*-73.8*	*6.3*	*-17.5*	*18.5*	*5.7*	*-41.4*	*-2.1*	*8.9*
ROCE adj. (%)	*-32.5*	*-79.4*	*-73.9*	*5.1*	*-5.5*	*7.1*	*8.6*	*-12.9*	*-2.9*	*7.1*
ROIC (%)	*42.0*	*326.5*	*949.6*	*14.0*	*-27.1*	*9.5*	*7.2*	*-47.2*	*0.4*	*9.7*
ROIC adj. (%)	*42.0*	*326.5*	*949.6*	*13.3*	*-5.9*	*11.1*	*10.6*	*-11.7*	*0.4*	*9.7*
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	*-3*	*-16*	*-10*	*12*	*7*	*23*	*25*	*2*	*13*	*21*
EBITDA adj. margin (%)	*-1.8*	*-7.3*	*-3.5*	*4.2*	*2.0*	*5.4*	*5.4*	*0.5*	*2.5*	*3.9*
EBITDA lease adj.	-3	-16	-10	12	7	23	25	2	13	21
EBITDA lease adj. margin (%)	*-1.8*	*-7.3*	*-3.5*	*4.2*	*2.0*	*5.4*	*5.4*	*0.5*	*2.5*	*3.9*
EBITA adj.	-6	-25	-20	4	-3	12	13	-10	0	8
EBITA adj. margin (%)	*-3.7*	*-11.4*	*-6.9*	*1.3*	*-0.8*	*2.8*	*2.9*	*-2.0*	*0.1*	*1.5*
EBIT adj.	-6	-25	-20	4	-3	12	13	-10	0	8
EBIT adj. margin (%)	*-3.7*	*-11.4*	*-6.9*	*1.3*	*-0.8*	*2.8*	*2.9*	*-2.0*	*0.1*	*1.5*
Pretax profit Adj.	-6	-26	-21	2	-4	15	11	-12	-2	6
Net profit Adj.	-5	-26	-20	1	-4	11	9	-12	-2	5
Net profit to shareholders adj.	-5	-26	-20	1	-4	11	9	-12	-2	5
Net adj. margin (%)	*-3.2*	*-11.5*	*-7.0*	*0.4*	*-1.2*	*2.6*	*1.8*	*-2.4*	*-0.3*	*0.9*

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	-3	-16	-10	13	-3	21	21	-27	13	21
Net financial items	-0	-1	-1	-1	-1	2	-2	-2	-2	-2
Paid tax	1	0	0	-1	-0	-3	-1	1	0	-1
Non-cash items	-11	6	3	1	-5	-7	0	27	0	0
Cash flow before change in WC	-14	-10	-7	11	-10	14	18	-2	11	18
Change in working capital	20	-3	-1	4	14	-7	1	1	-0	2

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	**7**	**-13**	**-8**	**15**	**4**	**7**	**19**	**-0**	**11**	**20**
Capex tangible fixed assets	-1	-2	-3	-0	-2	-0	-1	-1	-3	-3
Capex intangible fixed assets	-1	-1	-0	-2	-0	-1	-2	-1	0	0
Acquisitions and Disposals	-3	-27	-2	-3	-31	-22	0	2	0	0
Free cash flow	**2**	**-43**	**-13**	**10**	**-29**	**-16**	**16**	**1**	**8**	**17**
Dividend paid	-6	0	0	0	0	0	0	0	0	0
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	0	-8	-9	-8	-8	-10	-11	-11	-11	-12
Other non-cash items	36	23	25	-26	29	9	4	4	2	2
Balance Sheet (SEKm)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Goodwill	16	32	24	34	71	108	108	79	79	79
Other intangible assets	0	0	0	0	0	0	0	0	0	0
Tangible fixed assets	4	6	7	4	5	4	3	3	3	4
Right-of-use asset	0	0	0	28	33	35	31	29	29	29
Total other fixed assets	2	3	3	6	5	2	1	0	0	0
Fixed assets	21	41	33	72	113	148	144	112	112	113
Inventories	0	0	0	0	0	0	0	0	0	0
Receivables	33	40	50	44	57	66	77	82	84	90
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	47	29	25	29	27	21	21	11	7	15
Total assets	**101**	**110**	**109**	**145**	**197**	**235**	**242**	**205**	**204**	**218**
Shareholders equity	32	25	20	32	53	77	80	41	41	47
Minority	0	0	0	0	-1	1	2	0	0	0
Total equity	**32**	**25**	**20**	**32**	**51**	**78**	**82**	**41**	**41**	**47**
Long-term debt	0	6	0	0	3	6	4	2	0	0
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	2	2	33	36	37	33	30	30	30
Total other long-term liabilities	1	4	4	0	0	4	0	0	0	0
Short-term debt	0	1	0	0	0	2	2	3	3	3
Accounts payable	0	0	0	0	0	0	0	0	0	0
Other current liabilities	68	73	83	80	106	108	121	128	129	137
Total liabilities and equity	**101**	**110**	**109**	**145**	**197**	**235**	**242**	**205**	**204**	**218**
Net IB debt	-49	-23	-26	2	10	24	18	24	26	19
Net IB debt excl. pension debt	-49	-23	-26	2	10	24	18	24	26	19
Net IB debt excl. leasing	-49	-25	-28	-31	-25	-13	-15	-5	-4	-11
Capital employed	32	33	22	64	90	123	121	77	75	81
Capital invested	-17	1	-5	34	62	102	100	66	67	66
Working capital	-35	-33	-32	-36	-50	-42	-44	-45	-45	-47
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	72	82	88	88	95	102	104	104	104	104
Net IB debt adj.	-49	-23	-26	2	10	24	18	24	26	19
Market value of minority	0	0	0	0	-1	1	2	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	**23**	**59**	**62**	**90**	**104**	**127**	**124**	**128**	**130**	**122**
Total assets turnover (%)	224.6	209.9	262.3	236.7	199.1	196.6	196.7	224.2	250.4	260.7
Working capital/sales (%)	-14.7	-15.3	-11.3	-11.4	-12.6	-10.8	-9.2	-8.9	-8.8	-8.3
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	-151.5	-95.3	-125.7	6.0	20.1	30.3	21.5	59.0	62.8	39.4
Net debt / market cap (%)	-67.6	-28.5	-29.3	2.2	10.8	23.2	17.0	23.6	24.9	17.9
Equity ratio (%)	31.8	22.3	18.9	22.0	26.2	33.2	33.9	20.3	20.2	21.7
Net IB debt adj. / equity (%)	-151.5	-95.3	-125.7	6.0	20.1	30.3	21.5	59.0	62.8	39.4
Current ratio	1.17	0.94	0.91	0.91	0.78	0.79	0.80	0.71	0.69	0.75
EBITDA/net interest	37.6	360.4	767.5	79.2	9.7	3.1	51.6	34.5	40.2	30.5
Net IB debt/EBITDA (x)	15.4	1.4	2.6	0.2	-3.1	1.1	0.8	-0.9	2.0	0.9
Net IB debt/EBITDA lease adj. (x)	15.4	1.5	2.8	-2.5	-3.8	-0.6	-0.6	-2.2	-0.3	-0.5
Interest coverage	76.1	564.0	1,530.6	25.2	37.3	1.5	22.2	49.9	1.1	11.6

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	7	8	9	9	10	10	10	10	10	10
Actual shares outstanding (avg)	7	8	9	9	10	10	10	10	10	10

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	-	1	1	0	1	1	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	0	0
No. of warrants	0	0	0	0	0	0	0	0	0	0
Market value per warrant	0	0	0	0	0	0	0	0	0	0
Dilution from warrants	0	0	0	0	0	0	0	0	0	0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reported earnings per share	-0.76	-3.09	-2.27	0.14	-1.30	0.86	0.47	-3.81	-0.14	0.47

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	7	8	9	9	10	10	10	10	10	10
Diluted shares adj.	7	8	9	9	10	10	10	10	10	10
EPS	-0.76	-3.09	-2.27	0.14	-1.46	0.93	0.50	-3.93	-0.14	0.47
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.76	-3.09	-2.27	0.13	-0.41	1.06	0.83	-1.13	-0.14	0.47
BVPS	4.42	2.97	2.30	3.58	5.49	7.48	7.63	3.96	3.93	4.51
BVPS adj.	2.27	-0.84	-0.38	-0.29	-1.92	-2.96	-2.70	-3.62	-3.65	-3.06
Net IB debt/share	-6.70	-2.83	-2.90	0.21	1.07	2.30	1.68	2.33	2.47	1.78
Share price	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90
Market cap. (m)	72	82	88	88	95	102	104	104	104	104
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	nm	nm	nm	69.2	nm	10.6	19.7	nm	nm	21.0
EV/sales (x)	0.14	0.26	0.22	0.30	0.31	0.30	0.26	0.26	0.25	0.22
EV/EBITDA (x)	-7.4	-3.6	-6.2	7.1	-31.6	5.9	5.8	-4.7	10.1	5.7
EV/EBITA (x)	-3.6	-2.3	-3.1	22.3	-8.2	12.3	13.6	-3.2	385.7	15.0
EV/EBIT (x)	-3.6	-2.3	-3.1	22.3	-8.2	12.3	13.6	-3.2	385.7	15.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	2.9	-52.5	-14.8	10.8	-30.3	-15.6	15.7	0.6	7.7	16.6
Le. adj. FCF yld. (%)	2.9	-62.5	-25.0	2.0	-39.2	-25.3	5.2	-10.0	-3.1	5.2
P/BVPS (x)	2.24	3.34	4.30	2.76	1.80	1.32	1.30	2.50	2.52	2.19
P/BVPS adj. (x)	4.37	-11.82	-26.25	-34.20	-5.16	-3.35	-3.66	-2.74	-2.71	-3.23
P/E adj. (x)	nm	nm	nm	74.7	nm	9.3	12.0	nm	nm	21.0
EV/EBITDA adj. (x)	-7.4	-3.6	-6.2	7.2	15.6	5.5	4.9	53.3	10.1	5.7
EV/EBITA adj. (x)	-3.6	-2.3	-3.1	23.4	-37.8	10.5	9.2	-13.0	385.7	15.0
EV/EBIT adj. (x)	-3.6	-2.3	-3.1	23.4	-37.8	10.5	9.2	-13.0	385.7	15.0
EV/CE (x)	0.7	1.8	2.8	1.4	1.2	1.0	1.0	1.7	1.7	1.5
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	0.8	1.5	1.1	0.6	0.6	0.3	0.6	0.3	0.5	0.5
Capex/depreciation	0.4	0.4	0.3	0.2	0.2	0.1	0.2	0.1	0.2	0.2
Capex tangibles / tangible fixed assets	14.8	37.4	41.6	8.0	36.0	2.6	23.0	41.0	77.0	67.2
Capex intangibles / definite intangibles	--	--	--	--	--	--	--	--	--	--
Depreciation on intang / def. intang	--	--	--	--	--	--	--	--	--	--
Depreciation on tangibles / tangibles	82.92	143.23	151.15	236.36	205.56	299.57	413.12	464.17	377.32	322.63

Source: ABG Sundal Collier, Company Data

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