



## Further growth on the horizon

Following the earnings beat in Q2 and increased short-term EBITDA estimates, we have raised our valuation range to SEK 45-62 per share (from SEK 41-56). Despite the ongoing pandemic, Tempest grew its Q2 revenues by 9% y/y with improving profitability. A new revenue target of SEK 1,000m by 2025 was also presented, which has further strengthened our long-term positive view of solid revenue growth over the coming years.

### Key Data (2020E)

Price (SEK)	49.10
Reuters	TSEC.FN
Bloomberg	TSEC FN
Market cap (SEKm)	437
Market cap (USDm)	50
Market cap (EURm)	42
Net debt (SEKm)	(26)
Net gearing	(72%)
Net debt/EBITDA (x)	(1.7)
Shares fully dil. (m)	8.9
Avg daily turnover (m)	0.0
Free float	35%

### Growing, despite the challenging circumstances

As expected, Tempest has not been unaffected by COVID-19 and the impact differs quite substantially between the different service offerings. Risk solutions faced most challenges, mainly attributable to its UK exposure, the divestment of NPA, and reduced activity in GPG, resulting in a sales decline of 37% y/y. Security Solutions was better than we had expected with sales growth of 23% y/y, supported by recent large contract assignments, and the high-margin services within the Other segment also developed favourably.

### Updated revenue target of SEK 1,000m by 2025

The adjusted EBITDA of SEK 3.4m (excluding a divestment gain of SEK 1.4m) beat our expectation of SEK 1.2m, and the margin turnaround story continues with profit improvement remaining in a positive trend. In addition, Tempest presented a new revenue target of SEK 1,000m by 2025 (previously SEK 500m by 2022), implying sales CAGR of more than 20% per annum. The long-term EBITDA margin target of 10% is unchanged. Therefore, despite the challenging environment and a slight slowdown in growth in 2020, we consider the long-term investment case to be intact and expect growth to accelerate again in 2021.

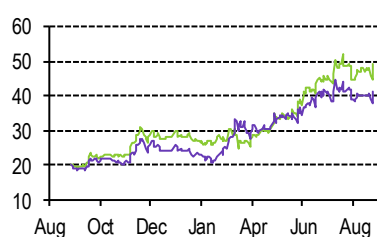
### Estimate Revisions (%)

	2020E	2021E	2022E
Revenues	0	(1)	(1)
Adj. EBIT	129	11	3
Adj. EPS	146	12	4

### New mid-point DCF value of SEK 54 per share

Following the report, we have increased our short-term earnings forecast and derive a new DCF-based fair price range of SEK 45-62 per share with a mid-point value of SEK 54 (WACC of 7.5%, steady state EBIT margin of 4.0%).

### Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

### Marketing communication

commissioned by:  
**Tempest Security**

### Financials (SEK)

Year end: Dec	2018	2019	2020E	2021E	2022E
Revenues (m)	222	287	333	413	503
Adj. EBIT	(25)	(12)	6	14	20
Pre-tax profit (m)	(26)	(13)	4	13	19
EPS	(3.40)	(1.55)	0.50	1.42	2.12
Adj. EPS	(2.38)	(1.45)	0.59	1.51	2.21
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	29.5	29.1	16.1	24.0	21.8
Adj. EBIT growth (%)	n.m.	n.m.	n.m.	135.5	47.9
Adj. EPS growth (%)	n.m.	n.m.	n.m.	155.1	47.1
Adj. EBIT margin (%)	(11.4)	(4.1)	1.8	3.3	4.1
ROE (%)	(90.4)	(46.6)	13.4	30.2	32.9
ROCE (%)	(79.7)	(37.3)	17.6	33.0	35.5
PER (x)	n.m.	n.m.	83.2	32.6	22.2
Free cash flow yield (%)	(10.0)	(3.0)	0.1	1.5	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	7.15	8.62	12.34	9.10	6.53
EV/Sales (x)	0.69	0.84	1.25	0.98	0.78
EV/Adj. EBITDA (x)	(9.5)	(79.8)	27.1	16.2	11.0
EV/Adj. EBIT (x)	(6.0)	(20.7)	70.2	29.3	19.2
Operating cash flow/EV (%)	(8.5)	(0.7)	2.2	4.8	7.6
Net debt/Adj. EBITDA (x)	1.38	8.27	(1.68)	(1.29)	(1.30)

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

## Q2 highlights

The current pandemic has temporarily hampered revenue growth compared with historical levels, but Tempest remains confident in reaching SEK 500m in revenues by 2022 and sees scope for continued solid growth beyond that, as demonstrated by the new revenue target of SEK 1,000m by 2025. This will likely require further geographical expansion in Europe and some strategic acquisitions. We believe there could be some interesting opportunities arising in the current environment and Tempest has a comfortable net cash position.

During the summer, Tempest announced a framework agreement with Allied Universal (AUS), the largest security services provider in the United States, to become a local partner and part of its partner network. AUS has 200,000 employees worldwide with an annual turnover of around USD 8.3 billion. There are no volume guarantees, but this allows Tempest to support AUS with services to its global clients and accounts. Although it is difficult to estimate the potential earnings impact, we view the partnership as a positive validation of Tempest's operations. While Allied Universal is a leader in North America, its EMEA presence is limited. Operations for the region are based in the UK, which employs some 700 security professionals. The operations in the UK were initiated in 2019, and continued expansion in EMEA seems likely, in our view.

Furthermore, on 31 July Tempest announced that it had completed a listing change to First North Premier Growth Market, which marks a first natural step towards the main market within in a few years after the implementation of IFRS accounting earlier this year.

## Forecasts and valuation

Estimate revisions												
(SEKm)	Q3/20E	New estimates				Old estimates				Difference (%)		
		2020E	2021E	2022E	Q3/20E	2020E	2021E	2022E	Q3/20E	2020E	2021E	2022E
Net sales	83.6	328.2	412.8	502.8	87.9	330.7	416.9	509.0	-4.8	-0.8	-1.0	-1.2
EBITDA	3.5	15.2	24.9	35.5	3.6	11.4	23.6	35.0	-3.7	33.3	5.4	1.4
EBIT	1.2	5.9	13.8	20.4	1.2	2.4	12.4	19.7	-1.5	143.3	11.3	3.4
EBT	0.9	4.4	12.6	18.9	0.9	1.2	11.2	18.2	-2.0	274.6	12.5	3.7
Net income	0.9	4.4	12.5	18.7	0.9	1.2	11.1	18.0	-2.0	275.1	12.5	3.7
Adj. EBITDA	<b>3.5</b>	<b>15.2</b>	<b>24.9</b>	<b>35.5</b>	<b>3.6</b>	<b>11.4</b>	<b>23.6</b>	<b>35.0</b>	<b>-3.7</b>	<b>33.3</b>	<b>5.4</b>	<b>1.4</b>
Adj. EBITDA margin (%)	<b>4.1</b>	<b>4.6</b>	<b>6.0</b>	<b>7.1</b>	<b>4.1</b>	<b>3.4</b>	<b>5.7</b>	<b>6.9</b>	<b>0.0pp</b>	<b>1.2pp</b>	<b>0.4pp</b>	<b>0.2pp</b>
<b>Sales</b>												
Security Solutions	61.6	250.7	309.9	368.8	61.6	242.8	300.2	357.2	0.0	3.3	3.2	3.2
Risk Solutions	15.6	53.5	69.0	86.9	18.7	62.1	80.1	100.9	-16.7	-13.8	-13.8	-13.8
Other	6.5	24.0	34.0	47.1	7.6	25.9	36.6	50.9	-14.9	-7.2	-7.3	-7.4
<b>Total</b>	<b>83.6</b>	<b>328.2</b>	<b>412.8</b>	<b>502.8</b>	<b>87.9</b>	<b>330.7</b>	<b>416.9</b>	<b>509.0</b>	<b>-4.8</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-1.2</b>
<b>EBITDA</b>												
Security Solutions	7.8	32.9	39.0	45.7	6.8	26.7	32.7	38.6	13.5	23.2	19.6	18.5
Risk Solutions	1.6	6.5	8.1	10.4	1.6	4.9	9.2	12.1	-2.0	33.8	-11.6	-13.8
Other	1.1	4.2	7.4	11.3	1.4	4.5	8.0	12.3	-16.6	-8.2	-8.0	-8.0
Group costs	-7.0	-28.4	-29.6	-32.0	-6.2	-24.7	-26.2	-28.0	-12.9	-14.9	-13.0	-14.3
<b>Total consolidated</b>	<b>3.5</b>	<b>15.2</b>	<b>24.9</b>	<b>35.5</b>	<b>3.6</b>	<b>11.4</b>	<b>23.6</b>	<b>35.0</b>	<b>-3.7</b>	<b>33.3</b>	<b>5.4</b>	<b>1.4</b>
<b>EBITDA margin (%)</b>												
Security Solutions	12.6	13.1	12.6	12.4	11.1	11.0	10.9	10.8	1.5pp	2.1pp	1.7pp	1.6pp
Risk Solutions	10.0	12.2	11.7	12.0	8.5	7.8	11.5	12.0	1.5pp	4.3pp	0.3pp	0.0pp
Other	17.6	17.3	21.8	24.0	18.0	17.5	21.9	24.2	-0.4pp	-0.2pp	-0.2pp	-0.2pp
<b>Total</b>	<b>4.1</b>	<b>4.6</b>	<b>6.0</b>	<b>7.1</b>	<b>4.1</b>	<b>3.4</b>	<b>5.7</b>	<b>6.9</b>	<b>0.0pp</b>	<b>1.2pp</b>	<b>0.4pp</b>	<b>0.2pp</b>

Source: SEB

**Interim financial statement**

	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20E	Q4/20E	2019	2020E	2021E	2022E
<b>Net sales</b>	<b>57.4</b>	<b>66.8</b>	<b>79.1</b>	<b>83.1</b>	<b>79.4</b>	<b>72.8</b>	<b>83.6</b>	<b>92.3</b>	<b>286.4</b>	<b>328.2</b>	<b>412.8</b>	<b>502.8</b>
Growth y/y	23.8%	17.8%	33.7%	39.2%	38.3%	9.0%	5.8%	11.1%	29.1%	14.6%	25.8%	21.8%
Other income	0.2	0.1	0.2	0.0	1.2	3.6	0.0	0.0	0.5	4.8	0.0	0.0
Cost of goods sold	-6.1	-9.1	-9.6	-9.0	-7.5	-6.9	-10.0	-9.7	-33.8	-34.1	-44.4	-55.3
Other external expenses	-5.8	-7.0	-6.3	-7.0	-6.7	-6.2	-6.6	-7.0	-26.2	-26.4	-26.2	-27.9
Personnel expenses	-49.5	-54.4	-59.5	-66.6	-63.5	-58.6	-63.6	-71.7	-229.9	-257.3	-317.2	-384.2
Total operational expenses	-61.5	-70.5	-75.4	-82.5	-77.6	-71.7	-80.2	-88.4	-289.9	-317.8	-387.9	-467.4
<b>EBITDA</b>	<b>-3.8</b>	<b>-3.6</b>	<b>3.9</b>	<b>0.5</b>	<b>3.0</b>	<b>4.8</b>	<b>3.5</b>	<b>3.9</b>	<b>-3.0</b>	<b>15.2</b>	<b>24.9</b>	<b>35.5</b>
<b>Margin</b>	<b>-6.7%</b>	<b>-5.4%</b>	<b>4.9%</b>	<b>0.6%</b>	<b>3.8%</b>	<b>6.6%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>-1.1%</b>	<b>4.6%</b>	<b>6.0%</b>	<b>7.1%</b>
EBIT	-5.9	-5.8	1.7	-1.7	0.8	2.4	1.2	1.4	-11.7	5.9	13.8	20.4
Margin	-10.3%	-8.7%	2.2%	-2.0%	1.0%	3.3%	1.4%	1.6%	-4.1%	1.8%	3.3%	4.1%
Net financials	-0.5	-0.3	-0.4	-0.6	-0.3	-0.5	-0.3	-0.3	-1.8	-1.4	-1.2	-1.5
EBT	-6.4	-6.1	1.4	-2.3	0.5	1.9	0.9	1.1	-13.4	4.4	12.6	18.9
Taxes	-0.1	-0.1	0.1	0.5	0.0	-0.4	0.0	0.3	0.5	0.0	-0.1	-0.2
Net income	-6.5	-6.1	1.5	-1.8	0.5	1.5	0.9	1.5	-12.9	4.4	12.5	18.7
EPS	-0.8	-0.7	0.2	-0.2	0.1	0.2	0.1	0.2	-1.6	0.5	1.4	2.1

Source: Tempest Security, SEB

**Mid-point DCF valuation**

<b>DCF valuation (SEKm)</b>		<b>Weighted average cost of capital (%)</b>	
NPV of FCF in explicit forecast period	313	Risk free interest rate	2.5
NPV of continuing value	137	Risk premium	5.0
<b>Value of operation</b>	<b>450</b>	<b>Cost of equity</b>	<b>7.5</b>
Net debt	(26)	<b>After tax cost of debt</b>	<b>3.5</b>
Share issue/buy-back in forecast period	-	<b>WACC</b>	<b>7.5</b>
Value of associated companies	-		
Value of minority shareholders' equity	-	<b>Assumptions</b>	
Value of marketable assets	-	Number of forecast years	20
<b>DCF value of equity</b>	<b>476</b>	EBIT margin - steady state (%)	4.0
<b>DCF value per share (SEK)</b>	<b>54</b>	EBIT multiple - steady state (x)	10.7
Current share price (SEK)	49.10	Continuing value (% of NPV)	30.5
DCF performance potential (%)	9		

Source: SEB

**DCF sensitivity I**

	Cost of equity (%)				
	6.5	7.0	7.5	8.0	8.5
Equity capital	80	80	74	69	64
weight (%)	90	71	65	60	56
	100	63	58	54	50
	100	63	58	54	50
	100	63	58	54	50

Source: SEB

**DCF sensitivity II**

	Relative change in EBITDA margin - all years				
	-20%	-10%	0	+10%	+20%
Rel. change in sales growth - all years	-20%	33	40	47	54
	-10%	35	43	50	58
	0	37	45	54	62
	+10%	40	48	57	66
	+20%	42	51	61	70

Source: SEB

# Investment conclusion

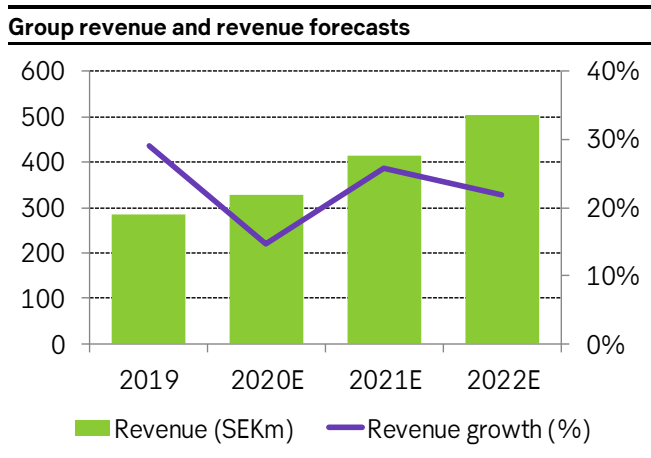
Tempest Security is a fast-growing Swedish security company founded 10 years ago by the current CEO Andrew Spry, together with Thomas Löfving and Thomas Cavas. During this period, Tempest has transformed itself from conducting localised guarding operations in Stockholm to offering a full palette of security services. The company works in close collaboration with its clients to cater for all their security needs and to increase the penetration of more advanced security services over time, which improves the product mix and leads to higher profitability for Tempest. In our view, the investment case for Tempest relies on three pillars.

- Continued growth through market share gains with upside optionality from potential M&A, which is not part of our forecasts. We estimate organic revenue CAGR of 21% throughout our 2019-22 forecast period.
- Increased penetration of fast-growing and high value-add security services, supporting above-industry growth and improved earnings diversification. We expect Tempest's high value-add services to outgrow traditional security services by 10pp in the coming three years.
- Improved margins through operational leverage and enhanced business mix. Tempest has shown a turnaround in profitability during the last 12 months, a positive trend which we expect will continue. We see the potential to raise the EBITDA margin from -1% in 2019 to 7.1% in 2022.

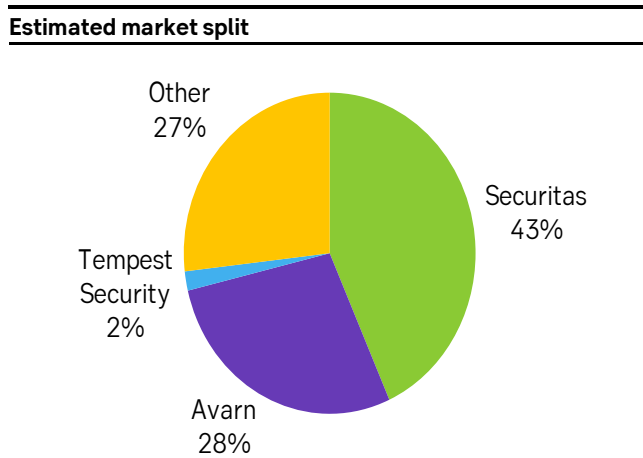
### Plenty of pockets for continued growth

In the past five years, Tempest has increased revenues by an average growth rate of close to 40% per annum. Despite the rapid growth, the company is still only scratching the surface with a market share of around 2%.

To reflect the growth opportunities, Tempest has set a new ambitious revenue target of SEK 1,000m by 2025. We forecast 2019-22 revenue CAGR of 21% with further upside potential from selective M&A. While revenue growth in 2020 is likely to slow due to COVID-19, we believe interesting acquisition opportunities could arise in the aftermath of the crisis and we see scope for further industry consolidation.



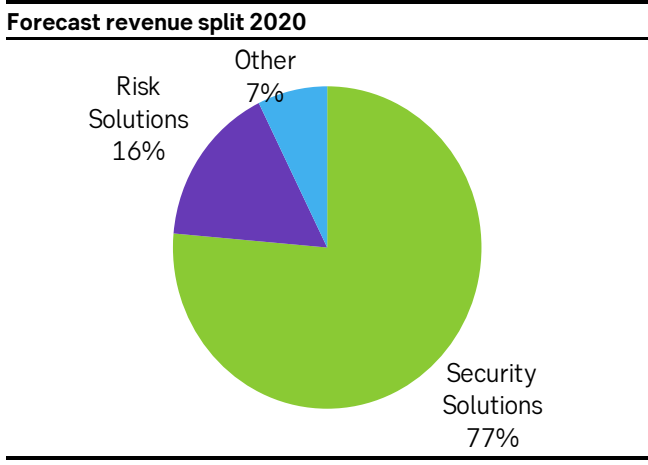
Source: Tempest Security, SEB



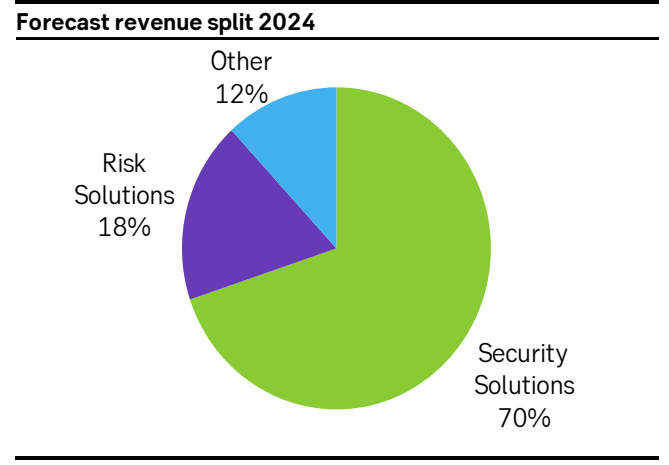
Source: Company data, SEB

**A transformation process through close client collaboration**

We also expect a gradual shift towards higher value-add services for Tempest Security, which are expected to grow at a faster pace than the overall security services market. Tempest works in close partnership with its clients to develop and enable cross-selling of new services, leading to an increasingly attractive margin profile.

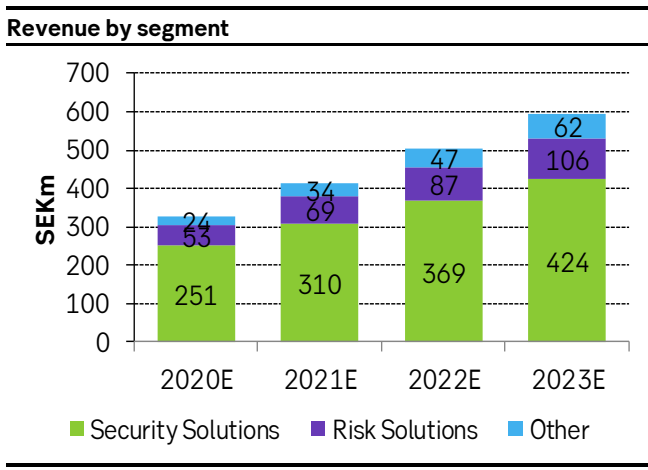


Source: SEB

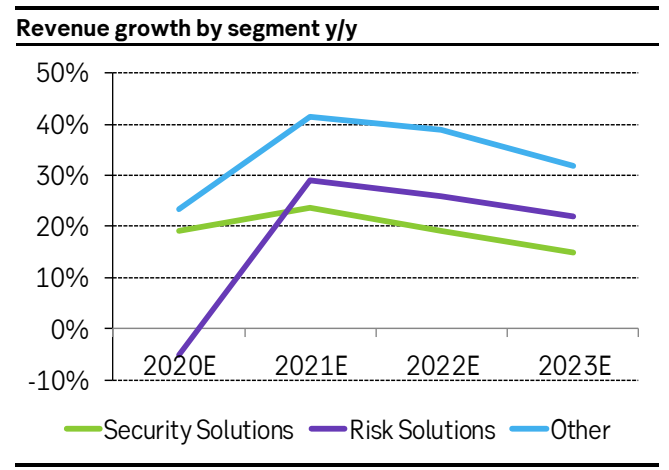


Source: SEB

The pandemic obviously creates challenges for both Tempest’s customers and its employees, but it could also create new interesting business opportunities and enable clients to rethink their security needs. We expect Tempest’s high value-add security services to grow by on average 29% over the coming three years, compared with 19% for traditional security services.



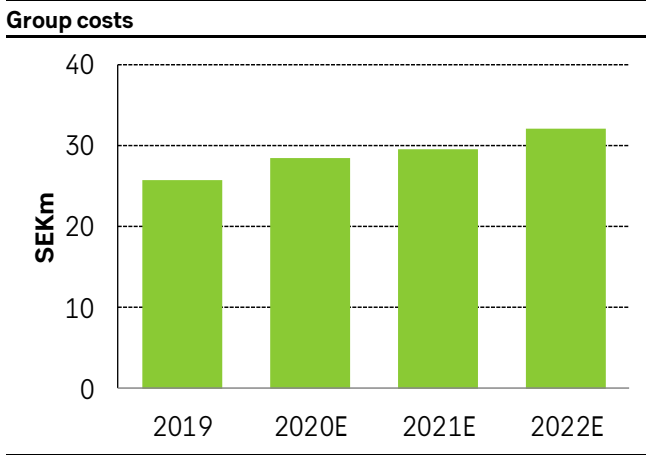
Source: SEB



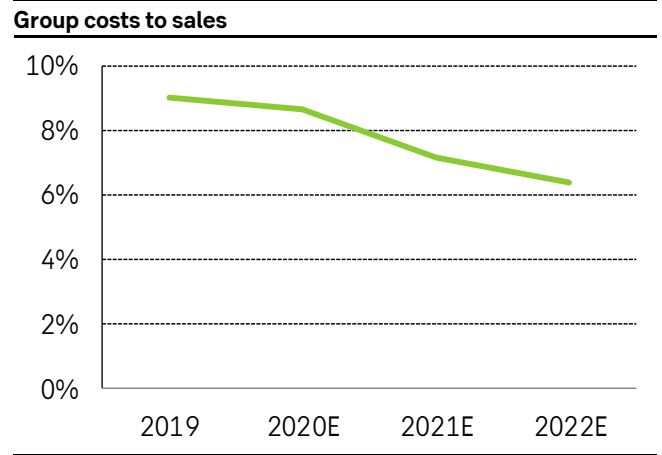
Source: SEB

**Ability to scale on earlier investments**

Since its public listing in 2017, Tempest has invested in building up group functions within Sales, Human Resources, and Finance. In addition, the company has expanded its service offering through acquisitions and internal investments in attractive niche segments of the security market. These investments are likely to continue as the company continues to grow, but at a slower pace than the expected sales growth. The positive earnings trend in the last quarters supports this view and the trend seems to be maintained during the beginning of 2020, despite the ongoing challenges from the pandemic.

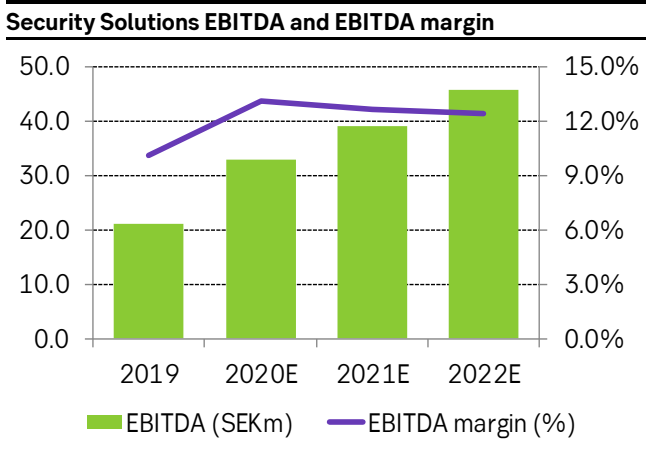


Source: SEB

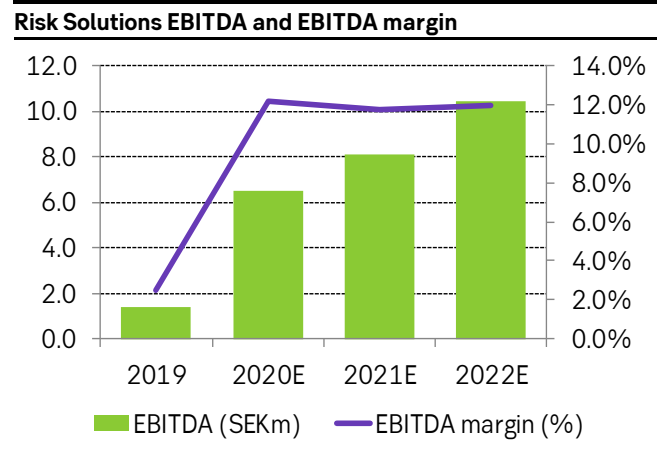


Source: SEB

In a group context, our analysis suggests that the largest segment within traditional Security Solutions is already operating at quite healthy margins of above 10% in 2019. Instead, we see the most medium-term potential within Risk Solutions.



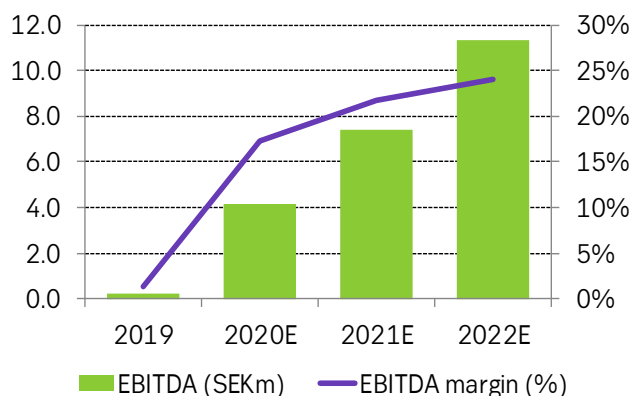
Source: Tempest Security, SEB



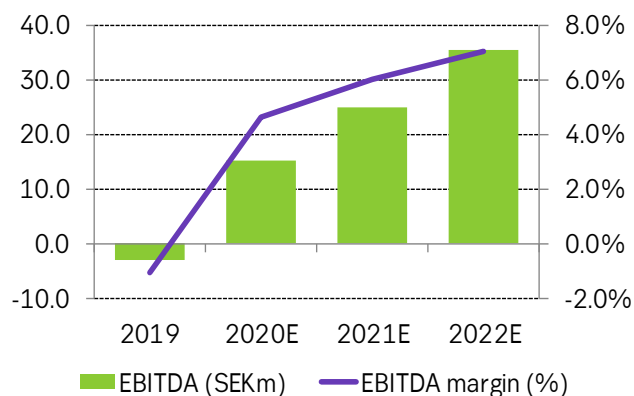
Source: Tempest Security, SEB

The Other segment, which mainly consists of the Security Operations Center (SOC), reported an EBITDA margin of 16.5% in Q2. However, looking at successful peers, we find that it is not impossible to reach a 40-50% operating margin over time, given the extremely high incremental margins. But volumes are low, and we believe the main challenge will be to scale up the operations, but it remains as an interesting long-term opportunity and represents a good complement to Tempest’s other services.

We forecast that the positive earnings trend will continue during this year, despite the challenges from COVID-19 and slightly slower growth. On a full-year basis, we expect Tempest to turn profitable and reach an EBITDA margin of 4.6% in 2020 and 7.1% by 2022.

**Other EBITDA and EBITDA margin**

Source: Tempest Security, SEB

**Group EBITDA and EBITDA margin**

Source: Tempest Security, SEB

**Risks and possible concerns**

- The security industry is characterised by high personnel turnover and Tempest, in line with its peers, is highly dependent on its ability to maintain and attract new employees.
- The ability to find new employees is also crucial to deliver on the ambitious growth agenda.
- Furthermore, to maintain the historically high revenue growth numbers, there is a risk that Tempest might need to raise additional capital in the future, as the company has yet to prove that the turnaround in profitability is sustainable.
- While we expect operations to turn profitable in the short-term, this is based on our forecast of high growth outside traditional security services, which we expect will lift the operating margin through improved product mix.
- The COVID-19 pandemic poses threats, as well as opportunities. So far, Tempest has only experienced a limited impact from the virus outbreak, but there is a risk that there could be a more severe impact in the future, e.g. by delayed decision making among customers and increased sickness leave.

# Overview

## Investment case

In our view, Tempest Security is equipped to continue to show above-industry revenue growth rates throughout our forecast period, driven by market share gains and increased penetration of more advanced security services. We also expect that the recent turnaround in profitability could be sustained, due to further operational leverage and an enhanced revenue mix. We expect the group to turn profitable for the full year 2020 and then gradually move towards the long-term EBITDA margin target of 10%.

## Company profile

Tempest Security is a fast-growing Swedish security company founded ten years ago by the current CEO Andrew Spry together with Thomas Löfving and Thomas Cavas. During this period, Tempest has transformed from conducting guarding operations mainly in the Stockholm region to offering a broad set of different security services. In the past five years, the company has increased its revenues from SEK 55m in 2014 to SEK 287M in 2019, implying revenue CAGR of close to 40%. Traditional security services remain the main exposure (73%), while higher value-add services such as risk solutions and surveillance are expected to gradually increase its part of the future revenue mix.

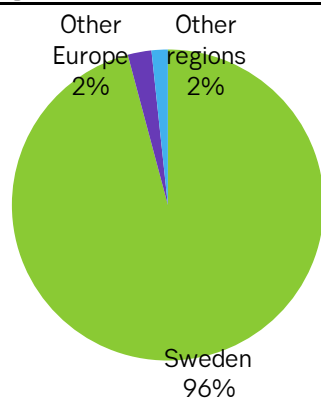
## Valuation approach

Our fair share price range is based on a mid-point DCF value +/- 10% relative change to our EBITDA assumptions being the upper- and lower end of the range.

## Target price risks

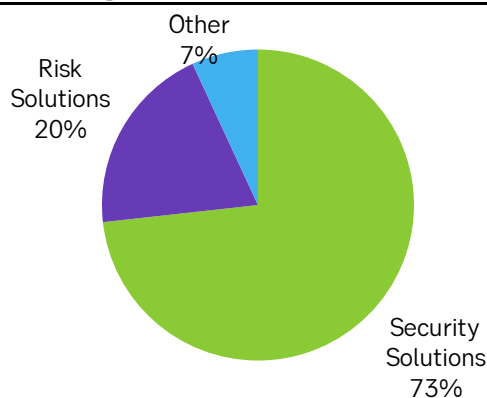
The security industry is people intensive and Tempest Security, in line with its peers, is highly dependent on the ability to maintain and attract new employees. This is particularly crucial in order to deliver on its ambitious growth agenda. Furthermore, the company has yet to prove that the recent turnaround in profitability is sustainable and our forecasts of further margin improvements is partly based on success and high growth rates within its new and more advanced security services.

### Revenues by region



Source: SEB

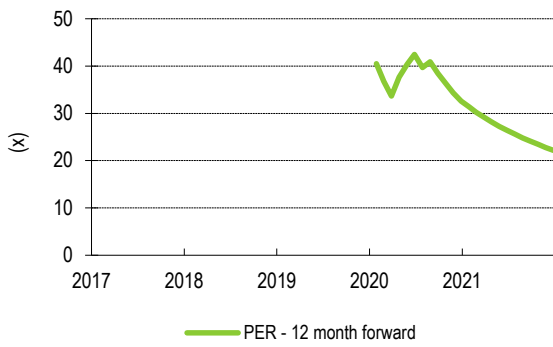
### Revenues by segment



Source: SEB

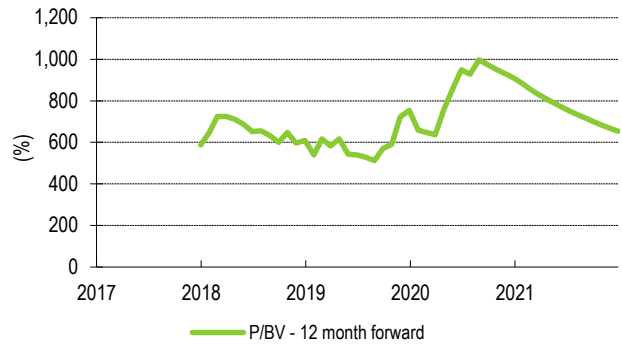


**PER - 12 month forward**



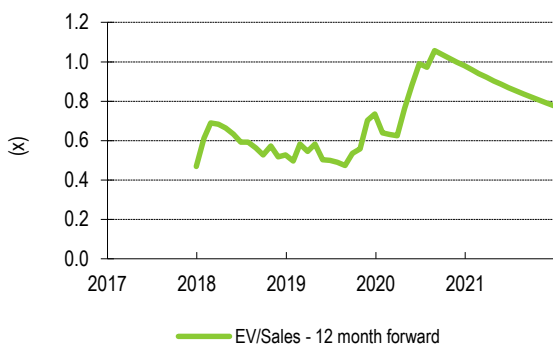
Source: SEB

**P/BV - 12 month forward**



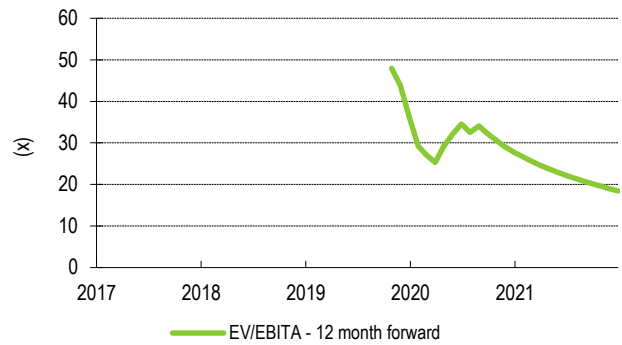
Source: SEB

**EV/Sales - 12 month forward**



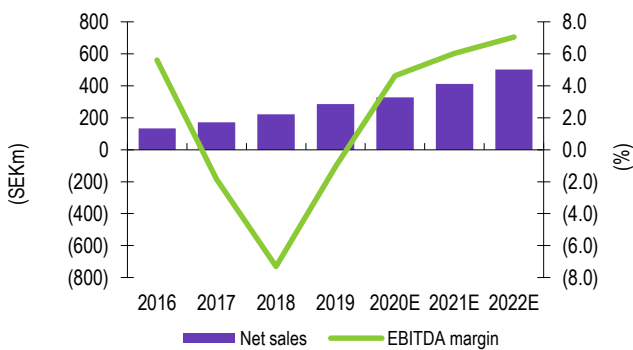
Source: SEB

**EV/EBITA - 12 month forward**



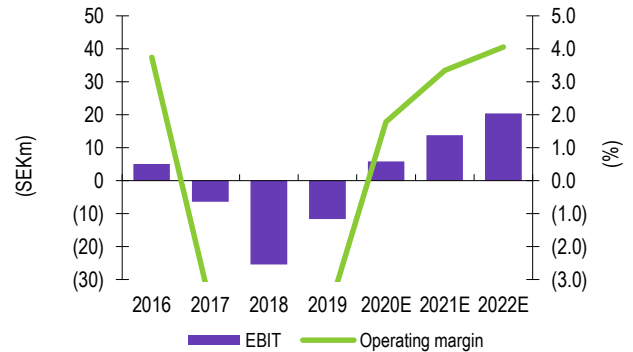
Source: SEB

**Net sales & EBITDA margin**



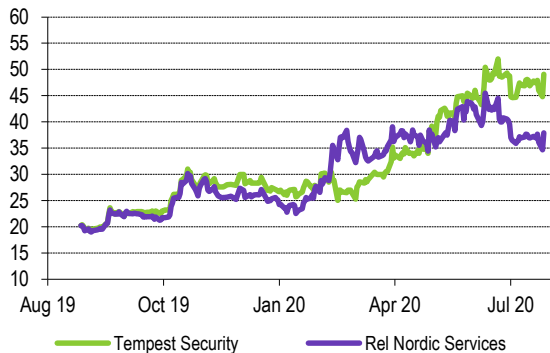
Source: SEB

**EBIT & Operating margin**



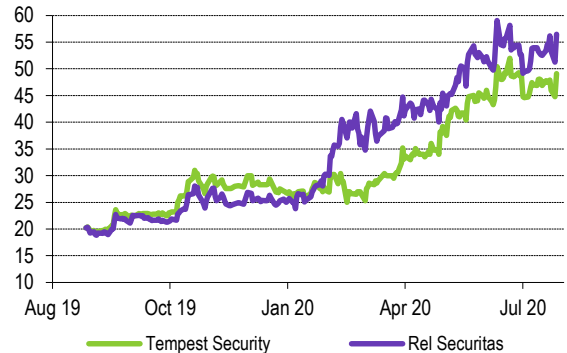
Source: SEB

**Comparison with sector index - 1 year**



Source: SIX

**Comparison with Securitas - 1 year**



Source: SIX

<b>Profit &amp; loss statement - Tempest Security</b>							
<b>(SEKm)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Net Sales	134	171	222	286	328	413	503
Other revenues	0	0	0	0	5	0	0
<b>Total revenues</b>	<b>135</b>	<b>172</b>	<b>222</b>	<b>287</b>	<b>333</b>	<b>413</b>	<b>503</b>
Total expenses	(127)	(175)	(238)	(290)	(318)	(388)	(467)
<b>Profit before depreciation</b>	<b>8</b>	<b>(3)</b>	<b>(16)</b>	<b>(3)</b>	<b>15</b>	<b>25</b>	<b>35</b>
Depreciation - Fixed assets	(2)	(1)	(1)	(8)	(9)	(10)	(14)
Depreciation - Other assets	0	0	0	0	0	0	0
Amortisation - Goodwill	(0)	(1)	(7)	0	0	0	0
Amortisation - Other intangibles	(0)	(1)	(1)	(1)	(1)	(1)	(1)
<b>Operating profit</b>	<b>5</b>	<b>(6)</b>	<b>(25)</b>	<b>(12)</b>	<b>6</b>	<b>14</b>	<b>20</b>
Net interest expenses	(0)	(0)	(1)	(2)	0	0	0
Foreign exchange items	0	0	0	0	0	0	0
Other financial items	0	0	0	0	(1)	(1)	(2)
Value changes - Fixed assets	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>5</b>	<b>(6)</b>	<b>(26)</b>	<b>(13)</b>	<b>4</b>	<b>13</b>	<b>19</b>
Minority interests	0	0	0	0	0	0	0
Total taxes	(1)	1	0	0	0	0	0
<b>Reported profit after tax</b>	<b>4</b>	<b>(5)</b>	<b>(26)</b>	<b>(13)</b>	<b>4</b>	<b>13</b>	<b>19</b>
Discontinued operations	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>4</b>	<b>(5)</b>	<b>(26)</b>	<b>(13)</b>	<b>4</b>	<b>13</b>	<b>19</b>
<b>Adjustments:</b>							
Discontinued operations	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	2	8	1	1	1	1
Restructuring charges	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	0	0
<b>Adjusted profit after tax</b>	<b>4</b>	<b>(4)</b>	<b>(18)</b>	<b>(12)</b>	<b>5</b>	<b>13</b>	<b>20</b>
<b>Margins, tax &amp; returns</b>							
Operating margin	3.7	(3.7)	(11.4)	(4.1)	1.8	3.3	4.1
Pre-tax margin	3.7	(3.7)	(11.7)	(4.7)	1.4	3.0	3.8
Tax rate	25.1	14.4	1.1	3.7	0.0	0.0	0.0
ROE	64.0	(27.4)	(90.4)	(46.6)	13.4	30.2	32.9
ROCE	86.4	(32.0)	(79.7)	(37.3)	17.6	33.0	35.5
<b>Growth rates y-o-y (%)</b>							
Total revenues	n.a.	27.4	29.5	29.1	16.1	24.0	21.8
Operating profit	133.2	n.m.	n.m.	n.m.	n.m.	135.5	47.9
Pre-tax profit	138.2	n.m.	n.m.	n.m.	n.m.	183.0	50.1
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	155.1	47.1
<b>Cash flow</b>							
<b>(SEKm)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Net profit	4	(5)	(26)	(13)	4	13	19
Non-cash adjustments	2	2	7	9	7	11	15
<b>Cash flow before work cap</b>	<b>6</b>	<b>(4)</b>	<b>(19)</b>	<b>(4)</b>	<b>12</b>	<b>24</b>	<b>34</b>
Ch. in working capital / Other	2	10	6	3	(3)	(4)	(4)
<b>Operating cash flow</b>	<b>7</b>	<b>7</b>	<b>(13)</b>	<b>(2)</b>	<b>9</b>	<b>20</b>	<b>30</b>
Capital expenditures	(2)	(1)	(3)	(6)	(9)	(13)	(16)
Asset disposals	0	0	0	0	0	0	0
L/T financial investments	0	0	0	0	0	0	0
Acquisitions / adjustments	0	(3)	(27)	0	0	0	0
<b>Free cash flow</b>	<b>5</b>	<b>2</b>	<b>(43)</b>	<b>(8)</b>	<b>1</b>	<b>7</b>	<b>14</b>
Net loan proceeds	0	(2)	7	(13)	0	0	0
Dividend paid	0	(6)	0	0	0	0	0
Share issue	0	36	18	16	0	0	0
Other	(0)	0	0	0	0	0	0
<b>Net change in cash</b>	<b>6</b>	<b>30</b>	<b>(18)</b>	<b>(4)</b>	<b>1</b>	<b>7</b>	<b>14</b>
<b>Adjustments</b>							
C/flow bef chng in work cap	6	(4)	(19)	(4)	12	24	34
Adjustments	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0
Cash earnings	6	(4)	(19)	(4)	12	24	34
<b>Per share information</b>							
Cash earnings	1.09	(0.56)	(2.5)	(0.53)	1.31	2.65	3.8
Operating cash flow	1.41	1.05	(1.73)	(0.2)	1.03	2.2	3.35
Free cash flow	0.98	0.31	(5.66)	(0.91)	0.06	0.74	1.55
<b>Investment cover</b>							
Capex/sales (%)	0.2	0.3	0.9	1.9	2.4	2.8	2.9
Capex/depreciation (%)	15	43	137	70	91	113	101

Source for all data on this page: SEB

<b>Balance sheet - Tempest Security</b>							
<b>(SEKm)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Cash and liquid assets	17	47	29	25	26	32	46
Debtors	21	27	27	39	45	57	69
Inventories	1	0	0	0	0	0	0
Other	5	6	13	11	11	11	11
<b>Current assets</b>	<b>44</b>	<b>80</b>	<b>70</b>	<b>76</b>	<b>82</b>	<b>100</b>	<b>126</b>
Interest bearing fixed assets	0	0	0	0	0	0	0
Other financial assets	0	2	3	3	3	3	3
Capitalized development cost	0	0	0	0	1	2	4
Goodwill	2	11	22	24	24	24	24
Other intangibles	1	4	8	10	10	9	8
Fixed tangible assets	5	4	6	37	36	37	37
Other fixed assets	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>8</b>	<b>20</b>	<b>39</b>	<b>74</b>	<b>73</b>	<b>75</b>	<b>76</b>
<b>Total assets</b>	<b>51</b>	<b>100</b>	<b>109</b>	<b>149</b>	<b>155</b>	<b>175</b>	<b>202</b>
Creditors	3	6	11	8	9	11	13
Other trade financing	0	0	0	0	0	0	0
S/T interest bearing debt	0	0	1	0	0	0	0
Other	39	62	63	81	81	81	81
<b>Current liabilities</b>	<b>41</b>	<b>68</b>	<b>75</b>	<b>89</b>	<b>90</b>	<b>92</b>	<b>94</b>
L/T interest bearing debt	0	0	6	0	0	0	0
Other long-term liabilities	2	1	4	26	29	34	40
Convertible debt	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0
Other provisions	0	0	0	3	1	1	1
Deferred tax	0	0	0	0	(0)	(0)	(0)
<b>Long term liabilities</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>30</b>	<b>30</b>	<b>35</b>	<b>41</b>
Minority interests	0	0	0	0	0	0	0
<b>Shareholders' equity</b>	<b>8</b>	<b>32</b>	<b>25</b>	<b>31</b>	<b>35</b>	<b>48</b>	<b>67</b>
<b>Total liabilities and equity</b>	<b>51</b>	<b>101</b>	<b>110</b>	<b>150</b>	<b>155</b>	<b>175</b>	<b>202</b>
Net debt (m)	(17)	(47)	(22)	(25)	(26)	(32)	(46)
Working capital (m)	(15)	(35)	(34)	(38)	(34)	(24)	(14)
Capital employed (m)	8	32	32	31	35	48	67
Net debt/equity (%)	(222)	(147)	(91)	(81)	(72)	(67)	(69)
Net debt/EBITDA (x)	(2.3)	14.9	1.4	8.3	(1.7)	(1.3)	(1.3)
Equity/total assets (%)	15	32	22	21	23	27	33
Interest cover	66.0	(841.3)	(48.7)	(6.7)	0.0	0.0	0.0

<b>Valuation</b>							
<b>(SEK)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
No of shares, fully dil. (y/e)	5.3	7.3	8.3	8.9	8.9	8.9	8.9
No of shares, fully dil. avg.	5.3	6.3	7.5	8.4	8.9	8.9	8.9
Share price, y/e		17.4	21.2	30.0	49.1	49.1	49.1
Share price, high		23.6	27.0	31.6	56.2		
Share price, low		16.5	14.5	18.0	23.1		
Share price, avg		18.5	21.0	22.1	35.5		
EPS (reported)	0.70	(0.87)	(3.40)	(1.55)	0.50	1.42	2.12
EPS (adjusted)	0.77	(0.57)	(2.38)	(1.45)	0.59	1.51	2.21
Cash earnings/share	1.09	(0.56)	(2.50)	(0.53)	1.31	2.65	3.80
Dividend/share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Enterprise value/share		10.9	18.5	27	46	45	44
Book value/share	1.5	4.4	3.0	3.5	4.0	5.4	7.5
Adjusted equity/share	1.5	4.4	3.0	3.5	4.0	5.4	7.5
PER (adjusted)		n.m.	n.m.	n.m.	83.2	32.6	22.2
CEM		(30.9)	(8.5)	(56.6)	37.4	18.5	12.9
Dividend yield		0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA		(25.1)	(9.5)	(79.8)	27.1	16.2	11.0
EV/EBITA		(17.7)	(8.7)	(22.3)	61.8	27.7	18.4
EV/EBIT		(12.4)	(6.0)	(20.7)	70.2	29.3	19.2
EV/Sales (x)		0.46	0.69	0.84	1.25	0.98	0.78
Price/Book value		3.94	7.15	8.62	12.34	9.10	6.53
Price/adjusted equity		3.94	7.15	8.62	12.34	9.10	6.53
Free cash flow/Market cap (%)		4.8	(10.0)	(3.0)	0.1	1.5	3.2
Operating cash flow/EV (%)		8.3	(8.5)	(0.7)	2.2	4.8	7.6
EV/Capital employed (x)		2.5	4.9	7.8	11.6	8.4	5.8

<b>Main shareholders</b>			<b>Management</b>		<b>Company information</b>		
<b>Name</b>	<b>(%)</b>	<b>Votes</b>	<b>Capital</b>	<b>Title</b>	<b>Name</b>	<b>Contact</b>	
Andrew Spry	25.0		23.0	COB	Anders Laurin	Internet	www.tempest.se
Thomas Löfving	22.7		22.7	CEO	Andrew Spry	Phone number	010 - 45 777 60
Athanase Industrial Partners II AB	17.2		17.2	CFO	Lotta Iverstrand		
				IR	Lotta Iverstrand		

Source for all data on this page: SEB

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