

Boreo

Business Services
Finland

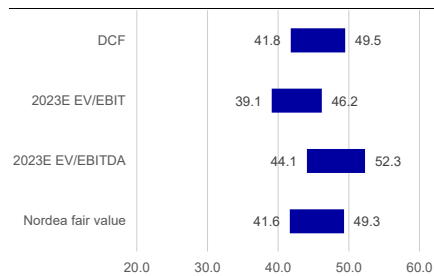
KEY DATA

Stock country	Finland
Bloomberg	BOREO.FH
Reuters	BOREO.HE
Share price (close)	EUR 39.10
Free Float	29%
Market cap. (bn)	EUR 0.10/EUR 0.10
Website	boreo.com
Next report date	03 Mar 2023

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	0%	3%	1%
EBIT (adj)	1%	14%	9%

Source: Nordea estimates

Nordea IB & Equity - Analysts

Joni Sandvall
AnalystSvante Krokfors
Director

Bolt-on acquisitions support 2023 development

Boreo has conducted three acquisitions since its Q3 report, with aggregated net sales of EUR 6m and EBITDA of EUR 1.1m in FY 2021. Of the two larger acquisitions, we view Filterit as an interesting strategic addition, which could open up new M&A opportunities within filtration. Although the company is within its leverage target and has hedged its loan portfolio, we believe it will conduct only smaller bolt-on acquisitions in 2023 and focus on more efficient allocation of capital through lower inventories. Despite a sluggish macro outlook, good order backlog should support Boreo's businesses, at least in H1 2023. Based on underlying operations and M&A value-creation opportunities, we derive a fair value range of EUR 42-49 (41-48) per Boreo share.

Acquisitions of J-Matic and Filterit to support Technical Trade

Since Q3, Boreo has completed three acquisitions, of which J-Matic and Filterit will support Technical Trade growth in 2023. J-Matic is an industrial manufacturing service company that is focused on box-build assemblies while Filterit is a technical distributor of process filtration products and systems. The acquired companies have above-group-average profitability, while we believe that especially the Filterit acquisition will open new M&A opportunities as it is a new industrial segment for Boreo. In addition, acquisitions should support ROCE development towards the 15% target. Despite the weak macro outlook, we still continue to believe the company can keep its underlying operations fairly stable given healthy order books.

17% adjusted EBIT ex-PPA CAGR for 2021PF-24E

Assuming no acquisitions, we forecast a net sales CAGR of 14% for 2021PF-24E and an operational EBIT (excluding PPA) CAGR of 17%. Assuming M&A is financed by cash flow and debt, we see potential for a 19% sales CAGR and a 24% EBITDA CAGR in 2021PF-25E. For Q4, we are 4% ahead of low-quality Refinitiv consensus on sales and 26% ahead on reported EBIT. We do not expect any guidance for 2023 from Boreo.

Fair value range of EUR 42-49, including M&A impact

We derive a fair value range of EUR 42-49 (41-48) by equally weighting a valuation excluding future M&A and one that includes M&A value creation based on our M&A scenario. In this scenario, we estimate potential for EUR 14 per share in value creation through acquisitions in 2023-25, of which EUR 7 per share is included in our fair value range.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	57	60	98	147	163	175	181
EBITDA (adj)	4	5	8	12	12	13	14
EBIT (adj)	4	3	6	9	8	9	10
EBIT (adj) margin	6.2%	5.8%	5.9%	6.0%	4.9%	5.1%	5.5%
EPS (adj, EUR)	1.00	0.90	1.53	2.25	-0.12	1.71	2.03
EPS (adj) growth	48.7%	-9.9%	69.3%	47.0%	-105.5%	1,479.9%	18.4%
DPS (ord, EUR)	0.33	0.00	0.40	0.42	0.44	0.46	0.50
EV/Sales	0.3	0.4	1.0	1.3	0.9	0.8	0.7
EV/EBIT (adj)	4.5	6.9	16.5	21.7	17.5	15.7	13.5
P/E (adj)	7.3	11.8	19.2	26.3	n.m.	22.8	19.3
P/BV	1.4	1.8	4.8	7.1	2.6	2.4	2.2
Dividend yield (ord)	4.5%	0.0%	1.4%	0.7%	1.1%	1.2%	1.3%
FCF Yield bef A&D, lease	13.1%	11.0%	9.6%	-0.3%	3.4%	4.5%	8.2%
Net debt	-4	-4	20	38	36	34	30
Net debt/EBITDA	-0.9	-0.9	3.2	3.5	3.2	2.7	2.1
ROIC after tax	27.7%	24.9%	19.2%	14.4%	9.2%	9.1%	10.1%

Source: Company data and Nordea estimates

Expectations ahead of the Q4 report

Boreo has conducted three acquisitions since its Q3 2022 report. The J-Matic and Filterit acquisitions support the Technical Trade business area while the smaller Basti acquisition supports ESKP's logistic operations. The macro environment continues to be weak, with PMIs below 50 and a sluggish construction outlook. For Boreo, we still believe that the strong backlog to support performance will be in H1, whereas H2 could turn out to be more challenging. The company is likely to continue with bolt-on acquisitions, while the current leverage level will probably hold back larger acquisitions. For Q4, we are 4% above what we view as low-quality Refinitiv consensus on sales and 26% (EUR 0.5m) above on reported EBIT.

Three acquisitions after Q3 report

Boreo has conducted three acquisitions since its Q3 report. The J-Matic and Filterit acquisitions support the Technical Trade business, while the smaller Basti acquisition supports ESKP's special logistics operations. In 2021, on an aggregated basis, acquired businesses had EUR 6m sales and EUR 1.1m adjusted EBITDA.



J-Matic and J-Matic Rent

Boreo announced on 1 December a bolt-on acquisition to strengthen its Technical Trade business area. The company acquired J-Matic and J-Matic Rent, an industrial manufacturing service company that is focused on box-build assemblies.

The company delivers technically demanding turnkey solutions to its customers that have leading market positions within their own industries. Delivered turnkey solutions typically include mechanic, electronic, pneumatic and automation applications. J-Matic has 20 employees with operations located in Lempäälä, Finland.

In 2021, J-Matic had net sales of EUR 2.3m and EBITDA of EUR 0.6m

In 2021, J-Matic had illustrative net sales of EUR 2.3m and EBITDA of EUR 0.6m, corresponding to a 24% EBITDA margin. In 2019-21, J-Matic had a ~16% sales CAGR. The purchase price was not disclosed; Boreo issued 5,000 shares (EUR 0.2m) to the seller. We believe the total consideration is EUR 1.5-2m, while Boreo may pay earn-outs subject to J-Matic's results in 2023-25. J-Matic continues to operate independently and will be reported under the Technical Trade business area.

Basti

Boreo's subsidiary ESKP completed the acquisition of Basti, a specialist in direct express transportation. Basti's customer base consists mainly of industrial businesses in Finland; it has two employees, as well as a wide network of subcontractors and partners.

In 2021, Basti had net sales of EUR 0.4m and EBITDA of EUR 0.1m

In FY 2021, Basti had net sales of around EUR 0.4m and EBITDA of EUR 0.1m (18.6% EBITDA margin). The purchase price was not disclosed, although we expect this to be some EUR 0.2-0.3m. Basti will be reported as part of ESKP under Boreo's Other Operations business area.



Filterit

On 20 December, Boreo signed an agreement to acquire Filterit, a technical distributor of process filtration products and systems. Founded in 2005, Filterit is positioned within liquid and gas filtration and its customer base consists of a wide range of industrial companies, as well as the public sector.

In 2021, Filterit had net sales of EUR 3.3m and EBITDA of EUR 0.4m

Filterit has eight employees with operations in Helsinki, Finland. In FY 2021, it had net sales of EUR 3.3m and EBITDA of EUR 0.4m (11.9% EBITDA margin). In 2019-21, the company had a ~5% sales CAGR. The purchase price was not disclosed; Boreo issued 9,645 shares (EUR 0.4m) to the seller. We believe the total consideration is below EUR 2m, while Boreo may pay an earn-out to sellers subject to Filterit's results in 2023-24. The acquisition was completed on 2 January.

We view the Filterit acquisition as an interesting addition to Boreo's Technical Trade business area. As a strategic bolt-on acquisition, it opens up a new industrial area for

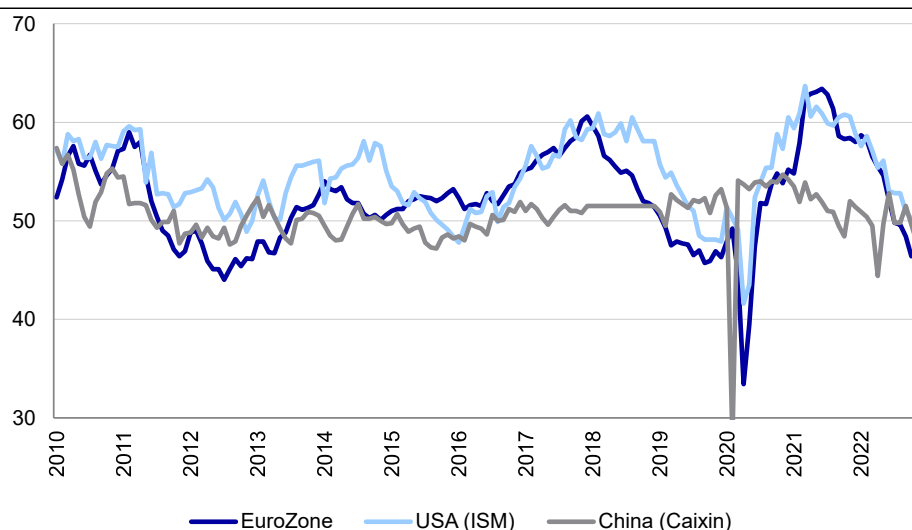
Boreo and we believe the company may seek to make additional bolt-on acquisitions to support the growth of its filtration business. Given Filterit's profitability profile and light balance sheet structure, we believe that Boreo can achieve strong returns on capital from the acquisition. In addition, Filterit's operations are relatively stable in the current volatile business environment, in our view.

Macro outlook remains dented

The macro environment outlook has remained dented since our initiation of coverage of Boreo. Regional PMIs have been trending down, while we believe that the reopening of the Chinese economy could support Caixin going forward.

Although Boreo's Electronics business area is mostly driven by overall GDP development, the Technical Trade and Heavy Machines business areas are linked to the construction market. According to the Confederation of Finnish Construction Industries, Finnish construction activity is expected to decline by around 2% in 2023, mainly driven by dwellings. Renovation activity, however, is expected to increase by 2% in 2023. Depending on the overall economic development, we would not be surprised to see lower construction output in Finland in 2023. In Sweden, according to Euroconstruct, total construction output is expected to decline by ~2% in 2023.

PMI PER REGION



Source: Refinitiv

We are ahead of consensus with acquisitions on board

For 2022E-24E, we are 1-3% ahead of Refinitiv consensus on sales and 13-16% ahead on adjusted EBIT ex-PPA. We note the low quality of the consensus, which likely does not include recently announced acquisitions. For Q4, we are 4% ahead on sales and 26% on reported EBIT.

OUR ESTIMATES VERSUS CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E
Sales	48.0	163	175	181	46.0	162.0	171	175	4%	1%	2%	3%
Adj. EBITDA	4.1	12.0	13.1	14.3	3.0	11.7	13.3	14.0	37%	2%	-2%	2%
Adj. EBITDA margin	8.6%	7.3%	7.5%	7.9%	6.5%	7.2%	7.8%	8.0%	2.1pp	0.1pp	-0.3pp	-0.1pp
Adj. EBIT ex-PPA	2.9	9.5	10.4	11.6	2.0	8.3	9.7	10.0	46%	13%	8%	16%
Adj. EBIT ex-PPA %	6.1%	5.8%	6.0%	6.4%	4.3%	5.1%	5.7%	5.7%	1.7pp	0.6pp	0.3pp	0.7pp
EBIT	2.5	7.3	8.8	10.0	2.0	8.3	9.7	10.0	26%	-12%	-9%	0%
EBIT margin	5.2%	4.5%	5.0%	5.5%	4.3%	5.1%	5.7%	5.7%	0.9pp	-0.7pp	-0.6pp	-0.2pp
PTP	2.0	6.4	7.2	8.4	2.0	6.3	7.0	8.0	1%	1%	3%	5%
Operational EPS, EUF	0.71	2.34	2.31	2.63	0.39	1.03	1.82	2.02	82%	126%	27%	30%
EPS, EUR	0.45	-0.37	1.68	2.03	0.39	0.81	1.62	1.82	16%	-145%	4%	11%
DPS, EUR	0.4	0.44	0.46	0.50	0.44	0.44	0.47	0.49	0%	0%	-1%	2%

Source: Refinitiv and Nordea estimates

Estimate revisions and detailed estimates

We plug recent acquisitions into our estimates

We raise our 2022-24 top-line estimates by 0-3%, driven by recently announced acquisitions and FX. We take a slightly more cautious view on underlying operations given the lacklustre macro outlook. We hike 2022E-24E adjusted EBIT ex-PPA by 0-10%, driven by above-group profitability of the acquired businesses.

ESTIMATE REVISIONS

EURm	New estimates				Old estimates				Difference %			
	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E
Sales	48.0	163	175	181	48.1	163	170	178	0%	0%	3%	1%
Adj. EBITDA	4.1	12.0	13.1	14.3	4.1	11.9	11.9	13.4	1%	0%	10%	6%
Adj. EBITDA margin	8.6%	7.3%	7.5%	7.9%	8.4%	7.3%	7.0%	7.5%	0.1pp	0.0pp	0.5pp	0.4pp
Adj. EBIT ex-PPA	2.9	9.5	10.4	11.6	3.0	9.5	9.5	10.8	-1%	0%	10%	7%
Adj. EBIT ex-PPA margin	6.1%	5.8%	6.0%	6.4%	6.2%	5.8%	5.5%	6.1%	-0.1pp	0.0pp	0.4pp	0.3pp
EBIT	2.5	7.3	8.8	10.0	2.6	7.4	7.8	9.2	-2%	-1%	13%	9%
EBIT margin	5.2%	4.5%	5.0%	5.5%	5.3%	4.5%	4.6%	5.2%	-0.1pp	0.0pp	0.4pp	0.4pp
PTP	2.0	6.4	7.2	8.4	2.1	6.5	6.2	7.6	-2%	-1%	16%	10%
Adj. EPS, EUR	0.53	-0.12	1.71	2.03	0.54	-0.30	1.40	1.81	-3%	-59%	23%	12%
EPS, EUR	0.45	-0.37	1.68	2.03	0.50	-0.51	1.40	1.81	-10%	-28%	20%	12%
DPS, EUR		0.44	0.46	0.50		0.44	0.46	0.50		0%	0%	0%

Business areas	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E	Q4 2022E	2022E	2023E	2024E
Net sales												
Electronics	19.2	62.2	68.9	71.0	19.4	62.4	70.4	72.5	-1%	0%	-2%	-2%
Technical Trade	15.0	52.0	57.8	60.1	14.9	51.9	52.3	56.4	1%	0%	11%	7%
Heavy Machines	12.5	44.5	42.9	44.2	12.5	44.5	43.1	44.3	0%	0%	0%	0%
Other	1.3	4.7	5.1	5.4	1.3	4.7	4.7	4.9	0%	0%	9%	9%
Group	48.0	163.4	174.7	180.6	48.1	163.5	170.4	178.1	0%	0%	3%	1%
Adj. EBIT ex-PPA												
Electronics	1.0	3.6	4.0	4.4	1.0	3.6	4.1	4.5	-5%	-1%	-3%	-3%
Technical Trade	1.8	5.9	6.1	6.8	1.8	5.9	5.3	5.9	0%	0%	16%	15%
Heavy Machines	0.4	1.5	1.8	2.4	0.4	1.5	1.8	2.4	0%	0%	-3%	-3%
Other	-0.4	-1.6	-1.5	-2.0	-0.4	-1.6	-1.8	-2.0	0%	0%	-16%	-2%
Group	2.9	9.5	10.4	11.6	3.0	9.5	9.5	10.8	-1%	0%	10%	7%

Source: Nordea estimates

Detailed estimates

QUARTERLY GROUP ESTIMATES

EURm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E
Net sales	29.0	36.0	35.0	46.6	31.7	40.4	43.3	48.0	39.1	45.2	43.4	47.0
growth y/y	55%	44%	30%	73%	9%	12%	24%	3%	23%	12%	0%	-2%
Other operating income	1.1	0.1	0.2	0.0	0.0	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Materials and services	-21.4	-27.1	-26	-34.9	-23.5	-30.4	-32.9	-36.6	-29.3	-34.2	-32.7	-35.3
Gross profit	7.6	8.9	9.0	11.7	8.2	10.0	10.4	11.4	9.8	11.0	10.7	11.6
margin	26.2%	24.7%	25.7%	25.1%	25.9%	24.8%	24.0%	23.7%	25.0%	24.4%	24.6%	24.8%
Employee benefits	-4.2	-4.2	-4.5	-5.8	-4.8	-5	-4.8	-5.6	-5.5	-5.6	-5.0	-5.7
Other OPEX	-1.5	-1.6	-2	-3.2	-2.2	-2.2	-2.5	-2.3	-2.0	-2.0	-2.2	-2.6
Associates	0	0	0	0	0	0.1	0	0.1	0.05	0.05	0.05	0.05
EBITDA	3	3.1	2.7	2.8	1.5	2.9	3.4	3.5	2.4	3.6	3.6	3.4
margin	10.3%	8.6%	7.7%	6.0%	4.7%	7.2%	7.9%	7.3%	6.1%	8.0%	8.4%	7.2%
Depreciation	-0.8	-0.9	-0.8	-0.9	-0.9	-1.1	-1	-1	-1.05	-1.05	-1.05	-1.05
Adj. EBIT ex-PPA	1.6	2.4	2.5	2.5	1.2	2.4	3.0	2.9	1.7	3.0	3.0	2.7
margin	5.5%	6.7%	7.1%	5.4%	3.7%	5.8%	6.9%	6.1%	4.4%	6.5%	6.9%	5.8%
EBIT	2.2	2.2	1.9	1.9	0.6	1.8	2.4	2.5	1.3	2.6	2.6	2.3
margin	7.6%	6.1%	5.4%	4.1%	1.9%	4.5%	5.5%	5.2%	3.4%	5.6%	5.9%	5.0%
NRI	0.7	-0.1	-0.6	-0.7	-0.3	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.0
Net financials	-0.2	-0.4	-0.4	-0.4	-0.1	-0.5	0.2	-0.5	-0.4	-0.4	-0.4	-0.4
PTP	2.0	1.9	1.5	1.5	0.4	1.3	2.6	2.0	0.9	2.2	2.2	1.9
Taxes	-0.3	-0.4	-0.3	-0.4	-0.1	-0.2	-0.6	-0.4	-0.2	-0.4	-0.4	-0.4
Net profit	1.7	1.5	1.2	1.2	1.1	-5.5	2.7	1.6	0.7	1.7	1.7	1.5
continuing	1.7	1.5	1.2	1.2	0.4	1.1	2.0	1.6	0.7	1.7	1.7	1.5
discontinued	0.0	0.0	0.0	0.0	0.7	-6.6	0.7	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.1	0.1	0.1	0.0	-0.5	0.0	0.1	0.0	0.0	0.0	0.0
EPS, EUR	0.67	0.53	0.45	0.40	0.35	-2.03	0.89	0.45	0.16	0.52	0.53	0.46
continuing	0.67	0.53	0.45	0.40	0.08	0.30	0.63	0.45	0.16	0.52	0.53	0.46
discontinued	0.00	0.00	0.00	0.00	0.27	-2.32	0.26	0.00	0.00	0.00	0.00	0.00
Operational EPS, EUR	0.43	0.65	0.71	0.67	0.25	0.51	0.86	0.71	0.35	0.67	0.68	0.61

Source: Company data and Nordea estimates

QUARTERLY BUSINESS AREA ESTIMATES

Business areas, EURm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E
Net sales												
Electronics	14.8	15.5	16.6	20.9	11.7	14.0	17.3	19.2	16.2	16.7	17.3	18.7
Technical Trade	8.9	12.2	11.3	13.4	10.8	12.7	13.5	15.0	13.4	15.1	14.2	15.1
Heavy Machines	5.2	7.4	5.7	11.4	8.2	12.5	11.3	12.5	8.4	12.1	10.6	11.7
Other		1.0	1.2	1.1	1.0	1.2	1.2	1.3	1.1	1.3	1.3	1.4
Group		36.0	35.0	46.6	31.7	40.4	43.3	48.0	39.1	45.2	43.4	47.0
Adjusted EBIT ex-PPA												
Electronics	1.2	1.0	1.5	1.3	0.7	0.6	1.3	1.0	1.0	0.8	1.3	0.9
Technical Trade	0.4	1.5	1.1	1.1	0.8	1.6	1.7	1.8	0.9	1.8	1.7	1.7
Heavy Machines	0.3	0.3	0.2	0.6	0.1	0.6	0.3	0.4	0.2	0.7	0.4	0.5
Other	-0.3	-0.4	-0.3	-0.5	-0.4	-0.5	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Group	1.6	2.4	2.5	2.5	1.2	2.4	3.0	2.9	1.7	3.0	3.0	2.7
Sales growth, y/y												
Electronics	-3%	5%	19%	27%	-21%	-10%	4%	-8%	39%	19%	0%	-2%
Technical Trade	187%	53%	10%	49%	21%	4%	19%	12%	24%	19%	5%	1%
Heavy Machines	1633%	236%	111%	660%	58%	69%	98%	10%	2%	-3%	-6%	-6%
Other						20%	0%	18%	10%	8%	8%	8%
Group	55%	44%	30%	73%	9%	12%	24%	3%	23%	12%	0%	-2%
Adj. EBIT ex-PPA margin												
Electronics	8%	6%	9%	6%	6%	4%	8%	5%	6%	5%	8%	5%
Technical Trade	4%	12%	10%	8%	7%	13%	13%	12%	7%	12%	12%	11%
Heavy Machines	6%	4%	4%	5%	1%	5%	3%	4%	2%	6%	4%	4%
Group		7%	7%	5%	4%	6%	7%	6%	4%	7%	7%	6%

Source: Company data and Nordea estimates

ANNUAL GROUP ESTIMATES

EURm	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	CAGR 21-24E
Net sales	41.9	40.3	54.2	57.2	59.9	97.6	146.6	163.4	174.7	180.6	7%
growth y/y	0%	-4%	35%	5%	5%	63%	50%	11%	7%	3%	
Other operating income	0.0	0.0	0.1	0.0	0.0	0.3	1.5	0.4	0.5	0.5	-31%
Materials and services	-30.2	-28.5	-39.5	-41.3	-43.5	-71.5	-109.5	-123.4	-131.6	-135.0	7%
Gross profit	11.6	11.8	14.8	15.9	16.4	26.1	37.1	40.0	43.1	45.7	7%
margin	27.8%	29.3%	27.3%	27.9%	27.4%	26.7%	25.3%	24.5%	24.7%	25.3%	
Employee benefits	-6.4	-6.7	-8.3	-8.3	-8.8	-14.0	-18.8	-20.2	-21.8	-22.3	6%
Other OPEX	-2.4	-2.5	-3.5	-3.6	-3.1	-6.0	-8.3	-9.2	-8.9	-9.6	5%
Associates	0	0	0	0	0	0	0	0.2	0.2	0.2	n.m.
EBITDA	2.7	2.6	3.1	4.1	4.5	6.2	11.5	11.3	13.0	14.3	7%
margin	6.5%	6.4%	5.7%	7.1%	7.6%	6.4%	7.8%	6.9%	7.4%	7.9%	
Depreciation	-0.3	-0.4	-0.6	-0.6	-1.0	-2.0	-3.4	-4.0	-4.2	-4.3	8%
Adj. EBIT ex-PPA	2.4	2.2	2.4	3.5	3.5	5.9	9.6	9.5	10.4	11.6	6%
margin	5.7%	5.4%	4.4%	6.2%	5.8%	6.0%	6.5%	5.8%	6.0%	6.4%	
EBIT	2.4	2.2	2.5	3.5	3.5	4.2	8.1	7.3	8.8	10.0	7%
margin	5.7%	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	4.5%	5.0%	5.5%	
NRI	0.0	0.0	0.1	0.0	0.0	-1.6	-0.7	-0.6	-0.1	0.0	
Net financials	0.2	-0.2	0.1	0.0	-0.2	-0.6	-1.4	-0.9	-1.6	-1.6	4%
PTP	2.6	2.0	2.6	3.6	3.3	3.6	6.8	6.4	7.2	8.4	7%
Taxes	-0.6	-0.4	-0.5	-0.7	-0.6	-0.9	-1.3	-1.3	-1.4	-1.7	
Net profit	2.0	1.6	2.1	2.9	2.6	2.7	5.5	-0.1	5.8	6.7	7%
continuing	2.0	1.6	2.1	2.9	2.6	2.7	5.5	5.1	5.8	6.7	
discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.2	0.0	0.0	
Minorities	0.2	0.1	0.3	0.3	0.3	0.4	0.3	-0.4	0.0	0.0	
EPS, EUR	0.72	0.56	0.72	1.00	0.90	0.90	2.01	-0.37	1.68	2.03	0%
continuing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.45	0.00	0.00	
discontinued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.82	0.00	0.00	
Operational EPS, EUR	0.00	0.00	0.00	0.00	0.00	1.68	2.40	2.34	2.31	2.63	3%
DPS, EUR	0.30	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50	

Source: Company data and Nordea estimates

ANNUAL BUSINESS AREA ESTIMATES

Business areas, EURm	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	CAGR 21-24E
Net sales											
Electronics	41.9	40.3	54.2	57.2	59.9	60.5	67.9	62.2	68.9	71.0	1%
Technical Trade						30.4	45.6	52.0	57.8	60.1	10%
Heavy Machines						6.7	29.7	44.5	42.9	44.2	14%
Other							3.3	4.7	5.1	5.4	18%
Group	41.9	40.3	54.2	57.2	59.9	97.6	146.6	163.4	174.7	180.6	7%
Adjusted EBIT ex-PPA											
Electronics	2.4	2.2	2.4	3.5	3.5	4.5	5.1	3.6	4.0	4.4	-5%
Technical Trade						1.2	4.2	5.9	6.1	6.8	17%
Heavy Machines						0.7	1.6	1.5	1.8	2.4	14%
Other						-0.5	-1.3	-1.6	-1.5	-2.0	15%
Group	2.4	2.2	2.4	3.5	3.5	5.9	9.6	9.5	10.4	11.6	6%
Sales growth, y/y											
Electronics	0%	-4%	35%	5%	5%	1%	12%	-8%	11%	3%	
Technical Trade							50%	14%	11%	4%	
Heavy Machines								50%	-4%	3%	
Other								42%	9%	5%	
Group	0%	-4%	35%	5%	5%	63%	50%	11%	7%	3%	
Adj. EBIT ex-PPA margin											
Electronics	5.7%	5.4%	4.4%	6.2%	5.8%	7.4%	7.5%	5.8%	5.8%	6.2%	
Technical Trade						3.9%	9.2%	11.4%	10.6%	11.3%	
Heavy Machines						10.4%	5.4%	3.3%	4.1%	5.4%	
Group	5.7%	5.4%	4.4%	6.2%	5.8%	9.8%	14.1%	15.2%	15.1%	16.3%	

Source: Company data and Nordea estimates

Factors to consider when investing in Boreo

Boreo's main objective is to create shareholder value in the long term through acquisitions, by creating optimal conditions for its businesses to grow sales and earnings sustainably, and by creating a workplace where its employees can grow and prosper. The M&A strategy plays a crucial role in Boreo's success, and it can be classified as a serial acquirer or compounder. Its operations are split into three main business areas: Electronics, Technical Trade and Heavy Machines. The company targets more than 15% annual EBIT growth and ROCE of more than 15%. Without any additional M&A, we forecast a 14% net sales CAGR and 17% adjusted EBIT CAGR in 2021PF-24E. Using a combination of valuation methods, we arrive at a fair value of EUR 42-49 per share for Boreo, where we assign a fair value of EUR 35-42 per share for Boreo's current operations and EUR 7 per share for the 'compounder effect'.

Boreo's business areas

The role of Boreo is to develop the group and its companies strategically and operationally

Boreo, previously known as Yleiselektroniikka until the name was changed in 2021, currently operates in Finland, Sweden, the Baltics, Poland and the US. Boreo's companies act independently and strive to create value in accordance with company-specific strategies. The role of Boreo is to support its companies in strategic and operational development. Boreo's operations are organised into three business areas: Electronics, Technical Trade and Heavy Machines. In addition, Boreo's organisation includes Other operations, which currently includes logistics and courier services.

The main divisions are: Electronics...

Electronics comprises technical distributor businesses, which represent a diversified portfolio of proven third-party suppliers of quality technology solutions for defined industries in Finland, Sweden, the Baltics, Poland and the US. The brands of the Electronics business area are Yleiselektroniikka, YE International, Noretron Components, Milcon, Infradex and Signal Solutions Nordic.

...Technical Trade...

Technical Trade encompasses technical trade businesses from a wide range of renowned suppliers in the fields of power, metal machining, construction and welding in Finland. The brands in this business area are Machinery, Muottikolmio, Pronius, J-Matic and Filterit.

...and Heavy Machines

Heavy Machines serves customers in the infrastructure and concrete industry in Sweden, Finland and Estonia. The brands under this business area include PM Nordic, Tornokone, SANY Nordic, HM Nordic, Floby Nya Bilverkstad and Lackmästar'n.

Boreo has been quite active on the M&A front in recent years

Growth has mostly been driven by an active M&A agenda

Since 2017, Boreo has completed 18 acquisitions, with total sales of EUR ~136m. The largest acquisition was Machinery Group Oy in 2020, with net sales of EUR 52m (2019). The total sum of EUR ~136m in acquired sales also includes Machinery Group's acquisition of Tornokone in 2019. Add-on acquisitions have been completed in all three business segments as well.

BOREO: ACQUISITIONS, 2017-22

Year	Company	Sales (EURm)	EBITDA (EURm)	EV (EURm)	Earn-out	Segment
2022	Filterit Oy (FIN)	3.3	0.4	n.a.	Yes	Technical Trade
2022	Basti (FIN)	0.4	0.1	n.a.	No	Other operations
2022	J-Matic Oy & J-Matic Rent Oy (FIN)	2.3	0.6	n.a.	Yes	Technical Trade
2022	Lackmästar'n I Häkantor AB (SWE)	1.0	0.1	0.4	No	Heavy Machines
2022	Led-Systems Oy (FIN)	0.3	n.a.	n.a.	No	Electronics
2022	Signal Solutions Nordic Oy (FIN)	13.0	1.1	5.7	Yes	Electronics
2022	GT Motor (FIN)	0.2	n.a.	n.a.	No	Technical Trade
2022	Vesterbacka Transport Oy (FIN)	0.5	n.a.	0.5	No	Other operations
2022	Infradex Oy (FIN)	2.0	0.5	1.0	Max EUR 0.3m	Electronics
2022	Pronius Oy (FIN)	5.5	1.2	5.0	Max EUR 1.25m	Technical Trade
2021	Floby Nya Bilverkstad AB (SWE)	8.7	1.0	3.8	Max EUR 1.4m	Heavy Machines
2021	Milcon Oy (FIN)	4.2	0.4	1.25	Max EUR 0.6m	Electronics
2021	Etelä-Suomen Kuriiripalvelu Oy & Teitteam Oy (FIN)	3.9	1.2	3.2	No	Other operations
2020	Sany Nordic AB & PM Nordic AB (SWE)	12.7	1.1	6.2	No	Heavy Machines
2020	Muottikolmio Oy (FIN)	5.0	1.0	4.0	No	Technical Trade
2020	Machinery Group Oy (FIN)*	52.2	3.7	26.2	No	Technical Trade
2019	Tornokone Oy, Machinery Group Oy as buyer (FIN)	15.9	n.a.	n.a.	n.a.	Technical Trade
2017	Noretron Komponentit Oy (FIN)**	5.1	0.5	1.5	n.a.	Electronics
	Total	136.2				

* Nordea estimate of 2019 EBITDA

** Net result 2019

Source: Company data

Acquisitions have been made at attractive valuation multiples, in our view

The last 15 acquisitions Boreo has completed, since Q3 2020, at an EV/EBITDA of around 4x on average, in a range of 2.4-5.7x. We believe, the total potential earnouts amount to a maximum of EUR ~5m on top of the EUR ~35m excluding earnouts.

Boreo's market and competitive landscape

Boreo's main end markets are the industrial and construction sectors

Boreo manages B2B businesses in Northern Europe. The company's main end markets are in the industrial and construction sectors. We believe that overall economic growth is the primary driver for Boreo, but also note the importance of the construction sector. The Nordic economies are expected to cool down in 2023 and return to modest growth in 2024. However, the construction market is likely to decline in 2023, especially in new construction activity.

The electrotechnical wholesale market has grown by almost 20% in the last 12 months

According to the Finnish Electrotechnical Trade Association, the electrotechnical wholesale market is worth around EUR 1.3bn, with substantial (close to 20%) growth over the past twelve months (until the end of Q3 2022). At the end of 2019, the market size was still around EUR 1bn. Boreo operates in select niches and differentiates through technical capabilities and a solution-oriented offering. Local big wholesalers can partly be viewed as direct competitors, while those are also resellers for of Boreo's companies.

Boreo should find several M&A targets within the fragmented Finnish technical trade market

According to the Association of Finnish Technical Traders, the entire Finnish technical trade market was worth EUR 11.4bn in 2021. We note there are a wide variety of companies in this market, which should create ample M&A opportunities for Boreo.

Looking at subsectors, products and services for the industrial market were worth EUR 4.5bn in 2021, followed by products and services for construction at EUR 3.8bn in 2021. Boreo's main competitors in the Technical Trade business in Finland are small machinery wholesalers. In addition, through its Muottikolmio and Pronius brands, the larger hardware chains and construction companies are both customers and competitors.

Heavy Machines is most exposed to the construction market, we believe

It is hard to nail down Boreo's target market within Heavy Machines, because there are multiple end markets for its machines. Yet, we believe that the business is most exposed to the construction sector. We do note that forestry has become increasingly important for Boreo, due to several acquisitions in Sweden.

In Heavy Machines, the main competition includes local distributors of, for example, concrete pumps and excavators. To our knowledge, Putzmeister is the leading brand within Heavy Machines, while distribution of SANY excavators in the Nordics and Estonia is still in the ramp-up phase.

Strategy and financial targets

Boreo's strategic cornerstones are acquisitions, business development, people and culture

Boreo aims to achieve its main strategic objective of creating value for shareholders over the long term by implementing three main strategies: an acquisition strategy, a development strategy, and a people and culture strategy.

Acquisitions are at the core of Boreo's operating model

Acquisitions

Boreo's acquisition strategy aims to create the majority of targeted sales and earnings growth through M&A. Furthermore, the acquisition strategy strives to diversify Boreo's exposure to new industrial areas and geographies through platform transactions. The acquisition strategy also aims to complement the existing business areas with add-on acquisitions.

Boreo is highly flexible in terms of how it integrates acquired businesses

For its add-on acquisitions, Boreo can choose whether or not to integrate the acquired company into its existing businesses. When considering add-on acquisitions, Boreo can target geographical or product offering expansion, or vertical or horizontal expansion in the value chain. In terms of size, its acquisitions range from small operational add-on acquisitions to larger standalone acquisitions.

Boreo can make add-on acquisitions, as well as M&A into new business areas

When considering platform acquisitions, such as expanding into businesses outside of its Electronics, Technical Trade or Heavy Machines business areas, Boreo targets sufficient scale, either at the time of acquisition or by building up scale after the acquisition. When conducting M&A in new business areas, Boreo typically does not aim to integrate the acquired business into existing business areas.

Boreo provides support in e.g. finance, HR and marketing

Development

Boreo, as a stable long-term owner, provides support in finance, HR and marketing. It also supports strategic planning, investments, business development and people development. Boreo also encourages acquisitions, growth investments and sharing best practices.

A decentralised operating structure with high level of independence for companies

Boreo runs a decentralised operating structure, designed to promote a culture of ownership and release entrepreneurial energy. In general, Boreo strives to keep its companies independent but offers support in certain areas.

Key responsibilities can be split into three levels: group, business area and company levels.

Three levels of responsibilities

- **Group key responsibilities** – at the group level, responsibilities include capital allocation processes and decision making. KPIs, targets and standards for governance are also set at the group level with particular focus on companies' return on capital employed (ROCE). In addition, design and development of the operating structure and key functions, including M&A, finance, HR and ESG, are set at the group level, as is the overall group financing function.
- **Business area key responsibilities** – business area (Electronics, Technical Trade and Heavy Machines) key responsibilities include support and coaching of companies, driving operational performance and driving M&A within the business areas.
- **Company key responsibilities** – at the company level (in total 19 companies) the key responsibilities relate to financial and operational performance, business and people development and ensuring the companies meet the set financial targets and follow the Boreo way of operating.

A non-bureaucratic governance structure

Boreo provides a non-bureaucratic governance structure with monthly business reviews, Boreo companies' board meeting three times a year and Boreo leadership programme meetings with key personnel twice a year.

Three key focus areas within people and culture at Boreo

People and culture

Boreo's strategic focus areas within people and culture relate to: 1) leadership development and talent management; 2) performance management and incentivisation; and 3) HR digitalisation and compliance.

Boreo has developed its people and culture strategy over the past two years

Boreo has developed the people and culture part of the strategy in recent years. New policies were set in place in 2020 together with a new short-term incentive plan for its key employees and a new management team was built the same year. In 2021, Boreo launched its new people and culture strategy and conducted a major personnel survey

with the head of HR technologies' support. In 2022, Boreo took its first steps in HR technology development, and launched Boreo Academy, which includes a leadership programme and a talent programme. In H2 2022, Boreo launched a matching share plan and a personnel share issue.

Long-term financial targets

The long-term financial targets are linked to EBIT growth, ROCE, leverage and shareholder remuneration

Boreo's long-term financial targets are related to EBIT growth, return on capital employed (ROCE) and leverage:

- EBIT growth: minimum annual average operational EBIT growth of 15%
- ROCE: minimum ROCE of 15%
- Leverage: net debt/operating EBITDA of 2-3x

Boreo's goal is to annually increase its dividend per share, taking into consideration capital allocation priorities.

Boreo does not provide a separate short-term outlook

In accordance with the company's approach, the strategic financial objectives serve as the company's guidance, and Boreo does not provide a separate short-term outlook or numerical guidance.

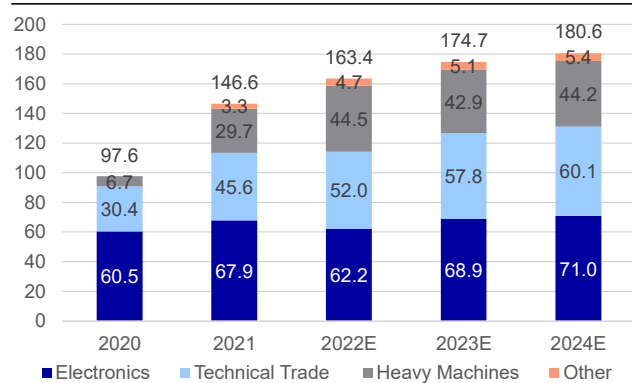
Financials

We expect a 14% net sales CAGR in 2021PF-24E

We model a 7% net sales CAGR in 2021-24E, implying a 14% sales CAGR on a pro forma basis (excluding divested Russian operations). We believe that sales growth will be subdued in 2023 due to the current macroeconomic outlook, which we expect to have an adverse impact on all business areas, especially Technical Trade. Recent acquisitions will support especially Electronics and Technical Trade.

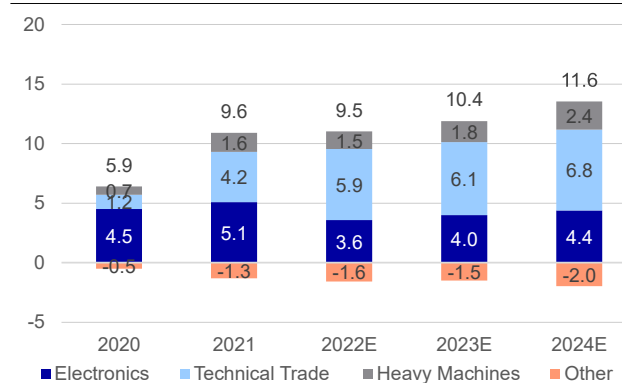
We believe that overall GDP growth is the best indicator for Electronics, while Technical Trade and Heavy Machines are more likely linked to the construction market outlook and Finnish industrial companies' order backlogs.

NET SALES SPLIT, 2020-24E (EURm)



Source: Company data and Nordea estimates

ADJUSTED EBIT EXCLUDING PPA SPLIT, 2020-24E (EURm)



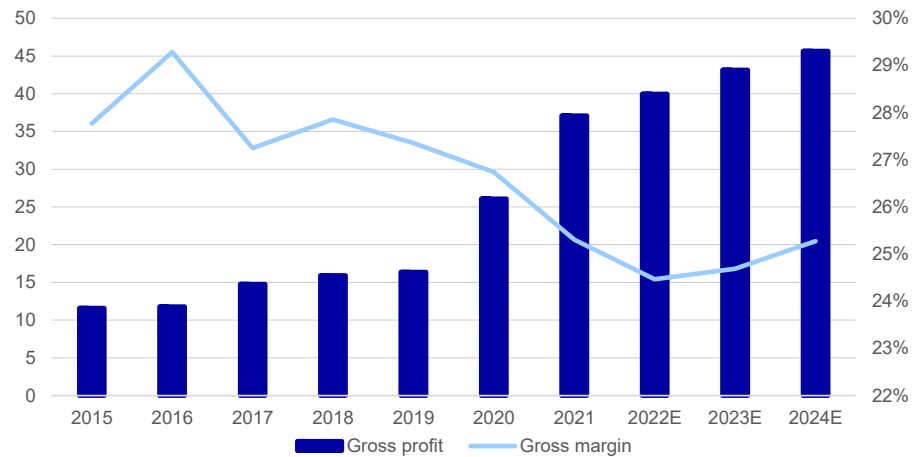
Source: Company data and Nordea estimates

We expect the gross margin to remain around 25%

In a historical context, Boreo has been able to reach 28-29% gross margins, while with the current structure, we believe around 25% is sustainable. We note that the divestment of the Russian businesses had a slightly negative impact on the group's gross margin (-30 bp in 2021 pro forma). We model gradual improvement in the gross margin from 24.5% in 2022E to 25.3% in 2024E.

GROSS PROFIT (EURm) AND GROSS MARGIN (%), 2015-24E

We expect the gross margin to hover around 25%



Source: Company data and Nordea estimates

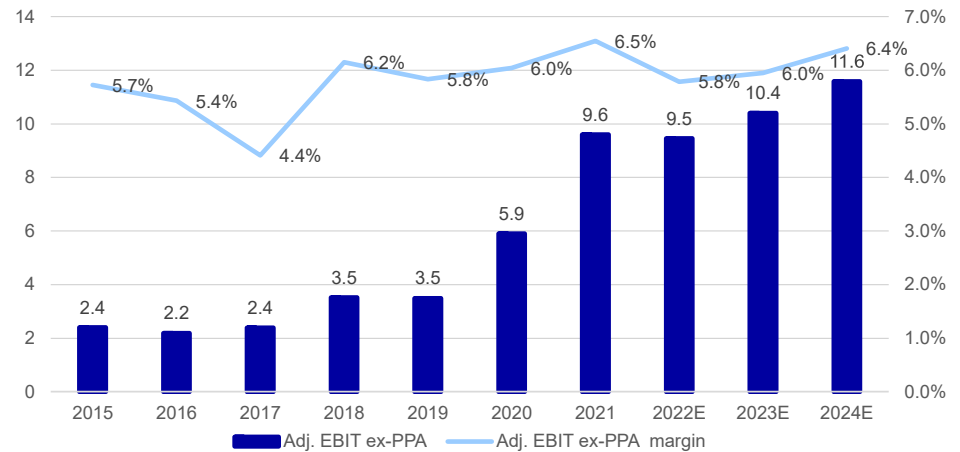
Adjusted EBIT excluding PPA to remain flattish in 2022E-23E

Despite recent acquisitions following the exit from Russia, we believe that adjusted EBIT excluding PPA could remain somewhat flat in 2022E-23E. We model a 70 bp adjusted EBIT excluding PPA margin decline in 2022E (-10 bp on a pro forma basis), followed by a 20 bp improvement in 2023E and a 40 bp improvement in 2024E. We expect recent acquisitions (J-Matic and Filterit) to be margin-accretive on a group level.

We note that the company could reach positive operating leverage in 2023E following growth investments in 2021-22 (e.g. personnel), which should enable growing businesses without increasing the direct cost base.

Adjusted EBIT excluding PPA could remain somewhat flat in 2022E-23E

ADJUSTED EBIT EXCLUDING PPA (EURm) AND MARGIN (%), 2015-24E



Source: Company data and Nordea estimates

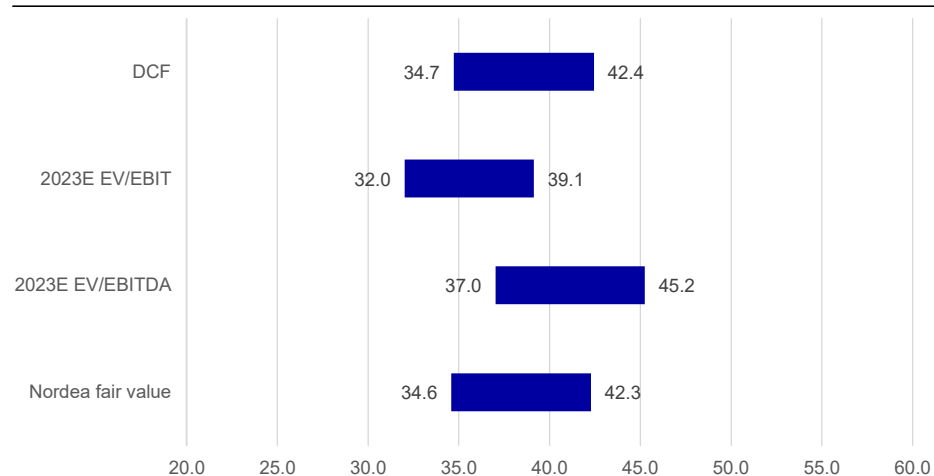
Valuation

Given Boreo's M&A-driven compounder strategy, we value the company based on underlying operations and try to assess the future potential of the M&A strategy through the compounder effect. Based on a broad multiples-based approach and a DCF model, we derive a fair value range of EUR 42-49 per share for Boreo.

Valuation of Boreo's business, excluding future M&A

BOREO: FAIR VALUE RANGE EXCLUDING ANY UNANNOUNCED M&A (EUR PER SHARE)

Valuation excluding M&A indicates a fair value range of EUR 35-42



Source: Nordea estimates

The chart above illustrates our fair value range of EUR 35-42 per share for Boreo as a standalone company without any future unannounced acquisitions. Note that our EUR 42-49 fair value per share is derived by equally weighting a DCF, 2023E EV/EBIT and EV/EBITDA to derive a fair value range of EUR 35-42 and adding 50% of the potential value creation through M&A (EUR 14), based on our M&A scenario.

Using the broad peer group as a benchmark, with a 2023E EV/EBITDA of 10.7x and a 2024E EV/EBITDA of 9.7x (based on Refinitiv consensus), the implied fair value range for Boreo would be EUR 40-41 per share.

The table below shows the valuation multiples that we derive for Boreo, assuming no future M&A, using our fair value range for the company (EUR 35-42) without the compounder effect. The current share price (EUR 40 as of 10 January) implies a 2023E EV/EBITDA of 10.7x and a 2024E EV/EBITDA of 9.5x. Our fair value range for Boreo, excluding any unannounced M&A, implies a 2023E EV/EBITDA of 9.6-11.2x and a 2024E multiple of 8.5-9.9x.

BOREO: VALUATION WITHOUT FUTURE M&A – DERIVED VALUATION MULTIPLES

	EUR 34.6			EUR 42.3			Current EUR 40		
	FY 2022E	FY 2023E	FY 2024E	FY 2022E	FY 2023E	FY 2024E	FY 2022E	FY 2023E	FY 2024E
EV/Sales	0.8x	0.7x	0.7x	0.9x	0.8x	0.8x	0.9x	0.8x	0.8x
EV/EBITDA	10.6x	9.6x	8.5x	12.3x	11.2x	9.9x	11.8x	10.7x	9.5x
EV/EBIT	16.0x	14.1x	12.1x	18.5x	16.4x	14.2x	17.8x	15.7x	13.6x
P/E	n.m.	19.9x	16.8x	n.m.	24.3x	20.6x	n.m.	23.0x	19.4x
FCF yield %	3.8%	5.1%	9.5%	3.1%	4.2%	7.7%	3.3%	4.4%	8.2%
Dividend yield %	1.3%	1.3%	1.4%	1.0%	1.1%	1.2%	1.1%	1.2%	1.3%

Source: Nordea estimates

Assuming no unannounced M&A, we derive a fair value range for Boreo of EUR 35-42 per share. However, given the company's track record of acquisitions at favourable terms, we show in the next section how we assign a value to future unannounced acquisitions, or the compounder effect.

Boreo could add EUR 60m to the top line through M&A in 2023E-25E

Below, we show what we believe is a realistic scenario for shareholder value creation through M&A for Boreo in 2023E-25E. Note that all assumptions in this scenario are purely based on our own estimates and assumptions.

In this scenario, we model Boreo conducting total acquisitions of EUR 45m in 2023-25 and we assume acquisition multiples of 0.6x EV/sales and 5x EV/EBITDA, not including any synergies. In total, in our M&A scenario, we expect Boreo to acquire revenue of EUR 60m and EBITDA of EUR 8m. We also assume 2.5% annual organic growth for the acquired businesses. It is worth noting that we model acquisitions taking place in the middle of the year, while in reality Boreo is likely to conduct smaller acquisitions throughout the year. However, we believe our approach offers a good proxy for how much value Boreo could create over the next three years via successful acquisitions.

BOREO: ILLUSTRATIVE M&A SCENARIO UP TO 2025E

Current estimates, EURm	2020	2021	2022E	2023E	2024E	2025E
Sales	98	147	163	175	181	187
EBITDA, adj.	7.8	11.7	12.0	13.1	14.3	15.9
EBITDA margin %	8.0%	8.0%	7.3%	7.5%	7.9%	8.5%
Cash	9	6	8	10	14	9
Equity	17	23	40	43	48	35
Net debt	20	38	36	34	30	45
Net gearing	119%	169%	89%	80%	63%	128%
Net debt/EBITDA, adj.	2.5x	3.2x	3.0x	2.6x	2.1x	2.9x
Deal(s) size (EURm)				10	15	20
EV/EBITDA assumption, x				5.0x	5.0x	5.0x
EV/Sales assumption, x				0.6x	0.6x	0.6x
Cumulative sales increase from M&A				8	30	60
Sales increase, annual				8	13	17
Cumulative EBITDA increase from M&A				1	4	8
EBITDA increase from M&A, annual				1	2	2
- margin %				13.0%	13.0%	13.0%
Cumulative potential synergies				0	0	1
% of sales				1%	1%	1%
New estimates after additional M&A, EURm	2020	2021	2022E	2023E	2024E	2025E
Sales	98	147	163	183	210	247
EBITDA, adj.	7.8	11.7	12.0	14.2	18.1	23.6
-margin %	8.0%	8.0%	7.3%	7.7%	8.6%	9.6%
Cash	8.7	6.2	8.5	9.9	15.9	13.5
Equity	16.6	22.5	40.0	43.9	49.9	41.5
Net debt	19.8	38.0	35.7	44.3	43.3	80.7
Net gearing	119%	169%	89%	101%	87%	194%
ND/EBITDA	2.5x	3.2x	3.0x	3.1x	2.4x	3.4x

Source: Company data and Nordea estimates

The value creation is calculated as the arbitrage from buying businesses at an average EV/EBITDA multiple of 5x and assuming an EV/EBITDA multiple of 10x over a three-year period. The multiple is based on the current share price and EBITDA of EUR 14m in 2024E, which corresponds to an EV/EBITDA of ~10x for Boreo, excluding any acquisitions. We note that the higher the EV/EBITDA multiple, the higher the arbitrage, and vice versa.

M&A value creation potential of EUR 37m in 2023E-25E

We estimate the accumulated value creation for 2023-25 at EUR 44m, which corresponds to EUR 37m discounted to the present value at a cost of equity of 9.8%. This approach of measuring the value creation from unannounced acquisitions entails a significant amount of uncertainty, on both the upside and downside.

We calculate EUR 14 per share potential from M&A

Fair value range of EUR 42-49 per share for Boreo, including M&A

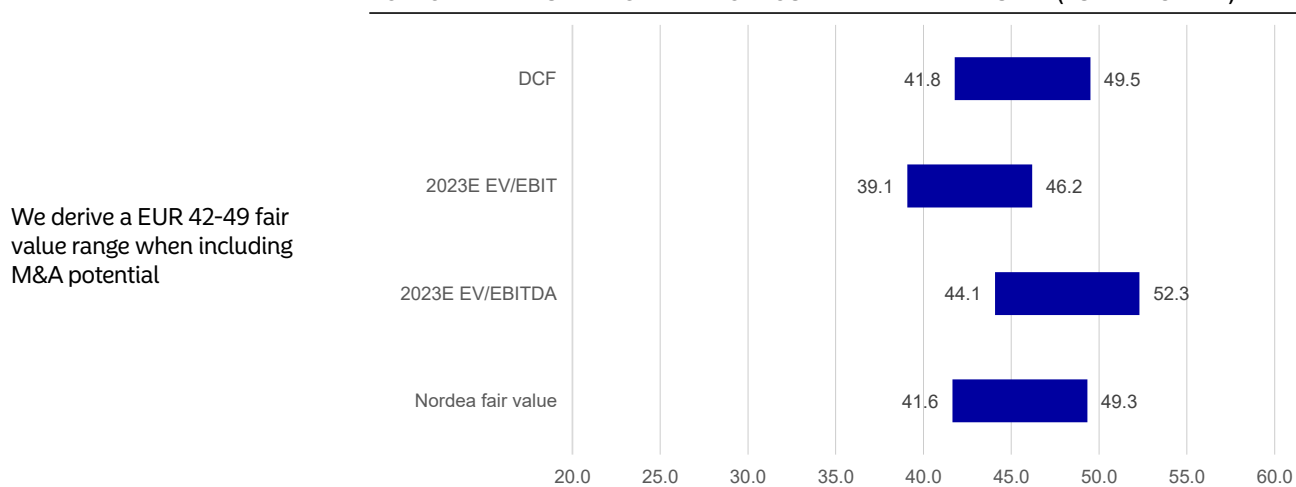
Earlier in this section, we argued that Boreo's current business, excluding any unannounced M&A, merits a fair value range of EUR 35-42 per share. Adding the potential from M&A value creation in 2023E-25E of EUR 14 per share, half of which we account for in our valuation, increases our fair value range for the company to EUR 42-49 per share. The table below illustrates the EV/sales, EV/EBITDA and EV/EBIT multiples in our M&A scenario. Note that we adjust the EV for each year by the accumulated increase in gross debt from the acquisitions we estimate for each year, which creates additional sales and EBITDA. In our M&A scenario, we estimate that net debt will increase from EUR 36m in 2022 to EUR 81m at the end of 2025 (including repayment of EUR 20m hybrid).

BOREO: VALUATION INCLUDING M&A BASED ON OUR M&A SCENARIO – DERIVED VALUATION MULTIPLES

	EUR 41.6			EUR 49.3			Current EUR 40		
	FY 2022E	FY 2023E	FY 2024E	FY 2022E	FY 2023E	FY 2024E	FY 2022E	FY 2023E	FY 2024E
EV/Sales	0.9x	0.8x	0.7x	1.0x	1.0x	0.8x	0.9x	0.8x	0.7x
EV/EBITDA	12.2x	10.9x	8.5x	13.9x	12.3x	9.6x	11.8x	10.6x	8.2x
EV/EBIT	15.1x	13.7x	10.6x	17.2x	15.5x	12.1x	14.6x	13.3x	10.3x
P/E	n.m.	24.0x	18.5x	n.m.	28.4x	21.9x	n.m.	23.0x	17.8x
FCF yield %	3.2%	-4.4%	-4.1%	2.7%	-3.7%	-3.5%	3.3%	-4.6%	-4.3%
Dividend yield %	1.1%	1.1%	1.2%	0.9%	0.9%	1.0%	1.1%	1.2%	1.3%

Source: Nordea estimates

At the current share price (EUR 40 as of 10 January), the M&A scenario suggests a 2023E EV/EBITDA of 10.6x and a 2024E EV/EBITDA of 8.2x. The multiples decline relatively quickly, as we assume M&A of EUR 10m in 2023, EUR 15m in 2024 and EUR 20m in 2025, which increases EBITDA in total by EUR 8m, as shown in the M&A scenario above.

BOREO: FAIR VALUE RANGE WITH COMPOUNDER EFFECT INCLUDED (EUR PER SHARE)

We derive a EUR 42-49 fair value range when including M&A potential

Source: Nordea estimates

Risk factors

Below, we introduce several risk factors that we believe could affect Boreo's operations and financial performance. This list is not to be interpreted as an exhaustive description of all risks the group is facing, but rather the ones we find most important to highlight.

<p>Boreo has divested its Russian operations but the war in Ukraine could have indirect negative impacts</p>	<p>The impact of the crisis in Ukraine</p> <p>The main market risks are linked to the crisis in Ukraine and, as a result, an increase in overall market uncertainty. This is reflected in such factors as demand for products and services, supply chains for products and components, security of supply and delivery times, as well as prices. The general tightening of the inflation environment creates pressure on fuel prices, for example, which are directly reflected in logistics costs. Despite the divestment of Russian businesses on 8 September 2022, the disposal still involves certain Russia-related risks and uncertainties. The risks are mainly related to changes in regulations and policies and to currency volatility that may affect the final deal price receivable.</p>
<p>Acquisitions always include certain risks</p>	<p>Growth through acquisitions</p> <p>Boreo's strategic goal is to grow through acquisitions. The main risks associated with acquisitions may include the availability of potential acquisition targets, appropriate timing, the acquisition process, integration of the acquired business, commitment of key personnel or reaching set targets.</p>
<p>The company's businesses are subject to cyclical swings</p>	<p>Customer demand and cyclicity</p> <p>A significant part of Boreo's net sales comes from customers for which businesses are cyclical and project-like by nature, and that often are susceptible to cyclical changes. From Boreo's point of view, demand fluctuation and cyclicity are also emphasized by the fact that the order book of Boreo's businesses is often rather short.</p>
<p>Risks linked to principals are relevant for Boreo due to its business model</p>	<p>Principal relationships</p> <p>Due to its earnings logic, Boreo's competitiveness is highly correlated and dependent on the portfolio of principals; consequently, the loss of a significant principal weakens net sales development and performance. In addition, there is a risk that a key principal's own competitiveness and performance will weaken, which may also be reflected in the attractiveness of Boreo's offering.</p>
<p>Boreo is exposed to pricing changes in its product offering</p>	<p>Position in the value chain</p> <p>Boreo may encounter gradual difficulties in defending its sales margins in situations where sales prices of end products face clear downward pressure and/or supply prices face upward pressure.</p>
<p>Personnel is a core asset for the company and replacement may be difficult or time consuming</p>	<p>Personnel turnover</p> <p>Boreo's core asset is personnel. Replacement of human knowledge and skills resulting from personnel risks is difficult, expensive and slow. In addition, it is difficult to predict and quantify human risks in monetary terms.</p>
<p>Changes in trade agreements could pose a risk</p>	<p>Trade agreement risks</p> <p>Boreo's operations are subject to changes in trade agreements between continents and countries. If changes in trade agreements materialize, they may affect the group's business negatively through disruptions in the supply chain and increased costs.</p>
<p>Boreo faces multiple financial risks</p>	<p>Financial risks</p> <p>Boreo's financial risks include interest rate, currency, liquidity and credit risks. Other risks include those related to equity and impairment. Boreo has continuing operations in seven countries and therefore is exposed to currency risks arising from intra-group trade, exports and imports, and financing of foreign subsidiaries. Boreo's main currency positions consist of items in US dollars and Swedish kronor. Currency risks arise mainly from translation differences (net investments in foreign subsidiaries and their equity) and foreign currency transactions. Changes in market interest rates impact Boreo's net interest rates. Most of its interest-bearing liabilities are euro-denominated liabilities of the parent company.</p>

The pandemic could continue to affect Boreo's businesses

COVID-19 pandemic

It is expected that the COVID-19 pandemic will continue to have negative impacts on supply chains, delivery reliability of products, supply times and prices, and on demand for products and services in the business environment.

Reported numbers and forecasts

INCOME STATEMENT

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	42	42	40	54	57	60	98	147	163	175	181
Revenue growth	0.5%	0.5%	-3.7%	34.6%	5.5%	4.6%	63.0%	50.2%	11.4%	6.9%	3.4%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	2	3	3	3	4	5	6	11	11	13	14
Depreciation and impairments PPE	0	0	0	-1	-1	-1	-2	-3	-2	-3	-3
of which leased assets	0	0	0	0	0	0	-2	-2	-2	-2	-2
EBITA	2	2	2	3	4	3	4	8	9	10	12
Amortisation and impairments	0	0	0	0	0	0	0	0	-2	-2	-2
EBIT	2	2	2	3	4	3	4	8	7	9	10
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	0	-1	-1	-1	-2	-2
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	2	3	2	3	4	3	4	7	6	7	8
Reported taxes	0	-1	0	0	-1	-1	-1	-1	-1	-1	-2
Net profit from continued operations	1	2	2	2	3	3	3	5	5	6	7
Discontinued operations	0	0	0	0	0	0	0	0	-5	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	1	2	1	2	3	2	2	5	-1	4	5
EPS, EUR	0.57	0.72	0.56	0.72	1.00	0.90	0.90	1.97	-0.37	1.68	2.03
DPS, EUR	0.25	0.30	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50
of which ordinary	0.25	0.30	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	4.1%	6.5%	6.4%	5.7%	7.1%	7.6%	6.4%	7.5%	6.9%	7.4%	7.9%
EBITA	4.1%	5.7%	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	5.5%	6.0%	6.4%
EBIT	4.1%	5.7%	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	4.5%	5.0%	5.5%

Adjusted earnings

EBITDA (adj)	2	3	3	3	4	5	8	12	12	13	14
EBITA (adj)	2	2	2	2	4	3	6	9	10	10	12
EBIT (adj)	2	2	2	2	4	3	6	9	8	9	10
EPS (adj, EUR)	0.57	0.72	0.56	0.67	1.00	0.90	1.53	2.25	-0.12	1.71	2.03

Adjusted profit margins in percent

EBITDA (adj)	4.1%	6.5%	6.4%	5.5%	7.1%	7.6%	8.0%	8.0%	7.3%	7.5%	7.9%
EBITA (adj)	4.1%	5.7%	5.4%	4.4%	6.2%	5.8%	5.9%	6.0%	5.9%	6.0%	6.4%
EBIT (adj)	4.1%	5.7%	5.4%	4.4%	6.2%	5.8%	5.9%	6.0%	4.9%	5.1%	5.5%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	4.8%	6.7%	7.5%	18.5%	29.5%	24.7%	25.0%	24.7%
EBITDA	n.m.	n.m.	n.m.	18.9%	35.2%	21.4%	17.9%	33.6%	29.4%	26.1%	25.7%
EBIT	n.a.	n.a.	n.a.	13.8%	31.2%	15.2%	11.9%	29.9%	23.9%	20.1%	23.4%
EPS	n.a.	n.a.	n.a.	12.4%	32.8%	9.6%	4.6%	28.5%	n.m.	10.9%	17.6%
DPS	n.m.	n.m.	n.m.	9.9%	10.5%	n.m.	5.9%	6.3%	6.6%	6.9%	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	4.1%	4.4%	5.2%	5.6%	5.1%	5.3%	5.1%	5.0%	5.0%
Average EBITDA margin	n.a.	n.a.	4.4%	5.0%	6.0%	6.7%	6.6%	7.0%	7.1%	7.2%	7.3%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E (adj)	6.9	8.1	11.0	12.8	7.3	11.8	19.2	26.3	n.m.	22.8	19.3
EV/EBITDA (adj)	5.9	4.3	4.4	6.7	3.9	5.3	12.3	16.4	11.7	10.7	9.5
EV/EBITA (adj)	5.9	4.8	5.2	8.4	4.5	6.9	16.5	21.7	14.5	13.3	11.7
EV/EBIT (adj)	5.9	4.8	5.2	8.4	4.5	6.9	16.5	21.7	17.5	15.7	13.5

VALUATION RATIOS - REPORTED EARNINGS

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
P/E	6.9	8.1	11.0	12.0	7.3	11.8	32.6	29.9	n.m.	23.3	19.3
EV/Sales	0.24	0.28	0.28	0.37	0.28	0.40	0.98	1.31	0.85	0.80	0.75
EV/EBITDA	5.9	4.3	4.4	6.4	3.9	5.3	15.5	17.4	12.3	10.8	9.5
EV/EBITA	5.9	4.8	5.2	8.0	4.5	6.9	22.8	23.6	15.5	13.4	11.7
EV/EBIT	5.9	4.8	5.2	8.0	4.5	6.9	22.8	23.6	19.1	15.9	13.5
Dividend yield (ord.)	6.3%	5.1%	5.0%	3.7%	4.5%	0.0%	1.4%	0.7%	1.1%	1.2%	1.3%
FCF yield	0.0%	6.0%	7.3%	-1.9%	13.2%	11.0%	-17.1%	-6.5%	-8.0%	5.5%	8.9%
FCF Yield bef A&D, lease adj	0.0%	5.9%	7.2%	-2.7%	13.1%	11.0%	9.6%	-0.3%	3.4%	4.5%	8.2%
Payout ratio	43.8%	41.8%	55.1%	47.5%	33.0%	0.0%	26.2%	18.7%	n.m.	26.8%	24.6%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	0	0	0	1	1	1	24	32	43	43	43
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	1	1	1	2	3	4	2	0
of which goodwill	0	0	0	1	1	1	22	29	40	41	42
Tangible assets	0	2	2	2	2	3	3	7	9	10	11
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	0	2	3	3	3	5	27	40	53	53	54
Inventory	0	4	5	7	7	7	18	28	31	32	31
Accounts receivable	0	5	5	7	8	7	10	23	26	26	27
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	0	4	5	4	5	7	9	6	8	10	14
Total current assets	0	14	16	18	20	21	37	58	66	68	72
Assets held for sale	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	0	16	18	21	23	26	65	97	118	121	126
Shareholders equity	0	10	11	12	13	15	16	22	39	43	47
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	20	20	20
Minority interest	0	0	0	1	1	1	1	1	1	1	1
Total Equity	0	10	12	13	14	16	17	23	40	43	48
Deferred tax	0	0	0	0	0	0	0	1	1	1	1
Long term interest bearing debt	0	1	1	1	1	2	22	29	29	29	29
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	5	5	5	5
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	1	1	1	1	2	22	36	36	36	36
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	5	6	7	8	7	20	30	33	32	33
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short term interest bearing debt	0	0	0	1	0	1	7	10	10	10	10
Total current liabilities	0	5	6	8	8	8	26	39	43	42	43
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	16	18	21	23	26	65	98	118	121	126
Balance sheet and debt metrics											
Net debt	0	-4	-5	-3	-4	-4	20	38	36	34	30
of which lease debt	0	0	0	0	0	0	0	5	5	5	5
Working capital	0	4	4	7	7	7	9	22	24	26	25
Invested capital	0	6	7	10	10	12	36	61	77	79	78
Capital employed	0	11	12	14	15	19	45	67	84	88	92
ROE	n.m.	38.1%	13.8%	15.8%	20.4%	16.3%	14.9%	27.5%	-3.2%	10.9%	12.1%
ROIC	n.m.	60.9%	26.7%	22.7%	27.7%	24.9%	19.2%	14.4%	9.2%	9.1%	10.1%
ROCE	n.m.	67.1%	25.8%	23.3%	28.9%	23.4%	21.3%	17.4%	11.7%	10.8%	11.6%
Net debt/EBITDA	0.0	-1.3	-1.9	-0.8	-0.9	-0.9	3.2	3.5	3.2	2.7	2.1
Interest coverage	n.m.	3.7	3.0	4.9	6.1	5.8	3.3	3.9	4.6	4.6	5.2
Equity ratio	n.m.	61.0%	61.9%	56.3%	57.0%	58.8%	24.0%	22.1%	33.3%	35.5%	37.3%
Net gearing	n.m.	-36.6%	-41.3%	-20.6%	-25.5%	-24.9%	119.3%	168.9%	89.2%	79.5%	62.8%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA (adj) for associates	2	3	3	3	4	5	6	11	11	13	14
Paid taxes	0	-1	0	0	-1	-1	-1	-1	-1	-1	-2
Net financials	0	0	0	0	0	0	0	-1	-1	-2	-2
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	0	0	0	1	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	-2	1	0	0	0	0	0	0	0	0	0
Funds from operations (FFO)	0	2	2	3	3	4	5	8	10	10	11
Change in NWC	0	-1	0	-2	0	0	5	-6	-2	-2	1
Cash flow from operations (CFO)	0	1	2	1	3	3	9	2	7	8	12
Capital expenditure	0	0	-1	-1	-1	0	-1	-1	-2	-2	-2
Free cash flow before A&D	0	1	1	-1	2	3	9	1	6	7	11
Proceeds from sale of assets	0	0	0	0	0	0	1	2	3	0	0
Acquisitions	0	0	0	0	0	0	-22	-13	-17	-1	-2
Free cash flow	0	1	1	0	2	3	-13	-10	-8	6	9
Free cash flow bef A&D, lease adj	0	1	1	-1	2	3	7	-1	3	5	9
Dividends paid	0	-1	-1	-1	-1	-1	0	-1	-1	-1	-1
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	0	0	0	0	0	-1	16	9	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	-8	-3	-3
Other non-cash adjustments	0	4	1	0	-1	1	-1	0	0	0	0
Change in cash	0	4	1	-1	0	2	2	-3	2	1	5
Cash flow metrics											
Capex/D&A	n.m.	93.9%	n.m.	n.m.	95.0%	31.0%	35.0%	31.0%	40.0%	35.7%	35.0%
Capex/Sales	0.0%	0.7%	1.5%	2.7%	0.9%	0.5%	0.7%	0.6%	1.0%	0.9%	0.8%
Key information											
Share price year end (/current)	4	6	6	9	7	11	29	59	37	39	39
Market cap.	10	15	16	22	19	27	75	152	103	105	105
Enterprise value	10	12	11	20	16	24	96	191	140	140	135
Diluted no. of shares, year-end (m)	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7

Source: Company data and Nordea estimates

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Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea IB & Equity Division, Equity Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	Nordea IB & Equity Division, Equity Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	Nordea IB & Equity Division, Equity Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark	Nordea IB & Equity Division, Equity Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			