16 January 2023

# Commissioned research: Boreo – Exiting from SANY excavator business in Finland and Sweden

*Marketing material commissioned by Boreo*

Boreo and SANY Europe GmbH have agreed to terminate their excavator dealership agreements in the Finnish and the Swedish markets. The existing dealership agreement for the Estonian market remains intact. The decision of the termination follows SANY's plans to reorganize its operations in the Nordic region and the updated strategy and strategic financial targets of Boreo published in September 2022. We are not surprised over the exit as SANY business in Finland and Sweden would require high investment, which would maintain ROCE below targeted 15% level. Boreo will continue to develop SANY business in close integration with Putzmeister operations in Estonia where ramp-up phase of SANY has been successful. SANY business in Finland and Sweden, reported under Heavy Machines, generated EUR 3.4m sales with EUR -0.4m adjusted EBIT ex-PPA in LTM. At the end of 2022, total net asset value of the Finnish and Swedish operations was EUR 3m and Boreo will make EUR 0.3m write-down in its Q4. We had anticipated SANY business to reach break-even operating profit in 2023 and hence do not expect any meaningful consensus estimate revision on adjusted EBIT ex-PPA level. Although there will be transition period before businesses are transferred, we believe the announced exit will release management's focus towards new growth initiatives. We have a fair value range of EUR 42-49 per Boreo share.

**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 ex-PPA (adj) | 4 | 3 | 6 | 10 | 9 | 10 | 12 |
| EBIT ex-PPA (adj) margin | 6.2% | 5.8% | 6.0% | 6.5% | 5.8% | 6.0% | 6.4% |
| 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) | 4.3 | 6.6 | 16.4 | 21.6 | 17.5 | 15.6 | 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 adj | 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*

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