

3 March 2023

Commissioned research: Boreo – A solid Q4 with improving cash flows

Marketing material commissioned by Boreo

Boreo reported Q4 adjusted EBIT ex-PPA of EUR 2.5m, 10% above our estimate (no consensus). Net sales of EUR 45m grew 15% y/y in comparable terms (-5% on organic basis) and came 3% below our estimate. Reported EBIT was EUR 1.7m and included EUR 0.3m of items affecting comparability due to writedown in Heavy Machines. Net sales and adjusted EBIT ex-PPA increased in Electronics and Technical Trade, and declined in Heavy Machines. Companies acquired in 2022 had 14% adjusted EBIT ex-PPA margin in Q4, we calculate. Operational cash flow was EUR 3.7m in Q4 (EUR 0.6m a year ago), supported by EUR 1m lower working capital from inventories. EPS of EUR 0.16 came below Refinitiv consensus expectation of EUR 0.19. Dividend proposal stands at EUR 0.44 in line with consensus and our expectations. EUR 0.22 of the dividend is proposed to be paid at a later stage during 2023. In line with its guidance policy, the company does not provide short-term financial guidance. Based on management comments on business areas, outlook appears to be stable to slightly positive going forward. We expect consensus to make only limited estimate revisions based on the Q4 report.

BOREO: DEVIATION TABLE

	Actual	NDA est.	Deviation	Consensus	Deviation	Actual	Actual	Actual	Actual		
EURm	Q4 2022	Q4 2022E	vs. actual	Q4 2022E	vs. actual	Q3 2022	q/q	Q4 2021	y/y		
Sales	45.0	46.3	-1.3	-3%	46.0	-1.0	-2%	43.3	4%	46.6	-3%
Adj. EBITDA	3.5	3.6	-0.1	-2%	3.0	0.5	17%	4.0	-13%	3.5	0%
Adj. EBITDA margin	7.8%	7.7%	0.1pp		6.5%	1.3pp		9.2%	-1.5pp	7.5%	0.3pp
Adj. EBIT ex-PPA	2.5	2.3	0.2	10%	1.0	1.5	150%	3.0	-17%	2.5	0%
Adj. EBIT ex-PPA margin	5.6%	4.9%	0.7pp		2.2%	3.4pp		6.9%	-1.4pp	5.4%	0.2pp
EBIT	1.7	1.4	0.3	24%	1.0	0.7	70%	2.4	-29%	1.9	-11%
EBIT margin	3.8%	3.0%	0.8pp		2.2%	1.6pp		5.5%	-1.8pp	4.1%	-0.3pp
PTP	1.2	0.9	0.3	38%	1.0	0.2	20%	2.6	-54%	1.5	-21%
EPS, EUR	0.16	0.10	0.06	55%	0.19	-0.03	-14%	0.90	-82%	0.41	-61%
DPS, EUR	0.44	0.44	0.00	0%	0.44	0.00	0%			0.42	5%
Business areas, EURm											
Net sales											
Electronics	18.6	19.2	-0.6	-3%				17.3	8%	20.9	-11%
Technical Trade	15.8	15.0	0.8	5%				13.5	17%	13.4	18%
Heavy Machines	9.4	10.8	-1.4	-13%				11.3	-17%	11.4	-18%
Other Operations	1.2	1.3	-0.1	-8%				1.2	0%	1.1	9%
Adj. EBIT ex-PPA											
Electronics	1.5	1.2	0.3	26%				1.3	15%	1.3	15%
Technical Trade	1.4	1.4	0.0	-1%				1.7	-18%	1.1	27%
Heavy Machines	0.2	0.0	0.2	618%				0.3	-33%	0.6	-67%
Other Operations	(0.6)	(0.4)	-0.2	62%				(0.3)	100%	(0.5)	20%
Adj. EBIT ex-PPA %											
Electronics	8.1%	6.2%	1.8pp					7.5%	0.6pp	6.2%	1.8pp
Technical Trade	8.9%	9.4%	-0.6pp					12.6%	-3.7pp	8.2%	0.7pp
Heavy Machines	2.1%	0.3%	1.9pp					2.7%	-0.5pp	5.3%	-3.1pp
Other Operations	-50.0%	-28.5%	-21.5pp					-25.0%	-25.0pp	-45.5%	-4.5pp

Source: Company data, Refinitiv and Nordea estimates

Q4 adjusted EBIT ex-PPA slightly above our estimate due to Electronics

Boreo reported Q4 adjusted EBIT ex-PPA of EUR 2.5m, 10% above our estimate. There is no quality consensus available. Reported EBIT was EUR 1.7m, 24% above our estimate. Net sales grew 15% y/y on comparable basis and were EUR 45m, 3% below our estimate. Organic sales growth was -5% y/y in Q4 while SEK had EUR 0.5m negative top line impact in Q4.

- Electronics net sales of EUR 18.6m, up 40% y/y in comparable terms and 3% below our estimate of EUR 19.2m. Adjusted EBIT ex-PPA was EUR 1.5m, 26% above our estimate of EUR 1.2m. Q4 operational EBIT margin was 8.1% versus our estimate of 6.2%. In addition to acquisitions of SSN and Infradex, Q4 operational EBIT was supported by Baltic operations and Noretron. Yleiselektronikka and Milcon EBIT were below last year level.
- Technical Trade net sales of EUR 15.8m, up 18% y/y and 5% above our estimate of EUR 15m. Adjusted EBIT ex-PPA was EUR 1.4m, in line with our estimate. Q4 operational EBIT margin was 8.9% versus our estimate of 9.4%. Machinery performance was mixed with metal working top line down clearly, while sales in power and construction equipment exceed last year level. Operational EBIT was supported by excellent performance of power business and acquired Pronius.
- Heavy Machines net sales of EUR 9.4m, down 18% y/y and 13% below our estimate of EUR 10.8m. Adjusted EBIT ex-PPA was EUR 0.2m, above our estimate of EUR 0.0m. There were EUR 0.3m of items affecting comparability related to writedown in SANY business. Q4 operational EBIT margin was 2.1% versus our estimate of 0.3%. Top line miss was due to deliveries of Putzmeister that were moving forward in Finland and Sweden. FNB was affected by supply chain constraints. SANY business came below company expectation expect in Estonia.
- Other operations net sales of EUR 1.2m, up 8% y/y and 8% below our estimate of EUR 1.3m. Adjusted EBIT ex-PPA was EUR -0.6m, below our estimate of EUR -0.4m.

Operational cash flow was 3.7m (EUR 0.6m a year ago). The company was able to reduce its working capital by EUR 1m lower inventories.

Reported EPS was EUR 0.16, versus consensus at EUR 0.19 and us at EUR 0.10 (including hybrid impact).

Operational EPS was EUR 0.32.

Dividend proposal stands at EUR 0.44 in line with consensus and us. EUR 0.22 of the dividend is proposed to be paid at a later stage in 2023.

Estimate revisions

In line with its guidance policy, Boreo does not provide short-term guidance. Pre-Q4 Refinitiv consensus has been expecting 8% sales growth and EUR 9.7m EBIT in 2023E (EUR 8.7m operational EBIT in 2022). We have modelled 9% sales growth and EUR 10m adjusted EBIT ex-PPA. We believe consensus to make only minor estimate revision based on Q4 report.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	57	60	98	147	162	175	181
EBITDA (adj)	4	5	8	12	11	13	14
EBIT ex-PPA (adj)	4	3	6	10	9	10	11
EBIT ex-PPA (adj) margin	6.2%	5.8%	6.0%	6.5%	5.4%	5.7%	6.2%
EPS (adj, EUR)	1.00	0.90	1.53	2.25	-0.36	1.58	1.94
EPS (adj) growth	48.7%	-9.9%	69.3%	47.0%	-116.0%	540.1%	22.7%
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	0.8
EV/EBIT (adj)	4.3	6.6	16.4	21.6	19.9	16.9	14.3
P/E (adj)	7.3	11.8	19.2	26.3	n.m.	25.3	20.6
P/BV	1.4	1.8	4.8	7.1	2.7	2.6	2.4
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%	3.0%	3.7%	7.9%
Net debt	-4	-4	20	38	36	36	31
Net debt/EBITDA	-0.9	-0.9	3.2	3.5	3.4	2.8	2.2
ROIC after tax	27.7%	24.9%	19.2%	14.4%	8.3%	8.7%	9.9%

Source: Company data and Nordea estimates

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