

2 May 2023

Commissioned research: Boreo – Overall market demand has likely remained stable in Q1

Marketing material commissioned by Boreo

Ahead of Boreo's Q1, due on 5 May, we maintain our estimates intact. The overall market demand has likely remained stable with variation within business areas. We model Q1 sales up 26% y/y, driven by acquisitions (we expect +1% y/y LFL growth). We forecast 57% y/y adjusted EBIT-ex PPA growth and 100bp y/y higher margin. In Electronics, we believe the end-market demand has remained solid, although we note uncertainties related to the timing of sales, especially within Signal Solution Nordic where Q4 sales development was clearly better than the company had expected. We model Electronics sales up 38% y/y, driven by 35% y/y growth through acquisitions. We expect Electronics adjusted EBIT-ex PPA margin to improve to 7.1% (5.8% in Q1 2022). For Technical Trade, we model 28% y/y sales growth of which 31% through acquisitions. We believe that Machinery's power business has continued with a strong performance, while soft construction market has likely started to burden construction related sales and margins. We model Technical Trade adjusted EBIT-ex PPA to be up 33% y/y with 30bp y/y margin improvement. In Heavy Machines, we expect the company to give more clarity over the timing of exit from SANY operations in Finland and Sweden (we expect final exit during Q2). Boreo should be able to release couple of million euros of capital from its SANY business which then could be reinvested into e.g. acquisitions, we believe. For Q1, we model 7% y/y growth for Heavy Machines, driven by improving availability and a healthy backlog. We expect EUR 0.2m adjusted EBIT from Heavy Machines in Q1 (up from EUR 0.1m a year ago). For Q1, we are 1% ahead of Refinitiv consensus on sales. On adjusted EBIT ex-PPA, we are 24% ahead of consensus, although we note low-quality of the consensus.

BOREO: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E
Sales	39.9	174	180	187	39.5	176	179	187	1%	-1%	1%	0%
Adj. EBITDA	2.9	12.2	13.8	15.3	3.0	13.0	14.3	15.5	-5%	-6%	-4%	-1%
Adj. EBITDA margin	7.2%	7.0%	7.7%	8.2%	7.6%	7.4%	8.0%	8.3%	-0.4pp	-0.4pp	-0.4pp	-0.1pp
Adj. EBIT ex-PPA	1.9	9.8	11.3	12.8	1.5	9.7	11.0	12.5	24%	1%	3%	2%
Adj. EBIT ex-PPA %	5.6%	5.6%	6.3%	6.8%	3.8%	5.5%	6.2%	6.7%	1.8pp	0.1pp	0.1pp	0.1pp
EBIT	1.4	8.1	9.7	12.8	1.5	9.7	11.0	12.5	-10%	-16%	-12%	2%
EBIT margin	3.4%	4.6%	5.4%	6.8%	3.8%	5.5%	6.2%	6.7%	-0.4pp	-0.9pp	-0.8pp	0.1pp
PTP	1.0	6.5	8.1	11.2	1.0	7.3	8.0	10.5	-4%	-11%	2%	6%
Operational EPS, EUF	0.36	2.08	2.53	3.30	0.29	2.02	2.32	3.23	26%	3%	9%	2%
EPS, EUR	0.17	1.45	1.93	3.30	0.21	1.57	1.87	2.89	-17%	-8%	4%	14%
DPS, EUR		0.46	0.50	0.60		0.46	0.49	0.55		-1%	2%	9%
Business areas	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E
Net sales, EURm												
Electronics	16.1	68.3	70.3	73.2								
Technical Trade	13.9	59.1	61.4	63.3								
Heavy Machines	8.8	42.1	43.3	45.1								
Other	1.1	5.0	5.3	5.5								
Group	39.9	174.4	180.4	187.0								
Adj. EBIT ex-PPA, EURm												
Electronics	1.1	4.6	5.0	5.6								
Technical Trade	1.1	5.7	6.3	6.9								
Heavy Machines	0.2	1.8	2.4	2.8								
Other	-0.5	-2.3	-2.4	-2.4								
Group	1.9	9.8	11.3	12.8								
Adj. EBIT ex-PPA, %												
Electronics	7.1%	6.8%	7.1%	7.6%								
Technical Trade	7.7%	9.6%	10.3%	10.8%								
Heavy Machines	2.1%	4.2%	5.4%	6.1%								
Other	n.m.	n.m.	n.m.	n.m.								
Group	4.7%	5.6%	6.3%	6.8%								

Source: Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	98	147	160	174	180	187
EBITDA (adj)	8	12	11	12	14	15
EBIT (adj)	6	9	7	8	10	13
EBIT (adj) margin	5.9%	6.0%	4.6%	4.7%	5.4%	6.8%
EPS (adj, EUR)	1.53	2.25	-0.13	1.48	1.93	3.30
EPS (adj) growth	69.3%	47.0%	-105.7%	1,256.1%	30.3%	70.8%
DPS (ord, EUR)	0.40	0.42	0.44	0.46	0.50	0.60
EV/Sales	1.0	1.3	0.8	0.8	0.7	0.8
EV/EBIT (adj)	16.5	21.7	17.7	16.6	13.6	11.6
P/E (adj)	19.2	26.3	n.m.	25.9	19.8	11.6
P/BV	4.8	7.1	2.4	2.4	2.2	3.0
Dividend yield (ord)	1.4%	0.7%	1.2%	1.2%	1.3%	1.6%
FCF Yield bef A&D, lease adj	9.6%	-0.3%	0.3%	4.2%	7.5%	6.2%
Net debt	20	38	31	31	27	43
Net debt/EBITDA	3.2	3.5	2.9	2.5	1.9	2.8
ROIC after tax	19.2%	14.4%	8.5%	8.5%	10.1%	12.9%

Source: Company data and Nordea estimates

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Nordea analyst: Joni Sandvall

Joni Sandvall

Analyst, Consumer Goods and Retail, Food and Beverages, Healthcare, Investment companies

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI, Finland

Open

Write to me: Fleminginkatu 27, 00020 Nordea, Finland
Tel: +358 9 5300 5484 | Mob: +358 445460855
E-mail: joni.sandvall@nordea.com
Web: nordeamarkets.com

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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