

10 August 2023

Commissioned research: Boreo – Profitability remained at a good level despite soft top line

Marketing material commissioned by Boreo

Boreo reported Q2 adjusted EBIT ex-PPA of EUR 2.4m, 31% above our estimate and 20% above Refinitiv consensus. Net sales of EUR 42.3m grew 5% y/y (-4% on organic basis) and came 3% below our estimate and 6% below consensus. Reported EBIT was EUR 1.7m, 19% above our estimate. Net sales and adjusted EBIT ex-PPA increased in all business areas, except Heavy Machines. Operational cash flow was EUR 3.9m in Q2 (EUR -1.9m a year ago, including discontinued operations), supported by working capital release from SANY business. EPS of EUR 0.18 came above our expectation of EUR 0.16. In line with its guidance policy, the company does not provide short-term financial guidance. The company notes challenging business environment, while orderbooks remain at a good level and the company expects to continue on the path of an annual earnings growth of at least 15% in the future. In addition, the company aims to reduce its working capital from EUR 31m towards EUR 25m sustainable level during H2. Despite adjusted EBIT beat, we expect consensus to make only limited positive estimate revisions due to somewhat soft top line development.

BOREO: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q2 2023	Q2 2023E	vs. actual		Q2 2023E	vs. actual		Q1 2023	q/q	Q2 2022	y/y
Sales	42.3	43.6	-1.3	-3%	45.0	-2.7	-6%	40.9	3%	40.4	5%
Adj. EBITDA	3.0	2.8	0.2	6%	2.5	0.5	20%	3.4	-12%	3.5	-13%
Adj. EBITDA margin	7.1%	6.5%	0.6pp		5.6%	1.5pp		8.3%	-1.2pp	8.6%	-1.5pp
Adj. EBIT ex-PPA	2.4	1.8	0.6	31%	2.0	0.4	20%	2.1	14%	2.4	2%
Adj. EBIT ex-PPA margin	5.7%	4.2%	1.5pp		4.4%	1.2pp		5.1%	0.5pp	5.8%	-0.2pp
EBIT	1.7	1.4	0.3	19%	2.0	-0.3	-15%	1.4	26%	1.8	-6%
EBIT margin	4.0%	3.3%	0.7pp		4.4%	-0.4pp		3.3%	0.7pp	4.5%	-0.4pp
PTP	1.1	1.0	0.1	15%	1.5	-0.4	-27%	0.7	55%	1.3	-15%
EPS, EUR	0.18	0.16	0.02	10%	0.25	-0.07	-28%	0.07	156%	(2.01)	-109%

Business areas, EURm**Net sales**

Electronics	15.1	16.4	-1.3	-8%				15.9	-5%	14.0	8%
Technical Trade	15.5	14.8	0.7	4%				13.2	17%	12.7	22%
Heavy Machines	10.5	11.1	-0.6	-5%				10.6	-1%	12.5	-16%
Other Operations	1.2	1.3	-0.1	-8%				1.2	0%	1.2	0%

Adj. EBIT ex-PPA

Electronics	1.0	0.8	0.2	32%				0.9	11%	0.6	61%
Technical Trade	1.6	1.5	0.1	6%				1.2	33%	1.6	0%
Heavy Machines	0.2	0.1	0.1	44%				0.4	-50%	0.6	-69%
Other Operations	(0.3)	(0.6)	0.3	-49%				(0.4)	-25%	(0.5)	-40%

Adj. EBIT ex-PPA %

Electronics	6.6%	4.6%	2.0pp					5.7%	1.0pp	4.4%	2.2pp
Technical Trade	10.3%	10.2%	0.1pp					9.1%	1.2pp	12.6%	-2.3pp
Heavy Machines	1.9%	1.3%	0.6pp					3.8%	-1.9pp	5.1%	-3.2pp
Other Operations	-25.0%	-45.0%	20.0pp					-33.3%	8.3pp	-41.7%	16.7pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	98	147	160	175	182	191
EBITDA (adj)	8	12	11	13	14	16
EBIT (adj)	6	9	7	8	10	13
EBIT (adj) margin	5.9%	6.0%	4.6%	4.7%	5.6%	6.9%
EPS (adj, EUR)	1.53	2.25	-0.13	1.39	2.07	3.40
EPS (adj) growth	69.3%	47.0%	-105.7%	1,185.6%	48.8%	64.0%
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	16.3	12.8	11.3
P/E (adj)	19.2	26.3	n.m.	25.0	16.8	10.3
P/BV	4.8	7.1	2.4	2.2	2.0	2.7
Dividend yield (ord)	1.4%	0.7%	1.2%	1.3%	1.4%	1.7%
FCF Yield bef A&D, lease adj	9.6%	-0.3%	0.3%	4.4%	8.6%	6.8%
Net debt	20	38	31	39	35	52
Net debt/EBITDA	3.2	3.5	2.9	3.1	2.4	3.3
ROIC after tax	19.2%	14.4%	8.5%	8.2%	9.5%	11.9%

Source: Company data and Nordea estimates

Completion date: 10/08/2023 09:19:58 CET**Nordea analyst: Joni Sandvall****Joni Sandvall**

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