

30 October 2023

Commissioned research: Boreo – Focus on outlook comments – we are slightly below consensus for Q3E

Marketing material commissioned by Boreo

Ahead of Boreo's Q3 report, due on 2 November, we maintain our estimates intact. Given weaker macro outlook, we believe focus in Q3 report is in outlook comments and development of order intake and backlogs. We expect weaker construction activity and short-term softness in SSN to burden organic growth and model 2% y/y sales growth in Q3 (3% below low-quality Refinitiv consensus) with -2% y/y comparable growth. Exit of Sany operations is likely supporting relative profitability, similar to the recently acquired Delfin. We model Q3E adjusted EBIT ex-PPA of EUR 2.8m, 6% below Refinitiv consensus at EUR 3m. In addition, we expect solid EBIT contribution from acquisition made during the past 12-months. However, weakening of construction market is likely causing top line and earnings burden, visible especially in Technical trade division, going into 2024. Boreo noted in its Q2 report that order backlogs are still at a healthy level. Cash conversion has likely continued at a strong level, driven by continued release of working capital. Return on trade working capital was 29% in Q2 while the company has target of 40%. On absolute level, the company targets EUR 25m working capital, down from EUR 31m in Q2. Given the current market environment, we believe release of working capital could take until H1 2024. Regarding M&A opportunities, we believe the company has continued to screen suitable targets, while we do not expect any material M&A during Q4. Net debt/operational EBITDA was at 2.4x at the end of Q2, while we believe the company targets low-end of its targeted 2-3x leverage currently. We have a fair value range of EUR 40-48 per Boreo share, including EUR ~4.5 per share from our M&A scenario.

BOREO: OUR ESTIMATES VS. CONSENSUS

EURm	Nordea estimates				Consensus estimates				Difference %			
	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E
Sales	43.8	173	180	190	45.0	174	177	189	-3%	0%	2%	1%
Adj. EBITDA	4.1	13.1	14.9	16.2	4.0	13.3	14.7	15.5	3%	-1%	2%	5%
Adj. EBITDA margin	9.4%	7.6%	8.3%	8.6%	8.9%	7.6%	8.3%	8.2%	0.5pp	-0.1pp	0.0pp	0.3pp
Adj. EBIT ex-PPA	2.8	10.5	12.0	14.2	3.0	9.0	10.3	12.0	-6%	17%	16%	19%
Adj. EBIT ex-PPA %	6.4%	6.0%	6.7%	7.5%	6.7%	5.2%	5.8%	6.4%	-0.3pp	0.9pp	0.8pp	1.1pp
EBIT	2.3	7.8	9.8	13.2	3.0	9.0	10.3	12.0	-25%	-13%	-5%	10%
EBIT margin	5.2%	4.5%	5.5%	7.0%	6.7%	5.2%	5.8%	6.4%	-1.5pp	-0.6pp	-0.4pp	0.6pp
PTP	1.7	5.5	7.8	11.4	2.0	6.0	7.7	10.5	-15%	-8%	2%	9%
Operational EPS, EUF	0.55	1.89	2.48	3.67	0.54	1.66	2.16	3.12	2%	14%	15%	18%
EPS, EUR	0.38	1.10	1.83	3.38	0.42	1.07	1.59	2.71	-8%	3%	16%	25%
DPS, EUR		0.46	0.50	0.60		0.45	0.47	0.55		2%	6%	9%
Business areas	Q3 2023E	2023E	2024E	2025E	Q1 2023E	2023E	2024E	2025E	Q3 2023E	2023E	2024E	2025E
Net sales, EURm												
Electronics	17.6	68.2	73.4	77.1								
Technical Trade	14.0	58.2	58.2	61.7								
Heavy Machines	10.9	42.1	43.3	45.5								
Other	1.3	5.0	5.3	5.5								
Group	43.8	173.5	180.2	189.8								
Adj. EBIT ex-PPA, EURm												
Electronics	1.4	4.8	6.0	6.8								
Technical Trade	1.4	5.6	5.8	6.8								
Heavy Machines	0.6	1.9	2.5	3.1								
Other	-0.6	-1.8	-2.4	-2.4								
Group	2.8	10.5	12.0	14.2								
Adj. EBIT ex-PPA, %												
Electronics	7.8%	7.1%	8.2%	8.8%								
Technical Trade	10.4%	9.6%	10.0%	11.1%								
Heavy Machines	5.1%	4.6%	5.8%	6.7%								
Other	n.m.	n.m.	n.m.	n.m.								
Group	6.4%	6.0%	6.7%	7.5%								

Source: Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	98	147	160	173	180	190
EBITDA (adj)	8	12	11	13	15	16
EBIT (adj)	6	9	7	8	10	13
EBIT (adj) margin	5.9%	6.0%	4.6%	4.6%	5.5%	7.0%
EPS (adj, EUR)	1.53	2.25	-0.13	1.14	1.83	3.38
EPS (adj) growth	69.3%	47.0%	-105.7%	986.2%	61.1%	84.1%
DPS (ord, EUR)	0.40	0.42	0.44	0.46	0.50	0.60
EV/Sales	1.0	1.3	0.8	0.6	0.6	0.6
EV/EBIT (adj)	16.5	21.7	17.7	14.0	10.9	9.3
P/E (adj)	19.2	26.3	n.m.	23.1	14.3	7.8
P/BV	4.8	7.1	2.4	1.7	1.5	2.1
Dividend yield (ord)	1.4%	0.7%	1.2%	1.7%	1.9%	2.3%
FCF Yield bef A&D, lease adj	9.6%	-0.3%	0.3%	6.7%	11.8%	9.5%
Net debt	20	38	31	39	34	50
Net debt/EBITDA	3.2	3.5	2.9	3.0	2.3	3.1
ROIC after tax	19.2%	14.4%	8.5%	7.9%	9.4%	12.4%

Source: Company data and Nordea estimates

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