Boreo

Business Services
Finland

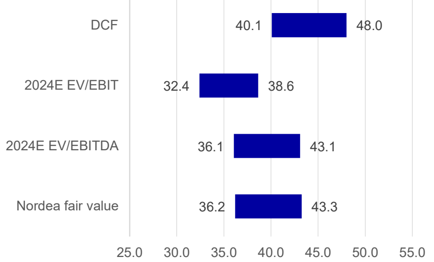
KEY DATA

Stock country	Finland
Bloomberg	BOREO FH
Reuters	BOREO.HE
Share price (close)	EUR 27.90
Free float	29%
Market cap. (bn)	EUR 0.08/EUR 0.08
Website	boreo.com
Next report date	

PERFORMANCE

Source: Refinitiv

VALUATION APPROACH (EUR/SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2023E	2024E	2025E
Sales	-2%	-2%	-2%
EBIT (adj)	-1%	-4%	-4%

Source: Nordea estimates

Nordea IB & Equity - Analysts
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Director

Defending margins in a weaker market

Boreo's Q3 2023 net sales of EUR 41m were 6% short of our forecast, while adjusted EBIT ex-PPA of EUR 2.9m came in slightly above our estimate. Sales declined by 5% y/y as a result of SSN and the exit of SANY business. The company noted good performance for its recently acquired businesses and a relatively unchanged outlook since Q2, albeit with somewhat elevated uncertainties. We lower our fair value range to EUR 36-43 (40-48), mainly due to lower peer multiples.

Operational EBIT margin improved despite soft top line

Q3 net sales of EUR 41m were down by 5% y/y and came in 6% below our estimate. Despite a soft top-line development, Boreo managed to improve its adjusted EBIT ex-PPA margin to 7.1%, from 6.8% a year ago. Operational EBIT of EUR 2.9m was 3% above our estimate. Electronics operational EBIT missed our estimate by 27%, due to SSN's continued soft performance. Technical Trade operational EBIT was 32% above our estimate, supported by recently acquired businesses and Machinery's Power, while Machinery's Construction declined y/y. In Heavy Machines, the Putzmeister business performed well (7% EBIT margin), while operational EBIT was further weakened by continued challenges with the implementation of FNB's ERP system. Group overhead costs were EUR 0.3m below our estimate. Boreo noted a relatively unchanged outlook (weak for construction). The company has increased its focus on costs and expressed willingness to deleverage its balance sheet towards the lower end of its target range of 2-3x net debt/EBITDA. ROCE remained stable q/q, at 11.2%, while the SANY exit and lower NWC could support development going forward.

We trim our estimates slightly

For 2023E-25E, we trim the top line by 2% and adjusted EBIT ex-PPA by 0-4%. We expect recently acquired companies to continue making positive contributions, while the uncertain investment environment could further dent the growth outlook heading into 2024.

Fair value range of EUR 36-43

We derive a fair value range of EUR 36-43 (40-48) by equally weighting a valuation that excludes future M&A and one that includes value creation from our M&A scenario. Our valuation range includes a EUR ~4.5 per share impact from value creation through acquisitions. The lower fair value range mainly relates to lower peer group multiples.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	60	98	147	160	170	176	186
EBITDA (adj)	5	8	12	11	13	15	16
EBIT (adj)	3	6	9	7	8	9	13
EBIT (adj) margin	5.8%	5.9%	6.0%	4.6%	4.6%	5.3%	6.8%
EPS (adj, EUR)	0.90	1.53	2.25	-0.13	1.01	1.71	3.22
EPS (adj) growth	-9.9%	69.3%	47.0%	-105.7%	883.1%	69.7%	88.5%
DPS (ord, EUR)	0.00	0.40	0.42	0.44	0.46	0.50	0.60
EV/Sales	0.4	1.0	1.3	0.8	0.7	0.6	0.7
EV/EBIT (adj)	6.9	16.5	21.7	17.7	14.8	11.9	10.1
P/E (adj)	11.8	19.2	26.3	n.m.	27.7	16.4	8.7
P/BV	1.8	4.8	7.1	2.4	1.8	1.7	2.3
Dividend yield (ord)	0.0%	1.4%	0.7%	1.2%	1.6%	1.8%	2.2%
FCF Yield bef A&D, lease	11.0%	9.6%	-0.3%	0.3%	6.4%	10.8%	8.5%
Net debt	-4	20	38	31	39	34	51
Net debt/EBITDA	-0.9	3.2	3.5	2.9	3.0	2.4	3.2
ROIC after tax	24.9%	19.2%	14.4%	8.5%	7.8%	9.0%	12.0%

Source: Company data and Nordea estimates

Review of Q3 results

Boreo reported Q3 adjusted EBIT ex-PPA of EUR 2.9m, 3% above our estimate and 16% above Refinitiv consensus. Net sales of EUR 41m declined by 5% y/y (-11% on an organic basis) and came in 6% below our estimate and 8% below consensus. Reported EBIT was EUR 2m, 11% below our estimate. Net sales and adjusted EBIT ex-PPA increased for Technical Trade and declined for Electronics. In Technical Trade, Machinery's construction business was impacted by the weak construction environment, while the Power business (Pronius, J-Matic and Filterit) continued its good performance. In Electronics, challenges in SSN continued, while other businesses performed well during Q3. In Heavy Machines, the company has taken measures to strengthen FNB's operations. Operational cash flow was strong at EUR 4.9m in Q3 (EUR 0.8m a year ago, including discontinued operations), supported by a EUR 2.7m working capital release. EPS of EUR 0.22 was below our forecast of EUR 0.38. Boreo does not provide short-term financial guidance, but the company notes the challenging business environment and its increasing focus on costs. It also aims to deleverage its balance sheet towards the lower end of its target range of 2-3x net debt/EBITDA (2.4x in Q3). Return on trade working capital continued to improve in Q3 (to 30.1%, after 29% in Q2), driven by lower NWC.

DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q3 2023**	**Q3 2023E**	**vs. actual**		**Q3 2023E**	**vs. actual**		**Q2 2023**	**q/q**	**Q3 2022**	**y/y**
Sales	**41.0**	**43.8**	**-2.8**	**-6%**	**44.5**	**-3.5**	**-8%**	**42.3**	**-3%**	**43.3**	**-5%**
Adj. EBITDA	3.6	4.1	-0.5	-12%	4.0	-0.4	-10%	3.8	-5%	4.0	-10%
Adj. EBITDA margin	8.8%	9.4%		-0.6pp	9.0%		-0.2pp	9.0%	-0.2pp	9.2%	-0.5pp
Adj. EBIT ex-PPA	**2.9**	**2.8**	**0.1**	**3%**	**2.5**	**0.4**	**16%**	**2.5**	**16%**	**3.0**	**-3%**
Adj. EBIT ex-PPA margin	7.1%	6.4%		0.7pp	5.6%		1.5pp	5.9%	1.2pp	6.9%	0.1pp
EBIT	2.0	2.3	-0.3	-11%	2.5	-0.5	-20%	1.7	18%	2.4	-17%
EBIT margin	4.9%	5.2%		-0.3pp	5.6%		-0.7pp	4.0%	0.9pp	5.5%	-0.7pp
PTP	1.4	1.7	-0.3	-17%	2.0	-0.6	-30%	1.1	27%	2.6	-46%
EPS, EUR	**0.22**	**0.38**	**-0.16**	**-43%**	**0.40**	**-0.18**	**-45%**	**0.18**	**24%**	**0.90**	-76%
Business areas, EURm											
Net sales											
Electronics	16.3	17.6	-1.3	-7%				15.1	8%	17.3	-6%
Technical Trade	14.9	14.0	0.9	7%				15.5	-4%	13.5	10%
Heavy Machines	8.6	10.9	-2.3	-21%				10.5	-18%	11.3	-24%
Other Operations	1.2	1.3	-0.1	-8%				1.2	0%	1.2	0%
Adj. EBIT ex-PPA											
Electronics	1.0	1.4	-0.4	-27%				1.0	0%	1.3	-23%
Technical Trade	1.9	1.4	0.5	32%				1.6	19%	1.7	12%
Heavy Machines	0.3	0.6	-0.3	-46%				0.2	50%	0.3	0%
Other Operations	(0.3)	(0.6)	0.3	-47%				(0.3)	0%	(0.3)	0%
Adj. EBIT ex-PPA %											
Electronics	6.1%	7.8%		-1.7pp				6.6%	-0.5pp	7.5%	-1.4pp
Technical Trade	12.8%	10.4%		2.4pp				10.3%	2.4pp	12.6%	0.2pp
Heavy Machines	3.5%	5.1%		-1.6pp				1.9%	1.6pp	2.7%	0.8pp
Other Operations	-25.0%	-43.8%		18.8pp				-25.0%	0.0pp	-25.0%	0.0pp

Source: Company data, Refinitiv and Nordea estimates

Estimate revisions and detailed estimates

Minor estimate revisions

We trim the 2023E-25E top line by 2% and adjusted EBIT ex-PPA by 0-4%. Our estimate revisions stem from a slightly more cautious view on Electronics (mainly due to SSN) and Heavy Machines (mainly due to FNB) while we keep our Technical Trade estimates for 2024E-25E largely intact.

ESTIMATE REVISIONS

	New estimates				Old estimates				Difference %			
EURm	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**
Sales	**45.9**	**170**	**176**	**186**	**46.5**	**173**	**180**	**190**	**-1%**	**-2%**	**-2%**	**-2%**
Adj. EBITDA	4.3	13.1	14.6	15.7	4.4	13.1	14.9	16.2	-1%	0%	-2%	-3%
Adj. EBITDA margin	9.5%	7.7%	8.3%	8.4%	9.4%	7.6%	8.3%	8.6%	0.0pp	0.1pp	0.0pp	-0.1pp
Adj. EBIT ex-PPA	**3.0**	**10.5**	**11.7**	**13.7**	**3.1**	**10.5**	**12.0**	**14.2**	**-1%**	**0%**	**-3%**	**-4%**
Adj. EBIT ex-PPA margin	6.6%	6.2%	6.6%	7.4%	6.6%	6.0%	6.7%	7.5%	0.0pp	0.1pp	0.0pp	-0.1pp
EBIT	2.5	7.5	9.4	12.7	2.5	7.8	9.8	13.2	-2%	-4%	-4%	-4%
EBIT margin	5.4%	4.4%	5.3%	6.8%	5.5%	4.5%	5.5%	7.0%	0.0pp	-0.1pp	-0.1pp	-0.1pp
PTP	1.9	5.0	7.4	10.9	2.0	5.5	7.8	11.4	-6%	-10%	-6%	-5%
Adj. EPS, EUR	0.43	1.01	1.71	3.22	0.47	1.14	1.83	3.38	-8%	-12%	-7%	-5%
EPS, EUR	**0.43**	**0.89**	**1.71**	**3.22**	**0.47**	**1.10**	**1.83**	**3.38**	**-8%**	**-19%**	**-7%**	**-5%**
DPS, EUR		0.46	0.50	0.60		0.46	0.50	0.60		0%	0%	0%
Business areas	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**	**Q4 2023E**	**2023E**	**2024E**	**2025E**
Net sales												
Electronics	18.6	65.9	71.7	75.3	19.6	68.2	73.4	77.1	-5%	-3%	-2%	-2%
Technical Trade	15.9	59.5	58.3	61.8	15.6	58.2	58.2	61.7	2%	2%	0%	0%
Heavy Machines	10.0	40.0	41.2	43.3	10.0	42.1	43.3	45.5	0%	-5%	-5%	-5%
Other	1.3	4.9	5.1	5.4	1.3	5.0	5.3	5.5	0%	-2%	-2%	-2%
Group	45.9	170.4	176.4	185.8	46.5	173.5	180.2	189.8	-1%	-2%	-2%	-2%
Adj. EBIT ex-PPA												
Electronics	1.3	4.2	5.6	6.5	1.6	4.8	6.0	6.8	-16%	-13%	-8%	-4%
Technical Trade	1.4	6.1	5.8	6.8	1.3	5.6	5.8	6.8	6%	10%	-1%	0%
Heavy Machines	0.6	1.5	2.3	2.8	0.8	1.9	2.5	3.1	-24%	-23%	-8%	-8%
Other	-0.3	-1.3	-2.0	-2.5	-0.6	-1.8	-2.4	-2.4	-53%	-31%	-16%	0%
Group	3.0	10.5	11.7	13.7	3.1	10.5	12.0	14.2	-1%	0%	-3%	-4%

Source: Nordea estimates

Detailed estimates

QUARTERLY GROUP ESTIMATES

EURm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023E
Net sales	**29.0**	**36.0**	**35.0**	**46.6**	**31.7**	**40.4**	**43.3**	**45.0**	**40.9**	**42.3**	**41.3**	**45.9**
growth y/y	55%	44%	30%	73%	9%	12%	24%	-3%	29%	5%	-5%	2%
Other operating income	1.1	0.1	0.2	0.0	0.0	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Materials and services	-21.4	-27.1	-26	-34.9	-23.5	-30.4	-32.9	-34.2	-30.3	-31.4	-29.9	-33.2
Gross profit	**7.6**	**8.9**	**9.0**	**11.7**	**8.2**	**10.0**	**10.4**	**10.8**	**10.6**	**10.9**	**11.4**	**12.6**
margin	26.2%	24.7%	25.7%	25.1%	25.9%	24.8%	24.0%	24.0%	25.9%	25.8%	27.6%	27.5%
Employee benefits	-4.2	-4.2	-4.5	-5.8	-4.8	-5	-4.8	-5.7	-5.8	-5.8	-5.3	-6.1
Other OPEX	-1.5	-1.6	-2	-3.2	-2.2	-2.2	-2.5	-2.7	-2.3	-2.3	-2.8	-2.8
Associates	0	0	0	0	0	0.1	0	0.1	0.1	0.1	0.1	0.1
EBITDA	3	3.1	2.7	2.8	1.5	2.9	3.4	2.7	2.7	3.0	3.4	3.8
margin	10.3%	8.6%	7.7%	6.0%	4.7%	7.2%	7.9%	6.0%	6.5%	7.1%	8.2%	8.3%
Depreciation	-0.8	-0.9	-0.8	-0.9	-0.9	-1.1	-1	-1	-1.3	-1.3	-1.4	-1.3
Adj. EBIT ex-PPA	**1.6**	**2.4**	**2.5**	**2.5**	**1.2**	**2.4**	**3.0**	**2.5**	**2.1**	**2.5**	**2.9**	**3.0**
margin	5.5%	6.7%	7.1%	5.4%	3.7%	5.8%	6.9%	5.6%	5.1%	5.9%	7.0%	6.6%
EBIT	2.2	2.2	1.9	1.9	0.6	1.8	2.4	1.7	1.4	1.7	2.0	2.5
margin	7.6%	6.1%	5.4%	4.1%	1.9%	4.5%	5.5%	3.8%	3.3%	4.0%	4.8%	5.4%
NRI	0.7	-0.1	-0.6	-0.7	-0.3	-0.1	0.0	-0.4	-0.1	0.0	-0.2	0.0
Net financials	-0.2	-0.4	-0.4	-0.4	-0.1	-0.5	0.2	-0.5	-0.6	-0.6	-0.7	-0.6
PTP	2.0	1.9	1.5	1.5	0.4	1.3	2.6	1.2	0.7	1.1	1.3	1.9
Taxes	-0.3	-0.4	-0.3	-0.4	-0.1	-0.2	-0.6	-0.3	-0.2	-0.1	-0.3	-0.4
Net profit	1.7	1.5	1.2	1.2	1.1	-5.5	2.7	1.4	0.5	1.0	1.0	1.5
continuing	1.7	1.5	1.2	1.2	0.4	1.1	2.0	0.9	0.5	1.0	1.0	1.5
discontinued	0.0	0.0	0.0	0.0	0.7	-6.6	0.7	0.5	0.0	0.0	0.0	0.0
Minorities	0.0	0.1	0.1	0.1	0.0	-0.5	0.0	0.1	0.0	0.2	0.1	0.0
EPS, EUR	**0.67**	**0.53**	**0.45**	**0.40**	**0.35**	**-2.03**	**0.89**	**0.36**	**0.07**	**0.18**	**0.21**	**0.43**
continuing	0.67	0.53	0.45	0.40	0.08	0.30	0.63	0.18	0.07	0.18	0.21	0.43
discontinued	0.00	0.00	0.00	0.00	0.27	-2.32	0.26	0.19	0.00	0.00	0.00	0.00
Operational EPS, EUR	0.43	0.65	0.71	0.67	0.23	0.47	0.86	0.36	0.30	0.41	0.50	0.60

Source: Company data and Nordea estimates

QUARTERLY BUSINESS AREA ESTIMATES

Business areas, EURm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023E
Net sales												
Electronics	14.8	15.5	16.6	20.9	11.7	14.0	17.3	18.6	15.9	15.1	16.3	18.6
Technical Trade	8.9	12.2	11.3	13.4	10.8	12.7	13.5	15.8	13.2	15.5	14.9	15.9
Heavy Machines	5.2	7.4	5.7	11.4	8.2	12.5	11.3	9.4	10.6	10.5	8.9	10.0
Other		1.0	1.2	1.1	1.0	1.2	1.2	1.2	1.2	1.2	1.2	1.3
Group		36.0	35.0	46.6	31.7	40.4	43.3	45.0	40.9	42.3	41.3	45.9
Adjusted EBIT ex-PPA												
Electronics	1.2	1.0	1.5	1.3	0.7	0.6	1.3	1.5	0.9	1.0	1.0	1.3
Technical Trade	0.4	1.5	1.1	1.1	0.8	1.6	1.7	1.4	1.2	1.6	1.9	1.4
Heavy Machines	0.3	0.3	0.2	0.6	0.1	0.6	0.3	0.2	0.4	0.2	0.3	0.6
Other	-0.3	-0.4	-0.3	-0.5	-0.4	-0.5	-0.3	-0.6	-0.4	-0.3	-0.3	-0.3
Group	1.6	2.4	2.5	2.5	1.2	2.4	3.0	2.5	2.1	2.5	2.9	3.0
Sales growth, y/y												
Electronics	-3%	5%	19%	27%	-21%	-10%	4%	-11%	36%	8%	-6%	0%
Technical Trade	187%	53%	10%	49%	21%	4%	19%	18%	22%	22%	10%	0%
Heavy Machines	1633%	236%	111%	660%	58%	69%	98%	-18%	29%	-16%	-21%	7%
Other						20%	0%	9%	20%	0%	0%	8%
Group	55%	44%	30%	73%	9%	12%	24%	-3%	29%	5%	-5%	2%
Adj. EBIT ex-PPA margin												
Electronics	8%	6%	9%	6%	6%	4%	8%	8%	6%	7%	6%	7%
Technical Trade	4%	12%	10%	8%	7%	13%	13%	9%	9%	10%	13%	9%
Heavy Machines	6%	4%	4%	5%	1%	5%	3%	2%	4%	2%	3%	6%
Group		7%	7%	5%	4%	6%	7%	6%	5%	6%	7%	7%

Source: Company data and Nordea estimates

ANNUAL GROUP ESTIMATES

EURm	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	CAGR 22-25E
Net sales	**40.3**	**54.2**	**57.2**	**59.9**	**97.6**	**146.6**	**160.4**	**170.4**	**176.4**	**185.8**	**5%**
growth y/y	-4%	35%	5%	5%	63%	50%	9%	6%	4%	5%	
Other operating income	0.0	0.1	0.0	0.0	0.3	1.5	0.4	0.5	0.5	0.5	8%
Materials and services	-28.5	-39.5	-41.3	-43.5	-71.5	-109.5	-121.0	-124.8	-128.3	-134.9	4%
Gross profit	**11.8**	**14.8**	**15.9**	**16.4**	**26.1**	**37.1**	**39.4**	**45.5**	**48.1**	**50.9**	**9%**
margin	29.3%	27.3%	27.9%	27.4%	26.7%	25.3%	24.6%	26.7%	27.3%	27.4%	
Employee benefits	-6.7	-8.3	-8.3	-8.8	-14.0	-18.8	-20.3	-23.0	-23.6	-24.5	6%
Other OPEX	-2.5	-3.5	-3.6	-3.1	-6.0	-8.3	-9.6	-10.2	-10.4	-11.3	5%
Associates	0	0	0	0	0	0	0.2	0.4	0.4	0.4	n.m.
EBITDA	2.6	3.1	4.1	4.5	6.2	11.5	10.5	12.8	14.6	15.7	14%
margin	6.4%	5.7%	7.1%	7.6%	6.4%	7.8%	6.5%	7.5%	8.3%	8.4%	
Depreciation	-0.4	-0.6	-0.6	-1.0	-2.0	-3.4	-4.0	-5.3	-5.2	-3.0	-9%
Adj. EBIT ex-PPA	**2.2**	**2.4**	**3.5**	**3.5**	**5.9**	**9.6**	**9.0**	**10.5**	**11.7**	**13.7**	**15%**
margin	5.4%	4.4%	6.2%	5.8%	6.0%	6.5%	5.6%	6.2%	6.6%	7.4%	
EBIT	2.2	2.5	3.5	3.5	4.2	8.1	6.5	7.5	9.4	12.7	25%
margin	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	4.1%	4.4%	5.3%	6.8%	
NRI	0.0	0.1	0.0	0.0	-1.6	-0.7	-0.8	-0.3	0.0	0.0	
Net financials	-0.2	0.1	0.0	-0.2	-0.6	-1.4	-0.9	-2.6	-2.0	-1.8	26%
PTP	2.0	2.6	3.6	3.3	3.6	6.8	5.6	5.0	7.4	10.9	25%
Taxes	-0.4	-0.5	-0.7	-0.6	-0.9	-1.3	-1.2	-1.0	-1.5	-2.2	
Net profit	1.6	2.1	2.9	2.6	2.7	5.5	-0.3	4.0	5.9	8.7	n.m.
continuing	1.6	2.1	2.9	2.6	2.7	5.5	4.4	4.0	5.9	8.7	
discontinued	0.0	0.0	0.0	0.0	0.0	0.0	-4.7	0.0	0.0	0.0	
Minorities	0.1	0.3	0.3	0.3	0.4	0.3	-0.4	0.3	0.0	0.0	
EPS, EUR	**0.56**	**0.72**	**1.00**	**0.90**	**0.90**	**2.01**	**-0.45**	**0.89**	**1.71**	**3.22**	n.m.
continuing	0.56	0.72	1.00	0.90	0.90	2.01	1.18	0.00	0.00	0.00	
discontinued	0.00	0.00	0.00	0.00	0.00	0.00	-1.62	-0.11	0.00	0.00	
Operational EPS, EUR	0.00	0.00	0.00	0.00	1.68	2.40	1.82	1.80	2.39	3.51	0%
DPS, EUR	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50	0.60	

Source: Company data and Nordea estimates

ANNUAL BUSINESS AREA ESTIMATES

Business areas, EURm	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	CAGR 22-25E
Net sales											
Electronics	40.3	54.2	57.2	59.9	60.5	67.9	61.6	65.9	71.7	75.3	7%
Technical Trade					30.4	45.6	52.8	59.5	58.3	61.8	5%
Heavy Machines					6.7	29.7	41.4	40.0	41.2	43.3	2%
Other						3.3	4.6	4.9	5.1	5.4	6%
Group	40.3	54.2	57.2	59.9	97.6	146.6	160.4	170.4	176.4	185.8	5%
Adjusted EBIT ex-PPA											
Electronics	2.2	2.4	3.5	3.5	4.5	5.1	4.1	4.2	5.6	6.5	17%
Technical Trade					1.2	4.2	5.5	6.1	5.8	6.8	7%
Heavy Machines					0.7	1.6	1.2	1.5	2.3	2.8	32%
Other					-0.5	-1.3	-1.8	-1.3	-2.0	-2.5	11%
Group	2.2	2.4	3.5	3.5	5.9	9.6	9.0	10.5	11.7	13.7	15%
Sales growth, y/y											
Electronics	-4%	35%	5%	5%	1%	12%	-9%	7%	9%	5%	
Technical Trade						50%	16%	13%	-2%	6%	
Heavy Machines							39%	-3%	3%	5%	
Other							39%	7%	5%	5%	
Group	-4%	35%	5%	5%	63%	50%	9%	6%	4%	5%	
Adj. EBIT ex-PPA margin											
Electronics	5.4%	4.4%	6.2%	5.8%	7.4%	7.5%	6.7%	6.4%	7.8%	8.6%	
Technical Trade					3.9%	9.2%	10.4%	10.3%	9.9%	11.0%	
Heavy Machines					10.4%	5.4%	3.0%	3.7%	5.7%	6.5%	
Group	5.4%	4.4%	6.2%	5.8%	9.8%	14.1%	14.7%	16.0%	16.3%	18.2%	

Source: Company data and Nordea estimates

Risk factors

Below, we introduce several risk factors that we believe could affect Boreo's operations and financial performance. This is not a comprehensive list of every single risk the group might face, but rather a selection of the risks we find most important to highlight.

The impact of the crisis in Ukraine

Boreo has divested its Russian operations, but the war in Ukraine could have an indirect negative impact

The main market risks are linked to the crisis in Ukraine and, as a result, an increase in overall market uncertainty. This is reflected in such factors as demand for products and services, supply chains for products and components, security of supply and delivery times, as well as prices. The general tightening of the inflation environment creates pressure on fuel prices, for example, which are directly reflected in logistics costs. The divestment of its Russian businesses on 8 September 2022 involves certain Russia-related risks and uncertainties. The risks are mainly related to changes in regulations and policies and to currency volatility, which may affect the final deal price receivable.

Growth through acquisitions

Acquisitions always include certain risks

Boreo's strategic goal is to grow through acquisitions. The main risks include the availability of potential acquisition targets, timing, the acquisition process, integration of the acquired business, commitment of key personnel or reaching set targets.

Customer demand and cyclicality

The company's businesses are subject to cyclical swings

A significant part of Boreo's net sales comes from customers for which businesses are cyclical and project-like by nature, and which are often susceptible to cyclical changes. From Boreo's point of view, demand fluctuation and cyclicality are also emphasised by the fact that the order book for Boreo's businesses is often rather short.

Principal relationships

Risks linked to principals are relevant for Boreo due to its business model

Due to its earnings logic, Boreo's competitiveness is highly correlated and dependent on the portfolio of principals; consequently, the loss of a significant principal weakens net sales development and performance. In addition, there is a risk that a key principal's own competitiveness and performance could weaken, which may also be reflected in the attractiveness of Boreo's offering.

Position in the value chain

Boreo is exposed to pricing changes in its product offering

Boreo may face difficulties defending its sales margins in situations where sales prices for end products face downward pressure and/or supply prices face upward pressure.

Personnel turnover

Personnel entails a core asset for the company and replacement may be difficult or time-consuming

Boreo's core asset is personnel. Replacement of human knowledge and skills resulting from personnel risks is difficult, expensive and slow. In addition, it is challenging to predict and quantify human risks in monetary terms.

Trade agreement risks

Changes in trade agreements could pose a risk

Boreo's operations are subject to changes in trade agreements across continents and countries. If changes in trade agreements materialise, they may affect the group's business negatively through disruptions in the supply chain and increased costs.

Financial risks

Boreo faces multiple financial risks

Boreo's financial risks include interest rate, currency, liquidity and credit risks. Other risks include those related to equity and impairment. Boreo currently has operations in seven countries and is therefore exposed to currency risks arising from intra-group trade, exports and imports, and financing of foreign subsidiaries. Boreo's main currency positions consist of items in USD and SEK. Currency risks arise mainly from translation differences (net investments in foreign subsidiaries and equity) and foreign currency transactions. Changes in market interest rates impact Boreo's net interest rates. Most of its interest-bearing liabilities are euro-denominated liabilities of the parent company.

Reported numbers and forecasts

INCOME STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	**42**	**40**	**54**	**57**	**60**	**98**	**147**	**160**	**170**	**176**	**186**
Revenue growth	0.5%	-3.7%	34.6%	5.5%	4.6%	63.0%	50.2%	9.4%	6.2%	3.6%	5.3%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	3	3	3	4	5	6	11	11	13	15	16
Depreciation and impairments PPE	0	0	-1	-1	-1	-2	-3	-2	-3	-3	-2
of which leased assets	0	0	0	0	0	-2	-2	-2	-2	-2	-2
EBITA	2	2	3	4	3	4	8	8	10	12	14
Amortisation and impairments	0	0	0	0	0	0	0	-2	-3	-2	-1
EBIT	2	2	3	4	3	4	8	7	8	9	13
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	0	0	-1	-1	-1	-3	-2	-2
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**3**	**2**	**3**	**4**	**3**	**4**	**7**	**6**	**5**	**7**	**11**
Reported taxes	-1	0	0	-1	-1	-1	-1	-1	-1	-1	-2
Net profit from continued operations	2	2	2	3	3	3	5	4	4	6	9
Discontinued operations	0	0	0	0	0	0	0	-5	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	2	1	2	3	2	2	5	-1	2	5	9
EPS, EUR	**0.72**	**0.56**	**0.72**	**1.00**	**0.90**	**0.90**	**1.97**	**-0.45**	**0.89**	**1.71**	**3.22**
DPS, EUR	0.30	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50	0.60
of which ordinary	0.30	0.31	0.32	0.33	0.00	0.40	0.42	0.44	0.46	0.50	0.60
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	6.5%	6.4%	5.7%	7.1%	7.6%	6.4%	7.5%	6.5%	7.5%	8.3%	8.4%
EBITA	5.7%	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	5.1%	6.0%	6.6%	7.4%
EBIT	5.7%	5.4%	4.6%	6.2%	5.8%	4.3%	5.5%	4.1%	4.4%	5.3%	6.8%
Adjusted earnings											
EBITDA (adj)	3	3	3	4	5	8	12	11	13	15	16
EBITA (adj)	2	2	2	4	3	6	9	9	11	12	14
EBIT (adj)	2	2	2	4	3	6	9	7	8	9	13
EPS (adj, EUR)	0.72	0.56	0.67	1.00	0.90	1.53	2.25	-0.13	1.01	1.71	3.22
Adjusted profit margins in percent											
EBITDA (adj)	6.5%	6.4%	5.5%	7.1%	7.6%	8.0%	8.0%	7.1%	7.7%	8.3%	8.4%
EBITA (adj)	5.7%	5.4%	4.4%	6.2%	5.8%	5.9%	6.0%	5.6%	6.2%	6.6%	7.4%
EBIT (adj)	5.7%	5.4%	4.4%	6.2%	5.8%	5.9%	6.0%	4.6%	4.6%	5.3%	6.8%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	4.8%	6.7%	7.5%	18.5%	29.5%	24.2%	24.4%	24.1%	13.7%
EBITDA	n.m.	n.m.	18.9%	35.2%	21.4%	17.9%	33.6%	27.5%	25.7%	26.3%	20.4%
EBIT	n.a.	n.a.	13.8%	31.2%	15.2%	11.9%	29.9%	21.0%	16.5%	21.9%	24.7%
EPS	n.a.	n.a.	12.4%	32.8%	9.6%	4.6%	28.5%	n.m.	-2.2%	13.6%	29.0%
DPS	n.m.	n.m.	9.9%	10.5%	n.m.	5.9%	6.3%	6.6%	6.9%	n.m.	8.4%
Average last 5 years											
Average EBIT margin	n.a.	4.1%	4.4%	5.2%	5.6%	5.1%	5.3%	4.9%	4.7%	4.8%	5.3%
Average EBITDA margin	n.a.	4.4%	5.0%	6.0%	6.7%	6.6%	7.0%	7.0%	7.1%	7.3%	7.7%

VALUATION RATIOS - ADJUSTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E (adj)	8.1	11.0	12.8	7.3	11.8	19.2	26.3	n.m.	27.7	16.4	8.7
EV/EBITDA (adj)	4.3	4.4	6.7	3.9	5.3	12.3	16.4	11.4	8.8	7.6	8.2
EV/EBITA (adj)	4.8	5.2	8.4	4.5	6.9	16.5	21.7	14.4	11.0	9.5	9.4
EV/EBIT (adj)	4.8	5.2	8.4	4.5	6.9	16.5	21.7	17.7	14.8	11.9	10.1

VALUATION RATIOS - REPORTED EARNINGS

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
P/E	8.1	11.0	12.0	7.3	11.8	32.6	29.9	n.m.	31.2	16.4	8.7
EV/Sales	0.28	0.28	0.37	0.28	0.40	0.98	1.31	0.81	0.68	0.63	0.69
EV/EBITDA	4.3	4.4	6.4	3.9	5.3	15.5	17.4	12.4	9.0	7.6	8.2
EV/EBITA	4.8	5.2	8.0	4.5	6.9	22.8	23.6	15.8	11.3	9.5	9.4
EV/EBIT	4.8	5.2	8.0	4.5	6.9	22.8	23.6	20.0	15.4	11.9	10.1
Dividend yield (ord.)	5.1%	5.0%	3.7%	4.5%	0.0%	1.4%	0.7%	1.2%	1.6%	1.8%	2.2%
FCF yield	6.0%	7.3%	-1.9%	13.2%	11.0%	-17.1%	-6.5%	-8.9%	-3.8%	11.8%	9.4%
FCF Yield bef A&D, lease adj	5.9%	7.2%	-2.7%	13.1%	11.0%	9.6%	-0.3%	0.3%	6.4%	10.8%	8.5%
Payout ratio	41.8%	55.1%	47.5%	33.0%	0.0%	26.2%	18.7%	n.m.	45.7%	29.3%	18.7%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Intangible assets	0	0	1	1	1	24	32	43	50	49	50
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	1	1	1	2	3	7	6	4	3
of which goodwill	0	0	1	1	1	22	29	36	44	45	47
Tangible assets	2	2	2	2	3	3	7	9	11	12	14
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	1	1	1	1
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	2	3	3	3	5	27	40	53	62	62	65
Inventory	4	5	7	7	7	18	28	32	31	31	32
Accounts receivable	5	5	7	8	7	10	23	23	23	23	25
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	4	5	4	5	7	9	6	13	5	10	3
Total current assets	14	16	18	20	21	37	58	68	60	64	60
Assets held for sale	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**16**	**18**	**21**	**23**	**26**	**65**	**97**	**121**	**121**	**126**	**125**
Shareholders equity	10	11	12	13	15	16	22	40	42	45	32
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	20	20	20	0
Minority interest	0	0	1	1	1	1	1	1	2	2	2
Total Equity	10	12	13	14	16	17	23	42	43	47	34
Deferred tax	0	0	0	0	0	0	1	2	2	2	2
Long term interest bearing debt	1	1	1	1	2	22	29	29	29	29	39
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	2	0	0	0
Non-current lease debt	0	0	0	0	0	0	5	5	5	5	5
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	1	1	1	1	2	22	36	38	36	36	46
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	5	6	7	8	7	20	30	32	32	33	35
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0
Short term interest bearing debt	0	0	1	0	1	7	10	10	10	10	10
Total current liabilities	5	6	8	8	8	26	39	42	42	43	45
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**16**	**18**	**21**	**23**	**26**	**65**	**98**	**121**	**121**	**126**	**125**
Balance sheet and debt metrics											
Net debt	-4	-5	-3	-4	-4	20	38	31	39	34	51
of which lease debt	0	0	0	0	0	0	5	5	5	5	5
Working capital	4	4	7	7	7	9	22	23	22	21	22
Invested capital	6	7	10	10	12	36	61	76	84	83	87
Capital employed	11	12	14	15	19	45	67	86	87	91	88
ROE	38.1%	13.8%	15.8%	20.4%	16.3%	14.9%	27.5%	-3.8%	5.9%	10.7%	22.5%
ROIC	60.9%	26.7%	22.7%	27.7%	24.9%	19.2%	14.4%	8.5%	7.8%	9.0%	12.0%
ROCE	67.1%	25.8%	23.3%	28.9%	23.4%	21.3%	17.4%	10.5%	9.4%	11.0%	14.6%
Net debt/EBITDA	-1.3	-1.9	-0.8	-0.9	-0.9	3.2	3.5	2.9	3.0	2.4	3.2
Interest coverage	3.7	3.0	4.9	6.1	5.8	3.3	3.9	4.5	2.7	4.0	5.9
Equity ratio	61.0%	61.9%	56.3%	57.0%	58.8%	24.0%	22.1%	33.3%	34.3%	35.8%	25.9%
Net gearing	-36.6%	-41.3%	-20.6%	-25.5%	-24.9%	119.3%	168.9%	73.9%	89.1%	73.8%	149.5%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA (adj) for associates	**3**	**3**	**3**	**4**	**5**	**6**	**11**	**11**	**13**	**15**	**16**
Paid taxes	-1	0	0	-1	-1	-1	-1	-1	-1	-1	-2
Net financials	0	0	0	0	0	0	-1	-2	-3	-2	-2
Change in provisions	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	0	0	0	0	0	2	-1	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	1	0	0	0	0	0	0	1	0	0	0
Funds from operations (FFO)	**2**	**2**	**3**	**3**	**4**	**5**	**8**	**9**	**8**	**11**	**12**
Change in NWC	-1	0	-2	0	0	5	-6	-5	1	1	-1
Cash flow from operations (CFO)	**1**	**2**	**1**	**3**	**3**	**9**	**2**	**4**	**9**	**12**	**11**
Capital expenditure	0	-1	-1	-1	0	-1	-1	-2	-2	-2	-2
Free cash flow before A&D	**1**	**1**	**-1**	**2**	**3**	**9**	**1**	**2**	**7**	**10**	**9**
Proceeds from sale of assets	0	0	0	0	0	1	2	-1	0	0	0
Acquisitions	0	0	0	0	0	-22	-13	-10	-10	-2	-2
Free cash flow	1	1	0	2	3	-13	-10	-9	-3	9	7
Free cash flow bef A&D, lease adj	1	1	-1	2	3	7	-1	0	5	8	6
Dividends paid	-1	-1	-1	-1	-1	0	-1	-2	-1	-1	-1
Equity issues / buybacks	0	0	0	0	0	0	0	0	0	0	0
Net change in debt	0	0	0	0	-1	16	9	-4	0	0	10
Other financing adjustments	0	0	0	0	0	0	0	0	-4	-4	-2
Other non-cash adjustments	4	1	0	-1	1	-1	0	1	0	0	0
Change in cash	4	1	-1	0	2	2	-3	7	-8	4	-6
Cash flow metrics											
Capex/D&A	93.9%	n.m.	n.m.	95.0%	31.0%	35.0%	31.0%	47.5%	37.7%	38.4%	66.4%
Capex/Sales	0.7%	1.5%	2.7%	0.9%	0.5%	0.7%	0.6%	1.2%	1.2%	1.1%	1.1%
Key information											
Share price year end (/current)	6	6	9	7	11	29	59	37	28	28	28
Market cap.	15	16	22	19	27	75	152	97	76	76	76
Enterprise value	12	11	20	16	24	96	191	130	116	112	128
Diluted no. of shares, year-end (m)	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7

Source: Company data and Nordea estimates

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