

Results due: 29 February

Challenging environment for growth

We expect the decline in Boreo's sales in Q3 to continue into Q4 due to the weakening market. Still, we expect operational EBIT to grow in Q4, supported by acquired companies that are more profitable than the group. Boreo aims to grow oper. EBIT by 15% annually, which puts the emphasis on acquisitions. However, current leverage makes this difficult in the short term. Consequently, we believe leverage limits the short-term valuation potential.

Key Data (2023E)

Price (EUR)	25.30
Reuters	BOREO.HE
Bloomberg	BOREO FH
Market cap (EURm)	68
Market cap (USDm)	73
Net debt (EURm)	54
Net gearing	126%
Net debt/EBITDA (x)	4.3
Shares fully dil. (m)	2.7
Avg daily turnover (m)	0.0
Free float	29%

We expect sales to continue declining y/y

Boreo's sales growth turned negative in Q3 and we expect Q4 to be a continuation of this trend. We expect Boreo to generate EUR 41.7m in sales in Q4 (EUR 45m in Q4/22). On the other hand, we expect operational EBIT to grow y/y to EUR 2.4m driven by acquired companies. Boreo is exposed to the construction industry, which we expect to have affected Boreo negatively in Q4, but we think other markets have cooled as well. Boreo has had problems in two of its portfolio companies. We interpreted from the Q3 report that there was some light at the end of tunnel though, we expect these problems to have persisted in Q4.

No guidance expected, leverage and market not supportive for acquisitions

Boreo has not given short-term guidance in the past, so do not expect to see any for 2024. Boreo targets growing operational EBIT 15% annually on average, basing a lot on acquisitions. Given the current leverage (Q3 ND/adj. EBITDA at 2.4x without hybrid, 3.7x with hybrid) and the uncertain market environment, its 2024 acquisition capacity probably will be limited, making it more challenging to reach the operational EBIT growth target in 2024.

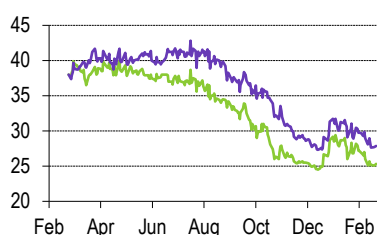
Estimate Revisions (%)

	2023E	2024E	2025E
Revenues	(2)	(2)	(2)
Adj. EBIT	(5)	(7)	(7)
Adj. EPS	(8)	(12)	(11)

Smaller acquisition capacity limiting short-term valuation upside

We trim our fair value range to EUR 27-29 (28-31) following estimate revisions. Valuation gap to Swedish compounders has widened, but valuations are higher especially in the companies with low leverage, who can grow earnings through acquisitions. Hence, we see current leverage limiting short-term valuation upside.

Share Price (12M)



Absolute (green) / Relative to Finland (purple).

Marketing communication

commissioned by:

Boreo

Financials (EUR)

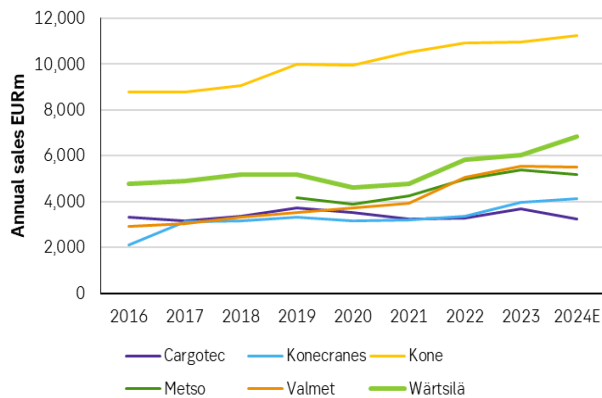
Year end: Dec	2021	2022	2023E	2024E	2025E
Revenues (m)	124	161	167	165	172
Adj. EBIT	7	9	10	10	12
Pre-tax profit (m)	5	6	4	5	7
EPS	1.39	1.12	0.64	0.88	1.58
Adj. EPS	1.86	1.82	1.53	1.71	2.24
DPS	0.42	0.44	0.45	0.46	0.47
Revenue growth (%)	26.3	30.4	3.5	(1.1)	4.6
Adj. EBIT growth (%)	22.0	21.4	11.3	3.8	16.5
Adj. EPS growth (%)	21.0	(2.0)	(15.8)	11.6	30.6
Adj. EBIT margin (%)	5.8	5.4	5.8	6.1	6.8
ROE (%)	19.5	9.6	4.2	5.7	9.7
ROCE (%)	12.6	10.0	9.1	9.4	10.7
PER (x)	31.7	20.2	16.5	14.8	11.3
Free cash flow yield (%)	(7.9)	0.7	4.4	7.7	8.6
Dividend yield (%)	0.7	1.2	1.8	1.8	1.9
P/BV (x)	7.22	2.45	1.66	1.61	1.51
EV/Sales (x)	1.63	0.93	0.73	0.73	0.67
EV/Adj. EBITDA (x)	20.1	12.8	9.4	9.2	8.0
EV/Adj. EBIT (x)	27.6	17.1	12.5	11.8	9.9
Operating cash flow/EV (%)	1.0	2.7	9.9	7.9	7.0
Net debt/EBITDA (x)	5.13	4.89	4.45	3.97	3.31

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

Takes from the market

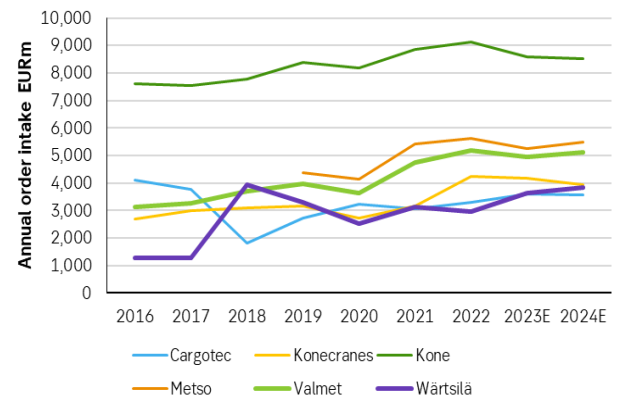
The order intake of Finnish industrial businesses has been weak during the last year following the rash of orders after Covid and supply chain problems. Sales have been rising at the large Finnish capital goods names. Even though we expect this growth to slow down in 2024, we do not expect large capital goods companies' sales to collapse.

Annual sales in Finnish capital goods names



Source: SEB, company reports

Annual order intake in Finnish capital goods names



Source: SEB, company reports

In the electronics sector, we have seen a weakening trend in the market following normalisation of supply times. The weaker trend was also visible in Boreo's numbers in Q3 and we have seen a continued downward trend in the market. For example, Boreo's competitor OEM International, that also comprises several acquired companies, which competes in Finland with Boreo's Yleiselektronikka, reported in Q4 negative organic sales growth and order intake 7% below sales. Region Finland, Baltic States and China reported even larger (-10% organic sales) declines in Q4, even though we note that OEM Electronics' sales in Finland grew at a double-digit rate. RS Group (which Boreo's Yleiselektronikka represents in Finland) reported like-for-like sales down 5% in EMEA in Q4, but the Electronics sales were down 23%. Even though we believe that Boreo's RS sales are probably more cyclical than the rest of the Electronics portfolio, we see this as a negative data point regarding the development of the electronics market.

The weak trend in the Finnish construction market has continued, with first construction permissions, then starts and finally also completions turning negative. Boreo has some construction related exposure in its Technical Trade business unit and especially in its Heavy Machines business, where single deliveries can swing the business area's sales notably. Note that Heavy Machines will be merged with Technical Trade in 2024. Given the lacklustre sentiment in construction, we see construction related equipment investments as at risk in 2024.

Construction permissions in Finland, rolling 12 months

Source: Statistics Finland

Construction starts in Finland, rolling 12 months

Source: Statistics Finland

Housing construction completions in Finland, rolling 12 months

Source: Statistics Finland

Q4 expectations

We expect Boreo to deliver EUR 41.7m sales in Q4, indicating a 7% decline y/y. We expect the declining trend to be continuation of the trend in Q3, when sales declined 5% y/y. Given the weak construction market as well as the exit of the Sany business, we expect Heavy Machines' sales to drive the decline in group sales and we expect sales growth to be negative in other business areas as well. We expect the acquired companies to contribute 6pp to sales growth, but the exit of Sany to lower sales by 1pp. We estimate EUR 2.4m in operational EBIT in Q4, indicating an improvement on the EUR 2.2m a year ago. However, Q4/22 operational EBIT was negatively affected by a EUR 0.3m write-down related to the Sany exit, and J-Matic, Filterit, Lamox and Delfin Technologies did not contribute to Q4/22 group numbers (J-Matic did partially). Hence, we expect clean organic profitability to be below Q4/22.

Boreo has not given short-term guidance, and we do not expect any for 2024 either. However, we still look for some comment, especially regarding the company's views on market trends. Boreo aims to pay growing dividend annually, and we expect EUR 0.45 dividend per share.

Estimate revisions

We have cut our sales estimates by 2% for 2023-25 following weak trends in end-markets. Also, we think that the fluctuations in the pricing environment may have affected seasonality in purchasing in the industrial businesses, which could have its effects on operations towards the end of the year. Following lower sales estimates, our operational EBIT estimates decline by 7% for 2024-25.

Boreo announced that it will combine its Technical Trade and Heavy Machines business areas with the logistics businesses from Other Operations, and they will be reported as one unit from Q1/2024 onwards. We will update our estimates accordingly before the Q1/2024 report.

Detailed estimate revisions

Group	Q4/23	New estimates			Q4/23	Old estimates			Q4/23	Difference		
		2023E	2024E	2025E		2023E	2024E	2025E		2023E	2024E	2025E
Sales	41.7	166.0	164.3	171.8	44.4	168.7	167.1	175.8	-6.1	-1.6	-1.7	-2.2
Gross profit	11.6	44.6	45.5	47.8	12.2	45.2	46.2	48.8	-5.4	-1.5	-1.3	-2.0
Opex	-8.6	-32.8	-32.9	-33.6	-8.7	-33.0	-32.9	-34.0	-1.6	-0.6	-0.1	-1.2
D&A	-1.4	-5.4	-5.6	-4.9	-1.4	-5.4	-5.6	-4.9	0.0	-0.2	0.0	0.0
Operational EBIT	2.4	9.7	10.1	11.8	2.9	10.2	10.9	12.6	-1.9	-4.6	-7.2	-6.9
Operational EBIT margin	5.7%	5.9%	6.1%	6.8%	6.6%	6.0%	6.5%	7.2%	-0.9pp.	-0.2pp.	-0.4pp.	-0.3pp.
PTP	1.0	4.2	4.8	7.2	1.5	4.6	5.4	7.9	-33.8	-9.1	-10.9	-9.3
Net profit	0.8	3.4	3.8	5.7	1.3	3.7	4.3	6.3	-33.9	-9.1	-10.9	-9.3
Electronics												
Sales	17.6	64.9	66.4	69.4	18.1	65.4	67.6	70.6	-3.1	-0.9	-1.8	-1.8
Operational EBIT	1.5	4.4	5.0	5.7	1.6	4.5	5.3	5.9	-6.3	-4.0	-6.2	-3.2
Technical Trade												
Sales	16.2	59.8	59.3	61.7	16.9	60.5	59.4	62.4	-3.7	-1.0	-0.2	-1.2
Operational EBIT	1.4	6.0	5.8	6.2	1.5	6.2	5.9	6.6	-10.1	-2.5	-3.1	-5.1
Heavy Machines												
Sales	6.7	36.4	33.8	35.4	8.2	37.9	35.1	37.6	-18.0	-3.9	-3.9	-5.8
Operational EBIT	0.0	0.9	1.1	1.4	0.3	1.2	1.4	1.7	-108.4	-28.7	-21.9	-17.5
Other												
Sales	1.2	4.8	4.8	5.0	1.2	4.9	4.9	5.1	-3.2	-0.8	-1.6	-1.6
Operational EBIT	-0.5	-1.5	-1.7	-1.6	-0.5	-1.6	-1.7	-1.6	-6.5	-2.2	-1.5	2.7
Sales growth												
Organic	-12%	-2%	-2%	5%	-5%	-1%	-1%	5%	-6.3pp.	-1.8pp.	-0.6pp.	-0.4pp.
Acquisitions / divestments	5%	9%	1%	0%	5%	9%	1%	0%	0.0pp.	0.0pp.	0.0pp.	0.0pp.
FX	-1%	-1%	0%	0%	-1%	-1%	0%	0%	0.3pp.	0.1pp.	0.6pp.	-0.4pp.
Total	-7%	3%	-1%	4%	-1%	5%	-1%	5%	-6.0pp.	-1.7pp.	-0.1pp.	-0.8pp.

Source: SEB

Interim financials

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23E	Q1/24E	Q2/24E	Q3/24E	Q4/24E
Net sales	31.7	40.4	43.3	45.0	41.0	42.3	41.0	41.7	38.8	41.6	41.1	42.8
Other operating income	0.0	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
COGS	-23.5	-30.4	-32.9	-34.2	-30.3	-31.4	-29.9	-30.2	-28.1	-30.4	-29.9	-30.8
Gross profit	8.2	10.2	10.5	11.0	10.7	11.1	11.2	11.6	10.8	11.4	11.3	12.1
Operating expenses	-7.0	-7.1	-7.2	-8.4	-8.2	-8.2	-7.9	-8.6	-8.4	-8.3	-7.6	-8.6
Share of result from associates	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
EBITDA	1.2	3.2	3.3	2.7	2.6	3.0	3.4	3.1	2.5	3.1	3.8	3.6
Depreciations & amortisations	-0.9	-1.1	-1.0	-1.0	-1.3	-1.3	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4
EBIT	0.6	1.8	2.4	1.7	1.3	1.7	2.0	1.7	1.1	1.7	2.4	2.2
Net financials	-0.1	-0.5	0.2	-0.5	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6
PTP	0.5	1.3	2.6	1.2	0.7	1.1	1.4	1.0	0.4	1.0	1.8	1.6
Taxes	-0.1	-0.2	-0.6	-0.3	-0.2	-0.1	-0.3	-0.2	-0.1	-0.2	-0.4	-0.3
Net profit	0.4	1.1	2.1	0.9	0.5	1.0	1.0	0.8	0.3	0.8	1.4	1.3
Profit for the period, discontinued operations	0.7	-6.6	0.7	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the period	1.1	-5.5	2.7	0.9	0.5	1.0	1.0	0.8	0.3	0.8	1.4	1.3
Minority interest	0.0	0.5	0.0	-0.1	0.0	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net profit for shareholders	1.0	-4.9	2.7	0.8	0.5	0.8	0.9	0.8	0.3	0.8	1.4	1.2
Operational EPS (continued operations)	0.23	0.44	0.83	0.32	0.28	0.39	0.48	0.38	0.19	0.38	0.60	0.54
Reported EPS (continued operations)	0.05	0.28	0.63	0.16	0.07	0.18	0.22	0.18	-0.02	0.17	0.39	0.34
Operational EBIT	1.3	2.4	3.0	2.2	2.1	2.4	2.9	2.4	1.8	2.4	3.1	2.9
Operational EBIT growth	-6%	35%	35%	17%	63%	1%	-4%	7%	-15%	0%	7%	22%
Sales by Business Area												
Electronics	11.7	14.0	17.3	18.6	15.9	15.1	16.3	17.6	16.1	15.6	16.6	18.1
Technical Trade	10.8	12.7	13.5	15.8	13.2	15.5	14.9	16.2	12.8	15.0	14.8	16.7
Heavy Machines	8.2	12.5	11.3	9.4	10.6	10.5	8.6	6.7	8.7	9.8	8.5	6.8
Other operations	1.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Operational EBIT by Business Areas												
Electronics	0.7	0.6	1.3	1.5	0.9	1.0	0.9	1.5	1.0	1.0	1.3	1.6
Technical Trade	0.8	1.6	1.7	1.4	1.2	1.6	1.9	1.4	1.0	1.5	1.7	1.6
Heavy Machines	0.1	0.6	0.3	-0.1	0.4	0.2	0.3	0.0	0.2	0.3	0.4	0.1
Other operations												
Operational EBIT margin by Business Areas												
Electronics	6%	4%	8%	8%	6%	6%	6%	9%	6%	7%	8%	9%
Technical Trade	7%	13%	12%	9%	9%	10%	13%	9%	8%	10%	12%	9%
Heavy Machines	2%	5%	2%	-1%	4%	2%	4%	0%	2%	3%	5%	2%
Gross margin	25.9%	25.2%	24.3%	24.4%	26.2%	26.2%	27.2%	27.7%	27.9%	27.3%	27.5%	28.3%
Operational EBIT margin	4.0%	5.9%	6.8%	4.9%	5.1%	5.6%	7.0%	5.7%	4.5%	5.7%	7.5%	6.8%
EBIT-margin	1.9%	4.5%	5.5%	3.8%	3.3%	4.0%	4.9%	4.0%	2.7%	4.1%	5.8%	5.1%
Growth contributors												
Organic	13%	19%	25%	-4%	13%	-1%	-10%	-12%	-7%	-3%	0%	2%
Acquisitions	20%	16%	25%	20%	17%	11%	9%	6%	3%	2%	0%	0%
Divestments	0%	0%	0%	0%	0%	-1%	-3%	-1%	-1%	0%	0%	0%
FX	0%	-1%	0%	-1%	-1%	-2%	-1%	-1%	0%	0%	1%	0%
Total	33%	34%	50%	15%	29%	5%	-5%	-7%	-5%	-2%	0%	3%

Source: SEB, Boreo

Annual financials

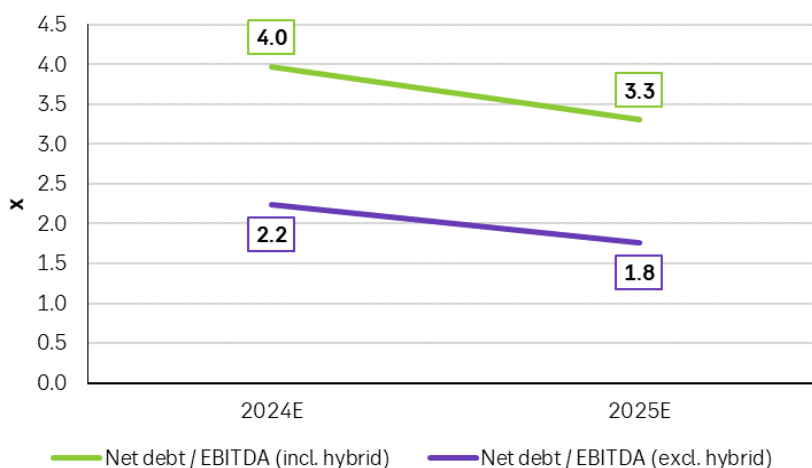
	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net sales	57.2	59.9	97.5	122.0	160.4	166.0	164.3	171.8
Other operating income	0.0	0.0	0.3	1.5	0.5	0.4	0.4	0.4
COGS	-41.3	-43.5	-71.5	-91.5	-120.9	-121.8	-119.2	-124.4
Gross profit	16.0	16.4	26.3	32.0	39.9	44.6	45.5	47.8
Operating expenses	-11.9	-11.9	-20.0	-23.3	-29.6	-32.8	-32.9	-33.6
Share of result from associates	0.0	0.0	0.0	0.0	0.2	0.4	0.3	0.3
EBITDA	4.1	4.5	6.3	8.7	10.4	12.1	12.9	14.5
Depreciations & amortisations	-0.6	-1.0	-2.0	-2.9	-4.0	-5.4	-5.6	-4.9
EBIT	3.5	3.5	4.3	5.8	6.5	6.7	7.3	9.6
Net financials	0.0	-0.2	-0.7	-1.2	-1.0	-2.5	-2.5	-2.4
PTP	3.6	3.3	3.6	4.6	5.5	4.2	4.8	7.2
Taxes	-0.7	-0.6	-1.0	-0.7	-1.1	-0.8	-1.0	-1.4
Net profit	2.9	2.6	2.7	3.9	4.4	3.4	3.8	5.7
Profit for the period, discontinued operations	0.0	0.0	0.0	1.6	-4.7	0.0	0.0	0.0
Profit for the period	0.0	0.0	0.0	5.5	-0.3	3.4	3.8	5.7
Minority interest	0.3	0.3	0.4	0.3	-0.3	0.4	0.2	0.2
Net profit for shareholders	2.6	2.3	2.3	5.2	-0.4	3.0	3.6	5.5
Operational EPS (continued operations)		0.90	1.54	1.86	1.82	1.53	1.71	2.24
Reported EPS (continued operations)	1.00	0.90	0.91	1.40	1.12	0.64	0.88	1.58
Operational EBIT	3.5	3.5	5.9	7.2	8.8	9.7	10.1	11.8
Operational EBIT growth					22%	11%	4%	16%
Sales by Business Area								
Electronics				43.4	61.6	64.9	66.4	69.4
Technical Trade				45.6	52.8	59.8	59.3	61.7
Heavy Machines				29.7	41.4	36.4	33.8	35.4
Other operations				3.4	4.6	4.8	4.8	5.0
Operational EBIT by Business Areas								
Electronics				2.9	4.2	4.4	5.0	5.7
Technical Trade				4.0	5.4	6.0	5.8	6.2
Heavy Machines				1.2	1.0	0.9	1.1	1.4
Other operations								
Operational EBIT margin by Business Areas								
Electronics				7%	7%	7%	7%	8%
Technical Trade				9%	10%	10%	10%	10%
Heavy Machines				4%	2%	2%	3%	4%
Gross margin	27.9%	27.4%	27.0%	26.2%	24.9%	26.9%	27.7%	27.8%
Operational EBIT margin	6.2%	5.8%	6.1%	5.9%	5.5%	5.9%	6.1%	6.8%
EBIT-margin	6.2%	5.8%	4.4%	4.8%	4.0%	4.1%	4.4%	5.6%
Growth contributors								
Organic					12%	-2%	-2%	5%
Acquisitions					20%	10%	1%	0%
Divestments					0%	-2%	0%	0%
FX					-1%	-1%	0%	0%
Total	5%	5%	63%	25%	31%	3%	-1%	4%

Source: SEB, Boreo

Focus on leverage and costs seems reasonable, but leverage limits acquisition opportunities

Boreo mentioned in its Q3 report that it is focusing in the short term on cost efficiency and maintaining leverage at the low end of the 2-3x target range. We see this as reasonable given the uncertain market as well as current leverage (which was at 2.4x, without hybrid or 3.7x level with hybrid on pro forma basis in Q3). Hence, we see Boreo's acquisition opportunities as limited this year, making it more difficult to reach the annual operating EBIT growth target. Boreo's hybrid loan has the first call date in 2025; we estimate that Boreo's reported leverage could fall below 2x in 2025 if the current hybrid is replaced with a new hybrid loan (or new equity), enabling the company to get back onto the value-creating acquisition track. If the hybrid loan is paid by cash (or interest-bearing debt), the leverage will probably limit acquisition opportunities.

Boreo leverage



Source: SEB

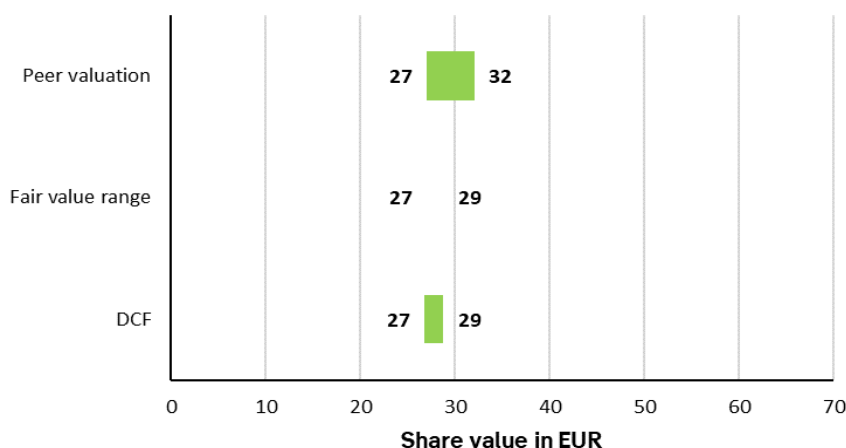
Acquisitions have supported Boreo’s profitability and return on capital

We see that Boreo has been consistent with its acquisitions, in that the acquired companies have been more profitable and have better returns on capital than the legacy portfolio (like we wrote in the comment <https://marketsresearch.sebank.se/oapi/puppeteer/124606>) and believe that this strategy has potential to create value in the long term. Even though it will probably take some time before we see clearly Boreo’s potential impact as an owner, we have seen some positive signs already ([see our report https://research.sebgroup.com/pdf/Boreo_070723.pdf](https://research.sebgroup.com/pdf/Boreo_070723.pdf)). However, the leverage will probably slow down the strategy realisation in the short term before the leverage has decreased (also relating to how the company will handle the hybrid loan first call date).

Valuation

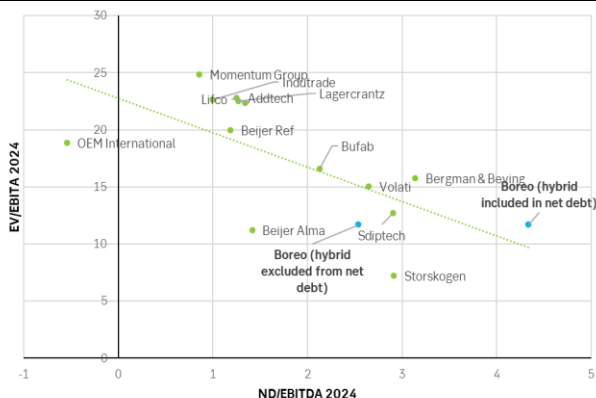
We update our fair value range to EUR 27-29 (28-31) following our estimate revisions. Boreo is trading at a discount to peers and the discount has widened since our latest report. Valuation is notably higher than Boreo in companies with low leverage, enabling more acquisitions and hence higher profit growth compared to current estimates. Hence, we believe a decrease in leverage might be required before the valuation gap to clearly narrow.

Valuation summary



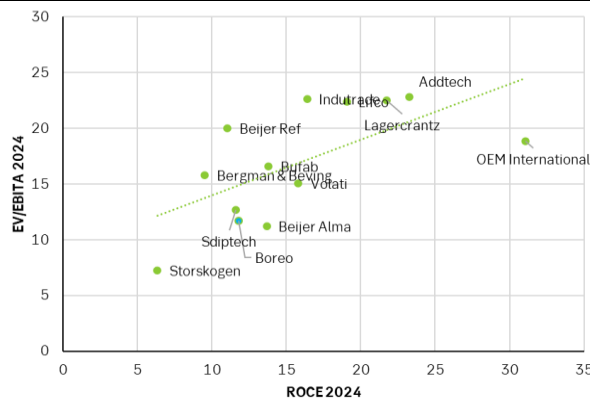
Source: SEB

Leverage vs EV/EBITA 2024



Source: SEB, Refinitiv

ROCE vs EV/EBITA 2024



Source: SEB, Refinitiv

Our fair value range is based on peer group valuation (EUR 27-32) and DCF (EUR 27-29), where the lower end is defined based on the current businesses, and upper end indicates acquisition potential. However, we do not expect any notable acquisitions this year.

Peer group table^{1,2}

	Mcap (EURm)	Perf				EV/Sales			EV/EBITA			EV/EBITDA			PER			Net debt / EBITDA (x)			ROCE		
		1m	3m	12m	YTD	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
OEM International	1,026	9	24	23	-1	2.8	2.7	2.5	18.0	18.8	17.5	16.7	17.4	16.3	23.0	24.9	23.3	-0.1	-0.5	-0.9	38.0	31.0	28.6
Bergman & Beving	447	8	10	62	2	1.5	1.5	1.4	18.3	15.8	13.9	12.4	10.8	9.6	22.3	22.8	19.5	3.5	3.1	2.6	8.3	9.5	9.8
Addtech	5,469	13	19	27	6	3.5	3.2	3.1	27.0	22.8	21.9	23.7	20.3	19.4	43.2	38.1	35.9	1.6	1.3	0.8	21.6	23.3	21.5
Indutrade	9,071	12	23	24	7	3.2	3.3	3.1	21.7	22.6	21.1	18.2	18.8	17.7	28.7	30.4	28.3	1.4	1.0	0.6	17.2	16.4	17.2
Lifco	10,526	12	21	32	11	5.1	5.0	4.6	22.6	22.4	20.3	20.8	20.3	18.4	39.3	39.8	35.9	1.4	1.3	0.8	20.5	19.1	19.3
Beijer Alma	865	0	-2	-7	-6	1.8	1.6	1.5	12.6	11.2	9.9	9.7	8.7	7.9	20.9	17.7	15.1	1.9	1.4	1.1	13.8	13.7	14.0
Beijer Ref	6,161	20	19	-8	7	2.4	2.2	2.0	22.3	20.0	18.0	18.5	16.8	15.2	34.6	31.7	27.6	1.8	1.2	0.8	14.0	11.0	11.7
Bufab	1,330	8	27	46	1	2.1	2.1	2.0	17.4	16.6	14.9	14.5	13.6	12.3	24.3	21.6	18.1	2.7	2.1	1.7	13.7	13.8	14.0
Volati	801	-4	7	6	-9	1.5	1.4	1.3	14.3	15.0	13.7	11.3	10.8	9.6	19.3	17.8	14.9	2.6	2.6	2.2	14.9	15.8	16.3
Sdiptech	856	8	4	-3	-7	2.8	2.5	2.2	13.7	12.7	11.2	11.7	10.7	9.4	20.6	18.2	15.1	3.1	2.9	2.4	11.2	11.6	12.1
Storskogen	739	-23	-29	-42	-41	0.8	0.6	0.5	8.8	7.3	5.9	6.6	5.2	4.4	11.1	6.8	5.3	3.0	2.9	2.3	6.5	6.3	7.5
Aspo	188	-2	-5	-22	0	0.6	0.6	0.5	11.7	9.4	7.7	5.6	4.9	4.3	11.0	9.9	7.9	2.5	2.1	1.7	8.8	10.5	12.3
Lagercrantz	2,687	13	27	28	10	4.5	3.9	3.6	26.9	22.5	20.6	22.5	18.9	17.4	40.7	33.9	30.8	1.6	1.3	0.9	21.3	21.7	21.4
Momentum Group	659	6	34	84	12	3.4	2.9	2.7	29.0	24.8	23.6	23.0	19.5	18.5	36.5	32.1	29.8	1.2	0.9	0.7	-	-	-
Addlife	1,073	-2	14	-10	-8	1.8	1.6	1.5	16.1	15.1	13.0	11.9	11.4	10.0	46.2	40.5	27.1	3.6	3.2	2.6	7.1	7.8	9.1
Median	1,026	8	19	23	1	2.4	2.2	2.0	18.0	16.6	14.9	14.5	13.6	12.3	24.3	24.9	23.3	1.9	1.4	1.1	13.9	13.7	14.0
Average	2,793	5	13	16	-1	2.5	2.3	2.2	18.7	17.1	15.5	15.1	13.9	12.7	28.1	25.7	22.3	2.1	1.8	1.3	15.5	15.1	15.3
Boreo (SEBe)	68	-6	-1	-33	-12	0.8	0.7	0.7	13.0	11.7	9.8	10.1	9.2	8.0	18.0	14.8	11.3	2.4	2.2	1.8	10.6	11.8	13.4
															(4.3)	(4.0)	(3.3)						

1) Boreo's P/E based on EPS adjusted with PPA amortisations. 2) Boreo's leverage including hybrid loan in parentheses

Source: SEB.

Peer group valuation

	EV/EBITA Multiple	
	Upper end (EUR 32)	Lower end (EUR 27)
2023E	14.4	13.1
2024E	13.6	12.3

Source: SEB

Base case DCF assumptions

WACC	9.8%
Terminal growth	2%
Terminal value	138
NPV of terminal value	63
2023-32E FCF NPV	58
EV	121
Net debt excl. lease liabilities	27
Hybrid loan	20.0
Minority interest	1.8
MCAP (EURm)	72
Number of shares (m)	2.7
Share value (EUR)	27

Source: SEB

Base case DCF details

(EURm)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal
Net sales	166	164	172	178	185	192	199	205	211	218	222
Sales growth	3.5%	-1.0%	4.6%	3.8%	3.7%	3.7%	3.5%	3.3%	3.1%	2.9%	
Gross profit (EURm)	45	46	48	50	52	53	54	55	57	59	60
EBITDA (adj.)	13	13	14.5	16	17	18	18	19	19	20	18
Margin (%)	7.6%	7.8%	8.4%	8.7%	9.0%	9.2%	9.2%	9.2%	9.2%	9.2%	8.0%
Depreciation & amortisation	-5	-6	-5	-3.6	-4	-4	-4	-4	-4	-4	-4
EBIT	7	7	10	12	13	14	14	15	16	16	14
Tax	-1	-1	-1.9	-2	-3	-3	-3	-3	-3	-3	-3
Capex and cap R&D	-11	-4	-2.2	-2	-2	-2	-2	-2	-2	-2	-1
of sales	-6%	-3%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Lease repayments	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
NWC	17	16	16	17	18	18	19	19	20	21	21
Of sales	11%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
NWC change	5	2	-1	-1	-1	-1	-1	-1	-1	-1	0
FCF	3.8	7.2	7.8	8.8	9.6	9.8	10.3	10.9	11.4	12.0	10.7

Source: SEB

Combined base case & M&A scenario DCF assumptions

WACC	12.3%
Terminal growth	2.0%
Terminal value	47
NPV	18
2023-32E FCF NPV	-12
EV	6
Total EV	127
Net debt excl. lease liabilities	27
Hybrid loan	20
Minority interest	2
MCAP (EURm)	77
Number of shares	2.7
Share value (EUR)	29

Source: SEB

SEAM (SEB's ESG Assessment Methodology)

Boreo

Country: Finland Sector: Industrial Sales Overall impact of ESG factors on valuation: **Slightly Positive**

Fully discounted in mid-point DCF value: **Yes**

In our view, ESG factors do or will have an overall slightly positive impact on the share's valuation. The most material impact is improving portfolio companies' reporting and governance functions, offering development opportunities for employees, It distributes both combustion hybrid machines. Most of the impact is yet to be discounted in our mid-point equity valuation. We believe that most of the ESG factors facing the company could be manageable by the company, and that the company's management of these issues could be improved by increasing disclosure of ESG factors in reporting.

With regard to the EU taxonomy, we expect to see the company report an insignificant current revenue alignment with relevant taxonomy screening criteria. In the longer term, we also expect alignment to be insignificant.

ESG impact on NPV (as % of equity valuation)

Total impact over time	4
of which:	
- impact reflected in mid-point equity valuation	4
- impact yet-to-be reflected in mid-point equity valuation	0

ESG impact on NPV (as % of enterprise valuation)

Total impact over time	2
of which:	
- impact reflected in mid-point enterprise valuation	2
- impact yet-to-be reflected in mid-point enterprise valuation	0

SEB ESG Financial Assessment

Long term impact of ESG issue on valuation

of which:

Impact already reflected in our 6-12 month mid-point

Impact yet-to-be reflected in mid-point price

	As % of equity valuation	As % of enterprise valuation
Long term impact of ESG issue on valuation	4	2
Impact already reflected in our 6-12 month mid-point	4	2
Impact yet-to-be reflected in mid-point price	0	0

Sales (price/volume) exposure to ESG opportunities/threats

Climate related impact - products/services

Boreo offers repairing services and sells used equipment

Boreo distributes (but don't manufacture) machines generating emissions, but also hybrid machines

Societal impacts

Boreo offers development opportunities for acquired companies that they would not have independently

	Impact on Sales CAGR (%pa)		NPV/EV (%)
	0-3 yrs	4-10+ yrs	
Boreo offers repairing services and sells used equipment	0	0	1
Boreo distributes (but don't manufacture) machines generating emissions, but also hybrid machines	0	0	1
Boreo offers development opportunities for acquired companies that they would not have independently	0	0	0

Costs (CAPEX/OPEX) exposure to ESG opportunities/threats

Societal impacts

Boreo acquires SME's and improves their reporting, increasing traceability but requires investment

	Impact on costs (as % of sales)		NPV/EV (%)
Boreo acquires SME's and improves their reporting, increasing traceability but requires investment	(0)	0	0

Long term impact of ESG issue on valuation (% NPV/EV)

2

Boreo (cont.)

EU Taxonomy Eligibility/Alignment (based on mandatory EU disclosures)

In our view, the company does not have EU Taxonomy eligible revenues.

Sustainability related commitments and targets

Does the company have a science based target?	No
Is the CEO's remuneration linked to achievement of sustainability goals?	No
What are the company's most material sustainability goals?	Provide employees opportunity to grow Ensure that portfolio companies follow good governance and ethical practices
Who has ultimate responsibility for sustainability management?	Head of HR

Overview

Investment considerations

Boreo is one of Finland's few serial acquirers, and we see plenty of scope for this type of company to seek and exploit M&A opportunities. Boreo targets asset-light companies run by entrepreneurs who want to benefit from Boreo's ability to provide business development support within an entrepreneurial and light-touch management approach. Boreo invests its cash flows both internally on acquired companies and externally on new acquisitions. In our view, Boreo's acquisitions have made attractive returns.

Company profile

Boreo is a Finnish company that owns, acquires, and develops B2B businesses in northern Europe. Boreo was founded in 1969 and is based in Vantaa, Finland. Its operations are split into Electronics, Technical Trade and Heavy Machines and "other" operations. The company's background is in electronics distribution and it expanded into technical trade in 2020. Since then, Boreo has sharpened its strategy to acquire and develop B2B companies with strong market positions, solid cash flows and asset-light operations. Boreo focuses on the SME market, where it perceives attractive returns on investment. The company aims to invest cash flows either internally or externally through acquisitions into the most profitable targets.

Valuation approach

We base our valuation on a peer group comparison and DCF analysis.

Investment risks

Boreo has a short track record of successfully onboarding and developing portfolio companies. It is exposed to several cyclical end-markets. Solid cash flow generation is important for Boreo so that cash flows can be invested, which emphasises inventory management. Key employees and key represented brands are important for many portfolio companies.

Profit & loss statement - Boreo									
(EURm)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net Sales	54	57	60	98	122	160	166	164	172
Other revenues	0	0	0	0	2	1	1	1	1
Total revenues	54	57	60	98	124	161	167	165	172
Total expenses	(51)	(53)	(55)	(92)	(115)	(151)	(155)	(152)	(158)
Profit before depreciation	3	4	5	6	9	10	12	13	14
Depreciation - Fixed assets	(1)	(1)	(1)	(0)	(0)	(0)	(1)	(1)	(1)
Depreciation - Other assets	0	0	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	(2)	(1)	(2)	(2)	(2)	(2)
Amortisation - Goodwill	0	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	(0)	(0)	(1)	(2)	(3)	(3)	(2)
Operating profit	3	4	3	4	6	6	7	7	10
Net interest expenses	0	0	(0)	(1)	(1)	(1)	(3)	(3)	(2)
Foreign exchange items	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	3	4	3	4	5	6	4	5	7
Minority interests	0	0	0	0	0	0	0	0	0
Total taxes	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Reported profit after tax	2	3	3	3	4	4	3	4	6
Discontinued operations	0	0	0	0	2	(5)	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0
Net Profit	2	3	3	3	6	(0)	3	4	6
Adjustments:									
Discontinued operations	0	0	0	0	(2)	5	0	0	0
Interest on convertible debt	0	0	0	0	0	(1)	(1)	(1)	(1)
Minority interests (IFRS)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Value changes	0	0	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	1	2	3	3	2
Restructuring charges	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	(0)	1	0	0	0	(0)	(0)
Tax effect of adjustments	0	0	0	0	0	(0)	(1)	(1)	(0)
Adjusted profit after tax	2	3	2	4	5	5	4	5	6
Margins, tax & returns									
Operating margin	4.6	6.2	5.8	4.4	4.8	4.0	4.1	4.4	5.6
Pre-tax margin	4.7	6.2	5.4	3.7	3.8	3.4	2.5	2.9	4.2
Tax rate	18.5	19.3	19.8	24.4	15.2	20.4	20.0	20.0	20.0
ROE	30.7	20.4	16.3	15.1	19.5	9.6	4.2	5.7	9.7
ROCE	35.0	24.0	20.7	18.5	12.6	10.0	9.1	9.4	10.7
Growth rates y-o-y (%)									
Total revenues	n.a.	5.2	4.6	63.3	26.3	30.4	3.5	(1.1)	4.6
Operating profit	n.m.	40.4	(0.8)	23.1	34.9	11.4	4.3	8.3	31.0
Pre-tax profit	n.m.	38.9	(8.4)	10.7	27.8	20.0	(23.6)	13.8	49.2
EPS (adjusted)	0.0	39.5	(9.8)	69.8	21.0	(2.0)	(15.8)	11.6	30.6
Cash flow									
(EURm)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net profit	2	3	3	3	6	(0)	3	4	6
Non-cash adjustments	1	1	1	2	3	9	4	4	3
Cash flow before work cap	3	3	4	5	8	9	7	8	9
Ch. in working capital / Other	(2)	(0)	(0)	5	(6)	(5)	5	2	(1)
Operating cash flow	1	3	3	9	2	4	12	9	8
Capital expenditures	(1)	(1)	(0)	(23)	(14)	(3)	(9)	(4)	(2)
Asset disposals	0	0	0	1	2	0	0	0	0
L/T financial investments	0	0	0	0	0	0	0	0	0
Acquisitions / adjustments	0	0	0	0	0	(10)	(2)	0	0
Free cash flow	(0)	3	3	(13)	(10)	(9)	2	5	6
Net loan proceeds	0	(0)	(1)	16	9	(4)	(2)	0	0
Dividend paid	(1)	(1)	(1)	(0)	(1)	(2)	(2)	(2)	(3)
Share issue	0	0	0	0	0	21	0	0	0
Other	(5)	0	0	(6)	(3)	(0)	0	0	(0)
Net change in cash	(6)	1	1	(3)	(5)	7	(3)	3	3
Adjustments									
C/flow bef chng in work cap	3	3	4	5	8	9	7	8	9
Adjustments	0	0	0	0	0	(0)	(0)	(0)	(0)
Int on conv debt net of tax	0	0	0	0	0	(1)	(1)	(1)	(1)
Cash earnings	3	3	4	5	8	8	6	6	7
Per share information									
Cash earnings	1.06	1.34	1.43	1.85	3.23	2.91	2.09	2.34	2.79
Operating cash flow	0.38	1.2	1.28	3.65	0.77	1.13	4.01	3.01	2.52
Free cash flow	(0.14)	1.0	1.16	(5.05)	(3.81)	(3.73)	0.2	1.47	1.7
Investment cover									
Capex/sales (%)	2.7	0.9	0.5	23.5	11.6	2.2	5.5	2.5	1.3
Capex/depreciation (%)	241	95	43	11,450	3,525	986	1,052	505	297

Source for all data on this page: SEB

Balance sheet - Boreo									
(EURm)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Cash and liquid assets	4	5	7	9	3	13	11	13	17
Debtors	7	8	7	10	20	23	20	20	21
Inventories	7	7	7	18	25	32	31	27	28
Other	0	0	0	0	0	0	0	0	0
Current assets	18	20	21	37	47	68	61	60	66
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	1	1	1	1
Capitalized development cost	0	0	0	0	0	0	0	0	0
Goodwill	1	1	1	22	29	36	36	36	36
Other intangibles	1	1	1	1	3	7	6	3	1
Right-of-use lease assets	0	0	0	0	3	3	3	3	3
Fixed tangible assets	2	2	3	4	15	6	14	17	19
Other fixed assets	0	0	0	0	0	0	0	0	0
Fixed assets	3	3	5	28	50	53	60	60	59
Total assets	21	23	26	65	97	121	121	120	125
Creditors	7	8	7	20	27	32	33	31	33
Other trade financing	0	0	0	0	0	0	0	0	0
S/T lease liabilities	0	0	0	0	1	1	1	1	1
S/T interest bearing debt	1	0	1	7	8	9	8	8	8
Other	0	0	0	0	0	0	0	0	0
Current liabilities	8	8	8	26	36	42	43	41	42
L/T interest bearing debt	1	1	2	22	34	29	27	27	27
L/T lease liabilities	0	0	0	0	4	5	5	5	5
Other long-term liabilities	0	0	0	0	0	2	1	1	1
Convertible debt	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	(0)	0	0	0	0
Deferred tax	0	0	0	0	1	2	2	2	2
Long term liabilities	1	1	2	22	39	38	35	35	35
Minority interests	1	1	1	1	1	1	2	2	2
Shareholders' equity	12	13	15	16	21	40	41	42	45
Total liabilities and equity	21	23	26	65	97	121	121	120	125
Net debt (m)	(3)	(4)	(4)	20	45	51	54	51	48
Working capital (m)	7	7	7	9	18	23	17	16	16
Capital employed (m)	14	15	19	45	70	106	107	109	112
Net debt/equity (%)	(21)	(26)	(25)	120	199	122	126	116	101
Net debt/EBITDA (x)	(0.8)	(0.9)	(0.9)	2.5	4.8	4.6	4.3	4.0	3.3
Equity/total assets (%)	59	60	63	25	23	34	35	37	38
Interest cover	(49.1)	(110.0)	14.6	6.1	4.8	6.9	2.7	2.9	4.0

Valuation									
(EUR)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
No of shares, fully dil. (y/e)	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.7
No of shares, fully dil. avg.	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.7
Share price, y/e				29.4	59.0	36.8	25.3	25.3	25.3
Share price, high				34.0	133.5	76.0	43.0		
Share price, low				10.3	27.0	31.4	24.0		
Share price, avg				16.9	54.5	44.5	34.6		
EPS (reported)	0.72	1.00	0.90	0.91	1.39	1.12	0.64	0.88	1.58
EPS (adjusted)	0.72	1.00	0.90	1.54	1.86	1.82	1.53	1.71	2.24
Cash earnings/share	1.06	1.34	1.43	1.85	3.23	2.91	2.09	2.34	2.79
Dividend/share	0.32	0.33	0.00	0.40	0.42	0.44	0.45	0.46	0.47
Enterprise value/share				37	76	56	45	44	43
Book value/share	4.7	5.1	6.0	6.1	8.2	15.0	15.2	15.7	16.8
Adjusted equity/share	4.7	5.1	6.0	6.1	8.2	15.0	15.2	15.7	16.8
PER (adjusted)				19.1	31.7	20.2	16.5	14.8	11.3
CEM				15.9	18.3	12.6	12.1	10.8	9.1
Dividend yield				1.4	0.7	1.2	1.8	1.8	1.9
EV/EBITDA				12.0	21.4	13.6	9.7	9.2	8.0
EV/EBITA				15.3	26.2	16.7	12.4	11.7	9.8
EV/EBIT				16.1	27.6	17.1	12.5	11.8	9.9
EV/Sales (x)				0.97	1.63	0.93	0.73	0.73	0.67
Price/Book value				4.81	7.22	2.45	1.66	1.61	1.51
Price/adjusted equity				4.81	7.22	2.45	1.66	1.61	1.51
Free cash flow/Market cap (%)				(18.1)	(7.9)	0.7	4.4	7.7	8.6
Operating cash flow/EV (%)				9.8	1.0	2.7	9.9	7.9	7.0
EV/Capital employed (x)				2.1	2.9	1.4	1.1	1.1	1.0

Main shareholders			Management		Company information
Name	(%) Votes	Capital	Title	Name	Contact
			COB	Simon Hallqvist	Internet https://www.boreo.com/en
			CEO	Kari Nerg	Phone number
			CFO	Aku Rumpunen	
			IR		

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