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Company Comment	Industrial Sales	Finland	08 June 2023
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Takes a step in medtech with Delfin Technologies deal

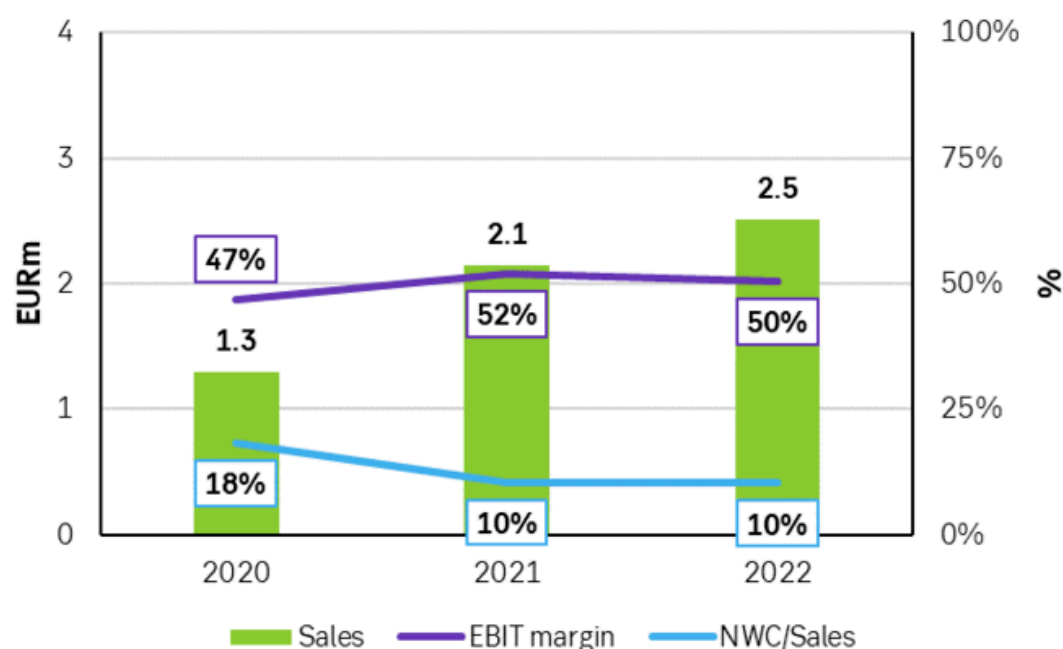
Boreo announced today that it has agreed to acquire Finnish medtech company Delfin Technologies. The target develops, produces and markets scientifically validated hand-held skin and edema measurement instruments and has a strong financial profile with c. 50% EBIT margins and EUR 2.5m sales in 2022. Delfin's profile differs from that of many other portfolio companies, which we expect to be reflected in the valuation. We find development of target profiles are interesting.

Interesting opening in the medtech field

Boreo announced today that it had signed agreement to acquire the entire share capital of Finnish Delfin Technologies. The target is a medical technology company developing, producing and marketing scientifically validated hand-held skin and edema measurement instruments. The products are used in clinical use as well as R&D, safety and performance validation of self-care and cosmetics products, and the products have been approved for clinical use in the US and EU. Delfin has a strong financial profile with some 50% EBIT margins, and its sales have grown from EUR 1.3m in 2020 to EUR 2.5m in 2022. Hence, the acquired EBIT marks some 11% of our (pre-acquisition) estimated Boreo's 2023 operational EBIT. Also, the company has had low NWC to sales and very solid return on capital employed. Delfin Technologies will be reported under Electronics Business Area. Boreo had some medtech exposure in the Electronics BA earlier through electronics distribution business, but we don't expect notable synergies from that.

We understand that Delfin's devices have been sold via distributors and that Delfin has a strong position in its niche market. The profile of the company differs from most of Boreo's current portfolio companies, and this probably is reflected in valuation which probably is above what Boreo has on average paid (usually at LTM EV/EBITDA 2.5-5.5x). However, we don't expect the valuation to be significantly above the upper end of valuation range of earlier acquisitions. We see the transaction as following on from previous acquisitions, which many have had profile of higher margins and less cyclical demand compared with Boreo group. Delfin Technologies has also own products, as does e.g., the earlier acquired Lamox. Boreo will pay the transaction in two installments, some 2/3 on closing and the rest after one year, and the acquisition will be funded with existing financing facilities. The acquisition is expected to be closed on 1 July. In the announcement, Boreo mentioned that it sees opportunities for new acquisitions in the medtech and healthcare sectors.

Delfin Technologies financial history



Source: Boreo, Asiakastiето, SEB

Boreo mentioned that it sees organic growth potential and re-investment opportunities in Delfin Technologies, which may provide interesting returns on investment at Delfin's current financial profile. Given that the valuation probably is a bit higher than some earlier acquisitions, some growth is probably also expected. However, we expect Boreo to stay disciplined with valuation so that the return on investment can be decent even without notable growth. Given that we expect valuation to be a bit higher than earlier acquisitions on average, we estimate that the acquisition takes the lion's share of Boreo's 2023 M&A capacity if the leverage is kept at 2.5x, and new acquisitions could require leveraging the balance sheet a bit higher - at least if they are not very small. Boreo's target is to keep the leverage between 2-3x, but we don't expect Boreo to be on the upper end of the range given the uncertainties in the economy.

Key figures

(EURm)	2022	2023E	2024E	2025E
Revenues (m)	161	180	177	186
Adj. EBIT	9	12	11	13
PTP (m)	6	6	6	9
EPS	1.12	1.39	1.29	1.99
EPS (adjusted)	1.82	2.22	2.12	2.62
DPS	0.44	0.46	0.46	0.60
Revenue growth (%)	31.4	11.7	(1.2)	5.0
EPS growth (%)	(2.0)	21.8	(4.4)	23.3
Operating margin (%)	4.0	4.9	4.8	5.8
ROCE (%)	10.0	10.9	10.4	11.5
Net Debt/EBITDA (x)	4.6	3.5	3.4	2.8
PER (adjusted)	20.2	16.7	17.5	14.2
Dividend yield (%)	1.2	1.2	1.2	1.6
Free Cash Flow Yield (%)	0.7	4.8	5.9	5.3
P/BV (x)	2.4	2.3	2.2	2.0
EV/EBIT (x)	17.1	12.9	12.9	11.1
EV/Sales (x)	0.93	0.84	0.83	0.77

Source: SEB

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