

Boreo

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Company Comment	Industrial Sales	Finland	01 April 2025
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Acquisitions continue

Boreo announced today its second acquisition this week and also its second of the year. Boreo acquires the sales activities of Elfa Distrelec in Finland, Latvia, Estonia and Lithuania, thus expanding its electronics distribution business. The acquired company will be combined with Boreo's RS activities; we see the business rationale for the acquisition. However, leverage was elevated even before the transaction. The acquisition indicates Boreo's confidence about its progress.

The second acquisition announced this week

Boreo announced today the second acquisition this week (and also this year); Boreo has signed an agreement to acquire sales activities of Elfa Distrelec in Finland, Latvia, Estonia and Lithuania from RS Group. Acquired business is electronics distribution, which Boreo already has through its subsidiaries (e.g., Yleiselektroniikka) - and Boreo represents the seller RS in Finland through th RS Finland business. The acquired business will be combined with Boreo's existing RS activities (currently in Yleiselektroniikka and YE International) to create high-service distributor of industrial and MRO products. The business created roughly EUR 15m sales and EUR 1.1m adj. EBIT. The EV for the transaction is EUR 5.5m (EV/EBIT 5x). Boreo will pay EUR 4m at closing, and EUR 1.5m in three years from closing. The closing is expected to take place in Q3/25. Boreo will fund the acquisition with existing financing facilities. The acquisition adds roughly 11% of sales and 15% oper. EBIT compared to Boreo's 2024 financials

We see clearly the business rationale of the acquisition; Boreo has expertise in electronics distribution. Boreo's acquisitions are not often synergy-driven, but we think that Boreo should be able to generate synergies out if this acquisition. Boreo is able to offer wider offering to its clients, and probably improve operational efficiency. Also, the business has strong cash flow and it is capital light, fitting Boreo's acquisition criteria.

On the other hand, Boreo's leverage was elevated even before the acquisition. Boreo's reported leverage (which does not include hybrids) was 2.8x in the end of 2024, but net debt including hybrid / adj. EBITDA was 5.4x, and Boreo has recently had a strong focus on profitability and de-levering in 2024. After end-2024, Boreo divested a property in Estonia for EUR 1.3m and paid back the remaining EUR 4m of the hybrid bond issued in 2022 (2024 hybrid still outstanding) before announcing Spetsselektroodi acquisition (EUR 0.4m EBIT) yesterday and Elfa Distrelec's sales business acquisition today. If all these had taken place prior end of 2024, we estimate that (pro forma) leverage excl. hybrid would have been roughly 0.5 units higher but leverage incl. hybrid roughly 0.2 units lower (acquisition multiple 5x EBIT is smaller than the 2024 leverage ratio incl. hybrid). We think that these levels are high and the leverage risks remain elevated. The leverage is at risk of exceeding the target level of 2-3x even without hybrid. On the other hand, the announced acquisitions indicate about Boreo's confidence on the operational direction turning, and successful balance sheet management - according to Boreo, demand trend was bottoming across the business areas, and the acquisition helps Boreo getting back to growth. In Q4/24, Boreo extended maturity

of credit facilities to 2027 and loan repayment of EUR 2.5m from 2025 to 2027 to improve short-term liquidity.

Key figures				
(EURm)	2024	2025E	2026E	2027E
Revenues (m)	136	143	149	155
Adj. EBIT	7	8	9	9
PTP (m)	1	3	6	6
EPS	(0.30)	0.16	0.89	1.16
EPS (adjusted)	0.51	0.81	1.16	1.37
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	(16.9)	6.5	4.2	3.7
EPS growth (%)	(63.4)	58.5	43.0	18.0
Operating margin (%)	3.0	3.8	5.3	5.7
Adj. EBIT margin (%)	5.2	5.3	5.8	6.1
ROCE (%)	6.6	7.4	8.9	9.2
Net Debt/EBITDA (x)	5.4	5.0	4.4	3.8
PER (adjusted)	21.3	17.2	12.0	10.2
Dividend yield (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	18.5	3.9	10.0	7.7
P/BV (x)	0.7	0.9	0.8	0.7
EV/EBIT (x)	11.9	11.9	9.9	8.9
EV/Sales (x)	0.62	0.63	0.58	0.54

Source: SEB

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